सत्यमेव जयते

Report of the Comptroller and Auditor General of India on Public Sector Undertakings for the year ended 31 March 2015

Government of Maharashtra

Report No. 3 of the year 2016

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Preface

This Report deals with the results of audit of 83 Government companies and four Statutory Corporations for the year ended 31 March 2015 for submission to the Government of Maharashtra under Section 19 A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, as amended from time to time.

2. The accounts of Government companies (including companies deemed to be Government companies as per the provisions of the Companies Act) are audited by the Comptroller and Auditor General of India (CAG) under the provisions of Section 619 of the Companies Act, 1956 and Sections 139 and 143 of the Companies Act, 2013.

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

4. The instances mentioned in this Report are those, which came to notice in the course of test audit for the period 2014-15 as well as those which came to notice in earlier years, but could not be reported in the previous Audit Reports; matters relating to the period subsequent to 31 March 2015 have also been included, wherever necessary.

5. The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

Overview

1. Functioning of Government companies and Statutory corporations

Audit of Government companies is governed by Sections 139 and 143 of the Companies Act, 2013. The accounts of Government companies are audited by Statutory Auditors appointed by Comptroller and Auditor General of India (CAG). These accounts are also subject to supplementary audit conducted by CAG. Audit of Statutory corporations is governed by their respective Legislations. The working results of 87 State Public Sector Undertakings (PSUs) comprising of 83 State Government companies and four Statutory corporations are discussed in this report. The turnover of 65 working PSUs was ₹ 85,639.39 crore in 2014-15 as per their latest finalised accounts. This turnover was equal to 5.08 *per cent* of the State Gross Domestic Product indicating the important role played by the State PSUs in the economy. Though, the working PSUs earned an overall profit of ₹ 1,860.82 crore in 2014-15 they had accumulated losses of ₹ 7,648.55 crore as on 31 March 2015.

(Paragraphs 1.1, 1.2, 1.3, 1.15 and 1.16)

As on 31 March 2015, the investment (Capital and long term loans) in 87 PSUs was ₹ 1,01,519.66 crore. It grew by 73.87 *per cent* from ₹ 58,389.55 crore in 2010-11 mainly because of increase in investment in power sector. The Government contributed ₹ 1,382.99 crore towards equity, loans and grants/subsidies during 2014-15.

(Paragraphs 1.6 and 1.8)

Fifty four working PSUs had arrears of 125 accounts as of September 2015. The extent of arrears was one to sixteen years. There are 22 non-working companies of which two are under liquidation.

(Paragraphs 1.10 and 1.12)

During the year 2014-15, out of 65 working PSUs, 39 PSUs earned profit of ₹ 4,014.11 crore and 20 PSUs incurred loss of ₹ 2,153.29 crore. Three PSUs prepared their accounts on no profit no loss basis and three PSUs were under construction and had not prepared profit and loss account. The major contributors to profit were Maharashtra State Electricity Transmission Company Limited (₹ 2,599.88 crore) and Maharashtra State Power Generation Company Limited (₹ 1,008.96 crore). Heavy losses were incurred by Maharashtra State Electricity Distribution Company Limited (₹ 1,166.64 crore), Maharashtra State Road Development Corporation Limited (₹ 572.65 crore) and MSEB Holding Company Limited (₹ 155.23 crore).

(Paragraph 1.16)

During the year, the Statutory auditors had given unqualified certificates for 27 accounts, qualified certificates for 30 accounts and adverse certificates (which mean that accounts do not reflect a true and fair view) for three accounts.

(Paragraph 1.20)

2. Performance Audit of Government Companies

Performance Audit of **Restructured Accelerated Power Development and Reform Programme as implemented by the Maharashtra State Electricity Distribution Company Limited and Renewable Energy Sector in Maharashtra** was conducted. Highlights of the Audit findings are given below:

2.1 Restructured Accelerated Power Development and Reform Programme (RAPDRP) as implemented by the Maharashtra State Electricity Distribution Company Limited (MSEDCL)

Introduction

The Government of India introduced (2008) R-APDRP with the aim of restoring the commercial viability of the distribution sector by substantially reducing the Aggregate Technical and Commercial (AT&C) losses, adoption of Information Technology (IT) in energy accounting/auditing and consumer services; augmentation and strengthening of the distribution network and establishment of Supervisory Control & Data Acquisition System (SCADA)/ Distribution Management System in large towns. The programme has been taken up in two parts, Part A and Part B, apart from SCADA.

(Paragraphs 2.1.1, 2.1.2 and 2.1.3)

Part A Projects

Part A projects include the projects for establishment of Base Line Data, IT applications for Energy Accounting/Auditing and IT Based Consumer Service centres. Under Part A, the project was declared as "Go-Live" (October 2014) in all 128 towns.

It was observed that due to high percentage of non-working modems installed on feeders and Distribution Transformer Centres (DTCs), the Company could not generate complete Reports regarding energy input on the Feeders and DTCs in the Data Centre.

(Paragraph 2.1.15 and 2.1.17)

Part B Projects

Part B includes regular strengthening and augmentation projects of the distribution network in order to reduce and sustain AT&C losses below 15 *per cent*.

The progress of work in 40 out of 120 towns (33.30 *per cent*) was below 75 *per cent* indicating poor implementation of the Scheme in these towns. Delay in land acquisition for substations, re-tendering of works and non-co-ordination with related agencies caused delay in overall implementation of the Part B works. The issues relating to land acquisition for Part B works were not monitored adequately by the Company. The Company did not levy Liquidated Damages of ₹ 3.83 crore from contractors.

(Paragraphs 2.1.19 and 2.1.26)

Supervisory Control & Data Acquisition System (SCADA)

There were co-ordination issues with external agencies which resulted in delay in implementation of SCADA works.

(Paragraph 2.1.33)

Aggregate Technical & Commercial (AT&C) losses

The AT&C losses of the Company had come down from 24.60 *per cent* in 2008-09 to 18.71 *per cent* during 2014-15.

AT&C losses in only 47 out of 128 towns were below 15 *per cent*. However, in 24 towns losses had increased over the base line figures. It was seen that implementation was poor in the Marathwada region of the State covering 27 towns, where the AT&C losses were very high (more than 45 *per cent*) in 17 towns.

(Paragraph 2.1.36)

2.2 Renewable Energy (RE) Sector in Maharashtra

Promotion of Renewable Energy (RE) is one of the major objectives of National Action Plan on Climate Change (NAPCC) and Electricity Act, 2003. Under the GoM's policy of 2008, target for power generation from non-conventional energy sources was fixed for commissioning of 2,000 MW capacity of wind power projects, 400 MW of Biomass and 100 MW of Small Hydro Power (SHP) Projects as against which the achievements were 4,442 MW of wind power, 1,615 MW of Biomass, 329 MW of solar and 284 MW from SHP Projects.

(Paragraph 2.2.1)

During the year 2007-08, the total energy generated in the State was 99,600.68 Million Units (MUs) which increased to 1,42,724.18 MUs during 2014-15. During 2007-08, the contribution of RE to the total energy generated in the State was 2,555.04 MUs (2.57 *per cent*) and the same has increased to 11,836 MUs (8.62 *per cent)* during 2014-15.

(Paragraph 2.2.1)

The GoM had not declared any policy for development of solar energy till June 2015. In the absence of a policy, nominal target of 275 MW was fixed based on the achievement of solar power projects commissioned in the previous years. As against the target of 275 MW fixed by Maharashtra Energy Development Agency (MEDA), the achievement was 329.25 MW upto March 2015. Due to non-framing of policy by GoM, the solar sector had long been ignored and the capacity addition in this sector was insignificant despite a potential of 64,320 MW assessed by Ministry of New and Renewable Energy (MNRE), Government of India.

(Paragraph 2.2.8)

50 wind energy projects were commissioned between April 2014 and March 2015. Though, these wind energy generators had generated 68.42 MUs (April to May 2015) and energy generated was fed into the MSEDCL grid, the MSEDCL did not execute Energy Purchase Agreements with these 50 generators (January 2016) mainly due to high tariff.

(Paragraph 2.2.11.3)

MSEDCL paid higher tariff rate in respect of 100.41 crore units of wind energy purchased during April 2010 to March 2015 though the required certificates were neither produced by the generators nor demanded by MSEDCL. This has resulted in excess payment of ₹ 85.06 crore.

(Paragraph 2.2.15.3)

Due to shortfall of 2,004 MUs in purchase of solar and non-solar energy from RE operators which worked out to 7.14 *per cent* of the target, the MSEDCL may be required to deposit ₹ 260.33 crore in the Renewable Purchase Obligation Regulatory Fund, as per directives of Maharashtra Electricity Regulatory Commission.

(Paragraph 2.2.15.5)

Out of ₹ 2,315 crore of the proceeds collected by GoM by way of tax on sale of electricity required to be transferred to MEDA between 2007-08 and 2014-15, only ₹ 112.79 crore was transferred to them and the balance ₹ 2,202.21 crore was neither transferred to MEDA nor utilised for promotion of the RE Sector. This resulted in diversion of the fund in violation of the statutory provisions.

(Paragraph 2.2.15.7)

3. Performance Audit of Statutory Corporations

Performance Audit of Procurement of Buses and Working of Workshops of Maharashtra State Road Transport Corporation and Working of Maharashtra State Warehousing Corporation was conducted. Highlights of the Audit findings are given below:

3.1 Procurement of Buses and Working of Workshops of Maharashtra State Road Transport Corporation

Introduction

The Maharashtra State Road Transport Corporation (Corporation) incorporated on 1 July 1961 by Government of Maharashtra (GoM) under Section 3 of the State Road Transport Corporations Act, 1950 (Act), is mandated to provide an efficient, adequate, economical and properly coordinated public road transport in the State. The Corporation has a monopoly in stage carriage in mofussil (rural) areas while it also operates city services in seven urban/semi urban locations of the State. During the period 2010-11 to 2014-15, the Corporation carried 69.93 lakh passengers per day; the total number of passengers carried decreased from 253.68 crore in 2010-11 to 245.60 crore in 2014-15. The Corporation had three Central Workshops entrusted with bus body building on new chassis while Repairs and Maintenance (R&M) of buses was carried out at 32 Divisional Workshops and 250 Depot Workshops. During the period from 2010-11 to 2014-15, the Corporation incurred total expenditure of ₹ 1,899.75 crore on purchase of 651 ready built buses, in-house bus body building of 8,207 buses and 1,852 buses built from private agencies. As on 31 March 2015, the Corporation owned an operational fleet of 18,008 buses consisting of 15,891 Ordinary buses, 953 Semi Luxury buses, 536 City buses, 592 Midi Buses, 36 Air

Conditioned (AC) buses. Further, 73 AC buses were taken on hire for select routes.

(Paragraph 3.1.1)

Planning

The GoM had not formulated a Passenger Transport Policy to develop an integrated and holistic perspective delineating the specific role of the Corporation in a fast changing transport scenario. The Corporation could not achieve planned operations during the period 2010-11 to 2014-15 and had cancelled total 17.24 crore planned kilometres mainly due to shortage of crew besides other avoidable reasons like shortage of buses, defective buses, delay of buses from line/depot *etc*. Annual Production/Procurement plan was not worked individually for each type of bus service category *i.e.* Ordinary, Semi-Luxury, AC, Midi, City *etc*. Further, defective Annual Plans were formulated without considering operational restrictions on buses procured under Manav Vikas Scheme (MVS).

(Paragraphs 3.1.7, 3.1.9, 3.1.10 and 3.1.11)

Procurement of chassis/buses

During the period 2013-14, there was avoidable delay in finalisation of tenders for procurement of chassis which adversely impacted the Annual Production / Scrapping Plans of Ordinary Buses leading to increased cancellation of planned operations and plying of overaged buses. There was no system to monitor the economy and efficiency of overaged buses. Further, the Corporation did not ensure procurement of adequate/required buses for operating profitable AC and Semi Luxury services which had adversely impacted the operational performance leading to reduction in schedules/ operated kilometres and profitability. Quality assurance of 1,955 buses built from private agencies was not ensured since the contracts did not provide for random check of materials utilised.

(Paragraphs 3.1.12, 3.1.13, 3.1.14, 3.1.15, 3.1.16 and 3.1.19)

Working of Workshops

Production plan for bus body building at three Central Workshops was formulated on the basis of available manpower without considering cost of production. Despite being the most cost efficient workshop, production of Ordinary buses was lowest at Nagpur in comparison to other two Central Workshops and in particular Aurangabad, which was the costliest. The Central Workshops were functioning with very old machineries in the absence of long term plan for augmentation/modernisation as well as gross under utilisation of budgetary allocations. The Corporation had fixed Standard Man Hours (SMH) for production related activities at Central Workshops in an arbitrary manner without any scientific study and hence reasonability of existing SMH as well as production incentives paid could not be ensured. There were various instances of chassis lying idle at workshops and delays in production/dispatch of buses due to lack of effective monitoring system. Incorrect system for payment of production incentives on incomplete buses and prematurely failed engines were noticed at Central Workshops. Reconditioning of buses was carried out by Central Workshops in lieu of production of new buses due to non availability of chassis, without adhering to prescribed maintenance manual leading to unwarranted excess expenditure of ₹ 42.80 crore, when the Corporation was already reeling under financial constraints.

(Paragraphs 3.1.20, 3.1.23, 3.1.25, 3.1.27, 3.1.30, 3.1.31, 3.1.33 and 3.1.37)

Other topics of interest

The Corporation could not receive grants/reimbursement of expenditure to the extent of ₹ 66.43 crore under Central/State Schemes due to improper submission of proposals, non-compliance with mandatory conditions and failure to follow up with the State Government. Further, the Corporation did not submit proposal for availing benefit of grants for procurement of city buses under a Central scheme.

(Paragraphs 3.1.40 and 3.1.42)

Monitoring and Internal Control

The Corporation had not maintained Service category wise details of cancellations of planned operations, cost per kilometre and profitability in respect of each type of operation.

(Paragraph 3.1.44)

Recommendations

Audit has made six recommendations which included formulation of Integrated Passenger Transport Policy for the State, preparation of Annual Plans considering requirements of each bus service category and operational restrictions on MVS buses, streamlining of tendering process to avoid delays in awarding contracts, formulation of long term plans for augmentation/ modernisation of workshops and production plan at Central Workshops considering their cost effectiveness, scientific fixation of standard man-hours/time limits for production activities along with implementation of production stage wise monitoring system and ensuring proper/timely actions for availing benefits of grants under Central/State Government schemes.

3.2 Working of Maharashtra State Warehousing Corporation

Introduction

Maharashtra State Warehousing Corporation (Corporation) was established in September 1960 under the Agricultural Produce (Development and Warehousing) Corporations Act, 1956 which was subsequently replaced by the Warehousing Corporation Act, 1962. The objective of the Corporation was to acquire, build and operate Warehouses in the State for storage of agricultural produce/agriculture related items, operation of Bonded Warehouses and Container Freight Station for exporters/importers.

(Paragraph 3.2.1)

Capacity augmentation

During the five year period 2010-11 to 2014-15, against the planned capacity addition of 11,41,670 MT, the Corporation constructed 3,79,940 MT of additional godown capacity, an increase of 33.28 *per cent* only. The shortfall in achievement was due to paucity of funds and absence of timely assistance from the State Government in form of financial guarantees. Despite having sufficient vacant land, the Corporation purchased private land at 15 locations which remained partially unutilised. The Corporation purchased land at a cost of ₹ 1.07 crore which was in excess of requirements. The Corporation made excess payment of ₹ 21.20 lakh for purchase of private land at Ratnagiri. Further, the Corporation purchased encroached land at Chandrapur which resulted in reduction of constructed godown capacity. The Corporation suffered loss of revenue of ₹ 13.49 crore due to loss of guarantee period on account of delayed construction of godowns for the FCI at 15 locations. The Corporation also suffered a loss of revenue of ₹ 2.07 crore due to construction of godowns not conforming to the specifications of FCI. An important cold storage facility at Gultekdi, Pune could not commence since August 2013 as the Corporation did not execute a lease agreement despite having the required land in its possession since December 1994.

(Paragraphs 3.2.9, 3.2.11, 3.2.13 to 3.2.15, 3.2.17, 3.2.18 and 3.2.20)

Operation of godowns and utilisation

During the five year period 2010-11 to 2014-15, the Corporation could utilise its warehouse (including hired and PPP) capacity in the range of 72 to 79 *per cent*. The utilisation of its own godowns decreased from 78 to 75 *per cent* from 2011-12 to 2014-15. The utilisation of godowns by farmers ranged between 5.84 to 6.13 *per cent* only of the total warehousing capacity. The Corporation did not review the categorisation of its warehouses periodically and revise the warehousing rates. The Corporation extended unintended benefit of ₹ 1.84 crore to private parties by way of reduction in scheduled rates of storage charges, beyond the permissible limits. Non-incorporation of clause for collection of supervision charges in tenders for Handling and Transportation operations resulted in loss of revenue of ₹ 4.01 crore. Further, due to non-enforcing its discretionary powers for extending the contract of terminal operator for the Container Freight Station at Dronagiri (JNPT Mumbai), the Corporation incurred extra expenditure of ₹ 6.30 crore.

(Paragraphs 3.2.21, 3.2.22, 3.2.30, 3.2.33 and 3.2.35)

Efficiency in Management of warehouses

Due to non-utilisation of dunnages in the FCI godowns, the FCI withheld ₹ 6.05 crore of charges due to the Corporation. Even before commissioning of grain cleaning / grading machines, the Corporation made payment of Annual Maintenance Contract (AMC) charges for three years at a cost of ₹ 52.76 lakh.

(Paragraphs 3.2.39 and 3.2.40)

Recommendations

The State Government may assess the requirement of warehousing facility in the State comprehensively, so as to demarcate the role for Government and private agencies and also for perishable commodities separately. The State Government may also assess creation of cold storage and other modern storage facilities in the changing environment. The Corporation may acquire land only after feasibility study is carried out and proper plans for utilisation of acquired land are in place. The Corporation may ensure efficiency in tendering procedures and for timely construction of godowns and adhere to the norms prescribed by FCI for their schemes. Categorisation of warehouse centres may be reviewed periodically. Billing of storage charges as per the prescribed tariff/agreement and their timely recovery be ensured. The Corporation may enter into MOU with FCI with enabling provisions for recovery of Handling and Transportation charges and Rail Transit Losses. The Corporation may ensure that physical verification of stocks is carried out periodically by Regional Managers/independent verifiers.

4. Compliance Audit Paragraphs

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

In Management of Distribution losses by the **Maharashtra State Electricity Distribution Company Limited**, the Company's monitoring of the losses was inadequate in absence of targets at feeder and Distribution Transformer Centres for Energy Audit. High Incidence of unmetered connections/faulty meters of agriculture consumers resulted in under billing and consequential increase in the distribution losses.

(Paragraph 4.1)

Mumbai Metro Rail Corporation Limited appointed an Independent Engineer without resolving environmental issues related to the Metro line-II Corridor Project which resulted in infructuous expenditure of ₹ 4.71 crore.

(Paragraph 4.5)

Absence of adequate internal controls in handling investments of the **Mahatma Phule Backward Class Development Corporation Limited, Maharashtra Tourism Development Corporation Limited and Sant Rohidas Leather Industries and Charmakar Development Corporation Limited** resulted in loss to the Companies' funds of ₹ 194.82 crore in fixed deposits in Banks due to fraudulent transactions.

(Paragraph 4.6)

The recovery of fuel cess on petrol and diesel continued even after recovery of the cost of project by the **Maharashtra State Road Development Corporation Limited** resulting in excess financial burden on the toll paying public

(Paragraph 4.7)

The proposal to implement Water Transport System in Mumbai could not be implemented even after 16 years due to indecision of the Government besides infructuous expenditure of ₹ 20.95 crore on appointment of consultants was incurred since the project was withdrawn from the **Maharashtra State Road Development Corporation Limited.**

(Paragraph 4.8)

Delay in communicating the Board decision for revision in land rates in **Maharashtra Industrial Development Corporation** resulted in loss of revenue of ₹ 21.98 crore.

(Paragraph 4.11)

Chapter I

Functioning of State Public Sector Undertakings

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Functioning of State Public Sector Undertakings

Introduction

1.1 The State Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations. The State PSUs are established to carry out activities of commercial nature keeping in view the welfare of people and also occupy an important place in the State economy. As on 31 March 2015, there were 83 State Government Companies and four Statutory Corporations. None of these 83 Government Companies was listed on the stock exchange. During the year 2014-15, one PSU[1] was incorporated whereas one was closed down. Latur Power Company Limited, a joint venture between Maharashtra State Power Generation Company Limited and Bharat Heavy Electricals Limited opted for voluntary winding up. The details of the State PSUs in Maharashtra as on 31 March 2015 are given below.

Table 1.1: Total number of PSUs as on 31 March 2015

Type of PSUs	Working PSUs	Non-working PSUs[2]	Total
Government Companies[3]	61	22	**83**
Statutory Corporations	04	--	**04**
Total	**65**	**22**	**87**

The working PSUs registered a turnover of ₹ 85,639.39 crore as *per* their latest finalised accounts as of September 2015. This turnover was equal to 5.08 *per cent* of State Gross Domestic Product (GDP) for the year 2014-15. The working PSUs earned aggregate profit of ₹ 1,860.82 crore as per their latest finalised accounts as of September 2015. As on March 2015, the State PSUs had employed 2.18 lakh employees.

As on 31 March 2015, there were 22 non-working PSUs having investment of ₹ 938.92 crore. Some of these Companies are non-functional since the last 37 years. This is a critical area as the investments in non-working PSUs do not contribute to the economic growth of the State.

Accountability framework

1.2 The process of audit of Government Companies is governed by respective provisions of Section 139 and 143 of the Companies Act, 2013 (Act). According to Section 2(45) of the Act, 2013, Government Company means any Company in which not less than fifty one *per cent* of the paid-up share capital is held by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments, and includes a Company which is a subsidiary Company of such a Government Company.

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[1] Aurangabad Industrial Township Limited

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

[3] Includes other Companies referred to in Section 139(5) and 139(7) of Companies Act, 2013

Further, as per sub-Section 7 of Section 143 of the Act, 2013 the Comptroller and Auditor General of India (CAG) may, in case of any Company covered under sub-Section (5) or sub-Section (7) of Section 139, if considers necessary, by an order, cause test audit to be conducted of the accounts of such Company and the provisions of Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 shall apply to the report of such test Audit. Thus, a Government Company or any other Company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments or partly by Central Government and partly by one or more State Governments is subject to audit by the CAG. An audit of the financial statements of a Company in respect of the financial years that commenced on or before 31 March 2014 shall continue to be governed by the provisions of the Companies Act, 1956.

Statutory Audit

1.3 The financial statements of the Government Companies (as defined in Section 2 (45) of the Companies Act, 2013) are audited by Statutory Auditors, who are appointed by CAG as *per* the provisions of Section 139(5) or (7) of the Act, 2013. The Statutory Auditors submit a copy of the Audit Report to the CAG including, among other things, financial statements of the Company under Section 143(5) of the Act, 2013. These financial statements are also subject to supplementary audit to be conducted by the CAG within sixty days from the date of receipt of the Audit Report under the provisions of Section 143(6) of the Act, 2013.

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

Role of Government and Legislature

1.4 The State Government exercises control over the affairs of these PSUs through its administrative departments. The Chief Executive and Directors to the Board are appointed by the State Government.

The State Legislature also monitors the accounting and utilisation of Government investment in the PSUs. For this, the Annual Reports together with the Statutory Auditors' Reports and comments of the CAG, in respect of State Government Companies and Separate Audit Reports in case of Statutory Corporations are to be placed before the State Legislature under Section 394 of the Act, 2013 or as stipulated in the respective Acts. The Audit Reports of the CAG are submitted to the Government under Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

Stake of Government of Maharashtra

1.5 The Government of Maharashtra (GoM) has huge financial stake in these PSUs. This stake is of mainly three types:

- **Share capital and loans** - In addition to the share capital contribution, GoM also provides financial assistance by way of loans to the PSUs from time to time.
- **Special financial support** - GoM provides budgetary support by way of grants and subsidies to the PSUs as and when required.
- **Guarantees** - GoM also guarantees the repayment of loans with interest availed by the PSUs from Financial Institutions.

Investment in State PSUs

1.6 As on 31 March 2015, the total investment (capital and long term loans) in 87 PSUs was ₹ 1,01,519.66 crore as per details given below.

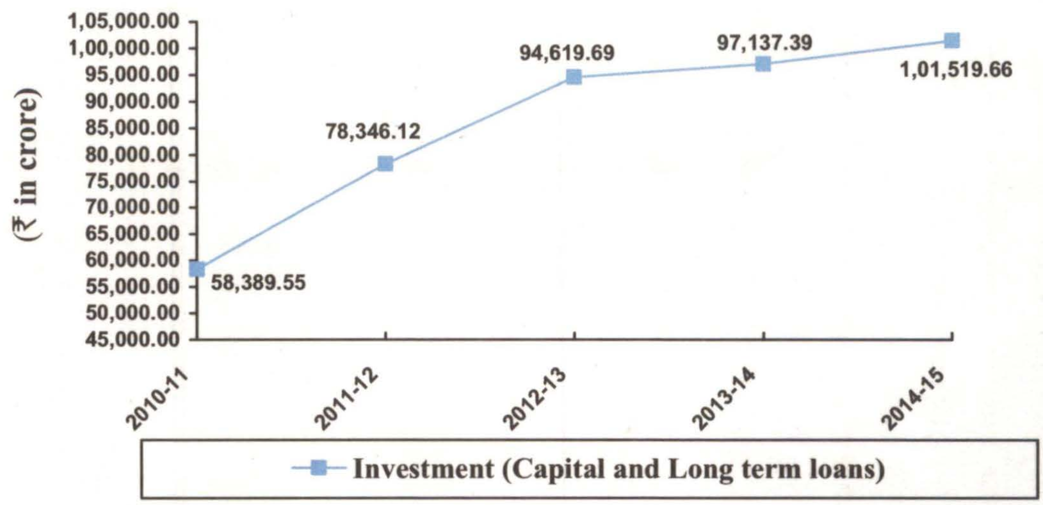
Table 1.2: Total investment in PSUs

(₹ in crore)

Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working	39,298.92	57,032.14	**96,331.06**	3,454.89	794.79	**4,249.68**	**1,00,580.74**
Non-working	318.55	620.37	**938.92**	-	-	-	**938.92**
Total	**39,617.47**	**57,652.51**	**97,269.98**	**3,454.89**	**794.79**	**4,249.68**	**1,01,519.66**

As on 31 March 2015, of the total investment in State PSUs, 99.08 *per cent* was in working PSUs and the remaining 0.92 *per cent* was in non-working PSUs. This total investment consisted of 57.57 *per cent* towards capital and 42.43 *per cent* in long term loans. As per their latest finalised accounts, 39 PSUs earned an aggregate profit of ₹ 4,014.11 crore and only five PSUs declared a dividend of ₹ 12.94 crore. The investment grew by 73.87 *per cent* from ₹ 58,389.55 crore in 2010-11 to ₹ 1,01,519.66 crore in 2014-15 as shown in the graph below:

Chart 1.1: Total investment in PSUs



1.7 The sector-wise summary of investments in the State PSUs as on 31 March 2015 is given below:

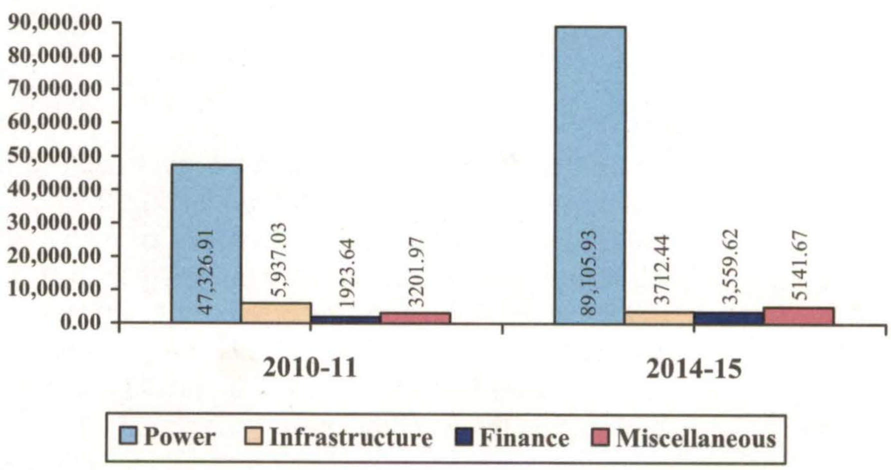
Table 1.3: Sector-wise investment in PSUs

Name of sector	Government Companies		Statutory Corporations	Total	Investment (₹ in crore)	Percentage to total investment
	Working	Non-Working	Working			
Power	9	0	0	9	89,105.93	**87.77**
Infrastructure	11	6	1	18	3,712.44	**3.66**
Service	4	0	1	5	3,605.43	**3.55**
Finance	17	0	1	18	3,559.62	**3.50**
Manufacturing	9	8	0	17	891.35	**0.88**
Agriculture & Allied	7	6	1	14	618.43	**0.61**
Miscellaneous	4	2	0	6	26.46	**0.03**
Total	**61**	**22**	**4**	**87**	**1,01,519.66**	**100.00**

The investment in various important sectors and percentage thereof at the end of 31 March 2011 and 31 March 2015 are indicated in the bar chart below.

Chart 1.2: Sector wise investment in PSUs

(Figures in ₹ crore)



The thrust of PSU investment was mainly in power sector which increased from 81.05 *per cent* to 87.77 *per cent* during 2010-11 to 2014-15. The power sector received investment of ₹ 41,779.02 crore (96.87 *per cent*) out of total investment of ₹ 43,130.11 crore made during the period 2010-11 to 2014-15.

Special support and returns during the year

1.8 The GoM provides financial support to PSUs in various forms through the Annual Budget. The summarized details of Budgetary outgo towards equity, loans, grants/subsidies, loans written off and interest waived in respect of State PSUs for three years ending 2014-15 are given below:

Table 1.4: Details regarding budgetary support to PSUs

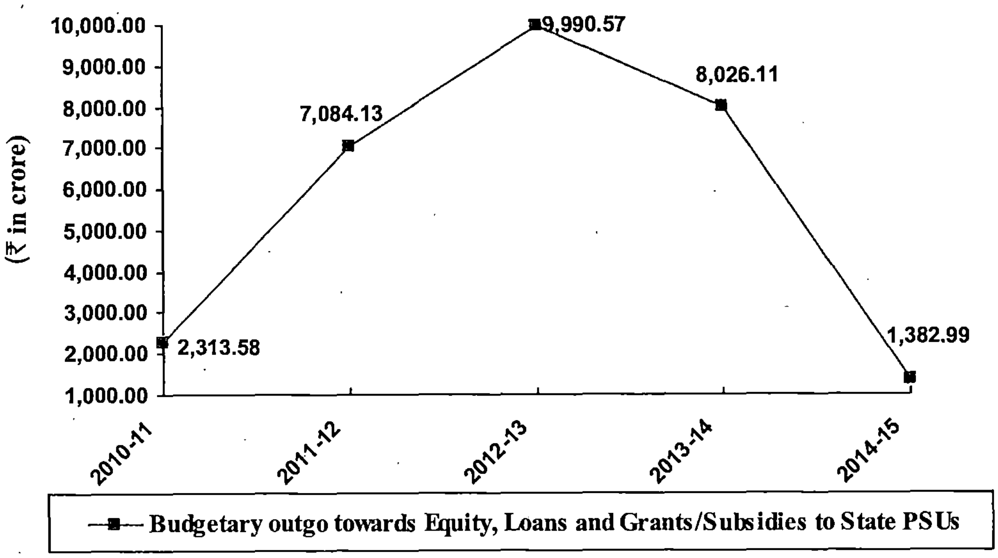
(₹ in crore)

Sl. No.	Particulars[4]	2012-13		2013-14		2014-15	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo	12	1,813.56	10	1,994.72	9	624.47
2.	Loans given	4	2,100.99	--	--	1	10.00
3.	Grants/Subsidy received	17	6,076.02	18	6,031.39	17	748.52
4.	**Total Outgo (1+2+3)**	**20**	**9,990.57**	**20**	**8,026.11**	**18**	**1,382.99**
5.	Loan repayment written off	1	0.24	1	0.002	--	--
6.	Waiver of interest	2	0.51	1	0.22	1	0.36
7.	Guarantees issued	2	152	2	190.00	4	88.37
8.	Guarantee Commitment	7	1,283.47	9	2,679.16	11	2,540.30

(Source: Data compiled from information provided by PSUs)

The details regarding budgetary outgo towards equity, loans and grants/ subsidies for the five years ending 2014-15 are given in a graph below:

Chart 1.3: Budgetary outgo towards Equity, Loans and Grants/Subsidies



During the year 2014-15, the budgetary outgo in State PSUs reduced from ₹ 8,026.11 crore in the previous year to ₹ 1,382.99 crore. In order to enable PSUs to obtain financial assistance from Banks and Financial Institutions, State Government gives guarantee for which the guarantee fee is being charged. This fee varies from 0.50 *per cent* to two *per cent*, as decided by the State Government, depending upon the loanees. The guarantee commitment of State Government decreased to ₹ 2,540.30 crore during 2014-15 from ₹ 2,679.16 crore in 2013-14. Further, six PSUs paid guarantee fees to the tune of ₹ 22.38 crore during 2014-15 whereas six PSUs did not pay guarantee fees/commission during the year and accumulated/outstanding guarantee fees/commission there against were ₹ 230.26 crore as on 31 March 2015.

[4] Amount represents outgo from State Budget only

Reconciliation with Finance Accounts

1.9 The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of the differences. The position in this regard as on 31 March 2015 with respect to 50 PSUs is stated below:

Table 1.5: Equity, loans, guarantees outstanding as per Finance Accounts *vis-a-vis* records of PSUs

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	8,257.17	31,126.16	22,868.99
Loans	2,158.83	8,186.71	6,027.88
Guarantees	2;256.95	2,540.30	283.35

The matter is regularly taken up with the Chief Secretary/Additional Chief Secretary (Finance), the latest being in December 2015. The concerned PSUs at the instance of Finance Department are in the process of reconciling the said differences. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

Arrears in finalisation of accounts

1.10 The financial statements of the Companies for every financial year are required to be finalised within six months from the end of relevant financial year *i.e.* by September end in accordance with the provisions of Section 129(2) and placed before the Annual General Meeting of the Company in terms of Section 96(1) of the Companies Act, 2013. Failure to do so may attract penal provisions under Section 129(7) and 99 of the Act, 2013. In case of Statutory Corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

The table below provides the details of progress made by working PSUs in finalisation of accounts as on 30 September 2015:

Table 1.6: Position relating to finalisation of accounts of working PSUs

Sl. No.	Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
1.	Number of Working PSUs	64	65	65	65	65
2.	Number of accounts finalised during the year	82	82	74	78	64
3.	Number of accounts in arrears	162	138	129	116	125[5]
4.	Number of Working PSUs with arrears in accounts	53	53	52	51	54
5.	Extent of arrears (numbers in years)	1 to 14 years	1 to 12 years	1 to 7 years	1 to 8 years	1 to 16 years

[5] Includes 16 accounts of Kolhapur Chitranagari Mahamandal Limited which was classified as non-working Company till 2013-14; and excludes eight accounts of Maharashtra Industrial Gas Transmission Company Limited which was classified as working Company till 2013-14

It was observed that the number of accounts in arrears had decreased from 162 accounts in 2010-11 to 125 accounts in 2014-15. However, there was increase in arrears of accounts as compared to previous year 2013-14 due to inclusion of accounts of Kolhapur Chitranagari Mahamandal Limited. During the year 18 working PSUs did not finalise even a single account which led to increase in accumulation of arrear accounts. PSUs should ensure that atleast accounts of one year are finalised each year so as to liquidate the arrears.

The Administrative Departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the stipulated period. The PSUs and their concerned Departments were informed regularly on quarterly basis. In addition, the Principal Accountant General took up the matter with the Departments and also held meetings for liquidating the arrears of accounts by drawing their attention to the provisions of the Companies Act, 2013.

1.11 The GoM had invested ₹ 5,087.92 crore in 20 PSUs {Equity: ₹ 1256.85 crore (15 PSUs), Loans: ₹ 154.09 crore (1 PSU) and Grants ₹ 3,676.98 crore (15 PSUs)} during the years 2014-15 for which accounts had not been finalised as detailed in **Annexure 1**. In the absence of final accounts and their subsequent audit, it could not be ensured whether the investments and expenditure incurred had been properly accounted for and the purpose for which the amount was invested was achieved or not and thus Government's investment in such PSUs, remained outside the control of the State Legislature.

1.12 In addition to above, as on 30 September 2015, there were arrears in finalisation of accounts by non-working PSUs. Out of 22 non-working PSUs, two[6] were in the process of liquidation whose accounts were in arrears for 4 to 21 years. Of the remaining 20 non-working PSUs, 17 PSUs had arrears of 25 accounts.

Table 1.7: Position relating to arrears of accounts in respect of non-working PSUs

No. of non-working companies	Period for which accounts were in arrears	No. of years for which accounts were in arrears
15	2014-15	1
1	2013-14 to 2014-15	2
1	2007-08 to 2014-15	8

Three PSUs (including two under liquidation) did not finalise even one account during 2014-15. One[7] working company has been reclassified as non-working as the Board has taken decision to close the same and has not finalised a single account since its inception in January 2007.

[6] Irrigation Development Corporation of Maharashtra Limited and Sahyadri Glass Works Limited

[7] Maharashtra Industrial Gas Transmission Company Limited

Placement of Separate Audit Reports

1.13 All four working Statutory Corporations had forwarded their accounts of 2013-14 by 30 September 2015. The final accounts for the year 2014-15 were pending for all four working Statutory Corporations. The position depicted below show the status of placement of Separate Audit Reports (SARs) issued by the CAG (up to 30 September 2015) on the accounts of Statutory Corporations in the Legislature.

Table 1.8: Status of placement of SARs in Legislature

Sl. No.	Name of Statutory Corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Present Status
1.	Maharashtra State Warehousing Corporation	2012-13	2013-14	02 July 2015	SAR would be placed before the State Legislature after placing in Annual General Meeting (January 2016).
2.	Maharashtra Industrial Development Corporation	2011-12	2012-13 2013-14	20 January 2015 5 October 2015	Revised Accounts for 2012-13 have been adopted by the Board (March 2015). Printing of Accounts is in progress.
3.	Maharashtra State Road Transport Corporation	2012-13	2013-14	9 June 2015	Printing of accounts is in progress.
4.	Maharashtra State Financial Corporation	2012-13	2013-14	10 March 2015	SAR sent to GoM for placement.

Impact of non-finalisation of accounts

1.14 As pointed in paragraph 1.10 to 1.12, the delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the relevant statutes. In view of the above state of arrears of accounts, the actual contribution of PSUs to the State GDP for the year 2014-15 could not be ascertained and their contribution to State exchequer was also not reported to the State Legislature.

It is, therefore, recommended that:

- **The Government may expedite clearance of arrears and set the targets for individual companies.**
- **The Government may consider outsourcing the work relating to preparation of accounts wherever there is lack of expertise.**

Performance of PSUs as per their latest finalised accounts

1.15 The financial position and working results of working Government Companies and Statutory Corporations are detailed in **Annexure 2.** A *ratio* of PSU turnover to State GDP shows the extent of activities of PSU in the State economy. Table below provides the details of turnover of working PSU and State GDP for a period of five years ending March 2015.

Table 1.9: Details of working PSUs turnover *vis-a-vis* State GDP

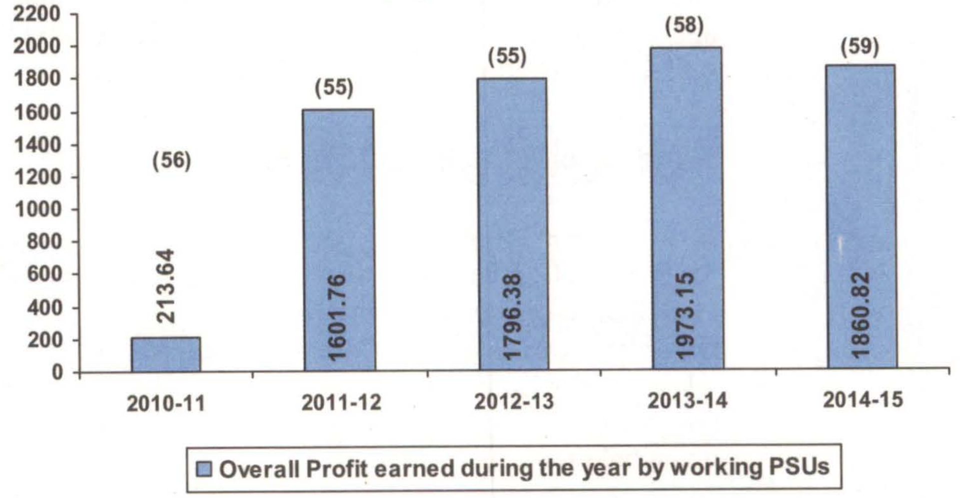
(₹ in crore)

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Turnover[8]	49,058.92	62,315.03	67,382.90	77,462.56	85,639.39
State GDP	10,29,621	12,48,453	13,72,644	14,76,233	16,86,695[9]
Percentage of Turnover to State GDP	4.76	4.99	4.91	5.25	5.08

The turnover of PSUs has recorded continuous increase over previous years. The increase in turnover ranged between 8.13 to 27 *per cent* during the period 2010-15, whereas increase in GDP ranged between 7.55 to 21.25 *per cent* during the same period.

1.16 Overall profit earned by State working PSUs during 2010-11 to 2014-15 is given below in a bar chart.

Chart 1.4: Profit/Loss of working PSUs
(Figures in ₹ crore)



(Figures in brackets show the number of working PSUs in respective years)

During the year 2014-15, out of 65 working PSUs, 39 PSUs earned profit of ₹ 4,014.11 crore and 20 PSUs incurred loss of ₹ 2,153.29 crore. Three working PSUs prepared their accounts on a 'no profit no loss' basis and three Companies had not yet started commercial operations and therefore not prepared Statement of Profit and Loss. The major contributors to profit were Maharashtra State Electricity Transmission Company Limited (₹ 2,599.88 crore) and Maharashtra State Power Generation Company Limited (₹ 1,008.96 crore), whereas heavy losses were incurred by Maharashtra State Electricity Distribution Company Limited (₹ 1,166.64 crore), Maharashtra State Road Transport Corporation (₹ 572.65 crore) and M.S.E.B. Holding Company Limited (₹ 155.23 crore).

[8] Turnover is as per the latest finalised accounts as of 30 September 2015

[9] Figures furnished by Ministry of Statistics and Programme implementation as on 1 August 2015

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

Table 1.10: Key Parameters of the State PSUs

(₹ in crore)

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Return on Capital Employed (*Per cent*)	4.83	7.23	6.62	10.42	9.19[10]
Debt	34,345.95	47,416.00	59,053.64	58,911.16	54,477.66
Turnover[11]	49,058.92	62,315.03	67,383.89	77,462.73	85,639.39
Debt/Turnover Ratio	0.70:1	0.76:1	0.88:1	0.76:1	0.64:1
Interest Payments	2,580.15	3,403.22	4,062.00	7,014.15	6,064.04
Accumulated Profit / (Loss)	(9,614.61)	(11,552.02)	(11,219.48)	(10,036.05)	(9,071.83)

1.18 The State Government had formulated (October 2003) a dividend policy under which all profit making PSUs are required to pay a minimum return of five *per cent* on the paid up share capital contributed by the State Government. As per their latest finalised accounts, 39 PSUs earned an aggregate profit of ₹ 4,014.11 crore and only five PSUs declared a dividend of ₹ 12.94 crore.

Winding up of non-working PSUs

1.19 There were 22 non-working PSUs (all Companies) as on 31 March 2015 having a total investment of ₹ 938.92 crore towards capital (₹ 318.55 crore) and long term loans (₹ 620.37 crore). Of these, two PSUs (Irrigation Development Corporation of Maharashtra Limited and Sahyadri Glass Works Limited) have commenced liquidation process. The numbers of non-working companies at the end of each year during past five years are given below.

Table 1.11: Non-working PSUs

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
No. of non-working companies	22	22	22	22	22
No. of non-working corporations	-	-	-	-	-
Total	**22**	**22**	**22**	**22**	**22**

Since the non-working PSUs are not contributing to the State economy and meeting the intended objectives, these PSUs may either be considered to be closed down or revived. During 2014-15, 12 non-working PSUs incurred an expenditure of ₹ 63.22 crore towards establishment expenses which was borne by State Government, interest and other income of the PSUs.

