REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED 31 MARCH 2005

COMMERCIAL
GOVERNMENT OF GUJARAT

TABLE OF CONTENTS

Preface

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

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

2. This report deals with the results of audit of Government companies and Statutory corporations 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.

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

4. In respect of Gujarat State Road Transport Corporation and Gujarat Electricity Board, which are Statutory corporations, the CAG is the sole auditor. As per State Financial Corporations (Amendment) Act, 2000, the 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, the CAG has the right to conduct the audit of accounts in addition to the audit conducted by the Chartered Accountants, appointed by the State Government in consultation with the CAG. The audit of accounts of Gujarat Industrial Development Corporation was entrusted to the CAG under section 19 (3) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 for a period of five years from 1977-78 and has been extended from time to time up to the accounts for the year 2006-07. In respect of Gujarat Electricity Regulatory Commission, CAG is the sole auditor. The Audit Reports on the annual accounts of all these Corporations/ Commission are forwarded separately to the State Government.

5. The cases mentioned in this Report are those which came to notice in the course of audit during the year 2004-05 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 2004-05 have also been included, wherever deemed necessary.

Overview

1. Overview of Government companies and Statutory corporations

As on 31 March 2005, the State had 51 Public Sector Undertakings (PSUs) comprising 46 Government companies and five Statutory corporations as against 50 PSUs comprising 45 Government companies and five Statutory corporations as on 31 March 2004. Out of 46 Government companies, 36 were working and 10 were non-working Government companies. All the five Statutory corporations were working corporations. In addition, there were 13 companies under Section 619-B of the Companies Act, 1956 as on 31 March 2005.

(Paragraphs 1.1 and 1.52)

The total investment in working PSUs increased from Rs.34,550.20 crore as on 31 March 2004 to Rs.37,710.41 crore as on 31 March 2005. The total investment in 10 non-working PSUs as on 31 March 2005 was Rs.805.44 crore as against Rs.805.43 crore as on 31 March 2004 .

(Paragraphs 1.2 and 1.18)

The budgetary support in the form of equity capital, loans and grants/ subsidies disbursed to the working PSUs decreased from Rs.5,501.82 crore in 2003-04 to Rs.5,372.04 crore in 2004-05. The State Government also contributed Rs.85 lakh in the form of loan to two non-working companies during 2004-05. The State Government guaranteed loans aggregating Rs.1,355 crore during 2004-05. The total amount of outstanding loans guaranteed by the State Government to all PSUs as on 31 March 2005 was Rs.13,037.68 crore.

(Paragraphs 1.5 and 1.19)

Out of 36 working Government companies and five Statutory corporations, 14 working companies and three Statutory corporations finalised their accounts for the year 2004-05. The accounts of 21 working companies and two working Statutory corporations were in arrears for period ranging from one to seven years as on 30 September 2005. The accounts of one newly incorporated company was not due as on 30 September 2005. One non working Government company finalised its accounts for the year 2004-05 and the accounts of four non-working Government companies were in arrears for periods ranging from one to six years as on 30 September 2005. Remaining five companies were under liquidation.

(Paragraphs 1.6 and 1.21)

According to the latest finalised accounts, 24 working PSUs (22 Government companies and two Statutory corporations) earned aggregate profit of Rs.583.27 crore, out of which only three working Government companies declared dividend of Rs.38.66 crore to the State Government. Against this 11 working PSUs (eight Government companies and three Statutory corporations) incurred aggregate loss of Rs.2,236.65 crore as per their latest finalised accounts. Of the loss incurring working Government companies, four companies had accumulated losses aggregating Rs.147.70 crore which was more than four times their aggregate paid-up capital of Rs.35.70 crore. Two loss incurring Statutory corporations had accumulated losses aggregating Rs.1,965.93 crore which was more than two times of their aggregate paid-up capital of Rs.697.94 crore.

(Paragraphs 1.7, 1.8, 1.9 and 1.11)

Even after completion of five years of their existence, the individual turnover of five working Government companies and one working Statutory corporation had been less than rupees five crore in each of the preceding five years as per their latest finalised accounts. Further, five Public sector undertakings (one working Statutory corporation and four non-working Government companies) had been incurring losses for five consecutive years as per their latest finalised accounts, leading to negative net worth. As such, the Government may either improve the performance of these 11 PSUs or consider their closure.

(Paragraph 1.51)

2. Reviews relating to Government companies

Reviews relating to Performance of production, sales and nodal agency functions of **Gujarat Agro Industries Corporation Limited** and Production activities and trading performance of **Gujarat State Seeds Corporation Limited** were conducted and some of the main findings are as follows:

Performance of production, sales and nodal agency functions

The Gujarat Agro Industries Corporation Limited failed in its objective of developing of agro industries in the State, mainly due to non-achievement of targets, under utilisation of capacity, concentration mainly on fertilizer trading and higher administrative overheads. The operation of uneconomical units continued and there was delay in disposal of closed units. The Company resorted to charging unauthorised margin on bio-gas programme, tarpaulin and open pipe line schemes.

In the implementation of the bio-gas programme, the Company failed to achieve the norms of covering 15 *per cent* Scheduled Caste beneficiaries. The Company unauthorisedly charged margins of Rs.2.82 crore from the beneficiaries of the bio-gas programme, tarpaulin and open pipe line schemes resulting in the curtailment of subsidy to these beneficiaries and defeating the purpose of the programme.

Service charges of Rs.1.25 crore received for implementation of State sponsored schemes including disbursement of subsidies were inadequate to meet even administrative expenditure amounting to Rs.4.05 crore during 2000-04.

(Chapter 2.1)

Production activities and trading performance

Gujarat State Seeds Corporation Limited was formed to develop seed production activities and to ensure that the quality seed were made available to the farmers at reasonable rates. The performance of the Company in achieving this objective was deficient as the production and trading activities had been static as compared to the increase of production and sale of seed in the State resulting in decrease in its share of sale in the State. Inability to achieve higher production also led to under utilisation of the seed processing plants. The selling price of the seeds fixed by the Company was higher which led to higher cost to be borne by the farmers defeating the prime objective of the Company.

The Company failed to achieve its target of production of certified seed as there was shortfall of 35 *per cent.* Against the target of production of certified seeds of 5.42 lakh quintal, the actual production was 3.53 lakh quintal, which resulted in shortfall of 1.89 lakh quintal certified seeds valued at Rs.37.91 crore.

Non achievement of seed multiplication ratio in respect of breeder and foundation seed resulted in yield shortfall of 2.32 lakh quintals valued at Rs.65.33 crore during 2000-05.

(Chapter 2.2)

3. Review relating to Statutory corporation

Review relating to Construction of power transmission lines and associated sub-stations by **Gujarat Electricity Board** was conducted and some of the main findings are as under:

In its endeavour to keep pace with the increase in the generation capacity, both immediate as well as anticipated, the efforts put in by the Board for matching increase in the transmission network fell short of projections for want of adequate monetary support from the State Government and the Board's failure to raise funds from other sources. The Board failed to adhere to implementation plans for synchronous construction of sub-stations and their respective associated transmission lines, which resulted in idle investments of the Board's scarce resources.

Delayed/ non-completion of three transmission schemes resulted in its forgoing economic benefit of Rs.626.20 crore by way of conversion of transmission and distribution losses into potential revenue.

The Board was unable to check transmission losses in excess of norms and entailed potential revenue loss of Rs.169.66 crore.

There were instances of idle investment of Rs.177 crore resulting in loss of interest of Rs.25.62 crore due to mismatch of completion schedules and infructuous expenditure of Rs.18.23 lakh on operation and maintenance charges.

(Chapter 3)

4. Transaction Audit Observations

Transaction Audit observations included in the Report highlight deficiencies in the management of PSUs, which involved serious financial irregularities. The deficiencies noticed were broadly of the following nature:

- Loss of Rs.15.34 crore in two cases due to abnormal shortage of bauxite ore and belated exploration of alternative washeries for placement of orders.

(Paragraphs 4.1 and 4.10)

- Extra/ infructuous expenditure amounting to Rs.204.40 crore in 11 cases due to delay in placement of order, imprudent deferment of construction work, payment of idle charges, unwarranted revision of rates and payment of penal interest, etc.

(Paragraphs 4.4-4.9, 4.11-4.13, 4.15 and 4.16)

- Non recovery of dues of Rs.14.60 crore in four cases due to violation of norms in Sanction and disbursement of loans.

(Paragraphs 4.2,4.3, 4.17 and 4.18)

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

Relaxation of norm by **Gujarat Industrial Investment Corporation Limited** fixed for "Loan Against Securitisation of Assets Scheme" while extending loan to a unit resulted in non recovery of Rs.6.52 crore.

(Paragraph 4.2)

Sardar Sarovar Narmada Nigam Limited over paid idle charges of Rs.10.68 crore to a contractor for machinery and manpower utilised on another work.

(Paragraph 4.6)

Gujarat Electricity Board did not insert put/ call option clause in the bonds issued. This will result in avoidable loss of Rs.105.84 crore by way of excess payment of interest on redemption of the bonds on their maturity.

(Paragraph 4.9)

An excess contribution of Rs.51.35 crore was made by **Gujarat State Road Transport Corporation** into Employees' Provident Fund due to incorrect implementation of Government notification.

(Paragraph 4.15)

Chapter-I

1. Overview of Government companies and Statutory corporations

Introduction

1.1 As on 31 March 2005, there were 46 Government companies (36 working companies and 10 non working companies*) and five Statutory corporations as against 45 Government companies (35 working companies and 10 non working companies) and five working Statutory corporations as on 31 March 2004 under the control of the State Government. During the year 2004-05, one[φ] new Government company came under audit purview of the Comptroller and Auditor General of India (CAG). Two[ϰ] working Government companies had applied to the Registrar of Companies (ROC) for striking off their names under Simplified Exit Scheme-2005. In addition, the State had formed (July 1999) the Gujarat Electricity Regulatory Commission, whose audit is also being conducted by the CAG under Section 104(2) of the Electricity Act, 2003[ρ]. The accounts of the Government companies (as defined in Section 617 of Companies Act, 1956) are audited by Statutory Auditors appointed by the CAG as per provision of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per provisions of Section 619 of the Companies Act, 1956. The audit arrangements of the Statutory corporations are as shown below:

Sl. No.	Name of the Statutory corporation	Authority for audit by the CAG	Audit arrangement
1.	Gujarat Electricity Board	Under Rule 14 of the Electricity (Supply) (Annual Accounts) Rules, 1985 read with Section 185 (2) (d) of the Electricity Act, 2003[θ]	Sole audit by CAG
2.	Gujarat State Road Transport Corporation	Section 33(2) of the Road Transport Corporations Act, 1950	Sole audit by CAG
3.	Gujarat Industrial Development Corporation	Section 19(3) of CAG's (Duties, Powers and Conditions of Service) Act, 1971	Sole audit entrusted by the State Government to CAG up to 2006-07
4.	Gujarat State Financial Corporation	Section 37(6) of the State Financial Corporations Act, 1951	Audit by Chartered Accountants and supplementary audit by CAG
5.	Gujarat State Warehousing Corporation	Section 31(8) of the State Warehousing Corporations Act, 1962	Audit by Chartered Accountants and supplementary audit by CAG

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

φ Sl. No. A-27 of ***Annexure-2***.

ϰ Sl. No. A-15 and 33 of ***Annexure-2***.

ρ Erstwhile Electricity Regulatory Commissions Act, 1998 replaced by the Electricity Act, 2003.

θ The earlier provision of Section 69 (2) of the Electricity (Supply) Act, 1948 was repealed by the Electricity Act, 2003.

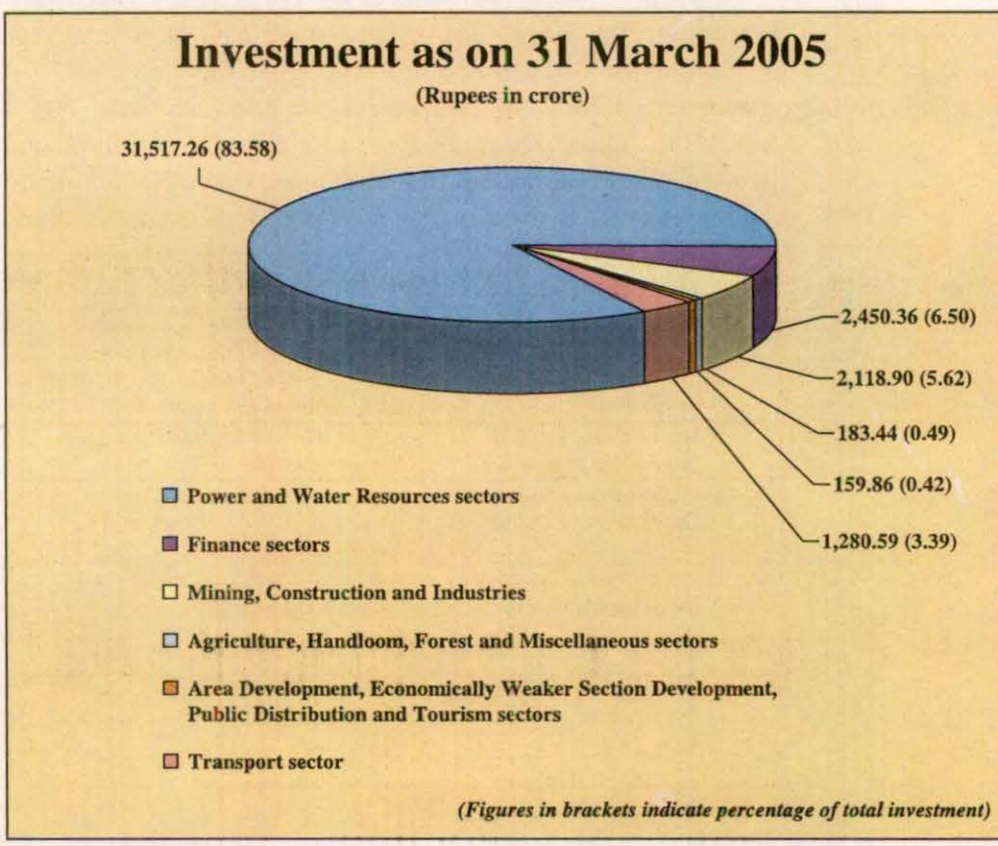
Working Public Sector Undertakings (PSUs)

Investment in working PSUs

1.2 As on 31 March 2005, the total investment in 41 working PSUs (36 Government companies and five Statutory corporations) was Rs.37,710.41 crore[σ] (equity: Rs.14,359.46 crore, share application money: Rs.278.54 crore and long-term loans[•]: Rs.23,072.41 crore) as against Rs.34,550.20 crore (equity: Rs.10,524.24 crore, share application money: Rs.2,589.03 crore and long-term loans: Rs.21,436.93 crore) in 40 working PSUs (35 Government companies and five Statutory corporations) as on 31 March 2004. The analysis of the investment in working PSUs is given in the succeeding paragraphs.

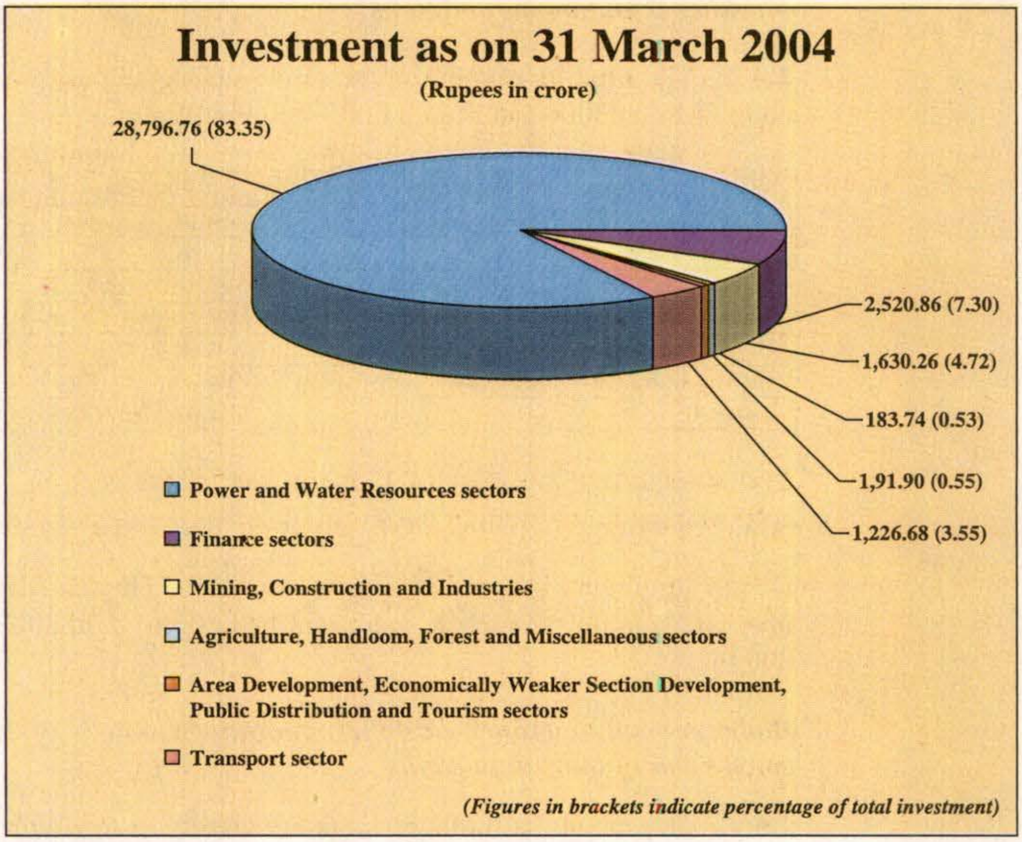
Sector wise investment in working Government companies and Statutory corporations

The investment (equity and long-term loans) in various sectors and percentage thereof at the end of March 2005 and March 2004 are indicated below in pie charts:



σ Reconciliation of figures with the Finance Accounts is pending.

• Long-term loans mentioned in paragraphs 1.2, 1.3, 1.4 and 1.18 are excluding interest accrued and due on such loans.



Working Government companies

1.3 The total investment in working Government companies at the end of March 2004 and March 2005 was as follows:

(Amount: *Rupees in crore*)

Year	Number of working Government companies	Equity	Share application money	Long-term loans	Total
2003-04	35	9,840.17	2,589.03	10,757.13	23,186.33[α]
2004-05	36	13,657.69	278.54	11,635.20	25,571.43

As on 31 March 2005, the total investment of working Government companies comprised 54.50 *per cent* of equity capital and 45.50 *per cent* of loans as compared to 53.61 and 46.39 *per cent*, respectively as on 31 March 2004.

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

Due to significant increase in long-term loans of Development of Economically Weaker Section sector, the debt-equity ratio of working Government companies in this sector increased from 2.10:1 in 2003-04 to 2.68:1 in 2004-05.

[α] Reconciliation of figures with the Finance Accounts is pending.

Working Statutory corporations

1.4 The total investment in the five working Statutory corporations at the end of March 2004 and March 2005 was as follows:

(Amount: *Rupees in crore*)

Name of corporation	2003-04		2004-05[@¢]	
	Capital	Loans	Capital	Loans
Gujarat Electricity Board	--	8,859.96	--	9,622.57
Gujarat State Road Transport Corporation	590.96	635.72	608.65	671.94
Gujarat State Financial Corporation	89.11	1,172.69	89.12	1,137.81
Gujarat State Warehousing Corporation	4.00	--	4.00	--
Gujarat Industrial Development Corporation	--	11.43	--	4.89
Total	**684.07**	**10,679.80**	**701.77**	**11,437.21**

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

Due to significant increase in long-term loans of Gujarat Electricity Board, the debt-equity ratio as a whole increased from 15.61:1 in 2003-04 to 16.30:1 in 2004-05.

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

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

The budgetary outgo[¢] in the form of equity capital, loans and grants/ subsidies from the State Government to working Government companies and working Statutory corporations during 2002-05 are given below:

(Amount: *Rupees in crore*)

Particulars	2002-03				2003-04				2004-05			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.
Equity capital outgo from budget	8	767.39	1	14.05	12	1,813.38	1	20.11	9[€]	1,408.93	1[€]	17.69
Loans given from budget	4	1.37	1	390.81	4	0.66	2	2,074.18	4	1,116.38	3	682.61
Grant/ subsidy towards (1) Projects/ programmes/schemes	13	150.90	--	--	11	219.64	1	34.92	14	331.48	1	17.74
(2) Other subsidy	3	90.69	3	1,345.83	4	102.65	2	1,236.28	6	39.03	3	1,758.18
Total grants/subsidy	**15***	**241.59**	**3***	**1,345.83**	**15***	**322.29**	**3***	**1,271.20**	**17***	**370.51**	**4***	**1,775.92**
Total outgo	**15***	**1,010.35**	**3***	**1,750.69**	**23***	**2,136.33**	**4***	**3,365.49**	**20***	**2,895.82**	**4***	**2,476.22**

@ Figures for 2004-05 (except for corporations at Sl. No. B-3, 4 and 5 of ***Annexure*-1**) are provisional and as furnished by respective corporations.

¢ Reconciliation of figures with Finance Accounts is pending.

€ Of the ten PSUs (nine *plus* one), the figures in respect of PSUs referred at Sl. No.A-11, 17 and 22 of ***Annexure*-1**, the figures are not matching with finance accounts and they are under reconciliation.

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

During the year 2004-05, the Government had guaranteed loans aggregating Rs.1,355 crore obtained by one working Government company (Rs.800 crore) and one working Statutory corporation (Rs.555 crore). At the end of the year guarantees amounting to Rs.12,997.68 crore obtained by 11 working Government companies (Rs.6,187.08 crore) and four working Statutory corporations (Rs.6,810.60 crore) were outstanding as against outstanding guarantees of Rs.14,318.37 crore obtained by 11 working Government companies (Rs.6,612.48 crore) and four working Statutory corporations (Rs.7,705.89 crore) as on 31 March 2004. The State Government converted loan/ convertible debentures of Rs.2.90 crore into equity in respect of two[θ] working Government companies. The guarantee commission paid/ payable to Government by four Government companies and three Statutory corporations during 2004-05 was Rs.98.04 crore and Rs.126.83 crore, respectively.

Finalisation of accounts by working PSUs

1.6 Out of 36 working Government companies and five Statutory corporations, only 14 companies and three Statutory corporations had finalised their accounts for the year 2004-05 up to 30 September 2005. The accounts of one newly incorporated company[η] was not due as on 30 September 2005. During the period from October 2004 to September 2005, 22 working Government companies finalised 26 accounts for previous years. Similarly, four working Statutory corporations finalised four accounts for previous years during this period.

The accounts of 21 working Government companies and two working Statutory corporations were in arrears for periods ranging from one to seven years as on 30 September 2005 as detailed below:

Sl. No.	Number of working PSUs whose accounts were in arrears		Period for which accounts were in arrears	Number of years for which accounts were in arrears	Reference to Sl.No. of *Annexure*-2	
	Government companies	Statutory corporations			Government companies	Statutory corporations
1	1	--	1998-99 to 2004-05	7	A-15	--
2	1	--	2002-03 to 2004-05	3	A-35	--
3	4	--	2003-04 to 2004-05	2	A-4, 6, 10 and 18	--
4	15	2	2004-05	1	A-1, 3, 7, 11, 12, 13, 16, 19, 22, 23, 26,28, 29, 32 and 36	B-1 and 2
	21	**2**				

The administrative departments need to oversee and ensure that the accounts are finalised and adopted by PSUs within the prescribed period. Though the concerned administrative departments and officials of the Government were

θ Sl. No.A-22 and 34 of ***Annexure*-1**.

η Sl. No. A-27 of ***Annexure*-2**.

AG Cominformed every quarter by the Audit, of the arrears in finalisation of the accounts, no remedial measures had been taken. As a result of which the net worth of these PSUs could not be assessed in audit.

Financial position and working results of working PSUs

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

According to the latest finalised accounts of 36 working Government companies and five working Statutory corporations, eight companies and three corporations had incurred an aggregate loss of Rs.75.85 crore and Rs.2,160.80 crore respectively. Twenty-two companies and two corporations earned an aggregate profit of Rs.579.41 crore and Rs.3.86 crore, respectively. One[α] company had capitalised excess of expenditure over income; one[δ] company had transferred excess of expenditure to non plan grant and one[ξ] company had not commenced commercial activities. One[ℵ] company had not finalised its first accounts and two[μ] companies had finalised their accounts with nil profit and loss balance for application to the ROC under Simplified Exit Scheme-2005.

Working Government companies

Profit earning working Government companies and dividend

1.8 Ten profit earning working companies, which finalised their accounts for 2004-05 up to 30 September 2005, earned profit aggregating Rs.557.42 crore. Of these, only three companies (Sl.No. A-5, 8 and 30 of ***Annexure-2***) declared dividend of Rs.42.79 crore of which the State Government's share was Rs.38.66 crore. The remaining seven profit earning companies did not declare any dividend. The total return by way of above dividend of Rs.38.66 crore, worked out to 0.28 *per cent* on the total equity investment of Rs.13,936.22 crore in 2004-05 by the State Government in working Government companies as against 0.12 *per cent* in the previous year. The State Government in 2004-05 had not formulated any dividend policy for payment of minimum dividend.

Nine profit earning working companies, which finalised their accounts for previous years during October 2004 to 30 September 2005, earned profit aggregating Rs.9.78 crore. Out of above 19 profit earning companies, 18 companies were earning profit for two or more successive years.

[α] Sl.No.A-10 of ***Annexure-2***.
[δ] Sl.No.A-16 of ***Annexure-2***.
[ξ] Sl.No.A-24, of ***Annexure-2***.
[ℵ] Sl. No.A-27 of ***Annexure-2***.
[μ] Sl. No. A-15 and 33 ***Annexure-2***.

Loss incurring working Government companies

1.9 Of the eight loss incurring working Government companies, four* companies had accumulated loss aggregating Rs.147.70 crore which was more than four times of their aggregate paid-up capital of Rs.35.70 crore.

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, loans, conversion of loans into equity and subsidy, *etc*. According to the available information, the total financial support so provided by the State Government was Rs.68.82 crore by way of share capital (Rs.2.80[β] crore), loans (Rs.1.02 crore) and subsidy (Rs.65 crore) during 2004-05 to these four companies.

Working Statutory corporations

Profit earning Statutory corporations and dividend

1.10 Two Corporations (Sl. No. B-4 and 5 of ***Annexure-2***) had finalised their accounts for 2004-05 and earned profit aggregating Rs.3.86 crore. These corporations did not declare any dividend.

Loss incurring Statutory corporations

1.11 Of the three loss incurring Statutory corporations, two Statutory corporations (Sl.No.B-2 and B-3 of ***Annexure-2***) had accumulated losses aggregating Rs.1,965.93 crore which were more than two times of their aggregate paid-up capital of Rs.697.94 crore.

Despite poor performance and complete erosion of paid-up capital, the State Government continued to provide financial support to these corporations in the form of contribution towards equity, loans, conversion of loans into equity and grant, *etc*. According to the available information, the total financial support provided during 2004-05 by the State Government was Rs.899.10 crore in the form of equity (Rs.17.69 crore), loans (Rs.324.56 crore) and grant (Rs.556.85 crore) to these corporations (Sl. No. B-2 and B-3 of ***Annexures* 1** and **3**).

Operational performance of working Statutory corporations

1.12 The operational performance of the working Statutory corporations is given in ***Annexure-6***. The following points deserve mention in this connection.

Gujarat Electricity Board

1.13 The percentage of transmission and distribution loss to total power available for sale had decreased from 31.13 *per cent* in 2002-03 to 28.96 *per*

* Sl No.A-4, 6, 12 and 22 of ***Annexure-2***.

β State Government loan converted into equity.

cent in 2003-04. Though the demand during 2001-04 was 31,001 MKWH[θ], the power generation decreased from 20,770 to 19,289 MKWH during the same period resulting in increased dependence of the Board on purchase of power from private power producers/ central grid.

Return on capital employed

1.14 As per the latest finalised accounts (up to 30 September 2005), the capital employed[*] worked out to Rs.23,992.10 crore in 36 working Government companies and total return[†] thereon amounted to Rs.746.91 crore (3.11 *per cent*) as compared to total return of Rs.613.90 crore (2.30 *per cent*) on capital employed of Rs.26,634.47 crore in the previous year (accounts finalised up to 30 September 2004). Similarly, the capital employed of working Statutory corporations as per the latest finalised accounts (up to 30 September 2005) worked out to Rs.6,281.63 crore and the total negative return on capital employed was Rs.619.60 crore, respectively as against capital employed of Rs.7,126.08 crore and the total return of Rs.138.63 crore (1.95 *per cent*) thereon in the previous year (accounts finalised up to 30 September 2004). 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**.

Power sector reforms

Status of implementation of Memorandum of Understanding between the State Government and the Central Government

1.15 A Memorandum of Understanding (MOU) was signed on 19 January 2001 between the Government of India and the Government of Gujarat as a joint commitment for implementation of reforms programme in power sector with identified milestones. Status of implementation of reform programme against commitment made in the MOU is given in ***Annexure*-7.**

Unbundling of Gujarat Electricity Board

1.16 Pursuant to the Gujarat Electricity Industry (Re-organisation and Regulation) Act, 2003, the erstwhile Gujarat Electricity Board (GEB) was unbundled in a phased manner by 31 March 2005. The generation, transmission and distribution activities of the erstwhile GEB were transferred (1 April 2005) to one generation company[Đ], one transmission company[Ñ] and four distribution companies[ß] working under the strategic control of the GEB.

θ Million Kilo Watt Hour.

* 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.

Đ Gujarat State Electricity Corporation Limited (619-B company).

Ñ Gujarat Energy Transmission Corporation Limited (619-B company).

ß Dakshin Gujarat Vij Company Limited; Madhya Gujarat Vij Company Limited; Paschim Gujarat Vij Company Limited and Uttar Gujarat Vij Company Limited (619-B company).

Another Company (Sl. No. A-27 of ***Annexure*-1**) was formed (December 2004) to take over the residual activities of the erstwhile GEB. The activities of GEB have been transferred (1 April 2005) to the Company.

Gujarat Electricity Regulatory Commission

1.17 The Gujarat Electricity Regulatory Commission (Commission) was formed on 12 November 1998 under Section 17 of the Electricity Regulatory Commissions Act, 1998[λ] with the main objective of determining electricity tariff, advising the State Government in matters relating to electricity generation, transmission and distribution *etc.* in the State. The Commission is a body corporate and comprises three members including a Chairman, who are appointed by the State Government. The audit of accounts of the Commission is conducted by the CAG under Section 104(2) of the Electricity Act, 2003. The Commission had finalised its accounts up to 2004-05.

Non working PSUs

Investment in non working PSUs

1.18 As on 31 March 2005, the total investment in 10 non working Government companies (there was no non working Statutory corporation) was Rs.805.44 crore (equity: Rs.38.06 crore, long-term loans: Rs.724.84 crore and share application money: Rs.42.54 crore), as against total investment of Rs.805.43 crore (equity: Rs.38.06 crore, long-term loans: Rs.724.83 crore and share application money: Rs.42.54 crore) in 10 non working Government companies as on 31 March 2004.

The classification of the non working PSUs was as under:

Sl. No.	Status of non working PSUs	Number of companies	Investment (Rupees in crore)	
			Equity	Long-term loans
1.	Under liquidation	5	58.92*	598.17
2.	Under closure	5	21.68	126.67
	Total	**10**	**80.60**	**724.84**

Of the above non working PSUs, four[3] Government companies were under liquidation under Section 560 of the Companies Act, 1956 for eight years and in respect of one company (Sl. No. C-4 of ***Annexure*-1**) the Gujarat High Court had passed order for liquidation on 7 April 2003. Substantial investment of Rs.657.09 crore was involved in these five companies. Further, one company (Sl. No. C-2 of ***Annexure*-1**) was declared (14 January 2003) sick unit along with the approval of revival package by the Board for Industrial and Financial Reconstruction (BIFR). Effective steps need to be taken for their expeditious liquidation or revival.

λ Since replaced by the Electricity Act, 2003.

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

3 Sl. No.C-6, 7, 8 and 9 of ***Annexure*-1**.

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

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

The State Government had provided budgetary support of Rs.0.85 crore in the form of loan to two non working Government companies during 2004-05. At the end of the year, guarantee amounting to Rs.40 crore obtained by one non working company was outstanding as against guarantees of Rs.42.06 crore obtained by three non working companies as on 31 March 2004.

Total establishment expenditure of non working PSUs

1.20 The year wise details of total establishment expenditure of non working Government companies and sources of financing them during the last three years up to 2004-05 are given below:

(Amount: *Rupees in crore*)

Year	Number of Government companies	Total establishment expenditure	Financed by		
			Disposal of investment/ assets	Government Loans	Others
2002-03	10	0.62*	--	--	0.62
2003-04	10	3.31[∋]	--	3.31	--
2004-05	10	1.31[ε]	0.57	--	0.74
Total		**5.24**	**0.57**	**3.31**	**1.36**

An amount of Rs.5.24 crore has been incurred towards establishment expenditure of these 10 non working Government companies during 2002-2005. Expeditious action is necessary for winding up of these companies to avoid further non productive expenditure in this regard.

Finalisation of accounts by non working PSUs

1.21 Out of 10 non working Government companies, one company had finalised its accounts for 2004-05 and the accounts of four companies were in arrears for periods ranging from one to six years. Five[ω] companies were under liquidation as seen from ***Annexure*-2**.

* This relates to five non working Government companies (Sl. No.C-5, 7, 8, 9 and 10 of ***Annexure*-2**) remaining five companies (Sl. No. C-1, 2, 3, 4 and 6 of ***Annexure*-2**) did not furnish the information.

∋ This relates to six non working Government companies (Sl. No.C-2, 6, 7, 8, 9 and 10 of ***Annexure*-2**) remaining four companies (Sl. No. C-1, 3, 4 and 5 of ***Annexure*-2**) did not furnish the information.

ε This relates to eight non working Government companies (Sl. No.C-1, 2, 3, 6, 7, 8, 9 and 10 of ***Annexure*-2**) remaining two companies (Sl. No. C-4 and 5 of ***Annexure*-2**) did not furnish the information.

ω Sl. No. C-4, 6, 7, 8 and 9 of ***Annexure*-2**.

Financial position and working results of non-working PSUs

1.22 The summarised financial results of non-working Government companies as per their latest finalised accounts are given in ***Annexure-2***. The net worth of ten non working Government companies against their paid-up capital of Rs.80.60 crore was Rs.(-)1,161.49 crore. These companies suffered cash loss of Rs.311.09 crore and their accumulated loss worked out to Rs.1,242.09 crore.

Status of placement of Separate Audit Reports of Statutory corporations in the Legislative Assembly

1.23 The following table indicates the status of placement of various Separate Audit Reports (SARs) on the accounts of Statutory corporations issued by the CAG 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
1.	Gujarat Electricity Board	2003-04	--	--
2.	Gujarat State Road Transport Corporation	2002-03	2003-04	SAR under process
3.	Gujarat State Financial Corporation	2003-04	2004-05	SAR under process
4.	Gujarat State Warehousing Corporation	2003-04	2004-05	Audit in progress
5.	Gujarat Industrial Development Corporation	2002-03	2003-04 2004-05	SAR under process Audit in progress

Disinvestment, Privatisation and Restructuring* of Public Sector Undertakings

1.24 During the year 2003-04, the State Government had disinvested Gujarat State Export Corporation Limited (GSECL). In October 1992, the Government of Gujarat had constituted State Finance Commission to examine the potential for privatisation and disinvestment of 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 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 action taken as a follow-up to the decisions of the Cabinet Sub-Committee up to April 2003 was as under:

Privatisation

1.25 The Sub-Committee decided (July 1996) to privatise three Government companies *viz.*, Gujarat Communications and Electronics Limited (GCEL), Gujarat Tractor Corporation Limited (GTCL) and GSECL. As reported by the Government, GTCL had been fully privatised in December 1999. In case of GCEL, it announced closure of the Company under the Industrial Disputes Act

* Restructuring includes merger and closure of PSUs.

and all employees were given voluntary retirement/ retrenchment. The Gujarat High Court had passed (February 2002) orders for winding up of the Company and appointed liquidator for liquidation process. This order was stayed by a subsequent order of the Court (May 2002) during pendency of reference before BIFR. The Government stated (April 2003) that BIFR had ordered for winding up of the Company and necessary actions for vacating the stay order were initiated. The said stay order was vacated by the High Court of Gujarat on 7 April 2003 reviving the liquidation process. Further, the official liquidator had been requested to undertake the liquidation process. In case of GSECL, the Sub-Committee had decided to reduce the Government stake to 11 *per cent*. The Government, however, decided (22 January 2004) to disinvest entire Government holding of 8490 equity shares (56.60 *per cent* of total equity of GSECL). Accordingly, 8490 equity shares were transferred in favour of Adani Exports Limited (5 March 2004).

Restructuring

1.26 In case of Gujarat Agro Industries Corporation Limited, Cabinet Sub-Committee decided to sell uneconomic divisions/ units, which was agreed to by the Government of Gujarat in January 1999. The Government stated (April 2003) that necessary action had been initiated and all employees of the concerned divisions/ units had been offered voluntary retirement.

1.27 In case of Gujarat Industrial Development Corporation (GIDC), the Sub-Committee decided for unbundling of GIDC by transferring maintenance services to Industries Associations and Industrial Park to joint sector. Regulatory and planning work was to be continued by the Corporation. The Government stated (April 2003) that action had been initiated on the recommendations.

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

Disinvestment

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

1.30 In case of Gujarat Mineral Development Corporation Limited, the Cabinet Sub-Committee decided to disinvest 49 *per cent* equity shares and 26 *per cent* of the equity shares had already been disinvested.

Merger

1.31 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 accepted by the Government of Gujarat in July 1996. The draft scheme of merger was approved by the 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. Gujarat State Handloom Development Corporation Limited was merged with Gujarat State Handicrafts Development Corporation Limited in June 2002.

Closure

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

1.33 The decision of the 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 (April 2003) that all activities of these companies had been suspended and most of the employees had been given VRS. In case of GFDCL, assets were being transferred/ sold. In case of the Film Development Corporation of Gujarat Limited and Gujarat State Rural Development Corporation Limited, the Government had decided to continue these companies, earlier identified for closure.

The latest developments on Disinvestment, Privatisation and Restructuring of Public Sector Undertakings was called for (June 2005), the response of the State Government was awaited (September 2005).

