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REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED 31 MARCH 2007

COMMERCIAL

GOVERNMENT OF MAHARASHTRA

Audit Report (Commercial)-Government of Maharashtra 2006-07

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

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GOVERNMENT OF MAHARASHTRA

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Preface

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

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

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

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

4. In respect of the Maharashtra State Road Transport Corporation, which is a Statutory corporation, the CAG is the sole auditor. As per the State Financial Corporations (Amendment) Act, 2000, the CAG has the right to conduct the audit of accounts of Maharashtra State Financial Corporation in addition to the audit conducted by the Chartered Accountants, appointed by the Corporation out of the panel of auditors approved by the Reserve Bank of India. In respect of Maharashtra State Warehousing Corporation, the CAG has the right to conduct the audit of accounts in addition to the audit conducted by the Chartered Accountants, appointed by the State Government in consultation with the CAG. The audit of accounts of Maharashtra Industrial Development Corporation was entrusted to the CAG under Section 19(3) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 for a period of five years up to 2007-08. In respect of Maharashtra Electricity Regulatory Commission, the CAG is the sole auditor. The Audit Reports on the annual accounts of the Corporations/Commission are forwarded separately to the State Government.

5. The cases mentioned in this Report are those which came to notice in the course of audit during the year 2006-07 as well as those which came to notice in earlier years but not dealt with in the previous Reports. Matters relating to the period subsequent to 2006-07 have also been included, wherever deemed necessary.

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

Overview

1. Overview of Government companies and Statutory corporations

As on 31 March 2007, the State had 77 Public Sector Undertakings (PSUs) comprising of 73 Government companies and four Statutory corporations, as against 76 PSUs as on 31 March 2006. Out of 73 Government companies, 51 were working, while 22 were non-working Government companies. All the four Statutory corporations were working Corporations.

(Paragraph 1.1)

The total investment in working PSUs was Rs.24,562.69 crore as on 31 March 2007 as against Rs.18,701.69 crore as on 31 March 2006. The total investment in non-working PSUs was Rs.794.24 crore and Rs.768.85 crore respectively during the same period.

(Paragraphs 1.2 and 1.16)

The budgetary support in the form of capital, loans, and grants/subsidies disbursed to the working PSUs increased from Rs.2,243.16 crore in 2005-06 to Rs.3,093.70 crore in 2006-07. The State Government guaranteed loans aggregating Rs.3.50 crore to working PSUs during 2006-07. The total amount of outstanding loans guaranteed by the State Government to working PSUs as on 31 March 2007 was Rs.6,358.33 crore.

(Paragraph 1.5)

Four working Government companies and three Statutory corporations finalised their accounts for the year 2006-07. The accounts of 47 working Government companies and one working Statutory corporation were in arrears for periods ranging from one to fifteen years as on 30 September 2007. The accounts of 15 non-working Government companies were in arrears for periods ranging from one to 21 years as on 30 September 2007. Three Companies were under liquidation.

(Paragraphs 1.6 and 1.19)

According to the latest finalised accounts, 23 working Government companies and three working Statutory corporations earned profit aggregating Rs.466.45 crore and Rs.32.96 crore respectively. Against this, 24 working Government companies and one Statutory corporation incurred loss aggregating Rs.672.37 crore and Rs.9.75 crore respectively as per their latest finalised accounts. Of the 24 loss incurring working Government companies, five companies had accumulated losses aggregating Rs.1,602.72 crore, which exceeded their aggregate paid-up capital of Rs.21.20 crore. One loss incurring Statutory corporation had accumulated losses aggregating Rs.622.37 crore, which exceeded its paid-up capital of Rs.9.75 crore.

(Paragraphs 1.7, 1.9 and 1.11)

2. Performance Audits relating to Government companies

Performance Audits relating to **Bandra-Worli Sea Link Project** executed by **Maharashtra State Road Development Corporation Limited, "Accelerated Power Development Reforms Programme" in Maharashtra State Electricity Distribution Company Limited** and **Operational performance of Haffkine Bio-Pharmaceutical Corporation Limited** were conducted and some of the main findings are as under:

Bandra-Worli Sea Link Project executed by Maharashtra State Road Development Corporation Limited

The cost of the Bandra-Worli Sea Link Project originally (July 1999) estimated at Rs.665.81 crore was revised (August 2004) to Rs.1,306.25 crore. Though Packages-I, II and III *i.e.* flyover at Worli, Mahim Intersection, Solid approach road up to the start of toll plaza and a public promenade were completed (February 2003), the crucial Package-IV *i.e.* the main cable stayed bridge across the sea was delayed. The increase in project cost was mainly due to payments of escalation (Rs.213 crore) to Contractors on account of inordinate delay in completion (61 months), introduction of new technical changes in the bridge at the behest of the new Consultant (Rs.70 crore), provision for additional claims made by the Contractor for delay in award of work *etc.* (Rs.125 crore) and increase in interest liability due to delayed completion (Rs.230 crore).

Against a commitment of Rs.580 crore by way of grants, the State Government had provided only Rs.100 crore till June 2007. This forced the Company to borrow funds resulting in additional annual financial burden of Rs.37.05 crore on the project.

The selection process of Consultant (Sverdrup) for the design and project management work was defective, as the Company did not verify the technical parameters as projected by the Consultant. The Consultant though selected based on their high ranking, were paid Rs.19.87 crore as per contractual terms despite their poor performance. The new Consultant (Dar) was selected subsequently despite a poor ranking at the initial evaluation stage.

The Company changed the design of the Worli bridge to "Cable stay" from "Arch bridge" to align with the bridge at Bandra, a decision, which could have been taken at the initial stages itself. This not only increased the cost by Rs.70 crore but also delayed completion of the works of Package-IV. Further, the Consultant was wrongly paid Rs.2.50 crore on account of deleted work.

The Company did not firm up the designs for works relating to Package-II resulting in abandoning of the work costing Rs.1.56 crore and consequential wasteful expenditure of (wrongly paid compensation) Rs.97 lakh for idle men and machinery against contractual provisions.

For execution of Package-III, the Contractor was paid irregular bonus of Rs.3.25 crore.

The Company did not levy liquidated damages amounting to Rs.12.80 crore on the Contractor as per conditions of the contract despite wrongful stoppage of work for 18 months and non-achievement of milestones due to poor progress of work.

(Chapter 2.1)

Performance review on "Accelerated Power Development Reforms Programme" in Maharashtra State Electricity Distribution Company Limited

Accelerated Power Development Reforms Programme was launched (May 2002) to upgrade Sub-Transmission and Distribution networks with the objectives of reducing Transmission and Distribution losses (T&D)/ Aggregate Technical and Commercial (AT&C) losses to 10 *per cent* and 15 *per cent* respectively. Thirty one projects to be implemented by the Company were sanctioned by Government of India (GOI) during 2002-06. Against Rs.325.69 crore received under APDRP, Rs.361.69 crore were raised by the Company and expenditure of Rs.710.53 crore was incurred till March 2007.

Against the prescribed time limit of one week the State Government delayed release of Government of India (GOI) funds to the Company. Besides funds amounting to Rs.110.79 crore were not released in cash by the Government but irregularly adjusted against old dues in contravention of the APDRP guidelines.

In 20 projects taken up for execution, though the works relating to erection of sub stations/HT/LT lines *etc.* were completed to the extent of 91 *per cent*, the metering work was completed to the extent of 50 *per cent*, resulting in non achievement of the intended benefits of the programme of reduction in T&D losses and AT&C losses. In Nagpur Rural and Urban projects of APDRP delay in finalisation of the specifications for meter boxes resulted in execution delays and incomplete metering work.

Monitoring of the programme implementation by the State Level Committee was non existent and monitoring of the programme by the State Government/ Company was inadequate.

(Chapter 2.2)

Performance review on Operational performance of Haffkine Bio-Pharmaceutical Corporation Limited

The Company engaged in manufacture of vaccines, pharmaceutical products and various sera was mainly dependent on vaccine business which was vulnerable due to stiff competition and requirement of Oral Polio Vaccine (OPV) was depleting. The production received set back during 2003-06 due to non availability of United Nations accreditation for the plant and the loss of business was of Rs.89.14 crore during the period. As a result, profit of Rs.35.17 lakh in 2002-03 turned into loss of Rs.3.94 crore in 2005-06.

The actual production of vaccines during the period 2002-07 ranged between 304.21 and 483.08 million lakh units (ML) against the installed capacity of 767.28 lakh ML per annum. The average capacity utilistion was only 44.64 *per cent.*

The manufacture of Neural Tissue Anti Rabbies Vaccine was stopped from 31 December 2004 due to ban imposed by the GOI. The Company could not obtain the technology for manufacture of Tissue Culture Anti Rabies Vaccine from Pasteur Institute of India, Coonor which affected the turnover of the Company and had deprived the general public from getting the vaccine at economical prices.

The Company prepares its production plans of pharma products on the basis of anticipated orders from the State Government hospitals State Government gave purchase preference of 75 *per cent* in pharma products requirement. Despite this, there was under utilisation of installed capacity. Moreover, non compliance with Schedule 'M' requirements resulted in suspension of manufacturing licence of the Company for pharma products.

(Paragraph 2.3)

3. Performance Audits relating to Statutory corporations

Performance Audits relating to **Fleet utilisation of Maharashtra State Road Transport Corporation,** and **Performance Audit on Implementation of projects under Assistance to States for Developing Export Infrastructure and Allied Activities (ASIDE) Scheme** and **Information Technology review on 'Geographical information system enabled land management system'** relating to **Maharashtra Industrial Development Corporation** were conducted and some of the main findings are as follows:

Fleet utilisation of Maharashtra State Road Transport Corporation

Fleet owned by the Corporation decreased from 16,468 (March 2003) to 15,111 (March 2007). The Corporation continuously incurred operational losses due to increased operational cost and marginal increase in revenue. The operational losses were mainly attributable to poor load factor coupled with uneconomic services, cancellation of scheduled trips *etc.*

The Corporation's overaged fleet (more than ten years old) was five *per cent* of its vehicles strength. As against ASRTU norms of 60 *per cent* vehicles of transport undertaking with less than four years of life, the Corporation had 40 *per cent* vehicles which were less than four years old.

The Corporation incurred loss of Rs.1,331.26 crore due to operation of uneconomical routes (at the behest of State Government), Mini buses, Janata services, Irizer buses, city services, forced cancellation of kilometres, increase in dead kilometres and excess consumption of diesel.

The Corporation incurred loss of Rs.27.01 crore due to avoidable delays in repairs and maintenance of vehicles. Further, it also incurred unfruitful expenditure of Rs.0.19 crore due to premature failure of reconditioned engines.

(Chapter 3.1)

Implementation of projects under Assistance to States for Developing Export Infrastructure and Allied Activities (ASIDE) Scheme

The Corporation implemented the Scheme for Assistance to States for Developing Export Infrastructure and Allied Activities (ASIDE) for developing infrastructure for export promotion. Out of 36 projects approved under the Scheme, 22 projects were completed, of which only six were completed in time, seven projects were deferred/abandoned/ transferred and seven projects were in progress including one for which tender was yet to be finalised. The Corporation due to lack of planning could not utilise the funds within the same year as per the guidelines. The project reports prepared by the consultant were deficient and the export data/information included therein were not based on proper and authentic study.

The project reports prepared by the MITCON Consultants were deficient and the export data/information included therein were not based on proper and authentic study. The Corporation incurred huge expenditure of Rs.28.68 crore for upgradation of the five airstrips at Nanded, Latur, Solapur, Kolhapur and Karad. As there were no cargo exports the expenditure incurred on upgradation of these air strips proved infructuous and thus defeating the objectives of the ASIDE Scheme.

The infrastructure created from Scheme funds for the two wine parks at Nashik and Sangli at a cost of Rs.4.47 crore was underutilised and there was negligible export from one unit only. The Corporation did not have data on exports from the Floriculture park at Talegaon district Pune, despite huge investment of Rs.50.45 crore on infrastructure created under ASIDE.

In construction of a Rail Over Bridge at Taloja in Raigad district the contract was awarded by the Corporation before finalising the drawings and designs resulting in wasteful expenditure of Rs.16.48 lakh and extra expenditure of Rs.55.28 lakh due to extra items.

The project of Bio-Technology Park developed at a total cost of Rs.13.15 crore in Additional Jalna Industrial Area during February 2003 to March 2006, remained unutilised as no production activity started in the area. There was also extra expenditure of Rs.1.11 crore due to delay in finalisation of offers.

(Chapter 3.2)

Information technology review on 'Geographical information system enabled land management system' of Maharashtra Industrial Development Corporation

The objective of the Land Management System (LMS) was to bring about the improvement in efficiency and effectiveness in transactions relating to land. Geographical Information System (GIS) was developed to make available information regarding plots, roads, pipelines, drainage, streetlights *etc.* There were inherent weaknesses in the system, most of the land management related functions were being done manually and the use of the legacy FoxPro system continued and system was kept idle.

Frequent change in user requirements and system specification resulted in non completion of LMS even after eight years.

Lack of physical and logical access controls made the system vulnerable to data manipulation and the Corporation had yet to formulate a well documented Disaster Recovery and Business Continuity Plan.

(Chapter 3.3)

4. Transaction audit observations

Audit observations included in this Chapter highlight deficiencies in the management of PSUs, involving serious financial irregularities. The irregularities pointed out are broadly of the following nature:

- Loss of revenue of Rs.37.04 crore in five cases due to irregularities in toll collection contracts, non leasing of duct, delay in submission of claim of fuel cost adjustment and non development of plot for tourism.

  (Paragraphs 4.5,4.8,4.11,4.12 and 4.18)

- Extra/wasteful/avoidable unfruitful expenditure of Rs.16.96 crore in six cases due to delay in finalisation of tender, delay in award of work, avoidable expenditure on electrical charges, escalation payment due to failure to levy toll, purchase of fire extinguishers.

  (Paragraphs 4.1,4.2,4.3,4.6,4.10 and 4.20)

- Irregular expenditure of Rs.2.55 crore in three cases on account of, irregular expenditure on vehicles, compensation paid under VRS and expenditure on renovation of office.

  (Paragraphs 4.24, 4.26 and 4.27)

- Expenditure of Rs.0.61 crore in two cases on creation and winding of subsidiaries and vehicle counting machines at toll centre proved unfruitful/wasteful.

(Paragraphs 4.16 and 4.17)

- Violation of contractual obligations and undue favour to the contractors resulted in loss of Rs.38.51 crore in seven cases.

(Paragraphs 4.4,4.14,4.19,4.21,4.22,4.23 and 4.28)

- Loss due to short recovery of electricity charges, execution of financially unviable project, non recovery of toll dues and excess payment of fuel charges resulted in loss of Rs.16.89 crore in four cases.

(Paragraphs 4.9,4.13,4.15 and 4.25)

- Due to inadequate internal controls on financial assistance schemes resulted in non recovery of dues of Rs.4.19 crore in one case.

(Paragraph 4.7)

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

The **City and Industrial Development Corporation of Maharashtra Limited** incurred extra expenditure of Rs.2.55 crore due to avoidable delay in award of works. The Company also extended undue benefit of Rs.1.63 crore to Bharati Vidyapeeth an educational institution, by changing price structure for allotment of plots for higher education.

(Paragraphs 4.3 and 4.4)

The **Maharashtra State Electricity Distribution Company Limited** failed to submit fixed transit losses in its claim for fuel adjustment cost within stipulated period resulting in loss of revenue of Rs.10.57 crore. The Company wrongly categorised the 'Centre One Mall' at Navi Mumbai as industrial consumer instead of a commercial consumer which resulted in short recovery of electrical charges of Rs.93.38 lakh from the consumer.

(Paragraphs 4.8 and 4.9)

The **Maharashtra State Road Development Corporation Limited** suffered loss of Rs.5.93 crore in toll collection contract due to fixation of lower reserve price and unnecessary burden of toll was passed on to the general public for 15 years. The Company did not make efforts for leasing out telecom ducts resulting in loss of revenue for four years amounting to Rs.14.68 crore. The Company also incurred idle expenditure of Rs.31.42 lakh on vehicle counting machine at Lahuki Nalla on Aurangabad-Jalna Road.

(Paragraphs 4.11, 4.12 and 4.17)

Failure on the part of the **Maharashtra Tourism Development Corporation Limited** to fulfil its obligation regarding removal of encroachments from the land at Mithbav, Sindhudurg district of Konkan coast resulted in non recovery of lease rent from East India Hotels Limited, New Delhi and thus loss of revenue of Rs.5.05 crore. Similarly, the Company allowed Indigo Hotels Private Limited, Pune to enjoy the benefits of property at Mahabaleshwar without recovering lease rent to the tune of Rs.96.24 lakh.

(Paragraphs 4.18 and 4.19)

The **Maharashtra Small Scale Industries Development Corporation Limited** incurred extra expenditure of Rs.1.80 crore on purchase of fire extinguishers for schools in the State due to failure to check the reasonability of rates.

(Paragraph 4.20)

The **Shivshahi Punarvasan Prakalp Limited** made excess payment of Rs.3.13 crore to a project management consultant in violation of the terms of Agreement.

(Paragraph 4.22)

The **Maharashtra State Road Transport Corporation** paid excess fuel charges of Rs.2.07 crore due to non verification of bills raised by Indian Oil Corporation Limited.

(Paragraph 4.25)

The **Maharashtra Industrial Development Corporation** incurred expenditure of Rs.1.52 crore on renovation of Ministers'/Secretary's offices/residence in violation of Government directives. The Corporation suffered loss of Rs.1.19 crore in allotment of plots at Latur and extended undue benefits to Vilasrao Deshmukh Foundation, Mumbai (Trust).

(Paragraphs 4.27 and 4.28)

Chapter-I

1. Overview of Government companies and Statutory corporations

Introduction

1.1 As on 31 March 2007 there were 73 Government companies (51 working and 22 non-working companies•) and four working Statutory corporations as against 72 Government companies (52 working companies and 20 non-working companies) and four working Statutory corporations as on 31 March 2006 under the control of the State Government. During the year 2006-07 one# new company came under the audit purview of the Comptroller and Auditor General of India (CAG). In addition, the State had formed the Maharashtra Electricity Regulatory Commission (MERC) whose audit is conducted by the CAG under Section 104(2) of the Electricity Act, 2003$. The accounts of the Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors appointed by the CAG as per the Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit by the CAG as per the provisions of Section 619 of the Companies Act, 1956. The audit arrangements in respect of Statutory corporations are as shown below:

Sl. No.	Name of the Statutory corporations	Authority for audit by the Comptroller and Auditor General of India	Audit arrangement
1	2	3	4
1.	Maharashtra State Road Transport Corporation	Section 33(2) of the Road Transport Corporations Act, 1950	Sole audit by CAG
2.	Maharashtra State Financial Corporation	Section 37(6) of the State Financial Corporations Act, 1951	Statutory audit by Chartered Accountants and supplementary audit by CAG
3.	Maharashtra State Warehousing Corporation	Section 31(8) of the Warehousing Corporations Act, 1962	Statutory audit by Chartered Accountants and supplementary audit by CAG
4.	Maharashtra Industrial Development Corporation	Maharashtra Industrial Development Act, 1961 and Section 19(3) of CAG's (Duties, Powers and Conditions of Service) Act, 1971	Sole audit entrusted by the State Government to CAG up to 2006-07.

• Non-working companies are those which are defunct and are under the process of liquidation/closure/merger.

Mahaguj Collieries Limited.

$ The erstwhile Electricity Regulatory Commission Act, 1998 replaced by the Electricity Act, 2003.

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Working Public Sector Undertakings (PSUs)

Investment in working PSUs

1.2 The total investment[$] in 55 working PSUs (51 Government companies and four Statutory corporations) at the end of March 2007 as against 56 working PSUs (52 Government companies and four Statutory corporations) at the end of March 2006 was as follows:

(Amount: Rupees in crore)

Year	Number of working PSUs	Investment in working PSUs			
		Equity	Share application money	Loans[•]	Total
2005-06	56	6,685.01	173.63	11,843.05	**18,701.69**
2006-07	55	10,223.23	148.54	14,190.92	**24,562.69**

Sector wise investment in working Government companies and Statutory corporations

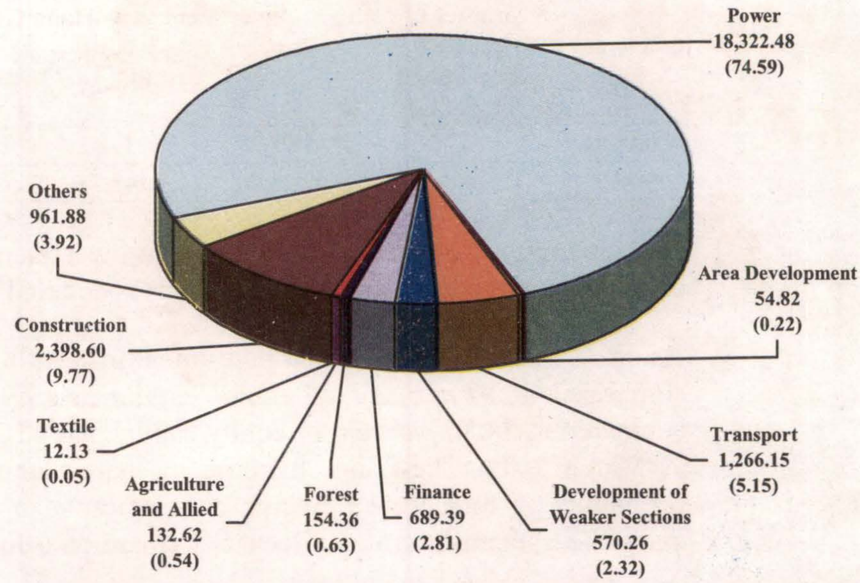
The investment (equity and long term loans) in various sectors and percentage

[$] Investment by way of equity, share application money and loans in working PSUs by State Government is Rs.3,723.92 crore as per the data furnished by the PSUs (**Annexure-1**) whereas as per the Finance Accounts 2006-07, the amount is Rs.2,120.66 crore. The difference is under reconciliation.

[•] Long term loans mentioned in Paragraphs 1.2, 1.3, 1.4 and 1.22 are excluding interest accrued and due on such loans.

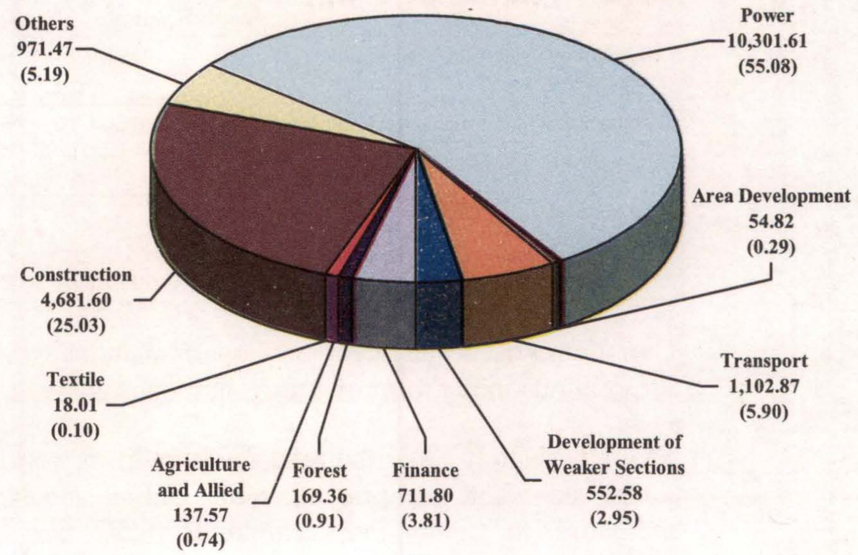
thereof at the end of March 2007 and March 2006 are shown below in the pie charts:

Investment as on 31 March 2007 (Rs.24,562.69 crore)
(Rupees in crore)



(Figures in brackets indicate percentage of investment)

Investment as on 31 March 2006 (Rs.18,701.69 crore)
(Rupees in crore)



(Figures in brackets indicate percentage of investment)

Working Government companies

1.3 The total investment in working Government companies at the end of March 2006 and March 2007 was as follows:

(Amount: Rupees in crore)

Year	Number of working Government companies	Investment in working Government Companies			
		Equity	Share application money	Loans	Total
2005-06	52	5,689.85	173.62	10,984.52	16,847.99
2006-07	51	9,079.31	148.53	13,348.00	22,575.84

The summarised statement of Government investment in working Government companies in the form of equity and loans is detailed in **Annexure-1**.

As on 31 March 2007, the total investment in working Government companies comprised 40.87 *per cent* of equity capital and 59.13 *per cent* of loans as compared to 34.80 *per cent* of equity capital and 65.20 *per cent* of loans as on 31 March 2006. The major increase in share capital and loans was due to formation of four Power Sector companies as a result of unbundling of erstwhile Maharashtra State Electricity Board on 6 June 2005.

Working Statutory corporations

1.4 The total investment in the working Statutory corporations at the end of March 2006 and March 2007 was as follows:

(Amount: Rupees in crore)

Name of corporation	2005-06		2006-07	
	Capital	Loans	Capital	Loans
Maharashtra State Road Transport Corporation	923.81	179.06	1,072.57	193.58
Maharashtra State Financial Corporation	62.64	662.49	62.65	626.74
Maharashtra State Warehousing Corporation	8.71	18.19	8.71*	15.00*
Maharashtra Industrial Development Corporation	---#	7.60	---#	7.60
Total	**995.16**	**867.34**	**1,143.93**	**842.92**

The summarised statement of Government investment in working Statutory corporations in the form of equity and loans is given in **Annexure-1.**

As on 31 March 2007, the total investment in working Statutory corporations comprised 57.58 *per cent* of equity capital and 42.42 *per cent* of loans as compared to 53.43 *per cent* and 46.57 *per cent* respectively as on 31 March 2006.

* Figures for 2006-07 are provisional.

The Corporation did not have the equity share capital.

Budgetary outgo, grants/subsidies, guarantees, waiver of dues and conversion of loans into equity

1.5 The details regarding budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the State Government to working Government companies and working Statutory corporations are given in **Annexures-1** and **3**.

The budgetary outgo (in the form of equity capital and loans) and grants/subsidies from the State Government to working Government companies and working Statutory corporations for the three years up to 2006-07 are given below:

(Amount : Rupees in crore)

Particulars	2004-05				2005-06				2006-07			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity capital outgo from budget	7	70.77	1	127.80	10	71.90	1	138.57	7	429.89	1	148.76
Loans given from budget	3	13.38	1	179.64	2	1,260.98	--	--	1	94.30	--	--
Other grants/ subsidy	13	248.37	1	5,790.40	13	771.71	--	--	8	2,420.75	--	--
Total outgo		**332.52**		**6,097.84**		**2,104.59**		**138.57**		**2,944.94**		**148.76**

During the year 2006-07, the Government had guaranteed loans aggregating Rs.3.50 crore, obtained by one[@] working Government company. No guarantees were given to the Corporations during 2006-07. At the end of the year, guarantees amounting to Rs.6,358.33 crore against 10 working Government companies (Rs.6,350.73 crore) and one Statutory corporation (Rs.7.60 crore) were outstanding. The guarantee commission paid/payable to the Government by seven working Government companies (Rs.557.04 crore) and by one Statutory corporation (Rs.4.92 crore) during 2006-07 was Rs.561.96 crore. Nineteen Companies and one Statutory Corporation had not supplied the information relating to guarantee fee paid or payable to the State Government.

Finalisation of accounts by working PSUs

1.6 The accounts of the companies for every financial year are required to be finalised within six months from the end of relevant financial year under Section 166, 210, 230, 619 and 619-B of the Companies Act, 1956 read with Section 19 of Comptroller and Auditor General's (Duties, Power and Conditions of Service) Act, 1971. They are also to be laid before the

[@] Maharashtra State Handlooms Corporation Limited.

Legislature within nine months from the end of financial year. Similarly, in case of Statutory corporations their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective statutes.

As could be noticed from **Annexure-2,** out of 51 working Government companies and four Statutory corporations, only four[#] working Government companies and three[$] Statutory corporations have finalised their accounts for the year 2006-07 within the stipulated period. During the period from October 2006 to September 2007, 36 working companies finalised 41 accounts of previous years. Similarly, during this period, one Statutory corporation finalised one account for previous year.

The accounts of 47 working Government companies and one Statutory corporation were in arrears for periods ranging from one to 15 years as on 30 September 2007, as detailed below.

Sl. No.	Number of working		Period for which accounts were in arrears	Number of years for which accounts were in arrears	Reference to Sl. No. of Annexure-2	
	Government Companies	Statutory corporation			Government Companies	Statutory corporation
1	1	--	1992-93 to 2006-07	15	A-29	--
2	1	--	1994-95 to 2006-07	13	A- 48	--
3	1	--	1995-96 to 2006-07	12	A-37	--
4	2	--	1996-97 to 2006-07	11	A-30 and 31	--
5	2	--	1998-99 to 2006-07	9	A-26 and 47	--
6	1	--	1999-00 to 2006-07	8	A-4	--
7	1	--	2001-02 to 2006-07	6	A-6	--
8	7	--	2002-03 to 2006-07	5	A-10, 17, 27, 32, 33, 34 and 38	--
9	1	--	2003-04 to 2006-07	4	A-8	--
10	3	--	2004-05 to 2006-07	3	A-5,22 and 51	--
11	5	--	2005-06 to 2006-07	2	A-7,16,36,41 and 49	--
12	22	1	2006-07	1	A-1,2,3,9,11, 12,13,14,15, 20, 21,23,24, 25,35,39,40, 42, 43, 44,45 and 50	B-3
Total	**47**	**1**				

[#]Maharashtra Urban Infrastructure Development Company Limited, Maharashtra Urban Infrastructure Fund Trustee Company Limited, Western Maharashtra Development Corporation Limited and Krupanidhi Limited.

[$]Maharashtra State Road Transport Corporation, Maharashtra State Financial Corporation, and Maharashtra Industrial Development Corporation.

It is the responsibility of the administrative departments to oversee and ensure that the accounts are finalised and adopted by the PSUs within the prescribed period. Though the concerned administrative departments and officials of the Government were apprised quarterly by the Accountant General regarding arrears in finalisation of accounts, no effective measures had been taken by the Government and as a result, the net worth of these PSUs could not be assessed in audit.

Financial position and working results of working PSUs

1.7 The summarised financial results of working PSUs (Government companies and Statutory corporations) as per their latest finalised accounts are given in **Annexure-2**. Besides, statements showing the financial position and working results of individual working Statutory corporations for the latest three years are given in **Annexures-4** and **5** respectively.

According to the latest finalised accounts, out of 51 working Government companies and four working Statutory corporations, 24 companies and one corporation had incurred losses for the respective years aggregating Rs.672.37 crore and Rs.9.75 crore respectively; whereas 23 companies and three corporations (Maharashtra State Road Transport Corporation, Maharashtra State Warehousing Corporation and Maharashtra Industrial Development Corporation) earned an aggregate profit of Rs.466.45 crore and Rs.32.96 crore respectively. Two companies (Maharashtra State Electricity Board Holding Company Limited and Mahaguj Collieries Limited) had not submitted their first accounts, one company (Maharashtra State Police Housing and Welfare Corporation Limited) had capitalised excess of expenditure over income and one company (Krupanidhi Limited) had recovered excess of expenditure over income from its shareholders.

Working Government companies

Profit earning working Government companies

1.8 Out of four[&] working Government companies which finalised their accounts for 2006-07 by September 2007, one company (Western Maharashtra Development Corporation Limited) earned profit of Rs.2.18 crore but did not declare any dividend. One company (Krupanidhi Limited) had recovered excess of expenditure over income from its shareholders.

Similarly, out of 45[@] working Government companies which finalised their accounts for previous years by September 2007, 22 Companies earned an aggregate profit of Rs.464.27 crore and only 13[♦] Companies earned profit for two or more successive years. One company (Maharashtra State Police

[&] Maharashtra Urban Infrastructure Development Company Limited, Maharashtra Urban Infrastructure Fund Trustee Company Limited, Western Maharashtra Development Corporation Limited and Krupanidhi Limited.

[@] Excluding two companies (Maharashtra State Electricity Board Holding Company Limited and Mahaguj Collieries Limited) which have not finalised their first accounts.

[♦] Sl. No. A-11,12,13,16,28,30,33,34,35,38,39,40 and 49 of **Annexure-2**.

Housing and Welfare Corporation Limited) had capitalised excess of expenditure over income.

Loss incurring working Government companies

1.9 Of the 24 loss incurring working Government companies, five[•] working Government companies had accumulated losses aggregating Rs.1,602.72 crore, which exceeded their aggregate paid-up capital of Rs.21.20 crore. The State Government had not provided any financial support to these five companies during 2006-07.

Working Statutory corporations

Profit earning Statutory corporations

1.10 Out of three working Statutory corporations which finalised their accounts for 2006-07 by September 2007, two corporations (Maharashtra State Road Transport Corporation and Maharashtra Industrial Development Corporation) earned an aggregate profit of Rs.15.42 crore but did not declare any dividend.

Similarly, one working Statutory corporation (Maharashtra State Warehousing Corporation) which finalised its accounts for previous year by September 2007, earned a profit of Rs.17.54 crore and it earned profit for more than two successive years.

Loss incurring Statutory corporation

1.11 The only loss incurring working Statutory corporation (Maharashtra State Financial Corporation) had the accumulated loss of Rs.622.37 crore, which exceeded its paid up capital of Rs.9.75 crore. The State Government had not provided any financial support to this corporation during 2006-07.

Operational performance of working Statutory corporations

1.12 The operational performance of the working Statutory corporations is given in **Annexure-6.**

The disbursements in respect of Maharashtra State Financial Corporation, had decreased from Rs.1.12 crore in 2005-06 to Nil in 2006-07 and the overdue amount increased from Rs.1,285.03 crore in 2005-06 to Rs.1,312.99 crore in 2006-07.

[•]MAFCO Limited, Maharashtra Fisheries Development Corporation Limited, Maharashtra State Farming Corporation Limited, Maharashtra State Road Development Corporation Limited and Development Corporation of Vidarbha Limited.

Return on capital employed

1.13 As per the latest finalised accounts (up to September 2007), the capital employed[$] worked out to Rs.24,097.69 crore in 46[*] working companies and total return[#] thereon was Rs.793.34 crore (3.29 *per cent*) as compared to a total return of Rs.47.04 crore (0.73 *per cent*) in the previous year (accounts finalised up to September 2006). Similarly, the capital employed and total return thereon in the case of working Statutory corporations as per their latest finalised accounts (up to September 2007) worked out to Rs.1,066.99 crore and Rs.130.24 crore (12.21 *per cent)* respectively as against the total return of Rs.62.39 crore (11.40 *per cent*) in the previous year (accounts finalised up to September 2006). The details of capital employed and total return on capital employed in the case of working Government companies and Statutory corporations are given in **Annexure-2**.

Power Sector Reforms

1.14 The erstwhile Maharashtra State Electricity Board was restructured and four new State Government Companies were formed with effect from 6 June 2005. Accelerated Power Development Reforms Programme a Government of India Scheme, was implemented in the State from 2002-03 onwards for upgradation of the distribution network with the objective of reducing Transmission and Distribution (T&D) losses and aggregate Technical & Commercial (AT&C) losses to 10 and 15 *per cent* respectively.

The T&D losses of the Maharashtra State Electricity Distribution Company Limited decreased from 38.20 *per cent* in 2003-04 to 33.80 *per cent* in 2006-07 while AT&C losses decreased from 44.18 *per cent* in 2003-04 to 37.78 *per cent* 2006-07.

Maharashtra Electricity Regulatory Commission

1.15 Maharashtra Electricity Regulatory Commission (Commission) was formed on 5 August 1999 under Section 17 of the Electricity Regulatory Commissions Act, 1998[*] with the objective of determining electricity tariff, advising on matters relating to electricity generation, transmission, distribution *etc*., in the State. Their orders under section 62 of Electricity Act, 2003 are appealable before the Central Appellate Tribunal. The Commission is a body

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

[*] This does not include two companies (Sl. No. A-41 and A-45 of **Annexure-2**) whose first accounts are awaited, one company (Sl No. A-14 of **Annexure-2**) which had capitalised its excess of expenditure over income, one company (Sl. No. A-50 of **Annexure-2**) whose part expenditure (financial and Administrative Expenses) was recouped from Government grant, and one company (Sl. No. A-46 of **Annexure-2**) which had recovered its excess of expenditure over income from its shareholders.

[#] For calculating total return on capital employed, interest on borrowed fund is added to net profit/subtracted from the loss as disclosed in the profit and loss account.

[*] Since replaced by the Electricity Act, 2003.

corporate and comprises three members including a Chairman, who are appointed by the State Government. The audit of accounts of the Commission is conducted by the CAG under Section 104(2) of the Electricity Act, 2003. The Commission had finalised its accounts up to 2004-05 (as on 30 September 2007) and had an excess of income[$] over expenditure of Rs.1.02 crore during the year.

Non-working Public Sector Undertakings (PSUs)

Investment in Non-working PSUs

1.16 The total investment in 22 non-working PSUs (all Government Companies) at the end of March 2006 and March 2007 was as follows:

(Amount: Rupees in crore)

Year	Number of non-working PSUs	Investment in non-working PSUs			
		Equity	Share application money	Loans	Total
2005-06	20	310.97	0.20	457.68	**768.85**
2006-07	22	321.33	0.20	472.71	**794.24**[@]

The increase in investment was due to two working companies (Godavari Garments Limited and Chitali Distillery Limited) becoming non working companies during the year.

The classification of the non-working PSUs is as under:

(Amount: Rupees in crore)

Status of non-working PSUs	Number of companies	Investment in companies	
		Equity	Long-term loans
Under liquidation	3	20.50	0.58
Under closure	10	264.20	322.14
Others[♦]	9	36.83	149.99
Total	**22**	**321.53**	472.71

(Note: There is no non-working Statutory corporation)

Of the above 22 non-working PSUs, thirteen Government companies were under liquidation or closure under Section 560 of the Companies Act, 1956 for one to 21 years. Substantial investment of Rs.607.42 crore is involved in these companies. Effective steps need to be taken for their expeditious liquidation or revival.

[$] The income includes grants of Rs.2.66 crore received from State Government.

[@] Investment by way of equity, share application money and loans in non-working PSUs by State Government is Rs.694.41 crore as per the data furnished by the PSUs **(Annexure-1)** whereas as per the Finance Accounts for the year 2006-07, the amount is Rs.420.43 crore. The difference is under reconciliation.

[♦] Activities have been stopped, accounts are yet to be finalised, and action has not been initiated for their closure.

Budgetary outgo, grants/subsidies, guarantees, waiver of dues and conversion of loans into equity

1.17 The details regarding budgetary outgo in the form of equity and loans by the State Government in respect of non-working PSUs[#] are given in **Annexures-1**. The State Government had not provided any financial support to non working companies by way of grant/subsidy, guarantees, waiver of dues and conversion of loans into equity during 2006-07.

Total establishment expenditure of non-working PSUs

1.18 The year-wise details of establishment expenditure incurred by non-working companies (there is no non-working Statutory corporation in the State) and the sources of financing them during the last three years up to 2006-07 are given below:

(Amount: Rupees in lakh)

Year	Number of PSUs[+]	Total establishment expenditure	Financed by		
			Disposal of investment/assets	Government by way of loans	Others[@]
2004-05	12	667.57	457.20	--	210.37
2005-06	10	413.97	63.18	22.01	328.78
2006-07	14	464.29	5.98	5.00	453.31

Finalisation of accounts by non-working PSUs

1.19 Out of, 22 non-working Government companies, four Companies finalised their accounts for the year 2006-07. The accounts of 15 non-working companies were in arrears for periods ranging from one to 21 years as on 30 September 2007. Three[®] companies are under liquidation.

Financial position and working results of non-working PSUs

1.20 The summarised financial results of non-working Government companies as per their latest finalised accounts are given in **Annexure-2.**

The net worth* of 22 non-working Government companies against their paid-up capital of Rs.321.38 crore was Rs.(-) 505.84 crore. These companies suffered cash loss of Rs.20.67 crore and their accumulated loss worked out to Rs.1,090.46 crore.

[#] Information in respect of three companies was not received (Irrigation Development Corporation of Maharashtra Limited, Sahyadri Glass Works Limited and The Overseas Employment and Export Promotion Corporation of Maharashtra Limited).

[+] There was no establishment expenditure in respect of remaining non-working companies.

[@] Financed by holding company.

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

* Net worth represents paid-up capital *plus* free reserves less accumulated loss.

Status of placement of Separate Audit Reports of Statutory Corporations in Legislative Assembly

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

Sl. No.	Name of Statutory Corporation	Year up to which SAR placed in Legislature	Years for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in the Legislature
1	Maharashtra State Road Transport Corporation	2004-05	2005-06	18 April 2007	Being presented in Winter Session 2007
2	Maharashtra State Warehousing Corporation	2004-05	2005-06	7 June 2007	Under submission to the Legislature by the Government.
3	Maharashtra Industrial Development Corporation	2004-05	2005-06	19 July 2007	Being presented in Winter Session 2007

Results of audit of accounts of PSUs by Comptroller and Auditor General of India

1.22 During the period from October 2006 to September 2007, 56 accounts of 40 Government companies (24 working and 16 non-working) were selected for audit. The net impact of the important audit observations issued as a result of audit of their accounts was as follows:

Sl. No.	Details	Number of accounts			*(Amount: Rupees in crore)*		
		Government companies		Statutory corporations	Government companies		Statutory corporations
		Working	Non-working		Working	Non-working	
1	Decrease in profit	1	--	2	0.14	--	1.23
2	Increase in profit	1	--	--	0.05	--	--
3	Increase in loss	2	1	--	0.69	0.09	--
4	Decrease in loss	1	--	1	0.05	--	0.61
5	Non-disclosure of material facts	4	1	--	62.28	0.46	--

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

Errors and omissions noticed in case of Government Companies and Statutory Corporations

Maharashtra State Electricity Distribution Company Limited (2005-06)

1.23 The accounts of erstwhile Maharashtra State Electricity Board for the period from 01 April to 2005 June 2005 were closed on 29 July 2006 consequent up on its unbundling into four Power Sector Companies with effect from 6 June 2005. Maharashtra State Electricity Distribution Company Limited selectively re-opened the accounts of the erstwhile Board (for the period 1 April to 5 June 2005) and accounted income of Rs.569.51 crore in respect of Fuel Cost Adjustment Charges (FCA) pertaining to the period from February to May 2005 but billed subsequently. However, revenue expenditure of Rs.16.01 crore pertaining to the period up to 5 June 2005, was not provided for resulting in overstatement of surplus of erstwhile Board to that extent.

1.24 The Company withdrew Rs.320.72 crore being the difference between the rates approved by MERC and notional rates charged by it to the consumer. However, the company has not adjusted this amount by reducing the purchase cost, resulting in overstatement of 'Purchase of Power' and 'deficit' by Rs.320.72 crore each.

1.25 Receivables against supply of power included Rs.70.20 crore being fictitious arrears pertaining to old periods but not withdrawn due to non-availability of records. Similarly, receivables were overstated by Rs.71.50 crore due to double accounting of receivable from Sister Company MSPGC, resulting in overstatement of receivables by Rs.141.70 crore and corresponding understatement of deficit (Rs.70.20 crore) and current liabilities (Rs.71.50 crore).

Maharashtra State Power Generation Company Limited (2005-06)

1.26 On review of technical statements regarding generation and sale of Power by the company it was seen that there was advance billing of 66.4482 million units pertaining to 1 April 2006, which related to next year accounts (2006-07). This has resulted in overstatement of revenue from sale of power by Rs.10.09 crore.

1.27 The revenue includes sale of power of Rs.8.12 crore to the consumers in power station colonies. As the sale of power was on behalf of MSEDCL (sister concern of the company) the revenue should have been shown as payable to MSEDCL. Thus, the revenue from sale of energy was overstated by Rs.8.12 crore.

1.28 The actual expenditure on employees cost (Rs.18.94 crore) and Administrative and General expenditure (Rs.7.28 crore) was Rs.26.22 crore only. However, the Company had capitalised Rs.33.45 crore towards employees cost and Administrative and General expenses of Head office, resulting in understatement of expenditure and overstatement of surplus by Rs.7.23 crore.

Maharashtra State Road Development Corporation Limited (2005-06)

1.29 Amount of Rs.402.93 crore to be written-off (Deducted item)-Advance to Ideal Road Builders represents advance payable by the Company to the contractor towards construction of NH-4 which should have been exhibited under capital work in-progress. The company instead adjusted this amount against the toll income of Rs.1,321 crore receivable from the same contractor, resulting in understatement of capital work-in-progress by Rs.402.93 crore and understatement of liabilities – 'Advance Receipts' by the same amount.

Maharashtra Tourism Development Corporation Limited (2001-02)

1.30 As per Accounting Standard (AS)-12, Government grants are recognised in the accounts only if there is reasonable assurance that the enterprise will comply with the conditions attached to them and where such benefits have been earned by the company and it is reasonably certain that the ultimate collection will be made. Contrary to these provisions, the Government grants are being accounted for on accrual basis and the grants receivables included capital grants receivable of Rs.16.64 crore pertaining to dropped projects and projects not started, resulting in overstatement of current Assets with corresponding overstatement of Grant-in-Aid (Capital Grants)-Current Liabilities by Rs.16.64 crore each.

Maharashtra State Mining Corporation Limited (2005-06)

1.31 The Company did not provide for legally payable Gram Panchayat Tax of Rs.13.16 lakh on pohara mines which resulted in understatement of expenditure and overstatement of profit to that extent.

Maharashtra State Warehousing Corporation (2005-06)

1.32 Provision for Income tax was overstated by Rs.67 lakh due to non-withdrawal of excess provision towards Income tax for the financial year 2002-03 in respect of which tax assessment was completed during the year.

Internal audit/internal control

1.33 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report on various aspects including the internal control/internal audit system in the Government companies audited in accordance with the directions issued to them by the Comptroller and Auditor General of India under Section 619(3)(a) of the Companies Act, 1956 and to identify the areas which needed improvement. An illustrative resume of major recommendations/comments made by the Statutory Auditors on possible improvement in the internal audit/internal control system in respect of State Government companies is indicated below:

Nature of recommendations/ comments made by the Statutory Auditors	Number of Companies where recommendations/ comments were made	Reference to serial number of Annexure-2
Inadequate financial control	7	A-3,9,17, 30,34,42 and C-9
No regular/satisfactory reconciliation of accounts	1	A-48
Inadequate internal audit system	14	A-1,3,4,9,11,14, 30,32,34,38,40,42,48 and C-9
Non-preparation of investment policy	11	A-1,2,3,4,11,28,30,35, C-1,4,9
Non/improper maintenance of fixed assets registers	10	A-3,4,11,14,30,38,39, 42, 48 and C-9
Maximum-minimum limits of stocks were not prescribed	7	A-3,11,38,39,40 and 42 C-21

Recommendations for closure of PSUs

1.34 Even after completion of five years of their existence, the individual annual turnover of 41* Government companies (working: 22 and non-working: 19) had been less than rupees five crore in each of the preceding five years as per their latest finalised accounts. Similarly, three[@] Government companies (working : two and non working : one) had been incurring losses for five consecutive years (as per their latest finalised accounts) leading to negative net worth. In view of poor turnover and continuous losses, the Government may either improve the performance of these 44 Government companies or consider their closure.

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

1.35 During October 2006 to September 2007, the COPU held 32 meetings and discussed 45 paragraphs and eight reviews pertaining to the Audit Reports (Commercial) for the years 2001-02 to 2004-05. The year-wise position of

* Sl. No. A-4, 5, 9, 13, 14, 18, 19, 20, 26, 27, 29, 30, 31, 32, 33, 34, 35, 36, 37, 46, 47 and 51, C-1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 14, 15, 16, 18, 19, 20 and 21 of **Annexure-2.**

@ Sl. No. A-3, 6 and C-17 of **Annexure-2.**

reviews/paragraphs appearing in the Audit Reports (Commercial) and discussed by COPU as on 30 September 2007 was as under:

Period of Audit Report	No. of reviews and paragraphs			
	Appeared in the Audit Report		Discussed	
	Reviews	Paragraphs	Reviews	Paragraphs
2001-02	4	20	4	20
2002-03	4	24	4	24
2003-04	4	25	2	24
2004-05	3	19	1	10
2005-06	3	17	--	--
Total	**18**	**105**	**11**	**78**

619-B Companies

1.36 There were four companies (all working) falling under the purview of Section 619-B of the Companies Act, 1956. **Annexure-7** gives the details of paid-up capital, investment by way of equity, loans and grants and summarised working results of these companies based on their latest finalised accounts.

Chapter-II

2. Performance reviews relating to Government companies

Maharashtra State Road Development Corporation Limited

2.1 Bandra-Worli Sea Link Project

Highlights

The cost of the Bandra-Worli Sea Link Project originally (July 1999) estimated at Rs.665.81 crore was revised (August 2004) to Rs.1,306.25 crore. Though Packages-I, II and III *i.e.* flyover at Worli, Mahim Intersection, Solid approach road up to the start of toll plaza and a public promenade were completed (February 2003), the crucial Package-IV *i.e.* the main cable stayed bridge across the sea was delayed. The increase in project cost was mainly due to payments of escalation (Rs.213 crore) to Contractors on account of inordinate delay in completion (61 months), introduction of new technical changes in the bridge at the behest of the new Consultant (Rs.70 crore), provision for additional claims made by the Contractor for delay in award of work *etc.* (Rs.125 crore) and increase in interest liability due to delayed completion (Rs.230 crore).

(Paragraphs 2.1.8 and 2.1.14)

Though the project was originally expected to be completed by March 2003, the expected date of completion is now stated to be April 2008. Expenditure of Rs.683.75 crore had been incurred on the project as on 30 June 2007. The delay was mainly due to technical changes brought in by new Consultants during execution.

(Paragraphs 2.1.8 and 2.1.13)

Against a commitment of Rs.580 crore by way of grants, the State Government had provided only Rs.100 crore till June 2007. This forced the Company to borrow funds resulting in additional annual financial burden of Rs.37.05 crore on the project.

(Paragraph 2.1.10)

The selection process of Consultant for the design and project management work was defective, as the Company did not verify the technical parameters as projected by the Consultant. The Consultant (Sverdrup) though selected based on their high ranking, were paid Rs.19.87 crore as per contractual terms despite their poor performance. The Consultant (Dar) was selected subsequently despite a poor ranking at the initial evaluation stage.

(Paragraphs 2.1.15 and 2.1.16)

The Company changed the design of the Worli bridge to "Cable stay" from "Arch bridge" to align with the bridge at Bandra, a decision, which could have been taken at the initial stages itself. This not only increased the cost by Rs.70 crore but also delayed completion of the works of Package-IV. Further, the Consultant was wrongly paid Rs.2.50 crore on account of deleted work.

(Paragraphs 2.1.13, 2.1.14 and 2.1.17)

The Company did not firm up the designs for works relating to Package-II resulting in abandoning of the work costing Rs.1.56 crore and consequential wasteful expenditure of (wrongly paid compensation) Rs.97 lakh for idle men and machinery against contractual provisions.

(Paragraphs 2.1.18 and 2.1.19)

The contractor for execution of Package-III was paid irregular bonus of Rs.3.25 crore.

(Paragraph 2.1.20)

The Company did not levy Liquidated Damages amounting to Rs.12.80 crore on the Contractor (HCC) as per conditions of the contract despite wrongful stoppage of work by them for 18 months and non-achievement of milestones due to poor progress of work.

(Paragraph 2.1.22)

Introduction

2.1.1 Maharashtra State Road Development Corporation Limited (Company) was set up in August 1996 by the State Government for development of infrastructure projects all over the State. In 1998, the State Government entrusted the work of construction of Bandra-Worli Sea Link Project (BWSLP) connecting Bandra and Worli by a 5.6 kilometre bridge including a cable stayed bridge on build, operate and transfer (BOT) basis to the Company.

The Company is headed by the Chairman who is the Ex-officio Minister for Public Works Department (Special projects). The day to day management is handled by the Vice Chairman and Managing Director who is assisted by the Joint Managing Directors, Chief Engineers and the Secretary and Financial Advisor.

Scope of Audit

2.1.2 The performance audit review, conducted during January-March 2007, covers the performance of the Company pertaining to project planning and financing, award of consultancy contracts, construction contracts and execution of works in all the four packages of the BWSL project up to March 2007. The project is in progress and the projected date of completion is April 2008.

Some of the Audit observations relating to this project noticed earlier during audit are contained in Audit Reports (Commercial) for the years 2003-04 and 2005-06.

Audit objective

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

- project was identified after detailed study as regards necessity/economic viability;
- management took up the work after detailed planning of the project;
- consultant/contractors selected were technically competent and the process of selection was transparent and fair;
- project was executed keeping in view the principles of efficiency, economy and effectiveness; and
- monitoring of the project was adequate and effective.

Audit criteria

2.1.4 The following audit criteria were adopted:

- Traffic and feasibility study including the necessity and viability of the project as conducted by the Company;
- Requirements of necessary statutory approvals/permissions, project design, project estimates;

- Agreements with the funding institutions;
- Procedure prescribed for award of consultancy and construction works;
- Milestones specified for execution of the project; and
- Management Information System/monitoring reports *etc.* of the project.

Audit methodology

2.1.5 The audit methodology adopted for attaining the audit objectives with reference to audit criteria were as follows:

- Examination of Agenda papers and minutes of the Board meetings;
- Scrutiny of Company's decisions, agreements relating to award of consultancy and construction works;
- Scrutiny of measurement books, certification of payments, Running Account bills/final bills of construction works and related correspondence;
- Analysis of data collected by audit; and
- Interaction with the Management

Audit findings

2.1.6 Audit findings, emerging as a result of test check were reported (May 2007) to the Government/Company and were also discussed (17 August 2007) in the meeting of the Audit Review Committee for State Public Sector Enterprises. The Managing Director, the Secretary and Financial Advisor, the Chief Engineer of the project and other Company officials attended the meeting. The views expressed by the management and the Government have been taken into consideration while finalising the report.