[10] Return on capital for the year has been computed by considering profit before tax and after prior period adjustment.

[11] Turnover of working PSUs as *per* the latest finalised accounts as of 30 September

The stages of closure in respect of non-working PSUs are given below.

Table 1.12: Closure of Non working PSUs

Sl. No.	Particulars	Companies	Total
1.	Total No. of non-working PSUs	22	22
2.	Of (1) above, the No. under		
(a)	liquidation by Court (liquidator appointed)	2	2
(b)	Voluntary winding up (liquidator appointed)	0	0
(c)	Closure, *i.e.* closing orders/instructions issued but liquidation process not yet started.	20	20

During the year 2014-15, no non-working company was finally wound up. The Companies which had taken the route of winding up by Court order were under liquidation for a period ranging from four years (Irrigation Development Corporation of Maharashtra Limited) to 21 years (Sahyadri Glass Works Limited). The process of voluntary winding up under the Companies Act is much faster and needs to be adopted/pursued vigorously. The Government may make a decision regarding winding up of 20 non-working PSUs where no decision about their continuation or otherwise has been taken after they became non-working.

Accounts Comments

1.20 During the year 2014-15, 42 working Companies forwarded their 60 audited accounts to the Principal Accountant General (PAG). Of these, 42 accounts of 29 companies were selected for supplementary audit. The audit reports of statutory auditors appointed by CAG and the supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of statutory auditors and CAG are given below.

Table 1.13: Impact of audit comments on working Companies

(Amount ₹ in crore)

Sl. No.	Particulars	2012-13		2013-14		2014-15	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	18	81.21	9	61.51	9	33.46
2.	Increase in loss	4	23.06	9	431.30	11	3,884.84
3.	Non-disclosure of material facts	2	7.58	0	0	7	56.15
4.	Errors of classification	10	79.81	6	313.62	8	57.19

During the year 2014-15, the Statutory Auditors had given unqualified certificates for 27 accounts, qualified certificates for 30 accounts and adverse certificates (which means that accounts do not reflect a true and fair position) for three accounts. The compliance of companies with the Accounting Standards remained poor as there were 87 instances of Non-Compliance in 23 accounts during the year.

1.21 Similarly, four working Statutory Corporations forwarded their four accounts to PAG during the year 2014-15. Of these, two accounts of two Statutory Corporations pertained to sole audit by the CAG which was completed. Of the remaining two accounts, both accounts were selected for supplementary audit. The Audit Reports of Statutory Auditors and the sole/supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of Statutory Auditors and CAG are given below.

Table 1.14: Impact of audit comments on Statutory Corporations

(Amount ₹ in crore)

Sl. No.	Particulars	2012-13		2013-14		2014-15	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	3	10.02	1	0.01	-	-
2.	Increase in loss	1	0.88	-	-	1	11.55
3.	Non-disclosure of material facts	1	223.72	1	1.96	-	-
4.	Errors of classification	1	23.23	1	0.22	1	94.83

During the year, out of four accounts, two accounts received unqualified certificates and two accounts received qualified certificates.

Response of the Government to Audit

Performance Audit and Paragraphs

1.22 For the Report of the Comptroller and Auditor General of India for the year ended 31 March 2015, four Performance Audits and 16 audit paragraphs, including one Follow up audit paragraph were issued to the Additional Chief Secretaries/Principal Secretaries of the respective Departments with request to furnish replies within six weeks. However, replies on two Performance Audits and 14 compliance audit paragraphs were awaited from the State Government (January 2016).

Follow up action on Audit Reports

Replies outstanding

1.23 The Report of the Comptroller and Auditor General of India represents the culmination of the process of audit scrutiny. It is, therefore, necessary that we elicit appropriate and timely response from the executive. The Finance Department, Government of Maharashtra issued (January 2001) instructions to all Administrative Departments to submit replies/explanatory notes to paragraphs/performance audit included in the Audit Reports of the CAG of India within a period of three months after their presentation to the Legislature, in the prescribed format, without waiting for any questionnaires from the Committee on Public Undertakings (COPU).

Table No.1.15: Explanatory notes not received as on 31 December 2015

Year of the Audit Report (Commercial/ PSU)	Date of placement of Audit Report in the State Legislature	Total Performance Audits (PAs) and Paragraphs in the Audit Report		Number of PAs/Paragraphs for which explanatory notes were not received	
		PAs	Paragraphs	PAs	Paragraphs
2005-06	17 April 2007	3	19	00	02
2006-07	30 December 2008	6	28	00	00
2007-08	23 December 2009	3	21	00	00
2008-09	23 April 2010	2	21	00	02
2009-10	21 April 2011	2	21	00	02
2010-11	17 April 2012	2	19	00	06
2011-12	18 April 2013	2	21	01	03
2012-13	14 June 2014	3	15	03	10
2013-14	10 April 2015	2	06	01	01
Total		**25**	**171**	**5**	**26**

From the above, it could be seen that out of 196 performance audits/ paragraphs, explanatory notes to 31 performance audits/paragraphs in respect of 17 Departments, which were commented upon, were not received (January 2016).

Discussion of Audit Reports by COPU

1.24 The status of discussion of Performance Audits and Paragraphs that appeared in Audit Reports (PSUs) by the COPU as on 31 December 2015 was as under:

Table No.1.16: Performance Audit/Paragraphs appeared in Audit Reports *vis-a-vis* discussed as on 31 December 2015

Period of Audit Report	Number of Performance Audit/Paragraphs			
	Appeared in Audit Report		Paragraphs discussed	
	PAs	Paragraphs	PAs	Paragraphs
2005-06	3	19	03	12
2008-09	2	21	00	15
2009-10	2	21	00	12
2010-11	2	19	00	02
2011-12	2	21	00	05
2012-13	3	15	00	02
2013-14	2	06	00	00
Total	**16**	**122**	**3**	**48**

Compliance to Reports of COPU

1.25 Action Taken Notes (ATN) to 164 Paragraphs pertaining to 24 Reports of the COPU presented to the State Legislature between 1996-97 and December 2015 had not been received (January 2016) as indicated below:

Table No.1.17: Compliance to COPU Reports

Year of the COPU Report	Total number of COPU Report	Total number of recommendations in COPU Report	Number of recommendations where ATNs not received
1996-97	1	19	06
1996-97/ 1997-98	1	13	13
2005-06	1	05	05
2007-08	2	16	16
2008-09	1	08	07
2010-11	7	47	32
2012-13	3	45	34
2013-14	2	20	20
2015-16	6	31	31
Total	**24**	**204**	**164**

These Reports of COPU contained recommendations in respect of paragraphs pertaining to 14 departments, which appeared in the Reports of the CAG of India for the years 1992-93 to 2012-13.

It is recommended that the Government may ensure: (a) sending of replies to Inspection Reports/explanatory Notes/draft paragraphs/performance audits and ATNs on the recommendations of COPU as per the prescribed time schedule; (b) recovery of loss/outstanding advances/overpayments and other actions required to be taken on system/internal control issues as well as fixing of accountability on officials concerned within the prescribed period; and (c) revamping of the system of responding in time to audit observations.

Coverage of this Report

1.26 This Report contains 12 compliance audit paragraphs and four Performance Audits *i.e.* on 11 Companies/Corporations involving financial effect of ₹ 503.85 crore.

Disinvestment, Restructuring and Privatisation of PSUs and reforms in power sector

1.27 No disinvestment or privatisation of PSUs had taken place during 2014-15.

Chapter II

Performance Audit of Government Companies

Chapter II

Performance Audit of Government Companies

2.1 Restructured Accelerated Power Development and Reform Programme as implemented by the Maharashtra State Electricity Distribution Company Limited

Executive Summary

Introduction

The Government of India introduced (2008) R-APDRP with the aim of restoring the commercial viability of the distribution sector by substantially reducing the Aggregate Technical and Commercial losses, adoption of Information Technology in energy accounting/auditing and consumer services; augmentation and strengthening of the distribution network and establishment of Supervisory Control & Data Acquisition System (SCADA)/Distribution Management System in large towns. The programme has been taken up in two parts, Part A and Part B, apart from SCADA.

(Paragraphs 2.1.1, 2.1.2 and 2.1.3)

Part A Projects

Part A projects include the projects for establishment of Base Line Data, IT applications for Energy Accounting/Auditing and IT Based Consumer Service centres. Under Part A, the project was declared as "Go-Live" (October 2014) in all 128 towns.

It was observed that due to high percentage of non-working modems installed on feeders and Distribution Transformer Centres (DTCs), the Company could not generate complete Reports regarding energy input on the Feeders and DTCs in the Data Centre.

(Paragraph 2.1.17)

Part B Projects

The Part B includes regular strengthening and augmentation projects of the distribution network in order to reduce and sustain AT&C losses below 15 *per cent*.

The progress of work in 40 out of 120 towns (33.30 *per cent*) was below 75 *per cent* indicating poor implementation of the Scheme in these towns. Delay in land acquisition for substations, re-tendering of works and non-co-ordination with related agencies caused delay in overall implementation of the Part B works. The issues relating to land acquisition for Part B works were not monitored adequately by the Company. The Company did not levy Liquidated Damages of ₹ 3.83 crore from contractors.

(Paragraphs 2.1.19 and 2.1.26)

Supervisory Control & Data Acquisition System (SCADA)

There existed co-ordination issues with external agencies resulted in delay in implementation of SCADA works.

(Paragraph 2.1.33)

Aggregate Technical & Commercial (AT&C) losses

The AT&C losses of the Company had come down from 24.60 *per cent* in 2008-09 to 18.71 *per cent* during 2014-15.

AT&C losses in only 47 out of 128 towns were below 15 *per cent*. However, in 24 towns losses had increased over the base line figures. It was seen that implementation was poor in the Marathwada region of the State covering 27 towns, where the AT&C losses were very high (more than 45 *per cent*) in 17 towns.

(Paragraph 2.1.36)

Introduction

2.1.1 The Government of India (GoI) during the period from May 2002 to March 2007 implemented the Accelerated Power Development Reforms Programme (APDRP) to leverage the reforms in power sector through the State Governments. APDRP scheme was modified (2008) during the XIth Plan as 'Restructured Accelerated Power Development and Reform Programme (R-APDRP)'.

Objectives of R-APDRP

2.1.2 The programme was introduced with the aim of restoring the commercial viability of the distribution sector by substantially reducing the Aggregate Technical and Commercial (AT&C) losses, establishment of reliable and automated system for collection of baseline[1] data and adoption of IT in energy accounting/auditing and consumer services, augmentation and strengthening of the distribution network and establishment of Supervisory Control & Data Acquisition System/Distribution Management System (SCADA/DMS) in large towns.

Scope of the Programme

2.1.3 The Programme has been taken up in two parts, Part A and Part B, apart from SCADA. Part A and Part B projects are being implemented in Urban Areas-Towns and Cities with a population of more than 30 thousand as per 2001 census. SCADA/DMS system is being implemented in Project areas having a population over four lakh and annual energy input of 350 Million Units (MUs).

Implementing agencies

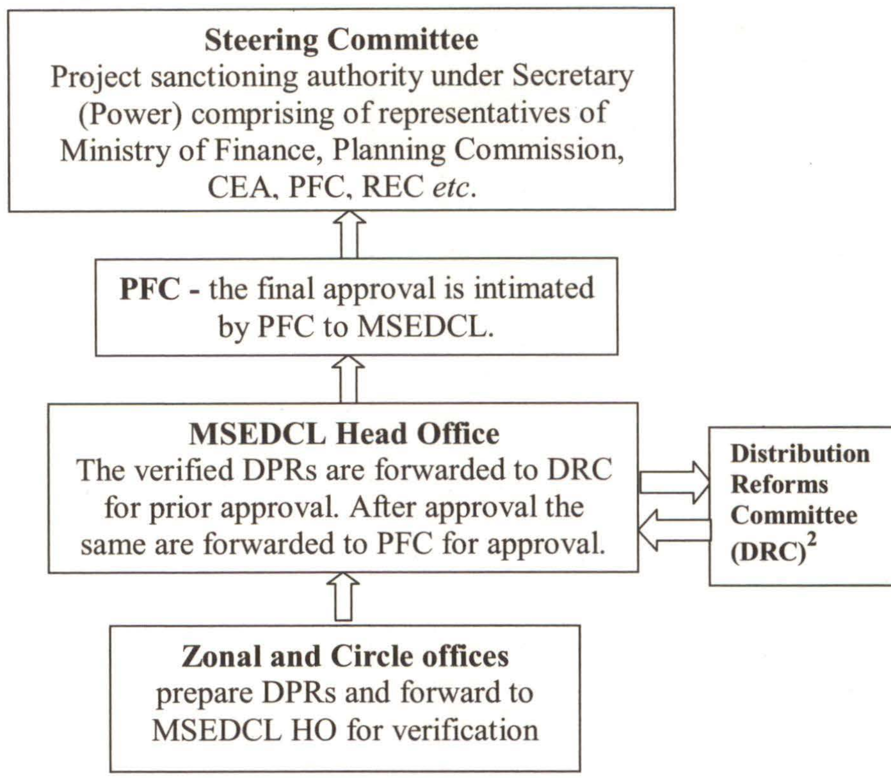
2.1.4 The Ministry of Power (MoP) has designated the Power Finance Corporation (PFC) as the nodal agency for implementation and monitoring of the Programme. PFC is entrusted with the work of co-ordinating with the main stakeholders involved such as MoP, R-APDRP Steering Committee, Central Electricity Authority (CEA), Financial Institutions and State Utilities.

[1] Starting figure of AT&C losses of the project area as verified by independent agency appointed by MoP through PFC

In Maharashtra, the Distribution Utility, namely the Maharashtra State Electricity Distribution Company Limited (Company), which was set up in June 2005 is the implementing agency for the Programme.

Procedure for Approval of Projects

2.1.5 The R-APDRP Detailed Project Reports (DPRs) are prepared in accordance with the Guidelines received from the MoP. The flow chart below explains the approval process:



Funding mechanism

2.1.6 The funding mechanism as per R-APDRP Guidelines is as follows:

Sl. No.	Particulars	Part A (including SCADA Part A)	Part B (including SCADA Part B)
1	Loan from GoI through PFC	100 *per cent*	25 *per cent*
2	Loan component to be arranged by the utility from Financial institutions	Nil	75 *per cent* (Availed from REC by Company)
3	Eligibility for conversion of loan into grant	Entire (100 *per cent*) loan shall be converted into grant on completion of Project duly verified by Independent Agency appointed by MoP / PFC.	Up to 50 *per cent* loan is eligible for conversion into grant in five annual tranches on achieving and sustaining 15 *per cent* AT&C loss in the project area (town). The loan from PFC (25 *per cent*) will be converted first into grants followed by the loan from external sources (75 *per cent*) (REC).

(Source: R-APDRP Scheme guidelines)

[2] The Distribution Reforms Committee is constituted by the State Government under the chairmanship of Principal Secretary (Energy) to recommend project proposals and monitor the Scheme at State level

Scope of audit and objectives

2.1.7 The Performance Audit (PA) conducted during the period May to October 2015, covered the implementation of the R-APDRP programme during the period 1 April 2009 to 31 March 2015. In Maharashtra, the Scheme was implemented in 128 towns for Part A, 120 towns for Part B and eight towns for SCADA, of which 32 towns under Part A and 31 towns under Part B were selected for detailed audit. Under SCADA, 100 *per cent i.e.* eight towns were selected for audit.

2.1.8 The audit objectives of the PA were to assess whether:

- Planning and implementation of programme was appropriate to achieve efficiency, economy and effectiveness;
- Funds received from MoP were commensurate with the progress of work and execution of the projects was as envisaged in the scheme guidelines;
- Mechanism for monitoring of the projects was adequate and stringent to ensure adherence to timelines; and
- The programme succeeded in reduction of AT&C losses as envisaged.

Audit criteria and methodology

2.1.9 The audit criteria adopted for achieving the stated audit objectives were derived from the following documents:

- R-APDRP Guidelines issued by MoP;
- Provisions in DPRs of the Projects;
- Relevant instructions and directives from PFC;
- Contract agreements and detailed work orders; and
- Relevant Rules/Procedures and directives of MSEDCL.

2.1.10 The audit methodology adopted for attaining the objectives involved explaining audit objectives to the Management during an Entry Conference held in July 2015, analysis of data/records with reference to audit criteria, issue of audit enquiries and draft Performance Audit Report to the Management/Government for their comments. The draft PA Report was issued (November 2015) to the Company and Government. The replies of the Company (January 2016) which was endorsed by the Government (February 2016) have been considered while finalising the PA Report. The audit findings were also discussed in an Exit Conference (December 2015) wherein the representatives of the Company were present.

Acknowledgement

2.1.11 Audit acknowledges the co-operation and assistance extended by the Company at various stages of conducting the Performance Audit.

Audit findings

Fund Management under R-APDRP

2.1.12 The details of funds approved by PFC, received by the Company and expenditure incurred by the Company as on November 2015 are given in the table below:

(₹ in crore)

<table>
<tr><th>Year</th><th>2009-10</th><th>2010-11</th><th>2011-12</th><th>2012-13</th><th>2013-14</th><th>2014-15</th><th>2015-16</th><th>Total</th></tr>
<tr><td colspan="6">Part A (PFC)</td><td></td><td></td><td></td></tr>
<tr><td>Approval of PFC</td><td>315.44</td><td></td><td></td><td></td><td></td><td></td><td></td><td>315.44</td></tr>
<tr><td>Received by Company</td><td></td><td>191.96</td><td></td><td></td><td></td><td></td><td></td><td>191.96</td></tr>
<tr><td>Expenditure booked by Company</td><td colspan="7">208.43</td><td>208.43</td></tr>
<tr><td colspan="6">Part B (PFC + REC) (Including SCADA enabling works)</td><td></td><td></td><td></td></tr>
<tr><td>Approval of PFC</td><td></td><td>3,076.96</td><td>--</td><td>--</td><td>--</td><td>34.67</td><td>--</td><td>3,111.63</td></tr>
<tr><td>Received by Company from PFC</td><td></td><td>138.34</td><td>295.53</td><td>27.68</td><td></td><td></td><td></td><td>461.55</td></tr>
<tr><td>Received by Company from REC</td><td></td><td></td><td></td><td>0.17</td><td>245.86</td><td>389.23</td><td>137.85</td><td>773.11</td></tr>
<tr><td>Expenditure booked by Company</td><td></td><td colspan="6">1,341.09</td><td>1,341.09</td></tr>
<tr><td colspan="6">SCADA (Part A) (PFC)</td><td></td><td></td><td></td></tr>
<tr><td>Approval of PFC</td><td></td><td></td><td>161.62</td><td></td><td></td><td></td><td></td><td>161.62</td></tr>
<tr><td>Received by Company</td><td></td><td></td><td>48.49</td><td></td><td></td><td></td><td></td><td>48.49</td></tr>
<tr><td>Expenditure booked by Company</td><td></td><td></td><td colspan="5">31.98</td><td>31.98</td></tr>
</table>

(Source: Information furnished by Loan section and SB (cash) section of the Company)

The total expenditure (under Part A, Part B and SCADA) as of November 2015 was ₹ 1,581.50 crore while corresponding total disbursements received from PFC and REC till November 2015 were ₹ 1,475.11 crore. Thus, an amount of ₹ 106.39 crore had been expended by Company from its internal sources.

The Company accepted that it had incurred expenditure from its internal sources as there was revision in scope of work in some of the towns. Further, next tranche/installment from PFC in respect of Part A and balance release from REC for Part B works was awaited (January 2016).

Non maintenance of separate bank account

2.1.13 As per Scheme Guidelines, the Company was required to open a separate Bank account (Escrow account) for receipt and utilisation of funds under R-APDRP. We observed that Company had been maintaining a separate bank account only for the purpose of receipt of funds from PFC. The funds received from PFC were, after maintaining a minimum balance, automatically transferred through standing instruction to another Operative account which was a common account for all other schemes, O&M and other expenses of Company. This was contrary to the Guidelines of the Scheme.

The Company assured that henceforth scheme guidelines would be adhered to for future schemes.

Delays in refund of loan

2.1.14 PFC released ₹ 61.45 crore in 2009-10 and 2010-11 being total of 30 *per cent* and 15 *per cent* sanctioned loan amount for Part A and Part B respectively for Jalgaon, Aurangabad, Nagpur and Kolhapur towns. These towns were subsequently cancelled (2011-12) either due to Distribution Franchisee arrangement[3] or losses being below 15 *per cent* which was not intimated by the Company to PFC. The Company, however, neither refunded to PFC nor adjusted the loans against future releases of PFC. The Company retained the funds upto 2014-15 and subsequently, refunded ₹ 81.24 crore to PFC which included interest of ₹ 19.79 crore[4].

The Company stated that the R-APDRP funds had been utilised for its other activities since the interest charged by banks on overdraft facility was higher than the interest rate charged by PFC under the scheme. Thus, the reply itself indicated a clear violation of scheme guidelines and the terms and conditions of the Quadripartite Agreement.

In Greater Mumbai town under Part B of the scheme, ₹ 0.99 crore was imposed (December 2013) as interim penalty by Company on the contractor after termination of the contract. The amount recovered had not been adjusted in the future releases by PFC as laid down in the Guidelines.

The Company assured that the penalty would be adjusted against the final instalment of 10 *per cent* from PFC on closure of the scheme.

Implementation of Part A

2.1.15 Part A includes the projects for establishment of Base Line Data, IT applications for Energy Accounting/Auditing and IT Based Consumer Service centres.

The verification of Baseline data by Third Party Independent Evaluating Agency (TPIEA)-M/s ICRA confirmed that ring fencing and proper placing of import/export meters was done for accounting input/output energy and further certified the AT&C loss for each town for the year 2012-13.

Under Part A, the project was declared as "Go-Live" (October 2014) in all 128 towns. As against ₹ 356.96 crore amount projected in DPR for Part A works submitted by the Company to PFC, the Steering Committee had sanctioned

[3] An agreement for sale of power by the Company to a Distribution Franchisee for further retail distribution to consumers on its behalf

[4] This includes repayment of ₹ 1.18 crore under Part A projects and ₹ 18.61 crore under Part B projects

₹ 315.44 crore, of which, ₹ 231.61 crore was the awarded cost of the projects; and ₹ 208.43 crore was expended till November 2015.

2.1.16 PFC had appointed (March 2013) M/s Price Water house Coopers Private Limited (PwC) as the TPIEA for verification of completion of the projects under Part A.

The Company stated that field visits to all towns had been completed by September 2015 and initial draft reports of some projects were under review of PFC while the reports for the remaining projects were under preparation.

The findings noticed during the award of works under Part-A are discussed below:

Low network availability and high percentage of non-working modems

2.1.17 During joint inspection (October 2015) of the Company's Data Centre, it was observed that the data links provided under Part A of the scheme were not working effectively. The percentage of non-working modems installed on feeders and Distribution Transformer Centres (DTCs) ranged between 35 to 40 *per cent*. As a result, the data regarding energy input on the feeders and DTCs could not be completely generated in the Data Centre. Although all the requisite modules had been integrated, the completeness of the system was not in accordance with the intended objectives of the scheme. Thus, the projected "Go-Live" status of the Part A did not reflect the true picture of the project.

The Company stated that 52.30 *per cent* meters were active on DTCs as on December 2015. Efforts were taken to rectify the inactiveness by instructing the concerned officials to resolve the matter. For improvement of link availability, penalties were imposed for link down on *pro-rata* basis and they had recovered ₹ 1.06 crore till date. Further, by forming an umbrella of service providers, the link issues would be resolved.

Utilisation of meters purchased under R-APDRP scheme for non R-APDRP towns

2.1.18 The Company issued (September 2012) Letter of Award (LoA) and extension order (May 2014) for purchase of Feeder/Cross-Over/HT consumers fully Automated Meter Reading (AMR) compatible meters for various R-APDRP towns totaling ₹ 1.16 crore. We observed that in Latur town, seven Feeder meters and three HT consumer meters received under the extension order were issued (July 2014 to January 2015) to sub-divisions for purposes other than for R-APDRP.

The Company stated that all the HT consumers in Latur town were having AMR compatible meters. Out of the above, some meters were used in non APDRP areas because of urgency. The reply was not convincing as diversion of R-APDRP meters to other schemes was not permitted as per Scheme Guidelines.

Implementation of Part B

2.1.19 Part B includes regular strengthening and augmentation projects of the distribution network in order to reduce and sustain AT&C losses below 15 *per cent.*

The Part B projects were to be completed within three years from the date of sanctioning of the project which was subsequently extended upto 2014. Presently, 80 out of 120 projects were further granted extension upto June 2016 to March 2017.

Against ₹ 3,111.63 crore amount projected in DPRs submitted by the Company to PFC, the Steering Committee had sanctioned entire amount. Of this, ₹ 1,719.57 crore was the amount of award of project to the contractors, whereas ₹ 1,341.09 crore was the expenditure reported till November 2015.

Details of the percentage of completion of works in 120 towns as on November 2015 where Part B was implemented was as under.

Percentage of completion			
100 *per cent*	75 to less than 100 *per cent*	50 to less than 75 *per cent*	Less than 50 *per cent*
50	30	30	10[5]

It could be observed that the physical progress of 40 towns (33.30 *per cent)* was below 75 *per cent* which indicated poor implementation of the scheme in these towns. The delays were attributed mainly to:

- Non acquisition of land for sub-stations by the Company in eight towns (Amravati, Akola, Beed, Ichalkaranji, Solapur, Sangli, Ratnagiri and Talegaon towns).
- Inordinate delay in allied works such as LT power supply and construction of compound wall for sub-station, delay in stoppage of work on forest land and non-finalisation of fresh tender after termination of earlier contract (Greater Mumbai town).
- Award of works (Vasai, Virar, Nalasopara, Dahanu and Palghar towns) to a contractor who had already shown poor performance in earlier works.
- Delay in getting road digging permission from municipal authority (Chandrapur), Right of Way problems (Wardha), Contractor lagging (Dondaicha, Sirpur, Bhusawal, Nalasopara, Vita) and repeated hailstorms and natural calamities (Tasgaon).

The deficiencies noticed in implementation of Part B of the projects are discussed below;

Award of Part B works before verification of Baseline AT&C losses

2.1.20 The contracts under Part B were awarded in 2011-2012 while the verification of Baseline data was done by the TPIEA (M/s ICRA) only in 2012-13. Awarding of work before verification of baseline figures was not in accordance with the Scheme guidelines.

[5] Bhusawal, Chandrapur, Dondaicha, Ichalkaranji, Sangli, Sirpur, Tasgaon, Nalasopara, Vita and Wardha

The Company stated that due to unavailability of proper identification of boundary at the town during the period 2008-09, the base line losses could not be ascertained at that time. The work of fixing boundary meters was completed by the end of year 2011 and base line losses were fixed, thereafter. It was further replied that the matter was in the knowledge of GoI/PFC. However, the reply was not convincing as the works were awarded before the proper baseline figures of technical losses established, against the scheme Guidelines.

Delay in procurement and handing over of land to contractors for 33/11KV substations / Switching Station

2.1.21 Contracts were awarded under Part B, for construction of 33/11 KV/ 22/11 KV substations for which land had to be acquired and handed over by the Company to the contractors. We observed that, there were delays ranging from 14 to 47 months in acquisition and handing over of land after award of work by Company, thereby delaying the completion of the Part B works as detailed below:

Sl. No.	Name of project	Location	Date of LoA	Date of handing over land to contractor	Status	Delay in months
1	Talegaon	Talegaon (Sub-station later changed to 22 KV switching station)	March 2012	December 2014	Possession received by Company in April 2014. The Switching station had been commissioned in October 2015	33 months (including 8 months on the part of Company)
2	Amravati	Congress Nagar	January 2012	March 2014	Work was in progress.	26 months
3	Amravati	Saturna	January 2012	Land was not in possession till date.	Land was not in possession of Company till date (December 2015).	47 months
4	Akola	PKV (Washim road)	January 2012	Land had not been taken over by Contractor.	Land in possession since 26 August 2015 but Contractor refused to take possession as contractual period had ended.	44 months
5	Solapur	Rajendra Chowk	January 2012	Land not taken over by Contractor.	Land in possession since 25 November 2014 but Contractor refused to take possession since contractual period already over (December 2015).	34 months
6	Sangli	Shinde Mala	January 2012	Land not in possession till date	Land was not in possession till date (December 2015).	47 months
7	Ichalkaranji	Shahapur	January 2012	05 March 2013	Construction was not started till December 2015. The Company had directed to delete the sub-station and include additional transformer in existing substation.	14 months
8	Ichalkaranji	Niramay	January 2012	October 2014	Construction not started till December 2015. Due to Court case, the location of the sub-station changed to Ichalkaranji Division premises.	33 months
9	Ratnagiri	Ratnagiri	May 2012	16 January 2014	The sub-station was commissioned in January 2015.	20 months
10	Beed	Khapar-Pangri	January 2012	02 June 2014	Work was in progress but stopped twice mid-way due to approach road problems.	28 months
11	Osmanabad	Kakade Plot	January 2012	06 June 2014	Contractor not ready to execute the work due to delay in handing over of land.	Work is abandoned by Company.

(Source: Files of the Company relating to land acquisition and construction of sub-stations)

- In Beed town, although land was handed over in June 2014, work could not be taken up immediately due to space constraints as construction of six feeders was not feasible. This issue was sorted out after a lapse of five months. Work was commenced in September 2014 but immediately stopped by Company due to approach road issues and the work was held up for nearly 12 months. Work resumed in June 2015 and was in progress (December 2015).

- In Sangli and Ichalkaranji towns, the land could not be acquired/work could not be commenced due to various reasons such as cancellation of reservation by Municipal Corporation, pending Court case filed by land owner, land need filling *etc*. The works were awarded to contractors without a reasonable assurance about the availability of land resulting in delay in overall implementation of the projects.

- Poor monitoring on part of the Company was evident, since the possession of land was not handed over to the contractor by sorting out land related issues for execution of sub-station works.

Non-replacements of defective Transformers

2.1.22 As per the terms and conditions of Contract, 'Defect correction Period' means the period for correction of the defect by the Contractor, beginning from receipt of the Notice from the Employer to the Contractor and extending upto 14 days thereafter.

In Ratnagiri and Chiplun towns, we observed that 16 transformers installed from May 2012 onwards by the Part B contractor had failed during the period July 2013 to July 2015. Although, the Company had issued notice to the Contractor for replacement of the defective transformers, none of the failed transformers were replaced/repaired by the contractor within the prescribed period of 14 days from receipt of the notice. The transformers were replaced after delays ranging from 5 to 396 days and the Company did not take any action against the contractor for delay in replacement of the transformers.

The Company stated that the necessary penalties would be deducted at the time of closure and instructions had been issued to all field officers to adhere to the period of replacement of failed distribution transformers.

Delay of tender resulting in delay in completion of the project

2.1.23 In Greater Mumbai town, due to poor progress of contract (tender cost ₹ 97.67 crore) even after project completion date (February 2014), the Company issued notice (April 2014) for deletion of scope of works not commenced by the contractor. Tenders for the deleted works costing approximately ₹ 26.22 crore were invited (April 2014) which were to be finalised at the Zonal level by September 2014.

We observed that even after lapse of one and half years from the date of invitation of tender, not a single letter of award (LoA) was issued by the Company (November 2015). Due to this, the entire works covered under the new tender such as 22KV switching substations, High Tension (HT) line, Low Tension (LT) line, LT cable and Transformer augmentation were pending. As a result, the implementation of Part B works under this tender did not commence and the technical losses could not be arrested.

The Company stated that the process of allotting contract of balance work to other contractors was in progress. The fact was, however, that the Company was getting similar other works executed under various schemes and hence could have got the work done from any of its contractors in order to speed up the progress. As a result, the implementation of Part B in this town remained behind schedule.

Delay in completion of works of Switching station at Talegaon

2.1.24 The scope of the Part B works in Talegaon town included the work of 22KV Switching station which comprised of installation and commissioning of 22KV Bay in 110/22 KV Extra High Voltage (EHV) substation belonging to Maharashtra State Electricity Transmission Company (MSETCL). This work was commenced by Company after MSETCL had given permission for the work in November 2014. Since February 2015, the Company, however, stopped the work due to difference in the specifications of equipments as per Company's norms *vis-a-vis* norms of MSETCL in whose premises the Bay was to be constructed. Due to this, though the work of switching station was nearing completion, the commissioning was pending construction of the Bay in MSETCL substation. The field office of the Company approached (June 2015) the Corporate office for necessary co-ordination and the matter was resolved in September 2015. This resulted in delay of four months in completion of works.

The Company stated that the delay occurred due to variation in their specifications of 22KV feeder bay and specification of MSETCL. The fact remained that there was absence of co-ordination which resulted in overall delay of more than a year in the completion of the project.

Inordinate delay in allied works resulted in non-commissioning of completed sub-station

2.1.25 In Greater Mumbai town, the work of erection and commissioning of 22/11 KV Neptune sub-station was completed in April 2014. Permission for cable laying activity was received from the municipal authority in the last week of April 2014. However, due to delay in receipt of permission from the builder through whose plot cables were to be laid, the work of laying cables was completed only in December 2014.

The Company, however, decided (December 2014) to construct brick wall boundary in place of barbed wire fencing (which was in the scope of original work) as barbed fencing was felt inadequate in view of surrounding slum areas. The Company invited tenders at an additional cost of ₹ 0.16 crore for the compound wall and got it completed in August 2015. Due to delay in laying of cables and non construction of the compound wall, the completed sub-station could be commissioned only in August 2015.

The Company stated that in R-APDRP scheme, civil activities were framed on model estimate basis and not individual site basis. So, item of compound wall was not included in the scope of work. The reply was not convincing as the requirement of compound wall could have been assessed simultaneously at the time of construction of sub-station and included in freezing proposal *i.e.* revision in the work orders, which was not done. The requirement was assessed only after completion of the sub-station resulting in idling of the sub-station and incurring expenditure from its own resources.

Non-imposition of Liquidated Damages on contractors as per contract conditions

2.1.26 As per the terms and conditions of Contract, the Company was entitled to recover Liquidated Damages (LD) at the rate of 0.5 *per cent* of the contract price of the work per week or part thereof as penalty for delay in completion of the works. In one case, in Greater Mumbai town, Company terminated (July 2013) a contract after part completion due to poor progress. It was noticed that Company short levied liquidated damages by ₹ 3.44 crore for non completion of work by the stipulated dates and in another case in the same town, where there was also inordinate delay of five months on the part of contractor in completing the works, the LD of ₹ 0.39 crore was not levied by Company.

The Company stated that only interim penalty was applicable in the above two cases and the same would be recovered. The reply was not acceptable as the first contract was short terminated and contractual period ended upon termination whereas in the second case, the scheduled date of completion of particular work was February 2015. Thus, the LD were applicable from February 2015 onwards. The total amount of such short levy/non levy for the two works worked out to ₹ 3.83 crore.

Extra expenditure due to re-tendering and award of work

2.1.27 The Company foreclosed and re-tendered the work for five towns (Vasai, Virar, Nalasopara, Dahanu and Palghar) and awarded the work (December 2014) to the same contractor who was executing the work as a sub-contractor of the earlier contractor. Further, the rate quoted by the new contractor was higher than the rate quoted by original contractor resulting in net increase of 0.17 *per cent* of the cost of the contract which worked out to ₹ 0.28 crore for which even the risk and cost notice had not been issued to the earlier contractor. Besides, awarding the work to the same contractor who had shown poor progress earlier did not serve the purpose of foreclosing and re-tendering, as evident from the fact that on the stipulated date of completion (December 2015), the contractor had completed only 77 *per cent* of work.

The Company stated that it had not given approval for sub-contracting the work in the earlier contract. It was also replied that the notice of risk and cost, interim penalty and LD would be issued to earlier contractor shortly and recovered from retention money. The fact was, however, that it was evident from the numerous correspondences made by the Company officials with the sub-contractor that the Company was well aware of the identity of the contractor for the awarded work. Moreover, no recovery had been effected so far (January 2016) as assured by the Company.

Avoidable expenditure due to delayed payment

2.1.28 In Solapur town, the scope of the work included construction of 33/11KV sub-station. There was a pending proposal made (March 2010) by the Company before the Collector, Solapur for allotment of land at Solapur for the sub-station and thus it was evident at the time of award of work, that the Company had no assurance of availability of land. The Collector allotted (September 2012) the land to the Company after two and half years and ordered to deposit an amount of ₹ 57.69 lakh towards cost of the land. The Company deposited ₹ 57.69 lakh (January 2013) after a lapse of four months. Since payment was made in the next calendar year, the Collector raised additional demand (August 2013) of ₹ 69.96 lakh as per Ready Reckoner for the year 2013 which was paid by Company (December 2013) *i.e.* after five months. However, no land was allotted by the Collector before the end of the year (2013) and Deputy Collector again raised (March 2014) demand of ₹ 31.91 lakh which was deposited by Company (November 2014). Finally the possession of land was handed over by the Collector in November 2014 after four years from the date of demand. Thus, the Company made total payment of ₹ 1.60 crore as against original cost of ₹ 57.69 lakh for the land. Due to the delay in handing over of the land, the contractor also expressed inability to execute the work of construction of sub-station unless assurance was given of price variation. (October 2015).

The Company stated that the delay in payment for the land was procedural and there was delay from the Collector, Solapur also to hand over the land.

Though there was delay in handing over the land by the collector, delay in effecting payment lacked justification as the Company had sufficient funds under R-APDRP Scheme whereby the initial demand of the Collector could have been met in time. Besides, there was no active follow-up from the management of the Company with the Collector, Solapur after the first proposal. The Company should also pursue the recovery of ₹ 31.91 lakh, which was an unjustified demand, from the Collector along with the interest as additional funds to the extent of ₹ 1.02 crore of the schemes were utilised for allotment of land.

Release of retention money in violation of payment procedure and consequential loss of interest

2.1.29 As per contract conditions, 10 *per cent* retention money had to be released only on completion of entire works and certification of the same by competent authority. In Greater Mumbai town work, the Company released (December 2014) 90 *per cent* of such retention money to the contractor while the work was in progress, which resulted in consequential loss of interest ₹ 1.07 crore to Company.

The Company stated that the retention money was released since work of an amount more than original contract value had been completed and additional work was in progress. The reply was not acceptable as the retention money should have been paid only on completion of the entire work.

Non commencement of works resulted in blocking of funds and consequential loss of interest

2.1.30 The Company gave advance of ₹ 1.03 crore to the contractor under Part B towards material for work of conversion of overhead LT line to LT U/G cable in 2012-13. However, the work was not started by the contractor even after a period of two years. Hence the amount of advance could not be recovered from the contractor resulting in blocking of funds and consequential loss of interest of ₹ 28.73 lakh due to absence of monitoring mechanism of the works by the Company.

The Company stated that the work could not be carried out due to local objections for digging the road being narrow and in a market area. It was also stated that as per tender conditions, penalty would be recovered from the contractor along with material advance from the bills. The fact, however, remained that the work was yet to be carried out and recovery of advance was pending (December 2015).

Implementation of SCADA (Part A and Part B) project

2.1.31 The SCADA/DMS system was intended to provide Real time monitoring and control, loss minimisation, load balancing and improvement in voltage/VAR profiles.

The project was being implemented in eight towns - Amravati, Greater Mumbai, Sangli, Solapur, Malegaon, Nashik, Pune and Kolhapur. The works under SCADA were bifurcated by Company into SCADA Part A and SCADA Part B *i.e.* enabling works.

A review of the progress of SCADA projects as on November 2015 for both Part A and Part B in five towns indicated that;

- Work of SCADA Control Centre was completed in all five[6] towns;
- Work of providing links showed a progress in the range of 26 to 79 *per cent*;
- Work of Remote Terminal Units (RTU) was completed in the range of 56 to 100 *per cent*, while work of Feeder Remote Terminal Unit (FRTU) was completed in the range of 35 to 96 *per cent;*
- Work of Numerical relays was completed in the range of 47 to 90 *per cent*;
- Work of Winding Temperature Indicator (WTI)/Oil Temperature Indicator (OTI) and Automatic Voltage Regulator was in the range of 40 to 100 *per cent*;
- Work of Ring Main Units (RMUs) was completed in the range of 96 to 100 *per cent.*

[6] Greater Mumbai, Malegaon, Sangli, Solapur and Amravati

The deficiencies noticed in implementation of SCADA projects are discussed below;

Poor performance of contractor in SCADA enabling works leading to delay in implementation of SCADA

2.1.32 In case of five towns - Amravati, Malegaon, Sangli, Solapur and Greater Mumbai, the SCADA enabling works were supposed to be completed within one year from the date of award *i.e.* by May 2014. The contractor M/s LPTE was required to submit the detailed Milestone Charts before execution of the Contract documents. The agency, however, neither submitted detailed milestone charts nor was the same insisted upon by Company. Consequently all the activities were delayed.

Two extensions were granted upto December 2014 and May 2015 respectively by the Company to M/s LPTE. LD and interim penalty were applicable during the first extension but no LD/interim penalty was levied by Company. The second extension was granted without applicability of LD/IP citing reasons such as concept of SCADA was not clear to field staff, non-availability of timely shut-downs, stoppage of work at Sangli and Amravati towns and issue of LT power supply to RMUs where no nearby supply available.

The delay in SCADA enabling works caused corresponding delay in SCADA Part A works as the FRTUs even though installed by the contractor could not be commissioned in the absence of enabling works such as LT power supply.

The contention of the Company for non-applicability of LD/IP was not convincing as it was the responsibility of Company to adequately train its officials before implementing the scheme on such a large scale. Moreover, issues like availability of shutdowns and provision of LT power supply were entirely within the control of the Company. Thus, the absence of proper planning and co-ordination within the Company resulted in delays in overall implementation of the SCADA project.

Replacement of relays

2.1.33 The work of replacement of relays was part of the scope of work of contractor in SCADA enabling works in Sangli town awarded (May 2013) for ₹ 110.62 crore (composite for five towns *i.e.* Amravati, Greater Mumbai, Sangli, Solapur and Malegaon) to M/s LPTE. It was, however, observed that, in Sangli town, replacement of relays in EHV sub-stations where distribution feeder directly emanated from the EHV sub-station could not be done because the required permission from MSETCL was not obtained by the Company. As a result, there was delay of more than two years in the replacement works resulting in delay in overall implementation of the SCADA enabling works for these towns. The permission was obtained in the co-ordination meeting held with MSETCL in January 2015.

The Company stated that as the existing battery sets in EHV sub-station could not cater the additional load of new equipments and, therefore, it was decided to erect new battery panel at the sub-station due to which there was delay in execution.

Road digging permission from Local authority

2.1.34 The contractor started carrying out road excavation and cable laying works without obtaining prior permission from the local municipal authority of Sangli town. As a result, the municipal authority stopped (October 2014) the work and decided to levy penal charges. The required permission was obtained subsequently (January 2015) and work resumed. This showed that there was improper monitoring of the contractor's work, resulting in delay as the work was held up midway.

Delay in completion of the works under SCADA Part-A due to discrepancies in works carried out under Part B

2.1.35 In Greater Mumbai town, the Ring Main Units (RMUs) installed by the Part B contractor had only one Fault Phase Indicator (FPI) per RMU instead of one FPI per isolator, which was required as per technical specifications. The contractor refused to carry out the compatibility works as the works carried out by him were as per approved drawings and due to this dispute, the SCADA Part A contractor could not integrate the FRTUs with the RMUs. Due to this omission, the SCADA Part A works were also delayed.

The Company accepted the audit observation and stated that now the concerned agencies were ready to carry out the work with no additional financial burden.

Impact of the scheme on AT&C losses

2.1.36 The Aggregate Technical and Commercial (AT&C) losses of the Company in the year 2008-09 was 24.60 *per cent*. One of the main objectives of the R-APDRP was restoring the commercial viability of the distribution sector by substantially reducing the AT&C losses. Loan under the scheme against projects would be convertible into grant if the Distribution Utility achieves the target of 15 *per cent* AT&C loss on a sustained basis in the project area. If the utility fails to achieve or sustain the 15 *per cent* AT&C loss target in a particular year, that year's tranche of conversion of loan to grant will be reduced in proportion to the shortfall in achieving 15 *per cent* AT&C loss target from the starting base-line assessed figure. Thus, for the loan and interest which remained to be converted into grant, the utility would have to bear the balance burden of loan and interest repayment.