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

1.34 During the period from October 2004 to September 2005, the accounts of 24 Government companies (23 working and one non working) and five Statutory corporations (all working) were selected for review. The net impact of the important audit observations made was as follows:

Sl. No.	Details	Number of accounts		Amount (Rupees in crore)	
		Working Government companies	Working Statutory corporations	Working Government companies	Working Statutory corporations
1.	Increase in profit	1	--	1.26	--
2.	Increase in loss	1	4	0.75	537.00
3.	Non disclosure of material facts	6	3	117.26	390.49
4.	Errors of classification	4	3	273.21	442.96
5.	Non compliance to requirements of statute	4	1	--	483.86

Some of the major errors and omissions noticed during October 2004 to September 2005 in the course of review of annual accounts of these PSUs are mentioned below:

Errors and omissions noticed in case of Government companies

Sardar Sarovar Narmada Nigam Limited (2003-04)

1.35 The State Government sanctioned (4 July 2003) a capital contribution of Rs.173.65 crore being the reimbursement of expenditure incurred by Madhya Pradesh State for land acquisition and Rehabilitation and Resettlement works, which was accounted under "Capital works-in-progress" instead of "Incidental expenditure pending capitalisation". This had resulted in overstatement of capital works-in-progress and understatement of incidental expenditure pending capitalisation by Rs.173.65 crore.

Gujarat State Forest Development Corporation Limited (2003-04)

1.36 The advance Income tax was understated by Rs.6.39 crore due to adjustment of provision for tax, in contravention of the format prescribed in Part-I of Schedule VI to the Companies Act, 1956. This had resulted in understatement of Current liabilities and Provisions and Current assets, Loans and Advances by Rs.6.39 crore.

1.37 Minor forest produces (MFP) costing Rs.90.69 lakh were transferred from MFP division to Dhanvantari project division for processing before sale and was included in sales resulting in inflated sales. The Company had not disclosed the accounting policy in this regard in accordance with Accounting Standard-5 issued by the Institute of Chartered Accountants of India.

Gujarat State Police Housing Corporation Limited (2002-03)

1.38 Unpaid expenses of Rs.5.29 crore for 1999-2003 were incorrectly classified as provision instead of current liabilities. This resulted in overstatement of provisions and understatement of current liabilities by Rs.5.29 crore.

Errors and omissions noticed in case of Statutory corporations

Gujarat Electricity Board (2003-04)

1.39 The provision for power purchased in prior period towards claim for reimbursement of Naptha cost of Rs.279 crore was understated as the State Government rejected the said claim. A claim of Rs.75 crore was, however, accepted by the Government in the form of loan. This had resulted in understatement of deficit by Rs.279 crore.

Gujarat State Road Transport Corporation Limited (2002-03)

1.40 The Corporation did not provide for "No fault liability" of Rs.4.84 crore as required by Section 140 and 141 of the Motor Vehicle Act, 1988. This had resulted in understatement of loss and sundry creditors by Rs.4.84 crore.

Gujarat State Financial Corporation (2003-04)

1.41 The Corporation incorrectly exhibited the amount of Rs.11 crore payable to two bond holders who had exercised "Put option" under long-term borrowings. This had resulted in understatement of current liabilities and overstatement of long-term borrowings by Rs.11 crore.

Audit assessment on the working results of Gujarat Electricity Board

1.42 Based on the audit assessment of the working results of GEB for three years up to 2003-04 and taking into consideration the major irregularities and omissions pointed out in the SARs on the annual accounts of GEB and not taking into account the subsidy/ subventions receivable from the State Government, the net surplus/ deficit of the GEB is as follows:

(Amount: *Rupees in crore*)

Sl. No.	Particulars	2001-02	2002-03	2003-04
1	Net surplus/ (-) deficit as per books of accounts	(-) 622.03	(-) 475.81	(-) 1,931.80
2	Subsidy from the State Government	2,578.65	1,805.14	1,101.09
3	Net surplus/ (-) deficit before subsidy from the State Government (1-2)	(-) 3,200.68	(-) 2,280.95	(-) 3,032.89
4	Net increase/ decrease in net surplus/ (-) deficit on account of audit comments on the annual accounts	(-) 289.07	(-) 509.07	(-) 525.39
5	Net surplus/ (-) deficit after taking into account the impact of audit comments but before subsidy from the State Government (3-4)	(-) 3,489.75	(-) 2,790.02	(-) 3,558.28

Persistent irregularities and system deficiencies in the financial matters of PSUs

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

Government companies

Gujarat Water Infrastructure Limited

1.44 The company did not provide for guarantee fee of Rs.75 lakh payable to the Government of Gujarat for the year 2002-03 in respect of loan obtained from Oriental Bank of Commerce. This resulted in understatement of loss by Rs.75 lakh.

Statutory corporations

Gujarat Electricity Board

1.45 The Annual inspection and installation checking fee was understated by Rs.1.08 crore due to inclusion of prior period fee of Rs.0.69 crore and non provision of inspection fee of Rs.1.77 crore for 2003-04. Consequently, deficit was understated by Rs.1.08 crore.

Gujarat State Road Transport Corporation

1.46 The balance under personal account with other State Transport Undertakings included Rs.30.58 lakh being old outstanding dues from other State Road Transport Undertakings which were pending for recovery/ adjustment since 1999-2000 onwards.

Gujarat State Financial Corporation

1.47 The Corporation did not provide for interest of Rs.2.09 crore for the period from February 2003 to March 2004 to two Priority Sector Bond holders. Non-provision of interest thereon had resulted in understatement of current liabilities as well as loss for the year by Rs.2.09 crore.

1.48 The balance under Subvention received from the State Government was arrived at after adjusting Rs.16.46 crore being balance of 'Dividend Deficit Account', which should have been shown on Asset side as per form prescribed under General Regulation No. 56 of the Corporation.

Recoveries at the instance of Audit

1.49 Test check of records of Gujarat Electricity Board/ other PSUs conducted during April 2004 to March 2005 disclosed short levy of tariff, short realisation of revenue, excess payments, credit of lapsed deposits, recovery of water charges, levy of liquidated damages and other observations, *etc*, aggregating Rs.7.41 crore in 117 cases apart from 23 cases where money value of recovery was not determined at the time of audit. The PSUs accepted the observations in all the 140 cases pointed out by audit and a sum of Rs.9.36 crore relating to the abovementioned 140 audit observations was recovered.

Internal audit/ internal control

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

Nature of comments/ recommendations made by Statutory Auditors	Number of companies where observations were made	Reference to Sl. No. of the companies as per *Annexure-2*
Internal audit needed to be strengthened having due regard to the size and nature of its business	2	A-4 and 23
The compliance on internal audit report was not adequate	2	A-1 and 20
Inadequate internal audit system	2	A-12 and 19
Absence of internal audit system	1	A-25

Recommendations for closure of PSUs

1.51 Even after completion of five years of their existence, the turnover of five* working Government companies and one** working Statutory corporation had been less than rupees five crore in each of the preceding five years as per their latest finalised accounts. Five@ PSUs (one working Statutory corporation and four non working companies) 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 these 11 PSUs (nine Government companies and two Statutory corporations)or consider their closure.

619-B Companies

1.52 There were 13 companies falling under Section 619-B of the Companies Act, 1956 of which one (Sl. No.3 of ***Annexure-8***) company was non working. ***Annexure-8*** gives the details of paid-up capital, investment by way of equity, loans and grants and summarised working results of these companies based on their latest finalised accounts.

* Sl. No.A-2, 12, 13, 14 and 31 of ***Annexure-2***.

** Sl. No.B-4 of ***Annexure-2***.

@ Sl. No. B-2, C-2, 3, 5 and 10 of ***Annexure-2***.

Chapter - II

2 Reviews relating to Government companies

Gujarat Agro Industries Corporation Limited

2.1 Performance of production, sales and nodal agency functions

Highlights

The Company concentrated on sale of fertilizers and in the process failed to promote agro industries in the State which was its main objective.

(Paragraph 2.1.9)

In the implementation of the bio-gas programme, the Company failed to achieve the norms of covering 15 *per cent* Scheduled Caste beneficiaries. The Company unauthorisedly charged margins of Rs.2.82 crore from the beneficiaries of the bio-gas programme, tarpaulin and open pipe line schemes resulting in the curtailment of subsidy to these beneficiaries and defeating the purpose of the programme.

(Paragraphs 2.1.13, 2.1.14 and 2.1.15)

Service charges of Rs.1.25 crore received for implementation of State sponsored schemes including disbursement of subsidies were inadequate to meet even administrative expenditure of Rs.4.05 crore during 2000-04.

(Paragraph 2.1.18)

The Company suffered a net loss of Rs.1.82 crore in running uneconomical units in violation of the directions of the State Government.

(Paragraph 2.1.19)

The Company lost Rs.49.13 lakh in disposal of Mehsana complex due to acceptance of lower offer (Rs.29 lakh) and delay in realisation of funds (Rs.20.13 lakh).

(Paragraph 2.1.22)

Introduction

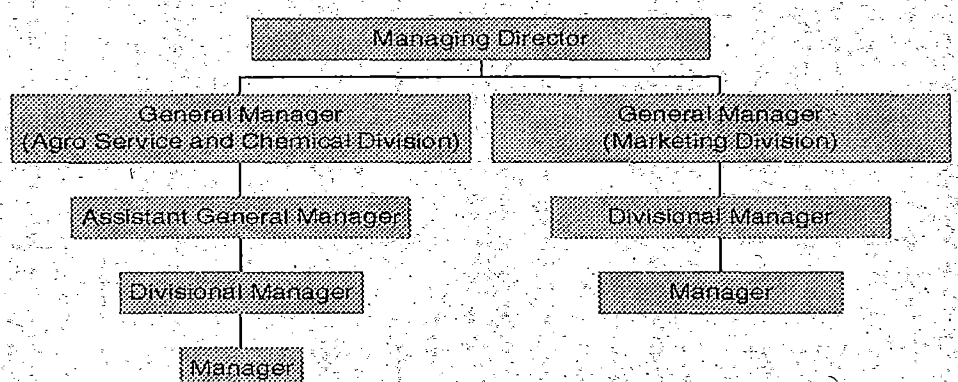
2.1.1 Gujarat Agro Industries Corporation Limited (Company) was incorporated in May 1969 with the main objectives to:

- finance, protect and promote agricultural activities and agro based industries;

- carry on business of manufacture and dealing in implements, machinery and tools which would help in promotion and modernisation of agriculture; and

- promote, establish, own and run industries for processing and preservation of agricultural and forest produce.

The Company has been mainly engaged in the trading of fertilizers, pesticides, tractors, storage bins and agricultural implements. The Company had six[∀] agro products processing units and two[#] pesticides formulation units. The Company also produced storage bins. The Company had four[∃] petrol pumps. The Company had four[∅] agro service complexes to monitor its activities in the field. Besides, the Company acts as a nodal agency of the State/ Central Government in formulating and implementation of agro industrial policy, disbursement of subsidy for various schemes, *etc*. The Company has an Agro Service and Chemical Division (ASCD) and a Marketing Division each headed by a General Manager. The ASCD is responsible for production of pesticides and storage bins, trading of fertilizers, pesticides, tractors, storage bins and agricultural implements, construction of bio-gas plants and disbursement of subsidy, through its 22 centres located in the State. The Marketing Division is mainly responsible for the performance of nodal agency functions assigned by the State/ Central Government. The organisation chart of production, sales and nodal agency function of the Company is given below:



The working of the Company was reviewed in the Report of the Comptroller and Auditor General of India for the year 1986-87 (Commercial)- Government of Gujarat. The Committee on the Public Undertakings (COPU) discussed the Report during July/ August 1991.

[∀] Fruit canning factories at Gandevi and Junagadh, Cold storage at Deesa, Castor seed plant at Jagana, Oil extraction plant at Bareja and Energy food plant at Bavla.

[#] Naroda and Gondal.

[∃] Juhapura, Mehsana, Gondal and Surat.

[∅] Juhapura, Mehsana, Gondal and Surat.

Scope of Audit

2.1.2 The present review conducted during December 2004 and April 2005 covers the performance of core activities of the Company under production, sales and nodal agency functions during 2000-04. The audit findings as a result of test check of records of head office, lone pesticide formulation unit and five[ϕ] out of 22 centres selected on geographical spread thereof are discussed in succeeding paragraphs.

Audit objective

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

- the Company could achieve its objective of promoting agricultural activities in the state;
- the Company was able to discharge its functions as the channelising agency and to assess the extend to which it functioned effectively and efficiently;
- the Company could run its processing units effectively at full capacity achieving the intended objectives of their setting up;
- the targets for various activities were achieved;
- the trading activity was carried out effectively and economically; and
- the service charges received for nodal agency functions were adequate.

Audit criteria

2.1.4 The following audit criteria were adopted:

- utilisation of installed capacity and profitability of the manufacturing activity;
- annual targets fixed by the Company and their achievements;
- discharge of nodal agency functions with reference to the norms fixed;
- economic viability of trading and nodal agency functions; and
- directions issued by the Government and their implementation.

Audit methodology

2.1.5 Audit followed the following methodologies:

[ϕ] Ahmedabad, Kanjari, Rajkot, Himatnagar and Mehsana.

- review of agenda and minutes of meeting of Board of Directors (BOD) and Committees constituted by the BOD and analysis of details received from the Company regarding fixation of targets and achievement thereof;
- analysis of the data regarding utilisation of subsidies and margins charged;
- compliance of directions of the State/ Central Government; and
- review of installed capacity and utilisation thereof.

Audit findings

The audit findings were reported to the Government/ Company in June 2005 and discussed at a meeting of the Audit Review Committee for State Public Sector Enterprises (ARCPSE) held on 25 July 2005 with the officials of the State Government and the Company. Their views were considered while finalising the review.

The audit findings are discussed in the succeeding paragraphs.

Manufacturing activity

Pesticides formulation units

2.1.6 The Company had two pesticide formulation units at Naroda and Gondal to produce dusting powder and liquid pesticides for sale to farmers. The Naroda pesticides formulation unit was closed in September 2001 as discussed in paragraph *2.1.19*. Gondal pesticides formulation unit has a capacity to formulate 7,200 metric tonne (MT) dust formulation and 920 kilolitre (KL) liquid formulation *per annum*. The table below gives the details of production and capacity utilisation during 2000-04.

Capacity utilisation of Gondal Pesticides foundation unit ranged between 10 and 40 *per cent*.

Year	Dust formulation (MT)	Capacity utilisation (*Per cent*)	Liquid formulation (KLs)	Capacity utilisation (*Per cent*)
2000-01	723.16	10	178.83	19
2001-02	805.93	11	370.32	40
2002-03	699.31	10	264.79	29
2003-04	983.00	14	315.00	34

The above table reveals that the capacity utilisation of Gondal pesticide formulation unit was much below the installed capacity.

The Company in reply to audit enquiry stated (May 2005) that the low capacity utilisation was due to low demand of Company's products due to introduction of new molecules by competitors. Despite gross under utilisation of the existing capacity, the Gondal unit earned aggregate profit of Rs.2.31 crore during 2000-04. Audit noticed that the Company decided to sell this profit making unit without assessing the avenues of introduction of suitable products and increasing the capacity utilisation.

The management stated (July 2005) that the decision for closure of the pesticides unit was as per the directions of the State Government. The reply is not tenable as the Company continued to operate uneconomical Bavla unit, against the directions of the State Government. The Company could have taken up with the State Government for retaining the profit making Gondal unit.

Production of storage bins

2.1.7 The Company is engaged in production of storage bins for storage of food grains. The table below indicates its performance during 2000-04.

Year	Target (Numbers)	Achievement	
		Numbers	Percentage
2000-01	21,000	16,559	78.85
2001-02	16,000	23,726	148.29
2002-03	12,000	4,377	36.48
2003-04	11,000	7,839	71.26
Total	**60,000**	**52,501**	**87.50**

The targets were reduced due to reduction in staff strength and decrease in subsidy schemes. The Company failed to achieve even the lower targets during 2000-04 except during 2001-02. There was higher production during 2001-02 due to State Government's order for the earthquake affected areas. Though there was steady decrease in the level of activity, the Company neither analysed the reasons nor took steps to boost up the activity.

The management stated (July 2005) that the storage bins were mainly supplied under Government subsidy programme and that the Company could not compete with private entrepreneurs due to usage of standard material and consequent higher cost. The reply is not tenable as even after three decades of its existence, it remained dependent for Government orders and failed to generate demand for its product in the open market.

Trading activities

2.1.8 The trading activities of the Company include trading of fertilizers, tractors, pesticides and other agricultural inputs to farmers. The targets and achievements during 2000-04 for various trading activities undertaken by the Company in physical terms are given below:

Year	Fertilizers			Tractors			Pesticides		
	Target MT	Achievement		Target No.	Achievement		Target MT/ KL	Achievement	
		MT	Percent-age		No.	Percent-age		MT/ KL	Percent-age
2000-01	3,47,000	2,11,596	61	850	247	29	3,555	1,191	34
2001-02	3,11,000	2,90,016	93	500	54	11	1,495	1,364	91
2002-03	3,16,175	2,53,178	80	285	165	58	1,644	1,036	63
2003-04	3,20,000	2,99,730	94	168	589	351	1,403	1.161	83
Total	**12,94,675**	**10,54,520**	**81**	**1,803**	**1,055**	**59**	**8,097**	**4,752**	**59**

The Company was unable to achieve targets of trading activities during 2000-04.

Though the Company was unable to achieve the targets during 2000-04, it neither analysed the reasons nor took steps for improvement. Audit analysis revealed that trading activity was uneconomical due to non-achievement of targets and higher administrative overheads.

The management stated (July 2005) that the targets were fixed at the beginning of the year based on past experience and future projections. The actual sale was affected by rain, competitor's position, cropping pattern *etc*. The AGSD of the Company, engaged in trading of fertilizer, pesticide and tractor, was making profit. The reply is not tenable as the budget was fixed at the beginning of the year for deciding target for the year considering past records and future expectations. The Company failed to gain any experience out of non-achievement of targets in any of the years under review. The profit of AGSD was eaten away due to high administrative cost at head office.

The Company, for trading of various items and to provide services to the farmers appointed 1,012* private agencies up to November 2004 in addition to its own sale centres. Product-wise sale of the Company during 2000-04 is given below:

(Amount: *Rupees in crore*)

Particulars	2000-01		2001-02		2002-03		2003-04	
	Value	Percent-age	Value	Percent-age	Value	Percent-age	Value	Percent-age
Tractors	6.19	4	1.42	-	4.73	3	17.87	8
Fertilizers	128.68	85	173.11	91	159.83	90	188.25	84
Pesticides	7.80	5	9.47	5	6.48	4	8.62	4
Storage bins	0.58	1	1.97	1	0.17	-	0.29	-
Others	8.89	5	4.93	3	6.07	3	7.85	4
Total	**152.14**	**100**	**190.90**	**100**	**177.28**	**100**	**222.88**	**100**

Trading of fertilizers

Sale of fertilizer constituted 84 to 91 *per cent* of sale of the Company.

2.1.9 The above table shows that trading of fertilizers constituted 84 to 91 *per cent* of the total sale. As the retail sale prices and margin on fertilizers are determined by the Government of India (GOI), the Company needs to increase sale of fertilizers for improving financial position. The Company sold 10.55 lakh MT fertilizers against target of 12.95 lakh MT during 2000-04 as detailed in paragraph *2.1.8*. Non achievement of targets coupled with low margin resulted in poor financial health of the Company. While approving the budget for 2003-04, the Board of Director had observed (June 2003) that the targets for fertilizers were fixed on lower side. Audit noticed that the Company was not able to achieve even the low targets during the period under review.

In case of sale through private agencies, the Company has to pass on 65 to 70 *per cent* of the margin to them in the competitive environment. The Company, however, did not concentrate on increasing sale through its own centres, which ranged between 2.44 and 13.54 *per cent* of the sale of fertilizer during 2000-04 as detailed below.

* Unemployed technicians; 370 and Agro Business centers; 642.

(Amount: ***Rupees in crore*****)**

Sales through:	2000-01		2001-02		2002-03		2003-04	
	Amount	Percent-age	Amount	Percent-age	Amount	Percent-age	Amount	Percent-age
Private agencies	117.53	91.34	149.67	86.46	153.18	95.84	183.66	97.56
Centres	11.15	8.66	23.43	13.54	6.65	4.16	4.59	2.44
Total	**128.68**	**100.00**	**173.10**	**100.00**	**159.83**	**100.00**	**188.25**	**100.00**

Consequent upon the directions of the State Government for closure of agro processing units, the Company decided (October 2000) to strengthen project division and distribution network by bringing in more commodities required by farmers. During 2000-04, however, sale of fertilizers remained the main activity of the Company.

The Company concentrated on sale of fertilizers and in the process failed to promote agro industries in the State, which was its main objective.

The agreement with the agencies stipulated minimum sale of non fertilizer items of rupees five to eight lakh *per annum*. The BOD observed (June 1999) that these agencies mainly concentrated on sale of fertilizers neglecting non-fertilizer items. Sale of non-fertilizer items by these agencies constituted 1.76 *per cent* of total turnover during 1996-99.The agencies, instead of being comprehensive agricultural input centres, acted as retail fertilizer outlets defeating the very purpose of the existence of the Company. The Company neither took any action for termination of agencies under the agreement nor motivated them for higher sales (August 2005).

The management stated (July 2005) that the pesticides sale was credit oriented business and hence the private agencies were not interested in achievement of sale. They, however, contributed to sale of fertilizers. The reply is not acceptable as the Company did not pursue for sale of other agriculture inputs and concentrated on sale of fertilizers alone, thereby defeating the purpose of promoting agriculture and agro-industries in the State.

Economy in sale of fertilizers

2.1.10 The fertilizer trading activity of the Company was compared in audit with that of Gujarat State Co-operative Marketing Federation Limited (GUJCOMASOL), a co-operative body engaged in distribution of seeds, fertilizers and pesticides *etc* in the State. The comparison was made to ascertain the efficiency, economy and effectiveness of the Company. The details of total turnover, sale of fertilizers, gross and net margin *etc* for the period 2002-04 are given below:

(Amount: ***Rupees in crore*****)**

Particulars	Gujarat State Co-operative Marketing Federation Limited			Gujarat Agro Industries Corporation Limited		
	2002-03	2003-04	Total	2002-03	2003-04	Total
Total Turnover	610.05	719.20	1,329.25	177.28	222.88	400.16
Sale of Fertilizers	508.26	640.70	1,148.96	159.83	188.25	348.08
Percentage of fertilizer sales to total turnover	83.31	89.08	86.44	91.16	84.46	86.99
Gross profit	15.43	12.99	28.42	3.09	4.45	7.54
Percentage of gross profit to sales	2.53	1.80	2.14	1.74	2.00	1.88
Fertilizer profit	10.42	9.54	19.96	2.18	2.47	4.65
Percentage of fertilizer profit	2.05	1.49	1.73	1.36	1.31	1.33
Net profit	2.01	1.00	3.01	(1.76)	2.54	0.76
Percentage of net profit to sales	0.33	1.33	0.23	(0.99)	1.13	0.19
Establishment cost	9.75	8.34	17.88	7.65	4.50	12.15
Percentage of establishment cost to sales	1.60	1.16	1.35	4.32	2.02	3.04
Paid-up capital	2.66	2.66	5.32	7.04	7.04	14.08
Ratio of capital to turnover	229	270	250	25	32	28

Higher administrative cost coupled with poor turnover rendered trading of fertilizer uneconomical.

Fertilizer trading was the major activity as the same constituted around 87 *per cent* of total turnover in both the cases; however, gross profit, profit from fertilizers and net profit of GUJACOMASOL was higher than that of the Company. The ratio analysis indicated that the Company was not economical in fertilizer trading. Establishment cost of the Company was more than double of GUJACOMASOL. Moreover, ratio of capital to turnover of GUJACOMASOL was almost nine times of the Company, which indicates poor turnover of the Company. Thus, higher establishment cost coupled with poor turnover rendered the activity uneconomical for the Company.

The management stated (July 2005) that the comparison of performance of the Company with that of GUJACOMASOL could not be made as better credit terms were offered by IFFCO/ KRIBHCO to them; their performance should be judged with reference to the sale of fertilizers of Gujarat State Fertilizers and Chemical Limited (GSFC) and Gujarat Narmada Valley Fertilizers Limited (GNFC). The reply is not tenable, as only credit sale could not make the performance of GUJACOMASOL better. Moreover, the GUJACOMASOL earns profit even after offering better commission to their agents. GUJACOMASOL had sold 7.09 lakh MT of GSFC/ GNFC fertilizers (Rs.449.31 crore) against 5.16 lakh MT fertilizers sold by the Company (Rs.317.02 crore) during 2002-04.

Trading of castor seeds

2.1.11 The Company decided (June 1999) to continue trading of castor even after decision for closure of castor seed plant at Jagana as mentioned in paragraph *2.1.19*. The Board formed a Committee to purchase 4,000 MT castor after reviewing day to day market position as castor prices were fluctuating widely. The Company procured 1,682.325 MT castor at Rs.2.77 crore at an average purchase price of Rs.16,222 *per* MT during January to September 2000. As the market price of the castor had gone down, the Company sold at Rs.13,938 per MT and realised Rs.2.50 crore by disposal of the stocks up to October 2002 leading to loss of Rs.27 lakh. Company's funds were blocked up for nearly three years (*i.e.* January 2000 to October 2002) resulting in loss of interest amounting to Rs.62 lakh[⊗].

Audit analysis revealed that trading of castor was a speculative business and the Company engaged in development of agro industries should have undertaken adequate risk analysis before going into business in this area. The Company also failed to dispose of the stocks partially when the market prices during March to June 2000 were higher than the procurement price (Rs.16,696 to Rs.17,481 *per* MT). This was indicative of poor risk analysis and management capacity.

The management stated (July 2005) that the decision was taken by its BOD and future price trend remained unknown at the time of decision. The reply is not tenable as the Company should have sold the available castor during March/ April 2000 when the price in the market was higher than the known procurement cost and it should have reviewed the market trend of prices before going for further purchase.

Nodal Agency function

2.1.12 The Company was nodal agency of the State Government for formulation of agro industrial policy and its implementation, disbursement of subsidy under various schemes and implementation of bio-gas programme. The Company disbursed subsidies in the following schemes during 2000-04:

(Amount: *Rupees in crore*)

Name of the Scheme	No. of schemes	Amount available	Amount utilised
Bio-gas scheme	3	2.95	3.26
Open pipe line scheme	3	3.33	2.87
Tarpaulin subsidy	3	1.27	0.95
Tractor subsidy	1	9.37	5.33
National Pulse Development Programme, Horticulture, Drip irrigation, *etc*	2 to 10	25.11	23.36
Schemes undertaken earlier and closed	2 to 5	(-) 0.20	0.41
Aviation activity	1	16.77	16.77
Waste land development scheme	1	0.65	0.50
Back ended interest subsidy	1	0.56	0.38
Total		**59.81**	**53.83**

Bio-gas programme

2.1.13 The Ministry of Non-Conventional Energy Sources (MNES), Government of India launched the National Bio-gas and Manure Programme (Programme) as a Centrally Sponsored Programme for promotion of family type bio-gas plants in 1981-82. Under the programme, the MNES provided a

[⊗] Calculated at the borrowing rate of 12 *per cent per annum*.

subsidy of Rs.2,300 *per* bio-gas plant commissioned by Scheduled Caste (SC)/ Scheduled Tribe (ST)/ Small and Marginal Farmer (SM)/ Landless Farmer beneficiaries and Rs.1,800 to other categories of beneficiaries. In addition to the above, the State Government also provided a subsidy of Rs.1,100 *per* bio-gas plant up to three cubic metre capacity commissioned by SC/ ST or desert area beneficiaries. In the case of other category of beneficiaries, the subsidy was restricted to Rs.1,000 for bio-gas plants up to three cubic metre and Rs.800 for bio-gas plant of four cubic metre capacity.

The Company was implementing the programme by identifying the beneficiaries, supplying them material required for commissioning of bio-gas plants and supervision of plants through Self Employed Bio-gas Supervisor (SEBS).

The following deficiencies were noticed during audit.

- During 2000-04, the MNES released Rs.9.41 crore for commissioning of 29,500 bio-gas plants; the Company commissioned 29,177 plants at a cost of Rs.9.65 crore and Rs.24 lakh were recoverable from MNES.

The programme envisaged that 15 *per cent* beneficiaries should belong to SC category. The Company carried out bio-gas programme during 2000-04 in 22 to 24 districts in the State and failed to achieve the norms fixed for SC beneficiaries in all the years as detailed below:

Against 4,377 Scheduled caste beneficiaries required to be covered under the programme, 1,124 beneficiaries were covered.

Year	Total number of bio-gas plants commissioned	Numbers of Scheduled Caste beneficiaries required to be covered	Actual number of Scheduled Caste beneficiaries covered	Shortfall in achievement
2000-01	7,938	1,191	442	749
2001-02	7,491	1,124	246	878
2002-03	6,712	1,007	216	791
2003-04	7,036	1,055	220	835
Total	**29,177**	**4,377**	**1,124**	**3,253**

The management stated (July 2005) that as per the State Government guidelines, the Company had to maintain the ratio of seven *per cent* for SC beneficiaries. The reply is not tenable as the direction of State Government was applicable for the grants released by them. The MNES had from time to time reiterated for covering 15 *per cent* beneficiaries belonging to SC.

The Company charged unauthorised margin of Rs.1.60 crore on bio-gas material supplied.

- The Company procured material required for commissioning of bio-gas plants such as cement, steel, gas stove, HDPE[Ψ] pipes, *etc* and provided the same to the beneficiary after deducting its cost from the subsidy payable to the beneficiary. Audit analysis revealed that the Company unauthorisedly charged profit margin ranging between 13 and 56 *per cent* over its cost resulting in undue curtailment of subsidy amounting to Rs.1.60 crore to the beneficiary during 2000-04 as detailed below:

[Ψ] High Density Poly Ethylene.

Particulars	Percentage of margins	Amount (Rupees in lakh)
Cement	13 to 30	80.43
HDPE pipe	36 to 56	18.36
Bio-gas stirrer	14 to 29	5.60
Gate closer	17 to 22	1.48
Gas outlet and pipe	18 to 35	1.22
Galvanised tee and plug	16 to 48	1.79
Galvanised nipple	22 to 52	1.30
Rubber tube	33 to 43	1.95
MS Round bar	16 to 27	4.60
Gas stove	25 to 33	41.60
Rubber pipe and miscellaneous	36 to 56	1.78
Total		**160.11**

Charging profit margin in addition to service charge of Rs.62 lakh granted by MNES defeated the purpose of the programme.

The management stated (July 2005) that the Company had to incur cost for staff, transportation of the material, unloading *etc.* It further stated that the rate was lesser than the open market rate as the beneficiary had to incur more for procurement of the material from the market. The reply is not tenable, as the MNES had separately granted service charge to meet administrative cost. Had the Company not added its margin the rates to the beneficiaries would have been lower.

Despite availing assistance of Rs.1.96 crore, the Company did not ensure visit of SEBS after commissioning of bio-gas plants.

- The programme envisaged guarantee for satisfactory working of bio-gas plant and cost free service for inspection and guidance up to three years from the date of commissioning. The turnkey job fees payable to SEBS required visit of the plant twice in a year. The Company did not maintain any record to ascertain that the SEBS had attended the plant after its commissioning and provided required guidance to the beneficiaries, despite availing assistance of Rs.1.96 crore towards turn key job fees during the period.

- The programme required its evaluation to be carried out by implementing agencies with the help of Non Government Organisation (NGO) to ascertain the benefits derived from the programme. The Company did not have the programme evaluated, hence the benefit derived, after release of Rs.12.36 crore (Central Government Rs.9.41 crore and State Government Rs.2.95 crore) during 2000-04, could not be independently ascertained.

- The Director of Evaluation (DE), State Government agency evaluated the performance of the programme by selecting 384 beneficiaries from 48 villages in six districts. The DE observed (March 2003) that 22.9 *per cent* of the bio-gas plants were found to be non functional. Of these, 68.2 *per cent* cases were non functional due to minor faults in them. Therefore, DE recommended (March 2003) for making permanent arrangement for repairing of the bio-gas plants. The MNES from time to time asked to Company to ascertain the extent of non-functional bio-gas plants and need for support of MNES required. Despite the direction of

MNES and the State Government, the Company did not make any effort for repairing the bio-gas plants.

Tarpaulin scheme

The Company unauthorisedly charged margin of Rs. 39.68 lakh on tarpaulin supplied.

2.1.14 Under this Scheme, the State Government in order to help the farm workers, provided Tarpaulin for their farm works at 50 *per cent* of its cost limited to Rs.1,000 *per* beneficiary. The Company procured the tarpaulin and provided the same to the beneficiary identified by district panchayat after collecting the balance cost of tarpaulin. The scheme, however, did not envisage payment of any service charge to the Company. Audit analysis revealed that despite this condition, the Company unauthorisedly added Rs.39.68 lakh as profit margin over the cost of procurement of 19,683 tarpaulins during 2000-04.

The management stated (July 2005) that the company had to incur cost towards octroi, loading unloading, inventory cost *etc*. The reply is not tenable as the supplier was required to deliver the tarpaulin at the centres after making payment for octroi and the payments to him were to be made after 30 days. Besides, the centres were placing orders only after receipt of applications from the beneficiaries.

Open pipeline scheme for irrigation

The Company unauthorisedly charged margin of Rs.82.31 lakh on open pipe line sets supplied.

2.1.15 The State Government, under the open pipe line scheme for irrigation, provided assistance at the rate of 50 *per cent* of the cost of pipeline *per* hectare limited to Rs.4,500 to the SC/ ST/ SM farmers and 40 *per cent* limited to Rs.3,600 to other beneficiaries for installing pipe line in their farms. The Company, under the scheme, procured the pipeline sets and supplied them to the beneficiaries identified by the Agriculture Department after collecting the residual cost from the beneficiaries. Audit analysis revealed that though, there was no provision for service charge, the Company unauthorisedly charged Rs.82.31 lakh towards commission on 8,742 sets of open pipe line supplied during 2000-04.

The management stated (July 2005) that the Company had to incur cost towards octroi, loading, unloading, inventory cost *etc*. The reply is not tenable as the supplier was required to deliver the open pipe line on consignment basis at the centres after making payment for octroi *etc*.

Sale of tractors

2.1.16 The Company acts as dealer for tractors and power tillers manufactured by leading manufacturers. The Company sold 1,055 tractors against target of 1,803 tractors during 2000-04 as detailed in paragraph *2.1.8*. The Company was the nodal agency for distribution of subsidy for tractors in the State and the sale of tractors was under subsidy scheme only. Under subsidy scheme, the Central Government identified certain models up to 30 HP eligible for subsidy of Rs.30,000 *per* tractor. During 2003-04, the Company sold 38 tractors not approved by the Central Government under the scheme, which resulted in irregular adjustment of subsidy amounting to Rs.11.40 lakh.

The management stated (July 2005) that there was no sale for the models not approved by the Central Government. The reply is not tenable as HMT-4022, L&T JD and New Holland models of tractors were not in the list of approved models furnished by the Company.

Promotion of agro based industries

2.1.17 Under the agro Industrial policy, the State Government provided six *per cent* back ended interest subsidy on long-term loans availed, financial assistance for project report, assistance for patent registration, air freight subsidy, *etc.* to agro processing units in the State. The State Government nominated (January 2001) the Company as nodal agency to assist in formulation of policy, dissemination of the policy through circulars, seminars, posters *etc.* The Company did not receive (March 2005) any service charge for formulation and implementation of the policy, though the State Government agreed (September 2004) in principle to grant six *per cent* service charge on the disbursement of the back ended subsidy. Audit analysis revealed that during

2000-04, out of total loss of Rs.19.70 crore, Rs.3.50 crore was on account of pay and allowances of the employees engaged in the nodal agency function and other expenditure was non-remunerative to the Company.

The management while accepting the fact stated (July 2005) that the matter would be pursued with the State Government.

Adequacy of service charge

The State Government did not prescribe any service charges for discharging nodal agency functions.

2.1.18 The State Government entrusted to the Company disbursement of subsidies, formulation of policy and its implementation *etc.* as the nodal agency. The Company incurred expenditure of Rs.4.05 crore towards pay and allowances of the employees engaged in marketing division during 2000-04. The Company, however, received service charges of Rs.1.25 crore for three schemes (Bio-gas: Rs.62 lakh, Ministry of Food Processing: rupees eight lakh and Aviation activity: Rs.55 lakh) but did not received any service charges for remaining schemes. The State Government did not prescribe any service charge for the nodal agency functions. The Company, instead of making concrete proposal for service charge to the State Government resorted to charging of unauthorised margin on bio-gas/ tarpaulin schemes/ open pipeline as discussed in paragraphs *2.1.13, 2.1.14* and *2.1.15 supra.*

The management, while accepting the fact, stated (July 2005) that henceforth the Company would approach the Government to consider providing service charges on various schemes.

Closure of uneconomical units and their disposal

2.1.19 The agro processing units of the Company were incurring losses since 1993-94 and these units were not viable due to low capacity utilisation, higher administrative overheads and stiff competition *etc.* The State Government, therefore, under the Public Sector Restructuring Programme (PSRP) decided (January 1999) to close down uneconomic units of the Company and directed the Company (December 1999) to dispose of six agro processing units and the Naroda pesticide formulation unit.

Despite the Government directions, the Company continued activities in uneconomical units and incurred avoidable loss of Rs. 1.82 crore.

The Company, in violation of State Government directions continued the activities in some of the uneconomical units during 2000-03. Consequently, the Company suffered a net loss of Rs.1.82 crore in running the uneconomical units during the period as per details given in the table below:

(Amount*: Rupees in lakh*)

Name of unit	Net loss			
	2000-01	2001-02	2002-03	Total
Food canning factory, Gandevi	26.98	--	--	26.98
Food canning factory, Junagadh	9.82	--	--	9.82
Cold storage, Deesa	9.13	--	--	9.13
Energy food plant, Bavla	10.02	--	--	10.02
Oil extraction plant, Bareja	44.88	11.00	--	55.88
Castor seed plant, Jagana	23.02	9.59	9.37	41.98
Pesticide formulation unit, Naroda	4.88	23.37	--	28.25
Total	**128.73**	**43.96**	**9.37**	**182.06**

During 2002-04 the Company sold all the units except Deesa, Bavla and Naroda units. These units were not sold due to court case (Deesa), consideration to run on joint venture basis (Bavla) and lack of competitive offer (Naroda). The Company earned a total profit of Rs.4.24 crore in the sale of the following units:

(Amount*: Rupees in lakh*)

Name of unit	Period of sale	Sales realisation	Profit
Food canning factory, Gandevi	March 2002	43.80	23.04
Food canning factory, Junagadh	November 2002	255.00	233.18
Oil extraction plant, Bareja	March 2004	261.00	115.90
Castor seed plant, Jagana	August 2003	140.51	52.34
Total		**700.31**	**424.46**

The units at Deesa, Bavla and Naroda having upset value of Rs.3.27 crore were not disposed of (May 2005). Consequently, the Company suffered a loss of interest of Rs.1.48 crore calculated at 12 *per cent per annum* on the blocked funds of Rs.3.27 crore during the period from April 2001 to March 2005.

