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Preface

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

(i) Government companies,

(ii) Statutory corporations, and

(iii) Departmentally managed commercial undertakings.

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

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

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

The cases mentioned in this Report are those which came to notice in the course of audit during the year 2001-02 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 2001-02 have also been included, wherever necessary.

Overview

1. Overview of Government companies and Statutory corporations

As on 31 March 2002, the State had 50 Public Sector Undertakings (PSUs) comprising 45 Government companies and five Statutory corporations, as against the same number of PSUs as on 31 March 2001. Out of 45 Government companies, 35 were working Government companies, while 10 were non-working Government companies. All the five Statutory corporations were working corporations.

The total investment in working PSUs increased from Rs.25,025.26 crore as on 31 March 2001 to Rs.25,051.95 crore as on 31 March 2002. The total investment in 10 non-working PSUs also increased from Rs.546.38 crore to Rs.606.19 crore during the same period.

The budgetary support in the form of capital, loans and grants/subsidies disbursed to the working PSUs increased from Rs.4,005.30 crore in 2000-01 to Rs.6,488.81 crore in 2001-02. The State Government also contributed Rs.10.97 crore in the form of loan to one non-working company during 2001-02. The State Government guaranteed loans aggregating Rs.2,107.17 crore during 2001-02. The total amount of outstanding loans guaranteed by the State Government to all PSUs as on 31 March 2002 was Rs.13,297.65 crore.

Ten working Government companies and two working Statutory corporations finalised their accounts for the year 2001-02. The accounts of remaining 25 working Government companies and three working Statutory corporations were in arrears for periods ranging from one to six years as on 30 September 2002. One non-working Government company finalised its accounts for the year 2001-02. The accounts of remaining nine non-working Government companies were in arrears for periods ranging from one to seven years as on 30 September 2002.

According to the latest finalised accounts, 22 working PSUs (21 Government companies and one Statutory corporation) earned aggregate profit of Rs.415.40 crore, out of which only two working Government companies declared dividend of Rs.12.83 crore to the State Government. Against this, 14 working PSUs (10 Government companies and four Statutory corporations) incurred aggregate loss of Rs.3,117.09 crore as per their latest finalised accounts. Of the loss incurring working Government companies, three companies had accumulated losses aggregating Rs.90.19 crore which exceeded their aggregate paid-up capital of Rs.13.70 crore by more than six times. One loss incurring Statutory corporation had accumulated loss of Rs.1,877.95 crore, which exceeded its paid-up capital of Rs.556.80 crore by more than three times.

Even after completion of five years of their existence, the individual turnover of three working Government companies and one working Statutory corporation had been *less than* Rs.5 crore in each of the preceding five years as per their latest finalised accounts. Further, two Government companies (one working and one non-working) 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 six PSUs or consider their closure.

(Paragraphs 1.2, 1.3, and 1.7)

2. Review relating to Government company

Gujarat Water Resources Development Corporation Limited

The Company was incorporated in May 1971 with the main objective of executing tubewells and lift irrigation schemes, by availing of funds mainly from the State Government and Financial Institutions.

The Company engaged in the activities ancillary to the utilisation of surplus ground water deviated from the district-wise scheduled programme for drilling of tubewells and concentrated on a particular region resulting in overexploitation of ground water in certain areas. The Company had not implemented the recommendations of the Comprehensive Study Committee and the directions of the State Government to curtail the staff strength so as to reduce the establishment expenditure. Some of the important points noticed in review were as under:

Under '500 Tubewells phase-I programme', the Company drilled 65 tubewells in eight districts which were not specified in the programme and 150 tubewells in over exploited zone on recommendations of the then Ministers and Members of Legislative Assembly.

(Paragraph 2.7.1.1)

The Company deviated from the guidelines prescribed by the State Government for implementation of '500 Tubewells phase-II programme'. Against 50 tubewells envisaged in Mehsana district, as many as 332 tubewells including 245 tubewells in overexploited zone were drilled mainly on the recommendations of the then Ministers and Members of Legislative Assembly.

(Paragraph 2.7.1.2)

Of the 170 tubewells drilled under 'Special component programme', which was for the benefit of Scheduled Caste farmers, only 11 tubewells met the criteria of number of beneficiary farmers belonging to Scheduled Caste.

(Paragraph 2.7.1.4)

Fixation of higher rates by the Company for excavation of soil in recharge work contracts resulted in avoidable expenditure of Rs.2.83 crore.

(Paragraph 2.7.3)

The Company had drawn excess subsidy of Rs.61.54 crore from the State Government during 1997-2001 through misstatement of facts.

(Paragraph 2.9.1)

Despite directives of the State Government for easing out surplus employees of the Company, their continuance had resulted in avoidable expenditure of Rs.45.75 crore towards pay and allowances.

(Paragraph 2.10)

3. Reviews relating to Statutory corporations

Gujarat Electricity Board

3A. Material Management and Inventory Control of Transmission and Distribution Materials

The Board has over the years developed purchase policies and procedures for the protection of the interest of the Board. On many occasions, however, purchase policies/procedures were not adhered to and prudent practices were not followed leading to avoidable extra expenditure. Besides, the norms fixed by the Board on stocking were not adhered, leading to avoidable stocking of materials. The existing non moving stocks and scrap stocks were not properly monitored leading to blocking of funds. Some of the important points noticed in review were as under:

As against the internal guidelines for finalisation of a tender within 98 days, the Board delayed finalisation of tenders by 40 to 993 days resulting in avoidable extra expenditure of Rs.4.93 crore.

(Paragraphs 3A.4.2.1.1 and 3A.4.2.1.2)

Though the Board reserved the right to place repeat orders up to 50 *per cent* of the ordered quantity, it incurred avoidable extra expenditure of Rs.1.46 crore due to failure to place repeat orders at lower rates and of Rs.0.53 crore due to placement of repeat orders at higher rate, in spite of an apparent decreasing trend in prices.

(Paragraphs 3A.4.2.2.1 and 3A.4.2.2.2)

The Government of Gujarat directed (December 1998) discontinuance of the practice of unloading Gujarat Sales Tax in the evaluation of tenders. However, the Board continued the practice till December 1999 resulting in avoidable extra expenditure of Rs.1.43 crore.

(Paragraph 3A.4.2.3.1)

Due to incorrect estimation of material requirements or ignoring the past consumption patterns, the Board made excess purchases ranging from 17 to 64 *per cent* of total ordered quantity valuing Rs.4.35 crore.

(Paragraphs 3A.4.2.4.1 to 3A.4.2.4.4)

Gujarat State Financial Corporation

3B. Defaults and Recovery Performance

The Corporation was set up in May 1960 to assist the small and medium industrial units for development of industries in the State. The Corporation's failure to follow the laid down procedure for sanction and disbursement of loans, lack of inspections after disbursement, poor monitoring of the recovery and imprudent settlement of cases under One Time Settlement scheme had resulted in increased borrowings and interest burden. Some of the important points noticed in review were as under:

Due to insufficient recovery, the Corporation depended mainly on refinance from Small Industries Development Bank of India, issue of bonds and loans from banks. This resulted in heavy interest burden of Rs.756.82 crore on the Corporation during 1997-2002.

(Paragraph 3B.5)

The target for recovery of dues was fixed based on the collection of previous years rather than on the basis of amount recoverable. The actual recovery ranged from 17 to 47 *per cent* of amount recoverable during the last five years ended March 2002.

(Paragraph 3B.7.2)

The overdues had increased from Rs.360.91 crore in 1997-98 to Rs.1,071.46 crore in 2001-02 and 89 *per cent* of the total overdues were *more than* two years old.

(Paragraph 3B.7.3)

Due to poor recovery performance, the non performing assets had increased from Rs.271.59 crore (24 *per cent*) in 1997-98 to Rs.690.56 crore (59 *per cent*) in 2001-02.

(Paragraph 3B.7.4)

4. Miscellaneous topics of interest

Gujarat Small Industries Corporation Limited

Due to irregular extension of financial assistance of Rs.0.86 crore to a firm, the Company was unable to recover the principal and also suffered loss of interest of Rs.0.58 crore.

(Paragraph 4.1.1)

Gujarat Mineral Development Corporation Limited

Incorrect estimation of cost of production coupled with deficiency in the agreement made with a firm for sale of calcined bauxite had resulted in loss of Rs.3.52 crore.

(Paragraph 4.2.1)

Sardar Sarovar Narmada Nigam Limited

The Company suffered loss of interest of Rs.4.92 crore due to belated decision to recover the power factor adjustment charges from a contractor.

(Paragraph 4.6.1)

Gujarat Electricity Board

Avoidable delay in replacing the boiler tubes resulted in loss of revenue of Rs.27.29 crore to the Board and Rs.4.45 crore to the State exchequer.

(Paragraph 4.8.1)

Persistence of high transmission and distribution losses in two feeders due to theft had resulted in loss of revenue of Rs.16.65 crore to the Board and Rs.2.76 crore to the State exchequer.

(Paragraph 4.8.2)

Gujarat State Road Transport Corporation

The Corporation incurred an extra cost of Rs.1.83 crore due to use of ready-made upholstered seats instead of fabricated seats.

(Paragraph 4.9.1)

Gujarat State Financial Corporation

An amount of Rs.5.34 crore remained to be recovered due to imprudent financial assistance extended under Hire Purchase Scheme.

(Paragraph 4.10.1)

CHAPTER-I

1. Overview of Government companies and Statutory corporations

1.1 Introduction

As on 31 March 2002, there were 45 Government companies (35 working companies and 10 non-working* companies) and five working Statutory corporations as against the same number of Government companies and Statutory corporations as on 31 March 2001 under the control of the State Government. In addition, the State had formed Gujarat Electricity Regulatory Commission, whose audit is also being conducted by the Comptroller and Auditor General of India (CAG). The accounts of the Government companies (as defined in Section 617 of Companies Act, 1956) are audited by Statutory Auditors who are appointed by the CAG as per provision of Section 619(2) of Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per provisions of Section 619 of the Companies Act, 1956. The audit arrangements of Statutory corporations are as shown below:

Sl. No.	Name of the corporation	Authority for audit by the CAG	Audit arrangement
1.	Gujarat Electricity Board (GEB)	Section 69(2) of the Electricity (Supply) Act, 1948	Sole audit by CAG
2.	Gujarat State Road Transport Corporation (GSRTC)	Section 33(2) of the Road Transport Corporations Act, 1950	Sole audit by CAG
3.	Gujarat Industrial Development Corporation (GIDC)	Section 19(3) of CAG's (Duties, Powers and Conditions of Service) Act, 1971	Sole audit entrusted by State Government to the CAG up to 2006-07
4.	Gujarat State Financial Corporation (GSFC)	Section 37(6) of the State Financial Corporations Act, 1951	Chartered Accountants and supplementary audit by CAG
5.	Gujarat State Warehousing Corporation (GSWC)	Section 31(8) of the State Warehousing Corporations Act, 1962	Chartered Accountants and supplementary audit by CAG

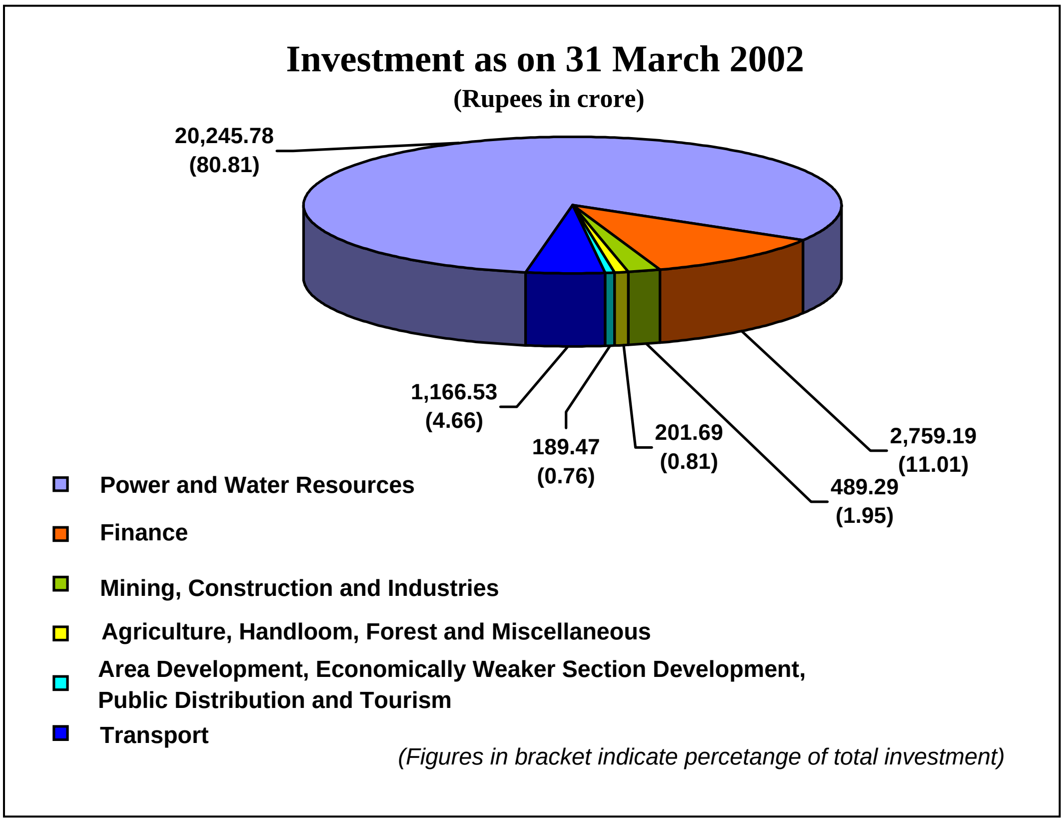
* Non-working companies/corporations are those which are under the process of liquidation/closure/merger *etc*.

1.2 Working Public Sector Undertakings (PSUs)

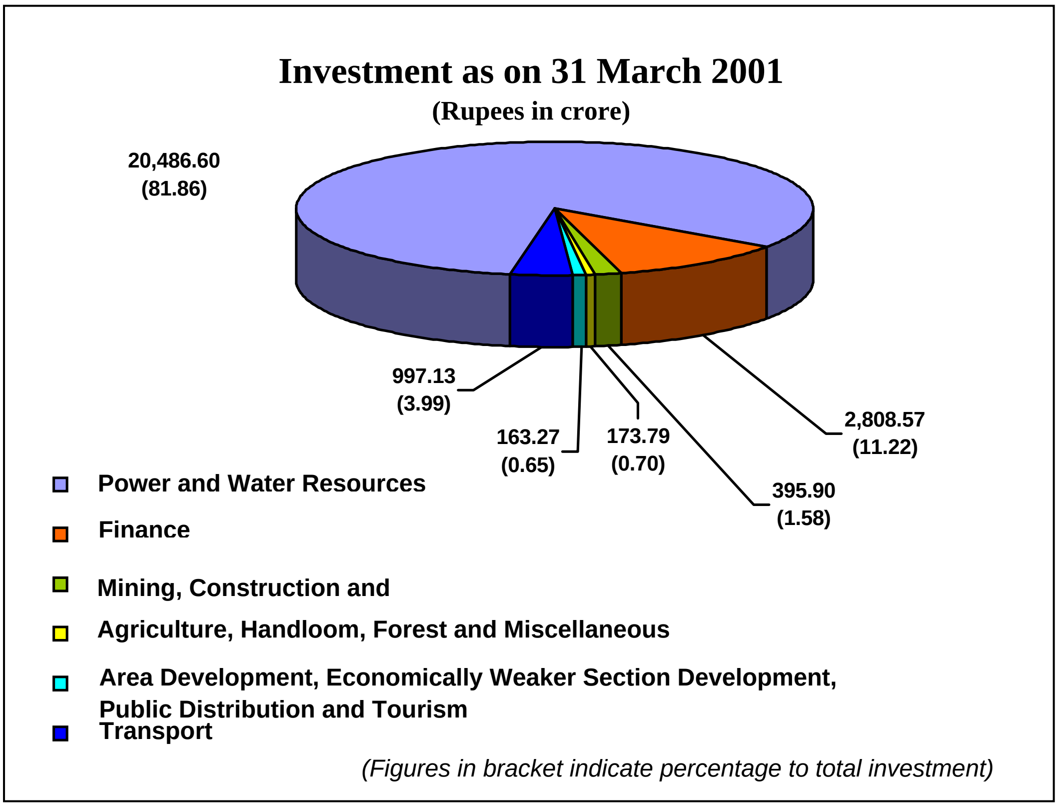
As on 31 March 2002, the total investment in 40 working PSUs (35 Government companies and five Statutory corporations) was Rs.25,051.95 crore (equity : Rs.10,439.02 crore; long-term loans• : Rs.14,503.27 crore; and share application money : Rs.109.66 crore) as against 40 working PSUs (35 Government companies and five Statutory corporations) with a total investment of Rs.25,025.26 crore (equity: Rs.8,241.47 crore; long-term loans: Rs.14,676.85 crore; and share application money: Rs.2,106.94 crore) as on 31 March 2001. The analysis of investment in working PSUs is given in the following paragraphs:

The investment (equity and long-term loans) in various sectors and percentage thereof at the end of 31 March 2002 and 31 March 2001 are indicated below in pie charts:

Sector wise investment in working Government companies and Statutory corporations



• Long term loans mentioned in paragraphs 1.2, 1.2.1.1 and 1.2.1.2 are excluding interest accrued and due on such loans.



1.2.1.1 Working Government companies

The total investment in 35 working Government companies at the end of March 2001 and March 2002 was as follows:

(Rupees in crore)

Year	Number of working Government companies	Equity	Share application money	Long-term loans	Total
2000-01	35	7,604.51	2,106.94	5,968.15	15,679.60
2001-02	35	9,784.21	109.66	7,041.67	16,935.54

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

As on 31 March 2002, the total investment of working Government companies, comprised 58.42 *per cent* of equity capital and 41.58 *per cent* of loans as compared to 61.94 *per cent* and 38.06 *per cent* respectively, as on 31 March 2001.

Due to significant increase in long-term loan of Power and Water Resources sector, the debt equity ratio of working companies increased from 0.61:1 in 2000-01 to 0.71:1 in 2001-02.

1.2.1.2 Working Statutory corporations

The total investment in five working Statutory corporations at the end of March 2001 and March 2002 was as follows:

(Rupees in crore)

Name of corporation	2000-01		2001-02[@]	
	Capital	Loan	Capital	Loan
Gujarat Electricity Board	--	7,087.54	--	5,638.76
Gujarat State Road Transport Corporation	538.95	458.18	556.80	609.73
Gujarat State Financial Corporation	94.01	1,146.86	94.01	1,198.77
Gujarat State Warehousing Corporation	4.00	--	4.00	--
Gujarat Industrial Development Corporation	--	16.12	--	14.34
Total	**636.96**	**8,708.70**	**654.81**	**7,461.60**

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

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

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

The budgetary outgo in the form of equity capital, loans and grants/subsidies from the State Government to working Government companies and working Statutory corporations during 1999-2002 are given below:

(Rupees in crore)

Particulars	1999-00				2000-01				2001-02			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.
Equity capital outgo from budget	18	1,503.22	1	25.00	15	1,014.61	1	41.61	5	2,226.36	1	17.85
Loans given from budget	8	70.66	2	302.34	8	42.78	1	498.53	4	2.67	1	1.50
Grant/ subsidy toward (i) Projects/ programmes / schemes	5	76.49	3	1,582.79	15	284.38	4	2,122.61	16	190.05	2	168.00
(ii) Other subsidy	12	108.03	--	--	2	0.78	--	--	2	38.94	1	3,843.44
(iii) Total subsidy	15	184.52	3	1,582.79	16	285.16	4	2,122.61	18	228.99	3	4,011.44
Total outgo	**27***	**1,758.40**	**4***	**1,910.13**	**24***	**1,342.55**	**4***	**2,662.75**	**23***	**2,458.02**	**3***	**4,030.79**

[@] All figures for 2001-02 other than Gujarat State Financial Corporation are provisional and as furnished by respective Corporations.

* 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 2001-02, the Government had guaranteed loans aggregating Rs.2,107.17 crore obtained by five working Government companies (Rs.1,165.23 crore) and three working Statutory corporations (Rs.941.94 crore). At the end of the year guarantees amounting to Rs.13,253.77 crore obtained by 11 working Government companies (Rs.5,573.77 crore) and four working Statutory corporations (Rs.7,680.00 crore) were outstanding as against outstanding guarantees of Rs.10,017.82 crore obtained by 12 working Government companies (Rs.5,157.32 crore) and four Statutory corporations (Rs.4,860.50 crore) as on 31 March 2001. The guarantee commission paid/payable to Government by six Government companies and by three Statutory corporations during 2001-02 was Rs.45.79 crore and Rs.55.49 crore respectively.

1.2.3 Finalisation of accounts by working PSUs

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

However, as could be noticed from *Annexure*-2, out of 35 working Government companies, only ten working companies and out of five working Statutory corporations, only two working Statutory corporations finalised their accounts for the year 2001-02, within stipulated period. During the period from October 2001 to September 2002, 20 working Government companies finalised 20 accounts for previous years. Similarly, during this period, three working Statutory corporations finalised three accounts for previous years.

The accounts of 25 working Government companies and three working Statutory corporations were in arrears for periods ranging from one year to six years as on 30 September 2002 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	--	1996-97 to 2001-02	6	A-16	--
2	3	--	1999-00 to 2001-02	3	A-4, 11, 34	--
3	3	--	2000-01 to 2001-02	2	A-6, 7, 17	--
4	18	3	2001-02	1	A-1,3,5,8,10,13, 14,19,20,21,23, 25,26,30,31,32, 33,35	B-1, 4, 5
	25	**3**				

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

1.2.4 Financial position and working results of working PSUs

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

According to the latest finalised accounts of 35 working Government companies and five working Statutory corporations, 10 companies and four corporations had incurred an aggregate loss of Rs.75.09 crore and Rs.3,042.00 crore respectively. Twenty one companies and one corporation earned an aggregate profit of Rs.402.72 crore and Rs.12.68 crore, respectively. Two companies had not commenced commercial activities and one company had capitalised excess of expenditure over income. One company had not finalised even its first accounts.

