सत्यमेव जयते

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REPORT

OF THE

COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED
31 MARCH 1996

No. 2
(Commercial)

Government of Gujarat

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Preface

This Report deals with the results of audit of Government companies and Statutory corporations including Gujarat Electricity Board (GEB) and has been prepared for submission to the Government of Gujarat under Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Services) Act, 1971, as amended in March 1984. The results of audit relating to departmentally managed commercial undertakings are contained in the Report of the Comptroller and Auditor General of India (Civil) - Government of Gujarat.

Audit of the accounts of the Government companies is conducted by the Comptroller and Auditor General of India under Section 619(4) of the Companies Act, 1956. There are some companies in which Government as well as Government companies/ corporations jointly hold 51 *per cent* or more of the shares and these are also audited by the Comptroller and Auditor General of India under Section 619B of the Companies Act, 1956. There are certain companies which are not subject to audit by the Comptroller and Auditor General of India, as Government or Government owned/ controlled companies / corporations hold less than 51 *per cent* of the shares.

In respect of Gujarat Electricity Board and Gujarat State Road Transport Corporation, which are the Statutory corporations, the Comptroller and Auditor General of India is the sole auditor. In respect of Gujarat State Financial Corporation and Gujarat State Warehousing Corporation, he has the right to conduct audit of their accounts independently of the audit conducted by the Chartered Accountants appointed under the respective Acts. The audit of accounts of Gujarat Industrial Development Corporation presently stands entrusted to the Comptroller and Auditor General of India under Section 19(3) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Services) Act, 1971 up to the accounts for the year 1996-97. The Audit Reports on the accounts of all these corporations are being forwarded separately to the Government of Gujarat.

This Report contains four chapters. Chapter-I discusses the general aspects of the results of working of the Government companies and Statutory corporations.

Chapter-II contains two reviews relating to Government companies : one, on the performance of Gujarat State Construction Corporation Limited and the other, on Gujarat State Leather Industry Development Corporation Limited. The review of Gujarat State Construction Corporation Limited brings out the Company's poor success rate during the last five years, payment of huge liquidated damages of Rs.31.85 lakhs due to delay in completion of work, over payment to the tune of Rs.31.16 lakhs and non-recovery of advances of Rs.45.92 lakhs. The review of Gujarat State Leather Industry Development Corporation Limited brings out the Company's failure to utilise grants and to recover loans of Rs.29.23 lakhs due to absence of proper monitoring system.

Chapter-III deals with the reviews relating to Statutory corporation. This year's report includes two reviews: one, on construction of Power Transmission Lines and associated sub-stations in Gujarat Electricity Board (GEB) and the other, on the Power Purchase Agreement (PPA) entered into by GEB with Gujarat Torrent Energy Corporation Limited (GTEC). The review of construction of Power Transmission Lines and associated sub-stations in GEB brings out the delay in completion of the works resulting in cost escalation of Rs. 132.45 crores . The review of the PPA brings out the unfavourable terms and conditions accepted by GEB while entering into the PPA with GTEC.

Chapter-IV deals with miscellaneous topics relating to loss, idle investment, avoidable expenditure, inordinate delay in transfer of funds by banks to account of Gujarat Electricity Board and other matters of public interest. The cases reported in this section came to notice in course of audit during the year 1995-96 as well as those which came to notice earlier but were not dealt in the previous Reports. Matters relating to the period subsequent to 1995-96 have also been included wherever necessary.

Overview

Overview

The State had 40 Government companies (including 7 subsidiaries), 6 companies under the purview of Section 619B of the Companies Act, 1956 and five Statutory corporations as on 31 March 1996. These are engaged in production, trading and financing activities like textile, electronics, agriculture, dairy, tourism, forest, transport, power, chemicals, mining etc.

(Paragraph 1.2.1, 1.2.9 and 1.3.1)

Total investment in these 40 companies as on 31 March 1996 was Rs.5570.59 crores, of which Rs.4014.58 crores was share capital (inclusive of Rs.43.12 crores as share application money and Rs. 6 crores pending consideration) and Rs.1556.01 crores was long term loan. Of the total share capital of Rs.4014.58 crores, Rs.3981.83 crores were invested by State Government, Rs.25.83 crores by Central Government and Rs.6.92 crores by Holding companies and others. The State Government guaranteed the loans and credits given by the financial institutions to 17 companies aggregating Rs.75.36 crores during 1995-96. The total guaranteed amount outstanding stood at Rs.527.04 crores as on 31 March 1996.

(Paragraph 1.2.1, 1.2.3, Annexure 1 and 3)

Only eight companies had finalised their accounts for the year 1995-96 and the accounts of remaining 32 companies were in arrears for periods ranging from one year to four years. Though the administrative departments and officials of Government were appraised of the delays by Audit, there was no significant improvement in this regard.

(Paragraph 1.2.4)

According to the latest finalised accounts of these companies 13 companies had incurred losses of Rs.174.82 crores, 20 companies earned profit of Rs.136.23 crores, 5 companies are in pre-operative stage and 2 are operating on no profit no loss basis.

(Paragraph 1.2.4)

Out of eight companies which finalised the accounts for the year 1995-96, seven companies earned profit of Rs.121.98 crores and one company is in pre-operative stage.

(Paragraph 1.2.4)

Of the 13 loss making companies, investment of Rs.75.26 crores of Government as share capital in nine companies had been eroded by their accumulated loss of Rs.728.92 crores.

(Paragraph 1.2.5.3)

2A Gujarat State Construction Corporation Limited

The Gujarat State Construction Corporation Limited was incorporated in December 1974 to undertake important and major construction works which were being handled departmentally by Public Works Department. The PWD may also entrust the works where no tenderers were coming forward or rates quoted by the tenderers were unreasonably high. Accumulated losses of the Company as on 31 March 1995 was Rs. 12.65 crores which represented 253 per cent of the paid up capital.

(Paragraph 2A.1, 2A.7 and 2A.9)

Due to delay in completion of the works, the Company had to pay liquidated damages of Rs. 0.45 crore against which the Company could recover only Rs. 0.13 crore from the sub-contractors. Instances were also noticed of overpayments (Rs. 0.31 crore) and non-recovery of advances, cost of materials (Rs. 0.46 crore), etc.

(Paragraph 2A.11.2.1 and 2A.11.2.3)

The Company entered into a joint venture agreement with a private firm and took 3 works to be completed up to September 1994. However, none of the works could be completed as the joint venturer abandoned the works and the Company incurred a loss of Rs. 0.44 crore in one work.

(Paragraph 2A.11.3)

Considering the inability of the Company, the State Government withdrew ten works with a tendered value of Rs. 10.20 crores after Company had executed the work partly and the Company had to forgo claim for profit.

(Paragraph 2A.11.5)

The Company is burdened with surplus staff consisting of 109 technical and non-technical employees. As a result, it had to shoulder a financial load of Rs. 3.50 crores up to March 1996.

(Paragraph 2A.11.6)

2B Gujarat State Leather Industry Development Corporation Limited.

The Company was established in March 1990 with a twin objective of developing leather industry in the State and assisting leather artisans by providing them training, latest equipment and machinery and marketing facility.

(Paragraph 2B.1)

Against the grant of Rs. 3.86 crores received under various schemes the Company could utilise Rs. 0.78 crore during the last 5 years up to 1994-95.

(Paragraph 2B.5)

Under the action plan for 1990-95, 100 tanneries were to be upgraded by providing shed and machineries. However, the Company was able to upgrade only 10 tanneries.

(Paragraph 2B.6.b(i))

The Company advanced working capital loan of Rs. 0.49 crore to 38 tanneries. Of this loan a sum of Rs. 0.33 crore became due for recovery up to March 1995. However, due to absence of proper monitoring it could recover only Rs. 0.03 crore.

(Paragraph 2B.6.b(ii))

Against the anticipated generation of employment of 10,265 artisans during 1990-91 to 1994-95 the actual generation was only 1988 (19 per cent).

(Paragraph 2B.6.e)

3A Construction of power transmission lines and associated sub-stations in Gujarat Electricity Board

The power generated by the Board (installed capacity 5669 MW including share from Western Grid) is transmitted through a net work of 400KV, 220KV, 132KV, 66KV and 33KV transmission lines. By the end of VII plan period (1985-1990) the Board had laid 21235 circuit kilometres of transmission lines with 367 sub-stations. To evacuate anticipated increase in generation of 1082.6 MW, the Board envisaged construction of 8848 CKM transmission lines and 262 sub-stations during the period from 1992 to 1997.

(Paragraph 3A.1)

Out of 5 transmission lines of 400KV and 59 of 220KV projected in VIII plan period (1992-97) the achievement up to March 1996 was only one 400KV and 31 of 220KV. In the case of sub-stations, the achievement was only 13 against the target of 31 in 220KV class; none of the 400KV sub-stations were completed against the target of 4. The delay in completion of the works resulted in cost escalation of Rs. 132.45 crores.

(Paragraph 3A.3)

There was non recovery of cost of steel and excess payment to a contractor together amounting Rs. 0.16 crore . The extra expenditure due to award of work on a firm without matching of rates was Rs. 0.14 crore.

(Paragraph 3A.4.1(i)(a)&(b))

The Board's failure to issue necessary amendment orders reducing the quantity of fabricated material due to reduction in the route length of the lines resulted in excess procurement of fabricated tower material valued at Rs. 0.86 crore.

(Paragraph 3A.4.2.1 and 3A.4.2.3)

Due to non-synchronisation of work of a transmission line with that of sub-station there was delay of 36 months in commissioning the line; consequently, an investment of Rs. 3.57 crores was locked up.

(Paragraph 3A.4.2.4)

3B Review of the Power Purchase Agreement (PPA) by Gujarat Electricity Board (GEB) with Gujarat Torrent Energy Corporation Limited (GTEC).

Gujarat Electricity Board (GEB) entered into a Power Purchase Agreement (PPA) with Gujarat Torrent Energy Corporation Limited (GTEC) on 3rd February 1994 for purchasing power generated by the 654.7 MW combined gas steam turbine power plant at Paguthan in Bharuch district.

(Paragraph 3B.1)

Actual capital cost would be much higher than the estimated cost of Rs. 25360.82 million.

(Paragraph 3B.3.2)

GEB and GTEC have preferred to share between themselves the benefit of Rs. 40.09 crores arising out of the improved norms of station heat rate and auxiliary consumption.

(Paragraph 3B.3.4)

GEB is likely to back down its cheaper generation and purchase the costlier power of GTEC.

(Paragraph 3B.3.6)

Higher variable cost of power, variable nature of fixed cost and additional cost to be borne by GEB will force GEB to increase its tariff.

(Paragraph 3B.3.9)

Miscellaneous topics of interest

The expenditure of Rs.0.84 crore incurred by Gujarat Fisheries Development Corporation Limited on a brackish water shrimp culture project remained unfruitful as the Company did not firmly tie-up finance required for the project with financial institutions before incurring it, though the implementation of the project was mainly dependent on assistance from financial institutions.

(Paragraph 4.A.1.1)

Due to faulty assumption about recommendations of Board of Consultants (BOC) regarding the change of the technical specification on the work of canal lining, the Sardar Sarovar Narmada Nigam Limited delayed the implementation of the recommendations. This resulted in loss of savings of Rs. 0.80 crore.

(Paragraph 4A.3.1)

The original idea of Government to set up a complex conceived in 1981 to accommodate all Government undertakings at Gandhinagar could not materialise due to inordinate delay in shifting/non-occupation of area allotted, by Government undertakings. This has also resulted in avoidable payment of rent of Rs.1.24 crores made by them for their rented premises.

(Paragraph 4A.4.1)

Due to delay in finalisation of bills of deposit works, the Gujarat Electricity Board suffered loss of interest of Rs. 5.10 crores.

(Paragraph 4B.1.1)

The plant and machinery worth Rs.2.35 crores, became surplus and lying idle at Dhuvaran Thermal Power Station of Gujarat Electricity Board, since 1988 pending final decision for disposal. The delay entailed loss of interest of Rs.3.29 crores and exposure of the assets to the risk of deterioration and decline in resalable value.

(Paragraph 4B.1.2)

The inadequate assessment of coal sweep/coal dust lying at the coal yard of Dhuvaran Thermal Power Station by the Gujarat Electricity Board, resulted in revenue loss of Rs. 2.04 crores, as the coal lifted by the contractor was 16811 tonnes against 1600 tonnes estimated by the Board.

(Paragraph 4B.1.3)

The Gujarat Electricity Board suffered loss of interest of Rs.0.83 crore for inordinate delay in transfer of funds by the Banks to Board's accounts.

(Paragraph 4B.1.5)

Chapter - I

General view of Government companies and Statutory corporations

Introduction

Chapter - I

1. General view of Government companies including deemed Government companies and Statutory corporations

1.1 Introduction

The accounts of the Government companies (as defined in Section 617 of the Companies Act, 1956) and deemed Government companies (as defined in Section 619 B of the Companies Act, 1956) are audited by the Statutory auditors who are appointed by the Central Government on the advice of the Comptroller and Auditor General of India (CAG) as per provisions of Section 619 (2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per provisions of Section 619 (4) of the Companies Act, 1956.

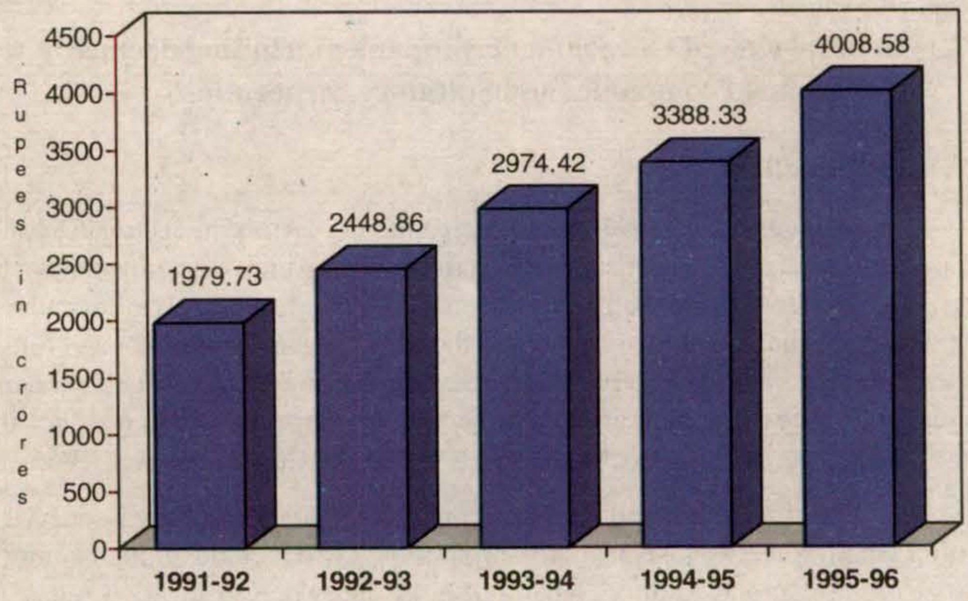
Of the Statutory corporations, the accounts of Gujarat Electricity Board (GEB) and Gujarat State Road Transport Corporation (GSRTC) are audited solely by the Comptroller and Auditor General of India under their respective Acts. The accounts of Gujarat State Financial Corporation (GSFC) and Gujarat State Warehousing Corporation (GSWC) are audited by the Chartered Accountants appointed by the State Government in consultation with the CAG, who also undertakes the audit of these corporations separately. The audit of Gujarat Industrial Development Corporation (GIDC) was entrusted to the CAG by the State Government for a period of five years from 1977-78 to 1981-82 and was further extended from time to time up to 1996-97. Audit Reports on the accounts of all the Statutory corporations are issued by the CAG to the respective organisations/State Government.

1.2 Government companies - General view

1.2.1 Total investment

As on 31 March 1996, there were 40 Government companies (including seven subsidiaries) with total investment of Rs.5570.59 crores (equity : Rs.3965.46 crores; long-term loans : Rs.1556.01 crores ; application money Rs. 43.12 crores and pending consideration : Rs.6.00 crores) against the same number of companies with a total investment of Rs.5221.55 crores as on 31 March 1995 (equity: Rs.3388.33 crores; (inclusive of Share application money) and long-term loans: Rs.1833.22 crores). There were six deemed Government companies as on 31 March 1996.

Growth in paid-up capital
(1991-92 to 1995-96)



The classification of the 40 companies is as under:

		Number of companies	Paid-up capital (Rupees in crores)
a)	Working companies	35	731.24 43.12*
b)	Non-working companies		
	i) pre-operative stage	5	3234.22
	ii) Defunct companies	—	—
	iii) companies under liquidation	—	—
	Total	40	3965.46 43.12*

Of the above working companies two sick companies referred to BIFR are discussed in para no.1.2.5.3.

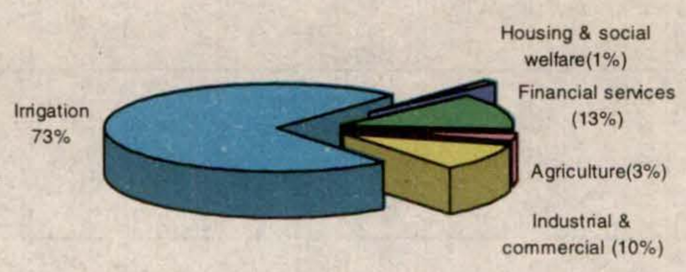
* Application money

1.2.2 Sectorwise investment

The financial position and working results in respect of all the Government companies are given in *Annexure 1 and 2* respectively. The sector wise investment in these companies is as follows:

Ministry/Department sector wise PSUs	As at the end of 1995-96 Number	Equity	Loan	1994-95 Number	Equity	Loan	Debt-equity ratio in 1995-96 (previous year)
		(Rupees in crores)			(Rupees in crores)		
Industrial and Commercial							
(A) Government companies	18	165.79	415.20	18	145.84	98.39	2.50:1 (0.67:1)
(B) Subsidiary companies	5	0.29	0.32	5	0.29	0.32	1.10:1 (1.10:1)
Irrigation							
(A) Government companies	1	3234.22	778.42	1	2729.04	785.14	0.24:1 (0.29:1)
(B) Subsidiary companies	-	-	-	-	-	-	-
Agriculture and Rural Development							
(A) Government companies	9	62.78	85.53	9	61.35	85.21	1.36:1 (1.38:1)
(B) Subsidiary companies	2	0.94	0.70	2	0.94	1.11	0.74:1 (1.18:1)
Financial Services							
(A) Government companies	3	494.76	250.80	3	408.38	837.63	0.51:1 (2.05:1)
(B) Subsidiary companies	-	-	-	-	-	-	-
Social Welfare							
(A) Government companies	1	15.00	0.53	1	14.85	0.72	0.04:1 (0.05:1)
(B) Subsidiary companies	-	-	-	-	-	-	-
Housing							
(A) Government companies	1	34.80	24.51	1	27.64	24.70	0.70:1 (0.89:1)
(B) Subsidiary companies	-	-	-	-	-	-	-
Energy							
(A) Government companies	-	-	-	-	-	-	-
(B) Subsidiary companies	-	-	-	-	-	-	-
Total investment							
(A) Government companies	33	4007.35	1554.99	33	3387.10	1831.79	0.39:1 (0.54:1)
(B) Subsidiary companies	7	1.23	1.02	7	1.23	1.43	0.83:1 (1.16:1)
Grand total	**40**	**4008.58**	**1556.01**	**40**	**3388.33**	**1833.22**	

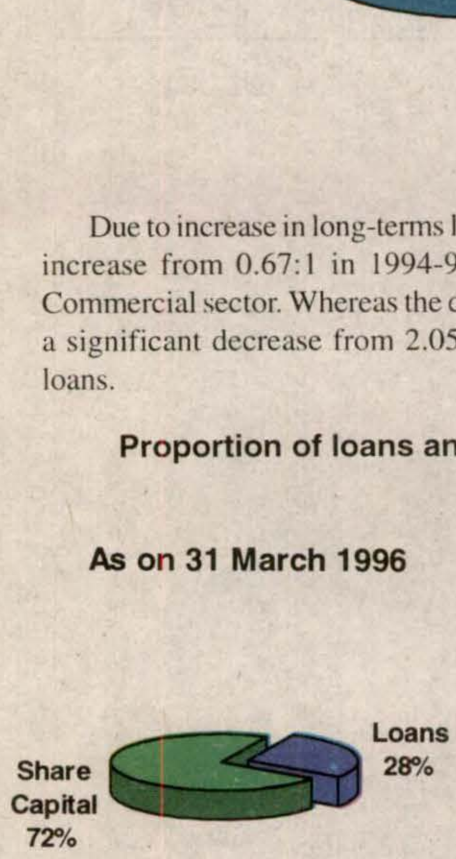
Sector wise investment in Government companies as on 31 March 1996



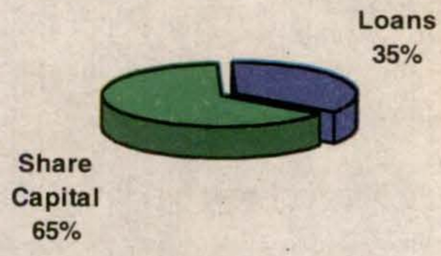
Due to increase in long-terms loans, the debt-equity ratio registered a significant increase from 0.67:1 in 1994-95 to 2.50:1 in 1995-96 in the Industrial and Commercial sector. Whereas the debt-equity ratio in the financial sector registered a significant decrease from 2.05:1 to 0.51:1 because of decrease in long-term loans.

Proportion of loans and share capital in total investment

As on 31 March 1996



As on 31 March 1995



1.2.2 (i) Delay in valuation of assets and fixation of interest rate on loans and its impact on Company's accounts

On formation of a company or transfer of an activity to a company, the State Government transferred assets as well as extended financial assistance by way of loans, grants or reimbursement of losses. A review of their accounting in case of nine companies revealed that :

- In case of four companies which had been granted 24 loans totalling Rs.1739.32 lakhs, the rate of interest / penal interest was not fixed or the rate fixed was not reviewed. As a result of this, either the company did not make any provision for interest or it adopted *ad hoc* rates of interest or old rates in absence of any review of the rates being made by the Government as per the Government resolution. (Details in Table-1).

- In case of four companies, the value of assets transferred has not been fixed/ finalised as a result of which it was either not accounted for or there was under-provision/ over-provision of depreciation (Details in Table-2).
- In case of three companies, claims of Rs.752.84 lakhs made by the Company were pending with the Government though decision regarding its reimbursement was taken long back (Details in Table-3).

The delay on the part of the Government in fixing rates of interest, valuation of assets and in taking decision regarding admissibility of claims, affected presenting a true and fair view in the accounts of these companies. In view of the present initiative by the Government for disinvestment/privatisation, the matter needs serious consideration by the Government.

Further developments were awaited. (December 1996)

1.2.2(ii) Disinvestment, Privatisation and Restructuring of Public Sector Undertakings in Gujarat

The New Industrial Policy, 1991 of the Government of India sharply reduced the areas of activity reserved for the public sector from the existing 18 to 6 activities and thereby paved the way for privatisation, disinvestment and restructuring.

The Government of Gujarat constituted the State Finance Commission (October 1992) to examine the potential for privatisation / disinvestment of Public Sector Undertakings (PSUs) in Gujarat. The Commission recommended winding up of 11 PSUs (all Government companies) and substantial disinvestment in 21 PSUs which include 16 Government companies, 3 Statutory corporations and 2 other Undertakings and also setting up a High Level Committee (HLC) under the chairmanship of Chief Minister for putting through the process of disinvestment.

The Government of Gujarat constituted a High Level Committee (December 1994) to formulate broad guidelines in this regard. On the recommendation of the HLC the State Government formed a Standing Committee under the Chairmanship of Chief Secretary (July 1995) to formulate general principles, broad guidelines and *modus operandi* to be followed for the disinvestment, privatisation, winding-up and restructuring of PSUs. The Standing Committee submitted its recommendations in January 1996 which were approved in principle by the Cabinet.

The Government vide resolution dated 7 March 1996 constituted a Cabinet Sub-Committee to put through the whole public sector restructuring programme empowering them to take all decisions regarding restructuring, proportion of disinvestment, merger, closure or continuance of PSUs under the broad guidelines given therein.

The Sub-committee took the following decisions in its first meeting held in July 1996.

(i) Disinvestment up to 26 *per cent* in Gujarat Mineral Development Corporation Limited and Gujarat Industrial Investment Corporation Limited and offering 25 *per cent* of the shares of Gujarat State Financial Corporation to the public in accordance with the provisions of the State Financial Corporations Act.

(ii) Merger of Gujarat State Leather Industry Development Corporation Limited with Gujarat Rural Industries Marketing Corporation Limited and Gujarat State Handicrafts Development Corporation Limited with Gujarat State Handloom Development Corporation Limited.

(iii) Privatisation of Gujarat Communications and Electronics Limited and Gujarat Tractor Corporation Limited by offering 51 *per cent* of capital in these companies to private entrepreneurs at the first stage and thereby converting these companies to Joint Sector companies.

1.2.3 Guarantees, Budgetary outgo and Waiver of dues

The details regarding the subsidies and guarantees received by the Government companies and the dues waived by the State Government during the year 1995-96 are given in ***Annexure-3***.

1.2.3.1 Guarantees

The guarantees given by the State Government against loans and credits given by banks, etc. to the Public Sector Undertakings for the preceding three years** up to 1995-96 and outstanding as on 31 March 1996 are shown in the table below:

Guarantees (purpose)	Amount guaranteed during			Guaranteed amount outstanding as on 31 March 1996
	1993-94	1994-95	1995-96	
	(Rupees in crores)			
Cash credit from State Bank of India (SBI) and other Nationalised Banks	80.90	9.10	6.90	108.87
Loans from other sources	154.85	118.54	68.46	371.57
Letters of credit opened by SBI in respect of imports	-	-	-	-
Payment obligation under agreement with foreign consultants or contractors	-	-	-	46.60
Total	**235.75**	**127.64**	**75.36**	**527.04**

There were no cases of default in repayment of guaranteed loans during the year. The guarantee commission paid/payable by the Government companies

** Information from one company was not received.

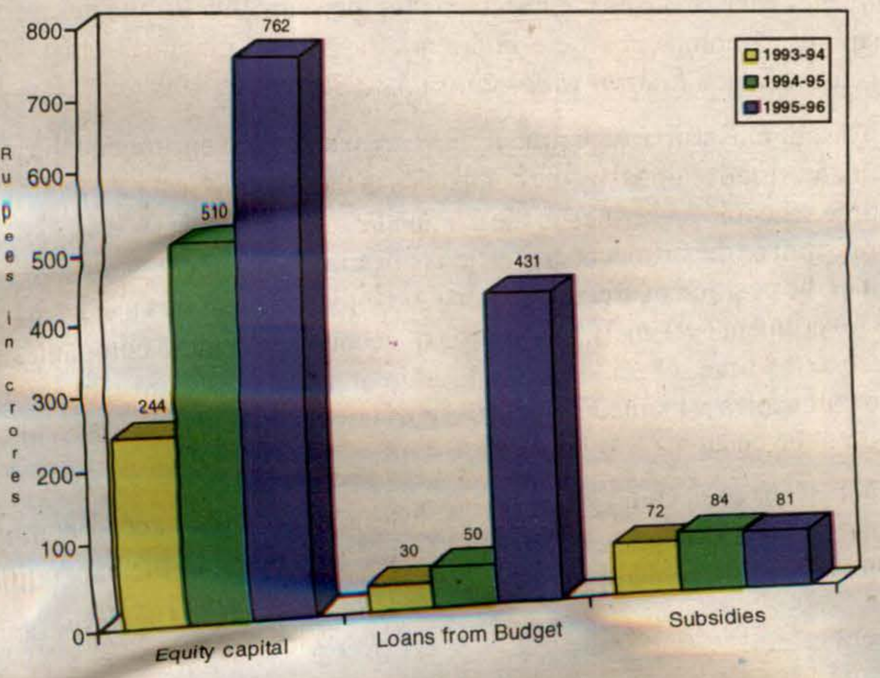
amounted to Rs.2.09 crores in 1995-96 which increased by Rs.0.17 crore compared to the previous year 1994-95 (1.92 crores).

1.2.3.2 Budgetary outgo

The outgo from the State Government budget to Public Sector Undertakings during the years 1993-94 to 1995-96 in the form of equity capital, loans and subsidies is detailed below :

		1993-94	1994-95	1995-96
		(Rupees in crores)		
1	Equity capital	243.62	510.43	761.72
2	Loans given out from Budget	29.60	49.83	431.01
3	Subsidy	71.66	83.94	81.34
	Total outgo	**344.88**	**644.20**	**1274.07**

Budgetary outgo to Government companies



1.2.3.3 Waiver of dues

In the last three years,# the amount of receipts due to the Government which were foregone by way of loans written off or interest waived or due to grant of moratorium on loan repayments are given below:

		1993-94	1994-95	1995-96
			(Rupees in crores)	
1.	Loans repayments written off	-	1.26	-
2.	Interest waived	-	-	0.64
3.	Penal interest waived	-	-	0.07
4.	Repayment of loans on which moratorium allowed	0.13	0.21	0.05
5.	Others	-	0.48	-
	Total	**0.13**	**1.95**	**0.76**

1.2.4 Finalisation of accounts

Accountability of Public Sector Undertakings to the Legislature is to be achieved through the submission of audited annual accounts within the prescribed time schedule to the Legislature. Out of 40 Government companies, only 8 companies have finalised their accounts for the year 1995-96 and the accounts of remaining 32 companies were in arrears for periods ranging from 1 year to 4 years as indicated in ***Annexure - 2*** (as on 30 September 1996).

The administrative departments have to oversee and ensure that the accounts are finalised and adopted by the companies in the Annual General Meeting within the time schedule prescribed in the Companies Act, 1956. Though the concerned administrative departments and officials of the Government were appraised by audit of the position of arrears quarterly, no effective measures had been taken by the Government for timely finalisation of accounts. As these companies did not adhere to the time schedule for finalisation of accounts, the investment made in these companies remained outside the purview of audit and their accountability could not be ensured.

