REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED 31 MARCH 2001

COMMERCIAL

GOVERNMENT OF GUJARAT

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Preface

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

(i) Government companies,

(ii) Statutory corporations, and

(iii) Departmentally managed commercial undertakings.

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

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

In respect of Gujarat State Road Transport Corporation and the Gujarat Electricity Board, which are Statutory corporations, the Comptroller and Auditor General of India is the sole auditor. As per State Financial Corporations (Amendment) Act, 2000, CAG has the right to conduct the audit of accounts of Gujarat State Financial Corporation in addition to the audit conducted by the Chartered Accountants appointed by the Corporation out of the panel of auditors approved by the Reserve Bank of India. In respect of Gujarat State Warehousing Corporation he has the right to conduct the audit of accounts in addition to the audit conducted by the Chartered Accountants appointed by the State Government in consultation with CAG. The audit of accounts of Gujarat Industrial Development Corporation was entrusted to the Comptroller and Auditor General of India under section 19(3) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, for a period of five years from 1977-78 and has been extended from time to time up to the accounts for the year 2001-02.

The cases mentioned in this Report are those which came to notice in the course of audit during the year 2000-01 as well as those which came to notice in earlier years but were not dealt with in the previous Reports. Matters relating to the period subsequent to 2000-01 have also been included, wherever necessary.

Overview

1. General view of Government companies and Statutory corporations

As on 31 March 2001, the State had 50 Public Sector Undertakings (PSUs) comprising of 45 Government companies and five Statutory corporations, which was the same last year also. However, out of 45 Government companies, the number of non-working Government companies increased from seven to 10 during the year. In addition, there were seven companies under the purview of 619-B of the Companies Act, 1956, as on 31 March 2001.

The total investment in working PSUs increased from Rs.23520.14 crore as on 31 March 2000 to Rs.25025.26 crore as on 31 March 2001. The total investment in non-working PSUs also increased from Rs.407.83 crore to Rs.546.38 crore during the same period.

The budgetary support in the form of capital, loans and grants disbursed to the working PSUs increased from Rs.3668.53 crore in 1999-2000 to Rs.4005.30 crore in 2000-01. The State Government also contributed Rs.8.79 crore in the form of loan to two non-working companies during 2000-01. The State Government guaranteed loans aggregating to Rs.1964.08 crore during 2000-01. The total amount of outstanding loans guaranteed by the State Government increased from Rs.10007.30 crore as on 31 March 2000 to Rs.10064.10 crore as on 31 March 2001.

Thirteen working Government companies and two working Statutory corporations have finalised their accounts for the year 2000-01. The accounts of remaining 22 working Government companies and three working Statutory corporations were in arrears for periods ranging from one year to six years as on 30 September 2001. The accounts of all the 10 non-working Government companies were in arrears for periods ranging from one year to six years as on 30 September 2001.

According to latest finalised accounts, 21 working PSUs (20 Government companies and one Statutory corporation) earned aggregate profit of Rs.217.37 crore, out of which only four working Government companies declared dividend of Rs.20.17 crore to the State Government. Against this, 16 working PSUs (12 Government companies and four Statutory corporations) incurred aggregate loss of Rs.2509.39 crore as per the latest finalised accounts. Of the loss incurring working Government companies, three companies had accumulated losses aggregating Rs.87.77 crore which exceeded their aggregate paid-up capital of Rs.12.39 crore by more than seven times. One loss incurring Statutory corporation had accumulated loss of Rs.1515.04 crore, which exceeded its paid-up capital of Rs.538.85 crore by more than two times.

In Gujarat Electricity Board, the percentage of transmission and distribution loss to total power available had increased from 21.69 *per cent* in 1997-98 to 22.07 *per cent* in 1999-2000 and the Plant Load Factor had decreased from

65.7 *per cent* to 64.3 *per cent* during the same period. Similarly, in Gujarat State Road Transport Corporation, the loss per kilometer increased from Rs.2.11 in 1997-98 to Rs.3.28 in 1999-2000.

Even after completion of five years of their existence, the individual turnover of three working Government companies and one working Statutory corporation has been less than Rs.5 crore in each of the preceding five years of latest finalised accounts. Similarly two Government companies (working one, non-working one) had been incurring losses for five consecutive years as per their latest finalised accounts, leading to negative net worth. These companies are recommended for closure.

(Paragraphs 1.1, 1.2, 1.3, 1.7 and 1.10)

2. Reviews relating to Government companies

2.1 Review on the Mining activities of lignite at Panandhro and Rajpardi projects of Gujarat Mineral Development Corporation Limited

The Company was set up in May 1963 to undertake mining of important minerals, besides developing mineral resources in the State. The Company is mainly engaged in mining of lignite and has produced 54.64 million tonnes of lignite against estimated deposits of 102.30 million tonnes at its Panandhro and Rajpardi projects up to March 2001.

The Company failed to put capital intensive excavation machinery and manpower to optimum use and had to pay Rs.3.46 crore extra to the contractors for overburden removal work. The Company did not follow prudent commercial practices in awarding and implementing the contracts for removal of overburden, which resulted in avoidable extra expenditure of Rs.6.87 crore.

(Paragraphs 2.1.4.2.1 to 2.1.4.2.4)

The Company extended undue favour to Gujarat Electricity Board (GEB) in the form of non-charging of interest of Rs 17.72 crore on outstanding dues, supply of Grade 'A' lignite at a concession of Rs.7.22 crore and delivery of lignite (charged at *ex*-mine price) at the GEB's receipt point by incurring expense of Rs.41.05 crore.

(Paragraphs 2.1.5.2.2, 2.1.5.2.4 and 2.1.5.2.5)

The Company incurred avoidable expenditure of Rs 5.12 crore in the contract for the operation and maintenance of Special Mining Equipment System due to incorrect costing and payment of claims at higher rates.

(Paragraphs 2.1.7.1.1 to 2.1.7.1.5)

2.2 Review on the Performance of Equipment Refinance Scheme of Gujarat Industrial Investment Corporation Limited

The Company was incorporated in August 1968 with the main objective of promoting investment in projects and to provide financial assistance to large and medium industries. On similar lines to the scheme in operation in Industrial Development Bank of India (IDBI), the Company introduced (February 1996) the Equipment Refinance Scheme (ERS) for the loanee units to purchase of specific equipment for the purpose of expansion/replacement/ modernisation .

Finance was sanctioned and Rs.35.85 crore was disbursed during the last five years to 35 units under the scheme. Nine of the 35 units were in default of Rs.6.43 crore, as a result of extension of finance to new manufacturing activity (three cases), grant of finance in excess of norms (three cases) and other reasons (three cases).

(Paragraphs 2.2.5, 2.2.5.1 to 2.2.5.6)

The Company did not take prompt follow-up action like taking possession of defaulting units or invoking personal guarantees, to ensure regular and timely repayment of finance. The Company also extended rescheduling of loans despite earlier poor record. As a result, the Company incurred loss of Rs.0.57 crore in one case and an amount of Rs.11.08 crore is due as on 31 March 2001 from six defaulting units, recovery of which is doubtful.

(Paragraphs 2.2.6.1 to 2.2.6.7)

2.3 Review on Resource management of Sardar Sarovar Narmada Nigam Limited

The Company was incorporated in March 1988 for the execution of Sardar Sarovar Project (SSP), which was conceived (April 1961) as a multistate multipurpose joint venture of four States *viz.*, Gujarat, Madhya Pradesh, Maharashtra and Rajasthan. The Planning Commission approved proposal for Sardar Sarovar Project (SSP) in October 1988 for Rs.6406.04 crore at 1986-87 prices. The Company revised cost estimates to Rs.13180.62 crore at 1991-92 prices, which were not approved by Sardar Sarovar Construction Advisory Committee/Planning Commission. Revised cost estimates at 1996-97 prices are under preparation. The Company has incurred expenditure of Rs.10978.63 crore up to March 2001.

The Company made borrowings in an *ad hoc* manner as fund requirement was not worked out accurately in the absence of periodic revision of cost estimates and due to non-receipt of shares from beneficiary States. The Company lost interest charges of Rs.1430.56 crore due to shortfall of Rs.5023.65 crore in the receipt of funds from the four beneficiary States towards their share of expenditure and blocking up of Rs.1381.30 crore in Personal Ledger Account.

(Paragraphs 2.3.4.2.1 and 2.3.4.2.2)

The Company incurred extra expenditure on interest amounting to Rs.3053.14 crore due to non-reservation of right to redeem the bonds through a call option (Rs.3033.45 crore), retention of over-subscription (Rs.8.57 crore), borrowing in excess of requirement and keeping a major portion of such funds at deposits bearing lower rate of interest (Rs.11.12 crore).

(Paragraphs 2.3.5.2.1, 2.3.5.2.2, 2.3.5.2.4 and 2.3.5.2.5)

The Company also had to pay avoidable interest charges of Rs.17.83 crore due to delay in transfer of funds (Rs.2.07 crore), availing of cash credit with sufficient balance in current account (Rs.14.26 crore) and retention of huge balances in current accounts (Rs.1.5 crore).

(Paragraphs 2.3.6.1, 2.3.6.2, 2.3.5.2.6 and 2.3.7)

3. Review relating to Statutory corporation

Review on Fuel costs in Gujarat Electricity Board

The thermal power stations of Gujarat Electricity Board (Board) account for 84 *per cent* of its total installed power generation capacity of 4540 MW. The per unit cost of thermal generation in the Board had shown a rising trend on account of increased expenditure on direct and indirect fuel cost and other fuel related losses. The Board did not investigate the reasons for poor quality of coal, which was taken to be the basis for justification of increased consumption of fuel. The consumption of secondary fuel was much higher than the norm fixed by Central Electricity Authority. The Board had failed to devise methods to achieve greater degree of efficiency and economy in controlling the fuel related expenses. Huge expenditure was incurred on agents appointed for prepayment of freight and on contracts for loading supervision and liaison work. The Board needs to investigate and devise methods to achieve efficiency and economy in procurement and consumption of fuel and also to critically review the various contracts entered for procurement of fuel. Some of the important points noticed in review on fuel related costs and losses in the Board are as under:

- The per unit cost of thermal generation of the Board consisting of direct fuel cost, indirect fuel cost and fuel related losses increased 36.67 *per cent* from Re.0.90 per unit to Rs.1.23 per unit during 1995-96 to 1999-00 as against an increase of 21.98 *per cent* in Rajasthan State Electricity Board (RSEB).

(Paragraph 3.4.1)

- The Board incurred avoidable expenditure of Rs.718.62 crore towards direct fuel cost during the period 1995-96 to 2000-01 on account of excess consumption of coal (Rs.567.42 crore), primary oil (Rs.59.99 crore) and secondary oil (Rs.91.21 crore).

(Paragraphs 3.5.1, 3.5.2 and 3.5.3)

- The indirect fuel cost of the Board was higher owing to payment of freight prepayment commission at higher rates, redundant payment of bonus of Rs.10.72 crore to freight prepayment contractors, avoidable expenditure of Rs.4.61 crore due to delay in finalisation of tender and excess payment of Rs.33.86 crore due to awarding of loading supervision and liaison contracts without proper rate analysis and invitation of public tenders.

(Paragraphs 3.6, 3.6.1.1, 3.6.1.2 and 3.6.2.1)

- The per unit fuel related loss of the Board was between Re.0.12 to Re.0.19 per Kwh compared to Re.0.03 to Re.0.09 per Kwh in RSEB owing to higher transit losses and over estimating grade difference losses under the system of unilateral sampling.

(Paragraphs 3.7, 3.7.1 and 3.7.2)

4. Miscellaneous topics of interest

- Due to delay in vacating the rented buildings, the Gujarat Industrial Investment Corporation Limited incurred an avoidable expenditure of Rs.0.51 crore on rent and taxes.

(Paragraph 4.3.1)

- In spite of imminent closure, Gujarat Communication and Electronics Limited kept on accepting orders even at belated stage resulting in locking up of funds of Rs.1.69 crore due to non receipt of payment.

(Paragraph 4.5.1)

- Sardar Sarovar Narmada Nigam Limited made an irregular payment of Rs.4 crore to lining agencies due to incorporation of a new condition after award of contract.

(Paragraph 4.7.1)

- Gujarat Electricity Board incurred an infructuous and avoidable expenditure of Rs.7.65 crore on construction of track hopper at Wanakbori Thermal Power Station against the advice of railways.

(Paragraph 4.9.1)

- Gujarat Electricity Board undercharged its consumers by Rs.3.34 crore due to incorrect application of tariff.

(Paragraph 4.9.2)

- Gujarat State Road Transport Corporation made an avoidable payment of Rs.1.74 crore by providing excess allowance on the elements of sales tax and transportation cost while fixing the end cost rate for work of bus body building.

(Paragraph 4.10.1)

- Gujarat Industrial Development Corporation incurred an avoidable expenditure of Rs.0.73 crore as the contract suffered from technical deficiencies necessitating re-invitation of tenders and award of the work at a higher cost.

(Paragraph 4.11.1)

CHAPTER-I

1. General view of Government companies and Statutory corporations

1.1 Introduction

As on 31 March 2001 there were 45 Government companies (35 working companies and 10 non-working companies*) and five working Statutory corporations as against 45 Government companies (38 working companies and seven non-working companies) and five working Statutory corporations as on 31 March 2000 under the control of the State Government. The accounts of the Government companies (as defined in Section 617 of Companies Act, 1956) are audited by Statutory Auditors who are appointed by the Comptroller and Auditor General of India (CAG) as per provision of Section 619(2) of Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per provisions of Section 619 of the Companies Act, 1956. The audit arrangements of Statutory corporations are as shown below:

Sl. No.	Name of the corporation	Authority for audit by the CAG	Audit arrangement
1.	Gujarat Electricity Board (GEB)	Section 69(2) of the Electricity (Supply) Act, 1948	Sole audit by CAG
2.	Gujarat State Road Transport Corporation (GSRTC)	Section 33(2) of the Road Transport Corporations Act, 1950	Sole audit by CAG
3.	Gujarat Industrial Development Corporation (GIDC)	Section 19(3) of CAG's (Duties, Powers and Conditions of Service) Act, 1971	Sole audit entrusted by State Government to the CAG up to 2001-02
4.	Gujarat State Financial Corporation (GSFC)	Section 37(6) of the State Financial Corporations Act,1951	Chartered Accountants and supplementary Audit by CAG
5.	Gujarat State Warehousing Corporation (GSWC)	Section 31(8) of the State Warehousing Corporations Act,1962	Chartered Accountants and supplementary audit by CAG

* Non-working companies/corporations are those which are under the process of liquidation/closure/merger *etc*.

1.2 Working Public Sector Undertakings (PSUs)

1.2.1 Investment in working PSUs

As on 31 March 2001, the total investment in 40 working PSUs (35 Government companies and five Statutory corporations) was Rs.25025.26 crore (equity : Rs.8241.47 crore; long-term loans° : Rs.14676.85 crore; and share application money : Rs.2106.94 crore) as against 43 working PSUs (38 Government companies and five Statutory corporations) with a total investment of Rs.23520.14 crore (equity: Rs.7584.93 crore; long-term loans: Rs.14187.20 crore; and share application money: Rs.1748.01 crore) as on 31 March 2000. The analysis of investment in working PSUs is given in the following paragraphs:

1.2.1.1 Working Government companies

Total investment in 35 working Government companies as on 31 March 2001 was Rs.15679.60 crore (equity: Rs.7604.51 crore; long-term loans: Rs.5968.15 crore, share application money: Rs.2106.94 crore) as against total investment of Rs.13815.87 crore (equity: Rs.6971.79 crore; long-term loans: Rs.5096.07 crore, share application money: Rs.1748.01 crore) as on 31 March 2000 in 38 working Government companies.

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

Sector wise investment in working Government companies

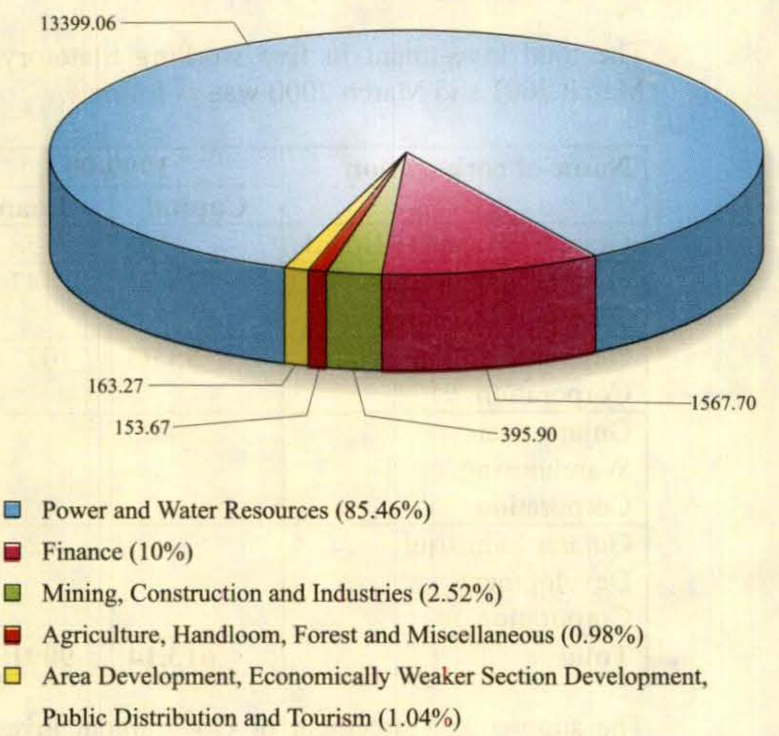
As on 31 March 2001, the total investment of working Government companies, comprised 61.94 *per cent* of equity capital and 38.06 *per cent* of loans as compared to 63.11 *per cent* and 36.89 *per cent*, respectively, as on 31 March 2000.

The investment (equity and long-term loans) in various sectors and percentage thereof at the end of 31 March 2001 and 31 March 2000 are indicated below in the pie charts:

° Long term loans mentioned in paragraphs 1.2.1, 1.2.1.1 and 1.2.1.2 are excluding interest accrued and due on such loans.

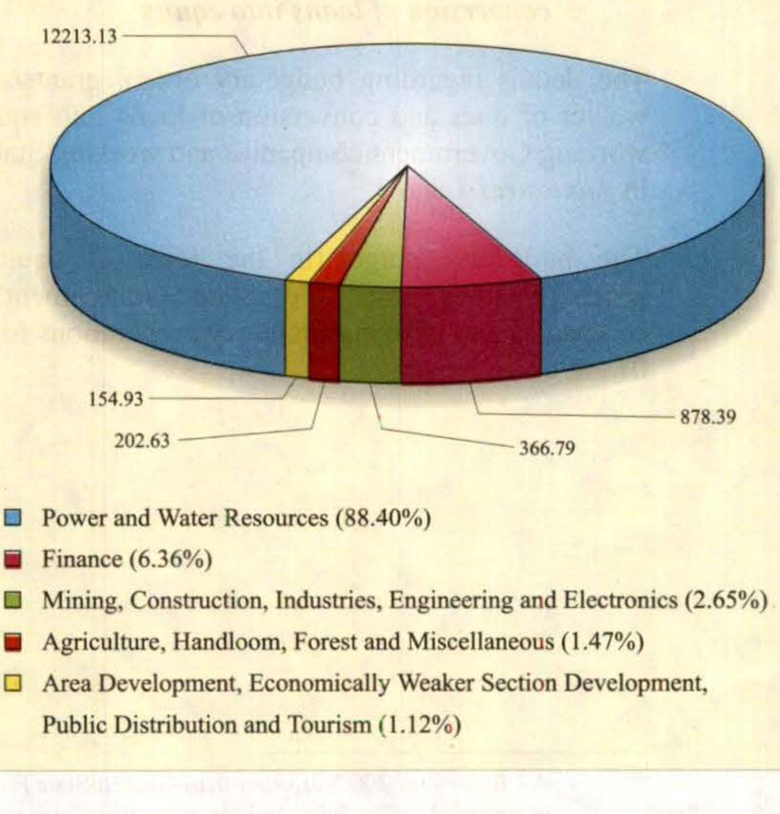
Investment as on 31 March 2001

(Rupees in crore)



Investment as on 31 March 2000

(Rupees in crore)



Due to significant increase in long-term loan of Finance, Power and Water Resources sectors the debt equity ratio increased from 0.58:1 in 1999-00 to 0.61:1 in 2000-01.

1.2.1.2 Working Statutory corporations

The total investment in five working Statutory corporations at the end of March 2001 and March 2000 was as follows:

(Rupees in crore)

Name of corporation	**1999-00**		**2000-01@**	
	Capital	**Loan**	**Capital**	**Loan**
Gujarat Electricity Board	--	7538.21	--	7087.54
Gujarat State Road Transport Corporation	515.21	447.57	538.95	458.18
Gujarat State Financial Corporation	93.93	1077.48	94.01	1146.86
Gujarat State Warehousing Corporation	4.00	--	4.00	--
Gujarat Industrial Development Corporation	--	27.87	--	16.12
Total	**613.14**	**9091.13**	**636.96**	**8708.70**

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

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

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

The budgetary outgo (in the form of equity capital and loans) and grants/subsidies from the State Government to working Government companies and working Statutory corporations for the three years up to 2000-01 are given below:

@ All figures for 2000-01 other than Gujarat State Financial Corporation are provisional and as furnished by respective Corporations.

(Rupees in crore)

	1998 – 99				1999-00				2000-01			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity capital outgo from budget	11	1073.08	1	35.00	18	1503.22	1	25.00	15	1014.61	1	41.61
Loans given from budget	7	40.86	2	386.58	8	70.66	2	302.34	8	42.78	1	498.53
Grant/ Subsidy toward (i) Projects/ programmes/ Schemes	14	121.27	3	1534.33	5	76.49	3	1582.79	15	284.38	4	2122.61
(ii) Other subsidy	3	7.88	--	--	12	108.03	--	--	2	0.78	--	--
(iii) Total subsidy	14	129.15	3	1534.33	15	184.52	3	1582.79	16	285.16	4	2122.61
Total outgo	19*	1243.09	3*	1955.91	27*	1758.40	4*	1910.13	24*	1342.55	4*	2662.75

During the year 2000-01 the Government had guaranteed loans aggregating Rs.1962.08 crore obtained by seven working Government companies (Rs.983.07 crore) and two working Statutory corporations (Rs.979.01 crore). At the end of the year guarantees amounting to Rs.10017.82 crore obtained by twelve working Government companies (Rs.5157.32 crore) and four working Statutory corporations (Rs.4860.50 crore) were outstanding as against outstanding guarantees of Rs.9993.64 crore obtained by eleven working Government companies (Rs.5715.44 crore) and four Statutory corporations (Rs.4278.20 crore) as on 31 March 2000. There was no case of default in repayment of guaranteed loans during the year. The Government converted loan of one company amounting to Rs.99.22 crore into equity capital during the year. The guarantee commission paid/payable to Government by seven Government companies and by three Statutory corporations during 2000-01 was Rs.42.50 crore and Rs.48.29 crore, respectively.

1.2.3 Finalisation of accounts by working PSUs

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

However, as could be noticed from *Annexure* 2 out of 35 working Government companies, only 13 working companies and out of five working Statutory corporations only two working corporations have finalised their accounts for the year 2000-01, within stipulated period. During the period from October 2000 to September 2001, 23 working Government companies

* Indicate actual number of companies/corporations which received budgetary support in the form of equity, loans, grants and subsidies from Government in respective years.

finalised 23 accounts for previous years. Similarly, during this period three working Statutory corporations finalised three accounts for previous years.

The accounts of 22 working Government companies and three working Statutory corporations were in arrears for periods ranging from one year to six years as on 30 September 2001 as detailed below:

Sl. No.	Year from which accounts are in arrears	Number of years for which accounts are in arrears	Number of working companies/corporations		Reference to Sl. No. of *Annexure* – 2	
			Government companies	Statutory corporations	Government companies	Statutory corporations
1	2000-01	1	17	3	A-1, 2, 7, 8, 13, 14, 17, 18, 19, 20, 22, 25, 26, 30, 31, 32, 33	B-1, 4, 5
2	1999-00	2	2	--	A-6, 34	--
3	1998-99	3	2	--	A-4, 11	--
4	1995-96	6	1	--	A-16	--
	Total		22	3		

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

1.2.4 Financial position and working results of working PSUs

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

According to latest finalised accounts of 35 working Government companies and five working Statutory corporations, 12 companies and four corporations had incurred loss for the respective years aggregating to Rs.32.16 crore and Rs.2477.23 crore, respectively. Twenty companies and one corporation earned an aggregate profit of Rs.189.05 crore and Rs.28.32 crore, respectively. Two companies had not commenced commercial activities and one company had capitalised excess of expenditure over income.

1.2.4.1 Working Government companies

1.2.4.1.1 Profit earning working companies and dividend

Ten profit earning working companies, which finalised their accounts for 2000-01 by September 2001, earned profit of Rs.181.85 crore and only five companies (Sl.No.A-3, 5, 9, 28 and 29 of *Annexure* 2) declared dividend of Rs.25.06 crore of which State Government's share was Rs.20.17 crore. The dividend as percentage of share capital of State Government in four[#] profit making companies worked out to 15.22. The remaining five profit earning companies did not declare dividend. The total return by way of above dividend of Rs.20.17 crore, worked out to 0.21 *per cent* in 2000-01 on total equity investment of Rs.9446.08 crore by the State Government in all Government companies as against 0.22 *per cent* in the previous year. The State Government has not formulated any dividend policy for payment of minimum dividend.

Ten profit earning working companies, which finalised their accounts for previous years by September 2001, earned profit aggregating to Rs.7.20 crore and nine companies were earning profit for two or more successive years.

1.2.4.1.2 Loss incurring working Government companies

Of the 12 loss incurring working Government companies, three companies had accumulated losses aggregating Rs.87.77 crore which exceeded their aggregate paid-up capital of Rs.12.39 crore by more than seven times.

Despite poor performance and complete erosion of paid-up capital, the State Government continued to provide financial support to these companies in the form of contribution towards equity, further grant of loans, conversion of loans into equity, subsidy, etc. According to available information, the total financial support so provided by the State Government was Rs.92.37 crore by way of share capital (Rs.1.64 crore), loans (Rs.2.07 crore) and subsidy (Rs.88.66 crore) during 2000-01 to these three companies.

1.2.4.2 Working Statutory corporations

1.2.4.2.1 Profit earning Statutory corporation and dividend

Gujarat Industrial Development Corporation which finalised its accounts for the year 1999-00 earned profit of Rs.28.32 crore, but did not declare dividend.

1.2.4.2.2 Loss incurring Statutory corporations

Two working Statutory corporations (Gujarat State Financial Corporation and Gujarat State Road Transport Corporation) finalised their accounts for 2000-01 by September 2001 and incurred a loss aggregating to Rs.392.09 crore. Other two working Statutory corporations (Gujarat Electricity Board and Gujarat State Warehousing Corporation) finalised their accounts for 1999-00

[#] Excludes company at Sl.No.A-29 of *Annexure* 2, which is subsidiary of company at Sl.No.A-28.

and incurred loss aggregating to Rs.2085.14 crore. GSRTC had accumulated loss of Rs.1515.04 crore, which exceeded its paid-up capital of Rs.538.95 crore by more than two times.

Though Gujarat State Financial Corporation incurred loss during 2000-01, it declared dividend of Rs.6.84 crore during the year for the profit earned in 1999-00. Dividend as a percentage of share capital of State Government in the Corporation worked out to 7.23 *per cent*. The return by way of dividend of Rs.3.55# crore worked out to 0.73 *per cent* on total equity investment of Rs.483.77 crore by State Government in all Statutory corporations.

Despite poor performance, the State Government continued to provide financial support to these Corporations in the form of contribution towards equity, further grant of loans, conversion of loans into equity, subsidy, *etc.* According to available information, the total financial support so provided by the State Government was Rs.2661.75 crore by way of share capital (Rs.41.61 crore), loans (Rs.498.53 crore) and subsidy (Rs.2121.61 crore) during 2000-01 to these four corporations.

1.2.4.2.3 Operational performance of working Statutory corporations

The operational performance of the working Statutory corporations is given in *Annexure 6*. In GEB, the percentage of transmission and distribution loss to total power available had increased from 21.69 *per cent* in 1997-98 to 22.07 *per cent* in 1999-00 and the Plant Load Factor had decreased from 65.7 *per cent* to 64.3 *per cent* during the same period. In GSWC, though there was average profit of Rs.13.85 per tonne in 1997-98, it turned into a loss of Rs.47.68 per tonne in 1999-00. In GSRTC, the loss per kilometre has increased from Rs.2.11 in 1997-98 to Rs.3.28 in 1999-00.

1.2.5 Return on Capital Employed

As per the latest finalised accounts (up to September 2001), the capital employed* worked out to Rs.13835.73 crore in 35 working companies and total return† thereon amounted to Rs.334.86 crore which is 2.42 *per cent* as compared to total return of Rs.0.85 crore (0.008 *per cent*) in the previous year (accounts finalised up to September 2000). Similarly, the capital employed and total return thereon in case of working Statutory corporations as per the latest finalised accounts (up to September 2001) worked out to Rs.8809.03 crore and Rs.(-)1455.30 crore, respectively, against the total return of Rs.342.03 crore (3.53 *per cent*) in previous year (accounts finalised up to September 2000). The details of capital employed and total return on capital employed in case of working Government companies and Statutory corporations are given in *Annexure* 2.

This excludes dividend of Rs.3.29 crore paid to IDBI and others.

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

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

1.3 Non-working PSUs

1.3.1 Investment in non-working PSUs

As on 31 March 2001, the total investment in 10 non working PSUs (all non-working Government companies) was Rs.546.38 crore (equity : Rs.38.06 crore, long term loans : Rs.465.78 crore and share application money : Rs.42.54 crore) as against total investment of Rs.407.83 crore (equity : Rs.14.87 crore, long term loans :Rs.350.42 crore and share application money : Rs.42.54 crore) in seven non-working Government companies as on 31 March 2000.

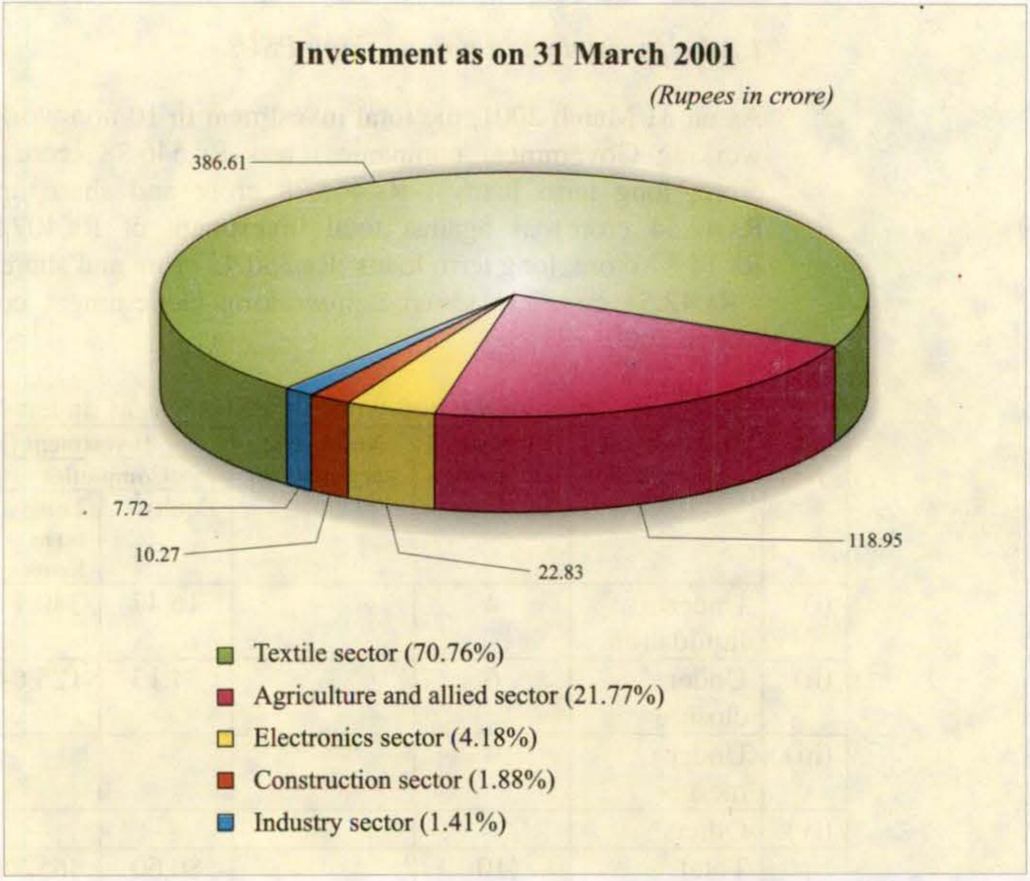
The classification of the non-working PSUs was as under:

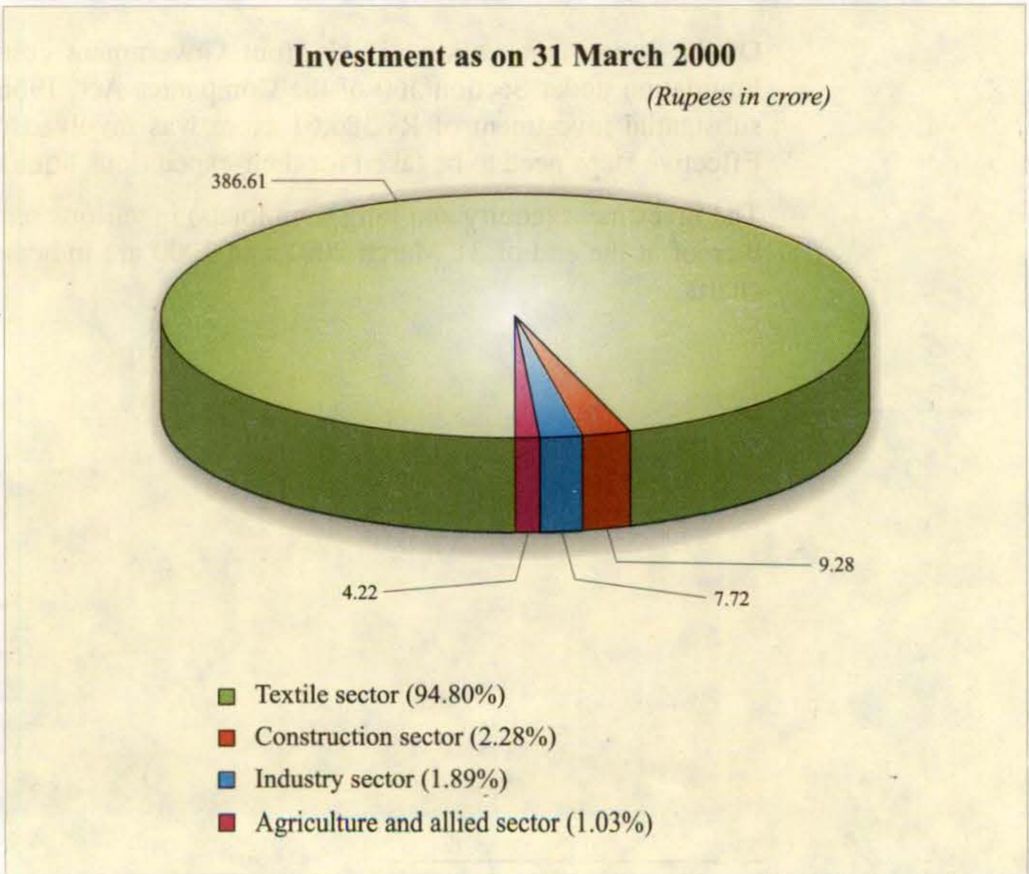
Sl. No.	Status of non-working PSUs	Number of companies	Number of corporations	Investment (Rupees in crore)			
				Companies		Corporations	
				Equity*	Long term loans	Equity	Long term loans
(i)	Under liquidation	4	--	46.47	340.14	--	--
(ii)	Under closure	6	--	34.13	125.64	--	--
(iii)	Under merger	--	--	--	--	--	--
(iv)	Others*	--	--	--	--	--	--
	Total	10		80.60	465.78	--	--

Of the above non-working PSUs, four Government companies were under liquidation under Section 560 of the Companies Act, 1956 for four years and substantial investment of Rs.386.61 crore was involved in these companies. Effective steps need to be taken for their expeditious liquidation or revival.

The investment (equity and long term loans) in various sectors and percentage thereof at the end of 31 March 2001 and 2000 are indicated below in the pie charts:

* Equity includes share application money of Rs.42.54 crore for companies under liquidation.


Investment as on 31 March 2001
(Rupees in crore)
386.61
7.72
10.27
22.83
118.95
Textile sector (70.76%)
Agriculture and allied sector (21.77%)
Electronics sector (4.18%)
Construction sector (1.88%)
Industry sector (1.41%)


Investment as on 31 March 2000
(Rupees in crore)
386.61
4.22
7.72
9.28
Textile sector (94.80%)
Construction sector (2.28%)
Industry sector (1.89%)
Agriculture and allied sector (1.03%)

1.3.2 Budgetary outgo, grant/subsidy, guarantees, waiver of dues and conversion of loans into equity

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

The State Government had paid budgetary support of Rs.8.79 crore in the form of loan to two non-working Companies during 2000-01. The State Government had also guaranteed loans of Rs.2 crore obtained by one non-working company during the year 2000-01. At the end of the year, guarantees amounting to Rs.46.28 crore obtained by four non-working companies were outstanding as against outstanding guarantees of Rs.13.66 crore obtained by three non-working companies as on 31 March 2000.

1.3.3 Total establishment expenditure of non working PSUs

The year wise details of total establishment expenditure of non-working Government companies and the sources of financing them during last three years up to 2000-01 are given below:

(Rupees in crore)

Year	Number of PSUs	Total establishment expenditure	Financed by				
			Disposal of investment/ assets	Loans from private parties	Government by way of		Others
					Loans	Grants	
1998-99	4*	--	--	--	--	--	--
1999-00	7*	15.16	0.58	--	9.63	--	4.95
2000-01	10*	54.20	4.13	--	36.25	--	13.82

1.3.4 Finalisation of accounts by non working PSUs

The accounts of all 10 non working companies were in arrears for periods ranging from one year to six years as on 30 September 2001 as could be noticed from *Annexure* 2.

1.3.5 Financial position and working results of non working PSUs

The summarised financial results of non-working Government companies as per latest finalised accounts are given in *Annexure* 2. The details of paid-up capital, net worth, cash loss/cash profits and accumulated loss/accumulated profit of these non-working Companies as per their latest finalised accounts are given below:

---

* Gujarat State Textiles Corporation Limited and its three subsidiary companies did not furnish the information.

(Rupees in crore)

	Paid-up capital	Net worth@	Cash loss (-)/ Profit(+)	Accumulated loss(-)/ accumulated profit (+)
Non working companies	80.60	(-)926.37	(-)427.67	(-)1006.97

(Note : Net worth, cash loss/cash profit and accumulated losses/profit calculated are as per last certified accounts. 10 non-working PSUs have not finalised their accounts for one to six years as indicated in *Annexure* 2).

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

The following table indicates the status of placement of various Separate Audit Reports (SARs) on the accounts of Statutory corporations issued by the CAG of India in the Legislature by the Government:

Sl. No.	Name of the Statutory corporation	Year up to which SARs placed in Legislature	Years for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in the Legislature
1.	Gujarat Electricity Board	1998-99	1999-00	--	Replies to Draft comment issued in March 2001 along with adopted accounts are awaited
2.	Gujarat State Road Transport Corporation	1998-99	1999-00	1-6-2001	--
3.	Gujarat Industrial Development Corporation	1997-98	1998-99 1999-00	10.10.2001 --	SAR under process
4.	Gujarat State Financial Corporation	1999-00	2000-01	--	SAR under process
5.	Gujarat State Warehousing Corporation	1999-00	2000-01	--	Accounts not received

1.5 Disinvestment, Privatisation and Restructuring* of Public Sector Undertakings

In October 1992, the Government of Gujarat had constituted State Finance Commission to examine the potential for privatisation and disinvestment of

@ Net worth represents paid-up capital *plus* free reserves *less* accumulated losses.
* Restructuring includes merger and closure of PSUs.

PSUs of the State Government. The recommendations of the Commission including setting up of a High Level Committee for formulating broad guidelines and constitution of a Cabinet Sub-Committee (constituted in March 1996) were reported *vide* paragraph no.1.2.2 of Report of the Comptroller and Auditor General of India for the year ended 31 March 1998 (Commercial) - Government of Gujarat. The actions taken as a follow up to decisions of Cabinet Sub-Committee up to June 2001 were as under:

(i) Privatisation

The Sub Committee decided (July 1996) to privatise three Government companies viz., Gujarat Communications and Electronics Limited (GCEL), Gujarat Tractor Corporation Limited (GTCL) and Gujarat State Export Corporation Limited (GSEC). As reported by the Government GTCL has been fully privatised in December 1999. The management of GCEL has decided to announce closure of the Company under Industrial Disputes Act. All employees were given Voluntary Retirement/retrenchment, as per provisions of Industrial Disputes Act. In case of GSECL, the Sub Committee had decided to reduce Government's stake to 11 *per cent*. The share holder's agreement with private sector partner is in progress.

(ii) Restructuring

(i) In case of Gujarat Agro Industries Corporation Limited, Cabinet Sub Committee decided to sell uneconomic divisions/units which was agreed by the Government of Gujarat in January 1999. It is reported by Government that necessary action has been initiated and all employees of such divisions/units have been offered Voluntary Retirement.