The management stated (July 2005) that for closure of the units certain procedures such as decision of the BOD, valuation of the units, constitution of the Committee, appointment of professional agency for disposal, completion of audit, final stock taking, maintenance of complete accounts were to be followed. It further stated that the sale of Bavla unit was not finalised as it decided to run the same under joint venture. The reply is not tenable because the accounts and audit of the Company were up-to-date and other activities were only procedural for which action could be preplanned as the Government's decision to close the uneconomical units was known to the

Company one year prior to the actual direction (December 1999). Besides, the decision to run the Bavla unit in joint venture basis was contrary to the directions of the State Government.

Surplus employees

2.1.20 As per the State Government's direction of January 1999, the Company initiated implementation of Voluntary Retirement Scheme (VRS) from November 1999 in all the above seven units. The State Government while sanctioning (March 2000) a loan of rupees seven crore for implementing the VRS specifically stipulated that no payment towards pay and allowances of these employees was to be made after March 2000. The Company implemented VRS up to January 2003 in a phased manner. Out of 239 employees of the closed units, 203 opted for VRS. The service of 25 employees having common cadres were utilised elsewhere. The Company, however, did not retrench remaining 11 surplus employees under the Industrial Disputes Act, 1947. Consequently, the Company spent Rs. 28 lakh towards pay and allowance of these employees between April 2000 and March 2005.

The management stated (July 2005) that notices for retrenchment were issued during August 2004. The reply is not tenable as the very purpose of State Government's directions to ease out the employees of uneconomic units and reducing burden of administrative cost was defeated mainly due to delay in implementation of the decision.

Disposal of petrol pumps

2.1.21 Due to poor performance, the Company transferred (June 2001) on lease basis its four petrol pumps to Indian Oil Corporation Limited (IOC) at a lease rent of Rs.16.26 lakh *per annum*. The Company decided (April 2002) to sell the petrol pump through advertisement. Hence, the possession of three petrol pumps (Juhapura in April 2003, Mehsana and Surat in August 2003) was taken back from IOC, while one pump (Gondal petrol pump), remained with IOC (April 2005). Juhapura was handed over (April 2003) to Home Department of the State Government in lieu of loan taken from it for VRS and the Petrol pumps at Mehsana and Surat were sold in November 2003 and May 2005. The Company, however, did not pursue with IOC for recovery of lease rent of Rs.16.76[θ] lakh for the petrol pumps for the period that they remained with IOC.

The Company did not pursue IOC for recovery of Rs.16.76 lakh towards lease rent.

The management stated (July 2005) that the matter regarding lease rent was under pursuance with the IOC. The reply is not tenable as the Company failed to show any documentary evidence in support of its claim. Lease agreement was yet to be signed for Gondal petrol pump.

θ Juhapura up to April 2003, Surat and Mehsana up to August 2003 and Gondal up to March 2005.

Mehsana agro service complex

2.1.22 The Company decided (April 2002) to dispose of its four Agro service complexes and invited (September 2002) tenders for the Mehsana Complex. The highest bid of Rs.2.90 crore was rejected on the ground that the bidder had requested for 30 days time against stipulated time of 15 days for depositing 25 *per cent* bid amount. After re-tendering, the Company issued (March 2003) acceptance letter for the highest offer of Rs.2.61 crore received during November 2002 in re-tendering. Abnormal time taken in issue of acceptance letter resulted in delayed receipt of Rs.65.25 lakh, being 25 *per cent* of the bid amount. Realisation of balance payment of Rs.1.91 crore was also delayed as the property occupied by lessee/tenants was vacated in August 2003 and the possession of the property was given to the bidder in November 2003.

Reasons for delayed issuance of acceptance letter (91 days), vacation of land by the occupants and handing over possession (287 days) were not on records. The delay in receipt of proceeds (December 2002 to November 2003) resulted in loss of interest of Rs.20.13 lakh calculated at 12 *per cent per annum*.

The Company lost Rs.49.13 lakh in disposal of Mehsana Complex.

There was also loss of Rs.29 lakh* due to non acceptance of highest offer in the first bid. Thus, the Company lost Rs.49.13 lakh# in disposal of Mehsana complex.

The management stated (July 2005) that the second bid could be accepted in March 2003 as due to Assembly elections *Achar Sanhita* was in operation and the then Chairman tendered resignation on 21 November 2002.

The reply is not tenable as the tender was opened on 12 November 2002 and there was sufficient time up to 21 November 2002 with the Committee, which was given full powers to finalise the matter by the Board and new Chairman was appointed by the State Government on 13 December 2002. Moreover, the Company was expected to take simultaneous action for vacation of the complex by that tenant/ lessee when the tenders invited were under finalisation.

Other agro service complexes

2.1.23 The Juhapura complex was handed over to the Home Department of the State Government at Rs.7.41 crore (valued by Gujarat Industrial and Technical Consultancy Limited) in April 2003. The sale proceed was to be adjusted towards the outstanding loan of rupees seven crore obtained from the State Government for VRS. Adjustment of the loan accounts was pending (May 2005) even after two years of the handing over of the possession. Surat complex was sold in March 2005. Sale of Gondal complex was pending (April 2005).

Gondal, Juhapura, Mehsana and Surat.

* Original bid amount:Rs.2.90 crore minus accepted bid amount:Rs.2.61 crore

\# Rs.20.13 lakh interest loss *plus* Rs.29 lakh short received in retendering.

Conclusion

The Company failed in its objective of developing of agro industries in the State, mainly due to non-achievement of targets, under utilisation of capacity, concentration mainly on fertilizer trading and higher administrative overheads. The operation of uneconomical units continued and there was delay in disposal of closed units. The Company charged unauthorised margin on bio-gas programme and the tarpaulin and open pipe line schemes.

Recommendations

- **The Company needs to enhance its turnover and promote sale of agricultural products other than fertilizer.**
- **Efforts need to be made to dispose of the property of the closed units promptly.**
- **The Company should take up with the State Government the matter for adequate service charges for implementation of various schemes and performance of nodal agency functions.**

The matter was reported to the State Government in June 2005; their reply was awaited (November 2005).

Gujarat State Seeds Corporation Limited

2.2 Production activities and trading performance

Highlights

The Company failed in its objective to provide quality seed at reasonable rates as the selling price of seed was high due to loading of interest on investment, which was not incurred at all. The excess charge from the farmers in respect of seeds of paddy, wheat, groundnut, pulses and castor sold during 2000-05 worked out to Rs.4.86 crore.

(Paragraph 2.2.15)

The Company failed to achieve its target of production of certified seed as there was shortfall of 35 *per cent*. Against the target of production of certified seeds of 5.42 lakh quintal, the actual production was 3.53 lakh quintal, which resulted in shortfall of 1.89 lakh quintal certified seeds valued at Rs.37.91 crore.

(Paragraph 2.2.11)

Against the target of foundation seed of 1.27 lakh quintal the actual certified seed quantity was 0.92 lakh quintal, which resulted in shortfall of 0.35 lakh quintal valued at Rs.5.24 crore.

(Paragraph 2.2.10)

Non achievement of seed multiplication ratio in respect of breeder and foundation seed resulted in shortfall of yield of 2.32 lakh quintal valued at Rs.65.33 crore during 2000-05.

(Paragraph 2.2.12)

The utilisation of seed processing plants was very low and ranged between 13.62 and 22.66 *per cent* of the installed capacity during 2000-05.

(Paragraph 2.2.13)

As against substantial increase in the sale of seed in the State the Company's sale contribution in the State declined from 37.33 to 24.80 *per cent* during 2000-05.

(Paragraph 2.2.16)

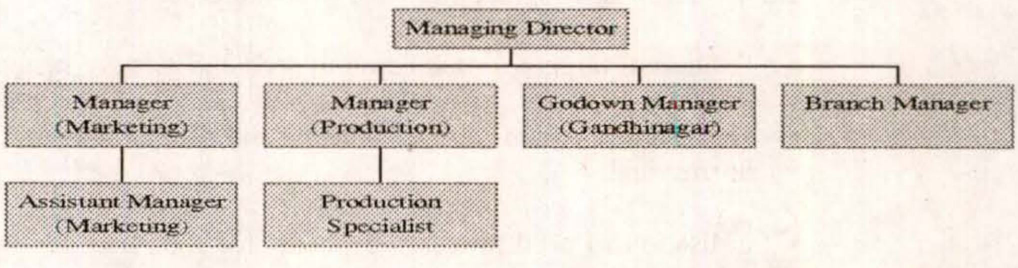
The Company suffered a loss of Rs.0.83 crore during 2000-05 due to failure on revalidation of certified seed.

(Paragraph 2.2.18)

Introduction

2.2.1 Gujarat State Seeds Corporation Limited (Company) was incorporated in April 1975 with the objective to develop seed production activities and to ensure that the quality seeds were made available to farmers at reasonable rates. In order to achieve this the Company organises seed production programme through farmers for more than 31 crops consisting of approximately 120 varieties of cereals, oilseeds, pulses, cash crops, spices *etc.*

The management of the Company is vested in a Board of Directors with the Secretary of the Agriculture Department as the Chairman of the Company. The Managing Director appointed from the agriculture department of the State is the chief executive. The organisation chart relating to production and trading activities of the Company is given below:



The performance of the Company was last reviewed in the Report of the Comptroller and Auditor General of India (Commercial) 1981-82. The recommendations of the Committee on Public Undertakings (COPU) were placed in the Legislature in August 1988. Action taken notes on the recommendations were examined by COPU in June 1993.

Scope of Audit

2.2.2 The present review conducted during November 2004 to March 2005 covered production performance and trading activities of the Company during 2000-05 in achieving the objective of making available quality seed to farmers at reasonable rates. The audit findings are based on the test check of records of eight[#] out of 12 branches[σ] including all the 16 processing plants[*] in seven branches and the connected 14 out of 21 godowns[Ψ] besides the Head Office of the Company selected on the basis of geographical representation and quantum of transactions.

Audit objectives

2.2.3 The audit objectives of the review were to assess as to what extent:

[#] Nadiad, Mehsana, Godhara, Vyara, Rajkot, Junagarh, Amreli and Gandhinagar.

[σ] Himmatnagar, Mehsana, Palanpur, Vadodara, Nadiad, Godhara, Vyara, Rajkot, Junagarh, Amreli, Sihor and Surendernagar.

[*] Gandhinagar (4), Godhara (2), Vyara (1), Rajkot (2), Junagarh (3), Amreli (3) and Mehsana (1).

[Ψ] Himmatnagar (1), Mehsana (2), Godhara (1), Vyara (3), Rajkot (4), Junagarh (2), Amreli (2), Gandhinagar (5) and Sihor (1).

- targets for production of seeds were fixed with reference to demand for sale and these were achieved effectively and efficiently;
- the standard norms fixed for seed multiplication ratio were achieved;
- seed processing plants were utilised to their optimum capacity;
- sale price for the certified seed of various crops were fixed correctly so as to be reasonable to farmers; and
- the Company made contribution in sale of seed in the State.

Audit criteria

2.2.4 The following audit criteria were adopted:

- fixation of target for production of seed and achievement thereagainst;
- seed multiplication ratio of breeder and foundation seed against standard norms; and
- utilisation of seed processing plants and the basis adopted for sale price fixation.

Audit methodology

2.2.5 Audit followed the following methodologies:

- review of agenda and minutes of meetings of Board of Directors and Branch Managers meetings. Analysis of details received from the Company regarding fixation of targets and production of seed, crop wise sale price fixation statements and crop wise availability and sale of seed each year; and
- review of data on actual quantity of seed processed in the seed processing plants called for from the branches and details of seed of crops subjected to revalidation and failed.

Audit findings

The audit findings were reported to the Government/ Company in April 2005 and discussed at a meeting of the Audit Review Committee for State Public Sector Enterprises (ARCPSE) held on 28 June 2005 with the officials of the State Government and the Company. Their views were considered while finalising the review.

The audit findings are discussed in the succeeding paragraphs:

Production performance

Seed development process

2.2.6 Breeder seed[∅] constitutes the basis of all further seed production and is used in production of foundation seed[⊕]. Breeder seed was provided by the Government of India through Gujarat Agriculture University/ Indian Agricultural Research Institute, New Delhi was used in the production of foundation seed. The foundation seed was used for multiplication/ production of certified seed, which was sold to the farmers for raising crops on a large scale.

The seed development process is narrated below:

Procurement of breeder seed from the Government of India

I

Multiplication to foundation seed

I

Distribution of foundation seed to growers

I

Receipt of raw seed from growers

I

Processing of raw seed in seed processing plants

I

Certification of processed seed for sale to farmers

Selection of growers for multiplication

2.2.7 Farmers who have their own agriculture land/ farms and agree for multiplication of breeder/ foundation seed are registered with Gujarat State Seed Certifying Agency (GSSCA) through the Company, as seed growers. The Company enters into formal agreement with the growers for supply of the entire quantity of foundation/ certified seed produced by them from the breeder/ foundation seed supplied by the Company.

Fixation of targets

2.2.8 The Company prepared yearly production programmes of all types of seeds for each season (kharif, summer and rabi) after considering the varieties of crops, soil and climatic conditions and based on the sale demands for the next year for certified seed forecast by the marketing division. The crop wise targets for production of foundation and certified seed were fixed as detailed in ***Annexures- 9*** and **10**. The Seed Production Programmes (SPP) were approved by the Board of Directors each year and implemented through the branches. The technical staff at branches provides guidance to the registered growers.

∅ Breeder is genetically pure seed used for producing foundation seed.

⊕ Foundation seed is the seed produced from breeder seed and has genetic purity of 99 *per cent* and is used for producing certified seed.

Area sown against target

2.2.9 The SPP is executed through the branch offices by fixing targets for the area of production of various crops taking into account geographical location and farmer's preference.

The table below indicates details of targeted area for production of foundation and certified seed *vis-à-vis* actual area sown during 2000-05:

Season	Year	Targeted	Sown	Shortfall	Percentage of shortfall
		(Area in acre)			
Kharif	2000-01	28,570.00	22,501.55	6,068.45	21.24
	2001-02	14,845.50	12,506.10	2,339.40	15.76
	2002-03	17,366.00	15,671.00	1,695.00	9.76
	2003-04	19,668.00	13,734.40	5,933.60	30.17
	2004-05	20,444.00	12,635.50	7,808.50	38.19
Rabi	2000-01	5,146.00	4,689.40	456.60	8.87
	2001-02	6,225.00	6,407.20	--	--
	2002-03	6,424.00	5,760.40	663.60	10.33
	2003-04	5,823.00	5,598.00	225.00	3.86
	2004-05	6,468.00	6,318.50	149.50	2.31
Summer	2000-01	2,224.00	1,431.40	792.60	35.64
	2001-02	3,979.00	3,165.30	813.70	20.45
	2002-03	3,620.00	2,387.40	1,232.60	34.05
	2003-04	3,385.00	2,717.50	667.50	19.72
	2004-05	5,724.00	3,684.00	2,040.00	35.64

An analysis of the above table reveals that the Company had not been able to sow the targeted area in any of the seasons during 2000-05 except for rabi crops in 2001-02.

The management stated (May 2005) that seed production plan was drawn by quantity assuming an average level of yield so as to obtain the contemplated quantity of seed. In good years the average productivity of crops might remain high and the needed quantity met by sowing less area, in adverse conditions even larger areas may yield small quantities, and that as long as the required quantity was produced the purpose was achieved.

The reply is not tenable because the Company could not achieve the targeted production of quality seed in any of the five years under review as discussed in paragraphs *2.2.10* and *2.2.11*.

Production of foundation seed

2.2.10 The year wise details regarding the crop wise target fixed for production of foundation seed, yield of raw seed and pass quantity is given in *Annexure-9*.

There was shortfall in production of 27.5 *per cent* of quality foundation seeds valuing Rs. 5.24 crore.

During 2000-05, as against the targeted production of foundation seed of 1.27 lakh quintal, the actual production of raw seed was 1.18 lakh quintal and the pass quantity was 0.92 lakh quintal. Thus, there was shortfall in production of 0.35 lakh[≠] (27.5 *per cent*) quintal of quality foundation seed valuing Rs.5.24 crore.

The management stated (May 2005) that the shortfall was due to many exogenous factors, which influence the crop fields during the time lag between flowering stage and actual harvest. The reply is not tenable. It was noticed that though the actual production of raw seed was more in some years, the quality of foundation seed produced during all the five years were below the target indicating ineffectiveness on the part of the Company in quality seed production, despite experience of 30 years in the field.

Production of certified seed

2.2.11 The requirement of foundation seed for SPP is assessed by the production division of the Company on the basis of the estimated production programme of certified seed for each season. The foundation seed of various crops are sold to the seed growers for production of certified seed at the sale price fixed by the Company.

There was a shortfall of 1.89 lakh quintal of certified seeds valuing Rs.37.91 crore.

The details regarding the crop wise targeted production, actual production of raw seed and the pass quantity of certified seed is given in ***Annexure*-10**. During 2000-05 as against the targeted production of certified seed of 5.42 lakh quintal, the actual production of raw seed was 3.88 lakh quintal and the pass quantity of certified seed was 3.53 lakh quintal. Thus, there was shortfall of 1.89 lakh[®] (34.87 *per cent*) quintal of certified seed valuing Rs.37.91 crore.

The management stated (May 2005) that the shortfall was due to many exogenous factors, which influence the crop fields during the time lag between flowering stage and actual harvest. The reply is not tenable because the actual production of raw seed as well as seed passed by GSSCA on quality as certified seed was far below the target during all the five years under review.

Non achievement of Seed Multiplication Ratio (SMR)

2.2.12 Seed Multiplication Ratio (SMR) is the capacity of reproduction of the seed. The Government of India has prescribed standard norms for the seed multiplication ratio in respect of each crop.

The company failed to achieve the standard SMR in five major crops.

Test check of the production records indicated that the Company could not achieve the standard SMR in respect of breeder and foundation seed of crops of groundnut, soyabean, castor, gram and cotton. This resulted in shortfall in the yield of foundation and certified seed of these crops to the tune of 2.32 lakh quintal valuing Rs.65.33 crore during 2000-05 (***Annexure*-11**).

The management stated (May 2005) that the SMR laid down by Government of India was for ideal conditions which were not available with the seed

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≠ 1.27 lakh quintal targeted foundation seeds *less* 0.92 lakh quintal pass quantity of actual production.

® 5.42 lakh quintal targeted certified seeds *less* 3.53 lakh quintal pass quantity of actual production.

growers and the crops grown under rain fed conditions which were erratic led to less production per unit area and thus low SMR. The reply is not tenable as the norms for SMR were fixed only after taking into account all such factors.

Under utilisation of seed processing plants

The capacity utilisation ranged between 13.62 and 22.66 *per cent* during 2000-05.

2.2.13 Annual installed capacity of all the 16 processing plants during 2000-05 was 4.42 lakh quintal, which was utilised to the extent of 13.62 to 22.66 *per cent* during 2000-05 (as given in ***Annexure*-12**).

As against the low utilisation percentage of 6.04 to 17.2 in Amreli branch with installed capacity of 80,000 quintal per *annum* during 2000-05, it was maximum of 21 to 32 *per cent* in Gandhinagar branch with an installed capacity of 1,12,000 quintal per *annum*.

As the production of raw seed subjected for processing was only around one lakh quintal *per annum* during 2000-05 there was under utilisation of the installed capacity of the processing plants.

The management stated (May/October 2005) that the activity was seasonal and that crops were to be processed almost simultaneously to rush the seed to the market and since 75 *per cent* of the crops were produced during the kharif season the capacity utilisation remained at 30 *per cent* of the installed capacity. The reply is not acceptable since even on the basis of seasonal working the actual utilisation ranged between 35 and 56 *per cent* only.

Trading activities

Sale of certified and labelled seed

2.2.14 Seed of various crops is sold by the Company's retail outlets and dealers appointed by the Company. As on 31 March 2005 there were 835 dealers. Sales targets for the dealers were fixed in terms of money value only without reference to quantity. The sale performance of certified and labelled seed during 2000-05 compared to availability of seed for sale is given in ***Annexure*-13**. In none of the years could the sale of the available quantities be accomplished. The reasons for short sale were attributed to poor monsoon, change of preference by farmers and low demand.

Audit analysis revealed that as the sale was mainly done through dealers, non fixation of quantity targets and ineffective control on dealers' performance during sale season resulted in short sale and carry over of stock.

The management stated (May/October 2005) that with a view to evaluating the system of marketing through dealers and suggesting improvement in the mechanism, it was contemplating a study to some proven professionals and that this would help in improvement of the marketing system.

Incorrect fixation of sale price

2.2.15 One of the objectives of the Company was to make available certified seed to the farmers at reasonable price. While fixing the sale price the Company added various elements of cost viz. processing cost, packing cost, transportation charges, interest on investment, loss on procurement rate and return on investment.

While the expenditure on processing, storage, transportation *etc.* was on actual basis, it was noticed that the absorption of interest expenditure not incurred as an element of cost increased the sale price. Though the Company was not incurring any interest expenditure during 2000-05 yet it was adding 11.5 to 14 *per cent per annum* as interest on investment for the period ranging from three to eight months besides charging 18 to 20 *per cent* per *annum* return on investment while fixing the sale price.

Loading of element of interest in sales price led to excess recovery of Rs.4.86 crore from the farmers.

It was noticed in audit that due to inclusion interest expenditure as an element for sales of paddy, wheat, groundnut and pulses (urid, moong and gram) there was over absorption of overheads to the extent of Rs.4.86 crore included in sales price realised from the farmers on the sale of 4.48 lakh quintal seed during 2000-05.

The management stated (May/October 2005) that on account of borrowings in the past the interest element was included traditionally while working out sale price. Endorsing the management's views, the Government stated (August 2005) that if the Company discontinued the practice of adding interest element then the profit accruing to the Company would reduce or loss would increase. Consequently, the Government would not get any return on the capital invested by it in the Company.

The reply is not tenable because the fixation of sales price by the Company included interest expenditure, which was not incurred at all. Besides, adding the interest element notionally defeated the Company's objective of providing certified seed to farmers at reasonable rate.

Contribution of the Company towards meeting the requirement of seeds in the State

2.2.16 The objective of the Company was to make available quality seed to farmers. The table below summarises the contribution of the Company toward distribution of seed in the State during 2000-05:

Year	Distribution of seed in the State (quintal)	Company's contribution in distribution of seed	
		Quintal	Percentage
2000-01	2,62,167	97,855	37.33
2001-02	3,17,146	1,18,553	37.38
2002-03	3,93,770	1,25,640	31.90
2003-04	3,95,800	1,02,698	25.94
2004-05	4,08,420	1,01,278	24.80

Company's sale contribution in the State declined from 37.33 to 24.80 *per cent.*

It would be observed from the above table that there was substantial (55.79 *per cent*) increase in sale of seed in the State from 2.62 lakh quintal to 4.08 lakh quintal during 2000-05. The Company's contribution, however, declined from 37.33 *per cent* to 24.80 *per cent* during the same period.

Audit scrutiny revealed that lack of demand from farmers for regular cotton and castor seed, non preference of certain varieties of cereals and pulses due to low commercial value for grain, absence of market strategy for selling the entire quantity during season as discussed in paragraph *2.2.14* and non production/ purchase of certain varieties of cereals contributed to the decline in Company's market share.

Crop wise analysis of seed showed that during 2000-05 the Company's contribution in State's sale declined in respect of wheat from 42.16 to 25.19 *per cent* in 2003-05, paddy from 32.39 to 28.47 *per cent* in 2004-05 and bajra from 10.80 to 3.95 *per cent.*

The management stated (May/October 2005) that the Company had remained a major player in catering to the needs of the farmers by sharing about 30 *per cent* of seed requirement in the State and with the opening of global economy and many seed companies operating in the field, the role of the Company would be more of market intervention so as to stabilize the fluctuating market. The reply is not tenable as the trend of decrease in sale of seed of even major crops despite increase in total State sale was only due to lack of an effective marketing strategy for selling against the demand forecast for production as well as shortfall in achievement of targeted production as discussed in paragraphs *2.2.10* and *2.2.11.*

Storage of seeds

2.2.17 The undersized seed out of processing, seed failed on revalidation and seed remaining unsold by the end of season in respect of self pollinated crops like paddy, wheat and groundnut are transferred to mixture account and sold as grain.

The Company had not analysed the reasons for high percentage of transfer to 'mixture account'.

The quantity details of seed transferred to mixture in respect of major crops revealed that the actual percentage of quantity transferred to mixture during 2000-05 ranged between 3.45 and 19.7 *per cent* in respect of paddy as against the norms of three *per cent* fixed by the Company. In respect of wheat and mustard the percentage of seeds transferred ranged from 1.96 to 10.69 *per cent* and 8.37 to 39.26 *per cent.* The Company neither fixed the norms for these crops nor analysed the reasons for high percentage of transfer to the 'mixture account'.

The management stated (May 2005) that the crop-wise high percentage of transfer to 'mixture account' would be reviewed in future.

Carry over of stock and consequent failure on revalidation

2.2.18 In respect of the seeds of castor, bajra and cotton, which have more shelf life, the stock of seed remaining unsold during the current season were carried over for sale during the next sowing season. As the certificate given by Gujarat State Seed Certifying Agency has a specific validity period, the carry over stock were required to be revalidated for their genetic purity and germination potential before sale. Seed which failed the revalidation test were to be transferred to `mixture account' and sold as grain.

The Company suffered loss of Rs.82.71 lakh due to sale of seeds failed on revalidation.

The details received from branches in respect of stock of seeds of bajra, cotton and castor put to revalidation during 2000-05 revealed that 1,054 quintal of seed valuing Rs.97.98 lakh (at procurement price) failed on revalidation and had to be sold as grain incurring a loss of Rs.82.71 lakh as detailed below:

Production year	Crop	Stock put to revalidation (quintal)	Stock failed in revalidation (quintal)	Year of sale as grain	Loss suffered (Rupees in lakh)
1998-99 to 2002-03	Bajra	2,045	928	2000-01 to 2003-04	29.29
1996-97 to 2002-03	Cotton	5,574	202	2000-01 to 2003-04	21.90
1996-97 to 2003-04	Castor	9,451	684	2000-01 to 2004-05	31.52
Total		**17,070**	**1,814**		**82.71**

The management stated (May/October 2005) that in the seed industry this type of loss was a routine matter. The reply is not tenable as failure in revalidation was due to longer storage of seeds and carry over without sale.

Conclusion

The Company was formed to develop seed production activities and to ensure that quality seeds available to the farmers at reasonable rates. The performance of the Company, however, in achieving this objective had been deficient as the production and trading activities had been static as compared to the increase of production and sale of seed in the State resulting in decrease in its share of sale in the State. Inability to achieve higher production also led to under utilisation of the seed processing plants. The selling price of the seeds fixed by the Company was higher which led to higher cost to be borne by the farmers defeating the primary objective of the Company.

Recommendations

- **The Company needs to improve its marketing strategy to increase its market share in production and sale. This will also help in better utilisation of its seed processing plants.**
- **The incorrect fixation of sale price of seed due to absorption of interest expenditure not incurred needs to be corrected.**
- **The crop wise high percentage of transfer to the 'mixture account' needs to be reviewed to minimise the losses.**

The matter was reported to the State Government in April 2005; their reply was awaited (November 2005).

Chapter - III

3 Review relating to Statutory Corporation

Gujarat Electricity Board

Construction of power transmission lines and associated sub-stations

Highlights

Board's delayed/ non-completion of three transmission schemes resulted in its forgoing economic benefit of Rs.626.20 crore by way of conversion of transmission and distribution losses into potential revenue.

(Paragraph 3.12)

The Board failed to include the spill over works in its planning process for subsequent five-year plans, leading to mismatch in completion schedules of ancillary works.

(Paragraph 3.9)

The Board was unable to check transmission losses in excess of norms.

(Paragraph 3.8)

Consistent short allocation of funds resulted in schemes spilling over and depriving the Board of its benefits.

(Paragraph 3.10)

There were instances of idle investment of Rs.177 crore resulting in loss of interest of Rs.25.62 crore due to mismatch of completion schedules and infructuous expenditure of Rs.18.23 lakh on operation and maintenance charges.

(Paragraphs 3.13, 3.14, 3.15 and 3.17)

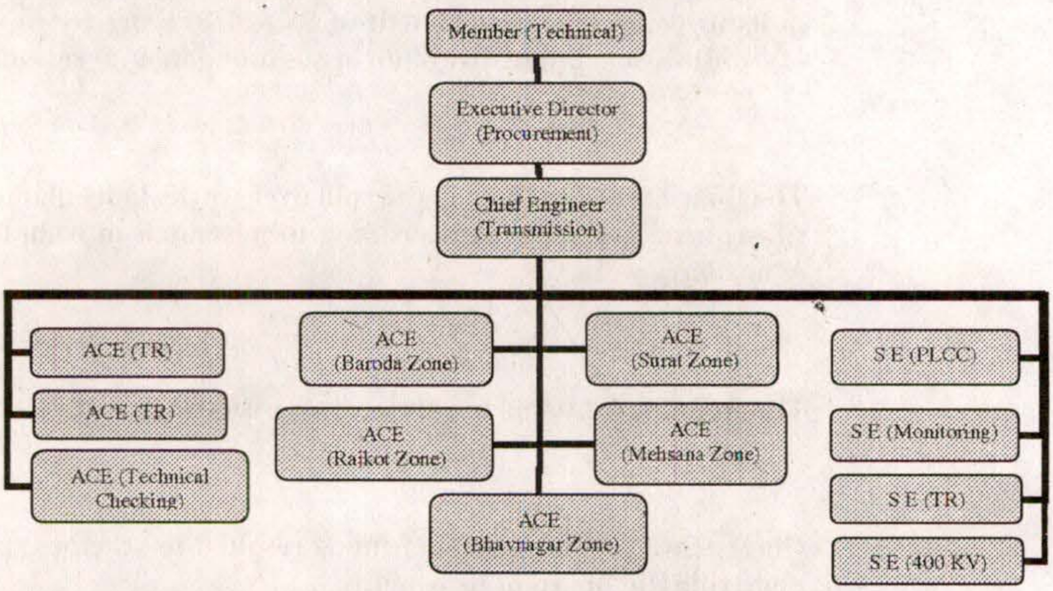
The Board did not recover liquidated damages of Rs.26.25 crore from Gujarat Mineral Development Corporation Limited for not putting to use the duly test charged power evacuation lines for want of synchronisation.

(Paragraph 3.13)

Introduction

3.1 The transmission system is an essential link between the power generating source/receiving source and the ultimate distribution point. The transmission system of the Gujarat Electricity Board (Board) comprises of a network of 400 KV, 220 KV, 132 KV and 66 KV transmission lines. The Board had 767 sub-stations in the network of 32,680 Circuit Kilometres (CKM)[ϒ] up to 66 KV transmission lines at the end of 31 March 2004.

To evacuate anticipated increase in Gujarat State's installed generation capacity of 8,752 MW during the tenth Five Year Plan (Plan), 2002-07, the Board envisaged construction of transmission lines of 8,252 CKM and associated 173 sub-stations at a total cost of Rs.1,472.99 crore. This included spill over works from ninth Plan in respect of 3,888 CKM of transmission lines and 48 sub-stations at the estimated cost of Rs.405.98 crore and Rs.270.54 crore, respectively. The organisation chart relating to construction of power transmission lines and associated sub-stations of the Board is as follows:



The activities relating to laying of power transmission lines and construction of associated sub-stations are managed through Additional Chief Engineers (ACE) from five zonal offices[*] and ten transmission circles[#] headed by Superintending Engineer (SE) having control over 53 transmission divisions and 12 construction divisions.

The Construction of power transmission lines and associated sub-stations of the Board was last reviewed in the Report of CAG of India for the year ended 31 March 1996 (Commercial)-Government of Gujarat. The Committee on Public Undertakings (COPU) examined the review in February 2000; their recommendations are awaited (August 2005).

Scope of Audit

3.2 The present review conducted during November 2004 to March 2005 covers all the schemes for transmission lines (above 66 KV) and associated sub-station works taken up for execution by the Board during 1999-2004,

ϒ The route kilometers of revenue producing circuits in service.

* Surat, Mehsana, Rajkot, Bhavnagar and Vadodara.

\# Asoj, Navsari, Jambuva, Nadiad, Mehsana, Palanpur, Gondal, Amreli, Anjar and Bharuch.

including the spill over works of eighth Plan and new schemes of ninth and tenth Plan up to 220 KV.

Audit objectives

3.3 The audit objectives of the review were to ascertain whether:

- the Board could complete the transmission schemes within the scheduled completion periods of respective scheme;
- the Board could mobilise adequate funds from the State Government or from alternate sources of finance;
- the Board executed transmission schemes (transmission lines and sub-stations) in an effective, efficient and economical manner;
- there was optimum utilisation and synchronisation of the construction/commissioning of the power transmission lines and the associated sub-stations;
- the system improvement schemes generated the targeted benefits; and
- the management was sensitive to the risks of delays and undertook measures to prevent possible revenue loss due to delays.

Audit criteria

3.4 The following audit criteria were adopted:

- targets fixed for completion of transmission schemes and the envisaged benefits;
- norms of Central Electricity Authority (CEA) regarding transmission losses; and
- synchronous completion of sub-station and their associated transmission lines within the scheduled completion period.

Audit methodology

3.5 The following methodology was adopted:

- analysis of basic data on transmission system;
- analysis of transmission schemes and their progress reports; analysis of time overrun *vis-a-vis* loss of anticipated benefit due to non/delayed implementation of the schemes; and
- review of agenda and minutes of Board meetings, Internal Audit Reports and previous Inspection Reports.

Control mechanism

3.6 Audit of control mechanism with regard to planning, allocation of resources, execution, coordinating and supervising various schemes of construction of transmission lines and associated sub-stations was carried out to ascertain whether:

- the system of periodical approval of the schemes was developed and put in place by the Board;
- the Board regularly monitored the progress of the schemes through Management Information System (MIS); and
- the Board introduced parameters such as Key Performance Index to ensure reduction in T&D loss as envisaged in the Project Report besides improvement in the stability and reliability of power on completion/commissioning of the schemes.

Audit findings

The audit findings were reported to Government/ Board in May 2005 and discussed at a meeting of the Audit Review Committee for State Public Sector Enterprises (ARCPSE) held on 25 July 2005 with the officials of the State Government and the Board. Their views were considered while finalising the review.

The audit findings are discussed in the succeeding paragraphs:

Transmission network

3.7 Apart from its own generation, major portion of power is purchased by the Board from central pool and other sources such as private Independent Power Producers (IPPs). The power so received through its network is transmitted for distribution to the consumers.

Growth of transmission network

3.8 The transmission department of the Board is entrusted with the function of coping up with the increase in the demand for stable and reliable power supply from various regions of the State. The Board has to accordingly plan the construction of new transmission lines and associated sub-stations or augmentation of existing infrastructure and creating the network of the transmission lines of optimum length considering the cost aspect and achievable reduction in T&D loss.

The table below indicates the transmission system built up *vis-à-vis* power purchased/generated by the Board during 1999-2004:

Sl. No.	Particulars	1999-2000	2000-01	2001-02	2002-03	2003-04
1.	Installed capacity (MW)#	4,540	4,540	4,507	4,333	4,333
2.	Total power purchased/ generated (MU)ᶲ	39,788	41,104	40,627	44,872	43,633
3.	Total power available for distribution(MU)	38,469	39,340	38,824	42,923	41,709
4.	Transmission loss (2-3) (MU)	1,319	1,764	1,803	1,949	1,924
5.	Transmission loss in excess of norms of 4 *per cent* (MU)	-	120	178	154	179
6.	Average rate of realisation (in rupees)	-	2.27	2.56	2.79	3.01
7.	Monetary loss (Rs. in crore)	-	27.24	45.57	42.97	53.88
8.	Transmission lines (Circuit KM) and sub-stations (Nos)					
	400 KV Lines	1,764	1,764	1,764	1,764	1,776
	400 KV Sub-stations	9	9	9	9	9
	220 KV Lines	9,672	9,886	10,177	10,390	10,940
	220 KV Sub-stations	59	59	61	61	64
	132 KV Lines	4,354	4,354	4,414	4,483	4,542
	132 KV Sub-stations	47	47	47	49	49
	66 KV Lines	13,596	14,113	14,507	14,950	15,422
	66 KV Sub-stations	570	586	607	620	645
9.	Transformation capacity (MVA)♦	55,822	57,517	60,308	62,135	64,099

The installed capacity had reduced due to decommissioning of power plants (27 MW at Dhuvaran and 6 MW at Utran) during 2001-02 and decommissioning (39 MW at Utran) and transfer (135 MW Utran) of power plant to Gujarat State Electricity Corporation Limited during 2002-03. The power available for distribution during 2002-03 showed an uneven trend of increase over the years 1999-2004. The transmission losses as against the power available exceeded the norms during 2000-2004 by 631 MUs. During 1999-2004, the growth in 400 KV, 220 KV, 132 KV and 66 KV transmission network was 12 CKM, 1,268 CKM, 188 CKM and 1,826 CKM respectively against the growth of 3,845 MUs in the power purchased/generated by the Board.

Board lost Rs.169.66 crore in transmission loss in excess of norms.

The Board did not lay down norms for system losses at various stages of transmission. The transmission losses during 2000-04 ranged between 1,764 MUs and 1,949 MUs. The Board suffered loss of Rs.169.66 crore in these years due to energy loss of 631 MUs in excess of the norms.

Planning

3.9 The Board planned the growth of transmission network on the basis of industrial development leading to demand for stable power supply in the respective regions of the State.

Targets and achievements

The table below indicates the targeted transmission schemes comprising of 400 KV, 220 KV, 132 KV and 66 KV sub-stations and associated transmission lines and the achievement thereagainst during ninth and tenth Plans.

Mega Watt.

ᶲ Million Units.

♦ Mega Volt Ampere.

Lines/ Sub-stations	Ninth Five Year Plan (1997-2002)			Tenth Five Year Plan (2002-07) (Up to March 2004)	
	Projected	Achievement	Shortfall	Projected	Achievement
	Lines in CKM				
400 KV	2,665	406	2,259	636	12
220 KV	5,264	1,736	3,528	3,010	763
132 KV	369	211	158	280	128
66 KV	3,446	2,309	1,137	4,326	915
	Sub-stations in numbers				
400 KV	4	2	2	2	0
220 KV	21	14	7	9	3
132 KV	4	4	0	2	1
66 KV	140	113	27	160	40

Non-consideration of back log of spill over works of ninth PLAN resulted in mismatching of completion of ancillary works.

It was noticed in Audit that the Board did not incorporate at all the shortfalls that accrued during the ninth Plan in construction of the transmission lines in the targets for tenth Plan. This indicated deficient planning on the part of the Board. The targets set for tenth Plan comprised the shortfall of 286, 2,093, 72 and 1,437 CKM of transmission lines of ninth Plan as against the actual shortfall of 2,259, 3,528, 158 and 1,137 CKM, respectively. Non-consideration of the entire backlog of the spill over works of the ninth Plan resulted not only in the mismatching of the completion schedules of ancillary works but also in the loss of interest/revenue due to blockage of the cost of ancillary works remaining idle as discussed in the succeeding paragraphs. This also indicated the failure of the Board in according priority in planning the execution of spill over works of the ninth Plan during tenth Plan.