Out of 40 companies, five companies have not commenced commercial production, one Company in Housing sector capitalises all the expenditure, in another servicing company net expenses/income are adjusted against grants and

Information from one company was not received.

in two other companies only expenses relating to activities under construction stage are capitalised. According to the latest finalised accounts of the 33 companies, which prepare a Profit and Loss account or an Income and Expenditure account, 20 companies earned profit of Rs.136.23 crores while 13 companies incurred loss of Rs.174.82 crores as indicated below :

Profit making companies

Year to which the accounts pertain	Amount of profit (Rupees in lakhs)	Number of companies	Serial number in *Annexure-2*
1991-92	66.53	1	27
1992-93	73.11	2	11,31
1993-94	943.07	2	17,39
1994-95	342.55	8	1,9,10,19,23, 32,36,40
1995-96	12197.78	7	2,3,7,13, 24,26,35
Total	**13,623.04**	**20**	

Loss making companies

Year to which the accounts pertain	Loss incurred (Rupees in lakhs)	Number of companies	Serial number in *Annexure-2*
1991-92	374.79	1	38
1992-93	1835.61	5	5,8,12,14,30
1993-94	179.33	3	18,33,37
1994-95	15,092.04	4	4,6,25,34
Total	**17,481.77**	**13**	

1.2.5 Working results

1.2.5.1 Profit making companies

During the year, 20 companies which finalised their accounts for 1995-96 or previous years, earned profit of Rs.136.23 crores. Of these, seven companies earned profit for two successive years or more. Free reserves and Surplus amounting to Rs.320.75 crores were built-up in 16 companies.

1.2.5.2 Profits and dividend

Seven of the 20 profit making companies with a total share capital of Rs.105.66 crores earned profit of Rs.131.12 crores and declared dividend amounting to Rs.16.64 crores as shown below :

Name of the company	Profit earned	Share capital	Dividend declared	
			Percentage	Amount
	(Rupees in lakhs)			(Rupees in lakhs)
Gujarat Mineral Development Corporation Limited	8858.60	1272.00	30	381.60
Gujarat State Export Corporation Limited	44.01	15.00	30	4.50
Gujarat Industrial Investment Corporation Limited	2483.74	6915.70	15	1037.35
Gujarat Insecticides Limited	942.79	65.01	120	78.01
Gujarat State Seeds Corporation Limited	280.88	153.00	15	22.95
Gujarat Communications and Electronics Limited	198.53	1245.01	2.5	31.13
Gujarat State Financial Services Limited	303.63	900.00	12	108.00
Total	**13112.18**	**10565.72**		**1663.54**

The dividend as percentage of share capital in these seven profit making companies worked out to 15.74 *per cent*. The remaining thirteen profit making companies did not declare any dividend on the profit of Rs.5.11 crores earned by them in 1995-96. On the total paid-up capital of all Government companies (Rs.3965.46 crores) the return worked out to 0.42 *per cent* in 1995-96 compared to 0.47 *per cent* in 1994-95, due to negligible increase in profits and significant increase in paid-up capital.

1.2.5.3 Loss making companies

According to the latest available accounts, 9 loss making companies had eroded their paid-up capital of Rs.75.26 crores as the accumulated losses of Rs.728.92 crores in these companies had far exceeded the paid-up capital. Of these 9 companies, following 5 companies suffered loss since 1987-88.

Name of company	Paid-up capital	Accumulated loss	Excess over paid-up capital
	(Rupees in crores)		
Gujarat State Textile Corporation Limited	3.93	515.85	511.92
Tourism Corporation of Gujarat Limited	6.66	12.45	5.79
Gujarat Water Resources Development Corporation Limited	31.49	88.98	57.49
Gujarat Dairy Development Corporation Limited	10.46	40.76	30.30
Gujarat State Land Development Corporation Limited	1.56	37.12	35.56
Total	**54.10**	**695.16**	**641.06**

Out of 40 companies, two companies *viz.* Gujarat Dairy Development Corporation Limited and Gujarat State Textile Corporation Limited were sick and were referred to referred to BIFR on 10 August 1994 and 16 February 1993 respectively.

The main reasons for the poor performance of these companies as analysed by audit are :

(i) In the case of Gujarat Dairy Development Corporation Limited, due to reduction in sale of milk and its consequent higher cost, other milk products made out of surplus milk did not fetch remunerative prices.

(ii) The loss in Gujarat State Textile Corporation Limited was due to liquidity crunch as the funds given by Government towards loan was used to pay salaries and wages and also due to increase in power cost. As a result, funds required for procuring basic raw material for regular production were not available. Moreover, the interest burden and employees cost accounted for 80 *per cent* of the total expenditure during 1994-95.

1.2.5.4 Under Section 619(4) of the Companies Act, 1956, CAG has the right to comment upon or supplement the report of the Statutory Auditors. Accordingly, the audited annual accounts of Government companies are reviewed on a selective basis. During the period from October 1995 to September 1996, the accounts of 29 companies were selected for review. **As a result of the comments of the Comptroller and Auditor General of India, three companies *viz.*, Gujarat Analgesics Limited (1994-95), Gujarat Women Economic Development Corporation Limited (1991-92) and Gujarat State Leather Industry Development Corporation Limited (1993-94) had to revise their accounts.**

In addition the net effect of the important comments as a result of a review of the remaining companies was as follows :

Details	Number of accounts	Monetary effect
		(Rupees in lakhs)
Decrease in profits (Increase in loss)	2 (2)	13.13 (197.35)
Increase in profits (Decrease in loss)	1 (-)	1.00 (- -)
Non-disclosure of material facts	6 (-)	3542.07 (- -)
Errors in classification	7	2714.25

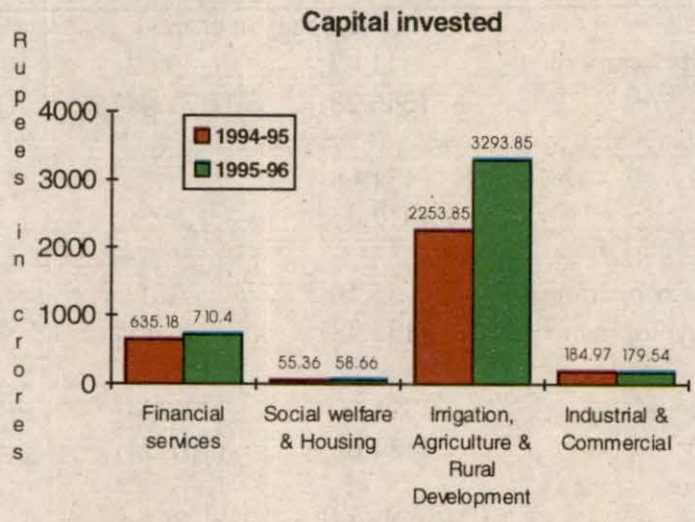
The financial results of all the 40 companies based on the latest available accounts is given in ***Annexure - 2***.

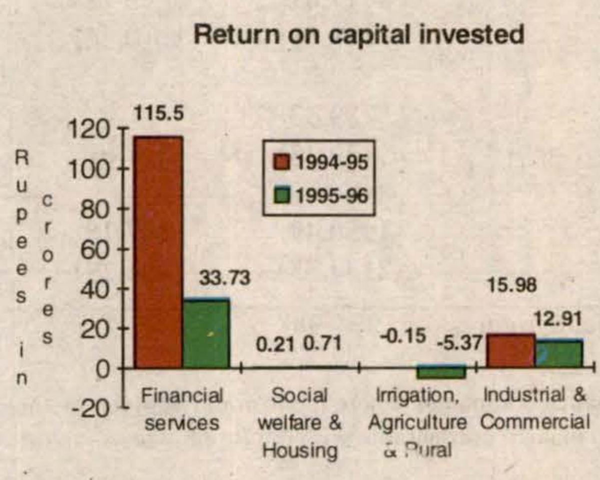
(a) Return on capital invested

As the capital structure differs from company to company and as rates of interest charged on long-term loans given to the companies are not uniform it may be unrealistic to compare profit of the companies wholly on the basis of profit and loss as reflected in these accounts. To study the results on a uniform basis, therefore, the capital invested was taken into account consisting of the total paid-up capital, application money pending allotment, long-term loans and free reserves *less* accumulated losses at the close of the financial year. Similarly, the return was taken not only as the profit or loss (before tax and prior period adjustments) as disclosed in the accounts but also the interest paid on long-term loans. On this basis, the return on total investment of Rs.4242.45 crores in forty companies amounted to Rs.41.98 crores (before tax and prior period adjustments) in 1995-96 which comes to 0.98 *per cent* compared to 4.20 *per cent* in 1994-95. The return on capital invested during 1995-96 in companies in different sectors was as follows:

Sl. no.	Sector	1995-96 Capital invested	Return on capital invested	Percentage of return on capital invested
		(Rupees in crores)		
1.	Industrial and Commercial	179.54 (184.97)	12.91 (15.98)	7.19 (8.64)
2.	Irrigation	3254.98 (2183.37)	* (*)	* (*)
3.	Agriculture, Co-operation and Rural Development	38.87 (70.48)	(-)5.37 -(0.15)	- - (- -)
4.	Financial services	710.40 (635.18)	33.73 (115.50)	4.75 (18.18)
5.	Social welfare	19.25 (15.95)	0.71 (0.21)	3.69 (1.32)
6.	Housing	39.41 (39.41)	# (#)	# (#)
	Total	**4242.45 (3129.36)**	**41.98 (131.54)**	**0.98 (4.20)**

(Figures in bracket indicate figures of 1994-95).





* Under construction

Construction work undertaken by one company is in progress/work completed

(b) Return on capital employed

Capital employed has been taken as net fixed assets (excluding capital works in progress) *plus* working capital@. For calculating return on capital employed interest on borrowed funds is added/ subtracted to the net profit/loss as disclosed in the Profit and Loss account. Thus, during 1995-96 the total capital employed worked out to Rs. 1950.49 crores in forty companies and the return thereon amounted to Rs.167.18 crores which is 8.57 *per cent* as compared to return of Rs.206.29 crores (9.67 *per cent*) in 1994-95.

Sector-wise details of the return on capital employed during 1995-96 was as under :

Sl. no.	Sector	Capital employed	1995-96 Return on capital employed	Percentage of return on capital employed
			(Rupees in crores)	
1.	Industrial and Commercial	311.97 (346.28)	39.62 (74.44)	12.70 (21.50)
2.	Irrigation	131.68 (412.47)	* (*)	* (*)
3.	Agriculture, Co-operation and Rural Development	55.10 (135.48)	-1.09 -(0.15)	-1.97 -(0.11)
4.	Financial services	1395.00 (1184.68)	127.94 (131.74)	9.17 (11.12)
5.	Social welfare	17.41 (16.11)	0.71 (0.26)	4.07 (1.61)
6.	Housing	39.33 (39.33)	# (#)	# (#)
	Total	**1950.49** **(2134.35)**	**167.18** **(206.29)**	**8.57** **(9.67)**

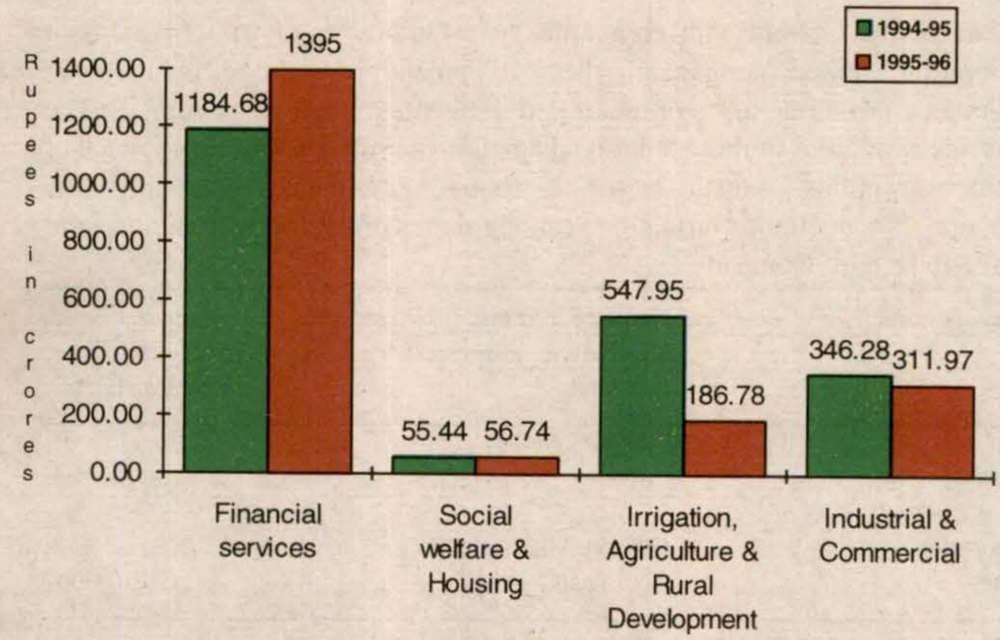
(Figures in bracket indicate figures for 1994-95)

@ Except in case of finance companies where the formula as given in annexure 2 has been used in order to make it comparable with the Review on Accounts.

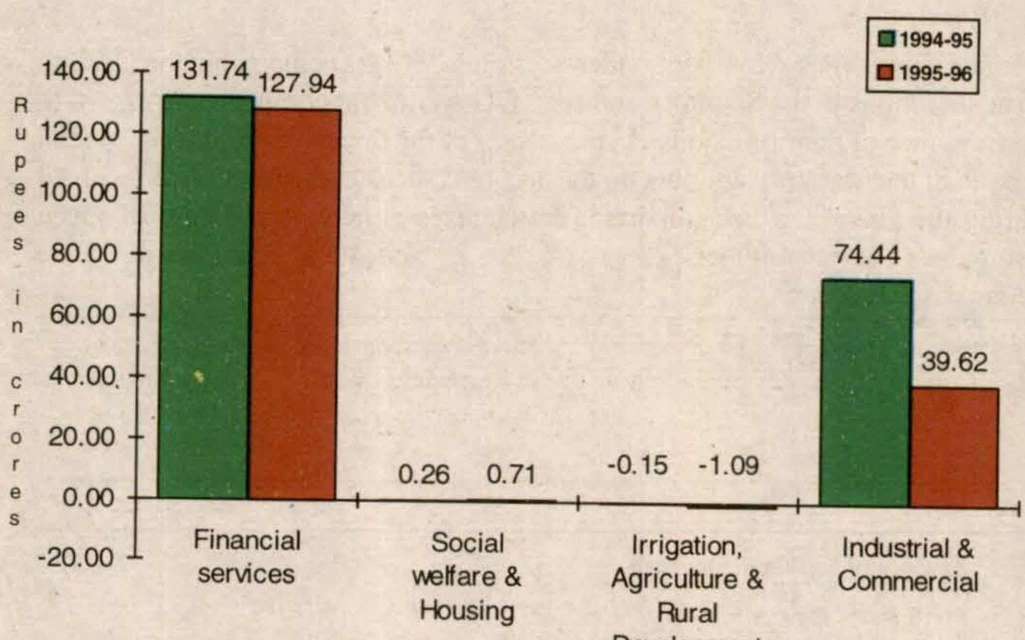
* Under construction

\# Construction work undertaken by the only company is in progress/work completed

Capital employed



Return on capital employed



1.2.6 Buy back of shares by joint sector companies promoted by Government companies

One of the Government companies *viz.* Gujarat Industrial Investment Corporation Limited is engaged in the development/promotion of industries in the State by providing loans or making investments in their share capital. The terms and conditions of the promotional agreement provides for the buy-back of the shares from this Company by the co-promoter after the promoted unit starts commercial production. During the year, the shares of the following units were disinvested by this Company :

Name of company	Name of unit in which dis-investment was made	Number of shares bought back
Gujarat Industrial Investment Corporation Limited	Gujarat Cycles Limited	4,58,250
	Gujarat Alkalies and Chemicals Limited	31,86,000

1.2.7 Important points made by Statutory auditors under Section 619(3)(a) of the Companies Act, 1956

Some of the important points made by the Statutory auditors in respect of the companies whose annual accounts were audited during the year are indicated below :

The Companies Act, 1956, under Section 619 (3) (a) empowers the CAG to issue directions to the Statutory auditors of Government companies in regard to performance of their functions. In pursuance of the directives so issued, special reports of the Statutory auditors on the accounts of 14 companies were received during the year, of which important deficiencies noticed in the case of seven companies (Serial numbers 2, 4, 5, 8, 13, 29 and 40 of ***Annexure-2***) are summarised below :

Sl. no.	Nature of defect	Number of companies in which defect was noticed	Reference to serial number of companies as per *Annexure-2*
1	(2)	(3)	(4)
1.	Absence of accounting manual.	3	2,8,29
2.	Fixed assets register in respect of plant, property showing quantitative details, location is not maintained. No physical verification of assets is done.	4	4,5,8,29

1	(2)	(3)	(4)
3.	Absence of effective system in respect of internal audit. Absence of manual outlining the scope and programme of internal audit work.	2	8,40
4.	Absence of purchase procedure.	1	8
5.	Non-preparation of detailed revenue and capital, production and sales budget.	2	2,8
6.	Computerisation of working of Panandhro Lignite Project not fully done.	1	2
7.	No procedure laid down for physical verification of stock in case of closed units. i) Bhalakia Mills ii) Marsdon Mills iii) Manjushri Mills	1	4
8.	Internal control for purchase of stores, raw materials, plant and machinery, equipments and other assets as well as sale of goods required to be strengthened (Ahmedabad Cotton Mills, Priyalaxmi Mills).	1	4
9.	In respect of Manjushri Mills, a system of recording receipts, issue and consumption of customers' materials and the allocation of materials consumed in the job need to be revised.	1	4
10.	Damaged goods at retail shops at Ahmedabad and Gandhinagar not ascertained.	1	4
11.	Cost records under Section 209(a)(i)(d) of the Companies Act, 1956 were not maintained.	1	4
12.	Audit functions laid down in the internal audit manual needs to be strengthened.	1	29
13.	Details of ageing of stock not available.	1	29
14.	No system of preparing periodical Trial Balance.	1	5
15.	Control accounts and subsidiary accounts not maintained.	1	5
16.	Direction of Head Office for depositing into Bank and withdrawal from Bank not followed by Bombay and Delhi offices.	1	5
17.	No review of outstanding dues made.	1	5
18.	Stock registers at emporia level not maintained up to date and at procurement centres, stores, stock ledgers not maintained.	1	5

1	(2)	(3)	(4)
19.	Physical verification report of stock is not reconciled with ledger, effect of shortages/excesses not given. No policy for rotation and disposal of stock.	1	5
20.	Old balances were not cleared.	1	5
21.	No control or arrangement for shortage in transport or transfer of stock.	1	5
22.	No computerisation of management information system, personnel information system, project production management, provident fund, investment and loan management, marketing and billing *etc.*	1	5
23.	Reconciliation of balances of debtors, creditors, deposits, loans and advances (debit) advances received against supply of goods, credit/debit deposits in respect of tender, security *etc.*, balances of advances to employees and others, excess payments received against sales, C.P.F., materials received less, excess taxes deducted at source, suspense account, refunds, other debits/credits and material recovery from contractor are under reconciliation.	1	13
24.	Physical verification of stock at year end was not available.	1	13
25.	Quantity reconciliation in respect of construction material not done.	1	13
26.	Remittances in transit was un-reconciled.	1	13

1.2.8 Capacity utilisation

The utilisation of the installed or rated capacity of all manufacturing companies (to the extent the information is available) are given in***Annexure-4***. The installed capacity is often up rated or down rated depending upon the condition of plant and machinery, manpower constraints, number of shifts worked *etc.* leading to revision of rated capacity. The figures computed by the companies have not been presented in terms of a standard man-hour unit of capacity of production. A comparison of the actual utilisation with the installed capacity reveals a very low utilisation in Gujarat Dairy Development Corporation Limited and Gujarat Trans Receivers Limited. Thus, there is a need for monitoring capacity utilisation in terms of standard man-hours of production feasible, targeted and achieved.

1.2.9 619 B companies

There were six companies covered under Section 619B of the Companies Act, 1956 as on 31 March 1996. The table below indicates details of the paid-up capital, working results *etc.* of these companies based on latest available accounts.

Name of company	Accounting year	Paid-up capital	Profit(+) /Loss(-) during the year	Investment by			Remarks
				State Government	Government company	Others	
			<——(Rupees in crores)——>				
Gujarat Leather Industries Limited	1994-95	1.50	(+)0.43	--	0.77	0.73	
Gujarat State Machine Tools Corporation Limited	1995-96	0.53	(-)0.36	--	0.41	0.12	
Gujarat Industrial and Technical Consultancy Organisation Limited	1995-96	0.20	(+)0.05	--	0.06	0.14	
Gujarat State Fertilizers Company Limited	1995-96	66.51	(+)207.52	28.06	--	38.45	
Ahmedabad Electricity Company Limited	1995-96	64.77	(+)31.66	10.44	--	52.83	Equity Shares
				1.50			Preference Shares
Gujarat Power Corporation Limited	1995-96	6.60	(+)1.06	3.30	--	3.30#	

1.2.10 Other investments

The State Government held investment of Rs.60.56 lakhs in VXL India Limited, Jamnagar and Rs.20 lakhs in Bhavnagar Electricity Company Limited at the end of March 1996. These companies are not subject to audit by the CAG.

Represents contribution of Rs. 3.30 crores by Gujarat Electricity Board

1.3 Statutory corporations - General aspects

1.3.1 Audit arrangement

There were five Statutory corporations in the State as on 31 March 1996. Audit arrangement of these corporations are shown below :

Name of the Corporation	Statute under which constituted	Date of formation	Audit arrange--ment	Year up to which accounts finalised (September 1996)	Separate Audit Report (SAR) placed in Legislature up to the year	Authority for audit by the Comptroller and Auditor General (C & AG)
Gujarat Electricity Board (GEB)	Section 5(1) of Electricity (Supply) Act, 1948	1 May 1960	Sole audit by C&AG	1994-95	1993-94 placed on 25 July 1995	Section 69 (2) of Electricity (Supply) Act, 1948
Gujarat State Road Transport Corporation (GSRTC)	Section 3 of Road Transport Corporations Act, 1950	1 May 1960	Sole audit by C&AG	1994-95	1994-95 placed on 29 February 1996	Section 33(2) of the Road Transport Corporations Act, 1950
Gujarat State Financial Corporation (GSFC)	Section 3(1) of State Financial Corporations Act, 1951	1 May 1960	Chartered Accountants and SAR issued by C&AG	1995-96	1994-95 placed on 26 February 1996	Section 37(6) of the State Financial Corporations Act, 1951
Gujarat State Warehousing Corporation (GSWC)	Section 2B of Agricultural Produce (Development & Warehousing) Corporation Act, 1956	December 1960 (started functioning from February 1961)	Chartered Accountants and SAR issued by C&AG	1994-95	1993-94 placed on 7 March 1996	Section 31(8) of State Warehousing Corporations Act, 1962
Gujarat Industrial Development Corporation (GIDC)	Gujarat Industrial Development Act, 1962	August 1962	Sole audit entrusted to the C&AG up to 1996-97	1994-95	1993-94 placed on 27 February 1996	Section 19(3) of the C&AG's Duties, Powers and Conditions of Service Act, 1971

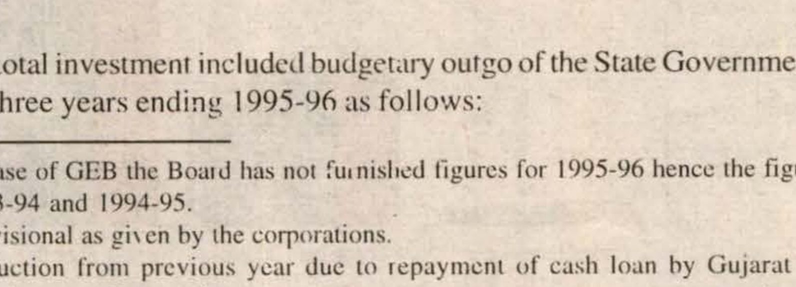
1.3.2 Investment

The total investment in these corporations at the end of March 1996 is as below:

Name of Corporation (Department of Government)	1994-95 Capital	1994-95 Loan	1995-96 Capital	1995-96 Loan
	<——(Rupees in crores)			——>
Gujarat Electricity Board (Energy and Petrochemicals)	-	*4586.54	-	*5137.92
Gujarat State Road Transport Corporation (Home)	396.46	55.42	**442.06	59.01
Gujarat State Financial Corporation (Industries and Mines)	71.60	14.26	71.60	14.26
Gujarat State Warehousing Corporation (Agriculture, Co-operation and Rural Development)	4.00	0.06	**4.00	--.--
Gujarat Industrial Development Corporation (Industries and Mines)	--.--	@102.30	--.--	**91.08
Total	**472.06**	**4758.58**	**517.66**	**5302.27**

Out of the total investment of Rs.5819.93 crores as on 31 March 1996, the investment in GEB alone was Rs. 5137.92 crores (88.28 *per cent*)

Ratio of investment in GEB and other Statutory corporations as on 31 March 1996



The total investment included budgetary outgo of the State Government during the last three years ending 1995-96 as follows:

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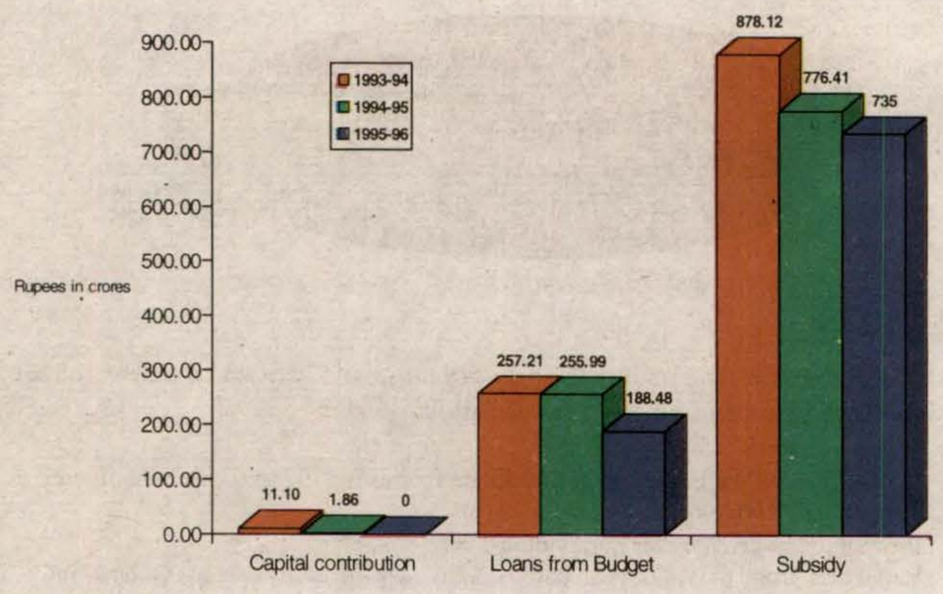
* In case of GEB the Board has not furnished figures for 1995-96 hence the figures are of 1993-94 and 1994-95.

** Provisional as given by the corporations.

@ Reduction from previous year due to repayment of cash loan by Gujarat Industrial Development Corporation.

Particulars	Name of Corporation	1993-94	1994-95	1995-96
		(Rupees in crores)		
Capital contribution	Gujarat State Road Transport Corporation	11.10	1.86	—
		11.10	**1.86**	**—**
Loans given from budget	Gujarat Electricity Board	257.21	255.99	188.48
		257.21	**255.99**	**188.48**
Subsidy	Gujarat State Road Transport Corporation	52.00	50.00	46.00
	Gujarat Electricity Board	808.38	703.46	669.22
	Gujarat State Financial Corporation	17.74	22.95	19.78
		878.12	**776.41**	**735.00**
Subvention received	Gujarat State Financial Corporation	—	11.25	—

Budgetary outgo to Statutory corporations



1.3.3 Delay in finalisation of accounts

Accountability of the Statutory corporations to the Legislature is to be achieved through submission of audited annual accounts within the prescribed time schedule to the Legislature. Out of the five corporations, only GSFC finalised its accounts up to 1995-96 by the due date.

There was considerable delay in adoption of accounts in Gujarat Electricity Board during the four years up to 1995-96. The accounts for 1995-96 due to be finalised by September 1996 have not yet been finalised (September 1996).

Gujarat State Warehousing Corporation, Gujarat State Road Transport Corporation and Gujarat Industrial Development Corporation did not finalise their accounts for 1995-96 till 30 September 1996 as against the stipulated period of 30 June 1996.

1.3.4 Profit/Loss by the corporations

According to latest financial accounts, three corporations *viz.* GEB, GSFC and GIDC earned profit of Rs.127.31 crores. The Gujarat State Road Transport Corporation incurred a loss of Rs.77.57 crores in 1994-95 compared to loss of Rs.27.40 crores incurred during 1993-94, and Gujarat State Warehousing Corporation incurred loss of Rs.0.06 crore in 1994-95 compared to profit of Rs.0.04 crore during 1993-94.

1.3.5 Guarantee on loans

The guarantees given by the State Government against loans and credits given by the Banks *etc.* to the Statutory corporations for the preceding three years up to 1995-96 and outstanding as on 31 March 1996 are shown in the table below:

Guarantees (purpose)	Amount guaranteed during			Guaranteed amount outstanding as on 31 March 1996
	1993-94	1994-95	1995-96	
	(Rupees in crores)			
Cash credit from State Bank of India and other Nationalised Banks				
GEB	—	—	—	70.00
GIDC	—	—	—	53.94
Loans from other sources				
GEB	350.53	384.17	149.80	2802.52
GSRTC	—	0.08	—	2.30
GSFC	46.30	45.60	47.00	383.85
GIDC	—	—	—	28.46
Letters of credit opened by SBI in respect of imports **(GEB)**	—	—	—	30.00
Payment obligation under agreement with foreign consultant or contractors **(GEB)**	—	—	—	6.00
Total	**396.83**	**429.85**	**196.80**	**3377.07**

1.3.6 Subsidy

The Government gives subsidy to the corporations for specific schemes or programmes/projects and also for other purposes like the agricultural subsidy given to the GEB.