Project background

2.1.7 As per the 2001 census, Mumbai has a population of over 11.9 million. Owing to geographical and historical reasons, Mumbai was and is an economic and financial hub of the country. The Mumbai island is long and narrow on a North-south axis and has an area of only 68.71 square kilometres as compared to 437.71 square kilometres for Mumbai Metropolitan Region. The pressure of employment in the island has resulted in the southbound flow of traffic (to work places) in the morning and north bound flow (homewards) in the evening. To ease this traffic congestion during peak hours, the State Government conducted number of traffic studies from time to time. All the studies established the necessity of development of Western Freeway• along with certain other links in easing the flow of traffic in Mumbai. The expectation is that once the project is completed, the travel time between these two stations will reduce by at least 20-30 minutes due to removal of traffic bottlenecks, increased speed and avoidance of 23 traffic signals.

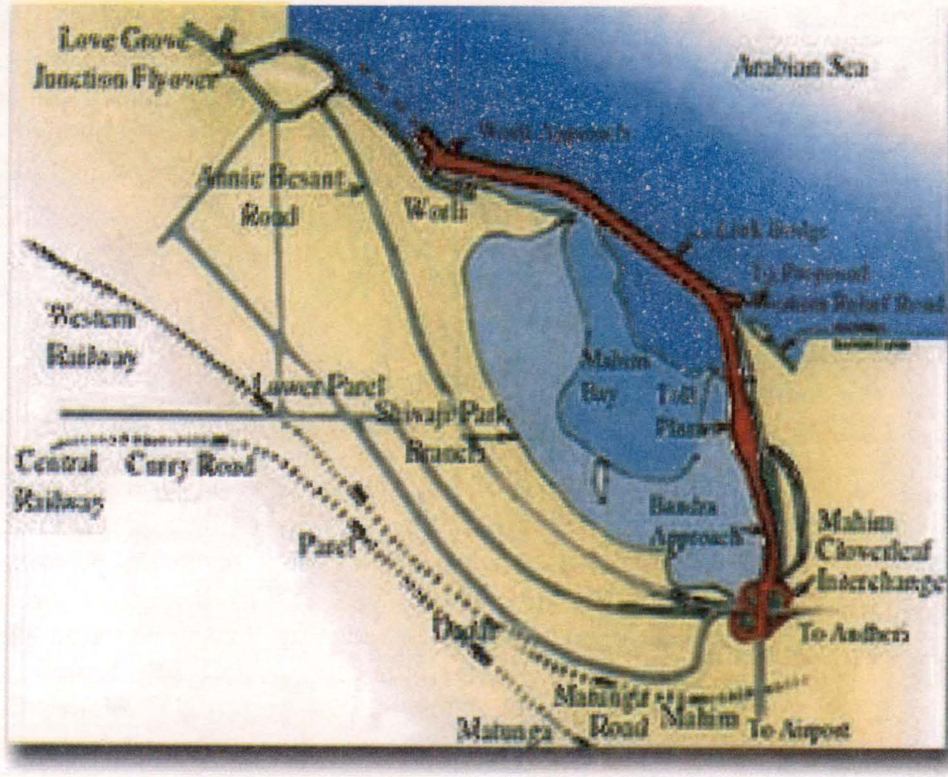
Project feasibility

2.1.8 The Company decided to take up the BWSLP during 1999, at an estimated project cost of Rs.665.81 crore (including Rs.5.23 crore for Package-V *i.e.* improvement to Khan Abdul Ghafar Khan Road), for completion by March 2003. Due to poor progress of work by the contractor, change of Consultant and major technical changes, the project implementation was, however, delayed and is now planned to be completed by April 2008. As a consequence, the estimated cost of the project was revised (August 2004) to Rs.1,306.25 crore (after deleting Package-V from the scope). As against the approved funding proposal of Rs.1,306 crore as per the Government Resolution (GR) dated 24 August 2004, the Company has received Rs.1,092 crore till 31 August 2007 as under:

Sources of funds	Approved as per GR of August 2004	Actual receipts	Date of receipt
	(Rupees in crore)		
GOM grant	580	100	December 2002
Loan from MMRDA	150	50 100	July 2002 May 2007
Market borrowings: i) Bonds - regular	576	112	March 2005
ii) Bonds-deep discount bonds (Series XXIII)		380	April 2005
iii) Term loans from banks/ financial institutions		350	December 2004 to March 2007
Total	**1,306**	**1,092**	

(Source: Information collected from GR and other related records)

• Western Freeway - Sea Link Project (WFSLP) between Bandra and Nariman Point.



(Map indicating the location of the Bandra Worli Sea Link Project)

2.1.9 The financial feasibility studies were initially conducted on behalf of the Company by KPMG (a financial partner of the Consultant consortium of Sverdrup) which observed (February 2000) that with the project cost of Rs.665.81 crore and projected completion time of March 2003, the project would be unattractive to lenders due to projected cumulative deficit of Rs.451 crore. **Hence, they suggested consideration of options involving reduction in project cost for improving the financial viability. Instead of scrutinising and vetting the cost of the self earning project for cost reduction and approaching financial institutions for funds for bridging the deficit, the Company had a fresh study conducted (February 2004) and projected an increased cost of Rs.1,306 crore by making technical changes like inclusion of twin towers at Bandra bridge (Rs.20 crore) and cable stay bridge at Worli (Rs.50 crore) which has been discussed (paragraph 2.1.14 *infra*). Further, delay in project completion had an escalation cost effect of Rs.110 crore, apart from increase in interest cost, during construction, of Rs.230 crore.**

2.1.10 The financial feasibility report of the project was prepared (February 2005) by the new Consultant (Dar) who submitted the financial viability with certain assumptions. **Based on the assumptions, it was observed that the project would have a negative Net Present Value (NPV) of Rs.478.08 crore by the year 2019 *i.e.* the year up to which the loans are to be repaid.**

Audit scrutiny revealed the following:

Failure of State Government to provide the committed financial assistance resulted in additional yearly financial burden of Rs.37.05 crore.

- As per GR (August 2004), the State Government was required to provide a grant of Rs.580 crore, against which it provided (December 2002) only Rs.100 crore and failed to provide the balance Rs.480 crore in four equal annual installments thereafter. As the financial institutions insisted on bridging the Viability Gap (VG), the Company raised Rs.380 crore (April 2005) through issue of bonds bearing interest at 8.75 *per cent* per annum guaranteed by the State Government. Thus, the failure of the Government to finance the self earning project as envisaged without any recorded reasons resulted in inherent additional financial burden of Rs.33.25 crore per annum towards interest on the borrowed funds and Rs.3.80 crore per annum towards Guarantee fee payable to the State Government.

The Management stated (August 2007) that in view of the guarantee given, the State Government is obliged to meet the repayment obligation. The fact, however, remains that the project is unduly burdened with the additional interest cost of the debt and guarantee commission as the State Government backed out of its financial commitment.

- The project cost is bound to escalate well beyond the estimated cost of Rs.1,306.25 crore as approved by the State Government in view of the fact that as on 30 June 2007 the cost incurred was Rs.683.75 crore whereas only 38.35 *per cent* of the work of Package-IV has been completed. The Company had already raised an amount of Rs.992 crore by way of bonds and term loans (ranging from seven to 15 years) and hence, the debt portion of the project cost is further expected to escalate along with interest burden and repayments as per the repayment schedules.

The Management stated (August 2007) that the parking of surplus funds in other projects is done to avoid idling of cash balance till its final deployment. The reply is not tenable, as the raising of funds itself could have been resorted to based on the progress of project, which is at present very slow. Further, by diverting the funds to other projects, the debt portion of the project cost would further escalate with increased interest burden *etc*. Besides there is a pending claim from the Contractor (February 2006) of Rs.24 crore as interest at 16 *per cent* on delayed payment of their bills as per provisions of contract which might further escalate the project cost.

- As against the estimated eight *per cent* interest on borrowed funds adopted for feasibility studies, the actual interest rate on the funds borrowed varied between 8.5 *per cent* and 14.15 *per cent*. Even assuming 12 *per cent*, the rate at which the Company had capitalised interest during 2005-06, the expected increase in financial burden would be Rs.32.82 crore per annum, which would adversely affect the financial viability of the project.

The Management stated (August 2007) that the weighted average interest cost on this borrowing comes to 8.93 *per cent* only. The reply is not tenable, as the

Company itself has been charging higher rates[#] towards interest during construction (IDC) in its books of accounts.

Increase in the guarantee commission by State Government resulted in additional expenditure of Rs.3.69 crore per annum.

- The State Government had guaranteed the loans raised by the Company for the project at a commission of 0.25 *per cent* per annum in the year 2000, which was, however, subsequently increased to one *per cent* per annum in 2004. The increased rate of guarantee commission, which has been provided for by the Company has an impact of Rs.3.69 crore per annum in respect of guarantee commission payable by the Company for bonds of Rs.492 crore raised for the project. This resulted in further escalation in the project cost.

The Management stated (August 2007) that it has not been making payment of guarantee commission at one *per cent* and that the provision is being made in the accounts as an abundant caution. The reply is not tenable, as there is a specific provision in the GR (August 2004) for payment of guarantee commission, which has not been waived so far (August 2007).

- The projection that the bridge will be self-earning *i.e.* toll collection by September 2007 is also not attainable, as the completion would be atleast stretched to 2011 as assessed (May 2006) by the engineer/consultant considering the slow rate of progress of work. Thus, the project has already lost potential toll revenue of Rs.80 crore per annum. This postponement of the toll revenue is bound to extend the projected debt service period well beyond 2019 with reduced IRR.

The Management stated (August 2007) that given the Government support and considering a concession period of 30 years the project could be viable. The reply is, however, not based on facts, as the inordinate delay in completion of project, additional interest burden and postponement of the revenue, the repayment period will extend beyond 2019 and unless there is a substantial hike in toll rates the IRR is also likely to be lower than projected. The reply was silent about the future increase in cost of repair and maintenance and other overhead costs.

- The Western Freeway between Bandra and Nariman Point is an important link of this project. The additional traffic assumed by 2010 is not likely to be achieved as the preliminary work of finalising tenders for Western Freeway was taken up only in 2007 and hence the likely completion dates by 2010 are visibly unachievable. All these developments would upset the toll revenue projected between 2010 and 2019 and further extend the period of repayment beyond 2019, thus, rendering the project financially unviable.

[#] For the year 2002-03 – 14.49 *per cent*; 2003-04 – 13.53 *per cent*; 2004-05 – 11.64 *per cent* and 2005-06 – 12.42 *per cent*.

Environmental clearance

2.1.11 The BWSLP is an ecologically sensitive project and involves reclamation of land. The Company obtained (January 1999) the first environmental clearance of the project from the Union Ministry of Environment and Forest (MoEF), which *inter alia* stated that reclamation should be kept to bare minimum *i.e.* not exceeding 4.7 hectare. The Company resorted to further reclamation of land without ensuring that there were valid environmental approvals. The MoEF sought (December 1999) explanation from the Company construing the same as violation of Coastal Regulation Zone notification. On filing a fresh request (March 2000), approval (April 2000) for reclamation of total land of 27 hectare was given by MoEF. It was observed that, the Company made no provision in the project cost for contingencies, which may arise due to environmental disturbances.

As per the opinion of some experts,[$] the reclamation of land at project area would upset the flow of effluents and floodwaters into the Arabian Sea due to pressure exerted at the mouth of the Mahim creek. This would also result in blocking up of Mithi River and cause inordinate flooding in adjacent areas. It was observed that the Company had not addressed these environmental issues as well as the likely financial implications.

Project overview

2.1.12 The entire project was originally conceived as one large project with different components combined together but in order to accelerate the overall construction schedule, the project was divided into five construction packages.

Package-I: Construction of flyover over Love Grove Junction at Worli (commissioned in March 2002).

Package-II: Construction of cloverleaf interchange at Mahim intersection (commissioned in February 2003);

Package- III: Construction of solid approach road from the Mahim intersection up to the start of the Toll Plaza on the Bandra side and a public promenade (commissioned in February 2003);

Package-IV: Construction of cable stayed Bridges at Bandra and Worli together with viaduct approaches extending from Worli up to Toll Plaza, Intelligent Bridge System (estimated to be commissioned by April 2008); and

Package-V: Improvement to KAGK Road has not been taken up by the Company (August 2007). It is informed that this work is being shifted to Phase – II. *i.e.* WFSLP.

[$]Indian Peoples' Tribunal on Environment and Human Rights in their report (July 2001) on "An Enquiry into Bandra-Worli Sea Link Project".

The operation and execution of these packages are discussed in the succeeding paras:

Time overrun of the project

2.1.13 The project was originally slated to start in October 2000 for completion by March 2003. Due to technical changes made in Package-IV, the completion date was however revised to April 2008. Considering the slow progress of Package-IV work (38.35 *per cent* completed as on June 2007), the project is not likely to be completed before 2011 as assessed (May 2006) by the Consultant/Engineer. The delays were noticed earlier too in execution of Packages-I to III but they were completed before the construction of crucial main bridge (Package-IV). The various reasons for such inordinate delay in completion of Package-IV were analysed in audit and the deficiencies noticed are discussed below:

- As per condition of Notice Inviting Tender (NIT) (July 1999), the responsibility for setting up of the casting yard on identified land and jetty rested entirely with the Contractor. Though the land was made available (September 2000) to the Contractors for casting yard, the Contractors, in contravention of NIT chose an alternative site for casting yard elsewhere, which could be made available to them only after five months, thus, adversely contributing towards delaying the completion of Package-IV works.

The Management stated (August 2007) that it was necessary for the contractors to locate the casting yard close to the jetty. The reply shows that project report and NIT was not framed with care and resulted in avoidable delay in completion of project on this account by five months.

Absence of MoEF clearance, frequent technical changes and improper monitoring of the work by consultants resulted in delay.

- As against the projected requirement of 27 hectares of land reclamation for approach road, the original approval obtained by the Company (January 1999) from the MoEF was for 4.7 hectares only. However, the Company went ahead with the reclamation of land in excess without an express approval of MoEF. Due to protests from the environmental groups, the State Government stayed (January 2000) the execution of work till such time the Company obtained MoEF approval. The approval could, however, be obtained only in April 2000. This resulted in stoppage of work for 105 days for which extension was given to the Contractor.

The Management stated (August 2007) that it was constrained to take up the burden of filling low lying areas in the interest of environmental preservation. The reply is not tenable. As per codal provisions clear title to land is necessary before award of work so as to avoid delays.

- Dar Consultants' (second Consultant) proposal (January 2003) of twin towers with two four-lanes each and conversion of the approved 'Arch

Bridge'[$] (original project) at Worli to that of 'Cable Stay bridge'[$] as a precondition to take over the consultancy work of the main bridge indicates disregard of codal provision and lack of control by the Company in execution of the project. The Company's acceptance of major technical changes at such a belated juncture led to consequential delay in preparation of drawings besides time and cost overrun.

The Management stated (August 2007) that the changes to the Package-IV resulted due to the requirement imposed by fishermen community and in order to generate early toll revenues. The reply is not tenable, as the presence of the fishermen community was a known fact and no issue arose when the Arch Bridge was designed by the earlier Consultant with bigger span and approved by the Company and State Government. Further, the project was designed and approved as a self earning project and it is obvious that major changes would have a negative impact on early generation of toll revenue. Thus, the major changes made at the behest of the second Consultant as a precondition to take up work were neither economical nor time or cost effective.

- The Contractor, Hindustan Construction Company Limited (HCC) protested against the appointment of new Consultant (Dar) without their consent. They stopped the work for 18 months (April 2003 to September 2004). The Company failed to intervene immediately and took eight months to serve notice (December 2003) to the Contractor. Thereafter the matter was referred to the Cabinet Committee (CC) on infrastructure (February 2004) and to the Chief Minister (June 2004). In accordance with the Chief Ministers directions, discussions were held (July 2004) with the Contractor and Consultant Engineer, after which the Contractor accepted (July 2004) the Consultant. This resulted in cost and time overrun of the project.

The Management stated (August 2007) that it had made all efforts as early as in 2003 to seek resolution of the complex issue. The fact is that the Company lacked control over project administration and execution and allowed the Consultant and Contractor to dictate terms resulting in loss of 18 months in completion of work.

- The original project plans envisaged (July 1999) only eight lane bridge for which tenders were invited (October 1999). Meanwhile, apprehending higher bid for the eight lane option, the Company asked (November 1999) the Consultant to prepare preliminary design, cost estimate and bid documents for second option of six lane bridge without forseeing future increase in density of traffic. The proposed bidders were also asked to quote for six lane bridge. The Company even contemplated a four lane option. The CC approved (June 2000) eight lanes bridge considering future traffic needs of the city. This, however, was again changed (January 2003) to two carriageways of four lanes each at the recommendations of the new

[$]An arch bridge is a bridge with structures at each end shaped as a curved arch, made of cement/concrete. A cable-stayed bridge is a bridge that consists of one or more columns (normally referred to as towers or pylons), with steel cables supporting the bridge deck.

Consultant (Dar), which was also approved (August 2004) by the Government. Thus, indecision on the part of the Company/Government for five years regarding the bridge size/lanes resulted in time and cost overrun in completion of the project.

- It was observed that the Company accepted (August 2004) changes in technical design of the Worli bridge from that of an "Arch bridge" (approved in December 2001) to "Cable Stay bridge" on the grounds of "aesthetics", which lacked justification when viewed from the point of impact of time and cost overrun on the self earning project. As the Company/Government had approved (September 1998), the design for the Bandra bridge as "Cable stayed" the design for the Worli bridge should have also been decided as "Cable stayed" at the original design stage. The Company's acceptance of such critical major changes in design at such an advanced stage, when the work was in progress, delayed the completion of the project with huge financial implications. It is pertinent to add that the Company had paid Rs.19.87 crore to the earlier Consultant Sverdrup for designing of Arch bridge and design was approved by the Company/Government (August 2004). While approving the earlier design, however, no issues of 'aesthetics, as brought out by Dar Consultants were raised. Further, most of the Company's employees are qualified experienced Civil Engineers of the Public Works Department (PWD).

- The Contractor (HCC) was slow in his work, for no apparent reasons but no liquidated damages were levied for non-achievement of milestones, instead the milestones kept being revised as discussed in paragraph 2.1.22 *infra*.

Cost overrun of the project

Project cost of Rs.665.81 crore was revised to Rs.1,306 crore due to design changes, escalation, increased IDC and additional claims by the contractor.

2.1.14 As against the originally envisaged project cost (1999) of Rs.665.81 crore, the revised and approved project cost stood at Rs.1,306.25 crore (August 2004), an increase of Rs.640 crore which was due to the following:

• Escalation and cost of extra work paid under Packages-I to III	Rs.103 crore
• Escalation provided for in Package-IV	Rs.110 crore
• Bandra Cable Stay bridge twin tower	Rs.20 crore
• Introduction of Cable Stay bridge at Worli	Rs.50 crore
• Provision for additional claims of the Contractor on account of delay in award of work, increase in cost of basic raw materials *etc.*	Rs.125 crore
• Addition to IDC	Rs.230 crore
• Preliminary expenses	Rs.2 crore

As at the end of June 2007, whereas only 38.35 *per cent* of Package-IV work had been completed, the actual cost incurred was Rs.683.75 crore (June 2007) as against the revised project cost of Rs.1,306 crore. Consequently, the interest during construction estimated at Rs.233.95 crore and pre-operative expenses at Rs.79.49 crore had already exceeded the proportionate estimates and stood at Rs.261.15 crore (112 *per cent*) and Rs.85.82 crore (108 *per cent*) respectively, mainly due to delay in completion of the project. Considering that the crucial part of the project *viz*. the cable stayed bridges at both Bandra and Worli ends are yet to be executed further cost over run of the project is inevitable.

Though the Contractor stopped the work for 18 months for no valid reasons and was also slow in the work, the Company failed to take any action as per the agreement for levy of penalties. Instead, the Company has provided Rs.125 crore towards claims of the Contractor (HCC) for the main bridge in the revised project cost of Rs.1,306 crore.

The Management stated (August 2007) that it was only a provision for a possible claim that may arise in this complex work, which are yet to be settled as per contract provisions. The fact however remains that by making provision in the revised project cost, the Company has admitted the claim, instead of penalising the contractor for slow progress of work.

Consultancy agreements for BWSL

Appointment of Consultants

2.1.15 The Company is mainly engaged in execution of civil works and its employees are mainly civil engineers who are drafted from the PWD. In spite of this, the Company kept, engaging Consultants to execute civil work.

The Company invited (September 1998) technical and financial bids from seven pre-qualified consortia of Consultant. As per the bid document, for evaluation purposes the technical parameters[⊕] would carry 80 *per cent* weightage whereas the financial parameters would carry 20 *per cent* weightage. Of the 80 *per cent* weightage for technical parameters, 40 *per cent* would be based on marks allotted at pre qualification and 40 *per cent* based on technical proposal received along with bid documents for pre-qualified agencies. Each consortium was required to make presentation based on which weightage would be given.

Based on the evaluation of technical bids (November 1998), the Technical Advisory Committee (TAC) of the Company ranked each consortium based on marks scored. The consortia headed by Sverdrup, was ranked first while that headed by Dar Consultant was ranked seven. After opening of financial bids, Sverdrup retained their overall ranking at number one while Dar Consultant by virtue of very low financial offer improved their over all ranking to number two. The Company awarded the consultancy to Sverdrup (April 1999) for the work of Design, Consultancy and Project Management for a period of

[⊕]Like financial capability (10 *per cent*), personnel in the relevant field (20 *per cent*), curriculum vitae of key persons (25 *per cent*), firms experience in relevant projects (20 *per cent*), past five projects (20 *per cent*) and Award *etc*. (five *per cent*).

24 months at a cost of Rs.18.69 crore. Though only five *per cent* of work of Package-IV was over by the end of their stipulated period (*i.e.* by 31 March 2003), in view of their poor performance, the Company decided not to continue their services further and instead appointed (January 2003) Dar Consultant at a cost of Rs.20 crore (who had initially ranked seventh under technical competence and second in the overall ranking) to replace them.

In this connection, the following audit observations are made:

- The technical ranking of prospective Consultant was based solely on presentations made by them. Despite having qualified and experienced civil engineers of PWD on their rolls, the Company did not ensure independent evaluation of parameters promised (like financial capability, personnel in the relevant field, curriculum vitae of key persons, experience of firms in relevant projects, past five projects *etc.*). As a result the high ranked Consultants performance was found to be poor necessitating their replacement subsequently.

Defective selection process of consultants.

- Dar Consultant were appointed despite a poor ranking of seventh at the initial evaluation stage and against the TAC's recommendation not to consider them for this assignment. Since the Company had decided to give technical parameters 80 *per cent* weightage, Dar Consultant should not have been considered for appointment in view of poor technical ranking seventh given by the Company themselves at the bid evaluation stage.

Thus, the selection process of the Consultant was deficient and defective as the Company did not verify the projected technical parameters before their appointment.

Further, the following deficiencies were noticed in the agreements with the Consultant:

- No Security Deposit/Performance Guarantee had been obtained from the Consultant, despite the complex nature of the project and the need to ensure responsibility and accountability for their work.

- The contract period was not linked to the completion of project. As a result, there was no responsibility and accountability of services rendered. This also left scope for the second Consultant to disagree with the design of the first Consultant and enforce changes.

- No provision existed for making the Consultant responsible for delay and non-performance, and there is no provision in the contract for recovery of Liquidated Damages (LD) in case of unsatisfactory performance by the Consultant.

- 60 *per cent* of the Project Management Fees are time related and in case of an extension, the Consultant are entitled for proportionate amount of time related fees and hence, no incentive is left for Consultant to ensure execution of the work in time. On the contrary, the Consultant are benefited by time related payments during extensions.

The Management stated (August 2007) that the observations of TAC in 1998 were based on the data available with them at that time. In view of Dar Consultants' satisfactory performance in a city flyover project (J.J. Flyover), the Company entrusted the consultancy work to them. The reply is not tenable, as the Company relied on the overall ranking of Dar Consultants at No.two by TAC (during 1998) while reinviting them (January 2003) for consultancy work. Further, the basis of selection based on performance in another project, which incidentally was not comparable to a Sea bridge, was not correct. Fact is that despite the Company having a team of qualified experienced PWD civil engineers it did not follow the accepted norms of selection of Consultants.

Payments to Consultants

Payments to Sverdrup

Consultant was paid Rs.19.87 crore for unsatisfactory services.

2.1.16 The Company found the services of Sverdrup Consultant unsatisfactory (November 2000) as confirmed by the Committee of Directors and senior officers in their report (6 February 2003). In spite of the same, the Company retained their services till the end of their tenure (March 2003) and paid them Rs.19.87 crore.

The Management stated (August 2007) that the award of work to Sverdrup was based on the assessments out of the best judgment of the Committee comprising of experts and Company officials. The reply is not tenable, as the Company despite having qualified experienced PWD civil engineers on their rolls had not done any independent verification of the information submitted by bidders and even after knowing that they lacked competence from day one the Consultants were allowed to continue. This affected the progress of the work adversely. The following interesting points were noticed in Audit.

Company made undue payment of Rs.38 lakh to the Consultant.

- In order to provide for bigger span instead of 50 metres span bridges on the Worli side as demanded by fishermen, Sverdrup Consultant suggested and the Company agreed for (August 2001) providing an arch bridge with a 150 metres span. A separate work order was issued to the consortium (January 2002) with a fee structure of Rs.90 lakh (design consultancy fees: Rs.60 lakh and Project Management consultancy fees: Rs.30 lakh). Subsequently due to change in design of the bridge from arch bridge to cable stayed bridge, the Company cancelled this item of work. Though the Consultant did not provide any proof as to the preparation of drawings *etc.* for the arch bridge, the Company made payment of Rs.38 lakh as compensation for the same, resulting in unfruitful expenditure.

The Management stated (August 2007) that the payment to Consultant was made on the basis of design calculations made available by them which was scrutinised by TAC and approved by the Board. The reply is contradictory and not tenable, as it had been recorded by the Chief Engineer while approving the payment that no design drawings were made available for Arch bridge by the Consultant. As such, the payment made to Consultant proved infructuous.

Wasteful expenditure of Rs.60 lakh on tender documents, drawings of six lane bridge.

- Though the Company had originally planned for only eight lanes traffic for which bids were called for, as a cost saving measure, the Company considered (November 1999) providing a six lane traffic also as an alternative. Pending the State Government's approval for this proposal, the Company prematurely assigned (November 1999) the work of preparation of bids for six lane bridge to the Consultant. Consequently, the Consultant was paid Rs.60 lakh (November 2006) for preparation of tender documents/Bill of Quantities (BOQ) for the same. The Cabinet Committee while considering the proposal for six lane traffic, approved (June 2000) only an eight lane bridge in view of growing traffic needs and hence the preparation of documents/BOQ, *etc.* by the Consultant for six lane proved unfruitful, resulting in wasteful expenditure of Rs.60 lakh.

The Management stated (August 2007) that the claim as recommended by the TAC was approved by the Board. Thus, the expenditure of Rs.60 lakh on designing of six lane bridge proved infructuous.

Due to a flaw in the Agreement and despite poor performance, the consultants were paid additional fee of Rs.1.92 crore.

- Project Management Consultancy (PMC) services were agreed with the Consultant for a period of 24 months only. However, the Company did not divide the project into four consultancy packages to synchronise with execution of work while agreeing for 24 months. Thus, when the most important part of the Agreement, *i.e.* the main bridge (Package-IV) started (April 2001), the Consultant had already spent 23 months (out of total 24 months) on the project. Consequently, for retaining their services up to March 2003, the Consultant claimed and the Company paid additional 11 months fees amounting to Rs.1.92 crore. Considering that only five *per cent* of the contract work for main bridge was over by that time, the payment for additional 11 months of their presence was unfruitful and not beneficial to the project.

The Management stated (August 2007) that the delay could not be foreseen and payments were made as per the terms of consultancy contract. However, non-division of consultancy agreements package wise, resulted in payment towards idle man months and linking of the consultant's fees to the non progress in work.

- The Sverdrup Consultant was primarily responsible for monitoring the progress of work of the Contractor. Though the payments to Consultant (60 *per cent* of 85 *per cent* payment) were supposed to be regulated with reference to the progress of work executed by the contractor, this was not done. The Company's role, as is evident from the records was reduced to that of mere spectator and they relied heavily on the Consultant for monitoring the progress of work.

The Management stated (August 2007) that major portion of progress related payment has not been made. The reply is not tenable, as the Consultant had already been paid Rs.19.87 crore as against the contract value of Rs.18.69 crore when only Package-I, II and III were completed (original estimated cost of Rs.83.12 crore) and just five *per cent* of Package-IV (which was the most important and crucial part of the project with an original estimated cost of Rs.435.23 crore) was completed.

Payments to DAR

2.1.17 Consequent to a decision to terminate the services of consortium headed by Sverdrup Asia Consultant due to their unsatisfactory performance, the Company entered into a consultancy agreement (March 2003) with Dar Consultant (UK). The agreement contained two phases. Phase-I comprises total design at Rs.12 crore and Phase-II administration of construction contract (PMC) at Rs.8 crore. The PMC was to commence from the first day of April 2003 for a basic period of 36 months with the condition to extend the contract by further six months *i.e.* up to 42 months on the same terms and conditions. Audit scrutiny of the performance of Dar Consultant revealed the following:

- The consultancy charges of Rs.19.87 crore was paid to Sverdrup for all four packages while the payment of Rs.20 crore to the Dar Consultant was only for Package-IV which appeared to be on the higher side and a mismatch with the earlier agreement.

The consultant was, wrongly paid Rs.2.50 crore for work, which was uncertain of execution and subsequently deleted.

- The Consultant's fee of Rs.20 crore included Rs.2.50 crore for the work of extra 1.6 kilometre length bridge on the Worli side (for both design and administration). Thus, even in the event of such extension not taking place due to non-receipt of environmental clearance, the Consultant was still to be paid the lump sum fee without any deduction. Though, the Company subsequently removed this item of work from the present scope of work, as this forms part of the Western Freeway Sea Link Project (WFSL), for which separate Consultant was appointed, the proportionate consultancy fee for this item of work excluded from the scope of work was not reduced. This resulted in extra payment of Rs.2.50 crore to the Consultant.

  The Management stated (August 2007) that Dar had updated all project reports apart from supervising geo-technical study. The reply is not tenable as the scope had already been deleted from BWSL and included in WFSL project for which a new consultant has already been appointed.

Wasteful expenditure of Rs.1.93 crore for no work by the Consultant.

- The payment to Consultant towards administration of construction contracts included two portions, one fixed element (60 *per cent*) and the other (40 *per cent*) based on the progress of construction work. It was noticed (1 April 2003 to 30 August 2004) that the Consultant did not do any work as the construction contractor (HCC) did not recognise their role as Engineers. Nevertheless the Company paid fees as per contractual terms amounting to Rs.1.93 crore (fixed element) apart from progress based payment of Rs.46 lakh. The Company's failure to settle this dispute resulted in wasteful expenditure of Rs.1.93 crore for no work performed by the Consultant during the period.

The Management stated (August 2007) that these payments were made as per terms of the contract. It further stated that complex issues in a major project like this are beyond the control of the employer and the Consultant. The reply is not tenable, as in such a big project delays would occur and with experienced and qualified civil engineers on its rolls the Company should have made provisions for such contingencies in their agreement.

The consultants are given extension irrespective of progress of work and the Company would pay them Rs.23.42 lakh per month as escalation.

- In view of poor progress of work by the contractor, the Consultant's term was also extended from the originally specified period of 36 months to 60 months. Further, as per agreement, all payments beyond the period of 42 months *i.e.* beyond September 2006, were with an escalation of 24 *per cent* irrespective of progress of work which amounts to Rs.23.42 lakh per month. Thus, during the extension period, the consultant's payments are time bound and not linked with the progress of work. The Company would, thus, have to make additional payment of Rs.2.54 crore towards PMC fees to Consultant up to the extended period of contract (April 2008).

The Management stated (August 2007) that the extension in time has been given to the contractor for various reasons, which were beyond the control of Contractor. The reply is not tenable, as the project was mainly delayed due to changes in the approved design undertaken by the new Consultant.

Company's acceptance of the redesigning of the project at the behest of the Consultant has put an additional cost of Rs.55.23 crore on the project.

- The Consultant while redesigning (January 2003) the Bandra cable stay bridge from that of single tower to twin tower and that of Worli bridge from Arch to Cable bridge contended (February 2003) earlier realisation of toll revenues apart from being cost effective without quantifying the impact thereon. However, subsequently the Consultant themselves indicated (January 2005) increase in the cost of the project by Rs.55.23 crore due to change from single tower to twin tower (Rs.17.73 crore), introduction of Cable stay bridge instead of Arch bridge at Worli on the grounds of aesthetics (Rs.16.09 crore) and construction of Worli approach bridge (Rs.21.41 crore). Thus, the economy in cost could not be achieved due to delay in completion of project with deferment of toll collection.

The Management stated (August 2007) that in order to start early toll collection by completion of four lane carriageway, this change was made. The reply is not tenable, as the changes of the originally approved design were at the instance of Consultant who contemplated the benefit due to early toll collection. The Company however, failed to consider the delay, the project has to undergo by bringing in such major changes at a belated stage, which in turn indefinitely postponed the toll collection apart from additional interest burden. Cost-benefit analysis in proper form was thus missing at the crucial junctures of the project work despite the Company having qualified civil engineers and a paid consultant on its rolls.

Execution of contracts

Package-II-Construction of Mahim inter change

Wasteful expenditure on construction of ramps

2.1.18 The work of design and construction of interchange at Mahim Intersection (Package-II was awarded (May 1999) to Uttar Pradesh State Bridges Corporation Limited (UPSBCL) at a cost of Rs.29.41 crore with a completion period of two years *i.e.* by 25 May 2001.

Company's failure to assess the technical issues related to environment resulted in extra expenditure of Rs.11.75 crore and wasteful expenditure of Rs.1.56 crore apart from delay.

It was observed that during construction of ramps 'C' and 'D', some environmentalists protested since beginning that these two ramps when constructed would partially block the waterway and would cause flooding on the upstream of Mithi River at Mahim Causeway. It was, however, noticed that such a technical issue missed the attention of the Company/Consultant at the time of award of work and therefore the Company could not convince the State Government about the soundness of the proposed ramps. Thus, based on the State Government's intervention, the Company advised (December 1999) the UPSBCL to suspend the work in these ramps and the Company took up a modified layout with ramps at 'E' and 'F' at an additional cost of approximately Rs.11.75 crore and additional construction period of seven months ending 31 December 2001, was given to the Contractor. Audit scrutiny revealed that the Contractor had already performed work on ramps 'C' and 'D' valuing Rs.1.56 crore which was rendered wasteful.

The Management has accepted (August 2007) the audit observations, but added that the stoppage of work was beyond the control of the Company and the Contractor.

Undue benefit to the Contractor

2.1.19 The revised work order of the above work for a value of Rs.41.17 crore was issued (September 2000) to UPSBCL for completion by 31 December 2001. UPSBCL completed the work only by 31 January 2003. Some of the main reasons for delay were attributed to Company's failure to provide encumbrance free work spot, which was infested with hutments and PWD offices. Further, there were large hoardings in the middle of work area, the clearance of which caused delay of one to two years for which period the Contractor claimed compensation towards idling of men and machinery. The Company paid Rs.96.91 lakh (June 2003) towards the claim. Audit scrutiny revealed that this payment was in contravention of the terms of the revised work order, which provided that the value of work is all inclusive with no claims for idling of plant and machinery *etc*. The reasons as to why the Company overlooked such an important condition of contract were not available on record.

Company paid claims amounting to Rs.96.91 lakh in contravention of provisions in the contract.

The Management stated (August 2007) that the contractor was asked to stop the work in December 1999 and hence charges towards idling/underutilisation of resources were disallowed during the extended period of contract. It further stated that TAC had, however, later recommended a claim of Rs.96.91 lakh which was also approved by the Board. The reply is not tenable, as the payment was in violation of terms of the work order and thus resulted in undue benefit to the contractor.

Package-III – Construction of Solid Approach Road from Mahim interchange to Toll Plaza

Undue benefit to the contractor

2.1.20 The contract for construction of Solid Approach Road for Mahim interchange to Toll Plaza was awarded to Prakash Constructions (July 1999) for Rs.43 crore for completion within 24 months. The contract stipulated the following:

- three milestones which were to be achieved within stipulated time.
- the compensation payable for non-achievement of milestones.
- payment of bonus for achieving milestones prior to original intended dates.
- bonus clause would not be applicable in case of grant of extension of time on any account, whether due to fault attributable to the Contractor or the employer or due to any other reason.

The Company made irregular bonus payment of Rs.3.25 crore to the Contractor for Toll plaza approach road.

It was observed that the contractor did not achieve the physical progress of milestones one and two as per the time schedule in the contract and the contract was also extended twice up to March 2002 and July 2002. As such the contractor was not eligible for any bonus payments. The Company however changed the criteria of achievement of physical targets to financial targets for milestones one and two at the request of the contractor to facilitate the payment of bonus. This change in the terms of contract was irregular which resulted in undue benefit by way of payment of bonus of Rs.2.45 crore (May 2000) and Rs.80 lakh (November 2000) for milestones one and two respectively to the contractor. It was also noticed that a similar bonus claim for milestone three was disallowed to the same contractor.

The Management stated (August 2007) that the milestones in the contract were based on the physical achievements of some specific items. During execution, the priorities of some scope of physical work had to be changed and hence comparing of physical progress as per stipulated milestones was not possible. Hence, TAC recommended and the Board endorsed payment of bonus based on financial progress. The reply is not tenable, as fixation of milestones in terms of physical progress is to ensure achievement of progress in key areas while financial progress can be achieved even by completing areas other than key areas. Hence, payment of bonus in violation of original contract terms had resulted in undue benefit to the contractor.

Excess expenditure for rock fills in reclamation area

2.1.21 After the contract for earth fill in grade-1 type material in the reclamation area was awarded (July 1999), Prakash Constructions suggested (September 1999) the Company to change the earth fill to rock fill in view of presence of marine clay under the fill area. Though in the area under reclamation, presence of marine clay could normally be expected, the Consultant failed to assess technically the proper requirement of fill *viz.* rock fill and accordingly decide the quantity to be filled. The quantity of rock fill was estimated as 2,78,425 cum, which the Contractor agreed to execute at the contract rate of Rs.231/cum. The Company agreed for the same in view of contended miniscule financial implication apart from enabling the Contractor to achieve substantial financial progress in work.

Failure to technically assess site condition and faulty interpretation of contract conditions resulted in excess expenditure of Rs.3.87 crore.

It was observed that the scope of work already had a rock fill quantity of 4,22,950 cum of B-grade rock fill and with the above substitution the total estimated quantity of rock fill was 7,01,375 cum at Rs.231/cum. The contract contained a stipulation that up to 125 *per cent* of estimated quantities would be executed at tendered rates. Thus, a quantity up to 8,76,719 cum being 125 *per cent* of 7,01,375 cum should have been executed by the Contractor at Rs.231/cum. As against this, the Contractor executed only 6,54,000 cum at Rs.231/cum and for the remaining 2,64,000 cum, the Company paid a higher rate of Rs.405/cum as per the Contractor's claim. This resulted in an excess payment/expenditure of Rs.3.87 crore.

The Management stated (August 2007) that since the contractor was obliged to carry out only 25 *per cent* of quantity in excess of BOQ *i.e.* 1.05 lakh cum at BOQ rate against which the contractor agreed to execute about 2.32 lakh cum at BOQ rates. Hence, the balance quantity of 2.64 lakh cum was executed at higher rates. The reply is not tenable, as the contractor while substituting earth fill to rock fill agreed to execute the entire estimated quantity at BOQ rates because of benefits he derived and hence the addition of 25 *per cent* should have been applied on the total rock fill quantity envisaged.

Thus, the failure of the Company/Consultant to properly assess the required fill and also regulate the payments according to the terms of the contract resulted in undue benefit of Rs.3.87 crore to the contractor. Further, the rock fill had also helped the Contractor to achieve financial progress of work and claim bonus, to the financial detriment of the Company.

Package-IV – Construction of main bridge

Non-levy of liquidated damages

2.1.22 The work order for work of construction of BWSL bridge was issued (September 2000) to HCC for Rs.400.23 crore. The completion time was stated as 30 months from the date of notice to proceed with the work *i.e.* by 31 March 2003. However, due to various problems including substantial design changes and poor progress of work by HCC, the completion date was revised (April 2008). Audit scrutiny revealed the following:

Liquidated damages of Rs.12.80 crore for delays in Package-IV works was not levied on the Contractor by frequently changing milestones.

- The contract contained three milestones (two intermediate and one final completion) and the non achievement of which was to attract LD at Rs.10 lakh per week in respect of each milestone. Though there were no technical changes in the scope of work since January 2005, the milestones were revised several times. Considering that there had been a delay of 90 weeks for Milestone-1 and 38 weeks for Milestone-2 up to March 2007, an LD of Rs.12.80 crore was required to be levied on the contractor. The Company, however, did not take any penal action though milestones are crucial to realise annual toll revenues of Rs.80 crore.

The Management stated (August 2007) that mounting delays and cost overruns brought about changes in designs to facilitate early generation of toll revenues. Based on these variations, the contractor was considered entitled for extension up to September 2007. This was challenged by the contractor and the TAC found the contractor entitled for time up to April 2008. The reply is not tenable, as the contractor did not perform any work during the period of 18 months during which he refused to recognise the Engineer (as discussed in paragraph 2.13 *supra*). Further, even by keeping the final schedule date at April 2008, the Company kept on changing the first and second milestone for no valid reasons but only to accommodate deliberate slow progress of contractor.

Slow progress of work by the Contractor (HCC)

Slow progress of work and unreasonable extension of time to contractor was noticed.

2.1.23 It was noticed that based on revised contract value of Rs.456.53 crore, the progress of work achieved in financial terms (till end of June 2007) had only been Rs.175.10 crore *i.e.* mere 38.35 *per cent*. Considering the completion date of 30 April 2008, the contractor had to achieve at least Rs.22 crore of work progress per month. However, the progress till pre monsoon was only Rs.7 crore per month inclusive of the escalation payments of Rs.2.11 crore.

It was further seen that the extension of time limit given to HCC was unreasonable. The estimated cost of the extra work was in the range of Rs.70-90 crore compared to the tendered cost. *i.e.* approximately 20 *per cent* increase in the cost of the work. If the cost was related to the time, it meant proportionate increase in the time limit of seven months over and above 30 months. Even considering the period of monsoon of five months, the total extension should not have exceeded 12 months. The contractor, however, was granted 42 months extension from 1 October 2004 to April 2008, which was unjustifiable.

Short recovery of rent for land used by the Contractor (HCC)

2.1.24 The original date of completion of the contract was 31 March 2003. As per provisions of contract, for the use of land by the Contractor, Rs.50 per square metre per annum is to be charged up to three months after the original date of completion *i.e.* up to 30 June 2003. For periods beyond that date, a recovery of Rs.500 per square metre per annum was required to be made. The Company handed over a yard measuring 1,21,238 square metre for pre-casting activities and stores to the Contractor. As per the above provision, a recovery of Rs.21.22 crore was due from the contractor on this account from July 2003 to December 2006 for 42 months against which the Company recovered only Rs.3.69 crore. Hence, there was a short recovery of land rent of Rs.17.53 crore. It is pertinent to mention that the Company obtained this land from Municipal Corporation of Greater Mumbai (MCGM) on payment of per annum lease rent of Rs.886.50 per square metre.

The Management stated (August 2007) that due to periodical extensions the contract period got extended. Hence, the nominal rent of Rs.50 per square metre was being charged. The reply is not tenable, as rent of Rs.50 per square metre was chargeable up to target date of completion only. Further, there was deliberate slow progress of work by the contractor himself. As such charging concessional rent was not justified.

Non achievement of objective

2.1.25 The delay in completion of the BWSL project had denied the Mumbai City an additional fast moving outlet from the island city to western suburbs. Consequently, the much-needed relief to the congested Mahim Causeway remained unattained so far. Further, due to relocation of offices/business establishments to suburbs/Navi Mumbai, the traffic pattern towards South Mumbai has also undergone rapid changes. Thus, the intended objective of the project remains unachieved.

Acknowledgement

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

The matter was reported to the Government (May 2007); the reply is awaited (November 2007).

Conclusion

The Bandra-Worli Sea Link Project originally estimated to cost Rs.665.81 crore (July 1999) was revised to Rs.1,306.25 crore (August 2004). Though Packages-I, II and III *i.e.* flyover at Worli, Mahim Intersection, Solid approach road up to the start of toll plaza and a public promenade were completed by February 2003, the crucial Package-IV *i.e.* the main cable-stay bridge was delayed due to improper selection of the Consultant, stoppage of work by the Contractor, inability of the Consultant to ensure projected progress of the work, over dependence of the Company on Consultant for progress of work and acceptance of major technical changes and designs. All these factors led to time overrun of at least five years and projected cost overrun of Rs.260 crore on account of Package-IV alone.

The changed technical parameters and consequent delayed execution had resulted in almost doubling the debt portion of the project. The bridge was originally conceived as an eight lane single tower bridge with a projected completion date of March 2003. This was changed to two four lane bridges with twin towers. This major technical change delayed the completion of the project.

The delay in completion of the BWSL project had denied the Mumbai City an additional fast moving outlet for vehicular traffic from the island city to western suburbs. Consequently, the much-needed relief to the congested Mahim Causeway remained unattained so far, resulting in non-realisation of the intended objectives.

Recommendations

- **The Company has experienced and qualified PWD civil engineers on its rolls and it should fully utilise them in efficient and effective project management right from planning to execution and final payments;**
- **Interest liability should be regularly monitored to update project cost and prevent cost overruns;**
- **The Government/Company should firm up the basic technical design of the project before its implementation and avoid change of design during implementation of the project to avoid time and cost overrun and additional debt burden;**
- **Before implementing the project, proper environmental clearances and availability of land of the project should be ensured;**
- **The parameters furnished by the consultant and contractors at the time of tender should be adhered to during execution of work;**
- **The Company should strengthen the monitoring work of the project implementation in order to reduce its heavy reliance on Consultant; and**
- **The Company's internal control system may be adequately strengthened to scrutinise wrong/irregular claims of contractors/ Consultant.**

Maharashtra State Electricity Distribution Company Limited

2.2 Accelerated Power Development Reforms Programme

Highlights

The Company implemented Accelerated Power Development Reforms Programme with the objective of reducing Transmission and Distribution (T&D) and Aggregate Technical and Commercial (AT&C) losses. None of the 31 projects taken up for implementation during 2002-06 were completed till March 2007. The Company spent Rs.710.53 crore till March 2007 on these projects.

(Paragraphs 2.2.1 and 2.2.10)

The State Government delayed release of funds received from GOI to the Company against the prescribed time limit of one week. Besides, funds amounting to Rs.110.79 crore were not released in cash by the Government but irregularly adjusted against old dues.

(Paragraphs 2.2.10, 2.2.11 and 2.2.12)

The Company did not initially prioritise the projects by taking up projects/circles having higher T&D losses.

(Paragraph 2.2.15)

In 20 projects taken up for execution, though the works relating to erection of sub stations/High Tension/Low Tension lines *etc.* were completed to the extent of 91 *per cent*, the metering work was completed to the extent of 50 *per cent* only, resulting in non achievement of the intended benefits of the programme of reduction of T&D losses and AT&C losses.

(Paragraph 2.2.21)

Monitoring of implementation of the programme by the State Level Committee was non existent and the same was also found to be inadequate by the Company.

(Paragraph 2.2.32)

As envisaged in APDRP scheme the Company could not claim incentives as it could not reduce its cash losses.

(Paragraph 2.2.9)

Introduction

2.2.1 The Government of India (GOI) approved the Accelerated Power Development Reforms Programme (APDRP) to leverage the reforms in power sector through the State Governments during the period from May 2002 to March 2007. APDRP is being implemented by the power sector companies through the State Government with the objective of upgradation of sub-transmission and distribution system (33KV and below) including energy accounting and metering, for which financial support is being provided by the GOI. Funds received from GOI were to be released to the Company through the State Government. National Thermal Power Corporation Limited (NTPC), the lead adviser-cum-consultant (AcCs) was to monitor the implementation of the programme in the State* under the overall guidance of Union Ministry of Power (MOP). The Electricity utilities♦ had to prepare detailed project reports (DPRs) for each of the high density areas in order of priority. These detailed project reports were required to be vetted by NTPC and then sent for sanction to the MOP. The projects were to be completed within 24 months from the date of sanction of the projects.

After the unbundling of the erstwhile Maharashtra State Electricity Board (Board) in June 2005 into three companies, the distribution of electricity in the State is looked after by the Maharashtra State Electricity Distribution Company Limited (Company) headed by a Managing Director who is assisted by two Directors *viz.* Director (Finance) and Director (Operation). The APDRP Cell in the Head Office of the Company, was headed by a Chief Engineer. The Chief Engineer was reporting to the Executive Director, who monitors the implementation of the APDRP. In the field, Superintending Engineer (APDRP) reports to the Chief Engineer of the concerned zone, for implementation of the programme.

Scope of Audit

2.2.2 The performance audit conducted during the period July to October 2006 and February to April 2007, with the objective of evaluation of implementation of the APDRP projects during the period 2002-07 covers the examination of the funds management, material procurement, execution of works, monitoring *etc.* Out of 31 projects which were taken up for implementation in 23 circles, 13# projects in 11 circles were selected for detailed scrutiny. The selected sample was based on a combination of probability proportion to size, with replacement method of statistical sampling wherein size measure was total number of projects in each Circle and based on the project cost.

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* For two *viz.* projects Ratnagiri and Sindhudurg, Power Grid Corporation of India Limited is the AcCs.

♦ Electricity utilities mean Electricity Board or Company supplying electricity to the consumers.

Jalgaon, Kolhapur, Nagpur Urban, Osmanabad, Pune, Pimpri-Chinchwad, Solapur, Aurangabad, Latur, Malegaon, Nagpur Rural, Nashik Urban and Nashik Rural.

The review covers scrutiny of records at State Energy Department, head office, zonal/circle offices of the Company.

Audit objectives

2.2.3 Performance review of implementation of APDRP in the State was conducted with a view to ascertain whether:

- the programme was carefully designed with adequate planning;
- the funding requirements were realistically assessed and funds were sanctioned and released by the GOI and State Government in time;
- the funds were utilised efficiently, economically and effectively for the achievement of the objectives of the programme;
- the projects objectives as given in DPRs were achieved or not; and
- the satisfaction levels of consumers had improved in terms of the quality, regularity and cost of power supplied.

Audit criteria

2.2.4 The following audit criteria were adopted:

- Terms and conditions of Memorandum of Understanding (MOU), Memorandum of Agreement (MOA) and guidelines issued by MOP;
- Terms and conditions of agreements of loans;
- Provisions in DPRs of the projects; and
- Various work orders/files and contract agreements.

Audit methodology

2.2.5 The audit methodology adopted for attaining the audit objectives with reference to audit criteria were as follows:

- Terms and conditions of MOA and guidelines issued by GOI;
- Detailed Project Reports;
- Loan agreements with financial institutions;
- Tenders floated and contracts entered into;
- Monthly/yearly "benchmark parameters" of the project; and
- Interaction with the Management and issue of audit queries.

Audit findings

2.2.6 The audit findings were reported (July 2007) to the State Government/Management and discussed (27 August 2007) in the meeting of the Audit Review Committee for State Public Sector Enterprises (ARCPSE). The meeting was attended by the Deputy Secretary (Industry, Energy and Labour Department) and Director (Operation) and Director (Finance) of the Company. The views expressed by the members have been taken into consideration while finalising the report. Audit findings are discussed in the succeeding paragraphs:

Funding pattern

2.2.7 Funding by GOI under APDRP has the following two components:

- Investment for strengthening and upgradation of the sub-transmission and distribution system, with a view to reduce Transmission and Distribution (T&D) losses;
- Incentive to encourage/motivate utilities to reduce cash losses.

Investment component

2.2.8 The investment component was meant for the implementation of 31* projects with the objective of reducing transmission and distribution (T&D) losses, improving consumer satisfaction in terms of quality/reliability of power supply *etc.*

As per APDRP guidelines, fifty *per cent* of the project cost was to be provided by GOI through a combination of grant (25 *per cent*) and loan (25 *per cent*) to the State Government as an additional plan assistance. The remaining 50 *per cent* of the project cost was required to be arranged through counterpart funding from Financial Institutions (FIs) *i.e.* Rural Electrification Corporation (REC)/ Power Finance Corporation (PFC)/banks or through internal resources by utilities. GOI withdrew (November 2005) the loan component under central assistance of APDRP after which no further loans were given by GOI under the programme.

*Jalgaon, Kolhapur, Nagpur Urban, Osmanabad, Pune, Pimpri-Chinchwad, Solapur, Aurangabad, Latur, Malegaon, Nagpur Rural, Nashik Urban, Nashik Rural, Ahmednagar, Amravati Urban, Amravati Rural, Nanded, Ratnagiri, Sangli, Sindhudurg, Akola, Bhandara, Shegoan, Malkapur, Buldhana, Khamgaon, Dombivali, Ulhasnagar, Yeotmal, Thane, Mulund-Bhandup.

The following procedure was stipulated by GOI for release of funds to the State Government:

- 25 *per cent* of the GOI portion of assistance to be released as upfront on approval of programme and issue of sanction letters by the financial institutions.

- Release of matching funds by the financial institutions.