1.2.4.1 Working Government companies

1.2.4.1.1 Profit earning working Government companies and dividend

Nine profit earning working companies, which finalised accounts for 2001-02 by September 2002, earned profit aggregating Rs.348.14 crore. Of these, only three companies (Sl.No.A-9, 28 and 29 of *Annexure*-2) declared dividend of Rs.16.94 crore of which State Government's share was Rs.12.83 crore. The remaining six profit earning companies did not declare dividend. The total return by way of above dividend of Rs.12.83 crore, worked out to 0.13 *per cent* in 2001-02 on total equity investment of Rs.9,676.07 crore by the State Government in working Government companies, as against 0.21 *per cent* in the previous year. The State Government had not formulated any dividend policy for payment of minimum dividend.

Fourteen profit earning working companies, which finalised their accounts for previous years by 30 September 2002, earned profit aggregating Rs.54.58 crore and eight companies were earning profit for two or more successive years.

1.2.4.1.2 Loss incurring working Government companies

Of the 10 loss incurring working Government companies, three* companies had accumulated losses aggregating Rs.90.19 crore which exceeded their aggregate paid-up capital of Rs.13.70 crore by more than six times.

* Serial No.A-4, 6 and 7 of *Annexure*-2.

Despite poor performance and complete erosion of paid-up capital, the State Government continued to provide financial support to these companies in the form of contribution towards equity, further grant of loans, conversion of loans into equity, subsidy, *etc*. According to available information, the total financial support so provided by the State Government was Rs.89.18 crore by way of share capital (Rs.0.74 crore), loans (Rs.2.25 crore) and subsidy (Rs.86.19 crore) during 2001-02 to these three companies.

1.2.4.2 Working Statutory corporations

1.2.4.2.1 Profit earning Statutory corporation and dividend

Gujarat Industrial Development Corporation which finalised its accounts for the year 2000-01 earned profit of Rs.12.68 crore, but did not declare dividend.

1.2.4.2.2 Loss incurring Statutory corporations

Gujarat State Financial Corporation and Gujarat State Road Transport Corporation finalised their accounts for 2001-02 by September 2002. These two working corporations incurred a loss aggregating Rs.498.52 crore. Other two working Statutory corporations (Gujarat Electricity Board and Gujarat State Warehousing Corporation) finalised their accounts for 2000-01 and incurred loss aggregating Rs.2,543.48 crore. GSRTC had accumulated loss of Rs.1,877.95 crore, which exceeded its paid-up capital of Rs.556.80 crore by more than three times.

Despite poor performance, the State Government continued to provide financial support to these Corporations in the form of contribution towards equity, further grant of loans, conversion of loans into equity, subsidy, *etc*. According to available information, the total financial support so provided by the State Government was Rs.4,030.79 crore by way of share capital (Rs.17.85 crore), loans (Rs.1.50 crore) and subsidy (Rs.4,011.44 crore) during 2001-02 to three corporations (Sl.No.B-1, 2 and 3 of *Annexure*-1 and 3).

1.2.4.2.3 Operational performance of working Statutory corporations

The operational performance of the working Statutory corporations is given in *Annexure-6*. The following observations are made:

Gujarat Electricity Board

The percentage of transmission and distribution loss to total power available for sale had increased from 20.14 *per cent* in 1998-99 to 22.26 *per cent* in 2000-01. Marginal increase in power generation from 20,934 to 21,106 MKWH during 1998-2001 was insufficient to meet the demand of 31,544 MKWH during the same period resulting in dependence of GEB for purchase of power from private/central grid.

Gujarat State Road Transport Corporation

The loss per kilometre was Rs.1.37 in 1998-99 and Rs.3.28 in 1999-2000.

1.2.5 Return on Capital Employed

As per the latest finalised accounts (up to September 2002), the capital employed* worked out to Rs.15,155.16 crore in 35 working companies and total return† thereon amounted to Rs.504.51 crore which was 3.33 *per cent* as compared to total return of Rs.334.86 crore (2.42 *per cent*) in the previous year (accounts finalised up to September 2001). Similarly, the capital employed and total return thereon in case of working Statutory corporations as per the latest finalised accounts (up to September 2002) worked out to Rs.5,748.03 crore and Rs.(-)1,538.31 crore, respectively, against the total return of Rs.(-)1,455.30 crore in previous year (accounts finalised up to September 2001). 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.

1.2.6 Reforms in power sector

(A) Status of implementation of MOU between the State Government and the Central Government

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 are given in *Annexure*-7.

(B) Gujarat Electricity Regulatory Commission

Gujarat Electricity Regulatory Commission (Commission) was formed on 12 November 1998 under Section 17 of Electricity Regulatory Commissions Act, 1998 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 has been entrusted to CAG under Section 34 of the Act *ibid*. The Commission had finalised its accounts up to 2001-02.

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

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

1.3 Non-working PSUs

1.3.1 Investment in non-working PSUs

As on 31 March 2002, the total investment in 10 non-working PSUs (all non-working Government companies) was Rs.606.19 crore (equity : Rs.38.06 crore, long term loans : Rs.525.59 crore and share application money: Rs.42.54 crore), as against total investment of Rs.546.38 crore (equity: Rs.38.06 crore, long term loans :Rs.465.78 crore and share application money: Rs.42.54 crore) in 10 non-working Government companies as on 31 March 2001.

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
(i)	Under liquidation	4	46.47	340.14
(ii)	Under closure	6	34.13	185.45
	Total	**10**	**80.60**	**525.59**

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

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

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

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

The State Government had paid budgetary support of Rs.10.97 crore in the form of loan to one non-working company during 2001-02. At the end of the year, guarantees amounting to Rs.43.88 crore obtained by four non-working companies were outstanding as against outstanding guarantees of Rs.46.28 crore obtained by four non-working companies as on 31 March 2001.

1.3.3 Total establishment expenditure of non-working PSUs

The year wise details of total establishment expenditure of non-working Government companies and the sources of financing them during last three years up to 2001-02 are given below:

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

(Rupees in crore)

Year	Number of PSUs	Total establishment expenditure	Financed by		
			Disposal of investment/ assets	Government by way of Loans	Others
1999-00	7	15.16*	0.58	9.63	4.95
2000-01	10	54.20**	4.13	36.25	13.82
2001-02	10	3.76@	0.04	1.85	1.87
Total		**73.12**	**4.75**	**47.73**	**20.64**

An amount of Rs.73.12 crore has been incurred towards establishment expenditure of these 10 non-working Government companies during 1999-2002. Expeditious action is necessary for winding up of these companies to avoid further non-productive expenditure in this regard.

1.3.4 Finalisation of accounts by non-working PSUs

The accounts of nine out of 10 non-working Government companies were in arrears for periods ranging from one to seven years as on 30 September 2002, as could be noticed from *Annexure*-2.

1.3.5 Financial position and working results of non-working PSUs

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

(Rupees in crore)

Non-working PSUs	Paid-up capital	Net worth$	Cash loss (-)/ profit	Accumulated loss(-)/ accumulated profit
10 (Government companies)	83.30	(-)1,104.84	(-)403.27	(-)1,188.14

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

As the accumulated loss was 14.26 times of the paid-up capital and as further losses are being incurred every year, these non-working PSUs should be wound up expeditiously.

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* This relates to three non-working Government companies (Sl.No.C-1, 3 and 10 of Annexure-2.Remaining four companies (C-6, 7, 8 and 9 of *Annexure*-2) did not furnished the information.

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

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

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

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

The following table indicates the status of placement of various Separate Audit Reports (SARs) on the accounts of Statutory corporations issued by the CAG 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	1998-99	1999-00 2000-01	27.03.2002 SAR under process
2.	Gujarat State Road Transport Corporation	1999-00	2000-01 2001-02	17.08.2002 SAR under process
3.	Gujarat Industrial Development Corporation	1998-99	1999-00 2000-01	26.03.2002 SAR under process
4.	Gujarat State Financial Corporation	1999-00	2000-01 2001-02	03.05.2002 SAR under process
5.	Gujarat State Warehousing Corporation	1999-00	2000-01 2001-02	18.03.2002 Accounts not received

1.5 Disinvestment, Privatisation and Restructuring* of Public Sector Undertakings

During the year 2001-02, the State Government did not disinvest or privatise any of its PSUs. 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 decisions of Cabinet Sub-Committee up to June 2002 was as under:

(i) Privatisation

The Sub-Committee decided (July 1996) to privatise three Government companies *viz.*, Gujarat Communications and Electronics Limited (GCEL), Gujarat Tractor Corporation Limited (GTCL) and Gujarat State Export Corporation Limited (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 Industrial Disputes Act and all employees were given voluntary retirement/retrenchment. Gujarat High Court had passed orders (February 2002) for winding up of the Company and appointed

* Restructuring includes merger and closure of PSUs.

liquidator for liquidation process. This order was stayed by a subsequent order of the Court (May 2002) during pendency of reference before Board for Industrial and Financial Reconstruction (BIFR). In case of GSECL, the Sub-Committee had decided to reduce Government stake to 11 *per cent*. The agreement of shareholders with the private sector partner was in progress.

(ii) Restructuring

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

(ii) 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. It was reported by Government (June 2002) that action had been initiated on the recommendations.

(iii) 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.

(iii) Disinvestment

(i) In case of Gujarat Industrial Investment Corporation Limited, the Cabinet Sub-Committee decided to reduce the stake of 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 Fertilisers 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.

(ii) 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.

(iv) Merger

The Cabinet Sub-Committee recommended merger of Gujarat Rural Industries Marketing Corporation Limited with Gujarat State Leather Industry Development Corporation Limited and that of Gujarat State Handloom Development Corporation Limited with Gujarat State Handicrafts Development Corporation Limited. These recommendations were 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 in June 2002 with Gujarat State Handicrafts Development Corporation Limited as per Government of India Notification of 19 June 2002.

(v) Closure

(i) The decision of 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.

(ii) The decision of Cabinet Sub-Committee on closure of Gujarat Fisheries Development Corporation Limited (GFDCL) and Gujarat State Construction Corporation Limited (GSCC) was accepted by the Government on 4 September 1998. As a follow up, the Government reported (June 2002) that all activities of these companies have 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.

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

During the period from October 2001 to September 2002, the audit of accounts of 29 Government companies (working 22 and non-working 7) and 5 working Statutory corporations were selected for review. The net impact of the important audit observations as a result of review of the accounts of these PSUs were as follows:

Details	Number of accounts				Rupees in crore			
	Government companies		Statutory corporations		Government companies		Statutory corporations	
	Working	Non-working	Working	Non-working	Working	Non-working	Working	Non-working
(i) Increases in profit	--	--	1	--	--	--	1.81	--
(ii) Increase in loss	--	1	2	--	--	3.02	1,029.93	--
(iii) Decrease in loss	2	--	2	--	7.69	--	0.39	--
(iv) Non-disclosure of material facts	3	2	3	--	14.08	4.02	885.68	--
(v) Errors of classification	8	2	5	--	69.95	129.40	201.27	--

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

1.6.1 Errors and omissions noticed in case of Government companies

(a) Gujarat Water Infrastructure Limited (2000-01)

The Company did not account for works of Rs 5.59 crore completed during the year, resulting in understatement of capital works-in-progress as well as current liabilities.

(b) Gujarat Industrial Investment Corporation Limited (2000-01)

The Company did not provide for interest liability of Rs 7.52 crore on loans from State Government, resulting in understatement of current liabilities as well as loss by Rs.7.52 crore.

(c) Sardar Sarovar Narmada Nigam Limited (2000-01)

(i) The Company did not account for works of Rs 42.03 crore, completed by Railways, resulting in understatement of capital works-in-progress and overstatement of advances to that extent.

(ii) The Company did not provide for guarantee commission of Rs 2.70 crore, payable to the State Government for the guarantee given by the State Government for obtaining short-term loans. This resulted in understatement of current liabilities as well as incidental expenditure pending capitalisation by Rs.2.70 crore.

1.6.2 Errors and omissions noticed in case of Statutory corporations

Gujarat State Road Transport Corporation (2000-01)

The loss of the Corporation for the year was understated by Rs.2.14 crore on account of double provision of amount receivable on account of Narmada Celebration (Rs.0.34 crore), non-provision of passenger tax liability on contract service of Narmada Celebration (Rs.0.80 crore) and accountal of deposit amount as miscellaneous receipt (Rs.1.00 crore).

1.6.2.1 Audit assessment of the working results of Gujarat Electricity Board

Based on the audit assessment of the working results of the GEB for three years up to 2000-01 and taking into consideration the major irregularities and omissions pointed out in the SARs on the annual accounts of the GEB and not taking into account the subsidy/subventions receivable from the State Government, the net surplus/deficit of the GEB will be as given below:

(Rupees in crore)

Sl. No.	Particulars	1998-99	1999-00	2000-01
1	Net surplus/(-)deficit as per books of accounts	(-)383.47	(-)2,208.58	(-)2,542.98
2	Subsidy from the State Government	1,673.17	1,329.87	2,021.26
3	Net surplus/ (-) deficit before subsidy from the State Government (1-2)	(-)2,056.64	(-)3,538.45	(-)4,564.24
4	Net increase/decrease in net surplus/ (-) deficit on account of audit comments on the annual accounts	(-)337.61	(-)1,027.79	Under audit
5	Net surplus/(-) deficit after taking into account the impact of audit comments but before subsidy from the State Government (3-4)	(-)2,394.25	(-)4,566.24	Under audit

1.6.3 Persistent irregularities and system deficiencies in financial matters of PSUs

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

1. Government companies

(i) Gujarat Dairy Development Corporation Limited

Capital grant received and utilised by the Company for acquisition of fixed assets was taken to Capital Reserve. However, the depreciation charged every year on such assets was not adjusted from these reserves. Consequently, the balances shown under the Capital Reserve (Rs.13.44 crore) as well as the accumulated losses (Rs.125.36 crore) as on 31 March 2001 were unrealistic as the amount of depreciation (unascertainable) on assets created out of capital grant has not been adjusted.

(ii) Gujarat State Forest Development Corporation Limited

The works-in-progress under plantations were understated by Rs.17.17 crore (Bulsar Project – Rs.15.34 crore and Panam Project - Rs.1.83 crore) due to non-inclusion of cumulative interest charges on term loans obtained from the banks for the plantation for the year ended 31 March 2001.

2. Statutory corporations

(a) Gujarat Electricity Board

(i) Loans from others included Rs.99.33 crore being the liability on account of lease finance availed from various lessors. This liability was arrived at under different methods of accounting for different lease transactions, which was in contravention of the declared policy of the Board.

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

(iii) Fixed assets were overstated by Rs.24.74 crore due to erroneous capitalisation of interest charges by one of the unit of the Board, in contravention of the procedure prescribed under Electricity (Supply and Annual Accounts) Rules, 1985.

(b) Gujarat State Road Transport Corporation

The balance under 'personal account with other State Transport undertakings' given in the accounts of the Corporation included Rs.51.24 lakh being dues from other state road transport undertakings *viz.*, Madhya Pradesh (Rs.30.06 lakh), Rajasthan (Rs.16.88 lakh) and Maharashtra (Rs.4.30 lakh) which were pending for recovery/adjustment since 1985-86 onwards.

(c) Gujarat Industrial Development Corporation

Due to inclusion of development works carried out for Gujarat Growth Centres Development Corporation Limited (Rs.21.14 crore) and deposit paid to Gujarat Electricity Board (Rs.10.82 crore) and also due to non-provision of additional land compensation (Rs.16.46 crore), the capital expenditure incurred by the Corporation was overstated by Rs.15.50 crore.

1.7 Recommendations for closure of PSUs

Even after completion of five years of their existence, the turnover of three[*] working Government companies and one[**] working Statutory corporation have been less than Rs.5 crore in each of the preceding five years as per their latest finalised accounts. Two[@] Government companies (one working and one non-working) had been incurring losses for five consecutive years as per their latest finalised accounts, leading to negative net worth. In view of poor turnover and continuous losses, the Government may either improve performance of above five Government companies and one Statutory corporation or consider their closure.

1.8 Response to Inspection Reports, Draft Paras and Reviews

Audit observations noticed during audit and not settled on the spot are communicated to the head of PSUs and concerned departments of State Government through Inspection Reports. The heads of PSUs are required to furnish replies to the Inspection Reports within a period of six weeks. Inspection Reports issued up to March 2002 pertaining to 38 PSUs disclosed that 1,784 paragraphs relating to 486 Inspection Reports remained outstanding at the end of September 2002. Of these, 34 Inspection Reports containing 197 paragraphs had not been replied to for more than one year. Department-wise break-up of Inspection Reports and audit observations outstanding as on 30 September 2002 is given in *Annexure*-8.

* Serial No.A-2, 13 and 32 of *Annexure*-2.
** Serial No.B-4 of *Annexure*-2.
@ Serial No.A-4 and C-5 of *Annexure*-2.

Similarly, draft paragraphs and reviews on the working of PSUs are forwarded to the Principal Secretary/Secretary of the Administrative Department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. It was, however, observed that 14 draft paragraphs and two draft reviews forwarded to the various departments during February to June 2002, as detailed in *Annexure*-9, had not been replied to so far (November 2002).

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

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

The position of discussion of Audit Reports (Commercial) by the COPU, reviews and paragraphs pending for discussion in the COPU as on 30 September 2002 were as under:

Period of Audit Report	Number of reviews/paragraphs appeared in the Audit Report		Number of reviews/paragraphs pending discussion	
	Reviews	**Paragraphs**	**Reviews**	**Paragraphs**
1996-97	3	26	2	21
1997-98	4	26	4	21
1998-99	5	26	5	26
1999-00	3	26	3	26
2000-01	4	20	4	20
Total	**19**	**124**	**18**	**114**

The COPU made 23 recommendations *vide* Thirteenth Report of Eighth Assembly (December 1994) and First Report of Tenth Assembly (March 1999) after examination of Audit Reports from 1987-88 to 1992-93, which were pending final settlement (September 2002). In case of Audit Reports 1993-94, 1994-95 and 1995-96, the COPU had completed the discussion in February 1999, January 2000 and August 2000, respectively. The Audit Report for the year 2000-01 was placed on the table of House on 3 April 2002.

1.10 619–B Companies

There were eight companies coming under Section 619-B of the Companies Act, 1956 of which one company was non-working. *Annexure-10* indicates the details of paid-up capital, investment by way of equity, loans and grants and summarised working results of these companies based on their latest available accounts.

Chapter - II

2 Review relating to Government company

Gujarat Water Resources Development Corporation Limited

Highlights

The Company was incorporated in May 1971, with the main objective of executing tubewells and lift irrigation schemes, by availing of funds from the Governments and Financial Institutions.

(*Paragraph* 2.1)

Under '500 Tubewell phase-I programme', the Company drilled 65 tubewells in eight districts which were not specified in the programme and 150 tubewells in over exploited zone on recommendations of the then Ministers and Members of Legislative Assembly.

(*Paragraph* 2.7.1.1)

The Company deviated from the guidelines prescribed by the State Government for implementation of '500 Tubewell phase-II programme'. Against 50 tubewells envisaged in Mehsana district, as many as 332 tubewells including 245 tubewells in overexploited zone were drilled mainly on the recommendations of the then Ministers and Members of Legislative Assembly.

(*Paragraph* 2.7.1.2)

Of the 170 tubewells drilled under 'Special component programme', which was for the benefit of Scheduled Caste farmers, only 11 tubewells met the criteria of number of beneficiary farmers belonging to Scheduled Caste.

(*Paragraph* 2.7.1.4)

The Company had diverted funds from one programme to another programme without authorisation from the State Government. The Company diverted Rs.33.23 crore to '500 Tubewell phase-II programme' from other programmes during 1997-2001.

(Paragraph 2.7.1.5)

Instead of handing over 30 tubewells drilled as a deposit work of the Capital Project Division, the Company engaged its operators for running them and incurred an avoidable expenditure of Rs.40 lakh on establishment cost.

(*Paragraph* 2.7.2)

Fixation of higher rates by the Company for excavation of soil in recharge work contracts resulted in avoidable expenditure of Rs.2.83 crore.

(*Paragraph* 2.7.3)

The Company had drawn excess subsidy of Rs.61.54 crore from the State Government during 1997-2001 through misstatement of facts.

(*Paragraph* 2.9.1)

The Company was required to take follow-up action with the State Government for revision of water rates. Lack of follow up action on the part of the Company resulted in potential loss of Rs.52.35 crore to the State exchequer during 1993-2001.

(*Paragraph* 2.9.3)

Despite directives of the State Government from time to time for easing out surplus employees of the Company, their continuance had resulted in avoidable expenditure of Rs.45.75 crore on pay and allowances.

(*Paragraph* 2.10)

2.1 Introduction

Gujarat Water Resources Development Corporation Limited (the Company) was incorporated on 3 May 1971, as a wholly owned Government company with the main objective of executing the programmes of drilling tubewells and of implementation of lift irrigation schemes by availing of funds from the Governments and Financial Institutions. The Company started functioning from August 1975.

2.2 Objectives

The main objectives of the Company are:

- to drill/dig new tubewells and manage them for irrigation and other purposes;
- to construct check dams, percolation tanks, *etc*.,
- to carry out and manage lift irrigation schemes and schemes for reservoirs, channels and canals;
- to manage tubewells transferred from the Government and Panchayats;
- to carry out research and investigation concerning ground water in all its facets *viz*., exploration, exploitation, development and protection independently or in co-ordination with other agencies; and
- to distribute water and recover cost of it at approved rates.

The Company has been engaged in the activities of investigation and identification of the ground water source areas, drilling, operation and maintenance of tubewells and execution of lift irrigation schemes. The Company executes recharge works entrusted by the State Government as well as deposit works from other agencies. Though there was excessive drawal of ground water resources in the State, neither the Company nor the State Government formed regulation for development, replenishment and management of ground water resources.

2.3 Organisational set up

The management of the Company is vested in the Board of Directors consisting of 14 directors (seven official and seven non-official) appointed by the State Government. The Managing Director is the Chief Executive of the Company and is assisted by two Superintending Engineers at Head Office and two Superintending Engineers at field offices, with 17 field offices*. During the preceding five years up to 31 March 2002, the State Government had appointed 17 Managing Directors, whose tenure ranged between ten and 536 days. Such frequent changes in the top official of the Company is likely to affect the smooth functioning of the Company.