(i) During 1995-96 total subsidies given by the Government to the GEB amounted to Rs.669.22 crores (Provisional) out of which Rs.637.95 crores were given as subsidy for concessional tariff to the agriculturists.

(ii) Gujarat State Road Transport Corporation was given subsidy amounting to Rs.40.00 crores towards reimbursement of concessions in fare given to the students.

(iii) Gujarat State Financial Corporation was given subsidy amounting to Rs.19.78 crores for disbursement to industrial units as the Corporation is acting as disbursing agency.

Working Results of Statutory corporations

The working results of the Statutory corporations for the latest year for which accounts have been finalised are summarised in ***Annexure-5***. Salient points about the accounts and performance of these corporations are given below in paragraphs 1.4. to 1.8.

1.4 Gujarat Electricity Board

The capital requirements of the Board are met by way of loans from Government, the public, the banks and other financial institutions. The aggregate of long-term loans (including loans from Government and interest accrued and due) outstanding as on 31 March 1995 was Rs.5219.74[#] crores, compared to Rs.4790.48 crores outstanding at the end of the previous year.

1.4.1 The amount of loans (Principal) guaranteed and outstanding guarantees as on 31 March 1995 was Rs.2908.52 crores.

\# This includes Rs.81.82 crores being interest accrued and due on Government and other loans and repayment due on bonds.

1.4.2 The financial position of the Board at the close of three years up to 1994-95 is given in the following table :

	Particulars	1992-93	1993-94	1994-95
			(Rupees in crores)	
A.	**Liabilities**			
	Loan from Government	2902.64	2710.26	2843.61
	Other long-term loans (including Bonds)	1672.08	2080.22	2376.13
	Reserves and surplus	610.01	796.31	987.09
	Current liabilities and Provisions	*1894.98	1724.67	1676.83
	Total - A	**7079.71**	**7311.46**	**7883.66**
B.	**Assets**			
	Gross fixed assets	4380.14	5055.28	5555.79
	Less : Depreciation	992.70	1184.99	1529.47
	Net fixed assets	3387.44	3870.29	4026.32
	Capital works-in-progress	850.08	744.56	964.04
	Current assets, Investments Miscellaneous expenditure (including deficits)	2842.19	2696.61	2893.30
	Total - B	**7079.71**	**7311.46**	**7883.66**
C.	Capital employed#	4303.92	4827.50	5217.72
D.	Capital invested##	4580.77	5234.94	5754.04

* Includes Rs. 0.11 crore being amount due for repayment but not repaid to bond/debenture holders due to non-production of bonds/debentures.

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

\## Capital invested represents long-term loans including interest accrued and due *plus* free reserves *less* accumulated losses.

1.4.3 The working results of the Board for three years up to 1994-95 are summarised below:

Particulars	1992-93	1993-94	1994-95
		(Rupees in crores)	
Revenue receipts	1954.91	2628.13	2953.44
Subsidy/Subvention from Government	627.22	584.61	656.22
Total	**2582.13**	**3212.74**	**3609.66**
Revenue expenditure	2616.80	3141.90	3588.31
Gross surplus (+)/ deficit (-) for the year	(-)34.67	(+)70.84	(+)21.35
Prior period adjustments	(+)123.96	(+)21.43	(+)84.59
Net surplus(+)/ deficit(-)	(+)89.29	(+)92.27	(+)105.94
Total return on			
- capital employed	392.15	421.47	463.30
- capital invested	371.98	413.66	455.28
Percentage of return on			
- capital employed	9.11	8.73	8.88
- capital invested	8.1	7.9	7.91

1.4.4 The Audit Report on the accounts of the Board for the year 1994-95 indicated net understatement of surplus to the extent of Rs.532.61 crores.

1.4.5 The following table indicates the operational performance of the Board for three years up to 1994-95:

Particulars	1992-93	1993-94	1994-95
Installed capacity		(MW)	
(a) Thermal	3729	*3729	3729
(b) Hydro	425	427	427
(c) Gas	114	189	189
Total	**4268**	**4345**	**4345**
Normal maximum demand	4863	5273	5693
Power generated :		(MKWH)	
(a) Thermal	19642	20019	20612
(b) Hydro	659	1213	1375
(c) Diesel set	2	1	—
(d) Wind farm	—	—	—
Total	**20303**	**21233**	**21987**
Less : Auxiliary consumption including transmission loss	2110	2131	2124
(percentage)	(10.4)	(10.04)	(9.66)
Net power generated	18193	19102	19863
Power purchased	5442	6896	7054
Total power available for sale	23635	25998	26917
Power sold	18501	20468	21529
Transmission and distribution losses	5134	5530	5388
Load factor (Percentage)	61.6	60.4	60.5
Percentage of transmission and distribution losses to total power available for sale	21.72	21.27	20.02
Number of villages/ towns electrified	18240	18240	18240
Number of pump sets/ wells energised	512780	531546	551551
Number of sub-stations	480	520	563
Transmission/distribution lines (in kms)			
(a) High/medium voltage	133186	135343	139128
(b) Low voltage	152587	158044	161969

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

Connected load (in MW)	11673	12168	12694
Number of consumers	5536226	5671640	5841069
Number of employees	45991	46776	46588
Total expenditure on staff during the year (Rupees in crores)	278.04	329.68	347.58
Percentage of expenditure on staff to total revenue expenditure	10.63	10.49	9.68
Units sold		(M K W H)	
(a) Agriculture	7783	8652	8462
(Percentage share to total units sold)	(42.1)	(42.3)	(39.3)
(b) Industrial	6489	7322	8265
(Percentage share to total units sold)	(35.1)	(35.8)	(38.4)
(c) Commercial	423	504	541
(Percentage share to total units sold)	(2.3)	(2.4)	(2.5)
(d) Domestic	1612	1777	1945
(Percentage share to total units sold)	(8.7)	(8.7)	(9.0)
(e) Others	2194	2213	2316
(Percentage share to total units sold)	(11.8)	(10.8)	(10.8)
Total	**18501**	**20468**	**21529**
		—(Paise per KWH)—	
(a) Revenue (excluding subsidy from Government)	105.67	128.40	137.18
(b) Expenditure #	126.16	137.80	150.45
(c) Profit (+)/Loss (-)	(-)20.49	(-)9.4	(-)3.27
(d) Average subsidy claimed from Government (in rupees)	0.34	0.29	0.30
(e) Average interest charges (in Rupees)	0.153	0.157	0.162

(i) The Plant Load Factor (PLF) in 1994-95 was 60.5 *per cent* compared to 60.4 *per cent* in 1993-94.

(ii) The Transmission and distribution (T & D) loss was 20.01 *per cent* **in 1994-95 compared to 21.27** *per cent* **in 1993-94. The norm of T & D loss as** per **Central Electricity Authority is 15** *per cent.* **T & D loss above norm meant loss in revenue of Rs.185.19 crores calculated at the rate of 137.18 paise** per **KWH.**

(iii) At the instance of audit GEB effected recoveries of Rs.33.92 lakhs during the year 1995-96.

1.5 Gujarat State Road Transport Corporation

1.5.1 Under Section 23(1) of the Road Transport Corporations Act, 1950, the State Government and Central Government contribute to the capital of the Corporation in the ratio of 2:1. The capital of the Corporation as on 31 March 1995 was Rs. 396.46 crores (State Government : Rs. 295.10 crores, Central Government : Rs. 101.36 crores) as against the capital of Rs. 394.60 crores (State Government : Rs. 293.24 crores, Central Government : Rs. 101.36 crores) as on

Inclusive of total depreciation for the year but excluding interest on loans.

31 March 1994. The shortfall of Rs. 69.57 crores in the capital contribution by the Central Government was attributed to the following reasons:

(a) Rs. 7.10 crores for the years 1980-81 and 1981-82 was not contributed as prior approval of Planning Commission was not obtained for additional contribution made by State Government .

(b) Matching contribution of Rs.35.60 crores for 1989-90 to 1994-95 is awaited.

(c) Rs. 26.87 crores for the years 1985-86 to 1988-89 was not contributed due to want of satisfactory performance.

During the year 1992-93 the State Government had written off its share of capital contribution of Rs. 46.75 crores without specifying the year/amount written off, *etc.*

1.5.2 The Government had given guarantees for the repayment of loans raised by the Corporation and payment of interest thereon. As on 31 March 1995 amount of such guarantees and outstanding loans was Rs. 3.30 crores.

1.5.3 The following table summarises the financial position of the Corporation at the close of each of the three years up to 1994-95.

Particulars	1992-93	1993-94	1994-95
		(Rupees in crores)	
A Liabilities			
Capital	381.52	394.60	396.46
Borrowings	50.65	56.18	55.42
Funds *	0.33	0.47	0.50
Trade dues and other current liabilities (including provisions)	102.12	125.08	228.70
Total	**534.62**	**576.33**	**681.08**
B Assets			
Gross Block	379.53	371.87	392.60
Less : Depreciation	243.08	259.67	268.68
Net fixed assets	136.45	112.20	123.92
Capital works-in-progress (including cost of chassis)	19.04	15.74	11.17
Investments	0.05	0.05	0.05
Current assets, loans and advances	96.21	141.48	156.63
Accumulated losses	282.87	306.86	389.31
Total	**534.62**	**576.33**	**681.08**
C Capital employed #	130.54	128.60	51.85
D Capital invested##	149.30	143.92	62.57

* Excluding depreciation fund.

\# Capital employed represents net fixed assets (excluding works-in-progress) *plus* working capital

\## Capital invested represents capital contribution *plus* long-term loans and free reserves *less* accumulated losses.

1.5.4 The working results of the Corporation for the three years up to 1994-95 are summarised below :

Particulars	1992-93	1993-94	1994-95
		(Rupees in crores)	
Operating			
(a) Revenue	493.31	654.71	661.14
(b) Expenditure	587.68	667.90	723.29
(c) Surplus(+)/Deficit (-)	(-)94.37	(-)13.19	(-)62.15
Non-operating			
(a) Revenue	115.00	19.86	19.23
(b) Expenditure	16.70	34.07	34.65
(c) Surplus (+)/ Deficit (-)	(+)98.30	(-)14.21	(-)15.42
Total			
(a) Revenue	608.31	674.57	680.37
(b) Expenditure	604.38	701.97	757.94
(c) Net Profit (+)/ Loss (-)	(+)3.93	(-)27.40	(-)77.57
Interest on capital and loans	16.51	33.62	34.41
Total return on			
- Capital employed	20.44	6.22	(-)43.16
- Capital invested	20.44	6.22	(-)43.16

The operating and non-operating expenditure of the Corporation during 1994-95 increased by 8.29 *per cent* and 1.70 *per cent* as compared to 1993-94. The loss for the year 1994-95 (Rs.77.57 crores) was arrived at after taking into account receipt of grants of Rs. 50 crores from Government.

1.5.5(i) Separate Audit Report on the accounts of the Corporation for the year 1994-95 indicated net overstatement of loss by Rs. 46.19 lakhs for the year. The audit of tentative accounts for the year 1995-96 is in progress. (September 1996)

(ii) The Corporation had incurred loss on operational results for all the three years up to 1994-95. However after taking into account non-operating revenue (including grants), the Corporation was able to show a net profit of Rs. 3.93 crores for 1992-93 though for the years 1993-94 and 1994-95 it still showed a net loss of Rs.27.40 crores and Rs.77.57 crores respectively.

1.5.6 The following table indicates the operational performance of the Corporation for the three years up to 1994-95.

Particulars	1992-93	1993-94	1994-95
Average number of vehicles held	8695	8945	8987
Average number of vehicles on road	7237	7605	7713
Percentage of utilisation	83.2	85.0	86.8
Number of routes operated at the end of year	17473	18188	18018
Route kilometres	974744	1033569	1009765
Kilometres operated (in lakhs)			
(a) Gross	8622.49	9340.40	9335.38
(b) Effective	8543.98	9260.28	9251.99
(c) Dead	78.51	80.12	83.39
Percentage of dead kms. to gross kms.	0.92	0.86	0.90
Average kms. covered per bus per day	325.08	335.70	331.00
Average operating revenue per kilometre (Paise)	577	707	715
Increase in operating revenue per kilometre over previous year's income (*per cent*)	0.60	22.45	1.13
Average expenditure per km. (paise)	687.84	721.25	781.76
Increase in operating expenditure per kilometre over previous year's expenditure (*per cent*)	12.53	4.85	8.39
Loss per kilometre (paise)	110.46	14.24	67.17
Number of operating depots	132	134	136
Average number of break-down per lakh kilometres	4.6	4.3	6.30
Average number of accidents per lakh kilometres	0.28	0.27	0.29
Passenger kms. operated (in crores)	3475.87	2949.46	3131.74
Occupancy ratio	67.86	54.26	58.43
Kilometres obtained per litre of :			
(a) Diesel Oil	4.90	5.01	4.84
(b) Engine oil	1360	1326	1084

1.5.7 Contrary to the provisions of Road Transport Corporations Act, 1950, the Corporation contributed Rs.4 crores between December 1991 and March 1994 towards contribution of an overbridge near Sabarmati Power House at the instance of the State Government, though it was not a revenue earning activity. This was done despite the financial constraints of the Corporation, which had accumulated loss of Rs.306.86 crores and was unable to pay passenger tax of Rs.3.02 crores to the State Government at that time (1993-94).

1.6 Gujarat State Financial Corporation

1.6.1 The paid-up capital of the Corporation as on 31 March 1996 was Rs.71.60 crores. The capital was contributed mainly by the State Government (Rs.49.09 crores), the Industrial Development Bank of India (Rs.22.10 crores) and Scheduled banks and others (Rs.0.41 crore).

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The Government had guaranteed the repayment of share capital of Rs.69.10 crores (excluding special share capital of Rs.2.50 crores) under Section 6(1) of the State Financial Corporations Act, 1951 and payment of minimum dividend thereon at the rate of 3.5 *per cent* on Rs.13.20 crores (excluding special share capital of Rs. 2.50 crores) and 7.5 *per cent* on Rs.55.90 crores, (excluding the shares issued under Section 4A of State Financial Corporations Act, 1951).

The Government had also guaranteed repayment of loans of Rs.558.93 crores. Principal amount outstanding thereagainst as on 31 March 1996 was Rs.383.85 crores.

1.6.2 The following table summarises the financial position of the Corporation at the end of each of the three years up to 1995-96:

	Particulars	1993-94	1994-95	1995-96
			(Rupees in crores)	
A.	**Liabilities**			
	Paid-up capital	71.60	71.60	71.60
	Reserve fund and other reserves and surplus	16.55	29.22	40.62
	Borrowings			
	(i) Bonds and Debentures	315.18	347.58	369.25
	(ii) Fixed Deposits	—	—	—
	(iii) Industrial Development Bank of India and Small Industries Development Bank of India	392.75	405.34	450.36
	(iv)Reserve Bank of India	—	—	—
	(v)Loan towards share capital			
	(a) State Government	6.03	6.03	6.03
	(b) Industrial Development Bank of India	8.23	8.22	8.22
	(vi)Others (including State Government)	2.45	27.40	44.72
	Other Liabilities and provisions	33.54	23.68	22.04
	Total	**846.33**	**919.07**	**1012.84**
B.	**Assets**			
	Cash and Bank balances	35.90	43.02	33.42
	Investments	0.28	0.28	2.62
	Loans and Advances	794.53	844.76	964.06
	Net fixed assets	3.55	3.40	6.31
	Other assets	12.07	27.61	6.43
	Total	**846.33**	**919.07**	**1012.84**
C.	Capital employed (A)	771.91	854.08	943.09
D.	Capital invested (B)	799.22	873.84	960.01

(A) Capital employed represents the mean of the aggregates of opening and closing balances of paid-up capital, reserves (other than those which have been funded specifically and backed by investments outside), bonds, deposits and borrowings (including refinance).

(B) Capital invested represents paid-up capital *plus* long-term loans *plus* free reserves.

1.6.3 The following table gives details of the working results of the Corporation for the three years up to 1995-96:

Particulars	1993-94	1994-95	1995-96
		(Rupees in crores)	
Income			
(a) Interest on loans	107.15	121.20	139.94
(b) Other income	8.79	8.95	10.49
Total - 1	**115.94**	**130.15**	**150.43**
Expenses			
(a) Interest on long-term loans	77.12	90.43	101.34
(b) Other expenses	34.76	22.04	27.89
Total - 2	**111.88**	**112.47**	**129.23**
Profit before tax (1-2)	4.06	17.68	21.20
Provision for tax	1.35	4.51	5.60
Other appropriations	2.22	0.90	0.65
Amount available for dividend #	0.71	12.27	14.95
Dividend	1.37.	10.12	4.65
Total return on			
- Capital employed	81.18	108.11	122.39
- Capital invested	81.18	108.11	122.39
Percentage of return on			
- Capital employed	10.53	12.66	12.97
- Capital invested	10.16	12.37	12.64

1.6.4 Out of the total loan of Rs.962.72 crores as on 31 March 1996, Rs.88.75 crores were over due for recovery during the year. The percentage of overdue amount to the total dues decreased from 34.22 in 1994-95 to 9.22 in 1995-96.

1.7 Gujarat State Warehousing Corporation

1.7.1 The paid-up capital of the Corporation as on 31 March 1995 increased to Rs.4 crores. The Corporation has not finalised its accounts for the year 1995-96.

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

1.7.2 The following table summarises the financial position of the Corporation at the end of each of the three years up to 1994-95:

Particulars	1992-93	1993-94	1994-95
		(Rupees in crores)	
A. Liabilities			
Paid-up capital	3.00	3.50	4.00
Reserves and Surplus	4.18	4.00	3.92
Borrowings	0.29	0.49	0.06
Trade dues and Current liabilities (including provisions)	1.53	1.65	2.37
Total - A	**9.00**	**9.64**	**10.35**
B. Assets			
Gross Block	6.75	7.12	7.58
Less : Depreciation	1.51	1.72	1.90
Net fixed assets	5.24	5.40	5.68
Capital works-in-progress	0.08	0.20	0.23
Current assets, Loans and Advances	3.68	4.04	4.44
Total-B	**9.00**	**9.64**	**10.35**
C. Capital employed*	7.39	7.44	7.75
D. Capital invested#	5.13	5.63	5.35

* Capital employed represents net fixed assets (excluding capital works-in-progress) *plus* working capital.

\# Capital invested represents paid-up capital *plus* free reserves *plus* long-term loans *less* accumulated losses.

1.7.3 The following table summarises the working results of the Corporation for the three years up to 1994-95:

Particulars	1992-93	1993-94	1994-95
	(Rupees in crores)		
Income			
(a) Warehousing charges	1.45	1.31	1.33
(b) Other income	0.72	0.71	0.66
Total-1	**2.17**	**2.02**	**1.99**
Expenses			
(a) Establishment charges	1.07	1.11	1.29
(b) Other expenses	0.84	0.87	0.76
Total-2	**1.91**	**1.98**	**2.05**
Profit before tax	0.26	0.04	(-) 0.06
Other appropriations*	(-) 0.06	(-) 0.17	(-) 0.26
Amount available for dividend	0.20	(-) 0.13	(-) 0.32
Dividend for the year	0.14	0.01	—
Total return on			
- capital employed	0.30	0.08	(-)0.03
- capital invested	0.30	0.08	(-)0.03
Percentage of return on			
- capital employed	4.06	1.08	—
- capital invested	5.8	1.42	—

1.7.4 The table below indicates the performance of the Corporation for the three years up to 1994-95:

Particulars	1992-93	1993-94	1994-95
of stations covered	56	53	53
city created f the year)			
	1.46	1.46	1.43
	0.19	0.19	0.12
	1.65	**1.65**	**1.55**
uring the year			
	0.98	0.88	0.88
	59.3	53.33	56.02
ear (Rupees)	221.2	230.8	225.1
	195.0	226.5	231.8

eriod adjustments.

1.8 Gujarat Industrial Development Corporation

1.8.1 The capital requirements of the Corporation are provided in the form of loans from the State Government, the public, the banks and other financial institutions. The aggregate long-term loans obtained by the Corporation was Rs. 102.30 crores at the end of 1994-95.

The Government gave subsidy of Rs. 4.11 crores up to 31 March 1995 to the Corporation for development of rural industrial estates and for implementing various schemes sponsored by the Government. Out of the total subsidies received up to 1994-95, Rs.0.28 crore remained unutilised or unadjusted as on 31 March 1995.

1.8.2 The Government had guaranteed the repayment of loans raised by the Corporation to the extent of Rs. 179.07 crores and the payment of interest thereon, as on 31 March 1995. The amount of principal guaranteed and outstanding as on 31 March 1995 was Rs. 104.67 crores.

1.8.3 The table below summarises the financial position of the Corporation at the end of each of the three years up to 1994-95:

Particulars	1992-93	1993-94	1994-95
	(Rupees in crores)		
A. Liabilities			
Loans	126.17	120.22	102.30
Subsidy from Government	0.99	0.28	0.28
Reserves and surplus	60.33	74.12	101.86
Receipts on capital account	219.95	251.37	319.49
Current liabilities and provisions (including deposits)	102.91	126.92	151.47
Total - A	**510.35**	**572.91**	**675.40**
B. Assets			
Gross Block	4.10	6.75	[illegible]
Less : Depreciation	2.25	2.73	[illegible]
Net fixed assets	1.85	4.02	[illegible]
Capital expenditure on development of industrial estates *etc.*	348.42	400.6	[illegible]
Investments	0.10	[illegible]	[illegible]
Other assets	159.83	1	[illegible]
Miscellaneous expenditure	0.15	[illegible]	[illegible]
Total - B	**510.35**	[illegible]	[illegible]
C.Capital employed*	391.51	[illegible]	[illegible]
D.Capital invested#	186.50	[illegible]	[illegible]

* Capital employed represents the mean of aggregate of op reserves and surplus, subsidy from Government, borrowings

\# Capital invested represents long term loans *plus* free reser

1.8.4 The working results of the Corporation for the three years up to 1994-95 are summarised below:

Particulars	1992-93	1993-94	1994-95
		(Rupees in crores)	
Revenue receipts	60.00	50.45	70.13
Net expenditure after capitalisation	41.00	36.66	42.39
Excess of income over expenditure	19.00	13.79	27.74
Provision for replacement & renewals	18.74	13.72	27.57
Net surplus	0.26	0.07	0.17
Total return on			
- capital employed	15.03	17.71	14.29
- capital invested	15.03	17.71	14.29
Percentage of return on			
- capital employed	3.80	4.15	2.95
- capital invested	8.05	9.11	7.00

1.8.5 The following table indicates the performance of the Corporation for the three years up to 1994-95:

Particulars	1992-93	1993-94	1994-95
Number of estates	228	264	265
Area (Hectares)			
(a) Acquired	18559.02	18881	19787
(b) Developed	10131.20	10348	10471
(c) Allotted	8049.50	8496	9070
Sheds (Numbers)			
(a) Constructed	12088	12222	12291
(b) Allotted	11584	11744	11844
Housing Quarters (Numbers)			
(a) Constructed	12174	12580	12822
(b) Allotted	10761	10984	11183
Percentage of			
(a) Area developed to area acquired	54.6	54.8	52.9
(b) Area allotted to area developed	79.5	82.1	86.6
(c) Sheds allotted to sheds constructed	95.8	96.1	96.4
(d) Quarters allotted to quarters constructed	88.4	87.3	87.2

Chapter - II

Reviews relating to Government companies

Chapter - II

2A Review on the working of Gujarat State Construction Corporation Limited

Highlights

The Gujarat State Construction Corporation Limited was incorporated in December 1974 to undertake important and major construction works which were being handled departmentally by Public Works Department. The PWD may also entrust the works where no tenderers were coming forward or rates quoted by the tenderers were unreasonably high. Accumulated losses of the Company as on 31 March 1995 was Rs. 1264.71 lakhs which represented 253 *per cent* of the paid-up capital.

(Paragraphs 2A.1, 2A.7 and 2A.9)

Due to incompetitive rates, the Company's success rate in the tenders was only 61 out of 387 tenders in which the Company participated during the last five years.

(Paragraph 2A.10.1)

Due to delay in completion of the works, the Company had to pay liquidated damages of Rs. 44.87 lakhs against which the Company could recover Rs. 13.02 lakhs only from the sub-contractors. Instances of overpayment (Rs. 31.16 lakhs) and non-recovery of advances, cost of materials (Rs. 45.92 lakhs), etc were also noticed.

(Paragraph 2A.11.2)

The Company entered into a joint venture agreement with a private firm and took 3 works to be completed up to September 1994. However, none of the works could be completed as the joint venturer abandoned the works and the Company incurred a loss of Rs. 44.05 lakhs in one work.

(Paragraph 2A.11.3)

Considering the inability of the Company, the State Government withdrew ten works with a tendered value of Rs. 1020.16 lakhs after the Company had executed the works partly and the Company had to forgo claim for profit.

(Paragraph 2A.11.5)

The Company is burdened with surplus staff consisting of 109 technical and non-technical employees and as a result, it had to shoulder a financial load of Rs. 350.35 lakhs up to March 1996.

(Paragraph 2A.11.6)

2A.1 Introduction

The Company was incorporated on 16 December 1974 as a wholly owned Government company to undertake important and major construction works that were being handled departmentally by the Public Works Department. The Public Works Department may also entrust the works to the Company where no contractors were coming forward or when their tenders were unreasonably high.

2A.2 Main objects

The main objectives of the Company are

- to carry out works and conveniences of all kinds in Gujarat and outside;
- to carry out the business of builders, contractors, consultants, engineers, architects, designers, etc.;
- to buy, sell, make and manufacture all kinds of building material;
- to carry on business as quarry masters and stone merchants;
- to purchase or otherwise acquire any land and building and to utilise the same for the treatment and disposal, etc.

2A.3 Present activities

Against the above mentioned objectives, the present activities of the Company are restricted to undertake construction works only. The Company gets works in open tendering system. It also gets works directly from the Central/State Governments on deposit scheme basis. The Company executes these works by selecting a sub-contractor either on their own terms and conditions or on identical terms and conditions of the original contract (back to back basis*) or on joint venture basis.

2A.4 Organisational set-up

The Management of the Company is vested in a Board consisting of twelve Directors, including the Chairman and the Managing Director appointed by the Government. The Managing Director is the Chief Executive and he is assisted by two General Managers and one Deputy General Manager in Head Office and four Deputy General Managers/ Project Managers in the field offices to execute the works.

2A.5 Scope of audit

The working of the Company was reviewed and results were incorporated in the Report of the Comptroller and Auditor General of India (Commercial) for the year 1985-86. The review was discussed by the Committee on Public Undertakings

* Under back to back basis, the Company is executing its works through sub-contractors after keeping some margin on the identical terms and conditions of the agreement on which the Company itself agreed to do the work

(COPU) in July 1991. However, there was no specific recommendation from COPU.

The present review conducted from November 1995 to February 1996 covers the physical and financial performance of the Company for the last five years ending March 1996. The accounts of the Company for the year 1995-96 have not been finalised yet (September 1996).

2A.6 Capital structure

The authorised and paid-up capital of the Company as on 31 March 1995 was Rs. 500 lakhs divided into 5 lakh shares of Rs. 100 each wholly contributed by the State Government.

The working capital needs of the Company are met by loans from the State Government, Housing and Urban Development Corporation (HUDCO) and banks. The Company's borrowings outstanding as on 31 March 1995 amounted to Rs. 2691.57 lakhs. (HUDCO: Rs. 178.29 lakhs; Government: Rs. 2502.05 lakhs; Bank Loans and Cash Credit: Rs. 11.23 lakhs).

A cash loan of Rs. 215.65 lakhs from the State Government remained outstanding for more than 10 years on which interest accumulated to Rs. 554.61 lakhs at the end of March 1995.

2A.7 Financial position

The table below summarises the financial position of the Company for the five years up to 1994-95:

Particulars	1990-91	1991-92	1992-93	1993-94	1994-95
	(..................................	Rupees in lakhs	....		)
Paid-up capital	500.00	500.00	500.00	500.00	500.00
Borrowings	2170.23	2266.46	2291.77	2558.18	2691.57
Trade and other liabilities	1765.29	1925.19	1814.61	4109.44#	4981.68
Total	**4435.52**	**4691.65**	**4606.38**	**7167.62**	**8173.25**
Fixed assets	137.22	129.88	121.92	114.59	111.86
Investments	0.01	0.01	0.01	26.26	26.26
Current assets					
[illegible] and Advances	2851.98	3089.85	3378.56	5863.15	6770.42
[illegible]	[illegible]	1471.91	1105.89	1163.62	1264.71
[illegible]	[illegible]	**4691.65**	**4606.38**	**7167.62**	**8173.25**
[illegible]	[illegible]	1294.54	1685.87	1868.30	1900.60
[illegible]	[illegible]	(-)971.91	(-)605.89	(-)663.62	(-)764.71

[illegible] net fixed assets *plus* working capital.

[illegible] capital *plus* free reserves *less* intangible assets.

[illegible] ıd other liabilities during 1993-94 was due to disbursement of grant [illegible] he work on bridge across Gulf of Cambay (Rs.224.97 lakhs) and [illegible] 000.00 lakhs).

From the table it would be seen that the Company had an accumulated loss of Rs. 1264.71 lakhs against the paid-up capital of Rs. 500 lakhs thereby the whole capital had been eroded and the Company was working with negative net worth.

2A.8 Working results

The Company's working results for the five years ending 31 March 1995 are shown below.