(ii) In case of Gujarat Industrial Development Corporation (GIDC), the Sub Committee decided for un-bundling of GIDC, by transferring maintenance services to Industries Associations and Industrial Park development to be done in joint sector. Regulatory and planning work is to be continued by the Corporation. It is reported by Government (June 2001) that action has been initiated on the recommendations.

(iii) In case of Tourism Corporation of Gujarat Limited, it was decided to close un-economic units and offer VRS to its employees. Action is being initiated in this regard.

(iii) Disinvestment

(i) In case of Gujarat Industrial Investment Corporation Limited, the Cabinet Sub Committee decided to reduce the stake of Government, up to 49 *per cent* of equity shares. As a follow up, 11 *per cent* equity shares were transferred to Gujarat Narmada Valley Fertilisers Company Limited and Gujarat State Fertilizers and Chemicals Limited. The term lending activity of the Company has been reduced. VRS has been offered to staff and the Company is refocusing on implementing infrastructure projects.

(ii) In case of Gujarat Mineral Development Corporation Limited, the Cabinet Sub Committee decided to disinvest 49 *per cent* equity shares. Of which 26 *per cent* equity shares have already been disinvested.

(iv) ***Merger***

The Cabinet Sub Committee recommended merger of Gujarat Rural Industries Marketing Corporation Limited with Gujarat State Leather Industry Development Corporation Limited and that of Gujarat State Handloom Development Corporation Limited with Gujarat State Handicrafts Development Corporation Limited. These recommendations were agreed by Government of Gujarat in July 1996. The draft scheme of merger was approved by Government of India in both the cases and Gujarat Leather Industry Development Corporation Limited was merged (January 2001) with Gujarat Rural Industries Marketing Corporation Limited. In case of merger of Gujarat State Handloom Development Corporation Limited with Gujarat State Handicrafts Development Corporation Limited, the Government of Gujarat is examining the objections received from the aggrieved parties in this regard.

(v) ***Closure***

(i) The decision of Cabinet Sub Committee to close the Gujarat Small Industries Corporation Limited was agreed to by the Government of Gujarat in January 1999. The Company had suspended all the activities and given VRS to most of the employees.

(ii) The decision of Cabinet Sub Committee on closure of Gujarat Fisheries Development Corporation Limited (GFDCL) and Gujarat State Construction Corporation Limited (GSCC) was accepted by the Government on 4 September 1998. As a follow up, the Government reported (June 2001) that all activities of these companies have been suspended and most of the employees have been given VRS. In case of GFDCL assets are being transferred/sold. In case of The Film Development Corporation of Gujarat Limited and Gujarat State Rural Development Corporation Limited the Government has now decided to continue these companies, which were earlier identified for closure.

1.6 Results of audit by Comptroller and Auditor General of India

During the period from October 2000 to August 2001, the audit of accounts of 35 Government companies (working 31 and non working 4) and 5 working Statutory corporations were selected for review. As a result of the observations made by CAG, one company (Gujarat Minorities Finance and Development Corporation Limited) revised its accounts for the year 1999-00. In addition, the net impact of the important audit observations as a result of review of the remaining PSUs were as follows:

Details	No. of accounts				Rupees in lakh			
	Government companies		Statutory corporations		Government companies		Statutory corporations	
	Working	Non working	Working	Non working	Working	Non working	Working	Non working
(i) Decrease in profit	2	1	2	--	88.20	0.54	431.46	--
(ii) Increase in profit	--	--	1	--	--	--	140.25	--
(iii) Increase in loss	1	--	3	--	41.57	--	36262.87	--
(iv) Decrease in loss	--	--	2	--	--	--	1129.94	--
(v) Non disclosure of material facts	3	2	2	--	1365.71	63.24	97313.32	--
(vi) Errors of classification	3	2	5	--	4648.34	159.37	24424.14	--

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

1.6.1 Errors and omissions noticed in case of Government companies

(a) Gujarat State Land Development Corporation Limited (1997-98)

The authorised share capital of the Company was increased from Rs.300 lakh to Rs.1000 lakh in September 1998. This material fact was not disclosed in the accounts.

(b) Gujarat Transreceivers Limited (1995-96)

The Company had accounted retirement benefits to its employees on cash basis of accounting, instead of accrual basis of accounting as required under Accounting Standard No.15.

(c) Gujarat Sheep and Wool Development Corporation Limited (1999-00)

The Company had charged inadmissible expenditure of Rs.41.57 lakh under intensive sheep and wool development project. This has resulted in under statement of current liability and loss for the year.

(d) Gujarat Scheduled Castes Economic Development Corporation Limited (1994-95)

The Company had obtained loan from National Scheduled Castes and Scheduled Tribes Finance and Development Company Limited bearing interest rate between 4.5 *per cent* to 6 *per cent per annum*. Interest was chargeable on the loan at the rate of 12 *per cent per annum*, if the same was not utilised within 90 days from receipt of funds. The Company failed to utilise the loan within the prescribed period, however, provided interest at the rate of 4.5 *per cent* to 6 *per cent*, resulting in overstatement of profit by Rs.86.12 lakh and understatement of unsecured loans to that extent.

1.6.2 Errors and omissions noticed in case of Statutory corporations

(a) Gujarat State Road Transport Corporation (1999-00)

The loss of the Corporation for the year was understated by Rs.13.62 crore due to:

(Rupees in crore)

(i)	Under provision of depreciation	1.43
(ii)	Non provision of 'no fault liabilities' payable under clause 140(2) of Motor Vehicle Act, 1988	12.80
(iii)	Non provision of Municipal Tax receivable	(-) 0.12
(iv)	Excess provision of dearness allowance	(-) 0.49
	Total	**13.62**

(b) Gujarat State Financial Corporation (1999-00)

Non provision of guarantee fee as per revised rate resulted in overstatement of profit of the Corporation by Rs.3.88 crore.

(c) Gujarat Industrial Development Corporation (1997-98)

The cash and bank balance given in accounts included unreconciled difference of Rs.29.98 crore between bank statements and bank book, unreconciled difference of Rs.6.61 crore between Head Office books and field records and non reversal of entries of time barred cheques of Rs.2.52 crore.

1.6.2.1 Audit assessment of the working results of Gujarat Electricity Board

Based on the audit assessment of the working results of the GEB for three years upto 1999-00 and taking into consideration the major irregularities and omissions pointed out in the SARs on the annual account of the GEB and not taking into account the subsidy/subventions receivable from the State Government, the net surplus/deficit of the GEB will be as given below:

(Rupees in crore)

Sl. No.	Particulars	1997-98	1998-99	1999-00
1	Net surplus/(-)deficit as per books of accounts	119.48	(-)383.47	(-)2208.58
2	Subsidy from the State Government	1483.10	1673.17	1329.87
3	Net surplus/ (-) deficit before subsidy from the State Government (1-2)	(-)1363.62	(-)2056.64	(-)3538.45
4	Net increase/decrease in net surplus/(-) deficit on account of audit comments on the annual accounts of the SEB	(-)10.48	(-)337.61	Under Audit
5	Net surplus/(-) deficit after taking into account the impact of audit comments but before subsidy from the State Government (3-4)	(-)1374.10	(-)2394.25	Under Audit

1.6.3 Persistent irregularities and system deficiencies in financial matters of PSUs

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

1. Government companies

(i) Gujarat Dairy Development Corporation Limited

Capital grant received and utilised by the Company for acquisition of fixed assets were taken to Capital Reserve, however, the depreciation charged every year on such assets was not adjusted from these reserves. Consequently, the balances shown under the Capital Reserve (Rs.13.44 crore) as well as the Accumulated losses (Rs.118.85 crore) as on 31 March 2000 are unrealistic as the amount of depreciation (unascertainable) on assets created out of capital grant has not been adjusted.

(ii) Gujarat State Forest Development Corporation Limited

The work-in-progress under plantations has been understated by Rs.17.52 crore (Bulsar Project – Rs.15.73 crore and Panam Project - Rs.1.79 crore) due to non-inclusion of cumulative interest charges on term loan obtained from the banks for the plantation.

(iii) Gujarat Scheduled Castes Economic Development Corporation Limited

The Company did not provide depreciation on fixed assets as per its disclosed Accounting Policy *i.e.* at the rates prescribed in the Schedule XIV of the Companies Act, 1956.

2. Statutory corporations

(a) Gujarat Electricity Board

(i) Liability for expenses included Rs.13.47 crore being stamp duty payable on the GEB Bonds issued during the years from 1971 to 1993 for which no follow-up action was taken with State Government.

(ii) Capital expenditure includes Rs.69.05 crore being the value of meters acquired by the Board from various lessors on "sale and lease back basis" and stated to have been installed under various field offices. The locations of such assets have not been identified and reconciled with the control ledger at Head Office.

(b) Gujarat State Financial Corporation

The balance under other liabilities shown represented the claims received from guarantee organisation against dues of defaulting units, which were neither adjusted against the dues of loanee units nor taken as income of the year in which it was received.

(c) Gujarat State Road Transport Corporation

The balance under 'personal account with other S.T. undertakings' given in the accounts of the Corporation included Rs.61.72 lakh being dues from various Road Transport undertakings of other states *viz.,* Madhya Pradesh (Rs.30.07 lakh), Rajasthan (Rs.20.32 lakh) and Maharashtra (Rs.11.33 lakh) and is pending for recovery/adjustment since 1985-86 onwards.

1.7 Recommendations for closure of PSUs

Even after completion of five years of their existence, the turnover of three working Government companies *viz.,* Gujarat Sheep and Wool Development Corporation Limited, Gujarat State Rural Development Corporation Limited and The Film Development Corporation of Gujarat Limited (Sl.No.A-2, 13 and 32 respectively of *Annexure* 2) and one working Statutory corporation *viz.,* Gujarat State Warehousing Corporation (Sl.No.B-4 of *Annexure*-2) have been less than Rs.5 crore in each of the preceding five years of latest finalised accounts. Similarly, two Government companies (working one, non-working one) *viz.,* Gujarat State Land Development Corporation Limited and Gujarat Transreceivers Limited (Sl.No.A-4 and C-5 respectively of *Annexure* 2) had been incurring losses for five consecutive years as per their latest finalised accounts, leading to negative net worth. In view of poor turnover and continuous losses, the Government may either improve performance of above five Government companies and one Statutory corporation or consider their closure.

1.8 Response to Inspection Reports, Draft Paras and Reviews

Audit observations noticed during audit and not settled on the spot are communicated to the head of PSUs and concerned departments of State Government through Inspection Reports. The heads of PSUs are required to furnish replies to the Inspection Reports within a period of six weeks. Inspection Reports issued upto March 2001 pertaining to 38 PSUs disclosed that 1902 paragraphs relating to 482 Inspection Reports remained outstanding at the end of September 2001. Of these, 26 Inspection Reports containing 159 paragraphs had not been replied for more than one year. Department-wise break-up of Inspection Reports and Audit Observations outstanding as on 30 September 2001 is given in *Annexure*-7.

Similarly, draft paragraphs and reviews on the working of PSUs are forwarded to the Principal Secretary/Secretary of the Administrative Department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. It was however observed that 17 draft paragraphs and 4 draft reviews forwarded to the various departments during March 2001 to May 2001,as detailed in *Annexure*-8, had not been replied to so far.

It is recommended that (a) the Government should ensure that procedure exists for action against the officials who failed to send replies to Inspection Reports/draft paragraphs/ reviews as per the prescribed time schedule, (b) action to recover loss/outstanding advances/ overpayment in a time bound schedule and (c) revamping the system of responding to the audit observations.

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

The status of Audit Report (Commercial) reviews and paragraphs pending (March 2001) for discussion in the COPU were as follows:

Period of Audit Report	No. of reviews and paragraphs appeared in the Audit Report		Number of reviews/ paragraphs pending for discussion	
	Reviews	Paragraphs	Reviews	Paragraphs
1996-97	3	26	3	26
1997-98	4	26	4	26
1998-99	5	26	5	26
TOTAL	**12**	**78**	**12**	**78**

The COPU made 23 recommendations *vide* Thirteenth Report of Eighth Assembly (December 1994) and First Report of Tenth Assembly (March 1999) after examination of Audit Reports from 1987-88 to 1992-93, which were pending final settlement (September 2001). In case of Audit Report 1993-94, 1994-95 and 1995-96 the COPU had completed the discussion in February 1999, January 2000 and August 2000, respectively. The Audit Report for the year 1999-00 was placed on the table of House on 31 August 2001.

1.10 619-B Companies

There were seven companies coming under Section 619-B of the Companies Act, 1956 of which one company was non-working. *Annexure*-9 indicates the details of paid-up capital, investment by way of equity, loans and grants and summarised working results of these companies based on their latest available accounts.

Chapter - II

2. Reviews relating to Government companies

2.1 Review on the Mining activities of lignite at Panandhro and Rajpardi projects of Gujarat Mineral Development Corporation Limited

Highlights

The Company, set up in May 1963, to undertake mining of important minerals and works ancillary to it besides developing mineral resources in the State, had mainly engaged in mining of lignite and produced 54.64 million tonnes of lignite so far against estimated deposits of 102.30 million tonnes at its Panandhro and Rajpardi projects.

(Paragraphs 2.1.1 and 2.1.4.1.1)

Due to failure to put its own capital intensive excavation machinery and manpower to optimum use, the Company had to pay Rs.3.46 crore extra to the contractors for overburden removal work.

(Paragraph 2.1.4.2.1)

The Company lacked prudent commercial practice in the award of contracts for removal of overburden, which resulted in avoidable extra expenditure of Rs.6.87 crore.

(Paragraphs 2.1.4.2.2 to 2.1.4.2.4)

The Company did not claim the interest of Rs.17.72 crore on overdue amount of Rs.77.50 crore recoverable from Gujarat Electricity Board (GEB).

(Paragraph 2.1.5.2.2)

Without any specific Government directives, the Company supplied 7.05 lakh tonnes of Grade `A' lignite to GEB at concessional prices which resulted in undercharging of Rs.7.22 crore.

(Paragraph 2.1.5.2.4)

In spite of *ex*-mine nature of the prices of lignite, the Company delivered the lignite to GEB at the latter's receipt point and thus passed on unintended benefit of Rs.41.05 crore to GEB.

(Paragraph 2.1.5.2.5)

The Company purchased machinery at a cost of Rs.24.28 crore for mining purpose without studying specific requirement, resulting in gross under-utilisation thereof besides increase in the expenditure on overburden removal on agency basis.

(Paragraphs 2.1.6, 2.1.6.1 and 2.1.6.2)

Due to consideration of incorrect per cubic metre manpower cost of Rs.2.51 instead of Rs.1.30, the Company was put to recurring extra expenditure in the contract for operating Specialised Mining Equipments (SME) for overburden removal.

(Paragraph 2.1.7.1.1)

2.1.1 Introduction

Gujarat Mineral Development Corporation Limited (the Company) was incorporated on 15 May 1963 as a private limited company to undertake mining of important minerals and works ancillary to it and to exploit and develop mineral resources in the State. The Company was converted into a wholly owned Government Company on 30 July 1971. As on 31 March 2001, the Company operated seven projects, Panandhro, Gadhshisha and Ratadia in Kutch district, Rajpardi in Bharuch district, Kadipani in Vadodara district, Ambaji in Banaskantha district and Bhatia in Jamnagar district. Only Panandhro and Rajpardi projects were making profit and their contribution to the total sales of the Company was 92.84 *per cent* in 2000-01.

2.1.2 Organisational set-up

The management of the Company is vested in a Board of Directors comprising 10 directors including the Chairman and the Managing Director. The Managing Director is the Chief Executive and is assisted by nine General Managers and a Company Secretary. During the preceding five years up to 31 March 2001, the State Government had appointed eight Managing Directors, for tenure ranging between 4 days and 562 days.

At each project office, the General Manager (Project) is assisted by Dy.General Managers to take care of Mining, Mechanical maintenance, Electrical maintenance, Civil works and Personnel and Administration.

2.1.3 Scope of Audit

A review on the working of the Company was included in the Report of the Comptroller and Auditor General of India for the year ended 31 March 1990 (Commercial) - Government of Gujarat. The Report was discussed by the Committee on Public Undertakings (COPU) in June 1993 and its recommendations were contained in Tenth Report of Eighth Legislative

Assembly presented to the State Legislature in June 1994. The present review covers lignite mining activities at Panandhro and Rajpardi projects of the Company during the period between 1996-97 and 2000-01.

2.1.4 Mining operations

2.1.4.1 Deposits of lignite at Panandhro and Rajpardi projects

2.1.4.1.1 Deposits

Out of 226 million tonnes of lignite deposits in Kutch district estimated (May 1974) by the Geological Survey of India and the Director, Geology and Mining, 94 million tonnes of lignite was estimated in the pockets of Panandhro village. Of this estimated 94 million tonnes of lignite deposit at Panandhro, the Company had already mined 48.42 million tonnes during 1974-75 to 2000-01 and balance deposit left for mining is 45.58 million tonnes.

The Company obtained (April 1980) lease for mining 8.30 million tonnes of lignite at Rajpardi (Bharuch district) and commenced operations in 1980-81. The Company had mined 6.22 million tonnes of lignite from this project during the period between 1980-81 and 2000-01 and balance deposits of 2.08 million tonnes is left for mining.

2.1.4.1.2 Avoidable payment of dead rent on inoperative mines

Company paid dead rent of Rs.0.11 crore for non-commencement of mining activity in the lease hold land

The Company obtained mining lease (August 1981) for an area of 321.01 hectares at Julari and Waghapadar, near the present Panandhro project site, for mining of estimated three million tonnes of lignite. The Company, however, did not commence mining activity at this site even though dead rent of Rs.9.11 lakh for this lease was paid during the period between April 1996 and March 2001. Similarly, the mining activity for estimated 16.20 million tonnes of lignite in an area of 143.7 hectares obtained on lease (April 1980), was not commenced by the Company at Bhuri, Bhimpor and Ratanpor, near Rajpardi project site, even though dead rent of Rs.1.74 lakh was paid during the period between April 1996 and March 2001. The reasons for not commencing mining operation on both the above sites and the amounts of dead rent paid prior to April 1996, though called for, were not furnished to Audit by the Company. The State Government issued Gazette Notification (November 1999) whereby only the Company was empowered to undertake mining operation of lignite in the State of Gujarat. Considering these facts, continued holding of lease for above areas where mining activity was not scheduled, resulted in avoidable expenditure towards dead rent.

2.1.4.2 Removal of overburden at Panandhro and Rajpardi projects

The Table below indicates the quantity of overburden* (OB) removed and expenditure incurred on OB removal at Panandhro and Rajpardi projects during last five years upto 2000-01:

Sl. No.	Year	Total OB quantity removed (In lakh cmt.**)	OB removed		Expenditure on OB removal (Rupees in lakh)	Total expenditure of the project (Rupees in lakh)	Percentage of expenditure on OB removal to total expenditure of the project
			Depart-mentally (In lakh cmt.)	Through contractor (In lakh cmt.)			
A	Panandhro project						
1	1996-97	107.30	10.57	96.73	1292.30	4770.31	27
2	1997-98	114.81	10.61	104.20	1511.43	5373.97	28
3	1998-99	127.46	11.33	116.13	1698.67	5648.21	30
4	1999-00	105.65	9.10	96.55	1581.84	6496.19	24
5	2000-01	88.57	13.00	75.57	1332.94	5953.70	22
TOTAL A		**543.79**	**54.61**	**489.18**	**7417.18**	**28242.38**	**26**
B	Rajpardi project						
1	1996-97	41.35	16.11	25.24	417.65	2071.54	20
2	1997-98	52.02	18.82	33.20	687.97	2867.42	24
3	1998-99	47.62	14.01	33.61	710.79	2549.15	28
4	1999-00	62.14	10.40	51.74	1301.23	3507.08	37
5	2000-01	81.93	9.88	72.05	1908.95	3698.75	52
TOTAL B		**285.06**	**69.22**	**215.84**	**5026.59**	**14693.94**	**34**
Grand Total (A+B)		**828.85**	**123.83**	**705.02**	**12443.77**	**42936.32**	**29**

As would be seen from the above Table, the expenditure incurred on removal of OB on an average constituted 29 *per cent* of the total expenditure incurred on the two projects. The removal of OB is necessary for excavation of lignite which is available in seams at a depth varying between 20 and 50 metres. The following deficiencies were noticed in OB removal:

2.1.4.2.1 Decrease in quantity of OB removed departmentally

Failure to maintain efficiency in departmental OB removal resulted in extra payment of Rs.3.46 crore

As seen from the Table above, the quantity of OB removed departmentally at Rajpardi Project and Panandhro project had declined during the period 1998-2001 and 1999-2000, respectively. This was in spite of procurement and deployment of capital-intensive excavation machineries as discussed *vide* paragraph 2.1.6 (*infra*). Further, no corresponding reduction in manpower has taken place. For Rajpardi project, a quantity as high as 18 lakh cmt. *per* year was excavated departmentally in the year 1997-98. Ability of the Company to maintain above level of efficiency (18 lakh cmt. *per* year) could have resulted in saving of an amount of Rs.3.46 crore paid to the contractors as extra amount during the period from April 1998 to March 2001.

* Waste or earth burden above the minerable top of lignite available in earth seams is classified as overburden.

** cmt. means 'cubic metre'.

The Company replied (September 2001) that the departmental sources were mainly employed for such jobs, which could not be done on measurement basis through contractors. The reply is not tenable, as the Company had procured the machinery exclusively for the OB removal work. Further, the fact that the lignite production during the year 2000-01 had increased at Rajpardi without corresponding increase in the OB removal work proves that there was a greater dependency on contract labour for OB removal work at Rajpardi.

2.1.4.2.2 Loss due to change in tender condition

Company incurred avoidable expenditure of Rs.2.44 crore due to change in tender condition

The Company invited (June 1999) offers for removal of 120 lakh cmt. of OB at Panandhro project against which seven offers were received (June 1999). The quotations were opened in July 1999, however, the tender was not finalised. The bidders were asked to give rates which would be firm for subsequent three years instead of two years prescribed in the tender. The lowest revised offer subsequent to incorporation of this new condition was Rs.36.05 *per* cmt. compared to Rs.23.97 *per* cmt. quoted in the previous offer. The two lowest bidders of the previous tender refused to extend the validity of their previous offers beyond the tender validity period (21 January 2000). The tender was finalised at the negotiated rate of Rs.26 *per* cmt. for 120 lakh cmt. As a result of this, the Company incurred avoidable loss of Rs.1.42 crore on 69.77 lakh cmt. executed during the period up to 5 August 2000 and Rs.1.02 crore is likely to be incurred on the balance 50.23 lakh cmt. of the target quantity. Reasons for insertion of a new condition after opening the offers were not on record. It was also observed that in the past the contract period was always for a maximum duration of twenty four months.

2.1.4.2.3 Failure to invoke 'risk and cost' clause

Failure to invoke 'risk and cost' clause resulted in non recovery of Rs.3.32 crore

The contracts entered with the contractors from time to time for removal of OB contained a 'risk and cost' clause in which it was stipulated that in case the contractor fails to execute the targeted work of OB removal, the extra expenditure incurred by the Company for execution of incomplete portion of work would be recovered from the defaulting contractor. It was observed in audit that this clause was not invoked to effect recovery of extra expenditure incurred in getting the leftover work of OB removal. The Company did not fix any responsibility for this lapse. As a result of this, an amount of Rs.3.32 crore remained unrecovered in respect of six contracts during the period 1995-96 to 1999-00 as given in *Annexure*-10.

It was further seen in audit that the contractors who left the work incomplete were allowed to bid in subsequent tenders. In two such cases, the contractors, M/s.J.P. Fabricators, Ahmedabad and M/s.Ranjit Construction Company, Mehsana, were themselves engaged through subsequent contracts in which the leftover portion of their previous contracts was clubbed in the new contracts.

The Company replied (September 2001) that though the contract provided for the right to carry out the balance work at the risk and cost of the contractor, there was no mention in the relevant clause for execution of balance work at the risk and cost of the contractor in the event of failure to fulfil the target quantity. The reply is not tenable as the provision of getting the balance work done by the other agency at the risk and cost of the original contractor had to be invoked in the event of the contractor not achieving the target as per the contract.

2.1.4.2.4 Continuance of contract for OB removal at higher rate

Continuance of OB removal work at higher rate resulted in excess expenditure of Rs.1.11 crore

M/s.Ranjit Construction Company, Mehsana, (RCC) was awarded (October 1999) the contract for OB removal at Rajpardi at the rate of Rs.28.77 *per* cmt. The contract specified that it would be valid for a period of two years or till removal of 80 lakh cmt. of OB, whichever is earlier. The contractor completed removal of 80 lakh cmt. of OB in December 2000. In the meantime, a fresh tender for the removal of OB was invited (November 2000) wherein, the lowest rate received was Rs.22.91 *per* cmt. In spite of receipt of lower rate, the Company allowed the contractor to continue excavation beyond contracted quantity of 80 lakh cmt. Due to this, excess expenditure of Rs.1.11 crore was incurred on 18.87 lakh cmt. quantity of OB removed by RCC during the period between 1 January 2001 and 10 March 2001. Reasons of continuance of existing contract were neither available on record nor furnished to Audit (August 2001).

The Company replied (September 2001) that since the work relating to OB removal at Rajpardi project was a *sub-judice* matter, the Company could not prematurely terminate the contract. The reply is not tenable as the target quantity as per the contract was fully executed and the Company could have negotiated with the contractor for execution of the additional work at the lowest rates received in the subsequent tender.

2.1.4.3 Production and profit at Panandhro and Rajpardi projects

2.1.4.3.1 The Annexure-11 indicates actual production *vis-à-vis* the targets fixed and shortfall besides the profitability of Panandhro and Rajpardi projects, for the period from 1996-97 to 2000-01. The analysis of the *Annexure* revealed the following:

(a) Sales had declined for the Panandhro project, while expenditure had increased, consequently, the profit *per* tonne had also declined.

Expenditure on salary and wages increased by 161 *per cent* during four years up to 1999-00

(b) The increase in expenditure was mainly attributable to 161 *per cent* increase in salary and wages of both the projects during the period between 1996-97 and 1999-00. This was mainly on account of adoption of Fifth Pay Commission recommendations in the year 1999-00, as a result of which, expenditure on salary and wages increased by 102 *per cent* from the previous year. It was observed that in spite of reduction in production at Panandhro during the period, the total number of employees had actually increased. Increase in manpower became all the more glaring considering that the bulk of the work in the two key areas of OB removal and lignite production at both these sites was already contracted out. Adequate efforts to rationalise and streamline the manpower were not made.

2.1.4.3.2 High cost of transportation resulting in uncompetitive rates

The decline in production at Panandhro was due to reduced sales on account of availability of imported lignite at cheaper rate in the market. The lignite produced at Panandhro was costly mainly due to high transportation cost. It was observed in audit that the cost of transportation of one truck with 10 tonnes of lignite from Panandhro to the customers mainly located in South Gujarat was almost equal to the price of 10 tonnes of lignite.

2.1.5 Pricing Policy

The Company classifies the lignite produced at Panandhro project under different grades mainly on the basis of machinery used to produce it *viz.,* Grade 'A' – excavated mechanically, Grade 'B' - excavated by bucket wheel and Grade 'C' – weathered powdered lignite. However no such gradation exists for lignite produced at Rajpardi project. The Company fixes the prices of all the grades of lignite. However, the price of Grade -`B' supplied to Gujarat Electricity Board (GEB) is fixed after adding ten *per cent* on the prevalent *ex*-mine price of `E' grade coal of Coal India Limited (CIL) as per the State Government's decision (December 1990). The Company revised the prices of lignite in April 1997 and February 2000 during last five years up to the end of March 2001. The Company accepted the sale price from buyers in advance, except for the supplies to GEB on which interest at the rate of 12 *per cent per annum* is leviable if payment is not received within one month from the date of supply.

2.1.5.1 Non-revision of the sale price of Grade 'C' lignite

Company sustained a loss of Rs.0.12 crore due to non-revision of price of Grade `C'

The quality of Grade `C' lignite had poor demand and the sale price was fixed at Rs.108 *per* tonne though the cost of production varied between Rs.109.67 and Rs.140.32 *per* tonne, during the period between 1996-97 and 1998-99. From 1996-97 onwards, the demand for Grade 'C' lignite increased substantially as it was found useful by manufacturers of chemicals. The Company, however, did not revise the price periodically keeping in view the cost of production and the high demand for Grade `C' lignite. Consequently, an avoidable loss of Rs.12.21 lakh occurred on the sale of 80739 MT of Grade 'C' lignite during the period between 1996-97 and 1998-99 (February 1999).

2.1.5.2 Sales to GEB

Sales to GEB averaged 14.34 *per cent* of the total sales made by the Company during the period from 1996-97 to 2000-01. It was seen that no written agreement existed between the Company and GEB to regulate the quantity, quality as well as the rate and the terms of payment.

In absence of written agreement between the Company and GEB, following deficiencies were noticed in audit.

2.1.5.2.1 *Payments of sales tax on increased prices*

Company paid Rs.2.66 crore as sales tax on enhanced price which was not accepted by GEB

In April 1997, the Company revised the price of Grade `B' lignite supplied to GEB from Rs.167.50 *per* tonne to Rs.201 *per* tonne. On this enhanced realisation arising due to increase in price, the Company paid sales tax of Rs.2.66 crore, however, GEB did not accept this increase in price. The Company neither took up the matter with sales tax authorities for refund of excess amount paid nor realised the dues from GEB so far (March 2001).

The Company replied (September 2001) that GEB had agreed to pay the arrears of sales tax in two instalments. The specific due date of such two instalments as also the progress in receipt of the arrears had not been made available to Audit (August 2001).

2.1.5.2.2 *Non-charging of interest on outstanding dues*

Interest of Rs.17.72 crore was not billed on GEB

Initially, the Company was restricting the actual supply made to GEB with reference to the advance received. The practice of collecting advance was discontinued (April 1995) resulting in accumulation of arrears of Rs.77.50 crore as on March 2001. Further, the Board of Directors of the Company in December 1990 had approved charging of interest *at the rate* of 12 *per cent* on the overdue bill amount. Consequently, an amount of Rs.17.72 crore on account of interest was receivable for which bills are yet (March 2001) to be raised by the Company. Reasons for not charging interest on overdue amount was not available on record.

The Company replied (September 2001) that the GEB had agreed to pay the arrears for the period prior to January 2000 at 75 *per cent* of the market price of Grade `B' lignite along with current bills and accordingly, the payment were being received. On verification, however, it was found that though the payments were being received in piecemeal, the position of outstanding dues increased to Rs.85.77crore (August 2001).

2.1.5.2.3 *Loss due to preferential pricing for GEB*

Due to under billing of the lignite supplied to GEB, the Company sustained loss of Rs.109.41 crore

The State Government directed the Company to link the price of Grade `B' lignite with the price of Grade `E' coal fixed by Coal India Limited. Consequently, the price of Grade `B' lignite was fixed (March 1992) at Rs167.50 per tonne. The Company, however, did not revise the price of Grade `B' lignite being supplied to GEB in spite of eight revisions made by Coal India Limited in the price of Grade 'E' coal, which resulted in loss of Rs.73.58 crore during April 1992 to August 1998 as mentioned in paragraph 4.2.1 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1998 (Commercial) – Government of Gujarat. Notwithstanding an audit objection to that effect, the Company incurred further losses of Rs.35.83 crore in the supply of 16.76 lakh tonnes of lignite at the prices ranging between Rs.390 and Rs.426 per tonne due to price discrimination in favour of GEB during the period from September 1998 to January 2000. Thus the total loss incurred by the Company due to non revision of price of Grade `B' lignite during April 1992 to January 2000 aggregated to Rs.109.41 crore. The COPU, while reviewing the performance of the Kutch Lignite Thermal Power Station included in the Report of the Comptroller and Auditor General of India for the year ended 31 March 1993 (Commercial) – Government of Gujarat, had recommended (March 1999) that State Government should reimburse the Company the loss they may incur on supplies made by them to GEB. Follow up action pursuant to this recommendation of COPU has not been taken by the Company so far (March 2001) to get reimbursement of above loss of Rs. 109.41 crore from the State Government.

The Company replied (September 2001) that, highlighting the recommendations of COPU, they had requested the State Government to take necessary action.

2.1.5.2.4 Irregular concessional pricing

Unwarranted concession in the price of Grade 'A' lignite resulted in underbilling of Rs.7.22 crore to GEB

Based on directive of the State Government, the price of Grade `B' lignite was revised (February 2000) and new basis of keeping the same at 75 *per cent* of the commercial sale price was agreed. From September 2000, the Company also commenced supply of Grade `A' lignite to GEB for improving the thermal efficiency of power plant. The Company extended analogy of concessional price for Grade `B' lignite also to Grade `A' lignite. No such directive or instructions were made available to Audit, based on which this decision to charge 75 *per cent* of commercial price for supplies made to GEB for Grade `A' lignite was taken. Though the price of the Grade `A' lignite for other customers was Rs.410 per tonne, the Company started billing at 75 *per cent* of this price to GEB and resultantly undercharged Rs.7.22 crore in supply of 704654 tonnes Grade `A' lignite during the period between September 2000 and March 2001.

2.1.5.2.5 Supplies to GEB's receipt point

Unintended benefit of Rs.41.05 crore was extended by delivery of lignite up to GEB's receipt point

Price of Grade `E' coal of Coal India Limited with which Grade `B' lignite of the Company is linked, is being determined *ex*-mine. Though the Company charges other customers price of Grade `B' lignite *ex*-mine basis, the deliveries are being made to GEB at their receipt point by incurring an extra cost of Rs.50 per tonne on an average. Consequently, the Company has rendered unintended benefit of Rs.41.05 crore to GEB on supply of 82.11 lakh tonnes of lignite during the period from October 1990 to March 2001.

2.1.5.2.6 Absence of bunkering facility with GEB

Company incurred expenditure of Rs.1.13 crore on the staff engaged on scarcely utilised SME system

In order to ensure regular supplies to GEB's receipt point, the Company deployed a dedicated SME# system comprising of one bucket wheel excavator, conveyor belt system and stacking equipment. It was seen in audit that on an average, considering the daily requirement of GEB, the SME system requires operation only for a duration of three to four hours. However,

The Specialised Mining Equipment (SME) system each comprises of bucket wheel excavators (BWE), material transport conveyor (MTC) and spreaders, conveyor system and bunkering equipment.

as the GEB had not created a bunkering* system for storage of lignite, the SME system was put to operation as and when there was requirement from GEB. Resultantly, the SME system was on operation on three shift basis and an expenditure of Rs.1.13 crore per year is incurred on the staff, who are required to work round the clock. In the absence of details, extra expenditure incurred on two additional shifts could not be worked out in audit.

2.1.6 Performance of capital intensive machinery

The Company in 1995-96 and 1996-97 purchased three hydraulic excavators for Panandhro project, eight 50 tonnes and five 35 tonnes dumpers for Rajpardi project after incurring an expenditure of Rs.24.28 crore with the following objectives:

-- To put the Company's sources to productive use;

-- To gain depreciation benefit for Income Tax purpose and

-- To provide technical assistance to the Government and private organisations.

The Table below gives details of available hours, working hours, idle hours, maintenance hours and breakdown hours of these machinery for the period April 1996 to December 1999.

Sl. No.	Particulars	Three hydraulic excavators	Eight 50 tonnes dumpers	Five 35 tonnes dumpers
1	Total schedule hours	69377	181468	127880
2	Breakdown hours	8481	59076	39940
3	Available hours (1-2)	60896	122392	87940
4	Maintenance hours	3251	6351	2848
5	Actual working hours	14696	31971	15535
6	Idle hours (3-4-5)	42949	84070	69557
7	Percentage availability (Sl. No.3 divided by Sl. No.1)	87.78	67.45	68.77
8	Percentage Utilisation (Sl. No.5 divided by Sl. No.1)	21.18	17.62	12.15
9	Date of commissioning of machine	July 1996/ January 1997	May 1996 to November 1996	March 1996 to September 1996

In this connection, following additional points were observed in audit:

* Structure built for stacking of lignite.

2.1.6.1 Frequent transfer of machinery

The utilisation of all the machines was below 22 *per cent,* indicative of purchase of machinery without actual requirement. The machinery were frequently transferred to other project sites. For instance, the five Haulpak 35 tonne dumpers were indented for Ambaji Multimetal Project while deliveries were taken at Rajpardi project. Further, the two machinery were transferred to Rajpardi project in April/May 1996 from Panandhro project. These two machineries were transferred back to Panandhro project in December 2000/March 2001. The five Haulpak 35 tonnes dumpers, for which deliveries were taken (March 1996) at Rajpardi project were transferred to Kadipani project in January/February 2000. In spite of frequent transfers, these machineries could not be utilised to their capacity.

2.1.6.2 Use of contractor's mahcinery, in spite of gross under-utilisation of hydraulic excavators

During the period between April 1996 and December 2000, the Company separately entered into 14 contracts for OB removal at Rajpardi and Panandhro projects. Of these, 11 contracts were at the rates for OB removal work ranging between Rs.14.94 and Rs.26 *per* cmt, with the contractor's machinery and three contracts were at the rates ranging between Rs.5.80 and Rs.7.25 *per* cmt. with the Company's machinery. In the light of poor rate of utilisation of these machinery, reasons for allowing contractors to bring their own machinery for working at the above two sites, were not made available to Audit. It is pertinent to add that prescribed life of these capital intensive machinery was 20,000 working hours or ten years whichever is earlier. As indicated in the Table above, on account of poor utilisation, almost all these machinery would become obsolete before completion of prescribed working hours.

The Company replied (September 2001) that under utilisation of the machinery was attributable to the non-clearance of the projects envisaged for technical assistance in operation of lignite mines in Kerala, Tamilnadu and Rajasthan and non receipt of approval for mining leases for lignite in Bhavnagar and Mata no Madh (Kutch). However, the fact remains that the Company despite possessing costly machinery and being aware of under-utilisation of such machinery, did not enter into contracts for OB removal, which requires utilisation of Company's machinery.

2.1.7 Performance of Specialised Mining Equipment (SME) System

2.1.7.1 Operation

The Company took up development activities in the mining of lignite based on a report prepared (1981) by Neyveli Lignite Corporation Limited, Neyveli (NLC).

Based on the said report, the Company procured during October 1986 to May 1988, SME system costing Rs.65.72 crore from M/s.Takraf, German Democratic Republic. The system comprised three bucket wheel excavators, cable and mobile transfer lay-out unit with conveyor belt system and spreader.

Accordingly, the Company commenced operation of SME system departmentally with its own staff in 1991. As the Company was not satisfied with the quality of manpower recruited for the purpose, the Company entered into a contract with M/s.Babu Engineering Corporation, Neyveli (BEC), a specialised agency for operation and maintenance of the system in May 1991. The contract was subsequently renewed in 1993, 1995, 1996, 1997 and 1999.

Scrutiny of the contract with BEC and its periodic renewal, in audit, revealed the following:

2.1.7.1.1 Contract entered without proper costing analysis

Company considered excess manpower cost of Rs.1.21 per cmt. and shouldered recurring expenditure on SME system

Initially in May 1991, a rate of Rs.3.17 *per* cubic metre (cmt.) of lignite was contracted, though the data collected for cost analysis carried out by the Company did not support the rate contracted. The cost analysis considered Rs.2.51 *per* cmt. towards manpower element of cost, assuming operation and maintenance of three excavators. However, as only one excavator was to be contracted for operation and maintenance and two excavators were to be contracted for maintenance only, the actual manpower cost should have been Rs.1.30 *per* cmt.

The Company replied (September 2001) that the contractor was expected to bear extra expenditure for making boarding and lodging arrangement for his operational staff which was to come from Tamilnadu and hence involved extra expenditure. The reply is not tenable as the rate of Rs.3.17 per cmt. included the operation and maintenance of all the three systems whereas the operation of other two systems was not included in the scope of BEC. The over payment had been worked out to that extent only.

Moreover, the cost analysis carried out by the Company considered an element of cost towards spares taken at Rs.0.67 *per* cmt. This element of cost was not at all required to be considered as all the spares necessary for operation and maintenance of SME system, as per terms of contract, were to be supplied free of cost by the Company. The Company did not furnish any justification in respect of the element of cost of Rs.0.67 per cmt. towards spares which were to be supplied free of cost.

Inaccurate costing exercise resulted in over payment of Rs.4.20 crore per year from May 1991 to December 2000

The cost arrived by the Company, therefore, should have been Rs.1.30 *per* cmt. instead of Rs.3.18 *per* cmt. considered in cost analysis. The contract was eventually entered into with a firm rate of Rs.3.17 *per* cmt. It is pertinent to add here that the contract so entered was on single party basis and no tenders were floated. As a result of inaccurate cost analysis, the Company made overpayment of Rs.4.20 crore on 224.37 lakh cmt. executed from May 1991 to December 2000.

Incidentally, it is observed that though the operation and maintenance of one excavator was entrusted with BEC, the Company did not redeploy the manpower engaged on the said system.

2.1.7.1.2 Contract renewed on single party rates

The Company renewed the contract with BEC from time to time and the original rate of Rs.3.17 *per* cmt. was revised to rate ranging between Rs.4 and Rs.7.80 *per* cmt. during the period between 1993 and 1999. Further, even though while recommending renewal of the contract in June 1995 and again in May 1997, it was stipulated that exercise for short listing the contractors with requisite experience through advertisement in news paper would be carried out, no action on this was undertaken by the Company and extensions continued to be given to the same firm without proper rate analysis.