2.4 Scope of Audit

The performance of the Company was last reviewed in the Report of the Comptroller and Auditor General of India for the year ended 31 March 1992 (Commercial)-Government of Gujarat. The review was considered (December 1994) by the Committee on Public Undertakings but no recommendations were made.

During the present review, the working of the Company with more emphasis on execution of tubewells programmes for the period 1997-2002 was reviewed during December 2001 to March 2002 and the important points noticed in the test check of records of seven# out of 17 field offices and Head Office are discussed in the succeeding paragraphs.

2.5 Source of funds

As against the authorised share capital of Rs.40 crore, the paid-up capital subscribed by the State Government as on 31 March 2001 was Rs.31.49 crore. The State Government provided funds aggregating Rs.261.76 crore during 1997- 2001 by way of grants and subsidy for implementation of various schemes.

2.5.1 Unspent grants

The Company had unspent grants of Rs.11.89 crore as on 31 March 2001 which were more than four years old. Instead of utilising the funds exclusively for execution of developmental works such as drilling of tubewells, lift irrigation schemes, *etc.*, the Company diverted unutilised funds for meeting

* Ahmedabad (4), Bhavnagar (1), Deesa (2), Gandhinagar (1), Mehsana (2), Nadiad (1), Palanpur (2), Rajkot (1) and Vadodara (3)

\# Ahmedabad (3), Mehsana (2) and Vadodara (2) other expenditure such as pay and allowances of employees, '500 Tubewell phase-I programme', *etc*., without seeking the approval of the State Government.

Grants shown utilised under Appropriation accounts were lying unspent in the Company's accounts.

The State Government did not prescribe any periodical returns for utilisation of funds to enable it to ascertain whether the funds were utilised for the works for which they were sanctioned. Though the grants received under a particular programme were shown as fully utilised in the Appropriation Account submitted to the Government by the Company for respective years; the annual accounts of the Company showed accumulation of unspent grants pertaining to previous years. The Company, however, could not produce the utilisation certificates in support of claim as regards utilisation of grants.

The Government stated (November 2002) that the Company had fully spent the grants received during 1999-2001, whereas the unspent grants of spillover works of 1998-99 were utilised during 1999-2000. The reply was not tenable as the Company had unspent grants of Rs.11.89 crore as on 31 March 2001, which pertained to the period prior to 1998-99. The Government had also not given any justification for utilising these unspent grants towards other expenses by the Company.

2.6 Financial position and working results

The summarised financial position of the Company for five years *i.e.* 1997-2002 is given in *Annexure-11*. The working results of the Company for the years 1997-2002 are given below:

(Rupees in crore)

Particulars	1997-98	1998-99	1999-00	2000-01	2001-02
A. Income					
(a) Water charges	4.12	5.13	6.09	5.23	3.62
(b) M & R subsidy	32.45	37.37	34.82	44.22	49.40
(c) Other income	1.84	3.61	4.71	3.49	3.89
Total	**38.41**	**46.11**	**45.62**	**52.94**	**56.91**
B. Expenditure					
(a) M & R of tubewells/lift irrigation schemes	24.75	32.21	30.32	28.19	25.28
(b) Administration and office expenses	12.88	13.21	12.17	22.08	30.34
(c) Depreciation	0.83	0.68	0.67	0.65	0.62
(d) Financial charges	0.42	-	-	-	-
Total	**38.88**	**46.10**	**43.16**	**50.92**	**56.24**
C. Profit/(-) loss for the year (A-B)	**(-) 0.47**	**0.01**	**2.46**	**2.02**	**0.67**

Though the Company earned meagre profit during 1998-99, 1999-2000 and 2000-01, the same is to be viewed in the light of excess drawal of Maintenance and Repairs (M&R) subsidy of Rs.14.92 crore, Rs.16.49 crore and Rs.23.64 crore during 1998-99, 1999-2000 and 2000-01, respectively, as discussed in paragraph 2.9.1 *infra*.

2.7 Implementation of schemes

2.7.1 Execution of tubewell programmes

The State Government formulates schemes/programmes and the Company undertakes the activities based on the State Government's directions for drilling tubewells in needy areas and for providing irrigation through development of ground water potential. On receipt of application from beneficiary farmers, the investigation is conducted and reports are submitted to the Managing Director and the Chairman of the Company/Minister.

The details of tubewells drilled, energised and commissioned during 1997-2001 are given below:

(Tubewells in number)

Year	Drilled	Successful	Civil works completed	Energised	Commissioned
1997-98	147	146	48	61	62
1998-99	448	438	191	361	337
1999-00	43	24	236	203	211
2000-01	05	04	54	20	20
Total	**643**	**612**	**529**	**645**	**630**

The table indicates that civil works (distribution channels) were not completed simultaneously with completion of energisation, so as to ensure optimum utilisation of the discharge capacity of the distribution channels. The delay was mainly due to defective planning and delay in appointment of agency for drilling/civil works of tubewells by the Company.

During the period up to 2000-01, the Company undertook drilling of tubewells under Government sponsored programmes. The details of the estimated cost, actual expenditure, schedule of completion of the programme, *etc.,* are given below:

Name of the programme	Estimated cost	Actual expenditure	Scheduled completion	Actual completion
	(Rupees in crore)		(Month and Year)	
500 Tubewell phase-I	15.65	9.77	March 1990	In progress
500 Tubewell phase-II	14.49	77.56*	June 1992	March 2001
104 Tubewell redrilling programme	4.87	8.46	Not fixed	March 2001
Special component programme	15.37	2.09	March 2000	March 2001

* Includes Rs 3.70 crore transferred from special component programme (refer paragraph 2.7.1.4 *infra*)

The Company did not maintain consolidated position showing the details of works executed, expenditure incurred against approved estimates, escalation of cost and other financial information *per* tubewell to ascertain progress of work in physical and financial terms with a view to exercise adequate financial and budgetary control on project expenditure.

Non fixation of capital cost resulted in short recovery of Rs.4.93 crore.

For getting the benefit of irrigation from the tubewell, the beneficiaries are required to deposit 15 *per cent* of capital cost of tubewells and to execute an agreement with the Company for their maintenance by forming a co-operative society. However, in the absence of capital cost *per* tubewell, the Company recovered capital contribution of 15 *per cent* on estimated cost basis, which was lower than the actual expenditure resulting in short recovery of Rs.4.93 crore.

2.7.1.1 500 Tubewell phase-I programme

The State Government directed (December 1989) the Company to take up the programme of construction of 500 tubewells in the State at an estimated cost of Rs.15.65 crore with a stipulation to complete the tubewells by March 1990. The work was to be taken up with the equipment and manpower available with the Company.

Audit scrutiny revealed the following:

- The project report envisaged drilling of 500 tubewells in the alluvial[@] area (190 tubewells), hard rock area (260 tubewells) and redrilling of closed tubewells (50 tubewells) spread over 16 districts of the State. Against this, the Company drilled (March 2001) 346 tubewells in alluvial areas, 84 tubewells in hard rock area and redrilled 19 tubewells, totalling to 449 tubewells. Thus 156 tubewells were drilled in excess in alluvial areas while 176 tubewells were drilled in short in hard rock areas. Reasons for deviation and non–achievement of targets as specified in the project report were not analysed by the Company.

- Out of 346 tubewells drilled in alluvial area, the Company drilled 95, 30 and 31 tubewells in Mehsana, Ahmedabad and Kheda districts against 30, 50 and 20 tubewells programmed in these districts, respectively. Further, 65 tubewells were drilled in eight districts which were not envisaged in the programme. The deviation made by the Company, on the recommendations of the then Ministers and Members of Legislative Assembly (MLAs), was not ratified by the State Government.

- Against redrilling of 50 closed tubewells in the State, the Company redrilled 54 tubewells and transferred 35 tubewells of Mehsana district (cost Rs.1.91 crore) to the programme of redrilling 104 tubewells in that district approved by the State Government separately. The inter programme transfer of tubewells defeated the objective of the programme.

150 tubewells were drilled in overexploited zone.

- The Company drilled 150 tubewells in overexploited[♠] zone defeating the objective of protection of ground water, which may lead to environmental threats.

@ The area formed through deposit left by floods

♠ Drawal of ground water is more than ground water recharge in particular area

2.7.1.2 500 Tubewell phase-II programme

In order to provide irrigation facilities to economically weaker sections and socially backward category farmers of the State by availing of surplus ground water, the State Government had approved (May 1991) a programme of drilling of 500 tubewells in the State at an estimated cost of Rs.14.49 crore. Out of 500 tubewells, 175 tubewells (Rs.11.97 crore) were to be drilled in alluvial area of eight districts[$] and the rest of 325 tubewells (Rs.2.52 crore) were to be drilled in the hard rock areas of 16 districts[#]. The estimated cost per tubewell in alluvial area as per the programme was inclusive of cost of drilling, energisation and civil works, whereas, in case of hard rock areas only drilling cost was included. In case of successful tubewell in hard rock areas, cost estimate for energisation and civil work were to be approved by the State Government, separately. The Company was expected to complete the programme by June 1992. The Company proposed (January 1997) modification in the original programme to the State Government by revising the allocation as drilling of 265 tubewells in alluvial area in 10 districts[@] and 235 tubewells in hard rock area of 16 districts[#] at a cost of Rs.22.96 crore.

Pending approval of the State Government to the modification proposed, the Company again revised allocation with the approval (June 1997) of the Board of Directors, as drilling of 275 tubewells in alluvial areas of 10 districts (Rs.19.33 crore) and 225 tubewells in hard rock areas of 16 districts of the State (Rs.5.34 crore), at a cost of Rs.24.67 crore. The Company did not approach the State Government for approval (April 2002) of the revision made.

Audit scrutiny revealed the following:

- The Company drilled 485 tubewells (including 23 redrilled tubewells) in alluvial areas of 11 districts and 15 tubewells in hard rock areas of five districts against allocation of 175 and 325 tubewells respectively in the original programme. Thus the implementation of the scheme was tilted in favour of alluvial area districts at the cost of hard rock area districts.

332 tubewells were drilled in Mehsana district against 50 tubewells in the programme, on the recommendations of Ministers and MLAs ignoring criteria fixed by the State Government.

- As against 50 tubewells envisaged in Mehsana district in the original programme, 332 tubewells were drilled. The drilling of excessive tubewells in Mehsana district was mainly on the recommendations of the then Ministers/MLAs ignoring the allocation made to other districts. The above included 245 tubewells in overexploited zone and 18 tubewells drilled in saline zone. Further, test check of the records in respect of the 70 tubewells drilled (cost Rs.10.34 crore) revealed that the Company ignored the eligibility criteria prescribed in the programme, as follows:

$ Ahmedabad, Banaskantha, Gandhinagar, Kheda, Kutch, Mehsana, Surendranagar and Vadodara

Amreli, Banaskantha, Bharuch, Bhavnagar, Jamnagar, Junagadh, Kheda, Kutch, Mehsana, Panchmahals, Rajkot, Sabarkantha, Surat, Surendranagar, Valsad and Vadodara

@ Ahmedabad, Banaskantha, Bharuch, Gandhinagar, Kheda, Kutch, Mehsana, Sabarkantha, Surendranagar and Vadodara

- drilling of 67 tubewells within a radial distance of 4,000 feet defeated the very purpose of protection of ground water,

- 20 tubewells were drilled where existing irrigation facility was more than 50 *per cent*,

- 18 tubewells were drilled in command area of existing tubewells; and

- 47 tubewells were drilled where the SC/ST, weaker section farmers were less than 25 *per cent*.

Increase in expenditure was mainly on account of cost overrun and excess drilling of tubewells in alluvial area.

- The Company received Rs.44.33 crore up to March 2001 against the estimated cost of Rs.14.49 crore, while the actual expenditure incurred was Rs.77.56 crore. The differential amount of Rs.33.23 crore was diverted from other programmes. The extra expenditure was mainly due to time and cost overrun (Rs.15.98 crore) and cost (Rs.43.37 crore) for energisation and civil works of 310 excess tubewells drilled in alluvial areas in place of hard rock areas.

- The programme envisaged drilling of one tubewell in one village against which the Company drilled two to seven tubewells in 96 villages resulting in drilling of 143 tubewells (cost Rs.21.12 crore) in contravention of the guidelines of the programme.

- The project report of the programme envisaged creation of an additional irrigation potential of about 8,950 hectares on completion of 500 tubewells. The Company, however, did not maintain records regarding details of irrigation potential actually created by the drilling of these 500 tubewells. Thus the actual achievement thereagainst could not be verified.

There was inordinate delay in completion of tubewells. Out of 500 tubewells, only 29 tubewells were completed within the prescribed time limit.

- The Company had fixed time limit of four and half months for completion of tubewells (December 1979). However, only 29 tubewells were completed and commissioned within the prescribed time limit. In respect of remaining tubewells, there were abnormal delays in completion at each stage *viz.* drilling, issue of harnessing order, lowering of pumps, energisation and completion of civil works due to lack of prompt action on the part of the Company, as detailed below:

Sl. No.	Activities	Number of tubewells	Delay in months
1.	Drilling of tubewells	Information not furnished	--
2.	Issue of harnessing order	369	One to 129 months
3.	Lowering of pumps	13	Seven to 39 months
4.	Completion of civil works	130	Three to 67 months
5.	Energisation	63	Three to 20 months

Up to December 2001, 43 tubewells were pending completion of civil works, 44 tubewells were pending for energisation and 6 tubewells were pending for both civil work as well as energisation since March 1993. Due to delay in completion of the tubewells, potential irrigation facility could not be achieved.

The Government stated (November 2002) that the guidelines given to the Company were changed from time-to-time, keeping in view the prevailing conditions. However, the documents showing the changes made in guidelines issued, were not produced to audit for verification.

2.7.1.3 Redrilling of 104 tubewells in Mehsana district

With a view to providing assured irrigation facility to farmers, meeting drinking water requirements and growing fodder during drought period, the Company in April 1991 submitted a proposal to the State Government seeking approval for redrilling of 160 tubewells identified as sick in Mehsana district, on priority basis. The State Government accorded approval (August 1991) for redrilling of 104 tubewells which became sick due to (i) jamming of pumps or rupture of pipes (74 tubewells), (ii) quality of ground water turned highly saline (9 tubewells) and (iii) reduction in discharge to 10,000 gallons per hour or below (21 tubewells) at total estimated cost of Rs.4.87 crore. These tubewells were redrilled during the period from March 1990[*] to March 2001.

Out of 104 tubewells, only nine tubewells were redrilled at sites approved by the State Government.

It was observed in audit that against the sanction of redrilling of 104 tubewells, only nine tubewells were redrilled on the sites approved by the State Government by incurring an expenditure of Rs.0.76 crore. The remaining 95 redrilled tubewells on which an expenditure of Rs.7.70 crore was incurred were outside the purview of the programme, resulting in diversion of funds. Reasons for such diversion were not available on records.

The Government stated (November 2002) that with the initiation of policy of participation by beneficiary farmers, the Mehsana district panchayat recommended for change of site to the places other than already approved as the farmers of these changed sites were willing to form cooperative society and deposit 15 *per cent* contribution for the redrilling work. The Government added that 35 tubewells drilled under other schemes were transferred to this scheme, with the permission of Board of Directors, as these were under Mehsana panchayat only. The reply was not tenable as the sites were initially selected by the Government from the list submitted by the Company, hence, deviation from the same required Government's approval.

2.7.1.4 Special component programme

Out of 170 tubewells drilled under the programme, only 11 tubewells were as per the norms fixed.

The State Government decided (April 1997) to extend the benefit of minor irrigation through drilling of tubewells in such areas where the beneficiaries belonging to Scheduled Castes (SC) were more than 50 *per cent*. Under the scheme, the Company sent (January 1998) proposal for taking up drilling of 150 tubewells at an estimated cost of Rs.15.37 crore which was approved (April 1998) by the Government. During 1997-2001, the Company received grants of Rs 9.30 crore and drilled 170 tubewells under the scheme without ascertaining the percentage of SC beneficiaries.

[*] Against the approval of programme in August 1991, the period considered from March 1990 as the Company had transferred 35 redrilled tubewells from '500 Tubewell phase-I programme' (refer paragraph 2.7.1.1) to this programme.

Subsequently, the State Government and the Welfare Committee on Scheduled Castes directed (January and July 1999 respectively) the Company to charge the programme with proportionate expenditure only on tubewell based on beneficiaries belonging to SC in the area. Audit scrutiny revealed that only 11 out of 170 tubewells drilled were within the above said norms of the programme, hence, based on the directives, the Company debited full cost of 11 tubewells and proportionate cost of 72[@] tubewells amounting to Rs.2.09 crore to the scheme. The balance cost on 72 tubewells amounting to Rs.3.70 crore was transferred to '500 Tubewell phase-II programme' without approval of the Government. In respect of 87 tubewells, as the number of beneficiary SC farmers were less than four, the cost of Rs.12.85 crore was transferred by the Company unauthorisedly to '500 Tubewell phase-I programme' (45 tubewells) and '500 Tubewell phase-II programme' (42 tubewells).

The Government stated (November 2002) that the request of the Company for transfer of expenditure to 500 Tubewell programmes or to provide additional grant was under consideration of the State Government. However, the fact remains that the Company's proposal of January 1998 was submitted without identifying the areas covered by SC beneficiaries so as to implement the scheme successfully. Also, the Company had already transferred the expenditure incurred to other schemes, before obtaining the approval from the Government.

2.7.1.5 Diversion of funds

Company deviated in the drilling of tubewells from the planned programme and diverted the funds.

For payment of pay and allowances of excess staff (refer paragraph 2.10 *infra*) the Company had to divert the funds received under various schemes without approval of the State Government. In order to ascertain the quantum of such diversions, the Company appointed a firm of Chartered Accountants. The firm reported (June 1999) diversion of funds worth Rs.100.31 crore during the period from 1987-97, which included Rs.37.48 crore utilised towards pay and allowances of the employees. It was observed in audit that during 1997-2001, the Company continued the practice of diversion of funds and inter-programme transfer of tubewells, as indicated below:

[@] The cost of drilling of 72 tubewells had been apportioned on *pro rata* basis in proportion of number of SC beneficiaries to total number of beneficiaries in the area.

Sl. No.	Particulars	Programme				
		500 tubewell phase-I	**500 tubewell phase-II**	**Redrilling of 104 tubewells**	**150 tubewells under special component**	**Total**
		(In numbers)				
1.	Tubewells drilled under the programme	354	543	70	170	1,137
2.	Net adjustment of tubewells due to transfer from/(-) to other programmes	95	(-) 43	35	(-) 87	--
3.	Tubewells under the programme after adjustments	449	500	105	83	1,137
		(Rupees in crore)				
4.	Funds received from the State Government	16.61	44.33	9.92	9.30	80.16
5.	Actual expenditure	9.77	77.56	8.46	2.09	97.88
6.	Short(-)/excess receipt of funds	6.84	(-) 33.23	1.46	7.21	(-) 17.72

Funds of Rs.33.23 crore were diverted.

Excess expenditure of Rs.33.23 crore on '500 Tubewell phase-II programme' was made good from surplus funds available under the other three programmes (Rs.15.51 crore) and by diversion of funds (Rs.17.72 crore) from other schemes.

2.7.2 Deposit work

Avoidable expenditure of Rs.40 lakh was incurred, on running the tubewells.

With a view to maintaining drinking water facility in Gandhinagar city, the State Government directed (August 1999) the Company to drill 30 tubewells as deposit work. The Company completed (November 1999) the work and incurred an expenditure of Rs.2.39 crore against Rs.2.30 crore received for deposit work. The expenditure of Rs.9.26 lakh was not reimbursed by the Capital Project Division No.3, Gandhinagar. Instead of handing over the possession of these tubewells on completion (November 1999) to the division, the Company engaged its operators for running the tubewells and incurred an avoidable expenditure of Rs.40 lakh towards establishment costs (March 2000). The division refused to reimburse the amount. However, the Company did not approach the State Government for reimbursement of Rs.49.26 lakh.

The Government stated (November 2002) that the Company had regularly taken up the matter with Capital Project Division for effecting recovery. However, reasons for not taking up the matter with the State Government even after refusal by the Division to reimburse the amount were not furnished.

2.7.3 Recharge work

a) The State Government entrusted (December 1998) recharge work of ponds in six districts* of the State to the Company. The Company invited (April 1999) open tenders for deepening of ponds and removal of excavated soil to a distance ranging between 200 and 500 metres. The lowest offer received for execution of work ranged between Rs.9 and Rs.14 *per* cubic metre (cmt) for the distance from 200 to 500 meters. The lowest tenderer, however, did not turn up for executing the agreement (June 1999). The Company re-invited (September 1999) the tenders, in which rates received were very high. Hence, the Company prepared new Schedule of Rates (SOR) in November 1999 for excavation in ponds and disposal of excavated soil to a distance of 200 metres, 400 metres and 1,000 metres at Rs.26.35, Rs.29.47 and Rs.35.63 *per* cmt respectively. The Company awarded the work of deepening of 148 ponds to contractors and Non-Government Organisations (NGOs) at a total cost of Rs.9 crore up to March 2001.

An analysis in audit revealed that the rates fixed by the Company in November 1999 were on higher side in view of the following:

- The Company prepared (September 1999) a SOR for excavation in pond and removal of soil at Rs.25.90 *per* cmt considering the rate of bulldozer/other excavator at Rs.500 *per* hour and removal of 45 cmt excavated soil *per* hour. The new SOR (November 1999) was prepared on the basis of the rates fixed for deepening of ponds by Gujarat State Land Development Corporation Limited (GSLDC), which was also engaged in the similar type of activity in the State.

  While GSLDC fixed excavation *per* hour at 45 cmt quantity, the Company considered excavation at 37.5 cmt *per* hour only. GSLDC was executing the works up to December 2001 at the rate of Rs.500 *per* hour for Jumbo Carrier Bucket (JCB) whereas the Company fixed Rs.560 *per* hour for JCB.

- Subsequently, for the recharge work in Banaskantha district, the Company prepared (March 2002) estimates considering *per* cmt rate of Rs.21.25 for removal of 40 cmt *per* hour by engaging excavator on hire at the rate of Rs.500 *per* hour.

- The *per* cmt rates approved (March 2001) by the State Government for (i) excavation within ponds and loading of earth into tractor and (ii) excavation within ponds and transporting the same up to 1 kilometre (including spreading) were Rs.12 and Rs.22 respectively.