During tenth Plan with regard to 400 KV sub-stations, the spill over work of two sub-stations of ninth Plan was completed while the construction of two sub-stations was in progress. Similarly, in respect of 220 KV sub-stations, 16 sub-stations of ninth Plan were completed including spill over works of 12 sub-stations of eighth Plan.

Two sub-stations of 220 KV (Olpad and Sevalia) planned for construction during the ninth Plan at a cost of Rs.21.50 crore and associated line of 40 CKM valuing Rs.8.80 crore had not been taken up so far (February 2005), reasons for which were not available on record.

The table below indicates the estimated lines and sub-stations to be constructed and actual achievement there against during 1999-2004.

Year	Planned/ actual lines/sub-stations	Particulars	400 KV	220 KV	132 KV	66 KV	Total
1999-2000	Planned	Lines (CKM)	260	370	25	800	1,455
		Sub-stations (Nos).	--	5	1	30	36
	Actual	Lines (CKM)	259	305	23	616	1,203
		Sub-stations (Nos).	--	4	1	37	42
2000-01	Planned	Lines (CKM)	15	500	50	735	1,300
		Sub-stations (Nos).	--	3	1	31	35
	Actual	Lines (CKM)	--	214	--	517	731
		Sub-stations (Nos).	--	--	--	16	16
2001-02	Planned	Lines (CKM)	15	500	100	600	1,215
		Sub-stations (Nos).	--	4	1	30	35
	Actual	Lines (CKM)	--	291	60	394	745
		Sub-stations (Nos).	--	2	1	22	25
2002-03	Planned	Lines (CKM)	16	311	74	450	851
		Sub-stations (Nos).	--	3	--	25	28
	Actual	Lines (CKM)	--	213	69	443	725
		Sub-stations (Nos).	--	--	1	13	14
2003-04	Planned	Lines (CKM)	10	90	--	200	300
		Sub-stations (Nos).	--	1	--	10	11
	Actual	Lines (CKM)	12	550	59	472	1,093
		Sub-stations (Nos).	--	3	--	26	29
Grand Total	Planned	Lines (CKM)	316	1,771	249	2,785	5,121
		Sub-stations (Nos).	--	16	3	126	145
	Actual	Lines (CKM)	271	1,573	211	2,442	4,497
		Sub-stations (Nos).	--	9	3	114	126

Out of the targeted construction of 5,121 CKM of lines during 1999-2004, the Board could construct 4,497 CKM lines. Audit scrutiny of 220 KV lines and the sub-stations planned for construction during 1999-2004 revealed that the Board constructed 1,573 CKM lines (88.82 *per cent)* against the planned 1,771 CKM lines and only nine sub-stations (56.25 *per cent)* against planned 16 new sub-stations.

Construction of associated transmission lines without matching construction of sub-stations resulted in non/belated commissioning of the schemes and consequential idle investment of the Board's funds.

Financial outlay

3.10 During the ninth Plan, as against the Board's proposal for outlay of Rs.3,051.98 crore including Rs.579.46 crore of spill over work for construction of 3,505 CKM transmission lines and 169 sub-stations, the funds allocation by the State Government was Rs.1,381.32 crore. Similarly, against the tenth Plan proposal for outlay of Rs.2,343.03 crore including Rs.676.52 crore of spill over work for construction of 8,252 CKM transmission lines and 173 sub-stations, the State Government allocated Rs.341.60 crore up to March 2005.

It was noticed in Audit that the Board failed to raise the requisite funds from sources other than Government funding which resulted in the ancillary works remaining incomplete. This adversely affected the synchronous completion of schemes resulting in the interest/revenue loss on the cost of partial construction of ancillary works remaining idle.

Construction of transmission schemes

3.11 The transmission schemes projected by the Board during the respective five-year plans aimed to yield returns by way of savings in transmission losses, subject to their completion within the time frame as envisaged in the respective project reports. The activities pertaining to construction of new schemes and augmentation of existing ones planned by the Board during 1999-2004 were adversely affected on various accounts. The instances of incomplete ancillary works noticed during the test check are broadly classified under the following categories:

Land acquisition

The Board sustained revenue loss of Rs.626.20 crore due to non/ belated commissioning of the sub-stations.

3.12 The Board neither initiated timely action for the acquisition of land required nor did it take up the matter with the Revenue Authorities for transfer of land required for civil works. This caused delay in completion of ancillary works of 400KV sub-stations (Ranchhodpura and Hadala) and 220 KV sub-stations (Shivlakha and Halvad). Resultantly, the Board sustained revenue loss of Rs.626.20 crore (up to March 2005) due to non/belated commissioning of the sub-stations. This included revenue loss of Rs.12.12 crore *per annum* for two years in respect of 400 KV Ranchhodpura sub-station, based on estimated saving of 16.104 MW in T & D loss. The cost of construction in respect of 220 KV Halvad sub-station also escalated by Rs.11.21 crore due to delay in shifting of the sub-station. The works of 400 KV sub-stations at Ranchhodpura and Hadala had not been completed so far (March 2005).

The management/ Government stated (July/ August/November 2005) that the delay was due to belated transfer of land to the Board. The reply is not tenable as timely and synchronised planning could have avoided these delays. As regards the revenue loss of 400 KV Ranchhodpura sub-station, the Board stated (August 2005) that the earlier computation of revenue loss of 16.104 MW was based on maximum load forecast of 24 hours per day. In the absence of the anticipated demand for maximum power flow for only 6-8 hours per day, however, the reduction in T&D loss would be 7 MW. An analysis made in audit revealed that the reduction of T&D loss of 7 MW would result in additional revenue of only Rs.5.27 crore as against the projected revenue of Rs.12.12 crore *per annum.* This would render the project financially unviable and would result in a negative return of Rs.6.49 crore[∝] *per annum* against projected net saving of Rs.36 lakh *per annum.*

Non-completion of ancillary works

3.13 The Board failed to ensure the completion of the works of erection of transmission lines with commissioning of sub-stations or *vice versa* in the following eight cases:

[∝] Projected revenue of Rs.12.12 crore based on 16.10 MW *less* Rs.5.27 crore based on 7MW *less* projected net saving of Rs.0.36 crore.

- construction of 400 KV sub-stations at Zerda and Amreli;
- construction of 220 KV sub-stations at Mahuva, Mathasur and Mitha;
- erection of 220 KV transmission lines viz., Chhatral-Viramgam, Akrimota-Nakhatrana and Akrimota-Panandhro.

Belated commissioning of ancillary works resulted in interest loss of Rs.16.97 crore on the blocked funds of Rs.141.65 crore.

As a result, an investment of Rs.141.65 crore had remained unfruitful. Consequently, the Board suffered interest loss of Rs.16.97 crore (computed at the minimum borrowing rate of 11 *per cent per annum*) on the blocked funds of Rs.141.65 crore for the period ranging between seven and 38 months during 1999-2005. As the Board did not prepare individual project reports for the above works, audit was unable to evaluate the Board's efficiency in management/ execution of these works.

Gujarat Mineral Development Corporation Limited (GMDC) was to synchronise its power plant with 220 KV Akrimota-Nakhatrana transmission line to be erected by the Board. The agreement with GMDC provided recovery of liquidated damages for belated synchronisation of the line. The Board erected and kept the line ready by 28 February 2004 for evacuation of power from Akrimota-Nakhatrana power plant of GMDC whereas the GMDC synchronised the plant only on 31 March 2005. The Board had not recovered liquidated damages of Rs.26.25 crore (up to March 2005) from the GMDC so far (August 2005).

The management/ Government stated (July/ August/November 2005) that the ancillary works had been delayed due to various reasons such as land strata requiring change in foundation design, the mistake in allotment of land and change in the route of the line. The reply is not tenable as these aspects should have been considered at the time of planning.

Regarding 220 KV Akrimota-Nakhatrana, the Board/ Government stated (July/ August 2005) that the liquidated damages would be recovered from GMDC after the commencement of commercial operation of the power plant.

Clearance/ approval of other State Government organisations

3.14 The Boards' ignorance with regard to the land reserved for mining purposes coupled with its failure to identify and intimate its land requirements to mines authority resulted in decay in clearances/approvals in respect of 220 KV Mobha sub-station constructed in March 2000 for Rs.11.87 crore. This resulted in delayed execution of the ancillary .work of 220 KV Kasor-Mobha line and consequential loss of interest of Rs.2.83 crore computed at the rate of 11 *per cent* for the period from April 2000 to May 2002.

Delay in making commercial use

3.15 The Board could commission the Rs.21.87 crore transmission schemes at 220 KV sub-stations of Radhanpur and Mota due to its failure to post

Non commissioning of two 220 KV sub-stations for want of posting of operational staff resulted in interest loss of Rs.5.82 crore on blocked funds.

operating staff which resulted in interest loss of Rs.5.82 crore[Σ] for the period from June 2001 to May 2004 on blocked funds.

The management/ Government stated (July/ August/November 2005) that the said sub-stations could not be put to commercial use for want of operational staff. This established the inefficiency on the part of the Board to derive the projected economic benefits immediately on completion of the scheme.

Avoidable expenditure

3.16 The construction of 132 KV Double Circuit Sikka-Bhatia line envisaged providing second source of power supply to Khambhalia, Bhatia and Sikka besides evacuation of power from Sikka thermal power station. The Board had awarded (April 1994) the erection contract of the said line to Construction Management Group for Rs.47.58 lakh with stipulated completion within ten months from April 1996. On finding the said work unprofitable (June 1998), the contractor abandoned the balance work valuing Rs.21.83 lakh. The Board got completed (October 2002) the said work through another agency Jyoti Engineering Limited, at a cost of Rs.34.23 lakh. Resultantly, the Board was put to an additional expenditure of Rs.19 lakh towards price escalation (Rs.3.26 lakh), risk and cost amount (Rs.12.40 lakh), material shortage (Rs.1.16 lakh) and penalty for delay (Rs.2.18 lakh) for which no action was taken by the Board against the defaulting contractor.

Wasteful payment of operation and maintenance charges to NTPC

3.17 The Board got constructed (December 1999) two 220 KV Ichhapore bays at Kawas switchyard of National Thermal Power Corporation (NTPC) at a cost of Rs.1.61 crore for evacuation of power from NTPC Kawas Power Station. The bays were commissioned in December 1999 and were maintained by NTPC. As per a separate agreement (October 2000) the Board was to pay operation and maintenance (O&M) charges from 24 December 1999 to NTPC.

Board incurred imprudent expenditure of Rs.1.61 crore on a 220 KV sub-station during 1999-2004.

Audit noticed that the bays were never utilised and the investment of Rs.1.61 crore remained unfruitful besides incurring wasteful expenditure of Rs.18.23 lakh as O&M charges during December 1999 to March 2004.

The Board/ Government stated (July/ August/November 2005) that though it was not in a position to utilise the bays for power evacuation from Kawas Project to 220 KV Ichhapore sub-station due to way leave problems in erection of line from NTPC Kawas to the said sub-station, the same would be put to use only after construction of 220 KV LILO[∇] at Ichhapore sub-station from GSEC-Kim line planned for 2005-06. The fact is that the investment of Rs.1.61 crore remained unfruitful and the Board incurred wasteful expenditure of Rs.18.23 lakh as O & M charges.

Σ Computed at the minimum prevalent bank rate of 11 *per cent per annum.*

∇ Line in Line out.

Non recovery of O&M charges due to adoption of incorrect formula

3.18 Power Grid Corporation of India Limited (PGCIL), Western Region, had commissioned power transmission lines from time to time in order to evacuate power from NTPC power projects in the State for which there were 16 bays in Board's sub-stations.

While the maintenance of the above lines was planned to be carried out by PGCIL, the operation and maintenance of the terminal equipments in the Board sub-stations was to be done by the Board for which O&M charges at the rate of one *per cent* of the cost of equipments were recoverable by the Board as per the Memorandum of Understanding (MOU). Audit analysis revealed that on expiry of the MOU for 220 KV bays on 31 March 1997, instead of making a fresh agreement for five years up to 31 March 2002, the terms and conditions of the MOU for 400 KV bays were made applicable (October 2001) for 220 KV bays also with effect from 1 April 1997. PGCIL did not agree with these terms and conditions. Thus injudicious application of common rates for computation of O&M charges for 220 KV bays resulted in non recovery of Board's dues of Rs.50.54 lakh from PGCIL.

The management/ Government stated (July/ August/November 2005) that for maintaining PGCIL bays at the Board's sub-stations, fresh agreement had been entered into with PGCIL and the same was in effect. Since PGCIL was to pay from the date of expiry of previous agreement, no recovery would be due from PGCIL. A copy of the fresh agreement called for, was not made available (September 2005) to audit to ascertain the period covered under the fresh agreement and the status of the past dues of the Board.

Non maintenance of records

3.19 Non production of ten project reports of the schemes above 66 KV by the Board was brought to the notice of the Chairman of the Board. The Board in the ARCPSE meeting stated (July 2005) that the detailed project reports of all the schemes were not prepared individually and hence the same were not produced. In the absence of the project reports, Audit could not assess efficient and effective monitoring of the execution of the schemes.

Conclusion

In its endeavour to keep pace with the increase in the generation capacity, both immediate as well as anticipated, the efforts put in by the Board for matching increase in the transmission network fell short of projections for want of adequate monetary support from the State Government and Board's failure to raise funds from other sources. The Board failed to adhere to implementation plans for synchronous construction of sub-stations and their respective associated transmission lines, which resulted in idle investments of the Board's scarce resources.

All this had an adverse effect on the improvements in the minimisation of chronic transmission losses, which deprived the Board of the projected economic benefits accruing from the implementation of the schemes.

Recommendations

- **The Board should improve its planning regime for simultaneous completion of the transmission lines and associated sub-stations to avoid blockage of funds.**

- **The Board should concentrate on reducing transmission losses and convert the energy thus saved into revenue by strengthening the transmission system.**

- **Besides Government funding, other resources may be utilised for strengthening the transmission system.**

Chapter - IV

Transaction Audit Observations

Important audit findings noticed as a result of test check of transactions made by the State Government companies/ corporations are included in this Chapter.

Government companies

Gujarat Mineral Development Corporation Limited

4.1 Lack of follow-up action on the abnormal shortage of bauxite ore

The Company's failure to establish adequate and effective internal control system for stores at the mines resulted in loss of Rs.1.08 crore.

The Company had been appointing Chartered Accountants firm for carrying out the physical verification of stock at its various project offices on half yearly basis with the assistance of Company's mine surveyors. During the physical verification of stock at the bauxite ore mines, Mehsana (project office) in April 2001, the Company noticed that against the book stock of 1,62,647 metric tonne (MT) ore only 80,349 MT ore was actually available. Hence, there was a shortage of 82,298 MT of ore worth Rs.1.35 crore[∅]. The shortage of ore was as high as 50.60 *per cent* against the allowable limit of 10 *per cent* of the quantity shown as per book stock. Thus, the shortage over and above the allowable limit of 10 per cent worked out to 66,033.30 MT valueing Rs.1.08 crore.

Audit analysis revealed that the abnormal shortage of ore was first noticed during the physical verification of stocks carried out (April 2001) at the mines after new project manager was posted in the project office. The shortage of ore had occurred during April 1990 to March 2001. Although, during this period the physical verification of stock was reported to have been carried out on half-yearly basis, the shortage of ore was always shown on an approximation basis as less than 10 *per cent* of the quantity of book stock. Further, during the period, the project office did not report the shortages to the Company's head office.

An inquiry conducted by the Company in July 2001 against the abnormal shortage of ore pointed out failure of the management to establish a system of proper administrative and procedural control over the stock-in-trade lying at the mines. The inquiry report recommended quarterly physical verification of the stock and reporting to the Board of Directors (BOD). It was noticed in audit that after the report of the committee the physical verification was carried out half yearly but results thereof were never reported. Belated action against the officials responsible for the abnormal shortage was initiated in April/ May 2005 only after the Company's inaction was pointed out (February 2005) by Audit.

[∅] 42,325 MT high grade ore: Rs.95.23 lakh and 39,973 MT low grade ore: Rs.40.00 lakh.

The management stated (May 2005) that it was taking necessary action for obtaining the BOD's approval to write off the shortage.

The matter was reported to Government in March 2005; their replies had not been received (November 2005).

Gujarat Industrial Investment Corporation Limited

4.2 Extension of loan to an ineligible unit

Relaxation of norms fixed for Loan Against Securitisation of Assets Scheme in extending loan to a unit resulted in non recovery of Rs.6.52 crore.

The Company introduced (May 1998) a scheme for Loan Against Securitisation of Assets (Scheme) for working capital needs of industrial units. The conditions for sanction of loan up to rupees five crore *inter alia* included that:

- the unit should have been an assisted unit of the Company in the past, should have shown a profit of minimum Rs.50 lakh as per the latest accounts and its free reserves should have been more than its share capital;
- the Company through mortgage and hypothecation creates first charge on all fixed assets of the unit; and
- the unit should repay the loan in monthly instalments within a period of three years including six months moratorium from the date of disbursement.

An industrial concern, ATCO Healthcare Limited, Mumbai (unit) applied (September 1998) for a working capital loan of Rs.3.20 crore for setting up a project for processing and bottling of mineral water in Daman. During project appraisal, the Company noticed (January 1999) that the unit was not covered under the scheme because only Rs.0.58 crore was required for working capital loans and balance loan Rs.2.62 crore was to be utilised for creation of fixed assets outside the State of Gujarat. In spite of this the Company sanctioned (March 1999) and disbursed (January 2000) loan of Rs.3.20 crore to the unit.

The unit was not even eligible to avail the loan as it was not an assisted unit of the Company in the past, its net profit as per the then latest accounts was only Rs.6.18 lakh and its free reserves of Rs.4.26 crore were less than its share capital of Rs.6.40 crore. The Company did not create a charge of hypothecation on the fixed assets of the unit; instead it created (December 1999) a charge of hypothecation on the movable properties of the unit. The Company also allowed (March 1999) the unit to repay the loan from July 2001 in 20 quarterly instalments over a period of six and a half years including a moratorium period of 18 months i.e. up to April 2006. The Company extended the loan to the unit disregarding all norms of the scheme and such relaxation of the norms was not even brought to the notice of the BOD of the Company (January 2005).

The unit did not repay a single instalment of loan except for the payment of interest totalling Rs.81.75 lakh made on few occasions between March 2000 and March 2003. The Company belatedly initiated (March 2003) action for taking over the possession of the unit's assets. The unit, however, got itself registered with BIFR[#] as a sick unit in December 2003 leaving remote chances for the Company to recover its total dues of Rs.6.52 crore (principal: Rs.3.21 crore and interest: Rs.3.31 crore) outstanding up to March 2005. Thus, the extension of loan to the unit disregarding the norms of the scheme lacked justification.

The management/ Government stated (May/October 2005) that the relaxation in norms in extension of loan to the unit was allowed with the approval of Company's Finance Committee that was empowered to sanction the loan. The request (August 2002) of the unit for re-schedulement of the loan was under consideration of the Company for some time, hence, it had initiated recovery action from March 2003.

The reply is factually incorrect as the Committee was not competent to relax the norms. The relaxation of norms did not have the approval of, BOD who had fixed (May 1998) the norms for the scheme. Reason given for initiation of belated recovery action also lacked justification since the unit was irregular in repayment and no instalment of principal was paid though due from July 2001.

4.3 Non recovery of dues

An amount of Rs.3.86 crore remained outstanding due to inadequate security and its verification, belated action and slow follow-up for recovery of dues.

The Company sanctioned (February 2000) and disbursed (March and May 2000) a loan of rupees five crore against securitisation of assets to Samken Multifeb Limited, New Delhi (unit). The unit, engaged in production of furnishing fabrics, availed the loan for purchasing plant and machinery worth Rs.6.89 crore. The loan carried interest at 13.75 *per cent per annum* and was repayable in 54 monthly instalments due from April 2000 to September 2004. The norms/ other conditions governing the loan meant to safeguard the interest of the Company *inter alia* included the following:

- The Company while disbursing the loan should ensure creation of first or *pari passu*[*] charge on all the movable and immovable assets of the loanee.

- Besides obtaining the Chartered Accountants' (CA) certificate in confirmation of the utilisation of loan by the loanee, the Company also got the right to inspect the unit of the loanee/ call for the original

[#] Board for Industrial and Financial Reconstruction.

[*] Charge created alongwith other lenders on the assets of a loanee.

vouchers/ documents related to the assets purchased out of the loan sanctioned by it.

Audit analysis revealed that instead of creating first/ *pari passu* charge on all the assets of the unit, the Company created (March 2000) charge of hypothecation on the machineries worth Rs.6.89 crore that were to be bought by the unit out of the loan sanctioned. The Company, however, did not verify the existence of the hypothecated machineries with the unit but relied on the utilisation certificate furnished (May 2000) by a CA firm on behalf of the unit. Though the unit was in default in repayment since July 2002, the Company did not appoint any nominee directors in the Board of the unit. Twelve post dated cheques of Rs.1.09 crore issued during July 2002 to July 2003, for repayment by the unit, were dishonoured by its bankers. The Company belatedly issued (July 2003) a notice under Section 138 of Negotiable Instruments Act, 1881, which was not pursued further for initiation of criminal action against the unit.

The unit got itself registered with BIFR as a sick unit in April 2004. As on 31 March 2005, total dues of Rs.3.86 crore (principal Rs.2.49 crore and interest: Rs.1.37 crore) remained outstanding from the unit. The Company, however, belatedly filed (April 2005) civil suit for the recovery of dues on the collateral securities, such as the personal guarantee of the promoters of the unit and the corporate guarantee of its associated unit[3]. These lapses of the Company had jeopardised its own interest which resulted in non recovery of Rs.3.86 crore due to BIFR status of the unit.

The management/ Government stated (May/ July 2005) that the securities such as charge created on the machineries, the personal guarantee and the corporate guarantee received in this case were considered adequate for safeguarding its interests. The reply is not tenable. Had the Company insisted for creation of first/ *pari passu* charges on all the assets of the unit, it could have created the charge on the assets worth Rs.69.17 crore instead of hypothecation charge created on the machineries worth Rs.6.89 crore. Further, the reply does not give the reasons for the Company's failure to verify the assets purchased by the unit and also non initiation of criminal action against the unit on the dishonoured cheques.

Gujarat State Civil Supplies Corporation Limited

4.4 Extra expenditure in procurement of Palmolein oil

Delay in placement of order for procurement of Palmolein oil resulted in avoidable extra expenditure of Rs.28.70 lakh.

The State Government directed (30 May 2003) the Company to ascertain the cost of procurement and distribution of 6,000 metric tonne (MT) Palmolein oil for sale under public distribution system (PDS). The oil was to be procured through State Trading Corporation of India Limited (STC) and was to be distributed during Janmashtami festival on 20 August 2003. On an enquiry (2 June 2003) by the Company, STC furnished (4 June 2003) details about the

[3] Shampkin Spinners Limited.

cost of imported oil in bulk and stated that minimum 32 days were required for supply. The Company passed on (05 June 2003) the details supplied by STC to the Government. On 08 July 2003, the Government issued instructions to the Company for immediate procurement of 3,500 MT refined oil through STC.

The Company had been regularly procuring various commodities including Palmolein oil through STC for distribution under PDS. The Company, however in this case went on (July 2003) seeking clarifications from the Government on various aspects *viz.,* specifications on quality of oil, tin and barrel to be used, amount of advance, transit and storage loss, *etc.* The Government reprimanded (15 July 2003) the Company for seeking clarifications on the aspects that were familiar to the Company and also reiterated (22 July 2003) the necessity for immediate procurement action.

The Company finally approached (July 2003) STC for supply of imported refined oil at Kandla Port by 10 August 2003. STC expressed inability for importing the refined oil due to paucity of time. In view of this, the Company placed order with STC on 05 August 2003 and locally procured 3,000 MT refined oil at *ex*-Mundra refinery. The refined oil was packed in two lakh tins of 15 Kg. each costing Rs.677/ tin and was distributed during Janmashtami festival.

Audit analysis revealed that had the Company placed order with STC immediately on the receipt of the Government's instructions of 08 July 2003, it could have imported the refined oil through STC before 10 August 2003. The cost of procurement of imported refined oil in bulk at Kandla Port and also its subsequent packing in 15 Kg/ tins was worked out to Rs.662.65/ tin compared to the actual cost of procurement of Rs.677/ tin by the Company. Thus, the Company incurred an extra expenditure of Rs.28.70 lakh[φ].

The management stated (July/October 2005) that the Government, while placing the indent (08 July 2003) was not clear about important issues *viz.,* quality, quantity of the oil to be imported and type of packing for distribution *etc.,* hence, the communications received from the Government were full of ambiguities. As a result, the Company sought clarifications on these issues before the initiation of procurement activity. Further, had the Company procured the oil as per the Government's instructions of 8 July 2003, it would have incurred Rs.674.97/ tin against the actual cost of procurement of Rs.677/ tin. The Government had endorsed (July/October 2005) the reply without giving any rebuttal to the Company's contention that the ambiguities in Government instructions were the cause for the delay.

The reply is not tenable. Though the Company wanted clear instructions, yet it did not send any detailed purchase proposal covering all important issues including quality and type of packing to the Government for their approval on 5 June 2003. The Company's calculation of assumed cost of Rs.674.97/ tin is not correct as the Company applied 4.4 *per cent* sales tax in its calculation against the applicable rate of 4 *per cent* on the oil. Likewise, while calculating

[φ] Rs.677/ tin (-) Rs.662.65/tin X 2,00,000.

the interest on blocked fund involved in the procurement of the oil, the Company reckoned three months instead of the appropriate duration of one and a half month that actually existed between the Government's instructions (8 July 2003) and the date of Janmashtami (20 August 2003).

Sardar Sarovar Narmada Nigam Limited

4.5 Avoidable extra cost in construction of Tail Race Channel

Due to imprudent deferment of construction work of Tail Race Channel for its river bed power house, the Company incurred an avoidable expenditure of Rs.14.68 crore.

The Company awarded (April 1991) the work of construction of Tail Race Channel (TRC) for its River Bed Power House (RBPH) at a cost of Rs.14.55 crore to Jaiprakash Associates (firm). The water from Sardar Sarovar Narmada Dam was planned to be drawn, for generation of hydro power at RBPH and then discharged through the TRC into Narmada river. Hence, TRC was to be constructed between portal of exit tunnels of RBPH and Narmada river. Construction work of TRC mainly involved excavation of earth, concrete lining, shortcret lining to rock faces. The work was to be completed by June 1994. In the meantime, the construction of RBPH and its exit tunnels was also under execution. Hence, a protective bund was kept between RBPH and the site meant for TRC construction for preventing the flood water flow from TRC under execution to RBPH. As the construction of RBPH and exit tunnel was not completed, the Company did not handover the full site including the bund area to the firm till June 1994. So, the firm could execute (up to June 1994) 64.64 *per cent* of earthwork and 13.98 *per cent* of concrete lining work. The firm did not execute the work of shortcreting. The work was stopped on the expiry of the agreement in June 1994 after incurring a cost of Rs.8.91 crore.

The Company again entered into a supplementary agreement with the firm in December 2000 for completion of remaining work of TRC. The rates fixed under the agreement were higher by 58, 59 and 56 *per cent* compared to the rates fixed for earth work, concrete lining and shortcreting respectively under suspended work. As the construction work of RBPH and exit tunnels was not completed due to unavoidable reasons, the bund was not allowed to be removed during December 2000 to March 2002. During this period the firm executed 20.68 *per cent* earth work, 76.46 *per cent* concrete lining and 80.67 *per cent* shortcreting at a cost of Rs.20.77 crore. The works of RBPH and exit tunnels were completed in June 2004. The bund was, therefore removed and the firm executed (June 2004) the remaining 14.68 *per cent* earth work, 9.56 *per cent* concrete lining and 19.33 *per cent* shortcreting against the total quantity of work of TRC at a cost of Rs.6.69 crore.

Audit analysis revealed that the bund hardly occupied 40 out of 1,122 metres of the site of TRC. Hence, a negligible quantity of TRC work was involved in the bund area. Leaving aside the portion of TRC work occupied by the bund, the Company could have got the work executed under the original contract during (April 1991 to June 1994). There was no justification on record for non execution of all the works except bund area of TRC during the currency of original contract. Had the Company done so, the work executed at a cost of Rs.20.77 crore during December 2000 to March 2002 could have been done at a cost of Rs.6.09 crore under the original contract due to lower rates. Thus, the Company incurred an avoidable extra expenditure of Rs.14.68 crore in construction of TRC.

The management/Government stated (October/November 2005) that as the flow in the river down stream of the dam could not be regulated due to non-closure of its sluice gates for various technical reasons, the site for TRC work near to stream area was not having reasonable dry condition during November 1991 to March 1994. Hence, the firm did not execute the TRC work fully during the original agreement period.

The reply is not correct. As per Clause 49.4 of the general conditions of the agreement, the Company was empowered to suspend TRC work if the site condition was not fit for execution of the work during November 1991 to March 1994. Further, the suspended work could have been restarted from April 1994 after the site condition became fit for execution of the work. This was possible by granting due extension of time to the firm under the original agreement. This could have enabled the Company to avoid the extra expenditure by executing the work at lower rates under original agreement. However, the Company did not invoke the clause. This lacked justification.

4.6 Avoidable payment of idle charges

The Company over paid idle charges of Rs.10.68 crore to a contractor for machinery and manpower utilised on another work.

The Company awarded (April 1987) the work of construction of concrete dam across the river Narmada for Sardar Sarovar Project (SSP) to Jaiprakash Associates (firm) at a cost of Rs.320 crore. The terms and conditions for the work were stipulated in the main agreement and those for payment of idle charges in the supplementary agreement entered into by the Company with the firm in April 1987 and December 2000 respectively. As per the agreement, the dam work was to be comp! ted by January 2006.

The State Government decided (October 2000) to divert the reservoir water of SSP for drinking and irrigation purposes through construction of Irrigation Bye Pass Tunnels (IBPT). So, the Company assigned the work of construction of IBPT to the firm in December 2000 with the condition that all the provisions including the rates for various items of sub-works as per the original and supplementary agreements were applicable *mutates mutandis* to the IBPT work also. The firm executed (September 2004) the work of IBPT at a cost of Rs.74.35 crore and also received the payment from the Company by November 2004.

It was noticed in audit that as per provisions of the supplementary agreement if the concreting work done for the dam work in a working season (*i.e.,* July to June) was less than the target of three lakh cubic metre (cum) for reasons not attributable to the firm, then idle charges at the rate of Rs.823.90 *per* cum were payable by the Company to the firm for the shortfall in concreting work. The underlying idea for the payment of idle charges was to compensate the firm for the fixed cost, such as interest charges on investment, depreciation on plant and machinery and payments to staff/ labourers on the underutilised machinery and manpower kept for the dam work.

During the working seasons of 2000-04, there were shortfalls in concrete work done for the dam aggregating 6,84,603 cum, not attributable to the firm. The firm utilised the same machinery and manpower meant for the dam work in IBPT work also and executed 1,05,998 cum concrete work therein. The Company, however, while making payments (August 2001 to August 2004) of idle charges of Rs.68.48 crore (including price escalation [PE] of Rs.12.07 crore) on the shortfall quantity of 6,84,603 cum, did not adjust the quantity of 1,05,998 cum concrete work done (August 2001 to August 2004) by the firm in IBPT work executed at the same location utilising the same machinery and manpower. The Company should have deducted Rs.10.68 crore (including PE of Rs.1.95 crore) for the quantity of 1,05,998 cum concrete work of IBPT from the idle charges paid to the firm. The Company's failure to do so resulted in avoidable over payment of idle charges of Rs.10.68 crore.

The management stated (July 2004) that IBPT work was independent and also different from the dam work. Further, these two works had separate set of conditions and hence, the quantity of concrete work done for IBPT should not be considered for computation of the idle charges under the dam work. State Government while endorsing the management's reply stated (October 2004) that the usages of some of the common facilities of dam work in IBPT work was inevitable.

The reply is not tenable. The terms and conditions of original and supplementary agreements of the dam work were applicable for IBPT work also. Moreover, the Company's record confirmed the usage of the machinery and manpower meant for dam work in IBPT work. Thus, it was not appropriate to allow the payment of idle charges under the dam work, as there was no idleness of machinery and manpower to the extent of their utilisation for IBPT work.

4.7 Extra expenditure due to unwarranted revision of rates

The Company incurred extra expenditure of Rs.2.64 crore due to unwarranted revision of rates of extra items of work.

The work of construction of Narmada Main Canal reach 168.436 to 177.148 KM (passing Kheda district) awarded (July 1994) to Gayatri Projects Limited, Hyderabad (firm) was completed (September 2002) at a cost of Rs.93.83 crore. Final payment for the work was made in October 2004.

It was noticed in audit that the agreement for the work provided for payment of sub-items of works *viz.* excavation of canal (including dewatering and depositing the usable excavated stuff in the manner specified) in soil at Rs.20 *per* cum, in soft rocks at Rs.26 *per* cum and in hard rocks at Rs.95 *per* cum.

The firm represented (September 1997) to the Company that due to unprecedented rainfall in June/ July/ August 1997, the ground water level had risen by three metre compared to the level shown in tender documents. Consequently, an extra cost was incurred by it for excavation of canal work in wet condition with the help of heavy machineries. Thus, the quantum of excavation work done in wet condition was in the nature of `Extra item of work'. Hence, separate rates mutually acceptable both to the Company and the firm under the contract were to be fixed. In the event of non reaching of mutual agreement between the firm and the Company on fixation of rates for the extra item of work, the payment should be made at the rates fixed by the Company. The Company conceded (March 1998) to the plea of the firm.

The Company's claim committee considered (January 2000) various aspects such as, actual machinery deployed by the firm after monsoon of 1997, and also PWD guidelines for fixation of rates for the work. Accordingly, the Company fixed (June 2000) rates of Rs.55.60 *per* cum, Rs.63.70 *per* cum and Rs.124.75 *per* cum for the work of excavation of canal in wet condition in soil, soft rock and hard rock respectively, effective from September 1997. The firm in acceptance of the rates fixed, gave (July 2000) an undertaking that it would not raise any further claim on the work of excavation in wet condition.

The firm, again represented (September 2000) to the Company stating that the rates fixed in June 2000 were neither based on the actual output of work executed by it nor matched with the rates for similar other works executed in wet condition. Hence, the Company constituted (November 2000) a new committee for consideration of the representation and also for revision of rates fixed in June 2000. Based on the recommendation of the new committee, the Company revised (December 2002) the rates for excavation of canal in wet condition in soil as Rs.63.37 *per* cum and in soft rock as Rs.83.36 *per* cum for excavation of canal in hard rock. The Company fixed revised rate as Rs.151.02 *per* cum based on the observation of actual output of the firm instead of ideal out put basis adopted by the previous committee.

As the Company and the firm both accepted the rates fixed in June 2000 and the firm also gave an undertaking in July 2000, the action of the Company (December 2000) to make another revision in the rates, was not in consonance with the provisions of the contract. The revision of the rates resulted in extra expenditure of Rs.2.64 crore* on the total quantity of 12,38,322 cum of earthwork done in wet condition during December 1997 to September 2002.

The management/ Government stated (August 2005) that in this instance, revision of rates was made (December 2000) for the second time as a special case. The previous committee fixed (June 2000) the rates conservatively, based on PWD guidelines. The new committee, however, considered the actual output achieved by the firm and also the rates for similar works executed by the Company while revising the rates in December 2000.

* Calculated at the revised rates, which were higher by Rs.7.77/ cum, Rs.19.66/ cum and Rs.26.27/ cum compared to rates fixed in June 2000 for excavation of canal in soil, soft rock and hard rock respectively.

The reply is not tenable. The various parameters, such as, adoption of actual output of the firm and the rates for similar items of work etc used in fixation of rates were not new parameters and were also in the knowledge of the previous committee that fixed the rates in June 2000. Thus, the revision of rates made in December 2000 was unwarranted.

Gujarat State Fertilizers & Chemicals Limited

4.8 *Avoidable payment of penal interest*

Delay in refund of the excess drawn subsidy of Rs.60.81 crore resulted in avoidable payment of penal interest of Rs.15.37 crore.

The Company had been availing subsidy under retention price-*cum*-subsidy scheme (scheme) of Government of India (GOI) for the fertilizers *viz.,* urea and di-ammoniam phosphate (DAP) produced and sold by it in the market at the sale price notified by GOI. Under the scheme, the notified sales price remains less than the actual cost of production of fertilizers. Hence, to compensate fertilizer producers for the consequential loss, GOI also fixes a retention price (RP) for each fertilizer producing unit, based on normative cost of production *plus* 12 *per cent* return on its net worth determined in this regard. Thereafter, GOI reimburses the differential amount between the RP and the amount realised at the notified sale price in the form of subsidy to the producer unit based on the total quantity of fertilizers sold by it in each month. Fertilizer Industry Co-ordinating Committee (FICC) administers the scheme.

The Company had drawn subsidy on urea during March 1989 to November 1998 sold by it based on a RP of Rs.3,816/ MT to Rs.6,563/ MT and subsidy of DAP during March 1989 to August 1992 based on a RP of Rs.5,778/ MT to Rs.8,587/ MT. The DAP was excluded from the scheme since September 1992.

The Company had installed two captive co-generation (COG) plants for generation of steam and power by the end of March 1989 and 1990. Installation of COG plants changed the normative cost of production of urea and the DAP. The Company submitted (May 1994) the required data to FICC for consequential revision of the RPs *w.e.f.* March 1989. Based on this data, the FICC on 02 December 1998 downwardly revised the RP at Rs.3,676/ MT to Rs.6,733/ MT for urea and at Rs.5,610/ MT to Rs.8,396/ MT for DAP with retrospective effect from March 1989.

As per terms of the scheme, within 45 days from date of revision of RP, the producer unit had to refund to FICC any excess drawn subsidy due to subsequent downward revision of the RP, otherwise, the delay in refund would attract penal interest of 19.5 *per cent* on the excess amount retained by it.

The Company had drawn excess subsidy of Rs.60.81 crore during March 1989 to November 1998 because of this downward revision of RP., The Company, however, did not refund Rs.60.81 crore to FICC within the stipulated period of 45 days *i.e.* by 15 January 1999. On the contrary, the Company indulged in protracted correspondence with FICC contesting FICC's methodology in calculation of normative cost production after inclusion of COG plants under the scheme and also demanded reconsideration of the revised RP. FICC stopped (April 2000) entertaining subsequent claim bills. The Company in May 2000, refunded Rs.60.81 crore alongwith penal interest of Rs.15.37 crore for the period from 16 January 1999 to 02 May 2000. FICC also reaffirmed (August 2001) the correctness of the revised RP fixed (02 December 1998) by it after re-examination of the Company's demand made in this regard. The Company could have avoided the payment of penal interest of Rs.15.37 crore had it refunded Rs.60.81 crore in time simultaneously demanding FICC for re-consideration of the revised RP fixed. Thus, the Company's failure to do so resulted in avoidable payment of Rs.15.37 crore.