2.1.7.1.3 Allowing fresh rate during currency of valid contract

Revision of a firm rate during the currency of a valid contract resulted in extra expenditure of Rs.0.19 crore

The Company contracted (June 1995) a rate of Rs.4 *per* cmt. which was also accepted by BEC. This rate was valid for the period from July 1995 to June 1996. In spite of the currency of the valid contract with a firm rate, the Company allowed (February 1996) increase in rate from Rs.4 to Rs.5.80 *per* cmt. retrospectively from January 1996. This resulted in undue benefit to the contractor and extra expenditure of Rs.18.50 lakh on 10.26 lakh cmt. excavated from January 1996 to June 1996.

2.1.7.1.4 Incorrect application of higher rates on quantity excavated by hydraulic excavator

Payment of OB removed through hydraulic excavators at the rates applicable to OB removed through BWE resulted in overpayment of Rs.0.58 crore

The contract entered (May 1991) with BEC and renewed periodically, provided for excavation of OB with BWE. There was no provision for excavation with hydraulic excavator. However, BEC excavated 25.66 lakh cmt. of OB during April 1998 to March 2001 with hydraulic excavators, payment for which was made at the higher rate applicable to BWE. Comparison of rates obtained for OB removal using hydraulic excavator at Rajpardi was made in audit which revealed that, the rate that was obtained through tender was Rs.5.55 *per* cmt. (February 1999). However, the rate payable for OB removal through BWE during April 1998 to March 2001 ranged between Rs.5.80 *per* cmt. and Rs.7.80 *per* cmt. Irregular inclusion of OB quantity removed through hydraulic excavators in the quantity of OB removed through BWE and making payment at the rates applicable for BWE resulted in over payment of Rs.57.74 lakh during the period from April 1998 to March 2001.

The Company replied (September 2001) that the work of removal of boulders in the area where OB was excavated by BWE was carried out by the hydraulic excavators provided to the contractor. As the use of hydraulic excavators was of intermittent nature, the rates and the measurements were considered common for hydraulic excavators and BWE. The reply is not tenable as the Company could have worked out the actual quantity of work done through hydraulic excavator and made payment on the rates applicable for the same to avoid extra expenditure.

2.1.7.1.5 Irregular payment due to inclusion of quantity excavated by hydraulic excavator

As per the terms of contract, a target of 25 lakh cmt. *per* annum was fixed by the Company as the rate of removal of OB. In case of shortfall/ excess, there existed clause for corresponding imposition of penalty/payment of premium. Scrutiny of running bills revealed that, for purpose of working out premium/penalty, even the OB removed through hydraulic excavators was also taken into account. Since insertion of this clause in the contract was meant essentially for keeping a watch over the performance of SME system, OB removed through hydraulic excavator should not have been taken into account for the purpose of penalty/premium. Consequently, the Company short charged penalty and overpaid premium resulting in aggregate excess payment of Rs.15.29 lakh on account of OB removal in excess/shortfall of respective targets during the period between April 1996 and December 1999.

2.1.7.2 Performance of BWE

The detailed feasibility report prepared by the consultant in 1981 suggested purchase of two BWE of capacity of 400 litres for OB system and one BWE of capacity of 220 litres for lignite system. The Company, instead, procured three BWE of capacity of 660 litres each for which reasons, though called for, were not furnished to Audit by the Company. The performance data of operation of BWE for the last five years upto 2000-01 is detailed in *Annexure*-12.

As could be seen from *Annexure–12,* the utilisation rate of BWE ranged between 44 *per cent* and 55 *per cent* during the period between 1996-97 and 2000-01. Similarly, shortfall in comparison with guaranteed rate ranged between 45 *per cent* and 56 *per cent* during the period between 1996-97 and 2000-01.

2.1.7.3 Consumption pattern of teeth used in BWE

The working life of the teeth used in BWE mainly depends on soil conditions and strata. The details of consumption and value of teeth and rate of lignite and OB removed *per* tooth during the period between 1996-97 and 2000-01 were as given below:

Year	Lignite production (In cmt.)	OB removed (In cmt.)	Lignite production *plus* OB removed (In cmt.)	Number of teeth consumed	Output *per* teeth (In cmt.)	Value of teeth (Amount in Rupees)
1996-97	956996	2555999	3512995	988	3556	621205
1997-98	1005020	2909255	3914275	1098	3565	668553
1998-99	1167782	2958472	4126254	2209	1868	1263126
1999-00	1007435	2647742	3655177	3075	1189	1508503
2000-01	1124525	3669597	4794122	2197	2182	1038263

It was observed from the Table that during the period 1999-00, the consumption of teeth increased steadily and touched 3075, while the output *per* tooth decreased to 1189 cmt. It was further noticed that no study was conducted by the Company for determining the norms of consumption.

Comparison with NLC revealed that output in cmt. *per* tooth ranged between 5330 cmt. and 7700 cmt. as against output of the Company which ranged between 1189 cmt. and 3565 cmt.

In the absence of any study or norms, the expenditure incurred on this critical consumable was without any control. Reasons for increase in the consumption of teeth as also action taken in controlling the expenditure thereon were neither on record nor furnished to Audit by the Company.

The matter was reported to Government in April 2001. The reply had not been received (October 2001).

Conclusion

With a view to putting the Company's financial resources to productive use, the Company procured machinery on the basis of the recommendations of the consultants but without carrying out any feasibility study with reference to their capacity and adaptability to the site which resulted in the machinery remaining idle most of the time. Also, failure on the part of the Company in effectively providing training to the Company's personnel for running such machinery resulted in avoidable expenditure on operation and maintenance of Specialised Mining Equipments. Further, the preferential treatment extended to GEB (which accounts for 29 *per cent* of total production of Panandhro project) in view of concessional pricing of lignite also resulted in heavy losses to the Company. The production at Panandhro project had declined due to reduced sales on account of heavy transportation cost. The Company did not initiate any action to seek reimbursement of the shortfall in the revenue to the extent of difference between the market price and the concessional price of lignite charged to GEB. As a prudent commercial practice, the Company should enter into a written agreement with major customers like GEB and should frequently undertake review of the prices of various grades of lignite to avoid loss. The Company should revert to its earlier practice of receiving advance payment from GEB to avoid accumulation of arrears and loss of interest thereon.

2.2 Review on the Performance of Equipment Refinance Scheme of Gujarat Industrial Investment Corporation Limited

Highlights

The Company in February 1986 introduced the Equipment Refinance Scheme (ERS) based on the guidelines formulated by the Industrial Development Bank of India (IDBI). However, due to high default in repayment of dues Company introduced new Equipment Finance Scheme in June 1998 in place of ERS.

(Paragraph 2.2.1)

Against total disbursement of Rs.57.87 crore to the loanee units under ERS during last five years up to 2000-01, Rs.35.85 crore were disbursed to 35 units to whom sanctions were accroded during the above period. Of these 35 units, 9 units were in default of Rs.6.43 crore.

(Paragraph 2.2.5)

Disbursement of loan under ERS in disregard to the norm resulted not only in excess disbursement of Rs.0.97 crore to two units but these units also defaulted in repayment of Rs.2.10 crore.

(Paragraphs 2.2.5.3 and 2.2.5.4)

Extension of financial assistance to new manufacturing activity in contravention of the stipulated objective of the ERS of extending finance for expansion/modernisation/replacement of existing projects in two cases has resulted in default to the tune of Rs.3.20 crore and loss of Rs.0.10 crore.

(Paragraphs 2.2.5.5 and 2.2.5.6)

In disregard to the ERS requirement of extending finance to units with good track record, finance was extended to a defaulting unit resulting in non-recovery of Rs.2.04 crore and in another case financial assistance was given without insisting on credit worthiness report resulting in non-recovery of Rs.1.05 crore.

(Paragraphs 2.2.6.7 and 2.2.6.8)

Disbursement of finance under ERS without insisting on a no objection certificate (NOC) from Gujarat Pollution Control Board (GPCB) had burdened the Company with default of Rs.2.67 crore due to closer of the unit for non-adherence to GPCB norms.

(Paragraph 2.2.6.9)

2.2.1 Introduction

The Gujarat Industrial Investment Corporation Limited (Company) was incorporated as a wholly owned Government company in August 1968 with the main objective of promoting investment in projects and to provide financial assistance to large and medium industrial undertakings within the State (including Union Territory of Dadra and Nagar Haveli). The Company introduced (February 1986) a scheme for providing financial assistance to units under the Equipment Refinance Scheme (ERS) and for this scheme the refinance facility was available from Industrial Development Bank of India (IDBI). However, due to high level of default in repayment of dues by the loanee units the Company introduced (June 1998) a new Equipment Finance Scheme in place of this Scheme.

2.2.2 Organisational set-up

The responsibility of day to day operations of the Company rests with the Managing Director who is assisted by two General Managers. The work relating to appraisal of proposals received under ERS and subsequent disbursement is the responsibility of the General Manager (Appraisal and Sanction), while the work relating to follow up and recovery pertains to the General Manager (Recovery).

2.2.3 Scope of Audit

A review on the recovery performance of the Company for the five years ended 31 March 1999 was included in the Report of the Comptroller and Auditor General of India (Commercial), Government of Gujarat for the year 1998-99 which is yet to be discussed by the Committee on Public Undertakings (COPU). With a view to evaluating the efficiency attained by the Company in monitoring the operations of the units assisted under ERS and thereby effecting prompt repayment of dues and to examine the scope for improvement of appraisal, recovery and monitoring, a test check of records of the Company for the last five years up to 2000-01 was conducted in audit.

2.2.4 Procedure for financial assistance under ERS

Scheme was specifically meant for financing equipment required for expansion/ replacement/ modernisation

Under ERS, applications from established units who require finance for acquisition of specific equipment for the purpose of expansion/ replacement/ modernisation are appraised by the Company. The appraisal report is prepared after scrutinising the records of performance and financial position of the applicant unit. The scheme basically envisaged the following eligibility criteria adopted by IDBI:

(i) The units seeking finance under the scheme should have good operational track record for a period of four years.

(ii) Made profits as per the audited annual accounts and/or declared dividend in the last two years.

(iii) Default free track record with financial institutions/banks.

It was only in July 1993 that the Company introduced certain financial norms over and above the eligible criteria for considering assistance under ERS. These norms were, however, discontinued in February 1994 to increase the number of ERS applications. Subsequently, owing to increase in default ratio in ERS, the Company decided (April 1996) to limit the finance to 75 *per cent* of the estimated cost of machinery or five times of cash accruals as per previous year's audited balance sheet, whichever is lower.

Under the ERS, the maximum finance amount was Rs.2 crore (revised in July 1990) and the maximum repayment period was five years (including moratorium). The main security under ERS was by way of hypothecation of equipment/machines financed. In addition, the Company had further secured itself in some cases by obtaining personal guarantees of the promoters with mortgage deed of other fixed assets and by collateral securities by way of pledging of shares.

The Managing Director was the competent authority for sanction of finance under the scheme. Disbursement was required to be made after execution of the hypothecation deed of the equipment financed.

2.2.5 Appraisal, sanction and disbursement of finance under ERS

The Table below indicates the number of units to whom finance was sanctioned during the period 1996-97 to 1999-00 and the total disbursement made during the above period under the scheme.

Sl.No.	Particulars	1996-97	1997-98	1998-99	1999-00	Total
1.	Units sanctioned	29	16	02	--	**47**
	(a) Units availed finance	22	13	--	--	**35**
	(b) Units not availed finance	07	03	02	--	**12**
2.	Amount sanctioned (Rupees in crore)	43.65	14.93	0.93	--	**59.51**
3.	Sanctions availed (Rupees in crore)	29.90	12.31	--	--	**42.21**
4.	Disbursement against sanctions during the year (Rupees in crore)	25.17	10.68	--	--	**35.85**
5.	Total disbursement (Rupees in crore)	33.29	12.35	10.79	1.44	**57.87**

With the introduction of new Equipment Finance Scheme (EFS) from June 1998, no sanctions have been effected under the ERS from 1998-99.

During the period 1996-97 to 2000-01, the Company disbursed Rs.57.87 crore under the scheme. Out of this, an amount of Rs.35.85 crore was disbursed to 35 units to whom sanctions were accorded during the above period. Of these 35 units, 9 units were in default of Rs.6.43 crore (Principal Rs.4.15 crore *plus* interest Rs.2.28 crore). A review of the units to whom disbursement was made during the above period revealed lapses in appraisal, sanctions and disbursement in the below mentioned cases.

2.2.5.1 M/s.Sterling Tea and Industries Ltd., Padra (Promoted by Shri Nitin J. Sandsaera)

The Company sanctioned Rs.7 crore (May 1996) to the unit (an existing tea plantation) for installing balancing equipments for its gelatine project to be set up in technical collaboration with a foreign firm Croda Colloids Ltd., U.K. (December 1995). The Company disbursed Rs.6.60 crore between September 1996 and March 1997 and cancelled the balance amount of Rs.40 lakh (October 1997) to restrict the loan to Rs.6.60 crore. The unit repaid (January 1999) the entire outstanding amount of Rs.5.72 crore (principal Rs.5.51 crore and interest - Rs.0.21 crore upto 25.01.1999), as interest charged by the Company was considered very high and the Company also accepted the amount, as the project remained unimplemented (January 1999).

Audit scrutiny revealed that the financial assistance was extended to a new project as the existing business of the unit was tea plantation, hence, the unit was not eligible for finance under the scheme and the Managing Director had also exceeded the financial limit of Rs.2 crore prescribed under the scheme.

2.2.5.2 M/s Rainbow Paper Mills Ltd., Ahmedabad (Promoted by Shri Radheshyam Goanka)

The Company sanctioned (January 1996) Rs.3.12 crore to the unit for installing wind turbine generators and balancing equipments. The Company disbursed Rs.2.87 crore between January 1996 and April 1996 and cancelled the balance amount of Rs.25.29 lakh (August 1996) to restrict the loan to Rs.2.87 crore. The Company again sanctioned (June 1997) Rs.1.50 crore for installing balancing equipments and disbursed the amount between August 1997 and October 1997. There was no overdue amount from the unit (March 2001).

It was seen that the above two loans were sanctioned under ERS by the Managing Director though they exceeded the IDBI norms for exposure to single unit. When the first of the above two loans was sanctioned (January 1996), the unit had an outstanding of Rs.1.48 crore in respect of two loans already sanctioned under the scheme in January 1994 and June 1995. The unit was eligible only for Rs.52 lakh, as the total financial assistance under the scheme (existing outstanding *plus* proposed) should not exceed Rs.2 crore per unit. Thus, there was an excess disbursement to the tune of Rs.2.35 crore (Rs.2.87 crore minus Rs.0.52 crore). Further, when the Company sanctioned Rs.1.50 crore in June 1997 the total outstanding in respect of previous three loans was Rs.3.66 crore (Rs.36.16 lakh plus Rs.96.79 lakh plus Rs.2.33 crore) and hence, the unit was not at all eligible for the loan. Thus, the Company in violation of the norms had disbursed Rs.3.85 crore in excess to the unit.

2.2.5.3 M/s. Navrang Synthetic Fab. Pvt. Ltd., Ahmedabad (Promoted by Purshottamdas Bhavandas Todi)

The Company sanctioned (March 1998) Rs.60.00 lakh for installing new machinery for enhancing production of value added items and reducing the manufacturing cost. The Company disbursed Rs.51.00 lakh (April 1998) and cancelled the balance amount of Rs.9.00 lakh (November 1998). The unit started defaulting repayment of instalment of principal due in October 1998 itself for which the Company initiated action under SFC Act (December 1999). Though the Company decided (July 2000) to take possession of the unit, it could not do so as another financial institution (M/s. GSFC, Gandhinagar) took possession of the unit (December 2000). As on 31 March 2001, total amount outstanding against this unit was Rs. 55.83 lakh (principal Rs.42.72 lakh, interest Rs.13.11 lakh) of which a sum of Rs.34.71 lakh (principal Rs.21.60 lakh and interest Rs.13.11 lakh) was overdue for recovery.

In disregard of cash accrual norm disbursement was made in excess by Rs.0.43 crore

It was observed that the appraisal was deficient as, based on cash accrual for the previous year's audited balance sheet, the unit was eligible for finance of Rs.7.90 lakh only instead of Rs.51.00 lakh. Thus, there was an excess disbursement of Rs.43.10 lakh. Further, the Company could not take possession of the unit before another financial institution took possession of the unit.

The Company replied (September 2001) that as sufficient cash accrual was not available promoters were asked to contribute higher margin of 40 *per cent* towards the cost of machinery. However, the fact remains that the Company did not follow the laid down norms in appraisal and sanction of finance to this unit.

2.2.5.4 M/s. B.Devchand & Sons, Shipping, Jamnagar (Promoted by Dinesh B. Vithlani)

In disregard to cash accrual norm disbursement was made in excess by Rs.0.54 crore

The Company sanctioned (December 1997) Rs.2.10 crore for expansion project of Lighterage activities and disbursed Rs.1.51 crore between February 1998 and April 1999. The unit started defaulting repayment of principal from the first instalment due in April 1999 and it has not paid even a single instalment yet. Of the total outstanding amount of Rs.2.23 crore (including interest of Rs.72 lakh) as on 31 March 2001, the amount overdue for recovery from the unit was Rs.1.54 crore (principal Rs.82.00 lakh and interest Rs.72.00 lakh). The decision of the court in the suit filed (May 2000) by the Company for winding up of the unit was still pending (March 2001).

It was observed that as per cash accrual criteria the unit was eligible only for Rs.97.20 lakh. Thus, there was excess disbursement of Rs. 53.75 lakh.

2.2.5.5 M/s.Mettaco Engineering Pvt. Ltd., Halol (Promoted by Shri Mukesh Mehta (NRI))

The Company sanctioned (March 1995) Rs.1.47 crore to this unit towards a project for manufacturing of aluminium non-stick cookware. The Company disbursed Rs.1.28 crore during the period between October 1995 and March 1997 and cancelled (June 1997) the disbursement of balance amount of Rs.19.45 lakh as the unit did not repay even the first instalment which was due in July 1996. The Company took possession of the unit in June 1998 under the SFC Act but failed to secure the amount of finance extended, through auction of equipment as offers received for the same were below 20 *per cent* of the amount extended as finance. Based on the suggestion of Industries Department (January 2000), the possession of the unit was handed over (March 2000) to its promoters without insisting for any down payment to liquidate outstandings. The total amount outstanding (March 2001) from this unit was Rs.3.20 crore (including interest : Rs.1.90 crore and incidental expenses : Rs.2 lakh). Chances of recovery of dues appear to be remote as the only other collateral security is in the form of pledging of shares of a sister concern (M/s.Sweetliner Investment and Finance Pvt. Ltd.), which are not being traded.

The finance was extended to a new line of manufacturing activity in violation of the laid down criteria

Audit scrutiny revealed that existing unit was in business of production of stainless cookwares and had no previous experience in manufacturing or marketing of aluminium non-stick cookwares for which the finance was extended. The unit, as such was not eligible for financial assistance under ERS as the finance was not availed for modernisation/expansion/replacement and was for altogether a new line of manufacturing and marketing. A proper report on market research of the products proposed for manufacturing was also not obtained at the time of appraisal.

The Company replied (July 2001) that stainless cookware and aluminium cookware are broadly classified as kitchenware and manufacturing process is more or less similar and hence, looking at the product classification it was considered as expansion and separate market research was not carried out. The reply is not tenable as the scheme contemplated grant of financial assistance to expansion of existing units and not to new projects and the project for which assistance was given is still unimplemented (March 2001).

2.2.5.6 M/s.Galiacot Containers Pvt.Ltd., Ankleshwar (Promoted by Shri Harshad Chhotalal Sheth)

The finance was extended to a new line of manufacturing activity

The Company sanctioned (September 1995) Rs.2.40 crore for installation of a complete drum manufacturing facility of this unit. The unit had proposed for procurement of second-hand drum line to be imported from South Korea. Disbursement of Rs.2.08 crore was made during the period between February 1996 and March 1997. The unit approached the Company (October 1997) for rescheduling of instalments and the outstanding amount was allowed to be rescheduled in 16 quarterly instalments payable from October 1998. The unit did not pay even the first instalment due as per terms of revised schedule and the Company took over possession of the unit (September 1999). The Company allowed (December 1999) one time settlement (OTS) to this unit after collecting Rs.1.25 crore against an outstanding amount of Rs.1.35 crore on that date and balance amount of Rs.10 lakh was written off.

Audit scrutiny revealed that the proposal should not have been covered under ERS as the project was new and no capacity expansion/replacement/ modernisation of equipment was involved. It was further seen that the unit was disbursed Rs.2.08 crore though the maximum amount stipulated in the scheme was Rs.2 crore only.

The Company replied (July 2001) that the finance was extended not for new project but for expansion of existing capacity as the finance was considered only for plant and equipment in the existing building. The reply is not tenable as the unit was having barrel manufacturing facility at its Ankleshwar factory whereas finance was extended for implementation of drum manufacturing, hence, there was no expansion of manufacturing activity.

2.2.6 Recovery and follow-up of dues under Equipment Refinance Scheme

The table below indicates the amount recoverable and the amount recovered during the last five years up to 2000-01, which were given to various units under ERS:

(Rupees in crore)

Sl. No.	Particulars	Years				
		1996-97	**1997-98**	**1998-99**	**1999-00**	**2000-01**
1	Opening balance of recoverables	6.87	12.11	13.72	13.19	20.45
2	Amount recoverable during the year Principal Interest	 20.56 15.45	 24.02 16.57	 24.03 11.21	 20.94 7.61	 11.23 8.59
3	Total recoverables for the year (1+2)	42.88	52.70	48.96	41.74	40.27
4	Amount recovered	30.77	38.98	35.77	21.29	10.20
5	Closing balance (1+2-4)	12.11	13.72	13.19	20.45	30.07*
6	Percentage of recovery to total recoverables(4/3)	72	74	73	51	25

The table above indicates that there has been a marked reduction in the percentage of recovery during the last two years. Besides, deficiencies in the

* This figure differs from the unit wise arrears figure of Rs.32.73 crore which is yet to be reconciled by the Company.

appraisal and disbursement as discussed in paragraphs 2.2.5.1 to 2.2.5.6 (*supra*), which had led to finance being extended to ineligible units, the following drawbacks were also noticed in the recovery and follow-up which had contributed to the reduction in the recovery percentage and consequent mounting of arrears:

(i) Delay in taking action under SFC Act.

(ii) Delay in taking criminal action under Negotiable Instruments Act for dishonour of cheques.

(iii) Reduction of value in the primary security *viz.* plant and machinery due to passage of time.

(iv) Absence of collateral security.

(v) Inability to take follow-up action due to closure of unit.

Out of 42 units having an overdue of Rs.32.73 crore (Principal Rs.19.61 crore and interest Rs.13.12 crore) as on March 2001, a test check in audit revealed that 16 units were having above deficiencies. Of these 16 units, 9 defaulting units with overdue of Rs.14.80 crore (including interest Rs.6.42 crore) and loss due to writing off of dues to the tune of Rs.0.57 crore are discussed below. Details of remaining 7 cases with overdue of Rs.6.85 crore (including interest Rs.1.91 crore) and loss of Rs.0.61 crore due to writing off of dues are discussed in *Annexure-13.*

2.2.6.1 M/s.Gujarat Rodrel Engineering Products Ltd., Halol (Promoted by Shri M.J. Trivedi)

The Company sanctioned (July 1991) Rs.1.50 crore to the unit for purchase of furnaces for increasing the production of leaf springs. An amount of Rs.53 lakh was disbursed (April 1992) and balance amount was cancelled (July 1992) due to non availing of the assistance by the unit. Cheques valuing Rs.27.15 lakh given by the unit in repayment of the finance were dishonoured (March 1993 to July 1995) The Company initiated (August 1995) action to take possession of the unit under SFC Act but could not do so up to April 1998 as financial assistance was extended only on specific machinery *viz.*, self fabricated furnaces which could not be dismantled and other assets of the unit were not taken as security against this financial assistance. BIFR declared the unit as sick (April 1998). The operating agency appointed by BIFR recommended (September 1999) winding up of the unit. The total amount outstanding (March 2001) against the unit was Rs.1.45 crore (principal Rs.0.51 crore; interest Rs.0.94 crore).

Audit scrutiny revealed that criminal proceedings against the promoters were initiated under Indian Penal Code and under Negotiable Instrument Act belatedly in September 1995 and January 1996 without any outcome so far. The chances of recovery of Rs.1.45 crore are also remote as the unit is under the process of winding up.

2.2.6.2 M/s.Jillichem Laboratories (India) Limited, Ahmedabad (Promoted by Shri Ramanlal L. Shah)

The Company sanctioned (May 1995) a loan of Rs.2.50 crore to the unit for expansion activities in manufacturing pharmaceutical formulations and disbursed Rs.1.99 crore between May 1995 and March 1996. The unit was irregular in repayment of the loan and the Company initiated (August 1997) action under section 29 of the SFC Act. In February 1998, the unit gave twenty post-dated cheques for Rs.1.02 crore, which were dishonoured and the Company took (September 1998) possession of the unit. However, the unit filed a suit (February 1999) against the Company challenging that the Company had no right over the entire factory and machinery not hypothecated with them. This argument was accepted by the Court as well as legal department of the Company. The Company in February 1999 accepted a proposal of the unit to reschedule the outstanding loan with a further moratorium of two and half years, which was also not adhered to by the unit. The Company issued (May 2000) winding-up notice to the unit under section 434 of Companies Act, 1956 but the winding up has not been done so far. The amount outstanding against the unit as on March 2001 was Rs.4.35 crore (principal Rs.1.85 crore; interest Rs.2.50 crore).

Audit scrutiny revealed that the Company failed to secure its interest and allowed rescheduling of repayment for a further period of two and half years. Also, the Company failed to invoke personal guarantee of the promoters of the unit. In reply the Company stated (July 2001) that the possession of the unit was taken in September 1998 and after accepting Rs.15 lakh as demand draft and Rs.20 lakh as post dated cheques, (4 cheques) the possession was given back, hence, personal guarantee was not invoked. The reply is not tenable, as the Company was aware that various cheques totalling Rs.1.02 crore given by the unit were dishonoured and so should have insisted on draft/cash before handing over possession of the unit. Incidentally, out of the four cheques for Rs.20 lakh two cheques worth Rs.10 lakh were also dishonoured.

2.2.6.3 M/s.Metagg Steelcast, Kalol (Promoted by Shri V.R.Agarwal)

The Company sanctioned (July 1991) an amount of Rs.30 lakh to the unit against which an amount of Rs.29 lakh was disbursed between November 1991 and March 1992. The unit was irregular in repayment since June 1993. However, the Company agreed in October 1996 for rescheduling with a further moratorium of two and half years to revive the industry. As the unit failed to fulfill the revised repayment schedule, the Company took possession of the specific assets in March 1998. Though the Company tried to dispose off the assets, it could not realise the estimated value of Rs.14.20 lakh. The total outstanding amount as on March 2001 against the unit was Rs.41.05 lakh (principal Rs.26.86 lakh; interest Rs.14.19 lakh).

Audit scrutiny revealed that the unit's earlier request for rescheduling was rejected by the Company (July 1995). Also, there was an inordinate delay of five years (1993 to 1998) in taking action under SFC Act and personal guarantees of the promoters of the unit were not invoked by the Company. In reply the Company stated (July 2001) that finance under ERS was only on plant and machinery and invoking action under SFC Act was not found feasible in earlier stages. Further, the personal guarantee could not be invoked as the whereabouts of guarantors were not available with the Company. The reply is not tenable as the Company took possession of specific assets in March 1998, which could have been done earlier also.

2.2.6.4 M/s. Saurashtra Paper & Board Mills Ltd., Rajkot (Promoted by Shashikant Mehta)

The Company sanctioned (August 1996) Rs.1.37 crore to install DG set, Hot screw system and disbursed Rs.1.30 crore between September 1996 and March 1997. The unit started defaulting in repayment of principal since April 1998 and had not repaid principal thereafter. The Company got registered under BIFR (November 2000). The total arrears due (March 2001) was Rs.2.12 crore (including interest Rs.87 lakh).

Though the unit started defaulting in repayment of principal from April 1998, the Company failed to take possession of unit till it approached BIFR in November 2000. Further, no action was taken to invoke the personal guarantee given by the directors of the unit.

2.2.6.5 M/s.Rahi Chemicals Ltd., Jambusar (Promoted by Shri Rajeshbhai R. Patel)

The Company sanctioned (September 1995) Rs.1.50 crore for expansion activities of the unit and disbursed Rs.1.48 crore during the period between October 1995 and April 1996. The unit, except for the payment of first instalment of Rs.8.24 lakh (April 1996), did not pay any other instalment even after rescheduling of payment (May 1998) with a moratorium of two years. The unit approached BIFR (November 1998) who dismissed its application in May 1999. Thereafter, the unit approached (August 1999 and August 2000) the Appellate Authority for Industrial and Financial Reconstruction (AAIFR) twice for getting relief under Sick Industrial Companies (Special Provisions) Act, 1985. As the request was rejected (January 2001), the Company took possession of the unit (February 2001). Out of total outstanding amount of Rs.2.26 crore (including interest of Rs.86 lakh) as on 31 March 2001, the amount overdue for recovery from the unit was Rs.71.21 lakh (principal Rs.57.83 lakh; interest Rs.13.38 lakh).

It was seen that the unit had not paid any amount after first instalment of principal due in April 1996. Nevertheless, the Company failed to take possession of the unit before it approached BIFR (November 1998) though the loan was secured by first charge on immovable assets. The possession of the unit was taken as late as in February 2001. Outcome of the same is still awaited (March 2001).

2.2.6.6 M/s.Ranuka Silk Mills Pvt. Ltd., Surat (Promoted by Shri Manilal Kapadia)

The Company sanctioned (February 1992) finance of Rs.1.20 crore for purpose of purchase of machinery for converting the process house of a textile mill from coal based to natural gas. An amount of Rs.1.13 crore was disbursed during the period between October 1992 and December 1992. The unit, after paying three instalments of interest, started to default and an amount of Rs.1.20 crore (including interest of Rs.7 lakh) was outstanding (November 1995). Inspection (May 1996) by the Company of the unit revealed that, in violation of terms of sanction, unit had separately entered into a lease agreement with another unit and no mention was made in lease documents that assets were under hypothecation with the Company. Meanwhile, the unit approached BIFR in September 1996. The Company allowed (September 1997) OTS to this unit after collecting Rs.1 crore against an outstanding amount of Rs.1.57 crore (including interest of Rs.44 lakh) by writing off an amount of Rs.57 lakh.

Audit scrutiny revealed that though no amount was paid towards principal right from first instalment due from October 1993, the Company failed to take possession of the unit under SFC Act till the unit approached BIFR in September 1996. Consequently, the Company had to go in for a OTS in September 1997.

2.2.6.7 M/s.Diamond Tiles Ltd., Surendranagar (Promoted by Shri Mepalal Patel)

The unit was previously sanctioned and disbursed (October 1990) a term loan of Rs.1.50 crore for setting up a project for manufacturing of ceramic glazed tiles. The unit was in default in repayment of this loan and as on November 1994, repayment of Rs.1.21 crore was pending. Despite default in the repayment of earlier term loan, Rs.1.35 crore under ERS was sanctioned (July 1995) to this unit for importing hydraulic press and kiln. The entire amount of Rs.1.35 crore was disbursed to the unit during the period between October 1995 and February 1996. The first installment of repayment was due in April 1996. The unit defaulted from the first installment and no amount was paid towards principal or interest. However, no action was taken by the Company to take possession of the unit under SFC Act. Meanwhile, the unit went to BIFR (April 1998) which ordered winding up of unit (March 2001). The total outstanding (March 2001) from the unit was Rs.2.04 crore (principal Rs.1.35 crore; interest Rs.0.69 crore).

Unit in default of previous loan was also extended finance

It was seen in audit that the finance under the scheme was sanctioned to the unit in clear disregard of the eligibility criteria which specified that the finance would be available only to the units having default-free track record of repayment of any loan taken. No reasons were available in the records of the Company as to why the finance was sanctioned to the unit in gross deviation of the eligibility criteria laid down. It was further seen that the Company had failed to secure its interest by second and subsequent charge on other fixed assets as an additional security in view of the high risk involved.

The Company replied (July 2001) that the unit was in default due to previous poor performance. However, due to improvement in performance, the entire arrear position was cleared at the time of sanction of loan to the unit. The reply is not tenable as the finance could be extended to units having default free track record of repayment of any loan. Moreover, in this case at the time of appraisal the unit was not in arrears because of rescheduling of term loan (January 1995) by the Company itself. Further, an amount of Rs.95 lakh is still pending recovery against the earlier term loan (March 2001).

2.2.6.8 M/s.Sumex Chemicals Limited, Valsad (Promoted by Shri D. N. Chaturvedi)

Credit worthiness report was not collected although stipulated in terms of sanction

The Company sanctioned (May 1995) Rs.1.45 crore to this unit for the purpose of expansion of their existing chemical manufacturing unit. Out of this, an amount of Rs.72.50 lakh was disbursed (August 1995). The unit started defaulting after paying two instalments of interest and the overdue amount as on April 1997 was Rs.42.31 lakh. The Company initiated action (September 1997) under SFC Act to take possession of the unit. However, the unit approached (October 1997) BIFR, who directed (September 2000) winding up of the unit. The total amount outstanding as on March 2001 was Rs.1.05 crore (including interest Rs.0.32 crore).

Audit scrutiny revealed that appraisal was deficient as the creditworthiness report obtained later (September 1995) from the banker (IDBI) of the unit stated clearly that the past records of repayment of the unit was not satisfactory. The unit, therefore, was not at all eligible for finance as per the criteria of the scheme. Further, the Company disbursed the first installment prior to ensuring receipt of creditworthiness certificate from the banker of the unit even though the same was stipulated in the terms of sanction. No responsibility for this lapse has been fixed by the Company.

The Company replied (July 2001) that though the creditworthiness report was not received from IDBI before making first disbursement, the matter was discussed with the officers of IDBI. The reply is not tenable as the first installment was disbursed without receipt of report on the unit's past repayment record, which was against the terms of sanction of finance.

2.2.6.9 M/s.Orient Chemicals Limited, Baroda (Promoted by Shri Ashok R.Desai)

NOC from GPCB was not collected

The Company sanctioned (August 1994) Rs.1.29 crore to the unit to expand their chemical production. The entire amount of finance was disbursed during the period between August 1994 and December 1994. Further, the Company also disbursed under the scheme Rs.64.90 lakh during the period between December 1994 and March 1995 against another sanction (December 1994) of Rs.71 lakh. The unit stopped (September 1995) production due to non-adherence of norms prescribed by Gujarat Pollution Control Board (GPCB) and the unit defaulted in repayment of finance thereafter. An Official Liquidator was appointed (June 1999) by the High Court to wind up the unit. The total amount of repayment outstanding (March 2001) against the unit was Rs.2.67 crore (principal Rs.1.74 crore; interest Rs.93 lakh).

It was seen that although unit was closed in September 1995, Company had not taken possession of the unit under SFC Act till it approached BIFR (October 1997). Further, the finance was disbursed in clear violation of the terms of sanction as 'no objection certificate' (NOC) from GPCB was essential prior to the first disbursement of finance. Records of the Company do not indicate any reason as to why terms of sanction were violated and why no action was initiated to fix responsibility for the violation of terms of sanction.

The Company replied (July 2001) that the unit was one of the promoters of Nandesari Industries Primary Treatment Plant Co-operative Society Limited (PTPC) and PTPC in August 1994 certified that they would accept entire effluent arising from the unit. The reply is not tenable as the Company should have insisted on NOC from GPCB as per terms of sanction instead of simply relying on the assurance of PTPC.

The above matters were reported to the Government in April 2001. Their reply had not been received (October 2001).

Conclusion

The Company formulated Equipment Refinance Scheme on the lines similar to the scheme in operation in IDBI, which provided refinance to the Company for the scheme. The Company did not insist on important requirements such as eligibility within the parameters of the refinance scheme and default free track record with financial institutions/banks before sanction/disbursement of finance. In disregard to the laid down norms on cash accrual, the Company extended financial assistance. Not only finances were advanced under ERS in violation of the laid down eligibility criteria but follow-up action required to ensure regular and timely repayment of the finance was also not taken. The Company failed to take timely action to take possession of defaulting units or invoke personal guarantee to recover its dues. Besides, delays were condoned and loans rescheduled without adequate justification. The Company should strictly adhere to the norms prescribed for appraisal of finance and take timely action to recover dues.

There was no rationale for equipment refinance scheme as IDBI already had introduced this scheme, there was plenty of capital available in the market and the Company had no expertise to operate such a scheme as was also evident from numerous loopholes noticed in its operation.

2.3 Review on Resource management of Sardar Sarovar Narmada Nigam Limited

Highlights

The Planning Commission approved proposal for Sardar Sarovar Project (SSP) in October 1988 for Rs.6406.04 crore at 1986-87 prices. The Company has revised cost estimates to Rs.13180.62 crore at 1991-92 prices, which were not approved by SSCAC/Planning Commission. Revised cost estimates at 1996-97 prices are under preparation. The Company has incurred expenditure of Rs.10978.63 crore up to March 2001.

(Paragraphs 2.3.4.1 and 2.3.4.2)

The State Government had not released Rs.1275.02 crore out of Rs.7605.65 crore required to be released during 1988-89 to 2000-01. Further, permission for withdrawing the funds was not given resulting in accumulation of balance of Rs.1381.30 crore in Personal Ledger Account (PLA) as on 31 March 2001, resultantly, market borrowing increased giving rise to expenditure on account of interest charges and servicing of debt liability.

(Paragraphs 2.3.4.2 and 2.3.4.2.2)

Dues outstanding from all beneficiary States (Gujarat, Maharashtra, Madhya Pradesh and Rajasthan) worked out to Rs.5023.65 crore as on 31 March 2001, of which Rs.748.13 crore were under dispute. The Company did not take any effective action for recovery of the dues, which also resulted in loss of interest of Rs.1209.79 crore.

(Paragraphs 2.3.4.2.1, 2.3.4.2.1.1 and 2.3.4.2.1.2)

Against anticipated revenue from sale of water and power of Rs.22 crore *per annum* from 1995-96, no revenue was generated up to 31 March 2001.

(Paragraph 2.3.4.2.4)

Due to non-reservation of right to redeem the bonds through a call option, the Company would suffer an avoidable loss of Rs.3033.45 crore by way of interest on redemption of these bonds on their maturity.

(Paragraphs 2.3.5.2.1 and 2.3.5.2.2)

In private placement of bonds during April 1997, the Company retained excess funds of Rs.95.23 crore, even though the rates of interest were decreasing in capital market. This put the Company in loss of interest of Rs.8.57 crore. Besides, funds so collected were kept in banks fetching lower rate of interest resulting in further loss of Rs.0.88 crore.

(Paragraph 2.3.5.2.4)

The Company not only borrowed Rs.557.87 crore in excess of its requirement through issue of bonds in September 1999 but also deposited major portion (Rs.1009.73 crore) of funds collected through these bonds in banks at lower rate of interest which resulted in loss of interest of Rs.11.12 crore.

(Paragraph 2.3.5.2.5)

The Company availed cash credit facility simultaneously in spite of huge balances in the current accounts with the same banks and suffered loss of interest of Rs.14.26 crore.

(Paragraph 2.3.6.1)

Placement of Rs.90.15 crore at the disposal of district collectors for acquisition of land for project affected families, without precisely assessing the requirement of funds, resulted in loss of interest of Rs.3.18 crore.

(Paragraph 2.3.6.4)

Delay in transfer of funds collected under public deposits through brokers, to the operative bank accounts of the Company at Gandhinagar, resulted in aggregate loss of interest of Rs.0.48 crore.

(Paragraph 2.3.7)

2.3.1 Introduction

The Sardar Sarovar Project (SSP) was conceived (April 1961) as a multistate multipurpose joint venture of four States *viz.*, Gujarat, Madhya Pradesh, Maharashtra and Rajasthan to build a terminal dam on river Narmada for water distribution and hydro electric facilities. The SSP was referred (October 1969) to the Narmada Water Dispute Tribunal (NWDT) constituted under Section 4 of the Inter-State Water Dispute Act, 1956. The Tribunal gave (December 1979) the award on the inter-state cost and benefit sharing pattern as reproduced in *Annexure*-14. The SSP received environmental clearance from Government of India (September 1987) and investment clearance from Planning Commission (October 1988).

Sardar Sarovar Narmada Nigam Limited (the Company) was incorporated on 24 March 1988 under the Companies Act, 1956, as a company wholly owned by Government of Gujarat for the execution of the SSP. Details of construction features of the dam, canals and hydro electric facilities of the SSP are given in *Annexure*-15.

2.3.2 Organisational set-up

Pursuant to the award of NWDT, the Government of India appointed (September 1980) Sardar Sarovar Construction Advisory Committee

(SSCAC) comprising of representatives of four beneficiary States. Further, Government of India appointed (September 1980) Narmada Control Authority (NCA) for the purpose of securing compliance with and for implementation of the decisions and directions of the NWDT.

The Company works under the supervision of SSCAC in matters relating to construction of dam and powerhouses. The overall management of the Company is vested in the Board of Directors comprising 13 directors as on 31 March 2001, of which, one Director each were nominees of Government of Maharashtra, Madhya Pradesh and Rajasthan and remaining directors were nominees of Government of Gujarat. The Managing Director is responsible for day-to-day management of the Company and is assisted by one Executive Director responsible for raising resources and one Chief General Manager (Accounts) responsible for distribution of funds.

2.3.3 Scope of Audit

The aspects pertaining to assessment of requirement of funds, source of funds, cost of raising funds, debt profile and liability for repayment were covered in a test check of records of the Company covering the period from 1995-96 to 2000-01, with a view to ascertaining the effectiveness and economy in utilising the funds raised. The results of audit are set out in succeeding paragraphs.