2.2 Renewable Energy Sector in Maharashtra

Executive Summary

Promotion of Renewable Energy (RE) is one of the major objectives of National Action Plan on Climate Change (NAPCC) and Electricity Act, 2003. Under the GoM's policy of 2008, target for power generation from non-conventional energy sources was fixed for commissioning of 2,000 MW capacity of wind power projects, 400 MW of Biomass and 100 MW of Small Hydro Power (SHP) Projects as against which the achievements were 4,442 MW of wind power, 1,615 MW of Biomass, 329 MW of solar and 284 MW from SHP Projects.

(Paragraph 2.2.1)

During the year 2007-08 the total energy generated in the State was 99,600.68 Million Units (MUs) which increased to 1,42,724.18 MUs during 2014-15. During 2007-08 the contribution of RE to the total energy generated in the State was 2,555.04 MUs (2.57 *per cent*) and the same has increased to 11,836 MUs (8.62 *per cent)* during 2014-15.

(Paragraph 2.2.1)

The GoM had not declared any policy for development of solar energy till June 2015. In the absence of a policy, nominal target of 275 MW was fixed based on the achievement of solar power projects commissioned in the previous years. As against the target of 275 MW fixed by Maharashtra Energy Development Agency (MEDA), the achievement was 329.25 MW upto March 2015. Due to non-framing of policy by GoM, the solar sector had long been ignored and the capacity addition in this sector was insignificant despite a potential of 64,320 MW assessed by Ministry of New and Renewable Energy (MNRE), Government of India.

(Paragraph 2.2.8)

50 wind energy projects were commissioned between April 2014 and March 2015. Though, these wind energy generators had generated 68.42 MUs (April to May 2015) and energy generated was fed in MSEDCL grid, the MSEDCL did not execute Energy Purchase Agreements with these 50 generators (January 2016) mainly due to high tariff.

(Paragraph 2.2.11.3)

MSEDCL paid higher tariff rate in respect of 100.41 crore units of wind energy purchased during April 2010 to March 2015 though the required certificates were neither produced by the generators nor demanded by MSEDCL. This has resulted in excess payment of ₹ 85.06 crore.

(Paragraph 2.2.15.3)

Due to shortfall of 2,004 MUs in purchase of solar and non-solar energy from RE operators which worked out to 7.14 *per cent* of the target, the MSEDCL may be required to deposit ₹ 260.33 crore in the Renewable Purchase Obligation Regulatory Fund, as per directives of Maharashtra Electricity Regulatory Commission.

(Paragraph 2.2.15.5)

Out of ₹ 2,315 crore of the proceeds collected by GoM by way of tax on sale of electricity required to be transferred to MEDA between 2007-08 and 2014-15, only ₹ 112.79 crore was transferred to them and the balance ₹ 2,202.21 crore was neither transferred to MEDA nor utilised for promotion of the RE Sector. This resulted in diversion of the fund in violation of the statutory provisions.

(Paragraph 2.2.15.7)

Introduction

2.2.1 Maharashtra is one of the most urbanised States growing rapidly. In order to sustain the growth rate, Maharashtra would need to increase its energy supply to meet its growing demand. Fossil fuels, though cost effective and efficient, are depleting, polluting the environment and contribute to the greenhouse effect and global warming.

Renewable Energy (RE) has a potential to satisfy both the challenges of inclusive growth to meet the increasing needs of rural areas and low carbon emission. The State had a estimated potential of 13,427 MW of Renewable Energy sources, as of March 2015.

Promotion of RE is one of the major objectives of National Action Plan on Climate Change (NAPCC) and Electricity Act, 2003. In line with Government of India (GoI), Government of Maharashtra (GoM) has adopted the policy of achieving the target of renewable purchase obligation upto nine *per cent* of consumption and accordingly encouraging policies were formulated for development of the RE sources since 1996. The State stood second in the country in terms of Wind Power Capacity creation as of 31 March 2015.

Under the GoM's policy of 2008, a target for power generation from non-conventional energy sources was fixed for commissioning of 2,000 MW capacity of wind power project, 1,000 MW of cogeneration projects based on Bagasse, 400 MW of Biomass based projects and 100 MW of Small Hydro Power Projects.

Total installed power generation capacity

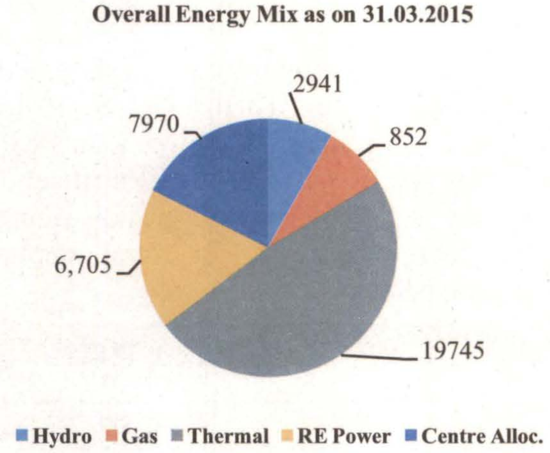
The Energy Sector comprises of Non-Renewable (conventional) and Renewable (non-conventional) sources. Maharashtra had an installed power generation capacity of 38,213 Mega Watt (MW) as on March 2015 which consists of 19,745 MW (51.67 *per cent*) from thermal, 2,941 MW (7.70 *per cent*) from hydro, 852 MW (2.23 *per cent*) from Gas, 7,970 MW Centre Allocation (20.86 *per cent*) and 6,705 MW from Renewable Energy (17.54 *per cent*).

RE based power generation potential and installed capacity (MW)

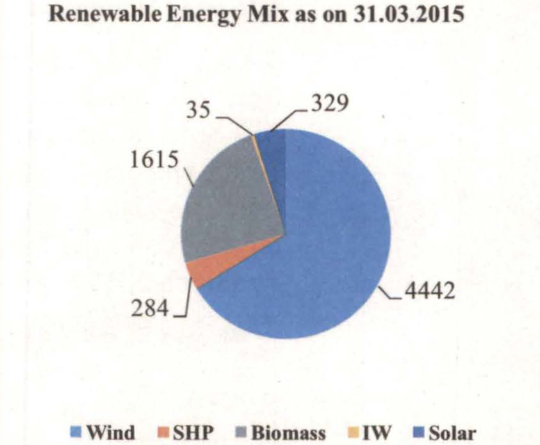
Year	Wind		Small Hydro		Biomass		Solar	Industrial and Urban Waste		Total RE	
	Potential	Capacity created *(per cent)*	Potential	Capacity created *(per cent)*	Potential	Capacity created *(per cent)*	Capacity created	Potential	Capacity created *(per cent)*	Potential	Capacity created *(per cent)*
Upto 2006-07		1,485.63		206.82		177.50	0.00	0.00	6.13	0.00	1,876.08
2007-08	4,584	268.15 (5.85)	600	6.50 (1.08)	2,668	99.30 (3.72)	0.00	637	0.00	8,489	373.95 (4.41)
2008-09	4,584	178.08 (3.88)	600	0.00 (0)	2,668	141.00 (5.28)	0.00	637	0.00	8,489	319.08 (3.76)
2009-10	4,584	138.85 (3.03)	600	16.00 (2.67)	2,668	69.00 (2.59)	0.00	637	5.16 (0.81)	8,489	229.01 (2.70)
2010-11	5,439	239.05 (4.40)	732	16.90 (2.31)	2,668	287.50 (10.78)	1.00	637	4.72 (0.74)	9,476	549.17 (5.80)
2011-12	5,961	407.35 (6.83)	732	18.50 (2.53)	2,668	272.90 (10.23)	19.00	637	4.00 (0.63)	9,998	721.75 (7.22)
2012-13	5,961	288.55 (4.84)	732	6.00 (0.82)	2,668	210.50 (7.88)	30.15	637	4.00 (0.63)	9,998	539.20 (5.39)
2013-14	5,961	1,074.00 (18.02)	732	0.00 (0)	2,918	287.05 (9.84)	180.10	637	5.00 (0.75)	10,248	1,546.15 (15.09)
2014-15	9,400	362.05 (3.85)	732	13.30 (1.82)	2,658	70.00 (2.63)	99.00	637	6.14 (0.96)	13,427	550.49 (4.10)
Total		**4,441.71**		**284.02**		**1,614.75**	**329.25**		**35.15**		**6,704.88**

(Source: Information furnished by MEDA)

As of March 2007, the installed capacity of the RE based power generation in the State was 1,876 MW (8.66 *per cent)* which increased to 6,705 MW (17.54 *per cent)* as of March 2015 as against the total installed capacity of 21,654 MW and 38,213 MW for the respective years.



Source: Economic Survey of Maharashtra 2014-15



Source: Information furnished by MEDA

Total Energy generated in the State vis-a-vis Renewable Energy

During the year 2007-08 the total energy generated in the State was 99,600.68 MUs which increased to 1,37,245 MUs during 2014-15. During 2007-08 the contribution of Renewable Energy to the total energy generated in the State was 2,555.04 MUs (2.57 *per cent*) and the same has increased to 11,836 MUs (8.62 *per cent*) during 2014-15.

Renewable Energy Programme

2.2.2 The RE programme included deployment of RE based projects in the following main categories: (i) grid-connected renewable power (ii) off-grid renewable power.

Grid connected Renewable power

2.2.2.1 This category comprised power generation mainly from - (i) Solar (ii) Wind (iii) Biomass/Bagasse[1] Cogeneration[2] and (iv) Small Hydro resources. The capacity in terms of installed capacity upto March 2015 is as given in the table below.

RE Sector	Estimated Potential (MW)	Achievement (MW)
Wind power	9,400	4,441.71
SHP	732	284.02
Biomass power	2,658	1,614.75
Solar power	Not Assessed	329.25
Industrial and Urban Waste	637	35.15
Total	**13,427**	**6,704.88**

(Information furnished by MEDA)

Off-Grid Renewable power

2.2.2.2 In Maharashtra, this category comprised power generation mainly from (i) Solar Home Lighting Systems (SHL) (ii) Solar Lanterns (SL) (iii) Solar Street Lighting (SSL) (iv) Solar PV Power Plants (SPP) (v) Solar Water Heating Systems (SWH) (vi) Remote Village Electrification (RVE) and (vii) Bio-Gas Programmes for deployment of off-grid/distributed renewable power and decentralised energy systems for rural applications upto 31 March 2015 is given in table below.

Decentralised Energy Systems	Achievement (in numbers or area as applicable)
SHLS	18,603
SL	60,000
SSL	1,173
SPP	13 Nos. (260 kWp)
SWH	12.24 lakh Sq.metre
RVE	376 Villages, 545 Hamlets
Bio-Gas	35 (489.50 kW)

(Information furnished by MEDA)

[1] Bagasse is sugarcane fibre waste left after juice extraction

[2] Cogeneration is the simultaneous generation of both electricity and heat from the same fuel, for useful purposes

Agencies involved in promotion of Renewable Energy

2.2.3 The GoM established (July 1985) an autonomous agency *i.e.* Maharashtra Energy Development Agency[3] (MEDA), which is working as the State Nodal Agency (SNA) in the RE sector. The main functions of MEDA are to assist GoM to promote and develop renewable sources of energy and technologies.

The Maharashtra State Electricity Distribution Company Limited (MSEDCL) and Maharashtra State Electricity Transmission Company Limited (MSETCL) which are the State Companies in the power Sector are responsible for the purchase and evacuation of the energy generated by the RE operators. In order to fulfill the Renewable Purchase Obligation (RPO) of MSEDCL, Maharashtra State Power Generation Company Limited (MSPGCL) has planned to set up solar power projects in Maharashtra.

Scope of audit and objectives

2.2.4 The Performance Audit (PA) on RE Sector covering the period 2007-08 to 2014-15 was conducted between April and July 2015 for reviewing the implementation of various programmes undertaken by the Renewable Energy Department, Director General (MEDA), Water Resources Department (Small Hydro), Ground Water Surveys and Development Agency and Rural Development Department. The records relating to generation, transmission, distribution and regulation of tariff maintained by MSPGCL, MSETCL, MSEDCL, State Load Dispatch Center (SLDC), Maharashtra Electricity Regulatory Commission (MERC) and nine[4] Zilla Parishads (ZP) along with two villages of each ZP were selected for audit.

2.2.5 The objectives of the PA on the RE Sector were to examine whether:

- GoM and the State Nodal Agency (SNA) were able to increase the contribution of RE sources in the State energy mix;
- The Renewable Energy schemes/projects were implemented by the State agencies in tune with the policy directives, economically, effectively and efficiently;
- The tariff and other terms and conditions relating to purchase and sale of RE were conducive to development of RE and were adhered to by the agencies; and
- The monitoring by GoM/MEDA was adequate for effective promotion of RE in the State.

[3] MEDA is registered as a society under Societies Registration Act, 1860 (in 1985) and Bombay Public Trusts Act, 1950 and started functioning with effect from July 1986

[4] Ahmednagar, Amravati, Buldhana, Kolhapur, Pune, Sangli, Satara, Sindhudurg and Yavatmal

Audit criteria and methodology

2.2.6 The audit criteria adopted for achieving the stated audit objectives were derived from the following documents:

- Policies and Guidelines of Ministry of New and Renewable Energy, GoI (MNRE), GoM, MEDA;
- Plans and Schemes of MNRE, GoM, MEDA;
- Guidelines of Central Electricity Regulatory Commission (CERC) and orders of the Maharashtra Electricity Regulatory Commission (MERC);
- Policies of MSPGCL, MSETCL and MSEDCL with respect to RE and Board decisions in this regard; and
- Grid discipline norms.

The methodology adopted for attaining the audit objectives involved explaining the audit objectives and criteria.adopted for the Performance Audit (PA) to the Management and Principal Secretary, Energy Department, in an entry conference held on 8 June 2015, analysis of data/records with reference to audit criteria, issue of audit enquiries and draft Performance Audit Report to the Management/Government for their comments. The draft PA Report was issued to the GoM and other implementing agencies on 13 November 2015 and the audit findings were discussed with them in an Exit Conference held on 27 and 29 January 2016 and based on the minutes of discussions the Report has been finalised. The replies of MSETCL/MEDA (January/February 2016) wherever received have been included. The replies of the Government/ MSEDCL and MSPGCL were awaited (January 2016).

Acknowledgement

2.2.7 We acknowledge the co-operation and assistance extended by Energy Department (GoM), MEDA, MERC, MSPGCL, MSETCL, MSEDCL and all other constituents in the power sector in conducting of the Performance Audit.

Grid connected Renewable Power

Solar Power

Potential, target and achievement

2.2.8 Maharashtra has a huge potential for power generation from solar energy source. There are 250-300 days of clear sun with an available average radiation of 4 to 6 kWh/sq.metre over a day. There is a capacity to generate 1.5 million units/MW/year through solar photovoltaic systems and upto 2.5 million units/MW/year through solar thermal systems.

Despite huge potential of 64,320 MW assessed by MNRE, the GoM had not declared any policy for development of solar energy till June 2015. The solar sector has long been ignored and the capacity addition in this sector was not commendable. In the absence of a policy, a nominal target of 275 MW was fixed by MEDA based on the achievement of solar power projects commissioned in the previous years, against which the achievement was 329.25 MW upto March 2015.

MEDA stated that in absence of solar policy for the period 2007-15, the target of 275 MW was fixed on the basis of interest taken by private investors and projects in the State under Jawaharlal Nehru National Solar Mission. The comprehensive RE policy which included Solar, was framed by the GoM only in July 2015.

Wind Power

Assessment of wind potential

2.2.9 Wind Power project potential of our country is 1,02,788 MW out of that the State potential had been assessed at 9,400 MW. As of March 2015, 4,441.71 MW of Wind Power Projects are installed.

Wind Resource Assessment Stations (WRAS) are established by MEDA to identify suitable windy sites in the State under Wind Resource Assessment Programme with the technical assistance of National Institute of Wind Energy[5] (NIWE), an authority under MNRE. The year-wise details of studies conducted and windy sites identified are shown in table below.

Year	No. of sites studies conducted	No. of sites identified	Expenditure incurred (₹ in crore)
Upto 2006-07	170	42	NA
2007-08	50	04	1.49
2008-09	100	02	3.17
2009-10	12	00	0.45
2010-11	37	02	1.67
2011-12	20	00	2.58
2012-13	05	00	1.01
2013-14	05	Site declaration awaited from NIWE (C-WET)	1.01
2014-15	07		1.15
Total	**406**	**50**	**12.53**

(Source: Information furnished by MEDA)

As of March 2015, 406 sites were explored and 50 sites were identified by MEDA. During 2007-08, the Centre for Wind Energy Technology (C-WET) under the MNRE declared 59 sites not feasible as they did not satisfy the stipulated criteria of 200 Watts/m^2 at 50 m hub height. As MNRE scrapped the restrictions of applying the stipulated criteria of 200 Watts/m^2 at 50 m hub height subsequently in August 2011, these 59 sites also could have been gainfully exploited.

[5] Formerly Centre for Wind Energy Technology (C-WET)

MEDA stated (December 2015) that out of 59 locations, wind power projects have been developed in vicinity of 11 locations and initiatives were on to find new windy locations for exploration.

Potential, target and achievements

2.2.10 Among the medium potential States, Maharashtra had the highest exploitation potential of wind energy at 47.25 *per cent.* The year-wise breakup of targets fixed against the estimated potential and the achievement of wind power projects upto March 2015 are given in the table below:

Year	Estimated Potential (MW)	Target Fixed (MW)	Achievement (MW)	Percentage of installed capacity of Estimated Potential
Upto 2006-07	NA	NA	1,485.63	NA
2007-08	4,584	300	268.15	5.85
2008-09	4,584	300	178.08	3.88
2009-10	4,584	300	138.85	3.03
2010-11	5,439	300	239.05	4.40
2011-12	5,961	300	407.35	6.83
2012-13	5,961	300	288.55	4.84
2013-14	5,961	300	1,074.00	18.02
2014-15	9,400	300	362.05	3.85
Total	**9,400**	**2,400**	**4,441.71**	**47.25**

(Source: Information furnished by MEDA)

It can be seen that in 2013-14 there was enormous achievement of 1,074 MW. It was seen that 474 projects were approved and 153 Power Purchase Agreements were executed during the year.

The increase in the number of projects/investors was stated to be due to the encouraging policies of the GoM and saturation of sites in neighbouring States. Further, the tariff of State for the wind energy was favourable and was on increasing trend from ₹ 3.35/4.10 to ₹ 5.70 per unit in 2013-14. In subsequent paras, the outcome of the actual generation of the wind power in terms of its evacuation and benefits to the developers is discussed in detail.

The GoM did not prescribe a new policy, as specified in policy of 2008, for wind power projects immediately after achievement of target of 2,000 MW in May 2013. The new policy was framed only in July 2015, after delay of two years.

2.2.11 As per the RE Policy of GoM (October 2008, July 2010 and December 2010), the RE project developers had to be registered with MEDA and obtain grid connectivity recommendation from MEDA, who would issue Infrastructure Clearance Certificate (ICC) to install the project within a specified period. Subsequently, a Project Commissioning Clearance Certificate (PCCC) would be issued by MEDA after a joint inspection by MSEDCL/MSETCL and MEDA, based on which the project would be commissioned.

Commissioning of power projects without approval of MEDA

2.2.11.1 Prior to 2014-15 the wind power projects were commissioned in the State by following the methodology prescribed by GoM in July 2010. However, out of 98 wind power projects of 362.05 MW capacity which were commissioned during 2014-15, 61 projects of 255.20 MW capacity were commissioned without obtaining ICC and PCCC from MEDA which clearly indicated deviation from prescribed methodology. These 61 projects of 255.20 MW capacity were commissioned based on the MSEDCL policy (June and September 2014), wherein it was mentioned that the recommendation of MEDA was not necessary for grid connectivity and no ICC and PCCC would be required from MEDA for commissioning the projects. As the wind power project developers did not approach the MEDA, MEDA did not give the ICC to the wind power projects.

During exit conference, the MEDA stated that since the State had achieved the target of 2,000 MW in the year 2012-13 they had stopped issuing ICC and PCCC. MSEDCL stated that they have aligned the procedure now as per the methodology prescribed by GoM.

Non-reimbursement of evacuation expenditure to RE Developers

2.2.11.2 The GoM, RE policy (October 2008-July 2010) stipulated that the RE developers were eligible for refund to the extent of actual expenditure on evacuation infrastructure or the sanctioned estimates approved by MSEDCL/ MSETCL or the amount as specified in the policy, whichever was lower after one year from the date of commissioning of project in five equal annual installments. The expenditure was to be shared equally by MEDA and MSEDCL/MSETCL (50:50). The GoM vide above policy had fixed target of 2,000 MW and estimated reimbursement of evacuation expenditure of ₹ 700 crore.

It was observed that though MSEDCL approved the estimates for evacuation infrastructure for projects during the period 2007-15, no claims were received for reimbursement of expenditure. MSEDCL stated that there were formalities to be complied by the generators for submission of claims. Further, in a generation scenario where the pooling of energy by generators, the evacuation expenditure was not significant for making the claim.

Non-execution of EPAs by MSEDCL with Wind energy generators

2.2.11.3 In 2014-15 MSEDCL received proposals from 50[6] wind energy generators for execution of Energy Purchase Agreement (EPA) with the option of 100 *per cent* sale to MSEDCL. These wind energy projects were commissioned between April 2014 and March 2015. However, MSEDCL had not executed EPA with these 50 generators so far (January 2016).

It was observed that these wind energy generators had generated 68.42 MUs (April to May 2015) from the date of commissioning and fed the same into MSEDCL grid. The offer of the Company to purchase energy at Average

[6] This includes eight proposals received in circle office but not forwarded to MSEDCL HO

Power Purchase Cost (APPC) of MSEDCL (around ₹ 3.00 per unit) was not accepted by the Generators.

MSEDCL stated (December 2015) that wind power tariff was continuously increasing and was becoming unaffordable. Hence, it had opposed hike in wind tariff in financial year 2013-14 and demanded competitive bidding for wind power. Therefore, MSEDCL did not guarantee purchase of power from the projects commissioned. Principal Secretary (Energy) and Managing Director/MSEDCL also confirmed that EPAs were not executed with the developers because apart from tariff issues, the EPAs did not have clauses requiring wind operators to maintain grid discipline.

We observed that the MERC had rejected the proposal for competitive bidding as there were no CERC guidelines for the same as required under Section 63 of the Electricity Act. Thus, the Commission proceeded with fixing wind tariff at generic rate of ₹ 5.81 per unit for 2013-14 and ₹ 5.70 per unit for 2014-15.

The policy decision of the Company in not abiding by the Regulator's approved tariff rates for purchase of wind energy was not only a contravention of the MERC orders but also a violation of the GoM's 2008 policy direction resulting in denial of legitimate dues to the power developers. Further, given the fact that there was a huge shortfall in terms of purchase of RE, non-execution of the EPAs would not only constrain MSEDCL from fulfilling their RPO obligation but also deprive the Developer of the RE benefits. As regards poor grid discipline on part of the developers, GoM and MSEDCL should have taken up the matter of amendment of relevant EPA clauses, with the MERC (regulator) in time and executed EPAs with those developers who were willing to abide by grid discipline norms.

Incomplete maintenance works of approach roads constructed out of cess funds

2.2.11.4 As per GoM policy (July 2010) in respect of Wind Power Projects (WPP), the expenditure on construction of approach roads to the premises of the new projects would be reimbursed from the Green Cess Fund by MEDA. An amount of ₹ two lakh per MW of installed capacity was to be collected by MEDA from the investor/developer for maintenance of rural and other district roads in the WPP areas, being damaged due to transportation of heavy machineries.

It was observed that MEDA had collected ₹ 56.71 crore from the developers for maintenance of rural and other district roads upto March 2015 and transferred (between January 2014 to March 2015) ₹ 61.94 crore to Public Works Department (PWD) for carrying out the repairs and maintenance work of these roads. The works, however, remained incomplete (January 2016).

MEDA stated (December 2015) that the PWD Divisions were the executing authority and MEDA would obtain the details of the work completion reports and utilisation certificates from PWD. However, MEDA did not explain why the same was not monitored by them.

Delays by MSEDCL in payment of energy bills to developers

2.2.11.5 As per Clause 20 of MERC (Terms and Conditions for Determination of RE Tariff) Regulations 2010, in case the payment of any bill for charges payable under these Regulations was delayed beyond a period of sixty days from the date of billing, a late payment surcharge at the rate of 1.25 *per cent* per month was payable by MSEDCL to the generating Company.

In MSEDCL, we observed that in Satara, Sangli, Pune, Ahmednagar and Nandurbar circles there were delays ranging over 30 days to 74 days in case of 225 bills amounting to ₹ 213.51 crore pertaining to the period 2013-15.

The MSEDCL accepted the delay and attributed the same to financial constraints.

Undue financial burden on account of levy of operating charges to RE generators by MSEDCL

2.2.11.6 MERC had approved (August 2012) that Distribution Licensees could recover processing and operating charges from Open Access Consumers (OAC) to meet the operational cost incurred while providing services to OAC *i.e.* other than those selling 100 *per cent* energy to MSEDCL.

During the period 2012-15, we observed that in Satara and Nasik (R) Circles, operating charges amounting to ₹ 1.48 crore were recovered by MSEDCL from 10 Wind Energy generators selling 100 *per cent* wind energy to MSEDCL, instead of OAC, in contravention of the MERC order. This resulted in undue financial burden on these RE Generators.

The MSEDCL stated that the generators should also share the expenditure and that they would approach MERC for approval of the recovery.

Tariff comparison of Maharashtra RE Tariff with other States

2.2.11.7 MERC notified (June 2010) the MERC (Terms and Conditions for determination of RE Tariff) Regulations, 2010. The Regulation applies to all new RE projects commissioned in the State after its publication in the Official Gazette. In case of existing RE projects, applicable tariff and other terms and conditions shall be governed by respective RE Tariff Orders and amendments thereof as issued from time to time by MERC. We compared tariff for wind energy as determined by MERC with those that determined by CERC and other State Electricity Regulatory Commissions.

- From the year 2012-13, CERC introduced one more wind power zone upto 200 Wind Power Density (W/M^2) with Capacity Utilisation Factor (CUF) of 20 *per cent*[7] and for other zones CERC increased CUF limit by two *per cent* as compared to the tariff for earlier year. In the State, MERC retained the maximum generic tariff for WPD up to 250 W/M^2 with CUF of

[7] The amendment was made (2012) by CERC due to MNRE withdrawing (August 2011) the qualifying criteria of minimum wind power density of 200 W/M^2 at 50m above ground level for establishment of wind power project at any site in India

20 *per cent* up to 2013-14 and 22 *per cent* from 2014-15 onwards. The delay on the part of MERC to notify CUF increase by two *per cent* up to 22 *per cent* resulted in fixation of higher per unit tariff for wind power generators in Maharashtra by ₹ 0.52 and ₹ 0.53 for the projects commissioned during the years 2012-13 and 2013-14 respectively. Consequently, this resulted in to passing of higher tariff to consumers through MSEDCL in respect of test checked seven wind power projects for the period from 2012-13 to 2014-15. Further, this higher tariff would be applicable for the balance years out of the contractual 13 years tariff period.

- The Wind Tariff in Tamil Nadu, Gujarat, Karnataka, Andhra Pradesh and Rajasthan States ranged between ₹ 3.59 and ₹ 4.70 per unit against the generic tariff of ₹ 3.35/4.10 to ₹ 5.70 per unit in Maharashtra during the period 2007-15.

It can be seen from the above, that the wind tariff of Maharashtra State was higher as compared to other States. The high tariff though an encouragement to the industry was opposed by the GoM's own agencies.

In this context, the MSEDCL had made a petition to MERC to introduce competitive bidding amongst developers for determination of tariff for wind energy purchase. However, the Commission had not approved the MSEDCL's petition and determined the generic tariff for wind for FY 2013-14 rejecting their plea for competitive bidding stating that unless CERC directed such bidding, they would not be able to enforce it.

Small hydro power

2.2.12 Small Hydro Power (SHP) projects can play a critical role in improving the overall energy scenario of the country and in particular for remote and inaccessible areas. Small hydro is the classification used for hydro power projects below 25 MW capacity, their distinguishing attribute being that these are mostly run-of-the-river type and do not require the construction of dams. Thus, apart from the fact that electricity is generated from a renewable source, small hydro projects have far lesser environmental impact as well.

GoM has laid maximum emphasis on the full development of its Small hydro potential being a clean and renewable source of energy. As of March 2015, the potential for generating electricity through SHP projects has been identified at 732 MW in Maharashtra.

Potential, target and achievements

2.2.13 Though, Maharashtra is not having huge SHP potential, it stood out with the highest contribution both in terms of capacity creation and potential exploited. The State had achieved a potential of SHP energy of 38.80 *per cent* as of March 2015.

The year-wise breakup of targets fixed against the estimated potential and the achievement of small hydro power projects up to March 2015 are given in the table below.

Year	Estimated potential (MW)	Target fixed (MW)	Achievement (MW)	Percentage installed of estimated potential
Upto 2006-07	600	NA	206.82	34.47
2007-08	600	20	6.50	1.08
2008-09	600	20	0.00	0.00
2009-10	600	20	16.00	2.67
2010-11	732	20	16.90	2.31
2011-12	732	20	18.50	2.53
2012-13	732	10	6.00	0.82
2013-14	732	10	0.00	0.00
2014-15	732	10	13.30	1.82
Total	**732**	**130**	**284.02**	**38.80**

(Source: Information furnished by MEDA)

Scrutiny revealed that the achievement in respect of SHP projects was more than double as against the target set. However, the targets had been routinely set by MEDA without proper planning and analysis, in comparison to the estimated potential and appeared to be much lower than the potential.

Non-development of identified Small Hydro Projects sites

2.2.13.1 Water Resources Department (WRD), GoM issued (September 2005) detailed policies regarding implementation of the SHPs upto 25 MW in the State and identified the sites for implementation of SHPs. GoM provided (December 2005) that SHPs upto five MW could be installed through MEDA in coordination with WRD.

Scrutiny of records revealed that though MEDA had identified 60 potential SHP sites with generation capacity of 52.77 MW and forwarded (December 2010) the list to WRD for development of SHPs these sites were not yet developed (March 2015).

MEDA stated that the development of SHP was the responsibility of WRD whereas WRD stated that the financial feasibility study was required to take up the project. Principal Secretary (Energy) instructed MEDA to conduct the feasibility study for taking up the projects at the sites identified.

Non-recovery of liquidated damages for delay in commissioning of projects

2.2.13.2 As per GoM policy (July 2010), the developer has to complete the project within two years from the date of issue of ICC by MEDA. The SHP projects were to be commissioned in co-ordination with WRD. As per the Hydro Power Development Agreement (HPDA) entered into (May 2008) between WRD and Generating Company, the progress of the project was required to be monitored as per the milestones. In the event of delay in the commissioning of the project, Liquidated Damages (LD) would be recovered as per the provisions of the agreement at the rate of 0.5 *per cent* of performance Security Deposit (SD) per day of delay from the scheduled date of commissioning limited to full amount of SD.

We observed that the projects were not monitored and there were delays ranging from 196 to 1,194 days in commissioning of the projects as indicated in the table below. Further, the LD of ₹ 3.59 crore for delays was not levied.

Sl. No.	Name of the Project	Scheduled date of commissioning	Actual date of commissioning	Delay (days)	Amount of SD (₹ in lakh)
1	Veer Nira Left Bank Canal SHP (2 x 2.4 MW)	10.03.2010	20.05.2012	800	14.50
2		28.02.2010		196	
3	Kolhapur Kumbhi SHP LakmaPur, Gaganbawda	06.06.2008	18.04.2011	1,042	64.75
4	Chitri HEP, Rajewadi, Ajra, Kolhapur	06.06.2008	24.01.2011	960	56.90
5	Gadre Marine Export HEP, Ghonsari	06.06.2008	03.07.2010	755	57.75
6	Kasari HEP Galewadi, Shahuwadi, Kolhapur	06.06.2008	14.04.2011	1,040	56.15
7	Dhom Balkawadi HEP, M/s Vishwaj Energy Private Limited	06.06.2008	15.09.2011	1,194	103.60
	Total				**359.13**

(Source: Information compiled from the records produced by MEDA)

In reply GoM, Energy Department stated (June 2015) that the developers executed HPDA with the WRD and the timely commissioning was to be ensured by WRD. Hence the matter was referred (September 2015) to WRD; their reply was awaited (January 2016).

Execution of EPAs

2.2.13.3 MSEDCL had executed 19 EPAs of 67.375 MW capacity during the period 2010-11 to 2014-15 and had approved reimbursement of evacuation expenditure to five SHP developers amounting to ₹ 220.58 lakh.

In MSETCL the Company had approved refund of evacuation expenditure amounting to ₹ 55 lakh to one small hydro project developer, while only one application for refund was pending with the Company.

Biomass power

2.2.14 The national potential for having grid quality power from surplus biomass material is assessed to be approx. 16,000 MW, while potential for Maharashtra is 2,658 MW (as per the Gokhale Institute for non-bagasse-458 MW and Vasant Rao Dada Sugar Institute for bagasse-2,200 MW). Against this available potential, project of 1,614.75 MW had been commissioned in the State.

Potential, target and achievements

2.2.15 Maharashtra had the highest exploitation of biomass potential. Maharashtra had achieved potential of biomass power 60.75 *per cent* of the estimated potential as of March 2015. The year-wise breakup of targets fixed against the estimated potential and achievement of biomass power projects upto March 2015 are given in the table below.

Year	Estimated potential (MW)	Target fixed (MW)	Achievement (MW)	Percentage installed of estimated potential
Upto 2006-07	2,668	NA	177.50	6.65
2007-08	2,668	280	99.30	3.72
2008-09	2,668	280	141.00	5.28
2009-10	2,668	280	69.00	2.59
2010-11	2,668	280	287.50	10.76
2011-12	2,668	280	272.90	10.23
2012-13	2,668	105	210.50	7.89
2013-14	2,918	100	287.05	9.84
2014-15	2,658	175	70.00	2.63
Total	**24,252**	**1,780**	**1,614.75**	**60.75**

(Source: Information furnished by MEDA)

It was seen that from 2006-07 till 2009-10, there was lower achievement of targets while during 2010-11 there was marginal overachievement of target set. The targets were scaled down since 2012-13 and against the lowered targets, higher achievement emerged. The targets set had no correlation with the estimated potential of the sector.

Other issues

Commissioning of projects before obtaining ICC from MEDA

2.2.15.1 As per GoM policy (July 2010) in respect of Bio-mas (Bagasse) Projects, the project developer had to submit the requisite documents to MEDA for getting ICC. Based on the ICC, the project developer had to install the project within two years in respect of biomass from the date of issue of ICC by MEDA. In contravention to above policy, we observed that out of the 16 biomass (bagasse) projects, nine[8] projects were commissioned even before obtaining the ICC from MEDA. Out of these nine projects, MEDA released RE benefits of ₹ six crore (reimbursement of power evacuation expenditure of ₹ two crore and capital subsidy of ₹ one crore each) to two projects[9].

MEDA stated (December 2015) as per GoM policy of 2010, the PPA was supposed to be executed by MSEDCL after receipt of ICC from MEDA.

[8] Gangakhed Sugar and Energy Limited, Jawahar Shetkari SSKL, Kranti SSKL, Lokmangal Mauli Industries Limited, Mula SSKL, Sonhira SSKL, Baramati Agro Private Limited, Shri Pandurang SSKL and Kisan Veer SSKL

[9] Gangakhed Sugar and Energy Limited and Baramati Agro Private Limited

However, MSEDCL executed the PPAs with the developers despite the wanting ICC. The fact, however, remained that due to the agencies working at cross purposes not only resulted in violation of the GoM's policy directives but that developers were released the RE benefits without full compliance of the requisites laid down.

Non-reimbursement of evacuation expenditure by MSEDCL/MSETCL to RE Bio-mass/Bagasse power project Developers

2.2.15.2 The GoM, RE policy (October 2008) stipulated that the RE developers were eligible for refund to the extent of actual expenditure on evacuation infrastructure or the sanctioned estimates approved by MSEDCL/ MSETCL or the amount as specified in the policy, whichever was lower after one year from the date of commissioning of project in five equal yearly instalments. The expenditure was to be shared equally by State Nodal Agency (SNA) *i.e.* MEDA and MSEDCL/MSETCL.

We observed that in MSETCL, 20 eligible applications for ₹ 55.09 crore were pending as on July 2015 for reimbursement being 50 *per cent* of the estimated capital expenditure (₹ 110.18 crore) even after one year of commissioning of the project.

In MSEDCL, the Company had approved reimbursement of evacuation expenditure to six out of eight applications received from the bagasse power project developers amounting to ₹ 384.46 lakh.

The MSETCL stated (January 2016) that the generators submitted the reimbursement proposals without proper compliances, whereas MSEDCL stated (January 2016) that the evacuation assets were not handed over to it after compliance of all requirements and therefore reimbursement was not made. The facts remained that the generators were deprived of the benefit of assistance provided in the GoM policy.

Non-receipt of Accelerated Depreciation Certificates from Wind generators resulting in excess payment

2.2.15.3 The generic tariff (July 2010) of MERC for wind generation sources prescribed two different rates *viz* higher tariff without considering Accelerated Depreciation (AD) (gross) and lower tariff for considering accelerated depreciation (net). As per the EPA executed by MSEDCL with the generators for purchase of energy, in order to avail the higher tariff generators were to submit a certificate from Chartered Accountant (CA)/Income Tax Department (IT) within two years from the date of Commercial Operation (COD) that the AD has not been claimed. If such certificate is not submitted within two years from the COD, then the tariff would be payable as if the AD had been availed and excess amount paid would be recovered.

We observed that MSEDCL paid higher tariff rate in respect of 100.41 crore units purchased during April 2010 to March 2015 though the required certificates were neither produced by the generators nor demanded by MSEDCL. These certificates were not on record at the time of audit scrutiny.

This resulted in excess payment of ₹ 85.06 crore in three circles alone (Pune, Satara and Nandurbar) test checked by audit.

The Principal Secretary advised MSEDCL in the Exit Conference (January 2016) that the payments should be restricted to the lower tariff till submission of the certificates. He further stated that the claims/certificates would be subjected to internal audit scrutiny also.

Non-recovery of commitment charges

2.2.15.4 As per GoM policy of 2010, in respect of bio-mass project, the developer/investor was to deposit commitment charges at the rate of ₹ five lakh per MW with MEDA so as to ensure that the project is installed within two years, failing which the project would be cancelled and commitment charges forfeited.

We observed that contrary to the above provision, MEDA did not recover commitment charges of ₹ 9.54 crore (at the rate of ₹ five lakh per MW) from 13 out of 103 bio-mass which were commissioned after obtaining ICC from MEDA. Out of the two non-bagasse projects, in case of GMT Mining and Power Private Limited, the project was delayed by 19 months and accordingly, the commitment charges should have been forfeited by MEDA. Similarly, in respect of 11 bio-mass bagasse power projects, where the MEDA had issued the ICC between July 2012 and November 2013, though these projects were not commissioned till March 2015, the commitment charges were not levied/ recovered from the developers.

MEDA stated (December 2015) that developers were finding it difficult to remit the commitment charges due to huge working capital getting blocked, bankers were not willing to fund biomass projects since availability of biomass being seasonal and possibility of not getting regular payment from MSEDCL.

The reply is not acceptable as the policy had provided for recovery of commitment charges from the project developers after issue of ICC by MEDA. This was also necessary to attract serious developers in the interest of overall energy mix from RE developers.

Non fulfillment of Renewable purchase obligation target fixed by MERC

2.2.15.5 The existing legal framework under Electricity Act 2003 puts the responsibility for promotion of RE on the State Electricity Regulatory Commission (SERC). Renewable Purchase Obligation (RPO) is the obligation mandated by the SERC under the Act, to purchase minimum level of renewable energy out of the total consumption by the Obligated Entity.

MSEDCL being an obligated entity under the MERC RPO, its compliance and Implementation of Renewable Energy Certificate (REC) framework Regulations, 2010, was obligated to procure RE to the extent of six, seven and eight *per cent* of its Gross Energy Consumption (GEC) for the years 2010-11, 2011-12, 2012-13 respectively and nine *per cent* for the year 2013-14 and 2014-15.

The MSEDCL has to achieve the aforesaid target by way of own generation or procurement of power from RE developer or by way of purchase from other licensee or by way of REC or way of combination of any of the option. In the event of MSEDCL is unable to fulfill the RPO/REC obligation, MERC may direct the MSEDCL to deposit into a separate fund, to be created and maintained by MSEDCL, such amount as the commission may determine on the basis of the shortfall in units of RPO, provided that RPO Regulatory charges shall be equivalent to the highest applicable preferential tariff during the year or any other rate stipulated by the Commission. MERC allowed MSEDCL to carry forward and fulfil its non-solar[10] RPO cumulative shortfall and solar RPO cumulative shortfall from 2010-11, by the year 2013-14 and 2015-16 respectively. The trading in Solar RECs commenced in May 2012 whereas trading in non-Solar RECs commenced in March 2011.

The RPO achievement *vis-a-vis* target in respect of MSEDCL during the period 2010-14 is given in the table below.

(Figures in MUs)

Particulars/Year	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**Cumulative**
Gross Energy Consumption (GEC)	85,357.35	94,967.36	93,264.55	98,549.36	3,72,138.62
Solar RPO (in *per cent*)	0.25	0.25	0.25	0.50	--
Target (in MUs)	213.39	237.42	233.16	492.75	1,176.72
Achievement (in MUs)	1.13	10.89	27.74	211.00	250.76
Shortfall (in MUs)	212.26	226.53	205.42	281.75	925.96
Non solar – RPO Target (in *per cent*)	5.75	6.75	7.75	8.50	--
Target (in MUs)	4,908.05	6,410.30	7,228.00	8,359.94	26,906.29
Achievement	4,926.42	6,778.45	6,543.11	7,580.18	25,828.16
Shortfall (Excess)	(18.37)	(368.15)	684.89	779.76	1,078.13
Total shortfall (in MUs)	**193.89**	**(141.62)**	**890.31**	**1,061.51**	**2,004.09**
Total shortfall (in *per cent*)	**3.78**	**(2.13)**	**11.93**	**11.99**	**7.14**

(Source: MERC order case no 190 of 2014, dated 4 August 2015)

We observed that:

- The MSEDCL purchased 250.76 MUs RE from Solar against targeted 1,176.72 MUs during the cumulative period from 2010-11 to 2013-14. Out of 250.76 MUs the substantial part *i.e.* 211 MUs were achieved during the year 2013-14. There was a shortfall in achievement of Solar RPO obligation which worked out to 925.96 MUs (78.69 *per cent*) till 2013-14.

[10] Excluding mini/micro hydro RPO cumulative obligation to be fulfilled by 2015-16. The shortfall was 4.42 MUs, 5.80 MUs and 6.38 MUs during 2010-11, 2011-12 and 2012-13. Separate figures for 2013-14 not furnished by MSEDCL

- Though, MERC (March 2014) has allowed MSEDCL to cumulatively fulfill its Solar RPO targets by the financial year 2015-16, the commission did not condone the shortfall against the Solar RPO target in FY 2013-14, while not accepting the contention of MSEDCL that sufficient Solar power was not available, such power was available but not procured as per the RPO requirements. MSEDCL could also have purchased Solar RECs instead, but chose not to do so even though sufficient Solar RECs were available at the Exchanges, the closing balances of Solar RECs at the end of March 2014 was 3,46,872 *i.e.* equivalent to 346.872 MUs.
- As regards Non-Solar Energy targets, MSEDCL purchased 25,828.16 MUs RE from Non-Solar sources against targeted 26,906.29 MUs during the cumulative period from 2010-11 to 2013-14 an achievement of 96 *per cent.* However in 2014-15, it did not procure any REC against the shortfall of 749 MUs.

The clause 12 of the RPO/REC regulations 2010 provided that if the Obligated Entity (MSEDCL) fails to comply with the RPO target as provided in these regulations during any year and fails to purchase the required quantum of RECs, the State Commission may direct the Obligated Entity to deposit into a separate fund, to be created and maintained by such Obligated Entity, such amount as the Commission may determine on the basis of the shortfall in units of RPO, RPO Regulatory Charges and the Forbearance Price decided by the Central Commission; separately in respect of solar and non solar RPO.

As MSEDCL has failed to meet the RPO/REC target for solar energy, the MERC during verification of RPO compliance by MSEDCL for the year 2013-14 ordered (August 2015) MSEDCL to constitute a separate 'RPO Regulatory Charges Fund' to fully meet the shortfall against RPO targets by the end of March 2016 within a month of the order. The Commission also clarified that, the expenditure on purchase of RECs and/or actual power procurement from the Fund shall not be passed through to consumers to the extent of the shortfall was not met by MSEDCL by the end of FY 2015-16.