- After spending 25 *per cent* of the programme cost (*i.e.* 25 *per cent* of GOI *plus* 25 *per cent* of counterpart fund from FIs), further 50 *per cent* of the GOI assistance was to be released.

- Progressive release of the balance 50 *per cent* of the counterpart fund by FIs.

- After spending 75 *per cent* of the programme cost (75 *per cent* of GOI *plus* 75 *per cent* of counterpart fund from FIs), balance 25 *per cent* of the GOI assistance was to be released.

- Progressive release of the balance 25 *per cent* of the counterpart fund by FIs.

Incentive component

2.2.9 APDRP provided that the State Government would be eligible for incentive up to 50 *per cent* of the actual financial losses reduced by the State Electricity Boards/Utilities taking 2000-01 as the base year. The grants received under this incentive component were to be utilised exclusively for distribution reform activities in the State.

The Company was ineligible for cash incentive as the same was worked out on the basis of artificially inflated losses.

GOI sanctioned (April 2003) incentive amounting to Rs.137.88 crore as against the eligible amount of Rs.289.27 crore (*i.e.* 50 *per cent* of cash loss of Rs.578.55 crore) for reduction in cash loss during 2001-02, compared with the base year 2000-01. GOI, however, intimated (February 2004) the Company that the abnormal prior period charges (Rs.859.52 crore) compared to the previous and succeeding year were not acceptable in calculation of loss and therefore, the cash loss reduction of Rs.578.55 crore shown by the Company in its accounts for 2001-02 was not found acceptable for eligibility of cash incentive. The GOI did not seek refund of the amount released nor did it adjust this amount against subsequent release under the programme. It was further noticed that the Company did not utilise (May 2007) the incentive amount of Rs.137.88 crore for improvement in the Power Sector. No further claims were lodged by the Company with GOI since there was no reduction in cash loss as compared to the base year (2000-01).

Project cost and finance

2.2.10 The details of the project cost, funds released by the GOI and State Government, funds mobilised from REC/PFC and expenditure incurred for five years up to March 2007 are given below:

(Rupees in crore)

Year	No. of projects sanctioned during the year	Project cost	APDRP component receivable from GOI	Released by GOI	GOI funds released by State Government to the Company	Loans taken by Company from financial institution			Expenditure up to March 2007
						REC	PFC	Total	
2002-03	18	896.54	448.27	120.41	45.00	Nil	Nil	Nil	Nil
2003-04	2	240.00	120.00	71.85	73.29	Nil	Nil	Nil	50.00
2004-05	9	91.75•	19.08	Nil	32.12	64.59	Nil	64.59	138.63
2005-06	2	267.80•	49.84	80.78	90.82	109.39	25.72	135.11	345.24
2006-07	Nil	Nil	Nil	52.65	31.81	135.79	26.20	161.99	176.66
Total	**31**	**1,496.09**	**637.19**	**325.69**	**273.04**	**309.77**	**51.92**	**361.69**	**710.53**

(Source: Data compiled from the relevant records of the Company).

It would be observed from the table that as against Rs.637.19 crore receivable from GOI for the 31 sanctioned projects, the Company received only Rs.325.69 crore, due to delay in execution of the APDRP works.

Thus, against the total APDRP funds received/borrowed amounting to Rs.634.73 crore (GOI: Rs.273.04 crore *plus* Company: Rs.361.69 crore) the expenditure incurred was of Rs.710.53 crore at the end of March 2007. The excess expenditure over the funds received from GOI/State Government and FIs was met by the Company through its internal resources. It could be seen that State Government was holding an amount of Rs.52.65 crore released by the GOI as on March 2007.

The physical progress of major works like erection of sub-station, erection of High Tension/Low Tension (HT/LT) lines, new transformer *etc.* in respect of 20 projects sanctioned during 2002-04 and 11 projects sanctioned during 2004-06 was 89 *per cent* and two *per cent* respectively till March 2007.

2.2.11 The general terms and conditions issued (11 June 2003) by the MOP for utilisation of funds, *inter alia* stipulated that:

- the State Government shall release the funds provided under APDRP to the State Power utility within a week of the said amount being credited to the State Government by the GOI;

•Metering work and LT line work of Rs.53.59 crore (2004-05) and Rs.68.43 crore (2005-06) included in the project cost have not been funded under APDRP.

- the funds under APDRP had to be released by the State Government to the utilities in cash and no adjustment of any kind is permissible;
- the utilities shall open a separate bank account in the first instance itself in a scheduled/nationalised bank for the purpose of implementing the projects under APDRP. Funds from the Government/internal resources or loans from FIs earmarked for the purpose shall be credited to this account.

Audit scrutiny revealed the following:

Delay in release of funds

Delay in release of funds by the State Government, resulted in delay in implementation of APDRP projects.

2.2.12 It was seen that the State Government delayed release of funds to the Company as per details given below:

(Rupees in crore)

Range of delays	Investment component		
	Grant	Loan	Total
Up to 3 months	48.97	--	48.97
3-6 months	31.80	--	31.80
6-12 months	73.09	60.20	133.29
12-15 months	--	15.00	15.00
Above 15 months	23.05	20.93	43.98

(Source: Data collected from the records of the Company).

Funds amounting to Rs.110.79 crore was adjusted against old dues by the State Government.

Though funds under APDRP were to be released in cash and adjustment of any kind was not permissible, funds amounting to Rs.110.79 crore were not released in cash by the State Government but irregularly adjusted against other dues payable (Rs.95.79 crore towards interest on loan and Rs.15 crore towards Electricity duty) by the Company to the State Government. Thus, the APDRP funds were diverted for other purposes by the State Government which resulted in delay in implementation of APDRP projects.

The Government stated (October 2006) that the delay was due to the need for making supplementary budget provision after receipt of copy of the sanction order from Company and the adjustment of funds was made as the Company had not remitted old dues to the Government. The reply is not tenable, as the programme is being implemented as per the MOU between the GOI and the State Government and hence they were expected to make adequate budget provision in time for release of the GOI funds to the Company. As regards adjustment of APDRP funds against dues of the Company, the same was not permissible under the programme guidelines.

Non opening of separate bank account for APDRP receipts

2.2.13 As per MOA, the State electricity utility had to open a separate account in a scheduled bank and the entire APDRP funds, including the finance arranged through FIs/internal resources, were to channelised through this account. It was noticed that funds received under APDRP were credited to a regular bank account instead of a separate bank account. On receipt of the requirement of funds under APDRP from the field offices, funds from regular bank account were transferred to the separate bank account for disbursement to the field offices.

The Management stated (April 2007) that there was no fixed schedule for receipt of funds from the GOI and the funds to the field offices for implementation of APDRP projects were routed through separate account without waiting for receipt from the State Government. The reply is not tenable as funds when received from the GOI/State Government or financial institutions were to be credited to a separate account meant for the purpose, as per the scheme guidelines agreed to by the Company/State Government.

Implementation of programme

2.2.14 Projects relating to up-gradation and strengthening of sub transmission and distribution network including energy accounting, metering and computerised billing centres in densely electrified zones in urban and industrial areas were eligible for finance under APDRP. The utilities had to prepare the DPRs for each of the high-density areas in order of their priority. DPRs were to be vetted, validated and appraised techno-commercially by NTPC/Power Grid Corporation of India Limited (PGCIL) who were designated as Advisor-cum-Consultants by the MOP. The audit findings on project planning and preparation of project reports by the Company are discussed in the succeeding paragraphs:

Project planning

Failure to accord priority to centre/towns having high T&D losses

2.2.15 The objective of the programme was to reduce T&D losses/Aggregate Technical and Commercial losses (AT&C)[•]. It was thus necessary to rank the circles/towns in the State according to the percentage/quantum of loss for fixing priority in taking up the project so as to derive the maximum benefits. It was however, noticed that identification of circles was not based on high quantum of T&D loss. Audit scrutiny revealed that the Company did not take up projects in some circles like Parbhani, Beed and Jalna where T&D losses were as high as 48, 44 and 34 *per cent* respectively, instead circles like Ratnagiri and Kolhapur having T&D losses of 15.74 and 10.97 *per cent* respectively were selected for funding under the programme during 2002-03.

The Management stated (August 2007) that MOP has given "in principle" approval to Parbhani, Beed and Jalna town projects. The reply was however, silent as to why the prioritisation in selection of the project in the areas having high T&D losses was not accorded in the first phase.

[•] It is related to the collection efficiency of the Company towards recovery of electricity dues.

Delay in execution of loan agreement

2.2.16 Nine[**] projects for establishment of new sub-stations, erection of 33/22/11KV lines, erection of new Distribution Transformer Center (DTC) *etc.* with project cost of Rs.91.75 crore were sanctioned by the GOI during 2004-05, for which loan was sanctioned (December 2004) by PFC. The details required for executing the loan agreement (*viz.* list of assets to be created and drawal schedule for loan *etc.*) were, however, belatedly furnished (May 2005) by APDRP cell to the Finance Section. Consequently, the loan agreement could not be executed and with the restructuring of the erstwhile Maharashtra State Electricity Board (MSEB) (June 2005), the revised sanction had to be obtained in the name of the Company (November 2005). Tenders for execution of work were thereafter awarded in August- October 2006. Thus, non-execution of loan agreement within the stipulated period, delayed the commencement of work for one year resulting in non-reduction of T&D losses as envisaged in the project.

The Management stated (August 2007) that the loan agreement was delayed by one year due to restructuring (June 2005) of MSEB. The reply is not tenable, as the loan was sanctioned (December 2004) by the PFC well before the restructuring had taken place and the Board had sufficient time for execution of the loan agreement.

Tendering of work without ensuring availability of land

2.2.17 Tenders were invited (March 2003) for work of establishing 22KV switching station at Dehu road in Pune for Pimpri-Chinchwad under APDRP for providing uninterrupted power supply and reducing transmission losses. The tenders so invited were, however, cancelled (March 2005) due to non-availability of land. The land identified under the project belonged to the Defence Department and the Company was very well aware of the fact that obtaining clearances for acquisition of the land would not be easy. Thus, the Company's failure to ensure clear title to land before tendering as well as failure to arrange alternate site resulted in non commencement of work despite lapse of more than four years (August 2007). Thus, the purpose of sanctioning of switching station at Dehu road was defeated.

Deletion of activities due to discrepancies in activity schedule

2.2.18 The GOI sanctioned (October 2002) Rs.35.11 crore under APDRP for the Jalgaon project. The sanction included an amount of Rs.3.81 crore for four activities *viz.* reconductoring of 33KV lines, reconductoring of single phase LT lines, replacement of old poles and renovation of DTC. It was noticed that the work relating to the said four activities had to be deleted from the scope of tender due to several discrepancies in the activity schedule (*viz.* higher rate taken in activity schedule of tender, wrong credit for old material considered in the rate, details of work not clearly mentioned, *etc.*) submitted (November 2003) by the Chief

[**]Dombivali, Buldhana, Malkapur, Khamgaon, Shegaon, Ulhasnagar, Bhandara, Akola and Yeotmal.

Engineer, Nashik zone. Thus, the project was deprived of the full benefits of the scheme due to defective preparation of activity schedule (August 2007) and the purpose of sanctioning the Jalgaon project was defeated.

Preparation of project reports

2.2.19 As per the APDRP guidelines, utilities had to prepare DPRs for each of the high density areas in order of priority. These DPRs were required to be vetted by NTPC/PGCIL and then sent for sanction to the MOP. Audit scrutiny revealed that in seven[**] projects, the Company did not prepare DPRs, but had sent (September 2002 to May 2003) only pilot project reports/brief summary of works for approval by the GOI. The DPRs in respect of these projects were prepared (February 2003 to March 2004) only after sanction (October 2002 to June 2003) by the GOI thereby delaying the commencement of work in Nagpur urban and Nashik urban projects by seven months and five months respectively.

The following further deficiencies were noticed in preparation of DPRs by the Company for various projects:

- At the time of preparing the DPRs in respect of Amravati, Latur, Malegaon, Sindhudurg projects, the cost of replacing the three phase electronic meters was taken (October-November 2002) at Rs.4,000 per meter, while in Nashik district cost of single phase electronic meter was considered (October 2002) as Rs.2,500 per meter. As against this, Rs.2,250 and Rs.1,000 were considered as the cost of replacing the similar three phase meter and single phase electronic meter respectively in the DPRs for the project pertaining to other Circles. The NTPC/PGCIL who have to vet the DPRs before sending for sanction to the GOI also failed to point out these contradictions.

The Management stated (August 2007) that the costs of three phase and single phase meter including meter box and installation charges were Rs.4,000 and Rs.2,500 respectively. The reply is not correct as in Kolhapur, Solapur project *etc.* the cost of three phase and single phase meters with boxes were considered at Rs.2,250 and Rs.1,000 respectively. Thus, the DPRs prepared were incorrect to that extent.

- The project report of Pune/Pimpri-Chinchwad had deficiencies on account of wrong estimation/non-inclusion of supervisory control and data acquisition, geographic information system mapping and road reinstatement charges.

The Management, while admitting the mistakes, stated (August 2007) that the projects were prepared in a hurry as it was required to be submitted within 15 to 20 days to the GOI. This indicates the casual approach adopted for preparation of project reports and such proposals are liable to be rejected.

[**] Solapur, Latur, Osmanabad, Kolhapur, Nagpur district, Nagpur Urban and Nashik Urban.

- The Jalgaon APDRP project approved in October 2002 did not include the provision for 33KV, 13 kilometer incoming line emanating from 132/33KV sub station, (estimated cost Rs.53.80 lakh) for the new sub station as part of the project cost as the report was prepared in a hurry. The sub station was test charged (October 2005) by providing a tap line of three kilometer on the existing Dharangaon line as a standby arrangement for emergency due to which full load could not be taken on the sub-station. Thus, the DPRs prepared not only contained incorrect estimates but were also not vetted properly before sending for approval.

Planning for execution

2.2.20 For tendering/execution of works under the APDRP, it was noticed that estimates for works were prepared based on cost data of REC for the year 1999-2000. Tenders were invited in 2002-03 and 2003-04 without revising the estimates with reference to the latest prices for various components/ equipment. As a result almost all the tenders received (April to June 2003) were substantially high since the estimated costs were very old. The Company therefore, resorted to (September 2003, January-February 2004) snap bidding[**] with qualified bidders which was not strictly according to the procedure prescribed for purchase/award of works. Further, there were abnormal delays in opening of commercial bids (two months) at field level and finalisation (three to eight months) of bid at field as well at head office level leading to expiry of validity period of offers received and rescinding of offers by the contractors as discussed in paragraphs 2.2.22, 2.2.23 *infra*.

It was further noticed that with regard to metering work, the specification for meter boxes was changed frequently and instead of awarding turn key contract for metering work, there were abnormal delays in procurement of meters at the head office delaying completion of projects as discussed in paragraphs 2.2.25 and 2.2.26 *infra*. Thus, the programme was not judiciously planned so as to ensure and facilitate efficiency in execution of works.

Execution of works

2.2.21 The projects under APDRP were to be implemented on turnkey basis as the conventional arrangement of ordering each of the components separately would be time consuming and delay in arranging any one component could lead to overall delay in implementation. The Company categorised the project into (a) 33KV lines and sub-station work (b) HT/LT line and Distribution Transformers (DTC) work (c) metering work. The projects so categorised were put to tender and awarded on turnkey basis.

** In snap bidding all the qualified bidders are again directed to submit their revised bid in sealed cover.

None of the projects was completed in the prescribed period of 24 months.

The projects were to be completed in 24 months from the date of their sanction. It was however, seen that out of 20 projects sanctioned by the GOI during 2002-03 and 2003-04 for Rs.1,136.54 crore, none of the projects was completed till July 2007. The main reason for non-completion of these projects in time was due to delay in completion of the metering work by the Company. The physical progress report of 20• projects under execution as on July 2007 revealed that major works like erection of 33/11KV sub stations, erection of HT/LT lines, new transformers, revamping of sub-station were completed to the extent of 91 *per cent* whereas the consumer metering work in these projects was completed only to the extent of 50 *per cent.*

Similarly, out of nine projects sanctioned by the GOI in 2004-05 for Rs.38.16 crore, none of the projects had been completed till July 2007. The physical progress report of nine** projects sanctioned by the GOI in 2004-05 revealed that the major works like erection of sub-stations, erection of HT/LT lines, new DTC's *etc.* were completed only to the extent of 23 *per cent* till July 2007. The main reason for non-completion of these projects in time was the delayed commencement of work due to delay in execution of loan agreement as discussed in paragraph 2.2.16 *supra.*

2.2.22 The invitation/finalisation of tenders and execution of work by the Company relating to 33KV lines, sub-station work, HT/LT lines and DTC work were reviewed in audit and the findings have been summarised in **Annexure-8.** Few important cases are discussed below in detail:

Undue delay in finalisation of tender

2.2.23 The work of HT/LT line and DTC's work for Latur division was tendered (March 2003) for Rs.9.50 crore but could not be finalised as the rates received were very high. Subsequently, the tender was re-invited (July 2004). The technical and financial bids were opened on 24 August 2004 and 14 October 2004. The bids were valid up to 20 February 2005. The proposal for acceptance of tender was submitted (17 November 2004) to the head office by the zonal office, which was approved (22 February 2005) by the head office. The work was awarded to G.V.P.R Engineering, Hyderabad (lowest contractor) who quoted 28.81 *per cent* above the estimated cost (Rs.12.24 crore). Since the letter of acceptance (LOA) was issued (4 March 2005) after expiry of validity date (*i.e.* 20 February 2005), the contractor refused (10 March 2005) to take up the work at the rates quoted and requested for revision of the rates of some of the major items like poles, transformers *etc.* The Company, however, did not agree to his request for increase in rates. In the meantime, the head office directed (19 May 2005) the zonal office to carry out the work departmentally. The zonal office (16 September 2005) expressed its inability due to pre-occupation in other

•Ahmednagar, Amravati Town and district, Aurangabad, Jalgaon, Kolhapur, Latur, Nagpur Rural and Urban, Nanded, Malegaon, Nashik Rural and Urban, Osmanabad, Pune, Pimpri-Chinchwad, Ratnagiri, Sangli, Sindhudurg and Solapur.

**Dombivali, Buldhana, Malkapur, Khamgaon, Shegaon, Ulhasnagar, Bhandara, Akola and Yeotmal.

works and proposed to award the work to the second lowest contractor, who agreed to match the rates with the lowest contractor.

Approval (10 October 2005) to accept the tender of the second lowest bidder was communicated by the head office. Accordingly, LOA was issued (31 October 2005) for a contract value of Rs.10 crore but deleting the scope of distribution transformers at the request of the party which the Company agreed to supply. Though the entire work was scheduled to be completed by 30 October 2006 the physical progress was 91 *per cent* till March 2007.

Non-finalisation of tender before expiry of the bid validity in Latur project resulted in additional expenditure of Rs.2.16 crore.

It was observed that the processing and finalisation of bids was unreasonably delayed at each stage *viz.* right from opening of commercial bids by field office and till the final approval to the proposal by the head office. This caused the expiry of validity period of offer and the bidder refusing to execute the works at the quoted rates. The Company also failed to take up the issue in advance with the bidder for extending the validity period of the offers. As the Company acceded to the request of the second lowest bidder to supply distribution transformers by violating the turn key concept of contract, it had to bear an additional expenditure of Rs.2.16 crore[$] towards cost of the said transformers.

The Management stated (August 2007) that the lowest bidder refused to take up the work and action was initiated to encash bank guarantee of the bidder, which, however, could not be encashed as the bidder obtained a stay order from the Court. The reply is not tenable, as the Company failed to finalise the tender within the validity period and the offer included supply of distribution transformer by the contractor. Moreover, the *suo-motto* offer of the second lowest bidder to match the rates of first lowest bidder was conditional which was accepted by the Company at extra expenditure of Rs.2.16 crore.

Undue delay in finalisation of bids/commencement of work

Undue delay in commencement of project work in Nashik city resulted in loss of intended project benefits.

2.2.24 Tenders were invited (June 2004) for supply, erection, testing and commissioning of 11KV line, LT line, augmentation of DTCs, installation of HT 0.6 MVAR capacitors, reconductoring and allied works *etc.* under Nashik city. The estimated cost of the tender was Rs.13.59 crore. In response to tender, four offers were received and the offer of R.D. Electricals which was 28.3 *per cent* above the estimated cost was found to be the lowest (Rs17.43 crore). The Company however, went for retendering (August 2004) without any justification. It was seen that the lowest offer received (4 September 2004) from Trupti Sales and Services on retendering was even higher at 39.8 *per cent* above the estimated cost. Hence, snap bidding[♣] was done (November 2004) in which the lowest offer received from Hames Industries Limited was 36.72 *per cent* above the estimated cost. As this offer was also much higher than the quoted rates in the first tender, both the bidders (Trupti Sales and Services and Hames Industries Limited) were requested

[$] The cost of distribution transformers which the Company agreed to supply to the contractor.

[♣] In snap bidding all the qualified bidders are again directed to submit their revised bid in sealed cover.

(23 February 2005) to carry out the work at the original offered rate of 28.3 *per cent* above the estimated cost. However, both the bidders turned down (February-March 2005) the proposal of the Company. Finally, it was decided by the Company (July 2005) to carry out the work departmentally at an estimated cost of Rs.21.62 crore. The work commenced in January 2007 and only 32 *per cent* of the work has been completed till July 2007.

Thus, the decision to reject the initial offer (28.3 *per cent*) resulted in additional expenditure of Rs.4.18 crore on execution of the work departmentally. Further, the work which was required to be completed on priority for strengthening of transmission and distribution system to prevent overloading, reduction of DTC failure, improvement of quality of power supply in terms of voltage *etc.* remained unexecuted. The delay in completion of work resulted in existing 11KV feeders being overloaded with poor voltage and consequential poor service to the consumers.

The Management stated (August 2004) that the lowest bidder (28.3 *per cent* above the estimated cost) was not meeting the qualifying criteria as per tender condition and hence the Chief Engineer Nashik zone was asked to retender the work. The reply is not convincing as the commercial bid of the lowest bidder in that case should not have been opened.

Metering work

2.2.25 The Company decided (March 2003) not to execute the metering work on turnkey basis but to centrally purchase and supply the meters to the contractor for fixing/replacing the same. The financial benefits expected in terms of reduction in commercial and technical losses as an outcome of metering, reconductoring, establishment of new transformer centres *etc.* were Rs.0.40 and Rs.0.23 respectively per rupee of investment. Thus, priority in completing metering work was essential in order to avail the benefits of the programme.

As against the requirement of 17.60 lakh single/three phase meters required for replacement/installation in thirteen projects,• 13.40 lakh meters (76 *per cent*) were received till July 2007 by the field units. The Company delayed the procurement of meters despite release of funds by the GOI/State Government thereby delaying the completion of metering work as per the work schedule of one year. Further, out of the total 13.40 lakh meters procured, 3.87 lakh meters (29 *per cent*) were diverted to other schemes not covered under APDRP. The overall completion of metering work in the thirteen projects checked by Audit was only 45 *per cent*. In Kolhapur, Solapur, Nagpur Rural, Malegaon, Pune and Pimpri-Chinchwad projects, the completion of work, however, ranged from 22 to 41 *per cent*. Further, against a target of 2.33 lakh meters to be provided by January 2007 to unmetered

•Nahsik Town, Nashik Rural, Malegaon, Jalgaon, Pune Town, Pimpri-chinchwad, Aurangabad , Nagpur Rural Nagpur Town, Kolhapur, Solapur, Osmanabad and Latur.

agricultural consumers in thirteen projects,** only 1.23 lakh meters could be provided till July 2007.

The tendering and execution of works by the Company were reviewed in audit and the findings have been summarised in **Annexure-9**. One case involving significant delay in metering work has been discussed below in detail:

Delay in metering work and irregular payment of advance

2.2.26 Tenders were invited (April-May 2004) for providing and fixing consumer metering boxes and installation/replacement of single/three phase meters at an estimated cost of Rs.6.82 crore and Rs.11.12 crore for Nagpur Rural and Urban projects respectively. The tenders for the two projects were, however, finalised after a period of one year (April 2005 and November 2005). The main reason for delay in finalising the tenders was the changes made (October 2004) by the head office in the specification of meter box as per the recommendation of a committee constituted for fixing the technical specification of meter box. The changes in the specification of meter box after opening of bids necessitated obtaining the consent of the bidder for supply of meter box as per the revised specification without variation in the offered rates, thereby, delaying the finalisation of tender.

The Company has not recovered advance of Rs.1.26 crore from the contractor on the cancelled work.

After revision in the specification of meter box, the contract was awarded (May-December 2005) to Jaykrishna Industries for Nagpur Rural and Urban project, and as per the terms of the contract, the contractor was required to provide/fix meter box made of CRC (MS) sheet. The contractor, however, submitted drawings/specifications for meter box made of SMC/FRPP, which was approved (September 2005-January 2006) by the Chief Engineer, Nagpur zone, though the specification was not as per the contract. As per the directives of head office (July 2006) the contractor was again requested (August 2006) to supply meter boxes of CRC (MS) sheet as per the contract terms. The contractor, however, has yet to supply and fix the meter boxes of desired specification (August 2007). Though the stipulated dates of completion of Nagpur Rural and Urban projects was June 2006 and January 2007 respectively the contractor did not commence the work till March 2007 due to frequent changes and wrong approval of specification of meter box by the Company. As per the tender condition, interest free advance of Rs.1.26 crore was paid (September 2005) to the contractor against metering work at Nagpur Rural project which was irregular in terms of Company's laid down policy and tantamount to undue benefit to the contractor. The advance has not been recovered by the Company till August 2007 despite non-execution of work by the contractor. The Company's effort to encash the BG, were not successful, as the contractor obtained a stay against the short closure of the contract.

As on March 2007, the Company completed 17 and 38 *per cent* of metering work departmentally in respect of Nagpur Rural and Urban projects respectively, without installing the meter boxes. Due to delay in execution of

**Nahsik Town, Nashik Rural, Malegaon, Jalgaon, Pune Town, Pimpri-chinchwad, Aurangabad, Nagpur Rural Nagpur Town, Kolhapur, Solapur, Osmanabad and Latur.

metering work by the contractor, the Company was deprived of the benefits of reduction in T&D losses to the extent of 1.55 MUs and 10.66 MUs in two projects till March 2007.

Energy accounting and energy audit

2.2.27 One of the most important measures to ensure reduction in commercial losses with lower capital investment is comprehensive energy accounting which would enable quantification of losses in different segments of the system. Installation of meters on feeders and DTC is essential for energy accounting and audit as it helps in detection and reduction of energy loss.

Audit scrutiny revealed the following:

- In 20 projects sanctioned by the GOI during 2002-03 and 2003-04 metering of 30,514 DTC was envisaged. The overall achievement was, however, 84 *per cent* (July 2007).
- In Latur district as against 2,920 meters to be installed on DTCs, only 750 meters (26 *per cent*) have been installed (July 2007).
- The Company had prescribed that the DTC loss should not be more than 15 and 25 *per cent* in urban and rural areas respectively. It was however, seen that in respect of five* projects, 45 *per cent* of the DTCs showed losses more than the prescribed limits.
- Energy audit in respect of 276 DTCs was never done in Nagpur Rural, Nagpur Urban and Solapur though DTC meters were installed between January 2005 and December 2006.

The Management stated (September 2007) that audit of 276 DTCs were not done due to quarterly billing cycle of agriculture consumers. The reply is not tenable, as these DTC meters were installed during the period December 2003-06.

- In Nagpur Rural energy audit of 55 DTCs and 191 DTCs was not carried out since March 2005 and 2006 respectively.

The Management stated (September 2007) that energy audit was not carried out due to faulty DTC meters and the same would be done after replacing the faulty meters. The fact, thus, remains that in the absence of energy accounting and audit, the areas which required remedial action did not come to light.

* Kolhpaur, Nagpur Rural, Nagpur Urban, Osmanabad and Solapur.

Memorandum of Agreement with field functionaries

2.2.28 A key administrative intervention under APDRP was ensuring accountability at the Circle and the feeder level. In order to ensure the accountability at Circle/feeder level, the Company was required to: a) operate 11 KV feeders as business units and designate the Junior Engineers as feeder managers; and b) execute the MOU/MOA with subordinate officials setting out the specific targets to be achieved by them. Audit scrutiny revealed the following deficiencies in the system.

Non-execution of MOA with the subordinate officials

2.2.29 In respect of the following projects reviewed in audit, the MOAs were not executed:

The MOAs with field functionaries were not executed in six projects.

MOA to be executed between	Projects where MOA not executed
Superintending Engineer of the Circle and Executive of Division.	Solapur, Nagpur Urban, Latur and Osmanabad.
Executive Engineer of Division and Sub Divisional Engineer.	Solapur, Nagpur Urban, Latur and Osmanabad and Nagpur Rural.
Sub Divisional Engineer and Junior Engineer designated as feeder manager.	Solapur, Nagpur Urban, Latur, Osmanabad, Nagpur Rural and Kolhapur.

It may be observed that in the absence of the MOAs in above projects, no specific targets were fixed for the subordinates at different levels and as such, the accountability at the Circle and feeder level could not be ensured.

The Management admitted the fact and stated (August 2007) that suitable instructions had been given to Circles and Divisions to execute the MOA.

Non-monitoring of actual achievements

2.2.30 Actual performance in respect of parameters like gap between average cost of supply and average revenue realisation, average load factor on DTC and average power factor were not monitored in respect of Kolhapur, Solapur, Nagpur Urban and Rural projects though targets were fixed for these parameters in the MOA.

The Management stated (August 2007) that these parameters are not mentioned in NTPC format. The reply is not tenable, as these benchmark/ parameters were included in the MOA and were, therefore, required to be monitored.

Non-fixation of sub-division wise targets in MOA

2.2.31 In Kolhapur project the target for each sub division in terms of T&D loss, feeder outages, consumer complaints were not fixed in the MOA (June 2003) between Executive Engineer of the Division and sub divisional Engineers for evaluating the performance under APDRP.

The Management stated (February 2007) that sub-division wise targets were not fixed as the billing was centralised. The reply is not tenable, as MOA was executed between the division and sub divisional Engineers and target should have been fixed for feeder outages, consumer complaints *etc.*

Monitoring

Meeting of State level distribution reforms committee not held to monitor the progress of work.

2.2.32 As per MOA signed (June 2002) between GOI and the Company a State Level Distribution Reforms Committee comprising representative of State Government/State Electricity Board, Central Electricity Authority or MOP had to be constituted by the Company within one month of signing of the MOA. The Committee had to meet once in two months and review the progress of implementation of APDRP projects, performance against targets and benchmarks and compliance to MOU/MOA conditions. Even though the Committee was constituted (February 2003), no meetings were held (June 2007) due to pre-occupation of the members. The monitoring at the Company/APDRP cell was also inadequate as is evident from the delays in preparation of project reports, delays in awarding of contracts, revision of specifications belatedly and completion of works as discussed in paragraphs 2.2.19, and 2.2.21 *supra*.

Evaluation

Non achievement of objectives

2.2.33 The objective of APDRP was to bring down the T&D and AT&C losses to 10 and 15 *per cent* respectively, improve quality and reliability of power supply thereby improving customer satisfaction. The performance of the projects was evaluated by the GOI under various benchmark/parameters like metering efficiency, billing efficiency, collection efficiency, T&D/AT&C losses and the targeted performance on completion of the projects. Monthly/yearly reports on the performance of each project with respect to the parameters were being submitted by the Circle offices to head office/NTPC/PGCI. The audit observations, on the performance of projects are as follows:

T&D losses and AT&C losses

2.2.34 The T&D losses of the Company decreased from 38.20 *per cent* in 2003-04* to 33.80 *per cent* in 2006-07 while the AT&C losses decreased from 44.18 *per cent* in 2003-04 to 37.78 *per cent* in 2006-07. The individual status of reduction in T&D losses in respect of 20 projects as of March 2007 are tabulated below:

Sl. No.	Particulars	Name and number of projects
1	T&D losses up to 10 *per cent.*	Pimpri-Chinchwad, Kolhapur, Sangli. (3)
2	T&D losses more than 10 and up to 30 *per cent.*	Pune Town, Nashik Town, Nagpur Rural, Nagpur Town, Solapur, Ratnagiri and Sindhudurg (7).
3	T&D losses more than 30 and up to 40 *per cent.*	Nashik Rural, Jalgoan, Aurangabad, Latur, Osmanabad, Amravati town, Amravati district and Ahmednagar (8).
4	T&D losses more than 40 and up to 50 *per cent.*	Malegaon (1).
5	T&D losses more than 50 *per cent.*	Nanded (1).
6	Increase in T&D losses by more than 10 *per cent* during 2006-07 compared to 2004-05.	Ahmednagar.
7	Projects with T&D losses reduction of more than 10 *per cent* during 2006-07 compared to 2004-05.	Latur

(Source: Data collected from the relevant records in the circles).

Except for three projects, T&D losses remained very high despite implementation of APDRP projects.

It could be seen from the table that only three out of 20 projects achieved the prescribed target of 10 *per cent* under the programme as on 31 March 2007. In respect of Latur project the T&D losses reduced by 17 *per cent* while in the Ahmednagar project, the T&D losses increased by 10 *per cent* as compared to such losses in 2004-05. Thus, the T&D losses remained very high despite implementation of projects under APDRP.

The Management stated (August 2007) that the loss in Ahmednagar project increased due to change in assessment method of unmetered agricultural consumers from the year 2005-06. The reply is not tenable, as the T&D loss has increased by more than 10 *per cent* in 2006-07 even as compared with the year 2005-06, when assessment method was changed. The Management further stated (September 2007) that for reducing T&D losses in Malegaon project, 100 *per cent* faulty/defective meter replacement programme, detecting theft cases and meter checking are taken in hand.

* T&D and AT&C loss for the year 2003-04 was considered for comparison since expenditure under the programme was incurred from 2003-04.

2.2.35 The AT&C losses in respect of 20 projects as of March 2007 are tabulated below:

Sl. No.	Particulars	Name and no of projects
1	AT&C losses up to 15 *per cent.*	Pimpri-Chinchwad, Nashik Town, Kolhapur and Sangli (4).
2	AT&C losses more than 15 and up to 30 *per cent.*	Pune Town, Jalgaon, Nagpur Rural, Nagpur Town, Ratnagiri, Solapur and Sindhudurg (7).
3	AT&C losses more than 30 and up to 40 *per cent.*	Amravati Town (1).
4	AT&C losses more than 40 and up to 50 *per cent.*	Nashik Rural, Aurangabad, Osmanabad, Amravati district and Ahmednagar (5).
5	AT&C losses more than 50 *per cent.*	Malegaon, Latur and Nanded (3).
6	Increase in AT&C losses by more than 10 *per cent* during 2006-07 compared to 2004-05.	Malegaon.
7	Projects with AT&C losses reduction of more than 10 *per cent* during 2006-07 compared to 2004-05.	Aurangabad.

(Source: Data collected from the relevant records in the circles).

It could be seen from the table that only four projects achieved the prescribed target of 15 *per cent* under the scheme as on March 2007. The AT&C losses in Aurangabad project reduced by 10 *per cent* while in Malegaon project the AT&C losses increased by 17 *per cent* when compared with the losses in 2004-05. Thus, the AT&C losses remained high despite implementation of APDRP, subject to the exceptions mentioned above.

Inaccuracies in workings of AT&C losses

2.2.36 The 'collection efficiency' is worked out as a percentage of the amount realised against amount billed. It was however, observed that in seven[+] projects the amount billed did not include arrears amount whereas the amount realised included arrears resulting in collection efficiency being reflected at more than 100 *per cent*. In Osmanabad project, collection included service line charges, outright contribution *etc.* which were not originally included in the bills. The inaccuracies in calculating the collection efficiency resulted in depiction of artificially low AT&C losses.

Wrong inclusion of achievement of projects not covered in APDRP

2.2.37 The evaluation of the project against the benchmark/parameters has to be done on the basis of actual achievement in the area where the scheme was implemented. It was seen that Nashik Rural Circle covered Malegaon division

[+] Nashik Rural, Kolhapur, Solapur, Nagpur Urban, Nagpur Rural, Latur and Osmanabad.

covering both Malegaon Urban and Rural area. The Nashik rural project excluded Malegaon Urban area which was covered by a separate project. However, while evaluating the Nashik Rural project the achievement of Malegaon Urban area were also wrongly included. Similarly, Latur project covered all sub-divisions (except urban sub division) under its three Divisions Latur, Nilanga and Udgir. However, while evaluating the performance of Latur project the achievement of the sub divisions not covered under the project were also wrongly included. Thus, the reports sent to the GOI were inaccurate to that extent.

The Management stated (August 2007) that revised evaluation report would be prepared and resubmitted to authority.

Quality of supply and customers satisfaction

2.2.38 One of the objectives of APDRP was to improve quality and reliability of power supply thereby improving customer satisfaction. The key performance parameters to ensure this were the frequency of feeder tripping, duration of feeder trippings, failure rate of DTC's and reduction in consumer complaints and its disposal time.

Feeder tripping

2.2.39 It was seen that in eight projects,[♦] target for feeder trippings per 100 kilometer of 11KV line without load shedding was not fixed either in the project report or MOA. It was further noticed that no target was fixed to monitor the duration of feeder outages per 100 kilometer of 11KV line in respect of nine projects[©]. In three projects[#] the feeder trippings per 100 kilometer of 11KV of line was above the target fixed while in two projects (Nashik Rural and Malegaon) the duration of feeder tripping per 100 kilometer of 11KV line was above the target. In four projects[□] the progress was not being monitored.

The Management stated (August 2007) that the target for feeder tripping and duration of outages was not fixed as the concept was new and standard of performance was not fixed. The reply is not tenable, as targets were fixed in Nashik Rural, Nashik Urban, Jalgaon projects and further it was necessary to fix the target to evaluate the performance. As such, in the absence of fixation of targets for feeder tripping and outages, there was deficient monitoring.

DTC failure

2.2.40 In Latur and Osmanabad projects the Company did not maintain the record of the annual DTC failure rate. While in Malegaon urban project, as against a target of five *per cent* as per project report the DTC failure rate was

[♦]Kolhapur, Nagpur Urban, Nagpur Rural, Latur, Osmanabad, Solapur, Aurangabad and Pune.

[©]Kolhapur, Nagpur Urban, Nagpur Rural, Latur, Osmanabad, Solapur, Aurangabad, Pimpri and Pune.

[#]Nashik district, Malegaon and Jalgaon.

[□] Nagpur district, Latur, Pune and Pimpri.

17 *per cent* during the period 2004-07 (up to February 2007). The high DTC failure rate continued despite overall completion of 74 *per cent* of the work of installation of new DTCs till March 2007.

The Management stated (August 2007) that in Malegaon town there were 2,297 DTC's most of which are overloaded. It was further stated that the work under APDRP did not cover 100 *per cent* augmentation of overloaded transformer. The reply is not tenable, as Malegaon urban project had only 606 overloaded DTC's (February 2007) and the remaining 1,691 DTCs pertained to Malegaon rural project.

Consumer complaints

2.2.41 Audit scrutiny of targets for consumer complaints and consumer complaint disposal time and actuals thereagainst of various APDRP projects revealed as under:

- Targets for consumer complaints and consumer complaint disposal time (fuse call and billing) were not fixed in respect of seven[◆◆] and six[£] projects respectively.

- In five projects (Nagpur district, Latur, Aurangabad, Pune and Pimpri-Chinchwad) there was no monitoring on the progress of reduction in number of consumer complaint received and time taken in disposal of consumer complaints.

- In Solapur, complaints received during 2006-07 were 31,004 as against 28,151 in the previous year. In Kolhapur project as against the consumer complaint disposal time of 0.33 hour per complaint, the actual time taken was 3.34 hour per complaint during 2006-07.

Receipt and disposal of consumer complaints were weak.

- In Kolhapur and Nagpur urban projects, the fuse call and billing complaints reported pertained to only the complaints registered at the centralised complaint center without considering the complaints registered at the sub divisional complaint centre.

- The fuse call registers maintained at sub divisions in Kolhapur, Nagpur urban, Osmanabad and Solapur projects showed that the date and time of disposal of fuse call complaint were not recorded to calculate the time taken in disposal of consumer complaints.

- Similarly, in respect of billing complaints, no register was maintained to record the date and time of receipt of consumer complaints and its disposal in these sub divisions to calculate the time taken in disposal of billing complaints. Thus, the receipt and disposal of consumer complaint was weak.

[◆◆] Nagpur Urban, Nagpur district, Latur, Osmanabad, Aurangabad, Pune and Pimpri.

[£] Nagpur district, Latur, Osmanabad, Aurangabad, Pune and Pimpri.

The Management stated (August 2007) that target for consumer complaints were not fixed as standard of performance was not fixed. The reply is not tenable, as targets were fixed in Nashik Rural, Nashik Urban, Malegaon project and further it was necessary to fix target to evaluate the performance. As regards the fact of non-consideration of complaints registered at sub-divisional level, no specific remarks were offered by the Company.

Acknowledgement

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

The matter was reported to the Government (July 2007); the reply is awaited (November 2007).

Conclusion

The Company did not implement the APDRP projects within the stipulated period and also failed to comply with the guidelines issued by the MOP. Out of 31 projects sanctioned for the State and taken up during 2002-07, none of the projects were completed within 24 months as envisaged under the programme primarily due to incomplete metering work. The main objectives of the programme to reduce T&D losses and AT&C losses could not be achieved. Out of 20 projects under execution only three projects could achieve the target of T&D losses and four projects could achieve the target of AT&C losses under the programme. Deficiencies were noticed in the preparation of Detailed Project Reports. The Company delayed the completion of metering work as per the schedule despite release of funds by GOI/GOM. Target for number and duration of feeder interruptions, number and duration of consumer complaints were not fixed/monitored for evaluation of projects in improving consumer satisfaction.

Recommendations

The Company needs to:

- **ensure that APDRP guidelines are followed in execution of programmes and financial matters;**
- **ensure timely completion of the projects by proper planning, monitoring and control, if full benefits under APDRP are to be achieved;**

- **rationalise the activities in terms of MOU and MOA for reducing T&D losses for ensuring quality power to the consumers;**

- **prepare works estimate on realistic basis adopting latest cost data and avoid delays in finalisation of bids;**

- **award turnkey contract for metering work as per guidelines of the APDRP scheme;**

- **prioritise circles/projects having high T&D losses for selection under APDRP Schemes;**

- **increase its collection efficiency to reduce the AT&C losses;**

Further, the State Level Distribution Reforms Committee should monitor the APDRP project implementation and execution of works more closely to ensure the full benefits of the APDRP projects.

Haffkine Bio-Pharmaceutical Corporation Limited

2.3 Operational performance

Highlights

The Company engaged in manufacture of vaccines, pharmaceutical products and various sera was mainly dependent on vaccine business which was vulnerable due to stiff competition and requirement of Oral Polio Vaccine (OPV) was depleting. The production received set back during 2003-06 due to non availability of United Nations accreditation for the plant and the loss of business was of Rs.89.14 crore during the period. As a result, profit of Rs.35.17 lakh in 2002-03 turned into loss of Rs.3.94 crore in 2005-06.

(Paragraphs 2.3.7 and 2.3.9)

The actual production of vaccines during the period 2002-07 ranged between 304.21 and 483.08 million lakh units (ML) against the installed capacity of 767.28 lakh ML per annum. The average capacity utilistion during the above period was only 44.64 *per cent.*

(Paragraph 2.3.8)

The manufacture of Neural Tissue Anti Rabbies Vaccine was stopped from 31 December 2004 due to ban imposed by the Government of India (GOI). The Company could not obtain the technology for manufacture of Tissue Culture Anti Rabies Vaccine from the Pasteur Institute of India, Coonor which affected the turnover of the Company and had deprived the general public from getting the vaccine at economical prices.

(Paragraph 2.3.11)

The Company prepares its production plans of pharma products on the basis of anticipated orders from the State Government hospitals State Government gave purchase preference of 75 *per cent* in pharma products requirement. Despite this, there was under utilisation of installed capacity. Moreover, non compliance with Schedule 'M' requirements resulted in suspension of manufacturing licence of the Company for pharma products.

(Paragraphs 2.3.8, 2.3.13 and 2.3.14)

Introduction

2.3.1 The State Government appointed (November 1973) a Cabinet sub-committee with a view to suggest suitable measures so as to increase the production of drugs of the Haffkine Institute, Mumbai. In pursuance to the recommendations of the sub-committee, two activities of the Institute, *viz.* Training, Research and Development activities and production activities were segregated.

For taking over production activities of the Haffkine Institute carried out at Mumbai and at Stud Farm, Pimpri (Pune), the Haffkine Bio-Pharmaceutical Corporation Limited (Company) was incorporated under the Companies Act, 1956 in the year 1974 and the Company started functioning with effect from the 1 September 1975 with the following main objectives:

- To act as manufacturing chemist and dealer in pharmaceuticals and biological medicinals.
- To manufacture standard biological and non-biological products of public health importance.
- To manufacture various vaccine/sera.
- To work as consulting and analytical chemists and pharmacologists *etc.*

The Company has two manufacturing units at Mumbai and Pune. The Mumbai unit of the Company was presently engaged in the activity of manufacture and supply of wide range of biological and non-biological products comprising of Bacterial and Viral Vaccines, Anti Sera, Toxoids, Injectables and Pharmaceuticals, such as Oral Polio Vaccine (OPV), Diptheria, Pertussis, Tetanus Vaccine (DPT), Anti Rabies Vaccine (ARV) *etc.* The unit at Pimpri (Pune) manufactures Antitoxins and Sera for Snake and Scorpion Venom, Tetanus and Diphtheria.

The Company also established (1977) a subsidiary company *viz.* Haffkine Ajintha Pharmaceuticals Limited, (HAPL), for manufacture of pharmaceutical products in the form of tablets, capsules, powder and ointments at its manufacturing unit at Jalgaon (Maharashtra).

The Company is managed by a Board of Directors (BOD) headed by a non-executive Chairman, a whole time Managing Director and eight part time Directors including a workers' representative. The Managing Director is assisted by a General Manager, Company Secretary-cum-Advisor (Finance and Administration) and other Heads of the Departments.

Scope of Audit

2.3.2 The performance review conducted between January-March 2007 covers the operational performance of the Company for the five years period from 2002-03 to 2006-07. Audit examined the records maintained at headquarters and both the manufacturing units.

Audit objectives

2.3.3 The Audit objectives of the performance audit were to ascertain whether:

- the Company executed its functions relating to manufacturing and supplying of biological and non-biological products in efficient, effective and economical manner and as per norms;
- the vaccines and other bulk pharmaceuticals products were manufactured and supplied as per the quality requirements and in accordance with the prescribed time schedule;
- the upgradation of production facilities for the technological development was adequate;
- the efforts towards marketing and realisation of debts were adequate;
- various statutory requirements relating to manufacturing/testing activities and environment protection were fully complied with;
- adequate measures were taken and future plans devised to face stiff market competition; and
- a reliable internal control system exists for monitoring and overseeing at the highest level to ensure that the objectives were achieved in an efficient and economical manner.

Audit criteria

2.3.4 The following audit criteria were adopted:

- Capacity utilisation of existing plants/facilities and criteria fixed by the Company for optimal utilisation/linkages with demand and supply;
- Norms fixed by the Drug Price Control Order (DPCO) for production yield and specifications;
- Purchase procedure prescribed for procurement of inputs, minimum, maximum and economic order quantity limits prescribed for various inputs;
- Credit policy of the Company;
- Mandatory statutory requirements applicable to the Company; and
- Strategies and marketing plans formulated to face stiff competition.

Audit methodology

2.3.5 The following audit methodology was adopted to achieve the audit objectives with reference to audit criteria:

- Examination of agenda and minutes of the BODs meetings for all important decisions. Orders issued by the State Government and DPCO from time to time;
- Review of internal audit/cost audit/statutory auditors' reports;
- Scrutiny of purchase order files for capital and revenue items;
- Examination of Management Information System reports on production and sales;
- Review of reports of various committees appointed by the State Government and consultant appointed by Company; and
- Interaction with Management and issue of audit queries.

Audit findings

2.3.6 The findings of the performance review were reported (May 2007) to the Government/Management and were also discussed (22 June 2007) in the meeting of the Audit Review Committee for State Public Sector Enterprises (ARCPSE). The meeting was attended by the representative of the State Government, Ex-Managing Director, General Manager and Company Secretary-cum-Advisor (Finance and Administration) of the Company. The view points of the Government and the Management were taken into account while finalising the review.

The audit findings are discussed in the succeeding paragraphs.

Segment profitability

2.3.7 The Company had identified three segments for reporting the segment wise profitability as detailed below:

The Company's survival is mainly dependent on vaccine business.

(Rupees in lakh)

Year	Vaccine		Pharma		Others		Total		Percentage of value of production of vaccine to total value of production
	Value of produc-tion	Profit (+)/ loss (-)	Value of produc-tion	Profit (+)/ loss (-)	Value of produc-tion	Profit (+)/ loss (-)	Value of produc-tion	Profit (+)/ loss (-)	
2002-03	6,614.76	+275.75	88.85	- 137.93	357.87	- 102.65	7,061.48	+35.17	93.67
2003-04	2,648.07	- 84.14	258.41	- 34.88	274.15	- 39.78	3,180.63	- 158.80	83.26
2004-05	2,989.07	+94.08	303.03	- 63.94	288.53	- 48.05	3,580.63	- 17.91	83.48
2005-06$	3,672.63	-312.77	361.20	- 80.32	321.80	- 0.50	4,355.63	- 393.59	84.32

(Source: Information furnished by the Company).

$ Figures for the year 2006-07 not available.

It may be observed from the above details that:

- the Company was highly dependent on the vaccine business which constituted more than 84 *per cent* of its value of total production in all the segments;
- the total segment profit of Rs.35.17 lakh in 2002-03 turned into loss of Rs.3.94 crore in 2005-06 mainly due to loss in the vaccine segment which was caused due to non-accreditation of Company's OPV plant to United Nations (UN) standard; and
- Audit analysis revealed that the value of production of the Company was reduced from Rs.70.61 crore in 2002-03 to Rs.35.81 crore in 2004-05 which marginally increased to Rs.43.56 crore in 2005-06. The main reason for decrease in value of production was the loss of business of OPV supply to UNICEF, due to non-accreditation of their OPV plant as per UN standards. Other reason for reduction in production was the ban imposed (December 2004) by the GOI on production of Neural Tissue Anti Rabies Vaccine (NTARV); which otherwise was a profit making product of the Company.

Production performance

Production and supply of vaccines

2.3.8 According to Government Resolution (GR) (August 1990) the medicines produced by the Company up to its installed capacity should be purchased by the Government hospitals directly without following the tender procedure. The GR was extended from time to time up to 31st March 2006. In 2006-07, the Government decided (August 2006) to give purchase preference of 75 *per cent* on the purchase of pharma products required by the State Government hospitals.

The Company prepares its production plan based on the sales forecast. The sale forecast of the Company depended on the anticipated orders from GOI/State Government and UNICEF, who were the major customers of the Company for its products. Thus, the production plan was linked to the marketing plan. The core business of the Company was in the manufacture and supply of vaccines such as OPV, DPT, Diptheria, Tetanus (DT) and Tetanus Toxide (TT) *etc.*

As against the sanctioned strength of manpower of 678, the Company's actual staff strength ranged between 79 to 94 *per cent* during 2003-07. Thus, shortage of manpower was not the problem for increase in production.

The actual production of vaccine against the installed capacity of 767.28 Million lakh units per annum during the period from 2002-07 was as under:

Year	Actual production (Million in lakh units)	Percentage of actual production to installed capacity
2002-03	313.69	40.88
2003-04	273.20	35.61
2004-05	304.21	39.65
2005-06	338.45	44.11
2006-07	483.08	62.96

(Source: Information furnished by the Company).

It would be seen from the table that on an average the Company had been able to utilise 44.64 *per cent* of its installed capacity for vaccines during five years ending 31 March 2007.

The main reason for low production of vaccines was non-supply of OPV to UNICEF during 2002-06 for want of accreditation of the Company's OPV plant as per UN standards.

Production and supply of Oral Polio Vaccine

The Company's OPV production is vulnerable due to stiff competition and also due to depleting market requirement for OPV year after year.

2.3.9 The Company supplies OPV to the GOI and UNICEF on competitive tender basis. For supplies to GOI, the Company faces stiff competion from some other domestic suppliers such as Bharat Immunologicals and Biologicals Corporation Limited (BIBCOL),* Panacea Biotech India Limited and other Bio-medical Companies.

The details of installed capacity, actual production, demand and supply of OPV to GOI and UNICEF for the five years from 2002-03 to 2006-07 were as under:

(Quantity: Million doses)

Year	Installed capacity	Actual production	Demand (GOI/ UNICEF)	Supply		Percentage of actual production to installed capacity
				GOI	UNICEF	
2002-03	480	144.63	154.95	26.00	128.95	30.13
2003-04	480	37.28	37.70	37.70	---	7.7.7
2004-05	600	45.59	37.00	37.00	---	7.60
2005-06	600	67.08	75.70	75.70	---	11.18
2006-07	600	115.33	113.00	82.00	31.00	19.22

(Source: Information furnished by the Company).

It may be observed from the above details that the percentage of actual production of OPV to installed capacity ranged between 7.60 *per cent* to 30.13 *per cent* during 2002-07 mainly due to lack of demand from the GOI

*A Central PSU.

Demand of Oral Polio Vaccine which is the main business of the Company is declining.

and UNICEF. During 2003-04 to 2005-06, the Company could not supply OPV to UNICEF due to non-availability of UN accreditation to its OPV plant. The loss of business was of the value of Rs.89.14 crore during 2003-04 and 2004-05 based on earlier business with UNICEF.