2.3.4 Assessment of requirement of funds

2.3.4.1 Cost estimates

The SSP was accorded investment approval (October 1988) for Rs.6406.04 crore at 1986-87 prices by the Planning Commission and it was estimated that the SSP would be completed in a time span of 17 years for the dam and 22 years for canal works. The Company revised (December 1994) the cost estimates to Rs.13180.62 crore (as given in *Annexure-16*) at 1991-92 prices, which were not got approved from SSCAC and Planning Commission. An exercise to revise the cost estimates on the basis of 1996-97 prices was commenced (June 1997) by the Company, however, the same has not been completed (March 2001). The Planning Commission stipulated (April 1988 and January 1993) that the work of revision of cost estimates should be done at interval of five years whereas SSCAC desired (March 1993) that the same should be done after every three years. However, such revision in cost estimates had not been done by the Company. It was noticed that the Company, while submitting (May 2000) proposal for central loan assistance for the financial year 2000-01 to the Government of India, indicated the tentative cost estimate (without item wise details) of SSP upto 1998-99 as Rs.23602.98 crore. In the absence of proper cost estimates, the Company made borrowings in an unplanned manner, as discussed in paragraph 2.3.5 *(infra)*.

While accepting the fact that the revised cost estimates were yet to be finalised, the Company replied (July 2001) that revised cost estimates were not necessary to have control on borrowings as the control could be exercised from the annual plan. The reply is not tenable, as the cost estimates prepared on actuals would serve better in resorting to borrowings at the appropriate time and from economical sources.

2.3.4.2 Unanticipated expenditure on account of interest charges

It was seen in audit that the components of cost towards interest charges and debt servicing were not identified while submitting the original investment proposal to the Planning Commission. Further, the revised cost estimates prepared in 1991-92 also did not indicate expenditure likely to be incurred on account of debt servicing and interest charges. As on 31 March 2001, the Company had incurred expenditure of Rs.10978.63 crore, of which, expenditure of Rs.2413.98 crore (22 *per cent*) was towards interest charges and servicing of debt liability.

The Company replied (July 2001) that the expenditure on account of interest charges pertained to 'interest during construction (IDC)', which is taken as part of project cost. However, since the original cost estimates had not identified the borrowings as a source of funding, the question of expenditure on interest during construction does not arise.

Reasons for huge expenditure on account of interest and debt servicing, as analysed in audit, are detailed below:

2.3.4.2.1 Short fall in receipt of funds from all beneficiary States

SSCAC had advised (December 1983) that all four beneficiary States should pay their share quarterly for the projected requirement of the funds as per NWDT award. The three beneficiary States (Maharashtra, Madhya Pradesh and Rajasthan) would provide their contribution to State Government of Gujarat who, in turn, would release funds in the form of equity contribution to the Company. Up to 2000-01, against an aggregate share of Rs.2804.67[**] crore of the three beneficiary States of Maharashtra, Madhya Pradesh and Rajasthan in the total expenditure of Rs.10978.63 crore, only an amount of Rs.1234.75 crore (Rs.839.38[@] crore in cash and Rs.395.37 crore as book adjustments) was received. There was shortfall of Rs.1569.92 crore in receipt of funds from Government of Maharashtra (Rs.273.51 crore), Madhya Pradesh (Rs.952.07 crore) and Rajasthan (Rs.344.34 crore) as on 31 March 2001.

Out of the total expenditure of the Company amounting to Rs.10978.63 crore up to March 2001, the share of the State Government of Gujarat worked out to Rs.8173.96 crore. Besides this, the Company was entitled to the Central Loan

** Includes Rs.111.07 crore for the period up to 23 March 1998, *i.e.* prior to incorporation of the Company.

@ Includes Rs.747.50 crore received by the State Government during 1988-89 to 2000-01 and deposited in PLA of the Company.

Assistance (CLA) under Accelerated Irrigation Benefit Programme (AIBP) amounting to Rs.2364.50 crore. Thus, out of the aggregate releasable amount of Rs.10538.46 crore including the State Government's share in total expenditure and the CLA, the State Government had released an amount of Rs.7084.73 crore (Rs.6330.63 crore by way of cash *plus* Rs.221 crore AIBP share *plus* Rs.533.10 crore by way of transfer of assets) resulting in short release of equity contribution to the extent of Rs.3453.73 crore.

Short receipt of Rs.5023.65 crore towards share in the expenditure from all the four beneficiary States resulted in loss of interest charges of Rs. 1209.79 crore

Due to huge outstanding of Rs.5023.65 crore as on 31 March 2001 from all the four beneficiary States, the company had to resort to borrowings from other sources at rate of interest ranging between 12 *per cent* and 18 *per cent*. This has resulted in avoidable loss of interest of Rs.1209.79 crore up to March 2001 comprising of loss of interest on account of beneficiary States : Rs.962.17 crore and State Government : Rs.247.62 crore.

The State Government could not release the amount due from it to the Company owing to financial constraints. The reasons for shortfall in receipt of share from the remaining three beneficiary States, as analysed in audit are given below:

2.3.4.2.1.1 Non resolution of disputed claims

The Company did not make adequate efforts for recovery of disputed dues of Rs.748.13 crore

Of the total amount of Rs.1569.92 crore outstanding as on 31 March 2001 towards share of beneficiary States of Madhya Pradesh, Maharashtra and Rajasthan, an amount of Rs.748.13 crore was in dispute. The disputed amount was not paid as these beneficiary States had objected that expenditure of Rs.25.31 crore incurred on construction (January 1983) of four rock fill dykes as well as expenditure of Rs.269.88 crore incurred on rehabilitation and resettlement was not approved by SSCAC. Balance disputed amount of Rs.452.94 crore pertains to interest liability worked out by the Company on account of borrowings which they had to undertake to fill the resource gap caused, *inter alia*, due to delay in receipt of funds from these beneficiary States. This amount was not paid as Government of Madhya Pradesh objected that interest payment was not provided in the award of NWDT. Though NCA had directed (April 1989) for recovery of Rs.25.31 crore from beneficiary States, adequate and concerted efforts have not been made by the Company to recover this amount. As to the disputed expenditure of Rs.269.88 crore incurred on rehabilitation and resettlement, the Ministry of Law, Government of India opined (February 1993) that the expenditure is sharable amongst the beneficiary States as per the terms of award of NWDT, however, adequate efforts to resolve the dispute and recover the amount have not been made by the Company. It was further observed in audit that the interest of Rs.452.94 crore was disputed by other States because their consents were not obtained to the borrowing programmes.

2.3.4.2.1.2 Inadequate efforts in realisation of dues

The Table below gives the age wise analysis of the balance dues of three beneficiary States, which were not disputed for payment:

(Rupees in crore)

Period (at the end of the year)	Madhya Pradesh	Maharashtra	Rajasthan	Total
1992-93	182.29	53.7	107.70	343.69
1993-94	187.66	43.11	111.92	342.69
1994-95	242.48	9.96	122.52	374.96
1995-96	357.19	17.68	120.48	495.35
1996-97	322.76	59.44	150.68	532.88
1997-98	509.64	143.86	222.04	875.54
1998-99	335.82	(-)4.62	215.68	546.88
1999-00	388.93	6.75	224.18	619.86
2000-01	498.48	58.65	264.66	821.79

Though there was no dispute regarding the amount of Rs.821.79 crore receivable from Governments of Madhya Pradesh, Maharashtra and Rajasthan, payment has not being received as adequate efforts to recover the amount was not made by the Company. In spite of emphatic and repeated directions of the State Government for timely collection of funds by the Company from the beneficiary States the arrears has been mounting steadily.

The Company replied (July 2001) that the efforts were made by taking up the matter with beneficiary States at appropriate level. However, in spite of such efforts, the position of outstanding dues has not diluted so far.

2.3.4.2.2 Separate permission required for release of funds from PLA

The Planning Commission approved the SSP emphasising sufficient priority to the funding of the SSP by all four beneficiary State Governments. Accordingly, an aggregate amount of Rs.7605.65 crore was provided in its annual plan by the State Government for the SSP during 1988-89 to 2000-01. The Table below indicates year-wise outlay planned for the SSP by the State Government of Gujarat, amount released and the actual amount allowed to be withdrawn from the Personal Ledger Account (PLA) by the State Government during the period from 1988-89 to 2000-01.

(Rupees in crore)

Year	Outlay as per Annual Plan of State Government	Opening Balance in PLA	Share of funds released in to the PLA of the Company by			Amount allowed to be withdrawn from PLA	Balance amount in PLA
			State Government	Beneficiary States	Total		
1988-89	143.50	0.00	82.85	32.65	115.50	85.00	30.50
1989-90	154.75	30.50	171.50	37.24	208.74	239.23	0.01
1990-91	215.00	0.01	335.74	20.09	355.83	355.83	0.01
1991-92	267.50	0.01	417.25	115.63	532.88	532.88	0.01
1992-93	303.00	0.01	413.55	51.49	465.04	387.74	77.31
1993-94	333.00	77.31	215.50	94.70	310.20	304.50	83.01
1994-95	365.95	83.01	323.42	99.78	423.20	450.41	55.80
1995-96	365.95	55.80	476.31	43.95	520.26	576.06	0.00
1996-97	867.00	0.00	#564.87	39.86	699.73	629.73	70.00
1997-98	965.00	70.00	#755.93	5.00	886.93	750.00	206.93
1998-99	965.00	206.93	832.07	95.90	927.87	895.00	239.80
1999-00	1330.00	239.80	1020.31	111.31	1131.62	212.00	1159.42
2000-01	1330.00	1159.42	721.33	0.00	721.33	499.45	1381.30
Total	**7605.65**		**6330.63**	**747.50**	**7299.13**	**5917.83**	

Against Rs.7605.65 crore provided in the Annual plan for the year 1988-89 to 2000-01, Rs.6330.63 crore were released into the PLA of the Company by the State Government. Further, against total release of Rs.7299.13 crore (including Rs.747.50 crore received from other beneficiary States), the Company was allowed to withdraw only Rs.5917.83 crore from the PLA by the State Government.

Separate permission for withdrawal of funds provided by the State Government led to financial crunch

It was noticed in audit that a separate and specific permission was required to be obtained by the Company from the State Government for withdrawal of funds so placed in the PLA. As the permission at times was not acceded to, there remained an aggregate amount of Rs.1381.30 crore as on 31 March 2001 in PLA. Though this money was earmarked for the Company, the State Government did not permit the Company to utilise the same which forced the Company to borrow funds to the extent of above balance in PLA and to pay huge interest of Rs.220.77$ crore (approximately) during the period from 1988-89 to 2000-01.

The Company replied (July 2001) that the State Government was not in a position to permit withdrawal of money from PLA sometimes on account of its ways and means difficulties.

2.3.4.2.3 Diversion of funds obtained under Accelerated Irrigation Benefit Programme (AIBP)

Ministry of Water Resources, Government of India, launched (March 1997) a programme of Central Loan Assistance (CLA) under AIBP, in which assistance to SSP was also identified. For construction of canals and distributaries, Central assistance in the form of loan carrying interest *at the rate* of 12.5 *per cent* and a matching contribution by the State Government in

Excluding Rs.95.00 crore and Rs.126.00 crore for the years 1996-97 and 1997-98 respectively relating to Accelerated Irrigation Benefit Programme (AIBP).

$ Calculated at the rate of interest of 12 *per cent per annum.*

the ratio of 1:1 (Centre : State), later revised to 2:1 from 1999-00, was initially stipulated.

Funds received by the State Government under AIBP were released to the Company without distinguishing from equity contribution

During the financial years 1996-97 and 1997-98, funds amounting to Rs.221 crore were released by State Government in the form of equity capital with a specific mention that the funds related to AIBP. In the years from 1998-99 to 2000-01, no specific mention with regard to source of fund of equity sanctioned by State Government was made though the State Government, in these three financial years, had received an aggregate amount of Rs.1077 crore from Government of India under AIBP. To an audit query, the Company replied that funds under AIBP are being released by State Government as their equity contribution. It was further observed in audit that the funds released under AIBP were specifically meant for construction of canal and distributaries, however, no such segregation of funds was made and the entire amount was provided as equity contribution for the SSP *inter alia* also for construction of dam, hydro electric facilities, establishment charges, *etc*.

The Company replied (July 2001) that though the State Government included the AIBP amount received by it in the budgetary support, the purpose for which the amount was released was not specified in the release order. Hence, in the absence of this specification, it could not be ensured that the amount received under AIBP was utilised solely for the canal and distributaries works for which it was meant.

2.3.4.2.4 Non existence of revenue generating streams

In February 1997, the Company had estimated that an area of 0.5 lakh hectares by the end of the year 1997 would be available for irrigation which was to be increased to 11 lakh hectares by the end of the year 1999 and an ultimate potential of 17.92 lakh hectares would be reached by the end of the year 2000. Similarly, it was estimated that 250 MW power would be available through canal head power house by the end of the year 1997.

Though revenue generation was anticipated from 1994-95, it did not materialise till March 2001

As per the latest programme of construction, the dam and appurtenant work is scheduled to be completed by June 2005 and no schedule of construction has been agreed for the rest of the units and SSP (March 2001). It was seen in audit that against the projected (November 1993) yearly revenue realisation to the tune of Rs.22.00 crore, through sale of water (Rs.5.00 crore) from 1994-95 and sale of electricity (Rs.17.00 crore) from 1995-96, revenue was not generated from both the above sources till 31 March 2001, which forced the Company to resort to market borrowings to bridge the gap between the expenditure and available funds.

The Company replied (July 2001) that the income by way of water charges or by way of sale of electricity could not be generated due to the stay imposed by the Hon'ble Supreme Court of India in 1995. However, it was only due to delay in completion of the project beyond 1994-95 that the projected revenue generation could not be achieved.

2.3.5 Indiscriminate borrowing

The State Government approves the estimates of works to be undertaken in ensuing financial year by the Company. Based on the estimates, an annual resource mobilisation exercise is completed by the Company, wherein the equity contribution from State Government to be received, contribution from beneficiary States and market borrowings to be undertaken are indicated. Deficiencies noticed by Audit in market borrowings are discussed in the ensuing paragraphs :

2.3.5.1 Mounting debt liability on account of indiscriminate and unsystematic borrowing

The Table below gives the details of year wise liability of the Company for repayment of debts along with interest.

(Rupees in crore)

Year	Debt repayment obligation		
	Principal	Interest	Total
2001-02	157.04	406.03	563.07
2002-03	339.31	345.72	685.03
2003-04	614.97	340.56	955.53
2004-05	62.93	325.07	388.00
2005-06	332.38	228.85	561.23
2006-07	656.22	147.19	803.41
2007-08	268.99	67.20	336.19
2008-09	00.00	61.66	61.66
2009-10	443.57	35.97	479.54
2013-14	241.57	7206.84	7448.41
Total	**3116.98**	**9165.09**	**12282.07**

The debt burden on account of issue of bonds and interest charges in 2013-14 is at a very high level of Rs.7448.41 crore on account of non-insertion of call option. The Company's average yearly debt liability works out to Rs.944.77 crore. The State Government had directed (January 1996) the Company to create a sinking fund out of its own resources with *ad hoc* contribution of around Rs.50.00 crore annually. The Company, however, neither created such a fund nor proposed any alternative arrangement for liquidating the debt liability arising out of issue of bonds. The Company, thus, without any systematic plan for redemption of the debts went on borrowing for redemption of earlier debts, which resulted in abnormal increase in the expenditure on servicing of the debt.

2.3.5.2 Issue of bonds

In order to meet the resource gap on account of reasons as explained *vide* paragraph 2.3.5.1 (*supra)*, the Company took recourse to borrowing from the market by floating bonds (as detailed in *Annexure-17*) through private placement. *Annexure-17* gives the details of bonds issued by the Company, deficiency noticed in audit and resultant aggregate extra expenditure of Rs.3077.34 crore which would be incurred by the Company on final redemption of the bonds in future. This extra expenditure would be on account of retention of over subscription, payment of higher rate of interest, non provision for call option and idle placement of funds as discussed in paragraphs 2.3.5.2.1 to 2.3.5.2.5 (*infra*).

2.3.5.2.1 Deep discount bonds (November 1993)

Funds to the tune of Rs.256.90 crore were approved (November 1993) for mobilisation of 713619 Deep Discount Bonds (DDB), having issue price of Rs.3600 each and redemption value of Rs.1,11,000 each after a maturity period of 20 years. On the recommendations of merchant banker J.M.Financial Consultant, Mumbai, the bond issue was modeled on a DDB issue floated (February 1993) by Small Industries Development Bank of India (SIDBI) having issue price of Rs.2500 each and redemption price of Rs.1,00,000 each after a maturity period of 25 years. The deficiencies noticed in the issue of DDB of the Company, which were attributable to lack of appreciation and understanding of financial market and had long term adverse impact on the precarious financial position of the Company are discussed in succeeding paragraphs.

The DDB of SIDBI, on which bond issue of the Company was modeled, contained an option whereby, after expiry of prescribed periods of five, nine, twelve, fifteen and twenty years, both investor as well as the borrower had the right to redeem the bond after payment of a specified rate of interest with principal. This option had secured the borrower also from vagaries of interest rate and, as such, no additional cost was to be incurred by a mere insertion of this option. The Company, however, made a mistake by not providing for such call option for itself. Consequently, its DDBs are now redeemable only after expiry of prescribed periods of seven, eleven, fifteen and twenty years at the option of investor as given in the Table below:

Years of put/call* option from the date of allotment		**Redemption value (in Rupees)**		**Effective rate of interest (in percentage)**	
For investors but not for the Company	**For both investors and SIDBI**	**Company**	**SIDBI**	**Company**	**SIDBI**
7	5	12500	5300	19.462	16.217
11	9	25000	9600	18.921	16.011
15	12	50000	15600	18.921	17.567
20	15	111000	25000	17.921	17.026
--	20	--	50000	--	14.870

Non insertion of clause relating to call option resulted in avoidable loss of Rs.3024 crore

In order to control the damage and as a rearguard action, the Company commenced an operation of writing letters (September 2000) to the bond holders with a view to persuade them to opt for early redemption. The measure met with little success and only 5.96 *per cent* of the bond holders came forward for early redemption. As the Company failed in designing the bond issue by inserting a suitable clause of call option, the Company is liable

* Put option means exit option given to the bond holder.
Call option means option available to the Company to redeem the bond.

to pay in 2013-14 (after 20 years), Rs.7206.84 crore towards interest and Rs.241.57 crore towards principal of bonds outstanding till 31 March 2000. Had the Company inserted a call option clause in the issue, it would have saved interest of Rs.3024[$] crore.

The Company replied (July 2001) that the loss pointed out in audit was notional since introduction of call option would mean that the long tenure is not assured to the investors which itself would become disincentive to invest in the bond issue. The reply is not tenable as the Company had, on realising the magnitude of actual and not the notional loss on maturity of the bonds in 2013-14, invariably inserted call option in all its subsequent bond issues and had exercised the same for redemption/ roll-over at lower rates of interest.

2.3.5.2.2 Non provision for call option in Non-Convertible bonds (November 1993)

With a view to raising Rs.118.10 crore, the Company floated (November 1993) an issue of 236194 non convertible bonds (NCB) with a face value of Rs.5,000 each, redeemable after expiry of nine years (March 2003) at the rate of interest of 17.5 *per cent* payable half yearly with a premium of five *per cent* payable at the time of redemption. These NCBs had early redemption offer for investors after five years from the date of allotment also. But, the Company failed to safeguard its financial position against vagaries of rate of interest by inserting a clause of call option to facilitate early redemption of bonds. Considering that the interest rates have continuously declined, the Company continues to be liable for payment of higher rate of interest. The Company had, as a rectificatory measure, inserted a call option in the later bond issue of March 1996 and had succeeded in redeeming the above bond issue at the then prevailing rate of interest of 15.5 *per cent* after expiry of three years in the year 1998-99 against the maturity period of seven years, thereby saving on interest. Considering above interest rate of 15.5 *per cent*, the Company will make an avoidable payment of interest of Rs.9.45[*] crore during the period from 1998-99 till redemption in March 2003.

Failure to insert a clause relating to call option resulted in avoidable interest cost of Rs.9.45 crore

The Company replied (July 2001) that the investment market was *inter alia* dependent on investors' confidence in safety of their investments as well as perceived returns on short/long term basis. However, the fact that the bond issue was backed by the guarantee of the State Government, was sufficient to generate confidence in the investors as evident from over subscription of public issues of DDB and NCB.

$ The difference between the interest payable on DDB and the prevalent market interest rates of 14 *per cent* at the time of first put option.

* The difference between the interest at the rate of 17.5 *per cent* payable on NCBs and the then prevalent market interest rate of 15.5 *per cent,* till maturity in March 2003

2.3.5.2.3 Payment of higher rate of interest on Non Convertible Bonds (February 1996)

Raising of funds at higher rate of interest resulted in extra liability of Rs.18.07 crore towards interest cost

The State Government approved (January 1996) the Company's proposal on raising Rs.125 crore through issue of 12,500 NCB having face value of Rs.1 lakh each with the permission to retain over-subscription to the extent of 100 *per cent* of initial issue. The issue was oversubscribed beyond 100 *per cent* and the Company sought *post facto* approval for retaining Rs.94.14 crore collected in excess of Rs.250 crore. It was seen in audit that the Company had issued above NCBs at 18 *per cent* rate of interest whereas the co-arrangers of the said issue, Kotak Mahindra Finance Limited, had specified 16.25 *per cent* interest rate for a similar issue (October 1995) of Nuclear Power Corporation. The Company, thus, raised Rs.344.14 crore under the said issue at a higher rate of interest of 1.75 *per cent*, which resulted in loss of interest of Rs.18.07 crore. Reasons for keeping higher rate of interest which would result in payment of additional interest charges of Rs.18.07 crore were neither available on record nor furnished to Audit by the Company.

Incidentally, the Company could have avoided retention of over subscription of Rs.94.14 crore and minimised loss of interest particularly when there was a general downward trend in the rates of interest.

2.3.5.2.4 Retention of over subscription amount collected at higher rate of interest (April 1997)

Due to downward trend in interest rate, retention of over subscription resulted in avoidable loss of interest of Rs.8.57 crore

The Company floated (April 1997) a bonds issue of Rs.150 crore for which permission for retention of over subscription upto Rs.25 crore was given by the State Government. State Government opined (April 1997) that as the interest rates were falling, it would be prudent to restrict collection of the amount to meet emergent expenditure. The Company, however, collected Rs.270.23 crore from this bond issue with committed liability for payment of interest at a rate of 17 *per cent*. In a subsequent issue of bond (December 1997), the Company collected Rs.215.34 crore with rate of interest of 14 *per cent*. As such, the retention of over subscription of Rs.95.23 crore in light of falling rate of interest was imprudent as the Company had to suffer loss of interest of Rs.8.57 crore. It was noticed in audit that Industrial Financial Corporation of India, one of the merchant bankers of this issue had recommended (February 1997) fixation of rate of interest between 15.5 and 16 *per cent*. Reasons for ignoring the recommendations were not on record. Consequent loss of interest worked to Rs.5.25 crore on Rs.175 crore, originally approved for collection. As some of the funds collected from this issue were not required immediately, these were invested to the tune of Rs.48 crore in short term deposits with four nationalised banks at a rate of interest of 7 *per cent* and Rs.14 crore at the rate of interest of 8 *per cent* in Gujarat State Financial Services Limited. This further resulted in loss of interest of Rs.87.73 lakh due to investment of these funds at lower rate of interest compared to higher interest payable on them.

2.3.5.2.5 *Imprudent borrowings (September 1999)*

For the year 1999-00, the Company projected a total outflow of Rs.2153.16 crore against expected inflow of fund of Rs.1227.81 crore and the shortfall of Rs.925.35 crore was to be met through borrowing. It was seen in audit that estimation was incorrect in as much as the expenditure on salary and wages was overstated by Rs.119 crore keeping in view expenditure incurred under this head during the previous year. Further, a provisional sum of Rs.300 crore was earmarked for redemption of bonds, which were floated in April 1997 by the Company. However, for redemption of these bonds, the Company issued fresh bonds in May 2000 and, as such, a sum of Rs.300 crore was not required to be provided in the above estimates of outflow. Hence, the shortfall between outflow and inflow worked out to Rs.506.35 crore against Rs.925.35 crore worked out by the Company. The Company issued (September 1999) bonds bearing face value of Rs.50,000 with rates of interest ranging between 12.25 *per cent* and 13.90 *per cent* and raised Rs.1064.22 crore including Rs.64.22 crore collected and retained as over subscription. Thus, the Company had collected Rs.557.87 crore more than the estimated expenditure. As the funds were not required immediately, an amount of Rs.1009.73 crore was deposited by the Company at rates of interest ranging between 6 and 9.5 *per cent* against higher rate of interest payable on the funds obtained from bond issue. Borrowing in excess of requirement and placing funds in short term deposits resulted in loss of Rs.11.12 crore.

Borrowing in excess of requirement and placing funds in short term deposits resulted in loss of Rs.11.12 crore

2.3.5.2.6 *Delay in transfer of funds*

For the collection of proceeds from bond issues, the Company opened bond issue application money account with four banks. No directions specifying the time period within which the transfer of fund was to be effected from these accounts to the operative account of the Company were, however, given to these banks. The Table below gives the details of the private placement (P.P.) bond issue, amount collected, delay in transfer of funds and consequential loss of interest. The aggregate loss of interest worked out to Rs.1.59 crore for delay in transfer of Rs.641.28 crore for period ranging between one and 98 days.

Delay in transfer of funds to the operative account resulted in avoidable loss of interest of Rs.1.59 crore

Particulars of issue	P.P.bonds 1997-98	P.P.bonds 1997	P.P.bonds 1998-99	P.P.bonds 2000-01	Total amount (Rupees in crore)
Month of issue	January 1998	April/May 1997	March 1999	June 2000	--
Size of issue (Rupees in crore)	276.97	270.23	332.33	268.99	--
Delay in days (considering four days' grace period)	3 to 76	1 to 24	28 to 98	3 to 8	--
Amount involved (Rupees in crore)	266.42	266.36	4.05	104.45	641.28
Rate of interest (in *per cent*)	14	17	15.5	12.35	--
Loss of interest (Rupees in crore)	0.40	0.86	0.15	0.18	1.59

The Company replied (July 2001) that it had no right to utilise the application money till the bonds were allotted. The reply is not tenable as the delay worked out above was on transfer of amounts on which bonds had already been allotted.

2.3.6 Deficiencies in system of transfer and distribution of funds

The Chief General Manager (Accounts) of the Company coordinates the transfer of funds from the resource branch account to the accounts maintained by the executing divisions/units. The Company was having number of current accounts with eight nationalised banks. Test check of record was carried out in audit and the deficiencies noticed in system of transfer of funds as well as balances lying idle in the current accounts in various banks are discussed below:

2.3.6.1 Simultaneous availing of cash credit as well as operation of current account

Inspite of huge balance in current account, cash credit was availed from same banks, which resulted in avoidable interest payments of Rs.14.26 crore

It was noticed in audit that five# banks, where the Company was operating cash credit facilities and maintaining current account simultaneously, had huge balances ranging between Rs.2.40 crore and Rs.212.66 crore lying unutilised in the current account during the period from April 1995 to January 1997. At the same time, the Company was availing cash credit facilities from the same branches of the banks despite having huge balances in the current account and consequently incurred interest expense of Rs.14.26 crore on avoidable cash credit at a rate of interest averaging 20 *per cent.*

2.3.6.2 Loss of interest on account of huge balances lying in current account

Retention of huge balances in current account resulted in loss of interest of Rs.1.5 crore

It was noticed in audit that six banks were having balances ranging between Rs.119.93 crore and Rs.243.04 crore lying unutilised in the current account during the period from June 1999 to August 1999. The State Government had directed the Company to deposit surplus funds with two State Government Companies (Gujarat State Financial Services Limited and Gujarat Industrial Investment Corporation Limited) who had come out with inter-corporate deposit schemes, which were fetching higher rate of interest. This facility extended by these two Companies was also available for short duration of 15 days. The Company ignored the directives of the Government and suffered loss of interest of Rs.1.5 crore on account of non-utilisation of above surplus funds lying in current account during June to August 1999.

The Company replied (July 2001) that the balance was required to be maintained in current account to meet the payments of urgent nature. The reply is not tenable as these balances were lying in current accounts after meeting all payments.

Bank of Baroda, State Bank of Saurashtra, Dena Bank, Punjab National Bank and Bank of India

2.3.6.3 Loss of interest on account of raising of loan

The State Government directed (April 2000) the Company to deposit Rs.100 crore in PLA to enable the Government to tide over the liquidity crisis. The Company raised (April 2000) this amount by obtaining a loan on a fixed deposit from Corporation Bank, Gandhinagar, for which an amount of Rs.21.37 lakh was paid as interest to the bank during April and May 2000. The Company has so far not taken up the matter with the State Government for reimbursement of loss suffered by them on account of payment of interest in raising the loan.

The Company replied (July 2001) that being a Government owned Company, the bonafide act of helping Government shall not be called in question. The reply is not tenable as this act of the Company is *ultra vires* its Articles and Memorandum of Association.

2.3.6.4 Interest loss on excess funds placed at the disposal of Collectors

With a view to reporting progress in acquisition of land to be submitted to the Hon'ble Supreme Court of India, the Company decided (September 1999) to acquire additional cultivable land for shifting of families affected by the project. Accordingly, the Company placed during January to December 2000 total funds of Rs.90.15 crore at the disposal of 14* Collectors. Due to improper assessment of requirement of fund, only an amount of Rs.25.43 crore was utilised (31 December 2000) by the District Collectors towards acquisition of land. An amount of Rs.47.50 crore was refunded to the Company during the period from July 2000 to March 2001 while Rs.16.38 crore continued to remain in the current account of the District Collectors.

Placement of funds at the disposal of Collectors far in excess of requirement resulted in loss of interest of Rs.3.18 crore

Six Collectors placed funds of Rs.21 crore in interest yielding accounts as short term deposits with a Government Company, however, eight Collectors** kept a total amount of Rs. 26.50 crore in current accounts operated by District Revenue Authorities. The Company, resultantly, suffered loss of interest of Rs.1.52 crore on Rs.26.50 crore locked up with the Collectors for period ranging between 60 and 298 days. The Company had also incurred a loss of interest of Rs.1.66 crore so far (March 2001) on locked up funds of Rs.16.38 crore remaining idle in the current accounts of the District Collectors.

The Company replied (July 2001) that since the work of acquisition of land was done by the Sardar Sarovar Punarvasavat Agency (SSPA), the matter was referred to them for collection of facts.

* Vadodara, Godhra, Narmada, Bharuch, Kheda, Ahmedabad, Gandhinagar, Rajkot, Surendranagar, Banaskantha, Mehsana, Patan, Navsari and Anand.

** Vadodara, Bharuch, Ahmedabad, Gandhinagar, Rajkot, Mehsana, Anand and Navsari.

2.3.7 Irregularities in collection of deposits accepted from public

The Company was also accepting deposits from the public to raise resources. The Table below gives the details of the opening balance of deposit, amount raised as deposits during the year, amount repaid and closing balance of deposits along with interest paid during the period 1995-96 to 1999-00.

(Rupees in crore)

Year	Opening balance	Deposits accepted during the year	Deposits repaid during the year	Closing balance	Interest paid during the year
1995-96	234.71	31.13	80.28	185.56	39.31
1996-97	193.88	64.99	116.76	142.11	29.56
1997-98	134.54	145.52	72.21	207.85	36.28
1998-99	208.84	232.65	125.76	315.73	23.89
1999-00	308.70	537.15	143.01	702.84	92.36

Belated transfer of funds resulted in avoidable loss of interest of Rs.0.48 crore

The deposit accepted from the general public by the brokers appointed by the Company were initially credited into the nominated branches of the banks and then transferred first to the nodal bank accounts and finally to the operative current accounts of the Company. It was noticed in audit that in the absence of parallel system of obtaining details of transactions from the Company`s brokers, the account books were written on the basis of bank statement. A test check of the transactions of four out of six nodal banks revealed that there was a delay ranging from one to nineteen days in the transfer of funds from nodal bank to the Company`s operative current account during 1997-98 and 1998-99 resulting in loss of interest of Rs.47.72 lakh. .

The Company replied (July 2001) that daily transfer of funds would result in reconciliation problems due to substantial volume of deposit collected. However, absence of parallel system for obtaining details of deposit on daily basis and delay in transferring the deposits had resulted in unintended benefits to the nodal banks.

The above matters were reported to Government in May 2001. The reply had not been received (October 2001).

Conclusion

The SSP was approved without outlining the sources of raising of funds and cost element towards borrowing. The Company borrowed in an *ad hoc* manner and cash flow was not worked out accurately. Non-receipt of share of funds due from the beneficiary States and non-realisation of expected revenue forced the Company to resort to market borrowings. The Company incurred avoidable interest charges as result of excess borrowing at higher rate of interest and retaining huge amount of borrowed funds in short term deposits. Availing cash credit despite

availability of sufficient funds in current accounts, excessive retention of funds in current accounts and delay in transfer of funds from nodal banks also resulted in payment of avoidable interest charges. The Company needs to take immediate steps to revise cost estimates of the project, plan and co-ordinate resources of funds in most economical manner and avoid unnecessary losses.

There was no rationale for forming a separate Company to execute the Project. This work should have been done through Department of the Government. There are no schemes for revenue generation for the Company and the Company's main activity would be generation of assets and managing liabilities.

Chapter - III

3. Review relating to Statutory corporation

Review on Fuel costs in Gujarat Electricity Board

Highlights

The per unit cost of thermal generation of the Board consisting of direct fuel cost, indirect fuel cost and fuel related losses increased 36.67 *per cent* from Re.0.90 per unit to Rs.1.23 per unit during 1995-96 to 1999-00 as against an increase of 21.98 *per cent* in Rajasthan State Electricity Board (RSEB).

(Paragraph 3.4.1)

The indirect fuel cost and fuel related losses, being important elements of the cost of thermal generation, constituted 12.03 to 19.66 *per cent* of the cost of thermal generation in case of the Board during the period 1995-96 to 1999-00 whereas these were as low as 2.59 to 9.16 *per cent* in RSEB.

(Paragraph 3.4.1.2)

The Board incurred avoidable expenditure of Rs.718.62 crore towards direct fuel cost during the period 1995-96 to 2000-01 on account of excess consumption of coal (Rs.567.42 crore), primary oil (Rs.59.99 crore) and secondary oil (Rs.91.21 crore).

(Paragraphs 3.5.1, 3.5.2 and 3.5.3)

The indirect fuel cost of the Board was higher owing to payment of freight prepayment commission at higher rates, redundant payment of bonus of Rs.10.72 crore to freight prepayment contractors, avoidable expenditure of Rs.4.61 crore due delay in finalisation of tender, excess payment of Rs.33.86 crore due to awarding of loading supervision and liaison contracts without proper rate analysis and invitation of public tenders and awarding of coal unloading contracts at varied rates even within the Board.

(Paragraphs 3.6, 3.6.1.1, 3.6.1.2, 3.6.2.1 and 3.6.3)

The per unit fuel related loss of the Board was between Re.0.12 to Re.0.20 per Kwh compared to Re.0.03 to Re.0.09 per Kwh in respect of RSEB owing to high transit losses and over estimating grade difference losses under the system of unilateral sampling.

(Paragraphs 3.7, 3.7.1 and 3.7.2)

3.1 Introduction

The installed capacity of Gujarat Electricity Board (the Board) as on 31 March 2001 was 4540 MW. Details of installed capacity and generation achieved by the various power stations of the Board, classified on the basis of fuel used, during the period 1999-00 and 2000-01 are given in *Annexure*-18.

It could be seen from the *Annexure* that thermal power stations account for 84 *per cent* of the installed capacity. Further, coal (3055 MW) and oil (534 MW) based power stations accounts for 67 *per cent* and 12 *per cent* of the installed capacity, respectively.

Coal used in the Power Stations (Ukai, Gandhinagar, Wanakbori and Sikka) is received mainly from South Eastern Coalfields Limited (SECL) and marginally from other subsidiaries of Coal India Limited (CIL). Similarly, lignite (Panandhro), Oil (Dhuvaran) and Gas (Dhuvaran and Utran) are received from Gujarat Mineral Development Corporation Limited (GMDC), Indian Oil Corporation Limited (IOC) and Gas Authority of India Limited (GAIL) respectively.

3.2 Organisational set-up

The Board has a Fuel Section at Head Office headed by a Chief Engineer, who reports to Member (Administration). The Fuel Section looks after the procurement and movement of fuel, payment to fuel suppliers, awarding of agency contracts, their payments, monitoring of grade difference and other claims with collieries and settlement thereof.

3.3 Scope of Audit

The review covers the results of audit conducted at all the six thermal power stations (coal, lignite and oil based) and one (Utran) out of two gas based power stations during the period between December 2000 and March 2001. The procurement, linkage, liaisoning, transportation, loading, unloading, quality and weighing of coal, lignite, oil and gas were covered in a test check of records pertaining to the period between April 1995 and March 2001.

3.4 Trends in fuel cost of thermal generation

The fuel cost of thermal generation has been classified by the Board in to three major components as under:

(i) Direct fuel cost (DFC): This included payment made to suppliers of coal, lignite and oil along with freight paid for transportation. In respect of coal, cost was restricted to the extent of quantity actually received and valued on the basis of the sampling done at unloading end. DFC ranged from 81 to 85 *per cent* of the fuel cost of thermal generation.

(ii) Indirect fuel cost (IFC): This consisted of expenses incurred indirectly in relation to procurement of coal and oil on account of commission paid to the agents and contractors for freight prepayment, loading and unloading of coal, demurrage charges *etc.* It ranged from 2 to 3 *per cent* of the fuel cost of thermal generation.

(iii) Fuel related losses (FRL): This consisted of transit losses, grade difference losses and loss in settlement of claims with railways representing the difference between the quality and quantity paid for and actually booked under the first component (*i.e.* direct fuel cost). It ranged from 13 to 17 *per cent* of fuel cost of thermal generation.

Element-wise details of fuel cost of thermal generation and total generation of the Board for a period of five years ending 31 March 2000 is given in *Annexure*-19. Details of fuel cost relating to thermal generation of Rajasthan State Electricity Board (RSEB) and the details of component wise per unit cost of thermal generation incurred by the Board and RSEB are given in *Annexure*-20. Comparative analysis of the trends in cost of thermal generation of the Board and RSEB for the last five years up to 1999-00 revealed the following:

3.4.1 High increase in per unit cost of thermal generation

Increase of 36.67 *per cent* in per unit cost of thermal generation between 1995-96 and 1999-00

The per unit (Kwh)* cost of thermal generation of the Board increased from Re. 0.90 during the year 1995-96 to Rs.1.23 during the year 1999-00. This increase of 36.67 *per cent* in cost of thermal generation was high considering that there was only an increase of 21.98 *per cent* in erstwhile RSEB during the same period. In the year 1999-00 the per unit cost of thermal generation of the Board decreased to Rs.1.23 *per* Kwh from Rs.1.25 per Kwh in 1998-99 due to reduction in grade slippage, opting for alternative fuel source and control of secondary oil consumption. The increase in per unit DFC and high proportion of IFC and FRL during the period 1995-96 to 1999-00 had contributed to the higher increase in the per unit cost of thermal generation as discussed below:

3.4.1.1 High increase in per unit direct fuel cost

The per unit DFC of the Board increased 42.11 *per cent* from Re.0.76 *per* Kwh in 1995-96 to Rs.1.08 *per* Kwh in 1999-00. In comparison, the per unit DFC increased 23.5 *per cent* in RSEB. Audit analysis revealed that factors like increased consumption of coal owing to reduction in quality and increased grade slippage, higher primary oil consumption, higher secondary oil consumption had contributed to the increase in per unit direct fuel cost as discussed in paragraphs 3.5.1 to 3.5.3 *(infra)*. With a reduction in grade slippage in 1999-00, the increase in per unit DFC was only 3.85 *per cent* during that year. Consequently, the per unit cost of thermal generation decreased in 1999-00 as discussed in paragraph 3.4.1 (*supra*).

* Unit is equal to kilowatt-hour (Kwh).

3.4.1.2 High per unit indirect fuel cost and losses

The fuel related expenses and losses of the Board constituted 12.03 to 19.66 *per cent* of the cost of thermal generation as against 2.59 to 9.16 *per cent* in case of RSEB

As it will appear from *Annexure*-20, the per unit IFC and FRL of the Board was much higher than RSEB. The Table below indicates the percentage the IFC and FRL of the Board and RSEB constituted of the different components of generation cost during 1995-96 to 1999-00:

SEBs	IFC+FRL to cost of thermal generation	IFC+FRL to direct fuel cost	IFC+FRL with prior period adjustment to direct fuel cost	IFC+FRL to total cost of generation
	(Range in *per cent*)			
Gujarat	12.03 to 19.66	13.67 to 24.47	13.67 to 25.69	11.47 to 18.77
Rajasthan	2.59 to 9.16	2.66 to 10.09	Negative to 8.33	2.48 to 8.88

The reasons for unduly high expenditure in case of the Board on these accounts like excess payment of commission on freight prepayment contracts and loading supervision contracts, variance in rates of unloading contracts, higher booking of grade difference losses *etc.* are discussed in detail *vide* paragraphs 3.6 and 3.7 (*infra*). For the year 1999-00 the per unit IFC of the Board was at the same level as in 1998-99 though grade slippage substantially reduced with the reintroduction of joint sampling. The per unit FRL reduced from Re.0.18 *per* Kwh in 1998-99 to Re.0.12 *per* Kwh in 1999-00.