Considering the REC floor prices a minimum of ₹ 260.33 crore (₹ 161.72 crore for Non-Solar + ₹ 98.61 crore for Solar) may have to be deposited by MSEDCL into the Fund. We observed that had the MSEDCL fulfilled the RPO target or purchased RECs through Power Exchange within stipulated time it could have recovered the cost of renewal energy or cost of RECs purchased through tariff.

The MSEDCL stated (January 2016) that the shortfall of four *per cent* was not significant and they had started purchasing RECs.

Non-implementation / compliance of MERC Orders / Government policy regarding Banked Surplus Units

2.2.15.6 MERC allowed (November 2003) banking of energy delivered to the grid for self-use and/or sale to third-party at any time of the day and night on monthly basis subject to the condition that surplus energy (delivered into the grid but not consumed) at the end of the financial year shall not be carried over to the next year. Annual surplus limited to 10 *per cent* of the net energy delivered during the year shall be purchased by the Utility at the lowest Time of Day slab rate for High Tension energy tariff applicable on the 31st March of the financial year in which the power was generated.

Instead of following the MERC directives, MSEDCL issued (January 2012) a separate circular for banking of power generated by renewable sources and sold under open access whereby they declared that excess/surplus energy would be paid for only under a separate agreement with the supplier at applicable tariff of a 'Temporary Power connection'.

The aggrieved parties challenged MSEDCL circular before MERC. MERC set aside (January 2013) the circular of MSEDCL (January 2012).

MSEDCL challenged the MERC orders of January 2013 before the Appellate Tribunal for Electricity (APTEL). The APTEL upheld (August 2014) the principles of banking and dismissed the appeal of MSEDCL.

We observed that, as a result of this dispute, 103.21 lakh banked surplus units pertaining to 23 generators were not purchased by MSEDCL during the period 2010-14, the cost of which worked out to ₹ 3.82 crore. Further, during the year 2014-15, 15 out of 23 generators; "No Objection Certificate (NOC)" was not issued, thereby depriving the RE generators an option to sell energy for self-use or third party.

MSEDCL stated that the surplus energy as stated above would be purchased by them. Further, it was stated that the banking of surplus energy had been stopped the after 2014. The non-compliance of MERC/APTEL directives was thus not in the interest of promoting renewable energy in the State.

Green Cess Fund – Non utilisation of funds

2.2.15.7 As per the Maharashtra Tax on Sale of Electricity Act, 1963, the tax levied by the State Government on sale of electricity to industrial and commercial consumers shall be first credited to the Consolidated Fund of the State. Thereafter an amount worked out at the rate of four paisa per unit was to be transferred to MEDA through Appropriation for implementation of various schemes/projects of renewable and non-conventional energy like reimbursement of evacuation expenditure approach road, opening of letter of credit, capital subsidy *etc.* The rate was further increased to eight paise per unit from May 2008. The fund was popularly known as Green Cess Fund.

Accordingly, ₹ 2,315 crore out of the proceeds collected by GoM on tax on sale of electricity was required to be transferred to MEDA between 2007-08 and 2014-15 (worked out on the basis four/eight paise per unit), whereas only ₹ 112.79 crore was transferred to them and the balance ₹ 2,202.21 crore was neither transferred to MEDA nor utilised for promotion of the RE Sector. This resulted in diversion of the Fund in violation of the statutory provisions.

The Principal Secretary stated (January 2016) that the un-spent balance in the fund was available with GoM and would be utilised for the purpose. The reply was not in consonance with the facts that the amount collected was credited to Consolidated Fund of the State without creating a Reserve Fund for the purpose. As a result, the availability of the fund for the intended purpose was not feasible now.

Urja Ankur Nidhi

2.2.15.8 GoM constituted (January 2006) "Urja Ankur Nidhi" (fund) under the Indian Trust Act, 1882 with total fund of ₹ 418 crore through Public Private Participation (PPP). Of the ₹ 418 crore, GoM was to contribute ₹ 218 crore over a period of three[11] years from 2005-06-to 2007-08 from GCF[12] and Private Fund Manager (PFM) had to mobilise ₹ 200 crore from the capital market within two years.

The primary objective of formation of this fund was to provide speedy financial assistance to bagasse co-generation RE projects in the form of equity participation upto 20 *per cent* to have a planned development of this sector. Of the balance 80 *per cent*, PFM had to mobilise ₹ 980 crore in first year and ₹ 1,820 crore in second year from capital market and commission bagasse co-generation RE projects of 1,000 MW in ensuing three years *i.e.* from 2008-11.

We observed that though the GoM was to contribute ₹ 218 crore from the GCF during 2005-08, actual amount contributed was only ₹ 55.90[13] crore, which was financed for setting up of two bagasse co-generation projects of[14] 80 MW against the envisaged capacity creation of 1,000 MW planned for.

GoM stated (June 2015) that the Urja Ankur Nidhi was established by the GoM for speedy financial assistance to RE projects and planned development of this sector. The projects under this category were to be developed under PPP model. This model permitted the private developer to run the co-generation project. Two co-generation projects have come up under this model. Meanwhile, the Co-operation Department of the GoM declared a policy (February 2008) which allowed sugar factories to develop their own cogeneration projects with minimal equity contribution of 5-10 *per cent*. The co-operative factory owners preferred this policy, which meant less investment on their part and better control over the project. It is felt that since the developers are not coming forward to avail the benefit of the Urja Ankur Nidhi, the GoM may consider abolishing the Urja Ankur Nidhi or take steps which would ensure utilisation of the fund. The GoM agreed to review the requirement for such fund.

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[11] 2005-06: ₹ 100 crore; 2006-07: ₹ 100 crore and 2007-08: ₹18 crore

[12] GoM in Industry, Energy and Labour Department modified (March 2006) "Maharashtra Tax on Sale of Electricity Rules, 1963" to create a fund commonly known as "Green Cess Fund" for the development of non-conventional energy sources in the State.

[13] ₹ 50 crore in March 2006 and ₹ 5.90 crore in March 2012

[14] Urjaunkur Shree Datta Power Company Limited, Shirol Kolhapur-₹ 23.20 crore and Urjankur Shree Tatyasaheb Kore Warna Power Company Limited, Warnanagar Kolhapur ₹ 28.10 crore

Non-submission of monthly power generation reports duly certified by SLDC to MEDA

2.2.15.9 GoM stipulated (July 2010) that it was mandatory for the Wind, Bio-mass and Small Hydro Power Projects investors/developers to submit details of monthly power generation to MEDA duly certified by SLDC and the license holders. If the project developer wanted to avail the RE benefits it was mandatory to the RE project developers to sell 100 *per cent* power generated from RE projects to any licensee or consumer to consume it in the State only. For that, the project developer had to submit the PPA entered into with the licensee to the MEDA. Similarly, the project developer had to obtain a certificate from the SLDC stating that the power generated by RE projects had been distributed in the State only and submit the same to MEDA every year. If the power generated by the RE projects had not been distributed in the State then the RE benefits availed by the project developers was to be recovered as per procedure prescribed by the GoM.

Scrutiny of records related to 135 RE power projects[15] revealed that developers had not submitted details of monthly generation from the date of commission till March 2015 to MEDA duly certified by SLDC. This indicated that effective monitoring was not in place.

MEDA stated (December 2015) that though they had directed wind developers couple of times to submit monthly generation regularly, the developers were not submitting the same. GoM stated that efforts would be taken to obtain the data confirmed by MSEDCL and possibility of obtaining the same online from SLDC would also be explored.

Off-grid SPV programmes

2.2.16 Since 2005-06 MNRE had been providing Central Financial Assistance (CFA) to the implementing organisations for deployment of off-grid Solar Photovoltaic (SPV) systems such as Solar Home Lighting Systems (SHLSs), Solar Street Lighting Systems (SSLSs), standalone Solar Power Plants (SPPs), Solar Lanterns (SLs), Solar Water Heating Systems (SWHSs) and Solar Water Pumps (SWPs) *etc.*

Various off-grid SPV systems upto a maximum capacity of 100 kW per site and decentralised solar thermal applications, were also eligible for CFA. Mini-grids for rural electrification up to a maximum capacity of 250 kW per site were also supported.

The main objectives were to promote the use of SPV systems, reduce the consumption of kerosene for lighting purposes, improve the quality of life in rural areas and provide an alternate for meeting rural lighting/energy requirements.

[15] Wind power projects-105, Small Hydro Power Projects-10 and Biomass Power Projects-20

GoI launched (January 2010) the Jawaharlal Nehru National Solar Mission (JNNSM) which aimed at 2,000 MW by 2022 and merged all the previous schemes into the mission.

The solar off-grid policy of MNRE was demand driven and open to each implementing organisation. The selection of locations was the prerogative of the SNA/Channel Partners. The projects were to be approved by MNRE.

Target and achievement

2.2.17 The details of targets and achievements upto March 2015 are given in table below.

Category	Target fixed (Number)	Achievement (Number)
Solar Home Lighting Systems	18,603	18,603
Solar Lanterns	60,000	60,000
Solar Street Lighting	1,173	1,173
Solar PV Power Plants	13 Nos. (260 kwp)	wp)
Solar Water Heating Systems	12.24 lakh Sq. metre	12.24 lakh Sq. metre

(Source: Information furnished by MEDA)

The sector had a total budget allocation of ₹ 54.89 crore including CFA of ₹ 17.97 crore against which an expenditure of ₹ 50.56 crore was incurred.

Distribution of solar home lights

2.2.17.1 As per rate contract (September 2006) of MEDA, cost of the SHL was ₹ 13,531 per unit of which ₹ 8,731 per unit was to be borne by the beneficiary and ₹ 4,800 per unit would be provided as subsidy by the GoI. The following observations were made during the joint physical verification[16] of the 20 households test checked in three[17] Gram Panchayats (GP) in Sangli Zilla Parishad (ZP):

- Of the 20 SHLs stated to have been distributed Agriculture Development Officer (ADO), Agriculture Department, ZP Sangli, five SHLs were not found in the premises of the beneficiaries which was confirmed by the beneficiaries during the joint physical verification.

The ADO, Sangli stated (September 2014) that SHLs were installed and the installation reports were also available on record. The reply was contradictory to the beneficiaries confirmation of not being provided with SHLs.

- The benefit of subsidy component was not given to 15 out of 20 beneficiaries by the ZP and the supplier recovered excess amount ranging from ₹ 4,269 to ₹ 13,619 from the beneficiaries. Further, in respect of 15 beneficiaries, training for use and care of SHLs and Annual

[16] Conducted in the presence of Gram Sevak/representative of the GP and Gram Sarpanch

[17] Haripur, Maalgaon and Takali villages in Sangli district

Maintenance Contract (AMC) was not provided during October 2006 to 2011 though it was mandatory as per the rate contract.

MEDA stated (December 2015) that the role of MEDA in this scheme was restricted to disbursement of CFA to concern ZPs and project was actually implemented by ZPs. However, the ZP, Sangli had been informed to look into the matter at the earliest. The reply was not acceptable since the project was expected to be monitored by MEDA.

Installation of SPV Power Plants at District Collector Offices

2.2.17.2 As per the work order placed by MEDA four SPV Power Plants were installed at four[18] District Collector offices through Autonic Energy Systems Private Limited at a cost of ₹ 41.96 lakh.

We observed that (June 2015) the MEDA had not obtained the quarterly/ yearly performance reports duly certified by the District Collector in respect of above four districts from the date of commissioning (July 2013) of the systems from the contractor as required as per the terms and conditions of contract. In the absence of above performance reports, it could not be ascertained in audit whether the systems were satisfactorily working or not.

MEDA stated (December 2015) that some of the Collector Offices and contractors were submitting the generation reports periodically. The reply indicates that the projects are not monitored by the MEDA.

Solar Water Heating Systems

2.2.17.3 The GoI, MNRE sanctioned (August 2008) a programme on Accelerated Development and Deployment of Solar Water Heating Systems (SWHS) in domestic, industrial and commercial sectors during 2008-09 and 2009-10.

The main objective of the programme was to promote widespread use of solar water heaters in the country through a combination of financial and promotional incentives. Capital subsidy from MNRE was also payable to the beneficiaries at the rate prescribed and modified by MNRE from time to time. The capital subsidy was to be paid to the beneficiaries through MEDA only after commissioning of the SWHS and verification carried out by MEDA. The MEDA was also required to submit audited statement including total expenditure incurred on each system.

We observed that although 3,100 SWHSs were installed in the State by the beneficiaries during the period from 2012-14, the MNRE did not sanction the proposals and released the CFA. This resulted in deprival of RE benefit 3,100 beneficiaries to the extent of ₹ 7.17 crore.

MEDA stated (December 2015) that as against the demand of ₹ 35.04 crore, they had received the CFA of ₹ 17.97 crore till May 2014 and ₹ 11.93 crore

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[18] Jalna, Nagpur, Nashik and Yavatmal

was received from MNRE in November 2015 and the subsidy disbursement was in progress. However, the balance CFA of ₹ 5.14 crore was yet to be released by MNRE.

Remote Village Electrification Programme

2.2.18 The Remote Village Electrification (RVE) Programme was designed to provide financial support for electrification of those remote unelectrified villages and unelectrified hamlets of electrified villages where grid-extension was either not feasible or not cost effective; and were not covered under Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY).

Such villages were to be provided basic facilities for electricity/lighting in distributed power generation mode, through various Renewable Energy (RE) sources like Small Hydro Power (SHP), biomass gasification based electricity generation systems, Solar Power Plants (SPP), *etc.* depending upon local availability.

A quarterly Operation and Maintenance report was required to be submitted by the supplier to MEDA till the completion of Comprehensive Maintenance Contract (CMC) period and the GP were required to certify and confirm the status of electrification of the village as on 31 March each year.

Non monitoring of Schemes/Programme

2.2.19 Scrutiny of records of 55 selected villages under RVE programme revealed the following:

- In 31 villages, quarterly reports in respect of the functioning of the solar equipments were submitted for periods ranging from two to three years only as against the full duration of five years. Quarterly reports for the entire period were not available with MEDA in respect of the remaining four villages[19].

MEDA stated (December 2015) that they had received the CMC reports from the manufacturers for the balance CMC period from some of the GPs. However, the collection of CMC reports from some GPs was in progress.

- As per GR (September 2007) of GoM, the Gram Sevaks were required to visit the installed projects every six months and submit the reports on the functioning of the equipments to MEDA.

- In respect of 13 villages out of 55 villages selected, the Gram Sevaks had not submitted the six monthly performance reports to MEDA from the date of installation of solar equipments. In reply GoM stated (June 2015) that the manufacturer and GPs had been instructed to submit the reports of functioning of the solar systems.

[19] Bhatpur, Gongwada and Rameshgudam in Gadchiroli and Charmali in Jalgaon district

Biogas based power generation programme

2.2.20 Biogas technology provides an alternative source of energy mainly from organic wastes. The gas can be effectively utilised for generation of power from biogas based power generation system after dewatering and cleaning of the gas.

As per guidelines issued[20] by MNRE, GoI (Bio-energy technology development group), each proposal will be examined and concurred by the Integrated Finance Division of the Ministry on case to case basis. The CFA would be released after successful commissioning of the biogas based power plant. The MNRE requested all the States Nodal Agencies/Departments to initiate action for implementation of biogas power (off-grid) programme as per the scheme and submit the project proposals to MNRE for approval and sanction of CFA to the beneficiaries.

Delays in approval/sanction of Biogas projects

2.2.21 MEDA submitted (between September 2011 and January 2014) the proposals of following seven biogas renewable energy projects having capacity of 2,550 m^3/day (306 KW of engine capacity) to GoM for initial scrutiny and approval as shown in table below.

Sl. No.	Name of Institution/beneficiary (address of the site)	Biogas Plant capacity (m^3/day and KW)	Date of submission of proposal to GoM	Date of approval of GoM	Time taken for approval by GoM (months)
1.	Nanai Dairy Farm, Sudhanagar, A/p Poyanje, Tal. Panvel, District Raigad	600 m^3/day (72 KW)	12-09-2011	26-04-2013	19
2.	M/s Sahyadri Agro & Dairy Limited, Village Katphal, Tal. Baramati, District Pune	1000 m^3/day (120 KW)	26-11-2012	11-09-2014	22
3.	Shri. Amey B. Patil, Village-Handugari, Tal. Bhum, District Osmanabad	300 m^3/day (36 KW)	26-03-2014	11-09-2014	6
4.	Shri. Surendra S. Girme,Village-Nangaon, Tal. Daund, District Pune	200 m^3/day (24 KW)	26-03-2014	11-09-2014	6
5.	M/s Kamshet Dairy Farm, Village - Govitri, Tal. Maval, District Pune	275 m^3/day (33 KW)	26-03-2014	11-09-2014	6
6.	Shri. Limbaraj T. Tikale, Village-Khed, Tal. & Dististrict Osmanabad	75 m^3/day (9 KW)	26-03-2014	11-09-2014	6
7.	Shri. Sant Lahanuji Maharaj Sansthan, A/p Takarkheda, Tal. Arvi, District Wardha	100 m^3/day (12 KW)	25-06-2014	11-09-2014	2
Total		**2,550 m^3/day (306 KW)**			

(Source: Information compiled from the records produced by MEDA)

It could be seen that the GoM took two to 22 months to accord the initial approval to these seven projects which were forwarded during May 2013 to March 2015 to MNRE for approval. MNRE raised queries on six proposals out of the seven projects forwarded to them for approval which were yet to be

[20] June 2009, November 2010, October 2011 and January 2014

complied (January 2016). Hence, there was delay in commissioning of 306 KW capacity biogas projects.

MEDA stated (December 2015) that the queries raised by MNRE with reference to six projects have complied by MEDA in July 2015, however, sanction to these projects was still awaited from MNRE. The reply was silent on the reasons for delay by GoM in approving the proposal.

In respect of another seven projects with total capacity of 60 KW which were completed between June 2011 and August 2012 at a cost of ₹ 97.68 lakh, MEDA inspected the same only after a period of eight to 22 months. Thereafter, the inspection reports were submitted to MNRE in July 2014 for release of CFA of ₹ 26.40 lakh, which was yet to be released (January 2016). Thus, the delay in inspection by MEDA resulted in delay in granting the CFA benefits of ₹ 26.40 lakh to the beneficiaries.

MEDA stated (December 2015) that the MNRE directed the Biogas Development & Training Centre (BTDC), Indore to inspect these projects in July 2014. BTDC had inspected these projects in September 2014 and submitted the report to MNRE in March 2015. MNRE directed the BTDC to re-inspect the projects and to re-submit the report. However, sanction to these projects was still awaited from MNRE. The reply was silent on steps proposed to speed up proposals with MNRE/GoM for approvals.

Information, publicity and awareness programme

2.2.22 The MEDA is implementing programme on Information, Publicity and Public Awareness using Electronic media, Exhibition and outdoor media like Hoardings/Kiosks/Bus back panels and seminars to create mass awareness of the non-conventional energy products and devices, design features products *etc.* and also to disseminate information on technological development and promotional activities taking place in the area of the non-conventional energy.

As per MNRE Guidelines (October 2010) the periodical progress reports, utilisation certificates and audited statements of expenditure were required to be submitted to MNRE. Further, the Rajiv Gandhi Akshaya Urja Divas was also to be celebrated by MEDA every year by organising Runs, Debates, Seminars, Quiz, Drawing Model making, Posters, Essay and Slogan writing competitions amongst others for school children in different talukas/blocks and villages *etc.* and submitting the achievement reports to MNRE.

2.2.23 During the period from 2007-15 the expenditure to the extent of ₹ 12.89 crore was incurred by MEDA on Information, Publicity and Public awareness. The activities *viz.* organising Runs, Debates, Seminars, Quiz, Drawing Model making, Posters, Essay and Slogan writing competitions amongst others for school children in different talukas/blocks and villages have not been conducted.

Conclusion and Recommendations

- Inspite of huge potential of solar power in the State, the solar sector was not tapped due to absence of suitable policy framework of the GoM.

- ***Vigorous efforts are required by the GoM, MEDA and MSPGCL to make up the backlog in the solar power sector.***

- The potential of wind energy in the State was 9,400 MW and as against a target of 2,400 MW fixed the achievement was 4,441 MW as on March 2015. In Small Hydro Power the potential was 732 MW and as against the target of 130 MW the achievement was 284 MW. The potential of Biomass was 2,658 MW and as against target of 1,780 MW the achievement was 1,615 MW.

- As of March 2015, 59 potential wind sites and 60 small hydro sites identified in 2007-08 and 2010-11 respectively remained undeveloped despite substantial expenditure on identification of these sites.

- ***GoM, MEDA and WRD may ensure the development of identified 59 wind and 60 small hydro sites respectively after conducting feasibility studies.***

- MSEDCL's policy of commissioning RE projects without obtaining Infrastructure Clearance Certificate and Project Commissioning Clearance Certificate from the MEDA was not consistent with the GoM policy directives.

- Though wind energy projects were set up and energy injected to the Grid, the MSEDCL did not enter into EPAs with 50 wind energy developers complaining of high tariff and absence of grid discipline norms.

- ***Since tariff is a major challenge to the growth of the RE Sector, the MSEDCL/MSETCL may continue their efforts with MERC for introduction of competitive bidding for determination of tariff for the wind energy sector.***

- In five circles test checked, the MSEDCL had delayed payment of bills of Wind Energy Developers over 30 to 74 days involving ₹ 213.51 crore.

- The MSETCL did not reimburse the evacuation expenditure to 20 biomass projects (₹ 55.08 crore).

- ***The MSETCL, MSEDCL may evolve a system to ensure timely reimbursement of expenditure incurred by the Developers on evacuation infrastructure.***

- The MSEDCL paid higher tariff to wind generators without obtaining certificate regarding non-availment of accelerated depreciation.

- ***Necessary certificates regarding non-availment accelerated depreciation from the developers and internal audit of the same may be ensured so as to avoid excess payment on account of higher tariffs.***

- The MEDA did not recover the prescribed commitment charges of ₹ 9.54 crore from 13 biomass projects.

- Due to shortfall of 2,004 Million Units in purchase of solar and non-solar energy from RE generators which worked out to 7.14 *per cent* of the target the MSEDCL may be required to deposit ₹ 260.33 crore in the RPO Regulatory Fund, as per directives of Maharashtra Electricity Regulatory Commission.

- The GoM transferred only ₹ 112.79 crore as against ₹ 2,315 crore due for transfer to MEDA for undertaking promotional activities in RE Sector as specified in the tax on sale of Electricity Act, 1963 resulting in diversion of the balance funds of ₹ 2,202.21 crore.

- ***The transfer of funds (under Green Cess Fund) to MEDA specified in the tax on sale of Electricity Act, 1963 may be ensured to undertake promotional activities in RE Sector.***

- Seven biogas projects having capacity of 306 KW were awaiting approval from MNRE, Government of India whereas in seven projects of 60 KW which were belatedly inspected by MEDA, benefits of ₹ 26.40 lakh were not released to the developers.

- ***GoM may by effective monitoring ensure that all the stake holders and the State agencies follow/implement their policy directives.***

The matter was reported to the Government (November 2015); their reply was awaited (January 2016).

Chapter III

Performance Audit of Statutory Corporations

Chapter III

Performance Audit of Statutory Corporations

Maharashtra State Road Transport Corporation

3.1 Procurement of Buses and Working of Workshops

Executive Summary

Introduction

The Maharashtra State Road Transport Corporation (Corporation) incorporated on 1 July 1961 by Government of Maharashtra (GoM) under Section 3 of the State Road Transport Corporations Act, 1950 (Act), is mandated to provide an efficient, adequate, economical and properly coordinated public road transport in the State. The Corporation has a monopoly in stage carriage in mofussil (rural) areas while it also operates city services in seven urban/semi urban locations of the State. During the period 2010-11 to 2014-15, the Corporation carried 69.93 lakh passengers per day; the total number of passengers carried decreased from 253.68 crore in 2010-11 to 245.60 crore in 2014-15. The Corporation had three Central Workshops entrusted with bus body building on new chassis while Repairs and Maintenance (R&M) of buses was carried out at 32 Divisional Workshops and 250 Depot Workshops. During the period from 2010-11 to 2014-15, the Corporation incurred total expenditure of ₹ 1,899.75 crore on purchase of 651 ready built buses, in-house bus body building of 8,207 buses and 1,852 buses built from private agencies. As on 31 March 2015, the Corporation owned an operational fleet of 18,008 buses consisting of 15,891 Ordinary buses, 953 Semi Luxury buses, 536 City buses, 592 Midi Buses, 36 Air Conditioned (AC) buses. Further, 73 AC buses were taken on hire for select routes.

(Paragraph 3.1.1)

Planning

The GoM had not formulated a Passenger Transport Policy to develop an integrated and holistic perspective delineating the specific role of the Corporation in a fast changing transport scenario. The Corporation could not achieve planned operations during the period 2010-11 to 2014-15 and had cancelled total 17.24 crore planned kilometres mainly due to shortage of crew besides other avoidable reasons like shortage of buses, defective buses, delay of buses from line/depot *etc.* Annual Production/Procurement plan was not worked individually for each type of bus service category *i.e.* Ordinary, Semi-Luxury, AC, Midi, City *etc.* Further, defective Annual Plans were formulated without considering operational restrictions on buses procured under Manav Vikas Scheme (MVS).

(Paragraphs 3.1.7, 3.1.9, 3.1.10 and 3.1.11)

Procurement of chassis/buses

During the period 2013-14, there was avoidable delay in finalisation of tenders for procurement of chassis which adversely impacted the Annual Production/Scrapping Plans of Ordinary Buses leading to increased cancellation of planned operations and plying of overaged buses. There was no system to monitor the economy and efficiency of overaged buses. Further, the Corporation did not ensure procurement of adequate/ required buses for operating profitable AC and Semi Luxury services which had adversely impacted the operational performance leading to reduction in schedules/operated kilometres and profitability. Quality assurance of 1,955 buses built from private agencies was not ensured since the contracts did not provide for random check of materials utilised.

(Paragraphs 3.1.12, 3.1.13, 3.1.14, 3.1.15, 3.1.16 and 3.1.19)

Working of Workshops

Production plan for bus body building at three Central Workshops was formulated on the basis of available manpower without considering cost of production. Despite being the most cost efficient workshop, production of Ordinary buses was lowest at Nagpur in comparison to other two Central Workshops and in particular Aurangabad which was the costliest. The Central Workshops were functioning with very old machineries in the absence of long term plan for augmentation/ modernisation as well as gross under utilisation of budgetary allocations. The Corporation had fixed Standard Man Hours (SMH) for production related activities at Central Workshops in an arbitrary manner without any scientific study and hence reasonability of existing SMH as well as production incentives paid could not be ensured. There were various instances of chassis lying idle at workshops and delays in production/ dispatch of buses due to lack of effective monitoring system. Incorrect system for payment of production incentives on incomplete buses and prematurely failed engines were noticed at Central Workshops. Reconditioning of buses was carried out by Central Workshops in lieu of production of new buses due to non availability of chassis, without adhering to prescribed maintenance manual leading to unwarranted excess expenditure of ₹ 42.80 crore, when the Corporation was already reeling under financial constraints.

(Paragraphs 3.1.20, 3.1.23, 3.1.25, 3.1.27, 3.1.30, 3.1.31, 3.1.33 and 3.1.37)

Other topics of interest

The Corporation could not receive grants/ reimbursement of expenditure to the extent of ₹ 66.43 crore under Central/State Schemes due to improper submission of proposals, non-compliance with mandatory conditions and failure to follow up with the State Government. Further, the Corporation did not submit proposal for availing benefit of grants for procurement of city buses under a Central scheme.

(Paragraphs 3.1.40 and 3.1.42)

Monitoring and Internal Control

The Corporation had not maintained Service category wise details of cancellations of planned operations, cost per kilometre and profitability in respect of each type of operation.

(Paragraph 3.1.44)

Recommendations

Audit has made six recommendations which included formulation of Integrated Passenger Transport Policy for the State, preparation of Annual Plans considering requirements of each bus service category and operational restrictions on MVS buses, streamlining of tendering process to avoid delays in awarding contracts, formulation of long term plans for augmentation/modernisation of workshops and production plan at Central Workshops considering their cost effectiveness, scientific fixation of standard man-hours/time limits for production activities along with implementation of production stage wise monitoring system and ensuring proper/timely actions for availing benefits of grants under Central/State Government schemes.

Introduction

3.1.1 The Maharashtra State Road Transport Corporation (Corporation) was incorporated on 1 July 1961 by Government of Maharashtra (GoM) under Section 3 of the State Road Transport Corporations Act, 1950 (Act). The Corporation is mandated to provide an efficient, adequate, economical and properly coordinated public road transport in Maharashtra. The Corporation has a monopoly in stage carriage in *mofussil* (rural) areas. It also operates city services in seven urban/semi urban locations[1] of Maharashtra. The Corporation has employed 1.07 lakh employees as on 31 March 2015. The Corporation has carried on an average 69.93 lakh passengers per day during the review period. The total number of passengers carried by the Corporation, however, decreased from 253.68 crore in 2010-11 to 245.60 crore in 2014-15.

The working of the Corporation is based on four tier system *i.e.* Central Office, six Regional Offices, 31 Divisional Offices and 250 Depots. The Corporation has three Central Workshops, 32 Divisional Workshops and 250 Depot Workshops.

The Corporation is under the administrative control of the Home Department (Transport) of the GoM. The Management of the Corporation is vested with a Board of Directors (Board) comprising of Chairman and 17 Directors including Vice Chairman & Managing Director (VC&MD), three Central and two State Government representatives. The day-to-day operations are carried out by the VC&MD who is the Chief Executive of the Corporation with the assistance of other executives.

[1] Sangli-Miraj, Nashik, Vasai-Virar-Nalasopara, Chandrapur, Ratnagiri, Nanded and Aurangabad

During the period 2010-11 to 2014-15, the Corporation had incurred total expenditure of ₹ 1,899.75 crore on purchase of 651 ready built buses, 8,207 in-house bus body building and 1,852 buses built from private agencies. As on 31 March 2015, the Corporation owned an operational fleet of 18,008 buses consisting of 15,891 Ordinary buses, 953 Semi Luxury buses, 536 City buses, 592 Midi* Buses and 36 Air Conditioned (AC) buses. Further, 73 AC buses were taken on hire for operating services on select routes[2].

Financial Position and Working Results

3.1.2 The Corporation incurred losses during 2012-13 to 2014-15, though it had earned profit during 2010-11 and 2011-12. Consequently, accumulated losses had increased from ₹ 356.82 crore in 2010-11 to ₹ 1,676.46 crore in 2014-15. Despite huge accumulated losses and current liabilities/trade dues, the Corporation could manage the liquidity/cash flow with the help of Capital Contribution from GoM, Passenger Tax, Capital Grants received under various schemes and funds from internal resources. During the period from 2010-11 to 2014-15, the Corporation received capital contribution of ₹ 1,200.14 crore from GoM which were utilised for meeting overall working capital requirements including procurement of chassis/ready built buses and production of buses.

Scope of audit and objectives

3.1.3 The Performance Audit (PA) was conducted during April 2015 to July 2015 covering the procurement of Buses and working of workshops for five years from 2010-11 to 2014-15. The records at Corporation's Head Office, three Central Workshops, eight Divisional Workshops and 25 Depot Workshops were selected in Audit.

3.1.4 The audit objectives were to ascertain whether:

- proper planning existed for procurement/production of buses to cater to public service;
- due processes were followed for procurement of ready built buses/chassis and bus-body building;
- economy, efficiency and effectiveness was achieved in operations of Workshops/Depots and utilisation of resources; and
- mechanism existed for monitoring of various functions and activities of the Corporation and internal control/internal audit system.

Audit criteria and methodology

3.1.5 The audit criteria adopted for achieving the stated audit objectives were derived from the following documents:

- Provisions of State Road Transport Corporations Act, 1950, Government Resolutions issued by State Government and Policies of the Corporation;

* Having seating capacity between 23 to 34 passengers plus driver as per Automotive Industry Standards (AIS)-052

[2] Mumbai-Pune-Mumbai, Pune-Nashik-Pune, Pune-Aurangabad-Pune *etc.*

- Purchase manual, Accounts manual, rules and regulations adopted by the Corporation and Plant Operating Manuals;
- Budget Estimates and Production Targets/norms prescribed from time to time by the Corporation;
- Preventive Maintenance Manual for activities like reconditioning/docking/ engine oil change *etc.*; and
- Internal Audit Reports, Agenda and Minutes of Board meetings and Management Information System (MIS).

The audit methodology adopted for attaining the objectives involved explaining audit objectives to the Management during an Entry Conference held in May 2015, analysis of data/records with reference to audit criteria, issue of audit enquiries and draft Performance Audit Report to the Management/Government for their comments. The draft PA Report was issued (September 2015) to the Corporation and Government. The replies of the Corporation (October 2015) have been considered while finalising the PA Report. The audit findings were also discussed in an Exit Conference (October 2015) wherein the representatives of the Corporation and GoM were present.

Acknowledgement

3.1.6 Audit acknowledges the co-operation and assistance extended by the Corporation at various stages of conducting the Performance Audit.

Audit findings

Planning

Absence of Comprehensive Passenger Transport Policy

3.1.7 An integrated/comprehensive Passenger Transport Policy was required to ensure an economic and efficient public transport system in the State, so as to provide better/adequate services to commuters at reasonable prices, eliminate operations of illegal passenger transport vehicles and reduction of congestion/pollution caused due to substantial increase in individual/private vehicles. The Corporation had submitted (February 2008) a concept paper for formulating the transport policy which was yet to be considered by the GoM (December 2015). It was felt that GoM needed to redefine the role of the Corporation in a fast changing transport scenario by formulating an Integrated Transport Policy.

Annual Planning

3.1.8 The Corporation prepares Annual operational plan for different types of bus services[3], on the basis of assessment of estimated traffic requirements, indicating 'Average Schedules' and 'Kilometres' to be operated per day

[3] Ordinary, Semi Luxury, Air Conditioned (AC), City *etc.*

during ensuing year and during May[4] of the following year. Schedule refers to trip wise planned operation of a vehicle during 24 hours of a day and for every schedule, one vehicle is required. The annual requirement of buses is assessed on the basis of 'Average Schedules' to be operated plus provision for spare buses at five *per cent* during May and eight *per cent* during remaining period of the year. Thereafter, Annual Plan for procurement of chassis, production[5] of new buses and purchase/hiring of ready built buses is prepared considering total buses required for operations and buses available as on 31 March of the previous year less buses due for scrapping during the year as per the norms[6].

Non achievement of planned operations

3.1.9 The Corporation has stated that it prepares the Annual Operational Plans considering the traffic requirements/demand and accordingly plans production /procurement of buses for meeting the operational requirements. Hence, it is essential to ensure availability of required crew[7] as per the prescribed norms[8], for ensuring achievement of planned operations as well as optimum utilisation of available buses. Summarised position of schedules/kilometres planned, actually operated and cancelled during 2010-11 to 2014-15 is as given below:

Year	Planned		Actually operated		Cancelled	
	Average Schedules (No.)	Kilometres (in crore)	Schedules (No.)	Kilometres (in crore)	Schedules (No.)	Kilometres (in crore)
1	2	3	4	5	6 (2-4)	7 (3-5)
2010-11	14,780	185.13	14,448	180.11	332	5.02
2011-12	15,428	193.45	14,958	189.03	470	4.42
2012-13	15,824	197.30	15,127	190.75	697	6.55
2013-14	16,052	201.58	15,450	195.08	602	6.50
2014-15	16,155	204.89	15,609	198.97	546	5.92
	Total				**2,647**	**28.41**

(Source: Monthly Operational Reports of the Corporation)

It could be seen that 2,647 planned schedules (ranging between 332 and 697) involving 28.41 crore kilometres were stated to be cancelled during the period 2010-11 to 2014-15. We observed that out of this, cancellation of 10.28 crore kilometres was attributed purely to shortage of crew which ranged between 27.84 and 47.60 *per cent* of total cancellations during these years. There was continuous shortage of crew for operation of planned schedules during the review period, though shortfall reduced from 7,307 in 2010-11 to 4,851 in 2014-15. The Corporation had to deploy available crew on overtime basis[9] for operations of planned schedules incurring overtime expenditure of ₹ 326 crore during the review period. Besides, 6.96 crore planned kilometres were cancelled due to other avoidable reasons such as shortage of buses, delay of

[4] May is the peak season for traffic and as a matter of abundant precaution, the requirement of vehicles is being calculated by considering the operation in May of the following year

[5] In-house production at Central Workshops and bus body building from outside agencies

[6] As per the policy of the Corporation, buses are scrapped after plying more than eight years

[7] A crew refers to one driver to one conductor

[8] Crew required for operating planned schedules is based on the norms of 1.40 per schedule considering their absenteeism and leave/holidays

[9] Double duty, off cancellation and cancellation of mandatory nine hours rest

buses from line/depot, defective buses and mechanical faults/breakdowns of buses. Therefore, there was cancellation of total 17.24 crore planned kilometres attributable to the above reasons. Remaining 11.17 crore kilometres were cancelled due to reasons beyond management control like less/no traffic, traffic jam, heavy rains, strike/agitation *etc.*

The Corporation accepted that there was shortfall of crew despite recruitments which had resulted in cancellation of kilometres.

Operational restrictions on buses procured under Manav Vikas Scheme

3.1.10 The Corporation formulated Annual Plans for passenger transport considering 'operational fleet available as on 31 March of the previous year'. We observed that the Corporation had procured (May to October 2012) 625 buses from funds provided by GoM for free transport facility to girl students in Government Schools of rural areas under Manav Vikas Scheme (MVS). As per the Scheme, these buses were being operated for school services for 215 days in a year. The Corporation was permitted to operate these buses for passenger transport during balance 150 days of the year within the concerned districts only. The Corporation, however, did not consider restrictions on use of these 625 buses while formulating Annual Plans and included them in the Annual fleet routinely This adversely impacted operational planning at Depot level. These buses had to be operated on routes within the districts despite low passenger traffic[10] leading to low earnings per kilometre[11] thereby making the operations unviable. The Corporation requested (January and March 2015) the GoM for waiver of restrictions on these buses which was not accepted till date (December 2015).

The Corporation accepted that Annual Plan was formulated including MVS buses without considering their restricted availability and assured to take necessary corrective action in future.

Non formulation of service category wise procurement plan for buses

3.1.11 The Corporation operates different types of bus services *i.e.* Ordinary, Semi-Luxury, Air Conditioned (AC), City *etc.* The fare structure of each type of service is different and is intended to cater to different socio-economic categories of the society. As has been discussed earlier, the Corporation prepares Service category-wise average schedules per day to be operated during the year. Accordingly, assessment of requirement of buses and Annual Production/Procurement plans should have been worked out individually for each type of service category. Instead the Corporation had formulated requirement of buses and Annual Production/Procurement plans on aggregate of 'Average Schedules' to be operated which was not a proper approach. As a result, Corporation did not work out/maintain service category wise details of requirement of buses and cancellation of planned schedules/kilometres due to

[10] Load factor (in percentage) of MVS buses was 35.94 and 35.90 as against the overall load factor of 58.28 and 57.16 of the Corporation during 2013-14 and 2014-15 respectively

[11] During 2013-14 and 2014-15, Earnings per kilometre (EPKM) from MVS buses were ₹ 14.97 and ₹ 16.44 as against overall EPKM of Corporation of ₹ 25.94 and ₹ 27.57 respectively

shortage of buses. Though, the Corporation managed to increase the operational fleet of Ordinary buses from 14,211 in 2010-11 to 16,483 in 2014-15, there was reduction in operational fleet of Semi luxury buses and AC buses leading to overall shortage of buses during the review period as discussed in the subsequent paragraphs.

The Corporation accepted the facts and assured that Service category-wise assessment of requirement of buses and production/procurement plan will be formulated in future.

Procurement of chassis and buses

Annual Plans for Production/Procurement

3.1.12 For meeting annual requirement of buses, the Corporation planned procurement of chassis for production of new buses at three Central Workshops considering their manpower availability as well as bus body building from private agencies. Besides, procurement of ready built buses and hired buses was also planned. Year-wise details of production/procurement planned, actually achieved and shortfall during 2010-11 to 2014-15 was as detailed below:

Year	Production		Purchase of ready built/ hired buses	Total
	Central Workshops	Private agencies		
	Planned production/procurement			
2010-11	2,080	436	365	**2,881**
2011-12	2,160	675	50	**2,885**
2012-13	1,983	845	0	**2,828**
2013-14	2,200	150	450	**2,800**
2014-15	1,863	645	0	**2,508**
	Actual Production/procurement			
2010-11	2,013	417	219	**2,649**
2011-12	2,063	393	429	**2,885**
2012-13	2,015	941	3	**2,959**
2013-14	1,441	101	0	**1,542**
2014-15	675	0	0	**675**
	Shortfall in production/procurement			
2010-11	67	19	146	**232**
2011-12	97	282	-379	**0**
2012-13	-32	-96	-3	**-131**
2013-14	759	49	450	**1,258**
2014-15	1,188	645	0	**1,833**

(Source: Information furnished by the Corporation)

The Corporation, except in 2011-12 and 2012-13 could not achieve production/ procurement targets and the shortfall in production targets for the remaining three years ranged from 232 to 1,833 buses. This resulted in continuous shortage of buses during the review period leading to cancellation of 2.93 crore planned kilometers besides operation of overaged buses.

Avoidable delay in finalisation of tender for supply of chassis

3.1.13 The Corporation had planned for production[12] of 2,350 buses and 2,508 buses during 2013-14 and 2014-15 respectively. The production was planned considering the requirement of additional buses and buses due for scrapping during the period. Thus, timely finalisation of tenders was essential to ensure adequate availability of chassis to meet the production targets and scrapping of buses.

We observed that the purchase order for supply of ordinary bus chassis awarded (September 2012) was valid upto 12 December 2013. Subsequent tender for supply of chassis[13] was, however, awarded (30 June 2014) after a lapse of more than six months due to administrative delays such as belated invitation of tenders (October 2013) and non issue of offer letter to the successful bidders before Model Code of Conduct (MCC) of Lok Sabha Elections (effective from 5 March 2014) despite Board's approval (February 2014). Delivery of chassis against new tender commenced from 6 September 2014. As a result, there were no chassis available for production of new buses at three Central Workshops during the period 25 January 2014 to 5 September 2014 which led to non achievement of the operational plans and scrapping plans.

The Corporation attributed delay in finalisation of tender to financial constraints and imposition of code of conduct during the election period. The reply was not acceptable as the running contract for procurement of chassis was to expire in December 2013. The Corporation was also well aware of the restrictions due to model code of conduct, and hence adequate efforts should have been made for timely finalisation of the contract for procurement of chassis and for utilisation of the available budget provisions. Besides, during 2013-14 and 2014-15, the Corporation had to cancel 1.47 crore kilometres due to shortage of buses which was more than the combined total of kilometres cancelled during previous three years (1.46 crore kilometres).

Operation of overaged Ordinary buses

3.1.14 The Corporation had adopted (August 2009) policy for scrapping the buses after plying for eight years. This policy was adopted on the grounds that operation of overaged buses was not financially viable. Besides, 'Environment Tax' was payable[14] annually on passenger transport vehicles which were more than eight years old. Year-wise details of overaged buses due for scrapping,

[12] In-house production at Central Workshops and bus body building from private agencies

[13] 1,800 chassis

[14] 2.50 *per cent* or 10 *per cent* of the applicable Motor Vehicle Tax

actually scrapped and shortfall thereof during 2010-11 to 2014-15 was as detailed below:

Particulars	Year				
	2010-11	**2011-12**	**2012-13**	**2013-14**	**2014-15**
Buses due for scrapping	2,485	2,235	2,198	2,152	2,006
Actually scrapped	2,419	1,988	2,163	1,518	372
Shortfall in scrapping	66	247	35	634	1,634

(Source: Information furnished by the Corporation)

It could be seen that there was shortfall in scrapping of old buses during all these years which had increased from 66 in 2010-11 to 1,634 in 2014-15. The shortfall had increased substantially during 2013-15 because of shortfall in production of buses due to delayed finalisation of tender for procurement of chassis. As on 31 March 2015, the Corporation had 1,634 overaged buses. The Corporation had, however, neither quantified financial impact of operating overaged buses nor maintained separate records related to operating costs and repairs and maintenance (R&M) expenses on such overaged buses. Further, the Corporation paid ₹ 41.55 lakh for the period 2010-11 to 2015-16 as environment tax for operation of overaged buses.