The management/ Government stated (March/ May 2005) that the Company had belatedly refunded Rs.60.81 crore to FICC as it initially thought of not refunding the subsidy until its demand for reconsideration of revised retention price was conclusively heard and decided by FICC. Further, the Company paid only Rs.14.43 crore as it received (December 2004) refund of Rs.94 lakh against the penal interest of Rs.15.37 crore originally charged by FICC.

The reply is not tenable as records made available to audit indicated that the Company did not get any refund related to excess drawn subsidy of Rs.60.81 crore. The refund received related to RP revised by FICC in December 2001 and not related to December 1998. Further, the Company could have avoided the payment of Rs.15.37 crore as there was no restriction on the Company to demand reconsideration of revised RP even after refunding Rs.60.81 crore to FICC within the stipulated period of 45 days. Thus, the payment of penal interest of Rs.15.37 crore could have been avoided.

Statutory corporations

Gujarat Electricity Board

4.9 Avoidable payment of interest

The Board did not insert put/ call option clause in the bonds issued. This will result in avoidable loss of Rs.105.84 crore by way of excess payment of interest on redemption of the bonds on their maturity.

The Board, with a view to financing its capital expenditure decided (May 1999) to mobilise resources by issue of secured redeemable non convertible bonds (the bonds) of rupees one lakh each on private placement basis. Accordingly, the Board raised fund of Rs.400 crore, Rs.500 crore, Rs.650 crore and Rs.950.18 crore carrying interest rate of 14, 12.5, 11.9 to 12 and 11.25 to 11.75 *per cent* through issue of bonds in June 1999, April 2000, June 2001 and August 2002, respectively. The tenure of the bonds ranges from six to twelve years and the bonds are redeemable proportionately in three instalments. The redemption period of the bonds ranges from the end of third, fourth and fifth year to tenth, eleventh and twelfth year from the period of their issues. Thus, all the bonds issued are redeemable during 2004-2015.

Audit analysis revealed that the interest rate on borrowings fell from 14 to 11 *per cent* during January 1998 to April 2002. The Board did not safeguard its interest against interest rate fluctuation by inserting the usual put/ call option[#] (option) in the bonds for its early redemption. The implication due to non insertion of the option as analysed by Audit are given below:

- As per terms of the bonds issued in June 1999, the amounts of the bonds were redeemable at the end of fifth, sixth and seventh year. Had the Board inserted the option, it could have repaid the entire fund of Rs.400 crore raised through the issue at the end of fifth year *i.e.* on 16 August 2004 instead of repaying in three instalments during 2004-07. This would have enabled the Board to save interest payment of Rs.10.49 crore on the second and third instalments for the period 16 August 2004 to 31 March 2005 as it could have avoided paying interest at the higher rate of 14 *per cent* instead of the current rate of eight *per cent*. The Board could have also avoided future interest liability at higher rates for the period from 1 April 2005 to 16 August 2006 of Rs.15.95 crore. The net present value (NPA) of this future liability works out to Rs.14.17 crore at the discounting factor of 0.93 to 0.86 for the above period.

- Similarly, had the Board inserted the option in the bonds issued in April 2000, June 2001 and August 2002 then it could have avoided future interest liability of Rs.113.29 crore[*] by exercising call option for foreclosing high cost bonds after the expiry of five years lock-in period. The NPA of the future excess interest liability works out to Rs.81.18 crore at the discounting factor of 0.86 to 0.46, based on the year of the future interest liability falling due during 2005-15.

The management/ Government stated (May/November 2005) that it was very difficult to envisage decreasing trend in interest rates at the time of issue of these bonds. In this context, the Board's decision to issue the bonds without the option was appropriate. Moreover, non insertion of such option was rather considered as attractive terms for mobilising huge fund from prospective investors.

The reply is not tenable as the Board was aware of the steady fall in the interest rates since January 1998. Further, the availability of such option would have given the Board an opportunity to repay its high cost borrowings. Besides, the Board had inserted the option in the bonds issued in November 2000 and April 2003.

[#] An option available to the bondholders to exit/ the Board to redeem the bonds after specified lock in period.

[*] This does not include interest on the principal amount of Rs.425.09 crore pertaining to bondholders who agreed (July/ December 2004) to lower the interest rate to 9/ 8.50 *per cent* on Board's request in March 2004.

4.10 Loss due to belated exploration of alternative washeries

The Board suffered a loss of Rs.14.26 crore due to belated exploration of alternative washeries.

Ministry of Environment and Forest, Government of India directed (September 1997) State Electricity Boards to use beneficiated coal[ω] having ash content not exceeding 34 *per cent* from June 2001 in the Thermal Power Stations (TPS). The Board assessed (December 2000) that coal used by its TPS contained 40 *per cent* ash content which could be reduced to 30 *per cent* through the process of washing.

The Board invited (June 2000) quotation from a single firm *viz.*, ST-BSES Coal Washeries Limited, Noida (firm S) and placed (January 2001) a trial order for washing 1.9 lakh MT coal yielding 1.5 lakh MT of washed coal at a cost of Rs.3.54 crore. The cost of washing the coal, thus, worked out to Rs.194.96/ MT [⊗]. The Board continued to place further orders only on firm S at the same rate for washing coal aggregating 21.38 MT at a total cost of Rs.50.52 crore during May 2001 to January 2003.

In the meantime, the Board invited open tenders from the washeries in August 2002. Pending finalisation of the tenders, the Board separately obtained (November/ December 2002) quotations for awarding the work on *adhoc* basis. Accordingly, the Board placed (February 2003) order on the lowest bidder Aryan Coal Benefications Private Limited, New Delhi (firm A) at their quoted rate of Rs.144.40/ MT for washing 0.8 lakh MT coal.

The Board later opened (February 2003) the tenders wherein the rate of Rs.96.77/ MT quoted by firm A was the lowest. After the finalisation of the tender in March 2003, the Board placed further orders from April 2003 at Rs.96.77/ MT on firm A. The rate was applicable for washing coal at an average of four lakh MT *per* month for the period up to May 2009. Besides, against the tender, order was also placed in March 2004 on firm S being the second lowest firm for washing remaining three lakh MT coal *per* month at Rs.138.05/ MT up to August 2004 and at Rs.115.05/ MT from September 2004 to August 2009.

Audit noticed that the Board had sufficient time between the date of issue of instructions (September 1997) and the date of use of washed coal (June 2001) to explore and avail services of alternative sources of washeries at a cheaper rate. The Board, initially placed order on firm S without making any attempt to find out alternative washeries and the prevailing washing charges in the market. Moreover, the Board went ahead with the placement of further orders on firm S. It was only in August 2002 that the Board initiated action for

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[ω] Coal with high calorific value having lower ash content obtained through physical separation or washing process.

[⊗] Cost of transportation of coal to washeries and its washing charges at the rate of Rs.18.27/MT and Rs.135/ MT respectively on 1.9 lakh MT raw coal *plus* transportation of coal to railway siding and its loading at the rate of Rs.34.51/MT and Rs.7.18/ MT, respectively on 1.5 lakh MT of washed coal.

exploring alternative washeries. Even considering the firm A's rate of Rs.144.40/ MT for the washing work awarded (February 2003) on *ad hoc* basis, the Board had incurred an extra expenditure of Rs.14.26 crore on the orders placed at higher rate of Rs.194.96/ MT with firm S during January 2001 to January 2003.

The management/ Government stated (May/November 2005) that the Board was aware (December 2000) that the rate of alternate washery *i.e.* firm A was cheaper than firm S. The Board had preferred firm S as its washing capacity was higher and the washing technique adopted by it was better compared to firm A. Hence, series of orders were placed on firm S. Subsequent to invitation of open tenders (August 2002), however, the Board considered that both the firms A and S were capable of executing its orders immediately and thus the orders were placed under the tender.

The reply is not tenable as there was nothing on record to indicate that alternate washery of firm A was considered while placing series of orders with firm S during May 2001 to January 2003. Thus, the Board's belated action in exploration of alternative washeries and the imprudent selection and placement of series of orders only on firm S lacked justification.

4.11 Avoidable expenditure

Board incurred an avoidable expenditure of Rs.1.30 crore due to delayed finalisation of tenders for procurement of single phase metal meter box.

The Board invited (October 2002) tenders for the purchase of six lakh single phase metal meter boxes (MMB). Technical bids received from 33 units were opened on 15 November 2002. The tenders were valid up to 13 March 2003. The Board identified (29 January 2003) 22 out of the 33 units as technically qualified. Price bids of 22 units were opened on 5 February 2003. The Board's purchase wing put up the purchase proposal to its Purchase Committee on 21 March 2003 when the bid validity had already expired.

In the meantime, the Board requested (3 March 2003) the technically qualified units for extension of validity up to 30 April 2003. Only two[ε] units agreed to extend the validity and to supply 35,000 MMB at the L1 tender price of Rs.122.03 per box. As against the requirement of six lakh MMB, the Board got supply of 35,000 MMB through the two units. Hence, the Board invited (April 2003) revised bids from all technically qualified units and the L-1[⊕] price obtained was Rs.145 per box. Accordingly, orders were placed (June 2003 to September 2003) on 17 units for meeting the balance requirement of 5.65 lakh MMB at L-1 price of Rs.145 per box. The units executed the orders during August 2003 to June 2004.

Audit noticed that as per the Board's norms, its purchase wing should have ensured the completion of tender process within 65 days from the date of opening of technical bids. Against these norms, the purchase wing took

[ε] Shree Ram Switch gear and Shree Ram Industries of Ratlam.

[⊕] The bidder quoting lowest rates.

127 days leading to non finalisation of tenders within their validity period. Thus, due to internal inefficiency of purchase wing, the Board incurred an avoidable extra expenditure of Rs.1.30 crore[@] on the purchase of 5.65 lakh MMB.

The management/ Government stated (June/November 2005) that though technical bids were opened on 15 November 2002 in case of 12 bids, other technical bids were belatedly opened on 16 December 2002 as there were some discrepancies noticed in earnest money deposits made by 12 bidders. Besides, technical scrutiny took long time due to evaluation of more number of bids involved in the process of finalisation of the tender.

The reply is not tenable, as the constraints cited by the Board were merely incidental in finalisation of any tender. The delay could have been avoided through better management of all the activities involved in finalisation of tenders.

4.12 Avoidable expenditure

The Board incurred an avoidable expenditure of Rs.1.26 crore in purchase of stores by not following the laid down purchase policy.

The Board invited (September 2003) tenders for various sizes of Mild Steel (MS) beams, channels, angles, round bars and flats totalling 6,618 MT for meeting the quarterly requirement during 2003-04. The Board, after evaluation of the bids decided (November 2003) to place orders on four[*] firms. The Board classified firm A and B as new firms and firm C and D as regular suppliers.

The purchase policy of the Board envisaged placing of orders asking the regular firm to match price with L-1 regular firm and new firm with L-1 new firm. Audit noticed that the prices quoted by the two new firms were less than the prices quoted by regular firms for various items of supply. Thus, the new firms remained L-1 or L-2 for different items of supply. The Board, while issuing (December 2003) the Letter of Intent (LOI) to all the four firms offered 25 *per cent* of the total quantity each to the two new firms and the remaining 50 *per cent* to either of the regular firms for supply of different items. The Board, however, insisted (December 2003) the regular firms to match their prices of supply with the prices of new firm A, which stood as L-1 or L-2 for the respective items of supply. The regular firms regarded the LOI as a counter offer and rejected (December 2003) the offer of 3,555.93 MT placed on them. The Board could not place repeat orders on the new firms as both new firms had already been offered 25 *per cent* quantity as per its purchase policy.

[@] Rs.145/ box (-) Rs.122.03/ box (x) 5,65,000 boxes.

[*] Bhuwalka Steel Industries (firm A), Mumbai, Ganapati Industries Private Limited (firm B), Kolkata, Shah Alloys Limited (firm C), Ahmedabad and Unique Structure and Towers, Raipur (firm D).

The Board invited (April 2004) revised price bids from among the technically acceptable units of original tender and placed (June 2004) orders on the units for supplying the urgent requirement of 1,100 MT MS angles and 220 MT MS flats. The revised prices of MS angles and MS flats were higher by Rs.9,500/ MT and Rs.9,564/ MT respectively than the price of L-1 regular firm determined under the original tender. The Board therefore incurred an avoidable expenditure of Rs.1.26 crore on the purchase of the above items on urgency basis. Thus, the Board's action (December 2003) of asking the regular firms for matching the price with that of the new firm was at the variance with its purchase policy and lacked justification.

The management/ Government stated (April/ May/October/November 2005) that though firm A was a new firm while evaluation (November 2003) of tenders the firm was considered as regular firm as it had supplied substantial quantity in a previous order placed with it by the Board. Moreover, regular firms did not agree to match their prices with firm A as steep hike in the price of steel took place in November 2003.

The reply is not tenable. As per the purchase policy, a firm would be considered as regular firm only if it had satisfactorily executed minimum of two orders previously placed on it by the Board. In this case, however, firm A had not executed two orders previously. Thus, the consideration of firm A as regular firm on the plea that it had supplied substantial quantity under the first order previously with it was not in consonance with the policy.

4.13 Avoidable expenditure due to wrong specifications in the tender

The Board incurred an extra expenditure of Rs.42 lakh due to wrong specification about the size of the air preheater blocks in the tender document.

The Board placed (March 2001) an order with Bharat Heavy Electricals Limited (BHEL) for manufacture, supply and replacement of air preheater both top and middle blocks by protruding type tube blocks in boilers of both units I and II (120 MW) of Gandhinagar Thermal Power Station at a cost of Rs.4.15 crore (inclusive of statutory levies and insurance). The replacement of blocks was to be made for preventive maintenance.

The Board's planning wing, while preparing (December 1999) the drawing specified incorrect size of the blocks. Further, the drawings on the specifications were not got vetted by the Board's user wing *i.e.* Boiler Maintenance Department (BMD) before these were incorporated (March 2000) in the tender documents. This mistake remained undetected during technical scrutiny (March 2000) of bids and also at the time of placement (March 2001) of order. BHEL supplied (April-July 2001) the blocks as per Board's specifications. The sizes of the two top blocks met the requirements but the weight of two middle blocks was 80.88 MT/ block instead of the requisite weight of 200 MT/ block.

The Board on the advice of BHEL decided (February 2002) to use one top block and two smaller size of middle blocks (*i.e.* 80.88 MT/ block) with modification materials in unit I. The remaining top block was decided to be used after purchasing one more middle block of the correct size (i.e. 200 MT/block) in unit - II. Accordingly, the Board placed (March 2002) another order for the supply and replacement of middle block in unit II and also for the supply of the modification materials for smaller middle blocks in unit I at a cost of Rs.2.43 crore. BHEL supplied (April-July 2002) the ordered materials and the blocks were replaced during May-July 2002 in unit I and September - December 2003 in unit II.

Had the Board specified the correct requirement of the blocks, the blocks could have been replaced at a total cost of Rs.6.16 crore against the actual cost of Rs.6.58 crore incurred by the Board. Thus, the Board incurred an avoidable extra expenditure of Rs.42 lakh due to specifying incorrect size of the air preheater blocks in the tender document.

The management/ Government while admitting the audit observation stated (June/ July/November 2005) that the Board had imposed (October 2003/ August 2004) penalty on the three officials responsible for the wrong specifications in the tender documents. The fact that a wrong specification made in the planning stage remained undetected at all other stages *viz.,* tender invitation, bids scrutiny, issue of purchase order, inspection and testing of samples and actual supply of blocks indicated laxity of the Board's officials in handling the purchase of high cost proprietary item.

4.14 Environment management system in thermal power stations of the Board

4.14.1 Pollution is the contamination of soil, water or air by the discharge of potentially harmful substances. Ministry of Environment and Forests, Government of India is the nodal agency for formulating and implementing the policies and instruments for environmental protection.

Environment protection policy and its follow-up

4.14.2 Pollution control is being enforced through various Acts and Rules framed in this regard, *viz* Air (Prevention and Control of Pollution) Act, 1981, Water (Prevention and Control of Pollution) Act, 1974 and Hazardous waste (Management and Handling) Rules 1989, framed under the Environment (Protection) Act 1986.

Gujarat Pollution Control Board (GPCB) oversees the implementation of the pollution control policy in the State. It is responsible to ensure that specified standards of pollutant emissions and effluents are complied with in various types of industries in the State. GPCB issues air and water Consents to the industries subject to maintenance of laid down parameters at all times. Industries have to send test results of approved laboratories in respect of the parameters fixed and Environment Audit Report to GPCB. GPCB is empowered to inspect all pollution related records and take preventive actions for controlling the pollution including imposition of penalties and/ or closure of industrial units.

Audit analysed the extent of compliance with the laid down rules, regulations and procedures as well as effectiveness of the programmes and other measures devised to control pollution in three out of five thermal power stations (TPS) of the Board. All the TPS have one environment cell each consisting of six officials including an environmental engineer and a chief chemist to attend the work relating to pollution issues of TPS. Audit noticed the following points:

Sources of pollution and control measures

Air pollution

4.14.3 Combustion of coal in the process of electricity generation results in heat energy, ash and gases. The smoke (flue gas) is removed through Induced Draft Fans (ID fans) and let out through the stack. This flue gas, if directly let out in the atmosphere creates serious pollution problems. Electrostatic Precipitators (ESPs) are installed between ID fans and Air breakers to collect the suspended particulate matter (SPM) and drop it in the hoppers. From the hoppers the dry ash is either collected in Silos for sale to brick manufacturers or converted into ash slurry and discharged into ash dykes through ash handling system.

The flue gas that comes out through stack also contains oxide of sulphur (SO_2) and oxides of nitrogen (NOx) because of the presence of these elements in the coal. Stack heights have to ensure dispersal of these gases at higher levels in the atmosphere to mitigate harm to the environment. The combustion of coal, besides effecting the atmosphere as discussed above also affects the ambient air quality[#]. Water sprinkling system, dust extraction system and ash handling system are installed to minimise pollution of the ambient air.

Water pollution

4.14.4 Water pollutants come out with wastewater discharged from condenser, cooling water (through cooling system) boiler blow downs, cooling tower blow downs and ash ponds. Effluent treatment plants are installed to ensure that the industrial effluents that are let out into the rivers conform to the prescribed parameters.

Emission of excessive air pollutants

4.14.5 The three coal based TPS (total installed capacity of 3,190 MW) comprising 17 units consume around 37,403.85 MT coal *per* day. Considering the ash content of 33 *per cent* the total ash generation per day in these three units is around 14,213.46 MT. The presence of this huge quantity of ash was a major cause of air, water and soil pollution in and around the units.

GPCB, under the Environment Protection Act 1986, had prescribed (January 1989) a norms of 150 mg/ nm^3[*] of SPM emission at stack of boiler

[#] Ambient air is the air surrounding the power plant where human beings or living organisms exist.

[*] mg/ nm^3- milligram *per* normal cubic metre.

for thermal power units in protected area[$], under which all the three TPS fall. Every year the GPCB issues air consent to the TPS with the condition not to allow SPM, SO_2 and NO_X in excess of 150 mg/ nm^3 , 100 ppm[∝] and 50 ppm respectively in the flue gas let out from the stack of boilers.

***Annexure*-14** gives the actual average SPM, SO_2 and NO_X levels in the stack emissions of the three TPS during 2000-05. The average SPM levels exceeded the norms in most of the years. During 2000-05 the average SPM level above 150 mg/ nm^3 recorded in TPS at Ukai, Gandhinagar and Wanakbori ranged from 154 to 410 mg/ nm^3, 155 to 998 mg/ nm^3 and 166 to 383 mg/ nm^3 respectively. The excess SPM in terms of percentage ranged from 2.67 to 173, 3.33 to 565 and 10.67 to 155 respectively in the three TPS.

Ukai and Wanakbori TPS had complied with the norms laid down for SO_2 and NO_X levels but the Gandhinagar TPS exceeded SO_2 norms during 2000-01, 2002-2003 and 2004-05. Against the norms of 100 ppm the actual level was as high as 277 ppm in 2003-04. During 2002-03, the average NO_X level above 50 ppm ranged between 50.4 and 71.4 ppm. Consequently, GPCB issued show cause notices from time to time to these TPS for exceeding air pollution norms during 2000-05.

The management/ Government stated (July/November 2005) that steps were being taken to install Dual Flue Gas Conditioning System in Ukai TPS and Wanakbori TPS to reduce SPM level. Steps being taken in respect of Gandhinagar TPS were not intimated.

Consequence of higher SPM levels in stack emissions

4.14.6 Stack emission of SPM above the norms fixed not only causes atmospheric pollution but also reduces the life of the impellers in the ID fans necessitating frequent replacement of impeller blades and loss of generation due to partial or complete outage during their replacements. Audit noticed that during 2000-05, Wanakbori, Gandhinagar and Ukai TPS incurred expenditure of Rs.15.56 lakh, Rs.23.62 lakh and Rs.36.33 lakh, respectively in reblading or fitting new impellers for ID fans. The impeller replacement also resulted in partial or total outage in the plant resulting in generation loss of 14.17 MU at Wanakbori, 50.76 MU at Gandhinagar and 74.42 MU at Ukai TPS, respectively during the above period. The Board therefore, suffered a revenue loss of Rs.31.31 crore in the three TPS (calculated at the average realisation rate of Rs.1.39 to Rs.2.65/ unit).

Causes of high SPM levels

Higher ash contents in coal

4.14.7 The actual ash content in the coal, which was higher than the designed ash contents of coal that can be handled by ESPs was one of the major causes

[$] Area in close vicinity of residential area is declared as protected area.

[∝] ppm - particles per million.

for higher SPM levels in stack emissions in all the three TPS. ***Annexure-15*** gives the designed ash content in coal that can be handled by ESPs and the actual ash content in the TPS during 2000-05.

In Gandhinagar TPS, against the three designed ash content percentages of 27, 35 and 42 for various units, the actual percentage of maximum average ash content ranged between 32.52 and 45.07. Likewise, in Ukai TPS against the three designed ash percentages of 25, 28 and 40 for various units, the actual percentage of maximum average ash content ranged between 35.54 and 44.85. In Wanakbori TPS, against the designed ash percentage of 28 for all the units, the percentage of minimum and maximum average ash content ranged between 30.6 and 42.65. As a result, the ESPs of all the power stations allowed excess SPM to escape with the flue gases. Though the Board started (January 2001) using washed coal and imported coal, only Ukai TPS had shown significant decrease in ash content in 2004-05.

The management/ Government stated (July/November 2005) that the higher ash content in coal over and above the designed capacity of ESP would go untreated but would not in any case effect the efficiency of ESP. The reply is not correct. The higher ash content in the coal would not only overload ESP but also cause erosion of ID fan impellers and reduce the overall efficiency of SPM control system.

Delay in the construction of silos for dry ash handling in Unit III and IV of Gandhinagar TPS

4.14.8 Ministry of Environment and Forest, Government of India (GOI) notification dated 14 September 1999 enjoined upon all TPS to create storage facilities (*i.e.* silos[ξ]) for dry ash not only to prevent the dumping of fly ash on the top soil but also to facilitate its lifting by brick manufactures. Though the Board invited tenders (September 2003) to award the construction work of two 500 MT silos at unit III and IV in Gandhinagar TPS at an estimated cost of Rs.5.80 crore. These tenders had not been finalised so far (March 2005). The delay in award of the work indicated the Board's lack of concern on issue of pollution control. Besides, the estimated (April 2003) saving of Rs.1.80 crore *per annum* on water/ power consumption through construction of silos was not achieved due to the delay of over one year in finalisation of the tenders from the date of original bid validity (February 2004).

The management/ Government stated (July/November 2005) that the construction of silo was delayed due to time required for observing the performance of silos already installed at other units of Gandhinagar/ Ukai TPS. Reply is not tenable as performance report was called for only in September 2004, though silos at other units of Gandhinagar/ Ukai TPS were in existence since 1999-2000.

ξ Tall cylindrical structure usually besides a barn in which dry ash is stored.

Delay in commissioning of microprocessor based controllers in Unit I to IV of Gandhinagar Thermal Power Station

4.14.9. As per the direction (April/ November 2002) of GPCP for reducing stack emission levels of SPM, the Board decided (February 2003) to install microprocessors based controllers in 56 ESPs of unit III and IV Gandhinagar TPS at a cost of Rs.1.23 crore by February 2004. The Board had estimated (August 2002) saving of rupees six lakh *per* month as the installation of microprocessors would reduce consumption of electricity by ESPs. Though the Board invited (September 2004) tenders for the work, it had not finalised the tenders (March 2005) reasons for which were not on record. As a result, the Board had already lost envisaged savings of Rs.1.02 crore from March 2004 (*i.e.* after scheduled installation in February 2004) to July 2005 and also failed to comply with GPCB directions.

The management/ Government stated (July/November 2005) that the Board had invited and opened (March 2005) the bids both for technical and commercial scrutiny purpose and the microprocessors were likely to be procured by the end of 2005. The fact, however, remains that timely action for installation of the microprocessors by February 2004 as per its plan could, not only reduce pollution but also save Rs.1.02 crore.

Delay in the augmentation of ash handling system in Wanakbori TPS unit I to VI

4.14.10. To ensure efficient functioning of ESPs, the Board decided (November 1999) to augment the ash handling systems through installation of feeder ejector systems/ mechanical exhausters for ESP hoppers in unit I to VI of Wanakbori TPS at a cost of Rs.3.96 crore. It was estimated (November 1999) that the augmentation of ash handling systems would reduce consumption of power, water and spares and result in a saving of Rs.7.48 crore *per annum* to the TPS. The Board's decision (November 1999) was, however, not implemented (March 2005) due to non appointment of consultant for awarding the work of augmentation of ash handling system. This lacked justification. The ash handling system after its augmentation was planned to be commissioned within nine months *i.e.*, by August 2000, had not been started till date. As a result, the Board had already lost the envisaged saving of Rs.37.40 crore during September 2000 to August 2005.

The management/ Government stated (July/November 2005) that the technical specifications as approved by the consultants would be ready by December 2005. No justification for the delay was given.

Discharge of excess water pollutants

4.14.11 Standards for discharge of pollutants in industrial effluents *viz.* pH (alkalinity/ acidity), temperature, chlorine, suspended solids, oil and grease, copper, iron, zinc, chromium and phosphate were fixed under Rule-3 (Schedule-F) of the Environment Protection Rules, 1986. Water consents are issued every year by GPCB subject to the maintenance of these standards. Ukai TPS failed to bring the suspended solids in effluents within the prescribed limits for which GPCB issued 16 show cause notices during 2000-04.

The management/ Government stated (July/November 2005) that the non compliance to norms in Ukai TPS was mainly because of inadequate area available for disposal of slurry. Additional land had now been acquired and construction of new ash dyke was in progress to solve the excess discharge problem. A timely action for the additional land could, however, avoid the non compliance.

Industrial effluent, sewage and solid waste management

4.14.12 Solid waste from plants mainly consisting of fly ash transported from the hoppers to dykes in slurry form is inert and non hazardous in nature. Ministry of Environment and Forest, GOI, issued (September 1999) directions for the use of minimum 25 *per cent* fly ash in brick manufacturing, if the brick manufacturing unit was situated within a radius of 50 kilometres from the TPS. All TPS should ensure at least 30 *per cent* fly ash utilisation by September 2002.

Audit noticed that during 2003-04 the percentage of actual fly ash sold to the fly ash generated was 0.31 and 5.18 in the TPS at Wanakbori and Gandhinagar respectively, against the norms of 30 *per cent* stipulated in the notification.

The management/ Government stated (July/November 2005) that utilisation of fly ash largely depended on market and willingness of users to use fly ash in place of topsoil or cement. The process was, however, on to augment infrastructural facilities for collection and storage of ash and thereby increases its utilisation. The Board needs to address this issue and devise ways to increase disposal of fly ash to the required level of 30 *per cent* in the brick manufacturing.

Gujarat State Road Transport Corporation

4.15 Excess contribution to Employees' Provident Fund

An excess contribution of Rs.51.35 crore was made into Employees' Provident Fund due to incorrect implementation of Government notification.

Section 6 of the Employees' Provident Fund and Miscellaneous Provisions Act 1952, stipulated that the employer should pay to the Employees' Provident Fund (Fund) an amount equal to 10 *per cent* of emoluments[θ] of each employee as employer 's contribution. Each employee should also contribute a minimum of 10 *per cent* of his/ her emoluments towards the fund. Ministry of Labour, GOI *vide* notification dated 22 September 1997 raised the ceiling of contribution from 10 to 12 *per cent* with immediate effect. The notification was not applicable to the establishment, which at the end of any financial year had accumulated losses equal to or exceeding its entire assets and had also

[θ] *i.e.* basic pay (+) dearness allowance (+) retaining allowance.

suffered cash losses* in such financial year and the financial year immediately preceding such financial year. Based on the notification, the Corporation regularly paid into the Fund its additional contribution of two *per cent* (over and above 10 *per cent*) since September 1997.

Audit noticed that the accumulated losses of the Corporation exceeded its assets and it also suffered cash losses during eight preceding years ended 2003-04. Therefore, the Corporation was not required to pay additional contribution of two *per cent* aggregating Rs.51.35 crore during 1997-2004. On this being pointed out (March 2004) in audit, the Corporation approached (May 2004) Regional Provident Fund Commissioner (RPFC) of the State and sought permission for withdrawal/ adjustment of excess contribution made by it since September 1997. RPFC, however, did not give the permission on the plea that the Corporation had started contributing to the Fund at an enhanced rate since September 1997 and that there was no option to revert back to old rate of contribution.

Besides, the State Government's approval under Section 42(1) of the Road Transport Corporations Act, 1950 (RTC Act) was to be obtained by the Corporation as implementation of the notification tentamounted to amending the Regulation 112 (i)(a) of its Employees Service Regulations. The Corporation did not obtain the State Government's approval for payment of additional contribution of two *per cent* to the Fund (March 2005). The payment of Rs.51.35 crore made into the Fund was therefore avoidable as well as irregular.

The management/ Government stated (June/ July 2005) that the Corporation had reduced its contribution to the Fund from 12 to 10 *per cent* from October 2004 and had also filed a petition in the Honorable High Court against the decision of RPFC, the outcome of which was awaited.

The reply is factually incorrect. The Corporation did not file any petition in the court; on the contrary, aggrieved by the Corporation's action to reduce the rate of contribution to the Fund from 12 to10 *per cent* from October 2004, its employee association had filed (November 2004) the petition against the Corporation. Further, the reply is silent about non obtaining of the State Government's approval for making additional contribution of two *per cent* to the Fund. The fact remains that the corporation not only made excess payment but also involved itself in avoidable litigation.

4.16 Unfruitful expenditure in construction of a bus depot

Injudicious construction of a bus depot led to unfruitful expenditure of Rs.57.32 lakh.

The Corporation based on the public demand (November 1999) decided (July 2000) to construct a bus station alongwith a depot at Khambha, Amreli district. The Corporation awarded (December 2000) the construction work of the bus station (Rs. 50.20 lakh) and the depot (Rs.60.57 lakh) at Khambha to

* Net loss for the year before providing depreciation.

N P Patel and Company, Ahmedabad. The stipulated dates of completion of the bus station and depot were January 2003 and February 2003 respectively.

The bus station and the depot of Khambha fell under the administrative jurisdiction of Amreli division of the Corporation. During 1999-2000 the Amreli division had seven depots and was managing the operation of 372 service schedules at an average of 53 schedules *per* depot. The Corporation was aware (July 2000) that the depot at Khambha would not get adequate work, as the existing traffic did not have potential for operating 12 schedules from the depot. Further, the financial position of the Corporation was weak as it had accumulated losses ranging from Rs.683 crore to Rs.1199.96 crore during the year 1997-98 to 1999-2000. The Corporation did not carry out any feasibility study to determine the viability of investing the fund in construction of the depot before awarding the work of construction.

Consequently, after incurring an expenditure of Rs.57.32 lakh towards civil work till August 2002, the Corporation had an apprehension on the viability of the depot. Hence, the Corporation did not take up the remaining electrical installation work of the depot and the depot was not at all put to use since September 2002 (May 2005). Thus, the construction of the bus depot without any feasibility study resulted in unfruitful expenditure of Rs.57.32 lakh. Besides, the Corporation suffered a loss of interest of Rs.13.76 lakh* on the blocked fund of Rs.57.32 lakh during September 2002 to August 2005.

The management/ Government stated (August/ September2005) that the Corporation's intention to have depots at taluka level, the availability of land and the possibility for transferring the work of 12 to 20 schedules of operations from nearby depots to the depot at Khambha were the reasons behind its decision to construct the depot. The financial crisis faced by the Corporation since October 2003, however, did not allow it to complete the work and put the depot to use.

The reply is not correct. As per the opinion (March 2000) of traffic division of the Corporation, it was uneconomical to operate a new depot at Khambha as it was not possible to transfer more than 12 schedules of operation from nearby depots. Besides, the Corporation was already under financial crisis when it decided (July 2000) to construct the depot. Thus, the depot was constructed without conducting any feasibility study.

Gujarat State Financial Corporation

4.17 Imprudent extension of financial assistance

Imprudent extension of financial assistance resulted in non recovery of dues of Rs.2.25 crore.

Astro Age Cast Tech Limited, Ahmedabad (unit), manufacturer of metal castings, approached (March 2001) the Corporation to avail financial assistance for expansion of its production activity. The Corporation sanctioned

* Calculated at the interest rate of eight *per cent per annum.*

(June 2001) composite loans *viz.,* quick finance assistance (QFA) of Rs.35 lakh for purchase of machineries worth Rs.42.98 lakh and working capital term-loan (WCTL) of Rs.75 lakh. As per the terms of QFA, the unit was required to furnish collateral security worth Rs.10.50 lakh to the Corporation. Like wise, as per terms of WCTL, the unit was required to execute documents for creation of first charge on its immovable and movable properties worth Rs.1.91 crore in favour of the Corporation. The unit executed (July 2001) the documents as per terms of WCTL and the Corporation disbursed (July 2001) Rs.75 lakh under WCTL. The unit, however, expressed (August 2001) its inability to provide collateral security as per terms of QFA. As a result, the Corporation did not disburse any amount under QFA. The unit was required to repay WCTL during January 2002 to June 2004 in 30 monthly instalments alongwith interest of 17 *per cent per annum*. The unit did not expand its production activity and stopped functioning since March 2002. The unit did not pay any instalment of dues to the Corporation.

The disbursement of WCTL was imprudent because the unit was ineligible to avail WCTL as its net worth was Rs.55 lakh at the time of sanction (June 2001) of WCTL against the norms of Rs.1.50 crore prescribed (July 1997) by the Corporation. Further, WCTL of Rs.75 lakh was required by the unit after completion of the expansion activity but it was disbursed without taking up the expansion activity. Besides, the Corporation did not take action against the unit under section 138 of Negotiable Instruments Act 1881, when the cheques worth Rs.10 lakh for payment of instalments were dishonored (January to April 2002). Moreover, the Corporation in November 2003 belatedly took the possession of the assets worth Rs.63.29 lakh of the unit under Section 29 of the State Financial Corporations Act 1951. As on 31 March 2005, total dues of Rs.2.25 crore (principal: Rs.0.75 crore and interest: Rs.1.50 crore) remained outstanding against the unit. The Corporation, however, did not get any buyers for selling the assets of the unit taken over by it (June 2005).

The management/ Government stated (June/ July/October 2005) that though the unit's net worth was less than the norms prescribed for extending WCTL, yet the Corporation sanctioned WCTL of Rs.75 lakh as the security of Rs.1.91 crore offered by the unit was considered adequate in safeguarding the Corporation's interest. Further, during appraisal stage, the unit's projected turnover without reckoning the proposed expansion activity was considered as base for sanctioning WCTL. The Corporation further stated that the failure/ delay in recovery action against the unit were caused as the unit's request for reschedulement of WCTL was under the consideration of the Corporation.

The reply is not tenable. The reason given for relaxing the norms in sanction of WCTL lacked conviction. Further, the Corporation's contention that the unit's projected turnover reckoning the proposed expansion activity was considered as the basis for sanctioning WCTL is not correct. The documents made available to audit indicated that the WCTL was sanctioned only after reckoning the proposed expansion. Since, the very viability of extension of WCTL depended upon the completion of the expansion activity by the unit.

The disbursement of WCTL without ensuring completion of the proposed expansion activity of unit was imprudent and lacked justification.

4.18 Irregular sanction and disbursement of loan

Sanction and disbursement of term loan in violation of laid down norms resulted not only in waiver of dues of Rs.22 lakh but also in non recovery of dues of Rs.1.75 crore.

Super Star Amusement Private Limited, Ahmedabad (unit) applied (May 2000) to the Corporation for a term loan of Rs.2.40 crore to set up an amusement water park in Ahmedabad. The unit decided to set up the park by January 2001 on 10,194 square metre (token value Rs.0.16 lakh) land received from Ahmedabad Municipal Corporation (AMC) under build-operate-transfer (BOT) agreement entered (August 1999) with it. The park was to be operated by the unit for 15 years from January 2001 before transferring it to AMC. During this period, the entry fee was to be collected by AMC from the visitors of the park and it was to be shared between the unit and AMC in the ratio of 70:30 after meeting the expenditure on the management of the park.

As per the Corporation's norms, term loan could be extended only after executing the legal documents by the loanee for creation of first charge on all its immovable and movable properties in favour of the Corporation. The Corporation did not have scope to create any first charge on the immovable properties of the unit as the land belonged to AMC. Therefore, the Corporation did not agree (February 2001) to sanction the term loan. On repeated request (February 2001) from the unit, the Corporation, however, sanctioned (March 2001) the loan of Rs.2.25 crore disregarding its norms.

Terms of sanction of the loan provided for the compliance of following conditions before disbursement:

- The unit was required to provide collateral security *viz;* a residential building worth Rs.34 lakh in favour of the Corporation through lodgment of original title deed of the building with the Corporation.

- An arrangement was to be made among the unit, AMC and the bank of the unit, whereby the unit's share of entry fee collection (after adjustment of expenditure) was to be paid daily into an escrow account of the bank for enabling the bank to make payment of loan instalment to the Corporation.

Audit noticed that the Corporation disbursed (July 2001) Rs.1.21 crore out of the sanctioned loan of Rs.2.25 crore to the unit before completion of the formalities. The Corporation, however, decided (September 2002) not to disburse the remaining loan of Rs.1.04 crore, as the unit did not complete the formalities. The disbursed loan of Rs.1.21 crore carried interest of 17 *per cent per annum* and was repayable in quarterly instalments from May 2002 to May 2007. The unit, however, defaulted in payment since May 2002. Even though the park started functioning since August 2002 and earned its share of entry fee of Rs.11.43 lakh and Rs.39.21 lakh during 2002-03 and

2003-04, respectively, the Corporation did not pursue with AMC to impress upon the unit to repay its dues. The unit's assets *i.e.* water slides worth Rs.84.75 lakh hypothecated (June 2001) to the Corporation were not taken over by the Corporation.