The future prospects for supply of OPV by the Company to the GOI were also not very bright. It was pointed out (February 2006) by the GOI that the total estimated requirement of OPV in the country during next five years ranged between 138.50 million doses (2006) and 149.30 million does (2010). Against this, the total existing installed capacity of two major domestic producers of OPV (*viz.* the Company and BIBCOL) was 1,200 million doses, *i.e.* 600 million doses each. Since the Company was not producing to its full capacity, it obviously could not put its share of the projected demand. The GOI had further observed (February 2006) that the Polio Eradication Programme on which the domestic demand for OPV depends, might not be needed beyond the year 2011. This would thus result in decline in the demand for OPV in the country causing idle capacity of OPV manufacturing plant of the Company. This indicates very grim picture of OPV market on which the Company was dependent for its survival. As such, the supplies of OPV to UNICEF in highly competitive Global Market assumes importance for the Company.

It is also seen that the Company is operating in a highly competitive environment of foreign suppliers such as Chiron, Italy, Glaxo Smith Kline, Belgium, Sanofi Pasteur, France, Statous Sera Institute, Denmark and Indian Suppliers *viz.* Panacea Biotec Limited, India for supplies of OPV to UNICEF. The Company's business is, therefore, vulnerable due to its dependence on UNICEF/GOI as its main customers. It was further observed that the Company was buying the bulk OPV (the input raw material) from two sources *viz.* PT Bio-parma, Indonesia and Glaxo Smith Kline Biological, Belgium. Since the bulk manufacturers are also the competitors of the Company in supply of OPV thus, the Company's dependence on these two bulk suppliers is a high risk factor.

Other vaccines

2.3.10 The installed capacity and actual production, demand and supply of other vaccines during the period 2002-07 were as under:

(In lakh doses)

Product	Year	Installed capacity	Actual production	Demand	Supply	Percentage of actual production to Installed capacity
1	2	3	4	5	6	7
Diphtheria	2002-03	448	142.70	140.00	140.00	31.85
Tetanus	2003-04		129.74	140.00	140.00	28.96
Pertussis	2004-05		123.43	100.00	100.00	27.55
(DPT)	2005-06		79.93	80.00	NA	17.84
	2006-07		65.45	NA	NA	14.61

1	2	3	4	5	6	7
Diphtheria Tetanus (DT)	2002-03	100	89.98	89.98	89.98	89.98
	2003-04		34.24	30.00	30.00	34.24
	2004-05		116.23	116.00	116.00	116.22
	2005-06		NA	NA	NA	NA
	2006-07		36.50	NA	NA	36.50
Tetanus Toxide (TT)	2002-03	712	238.81	220.00	220.00	33.54
	2003-04		158.39	150.00	150.00	22.24
	2004-05		234.74	303.00	303.00	32.97
	2005-06		410.61	413.00	351.00	57.67
	2006-07		265.80	NA	NA	37.33

(Source: Information furnished by the Company).

It may be observed that the average percentage of actual utilisation of the installed capacity for production of DPT, DT and TT was 24.16, 69.23 and 36.75 during the five years period ended 2006-07. The main reason for underutilisation of production capacity was lack of sufficient demands for the products of the Company.

Stoppage of production of Neural Tissue Anti Rabies Vaccine (NTARV) and loss of business

GOI banned the production of NTARV with effect from 31 December 2004. The Company's efforts to obtain technology for TCARV, the alternate product, could not succeed. With the result, TCARV could not be produced and made available to the needy for dog bite cases.

2.3.11 The Company was manufacturing NTARV used for medical treatment of dog bite cases. The GOI decided (February 2004) to phase out NTARV due to the pain and the possibility of neuroparalytic disorders suffered by the patients. The Tissue Culture Anti Rabies Vaccine (TCARV) was considered as more safe and hence it was decided to switch over to TCARV with effect from 31 December 2004. Marketing of NTARV manufactured up to 31 December 2004 was permitted till existing stocks were exhausted. The Company informed (August 2004) the GOI that if the Pasteur Institute of India (PII), Coonoor transferred technology, it could start the production of TCARV. The PII Coonoor however, demanded Rs.10 crore for transfer of the technology. The Company found the demand exorbitant and commercially non-viable. Further, the Company had also financial constraints and budgetary support from the State Government was not available.

The State Government apprised (December 2005) the GOI, about the grim situation of increase in dog bite cases, public hue and cry due to shortage of TCARV and its high cost. The State Government requested GOI to issue necessary directions to PII, for waiver of the exhorbitant charges. The Union Secretary, Family Welfare, during his visit to the Company had assured (March, 2006) that PII would be advised to transfer technical know-how for TCARV to the Company on reasonable terms and conditions. No further developments were, however, noticed on the issue (September 2007).

Thus, after phasing out of NTARV, the Company was unable to get a share of the TCARV market.

Under-utilisation of capacity at Pimpri unit

2.3.12 The Pimpri Unit of the Company was engaged in the manufacture of life saving biologicals such as Snake Antivenin, Anti Rabies Sera, Tetanus

Antitoxin, Diptheria Antitoxin, Scorpion Antivenom *etc.* using equines (horses/mules/ponies).

The unit had set up a lyophilisation plant[ϒ] in July 2000 at a cost of Rs.6.85 crore and the commercial production there from was started in June 2002.

The details of installed capacity and actual production of Sera during the period 2002-07 were as detailed below:

(Quantity in Vials/ampoule)

Name of the product	Installed capacity	2002-03	2003-04	2004-05	2005-06	2006-07
		Actual production (*per cent* of installed capacity)				
Anti Tetanus Sera	26,000	14,800 (56.92)	19,330 (74.35)	Nil	Nil	Nil
Anti Diptheria Sera	7,700	3,068 (39.84)	2,052 (26.65)	904 (11.74)	3,896 (50.60)	541 (7.03)
Anti Snake Venum Sera	3,08,000	1,41,501 (45.94)	2,24,730 (72.96)	1,20,704 (39.18)	1,50,882 (48.99)	15,274 (4.96)
Anti Scorpian Venum Sera	8,600	Nil	24,947 (290.08)	Nil	4,117 (47.87)	Nil
Anti Rabies Sera	34,814	Nil	15,057 (43.25)	Nil	Nil	Nil

(Source: Data collected from the production records of the Company).
(Figures in bracket indicate percentage)

During the period 2002-07 Anti Snake Venom/Sera was the major product produced. The percentage of actual production to installed capacity ranged between 4.96 to 72.96 *per cent*. The production of Anti Diptheria Sera had reduced from 3,068 vials[♦] (39.84 *per cent*) to 541 vials (7.03 *per cent*).

The unit had not produced Anti Tetanus Sera and Anti Rabies Sera since 2004-05. The shortfall in utilisation of the installed capacity was attributed to shortage in availability of equines for production.

Shortage of equines had affected the production of the unit.

The strength of equines had reduced from 709 in April 2001 to 421 in March 2007 due to restrictions imposed by the Committee for the Purpose of Control and Supervision of Experiments on Animals for use of equines with reference to age and weight of the animals. These restrictions adversely affected the production of sera by the unit. Thus, the lypholisation plant installed at a capital cost of Rs.6.85 crore could not be utilised to its full production capacity.

[ϒ] The manufacturing process of the plant involved freeze drying in which water is removed from a product after it is frozen and placed under a vaccum

[♦] Vial – Material contents for one injection, Ampule – Material for five or more injections.

Production of pharmaceutical products

Under utilisation of installed capacity in manufacture of pharma products resulted in decrease in turnover of the Company.

2.3.13 The Company was manufacturing pharmaceutical products such as tablets and capsules, intravenous solutions and injectables *etc*. These are supplied mainly to the State Government. During 2002-07 the installed capacity of pharma products remained underutilised. It ranged from 34.47 *per cent* to 49.79 *per cent* for tablets and 3.55 *per cent* to 20 *per cent* for capsules. For Antiseptic liquids it ranged from 21.87 *per cent* to 35.23 *per cent* and for intravenous liquids it ranged between 0.556 *per cent* to 2.956 *per cent* **(Annexure-10).**

As per the State Government decision (August 2006), 75 *per cent* purchase preference was to be given to the Company by the Government hospitals in procurement of pharma products. Neither the Company nor the Government had kept the details of the total requirement and procurement made from the Company. Hence, the implementation of the Government orders regarding purchase preference to the Company was not known. Further, since the Company was not producing to its full potential it was obviously unable to take advantage of the preferential treatment extended by the State Government.

The Management stated (August 2007) that the quantity purchased by various Government hospitals was not readily available with Health Department of the State Government. This information was crucial as this would help in increase in turnover of the Company and ensure optimum utilisation of the installed capacity for pharma products. The reply is only an assumption as Company was not producing any item to its full capacity.

The Company's efforts to get orders from the States other than Maharashtra were also not fruitful. Out of 23 tenders in which the Company participated during 2002-07, the Company was successful in only one tender. The loss of tenders was due to high cost of products of the Company and non-compliance with Schedule 'M' requirement *i.e.* Good Manufacturing Practices (GMP) as discussed in paragraph-2.3.14 *infra.*

Non compliance with revised Scheduled 'M' upgradation requirements for pharma and others products

Non-compliance with Schedule 'M' requirement resulted in suspension of manufacturing licence for pharma products.

2.3.14 The GMP is essential for the maintenance of quality in the manufacture of pharma products. The revised Schedule 'M' to the Drugs and Cosmetics Rules, 1945 seeks to update and harmonise the GMP requirements with International Guidelines. However, the OPV plant of the Company only had the UN accreditation and part of sera production-lyophilisation plant at Pimpri, had approval of Food and Drugs Administration (FDA), State Government. All the other manufacturing facilities of the Company were not complying with the revised Schedule 'M'. The consequences of non compliance of the said revised Schedule 'M', by the Company is discussed in the succeeding paragraph.

Suspension of manufacturing licence in respect of pharma products

2.3.15 The Company's licence issued by FDA for manufacturing of pharma products was valid up to 31 December 2007. Based on Inspection of the manufacturing facilities, the FDA had issued (February 2007) show-cause notice to the Company for not complying with the provisions of the revised Schedule 'M' requirements. The Company started taking action to comply with Schedule 'M' requirement by appointing (February 2007) a Consultant for preparing feasibility and project cost and non-conventional design keeping in view the Schedule 'M' requirement. For revamping of pharmaceutical and Oral Liquid Departments, the Company had estimated (April 2006) an expenditure of Rs.4.11 crore. The Company, however, could not implement the project so as to comply with the requirements of Schedule 'M' due to financial constraints.

The allocation of Rs.3.50 crore in the Tenth Five Year Plan (out of Rs.6.42 crore provided for various projects and schemes of State Government) for implementation by GMP also did not materialise as no funds were received. Thus, lack of budgetary support from the State Government for upgradation of manufacturing facilities as per Schedule 'M' requirements for ensuring high quality resulted in depletion in market share and potentiality of its products.

Meanwhile, the FDA suspended (April 2007) the manufacturing licence of the Company in respect of pharma products. The Company had taken up the issue (May 2007) with the State Government for permission to manufacture up to August 2007 and had also requested for granting stay to FDA's suspension order for which State Government's response was awaited (September 2007).

The Company had submitted (June 2007) an estimated expenditure of Rs.25 crore for revamping of Pharma & Bacterial Vaccine Departments, to the State Government and had sought financial assistance to implement the project. The Department informed (June 2007) that proposal of the Company would be considered by the Medical Education Department in consultation with the Finance Department. Further progress on the issue was also awaited (September 2007).

Marketing activities

2.3.16 All orders received by the Marketing Department of the Company were scrutinised and forwarded to the Finished Product Section for preparation of packing notes which were then passed on to the Despatch Section for execution of orders. The production plan of the Company was prepared based on the projection of sales furnished by the Marketing Department.

The table below indicates the details of target for sales and achievement during the last five years ended 2006-07:

(Rupees in crore)

Year	Budget/Target	Achievement	Shortfall
2002-03	84.00	77.13	6.87
2003-04	47.42	29.91	17.51
2004-05	37.58	33.21	4.37
2005-06	44.79	41.06	3.73
2006-07	72.77	73.21	--

(Source: Information compiled from the records in marketing division).

Audit scrutiny revealed the following:

- Though the Company had achieved the target in 2006-07 there was shortfall in achieving the target during the period 2002-06. It was observed that the installed capacity had been underutilised on account of various reasons (*viz.* non accreditation of OPV plant to UN standards, low demand from GOI, non-compliance to Schedule 'M' requirements, *etc.*) as discussed in paragarphs-2.3.9 and 2.3.14 *supra.*

- The Marketing Department had limited role to play due to limited products/customers. The Department was also entrusted with the responsibility of collection of debts. The Marketing Department had not conducted any market survey so as to assess the demand for various products of the Company and was not successful in entering the private market due to non-compliance with Schedule 'M' requirement combined with high price of the products.

Sundry debtors and turnover

2.3.17 The following table indicates the volume of book debts and sales for the last five years ended 31 March 2007.

Delay in realisation of debts resulted in increase in debts of the Company from Rs.16.74 crore as on 31 March 2003 to Rs.32.82 crore as on 31 March 2007.

(Rupees in lakh)

As on 31 March	Book debts			Sales during the year	Percentage of total book debts to sales
	Considered good	Considered doubtful	Total debts		
2003	1,648.33	25.94	1,674.27	7,712.52	21.70
2004	1,130.80	25.94	1,156.74	2,990.55	38.68
2005	1,965.67	25.94	1,991.61	3,320.61	59.98
2006	2,320.20	23.71	2,343.91	4,106.17	57.08
2007 (Provisional)	Not furnished	Not furnished	3,281.67	7,321.00	44.83

(Source: Data collected from the annual accounts).

The Company's debtors showed an increasing trend and the same increased from Rs.16.74 crore as of 31 March 2003 to Rs.32.82 crore as on 31 March 2007, which was 21.70 and 44.83 *per cent* of the sales of respective years. Out of the above, debts amounting to Rs.20.98 crore (63.92 *per cent*) were recoverable from the Government Departments (GOI: Rs.12.18 crore, State Government: Rs.8.80 crore) and the balance (Rs.11.84 crore) from others.

It can be seen that percentage of book debts to sales averaged 44.45 *per cent* up to 2006-07 indicating that flow of funds from sales needed improvement.

The Management stated (April 2007) that procurement of orders and recovery of debts was the responsibility of Marketing Department of the Company and recovery depended on amount of funds allocated by the State Government for purchase of medicines by the Health Department. It further stated that efforts were being made at all levels of the Government for realising old outstanding debts.

Internal Control and Internal Audit

2.3.18 Internal control is a management tool used to provide reasonable assurance that management's objectives are being achieved in an efficient, effective and orderly manner. The Company has not prepared accounting manual prescribing the system for internal control. The Company exercised physical and financial control over its activities through a firm of Chartered Accountant appointed as Internal Auditor and Company's own Internal Audit Department.

The Internal Auditor was required to report on capacity utilisation including bottlenecks/constraints, fixation of norms and report on the process losses keeping in view the Industry Standards, review of existing system/procedures and rules for improved working, report on availment of various benefits by the Company under the various tax laws. The review of Internal Audit reports for the last five years ended 31 March 2006 revealed the following:

- The reports of Internal Audit did not cover important areas stated above, but covered routine transactions such as purchase/sale, travelling advances, inter office unit vouchers, bank reconciliation, advances, stores records *etc*.

- The activities of Pimpri unit at Pune which is an important production unit were not at all covered by the Internal Audit during the period 2002-03 to 2006-07.

- The Internal Audit Reports, though submitted to the Managing Director, were not submitted quarterly to the BODs.

- The compliance and action taken on Internal Audit Reports were not reported to the Managing Director and to the BODs, defeating the very purpose of Internal Audit function.

In the ARCPSE meeting (June 2007) the Company accepted the audit observations and promised to improve the Internal Audit function.

Review of the working of the Company by the State Government

2.3.19 The State Government reviewed the working of the Company through Rajadhyaksha Committee[$] who gave its recommendations in 1994-95. The State Government also referred (July 2002) the Company to the Maharashtra Board for Restructuring State Public Enterprises (MBRSE) to suggest immediate remedial measures to improve the financial position of the Company. The main recommendations of the Committee and MBRSE were as under:

- To reduce the Government's stake in the Company to 49 *per cent* so as to remove the constraints and cumbersome procedure to be followed by the Company.
- Transfer of land on which the Company is situated in its name by the State Government so as to enable the Company raise resources in the Market.
- To implement cost control measures and increase the productivity, assess the potential market, develop the new products and enter the export market.
- To develop in-house research facility and transfer the manufacture of non bio-pharmaceutical products to the subsidiary Company.

It was observed that the Company had expected 100 *per cent* contribution through equity from the State Government for its survival. The State Government, however, declared a policy of not providing any budgetary support to any of the Corporations and advised the Company to submit investment plan for infusion of capital.

In ARCPSE meeting, the representative of State Government admitted that no action was taken on the recommendations of the Committee. It further stated that the issue regarding possession of land at Mumbai between Company and Haffkine Institute was pending (March 2007) and agreed to take immediate steps to resolve the issue.

As far as action on advice of MBRSE, the Company submitted (September 2002) to the State Government work plan for additional capital, but the plan was not approved by the State Government. In compliance to recommendation of MBRSE, the Company appointed (February 2004) the Genesis Management Consultant to assess the Company's Corporate Plan and the main recommendations of the consultant were for partial disinvestment, joint venture and need for infusion of fresh capital in the Company.

Based on the recommendations of the consultant, the Company submitted (May 2005) a proposal to the State Government for joint venture with Venkateshwara Hatcheries Private Limited (VHPL) for manufacture and marketing of new vaccines, which was rejected by the State Government as the VHPL did not have expertise in manufacture or marketing of human

[$] Constituted by the State Government under the Chairmanship of Shri V.G. Rajyadhaksha.

vaccines. The Company again sent (October 2006) a proposal to the State Government for participation in joint venture. In the ARCPSE meeting (June 2007) it was stated that the Company's proposal was under examination of the State Government.

Acknowledgement

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

The matter was reported to the Government/Management (May 2007); their replies were awaited (November 2007).

Conclusion

The Company's main product was Oral Polio Vaccine (OPV) constituting 84 *per cent* of its total production. The Company was highly dependent on the Government of India/State Government and UNICEF for supply of OPV but production of OPV suffered due to non accreditation of Company's OPV plant to UN standards during 2002-06. Production of other products was also very low when compared with the installed capacity, mainly due to lack of demand, restrictions imposed on use of animal equines, non meeting of requirements of revised Schedule 'M' (Good Manufacturing Practices) *etc.* The Company did not conduct any market survey to develop new products and explore the private/export markets and remove dependency on GOI/State Government/UNICEF.

The State Government had not provided any financial support to the Company for its survival/modernisation plans in spite of the fact that it was an important manufacturing Company in the Health Sector, producing crucial vaccines essential for public health.

Recommendations

The Company may:

- **diversify its production to manufacture other vaccines and establish its market share, so as to reduce its dependence on OPV;**
- **upgrade its manufacturing facilities to comply with Revised Schedule 'M' as per Drugs and Cosmetics Rules, 1945 and to get restore its Manufacturing Licence suspended in respect of pharma products;**
- **increase the utilisation of installed capacities by taking up production on loan licence basis both at Mumbai and Pimpri units and ensure that**

it gets preferential treatment to sell its products to Government hospitals and institutions;

- **pursue with the GOI for transfer of Tissue Culture Technology, for manufacture of Tissue Culture Anti Rabies Vaccine from Pasteur Institute of India, Coonoor, in order to increase its turnover as well as in public interest;**

- **modify the reporting system of Costing Department to enable cost reduction and maximising profit; and**

- **strengthen the Marketing Department for increasing its turnover, entering into private market and for speedy debt collection.**

Chapter-III

3. Performance reviews relating to Statutory corporations

Maharashtra State Road Transport Corporation

3.1 Fleet utilisation

Highlights

Fleet owned by the Corporation decreased from 16,468 (March 2003) to 15,111 (March 2007). The Corporation continuously incurred operational losses due to increased operational cost and marginal increase in revenue. The operational losses were mainly attributable to poor load factor coupled with uneconomic services, cancellation of scheduled trips *etc.*

(Paragraphs 3.1.7, 3.1.8, 3.1.11, 3.1.13 and 3.1.15)

The Corporation's overaged fleet (more than ten years old) was five *per cent* of its vehicles strength. As against ASRTU norms of 60 *per cent* vehicles of transport undertaking with less than four years of life, the Corporation had 40 *per cent* vehicles which were less than four years old.

(Paragraph 3.1.8)

The Corporation incurred loss of Rs.1,331.26 crore due to operation of uneconomical routes (at the behest of State Government), Mini buses, Janata services, Irizer buses, city services, forced cancellation of kilometres, increase in dead kilometres and excess consumption of diesel.

(Paragraphs 3.1.10, 3.1.12 to 3.1.18)

The Corporation incurred loss of Rs.27.01 crore due to avoidable delays in repairs and maintenance of vehicles. Further, it also incurred unfruitful expenditure of Rs.0.19 crore due to premature failure of reconditioned engines resulting in huge backlogs and vehicle off road days.

(Paragraphs 3.1.20 and 3.1.21)

Introduction

3.1.1 Maharashtra State Road Transport Corporation (Corporation) was established in 1961 under the State Road Transport Corporation (SRTC) Act, 1950 with the main objective of providing an efficient, adequate, economical and properly coordinated system of road transport services in the State. Stage carriage services (transportation of passengers from one place to another) constitute the main activity of SRTCs. The Corporation had a fleet of 15,111 vehicles at the end of March 2007 and operated on an average daily fleet of 15,012 vehicles (94 *per cent*) through 248 depots during the years 2002-07.

The Management of the Corporation is vested in the Board of Directors consisting of six Directors. All day to day affairs of the Corporation are looked after by the Vice Chairman and Managing Director who is assisted by six Regional Managers, 30 Divisional Controllers and Depot Managers of respective regions/divisions/depots.

Scope of Audit

3.1.2 The present review covers the performance audit of 'Fleet Utilisation' for the period 2002-07. Audit examined the records maintained at headquarters and also conducted detailed scrutiny of records of six[$] divisions out of 30 divisions and 12[#] depots out of 248 depots.

Audit objectives

3.1.3 The Audit objectives were to ascertain whether:

- the fleet was optimally utilised and the operation of the fleet was as per schedule/norms/plans of the Corporation;
- maintenance of fleet was carried out efficiently, economically and as per the prescribed schedule;
- consumption of fuel was as per norms fixed;
- policy of Corporation regarding scrapping of vehicles was proper/ transparent; and
- monitoring of fleet utilisation was adequate/sufficient.

[$] Akola, Amravati, Mumbai, Nagpur, Sindhudurg and Wardha.

[#] Akola, Karanja, Amravati, Paratwada, Parel, Kurla Nehru Nagar, Nagpur-I and II, Sawantwadi, Malwan, Wardha and Pulgaon.

Audit criteria

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

- physical targets/norms fixed by the management and also the norms and performance standards prescribed by the Association of State Road Transport Undertakings (ASRTU) ;
- preventive maintenance schedule and fuel efficiency norms *etc.*;
- norms fixed for deployment of drivers, conductors and other staff; and
- instructions/orders of the Government of India (GOI)/State Government and other relevant orders and regulations.

Audit methodologies

3.1.5 The following mix of audit methodologies were adopted for achieving the audit objectives:

- Examination of agenda and minutes of the meetings of BODs, administrative and annual reports, physical and financial progress reports of the Corporation;
- Scrutiny of records of the Corporation at head office and in divisions/ depots;
- Scrutiny of records relating to fleet utilisation/route scheduling, *etc.*;
- Scrutiny of details of vehicles held in depots/workshops and curtailment of schedules and monthly reports; and
- Issue of audit enquiries and interaction with the management.

Audit findings

3.1.6 The audit findings were reported (July 2007) to the State Government/ Management and discussed (24 August 2007) in the meeting of the Audit Review Committee for State Public Enterprises (ARCPSE). The meeting was attended by the Deputy Secretary (Transport), State Government (GOM), Vice Chairman and Managing Director, Financial Advisor and Chief Accounts Officer, General Manager (Traffic) and General Manager (Mechanical Engineering) of the Corporation. The views expressed by the representatives of the Government and the management have been taken into account while finalising the review.

The Audit findings emanating from the performance review are discussed below.

Working results

3.1.7 The details of working results like operating revenue and operating expenditure, total revenue and expenditure, net surplus/loss and earnings and cost per kilometre of operation for the last five years ending 2006-07 are indicated in the following table:

Sl. No.	Particulars	2002-03	2003-04	2004-05	2005-06	2006-07 (Unaudited)
1.	Operating revenue (Rupees in crore)	2,673.78	2,685.24	2,909.72	3,200.45	3,470.80
2.	Operating expenditure (Rupees in crore)	2,761.28	2,876.10	3,341.90	3,277.13	3,511.66
3.	Operating loss (-) for the year 2-1 (Rupees in crore)	(-) 87.50	(-) 190.86	(-) 432.18	(-) 76.68	(-) 40.86
4.	Total revenue (Rupees in crore)	2,727.51	2,747.07	3,263.45	3,295.97	3,593.31
5.	Expenditure for the year (Rupees in crore)	2,799.43	2,952.14	3,392.82	3,336.82	3,580.67
6.	Loss(-)/surplus (+) for the year (Rupees in crore)	(-) 71.92	(-) 205.07	(-) 129.37	(-) 40.85	12.64
7.	Accumulated loss (Rupees in crore)	748.64	953.71	1,083.08	1,122.98	746.19
8.	Cost of fuel, tyres, spares *etc.* (Rupees in crore)	985.99	1,056.98	1,215.11	1,350.35	1,443.32
9.	Staff salaries and wages (Rupees in crore)	1,004.36	1,041.42	1,374.21	1,147.78	1,185.86
10.	Other expenditure, interest and depreciation (Rupees in crore)	809.08	853.74	803.50	838.69	951.49
11.	Effective kilometres Operated (in lakh kilometre)	17,656.3 9	17,652.20	17,976.31	17,212.95	17,351.77
12.	Operating Earning per kilometre (Rupees) (1/11)	15.14	15.21	16.19	18.59	20.00
13	Operating Cost per kilometre (Rupees) (2/11)	15.63	16.29	18.59	19.04	20.23
14.	Sanctioned schedule kilometres (in lakh)	17,283	17,260	17,489	16,772	16,995
15.	Operated schedule kilometres (in lakh)	16,831	16,840	17,123	16,422	16,568
16.	Fixed cost per kilometre (Rupees) (9+10/11)	10.27	10.73	12.12	11.54	12.32
17.	Variable cost per kilometre (Rupees) (8/11)	5.58	5.99	6.76	7.84	8.32

(Source: Data collected from the annual accounts and administrative reports).

A review of the working results of the Corporation reveals the following:

- Though the revenue increased during 2002-03 to 2005-06, the Corporation had continuously incurred operating losses which were attributed to decrease in load factor from 59 in 2002-03 to 58 in 2006-07 as discussed in paragraph-3.1.11 *infra*. The other factors for the losses during 2002-07 were high expenditure incurred per effective kilometre on fuel, excess consumption of fuel, uneconomic services, and cancellation of scheduled trips dead kilometers, *etc.* which the Management was unable to control or improve as discussed in paragraphs-3.1.9, 3.1.10, 3.1.15 and 3.1.17 *infra*.

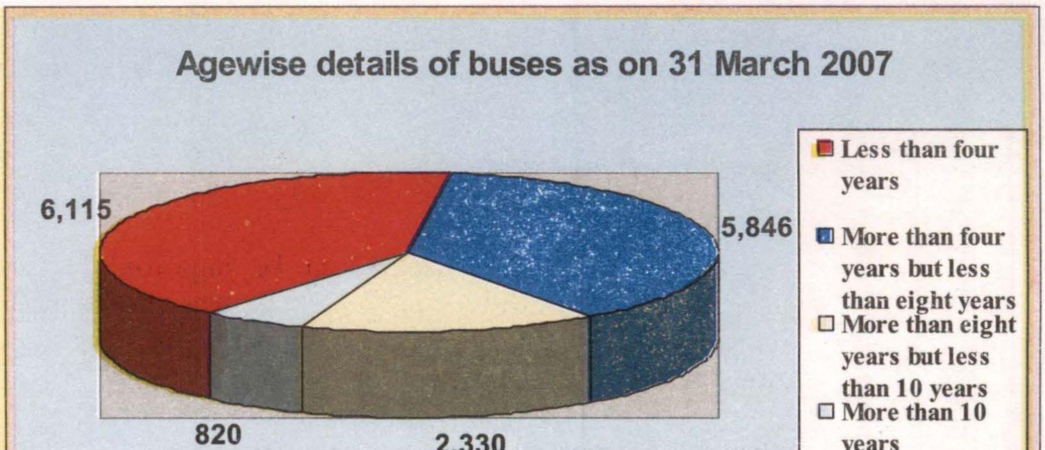
- The operating cost per kilometre (CPKM) was always more than the operating earnings per kilometre (EPKM) during 2002-07 resulting in operational losses.

- The operation of less schedule kilometres than sanctioned kilometres resulted in loss of contribution of Rs.80.92 crore.

The Management/Government stated (August/September 2007) that the increase in operation cost was due to increase in cost of fuel, spare parts, floods in July 2005, operation of less scheduled kilometres on holidays, bandh days, various concessional/obligatory trips and increase in Dearness allowance. The reply is not tenable as the planned operations are set considering holidays, bandhs, and obligatory trips. The rise in input costs due to inflation is a common phenomenon which was not offset by improvement in occupancy ratio and taking cost effective measures.

Fleet strength and age profile

3.1.8 In order to ensure efficient, sufficient and satisfactory public transport, proper maintenance of adequate fleet of buses for operation of scheduled routes is imperative. Acquisition of new buses from time to time is necessary for augmenting the existing fleet as well as for replacing the old and unserviceable buses. The holding of overaged buses in the fleet becomes a liability from the point of view of repairs, maintenance and fuel consumption. ASRTU had recommended (1971) that the normal life of a bus should be considered as eight years or five lakh kilometres of operation whichever is earlier and that a minimum of 60 *per cent* of the fleet strength of an undertaking should consist of buses with less than four years of operation. The Corporation, however, has fixed the life of bus as 10 years and as per its policy the vehicle should be replaced after 10 years. The chart and table given below indicate the Corporation's fleet holding, number of overaged buses and their percentage to the fleet holding at the end of each of the five years up to 31 March 2007.



Sl. No.	Particulars	2002-03	2003-04	2004-05	2005-06	2006-07
1	Vehicles at the beginning of the year	17,071	16,468	16,128	16,115	15,456
2	New vehicles added	1,409	1,825	1,610	1,127	1,555
3	Vehicles discarded	2,012	2,165	1,623	1,786	1,900
4	Vehicles at the end of the year	16,468	16,128	16,115	15,456	15,111
5	No. of the buses less than four years old	5,849 (36)	6,392 (40)	6,491 (40)	5,966 (39)	6,115 (40)
6	No. of the buses more than four years but less than eight years	5,230 (31)	4,823 (30)	4,625 (29)	5,217 (33)	5,846 (39)
7	No. of the buses more than eight years but less than 10 years	3,116 (19)	3,457 (21)	3,388 (21)	2,755 (18)	2,330 (16)
8	No. of the buses more than 10 years	2,273 (14)	1,456 (9)	1,611 (10)	1,518 (10)	820 (5)

(Source: Data compiled from operational wing of the Corporation).

(Figures in brackets indicate percentage)

It could be seen from the above table that against the ASRTU norms of 60 *per cent*, 6,115 buses *i.e.* 40 *per cent* buses held by the Corporation as on 31 March 2007 were less than four years old, whereas 3,150 buses *i.e.* 21 *per cent* were more than eight years old, as against the norm that buses more than eight years should not be operated.

The Corporation did not fully replace the over-aged buses as per its policy, and as on 31 March 2007, it had 820 buses which were more than 10 years old. It was observed that the extra expenditure on consumption of High Speed Diesel (HSD) oil increased over the years due to operation of overaged vehicles as discussed in paragraph-3.1.18 *infra*.

The Management/Government stated (August/September 2007) that norms of ASRTU are taken as guidelines and the Corporation decided the life of buses as ten years due to financial constraints. The Management's contention is not acceptable as the financial constraints could have been overcome through loan and efficient and effective management. Further, as the holding of overaged buses in the fleet is not financially viable on account of repairs and maintenance and excess fuel consumption, such buses should be replaced with new buses timely.

Route operation

3.1.9 Operational performance can be improved by periodic review of uneconomic routes with a view to assess their continuance, rationalisation of routes and optimum operation of buses on the higher revenue earning routes. Audit scrutiny revealed that none of the B[∞] and C[♦] trips operated by the

[∞] B trips - Earning per kilometre is more than variable cost.

[♦] C trips - Earning per kilometre is less than variable cost.

Corporation were recovering the total cost of operation. The C trips were not even recovering their variable cost resulting in cash losses of Rs.242.75 crore on their operations during the period 2002-07.

Loss on operation of uneconomic routes

3.1.10 The Corporation operates a number of obligatory* routes/trips as per orders of the State Government (29 November 1973). In pursuant to operation of obligatory trips as per above orders, the Corporation sustained loss of Rs.968.47 crore on these services during the period 2002-07 as detailed below:

Operational losses on obligatory routes/trips were not being reimbursed by the Government.

Year	Average effective lakh kilometres for obligatory routes	EPKM (Rupees)	CPKM (Rupees)	Difference between CPKM and EPKM	Loss on obligatory services (Rupees in crore)
2002-03	1,705	5.13	13.56	8.43	143.73
2003-04	1,942	5.34	13.94	8.60	167.01
2004-05	2,451	6.15	15.36	9.21	225.94
2005-06	2,276	6.97	18.83	11.86	269.93
2006-07	1,590	7.15	17.33	10.18	161.86
Total					**968.47**

(EPKM- Earning per kilometre; CPKM – Cost per kilometre)

(Source: Data collected from operational wing of the Corporation).

It was observed that the State Government's orders, *ibid*, were silent on the reimbursement of losses on operation of these trips and exemption of passenger tax thereon. The losses incurred on these services are also not compensated by the State Government by way of subsidy. The Upasani Committee appointed (April 2002) by the State Government had recommended (January 2003) for reimbursement of losses on account of such trips. The Corporation on the basis of Upasani Committee has approached (October 2003) the State Government for reimbursement of losses, the Government's response thereto was, however, still awaited (July 2007).

Load factor

3.1.11 The load factor represents the percentage of seating capacity offered to seating capacity actually occupied. The Corporation had estimated a load factor of 62,61,62,61 and 59 *per cent* respectively during the five years ending 31 March 2007 as against which the load factor achieved was 59,56,56,57, and 58 respectively during the period 2002-07. Though the estimated load factor of the Corporation was set at a lower side when compared to load factor achieved by other State Transport Undertakings *viz.* Andhra Pradesh State Road Transport Corporation (APSRTC) (63, 60, 62 and 65) and Karnataka State

*Obligatory trips are services operated as a social obligation though operations are uneconomical.

Road Transport Corporation (KSRTC) (73.9,70.7 and 68.6) during 2002-06 respectively, and even the lower targets were not achieved. Audit analysis revealed that the shortfall in load factor was mainly due to vehicles coming late from depot, shortage of vehicles/crew *etc.* which the management was unable to improve resulting in shortfall in earnings of Rs.1,057.40 crore as shown below:

Year	Estimated earnings	Actual earnings	Estimated load factor	Actual load factor	Short fall in earnings (Rupees in crore) (2-3)
	(Rupees in crore)		(Percentage)		
(1)	(2)	(3)	(4)	(5)	(6)
2002-03	2,623.12	2,431.52	62	59	191.60
2003-04	2,682.06	2,436.27	61	56	245.79
2004-05	2,821.96	2,638.26	62	56	183.70
2005-06	3,155.73	2,812.61	61	57	343.12
2006-07	3,118.40	3,025.21	59	58	93.19
	Total				1,057.40

(Source: Data collected from relevant records of the Corporation).

Loss of Rs.13.79 crore incurred due to operation of mini buses.

3.1.12 The Corporation inducted (January to May 2001) 200 mini buses in its fleet at 20$ divisions at a cost of Rs.12.03 crore. It was observed that the operation of this service was not viable due to non availability of engines/spare parts/assemblies, problems in chassis, en-route breakdowns, breakdowns in gear boxes *etc.* that led to frequent off-road of vehicles. As against the average CPKM of Rs.11.81, the average EPKM was Rs.8.97 with load factor of 91.14 *per cent* during the period 2002-07. Audit scrutiny further revealed that the operation of these buses was more uneconomical in Pune, Nashik, Amravati and Aurangabad regions where the operational loss ranged between Rs.3.50 to Rs.4.00 per kilometre which resulted in operational loss of Rs.13.79 crore during 2002-07. It was further noticed that 41 buses were completely off the road since April 2006 due to heavy repairs and scarcity of major spares and assemblies.

The Management/Government stated (August/September 2007) that the buses were being phased out. It was, however, noticed that the proposal for scrapping of 158 buses approved in September 2006 had not yet been implemented (September 2007).

Operation of Janata services

3.1.13 The Janata services are operated to fulfill the demand of short distance traveling passengers including bazaar operations to minimise the waiting time. The Corporation, in order to curb the clandestine operations by private

$Akola, Amravati, Aurangabad, Ahemadnagar, Buldhana, Chandrapur, Dhule, Jalgaon, Kolhapur, Mumbai, Nagpur, Nashik, Pune, Raigad, Ratnagiri, Satara, Solapur, Thane, Wardha and Yeotmal.

operators in the state, instructed (December 2003) that if ordinary services were converted into Janata services with a lesser fare, then the cognizance should be taken that the EPKM of Janata services should not be below the EPKM of ordinary services. The table below indicates the operational data of Janata services for the last five years ending March 2007:

Sl. No.	Particular	2002-03	2003-04	2004-05	2005-06	2006-07
1	Average schedule operated (Janata)	1,111	736[℘]	1,300	1,530	1,393
2	Percentage of load factor	61.24	56.54	55.52	55.18	56.76
3	Effective kilometres (in lakh) (Janata)	931.37	698.39	1,319.27	1,586.84	1,425.59
4	Increased kilometres (in lakh) based on 2003-04	-	-	620.88	888.45	727.20
5	EPKM (in Rupees) Janata	11.68	11.84	12.04	13.59	14.74
6	EPKM (in Rupees) Ordinary	13.57	13.43	15.27	17.29	18.26
7	Difference in EPKM	1.89	1.59	3.23	3.70	3.52
	Loss of revenue (in crore) (Sl. No.4 x 7)	-	-	**20.05**	**32.87**	**25.60**

(Source: Information collected from operational wing of the Corporation).

Audit analysis revealed the following:

- The Corporation reduced the average schedule operation of ordinary services from 9,902 in 2003-04 to 6,895.32 in 2006-07 and increased the operation of Janata services from 736 in 2003-04 to 1,393 in 2006-07 despite the fact the EPKM of Janata services was less than the EPKM of ordinary services.

- The periodical review of operations were also not carried out by the Management.

Increase in operation of Janata services resulted in loss of Rs.78.52 crore.

- The Corporation incurred loss of revenue of Rs.78.52 crore in operation of Janata services during 2004-07, which included the loss of Rs.5.01 crore in respect of four divisions *viz.* Nagpur, Wardha, Amravati and Akola divisions test checked.

The Management/Government stated (August/September 2007) that the operation of Janata services was under review.

Operation of Irizer buses

Non charging of differential fare resulted in operational loss of Rs.0.65 crore during 2004-06.

3.1.14 The Corporation inducted (April-May 2002) six AC Irizer model buses purchased from Ashok Leyland having joint venture with TVS Irizer, for plying on the busy/commercially important Mumbai-Pune route. It was observed that even though these buses were operating profitably, the Corporation introduced (December 2002) Volvo bus on these routes and

[℘] The Janata services were reduced in 2003-04 due to less response from passengers.

resultantly, the load factor of Irizer buses decreased gradually *i.e.* 78 *per cent* in 2002-03 to 51 *per cent* in 2005-06 resulting in operational losses of Rs.0.65 crore during 2004-05 and 2005-06.

The Management/Government stated (August/September 2007) that the load factor of Irizer buses decreased due to attraction of Volvo service. The reply is not tenable, as the Corporation, could have avoided the operational losses by charging a competitive fare for AC Irizer buses to optimise its revenue earnings.

Cancellation of profitable trips

Profitable trips were cancelled due to controllable reasons leading to loss of potential revenue.

3.1.15 The Regional Managers had periodically instructed the divisions that 'A' trips (profitable) should not be cancelled at any cost. A review of operations revealed that total 6.07 crore kilometres were cancelled during the period 2002-07 .The cancellations were due to late despatch of vehicles from depot, late receipt of vehicles from line, shortage of vehicles and absenteeism of crew resulting in avoidable loss of revenue to the tune of Rs.104.28 crore. Audit observed that though the reasons for cancellations were controllable, the management failed to take any effective steps in this regard.

The Management/Government stated (August/September 2007) that though the scheduled kilometres were cancelled due to avoidable and unavoidable reasons, more profit making extra kilometres were operated than the cancelled kilometres. The reply is not tenable, as the operations of extra kilometres were after cancellations of scheduled/planned trips and the cancellations as pointed out by audit are due to controllable factors. Moreover, extra kilometres operated are planned kilometres and it cannot be off set against cancelled kilometres.

Loss in operation of city services

3.1.16 As per Road Transport Act, 1950, it shall be the duty of the Corporation to provide or secure or promote the provision of an efficient, adequate, economical and properly coordinated system of road transport services in the State or part thereof. Further, as per notification (November 1973) under Chapter-4A of the Motor Vehicles Act, 1939 the Corporation had been granted the monopoly to operate stage and contract carriage services by the Government. In accordance with the above provisions, the Corporation was operating city services in 14 cities[#] and sustained a loss of Rs.78.65 crore during 2002-07, which included Rs.1.70 crore paid on account of octroi and property tax to Municipal Corporations (MCs) for operation of these services. According to the Bombay Provincial Municipal Corporation (BPMC) Act, 1949 the State Government may at any time require the MCs to make rules under Section 454 *ibid* in respect of any purpose or matter

[#]Amravati, Arnala, Aurangabad, Chandrapur, Jalgaon, Karad, Miraj, Nalasopara, Nanded, Nashik, Nagpur, Ratnagiri, Satara and Vasai.

specified in Section 457 *ibid* regarding assessment and recovery of municipal taxes. The State Government appointed (July 1998) a committee under the Chairmanship of Principal Secretary (Transport) to recommend alternate arrangement to city bus services being operated by the Corporation. The Committee had recommended (September 1998) that the MCs should not collect property and such other taxes, provide water supply on concessional rates, not to levy octroi on the spare parts/buses and other consumables and no tax should be levied on the advertisements displayed on the bus stations/buses/shelters and other establishments of city services of the Corporation. The Corporation approached (February 2004) the respective MCs to takeover the city service, reimbursement of the losses and for exemption from payment of octroi on consumables and property taxes. The Upasani Committee had also recommended (January 2003) that if the State Government wanted the Corporation to run these services, the State Government and Local authorities should change their taxation policy in this regard. The Corporation has not approached the Government for waiver of octroi, property tax *etc*. though having enabling provisions in the BPMC Act, 1949. The Government has also not taken any action on the recommendations of the Committees (August 2007).

The Management/Government stated (August/September 2007) that the operation in five cities have been transferred to the respective MCs and efforts are being made to cut down the losses.

Dead kilometres

3.1.17 Dead kilometres represent the gross kilometres minus the effective kilometres and refer to the distance travelled by the buses from various depots/workshops to the bus stations for which no revenue is earned. The table below indicates the detailed analysis of dead kilometres for five years period 2002-07.

Increase in percentage of dead kilometres resulted in loss of revenue.

Particular	2002-03	2003-04	2004-05	2005-06	2006-07
Gross kilometres operated (in lakh)	17,813	17,812	18,139	17,369	17,512
Dead kilometres (in lakh)	156	160	163	156	160
Percentage of dead kilometres	0.88	0.90	0.90	0.90	0.92
Percentage of increased dead kilometres	--	0.02	0.02	0.02	0.04
Increased dead kilometres	--	3,56,240	3,62,780	3,47,380	7,00,480
Cost per kilometre	15.91	16.58	18.90	19.39	20.64
Loss (Rupees in crore)	--	0.86	0.69	0.67	1.45

(2002-03 is taken as base year)

(Source: Information collected from operational wing of the Corporation).

The above data revealed that the percentage of dead kilometres increased from 0.88 *per cent* in 2002-03 to 0.92 *per cent* during 2006-07 resulting in loss of potential revenue of Rs.3.67 crore during four years from 2003-04 to 2006-07.

The Corporation could not achieve the targets for consumption of HSD.

3.1.18 Cost of High Speed Diesel (HSD) accounts for the highest component of total cost of operation and therefore use of fuel in most economic and efficient manner is of utmost importance. The table below indicates the targets fixed by the Corporation for consumption of HSD, the actual consumption, kilometre obtained per litre (KMPL) and the estimated extra expenditure.

Particulars	2002-03	2003-04	2004-05	2005-06	2006-07
Gross kilometres (in lakh)	17,813	17,812	18,139	17,369	17,512
Target of KMPL (fixed by the Corporation)	4.71	4.83	4.90	4.90	5.20
Kilometre obtained per litre	4.76	4.81	4.85	4.89	4.93
Difference in KMPL (target – actual)	--	0.02	0.05	0.01	0.27
Consumption of HSD as per target (in lakh litre)	--	3,687.78	3,701.89	3,544.69	3,367.69
Actual consumption of HSD (in lakh litre)	3,739.34	3,705.63	3,737.33	3,549.76	3,553.28
Excess consumption of HSD (in lakh litre)	-	17.85	35.44	5.07	185.59
Average cost per litre (Rupees)	-	24.90	28.68	32.24	36.09
Extra expenditure (Rupees in crore)	-	4.44	10.16	1.63	66.98

(Source: Data collected from different wings of the Corporation).

Audit scrutiny revealed that the Corporation failed to achieve its own targets fixed during 2003-07 even though the same were on the lower side (except for 2006-07) as compared to the achievement of neighbouring State Transport Undertakings (STU's) *i.e.* APSRTC, KSRTC and Gujarat State Road Transport Corporation. The excess consumption of HSD when compared with Corporation own target during 2003-07 resulted in extra expenditure of Rs.83.21 crore which included major portion of Rs.66.98 crore incurred during 2006-07. The excess consumption was mainly due to non-attending to scheduled maintenance of engines and vehicles, operation of city services with old vehicles, excessive use of clutch and gears, overage vehicles and shortage of trained mechanical staff.

The Management/Government stated (August/September 2007) that targets are fixed at higher side and KMPL improved during 2002-07 and efforts are made to get optimum performance. It further stated that it would be unrealistic to compare the achievement with targets. The reply is not tenable, as the measures taken were not effective in achieving the KMPL in view of the fact that the expenditure increased drastically during the year 2006-07.

Expenditure on repairs and maintenance

3.1.19 The table below summarises the position of the fleet holding, overaged buses (based on the life of bus fixed by the Corporation), breakdown *ratio*, repairs and maintenance (R&M) expenditure of the Corporation for the last five years up to 2006-07.

Particulars	2002-03	2003-04	2004-05	2005-06	2006-07
Total buses at the end of the year[#]	16,468	16,128	16,115	15,456	15,111
Overaged buses	2,273	1,456	1,611	1,518	820
Percentage to total buses	14	9	10	10	5
R&M expenses (Rupees in crore)	167.29	169.58	174.92	180.72	187.46
R&M expenses (per bus) (Rupees in lakh) (R&M expenditure/total buses)	1.02	1.05	1.09	1.17	1.24

(Source: Data collected from operation and engineering wings of the Corporation).

It was observed that though there was a reduction in the number of buses from 16,468 in 2002-03 to 15,111 in 2006-07 and reduction in the number of overaged buses from 2,273 in 2002-03 to 820 in 2006-07, the expenditure on R&M during the period 2002-07 increased substantially. The Corporation did not analyse the reasons for increase in expenditure on R&M despite reduction in the fleet strength.

Delay in maintenance, repairs and reconditioning of buses

Delay in maintenance and repairs and reconditioning of buses resulted in loss of potential contribution.

3.1.20 The Corporation has not fixed any standard norms/days for major/minor repairs/preventive maintenance and reconditioning of engine. The scrutiny of monthly operational reports revealed that 2,08,312 bus days were lost due to delay in execution of various works (excluding heavy repairs) at the divisional workshops during 2002-07 (up to February 2007) resulting in loss of potential contribution to the tune of Rs.27.01 crore. This includes the delay of 49,329 days in five[♦] divisions with a maximum delay of 184 days in the case of attending vehicles for Regional Transport Offices (RTO) passing and 117 days for engine repairs observed in Akola division, 137 days in case of attending to reconditioning of vehicles and 283 days in case of attending to accidental repairs respectively observed in Mumbai division.

The Management/Government stated (August/September 2007) that norms for preventive maintenance are fixed and carried out at Divisional Workshops. Further, the excess time for RTO passing, engine repair and accident observed in Akola, Mumbai divisions were due to unscheduled works clubbed with

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[#] Including lease buses.

[♦] Akola, Amravati, Mumbai, Sindhudurg and Wardha.

regular work, and no schedules were cancelled due to shortage of buses. The reply is not tenable, as no norms for time (days) taken for execution of maintenance works has been fixed and 4.87 and 1.18 lakh kilometres were cancelled in Akola and Mumbai divisions respectively due to shortage of buses.

Premature failure of reconditioned engines

3.1.21 The Corporation has fixed the life of reconditioned engines at 50,000 kilometre. The detailed scrutiny of records for 2002-06 of six divisions* revealed that 331 engines reconditioned at a cost of Rs.82.75 lakh had failed before completion of its stipulated life. Out of this, 61 engines failed even before covering 10 *per cent* kilometres of their stipulated life, whereas 14 engines failed without running a single kilometre. This resulted in unfruitful expenditure of Rs.18.75 lakh incurred on reconditioning of these engines due to non-achievement of the stipulated kilometres. The Corporation had not analysed the reasons for premature failure of engines for taking any remedial action.

The Management/Government stated (August/September 2007) that engines failed at low kilometres due to improper maintenance and engines failed at "0" level are due to production defects. It further stated that as these are attended to at the Central workshops with minimum cost, the loss is not to the tune pointed out by audit. The reply is not tenable, as the loss has been worked out on the basis of average expenditure of Rs.0.25 lakh as intimated by the Central workshops.

Recommendations of Upasani Committee

3.1.22 The Upasani Committee appointed under the aegis of the Maharashtra Board for Restructuring of State Public Enterprises (MBRSPE) Act, 2002 had given (January 2003) the following recommendations:

- The Corporation should conduct in the areas where clandestine traffic is present in sizeable strength and re-plan its operations on the basis of actual demand; devise ways and means to stop clandestine operation to increase the revenue of Corporation as well as its' State Government's revenue on account of passenger tax and to work out a flexible fare policy taking into consideration passenger preference.

- They had also advised the Government to review its' regulatory framework, enhance penalties to the level of effective deterrence and strictly implement contract carriage regulations and put in place independent machinery to implement the policy.

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*Akola, Amravati, Mumbai, Nagpur, Sindhudurg and Wardha.

- The Corporation should study the reasons for reduction in passenger traffic exhaustively and undertake to revamp its traffic operations; define obligatory trips which are to be continued as social obligation even though they are loss making. In the absence of any profit on these routes, the Corporation should be entitled to automatic reimbursement of losses on such trips from the State Government and a mechanism could be worked out for its reimbursement out of passenger tax payable by the Corporation.

- The local authorities should exempt the Corporation from payment of octroi and municipal taxes for the material brought for maintaining the city service operations.

- The State Government should consider special funding arrangement for immediate replacement of overage buses in shortest possible time to reduce repairs and maintenance and workshop overhead cost.

It was observed in audit that the State Government did not accept the recommendations made by the Committee and instead repealed the MBRSPE Act, 2002. The Corporation however, on its part has initiated certain actions on the basis of the recommendations of the Committee.

Acknowledgement

3.1.23 Audit acknowledges the co-operation and assistance extended by the staff and the Management of the Corporation at various stages of conducting the performance review.

Conclusion

The Corporation incurred operation losses during the period of review mainly due to poor load factor coupled with uneconomic services, cancellation of scheduled trips *etc*. As against ASRTU norms of eight years as life of the bus, the Corporation has fixed life of a bus as ten years. The overaged vehicles in the fleet were not scrapped and replaced as per the replacement policy. The Corporation suffered huge losses in the obligatory services/trips operated at behest of the State Government, operation of mini buses, cancellation of scheduled 'A' trips (profit making) *etc*. Consumption of high speed diesel was not only higher than the target fixed but also much more than when compared with the achievement of neighbouring State Transport Undertakings. There were cases of delay in maintenance, repair and reconditioning of buses leading to loss of bus days and consequent deprivation of potential revenue.

Recommendations

- **the age profile of the fleet may be observed and over aged buses may be phased out, for which the Government should provide necessary funds;**
- **operations of 'C' trips may be reviewed periodically to ascertain their viability and continuance;**
- **the State Government should compensate the losses incurred on uneconomic routes being operated at their behest;**
- **the load factor needs to be improved by adhering to the time table of trips and by avoiding cancellations;**
- **the operation of Janata services needs to be reviewed to make it economically viable;**
- **endeavours ought to be made to minimise the cancellation of scheduled kilometers; and**
- **the Corporation may draw a detailed and effective plan for repairs and maintenance of buses at the divisional workshops to avoid delays.**

Maharashtra Industrial Development Corporation

3.2 Implementation of projects under Assistance to States for developing export infrastructure and allied activities (ASIDE) Scheme

Highlights

The Corporation implemented the Scheme for Assistance to States for Developing Export Infrastructure and Allied Activities (ASIDE) as nodal agency. Out of 36 projects implemented by the Corporation as approved by the State Level Export Promotion Committee for implementation under ASIDE Scheme, 22 projects were completed, work was in progress in seven projects and remaining seven projects were abandoned/deferred /transferred.