Fixation of higher rates for recharge work resulted in excess expenditure of Rs.2.83 crore.

- The Company also placed orders on six NGOs for deepening of 27 ponds at rates below 20 *per cent* of the SOR (November 1999), which indicated that the SOR fixed by the Company were on higher side.

* Ahmedabad, Banaskantha, Gandhinagar, Mehsana, Patan and Surendranagar

The fixation of higher rate resulted in avoidable extra expenditure of Rs.2.83 crore.

b) The State Government followed a policy of inviting participation of farmer's co-operatives in transportation of excavated soil under irrigation projects so that burden on the State exchequer could be reduced. Accordingly, GSLDC had undertaken deepening work of ponds and shifted the responsibility of transportation of excavated soil to the beneficiary villagers. The Company, instead of shifting the responsibility of transportation of excavated stuff to the villagers, entrusted the work to the contractors and incurred an avoidable expenditure of Rs.2.43 crore on this account.

2.8 Evaluation of programmes

Monitoring mechanism was not evolved to watch the execution and performance of the schemes undertaken.

The Company did not evolve a system for periodical evaluation of programmes for analysing the bottlenecks, if any, experienced during the execution of the programme for suggesting mid course corrections. The Company also did not conduct evaluation after completion of projects/scheme to ascertain whether the achievement confirmed to the targets/objectives set and were commensurate with the expenditure.

2.9 Financial management

2.9.1 Excess drawal of Maintenance and Repairs subsidy

The activities ancillary to the creation and management of feasible irrigation through ground water were transferred by the State Government to the Company in 1978. The Company was providing water for irrigation to the farmers at subsidised rates fixed by the State Government though the prevalent economic rate was always higher and the actual loss sustained by the Company on this account was reimbursed by the State Government by way of subsidy for maintenance and repairs (M & R) of tubewells on *ad hoc* basis.

The committees, constituted by the State Government (September 1988 and May 1998) for fixing specific norms to arrive at the subsidy admissible to the Company, recommended (February 1999) M&R subsidy of Rs.1.60 lakh *per* tubewell in operation subject to minimum utilisation of 1,400 hours *per* year *per* tubewell with effect from the base year 1997-98. An analysis in audit revealed that due to misstatement of facts by the Company as discussed hereunder, the subsidy rate was fixed on higher side:

- The pay scales intimated by the Company to the Committee in respect of staff engaged in tubewell operation for fixation of M&R subsidy were higher than the actual sanctioned scale. This had resulted in fixation of M&R subsidy by the State Government at higher level and excess drawal of subsidy by the Company, which ranged between Rs.21,000 and Rs.22,176 *per* tubewell *per annum*. The Company had made excess drawal of subsidy of Rs.28.10 crore during 1997-2001 on this account.

Inclusion of tubewells transferred to co-operative societies resulted in excess drawal of M& R subsidy.

- The main objective behind handing over tubewells to farmers/ co-operative societies for operation was to reduce the burden of M&R subsidy on the State Government. However, the Company submitted irregular claims for M&R subsidy in respect of tubewells handed over to the farmers/co-operative societies for operation and maintenance. Besides, though the Company was entitled to drawal of subsidy on dormant tubewells in respect of establishment and energy charges only, it had claimed subsidy on all elements of cost. This has resulted in excess drawal of subsidy amounting to Rs.30.47 crore during 1997-2001.

- Operation and maintenance cost of lift irrigation schemes amounting to Rs.2.97 crore was also included unauthorisedly in subsidy claimed from the State Government.

Company drew excess subsidy of Rs.61.54 crore in four years.

The above resulted in excess drawal of subsidy aggregating to Rs.61.54 crore from the State Government during 1997-2001.

The Government stated (November 2002) that, while claiming the subsidy the Company had considered the salary of surplus staff due to handing over of tubewells to cooperative societies/farmers. The reply is not tenable as the M&R subsidy should be based on the actual expenditure incurred by the Company on maintenance and repairs of tubewells. Inclusion of expenditure on surplus staff required justification as the tubewells were handed over to cooperative societies/farmers so as to reduce the expenditure of the Company.

2.9.2 Recovery of water charges

The recovery from the sale of water constitutes major source of income of the Company. The rates of water supplied from the tubewells of the Company were fixed by the State Government. The Company was raising demand for water charges after working out the actual water drawn by the farmers. The details of year-wise demand raised, target fixed for recovery and actual recovery effected during 1997-2001 are tabulated as follows:

(Rupees in crore)

Particulars	1997-98	1998-99	1999-00	2000-01
Opening balance	10.68	7.76	6.84	5.95
Demand for the year	4.12	5.13	6.09	5.23
Total amount due for recovery	14.80	12.89	12.93	11.18
Actual recovery during the year	7.04	6.05	6.98	5.79
Closing balance of recoverable amount	7.76	6.84	5.95	5.39
Percentage of recovery to total dues for recovery	47.57	46.94	53.98	51.79
Targets for recovery	Not fixed	9.00	7.08	6.60

The Company had not analysed age-wise/division-wise break-up of the outstanding dues, which was necessary to control old outstanding dues.

Further analysis of the outstanding dues revealed that:

- The Company did not have a plan for recovery of dues from farmers in respect of closed tubewells, as a result, Rs.2.05 crore could not be recovered from 1,159 farmers (31 December 2001).

- The Company was handing over the tubewells to the co-operative societies under written agreement, which *interalia,* required the co-operative society to recover old outstanding dues from the beneficiary farmers. Total outstanding dues from 1,323 such farmers/co-operative societies as on 31 December 2001 were Rs.2.12 crore.

- Although pointed out in the Report of the Comptroller and Auditor General of India for the year ended 31 March 1992 (Commercial) Government of Gujarat *vide* paragraph 2A.7.3, the Company had not taken action for reconciliation of outstanding dues between general ledger of Head Office and subsidiary ledgers of division offices.

2.9.3 Fixation of water rate

The Committee constituted (September 1988) by the State Government recommended (February 1991) from time to time, revision of rates of water provided to farmers through tubewells in consultation with the State Government. The State Government had accepted (July 1992) the recommendation. The Company submitted (July 1993) proposal for revision of water rate from Rs.1.80 *per* 10,000 litres of water supplied through tubewells which was fixed by the State Government in November 1985 to Rs.4.50 *per* 10,000 litres in view of hike in cost of repairs and maintenance of tubewells. However, the Company did not take adequate follow up action with the State Government for revision of rate. The State Government revised the water rates to Rs.3 *per* 10,000 litres belatedly in October 1998, which resulted in loss to the State exchequer amounting to Rs.52.35 crore during the period 1993-2001.

2.10 Surplus manpower

A Comprehensive Study Committee (CSC) was constituted (November 1993) by the State Government to suggest measures to improve the working of the Company and to decide on an ideal size of establishment keeping in view the activities of the Company. The CSC recommended (May 1995) an initial reduction of 25 *per cent* in the existing staff and to decide the quantum of surplus staff in consultation with the State Government, thereafter.

(a) The State Government directed the Company (November 1997) to introduce Voluntary Retirement Scheme (VRS) and fixed (September 1998) a target for reduction of 20 *per cent* of the existing staff. The State Government further instructed the Company (April 1999) that the surplus staff not opting for VRS should be removed through proper rules. The Company introduced the VRS in July 1998, which was extended up to September 2001. Out of 5,496 employees, 1,011 employees (18 *per cent*) retired under the scheme.

(b) The Committee also recommended closure of four divisions against which the Company closed three divisions during September 1996 and October 1998. Of three closed divisions, out of 96 employees declared as surplus, 53 employees opted VRS and remaining 43 employees were continuing on the rolls. The Company incurred an avoidable expenditure of Rupees one crore towards pay and allowances of these 43 employees during 1998-2002.

(c) An analysis of manpower requirement was made in audit, based on the norms fixed by the Committee constituted for recommending the M&R subsidy. The analysis revealed that, considering the number of running tubewells with the Company, 506 to 780 employees in the category of operator, wireman, bit karkoon and helper were surplus, which had resulted in avoidable expenditure of Rs.17.07 crore towards their pay and allowances during 1998-2002.

(d) The Company had not terminated the services of its 1114 daily wage (Rojmadar) employees as per the direction (November 1997) of State Government. Consequently, the Company had to incur an avoidable expenditure of Rs.27.68 crore on pay and allowances of these employees during 1998-2002.

The above resulted in avoidable expenditure of Rs 45.75 crore due to lack of action on the part of the Company.

Conclusion

The Company, engaged in the activities ancillary to the utilisation of surplus ground water since August 1975, deviated from the district-wise scheduled programme for drilling of tubewells and concentrated on a particular region, resulting in over exploitation of ground water in certain areas. The recommendations of the Comprehensive Study Committee and directions of the State Government to curtail the staff strength and reduce establishment expenditure had not been implemented to the desired extent.

To improve the performance and to reduce the burden on the State exchequer, the Company ought to bring down the establishment expenditure by transfer/sale of tubewells to the beneficiaries and by reassessing and rationalising the manpower requirement. The Company should limit the exploitation of ground water to the required level through formation of rules in consultation with the State Government. The Company should also concentrate on replenishment of ground water aquifers through proper methods so as to check serious environmental threat of excess ground water drawal.

Chapter - III

Reviews relating to Statutory corporations

Gujarat Electricity Board

3A. Material Management and Inventory Control of Transmission and Distribution Materials

Highlights

As against the internal guidelines for finalisation of a tender within 98 days, the Board delayed finalisation of tenders by 40 to 993 days resulting in avoidable extra expenditure of Rs.4.93 crore.

(Paragaraphs 3A.4.2.1.1 and 3A.4.2.1.2)

Though the Board reserved the right to place repeat orders up to 50 *per cent* of the ordered quantity, it incurred avoidable extra expenditure of Rs.1.46 crore due to failure to place repeat orders at lower rates and of Rs.0.53 crore due to placement of repeat orders at higher rate, in spite of an apparent decreasing trend in prices.

(Paragraphs 3A.4.2.2.1 and 3A.4.2.2.2)

The Government of Gujarat directed (December 1998) discontinuance of the practice of unloading Gujarat Sales Tax in the evaluation of tenders. However, the Board continued the practice till December 1999 resulting in avoidable extra expenditure of Rs.1.43 crore.

(Paragraph 3A.4.2.3.1)

Due to incorrect estimation of material requirements or ignoring the past consumption patterns, the Board made excess purchase ranging from 17 to 64 *per cent* of total ordered quantity valuing Rs.4.35 crore.

(Paragraphs 3A.4.2.4.1 to 3A.4.2.4.4)

The Board incurred an avoidable extra expenditure of Rs.1.28 crore due to erroneous ignoring of L-1 firm or not insisting on matching with L-1 price.

(Paragraphs 3A.4.2.5.1 to 3A.4.2.5.3)

Despite availability of capacity for job work poles which are cheaper, to meet the actual requirement, purchase of ready-made poles at higher cost resulted in avoidable expenditure of Rs.19.07 crore.

(Paragraph 3A.4.2.6)

Delay in issue of material resulted in blocking of funds of Rs.3.95 crore for 25 months and of Rs.2.30 crore for eight months and consequent loss of interest of Rs.1.14 crore.

(Paragraphs 3A.5.3.2.1 and 3A.5.3.2.2)

3A.1 Introduction

Gujarat Electricity Board (Board) was formed on 1 May 1960 under Section 5(1) of the Electricity (Supply) Act 1948, mainly to supply electricity within the State. The value of store material (excluding fuel) purchased by the Board during the last five years 1997-98, 1998-99, 1999-2000, 2000-01 and 2001-02 was Rs.640.31 crore, Rs.618.94 crore, Rs.637.58 crore, Rs.492.47 crore and Rs.557.82 crore respectively constituting 9.66 *per cent*, 7.75 *per cent*, 6.66 *per cent*, 4.55 *per cent*, and 5.19 *per cent* respectively of the total revenue expenditure of the Board. As seen from *Annexure*-12, centralised purchases ranged from 63 to 75 *per cent* of the total purchases of the Board during 1997-2002.

3A.2 Organisational set up

The Board of Gujarat Electricity Board consisted of three nominated Members and three full time Members headed by the Chairman. The Stores Purchase Section (SPS) looked after the purchase of Transmission and Distribution (T&D) materials. A Chief Engineer (Material) [CE(M)], under the administrative control of Member (Administration), headed the SPS under whom there was one Chief Finance Manager, four Superintending Engineers, six Executive Engineers, 15 Deputy Engineers and five Junior Engineers to assist in the day to day functioning.

3A.3 Scope of Audit

A review on 'Material management and inventory control' featured in the Report of the Comptroller and Auditor General of India for the year 1986-87 (Commercial)-Government of Gujarat, which was discussed by the COPU in June 1991. There was no recommendation on the material management review but there were few recommendations on theft of electricity taken up *suo moto* by the COPU.

The present review conducted during January to April 2002 covers the economy and efficiency in the purchase, stores management and inventory holdings of T&D materials. The audit findings as a result of test check of the records of all the 13[*] Regional Stores Offices (RSOs), 10[@] out of 54 O&M stores, five[#] out of 11 Construction stores and 502 out of 1,217 centralised purchase orders during 1997-2002 are discussed in the succeeding paragraphs.

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* Shapur, Bharuch, Mehsana, Bhuj, Navsari, Rajkot, Surendranagar, Palanpur, Nadiad, Himatnagar, Dhasa, Vatva and Jamnagar

@ Baroda, Lalbagh, Vapi, Surat, Mehmadabad, Godhra (O&M and REC), Dhrangadhra, Gondal and Dhaboi.

\# Navsari, Jambuva, Nadiad, Mehsana and Gondal.

3A.4 Material management

Material Management involves meticulous forecasting of requirements, procurement and utilization of material with a view to exercising control over their receipt, storage, transfer to user units and inventory holdings so as to minimize procurement and inventory holding costs. The purchases made by the T&D wing during 1997–2002 are tabulated below:

(Rupees in crore)

Year	**1997-98**	**1998-99**	**1999-2000**	**2000-2001**	**2001-2002**
Purchases of T&D wing	462.43	431.33	438.28	387.80	428.86

3A.4.1 Purchase procedure

The Board has a stores procedure code detailing the purchase procedure in relation to invitation and finalisation of tenders, delegation of powers (as detailed in *Annexure*-13) and bifurcation of materials between centralised and local purchases. The Board adopted a purchase policy in October 2000 to streamline purchase procedures like classification of new and regular parties, price evaluation, requirement of technical specifications, negotiations and quantity distribution. Prior to the adoption of purchase policy in October 2000, the Board generally conducted business only with registered suppliers. However, unregistered suppliers were also permitted to quote provided they accepted the terms and conditions applicable to them. With the introduction of purchase policy, vendor registration was made compulsory. For scrutiny of tenders, the Board adopted the dual bid system. The price bid of a firm was opened only after it was declared technically acceptable as per the technical bid.

3A.4.2 Deficiencies in purchases

A review of the purchase procedure followed for centralised purchases revealed following system deficiencies:

- Delay in finalisation of tenders against prescribed norms.
- Non-placement of repeat orders at lower rates as stipulated in terms and conditions of purchase orders.
- Placement of repeat order at higher rates though there was an apparent decreasing trend in the prices.
- Continuing to unload Gujarat Sales Tax (GST) from price bid of Gujarat State based firms even after Government directive to discontinue the practice.
- Incorrect assessment of requirement by user departments leading to excess purchase.

- Erroneous ignoring of L-1 firm or failure to match the L-1 price as laid down in the latest purchase policy.

- Costlier purchases despite existence of viable and cheaper alternatives. These deficiencies noticed in audit led to an avoidable extra expenditure of Rs.31.06 crore and excess purchase of Rs.4.78 crore, as discussed in succeeding paragraphs.

3A.4.2.1 Delay in finalisation of tenders

Delay in finalisation of tenders ranged between 40 and 993 days.

As per the guidelines of the Board, a tender was to be finalised and purchase orders placed within 98 days from the date of receipt of indent for the material. Test check of 95 tenders out of 456 tenders revealed that in none of the cases the orders were placed within the prescribed norms. The delay ranged from 40 to 180 days in 33 cases, 181 to 365 days in 39 cases, 366 to 730 days in 21 cases and more than 731 days (higher being 993 days) in two cases. The delay in finalisation of tenders had led to financial loss of Rs.4.93 crore to the Board, as discussed in the following cases:

Delay in finalisation of new tenders resulted in extra expenditure of Rs.1.99 crore.

3A.4.2.1.1 The Board invited (June 1999) tenders for the procurement of 20,420 distribution transformers of assorted ratings and placed the orders between May/June 2000 and March 2001 on 26 parties. Further additional orders for 2,042 transformers were placed in October 2001. In order to meet the urgent requirement of 32,200 transformers for electrification schemes, fresh tenders for similar ratings were invited and opened in May 2001. However, the same were not finalised till January 2002. Consequently, further additional repeat orders for 3,063 transformers against the original tender (June 1999) had to be placed in December 2001. The price *per* piece in the original tender with capitalised losses[**] was higher than the price *per* piece in the new tender with capitalised losses by Rs.2,047 for 25 KVA, Rs.3,250 for 63 KVA and Rs.5,986 for 100 KVA transformer. As a result, the placement of additional orders in October and December 2001 due to delay in finalisation of new tender with lower rates resulted in an extra expenditure of Rs.1.99 crore.

In reply to an audit query the Chief Engineer (Materials) [CE(M)]stated (May 2002) that the comparison of the last tender and present tender with regard to capitalised cost in loading was hypothetical for loss comparison and cost only, and not for purchase price. The reply was not acceptable as the financial implication of the repeat orders of December 2001 was recorded in the files and decision to go in for the repeat order notwithstanding the financial implication was due to the urgency in material requirement and delay in finalisation of the new tender.

** Capitalised loss means the load losses offered by each supplier, which is capitalized with the price offered to arrive at the actual cost of the transformer.

3A.4.2.1.2 The Board invited (February 1999) and opened (March 1999) tenders for 6,266 Kms. of ACSR[@] conductors *viz.* (Zebra: 1,900 kms., Panther: 1,366 kms. and Dog: 3,000 kms.). Based on the stock availability, works to be carried out and the pending supply in the pipeline, the quantity to be procured underwent four revisions. Finally the Purchase Committee recommended (January 2000) procuring of 3,600 kms. of various sizes of conductors from four firms which had agreed to extend their validity up to February 2000. In view of the price difference of L-1 firm with the price of the other three short listed firms, the Purchase Committee also directed negotiation with these firms. However, these four firms were ready to supply the quantity only at their quoted price and did not agree to match their rates with L-1 of the four selected firms due to increase in raw material cost. Consequently, the Board called (April 2000) for revised price bids from all the technically qualified firms and resolved (26 July 2000) to procure 4,650 kms of ACSR conductors. The prices in the revised price bids were higher by Rs.18,285 *per* km. for Zebra conductors, Rs.8,579 *per* km. for Panther conductors and Rs.4,490 *per* km. for Dog conductors, as compared to the L-1 rate of the original tender. The Board procured (October/December 2000) 2,485 kms of conductors (Zebra: 1,245 kms, Panther: 250 kms and Dog: 990 kms) at higher cost. Thus, due to inordinate delay in finalisation of the tender and placement of orders, the Board incurred an additional expenditure of Rs.2.94 crore.

Inordinate delay in finalisation of tender resulted in invitation of revised price bid and consequent additional expenditure of Rs.2.94 crore.

3A.4.2.2 Placement/Non-placement of repeat orders

In placement of all the orders, the Board reserved the right to place repeat orders up to 50 *per cent* of the ordered quantity, on the same terms and conditions, within four months of the date of original order. In the cases mentioned below, the Board incurred extra expenditure of Rs.1.99 crore either due to not exercising its right to place repeat orders at lower rates or due to placement of such orders at higher rates in spite of an apparent decreasing trend in prices.

3A.4.2.2.1 The T&D Department forwarded indents for the purchase of XLPE[*] cables of assorted ratings to the SPS in November 1998 and February 1999. Tenders were invited in November 1999 and orders were placed in June 2000 for 158.9 kms. of XLPE cables at a total end cost of Rs. 13.47 crore. Thus, the Board took 504 days in placing the orders, as against the norms of 98 days. The end cost obtained in the tender was 35 to 55 *per cent* higher than the previous tender for which orders were placed (March/April 1999) for 116.70 kms. cables of assorted ratings. If the new tender had been finalised within 98 days, the Board would have an opportunity to compare the new rates with the existing rates. Thus, the Board could have then placed repeat order for 50 *per cent* quantity (*i.e.* 58.35 kms.) of the previous order at the old rates (which were lower) and saved Rs.1.46 crore.

Delay in finalisation of new tender resulted in extra expenditure of Rs.1.46 crore as opportunity to place repeat order was lost.

[@] All Aluminium Conductor Steel Reinforced.

[*] XLPE : Cross linked polyethylene.

In reply to an audit query, the CE(M) stated (May 2002) that in order to have better cable with the latest technology, the user department in April 1999 was addressed and by the time the previous tender was finalised and orders placed in April 1999. The reply was not tenable as the user department should have considered this aspect prior to issue of indents.

Placement of repeat order at higher rates resulted in extra expenditure of Rs.0.53 crore.

3A.4.2.2.2 The Board invited (November 1998) tenders (SP/2254/II) for the procurement of 90 KN Antifog Disc Insulators and opened the price bids in January 1999. The lowest price quoted in the tender was Rs.307.90 *per* insulator. The price in the tender was finalised (June 1999) at an end cost of Rs.248.36 *per* unit. However, the Board issued repeat orders (February 1999) against earlier tender (SP/2213/II) on four parties for procurement of 43,000 numbers of 90 KN Antifog Disc Insulators at an end cost of Rs.353.34 *per* unit. As a result of placing repeat orders at higher prices in spite of a visible downward trend, the Board incurred an extra expenditure of Rs.0.53 crore (Rs.45.14 lakh *plus* Rs.7.44 lakh for GST unloaded).

3A.4.2.3 Improper continuance of unloading of Gujarat Sales Tax

Continuance of unloading of GST resulted in avoidable expenditure of Rs.1.43 crore.