3.5 Direct fuel cost

Direct fuel cost of the Board (*Serial Number 1 of Annexure*-19) which consisted of cost of coal, secondary oil, lignite and freight, increased by 41.77 *per cent* from Rs.1598.50 crore in 1995-96 to Rs.2266.13 crore in 1999-00. The reasons for this increase over and above the normal escalation in coal, oil and freight cost are discussed below:

3.5.1 Excess consumption of coal due to reduction in calorific value

Due to reduction in calorific value 38.21 lakh MT of excess coal valuing Rs.567.42 crore was consumed during 1995-96 to 1999-00

The details of average calorific value of coal received, coal factor and generation achieved by the four coal based power stations during the period 1995-96 to 1999-00 are given in *Annexure*-21. It would be seen therefrom that the average calorific value of the coal received declined in all the four power stations. Due to poor calorific value of coal received, the Board consumed more fuel and, considering the coal factor of 1995-96 as the base, the excess consumption of coal (as worked out in the *Annexure*) was 38.21 lakh MT valued at Rs.567.42 crore in terms of the average rate of 1995-96. The Board in its reply (July 2001) had worked out an excess coal consumption of 37.18 lakh MT due to considering increase in the average coal factor for the Board as a whole. In RSEB, this excess coal consumption did not exist as coal factor had reduced over the last five years. The decrease in calorific value of coal was due to decline in linkage from superior coalfield and abnormal grade slippage in coal as discussed below:

3.5.1.1 Decline in linkage from superior coalfield

Allocation and receipt from superior Korea Rewa fields decreased from 65 *per cent* to 27 *per cent* during 1995-96 to 2000-01

During the period between 1995-96 and 1999-00, bulk of the requirement to the extent of 95 *per cent* of the four coal based power stations was met from the collieries of Korea Rewa field and Korba mainline field of SECL. It was seen in audit that the average calorific value of coal received from Korba mainline field was 53 *per cent* lower than the average calorific value of coal received from Korea Rewa field. As the Korba mainline field was at a longer distance, the Board was also incurring higher freight charges ranging between Rs.205 and Rs.99 per MT compared to transportation of coal from Korea Rewa field. The Board, during the period between 1995-96 and 1999-00 had received 259.55 lakh MT coal from Korba mainline field and 324.59 lakh MT of coal from Korea Rewa field. Allocation and receipt from Korea Rewa field declined from 65 *per cent* of the total receipt to 39 *per cent* during the period 1995-96 to 1999-00 while the allocation and receipt from Korba mainline field increased from 32 *per cent* to 57 *per cent* of the total receipt during the same period. During the year 2000-01 the allocation and receipt from Korea Rewa further decreased to 27 *per cent* and Korba mainline increased to 73 *per cent.*

Inspite of poor calorific value and higher transportation cost, the Board did not take adequate and effective steps to ensure higher linkages from superior coal fields or opt for alternative fuel sources. Audit analysis revealed that the Board had managed to obtain sanction of high quality coal from Western Coalfields Limited (WCL) for its Ukai plant in the second half of 1999-00. This led to a reduction in the transportation cost and improvement in the quality of coal for Ukai TPS. The Board itself admitted that this resulted in a decrease in the cost of generation of Ukai plant by Rs.2.5 crore per month. From 2000-01, the Board went in for imported coal and there by reduced its coal factor to around 0.61 to 0.69 kg *per* Kwh in 2000-01 against 0.69 to 0.72 kg *per* Kwh in 1999-00. In light of the reduction in allocation of superior quality coal during the period 1995-96 to 1999-00, if the Board had adopted the above alternative measures earlier, the increase in coal consumption could have been curtailed.

3.5.1.2 Abnormal grade slippage from superior coal fields

The Korea Rewa field was billing major portion of its dispatch during the period 1995-96 to 1999-00, as superior grade 'A', 'B' and 'C'. The Board up to March 1999 on the basis of its own unilateral sampling determined the receipt of coal from Korea Rewa field to be of 'D' and 'E' grade. With the reintroduction of Joint sampling in April 1999, the percentage of superior coal received, showed a marked improvement in 1999-00 and 2000-01. The details of the quality of coal billed and the quality declared to be received by the Board for the six-year period up to March 2001 is given in *Annexure*-22. It was observed in audit that Kota power station of RSEB, which was linked to the Korea Rewa field, was in receipt of calorific value of coal which ranged between 4421 kcal *per* Kg to 4723 Kcal *per* Kg. during the period 1995-96 to 1998-99, and reporting a coal factor of 0.60 to 0.66 Kg *per* Kwh. While Sikka power station of the Board, which was also fully linked to the Korea Rewa field during the same period, was reporting calorific value of coal received as ranging between 3347 Kcal *per* Kg. to 4012 Kcal *per* Kg. and a coal factor of 0.64 to 0.73 Kg *per* Kwh. The Board did not investigate the reasons for significant variations between the quality of coal billed and the quality ascertained by Board during unilateral sampling. It was observed in audit that the Board re-commenced (April 1999) joint sampling at both loading and unloading points and, thereby, the average calorific value of the coal received for the same power station from Korea Rewa field increased to 3981 Kcal *per* Kg. during the year 1999-00 against 3347 Kcal *per* Kg. in 1998-99. The reasons for poor calorific value prior to commencement of joint sampling had not been investigated by the Board. It was further observed in audit that understatement of calorific value was used to justify consumption of increased quantity of coal. The Board in reply admitted (July 2001) its overstatement of grade slippage under unilateral sampling as being around 31 *per cent* as against the actual grade slippage of around 9 to 10 *per cent*. Also that the actual calorific value of Korea Rewa coal would have been around 4365 Kcal *per* Kg. to 5233 Kcal *per* Kg. against the reported figure of 3347 Kcal *per* Kg to 4012 Kcal *per* Kg during the period from 1995-96 to 1998-99.

Audit analysis revealed that if the Sikka power plant had received the calorific value as admitted, then at the reported heat rate of 2529 Kcal *per* Kwh (*i.e.* efficiency of 34 *per cent*), the coal factor of Sikka plant should have been 0.58 Kg *per* Kwh even if the calorific value of coal had been the lowest admitted figure of 4365 Kcal *per* Kg. Consequently, the ideal consumption of coal during 1995-96 to 1999-00 in respect of Sikka plant should have been 35,74,389 MT against the actual coal consumption of 40,61,416 MT. The erroneous unilateral sampling had thus justified additional consumption in respect of Sikka plant to the extent of 4,87,027 MT. Other Power Stations had also received some amount of coal from Korea Rewa fields. Here also the grade slippage had been overstated to justify excess consumption, which was, however, not separately identifiable due to presence of Korba mainline coal also.

3.5.2 *Excess consumption of primary fuel oil (RFO/LSHS*)*

The Board incurred an additional expenditure of Rs.59.99 crore due to non-maintenance of primary oil factor

The Dhruvaran TPS of the Board uses RFO as primary fuel and its fuel factor** was determined to be 0.244 Kg *per* Kwh at the time of setting up of the plant. It was seen in Audit that plant was unable to maintain the designed fuel factor and during the period 1995-96 to 1999-00 consumed 45905 MT of RFO in excess valued at Rs.21.08 crore even taking the fuel factor of 1995-96 as the base. The reasons for excess consumption of RFO was attributable to deterioration in the plant owing to completion of life as a result of which efficiency of the working of key equipment had reduced. During the year 2000-01 the excess consumption of RFO was 82250 MT valued at Rs.38.91 crore.

* RFO: Residual Furnace Oil and LSHS: Low Sulphar Heavy Stock

** Amount of fuel required for generation of one kwh of electricity.

3.5.3 Excess consumption of secondary fuel RFO/LSHS in comparison with norms

The Board incurred an additional expenditure of Rs.91.21 crore due to consumption of the secondary oil above norms

The details of norms of consumption of RFO as laid down by Central Electricity Authority (CEA) for the four coal based power stations are given in *Annexure*-23. Compared to the norms fixed by CEA, the Board consumed in aggregate an excess of 1.54 lakh MT of RFO during the period 1995-96 to 1999-00 leading to net avoidable extra expenditure of Rs.91.21 crore.

The Board replied (July 2001) that the higher consumption of secondary oil was due to abnormal conditions of the plant during certain times necessitating oil support, forced outages, ageing of the plants and reduction in calorific value of coal. The Board's reply is not acceptable as the norms had been fixed by CEA after considering all these aspects. The Board's own power station at Wanakbori had been able to achieve secondary oil consumption much below norms by controlling all the above factors since 1997-98. In 1999-00 all the plants except Gandhinagar were consuming secondary oil much below the norms and during 2000-01 all the four TPS consumed secondary oil much below the laid down norms of CEA. The Board in its reply has worked out an excess expenditure of Rs.56.07 crore against the figure of Rs.91.21 crore worked out by Audit. The excess expenditure worked out by Audit was based on the actual quantity charged as consumption in accounts and not on the figure reported by the generation department of the Board. The reasons for non-reconciliation of figures of both the departments of the Board were not on record.

3.5.4 Cost of gas procurement

The cost of gas procurement of the Board increased by 7.58 *per cent* from Rs.10291 lakh in 1995-96 to Rs.11071 lakh in 1999-00. It was noticed in audit that the Board had to incur extra expenditure in procurement of gas from GAIL as discussed hereunder:

3.5.4.1 Avoidable expenditure due to non-drawal of gas

Infructuous expenditure of Rs.3.29 crore due to non-drawal of minimum guaranteed off take

The Board contracted (December 1992) for a quantity of 7 lakh standard cubic meter per day (scmd) of gas from GAIL for its Utran gas based power station. As per the terms of contract, the Board was required to make payment for minimum guaranteed off take, fixed at 80 *per cent* of the monthly contracted quantity. Contracted quantity was reduced (April 1999) by GAIL to 6.81 lakh scmd and further reduced (February 2000) to 4.5 lakh scmd. The Board failed to draw even the minimum guaranteed quantity of gas due to improper planning, lack of preventive maintenance and unplanned shut down. Consequently, infructuous expenditure of Rs.3.29 crore was incurred on 2167.71 lakh scm of minimum guaranteed gas not utilised during April 1996 to January 2000.

The Board replied (July 2001) that the non-drawal of gas was owing to forced outages.

3.6 Indirect fuel cost

Details of the expenditure incurred on indirect fuel cost (IFC) pertaining to procurement of fuel are given in *Annexure*-24. It would be seen from the *Annexure* that the main expenditure under this head was on account of commission paid to the agents (included under row 4 and 5 of *Annexure*-24) who were appointed for freight prepayment and for liaison and supervision of coal linkage and loading. During the period 1995-96 to 1999-00 an expenditure of Rs.230.19 crore was incurred on the commission paid to various agents. Of this amount, 70 *per cent* of the payment was made to two firms *viz.*, M/s. Karamchand C. Thapar, a Mumbai based firm and M/s. Indian Coal Agency, a Kolkatta based firm. During the year 2000-01, Rs.21.75 crore was paid as freight prepayment commission (up to March 2001) and Rs.12.36 crore as loading supervision charges (up to November 2000), of which nearly 92 *per cent* was paid to the above two firms. The Board did not have any system of open tendering for selection of agents prior to July 2000 and the contracts continued to be awarded to these two firms on the basis of limited tender or without tenders.

As it will appear from *Annexure* 20, the per unit IFC of the Board was Rs.0.02 to 0.03 *per* Kwh as against nil to 0.003 *per* Kwh in RSEB. Audit scrutiny of the indirect fuel cost incurred by the Board revealed the areas wherein the Board could have affected economy as discussed in succeeding paragraphs.

3.6.1 Excess payment of commission on freight prepayment contracts

Railways levied surcharge of 5 *per cent* (increased to 15 *per cent* from January 1995) in case freight for the coal to be transported in rakes was not paid in advance at the time of dispatch from the colliery. In order to ensure advance prepayment of freight, the Board started (March 1990) the practice of appointing agents to prepay freight at the railway sidings. During the period 1995-96 to 1999-00 the Board paid a total amount of Rs.129.76 crore as commission to the contractors on account of freight prepayment besides bonus of Rs.10.72 crore. During the period 2000-01 freight prepayment commission paid was Rs.21.75 crore. The bonus clause was, however, removed from July 2000 with the introduction of open tendering for selection of contractors. In this regard, following audit observations are made:

3.6.1.1 Award of freight prepayment contract without considering other alternatives

Though the system of appointing agents for ensuring freight prepayment to railways came into existence from March 1990, a detailed proposal with scrutiny of other alternatives available to the Board for avoiding surcharge was never put up to the Board of Directors. Limited tenders for freight prepayment were invited and also finalised based on authority delegated by the Board. As per the terms of the contract for freight prepayment, a credit period of 10 to 12 days was made available to the Board for reimbursement of the freight to the agents who on behalf of the Board had prepaid the freight at the colliery end. During the period 1995-96 to 1999-00 the rates of commission paid to agents ranged from 1.91 to 2.70 *per cent,* for a credit period of 10 to 12 days allowed to the Board. This amounted to an annual rate of interest of 45.8 to 64.8 *per cent* which was much higher than the prevalent cash credit rate of 16 to 18 *per cent per annum* during that period. It was only in July 2001 that freight prepayment contracts were finalised based on public tenders and the commission rates got reduced to 1.64 to 2.07 *per cent* for a 10 to 12 days credit *i.e.* an annual rate of interest of 39.4 to 49.7 *per cent*. As a result of not considering other viable alternatives for avoiding surcharge like the railway advance deposit system or direct payment of freight by the Board at colliery end or inviting public tenders, the Board had lost opportunity during the period under review to reduce its expenses on this count or to get competitive rates.

3.6.1.2 Redundant payment of bonus

The freight prepayment contractors were appointed by the Board only to ensure that the freight was prepaid at the colliery end before dispatch of coal, so that surcharge of 15 *per cent* was not levied by the Railways. Nevertheless, the contracts awarded for freight prepayment by the Board entitled the contractors to a bonus if more than 90 *per cent* of rakes were prepaid at the colliery end. During the period 1995-96 to 1999-00, the Board, over and above the freight prepayment commission paid a bonus of Rs.10.72 crore. As the contract itself was for prepayment of freight, the bonus clause was improper and resulted in an avoidable expenditure. As a result of not insisting on full prepayment, the Board had also to pay surcharge of Rs.18.28 crore during the above period.

The Board replied (July 2001) that the bonus clause was introduced to compensate agents for delay in payments. Board's reply is not acceptable as an interest clause existed to compensate agents for the delay in receiving payments. Further, the bonus clause had been removed with the introduction of open tenders in July 2000.

3.6.1.3 Delay in finalisation of tender

Timely finalisation of tender could have effected saving of Rs.4.61 crore

The Board directed (April 1998) that public tender for freight prepayment contract should be invited within a period of two months. The tender was floated (July 1999), finalised (June 2000) and came into effect (July 2000). During the intervening period (April 1998 to July 2000) the Board continued to pay commission on the previous contracted rates, which ranged between 1.91 to 2.41 *per cent* of the freight. In comparison, commission amount ranged between 1.64 to 2.07 *per cent* as per the open tender rates. Delay in finalisation of tender and payment of commission at higher rates resulted in avoidable expenditure of Rs.4.61 crore.

The Board in its reply (July 2001) did not state any reason for the delay of over one-year in invitation of tender, but the delay subsequent to the invitation of tender was attributed to election protocol and clarifications sought by consultants appointed for the purpose. However, the fact remains that the Board failed to finalise tenders in time, which resulted in avoidable expenditure.

3.6.2 *Huge expenditure incurred on payment of liaison and loading supervision contracts*

The Board commenced (March 1980) practice of awarding contracts to the agents for liaisoning with collieries mainly to ensure full supply of linked quantities, providing information about dispatches made to relevant power stations, coordinating with the railways for availability of wagons etc. In May 1991, the Board entered into separate contracts for loading supervision mainly to supervise the loading of coal upto full carrying capacity of wagon at colliery end and escorting of rakes over vulnerable areas so as to minimise payment of idle freight and transit loss, respectively. It was observed in audit that the liaison contracts already had a clause for supervising loading of coal up to full carrying capacity and minimisation of transit loss, nevertheless, instead of enforcing these clauses, separate contracts for loading supervision were entered into. The Board incurred expenditure of Rs.65.64 crore during the period 1995-96 to 1999-00 towards payment to these contractors on both the contracts. Of this amount, Rs.61.04 crore was paid to M/s. Karamchand C. Thapar, Mumbai and M/s. Indian Coal Agency, Kolkatta. For the period April 2000 to November 2000 loading supervision contractors had been paid Rs.12.36 crore of which Rs.11.55 crore had been paid to the above two firms. Audit scrutiny of the contracts revealed the following:

3.6.2.1 *Absence of rate analysis in awarding the loading supervision contract*

These contracts were entered into by the Board mainly to ensure that the wagons are filled to the capacity of 58 MT (carrying capacity) so as to avoid payment of idle freight. The contract awarded (May 1991) initially had a clause for payment of remuneration of Rs.2 per MT for total quantity of coal received if average wagon weight was above 49 MT. This was revised (November 1994) to Rs.2 per MT for total quantity of coal received in excess of 50.50 MT per wagon up to 55 MT per wagon, and an incentive of Rs.140 per MT for additional quantity above 55 MT per wagon. As public tenders were not invited, resultantly, competitive rates could not be ensured. It was seen in audit that the combined loading supervision and liaison contracts entered by MSEB with the same firm for coal to be received from SECL had much lower rates and a specific clause for deduction of penalty if average wagon weight was below 54/55 MT. An exercise in audit was carried out considering 630.16 lakh MT of coal, which was received by the Board during the period 1995-96 to 1999-00, by applying the rates of contract entered by MSEB. It was seen that the Board paid an excess amount of Rs.33.86 crore taking into account the scope of work as specified in MSEB contract.

Board paid an excess amount of Rs.33.86 crore on liaison and loading supervision contracts due to absence of rate analysis

The Board replied that considering the higher distance from collieries to power stations in case of Gujarat as compared to Maharashtra, the additional expenditure incurred on loading supervision contracts was reasonable. Reply is not acceptable, as Board had never invited tenders for the contracts so as to ensure that best rates were obtained. Public tenders were invited only in July 1999 and opened in May 2000 and the lowest rates received for the above contracts was Rs.6.81 per MT for an average wagon weight of 58 MT. This rate was much lower than the average rate of Rs.9.52 to 12.22 per MT, which the Board paid during 1995-96 to 1999-00, and even the rate of MSEB of Rs.7 per MT based on which the above overstatement was calculated. This tender was scrapped (June 2000) due to some dispute regarding interpretation of tender clause and it was decided to invite fresh tenders. However, fresh tender has not been invited so far (September 2001) and work was getting executed at the higher rates from the existing firms.

3.6.2.2 Imprudent continuance of coal liaison contract

Timely cancellation of liaison contracts could have saved the Board Rs.0.96 crore

The objective of the Board for having contracts since 1980 for the liaison of coal linkage was to ensure full supply of sanctioned linkages of the quality billed. Due to amendments made (June 1988 and October 1993) in the contract by the Board, the clauses to ensure quality and supply of sanctioned linkages were diluted to the extent that a remuneration of 45 *paise* per MT became payable even for the lowest quality of coal received by the Board. From August 1998, the materialisation of linkage was no longer a difficulty and, hence, specific proposal was moved (August 1998) to the Board by Fuel Section for discontinuance of these contracts. The Board, however, continued these contracts and consequently incurred an infructuous expenditure of Rs.96.49 lakh during the period between August 1998 and March 2000.

The Board replied (July 2001) that the matter was *sub judice* as there was a court case pending against the existing contract, hence, the same could not be scrapped. The reply is not acceptable as the Court in its order of 17 July 1997 had clearly stated that if the petition was not disposed off by December 1997, the Board was at liberty to adopt other methods open to it in accordance with law and the Board was fully aware of the Court's order. In fact the Board had even gone in for public tendering in July 1999.

3.6.2.3 Defective provision of payment of incentive on higher loading

The Railways levy penalty if the wagon weight is above 62 MT. The contract for loading supervision provided for payment of incentive for loading in excess of 55 MT without an upper limit in line with ceiling for penalty specified by railways on account of over loading. The agents were, therefore, allowed payment of incentive on the one hand, while, the liability on account of penalty paid to the railways for over loading rested with the Board.

The Board paid overloading penalty of Rs.21.54 crore during 1995-96 to 2000-01 due to lacunae in the contract

Consequently, the Board paid penalty of Rs.14.69 crore during the period January 1995 to January 2000 and Rs.6.85 crore during the period February 2000 and March 2001. The matter was also reported *vide* paragraph no.3.11.2 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2000 (Commercial) – Government of Gujarat. The Board stated (July 2001) that though not provided in the existing contract, it was deducting 10 *per cent* of overloading penalty from contractor's remuneration from October 1998. The deduction was done at the instance of Audit. Further, the Board was bearing 90 *per cent* of the overloading penalty and at the same time paying bonus to the contractor. Moreover, overloading penalty increased from Rs.5.41 crore in 1998-99 to Rs.6.46 crore in 1999-00 and was Rs.6.19 crore in 2000-01.

3.6.3 Excess payment of coal unloading charges

The Board entered into separate contracts for unloading of coal and for picking of stones from coal, which was awarded to contractors locally by different power stations. It was seen in audit that though the Head Office approved the tenders for these works, the rates at which these contracts were awarded varied from one power station to the other. For the years 1995-96 to 1999-00 these rates ranged between Rs.3.27 to Rs.6.57 per MT for Ukai TPS and Rs.1.16 to Rs.2.1 per MT for Sikka TPS. Even for the year 2000-01 the unloading charges per MT was Rs.3.10 for Wanakbori, Rs.1.46 for Sikka and Rs.5.67 for Ukai. Eventhough the scope of the work for these contracts remained the same, which included apart from unloading of coal, picking of stones, poking of hoppers, picking of iron scrap, unloading of LDO/LSHS *etc.*, there existed a marked variation in the rates negotiated by the different power stations as detailed in *Annexure* 25. A comparative study in audit revealed that the Board incurred high expenditure on coal unloading charges when compared with neighbouring RSEB, wherein the per MT rates ranged from Rs.1.27 to Rs.1.93 during the period 1995-96 to 1999-00.

The Board stated (July 2001) that differences in site conditions, length of conveyor belt, prevailing labour conditions *etc.*, had contributed to the difference in rates. Reply is very general, as Board had not attempted to analyse and pin point the specific factors that had led to such variations in rates among different power stations. Further, the fact that the rates in Gujarat were higher than RSEB emphasised the requirement of inviting common tenders for all TPS, so as to get better rates and eliminate unnecessary variations between power stations.

3.7 Fuel related losses

Fuel related losses comprise transit loss, grade difference loss in allotted wagons and grade difference loss on account of missing wagons. The element-wise fuel related losses booked by the Board is given below:

(Rupees in crore)

Fuel related losses	1995-96	1996-97	1997-98	1998-99	1999-00
Transit loss	93.87	78.32	114.63	89.58	108.52
Loss in settlement of railway claim	23.97	32.07	53.22	43.88	23.15
Difference in grade of coal	141.25	280.97	273.13	246.18	107.34
Total	**259.09**	**391.36**	**440.98**	**379.64**	**239.01**

It would be seen from *Annexure* 20 that the per unit fuel related loss of the Board during the period 1995-96 to 1999-00 (Re.0.12 to Re.0.20 *per* Kwh) was very much higher compared with the neighbouring RSEB (Re.0.03 to Re.0.09 *per* Kwh). Reasons for the higher fuel related losses booked by the Board are discussed below:

3.7.1 Transit loss

Transit loss booked by the Board represents difference between the weight reported in railway receipt (RR) and the actual quantity of coal received at the power stations termed as the TL-I loss and the difference between the invoice weight and the RR weight termed as TL-II loss. Transit loss is not reimbursed either by collieries or by Railways, hence, is written off every year from the books of accounts. The percentage of transit loss to purchase in respect of the Board during the period 1995-96 to 1999-00 was 5.6, 5.08, 5.68, 5.88 and 4.26, respectively.

Audit analysis, revealed that absence of stringent contractual terms in the loading supervision contracts had contributed to the higher transit loss in Gujarat as discussed in paragraph 3.6.2.1 (*supra).* The Board was paying a remuneration of Rs.2 per MT of coal received to the loading supervision contractors even if average wagon weight was only 50.5 MT, whereas, in MSEB the loading supervision contractors had to ensure minimum 54/55 MT of average wagon weight even to earn a part of the total entitled remuneration. There was also a penalty clause in MSEB contract, if average wagon weight was below 54/55 MT which was absent in case of the Board.

The Board replied (July 2001) that stringent conditions had been introduced in the public tender of 1999, which had subsequently been scrapped.

3.7.2 Huge losses on account of grade difference

The difference in the quality of coal received by the Board as compared to the quality billed was termed as grade difference loss. In order to determine the quality of coal received at the power stations, method of joint sampling with representative of collieries was in operation at both loading and unloading end up till 14 March 1993 when joint sampling was dispensed with unilaterally by the collieries. From 15 March 1993, the Board started the practice of unilateral sampling at the unloading end and determined the grade difference losses for the period 15 March 1993 to 31 March 1999 as being 18.2 *per cent* to 31.5 *per cent* of the billed amount. Claims were raised for the losses written off in the books, but were kept out of accounts. For the claims raised up to May 1995, the Board accepted (November 2000) a settlement of 4.22 *per cent* of the billed amount against 18.2 *per cent* raised as claim. The Board admitted (November 2000) that its unilateral sampling was defective resulting in under valuation of coal quality and overstatement of grade difference losses. During the similar period, it was seen in audit that MSEB, RSEB, MPSEB* were raising/settling claims ranging between 4.7 *per cent* to 7.26 *per cent* of the billed amount on account of grade difference.

* Madhya Pradesh State Electricity Board

The Board had understated coal quality under unilateral sampling, which had the effect of over stating grade difference losses and justifying excess consumption of coal

Based on its defective unilateral sampling, the Board started 1995-96 to withhold coal bills against the claims raised by them. As on 31 March 2000, the Board had raised claims of Rs.899.27 crore for the period 1995-96 to 1998-99 against collieries and had withheld an amount of Rs.692.29 crore towards coal bills raised by collieries. The Arbitrator, appointed as per terms of agreement between the Board and collieries, awarded (March 1998) that the Board was liable to make payment of interest for the overdue amount of bills raised by collieries. The collieries had demanded an interest of Rs.149.58 crore for the period upto March 1995 and Rs.146.20 crore for the remaining period upto December 1997 though the Board had not paid any amount there against.

The Board replied (July 2001) that grade difference losses were booked on higher side under unilateral sampling due to overstatement of grade slippage, however, these losses were reduced with the reintroduction of joint sampling in April 1999. Reply did not, however, state whether the consequences of such under statement of calorific value had been investigated and also the payment made till date towards interest on coal bills.

3.7.3 Increasing trend in missing wagons and loss in settlement of railway claims

The Board raised claims with railways for missing wagons and with the concurrence of the railways set it off against diverted wagons belonging to other customers received by the Board. At the end of the year the difference between the quality of coal in the missing wagons and the diverted wagons was booked as loss in settlement of railway claims, since, neither the railways nor the collieries paid this amount. During the period 1995-96 to 1999-00 aggregate loss of Rs.176.29 crore on account of 1,62,415 missing wagons was booked as loss in settlement of railway claim.

It was seen in audit that minimisation of diversion of rakes in the contracts for loading supervision, was the specific responsibility of contractors. This provision of contract, however, remained ineffective, as there was no penalty clause for enforcing the specific responsibility.

The Board replied (July 2001), that as a result of efforts made, missing wagons had reduced during 1998-99 and 1999-00. Nevertheless no responsibility was fixed and the missing wagons had again increased to 49136 during 2000-01 from 30842 in 1995-96 and an amount of Rs.24.08 crore had been written off as loss in settlement of Railway claims.

3.7.4 Loss on account of rejected coal

During the period between 1995-96 and 1999-00 the Board booked Rs.51.73 crore as loss on account of rejected coal* being the difference between the cost paid for rejected coal and value realised therefrom. The only way to minimise this loss was to ensure immediate sale of rejected coal at the best possible

* Reject coal –Reject coal means uncrushed unburned coal, shale / stones and some extraneous matter rejected from the bowl mills.

rates. As on 31 March 2000, the Board had 1,26,285 MT quantity of reject coal in stock with a book value of Rs.8.86 crore. Out of this, the stock lying at Wanakbori TPS of 98,327 MT valuing Rs.6.95 crore was 6 to 7 years old and had been reduced to a non usable state. Adequate and effective steps to ensure realisation of the sale proceeds of rejected coal had not been taken by the Board leading to avoidable deterioration in quality and loss of value. On being pointed the Board replied (July 2001) that the delay was owing to litigation and selected parties not performing their contracts. Reply is not acceptable, as Board had also contributed to the delay by refusing the L-1 offer of a firm only because they had asked for a reduction in security deposit and adjustment of ground rent there against. The subsequent tenderers were allowed all the demanded concessions yet they did not perform the contract. As admitted by the power station itself, after lapse of 7 years the quality of coal had become useless.

3.7.5 Receipt of stones and shale

The Board had awarded separate contracts for stone picking from January 1997 only. During the period from January 1997 to March 2000, the Board had made payment of Rs.2.42 crore to stone picking contractors for removal of 2.41 lakh MT of stones and had raised claims of Rs.51.43 crore against collieries based on coal cost paid. The admissibility of these claims is still awaited (July 2001). During the year 2000-01, 0.52 lakh MT of stones were picked for which a payment of Rs.1.44 crore was made. It was observed in audit that penalty for receipt of stones existed only in the liaison contracts and not in the loading supervision contracts which carried a much higher remuneration. Consequently, the maximum penalty that the Board was deducting was 5 *paise* per MT of coal received against an expenditure of Rs.1485 to Rs.1798 per MT it was incurring on such stones in the form of payment to collieries.

The matter was reported to the Government in May 2001. The reply had not been received (October 2001).

Conclusion

The per unit cost of thermal generation in the Board had shown a rising trend on account of increased expenditure on direct fuel cost, indirect fuel cost and losses booked due to quantity lost in transit and excess consumption of coal. The Board had not investigated the reasons for receipt of poor quality of coal, which hitherto, was taken to be the basis for justification of increased consumption of coal. The consumption of secondary fuel by the Board in many years was much higher than what was specified by Central Electricity Authority. The Board had so far not devised method to achieve greater degree of efficiency and economy in controlling the indirect expenses incurred on procurement of fuel. The practice of appointing agents for prepayment of freight without rate analysis requires justification. Awarding contracts for loading supervision and liaison requires thorough examination as deficiencies like higher

rates of remuneration for lower performance and absence of penalty clauses existed in the contract. The admitted overstatement of grade difference losses needs to be investigated.

CHAPTER IV

Miscellaneous topics of interest relating to Government companies and Statutory corporations

A. GOVERNMENT COMPANIES

4.1 Gujarat Small Industries Corporation Limited

4.1.1 Undue favour to a consultant

The Company made an extra payment of Rs.0.25 crore due to unjustifiable payment to a consultant.

The Company, in order to repay its short term borrowings, decided (March 1997) to raise funds to the tune of Rs.25 crore with a right to retain 100 *per cent* excess subscription, through issue of 16 *per cent* unsecured non-convertible bonds (bonds) on private placement basis. The bonds were redeemable at the end of 17 months and 29 days. M/s.Lyons Merchandise Limited, Ahmedabad (Firm `L') was appointed (April 1997) as consultant to manage the issue of bonds. The Company, after completion of necessary formalities for increasing its borrowing power and after obtaining the State Government approval, issued bonds in October 1997. The allotment of bonds to the tune of Rs.50 crore was made in December 1997.

Scrutiny of records in audit revealed the following:

1. The Company selectively called for offers from four firms to manage their issue of bonds. Firm `L' was selected to serve at a syndication fees of 1.5 *per cent* on the amount syndicated*, ignoring the offer of remaining three firms, of which the rate of syndication fee of two firms (M/s Interface Financial Services Limited, Ahmedabad and M/s Anagram Securities Limited, Ahmedabad) was the same as quoted by Firm `L'.

2. The syndication fee of 1.5 *per cent* was increased to 2 *per cent* by the Company on a request made (October 1997) by the Firm `L' on the ground that it had to face stiff competition in the market for mobilising the funds. It was observed in audit that the hike in the fee amounting to Rs.25 lakh (*i.e.* 0.5 *per cent* on Rs.50 crore) was not justifiable because such market trends were normal and incidental to the business. Further, the State Government gave a specific permission in November 1997 to Co-operative Banks, who were identified by the Company as the main and

Syndication fee was increased from 1.5 *per cent* to 2 *per cent* on the request of the consultant without any justification

* Funds arranged through the merchandise services of agency appointed for the purpose.

potential investors, to invest their surplus funds upto 10 *per cent* of their deposits in bonds of the Company.

The Company replied (June 2001) that Firm "L" had demanded the hike in the fee after it carried out major portion of its work and hence the Company was left with no option other than to accept its demand. The Government (August 2001) while endorsing the reply of the Company, further stated that Firm `L' was appointed as consultant as the terms offered by it were reasonable and suited to the needs of the Company. The reply is not tenable as the hike allowed was unwarranted considering that the same was not provided in terms of appointment of Firm `L'. Besides, the records did not indicate that any exercise for comparative evaluation of all the offers received was carried out by the Company before selection of Firm `L'.

Thus, the Company made an unjustifiable payment of Rs.25 lakh on account of the hike allowed in syndication fee.

4.2 Gujarat Mineral Development Corporation Limited

4.2.1 Avoidable payment of energy charges

The Company made avoidable payment of energy charges of Rs.0.19 crore due to non-installation of separate meter for lighting consumption.

The Company had been availing power supply from Gujarat Electricity Board (the Board) under high tension (HT) connection for its lignite mining project at Rajpardi. The billing for power supply was made by the Board under HTP-I Tariff. The Board required the HT consumers to install a separate meter for recording the consumption of energy for lighting purpose. In the absence of installation of separate meter, the consumer was to be billed under higher rate instead of cheaper bulk rate applicable under HTP-I Tariff for the entire power consumption after allowing 10 *per cent* of the total consumption for lighting purpose under the above tariff.

Non-installation of separate meter for recording lighting consumption, led to avoidable payment of energy charges at a higher rate

It was noticed in audit that a separate meter to record lighting consumption was not installed by the Company. Consequently, 90 *per cent* of the total energy consumption was billed by the Board at higher rate instead of at cheaper bulk rate. Thus, the failure of the Company in installing a separate meter resulted in avoidable expenditure of Rs.18.74 lakh during the period April 1995 to September 2000. From October 2000 onwards, the Board introduced a revised tariff structure and the above benefit ceased to be available to the consumer.

The Company stated (May 2001) that if the meter for lighting is installed, point distribution was possible further only through low voltages which may not give proper illumination in the vast working area of mines. The reply of the Company is not tenable as the Company, had already installed a separate meter for recording lighting consumption in their other lignite project at Panandhro. Moreover, proper illumination in the working area of mines could be ensured by providing adequate supply points for power even after installation of separate meter for lighting.

The matter was reported to Government in March 2001; their reply had not been received (October 2001).

4.3 Gujarat Industrial Investment Corporation Limited

4.3.1 Avoidable payment of rent and taxes

Due to delay in vacating the rented buildings, the Company incurred an avoidable expenditure of Rs.0.51 crore on rent and taxes.

The Company acquired (April 1994) space admeasuring 38380 sq.ft. at a cost of Rs.1.86 crore at Udhyog Bhavan, Gandhinagar for housing its offices. The new premises were ready for occupation in March 1999 after incurring further expenditure of Rs.4.51 crore on furnishing and interior decorations etc. The Board of Directors (BOD) of the Company decided (March 1999) to shift the offices of the Company to new premises at Gandhinagar in the month of April 1999. However, it was noticed in audit that the Company continued to occupy three hired buildings at Ahmedabad and actually shifted offices from these buildings only in October 1999 (from two buildings) and in April 2000 (the third building). Consequently, the Company incurred an avoidable expenditure of Rs.50.71 lakh towards rent and taxes paid for hired two buildings from May 1999 to September 1999 and for one building from May 1999 to March 2000. Continued occupation of these three buildings at Ahmedabad was in violation of the above decision of the BOD.

The Company continued occupation of rented buildings in violation of BOD's decision

The Company replied (May 2001) that a sizeable number of furnitures and fixtures in all these rented buildings were required to be disposed off before vacating them, besides, shifting of voluminous and valuable records to new premises took more time than what was planned. The reply is not tenable as the circumstances leading to the delay in vacating the rented buildings were avoidable through proper planning. In August 2001 the Company gave a supplementary reply stating that its Senior Management Group had decided (March 1999) to retain the third building for continued functioning of two divisions of the Company in Ahmedabad. Subsequently, the BOD decided (March 2000) to purchase an office premise in Ahmedabad for accommodating these divisions which was an implied acceptance of the BOD for retention of the third building. The reply of the Company is not tenable as the complete retention of the third building was not justified since the divisions had occupied only 3000 sq.ft. out of 21921 sq.ft. of space available in that building. Moreover, there is no specific approval of BOD for retention of any of the three buildings beyond March 1999.

The matter was reported to the Government in April 2001; their reply had not been received (October 2001).

4.4 Gujarat State Seeds Corporation Limited

4.4.1 Avoidable payment of penal interest

The Company made an avoidable payment of penal interest of Rs.0.21 crore due to incorrect assessment of advance tax on its income.

The Company estimated (December 1999 and February 2000) its income tax liability for the financial year 1999-2000 at Rs.1 crore on the estimated profit of Rs.2.45 crore to Rs.2.50 crore. Accordingly, the Company paid an amount of Rs.1 crore as advance tax in four instalments during the year. The Company earned a profit of Rs.5.41 crore. Consequently, the Company worked out (October 2000) the actual tax liability of Rs.2.13 crore and paid the shortfall in tax of Rs.1.13 crore alongwith an amount of Rs.20.95 lakh towards interest for default and deferment of advance tax under Section 234 B and 234 C of the Income Tax Act, 1961.

In absence of a system of periodical review of actual achievements, the advance tax on income was under assessed

It was observed in audit that the Company did not have a system to correctly assess the profit and tax liability as a result of which an avoidable payment of Rs.20.95 lakh had to be made towards interest for default and deferment of advance tax.

The Company/Government stated (April/June 2001) that as it was engaged in agriculture based activity, consequently, it was not possible for them to make accurate calculation of advance tax on the profit to be earned. The reply of the Company/Government is not tenable as the Company was not able to correctly assess its tax liability even in the 11^{th} month of financial year, as tax assessed in February 2000 worked out to only 47 *per cent* of the actual tax liability.

4.5 Gujarat Communications and Electronics Limited

4.5.1 Imprudent acceptance of orders

Inspite of imminent closure, Company kept on accepting orders even at belated stage resulting in locking up of funds of Rs.1.69 crore due to non receipt of payment.

The State Government identified (July 1996) the Company for disinvestment. As the disinvestment attempt proved unsuccessful, the Company was closed in February 2001 after implementation of two voluntary retirement schemes in 1998 and 2000. Audit scrutiny revealed that though the intentions of the State Government to down size/close the activities of the Company were clear, appropriate actions to scale down activities in a phased manner, keeping in view the availability of resources and man power, were not taken by the management. The Company continued accepting orders without adequate foresight by utilising scare liquidity organised through borrowed funds. Some of the imprudent acceptances of orders by the Company are discussed below:

1. The Company supplied (October 1998) one Low Power TV Transmitter System costing Rs.39.96 lakh to M/s.Ethiopian Telecommunication Corporation, Ethiopia (ETC) for purpose of demonstration with a view to gain credentials for participation in a tender process of ETC. The Company not only failed to secure any order but the demonstration system was also not brought back to India from Ethiopia.

2. The Company accepted (September 1999) orders for supply of 5000 electrical meters to Kerala State Electricity Board (KSEB) but supplied (July/September 2000) only 1000 meters valued at Rs.19.05 lakh. Payment had not been received (June 2001) from KSEB due to short supply of material, non compliance of the contractual terms of payment and lack of adequate follow up action.

3. The Company accepted (November/December 1999) orders from M/s.Fernau Avionics Limited, England (FAL) for supply of two electronic systems. Though the supplies were completed (August 2000), FAL did not release the payment of US$243856 (Rs.1.10 crore) on account of non execution by the Company of other orders received subsequently (May/June 2000) from FAL and the inability of the Company to ensure continued supply of technical know-how in view of its closure. It is observed in audit that the Company did not ensure its financial interests by getting either bank guarantee or letter of credit from the bankers of FAL against the orders accepted in November/December 1999.

As the Company had been availing cash credit facility for its working capital requirement, the locking up of fund to the extent of Rs.1.69 crore as discussed above (Sl.No.1 to 3) had resulted in loss of interest of Rs.45.35 lakh calculated at 18 *per cent per annum* during the period from April 1999 to October 2001.

The Company/Government replied (June/July 2001) that it had already initiated necessary action for recovery of dues from KSEB and FAL and was planning to bring back the system supplied to ETC. It was further stated that the Company had continued to accept the orders since it was initially working with an aim of disinvestment of the Company and in the process wanted to give enough business to the private strategic partner when he would step in. The reply is not acceptable as the Company had continued to accept the orders though the constrains of finance and manpower required for execution of orders were well known to the Company.

4.6 Gujarat State Handloom Development Corporation Limited

4.6.1 Unauthorised utilisation of funds of Thrift Fund

An amount of Rs.0.11 crore meant for the welfare of handloom weavers under 'Thrift Fund' scheme was diverted unauthorisedly to meet working capital requirement of the Company.