	1990-91	1991-92	1992-93	1993-94	1994-95
			(Rupees in lakhs)		
Net value of work done i.e. work receipts	2052.40	2092.74	2217.28	1837.03	2392.02
Less works expenditure	1931.11	1833.21	1907.60	1639.71	2222.37
Contribution	121.29	259.53	309.68	197.32	169.65
Less a) Depreciation	11.72	10.93	10.86	11.14	11.72
b) Interest	90.31	75.79	148.90	45.26	47.22
c) Overheads	179.88	220.91	257.23	248.22	251.03
Surplus (+) or deficit (-)	(-)160.62	(-)48.10	(-)107.31	(-)107.30	(-)140.32
Add : Other income	149.68	22.50	473.32	49.57	39.23
Profit (+)or Loss(-) for the year	(-)10.94	(-)25.60	(+)366.01	(-)57.73	(-)101.09
Add (+)/ deduct (-) prior period adjustments of income, tax provision	--.--	--.--	--.--	--.--	--.--
Profit (+)/Loss (-) as per accounts	(-)10.94	(-)25.60	(+)366.01	(-)57.73	(-)101.09
Percentage of contribution to works expenditure	6.3	14.2	16.2	12.0	7.6
Percentage of overhead to works expenditure	9.3	12.1	13.5	15.1	11.3
Percentage of works expenditure to work receipts	94.1	87.6	86.03	89.26	92.92

2A.9 Audit assessment regarding the performance of the Company

(i) The Company's accumulated loss as on 31 March 1995 was Rs. 1264.71 lakhs which represented 253 *per cent* of the paid-up capital of Rs. 500 lakhs. As the Company's turnover was not enough to meet the works expenditure, depreciation, interest and over heads in any of the years, it suffered increasing loss every year except a windfall profit of Rs. 366.01 lakhs in 1992-93 due to receipt of extraordinary income of Rs. 730.61 lakhs (including interest of Rs. 423.83 lakhs) from an arbitration award of Banswara work in favour of the Company.

The poor performance of the Company was due to its works receipt not matching its expenditure and heavy overheads leading to continuous loss

(ii) Though there was substantial reduction in works executed departmentally, there was no corresponding reduction in staff resulting in surplus staff and cost thereof as discussed in paragraph 2A.11.6 *infra*. This increased the overheads and the works cost. The percentage of overhead to work expenditure was very high varying between 9.3 and 15.1.

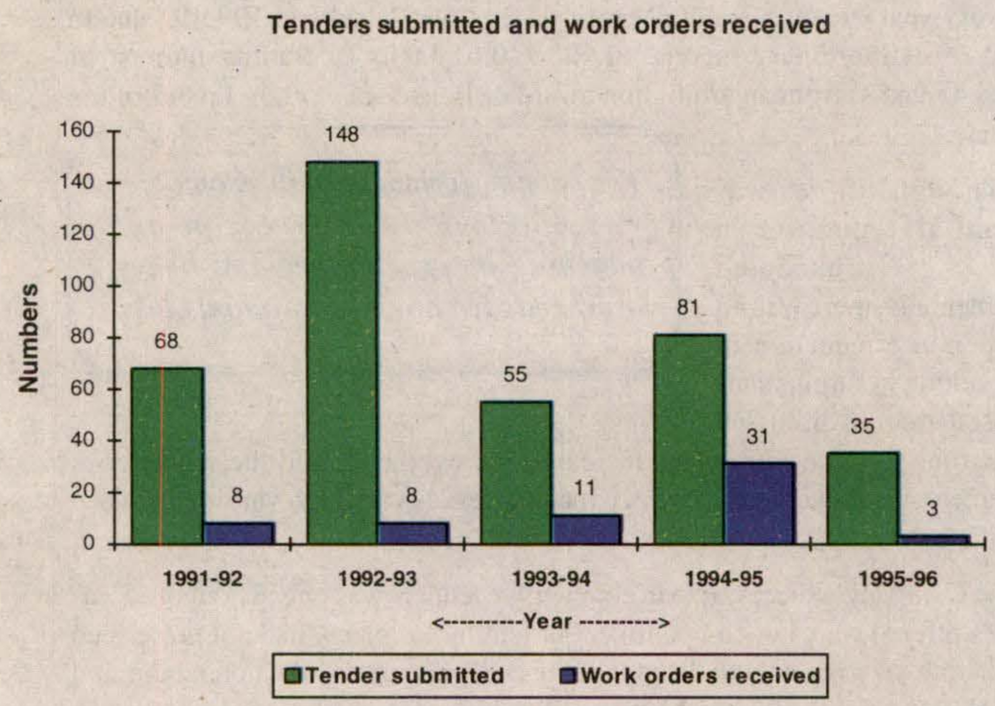
(iii) The Company's success rate in competitive tenders was only 61 out of 387 as the rates offered were not competitive. Further the Company had not prescribed any schedule of rates duly updated with market price or any data on labour and material rates rendering its offers *ad hoc* and unscientific as discussed in paragraph 2A.10.

(iv) The Company lost its credibility as its works were plagued with delays and only 19 *per cent* of works were executed in time and 23 *per cent* works were delayed by more than three years as discussed in paragraph 2A.11.1.

2A.10 Participation in tender and tendering system

Company's success rate in tenders was poor; against 387 tenders submitted, it could secure only 61 work orders

2A.10.1 The Company participates generally in the tenders floated by the Government and semi-Government companies costing Rs. 50.00 lakhs and above. The Government in May 1988, announced a scheme of preference to be given to the Company in awarding of works under which even if the Company's offers were not the lowest, it can be awarded the work, provided their offer was within 10 *per cent* margin when compared with the rates of the lowest offer. During the period from 1991-92 to 1995-96, it participated in 387 tenders valued at Rs. 648.91 crores, however, it could obtain only 61 work orders worth Rs. 91.04 crores. The graph given below indicates the tenders submitted and actual work orders received by the Company during the last 5 years ending 31 March 1996.



2A.10.2 The tenders for 307 works out of 387 works submitted by the Company during the period from 1991-92 to 1995-96 were scrutinised in audit. The results are given below:

Year	Number of tenders scrutinised in audit	Position of the Company amongst the other contractors who had also quoted their rates. 1st lowest	2nd/3rd lowest	4th and beyond
1991-92	77	12 (16)	30 (39)	35 (45)
1992-93	121	8 (7)	29 (24)	84 (69)
1993-94	24	—	5 (21)	19 (79)
1994-95	54	—	13 (24)	41 (76)
1995-96	31	3 (10)	3 (10)	25 (80)
Total	**307**	**23 (8)**	**80 (26)**	**204 (66)**

(The figures in bracket indicate the percentage in relation to the total numbers.)

The Company did not analyse the reasons for poor success in tender. However, an analysis in audit of the tender results revealed the following :

(i) the Company's rates were the highest in respect of 109 quotations out of 307, indicating that its offers were not competitive. Since the Company did not have prescribed schedule of rates with constant upgradation of rates considering market conditions, it was not in a position to quote competitive rates;

(ii) the Company did not have any basic data relating to labour rates, material rates, etc. prevailing in various parts of the State from time to time. In the absence of it, the rates quoted for items of work were *ad hoc* and were susceptible to wide fluctuations.

The Management stated (February 1996) that-

(i) the contractors did not have sufficient works in Gujarat and to make use of their idle resources they quoted very low rates,

(ii) the Company is registered in "AA" class and generally "AA" class contractors quote higher rates than "B" class contractors because of their higher overheads and quality of the work,

(iii) the Company's quotation depends on resources available with the Company, credibility in the market, usable machinery, centering, shuttering available, association of labour gangs, etc.

The Management's reply is not tenable as-

(i) when the Company was aware that contractors were quoting lower rates due to insufficient works in Gujarat, it could have also identified such sub-contractors and quoted competitive rates in tenders as the Company was executing all the works through sub-contractors only;

(ii) the registration under different categories such as 'B' class, 'A' class or 'AA' class by various departments of Government is dependent on the capacity of a contractor to carry out the works and work up to certain monetary limits. It has no relation with the rates to be quoted by them while tendering. In fact, the Company had never analysed the reasons for their poor performance in tendering with a view to improve its position;

(iii) as regards the availability of machinery, centering, labour gangs, etc. are concerned, the Company does not have any basic infrastructure to undertake contracts and was fully dependent upon the sub-contractors. This also indicates the disadvantageous position in which the Company is placed despite 22 years of its formation.

2A.10.3 As mentioned in para 2A.10.1 above, the Company is getting price benefit of 10*per cent* in case of State Government works. It was observed that during the period from 1990-91 to 1994-95, the Company received 4 works under price preference scheme and got price preference of Rs. 75.42 lakhs in these works.

However, as these works were sub-contracted to piece workers on back to back basis, the price preference benefit received by the Company was siphoned out to private sub-contractors. Thus, the Government scheme did not accrue benefit to the Company. This was against the spirit of the scheme to help the Company and the benefit was in fact received by the sub-contractors which they would otherwise not have derived.

The Company siphoned out price preference benefit of Rs. 75.42 lakhs to sub-contractors

2A.11 Execution of works

The Company executes works in any of the following manner :

(a) On back to back basis by selecting a sub-contractor;

(b) On joint venture basis;

(c) Departmentally.

The results of review of some of the works test checked in audit are given in succeeding paragraphs:

2A.11.1 Delay in execution of works

(i) The credibility of a contractor depends upon timely and qualitative execution of the work. Out of 52 works undertaken during the period from 1991-92 to 1995-96, it was observed that only 10 works (19 *per cent*) were completed in time.

The execution of works were plagued with delays; only 19 per cent of works were completed in time; 23 per cent of works were executed with delays beyond three years

There was considerable delay in completion of works ranging from six months to three years and above as shown in the following table :

Number of works	Period of delay	Percentage to total works undertaken
5	6 months to 1 year	9.6
13	1 year to 2 years	25.0
12	2 years to 3 years	23.1
12	3 years and above	23.1
10	Completed in time	19.2
52	Total	100.00

(ii) 9 works with a tendered cost of Rs. 2614.98 lakhs were scheduled to be completed between January 1990 and May 1994, however, these were still in progress (March 1996).

2A.11.2 Execution of works on back to back basis

2A.11.2.1 Overpayments

(a) The Company received (October 1984) work order from ONGC for construction of multi-storeyed 136 B type (2 Blocks) and 68 C type (1 Block) residential flats Phase-I at Rs. 362.19 lakhs.

The Company made overpayment of Rs 31.19 lakhs to contractors of which Rs. 3 lakhs were recovered/adjusted leaving unrecovered amount of Rs. 28.19 lakhs

The work was given out to a sub-contractor (O.E.) who completed the work in September 1988. While finalising the accounts of the sub-contractor (February 1991), the Company discovered that the sub-contractor was paid Rs. 202.06 lakhs against Rs. 170.87 lakhs payable, resulting in an overpayment of Rs. 31.19 lakhs.

It was observed that the Company had not maintained proper records showing the *ad hoc* payments made to the contractors and as such these remained unadjusted till the finalisation of the accounts.

No action was taken by the Company to recover the overpayment except recovering Rs. 3 lakhs (September 1995) by encashing the bank guarantee.

(b) In November 1992 the Company obtained work of construction of Administrative building at Kawas Gas Power Project for National Thermal Power Corporation at Rs. 87.46 lakhs on firm rate basis to be completed by

November 1993. The Company awarded a part of work to contractor 'N' in February 1993. After executing the work to the tune of Rs. 14.19 lakhs, the contractor abandoned the work in November 1993, the reasons for which were not available on the record. After 19 months (June 1995), when the Company took final measurements, it discovered that against the amount of Rs. 14.19 lakhs payable to the contractor the Company actually paid Rs. 17.16 lakhs resulting in overpayment of Rs. 2.97 lakhs due to incorrect recording of measurements. No action was taken so far (August 1996) for recovery of overpayments and to investigate the circumstances leading to recording of incorrect measurements.

The Company overpaid Rs. 2.97 lakhs to a contractor compared to actual work done and measured

2A.11.2.2 Loss due to variations in contract conditions

The Company received 3 work orders (October 1984, June 1985 and March 1986) from ONGC for construction of quarters at Mehsana and Makarpura at tendered cost of Rs.819.95 lakhs. All these works were to be completed by September 1987 (July 1986, April 1987, and September 1987) against which they were completed by July 1989. For delayed execution, liquidated damages at 1 *per cent* on incomplete works estimated per day limited to 10 *per cent* of tendered amount was leviable; accordingly the ONGC recovered Rs. 44.87 lakhs from the Company.

While awarding the works on back to back basis to three sub-contractors, the Company did not include corresponding penalty clause in the contracts. Instead the penalty was limited to forfeiture of security deposit or at 2 *per cent* of the total cost of work awarded in two cases while in one case it was at 10 *per cent* of tendered cost.

Final payment to these sub-contractors have not been made, however, according to penalty clause the Company can recover only Rs. 13.02 lakhs whereas ONGC had already recovered Rs. 44.87 lakhs towards liquidated damages. Thus, the variation in the conditions resulted in loss of Rs. 31.85 lakhs to the Company.

Due to variations in penalty clause the Company could not recover Rs. 31.85 lakhs

The Management stated (February 1996) that the work was given to contractors after dividing it into labour and material components. In the case of supply of materials, there was no penalty clause for delay. However, for the labour work the Company had included penalty clause limited to forfeiture of security deposit or 2 *per cent* of the tender value, according to the general terms and conditions of agreement approved by the Board of Directors in February 1984.

The reply is not convincing because when the works were given on back to back basis to the contractors, the Company should have ensured that the liability on any account payable by the Company is fully recovered from the contractors.

2A.11.2.3 Extra expenditure due to alternate arrangements

(i) In February 1990, the Company was awarded the work of extension of existing sheet piled wharf wall on well foundation at Varshamedi creek at Navlakhi Port by Gujarat Maritime Board (GMB) at Rs. 114.72 lakhs. The work was to be completed within 17 months from March 1990. The Company in turn awarded the work in June 1990 to a firm 'U' on back to back basis with an agreed margin of 9 *per cent*. The piece worker carried out the work valued at Rs. 31.73 lakhs up to August 1991. As the progress of the work was unsatisfactory, it was terminated by the Company in December 1991 at the risk and cost of the firm 'U'. The Company worked out the amount recoverable at Rs. 35.97 lakhs including cost of material, advances paid, etc. in November 1992. However, no recoveries could be effected so far (August 1996).

(ii) The remaining work estimated to cost of Rs. 83.00 lakhs was awarded to another firm 'G', in March 1992. This firm also abandoned the work after doing work to the extent of Rs. 41.78 lakhs. The reasons for abandonment of the work by the firm was not made available to audit. An amount of Rs. 9.95 lakhs (cost of materials Rs. 3.31 lakhs; advances Rs. 6.64 lakhs) was recoverable from the firm 'G'; however, no action was taken to recover the same.

The GMB finally rescinded the agreement in December 1995 and decided to complete the work at the risk and cost of the Company and demanded Rs. 52.29 lakhs (extra expenditure to be incurred Rs. 37.56 lakhs, advances and cost of materials supplied Rs. 14.73 lakhs). The matter has not been solved so far (August 1996).

From the fact that both the sub-contractors left the work abandoned it is evident that before awarding the work the Company did not take full precautions to ascertain the competency of these sub-contractors to complete the work.

2A.11.3 Works executed on joint venture basis

The Company entered into a joint venture with a private firm Bopanna Civil Construction of Hyderabad (BCC) for execution of three works awarded to it by Gujarat Maritime Board (GMB). However, none of the works could be completed as the joint venturer abandoned the work to be done on its part. The details of the works, stipulated time schedule, *etc.* are indicated in the following table.

Sl. No.	Name of the work	Month of joint venture agreement	Value of work (Rs. in lakhs)	Stipulated period of completion	Month of abandonment of work by joint venture party
1.	Extension of berth at Porbandar Port	July 1991	762.90	May 1994	June 1995
2.	Construction of steamer berth solid gravity wharf (block type) at Port Pipavav	April 1990	1168.28	March 1993	October 1992
3.	Providing landing facilities for lighterage working near Rozi Pier at Port Bedi (Jamnagar)	November 1992	1405.47	September 1994	July 1995

The work of extension of berth at Porbander Port was to be completed by May 1994 at a cost of Rs. 762.90 lakhs. For this work the Company entered into a joint venture agreement with BCC in July 1991. According to the agreement, the Company furnished bank guarantees of Rs. 6.05 lakhs in November 1992 and Rs. 38 lakhs in January 1993 towards security deposit and mobilisation advance respectively to the GMB. The mobilisation advance of Rs. 38 lakhs was passed on to the BCC. The work was divided into two parts. The BCC was to carry out 71.56 *per cent* of the work i.e. valued at Rs. 545.93 lakhs and the Company was to carry out work valued at Rs. 216.97 lakhs (28.44 *per cent*). The Company would, however, be able to carry out their portion of work only after completion of the work by BCC. The BCC carried out work partly valued at Rs. 157.63 lakhs up to June 1995 and abandoned the work thereafter. Due to non-completion of the work by the BCC, the Company could not commence the work on its part. The Company issued a legal notice to the BCC in December 1995 to restart the work.

As the joint venture partner abandoned the work, the customer of the Company encashed Rs. 44.05 lakhs being bank guarantees given by the Company for security deposit and mobilisation advance

In January 1996, the GMB encashed the bank guarantees of Rs. 6.05 lakhs and Rs. 38 lakhs given for security deposit and for mobilisation advance respectively by the Company. Further developments are awaited (August 1996).

The other two works were also abandoned by the joint venture partner. However, no action was taken against the joint venturer to complete the work.

2A.11.4 Work executed for Navodaya Vidyalaya Samiti

The work of construction of School building, Dormitory, Warden's residence, Staff residence and Workshop at village Silli in Dadara and Nagar Haveli estimated to cost Rs. 51.59 lakhs was awarded to firm 'O' of Vadodara at 29.98 *per cent* above the estimate and an agreement executed in October 1988. The work was to be completed within 10 months i.e. before 4 August 1989. The contractor carried out the work valued at Rs. 69.12 lakhs and abandoned the work in October 1990. The remaining work was got done departmentally at an extra cost of Rs. 2.19 lakhs. Based on final bill prepared by the Company Rs. 7.47 lakhs including Rs. 1.31 lakhs paid in excess in previous running account bill was recoverable from firm 'O'.

The Company did not recover Rs. 5.41 lakhs from a defaulting firm and it has not recovered liquidated damages of Rs. 3.35 lakhs

The Company could recover Rs. 2.06 lakhs by encashing the bank guarantee in September 1995. However, it did not initiate action against the contractor for recovery of Rs. 5.41 lakhs so far (August 1996). Further, the Company did not recover liquidated damages of Rs. 3.35 lakhs recoverable according to the agreement.

2A.11.5 Works withdrawn by the State Government

Due to inability of the Company to carry out works, the State Government withdrew 10 works after the Company had executed the works partly to the value of Rs. 479.66 lakhs against tendered cost of Rs. 1020.16 lakhs

Between December 1984 and January 1990, the State Government awarded 10 works such as construction of office/residential schools/roads to the Company. These works were to be completed between July 1987 and January 1993. Out of the tendered cost of Rs. 1020.16 lakhs for these 10 works, the Company executed works to the extent of Rs. 479.66 lakhs. At the request of the Company, the State Government withdrew the works in August 1992 on condition that the Company would have no claim for profit or loss or seek arbitration.

While withdrawing the works, the State Government observed that the continuance of these works by the Company would only result in wastage of time and money as the Company was not capable of completing them.

2A.11.6 Surplus staff

The Company, up to 1987-88, was executing the contracts awarded to it departmentally in most of the cases. The major items of contract *viz* Karjan project and Banswara project were completed by 1987-88. It was observed in audit that with the introduction of a system of back to back contract, the involvement of the Company in the direct execution of the work came down drastically. Notwithstanding this fact, the Company carried forward the full strength of the staff in all categories without any justification. It was only in November 1989, the Company decided not to fill up any vacancies and in October 1995, 109 posts (technical 25 : non-technical 84) were declared as surplus. The carry forward of surplus staff without sufficient workload resulted in a burden of Rs. 4.55 lakhs per month, aggregating to Rs. 350.35 lakhs between November 1989 and March 1996. This heavy burden of establishment expenditure had its impact on the overheads and profitability of the Company as discussed in paragraph 2A.9 supra.

The Company reported the availability of surplus staff to Government in October 1995. Further development in the matter is awaited (August 1996).

2A.12 Non preparation of manuals

Though the Company was formed in 1974 it did not prepare works accounts and construction manual, manual for financial matters and for internal audit. As a result, no uniform procedure was being followed by the Company leaving much scope for individual discretion.

2A.13 Non-maintenance of Works register

With a view to correct assessment of the financial performance of each work from time to time and to ensure material control, the Management had devised (September 1983) a system of maintenance of Works register by the field offices. Test check by audit revealed that except Rajkot unit other three units (Ahmedabad, Vadodara and Surat), did not maintain the Works register.

2A.14 Other topics of interest

2A.14.1 Purchase of Vibrator Compactor

The Company was having a major work of construction of link road Nhava-Sheva (NH4-B) since 1987. After taking into account the requirement of mechanised compaction of soil etc. in major road works the Company initiated (April 1990) a proposal for procuring a Vibrator Compactor. Accordingly the Company ordered for this machine in August 1990 at Rs. 17.56 lakhs and the same was received at the work site in October 1990. However, the Company abandoned this work in April 1990, the reasons for which were not made available to audit. Due to this, the Vibrator could not be used.

The fact remains that when the work of Nhava-Sheva road was already abandoned in April 1990, there was no justification to place the order in August 1990.

2A.14.2 Non recovery of insurance premium.

The Company paid Rs. 6.29 lakhs during the period from 1990-91 to 1994-95 towards premium of workmen compensation policy for workers of sub-contractors. As the Company executed works on back to back basis the premium should have been recovered from the sub-contractors.

The Company replied (February 1996) that the Company was a main contractor and in case of injury or death of a worker the Company would be held responsible. The reply is not convincing in view of the fact that these workers are employees of the sub-contractors and any liability is the responsibility of these sub-contractors. Accordingly the Company should have recovered the premium from the sub-contractors by prescribing a condition in the agreement made with them.

2A.15 Conclusions

From the foregoing review, it would be observed that the performance of the Company was far from satisfactory as due to high rates the Company could not compete in the market and the success rate in tendering was 16 *per cent* only during the last five years. Further, there was extraordinary delay of six months to three years and above in completion of works. The State Government itself realised the incapability of the Company to complete the works and withdrew the works allotted to it. In this background the Company/Government should seriously consider to improve the efficiency or diversify its activities.

The matter was reported to Government/Company (April 1996) ; their replies are awaited (December 1996).

2B Review on the working of Gujarat State Leather Industry Development Corporation Limited

Highlights :

The Company was established in March 1990 with a twin objective of developing leather industry in the State and assisting leather artisans by providing them training, latest equipments and machinery, and marketing facilities .

(Paragraph 2B.1)

Against the grant of Rs.386.45 lakhs received under various schemes the Company could utilise Rs.77.67 lakhs during the last 5 years up to 1994-95.

(Paragraph 2B.5)

Under the action plan for 1990-95, 100 tanneries were to be upgraded by providing shed and machineries. However, the Company was able to upgrade only 10 tanneries.

(Paragraph 2B.6.b(i))

The Company advanced working capital loan of Rs.48.64 lakhs to 38 tanneries. Of this loan a sum of Rs.32.67 lakhs became due up to March 1995. However, due to absence of proper monitoring it could recover only Rs.3.44 lakhs.

(Paragraph 2B.6.b(ii))

A project for starting a common facility centre did not make any headway from August 1991 resulting in idle outlay of Rs.23.94 lakhs.

(Paragraph 2B.6.c)

Against the anticipated generation of employment of 10,265 artisans during 1990-91 to 1994-95 the actual generation was only 1988 (19 *per cent*).

(Paragraph 2B.6.e)

2B.1 Introduction

Gujarat State Leather Industry Development Corporation Limited was incorporated in March 1990 with a twin objective of development of leather industry in the State and assisting leather artisans by providing them training, latest equipments, machinery and marketing facilities.

2B.2 Capital structure

Against the authorised capital of Rs. 500 lakhs, the paid-up capital of the Company as on 31 March 1995 was Rs.75.00 lakhs which was fully subscribed by the State Government. The Company did not issue shares to Government for Rs.50.41 lakhs towards cost of certain assets such as building, machinery and inventory pertaining to leather industry taken over in August 1991 from another Government company *viz.* Gujarat Rural Industries Marketing Corporation Limited, (GRIMCO), Ahmedabad and the money was lying under the head share application money.

2B.3 Scope of audit

The Company formulated in 1990 an action plan for five years (1990-91 to 1994-95) which contemplated taking up of various activities such as upgradation scheme for tanneries, operation of production/ procurement centres, imparting common facilities for production/procurement and providing training to artisans. The Company finalised the accounts up to 1993-94 and provisional accounts for the year 1994-95. The projections *vis-a-vis* actuals (which are subject to provisional figures for 1994-95) were reviewed in audit in July/October 1995 and the results of audit are discussed in the succeeding paragraphs.

2B.4 Financial position and working results

The financial position of the Company for the five years ended 31 March 1995 was as follows :

	1990-91	1991-92	1992-93	1993-94	1994-95*
	(Rupees in lakhs)				
Liabilities					
Paid-up capital	75.00	75.00	75.00	75.00	75.00
Share application money	—	28.94	28.94	30.41	50.41
Current liabilities and Provisions :					
- Unutilised grants	38.38	18.69	74.51	264.28	338.57
- Other liabilities and provisions	2.30	3.06	3.42	24.84	26.29
Total	**115.68**	**125.69**	**181.87**	**394.53**	**490.27**
Assets					
Net fixed assets	4.01	4.43	3.80	24.75	24.41
Idar project under progress	—	23.94	23.94	23.94	23.94
Current assets					
- Stock in trade and Sundry debtors	0.21	4.33	3.85	5.46	8.52
- Cash and bank balances	96.13	54.48	98.49	247.07	289.37
Loans and Advances					
- Loans	9.82	26.61	35.17	44.74	47.04
- Advances and Miscellaneous expenses	2.36	7.05	5.46	33.14	69.99
- Accumulated loss	3.15	4.85	11.16	15.43	27.00
Total	**115.68**	**125.69**	**181.87**	**394.53**	**490.27**

It would be observed that the Company had not utilised the grants and had kept substantial funds in the bank. The amount of balance of unutilised grants and amount of loss shown in provisional figures for 1994-95 were not reconciled.

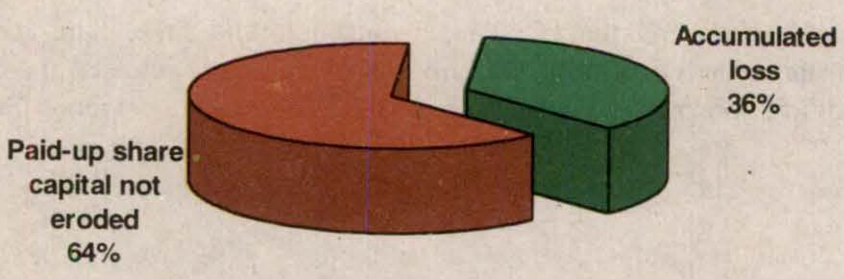
* Provisional

The working results of the Company during the five years 1990-91 to 1994-95 are given below :

	1990-91	1991-92	1992-93	1993-94	1994-95*
	(Rupees in lakhs)				
A. Income					
Sales	1.57	0.99	0.85	2.48	5.46
Interest	2.97	5.75	9.75	11.59	3.72
Closing stock	—	3.47	3.39	5.00	8.06
Other income	0.05	0.02	0.29	0.01	0.06
Total	**4.59**	**10.23**	**14.28**	**19.08**	**17.30**
B. Expenditure					
Opening stock *plus* purchases	1.26	4.23	3.97	7.22	12.34
Establishment expenditure	3.40	9.55	10.86	9.60	10.80
Other expenditure	3.08	3.85	5.76	6.53	5.73
Total	**7.74**	**17.63**	**20.59**	**23.35**	**28.87**
Gross loss (-)	(-)3.15	(-)7.40	(-)6.31	(-)4.27	(-)11.57
Prior period adjustments	—	(+)5.70	—	—	—
Net loss (-)	**(-) 3.15**	**(-) 1.70**	**(-) 6.31**	**(-) 4.27**	**(-)11.57**

* Provisional

Erosion of capital



The Company did not carry out any major activity and survived only on interest earnings on investment of share capital and grants received. The gap between income and expenditure resulted in erosion of 36 *per cent* of paid-up capital towards regular expenses. The accumulated loss at the end of 1994-95 was Rs. 27 lakhs against paid-up capital of Rs.75.00 lakhs.

2B.5 Non-utilisation of grants

Against grants aggregating Rs. 386.45 lakhs received between 1990-91 and 1994-95 only Rs.77.67 lakhs were utilised

The Company prepared the action plan for five years (1990-91 to 1994-95) in 1990 and sent the same to the State Government for approval. For implementation of action plan for the leather development, the Company received during the period from 1990-91 to 1994-95 grants aggregating Rs. 386.45 lakhs from the State Government (Rs. 239.95 lakhs) and the Central Government (Rs. 146.50 lakhs). Of this only Rs. 77.67 lakhs were utilised as shown below:

Purpose of grant	From whom grant was received	Amount of grant (Rupees in lakhs)	Period during which received	Amount spent	Balance amount left
				(Rupees in lakhs)	
Development of leather industry including upgradation of tanneries, common facility centre and production centres, etc.	State-Government	236.95	1990-91 to 1994-95	75.44	161.51
Special assistance from Central Government	Central Government	146.50	1993-94	NIL	146.50
Training to poor artisans at CLRI Madras	State Government	3.00	1993-94 and 1994-95	2.23	0.77
Total		**386.45**		**77.67**	**308.78**

The Company did not furnish the grants utilisation certificates. The Company attributed (August 1995) the non-utilisation of grants to absence of technical personnel, trained staff, Government's policy on pollution etc. The reply is not tenable as the Company neither made any concerted efforts in any activity nor approached Government with the drawbacks for remedial action, as could be seen from the succeeding paragraphs.