(Paragraphs 3.2.1 and 3.2.12)

The project reports prepared by the MITCON Consultants Limited were deficient and the export data/information included therein were not based on proper and authentic study. The Corporation incurred huge expenditure of Rs.28.68 crore for upgradation of the five airstrips at Nanded, Latur, Solapur, Kolhapur and Karad. As there were no cargo exports from any of the air strips, expenditure incurred on upgradation of these air strips proved infructuous and thus defeating the objectives of the ASIDE Scheme.

(Paragraphs 3.2.11, 3.2.13, 3.2.14, 3.2.15 and 3.2.16)

The infrastructure created from Scheme funds for the two wine parks at Nashik and Sangli at a cost of Rs.4.47 crore was underutilised and there was negligible export from one unit only. The Corporation did not have data on exports from the Floriculture park at Talegaon district Pune, despite huge investment of Rs.50.45 crore on infrastructure created under ASIDE.

(Paragraphs 3.2.17 to 3.2.22)

In construction of a Rail Over Bridge at Taloja in Raigad district the contract was awarded by the Corporation before finalising the drawings and designs resulting in wasteful expenditure of Rs.16.48 lakh and extra expenditure of Rs.55.28 lakh due to extra items.

(Paragraph 3.2.23)

The project of Bio-Technology Park developed at a total cost of Rs.13.15 crore in Additional Jalna Industrial Area during February 2003 to March 2006, remained unutilised as no production activity started in the area. There was also extra expenditure of Rs.1.11 crore due to delay in finalisation of offers.

(Paragraph 3.2.24)

Introduction

3.2.1 The Maharashtra Industrial Development Corporation (Corporation) was established in 1962 under the Maharashtra Industrial Development Act, 1961. The main objective of the Corporation is to achieve balanced growth of industries in the State by establishing industrial areas and providing necessary infrastructure in such industrial areas with a view to help entrepreneurs to set up industries in the State. Land lease premium and subletting are the major source of revenue of the Corporation for meeting its capital and revenue expenditure.

In order to encourage participation of States for creating appropriate infrastructure for the development and growth of exports, the Government of India (GOI) introduced (March 2002) a Scheme named Assistance to States for Developing Export Infrastructure and Allied Activities (ASIDE). Under this Scheme, projects for assisting/boosting exports and having direct linkage with exports were to be basically included. Some of the important features and guidelines of the Scheme were as follows:

- Development of infrastructure for exports were to be funded from the Scheme provided such activities have an overwhelming export content and their linkage with exports is fully established,

- The role of the State Governments was to provide infrastructural facilities such as land, power, water, roads, connectivity, pollution control measures and conducive regulatory environment for production of goods and services with a view to boosting production of exportable surplus.

- The allocation of funds from the GOI to the respective States was on the basis of overall export performance of the State and there shall be a Nodal Agency for each State.

- Funds allocated under the Scheme were to be sanctioned and utilised for the purpose specified in the guidelines.

- The Scheme was to be monitored by a State Level Export Promotion Committee (SLEPC) headed by the Chief Secretary of the State and consisting of the Secretaries of the concerned Departments at the State level, a representative of the State cell of the Department of Commerce (DOC), the Joint Director General of Foreign Trade posted in the State and the Development Commissioner (DC) of the Special Economic Zone/Export Processing Zone in the State.

For the State of Maharashtra, the Corporation was appointed as the 'Nodal Agency' and also as Implementing Agency for major projects under ASIDE Scheme. The Development Commissioner, Ministry of Industries, Maharashtra was appointed as Export Commissioner of the State. A Technical Advisor of the Corporation was the coordinator for the ASIDE Scheme.

On the basis of State-wise allocation, the funds are received by the Corporation from the Ministry of Commerce, (GOI). Project Reports prepared by the Corporation (Nodal Agency) are placed before State Level Export Promotion Committee (SLEPC). During the period covered under review, out of 36 projects approved for the Corporation under ASIDE Scheme, 30[#] projects were being implemented by the Corporation. Four other agencies of the State Government[$] (GOM) and Indo-Israel Agro Industries Chamber also received Scheme funds for specific projects to be implemented by them.

The affairs of the Corporation are looked after by a Board of Directors (BODs) consisting of a Chief Executive Officer (CEO) and seven Directors as on 31st March 2007. The CEO nominated by the State Government is the Member Secretary of the BODs, who looks after the day-to-day affairs of the Corporation. He is assisted by two Joint Chief Executive Officers and three Deputy Chief Executive Officers. The Corporation has 12 Regional Offices (ROs) and 28 Divisions which look after the allotment of plots and development of industrial areas respectively.

Scope of Audit

3.2.2 A Performance Audit was conducted from November 2006 to May 2007 to assess the implementation of the ASIDE Scheme with reference to the objectives of the Scheme, covering the period March 2002-07. The audit examined the records maintained at the Corporation's Head office and units at Nashik and Pune District. Out of the 30 ASIDE projects implemented by the Corporation, 27 projects were scrutinised by audit.

Audit objectives

3.2.3 The performance review was conducted with a view to ascertain whether the:

- corporation followed the Scheme guidelines in selection of the projects, the appropriateness and relevance of projects undertaken to boost exports;

[#] Six projects were either abandoned or deferred.

[$] Mumbai Metropolitan Regional Development Authority (MMRDA), Navi Mumbai Municipal Corporation (NMMC), Maharashtra Maritime Board (MMB) and City and Industrial Development Corporation of Maharashtra Limited (CIDCO).

- projects proposals were placed timely before the SLEPC for approval;
- project proposals were scrutinised and approved in an efficient manner;
- contracts for works were awarded after following normal tender procedures;
- execution of projects was managed efficiently and effectively;
- proper accounting of the grants received from GOI was done;
- cost/benefits as anticipated in the project report were achieved;
- completed projects actually resulted in boosting exports; and
- monitoring of the Scheme was adequate.

Audit criteria

3.2.4 The following audit criteria were adopted for achieving the audit objectives:

- Guidelines of GOI for ASIDE Scheme;
- Instructions issued by the Ministry of Commerce (GOI) in 2003 regarding evaluation of projects sanctioned under Critical Infrastructure Balancing Scheme/ASIDE;
- Project reports for individual ASIDE projects; and
- Benefits projected in Detailed Project Reports (DPRs).

Audit methodology

3.2.5 The audit methodology adopted for attaining the audit objective with reference to audit criteria was as follows:

- Examination of minutes of SLEPC meetings;
- Scrutiny of tenders floated/contracts entered into and running account bills of works selected and related correspondence;
- Examination of DPRs of the scheme;
- Analysis of data; and
- Issue of audit queries and interaction with the management.

Audit findings

3.2.6 The audit findings, emerging as a result of test check were reported (July 2007) to the Government/Corporation and were also discussed (9 October 2007) in the meeting of the Audit Review Committee for State Public Sector Enterprises (ARCPSE). The Chief Executive Officer and Chief Accounts Officer of the Corporation and Deputy Secretary (Industries), State Government attended the meeting. The views expressed by the Management and the Government have been taken into consideration while finalising the report.

Audit findings are discussed in the succeeding paragraphs.

Funding and fund management

3.2.7 Under ASIDE Scheme, funds were to be allocated by the GOI to the States on the basis of the export turnover data of the States. Funds were to be released by the GOI directly to the Nodal Agency (Corporation) and the same were required to be kept in a separate account by the Nodal Agency. The Corporation did not maintain any separate bank account. The funds were scattered in different bank accounts along with the Corporation's own funds. Quarterly progress report of each project being implemented by the agencies was required to be submitted to the DC of Industries, State Government by the Nodal Agency (Corporation). Based on the quarterly progress report, DC (Industries) authorises the Corporation to release the ASIDE share for each project. The unutilised funds, if any, would be counted against allocation for the next year. From 2003-04 it was mandatory for the States/implementing agencies to spend at least 50 *per cent* of their allocation on the implementing projects and ASIDE share was to be restricted to 50 *per cent* of the approved cost.

The position of ASIDE funds received by the Corporation, amount spent and disbursed to other implementing agencies as on 31 March 2007 was as under:

(Rupees in crore)

Receipts from GOI		Expenditure on the projects undertaken by the Corporation		Release of ASIDE funds to other agencies	Total expenditure out of ASIDE fund	Balance funds
Year	Amount	Corporation	GOI	GOI		
2002-03	16.00	2.99	15.72	0.28	16.00	--
2003-04	40.38	28.60	11.50	0.67	12.17	28.21
2004-05	57.59	25.04	27.92	10.52	38.44	19.15
2005-06	65.52	33.39	30.59	19.79	50.38	15.14
2006-07	72.10	47.95	22.23	32.53	54.76	17.34
Total	**251.59**	**137.97**	**107.96**	**63.79**	**171.75**	**79.84**

(Source: Information furnished by the Corporation)

Details of expenditure incurred by other implementing agencies as on 31 March 2007 were as under:

(Rupees in crore)

Agency	MMRDA	NMMC	MMB	CIDCO	INDO Israel	Total
Total expenditure	85.84	31.57	4.45	2.67	0.36	**124.89**
ASIDE funds	42.92	15.78	3.58	1.33	0.18	**63.79**

(Source: Information furnished by the Corporation)

Thus, as against Rs.251.59 crore of funds received under the scheme from the GOI during the period 2002-07, the expenditure incurred from ASIDE funds was Rs.171.75 crore, 68.26 *per cent* (Corporation: Rs.107.96 crore and Other Agencies: Rs.63.79 crore). In addition, expenditure of Rs.199.07 crore was also incurred (Corporation: Rs.137.97 crore and Other State Agencies: Rs.61.10[#] crore) from their own funds. It was seen from above that the unutilised balance of ASIDE fund as on 31 March 2007 was Rs.79.84 crore. Thus, due to lack of proper planning, there was delay in utilisation of funds within the year as per the guidelines of the Scheme. In short there were no fund constraints for developing infrastructure for export promotions.

Irregular usage of ASIDE funds towards administrative expenses

3.2.8 ASIDE guidelines provided that all administrative expenses concerned with the implementation of the scheme should be met by the concerned State Government out of their budget and no part of the scheme funds should be used to meet such expenditure. It was, however, noticed that in respect of all the projects undertaken by the Corporation, actual expenditure incurred on the project under the Scheme was loaded with 15 *per cent* on account of Establishment, Tools and Plants (ETP) charges. Hence, 50 *per cent* of the total cost claimed from ASIDE funds, included 15 *per cent* ETP charges. The expenditure met from ASIDE funds as on 31 March 2007 was Rs.107.96 crore and the ETP charges included in it at the rate of 15 *per cent* worked out to Rs.14.08 crore.

The Management/Government agreed (August/September 2007) to exclude 15 *per cent* ETP charges from the project cost under ASIDE and to revise the actual expenditure of the projects. Management, however, did not state how they would make good the Rs.107.96 crore diverted from the scheme.

Non-submission of utilisation certificates

3.2.9 As per the guidelines of the ASIDE Scheme, annual utilisation certificate (UC) was required to be submitted to the GOI by the DC. The Corporation did not submit UC regularly to the DC for onward submission to the GOI. UC for funds of Rs.16 crore and Rs.57.59 crore received in 2002-03 and 2004-05 respectively were belatedly sent in June 2004 and August 2006

[#] Difference between the total expenditure (Rs.124.89 crore) and ASIDE funds (Rs.63.79 crore).

respectively. UC for Rs.65.52 crore received in 2005-06 have not been furnished to the GOI, so far (August 2007).

While admitting the delay in issue of UCs, the Management/Government stated (August/September 2007) that the timely submission of UCs would be ensured in future.

Planning of scheme

Lack of proper planning

3.2.10 As per ASIDE guidelines, infrastructure bottlenecks study was to be conducted by the dedicated agencies. The Export Commissioner of the State (convener of SLEPC) was to draw up a five year plan/annual export plan in consultation with Trade and Industry, Export Promotion Council and DOC. The Corporation utilised the study report on Export Potential of the Maharashtra conducted by MITCON Consultants Limited (Government of Maharashtra Institute) for World Trade Centre, the salient features of which were as follows:

- Towns of Nashik, Pune and Konkan regions had export potential for food items, agro products like grapes, floriculture, *etc*.
- The report recommended International Airport or feeder Airports other than Mumbai for immediate export of perishable goods.

It was, however, noticed that these findings were not considered by SLEPC while approving the projects for development of Airports and instead air strips at Latur and Nanded were taken up under the ASIDE as discussed in paragraph-3.2.14 *supra*. Besides, the five year/annual Export Plans had not been prepared by the DC/Corporation. Thus, the ASIDE projects were approved/implemented without adequate planning.

Defective project reports

3.2.11 The Corporation entered into agreement with MITCON, for preparation of project report separately. The MITCON was paid Rs.36.80 lakh till March 2007 (against total consultancy charge of Rs.43.63 lakh). The deficiencies noticed on the data/information collected by the Consultant for the individual project reports and executions of projects are commented in subsequent paragraphs.

Execution of projects

3.2.12 During the period 2002-06, the SLEPC approved 36 projects (**Annexure-11**) under ASIDE. Out of these, 22 projects were completed by the

Corporation, six[#] projects were in progress, in one project[♦] works had not commenced due to non finalisation of tenders and remaining seven projects[$] were subsequently abandoned/deferred/transferred.

Unfruitful expenditure on upgradation of Airstrips from ASIDE funds

3.2.13 The SLEPC approved (June 2005) projects for strengthening of five airstrips[*] in Maharashtra, in order to attract foreign investors in the areas away from Mumbai. The decision was based on the directives of the elected representative from Nanded who was the Minister of Industries (Government of Maharashtra), though, all the other members unanimously wanted the infrastructure towards the Jawaharlal Nehru Port Trust around Mumbai to be strengthened. Audit findings on the five airstrip project reports are given below:

- The data as directed (March 2005) by the Chairman, SLEPC on the nature of exports that had taken place from various locations in the State, taking assistance from Export Promotion Councils, Maharashtra Agro Industries Development Corporation Limited, Santacruz Electronic Export Processing Zone (SEEPZ) and Joint Director General of Foreign Trade (Joint DGFT), was neither available with the DC and the Corporation nor in any of the project reports of airstrips. The export data included in the project reports was not based on any proper and authentic study.

- The project reports of airstrips were not supported by any request or recommendations for air cargo facility from any industrial unit.

- There was no evidence of usage of existing cargo facilities by any of the industries in these airstrips.

- Data of export in respect of perishable items such as milk products, meat, fruit, vegetable processing products, cotton stalk, mushroom, jowar flakes and starch shown as effected from the five places as selected was not available in any of the reports of the airstrips.

- Export details shown such as steel sheets, dairy equipments, cotton stalk *etc.* in the project report were not related to cargo export.

Detailed deficiencies noticed during review of the project reports relating to the airstrips are given in **Annexure-12.** Some of the interesting cases noticed are discussed as under:

[#] Sl. No. 15, 30, 32, 33, 35 and 36 of **Annexure-11**.
[♦] Sl. No. 18 of **Annexure-11**.
[$] Sl. No. 3, 9, 10, 12, 22, 23 and 31 of **Annexure-11**.
[*] Solapur, Nanded, Karad, Kolhapur and Latur.

Upgradation of airstrip at Latur

3.2.14 The project for upgradation of Airport infrastructure at Latur consisting of upgradation and expansion of existing Airstrip, Night landing facilities, approach road and water supply arrangements *etc.* approved (June 2005) by SLEPC at a cost of Rs.4.01 crore, was further revised (July 2006) by SLEPC to Rs.17.58 crore. The revision in cost was mainly for construction of additional terminal building. Six works costing Rs.18.04 crore were awarded (July 2005 to January 2007) and expenditure of Rs.6.46 crore had been incurred as of March 2007.

It was seen that the work consisting of upgradation of airstrip, widening, extension and asphalting of airstrip, construction of turning parts, apron and land development was awarded (January 2007) to the contractor with scheduled date of completion by July 2007. The work was still incomplete (September 2007). The delay in completion was mainly due to land acquisition problems. Out of three areas, contractor could complete the work only in one portion of the land and the matter of land dispute for the other two areas had not been resolved so far (July 2007). It was noticed that while approving the project proposals the SLEPC did not ensure whether land free from all encumbrance was available for the project. Thus, award of work before settlement of the land acquisition problems was irregular as it was against codal provisions and fraught with the strong possibility of huge escalation claims on part of the Contractor for the extended period.

3.2.15 The Corporation awarded (February 2006) the work for renovation of the terminal building to Bhagyashri Construction at a cost of Rs.61.22 lakh. During execution of the said work, an architect was engaged (February-March 2006) by the Corporation to suggest modification as per 'Vastu-Shastra'. The additional work for improvement and modifications as suggested by him was also awarded to the same Contractor at a cost of Rs.43.83 lakh. Thus, awarding of the work without finalising the design as per requirements resulted in additional expenditure of Rs.43.83 lakh. Similarly, additional work at a cost of Rs.36.90 lakh for laying and joining of pipe line for water supply at airstrip was awarded (December 2005) to another contractor (A.G. Mapari) for completion by January 2006 without inviting tenders on the ground of urgency. The work was completed only in June 2006, *i.e.* six months after the scheduled date, due to objection of land owners.

The Management/Government stated (August/September 2007) that during the course of execution of the work, architect had suggested several changes because of which additional expenditure was required to be incurred for better architectural appearance of the terminal building. Thus, awarding the work without following tender procedure on the ground of urgency and without completion of land clearance was irregular as it was against the codal provisions.

Airstrips at other places

3.2.16 The works of airstrips at Kolhapur, Karad and Solapur were completed in December 2005, June 2006 and May 2006 respectively and the works of airstrips at Nanded and Latur were in progress (July 2007). It was observed that in none of the five airstrips, there were any proposals for expansion/ development of cargo facilities or construction of custom bonded warehouses which are the basic amenities for export of cargo. Further, there were no regular passenger flights at any of the airstrips except at Kolhapur. These airstrips were mainly used by VIPs and industrialists on few occasions. It was also seen that the airstrip at Karad and Solapur, (which were owned by Public Works Department, State Government) were upgraded by the Corporation with ASIDE funds and handed over (January 2007) to Maharashtra Airport Development Company Limited (another State PSU). Thus, upgradation of these airstrips by the Corporation under ASIDE Scheme and its subsequent transfer without the permission of the GOI was irregular. Despite the recommendations of the Export Studies Report to start feeder flight services for exports of cargo, the upgradation of airstrips proposed/undertaken at these places under ASIDE Scheme had not resulted in promotion of exports by air cargo.

Thus, huge expenditure of Rs.28.68 crore incurred so far (March 2007) against the proposed total investment of Rs.70.64 crore for upgradation of these five airstrips was unfruitful as the purpose for which they were upgraded was defeated.

The Management/Government stated (August/September 2007) that the upgradation of the airstrips was intended towards basically to facilitate the movement of the Business Executives/Decision makers domestically from Metros as well as International. Air connectivity is necessary in view of Special Economic Zones (SEZ) being developed in and around the areas of Solapur, Nanded, Karad, Kolhapur and Latur. In the ARCPSE meeting (9 October 2007) it was stated that exports would materialise after completion of all the projects.

The reply is not tenable, as no export data was included while justifying the airstrips and the justification on the ground of SEZ being developed now put forth, is an afterthought. The fact remains that the scheme objectives of taking up such projects with overwhelming linkage with exports was not achieved.

Wine Parks at Vinchur and Palus-Huge infrastructure largely underutilised

The infrastructure created by Corporation out of ASIDE funds remain largely under utilised at both the Wine Parks at Vinchur/Palus. There were no Wine exports till 2005-06 and some meagre exports in 2006-07.

3.2.17 Two projects for widening and asphalting of existing approach roads and providing street lights *etc.* for the wine parks at Vinchur (Nasik) and Palus (Sangli) were approved (September 2003) under ASIDE Scheme at a cost of Rs.7.23 crore (Vinchur: Rs.6.83 crore, Palus: Rs.40 lakh). The works were completed (September 2005 and December 2004) at a reduced cost of Rs.4.47 crore (Vinchur: Rs.4.22 crore, Palus: Rs.25 lakh) due to non execution of the works relating to gutters and certain other tendered items. The Corporation had received ASIDE funds of Rs.2.36 crore (Vinchur: Rs.2.18 crore and Palus: Rs.18 lakh) till March 2007.

As against 74 plots allotted (2001 to 2007), at Vinchur only three units had commenced wine production (July 2007). Thus, the work undertaken in the Wine Parks under ASIDE Scheme by incurring expenditure of Rs.4.47 crore had remained largely underutilised. It was observed that only one unit at Vinchur Wine Park had nominal exports of Rs.8.75 lakh.

Audit scrutiny further revealed that the projection of the export ranging between Rs.8 crore and Rs.40 crore from 2003-06 at Vinchur and Palus respectively given by the consultant (MITCON) in the project report was not based on any realistic data. Despite completion of gestation period of two years, exports of only worth two *per cent* of the investment had taken place which was not commensurate to the expenditure incurred by the Corporation for development of infrastructure in the Park.

The Management/Government did not offer (August/September 2007) any comment on the underutilisation of the infrastructure and non utilisation by the allottees of the plots allotted in the Wine Park. They further replied that more winery projects would be attracted in the near future. Thus, the fact remains that the objective for which these parks were developed, was not achieved.

Floriculture Park at Talegaon, Pune-Exports not achieved

3.2.18 A floriculture Park admeasuring 210 hectare land at Talegaon, district Pune was to be developed by the Corporation to create infrastructural development for boosting the export of floriculture products. Following three projects under ASIDE were approved by SLEPC (March 2005) for infrastructure development for Floriculture Park at Talegaon:

- Construction of Rail Over Bridge (ROB), river over bridge across Indrayani river and approach roads approved (September 2002) for Rs.18.64 crore were revised by SLEPC (July 2006) for Rs.28.27 crore.

- Water supply and power LT network, construction of roads in floricultural park at Talegaon approved by SLEPC (March 2004) for Rs.13 crore were revised by SLEPC (July 2006) for Rs.15.31 crore.

- Power supply scheme HT/LT network (project cost Rs.6.29 crore) approved by SLEPC (March 2005) were taken up as Infrastructure Development work for Floriculture Park at Talegaon.

As against the total project cost of Rs.49.87 crore expenditure of Rs.50.45 crore was incurred till March 2007. Audit scrutiny of the above projects revealed the following:

3.2.19 The work for ROB and river over bridge was awarded (November 2002) for Rs.6.81 crore without approval of designs by the Railways with stipulated date of completion as November 2003. It was seen that the designs were approved by the Railways only in February 2003 and the launching Scheme for PSC girder only in September 2004.

Thus, award of the contract before approval of the RCC designs and launching scheme by the Railways resulted in delay in completion of the project. The Corporation also had to pay escalation of Rs.54.46 lakh to the contractor without freezing the indices as the delay was attributed to the Corporation.

Award of contract without possession of land

3.2.20 The contract for construction of approach roads from National Highway to Talegaon Industrial Area and Box Culverts, retaining wall and subways was awarded (December 2002) for Rs.12.32 crore. The work was completed (October 2005) after delay of 22 months after incurring cost of Rs.17.18 crore. It was noticed that the project was delayed as the land was not in possession of the Corporation. The project cost increased due to increase in height of the road which was done ostensibly to maintain the gradient with respect to subways and construction of additional culverts.

Thus, awarding the work without clear title to land and lack of proper technical planning resulted in delay in completion of the project and increase in cost. Further, huge escalation (Rs.1.70 crore) had to be paid without freezing of indices as the delay was attributed to the Corporation.

The Management/Government accepted (August/September 2007) that the contract was awarded assuming that the Corporation would get the possession of the land for construction immediately, but due to strong resistance of the farmers the land acquisition process got delayed. The reply is not tenable, as award of contract before ensuring clear title of land is in contravention of codal provisions.

Award of road work without inviting tenders

Award of work without inviting competitive tenders.

3.2.21 On the ground of urgency and without inviting tenders, the Corporation awarded (October 2002) the work of construction of internal roads in the Floriculture Park to Krishnai Constructions for Rs.5.80 crore with the scheduled date of completion of April 2003. The work was completed in December 2003 at a cost of Rs.5.36 crore including escalation payment of Rs.44.59 lakh.

The Management/Government accepted (August/September 2007) that the infrastructure development being very urgent, the work was awarded to the contractor without inviting tenders with the approval of the Chairman of the Corporation and stated that the work was completed by the end of April 2003. Contention of the Corporation of awarding work without inviting tender on the ground of urgency is not acceptable as it was against financial rules and tendering procedures and thus lacked transparency. Besides these works related to development of long term infrastructure and ought to have been done with adequate planning and ensuring quality of the works and hence urgency and haste was not warranted. Moreover, the works were completed in December 2003 and not in April 2003.

3.2.22 It was observed that the projection of exports of Rs.22 crore in 2003-04 and data given in the project report of Floriculture was not reliable and authentic. Consequently no direct exports of Floriculture products had taken place so far (September 2007).

The Management/Government stated (August/September 2007) that the unit in Floriculture Park started producing flowers and some of the flowers having good potential for export are being sold to local exporters who in turn export those flowers.

Infrastructure at Floriculture park created at a cost of Rs.50.45 crore under ASIDE did not yield any exports.

The fact however remains that direct boost in export of Floriculture products projected for taking up this project under ASIDE with huge cost of Rs.50.45 crore by the Corporation was not achieved, even remotely in comparison with the projected exports.

Construction of Rail Over Bridge at Nevade, Raigad district

3.2.23 The project for Construction of Rail Over bridge (ROB) at Navade near Taloja district Raigad at a cost of Rs.15 crore (to be shared with Railways) was initially approved under Critical Infrastructure Balancing Scheme, and subsequently brought and approved (September 2002) under ASIDE Scheme. Rs.14.09 crore had been incurred on the project till March 2007. Audit scrutiny of the above project revealed the following:

- The Corporation appointed (August 1997) RITES as Project Management Consultants for the above work. The Corporation decided (March 2000) to change the ROB from six lanes to three lanes and the RITES was asked to modify the drawings and designs. Due to slow progress on the part of the RITES, the Corporation withdrew (March 2002) the work after payment of Rs.16.48 lakh. The work of modification of the drawings and designs was awarded to another consultant (Structcon) at a fee of Rs.11.10 lakh and the changes suggested by him were approved (June 2002) by the BOD. Thus, due to belated decision of the Corporation to change the ROB from six lanes to three lanes, the payment of Rs.16.48 lakh made to RITES proved infructuous.

- Before approval of the drawings and designs, tender for construction of ROB was awarded (April 2002) to a contractor at 21.51 *per cent* below estimated cost of Rs.7.96 crore. The schedule date of completion was July 2003. The contractor was subsequently (June 2002) asked to carry out the work as per revised drawings and designs. The work was completed (November 2004) at a cost of Rs.9.08 crore. The contractor, however, segregated the work as per revised drawings as extra work and claimed Rs.2.57 crore for extra items which was paid in full without deducting 21.51 *per cent* (Rs.55.28 lakh) agreed in the tender. Thus, awarding the contract before finalising the designs and drawings and subsequent revisions in drawings *etc*. encouraged the contractor to segregate the extra items which resulted in extra expenditure of Rs.55.28 lakh.

The Management/Government stated (August/September 2007) that since the Industries Association was pressing hard to start the work, tenders were invited on the basis of data and estimates prepared by RITES. Due to change in alignment and deviation in ROB, the revision of drawings and designs were involved. The Corporation justified the extra item as economical, which added aesthetics to the bridge structure with modern engineering techniques and had the approval of their CEO.

The reply is not tenable, as award of contract before finalising the designs and drawings was irregular, being against codal provisions and the extra items could have been covered in the original tender and rebate of 21.51 *per cent* could have been availed, resulting in savings on cost.

Development of Bio-Technology Park at Additional Jalna Industrial Area

3.2.24 The project for development of BioTech Park Phase-II at Jalna was approved (March 2005) by SLEPC for Rs.15.46 crore. The Corporation invited tenders (February 2003) for the work of Permanent Water Supply Scheme to the park, for which the lowest offer received was at 6.30 *per cent* below the estimated cost of Rs.5.06 crore. The Corporation however, failed to obtain requisite permission for laying the pipeline from the State Highway Authority within the validity period (December 2003) of the first lowest offer. The Corporation thereafter reinvited tenders (January 2004) and awarded the work (July 2004) at a cost of Rs.5.85 crore (15.65 *per cent* above the estimated cost) and the work was completed in March 2006 as against the scheduled date of May 2005.

Extra expenditure Rs.1.11 crore was incurred due to delay in finalisation of offers.

Audit scrutiny revealed that Management failed to finalise the matter regarding land acquisition and accept the first offer within the validity period (December 2003). Meanwhile, the validity of the first offer expired and it was decided (27 January 2004) to reinvite the tenders. Thus, delay in decision making at various stages, necessitated the second tender with resultant extra expenditure of Rs.1.11[#] crore.

The Management/Government stated (August/September 2007) that the matter regarding permission for laying the pipeline from Highway Authority was initiated before inviting tender and after complying various requirement of Highway Authority, permission was obtained in June 2004.

The reply is not tenable, as the first contractor had extended its validity period up to December 2003, but the Corporation failed to finalise the related issues within the validity period. The procedural delays had thus resulted in extra expenditure of Rs.1.11 crore.

Actual exports was nil despite expenditure of Rs.13.15 crore on the project.

3.2.25 The project report had envisaged an estimated contribution to exports through Hi tech BT Park in Jalna at Rs.10.03 crore to Rs.13.25 crore during the period 2004-05 to 2006-07. Though the Corporation had entered into an agreement with Maharashtra Hybrid Seed Company (MAHYCO) for marketing of the Bio-Tech Park and for attracting the Bio-Tech Companies of International repute, actual allotments were made (2003-06) to eight industries only. Further, no activities/production of Bio-Technology had commenced (March 2007). Thus, anticipated export benefits from Bio-Technology could not be achieved and the expenditure of Rs.13.15 crore′ incurred up to March 2007 had proved unfruitful.

[#]Estimated cost Rs.5.06 crore, 6.30 *per cent* below Rs.5.06 crore = Rs.4.74 crore, 15.65 *per cent* above Rs.5.06 crore = Rs.5.85 crore Difference *i.e.* Rs.5.85 - Rs.4.74 is Rs.1.11 crore.

Incomplete work of Bio-Technology Park at Hinjewadi

3.2.26 A project (Cost: Rs.50.56 crore) for development of Bio-Technology (BT) Park at Hinjewadi district Pune was approved (March 2005) under ASIDE Scheme. Audit scrutiny revealed the following:

- The work of construction of roads at the BT park Phase-II awarded (November 2005) to DD Constructions for Rs.1.44 crore was to be completed by May 2006. Despite the extension of time up to August 2006, the work was not completed and the contract was rescinded (December 2006) at the risk and cost of the Contractor after payment of Rs.75.13 lakh to the Contractor. The tender for the left out work was, however, yet to be awarded (June 2007).

- As the road work were not completed, the direct access to Rajiv Gandhi Infotech Park and Biotech Phase-III from Phase-I and II was not available.

- The work of construction of 220/22KV, 100 MVA sub station and Towers at Rajiv Gandhi Infotech Park Phase-II awarded (July 2006) to EMCO Limited for contract value of Rs.19.36 crore with stipulated date of completion by April 2007 was still incomplete (July 2007), due to opposition from the villagers of Mangaon for plot leveling and delay in getting approval from the Maharashtra State Electricity Transmission Company Limited for electricity connection.

Thus, approval of the project by SLEPC as well as award of contract without the possession of land resulted in non availability of uninterrupted power supply to the plot holders, defeating the objectives of the project.

Monitoring

3.2.27 The SLEPC was to monitor the implementation of the projects through quarterly meetings as well as regular review meetings. The meetings were, however, not held at regular intervals and only one review meeting was held during the period from 2000-01 to 2005-06. It was noticed that execution of works were not monitored adequately as against 30 projects undertaken by the Corporation, 22 projects were completed. Out of the completed projects only six projects were completed in time and the delay in completion of 16 projects ranged from two to 21 months. The belated completion of the projects resulted in delay in achievement of the envisaged objective of export promotion. In case of completed works, the SLEPC had not ensured that necessary coordination/arrangements were made for boosting exports resulting in under/non utilisation of the infrastructure created out of ASIDE funds.

Acknowledgement

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

Conclusion

The Corporation failed to achieve the objective of Assistance to State for Developing Export Infrastructure and Allied Activities (ASIDE) Scheme for developing infrastructure for export promotion. Out of 36 projects approved under the Scheme, 22 projects were completed, of which only six were completed in time, seven projects were deferred/abandoned/ transferred and seven projects were in progress including one for which tender was yet to be finalised. The Corporation due to lack of planning could not utilise the funds within the same year as per the guidelines. The project reports prepared by the consultant were deficient and the export data/information included therein were not based on proper and authentic study.

Projects of strengthening of airstrips at Solapur, Karad, Nanded, Kolhapur and Latur, Bio-Technology Park at Jalna undertaken under ASIDE did not contribute to any exports. The infrastructure in two wine parks at Sangli (Palus) and Nashik (Vinchur), remained largely unutilised and exports were nominal. State Level Export Promotion Committee failed to monitor the implementation of the projects through regular meetings or other mechanism.

Recommendations

The Corporation, being Nodal Agency and implementing agency for the State of Maharashtra for ASIDE Scheme, may:

- **select such projects only which have overwhelming linkage with exports;**
- **prepare feasibility studies based on authentic export data/export potential;**
- **identify and remove bottlenecks to boost exports in already undertaken/completed projects with huge investments on airstrips, wine parks, floriculture parks and bio-technology parks not giving desired results;**
- **ensure completion of projects as per schedule and scope of the contracts; and**
- **initiate remedial/penal action on defaulting contractors for works.**

Maharashtra Industrial Development Corporation

3.3 Information Technology review on 'Geographical information system enabled land management system'

Highlights

Frequent changes in user requirements and system specification resulted in non completion of LMS even after eight years.

(Paragraph 3.3.7)

Geographical Information System though developed was kept idle by the Corporation.

(Paragraph 3.3.8)

Lack of physical and logical access controls made the system vulnerable to data manipulation.

(Paragraph 3.3.9)

The Corporation had yet to formulate a well documented Disaster Recovery and Business Continuity Plan.

(Paragraph 3.3.12)

Introduction

3.3.1 The Maharashtra Industrial Development Corporation (Corporation) with a view to streamline the activities relating to land envisaged Geographical Information System enabled Land Management System (GISeLMS) into two parts *i.e.*, Land Management System (LMS) and Geographical Information System (GIS) to be developed by the Centre for Development and Computing, Pune (C-DAC). LMS comprises of modules like offer, allotment, possession, agreement to lease (AtoL), lease of plots, corrigendum, extension, transfer, mortgage, subletting, subdivision, amalgamation, surrender, receipt and payments of regional offices (ROs), inwards and outward, reports, master data entry *etc*. GIS was to be used for providing all information on personal computers with interface facility to customers on information regarding plots, roads, pipelines, drainage lines, streetlights and other amenities. This system was to have web interface for clients and customers. The Joint Chief Executive Officer (Information Technology) is incharge of the LMS.

Scope of Audit

3.3.2 An Information Technology (IT) review was conducted during March to May 2007 to assess the implementation of the GIS enabled LMS. The audit examined the IT records at Head office and in five ROs *viz.* Pune, Thane, Nashik, Mahape and Kolhapur.

Audit objectives

3.3.3 The evaluation of the LMS was done with the objective of assessing:

- the reliability and effectiveness of the LMS;
- the accuracy and completeness of the data migrated from the legacy system (FoxPro) to the present Oracle platform;
- the economy in procurement of computer hardware, software and other outsourcing activities related to the LMS system;
- the accuracy and completeness of Management Information System (MIS) generated through the LMS system; and
- the actual usage and utility of the LMS to the Corporation.

Audit criteria

3.3.4 The following audit criteria were adopted:

- milestones set by the Corporation for completion of the project phase wise;
- manuals for the implementation of the LMS application;
- business rules of the Corporation;
- generally accepted best practices relating to IT control, backup and data security *etc.*; and
- guidelines issued from time to time by the State Government for implementation of IT in Corporations.

Audit methodology

3.3.5 The following audit methodology was adopted:

- Scrutiny of records pertaining to the implementation of the Project;

- Scrutiny of records pertaining to the procurement of hardware, software and other consumables for IT activities;
- Examination of minutes of meetings relating to decisions taken in the implementation of the GIS enabled LMS with the vendors;
- Study of MIS reports and files;
- Analysis of data collected from the ROs through Computer Aided Audit Tools; and
- Meetings were held with the officials of the Corporation responsible for implementation of the GIS enabled LMS.

Audit observations

General Controls

Information Technology Strategy

Corporation did not have Information technology strategy.

3.3.6 The Corporation did not have an Information Technology Strategy to computerise its working in a time bound manner and to utilise its IT assets including human resources. The LMS project was trailing behind schedule since 1999.

The Management/Government in their replies stated (August/September 2007) that the IT Strategy was under consideration by the Corporation.

User Requirement Specification and System Requirement Study

URS/SRS not prepared properly.

3.3.7 The Corporation awarded (1999) contract for developing the LMS to C-DAC at a cost of Rs.57.98 lakh with power builder as front end. The work included processing of allotment, transfer, subletting, amalgamation, surrender of all types of plots like industrial, residential, commercial and amenity plots. The Corporation released Rs.23.31 lakh by 2001 though the work was not completed. On the request of C-DAC the front-end tool was changed to Visual Basic and the Corporation awarded (June 2001) another contract for Rs.52 lakh (Rs.29 lakh for LMS and Rs.23 lakh for GIS). Accordingly, the application was developed based on the inputs received from the Corporation as per 'allotment of one plot with one rate to one allottee' condition *i.e.*, one plot can be allotted to one person only. Later, the requirements were modified by the Corporation to accommodate 'more than one allottee for one plot and multi rate multi plot' conditions *i.e.*, one plot can be allotted to more than one allottee as in case of co-operative societies. C-DAC had developed the modified software only for industrial plots (April 2007). The Corporation without insisting on completion of the balance work as per the contract gave another contract (July 2005) to C-DAC at a cost of Rs.35 lakh for covering other type of plots like residential, commercial and amenities with front end tool as Java. The work was to be completed by January 2006. The Corporation released Rs.62.81 lakh (Rs.23.31 lakh + Rs.29 lakh + Rs.10.50 lakh) till June 2007. The work was not complete as on August 2007.

Thus, defective User Requirement Specification and System Requirement Study resulted in frequent change requests and non completion of LMS even after eight years of its inception. The Corporation failed to get the work completed in a time bound manner due to frequent change requests and as a result the project was trailing since 1999.

The Management/Government in their replies accepted (August/ September 2007) the frequent changes made and the resulting delay in implementation of the project.

Non utilisation of Geographical Information System

GIS was not functional.

3.3.8 The Corporation had procured GIS software (Geomatica Web Server and Geomatica Fundamentals) at a cost of Rs.25 lakh (2001) and also incurred an expenditure of Rs.1.60 lakh for imparting training on the GIS software. C-DAC had customised GIS software at the cost of Rs.23 lakh in 2005 after a delay of three years (May 2002). The software was finally handed over to the Corporation in May 2007. However, it was observed that the same was not in use, resulting in idle expenditure of Rs.49.60 lakh.

The Management/Government in their replies stated (August/September 2007) that decision was taken for non implementation of GIS due to changes in top management.

The above exhibited the lack of a formal strategy on part of the Corporation which could not ensure a considered decision making and carrying the same forward. Thus, the Corporation continued to depend on manual controls and did not have confidence in GIS enabled LMS.

Physical access control

Unrestricted access to server.

3.3.9 It was noticed that server has not been located in a separate room and as such entry to the server room was not restricted and no logs were maintained to safeguard against unauthorised entry. It was also noticed that backups were taken at the ROs also by Nominal Muster Roll employees *i.e.* Casual Laborers (NMR). Besides, the server was used for surfing, email and even for normal office work. Thus, the physical security of the system was not ensured.

The Management/Government in their replies accepted (August/ September 2007) the observations.

Logical access control

Easy access to each type of file by all users.

3.3.10 In any, IT system it is necessary that the master data changes should be authorised at supervisory levels and users should not have any access to manipulate the master data. It was seen that there were no distinct categorisations of users. The LMS master files were updated by the users without any authorisaton. It was seen that unchanged passwords were being used by the operators and the Administrators (ROs) had not deactivated user identifications of the transferred personnel. Further, the system was used after office hours and on holidays. Thus, the 'logical access control' in GIS enabled LMS application was inadequate, making the system prone to manipulation.

The Management/Government in their replies stated (August/ September 2007) that in the new centralised web based LMS this flaw would be overcome.

Audit also observed that TOAD[1] was installed in the LMS Server and used by a third party vendor who was developing software for water billing. The use of tools like TOAD could result in breaching of security of the Oracle database apart from risks to data integrity due to non segregation of the production and the development environments.

Backup policy

The Corporation did not have backup policy.

3.3.11 The Corporation had not formulated any policy regarding backups and the frequency of taking backup. In RO, Thane it was observed that data for the period 5 September 2001 to 27 November 2005 was lost due to server crash which could not be retrieved. The same had to be entered again.

The Management/Government in their replies accepted (August/ September 2007) that the loss of data pertaining to collection of receipts in RO, Thane.

Disaster recovery and business continuity planning

The Corporation did not have disaster recovery and business continuity plan.

3.3.12 Audit observed that the Corporation did not formulate an IT security policy, identifying the threat perceptions and safety measures. The Corporation also did not formulate any 'Disaster Recovery and Business Continuity Plan'. Thus, the continuity and the security of the system could not be ensured.

The Management/Government in their replies accepted (August/ September 2007) that there is no disaster recovery and continuity plan. It further stated that IT Security Policy was being formulated.

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[1] A tool for Oracle Application Developers.

Software inventory

Lack of software inventory.

3.3.13 The Corporation had procured (1999-2006) softwares like AutoCad, AutoDesk (Rs.82.99 lakh), Oracle (Rs.39.66 lakh), Geomatica web server and fundamentals (Rs.25 lakh) and Microsoft Office (Rs.42.44 lakh). It was seen that the Corporation did not maintain any inventory of the software procured.

Change management control and system documentation

Absence of change management control procedure and system documentation.

3.3.14 The LMS system required amendments from time to time to accommodate changes in the business rules/orders and to make improvements in the existing version. In the absence of system documentation, deficiencies or bugs that were rectified could not be ascertained by the Corporation. Further, authorised and unauthorised changes could not be distinguished in the system.

The Management/Government in their replies stated (August/September 2007) that the versions were maintained by C-DAC at their development centre. The reply is not tenable, as the versions were to be made available to the Corporation.

During test check in RO, Kolhapur it was observed that due to establishment of silver zone (SZ), which was also coded as A,B,C and D *etc.* along with normal industrial areas, there was duplication in coding, as the coding pattern was over lapping. The staff at RO, Kolhapur effected the changes without approval of the developer (C-DAC) or senior management. Thus, unauthorised changes were incorporated by the staff. Thus, audit observed that unauthorised changes were made without the approval of the management.

The Management/Government in their replies stated (August/September 2007) that it was not possible to monitor and control the activities carried out at field level without system administrator at each location. The reply is not tenable, as lack of change management request procedure resulted in such unauthorised changes.

Application controls

Accuracy of master data

Inaccurate and incomplete master data.

3.3.15 It was observed that master data was not updated regularly. It was updated as and when details of any transaction were fed in the system without any authorisation. As the master data was editable or could be deleted without any authorisation, it defeated the very purpose of transparency in the LMS despite computerisation.

In RO, Kolhapur data was analysed in detail and it was found that the master data was not properly fed in to the LMS system as detailed below:

Sl. No.	Type of plot	Actual (Manual) number of plots	Plots as per LMS	Difference
1.	Industrial	532	313	219
2.	Residential	25	4	21
3.	Amenity	12	4	8
4.	Commercial gala in flattened building	22	--	22
5.	Built up sheds	54	--	54
6.	Commercial gala	52	29	23

The Management/Government in their replies stated (August/September 2007) that the application is useful only for industrial type of plots. Hence, accurate MIS reports cannot be generated from incomplete data. The reply is not tenable, as even the records pertaining to industrial plots were also not updated in the system.

Input controls and validation checks

The LMS system did not have proper mechanism to validate the inputs.

3.3.16 In any IT system, one of the objectives is effective input controls and validations. In the LMS data entry or edition in transactions were not authorised at supervisory levels. The Corporation did not have a well defined role for users of the LMS. During test check at RO, Kolhapur, Nashik and Pune it was found that crucial data were edited without any authorisation and the changes were saved in the system. In addition to it the system had weak inbuilt input control as any four digit number was accepted by the system as the year.

The Management/Government in their replies stated (August/September 2007) that it is failure on part of C-DAC that basic validation for the dates were not incorporated in the application. The reply indicated lack of the involvement of the Corporation in ensuring correct development, testing and implementation of the application.

3.3.17 The Corporation allows subletting of plots by plot holders on payment of subletting charges. Audit observed in one test checked RO, Mahape that essential fields e.g. sublet area, sublet open area and sublet built up area[#], which were crucial for calculation of subletting fees were blank and manual correction was possible, leaving scope for manipulations. Out of 690 records; in 13 records subletting IDs were not entered; in 104 records sublet area details were not available; in 419 and 363 records sublet built up areas and sublet open areas respectively were not available and in 96 records total subletting area were blank.

[#] Sublet area denotes total area given on subletting, sublet open area denotes unbuilt area of the plot subletted and sublet built up area denotes built up area subletted.

Further, in RO, Ratnagiri it was seen that in respect of the receipt and payment in 284 records total amount was nil. Further, four records were found with the year of receipt as 2008, 2009, 2020 and 2205.

Thus, due to lack of input controls and validations wrong data were accepted by the system leaving scope for manipulation and defeating the purpose of accuracy, transparency and reliability.

The Management/Government accepted (August/September 2007) that basic validation for the dates were not incorporated in the application.

Incorporation of critical business rules

Incorrect calculation of corner/frontage charges.

3.3.18 In transfer cases of plots, transfer charges are also dependent on the position, location of the plots and are charged at 10 or 15 *per cent* (corner/front) on plots facing highways. It was seen at RO, Pune that the LMS had calculated Rs.18.27 lakh instead of Rs.21.97 lakh as the LMS system did not have provision for calculation of corner/frontage charges. The user had to manually edit the order in rich text mode and make the necessary corrections in the order. Thus, the LMS system had not incorporated critical business rules leading to manual interventions.

The Management stated (August 2007) during exit conference that this was due to lack of proper user acceptance test. The Government stated (September 2007) that manual controls are in place for accuracy in calculation of the transfer premium charges.

System design deficiencies

3.3.19 It was seen that in transfer module while processing transfer of plots cases, the transfer fee was not calculated automatically. The user had to manually calculate the same and feed it. During test check at RO, Pune a short recovery of Rs.20,000 was noticed. In ROs at Kolhapur, Thane, Mahape and Nashik also it was seen that the transfer charges were edited and compared with manual calculations.

The Management/Government in their replies stated (August/September 2007) that this was due to wrong data entry.

The reply is not tenable, as the system was not calculating the transfer fee automatically and the user had to manually enter the same.

Other points of interest

Procurement of hardware and software

3.3.20 The Corporation did not have any purchase policy regarding computer purchases. The Corporation placed orders (March and July 2006) for procurement of 145 Personal Computers (PCs) at a cost of Rs.75.03 lakh and 40 PCs at a cost of Rs.20.03 lakh respectively from a non DGS&D

Favouring Mapleton Technologies to the tune of Rs. 13.72 lakh in procurement of computers.

empanelled vendor (Mapleton Technologies Private Limited) who was their Annual Maintenance Contractor (AMC) for the Corporation since 2004-05. The procurement was for replacement of the old Pentium-I and II machines procured in 1997-99. The Corporation failed to take the benefit of anticipated revision in prices and higher configuration as per the new rate contract of DGS&D (August 2006). The procurement through new rate contract as per the DGS&D would have resulted in savings to the tune of Rs.13.72 lakh.

The Management/Government in their replies stated (August/September 2007) that Mapleton Technologies Private Limited is a channel partner of Lenovo hence they have procured from them and stated that the procurements were done prior to the new rate contract came in to effect.

The reply is not tenable, as the Computers were procured from Non DGS&D vendor and the anticipated revision of the DGS&D rates were known to the Corporation and there was no urgency as the work of the Corporation was not affected due to non procurement of the hardware. The Corporation could have benefited in terms of lower prices with higher configuration if the procurement was done after revision through DGS&D vendors.

Conclusion

The objective of the Land Management System (LMS) was to bring about the improvement in efficiency and effectiveness in transactions relating to land. Geographical Information System (GIS) was developed to make available information regarding plots, roads, pipelines, drainage, streetlights *etc.* Due to faulty user requirement specification and frequent change requests even after lapse of eight years GIS enabled LMS was not fully functional. It was used for industrial plots only. The LMS was not effective as despite the computerisation, most of the land management related functions were being done manually and the use of the legacy FoxPro system continued.

There were inherent weaknesses in the system. The IT Security was weak. The accuracy of data entered could not be assured. Thus, the MIS generated through the LMS was not reliable and complete.

Absence of IT Security policy and well documented Disaster Recovery Plan made the system vulnerable to risk of loss of critical data.

Thus, the Corporation was not in a position to provide reliable information to its customers on land and therefore the objective of undertaking computerisation could not be met completely.

Recommendations

The Corporation may take the following steps:

- **formulate an information technology policy including policy regarding security, control mechanisms, disaster recovery and business continuity plan, utilisation of IT assets, an outsourcing policy and implement it effectively;**

- **devise a suitable mechanism to get feedback from the regional offices and rectify the deficiencies including all the defunct modules in the LMS; and**

- **ensure compliance to terms and conditions by the vendor(s) as well as its own personnel for the development and implementation of the application.**

Chapter-IV

4. Transaction audit observations

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

Government companies

Annasaheb Patil Arthik Magas Vikas Mahamandal Limited

4.1 *Infructuous expenditure on printing of brochure/posters*

The Company incurred infructuous expenditure of Rs.49.05 lakh on printing of brochures/posters. Despite administrative enquiry establishing the lapse on the part of ex-Managing Director, the Government did not take any action against him.

The Board of Directors (BOD) of the Company decided (June 2003) to print brochures, posters and loan applications for advertising various schemes undertaken by the Company for Economically Weaker Section. The BOD also decided that the printing work should be got done by calling tenders, and in all brochures/posters, only the photograph of late Shri Annasaheb Patil should be printed.

Audit scrutiny revealed the following:

- The then Managing Director (MD) without assessing the quantum/ requirement of brochures/posters, allotted the work (March-June 2004) to the printers on the basis of their quotations instead of calling tenders. The Company, during 2004-05, got 3.50 lakh brochures (Rs.25.50 lakh), three lakh posters (Rs.23.55 lakh) and application forms (Rs.2.25 lakh) printed from Mona Printers, Jyotirling Ruling Works and S.V. Printers, Mumbai respectively and paid Rs.51.30 lakh to them.

- In violation of BODs' directives (June 2003) the photographs of other VIP's/Chairman were prominently printed on brochures/posters. After the Assembly elections (November 2004) due to change in the State Government, the printed material became useless.

- No receipt and issue registers were maintained by the Company in the absence of which the actual receipt of material/despatch to field offices could not be ensured/verified.

At the instance (February 2005) of the State Government, the Commissioner, Employment and Self-Employment Directorate, State Government conducted (February 2005) enquiry against the ex-MD and enquiry report was submitted (July 2005) to the Government. Though the enquiry report clearly indicted the ex-MD for the wasteful expenditure, no action against the erring official has been taken so far (August 2007).

The Government stated (August 2007) that the case has been sent to Social Justice Department for action at their level. Further developments are still awaited (September 2007).

Thus, in view of above facts the total expenditure of Rs.49.05 lakh[$] was proved infructuous.

The matter was reported to the Management (June 2007); their reply is awaited (November 2007).

City and Industrial Development Corporation of Maharashtra Limited

4.2 *Extra expenditure due to delay in finalisation of tenders*

The Company incurred extra expenditure of Rs.1.41 crore due to delay in finalisation of tender and also lost Central grants of Rs. five crore under ASIDE Scheme.

The BODs approved (August 2000), the construction of Rail Over Bridge (ROB) for Nhava-Sheva Railway Station at Dronagiri which would connect Jawaharlal Nehru Port Trust complex directly to port based industries planned in Navi Mumbai Special Economic Zone (NMSEZ). The Government of India (GOI) subsequently approved (January 2002) the project under Assistance to State for Infrastructure Development Under Export Promotion Scheme (ASIDE) and sanctioned Rs. five crore (January 2002) with a condition that project should be completed within two years.

The Company invited (February 2001) tender for construction of above ROB with other allied works. The offers were received in May 2001 and technical bids opened. There was no price escalation clause in the tender. The validity of offer was 120 days *i.e.* up to 8th September 2001 and the work was required to be completed within 18 months (*i.e.* up to February 2003) from the date of allotment of work.

It was observed that the Company did not process the price bids as the location of ROB was not approved by the Technical Consultant (TC) for NMSEZ; the

[$] Rs. 49.05 lakh (brochures: Rs.25.50 lakh *plus* posters: Rs.23.55 lakh).

approval to which was received belatedly (September 2002). The bidders were asked, thereafter, to submit revised financial bids which were submitted (October 2002) and the lowest offer of Rs.19.72 crore was of one Venkata Rao, Navi Mumbai. In the meantime the Management decided (December 2002) to give aesthetic look to ROB and two of the lowest bidders (L-1 and L-2) were asked to quote for the same. Accordingly, the lowest bidder quoted (30 January 2003) Rs.25 lakh over and above Rs.19.72 crore initially quoted. The Company however, did not finalise the offer within extended validity period up to 25 February 2003 due to time taken for negotiations with the bidders, detailed review of revised technical details and revised drawing *etc*. The tender was ultimately cancelled. The Company reduced the length of ROB by 60 metres (from 540 to 480 metres) and awarded (February 2004) the work to one Vilayatiram Mittal, Navi Mumbai for Rs.20.66 crore being the lowest offer received in response to revised tender.