In pursuance of the Textile Policy of 1985, the Company had been operating a centrally sponsored Thrift Fund Scheme (the Fund) for the welfare of handloom weavers. The Fund with individual accounts of subscribers constituted under the Scheme was to receive contribution of 8 *per cent* of the wages of each of the subscribers and an equivalent amount with their share of 4 *per cent* each was to be contributed by the State Government and the Central Government. The Scheme stipulated maintenance of the Fund as a deposit account in the government accounts or in a bank or in a post office or in the form of insurance linked thrift fund to be maintained by an insurance company. In violation of the provisions of the Scheme and without approval of the Government, the Company decided (November 1992) to maintain the Fund as part of their own account.

Fund to the tune of Rs.0.11 crore were not kept in specified account under Thrift Fund Scheme

A test check in audit of records of four out of six divisions of the Company revealed that an amount of Rs.11.27 lakh from the Fund by the four divisions *viz.*, Palanpur, Surendranagar, Mehsana and Dholka were utilised during the period 1995-96 to 2000-01 to meet their working capital requirements. The accounts of the Fund were not maintained in a prescribed manner and audited annual report on the working of the Scheme was not submitted to Government in violation of the provisions of the Scheme. Besides, separate registers containing details of name of subscribers, their nominees, advances given out of the Fund, collection and remittance of the Fund *etc.*, were not maintained as prescribed in the Scheme. As the basic document such as pass book was neither prepared nor issued indicating the balances and the interest credited into the account, the weavers remained largely unaware of benefit of the Scheme. As the accounts of the Fund were not being maintained in prescribed manner, the Company was demanding contributions from the State and Central Government on *ad hoc* basis, which also resulted in an excess contribution of Rs.2.64 lakh up to the period of March 2001. Considering that the Company had accumulated losses of Rs.5.67 crore as on 31 March 1999, diversion of fund under the Scheme to meet working capital requirements of the Company jeopardises the interests of a weaker section of the society who made contribution to the Fund from their meagre wages.

The matter was reported to Government/Company in May 2001; their replies had not been received (October 2001).

4.7 Sardar Sarovar Narmada Nigam Limited

4.7.1 Irregular expenditure on removal of proud in canal work

Incorporation of a new condition after award of contract resulted in irregular payment of Rs.4 crore to lining agencies.

The Company awarded (December 1993) contract for earth work of Narmada Main Canal (NMC) for kilometres (kms.) 236.587 to 249.951 and 249.951 to 263.165 kms. to M/s.Harish Chandra (India) Private Limited, New Delhi and M/s.Gayatri Projects Limited, Hyderabad (earth work agencies) respectively. A separate contract for the same stretch for lining work was awarded (June/July 1994) to M/s.Indian Construction Company, Jamnagar and M/s.Satyam Satyanarayana (J.V) Constructions, Kalol (lining agencies) respectively. As per the terms of the contract, the earth work agencies were also required to remove proud* in the bed canal as well as in the slope. As the proud was part of earth work the rates for its removal were the same as that of earth work, which ranged between Rs.16.17 and Rs.18.43 per cubic meters (cms.).

Four times higher rates were paid for the same work to the lining agencies due to incorporation of a new condition after placement of award

It was observed in audit that after award of the contract, a new technical condition was brought in (March 1995) whereby the work of removal of proud was taken out of the scope of earth work agencies and was instead assigned to the lining agencies. The lining agencies took up (March 1995) this work as extra item for which rates were not available in the terms of contract and, therefore, the Company after negotiations, agreed to pay for the work of removal of proud at rates ranging between Rs.88.60 and Rs.93.75 per cms. in slope and Rs.53 and Rs.53.50 per cms. in bed of canal. The above negotiated rates were nearly 208 *per cent* to 427 *per cent* higher than the rates at which this work could have been got executed by the earth work agencies. Consequently, the Company had to incur extra expenditure (November 1999/November 2000) of Rs.4 crore (inclusive of price escalation) on the quantity of 7.30 lakh cms. of proud removed by the lining agencies. The Company was aware that removal of proud was required to be made just before taking up the lining work. However, the Company failed to assign the removal of proud work to lining agencies in the original contract. Consequently, it had to incur an avoidable expenditure of Rs.4 crore.

The Government replied (August 2001) that in the instant case, at the time of award of earth work to the agencies, the Company was not planning to do the lining work of the above reaches of NMC in the immediate future. Hence, the lining work was awarded later separately to other agencies. However, no provision was made separately for the work of removal of proud in the contract awarded (June/July 1994) to the lining agencies as other contracts for construction of various reaches of NMC were awarded through composite package of work covering earth work, lining, structure and service road and did not contain any separate provision for the removal of proud before lining.

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* Proud means thin layer of earth or skin cutting of excavation

In view of above in the instant case, the lining agencies were asked to remove the proud as extra item of work.

The reply of the Government is not tenable as the contracts for lining work were awarded only in June/July 1994 though the earth work contracts were awarded in December 1993. Hence, the Company could have incorporated a specific provision for removal of proud in the contract before it was awarded (June/July 1994) to the lining agencies.

4.7.2 Undue payment of price escalation

The Company made undue payment of Rs.1.04 crore on account of price escalation on imported equipment.

Price escalation of Rs.1.04 crore was paid on imported equipment on which variations in foreign exchange and custom duty had already been paid

The Company awarded (September 1988) the contract for design, fabrication, supply, erection and supervision of sluice gates and hoists to M/s.Triveni Structurals (Firm `TS') at a cost of Rs.5.98 crore. Another contract with similar scope for penstock gates, stoplog gates and trash racks for river bed power house was awarded (October 1989) to M/s.Tungbhadra Steel Products Limited (Firm `TSPL') at a cost of Rs.7.82 crore. In both these contracts, the price escalation (PE) was payable on component of material, labour, petroleum and lubricants based on price indices applicable on value of work done in the previous quarter. The provisions of the contracts also allowed payment of variation on account of foreign exchange and custom duty on hydraulic hoists which were to be imported. The rupee equivalent of the CIF value of the imported equipment was Rs.0.65 crore and Rs.1.94 crore for the contract placed on Firm TSPL and Firm TS, respectively. It was seen in audit that the Claims Committee of the Company based on the representations of the two firms, allowed (March/December 1999) payment on account of price escalation on the value of the material including the equipment which was imported. Payment of price escalation even on imported equipment resulted in undue benefit of Rs.76.54 lakh to Firm TS and Rs.27.62 to Firm TSPL, as the firms were reimbursed separately towards variation in foreign exchange and custom duty on imported equipment. Extension of the provision of price escalation for equipment, which was imported, was, therefore, not justified.

The matter was reported to Government/Company in April 2001; their replies had not been received (August 2001).

4.7.3 Loss on account of defective work

The Company incurred avoidable expenditure of Rs.0.93 crore on rectification of a defective work due to failure of supervision.

The Company awarded (July 1992) the work of improvement of Shedhi Branch Canal between kilometers (kms) 0.0 and 46.03 to M/s.Sadhbhav Engineering Limited, Ahmedabad (Firm `S') at a cost of Rs.20.72 crore. The work was completed (June 1995) and final payment (after retaining deposit of Rs.2.39 lakh) was also made by the Company in September 1995. The branch canal was put to use in the initial years at a capacity much below the designed capacity of 1800 cusecs. The Company noticed (July 1998) that the canal was unable to discharge 900 cusecs of water between kms 16 and 17 due to a major structural defect in this section. The defect was temporarily got repaired (August 1998) by incurring an expenditure of Rs.16.13 lakh to meet the urgent seasonal requirement of irrigation. A separate contract was awarded (April 1999) to M/s.Ketan Construction Company, Rajkot for rectification of defect at a cost of Rs.76.49 lakh.

No responsibility has been fixed for accepting work different from the specifications laid down

It was observed in audit that payment of earth work was made to Firm `S' with incorrect measurement of the alignment in the defective section of the canal where the required gradient for flow of water was not maintained. No responsibility had been fixed for allowing payment on account of incorrect measurements and for accepting work, which was different from the specifications laid down. It was also observed in audit that the recovery of Rs.90.23 lakh (after adjustment of deposit of Rs.2.39 lakh) spent in rectifying the defective work had not been made from Firm `S' even though the firm was executing four other contracts for similar works for the Company. The Company's failure in not effecting the recovery is all the more glaring considering that above four contracts incorporated legal provision which would enable the Company to initiate recovery proceedings for a defective work done by the firm in respect of another work.

The matter was reported to Government/Company in April 2001. The Company stated (July 2001) that the issue of effecting the recovery for defective work was under examination and the matter of fixing responsibility for allowing the payment on account of incorrect measurement was also under process at State Government level. The final replies of the Company and the Government had not been received (October 2001).

4.7.4 Misappropriation of funds

Against misappropriation of Rs.0.42 crore, the Company lodged an FIR with the police for an amount of Rs.0.25 crore, leaving a balance of Rs.0.17 crore uninvestigated.

The work of rehabilitation of the Narmada Project affected persons is being implemented through Sardar Sarovar Punarvasavat Agency (SSPA) under the control of State Government and funds for SSPA are being provided by the Company. As per Rule No.IV(20)(1) of Gujarat Financial Rules 1971, misappropriation case should be reported by State Government to Audit Officer (*i.e.* Accountant General) immediately, however, the misappropriation of funds noticed by SSPA in August 1998 in sub-division No.4/1, Vadodara working under SSPA was reported to Audit office by State Government only in January 2000 after completion of departmental inquiry on the subject.

The FIR filed (April 2000) by the Company revealed that withdrawals from the bank were not reflected in the cash book and the excess funds to the extent of Rs.24.87 lakh compared to what was reflected in the cash book were disbursed through cheques to the persons whose names did not find place in the cash book. Test check of the accounts of the above sub-division relating to the period September 1992 to March 2000, revealed that the following irregularities had not been included in the FIR:

(i) Vouchers for an amount of Rs.5.14 lakh during the period from 21 January 1997 to 31 March 1998 were missing and the funds were misappropriated.

(ii) Payment of compensation of Rs.12.10 lakh were made during the period from November 1996 to February 1998 to 14 persons whose name did not appear in the land acquisition awards.

(iii) An amount of Rs.10,000 was paid on 19 June 1996 to M/s. Srinath Construction though the same was recorded as Rs.1000 in the Cash book.

(iv) An amount of Rs.6,242 deducted as TDS was not remitted to Government account and this amount was misappropriated.

It was also seen in audit that the Company failed to fulfil the following prescribed procedures:

(i) No financial limit was prescribed for the drawal of funds by the sub-divisional officer as well as by other drawing and disbursing officers.

(ii) No security deposit was obtained from two officials who handled cash during the period from September 1999 to March 2000 in violation of the prescribed provisions of GFRs.

(iii) During the period from 21 January 1997 to 17 October 1998 figures in the cash book were recorded in pencil rather than in ink. Audit detected totalling mistake of Rs.23.39 lakh during the period in the cash book.

(iv) Bank reconciliation was not done and consequential reconciliation statements were not prepared for the period from September 1992 to March 2000.

(v) Register of awards pertaining to the land acquisition did not have the required details, such as award number and date, issuing authority, name of village/land owner, rate of land acquired, amount to be paid, payment voucher number, cheque number and date.

(vi) In violation of provision 486 and 488 of Central Public Works Accounts Code, the divisional officer accepted the monthly bank statement submitted by the sub-division without ensuring arithmetical accuracy and original vouchers, cheque counterfoils and cheque registers. The requisite bank reconciliation statement was also not insisted upon. Further, accounts of sub-divisions are to be consolidated at the divisional level, which are then to be submitted to the Chief General Manager (CGM) (Accounts) of the Company. Failure to detect completeness of accounts with requisite vouchers and supporting documents which were to be attached with the monthly accounts occurred at the level of CGM (Accounts).

(vii) The responsibility for concealment of the exact amount of misappropriation and its ramification has not been fixed.

The matter was reported to Government/Company in May 2001; their replies had not been received (October 2001).

4.8 Gujarat State Police Housing Corporation Limited

4.8.1 Extra expenditure in award of contract for construction of forensic science laboratory

Failure to obtain the required permission from the Forest Department for cutting of trees resulted in extra expenditure of Rs.0.24 crore.

The Company awarded (July 1998) a contract for civil construction work of forensic science laboratory at Gandhinagar to M/s.V.R. Patel, Gandhinagar (Firm 'P') at a total cost of Rs.1.15 crore. Owing to the Company's failure to arrange for requisite permission of Forest Department for cutting of more than 200 trees at the site of work , the contract with Firm `P' was cancelled (January 1999). After obtaining (March 1999) the requisite permission from Forest Department for cutting the trees, fresh tenders were reinvited (June 1999) for the same work. The contract was awarded (August 1999) to M/s.Ashish Construction, Ahmedabad (Firm `A') at a total cost of Rs.1.39 crore.

The Company failed to follow the Government instructions before inviting tender

It was observed in audit that, State Government had issued instruction in June 1992 (which was also repeated in April 1996) that prior permission of Forest Department should be obtained for cutting of trees so as to avoid dispute with contractors. Thus, the failure of the Company to obtain required permission from the Forest Department led to cancellation of contract with cheaper rate which resulted in incurring an extra expenditure of Rs.24 lakh in completion of the same work. Reasons for not obtaining prior permission of Forest Department before the award of the work in July 1998 were not available on record made available to Audit.

The Company/Government replied (May/August 2001) that there was no loss to the Company as the rate of Firm `A' was more competitive and cheaper if considered in the background of revision of Schedule of Rate (SOR) made before the reinvitation of tender in June 1999. Besides, the rate quoted by Firm `A' was 12.69 *per cent* below the estimated rate of the tender compared to the rate of 5.4 *per cent* below the estimated rate quoted by Firm `P' in the previous tender. The reply is not tenable as the fact remains that had the Company obtained required permission from Forest Department in time and got this work done from the original contractor the extra expenditure of Rs.24 lakh could have been avoided.

B. STATUTORY CORPORATIONS

4.9 Gujarat Electricity Board

4.9.1 Infructuous expenditure on construction of track hopper

The Board incurred infructuous and avoidable expenditure of Rs.7.65 crore on construction of a facility against the advice of railways.

Railways had confirmed their inability to induct BOB wagons but Board constructed facility for discharge of coal from these wagons

The Gujarat Electricity Board (Board) placed (October 1990) an order on M/s.Elecon Engineering Co. Ltd. (Firm 'A') at a total cost of Rs.7.65 crore for construction of track hopper for collection of coal from bottom opening box (BOB) wagons at Wanakbori Thermal Power Station (WTPS). The order was placed, even though the Railways communicated (March 1990) that it was not feasible for them to induct BOB wagon for transportation of coal into WTPS and work for siding for BOB wagons should not be carried out as haulage of coal through BOB wagons was considered to be dangerous. The Board, however, proceeded with construction of track hopper required for collection of coal by opening of doors located at bottom of these wagons. The work was finally completed (December 1998) by Firm 'A' but performance tests could not be carried out as BOB wagons were not available and the payment of Rs.7.65 crore was released (December 1998) to Firm 'A' before waiver of performance test of track hopper.

The futility of the scheme was obvious considering that the Railway had communicated their inability to induct BOB wagons. The Board, however, ignored this vital aspect and incurred an expenditure of Rs.7.65 crore, which became infructuous. Even the Chairman of the Board had ordered (June 1995) to investigate the matter and fix the responsibility, the Board did not take any action in the matter and continued the work which was completed in December 1998.

On being pointed out by the Audit, the Board stated (June 2001) that even in case of non availability of BOB wagons, the track hopper could be used to unload coal from BOX wagons manually. As the railway track connecting the track hopper was not laid due to other construction work in WTPS, the performance test was not carried out. As regard non fixing of the responsibility for the lapse, it was stated that there was no negligence of the Board's officials. The reply of the Board is not tenable as in the absence of BOB wagons, huge manpower was needed to unload the coal manually from BOX wagons and that was the reason why the load test of the track hopper at WTPS was waived off. The fact, however, remains that it was a lapse on the part of the Board that the vital aspect of non-availability of BOB wagons was ignored.

The matter was reported to Government in April 2001; their reply had not been received (October 2001).

4.9.2 Incorrect application of tariff resulting in loss of revenue

The Board undercharged Rs.3.34 crore due to incorrect application of tariff.

The Board issued a tariff notification (October 1996) classifying the various categories of consumers with respective rate of billing. Accordingly, High Tension (HT) consumers were classified in to four categories. Instances of incorrect application of tariff as noticed by Audit are discussed below:

In contravention to the tariff condition, grid tariff applied instead of HTP-II tariff

(a) Anjar O&M division of the Board extended (October 1996) the applicability of EL-1(A)(Grid Tariff) to HT connection of 3300 KVA released to M/s.Kandla Port Trust (KPT) for the purpose of operation of oil jetties, on the plea that earlier sanction (December 1980) of 350 KVA to residential colonies of KPT were billed under the grid tariff. As per tariff in force (October 1996), grid tariff is applicable only to licensees and sanction holders for supply made by them to public only. Inspite of clear stipulation in the tariff as well as instructions from the Board, it was however, observed in audit that the division continued to bill the connection meant for oil jetties under EL-1(A)(Grid Tariff) which should have been billed under HTP-II as was being done for all the other ports located in Gujarat. Thus, incorrect application of tariff during the period between July 1998 and December 2000 resulted in loss of revenue of Rs.2.49 crore. On being pointed out, the Board initially admitted (May 2001) the audit findings. However, the Board gave a supplementary reply (September 2001) stating that on the supplementary bill being served by its concerned division for effecting the short recovery, the KPT had produced a copy of licence issued (April 1956) by the then Commissioner of the Kutch and claimed that it was entitled for supply of power from the Board on permanent basis. In view of this, the KPT being a licencee the application of EL-1(A)(Grid Tariff) on HT connection of 3300 KVA was in order. The reply of the Board is not tenable as it was noticed from the records made available that the licence was not renewed since long and was no more valid.

(b)(i) It was further noticed in audit, that in case of power supplied through two other separate HT connections to KPT, the billing of supply was made under HTP-I Tariff. However, as per the above notification, it should have been billed under HTP-II Tariff, since the activities of KPT were non industrial in nature. Thus, as a result of non application of HTP-II Tariff, KPT was under charged by Rs.79.49 lakh for the period from November 1996 to March 2001.

(b)(ii) Similarly, another HT consumer, Central Warehousing Corporation (CWC) was also billed under HTP-I though, as per the nature of its activity CWC should have been billed under HTP-II Tariff. As a result of incorrect application of tariff the CWC was under charged by Rs.5.77 lakh for the period between November 1996 and July 2000

(CWC got converted its HT connection to Low Tension from August 2000).

On being pointed out by Audit the Board stated (May 2001) that these connections although released in the name of KPT and CWC were being mainly used for motive power and hence the application of HTP-I tariff was in order. The reply of the Board is not tenable as the HTP-I tariff was meant only for industrial consumers and KPT and CWC are not engaged in industrial activities.

The matter was reported to Government in March 2001; their replies had not been received (October 2001).

4.9.3 Loss of revenue due to delay in issue of notice

By not adhering to the instructions regarding issue of notice to the consumers, the Board sustained a loss of revenue of Rs.1.50 crore.

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

There was a delay of more than three and half years in issuance of three months notice to the consumer

During the audit of Operation and Maintenance (City) Division, Rajkot, it was noticed that M/s.Echjay Industries Limited, Rajkot (the High Tension consumer), demanded (July 1992) increase in the contractual demand for power from 3500 KVA to 7000 KVA. The Board completed the work and was ready (November 1993) to release the additional load of 3500 KVA demanded by the consumer. The Board issued (March 1994) the release order. However, the consumer did not turn-up to avail the additional load till October 1997. It was observed in audit that three months notice was issued only in July 1997 after a delay of 43 months from the month of completion of work. Consequently, the stipulated minimum charges amounting to Rs.1.50 crore inclusive of Rs.0.29 crore towards electricity duty and tax on sale of electricity were not billed to the consumer for the period from March 1994 to October 1997.

The Board replied (June 2001) that due to shortage of power it could neither accede to the consumers request (April 1994) for round the clock supply nor could pursue consumer for a workable solution. It could decide for continuous supply and issued 3 months notice in July 1997 when power position eased. The reply of the Board is not tenable as, the rules permit release of the additional load on contingent basis and withdrawal of load even without giving any notice to the consumer, if the power position so warrants. Hence, the Board should have billed the consumer from March 1994 on the enhanced load.

The matter was reported to Government in April 2001; their reply had not been received (October 2001).

4.9.4 Loss due to delay in finalisation of tender

The Board lost Rs.0.29 crore due to delay in finalisation of tender.

The Board invited (September 1998) tender for purchase of Mild Steel Flats (M.S.Flats) with a stipulation that offers of the bidders should be valid for a period of 120 days from the date of opening of technical bid on 29 October 1998. The Board could not finalise the tender within the validity period (29 February 1999) specified in the tender. The price (Rs.14103 per MT) of M/s.Shah Industries Limited, Ahmedabad (Firm `S') was found to be the lowest. Despite requests of the Board, Firm `S' did not extend the validity of their original offer beyond 30 April 1999 due to rise in prices. Consequently, there was ultimately a shift in the L-1 status and M/s.Rajaram Steel Industries Pvt.Ltd., Nagpur (Firm `R') having quoted price of Rs.15084 per MT, became L-1. The Board placed (October 1999) order on Firm `R' and on the third lowest Firm, M/s.Mahavir Rolling Mills Limited, Ahmedabad (Firm `M'), which agreed to match the rate of Firm `R'. As a result of avoidable delay in finalisation of the tender, the Board had to incur an extra expenditure of Rs.29.29 lakh on the procurement of 2986 MT of M.S. Flats. It was further observed that though the technical scrutiny of the bids was completed in November 1998, the Purchase Committee met only in May 1999; reasons for delay in convening the meeting of Purchase Committee were not available on record.

The Board stated (May 2001) that Firm `S' had quoted unworkable lowest price thinking that it would not get order as its sister concern previously had filed a civil suit against the Board in connection with another tender of the Board. Hence, there was a possibility of Firm `S' backing out, if the order was placed with it. It was further stated that the tender could not be finalised due to procedural delay in holding the Purchase Committee meeting. The Board's apprehension regarding back out by Firm `S' is a mere hindsight. Besides, the fact remains that there was an avoidable delay in finalisation of the tender by the Board.

The matter was reported to Government in March 2001; their reply had not been received (October 2001).

4.9.5 Loss due to incorrect classification of a regular firm as a trial firm

Incorrect classification of a regular firm as a trial firm while procuring metal meter boxes resulted in loss of Rs.0.18 crore to the Board.

The Board revised (June 1996) the policy of procurement of metal meter boxes and decided to procure the same centrally to cater to the demand of various field units. Accordingly, a tender was floated (June 1996) for procurement of 10 lakh single phase metal meter boxes. The Board, at the time of evaluation of bids, decided to classify the bidders in to two categories *i.e.* 'trial firms' and 'regular firms'. On the basis of lowest rate in each of the two categories, a quantity of 5.53 lakh meter boxes at the end cost of Rs.72 per box was ordered (March 1997) on 10 trial firms while a quantity of 4.47

lakh meter boxes at the end cost of Rs.76.55 per box was ordered on 10 regular firms.

Firm 'P' was treated as trial firm instead of regular firm in the process of bids evaluation

It was observed in audit that firms who had previously supplied to the field units were considered to be regular suppliers to the Board. However, M/s.Pankaj Electricals (Firm 'P') who had previously supplied to Vadodara Circle was not included in the category of regular firms but was treated as a new firm. On account of this the end cost for regular firm was taken as Rs.76.55 per box offered by M/s.Agmo Electricals (Firm 'A') instead of end cost as offered by Firm 'P' of Rs.72.50 per box. Consequently, the Board incurred an extra expenditure of Rs.18.10 lakh on orders placed on regular firms, as the other regular firms were asked to match the end cost of Rs.76.55 instead of Rs.72.50 per box.

The Board stated (May 2001) that the Firm 'P' had previously supplied very small quantity of this item to Vadodara Circle, hence it was considered as new firm and a trial order was placed on it. The reply of the Board is not tenable as the previous order executed by Firm 'P' was for 10,000 meter boxes at a cost of Rs.10.95 lakh, which could not be considered as small quantity keeping in view that at that time the order was executed at field unit level only.

The matter was reported to Government in March 2001; their reply had not been received (October 2001).

4.10 Gujarat State Road Transport Corporation

4.10.1 Undue favour to body building firms

The Corporation made avoidable payment of Rs.1.74 crore by providing excess allowance on account of sales tax and transportation cost.

The Corporation failed to consider the element of Sales Tax applicable and cost of transportation based on the distance

The Corporation placed (May/June 1999) orders with 29 firms for work of bus body building on 1885 new chassis. The orders were placed at the end cost rate ranging between Rs.3,21,200 and Rs.4,25,100 per bus for the super express, semi-luxury bus bodies with seats and for luxury bus bodies without seat and video arrangements. The Corporation adopted the above end cost rates, being the lowest rates obtained from M/s.Mungi Brothers (Firm 'M') of Andhra Pradesh against the tender for the above work. On scrutiny of records, it was observed that the Corporation, while placing the orders, gave preference to Gujarat based firms. Accordingly, the work of bus body building of 620 chassis was given to seven Gujarat firms. The rate of Firm 'M' was inclusive of 10 *per cent* central sales tax and of cost of transportation of chassis. Unlike the Firm 'M' which is situated at a distance of 1,320 kilometers (kms.) from Ahmedabad, the seven Gujarat based firms are situated at Ahmedabad or only 200 kms. away from Ahmedabad. Moreover, all these firms had to pay only 4 *per cent* Gujarat sales tax. Since the Corporation was aware of these facts, it should have insisted on these firms to first match their rates with basic price (end cost rate *minus* sales tax and cost of transportation) of Firm 'M' and then should have allowed the amount of sales tax applicable and transportation cost calculated on actual distance. However, the Corporation failed to do so and made an avoidable payment of Rs.1.08 crore and Rs.0.66 crore towards sales tax and transportation cost respectively to Gujarat based firms for bus body buildings of 620 chassis.

The Government stated (May 2001) that the Gujarat based firms had initially quoted abnormally higher rate compared to the rate of Firm 'M' and based on the past experience and production capacity of these firms, the Corporation awarded the work at the end cost rate of Firm 'M'. The fact, however, remains that non-insistence by the Corporation to match their rates with basic price of Firm 'M', resulted in excess allowance on account of sales tax and transport cost to these firms.

4.10.2 Construction of a bus station at the site not acceptable to the public

Construction of a bus station at the site not convenient to the public resulted in loss of Rs.0.35 crore on servicing dead kilometers and rendered the expenditure of Rs.0.21 crore on bus station infructuous.

Bus station constructed at site not acceptable to the public could not be used

The Corporation constructed (September 1997) a new bus station at an approximate cost of Rs.21 lakh at Savli at a site where a bus depot was also constructed. As the location of the new bus station was 1.06 kilometers (kms.) away from the old pick up stand, the public was put to inconvenience. On an agitation by the public, the Corporation restored (September 1998) services from the old pick up stand, but the buses continued to ply to the new bus station also to record entry. It was seen in audit that 167 buses were made to cover 2.12 dead kms. per trip daily during the period from September 1998 to February 2001 to the new bus station. Calculated on the basis of average operational cost per kms. incurred by the Corporation during the preceding three years, an avoidable loss of Rs.35.19 lakh for servicing of dead kms. was incurred during this period. As the travelling public continued to board and disembark from old pick up stand, the expenditure of Rs.21 lakh (approximately) incurred on construction of new bus station also became infructuous.

According to the initial plan, the Corporation had proposed to construct only a depot at Savli and construction of a bus station at the same site lacked justification. The records available with the Corporation do not indicate whether location of bus stand, having a bearing on the convenience of the travelling public was ever discussed in the forum of Regional Passenger Advisory Committee constituted for this purpose.

On being pointed out by the Audit, the Government/Corporation replied (June/July 2001) that the site for the construction of depot and the bus station was known to the public and they had not objected it during its construction. However, the Corporation had to restart its services from old pick-up stand as the public was habituated to travel from that stand, even after construction of new bus station. However, the fact remains that the public opinion about the location of the bus station was neither assessed through any survey nor discussed in any forum before the construction of bus station.

4.10.3 Extra expenditure in procurement of upholstered seaters for buses

The Corporation incurred loss of Rs.0.15 crore in procurement of seaters meant for super express buses, by ignoring lower rates received in subsequent tender for similar items.

Rate received for seaters in June 1999 was less compared to the rate at which orders were placed in September 1999

The Corporation invited (December 1998) tender for procurement of upholstered passenger seats (two and three seaters) meant for 100 super express buses. Orders were placed (September 1999) with two parties for 1100 two seaters at the rate of Rs.2531 and 1000 three seaters at the rate of Rs.3796. Before finalisation of this tender another tender was invited (June 1999) for the procurement of same items for super express buses with a slightly modified specification. The lowest offer received in this tender was Rs.1940.40 and Rs.2910.60 for two and three seaters, respectively. Due to receipt of reduced rates in a subsequent tender, Corporation, should have either clubbed the requirement of the previous tender with subsequent tender or negotiated the rates to match the lower rate received in subsequent tender. However, the Purchase Committee which had the mandate to finalise both the tenders did not keep itself abreast of the rates received in the subsequent tender for almost similar items. It was further, observed in audit that one of the parties on whom order was placed in September 1999, in the subsequent tender (June 1999) offered rates which were 23 *per cent* lower than the rate finalised under previous tender of December 1998. Thus, the Corporation incurred an avoidable extra expenditure of Rs.15.35 lakh in purchase of above items whose tenders were finalised within a span of six months.

The Government/Corporation replied (June/July 2001) that the tender invited in December 1998 was for a smaller quantity compared to the tender of June 1999 and hence the parties had quoted higher rates for the tender of December 1998. The reply of Corporation, however, does not contain the reason for not negotiating with the parties to match their rates with the lower rate received in the subsequent tender of June 1999.

4.11 Gujarat Industrial Development Corporation

4.11.1 Avoidable expenditure due to technical deficiencies

The Corporation incurred avoidable expenditure of Rs.0.73 crore as the contract suffered from technical deficiencies necessitating re-invitation of tenders and award of the work at a higher cost.

The Corporation awarded (May 1994) a contract for construction of water bound macadam road with cross drainage work at Vilayat Industrial Estate to M/s.Shah Brothers, Vallabh Vidyanagar (Firm 'S') at a cost of Rs.1.51 crore. The contract suffered from technical deficiencies as it provided for black cotton soil for embankment instead of yellow soil, which was ideal to the topography of the site. After awarding the contract, the Corporation found that additional work of buffer layer for the road and RCC foundation for the culvert were also necessary. On the plea of above deficiency in the contract,

Technical deficiencies in the contract resulted in time overrun of 41 months and an avoidable expenditure of Rs.0.73 crore

the contractor abandoned the work and the contract was terminated (February 1995) by the site engineer. Fresh tender was invited (March 1995) for award of the same work earlier given to Firm `S'. However, the contract was not awarded within the period of validity of the five offers received, as the tender committee meeting was not convened in time. Tender was again invited (November 1995) and the work was awarded (March 1996) to M/s.Shantilal B. Patel, Baroda (Firm 'P') at a tendered cost of Rs.2.24 crore. Additional work of buffer layer for the road and RCC foundation for the culvert was also awarded (December 1986) to the firm 'P' at Rs.1.29 crore through a separate contract. The entire work was completed in September 1997 with a delay of 41 months. Thus, failure of the corporation in drawing the original contract of May 1994 free from technical deficiencies and avoidable delay in finalising the subsequent tender within the validity period of offers resulted in incurring of an avoidable expenditure of Rs.73 lakh.

The matter was reported to Government/Corporation in March 2001; their replies had not been received (October 2001).

Raghubir Singh

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

25 FEB 2002

Countersigned

V. K. Shunglu

NEW DELHI **(V. K. SHUNGLU)**
The: **Comptroller and Auditor General of India**

4 MAR 2002

ANNEXURE-1

(Referred to in paragraph 1.2.1, 1.2.2, 1.4 and 1.8(D))

Statement showing particulars of up-to-date paid-up capital, budgetory outgo, loans given out of budget and loans outstanding as on 31 March 2001 in respect of Government companies and Statutory corporations.

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

Sl. No.	Sector and Name of the company/ corporation	Paid-up capital as at the end of the current year					Equity/Loans received out of budget during the year		Other loans received during the year @	Loans outstanding at the close of 2000-01**		Total	Debt equity ratio for the year 2000-01 (Previous year) 4(f) / 3(e)
		State Government	Central Government	Holding company	Others	Total	Equity	Loan		Government	Others		
1	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
A	**WORKING COMPANIES**												
	AGRICULTURE & ALLIED SECTOR												
1	Gujarat Agro-Industries Corporation Limited (GAIC)	1067.75	--	--	--	1067.75	5.00	--	--	1000.00	--	1000.00	0.94:1 (0.28:1)
2	Gujarat Sheep and Wool Development Corporation Ltd.	228.41	188.70	--	14.25	431.36	--	--	--	--	--	--	-- (-)
3	Gujarat State Seeds Corporation Limited	235.00	18.00	--	--	253.00	50.00	--	--	--	--	--	-- (-)
4	Gujarat State Land Development Corporation Ltd.	585.91	--	--	--	585.91	74.00	121.00	--	135.00	--	135.00	0.23 : 1 (0.26:1)
	Sector wise total	**2117.07**	**206.70**	**0.00**	**14.25**	**2338.02**	**129.00**	**121.00**	**0.00**	**1135.00**	**0.00**	**1135.00**	**0.49 : 1**
	INDUSTRY SECTOR												
5	Gujarat State Petroleum Corporation Limited (GSPC Ltd)	8036.11	--	--	525.00	8561.11	4000.00	--	3000.00	--	5296.64	5296.64	0.62 : 1 (0.73:1)
	Sector wise total	**8036.11**	**0.00**	**0.00**	**525.00**	**8561.11**	**4000.00**	**0.00**	**3000.00**	**0.00**	**5296.64**	**5296.64**	**0.62 : 1**
	HANDLOOM AND HANDICRAFT SECTOR												
6	Gujarat State Handicrafts Development Corporation Ltd.	281.92 16.32*	45.00 50.00*	--	--	326.92 66.32*	16.32	20.00	--	250.40	270.00	520.40	1.32 : 1 (1.51:1)

1	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
7	Gujarat State Handloom Development Corporation Ltd.	681.91	85.67	--	2.00	769.58	74.00	66.00	--	444.36	40.00	484.36	0.63 : 1 (0.60:1)
	Sector wise total	**963.83 16.32***	**130.67 50.00***	**0.00**	**2.00**	**1096.50 66.32***	**90.32**	**86.00**	**0.00**	**694.76**	**310.00**	**1004.76**	**0.86 : 1**
	FOREST SECTOR												
8	Gujarat State Forest Development Corporation Ltd.	392.76	178.89	--	--	571.65	--	--	--	--	198.89	198.89	0.35 : 1 (0.52:1)
	Sector wise total	**392.76**	**178.89**	**0.00**	**0.00**	**571.65**	**0.00**	**0.00**	**0.00**	**0.00**	**198.89**	**198.89**	**0.35 : 1**
	MINING SECTOR												
9	Gujarat Mineral Development Corporation Limited	2353.20	--	--	826.80	3180.00	--	--	--	--	--	--	-- (--)
10	Gujarat State Petronet Limited (Subsidiary of GSPC Limited)	--	--	8830.53	3185.00	12015.53	--	--	3954.00	--	3954.00	3954.00	0.33:1 (--)
	Sector wise total	**2353.20**	**0.00**	**8830.53**	**4011.80**	**15195.53**	**0.00**	**0.00**	**3954.00**	**0.00**	**3954.00**	**3954.00**	**0.26 :1**
	CONSTRUCTION SECTOR												
11	Gujarat State Police Housing Corporation Limited	5000.00	--	--	--	5000.00	--	--	--	--	928.59	928.59	0.19 :1 (0.35 : 1)
12	Gujarat State Road Development Corporation Ltd.	500.00	--	--	--	500.00	--	--	77.24	2.27	152.24	154.51	0.31 : 1 (0.35 : 1)
	Sector wise total	**5500.00**	**0.00**	**0.00**	**0.00**	**5500.00**	**0.00**	**0.00**	**77.24**	**2.27**	**1080.83**	**1083.10**	**0.20 : 1**
	AREA DEVELOPMENT SECTOR												
13	Gujarat State Rural Development Corporation Ltd.	58.00	--	--	--	58.00	--	--	--	--	--	--	-- (--)
14	Gujarat Growth Centres Development Corporation Ltd.	1500.00	1600.00	--	--	3100.00	--	--	--	--	--	--	-- (--)

1	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
15	Gujarat Urban Development Company Limited	1866.00 170.00*	--	--	--	1866.00 170.00*	170.00	--	--	--	--	--	-- (--)
	Sector wise total	**3424.00 170.00***	**1600.00**	**0.00**	**0.00**	**5024.00 170.00***	**170.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**--**
	DEVELOPMENT OF ECONOMICALLY WEAKER SECTION SECTOR												
16	Gujarat Scheduled Castes Economic Development Corporation Limited	765.00	735.55	--	--	1500.55	--	--	1758.85	--	3712.68	3712.68	2.47 : 1 (1.53:1)
17	Gujarat Women Economic Development Corporation Ltd.	532.00	170.05	--	--	702.05	--	--	--	--	--	--	-- (--)
18	Gujarat Minorities Finance & Development Corporation Ltd.	50.00	--	--	--	50.00	--	50.00	400.00	100.00	863.20	963.20	19.26 : 1 (9.72 : 1)
	Sector wise total	**1347.00**	**905.60**	**0.00**	**0.00**	**2252.60**	**0.00**	**50.00**	**2158.85**	**100.00**	**4575.88**	**4675.88**	**2.08 : 1**
	PUBLIC DISTRIBUTION SECTOR												
19	Gujarat State Civil Supplies Corporation Limited	1000.00	--	--	--	1000.00	--	--	500.00	65.75	1000.00	1065.75	1.07 : 1 (1.60 : 1)
	Sector wise total	**1000.00**	**0.00**	**0.00**	**0.00**	**1000.00**	**0.00**	**0.00**	**500.00**	**65.75**	**1000.00**	**1065.75**	**1.07 : 1**
	TOURISM SECTOR												
20	Tourism Corporation of Gujarat Limited	1763.86	--	--	--	1763.86	43.95	--	--	317.90	56.59	374.49	0.21 : 1 (0.57 : 1)
	Sector wise total	**1763.86**	**0.00**	**0.00**	**0.00**	**1763.86**	**43.95**	**0.00**	**0.00**	**317.90**	**56.59**	**374.49**	**0.21 : 1**
	POWER AND WATER RESOURCES SECTOR												
21	Gujarat Water Resources Development Corporation Ltd.	3148.61	--	--	--	3148.61	--	--	--	--	--	--	-- (-)
22	Sardar Sarovar Narmada Nigam Limited	597515.36 206665.54*	--	--	--	597515.36 206665.54*	72132.95	--	91860.57	--	474565.49	474565.49	0.59 : 1 (0.60:1)
23	Gujarat Power Corporation Limited	20027.47	--	--	1930.09	21957.56	--	--	--	--	191.62	191.62	0.01 : 1 (--)

1	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
24	Gujarat State Energy Generation Limited (Subsidiary of GSPC Limited)	4000.00	--	4500.00	2000.00	10500.00	1000.00	500.00	--	500.00	21870.00	22370.00	2.13 : 1 (--)
25	Gujarat Water Infrastructure Limited	Rs.700 2992.00*	--	--	--	Rs.700 2992.00*	2992.00	--	--	--	--	--	-- (--)
	Sector wise total	**624691.44** **209657.54**	**0.00**	**4500.00**	**3930.09**	**633121.53** **209657.54**	**76124.95**	**500.00**	**91860.57**	**500.00**	**496627.11**	**497127.11**	**0.59 : 1**
	FINANCING SECTOR												
26	Gujarat Industrial Investment Corporation Limited	25697.77	--	--	--	25697.77	18782.07	2000.00	39369.46	2500.00	75967.62	78467.62	3.05 : 1 (4.13 : 1)
27	Gujarat State Investments Limited	49476.91	--	--	--	49476.91	--	--	--	--	--	--	-- (0.01 : 1)
28	Gujarat State Financial Services Limited (GSFS Ltd.)	2628.00	--	--	--	2628.00	--	--	--	--	--	--	-- (--)
29	GSFS Capital & Securities Limited (Subsidiary of GSFS Ltd.)	--	--	500.00	--	500.00	--	--	--	--	--	--	-- (--)
	Sector wise total	**77802.68**	**0.00**	**500.00**	**0.00**	**78302.68**	**18782.07**	**2000.00**	**39369.46**	**2500.00**	**75967.62**	**78467.62**	**1.00 : 1**
	MISCELLANEOUS SECTOR												
30	Gujarat State Export Corporation Limited	8.49	--	--	6.51	15.00	--	--	--	--	--	--	-- (--)
31	Gujart Rural Industries Marketing Corporation Limited	785.46	--	--	--	785.46	74.00	--	--	--	--	--	-- (--)
32	The Film Development Corporation of Gujarat Limited	82.11	--	--	--	82.11	--	21.48	--	21.48	--	21.48	0.26 : 1 (--)
33	Alcock Ashdown (Gujarat) Limited	990.00 800.00*	--	--	400.00	1390.00 800.00*	800.00	--	--	10.00	0.51	10.51	0.01 : 1 (--)
34	Gujarat National Highways Limited	1000.00	600.00	--	--	1600.00	--	--	--	--	--	--	-- (--)