The Corporation accepted that there was no Management Information System to work out bus wise R&M cost and it was under their active consideration.

Shortage of Semi Luxury buses

3.1.15 Year-wise details of Semi Luxury buses held and operational performance thereof during 2012-13 to 2014-15 is given below:

Year	No. of operational semi luxury buses	Average schedules operated	Effective kilometre (in lakh)	Passenger carried (in lakh)
2012-13	1,284	1,284	2,024	780
2013-14	1,086	1,093	1,706	679
2014-15	953	837	1,370	516

It could be seen that the operational fleet of Semi Luxury buses reduced from 1,284 in 2012-13 to 953 in 2014-15 which had reduced operated schedules from 1,284 to 837 (35 *per cent*) and effective kilometres from 2,024 lakh kilometres to 1,370 lakh kilometres (32 *per cent*). The Corporation had planned operation of 1,388, 1,364 and 1,423 schedules of semi luxury buses during the month of May 2012, May 2013 and May 2014 respectively. As against the requirement[15], the Corporation had, however, only 1,284, 1,086 and 953 buses leading to shortage of 173, 346 and 541 buses for meeting operational requirements during 2012-13, 2013-14 and 2014-15 respectively. We further observed that during 2012-13 to 2014-15, the Corporation converted[16] 868 'semi luxury buses' into 'ordinary buses' while only 472 new semi luxury buses were inducted in service. Thus, conversion of 'Semi luxury

[15] Considering provision of spare buses at the rate of five *per cent,* requirement worked out to 1,457, 1,432 and 1,494 respectively

[16] As per the policy (August 2004) of the Corporation, semi luxury buses are converted into ordinary buses after three years from the date of registration

buses' into 'Ordinary buses' coupled with non-procurement of matching/ additional new buses led to shortage/reduction of semi luxury buses which had an adverse impact on their operational performance.

The Corporation stated that there was operational shortage of semi luxury buses as the proposal for hiring of 600 semi luxury buses was not approved by the GoM. The reply was not acceptable as conversion should have been postponed till arrangement of matching or additional new procurement of semi luxury buses. Further, the Corporation had hired 500 AC/Non-AC buses in August 2015 without obtaining approval of GoM.

Shortage of Luxurious Air Conditioned buses

3.1.16 The Corporation is operating luxurious Air Conditioned (AC) buses on selected routes like Pune-Mumbai, Pune-Nashik, Pune-Aurangabad. During March-June 2011, the Corporation purchased 25 Volvo make AC buses while 90 buses were hired from private agencies during May 2009 to June 2013 on kilometres payment basis[17]. The Corporation had consistently earned profits from AC bus services during the review period. Thus, the Corporation needed to augment its operational fleet and increase operations on these established routes to maximise profits.

It was observed that the operational fleet of AC buses reduced from 115 in 2012-13 to 98 in 2014-15. This led to reduction of operated kilometres by 19 lakh kilometers. There was substantial reduction of AC buses during 2014-15, as 16 hired buses were removed from operations against which new buses were not procured. As against the requirement of 150 buses assessed (July 2014) by the Corporation, there were only 98 buses as on 31 March 2015. We further observed that:

3.1.17 Agreements with the private bus owners were entered into for a period of three years (extendable upto maximum five years). The hired buses were compulsorily removed from operation after completion of five years from the date of agreement/operation. As the Corporation was aware that 18 hired buses were completing five years operation in March-April 2015, procurement (hire/purchase) of matching number of buses was to be ensured accordingly to avoid loss of revenue.

The Board approved (July 2014) initiating tendering process for hiring of buses which were due for removal in March-April 2015. Simultaneously, Board approved for initiating tendering process for purchase of 25 AC buses for augmentation of the existing fleet. E-tender for hiring of buses was invited (October 2014) which did not materialise due to technical flaws in the e-tendering system. Meanwhile, technical and financial bids of two successful bidders[18] against tenders invited (August 2014) for procurement of buses was

[17] New air-conditioned buses provided by private agencies with drivers and expenditure on their running. The Corporation was to provide conductors, pay fuel charges at agreed rates and make payment as per the actual kilometres operated

[18] Scania Commercial Vehicles India Private Limited (SCVIPL) and Volvo Buses India Private Limited (VOLVO)

opened (December 2014) and the Board subsequently decided (March 2015) to procure 70 buses including replacement against buses due for removal in March-April 2015 by awarding purchase order to both the bidders (35 each). The purchase order was finally placed (April 2015) after a period of more than four months from the date of opening of bids leading to shortage of AC buses. The Corporation (Pune Division) removed nine AC buses which completed five years during the period 20 March 2015 to 20 April 2015 against which new buses were received only during 13 May 2015 to 3 June 2015. Consequently, Corporation had to cancel 2.17 lakh kilometres thereby foregoing potential profit of ₹ 46.36 lakh[19] besides causing inconvenience to passengers.

The Corporation attributed the same to non-materialisation of tender for hiring of AC buses due to exorbitant rates received.

The reply was not convincing as the tender for hiring of buses were invited only in October 2014 which had not materialised as the technical flaws noticed in the system were not resolved. The Corporation should have finalised the procurement of AC buses well in advance so as to ensure availability of buses during peak season, as it was a profitable segment.

Avoidable cancellation of trips of AC buses due to non-availability of drivers

3.1.18 The Pune Division had 10 own Volvo make AC buses which were procured during March-June 2011. The Division received nine new Volvo make AC buses during May-June 2015 thereby making total fleet of own buses to 19. As per the tender condition, suppliers were to impart free training to drivers of the Corporation for operation of AC buses. The Corporation, in accordance with procurement plan, should have ensured training of drivers for operation of AC buses and no cancellation of trips on account of non-availability of drivers.

We observed that due to shortage of trained drivers, Pune Division cancelled 691 trips of these AC buses (1.05 lakh kilometres) during May to July 2015. The Division had only 36 drivers as against requirement of 51 drivers leading to shortage of 15 drivers to operate available AC buses. It indicated improper planning due to which Corporation was deprived of potential profit of ₹ 25.63 lakh.[20]

The Corporation attributed cancellation to absenteeism of drivers, shortage of vehicles, breakdowns *etc.* and not due to shortage of trained drivers. The fact was that the records/information furnished by the Pune Division clearly indicated shortage of 15 trained drivers resulting in cancellation of trips.

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[19] Considering average profit of ₹ 21.41 per kilometre (hired buses) during March-June 2014

[20] Considering average profit per kilometre of ₹ 24.41 for 1.05 lakh kilometres earned from operations of own AC buses during May-July 2014

Quality assurance of buses built by private agencies

3.1.19 During the period 2009-10 to 2012-13, the Corporation awarded seven contracts for fabrication and mounting of bus bodies (bus body building) on 1,955 chassis for total contract cost of ₹ 141.32 crore. As per contract, the fabrication and mounting of semi luxury bus bodies was to be carried out in accordance with the drawings and specifications of materials prescribed by the Corporation. However, there was no provision in the tender/contract for laboratory testing of materials at accredited laboratories so as to ensure that specified/standard quality of materials was used in fabrication of buses by the private agencies.

We observed that the Corporation had ensured quality assurance of buses produced at Central Workshops through random sample testing of materials at accredited laboratories[21]. Further, State Road Transport Undertakings (SRTUs) of Gujarat, Uttar Pradesh and Rajasthan had incorporated material sample testing clause in the contracts awarded by them to private agencies at different stages of bus body building. The Corporation, however, got 1,955 buses worth ₹ 141.32 crore fabricated without sample testing of materials and therefore the quality/specification of materials used by private agencies could not be assured.

The Corporation assured that suitable clause for random sample testing will be incorporated in contracts awarded in future in line with the other STUs.

Working of Workshops

3.1.20 The Corporation has three Central Workshops, 32 Divisional Workshops and 250 Depot Workshops. These workshops are under the administrative control of the Mechanical Engineering Department at Head Office headed by General Manager (ME).

Central Workshops

3.1.21 Three Central workshops at Aurangabad, Nagpur and Pune were established in February 1975, June 1972 and February 1950 respectively. The Central Workshops are entrusted with production related activities like bus body building on new chassis, re-body building of old buses, reconditioning and repairs of engines/Fuel Injection (FI) pump and tyre retreading[22].

As per bus building code (Automotive Industry Standard-AIS: 052) made mandatory by Ministry of Road and Transport Highways (MoRTH), GoI with effect from 1 April 2015, every bus manufacturer is required to obtain accreditation certificate from Central Institute of Road Transport (CIRT) to demonstrate their capabilities to build buses as per the standards prescribed in the code. The Corporation has adopted AIS 052 for bus body building with effect from 1 April 2015.

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[21] CIRT, Pune, Automotive Research Association of India (ARAI) Pune, and Indian Rubber Manufacturers Research Association (IRMRA) Thane *etc.*

[22] Tyre retreading activity was carried out only at Pune

Details of production activities carried out at Central Workshops during 2010-11 to 2014-15 were as given below:

Particulars	Year					Total
	2010-11	2011-12	2012-13	2013-14	2014-15	
Bus body building (new)	2,013	2,063	2,015	1,441	675	**8,207**
Re-body building of buses/RBB	14	25	6	10	114	**169**
Reconditioning of buses/RC	44	12	13	774	1,509	**2,352**
Reconditioning/Repair of Engines	2,864	2,553	2,367	2,580	3,204	**13,568**
Reconditioning/repair/calibration of Fuel Injection Pumps	4,988	4,832	4,781	5,293	6,820	**26,714**

It could be seen that during 2010-11 to 2014-15, three Central Workshops carried out bus body building and re-body building of 8,207 and 169 buses respectively. Reconditioning (RC) of 2,352 old buses, reconditioning/repair of 13,568 engines and 26,714 fuel injection pumps (including calibration of pumps and automiser nozzles) was also done during the same period.

Non-determination of installed capacity of Central Workshops

3.1.22 Installed capacity of production workshop is to be determined considering the existing infrastructure (area), layout, different machineries/ equipment, man power and number of shifts, identification of idle capacity and constraints in production and efficient utilisation of resources.

We observed that the production capacity of Central Workshops was worked out annually by the Corporation considering available manpower at various incentive levels without considering existing infrastructure and capacity of the installed machineries/equipment. Consequently, the Corporation had not ensured optimum and efficient utilisation of resources.

The Corporation assured that steps would be taken to determine the installed capacity of the Central Workshops.

Modernisation/Augmentation of Central Workshops

3.1.23 Modernisation and replacement of deteriorated/overaged machineries is essential for improvement of production performance, quality of production/ maintenance works and cost reduction (manpower cost and material cost due to reduction of wastages). Since these three Central Workshops of the Corporation at Aurangabad, Nagpur and Pune were functioning with very old machineries, the average age of machines installed at the three workshops ranged from 20 to 28 years[23] against average life of 10 years prescribed by the Corporation as detailed below:

Name of Central Workshop	No. of machines installed/working	Average age of machineries (years)
Aurangabad	146	20
Nagpur	126	21
Pune	84	28

(Source: Information furnished by the Corporation)

[23] Age of the machineries at three Central Workshops ranged between 1 to 63 years

The Corporation had replaced 20 machines and nine machines were installed on trial basis during the review period. However, there was no long term plan for modernisation and augmentation of production capacity of the workshops. Further, no study was undertaken for exploring the scope for outsourcing cost saving manufacturing activities involved in bus production.

The Corporation stated that a Committee for modernisation and replacement of deteriorated/overaged machineries has been constituted and detailed report with recommendation was awaited.

3.1.24 The Corporation prepares Annual Capital Budget based on the requirements received from the field offices. The Corporation provided fund for procurement of Plant, Machinery and Equipment required for upgradation/replacement in the Capital Budget. Summarised position of Budgeted and actual capital expenditure for procurement of Plant, Machinery and Equipment for the year 2010-11 to 2014-15 was as given under:

Year	Provision made in the Budget	Actual expenditure	Under-utilisation of Budget	
	Amount (₹ in crore)			*Per cent*
2010-11	34.65	7.43	27.22	79
2011-12	27.88	6.76	21.12	76
2012-13	10.00	2.20	7.80	78
2013-14	12.00	2.66	9.34	78
Total	**84.53**	**19.05**	**65.48**	

During 2010-11 to 2013-14 though ₹ 84.53 crore was sanctioned in the budget for procurement of Plant, Machinery and Equipment, only ₹ 19.05 crore was spent leading to under-utilisation of budgeted funds to the extent of ₹ 65.48 crore (ranging between 76 and 79 *per cent* every year). As a result, upgradation/replacement of machineries as envisaged and planned for did not materialise.

The Corporation stated that under-utilisation of budgeted funds was due to lack of response to tenders as well as non-participation of major/renowned manufacturers in view of their higher rates. The Corporation assured that necessary steps would be taken to ensure modernisation of machineries in workshops.

Absence of scientific criteria for fixation of standard man hours for production

3.1.25 The Corporation has fixed Standard Man Hours (SMH) for production related activities at Central Workshop which are revised from time to time. The workers engaged in production are eligible for payment of production incentive for number of units produced in excess of standard production calculated with reference to prescribed SMH. Hence, proper/scientific fixing of SMH on the basis of findings/reports of time and motion study (or other appropriate studies) was very critical to ensure optimum utilisation of available manpower, avoid idle wages and unwarranted payment of production incentives.

Production activity wise SMH at three Central Workshops as on 31 March 2015 were as detailed below:

Production Activity	Type of Bus	Pune	Aurangabad	Nagpur
Bus body building on new chassis and Re-body building	Ordinary	1,000	972	962
	Semi-luxury	1,200	1,166	1,154
Reconditioning of Engines	Ordinary/Semi Luxury	95	106	93
Reconditioning of FI Pumps		7.70	7	7

It could be seen that different SMH were fixed for similar production activities at three Central Workshops due to variations in plant layout. The SMH for all the production activities were however lowest at Central Workshop, Nagpur.

The Corporation had fixed SMH without any scientific study. The Corporation had appointed (1991) a consultant (Kirloskar Consultant Limited, Pune) for carrying out scientific study of all three Central workshops. The SMH recommended by the consultant for ordinary and semi luxury bus body building ranged between 665 to 757 and 812 to 918 respectively. However, the recommendations made by Consultant were not implemented due to resistance from labour unions. The Corporation, however, had reduced the SMH for bus body building of ordinary and semi luxury buses in phased manner from 1,650-1,700 and 3,300-3,400 prevailing in 1992 to 962-1,000 and 1,154-1,200 in 2013 despite the fact that installed plant and machineries were getting old. Thus, reasonability of existing SMH and consequent payment of production incentives could not be ensured.

The Corporation accepted the facts and stated that proposal to carry out time and motion study for working out SMH for bus body building as per AIS 052 implemented with effect from April 2015 would be considered.

3.1.26 It was also observed that the Corporation had not revised SMH for reconditioning/repair of Engines and FI pumps since 2003. The Central Workshops had submitted (September 2013) proposals for reduction of SMH for engine by 16-18 hours and for FI pump by 1.20-1.30 hours. The Corporation, however, decided not to implement the same for which no reasons were found on records.

The Corporation stated that re-assessment of SMH for engine and FI pumps was not the part of the wage settlement and as such the same could not be linked with SMH for bus body building. The Corporation may undertake timely review for suitable revision of SMH of production activities related to engines/FI pumps as was done in case of bus body building.

Cost of production of bus body building at Central Workshops

3.1.27 Monthly production cost statements are prepared indicating element wise cost (material, labour and overheads) and average cost of production of bus body building undertaken at three Central Workshops. However, production plan for bus body building (Ordinary/Semi Luxury) at three Central Workshops was formulated without taking into consideration cost of production. Year-wise details of Ordinary buses produced, cost of production per bus and average man-hours utilised per bus at the three Central Workshops during 2010-11 to 2014-15 was as given below:

Particulars	No. of buses produced			Cost per bus (₹ in lakh)			Actual Manhours utilised per bus		
	Aurangabad	Pune	Nagpur	Aurangabad	Pune	Nagpur	Aurangabad	Pune	Nagpur
2010-11	582	700	516	5.70	5.45	5.22	964	1,044	836
2011-12	643	779	541	6.41	5.66	5.45	945	958	767
2012-13	644	872	499	6.51	5.96	6.16	944	857	853
2013-14	478	623	340	6.57	6.63	6.57	964	873	837
2014-15	159	243	145	7.13	6.81	6.84	887	970	853
Total	**2,506**	**3,217**	**2,041**	**6.46**	**6.10**	**6.05**	**941**	**940**	**829**

It could be seen that during 2010-11 to 2014-15, Central Workshops at Aurangabad, Pune and Nagpur produced total 2,506, 3,217 and 2,041 Ordinary buses at average cost per bus of ₹ 6.46 lakh, ₹ 6.10 lakh and ₹ 6.05 lakh respectively. The average cost of production was lowest at Nagpur followed by Pune, while it was highest at Aurangabad during the same period. The actual man-hours utilised per bus as well as SMH fixed by the Corporation were lowest at Nagpur which contributed to lower labour cost. Further, there was no octroi/local body tax on materials procured at Nagpur unlike the other two workshops. Despite being the most cost efficient workshop, production of Ordinary buses at Nagpur was lowest as compared to other two Central Workshops and in particular Aurangabad which was the costliest.

The Corporation had also carried out in-house body building of 160 Semi Luxury buses at Aurangabad and Pune workshops during 2010-11[24]. The Aurangabad workshop produced 112 buses at average cost of ₹ 7.99 lakh whereas the Pune Workshop produced 48 buses at average cost of ₹ 6.85 per bus. Thus, cost of production of Semi Luxury buses was higher at Aurangabad by ₹ 1.14 lakh mainly on account of material cost (₹ 0.78 lakh) and overheads (₹ 0.30 lakh). This led to excess expenditure to the extent of ₹ 1.28 crore on production of 112 semi luxury buses.

The Corporation could have reduced production expenditure by reduction of production/manpower at Aurangabad[25] and proportionately enhancing production of buses at Nagpur and Pune by increasing existing manpower, but no such deployment was done. Thus, it was in the financial interest of the Corporation to plan production of buses considering cost effectiveness of the workshops.

The Corporation acknowledged the fact that Nagpur Workshop was most economical/cost effective and hence production level needed to be increased. It was further stated while conducting fresh recruitments, vacancies at Nagpur Workshop would be filled on priority to increase the production level.

[24] No production of semi luxury buses during 2011-12 to 2013-14 while during 2014-15 production was undertaken at Aurangabad workshop only

[25] As on 31 March 2015, sanctioned/actual manpower at Aurangabad, Pune and Nagpur was 618/362, 1,134/563 and 407/271 respectively

Bus body building on new chassis

3.1.28 The purchase orders for supply of chassis (Ordinary/Semi Luxury) were awarded to two automobile manufacturers during the period from 2010-11 to 2014-15. During the period from 2010-11 to 2014-15, Central Workshops received 8,808 chassis for bus body building. The bus body building on 8,207 chassis was completed while balance 601 chassis were either lying in yard or were in process as on 31 March 2015.

Blocking of funds due to chassis lying idle in yard

3.1.29 As per terms and conditions of the purchase orders, chassis were to be supplied at three Central Workshops for bus body building according to delivery schedule given by the Corporation from time to time *i.e.* 50 *per cent* of the scheduled quantity before 15th and balance 50 *per cent* by last day of every month. The Corporation had the right to make changes in the delivery schedule *i.e.* to cancel, increase or decrease the quantity of chassis ordered. Further, before actual delivery of chassis, the supplier was required to give intimation to the concerned Central Workshop stating number of chassis being supplied and date on which chassis would be supplied. The intimation was required to be given in advance so that concerned Workshop could plan inspection of chassis and production programme of bus body building.

Keeping in view of the terms of the contract, delivery schedule should have been planned in such a manner that chassis should not remain in yard (stock) for more than 15 days. Out of 8,207 buses produced during the period under review, production data related to 6,689 buses was analysed and the results thereof were as under:

Sl. No.	Particulars	Aurangabad	Nagpur	Pune	Total
1	Production data of no. of buses analysed	2,054	2,046	2,589	6,689
2	No. of chassis lying in yard for period beyond 15 days	1,265	1,332	268	2,865
3	Percentage of chassis lying in yard for period beyond 15 days (2/1)*100	62	65	10	43
4	Total no of days (cumulative) chassis remained idle above 15 days	13,262	19,399	4,285	36,946
5	Interest loss due to blocking of funds (₹ in lakh)	21.68	37.81	8.21	67.70

(Source: Information furnished by the Corporation)

There were 62 *per cent* chassis at Aurangabad, 65 *per cent* at Nagpur and 10 *per cent* at Pune lying idle in stock for period ranging between 16 to 164 days. In 55 cases[26], chassis remained idle for a period above one month. This had resulted in blocking of funds and consequent loss of interest to the extent of ₹ 67.70 lakh during the period under review.

The Corporation stated that fixed cost in terms of labour charges of the three Central Workshops was permanent financial burden and hence actual receipt of the chassis was planned in such a way that there should not be any shortage of chassis for production due to some uncontrollable reasons. The Corporation,

[26] Aurangabad: 31, Pune : 16 and Nagpur: 8

however assured to streamline production process and avoid delays as pointed out by audit.

Delay in production and dispatch of buses

3.1.30 The Corporation had not fixed any time limit for completion of bus body building and dispatch of buses from the date of receipt of chassis. The Corporation had stipulated time limit of 35 days for delivery of buses from the date of handing over of chassis (including time taken for transportation) in respect of bus body building work given to private agencies[27]. The private agencies were also liable to pay penalty for delay in delivery within stipulated period ranging from ₹ 2,000 to ₹ 5,000 per day. Results of analysis of production data relating to 6,751 new buses built at three Central Workshops during 2010-11 to 2014-15 were as under:

Sl. No.	Particulars	Aurangabad	Nagpur	Pune	Total
1	Production data of no. of buses analysed	2,093	2,147	2,511	**6,751**
2	Average no. of days taken from date of receipt to dispatch of buses	47	45	31	
3	No. of buses which were dispatched beyond a period of 35 days	1,604	1,527	392	**3,523**
4	Percentage of buses dispatched beyond 35 days (3/1)*100	77	71	16	
5	Cumulative delay in production and dispatch beyond 35 days (No. of days)	29,069	27,044	8,828	**64,941**

(Source: Information furnished by the Corporation)

It was observed that average time taken for dispatch of buses at Aurangabad and Nagpur was 47 and 45 days respectively from the date of receipt of chassis whereas in respect of Pune it was 31 days. Majority of buses at Aurangabad (77 *per cent*) and Nagpur (71 *per cent*) were dispatched after a period of 35 days from the date of receipt of chassis. Out of 6,751 buses analysed, 3,523 buses were dispatched beyond a period of 35 days. The delay was attributed to administrative reasons like delay in receiving bus allocation from Central Office, transit delay of drivers of the allocated divisions to reach workshop after intimation, extra time for Regional Transport Office (RTO) passing *etc.* Had the Corporation ensured production/dispatch of the buses within reasonable time, the buses would have been available for operations and started earning revenue. Total idle charges[28] for 64,941 days were ₹ 8.64 crore to the Corporation.

The Corporation assured to fix standard time limit for completion of bus body building work so as to streamline production process and avoid delays as pointed out by audit.

Premature failure of Reconditioned engines

3.1.31 As per the policy (March 2003) of the Corporation, the engines reconditioned at Central Workshops should normally run smoothly for minimum guaranteed 25,000 kilometres. During 2010-11 to 2014-15, the

[27] 1,955 buses during 2009-10 to 2013-14

[28] Idle charges (per day per ordinary bus) for buses remaining idle due to accidents ranged between ₹ 948.38 and ₹ 1,545.92 during 2010-11 to 2013-14

Corporation had reconditioned 13,154 engines, of which 2,302 engines had prematurely failed. The percentage of premature failure ranged between 12.28 and 23.76 *per cent* In fact, 248 engines (10.77 *per cent*) had failed immediately at zero kilometres itself. The Corporation incurred an expenditure of ₹ 10.36 crore on reconditioning of these 2,302 prematurely failed engines. The Central Workshops attributed failure to poor maintenance by the concerned Divisions/Depots. The Corporation, however, did not put in place a monitoring system for fixing responsibility in cases of premature failures.

The Corporation stated that various steps were being taken to arrest premature failure of Reconditioning (RC) engines and MIS indicating analysis of premature failure was prepared by workshops. The reply of the Corporation was, however, silent on absence of monitoring system for fixing responsibility.

Incorrect system of payment of production incentives

3.1.32 Production of a bus is to be treated as completed only when the bus is ready for inspection/registration after completion of production activities by all the production shops. The Corporation had time and again directed the workshops to ensure to pay the production incentive only in respect of completed units.

During the period from 2010-11 to 2014-15, the Central Workshop, Aurangabad paid production incentive of ₹ 3 crore for bus body building. We observed that production of bus was incorrectly treated at 61 *per cent* completion stage. Balance works (39 *per cent)* were completed during subsequent months only. This practice was being followed by workshop since long time. As a result, monthly incentive was being paid on incomplete vehicles. This had resulted in irregular payment of incentive in advance on such incomplete vehicles which was otherwise payable only during subsequent month/s when the bus was completed and ready for registration.

The Corporation assured that the matter was being thoroughly investigated and instructions had been reiterated to ensure payment of incentive only for completed vehicles.

3.1.33 As per the policy of the Corporation, production incentive was not payable for attending repairs of prematurely failed engines which were reconditioned at Central Workshops.

We, however, observed that Pune workshop was making payment of production incentives for attending repairs of prematurely failed engines. During the period from 2010-11 to 2014-15, incentive of ₹ 14.51 lakh was paid which was inadmissible as per the policy of the Corporation. The other two Central Workshops (Aurangabad and Nagpur) had attended the same without payment of any incentives. The Corporation stated that the matter was being investigated.

Divisional Workshops

3.1.34 The 32 Divisional Workshops and 250 Depot Workshops of the Corporation were entrusted with various repair and maintenance (R&M) activities like RC of buses, docking of buses, obtaining periodical fitness certificates of vehicles from RTO, top up and engine oil change as per schedule prescribed by the Original Equipment Manufacturers (OEM). There was shortfall of manpower at workshops during all the years under review which ranged between 28 and 32 *per cent* of the sanctioned strength. Consequently, preventive maintenance activities of buses like docking, reconditioning *etc.* were not done in time. Delay in scheduled maintenance was one of the factors besides road condition, driving habits of drivers, age of the bus, engine condition, traffic congestion *etc.* which had an adverse impact on operational efficiency. Cancellation of kilometres due to breakdown of buses and defective vehicles increased from 25.89 lakh in 2010-11 to 36.20 lakh kilometres in 2014-15. Similarly, fuel efficiency[29] (kilometre per ten litre) also decreased from 49.47 in 2010-11 to 47.85 in 2014-15.

Docking of buses

3.1.35 Docking of buses was carried out at Depot and Divisional Workshops which involved checking and repair of various functions of the buses. The scheduled docking was revised from six to four dockings per year from 2012-13 as per the recommendation of chassis manufacturers. It was observed that percentage of timely dockings had reduced from 90.41 *per cent* in 2010-11 to 85.46 *per cent* in 2014-15 despite significant reduction (23 *per cent*) in number of buses due for docking. Further, details of stage wise number of dockings due and dockings actually carried out under each stage were also not available in the Monthly Operational Reports (MORs).

The Corporation stated that constant efforts were being made to complete the docking programme in time despite severe shortage of manpower.

Reconditioning of buses

3.1.36 Reconditioning (RC) of bus involves replacement of damaged parts of engine, clutch and transmission, steering and suspension, wheel and brake, bus body, seats, painting work *etc.* As per the policy of the Corporation, RC of buses is to be carried out three times during the life of a bus, first RC after three years from the date of registration, second RC after two years from the date of first RC and third RC after two years from the date of second RC. It was noticed that there was shortfall in reconditioning of buses during all the five years under review ranging between 853 and 928 buses which was attributed to shortage of manpower. Further, the Corporation had not generated Management Information System (MIS) on stage wise number of buses due for each RC (first, second, third and fourth) and actually reconditioned under each category.

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[29] Consumption of High Speed Diesel

The Corporation assured that history of RC of individual bus would be maintained after computerisation of all its activities.

Excess expenditure on reconditioning of buses

3.1.37 The Corporation has established Divisional Reconditioning Units (DRUs) at Divisional Workshops which are carrying out periodical RC of buses. RC works have to be carried out as per the maintenance manual of the Corporation which stipulated replacement of damaged parts of engine, chassis and bus body. Due to non-availability of chassis for bus body building during 2013-14 and 2014-15 as discussed earlier in **Paragraph 3.1.13,** the Corporation was constrained to assign RC work to three Central Workshops in lieu of production of new buses. During the years 2013-14 and 2014-15, three Central Workshops carried out RC of 774 and 1,509 buses respectively (work related to chassis and bus body excluding engine).

We observed that Divisional Workshops had carried out RC (engine, chassis and body) by replacing only damaged/required bus parts in accordance with maintenance manual. On the other hand, Central Workshops had completely replaced majority of bus body parts (glasses, seats *etc.*) in a purely maintenance activity. Hence, replacement of majority of parts with new material instead of replacing only damaged parts at Central Workshops in accordance with the maintenance manual was unwarranted especially when the Corporation had been incurring huge losses.

Analysis of Monthly Production Cost Statements revealed that reconditioning cost per bus at three Central Workshops was ₹ 2 lakh and ₹ 2.38 lakh in the years 2013-14 and 2014-15 respectively. As against this, average reconditioning cost per bus at three test checked Divisional Workshops (Pune, Nashik and Kolhapur) was ₹ 0.31 lakh and ₹ 0.32 lakh respectively during the same period. As a result, the Corporation incurred excess expenditure of ₹ 42.80 crore on reconditioning of buses at Central Workshops, when it was already under financial constraints.

The Corporation stated that Central Workshops had utilised new material and hence RC done by Central Workshops was of superior quality and had longer life than that of Divisional Workshops. The reply of the Corporation was not convincing as RC was required to be done in accordance with the Corporation's own maintenance manual which was being followed by the Divisional Workshops for RC work. The Central Workshops had done the work without adhering to prescribed maintenance manual thereby leading to unwarranted expenditure.

Delay in completion of reconditioning works

3.1.38 Three Central Workshops carried out reconditioning of 2,283 buses during 2013-14 and 2014-15 while only 69 buses were reconditioned during previous three years. Thus, there was sudden increase in withdrawal of buses from operations for RC works at Central Workshops solely due to non-availability of chassis for bus body production. Proper coordination and planning was required to ensure that buses withdrawn from operations for RC works at Central Workshops were reconditioned and dispatched to user divisions at the earliest.

Analysis of data relating to 2,218 buses reconditioned at three Central Workshops during 2013-14 to 2014-15 revealed the following:

Sl. No.	Particulars	Reconditioning of Buses			Total
		Aurangabad	Nagpur	Pune	
1	Data of no. of RC buses analysed	656	600	962	2,218
2	No. of buses which were dispatched beyond period of 35 days	284	55	89	428
3	Percentage of buses dispatched beyond period of 35 days (2/1)*100	43.29	9.17	9.25	
4	Cumulative delay in completion of RC and dispatch of buses beyond period of 35 days (No. of days)	6,022	385	900	7,307

(Source: Information furnished by the Corporation)

It could be seen that RC of 428 buses were completed and buses dispatched after a period ranging between 36 to 127 days from the date of receipt. The time taken for reconditioning and dispatch of buses was highest at Aurangabad workshop where 43.29 *per cent* of reconditioned buses were dispatched after 35 days. The idle charges for buses remaining off road for 7,307 days[30] at three Central Workshops worked out to ₹ 1.13 crore[31].

The Corporation stated that Central Workshops would be instructed suitably to ensure dispatch of reconditioned vehicles within time limit in future.

Other topics of interest

Non-maintenance of AC system of Sheetal buses

3.1.39 The Corporation introduced (September 2010) one semi luxury bus with Air Conditioned (AC) body called as 'Sheetal' on experimental basis with the objective of providing AC services at low fares. Considering the passenger response and profitable operations, the Corporation decided (March 2011) to operate additional ten 'Sheetal' buses on various routes. The contract for fabrication and mounting of AC bodies on ten semi luxury chassis was awarded (December 2011) to Antony Garages Private Limited (AGPL) for total contract price of ₹ 1.72 crore (₹ 17.22 lakh per bus). The Corporation purchased the semi luxury chassis and provided to AGPL for fabrication of bus body. After completion of body building by AGPL, buses were delivered to the Corporation during May 2012 to September 2012.

We observed that the Divisional/Depot Workshops of the Corporation did not have required expertise for preventive/periodical maintenance of AC buses and AC system in particular. Hence, it was essential to have Comprehensive

[30] Delay in excess of 35 days

[31] Aurangabad: ₹ 0.93 crore, Nagpur: ₹ 0.06 crore and Pune: ₹ 0.14 crore

Annual Maintenance Contracts (CAMC) for carrying out preventive maintenance of the buses. However, CAMC for six buses allocated to Nashik Division (four buses) and Pune Division (two buses) was not made till date (December 2015). Failure to carry out periodical/preventive maintenance of Sheetal buses thus caused deterioration and frequent failures/problems of the AC system (overheating of AC engine, air compressors *etc.*) since its introduction. As a result, AC system of all the six buses was not working since March 2013 / December 2014 till date, and these buses were being operated as semi luxury buses[32]. The cost of fabrication of Sheetal buses was higher by ₹ 9.63 lakh per bus compared to that of semi luxury bus which was procured under the same contract.

Thus, in absence of a contract for preventive maintenance of AC services, the six 'Sheetal' buses had to be operated as 'semi-luxury' buses thereby defeating the objective of providing low fare AC bus services to passengers. It is pertinent to note that five other 'Sheetal' buses were being successfully operated in Aurangabad Division since July-September 2012 as preventive maintenance of AC system was carried out through CAMC.

The Corporation stated that 'Sheetal' buses were not financially feasible due to costlier fare structure. It was further stated that buses were in working conditions on some routes while others were operated as semi luxury buses (Non-AC). The reply was silent regarding the reasons for non-maintenance of AC system and the fact that the Corporation was constrained to operate these buses as non-AC buses as their AC system had failed within one-two years.

Under recovery of operational cost of buses under Manav Vikas Scheme

3.1.40 The Corporation had procured 625 buses from the funds provided by the GoM for providing free transport facility to girl students of Government Schools of rural areas under Manav Vikas Scheme (MVS). As per the scheme (July 2011), the Corporation was required to operate an average 100 kilometres per day for which recurring/operational cost of ₹ 7.04[33] lakh per bus per annum was to be reimbursed by GoM. The Corporation, however, operated average 147 kilometres per bus per day for school operations instead of 100 kilometres per day stipulated in the scheme during 2012-13 to 2014-15. Consequently, the Corporation incurred operational cost of ₹ 11.09 lakh per bus as against ₹ 7.04 lakh per bus leading to additional expenditure of ₹ 62.76 crore[34]. The claims submitted (July 2014/January 2015) for reimbursement of additional expenditure was not accepted by the GoM till date (December 2015). In fact, Manav Vikas Commissioner, Aurangabad[35] had recommended (February 2015) to GoM for rejection of claims of the Corporation on the grounds of increase in operated kilometres against kilometres stipulated in the scheme.

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[32] Nashik: three buses from March 2013 and one bus from March 2014 and Pune: one bus from 1 November 2014 and one bus from 26 December 2014

[33] Considering 215 school days per year and operation of average 100 kilometres per bus per day (daily 4 trips of 25 kilometres each)

[34] 2012-13: ₹ 12.12 crore, 2013-14 : ₹ 25.32 crore and 2014-15: ₹ 25.32 crore

[35] Implementing/Nodal agency appointed by GoM

We observed that standard of 100 kilometre per bus per day for reimbursement of operating cost was fixed by GoM on the basis of proposal submitted (March 2011) by the Corporation itself without route survey for actual kilometres to be operated. Further, immediately after notification of the scheme, the GoM had directed (July 2011) the concerned administrative department to submit detailed proposal before 31 October 2011 for changes in standards needed for reimbursement of expenditure stipulated under the scheme. However, proposal for change in procedure of reimbursement of operational cost according to actual kilometres to be operated was not made by the Corporation/department concerned. These factors had led to under recovery of ₹ 62.76 crore to the Corporation.

The Corporation accepted the facts and stated that Corporation was pursing the matter with the GoM for reimbursement of increased operational cost. The GoM had also assured that needful action would be taken to resolve the issue.

Procurement of City buses under JnNURM

3.1.41 The Ministry of Urban Development, GoI announced (January 2009) a scheme for providing financial assistance for procurement of city buses under Jawaharal Nehru National Urban Renewal Mission (JnNURM).

Non-reimbursement of expenditure under JnNURM-I

3.1.42 The Corporation procured (May to July 2010) 100 city buses for Nashik under the scheme incurring total expenditure of ₹ 20.84 crore (basic cost:₹ 18.48 crore and VAT: ₹ 2.36 crore). As per the scheme, the Corporation was eligible for reimbursement of expenditure to the extent of ₹ 9.28 crore from GoI and ₹ 3.71 crore from GoM. In addition, GoM was required to reimburse VAT of ₹ 2.36 crore. It was however noticed that claim (December 2013) for reimbursement of VAT of ₹ 2.36 crore was rejected (June 2014) by the GoM without any reasons on record. The Corporation did not pursue the matter with GoM till date (December 2015). In addition, the Corporation did not receive last installment (10 *per cent*) of funds to the extent of ₹ 1.31 crore (GoI: ₹ 0.93 crore and GoM: ₹ 0.38 crore) till date (December 2015) due to non-compliance with mandatory conditions of the scheme[36].

The Corporation stated that process of compliance with mandatory conditions for reimbursement required professional monitoring which was being resorted to by the Corporation. The concerned authority of GoM advised the management to submit proposal for waiver/reimbursement of VAT as per the provisions of the scheme.

Non submission of DPR for availing benefits under JnNURM-II

3.1.43 The GoI announced (August 2013) Phase II of JnNURM under which projects were to be approved on first come first serve basis and last date for

[36] Setting up of dedicated urban transport fund, waiver/reimbursement of State Government/ Local Bodies taxes, setting up of city level unified metropolitan Transport Authority *etc.*

sanctioning projects was 31 March 2014. We observed that Corporation had belatedly (January 2014) initiated action for preparation of Detailed Project Report (DPR) for procurement of 275 buses under the scheme which was not considered (6 February 2014) by the Board citing non-availability of time for its preparation and submission to GoI before stipulated time limit. As a result, the Corporation could not avail benefit of grants to the extent of 50 to 80 *per cent* on purchase cost of city buses as the scheme was closed in March 2014 and the social objectives of the Scheme could not be achieved. The Board admitted (February 2014) that benefits of the scheme were not availed due to delay in taking action in this matter.

The Corporation assured that timely action would be taken for availing benefits under different schemes and would pursue with Government for benefits under the existing scheme also.

Monitoring and Internal Control

3.1.44 The monitoring and internal control system of the Corporation was deficient in the following areas:

- Monitoring systems to ensure completion of production and dispatch of buses within reasonable time from the date of receipt of chassis were not prevalent.
- There was no MIS for engines reconditioned/repaired at Central Workshops for ascertaining time taken from the date of receipt to dispatch and number of times a particular engine was reconditioned.
- Monthly Operational Report (MOR) did not contain Bus Service Category wise cancellations of planned operations, cost per kilometre and profitability of each type of operation.

Conclusion and Recommendations

The GoM had not formulated a Passenger Transport Policy to develop an integrated and holistic perspective delineating the specific role of the Corporation in a fast changing transport scenario.

The GoM may take steps for formulation of an Integrated Transport Policy redefining the role of the Corporation for ensuring an economical and efficient public transport system in the State.

Annual Production/Procurement plan was not worked individually for each type of bus service category *i.e.* Ordinary, Semi-Luxury, Air Conditioned (AC), City *etc.* Service category wise cancellations of planned operations, cost per kilometre and profitability for each type of operation was also not maintained. Further, Annual Plans were formulated without considering operational restrictions on buses procured under MVS which had made operations thereof unviable.

The Corporation may assess requirement of buses for each type of service category separately considering operational restrictions on MVS buses while formulating Annual plans. Service category wise cancellations of planned

operations, cost per kilometre and profitability for each type of operation may be maintained and reported through MORs.

There was avoidable delay in finalisation of tenders for procurement of chassis which adversely impacted the Annual Production/Scrapping Plans of Ordinary Buses leading to increased cancellation of planned operations and operation of overaged buses. There was no system to monitor the economy and efficiency of overaged buses. Further, Corporation could not ensure procurement of adequate number of buses for operating profitable Air Conditioned (AC) and Semi Luxury Services which had led to reduction in schedules/operated kilometres and profitability. Quality assurance of 1955 buses built from private agencies was not ensured as the contracts did not provide for random sampling of materials utilised.

The Corporation may streamline their procurement process so as to avoid delays in awarding contracts. The Corporation may augment its operational fleet of profitable AC and semi luxury buses to maximise revenue. Further, separate records related to operating cost and R&M expenses in respect of overaged buses may be maintained to monitor their operational efficiency and plying of overaged buses may be reduced considering the adverse impact on environment. Suitable clauses for random checking of materials may be incorporated in bus body building contracts awarded to private agencies.

Production plan for bus body building at three Central Workshops was formulated on the basis of available manpower without considering cost of production. Despite being the most cost efficient workshop, production of Ordinary buses was lowest at Nagpur in comparison to other two Central Workshops and in particular Aurangabad which was the costliest. Further, the Central Workshops were functioning with very old machineries despite adequate budgetary allocations for procurement/replacement of machineries.

The Corporation may formulate production plans at the three Central Workshops considering cost of production and accordingly rationalise existing manpower/prioritise future recruitments at cost effective workshop for reduction of cost. The Corporation may formulate long term plan for augmentation/modernisation of workshops and ensure optimum utilisation of budgets.

The Corporation has fixed Standard Man Hours (SMH) for production related activities at Central Workshops in an arbitrary manner without any scientific study and hence reasonability of existing SMH and production incentives paid could not be ensured. There were various instances of chassis lying idle at workshops and delays in production/dispatch of buses without effective monitoring system. Incorrect system for payment of production incentives on incomplete buses and prematurely failed engines were noticed at Central Workshops. Reconditioning of buses was carried out by Central Workshops without adhering to maintenance manual leading to unwarranted expenditure while non-maintenance of AC system of buses led to unfruitful expenditure.

The Corporation may ensure scientific fixation of Standard man-hours for production activities through time and motion study to ensure optimum

utilisation of manpower. The Corporation may streamline bus production process by evolving proper systems for planning delivery schedule of chassis and stage wise monitoring of production process. The system of incentive payment may be rectified in line with the Corporation's policy and internal control mechanism may be strengthened for avoiding such instances in future. The Corporation may ensure that preventive maintenance of buses is carried out in accordance with the maintenance manual.

The Corporation could not receive grants/reimbursement of expenditure to the extent of ₹ 66.43 crore under Central/State Government schemes due to improper submission of proposal, non-compliance with mandatory conditions and failure to follow up with the State Government. Further, the Corporation had foregone opportunity for availing grants for procurement of city buses under one scheme due to non-submission of proposal to the Central Government.

The Corporation may ensure timely submission of proposals for availing benefits under various Central/State Government schemes.

The matter was reported to the Government (September 2015); their reply was awaited (January 2016).

3.2 Working of Maharashtra State Warehousing Corporation

Executive Summary

Introduction

Maharashtra State Warehousing Corporation (Corporation) was established in September 1960 under the Agricultural Produce (Development and Warehousing) Corporations Act, 1956 which was subsequently replaced by the Warehousing Corporation Act, 1962. The objective of the Corporation was to acquire, build and operate Warehouses in the State for storage of agricultural produce/agriculture related items, operation of Bonded Warehouses and Container Freight Station for exporters/ importers.

(Paragraph 3.2.1)

Capacity augmentation

During the five year period 2010-11 to 2014-15, against the planned capacity addition of 11,41,670 MT, the Corporation constructed 3,79,940 MT of additional godown capacity, an increase of 33.28 *per cent* only. The shortfall in achievement was due to paucity of funds and absence of timely assistance from the State Government in form of financial guarantees. Despite having sufficient vacant land the Corporation purchased private land at 15 locations which remained partially unutilised. The Corporation purchased land at a cost of ₹ 1.07 crore which was in excess of requirements. The Corporation made excess payment of ₹ 21.20 lakh for purchase of private land at Ratnagiri. Further, the Corporation purchased encroached land at Chandrapur which resulted in reduction of constructed godown capacity. The Corporation suffered loss of revenue of ₹ 13.49 crore due to loss of guarantee period on account of delayed construction of godowns for the FCI at 15 locations. The Corporation also suffered a loss of revenue of ₹ 2.07 crore due to construction of godowns not conforming to the specifications of FCI. An important cold storage facility at Gultekdi, Pune could not commence since August 2013 as the Corporation did not execute a lease agreement despite having the required land in its possession since long.