2B.6 Results of audit

2B.6.(a) Upgradation of tanneries in rural areas

The action plan prepared (1990) for works to be executed during the years 1990-91 to 1994-95 envisaged upgradation of 100 existing co-operative tanneries in rural areas from manual tanning to semi mechanised tanning by providing necessary facilities. The upgradation was intended to improve production quality and efficiency besides employment generation. This was to be achieved by construction of a shed of appropriate size and installation of processing machines at an estimated cost of Rs. 4.00 lakhs per tannery to be met from Government subsidy (Rs. 3.00 lakhs) and the balance amount of Rs. 1 lakh as long-term interest bearing loan (@ 10 *per cent per annum*) to tannery. The working capital of Rs. 3.15 lakhs carrying interest of 4 *per cent per annum* was also to be provided to any needy co-operative tannery (out of 100 identified tanneries) engaged in tanning activity.

2B.6.(b) Execution of action plan

The upgradation of tanneries has fallen short of targets. Out of 100 tanneries to be upgraded by 1994-95 work of only 10 was completed and in the case of 15 the work was in progress. The Company did not have any information as to how far the upgradation helped the tanneries

(i) Under the plan of upgradation, a factory shed was required to be constructed for each tannery with two drums, two paddles and one jack setting machine (along with the motor). The Company awarded a contract in July 1990 for construction of sheds for 10 tanneries at a cost of Rs. 10.61 lakhs to firm 'A' of Ahmedabad; whereas contracts for supply and erection of machinery for these 10 tanneries was awarded to Firm 'C' in March 1991 for Rs. 21.45 lakhs. The construction work of sheds, was completed in September 1991 but the work of supply and erection of machinery was completed as late as in 1994-95. Total cost incurred on these tanneries was Rs.36.52 lakhs. In 1993, contract for construction of sheds, supply and erection of machinery (Rs.43.17 lakhs) for other 15 tanneries was awarded to firm 'C' in October 1993. The works for these tanneries were in progress (August 1996).

It was observed in audit that against the target of 10, 15, 25 tanneries each to be upgraded during the first, second and third to fifth year respectively, only 10 tanneries were upgraded by spending Rs. 36.52 lakhs (against budgeted amount of Rs. 40.00 lakhs) and work on 15 tanneries was in progress for which an amount of Rs. 34.66 lakhs was spent (against budgeted amount of Rs. 60.00 lakhs) up to 1994-95. In fact the amount spent could not be bifurcated into subsidy and long-term interest bearing loan due to delays in execution of works. This resulted in non finalisation of loan amount and corresponding delay in recovery of interest and principal (amount not ascertained).

In the case of 10 tanneries where upgradation was complete, the Company did not have any information about their performance and the benefits derived out of such upgradation in improvement of production quality, efficiency and employment generation. Therefore, the benefit accruing on the money spent on this scheme could not be ascertained.

The Company attributed (August/September 1995) the delay to non co-operation of tanneries and administrative reasons such as frequent transfer of Managing Directors, etc. The delays were not justified as the Company had every right to debar any co-operative tannery that did not co-operate and select another one in its place. As regards administrative reasons, this could have been solved by proper planning and procedures devised for proper implementation.

There is absence of monitoring towards recovery of loans disbursed. Consequently recovery of Rs.3.44 lakhs only was effected against due amount of Rs.32.67 lakhs

(ii) As a part of the upgradation scheme of 100 tanneries, the Company also provided working capital loan to the needy Co-operative tanneries to meet day to day expenditure to complete cycle of production and sale. Accordingly, up to March 1995, the Company provided Rs.48.64 lakhs as loan to 38 tanneries (including 25 tanneries where upgradation was taken up). The loan which carried interest at 4 *per cent per annum* was recoverable in 10 equal quarterly instalments. In cases of default, penal interest of 6 *per cent per annum* was leviable. Out of the total loan amount of Rs.48.64 lakhs disbursed to 38 tanneries an amount of Rs.32.67 lakhs fell due for recovery and an amount of Rs.5.03 lakhs towards interest thereon. However, against this, the recovery effected was only Rs.3.44 lakhs and Rs. 0.27 lakh towards loan and interest, respectively.

2B.6.(c) Unsatisfactory performance of common facility/ production centres

(i) The Company established common production centres at Bhiloda, Badarkha and Tharad to provide common services of guidance, training, provision of tools and machines etc. to leather artisans. In the production centres, leather articles are produced by local artisans on item rate basis. These production centres are also supplying raw materials to the local artisans. The Company took over from GRIMCO four common facility production centres at Dhrol, Limbdi, Dhandhuka and Dabhoda in March and September 1991. Even after five years, the actual amounts to be adjusted / paid towards dead stock could not be decided for these centres (July 1996). The Company also received inventory of Rs.1.37 lakhs from GRIMCO, out of which inventory worth Rs.0.85 lakh were not usable.

The Company could produce in these production centres articles worth Rs.3.29 lakhs only and sell raw material and finished goods of Rs.11.35 lakhs since inception of the Company up to 1994-95. Thus, the Company did not make any headway in this activity also. The slow pace was attributed by the Company (August 1995) to shortage of staff etc.

(ii) With the objective of starting a common facility centre at Idar (District Sabarkantha) to provide common facility for conversion of semi-finished leather to finished leather, the Company took over (August 1991) an on-going incomplete project consisting of building, machinery and furniture and fixtures worth Rs. 23.94 lakhs in August, 1991 from Gujarat Rural Industries and Marketing Corporation Limited (GRIMCO).

A project for starting a Common Facility Centre did not make any headway from August 1991 resulting in idle outlay of Rs.23.94 lakhs.

However, it was noticed that there was no progress even in starting this Centre for the benefit of leather artisans except that the scheme was revised (1993) by the Company and sent to Government (October 1993) for approval. No efforts were made to get the approval of the State Government. For this project approval of the Pollution Control Board is essential for which the Company approached the Gujarat Pollution Control Board only in September, 1995. Thus, the investment of Rs. 23.94 lakhs was lying idle from August 1991.

2B.6.(d)Training

The action plan for five years envisaged setting up Company's own training centres for imparting training to 690 participants in leather technology by spending Rs.31.95 lakhs. The Company did not till date, set up its own training centre as envisaged. Instead the Company arranged training for 517 beneficiaries up to

1993-94 at the production centres/co-operative societies in batches by spending Rs.4.95 lakhs. No training was imparted during 1994-95 and 1995-96.

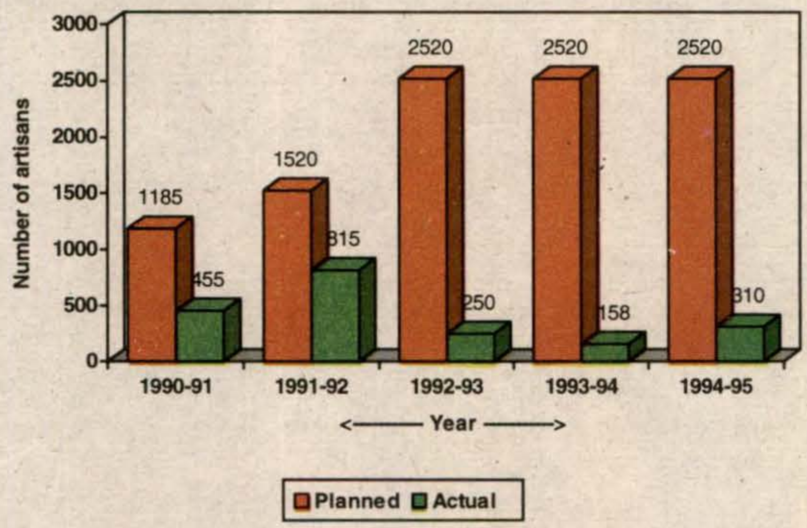
It was observed in audit that the Company did not get a feedback about the benefits, if any, derived by the artisans or employment generated after training. Hence, effectiveness of training could not be ascertained.

2B.6.(e) Employment generation

The generation of employment was only 19.37 per cent of the target and the Company has been left with huge unutilised grants given for the action plan

Anticipated generation of employment was 10,265 artisans between 1990-91 and 1994-95 by operating the schemes of upgradation of tanneries, by setting up production and procurement centres as well as providing common facilities for production to the artisans and also by providing facilities for imparting training to these artisans.

Employment generation



It was noticed that against this, the actual employment generation was only 1988 (19.37 *per cent*). The shortfall was due to failure of the Company to upgrade tanneries as per the targets as envisaged in the action plan. The Company, however, attributed (August 1995) the set back to the insufficient grants from the

Government. This argument is not tenable as the Company was having substantial amount of unutilised Government grants ranging between Rs. 18.69 lakhs in 1991-92 and Rs.338.57 lakhs in 1994-95.

2B.7 Conclusions

The Company, established in 1990 with the objective of developing leather industry and assisting leather artisans by providing them training facilities, latest equipments, machinery and marketing assistance, did not make any headway in the achievement of objectives even after a lapse of 5 years. The grants provided by the State and Central Government remained unutilised. Where funds were given as loans, a system of proper follow up and recovery was lacking. Further, where the money was spent on upgradation of tanneries from manual to semi mechanised process to improve quality of leather produced and training of artisans, the Company did not make any effort to collect information as to how far these programmes helped the tanneries/artisans to ascertain value for money spent. In this background the activities of the Company need to be revamped so as to achieve the objectives for which it was formed.

The matter was reported to the Government/Company (May 1996); their replies are awaited (November 1996).

Chapter - III

Reviews relating to Statutory corporation

Reviews relating to Statutory corporation

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Reviews relating to Statutory corporation

3A Review on the Construction of power transmission lines and associated sub-stations - Gujarat Electricity Board

Highlights

The power generated by the Board (installed capacity 5669 MW up to March 1996 including share from western grid) is transmitted through a net work of 400 KV, 220 KV, 132 KV, 66 KV and 33 KV transmission lines. By the end of VII plan period (1985-1990) the Board had laid 21235 circuit kilometers of transmission lines with 367 sub-stations. To evacuate anticipated increase in generation of 1082.6 MW, the Board envisaged construction of 8848 circuit kilometers transmission lines and 262 sub-stations during the period 1992 to 1997.

(Paragraph 3A.1)

Out of 5 transmission lines of 400 KV and 59 of 220 KV projected in VIII plan period (1992-97) the achievement up to March 1996 was only one 400 KV line and 31 of 220 KV lines. In the case of sub-stations, the achievement was only 13 against the target of 31 in 220 KV class; none of the 400 KV sub-stations were completed against the target of 4. The delay in completion of the works resulted in cost escalation of Rs. 132.45 crores.

(Paragraph 3A.3)

There was non recovery of cost of steel and excess payment to a contractor amounting to Rs. 15.60 lakhs. The extra expenditure due to award of work to a firm without matching of rates was Rs. 13.93 lakhs.

(Paragraph 3A.4.1.(i)(a) & (b))

There was extra expenditure of Rs.37.63 lakhs in the award of a contract for the construction of line and the Board incurred an avoidable expenditure of Rs. 18.86 lakhs due to its failure to provide gate passes for avoiding payment of excise duty.

(Paragraph 3A.4.1.(ii).(a) & (b))

The Board's failure to issue necessary amendment orders reducing the quantity of fabricated material due to reduction in the route length of the lines resulted in excess procurement of fabricated tower material valued at Rs. 86.09 lakhs.

(Paragraph 3A.4.2.1 & 3A.4.2.3)

Due to non-synchronisation of work of a transmission line with that of sub-station there was delay of 36 months in commissioning of the line; consequently an investment of Rs. 356.97 lakhs was locked up.

(Paragraph 3A.4.2.4)

3A.1 Introduction

The Gujarat Electricity Board has a total installed capacity for generation of 5669 MW of power (including share of 1324 MW from Western Grid) at the end of March 1996. The Power generated at various power stations and power purchased from other organisations is evacuated through a net work of 400 KV, 220 KV, 132 KV, 66 KV and 33 KV transmission lines. At the end of VII plan period (1985-1990), the Board had laid out a net work of 21235 circuit kilometres (CKMs) of transmission lines and 367 sub-stations. To evacuate anticipated increase in generation of 1082.6 MW during the period from 1992 to 1997 the Board envisaged construction of 8848 CKM transmission lines and associated 262 sub-stations during annual plan (1990-91 and 1991-92) and VIII Five Year Plan (1992-97).

3A.2 Scope of audit

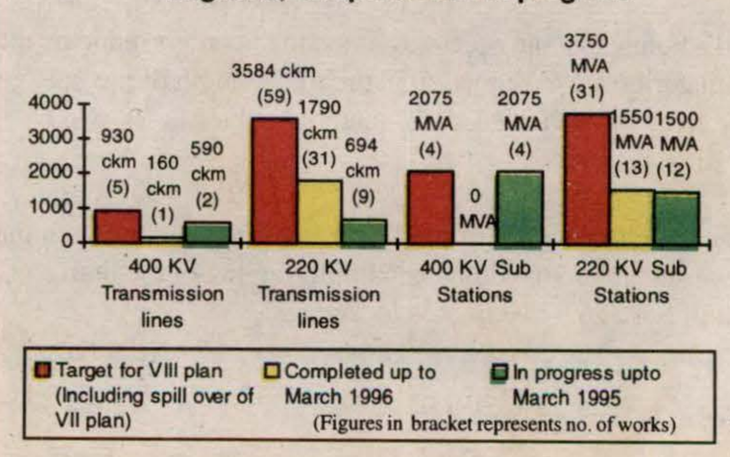
A review covering execution of some of the major transmission lines (above 66 KV class) and associated sub-station works during annual plans (1990-92) and VIII Five Year Plan (1992-97) was conducted between December 1995, March and August 1996. The results are set out in the succeeding paragraphs.

3A.3 Projections and achievements

The Board approved (October 1990) various transmission schemes consisting of line works, setting up of sub-stations, *etc.* for implementation during the period from 1990 to 1997 at an estimated cost of Rs. 1105 crores. The schemes were to be implemented through Plan funds (Rs. 874.19 crores), loan from World Bank through Power Finance Corporation Limited (PFC) (Rs. 229.20 crores) and other sources (Rs. 1.61 crores).

With the increase in generation capacity the transmission needs to be augmented. The targets of transmission lines and sub-stations, and achievements thereagainst up to March 1996 are presented below

Transmission lines and Sub-Stations targetted, completed and in progress



It was observed that -

(i) there were shortfall in achievement of targets set for increase in transmission lines and sub-stations as well as delays in completion of these works. Out of 5 transmission lines of 400 KV and 59 of 220 KV projected in VIII plan period (1992-97), the achievement up to March 1996 was only one 400 KV line and 31 of 220 KV lines. In the case of sub-stations, the achievement was only 13 in the case of 220 KV against the target of 31; none of the 400 KV sub-stations were completed against the target of 4 sub-stations. This delay resulted in estimated cost overrun of Rs. 95.14 crores for transmission lines and Rs. 37.31 crores on sub-stations. Thus, out of 99 total works targeted for implementation during the period under review 27 works had not been taken up so far (March 1996).

The Board attributed (January/February 1996) the delay in completion of transmission lines and sub-stations to non-receipt of line material due to financial constraints and objections from the owners of land. The argument about financial crunch is not tenable as the plan funds were allocated from time to time and loans tied up with PFC.

(ii) The taking up of transmission line works and the related sub-station works were not synchronised. As a result, there was mismatch in the schedule of completion of related works resulting in idle investment on either line or sub-station works. For example, the time required for construction of 400 KV sub-station and execution of 400 KV line for 100 CKM according to Board's estimate, was 48 months each. While the Board took up the work of construction of two 400 KV sub-stations in 1994-95 and 1995-96 respectively, the tenders for the related line works had not been invited so far (March 1996).

3A.4 The work of construction of some of the transmission lines taken up during VII Plan/VIII Plan are discussed below :

3A.4.1 400 KV Sardar Sarovar - Asoj - Limbdi and Limbdi-Jetpur

To provide stable power with improved and efficient systems in Saurashtra region, the Board approved a proposal in August 1984 for erection of Sardar Sarovar - Limbdi (Via Asoj-Kasor) double circuit (DC) (500 CKM) and 400 KV Limbdi-Jetpur single circuit (SC) (150 CKM) line at an estimated cost of Rs.64.00 crores. The Sardar Sarovar-Limbdi line was scheduled to be commissioned during the year 1994-95 and Limbdi-Jetpur line was scheduled to be commissioned during 1992-93. It was anticipated that energisation of these lines would feed about 150 MW in the system bringing a revenue of Rs.640 lakhs *per annum*, and reduce transmission and distribution losses by 6.22 MW, whereby additional revenue of Rs.195 lakhs *per annum* would also accrue.

3A.4.1.(i) 400 KV Sardar Sarovar - Asoj DC line

The Board, after inviting of tenders for construction of 400 KV Sardar Sarovar - Asoj line (73 CKMs), accepted in December 1991 the offer of H.T. Power Structure Private Limited (HTPS), Gandhinagar, for 48 CKMs at a cost of Rs.209.23 lakhs. For remaining 25 CKMs, the offer of Tata Exports Limited (TEL) was accepted subject to their matching the price and other terms with that of HTPS.

The work allotted to HTPS was completed in August 1994 and was tested in December 1994. The final bill of the contractor, the extent of penalty to be recovered, *etc.* was yet to be settled (April 1996). In the construction of this line, following points were observed :

(a) Steel required for the work was to be supplied free of cost by the Board. The order specified a contract weight for the steel structures and in case the actual weight exceeded this contract weight, the contractor was not eligible for fabrication charges for the extra weight. Cost of extra weight of steel was also recoverable at market price prevailing at the time of finalising the steel account plus 15 *per cent* supervision charges. Despite this, the Board did not recover Rs. 8.89 lakhs from HTPS towards extra cost of 40.75 tonnes of steel. Besides this, there was overpayment of fabrication and transportation charges of Rs. 6.71 lakhs on the excess steel.

Overpayment of Rs. 6.71 lakhs towards fabrication charges to the contractor besides non recovery of Rs. 8.89 lakhs for excess steel issued.

(b) The contract for 25 CKM line was awarded to TEL in October 1992 at Rs.138.84 lakhs as the firm agreed (May 1992) to match the rates with HTPS. Analysis in audit revealed that the TEL matched its rates with HTPS for the entire tendered quantity of 73 CKM line. As the Board had intended to issue the work to the extent of 25 CKM line only, the rates were required to be matched proportionately for 25 CKM. By not doing so, the rates offered by TEL became higher than the rates offered by HTPS to the extent of Rs.13.93 lakhs. The work to be completed by May 1994 was not completed so far (April 1996). The Board extended the completion period to May 1996. The reasons for the delay in completion were awaited (April 1996).

In the award of contract to a firm there was extra expenditure of Rs.13.93 lakhs. The works to be completed in 24 months remained to be completed even after 47 months

(c) While inviting tenders for the transmission lines, the Board left out 8 CKMs pending forest clearance. Even though firm TEL was trailing far behind in the execution of order for 25 CKM line, additional order for 8 CKM, on receipt of forest clearance in September 1994 was given to this firm in May 1995 to be completed by December 1995. This work was also yet to be completed (April 1996).

(d) Further, due to splitting up of work between HTPS and TEL, the towers designed and fabricated by TEL were required to be tested by TEL through outside agencies. The testing charges of Rs.15.70 lakhs borne by TEL was reimbursed by the Board. The Board while matching the rates did not consider the extra expenditure of Rs.15.70 lakhs on testing charges.

Due to non-completion of the line according to schedule, the Board could not earn additional revenue of Rs. 640 lakhs by transmitting additional energy of 150 MW during the period from 1994-95 to 1995-96, and Rs. 195.00 lakhs *per annum* by reducing transmission and distribution loss as originally anticipated in the scheme.

3A.4.1.(ii) 400 KV - Asoj-Limbdi DC (165 CKM) and Limbdi-Jetpur SC (162 CKM)

Tenders for the execution of Asoj - Limbdi DC (165 CKM) line were invited in April 1989 and contract awarded to HTPS in June 1990 for 50 *per cent* and the balance 50 *per cent* work was also given to the same contractor in April 1991 (total cost : Rs. 643.99 lakhs). The first circuit of 82.5 CKM was commissioned in March 1994 and the second circuit was commissioned in March 1995.

For Limbdi-Jetpur SC line (162 CKM), the Board after invitation of tenders placed orders (June 1990) on the lowest tenderer HTPS for 60 *per cent* of the work (96 CKM) at Rs. 239.43 lakhs. The orders for balance 40 *per cent* was placed in April 1991 on Electrical Manufacturing Company Limited (EMC) at Rs. 205.23 lakhs. These lines were completed in March 1992 and January 1992 respectively.

It was observed in audit that -

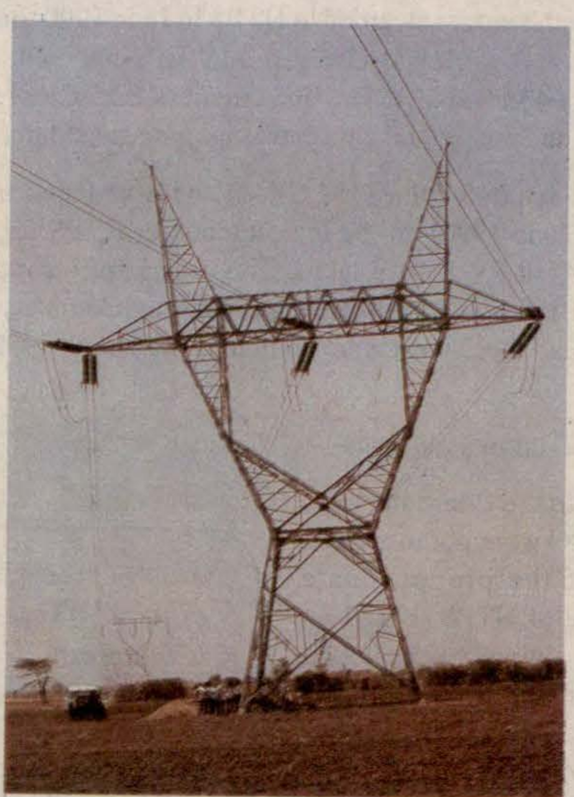
(a) According to the Board the rates allowed to EMC were not to exceed 5 *per cent* of the proportionate evaluated price of HTPS. Based on this the order value of work allotted to EMC should be Rs.167.60 lakhs against Rs.205.23 lakhs. This was due to delay in negotiating and finalising the offer resulting in extra expenditure of Rs.37.63 lakhs.

There was extra expenditure of Rs.37.63 lakhs in award of a contract. Further, there was avoidable payment of Rs.18.86 lakhs due to failure to provide gate passes

(b) As per terms of orders, the Board was to provide necessary subsidiary gate pass as required by the excise authorities to enable the contractors to avoid payment of excise duty on the steel supplied by the Board. However, the Board failed to provide gate pass/ subsidiary gate pass in the case of 2846 tonnes of steel issued during May 1990 and November 1991 to HTPS and 193 tonnes of steel issued to EMC during January 1991, April 1992 and September 1992. Due to this, the contractors had to pay excise duty amounting to Rs. 18.86 lakhs which had to be reimbursed by the Board.

(c) After commissioning of 400 KV Limbdi-Jetpur line in October 1993, 160KN* insulators supplied by W.S.Industries, Madras (WSI) failed in January 1994 and conductor snapped between locations 364 and 370. This was set right in February 1994 at cost of Rs. 9.99 lakhs by engaging another agency. After completion of work, the line was recharged on 19 May 1994. The Board stated (April 1996) that cost of some of the defective insulators were recovered and the exact expenditure on labour, material, *etc.*, on this account was being ascertained for effecting recovery from WSI. The investment of Rs. 2810.40 lakhs on this line thus remained locked up from 15th January 1994 to 18th May 1994 with consequent loss of interest of Rs. 168.62 lakhs.

A view of 400 KV - SC Transmission Tower



* KN represents Kilo Newton (unit capacity)

3A.4.2 220 KV Transmission lines

3A.4.2.1 Dhrangdhra - Morbi DC (75 CKM)

The Board envisaged construction of above line during VIII plan period at an estimated cost of Rs. 954 lakhs to be commissioned in 1993-94 as per the plan. After invitation of tenders, the Board placed orders in December 1993 on Urja Engineers Private Limited, (UE) Vadodara for design, fabrication and supply of towers, and erection and stringing of line at Rs. 313.06 lakhs (excluding line materials to be supplied by the Board). The contractor executed the work partially (value : Rs.367.24 lakhs) and then stopped the work in September 1994 on account of disputes regarding delay in payment of its running account bills.

It was observed in audit that -

(a) The tender was invited for a length of 75 CKM of the line with 231 locations on the basis of survey conducted during 1991 which reduced to 70 CKM with 210 locations on actual route survey prepared by the firm in April 1994. The Board did not reassess the actual quantum of tower material and intimate the firm any reduction in the supplies. On examination by audit, it was seen that the actual requirement of tower material was only 890.153 tonnes against the ordered quantity of 986.407 tonnes. The firm commenced supplies of fabricated tower material in March 1994 and completed supply of 1061.496 tonnes by February 1996.

Failure to reduce the material to be procured consequent upon reduction of length of line resulted in excess procurement of material worth Rs.40.74 lakhs

Thus, instead of restricting the supply after reassessing the requirement, the Board accepted about 75 tonnes excess tower material even on the ordered quantity of 986.407 tonnes. The reasons for such excess procurement was not made available to audit. The value of the material (171.343 tonnes) in excess of the actual requirement amounted to Rs.40.74 lakhs.

(b) Eventhough the firm stopped the erection work since September 1994, the Board went on accepting fabricated tower parts up to February 1996 which was not justified due to reduction in quantum of fabricated tower material.

(c) Due to stoppage of the work since September 1994, the line remained incomplete after spending Rs. 367.24 lakhs up to February 1996.

As the project report was not made available, anticipated benefit of revenue and saving in transmission loss could not be ascertained in audit.

3A.4.2.2 Gandhinagar - Jamla - Soja DC (27 CKM)

For design, fabrication, erection and stringing of the line, work order was issued in July 1993 to KEC International, Jaipur (KEC) at a total cost of Rs.130.42 lakhs. The work involved laying of a line crossing the Sabarmati river. Due to inadequate survey, the type of foundation required for the tower at the river crossing had to be changed in December 1994 after resurvey. The work of laying foundation and erection of tower at the river crossing has not been taken up so far (March 1996). The remaining part of the work has already been completed by September 1995 and the total investment including the cost of material used in the completed portion of work was Rs. 221.90 lakhs which remained idle and expected saving in transmission losses of 0.22 MW could not be achieved.

The Board stated (April 1996) that due to various factors, time bound completion of line was difficult.

3A.4.2.3 Jetpur - Jamnagar DC (120 CKM)

The Board estimated the cost of the aforesaid line under VIII plan at Rs. 1096 lakhs. The line was scheduled to be completed in 1994-95. The Board issued the work order in July 1993 on KEC International Limited, Jaipur (KEC) for design, fabrication, supply, erection and commissioning (excluding line material) at a total cost of Rs. 378.12 lakhs. The line was commissioned in October 1995.

In January 1994, the firm reported after survey that the actual route length of line was only 95 CKM against 120 CKM. However, the Board did not reduce the quantity of towers correspondingly by amending the order. As per the order, the firm was to supply 360 towers against the reduced requirement of 295 towers (including 2 towers at dead ends). It was observed in audit that the firm supplied 360 towers up to July 1995. This resulted in avoidable excess procurement of 65 tower numbers costing Rs. 45.35 lakhs. In July 1995, the Board decided to use these excess towers for the proposed scheme of Barge Mounted Power House which was still under preliminary stage (December 1995). Thus, the excess procurement resulted in locking up of Rs.45.35 lakhs.

Inability of the Board to reduce the tower material due to reduction in line length from 120 CKM to 95 CKM resulted in avoidable excess procurement worth Rs.45.35 lakhs

Further, due to defective supply of tower by the firm one additional tower was erected by the Board for stringing work between location No. 269-A and 270-A, at a cost of Rs.1.53 lakhs. The Board has not considered whether or not to recover the amount from the firm so far (April 1996).

3A.4.2.4 LILO Vav - Jambuva at Haldarwa - SC (30 CKM)

Under VII Plan, the Board had contemplated construction of 220 KV Lilo(*) Vav-Jambuva at Haldarwa SC 30 CKM line with a sub-station at Haldarwa at a total estimated cost of Rs.680 lakhs (Line Rs.200 lakhs; sub-station : Rs.480 lakhs) to be commissioned by April 1987.

It was observed in audit that -

(i) the work order was issued to firm SAE India (SAE) in October 1986 for completion of fabrication of towers and stringing of towers by January 1989 at Rs. 26.41 lakhs (excluding cost of steel and line material to be supplied by the Board). The stringing material was made available by the Board only in November 1989 even though the supply of the tower parts was completed by the firm in December 1987. This rendered the investment of Rs. 74.64 lakhs on tower material idle for 23 months. Moreover, though the firm stopped work, (three times) extension was given by the Board up to January 1993 owning responsibility on itself.

Due to non-synchronisation of transmission line work with sub-station, there was delay of 36 months and Rs. 356.97 lakhs worth of line material remained unused

(ii) The Board did not synchronise the sub-station work with the transmission line work. The site for sub-station was finalised only in May 1989. The line which was ready in November 1990 could be commissioned only in January 1994. As a result investment of Rs. 356.97 lakhs on the line remained locked up for 36 months.

(iii) Even though under the Central Excise Notification of 1975 fabricated tower material supplied to Electricity Boards were exempted from central excise duty till February 1988, the Board paid Rs. 9.71 lakhs (approximately) Central Excise Duty for fabricated tower material up to February 1988. The details of refund/ recovery were not made available to audit (April 1996).

As the project report of the scheme was not made available, the expected revenue by transmitting additional unit and saving in transmission losses could not be ascertained in audit.

3A.4.2.5 Karamsad - Bharuch DC (120 CKM)

The Board envisaged construction of the above line under VII plan at an estimated cost of Rs. 1180 lakhs to be commissioned in 1991-92. The work of design, fabrication and supply of towers with accessories (Rs. 96.98 lakhs) and

(*) Loop-in Loop-out system of transmission is just a taping of one circuit or two circuits from existing transmission lines for the purpose of taking power to the incoming new extra voltage.

erection and stringing work (Rs. 35.52 lakhs) (line material to be supplied by the Board) was awarded to firm HTPS in May 1989. The Board was to supply required steel free of cost subject to MODVAT benefit to be retained by HTPS. The work was completed and the line charged in March 1992.