As on 31 December 2004, an amount of Rs.2.09 crore (principal: Rs.1.21 crore and interest: Rs.0.88 crore) from the unit. The Corporation, on the request (December 2004) of the unit, consented (January 2005) to forgo Rs.22 lakh and accept Rs.1.87 crore in lieu of total dues of Rs.2.08 crore from the unit under one time settlement (OTS) scheme. Though Rs.1.87 crore were to be paid by June 2005, the unit paid (December 2004/ January 2005) Rs.12.15 lakh and did not pay the remaining dues of Rs.1.75 crore (August 2005). Thus, the Corporation's failure to take adequate security against the disbursed loan had not only resulted in waiver of dues of Rs.22 lakh but also non recovery of remaining dues of Rs.1.75 crore.

The management stated (August/October 2005) that it had considered the adequacy of security against the loan and also got the approval of its Board of Directors for sanctioning the loan to the unit. On non recovery of OTS dues, it was stated that the unit was seeking (August 2005) more time for repayment which was under the consideration of the Corporation. The reply is not correct. The Corporation's record confirmed the fact that both the sanction and disbursement of the loan were made in violation of laid down norms.

The matter was reported to Government in June 2005; their replies had not been received (September 2005).

General

4.19 Corporate Governance

Corporate Governance is the system by which companies are directed and controlled by the management in the best interest of the stakeholders and others ensuring greater transparency and better financial reporting. The Board of Directors (BOD) are responsible for the governance of their companies.

The Companies Act, 1956 was amended in December 2000 by providing, *inter alia*, Directors Responsibility Statement (Section 217) to be attached to the Director's Report to the shareholders. According to Section 217(2AA) of the Act, the BOD has to report to the shareholders that they have taken proper and sufficient care for the maintenance of accounting records, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.

Further, according to Section 292A of the Companies Act, 1956, every public limited company having paid-up capital of not less than rupees five crore shall constitute an Audit Committee (AC) at the Board level. The Act also provides that the Statutory Auditors (SA), Internal Auditors (IA), if any, and the Director in charge of finance should attend and participate in the meetings of the AC and the Chairman of the AC should attend the Annual General Meeting (AGM) to answer the queries of the shareholders.

A similar provision has also been introduced through clause 49 of the Listing Agreement for listed companies issued by the Securities and Exchange Board of India (SEBI). The Listing Agreement provides that listed companies having paid-up capital of rupees three crore and above or net worth of Rs.25 crore or more at any time should have a qualified and independent Audit Committee.

Government of Gujarat issued instructions (April 2003) to all PSUs that the Government directors in the BOD of the PSUs should attend minimum 50 *per cent* BOD meetings held in a year. Further, the Company should convene minimum three meetings of AC in a year.

Inter alia, two main components *viz.* matters relating to the BOD and constitution of AC and its functions that constitute the mechanism of corporate governance have been discussed in this paragraph.

Audit examined 32 out of 35 working Government Companies[∞] *i.e.*, two listed and thirty unlisted Government companies as given in ***Annexure*-16** having turnover/ paid-up capital exceeding rupees five crore, with regards to the provisions that affect corporate governance and matters related thereto for the period 2001-05.

Listed Government Companies

Board of Directors

4.19.1 Since the BOD is the agency for the implementation of corporate governance provisions, it is imperative that the Board devotes adequate attention to these issues. Moreover, the Board must have requisite representation, and the members of the Board should meet regularly.

Attendance of the directors in the meetings of the BOD

4.19.2 The meetings of the Board suffered inadequate attendance during 2001-05.

In GMDC, one non executive director did not attend any of the 30 meetings held during 2001-05. Two other non executive directors attended only two out of five meetings held during 2001-02.

In SSNNL, three non executive directors did not attend any of the seven, 22 and four Board meetings held in their respective tenure during 2001-05. Other two non executive directors attended only one meeting each out of 13 and 28 in their respective tenure during 2001-05. Yet another non executive director attended only three out of 14 meetings held in his tenure during 2001-03.

[∞] Of 36 Government Companies (as on 31 March 2005) information from two Companies *vis-a-vis* The Film Development Corporation Limited and Gujarat National Highways Limited were awaited and one Company was incorporated in December 2004. Further, activities of Gujarat Scheduled Caste Economic Development Corporation Limited were transferred to a Statutory Board formed by the State Government (August 1996), hence not included.

Vacancy position of directors

4.19.3 In GMDC, there was no fulltime Managing Director during January 2002 to 18 April 2002 and 5 October 2002 to 6 May 2003. Post(s) of two non executive directors were vacant from November 2002 onwards, that of seven non executive directors were vacant from January 2003 onwards.

Audit Committees

Meetings of Audit Committee

4.19.4 As per clause 49 II (B) of the listing agreement, minimum three meetings of AC are to be held in a year. In GMDC, however, the AC did not hold any meeting in 2001-02; it met only once during 2002-03 and twice in 2003-04. In SSNNL, AC met only twice during 2001-02.

Discussions in Audit Committee meetings

4.19.5 In GMDC, AC did not meet to consider and review annual accounts for 2001-02 to 2003-04 before these were placed in the BOD for approval. AC did not hold any discussions with SA before commencement and after completion of audit. The AC did not review adequacy of internal control/ internal audit system and reports of Internal/ Statutory auditors. In SSNNL, AC did not review the Company's financial/ risk management policy and half yearly financial statements, though the same were included in their terms of reference.

Attendance of Internal Auditors/ Statutory Auditors in Audit Committee meetings

4.19.6 In GMDC, IA and SA did not attend any of the AC meetings held during 2002-05. In SSNNL, the SA and the officer-in-charge of IA attended only eight out of 11 meetings held. Thus, the provisions of Section 292A(5) were not complied with. Besides, in SSNNL, one non executive director attended only one out of five AC meetings held during 2001-03.

Attendance of Chairman of Audit Committee in the annual general meeting

4.19.7 The Chairman of the AC in respect of SSNNL and GMDC did not attend AGM held during 2001-03 and 2003-05, respectively in contravention of Section 292 A (10) of the Companies Act.

Unlisted Government Companies

Board of Directors

Meetings of the BOD

4.19.8 Section 285 of the Companies Act, 1956, provides that a meeting of the BOD shall be held at least once in every three months and at least four such meetings shall be held in a year.

Audit noticed that meetings of the BOD were not held in case of GUSHEEL and GSKVN (October-December 2003), GGDCL (April-June 2001, January - March 2002, January - March 2003 and July -September 2004), GSSCL (January-March 2003), GMFDC (October-December 2001), GAIC (October - December 2001 and October-December 2002), GTKVN (July-September 2004), AAGL (April-June 2001, July-September 2001, April-June 2002 and April-June 2003), GGCDC (April-June 2003, October-December 2003 and April-June 2004), GSHHDC (January-March 2002, January-March 2003 and July-September 2003), TCGL (July-September 2003) and GWIL (April-June 2004).

Attendance of directors in BOD meetings

4.19.9 The attendance of the directors in BOD meetings was not regular in 26 companies during 2001-05 as given in ***Annexure*-17.** Audit noticed that in case of 19 companies attendance of directors was not regular during 2003-05 despite of State Government's instructions of April 2003.

Vacancy position

4.19.10 The posts of Chairman/ Executive/ Non Executive directors remained vacant in 26 companies during 2001-05 as mentioned in ***Annexure*-18.**

Audit Committee

Composition of Audit Committee

4.19.11 Constitution of AC was not in accordance with the provisions of Section 292A of the Companies Act, 1956 in the following cases:

- In TCGL, the AC was constituted in January 2002 by the Managing Director instead of BOD.

- In GRIMCO, GSFS, GSFS Caps, GGCDC, GPCL, GRDC, GWEDC and GIL, the BOD did not specify the terms of reference of AC during 2001-05 in violation of Section 292A (2) of the Companies Act, 1956.

- In GSFDC the strength of AC of the Company was reduced to two during 2002-03 in contravention of 292A(1) of the Companies Act.

- In AAGL, there were only two members in AC against the minimum requirement of three during 2002-03. The BOD had also not specified the terms of reference of AC.

- The composition of AC in GWEDC was not disclosed in Annual Report for the year ended March 2004.

Meetings of AC

4.19.12 Of the 30 unlisted Government companies, AC was constituted in 23 companies as they were having paid-up capital of more than rupees five crore. Audit noticed that not a single meeting of AC was convened in case of GRIMCO, GWIL, GSPHC and GSIL (2001-02), GUDC and GWEDC (2001-02 and 2002-03), GSLDC (2003-04) and GSHHDC (2004-05).

In GIIC, though the terms of reference stipulated that AC should meet at least once in a quarter (*i.e.,* four meetings in a year), AC meetings were held only twice in 2001-02 and 2004-05 and once each in 2002-03 and 2003-04 respectively.

In disregard to State Government's instructions of April 2003, AC met less than three times in a year in 18[∞] Government companies during 2003-05.

Discussions in AC meetings

4.19.13 A review of records related to the discussions held by AC of the companies during 2001-05 revealed different kinds of irregularities as per the details given in ***Annexure*-19**. A summary of such irregularities is given below:

- In nine companies, AC did not consider budget/ review half yearly financial statements, though these were included in the terms of reference of AC as required under Section 292 A(6) of the Companies Act, 1956.

- In seven companies, AC did not have discussions with IA/ SA before commencement and after the completion of audit of annual accounts.

- In nine companies, AC did not review the adequacy of internal control system/ internal audit system as required under Section 292-A (6)/ terms of reference of AC.

- In 16 companies, AC did not look into the aspects of financial and risk management policy/ frauds and fraud risks.

[∞] Sl.No.2, 5, 8, 10, 12, 14, 15, 16, 18, 20, 22, 23, 24, 26, 27, 28, 29 and 30 of ***Annexure*-16.**

- In two companies AC did not consider the annual accounts before its approval by BOD.

- In two companies the terms of reference did not include review of financial and risk management policy and hence the AC did not review the same.

Attendance of Internal Auditors/ Statutory Auditors/ Directors in Audit Committee meetings

4.19.14 As per Section 292A (5) of the Companies Act, 1956, the IA, SA and Director-in-charge of finance are required to attend the AC meeting. Audit noticed that in case of 17 companies, the attendance of directors/ IA/ SA at AC meetings was either nil or low as per the details given in the ***Annexure-20.***

Attendance of the Chairman of Audit Committee in annual general meetings

4.19.15 The Chairman of AC did not attend AGMs in case of GPCL and GSFS Caps (2001-02 to 2004-05), GSLDC and GIIC (2001-02 to 2003-04), GWIL (2002-03), GSFDC (2003-04), GIL (2003-04 and 2004-05), GSIL (2002-03 to 2003-04), GSFS (2004-05).

Impact of poor corporate governance

4.19.16 Foregoing paras would reveal that the Government companies not only violated the legal provisions, there was a lack of seriousness with which these were governed. Deficient corporate governance contributed to the following:

- Eight companies incurred aggregate loss of Rs.75.85 crore as per their latest available accounts finalised up to September 2005.

- Thirty three accounts of 21 working companies were in arrears as on September 2005 for periods ranging from one to seven years.

- Adequate steps were not taken to strengthen the internal audit and internal control system.

Summary

- In all the companies, the vacancies of directors were not filled as and when they arose.

- The Board of directors' meetings in 12 companies were not conducted in accordance with the provisions of Section 285 of the Companies Act, 1956.

- The directors were not regular in attending Board meetings in 28 companies.
- Constitution of the Audit Committee was not in accordance with the provisions of the companies Act in 11 Companies.
- The meetings of Audit Committee were either not held or held only once in a year in many companies. In disregard to State Government instructions of April 2003, AC of 18 companies met less than three times in a year during 2003-05.
- Attendance of members (directors), Statutory Auditors and Internal Auditors was not regular in Audit Committee meetings in some of the companies.

The matter was reported to the Companies/ Government in April 2005. Replies from Finance Department of State Government and five companies had not been received (November 2005)

4.20 Follow-up action on Audit Reports

Outstanding action taken notes

4.20.1 Audit Reports of the Comptroller and Auditor General of India represent culmination of the process of scrutiny starting with initial inspection of accounts and records maintained in various offices and departments of the Government. It is, therefore, necessary that they elicit appropriate and timely response from the executive. As per rule 7 of Rules of Procedure (Internal Working) of Committee on Public Undertakings (COPU), Gujarat Legislative Assembly, all the administrative departments of PSUs should submit explanatory notes indicating the corrective/ remedial action taken or proposed to be taken on paragraphs and reviews included in the Audit Reports within three months of their presentation to the Legislature.

Though the Audit Report for the year 2002-03 was presented to the State Legislature on 21 February 2005, three out of seven departments, which were commented upon, did not submit explanatory notes on seven[Ψ] out of 26 paragraphs/ reviews as on 30 September 2005. The Audit Report for the year 2003-04 was presented to the Legislature on 13 September 2005.

The Government did not respond to the paragraphs highlighting the losses suffered by the State PSUs due to imprudent investment, avoidable payment of energy charges, irregular payment made to the contractor and belated closure of unviable units.

[Ψ] Industries and Mines (two); Narmada, Water Resources and Water Supply (four) and Road and Building (one).

Action taken notes on Reports of Committee on Public Undertakings

4.20.2 Replies to three outstanding paragraphs pertaining to one Report (*i.e.*, Thirteenth Report of Eighth Assembly, 1994-95) of the COPU presented to State Legislature in December 1994 had not been received (30 September 2005).

This report of COPU contains 12 recommendations related to paragraphs appeared in Audit Reports from 1987-88 to 1992-93. As per Rule 32 of Rules of Procedure (Internal Working) of COPU, Gujarat Legislative Assembly, replies to the recommendations in the form of Action Taken Notes (ATNs) are required to be submitted by the administrative department of PSUs within three months from the date of placement of the Report of COPU in the State Legislature. In case of three recommendations, however, the replies to two paragraphs pertaining to Gujarat Electricity Board and one para in respect of Gujarat State Road Transport Corporation which appeared in the Audit Report for the year 1987-88 were awaited (30 September 2005).

Response to Inspection Reports, Draft Paragraphs and Reviews

4.20.3 Audit observations noticed during audit and not settled on the spot are communicated to the heads of respective PSUs and concerned departments of the State Government through Inspection Reports. The heads of PSUs are required to furnish replies to the Inspection Reports through respective heads of departments within a period of six weeks. Review of Inspection Reports issued up to March 2005 revealed that 1,142 paragraphs relating to 396 Inspection Reports pertaining to 37 PSUs remained outstanding as on 30 September 2005. Department-wise break-up of Inspection Reports and audit observations outstanding as on 30 September 2005 is given in ***Annexure*-21**.

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. Audit noticed that four draft paragraphs and two draft reviews forwarded to the various departments during March to June 2005 as detailed in ***Annexure*-22** had not been replied to so far (30 September 2005).

It is recommended that the Government may ensure that (a) procedure exists for action against the officials who fail to send replies to Inspection Reports/ draft paragraphs/ reviews and ATNs to recommendations of COPU as per the prescribed time schedule; (b) action to recover loss/ outstanding advances/ overpayment is taken within the prescribed time; and (c) the system of responding to the audit observations is revamped.

AHMEDABAD
The
15 FEB 2006

(ANUPAM KULSHRESHTHA)
Principal Accountant General
(Commercial and Receipt Audit), Gujarat

Countersigned

NEW DELHI
The 17 FEB 2006

(VIJAYENDRA N. KAUL)
Comptroller and Auditor General of India

ANNEXURE-1

Statement showing particulars of up-to-date paid-up capital, equity/ loans received out of budget and loans outstanding as on 31 March 2005 in respect of Government companies and Statutory corporations.

(Referred to in paragraphs 1.3,1.4,1.5,1.11,1.16,1.18 and 1.19)

(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 2004-05**		Total	Debt equity ratio for the year 2004-05 (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	808.25	--	--	--	808.25	104.50	--	--	700.00	2,000.00	2,700.00	3.34:1 (3.84:1)
2	Gujarat Sheep and Wool Development Corporation Limited	228.41	188.70	--	14.25	431.36	--	--	--	--	--	--	--
3	Gujarat State Seeds Corporation Limited	295.00	18.00	--	--	313.00	--	--	--	--	--	--	--
4	Gujarat State Land Development Corporation Limited	586.71 0.35*	--	--	--	586.71 0.35*	0.35	--	--	1,762.28		1,762.28	3.00:1 (2.81:1)
	Sector wise total	**1,918.37 0.35***	**206.70**	**--**	**14.25**	**2,139.32 0.35***	**104.85**	**--**	**--**	**2,462.28**	**2,000.00**	**4,462.28**	**2.09:1 (2.14:1)**
	INDUSTRY SECTOR												
5	Gujarat State Petroleum Corporation Limited (GSPC Ltd.)	10,036.00 850.00@@	--	--	525.00	10,561.00 850.00@@	--	--	--	--	--	--	--
	Sector wise total	**10,036.00 850.00@@**	**--**	**--**	**525.00**	**10,561.00 850.00@@**	**--**	**--**	**--**	**--**	**--**	**--**	**--**
	HANDLOOM AND HANDICRAFTS SECTOR												
6	Gujarat State Handloom & Handicrafts Development Corporation Limited	1,022.86	180.67	--	2.00	1,205.53	--	102.00	--	1,347.57	250.00	1,597.57	1.33:1 (0.97:1)
	Sector wise total	**1,022.86**	**180.67**	**--**	**2.00**	**1,205.53**	**--**	**102.00**	**--**	**1,347.57**	**250.00**	**1,597.57**	**1.33:1 (0.97:1)**
	FOREST SECTOR												
7	Gujarat State Forest Development Corporation Limited	392.76	178.89 30.00*	--	--	571.65 30.00*	--	--	--	--	--	--	--
	Sector wise total	**392.76**	**178.89 30.00***	**--**	**--**	**571.65 30.00***	**--**	**--**	**--**	**--**	**--**	**--**	**--**

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
	MINING SECTOR												
8	Gujarat Mineral Development Corporation Limited	2,353.20	--	--	826.80	3,180.00	--	1,11,464.04	--	--	1,11,464.04	1,11,464.04	35.05:1 (24.64:1)
9	Gujarat State Petronet Limited (Subsidiary of GSPC Limited)	--	--	20,830.53 500.00*	14,165.00 36.00*	34,995.53 536.00*	--	--	6,100.00	--	44,374.00	44,374.00	1.25:1 (1.62:1)
	Sector wise total	**2,353.20**	--	**20,830.53** **500.00***	**14,991.80** **36.00***	**38,175.53** **536.00***	--	**0.00**	**6,100.00**	--	**44,374.00**	**44,374.00**	**4.03:1** **(4.26:1)**
	CONSTRUCTION SECTOR												
10	Gujarat State Police Housing Corporation Limited	5,000.00	--	--	--	5000.00	--	--	--	--	--	--	--
11	Gujarat State Road Development Corporation Limited	500.00 100.00*	--	--	--	500.00 100.00*	--	--	--	2.27	327.37	329.64	0.55:1 (0.55:1)
	Sector wise total	**5,500.00** **100.00***	--	--	--	**5,500.00** **100.00***	--	--	--	**2.27**	**327.37**	**329.64**	**0.06:1** **(0.06:1)**
	AREA DEVELOPMENT SECTOR												
12	Gujarat State Rural Development Corporation Limited	58.00	--	--	--	58.00	--	--	--	--	--	--	--
13	Gujarat Growth Centres Development Corporation Limited	1,500.00	1,835.00 300.00*	--	--	3,335.00 300.00*	--	--	--	--	--	--	--
14	Gujarat Urban Development Company Limited	2,083.00 10.00*	--	--	--	2,083.00 10.00*	-- 10.00*	--	--	--	--	--	--
	Sector wise total	**3,641.00** **10.00***	**1,835.00** **300.00***	--	--	**5,476.00** **310.00***	-- **10.00***	--	--	--	--	--	--
	DEVELOPMENT OF ECONOMICALLY WEAKER SECTION SECTOR												
15	Gujarat Scheduled Castes Economic Development Corporation Limited ⊕	700.00	248.79	--	--	948.79	--	--	12.71	--	--	--	-- (0.81:1)

1	2	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
16	Gujarat Women Economic Development Corporation Limited	532.00	170.05	--	--	702.05	--	--	--	--	22.29	22.29	0.03:1 (0.05:1)
17	Gujarat Minorities Finance & Development Corporation Limited	115.00 20.00*	--	--	--	115.00 20.00*	-- 20.00*	50.00	100.00	340.00	3,589.42	3,929.42	29.11:1 (34.86:1)
18	Gujarat Gopalak Development Corporation Limited	25.00 10.00*	--	--	--	25.00 10.00*	-- 10.00*	--	--	--	281.96	281.96	8.06:1 (13.12:1)
19	Gujarat Safai Kamdar Vikas Nigam Limited	50.01 50.00*	--	--	--	50.01 50.00*	-- 50.00*	--	442.07	63.34	907.19	970.53	9.70:1 (13.18:1)
20	Gujarat Thakor and Koli Vikas Nigam	20.01	--	--	--	20.01	20.00	--	--	--	--	--	--
	Sector wise total	**1,442.02** **80.00***	**418.84**	--	--	**1,860.86** **80.00***	**20.00** **80.00***	**50.00**	**554.78**	**403.34**	**4,800.86**	**5,204.20**	**2.68:1** **(2.10:1)**
	PUBLIC DISTRIBUTION SECTOR												
21	Gujarat State Civil Supplies Corporation Limited	1,000.00	--	--	--	1000.00	--	--	--	--	--	--	--
	Sector wise total	**1,000.00**	--	--	--	**1,000.00**	--	--	--	--	--	--	--
	TOURISM SECTOR												
22	Tourism Corporation of Gujarat Limited	1,999.91	--	--	--	1999.91	--	--	--	55.40	--	55.40	0.03:1 (0.20:1)
	Sector wise total	**1,999.91**	--	--	--	**1,999.91**	--	--	--	**55.40**	--	**55.40**	**0.03:1** **(0.20:1)**
	POWER AND WATER RESOURCES SECTOR												
23	Gujarat Water Resources Development Corporation Limited	3,148.61	--	--	--	3,148.61	--	--	--	--	--	--	--
24	Sardar Sarovar Narmada Nigam Limited	11,88,022.20 24,947.44*	--	--	--	11,88,022.20 24,947.44*	1,14,730.24 24,947.44*	--	1,95,197.62	--	9,27,497.12	9,27,497.12	0.76:1 (0.81:1)
25	Gujarat Power Corporation Limited	20,027.47	--	--	1,930.10	21,957.57	--	--	--	--	--	--	--

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
26	Gujarat Water Infrastructure Limited	4,992.01 1,000.00*	--	--	--	4,992.01 1,000.00*	-- 1,000.00*	--	--	--	17,899.00	17,899.00	2.99:1 (3.96:1)
27	Gujarat Urja Vikas Nigam Limited	5.01	--	--	--	5.01	--	--	--	--	--	--	--
	Sector wise total	**12,16,195.30** **25,947.44***	--	--	**1,930.10**	**12,18,125.40** **25,947.44***	**1,14,730.24** **25,947.44***	--	**1,95,197.62**	--	**9,45,396.12**	**9,45,396.12**	**0.76:1** **(0.81:1)**
	FINANCING SECTOR												
28	Gujarat Industrial Investment Corporation Limited (GIIC)	25,697.77	--	--	--	25,697.77	--	--	--	2,500.00	39,903.71	42,403.71	1.65:1 (2.05:1)
29	Gujarat State Investments Limited	44,276.91	--	--	--	44,276.91	--	--	6,836.88	--	6,836.38	6,836.88	0.15:1
30	Gujarat State Financial Services Limited (GSFS Ltd.)	2,628.00	--	--	--	2,628.00	--	--	--	--	--	--	--
31	GSFS Capital & Securities Limited (Subsidiary of GSFS Ltd.)	--	--	500.00	--	500.00	--	--	--	--	--	--	--
	Sector wise total	**72,602.68**	--	**500.00**	--	**73,102.68**	--	--	**6,836.88**	**2,500.00**	**46,740.09**	**49,240.59**	**0.67:1** **(0.72:1)**
	MISCELLANEOUS SECTOR												
32	Gujart Rural Industries Marketing Corporation Limited	917.44	--	--	--	917.44	--	--	--	--	--	--	--
33	The Film Development Corporation of Gujarat Limited (b) ⊕	82.11	--	--	--	82.11	--	21.48	--	21.48	--	21.48	0.26:1 (0.26:1)
34	Alcock Ashdown (Gujarat) Limited	1200.00	--	--	400.00	1,600.00	--	--	--	--	--	--	--
35	Gujarat National Highways Limited	1,000.00	--	--	600.00	1,600.00	--	--	--	--	--	--	--
36	Gujarat Informatics Limited	1,706.44	--	--	145.00	1,851.44	--	--	--	1,375.00	--	1,375.00	0.74:1 (0.76:1)
	Sector wise total	**4,905.99**	--	--	**1,145.00**	**6,050.99**	--	**21.48**	--	**1,396.48**	--	**1,396.48**	**0.23:1** **(0.24:1)**
	TOTAL - A (All Sector wise Government companies)	**13,23,010.094** **26,987.79***	**2,820.10** **330.00***	**21,330.53** **500.00***	**18,608.15** **36.00***	**13,65,768.87** **27,853.79***	**1,14,855.09** **26,037.44***	**1,11,637.52**	**2,08,689.28**	**8,167.34**	**11,55,352.98**	**11,63,520.32**	**0.83:1** **(0.87:1)**

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
B	**WORKING STATUTORY CORPORATIONS**												
	POWER SECTOR												
1	Gujarat Electricity Board	--	--	--	--	--	--	35,805.00	1,00,962.00	3,09,141.00	6,53,116.00	9,62,257.00	--
	Sector wise total	**--**	**--**	**--**	**--**	**--**	**--**	**35,805.00**	**1,00,962.00**	**3,09,141.00**	**6,53,116.00**	**9,62,257.00**	**--**
	TRANSPORT SECTOR												
2	Gujarat State Road Transport Corporation	50,237.31	10,627.82	--	--	60,865.13	1,769.00	18,578.00	--	20,364.50	46,829.38	67,193.88	1.10:1 (1.08:1)
	Sector wise total	**50,237.31**	**10,627.82**	**--**	**--**	**60,865.13**	**1,769.00**	**18,578.00**	**--**	**20,364.50**	**46,829.38**	**67,193.88**	**1.10:1 (1.08:1)**
	FINANCE SECTOR												
3	Gujarat State Financial Corporation	4,909.04	--	--	4,002.36	8,911.40	--	13,878.00	--	17,980.10	95,801.05	1,13,781,.15	12.77:1 (13.16:1)
	Sector wise total	**4,909.04**	**--**	**--**	**4,002.36**	**8,911.40**	**--**	**13,878.00**	**--**	**17,980.10**	**95,801.05**	**1,13,781,.15**	**12.77:1 (13.16:1)**
	AGRICULTURE AND ALLIED SECTOR												
4	Gujarat State Warehousing Corporation	200.00	200.00	--	--	400.00	--	--	--	--	--	--	--
	Sector wise total	**200.00**	**200.00**	**--**	**--**	**400.00**	**--**	**--**	**--**	**--**	**--**	**--**	**--**
	MISCELLANEOUS SECTOR												
5	Gujarat Industrial Development Corporation	--	--	--	--	--	--	--	--	254.30	235.00	489.30	--
	Sector wise total	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**254.30**	**235.00**	**489.30**	**--**
	TOTAL (All Working Statutory corporations)	**55,346.35**	**10,827.82**	**--**	**4,002.36**	**70,176.53**	**1,769.00**	**68,261.00**	**1,00,962.00**	**3,47,739.90**	**7,95,981.43**	**11,43,721.33**	**16.30:1 (15.61:1)**
	TOTAL (All Working Government companies and Statutory corporations)	**13,78,356.44 26,987.79***	**13,647.92 330.00***	**21,330.53 500.00***	**22,610.51 36.00***	**14,35,945.40 27,853.79***	**1,16,624.09 26,037.44***	**1,79,898.52**	**3,09,651.28**	**3,55,907.24**	**19,51,334.41**	**23,07,241.65**	**1.58:1 (1.63:1)**
C	**NON WORKING COMPANIES**												
	AGRICULTURE AND 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 (b)	1045.81	--	--	--	1,045.81	--	83.92	--	10,381.87	1,098.73	11,480.60	10.98:1 (10.90:1)
	Sector wise total	**1,239.58**	**--**	**--**	**--**	**1,239.58**	**--**	**83.92**	**--**	**10,610.44**	**1,098.73**	**11,709.17**	**9.45:1**

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
	INDUSTRY SECTOR												
3	Gujarat Small Industries Corporation Limited	378.95	--	--	21.05	400.00	--	--	--	256.41	--	256.41	0.64:1 (0.64:1)
	Sector wise total	**378.95**	--	--	**21.05**	**400.00**	--	--	--	**256.41**	--	**256.41**	**0.64:1** **(0.64:1)**
	ELECTRONICS SECTOR												
4	Gujarat Communications and Electronics Limited (b)	1,245.01	--	--	--	1,245.01	--	--	--	90.00	869.26	959.26	0.77:1 (0.77:1)
5	Gujarat Trans-Receivers Limited (Subsidiary of GIIC) (b)	--	--	14.79	14.21	29.00	--	--	0.85	--	53.60	53.60	1.85:1 (1.82:1)
	Sector wise total	**1,245.01**	--	**14.79**	**14.21**	**1,274.01**	--	--	**0.85**	**90.00**	**922.86**	**1,012.86**	**0.80:1** **(0.80:1)**
	TEXTILES SECTOR												
6	Gujarat State Textile Corporation Limited (GSTC) (under liquidation) #	392.50 4,254.23*	--	--	--	392.50 4,254.23*	--	--	--	58,788.29	66.69	58,854.98	12.67:1 (12.67:1)
7	Gujarat Fintex Limited (under liquidation, subsidiary of GSTC)	--	--	Rs.200.00 only	--	Rs.200.00 only	--	--	--	--	0.85	0.85	--
8	Gujarat Siltex Limited (under liquidation, subsidiary of GSTC)	--	--	Rs.200.00 only	--	Rs.200.00 only	--	--	--	--	0.85	0.85	--
9	Gujarat Texfeb Limited (under liquidation, subsidiary of GSTC)	--	--	Rs.200.00 only	--	Rs.200.00 only	--	--	--	--	0.85	0.85	--
	Sector wise total	**392.50** **4,254.23***	--	**0.01**	--	**392.51** **4,254.23***	--	--	--	**58,788.29**	**69.24**	**58,857.53**	**12.67:1** **(12.67:1)**
	CONSTRUCTION SECTOR												
10	Gujarat State Construction Corporation Limited	500.00	--	--	--	500.00	--	0.78	--	648.10	--	648.10	1.30:1 (1.29:1)
	Sector wise total	**500.00**	--	--	--	**500.00**	--	**0.78**	--	**648.10**	--	**648.10**	**1.30:1** **(1.29:1)**
	Total (Non working companies)	**3,756.04** **4,254.23***	--	**14.80**	**35.26**	**3,806.10** **4,254.23***	--	**84.70**	**0.85**	**70,393.24**	**2,090.83**	**72,484.07**	**8.99:1** **(19.04:1)**
	GRAND TOTAL	**13,82,212.48** **31242.02***	**13,647.92** **330.00***	**21,345.33** **500.00***	**22,645.77** **36.00***	**14,39,751.50** **32,108.02***	**1,16,624.09** **26,037.44***	**1,79,983.22**	**3,09,652.13**	**4,26,300.48**	**19,53,425.24**	**23,79,725.72**	**1.62:1** **(1.68:1)**

Except in respect of PSUs which finalised their accounts for 2004-05 (Sl.No.A-2,A-5,A-8,A-9,A-14,A-17,A-20,A-21,A-24,A-25,A-26,A-27 A-29,A-30,A-31,A-32,A-36,A-37,A-39,A-40 B-3,B-4,B-5 and C-2) figures are provisional and as given by the respective PSUs.

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

** Represents long term loans only.

@@ Represents equity deposited by the Government in Company's personal ledger account, but not actual received by the Company.

* Respresents share application money

⊕ The company's have shown Nil balance in there latest finalised accounts (Sl. No. A-15 and 39 of *Annexure* -2) in accordance with the requirements of Simplified exit scheme 2005.

(b) Information as furnished by Company in earlier years.

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

Annexure-1

Annexure-2

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

Sl. No.	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
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
A	**Working Government companies**						
	AGRICULTURE AND ALLIED SECTOR						
1	Gujarat Agro Industries Corporation Limited	Agriculture and Co-operation	9 May 1969	2003-04	2004-05	221.32	--
2	Gujarat Sheep and Wool Development Corporation Limited	Agriculture and Co-operation	9 December 1970	2004-05	2005-06	(-) 5.07	
3	Gujarat State Seeds Corporation Limited	Agriculture and Co-operation	16 April 1975	2003-04	2004-05	361.10	--
4	Gujarat State Land Development Corporation Limited	Agriculture and Co-operation	28 March 1978	2002-03	2005-06	(-) 1,162.03	
	Sector wise total					**(-) 584.68**	--
	INDUSTRY SECTOR						
5	Gujarat State Petroleum Corporation Limited (GSPC Ltd.)	Energy and Petrochemicals	29 January 1978	2004-05	2005-06	30,516.98	--
	Sector wise total					**30,516.98**	--
	HANDLOOM AND HANDICRAFT SECTOR						
6	Gujarat State Handloom & Handicraft Development Corporation Limited	Industries and Mines	10 August 1973	2002-03	2005-06	(-) 474.77	--
	Sector wise total					**(-) 474.77**	--
	FOREST SECTOR						
7	Gujarat State Forest Development Corporation Limited	Forest and Environment	20 August 1976	2003-04	2004-05	81.31	125.66
	Sector wise total					**81.31**	**125.66**
	MINING SECTOR						
8	Gujarat Mineral Development Corporation Limited	Industries and Mines	15 May 1963	2004-05	2005-06	16,809.59	--

(Referred to in paragraphs 1.1,1.6, 1.7, 1.8, 1.9, ,1.10, 1.11, 1.14, 1.16, 1.21, 1.22, 1.50 and 1.51)

(Figures in columns 7 to 12 and 15 are rupees in lakh)

Paid-up capital	Accumu-lated Profit/ Loss(-)	Capital employed (A)	Total return on capital employed	Percent-age of return on capital employed	Arrears of accounts in terms of years	Turnover	No. of Employees as on 31-3-2005
(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
703.75	(-) 1,416.89	1,256.40	342.78	27.28	1	21,705.50	232
431.36	(-) 5.14	543.46	(-) 3.87	--	--	186.54	246
313.00	1,670.40	2,128.52	361.10	16.96	1	3,164.12	222
586.31	(-) 9,412.74	(-) 7,223.39	(-) 961.59	--	2	3,102.20	1,097
2,034.42	**(-) 9,164.37**	**(-) 3,295.01**	**(-) 261.58**	--	--	**28,158.36**	**1,797**
10,561.11 850.00@@	91,763.56	79,630.58	30,527.38	38.34	--	1,28,676.35	79
10,561.11 **850.00@@**	**91,763.56**	**79,630.58**	**30,527.38**	**38.34**	--	**1,28,676.35**	**79**
1,164.83 40.71*	(-) 3,245.03	(-) 676.10	(-) 370.14	--	2	754.73	222
1,164.83 **40.71***	**(-) 3,245.03**	**(-) 676.10**	**(-) 370.14**	--	--	**754.73**	**222**
601.65	1,087.13	2,289.92	81.49	3.56	1	858.01	255
601.65	**1,087.13**	**2,289.92**	**81.49**	**3.56**	--	**858.01**	**255**
3,180.00	2,989.79	1,80,521.33	16,829.11	9.32	--	36,925.50	2,771

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
9	Gujarat State Petronet Limited (Subsidiary of GSPC Ltd.)	Energy and Petrochemicals	23 December 1998	2004-05	2005-06	2,934.29	--
	Sector wise total					**19,743.88**	--
	CONSTRUCTION SECTOR						
10	Gujarat State Police Housing Corporation Limited	Home	1 November 1988	2002-03	2004-05	##	--
11	Gujarat State Road Development Corporation Limited	Roads and Building	12 May 1999	2003-04	2004-05	25.98	--
	Sector wise total					**25.98**	
	AREA DEVELOPMENT SECTOR						
12	Gujarat State Rural Development Corporation Limited	Panchayat Rural Housing and Rural Development	7 July 1977	2003-04	2004-05	(-) 29.17	--
13	Gujarat Growth Centres Development Corporation Limited	Industries and Mines	11 December 1992	2003-04	2004-05	3.84	--
14	Gujarat Urban Development Company Limited	Urban Development and Urban Housing	27 May 1999	2004-05	2005-06	40.41	Under process
	Sector wise total					**15.08**	
	DEVELOPMENT OF ECONOMICALLY WEAKER SECTION SECTOR						
15	Gujarat Scheduled Castes Economic Development Corporation Limited (B)	Social Justice and Empowerment	29 November 1979	1997-98	2005-06	--	--
16	Gujarat Women Economic Development Corporation Limited	Women and Child Development	16 August 1988	2003-04	2004-05	(-) 61.63	--
17	Gujarat Minorities Finance and Development Corporation Limited	Social Justice and Empowerment	24 September 1999	2004-05	2005-06	59.79	--
18	Gujarat Gopalak Development Corporation Ltd	Social Justice and Empowerment	18 May 2001	2002-03	2004-05	8.49	--
19	Gujarat Safai Kamdar Vikas Nigam Limited	Social Justice and Empowerment	24 October 2001	2003-04	2004-05	28.29	--
20	Gujarat Thakor and Koli Vikas Nigam	Social Justice and Empowerment	19 September 2003	2004-05	2005-06	(-) 1.57	--
	Sector wise total					**33.37**	--
	PUBLIC DISTRIBUTION SECTOR						
21	Gujarat State Civil Supplies Corporation Limited	Food & Civil Supplies	26 September 1980	2004-05	2005-06	69.07	--
	Sector wise total					**69.07**	
	TOURISM SECTOR						
22	Tourism Corporation of Gujarat Limited	Industries and Mines	10 June 1975	2003-04	2004-05	(-) 298.27	--
	Sector wise total					**(-) 298.27**	