Meanwhile, due to delay in finalisation of the contract and slow progress of work, State Level Export Promotion Committee (SLEPC) decided (June 2005) to drop this work from the scope of ASIDE scheme thereby depriving the Company of the grant of Rs. five crore.

Thus, inviting tenders before receipt of technical approvals and non-finalisation of tenders within validity periods resulted in the Company incurring extra cost of Rs.1.41 crore (worked out based on rates received against initial tender and rates received against subsequent tender considering revised scope of work). Besides, it also lost Central grant of Rs. five crore under ASIDE.

The Management in its reply accepted (December 2005) that there was delay in getting approvals but stated that there was no extra expenditure, as the overall cost was within the original offer received.

The reply is not tenable, as failure to finalise bids in time resulted in loss of grants and extra cost on revised tenders received.

The matter was reported to the Government (May 2007); their reply is awaited (November 2007).

4.3 *Delay in award of works*

The Company incurred extra expenditure of Rs.2.55 crore due to avoidable delay in award of works.

The Company invited (March 2004) tenders for five works of reclamation of land in Sector-17 to 24 and 31 at Kamothe Phase-II for Rs.20.42 crore, against which 14 offers were received and opened (11 March 2004).

The offers were valid up to 9 July 2004. The quotations of all the offers received were above 20 *per cent* of estimated cost. The Tender Committee scrutinised the offers and recommended (8 April 2004) the award of work at 12.5 *per cent* above the estimated cost which was agreed to by the bidders

(May 2004). Audit scrutiny revealed that the Company did not award the work within the validity period of offer but submitted (17 August 2004) the contract proposal to the BOD, by which time the validity of offers had expired. The work orders were issued (January 2005 to January 2006) to five contractors at the negotiated rates, but the contractors backed out of their agreed offers due to delay in conveying acceptance of their offer and insisted that they would accept the work only if escalation clause was included in the contract. The demand of the contractors was not accepted and the Company decided (September 2004) to re-tender the works. Reasons for delay in finalising the contract proposals were not on record. The tenders were re-invited (September 2004) with clause for payment of escalation.

It was observed that the same bidders quoted 33-37 *per cent* above the estimated costs but agreed (7 October 2004) during negotiations to execute the work at 25 *per cent* above the estimated cost. The Company awarded the works (December 2004) for a total value of Rs.25.52 crore to five contractors, thereby incurring extra expenditure of Rs.2.55 crore due to delay in award of works to the lowest bidders within validity period, besides accepting the liability for payment of escalation.

The Management stated (February 2007) that even if the contracts had been finalised at 12.5 *per cent* above estimated costs, the contractors would have found it difficult to complete the work due to rising prices and would have invited further claims and disputes.

The contention of the Management is not tenable in view of the fact that the contractors had initially agreed to execute the work at 12.5 *per cent* of the then offered rates (April 2004) which could not materialise due to unreasonable delay in award of contract by the Company. Further, the reply was silent on the reasons for non finalisation of the contract within the original validity period.

The matter was reported to the Government (June 2007); their reply is awaited (November 2007).

4.4 *Undue benefit to a private institute*

The Company extended undue benefit of Rs.1.63 crore to Bharati Vidyapeeth, an educational institution by changing price structure for allotment of plots for higher education.

As per the Land pricing and Disposal Policy being followed by the Company for allotment of plots to Educational Institutions in the State, plots for higher education were to be allotted at 50 *per cent* of the Reserve Price (RP) for area up to one hectare, 100 *per cent* of RP for area of one-two hectares and 150 *per cent* of RP for area in excess of two hectares.

It was, however, observed that the BODs approved (June 2004) and allotted the plot measuring two hectares (20,000 square metre) located in Sector-7, CBD-Belapur, for a dental college to be set up by Bharati Vidyapeeth

(Institute) at the flat rate of 50 *per cent* of RP instead of at 100 *per cent* of the RP as per its laid down policy.

The allotment of plot measuring two hectares for the dental college at the rate of Rs.1,625 per square metre (50 *per cent* of RP) was communicated (July 2005) to the institute and Rs.3.25 crore was received (August-September 2005) as premium.

Thus, the allotment of the entire area (two hectares) at 50 *per cent* of RP (Rs.3,250 per square metre) resulted in extension of an undue benefit of Rs.1.63 crore to the institute.

The matter was reported to the Government/Management (May 2007); their reply is awaited (November 2007).

4.5 *Undue benefit in the allotment of land*

The Company suffered loss of revenue of Rs.81.33 lakh due to allotment of plot below the latest average tender rate of the area.

New Satara Samooh, Mumbai (a trust registered in 2000) applied (January 2001) to the Company for allotment of plot of land measuring about 4,000-5,000 square metre with one FSI[♦] for residential purposes at the base rate of the node of Rs.6,250 per square metre. As per the Company's policy, the plots earmarked for residential purposes were required to be disposed off to the highest bidder on invitation of sealed tenders and hence, the Company informed (March 2001) the applicant to participate in the tender for disposal of plots, whenever it would be floated in the market.

The trust however, represented (September 2001) its case through the Honourable Minister of State for Urban Development Department of the State Government. Accordingly, the Company reconsidered its earlier decision and allotted (December 2002) two plots admeasuring 4,393.71 square metre in Sector-8 at Sanpada to the trust at a negotiated rate of Rs.8,000 per square metre for residential use with one FSI and received (November 2002) a lease premium of Rs.3.51 crore.

It was noticed that this rate was less than the latest average rates received in the area for sale of plots in May 2002 *i.e.* the time when the decision to allot the plots was taken. It was further revealed that the Chief Economist of the Company, during the process of finalisation of rates for this particular plot, had recommended (November 2001) to fix the rate at Rs.9,000 per square metre. The average rate in April 2002 before the decision of this allotment, as confirmed by the Company was Rs.9,851.10 per square metre in the same node.

Thus, the Company's decision to allot the residential plot of land on *suo moto* application without inviting tenders not only contravened its own

[♦] Floor space index fixed by local authority. It is the *ratio* of the combined gross floor area of all floors (excluding areas specifically exempted) to the total area of the plot.

policy, but caused loss of revenue of Rs.81.33 lakh by allotting plots at negotiated rates and also resulted in extension of undue benefit to the trust. The negotiated rate also lacked transparency.

The matter was reported to the Government/Management (April 2007); their reply is awaited (November 2007).

Maharashtra Agro Industries Development Corporation Limited

4.6 *Avoidable expenditure of electrical charges*

The Company incurred avoidable expenditure of Rs.19.16 lakh on electricity charges due to delay in reducing the contract demand of electricity.

The Company had two production plants at Rasayani (District Raigad) for manufacture of Phosphate and NPK fertilisers. These plants were getting electric supply from the Maharashtra State Electricity Distribution Company Limited (erstwhile Maharashtra State Electricity Board) with connected load of 300 KVA and 250 KVA respectively.

Due to high processing costs, labour charges and thereby an overall uneconomic production cost, the Company stopped (October 2001) the production of Phosphate for which *post facto* approval was also given by the BOD (December 2003). The production of NPK fertilisers was also stopped from March 2004. The production of NPK was 816.75 MT and of single super phosphate 2,757.82 MT during October 2001 which was reduced to 86.50 MT and nil respectively during September 2004.

Since the closure of production activity was a considered decision of the Company, the reduction in contract demand of electricity was required to be reviewed in order to avoid payment of unnecessary huge electricity charges which were based on the original contract demand. The Company failed to do this in time and reduced the demand of 550 KVA to 100 KVA only with effect from September 2004 *i.e.* after a delay of four years in case of Phosphate plant and six months in case of NPK plant. The avoidable electricity charges paid in interim period were to the tune of Rs.19.16 lakh.

The Management stated (July 2007) that the production was not stopped but it had to be suspended taking into consideration the economic viability. The plant had to be kept in running condition by way of periodically running it, oiling, cleaning *etc.* and there was no delay in decision as reduction in contract demand was not possible until firm decision, to permanently stop the production was taken.

*Average tender rate of April Rs.9,851.10 per square metre – Rs.8,000 per square metre x area of plot 4,393.71 square metre.

The reply is not tenable because oiling operations/regular maintenance could have been done with reduced electric load of 100 KVA and payment of electricity charges of Rs.19.16 lakh could have been avoided.

The matter was reported to the Government (April 2007); their reply is awaited (November 2007).

Maharashtra State Handicapped Finance and Development Corporation Limited

4.7 *Lack of Internal Controls in Schemes relating to financial assistance*

The Company did not recover loan dues of Rs.4.19 crore, from the beneficiaries due to lack of internal controls and poor monitoring of recoveries.

The Company was established (March 2002) for assisting and promoting economic development including self employment and other activities for the benefit and rehabilitation of handicapped persons regardless of their religion, sex, caste and age. In this regard the Company extends financial assistance/ loans/concessional finance to handicapped persons for implementing economically and financially viable schemes/projects; for pursuing education at graduation and higher levels; for upgradation/improvement of technical and entrepreneurial skills of the beneficiaries. The Company receives funds from the National Handicapped Finance and Development Corporation Limited (NHFDCL). The State Government also contributes towards the schemes. The loan amount disbursed varied from Rs.20,000 to Rupees five lakh per beneficiary, (loans of Rs.50,000 and above required sanction of the NHFDCL). Loans were repayable by the beneficiaries after a moratorium period of one quarter from the month of disbursal of the loan. The Company was recovering the loans either by cash or post dated cheques (PDCs) taken from the beneficiaries.

During the period 2002-07 the Company received Rs.40.52 crore from the NHFDCL. The details of financial assistance extended by the Company during 2002-07 and recovery position thereof are as under:

Year	No. of beneficiaries	Loans disbursed	Loan due for recovery	Loan recovered	Shortfall in recovery
		(Rupees in lakh)			
2002-03	42	25.52	---	---	---
2003-04	1,413	455.45	21.13	1.68	19.45
2004-05	961	754.38	101.51	59.52	41.99
2005-06	1,330	676.26	182.26	15.89	166.37
2006-07	1,590	884.00	268.55	77.78	190.77
Total	**5,336**	**2,795.61**	**573.45**	**154.87**	**418.58**

(Source: Information furnished by the Company)

Audit scrutiny of the implementation of the schemes of financial assistance in the form of loans given to the beneficiaries revealed that the recovery of loans disbursed was very poor. The deficiencies noticed in system for sanction/disbursement of loans and monitoring of recovery thereof were as under:

- The work of disbursement and recovery of financial assistance at district level was carried out up to March 2005 through Maharashtra Small Scale Industries Development Corporation Limited and thereafter by Maharashtra Rajya Itar Magas Vargiya Vitta Va Vikas Mahamandal Limited. Thus, in the absence of its own district level staff, the implementation lacked coordination and control for timely and speedy disbursement and recovery of the loans. The Company did not have any details of district wise disbursement of loans.

- The BODs decided (2002) to open separate bank accounts of the Company at district offices to facilitate recoveries of loan, but it took three years to implement the decision (May 2005). Meanwhile the Company utilised the bank accounts of implementing agencies for financial transactions pertaining to its various schemes. It was observed that no reconciliation of inter-Company transactions was carried out as of May 2007.

- Since the personal ledger account of beneficiaries and details of financial transactions were maintained in district offices of the implementing agencies, it was necessary for the Company to have a dependable and efficient Management Information System (MIS) to monitor and supervise its operations. It was, however, noticed, that the data available with the Company was as informed by implementing agencies which had not been verified by the Company. Many of the PDCs, given by the beneficiaries had bounced at all regional offices for want of funds in their accounts. The Company had not taken any remedial action for recovery of the defaulted dues. No action was also taken for setting up a dependable MIS as of September 2007.

- Internal audit had been outsourced (from 2002-03 onwards) and conducted, by a private firms of Chartered Accountants, up to 2004-05. The internal audit brought out various irregularities such as disability certificates, proof of date of birth, ration cards, photos, guarantors' information and hypothecation deeds not being available on records in sanctioned cases. Neither remedial action was taken nor the matter reported to the BOD.

Consequently on account of poor internal controls and poor monitoring of loan recovery as against loan due for recovery of Rs.5.74 crore, the Company was able to recover only Rs.1.55 crore, leaving an outstanding unrecovered balance of Rs.4.19 crore (May 2007).

The Management stated (October 2007) that efforts were on to recover the dues of Rs.4.19 crore from the beneficiaries. This would be possible only after recruiting personnel at district level for which proposal for sanctioning the post was pending with the Government.

The matter was reported to the Government (August 2007); their reply is awaited (November 2007).

Maharashtra State Electricity Distribution Company Limited

4.8 *Loss of revenue due to delayed submission of claim*

The Company failed to submit fixed transit losses in its claim for fuel adjustment cost within stipulated period resulting in loss of revenue of Rs.10.57 crore.

According to Maharashtra Electricity Regulatory Commission (MERC) (Terms and Conditions of Tariff) Regulations, 2005, effective from 1st September 2005, distribution licensee can claim increased cost of power generation and power procured due to changes in fuel cost, based on actual mechanism through the Fuel Adjustment Cost (FAC). The FAC has to be computed and charged on the basis of actual variations in fuel cost and the approval of the MERC has to be obtained prior to passing on/charging of FAC to consumers. As per the Regulations *ibid*, details are required to be submitted by the distribution licensee in stipulated format to the MERC on quarterly basis for the FAC incurred alongwith the detailed computations and supporting documents as may be required for verification by the MERC.

The Company was incorporated on 6 June 2005 and was the distribution licensee for electricity in the State and parts of Suburban Mumbai City. It submitted (March 2006) its claim for levy of FAC for the period October 2005 to February 2006. It was noticed that the claim for the month of October 2005 included an amount of Rs.10.57 crore towards past transit losses pertaining to the period 15 October 2004 to 31 May 2005 in respect of Parli Thermal Power Station, which could not be claimed earlier as FAC. The MERC disallowed (May 2006) the claim of Rs.10.57 crore, as the transit loss pertained to prior period.

The Management stated (October 2007) that the Company in calculation of FAC for October 2005 has claimed transit loss as submitted by its Sister Generation Company, Maharashtra State Power Generation Company Limited (MSPGCL), MERC had disallowed the same as it was pertaining to prior period and the same could not be passed on to the MSPGCL. In view of this, there was no loss to the Company.

The reply is not tenable, as the fact remained that the losses were not claimed in time and could not be recovered from the consumers resulting in a revenue loss to the Company.

The matter was reported to the Government (June 2007); their reply is awaited (November 2007).

4.9 *Short recovery of electricity charges*

The Company short recovered Rs.93.38 lakh on account of electricity charges due to wrong categorisation of commercial consumer as industrial consumer.

Billing for electricity consumption is done by the Company for its High Tension (HT) consumers by applying HT tariff as approved by the Maharashtra Electricity Regulatory Commission from time to time. According to HT tariff order[$] for residential and commercial complexes taking electric supply at one point and further distributing to the units/shops, tariff item HTP-VI is applicable and for industrial consumer HTP-I tariff is applicable.

It was noticed that the Vashi circle of the Company had billed one HT consumer-Fashion Life Style (India) Limited, who is running a shopping mall called 'Centre One Mall' at Vashi by wrongly categorising the consumer as "industrial consumer" instead of a "commercial consumer". The consumer was billed by applying HTP-I tariff (Demand charges Rs.325/350 per KVA and energy charges Rs.2.15/2.85 per unit) instead of HTP-VI tariff (Demand charges Rs.100/125 per KVA and energy charges Rs.3.50 per unit). Thus, the consumer was wrongly billed for the period from July 2003 to March 2007 which resulted in short recovery of Rs.93.38 lakh from the consumer for the above period. The incorrect billing would continue till the consumer is billed correctly as per tariff.

The matter was reported to the Government/Management (May/August 2007); their reply is awaited (November 2007).

Maharashtra State Power Generation Company Limited

4.10 *Avoidable payment of excess water charges*

The Company did not pay for water charges based on actual quantity lifted by installing electronic measuring devices as per terms of the Agreement, resulting in avoidable payment of excess water charges of Rs.10.52 crore.

The Thermal Power Station (TPS) at Eklahare, Nashik entered into an agreement (February 2005) with the Irrigation Department (ID) for lifting of water from the Godavari river. The requirement of water for power generation was being fulfilled by lifting of water from the Godavari river by paying water charges to the ID on the quantity of water equivalent to 90 *per cent* of the sanctioned quota. The actual water consumption is being determined on the basis of the capacity of pumps fixed by the Company for lifting of water.

[$] HT tariff order No.004172 dated 2 February 2002 of Maharashtra State Electricity Board effective from 1 January 2002 and HT tariff order No.0017 of Maharashtra State Electricity Board effective from 1 December 2003.

The sanctioned quota of water was 1,200 MCFT/per year (1,080 MCFT per year for industrial purpose and 120 MCFT/per year for domestic purpose). The rates accepted were Rs.71.50 per 10,000 litres for industrial purpose and rupees five per 10,000 litres for domestic purpose *plus* 20 *per cent* local tax. The monthly sanctioned quota for industrial purpose and domestic purpose was 27,86,81,200 and 4,56,18,800 litres respectively (90 *per cent* of which worked out to 25,08,13,080 and 4,10,56,920 litres).

Audit scrutiny revealed that as per agreement, the Company was required to provide electronic meters for measurement of actual water consumption failing which, the charges were payable based on 90 *per cent* of the sanctioned quota. However, the TPS had not installed electronic metering devices as per the agreement (September 2007).

During the period June 2005 to January 2007, water charges for industrial water based on 90 *per cent* of sanctioned quota, paid by the TPS to the ID were Rs.42.32 crore, whereas the same charges based on the actual consumption of water as calculated by the TPS on the basis of capacity of the pump, worked out to Rs.31.80 crore only (3,706.24 crore litres at the rate of Rs.71.50 per 10,000 litres *plus* 20 *per cent* local taxes).

Thus, the Company paid avoidable excess water charges amounting to Rs.10.52 crore due to non installation of the electronic meters.

Further, the agreement provided concessional rates for lifting of water during rainy season. It was observed that the Company did not avail any concessions (June 2005 to January 2007).

The matter was reported to the Government/Management (August 2007); their reply is awaited (November 2007).

Maharashtra State Road Development Corporation Limited

4.11 *Loss of revenue in toll collection contract*

The Company awarded the toll collection contract on Thane-Ghodbunder Road to Ideal Road Builders Private Limited by fixing lower reserve price and suffered loss of Rs.5.93 crore and also passed on an avoidable burden of Rs.95.56 crore on the general public by way of toll for 15 years.

The Company executed the project of Thane-Ghodbunder Road on Build Operate and Transfer (BOT) basis as approved by the State Government. The work was completed (November 2002) at a cost of Rs.60.38 crore and the Company had incurred expenditure of Rs.11.87 crore on maintenance of the road up to the year 2005-06. The toll collection on the road started from 1 December 2002 and the Company collected (December 2002 to November 2005) toll of Rs.28.01 crore leaving a balance of Rs.44.24 crore.

The Company decided (January 2005) to award a composite contract for improvements, toll collection and operation and maintenance of the road for a period of 15 years on upfront payment basis and invited (February 2005) tenders. Scrutiny revealed as follows:

- Based on the Consultant's study (Ernst and Young) the Company fixed the reserve price for the toll contract at Rs.115 crore (net of toll revenues and expenditure on maintenance of road). The reserve price fixed failed to take in to account the revenue realisation based on last toll collection contract (July 2005), which had been awarded to Ideal Road Builders (IRB). The minimum reserve price worked out by the audit based on the last contract rates, amounted to Rs.146.33 crore[$] instead of Rs.115 crore. Infact, based on the last contract, as traffic is bound to increase, the reserve price should have been fixed accordingly. Thus, the reserve price fixed was lower by Rs.31.33 crore. Consequently, IRB got the contract despite quoting lower than what they were paying under the earlier contract.

- The Company had asked (February 2005) the bidders to furnish their projected revenue and expenditure details alongwith the composite bid for upfront payment of toll. Details of offers received (April 2005) from first five bidders were as under:

(Rupees in crore)

Sl. No.	Name of the Bidder	Net present value for 15 years projections		Net present value of net revenue (3-4)	Upfront payment quoted
		Revenue	Expenditure		
1	2	3	4	5	6
1.	Ashoka Buildcon Limited	316.09	87.83	228.26 (H-1)	130.80 (H-4)
2.	Ideal Road Builders Private Limited	296.50	84.97	211.53 (H-2)	138.60 (H-1)
3.	Ajmera Plus Expressway	242.91	73.68	169.23 (H-4)	137.88 (H-2)
4.	Gammon Infrastructure	290.03	84.62	205.41 (H-3)	130.50 (H-5)
5.	MSK Projects (India) Limited	237.71	196.40	41.31 (H-5)	133.20 (H-3)

(Source: Comparative statement of offers received).

It could be seen from above table that the net present value (NPV) of net revenue (revenue less expenditure) of Ashoka Buildcon Limited was highest (Rs.228.26 crore) and more by Rs.16.73 crore as compared to the IRB's quote (Rs.211.53 crore). However, the contract was awarded to IRB on the basis of highest upfront payment quote. The Company did not invite Ashoka Buildcon Limited for negotiations, though their NPV projections were highest. The offer of IRB was negotiated and the Company awarded (December 2005) them the contract on upfront basis of Rs.140.40 crore. Had the Company fixed the

[$] On the basis of weekly collection of Rs.31.22 lakh the yearly toll collection worked out to Rs.16.89 crore and NPV of toll collection for 15 years at eight *per cent* discount rate worked out to Rs.146.33 crore.

reserve price of Rs.146.33 crore considering the rates of previous contract, it could have earned additional revenue of at least Rs.5.93 crore. Incidentally the same contractor had been awarded the composite toll cum maintenance contract for another prestigious project of the Company *viz.* Construction of Mumbai-Pune Expressway, a review on which has featured in the Audit Report (Commercial), State Government for the year 2004-05. Moreover four toll collection contracts were given to the same contractor thereby creating a monopoly of the same contractor in toll collection work.

While deciding the toll contract, the balance expenditure recoverable through toll from the public was Rs.44.84 crore whereas the Company awarded the toll contract for 15 years for Rs.140.40 crore and have thus passed on an avoidable burden of Rs.95.56 crore on the toll paying public. The award of toll contract to IRB was thus not in public interest.

The matter was reported to the Government/Management (June 2007); their reply is awaited (November 2007).

4.12 *Delay in leasing of telecom ducts*

The Company failed to lease out telecom ducts for more than four years resulting in loss of revenue amounting to Rs.14.68 crore.

The Company installed (2002) thirty five High Density Poly Eurethene ducts for laying fibre optic cable along Mumbai-Pune Expressway at a total cost of Rs.12.46 crore with a view to meet the increasing demand of telecommunication industries.

In the project report submitted (August 1999) to the BODs for approval, it was expected that the cost of the project would be recovered within five years by leasing out ducts to various users. On the basis of expression of interest received (2002) from seven telecom Companies, 1,475 kilometre of length pertaining to eight out of 35 ducts were allotted as per the following details:

Sl. No.	Location	Rate of leasing (Rupees per month per metre per duct)	Number of ducts	Cost (Rupees in crore)	No. of ducts allotted (Year)	No. of ducts not allotted
					(Length in kilometre)	
1.	Mulund-Turbe	--	4 (60)	Nil*	Nil	4 (60)
2.	Mulund-Turbe	2.50	6 (90)	0.66	4 (May 2002)	2
3.	BARC-Kalamboli	2.50	15 (375)	1.16	3 (March-May 2002)	12
4.	Kalamboli-Dehu Road	-"-	10 (950)	10.64	1 (October 2002)	9
	Total		**35 (1,475)**	**12.46**	**8 (252)**	**27 (1,223)**

(Figures in brackets indicate length of ducts in kilometres)
(Source: Data collected from records of the Company).

* Ducts free of cost provided by Reliance Industries Limited.

Audit observed that the Company did not explore the opportunity of leasing out remaining ducts from 2002 till August 2006. The Company after more than four years invited tender (August 2006) for leasing out the remaining ducts and eight parties submitted (September 2006) their offers (Rs.3.27 crore per annum) which were under consideration (May 2007).

Thus, due to lack of efforts on the part of the Management, 27 ducts (1,223 kilometres) remained idle over a period of four years (2002-06) resulting in loss of potential revenue of Rs.14.68 crore at the rate charged for allotted ducts *i.e.* Rs.3.67 crore per annum. Besides, expenditure of Rs.32.46 lakh incurred by the Company on maintenance of these ducts till 2005-06 proved wasteful.

The Management stated (January 2007) that offers received from eight successful bidders who quoted Rs.3.27 crore per annum were under consideration and there was no wasteful expenditure as the Company would get benefit in due course. No comments were, however, offered regarding unreasonable delay of more than four years in allotment of the duct by the Company.

The matter was reported to the Government/Management (June 2007); their reply is awaited (November 2007).

4.13 *Loss due to execution of financially unviable project*

The Company suffered a loss of Rs.12.43 crore due to execution of works relating to the improvement of a road at the instance of the Public Works Department for which toll collection efforts failed.

The Company was entrusted (January 2001) the project for improvement of Satara-Chalkewadi-Ghanbi-Patan road on build, operate and transfer (BOT) basis by the Public Works Department (PWD). The total length of the road was about 64 kilometres; out of which 20 kilometres was within the jurisdiction of the Maharashtra Energy Development Authority (MEDA) and road was also being maintained by them till then, as the same was being used by the windmillers. As the improvement of the remaining road of 44 kilometres was beneficial to the windmill projects, MEDA agreed (February 2001) and paid a capital contribution of Rs. five crore to the Company as per agreement. The Company started (February 2001) and completed (December 2002) the work of improvement of the road (44 kilometre) at a total cost of Rs.17.43 crore (Rs.12.43 crore net cost after deducting Rs. five crore received from MEDA).

The road was finally handed over (August 2005) to the Zilla Parishad, Satara for maintenance purpose and the toll collection rights were kept with the Company. Audit scrutiny revealed that the Company's efforts (2002-04) to raise/collect toll on the completed road did not materialise due to low offers received for the toll contracts and public resistance to the toll.

Thus, the decision of the Company to embark on such a financially unviable project at the instance of the State Government (PWD) resulted in loss of Rs.12.43 crore to the Company, incurred on improvement of the road.

The Management in its interim reply (May 2007) accepted the audit observation and stated that it was pursuing reimbursement from the State Government. The reply is not convincing as the project was passed on to the Company on BOT basis. As per commercial practices the Company should have conducted a feasibility study on the expenditure and revenue before undertaking the project.

The matter was reported to the Government/Management (July 2007); their reply is awaited (November 2007).

4.14 *Undue benefit to contractor*

The Company suffered a loss of revenue of Rs.23.50 crore due to extension of contract for toll collection without calling for tenders and loss of Rs.2.81 crore on account of allowing irregular rebate and undue collection of toll by the contractor in respect of BEST buses.

The Company awarded (November 2002) the contract for toll collection at five* entry points of Mumbai City to Ideal Road Builders Private Limited (IRB), Mumbai on upfront payment of Rs.225 crore for three years starting from 1 December 2002. Immediately after one month (December 2002), the contract was extended for further three years up to November 2008 by accepting additional upfront payment of Rs.201.50 crore without calling for tenders. Further, as per terms of the contract with IRB, the Brihan Mumbai Electric Supply and Transport Undertaking (BEST) was required to pay toll charges, directly to the Company in respect of selective BEST buses coming from Mumbai side crossing the toll naka of Dahisar and entering into Dahisar Bus Depot.

In this connection, Audit scrutiny revealed the following:

- **The extension in contract period of three years immediately after one month of award of contract on the same terms and condition without calling for the competitive bids or checking performance or any recorded justification of volume of traffic was irregular and lacked transparency. The upfront payment, which should have been increased considering the traffic increase, was actually reduced by Rs.23.50 crore compared with original contract value,** this resulted in revenue loss to the Company and undue benefit to the contractor. The Company also did not ensure the correctness of toll revenue collected by the contractor by fixing the vehicle counting machine.

* Airoli bridge, Dahisar on Western Express Highway, Mulund on Eastern Express Highway, Mulund-Thane (West) on LBS Marg and Vashi on Sion-Panvel Highway.

- As per contract, the Company was to collect toll charges from BEST. Despite this clear condition, the contractor demanded (May 2003/ December 2004) rebate on the contract value (Rs.225 crore). Instead of rejecting the claim, the BODs allowed a lump sum rebate of Rs.1.32 crore to the IRB (December 2002 to November 2004) on the ground that the contractor had considered the BEST buses traffic in his offer. The contention of the Management was, however, not valid considering the fact that the IRB, even prior to award of the toll collection contract in December 2000, was acting as toll collection agent on behalf of the Company on the same locations. As such, IRB was fully aware of the situation about the toll collection arrangements with BEST buses traffic. Thus, the rebate was granted in violation of the contract condition, which amounted to undue benefit to the contractor.

- The basis on which IRB was allowed rebate of Rs.1.32 crore could not be verified in audit.

- The Company did not advise the BEST to pay the toll directly to them as stipulated in the contract and hence the BEST paid the toll of Rs.1.49 crore (April 2004 to March 2007) to IRB, out of which Rs.31.22 lakh related to the period April 2004 to November 2004 for which rebate had already been allowed to the IRB. This amounted to double benefit to IRB.

- The Company also failed to claim the outstanding toll charges from BEST relating to the period from December 2002 to March 2004 against which the Company had already allowed rebate to IRB. The uncollected toll for the period not recovered till May 2007 amounted to Rs.1.01 crore.

Thus, the Company suffered a total loss of Rs.26.31 crore on lesser upfront payment of Rs.23.50 crore on extension of contract and Rs.2.81 crore on account of allowing irregular rebate (Rs.1.32 crore) and undue collection of toll (Rs.1.49 crore) by IRB. This resulted in undue benefit to the contractor in violation of the terms of the contract and irregular extension of contract.

The matter was reported to the Government/Management (July 2007); their reply is awaited (November 2007).

4.15 *Non recovery of toll dues*

The Company did not ensure timely recovery action resulting in non-recovery of toll dues of Rs.1.46 crore.

The Company had estimated (September 2003) revenue of Rs.3.83 crore from the toll collection at Fursungi Rail Over Bridge (ROB) near Pune. The contract for toll collection was awarded (December 2003) to Jai Bhavani Enterprises, Pune for Rs.2.65 crore for one year (1 January to 30 December 2004). Performance security of Rs.19 lakh in the form of bank guarantee and security deposit of Rs.19 lakh in cash were paid (December 2003) by the contractor. The contractor was required to pay weekly instalments of Rs.5.17 lakh failing which interest at the rate of 24 *per cent* per annum was leviable.

It was noticed that the contractor was irregular in payment since commencement of the contract. Default for major amount (Rs.2.17 lakh per week) started from 24th week and the contractor completely stopped the payment from 45th week. The claim of the contractor was that there was reduction in toll collection due to diversion of traffic to newly constructed by pass road, which aspects were known to the contractor before finalisation of the contract. The Management instead of cancelling the contract extended (December 2004) the same by 18 weeks (31 December 2004 to 4 May 2005). By then arrears of Rs.53.12 lakh (excluding interest) out of total contracted amount of Rs.2.65 crore relating to the original contract period were due from the contractor.

The contractor did not pay any toll proceeds during the extended period and the total dues accumulated to Rs.1.46 crore (excluding interest of Rs.84 lakh) as on March 2007. The Government/Management stated (November/ April 2007) that in order to recover the dues it had encashed the bank guarantee for Rs.19 lakh apart from forfeiture of security deposit of Rs.19 lakh. Legal action was also being contemplated against the party.

Thus, due to failure on the part of the management to cancel the contract immediately after the arrears crossed the level of security deposit of Rs.38 lakh resulted in non recovery of Rs.1.08 crore (arrears: Rs.1.46 crore less security deposit: Rs.38 lakh) besides the loss on account of interest of Rs.84 lakh.

4.16 *Unfruitful expenditure*

The Company incurred unfruitful expenditure of Rs.29.64 lakh in formation and subsequent winding up of subsidiary Companies. Amount of Rs.25.37 lakh paid to the consultant was also not entirely beneficial.

The Company undertakes various infrastructure development projects in the State. The State Government had handed over many infrastructure projects to the Company on BOT basis for execution and committed capital contributions for all these projects.

The Company raised funds from the market and public sector banks to finance these projects. Based on a Private Consultant's (CRISIL) Study which recommended formation of Special Purpose Vehicles (SPVs*) for individual projects, the Company with the approval (February 2001/August 2003) of the State Government formed (December 2002 to February 2004) 12 subsidiary

*Special Purpose Vehicles-CRISIL recommended restructuring by forming various Special Purpose Vehicles to take up individual projects which were hitherto executed by the Company.

Companies[@] for taking up individual projects at different geographical locations in the State. The Company paid (April 2002 and January 2003) Rs.25.37 lakh to the Consultant for rendering advisory services for financial restructuring and business plan for the Company. The paid up capital of these subsidiaries was Rs.60 lakh *i.e.* Rupees five lakh for each subsidiary and the preliminary expenditure incurred for formation of these subsidiary Companies was Rs.24.31 lakh. The subsidiary Companies also incurred revenue expenditure of Rs.5.03 lakh towards filing fee, audit fee *etc.* Other administrative requirements such as board meetings, annual general meeting and maintenance of accounts were taken care of by the Company.

It was noticed that these subsidiary Companies were not functioning independently and activities proposed to be taken up by them were being carried out by the Company itself. The banks were reluctant to invest funds in subsidiaries on stand alone basis.

Subsequently, the Company wound up (August 2005) six[$] of these subsidiaries by incurring expenditure of Rs.30,000 on winding up (Rs.5,000 per Company) and no decision was taken for winding up of the remaining six subsidiary Companies.

The Management justified (March 2007) the formation of the subsidiary Companies as a commercial/business decision backed by the Consultant's study. It admitted that as banks were reluctant to invest funds in subsidiaries on stand alone basis, the Company closed down six subsidiaries under simplified exit scheme of the Ministry of Company Affairs, in 2005.

The reply is not tenable as the Company took the decision (December 2002 to February 2004) on formation of subsidiaries based on the Consultant's study ignoring the market realities. Thus, the decision to form 12 subsidiaries was not a prudent one, resulting in avoidable expenditure of Rs.29.64 lakh on formation/winding up of these Companies.

Further, the expenditure of Rs.25.37 lakh incurred on the engagement of consultant for formation of these Companies could not be said to be fruitful/beneficial.

The matter was reported to the Government/Management (August 2007); their reply is awaited (November 2007).

[@]Nanded Infrastructure Development Company Limited, Amaravati City Road Development Company Limited, Kolhapur City Road Development Company Limited, Baramati Infrastructure Development Company Limited, Mumbai Inland Passenger Water Transport Company Limited, Solapur City Integrated Road Development Limited, Aurangabad City Integrated Road Development Limited, Pune City Integrated Road Development Limited, Nagpur City Integrated Road Development Limited, Nandurbar City Integrated Road Development Limited, Maharashtra State Highway Construction Company Limited and Satara Kagal Highway Construction Company Limited.

[$]Pune City Integrated Road Development Limited, Aurangabad City Integrated Road Development Limited, Nagpur City Integrated Road Development Limited, Nandurbar City Integrated Road Development Limited, Maharashtra State Highway Construction Company Limited and Nanded Infrastructure Development Company Limited.

4.17 *Blocking of funds*

Idling of expenditure of Rs.31.42 lakh on purchase of vehicle counting machine which is kept in unused condition.

In order to assess the exact number and type of vehicles passing through the road and to have accurate estimation of revenue realisable by way of toll collection at the toll collection centre, the Company purchased (February 2002) a vehicle counting machine (VCM) from Electronics Corporation of India Limited at a cost of Rs.24.35 lakh. The VCM was installed (September 2002) at Lahuki Nalla toll station on Aurangabad-Jalna road at a cost of Rs.7.07 lakh, with a guarantee period up to 7 September 2003.

The sophisticated internal system of the VCM had some minor problems (November 2002) at the time of its commissioning which were rectified within the warranty period. The VCM, was handed (11 February 2003) over to the toll collecting agency (Souvenir Developer) at Lahuki and the agency was looking after the VCM up to 11 September 2005. During this period the Company did not ascertain the status of operational performance of the VCM and neither did the contractor submit any reports regarding its working. Since September 2005 the VCM was lying with the Company in unused condition (June 2007), resulting in blocking of funds amounting to Rs.31.42 lakh. The Company also could not assess the exact number and type of vehicles passing through the road so as to have an independent check of the revenue realised at the toll collection centre. As such, the Company had to rely on the toll data provided by the contractor defeating the purpose of installing the VCM.

The Management admitted (April 2007) that the VCM was lying idle since September 2005. It further stated that in order to assess the number of vehicles passing through the roads the Company had been conducting surveys by appointing consultants.

Thus, the Company's lackadaisical attitude in non-utilisation of a sophisticated VCM ever since its installation and failure to place proper systems/manpower for its utilisation resulted in idling of machine costing Rs.31.42 lakh and non achievement of the stated objective of independent check on number of vehicles at the toll centre.

The matter was reported to the Government/Management (August 2007); their reply is awaited (November 2007).

Maharashtra Tourism Development Corporation Limited

4.18 *Loss of revenue due to non development of tourism*

Non fulfilment of obligations by the Company under the lease agreement of land resulted in loss of revenue of Rs.5.05 crore and non-achievement of the objectives of tourism development.

In order to develop tourism on the Konkan coast, which has high tourist potential, the Company decided to set up a luxurious beach resort and for the purpose, leased out (October 1995) 66.5 hectares of land at Mithbav in District Sindhudurg to East India Hotels Limited, New Delhi, for a period 30 years. The lessee paid (October 1995) Rs.1.65 crore as lease premium and possession was handed over (10 November 1995). As there was some encroachment on the land, the Company accepted the responsibility to clear the land and arrange for joint survey/measurement of the land.

As per agreement, the lessee was liable to pay compensation to the Company at one *per cent* of its turnover* from fourth year, two *per cent* from seventh year and three *per cent* from tenth year or minimum guarantee of Rs.12 lakh from fourth year, Rs.47 lakh from seventh year, Rs.95 lakh from tenth year and Rs. one core from twenty first year whichever was higher. In case of the default, the Company was entitled to terminate the lease deed and take back the possession of the property.

It was observed that the lessee-East India Hotels Limited failed to develop the site and complete the project. The lessee also defaulted in payment of minimum guaranteed amount since beginning (November 1998), on the grounds that encroachment and joint survey was not cleared by the Company. They demanded (May 2004) refund of lease premium with interest. Though, the Company issued lease termination notice (March 2004 and October 2006) it did not terminate the lease agreement nor take back the possession of the land (March 2007). Thus, due to non fulfillment of obligations by the lessee under the lease agreement, the Company could not recover the minimum guaranteed amount of Rs.3.67 crore accumulated up to November 2006 (excluding interest of Rs.1.38 crore) from the lessee and huge area of precious land remained blocked with the lessee for almost 11 years, making it unavailable for tourism development.

The Management stated (September 2007) that encroachments are in the process of removal and eviction proceedings against the lessee have been filed. The fact remains that the Company delayed taking back the possession of the land even though it was known that the lessee was not interested in developing the project, resulting in loss of revenue and non achievement of the stated objective of development of tourism on the Konkan coast.

* Turnover means all revenue and income derived directly or indirectly from the operations of the hotel and all of the facilities and amenities therein including, but without limiting, the generality of the foregoing, all rent and/or income received from tenants, licensees, lessees, concessionaries and other persons occupying space in the hotel.

The matter was reported to the Government (June 2007); their reply is awaited (November 2007).

4.19 *Undue benefit to lessee*

The Company allowed lessee to enjoy all the benefits of the property without recovering lease rent/minimum guaranteed amount payable as per Lease Agreement to the tune of Rs.96.24 lakh.

In accordance with the policy of the State Government regarding use of Government land for developing tourism in the State through private entities, the Company leased out (April 1994) 14,650 square metres of land with buildings standing thereon *viz.* "Hotel Five Hill" at Taluka Mahabaleshwar District Satara to Indigo Hotels Private Limited, Pune. The lease was for a period of 30 years at a total lease premium of Rs.40 lakh.

As per agreement, the lessee was liable to pay lease rent of Rs.18 lakh per annum from fourth year or four *per cent* of the gross annual turnover whichever was higher besides minimum guaranteed amount at one *per cent* of turnover from sixth years, at one and half *per cent* from 11 years and two *per cent* from 16 years.

Audit scrutiny revealed the following:

- As per agreement in the event of default, the Company had the right and power after reasonable notice to resume possession of the said land and terminate the Lease Agreement. The lessee defaulted in payment of rent dues since beginning, however, the Company failed to take action as per the agreement which facilitated the accumulation of dues to Rs.96.24 lakh ((Principal: Rs.44.26 lakh *plus* Interest: Rs.51.98 lakh) as on 30 April 2007. The Company did not take back the possession of the property and issued notices through an Advocate only in October 2006.

- Though the yearly minimum guaranteed amount at one *per cent* of gross turnover became payable from sixth year (May 2000), the Company did not check the turnover of the lessee by calling for his audited accounts and consequently no demand was made (January 2007).

- As per the Lease Agreement, bank guarantee equivalent to lease rent of Rs.18 lakh for one year was required to be furnished by lessee to safeguard the financial interests of the Company. Contrary to this provision, the Company accepted (March 2001) a bank guarantee for an insufficient amount of Rs.4.50 lakh which was encashed and adjusted (June 2006) against the outstanding rent.

Thus, due to inaction on the part of the Management to close the lease and take back the possession of the land, the lessee has been enjoying benefits of the property without paying lease rent and minimum guaranteed amount as per Lease Agreement, the arrears of which stood at Rs.96.24 lakh (Principal: Rs.44.26 lakh *plus* Interest: Rs.51.98 lakh).

The matter was reported to the Government/Management (May 2007); their reply is awaited (November 2007).

Maharashtra Small Scale Industries Development Corporation Limited

4.20 *Extra expenditure on purchase of fire extinguishers*

The Company incurred extra expenditure of Rs.1.80 crore on purchase of fire extinguishers due to failure to check the reasonability of rates.

The Education Department decided (July 2004) to implement various safety measures in schools in the State to avoid mishaps due to fire and accordingly, sanctioned (2005-06) financial assistance of Rs.11 crore for purchase of fire extinguishers (FE). It was also decided to procure FEs through the Company. Accordingly, the Company procured 18,053 FEs conforming to Indian Standards (IS) specification against two tenders as detailed below:

Month of tendering	Period of supply order placed	Lowest rate received (Rupees per FEs)	Number of suppliers	Quantity actually procured (numbers)	Details of the Rate
November 2004	15 March to 13 May 2005	4,950	2•	6,279	• Rates FOR destination basis. • There was no provision in tender for refilling of the cylinder which suppliers agreed to do free of cost for three years.
August 2005	March 2006 to February 2007	4,516	4#	11,774	• Rates FOR destination basis. • Basic cost was Rs.1,800 per FE and profit margin of Rs.381 per FE. • Rate was inclusive of refilling charges of Rs.972 per FE for three years (*i.e.* Rs.1,800 + Rs.1,363 + Rs.972 + Rs.381 per FE = 4,516 per FEs). • Contract condition provided retention at the rate of 15 *per cent* toward refilling in subsequent three years.
Total				18,053	

(Source: Information collected from tender documents and proposals).

In this connection, Audit observed the following:

- As a result of inadequate publicity *i.e.* restricted to local news papers of Ratnagiri/Konkan area, only four suppliers of Konkan participated in tenders and the reasonability of the lowest rate of Rs.4,950 per FE received could not be ensured. As can be seen from the table, this rate was higher by Rs.434 per FE as compared to the rate of Rs.4,516 per FE, received against the subsequent tender of August 2005, for the FE of same ISI specification.

• Siddhi Enterprises, Ratnagiri (2,175 FEs) and Murli Techno Private Limited, Chiplun (4,104 FEs).

Reliable Fire Engineers, Thane 375 FEs, Geo Fire Remedies Private Limited, Mumbai 4,239 FEs, Ajay Industries, Mumbai 32 FEs and Universal Engineering Corporation, Mumbai 7,128 FEs.

- The reasonability of the rates accepted by the Company was analysed in audit with reference to the rates finalised by the Director General of Supply and Disposal (DGS&D), New Delhi in their Rate Contract (2005-06) for supply of FEs of the same IS specification and it was seen that the DGS&D rate was Rs.1,182 per FE (FOR Navi Mumbai, exclusive of sales tax). Thus, the basic rates of Rs.1,800 per FE accepted by the Company against both the tenders were very high as against the rate of Rs.1,182 per FE received by the DGS&D. It was also noticed that one supplier (Reliable Fire Engineers, Thane) who was a DGS&D rate contractor had supplied the same specification FEs to the Company at the much higher rate of Rs.4,516 per FE. Thus, the Company incurred extra expenditure of Rs.1.80 crore on behalf of the State Government, when compared with basic price of the FEs actually procured against both the tenders (Rs.2,181-Rs.1,182 x 18,053 FEs).

- Against tender (November 2004) as the suppliers had agreed to free refilling for three years, as such the rates accepted were inclusive of refilling. The refilling charges worked out to Rs.61.03 lakh at the rate of Rs.972 per FE received on the subsequent tender. In subsequent tender (August 2005) the Company released advance refilling charges of Rs.43.57 lakh to the suppliers at the rate of Rs.370 per FEs without ensuring the actual refilling of FEs. It was also seen that there was no mechanism in place in the Company to ensure that refilling of the FEs was actually done by the supplier.

Thus, non invitation of bids by wide publicity and failure to compare the reasonability of the rates received, resulted in extra expenditure of Rs.1.80 crore to the State exchequer and undue benefit passed on to the suppliers by way of advance payments of Rs.1.05 crore released for refilling work, without ensuring actual refilling of the FEs.

The matter was reported to the Government/Management (July 2007); their reply is awaited (November 2007).

Shivshahi Punarvasan Prakalp Limited

4.21 *Undue benefit to a private party*

Due to unusual haste in sale of Transferable Development Rights the Company not only extended benefit to a private party but also lost potential revenue of Rs.4.85 crore.

In implementation of Slum Rehabilitation Schemes, admissible Floor Space Index (FSI)[\$] sometimes cannot be fully utilised in construction of tenements

[\$]Floor Space Index fixed by the Urban Development Department of the Government of Maharashtra. It is the *ratio* of the combined gross floor area of all floors (excluding areas specifically exempted) to the total area of the plot.

for slum dwellers due to provision of common infrastructural facilities as per norms. The unused FSI to be used in other areas as specified by Slum Rehabilitation Authority (SRA) is termed as Transferable Development Right (TDR) which is sold by the Company in open market by inviting tenders. The Managing Director (MD) was, however, authorised (February 2000) to sell the TDR in small quantities up to 50,000 square feet at rates which could give best possible returns.

It was noticed that Mehta Trading Company, Mumbai (Party) gave a *suo moto* application on 30 October 2005 to the Hon. Chief Minister and *ex-officio* Chairman of the Company for purchase of TDR at Turbhe. When this *suo moto* application was received, no TDR was available for sale. The SRA recommended (14 November 2005) to Municipal Corporation of Greater Mumbai (MCGM) the TDR of 4,370 square metre (equivalent to 47,039 square feet) generated from its Slum Rehabilitation Scheme in Turbhe-Mandale and the matter regarding sale of this TDR was forwarded to the Company.

The Company enquired the prevailing rates for sale of this TDR from the MCGM and it confirmed (January 2006) the rate of Rs.1,300 per square feet, derived from utilisation of TDR certificates. MCGM, however, separately clarified that the rates derived from utilisation of TDR certificates given by Developers did not necessarily indicate the prevailing rate in the market. It was observed in audit that the Company sold (February 2006) the TDR to the applicant (Mehta Trading Company) at the rate of Rs.1,310 per square feet *i.e.* only Rs.10 more than the rate intimated by the MCGM without calling for competitive bids. It was further observed that when the Company subsequently called (June 2006) tenders for sale of TDR of 11,770 square metres recommended (May 2006) by SRA from the same scheme, it received the rate of Rs.2,340 per square feet which was substantially higher than the rate of Rs.1,310 per square feet at which the sale was made earlier on the *suo moto* application.

Thus, due to unusual haste in disposing of the relatively small quantity of TDR without competitive bids, the Company extended undue benefit to a private party and also deprived itself of potential revenue of Rs.4.85 crore (Rs.2,340 – Rs.1,310 per square feet x 47,039 square feet).

The Management in its reply stated (September 2007) that TDR market was volatile and rates are prone to fluctuation with every transaction during the course of short period. Considering that the quantity of TDR was less than 50,000 square feet, the MD of the Company considered the offer under his delegated powers by fixing reasonably high prices in the then prevailing volatile market.

The reply is not tenable as in the normal course the approved method for disposal of TDR is through tenders only. In the instant case, however, unusual haste was shown in disposal of TDR and the MD did not exercise powers delegated to him in the best financial interests of the Company.

The matter was reported to the Government (July 2007); their reply is awaited (November 2007).

4.22 *Avoidable excess expenditure on fees to Project Management Consultant*

The Company made excess payment of Rs.3.13 crore to a PMC in violation of the terms of Agreement.

The Company awarded (May 1999) the work of construction of 33 buildings at Turbhe-Mandale, Mankhurd to a contractor[*], for Rs.77.35 crore to be completed within 15 months *i.e.* by August 2000. The Company also appointed (January 1999) Mahimtura Consultant Private Limited, Mumbai as Project Management Consultant (PMC) for the project at a fee of Rs.1.73 crore. The scope of PMC's work, *inter alia*, included functioning as 'Engineer' and performing all activities including pre tender and post tender award activities. The construction project got delayed due to revision in the scheme, problems in approach to the site, shortage of funds *etc.* and the contract had to be extended. The Company extended (November 2001) the contract by another 15 months for the contractor and by 18 months for PMC (December 2000 onwards).

As per agreement with PMC, additional fee during extended period was payable based on the number of personnel deployed by the PMC and man month rate. The Chief Engineer accordingly worked out (March 2004) the fee payable at Rs.2.20 lakh per month for 24 personnel. The PMC, however, argued that the agreement provided for regulation of fee during the extension for a period of three months only. It was observed by Audit that the PMC's argument was incorrect as the agreement provided for fees based on actual personnel deployed during the extended period. Besides, in the past also the Company had settled such cases as per the provisions of similar agreement. The PMC was given (July 2004) a hearing wherein they contented that their claim be regulated on the basis of formulae adopted by other State PSUs such as Maharashtra State Road Development Corporation Limited/City and Industrial Development Corporation of Maharashtra Limited (CIDCO)/Mumbai Metropolitan Regional Development Authority. The MD, accepted their contention and finally decided (September 2004) to pay Rs.6.94 lakh per month on the basis of formulae adopted by the CIDCO *i.e.* another State Government Company. The adoption of CIDCO's formulae in the instant case was irrelevant and payment should have been regulated at the rate of Rs.2.20 lakh per month, based on the subsisting agreement. The Company paid Rs.4.58 crore till May 2006 based on above mentioned formulae, and thus incurred extra avoidable expenditure of Rs.3.13[•] crore by allowing/accepting a claim beyond the scope of the terms of the agreement.

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[*] V. M. Jog Engineering Private Limited.

[•] (Rs.6.94 lakh less Rs.2.20 lakh x 66 months) Rs.6.94 lakh as per the CIDCO formulae less Rs.2.20 lakh as per the contract for the period December 2000 to May 2006.

The Management in its reply (May 2007), which was endorsed by the Government (May 2007), stated that the fees payable are normally applicable where major portion of work is completed. In this Project, the progress of the work was lacking behind and the exception in the case was made due to poor progress in the work.

The reply is not tenable. The adoption of formula other than mentioned in contract for calculation of fees payable to PMC on the ground of pending major portion of work is incorrect. The payment should have been regulated as per the provisions of the contract.

4.23 *Undue benefit to Contractor*

The Company paid Rs.43.58 lakh and would incur further expenditure of Rs.74.42 lakh on account of irregular increase of 10 *per cent* in basic rate in addition to price escalation allowed to a contractor.

The Company awarded (February-March 2003) the work of construction of four buildings[#] for rehabilitation of project affected persons and three buildings[$] for sale at Rahul Nagar plot No.73 of Sewree-Wadala, Mumbai, under Slum Rehabilitation Scheme to Ashoka Builders, for Rs.15.72 crore. The rates quoted by the contractor were Rs.6,250 per square metre for construction of the rehabilitation buildings and Rs.7,300 per square metre for sale buildings based on District Schedule of Rate (DSR) 2001-02. The construction work was to be completed within 24 months *i.e.* by February 2005. As per terms, escalation was payable on cement and steel only.