It was observed in audit that -

(i) Against the estimated requirement of 1847 tonnes of steel and 57 tonnes of bolts and nuts by the Board for a route length of 120 CKM with 380 locations, the firm reassessed (May 1990) the actual requirement as 325 locations with a requirement of 1561 tonnes of steel and 51 tonnes of bolts and nuts. The Board did not re-estimate the actual requirement of tower parts and issue necessary amendments to the order on the basis of this re-assessment. Instead, it went on accepting the fabricated parts and bolts and nuts, and assessed the excess supply only in October 1993. The excess supply was 412 tonnes of tower parts and 13 tonnes of bolts and nuts (fabrication charges and cost of bolts and nuts Rs. 20.94 lakhs approximately). The excess supply also resulted in avoidable transportation cost of Rs. 1.27 lakhs on these materials to 220 KV Utran - Kim line.

(ii) Scrap material of 98.65 tonnes costing Rs. 3.95 lakhs was not returned by the firm to the Board for which recovery has not been effected so far (April 1996).

(iii) Though the supply of tower material was completed in April 1993, the Executive Engineer, Jambuva reported in November 1994 a shortage of 12.235 tonnes (cost Rs. 1.79 lakhs) of tower material. Recovery for shortages is yet to be effected by the Board (April 1996).

(iv) As the Board could not make available basic excise gate pass required for claiming MODVAT benefit to HTPS, the Board had to make avoidable payment of Rs. 9.63 lakhs in June 1990 towards reimbursement of excise duty paid by the firm.

Due to excess supply of material the Board incurred an expenditure of Rs. 1.27 lakhs. Further, due to failure to provide gate passes of excise, there was an avoidable payment of Rs. 9.63 lakhs to the contractor

3A.4.3 220 KV Sub-station and associated line

3A.4.3.1 Bhilad sub-station and its associated line

For catering to the increased demand for power in Vapi-Bhilad area, the Board prepared (August/October 1988) a scheme estimated to cost Rs. 16.75 crores consisting of (i) 220 KV Vapi-Bhilad DC (30 CKM), 220/66 KV Bhilad sub-station with PLCC work (total cost: Rs. 8.16 crores) and (ii) six 66 KV sub-station and associated lines with Bhilad sub-station (cost: Rs. 8.59 crores). Against the request of the Board (October 1988) to PFC for loan facility of Rs. 7.73 crores for this work, PFC sanctioned Rs. 3.87 crores in June 1990 carrying interest at 11.5 *per cent per annum* plus one *per cent* service charge and one *per cent* commitment charges. The loan was subject to Government guarantee. The Board availed Rs. 3.87 crores between January 1991 to October 1992.

The proposed scheme scheduled to be completed and commissioned during the year 1991 was actually commissioned only in February 1994 due to delay in (i) finalising the location for sub- station, (ii) possession of land, (iii) procurement of equipments and their installation, *etc.* Delay in completion of work resulted in cost over-run of Rs. 8.60 crores.

The work on sub-station scheduled for completion in 1991 was actually completed in February 1994 with cost escalation of Rs.8.60 crores

In the execution of this work the following points were observed in audit:

(i) As per original planning, the line was proposed to be tapped from 220 KV Vapi-Kakrapar line at LILO 367.C location. The Board subsequently decided to erect a line from Bhilad to Vapi sub-station instead of at LILO 367.C location. This resulted in extra work of additional 16 towers at a cost of Rs. 96.42 lakhs.

(ii) As per terms of order, for various towers the steel was to be procured by the contractor (Urja Engineers Pvt. Ltd.) and price variation was to be restricted only up to contractual period i.e. August 1991. The contractor, however, supplied 133.0 tonnes of tower material up to February 1992. Though no price variation was payable in terms of the order, the Board admitted claim of Rs.13.52 lakhs for steel supplied by the contractor beyond August 1991. There was thus extra contractual payment which lacked justification.

There was extra contractual payment of Rs.13.52 lakhs on price variation in the construction of associated line

(iii) The sub-station and associated line work scheduled to be completed and commissioned during the year 1991 was actually commissioned in February 1994. This was due to non finalisation of location resulting in non finalisation of route. This has resulted in abnormal delay in completion of sub-station and line work. Due to this delay in construction of sub-station and lines, materials and equipments procured in advance worth Rs. 289.50 lakhs remained idle. In addition, the Board paid commitment charges of Rs. 2.14 lakhs and guarantee charges of Rs. 8.38 lakhs to the PFC and the Government respectively.

Thus, due to delay in completion of sub-station and associated lines, the Board could not transmit 595.660 MUs and generate additional revenue of Rs.3.57 crores *per annum*, during over run period.

3A.5 66 KV lines

66 KV Rajsitapur - Lakhatar (26 CKM)

In May 1988 the Board entrusted the erection work of 66 KV Rajsitapur - Lakhatar (26 CKM) line to Rupera Construction Company, Rupera, at Rs. 4.03 lakhs to be completed by September 1988.

After executing 38 *per cent* of work, the firm stopped the work since July 1990 reasons for which were not made available to audit. However, the firm was paid Rs. 1.55 lakhs up to August 1990. It was observed that no action was taken so far (April 1996) to cancel the work at the risk and cost of the contractor or to allot the work to alternate agency.

Even though a contractor abandoned the work of a 66 KV line in July 1990 no action was taken by the Board so far to restart the work and funds to the extent of Rs. 27.81 lakhs are locked up

Material worth Rs. 2.58 lakhs, issued to the firm for the work remained with the firm and no action was taken either to recover the cost or to take back the material. Besides, erection and stringing material worth Rs. 23.68 lakhs procured by the Board also remains idle (April 1996).

3A.6 World Bank/Power Finance Corporation Limited assisted projects/schemes

3A.6.1 To meet the financial requirements for approved projects/schemes under VIII plan, the Board, in June 1992, approached World Bank through Power Finance Corporation Limited (PFC) for financing seven transmission schemes* at estimated cost of Rs. 279.26 crores. It was estimated that on completion of schemes, benefit of Rs. 32.93 crores *per annum* would accrue to the Board. The PFC sanctioned 70 *per cent* loan of Rs. 195.50 crores in July 1993 (Rs. 72.80 crores) and in September 1993 (Rs. 122.70 crores). The Board, however, entered into agreement with PFC only in February 1995 and commenced the withdrawal of loan thereafter. Out of 7 schemes, six schemes were not commissioned as envisaged and are at preliminary stage only. Therefore till January 1996, the Board drew only Rs. 64.04 crores of the loan.

The delay in drawal of loan assistance sanctioned in July and September 1993, resulted in payment of commitment charges of Rs. 0.79 crore and guarantee fees Rs. 3.17 crores.

Delay in drawal of loan assistance resulted in payment of Rs. 3.96 crores towards commitment charges and guarantee fees

* Two 400 KV sub-stations and asssociated Lines (Amreli and Zerda) and five 220 KV sub-stations and associated lines (*viz.* Wagra, Dehgam, Nani-Khakhar, Chotila and Kheralu)

3A.6.2 220 KV Wagra sub-station and its associated line

To meet the growing demand of power in Wagra area, Board contemplated construction of 220 KV sub-station at Wagra alongwith 220 KV DC line from Haldarwa sub-station and this work was included in VIII plan proposal (1992-97).

The project report prepared for availing loan from World Bank through PFC and submitted in July 1992 envisaged a benefit of Rs. 300.07 lakhs *per annum* besides reduction of outages leading to lower maintenance cost. As per project report, the line which was to cost Rs. 16.00 crores was scheduled to be completed by March 1995 and sub-station was scheduled to be commercially commissioned by April 1995.

It was observed in audit that though the loan of Rs. 11.20 crores was sanctioned by PFC in July 1993, there was inordinate delay in its drawal in the absence of planning in execution of work. As a result the sub-station work was at civil construction stage only though the Board had spent Rs. 337.36 lakhs on civil work and materials up to December 1995. The total loan availed up to January 1996 was Rs. 5.88 crores.

As regards erection of 220 KV Haldarwa-Wagra line, even though the Board entrusted the work to Urja Engineers at a cost of Rs. 43.14 lakhs in April 1995, the Board applied for railway crossing clearance only in January 1996. The work of substation and associated line is still in progress (April 1996).

Thus, in the absence of proper advance planning for completion of work, the Board could not so far avail expected benefit and had to incur avoidable expenditure of Rs. 37.62 lakhs towards interest and commitment charges of Rs. 4.85 lakhs on the loan.

3A.7 Delay in commercial functioning of sub-stations

During the year 1994-95, the Board completed and commissioned (test charged) 44 sub-stations (Cost : Rs. 94.08 crores) having 400 KV(1), 220 KV (3), 132 KV (3) and 66 KV (37). Out of these, 16 sub-stations were put into commercial use on sanction of required staff. As the revised norms for sanction of staff for sub-station were not finalised, commercial operation of 23 sub stations (Cost : Rs. 25.53 crores) were delayed for periods ranging between 3 months and 11 months. Balance five sub-stations (Cost : Rs. 5.25 crores) were yet to be commercially commissioned. The delay not only resulted in idle investment of the Board's scarce funds from the date of completion but also non accrual of expected benefit of reduced transmission losses.

The Board stated (January 1996) that though sub-stations were completed and were test charged they could not be commissioned as the associated transmission lines were not ready due to non-availability of material. This argument is contrary to the explanation given in June 1995 by the Board that in absence of finalisation of revised staff pattern norms, sub-stations were not put to commercial use.

3A.8 Conclusions

From the foregoing, it would be seen that the planning and execution of line works suffered from the following deficiencies :

(i) Due to non-synchronisation of construction of sub-station with the line works, there was substantial idle investment (Rs. 356.97 lakhs) in the line material.

(ii) Even after reducing the route length of the lines after final survey the Board did not amend the orders reducing the quantum of fabricated material required for work.

(iii) There was abnormal delay (ranging from 23 to 215 months) in the preparation of final bill and non reconciliation of material account.

(iv) In respect of construction work of some sub-stations (400 KV - Jetpur Limbdi sub-station 220KV Dehgam, Motipardi *etc.*) the field offices of the Board initiated quotations by splitting up items of work. which resulted in non-availment of benefit of competitive rates and avoiding of sanction from higher authorities.

The matter was reported to the Government/ Board (May 1996); their replies are awaited (December 1996).

3B Review of the Power Purchase Agreement (PPA) by Gujarat Electricity Board (GEB) with Gujarat Torrent Energy Corporation Limited (GTEC).

Highlights

Gujarat Electricity Board (GEB) entered into a Power Purchase Agreement (PPA) with Gujarat Torrent Energy Corporation Limited (GTEC) on 3rd February 1994 for purchasing power generated by the 654.7 MW combined gas steam turbine power plant at Paguthan in Bharuch district.

(Paragraph 3B.1)

Actual capital cost of the project would be much higher than the estimated cost of Rs. 25360.82 million.

(Paragraph 3B.3.2)

The actual tariff at 68.5 *per cent* PLF would be much higher than Rs.2.71 per kwh due to variations inherent in the fixed rate of return model.

(Paragraph 3B.3.3)

GEB and GTEC have preferred to share between themselves the benefit of Rs. 40.09 crores arising out of the improved norms of station heat rate and auxiliary consumption.

(Paragraph 3B.3.4)

GEB is likely to back down its cheaper generation and purchase the costlier power of GTEC.

(Paragraph 3B.3.6)

Higher variable cost of power, variable nature of fixed cost and additional cost to be borne by GEB would force GEB to increase its tariff.

(Paragraph 3B.3.9)

3B.1. Introduction

Gujarat Electricity Board initiated a number of projects for augmenting power generating capacity within the state of Gujarat. Installation of a combined cycle power plant at village Paguthan in Bharuch District was one such proposal. The techno-economic clearance for the Gandhar Gas Turbine Combined Cycle TPS for a capacity of 615 MW was obtained from Central Electricity Authority (CEA) in October 1989. In March 1991, this clearance was got transferred in favour of Gujarat Power Corporation Limited (GPCL), a Company jointly promoted by State Government and GEB. GPCL, jointly with Torrent Exports Limited, promoted a Company called Gujarat Torrent Energy Corporation Limited (GTEC) and got transferred the CEA clearance in favour of this Company in March 1993. CEA, while transferring the clearance in favour of GTEC, gave clearance subject to GTEC's getting all the clearances and inputs transferred in its favour and submitting the financial package, revised project report *etc.*, for the final techno-economic clearance. To obtain the benefits of the Government of India's liberalised Private Sector Power Policy, GEB entered into a PPA on 3rd February 1994 to purchase the power generated by GTEC through the above project.

3B.2. Demand supply scenario and capacity addition planning

3B. 2.1 Demand Projections as compared with availability in the State

The 15th Electric Power Survey (EPS) report estimated the energy requirement at bus bars and peak requirement for the State of Gujarat for 1995-96 to be 33,475 MKWh and 5382 MW respectively.

The installed capacity of Gujarat State (inclusive of Central Sector Share) as on 31st March 1996 was 6363 MW and total energy generation during 1995-96 was 36729 million units (MKWh), with an average plant load factor (PLF) of 66%. The energy available at bus bars, after deducting auxiliary consumption of around 9.5%, would be 33,240 million units. The average peak availability during the period, as per GEB's record, was 4931 MW.

3B.2.2. Capacity addition planned upto 2000 A.D and its consequences

The installed capacity requirement was worked out on the assumption of 64 *per cent* availability of installed capacity for peak demand, as approved by CEA. The peak requirement of the State in the year 2000 A.D was estimated by GEB to be 7191 MW (this figure differs from the estimate made in the 15th EPS report of 6945 MW due to difference in load factor adopted). Consequently, the installed capacity requirement was estimated to be 11,236 MW by that time. The State planned to meet this requirement through 15 projects under different stages of planning and implementation leading to a capacity addition of 5536 MW to the existing installed capacity of 6363 MW, through additional base load generation capacity keeping peak level requirement in mind. Thus, it is planned to achieve the total installed capacity of 11,899 MW by the turn of the century.

The Capacity addition planned is likely to force GEB to back down its cheaper mode of generation and accept the costlier power of IPPs, or else pay for deemed generation.

If capacity addition of 4565 MW out of a total of 5536 MW as planned through independent power producers (IPPs) is achieved and as they would be functioning at a higher PLF of 80-90% (greater than 64% assumed) and GEB would be entering into PPAs with all the IPPs and guaranteeing them payment on created capacity, GEB may need to back down its cheaper generation and accept the costlier power generated by IPPs, or else pay for deemed generation.

Further the capacity addition would entail dovetailing the upgradation and improvement of distribution and transmission system or else it would be difficult for GEB to evacuate the power .

3B.3 Irregularities in the Power Purchase Agreement entered into by GEB with GTEC

The PPA entered into by GEB with GTEC for the 654.7 MW combined gas steam turbine power plant at Paguthan in Bharuch district was one of the many PPAs that GEB had entered into for purchasing power generated by IPPs.

Following observations were made on the scrutiny of the above agreement:

3B.3.1 General

No global tenders were invited before handing over the proposed project at Paguthan in Bharuch to GTEC.

3B.3.2 Project cost and sources of finance.

3B.3.2.1 The feasibility report prepared by Tata Consulting Engineers for the techno-economic clearance by CEA, in its addendum of September 1993, estimated the capital cost to be Rs. 25360.82 million for a capacity of 615 MW.

As per the PPA, the actual capital cost determined on the completion of the project would be the basis for tariff calculation.

The actual capital cost would be higher than estimated due to the following reasons:

(a) Any variation in the exchange rate above the assumed level of 1 DM = 18.69 Rupees during the construction period would significantly jack up the capital cost as foreign currency component in the cost was nearly 55%.

(b) Any increase in interest rates above 12% *per annum* on foreign loans and 19% *per annum* on indigenous loans and construction period above 36 months would increase the interest during construction to be capitalised in the actual capital cost.

(c) Any price escalation above the assumed level of 4% *per annum* on the imported equipments and 10% *per annum* on indigenous equipments during the construction period would jack up the actual capital cost.

(d) Any increase in capital cost even if due to the default of the IPPs, their contractors or suppliers would be recoverable from GEB, as the PPA does not specifically prevent such recovery.

3B.3.2.2 The entire increased capital cost as incurred by GTEC would be recovered from GEB in the form of depreciation (an element of fixed cost) and the cost of finance in the form of interest (also an element of fixed cost).

The entire actual increased capital cost would be recovered from GEB.

3B.3.2.3 The CEA while originally giving the techno-economic clearance for the project to GEB in 1989, approved the estimated cost as Rs.5737.30 million. As per information provided by GEB, the techno-economic clearance to GTEC was given for an estimated cost of Rs.22980 million in 1993-94. There had been a significant increase in the estimated cost which would be borne by GEB though it did not have any say in the economy of the capital cost arrived at.

3B.3.3 Tariff

Tariff was based upon the actual recovery of fixed and variable elements mentioned in schedule VII of the PPA. Therefore, the actual tariff would be much higher than the rate of Rs.2.71 per Kwh for operation at 68.5% PLF, projected in the addendum, due to reasons mentioned below:

(a) The above projected cost itself would be Rs.2.90 per KWh if interest during construction was considered in capital cost and interest on working capital was included under fixed cost.

(b) Interest rate higher than the assumed rate of 12% *per annum* on foreign loans and 19 % *per annum* on Indian loans would be pass through as an element of fixed cost throughout the period of agreement.

(c) Any increase in the exchange rate above the assumed level of 1 DM = 18.96 Rupees, being pass through, would increase the rupee liability on loan repayment and interest payment on the foreign currency portion, which would increase the tariff throughout the agreement period.

(d) The actual capital cost finalised on completion of the project, if higher than estimated, would increase the depreciation and O&M expenses included in the fixed tariff component as a percentage of capital cost and the interest and return on equity liability due to requirement of additional funds.

(e) The tariff being linked to actual recovery of fixed and variable elements of costs as determined by GTEC, would tend to increase throughout the period of agreement as higher cost, even if due to the inefficiency or default of GTEC, can be recovered from GEB.

(f) Exchange rate variation would also lead to a higher return on equity contributed in foreign currency in terms of Indian rupees, thereby increasing tariff throughout the period of agreement.

(g) All generation above 41% PLF would be done using naphtha which was the costliest of all the fuels and subject to frequent price changes. This factor would significantly increase the variable cost in tariff at 68.5% PLF and above.

3B.3.4 Technical parameters

(a) Ambient temperature

The mean ambient temperature required for achieving the installed capacity of 654.7 MW at the Power plant was 28°C and the mean ambient temperature sought to be maintained was 35°C. The availability of capacity would, therefore, be much lower than the installed capacity which would be a loss to GEB as capital costs are based on installed capacity.

(b) Station heat rate

Ministry of Power(MOP) Notification dated 31 March 1992 had laid down *inter alia* norms of station heat rate and auxiliary consumption as being 2000 K.Cal and 3% respectively. This was adopted in the PPA though GTEC intended functioning at a Station heat rate of 1716 K.Cal. and auxiliary consumption of 2.4 *per cent*

GEB and GTEC had preferred to share between themselves the benefit of Rs.40.09 crores arising out of the improved norms of station heat rate and auxiliary consumption instead of passing it on to the ultimate consumer by way of lower tariffs.

3B.3.5 Fuel, Fuel facility and Fuel management

GTEC was allotted 1.5 million cubic meters of gas per day and entered into an agreement for 0.5 million metric tonnes of naphtha *per annum*. As gas allotted was only sufficient for generating 41% PLF, all generation above that level would have to be done using naphtha. This would heavily increase the variable cost in tariff as naphtha is the costliest of all fuels. The cost of generating 1 Kwh using coal was 35 paise, using gas was 58.6 paise, using NGL was Rs.1.65 and using naphtha was Rs.1.82. This alongwith the deemed generation clause would force GEB to back down its cheaper coal generation and accept the costlier naphtha or NGL based power from GTEC.

All generation above 41% PLF would be done using naphtha which was the costliest of all fuels, consequently cost of power would increase

As per Schedule 7.3, the variable charge would be the cost of fuel or the minimum offtake charges payable by GTEC whichever was higher. In the contract for supply of gas, the minimum offtake quantity was 80% of the contracted amount and in case of naphtha it would be limited to the annual service charge of Rs.29.05 lakhs per fortnight. Minimum offtake quantity was not contemplated in the MOP Notification dated 31 March 1992 and would penalise GEB for the fault of GTEC.

3B.3.6 Payment on created capacity

As per Schedule VII of the PPA, GEB would have to accept all the power GTEC was ready to generate or else pay for deemed generation. Particularly during the off season and off peak hours acceptance of power into the grid should be subject to grid conditions. GEB would have to back down its cheaper generation and purchase the costlier power of GTEC.

This situation could have been avoided if GEB had negotiated with GTEC on the maximum power that would be accepted, as the MOP Notification only lay down a minimum PLF of 68.5% but do not stipulate the maximum and generation beyond this norm would be subject to grid demands.

3B.3.7 Insurance

Insurance expense was to be recovered as a part of O&M expenses from GEB, but GEB had no say in the nature of insurance to be taken out by GTEC or in the manner of utilisation of the proceeds of insurance claims. This clause did not provide any safeguard against GTEC using the insurance proceeds for purchasing new assets and charging depreciation on such assets once again in the fixed cost.

3B.3.8 Force majeure

Force majeure has been defined under Article 10 to include natural calamities as well as strikes, lock outs and machinery break-downs. Though the PPA allows both GEB and GTEC to claim *force majeure*, this clause operates more in favour of GTEC than GEB on a combined reading of other Articles and Schedules.

This clause can extend GTEC's date of commercial operation by the period of *force majeure*, condone GTEC's inability to operate the plant as per despatch schedule, its inability to provide the nominal base load capacity and also payment of penalty for deemed non generation.

However, it would not condone GEB's inability to accept power declared to be available by GTEC, even if due to *force majeure*, or even excuse making payment of any money under an obligation even during the pendency of *force majeure*.

3B.3.9 Actual cost of power to GEB

The cost of power projected at Paragraph 3B.3.3 above was the cost at bus bars. GEB would have to bear the following further costs before actually selling this power to the ultimate consumer:

The higher variable cost of power, variable nature of fixed cost and additional cost to be borne by GEB would force it to increase its tariff

(a) Cost of setting up the transmission and distribution network;

(b) The transmission and distribution losses which was estimated to be around 18-19 % of power available at bus bars;

(c) The cost of securing the payment obligations through Letters of credit. Government guarantees and ESCROW accounts;

(d) Cost of funds for special appropriation accounts;

(e) All kinds of taxes, cess, duty on or pertaining to the sale of energy or capacity would be borne by GEB over and above the tariff.

The higher variable cost of power, the variable nature of the fixed cost and the additional cost to be borne by GEB would force GEB to hike its tariff. If the high tariff adversely affects the demand, the financial burden on GEB would worsen due to the deemed generation clause incorporated in the agreement.

3B.3.10 Rate of return assured in the contract

The agreement assured a 28.81% rate of return on equity (ROE) if the 16% assured rate of ROE and incentive of 0.575% for each *per cent* increase in PLF above 68.5% was considered. If the hidden benefit of Rs.40.09 crores was considered, the total return on equity worked out to 34.88%. This would give an internal rate of return(IRR*) of about 22% with which GTEC would be able to recover its total investment in four years.

3B.4. Conclusions

The contract is basically a cost plus contract which may entail the following financial impact on GEB:

(a) The cost of power may be higher due to use of costly fuel, fixed cost not remaining fixed and incentive to be paid for generation above 68.5% PLF.

(b) The payment is likely to be made on capacity made available by GTEC irrespective of whether it could be evacuated by GEB or not.

(c) The capital cost of establishing T&D infrastructure and T&D losses may also be borne by GEB.

(d) GEB is likely to have to back down its own cheaper generation due to base load and peak load excess.

The matter was reported to the Government on 24th September 1996. Reply is awaited (December 1996).

* IRR of a project is a discounted rate which makes net present value equal to zero

Chapter - IV

Miscellaneous topics of interest

Miscellaneous topics of interest

Chapter - IV

Miscellaneous topics of interest relating to Government companies and Statutory corporations

4A GOVERNMENT COMPANIES

4A.1 Gujarat Fisheries Development Corporation Limited

4A.1.1 Brackish Water Shrimp Culture Project

The State Government decided in 1989 to establish a brackish water shrimp culture project at Vansi Borsi (Valsad district) to produce prawn fish which had a great demand in overseas market. The Government allotted 100 acres of land in September 1992 to the Company in order to enable it to implement this project. The Company prepared a project report in October 1992 with the help of a foreign collaborator of Singapore. The project consisted of a hatchery farm with a capacity of 32 million prawn seeds and 40 ponds in an area of 40 hectares. The project was approved by the State Government at a cost of Rs.372.74 lakhs in March 1993. The funds required for the project were to be met from a loan of Rs.254.60 lakhs from Syndicate Bank (under NABARD refinance scheme), subsidy of Rs.5 lakhs from Marine Products Export Development Authority (MPEDA) and remaining amount of Rs.113.14 lakhs was to be arranged by the Company for which the State Government sanctioned (March 1993 / June 1994) a sum of Rs.91.85 lakhs to the Company. The Company spent Rs. 84.25 lakhs on this project till June 1994 which included Rs. 27.85 lakhs towards machinery supplied by the consultants, Rs. 5.37 lakhs towards consultancy charges and Rs. 51.03 lakhs towards other items including civil works.

It was noticed that the Company, despite the expenditure of Rs. 84.25 lakhs, could not go ahead with the project as the NABARD and MPEDA, after analysing the sea water of the locality in March 1994 found that the site was not suitable for hatchery and refused to refinance the project, and Syndicate Bank also withdrew (June 1994) from the financing of the project. It is evident that the implementation of the project was dependent on the assistance from the financial institutions, as such the Company should have firmly tied up finance required for the project with financial institutions before incurring any expenditure on the project. Failure to do so resulted in unfruitful investment of Rs. 84.25 lakhs.

Non-tie-up of finance required for the project with the financial institutions resulted in unfruitful investment of Rs.84.25 lakhs on a brackish water shrimp culture project

The matter was reported to the Government/ Company (June 1996); their replies are awaited (December 1996).

4A.1.2 Infructuous expenditure

The Company decided (December 1990) to hire 1559 *sq. feet* of space at Rs. 6.50 *per sq. feet* plus Rs. 2000 as service charges excluding Municipal Taxes at 'Shreeji Complex', Ahmedabad for shifting of Chairman's office, the Managing Director's office, *etc*. After completion of the interior decoration at a cost of Rs. 1.63 lakhs, the offices of the Chairman including Chairman's staff, Managing Director's office and finance branch were shifted to new premises in May 1991. Within a short span of 6 months, this new premises was found to be unsuitable and inconvenient. Accordingly, it was vacated on 15 February 1992 and shifted to old premises. In this process, the Company incurred infructuous expenditure of Rs 3.32 lakhs.

Expenditure of Rs.3.32 lakhs for Chairman's office in another premises became infructuous as it was shifted back within 6 months on the plea that it was unsuitable

The Company stated that the new place was taken to accommodate an independent Chairman appointed for the first time in July 1990 till his transfer in January 1991. The decision was changed thereafter with the change in top management for effecting economy in expenditure.

The Company's reply indicates that decisions for shifting were taken without regard to financial propriety.

The matter was reported to the Government/Company (June 1996); their replies are awaited (December 1996).

4A.2 Tourism Corporation of Gujarat Limited (TCGL)

4A.2.1 Non-recovery of dues from a Joint Venture Company

Tourism Corporation of Gujarat Limited (TCGL) and a private firm Saya Amusement Manufacturing Limited (SAML)) entered into a Memorandum of Understanding (MOU) in May 1991 for setting up of a joint venture amusement park by incorporating a new company (Gujarat Funworld Limited) with equity participation of 26 (TCGL): 74 (SAML). According to this MOU, TCGL was to obtain suitable land from the State Government and to hand over possession to the joint venture company *viz* Gujarat Funworld Limited (GFL). The responsibility of arrangement of funds for creation of amusement facilities and working capital was of the co-promoter of the joint venture company.

According to a separate shareholders agreement entered into in August 1991 between TCGL and SAML the value of land was to be adjusted against share capital contribution to the extent of 26 *per cent* and any amount in excess thereof was to be treated as loan bearing interest at 17.5 *per cent per annum* payable quarterly to TCGL. Besides, the TCGL was also eligible for 2 *per cent* of the amount of gate collection as well as on the income from the contract of restaurant and ice-cream parlour in the amusement park.

The TCGL obtained land from the Government in January 1991 at a cost of Rs.80.94 lakhs. The land was handed over by TCGL to the joint venture company *viz.* GFL and an amusement park was commissioned thereon in July 1991.

It was observed in audit that:

(i) Though the GFL has been utilising the land, formal transfer of the land in favour of GFL was not approved by the Government in view of certain irregularities brought out by the Management Auditors appointed by TCGL based on shareholders agreement.

(ii) As the GFL has not got the land transferred in its name, it has not issued shares to the extent of 26 *per cent* to the TCGL.

(iii) Though the Company was entitled to receive 2 *per cent* of income on the gate collection, ice cream parlour and restaurant contract, it had not so far worked out, and claimed amount due to it.

(iv) The consideration for transfer of land (*viz.* interest of 17.5 *per cent* in excess of 26 *per cent*) payable by the GFL to the TCGL worked out to Rs. 24.50 lakhs up to 1995-96. This also has not been paid by the GFL nor any action taken by the TCGL to recover the dues.

Thus, despite the investment of Rs. 80.94 lakhs, TCGL is deprived of any return on the joint venture project and the total dues outstanding was Rs. 24.50 lakhs, while GFL is enjoying the possession of land without any investment thereon and generating revenue therefrom.

The Company failed to recover Rs. 24.50 lakhs from a joint venture firm which enjoys the land given to it and on which an amusement park was set up

The matter was reported to the Government/Company (February 1996); their replies are awaited (December 1996).