(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
34,995.53	1,419.10	86,551.98	6,481.69	7.49	--	20,348.76	79
536.00*							
38,175.53	**4,408.89**	**2,67,073.31**	**23,310.80**	**8.73**	--	**57,274.26**	**2,850**
536.00*							
5,000.00	##	5,036.44	##	--	2	--	177
500.00	(-) 290.77	623.91	25.98	4.16	1	--	9
100.00*							
5,500.00	**(-) 290.77**	**5,660.35**	**25.98**	0.46	--	--	**186**
100.00*							
58.00	(-) 139.96	(-) 81.88	(-) 29.17	--	1	20.62	183
3,335.00	(-) 1.41	3,667.14	3.84	0.10	1	29.38	7
300.00*							
2,083.00	113.05	2,205.97	40.41	1.83	--	44.13	48
10.00*							
5,476.00	**(-) 28.32**	**5,791.23**	**15.08**	**0.26**	--	**94.13**	**238**
310.00*							
1437.00	(-) 145.29	--	--	--	7	--	99
702.05	$	776.64	(-) 61.63	--	1	--	28
115.00	(-) 87.65	3,879.13	225.01	5.80	--	321.00	6
20.00*							
5.00	9.48	383.28	18.54	4.84	2	--	2
10.00*							
50.01	34.86	804.07	49.68	6.18	1	--	6
20.01	(-) 3.57	5.58	(-) 1.57	--	--	--	7
2,329.07	**(-) 192.17**	**5,848.70**	**230.03**	**3.93**	--	**321.00**	**148**
30.00*							
1,000.00	(-) 236.74	15,412.53	673.30	4.37	--	66,910.47	398
1,000.00	**(-) 236.74**	**15,412.53**	**673.30**	4.37	--	**66,910.47**	**398**
1,719.91	(-) 1,972.59	3,174.37	(-) 241.83	--	1	444.57	379
1,719.91	**(-) 1,972.59**	**3,174.37**	**(-) 241.83**	--	--	**444.57**	**379**

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	POWER AND WATER RESOURCES SECTOR						
23	Gujarat Water Resources Development Corporation Limited	Narmada, Water Resources and Water Supply	3 May 1971	2003-04	2004-05	67.49	--
24	Sardar Sarovar Narmada Nigam Limited	Narmada, Water Resources and Water Supply	24 March 1988	2004-05	2005-06	**	--
25	Gujarat Power Corporation Limited	Energy and Petrochemicals	28 June 1990	2004-05	2005-06	2,082.42	--
26	Gujarat Water Infrastructure Limited	Narmada, Water Resources and Water Supply	25 October 1999	2003-04	2004-05	(-) 333.85	(-) 75.00
27	Gujarat Urja Vikas Nigam Limited	Energy and Petrochemicals	22 December 2004	The company has not finalised its first accounts			
	Sector wise total					**1,816.06**	**(-) 75.00**
	FINANCING SECTOR						
28	Gujarat Industrial Investment Corporation Limited (GIIC)	Industries and Mines	12 August 1968	2003-04	2004-05	(-) 5,279.88	--
29	Gujarat State Investments Limited	Industries and Mines	29 January 1988	2003-04	2004-05	1,126.41	--
30	Gujarat State Financial Services Limited (GSFS Ltd.)	Finance	20 November 1992	2004-05	2005-06	3,032.10	--
31	GSFS Capital and Securities Limited (Subsidiary of GSFS Ltd.)	Finance	3 March 1998	2004-05	2005-06	140.73	--
	Sector wise total					**(-) 980.64**	**--**
	MISCELLANEOUS SECTOR						
32	Gujarat Rural Industries Marketing Corporation Limited	Industries and Mines	16 May 1979	2003-04	2004-05	41.88	--
33	The Film Development Corporation of Gujarat Limited (B)	Information and Broadcasting	4 February 1984	2004-05	2005-06	--	--
34	Alcock Ashdown (Gujarat) Limited	Industries and Mines	5 September 1994	2004-05	2005-06	56.57	--
35	Gujarat National Highways Limited	Roads and Buildings	8 July 1997	2001-02	2004-05	132.85	--
36	Gujarat Informatics Limited	Science and Technology	19 February 1999	2003-04	2004-05	99.70	--
	Sector wise total					**331.00**	**--**
	Total - A (Working Government companies)					**50,294.37**	**50.66**

(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
3,148.61	(-) 2,900.48	24,038.70	74.15	0.31	1	5,168.62	3,850
11,88,022.20 24,947.00*	**	14,70,121.00	**	--	--	--	5,511
21,957.57	25,877.23	30,527.77	2,082.42	6.82	--	2,736.69	30
4,992.00	(-) 1,522.95	63,582.58	2,085.77	3.28	1	615.85	32
--	--	--	--	--	--	--	NF
12,18,120.38 **24,947.00***	**21,453.80**	**15,88,270.05**	**4,242.34**	**0.27**	--	**8,521.16**	**9,423**
25,697.77	(-) 23,132.85	87,337.52	1,690.25	1.94	1	5,427.02	133
44,276.91	2,201.85	51,155.79	1,126.41	2.20	1	1,145.53	2
2,628.00	5,473.38	1,73,520.08	13,142.18	7.57	--	13,722.61	20
500.00	47,313.05	1,03,420.15	140.73	0.14	--	181.12	3
73,102.68	**31,855.43**	**4,15,433.54**	**16,099.57**	**3.88**	--	**20,476.28**	**158**
917.44	(-) 54.26	1,301.00	69.75	5.36	1	725.74	87
--	--	--	--	--	--	--	NF
1,600.00	68.78	8,426.31	56.57	0.67	--	567.46	235
1,600.00	344.21	1,947.55	132.85	6.82	3	--	NF
1,851.44	11.20	2,921.44	99.70	3.41	1	314.07	52
5,968.88	**369.93**	**14,596.30**	**358.87**	**2.46**	--	**1,607.27**	**374**
13,65,754.46 **26,813.71***	**1,35,808.75**	**23,99,209.77**	**74,691.29**	**3.11**	--	**3,14,096.59**	**16,507**

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
B	**Working Statutory corporations**						
	POWER SECTOR						
1	Gujarat Electricity Board	Energy and Petrochemicals	1 May 1960	2003-04	2004-05	(-) 1,93,180.00	(-) 52,539.00
	Sector wise total					**(-) 1,93,180.00**	**(-) 52,539.00**
	TRANSPORT SECTOR						
2	Gujarat State Road Transport Corporation	Home	1 May 1960	2003-04	2005-06	(-) 9,077.83	Under process
	Sector wise total					**(-) 9,077.83**	
	FINANCING SECTOR						
3	Gujarat State Financial Corporation	Industries and Mines	1 May 1960	2004-05	2005-06	(-) 13,821.88	Under process
	Sector wise total					**(-) 13,821.88**	
	AGRICULTURE AND ALLIED SECTOR						
4	Gujarat State Warehousing Corporation	Agriculture and Co-operation	5 December 1960	2004-05	2005-06	246.26	Under process
	Sector wise total					**246.26**	
	MISCELLANEOUS SECTOR						
5	Gujarat Industrial Development Corporation	Industries and Mines	4 August 1962	2004-05	2005-06	139.40	Under process
	Sector wise total					**139.40**	
	Total - B (Working Satutory corporations)					**(-) 2,15,694.05**	**(-) 52,539.00**
	Grand total (A+B)					**(-) 1,65,399.68**	**(-) 52,488.34**
C	**Non-working Government companies**						
	AGRICULTURE AND ALLIED SECTOR						
1	Gujarat Fisheries Development Corporation Limited	Ports and Fisheries	17 December 1971	1998-99	2002-03	(-) 104.91	--
2	Gujarat Dairy Development Corporation Limited@	Agriculture and Co-operation	29 March 1973	2004-05	2005-06	2,638.48	Under process
	Sector wise total					**2,533.57**	--

(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
--	(-) 7,35,902.00	3,16,599.00	(-) 58,722.00	--	1	9,00,312.00	45,023
--	**(-) 7,35,902.00**	**3,16,599.00**	**(-) 58,722.00**	**--**	**--**	**9,00,312.00**	**45,023**
59,096.13 1,786.50#	(-) 1,09,344.74	13,494.32	(-) 1,226.93	--	1	1,34,017.55	52,043
59,096.13 **1,786.50#**	**(-) 1,09,344.74**	**13,494.32**	**(-) 1,226.93**	**--**	**--**	**1,34,017.55**	**52,043**
8,911.40	(-) 87,248.35	1,39,851.03	(-) 2,483.34	--	--	6,224.56	457
8,911.40	**(-) 87,248.35**	**1,39,851.03**	**(-) 2,483.34**	**--**	**--**	**6,224.56**	**457**
400.00	(-) 288.41	495.77	246.26	49.67	--	332.28	190
400.00	**(-) 288.41**	**495.77**	**246.26**	**49.67**	**--**	**332.28**	**190**
--	14,697.27	1,57,723.20	225.64	0.14	--	17,909.11	1,886
--	**14,697.27**	**1,57,723.20**	**225.64**	**0.14**	**--**	**17,909.11**	**1,886**
68,407.53 **1786.50#**	**(-) 9,18,086.23**	**6,28,163.32**	**(-) 61,960.37**	**--**	**--**	**10,58,795.50**	**99,599**
14,34,161.99 **26,813.71*** **1,786.50#**	**(-) 7,82,277.48**	**30,27,373.09**	**12,730.92**	**0.42**	**--**	**13,72,892.09**	**1,16,106**
193.77	(-) 400.87	87.38	(-) 93.59	--	6	2,813.01	--
1,045.81	(-) 12,344.23	(-) 140.25	2,638.48	--	--	--	15
1,239.58	**(-) 12,745.10**	**(-) 52.87**	**2,544.89**	**--**	**--**	**2,813.01**	**15**

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	INDUSTRY SECTOR						
3	Gujarat Small Industries Corporation Limited	Industries and Mines	26 March 1962	2003-04	2005-06	(-) 390.67	--
	Sector wise total					**(-) 390.67**	
	ELECTRONICS SECTOR						
4	Gujarat Communications and Electronics Limited	Industries and Mines	30 May 1975	2001-02$$	2002-03	(-) 3,412.98	--
5	Gujarat Trans-Receivers Limited (Subsidiary of GIIC)	Industries and Mines	26 March 1981	2003-04	2005-06	(-) 25.25	--
	Sector wise total					**(-) 3,438.23**	
	TEXTILES SECTOR						
6	Gujarat State Textile Corporation Limited(GSTC)	Industries and Mines	30 November 1968	1996-97	@@	(-) 29,755.34	--
7	Gujarat Fintex Limited (Subsidiary of GSTC)	Industries and Mines	20 September 1992	1994-95	1995-96	(-) 0.08	--
8	Gujarat Siltex Limited (Subsidiary of GSTC)	Industries and Mines	20 September 1992	1994-95	1995-96	(-) 0.08	--
9	Gujarat Texfab Limited (Subsidiary of GSTC)	Industries and Mines	20 September 1992	1994-95	1995-96	(-) 0.08	--
	Sector wise total					**(-) 29,755.58**	
	CONSTRUCTION SECTOR						
10	Gujarat State Construction Corporation Limited	Roads and Buildings	16 December 1974	2003-04	2004-05	(-) 167.13	--
	Sector wise total					**(-) 167.13**	--
	Total - C (Non-working Government companies)					**(-) 31,218.04**	--
	Grand total (A+B+C)					**(-) 1,96,617.72**	**(-) 52,488.34**

(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).

(B) The Company has applied (July 2005) to Registrar of companies for striking off the name under the simplified exit scheme-2005.

* Indicates Share application money.

** Indicates the PSU is under construction.

@@ Indicates the PSU is under liquidation and provisional figures.

$$ Results of six month accounts only.

(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
400.00	(-) 6,344.43	1,231.03	(-) 20.84	--	1	--	6
400.00	**(-) 6,344.43**	**1,231.03**	**(-) 20.84**	--	--	--	**6**
1245.01	(-) 10,473.66	882.59	(-) 3,013.29	--	Under liquidation since 2003	557.01	--
29.00	(-) 595.37	(-) 392.07	(-) 25.25	--	1	--	--
1,274.01	**(-) 11,069.03**	**490.52**	**(-) 3,038.54**	--	--	**557.01**	--
392.50 4254.23*	(-) 90,855.00	(-) 24,162.81	(-) 24,880.57	--	Under liquidation since 1997	756.60	--
Rs.200.00 only	(-) 0.17	(-) 0.01	(-) 0.08	--	Under liquidation since 1997	--	--
Rs.200.00 only	(-) 0.18	(-) 0.02	(-) 0.08	--	Under liquidation since 1997	--	--
Rs.200.00 only	(-) 0.18	(-) 0.02	(-) 0.08	--	Under liquidation since 1997	--	--
392.51 **4254.23***	**(-) 90,855.53**	**(-) 24,162.86**	**(-) 24,880.81**	--	--	**756.60**	--
500.00	(-) 3,194.97	378.65	(-) 93.83	--	1	3,730.25	11
500.00	**(-) 3,194.97**	**378.65**	**(-) 93.83**	--	--	**3,730.25**	**11**
3,806.10 **4,254.23***	**(-) 1,24,209.06**	**(-) 22,115.53**	**(-) 25,489.13**	--	--	**7,856.87**	**32**
14,37,968.09 **31,067.94*** **1,786.50#**	**(-) 9,06,486.54**	**30,05,257.56**	**(-) 12,758.21**	--	--	**13,80,748.96**	**1,16,138**

NF Information not furnished by the Company.

\# Capital loan from Central Government.

@ Indicates the PSU declared sick by BIFR.

$ Excess of income tranferred to non-plan grant.

\## Capitalised.

Annexure-3

Statement showing grants and subsidy received/ receivable, guarantees received, waiver of dues, loans on which moratorium allowed and loans converted into equity during the year and guarantees outstanding at the end of March 2005

(Referred to in paragraphs 1.5, 1.11 and 1.19)

(Figures in column 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 moratorium allowed	Loan converted into equity during the year
		Central Government	State Government	Others	Total	Cash Credit from banks	Loan from other sources	Letter of credit opened by banks in respect of import	Payment obligation under agreement with foreign consultants or contracts	Total	Loan Repayment 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	230.44	1,122.07	--	1,352.51	--	--	--	--	--	--	--	--	--	--	--
2	Gujarat Sheep and Wool Development Corporation Limited	--	363.71	--	363.71	--	--	--	--	--	--	--	--	--	--	--
3	Gujarat State Land Development Corporation Limited	3,004.29	5,205.48	--	8,209.77	--	--	--	--	--	--	--	--	--	--	--
4	Gujarat State Handloom & Handicrafts Development Corporation Limited	--	180.00	--	180.00	--	--	--	--	--	--	--	--	--	--	--
5	Gujarat State Forest Development Corporation Limited	120.00	--	--	120.00	--	-- (898.21)	--	--	-- (898.21)	--	--	--	--	--	--
6	Gujarat Mineral Development Corporation Limited	--	--	-- --		--	-- (25,000.00)	--	--	-- (25,000.00)	--	--	--	--	--	--
7	Gujarat State Police Housing Corporation Limited	--	16,564.42	--	16,564.42	--	--	--	--	--	--	--	--	--	--	--
8	Gujarat State Rural Development Coporation Limited	339.82	117.82	--	457.64	--	--	--	--	--	--	--	--	--	--	--
9	Gujarat Scheduled Castes Economic Development Corporation Limited	552.87	300.00	--	852.87	--	-- (2,188.54)	--	--	-- (2,188.54)	--	--	--	--	--	--
10	Gujarat Women Economic Development Corporation Limited	32.66	193.00	250.00	475.66	--	-- (22.29)	--	--	-- (22.29)	--	--	--	--	--	--
11	Gujarat Minorities Finance and Development Corporation Limited	--	--	-- --		--	-- (3,122.18)	--	--	-- (3,122.18)	--	--	--	--	--	-- --
12	Gujarat Gopalak Development Corporation Limited	--	10.00	--	10.00	--	-- (197.10)	--	--	-- (197.10)	--	--	--	--	--	--
13	Gujarat Safai Kamdar Vikas Nigam Limited	373.59	937.00	--	1,310.59	--	-- (500.00)	--	--	-- (500.00)	--	--	--	--	--	--
14	Gujarat Thakor and Koli Vikas Nigam	--	15.00	--	15.00	--	-- (200.00)	--	--	-- (200.00)	--	--	--	--	--	--

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
15	Gujarat State Civil Supplies Corporation Limited	--	13.02	--	13.02	--	--	--	--	--	--	--	--	--	--	--
16	Tourism Corporation of Gujarat Limited	204.96	996.11	--	1,201.07	--	--	--	--	--	--	--	--	--	--	280.00
17	Gujarat Water Resources Development Corporation Limited	--	3,746.00	--	3,746.00	--	--	--	--	--	--	--	--	--	--	--
18	Sardar Sarovar Narmada Nigam Limited	--	--	--	--	25,000.00	55,000.00	--	--	80,000.00	--	--	--	--	--	--
						(65,000.00)	(437,931.51)		(49,738.74)	(552,670.25)						--
19	Gujarat Water Infrastructure Limited	--	6,200.00	--	6,200.00	--	--	--	--	--	--	--	--	--	--	--
							(17,899.00)			(17,899.00)						--
20	Gujarat Industrial Investment Corporation Limited	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
							(16,010.00)			(16,010.00)						--
21	Gujarat Rural Industries Marketing Corporation Limited	--	12.00	--	12.00	--	--	--	--	--				--	--	--
22	Alcock Ashdown (Gujarat) Limited	--	--	--	--	--	--	--	--	--	--	--	--	--	--	10.00
23	Gujarat Informatics Limited	--	1,076.04	35.00	1,111.04	--	--	--	--	--	--	--	--	--	--	--
	TOTAL - A (All working Government	**4,858.63**	**37,051.67**	**285.00**	**42,195.30**	**25,000.00**	**55,000.00**	--	--	**80,000.00**	--	--	--	--	--	**290.00**
						(65,000.00)	**(503,968.83)**		**(49,738.74)**	**(618,707.57)**						
B	**Working statutory corporations**															
1	Gujarat Electricity Board	--	144,562.00	--	144,562.00		55,500.00	--	--	55,500.00	--	--	--	--	--	--
						(33,500.00)	(557,799.19)			(591,299.19)	--	--	--			
2	Gujarat State Road Transport Corporation	--	31,009.00	--	31,009.00	--	--	--	--	--	--	--	--	--	--	--
							(57,720.00)			(57,720.00)						
3	Gujarat State Financial Corporation	--	246.76	--	246.76	--	--	--	--	--	--	--	--	--	--	--
							(30,619.00)			(30,619.00)						
4	Gujarat Industrial Development Corporation	4,156.00	1,774.00	--	5,930.00	--	--	--	--	--	--	--	--	--	--	--
						(1,422.00)				(1,422.00)						
	Total (All working statutory corporations)	**4,156.00**	**177,591.76**	--	**181,747.76**	--	**55,500.00**	--	--	**55,500.00**	--	--	--	--	--	--
						(34,922.00)	**(646,138.19)**		--	**(681,060.19)**						
	Total (All working Government companies and corporations)	**9,014.63**	**214,643.43**	**285.00**	**223,943.06**	**25,000.00**	**110,500.00**	--	--	**135,500.00**	--	--	--	--	--	**290.00**
						(99,922.00)	**(1,150,107.02)**		**(49,738.74)**	**(1,299,767.76)**						
C	NON-WORKING COMPANIES															
1	Gujarat Communication and Electronics Limited@	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
							(4,000.00)			(4,000.00)						
	Total (All non-working Government companies)	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
							(4,000.00)			**(4,000.00)**						
	GRAND TOTAL	9,014.63	214,643.43	285.00	223,943.06	25,000.00	110,500.00	--	--	135,500.00	--	--	--	--	--	290.00
						(99,922.00)	(1,154,107.02)		(49,738.74)	(1,303,767.76)						

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

@ indicates information furninshed by the company for earlier years

Except in respect of PSUs which finalised their accounts for 2004-05 (Sl.No.A-2,A-6,A-11,A-14,A-15,A-18,A-19,A-23,B-3 and B-4) figures are provisional and as given by the PSUs.

Annexure - 4

Statement showing financial position of Statutory corporations

(Referred to in paragraph 1.7)

1. Gujarat Elecricity Board **(Rupees in crore)**

Particulars	2001-02	2002-03	2003-04
A. Liabilities			
Loans from Government	908.29	766.37	2755.07
Other long-term loans(including bonds)	5,403.67	7,461.52	6,165.49
Reserves and surplus	1,663.16	2,216.91	2,683.04
Current liabilities and provisions	7,814.81	7,285.69	8,094.63
Total-A	**15,789.93**	**17,730.49**	**19,698.23**
B. Assets			
Gross fixed assets	10,770.09	11,508.99	12,393.87
Less: Depreciation	5,436.47	6,057.92	6,818.36
Net fixed assets	5,333.62	5,451.07	5,575.51
Capital works-in-progress	819.57	656.85	722.83
Deferred cost	22.44	18.59	16.29
Current assets	3,909.55	5,248.80	4,962.28
Investments	753.34	927.96	1,062.30
Miscellaneous expenditure	--		
Accumulated losses	4,951.41	5,427.22	7,359.02
Total-B	**15,789.93**	**17,730.49**	**19,698.23**
(C) Capital employed#	**2,247.93**	**4,071.03**	**3,165.99**

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

Particulars	2001-02	2002-03	2003-04
A. Liabilities			
Capital (including capital loan & equity capital)	574.67	588.72	608.83
Borrowings (Government.:-)	---	---	
(Others:-)	591.87	612.99	617.85
Funds*	1.00	1.42	1.71
Trade dues and other current liabilities (including provisions)	1,261.95	391.21	409.28
Total - A	**2,429.49**	**1,594.34**	**1,637.67**
B. Assets			
Gross Block	645.23	643.83	640.94
Less:Depreciation	406.20	483.86	543.72
Net fixed assets	239.03	159.97	97.22
Capital works-in-progress (including cost of chassis)	--	---	--
Investments	--	---	--
Current assets, loans and advances	289.80	431.70	447.00
Deferred Cost	--	---	--
Accumulated losses	1,900.66	1,002.67	1,093.45
Total - B	**2,429.49**	**1,594.34**	**1,637.67**
C. Capital employed##	**(-)710.42**	**200.46**	**134.94**

3. Gujarat State Financial Corporation **(Rupees in crore)**

Particulars	2002-03	2003-04	2004-05
A. Liabilities			
Paid-up capital	89.11	89.11	89.11
Forfeited Shares	9.21	9.21	9.21
Reserve fund and other reserves and surplus	96.61	92.08	89.46
Borrowings:			
(i) Bonds and debentures	589.52	530.26	359.27
(ii) Fixed Deposits	0.13	0.13	0.13
(iii) Industrial Development Bank of India &			
Small Industries Development Bank of India	589.83	588.89	588.85
(iv) Reserve Bank of India	--	--	--
(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)	47.89~	106.42	232.83
Other liabilities and provisions	118.20	127.58	172.58
Total - A	**1,546.53**	**1,549.71**	**1,547.47**
B. Assets			
Cash and Bank balances	25.41	10.45	21.06
Investments	15.64	11.62	9.63
Loans and Advances	929.68	744.07	604.82
Net fixed assets	22.71	21.22	19.67
Other assets	20.36	17.77	15.28
Miscellaneous expenditure	5.22	10.00	4.53
Accumulated losses	527.51	734.58	872.48
Total - B	**1,546.53**	**1,549.71**	**1,547.47**
C. Capital employed**	**1,399.12**	**1,425.23**	**1,398.51**

4. Gujarat State Warehousing Corporation **(Rupees in crore)**

Particulars	2002-03	2003-04	2004-05
A. Liabilities			
Paid-up-capital	4.00	4.00	4.00
Reserves and surplus	4.49	3.82	3.84
Borrowings (Government.:-)	--	--	--
(Others:-)	--	--	--
Trade dues and current liabilities (including provisions)	5.21	5.62	4.60
Total - A	**13.70**	**13.44**	**12.44**
B. Assets			
Gross Block	8.28	7.68	8.86
Less: Depreciation	3.47	3.30	3.54
Net fixed assets	4.81	4.38	5.32
Capital works-in-progress	1.15	1.14	--
Current assets, loans and advances	4.00	2.99	4.24
Accumulated losses	3.74	4.93	2.88
Total - B	**13.70**	**13.44**	**12.44**
C. Capital employed ##	**4.75**	**2.89**	**4.96**

5 Gujarat Industrial Development Corporation (Rupees in crore)

Particulars	2002-03	2003-04	2004-05
A. Liabilities			
Loans	19.75	11.44	4.89
Subsidy from Government	9.03	10.93	14.31
Reserves and surplus	464.11	465.58	466.97
Receipts on capital account	973.59	1,043.81	1,136.53
Current liabilities and provisions (including deposits)	286.94	402.18	335.59
Total - A	**1,753.42**	**1,933.94**	**1,958.29**
B. Assets			
Gross block	21.03	21.30	21.29
Less:Depreciation	9.21	10.00	10.75
Net fixed assets	11.82	11.30	10.54
Works-in-progress	20.76	62.17	0.28
Capital expenditure on development of industrial estates etc.	904.08	973.28	927.19
Investments	143.71	159.56	161.39
Other assets	668.28	727.62	858.89
Miscellaneous expenditure	4.77	0.01	--
Total - B	**1,753.42**	**1,933.94**	**1,958.29**
C. Capital employed* **	**1,442.27**	**1,499.12**	**1,577.23**

\# 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.

@ Figures have been revised to incorporate the final adopted accounts of 2001-02.

** 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 lines of credits amounting to Rs.61.97 crore.

*** 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.

~ This includes loan in the form of Letter of Credit amounting to Rs.42.63 crore.

Annexure - 5

Statement showing working results of Statutory corporations

(Referred to in paragraph 1.7)

1. Gujarat Electricity Board **(Rupees in crore)**

Sl.No.	Particulars	2001-02	2002-03	2003-04
1	(a) Revenue receipts	7,550.53	8,406.65	9,003.12
	(b) Subsidy/Subvention from Government	2,578.65	1,805.14	1,101.09
	Total	10,129.18	10,211.79	10,104.21
2	Revenue expenditure (net of expenses capitalised) including write off of intangible assets but excluding depreciation and interest	8,995.93	9,400.30	9,445.72
3	Gross surplus (+)/deficit(-) for the year (1-2)	1,133.25	811.49	658.49
4	Adjustments relating to previous years	(-) 43.54	210.65	(-) 466.84
5	Final gross surplus(+)/deficit(-) for the year (3+4)	1,089.71	1,022.14	191.65
6	Appropriations:			
	(a) Depreciation (less capitalised)	694.40	725.67	778.87
	(b) Interest on Government loans	118.04	(-) 357.62	38.33
	(c) Interest on other loans, bonds, advance, etc. and finance charges	899.30	1,129.90	1,306.25
	(d) Total interest on loans & finance charges (b+c)	1,017.34	772.28	1,344.58
	(e) Less:-Interest capitalised	--	--	--
	(f) Net interest charged to revenue (d-e)	1,017.34	772.28	1,344.58
	(g) Total appropriations (a+f)	1,711.74	1,497.95	2,123.45
7	Surplus(+)/deficit(-)before accounting for subsidy from State Government {5-6(g)-1(b)}	(-) 3,200.68	(-) 2,280.95	(-) 3032.89
8	Net surplus(+)/deficit(-){5-6(g)}	(-) 622.03	(-) 475.81	(-) 1931.80
9	**Total return on capital employed***	**395.31**	**296.47**	**(-) 587.22**
10	**Percentage of return on capital employed**	**17.59**	**7.28**	--

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

Sl.No.	Particulars	2001-02	2002-03	2003-04
1	**Operating**			
	(a) Revenue	1,169.31	1,271.77	1,340.17
	(b) Expenditure	1,478.76	1,430.37	1,427.25
	(c) Surplus (+)/Deficit(-)	(-) 309.45	(-) 158.60	(-) 87.08
2	**Non-operating**			
	(a) Revenue	47.79	36.47	75.23
	(b) Expenditure	130.63	65.12	78.93
	(c) Surplus(+)/Deficit(-)	(-) 82.84	(-) 28.65	(-) 3.70
3	**Total**			
	(a) Revenue	1,217.10	1,308.24	1,415.40
	(b) Expenditute	1,609.39	1,495.49	1,506.18
	(c) Net Profit(+)/Loss(-)	(-) 392.29	(-) 187.25	(-) 90.78
	Interest on capital and loans	64.80	64.82	78.51
	Total return on Capital employed	**(-) 327.49**	**(-) 122.43**	**(-) 12.27**

3. Gujarat State Financial Corporation (Rupees in crore)

Sl.No.	Particulars	2002-03	2003-04	2004-05
1	**Income**			
	(a) Interest on loans	36.01	41.05	61.78
	(b) Other income	3.69	7.88	2.89
	Total - 1	**39.70**	**48.93**	**64.67**
2	**Expenses**			
	(a) Interest on long-term and short-term loans	146.66	120.85	113.39
	(b) Other expenses	94.64	86.56	89.50
	Total-2	**241.30**	**207.41**	**202.89**
3	Profit before tax (1-2)	(-) 201.60	(-) 158.47	(-) 138.22
4	Prior period adjustments	--		
5	Provision for tax	--		
6	Profit(+)/ Loss (-) after tax	(-) 201.60	(-) 158.47	(-) 138.22
7	Provision for non performing assets	34.73	50.10	25.85
8	Other appropriations	--	--	--
9	Amount available for dividend #	--	--	--
10	Dividend paid	--	--	--
11	**Total return on Capital employed**	**(-) 54.94**	**(-) 37.62**	**(-) 24.83**
12	**Percentage of return on Capital employed**	**--**	**--**	**--**

4. Gujarat State Warehousing Corporation (Rupees in crore)

Sl.No.	Particulars	2002-03	2003-04	2004-05
1	**Income**			
	(a) Warehousing charges	3.53	2.10	3.32
	(b) Other income	0.05	0.14	3.12
	Total-1	**3.58**	**2.24**	**6.44**
2	**Expenses**			
	(a) Establishment charges	2.91	3.08	2.79
	(b) Other expenses	0.82	0.58	1.19
	Total-2	**3.73**	**3.66**	**3.98**
3	Profit(+)/ Loss (-) before tax	(-) 0.15	(-) 1.42	2.46
4	Provision for tax	--	--	0.13
5	Prior period adjustments	--	0.04	0.27
6	Other appropriations	0.02	0.02	0.02
7	Amount available for dividend	--	--	--
8	Dividend for the year	--	--	--
9	**Total return on capital employed**	**(-) 0.15**	**(-) 1.42**	**2.46**
10	**Percentage of return on capital employed**	**--**	**--**	**49.67**

5. Gujarat Industrial Development Corporation (Rupees in crore)

Sl.No.	Particulars	2002-03	2003-04	2004-05
1	Revenue Receipts	146.34	155.10	179.09
2	Net expenditure after capitalisation	145.34	153.64	177.70
3	Excess of income over expenditure	1.00	1.46	1.39
4	Provision for replacement, renewals and for additional liability	--	--	--
5	Net surplus	1.00	1.46	1.39
6	**Total return on capital employed**	**2.36**	**2.68**	**2.26**
7	**Percentage of return on capital employed**	**0.16**	**0.18**	**0.14**

* 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 1.12)

1. Gujarat Electricity Board

Particulars	2001-02	2002-03	2003-04
Installed capacity			
(a) Thermal	3,759#	3,759	3,759
(b) Hydro	547	547	547
(c) Gas	201	27	27
(d) Other	--	--	
Total	**4,507**	**4,333**	**4,333**
Normal maximum demand	8,476	9,040	
Power generated :			
(a) Thermal	22,633	22,293	20,504
(b) Hydro	284	589	859
(c) Other	--	--	--
Total	**22,917**	**22,882**	**21,363**
Less:Auxiliary consumption			
(a) Thermal	2,141	2,144	2,066
(percentage)	(9.46)	(9.61)	(10.06)
(b) Hydro	6	7	8
(percentage)	(2.11)	(1.19)	(0.93)
(c) Other	--	--	
(percentage)	--	--	
Total	**2,147**	**2,151**	**2,074**
(percentage)	(9.37)	(9.40)	(9.71)
Net power generated	20,770	20,731	19,289
Power purchased:			
(a) Within the State			
-Government	--	--	
-Private	7,356	11,548	12,216
(b) Other States	--	--	--
(c) Central Grid	13,296	12,614	12,134
Total power available for sale	41,422	44,893	43,639
Power sold:			
(a) Within the State	31,834	30,886	30,976
(b) Outside the State	126	31	25
Transmission and distribution losses	9,462	13,976	12,638
Plant Load Factor (percentage)	66.20	66.96	62.10
Percentage of Transmission and distribution losses to total power available for sale	22.84	31.13	28.96
Number of villages/towns electrified	18,212	18,212	18,212
Number of pump sets/wells energised	7,33,000	7,64,564	6,48,053
Number of sub-stations	725	739	768
Transmission/distribution lines (in kms)			
(a) High/medium voltage	1,76,235	1,81,220	1,87,504
(b) Low voltage	2,06,543	2,11,655	2,17,745
Connected load (in MW)	16,414	16,424	16,878
Number of consumers	73,32,979	74,74,402	78,60,353
Number of employees	50,628	50,687	45,023
Consumer/employees Ratio	145:1	147:1	174.59:1
Total expenditure on staff during the year (Rs.in crore)	735.49	745.99	777.37
Percentage of expenditure on staff to total revenue expenditure	6.82	6.79	6.63
Units sold			
(a) Agriculture	15,674	12,940	11,605
(Percentage share to total units sold)	(49.04)	(141.86)	(37.44)

Particulars	2001-02	2002-03	2003-04
(b) Industrial	8,646	9,439	9,910
(Percentage share to total units sold)	(27.05)	(30.53)	(31.97)
(c) Commercial	866	971	1,114
(Percentage share to total units sold)	(2.71)	(13.14)	(3.59)
(d) Domestic	2,937	3,117	3,523
(Percentage share to total units sold)	(9.19)	(10.08)	(11.36)
(e) Other	3,837	4,450	4,849
(Percentage share to total units sold)	(12.01)	(14.39)	(15.64)
Total	**31,960**	**30,917**	**31,001**
(a) Revenue (excluding subsidy from Government) (paise per KWH)	236.25	271.91	290.41
(b) Expenditure* (paise per KWH)	310.46	336.96	344.59
(c) Profit(+)/Loss(-) (paise per KWH)	(-) 74.21	(-) 65.05	(-) 54.28
(d) Average subsidy claimed from Government (in Rupees)	0.81	0.58	0.35
(e) Average interest charges (in Rupees)	0.25	0.16	0.29

2. Gujarat State Road Transport Corporation

Particulars	2001-02	2002-03	2003-04
Average number of vehicles held	9,662	9,336	9,042
Average number of vehicles on road	8,300	7,793	7,729
No. of Employees	58,324	58,324	52,111
Employee vehicle ratio	7.03	7.48	6.74
Percentage of utilisation of vehicles	85.9	83.47	85.50
Number of routes operated at the end of the year	16,052	18,507	17,275
Route kilometres	9,87,244	11,26,944	11,07,360
Kilometres operated (in lakh)			
(a) Gross	11,027.59	10,294.21	10,215.91
(b) Effective	10,935.05	10,199.21	10,126.16
(c) Dead	92.54	95	89.75
Percentage of dead kilometres to gross kilometres	0.81	0.93	0.89
Average kilometres covered per bus per day	363.90	361.40	360.80
Operating revenue per kilometre (Paise)	1,069.33	1,246.94	1,323.48
Average expenditure per kilometre (Paise)	1,352.31	1,402.44	1,409.47
Profit(+)/Loss(-) per kilometre (Paise)	(-)350.01	(-)155.5	(-)85.99
Number of operating depots	140	140	138
Average number of break-down per lakh kilometres	7.1	10.3	11.7
Average number of accidents per lakh kilometres	0.16	0.16	0.16
Passenger kilometre operated (in crore)	3,701.54	3,464.96	2,933.64
Occupancy ratio	66.36	67.47	56.75
Kilometres obtained per litre of:			
(a) Diesel Oil	5.30	5.30	5.24
(b) Engine Oil	3,223	2,391	1,420

3. Gujarat State Financial Corporation

Particulars	2002-03		2003-04		2004-05	
	Number	Amount (Rupees in crore)	Number	Amount (Rupees in crore)	Number	Amount (Rupees in crore)
Applications pending at the beginning of the year	52	52.21	31	49.03	--	--
Applications received	--	--	--	--	--	--
Total	**52**	**52.21**	**31**	**49.03**	--	--
Applications sanctioned	21	3.18	--	--	--	--
Applications cancelled/withdrawn/ rejected/ reduced	--	--	--	--	--	--
Applications pending at the close of the year	31	49.03	--	--	--	--
Loans disbursed	604	21.76	31	3.11	--	--
Loan outstanding at the close of the year		871.54		737.54		604.82
Amount overdue for recovery at the close of the year						
(a) Principal		360.53		638.21		666.82
(b) Interest		764.29		1,212.03		1,298.29
Total		**1,124.82**		**1,850.24**		**1,965.11**
Percentage of overdue to the total loans outstanding		129.06		250.87		324.91

4.Gujarat State Warehousing Corporation

Particulars	2002-03	2003-04	2004-05
Number of stations covered	75	49	61
Storage capacity created upto the end of the year (tonne in lakh)			
(a) Owned	1.35	1.35	1.29
(b) Hired	0.08	0.17	0.98
Total	**1.43**	**1.52**	**2.27**
Average capacity utilised during the year (tonne	0.72	0.94	2.05
Percentage utilisation	50.35	61.84	90.31
Average revenue per tonne per year (Rupees)	498.61	238.06	314.60
Average expenses per tonne per year (Rupees)	519.44	388.63	194.29
Profit (+)/Loss (-) per tonne (Rupees)	(-) 20.83	(-) 150.57	120.31

5. Gujarat Industrial Development Corporation

Particulars	2002-03 (Provi.)	2003-04	2004-05 (P) $
Number of estates	248	236	237
Area (in hectares)			
(a) Acquired	25,095	26,063	26,096
(b)Developed	14,059	17,127	17,765
(c)Allotted	13,431	12,481	12,524
Sheds			
(a) Constructed	12,231	12,332	12,332
(b) Allotted	12,276	11,751	11,873
Housing Quarters			
(a) Constructed	12,834	12,868	12,868
(b) Allotted	11,906	11,127	11,198
Percentage of			
(a) Area developed to area acquired	56.12	65.71	68.07
(b) Area allotted to area developed	95.53	72.87	70.49
(c) Sheds allotted to sheds constructed	99.87	95.28	96.27
(d) Quarters allotted to quarters constructed	92.76	86.47	87.02

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.

$ The figures are provisional.