3A.4.2.3.1 The Government of Gujarat vide its circular dated 4 January 1978 directed that while evaluating the price bids of suppliers, Gujarat Sales Tax (GST) should not be loaded in the case of Gujarat State based firms, which would be reimbursed by the Government of Gujarat, whereas, Central Sales Tax (CST) should be loaded in the case of firms based outside Gujarat State. The Government of Gujarat had withdrawn the circular in December 1998. However, the Board continued to implement the circular of January 1978 till December 1999, resulting in avoidable expenditure of Rs.1.43 crore, as tabulated below:

(Rupees in lakh)

Tender No.	Month of order placement	GST unloaded
2,247 (LT PVC 3.5 core cables)	April 1999	66.80
2,236 (4 core LT PVC cables)	January and March 1999	6.02
1,859 (SF – 6 breakers)	December 1999	5.22
1,928 (ACSR Rabbit conductors)	August 1999 (3,149 kms)	53.31
2,248 (11 KV & 22KV lightning arrestors)	August 1999	11.15
Total		**142.50**

3A.4.2.3.2 Unloading of GST in inadmissible cases

The purpose of the Government circular referred to in paragraph 3A.4.2.3 *(supra),* was to ensure that Gujarat State based firms were not put to a disadvantage in comparison to firms based outside Gujarat State due to the higher incidence of sales tax in the State. It was, however, observed that the unloading was also done in tender evaluations where there were no firms based outside Gujarat State.

3A.4.2.3.2.1 In respect of purchase orders placed between June 1998 and December 1999 for procurement of 7,172 numbers of 25 KVA transformers against the tenders opened in August 1997, though all the parties were Gujarat

Unloading of GST in inadmissible cases resulted in avoidable expenditure of Rs. 1.21 crore.

based firms, GST was unloaded in price evaluation which resulted in avoidable expenditure of Rs.0.94 crore.

3A.4.2.3.2.2 In another evaluation of tender (March 1998) for purchase of 200 KVA and 500 KVA transformers, though all the purchase orders were to be placed on Gujarat based firms, GST of Rs.27.03 lakh was unloaded though it was not recoverable as per above circular. This resulted in avoidable expenditure of Rs.27.03 lakh.

In reply to an audit query, the CE(M) stated (May 2002) that though Government of Gujarat had withdrawn Sales Tax reimbursement in December 1998, the Board had taken up the matter with the Government for reviewing the policy, hence, the unloading was continued up to December 1999. Reply was not acceptable as when there was a clear cut Government direction, the Board could not set it aside on the pretext of a reference having been made against the direction.

3A.4.2.4 Purchases in excess of requirement

The SPS invited tenders based on material indents received from user departments. Audit analysis of these indents revealed that though not provided in the purchase procedure, the annual requirements were loaded with a buffer stock of 20 *per cent*. Further, the existing stock or pending orders were not taken into consideration before making the loading. No comparisons were made with past consumption patterns and consequently no justification was given for additional requirements projected for the year. Though the SPS did scale down requirements based on available stock and pending orders, the reduced purchases were also in excess of past consumption patterns or actual consumption leading to excess expenditure of Rs.4.35 crore, as discussed below:

Failure to relate purchase with utilisation resulted in excess purchase of Rs.22.40 lakh.

3A.4.2.4.1 The Board placed (October 1998) orders for 243 (22 KV) CTPT* units in three categories on three regular firms and two trial firms. At the time of placing of orders, the Board had a stock of 96 (22 KV) CTPT units in two categories though the same was not considered in assessing requirement. It was seen in audit that the Board had only two patches of 22 KV distribution lines where the 22 KV CTPT units were required. The supplies of 22 KV CTPT units, scheduled to be completed by May 1999, were completed only to the extent of 46 units by February 2000. The delay did not affect the Board, as there was a stock of 121 (22 KV) CTPT units as on April 2000. If the Board had monitored the stock position and actual utilisation of 22 KV CTPT units, which was around one unit *per* month, it could have cancelled the deliveries of 74 units (30 *per cent* of ordered quantity) made after April 2000 up to March 2002 and avoided excess purchase of Rs.22.40 lakh. Even as on 31 March 2002, the Board had stock of 116 (22 KV) CTPT units of the above three varieties.

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* CTPT : Current Transformer Potential Transformer

In reply to an audit query, the CE(M) stated (May 2002) that the utilisation of 22 KV CTPT units of the above three varieties had been low due to recession in industry and that the remaining orders after May 2002 had been cancelled. Reply was not acceptable as the action of the Board was a belated one and did not prevent the excess purchase pointed out above.

3A.4.2.4.2 The Board invited (November 1999) tenders against the indents of November 1998 and February 1999 for different quantities of XLPE cables of assorted range for meeting the requirements of T&D Wing for the year 1999-2000. As the tenders were opened only in November 1999, it was planned to use the purchases for the spill over works of 1999-2000 and new works of 2000-2001. It was observed that the requirement for the Distribution wing had been overassesed, as the consumption in 2000-01, even after catering to the spill over work of 1999-2000, was much less than the indented quantity, as tabulated below:

Items	**Indented quantity**	**Existing stock (1 April 2000)**	**Consump-tion 2000-01**	**Requirement {4 *plus* (20 *per cent* of 4) *minus* 3}**	**Excess purchase**	**Percentage of excess purchase**	**Rate *per* Km.**	**Value**
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
11 KV XLPE cables	**(In kms.)**						**(In Rupees)**	**(Rupees in lakh)**
150 mm^2	13	Nil	9	10.8	2.2	17	7,04,118	15.49
185 mm^2	41	2.708	22	23.7	17.3	42	8,16,319	141.22
240 mm^2	17	0.793	9	10	7	41	9,34,687	65.43
22 KV XLPE cables								
185 mm^2	10	Nil	3	3.6	6.4	64	11,27,280	72.15
Total								**294.29**

Incorrect assessment resulted in excess purchase of Rs.2.94 crore.

Further audit scrutiny revealed that the purchase was sufficient even to meet the requirements of 2001-02, which were 1.81, 12.49, 4.42 and 2.69 kms respectively. Thus due to incorrect assessment of requirement, the Board had purchased nearly three years requirement in one year leading to overstocking as discussed in paragraph 3A.5 *(infra)*.

In reply to an audit query, the CE(M) stated (May 2002) that the utilisation might not have been as planned due to delay in acquisition of land, completion of civil works *etc.* Reply was not to the point as audit comment was not on the material purchased in the same tender for the transmission wing but only on the material purchased for the distribution wing.

Excess procurement resulted in blocking of Rs.36.69 lakh.

3A.4.2.4.3 The Board invited (July 1997) and opened (August 1997) tenders for procurement of 13,75,000 numbers of Galvanised Iron (GI) nuts and bolts for low-tension (LT) shackle insulators for the yearly requirement of 1997-98. Considering the opening stock of 3,47,365 numbers and pending orders for 2,33,566 numbers, the SPS scaled down the ordered quantity to 7,94,069 numbers. Audit scrutiny revealed that the average annual consumption during 1994-97 was only 3,57,718 numbers. Thus, the Board could have avoided the entire purchase as the availability was 62 *per cent* more than the average annual consumption and saved blocking of funds of Rs.36.69 lakh. A further scrutiny in audit revealed that the consumption during 1997-98 was only

5,42,976 numbers and supplies against the subject order for 7,94,069 numbers were received in March/April 1998 and used only in 1998-99.

Excess procurement resulted in blocking of funds of Rs.0.82 crore.

3A.4.2.4.4 The Board invited (February 1998) tenders and placed (November 1998) order for procurement of 157 numbers of 500 KVA, LT distribution boxes with ACBs. This procurement was in excess of projected requirement and past consumption. The projected requirement for 1998-99 by the user department was 125 units. The past consumption was 36 numbers in 1994-95, seven numbers in 1995-96, 81 numbers in 1996-97 and 73 numbers in 1997-98. As there was an existing stock of 41 numbers, which was 50 *per cent* of the highest past consumption, the Board could have restricted the purchase to 84 units only, as this would have fully taken care of the projected requirement also. Owing to the excess purchase of 73 numbers (47 *per cent* of total ordered quantity), there was avoidable blocking of funds of Rs.0.82 crore for a period of one year as the consumption of 1998-99 was only 67 units and the balance was consumed in 1999-2000 and no new tenders were invited for the next year.

3A.4.2.5 Loss due to ignoring or not matching with L-1 tender

The stores procedure code provided that where L-1 firms were ignored for reasons other than variations in technical specifications, the reasons thereof should be recorded in writing. A test check of tenders revealed that the ignoring of L-1 firm was not justified in two cases, as detailed in the following paragraphs, resulting in extra expenditure of Rs.31.55 lakh. Further, as per Board's convention, once a party was approved as the L-1 regular firm for order placement, all other approved parties had to match end cost with the L-1 firm. Audit scrutiny revealed that exceptions had been made in two cases resulting in extra expenditure of Rs.1.28 crore.

Non-consideration of L-1 firm resulted in extra expenditure of Rs.31.55 lakh.

3A.4.2.5.1 The Board invited (June 2000) tenders for the procurement of 200,000 numbers of 11 KV, 90 KN antifog disc insulators* for the annual requirement of 2000-01. Out of the four technically qualified parties, orders were placed on three parties in January 2001 for a total quantity of 1,03,775 numbers at a negotiated end cost of Rs.349 *per* unit. It was observed that the Board had not considered the offer of one technically qualified firm on whom a stop dealing order was issued in August 2000, though the same had been revoked (October 2000) before the Purchase Committee approved (December 2000) the purchase order. The firm represented (October 2000) that the Board by opening its price bid would save more than Rs.93 *per* insulator as compared to the three bidders considered by the Board. As the bid of this supplier was not opened by the Board, the price quoted by the supplier remained unknown. The firm had also claimed that it had received an order for supply of the above material at an end cost of Rs.318.60 *per* unit in September 2000 from Tamil Nadu Electricity Board (TNEB). The difference between price on which the supplier received order from TNEB and that on which the

* The antifog disc insulator maintains the electrical path which is disturbed by atmospheric pollution and gives increased creepage of power while designing economic towers for the lines.

Board placed order for insulator was Rs.30.40 *per* unit. Even on conservative side based on the difference of Rs.30.40 *per* unit, the Board had incurred extra expenditure of Rs.31.55 lakh by not considering the bid of the supplier.

In reply to an audit query, the CE(M) stated (May 2002) that before the revocation of the stop dealing order in October 2000, the proposal was under way, hence, the price bid was not considered. Reply was not acceptable as the L-1 price bid could have been considered at least prior to the purchase committee's approval.

Non-adherence to the competent authority's direction to match the prices with L-1 price led to extra expenditure of Rs.16.46 lakh.

3A.4.2.5.2 The Board placed (March/April 1999) orders for 10,375 numbers of 100/5 ampere and 10,160 numbers of 200/5 ampere Resin cast current transformer blocks (CT blocks) to seven suppliers. As 100/5 ampere CT blocks were being purchased for the first time, there were no regular suppliers to the Board for the item. While approving (March 1999) the orders the competent authority recorded that five out of seven firms who had earlier supplied 200/5 ampere LT blocks were to be considered for 80 *per cent* and remaining two firms for 20 *per cent* quantity allocation. Further, the competent authority also recorded that the prices had to be matched with L-1 firm. However, the CE (M), while implementing the decision did not insist on other suppliers to match the L-1 price and consequently the two new firms supplied 20 *per cent* of the quantity at their respective end cost of Rs.940.88 *per* unit and Rs.999 *per* unit and the five regular firms supplied 80 *per cent* of the quantity at the matching end cost of Rs.1,131.90 *per* unit. The Board, therefore, incurred an additional expenditure of Rs.16.46 lakh due to not insisting on matching with L-1 price of Rs.940.88 *per* unit as envisaged by the competent authority.

Not insisting on matching with L-1 price resulted in additional expenditure of Rs.0.80 crore.

3A.4.2.5.3 The Board invited (March 2000) and opened tender (May 2000) for PVC unarmoured cables of 3.5 core X 25 mm^2, 50 mm^2, 70 mm^2 and 150 mm^2 in assorted quantities. Price bids were opened in June 2000 and LOI was issued (August 2000) to five firms for a total quantity of 1,346 kms. at matching L-1 cost. Only two firms accepted the LOI for a quantity of 128 kms. The L-1 firm itself backed out stating that it had made a mistake in calculations. As the regretted quantity was very large, the Board decided (September 2000) to call for revised price bids from seven firms. In December 2000, it was decided to place orders for 1,295 kms on the six qualifying firms at their quoted revised cost. Though the L-1 firm had offered full quantity, the Board did not insist on other firms to match L-1 cost as per its normal practice and thereby incurred an additional expenditure of Rs.0.58 crore. In January 2001, orders for further quantity of 230 kms of the above cables were placed on two parties once again at the quoted rates, and thereby, the Board incurred further additional expenditure of Rs.22.42 lakh.

In reply to an audit query, the CE(M) stated (May 2002) that though the L-1 firm had offered full quantity, it required prolonged delivery period and considering the urgency of the material, orders had to be placed on selected firms at their quoted price. The reply was not acceptable as the L-1 firm had offered a delivery schedule of 180 numbers of assorted range in one quarter which was the requirement initially projected by the Board. The urgency arose because of the delay of 144 days as compared to norms in the finalisation of the tender. Further, the matching with the L-1 cost which was an accepted convention was made compulsory in the purchase policy adopted in October 2000 after which these orders were placed.

3A.4.2.6 Procurement of ready-made poles at higher cost

The requirements of prestressed concrete poles (PSC) for T&D works of the Board were initially catered by the job work pole fabricating factories, to whom materials were provided free of cost by the Board. These pole factories were owned by the job work contractors and supervised by the O&M Divisions of the Board. In April 1997, there were 41 such pole factories having a total established capacity of 37,528 poles *per* month. However, the factories produced/supplied 20,508 to 25,299 poles *per* month during 1994-98 due to delay in supplying materials by the Board and labour problems.

Considering the projected demand of 39,000 poles *per* month for the year 1997-98, the Board invited (December 1996) tenders for the supply of ready-made poles but did not approve (November 1997) the proposal for the procurement of ready-made poles as the existing job work pole factories, besides others, had quoted higher rates for the ready-made poles. The Board recommended continuation of the present practice and further directed to increase the production of the existing capacity.

However, the Board altered the said decision in view of projected requirement and decided to procure such poles (May 1998) from ready-made pole casting factories. These factories which came into existence after May 1998 were not under the supervision of the Board and were owned by the ready-made pole supplying contractors. The ready-made pole factories started supplying ready-made poles from September 1998 and total procurement from 20 such factories (7 new factories *plus* 13 job work converted factories) up to March 2002 was 5,33,537 poles (12,408 poles *per* month). The average end cost of ready-made poles received by the Board from September 1998 to March 2002 was Rs.1,049.60 *per* pole.

With the emphasis of the Board shifting from job work supply to procurement of ready-made poles, thirteen job work factories also converted themselves into ready-made pole factories. Thus, the average supply from job work during 1998-2002 reduced from 26,073 to 13,417 poles *per* month. However, the average end cost including material and labour of the job work poles was only Rs.692.23 *per* pole during 1997-2002. An analysis of actual consumption of

Purchase of ready-made PSC poles based on unrealistic assessment at higher price had led to extra expenditure of Rs.19.07 crore.

poles revealed that 15,84,521 poles (*i.e.* 26,409 poles *per* month) were consumed during 1997-2002, as against the unrealistic projected demand of 39,000 poles *per* month. Thus, an yearly review of the actual usage would have revealed to the Board the non-requirement of ready-made poles at a higher cost as the then existing 41 job work factories could supply upto 25,000 poles *per* month. The actual consumption of poles during the period 1997-2002 was 15,84,521 numbers. However, the existing job work factories had manufacturing capacity of 22,51,680 poles (37,528 x 60), which was much more than the total consumption of poles during the same period. Thus, the entire requirement could have been met by the Board from the job work factories by supplying raw materials in time. In the process the Board could have saved extra expenditure of Rs.19.07 crore by avoiding the entire purchase of 5,33,537 ready-made poles.

3A.5 Inventory control and stores management

3A.5.1 Overstocking at various stores centres

The stock position of the Board as given in the annual accounts for the five years ending March 2002 is given in *Annexure*-14. The closing stock represented 97 to 149 days' consumption in terms of value during the above period. The Board had fixed quantitative stocking norms as 15 days' consumption for high value items, one month's consumption for medium value items and two months' consumption for low value items.

3A.5.1.1 A test check of certain high and medium value items in all 13 RSOs based on compiled stock returns revealed overstocking, as tabulated below :

There was an overall increase in overstocking of selective high/medium value items in 13 RSOs.

High (H) and Medium (M) value stores of RSOs

Item	Range of normative stock		Range of overstocking		Value @ (Rupees in lakh)	
	2000-01	2001-02	2000-01	2001-02	2000-01	2001-02
Conductors (H) (in kms.)	7 to 22.5	15 to 1,054	45 to 48	64 to 196	23.82	110.44
Cables (H) (in kms.)	0.12 to 7.5	0.120 to 103.96	2.04 to 4.79	2.94 to 68.23	40.54	67.32
Cables (M) (in kms.)	0 to 17.724	0 to 108.82	0.040 to 13.45	0.040 to 14.4	144.27	94.76
Meters (H) (in nos.)	0 to 6	0 to 7,281	3 to 114	42 to 4,215	27.46	25.06
Meters (M) (in nos.)	0 to 6	0 to 1	29 to 1,297	30 to 1,297	12.49	15.19
Transformers (H) (in nos.)	14	11 to 159	8	13 to 27	6.15	17.53
22 KV CTPT units (M) (in nos.)	1 to 2	1 to 2	11 to 70	13 to 81	50.64	44.24
Total					**305.37**	**374.24**

@ The value of overstocking indicates the total overstocking in terms of value for all the sub-items under a material head.

It would be seen from the above that overstocking increased from Rs.3.05 crore in 2000-01 to Rs.3.74 crore in 2001-02.

The overstocking of XLPE cables (included in cable M) and 22 KV CTPT units were due to excess purchase as discussed in *paragraphs* 3A.4.2.4.1 and 3A.4.2.4.2 (*supra).*

3A.5.1.2 A test check in audit of the stock level of certain high and medium value materials in eight O&M and construction divisions based on quantitative stock returns submitted revealed overstocking, as tabulated below:

There was an overall increase in overstocking of selective items in eight divisional stores.

High(H) and Medium(M) value items of O&M and Construction Stores

Item	Range of normative stock		Range of overstocking		Value [#] (Rupees in lakh)	
	2000-01	2001-02	2000-01	2001-02	2000-01	2001-02
Conductors (O&M) (H)	1 to 4 kms.	1 to 14 kms.	3 to 21 kms.	6 to 88 kms.	6.32	47.72
Transformer (O&M) (H)	1 to 4 nos.	3 to 8 nos.	2 to 9 nos.	2 to 3 nos.	15.97	4.55
Cables (O&M) (M)	12 to 1,108 mtrs.	13 to 52,100 mtrs.	17 to 2,431 mtrs.	50 to 32,800 mtrs.	6.90	73.92
Conductors (Const.) (H)	1 to 6 kms.	1 to 10 kms.	2 to 9 kms.	1 to 10 kms.	11.71	18.03
Cables (Const.)(M)	101 to 1,273 mtrs.	66 to 569 mtrs.	127 to 6,027 mtrs.	41 to 4,744 mtrs.	31.26	23.56
Total					**72.16**	**167.78**

It would be seen that overstocking of Rs.0.72 crore in 2000-01 increased to Rs.1.68 crore in 2001-02.

A periodical review of at least the high and medium value items by the Board would prevent avoidable overstocking of materials and resultant blocking up of scarce funds.

3A.5.2 Ineffective system of compilation and monitoring of store returns

In order to monitor the adherence to norms, the stores centres were required to submit every month two returns *viz*. the Monthly Inventory Control Return (MICR), giving stock value at the end of each month for different groups of materials and the Monthly Store Return (MSR), giving quantitative details of opening stock, receipts, issues and closing stock for each item of stock. Audit scrutiny revealed that these returns were not being submitted in time leading to an ineffective system of consolidation of these returns at Head Office and consequent excess purchase and overstocking.

[#] The value of overstocking indicates the total overstocking in terms of value for all the sub-items under a material head.

MICRs of RSOs only were computerised and therefore, these returns gave quantitative and qualitative details of stock position, receipts and issues. The MICRs of RSOs were consolidated in the Information Technology section by the 10th of each month. However, the trends depicted by these monthly consolidated statements were not analysed for effective inventory control. The MICRs of O&M divisions and construction divisions were not computerised and hence, did not give quantitative details. The quantitative MSRs of these divisions were compiled only in March each year. Even this annual compilation did not include the details of divisions not submitting these returns. In the absence of monthly compilations in respect of these stores centres the consolidated position was available to the Head Office only once in year and there was no possibility of analysing trends in issues, stocking *etc*. For effective inventory control the Board needs to ensure regular submission of stock returns by all store centres, computerisation of all stores centres and effective monitoring of the trends depicted in the various returns.

3A.5.3 Stores management

The material purchased by the SPS was delivered at the RSOs and Transmission Construction Stores from where it was issued to various divisional stores for onward transmission to works or was directly issued to works. Efficient stores management required issue of material without delay after its receipt, avoidance of unnecessary inter divisional and inter RSO transportation of material, regular monitoring of non-moving and scrap items and ensuring safety and security of stores materials at all times. A test check of the stores management in 28 stores centres (as mentioned in paragraph 3A.3 *supra*) revealed the following deficiencies:

3A.5.3.1 Avoidable transportation expenditure on inter-circle transfer

The centralised purchases made for O&M requirements were delivered at the RSOs. The Board had 16 O&M circles of which 13 circles had their own RSOs. The three circles not having their own RSOs were catered to by the nearest RSO. The SPS while placing the purchase orders did not specify the destination of the material though freight cost was loaded in all purchase orders. After inspection of each lot of material of the supplier, the SPS issued allotment advice to the suppliers. The allotment was not made at the respective RSOs depending upon the requirement of each circle. This necessitated a lot of inter circle transfer of material. Total materials received at the different RSOs, utilized within the circle and issued outside the circle for the period 2000-01 and 2001-02 (up to December 2001) are tabulated in *Annexure*-15.

It would be observed from the A*nnexure* that in respect of RSOs of Bharuch, Mehsana, Navsari, Rajkot and Nadiad, the purchases received were much higher than the requirements of the circle. The additional materials delivered at these RSOs were reallocated to other circles at Board's expense. Similarly, in respect of other RSOs like Shahpur, Bhuj, Palanpur, Himatnagar and Jamnagar, the requirement of the circles was met by transfer from other circles/RSOs.