(Paragraphs 3.2.9, 3.2.11, 3.2.13 to 3.2.15, 3.2.17, 3.2.18 and 3.2.20)

Operation of godowns and utilisation

During the five year period 2010-11 to 2014-15, the Corporation could utilise its warehouse (including hired and PPP) capacity in the range of 72 to 79 *per cent*. The utilisation of its own godowns decreased from 78 to 75 *per cent* from 2011-12 to 2014-15. The utilisation of godowns by farmers ranged between 5.84 to 6.13 *per cent* only of the total warehousing capacity. The Corporation did not review the categorisation of its warehouses periodically and revise the warehousing rates. The

Corporation extended unintended benefit of ₹ 1.84 crore to private parties by way of reduction in scheduled rates of storage charges, beyond the permissible limits. Non-incorporation of clause for collection of supervision charges in tenders for Handling and Transportation operations resulted in loss of revenue of ₹ 4.01 crore. Further, due to non-enforcing its discretionary powers for extending the contract of terminal operator for the Container Freight Station at Dronagiri (JNPT Mumbai), the Corporation incurred extra expenditure of ₹ 6.30 crore.

(Paragraphs 3.2.21, 3.2.22, 3.2.30, 3.2.33 and 3.2.35)

Efficiency in Management of warehouses

Due to non-utilisation of dunnages in the FCI godowns, the FCI withheld ₹ 6.05 crore of charges due to the Corporation. Even before commissioning of grain cleaning / grading machines, the Corporation made payment of Annual Maintenance Contract (AMC) charges for three years at a cost of ₹ 52.76 lakh.

(Paragraphs 3.2.39 and 3.2.40)

Recommendations

The State Government may assess the requirement of warehousing facility in the State comprehensively, so as to demarcate the role for Government and private agencies and also for perishable commodities separately. The State Government may also assess creation of cold storage and other modern storage facilities in the changing environment. The Corporation may acquire land only after feasibility study is carried out and proper plans for utilisation of acquired land are in place. The Corporation may ensure efficiency in tendering procedures and for timely construction of godowns and adhere to the norms prescribed by FCI for their schemes. Categorisation of warehouse centres may be reviewed periodically. Billing of storage charges as per the prescribed tariff/agreement and their timely recovery be ensured. The Corporation may enter into MOU with FCI with enabling provisions for recovery of Handling and Transportation charges and Rail Transit Losses. The Corporation may ensure that physical verification of stocks is carried out periodically by Regional Managers/ independent verifiers.

Introduction

3.2.1 Agriculture is one of the most critical sectors of the Indian economy. The agricultural sector contributed around 13.90 *per cent* (2013-14) of the National Gross Domestic Product and is estimated to grow at four *per cent* in future. Food grains production in India has grown from 192 Million Metric Tonne (MMT) in 1994-95 to 257.07 MMT (2014-15). This has drastically increased the need for storage capacity in India.

Warehousing plays a very important role in maintaining the supply chain of agricultural and other essential commodities as well as promoting agriculture marketing, rural banking, financing and ensuring Food Security in the country. Scientific warehousing avoids the distress sale of agricultural commodities by the farmers during peak harvest season and ensures uninterrupted supply of agricultural commodities to the consumers during off season. At present, there are three main agencies in the public sector *viz.* Food Corporation of India (FCI), Central Warehousing Corporation (CWC) and State Warehousing Corporations (SWCs) which provide for 71 *per cent* of the warehousing capacity in India and the co-operative and private sector players provide the remaining 29 *per cent* of the capacity. The food grain production in the State of Maharashtra during the period 2012-13 to 2014-15 was in the range of 10.97 MMT to 10.12 MMT.

The Maharashtra State Warehousing Corporation (Corporation) was established on 30 September, 1960 with its Corporate Office at Pune under the Agricultural Produce (Development and Warehousing) Corporation Act, 1956 which was subsequently replaced by the Warehousing Corporations Act, 1962. The main objective of the Corporation was to acquire, build and operate warehouses in the State for storage of agricultural produce, agriculture related items, operation of Bonded Warehouses and Container Freight Stations (CFS) for exporters/importers. Further, the Corporation was in the process of registering its warehouses under Warehousing Development and Regulation Act 2007.

The Management of the Corporation was vested in a Board of Directors (Board) which shall consist; five Directors nominated by the CWC of whom one shall be nominated in consultation with the State Bank of India and one at least shall be non-official; five Directors nominated by the respective State Government and Chairman and Managing Director (CMD) appointed by the respective State Government in consultation with the Directors under intimation to CWC. The Board was assisted by an Executive Committee consisting of CMD and three Directors. The Corporation was having eight Regional Offices[1] and one CFS.

The performance of the Corporation was last reviewed in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2006 (Commercial) Government of Maharashtra (GoM) which was discussed (June 2015) by the Committee on Public Undertakings (COPU). The recommendations of the COPU have been considered while finalising the Performance Audit Report.

[1] Amravati, Aurangabad, Kolhapur, Latur, Mumbai, Nagpur, Nasik and Pune

Financial position and Working results

Financial position

3.2.2 The financial position of the Corporation for the period from 2010-11 to 2014-2015 is given below:

(₹ in lakh)

Sl. No.	Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
A	**Liabilities**					
1	Paid up capital	871.12	871.12	871.12	871.12	871.12
2	Reserve & Surplus	23,285.60	26,895.61	31,024.58	32,071.93	38,228.84
3	Secured loan	1,788.80	2,651.36	7,796.13	9,937.51	9,685.56
4	Current Liabilities & provisions	7,853.82	13,872.48	14,304.55	18,725.34	19,866.03
	Total A	**33,799.34**	**44,290.57**	**53,996.38**	**61,605.90**	**68,651.55**
Sl. No.	**Particulars**	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**
B	**Assets**					
1	Fixed Assets	21,724.59	26,631.75	32,711.99	38,954.02	41,458.41
2	Current Assets, Loans, Investments & Advances	12,074.75	17,658.82	21,284.39	22,651.88	27,193.14
	Total B	**33,799.34**	**44,290.57**	**53,996.38**	**61,605.90**	**68,651.55**
C	Debt Equity Ratio	0.07	0.10	0.24	0.30	0.25
D	Net Worth	19,017.46	22,089.48	25,583.62	25,946.90	31,351.01
E	Capital Employed	24,155.42	27,765.43	31,894.40	32,941.75	39,098.66

(Source: Annual accounts)

The Corporation is a profit making one and its net worth had increased from ₹ 19,017.46 lakh to ₹ 31,351.01 lakh, during the period 2010-11 to 2014-15. The capital employed by the Corporation also increased from ₹ 24,155.42 lakh to ₹ 39,098.66 lakh, during the same period.

Working results

3.2.3 The working results of the Corporation for the period from 2010-11 to 2014-2015 are given below:

(₹ in lakh)

Sl. No.	Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
(1)	**Income**					
a)	Warehouse charges	11,566.74	15,383.39	19,397.16	25,766.99	31,219.04
b)	Other Income	325.41	587.39	602.34	419.39	275.53
	Total (1)	**11,892.15**	**15,970.78**	**19,999.50**	**26,186.38**	**31,494.57**
(2)	**Expenses**					
a)	Establishment charges	2,984.52	3,547.67	4,111.66	4,624.07	4,951.84
b)	Other expenses	6,118.61	8,429.14	11,363.94	17,318.11	20,632.14
	Total (2)	**9,103.13**	**11,976.81**	**15,475.60**	**21,942.18**	**25,583.98**
(3)	Profit (+)/ Loss(-) before tax	2,664.73	4,064.25	4,617.69	4,212.85	5,890.36

(Source: Annual accounts)

During the review period, the income from warehouse charges has registered an increase of 270 *per cent* from ₹ 11,566.74 lakh to ₹ 31,219.04 lakh.

Consequently, the profit earned by the Corporation has also increased from ₹ 2,664.73 lakh in 2010-11 to ₹ 5,890.36 lakh in 2014-15.

Scope of audit and objectives

3.2.4 Performance Audit (PA) on the working of the Corporation for the period 1 April 2010 to 31 March 2015 was conducted during March to July 2015 for evaluation of its activities.

3.2.5 The objectives of the Performance Audit were to ascertain whether:

- the State Government and Corporation had assessed the overall requirement of storage facilities for the State and taken steps to bridge the gap by creating additional capacity through construction or hiring of godowns;
- the Corporation had put its warehouses to optimum use at economical tariff rate and provided handling and transportation facilities;
- the warehouses were managed efficiently; and
- adequate monitoring systems and internal control systems were in place and effective.

Audit criteria and methodology

3.2.6 The audit criteria adopted for achieving the stated audit objectives were derived from the following documents:

- Warehousing Corporations Act, 1962;
- State Warehousing Corporation (Amendment) Rules;
- Warehousing Development and Regulation Act, 2007;
- State specific Acts/Rules/Guidelines/directives of Government/FCI/CWC in relation to warehouses;
- Corporate/Annual/Vision documents of the Corporation;
- Manuals, Minutes and Agenda of the Meetings of Board; and
- Agreements with Depositors/private parties for hiring of godowns/storage of various commodities.

The audit methodology adopted for attaining the objectives involved explaining audit objectives to the Management during an Entry Conference held (April 2015), discussion with officials of the Corporation, analysis of data with reference to audit criteria, issue of audit enquiries and draft Performance Audit Report to the Management/Government for their comments. The draft PA Report was issued (September 2015) to the Corporation and Government. The replies/views expressed by the Corporation and Government (October/ November 2015) have been considered while finalising the Performance Audit Report. The audit findings were also discussed in an Exit Conference (November 2015) wherein the representatives of the Corporation and the State Government were present.

Acknowledgement

3.2.7 Audit acknowledges the co-operation and assistance extended by the Corporation at various stages of conducting the Performance Audit.

Audit findings

Capacity management of storage facilities

3.2.8 The State Government had not assessed the total warehousing capacity requirement of the State. However, as of November 2015, the total warehousing capacity available in the State was 1,07,97,103 MT, of which the Corporation had capacity of 17,33,375 MT (16.05 *per cent*) and 46,13,067 MT (42.72 *per cent*) capacity was available with the private entrepreneurs.

Shortfall in capacity addition

3.2.9 During the period 2010-11 to 2014-15, the Corporation planned for an additional warehousing capacity of 11,41,670 MT. However, it could achieve only 33.28 *per cent* addition at capacity of 3,79,940 MT. The Corporation attributed the shortfall in achievement to inadequate funds, absence of assistance from Government of Maharashtra (GoM) in getting funds under Rural Infrastructure Development Fund (RIDF) and delay in execution of works for construction of godowns. Further, though the Corporation requested the GoM to make available loans under RIDF, (where loans were at concessional rates) the GoM did not facilitate the requests whereby they had to give guarantees for the loans and thus the Corporation could not avail any loans under the RIDF Scheme. As a result, the Corporation constructed godowns from its own funds, subsidy received from National Bank for Agriculture and Rural Development (NABARD) and loans from commercial banks.

Acquisition/purchase of land

3.2.10 Before constructing godowns, the Corporation makes an assessment of the viability of each of the proposed godowns and, if required, acquires/ purchases land for construction of these godowns. Accordingly, the decisions regarding acquisition/purchase of lands were taken by CMD after ascertaining their viability and the approval of the Board was subsequently taken.

Under-utilisation of acquired land

3.2.11 We observed that prior to 2010-11, of the total land of 32,10,883 square metres (sq.mtr) acquired, the Corporation had vacant land of 2,98,475 sq.mtr. Despite availability of sufficient land, the Corporation during the period 2010-11 to 2014-15, acquired/purchased land admeasuring 5,47,966 sq.mtr, at 15 locations valuing ₹ 13.36 crore and had partially utilised 2,53,928 sq.mtr of land. The Corporation had balance 5,92,513 sq.mtr of land unutilised till 31 March 2015.

The Corporation stated that it had underutilised land at 12 locations admeasuring 1,09,137 sq.mtr valued at ₹ 4.22 crore. The facts remained that the Corporation could not utilise the land as of March 2015, as discussed in succeeding paragraphs.

Purchase of land and construction of godowns under Private Entrepreneurs Guarantee Scheme, 2008 (PEG 2008)

3.2.12 Under Private Entrepreneurs Guarantee Scheme, 2008 (PEG 2008) implemented by FCI, the storage charges for the godowns of approved capacity constructed by the Corporation were guaranteed by FCI for a period of seven/nine years. Under PEG Scheme, all godowns of capacity 5,000 MTs and above upto 25,000 MTs should preferably be within eight kilometres of a Railway goods shed with full rake Railway siding facility. The godowns of 25,000 MTs or above capacity would preferably be Railway siding godowns and further, the godowns to be on National/State Highways. For construction of godowns under this Scheme, the Corporation had purchased land at several locations approved by the FCI.

The construction of godowns was undertaken by the Corporation by availing loans from commercial banks. Under Gramin Bhandar Yojana scheme of Government of India (GoI), 25 *per cent* of the total cost of construction should be paid to the Corporation as subsidy in respect of godowns constructed in rural areas.

Purchase of land under PEG scheme

Avoidable expenditure on purchase of land in excess of requirement

3.2.13 The Corporation purchased 1,73,342.9 sq.mtr of private land at five locations[2] for construction of warehouses under PEG scheme since the Corporation did not have the land acquired from the Government/Government agencies. The private land was purchased at market rates, the Corporation could have restricted the purchase of land as per the requirement of the Scheme. However, at four locations, the Corporation did not utilise the land (22,736.90 sq.mtr) valuing ₹ 1.07 crore till date (November 2015).

The Corporation stated that it had purchased additional land considering future expansion.

Excess payment due to non measurement of land before acquisition

3.2.14 The Corporation purchased land admeasuring 10.65 acres at Dhanwadewadi in Ratnagiri district in December 2011 at a cost of ₹ 1.81 crore at the rate of ₹ 16.96 lakh per acre. It was noticed that the land inspector, Ratnagiri carried out (December 2012) measurement of land at the location after a delay of one year, it was found that 1.25 acres of land was less. Thus, the Corporation had made an excess payment of ₹ 21.20 lakh which has not yet been recovered (December 2015).

[2] Ratnagiri, Jalna, Satara, Ahmednagar and Kurduwadi

The Corporation stated that the agreement was executed by making payment before measurement to meet the deadlines of the Scheme and the recovery was being pursued through Court of Law (November 2015). The fact, however, remained that the Corporation had made full payment without measuring/ verifying the land.

Purchase of encroached land at Chandrapur and consequential loss of revenue

3.2.15 The Corporation decided (April 2011) to purchase 2.56 hectares of land at Khutala in Chandrapur (Padoli) to meet the storage requirements of FCI. While transaction was under finalisation, the Corporation was aware that the portion of land admeasuring 0.24 hectares was encroached by unauthorised slums. The Corporation purchased (December 2011) the land at a cost of ₹ 49.59 lakh without evicting the encroachment on land valuing ₹ 4.65 lakh. The contract for construction of the godowns was awarded (March 2012) for a capacity of 22,255 MT. However, due to non availability of un-encroached land, the capacity of the godowns actually constructed was 18,605 MT thereby reducing the capacity of godown by 3,650 MT. This resulted in recurring loss of potential revenue to the extent of ₹ 2.68[3] crore for the period of guarantee.

The Corporation stated that they were pursuing with concerned authorities for removal of encroachment. The facts remained that the encroached land caused potential revenue loss to the Corporation and it could have been avoided with better pursuance for vacating the encroachment by concerned authorities.

Construction of godowns under PEG scheme

3.2.16 The Corporation constructed godowns in two different categories *viz.* under Private Entrepreneur Guarantee (PEG) Scheme formulated by FCI and under normal course. The Corporation had added storage capacity of 3.80 lakh MT during the period 2010-11 to 2014-15.

The decision making process for construction of godowns involved preparation of estimated cost of construction and obtaining approval of CMD/ Board, as per the delegation of powers.

Under PEG Scheme, the total capacity approved by FCI was 2,99,500 MT (Phase I-72, 500 MT, Phase II-87,000 MT and Phase III-1,40,000 MT) during July 2009 to May 2011.

[3] At the rate of ₹ 68 per MT per month for 3,650 MT per year for the period from April 2013 to March 2015 and for remaining period of guarantee *viz.* seven years

The targets and achievements in construction of godowns are given below:

Year	Target capacity for the year in MT	Achieved capacity for the year in MT	Shortfall for the year in MT
2009-2010	NIL	NIL	--
2010-2011	48,640	32,340	16,300
2011-2012	73,340	10,150	63,190
2012-2013	1,80,480	1,18,690	61,790
2013-2014	NIL	1,26,280	--
2014-2015	NIL	15,000	--
Total	**3,02,460**	**3,02,460**	**--**

Loss of revenue on account of delayed construction of godowns

3.2.17 Under PEG Scheme, the godowns were to be completed within a period of two years *i.e.* maximum time stipulated for construction of godowns. In case of delay beyond stipulated time, the period of delay was deducted from the total guarantee period.

The Corporation constructed a capacity of 3,02,460 MT for storage of FCI food grains under six/nine year guarantee scheme at 25 locations. It was however, noticed that of these 25 locations, godowns in 15 locations having capacity between 3,400 MT to 31,180 MT were completed and made available to FCI for use after the stipulated dates of completion with delays ranging from 32 to 833 days from the date of approval of capacity by FCI including the abnormal delays in finalising the tenders. In some locations the delays were on account of deficient construction as pointed out by FCI during their inspection.

Since the construction of godowns was delayed, the FCI (February 2014) decided to take over the godowns which have been constructed after the stipulated time with reduction in guarantee period. Accordingly, in 15 centres, the guarantee period was reduced by one month to 28 months. As a result, the Corporation had to sustain a loss of revenue to the extent of ₹ 13.49 crore.

The Corporation stated that delay in finalisation of tenders was due to procedural issues and delay in completion of works was due to non-availability of construction materials particularly sand, water scarcity, load shedding of electricity in rural areas and unusual heavy rains during execution period in monsoon which were beyond control. The fact however remained that the non-compliance under PEG scheme resulted in reduction in guarantee period and consequent loss of revenue.

Loss due to construction of godowns not conforming to specification of FCI

3.2.18 FCI issued broad guidelines (August 2010) for construction of godowns with specific stack plans and construction specifications relating to length, width and height.

It was observed that during the period January 2009 to December 2014, that of the capacity of 3,02,460 MT constructed and offered for storage of grains, the FCI pointed out the deviations in construction of effective capacity of

15,598 MT in 12 godowns[4]. This resulted in loss of revenue to the tune of ₹ 2.07 crore[5] since FCI reduced the effective capacity of the godowns due to deviations in construction.

The Corporation accepted that the difference in capacity was on account of difference in stack plan followed by the Corporation.

Short recovery of storage charges at Tadawale godown, Kurduwadi

3.2.19 Under PEG scheme, Corporation constructed godowns of 13,200 MT at Kurduwadi (Tadawale) as against the approved capacity of 10,000 MT. FCI as per joint inspection report actually assessed (August 2013) the capacity as 12,320 MT at Kurduwadi (Tadawale) and started (December 2014) utilising the godown at Kurduwadi (Tadawale). Though, the bills for storage charges were raised for 12,320 MT capacity, FCI was, however, making payments based on the initially approved capacity of 10,000 MT.

The Corporation did not pursue the matter with FCI and thereby had to forgo the revenue of ₹ 24.97 lakh for the period December 2014 to May 2015.

The Management stated that the matter regarding approval of 12,320 MT capacity was being pursued with FCI and in case the same was not approved, the balance capacity would be used for storing General Customer goods.

Construction of cold storage

Delay in commencement of cold storage project at Gultekdi, Pune despite availability of land

3.2.20 The Corporation appointed (August 2013) NABARD Consultancy Services (NABCONS) as consultant at a cost of ₹ 4.04 lakh for preparation of feasibility study report, DPR and Technical Consultancy for establishment of Cold Storage unit with 2,000 MT capacity at Gultekdi, Pune. The estimated cost of the project was ₹ 9.29 crore. The Corporation projected a revenue ranging between ₹ 2.28 crore (2015-16) to ₹ 3.16 crore (2028-29) from the unit. In response to proposal submitted by the Corporation, Agriculture and Processed Food Products Export Development Authority (APEDA) had agreed (September 2014) to sanction an amount of ₹ 8 crore as *grant-in-aid* for the project and released (October 2014) ₹ 3.80 crore as advance against BG.

Though, the Corporation had possession of Gultekdi land since December 1994 given by Agricultural Produce Market Committee (APMC) it did not execute lease agreement for the same with the APMC. In absence of the lease agreement, the necessary sanction for layout plan and drawings for the project could not be obtained from Pune Municipal Corporation (December 2015).

[4] Where the construction works commenced between October 2010 and April 2012

[5] Storage charges considered at the rate of ₹ 67.60 per MT per month for deviation in capacity

This delayed the project and the consequential anticipated revenue from the project, besides denial of warehousing facilities (cold storage) to the intended beneficiaries.

The Corporation stated that the matter was being pursued with Director of Marketing (GoM) and APMC. Director of Marketing has directed APMC to execute lease agreement with the Corporation.

Operation of warehouses and utilisation

Capacity utilisation

3.2.21 The details of capacity available and capacity utilised of owned, hired and PPP godowns and the percentage of utilisation of these godowns during the period 2010-11 to 2014-15 are given below:

Sl. No.	Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
1.	**No. of godowns**					
a.	Own godowns	718	746	788	848	868
b.	Hired godowns	28	26	24	24	42
c.	PPP	-	-	14	61	85
	Total	**746**	**772**	**826**	**933**	**995**
2.	**Annual capacity available (in lakh MT)**					
a.	Own godowns	11.72	11.99	12.85	13.53	14.42
b.	Hired godowns	0.44	0.46	0.39	0.28	0.62
c.	PPP	-	-	0.04	0.76	1.56
	Total	**12.16**	**12.45**	**13.28**	**14.57**	**16.60**
3.	**Annual Capacity utilisation (in lakh MT)**					
a.	Own godowns	8.29	9.32	10.02	10.03	10.86
b.	Hired godowns	0.44	0.46	0.39	0.28	0.62
c.	PPP	-	-	0.04	0.76	1.56
	Total	**8.73**	**9.78**	**10.45**	**11.07**	**13.04**
4.	**Shortfall in utilisation (in lakh MT)**					
a.	Own godowns	3.43	2.67	2.83	3.50	3.56
b.	Hired godowns	0.0	0.00	0.00	0.00	0.00
c.	PPP	-	-	0.00	0.00	0.00
Total	Percentage of utilisation (own, hired and PPP godowns)	72	79	79	76	79
	Percentage of utilisation (own godowns)	71	78	78	74	75

(Source: Data furnished by Management)

During the period 2010-11 to 2014-15, the overall percentage of capacity utilisation of godowns (including hired and PPP godowns) ranged from 72 to 79 *per cent*. The capacity utilisation of PPP godowns and hired godowns was 100 *per cent* during 2010-11 to 2014-15 and the percentage of utilisation of own godowns declined from 78 *per cent* in 2011-12 to 75 *per cent* in 2014-15. Further, during 2010-11 to 2014-15 the utilisation of godowns excluding FCI business decreased from 61.86 to 41.72 *per cent*.

The Corporation stated that for general customers it was necessary to keep stock of each depositor separately and hence though horizontal space was utilised 100 *per cent*, vertical space was not utilised to the optimum.

Utilisation of storage facility by farmers

3.2.22 One of the main objectives of the Corporation besides providing storage to FCI is to help farmers to store their stocks for better realisation by avoiding distress sale and simultaneously avail credit. A rebate of 50 *per cent* in storage charges is allowed to eligible farmers.

The facility of warehousing was mainly utilised for storage of food grains by FCI which ranged between 38.14 to 58.28 *per cent*. The capacity utilisation of godowns by primary producers constituted only 5.84 to 6.13 *per cent* due to less number of farmers being associated with the Corporation and availability of unequal capacity throughout Maharashtra. With present infrastructure of Corporation, farmers were reluctant to bring their agriculture produce due to higher transportation cost. Further, the utilisation of godowns excluding FCI business decreased from 61.86 to 41.72 *per cent* during 2010-11 to 2014-15.

The farmers' awareness programmes under Maharashtra Agricultural Competitiveness Project (MACP) scheme 2011-12 were conducted in 40 warehouse centres only out of total of 187 centres.

The Corporation assured that the awareness programmes would be implemented for increasing the utilisation of godowns by farmers.

Beneficiary survey

3.2.23 A survey on farmers utilising the godowns of the Corporation was conducted based on questionnaire issued by Audit in selected centres of three Regions *viz*; Aurangabad, Nashik and Pune of the Corporation. The survey revealed that in respect of warehouse centres located in rural areas, the farmers expressed satisfaction over the services provided by the Corporation. However, though the Corporation was extending 50 *per cent* rebate in storage charges to farmers, they wanted further increase in rebate.

In Aurangabad Region, the farmers stated that in view of Minimum Support Price offered by FCI/other agencies during the past several years, the farmers were directly selling their produce to those agencies and, therefore, the necessity of storing their produce in the godowns did not arise.

Extension of loans to farmers under pledge loan facility

3.2.24 Maharashtra State Agricultural Marketing Board (MSAMB) initially implemented (1990) scheme of food grains pledge finance, wherein a farmer could store his produce in the godowns of APMC and could immediately get 50/75 *per cent* of the price of his produce which was later recovered when the farmer sold his produce. The pledge loan was provided at six *per cent* interest to farmers. For scaling up the efforts of MSAMB, GoM implemented Maharashtra Agriculture Competitiveness Project (MACP) with World Bank assistance. As part of this project the Corporation was designated as the agency for implementing pledge loan facility.

From 2010-11 onwards the Corporation has been entering into MoU with interested Commercial Banks for extending pledge loan facility. During November 2012 to May 2015 a total of 29,882 farmers were extended pledge loan facility, whereby ₹ 125.04 crore was disbursed to farmers upto May 2015. Considering the fact that the Corporation was operating 995 godowns in the State, efforts should have been made by the Corporation to extend pledge loan facility to large number of farmers as envisaged under MACP.

Online trading activity

3.2.25 The Corporation had planned to develop online trading facility at all its warehouse centres across the State. These centres would provide an access to national agricultural market through National Commodity Exchange (NCDEX). It was noticed that 40 centres have been registered/accredited by NCDEX and as on September 2015, 1,430 farmers were registered on commodity exchange. Further, online trading activity had started only in Latur centre and a quantity of 1,275 MT soyabeen valued at ₹ 5.05 crore was traded. The Corporation has completed necessary infrastructure and technical aspects for online trading. However, the activity was yet to be operationalised in balance 39 centres.

Non-disposal of stocks lying in storage for long periods

3.2.26 One of the most important aspects of storage management is maintenance of quality of food grains during storage. It was observed that under eight Regional Offices various commodities including rice and fertilisers were lying in warehouses of the Corporation for a long time, as indicated in the table below:

Sl. No.	Name of the Region	Quantity (in bags)	Period of storage	Rent recoverable
1.	Aurangabad	4,312	2 to 8 years	2,24,951
2.	Amravati	4,014	2 to 3 years	13,35,776
3.	Kolhapur	17,579	2 to 13 years	9,59,179
4.	Pune	5,884	2 to 13 years	2,46,652
5.	Latur	15,184	2 to 7 years	4,30,573
6.	Nashik	2,652	2 to 7 years	1,99,609
7.	Mumbai	122 (bonds)	more than 10 years	10,35,62,909
Total				**10,69,59,649**

(Source: Data furnished by Management)

The commodities were languishing from periods ranging from two to 13 years and stocks included foodgrains *etc*, perishable in nature, were likely to get damaged, infested and required heavy fumigation. They may also require additional expenditure for further usage.

The Corporation needs to formulate a policy for review of stocks in possession from time to time so that the stocks are taken away by the depositors without delay or else they are liquidated before they get damaged beyond salvage.

The Corporation stated that it had issued circulars/instructions from time to time to all centres for disposal of old stock lying at the centres. Further, Additional Chief Secretary, Co-operation, Marketing and Textile Department, GoM requested the Chairman and Central Board of Customs and Excise to issue instructions to concerned officials for expediting the process of disposal/ auction of material lying in Bonded Warehouse.

Tariff fixation and storage charges

Non review of performance of centres

3.2.27 The Corporation follows the system of tariff classifying warehouse centres into four categories *viz.* standard rated warehouses, average rated warehouses, below average rated warehouses, and low rated warehouses. The categorisation of warehouses was earlier decided by a Committee (November 2004) based on the warehouses located at Gram Panchayat, Taluka, District, profitability of warehouses, availability of rake point/railway goods shed *etc.* Again under each category storage charges leviable for general stock (charges per kg/bag) were different from charges on area basis (per square foot of reserved space).

The Corporation did not fix any breakeven point for categorisation of the centres into different categories. Our analysis, however revealed that 15 centres which were categorised as below average rated warehouses and low rated warehouses in its tariff for the period from April 2010 to March 2015 were located at Taluka/District places and railway goods shed/rake point facilities were also available in some of these centres. The centres were continuously in profit during the period of last five years upto March 2015 reviewed by audit. As the Corporation has not reviewed the categorisation of warehouses since November 2004, it may take steps for reviewing the same.

Godowns given on lock and key basis to private parties

3.2.28 In order to reduce losses incurred from godowns with low occupancy, based on the potential for business, the Corporation decided to let out godowns at some locations on lock and key basis. Under the scheme, the entire area is given on rent to the depositors and the possession of godowns is handed over to them during the contract period for commercial use. However, the Corporation has not formulated any policy or criteria for letting out godowns on lock and key basis. Further, based on the offers received from depositors or by inviting tenders the godowns are let out on lock and key basis. However, the process was not open, transparent and competitive. As per the delegation of powers, the CMD was empowered to give rebate upto six *per cent*.

Loss of revenue due to awarding of godown on carpet area

3.2.29 The Corporation has let out its 31 godowns at 14 centres on "lock and key" basis for the period from 2011-12 to 2014-15. Accordingly, agreements were entered into between Corporation and the agencies based on "built up area". We observed that the built up area of the godowns ranged between 4,818.87 square feet to 19,845.53 square feet and the carpet area ranged between 3,600 square feet to 18,683 square feet. The area allotted to agencies for use was actually carpet area which was less than the built up area. Thus, entering into agreements on "built up area" and actually allotting "carpet area" resulted in loss to the Corporation worked out to ₹ 1.13 crore during the period from 2011-12 to 2014-15.

The Corporation stated that there was no relation between carpet area and built up area and instructions were issued to revise/modify the lock and key storage agreements to avoid confusion in usage of nomenclature. The reply was not convincing as the storage charges were not collected as per the terms of the Agreement.

Loss of revenue due to unintended benefit granted to private parties by reduction in scheduled rates for hiring of godown space

3.2.30 The Corporation fixes tariff for storage facilities every year and for godowns on lock and key basis rates prevailing on the date of awarding was applicable. The power to grant rebate on storage charges upto six *per cent* in exceptional cases has been delegated to CMD. Our scrutiny revealed that the rates agreed were below the prevailing scheduled rates to the extent of 54 *per cent* without any recorded reasons. As the rebate was granted over and above the permissible limit, the approval for the same should have been obtained from the Board. However, the matter was not referred to the Board for decisions. In view of the fact that the godowns located at Pune, Aurangabad, Nagpur were high rated where demand for godown space was higher, undue reduction in scheduled rates led to loss of revenue to the extent of ₹ 1.84 crore for the four years ended March 2015.

The Corporation stated that rebate was granted to private parties as per powers delegated (December 2003) by Board to CMD in order to avail business opportunity. The reply was not acceptable as the resolution of Board was with regard to storage of sugar and fertilisers. Besides, the delegation to CMD was limited to six *per cent* as per the scheduled rates.

Non-recovery of storage charges at Nagpur

3.2.31 It is a common prudent practice that wherever godowns are let out on rental basis, security deposit is collected from the party. In case the party defaults in payment of rent, the Corporation can recover the rental dues from deposit. The Corporation leased out a complete warehouse centre at Butibori, Nagpur to M/s Glocal ICD (Party), Nagpur on long term lease for 15 years from July 2012 to June 2027,[6] without insisting for any security deposit.

As per agreement (August 2012) the party was required to pay rental amount every month in advance by 10th day of the month after the deduction of applicable taxes and two *per cent* penalty was payable in case of delay of more than 15 days in payment of rent. The possession of the area was handed over to party in September 2012 and it had made payment for initial period of one month.

[6]Open space-3,01,389 square feet (Sq.ft.) at ₹ 1.05 per Sq.ft. per month, covered space-26,087 Sq.ft. at ₹ 6.65 per Sq.ft. per month and office space-400 Sq.ft. at ₹ 15 per Sq.ft. per month

It was noticed that while executing the agreement the rent was reduced by CMD by ₹ 0.05 per square feet for open area and ₹ 0.13 per square feet for covered area with reference to rates mentioned in letter of acceptance resulting in loss of ₹ 5.54 lakh upto March 2015. A further rebate of 20 *per cent* in rent was allowed by CMD though as per tariff, maximum allowable rebate was only six *per cent*. Despite these concessions, the Party defaulted in payment of rent and ₹ 1.20 crore was due for the period October 2012 to March 2015. However, neither the Corporation terminated the Agreement for non payment of dues nor stood financially secured by any deposit money.

The Corporation (October 2015) stated that M/s Glocal ICD, Nagpur promised to pay the dues at the earliest and keeping in view of the future benefits, the agreement was not terminated. The reply of the management is not convincing in the view of the facts that the Corporation did not safeguard its financial interest by recovering rent of ₹ 1.20 crore and penalty (₹ 23.59 lakh) or securing by any deposit.

Operation of handling and transportation contracts

Deficiencies in Handling and Transportation contracts

3.2.32 The Corporation undertakes Handling and Transportation (H&T) activities on behalf of the FCI. The Corporation was getting reimbursement of actual expenditure incurred on H&T charges alongwith supervision charges at the rate of eight *per cent* thereon. During the period 2010-11 to 2014-15, the expenditure incurred by the Corporation on behalf of FCI on handling and transport activities was to the tune of ₹ 370.87 crore.

The H&T was being carried out on the basis of directives (September 1990) issued by the FCI without any MoU/Agreement. As per the existing procedure, the Corporation initially pays H&T charges to contractors and FCI reimburses these charges after deducting handling loss, if any. Though, the Corporation was making regular payments to H&T contractors within one month from the date of receipt of claims, FCI had withheld an amount of ₹ 21.32 crore for the period 2010-11 to 2014-15 on the reasons of disallowance of cleaning charges, cost of gunnies, with held amount of demurrages, Rail Transit Loss (RTL) *etc.* In the absence of MoU/Agreement, the Corporation was not in a position to settle this amount.

The Corporation stated that they were perusing with FCI by conducting meetings for release of amounts withheld for various reasons.

Non-incorporation of clause for collection of supervision charges in tenders for H&T operations

3.2.33 The H&T arrangements were made by the Corporation for both own and private investor godowns. As per the existing procedure, the charges for H&T operations (handling, loading, unloading and transportation) are initially paid to the contractors by the Corporation and FCI will reimburse the same. For this activity the Corporation receives supervision charges at the rate of eight *per cent* for both own and private investor godowns. However, in December 2012, FCI intimated that there was no provision for payment of supervision charges for private investor godowns. This issue should have been resolved with FCI. In the absence of this, the FCI refused to pay supervision charges of ₹ 4.01 crore of private investor godowns for the period March 2013 to 2015.

The Corporation stated that the issue of non-payment of supervision charges on PPP (Private investor) godowns arose only after communication received on 29 December 2014 from FCI. Further, it was stated that the matter was being pursued with FCI and the High Level Committee of FCI decided (May 2015) to form a Committee to examine this issue. The fact however remained that non payment of supervision charges for private investor godowns was communicated by FCI in December 2012 and thus the Corporation should have taken necessary steps in this regard.

Finalisation of tender on single bid at Container Freight Station (CFS), Mumbai at increased rates

3.2.34 The Corporation was operating Container Freight Station (CFS) (December 2004) at Dronagiri, JNPT, Mumbai for import, export and bonded business. For handling of cargo/containers and transportation of containers the Corporation appoints terminal operators.

Extra expenditure due to non-enforcing discretion for extending contract and awarding the contract despite unsatisfactory performance.

3.2.35 A contractor (M/s Orient Box Movers Private Limited) was appointed as terminal operator for a period of three years from September 2009 to August 2012. According to the terms and conditions of contract, the Corporation shall have the right to exercise its discretion of extending the contract period by one year. Considering the expiry of the existing contract of terminal operator in August 2012, tenders were invited in July 2012. As the required numbers of tenders were not received, the Corporation extended the tender date upto September 2012. The Corporation finalised single bid received from the previous contractor at increased rates and appointed the same party (October 2012). Had the Corporation exercised its discretion for extension of existing contract, the Corporation could have saved an additional expenditure of ₹ 6.30 crore (October 2012) caused due to increased rates.

The Corporation stated that since the performance of the H&T contractor was not satisfactory it had decided not to extend the contract as per the terms of contract. It further stated that since they had received a single bid only they appointed the party to avoid huge revenue loss. The reply of the Corporation lacked justification as if there was revenue loss, the Corporation could have continued the existing contract as per the Agreement. Besides, despite knowing about unsatisfactory performance of the contractor, the contractor was appointed at increased rates for four years on the basis of single bid.

Mis-appropriation of food grains at Umarkhed due to lack of supervision

3.2.36 During the period October 2013 to January 2015, 91 warehouse receipts were issued by Storage Superintendent (SS) of Umarkhed centre (Latur) for storing various commodities. These receipts were pledged with

Washim Co-operative Urban Bank Limited. When the inspection of the godowns was carried out (February 2015) by RM of the Corporation, 12,691 food grain bags valued ₹ 4.20 crore against 63 warehouse receipts were found short. An FIR was lodged (February 2015) at Umarkhed Police Station stating that SS and one depositor had colluded and the food grain bags were taken away without payment of warehouse charges and without making entry in stock record.

As per the policy of the Corporation, the RMs had to conduct annual/surprise inspection of warehouse centre. The inspection of this centre was carried out belatedly in February 2015 since the previous inspection was conducted in October 2013. Further, when the value of commodity pledged was more than ₹ 7 lakh, the counter sign of RM should have been obtained which was not done. The Corporation had taken insurance cover of ₹ one crore towards infidelity of its employees. As there was loss of stock due to misappropriation, the Corporation lodged (February 2015) a claim of ₹ 4.20 crore with the insurer which has not been settled so far (August 2015).

The Corporation stated that departmental enquiry had been initiated against the RM, Amravati for not carrying out inspection of Umarkhed centre since October 2013 and for not obtaining the counter signature. The facts however remained that the Corporation would not be able to make the losses good in the absence of sufficient insurance cover.

Huge arrears of storage charges

3.2.37 The Corporation had arrears of ₹ 24.66 crore recoverable from various agencies as on 31 March 2015. Out of this an amount of ₹ 7.51 crore *viz.* more than 30 *percent,* was outstanding for more than two years and of the total dues outstanding, nearly 85 *per cent* pertained to FCI. The reasons for arrears in respect of FCI were Storage Losses, Rail Transit Losses (RTL), Demurrage/ Wharfage/Rebooking charges *etc.* of the total dues in respect of fertilisers, more than 95 *per cent* pertained to Rashtriya Chemicals and Fertilisers Limited (RCF) Maharashtra Agro Industries Development Corporation Limited (MAIDC) and Zuari Industries Limited (ZIL).

The Corporation stated that billing recovery and reconciliation of outstanding dues was a continuous process. In the case of FCI, storage losses and RTL were major contributing factors for pending dues and the Corporation had been taking all measures for resolving issues and settlement of dues. The Corporation should make vigorous efforts to settle the outstanding claims in a time bound manner considering their financial interest.

Storage losses

3.2.38 Storage loss is revealed as and when each stock is completely cleared and represents the difference between the stock balance as per books and the physical stock balance. FCI fixed norms for storage losses at the rate of 0.2 and 0.50 *per cent* upto one year for rice and wheat respectively and 0.75 *per cent* beyond one year for both the commodities.

Scrutiny of records revealed that in 276 cases, storage losses valuing ₹ 8.90 crore were found to be in excess of the permissible limit during the last eight years upto 2014-15 as detailed below:

Year	No. of cases	Percentage of range of storage losses	Value (in ₹)	No. of cases written off	No. of cases partially written off	Value of partially written off cases (in ₹)
2007-08	1	0.64	94,724	-	1	94,724
2008-09	14	0.99-2.06	19,18,303	8	6	9,65,114
2009-10	15	0.66-1.02	37,35,651	6	9	26,32,814
2010-11	42	0.64-1.22	1,39,59,635	22	20	85,90,174
2011-12	64	0.62-1.48	2,16,43,171	34	30	1,17,49,692
2012-13	75	0.64-3.17	3,00,92,607	42	33	1,54,19,732
2013-14	45	0.52-2.10	1,21,49,112	25	20	44,74,651
2014-15	20	0.65-1.50	53,67,337	16	4	12,45,120
Total	**276**		**8,89,60,540**	**153**	**123**	**4,51,72,021**

The storage losses in the godowns ranged from 0.52 to 3.17 *per cent* which were beyond the norms. Further, since 2010-11 to 2013-14 the number of cases of storage losses also increased from 0.64 to 2.10 *per cent*. The FCI settled 153 cases of storage losses valuing ₹ 4.39 crore during last eight years. In respect of 123 cases valuing ₹ 4.52 crore, the FCI partially written off storage losses to the extent of ₹ 2.77 crore and balance amount of ₹ 1.75 crore had been rejected. In respect of 123 cases settled by FCI, 61 cases of ₹ 0.73 crore were discussed in the Board wherein it considered ₹ 0.44 crore as business loss and balance amount of ₹ 0.29 crore to be recovered from concerned Centre In charge. In remaining 62 cases valuing ₹ 1.02 crore, the Corporation has not yet taken any decision (December 2015).

The Corporation apprised that 44 out of 62 cases have been decided and ₹ 18.57 lakh was considered as business loss and ₹ 29.97 lakh was to be recovered from concerned centre in charges.

Maintenance of warehouses

Non utilisation of dunnages

3.2.39 As per FCI guidelines, wooden crates were to be used by the Corporation as dunnage and in case the wooden crates were not available, poly pallets may be purchased. The Corporation issued (December 2013) purchase order for 8,000 Nos. of poly pallets valuing ₹ two crore from a contractor (M/s Ojas Agro Packs Private Limited) at the rate of ₹ 2,499 per poly pallet based on the rate contract of CWC without inviting tenders and obtaining prior approval of Board. The Board while according post facto approval stated (March 2014) that as the amount involved was huge, prior approval should have been obtained. These poly pallets were received during January 2014 to July 2014. In April 2015, another purchase order valuing ₹ 3.05 crore was issued for 10,000 Nos. of poly pallets at the rate of ₹ 3,051 per poly pallet.

We observed that the additional order of 10,000 Nos. of poly pallets was placed without utilising 8,000 Nos. of poly pallets already received during January 2014 to July 2014. Due to non provision/utilisation of dunnages in the godowns, FCI was making payment of storage charges on actual utilisation basis instead of making payment on guaranteed storage capacity and withheld ₹ 6.05 crore due to the Corporation for the period 2014-15.

The Corporation stated FCI was paying storage charges on actual utilisation basis because poly pallets/wooden crates were not provided on 100 *per cent* basis and not because the procured poly pallets/wooden crates were not utilised. The reply was not convincing as the FCI had withheld the amount on account of non-fulfilling their model conditions of storage.

Non-commissioning of grain cleaning/grading machines and premature placement of Annual Maintenance Contract

3.2.40 The Corporation purchased (March 2012) for its various locations/centres 40 grain cleaning and grading machines and one additional sieve screen set at a cost of ₹ 2.34 crore and ₹ 4.80 lakh respectively. However, Annual Maintenance Contract (AMC) for three years at a cost of ₹52.76 lakh effective from expiry of two years warranty period from the date of commissioning of machines was placed with the supplier before commissioning of all the machines. The Corporation also made the payment (March 2013) before commissioning of all the machines.

The Corporation stated that three machines were yet to be commissioned due to non-completion of construction of cleaning and grading yards, non-availability of power supply *etc*. The reply of the Corporation was silent on the reasons for payment of ₹ 52.76 lakh towards AMC before commissioning of machines.