4A.3 Sardar Sarovar Narmada Nigam Limited

4A.3.1 Avoidable extra expenditure due to delayed implementation of suggestions involving savings

In April 1985 the State Government, at the instance of World Bank, constituted a Board of Consultants (BOC) to identify potential problems and make recommendations for safe and economic designs and use of efficient construction methods in the Narmada Main Canal and distribution system. The BOC recommended in September 1992 to increase the thickness of impervious layer from 10 mm to 12 mm, and reduction of the mortar standard of cement : sand from 1 : 3 to 1 : 5 in the lining of canals. This change was to bring a saving of Rs. 5 *per sq. mtr.*

On examination of the recommendations in April 1993, the Company assumed that instead of a savings of Rs. 5 *per sq.mtr.*, there would be an increase in the cost by

Rs. 2.70 *per sq.mtr* due to extra requirement of cement for increase in the thickness of impervious layer. In its assumption, the Company, however, failed to calculate the savings in use of increased quantum of sand and corresponding reduction in quantity of cement in the mortar. When this flaw was pointed out by BOC in September 1993, the Company accepted the mistake in September 1994. There was, however, delay in implementation of the suggestion by the various divisions between December 1994 and March 1995. The Company also felt that the revised proportion might be adopted in the fresh work orders to be issued.

The Company lost the benefit of a savings of Rs. 80.08 lakhs due to delayed implementation of recommendations of BOC on account of faulty assumptions

It was observed in audit that as per the terms of the contract, the Engineer-in-charge was empowered to make any alterations in the specifications without vitiating the contract agreement and any savings thereon could be deducted from the cost. A scrutiny by audit of the works of construction of distributaries and minors undertaken by 12 divisions, revealed that due to non-acceptance of the recommendations of BOC, the Company failed to save an amount of Rs. 80.08 lakhs on the 18.15 lakh *sq.mtrs.* of works completed under original specifications till March 1995.

The matter was reported to the Government/Company (April 1996). The management in September 1996 stated that the delay in implementation of BOC recommendation was not due to any faulty assumption on the part of the management but due to the time required for study of the recommendation as well as to have an analysis of its impact on the changes required in tender specification and cost economies. Moreover, the real saving would be Rs.4 *per sq. mtr.* instead of Rs.5 *per sq. mtr.* as brought out in audit while working out the total saving.

The reply of the management is not tenable in view of the fact that, the management was under the assumption that increase in the thickness of layer would increase the cost, till it was clarified by the BOC in its meeting held on 4th November 1993, that there would be an overall saving of Rs.5 *per sq. mtr.* in implementing this recommendation. As far as the working of loss of saving is concerned, in audit, the actual savings of Rs.4 to Rs. 4.55 *per sq. mtr.* as worked out by the divisions has been taken and not Rs.5 *per sq. mtr.* as estimated by BOC. The reply of Government is still awaited (December 1996).

4A.3.2 Undue benefit to the contractors for use of conventional bricks

The tender specifications for construction of distributory canals contemplated use of machine made bricks. The Company in June 1992 accepted the offer of the contractors to use conventional table moulded bricks in place of machine made bricks if a rebate of Rs. 8 *per sq.mtr.* of lining was allowed. During the execution of the works, the contractors represented (July 1993) that the conventional table moulded bricks were not available in the vicinity of the work site and sought permission for use of ground moulded bricks. This was agreed to by the Company in November 1993. While communicating approval for change in specifications of bricks, the Chief Engineer had specified in January 1994 that over and above the rebate of Rs. 8 *per sq. mtr.*, appropriate reduction in the rate should be effected by the Executive Engineers after assessing the savings.

It was observed in audit that despite these instructions, reductions were not made after the work was done with ground moulded bricks. The Schedule of Rates for 1992-93 specified a rate of Rs. 650 for 1000 bricks of ground moulded bricks as against Rs. 965 for machine made bricks. This difference had an impact by way of savings of Rs. 12 *per sq.mtr.* of lining. After considering the rebate of Rs. 8 *per sq. mtr.* of lining offered by the contractors for use of conventional table moulded bricks in place of machine made bricks, there still remained a recoverable difference of Rs. 4 *per sq.mtr.* of lining.

In the construction of distributory canals, the contractors were conferred unintended benefit of Rs. 54.34 lakhs by allowing them to use ground moulded bricks in the place of table moulded bricks without effecting recovery of differential cost

A review of 43 works executed in 8 divisions by audit in September 1995 revealed that in case of 24 works executed by 3 divisions, no recoveries were effected from the contractors, in case of remaining works the recoveries effected varied between Rs. 0.60 *per sq. mtr.* and Rs. 2 *per sq. mtr.* of lining.

This resulted in an undue benefit of Rs. 54.34 lakhs to the contractors by allowing them to use ground moulded bricks instead of conventional table moulded bricks without effecting any recoveries thereof.

The matter was reported to the Government/ Company (February 1996). The Management stated (August 1996) that the comparison of rates based on the Schedule of Rates was not appropriate as the size of bricks provided in the tender differ from that considered in the Schedule of Rates. They further added that the rate of Rs. 0.60 *per sq. mtr.* adopted for recovery for use of conventional bricks instead of table moulded in lining was arrived at based on quotations obtained by them.

The reply is not tenable as the comparison between the cost of ground moulded bricks and that of table moulded bricks can be made when these rates are distinctly available in the Schedule of Rates. To have uniformity in case of difference in size, the rates are only to be changed proportionately. As regards the rates which were only labour charges obtained by the Company for manufacturing table moulded bricks, the same cannot be accepted since the switching over to ground moulded bricks from table moulded bricks was on account of the fact that table moulded bricks were not being manufactured within the command area of canal. Reply of Government is still awaited (December 1996).

4A.4 General Para

4A.4.1 Avoidable payment of rent by various Public Sector Undertakings

The setting up of an office complex namely "Udyog Bhavan" was mooted as early as in January 1981 at Gandhinagar for administrative convenience and to facilitate easy service to entrepreneurs by locating all the Government companies, corporations and other offices under the administrative control of Industries and Mines Department under one roof.

Accordingly, the State Government requested eleven Government companies and two corporations to indicate their requirement of area. These undertakings indicated their requirement as 19,074 *sq. mts.* which was scaled down to 18,213 *sq. mts.* It was observed that ten organisations paid Rs. 797.56 lakhs towards cost of 16,878 *sq.mts.* of area. Up to April 1995, possession of 15,499 *sq.mts.* was taken by these undertakings. However, only one organisation *i.e.* Gujarat State Handicrafts Development Corporation Limited was shifted to the new premises in August 1994 after payment of Rs.1.00 lakh.

A review by audit of the utilization of the space allotted to the remaining 12 undertakings revealed that the following undertakings incurred an avoidable payment of rent due to non/late occupation of space allotted to them even after taking over the possession of it.

Sl. no.	Name of the undertaking	Period of rent	Amount paid (Rupees in lakhs)
Non-occupation			
1.	Gujarat Industrial Investment Corporation Limited	April 1994 March 1996	49.91
2.	Gujarat State Textile Corporation Limited	August 1992 to March 1996	5.45
3.	Gujarat State Financial Corporation	March 1993 to March 1996	46.50
4.	Gujarat State Leather Industry Development Corporation Limited	Government premises	Nil
Late occupation			
5.	Gujarat Rural Industries Marketing Corporation Limited	October 1991 to March 1996	5.32
6.	Gujarat Women Economic Development Corporation Limited	Government premises	Nil
7.	Gujarat Sheep and Wool Development Corporation Limited	August 1992 to September 1993	2.00
8.	Gujarat Industrial Development Corporation	April 1991 to March 1993	14.48
		Total	123.66

The remaining four undertakings (*viz.*, Gujarat State Handloom Development Corporation Limited, Gujarat State Export Corporation Limited, Gujarat Mineral Development Corporation Limited, Gujarat Small Industries Corporation Limited) did not accept allotment of space made in Udyog Bhavan due to one or other reason.

The original idea of Government to set up a complex conceived in 1981 to accommodate all Government undertakings at Gandhinagar could not materialise due to inordinate delay in shifting/ non-occupation of area allotted. This has also resulted in avoidable payment of rent Rs. 123.66 lakhs

Thus, the original idea of Government to set up a complex conceived in 1981 to accommodate all Government undertakings at Gandhinagar did not succeed due to inordinate delays in shifting/ non occupation of area allotted.

The matter was reported to the Government company/corporation (March 1996); their replies are awaited (December1996).

4B STATUTORY CORPORATIONS

4B.1 Gujarat Electricity Board

4B.1.1 Execution of deposit work

In April 1989, the Board agreed to undertake, on deposit basis, four 220 KV lines and associated bays (Bharuch, Karamsad, Vapi and Vav) of Kakrapar Atomic Power Project of Nuclear Power Corporation Limited (later on transferred to Power Grid Corporation). In February 1990, the Board intimated the revised estimated cost of Rs. 5383.95 lakhs against the original estimate of Rs. 5646.25 lakhs with proposed schedule of instalments of funds required from time to time. The Board during the period between February 1990 and March 1994 received payments to the extent of Rs.3720.36 lakhs in instalments. According to the agreement, the Board was required to submit audited statement of expenditure quarterly.

The line works were completed in 1993-94 and the final bill for Rs.4489.41 lakhs was submitted in November 1995. It was observed that quarterly audited statement of expenditure was not submitted promptly for payments and the Board also delayed the finalisation of final bill. Therefore, funds were not released either as per schedule agreed to or as per schedule of works resulting in locking up of Board's funds varying between Rs. 316.12 lakhs and Rs. 810.00 lakhs

Due to delay in finalisation of bills of deposit works, the Board suffered loss of interest of Rs. 509.81 lakhs

for the periods ranging from 3 months to 21 months besides loss of interest of Rs. 509.81 lakhs.

The Board stated (March 1996) that the matter of finalisation of final bill was still under dispute.

4B.1.2 Inordinate delay in disposal of plant and machinery

Dhuvaran Thermal Power Station, commissioned in 1964-65, stopped (1988) coal firing due to objections raised by Gujarat Pollution Control Board. As a result, the coal handling plant, ash handling plant and fuel firing system became redundant. After examination about the usability of the plant, the Board decided in May 1993 to dispose of the coal ash handling plant and approached the State Government in August 1993 for approval. The points raised by the Government in December 1993 and March 1994 regarding the contingency need of using the plant in future were clarified by the Board in May 1994. As no action has been initiated for disposal so far (September 1996), plant and machinery (estimated sale value : Rs. 2.35 crores) has been lying idle since 1988.

It was observed in audit that -

(a) even though the coal firing stopped in 1988 the power house took nearly 2 years to prepare a list of items of the plant that would need disposal. The Head Office took another two years up to January 1993 to take a decision that there was no possibility of using these machines and the proposal for disposal was mooted in February 1993 and sent to the Board for consideration in May 1993. Thus, the inordinate delay from 1988 till May 1993 to take a decision to identify the items for disposal and to take a decision on them lacks justification.

(b) even after submitting clarification to Government in May 1994, the Board pursued the issue only up to November 1994. Thereafter the Board did not pursue the Government.

(c) the atmospheric condition in Dhuvaran is saline and highly corrosive, as such the equipments are exposed to risk of deterioration since 1988 which has an adverse effect on the saleability of the plant and machinery and realisable value.

Machinery worth Rs. 2.35 crores which became surplus in 1988 still remained idle pending final disposal. The delay entailed loss of interest of Rs. 3.29 crores and exposure of the assets to the risk of deterioration and decline in resalable value

After the matter was pointed out by audit in May 1996, the State Government conveyed its approval in June 1996 to the Board for disposal of the Plant at the highest price by inviting tenders. Action for disposal is yet to be initiated (September 1996). Thus the inordinate delay in taking decision for disposal of machinery which became surplus in 1988 resulted in locking up of funds to the extent of Rs. 2.35 crores and loss of interest of Rs. 3.29 crores thereon up to March 1996.

The matter was reported to the Government/Board (May 1996); their replies are awaited (November 1996).

4B.1.3 Loss of revenue due to inadequate assessment of coal yard sweep coal.

On conversion of coal firing into residual oil firing in June 1988 at Dhuvaran Thermal Power Station, it was decided to clear the coal yard of 12000 sq. mts. to avoid fire hazard. The Board made an initial assessment in July 1990 in 4180 sq. mts. at an average depth of half a foot and estimated 600 tonnes of sweep coal in the coal yard. A tender was floated in November 1990 for sale of this sweep coal. Firm 'R' quoted Rs. 825 *per tonne* (Rs. 4.95 lakhs for 600 tonnes) and firm 'S' quoted a lumpsum of Rs. 11.00 lakhs. This wide variation in the rates gave a doubt about the quantity and it was ordered by the Board for rechecking the actual quantity. While rechecking in January 1991, the Board based on a further survey at an average depth of two feet in the same 4180 sq. mts. area estimated the total quantity of coal available at 1600 tonnes. Thereafter, offers on lumpsum basis were reinvited in February 1991 from the original participants for the entire quantity lying buried under the earth in the coal yard of Dhuvaran on "as is where is condition". After negotiations, order was placed in May 1991 on firm 'R' at a lumpsum price of Rs. 21.51 lakhs (*i.e.* Rs.1344 *per tonne* approximately) with the stipulation to lift the rejected sweep coal lying at the coal yard within 3 months *i.e.* on or before 3 August 1991. The contractor was given extension of time up to October 1991 by the power house without obtaining the required approval of the Head Office.

Against the estimated quantity of 1600 tonnes, the contractor actually lifted 16811 tonnes of coal up to 24 October 1991 *i.e.* 15211 tonnes more than the estimate.

It was observed in audit that-

(i) though the sweep coal yard is spread over in an area of 12000 sq.mts., the Board in its original assessment estimated 1600 tonnes of sweep coal available only in 4180 sq.mts.

(ii) no regular trial pits were dug to find out the depth of the coal in the remaining part of the coal yard *i.e.* 7820 sq. mts. during original/subsequent estimate.

(iii) though the contract was awarded to firm 'R' to lift the coal within 3 months, extension was given up to 31 October 1991. The extension was granted

> ***Inadequate assessment of coal sweep/coal dust by confining to an area of 4180 sq. mts. against the coal yard spread over 12000 sq. mts. and allowing the contractor to dig and carry the coal resulted in revenue loss of Rs.204.44 lakhs as the coal lifted was 16811 tonnes against 1600 tonnes estimated by the Board***

by the power house without prior approval of Head Office. As the contract was finalised at Head Office level, the extension given was irregular. Moreover, the contractor was left free to dig and carry coal from the entire 12000 sq.mts. area though the Board had estimated coal in an area of only 4180 sq.mts.

Had the Board made proper estimate of the coal in the yard after taking trial pits of the whole 12000 sq.mts., it could have avoided a revenue loss of Rs.204.44 lakhs on 15211 tonnes of coal (computed @ Rs.1344 *per tonne* received by the Board) lifted by the contractor over and above 1600 tonnes estimated.

The matter was reported to the Government/Board (May 1996); their replies are awaited (December 1996).

4B.1.4 Loss in disposal of coal rejects

Board invited tenders in June 1992 for disposal of coal rejects of 80,000 tonnes at the estimated rate of Rs. 650 *per tonne* lying at Thermal Power Station, Wanakbori. Against this, 9 firms quoted, of which firm 'S' offered a highest rate of Rs. 677 *per tonne*. However, the Board decided in December 1992 to re-invite fresh tenders to have a better rate. On re-invitation of the tender in January 1993, Board could get highest rate of Rs 639.20 *per tonne*, The tender could not be finalised as one of the parties which quoted in the first tender went to Court on the plea that he was not given opportunity to participate in the revised tender. Hence, again in April 1993 fresh tenders were invited to sell this coal rejects. Board could award the contract in August 1993 to firm 'P' which quoted Rs. 511.85 *per tonne* and fulfilled all the criteria for selection as per Board's norms.

The firm 'P' lifted 62,000 tonnes of coal rejects till December 1994 against the contractual quantity of 80,000 tonnes which was to be lifted between June 1993 and May 1994. In December 1994, firm 'P' expressed its unwillingness to lift the further quantity as the deal was not commercially viable and represented for termination of the contract. The Board in January 1995 decided to terminate the contract without any financial implication on either side and awarded the work of lifting of left out quantity and further accumulated stock of coal rejects to another firm 'PC' in May 1995 at the rate of Rs. 281 *per tonne*.

It was observed in audit that:

The Board lost revenue of Rs. 1.32 crores due to delayed disposal of coal rejects

(i) it was in the knowledge of the Board that the heat value of coal rejects would go down due to prolonged storage. Instead of accepting the offer of Rs. 677 *per tonne*, quoted by firm 'S' at the first instance, it went on re-inviting the tender in the hope of getting better price and ultimately had to accept the rate of Rs. 511.85 *per tonne*. In the process, the Board lost a revenue of Rs. 1.32 crores.

(ii) instead of applying the risk and cost clause to firm 'P' which lifted only 62,000 tonnes of coal rejects against the contracted quantity of 80,000 tonnes, the Board agreed to terminate the contract without any financial implication and incurred a revenue loss of Rs. 0.42 crore due to reduction in rates received from subsequent tender.

(iii) Though the Wanakbori Power House generates coal mill rejects varying between 5000 to 10000 tonnes per month, there is no system in vogue to plan invitation of tenders in time, fixing up agency quickly and closely monitor to hasten lifting and quick realisation of revenue. Instead, the coal rejects, despite its inherent quality to burn and reduce heat value and loss, were allowed to accumulate. This needs toning up of the system by the Board.

The matter was reported to the Government/ Board (June 1996). Government stated (October 1996) that Board went on reinvitation of tenders in order to get better price and in this process the matter became *sub judice* and coal was also deteriorating due to lapse of time. It was also stated that the Board did not invoke the risk purchase clause against the firm as it had to consider the representation of the firm for termination due to general recession in the trade.

The reply of the Government is not tenable because the Board went on reinvitation of tenders despite the fact that initially it got highest offer of Rs. 677 *per tonne* against the Board's estimated price of Rs. 650 *per tonne*. As far as non-invoking of risk purchase clause against firm 'P', the Board in its own interest should have invoked the risk purchase clause as per terms and conditions of the contract against the defaulter.

4B.1.5 Poor monitoring of remittances made by Banks

Mention was made in Paragraph 3.5 of the Report of the Comptroller and Auditor General of India, Government of Gujarat (Commercial) for the year 1990-91 regarding the delay in remittance by banks to Board's account. The Committee on Public Undertakings (COPU) examined the para in June 1994. However the COPU did not make any specific recommendation. A further examination by audit revealed that the delays were persisting as discussed below:

As per the agreement entered with different banks from time to time by the Board regarding the collection of Board's revenue at various centres and transfer to Board's account at Vadodara, the amounts collected by bank's various centres were required to be transferred to their respective branches at Vadodara and in turn the same would be credited to Board's account at Vadodara within four days of collection. In case of any delay beyond four days, interest at the rate of 15 *per cent per annum* would be recoverable from the banks.

During the audit of 14 divisions (out of 70 operation and maintenance divisions) conducted between May 1994 and August 1996, it was noticed that there were inordinate delays ranging from one to 2183 days beyond the stipulated 4 days in transfer of funds by banks to Board's account at Vadodara involving Rs. 185.95 crores for the period from June 1990 to March 1996 as per the following table.

Range of delay	Amount involved in remittance (Rupees in crores)
Up to 20 days	180.38
Between 21 and 50 days	3.00
Above 50 days	2.57
	185.95

Loss of interest to the tune of Rs. 83.15 lakhs for inordinate delay in transfer of funds by the banks to Board's accounts

Though the Board could claim interest of Rs. 83.15 lakhs for such delays according to the agreement, yet it did not prefer any claim.

In this connection, it is pertinent to mention that due to inadequate funds the Board was availing cash credit and overdraft facility from these banks at higher rates (ranging from 16.5 *per cent* to 20.75 *per cent*) of interest. The average annual amount of such borrowings during the 5 years period from 1990-91 to 1994-95 was Rs. 157.01 crores for which average annual interest of Rs. 15.91 crores was paid by the Board during these periods. Thus, due to delay in transfer by the banks, while the Board's own money remained to be credited in its account, it went on borrowing from the banks at a higher rate of interest and at the same time did not claim interest on its own money lying in the banks. Had the Board taken effective steps for timely reconciliation of its accounts, it would have reduced its quantum of borrowing and the interest thereon.

The matter was reported to the Government/Board (May 1996); their replies are awaited (December 1996).

4B.1.6 Extra expenditure due to placement of incomplete order

With a view to meet the requirement of 6000 MT of steel consisting of 24 items for the work of 400 KV Limbdi substation and associated lines, the Board invited tenders in March 1991 and decided (June 1991) to place orders on Steel Authority of India Limited (SAIL) (against its catalogue price of May 1991) for such of the 17 sections available with SAIL and to place orders for remaining 7 sections with the other firms. Of the 4 firms called for negotiation, only 2 attended in June 1991.

Firm 'S' offered a package for supply of equal size of heavy and smaller sections at Rs. 13301 *per tonne* (2000 tonnes) and at Rs. 13601 *per tonne* (300 tonnes) of unequal size with the validity date as 27 June 1991. The Board overlooking the offer for package deal communicated its acceptance for heavy size on 26 June 1991. The firm declined to accept the letter of intent as it was not in conformity with the package deal.

The second firm 'B' agreed during negotiation in June 1991 to supply 350 tonnes of heavy size, provided the Board placed orders for 650 tonnes of smaller size. The rate *per tonne* for heavy size and smaller size were agreed to at Rs. 13,301 *per tonne*. Here again, the Board placed (June 1991) a letter of intent for supply of 350 tonnes of heavy size only. The firm declined (July 1991) to accept the order of the Board.

The Board instead of accepting the package deal of firms 'S' and 'B' offered for supply of 3300 tonnes of steel and restricting procurement for the balance requirement of 2700 tonnes from SAIL, procured the entire requirement of 6000 tonnes of steel from SAIL and other sources at a higher price.

Non availment of package deal of the offerers resulted in extra expenditure of Rs. 55.20 lakhs in procurement of steel

The extra expenditure incurred by the Board due to non-availment of the package deal for procurement of 3300 tonnes of steel worked out to Rs. 55.20 lakhs.

The matter was reported to the Government/ Board (May 1996); their replies are awaited (December 1996).

4B.1.7 Avoidable expenditure on continuance of surplus staff

The Board sanctioned temporary posts of various categories in June 1983 for the extension Units 3 and 4 of Gandhinagar Thermal Power Station. While unit 3 was completed in March 1990, unit 4 was completed in December 1991. After review of the position of the project in April 1992, the Board based on the recommendations of Chief Engineer (P&P), decided to continue 62 posts at Gandhinagar and 14 posts at Head Office till July 1992 to attend to residual work *viz.* examination and passing of final bills, *etc*. However, there was delay in taking final decision thereon till June 1993 when these 62 posts were abolished. The process of transfer of these 62 officials at Gandhinagar was completed only in June 1995. Out of 14 posts at Head Office, one was vacant and only 5 incumbents transferred by July 1992.

Avoidable retention of surplus staff resulted in infructuous expenditure of Rs. 53.24 lakhs

Retention of 8 incumbents at Head Office beyond requirement from July 1992 till their transfer in January 1996 resulted in avoidable retention of surplus staff and infructuous expenditure of about Rs. 53.24 lakhs. The details of excess expenditure on the continuance of the 62 posts beyond the period than it was necessary was not made available to audit.

The matter was reported to Government/Board (February 1996); their replies are awaited (December 1996).

4B.1.8 Extra expenditure due to delay in issue of amendment to a defective order

In May 1994, the Board placed an order on firm 'C' for procurement of 60 kilometers (kms) of cable at a price of Rs.1.31 lakhs per *km.* on price variation basis for its rural electrification works. As per the terms and conditions of acceptance of tender, the delivery was to be completed by the end of November 1994. While in the standard terms and conditions of purchase (forming part of the purchase order), the prices were mentioned as exclusive of excise duty, in the schedule annexed to the order containing details of specification, it was mentioned that the prices were inclusive of excise duty. The firm 'C' immediately after receipt of this order requested the Board in May 1994 to correct it. However, the Board amended the order only in November 1994 making the prices exclusive of excise duty.

Delayed issue of amendment on a defective order resulted in payment of avoidable price variation of Rs.21.37 lakhs

The order also provided for price increases on the cost of the cables based on the changes in the material cost *viz.* Aluminium, Copper, *etc.* according to the price variation formula approved by the Indian Electrical and Electronics Manufacturers Association (IEEMA). Due to belated issue of amendment by the Board, the firm requested in May 1995 to reckon the delivery period from November 1994 instead of May 1994. This was agreed to by the Board in July 1995. Due to delay in issuing clarification, the Board had to incur an avoidable expenditure of Rs. 21.37 lakhs towards price variation.

The matter was reported to the Government/ Board (June 1996); their replies are awaited (December 1996).

4B.2 Gujarat State Road Transport Corporation

4B.2.1 Avoidable payment of sales tax on octroi charges

The requirement of High Speed Diesel (HSD) oil for the Corporation is met by supply received from Indian Oil Corporation (IOC). According to the practice in vogue, IOC raises the invoice for supply inclusive of basic price plus other expenses incurred till such time the product is delivered to the depots. Since octroi is levied before the product is delivered to the depot, it is reckoned as integral part of the price on which sales tax is levied. Thus, the Corporation has been paying sales tax on octroi too.

It was observed in audit that in respect of other consumables, the Corporation is paying octroi directly whereby it was not required to pay sales tax on the element of octroi. When the question of avoidable payment of sales tax on octroi was taken up by audit in March 1994, the Corporation examined the issue in July 1994, during which it transpired that the Corporation could have saved

Rs. 86.88 per kilo litre (10,000 litres) of HSD oil if the octroi could be paid directly by the Corporation delinking it from the invoices.

The Corporation sought legal advise on this issue (September 1994). It was clarified in the advise that if the Corporation chooses to pay octroi separately as was done in the case of other materials, sales tax on octroi charges could certainly be saved.

Failure to implement a system of payment of octroi on HSD oil directly by the Corporation to municipalities resulted in avoidable payment of sales tax to the extent of Rs.28.42 lakhs

Thus, though it was possible to save sales tax on octroi charges, the Corporation has not taken any action so far (March 1996) to implement the practice of direct remittance of octroi to its advantage. During the period from August 1994 to March 1996, the Corporation purchased 32,711 kilo litres of HSD oil. The avoidable expenditure towards sales tax on octroi at the rate of Rs. 86.88 per kilo litre worked out to Rs.28.42 lakhs.

The matter was reported to the Government/ Corporation (April 1996). The Government stated (May 1996) that as the matter was under discussion with IOC, further developments were awaited.