The Board had the discretion to decide the destination of the material at the time of placement of order itself. If this had been done prudently based on proper assessment of requirement of each circle, unnecessary inter circle transfer of material could have been avoided. The RSOs and O&M divisions incurred transportation expenditure of Rs.1.75 crore and repairs and maintenance expenditure of Rs.2.53 crore on trucks and vehicles during 2000-02, which could have been minimised.

Seven tenders involving 13 order placements were reviewed in audit to study reallocations out of circle. The findings including estimated transportation expenditure is tabulated below:

	Description of items	**Quantity received in RSO**	**Quantity allotted out of circle**	**Estimated transportation cost (Rupees in lakh)**
	Nadiad RSO			
1.	2.5. core and 4 core cables.	32,380 coils	17,330 coils	6.45
2	34 mm^2 and 55mm^2 conductors	651.7 kms.	216.399 kms.	
3	3.5 core x 25, 70mm^2 cables.	21.534 kms.	11.004 kms.	
4	11 KV XLPE cables	9,007 mtrs.	672 mtrs.	
	Rajkot RSO			
1	2.5. core and 4 core cables.	18,100 coils	12,845 coils	4.58
2	34 mm^2 and 55mm^2 conductors	262.82 kms	100.78 kms.	
3	3.5 core x 25, 70mm^2 cables.	13.093 kms.	7.093 kms.	
	Dhasa RSO			
1	2.5. core and 4 core cables.	1,600 coils	400 coils	1.65
2	34 mm^2 and 55mm^2 conductors	260.28 kms.	104.88 kms.	
3	3.5 core x 25, 70mm^2 cables.	15.017 kms.	10.508 kms.	
	Himatnagar, Surendranagar, Shahpur, Jamnagar, Mehsana, Palanpur and Vatva RSOs			
1	2.5. core and 4 core cables.	3,200 coils	2,300 coils	2.83
2	34 mm^2 and 55mm^2 conductors	2,371.52 kms.	1,116.69 kms.	
3	3.5 core x 25, 70mm^2 cables.	20.037 kms.	14.519 kms.	
	Total			**15.51**

Transportation expenditure has been calculated based on contracted transport rates and distance involved on the assumption that materials will be transported within one month of receipt, as per stocking norms, either alone or in combination with other materials.

In reply to an audit query, the CE(M) stated (May 2002) that all care was being taken to prevent inter circle transfer of materials though sometimes circumstances prevailed to do so. Reply was not acceptable as transfers could be prevented with proper planning prior to placement of orders.

3A.5.3.2 Delay in utilisation of materials –blocking of funds

Delay in utilisation of materials resulted in blocking of funds of Rs.3.95 crore for 25 months with consequential loss of interest of Rs.0.96 crore.

3A.5.3.2.1 An indent for the purchase of one 315 MVA 400/220/33 KV CT auto transformer for augmentation of 400 KV Amreli sub-station was received by Head Office in December 1997. As per the original work schedule, delivery was to be completed by September 1998, which was later revised to April 1999. The transformer was actually received in September 1999 but was commissioned only in January 2002. The Board stated that the delay was on account of shortage of other critical items such as switchyard, structures and isolators. The reply indicated lack of proper planning. The delay had led to blocking of funds of Rs.3.95 crore for 25 months. This also resulted in loss of interest of Rs.0.96 crore (calculated at 12 *per cent per annum* up to January 2002 after giving three months allowance for installation).

3A.5.3.2.2 The Board placed (February 2001) order for supply of 274 kms. of ACSR Moose conductors on a firm for a value of Rs.4.53 crore. The firm supplied 119.932 kms. valuing Rs.2.30 crore at Tower bank Viramgam under Nadiad construction division between July and August 2001. The above material though purchased for 400 KV Dehgam – Ranchodpura line could not be utilised there, as the work contract for the above line had not been awarded.

Non-utilisation of material indented for the works resulted in blocking of funds.

In October 2001, the Board instructed Jambuva construction division to collect the above material for the deposit work of Sardar Sarovar Narmada Nigam Limited at Navagam. However, this material had not been lifted till April 2002. This had resulted in blocking of funds of Rs.2.30 crore for more than eight months and also in loss of interest of Rs.18.37 lakh (calculated at 12 *per cent per annum* up to April 2002).

3A.5.3.3 Delayed utilisation not reflected in stores balances

The construction divisions maintained booking bin cards separately over and above the stores bin cards maintained in the stores section. The stores purchased against a particular work though not consumed, were transferred from the stores bin cards to booking bin cards at the end of the financial year. Such transfers represented materials charged to works though not actually issued to works. This system led to reduction of store balances without actual issue to works. This practice was commented upon in the Separate Audit Reports on the accounts of the Board for the years 1998-2001, as it had resulted in understatement of stock balances and overstatement of work-in-progress to the extent of Rs.38.53 crore, Rs.18.99 crore and Rs.25.24 crore, respectively, for the above three years.

A test check in selected construction divisions revealed that this practice was not only an year-end adjustment but was also carried throughout the year and thus, in four cases resulted in materials valuing Rs.1.81 crore lying out of stores balances for 6 to 17 months without getting reflected as delayed issue. Some such instances are discussed below:

(a) In Jambuva construction division, ACSR zebra conductors worth Rupees one crore received between March and May 2001 were immediately transferred to booking bin cards but were actually issued to works only in December 2001.

(b) In Mehsana construction division, 11 KV disc insulators worth Rs.12.27 lakh were received between April and July 2000 and transferred to booking bin cards in February 2001. They were yet to be issued to works (May 2002). The division received 220 KV outdoor CTs valuing Rs.31.82 lakh between July and October 2000. They were transferred to booking bin cards in January 2001 but were lying there till May 2002. ACSR Panther conductors worth Rs.37.62 lakh received by the division in February 1999 were immediately transferred to booking bin cards and were transferred to Navsari construction division only in April 2000, as the same could not be utilised in Mehsana construction division.

This practice understated the actual stock balances in construction divisions, which may lead to lack of control on the stock.

3A.5.3.4 Ineffective monitoring of non-moving and scrap items

The details of the stock position of the Board as on 31 March 2001 and 2002 under the various stores centres, including power station stores of the Board, classified as active, slow moving, non-moving, obsolete and scrap are given in *Annexure*-16. The percentage of active material, which was 78 *per cent* as on 31 March 2001 reduced to 75 *per cent* on 31 March 2002.

Conclusion

The Board has over the years developed purchase policies and procedures for the protection of the interest of the Board. On many occasions, however, time limits and purchase policies/procedures were not adhered to and prudent practices were not followed leading to avoidable extra expenditure. The norms fixed by the Board on stocking were not adhered to leading to avoidable stocking of materials. The existing non-moving stocks and scrap stocks were not properly monitored leading to blocking of funds under such categories.

The Management Information System of the Board needed to be revamped. The Board needs to conduct a review of all the classified and

unclassified non-moving stock lying under the different stores centres and divisional stores and initiate immediate action for their use or disposal.

The matter was reported to the Government/Board in June 2002. Their replies had not been received (November 2002).

Gujarat State Financial Corporation

3B Defaults and Recovery Performance

Highlights

The Corporation was set up in May 1960 to assist the small and medium industrial units for development of industries in the State.

(Paragraph 3B.1)

Interest income which was Rs.189.89 crore during 1998-99 decreased to Rs.96.51 crore in 2000-01 and to Rs.92.73 crore in 2001-02. As a result thereof, the Corporation which was earning profit of Rs.12.85 crore in 1998-99 incurred loss of Rs.77 crore in 2000-01 and of Rs.79.92 crore (excluding provision against non-performing assets) in 2001-02.

(Paragraph 3B.4)

Due to insufficient recovery, the Corporation depended mainly on refinance from Small Industries Development Bank of India, issue of bonds and loans from banks. This resulted in heavy interest burden of Rs.756.82 crore on the Corporation during the last five years ended 2001-02.

(*Paragraph* 3B.5)

The target for recovery of dues was fixed based on the collection of previous years rather than on the basis of amount recoverable. The actual recovery ranged from 17 to 47 *per cent* of amount recoverable during the last five years ended March 2002.

(Paragraph 3B.7.2)

The overdues had increased from Rs.360.91 crore in 1997-98 to Rs.1,071.46 crore in 2001-02 and 89 *per cent* of the total overdues were more than two years old.

(Paragraph 3B.7.3)

Due to poor recovery performance, non performing assets had increased from Rs.271.59 crore (24 *per cent*) in 1997-98 to Rs.690.56 crore (59 *per cent*) in 2001-02.

(Paragraph 3B.7.4)

Deficiencies in appraisal, sanction, disbursement and post disbursement follow-up had resulted in non-recovery of outstanding amount of Rs.29.24 crore in 17 cases test checked in audit.

(Paragraph 3B.9)

As against the outstanding residual recovery amount of Rs.38.17 crore from 72 units, the Corporation initiated action for recovery from 13 units (Rs.5.65 crore) only by invoking personal guarantee given by the promoters.

(Paragraph 3B.11)

Of the 794 units test checked in audit, which were under possession of the Corporation (amount outstanding : Rs.341.30 crore), 464 units (amount outstanding : Rs.182.55 crore) were not disposed of for more than 24 months.

(Paragraph 3B.12)

In 686 cases test checked in audit, outstanding amount of Rs.108.02 crore was settled for Rs.60.12 crore under One Time Settlement scheme resulting in loss of Rs.47.90 crore (including loss of principal amount of Rs.3.11 crore in 71 cases). Of 686 cases, one time settlement was allowed in 94 cases against eligibility criteria resulting in loss of Rs.14.13 crore.

(Paragraph 3B.13)

3B.1 Introduction

Gujarat State Financial Corporation (the Corporation) was set up under State Financial Corporations (SFC) Act, 1951 on 1 May 1960 to assist the small and medium industrial units for development of industries in the State. The Corporation provides financial assistance up to maximum amount of Rs.2.40 crore (increased to Rs.5 crore in September 2000) to industrial units in the form of term loans, hire purchase, lease finance and subscription to the shares, bonds and debentures of industrial units *etc*.

3B.2 Organisational set up

The management of the affairs and business of the Corporation is vested in Board of Directors (BOD) and the constitution of BOD is governed by Section 10 of SFC Act, 1951 (as amended) as follows:

- Chairman : Nominated by Small Industries Development Bank of India (SIDBI) in consultation with the State Government.
- Managing Director : Nominated by the State Government in consultation with SIDBI.
- Two directors : Nominated by the State Government
- Two directors : Nominated by SIDBI
- Two directors : Nominated by Shareholders of public sector banks and insurance company.
- Three directors : Nominated by other shareholders.

As on 31 March 2002, BOD had five directors comprising the Chairman, Managing Director, one director nominated by the State Government and two directors nominated by SIDBI. The Managing Director was the chief executive and assisted by two General Managers at head office. During the period under review there were seven Managing Directors, whose tenure ranged from one month to 28 months. Such frequent changes in the Chief executive is likely to affect the smooth functioning of the Corporation. The Corporation has nine* Regional Offices in the State, each headed by a Regional Manager.

* Ahmedabad, Vadodara, Surat, Rajkot, Bhavnagar, Mehsana, Valsad, Ankleshwar and Gandhinagar

3B.3 Scope of Audit

The recovery performance of the Corporation was last reviewed in audit and results thereof were included in the Report of the Comptroller and Auditor General of India for the year ended 31 March 1995 (Commercial) Government of Gujarat. The Report was discussed by the Committee on Public Undertakings in November 1998 and their recommendations were awaited (March 2002).

The present review, which was conducted during the period from December 2001 to April 2002, covers 'Defaults and recovery performance of the Corporation' against term loans, noticed during test check of records maintained by Head Office and its two[#] regional offices during the last five years from 1997-98 to 2001-02. The test check was made in respect of default cases exceeding Rs.0.50 crore and the loans sanctioned during 1997-2002.

3B.4 Working results

The working results of the Corporation during 1997-2002 are tabulated below:

(Rupees in crore)

Particulars	1997-98	1998-99	1999-00	2000-01	2001-02
(A) Income					
(i) Interest on loans and advances	165.42	189.89	170.75	96.51	92.73
(ii) Interest on term deposits, lease rental and other income	32.90	44.36	28.60	11.95	7.41
Total	**198.32**	**234.25**	**199.35**	**108.46**	**100.14**
(B) Expenditure					
(i)Cost of borrowings					
- Interest on refinance, bonds, *etc.*	140.59	177.92	143.00	145.65	149.66
- Financial charges	2.96	2.35	1.98	2.05	2.44
(ii) Operating expenses	10.82	21.66	24.83	24.71	21.69
(iii) Other expenses	17.98	16.12	14.03	13.05	6.27
(iv) Provision against non-performing assets	--	--	--	--	46.93
Total	**172.35**	**218.05**	**183.84**	**185.46**	**226.99**
Profit / loss(-) before tax	25.97	16.20	15.51	(-)77.00	(-)126.85
Profit/loss(-) after tax	**22.82**	**12.85**	**12.00**	**(-)77.00**	**(-)126.85**

Due to fall in interest income, the Corporation incurred loss of Rs.126.85 crore in 2001-02.

The profit after tax declined from Rs.22.82 crore in 1997-98 to Rs.12 crore in 1999-2000 and the Corporation incurred loss of Rs.77 crore in 2000-01 and of Rs.126.85 crore in 2001-02. The reduction in profit and the subsequent loss in two years ended 2001-02 was mainly due to fall in interest income from the loanees. It was further seen that against the targeted interest recovery of

[#] Ahmedabad and Gandhinagar

Rs.994.25 crore during 1997-2002, the actual recovery was Rs.744.25 crore (75 *per cent*) only.

The Corporation stated (March 2002) that due to recession in the economy and natural calamity, the recovery declined in last three years and further steps were being taken to improve the recovery by way of reduction in interest rate and a scheme for settlement of dues. The reply is not tenable as the Corporation did not take effective steps for disposal of units under possession, as discussed in paragraph 3B.12 *infra*.

3B.5 Sources of finance

The table below indicates the sources of finance and their utilisation for the last five years up to 2001-02:

(Rupees in crore)

Particulars	1997-98	1998-99	1999-00	2000-01	2001-02
(A) Sources					
(i) Borrowings					
Refinance (SIDBI/IDBI)	96.17 (11.39)	155.79 (18.37)	108.56 (14.82)	112.16 (19.13)	134.66 (30.01)
Bonds	76.00 (9.00)	-- (--)	13.00 (1.77)	36.73 (6.27)	29.66 (6.61)
Others (bank loans, *etc*.)	6.66 (0.79)	46.00 (5.42)	86.30 (11.78)	72.52 (12.37)	31.05 (6.92)
Total	**178.83**	**201.79**	**207.86**	**221.41**	**195.37**
(ii) Other than borrowings					
Share capital	12.66 (1.50)	0.40 (0.05)	0.01 (--)	0.08 (0.01)	-- (--)
Recovery from loanees	418.59 (49.59)	457.59 (53.96)	475.69 (64.95)	316.59 (54.01)	208.72 (46.51)
Others	234.05 (27.73)	188.26 (22.20)	48.90 (6.68)	48.13 (8.21)	44.64 (9.95)
Total	**665.30**	**646.25**	**524.60**	**364.80**	**253.36**
Grand total (i) + (ii)	**844.13**	**848.04**	**732.46**	**586.21**	**448.73**
(B) Utilisation					
Disbursement of loans	292.17 (34.61)	301.34 (35.53)	315.30 (43.05)	219.37 (37.42)	90.41 (20.15)
Repayment of bonds	7.70 (0.91)	21.18 (2.50)	13.45 (1.84)	4.95 (0.85)	19.57 (4.36)
Repayment of loans	153.34 (18.17)	197.48 (23.29)	159.11 (21.72)	143.52 (24.48)	142.36 (31.73)
Others	390.92 (46.31)	328.04 (38.68)	244.60 (33.39)	218.37 (37.25)	196.39 (43.76)
Total	**844.13**	**848.04**	**732.46**	**586.21**	**448.73**
Percentage of disbursement of loans to borrowings	**61.21**	**66.96**	**65.92**	**100.93**	**216.09**

(Figures in brackets indicate percentage of each item to total sources/utilisation.)

Refinance, issue of bonds and loan from banks increased from Rs.178.83 crore in 1997-98 to Rs.221.41 crore in 2000-01 and decreased to Rs.195.37 crore in 2001-02. The dependence on the above sources increased as percentage of disbursement of loans to borrowing increased from 61.21 in 1997-98 to 216.09 in 2001-02.

Low recovery of dues resulted in heavy interest burden of Rs.756.82 crore.

This was due to low recovery of dues in respect of principal and interest from loanee to meet the needs of lending operations. This had resulted in heavy interest burden on borrowed funds aggregating Rs.756.82 crore during 1997-2002. The Corporation, being a financial institution should have optimised its recoveries to reduce the interest burden on borrowings.

The Corporation stated (March 2002) that its dependence on borrowings has gone up during the last three years mainly due to overall recession in industries and several natural calamities faced by the State. The reply is not tenable as the Corporation did not initiate action for recovery of dues by way of disposal of assets of the units, which were taken over by it.

3B.6 Procedure for financial assistance

The Corporation provides financial assistance for setting up of new industrial units as well as for expansion, diversification and modernisation of existing units. Financial assistance was given to the beneficiaries on receipt of applications accompanied by detailed project reports. The Corporation conducts technical and financial appraisals in order to assess the economic viability of the projects. The Corporation also stresses on the promoter's background, the product, its marketability, viability of the project and the prescribed margin to be borne by the loanee before it sanctions a loan to a unit. The loan amount up to Rs.15 lakh (increased to Rs.25 lakh in May 2001) was sanctioned by the Regional Office and the loan amount over and above this limit up to Rs.2.40 crore (increased to Rs.5 crore in September 2000) was sanctioned by the Head Office as per delegation of powers.

The disbursement of the loan was required to be made after ensuring a clear title deed, non-encumbrance and mortgage deed of the land, plant and machinery of the project. The Corporation was also required to obtain personal guarantee of promoters and the collateral security. Instalments of the loan were released on the basis of progress of implementation of the project.

3B.6.1 Sanction and disbursement of loan

A comparative statement showing the receipt of applications, sanction and disbursement of term loan made during the last five years ended 2001-02 is given below:

(Amount : Rupees in crore)

Particulars	1997-98		1998-99		1999-00		2000-01		2001-02	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Loan applications pending at the beginning of the year	211	110.84	128	80.31	198	128.44	157	185.89	44	40.72
Add: applications received	622	289.43	632	271.60	597	375.55	629	254.16	640	157.77
Less: applications lapsed/withdrawn	255	129.71	157	65.57	194	43.70	268	157.40	97	59.34
Net balance	578	270.56	603	286.34	601	460.29	518	282.65	587	139.15
Loans sanctioned	450	190.25	405	157.90	444	274.40	474	241.93	535	86.99
Loans disbursed*	NA	155.51	468	117.34	865	240.00	858	193.25	766	76.81

The loans sanctioned and disbursed by the Corporation during the last five years up to 2001-02 amounted to Rs.951.47 crore and Rs.782.91 crore respectively. It could be seen from the table that disbursement of loans decreased from Rs.240 crore in 1999-00 to Rs.76.81 crore in 2001-02. The decrease in disbursement of loan was mainly due to not fulfilling the conditions by the loanees.

3B.7 Recovery performance

3B.7.1 Procedure

The instalments of repayment were fixed on quarterly basis, which became due on first day of May, August, November and February of the year after 12 or 24 months of moratorium from the first date of disbursement. Recovery was required to be monitored in all cases by the regional offices. In the event of default by the loanees, action under Section 29 of SFC Act was initiated under which possession of the assets of the unit was taken by the Corporation and realisation through sale of the assets in open tender was adjusted against the dues. In cases where outstanding amount was not fully received in the tender sale, residual amount was recovered by selling the collateral security and invoking the personal guarantee of the promoters.

3B.7.2 Recoveries and default

The details of the term loan due for recovery, target fixed for recovery, amount recovered and the shortfall during the last five years up to 2001-02 are given below:

∗ This includes disbursements made for loans sanctioned in previous years.

(Rupees in crore)

Sl. No.	Particulars	1997-98	1998-99	1999-00	2000-01	2001-02
1	Amount recoverable (including interest)	665.08	714.81	636.24	977.52	1,163.18
2	Targets fixed for recovery	340.00	350.00	355.00	350.00	350.00
	Percentage of target to amount recoverable	51	49	56	36	30
3	Amount recovered					
	a) Old dues (recoverable up to previous year)	16.66	16.38	11.05	14.08	1.03
	b) Current dues	297.53	267.06	288.25	251.70	191.27
	c) Total (a + b)	314.19	283.44	299.30	265.78	192.30
4	Amount recoverable at the end of the year (1-3)	350.89	431.37	336.94	711.74	970.88
5	Adjustment of advance receipts	10.02	37.97	42.91	90.81	100.58
6	Total recoverable	360.91	469.34	379.85	802.55	1,071.46
7	Percentage of recovery to					
	a) Amount recoverable	47	40	47	27	17
	b) Target	92	81	84	76	55

From the above table, it would be seen that:

Actual percentage of recovery to the amount recoverable ranged between 17 and 47.

(i) During the last five years up to 2001-02, the target fixed for recovery was very low and ranged between 30 and 56 *per cent* of the amount recoverable. The actual recovery ranged between 17 and 47 *per cent* of amount recoverable only. Consequently, the blocking up of substantial funds in outstanding dues prevented their recycling. Besides, the Corporation remained dependent on borrowings which amounted to Rs.1,005.26 crore during 1997- 2002.

(ii) Separate targets for recovery of old and current dues were not fixed.

(iii) The Corporation had fixed targets for recovery of dues based on the collection of previous years' rather than on the basis of amount recoverable during the year.

(iv) The amount recovered had steadily declined from Rs.314.19 crore in 1997-98 to Rs.192.30 crore in 2001-02. Further, recovery as a percentage of target had also declined from 92 to 55 during this period indicating reduced effectiveness in recovery of dues.

While accepting the audit observation (September 2002) on fixing of separate target for old and current dues, the Corporation stated that the target for recovery was fixed after considering the amount recoverable during the year. The reply lacked justification as the target fixed for recovery was very low.