Avoidable expenditure on consultant for implementation of Government Scheme

3.2.41 The Corporation has been availing 25 *per cent* capital subsidy from NABARD towards construction of godowns in rural areas under Grameen Bhandar Yojana (GBY) implemented by GoI since 2002. As per the scheme, 50 *per cent* of subsidy was received in advance and the balance after construction of godowns. Further, NABARD implemented refinance scheme 2011-12 under which loans would be extended to beneficiaries from commercial banks and after repayment of loan as per schedule, the beneficiaries were entitled for interest subvention of 1.50 *per cent*.

We observed that though capital subsidy and interest subvention under the NABARD scheme were directly available to all beneficiaries availing the schemes, the Corporation appointed (September 2011) a consultant (M/s Innobiz Solutions Private Limited) with four *per cent* consultancy charges payable on capital subsidy and interest subvention receivable from NABARD. Further, the consultant was also appointed for reducing the interest rates offered by commercial banks under refinance scheme. Since the Corporation was a State owned agency and the NABARD being agency of GoI, the requirement of services of an intermediary consultant which costed the Corporation ₹ 31.11 lakh to implement the Scheme lacked justification.

The Corporation justified the appointment stating that subsidy and interest subvention were recovered/receivable due to the efforts of consultant and the consultant might not be treated as an intermediary but as a dedicated team. The reply was not convincing as the subsidy and interest subvention were receivable even without the services of the consultant on complying the provisions of the scheme.

Monitoring and Internal control

Internal control

3.2.42 The deficiencies noticed in Internal Control procedures are discussed below:

- Land required for construction of godowns was purchased without proper site survey of the conditions of the land and approach roads to the site.
- Payments for land purchases were released in full without complete measurement of the land by the authorised agencies.
- The Schedule of Rates for Rent to be recovered from licensees was not been followed there by making decisions arbitrary.
- The physical verification of stocks at warehouse centres was carried out by centre-incharge/Regional Manager (RM) responsible for handling/ supervision of the stocks, whereas periodical verification by independent stock verifiers was not carried out.
- In accordance with standing orders requiring RMs to carryout inspections of godowns/warehouses in a year, we noticed serious shortfalls in inspections.

Internal Audit

3.2.43 During scrutiny of records of Internal Audit (IA), several deficiencies were noticed which are discussed below:

- The General Manager (Finance) was holding the charge of General Manager (Audit) to whom all the Internal Audit reports were submitted. The duties of Finance and Audit should not have been discharged by the same person.
- Irregularities reported by Internal Audit wing were not placed before the Chairman and Managing Director/Board of Directors for scrutiny and the observations of internal auditors were not complied with.
- The periodicity of audit was not indicated in the audits conducted by the Internal Audit wing.

An independent internal audit wing needs to be set up and strengthened so that it would commensurate with the size and nature of the business of the Corporation as reported by the Statutory Auditors in their Reports since 2010-11.

Conclusion and Recommendations

The State Government has not assessed the warehousing requirement in the State as a whole.

The State Government may assess the requirement of warehousing facility in the State comprehensively, so as to demarcate the role for Government and private agencies and also for perishable commodities separately. The State Government may also assess creation of cold storage and other modern storage facilities in the changing environment.

Cases of non-utilisation of available land and purchase of land in excess of requirement and at unsuitable locations were noticed.

Corporation may acquire land only after feasibility study is carried out and proper plans for utilisation of acquired land are in place.

Abnormal delays in construction of godowns resulted in reduction of period of guarantee business of FCI and consequent loss of revenue. Deviations from specifications prescribed by FCI resulted in financial burden on the Corporation.

The Corporation may ensure efficiency in tendering procedures and for timely construction of godowns and adhere to the norms prescribed by FCI for their schemes.

The Corporation has not reviewed the categorisation of warehouses since November 2004.

Categorisation of warehouse centres may be reviewed periodically.

The Corporation did not enter into MOU with FCI for recovery of Handling & Transportation charges and Rail Transit Losses.

The Corporation may enter into MOU with FCI with enabling provisions for recovery of Handling and Transportation charges and Rail Transit Losses.

Physical verification of stocks of warehouses were not carried out by Regional Managers (RMs) responsible for the same and neither was independent physical verification of stocks carried out.

The Corporation may ensure that physical verification of stocks is carried out periodically by RMs/independent verifiers.

The irregularities reported by Internal Auditors were not reported to CMD/ Board.

The irregularities reported by Internal Auditors may be submitted to the CMD/Board for corrective measures.

Chapter IV

Compliance Audit Paragraphs

Chapter IV

Compliance Audit Paragraphs

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

Government Companies

Maharashtra State Electricity Distribution Company Limited

4.1 *Management of Distribution losses*

Introduction

4.1.1 Maharashtra State Electricity Distribution Company Limited (the Company) draws energy from the Transmission Companies at the distribution periphery and distributes it to the consumers. Distribution loss is the difference between the energy drawn by the Distribution utility at distribution periphery and the energy billed to the consumers. In the regulatory regime, the norms for distribution losses are decided by Maharashtra Electricity Regulatory Commission (MERC) and the excess/shortage compared to the norms is to be shared by the Company and the consumers in the *ratio* of 2:1. The distribution losses of the Company for the period 2010-11 to 2013-14 were 17.28, 16.03, 14.67 and 14 *per cent* and was second lowest in comparison with other six[1] neighbouring State Utilities except for 2010-11.

Scope of Audit

4.1.2 We scrutinised the adequacy of distribution losses recorded by the Company for the period 2010-11 to 2014-15 and selected three circles out of 44 O&M Circles which manage the Distribution Network of the Company.

Norms for distribution losses

4.1.3 As per the regulatory requirements, the Company proposes percentage of distribution losses for the ensuing year in their business plan. The MERC approves the percentage of the normative loss for that year after scrutiny of technical forms by the Company. The achievement as against norms of distribution losses for the years 2010-11 to 2014-15 is as follows:

Year	Norms of distribution losses (in *per cent*)	Achievement (in *per cent*)
2010-11	17.20	17.28
2011-12	16.27	16.03
2012-13	15.77	14.67
2013-14	15.03	14.00
2014-15	14.53	14.17

(Source of data: Annual accounts of the Company)

[1] Andhra Pradesh, Karnataka, Tamil Nadu, Gujarat, Madhya Pradesh and Rajasthan

The distribution losses of Company were within the norms approved by MERC since 2011-12. As a result, additional units of 1,298.46 Million Units (MUs) amounting to ₹ 671.55 crore were available for sale and as per the orders of MERC, one third of revenue amounting to ₹ 223.85 crore was passed on to the consumers during 2011-12 to 2012-13 and the remaining additional revenue was retained by the Company.

For the year 2013-14, sharing of corresponding additional revenue based on the audited accounts was not approved (₹ 199.40 crore being one third of the additional revenue of ₹ 598.20 crore from sale of additional 1,023 MUs) due to non achievement of metering of agricultural consumers.

Manual system followed by the Company in computation of Distribution losses

4.1.4 The Company developed Energy Accounting Module under Part A of Restructured Accelerated Power Development and Reform Programme (R-APDRP) which had been operational from January 2013. The module, *inter-alia*, provided for Division-wise energy audit to compute distribution losses. The Company, however, did not start utilising the module for computation of Division-wise distribution losses so far. Instead, the monthly energy input was mapped to 142 Divisions of the Company manually through Excel work sheets to arrive at the Division-wise and month wise energy drawn at the distribution periphery. This was compared with the Division-wise monthly units billed to consumers to arrive at Division-wise monthly distribution losses.

The Company stated (February 2016) that module is under trial/testing mode and if found suitable, the same would be used for determination of division-wise losses.

Monitoring of Micro Targets

Monitoring of targets of field offices to achieve the norms

4.1.5 The Company fixed yearly targets for Low Tension (LT) loss for its Divisions. The targets of Zones and Circles were derived by summing up targets set for Divisions under them based on the actual figures of the previous years. The aggregate of inputs, sale, LT loss and Distribution loss for all divisions in the previous years and target fixed for the year 2014-15 were as follows:

(In MUs)

Parameter	2010-11	2011-12	2012-13	2013-14	2014-15 (Target)
Input	86,170	95,433	97,846	99,575	1,06,359
LT Input	54,105	62,197	62,756	64,335	68,381
LT Non Agriculture sale	23,792	26,327	28,711	29,942	33,923
Agriculture sale	15,765	20,933	20,070	20,832	21,367
LT loss *(per cent)*	26.89	24.01	22.27	21.08	19.15
Distribution loss of Company (HT&LT) *(per cent)*	17.28	16.03	14.67	14.00	12.69

(Source: Information provided by the Company)

We observed that percentage of LT loss was on higher side considering the overall distribution loss in the Company over the period of five years. However, the LT losses were compensated by EHT/High Tension (HT) losses being very less. The distribution loss was a critical area, thus the Company may monitor the monthly/quarterly targets[2] for distribution loss and monitor Division-wise to keep the distribution loss within norms.

The Company stated (February 2016) that since the billing and collection was spread over more than one month it was not practical to fix monthly targets and further stated that with better data collection Company would fix quarterly targets.

The analysis of slab wise percentage of distribution losses and the number of Divisions for the period 2010-11 to 2014-15 was as follows:

Number of Divisions with distribution losses	2010-11	2011-12	2012-13	2013-14	2014-15
> 50%	1	-	-	-	-
40 to 50%	4	4	1	1	1
30 to 40%	20	7	6	3	6
20 to 30%	37	33	32	29	22
< 20%	80	98	103	109	113
Total	**142**	**142**	**142**	**142**	**142**

We observed that the distribution loss showed a reducing trend as the number of divisions with losses more than 30 *per cent* reduced from 25 in 2010-11 to only seven[3] in 2014-15. The Company may continue to reduce losses further by analysing reasons for higher losses in these seven divisions.

Energy audit system

4.1.6 Energy Audit is the key to a systematic approach for decision making in energy management. Energy audit at the Distribution Transformer Centres (DTC) level is the finest tool available for micro monitoring the distribution losses and implementing action plan for its reduction. As per MERC orders (June 2008), the energy consumption of all the category of consumers including agricultural consumers was required to be 100 *per cent* metered. In case of any difficulty in 100 *per cent* metering at individual level, then the same was required to be done at DTC level and at feeder level. The Company accordingly issued (July 2008) Commercial Circular, wherein Company should strive to ensure 100 *per cent* metering of all consumption, including agricultural consumption. The field offices were to ensure that necessary DTC metering and feeder metering arrangements were completed by July 2008. It was also instructed (December 2010) that reading of DTC meter and reading of meters at premises of consumers should be recorded simultaneously for comparison. For DTC loss level above 15 *per cent* responsibility for corrective action was prescribed on officials at various levels according to the range of loss.

[2] Agricultural consumers are billed quarterly, which is maximum billing cycle

[3] Jalana-II, Thane-III, Nandurbar, Shahada, Udgir, Nanded (U) and Malegaon (U)

The DTC level energy audit was done by measuring the energy in units at DTC and at the consumer meters for each calendar month. The difference between these two was recorded as the DTC level distribution losses for that month. The position of DTCs, their metering and DTC level energy accounting as at the end of March 2015 revealed the following:

- Out of 4,59,122 DTCs (March 2015), only 2,32,730 DTCs were metered (50.70 *per cent*) which indicated unsatisfactory progress in DTC level energy audit.
- Out of 2,32,730 metered DTCs, Energy Audit Reports (EAR) were generated only in 30,617 DTCs in March 2015. In respect of the balance 2,02,113 DTCs the energy audit reports were not generated. This had the impact on the monitoring of energy losses in absence of the EAR besides rendering the expenditure incurred on these meters unfruitful.

The Company stated (February 2016) that it was decided in January 2014 not to install meters in DTCs in projects other than R-APDRP since the DTC energy accounting was not helpful. However, now it has been decided to reintroduce the DTC metering in phased manner.

It was further observed that Company did not fix the targets for feeder wise and DTC wise losses. The Company stated that as the load shedding was implemented on feeders depending on grading of feeders based on their Distribution and Collection Loss (DCL),[4] feeder wise and DTC wise targets of loss were not fixed. Since the feeders and DTC form significant part of the distribution system under the Divisions and therefore, targets may be fixed so as to monitor the same.

Implementation issues for arresting losses

4.1.7 The Company has devised mainly the following strategies for reduction of distribution losses:

- **Infrastructure Plan**-The Company prepared (July 2006) comprehensive infrastructure plan aimed at reducing AT&C losses, provide reliable and quality energy supply, meeting the load growth upgrading the existing deteriorated system and providing administrative support with latest technology. Under this scheme, 599 new sub-stations, 377 augmentation of power transformers, 498 additional power transformers, 67,418 distribution transformers, 8,449 DTC Augmentation, 43,458 km. HT lines and 12,115 km. LT lines had completed in 120 Divisions which were taken up during September 2008 to March 2013. However, there was no commitment to reduce distribution losses by prescribed percentage Division-wise after implementation of the scheme. The Phase II of Infrastructure Plan was in progress.
- GoI launched (December 2008) R-APDRP with the aim of restoring commercial viability of the distribution sector by putting in place

[4] DCL is the combination of distribution loss and collection efficiency worked out in line with MERC orders

appropriate mechanism so as to substantially reduce the AT&C losses by establishing reliable and automated sustainable systems for collection of base line data, adoption of IT in the areas of energy accounting, customer care and strengthening of Distribution network of State Power Utilities.

The scheme covered 128 towns in Maharashtra where population was more than 30,000 as per 2001 census. As per the guidelines specific loss reductions targets were set to avail the benefits under the scheme. The scheme was under implementation as of March 2015.

Agricultural Consumers

Unmetered agricultural consumers and non-assessment of their consumption

4.1.8 MERC observed (June 2014) that the Company required to significantly increase its efforts for metering all the unmetered Agricultural Consumers (AgC) and stated that till receipt of report on correct specific consumption for unmetered AgC, the sales and distribution losses approved would be provisional.

The status of metering of AgC of Company during the period under review is as follows:

Quarter ending	Agricultural consumers		
	Total No. (in lakh)	No. of unmetered (in lakh)	Percentage of unmetered
March 2010	28.01	14.08	50.25
March 2015	38.07	16.01	42.05

It could be seen that 42 *per cent* of the AgC are unmetered and there was no appreciable progress in installation of meters mainly due to the slow pace of purchase of meters.

The index of unmetered agricultural consumption was determined based on consumption recorded by metered AgC who had normal progressive status of meter reading, *i.e.* excluding meters with zero or negative consumption. For the metered consumer, the maximum consumption was capped at 224 kWh/ HP per month based on a maximum of 10 hours of supply per day and 300 days of operation per annum as approved by MERC.

With regards to roadmap of metering of 16 lakh unmetered AgC, the Company submitted (January 2014) the following target for metering of unmetered AgC:

Phase	No. of Ag separated feeders	Date of completion of metering
1st Phase	100	31 December 2014
	100	31 March 2015
2nd Phase	300	31 December 2015

MERC observed (June 2014) that in a period of two years the Company had proposed to cover only 500 separated Ag feeders out of total 6,980 feeders. Under this plan Company would take a very long time to complete the metering and directed to re-organise its plan for implementation in a shorter time. The Commission directed (June 2015) Company to complete the metering within a period of three years (*i.e.* by end of 2017-18).

The assessment of AgC without metering was against the provisions of Electricity Act, 2003. In the absence of metering, AgC were billed on the basis of load as per the extant orders of MERC and the units consumed by them could not be considered for billing. Further, the unit consumption assessed based on the index method stated above might not be the actual consumption of AgC resulting in distorted figures of distribution losses.

We compared the consumption assessed based on index method for consumers who were unmetered in a quarter ending December 2013 but were metered in December 2014 quarter and whose connected load in HP did not change over the same period (5,652 Nos.) Out of the above 5,652 consumers, 3,649 consumers (65 *per cent*) recorded higher consumption in December 2014 as compared to in December 2013 though the connected load remained the same. The overall metered consumption of these 5,652 consumers in December 2014 was 9.07 Million Units (MUs) as against 7.38 MUs in December 2013, the increase being by 1.69 MUs (22.90 *per cent)*. This indicated that the actual energy consumed when metered was more than the assessed consumption of the same consumers, when they were unmetered.

The Company stated (February 2016) that the consumption could vary depending upon various factors.

Inefficiency in collection of dues from agricultural consumers

4.1.9 The collection efficiency of the Company over the years was as follows:

Year	Aggregate Collection efficiency (*per cent*)
2011-12	97.58
2012-13	95.31
2013-14	95.63
2014-15	94.71

Out of 94,805 MUs sold by the Company during 2014-15, sale to LT-AgC was 25,695 MUs which was 27.10 *per cent* of the total sale. The collection efficiency was only 34.12 and 38.22 *per cent* for metered and unmetered LT-AgC respectively against the Company's aggregate collection efficiency of 94.71 *percent* for the year 2014-15. The low level of collection efficiency in LT-AgC is main reason for decreasing collection efficiency of the Company.

The Company accepted (February 2016) that the revenue recovery under the agricultural sector had always been a challenging task and even the implementation of DCL based load shedding might not be possible. It was further stated that the Company is making all efforts to improve the collection efficiency. The reply be viewed in light of the fact that MERC in line with the Regulations had disallowed ₹ 506 crore out of the interest on working capital incurred by Company from 2011-12 to 2013-14.

High incidence of faulty meters resulting in short assessment of metered agricultural supply and higher distribution losses

4.1.10 The position of category wise faulty meters and their percentage to the total meters as on 31 March 2015 is as follows:

Category	Faulty Meters	Total Meters	Percentage
LT-BPL Domestic	47,648	3,42,750	13.90
LT-Domestic	6,42,417	1,65,12,935	3.89
LT-Commercial	28,268	16,11,998	1.75
LT-Agriculture (Metered)	1,94,873	22,09,599	8.82
Others including LT-Industrial	9,796	6,26,362	1.56
Grand Total	**9,23,002**	**2,13,03,644**	**4.33**

We observed that the faulty meters in AgC were comparatively higher in number and in percentage terms as compared to other categories. As per MERC orders, the metered AgC were billed based on load in HP and unit consumed whereas the unmetered consumers were billed based on load alone. We observed that the average billed number of units per HP of the metered AgC as a whole (including faulty meters) was on lower side as compared to normal metered AgC as a whole in all the quarters from April 2012 to March 2015.

Due to high incidence of faulty meters, the consumption was not properly recorded even for metered AgC and was accounted under distribution losses. The under billed units in respect of faulty meters worked out at the rate of per HP consumption of normal meters for the period April 2012 to March 2015 was 3,271 MUs. Therefore the Company should take adequate steps to reduce the incidence of faulty meters under agricultural category.

Appointment of Distribution Franchisees (DF)

Absence of suitable clause in DF Agreement for commitment of reduction of Distribution losses

4.1.11 In view of the high distribution losses in Bhiwandi Circle, the Company handed over the distribution of electricity within the Bhiwandi Circle to Torrent Power Limited (TPL) with effect from 26 January 2007 for a period of ten years. The distribution losses level for Bhiwandi Distribution Franchisee (DF) Area and for the Company as a whole were as follows:

(in per cent)

Year	Bhiwandi DF area	Company
2010-11	17.95	17.28
2011-12	17.30	16.03
2012-13	17.53	14.67
2013-14	20.53	14.00
2014-15	21.64	14.17

The distribution losses in Bhiwandi Circle initially reduced from the level of 41.85 *per cent* in 2006-07 to 17.30 *per cent* in 2011-12. Thereafter, it registered increasing trend of distribution loss from 17.30 *per cent* in 2011-12 to 21.64 *per cent* in 2014-15.

In this regard we observed that;

- As per the Request for Proposal (RFP) issued (March 2006), the rate quoted by the bidders should factor a minimum reduction of distribution losses by five *per cent* in the first three years; three *per cent* in the next four years and one *per cent* every year thereafter till expiry of the Agreement as compared to the distribution losses of 44.50 *per cent* in the base year 2005-06. The loss reduction targets, however, were not incorporated in the DF Agreement with suitable penal provisions.

- As per the Agreement with DF, the DF had to submit an Infrastructure Roll Out Plan (IROP) to the Company before effective date (26 January 2007) mentioning the tentative investments to be carried out in the franchise area so as to reduce distribution losses and improve the quality of supply. However, the DF has not submitted the IROP to the Company till date (December 2015) and neither did the Company ask for the same. The Company has also not undertaken any study for the reasons for increase in loss.

The Company stated (February 2016) that since they were getting revenue based on input, there was no loss even if there was under performance on reduction of distribution losses. The reply was not convincing since the increasing distribution losses needed an action plan for reduction either from the DF or the Company.

Conclusions

- **The Distribution losses which were 17.28 *per cent* in 2010-11, came down to 14.17 *per cent* in 2014-15 and were within the norms approved by the State Regulatory Commission (MERC).**

- **The Company did not use the available software to compute Division wise Distribution losses which could have avoided manual interventions for working out the losses.**

- **The Company should systematically monitor monthly/quarterly losses of the Divisions.**

- **The Company's monitoring of distribution losses was inadequate in absence of fixation of micro targets at Feeder and DTC level for Energy Audit.**

- **High incidence of unmetered connections/faulty meters of agricultural consumers resulted in under billing and consequential distribution losses.**

- **Collection inefficiency of dues from agriculture consumers resulted in pressure on the Company's working capital and the interest on these borrowings was partially disallowed by MERC while fixing the tariff.**

- **Increase in distribution losses in Bhiwandi DF Area have neither been addressed by the Franchisee nor by the Company.**

The matter was reported to the Government (October 2015); their replies were awaited (January 2016).

4.2 *Undue favour to HT consumers*

The Company allowed excess Prompt Payment Discount of ₹ 26.18 crore to high tension consumers.

Maharashtra Electricity Regulatory Commission (MERC) (Electricity Supply Code & Other Conditions of Supply) Regulations, 2005, stipulated that the Distribution Licencees shall issue energy bills to HT consumers on monthly basis and due date for the payment of a bill shall not be less than 15 days from the bill date. MERC orders (August 2012) specified that a consumer could avail Prompt Payment Discount (PPD) of one *per cent* on the monthly bill (excluding taxes and duties), if the energy bills were paid within a period of seven days from the date of issue of bill or within five days from the date of receipt of bill, whichever was later. Accordingly the PPD was to be allowed on the amount of bill payable by the consumer excluding taxes and duties. The amount of bill payable by the consumer is the aggregate of demand charges, energy charges, fuel adjustment charges and time of day charges after adjusting for power factor incentive or penalty, as the case may be.

We observed that the Company allowed PPD to the consumers without adjusting the Power Factor incentive or penalty and as a result the PPD of one *per cent* was calculated on a higher amount which was against the stipulation contained in the MERC orders. An analysis of 2,43,690 bills aggregating to ₹ 38,101.63 crore issued to 15,513 HT consumers during the period September 2012 to February 2015 revealed that the PPD was worked out on the gross amount of the bill without adjusting Power factor incentive/penalty resulted in allowing excess PPD of ₹ 26.18 crore to the consumers.

The matter was reported to the Government/Management (June 2015); their replies were awaited (January 2016).

Lokshahir Annabhau Sathe Development Corporation Limited

4.3 *Purchase of flat at higher rates*

The Company purchased flat without ascertaining the reasonability of rates and incurred excess expenditure of ₹ 1.02 crore.

Lokshahir Annabhau Sathe Development Corporation Limited (Company) decided (June 2013) to purchase a flat to provide accommodation to its officials visiting Mumbai for official work near to its Head Office premises in Mumbai. Accordingly, a flat admeasuring 809 square feet (carpet area) alongwith car parking area was purchased at Borivali (East), Mumbai from a private party for a total consideration of ₹ 1.86 crore and the sale deed was executed (November 2013).

We observed (November 2014) that the Company purchased the flat without ascertaining the reasonability of rates by way of calling rates/quotations of similar properties in the vicinity from more than one builder/seller. Further, it was noticed that according to the Department of Registration and Stamps, the prevailing value of the flat at the time of purchase was ₹ 84.28 lakh only.

Thus, the Company purchased the flat without adopting transparent purchase procedures and ascertaining the reasonability of rates. This resulted in excess expenditure of ₹ 1.02 crore being the difference between the consideration paid by the Company and the value determined by the Department of Registration and Stamps. The original sale deed of the property and occupancy/possession certificates were not in possession of the Company and utilisation of flat for the purpose it was purchased could not be ascertained.

The Company stated (October 2015) that the Board had approved and authorised the Managing Director to purchase the flat for accommodating its officials. It further stated that the Company did not have the original papers as well as keys of the flat.

The reply of the Company itself confirms the seriousness of the irregularity in the entire transaction as the Company does not possess the original papers as well as keys of the flat even after two years from the date of purchase. As regards the approval of the Board, it was only for purchase of a flat which should have been implemented by the Company after following the due procedures.

The matter was reported to the Government (May 2015); their replies were awaited (January 2016).

4.4 *Loss due to release of advance without security*

The Company incurred loss of ₹ 20 lakh due to grant of advance to contractor without any security.

Lokshahir Annabhau Sathe Development Corporation Limited (Company) invited (November 2012) quotations for construction of compound wall on its premises at Andheri in Mumbai. The Company received three quotations (November 2012) and the work was allotted (April 2013) to a contractor (M/s R.C. Bidave) for ₹ 35.40 lakh being the lowest offer. The work order provided for payment of advance equivalent to 60 *per cent* of the value of work. The contractor had to complete the work within 40 days from date of issue of work order and the balance amount was to be paid after completion of the work. Accordingly, the Company paid (April 2013) ₹ 20 lakh to the contractor. The contractor after receipt of work order/advance neither started the work nor did he respond to the reminders/notices issued (April, June and October 2013) to execute the work.

We observed that the Company neither prepared estimates for the work nor invited open tenders. The dimensions and specifications of construction which determine the cost of work involved were not documented and communicated to the contractor at any stage of the finalisation of contract. As such, the value of work awarded / to be carried out at a cost of ₹ 35.40 lakh was not comparable.

We also observed that while granting advance to the contractor, the Company did not protect its financial interest by obtaining any Security Deposit/Bank Guarantee from the contractor. Thus, the Company had no security available for recovery of advance paid to the contractor. The Company neither made efforts to trace the whereabouts of the contractor nor initiated any legal action against him. Thus, the advance of ₹ 20 lakh paid by the Company remained unrecovered due to negligence in safeguarding its interest before releasing the advance and inaction in pursuing the recovery/getting the work completed.

The matter was reported to the Government/Management (May 2015); their replies were awaited (January 2016).

Mumbai Metro Rail Corporation Limited

4.5 *Infructuous expenditure on appointment of Independent engineer*

The Company appointed an Independent Engineer without resolving environmental issues related to the Metro line-II Corridor Project which resulted in infructuous expenditure of ₹ 4.71 crore.

The Government of Maharashtra (GoM) appointed (November 2006) Mumbai Metropolitan Region Development Authority (MMRDA) as implementing agency for construction of Metro Rail system known as Charkop-Bandra-Mankhurd corridor on Build, Operate and Transfer (BOT) basis. MMRDA selected (August 2009) the consortium of Reliance Infrastructure Limited (RIL), which formed a separate Company-Mumbai Metro Transport Private Limited (MMTPL). MMTPL was the Concessionaire to construct and operate the Metro Rail.

GoM entered (January 2010) into a Concession Agreement (CA) with the Concessionaire (MMTPL), which, *inter-alia*, provided for appointment of a consulting engineering firm for rendering consultancy services as an Independent Engineer (IE). Subsequently, the GoM authorised (October 2010) Mumbai Metro Rail Corporation Limited (MMRCL), a fully owned Company of MMRDA, for implementation of all Metro Rail projects in Mumbai. The metro route of Charkop-Bandra-Mankhurd corridor (32 kms) was to be constructed at a cost of ₹ 7,660 crore.

The GoM entered (April 2011) into Supplementary Agreement with MMTPL for designating MMRCL as project implementing agency. Meanwhile, as per the terms of the CA, MMRCL entered (January 2011) into an agreement with a consortium of three private parties for rendering consultancy services as IE. The scope of the work included review and finalisation of standard gauge rail system, conceptual designs, quality assurance programme, safety and operational plans *etc*. The total consultancy fee was ₹ 20.31 crore out of which five *per cent* was payable as advance against bank guarantee and the balance was to be paid over a period of 60 months. The clause[5] of supplementary CA provided that MMRCL would make the initial payments to the IE which would be subsequently reimbursed to the extent of 50 *per cent* by MMTPL.

We observed that before entering into the Concession Agreement (CA), M/s RIL had addressed (January 2010) to MMRDA that in both Charkop and Mankhurd depot sites, substantial area was falling under the Coastal Regulation Zone and this was not made known to them at the bidding stage. It

[5] Clause 23(3) of the CA read with supplementary CA

was also stated that this would be an impediment in the execution of the project. Therefore instead of taking steps for resolution of the environmental clearance issues at Charkop and Mankhurd Depot sites, MMRCL went ahead with the appointment of the Independent Engineer (IE) and also released payments to them. Thereafter, MMRCL took up (June 2011) the matter with the Ministry of Environment and Forest, Government of India (GoI) to relax the conditions put forth by them for construction of car sheds at Charkop and Mankhurd. The services of the IE who were engaged from October 2011 to June 2013, had to be subsequently discontinued (August 2013) because of uncertainty of the project. Since the environmental clearances were not received and the project had become a non starter, the GoM decided (November 2014) to terminate the contract at no cost to either parties. Consequently, the entire payment of ₹ 4.71 crore made to the IE from October 2011 to June 2013 became infructuous. The work done/services rendered by IE was not verifiable.

Further, 50 *per cent* of this expenditure which was to be reimbursed by MMTPL had not been received by MMRCL till date (December 2015). When MMRCL claimed (March 2012) reimbursement from MMTPL, the MMTPL refused (April 2012) to make the payment stating that they were unable to commence project implementation due to obstacles such as environmental clearances and other issues. They had also stated that payment to IE would prove infructuous at that stage and had requested MMRCL to review the possibility of discontinuing the services of IE.

Thus, decision of the MMRCL to go ahead with the appointment of the IE acknowledging the issues which required resolution for a mammoth project of this nature to commence, had resulted in infructuous expenditure of ₹ 4.71 crore.

MMRCL stated (October 2015) that the process of obtaining environmental clearance was started in 2009 (before signing of CA) and was received in December 2011 with very stringent conditions making construction work almost impossible. Further, the expertise of IE was necessary for various activities such as site surveys, identifying utilities, laying geographical profile of site *etc.* before starting the project and was also required in dispute resolution while foreclosing CA to avoid future litigation/arbitration in such mega infrastructure projects. By comparing huge compensation to MMTPL, in case of litigation, the expenditure incurred was very minimal and hence continuation of IE services was justified.

The reply of the MMRCL was not acceptable, since it was well aware of the fact that environmental clearances were required from GoI for this project and in absence of the same, the project would be a non-starter. Therefore the role of the IE whose services were engaged for work relating to implementation of the project were rendered futile and MMRCL had to discontinue their services.

The matter was reported to the Government (October 2015); their replies were awaited (January 2016).

Mahatma Phule Backward Class Development Corporation Limited, Maharashtra Tourism Development Corporation Limited and Sant Rohidas Leather Industries and Charmakar Development Corporation Limited

4.6 *Loss of the Company's funds due to fraudulent transactions*

Absence of adequate internal controls in handling investments of the Company resulted in loss to the Companies' funds of ₹ 194.82 crore in fixed deposits in Banks due to fraudulent transactions.

The Government of Maharashtra (GoM) issued (March 2006) detailed guidelines regarding investment of surplus funds by Public Sector Enterprises. As per the guidelines, the decision on investment of funds shall be taken by the Board of Directors (Board). The Board may delegate the powers to invest funds up to one year maturity and up to prescribed limits of investments to a designated group of Executives which should invariably include Managing Director (MD) and Head of Finance (HoF). Besides there should be a proper system of automatic internal reporting to the Board of all the investments made, at its next meeting in all cases.

The three State Government Companies, made Fixed Deposits (FD) in Banks as detailed below:

Sl. No.	Name of the PSUs	Amount of deposits (₹ in crore)	Deposited during	Rate of interest (in *per cent per annum*)	Name of the Bank
1.	Maharashtra Tourism Development Corporation Limited (MTDC)	125.82	January-May 2014	9 to 9.98	Dena Bank
2.	Mahatma Phule Backward Class Development Corporation Limited (MPBCDC)	30.00	January 2014	9.35	Dena Bank
3.	Sant Rohidas Leather Industries and Charmakar Development Corporation Limited (SRLIDC)	9.00	February 2014	9.75	Vijaya Bank

We observed (April 2015) that these Companies did not have a formal system of delegation of the powers for investment to a Committee as envisaged in the Government guidelines. The investment limit was also not prescribed by the Board and, therefore, the procedures laid down for handling investment of surplus funds were not followed scrupulously by the Companies.

In addition, it was noticed that:

- MTDC and MPBCDC had no previous banking relation with the Malabar Hill Branch (MHB) of Dena Bank. The reasons the MTDC and MPBCDC selected this particular branch for investment purposes were not on record.
- Although, MTDC had received (23 April 2014) the same rate of interest from three other Banks, the MTDC decided to invest in Dena Bank, MHB, for which there were no recorded reasons.

- MPBCDC acknowledged that the FD receipts were not collected by the official of the Company but delivered by an official of the Bank.
- The Statutory Auditors of MTDC, MPBDC & SRLIDC in their Reports had reported that there were weak control procedures in various operational activities and the Companies had its accounts in arrears.

Subsequently, based on the advice (July 2014) of Economic Offences Wing (EOW), Mumbai Police, MTDC and MPBCDC verified the FDs and found that FD receipts held by them were fake and an Overdraft (OD) of ₹ 63 crore (MTDC) and ₹ 25.50 crore (MPBCDC) had been fraudulently created against the security of FD receipts without the knowledge of the Companies. Thereafter, MTDC and MPBCDC requested (July 2014) the Bank to release the proceeds of their FDs which was not accepted by the Bank due to the ongoing police investigation. Further, citing similar investigation of FDs of various banks, FDs of ₹ 30 crore of MTDC in Punjab and Sind Bank (Khar Branch) were also not released, though no lien had been created on these Deposits.

In the case of SRLIDC, we noticed that the Company received (June 2014) a communication from Vijaya Bank stating that an OD of ₹ 8.10 crore was created against the security of its FD. An enquiry by the SRLIDC revealed that the FD receipts held by them were fake and the OD created was not authorised by them. Hence, SRLIDC filed a complaint with the EOW of Mumbai Police and a First Information Report (FIR) was registered (August 2014). It was revealed from the FIR and show cause notice issued to the Financial Advisor & Chief Accounts Officer (FA&CAO) of SRLIDC that third persons who were not appointed by the Company, had handled the FD receipts.

Thus, due to non-compliance of stipulated procedures for investment of surplus funds and absence of internal controls, these Companies could not safeguard their investment and met with fraudulent transactions and likely loss of the investments of ₹ 194.82 crore.

MTDC and MPBCDC stated (November 2015) that the Board had delegated the powers to invest to the MD. The decision to invest the funds with MHB of the Dena Bank was taken as it offered the highest rate of interest. It also stated that the Bank had committed the fraud as they had not availed any overdraft against the FDs. However, MTDC was silent for selecting MHB though same rate was offered by other Banks.

SRLIDC stated (August 2015) that there was no involvement of investment consultant. The *post facto* approval of Board for investment had been obtained in June 2015. It also stated that the then FA&CAO had failed to perform his duty in obtaining original documents in person from the bank for which explanation was called from him. SRLIDC also stated that it had never approached the Bank for OD and there was no role of SRLIDC in this fraudulent transaction.

Though, these fraudulent transactions were noticed and being investigated by the concerned authorities, the fact remains that the Companies did not follow the procedure/guidelines prescribed by the GoM.

The matter was reported to the Government (May/October 2015); their replies were awaited (January 2016).

Maharashtra State Road Development Corporation Limited

4.7 *Toll Rights on Mumbai entry points*

The recovery of cess on petrol and diesel continued even after recovery of the cost of project by the Company resulting in excess financial burden on the toll paying public.

In order to decongest vehicular traffic, the Government of Maharashtra (GoM) assigned construction of the flyover projects in Mumbai to the Maharashtra State Road Development Corporation Limited (Company) on Build, Operate and Transfer (BOT) basis in terms of GR dated 4 September 1997 and 22 August 2002. The cost incurred on the projects was to be recovered through toll, advertising and fuel cess on sale of petrol and diesel in Mumbai, Thane and Navi Mumbai Municipal Corporation areas. The Company constructed 37 flyovers at a total cost of ₹ 1,065.25 crore (excluding interest during construction ₹ 167.70 crore). The Company started toll collection at five Mumbai Entry Points (MEP) from 1999-2000 onwards through private contractors and had collected ₹ 1,058.66 crore upto October 2010. The Toll collections were in terms of GRs of June 1999 and August 2002 of GoM (State Public Works Department (PWD)). The Company also received from the GoM, fuel cess levied at one *percent* of the cost of petrol and three *per cent* of the cost of diesel in Mumbai and adjoining towns since 22 January 2000. They had received ₹ 536.44 crore upto March 2011.

The Company through the GoM (in PWD) submitted a proposal (November 2008) to the Cabinet Committee on Infrastructure to recover ₹ 2,100 crore by way of securitisation of toll rights on five Mumbai Entry Points (MEP) for the ostensible reasons of retiring outstanding borrowings of the Company and cost of proposed Peddar Road flyover and Sion Panvel Highway. While working out the cash flow for awarding the securitisation of toll rights contract, the Company had projected a toll revenue of ₹ 6,738 crore[6] for 18 years period from 2009-10 to 2026-27, whereas the outstanding expenditure to be recovered as on 2009-10 was worked out at ₹ 2,366.36 crore for the completed 37 projects by applying an Internal Rate of Return (IRR) of 16.12 *per cent.*

The Company awarded the contract for securitisation of toll rights for a period of 16 years from 20 November 2010 to 19 November 2026 to MEP Infrastructure Private Limited, Mumbai (MEPIPL) for an upfront receipt of ₹ 2,100 crore. The Agreement with MEPIPL was executed in November 2010 after due approvals by the GoM and receipt of the upfront amount.

We observed that taking in to account the IRR at 16.12 *per cent* for the project cost as approved by GoM on the Company's proposals, the entire project cost stood recovered in November 2010 itself with the securitised amount of

[6] Based on Manual traffic count prepared by a private consultant

₹ 2,100 crore and cess received, yet the Company continues to receive the fuel cess from GoM. The excess cess burden of the public was therefore financially not justified.

The Company stated (January 2016) that the securitisation of toll collection rights applying IRR of 16.12 *per cent* was approved by the GoM and there were delays in receipt of the fuel cess from the Government.

We therefore recommend that the GoM may consider discontinuation of the fuel cess as the entire project cost stood recovered in November 2010 itself with the upfront receipt of ₹ 2,100 crore and the cess received by them.

The matter was reported to the Government (December 2015); their reply was awaited (January 2016).

4.8 *Infructuous expenditure on Passenger Water Transport*

The proposal to implement Water Transport System in Mumbai could not be implemented even after 16 years due to indecision of the Government besides infructuous expenditure of ₹ 20.95 crore on appointment of consultants was incurred since the project was withdrawn from the Company.

Government of Maharashtra (GoM) appointed (June 1999) Maharashtra Maritime Board (MMB) as implementing agency for the work of developing Passenger Water Transport system along the coast of Mumbai. MMB had conducted surveys and prepared Detailed Project Report (DPR) and invited tenders for implementing the project. Before finalising the award of the work on Build, Own, Operate and Transfer (BOOT) basis, GoM transferred (February 2002/September 2002) the project to Maharashtra State Road Development Corporation Limited (Company) and appointed as 'Nodal officer' for Water Transport Project. Accordingly, Company prepared feasibility reports, detailed engineering drawings and obtained necessary statutory permissions. The Company invited tenders for implementing both the projects on BOT basis, three times during the period 2002-2009, (East Coast and West Coast) but these tenders were, however, not finalised due to various reasons such as non-availability of land parcel from Mumbai Port Trust, internal disputes of the contractor and poor response of operators *etc.*

The GoM, subsequently revised (March 2012) its decisions and decided to develop the projects on Engineering, Procurement and Construction (EPC) basis for which the Company was again appointed as 'Implementing Agency'. The Company invited (June 2012) tenders for construction on Cash Contract basis for East Coast (estimated cost ₹ 356 crore) and West Coast (estimated cost ₹ 753 crore). The Company evaluated the bids received and submitted (16 August 2012) the same to GoM for approval of appointment of contractors.

Since conceptualisation (2002) of the project, the Company conducted various studies by appointing consultants for the project and incurred an expenditure of ₹ 20.95 crore upto 2015 which included the following major payments to consultants:

Sl. No.	Details of work	Date of work order	Name of the consultant	Expenditure (₹ in crore)
1.	Preparation of Project Report on West Coast and East Coast	07/05/2008	M/s Mott Macdonald Private Limited	1.24
2	Pre-tender activities-East Coast	24/11/2011 30/12/2011	M/s Dy. Engineering and i-Maritime Consultancy Private Limited	5.38
3.	Pre-construction Survey, planning, drawings, pre and post tender activities-West Coast	10/01/2012	M/s Louis Berger Group Inc.	2.77
4.	Financial and investment structuring	23/09/2013	M/s DARASHAW and Co. Private Limited	0.57
5.	Pre-tender and post tender activities for constructions of approach road at Nerul	09/12/2014	M/s Dhruv Consultancy Service Private Limited	0.31
6.	Vetting of traffic data from IIT	22/05/2014	IIT	0.13

Subsequently, GoM decided (November 2014) not to pursue the Western Waterways Projects and appointed (June 2015) MMB again as the implementing agency for East Coast project. They directed MMB to appoint a Project Management Consultant and prepare DPR considering both financial and technical feasibility. The MMB invited (August 2015) tenders for appointment of consultants and leasing of land for setting up of terminal building and its commercial exploitation along the East Coast.

It was observed that;

- GoM had initially entrusted (1999) the project to MMB for implementation and subsequently in 2002 transferred the project to the Company. The Company invited the tenders (June 2012), for implementation of the project and submitted them to GoM for approval of appointment of contractors.
- Without finalising the tender proposed by Company, the GoM again transferred the project for implementation to MMB (June 2015).
- MMB was again appointing consultants and preparing DPR considering the technical and financial feasibility though number of studies had already been made by the Company.

The Company stated (January 2016) that the decisions were taken by GoM. The reply of the Company indicated the weakness on the part of Company in not conceptualising the project within a span of 10 to 13 years despite being transferred to them. Besides, the indecision of the GoM, even after the lapse of 16 years, as regards its willingness to go ahead with the project and deciding the implementing agency, the project as envisaged could not be implemented. The facts remained that an expenditure of ₹ 20.95 crore incurred by the Company mainly on consultants for various surveys, feasibility studies *etc.* became infructuous.

The matter was reported to the Government (October 2015); their replies were awaited (January 2016).

Maharashtra State Electricity Transmission Company Limited

4.9 *Avoidable loss of interest*

The Company released balance 10 *per cent* payment before completion of entire work in violation of contract conditions resulting in loss of interest of ₹ 70.03 lakh.

Maharashtra State Electricity Transmission Company Limited (Company) awarded (September 2009) the work of erection, testing and commissioning of 400/220 KV Sub-station at Lonikhand-II and supply of all equipment/ materials required for such establishment to EMCO Limited on turnkey basis for ₹ 2 crore and ₹ 79.71 crore respectively. The site was handed over (January 2010) to the contractor and the work was to be completed within 18 months *i.e.* by June 2011. The contractor requested (June 2012) for extension upto March 2013 citing reason such as change in scope of work, delay in shifting of line which was agreed (July 2012) to by the Company. Later, the contractor requested (November 2012) the Company to release the balance payment retained by the Company against the already commissioned bays and Inter Connecting Transformers till that date.

As per the terms and conditions of contract, 10 *per cent* of the cost of works/ supplies completed was to be retained and released upon successful commissioning of all the works. The Company, however, released the retained amount of ₹ 6.84 crore in three spells from January 2013 to September 2013 to contractor to maintain adequate cash flow for completion of the balance work, in lieu of unconditional and irrevocable Bank Guarantee (BG) of ₹ 10.33 crore. The work was completed in all respects only on 6 March 2014.

The action of the Company to pre-maturely release the balance payment although, it was having external borrowings resulted in avoidable loss of ₹ 70.03 lakh being the interest cost of funds (retention money) released earlier.