1	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
35	Gujarat Informatics Limited	1706.44	--	--	145.00	1851.44	1247.08	1500.00		2400.00		2400.00	1.30 : 1 (1.49:1)
	Sector wise total	**4572.50 800.00***	**600.00**	**0.00**	**551.51**	**5724.01 800.00***	**2121.08**	**1521.48**	**0.00**	**2431.48**	**0.51**	**2431.99**	**0.37:1**
	TOTAL - A (All Sector wise Government companies)	**733964.45 210643.86***	**3621.86 50.00***	**13830.53**	**9034.65**	**760451.49 210693.86***	**101461.37**	**4278.48**	**140920.12**	**7747.16**	**589068.07**	**596815.23**	**0.61 : 1**
B	**Working Statutory Corporations**												
	POWER SECTOR												
1	Gujarat Electricity Board	--	--	--	--	--	--	49853.00	203770.00	245317.00	463437.00	708754.00	-- (--)
	Sector wise total	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**49853.00**	**203770.00**	**245317.00**	**463437.00**	**708754.00**	**--**
	TRANSPORT SECTOR												
2	Gujarat State Road Transport Corporation	43267 .57	10627.82	--	--	53895.39	4160.75	--	--	1786.50	44031.14	45817.64	0.85 : 1 (0.87:1)
	Sector wise total	**43267 .57**	**10627.82**	**0.00**	**0.00**	**53895.39**	**4160.75**	**0.00**	**0.00**	**1786.50**	**44031.14**	**45817.64**	**0.85 : 1**
	FINANCE SECTOR												
3	Gujarat State Financial Corporation	4909.04	--	--	4491.71	9400.75	--	--	18145.93	882.30	113803.70	114686.00	12.20:1 (11.47:1)
	Sector wise total	**4909.04**	**0.00**	**0.00**	**4491.71**	**9400.75**	**0.00**	**0.00**	**18145.93**	**882.30**	**113803.70**	**114686.00**	**12.20:1**
	AGRICULTURE AND ALLIED SECTOR												
4	Gujarat State Warehousing Corporation	200.00	200.00	--	--	400.00	--	--	--	--	--	--	-- (--)
	Sector wise total	**200.00**	**200.00**	**0.00**	**0.00**	**400.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**

1	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
	MISCELLANEOUS SECTOR												
5	Gujarat Industrial Development Corporation	--	--	--	--	--	--	--	--	391.95	1220.00	1611.95	-- (--)
	Sector wise total	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**391.95**	**1220.00**	**1611.95**	**0.00**
	TOTAL (All Working Statutory corporations)	**48376.61**	**10827.82**	**0.00**	**4491.71**	**63696.14**	**4160.75**	**49853.00**	**221915.93**	**248377.75**	**622491.84**	**870869.59**	**13.67 : 1**
	TOTAL (All Working Government Companies and Corporations)	**782341.06 210643.86***	**14449.68 50.00***	**13830.53**	**13526.36**	**824147.63 210693.86***	**105622.12**	**54131.48**	**362836.05**	**256124.91**	**1211559.91**	**1467684.82**	**1.42 : 1**
C	**NON WORKING COMPANIES**												
	AGRICULTURE &ALLIED SECTOR												
1	Gujarat Fisheries Development Corporation Limited	193.77	--	--	--	193.77	--	--	--	228.57	--	228.57	1.18 : 1 (1.18:1)
2	Gujarat Dairy Development Corporation Limited	1045.81	--	--	--	1045.81	--	780.23	91.60	7887.50	2540.00	10427.50	9.97 : 1 (8.11:1)
	Sector wise total	**1239.58**	**0.00**	**0.00**	**0.00**	**1239.58**	**0.00**	**780.23**	**91.60**	**8116.07**	**2540.00**	**10656.07**	**8.60 : 1**
	INDUSTRY SECTOR												
3	Gujarat Small Industries Corporation Limited	378.95	--	--	21.05	400.00	--	--	--	221.41	150.00	371.41	0.93 : 1 (0.93 : 1)
	Sector wise total	**378.95**	**0.00**	**0.00**	**21.05**	**400.00**	**0.00**	**0.00**	**0.00**	**221.41**	**150.00**	**371.41**	**0.93 : 1**
	ELECTRONICS SECTOR												
4	Gujarat Communications and Electronics Limited	1245.01	--	--	--	1245.01	--	--	--	90.00	869.26	959.26	0.77 : 1 (0.77:1)
5	Gujarat Trans-Receivers Limited (Subsidiary of GIIC)	--	--	14.79	14.21	29.00	--	--	--	--	50.13	50.13	1.73 : 1 (1.73:1)
	Sector wise total	**1245.01**	**0.00**	**14.79**	**14.21**	**1274.01**	**0.00**	**0.00**	**0.00**	**90.00**	**919.39**	**1009.39**	**0.79 : 1**

1	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
	TEXTILES SECTOR												
6	Gujarat State Textile Corporation Limited (GSTC) (under liquidation) #	392.50 4254.23*	--	--	--	392.50 4254.23*	--	--	--	34012.12	--	34012.12	7.32 : 1 (7.32 : 1)
7	Gujarat Fintex Limited (under liquidation, subsidiary of GSTC)	Rs 200	--	--	--	--	--	--	--	--	0.80	0.80	-- (--)
8	Gujarat Siltex Limited (under liquidation, subsidiary of GSTC)	Rs 200	--	--	--	--	--	--	--	--	0.80	0.80	-- (--)
9	Gujarat Texfab Limited (under liquidation, subsidiary of GSTC)	Rs 200	--	--	--	--	--	--	--	--	0.80	0.80	-- (--)
	Sector wise total	**392.50 4254.23***	**0.00**	**0.00**	**0.00**	**392.50 4254.23***	**0.00**	**0.00**	**0.00**	**34012.12**	**2.40**	**34014.52**	**7.32 : 1**
	CONSTRUCTION SECTOR												
10	Gujarat State Construction Corporation Limited	500.00	--	--	--	500.00	--	98.55	--	526.52	--	526.52	1.05 : 1 (0.86 : 1)
	Sector wise total	**500.00**	**0.00**	**0.00**	**0.00**	**500.00**	**0.00**	**98.55**	**0.00**	**526.52**	**0.00**	**526.52**	**1.05 : 1**
	Total (Non working companies)	**3756.04 4254.23***	**0.00**	**14.79**	**35.26**	**3806.09 4254.23***	**0.00**	**878.78**	**91.60**	**42966.12**	**3611.79**	**46577.91**	**5.78 : 1**
	GRAND TOTAL	**786097.10 214898.09**	**14449.68 50.00***	**13845.32**	**13561.62**	**827953.72 214948.09***	**105622.12**	**55010.26**	**362927.65**	**299091.03**	**1215171.70**	**1514262.73**	**1.45 : 1**

Except in respect of PSUs which finalised their accounts for 2000-01 (Sl.No.A-3,A-5,A-9,A-10,A-12,A-15,A-21,A-23,A-24,A-27,A-28,A-29,A-35, B-2 and B-3) figures are provisional and as given by the PSUs.

The Company was wound up with effect from 6 February 1997. Hence latest information as provided by the Company is incorporated.

@ Loans includes bonds, debentures, inter corporate deposits *etc.*

* Represents share application money

** Represents long term loans only

ANNEXURE-2

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

(Referred to in Paragraph 1.2.1, 1.2.2, 1.5.1, 1.6, 1.6.1 and 1.7)

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

Serial number	Sector and Name of Public Sector Undertaking	Name of Department	Date of Incorporation	Period of accounts	Year in which accounts finalised	Net Profit/Loss(-)	Net impact of Audit comments	Paid-up Capital	Accumulated Profit/Loss(-)	Capital employed (A)	Total return on capital employed	Percentage of return on capital employed	Arrears of accounts in terms of years
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
A	**Working Government companies**												
	AGRICULTURE AND ALLIED SECTOR												
1	Gujarat Agro-Industries Corporation Limited	Agriculture and Co-operation	9 May 1969	1999-00	2000-01	(-)266.09		698.75 364.00*	599.50	4465.12	(-)210.90	--	1
2	Gujarat Sheep and Wool Development Corporation Limited	Agriculture and Co-operation	9 December 1970	1999-00	2001-02	(-)32.32	41.57	431.36	(-)84.43	370.08	(-)32.32	--	1
3	Gujarat State Seeds Corporation Limited	Agriculture and Co-operation	16 April 1975	2000-01	Under process	323.33		253.00	1250.95	1704.39	323.33	18.97	--
4	Gujarat State Land Development Corporation Limited	Agriculture and Co-operation	28 March 1978	1997-98	2000-01	(-)414.37		269.83 39.08*	(-)7128.33	(-)5690.75	(-)272.03	--	3
	Sector wise total					**(-)389.45**		**1652.94** **403.08***	**(-)5362.31**	**848.84**	**(-)191.92**	**--**	
	INDUSTRY SECTOR												
5	Gujarat State Petroleum Corporation Limited (GSPC Ltd.)	Energy and Petrochemicals	29 January 1978	2000-01	2001-02	4519.63		8561.11 1850.00*	6692.52	8584.37	6433.55	74.94	--
	Sector wise total					**4519.63**		**8561.11** **1850.00***	**6692.52**	**8584.37**	**6433.55**	**74.94**	
	HANDLOOM AND HANDICRAFT SECTOR												
6	Gujarat State Handicrafts Development Corporation Limited	Industries and Mines	10 August 1973	1998-99	2000-01	(-)166.19		270.92	(-)922.72	(-)90.63	(-)133.86	--	2

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
7	Gujarat State Handloom Development Corporation Limited	Industries and Mines	12 November 1979	1999-00	Under process	(-)133.86		697.92	(-)725.64	420.65	(-)81.14	--	1
	Sector wise total					**(-)300.05**	**0.00**	**968.84**	**(-)1648.36**	**330.02**	**(-)215.00**	**--**	
	FOREST SECTOR												
8	Gujarat State Forest Development Corporation Limited	Forest and Environment	20 August 1976	1999-2000	2001-02	182.52	2.08	571.65	1033.92	2408.16	191.02	7.93	1
	Sector wise total					**182.52**	**0.00**	**571.65**	**1033.92**	**2408.16**	**191.02**	**7.93**	
	MINING SECTOR												
9	Gujarat Mineral Development Corporation Limited	Industries and Mines	15 May 1963	2000-01	2001-02	10921.36		3180.00	46467.98	44134.76	11012.90	24.95	--
10	Gujarat State Petronet Limited (Subsidiary of GSPC Ltd.)	Energy and Petrochemicals	23 December 1998	2000-01	2001-02	(-)220.28		12015.53	(-)223.86	20245.13	(-)59.56	--	--
	Sector wise total					**10701.08**		**15195.53**	**46244.12**	**64379.89**	**10953.34**	**17.01**	
	CONSTRUCTION SECTOR												
11	Gujarat State Police Housing Corporation Limited	Home	1 November 1988	1997-98	2001-02	##		4823.72 176.28*	##	7272.53	##	--	3
12	Gujarat State Road Development Corporation Limited	Roads and Building	12 May 1999	2000-01	2001-02	(-)95.79		500.00 100.00*	(-)97.73	653.92	(-)95.79	--	--
	Sector wise total					**(-)95.79**		**5323.72** **276.28***	**(-)97.73**	**7926.45**	**(-)95.79**	--	
	AREA DEVELOPMENT SECTOR												
13	Gujarat State Rural Development Corporation Limited	Panchayat Rural Housing and Rural Development	7 July 1977	1999-00	2000-01	(-)45.50		58.00	35.71	138.79	(-)45.50	--	1
14	Gujarat Growth Centres Development Corporation Ltd.	Industries and Mines	11 December 1992	1999-00	2000-01	2.03		2700.00	14.21	2705.10	2.03	0.08	1

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
15	Gujarat Urban Development Company Limited	Urban Development and Urban Housing	27 May 1999	2000-01	2001-02	23.68		1866.00 170.00*	23.78	2038.42	23.68	1.16	--
	Sector wise total					**(-)19.79**		**4624.00** **170.00***	**73.70**	**4882.31**	**(-)19.79**	**--**	
	DEVELOPMENT OF ECONOMICALLY WEAKER SECTION SECTOR												
16	Gujarat Scheduled Castes Economic Development Corporation Limited	Social Welfare	29 November 1979	1994-95	2000-01	59.94	(-)86.12	1314.07 171.48*	514.16	2749.92	85.89	3.12	6
17	Gujarat Women Economic Development Corporation Limited	Women, Youth Development, Cultural Activity, Prohibition and Excise	16 August 1988	1999-00	2001-02	31.75		682.05 20.00*	$	730.64	31.75	4.35	1
18	Gujarat Minority Finance and Development Corporation Limited	Social Justice and Employment	24 September 1999	1999-00	2001-02	(-)0.82		50.00	(-)0.83	531.05	0.87	0.16	1
	Sector wise total					**90.87**		**2046.12** **191.48***	**513.33**	**4011.61**	**118.51**	**2.95**	
	PUBLIC DISTRIBUTION SECTOR												
19	Gujarat State Civil Supplies Corporation Limited	Food & Civil Supplies	26 September 1980	1999-00	2000-01	(-)233.85		1000.00	(-)366.39	5464.13	1148.08	21.01	1
	Sector wise total					**(-)233.85**		**1000.00**	**(-)366.39**	**5464.13**	**1148.08**	**21.01**	
	TOURISM SECTOR												
20	Tourism Corporation of Gujarat Limited	Industries and Mines	10 June 1975	1999-00	2000-01	185.83		1719.91	(-)1784.56	2338.87	270.64	11.57	1
	Sector wise total					**185.83**		**1719.91**	**(-)1784.56**	**2338.87**	**270.64**	**11.57**	
	POWER AND WATER RESOURCES SECTOR												
21	Gujarat Water Resources Development Corporation Limited	Irrigation	3 May 1971	2000-01	2001-02	201.60		3148.61	(-)2826.97	20758.64	201.60	0.97	--

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
22	Sardar Sarovar Narmada Nigam Limited	Narmada, Water Resources and Water Supply	24 March 1988	1999-00	2001-02	**		597515.00 134533.00*	**	991431.00	**	--	1
23	Gujarat Power Corporation Limited	Energy and Petrochemicals	28 June 1990	2000-01	2001-02	104.78		21957.57	1210.73	11557.18	129.38	1.12	--
24	Gujarat State Energy Generation Limited (Subsidiary of GSPC Ltd.)	Energy and Petrochemicals	30 December 1998	2000-01	2001-02	$$		10500.00	$$	33705.12		--	--
25	Gujarat Water Infrastructure Ltd.	Narmada, Water Resources and Water Supply	25 October 1999	1999-00	Under process	1.06		Rs.700 only	0.98	15.90	1.06	6.67	1
	Sector wise total					**307.44**		**633121.18** **134533.00***	**(-)616.24**	**1057467.84**	**332.04**	**0.09**	
	FINANCING SECTOR												
26	Gujarat Industrial Investment Corporation Limited (GIIC)	Industries and Mines	12 August 1968	1999-00	2000-01	(-)1592.33		6915.70	596.90	118032.77	9199.05	7.79	1
27	Gujarat State Investments Limited	Industries and Mines	29 January 1988	2000-01	2001-02	453.04		49476.91	5201.37	55113.58	461.19	0.84	--
28	Gujarat State Financial Services Limited (GSFS Ltd.)	Finance	20 November 1992	2000-01	2001-02	1352.55		2628.00	1168.07	39351.27	4218.40	10.71	--
29	GSFS Capital and Securities Ltd. (Subsidiary of GSFS Ltd.)	Finance	3 March 1998	2000-01	2001-02	226.95		500.00	217.94	681.29	226.95	33.31	
	Sector wise total					**440.21**		**59520.61**	**7184.28**	**213178.91**	**14105.59**	**6.62**	
	MISCELLANEOUS SECTOR												
30	Gujarat State Export Corporation Limited	Industries and Mines	14 October 1965	1999-00	2000-01	67.40		15.00	306.49	318.85	72.40	22.71	1
31	Gujarat Rural Industries Marketing Corporation Limited	Industries and Mines	16 May 1979	1999-00	2001-02	(-)14.10		711.46 83.91*	10.69	1127.23	15.67	1.39	1
32	The Film Development Corporation of Gujarat Limited	Information and Broadcasting	4 February 1984	1999-00	2001-02	2.24		82.11 17.89*	(-)38.50	61.49	2.24	3.64	1

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
33	Alcock Ashdown (Gujarat) Limited	Industries and Mines	5 September 1994	1999-00	2000-01	86.96		1390.00	12.70	4332.27	89.59	2.07	1
34	Gujarat National Highways Limited	Roads and Buildings	8 July 1997	1998-99	2000-01	100.17		1600.00	70.57	1671.95	100.17	5.99	2
35	Gujarat Informatics Limited	Information Technology	19 February 1999	2000-01	2001-02	58.19		904.36 947.08*	(-)35.47	4239.31	175.73	4.15	--
	Sector wise total					**300.86**		**4702.93 1048.88***	**326.48**	**11751.10**	**455.80**	**3.88**	
	Total - A (Working Government companies)					***15689.51***		***735209.97 138472.72****	***52192.76***	***1383572.50***	***33486.07***	***2.42***	
B	**Working Statutory corporations**												
	POWER SECTOR												
1	Gujarat Electricity Board	Energy and Petrochemicals	1 May 1960	1999-00	Under process	(-)208466.00		--	(-)178639.00	625783.00	(-)129603.52	--	1
	Sector wise total					**(-)208466.00**		**--**	**(-)178639.00**	**625783.00**	**(-)129603.52**	**--**	
	TRANSPORT SECTOR												
2	Gujarat State Road Transport Corporation	Home	1 May 1960	2000-01	Under process	(-)31508.14		53895.39 1786.50#	(-)151504.20	(-)516.97	(-)25931.70	--	--
	Sector wise total					**(-)31508.14**		**53895.39 1786.50#**	**(-)151504.20**	**(-)516.97**	**(-)25931.70**	**--**	
	FINANCING SECTOR												
3	Gujarat State Financial Corporation	Industries and Mines	1 May 1960	2000-01	Under process	(-)7700.63		9400.76	--	134777. 50	6864.32	5.09	--
	Sector wise total					**(-)7700.63**		**9400.76**	**--**	**134777. 50**	**6864.32**	**5.09**	
	AGRICULTURE AND ALLIED SECTOR												
4	Gujarat State Warehousing Corporation	Agriculture and Co-operation	5 December 1960	1999-00	2001-02	(-)47.82		400.00	(-)146.13	568.35	(-)47.82	--	1
	Sector wise total					**(-)47.82**		**400.00**	**(-)146.13**	**568.35**	**(-)47.82**	**--**	

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
	MISCELLANEOUS SECTOR												
5	Gujarat Industrial Development Corporation	Industries and Mines	4 August 1962	1999-00	Under process	2832.26		--	12410.81	120290.79	3189.16	2.65	1
	Sector wise total					**2832.26**		**--**	**12410.81**	**120290.79**	**3189.16**	**2.65**	
	Total - B (Working Statutory corporations)					**(-)244890.33**		***63696.15 1786.50****	***(-)317878.52***	***880902.67***	***(-)145529.56***		
	Grand total (A+B)					**(-)229200.82**		**798906.12 140259.22***	**(-)265685.76**	**2264475.17**	**(-)112043.49**		
C	**Non-working Government companies**												
	AGRICULTURE SECTOR												
1	Gujarat Fisheries Development Corporation Limited	Ports and Fisheries	17 December 1971	1997-98	2000-01	35.33	0.54	193.77	(-)296.33	69.33	47.96	69.18	3
2	Gujarat Dairy Development Corporation Limited@@	Agriculture and Co-operation	29 March 1973	1999-00	2001-02	(-)3568.48		1045.80	(-)11885.27	750.88	(-)3333.99	--	1
	Sector wise total					**(-)3533.15**		**1239.57**	**(-)12181.60**	**820.21**	**(-)3286.03**		
	INDUSTRY SECTOR												
3	Gujarat Small Industries Corporation Limited	Industries and Mines	26 March 1962	1998-99	2000-01	(-)1080.96		400.00	(-)2817.55	4754.38	(-)316.41	--	2
	Sector wise total					**(-)1080.96**		**400.00**	**(-)2817.55**	**4754.38**	**(-)316.41**	**--**	
	ELECTRONICS SECTOR												
4	Gujarat Communications and Electronics Limited	Industries and Mines	30 May 1975	1999-00	Under process	(-)8398.49		1245.01	(-)7076.93	1475.44	(-)7198.12	--	1
5	Gujarat Trans-Receivers Limited (Subsidiary of GIIC)	Industries and Mines	26 March 1981	1997-98	2001-02	(-)57.30		29.00	(-)484.71	(-)306.33	(-)47.54	--	3
	Sector wise total					**(-)8455.79**		**1274.01**	**7561.64**	**1169.11**	**(-)7245.66**		

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
	TEXTILES SECTOR												
6	Gujarat State Textile Corporation Limited(GSTC)@	Industries and Mines	30 November 1968	1996-97	@	(-)29755.34		392.50 4254.23*	(-)90855.00	(-)24162.81	(-)24880.57	--	4
7	Gujarat Fintex Limited (Subsidiary of GSTC)@	Industries and Mines	20 September 1992	1994-95	1995-1996	(-)0.08		Rs.200 only	(-)0.17	(-)0.01	(-)0.08	--	6
8	Gujarat Siltex Limited (Subsidiary of GSTC)@	Industries and Mines	20 September 1992	1994-95	1995-1996	(-)0.08		Rs.200 only	(-)0.18	(-)0.02	(-)0.08	--	6
9	Gujarat Texfab Limited (Subsidiary of GSTC)@	Industries and Mines	20 September 1992	1994-95	1995-1996	(-)0.08		Rs.200 only	(-)0.18	(-)0.02	(-)0.08	--	6
	Sector wise total					**(-)29755.58**		**392.50** **4254.23***	**(-)90855.53**	**(-)24162.86**	**(-)24880.81**		
	CONSTRUCTION SECTOR												
10	Gujarat State Construction Corporation Limited	Roads and Buildings	16 December 1974	1999-2000	2001-02	(-)193.98		500.00	(-)2404.04	941.93	(-)59.64	--	1
	Sector wise total					**(-)193.98**		**500.00**	**(-)2404.04**	**941.93**	**(-)59.64**	--	
	Total - C (Non-working Government companies)					**(-)43019.46**		**3806.08** **4254.23***	**(-)100697.08**	**(-)16477.23**	**(-)35788.55**		
	Grand total (A+B+C)					**(-)272220.28**		**802712.20** **144513.45***	**(-)366382.84**	**2247997.94**	**(-)147832.04**		

(A) Capital employed represents net fixed assets (including capital works-in-progress) *plus* working capital except in case of finance companies/corporations where the capital employed is worked out as a mean of aggregate of the opening and closing balances of paid up capital, free reserves, bonds, deposits and borrowings (including refinance).

* indicates Share application money
** indicates the PSU is under construction
*** indicates the PSU is under merger
\# Capital loan from Central Government
\## Capitalised
@ indicates the PSU is Under liquidation and provisional figures
@@ indicates the PSU referred to BIFR
$ Excess of income tranferred to non-plan grant
$$ Transferred to pre-operative

ANNEXURE-3

(Referred to in Paragraph 1.2.2)

Statement showing subsidy received, guarantees received, waiver of dues, loans on which moratorium allowed and loans converted into equity during the year and subsidy receivable and guarantee outstanding at the end of March 2001

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

Sl. No.	Name of the Public Sector Undertaking	Subsidy/Grants received during the year				Guarantees received during the year and outstanding at the end of the year*					Waiver of dues during the year				Loans on which mora-torium allowed	Loan converted into equity during the year
		Central Govern-ment	State Govern-ment	Others	Total	Cash credit from banks	Loans from other sources	Letters of credit opened by banks in respect of imports	Payment obligation under agree-ment with foreign consultants or contracts	Total	Loans repay-ment written off	Interest waived	Penal interest waived	Total		
1	2	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	6	7
A	WORKING COMPANIES															
1	Gujarat Agro Industries Corporation Limited (GAIC)	140.00 120.00**	1838.14	--	1978.14 120.00**	--	--	--	--	--	--	--	--	--	--	--
2	Gujarat Sheep and Wool Development Corporation Limited	403.40	--	--	403.40	--	--	--	--	--	--	--	--	--	--	--
3	Gujarat Water Resources Development Corporation Limited	--	3956.51	--	3956.51	--	--	--	--	--	--	--	--	--	--	--
4	Gujarat State Land Development Corporation Limited	--	8463.33	--	8463.33	(462.44)	--	--	--	(462.44)	--	--	--	--	--	--
5	Gujarat State Handicrafts Development Corporation Limited	15.00	261.47	--	276.47	--	--	--	--	--	--	--	--	--	--	--
6	Gujarat State Handloom Development Corporation Limited	3.10	123.00	--	126.10	--	--	--	--	--	--	--	--	--	--	--
7	Gujarat State Forest Development Corporation Limited	--	51.00	--	51.00	-- (898.21)	--	--	--	-- (898.21)	--	--	--	--	--	--
8	Gujarat State Petronet Limited (Subsidiary of GSPC Limited)	--	--	51.81	51.81	--	--	--	--	--	--	--	--	--	--	--
9	Gujarat State Police Housing Corporation Limited	--	4484.50	--	4484.50	--	-- (3387.50)	--	--	-- (3387.50)	--	--	--	--	--	--

1	2	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	6	7
10	Gujarat Water Infrastructure Limited	--	6518.00	9974.89	16492.89	--	50.00 (50.00)	--	--	50.00 (50.00)	--	--	--	--	--	--
11	Gujarat Scheduled Castes Economic Development Corporation Ltd.	--	805.00	--	805.00	--	1759.00 (5464.00)	--	--	1759.00 (5464.00)	--	--	--	--	--	--
12	Gujarat Women Economic Development Corporation Limited	7.20	300.41	263.10	570.71	--	-- (100.00)	--	--	-- (100.00)	--	--	--	--	--	--
13	Gujarat Minorities Finance & Development Corporation Limited	--	22.50	--	22.50	--	1822.00 (1822.00)	--	--	1822.00 (1822.00)	--	--	--	--	--	--
14	Gujarat State Civil Supplies Corporation Limited	--	15.77	--	15.77	--	2500.00 (2500.00)	--	--	2500.00 (2500.00)	--	--	--	--	--	--
15	Tourism Corporation of Gujarat Limited	13.97	1550.00	--	1563.97	--	--	--	--	--	--	--	--	--	--	--
16	Gujarat State Power Corporation Limited	--	--	--	--	--	-- (26167.00)	--	--	-- (26167.00)	--	--	--	--	--	--
17	Gujarat Industrial Investment Corporation Limited	--	38.75	--	38.75	--	165.90 (165.90)	--	--	165.90 (165.90)	--	--	--	--	--	9922.07
18	Gujarat State Export Corporation Limited	--	77.31	--	77.31	--	--	--	--	--	--	--	--	--	--	--
19	Gujarat Rural Industries Marketing Corporation Limited	--	10.00	--	10.00	--	--	--	--	--	--	--	--	--	--	--
20	Sardar Sarovar Narmada Nigam Limited	--	--	--	--	--	--	91860.57 (474565.49)	--	91860.57 (474565.49)	--	--	--	--	--	--
21	Alcock Ashdown (Gujarat) Limited	--	--	--	--	150.00 (150.00)	--	--	--	150.00 (150.00)	--	--	--	--	--	--
	TOTAL - A (All working Government companies)	**582.67 120.00****	**28515.69**	**10289.80**	**39388.16 120.00****	**150.00 (1510.65)**	**6296.90 (39656.40)**	**91860.57 (474565.49)**	**0.00**	**98307.47 (515732.54)**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**9922.07**
B	**Working Statutory corporations**															
1	Gujarat Electricity Board	--	196419.00	--	196419.00	--	95556.00 (384816.00)	--	--	95556.00 (384816.00)	--	--	--	--	--	--

1	2	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	6	7
2	Gujarat State Road Transport Corporation	--	15600.00	--	15600.00	--	-- (42991.76)	--	--	-- (42991.76)	--	--	--	--	--	--
3	Gujarat State Financial Corporation	--	141.79	--	141.79	--	2345.00 (56077.50)	--	--	2345.00 (56077.50)	--	--	--	--	--	--
4	Gujarat Industrial Development Corporation		100.00		100.00		(2164.60)			(2164.60)						
	Total (All working Statutory corporations)	**0.00**	**212260.79**	**0.00**	**212260.79**	**0.00**	**97901.00 (486049.86)**	**0.00**	**0.00**	**97901.00 (486049.86)**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
	Total (All working Government companies and corporations)	**582.67 120.00****	**240776.48**	**10289.80**	**251648.95 120.00****	**150.00 (1510.65)**	**104197.90 (525706.26)**	**91860.57 (474565.49)**	**0.00**	**196208.47 (1001782.40)**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**9922.07**
C	**NON-WORKING COMPANIES**															
1	Gujarat Fisheries Development Corporation Limited	--	--	--	--	--	-- (6.00)	--	--	-- (6.00)	--	--	--	--	--	--
2	Gujarat Small Industries Corporation Limited	--	--	--	--	--	200.00 (200.00)	--	--	200.00 (200.00)	--	--	--	--	--	--
3	Gujarat Communications and Electronics Limited@	--	--	--	--	--	--	-- (4000.00)	--	-- (4000.00)	--	--	--	--	--	--
4	Gujarat State Construction Corporation Limited	--	--	--	--	-- (422.00)	--	--	--	-- (422.00)	--	--	--	--	--	--
	Total (All non-working Government companies)	**0.00**	**0.00**	**0.00**	**0.00**	**0.00 (422.00)**	**200.00 (206.00)**	**0.00 (4000.00)**	**0.00**	**200.00 (4628.00)**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
	GRAND TOTAL	**582.67 120.00****	**240776.48**	**10289.80**	**251648.95 120.00****	**150.00 (1932.65)**	**104397.90 (525912.26)**	**91860.57 (478565.49)**	**0.00**	**196408.47 (1006410.40)**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**9922.07**

* Figure in bracket indicate guarantees outstanding at the end of the year

** indicates subsidy receivable

@ indicates information furnished by the Company for earlier years.

ANNEXURE-4

Statement showing financial position of Statutory corporations

(Referred to in paragraph 1.2.4)

1. Gujarat Electricity Board (Rupees in crore)

Particulars	1997-98	1998-99	1999-2000
A. Liabilities			
Loans from Government	3710.67	4007.05	4341.38
Other long-term loans(including bonds)	2689.47	2726.32	3196.83
Reserves and surplus	1647.68	1458.87	1218.88
Current liabilities and provisions	3503.06	3810.22	5539.10
Total-A	**11550.88**	**12002.46**	**14296.29**
B. Assets			
Gross fixed assets	7834.11	8440.45	9390.48
Less: Depreciation	2909.81	3457.79	4070.81
Net fixed assets	4924.30	4982.66	5319.67
Capital works-in progress	1010.70	1136.23	994.44
Deferred cost	28.51	26.95	29.71
Current assets	4848.91	5196.65	5482.81
Investments	738.46	659.97	683.15
Miscellaneous expenditure	--	--	--
Accumulated losses	--	--	1786.39
Total-B	**11550.88**	**12002.46**	**14296.17**
(C) Capital employed#	**7280.85**	**7505.32**	**6257.83**

2. Gujarat State Road Transport Corporation (Rupees in crore)

Particulars	1998-99	1999-2000	2000-01
A. Liabilities			
Capital (including capital loan & equity capital)	490.21	515.21	556.82
Borrowings (Government.:-)	--	--	--
(Others:-)	115.14	447.57	440.31
Funds*	0.52	0.51	0.95
Trade dues and other current liabilities (including provisions)	588.89	848.46	1167.93
Total - A	**1194.76**	**1811.75**	**2166.01**
B. Assets			
Gross Block	488.40	624.93	647.15
Less:Depreciation	324.94	336.95	357.98
Net fixed assets	163.46	287.98	289.17
Capital works-in-progress (including cost of chassis)	8.43	39.93	20.88
Investments	0.05	--	--
Current assets, loans and advances	183.09	283.88	340.91
Deferred Cost	--	--	--
Accumulated losses	839.73	1199.96	1515.05
Total - B	**1194.76**	**1811.75**	**2166.01**
C. Capital employed##	**(-)233.91**	**(-)236.67**	**(-)516.97**

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

* Excluding depreciation funds.

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

3. Gujarat State Financial Corporation (Rupees in crore)

Particulars	1998-99	1999-2000	2000-01
A. Liabilities			
Paid-up capital	93.92	93.93	94.01
Share application money	--	--	--
Reserve fund and other reserves and surplus	98.12	100.89	91.05
Borrowings:			
(i) Bonds and debentures	555.73	555.28	587.05
(ii) Fixed Deposits	--	--	0.13
(iii) Industrial Development Bank of India & Small Industries Development Bank of India	430.35	441.83	486.32
(iv) Reserve Bank of India	--	--	16.50
(v) Loan in lieu of share capital:			
(a) State Government	6.03	6.03	6.03
(b) Industrial Development Bank of India	--	--	--
(vi) Other (including State Government)	--	--	67.26$
Other liabilities and provisions	161.14	187.08@	100.91
Total - A	**1345.29**	**1385.04**	**1449.26**
B. Assets			
Cash and Bank balances	116.06	117.74	99.53
Investments	13.49	15.89	15.89
Loans and Advances	1150.89	1190.08	1179.45
Net fixed assets	29.18	28.06	24.06
Other assets	27.85	27.70	127.01
Miscellaneous expenditure	7.82	5.57	3.32
Total - B	**1345.29**	**1385.04**	**1449.26**
C. Capital employed**	**1287.38**	**1300.69**	**1347.78**

4. Gujarat State Warehousing Corporation (Rupees in crore)

Particulars	1997-98	1998-99	1999-2000
A. Liabilities			
Paid-up-capital	4.00	4.00	4.00
Reserves and surplus	4.38	4.40	4.43
Borrowings (Government.:-)	--	--	--
(Others:-)	--	--	--
Trade dues and current liabilities (including provisions)	2.45	2.71	4.55
Total - A	**10.83**	**11.11**	**12.98**
B. Assets			
Gross Block	8.31	8.32	8.34
Less: Depreciation	2.53	2.76	2.97
Net fixed assets	5.78	5.56	5.37
Capital works-in-progress	0.66	0.96	1.08
Current assets, loans and advances	4.25	4.19	3.78
Accumulated losses	0.14	0.40	2.75
Total - B	**10.83**	**11.11**	**12.98**
C. Capital employed ##	**8.24**	**8.00**	**5.68**

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

$ This includes Loans in the form of line of credits amounting to Rs.61.97 crore

@ This includes long term loans in the form of line of credit amounting to Rs.71.49 crore.

5 Gujarat Industrial Development Corporation (Rupees in crore)

Particulars	1997-98	1998-99	1999-2000
A. Liabilities			
Loans	67.44	34.91	27.87
Subsidy from Government	0.18	2.10	2.10
Reserves and surplus	280.94	323.58	375.70
Receipts on capital account	729.17	790.07	849.48
Current liabilities and provisions (including deposits)	195.05	204.05	203.00
Total - A	**1272.78**	**1354.71**	**1458.15**
B. Assets			
Gross block	13.53	14.92	17.74
Less:Depreciation	4.95	5.62	6.58
Net fixed assets	8.58	9.30	11.16
Capital expenditure on development of industrial estates etc.	850.94	911.87	960.78
Investments	32.92	32.92	49.43
Other assets	380.29	400.58	436.75
Miscellaneous expenditure	0.05	0.04	0.03
Total - B	**1272.78**	**1354.71**	**1458.15**
C. Capital employed* **	**1017.38**	**1114.19**	**1202.91**

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

ANNEXURE - 5

Statement showing working results of Statutory corporations

(Referred to in paragraph 1.2.4)

1. Gujarat Electricity Board (Rupees in crore)

Sr.No.	Particulars	1997-98	1998-99	1999-2000
1	(a) Revenue receipts	5264.72	5952.43	6039.82
	(b) Subsidy/Subvention from Government	1483.10	1673.17	1329.87
	Total	6747.82	7625.60	7369.69
2	Revenue expenditure (net of expenses capitalised) including write off of intangible assets but excluding depreciation and interest	5349.21	6621.66	7987.54
3	Gross surplus (+)/deficit(-) for the year (1-2)	1398.61	1003.94	(-)617.85
4	Adjustments relating to previous years	(-)53.53	(-)100.78	(-)123.92
5	Final gross surplus(+)/deficit(-) for the year (3+4)	1345.08	903.16	(-)741.77
6	Appropriations:			
	(a) Depreciation (less capitalised)	514.88	558.05	604.11
	(b) Interest on Government loans	226.60	251.65	272.93
	(c) Interest on other loans, bonds, advance, etc. and finance charges	487.17	476.93	589.77
	(d) Total interest on loans & finance charges (b+c)	713.77	728.58	862.70
	(e) Less:-Interest capitalised	3.05		
	(f) Net interest charged to revenue (d-e)	710.72	728.58	862.70
	(g) Total appropriations (a+f)	1225.60	1286.63	1466.81
7	Surplus(+)/deficit(-)before accounting for subsidy from State Government {5-6(g)-1(b)}	(-)1363.62	(-)2056.64	(-)3538.45
8	Net surplus(+)/deficit(-){5-6(g)}	119.48	(-)383.47	(-)2208.58
9	**Total return on capital employed***	**830.20**	**301.27**	**(-)1296.03**
10	**Percentage of return on capital employed**	**11.40**	**4.01**	**--**

2. Gujarat State Road Transport Corporation (Rupees in crore)

Sr.No.	Particulars	1998-99	1999-2000	2000-01
1	Operating			
	(a) Revenue	918.03	1034.85	1198.15
	(b) Expenditure	1059.77	1360.45	1451.16
	(c) Surplus (+)/Deficit(-)	(-)141.74	(-)325.60	(-)253.01
2	Non-operating			
	(a) Revenue	30.77	37.48	50.34
	(b) Expenditure	46.36	71.15	112.41
	(c) Surplus(+)/Deficit(-)	(-)15.59	(-)33.67	(-)62.07
3	Total			
	(a) Revenue	948.80	1072.33	1248.49
	(b) Expenditute	1106.13	1431.60	1563.57
	(c) Net Profit(+)/Loss(-)	(-)157.33	(-)359.27	(-)315.08
	Interest on capital and loans	13.63	70.82	55.76
	Total return on Capital employed	**(-)143.70**	**(-)289.32**	**(-)259.32**

3. Gujarat State Financial Corporation (Rupees in crore)

Sr.No.	Particulars	1998-99	1999-2000	2000-01
1	Income			
	(a) Interest on loans	189.89	170.75	96.51
	(b) Other income	44.36	28.60	11.95
	Total - 1	**234.25**	**199.35**	**108.46**
2	Expenses			
	(a) Interest on long-term and short-term loans	177.92	143.00	145.65
	(b) Other expenses	40.13	40.85	39.81
	Total-2	**218.05**	**183.85**	**185.46**
3	Profit before tax (1-2)	16.20	15.50	(-)77.00
4	Prior period adjustments	11.36	1.64	0.66
5	Provision for tax	3.35	3.50	--
6	Profit(+)/Loss(-) after tax	12.85	12.00	(-)77.00
7	Provision for non performing assets	19.58	--	23.80
8	Other appropriations	0.45	7.00	--
9	Amount available for dividend#	12.40	5.00	--
10	Dividend paid	7.19	6.86	6.86
11	**Total return on Capital employed**	**194.12**	**158.50**	**68.64**
12	**Percentage of return on Capital employed**	**15.08**	**12.19**	**5.09**

4. Gujarat State Warehousing Corporation (Rupees in crore)

Sr.No.	Particulars	1997-98	1998-99	1999-2000
1	Income			
	(a) Warehousing charges	2.03	1.86	2.75
	(b) Other income	1.25	1.00	0.32
	Total-1	**3.28**	**2.86**	**3.07**
2	Expenses			
	(a) Establishment charges	1.62	1.71	2.79
	(b) Other expenses	1.53	1.40	0.76
	Total-2	**3.15**	**3.11**	**3.55**
3	Profit(+)/Loss(-) before tax	0.13	(-)0.25	(-)0.48
4	Provision for tax	--	--	--
5	Prior period adjustments	0.11	--	1.84
6	Other appropriations	0.15	0.02	0.02
7	Amount available for dividend	(-)0.04	--	--
8	Dividend for the year	--	--	--
9	**Total return on capital employed**	**0.13**	**(-)0.02**	**(-)0.48**
10	**Percentage of return on capital employed**	**1.58**	--	--

5. Gujarat Industrial Development Corporation (Rupees in crore)

Sr.No.	Particulars	1997-98	1998-99	1999-2000
1	Revenue Receipts	130.91	143.99	156.49
2	Net expenditure after capitalisation	76.67	101.35	104.37
3	Excess of income over expenditure	54.24	42.64	52.12
4	Provision for replacement, renewals and for additional liability	21.38	23.57	23.80
5	Net surplus	32.86	19.07	28.32
6	**Total return on capital employed**	**41.00**	**25.98**	**31.89**
7	**Percentage of return on capital employed**	**4.03**	**2.33**	**2.65**

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

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

ANNEXURE - 6

Statement showing operational performance of Statutory corporations

(Referred to in Paragraph 1.6.2.3)