Audit scrutiny revealed that after awarding of contract, the scope of work was reduced and only six buildings were decided to be constructed. The contractor completed only one building (No.3) fully and 60 *per cent* of work of another building (No.6) within stipulated period. The delay in execution was mainly due to delay in handing over of site, delay in shifting the transit tenements by the Maharashtra Housing and Area Development Authority and non co-operation of the slum dwellers *etc.* The contractor was not ready to continue the balance work at the quoted rates and demanded (January 2005) a price rise of 35 *per cent*. Since the delay in completion of work was not attributable to him, the Management decided (November 2005) to pay escalation on balance work on all items based on index prevailing at the time of submission of his offer (November 2002) as well as a lump sum increase of 10 *per cent* in basic rate of Rs.6,250/7,300 per square metre quoted for four buildings (No.1, 2, 5 and 7) with revised date of completion as 31 January 2007. It was observed (September 2006) that as per the accepted principle escalation is allowed during the period of extension if the delay in work was not attributable to the contractor and no other price increase is payable. Thus, by accepting lump sum increase by 10 *per cent* in basic rate of four buildings (No. 1, 2, 5 and 7) the Company would incur additional liability of Rs.1.18 crore on account of 10 *per cent* increase in the basic rate out of

[#] Buildings No.3, 5, 6 and 8.
[$] Buildings No.1, 2 and 7.

which Rs.43.58 lakh has already been paid on the value of work completed up to July 2006.

The Management/Government stated (July/August 2007) that the rate accepted by the Company with 10 *per cent* increase were comparable with the DSR 2005-06 and that the rates accepted were also far below than the rates adopted by MHADA and MMRDA other State agencies who execute similar works. The reply is not tenable, as the Company had already compensated the contractor for the delay in completion attributable to the Company by agreeing to pay for escalation on all items, for the balance work. The justification given for payment of additional lumpsum 10 *per cent* rise by adoption of subsequent DSRs (2005-06) and rates of other State agencies, was not relevant to the issue, after having agreed for the escalation based on indices prevailing at the time of original offers of the contractors.

4.24 *Irregular expenditure on vehicles*

The Company provided vehicles to Vice Chairman and his Private Secretary in violation of Government's directives and incurred an expenditure of Rs.26.31 lakh towards petrol, repairs and driver's salary *etc.*

According to the orders issued (August 2003) by the State Finance Department, the Ministers appointed as Chairman/Vice Chairman of Public Sector Undertakings (PSUs) were not entitled to any benefits in addition to those received from the Government such as vehicles, contractual staff, residence, mobile, traveling allowance *etc.*

It was observed that the Company provided vehicle to the State Minister (Housing) appointed as Vice Chairman of the Company since January 2000 and also incurred expenditure of Rs.12.02 lakh (August 2006) on petrol, repairs and driver's salary. The Company also provided a separate vehicle since June 2000 to the Private Secretary (PS) of the Minister who was not employee of the Company and incurred expenditure of Rs.14.29 lakh on this facility (August 2006). Thus, the total expenditure of Rs.26.31 lakh incurred by the Company was irregular as it was in violation of the State Government directives.

The Management stated (May 2007) that the vehicles are made available for Vice Chairman and PS for visiting various sites amongst other purposes for furtherance of interest of the Company.

The reply is not tenable, as the expenditure was in violation of the Finance Department's directives and further the PS to Minister was not entitled for a vehicle from the Company under any regulation/directives.

The matter was reported to the Government (May 2007); their reply is awaited (November 2007).

Statutory corporations

Maharashtra State Road Transport Corporation

4.25 *Excess payment on account of fuel charges*

The Corporation paid excess fuel charges of Rs.2.07 crore due to non verification of bills raised by Indian Oil Corporation Limited.

The Corporation has been purchasing High Speed Diesel (HSD) from Indian Oil Corporation Limited (IOC), for its fleet of buses. The field offices of the Corporation have been releasing payment from time to time based on computerised bills issued by IOC. As per practice, octroi charges were recovered by IOC through supply bills. The IOC executed (September 2004) an agreement with the Corporation governing terms and conditions for supply of HSD for a three years period from April 2004. IOC also agreed to allow discount of Rs.700 per kilo litre (KL) from April 2004.

The Corporation issued (October 2004) instructions prescribing various elements of cost to be considered for payment of octroi and sales tax and directed its field offices to release the payment to IOC based on pricing formula prescribed therein. As per pricing formula, octroi was payable on basic cost, delivery charges, en-route taxes, less discount and sales tax on net delivered price.

It was noticed that the pricing formula was not followed correctly by the field offices and payment was released to IOC based on their bills in which octroi and sales tax were not correctly charged. In some cases the discount of Rs.700 per KL was not given effect before charging octroi and in other cases the octroi charged was much more than the prescribed rates. On test check of records of Kolhapur division and information furnished by other six divisions,* it was observed that there was excess payment of Rs.2.07 crore on this account to IOC during the period October 2004-March 2006. The Corporation belatedly issued instructions (December 2006) for payment of octroi at its own level, and not to the IOC, but the excess payment continued till the time of such instructions (December 2006).

Thus, due to non observance of instructions and non checking of the IOC Bills by the Divisions concerned before payment, the Corporation paid Rs.2.07 crore in excess to IOC, the recovery of which now appears remote.

The Management accepted (July 2007) the facts, and amended the bill structure and issued instructions to units to pay octroi accordingly. It was however, noticed that the Corporation has neither claimed the excess amount from IOC nor fixed the responsibility on officials concern responsible for excess payment. The Government endorsed (October 2007) the views of the Management.

* Amravati, Aurangabad, Nagpur, Nanded, Pune and Solapur.

Maharashtra State Financial Corporation

4.26 *Irregular payment of compensation to employees*

The Corporation made irregular payment of Voluntary Retirement Scheme compensation of Rs.77.05 lakh to the employees who were reemployed in another State Public Sector Undertaking.

The Corporation introduced (June 2005) Voluntary Retirement Scheme (VRS) to reduce the excess manpower and curtail its establishment expenditure. The Corporation approved the compensation at the rate of 1.5 months salary for each completed years of service or salary for the period of remaining service whichever was less besides payment of normal retirement benefits. The basic purpose of this compensation was to compensate employees for loss of their service.

Before taking VRS, 18 employees of the Corporation had applied for employment in Sant Rohidas Leather Industries and Charmakar Development Corporation of Maharashtra Limited, Mumbai (SRL) a State Public Sector Undertaking (PSU) through proper channel.

Audit scrutiny revealed the following:

- While forwarding their applications for employment, the Corporation did not impose the condition for non-payment of compensation, if they apply for VRS and get employment in other PSUs.

- The Corporation paid compensation of Rs.77.05 lakh during September 2005-November 2006 to 17 employees who were granted VRS and subsequently got reemployment in SRL resulting in dual benefit thereby defeating the purpose of payment of compensation.

- The State Government's Social Justice, Cultural Affairs and Special Assistance Department clarified (December 2006) with the concurrence of the Finance Department, that the compensation was not payable to those employees who accepted reemployment in other PSUs. This decision/clarification was, however, not circulated to all the State PSUs for uniformity in action.

The Management stated (June 2007) that no condition pertaining to reemployment of the employees in other Corporations/PSUs was included by the State Government while approving the Corporation's VRS proposal. Therefore, no alleged irregular payment has been made by the Corporation to the said employees. The reply is not tenable as the Corporation could have ascertained as to whether the compensation was payable in case of reemployment of employees in other State PSUs. As the State Government had thereafter clarified (December 2006) the issue, recovery of compensation, should have been made from those employees who were still in service of SRL a State PSUs.

The Government in its reply stated (August 2007) that necessary instructions have been issued to the Corporation and to SRL in this regard.

Maharashtra Industrial Development Corporation

4.27 *Irregular expenditure on renovation*

The Corporation incurred an expenditure of Rs.1.52 crore on renovation of Ministers'/Secretary's offices/residence in violation of Government directives.

According to the orders issued (December 2000/August 2003) by the Finance Department, State Government, the Ministers appointed as Chairman/Vice Chairman of Public Sector Undertakings were not entitled to any benefits in addition to those received from the Government such as vehicles, contractual staff, renovation of office/residence, mobile, travelling allowance *etc.* Further, the Chairman/Vice Chairman were not eligible for residence from the funds of the Corporation.

It was observed that the Corporation incurred an expenditure of Rs.1.52 crore during 2002-03 to 2006-07 on renovation of office/residence of Ministers who were appointed as Chairman/Vice Chairman of the Corporation and other officials of the State Government as detailed below:

(Rupees in lakh)

Sl. No.	Particulars	Amount
1.	Office of the Minister (Industries) at Mantralaya	49.77
2.	Residence of the Minister of State (Industries)	68.70
3.	Office of the Development Commissioner and Principal Secretary (Industries) and District Library	33.33
	Total	**151.80**

It was further noticed that the Corporation not only failed to obtain permission of the State Government required as per its working Rules but also fudged up their accounts and booked the expenditure under "Maintenance and Repairs to Industrial Area".

Thus, the expenditure of Rs.1.52 crore incurred by the Corporation was in violation of the Government directives and not in their best financial interests.

The Management stated (July 2007) that due to shortage of funds with PWD, these offices and residences were not properly maintained by PWD. It was further added that the expenditure on renovation of Chairman and Vice-Chairman's offices at Mantralaya and residences was incurred to maintain good ambience of these offices which would be one of the category in promotion of business and attracting industrialist and foreign investors in the State. The reply is not tenable, as the expenditure incurred was not within purview of the Government directives. Further, the justification put forth by the Corporation is not acceptable as the maintenance of offices and residences of Ministers is the responsibility of PWD of the State.

The Government in its reply stated (August 2007) that the matter to book the expenditure under Account head 'Amount due from Government' is referred (14 August 2007) to Finance department for further necessary approval.

4.28 *Undue benefits to an educational institution*

The Corporation suffered loss of Rs.1.19 crore in allotment of educational plots and extended undue benefits to the trust.

The Corporation amended (April 2002) its policy of allotment of plots to the educational institutions. As per the amended policy for allotment of plots, the eligibility criteria for institutions was that they should have vast experience in educational field and sound financial position to complete the works as per schedule. The allotment of educational plots was to be made from the "amenity zone" of the industrial area, for construction of buildings, hostel, laboratory *etc.* and playground for the educational institution. It was decided that plots would be allotted at the rate of 50 *per cent* of the rate of industrial plots and for playground at the rate of 10 *per cent* of the prevailing rates of industrial plots. The policy also specified the area to be considered for allotment of such plots. Accordingly the total area specified for "higher education" was 0.40 lakh square metres - four hectares (for college building 0.18 lakh square metres; for residential and hostel facility-0.04 lakh square metres and for playground-0.18 lakh square metres). If the educational institution demanded area in excess of the specified area, the allotment for additional area was required to be made at the prevailing rate for industrial plots.

It was noticed that the Corporation had not given wide publicity to the amended policy by publishing it in news papers or by displaying it on their website.

The Corporation received a *suo moto* application (September 2001) from Vilasrao Deshmukh Foundation, Mumbai (Trust) for allotment of 3.56 lakh square metres of plot for establishing higher educational campus (MIDC area) at Latur. The institution also demanded 20 to 25 acres of land (November 2005) for a playground for the campus.

The Corporation allotted (March and April 2006) plots measuring 1.20 lakh square metres for college and 0.80 lakh square metres for playground respectively to the trust in the Latur Industrial Area and received total lease premium of Rs.41.50 lakh (1.20 lakh square metres at the rate of Rs.31.25 per square metre and 0.80 lakh square metres at the rate of Rs. five per square metre).

It was seen from the Agenda Note submitted (12 August 2005) to the BODs that there was nothing on record to indicate that the institution had fulfilled the eligibility criteria as laid down by the Corporation in its policy. Further, the area allotted to the trust was in excess of the area specified in the policy and additional area was not allotted at the prevailing rates for industrial plots as specified in the policy. For the educational building the area specified was 0.22 lakh square metres, whereas the area allotted was 1.20 lakh square metres at Rs.31.25 per square metre instead specified rate of Rs.62.50 per square metre. This resulted in revenue loss of Rs.30.62 lakh. Similarly, for the playground plot, as against the eligible area of 0.18 lakh square metres, the area allotted was 0.80 lakh square metres at Rs. five per square metre as against the specified rate of Rs.62.50 per square metre (industrial rate). This resulted in revenue loss of Rs.35.65 lakh.

It was further noticed that in the Latur Industrial Area only 35,300 square metres area was available in the amenity zone for allotment to educational Institutions. Though sufficient land was not available, the Corporation carved out the 84,700 square metres additional plots from the commercial plots of the Latur Industrial Area and the Corporation suffered additional loss of Rs.52.94 lakh (84,700 square metres x Rs.125♦ – Rs.62.50 per square metre) and undue benefit was extended to the trust to that extent.

Thus, the Corporation suffered a total revenue loss of Rs.1.19 crore in allotment of these plots and undue benefits were passed on to the trust.

The Management stated (August 2007) that the allotment of plot to the educational institution was made on applications as per the prevailing policy of the Corporation, in a transparent manner. As the possession of land is a pre-requisite for recognition for any such institutes, the allotment was done properly and no earlier applications were kept pending to accommodate this application.

The Government in its reply (August 2007) accepted the factual position and stated that the entire process and decision taken by the Board of Directors was within its competence.

The reply is not tenable. There was nothing on record regarding the fulfillment of eligibility criteria by the party. There was no wide publicity of the policy to attract other eligible institutions and hence the allotment lacked transparency. Further the allotment of plots were not done by the Corporation as per the quantum of area and rates specified in the policy (April 2002).

♦ Per square metre rate of commercial plot.

General

4.29 Follow up action on Audit Reports

Explanatory Notes outstanding

4.29.1 Audit Reports of the Comptroller and Auditor General of India represent culmination of the process of scrutiny, starting with initial inspection of accounts and records maintained in the various offices and departments of Government. It is, therefore, necessary that they elicit appropriate and timely response from the Executive. Finance Department, State Government issues instructions every year to all administrative departments to submit explanatory notes to paragraphs and reviews included in the Audit Reports within a period of three months of their presentation to the Legislature, in the prescribed format, without waiting for any notice or call from the Committee on Public Undertakings (COPU).

Though the Audit Reports for the years 2003-04 to 2005-06 were presented to the State Legislature, nine departments which were commented upon did not submit replies to 37 out of 71 paragraphs/reviews as on 30 September 2007, as indicated in the following table:

Year of the Audit Report	Date of presentation	Total paragraphs/reviews in the Audit Report	Number of paragraphs/reviews for which replies were not received
2003-04	21 July 2005	29	6
2004-05	18 April 2006	22	11
2005-06	17 April 2007	20	20
Total		**71**	**37**

Department wise analysis is given in **Annexure-13.** Public Sector Undertakings under Industries, Energy and Labour and Public Works Departments were largely responsible for non-submission of explanatory notes. The Government did not respond even to the reviews/paragraphs highlighting important issues like system failure, mismanagement and inadequacy of recovery system.

Compliance to Reports of Committee on Public Undertakings

4.29.2 Action Taken Notes (ATNs) to 116 recommendations pertaining to 18 Reports of the COPU presented to the State Legislature between April 1995 and September 2007 had not been received as on September 2007 as indicated below:

Year of COPU Report	Total no. of Reports involved	No. of recommendations where replies were not received
1995-96	1	7
1997-98	2	21
1998-99	3	11
1999-2000	1	11
2000-01	2	8
2001-02	1	3
2005-06	2	8
2006-07	5	39
2007-08	1	8
Total	**18**	**116**

The replies to the recommendations were required to be furnished within six months from the date of presentation of the Reports.

Response to inspection reports, draft paragraphs and reviews

4.29.3 Audit observations noticed during audit and not settled on the spot are communicated to the heads of PSUs and the concerned administrative departments of the State Government through Inspection Reports. The heads of PSUs are required to furnish replies to the Inspection Reports through the respective heads of departments within a period of six weeks. Inspection Reports issued up to March 2007 pertaining to 54 PSUs disclosed that 1,831 paragraphs relating to 456 Inspection Reports remained outstanding at the end of September 2007. The department-wise break-up of Inspection Reports and Audit observations outstanding as on 30 September 2007 is given in **Annexure-14**.

Similarly, draft paragraphs and reviews on the working of PSUs are forwarded to the Principal Secretary/Secretary of the administrative department concerned seeking confirmation of facts and figures and their comments thereon within a period of six weeks. It was, however, observed that out of 32 draft paragraphs and six draft performance reviews forwarded to various departments between April and August 2007, 21 draft paragraphs and three draft performance reviews as detailed in **Annexure-15**, have not been replied to so far (November 2007).

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

Sangita Choure

MUMBAI **(SANGITA CHOURE)**
The **Accountant General (Commercial Audit), Maharashtra**

2 JAN 2008

Countersigned

NEW DELHI **(VIJAYENDRA N. KAUL)**
The **Comptroller and Auditor General of India**

3 जनवरी JAN 2008

ANNEXURES

Annexure-1

Statement showing particulars of up-to-date paid-up capital, equity, loans received out of budget and loans outstanding as on 31 March 2007 in respect of Government companies and Statutory corporations

(Referred to in paragraphs No.1.2, 1.3, 1.4, 1.5, 1.16 and 1.17)

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

Sl. No.	Sector and name of the company	Paid-up capital as at the end of the current year					Equity /Loans received out of budget during the year		Other loans received during the year	Loans @ outstanding at the close of 2006-07			Debt equity ratio for 2006-07 (Previous year) 4f / (3e)
		State Government	Central Government	Holding	Others	Total	Equity	Loans		Govern-ment	Others	Total	
(1)	(2)	3(a)	3(b)	3 (c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
A.	**Working Government Companies**												
	AGRICULTURE & ALLIED SECTOR												
1	Maharashtra Agro Industries Development Corporation Limited	300.00	250.00	--	--	550.00	--	--	--	--	--	--	--
2	Maharashtra Insecticides Limited $	--	--	100.00	--	100.00	--	--	--	--	--	--	--
3	MAFCO Limited	503.57	--	--	--	503.57	--	--	--	836.32	--	836.32	1.66:1 (1.61:1)
4	The Maharashtra Fisheries Development Corporation Limited	247.87	--	--	--	247.87	--	--	--	109.85	--	109.85	0.44:1 (0.45:1)
5	Punyashloka Ahilyadevi Maharashtra Mendhi Va Sheli Vikas Mahamandal Limited	270.66	202.83	--	--	473.49	--	--	--	7.90	--	7.90	0.02:1 (0.02:1)
6	Maharashtra State Farming Corporation Limited.	275.00	--	--	--	275.00	--	--	--	7,575.05	--	7,575.05	27.55:1 (25.06:1)
7	Maharashtra Co-operative Development Corporation Limited ¥	318.75	--	--	305.98 (22.22)	624.73 (22.22)	--	--	--	--	--	--	-- (17.62:1)
	TOTAL	**1,915.85**	**452.83**	**100.00**	**305.98 (22.22)**	**2,774.66 (22.22)**	--	--	--	**8,529.12**	--	**8,529.12**	**3.05:1 (2.80:1)**
	INDUSTRY SECTOR												
8	Maharashtra Small Scale Industries Development Corporation Limited ¥	978.90	--	--	--	978.90	--	--	--	--	--	--	--
9	Maharashtra Petrochemicals Corporation Limited	895.66	--	--	--	895.66	--	--	--	--	--	--	--
	TOTAL	**1,874.56**	--	--	--	**1,874.56**	--	--	--	--	--	--	--

(1)	(2)	3(a)	3(b)	3 (c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
	TEXTILE SECTOR												
10	Maharashtra State Powerlooms Corporation Limited	1,123.00 (70.00)	--	--	--	1,123.00 (70.00)	--	--	--	20.00	--	20.00	0.02:1 (0.02:1)
	TOTAL	**1,123.00** **(70.00)**	--	--	--	**1,123.00** **(70.00)**	--	--	--	**20.00**	--	**20.00**	**0.02:1** (0.54:1)
	HANDLOOM AND HANDICRAFTS SECTOR												
11	Maharashtra State Handlooms Corporation Limited	1,378.23 (5,801.75)	189.69	--	--	1,567.92 (5,801.75)	--	--	--	200.00	--	200.00	0.03:1 (0.03:1)
	TOTAL	**1,378.23** **(5,801.75)**	**189.69**	--	--	**1,567.92** **(5,801.75)**	--	--	--	**200.00**	--	**200.00**	**0.03:1** (0.03:1)
	FOREST SECTOR												
12	Forest Development Corporation of Maharashtra Limited	2,766.49	--	--	--	2,766.49	--	--	--	12,669.52	--	12,669.52	4.58:1 (5.12:1)
	TOTAL	**2,766.49**	--	--	--	**2,766.49**	--	--	--	**12,669.52**	--	**12,669.52**	**4.58:1** (5.12:1)
	MINING SECTOR												
13	Maharashtra State Mining Corporation Limited	206.69	--	--	--	206.69	--	--	--	457.46	--	457.46	2.21:1 (2.21:1)
	TOTAL	**206.69**	--	--	--	**206.69**	--	--	--	**457.46**	--	**457.46**	**2.21:1** (2.21:1)
	CONSTRUCTION SECTOR												
14	Maharashtra State Police Housing and Welfare Corporation Limited	795.91	--	--	--	795.91	--	--	--	--	4,653.50	4,653.50	5.85:1 (8.13:1)
15	Maharashtra State Road Development Corporation Limited	500.01	--	--	--	500.01	--	--	--	--	1,61,522.00	1,61,522.00	323.04:1 (785.77:1)
16	City and Industrial Development Corporation of Maharashtra Limited	395.00	--	--	--	395.00	--	--	--	400.00	22,865.15	23,265.15	58.90:1 (61.98:1)
17	Shivshahi Punarvasan Prakalp Limited ¥	11,500.00	--	--	--	11,500.00	--	--	--	--	1,644.00	1,644.00	0.14:1 (0.14:1)
18	Maharashtra Urban Infrastructure Development Company Limited ¥	5.00 (25.00)	--	--	--	5.00 (25.00)	--	--	--	--	--	--	--
19	Maharashtra Urban Infrastructure Fund Trustee Company Limited	5.00 (5.00)	--	--	--	5.00 (5.00)	--	--	--	--	--	--	--

(1)	(2)	3(a)	3(b)	3 (c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
20	Satara Kagal Highway Construction Company Limited $	--	--	5.00	--	5.00	--	--	--	--	26,010.00	26,010.00	5,202.00:1 (5,545.99:1)
21	Solapur City Integrated Road Development Limited $	--	--	5.00	--	5.00	--	--	--	--	4,517.00	4,517.00	903.40:1 (341.46:1)
22	Mumbai Inland Passenger Water Transport Company Limited $¥	--	--	5.00	--	5.00	--	--	--	--	--	--	--
23	Amravati City Road Development Company Limited $	--	--	5.00	--	5.00	--	--	--	--	2,578.00	2,578.00	515.60:1
24	Kolhapur City Road Development Company Limited $	--	--	5.00	--	5.00	--	--	--	--	--	--	--
25	Baramati Infrastructure Development Company Limited $	--	--	5.00	--	5.00	--	--	--	--	2,409.00	2,409.00	481.80:1
	TOTAL	**13,200.92** **(30.00)**	--	**30.00**	--	**13,230.92** **(30.00)**	--	--	--	**400.00**	**2,26,198.65**	**2,26,598.65**	**17.13:1** **(34.38:1)**
	AREA DEVELOPMENT SECTOR												
26	Development Corporation of Konkan Limited ¥	881.00	--	--	--	881.00	--	--	--	615.73	--	615.73	0.70:1 (0.70:1)
27	Development Corporation of Vidarbha Limited	716.84	--	--	--	716.84	--	--	--	311.74	--	311.74	0.43:1 (0.43:1)
28	Western Maharashtra Development Corporation Limited	305.77	--	--	--	305.77	--	--	--	2,650.85	--	2,650.85	8.67:1 (8.67:1)
	TOTAL	**1,903.61**	--	--	--	**1,903.61**	--	--	--	**3,578.32**	--	**3,578.32**	**1.88:1** (1.88:1)
	DEVELOPMENT OF ECONOMICALLY WEAKER SECTIONS SECTOR												
29	Lokshahir Annabhau Sathe Development Corporation Limited ¥	15.00 (5,519.98)	-- (33.95)	--	--	15.00 (5,553.93)	403.85	--	--	--	--	--	-- (0.23:1)
30	Mahatma Phule Backward Class Development Corporation Limited	11,984.54	5,256.68 (1,150.10)	--	--	17,241.22 (1,150.10)	--	--	--	40.10	705.88	745.98	0.04:1 (0.05:1)
31	Vasantrao Naik Vimukta Jatis and Nomadic Tribes Development Corporation Limited	5,455.00	--	--	--	5,455.00	500.00	--	--	--	--	--	-- (0.20:1)
32	Maharashtra Rajya Itar Magas Vargiya Vitta Ani Vikas Mahamandal Limited	3,387.95 (500.00)	--	--	--	3,387.95 (500.00)	500.00	--	--	5,030.43	--	5,030.43	1.29:1 (1.48:1)

(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
33	Annasaheb Patil Arthik Magas Vikas Mahamandal Limited ¥	1,800.00	--	--	--	1,800.00	--	--	--	--	--	--	--
34	Shabri Adivasi Vitta Va Vikas Mahamandal Limited ¥	2,327.16	52.00	--	--	2,379.16	--	--	--	--	1,293.50	1,293.50	0.54:1 (0.54:1)
35	Maulana Azad Alpansankyak Arthik Vikas Mahamandal Limited ¥	3,820.00	--	--	--	3,820.00	--	--	--	--	--	--	--
36	Maharashtra State Handicapped Finance and Development Corporation Limited	90.00 (220.00)	--	--	--	90.00 (220.00)	75.00	--	--	--	3,192.00	3,192.00	10.30:1 (7.18:1)
37	Sant Rohidas Leather Industries and Charmakar Development Corporation of Maharashtra Limited ¥	2,821.00 (1,500.00)	--	--	--	2,821.00 (1,500.00)	1,500.00	--	--	830.35	--	830.35	0.19:1 (0.19:1)
	TOTAL	**31,700.65** **(7,739.98)**	**5,308.68** **(1,184.05)**	--	--	**37,009.33** **(8,924.03)**	**2,978.85**	--	--	**5,900.88**	**5,191.38**	**11,092.26**	**0.25:1** **(0.26:1)**
	TOURISM SECTOR												
38	Maharashtra Tourism Development Corporation Limited	1,508.38	--	--	--	1,508.38	--	--	--	440.30	--	440.30	0.29:1 (0.29:1)
	TOTAL	**1,508.38**				**1,508.38**	--	--	--	**440.30**		**440.30**	**0.29:1** (0.29:1)
	DRUGS, CHEMICALS AND PHARAMACEUTICALS SECTOR												
39	Haffkine Bio-Pharmaceuticals Corporation Limited ¥	870.66	--	--	--	870.66	--	--	--	--	--	--	--
40	Haffkine Ajintha Pharmaceuticals Limited ¥	--	--	13.65	4.00	17.65	--	--	--	--	--	--	-- (3.68:1)
	TOTAL	**870.66**	--	**13.65**	**4.00**	**888.31**	--	--	--	--	--	--	-- (3.68:1)
	POWER SECTOR												
41	Maharashtra State Electricity Board Holding Company Limited ¥	--	--	--	--	--	--	--	--	--	--	--	--
42	Maharashtra State Power Generation Company Limited	5.00	--	2,96,336.00	--	2,96,341.00	40,000.00	--	--	28,440.00	3,13,409.00	3,41,849.00	1.15:1 (0.79:1)
43	Maharashtra State Electricity Transmission Company Limited ¥	--	--	2,37,300.00	--	2,37,300.00	--	--	--	1,28,900.00	1,81,900.00	3,10,800.00	1.31:1 (1.31:1)
44	Maharashtra State Electricity Distribution Company Limited	5.00	--	3,08,393.00	--	3,08,398.00	--	9,430.00	--	4,042.95	3,33,517.05	3,37,560.00	1.09:1 --
45	Mahaguj Collieries Limited ¥	--	--	--	--	--	--	--	--	--	--	--	--
	TOTAL	**10.00**	--	**8,42,029.00**	--	**8,42,039.00**	**40,000.00**	**9,430.00**	--	**1,61,382.95**	**8,28,826.05**	**9,90,209.00**	**1.18:1** (1.03:1)

(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
	MISCELLANEOUS SECTOR												
46	Krupanidhi Limited	0.62	0.24	--	0.14	1.00	--	--	--	--	--	--	--
47	Kolhapur Chitranagri Mahamandal Limited ¥	323.64	--	--	--	323.64	--	--	--	12.76	--	12.76	0.04:1 (0.04:1)
48	Mahila Arthik Vikas Mahamandal Limited ¥	192.28	46.65	--	1.00	239.93	10.00	--	--	--	--	--	--
49	Maharashtra Film, Stage and Cultural Development Corporation Limited ¥	462.64	--	--	--	462.64	--	--	--	56.47	1,111.20	1,167.67	2.52:1 (2.52:1)
50	Maharashtra Patbandhare Vittiya Company Limited	5.60	--	--	--	5.60	--	--	--	--	79,825.00	79,825.00	14,254.46:1 (14,254.46:1)
51	Maharashtra Ex-Servicemen Corporation Limited	5.00 (4.90)	--	--	--	5.00 (4.90)	--	--	--	--	--	--	--
	TOTAL	**989.78** **(4.90)**	**46.89**	--	**1.14**	**1,037.81** **(4.90)**	**10.00**	-	--	**69.23**	**80,936.20**	**81,005.43**	**77.69:1** (33.67:1)
	Total A (All Sector wise Government companies)	**59,448.82** **(13,646.63)**	**5,998.09** **(1,184.05)**	**8,42,172.65**	**311.12** **(22.22)**	**9,07,930.68** **(14,852.90)**	**42,988.85**	**9,430.00**	--	**1,93,647.78**	**11,41,152.28**	**13,34,800.06**	**1.45:1** (1.87:1)
B.	**Working Statutory Corporations**												
	TRANSPORT SECTOR												
1	Maharashtra State Road Transport Corporation	1,01,579.66※	5,677.43	--	--	1,07,257.09	14,876.48	--	--	--	19,358.12	19,358.12	0.18:1 (0.19:1)
	TOTAL	**1,01,579.66**	**5,677.43**	--	--	**1,07,257.09**	**14,876.48**				**1,9358.12**	**1,9358.12**	**0.18:1** (0.19:1)
	FINANCIAL SECTOR												
2	Maharashtra State Financial Corporation ¥	3,427.69	--	--	2,836.21 (0.77)	6,263.90 (0.77)	--	--	--	206.00	62,468.00	62,674.00	10.00:1 (10.36:1)
	TOTAL	**3,427.69**	--	--	**2,836.21** **(0.77)**	**6,263.90** **(0.77)**	--	--	--	**206.00**	**62,468.00**	**62,674.00**	**10.00:1** (10.36:1)
	AGRICULTURE & ALLIED SECTOR												
3	Maharashtra State Warehousing Corporation	435.56	--	--	435.56	871.12	--	--	--	--	1,500.00	1,500.00	1.72:1 (2.61:1)
	TOTAL	**435.56**	--	--	**435.56**	**871.12**	--	--	--	--	**1,500.00**	**1,500.00**	**1.72:1** (2.61:1)

(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
	MISCELLANEOUS SECTOR												
4	Maharashtra Industrial Development Corporation	--	--	--	--	--	--	--	--	--	760.00	760.00	--
	TOTAL	--	--	--	--	--	--	--	--	--	**760.00**	**760.00**	--
	Total B (All sector wise Statutory Corporations)	**1,05,442.91**	**5,677.43**	--	**3,271.77** (0.77)	**1,14,392.11** (0.77)	**14,876.48**	--	--	**206.00**	**84,086.12**	**84,292.12**	**0.74:1** (0.86:1)
	Grand Total (A+B)	**1,64,891.73** (13,646.63)	**11,675.52** (1,184.05)	**8,42,172.65**	**3,582.89** (22.99)	**10,22,322.79** (14,853.67)	**57,865.33**	**9,430.00**	--	**1,93,853.78**	**12,25,238.40**	**14,19,092.18**	**1.37:1** (1.73:1)
C.	**Non-working Companies**												
	AGRICULTURE & ALLIED SECTOR												
1	Dairy Development Corporation of Marathwada Limited $	-- (20.00)	--	18.00	--	18.00 (20.00)	--	--	--	--	264.98	264.98	6.97:1 (6.94:1)
2	Ellora Milk Products Limited $	--	--	5.00	--	5.00	--	--	--	--	136.53	136.53	27.31:1 (27.40:1)
3	Irrigation Development Corporation of Maharashtra Limited $ ¥	1,992.64	--	--	--	1,992.64	--	--	--	--	--	--	--
4	Parbhani Krishi Gosamvardhan Limited$	--	--	14.00	5.00	19.00	--	--	--	--	201.83	201.83	10.62:1 (10.72:1)
5	Vidarbha Quality Seeds Limited $	--	--	10.00	--	10.00	--	--	--	--	27.95	27.95	2.80:1 (2.79:1)
6	Maharashtra Land Development Corporation Limited ¥	300.00	100.00	--	--	400.00	--	--	--	4,321.00	--	4,321.00	10.80:1 (10.80:1)
	TOTAL	**2,292.64** (20.00)	**100.00**	**47.00**	**5.00**	**2,444.64** (20.00)	--	--	--	**4,321.00**	**631.29**	**4,952.29**	**2.01:1** (2.01:1)
	INDUSTRY SECTOR												
7	Leather Industries Corporation of Marathwada Limited $	--	--	63.50	--	63.50	--	6.60	--	--	634.55	634.55	9.99:1 (10.46:1)
8	Kinwat Roofing Tiles Limited $	--	--	19.00	--	19.00	--	--	--	--	74.32	74.32	3.91:1 (3.91:1)
9	Marathwada Ceramic Complex Limited	--	--	68.00	--	68.00	--	--	--	--	771.74	771.74	11.35:1 (10.97:1)
10	Shahyadri Glass Works Limited $¥	--	--	26.85	18.29	45.14	--	--	--	--	--	--	-- (19.20:1)

(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
11	The Gondwana Paints and Minerals Limited	--	--	9.97	--	9.97	--	--	--	--	100.45	100.45	10.08:1 (10.08:1)
12	Vidarbha Tanneries Limited $	--	--	--	10.00	10.00	--	--	--	--	--	--	--
	TOTAL	--	--	**187.32**	**28.29**	**215.61**	--	**6.60**	--	--	**1,581.06**	**1,581.06**	**7.33:1** (7.35:1)
	ELECTRONICS SECTOR												
13	Maharashtra Electronics Corporation Limited	968.60	--	--	--	968.60	--	--	--	5,772.00	1,778.00	7,550.00	7.79:1 (7.07:1)
	TOTAL	**968.60**	--	--	--	**968.60**	--	--	--	**5,772.00**	**1,778.00**	**7,550.00**	**7.79:1** (7.07:1)
	TEXTILES SECTOR												
14	Godavari Garments Limited	--	--	24.00	--	24.00	--	--	--	--	705.17	705.17	29.38:1 (25.56:1)
15	Textile Corporation of Marathwada Limited	308.63	--	151.37	40.00	500.00	--	--	--	--	53.20	53.20	0.11:1
16	The Pratap Spinning Weaving and Manufacturing Company Limited $	--	--	2,315.73	1.00	2,316.73	--	--	--	--	2,334.64	2,334.64	1.01:1 (1.01:1)
17	Maharashtra State Textile Corporation Limited	23,615.75	--	--	--	23,615.75	--	--	--	25,090.79	--	25,090.79	1.06:1 (1.06:1)
	TOTAL	**23,924.38**	--	**2,491.10**	**41.00**	**26,456.48**	--	--	--	**25,090.79**	**3,093.01**	**28,183.80**	**1.07:1** (1.04:1)
	CONSTRUCTION SECTOR												
18	Maharashtra State Housing Corporation Limited	1.00	--	--	--	1.00	--	--	--	--	--	--	--
	TOTAL	**1.00**	--	--	--	**1.00**	--	--	--	--	--	--	--
	AREA DEVELOPMENT SECTOR												
19	Maharashtra Rural Development Corporation Limited $	--	--	--	--	--	--	--	--	--	--	--	--
20	Marathwada Development Corporation Limited	1,016.94	--	--	--	1,016.94	--	50.00	--	4,945.79	--	4,945.79	4.86:1 (4.81:1)
	TOTAL	**1,016.94**	--	--	--	**1,016.94**	--	**50.00**	--	**4,945.79**	--	**4,945.79**	**4.86:1** (4.81:1)

(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
	MISCELLANEOUS SECTOR												
21	Chitali Distillary Limited	1,017.84	--	--	--	1,017.84	--	--	--	--	--	--	--
22	The Overseas Employment and Export Promotion Corporation of Maharashtra Limited ¥	12.23	--	--	--	12.23	--	--	--	57.90	--	57.90	4.73:1 (4.73:1)
	TOTAL	**1,030.07**	**--**	**--**	**--**	**1,030.07**	**--**	**--**	**--**	**57.90**	**--**	**57.90**	**0.06:1** (4.73:1)
	Total of C (Non-working companies)	**29,233.63 (20.00)**	**100.00**	**2,725.42**	**74.29**	**32,133.34 (20.00)**	**--**	**56.60**	**--**	**40,187.48**	**7,083.36**	**47,270.84**	**1.47:1** (1.47:1)
	Grand Total (A+B+C)	**1,94,125.36 (13,666.63)**	**11,775.52 (1,184.05)**	**8,44,898.07**	**3,657.18 (22.99)**	**10,54,456.13 (14,873.67)**	**57,865.33**	**9,486.60**	**--**	**2,34,041.26**	**12,32,321.76**	**14,66,363.02**	**1.37:1 (1.72:1)**

Note : - (1) Except in respect of companies/corporations which finalised their accounts for the current year, figures are provisional and as given by the companies/corporations.

(2) Figures in brackets in column 3(a) to 3(e) indicate Share Application Money.

(3) State Government's investment in working PSUs (Rs. 3,723.92 crore) and non-working PSUs (Rs. 694.41 crore) by way equity, share application money and loans was Rs. 4,418.33 crore.

Figure as per Finance Accounts, 2006-07 was Rs.2,120.66 crore. The difference is under reconciliation.

@ Loans outstanding at the close of 2006-07 represent long-term loans.
$ Subsidiary companies.
¥ Equity shares worth Rs.4.99 lakh allotted to Mumbai Metropolitan Regional Development Authority (MMRDA), a State Government Authority.
⋇ Including capital loan of Rs.87,240.92 lakh.

Annexure-2

Summarised financial results of Government Companies and Statutory Corporations for the latest year for which accounts were finalised

(Referred to in paragraphs 1.6, 1.8, 1.13, 1.15 and 1.20)

(Figures in columns 7 to 12 and 15 are rupees in lakh)

Sl. No	Sector and Name of the company	Name of Department	Date of Incorpo-ration	Period of accounts	Year in which accounts finalised	Net Profit or Loss(-)	Net impact of Audit comments	Paid-up capital	Accumu-lated profit / loss(-)	Capital employed (A)	Total return on capital employed	Percentage of total return on capital employed	Arrears of accounts in terms of years	Turnover	Man-power (No. of employees) as on 31 March 07
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
A.	**Working Government Companies**														
	AGRICULTURE & ALLIED SECTOR														
1	Maharashtra Agro Industries Development Corporation Limited	Agriculture, Animal Husbandry and Dairy Development	1965	2005-06	2006-07	(-)494.91	--	550.00	4119.63	3842.63	(-)435.32	--	1	29,672.20	1160
2	Maharashtra Insecticides Limited	Agriculture, Animal Husbandry and Dairy Development	1984	2005-06	2006-07	(-)8.20	--	100.00	1136.28	1657.75	3.90	0.24	1	1310.91	80
3	MAFCO Limited	Agriculture, Animal Husbandry and Dairy Development	1970	2005-06	2006-07	(-)283.44	--	503.57	(-)1026.24	325.02	(-)242.30	--	1	1254.16	101
4	The Maharashtra Fisheries Development Corporation Limited	Fisheries, Animal Husbandry and Dairy Development	1973	1998-99	2007-08	(-)56.12	--	125.01	(-)355.32	(-)120.45	(-)44.27	--	8	111.31	44
5	Punyashloka Ahilyadevi Maharashtra Mendi Va Sheli Vikas Mahamandal Limited	Agriculture, Animal Husbandry and Dairy Development	1978	2003-04	2007-08	(-)11.82	--	408.99	(-)102.73	322.28	(-)13.45	--	3	395.06	306
6	Maharashtra State Farming Corporation Limited.	Revenue and Forest	1963	2000-01	2006-07	(-)795.99	--	275.00	(-)5229.69	(-)44.35	(-)376.55	--	6	1874.02	1040
7	Maharashtra Co-operative Development Corporation Limited.	Co-operation and Textile	2001	2004-05	2005-06	6.21	--	646.73	(-)239.51	(-)1173.30	1455.55	--	2	1722.48	4[@]
	TOTAL					**(-)1644.27**	**--**	**2609.30**	**(-)1697.58**	**4809.58**	**347.56**	**7.23**	**--**	**36340.14**	**2735**
	INDUSTRY SECTOR														
8	Maharashtra Small Scale Industries Development Corporation Limited	Industries	1962	2002-03	2007-08	52.48	--	978.91	(-)0.05	3445.30	300.69	8.73	4	11077.53	280[@]
9	Maharashtra Petrochemicals Corporation Limited	Industries, Energy and Labour	1981	2005-06	2006-07	(-)26.55	--	895.66	830.47	1695.79	(-)26.55	--	1	111.31	5
	TOTAL					**25.93**	**--**	**1874.57**	**830.42**	**5141.09**	**274.14**	**5.33**		**11188.84**	**285**
	TEXTILES SECTOR														
10	Maharashtra State Powerlooms Corporation Limited	Co-operation and Textile	1972	2001-02	2006-07	15.82	--	1123.30	(-)1709.98	(-)513.14	32.21	--	5	2506.31	39
	TOTAL					**15.82**		**1123.30**	**(-)1709.98**	**(-)513.14**	**32.21**			**2506.31**	**39**
	HANDLOOM AND HANDICRAFTS SECTOR														
11	Maharashtra State Handlooms Corporation Limited	Co-operation and Textile	1971	2005-06	2006-07	55.80	--	1567.92	(-)7816.53	18.63	127.98	686.96	1	1526.17	198
	TOTAL					**55.80**	**--**	**1567.92**	**(-)7816.53**	**18.63**	**127.98**	**686.96**		**1526.17**	**198**

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	FOREST SECTOR														
12	Forest Development Corporation of Maharashtra Limited	Revenue and Forest	1974	2005-06	2006-07	3256.84	--	2766.49	22017.64	59776.38	3804.38	6.36	1	9664.83	1780
	TOTAL					**3256.84**	**--**	**2766.49**	**22017.64**	**59776.38**	**3804.38**	**6.36**		**9664.83**	**1780**
	MINING SECTOR														
13	Maharashtra State Mining Corporation Limited	Industries, Energy and Labour	1973	2005-06	2006-07	62.86	--	206.69	(-)583.97	474.40	61.95	13.06	1	393.19	412
	TOTAL					**62.86**	**--**	**206.69**	**(-)583.97**	**474.40**	**61.95**	**13.06**		**393.19**	**412**
	CONSTRUCTION SECTOR														
14	Maharashtra State Police Housing and Welfare Corporation Limited	Home	1974	2005-06	2006-07	--(+)	--	795.91	--	--	--	--	1	418.64	39
15	Maharashtra State Road Development Corporation Limited	Public Works Department	1996	2005-06	2006-07	(-)33530.67	--	500.01	(-)152782.09	519536.89	296.10	0.06	1	29396.61	194
16	City and Industrial Development Corporation of Maharashtra Limited	Urban Development	1970	2004-05	2006-07	82.08	--	395.00	9448.44	34481.44	688.83	2.00	2	5472.18	1952
17	Shivshahi Punarvasan Prakalp Limited	Housing and Special Assistance	1998	2001-02	2006-07	(-)1525.12	--	11500.01	(-)8278.17	26931.64	(-)1530.72	--	5	10960.57	40@
18	Maharashtra Urban Infrastructure Development Company Limited	Urban Development	2002	2006-07	2007-08	(-)0.71	--	30.00	(-)2.96	27.04	(-)0.97	--	--	0.25	3@
19	Maharashtra Urban Infrastructure Fund Trustee Company Limited	Urban Development	2002	2006-07	2007-08	(-)0.55	--	10.00	(-)0.77	9.23	(-)0.55	--	--	0.24	3@
20	Satara Kagal Highway Construction Company Limited	Public Works Department	2002	2005-06	2007-08	(-)0.57	--	5.00	(-)1.95	27731.62	(-)0.57	--	1	--	0
21	Solapur City Integrated Road Development Limited	Public Works Department	2002	2005-06	2007-08	(-)0.60	--	5.00	(-)2.30	1709.58	82.85	4.85	1	--	0@
22	Mumbai Inland Passenger Water-Transport Company Limited	Public Works Department	2003	2003-04	2005-06	(-)0.07	--	5.00	(-)0.07	2.93	(-)0.07	--	3	--	0@
23	Amravati City Road Development Company Limited	Public Works Department	2004	2005-06	2007-08	(-)0.40	--	5.00	(-)0.66	2.74	(-)0.40	--	1	--	0
24	Kolhapur City Road Development Company Limited	Public Works Department	2004	2005-06	2007-08	(-)0.37	--	5.00	(-)0.66	2.64	(-)0.37	--	1	--	0
25	Baramati Infrastructure Development Company Limited	Public Works Department	2004	2005-06	2007-08	(-)0.46	--	5.00	(-)0.87	2.47	(-)0.46	--	1	--	0
	TOTAL					**(-)34977.44**	**--**	**13260.93**	**(-)151622.06**	**610438.22**	**(-)466.33**	**--**	**--**	**46248.49**	**2231**
	AREA DEVELOPMENT SECTOR														
26	Development Corporation of Konkan Limited	Industries, Energy and Labour	1970	1997-98	2005-06	(-)30.00	--	881.00	(-)774.41	665.75	(-)38.23	--	9	83.98	66@
27	Development Corporation of Vidarbha Limited	Industries, Energy and Labour	1970	2001-02	2007-08	(-)80.11	--	716.84	(-)878.37	252.68	(-)80.38	--	5	3.60	0
28	Western Maharashtra Development Corporation Limited	Industries, Energy and Labour	1970	2006-07	2007-08	218.28	--	305.77	(-)2118.09	762.52	306.63	40.21	--	567.06	86
	TOTAL					**108.17**	**--**	**1903.61**	**(-)3770.87**	**1680.95**	**188.02**	**11.19**		**654.64**	**152**

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(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	DEVELOPMENT OF ECONOMICALLY WEAKER SECTIONS SECTOR														
29	Lokshahir Annabhau Sathe Development Corporation Limited	Social Welfare	1985	1991-92	2007-08	(-)1.26	--	95.07	(-)48.04	64.42	(-)1.26	--	15	25.92	154@
30	Mahatma Phule Backward Class Development Corporation Limited	Social Welfare	1978	1995-96	2007-08	181.68	--	2902.29	303.12	8103.79	183.08	2.26	11	480.10	341
31	Vasantrao Naik Vimukta Jatis and Nomadic Tribes Development Corporation Limited	Social Welfare	1984	1995-96	2006-07	1.53	--	615.43	(-)92.67	1035.37	15.97	1.54	11	94.16	86
32	Maharashtra Rajya Itar Magas Vargiya Vitta Ani Vikas Mahamandal Limited	Vimukta Jatis Nomadic Tribes other backward class special backward classes welfare	1999	2001-02	2006-07	(-)30.79	--	662.70	(-)44.46	586.07	(-)30.79	--	5	41.59	132
33	Annasaheb Patil Arthik Vikas Mahamandal Limited	Employment and self-employment	1998	2001-02	2006-07	37.90	--	500.00	118.35	624.58	37.90	6.07	5	54.66	10@
34	Shabri Adivasi Vitta Va Vikas Mahamandal Limited	Tribal Development	1999	2001-02	2006-07	95.62	--	1500.00	164.79	2699.95	63.89	2.37	5	211.34	39@
35	Maulana Azad Alpasankyak Arthik Vikas Mahamandal Limited	Employment and self-employment	2000	2005-06	2006-07	78.69	--	3820.00	150.10	4987.00	133.77	2.68	1	316.69	10@
36	Maharashtra State Handicapped Finance and Development Corporation Limited	Social Justice, Cultural Affairs, Sports and Special assistance	2002	2004-05	2006-07	23.23	--	310.00	8.53	1421.65	50.54	3.56	2	116.32	13
37	Sant Rohidas Leathr Industries and Charmakar Development Corporation of Maharashtra Limited	Social Welfare Cultural Affairs Sports and Tourism	1974	1994-95	2003-04	18.52	--	361.31	(-)66.76	316.19	22.95	7.26	12	466.95	88@
	TOTAL					**405.12**	--	**10766.80**	**492.97**	**19839.02**	**476.05**	**2.40**		**1807.73**	**873**
	TOURISM SECTOR														
38	Maharashtra Tourism Development Corporation Limited	Home (Tourism)	1975	2001-02	2006-07	74.91	--	1492.38	(-)1061.94	1128.40	107.54	9.53	5	1334.45	429
	TOTAL					**74.91**	--	**1492.38**	**(-)1061.94**	**1128.40**	**107.54**	**9.53**		**1334.45**	**429**
	DRUGS, CHEMICALS AND PHARAMACEUTICALS SECTOR														
39	Haffkine Bio-Pharmaceuticals Corporation Limited	Medical Education and Drugs	1974	2005-06	2006-07	24.27	--	870.66	1989.04	3485.56	24.37	0.70	1	4550.03	567@
40	Haffkine Ajintha Pharmaceuticals Limited	Medical Education and Drugs	1977	2005-06	2006-07	14.85	--	17.65	189.86	399.43	30.97	7.75	1	615.45	51@
	TOTAL					**39.12**		**888.31**	**2178.90**	**3884.99**	**55.34**	**1.42**		**5165.48**	**618**
	POWER SECTOR														
41	Maharashtra State Electricity Board Holding Company Limited	Industries, Energy and Labour (Energy)	2005	First accounts awaited	--	--	--	--	--	--	--	--	2	--	--@
42	Maharashtra State Power Generation Company Limited	Industries, Energy and Labour (Energy)	2005	2005-06	2006-07	11293.72	--	256341.34	11293.72	530428.26	21619.49	4.08	1	546864.02	--@
43	Maharashtra State Electricity Transmission Company Limited	Industries, Energy and Labour (Energy)	2005	2005-06	2006-07	30812.00	--	269604.00	30812.00	500498.00	48667.00	9.92	1	119170.00	--@
44	Maharashtra State Electricity Distribution Company Limited	Industries, Energy and Labour (Energy)	2005	2005-06	2006-07	(-)30341.00	--	308398.00	(-)30341.00	669007.64	3570.00	0.53	1	1425135.00	116266
45	Mahaguj Collieries Limited$	Industries, Energy and Labour (Energy)	2006	First accounts awaited	--	--	--	--	--	--	--	--	1	--	--@
	TOTAL					**11764.72**	--	**834343.34**	**11764.72**	**1699933.90**	**73856.49**	**4.34**		**2091169.02**	**116266**

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	MISCELLANEOUS SECTOR														
46	Krupanidhi Limited	Trade and Commerce	1964	2006-07	2007-08	✦	--	1.00	--	--	--	--	--	8.93	--
47	Kolhapur Chitranagri Mahamandal Limited	Cultural Affairs	1985	1997-98	2005-06	(-)17.29	--	288.65	(-)146.69	162.99	(-)17.29	--	9	13.66	11@
48	Mahila Arthik Vikas Mahamandal Limited	Women and Children Welfare	1975	1993-94	2006-07	0.08	--	156.73	(-)39.58	108.92	0.47	0.43	13	1204.51	107@
49	Maharashtra Film, Stage and Cultural Development Corporation Limited	Cultural Affairs	1977	2004-05	2006-07	166.27	--	462.64	222.32	2455.18	414.37	16.88	2	1439.09	187@
50	Maharashtra Patbandhare Vittiya Company Limited	Planning	2002	2005-06	2006-07	(-)0.06	--	5.60	1.08	--(-)	--	--	1	9769.19	--
51	Maharashtra Ex-Servicemen Corporation Limited	Planning	2002	2003-04	2005-06	71.34	--	355.00	77.90	429.94	71.34	16.59	3	404.52	1517
	TOTAL					220.34	--	1269.62	115.03	3157.03	468.89	14.85		12839.90	1822
	Total (A-Working Government companies)					(-)20592.08	--	874073.26	(-)130863.25	2409769.45	79334.22	3.29		2220839.19	127840
B	Working Statutory Corporations														
	TRANSPORT SECTOR														
1	Maharashtra State Road Transport Corporation	Home (Transport)	1950	2006-07	2007-08	1532.18	--	107257.09	(-)74618.81	75246.70	8363.00	11.11	--	359331.10	101724
	TOTAL					1532.18	--	107257.09	(-)74618.81	75246.70	8363.00	11.11		359331.10	101724
	FINANCIAL SECTOR														
2	Maharashtra State Financial Corporation	Industries, Energy and Labour (Industries)	1962	2006-07	2007-08	(-)975.00	--	6263.90	(-)62236.83	12332.77	2498.72	20.26	--	3480.60	294@
	TOTAL					(-)975.00	--	6263.90	(-)62236.83	12332.77	2498.72	20.26		3480.60	294
	AGRICULTURE & ALLIED SECTOR														
3	Maharashtra State Warehousing Corporation	Co-operation and Textile	1957	2005-06	2006-07	1754.20	--	871.12	--	17811.00	1870.69	10.50	1	7819.78	1211
	TOTAL					1754.20	--	871.12	--	17811.00	1870.69	10.50		7819.78	1211
	MISCELLANEOUS SECTOR														
4	Maharashtra Industrial Development Corporation	Industries, Energy and Labour (Industries)	1962	2006-07	2007-08	10.04	--	--	553.54	1309.00	292.00	22.30	--	25672.00	3462
	TOTAL					10.04	--	--	553.54	1309.00	292.00	22.30		25672.00	3462
	Total (B-working Statutory corporations)					2321.42	--	114392.11	(-)136302.10	106699.47	13024.41	12.21		396416.83	106691
	Grand Total (A+B)					(-)18270.66	--	988465.37	(-)267165.35	2516468.92	92358.63	3.67		2611104.70	234588
C	Non-working Companies														
	AGRICULTURE & ALLIED SECTOR														
1	Dairy Development Corporation of Marathwada Limited	Industries, Energy and Labour	1974	2005-06	2006-07	(-)6.16	--	18.00	(-)307.79	(-)5.43	(-)6.23	--	1	--	--
2	Ellora Milk Products Limited	Industries, Energy and Labour	1985	2004-05	2006-07	(-)8.02	--	5.00	(-)150.46	(-)8.54	(-)11.34	--	2	0.07	--
3	Irrigation Development Corporation of Maharashtra Limited	Irrigation	1973	2002-03	2005-06	(-)0.44	--	1992.64	(-)2029.98	(-)37.34	(-)0.36	--	Under liquidation since 30.09.1986	0.09	-@

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
4	Parbhani Krishi Go-samvardhan Limited	Industries, Energy and Labour	1977	2005-06	2006-07	(-)1.63	--	19.00	(-)230.99	14.23	(-)1.63	--	1	0.50	--
5	Vidarbha Quality Seeds Limited	Industries, Energy and Labour	1973	2006-07	2007-08	(-)0.10	--	10.00	(-)39.09	3.85	(-)0.10	--	--	--	--
6	Maharashtra Land Development Corporation Limited	Irrigation	1973	2003-04	2006-07	(-)0.98	--	400.00	(-)1790.26	3431.30	(-)0.98	--	3	9.45	--@
	TOTAL					**(-)17.33**	**--**	**2444.64**	**(-)4548.57**	**3398.07**	**(-)20.64**			**10.11**	**--**
	INDUSTRY SECTOR														
7	Leather Industries Corporation of Marathwada Limited	Industries, Energy and Labour	1974	2004-05	2006-07	(-)110.84	--	63.50	(-)750.85	(-)16.04	(-)110.84	--	2	0.17	--
8	Kinwat Roofing Tiles Limited	Industries, Energy and Labour	1977	2005-06	2006-07	59.17	--	19.00	(-)121.67	(-)27.63	45.89	--	1	65.15	--
9	Marathwada Ceramic Complex Limited	Industries, Energy and Labour	1982	2005-06	2006-07	(-)2.42	--	68.00	(-)800.12	(-)10.55	(-)0.27	--	1	2.27	--
10	Shahyadri Glass Works Limited	Industries, Energy and Labour	1974	1993-94	1995-96	(-)41.44	--	45.14	(-)921.74	(-)247.52	(-)38.19	--	Under liquidation since 09.11.1993	0.55	--@
11	The Gondwana Paints and Minerals Limited	Industries, Energy and Labour	1946	2004-05	2007-08	(-)0.96	--	9.97	(-)106.44	5.85	(-)0.96	--	2	0.03	--
12	Vidarbha Tanneries Limited	Industries, Energy and Labour	1979	2002-03	2006-07	(-)0.05	--	10.00	(-)119.40	(-)5.05	(-)0.05	--	4	--	--
	TOTAL					**(-)96.54**	**--**	**215.61**	**(-)2820.22**	**(-)300.94**	**(-)104.42**			**68.17**	**0**
	ELECTRONICS SECTOR														
13	Maharashtra Electronics Corporation Limited	Industries, Energy and Labour	1978	2003-04	2005-06	(-)3033.78	--	968.60	(-)14793.64	(-)632.44	(-)2473.97	--	3	749.17	--
	TOTAL					**(-)3033.78**	**--**	**968.60**	**(-)14793.64**	**(-)632.44**	**(-)2473.97**			**749.17**	**0**
	TEXTILES SECTOR														
14	Godavari Garments Limited	Industries, Energy and Labour	1977	2000-01	2006-07	(-)60.32	--	24.00	(-)423.19	(-)48.88	(-)53.90	--	6	3.15	--
15	Textile Corporation of Marathwada Limited	Co-operation and Textile	1970	2006-07	2007-08	(-)28.11	--	500.00	(-)12015.33	39.56	(-)28.54	--	--	4.55	1
16	The Pratap Spinning, Weaving and Manufacturing Company Limited	Co-operation and Textile	1906	2006-07	2007-08	(-)0.47	--	2316.73	(-)6392.71	(-)1741.34	(-)0.47	--	--	2.16	--
17	Maharashtra State Textile Corporation Limited	Co-operation and Textile	1966	2006-07	2007-08	(-)1552.06	--	23615.75	(-)66285.81	(-)17652.25	2814.26	--	--	3048.46	--
	TOTAL					**(-)1640.96**	**--**	**26456.48**	**(-)85117.04**	**(-)19402.91**	**2731.35**			**3058.32**	**1**
	CONSTRUCTION SECTOR														
18	Maharashtra State Housing Corporation Limited	Housing and Special assistance	1974	1997-98	2005-06	2.68	--	1.00	27.53	28.84	6.76	23.44	9	7.06	--
	TOTAL					**2.68**	**--**	**1.00**	**27.53**	**28.84**	**6.76**	**23.44**		**7.06**	**0**

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	AREA DEVELOPMENT SECTOR														
19	Maharashtra Rural Development Corporation Limited	Rural Development	1982	1985-86	1993-94	0.17	--	5.00	0.70	5.28	0.17	3.22	21	--	--
20	Marathwada Development Corporation Limited	Industries, Energy and Labour	1967	2004-05	2006-07	(-)83.33	--	1016.94	(-)1227.64	3710.94	(-)83.26	--	2	11.34	--
	TOTAL					**(-)83.16**	**--**	**1021.94**	**(-)1226.94**	**3716.22**	**(-)83.09**			**11.34**	**--**
	MISCELLANEOUS SECTOR														
21	Chitali Distillary Limited	Planning	2003	2005-06	2006-07	(-)323.24	--	1017.84	(-)536.28	501.47	(-)327.60	--	1	652.51	126
22	The Overseas Employment and Export Promotion Corporation of Maharashtra Limited	Education and Employment	1979	1989-90	1990-91	(-)11.35	--	12.23	(-)30.51	75.85	(-)6.81	--	Under liquidation since 31.12.1990	--	--@
	TOTAL					**(-)334.59**	**--**	**1030.07**	**(-)566.79**	**577.32**	**(-)334.41**			**652.51**	**126**
	TOTAL (C-Non- working companies)					**(-)5203.68**	**--**	**32138.34**	**(-)109045.67**	**(-)12615.84**	**(-)278.42**			**4556.68**	**127**
	Grand Total (A+B+C)					**(-)23474.34**	**--**	**1020603.71**	**(-)376211.02**	**2503853.08**	**92080.21**	**3.68**		**2615661.38**	**234715**

Note : Capital employed represents net fixed assets (including capital works-in-progress) *plus* working capital except in case of finance companies/corporations where the capital employed is worked out as a mean of aggregate of the opening and closing balances of paid up capital, free reserves, bonds, deposits and borrowings (including refinance).