The Company stated (August 2015) that retention money released was in respect of completed and commissioned part of the works which were independent from the remaining works. It was further stated that neither any eventuality arose at the time of commissioning of subsequent works where retention amount could be used and even for such eventuality BG was obtained from the contractor. The reply was not convincing as the terms and conditions of the contract clearly specified that the retention money was to be released upon successful commissioning of all the works. The security of the BG was inadequate considering the total value of the work.

The matter was reported to the Government (June 2015); their replies were awaited (January 2016).

4.10 Follow up Audit on Performance Audit of Forest Development Corporation of Maharashtra Limited

4.10.1 Forest Development Corporation of Maharashtra Limited (Company) was incorporated in February 1974 as wholly owned Government Company to raise plantations of important species like teak, bamboo *etc.*, protection of forest crop and wildlife, processing and grading of forest produce *etc.* Company was also engaged in production and distribution of seeds, seedlings and turnkey plantations. The main activity of the Company was forestry in 3.61 lakh Hectare (Ha) of forest land allotted to it by the Government of Maharashtra (GoM).

The Performance Audit featured in the Audit Report No.4 (Commercial) of the Comptroller and Auditor General of India for the year ended 31 March 2011-Government of Maharashtra. The Report contained six recommendations for the Company's consideration which have been discussed in subsequent paragraphs.

The Audit Report containing the Performance Audit Report on the above issue was placed in the State Legislature in April 2012 and yet to be discussed (December 2015) by the COPU.

Scope of Follow up Audit

4.10.2 Follow up Audit of the recommendations made in the Performance Audit was conducted in April-May 2015, to assess the progress made in implementation of the recommendations. Based on a questionnaire was issued (April 2015) to the Company and replies received (October 2015) alongwith the verification of records, following observations are made with reference to each of the recommendations.

The Company may consider preparing a comprehensive Corporate Plan encompassing plantation activities and utilisation of infrastructure facilities like nurseries strengthen efforts to reduce encroachment and illicit cutting on Company areas, *etc.*

4.10.3 The recommendation of audit was to prepare a Corporate Plan encompassing plantation, harvesting, utilisation infrastructure facilities like nurseries, human resources development, computerisation, fund management *etc.* The Company stated that it does not prepare a Corporate Plan and instead prepares Management Plan for tenure of 10 years Division-wise covering all the forestry activities approved by Government of India (GoI). Since these activities were reviewed periodically Company did not feel the necessity of preparing a separate Corporate Plan.

The Company has restricted the Management plan to the forestry and related activities at the Divisional level, whereas it is felt that the Company may consider to prepare a composite Corporate Plan encompassing all the activities of the Company as a whole indicating its goals and the visions and covering various aspects/functions of human resource development, financial management and utilisation of infrastructure required for the Company. This plan needs to be monitored by the Company for giving a comprehensive direction to the Company's business.

Maintain a Land register indicating the allotment, possession, surrender and balance land available and reconcile the same with the records of Forest Department

4.10.4 The Company issued (November 2015) instructions to open and maintain a register of the Forest land in all Forest divisions and reconciliation to be carried out with Forest Department. Accordingly, the Division offices have maintained land registers indicating the land transferred to it, surrendered and balance land and reconciling the difference if any. Thus, the recommendation has been implemented by the Company.

Pursue with the GoM for framing policy regarding reimbursement of expenditure incurred on Forest land surrendered on the grounds of unviability

4.10.5 Though, the Company pursued the matter, the GoM has neither reimbursed the expenditure nor framed a policy on the reimbursement of expenditure incurred on Forest land surrendered by the Company. As on 31 March 2015, ₹ 180.69 crore were receivable from GoM on account of these claims accumulated since 1994. Thus, the GoM had not acted on the request of the Company, despite the recommendations. It was apprised (December 2015) that the matter was pending at GoM level and the Company was pursuing the same.

Strengthen efforts to reduce the encroachment and illicit cutting on areas belonging to the Company

4.10.6 The Company apprised (July 2015) that in order to contain encroachment and illicit cutting, the Company has established mobile squad, regular beat checking, night patrolling of sensitive and hyper sensitive area, creation of check post *etc.* The data regarding illicit cutting indicate a downward trend. The number of trees illicitly cut during 2010-11 was 26,468 whereas in 2014-15 it has come down to 10,175. As regards land encroachment the total area under encroachment on 31 March 2015 was 241.78 hectares and the Company has handed over 13,700 hectares of encroached land to the Forest Department. These measures have reduced the incidents of encroachment and illicit cutting as well.

Taking action in co-ordination with Forest Department for increasing the sale of seedlings to improve utilisation of the infrastructure of nurseries and meet the demand for seeds

4.10.7 The GoM directed (November 2011) the Forest Department to procure seedlings from the Company. It was noticed that though the Company supplied seedlings to the Forest Department, demand was not sufficient to improve the capacity utilisation of the nurseries. In the Root trainer and Clonal nurseries, the utilisation was almost nil and in the teak stump nurseries also utilisation decreased from 76 to 66 *per cent.* The Company attributed

(October/December 2015) that the lower capacity utilisation was due to lower plantation targets and meagre demand from Forest Department. It further stated that the capacity utilisation of nurseries would increase with the increase in the demand of seedlings from Forest Department and other agencies.

Draw a comprehensive Action Plan to turn-around the loss making Divisions of the Company

4.10.8 The operational performance of Kinwat, Nandurbar and Thane divisions for 2014-15 revealed that of the Company were incurring continuous loss due to low productivity, lesser area of harvesting and excess manpower as given below:

(₹ in lakh)

Sl. No.	Division	Revenue	Direct expenditure	Profit/(Losses)
1	Thane	115.33	179.15	(63.82)
2	Nandurbar	5.63	7.64	(2.01)
3	Kinwat	518.38	229.90	228.48

It could be observed that two divisions (Thane and Nandurbar) continued to incur losses whereas Kinwat division could turnaround and has earned profit. The Company attributed (November 2011/December 2015) the loss to apportionment of overheads and writing off of initial plantation cost and has stated that it has taken measures including securing turn-key projects to improve the profitability. The Company may consider drawing up a comprehensive action plan to improve productivity, increase the area of harvesting and rationalise manpower to turnaround the loss making Divisions.

Statutory Corporation

Maharashtra Industrial Development Corporation

4.11 *Implementation of Board decision in respect of price revision of land*

Introduction

Maharashtra Industrial Development Corporation (Corporation) was established with the main objective of creating infrastructure for rapid and orderly establishment of industries in Maharashtra. The Corporation revises from time to time the lease premium rate for allotment of land, in various Industrial Estates of the Corporation. Based on the decision of the Board, the revised rates are communicated by Corporate office to its field offices for implementation. The allotment of plots to the applicants is based on the recommendation of the Land Allotment Committee (LAC) constituted at the Head Office (HO)/Regional Office (RO) level. The LAC at RO level deals with applications for allotment of land area upto 30,000 square metre (sq.mtr.) and applications beyond that area is dealt with by LAC at HO level. The plots are allotted at the prevailing rate on the date of offer letter issued to the applicant.

The present audit covers the effectiveness in implementation of the Board's decisions relating to revision of lease premium rates for allotment of land. We scrutinised the issue in all the six industrial areas where the lease premium rates were revised by the Corporation during the period April 2013 to March 2015. We observed that;

Loss of revenue due to delay in communicating the Board decision for revision in land rates

4.11.1 The table shows the delay in revising the rates since the date of the Board decision as per details given below:

Sl. No.	Industrial area	Date of Board decision for revision of lease premium rate	Date of issue of circular communicating revision of lease premium rate	Delay (in days)	Rate (₹ per sq.mtr.)	
					Pre-revised	Revised
1	Butibori, Nagpur	24.05.2013	05.09.2013	104	520	1,150
2	Additional Butibori, Nagpur	24.05.2013	05.09.2013	104	520	1,150
3	Shirala, Sangli	13.08.2014	03.11.2014	82	55	320
4	Additional Lote Parsuram, Ratnagiri	22.03.2013	24.06.2013	94	335	800
5	Additional Amravati, Amravati	27.11.2013	27.01.2014	61	235	400
6	Majalgoan, Beed	27.11.2013	18.02.2014	83	350	600

- We observed that the Board while revising the lease premium rates did not specify the dates from which such revision in rates would be made applicable by the Corporation. The decisions of the Board revising the rates were communicated with a delay ranging from 61 to 104 days by Land Section of the Corporation to the field offices as stated in the Table above. Further, the ROs where allotments of land were made during the intervening period,[7] delay in communication of the revised rates by the Corporate Office to its field offices resulted in allotment of land at the pre-revised rates and consequential loss of revenue ₹ 21.98 crore to the Corporation as discussed in succeeding paragraphs.

- RO, Nagpur, issued (May to September 2013) offer letters to 51 applicants for land aggregating to 2.67 lakh sq.mtrs. at pre-revised rate. These offers were made subsequent to Board decision to revise the land rate but prior to issue of Circular notifying the revision in the rates by the Board. Similarly, RO, Sangli issued (20-28 August 2014) offer letters to four applicants for land area aggregating to 5,025 sq.mtrs. at pre-revised rates subsequent to decision (13 August 2014) of Board for price revision. Thus, delay in communicating the price sensitive decisions of the Board to field offices, to effect the revised land rates resulted in loss of revenue of ₹ 16.94 crore.

4.11.2 As per delegation (August 2012), the decision in respect of allotment of land upto 15,000 sq.mtrs. was to be taken by the Land Allotment Committee (LAC) headed by Regional Officer (RO), while area between 15,001 and 30,000 sq.mtrs. was to be decided by the LAC headed by Deputy Chief Executive Officer (Dy. CEO). Allotment of land in excess of

[7] Date of board decision and date of issue of circular for revision in rates

30,000 sq.mtrs. was to be decided by LAC headed by Joint Chief Executive Officer (Joint CEO). Based on the decisions of the LAC, offer letters were issued to the applicants.

LAC headed by Dy. CEO decided (February 2013) to allot 28,000 sq.mtrs. and 18,000 sq.mtrs. of land to two[8] parties. Though, allotments had been approved to the parties, the Corporation did not issue offer letters. In July 2013, the RO, Nagpur, however, issued offer letters for land admeasuring of 40,000 sq.mtrs. each at the pre-revised rate of ₹ 520 per sq.mtr. to the two parties in Butibori Industrial Area, inspite of initial decision of LAC and revision in the allotment rates of ₹ 1,150 per sq.mtr. in May 2013.

We observed that these two allotments were required to be approved by the LAC headed by the Joint CEO at HO since the land allotted was in excess of 30,000 sq.mtrs. However, without scrutiny and approval of concerned LAC, the Corporation approved (July 2013) allotment of 40,000 sq.mtrs. of land each to NAPPL and VPPL. It was further observed that the land was not demarcated and available on the date of allotment of land and consequential benefit ₹ 5.04 crore accrued to the allottees as the offers were at pre-revised rates.

4.11.3 We also observed that RO, Nagpur did not maintain records indicating the waiting list numbers of applicants, criteria for taking applications to the LAC meetings for decisions, while keeping some applications pending and priority list of applicants for allotment. The agenda for LAC meetings was also not prepared and lacked transparency in decision making. The offer letters for allotments which were approved by the LAC in the same meeting, were issued to allottees on different dates at different rates. For instance, of the 60 allotments scrutinised by Audit, based on decision of LAC meetings (January and February 2013), it was noticed that 53 cases (mentioned in the **Paragraphs 4.11.1 and 4.11.2** above), offer letters were issued at pre-revised rate of ₹ 520 per sq.mtr., whereas in seven cases, offer letters were issued at revised rate of ₹ 1,150 per sq.mtr. after issue (September 2013) of Circular. Besides, the RO has not maintained any records for subsequent monitoring the allotments based on the decisions of LAC and, therefore, it could not be concluded that the allotment decisions of the LAC was implemented by the RO in its entirety and in timely manner. The allotments made were not audited by internal audit wing of the Corporation since April 2011 in the absence of requisite information made available by RO, Nagpur despite repeated requests by them. Thus, there was complete lack of transparency in allotments of land in RO, Nagpur.

The matter was reported to the Management/Government (August 2015); their replies were awaited (January 2016).

[8] M/s Navdeep Agriculture & Properties Private Limited, Nagpur (NAPPL) and M/s Vaibhav Plastimoulds Private Limited (VPPL)

Conclusions

- **There were systemic delays in implementation of the Board's decisions to revise the lease premium rates due to delayed communication of the revised rates to field offices resulting in loss of revenue to the Corporation.**
- **Transparency and fairness in allotment of land to allottees and its subsequent follow up could not be established due to non-maintenance of basic records in Regional Office, Nagpur.**

4.12 *Delay in finalisation of tender*

The Corporation did not finalise tenders within the validity period resulting in excess expenditure of ₹ 1.80 crore and delays in Commencement and completion of works in Industrial Estates.

The Division Office of Maharashtra Industrial Development Corporation (Corporation) at Nagpur invited (April 2012) tenders to carry out the work of construction of 5.5 m wide WBM road and providing, laying, jointing DI distribution pipe line in new 'G' layout at an estimated cost of ₹ 1.62 crore. The lowest offer received was for ₹ 1.41 crore (13.13 *per cent* below). The validity of the offer was for 180 days *i.e.* upto 2 November 2012. The Corporation could not finalise the tender within validity period and hence requested the contractor twice (16 October 2012 and 7 February 2013) to extend the validity period upto 2 February 2013 and 28 February 2013 respectively which was agreed to by the contractor. As the Corporation could not finalise the tender within the extended period, the Corporation for the third time requested (7 March 2013) the contractor for extension which was not accepted. The work was therefore re-tendered (July 2013) and Corporation received (August 2013) the lowest offer of ₹ 1.85 crore (14.21 *per cent* above) which was accepted (January 2014).

We observed that the Corporation did not finalise the tender despite having initial 180 days validity period which was further extended by four months. This resulted in avoidable extra expenditure of ₹ 0.44 crore, being the difference between the L1 offer earlier and the price at which the work was awarded.

In another tender (estimated cost ₹ 9.32 crore) for up-gradation of water supply distribution network (Phase-II) providing, laying, jointing and commissioning DI distribution pipe line and picking old CI pipe line invited in May 2012, the Corporation did not finalise the L1 offer of ₹ 7.74 crore (17 *per cent* below) within the validity period of 180 days. The request (November 2012) for extension of validity period was not accepted by the contractor. Therefore, the work was re-tendered (July 2013) and LI offer of ₹ 9.10 crore (2.37 *per cent* below) was accepted, which resulted in an excess expenditure of ₹ 1.36 crore.

Thus, slackness of the Corporation to finalise the tenders within validity period resulted in consequent re-tendering and extra expenditure of

₹ 1.80 crore, besides delays in commencement and completion of works relating to maintenance/facilities in Industrial Estates.

The Corporation attributed (August 2015) the delay mainly to circulation of documents between various authorities of the Corporation for compliance. The proposal in respect of works having tendered cost above ₹ one crore was also required to be submitted to the *ex-officio* Chairman of the Corporation. The Corporation assured that due care would be taken in future to finalise tenders within the time frame.

The matter was reported to the Government (May 2015); their reply was awaited (January 2016).

Sangita Choure

MUMBAI **(SANGITA CHOURE)**
The 25 April 2016 **Principal Accountant General (Audit)-III, Maharashtra**

Countersigned

NEW DELHI **(SHASHI KANT SHARMA)**
The 27 April 2016 **Comptroller and Auditor General of India**

ANNEXURES

Annexure 1

Statement showing investments made by State Government in Public Sector Undertakings whose accounts are in arrears

(Referred to in paragraph 1.11)

(Figures in columns 4 and 6 to 8 are ₹ in crore)

Sl. No.	Name of the Public Sector Undertaking	Year up to which accounts finalised	Paid up capital	Period of accounts pending finalisation	Investment made by State Government during the year of which accounts are in arrears		
					Equity	Loans	Grants
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
A	**Working Government Companies**						
1	Maharashtra State Seeds Corporation Limited	2013-14	4.18	2014-15	-	-	8.92
2	Punyashloka Ahillyadevi Maharashtra Mendi Va Sheli Vikas Mahamandal Limited	2011-12	4.83	2012-13 to 2014-15	0.29	-	23.88
3	Maharashtra Fisheries Development Corporation Limited	2010-11	4.04	2011-12 to 2014-15	-	-	1.27
4	Annasaheb Patil Arthik Magas Vikas Mahamandal Maryadit	2010-11	50.00	2011-12 to 2014-15	8.85	-	-
5	Kolhapur Chitranagari Mahamandal Limited	1998-99	2.89	1999-00 to 2014-15	0.35	-	-
6	Lokshahir Annabhau Sathe Development Corporation Limited	2009-10	118.35	2010-11 to 2014-15	99.66	-	-
7	Maharashtra Co-operative Development Corporation Limited	2005-06	6.47	2006-07 to 2014-15	1.53	-	-
8	Maharashtra Rajya Itar Magas Vargiya Vitta Ani Vikas Mahamandal Limited	2013-14	72.46	2014-15	62.49	-	7.08
9	Maharashtra Small Scale Industries Development Corporation Limited	2012-13	14.50	2013-14 to 2014-15	-	-	2.61
10	Maharashtra State Handicapped Finance and Development Corporation Limited	2009-10	6.43	2010-11 to 2014-15	31.68	-	761.47
11	Maulana Azad Alpasankyak Arthik Vikas Mahamandal Limited	2008-09	91.14	2009-10 to 2014-15	208.05	-	0.12
12	Sant Rohidas Leather Industries & Charmakar Development Corporation Limited	2008-09	73.21	2009-10 to 2014-15	233.00	-	59.17
13	Shabari Adivasi Vitta Va Vikas Mahamandal Maryadit	2010-11	47.75	2011-12 to 2014-15	26.36	-	12.25
14	Vasantrao Naik Vimukta Jatis & Nomadic Tribes Development Corporation Limited	2012-13	154.61	2013-14 to 2014-15	32.52	-	15.85
15	Maharashtra Airport Development Company Limited	2013-14	17.05	2014-15	-	-	174.30
16	Maharashtra State Road Development Corporation Limited	2012-13	773.56	2013-14 to 2014-15	-	-	2348.75
17	Maharashtra State Electricity Distribution Company Limited	2013-14	6,091.87	2014-15	255.00	154.09	182.25
18	Maharashtra Ex-Servicemen Corporation Limited	2011-12	4.95	2012-13 to 2014-15	10.00	-	-
19	Mahila Arthik Vikas Mahamandal	2011-12	2.67	2012-13 to 2014-15	0.57	-	62.52
	Total A (Working Government Companies)				**970.35**	**154.09**	**3,660.44**
B	**Working Statutory Corporation**						
1	Maharashtra State Road Transport Corporation	2013-14	2,497.44	2014-15	286.50	-	16.54
	Total B (Working Statutory Corporation)				**286.50**	**-**	**16.54**
	Grand Total (A + B)				**1,256.85**	**154.09**	**3,676.98**

Annexure 2

Summarised financial position and working results of Government companies and Statutory Corporations as per their latest finalised financial statements/accounts

(Referred to in paragraph 1.15)

(Figures in columns (5) to (12) are ₹ in crore)

Sl. No.	Sector / Name of the Company	Period of accounts	Year in which accounts finalised	Paid-up capital[1]	Loans outstanding at the end of year[2]	Accumulated profit(+)/ loss(-)	Turnover	Net profit (+)/ loss(-)	Net impact of Audit comments[3]	Capital employed[4]	Return on capital employed[5]	Percentage of return on capital employed	Manpower
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
WORKING GOVERNMENT COMPANIES													
AGRICULTURE AND ALLIED													
1	Forest Development Corporation of Maharashtra Limited	2013-14	2014-15	322.44	-	550.30	122.10	94.81	(1.54)	872.74	94.81	10.86	1350
		2014-15	2015-16	322.62	-	582.19	134.82	43.42	-	904.81	43.42	4.8	
2	Maharashtra Agro Industries Development Corporation Limited	2013-14	2014-15	5.50	-	133.45	1,315.61	48.66	-	138.95	49.76	35.81	622
3	Maharashtra Insecticides Limited	2013-14	2015-16	1.00	-	10.08	22.24	0.24	-	11.08	0.24	2.17	49
4	The Maharashtra State Farming Corporation Limited ф	2013-14	2014-15	2.75	-	(208.15)	2.48	(7.00)	-	(205.40)	(7.00)	$	226
5	Maharashtra State Seeds Corporation Limited	2013-14	2014-15	4.18	-	181.60	595.35	61.13	-	185.78	62.37	33.57	510
6	Punyashloka Ahilyadevi Maharashtra Mendi Va Sheli Vikas Mahamandal Limited	2011-12	2014-15	4.83	0.72	(0.38)	4.60	0.18	0.004	5.17	0.18	3.48	259
7	Maharashtra Fisheries Development Corporation Limited	2010-11	2014-15	4.04	3.45	(6.83)	3.81	0.15	-	0.66	0.29	43.94	37
Sector Wise Total				**344.92**	**4.17**	**691.96**	**2,078.91**	**146.78**	**-**	**1,041.05**	**149.26**	**14.34**	**3,053**
FINANCE													
8	Annasaheb Patil Arthik Magas Vikas Mahamandal Maryadit ф	2010-11	2012-13	50.00	-	8.85	3.43	2.37	-	59.10	2.37	4.01	1
9	Kolhapur Chitranagri Mahamandal Limited ф	1998-99	2013-14	2.89	-	(1.61)	0.17	(0.14)	-	1.41	(0.14)	$	0
10	Lokshahir Annabhau Sathe Development Corporation Limited ф	2009-10	2014-15	118.35	25.94	(36.60)	1.55	2.19	(1.23)	107.69	2.92	2.71	156
11	Maharashtra Co-operative Development Corporation Limited ф	2005-06	2008-09	6.47	-	(1.90)	17.26	0.50	(2.95)	2.10	14.65	697.62	0
12	Maharashtra Film, Stage and Cultural Development Corporation Limited ф	2013-14	2014-15	12.30	0.56	69.01	42.60	23.97	-	81.87	23.97	29.28	129

Sl. No.	Sector / Name of the Company	Period of accounts	Year in which accounts finalised	Paid-up capital[1]	Loans outstanding at the end of year[2]	Accumulated profit(+)/ loss(-)	Turnover	Net profit (+)/ loss(-)	Net impact of Audit comments[3]	Capital employed[4]	Return on capital employed[5]	Percentage of return on capital employed	Manpower
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
13	Maharashtra Patbandhare Vittiya Company Limited (•)	2010-11	2015-16	0.06	690.13	0.94	68.10	-	-	691.13	70.26	10.17	0
14	Maharashtra Rajya Itar Magas Vargiya Vitta Ani Vikas Mahamandal Limited	2013-14	2014-15	72.46	41.84	64.30	8.72	9.10	(0.47)	178.60	11.21	6.28	94
15	Maharashtra Small Scale Industries Development Corporation Limited	2011-12	2014-15	14.50	1.95	24.25	487.60	21.98	2.63	40.70	21.99	54.03	100
		2012-13	2015-16	14.50	1.95	30.64	242.66	10.75	0.25	47.09	10.75	22.83	
16	Maharashtra State Handicapped Finance & Development Corporation Limited ф	2009-10	2012-13	6.43	35.41	3.74	1.58	0.90	-	45.59	1.72	3.77	10
17	Maharashtra State Handlooms Corporation Limited	2013-14	2014-15	88.16	38.72	(118.24)	12.38	(4.09)	(0.73)	8.64	(1.68)	$	17
		2014-15	2015-16	88.16	23.35	(124.64)	16.96	(6.40)	-	(13.13)	(6.40)	$	
18	Maharashtra Vikrikar Rokhe Pradhikaran Limited (•)	2013-14	2014-15	0.05	-	0.40	-	-	-	0.45	1.04	231.11	0
19	Mahatma Phule Backward Class Development Corporation Limited	2011-12	2014-15	473.24	136.81	(75.30)	9.33	3.38	0.11	534.75	6.70	1.25	@
		2012-13	2014-15	593.25	181.29	(58.04)	10.78	17.26	-	716.50	21.42	2.99	
20	Maulana Azad Alpasankyak Arthik Vikas Mahamandal Limited	2008-09	2014-15	91.14	22.65	9.64	0.53	4.62	(5.26)	123.43	5.14	4.16	2
21	Sant Rohidas Leather Industries and Charmakar Development Corporation Limited ф	2008-09	2014-15	73.21	14.91	(3.69)	2.06	1.64	-	84.43	1.96	2.32	107
22	Shabari Adivasi Vitta Va Vikas Mahamandal Maryadit	2010-11	2014-15	47.75	30.39	(14.40)	2.00	2.15	-	63.74	4.49	7.04	16
23	Shamrao Peje Kokan Itar Magasvarg Aarthik Vikas Mahamandal Limited	2013-14	2014-15	15.00	1.17	0.85	0.07	1.03	-	17.02	1.09	6.40	0
24	Vasantrao Naik Vimukta Jatis & Nomadic Tribes Development Corporation Limited	2012-13	2015-16	154.61	25.75	(36.95)	4.91	(49.78)	(5.15)	143.41	(49.05)	$	58
Sector Wise Total				**1,346.63**	**1,095.34**	**(89.46)**	**423.38**	**20.16**	**-**	**2,350.43**	**117.40**	**4.99**	**690**

Sl. No.	Sector / Name of the Company	Period of accounts	Year in which accounts finalised	Paid-up capital[1]	Loans outstanding at the end of year[2]	Accumulated profit(+)/ loss(-)	Turnover	Net profit (+)/ loss(-)	Net impact of Audit comments[3]	Capital employed[4]	Return on capital employed[5]	Percentage of return on capital employed	Manpower
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
INFRASTRUCTURE													
25	Aurangabad Industrial Township Limited ϕ¥	FAA	-	-	-	-	-	-	-	-	-	-	@
26	City and Industrial Development Corporation of Maharashtra Limited	2012-13	2014-15	3.95	10.16	2.12	0.05	0.05	-	16.23	0.05	0.31	1722
27	Development Corporation of Konkan Limited	2012-13	2014-15	8.81	5.92	(14.28)	0.58	(0.39)	(8.15)	0.45	0.39	$	8
		2013-14	2015-16	8.81	5.92	(14.45)	0.52	(0.17)	(8.35)	0.28	(0.17)	$	
		2014-15	2015-16	8.81	5.92	(14.65)	0.55	(0.15)	(8.75)	0.08	(0.15)	$	
28	Maharashtra Airport Development Company Limited	2013-14	2014-15	17.05	630.64	44.01	59.94	10.64	-	691.70	11.13	1.61	27
29	Maharashtra State Police Housing and Welfare Corporation Limited (+)	2013-14	2014-15	7.96	-	4.96	5.90	2.39	-	12.92	2.39	18.50	27
		2014-15	2015-16	7.96	-	0.75	3.39	(3.00)	-	8.71	(3.00)	$	
30	Maharashtra State Road Development Corporation Limited	2012-13	2014-15	773.56	-	(3,323.83)	603.73	(52.67)	(7.51)	(2,550.27)	308.99	$	79
31	Maharashtra Urban Infrastructure Development Company Limited ϕ	2013-14	2014-15	0.49	-	3.92	1.56	1.31	-	4.41	1.31	29.71	0
32	Maharashtra Urban Infrastructure Fund Trustee Company Limited ϕ	2013-14	2014-15	0.10	-	0.01	-	(0.001)	-	0.11	(0.001)	$	0
33	Mihan India Limited	2013-14	2014-15	20.00	-	(27.44)	34.39	(31.95)	-	(7.44)	(31.95)	$	6
34	Shivshahi Punarvasan Prakalp Limited	2008-09	2015-16	115.00	0.34	22.25	13.05	(4.26)	(1.56)	137.59	(4.26)	$	0
		2009-10	2015-16	115.00	0.27	25.57	45.17	5.71	(1.52)	140.84	5.71	4.05	
		2010-11	2015-16	115.00	-	78.36	49.79	64.47	-	193.36	64.47	33.34	
		2011-12	2015-16	115.00	-	186.63	108.15	121.66	-	301.63	121.79	40.38	
		2012-13	2015-16	115.00	-	188.80	4.74	17.08	-	303.80	17.67	5.82	
		2013-14	2015-16	115.00	-	209.96	22.52	35.89	-	324.96	35.89	11.04	
35	Western Maharashtra Development Corporation Limited ϕ	2013-14	2014-15	3.06	26.51	(10.28)	4.44	6.97	-	19.29	6.97	36.13	56
Sector Wise Total				**949.98**	**673.23**	**(3,115.43)**	**730.57**	**(32.91)**		**(1,492.22)**	**329.24**	**$**	**1925**

Sl. No.	Sector / Name of the Company	Period of accounts	Year in which accounts finalised	Paid-up capital[1]	Loans outstanding at the end of year[2]	Accumulated profit(+)/ loss(-)	Turnover	Net profit (+)/ loss(-)	Net impact of Audit comments[3]	Capital employed[4]	Return on capital employed[5]	Percentage of return on capital employed	Manpower
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
MANUFACTURING													
36	Haffkine Ajintha Pharmaceuticals Limited	2012-13	2014-15	0.18	-	(1.21)	5.19	(1.64)	-	(1.03)	(1.64)	$	38
		2013-14	2014-15	0.18	-	(2.79)	4.21	(1.55)	-	(2.61)	(1.55)	$	
37	Haffkine Bio-Pharmaceutical Corporation Limited	2011-12	2014-15	8.71	4.69	17.25	160.52	(6.43)	-	30.65	(1.02)	$	467
		2012-13	2014-15	8.71	4.70	44.38	265.66	38.57	-	57.79	46.49	80.45	
		2013-14	2015-16	8.71	4.70	65.52	315.71	53.49	-	78.93	53.96	68.36	
38	Mahaguj Collieries Limited	2014-15	2015-16	0.05	54.40	-	-	(1.48)	-	54.45	(1.48)	$	7
39	Maharashtra Petrochemicals Corporation Limited ф	2013-14	2014-15	8.96	-	11.36	-	0.85	-	20.32	0.85	4.18	5
40	Maharashtra State Mining Corporation Limited	2013-14	2014-15	2.07	4.57	37.75	2.07	6.87	(1.40)	44.39	6.87	15.48	44
		2014-15	2015-16	2.07	4.57	55.30	1.38	(0.19)	-	61.94	(0.19)	$	
41	Maharashtra State Powerlooms Corporation Limited	2012-13	2014-15	12.77	0.02	(10.91)	31.83	(0.76)	(2.49)	1.88	(0.38)	$	38
42	Maha Tamil Collieries Limited	2014-15	2015-16	0.05	-	3.14	-	1.32	(7.64)	3.19	1.32	41.38	9
43	MSMC Adkoli Natural Resources Limited ф¥	2012-13	2014-15	0.01	-	-	-	-	-	0.01	-	Ψ	2
44	MSMC Warora Collieries Limited ф¥	2010-11	2013-14	0.01	2.96	-	-	-	-	2.97	-	Ψ	-
Sector Wise Total				**32.81**	**66.65**	**121.62**	**353.13**	**51.68**	**-**	**221.08**	**52.54**	**23.76**	**610**
POWER													
45	Aurangabad Power Company Limited	2013-14	2014-15	0.05	-	0.01	-	0.01	-	0.06	0.01	8.33	-
46	Dhopave Coastal Power Limited	2013-14	2014-15	0.05	15.32	-	-	-	-	15.37	-	0.01	-
		2014-15	2015-16	0.05	15.32	(0.01)	0.01	(0.01)	-	15.36	(0.01)	$	
47	Dhule Thermal Power Company Limited	2014-15	2015-16	0.05	0.13	(0.10)	-	0.005	-	0.08	0.01	6.49	-
48	M.S.E.B. Holding Company Limited[⊕]	2013-14	2014-15	17,066.90	6,476.15	(3,962.65)	-	(155.23)	(0.55)	19,580.40	15.98	0.08	9
49	Maharashtra Power Development Corporation Limited Ω	2013-14	2014-15	0.45	1,016.70	(1,012.47)	-	(0.06)	(2.19)	4.69	(0.06)	$	1

Sl. No.	Sector / Name of the Company	Period of accounts	Year in which accounts finalised	Paid-up capital[1]	Loans outstanding at the end of year[2]	Accumulated profit(+)/ loss(-)	Turnover	Net profit (+)/ loss(-)	Net impact of Audit comments[3]	Capital employed[4]	Return on capital employed[5]	Percentage of return on capital employed	Manpower
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
50	Maharashtra State Electric Power Trading Company (P) Limited ϕΔ	2013-14	2014-15	10.01	-	4.09	-	1.18	(3,831.82)	14.10	1.18	8.37	-
51	Maharashtra State Electricity Distribution Company Limited	2013-14	2014-15	6,091.87	12,814.49	(5,946.99)	50,621.65	(1,166.64)	-	12,959.37	1,623.54	12.53	76,928
52	Maharashtra State Electricity Transmission Company Limited	2014-15	2015-16	2,696.04	6,529.16	5,322.38	5,167.45	2,599.88	-	14,547.58	3,287.53	22.60	10,600
53	Maharashtra State Power Generation Company Limited	2014-15	2015-16	8,987.60	24,637.29	2,207.32	18,970.00	1,008.96	-	35,832.21	2,948.95	8.23	12,152
Sector Wise Total				**34,853.02**	**51,489.24**	**(3,388.42)**	**74,759.11**	**2,288.09**	**-**	**82,953.85**	**7,877.12**	**9.50**	**99,690**
SERVICE													
54	Maharashtra Tourism Development Corporation Limited ϕ	2011-12	2014-15	15.39	9.24	23.27	26.79	6.28	(1.94)	47.90	6.44	13.44	301
55	Mahatourism Corporation Limited	2014-15	2015-16	0.05	-	(0.07)	0.01	0.001	-	(0.002)	0.00	$	-
56	Mumbai Metro Rail Corporation Limited	2013-14	2014-15	0.05	-	(0.73)	-	(0.44)	-	(0.68)	(0.44)	$	21
57	Nagpur Mass Transport Company Private Limited	2013-14	2014-15	2.00	-	0.01	-	0.11	-	2.01	0.11	5.47	-
Sector Wise Total				**17.49**	**9.24**	**22.48**	**26.80**	**5.95**	**-**	**49.21**	**6.11**	**12.42**	**322**
MISCELLANEOUS													
58	Krupanidhi Limited♦	2011-12	2014-15	0.01	0.45	-	-	-	-	0.46	-	Ψ	3
		2012-13	2015-16	0.01	0.45	-	-	-	-	0.46	-	Ψ	
59	Maharashtra Ex-Servicemen Corporation Limited ϕ	2011-12	2013-14	4.95	-	35.80	119.08	13.73	-	43.55	14.11	32.40	0
60	Mahila Arthik Vikas Mahamandal ϕ	2011-12	2013-14	2.67	-	1.79	-	0.49	(1.77)	4.46	0.49	10.99	74
61	Nagpur Flying Club Private Limited	2013-14	2014-15	0.85	-	1.60	0.99	0.40	-	2.45	0.40	16.33	7
Sector Wise Total				**8.48**	**0.45**	**39.19**	**120.07**	**14.62**		**50.92**	**15.00**	**29.46**	**84**
Total A (All sector wise working Government companies)				**37,553.33**	**53,338.32**	**(5,718.06)**	**78,491.96**	**2,494.38**		**85,174.32**	**8,546.37**	**10.03**	**106,374**

Sl. No.	Sector / Name of the Company	Period of accounts	Year in which accounts finalised	Paid-up capital[1]	Loans outstanding at the end of year[2]	Accumulated profit(+)/ loss(-)	Turnover	Net profit (+)/ loss(-)	Net impact of Audit comments[3]	Capital employed[4]	Return on capital employed[5]	Percentage of return on capital employed	Manpower
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
STATUTORY CORPORATIONS													
AGRICULTURE AND ALLIED													
1	Maharashtra State Warehousing Corporation	2013-14	2014-15	8.71	99.38	-	257.55	42.13	-	361.17	46.69	12.93	790
Sector Wise Total				**8.71**	**99.38**	**-**	**257.55**	**42.13**	**-**	**361.17**	**46.69**	**12.93**	**790**
FINANCE													
2	Maharashtra State Financial Corporation	2013-14	2014-15	62.64	350.17	(674.12)	8.38	(103.20)	-	(159.38)	(103.20)	$	50
Sector Wise Total				**62.64**	**350.17**	**(674.12)**	**8.38**	**(103.20)**	**-**	**(159.38)**	**(103.20)**	**$**	**50**
INFRASTRUCTURE													
3	Maharashtra Industrial Development Corporation	2013-14	2015-16	-	-	37.96	361.66	0.16	-	37.88	6.15	16.24	3,542
Sector Wise Total				**-**	**-**	**37.96**	**361.66**	**0.16**	**-**	**37.88**	**6.15**	**16.24**	**3,542**
SERVICE													
4	Maharashtra State Road Transport Corporation	2013-14	2014-15	2,497.44	200.00	(1,294.33)	6,519.84	(572.65)	1.60	1,435.35	(571.45)	$	1,07,526
Sector Wise Total				**2,497.44**	**200.00**	**(1,294.33)**	**6,519.84**	**(572.65)**	**1.60**	**1,435.35**	**(571.45)**	**$**	**1,07,526**
Total B (All sector wise working Statutory Corporations)				**2,568.79**	**649.55**	**(1,930.49)**	**7,147.43**	**(633.56)**	**1.60**	**1,675.02**	**(621.81)**	**$**	**1,11,908**
Grand Total (A+B)				**40,122.12**	**53,987.87**	**(7,648.55)**	**85,639.39**	**1,860.82**	**1.60**	**86,849.34**	**7,924.86**	**9.12**	**2,18,282**
NON-WORKING GOVERNMENT COMPANIES													
AGRICULTURE AND ALLIED													
1	Dairy Development Corporation of Marathwada Limited	2013-14	2014-15	0.38	-	(3.09)	-	(0.001)	-	(2.71)	(0.001)	$	-
2	Ellora Milk Products Limited	2013-14	2014-15	0.05	1.35	(1.52)	-	(0.001)	-	(0.12)	(0.001)	$	-
3	Irrigation Development Corporation of Maharashtra Limited ϕ	2010-11	2010-11	19.93	-	(19.93)	-	-	-	-	-	Ψ	-
4	MAFCO Limited	2013-14	2014-15	5.04	-	0.46	-	(0.73)	-	5.50	(0.73)	$	-
5	Parbhani Krishi Go-samvardhan Limited	2013-14	2014-15	0.19	-	(1.01)	0.04	(0.03)	-	(0.82)	(0.03)	$	-
6	Vidarbha Quality Seeds Limited ϕ	2013-14	2014-15	0.10	-	(0.40)	-	-	-	(0.30)	-	$	-
Sector Wise Total				**25.69**	**1.35**	**(25.49)**	**0.04**	**(0.76)**	**-**	**1.55**	**(0.76)**	**$**	**-**

Sl. No.	Sector / Name of the Company	Period of accounts	Year in which accounts finalised	Paid-up capital[1]	Loans outstanding at the end of year[2]	Accumulated profit(+)/ loss(-)	Turnover	Net profit (+)/ loss(-)	Net impact of Audit comments[3]	Capital employed[4]	Return on capital employed[5]	Percentage of return on capital employed	Manpower
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
INFRASTRUCTURE													
7	Development Corporation of Vidarbha Limited	2013-14	2014-15	7.17	8.37	(14.38)	-	0.05	-	1.16	0.047	4.05	-
8	The Maharashtra Land Development Corporation Limited ф	2013-14	2014-15	4.00	46.89	(20.00)	-	-	-	30.89	-	Ψ	-
9	Maharashtra Industrial Gas Transmission Company Limited ф ¥	FAA	-	-	-	-	-	-	-	-	-	$	@
10	Maharashtra Rural Development Corporation Limited	2012-13	2014-15	0.05	-	(0.05)	-	-	-	-	-	Ψ	-
11	Maharashtra State Housing Corporation Limited	2013-14	2014-15	0.01	-	0.50	-	0.02	-	0.51	0.02	3.92	-
12	Marathwada Development Corporation Limited	2013-14	2014-15	10.17	48.22	(12.68)	-	0.22	-	45.71	0.22	0.48	-
		2014-15	2015-16	10.17	48.18	(12.48)	-	0.19	-	45.87	0.19	0.41	
Sector Wise Total				**21.40**	**103.44**	**(46.41)**	**-**	**0.26**	**-**	**78.43**	**0.26**	**0.33**	**-**
MANUFACTURING													
13	Godavari Garments Limited	2013-14	2014-15	0.24	-	(8.17)	-	-	-	(0.20)	-	Ψ	-
14	Kinwat Roofing Tiles Limited	2013-14	2014-15	0.19	0.95	(1.22)	-	-	-	(0.08)	-	Ψ	-
15	Maharashtra Electronics Corporation Limited	2013-14	2014-15	9.69	177.22	(295.48)	-	(13.64)	-	(108.57)	6.52	$	-
16	Maharashtra State Textile Corporation Limited	2014-15	2015-16	236.16	173.91	(956.92)	-	(40.35)	-	(546.85)	(2.12)	$	-
17	Marathwada Ceramic Complex Limited	2013-14	2014-15	0.68	6.60	(7.23)	-	-	-	0.05	-	Ψ	-
18	Sahyadri Glass Works Limited ф	1993-94	1995-96	0.45	-	(9.22)	-	(0.41)	-	(2.48)	(0.37)	$	-
19	The Gondwana Paints and Minerals Limited	2013-14	2014-15	0.10	-	(1.34)	-	(0.001)	-	0.05	-	Ψ	-
20	The Pratap Spinning, Weaving and Manufacturing Company Limited	2014-15	2015-16	23.17	23.12	(63.88)	-	(0.01)	-	(17.59)	(0.01)	$	-
Sector Wise Total				**270.68**	**381.80**	**(1,343.46)**	**-**	**(54.41)**	**-**	**(675.67)**	**4.02**	**$**	**-**

Sl. No.	Sector / Name of the Company	Period of accounts	Year in which accounts finalised	Paid-up capital[1]	Loans outstanding at the end of year[2]	Accumulated profit(+)/ loss(-)	Turnover	Net profit (+)/ loss(-)	Net impact of Audit comments[3]	Capital employed[4]	Return on capital employed[5]	Percentage of return on capital employed	Manpower
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
MISCELLANEOUS													
21	Leather Industries Corporation of Marathwada Limited	2013-14	2014-15	0.64	6.16	(6.71)	-	-	-	0.09	-	Ψ	-
22	Vidarbha Tanneries Limited	2013-14	2014-15	0.10	-	(1.21)	-	-	-	(1.11)	-	Ψ	-
Sector Wise Total				**0.74**	**6.16**	**(7.92)**	-	-	-	**(1.02)**	-	Ψ	-
Total C (All sector wise non-working Government companies)				**318.51**	**492.75**	**(1,423.28)**	**0.04**	**(54.91)**	-	**(596.71)**	**3.52**	**$**	-
Grand Total (A+B+C)				**40,440.62**	**54,477.66**	**(9,071.83)**	**85,639.43**	**1,805.91**	**1.60**	**86,252.62**	**7,928.38**	**9.19**	**2,18,282**

1 Paid up capital includes share application money.
2 Loans outstanding at the end of the year represents long term loans from all sources
3 Impact of accounts comments include the net impact of comments of Statutory Auditors and CAG and is denoted by (+) increase in profit/decrease in losses (-) decrease in profit/increase in losses.
4 Capital employed represents Shareholders funds (+) Long term Borrowings.
5 Return on capital employed has been worked out by adding net profit and interest charged to profit and loss account.
$ Percentage of Return on Capital Employed was Negative.
ф Did not finalise even a single account.
(•) Expenditure in respect of Companies at Sl.No.A-13 and A-18 is recouped from Government hence the figure under profit/loss is 'Nil'.
Ψ Return on capital employed not applicable.
¥ Company at Sl.No.A-25, 43 and 44 and C-9 has not started commercial activity and has not prepared profit/loss account.
(+) Excess of expenditure over income capitalised (Sl.No.A-29).
⊕ Company at Sl.No.A-48 has been vested with the Assets & Liabilities of all its subsidiaries on unbundling of M.S.E. Board in 2005-06 and does not have any turnover of its own.
Ω Company at Sl.No.A-49 was formed with the objective of investment mainly in Dabhol Power Company Limited and hence the company does not have any turnover of its own.
Δ Companies at Sl.No.A-50 had not started commercial activities. Hence their turnover figures are 'Nil' however the figures of net profit/loss shown (col. 9) are on account of non-operational income and expenditure.
♦ Deficit is recoverable from share holders hence there is no loss/accumulated loss (Sl.No.A-58).

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