1. Gujarat Electricity Board

Particulars	1997-98	1998-99	1999-2000
Installed capacity		(MW)	
(a) Thermal	3804 #	3804 #	3804 #
(b) Hydro	487	547	547
(c) Gas	189	189	189
(d) Other	--	--	--
Total	**4480**	**4540**	**4540**
Normal maximum demand	6662	7346	7920
Power generated :		(MKWH)	
(a) Thermal	22531	21806	22137
(b) Hydro	1281	1346	1040
(c) Other	--	--	--
Total	**23812**	**23152**	**23177**
Less:Auxiliary consumption			
(a) Thermal	2235	2208	2149
(percentage)	(9.92)	(10.12)	(9.71)
(b) Hydro	32.00	10	10
(percentage)	(2.50)	(0.74)	(0.96)
(c) Other	--	--	--
(percentage)	--	--	--
Total	**2267**	**2218**	**2159**
(percentage)	(9.52)	(9.58)	(9.32)
Net power generated	21545	20934	21018
Power purchased:			
(a) Within the State			
-Government	--	--	--
-Private	2581	6376	8928
(b) Other States	336	--	--
(c) Central Grid	9738	8790	10060
Total power available for sale	34200	36100	40006
Power sold:			
(a) Within the State	26783	28828	31178
(b) Outside the State	--	--	--
Transmission and distribution losses	7417	7272	8828
Plant Load Factor (percentage)	65.7	63.5	64.3
Percentage of Transmission and distribution losses to total power available for sale	21.69	20.14	22.07
Number of villages/towns electrified	17936	17940	17940
Number of pump sets/wells energised	617495	643757	670422
Number of sub-stations	627	649	690
Transmission/distribution lines (in kms)			
(a) High/medium voltage	152632	157693	164552
(b) Low voltage	175619	182769	189873
Connected load (in MW)	14819.9	15123	15670
Number of consumers	6379875	6616274	6879476
Number of employees	48700	48978	50841
Consumer/employees Ratio	131:1	135:1	135:1
Total expenditure on staff during the year (Rs.in crore)	485.84	704.54	690.46
Percentage of expenditure on staff to total revenue expenditure	7.39	8.91	7.21
Units sold		(MKWH)	
(a) Agriculture	10757	12221	14914
(Percentage share to total units sold)	(40.16)	(42.39)	(47.84)

Particulars	1997-98	1998-99	1999-2000
(b) Industrial	9817	9697	9147
(Percentage share to total units sold)	(36.66)	(33.64)	(29.34)
(c) Commercial	683	752	816
(Percentage share to total units sold)	(2.55)	(2.61)	(2.62)
(d) Domestic	2411	2643	2813
(Percentage share to total units sold)	(9.00)	(9.17)	(9.02)
(e) Other	3115	3515	3488
(Percentage share to total units sold)	(11.63)	(12.19)	(11.19)
Total	**26783**	**28828**	**31178**
(a) Revenue (excluding subsidy from Government) (paise per KWH)	196.57	206.48	193.72
(b) Expenditure* (paise per KWH)	222.09	252.25	280.67
(c) Profit(+)/Loss(-) (paise per KWH)	(-)25.52	(-)45.77	(-)86.95
(d) Average subsidy claimed from Government (in Rupees)	0.55	0.58	0.43
(e) Average interest charges (in Rupees)	0.23	0.22	0.23

2. Gujarat State Road Transport Corporation

Particulars	1997-98	1998-99	1999-2000
Average number of vehicles held	9081	9327	9646
Average number of vehicles on road	7907	8057	8320
No. of Employees	57948	59839	60608
Employee vehicle ratio	7.33	7.43	7.28
Percentage of utilisation of vehicles	87.1	86.4	86.3
Number of routes operated at the end of the year	18467	18534	19157
Route kilometres	1086609	1083560	1134166
Kilometres operated (in lakh)			
(a) Gross	10050.64	10429.38	11087.48
(b) Effective	9954.93	10335.55	10990.46
(c) Dead	95.71	93.83	97.02
Percentage of dead kilometres to gross kilometres	0.95	0.9	0.88
Average kilometres covered per bus per day	347.8	354.9	364.1
Operating revenue per kilometre (Paise)	830.89	888.22	941.59
Average expenditure per kilometre (Paise)	1042.14	1025.37	1237.35
Profit(+)/Loss(-) per kilometre (Paise)	(-)211.25	(-)137.15	(-)327.77
Number of operating depots	138	138	138
Average number of break-down per lakh kilometres	9.3	9.7	7.5
Average number of accidents per lakh kilometres	0.27	0.15	0.21
Passenger kilometre operated (in crore)	3948.93	3884.84	3636.68
Occupancy ratio	73.76	71.35	63.83
Kilometres obtained per litre of:			
(a) Diesel Oil	5.01	4.99	5.11
(b) Engine Oil	1527	1544	1714

3.Gujarat State Warehousing Corporation

Particulars	1997-98	1998-99	1999-2000
Number of stations covered	49	49	49
Storage capacity created upto the end of the year (tonne in lakh)			
(a) Owned	1.35	1.35	1.35
(b) Hired	0.10	0.09	0.09
Total	**1.45**	**1.44**	**1.44**
Average capacity utilised during the year (tonne in lakh)	0.97	0.92	1.00
Percentage utilisation	66.90	63.89	69.44
Average revenue per tonne per year (Rupees)	337.23	309.72	305.75
Average expenses per tonne per year (Rupes)	323.38	336.95	353.43
Profit (+)/Loss (-) per tonne (Rupees)	13.85	(-)27.23	(-)47.68

4. Gujarat State Financial Corporation

Particulars	1998-99		1999-2000		2000-01	
	Number	Amount (Rupees in crore)	Number	Amount (Rupees in crore)	Number	Amount (Rupees in crore)
Applications pending at the beginning of the year	128	80.34	198	128.44	157	185.89
Applications received	632	271.60	597	375.55	629	254.16
Total	**760**	**351.94**	**795**	**503.99**	**786**	**440.05**
Applications sanctioned	405	157.90	444	274.40	474	241.93
Applications cancelled/withdrawn/ rejected/reduced	157	65.57	194	43.70	268	157.40
Applications pending at the close of the year	198	128.44	157	185.89	44	40.72
Loans disbursed		117.34		240.00		193.25
Loan outstanding at the close of the year		1150.89		1190.08		1179.44
Amount overdue for recovery at the close of the year						
(a) Principal		175.52		106.48		171.12
(b) Interest		255.86		230.46		371.66
Total		**431.38**		**336.94**		542.68
Percentage of overdue to the total loans outstanding		37.48		28.31		46.01

5. Gujarat Industrial Development Corporation

Particulars	1998-99	1999-2000	2000-01
Number of estates	258	254	260
Area (in hectares)			
(a) Acquired	23773	24024	24525
(b)Developed	13066	13320	13742
(c)Allotted	12833	13089	13118
Sheds			
(a) Constructed	12291	12291	12291
(b) Allotted	11989	12015	12154
Housing Quarters			
(a) Constructed	12834	12834	12834
(b) Allotted	11718	11772	11928
Percentage of			
(a) Area developed to area acquired	54.96	55.44	56.03
(b) Area allotted to area developed	98.21	98.26	95.46
(c) Sheds allotted to sheds constructed	97.54	97.75	98.89
(d) Quarters allotted to quarters constructed	91.3	91.72	92.94

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

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

ANNEXURE - 7

(Referred to in paragraph No. 1.8)

Statement showing the department wise outstanding Inspection Reports(IRs)

Sl. No.	Name of Department	No. of PSUs	No. of outstanding I.R	No. of outstanding paragraphs	Years from which paragraphs outstanding
1	Industries and Mines	16	71	376	1984-85
2	Agriculture and Cooperation	7	31	144	1984-85
3	Information and Broadcasting	1	1	2	1994-95
4	Information Technology	1	1	6	2000-01
5	Roads and Buildings	1	5	17	1985-86
6	Irrigation	1	7	25	1990-91
7	Panchayat, Rural Housing and Rural Development	1	3	24	1993-94
8	Women, Youth Development, Cultural Activity, Prohibition and Excise	1	4	9	1991-92
9	Forest	1	6	25	1992-93
10	Home	2	56	284	1984-85
11	Finance	1	1	2	1999-00
12	Ports and Fisheries	1	3	16	1991-92
13	Social Welfare	1	8	48	1988-89
14	Food and Civil Supplies	1	4	21	1989-90
15	Narmada, Water Resources and Water Supply	1	103	274	1990-91
16	Energy and Petrochemicals	1	178	629	1987-88
	Total	**38**	**482**	**1902**	

ANNEXURE - 8

(Referred to in paragraph No. 1.8)

Statement showing the department-wise draft paragraphs/reviews reply to which are awaited

Sl. No.	Name of Department	Number of draft paragraphs	No. of reviews	Period of issue
1	Industries and Mines	7	2	March/April/May 2001
2	Energy and Petrochemicals	7	1	March/April/May 2001
3	Narmada, Water Resources and Water Supply	3	1	April/May 2001

Note: In case of two draft paragraphs, referred in Sl.No.1 and three draft paragraphs referred in Sl.No.3, neither the Department nor the concerned PSUs had given their replies. However, in rest of the cases, only the concerned PSUs had given their reply.

ANNEXURE - 9

(Referred to in paragraph 1.10)

Statement showing paid-up capital, investment and summarised working results of 619-B companies as per their latest finalised accounts

(Figures in column 5 to 19 are in Rupees in lakh)

Sl. No.	Name of company	Status (working/ non-working)	Year of account	Paid-up capital	Equity by*			Loans by			Grants by			Total investment by way of equity, loans and grants			Profit(+)/ loss(-)	Accumulated profit (+)/ accumulated loss (-)
					State Government	State Government companies	Central Government and their companies	State Government	State Government companies	Central Government and their companies	State Government	State Government companies	Central Government and their companies	State Government	State Government companies	Central Government and their companies		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
1	Gujarat State Machine Tools Limited	Non-Working	2000-01	53.34	--	20.84 (38.92)	20.85 (38.94)	106.07	394.09	--	--	--	--	106.07	414.93	20.85	77.75	(-)345.64
2	Gujarat State Electricity Corporation Limited	Working	2000-01	44400.00	--	44400.00 (100)	--	--	--	57805.56	--	--	--	--	44400.00	57805.56	10893.82	15177.95
3	Gujarat Leather Industries Limited	Working	1999-00	150	--	76.50 (51)	--	--	44.00	--	--	--	--	--	120.50	--	10.66	(-)271.65
4	Gujarat Ports and Infrastructure Development Company Limited	Working	1999-00	1800.00	--	1800.00 (100)	--	--	0.83	--	--	--	--	--	1800.83	--	(-)0.04	0.01
5	Gujarat State Fertilizers and Chemicals Limited	Working	2000-01	11273.68	0.01 (--)	3065.98 (27.10)	--	--	--	42509.00	10.00	--	--	10.01	3065.98	42509.00	603.99	67487.43
6	Gujarat Industrial and Technical Consultancy Limited	Working	2000-01	20.00	--	6.47 (32.35)	13.53 (67.75)	--	--	10.00	--	--	--	--	6.47	23.53	6.11	20.41
7	Gujarat Alkalies and Chemicals Limited	Working	2000-01	4590.47	--	1640.08 (35.72)	1307.24 (28.47)	--	--	428.66	--	--	--	--	1640.08	1735.90	(-)3654.99	3481.01

* Figures in bracket indicates percentage of paid-up capital

ANNEXURE – 10

Statement showing the risk and cost amount not recovered from the defaulting contractors

(Referred to in paragraph 2.1.4.2.3)

Sl. No.	Name of Contractor (Order placed in)	Name of project	Target (In cmt.)	Rate *per* cmt. (In Rupees)	Quantity executed (In lakh cmt.)	Left out quantity (In lakh cmt.)	Rate *Per* cmt. obtained in next tender (In Rupees)	Amount recoverable as per Risk and Cost Clause (Rupees in lakh)
1	J.P. Fabricators, Ahmedabad (January 1994)	Rajpardi	40 lakh in two years	12.51	24.04	1.80 14.16	16.00 (September 1995) 15.69 (November 1995)	6.28 45.03
2	J.P Fabricators, Ahmedabad (September 1994)	Rajpardi	4.50 lakh in three months	14.25	2.05	2.45	15.69 (November 1995)	3.53
3	Ranjit Construction Co., Mehsana (March 1996)	Panandhro	20 lakh in one year	14.94	10.16	9.84	19.56 (June 1997)	45.46
4	Ranjit Construction Co., Mehsana (March 1997)	Rajpardi	4.13 lakh in two months	11.19 effective rate with Company's machinery	1.94	2.19	21.59 (June 1997) without Company's machinery	22.72
5	M. Patel & Co, Dholka (June 1997)	Panandhro	50 lakh in two years	19.56	31.66	18.34	26.00 (July 1999)	118.11
6	Dholu Contracts Co., Ahmedabad (May 1999)	Rajpardi	12 lakh in five months	5.95	5.88	6.12	25.25 (October 1999)	90.75
	Total							**331.88**

ANNEXURE – 11

Statement showing the yearwise sales proceeds, expenditure and profits of Panandhro and Rajpardi projects during last five years up to 2000-01

(Referred to in paragraph 2.1.4.3.1)

Year	Production Target (In lakh tonnes)	Production (In lakh tonnes)	Sales proceeds (Rupees in crore)	Expenditure (Rupees in crore)	Profit (Rupees in crore)	Profit *per tonne* (in Rupees)
A Panandhro project						
1996-97	50.00	47.62	175.36	47.70	127.66	268.07
1997-98	50.82	44.81	192.42	53.74	138.68	309.49
1998-99	47.62	45.05	186.72	56.48	130.24	289.10
1999-00	47.90	38.33	144.32	64.96	79.36	207.04
2000-01	48.33	36.57	137.27	59.54	77.73	212.55
Total A	**244.67**	**212.38**	**836.09**	**282.42**	**553.67**	**260.70**
B Rajpardi project						
1996-97	5.05	4.24	27.64	20.72	6.92	163.30
1997-98	4.50	4.62	36.15	28.67	7.48	161.90
1998-99	4.80	4.87	38.08	25.49	12.59	258.55
1999-00	5.10	5.14	38.74	35.07	3.67	71.34
2000-01	6.00	9.06	65.04	36.99	28.05	309.58
Total B	**25.45**	**27.93**	**205.65**	**146.94**	**58.71**	**210.21**
Grand Total (A+B)	**270.12**	**240.31**	**1041.74**	**429.36**	**612.38**	**254.83**

ANNEXURE – 12

Statement showing operational performance of BWE for the last five years up to 2000-01

(Referred to in paragraph 2.1.7.2)

Sl. No.	Particulars	1996-97	1997-98	1998-99	1999-00	2000-01
1	Calendar hours	26280	26280	26280	26352	26280
2	Prescribed hours	12000	12000	12000	12000	12000
3	Actual working hours	5287	5458	6123	6028	6559
4	Utilisation rate (Sl.No.3 *divided by* Sl.No.2)	44	45	51	50	55
5	Material removal as *per* guaranteed rate for actual hours (In cmt.) (Sl.No.3 *multiplied by* 900 cmt.)	4758300	4912200	5510700	5425200	5903100
6	Material removal as *per* guaranteed rate for prescribed hours (In cmt) (12000 Hours *multiplied by* 900 cmt.)	10800000	10800000	10800000	10800000	10800000
7	Material actually removed (In cmt.)	3512995	3914275	4126254	3655177	4793782
8	Shortfall in material removal (In cmt.) from guaranteed rate. (Sl.No.6 *minus* Sl.No.5)	6041700	5887800	5289300	5374800	4896900
9	Percentage shortfall	56	55	49	50	45
10	Shortfall in material removal from guaranteed rate for prescribed hours (In cmt.) (Sl.No.6 *minus* Sl.No.7)	7287005	6885725	6673746	7144823	6006218
11	Percentage shortfall (Sl.No.10 *divided by* Sl.No.6)	67	64	62	66	56

ANNEXURE - 13

Statement showing default cases under ERS which are not discussed in detail in the Review

(Referred to in paragraph 2.2.6)

Sl. No.	Name of the unit	Month of sanction	Amount sanctioned/ disbursed (Rupees in crore)	Purpose of finance	Profit making	Dividend paying	Amount overdue for repayment as on March 2001 (Rupees in crore)	Audit observations on default in repayment of dues by units
1.	M/s Sarosil Ultrachem (Exports) Ltd.	September 1995	0.45/0.34	Expanding the existing capacity of manufacturing Precipitate Silica	Yes	--	0.31 (0.21 principal plus 0.10 interest)	No action under SFC Act was taken. Personal guarantee was not invoked.
2.	M/s. Dhatu Sanskar Ltd.	November 1991	0.60/0.46	Setting up equipments for steel rolling mill for expansion	Yes	Yes	0.57 (0.46 principal plus 0.11 interest)	No action under SFC Act initiated before the unit approached BIFR Personal guarantee was not invoked.
3.	M/s. Tyche Bio-Medica Ltd.	March 1997	1.00/1.00	To expand capacity of manufacturing glass syringes and needles	Yes	Yes	0.90 (0.76 principal plus 0.14 interest)	Assets possessed were of special type, hence, the same could not be disposed off.
4.	M/s. Jord Engineering (I) Ltd.	May 1997	1.25/1.13	Expansion scheme of stud tube manufacturing	Yes	Yes	0.66 (0.66 principal plus 0.0 interest)	Action under SFC Act was not taken by accepting post dated cheques though the unit's cheques were dishonoured in past.

5.	M/s. Manav Yarn Products Ltd.	March 1997	2.00/1.20	Expansion/modernisation of plant and machinery to manufacture Roto yarn and Twisted yarn	Yes	--	0.61* (OTS given)	Finance was given though textile industry was passing through recession. No effective action was taken under SFC Act before unit approached BIFR
6.	M/s Suyog Granits and Marbles Ltd.	May 1995 and July 1995	0.75/0.65 0.90/0.45	Modernising existing manufacturing facilities of marble block mining and marble slab	Yes	Yes	1.93 (1.10 principal plus 0.83 interest)	No action under Negotiable Instruments Act, 1881 was taken for dishonour of cheques given by the unit.
7.	M/s Gujarat Electromelt Ltd.	August 1995	1.87/1.87	Installation of an additional induction furnace and one 2100 KVA imported DG set	Yes	--	2.48 (1.75 principal plus 0.73 interest)	No action under SFC Act was taken though the unit defaulted in payment of interest from November 1996*

* amount written off.

ANNEXURE - 14

I - Statement showing cost and benefit sharing pattern among the beneficiary States at the percentage rate as per Narmada Water Dispute Tribunal (NWDT) award

(Referred to in paragraph 2.3.1)

Unit	Name of Work	Gujarat		Maharashtra		Madhya Pradesh		Rajasthan		
		Percentage of cost as per NWDT Award	Share in cost (Rupees in crore)	Percentage of cost as per NWDT Award	Share in cost (Rupees in crore)	Percentage of cost as per NWDT Award	Share in cost (Rupees in crore)	Percentage of cost as per NWDT Award	Share in cost (Rupees in crore)	Cost (Rupees in crore)
I)	Dam and appurtenant works	50.565	515.480	15.147	154.420	31.977	325.990	2.311	23.560	1,019.45
II)	Main canal	88.977	1413.440	0	0	0	0	11.023	175.100	1,588.54
III)	Power generation	16.000	156.790	27.000	264.590	57.000	558.570	0	0	979.950
IV)	Branches and distribution system	100.000	2818.100	0	0	0	0	0	0	2,818.10
	Total		**4903.810**		**419.010**		**884.560**		**198.660**	**6,406.04**
	Percentage of share in total cost		76.55		6.54		13.81		3.10	

II Water allocation from Narmada basin

Allotment of utilisable quantum of Narmada water on basis of 75 *per cent* dependability as 28 million acre feet (MAF) equal to 34537.44 million cubic metres (M.Cum)

State	Share in MAF	Share in M.Cum
Gujarat	9.00 MAF	11,101.32 M.Cum.
Maharashtra	0.25 MAF	308.37 M.Cum.
Madhya Pradesh	18.25 MAF	22,511.01 M.Cum.
Rajasthan	0.50 MAF	616.74 M.Cum.

III Power allocation: 1,450 MW river bed power house (6x200MW) and canal head power house (5x50 MW)

State	Percentage of share	Actual share
Gujarat	16	232.0 MW
Maharashtra	27	391.5 MW
Madhya Pradesh	57	826.5 MW

ANNEXURE - 15

Statement showing composite features of the Dam

(Referred to in paragraph 2.3.1)

A	**Main Dam**		
	1.	Length of main concrete gravity dam	1,210.00 m.
	2.	Maximum height above deepest foundation level	163.00 m.
	3.	Top reservoir level of dam	146.50 m.
	4.	Catchment area of river above dam site	88,000 Kms
	5.	Live storage capacity 0.58 M. Ha. m	(4.7 MAF)
	6.	Length of reservoir Maximum width Average width	214.00 Kms 16.10 Kms 01.77 Kms
	7.	Spillway gate Chute spillway Service spillway	 07 nos. 60'x55' 23 nos. 60'x55'
	8.	Spillway capacity	84,949.25 cumecs* (30 lakh cusecs)
B	**Main canal**		
	1.	Full supply level (F.S.L) at Head Regulator	91.44 m (300')
	2.	Length up to Gujarat-Rajasthan border	458.00 Kms
	3.	Base width in head reach	73.01 m.
	4.	Full supply depth (F.S.D) in head reach	7.60 m.
	5.	Design discharge capacity (a) In head reach	 1,133 cumecs (40,000 cusecs**)
		At Gujarat Rajasthan border	71 cumecs (2,500 cusecs)
C	**Distribution system**		
	1.	Number of branches	42
	2.	Length of distribution system network	66,000.00 Kms
	3.	Annual irrigation	18.00 lakh ha.
D	**Power generation**		
	1.	River bed power house (6x200 MW)	1,200 MW
	2.	Canal head power house (5x50 MW)	250 MW

* cumecs means Cubic metres per second

** cusecs means Cubic feet per second

ANNEXURE - 16

Statement showing cost estimates of the project

(Referred to in paragraph 2.3.4.1)

(Rupees in crore)

Sl.No.		Particulars	Original 1986-87 prices		Revised 1991-92 prices	
1		Unit I				
A		Dam and appurtenant works				
	I)	Land	316.71		672.62	
	II)	Works	448.84		800.78	
	III)	Others	170.63		265.95	
B		Share of Narmada Sagar	83.27	1,019.45	146.74	1,886.09
2		Unit II Canal and distribution system				
A		Main canal				
	I)	Land	28.10		37.10	
	II)	Regulators,measuring devices, falls, drainage works, bridges, escapes, *etc.*	561.40		1406.43	
	III)	Building	58.10		39.45	
	IV)	Earthwork, lining and service roads	596.08		1,254.71	
	V)	Others	344.86	1,588.54	557.39	3,295.08
B		Branch canal				
	I)	Land	39.85		48.79	
	II)	Distributaries minors	921.95		1,867.85	
	III)	Water course and field channels	209.55		291.3	
	IV)	Telecommunication for remote control	211		188.92	
	V)	Others	1,435.75	2,818.10	4,043.14	6,440.00
3		Unit III Hydro power				
A		Civil works				
	I)	Building	14.14		9.95	
	II)	Power plant and civil works	134.24		265.22	
	III)	Others	88.04		92.91	
B		Electrical works				
	I)	River bed power house	553.55		928.5	
	II)	Canal head power house	105.32		164.68	
	III)	Others	84.66	979.95	98.19	1,559.45
		Total		**6,406.04**		**13,180.62**

ANNEXURE - 17

Statement showing types of borrowings, excess borrowings and resultant extra expenditure incurred by the Company

(Referred to in paragraph 2.3.5.2)

Sl. No.	Month and year of placement	Type of borrowing	Interest rate (in *per cent*)	Amount raised	Borrowing in excess of limit approved by Government	Remarks
				(Rupees in crore)		
1	November 1993	a) Deep discount bond	17.92 to 19.46	256.90	75.00	The Company incurred extra expenditure of Rs.3024.00 crore due to failure in reserving the right to redeem the DDBs through call option (paragraph 2.3.5.2.1).
		b) Non-convertible bond (NCBs)	17.50	118.10		Failure of the Company to reserve the right to redeem the NCBs through call option resulted in the avoidable payment of interest of Rs.9.45 crore (paragraph 2.3.5.2.2).
2	February 1996	Private placement of bonds (NCBs)	18.00	344.14	94.14	The company borrowed the funds at the rate of interest higher than that was payable which resulted in loss of interest of Rs.18.07 crore. (paragraph 2.3.5.2.3).
3	April 1997	Private placement of bonds (NCBs)	17.00	270.23	95.23	The Company sustained an aggregate loss of Rs.14.70 crore in retention of over-subscription (Rs.8.57 crore), borrowing the funds at a rate higher than the rate recommended (Rs 5.25 crore) and investment of part of over-subscription in lower rate than the borrowing interest rate (Rs 0.88 crore). (paragraph 2.3.5.2.4)
4	September 1999	Private placement of bonds (NCBs)				
		Regular bond – I	13.65	556.26	664.22	Incorrect estimation of expenditure on salary and wages resulted in excess borrowing which fetched lower returns, when invested resulting in loss of Rs.11.12 crore (paragraph 2.3.5.2.5)
		Regular bond – II	13.90	443.56		
		Infrastructure bond	12.25 (half yearly) 12.35 (yearly)	40.65 23.75		
	Total			**2053.59**	**928.59**	**3077.34**

ANNEXURE - 18

Installed capacity and generation of power by Power Stations of Gujarat Electricity Board

(Referred to in paragraph 3.1)

Particulars	Number of units	Installed capacity (MW)	Generation in million units (Mus)		Source of fuel
1. Coal		**1999-01**	**1999-00**	**2000-01**	Mainly from South Eastern Coal Field Ltd. (SECL) and marginally from other subsidiaries of Coal India Ltd. (CIL)
(a) Ukai TPS	05	850	4446	5380	
(b) Gandhinagar TPS	04	660	3109	3327	
(c) Wanakbori TPS	06	1260	9110	8916	
(d) Sikka	02	240	961	1097	
(e) Utran Old.	03	45	Closed	----	
Total Coal		**3055 (67)**	**17626 (76)**	**18720 (80)**	
2. Lignite					Gujarat Mineral Development Corporation Ltd. (GMDC)
(a) Panandhro	03	215 (5)	963 (4)	966 (4)	
3. Oil					
(a) Dhuvaran	06	534 (12)	2358 (10)	2350 (10)	Indian Oil Corporation (IOC)
Total Thermal		**3804 (84)**	**20947 (90)**	**22036 (94)**	
4. Gas					
(a) Dhuvaran	02	54	130	136	Gas Authority of India Ltd. (GAIL)
(b) Utran	04	135	1060	718	
Total Gas		**189 (4)**	**1190 (5)**	**854 (4)**	
5. Hydro					
(a) Ukai	06	305	1040	435	
(b) Kadana	04	240	--	--	
(c) Panam	02	02	--	--	
Total Hydro		**547 (12)**	**1040 (5)**	**435 (2)**	
Total Board		**4540 (100)**	**23177 (100)**	**23325 (100)**	

(Figures in bracket represent the percentage to total)

ANNEXURE - 19

Elements of fuel cost of thermal generation

(Referred to in paragraph 3.4)

Particulars	1995-96	1996-97	1997-98	1998-99	1999-00
	<-------------(Rupees in lakh)------------->				
1.Direct fuel cost(coal, lignite,oil)	159850 *(Base)*	177441 (11.00)	209902 (31.31)	214637 (34.27)	226613 (41.77)
2.Indirect fuel cost	4485 *(Base)*	4289 (-4.37)	6254 (39.44)	5974 (33.20)	7076 (57.77)
3. Fuel related losses	25909 *(Base)*	39136 (51.05)	44098 (70.20)	37964 (46.53)	23901 (-7.75)
4. Cost of Thermal generation (1+2+3)	190244 (Base)	220866 (16.10)	260254 (36.80)	258575 (35.92)	257590 (35.40)
5.Direct cost of Gas procurement	10291 *(Base)*	9421 (-8.45)	10465 (1.69)	10750 (4.45)	11071 (7.58)
6. Other operating expenses	956 *(Base)*	1034 (8.16)	1292 (35.15)	1182 (23.64)	1408 (47.28)
7. Cost of generation (4+ 5+6)	201491 *(Base)*	231321 (14.80)	272011 (34.99)	270507 (34.25)	270069 (34.04)
	<-----------------(Rupees in lakh)----------------->				
8. Net of prior period expenses/losses, income/gains in relation to indirect fuel cost & fuel related losses	(-)6479	2167	1053	(-)2593	5.09
9. Generation	<---------------(in million units/MKwh)----------------->				
(a) Coal	17585	17368	17931	17520	17626
(b) Lignite	596	585	733	1010	963
(c) Oil	2925	3007	2805	2185	2358
(d).Total thermal (a+b+c)	21106	20960	21469	20715	20947
(e) Gas	1092	1009	983	1091	1190
(f) Hydro	741	844	1281	1346	1040
10. Total generation (d+e+f)	**22939**	**22813**	**23733**	**23152**	**23177**
	<-----------------(in percentage)-------------->				
11. Percentage of indirect fuel cost and fuel related losses to cost of thermal generation (2+3) to 4	15.98	19.66	19.35	16.99	12.03
12. Percentage of indirect fuel cost and fuel related losses to direct fuel cost (2+3) to 1	19.01	24.47	23.99	20.47	13.67
13. Percentage of indirect fuel cost and fuel related losses to cost of generation (2+3) to 7	15.08	18.77	18.51	16.24	11.47
	<-----------------(in percentage)-------------->				
14.Percentage of indirect fuel cost and fuel related losses with prior period adjustment to direct fuel cost (2+3+8) to 1	14.96	25.69	24.49	19.26	13.67
	<----------------(in Rupees per Kwh)----------->				
15.Per unit cost of thermal generation (4 divided by 9(d))	**0.9**	**1.05**	**1.21**	**1.25**	**1.23**
16.Per unit cost of total generation (7 divided by 10)	**0.88**	**1.01**	**1.15**	**1.17**	**1.17**

Figure in bracket at Sl.No.1 to 7, indicate percentage increase/decrease compared to base year 1995-96

ANNEXURE - 20

Comparison of per unit fuel cost of thermal generation of the Board with RSEB

(Referred to in paragraphs 3.4 and 3.4.1.2)

Particulars	Gujarat			Rajasthan		
	Total cost (Rupees in crore)	Thermal Generation (In Mus)	Per unit cost (Rupee per Kwh)	Total cost (Rupees in crore)	Thermal Generation (In Mus)	Per unit cost (Rupee per Kwh)
Direct fuel cost						
1995-96	1598.50	21106.00	0.76	503.44	5935.00	0.85
1996-97	1774.41	20960.00	0.85	598.53	6364.00	0.94
1997-98	2099.02	21469.00	0.98	729.40	6966.00	1.05
1998-99	2146.37	20715.00	1.04	739.64	7285.00	1.01
1999-00	2266.13	20947.00	1.08	927.72	8790.00	1.05
Indirect fuel cost*						
1995-96	44.85	21106.00	0.02	1.36	5935.00	0.003
1996-97	42.89	20960.00	0.02	1.30	6364.00	0.002
1997-98	62.54	21469.00	0.03	6.63	6966.00	0.010
1998-99	59.74	20715.00	0.03	0.00	7285.00	0.000
1999-00	70.76	20947.00	0.03	2.40	8790.00	0.003
Fuel related losses						
1995-96	259.09	21106.00	0.12	36.49	5935.00	0.06
1996-97	391.36	20960.00	0.18	59.08	6364.00	0.09
1997-98	440.98	21469.00	0.20	51.75	6966.00	0.07
1998-99	379.64	20715.00	0.18	19.70	7285.00	0.03
1999-00	239.01	20947.00	0.12	42.37	8790.00	0.05
Cost of thermal generation						
1995-96	1902.44	21106.00	0.90	541.29	5935.00	0.91
1996-97	2208.66	20960.00	1.05	658.91	6364.00	1.03
1997-98	2602.54	21469.00	1.21	787.78	6966.00	1.13
1998-99	2585.75	20715.00	1.25	759.34	7285.00	1.04
1999-00	2575.90	20947.00	1.23	972.49	8790.00	1.11

* Indirect fuel cost includes other fuel related costs excluding operating expenses which cannot be bifurcated between thermal, hydro and gas.

** Thermal generation includes generation through coal, lignite and oil.

ANNEXURE - 21

Excess coal consumption

(Referred to in paragraph 3.5.1)

Sl. No.	Particulars		Wanakbori TPS	Ukai TPS	Gandhinagar TPS	Sikka TPS
1	Average Calorific value of coal (KCAL/KG)/ Coal factor (KG/Kwh)	**1995-96**	3977/0.63	3726/0.73	4700/.0.59	4012/0.64
		1996-97	3700/0.66	3583 /0.72	4043 / 0.60	3744 / 0.65
		1997-98	3579/0.70	3184 /0.80	3822/0.63	3716/0.66
		1998-99	3510/0.71	3680/0.74	3282/0.73	3347/0.73
		1999-00	3494/0.72	3579 /0.71	3449/0.69	3981/0.62
2	Coal factor of 1995-96 as base (kg./Kwh)	--	0.63	0.73	0.59	0.64
3	Excess coal factor (kg./Kwh)	**1996-97**	0.03	--	0.01	0.01
		1997-98	0.07	0.07	0.04	0.02
		1998-99	0.08	0.01	0.14	0.09
		1999-00	0.09	--	0.10	--
4	Generation (Mus)	**1996-97**	7223.26	4392.66	4192.14	1559.94
		1997-98	8263.81	4313.81	3917.68	1435.96
		1998-99	8421.59	4251.60	3953.63	893.76
		1999-00	9110.10	4445.82	3108.90	960.70
5	Excess coal consumption MT (3 x 4)	**1996-97**	216698.00	--	41921.00	15599.00
		1997-98	578467.00	301967.00	156707.00	28719.00
		1998-99	673727.00	42516.00	553508.00	80438.00
		1999-00	819909.00	--	310890.00	--
6	Total		2288801.00	344483.00	1063026.00	124756.00
7	**Grand Total (Excess coal consumption)**			**3821066 MT**		

$$\text{Coal factor} = \frac{\text{Consumption in Kgs.}}{\text{Generation in Kwh.}} \quad \text{OR} \quad \frac{\text{Coal Heat rate (KCAL/Kwh)}}{\text{Calorific value (KCAL/Kg)}}$$

ANNEXURE - 22

Grade-wise billing and receipt of coal (In lakh metric tonnes)

(Referred to in paragraph 3.5.1.2)

	Billed grade					Receipt grade				
	1996-97	**1997-98**	**1998-99**	**1999-00**	**2000-01**	**1996-97**	**1997-98**	**1998-99**	**1999-00**	**2000-01**
Superior quality (A,B,C)	62.16 (53.09)	69.08 (49.02)	48.30 (37.70)	42.71 (29.13)	24.58 (18.52)	8.47 (7.24)	6.54 (4.65)	3.27 (2.55)	8.75 (5.98)	11.19 (8.44)
Medium quality (D, E)	11.74 (10.03)	5.28 (3.75)	5.22 (4.07)	8.57 (5.85)	7.76 (5.85)	59.85 (51.17)	62.79 (44.56)	41.53 (32.42)	34.64 (23.67)	20.32 (15.34)
Inferior quality (F, G)	43.09 (36.87)	66.55 (47.23)	74.59 (58.22)	95.34 (65.03)	100.37 (75.63)	48.66 (41.60)	71.58 (50.80)	83.31 (65.03)	102.95 (70.35)	101.01 (76.22)
GRAND TOTAL	**116.99 (100)**	**140.91 (100)**	**128.11 (100)**	**146.62 (100)**	**132.71 (100)**	**116.98 (100)**	**140.91 (100)**	**128.11 (100)**	**146.34 (100)**	**132.52 (100)**

Average Calorific value of coal consumed as per accounts	**1996-97**	**3768 KCAL/KG**	**E Grade**
	1997-98	**3559 KCAL/KG**	**F Grade**
	1998-99	**3478 KCAL/KG**	**F Grade**
	1999-00	**3626 KCAL/KG**	**F Grade**

Note:- Figures in brackets reveals percentage of the classified grade to the total receipt

ANNEXURE - 23

Excess consumption of secondary fuel

(Referred to in paragraph 3.5.3)

Year/TPS	Units generated Mus	Norms for oil consumption Ml/Kwh	Actual consumption Ml/Kwh	Excess consumption Ml/Kwh	Net excess consumption Kilo litres	Excess consumption MT	Cost of oil (Rupees per MT)	Excess expenditure (Rupees in lakh)
1995-96								
Wanakbori	6937	5.00	11.08	6.08	42176.96			
Ukai	4391	5.85	15.90	10.05	44129.55			
Sikka	1312	8.00	8.52	0.52	682.24			
Gandhinagar	4944	6.09	11.08	4.99	24670.56			
Total					**111659.31**	**100493.4**	**5788**	**5816.56**
1996-97								
Wanakbori	7223	5.00	11.40	6.40	46227.20			
Ukai	4393	5.85	15.80	9.95	43710.35			
Sikka	1560	8.00	2.50	(-)5.50	(-)8580			
Gandhinagar	4192	6.09	7.20	1.11	4653.12			
Total					**86010.67**	**77409.60**	**7411**	**5736.83**
1997-98								
Wanakbori	8264	5.00	1.50	(-)3.50	(-)28924			
Ukai	4314	5.85	10.7	4.85	20922.90			
Sikka	1435	8.00	6.10	(-)1.90	(-)2727			
Gandhinagar	3918	6.09	10.3	4.21	16494.78			
Total					**5766.68**	**5190**	**6374**	**330.81**
1998-99								
Wanakbori	8422	5.00	1.50	(-)3.50	(-)29477			
Ukai	4251	5.85	10.8	4.95	21042.45			
Sikka	894	8.00	9.80	1.80	1609.20			
Gandhinagar	3954	6.09	10.3	4.21	16646.34			
Total					**9820.99**	**8838.89**	**6374**	**563.39**
1999-00								
Wanakbori	9110	5.00	0.77	(-)4.23	(-)38535.30			
Ukai	4446	5.85	4.35	(-)1.50	(-)6669			
Sikka	961	8.00	3.18	(-)4.82	(-)4632.02			
Gandhinagar	3109	6.09	8.63	2.54	7896.86			
Total					**(-)41939.46**	**-)37745.51**	**8813**	**(-)3326.51**
Grand Total								**9121.08**

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ANNEXURE - 24

Elements of indirect fuel cost

(Referred to in paragraph 3.6)

Particulars	**1995-96**	**1996-97**	**1997-98**	**1998-99**	**1999-00**
	<----------(Rupees in crore)---------->				
1. Coal handling charge	3.41	5.16	5.33	5.58	4.70
2. Coal demurrage charges	0.59	0.31	1.42	1.00	0.63
3. Coal siding charges	0.24	0.30	0.20	0.12	0.54
4. Commission to coal agents	26.95	28.18	38.65	31.60	46.11
5. Other coal related costs	10.46	5.54	11.80	17.67	13.23
6. Oil handling charges	0.12	0.08	1.72	0.04	1.60
7. Gas station maintenance charges *	2.83	2.92	3.03	3.12	3.21
8. Miscellaneous charges	0.25	0.40	0.38	0.61	0.74
9. Total	**44.85**	**42.89**	**62.53**	**59.74**	**70.76**
10.Payment to Firm K** (Freight prepayment, loading supervision, liaison contracts and joint sampling)	14.00	17.09	22.92	22.75	27.15
11. Payment to Firm I*** (Freight prepayment, loading supervision,liaison contracts and joint	10.79	8.57	12.57	12.92	13.01
12. Total payment made to the two firms (10 + 11)	24.79	25.66	35.49	35.67	40.16
	<-------------(in percentage)--------->				
13. Percentage of 12 to 9	55.27	59.83	56.76	59.71	56.76

* Gas station maintenance charges though not a part of cost of thermal generation has been included in indirect fuel cost as separate figure is not available in respect of other States for the required bifurcation.

** Firm M/s.Karamchand C. Thapar

*** Firm M/s.Indian Coal Agency

ANNEXURE - 25

Rates of coal unloading contracts

(Referred to in paragraph 3.6.3)

Sl. No.	Item of work	Basis of payment	Wanakbori	Ukai	Sikka
			<-------(Rate in Rupees)----------->		
1	Unloading of coal wagons through wagon tipplers	Per wagon	17.6	74.15	29.15 (Including some functions of item No 2)
2	Poking and hammering of hoppers trays chutes, surge coppers, belt pulleys and cleaning to ensure coal flow	MT	0.19 (Summer & Winter) 0.34 Monsoon	0.47	0.35 (Functions not covered in item No.1)
3	Sprinkling of water on coal to prevent fire	Per Shift	308	281	-
4	Picking of non scrap	Per MT	55	1020	582.78
5	Unloading of LDO/LSHS	Tanker		Railway Tanker 154.24	Road tanker 29.16
6	Joint sampling collection	Wagon	54 per Sample I.e. 178.2 per wagon	113.11	46.73
7	Bonus clause	Above 170 wagons per day		170-200 wagon @ Rs.150 per wagon Above 200 wagons @ Rs.200 per wagon	-
8	Reclaiming of coal from chatas & all places in coal yard to wagon tippler	M.T	10.35	20.57	3.48
9	Cleaning of tunnels			2500/day	232.98/day
10	Cleaning of bunker floors	Days	1320 per day for all the functions 9 to 13	1985/day	175.03/day
11	Cleaning of structures			1914/day	116.16/day
12	Cleaning of crusher houses			1677/day	174.9/day
13	Cleaning of Choked crushers, Chute, pipes *etc.*			205.66/100 Nos	116.16/day per 95 numbers

Note: The rates given are the effective rates adjusted for the percent of discount offered or excess demanded by the contractor on the total payment.

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