$ First accounts awaited (Sl.No.A-41 and 45).

\# Information in respect of earlier years.

@ Information not furnished.

✦ Deficit is recoverable from share holders hence there is no loss/accumulated loss. (Sl.No.A-46).

° Expenditure is recouped from Government grant hence capital employed is not calculated. (Sl.No.A-50).

✚ Excess of expenditure over income capitalised (Sl.No.A-14).

Annexure-3

Statement showing grants and subsidies received/receivable, guarantees received, waiver of dues, loans on which moratorium allowed, loans converted into equity during the year and guarantees outstanding at the end of 31 March 2007

(Referred to in Paragraphs 1.5 and 1.17)

(Figures in column 3(a) to 7 are in rupees in lakh)

Sl. No.	Name of the Public Sector Undertaking	Subsidy and grant received during the year				Guarantees received during the year and outstanding at the end of the year					Waiver of the dues during the year				Loans on which moratorium allowed	Loans converted into equity during the year
		Central Government	State Government	Others	Total	Cash Credit from banks	Loans from other sources	Letters of Credit opened by bank in respect of imports	Payment obligation under agreement with foreign consultants or contracts	Total	Loans repayment written off	Interest waived	Penal interest waived	Total		
		Grant/ (Subsidy)	Grant/ (Subsidy)	Grant/ (Subsidy)	Grant/ (Subsidy)											
1	2	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	6	7
A	**Working Government Companies**															
AGRICULTURE AND ALLIED SECTOR																
1	The Maharashtra Fisheries Development Corporation Limited	46.00 --	--	--	46.00 --	--	--	--	--	--	--	--	--	--	--	--
2	Punyashlok Ahilyadevi Maharashtra Mendhi Va Sheli Vikas Mahamandal Limited	19.87 --	993.18 --	--	1,013.05 --	--	--	--	--	--	--	--	--	--	--	--
3	Maharashtra State Farming Corporation Limited.	--	--	--	--	--	-- (145.00)	--	--	-- (145.00)	--	--	--	--	--	--
	TOTAL	**65.87**	**993.18**	--	**1,059.05**	--	-- **(145.00)**	--	--	-- **(145.00)**	--	--	--	--	--	--
HANDLOOM AND HANDICRAFTS SECTOR																
4	Maharashtra State Handlooms Corporation Limited	--	--	--	--	--	350.00 (350.00)	--	--	350.00 (350.00)	--	--	--	--	--	--
	TOTAL	--	--	--	--	--	**350.00** **(350.00)**	--	--	**350.00** **(350.00)**	--	--	--	--	--	--

1	2	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	6	7
FOREST SECTOR																
5	Forest Development Corporation of Maharashtra Limited	17.94	42.79	--	60.73	--	--	--	--	--	--	--	--	--	--	--
	TOTAL	**17.94**	**42.79**	--	**60.73**	--	--	--	--	--	--	--	--	--	--	--
CONSTRUCTION SECTOR																
6	Maharashtra State Police Housing and Welfare Corporation Limited	--	--	--	--	--	-- (5,752.00)	--	--	-- (5,752.00)	--	--	--	--	--	--
7	Maharashtra State Road Development Corporation Limited	--	--	--	--	--	-- (2,87,518.00)	--	--	-- (2,87,518.00)	--	--	--	--	--	--
8	City and Industrial Development Corporation of Maharashtra Limited	3,041.00 --	-- --	-- --	3,041.00	-- --	-- (10.16)	-- --	-- --	-- (10.16)	-- --	-- --	-- --	-- --	-- --	-- --
	TOTAL	**3,041.00**	--	--	**3,041.00**	--	-- **(2,93,280.16)**	--	--	-- **(2,93,280.16)**	--	--	--	--	--	--
DEVELOPMENT OF ECONOMICALLY WEAKER SECTIONS SECTOR																
9	Mahatma Phule Backward Class Development Corporation Limited	1,150.10 (2,000.00)	312.09 --	-- --	1,462.19 (2,000.00)	-- --	-- (3,741.88)	-- --	-- --	-- (3,741.88)	--	--	--	--	--	--
10	Vasantrao Naik Vimukta Jatis and Nomadic Tribes Development Corporation Limited	--	390.94	--	390.94	--	-- (5.70)	--	--	-- (5.70)	--	--	--	--	--	--
11	Maharashtra Rajya Itar Magas Vargiya Vitta Ani Vikas Mahamandal Limited	--	725.00	--	725.00	-- --	-- (1,673.08)	-- --	-- --	-- (1,673.08)	-- --	-- --	-- --	-- --	-- --	-- --
	TOTAL	**1,150.10** **(2,000.00)**	**1,428.03**	--	**2,578.13** **(2,000.00)**	--	-- **(5,420.66)**	--	--	-- **(5,420.66)**	--	--	--	--	--	--

1	2	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	6	7
TOURISM SECTOR																
12	Maharashtra Tourism Development Corporation Limited	2,282.38	19,202.99	--	21,485.37	--	--	--	--	--	--	--	--	--	--	--
	TOTAL	**2,282.38**	**19,202.99**	--	**21,485.37**	--	--	--	--	--	--	--	--	--	--	--
POWER SECTOR																
13	Maharashtra State Electricity Distribution Company Limited	--	64,503.00 (1,53,456.00)	-- --	64,503.00 (1,53,456.00)	-- --	-- (2,56,052.63)	--	--	-- (2,56,052.63)	--	--	--	--	--	--
	TOTAL	--	**64,503.00 (1,53,456.00)**	--	**64,503.00 (1,53,456.00)**	--	-- **(2,56,052.63)**	--	--	-- **(2,56,052.63)**	--	--	--	--	--	--
MISCELLANEOUS SECTOR																
14	Maharashtra Patbandhare Vittiya Company Limited	--	2,449.00	--	2,449.00	--	-- (79,825.00)	--	--	-- (79,825.00)	--	--	--	--	--	--
	TOTAL	--	**2,449.00**	--	**2,449.00**	--	-- **(79,825.00)**	--	--	-- **(79,825.00)**	--	--	--	--	--	--
	Total A (All Sector wise Government Companies	**6,557.29 (2,000.00)**	**88,618.99 (1,53,456.00)**	--	**95,176.28 (1,55,456.00)**	--	**350.00 (6,35,073.45)**	--	--	**350.00 (6,35,073.45)**	--	--	--	--	--	--
B.	**Statutory Corporations**															
TRANSPORT SECTOR																
1	Maharashtra State Road Transport Corporation	--	-- (14,876.48)	--	-- (14,876.48)	--	--	--	--	--	--	--	--	--	--	--
	TOTAL	--	-- **(14,876.48)**	--	-- **(14,876.48)**	--	--	--	--	--	--	--	--	--	--	--
MISCELLANEOUS SECTOR																
2	Maharashtra Industrial Development Corporation	7,210.00	--	--	7,210.00	--	-- (760.00)	--	--	-- (760.00)	--	--	--	--	--	--
	TOTAL	**7,210.00**	--	--	**7,210.00**	--	-- **(760.00)**	--	--	-- **(760.00)**	--	--	--	--	--	--
Total-B (All sector wise Statutory Corporation)		**7,210.00**	-- **(14,876.48)**	--	**7,210.00 (14,876.48)**	--	-- **(760.00)**	--	--	-- **(760.00)**	--	--	--	--	--	--
Grand Total–(A+B)		**13,767.29 (2,000.00)**	**88,618.99 (1,68,332.48)**	--	**1,02,386.28 (1,70,332.48)**	--	**350.00 (6,35,833.45)**	--	--	**350.00 (6,35,833.45)**	--	--	--	--	--	--

Note: Figures in brackets from Sl.No 3(a) to 3(d) indicate subsidy received during the year and Sl.No. 4(a) to 4(d) indicate guarantees outstanding.

Annexure - 4

Statement showing financial position of working Statutory corporations

(Referred to in paragraph No.1.7)

(Rupees in crore)

1. Maharashtra State Road Transport Corporation			
Particulars	**2004-2005**	**2005-2006**	**2006-2007**
A. Liabilities			
Capital (including capital loan and equity capital)	785.24	923.81	1,072.57
Borrowings: Government Others (including deposits)	 -- 266.26	 -- 246.21	 -- 254.73
Funds/Reserves and surplus*	145.49	150.48	171.43
Trade dues and other current liabilities (including provisions)	630.29	628.74	600.58
Total	**1,827.28**	**1,949.24**	**2,099.31**
B. Assets			
Gross block	1,797.12	1,838.46	1,875.91
Less: Depreciation	1,609.24	1,665.82	1,357.02
Net fixed assets	187.88	172.64	518.89
Capital works-in-progress (including cost of chassis)	30.58	28.51	24.64
Investments	0.07	0.08	0.07
Current assets, loans and advances	525.67	625.03	809.52
Accumulated losses	1,083.08	1,122.98	746.19
Total	**1,827.28**	**1,949.24**	**2,099.31**
C. Capital employed§	**113.92**	**197.44**	**752.47**

* Excluding depreciation funds and including Reserves and surplus and capital grant.

§Capital employed represents net fixed assets (including works-in-progress) *plus* working capital excluding gratuity provision.

(Rupees in crore)

2. Maharashtra State Financial Corporation			
Particulars	**2004-2005**	**2005-2006**	**2006-2007**
A. Liabilities			
Paid-up capital	62.64	62.64	62.64
Share application money	0.03	--	--
Reserve fund and other reserves and surplus	41.73	41.73	46.22
Borrowings:			
(i) Bonds and debentures	335.33	298.98	263.23
(ii) Fixed Deposits	0.01	--	--
(iii) Industrial Development Bank of India and Small Industries Development Bank of India	350.17	350.17	350.17
(iv) Reserve Bank of India	--	--	--
(v) Loan towards share capital			
(a) State Government	2.06	2.06	2.06
(b) Industrial Development Bank of India	2.05	2.05	2.05
(vi) Others (including State Government)	9.23	9.23	9.23
Other Liabilities and provisions	22.84	22.58	17.41
Total - A	**826.09**	**789.44**	**753.01**
B. Assets			
Cash and bank balances	47.71	46.36	44.68
Investments	1.26	1.26	1.26
Loans and advances	131.51	94.01	52.79
Net fixed assets	1.61	1.43	1.27
Other assets	34.16	31.41	30.64
Profit and loss account	609.84	614.97	622.37
Total - B	**826.09**	**789.44**	**753.01**
C. Capital employed[$]	**216.27**	**163.42**	**123.33**

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

(Rupees in crore)

3. Maharashtra State Warehousing Corporation			
Particulars	**2004-2005**	**2005-2006**	**2006-2007 (Provisional)**
A. Liabilities			
Paid-up capital	8.71	8.71	8.71
Reserves and surplus	140.72	151.22	161.00
Borrowings	--	--	--
- (Government)	--	--	--
- (Others)	22.72	18.19	15.00
Trade dues and current liabilities (including provision)	23.85	31.84	27.80
Total - A	**196.00**	**209.96**	**212.51**
B. Assets			
Gross block	146.46	146.95	150.00
Less: Depreciation	26.35	30.37	33.50
Net fixed assets	120.11	116.58	116.50
Capital works-in-progress	0.34	0.92	1.00
Investments	0.01	0.01	0.01
Current assets, loans and advances	75.54	92.45	95.00
Profit and loss account	--	--	--
Total - B	**196.00**	**209.96**	**212.51**
C. Capital employed[b]	**172.14**	**178.11**	**184.70**

[b]Capital employed represents net fixed assets (including capital works-in-progress) *plus* working capital excluding provision for gratuity.

(Rupees in crore)

4. Maharashtra Industrial Development Corporation			
Particulars	**2004-2005**	**2005-06**	**2006-2007**
A. Liabilities			
Loans - Issue of Bonds	7.60	7.60	7.60
Reserves and surplus/funds[•]	66.95	67.19	67.29
Deposits	4,533.14	5,321.40	6,800.01
Current liabilities and provisions	56.62	53.95	130.88
Total - A	**4,664.31**	**5,450.14**	**7,005.78**
B. Assets			
Gross fixed assets	384.89	448.56	510.12
Less: Depreciation	122.41	164.78	183.15
Net fixed assets	262.48	283.79	326.97
Other assets	2,425.27	2,521.97	2,737.24
Investments	40.22	34.79	36.58
Current assets, loans and advances	1,936.34	2,609.59	3,904.99
Total – B	**4,664.31**	**5,450.14**	**7,005.78**
C. Capital employed[Ω]	**12.66**	**12.90**	**13.09**

[•] The above includes free reserves and surplus of Rs.5.20 crore, Rs.5.44 crore and Rs.5.54 crore for the year 2004-05, 2005-06 and 2006-07.

[Ω] Capital employed represents the mean of the aggregate of opening and closing balances of long term loans (including bonds), Development Rebate Reserves and other free reserves and surplus (excluding sinking and Assets Replacement Fund).

Annexure - 5

Statement showing working results of working Statutory corporations

(Referred to in paragraph No.1.7)

(Rupees in crore)

1. Maharashtra State Road Transport Corporation				
	Particulars	**2004-2005**	**2005-2006**	**2006-2007**
	Operating :-			
(a)	Revenue	2,909.72	3,200.45	3,470.80
(b)	Expenditure	3,341.90	3,277.13	3,511.66
(c)	Surplus (+)/deficit (-)	(-) 432.18	(-)76.68	(-)40.86
	Non-operating :-			
(a)	Revenue	353.73	95.52	122.51
(b)	Expenditure	54.73	59.69	69.02
(c)	Surplus (+)/deficit (-)	(+)299.00	(+)35.83	(+)53.49
	Total:-			
(a)	Revenue	3,263.45	3,295.97	3,593.31
(b)	Expenditure[@]	3,392.82	3,335.88	3,577.99
(c)	Net profit (+)/loss (-)	(-) 129.37	(-)39.91	(+)15.32
	Interest on capital and loans	53.25	57.93	68.31
	Total return on capital employed[*]	(-)76.12	(+)18.02	(+)83.63
	Percentage of return on capital employed	--	9.13	11.11

[@]Including prior period adjustments.

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

(Rupees in crore)

2. Maharashtra State Financial Corporation				
Sl. No.	**Particulars**	**2004-2005**	**2005-2006**	**2006-2007**
1.	Income			
	(a) Interest on loans	20.64	18.96	31.69
	(b) Other income	3.84	4.41	3.12
	Total - 1	**24.48**	**23.37**	**34.81**
2.	Expenses			
	(a) Interest on long term and short term loans	62.76	38.78	34.74
	(b) Provision for non performing assets	--	--	0.16
	(c) Other expenses	9.12	11.09	9.66
	Total - 2	**71.88**	**49.87**	**44.56**
3.	Profit (Loss) before tax (1-2)	**(47.40)**	**(26.50)**	**(9.75)**
4.	Provision for tax	--	--	--
5.	Other appropriations	(8.25)	(21.46)	(2.41)
6.	Amount available for dividend#	(55.65)	(47.96)	(12.16)
7.	Dividend paid/payable	--	--	--
8.	Total return on capital employed	15.36	12.28	24.99
9.	Percentage of return on capital employed	7.10	7.51	20.26

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

(Rupees in crore)

3. Maharashtra State Warehousing Corporation				
Sl. No.	**Particulars**	**2004-2005**	**2005-2006**	**2006-2007 (Provisional)$**
1.	Income			
	(a) Warehousing charges	41.85	49.50	55.53
	(b) Other income	29.23	28.70	24.83
	Total - 1	**71.08**	**78.20**	**80.36**
2.	Expenses			
	(a) Establishment charges	17.29	19.89	20.27
	(b) Other expenses	39.51	40.77	36.90
	Total - 2	**56.80**	**60.66**	**57.17**
3.	**Profit (+)/loss (-) before tax**	**(+)14.28**	**(+)17.54**	**(+)23.19**
4.	Provision for tax	4.50	5.30	7.42
5.	Prior period adjustments	(+)0.37	--	(-)0.50
6.	Other appropriations	8.41	10.50	13.27
7.	Amount available for dividend	1.74	1.74	2.00
8.	Dividend for the year*	1.74	1.74	2.00
9.	Total return on capital employed	15.81	18.71	14.52
10.	Percentage of return on capital employed	9.18	10.44	10.37

(Rupees in crore)

4. Maharashtra Industrial Development Corporation				
Sl. No.	**Particulars**	**2004-2005**	**2005-2006**	**2006-2007**
1.	Income	208.57	195.21	256.72
2.	Expenditure	208.30	194.98	256.62
3.	Surplus	0.27	0.23	0.10
4.	Interest charged to income and expenditure account	1.86	2.98	2.82
5.	Return on capital employed (3 + 4)	2.13	3.21	2.92
6.	Percentage of return on capital employed	16.82	24.88	22.30

$ As per information submitted by the Corporation.

* Including Tax on dividend.

Annexure - 6

Statement showing operational performance of working Statutory corporations

(Referred to in paragraph No.1.12)

1. Maharashtra State Road Transport Corporation

Particulars	2004-2005	2005-2006	2006-2007
Average number of vehicles held	15,949	15,757	15,352
Average number of vehicles on road	15,226	14,680	14,460
Percentage of utilisation of vehicles	95.47	93.16	94.19
Number of employees	1,01,724	1,02,818	1,00,247
Employee vehicle *ratio*	6.68	7.00	6.93
Number of routes operated at the end of the year	17,584	16,697	16,482
Route kilometre (in lakh)	12.66	12.30	12.33
Kilometre operated (in lakh)			
(a) Gross	18,139.31	17,369.03	17,512.16
(b) Effective	17,976.31	17,212.95	17,351.77
(c) Dead	163.00	156.08	160.39
Percentage of dead kilometre to gross kilometre	0.90	0.90	0.92
Average kilometre covered per bus per day	323.45	321.30	328.80
Average operating revenue per kilometre *(paise)*	1,618.64	1,859.33	2,000.26
Increase over previous year's income *(per cent)*	6.40	14.87	7.58
Average expenditure per kilometre *(paise)*	1,859.46	1,903.88	2,023.80
Increase in operation expenditure per kilometre over previous year's expenditure *(per cent)*	14.12	2.39	6.30
Loss(-) per kilometre *(paise)*	(-)240.82	(-)44.55	(-)23.54
Number of operating depots	248	248	247
Average number of break-down per lakh kilometre	2.81	2.89	2.80
Average number of accidents per lakh kilometre	0.18	0.20	0.19
Passenger kilometre operated (in crore)	5,142.27	4,890.87	4,909.45
Occupancy ratio	56.20	56.59	57.28
Kilometre obtained per litre of			
(a) Diesel oil	4.85	4.89	4.93
(b) Engine oil	874	923	1,001

(Amount: Rupees in crore)

2. Maharashtra State Financial Corporation						
Particulars	**2004-2005**		**2005-2006**		**2006-2007**	
	Number	**Amount**	**Number**	**Amount**	**Number**	**Amount**
Applications pending at the beginning of the year	3	2.32	12	7.96	--	--
Applications received	35	22.89	--	--	--	--
Total	**38**	**25.21**	**12**	**7.96**	--	--
Applications sanctioned	23	14.88	--	--	--	--
Applications cancelled/ withdrawn/rejected/reduced	3	2.37	12	7.96	--	--
Applications pending at the close of the year	12	7.96	--	--	--	--
Loans disbursed	--	5.84	--	1.12	--	--
Loans outstanding at the close of the year	11,948	1,308.80	11,666	1,322.54	--	1,337.80
Amount overdue for recovery at the close of the year						
(a) Principal		321.79		296.09		268.08
(b) Interest		909.59		981.38		1,037.18
(c) Expenses		7.30		7.66		7.73
Total		**1,238.68**		**1,285.03**		**1,312.99**
Percentage of default to total loans outstanding		**24.59**		**22.39**		**20.09**

3. Maharashtra State Warehousing Corporation			
Particulars	**2004-2005**	**2005-2006**	**2006-2007 (Provisional)**
Number of stations covered	164	163	164
Storage capacity created up to the end of the year (tonnes in lakh)			
(a) Owned	10.90	11.06	11.07
(b) Hired	0.55	1.28	0.69
Total	**11.45**	**12.34**	**11.76**
Average capacity utilised during the year (tonnes in lakh)	7.65	9.77	8.36
Percentage of utilisation	67	79	71
Average revenue per metric tonnes per year (in Rupees)	929.48	795.50	674.86
Average expenses per metric tonnes per year (in Rupees)	742.79	619.54	727.04

4. Maharashtra Industrial Development Corporation			
Particulars	**2004-2005**	**2005-2006**	**2006-2007**
A. Area	*(area in hectares)*		
Area planned for development	64,362	65,158	68,093
Area acquired	53,028	53,121	53,121
Area plotted	22,202	22,805	24,246
Area allotted	19,660	20,386	21,832
Area not allotted	2,542	2,419	2,414
Percentage of :	*(per cent)*		
- area acquired to area planned for development	82.40	81.50	78.01
- area plotted to area acquired	41.90	42.93	45.64
- area allotted to area plotted	88.60	89.40	90.04
- area allotted to area acquired	37.70	38.38	41.10
B. Sheds and flatted factory buildings	*(in numbers)*		
Constructed	6,392	6,441	6,536
Allotted	5,108	5,117	5,296
Not allotted	1,284	1,324	1,240
	(per cent)		
Percentage of sheds and flatted factory buildings allotted to sheds constructed	79.91	79.44	81.03

Annexure-7
Statement showing paid-up capital, investment and summarised working results of 619-B companies as per their latest finalised accounts
(Referred to in paragraph No.1.36)

(Figures in column 5 to 19 are in Rupees in lakh)

Sl. No.	Name of company	Status (working/ non-working)	Year of account	Paid -up capital	Equity by*			Loans by			Grants by			Total investment by way of equity, loans and grants			Profit (+)/ Loss (-)	Accumulated profit (+)/ accumulated loss (-)
					State Government	State Government companies and others	Central Government and their companies	State Government	State Government companies and others	Central Government and their companies	State Government	State Government company-ies and others	Central Government and their companies	State Government	State Government companies and others	Central Government and their companies		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
1.	Maharashtra State Seeds Corporation Limited	Working	2006-07	418.45	205.00 (48.99)	65.11 (15.56)	148.34 (33.45)	500.00	---	---	---	---	---	705.00	65.11	148.34	428.15	3,320.54
2.	Maharashtra Power Development Corporation Limited	Working	2005-06	45.13	---	45.13 (100.00)	---	---	---	---	---	---	---	---	45.13	---	(-)95,685.06	(-)1,00,990.30
3.	Maharashtra Vikrikar Rokhe Pradhikaran Limited	Working	2005-06	5.00	---	5.00 (100)	---	---	15,493.00	---	2,653.00	---	---	2,653.00	15,498.00	---	(-)0.11	41.81
4.	Maharashtra Airport Development Company Limited	Working	2006-07	1,505.00	---	1,505.00 (100.00)	---	---	24,008.00	---	3,500.00	---	---	3,500.00	25,513.00	---	37.91	(-)84.01

*Figures in brackets indicate percentage.

Annexure-8

Statement showing the tendering and execution of works related to sub-station, high tension/low tension lines *etc.* in Maharashtra State Electricity Distribution Company Limited

(Referred to in paragraph No 2.2.22)

Name of the project	Nature of work	Contract value/ financial progress upto August 2007 (Rupees in crore)	Period of contract	Stipulated date of completion	Audit findings
1.	2.	3.	4.	5.	6.
Pune Town	Laying of new overhead/ underground lines, installation of new transformers *etc.*	30.98 29.95	One year	September 2004	There was time over run of 15 months (October 2004 to December 2005) in the completion of contract due to delay of seven months in issue, by the Company of requisite form for labour licence to be obtained by the contractor, delayed finalisation of vendor list by Head office for items to be procured for the contract and belated preparation of estimates for various works under the contract. The management while admitting the delay stated (August 2007) that since turnkey project was newly introduced in the Company, maximum time was required for finalization of vendor list. The reply is not tenable as the finalisation of vendor list should not have taken time since the Company purchases these materials for its day to day business. As against 68 kilometer of 22/11 KV reconductoring work awarded in Pune town the actual work executed was only 32.30 kilometer till the completion of contract in December 2005 due to non inclusion of items like pole/fabrication items required for execution of these work in the activity schedule of tender.

1.	2.	3.	4.	5.	6.
Nagpur Urban	Supply, erection, testing, commissioning of 11KV OH/UG lines, DTC's, 11KV switching stations *etc.*	24.98 0.45	One year	May 2007	The Members of Board of erstwhile MSEB accepted in March 2005 the lowest offer at 13.67 *per cent* above the tender cost, after a period of eight months from the date of opening of bids. The bidder declined to accept the work as the validity of bid had expired. On second lowest bidder refusing (May 2005) to match the rates, tender was re-invited (October 2005) and the contract was awarded in March 2006 at 9.15 *per cent* below the tender cost to be completed by May 2007.. The BODs did not assess the reasonability of rates quoted by the bidder. Consequently, the performance of the contractor, was poor with "nil" financial and physical progress (February 2007) as against the completion date of May 2007. Thus, the work under the project suffered due to delay in acceptance of the first bid and subsequently awarding of work without assessing the reasonability of rates received/capacity of the contractor to execute. In reply (March 2007) it was stated that the Contractor had brought material at site valuing Rs.7.36 crore and has commenced work. The fact however, remained that there was delay in execution of work and the contractor have not handed over the materials after commissioning of the work. The physical progress upto July 2007was only 20 per cent
Latur	Supply, erection, testing, commissioning of 33/11KV sub station, lines *etc.*	14.29 11.89	One year	April 2005	The BODs of erstwhile MSEB awarded the contract (April 2004) to a bidder after relaxing the qualifying condition of turnover to be fulfilled by the bidder. Till the stipulated date of completion of contract (April 2005) the contractor did not complete the commissioning of single sub-station. The seven sub station were completed only during July 2005-06. The delay was due to delay of four months in taking up the work, procurement of material, handing over land, issue of detailed work order and approval of drawings *etc.*

1.	2.	3.	4.	5.	6.
Malegaon	Supply, erection, commissioning of 11KV/LT line, establishment/ augmentation of transformers	8.25 5.11	One year	November 2004	There was time over run of 21 months (December 2004 to August 2006) in the completion of the contract. The major reasons for delay were late survey and site identification by Nashik Rural Circle, delay in issue of vendor list by Head office from whom the materials were to be procured by the contractor *etc.* The management stated (August 2007) that being an urban area various permission of local authorities were to be obtained and also public resistance delayed site identification and survey. Further it was stated that the concept of turnkey contract was new due to which there was delay in finalizing vendor list. The reply is not tenable as the fact of obtaining permission of local authorities was already known at the time of award of contract. Further, finalization of vendor list should not have taken time since the Company purchases these materials for its day to day business.
Kolhapur	Supply, erection, testing, commissioning of 33/11KV sub-station, 33KV bay *etc.*	6.49 6.61	One year	September 2004	Sub station at 'Circuit House' completed (May 2004) at a cost of Rs.1.19 crore remained idle for nine months due to non-provision of operating staff by Kolhapur zone. Thus inadequate planning deprived the consumers of uninterrupted power supply with good voltage and loss of revenue to the Company. The management stated (August 2007) that the Circuit house sub-station was commissioned on 23 May 2004 and by making out sourcing arrangement the operating staff was made available. However, the reply is not convincing as the load was taken in February 2005 when the sub-station was commissioned in May 2004.

Annexure-9

Statement showing the tendering and execution of metering works of Maharashtra State Electricity Distribution Company Limited

(Referred to in paragraph No.2.2.25)

Name of project	Contract value/ financial progress upto August 2007 (Rupees in crore)	Month of issue of letter of acceptance	Stipulated month of completion	Percentage completion as on March 2007	Time over run up to March 2007 (months)	Audit findings
1.	2.	3.	4.	5.	6.	7.
Solapur	7.79 1.61	March 2005	March 2006	22	12	The Head Office changed the design of meter box (Deep drawn method) after acceptance of the bid, resulting in delay of five months in commencement of the work. Further only 22 *per cent* work was completed till the stipulated date of completion (March 2006), as the Head Office did not supply meters to the contractors. It was seen that the Solapur Circle diverted, as directed by the Head Office, almost one lakh meters procured under APDRP to flood affected areas and rejected 69,944 meters received from suppliers. Replenishment of meters diverted/ rejected was not done. Work stopped after March 2006 due to non-availability of meters and contractors demanded 35 *per cent* increase in rate. Further work was not done till July 2007. Had the metering work been completed in time, 25.27 MUs would have been recorded/metered and Rs.5.71 crore billed till March 2007. The management stated (September 2007) that the request of contractor to enhance the rates was not considered and the tender was short closed. It was further stated that the balance work will be executed departmentally.
Latur	5.57 1.46	March 2005	March 2006	48	12	It was seen that only three per cent work was completed till stipulated date of completion of contract (March 2006) as the Head office failed to supply adequate meters to the contractor in time. Had the metering work been completed in time, 2.12 MUs would have been recorded/metered and Rs.33.48 lakh billed till March 2007.

1.	2.	3.	4.	5.	6.	7.
Kolhapur	4.67 0.81	March 2005	March 2006	22	12	Kolhapur zone delayed retendering of work on non-receipt of any offer in the earlier tender. The Company changed the design of meter box (Deep drawn method) after acceptance of the bid, resulting in delay of five months in commencement of the work. Only 22 *per cent* work was completed till (March 2006) the stipulated date of completion due to non-supply of meters to the contractors. The Kolhapur Circle diverted 50,741 meters, as advised by Head Office to flood affected area in July 2005, which was not replenished. Work stopped after March 2006 due to non-availability of meters and contractors demand for 35 *per cent* increase in rates. Had the metering work been completed in time, 5.29 MUs would have been recorded/metered and Rs.1.93 crore billed till March 2007.
Pune Pimpri-Chinchwad	2.12 0.49 0.82 0.01	November 2003 November 2003	November 2004 November 2004	41 38	28 28	As against 5.23 lakh single phase meters to be installed/replaced in Pune/Pimpri-Chinchwad project, meters were not supplied till June 2004 as the order for single phase meters was placed only in March 2004 by Head office. It was seen that out of 2.81 lakh meters received under the programme as on March 2007, 47,330 meters were diverted to other schemes by Pune Urban zone at the instance of Chief Engineer, Pune Urban Zone. The management stated (April 2007) that the meters were diverted to other schemes on replenishment basis due to acute shortage of meters for operation and maintenance work. The reply is not tenable as the meters procured out of APDRP funds had to be used for the programme for early completion of project.

Annexure-10

Statement showing the installed capacity of pharma products of Haffkine Bio-Pharmaceutical Corporation Limited

(Referred to in paragraph No.2.3.13)

Year	Installed capacity	Production of tabs	Supply to FPS	Percentage of production to installed capacity
	(Lakh units)			
A. Tablets				
2002-03	2,400	856.67	857.48	35.69
2003-04	2,400	1,195.45	1,074.88	49.79
2004-05	2,400	1,191.00	1,483.43	49.62
2005-06	4,500	1,551.50	1,527.36	34.47
2006-07	4,500	2,048.00	1,747.84	45.51
B. Capsules				
2002-03	360	43.45	35.34	12.06
2003-04	360	31.78	40.21	8.82
2004-05	360	63.50	87.91	17.63
2005-06	360	72.00	63.76	20.00
2006-07	360	110.00	104.44	3.55
C. Antiseptic liquid				
2002-03	40,000	8,748	8,910	21.87
2003-04	40,000	14,094	14,094	35.23
2004-05	40,000	9,720	11,988	24.30
2005-06	40,000	12,312	12,636	30.78
2006-07	40,000	9,558	8,577	23.89
D. Cream				
2002-03	65,0000	1,28,800	1,23,775	19.81
2003-04	65,0000	1,56,800	1,56,750	24.12
2004-05	65,0000	2,04,050	2,73,845	31.39
2005-06	65,0000	2,24,000	2,52,525	34.46
2006-07	65,0000	1,82,000	1,87,525	28.00

E. Intravenous solution and injectables

Year	Installed capacity in liters	Production in liters	Supply to FPS		
			In liters	Amps	Vials
				(Lakh units)	
2002-03	7,000	13,204.10	12,204.539	22.210	2.956
2003-04	7,000	11,216.201	10,657.748	15.550	2.698
2004-05	7,000	2,724.893	4,304.265	18.782	0.556
2005-06	7,000	6,291.097	6,662.907	5.984	1.498
2006-07	7,000	--	--	--	--

Annexure-11

Details of State sector projects approved during 2002-03 to 2005-06 in Maharashtra Industrial Development Corporation

(Referred to in paragraph No.3.2.12)

(Rupees in lakh)

Sl. No.	Name of project	Project cost	Sharing pattern			Expenditure incurred up to 30 March 2006	ASIDE cost as on 30 March 2006	Remarks
			Corporation	Government of India	Others			
	MIDC works							
1.	2.	3.	4.	5.	6.	7.	8.	9.
1.	Construction of rail over bridge at Navade near Taloja, MIDC	1,500.00	474.00	474.00	552.00	1,152.39	474.01	
2.	Construction of rail over bridge across Dahanu Virar Railway line at Boisar	1,451.07	528.20	528.20	394.67	1,200.40	426.81	
3.	Construction of CETP, collection and disposal system at MIDC (Sangli, Miraj and Kupwad)	560.00	310.00	140.00	110.00	--	--	The work abandoned
4.	Construction of CETP and recycling of treated effluent in five star Industrial Area Butibori, MIDC Nagpur (sharing pattern revised)	699.00	349.50	349.50	--	371.45	175.00	
5.	Replacement of old effluent collection and disposal scheme in Mahad Industrial Area	211.00	105.50	105.50	--	180.39	89.69	
6.	Upgradation of approach road to SEEPZ from Mahakali caves side in Marol Industrial Area	368.00	184.00	184.00	--	421.01	183.05	
7.	Up-gradation of approach road to Tarapur Industrial Area from Ahmedabad Mumbai road at Boisar, district Thane	848.00	424.00	424.00	--	1,086.32	424.00	
8.	Construction of weir across Surya river near Boisar, district Thane	558.00	279.00	279.00	--	644.02	279.00	
9.	Construction of CETP and recycling of treated effluent in Software Technology Park at Kharadi	300.00	150.00	150.00	--	--	--	The work deferred

1.	2.	3.	4.	5.	6.	7.	8.	9.
10.	Construction of CETP and recycling of treated effluent in Software Technology Park at Talawade	362.90	181.45	181.45	--	--	--	The work deferred
11.	Replacement of old effluent collection system in Lote Parshuram Industrial Area Chiplun, district Ratnagiri	270.00	135.00	135.00	--	295.12	135.00	
12.	Upgradation of Thane Belapur Road in Trans Thane Creek Industrial Area	1,050.00	525.00	525.00	--	48.10	23.81	The work transferred to NMMC
13.	Construction of flyover at Wakad Junction at NH-4 Pune across western railway bypass of NH-4 leading to Rajiv Gandhi Infotech Park (27 September 2002)	874.10	437.05	437.05	--	729.60	437.05	
14.	Construction of approach road from NH-4 to Talegaon Industrial Area and Construction of major bridge across Indrayani river and rail over bridge (27 September 2002) (Original project cost Rs.1,863.54 lakh)	2,827.00	1,413.50	1,413.50	--	2,833.98	931.75	
15.	Construction of service road from Hinjewadi chowk to Rajiv Gandhi Infotech Park Phase-II (07 April 2003)	945.00	472.50	472.50	--	679.78	472.50	The work incomplete
16.	Construction of approach road to Krishna Valley Wine Park, Palus, district Sangli (02 September 2003)	40.30	20.15	20.15	--	28.35	17.98	
17.	Construction of approach road and providing other infrastructure to Godavari Valley Wine Park at Vinchur district Nashik (7 April 2003)	683.00	341.50	341.50	--	436.61	217.55	
18.	Construction of Additional Weir on Savitri River at Mahad	275.00	137.50	137.50	--	--	--	The work cancelled
19.	Providing Water Supply scheme (settled water) and providing power (LT Network) infrastructure in Talegaon floricultural park Phase-I (Original project cost Rs.1,300 lakh)	1,531.00	765.50	765.50	--	1,516.94	650.00	

1.	2.	3.	4.	5.	6.	7.	8.	9.
20.	Upgradation of power supply infrastructure in IT Park and BT Park at Hinjewadi and Talawade	617.00	308.50	308.50	--	592.62	308.50	
21.	Upgradation of approach Road to EOU (Chemical zone) in Taloja Industrial Area	358.00	179.00	179.00	--	410.73	179.00	
22.	Upgradation of road network to EOU in TTC Industrial Area	952.50	476.25	476.25	--	--	--	The work deferred
23.	Talawade Software Park improvement of existing road from Dehu Road to COD	92.00	46.00	46.00	--	--	--	The work deferred
24.	Upgradation of infrastructure of Tarapur Industrial Area: A) Replacement of old effluent collection and disposal pipe line in Tarapur Industrial Area B) Providing asphalt treatment to roads in "T" shed zone and "E" zone in Tarapur Industrial Area C) Providing resurfacing asphalt treatment to roads along EOU/residential/commercial zone in Tarapur Industrial Area (10 June 2005)	1,044.65	522.33	522.33	--	1,224.70	585.72	
25.	Buffer zone road at Talegaon Industrial Area (10 June 2005)	447.06	223.53	223.53	--	265.93	129.58	
26.	Providing infrastructure of power supply arrangement and HT/LT network in floriculture park Talegaon (10 June 2005)	629.00	314.50	314.50	--	617.86	308.93	
27.	Development of BT Park at Additional Jalna Industrial Area Ph-II black topped roads, street lights, distribution, system ESR and WSS (10 June 2005)	1,546.00	773.00	773.00	--	1,183.13	588.90	

1.	2.	3.	4.	5.	6.	7.	8.	9.
28.	Upgradation for Airport infrastructure at Karad (10 June 2005)	222.70	111.35	111.35	--	205.89	95.91	
29.	Upgradation for Airport infrastructure at Solapur (10 June 2005)	99.51	49.76	49.76	--	131.20	32.72	
30.	Upgradation for Airport infrastructure at Nanded (Original project cost Rs.4,655 lakh)	4,869.09	2,434.55	2,434.55	--	426.13	233.00	The work incomplete
31.	Construction of by pass road for Pune city, Widening and strengthening of roads Shikrapur to Nhavara (10 June 2005)	7,962.00	3,981.00	3,981.00	--	0.40	398.00	Tender for the work not finalised
32.	Widening and strengthening of Shil Mahape road (10 June 2005)	1,922.19	961.10	961.10	--	95.08	96.00	The work incomplete
33.	Strengthening and improving Taloja Feeder service road which is approach to Taloja from Kalyan, Dombivli, Ambarnath and improving access to JNPT (10 June 2005)	2,092.58	1,046.29	1,046.29	--	632.03	105.00	The work incomplete
34.	Upgradation for Air Port infrastructure at Kolhapur (10 June 2005) (Original project cost Rs.98.75 lakh)	113.56	64.18	49.38	--	108.60	54.30	
35.	Upgradation for Airport infrastructure at Latur (10 June 2005) (Original project cost Rs.401.47 lakh)	1,758.07	879.04	879.04	--	198.50	77.73	The work incomplete
36.	Improving connectivity to BT Parks at Hinjewadi (MIDC) (10 June 2005) (Original project cost Rs.4,675 lakh)	5,056.00	2,528.00	2,528.00	--	963.77	441.93	The work incomplete
	Total	**45,135.28**	**22,131.73**	**21,946.93**	**1,056.67**	**18,681.03**	**8,572.42**	

Annexure-12
Statement showing audit observations on the Project Reports relating to Air strips in Maharashtra Industrial Development Corporation
(Referred to in paragraph No.3.2.13)

Sl. No.	Name of the project	Date of commencement/scheduled date (SD) of completion and actual completion	Audit observations
1.	**Airstrip at Solapur** (Project cost: Rs.1.00 crore) (Expenditure incurred till March 2007: Rs.1.31 crore)	Commencement: 14 January 2005 SD of completion: 13 July 2005 Actual completion: 10 July 2006	**Unauthenticated export data** • Export data of 2003-04 shown as Rs.450 crore, was not supported by any details. Data collected from Central Excise related to duty free assessment value of Small Scale Industrial unit and was hence not related to exports. **No export by air cargo** • As against projected exports of Rs.650 crore and Rs.750 crore for 2005-06 and 2006-07 respectively, the actual exports for the years 2005-06 and 2006-07 were Rs.132.95 crore (20 *per cent*) and Rs.169.76 crore (23 *per cent*) respectively. Further, there was no evidence of export effected by air cargo.
2.	**Airstrip at Nanded** (Project cost: Rs.48.69 crore) (Expenditure incurred till March 2007: Rs.17.22 crore)	Commencement: 15 March 2006 SD of completion: 30 September 2007 Actual completion: Work in progress	**No evidence of air cargo exports from the area** • It was seen that the export turnover of Rs.146 crore in 2004-05 shown in the report related to one industrial unit producing steel sheets which had no direct link with expansion of the airstrip. There was no evidence that the unit was exporting its final product by air cargo using this airstrip. Project Report included export oriented IT units. However, no IT units have been established till date at Nanded.
3.	**Airstrip at Karad** (Project cost: Rs.2.23 crore) (Expenditure incurred till March 2007 : Rs.2.55 crore)	Commencement: 12 January 2005 SD of completion: 11 July 2005 Actual completion: 12 June 2006	**Unauthenticated export data** Turnover of Rs.113.50 crore in 2004-05 of four Export Oriented Units which comprised Dairy Equipments of Rs.90.50 crore and Cotton Fabrics of Rs.23 crore was certified by the Karad office of the Corporation, and not by Central Excise Department or by the concerned units. Boost of export projected was based on the above figures which had no linkage with expansion of airstrips.
			Details of exports not available • Complete data of export effected in respect of other perishable items of export shown as milk products, meat, fruit, vegetable processing products, cotton stalk, mushroom, jowar flakes and starch was called for, as details or data was not available. Similar data for all the five airstrips was also called for. No details were furnished by the Corporation.

Sl. No.	Name of the project	Date of commencement/scheduled date (SD) of completion and actual completion	Audit observations
4.	**Airstrip at Kolhapur** (Project cost : Rs.98.75 lakh) (Expenditure incurred till March 2007: Rs.2.55 crore)	Commencement: 15 June 2005 SD of completion: 14 August 2005 Actual completion: 1 December 2005	**Unauthenticated export data** • Export of Rs.620 crore in 2004-05 mentioned in the Project Report was not supported by any authentic documents. • Boost in export as a result of the proposed upgradation of airport was estimated at Rs.120 crore for which no relevant data was available. **Demand for airstrip not evident** • Recommendation or request for the upgradation of the Airport from any source was not available in the project report. • List of industries/units published by Kolhapur Engineering Association was annexed. Thus, independent survey for identifying the beneficiaries/exporters was not conducted.
5.	**Airstrip at Latur** (Project cost (Revised): Rs.17.58 crore) (Expenditure incurred till March 2007: Rs.6.46 crore)	Commencement: 28 November 2006 SD of completion: July 2007 Actual completion: Work in progress	**Inadequate export data and meagre exports** • Estimated export of rupees two crore was projected for 2004-05 in the project report on the basis of data furnished by Central Excise Department which related to export of industrial tools and sugar worth Rs. 1.77 crore. • Recommendations from two industrial units annexed in the project report showed the need for regular flight for their officials' visit which was possible with the existing facility. No request or recommendations for air cargo facility was received from any industrial unit. • As per information furnished by the Corporation, it was seen that 29 and 32 flights were operated during 2005-06 and 2006-07 respectively, which did not include any air cargo flights. • Out of actual exports of Rs.4.24 crore and Rs.1.44 crore for 2005-06 and 2006-07 respectively, none of the exports was by Air.

Annexure-13
Statement showing the paragraphs/reviews for which replies were not received as on 30 September 2007
(Referred to in paragraph No.4.29.1)

Sl. No.	Name of the Departments	2003-04	2004-05	2005-06	Total
1.	Industries, Energy and Labour	5	6	8	19
2.	Public Works	--	4	5	9
3.	Finance	--	--	2	2
4.	Social Justice, Cultural Affairs and Special Assistance	--	--	2	2
5.	Agriculture, Animal Husbandry and Dairy Development	--	1	--	1
6.	Medical Education and Drugs	1	--	--	1
7.	Home (Transport)	--	--	1	1
8.	Home (Tourism)	--	--	1	1
9.	Co-operation and Textile	--	--	1	1
	Total	**6**	**11**	**20**	**37**

Annexure-14

Statement showing the department-wise outstanding inspection reports (IRs)

(Referred to in paragraph No.4.29.3)

Sl. No.	Name of Department	Number of PSUs	Number of outstanding inspections reports	Number of outstanding paragraphs	Years to which outstanding paragraphs pertain to
A.	**Working Companies and Corporations**				
1.	Industries, Energy and Labour				
	i) Energy	3	304	1,349	2001-07
	ii) Industries	10	23	71	2001-07
2.	Agriculture and Animal Husbandry	5	8	27	2001-07
3.	Co-operation and Textile				
	i) Co-operation	2	4	4	2004-06
	ii) Textile	3	3	6	2006-07
4.	Social Welfare, Cultural Affairs and Sports	6	16	49	2001-07
5.	Medical Education and Drugs	2	6	11	2003-07
6.	Home				
	i) Transport	1	51	141	2003-07
	ii) Others	2	8	34	2003-07
7.	Public Works	2	5	26	2003-07
8.	Urban Development	3	8	54	2003-07
9.	Housing and Special Assistance	1	3	22	2001-05
10.	Revenue and Forest				
	i) Revenue	1	2	4	2005-07
	ii) Forest	1	2	7	2006-07
11.	Woman and Child Welfare	1	2	3	2003-07
12.	Tribal Development	1	1	3	2006-07
13.	Planning	3	3	9	2006-07
	Total : A	**47**	**449**	**1,820**	
B.	**Non-working companies**				
1.	Industries, Energy and Labour	4	4	6	2006-07
2.	Irrigation	2	2	3	2004-07
3.	Housing and Special Assistance	1	1	2	2004-07
	Total : B	**7**	**7**	**11**	
	Grand Total : (A + B)	**54**	**456**	**1,831**	

Annexure-15
Statement showing the department wise draft paragraphs/reviews to which replies were awaited
(Referred to in paragraph No.4.29.3)

Sl. No.	Name of Department	Number of draft paragraphs	Number of reviews	Period of issue
1.	Industries, Energy and Labour (Industries)	1	-	May-July 2007
2.	Employment and Self Employment	1	-	June 2007
3.	Urban Development	4	-	April-June 2007
4.	Agriculture, Animal Husbandary, Dairy Development	1	-	April 2007
5.	Medical Education	-	1	May 2007
6.	Socil Justice, Cultural Affairs and Special Assistance	1	-	August 2007
7.	Industries, Energy and Labour (Energy)	3	1	June-August 2007
8.	Public Works	6	1	May-August 2007
9.	Home (Tourism)	2	-	May-June 2007
10.	Housing and Special Assistance (Housing)	2	-	May-July 2007
	Total	**21**	**3**	

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