ANNEXURE-7

Status of implementation of reform programme against each commitment made in the MOU

(Referred to in paragraph 1.15)

Sl. No.	Commitments as per MOU	Targeted completion schedule	Status (As on 31 March 2005)
1	Reduction in Transmission and Distribution (T&D) losses	No target fixed	26.40 *per cent* (Provisional)
2	100 *per cent* electrification of all villages	No target fixed. However, out of 18028 villages, electrification was to be done for 17940 villages. Electrification of remaining 88 villages was not feasible.	100 *per cent*
3	100 *per cent* metering of all distribution feeder	No target fixed as the achievement was made even before entering into MoU.	100 *per cent*
4	100 *per cent* metering of all agriculture consumers	9.10.2003	26.78 *per cent*
5	Securitised outstanding dues of Central Public Sector Undertakings (CPSUs)	Outstanding dues with CPSUs was Rs.1411.49 crore (National Thermal Power Corporation Limited: Rs.837.24 crore, Nuclear Power Corporation Limited: Rs.369.95 crore, Power Grid Corporation of India Limited: Rs.70.05 crore, South Eastern Coalfields Limited: Rs.134.25 crore).	The dues of CPSUs were reconciled and bonds of Rs.1628.71 crore (NTPC : Rs.837.24 crore PGCIL : Rs.70.04 crore SECF : Rs.351.48 crore NPC : Rs.369.95 crore) were issued by Government of Gujarat against the dues.

Annexure-8

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

(Referred to in paragraph 1.52)

(Figures in column 5 to 19 are 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(+)/ loss(-)
					State Govern-ment	State Govern ment PSUs	Central Govern-ment and their PSUs	State Govern-ment	State Govern ment PSUs	Central Govern-ment and their PSUs	State Govern-ment	State Govern-ment PSUs	Central Govern-ment and their PSUs	State Govern-ment	State Govern-ment PSUs	Central Govern-ment and their PSUs		
(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	2004-05	52.29	--	20.84 (38.92)	20.85 (38.94)	--	164.24	--	--	--	--	--	185.08	20.85	48.47	(-) 263.28
2	Gujarat State Electricity Corporation Limited	Working	2004-05	57,330.01	--	57,330.01 (100.00)	--	--	--	51,037.38	--	--	--	--	57330.01	51,037.38	7,841.33	15,262.22
3	Gujarat Leather Industries Limited	Under liquidation	2001-02	150.00	--	76.50 (51.00)	--	21.42	184.35	--	--	--	--	21.42	260.85	--	(-) 78.76	(-) 665.95
4	Gujarat Ports Infrastructure and Development Company Limited	Working	2003-04	1,800.00	--	1,800.00 (100.00)	--	--	--	--	--	--	--	--	1,800.00	--	(-) 3.11	(-) 13.98
5	Gujarat State Fertilizers and Chemicals Limited	Working	2004-05	7,969.55	--	3,166.12 (39.73)	1,828.65 (22.94)	7,243.35	3,700.00	14,442.24	247.24	--	--	7,490.59	6,866.12	16,270.89	25,262.97	15,763.09
6	Gujarat Industrial and Technical Consultancy Limited	Working	2004-05	20.00	--	6.47 (32.35)	13.53 (67.65)	--	--	--	--	--	--	--	6.47	13.53	1.42	15.01
7	Gujarat Alkalies and Chemicals Limited	Working	2004-05	7,343.77	--	2,667.22 (36.32)	1,065.32 (14.51)	--	--	36,268.66	--	--	--	--	2,667.22	37,333.98	26,841.81	4,024.54
8	Gujarat State Energy Generation Limited	Working	2003-04	16,148.00	--	9,197.00 (57.00)	6,951.00 (43.00)	--	--	14,252.00	--	--	--	--	9,197.00	21,203.00	526.08	350.54
9	Gujarat Energy Transmission Vorporation Limited	Working	2004-05	45.01	--	45.01 (100.00)	--	--	--	--	--	--	--	--	45.01	--	--	--
10	Dakshin Gujarat Vij Company Limited	Working	2004-05	5.01	--	5.01 (100.00)	--	--	--	--	--	--	--	--	5.01	--	--	--
11	Madhya Gujarat Vij Company Limited	Working	2004-05	5.01	--	5.01 (100.00)	--	--	--	--	--	--	--	--	5.01	--	--	--
12	Paschim Gujarat Vij Company Limited	Working	2004-05	5.01	--	5.01 (100.00)	--	--	--	--	--	--	--	--	5.01	--	--	--
13	Uttar Gujarat Vij Company Limited	Working	2004-05	5.01	--	5.01 (100.00)	--	--	--	--	--	--	--	--	5.01	--	--	--

* Figures in bracket indicates percentage of paid up capital

Annexure-9

Statement showing crop wise production of foundation seeds

(Referred to in paragraphs 2.2.8 and 2.2.10)

(In quintal)

Year	Season	Crop	Production		
			Target	Actual	Pass quantity
2000-01	Kharif and Summer	Cereals	7,245.00	4,082.44	3,872.69
		Pulses	972.00	869.52	532.38
		Oilseeds	10,726.00	16,774.08	13,737.74
		Cotton	484.00	31.42	24.64
		Total	**19,427.00**	**21,757.46**	**18,167.45**
	Rabi	Cereals	6,250.00	7,213.39	5,810.23
		Pulses	350.00	128.71	128.71
		Oilseeds	750.00	331.24	331.24
		Total	**7,350.00**	**7,673.34**	**6,270.18**
	Season total		**26,777.00**	**29,430.80**	**24,437.63**
2001-02	Kharif and Summer	Cereals	6,170.00	5,646.93	4,920.81
		Pulses	820.00	751.09	637.38
		Oilseeds	16,938.00	22,151.98	7,459.80
		Cotton	283.00	303.80	178.27
		Others	41.00	25.63	25.63
		Total	**24,252.00**	**28,879.43**	**13,221.89**
	Rabi	Cereals	9,235.00	10,243.34	8,852.14
		Pulses	450.00	337.09	337.09
		Oilseeds	300.00	194.54	194.54
		Others	55.00	30.00	29.00
		Total	**10,040.00**	**10,804.97**	**9,412.77**
	Season total		**34,292.00**	**39,684.40**	**22,634.66**
2002-03	Kharif and Summer	Cereals	7,305.00	4,781.25	4,519.45
		Pulses	1,360.00	788.49	715.89
		Oilseeds	9,885.00	8,065.63	8,059.82
		Cotton	100.00	10.60	3.40
		Others	230.00	82.68	82.68
		Total	**18,880.00**	**13,728.65**	**13,381.24**
	Rabi	Cereals	11,200.00	8,151.04	7,303.64
		Pulses	200.00	24.00	24.00
		Oilseeds	300.00	170.55	170.55
		Others	80.00	27.45	27.20
		Total	**11,780.00**	**8,373.04**	**7,525.39**
	Season total		**30,660.00**	**22,101.69**	**20,906.63**
2003-04	Kharif and Summer	Cereals	5,745.00	4,732.69	3,935.62
		Pulses	1,280.00	1,161.95	944.41
		Oilseeds	4,404.00	4,924.72	4,878.22
		Cotton	134.00	147.04	78.57
		Others	250.00	134.45	126.84
		Total	**11,813.00**	**11,100.85**	**9,963.66**
	Rabi	Cereals	8,935.00	6,745.75	6,611.05
		Pulses	345.00	260.15	260.15
		Oilseeds	280.00	288.27	288.27
		Others	240.00	47.34	47.34
		Total	**9,800.00**	**7,341.51**	**7,206.81**
	Season total		**21,613.00**	**18,442.36**	**17,170.47**
2004-05	Kharif and Summer	Cereals	5,160.00	4,184.00	3,189.49
		Pulses	1,890.00	940.05	317.90
		Oilseeds	6,160.00	3,053.67	2,924.53
		Cotton	101.00	91.05	84.54
		Others	185.00	44.40	27.85
		Total	**13,496.00**	**8,313.17**	**6,544.31**
	Grand Total		**1,26,838.00**	**1,17,942.42**	**91,693.70**

Annexure-10

Statement showing crop wise production of certified seeds

(Referred to in paragraphs 2.2.8 and 2.2.11

(In quintal)

Year	Season	Crop	Production		
			Target	Actual	Pass
2000-01	Kharif and Summer	Cereals	10,660.00	9,091.81	9,166.16
		Pulses	5,480.00	2,945.95	3,279.77
		Oilseeds	77,060.00	34,893.55	24,976.63
		Cotton	5,070.00	4,420.84	3,527.01
		Others	15.00	12.53	5.76
		Total	**98,285.00**	**51,364.68**	**40,955.33**
	Rabi	Cereals	31,840.00	32,314.17	28,708.00
		Pulses	1,940.00	332.04	332.04
		Oilseeds	800.00	711.11	678.13
		Others	660.00	889.11	877.91
		Total	**35,240.00**	**34,246.43**	**30,596.08**
	Total		**1,33,525.00**	**85,611.11**	**71,551.41**
2001-02	Kharif and Summer	Cereals	12,990.00	15,269.41	14,437.59
		Pulses	7,780.00	6,336.53	5,994.64
		Oilseeds	30,970.00	24,460.65	23,225.72
		Cotton	4,940.00	6,222.30	4,366.16
		Others	520.00	313.52	306.52
		Total	**57,200.00**	**52,602.41**	**48,330.63**
	Rabi	Cereals	41,065.00	40,858.35	37,417.75
		Pulses	1,475.00	1,253.63	1,253.63
		Oilseeds	900.00	797.69	797.69
		Others	1,255.00	1,099.96	1,072.96
		Total	**44,695.00**	**44,009.63**	**40,542.03**
	Total		**1,01,895.00**	**96,612.04**	**88,872.66**
2002-03	Kharif and Summer	Cereals	9,420.00	8,448.90	8,374.70
		Pulses	8,535.00	5,610.60	5,481.60
		Oilseeds	29,350.00	15,101.44	14,803.88
		Cotton	1,750.00	1,903.59	1,030.33
		Others	628.00	176.88	170.70
		Total	**49,683.00**	**31,241.41**	**29,861.21**
	Rabi	Cereals	50,400.00	37,426.77	35,080.52
		Pulses	955.00	934.02	934.02
		Oilseeds	540.00	454.50	454.50
		Others	4,175.00	1,721.82	1,708.13
		Total	**56,070.00**	**40,537.11**	**38,177.17**
	Total		**1,05,733.00**	**71,778.52**	**68,038.38**
2003-04	Kharif and Summer	Cereals	10,400.00	11,196.82	11,617.24
		Pulses	8,560.00	3,766.42	3,813.44
		Oilseeds	43,130.00	34,603.82	31,699.38
		Cotton	3,158.00	2,133.63	1,464.48
		Others	667.00	263.42	238.22
		Total	**65,915.00**	**51,964.11**	**48,832.76**
	Rabi	Cereals	53,260.00	40,389.25	36,720.08
		Pulses	1,255.00	951.30	923.80
		Oilseeds	855.00	973.73	973.73
		Others	1,725.00	1,042.62	1,042.62
		Total	**57,095.00**	**43,356.90**	**39,660.23**
	Total		**1,23,010.00**	**95,321.01**	**88,492.99**
2004-05	Kharif and Summer	Cereals	14,765.00	15,921.94	16,300.34
		Pulses	4,990.00	2,163.00	1,633.20
		Oilseeds	55,000.00	18,468.00	16,573.53
		Cotton	2,600.00	1,531.27	1,522.77
		Others	677.00	240.19	240.19
		Total	**78,032.00**	**38,324.40**	**36,270.03**
	Grand Total		**5,42,215.00**	**3,87,647.08**	**3,53,225.47**

Annexure-11

Statement showing shortfall in achievement of Seed Multiplication Ratio (SMR)

(Referred to in paragraph 2.2.12)

(In quintal)

Year/ Crop	Standard SMR	Actual SMR		Quantity used		Shortfall in yield from	
		Breeder	Foundation	Breeder	Foundation	Breeder	Foundation
2000-01							
Groundnut	1:10	1:11	1:3	--	3,800	--	26,600
Soyabean	1:25	1:8	1:6	20	253	340	4,807
Castor	1:300	--	1:55	--	284	--	69,580
Cotton Va	1:100	1:1	1:44	6	18	594	1,008
Gram	1:10	1:8	1:3	17	79	34	553
2001-02							
Groundnut	1:10	--	1:5	--	3,320	--	16,600
Soyabean	1:25	1:7	1:9	85	198	1530	3,168
Castor	1:300	--	1:81	--	22	--	4,818
Cotton Va	1:100	1:37	1:50	4	17	252	850
Gram	1:10	1:6	--	59	--	236	--
2002-03							
Groundnut	1:10	1:6	1:3	1,282	2,728	5,128	19,096
Soyabean	1:25	1:9	1:7	45	263	720	4,734
Castor	1:300	--	1:42	--	20		5,160
Cotton Va	1:100	1:3	1:22	31	36	97	2,808
Gram	1:10	1:1	1:8	19	74	171	148
2003-04							
Groundnut	1:10	1:9	1:8	552	2,978	552	5,956
Soyabean	1:25	1:7	1:9	19	174	342	2,784
Castor	1:300	--	1:69	--	114	--	26,334
Cotton Va	1:100	1:70	1:31	1	22	30	1,518
Gram	1:10	1:9	--	29	--	29	--
2004-05							
Groundnut	1:10	1:5	1:3	475	2,554	2,375	17,878
Soyabean	1:25	--	--	18	113	216	1,469
Castor	1:300	--	--	--	--	--	--
Cotton Va	1:100	1:36	1:28	2	36	128	2,592
Gram	1:10	1:20	1:8	15	151	--	302
Total						**12,774**	**2,18,763**
Shortfall in yield : Breeder and Foundation (12,774 + 2,18,763)							**2,31,537**

Annexure-12

Statement showing the installed capacity, quantity processed and utilisation of seed processing plants

(Referred to in paragraph 2.2.13)

Location of Plants	No. of processing plants	Installed Capacity (Quintal)	2000-01		2001-02		2002-03		2003-04		2004-05	
			Seed processed (Quintal)	Percentage of plants utilisation	Seed processed (Quintal)	Percentage of plants utilisation	Seed processed (Quintal)	Percentage of plants utilisation	Seed processed (Quintal)	Percentage of plants utilisation	Seeds processed (Quintal)	Percentage of plant utlisation
Gandhinagar	4	1,12,000.00	33,615.00	30.01	35,877.00	32.03	30,421.00	27.16	28,676.00	25.60	23,544.00	21.02
Vyara	1	32,000.00	9,626.29	30.08	8,103.04	25.32	5,240.00	16.38	6,480.00	20.25	5,250.00	16.41
Godhara	2	50,000.00	5,230.65	10.46	8,380.97	16.76	8,230.39	16.46	10,027.67	20.06	5,773.00	11.55
Amreli	3	80,000.00	9,764.84	12.21	6,015.00	7.52	13,773.00	17.22	9,777.90	12.22	4,831.00	6.04
Rajkot	2	56,000.00	17,941.53	32.04	16,369.95	29.23	15,215.74	27.17	16,698.61	29.82	6,514.00	11.63
Junagarh	3	80,000.00	13,915.00	17.39	21,013.00	26.27	12,087.25	15.11	17,509.33	21.89	9,239.00	11.55
Mehsana	1	32,000.00	4,314.17	13.48	4,418.36	13.81	7,477.12	23.37	5,342.28	16.69	5,038.00	15.74
Grand Total	**16**	**3,30,000.00**	**94,407.48**	**21.36**	**1,00,177.32**	**22.66**	**92,444.50**	**20.92**	**94,511.79**	**21.38**	**60,189.00**	**13.62**

Annexure-13

Statement showing availability and sale of certified and labelled seeds

(Referred to in paragraph 2.2.14)

(In quintal)

Year	Crop	Seed available for sale	Actual	Percentage of sale to availability
2000-01	Cereals	52,103.35	43,484.14	83.46
	Pulses	7,670.57	4,859.69	63.36
	Oilseeds	34,551.13	32,235.03	93.30
	Cotton	5,007.98	1,981.97	39.58
	Others	1,974.85	1,686.30	85.39
	Total	**1,01,307.88**	**84,247.13**	**83.16**
2001-02	Cereals	47,454.23	46,532.70	98.06
	Pulses	6,421.40	4,368.57	68.03
	Oilseeds	40,437.10	34,459.90	85.22
	Cotton	5,760.51	4,047.21	70.26
	Others	3,061.31	2,892.43	94.48
	Total	**1,03,134.55**	**92,300.81**	**89.50**
2002-03	Cereals	55,818.95	50,251.85	90.03
	Pulses	9,192.68	6,515.36	70.88
	Oilseeds	44,190.49	38,577.99	87.30
	Cotton	7,352.24	2,385.66	32.45
	Others	3,221.88	1,835.98	56.98
	Total	**1,19,776.24**	**99,566.84**	**83.13**
2003-04	Cereals	45,030.14	43,663.91	96.97
	Pulses	7,866.54	6,173.62	78.48
	Oilseeds	26,863.65	25,746.58	95.84
	Cotton	4,541.74	3,133.32	68.99
	Others	3,215.63	2,895.01	90.03
	Total	**87,517.70**	**81,612.44**	**93.25**
2004-05	Cereals	50,144.41	46,320.98	92.38
	Pulses	5,891.33	3,264.38	55.41
	Oilseeds	39,161.29	35,552.37	90.78
	Cotton	2,650.72	1,677.39	63.28
	Others	1,549.80	1,499.78	96.77
	Total	**99,397.55**	**88,314.90**	**88.85**
Grand Total		**5,11,133.92**	**4,46,042.12**	**87.27**

Annexure - 14

Statement showing the norms for stack emission and actual emission during 2000-05

(Referred to in paragraph 4.14.5)

Name of the Unit	Unit Norms	2000-01			2001-02			2002-03			2003-04			2004-05		
		SPM 150 Mg/ Mm3	SO_2 100 ppm#	NO_X 50 ppm	SPM 150 Mg/ Mm3	SO_2 100 ppm	NO_X 50 ppm	SPM 150 Mg/ Mm3	SO_2 100 ppm	NO_X 50 ppm	SPM 150 Mg/ Mm3	SO_2 100 ppm	NO_X 50 ppm	SPM 150 Mg/ Mm3	SO_2 100 ppm	NO_X 50 ppm
Ukai	IA	165	16	2.2	330	49	2.3	60	59	4.3	124	26	4.0	156	59	4.70
	IB	213	16	2.3	223	64	1.8	110	61	4.3	175	18	1.2	106	46	3.87
	IIA	169	25	3.0	110	47	4.1	67	43	4.3	113	52	3.18	168	58	4.31
	IIB	135	24	3.2	56	50	5.7	50	52	2.2	89	45	2.54	124	43	2.31
	IIIA	238	28	3.5	162	36	3.8	127	49	3.2	276	37	2.14	213	46	2.92
	IIIB	309	27	3.4	263	43	4.1	154	48	2.9	290	40	2.43	202	57	2.82
	IVA	343	31	3.3	166	43	3.8	98	51	2.6	99	39	1.79	199	66	2.06
	IVB	410	32	3.3	326	46	4.0	131	51	2.3	120	44	2.13	183	56	2.06
	VA	226	27	3.0	213	40	4.6	105	45	1.5	123	35	1.45	171	62	1.73
	VB	362	33	3.8	197	47	3.2	130	40	1.7	156	40	2.17	190	63	2.43
Gandhinagar	IA	443	135	1.1	211	47	2.2	160	156	37.7	217	189	27.79	160	101	4.10
	IB	998	109	1.1	210	53	2.3	152	161	37.9	180	161	24.64			
	IIA	376	70	1.3	331	34	2.6	174	124	55.9	178	102	7.53	198	81	3.32
	IIB	454	66	1.3	359	37	2.8	169	117	50.9	192	143	8.17			
	IIIA	416	123	1.2	314	43	2.8	185	126	50.4	748	206	35.70	445	114	3.77
	IIIB	428	136	1.1	282	47	3.4	170	121	46.7	526	277	30.39			
	IVA	269	132	2.0	231	45	2.7	262	116	63.7	621	187	22.76	157	88	4.01
	IVB	412	128	1.8	271	46	2.8	545	124	62.8	533	197	23.30			
	VA	306	107	1.4	179	47	2.9	92	97	71.4	110	168	25.99	155	121	4.20
	VB	281	87	1.5	175	45	2.7	84	106	70.1	105	171	28.10			
Wanakbori	I	141	54	23.5	208	37	2.4	222	63	18.9	247	88	14.49	383	96	13.13
	II	151	58	22	169	22	0.8	232	66	21.0	245	79	15.42	357	88	11.55
	III	165	51	19	192	30	1.8	226	66	22.4	257	88	16.14	290	93	11.88
	IV	158	61	20.5	192	33	0.8	152	62	17.6	219	95	15.48	252	98	12.54
	V	165	57	20.2	201	28	1.7	180	81	20.2	188	86	15.84	228	92	11.71
	VI	166	79	22.4	190	41	2.1	187	80	19.5	203	87	15.87	244	91	12.39
	VII	139	81	22.7	133	31	1.1	123	69	18.5	131	84	15.62	133	87	11.12

* mg/nm3-milligram per normal cubic meter.

ppm - particles per million.

Annexure-15

Statement showing the designed and actual ash contents in the coal during 2000-05

(Referred to in paragraph 4.14.7)

Name of the Unit	Unit norms	Design ash content of ESP in coal	Actual ash content in coal									
			2000-01		2001-02		2002-03		2003-04		2004-05	
			Min	Max	Min	Max	Min	Max	Min	Max	Min	Max
Ukai	I	40	36.76	43.01	35.69	44.85	35.21	38.97	32.64	37.17	31.33	35.54
	II	40	36.76	43.01	35.69	44.85	35.21	38.97	32.64	37.17	31.33	35.54
	III	25	36.76	43.01	35.69	44.85	35.21	38.97	32.64	37.17	31.33	35.54
	IV	25	36.76	43.01	35.69	44.85	35.21	38.97	32.64	37.17	31.33	35.54
	V	28	36.76	43.01	35.69	44.85	35.21	38.97	32.64	37.17	31.33	35.54
Gandhinagar	I	27	29.09	39.81	24.90	33.96	17.21	37.27	28.45	42.73	32.75	44.57
	II	27	28.61	39.78	21.65	32.52	25.01	37.88	31.79	43.22	33.13	42.16
	III	35	28.61	40.86	23.92	36.73	32.62	37.25	29.58	42.87	31.48	40.93
	IV	35	25.99	40.12	26.66	34.71	30.55	40.51	33.07	41.68	28.74	40.96
	V	42	28.17	39.47	26.47	36.99	30.79	39.39	31.52	45.07	32.59	44.74
Wanakbori	I	28	35.28	39.22	30.65	38.62	36.66	40.42	34.35	39.54	34.24	41.19
	II	28	35.28	39.22	30.65	38.62	36.66	40.41	34.39	39.92	34.33	41.01
	III	28	35.28	39.22	30.65	38.62	36.66	40.12	35.19	39.94	33.15	41.03
	IV	28	35.28	39.22	30.65	38.62	36.66	39.46	36.41	41.34	32.87	40.35
	V	28	35.28	39.22	30.65	38.62	36.66	39.56	35.82	40.12	34.01	40.26
	VI	28	35.28	39.22	30.65	38.62	36.66	40.78	35.08	41.82	33.20	40.80
	VII	28	35.28	39.22	30.65	38.62	36.66	41.19	37.07	42.65	34.46	41.44

ESP - Electro static Precipitator

Annexure - 16

List of the working Government companies test checked in audit to examine the matters relating to corporate governance

(Referred to in paragraph 4.19)

Sl. No.	Name of the Government Company	Sl. No.	Name of the Government Company
	Listed Companies		
1	Gujarat Mineral Development Corporation Limited **(GMDC)**	2	Sardar Sarovar Narmada Nigam Limited **(SSNNL)**
	Unlisted Companies		
1	Gujarat Sheep & Wool Development Corpn. Limited **(GUSHEEL)**	16	Gujarat Rural Industries Marketing Corpn. Limited **(GRIMCO)**
2	Gujarat State Petroleum Corpn. Limited **(GSPC)**	17	Gujarat Gopalak Development Corpn. Limited**(GGDCL)**
3	Gujarat Thakor & Koli Vikas Nigam **(GTKVN)**	18	Gujarat State Forest Development Corpn.Limited**(GSFDC)**
4	Gujarat State Seeds Corpn. Limited **(GSSCL)**	19	Gujarat State Police Housing Corpn. Limited **(GSPHC)**
5	Gujarat State Civil Suppliers Corpn. Limited **(GSCSC)**	20	Gujarat State Land Development Corpn. Limited **(GSLDC)**
6	Gujarat Minorities Finance & Development Corpn. Limited**(GMFDC)**	21	Gujarat State Rural Development Corpn. Limited **(GSRDC)**
7	Gujarat Safai Kamdar Vikas Nigam **(GSKVN)**	22	Gujarat State Petronet Limited **(Petronet)**
8	Gujarat Water Infrastructure Limited **(GWIL)**	23	Gujarat Urban Development Company Limited **(GUDC)**
9	Gujarat Industrial Investment Corpn. Limited **(GIIC)**	24	Gujarat Water Resources Devl. Corpn.Limited **(GWRDC)**
10	Alcock Ashdown (Gujarat) Limited **(AAGL)**	25	Gujarat State Financial Services Ltd **(GSFS)**
11	GSFS Capital and Securities Limited **(GSFS Caps)**	26	Gujarat Power Corporation Limited **(GPCL)**
12	Gujarat Women Economic Development Corporation Limited **(GWEDC)**	27	Gujarat Growth Centres Development Corporation Ltd **(GGCDC)**
13	Gujarat State Handloom & Handicrafts Development Corporation Limited **(GSHHDC)**	28	Gujarat State Road Development Corporation Limited **(GRDC)**
14	Gujarat Informatics Ltd **(GIL)**	29	Gujarat State Investments Ltd **(GSIL)**
15	Gujarat Agro Industries Corporation Ltd **(GAIC)**	30	Tourism Corporation of Gujarat Ltd **(TCGL)**

Annexure - 17

Statement showing the position of attendance of directors in the Board of Directors' meetings

(Referred to in paragraph 4.19.9)

Sl. No.	Name of Govt. Company	Position of attendance of Directors in BOD meeting
1	2	3
1.	GUSHEEL	Two non-executive directors did not attend any of the four meetings in 2001-02; three attended only one out of four meetings during 2001-02, four did not attend any of the four meetings in 2003-04 and three did not attend any of the four meetings held in 2004-05.
2.	GSPC	One non-executive director did not attend any of the nine meetings held in 2001-02 and 2002-03 during his tenure. Another non-executive director attended only one out of four meetings held in 2002-03.
3.	Petronet	One non-executive director did not attend any of the 15 meetings held (2001-02 to 2003-04). Another non-executive director did not attend any of the 11 meetings held during 2002-03 and 2003-04.
4.	GRIMCO	One non-executive director attended only one out of seven meetings held during his tenure (2001-02 to 2002-03) and another non-executive director did not attend any of the five meetings in 2004-05.
5.	GUDC	One director attended only one out of 13 meetings held during his tenure (2001-02 to 2004-05). Another director did not attend any of the three meetings held during tenure in 2002-03.
6.	GSKVN	Out of four meetings held during 2001-02, the Managing Director and one non-executive director attended only two and one meeting respectively.
7.	GSSCL	One non-executive director did not attend any of the six meetings held during 2001-02. Another non-executive director attended only one meeting out of 24 meetings held (2001-02 to 2004-05). Another non-executive director attended only one out of eight meetings held during his tenure (2001-03). One non-executive director attended only one out of four meetings held in 2002-03.
8.	GSRDC	One non-executive director attended only one out of 10 meetings held during 2001-02 and 2002-03. Another non-executive director attended only two out of seven meetings held during tenure (2001-03).
9.	GSCSC	One director attended only one out of nine BOD meetings held during 2001-02 and 2002-03. Another director did not attend any of the four meetings held during his tenure in 2002-03. Another director attended only five out of 14 meetings held during 2002-05.
10.	GWIL	One non-executive director did not attend any of the four meetings held during 2002-03. Another non-executive director attended only one out of eight meetings held during 2001-03.
11.	GWRDC	One non-executive director attended only two Board meetings out of 10 BOD meetings held during tenure (2001-03). Another non-executive director attended only one out of five meetings held during 2001-02.

1	2	3
12.	GSPHC	One non-executive director attended only one out of four meetings held during 2001-02. Another non-executive director did not attend any of the eight meetings held in 2002-03 and 2004-05. Another non-executive director did not attend any of the four meetings held in 2004-05.
13.	GSLDC	One director attended only three out of 13 meetings held (2001-04). Another director did not attend any of the eight meetings held during 2003-05.
14.	GIIC	One non-executive director attended only one out five meetings held during tenure (2001-02). Another non-executive director attended only two out of seven meetings held during 2001-02. Another non-executive director attended only one out of four meetings held during 2003-04. In 2004-05, out of seven meetings, two non-executive directors attended only two and three meetings respectively.
15.	GSFDC	Three directors did not attend any of the five, six and eight meetings held during tenure (2001-03). Another director attended only three out of eight meetings held during 2001-03.
16.	GGDCL	Three non-executive directors did not attend any of the eight, nine and four meetings held during tenure 2001-04. Another non-executive director attended one out of eight meetings held during tenure of 24 months.
17.	GSFS	One non-executive director attended only three out of seven board meetings held during 2002-03.
18.	GPCL	One non-executive director attended only two meetings each in 2001-02 and 2002-03 out of six and four held during these years. Another non-executive director attended only one out of four meetings held during 2003-04.
19.	GGCDC	One non-executive director did not attend any meeting and another non-executive director attended only one out of 12 meetings held during 2001-02, 2002-03 and 2004-05. Another non-executive director did not attend any meetings held during 2002-03.
20.	GSHHDC	One non-executive director did not attend any of the 11 meetings held during 2001-04. Other two directors did not attend three out of four meetings held during 2004-05.
21.	GRDC	One non-executive director did not attend any of the meetings held during tenure during 2001-02. Two non-executive directors attended only one meeting out of 12 meetings and seven meetings held during tenure 2001-04. Another non-executive director attended only one out of nine meetings held during 2003-05.
22.	GTKVN	One non-executive director attended only one out of four meetings held during 2004-05.
23	TCGL	One non-executive director attended only one out of 14 meetings held from December 2001 to March 2005.
24	GSIL	One non-executive director attended only one out of five meetings held during 2004-05.
25	GAIC	One non-executive director attended only one out of 12 meetings held during 2001-02 to July 2004. Another non-executive director did not attend any of the six meetings held from June 2003 to September 2004.
26	AAGL	Three non-executive directors did not attend any of the four meetings held during 2004-05

Annexure - 18

Statement showing the position of vacancy of Chairman/ Directors in the Board of Directors

(Referred to in paragraph 4.19.10)

Sl. No.	Name of Govt. Company	Position of vacancy of Chairman/Directors
1	2	3
1.	GUSHEEL	Posts of Chairman and three non-executive directors were lying vacant since February 2003.
2.	GSPC	Posts of two non-executive directors were vacant during 2001-2002 and 2002-03; and posts of ten non-executive directors were vacant during 2003-04 and 2004-05.
3.	GRIMCO	Posts of three non-executive directors were lying vacant during March 2003 to December 2004 and that of four, since March 2003.
4.	GUDC	Posts of seven directors were vacant during 2001-02 to November 2004 and eight from December 2004 onwards.
5.	GGDCL	Posts of four non-executive directors were lying vacant since January 2003.
6.	GSSCL	Posts of seven non-executive directors were lying vacant since January 2003.
7.	GTKVN	Posts of seven non-executive directors were lying vacant since its incorporation in September 2003.
8.	GSRDC	Posts of six non-executive directors were lying vacant from January 2003, two from March 2003 and one from January 2004 onwards.
9.	GSCSC	Posts of eight directors were lying vacant since January 2003. The MD was changed five times during 2001-02 to 2002-03 (i.e. in October 2001, December 2001, April 2002, September 2002 and October 2002).
10.	GWIL	Posts of 10 non-executive directors were vacant during 2001-02 to 2003-04 and nine vacant during 2004-05.
11.	GMFDC	Posts of two non-executive directors were vacant during 2001-02 and posts of nine non-executive directors were lying vacant since 2002-03.
12.	GSKVN	Posts of six non-executive directors were vacant from October 2001 to March 2005, one from January 2003 to March 2005 and two from August 2003 to March 2005.

1	2	3
13.	GWRDC	Posts of six non-executive directors were lying vacant from March 2003 to March 2005 and one from May 2003 to March 2005.
14.	GSPHC	Posts of six non-executive directors were vacant since February 2003.
15.	GSLDC	Post of two directors were vacant from April 2001, one from June 2001, three from January 2003 , one from April 2003 and two from July 2003 onwards.
16.	GIIC	Post of one director each was vacant from September 1997 to March 2005, July 2001 to March 2005 and September 2001 to March 2005.
17.	GSFDC	Posts of nine non-executive directors were vacant as on March 2005 (one from April 1998, one from July 2002, three from November 2002, one from February 2003, one from May 2003 and two from September 2004 onwards).
18.	AAGL	Post of one non-executive director was lying vacant from November 1997 and another from May 1999.
19.	GPCL	Post of one non-executive director was lying vacant from June 2002 to March 2004and that of six from February 2003 to March 2005. MD was changed five times during 2001 to 2004.
20.	GWEDC	Posts of four non-executive directors were lying vacant since January 2003.
21.	GGCDC	Posts of four non-executive directors were lying vacant during 2001-02 that of five were vacant during 2002-03 and 2003-04and six during 2004-05.
22.	GSHHDC	Out of 12 directors, posts of three non-executive directors were vacant since January 2003 and that of another two non-executive directors since March 2003. Further MD was changed six times during 2001-02 to 2004-05.
23.	GRDC	Out of nine directors, posts of two directors were lying vacant since 2001-02.
24.	GIL	Posts of eight directors were vacant during 2001-02, that of seven during 2002-03 and 2003-04and six during 2004-05. MD was changed eight times during 2001-02 to 2004-05.
25.	GAIC	Posts of three non-executive directors were lying vacant since December 2002.
26.	TCGL	Post of one, two, nine and eight directors were vacant during 2001-02, 2002-03, 2003-04 and 2004-05 respectively.

Annexure - 19

Statement showing the lapses during discussions in Audit Committee meetings

(Referred to in paragraph 4.19.13)

Name of the Company	Irregularities in discussion during Audit Committee meetings
GSPC, Petronet, GRIMCO, GSCSC, GSPHC, GSLDC, GUDC, GWIL & GSIL	AC did not consider budget/review half yearly financial statements though these were included in terms of reference of AC.
GRIMCO, GUDC, GWRDC, GSLDC, GSFDC, GRDC and AAGL.	AC did not have discussions with IA/SA before commencement of audit and after completion of audit of annual accounts.
GRIMCO, GUDC, GSCSC, GWIL, GWEDC, GGCDC, AAGL, GSIL and GSLDC	AC did not review the adequacy of internal control system/internal audit system as required under Section 292-A (6) of the Companies Act/terms of reference of AC.
GRIMCO, GUDC, GSCSC, GWIL, GWRDC, GSLDC, GIIC, GSFDC, GRDC, GWEDC, GGCDC, AAGL, GSFS Caps, GIL, GPCL and GSIL	AC did not look into the aspects of financial and risk management policy/frauds and fraud risks.
GUDC and GSLDC	AC did not consider the annual accounts before its approval by BOD. Thus requirement of Section 292A (6) was not complied with.
GSLDC and GIIC	The terms of reference of AC did not include review of financial and risk management policy and hence it did not review the same.

Annexure-20

Statement showing the position of attendance of Internal Auditors/ Statutory Auditors/ Finance Directors during Audit Committee Meetings

(Referred to in paragraph 4.19.14)

Name of the Company	Position of attendance during Audit Committee meetings
GSPC	One finance director did not attend AC meeting in 2001-02 and 2002-03. IA was not present in AC meetings held from 2001-02 to 2004-05.
Petronet,	IA was present in only two out of seven meetings held from 2001-02 to 2004-05.
GRIMCO	IA and SA did not attend the AC meetings in 2002-03 and 2003-04
GSCSC,	SA did not attend the AC meetings in 2002-03. IA did not attend AC meetings held in 2001-02 to 2004-05.
GWIL	One finance director did not attend the three AC meetings held during 2003-04. IA and SA attended only two out of eight meetings held during 2002-03 to 2004-05.
GSPHC	SA did not attend any of the five meetings held during 2002-03 to 2003-04.
GSLDC, GWRDC, GSFDC, GGCDC and GRDC	IA and SA did not attend the meetings of AC held during 2001-02 to 2004-05
GSFS and GSFS Caps	SA attended only four out of 17 meetings and three out of 13 meetings held during 2001-02 to 2004-05 respectively
GWEDC	SA was present only in one out of three meetings held during 2003-04
GIL	SA did not attend AC meetings held in 2002-03 and IA did not attend AC meetings held in 2001-02 and 2002-03.
GAIC	IA and SA did not attend AC meetings during 2003-04 and 2004-05.
AAGL	IA and SA did not attend AC meetings during 2004-05.

Annexure-21

Statement showing the department-wise outstanding Inspection Reports (IRs)

(Referred to in paragraph 4.20.3)

Sl. No.	Name of Department	Number of PSUs	Number of outstanding I.Rs	Number of outstanding paragraphs	Years from which paragraphs outstanding
Working PSUs					
1	Narmada, Water Resources and Water Supply	03	126	347	1994-95
2	Energy and Petrochemicals	08	128	344	1997-98
3	Home	02	39	151	1994-95
4	Industries and Mines	10	57	198	1996-97
5	Agriculture and Cooperation	04	15	31	1996-97
6	Forest and Environment	01	07	15	1996-97
7	Food and Civil Supplies	01	03	03	2000-01
8	Women and Child Development	01	03	13	1999-2000
9	Panchayat, Rural Housing and Rural Development	01	05	09	1996-97
10	Information Technology	01	03	08	2001-02
11	Urban Development and Urban Housing	01	03	13	2003-04
12	Roads and Building	01	02	04	2003-04
13	Ports and Fisheries	01	01	01	2003-04
Non-working PSUs					
1	Industries and Mines	01	03	03	1998-99
2	Roads and Building	01	01	02	2002-03
	Total	**37**	**396**	**1,142**	

Annexure - 22

Statement showing the department-wise draft paragraphs/ review replies to which are awaited as on 30 September 2005

(Referred to in paragraph 4.20.3)

Sl. No.	Name of Department	Number of draft paragraphs	Number of draft review	Period of issue
1	Industries and Mines	02	--	March/ June 2005
2	Agriculture and Co-operation	--	02	April/ June 2005
3	Finance	01	--	April 2005
4	Narmada, Water Resources and Water Supply	01	--	May 2005

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ERRATA

Sl. No.	Reference to Report		For	Read
	Page Number	Para No.		
1.	26 Second paragraph below the table (7th line)	2.1.10	Moreover, the GUJACOMASOL	Moreover, GUJACOMASOL
2	27	2.1.11 (7th line)	...........to dispose of the stocks partially	.... to partially dispose of the stocks.....
3.	52	3.9 below the table (1st line)	.... incorporate at all	.... incorporate all ......
4.	98	Annexure-1 TOTAL-A, 3(a)	13,23,010.094	13,23,010.09