Ahmedabad
The
2 4 FEB 1997

(B.R. MANDAL)
Accountant General (Audit-I) Gujarat

Countersigned

V. K. Shunglu

New Delhi
The

(V.K. SHUNGLU)
Comptroller and Auditor General of India

2 7 FEB 1997

Tables & Annexures

Table - 1

(Referred to in para 1.2.2(i))

Name of the Company	Amount of loan (Rs.in lakhs)	Year/month of receipt	Decision pending	Effect given by Company
Gujarat Dairy Development Corporation Limited	1186.00 (3 loans)	1994-95 to 1995-96	Rate of interest/penal interest and terms and condition of repayment not decided.	No provision for interest/ penal interest made leading to under-statement of loss.
Gujarat Scheduled Castes Economic Development Corporation Limited	23.69 (1 loan)	March 1986	Nature of funds not decided.	No provision for interest/ penal interest made leading to over-statement of excess of income over expenditure.
Gujarat Small Industries Corporation Limited	73.39 (3 loans)	1976-77	Interest rate fixed at 9 *per cent* was to be reviewed in 1981.	Interest provision made at 9 *per cent per annum*.
Gujarat Water Resource Development Corporation Limited	456.24 (17 loans)	1982-83 to 1992-93	Rates of interest/penal interest not decided.	Interest provision made at ad hoc rate of 10.25 *per cent* to 15 *per cent* and penal interest at 2.5 *per cent*.
TOTAL	1739.32 (24 loans)			

TABLE-2

(Referred to in para 1.2.2(i))

Name of the company	Nature of asset	Date of transfer/ surrender	Amount (Rs. in lakhs)	Effect given by the Company
Tourism Corporation of Gujarat Limited	Land and building transferred by Government	September 1978 to May 1986	157.41	In absence of separate value of land, depreciation has been provided on land also thereby increasing loss.
Gujarat State Civil Supplies Corporation Limited	Godowns and land transferred by Government	November 1980	21.01	No accountal of Godowns : Rs.19.21 lakhs and land of Rs.1.80 lakhs made in absence of conveyance deed in favour of Company.
Gujarat Sheep and Wool Development Corporation Limited	Land surrendered by Company	February 1978	2.08	Surrender value of land not decided by Government
Gujarat State Land Development Corporation Limited	(i) Land at Baroda transferred to Company	1983	—	No accountal made in absence of value
	(ii) Assets under soil conversation scheme transferred to Company	—	248.97	

Table -3

(Referred to in para 1.2.2(i))

Name of the company	Particulars of claim	Amount (Rupees in lakhs)	Year/month of claim
Gujarat State Land Development Corporation Limited	(i) Loan to farmers and interest thereon waived by Government	404.06	1989-90
	(ii)Loss on implementation of Boring and blasting scheme	223.05	1983-84 to 1993-94
Gujarat State Civil Supplies Corporation Limited	Claims for admitting cement administrative charges	54.99	1988-89
Gujarat Water Resources Development Corporation Limited	Amount recoverable for free distribution of water for green fodder	70.74	1982-83
		752.84	

Annexure -1

Statement showing particulars of up-to-date capital, budgetary outgo, loans given out of budget, out-standing loans as on 31 March 1996

(Referred to in paragraph 1.2.2)

Serial number	Name of the company	Paid-up capital as at the end		
		State Government	Central Government	Holding companies
(1)	(2)	3(a)	3(b)	3(c)
	INDUSTRIES & COMMERCIAL SECTOR			
1	Gujarat Small Industries Corporation Ltd.	378.95 (Nil)	--	--
2	Gujarat Mineral Development Corporation Ltd.	1272.00 (Nil)	--	--
3	Gujarat State Export Corporation Ltd.	8.49 (Nil)	--	--
4	Gujarat State Textile Corporation Ltd.	392.50 *4254.23 (Nil)	--	--
5	Gujarat State Handicrafts Development Corporation Ltd.	210.42 (12.50)	10.00	--
6	Gujarat State Construction Corporation Ltd.	500.00 (Nil)	--	--
7	Gujarat Communications and Electronics Ltd.	1245.01 (Nil)	--	--
8	Tourism Corporation of Gujarat Ltd.	817.79 (Nil)	--	--
9	Gujarat Tractor Corporation Ltd.	1530.20 (Nil)	--	--
10	Gujarat State Petroleum Corporation Ltd.	636.11 (200.00)	--	--
11	Gujarat Rural Industries Marketing Corporation Ltd.	476.00 (81.00)	--	--
12	Gujarat State Handloom Development Corporation Ltd.	352.25 (50.00)	9.75	--

(Figures in column 3(a) to 4(b) are Rupees in lakhs)
(Figures in bracket indicate budgetary outgo during the year)

of the current year		Loans given out of Budget during the year	Loans ** Outstanding at the close of 1995-96	Remarks
Others	Total			
3(d)	3(e)	4(a)	4(b)	(5)
21.05	400.00 (Nil)	--	801.76	
--	1272.00 (Nil)	--	(Nil)	
6.51	15.00 (Nil)	--	80.07	
--	392.50 *4254.23 (Nil)	6020.00	34012.12	*Share application money
--	220.42 (12.50)	5.00	75.23	
--	500.00 (Nil)	299.99	2298.02	
--	1245.01 (Nil)	*531.99	1768.91	*Rs.500 lakhs given from contingency fund
--	817.79 (Nil)	25.00	584.79	
--	1530.20 (Nil)	--	1412.02	
525.00	1161.11 (200.00)	--	--	
--	476.00 (81.00)	39.00	129.00	
2.00	364.00 (50.00)	60.00	301.94	

(1)	(2)	3(a)	3(b)	3(c)
13	Gujarat State Civil Supplies Corporation Ltd.	1000.00 (Nil)	--	--
14	Gujarat Trans-Receivers Ltd. (Subsidiary of GIIC)	--	--	14.79
15	Gujarat Analgesics Ltd. (Subsidiary of GIIC)	--	--	#
16	Gujarat Women Economic Development Corporation Ltd.	332.00 (5.00)	170.05	--
17	The Film Development Corporation of Gujarat Ltd.	82.10 *17.90 (17.90)	--	--
18	Gujarat State Leather Industry Development Corporation Ltd.	100.00 *20.00 (20.00)	--	--
19	Gujarat Growth Centres Development Corporation Ltd.	1009.02 (509.02)	1200.00	--
20	Gujarat Fintex Ltd. (Subsidiary of GSTC)	--	--	*
21	Gujarat Siltex Ltd. (Subsidiary of GSTC)	--	--	*
22	Gujarat Tax Fab Ltd. (Subsidiary of GSTC)	--	--	*
23	Alcock Ashdown (Gujarat) Ltd.	*	--	--
		600.17		
	Sector wise total	**10342.84 *4292.13 (895.42) [600.17]**	**1389.80**	**14.79**
	FINANCIAL SERVICES SECTOR			
24	Gujarat Industrial Investment Corporation Ltd..	6915.70 (Nil)	--	--
25	Gujarat State Investments Ltd.	41659.91 (8638.00)	--	--
26	Gujarat State Financial Services Ltd.	900.00 (100.00)	--	--
	Sector wise total	**49475.61 (8738.00)**	**--**	**--**

3(d)	3(e)	4(a)	4(b)	(5)
--	1000.00 (Nil)	31.85	52.47	
14.21	29.00	--	29.00	Figures are of 1994-95. Company did not provide figures for 1995-96
--	#	--	0.69	# Represents paid up capital of Rs.150
--	502.05 (5.00)	--	3.02	
--	82.10 *17.90 (17.90)	--	--	*Share application money pending for allotment
--	100.00 *20.00 (20.00)	--	--	*Share application money pending for allotment
--	2209.02 (509.02)	--	--	
--	*	--	0.80	*Represents paid up capital of Rs.200
--	*	--	0.80	*Represents paid up capital of Rs.200
--	*	--	0.80	*Represents paid up capital of Rs.200
--	* 600.17	--	--	*Represents paid up capital of Rs. 70/- Pending consideration
568.77	**12316.20** ***4292.13** **(895.42)** **[600.17]**	**7012.83**	**41551.44**	* Share application money Pending consideration
--	6915.70 (Nil)	78.00	16970.15	
--	41659.91 (8638.00)	--	7750.00	
--	900.00 (100.00)	--	360.00	
--	**49475.61** **(8738.00)**	**78.00**	**25080.15**	

(1)	(2)	3(a)	3(b)	3(c)
	SOCIAL WELFARE SECTOR			
27	Gujarat Scheduled Castes Economic Development Corporation Ltd.	765.00 (Nil)	735.55 (Nil)	--
	Sector wise total	**765.00 (Nil)**	**735.55 (Nil)**	**--**
	HOUSING SECTOR			
28	Gujarat State Police Housing Corporation Ltd.	3479.59 (715.74)	--	--
	Sector wise total	**3479.59 (715.74)**	**--**	**--**
	IRRIGATION SECTOR			
29	Sardar Sarovar Narmada Nigam Ltd.	323422.00 (65655.00)	--	--
	Sector wise total	**323422.00 (65655.00)**	**--**	**--**
	AGRICULTURE, CO-OPERATION & RURAL DEVELOPMENT			
30	Gujarat Agro-Industries Corporation Ltd..	441.00 (138.00)	248.00	--
31	Gujarat Sheep and Wool Development Corporation Ltd.	191.41 10.00*	151.70 10.00*	--
32	Gujarat Water Resources Development Corporation Ltd.	3148.61 (Nil)	--	--
33	Gujarat Fisheries Development Corporation Ltd.	193.77 (Nil)	--	--
34	Gujarat Dairy Development Corporation Ltd.	1045.80 (Nil)	--	--
35	Gujarat State Seeds Corporation Ltd.	135.00 (Nil)	18.00	--
36	Gujarat State Forest Development Corporation Ltd.	372.76 (Nil)	30.00	--
37	Gujarat State Rural Development Corporation Ltd.	58.00 (Nil)	--	--
38	Gujarat State Land Development Corporation Ltd.	209.83 (30.00)	--	--

3(d)	3(e)	4(a)	4(b)	(5)
--	1500.55 (Nil)	--	53.17	
--	**1500.55** **(Nil)**	**--**	**53.17**	
--	3479.59 (715.74)	(Nil)	2451.00	
--	**3479.59** **(715.74)**	**(Nil)**	**2451.00**	
--	323422.00 (65655.00)	35830.00	77842.00	
--	**323422.00** **(65655.00)**	**35830.00**	**77842.00**	
--	689.00 (138.00)	--	19.50 (Nil)	
14.25	357.36 20.00*	--	--	* Share application money
--	3148.61 (Nil)	30.00	4693.31	
--	193.77 (Nil)	--	192.73	
--	1045.80 (Nil)	150.00	2847.85	
--	153.00 (Nil)	--	--	
--	402.76 (Nil)	--	799.52	
--	58.00 (Nil)	--	--	
--	209.83 (30.00)	--	--	

(1)	(2)	3(a)	3(b)	3(c)
39	Gujarat Insecticides Ltd. (Subsidiary of GAIC)	--	--	33.16
40	Agrocel Pesticides Ltd. (Subsidiary of GAIC)	--	--	14.91
	Sector wise total	**5796.18** ***10.00** **(168.00)**	**447.70** ***10.00**	**48.07**
	Grand total	**393281.22** ***4302.13** **(76172.16)** **[600.17]**	**2573.05** ***10.00**	**62.86**

Note: Except eight companies which finalised their accounts of 1995-96 (Sl.No.2,3,7,13,15,24,26,35), figures are provisional and as given by the Companies.

** Loans outstanding at the close of 1995-96 represents long term loans only

3(d)	3(e)	4(a)	4(b)	(5)
31.85	65.01	--	70.07	
14.31	29.22	--	--	
60.41	**6352.36** ***20.00** **(168.00)**	**180.00**	**8622.98**	
629.18	**396546.31** ***4312.13** **(76172.16)** **[600.17]**	**43100.83**	**155600.74**	* Share application Pending consideration

Annexure-2

Summarised financial results of Government Companies for the latest year for which accounts were finalised
(Referred to in paragraph 1.2.2, 1.2.4, 1.2.5.4, 1.2.7)

Sl. no.	Name of company	Name of Department	Date of Incorporation	Period of accounts	Date on which finalised	Profit or Loss (-)	Paid-up capital.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	INDUSTRIES & COMMERCIAL SECTOR						
1	Gujarat Small Industries Corporation Ltd.	Industries and Mines	26th March 1962	1994-95	05/09/1995	152.34	400.00
2	Gujarat Mineral Development Corporation Ltd.	Industries and Mines	15th May 1963	1995-96	26/09/1996	8858.60	1272.00
3	Gujarat State Export Corporation Ltd.	Industries and Mines	14th October 1965	1995-96	*	44.01	15.00
4	Gujarat State Textile Corporation Ltd.	Industries and Mines	30th November 1968	1994-95	24/04/1996	-11883.40	392.50
5	Gujarat State Handicrafts Development Corporation Ltd.	Industries and Mines	10th August 1973	1992-93	18/01/1994	-62.22	158.42
6	Gujarat State Construction Corporation Ltd.	Roads and Buildings	16th December 1974	1994-95	18/03/1996	-101.09	500.00
7	Gujarat Communications and Electronics Ltd.	Industries and Mines	30th May 1975	1995-96	27/08/1996	198.53	1245.01
8	Tourism Corporation of Gujarat Ltd.	Information, Broadcasting and Tourism	10th June 1975	1992-93	*	-215.54	665.69
9	Gujarat Tractor Corporation Ltd.	Agriculture, Co-operation and Rural Development	31st March 1978	1994-95	18/03/1996	166.01	1530.20
10	Gujarat State Petroleum Corporation Ltd.	Energy and Petrochemicals	29th January 1978	1994-95	02/05/1996	0.17	961.11
11	Gujarat Rural Industries Marketing Corporation Ltd.	Industries and Mines	16th May 1979	1992-93	26/10/1995	26.50	168.00
12	Gujarat State Handloom Development Corporation Ltd.	Industries and Mines	12th November 1979	1992-93	27/01/1994	-6.99	219.75
13	Gujarat State Civil Supplies Corporation Ltd.	Food & Civil Supplies	26th September 1980	1995-96	*	28.39	1000.00
14	Gujarat Trans-Receivers Ltd. (Subsidiary of GIIC)	Industries and Mines	26th March 1981	1992-93	27/10/1994	-22.16	29.00

(Figures in column 7 to 13 are Rupees in lakhs)

Accumulated profit/ loss(-).	Capital Invested. (A)	Capital Employed (B)	Return on capital invested	Return on capital employed	Percentage of total return on capital		Remarks
					Invested to capital invested	Employed to capital employed	
(9)	(10)	(11)	(12)	(13)	(14)A	(14)B	(15)
52.40	1379.16	6030.11	322.86	738.36	23.41	12.24	
21082.33	22354.33	18468.41	8858.60	9178.18	39.63	49.70	
244.67	339.74	334.64	63.03	63.03	18.55	18.83	
-51585.38	-17537.38	-15425.55	-8420.15	-7992.87	--	--	
-111.50	138.07	502.63	-56.95	-38.23	--	--	
-1264.71	1284.55	1269.53	-65.10	-53.87	--	--	
793.29	3807.21	7496.33	505.98	909.54	13.29	12.30	
-1245.29	-38.15	-237.65	-215.54	-100.41	--	--	
-1918.98	1183.20	1269.54	234.29	234.29	19.80	18.45	
0.17	961.28	713.12	--	--	--	--	Company has capatilised expenditure in respect of fields where commercial operation has not started
-152.17	160.61	217.29	42.13	45.37	26.31	20.88	
-8.70	384.47	455.16	-6.99	30.77	--	6.76	
-47.04	1005.43	7067.21	30.84	944.39	3.06	13.36	
-106.61	72.62	-97.93	-0.89	4.61	--	--	

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
15	Gujarat Analgesics Ltd. (Subsidiary of GIIC)	Industries and Mines	17th August 1982	1995-96	10/9/1996	D	#
16	Gujarat Women Economic Development Corporation Ltd.	Industries and Mines	16th August 1988	1994-95	30/05/1995	C	497.05
17	The Film Development Corporation of Gujarat Ltd.	Information, Broadcasting and Tourism	4th February 1984	1993-94	19/09/1995	0.28	300.01
18	Gujarat State Leather Industry Development Corporation Ltd.	Industries and Mines	9th March 1990	1993-94	21/06/1996	-4.27	75.00
19	Gujarat Growth Centres Development Corporation Ltd.	Industries and Mines	14th December 1994	1994-95	21/06/1996	1.28	700.00
20	Gujarat Fintex Ltd. (Subsidiary of GSTC)	Industries and Mines	20th September 1992	1994-95	21/11/1995	D	**
21	Gujarat Siltex Ltd. (Subsidiary of GSTC)	Industries and Mines	20th September 1992	1994-95	21/11/1995	D	**
22	Gujarat Tax Fab Ltd. (Subsidiary of GSTC)	Industries and Mines	20th September 1992	1994-95	21/11/1995	D	**
23	Alcock Ashdown (Gujarat) Ltd.	Industries and Mines	5th September 1994	1994-95	04/01/1996	1.40	0.0007
	Sector wise total						
	FINANCIAL SERVICES SECTOR						
24	Gujarat Industrial Investment Corporation Ltd. (GIIC)	Industries and Mines	12th August 1968	1995-96	18/09/1996	2483.74	6915.70
25	Gujarat State Investments Ltd.	Industries and Mines	29th January 1988	1994-95	23/04/1996	-2556.93	33021.91
26	Gujarat State Financial Services Ltd.	Industries and Mines	20th November 1992	1995-96	*	303.63	900.00
	Sector wise total						
	SOCIAL WELFARE SECTOR						
27	Gujarat Scheduled Castes Economic Development Corporation Ltd.	Social Welfare	29th November 1979	1991-92	*	66.53	1009.07
	Sector wise total						
	HOUSING SECTOR						
28	Gujarat State Police Housing Corporation Ltd.	Home Department	1st November 1988	1993-94	20/01/1995	--	2763.85
	Sector wise total					--	
	IRRIGATION SECTOR						
29	Sardar Sarover Narmada Nigam Ltd.	Narmada and Water Resources	24th March 1988	1994-95	22/05/1996	--	257767.1
	Sector wise total					--	

(9)	(10)	(11)	(12)	(13)	(14)A	(14)B	(15)
D	0.39	--	--	--	--	--	
C	500.07	499.93	--	--	--	--	
2.89	65.00	65.01	0.28	0.28	0.43	0.43	
-15.43	89.98	89.33	-4.27	-4.27	--	--	
0.51	1200.51	1176.21	1.28	1.28	0.10	0.11	Company is still under construction so far as its main objects are concerned
D	0.55	-0.01	--	--	--	--	
D	0.54	-0.01	--	--	--	--	
D	0.54	-0.01	--	--	--	--	
1.40	601.58	1303.60	1.67	1.40	0.27	0.09	
	179.54	**311.97**	**12.91**	**39.62**			
5249.99	29135.84	80915.86	3712.84	10668.4	12.74	13.18	
-2557.00	40464.91	50184.32	-709.93	856.47	--	1.71	
179.39	1439.39	8399.98	370.42	1268.85	21.73	15.11	
	710.40	**1395.00**	**33.73**	**127.94**			
554.48	1924.82	1741.10	70.80	70.80	3.67	4.06	
	19.25	**17.41**	**0.71**	**0.71**			
E	3940.50	3933.08	E	--	--	--	
	39.41	**39.33**		--	--	--	
D	325498.00	13168.00	D	--	--	--	
	3254.98	**131.68**		--	--	--	

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	AGRICULTURE, CO-OPERATION AND RURAL DEVELOPMENT SECTOR						
30	Gujarat Water Resources Development Corporation Ltd.	Irrigation Department	3rd May 1971	1992-93	*	-1528.70	3148.61
31	Gujarat Agro-Industries Corporation Ltd. (GAIC)	Agriculture, Co-operation and Rural Development	9th May 1969	1992-93	26/06/1996	46.61	536.00
32	Gujarat Sheep and Wool Development Corporation Ltd.	Agriculture, Co-operation and Rural Development	9th December 1970	1994-95	13/10/1995	20.42	357.36
33	Gujarat Fisheries Development Corporation Ltd.	Ports and Fisheries	17th December 1971	1993-94	07/04/1995	-170.72	193.77
34	Gujarat Dairy Development Corporation Ltd.	Agriculture, Co-operation and Rural Development	29th March 1973	1994-95	20/09/1994	-550.62	1045.81
35	Gujarat State Seeds Corporation Ltd.	Agriculture, Co-operation and Rural Development	16th April 1975	1995-96	*	280.88	153.00
36	Gujarat State Forest Development Corporation Ltd.	Forest and Environment	20th August 1976	1994-95	18/03/1996	0.50	402.76
37	Gujarat State Rural Development Corporation Ltd.	Agriculture, Co-operation and Rural Development	7th July 1977	1993-94	23/05/1996	-4.34	58.00
38	Gujarat State Land Development Corporation Ltd.	Agriculture, Co-operation and Rural Development	28th March 1978	1991-92	04/07/1996	-374.79	156.00
39	Gujarat Insecticides Ltd. (Subsidiary of GAIC)	Agriculture, Co-operation and Rural Development	30th August 1980	1993-94	20/02/1996	942.79	65.01
40	Agrocel Pesticides Ltd. (Subsidiary of GAIC)	Agriculture, Co-operation and Rural Development	16th January 1985	1994-95	19/10/1995	0.43	29.22
	Sector wise total						

** - Share Capital of Rs. 200 only. * - Comments under finalisation `# Share capital Rs.150/- only

A - Capital invested represents paid-up capital plus long-term loans plus free reserves less accumulated loss.

B - Capital employed represent net fixed assets (excluding capital works-in-progress) plus working capital. except in case of finance Companies where the capital employed is worked out as a mean of opening balances and closing balances of paid-up capital, free reserves and borrowings.

(9)	(10)	(11)	(12)	(13)	(14)A	(14)B	(15)
-8897.60	138.56	-62.14	-984.75	-852.64	--	--	
205.02	835.64	1454.70	63.77	235.03	7.63	16.15	
36.03	423.09	429.33	20.42	20.42	4.82	4.76	
-135.03	314.73	218.33	-153.39	-153.39	--	--	
-4076.28	-332.62	516.72	-407.81	-353.69	--	--	
618.65	771.65	845.02	280.88	297.58	36.40	35.22	
760.75	2064.00	2115.46	1.32	2.38	0.06	0.11	
-84.89	-26.89	-26.79	-4.34	-4.34	--	--	
-3711.79	-2867.04	-2830.18	-303.05	-285.18	--	--	
2293.06	2466.17	2768.15	948.46	983.29	38.45	35.52	
-7.35	99.38	81.47	1.84	1.84	1.85	2.25	
	38.87	**55.10**	**(-)5.37**	**(-)1.09**			

C - Excess of expenditure over income or vice versa are adjusted against Government Grants .

D - The Company is in preoperative stage.

E - Various construction works undertaken by the Company are in progress.

Sector wise total of Column No.10,11,12,13 are Rupees in crores

Annexure - 3

Statement showing subsidy received, guarantees received, outstanding and waiver of dues during the year and guarantees outstanding at the end of the year.

Sl. no.	Name of the Company	Subsidy received				Guarantees received during the year and outstanding at the end of the year.		
		Central	State	Others	Total	Cash Credit from SBI and other Nationalised banks	Loans from other sources	Letters of credit opened by SBI in respect imports
1	2	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)
1	Gujarat State Forest Development Corporation Limited.	-- (30.00)	--	--	0.00 (30.00)	--	-- (796.00)	--
2	Gujarat Communication & Electronics Limited.	--	--	--	--	--	-- (60.00)	--
3	Gujarat Small Industries Corporation Limited.	--	--	--	--	--	1000.00 (2810.00)	--
4	Gujarat State Leather Industry Development Corporation Limited.	-- (146.15)	84.00 (102.46)	--	84.00 (248.61)	--	--	--
5	Gujarat Industrial Investment Corporation Limited.	--	2148.60	--	2148.60	--	-- (3481.00)	--
6	Sardar Sarovar Narmada Nigam Limited.	--	--	--	--	-- (10000.00)	5000.00 (13500.00)	--
7	Gujarat State Handicrafts Development Corporation Limited.	--	187.00 (47.23)	--	187.00 (47.23)	-- (22.03)	--	--
8	Gujarat State Women Economic Development Corporation Limited.	--	140.00 (23.80)	--	140.00 (23.80)	--	--	--
9	Gujarat Scheduled Castes Economic Development Corporation Limited.	--	113.00 (Nil)	--	113.00 (Nil)	--	--	--
10	Gujarat Agro Industries Corporation Limited	38.63	2041.51 (1714.30)	--	2080.14 (1714.30)	--	--	--
11	Gujarat State Land Development Corporation Limited	--	--	--	--	--	-- (246.87)	--

(Referred in Paragraph 1.2.3)
(Rupees in lakhs)

		Waiver of dues during the year.				Remarks
Payment obligation under agreement with foreign consultant or contracts	Total	Loan Repayment written off.	Interest waived	Penal Interest waived	Repayment of loans on which moratorium allowed	
4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	6
--	0.00 (796.00)	--	--	--	--	--
--	0.00 (60.00)	--	--	--	--	--
--	1000.00 (2810.00)	--	--	--	--	--
--	--	--	--	--	--	--
--	0.00 (3481.00)	--	64.00	7.00	--	--
--	5000.00 (23500.00)	--	--	--	--	--
--	0.00 (22.03)	--	--	--	5.00	--
--	--	--	--	--	--	--
--	--	--	--	--	--	
--	0.00	--	--		--	--
--	-- (246.87)	--	--	--	--	--

1	2	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)
12	Gujarat Water Resources Development Corporation Limited.	--	3200.00 (Nil)	--	3200.00 (Nil)	--	-- (8740.30)	--
13	Gujarat State Construction Corporation Limited	--	--	--	--	690.00 (690.00)		--
14	Gujarat State Civil Supplies Corporation Limited.	--	44.85 (31.85)	--	44.85 (31.85)	--	500.00	--
15	Gujarat Dairy Development Corporation Limited	--	--	--	--	--	-- (300.00)	--
16	Gujarat State Police Housing Corporation Limited	--	--	--	--	--	313.12 (2962.52)	--
17	Gujarat State Handloom Development Corporation Limited.	8.00	123.00	--	131.00	-- (175.00)	--	--
18	Film Development Corporation of Gujarat Limited	--	33.00	--	33.00	--	--	--
19	Gujarat Mineral Development Corporation Limited	--	--	--	--	--	--	--
20	Gujarat State Textile Corporation Limited	--	--	--	--	--	33.00 (4254.27)	--
21	Gujarat State Fisheries Development Corporation Limited	*127.00 (135.00)	19.00 (18.00)	--	*146.00 (153.00)	--	-- (6.00)	--
	Total	**173.63 (311.15)**	**8133.96 (1937.64)**	**--**	**8307.59 (2248.79)**	**690.00 (10887.03)**	**6846.12 (37156.96)**	**--**

* Figures in bracket indicates subsidy unutilised

** Figures in bracket indicates guarantees outstanding

*** Grand total of column no.5(a) to (d) are in crores

4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	6
--	0.00 (8740.30)	--	--	--	--	--
--	690.00 (690.00)	--	--	--	--	--
--	500.00 0.00	--	--	--	--	--
--	0.00 (300.00)	--	--	--	--	Company has been referred to BIFR on 10/8/94
--	313.12 (2962.52)	--	--	--	--	--
--	0.00 (175.00)	--	--	--	--	--
--	0.00	--	--	--	--	--
-- (4660.00)	0.00 (4660.00)	--	--	--	--	--
--	33.00 (4254.27)	--	--	--	--	Referred to BIFR on 16/2/1993
--	-- (6.00)	--	--	--	--	Receipt of Rs.127 lakhs is for nodal agency function
-- **(4660)**	**7536.12** **(52703.99)**	**--**	**0.64**	**0.07**	**0.05**	**--**

Annexure - 4

Statement showing the capacity utilisation of manufacturing companies during the year 1995-96

Serial number	Name of the Company	Year	Products/Group of products
	Industrial and Commercial Sector		
1.	Gujarat Mineral Development Corporation Limited.	1995-96	Fluorspar
		(1994-95)	
		1995-96	Bauxite Calsination Project
		(1994-95)	
2.	Gujarat Communications and Electronics Limited	1995-96	Telephone Instruments
		(1994-95)	
		1995-96	Critical Components
		(1994-95)	
3.	Gujarat Trans Receivers Limited.	1993-94	Wireless Sets
		(1992-93)	
4.	Gujarat Tractors Limited.	1995-96	Tractors
		(1994-95)	
	Agriculture and Cooperation Sector		
5.	Gujarat Dairy Development Corporation Limited.	1995-96	Milk and Milk Products
		(1994-95)	
6.	Gujarat Agro Industries Corporation Limited.	1995-96	1) Rice bran
		(1994-95)	
		1995-96	2) Oil cake (Sattu)
		(1994-95)	
		1995-96	3) Mango pulp
		(1994-95)	
			4) Pesticides formulation
		1995-96	i) Liquid
		(1994-95)	
		1995-96	ii) Wettable granules and dust
		(1994-95)	
7.	Gujarat Insecticides Limited.	1995-96	Insecticides formulations
		(1994-95)	
8.	Gujarat State Textiles Corporation Limited.	1995-96	
		(1994-95)	
9.	Gujarat State Forest Development Corporation Limited	1995-96	Vanil Udhyog
		(1994-95)	
		1995-96	Dhanvantari Project
		(1994-95)	

(Referred in paragraph 1.2.8)

Installed Capacity	Actual utilisation	Percentage of Utilisation	Remarks
44,400 tonnes	23175	52.19	
(44,400 tonnes)	(27517)	(61.97)	
50,000 tonnes	1227	2.45	
(50,000 tonnes)	(7494)	(14.99)	
-,50,000 Nos.	235591	94.23	
(2,00,000 Nos.)	(142304)	(56.92)	Capital goods and
			manpower are common
20,00,000 Nos.	265244	13.26	to many products.
(20,00,000 Nos.)	(386642)	(19.33)	
*	*	*	
(3000)	(199)	(3.97)	Figures for 1994-95
			and 1995-96 are awaited
2200	1717	78.04	
(2200)	(1716)	(78.00)	
685,000 litres per day	Maximum 109,600 litres per day	16.00	
(685,000 litres per day)	(Maximum 127,821 litres per day	(18.66)	
16100 tonnes	17631 tonnes	109.50	Capacity based on
(9700 tonnes)	(7758 tonnes)	(79.98)	days of production
2592 tonnes	2590 tonnes	99.92	- do -
(2010 tonnes)	(2332 tonnes)	(116.02)	
498 tonnes	409 tonnes	82.12	- do -
(426 tonnes)	(284 tonnes)	(66.67)	
1800 kilo litres	571 kilo litres	31.72	
1800 kilo litres	(603 kilo litres)	(33.5)	
19500 tonnes	1841 tonnes	9.44	
(19000 tonnes)	(1284 tonnes)	(6.58)	
*	*		
*	*		
*	*		
*	*		
9000 CMT	*		* Not available
(9000 CMT)	(323 CMT)	(4)	
525 qtls	*		* Not available
(525 qtls)	(92 qtls)	(18)	

* Details awaited

Figures in bracket are of previous year

Annexure - 5

Summarised financial results of Statutory corporations based on their latest finalised accounts (Referred to in page 26)

Serial number	Name of Corporation / Board	Name of Department	Date of incorporation	Year of accounts	Capital invested (A)
1	2	3	4	5	6
1	Gujarat Electricity Board	Energy and Petrochemicals	1st May 1960	1994-95	5754.04
2	Gujarat State Road Transport Corporation	Home	1st May 1960	1994-95	62.57
3	Gujarat State Financial Corporation	Industries and Mines	1st May 1960	1995-96	960.01
4	Gujarat State Warehousing Corporation	Agriculture, Cooperation and Rural Development	5th December 1960	1994-95	5.35
5	Gujarat Industrial Development Corporation	Industries and Mines	4th August 1962	1994-95	204.16

(A) Capital invested represents paid-up capital plus long term loans plus free reserves less accumulated losses

(B) Capital employed represents net fixed assets (excluding capital works in progress) plus working capital

(C) Represents net amount of interest deducting interest on investment.

(Figures in columns 5 to 11 are Rupees in crores)

Profit(+)/ Loss (-)	Total interest charged to profit and loss account	Interest on long term loans	Total return on capital invested (7+9)	Capital employed (B)	Total return on capital employed (7+8)	Percentage of total return on Capital invested	Capital employed
7	8	9	10	11	12	13	14
105.94	357.36	349.35	455.28	5217.72	463.30	7.91	8.88
(-)77.57	34.41	34.41	(-)43.16	51.85	(-)43.16	--	--
21.20	(C)101.34	101.34	122.39	(D) 943.09	122.39	12.97	12.64
(-)0.06	0.03	0.03	(-)0.03	7.75	(-)0.03	--	--
0.17	14.12	14.12	14.29	484.97 (E)	14.29	7.00	2.95

(D) Capital employed in respect of Gujarat State Financial Corporation represents the mean of opening and closing balances of paid-up capital, reserves (other than those which have been funded specifically and backed by investment outside), bonds, deposits and borrowings (including refinance).

(E) Capital employed of Gujarat Industrial Development Corporation represents the mean of the opening and closing balances of reserves and surplus, subsidy from Government, borrowings and receipts on capital account.

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