3B.7.3 Age-wise details of overdues

The table below indicates the age-wise analysis of overdues for the five years ended 2001-02:

(Rupees in crore)

Age of overdues	1997-98	1998-99	1999-00	2000-01	2001-02
More than one year and up to two years	68.22 (19)	83.62 (18)	40.59 (11)	99.49 (12)	115.46 (11)
More than two years	292.69 (81)	385.72 (82)	339.26 (89)	703.06 (88)	956.00 (89)
Total	**360.91**	**469.34**	**379.85**	**802.55**	**1,071.46**

(Figures in brackets indicate percentage of total overdues)

Total overdues increased from Rs.360.91 crore in 1997-98 to Rs.1071.46 crore in 2001-02.

The total overdues increased from Rs.360.91 crore in 1997-98 to Rs.1,071.46 crore in 2001-02. Eighty nine *per cent* (Rs.956.00 crore) of total overdues (Rs.1,071.46 crore) was more than two years old. Increase in overdues was mainly due to low recovery, which was between 17 and 47 *per cent* of the amount recoverable during 1997-2002.

3B.7.4 Classification of outstanding loans

In the case of financial corporations, Industrial Development Bank of India (IDBI) had classified (March 1994) the loans into following groups depending upon their chances of realisation:

- Standard assets : where repayments are regular.
- Sub-standard assets : where loans as well as interest remain overdue over a period for one year but not exceeding two years.
- Doubtful assets : where loans as well as interest remain overdue beyond two years.
- Loss assets : where loans for which loss was identified but not written off wholly or partly.

The table below indicates the position of outstanding loans, classification of loans as standard, sub-standard, doubtful assets for the last five years up to 2001-02:

(Rupees in crore)

Sl. No.	Particulars	1997-98	1998-99	1999-00	2000-01	2001-02
1	Loans outstanding at the close of the year	1,147.28	1,170.03	1,186.64	1,143.63	1,161.76
2	Classification of loans					
	a) Standard assets	875.69	852.07	782.63	512.86	471.20
	b) Sub-standard assets	177.97	167.40	282.90	457.80	331.01
	c) Doubtful assets	93.62	150.56	121.11	172.97	359.55
	d) Loss assets	Nil	Nil	Nil	Nil	Nil
3	Total non-performing assets (NPA)* {2(b)+(c)}	271.59	317.96	404.01	630.77	690.56
4	Percentage of NPA to total outstanding	24	27	34	55	59
5	Provision for NPA	53.70	73.40	65.19	97.20	144.13

Due to poor recovery performance, non performing assets had increased from Rs.271.59 crore in 1997-98 to Rs.690.56 crore in 2001-02.

Against the total loan outstanding, NPA had increased from Rs.271.59 crore (24 *per cent)* in 1997-98 to Rs.690.56 crore (59 *per cent)* in 2001-02 indicating a poor performance of the Corporation in recovery of dues. The increase of NPA due to poor recovery of dues had not only affected the financial position of the Corporation adversely but also increased the borrowings up to Rs.1,005.26 crore as on 31 March 2002.

3B.8 Industry-wise analysis of overdues

The Corporation extended financial assistance to various types of industries, *viz*. textile, chemical, engineering, plastic, paper and miscellaneous industries. Though the Corporation had maintained data relating to sector-wise industrial performance and overdues, it was noticed in audit that the same were not analysed in a number of cases at the time of appraisal. Non-utilisation of such data deprived the Corporation of the opportunity to monitor/plan its investment policy so as to ensure that the industries, which had adequate potential, could be assisted with higher investment and other industries could be monitored closely.

3B.9 Deficiencies in appraisal, sanction and disbursement of loan

In order to reduce its over dependence on the borrowed fund and to improve its recovery performance, the laid down procedure in respect of sanction, disbursement, post disbursement follow-up *etc.*, were to be adhered to by the Corporation. In test check of records, it was noticed that the loans were sanctioned by the Corporation though its appraisal notes pointed out various adverse factors against the proposed loanee such as recession in the industry,

* NPA – Interest remains overdue for a period of more than 180 days and / or instalment of principal remains overdue for a period of 365 days or more

stiff competition in marketing of the product and various risks involved in implementation of the projects *etc.* The disbursement of loan was made without adhering to the general terms and conditions of sanction *viz.* ensuring availability of working capital from the banks, conducting proper inspection of unit *etc*. Apart from that, proper post disbursement follow-up such as appointment of nominee director, verification of renewal of insurance policy of the assets mortgaged *etc*., was not made.

Due to deficiencies in appraisal, sanction and disbursement, an amount of Rs.29.24 crore remained to be recovered from 17 units.

A test check in audit revealed that due to deficiencies in appraisal of projects, sanction, disbursement of loans and follow-up, an amount of Rs.29.24 crore was outstanding (March 2002) against 17 units, as discussed in succeeding paragraphs.

3B.9.1 Deficiencies in appraisal/sanction of term loan

3B.9.1.1 Sanction of loan without verifying the credentials of NRI promoters

The Corporation had sanctioned (August 1997) a term loan of Rs.1.70 crore followed by an additional loan (July 1998) of Rs.32 lakh to Vibha Polymers Private Limited, Silvassa for manufacturing stretch blow moulded PVC bottles and mineral water bottles and disbursed Rs.2.01 crore between November 1997 and August 1998. The unit was promoted by two Indian entrepreneurs[@] and four non-resident Indians[@@] (NRIs). The unit could not function properly due to damage of main imported machinery and was found (June 1999) closed during field visit by the Corporation’s officials. The Corporation took over (September 1999) the possession of the unit and found that the main imported machinery was missing for which a criminal complaint was filed (November 1999) against the promoters. An amount of Rs.3.82 crore (principal : Rs.2.01 crore, interest : Rs.1.72 crore and others : Rs.9 lakh) was outstanding against the unit (March 2002). The Corporation had not initiated (June 2002) action for invoking personal guarantees, as majority of the promoters were NRIs.

Credentials of NRI promoters were not verified and security from Indian promoters was not obtained.

Audit analysis revealed that, the Corporation collected fixed deposits of Rs.20 lakh only as collateral security from the unit, as against the accepted policy of collecting 30 *per cent* of the loan amount in the form of tangible assets. The Corporation had considered during appraisal of the unit that most of the promoters were NRIs and did not possess any immovable property having free titles in India. However, the Corporation failed to collect collateral securities of prescribed amount from the two Indian promoters. The nominee director representing the Corporation was also appointed (June 2000) with a delay of three years on the Board of the unit after disbursement of loan (November 1997) and closure of the unit in June 1999.

Thus, the Corporation’s failure in collecting the collateral security of prescribed amount, appointing nominee director timely and verifying the

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[@] Shri Lalit S. Bhojak and Shri Prakash I. Acharya

[@@] Smt. Jyoti D. Bhojak, Shri Deepak T.Bhojak, Smt. Vibha D. Bhojak and Shri Dushyant S. Bhojak credentials of NRI promoters had resulted in non-recovery of Rs.3.82 crore (March 2002).

The Corporation stated (September 2002) that they had filed criminal complaint against the promoters. However, reasons for failure to obtain collateral security, delay in appointment of nominee director and non-verification of credentials of NRI promoters were not furnished.

3B.9.1.2 Sanction of loan to an unviable project

Corporation failed to appraise the marketability of a new product.

(a) The Corporation sanctioned (February 1997) a term loan of Rs.0.90 crore to Bita Writing Instruments (India) Private Limited, Ahmedabad for manufacturing polymer pencils and disbursed Rs.0.75 crore between March 1997 and July 1998 to the loanee. The product being non-traditional and introduced in the State for the first time, could not capture the market from the existing conventional wooden pencil. Consequently, the unit had become a defaulter and the Corporation took possession of the unit in September 1999. The unit was sold by the Corporation for Rs.20 lakh in November 2001, and action for invoking personal guarantee and collateral security for recovery of balance amount of Rs.1.54 crore was not initiated (June 2002). Thus, the failure of the Corporation in properly appraising the marketability of a new project had resulted in non-recovery of Rs.1.54 crore (principal: Rs.0.72 crore, interest : Rs.0.79 crore and others : Rs.3 lakh) as on 31 March 2002.

The Corporation stated (April 2002) that it had taken due care at appraisal stage. The Corporation further added (September 2002) that the marketability of a product as projected at appraisal stage may not eventually emerge to be same at sanction stage. The reply of the Corporation is not tenable as due care was not taken regarding marketability of the product at the appraisal stage.

Ignoring the marketing constraints loan was sanctioned.

(b) The Corporation sanctioned (May 1998) a term loan of Rs.45 lakh to Yogeshwar Cement Private Limited, Baroda for setting up grinding plant for manufacturing cement and disbursed Rs.44.72 lakh between July 1998 and October 1999. Power connection of the unit was disconnected due to non-commencement of production and the unit was closed (August 2000). The unit was taken under possession in November 2001 and its disposal was pending (June 2002). As on 31 March 2002 the total outstanding against this unit was Rs.0.67 crore (principal: Rs.44.72 lakh, interest : Rs.21.51 lakh and others : Rs.0.31 lakh).

Audit scrutiny revealed that at the time of sanction of loan, the Corporation was aware of the fact that the mini-cement plants were facing stiff competition in the market against the brand names of big cement industries. Further, on the instructions of the Managing Director, the Corporation instead of keeping 10 *per cent* of the sanctioned loan (Rs.4.50 lakh) as fixed deposit till the repayment of loan, refunded the same earlier and thereby deviated from the terms and conditions of sanction.

Thus, sanction of loan when the various risks involved in the project were known to the Corporation, had resulted in non-recovery of outstanding amount of Rs.0.67 crore.

(c) The Corporation sanctioned (June 1995) a term loan of Rs.0.63 crore to Ghanshyam Oxygen Private Limited, Bhavnagar for production of oxygen gas which was mainly used in ship breaking industries located in the area and disbursed Rs.0.60 crore between June 1995 and January 1996. The unit could not function well due to non-achievement of requisite quality of the product from the plant and machinery of 'Titan' make. While expressing their inability to pay the dues, the unit narrated that according to market survey conducted by it, `Titan' make plant was sub-standard as compared to output of `Sanghi' make plant. But, the Corporation did not ensure whether Titan make plant was actually sub-standard or not. Moreover, installation of plant capacity of 80 cubic metre *per* hour (CUM/hour) was not viable and the unit could not compete with other plants having capacity of 100 CUM/hour to 200 CUM/hour in oxygen industries. Apart from that, the unit was running with diesel generator (D.G.) set instead of electricity, thus leading to increase in the cost of production. The unit could not achieve even break-even level and suffered loss. The unit became defaulter. The amount outstanding as on 31 March 2002 was to the extent of Rs.1.38 crore (principal: Rs.0.78 crore, interest : Rs.0.57 crore and others : Rs.3 lakh). The unit was taken over in October 2000 and the disposal of the same was pending (June 2002). The Corporation did not initiate action for taking possession of collateral security though final notice was issued (January 2001).

Loan was sanctioned without proper appraisal.

Thus, on account of improper appraisal at the time of sanction of loan in regard to quality and capacity of the plant and non-consideration of cost of production on account of usage of D.G. set had resulted in non-recovery of outstanding amount of Rs.1.38 crore.

(d) The Corporation sanctioned (July 1995) a term loan of Rs.0.63 crore to Nilkanth Oxygen, Bhavnagar for setting up oxygen gas plant and disbursed Rs.0.53 crore between July and December 1995. Due to non-achievement of production as per rated capacity and not getting desired quality of product from the 'Titan' make plant, the unit became defaulter in the repayment of Rs.47.11 lakh which was subsequently settled for Rs.23 lakh under One Time Settlement scheme (January 2001) by sacrificing Rs.24.11 lakh. While considering the one time settlement proposal of the unit, it was remarked by the Corporation that the 'Titan' make plant was found to be of sub standard and plant was not able to give production of required quality. The Corporation had not analysed the facts at the appraisal stage, which caused loss of Rs.24.11 lakh.

Loan was sanctioned without proper appraisal.

3B.9.1.3 Sanction of loan to a completed project facing recession and working capital problem

Loan was given to a completed project facing recession and working capital problem.

Himali Steels Limited, Khatraj, an existing unit since March 1998 manufacturing mild steel sheets, had availed a loan of Rs.1.05 crore from Corporation Bank. As it was facing liquidity crunch and financial assistance provided by the bank was inadequate, the unit approached (April 1999) the Corporation with a request to sanction Rs.2 crore as term loan. The Corporation had sanctioned (June 1999) a term loan of Rs.2 crore and disbursed Rs.1.92 crore in August 1999 without ensuring availability of working capital as per general terms and conditions of sanction. Due to recession and continuous working capital problems, the unit became sick and failed to repay the loan with interest (March 2002) amounting to Rs.2.71 crore (principal: Rs.1.92 crore, interest : Rs.0.76 crore and others : Rs.3 lakh). Though the possession of the unit was taken in May 2001, the assets were not disposed of (March 2002). The Corporation could not take action for invoking personal guarantee and taking possession of collateral security because the unit was registered with the Board for Industrial and Financial Reconstruction (BIFR). The collateral security holder filed a suit (July 2001) against the recovery action of the Corporation for taking possession of the collateral security. Thus, sanction and disbursement of loan by the Corporation for the completed project by over looking the pre condition of disbursement of loan had resulted in non-recovery of outstanding amount of Rs.2.71 crore.

3B.9.1.4 Inadequate pre-sanction appraisal

The Corporation sanctioned a term loan of Rs.2 crore (April 1998) to Marigold Hydro-chem Limited, Mehsana followed by another sanction (April 1999) of Rs.20 lakh for production of sodium hydrosulphate, maroline and marolite. The unit had availed of loan of Rs.0.59 crore between May 1999 and March 2000. However, the promoters failed to implement the project and the Corporation cancelled balance loan of Rs.1.61 crore in October 2001. Though an amount of Rs.0.82 crore (principal: Rs.0.59 crore, interest : Rs.22.87 lakh and others : Rs.0.72 lakh) was recoverable from the unit (March 2002), the Corporation had not initiated action to take the possession of the unit under section 29 of SFC Act (June 2002).

Loan was sanctioned based on inadequate appraisal of project.

Audit analysis revealed that the unit could not complete the construction and purchase of machinery due to paucity of funds as the unit made temporary investments of Rs.1.24 crore in two separate firms. The sanction of the loan was also deficient in as much as the Corporation was aware of various risks involved *viz.* the promoter’s inexperience, inferior quality of the product, stiff competition to be faced from large scale units and availability of substitute products.

Thus, irregular sanction of the loan and inaction on the part of the Corporation to initiate action had resulted in overdue of Rs.0.82 crore (March 2002).

The Corporation stated (September 2002) that though the promoters had no experience in the proposed chemical line, they proposed to employ an experienced technical director. However, the Corporation had not given any specific reasons for failure of the unit at implementation stage itself.

3B.9.2 Deficiencies in disbursement of loan

3B.9.2.1 Disbursement of term loan without ensuring availability of working capital/power supply

According to general terms and conditions of sanction, the Corporation has to disburse the loan after getting sanction of working capital by the bank and getting evidence regarding power connection from Gujarat Electricity Board.

It was noticed that the loan amount was disbursed by the Corporation without adhering to the above conditions in following cases:

Sl. No.	Name of the unit	Month of sanction and amount	Amount disbursed and month of disbursement	Amount outstanding as on March 2002	Remarks
1	Pan Packaging Industries Limited, Vapi	July 1996 Rs.2.40 crore	Rs.2.24 crore Between March 1999 and April 2000	Rs.3.09 crore (Principal Rs.2.23 crore, Interest Rs.0.84 crore, Others Rs.2 lakh)	Power connection and working capital were not obtained. The loan was released based on the reference received from the then Industries Minister. Unit was taken over (April 2002) and not disposed of (July 2002).
2	Dolvan Bio-tech Limited, Surat	July 1996 Rs.30.15 lakh	Rs.29.88 lakh Between September 1996 and January 1998	Rs.0.55 crore (Principal Rs.29.88 lakh, Interest Rs.24.74 lakh, Other Rs.0.78 lakh)	Working capital was not obtained from the bank. Unit was closed in August 1998 and not taken over. No action was taken for missing machinery though noticed in August 1999. Attachment of collateral security was not made (March 2002).
3	Rahul Mould Plast Private Limited, Silvassa	January 1999 and November 1999 Rs.2.40 crore	Rs.2.36 crore Between January 1999 and December 1999	Rs.3.41 crore (Principal Rs.2.36 crore, Interest Rs.1.03 crore, Others Rs.2 lakh)	Working capital was not obtained. The unit was taken over (July 2001) and not disposed of (June 2002).
4	Parmax Pharma Limited, Rajkot	July 1995 Rs.1 crore	Rs.0.69 crore December 1995 and June 1996	Rs.2.20 crore (Principal Rs.0.78 crore, Interest Rs.1.30 crore, Others Rs.12 lakh)	Working capital was not obtained. Unit was taken over in December 1997 and not disposed of (June 2002).
5	Jyoti Steel Industries, Surat	February 1996 Rs.0.52 crore	Rs.38.71 lakh March 1996 and July 1996	Total dues Rs.0.92 crore One Time Settlement accepted Rs.39 lakh	Working capital was not obtained. One Time Settlement was allowed in July 1999 by foregoing Rs.0.53 crore.

The Corporation stated (September 2002) that in respect of unit at serial number 1, the unit had got (October 1999) acknowledgement of its application for power connection from GEB and relaxation in working capital was approved by the Managing Director. The reply is not tenable as the unit could obtain the power connection only after installation of secondary treatment plant. Thus, the disbursement of loan exceeding 75 *per cent* before having required power connection and sanction of working capital was not in order. Regarding unit at serial number 2 above, the Corporation stated that *in lieu* of working capital from bank, the unit had brought equity of Rs.2.29 lakh. The reply is not acceptable as the requirement of working capital will vary from year to year and the investment in the form of equity *in lieu* of working capital is not feasible. In the case of unit at serial number 5, the Corporation stated that as per norms the actual sanction letter for working capital from the bank was required at the time of disbursement beyond 75 *per cent* of sanctioned loan and in present case, the unit had availed loan up to 75 *per cent* only. The reply required justification in view of the fact that in such cases, the Corporation's interests were at stake.

3B.9.2.2 Disbursement of loan without security

Without ensuring clearance of machinery, loan amount was disbursed.

The Corporation sanctioned (July 1995) a term loan of Rs.0.61 crore to Ham Thermowares, Gandhinagar for manufacturing disposable thermocol containers and disbursed Rs.13.73 lakh between March and October 1997. After getting credit facility from Gujarat State Export Corporation Limited (GSECL), the loan amount of Rs.37 lakh was released to GSECL (February 1999) for clearing documents for the imported machinery arrived at Mumbai Air Port (December 1998). The unit failed to pay customs duty amounting to Rs.23.11 lakh due to non-availability of working capital. Further, an amount of Rs.9.53 lakh was disbursed to the unit in February and May 1999. The unit failed (March 2002) to clear the imported machinery from customs and the project was abandoned. The possession of the unit was taken over by the Corporation (December 1999) and its disposal was pending (June 2002). As on 31 March 2002, an amount of Rs.1.14 crore (principal: Rs.0.60 crore, interest: Rs.0.50 crore and others : Rs.4 lakh) was overdue against the unit.

Audit analysis revealed that there was no credible system to ensure the customs clearance of goods before releasing the payment, which had resulted in releasing the loan amount without security and the Corporation had also not analysed the promoter's financial capability and working capital arrangements.

The Corporation stated (February 2002) that proper procedure had been laid down now for ensuring the actual clearance of imported machinery before releasing the loan.

3B.9.2.3 Disbursement of loan without ensuring clearance of bank's loan

The Corporation sanctioned (May 2000) a term loan of Rs.32.85 lakh to Ekay Infosystems, Baroda for a project of computer training centre and disbursed Rs.32.10 lakh (June 2000). Subsequently, the Charotar Nagarik Sahakari Bank Limited, Anand stated (December 2001) that the unit had already availed of (September 1999) a short term loan of Rs.36 lakh against the project security and stressed that their charge on the entire project was prime and exclusive. The security offered by the unit to the bank and the Corporation was the same. The Corporation took over the possession of the unit in December 2001 and its disposal was pending (June 2002). The Corporation did not initiate action for taking over possession of the collateral security and for invoking personal guarantee. As on 31 March 2002 the outstanding amount was Rs.41.35 lakh (principal: Rs.32.10 lakh, interest : Rs.9.04 lakh and others : Rs.0.21 lakh).

Loan was disbursed without ensuring discharge of liability of bank.

Scrutiny of records in audit revealed that though it was mentioned in the appraisal note that this unit availed of a short term loan from the bank for Rs.31 lakh for four months, the Corporation had neither stipulated the suitable condition in the sanction letter in regard to obtaining no due certificate before disbursement of loan nor enquired with the bank in this regard. The loan had been released to the unit without obtaining no due certificate in spite of remarks of the Corporation's official in this regard.

Thus, disbursement of loan without ensuring discharge of liability of bank resulted in non-recovery of outstanding dues. Besides, the Corporation was likely to face the legal problem on account of defective documents offered by the unit. No responsibility for the lapses has been fixed by the Corporation.

3B.9.2.4 Lapses noticed in pre/post disbursement follow up

Disbursement of loan was made without proper inspection and monitoring.

(a) The Corporation sanctioned (June 1999) a term loan of Rs.2.40 crore to Shri Sharda Proteins Private Limited, Ahmedabad for edible oil project and disbursed Rs.1.77 crore between March and August 2000. The Corporation had not conducted inspection of the unit before disbursement of second instalment in August 2000. During the inspections carried out in December 2000 and March 2001, it was noticed that the unit had not completed the project and did not pay even a single instalment. The Corporation took over possession of the abandoned unit in July 2001. The available machinery, land and building of the project was valued at Rs.16.84 lakh (August 2001). Though, this was far below the documented value of Rs.2.97 crore, the Corporation had not initiated any action for missing assets valued Rs.1.42 crore. The disposal of the unit was yet to be made (June 2002). Thus, disbursement of loan without proper inspection, non-monitoring of the implementation of the project and delay in taking over possession of the abandoned project had resulted in total outstanding of (March 2002) Rs.2.27 crore (principal: Rs.1.77 crore, interest : Rs.49 lakh and others : Rs.1 lakh). No responsibility has been fixed for the lapses by the Corporation.

The Corporation stated (September 2002) that the inspection of the unit was conducted in March 2000 and there was no incident of theft or dilution of security reported, hence, no action for missing assets was initiated. The reply is not tenable as the inspection conducted in March 2000 was for the disbursement of first instalment, whereas, before releasing second instalment in August 2000, no inspection was carried out. Also, the Corporation did not justify the reasons for wide variation in documented value and valuation report on the assets.

(b) The Corporation sanctioned (April 1999) a term loan of Rs.1.74 crore to Exhort Agro Private Limited, Ahmedabad for manufacturing edible oil and disbursed a loan of Rs.1.37 crore (including adjustment of Rs.5.68 lakh in respect of defaulted interest) between August 1999 and March 2000. The unit had not completed the construction of the factory building and the machinery was not installed (August 2000). Subsequently, the unit became defaulter and not even a single instalment was paid by them. The possession of the unit was taken (July 2001) by the Corporation and the same was yet to be disposed of (June 2002). The total outstanding as on 31 March 2002 stood at Rs.1.68 crore (principal: Rs.1.36 crore, interest : Rs.30 lakh and others : Rs.2 lakh).

Inspection was not conducted before disbursement of second instalment.

Audit analysis revealed that the Corporation had disbursed second instalment of Rs.0.57 crore in September 1999 without conducting inspection and without obtaining evidence of power connection and sanction of working capital from bank. As per valuation, the value of the assets (August 2001) was Rs.21.47 lakh as against the security of Rs.2.29 crore offered at the time of disbursement of loan. The Corporation had not initiated action for identifying missing assets.

Thus, failure on the part of the Corporation to ensure the progress made in completion of the project and disbursement of the second instalment of the loan without proper inspection has resulted in total outstanding of Rs.1.68 crore. No responsibility has been fixed for the lapses by the Corporation.

The Corporation replied (September 2002) that inspection of the unit was conducted in August 1999 and the disbursement beyond 75 *per cent* was made after obtaining working capital sanction letter and power connection. The reply was not tenable as the inspection conducted in August 1999 was for first disbursement and before disbursement of second instalment inspection was not carried out. Also, the Corporation had not given reasons for missing assets.

3B.9.2.5 Disbursement of loan without proper verification of assets and documents

The Corporation sanctioned (March 2000) a term loan of Rs.2.40 crore to Mama Dev Silk Mills Private Limited, Surat. Loan amount was subsequently increased to Rs.3.75 crore (May 2001) by way of sanctioning an additional loan of Rs.1.35 crore for setting up of a textile process house. While considering the additional loan of Rs.1.35 crore in March 2001, the Corporation decided to ascertain the condition of machinery. After getting satisfactory report in this regard, the disbursement of Rs.2.60 crore was made between July 2000 and August 2001. As per the reference of Anti Corruption Bureau, Surat, (ACB) and report of Regional Office of the Corporation at Surat, the unit had produced false certificate of chartered accountant, false bank statement and false bills for the purchase of machinery. Consequently, the unit was taken over in November 2001. According to the valuation report, the value of the unit was assessed at Rs.1.22 crore only and it was noticed that a part of the machinery was old one. The total outstanding was Rs.2.78 crore (principal: Rs.2.60 crore, interest : Rs.12 lakh and others : Rs.6 lakh) as on 31 March 2002.

Loan was disbursed without proper inspection of machinery.

Scrutiny of records revealed that the certificate of Chartered Accountant given at the time of release of first instalment (July 2000) had not indicated the date. But the Corporation had not referred the matter to the concerned chartered accountant for clarification.

Thus, disbursement of loan without conducting proper inspection of machinery and verification of documents, resulted in non-recovery of outstanding amount. No responsibility for the lapses has been fixed by the Corporation. However, the Corporation had filed a criminal complaint against the unit and its promoters.

3B.9.2.6 Nominee directors

The term loan agreements entered into with the assisted units empowered the Corporation to nominate director on the Board of the assisted units. According to the guidelines prescribed (May 1996) by the Corporation, nominee director would be appointed to the assisted units where the loan sanctioned was Rs.0.75 crore and above. This limit was increased to Rs.1.00 crore from May 2000. The nominee director would be withdrawn from the units where legal action under Section 29 of SFC Act was initiated. The Corporation had not kept any consolidated records to show the number of units in which nominee director is to be appointed, number of nominee directors appointed, number of meetings attended by nominee directors, number of directors from whom the reports were received and action taken on the reports *etc*.

Against 184 eligible units, only 82 nominee directors were appointed.

The Corporation stated (June 2002) that 82 nominee directors were appointed as against 184 units eligible for appointment of nominee directors during 1998-2002. However, reasons for non-appointment of nominee directors in 102 units and whether the nominee directors regularly apprised the Corporation regarding performance of the units, were not stated.

3B.10 Rescheduling of loans

The Corporation allowed rescheduling of repayment of principal instalment based on the request from the defaulters as a measure of relief to prevent further default. Consolidated records pertaining to yearwise rescheduling allowed, amount recovered *etc*. were not maintained.

The loanees continued to default even after rescheduling of the loans.

Audit analysis of loan ledgers revealed that an amount of Rs.11.60 crore had become due in respect of 51 cases of rescheduling during the last five years ended 2001-02. However, the loanees continued to default even after rescheduling. Of Rs.11.60 crore, the Corporation had realised Rs.1.71 crore only during the period and balance Rs.9.89 crore was to be recovered (March 2002). The Corporation had not evolved a system to watch the performance of the units after rescheduling. Thus, the very object of rescheduling remained unachieved in these cases.

The Corporation replied (September 2002) that the rescheduling of loan was made as a temporary relief to the sick/potentially sick units. The reply added that after rescheduling, if the unit became defaulter then the benefits extended under rescheduling were withdrawn and recovery action was initiated. However, the fact remains that in absence of consolidated proper records on rescheduling allowed, the audit could not verify as to whether follow-up action was taken timely by the Corporation.

3B.11 Residual recovery

Against residual recovery of Rs.101.72 crore receivable from 648 units, the Corporation had taken action only for Rs.5.65 crore receivable from 13 units.

For recovery of outstanding amount in respect of the units sold, the Corporation had to initiate action by invoking personal guarantees of the promoters. The amount of residual recovery outstanding for the last four years up to 2000-01 was Rs.101.72 crore pertaining to 648 units. Against this, records in respect of 72 units involving an amount of Rs.38.17 crore were made available to audit. The Corporation had not maintained any record to ensure as to whether it had initiated action for residual recovery in respect of remaining cases. Analysis of 72 units revealed that in 59 units involving residual amount of Rs.32.52 crore, the Corporation was yet to identify the guarantor's property, as it failed to obtain evidence of property details such as property card, revenue record, 7/12 *utara etc*., at the time of executing personal guarantee. Though the Corporation decided (May 2001) to obtain the evidences of properties at the time of sanction of loan, it had not taken action for the loans sanctioned prior to May 2001. Out of remaining 13 cases, in four cases involving an amount of Rs.1.38 crore, the Corporation identified the properties of the guarantors but filing of necessary application in the court was pending (March 2002). Remaining nine cases involving an amount of Rs.4.27 crore were pending disposal of courts (March 2002).

3B.12 Delay in disposal of units taken over

464 units involving Rs.182.55 crore were not disposed of for more than two years.

Section 29 of the SFC Act, *inter alia*, empowers the Corporation to take over possession of the unit in case of default in repayment of loan and interest. As on 31 March 2002, the Corporation was in possession of 794 units involving outstanding amount of Rs.341.30 crore. Age-wise analysis revealed that 176 units (Rs.67.35 crore) were under possession for 12 months, 154 units (Rs.91.40 crore) were for 13 to 24 months and remaining 464 units (Rs.182.55 crore) were under possession for more than 24 months. The Corporation had not evolved any system for early disposal of units by prescribing time limit from the date of taking over possession of the units. 31 units covering an outstanding amount of Rs.28.10 crore, though taken over between 1994 and 2001, were not disposed of (March 2002), even when the Corporation was aware of the poor saleability of the units.

Delay in disposal of the assets of the units not only resulted in blocking of funds and entailed avoidable expenditure on watch and ward but also led to deterioration in the value of assets due to efflux of time. The Corporation had not prepared any policy for quick disposal of units under possession.

The Corporation stated (September 2002) that recently it had framed a policy authorising the Regional Loan Committee to formulate a Special Committee for disposal of assets where advertisements are published for more than four times.

3B.13 One Time Settlement scheme

The Corporation had been settling the defaulter’s loan accounts under One Time Settlement (OTS) scheme to maximise recovery and reduce NPA. The

Corporation had prescribed the following eligibility criteria for consideration of cases under the scheme:

- Cases where the original last date of repayment (LDR) was over.
- Projects which had either not been implemented or lying incomplete or had been abandoned.
- The unit that had remained closed for more than two years.
- Cases of compassionate nature – like death of promoter *etc*. - affecting the project.

Based on the representations received from the defaulter loanees for OTS, the Corporation settled 1,200 cases for Rs.99.32 crore during 1997-2001. Thereafter, the OTS was suspended (September 2001). From the details of 686 cases produced to audit, it was noticed that the Corporation had settled the above cases for Rs.60.12 crore against the outstanding amount of Rs.108.02 crore and suffered loss of Rs.47.90 crore.

OTS was allowed in 94 cases against eligibility criteria resulting in loss of Rs.14.13 crore.

Audit analysis revealed that in 40 cases having outstanding amount of Rs.13.93 crore, the last date of repayment was not yet over. However, the Corporation settled these cases for Rs.7.72 crore and sustained a loss of Rs.6.21 crore. In 54 cases having outstanding amount of Rs.15.67 crore, though the units were working, the Corporation considered OTS proposals and settled the cases for Rs.7.75 crore and thereby sustained a loss of Rs.7.92 crore. Thus, the exercise of OTS in respect of these 94 cases was not in accordance with the eligibility criteria and the Corporation sustained loss aggregating Rs.14.13 crore. As per the guidelines issued by the Corporation in December 1994, the settlement amount to be approved under OTS, should never be less than the principal amount of loan outstanding. However, in 71 cases, the amount of principal outstanding was Rs.12.18 crore, whereas, the Corporation allowed OTS at Rs.9.07 crore sacrificing the principal amount to the extent of Rs.3.11 crore. The Corporation settled 15 cases for Rs.1.98 crore against the outstanding amount of Rs.3.70 crore resulting in loss of Rs.1.72 crore even though the valuation of assets was Rs.10.11 crore.

By deviating from the eligibility criteria under the scheme, the Corporation provided undue benefit to the loanees. Moreover, the OTS would tend to reduce the repayment behaviour of the regular loanee, on the pretext of availing such benefit later.

The Corporation stated (September 2002) that the deviations were approved by the BOD. Since the BOD stipulated the criteria for OTS, the deviations therein by the same authority required justification in view of the sacrifice borne by the Corporation.

Conclusion

The Corporation was established to provide financial assistance to small and medium industrial units to accelerate industrial growth in the State. Management's failure to follow the laid down procedures for sanction and disbursement of loans, lack of inspections after disbursement, poor monitoring of the recovery and imprudent settlement of cases under One Time Settlement scheme had put the Corporation's funds at stake. This had further resulted in increased borrowings and interest burden thereby adversely affecting the financial position of the Corporation.

In order to reduce the over-dependence on the borrowed funds and to improve the recovery performance, the laid down procedures in respect of sanction, disbursement, monitoring and follow-up of the loans should be adhered to. The Corporation should also evolve a system for speedy disposal of units under its possession in order to realise the outstanding amount and to avoid delay in the process of invoking guarantees and collateral securities provided by the promoters.

The matter was reported to the Government in May 2002; their replies had not been received (November 2002).

CHAPTER IV

Miscellaneous topics of interest relating to Government companies and Statutory corporations

A. GOVERNMENT COMPANIES

4.1 Gujarat Small Industries Corporation Limited

4.1.1 Irregular extension of financial assistance

Due to irregular extension of financial assistance of Rs.0.86 crore to a firm, the Company was unable to recover the principal and also suffered loss of interest of Rs.0.58 crore.

The Kerala State Civil Supplies Corporation Limited (KSCSC) had placed (15 March 1997) five purchase orders on the Company for supply of commodities valuing Rs.1.76 crore, with completion period of 30 days from the date of issue of orders. As per the purchase orders, the Company had furnished (March 1997) a bank guarantee in favour of KSCSC for Rs.8.82 lakh towards security deposit and placed order of Rs.1.76 crore (15 March 1997) on M/s. Gayatri Masala Udyog, Godhra (GMU) under its "Tender Marketing Scheme" for supply of the commodities to KSCSC directly. As per the order, the Company was entitled to recover one *per cent* service charges on the value of grains supplied by GMU and to make payments to GMU for the supply only after receipt of payments from KSCSC. The GMU had requested the Company (17 March 1997) to provide an advance of 70 *per cent* of value of the order for enabling it to execute the order before 15 April 1997 and consequently an advance of Rs.0.80 crore was paid to GMU (2 April 1997).

GMU supplied the commodities worth Rs.0.85 crore during April 1997. KSCSC accepted the commodities worth Rs.25.34 lakh and remaining commodities valuing Rs.0.60 crore were rejected, as the same did not conform to prescribed specifications. KSCSC imposed (October 1997) a penalty of Rs.31.71 lakh for delay and non supply of goods and recovered the same by adjusting Rs.25.34 lakh against the value of the commodities accepted and the balance amount of Rs.6.37 lakh by invoking the bank guarantee. Though the Company initiated action (July 1997) against GMU under Gujarat Public Money (Recovery of Dues) Act, 1979 for recovery of dues, it could not recover Rs.0.86 crore (January 2002).

Audit analysis of the case revealed the following:

(i) As per the object clause of Memorandum of Association, the Company could assist only SSI units. However, the Company did not ensure the SSI status of GMU before providing financial assistance.

(ii) (a) The Managing Director of the Company had authorised (March 1997) the financial assistance beyond the powers delegated.

(b) The legal documents executed in favour of the Company before release of financial assistance were deficient, in as much as, that the stamp duty on mortgage deed was short paid and original documents of immovable property, title clearance report and valuation report from Government approved valuer were not obtained.

Thus, the funds to the tune of Rs.0.86 crore remained locked up (Rs.0.80 crore from April 1997 to October 1997 and Rs.0.86 crore from November 1997 to November 2002) due to irregular financial assistance extended to GMU beyond the scope of the purchase order. The Company suffered a loss of interest of Rs.0.58 crore (reckoned at 12 *per cent per annum)* due to blocking of the funds. Chances of recovery of Rs.0.86 crore were remote because the documents obtained were insufficient and deficient, for which, no responsibility had been fixed.

The matter was reported to the Government/Company in February 2002; their replies had not been received (November 2002).

4.2 Gujarat Mineral Development Corporation Limited

4.2.1 Loss in sale of calcined bauxite

Incorrect estimation of cost of production coupled with deficiency in the agreement for sale of calcined bauxite resulted in loss of Rs.3.52 crore.

The Company decided (March 1999) to restart bauxite calcination project at Gadhsisa which was not in operation since June 1996 due to its non-viability. The decision was taken based on the Company's assessment that there would not be any loss in running the plant if the cost of depreciation was ignored while matching other cost components of production of calcined bauxite against its sales realisation. Accordingly, the Company worked out (August 1999) the cost of production (excluding depreciation) of calcined bauxite as Rs.2,250 per metric tonne (PMT). The Company under an agreement with M/s. Meena Agency, Jamnagar (the firm) decided (September 1999) to sell the calcined bauxite at a rate of Rs.2,275 PMT for a period of three years up to September 2002.

Audit analysis of records revealed that the Company prepared cost estimate by considering plant operation at 75 *per cent* of installed capacity. However, the

Price escalation clause did not cover some of the items of input.

actual capacity utilisation was 42 to 69 *per cent* of the installed capacity. The Company failed to estimate the cost of production PMT in case actual production fell below the assumed capacity utilisation. Moreover, against the estimated cost of Rs.2,250 PMT, the actual cost of production (excluding depreciation) of calcined bauxite ranged between Rs.2,801 and Rs.3,907 PMT during September 1999 to March 2002. Besides, price escalation clause incorporated in the agreement was deficient as some of the main items of cost such as, power, wages and salaries were not covered under the clause.

The Company stated (July 2002) that due to inadequate availability of high grade bauxite in the area under mining operation of the Company, the actual capacity utilisation of the plant fell below the estimation made in this regard. Besides, the factors such as, heavy initial maintenance cost of the plant, increase in the salaries and wages and large absenteeism of labour were the causes for high PMT cost against the estimated PMT cost of calcined bauxite. It was also stated that the Company would take due care in future for inclusion of the items which were left uncovered under the price escalation clause of the agreement with the firm.

Thus, the fact remains that incorrect estimation of the cost of production of calcined bauxite as well as the failure to cover some of the items of input under the price escalation clause of the agreement had entailed an excess cost to the Company ranging from Rs.211 to Rs.1,632 PMT (after considering price escalation recovered) over the sales price. Consequently, the Company suffered a loss of revenue of Rs.3.52 crore on 69,693 MTs of calcined bauxite sold to the firm at the rate of Rs.2,275 PMT during the period from September 1999 to March 2002.

The matter was reported to the Government in June 2002; their reply had not been received (November 2002).

4.2.2 Non recovery of difference in rate of royalty

The Company's decision not to recover difference in rate of royalty from its customers resulted in loss of Rs.0.89 crore to the Company as well as loss of sales tax revenue of Rs.23.03 lakh to the State exchequer.

Ministry of Coal, Government of India had increased the rate of royalty on lignite from Rs.2.50 per metric tonne (PMT) to Rs.50 PMT with effect from 15 March 2001. Government of Gujarat, instructed the Company (29 March 2001) to implement the revised rate with effect from 15 March 2001. However, the Company revised the rate of royalty from 1 April 2001 on the sale of lignite made to the customers. The Company decided (30 April 2001) to absorb the amount of difference in rate of royalty on lignite sales made during 15 March to 31 March 2001 on the apprehension that it was not possible for the Company to recover the differential amount from the customers. Hence, the Company incurred an avoidable expenditure of Rs.0.89

There was revenue loss of Rs.23.03 lakh to State Government.

crore on account of differential royalty paid (April 2001) on the sale of 1,88,097.21 MT of lignite from 15 March to 31 March 2001 to the customers excluding Gujarat Electricity Board (the Board). Further, non-implementation of hike in royalty during the said period also resulted in loss of sales tax revenue of Rs.23.03 lakh approximately (inclusive of Rs.0.45 lakh as central sales tax) to the State Government.

The following observations are made in audit:

-- As per terms and conditions mentioned in the delivery orders, the Company was entitled to recover all statutory levies from the customers even after the sales were made.

-- It was observed that the customers to whom the Company sold 1,88,097.21 MT of lignite in March 2001 had also purchased 1,66,651.79 MT of lignite in April 2001. Had the Company initiated action to adjust the amount of difference of royalty from the advance for supplies to be made in April 2001, the loss would have been reduced to Rs.10.19 lakh. Thus, the Company's apprehension regarding difficulty in recovering the difference in rate of royalty was not valid.

The Company replied (April 2002) that the customers had booked their requirements of lignite at old rates after making advance payments and most of them had even lifted the lignite when the instructions of State Government were received. In view of the instructions and looking into competitive market condition, the Company thought that it was necessary to grant the benefit to the customers by taking the burden of increased royalty on itself.

The Company's reply is not convincing as the applicable rate of increased royalty was also recoverable as per terms in delivery order, on those sales made from 15 March 2001 irrespective of the fact that the formal intimation in this regard was received late by the Company. Thus, due to absence of prudent commercial practices in effecting the possible recovery, the Company suffered a loss of Rs.0.89 crore besides entailing a loss of revenue of Rs.23.03 lakh to the State exchequer.

The matter was reported to the Government in March 2002; their reply had not been received (November 2002).

4.2.3 Delay in surrender of mines and a plot acquired for processing unit

Avoidable delay in surrender of granite mines and a plot meant for processing unit had resulted in loss of Rs.15.65 lakh to the Company.

The Company acquired (March 1994 and October 1994) three mines (area 18.3 hectares) on lease situated at Tawab village (Jalore district) from the Government of Rajasthan for granite mining activity. The Company carried out mining activity during March 1996 to February 1997. With a view to setting-up granite processing unit, a plot measuring 2.84 hectares located at Abu Road was purchased (April 1994) from Rajasthan State Industrial Development and Investment Corporation Limited (RIICO) for Rs.18.71 lakh. The Company failed to set up the processing unit and surrendered the plot (November 2000) to RIICO and got refund of Rs.16.05 lakh (January 2001). The mines were also surrendered (March 2001) by the Company to Government of Rajasthan.

An analysis of records in audit revealed the following:

-- The viability of the operations of the mines was not carried out during the period of operation from March 1996 to February 1997.

-- The estimated value of granite blocks produced and lying in the mines was Rs.11.76 lakh. According to the Company's estimates (September 1998), the blocks could have been transported to its Ambaji Project at a cost of Rs.4.98 lakh. However, this was not done. Hence, the Company had to incur an expenditure of Rs.8.83 lakh towards dead rent and security arrangements on the mines from October 1998 to March 2001. This had resulted in loss of Rs.3.85 lakh (Rs.8.83 lakh *minus* Rs.4.98 lakh) to the Company. The value of granite blocks at the time of surrender of mines (March 2001) were not on record.

Avoidable expenditure was incurred on security and maintenance of the mines and a plot.

-- The belated surrender of the plot in November 2000 instead of March 1997 resulted in extra expenditure of Rs.4.58 lakh on security and maintenance of the plot, besides, loss of interest of Rs.7.22 lakh (calculated at 12 *per cent per annum*) on blocking of Rs.16.05 lakh from April 1997 to December 2000.

Thus, the fact remains that the Company suffered a total loss of Rs.15.65 lakh mainly due to avoidable delay in surrender of the mines and the plot meant for granite processing unit. The Company stated (April 2002) that the granite project was undertaken in view of more demand for granite at that time. Subsequently, due to heavy recession in construction industry, the market declined during the period 1997-98. However, the Company could wind up the project with minimum loss as it had not made any massive investment in the project.

The reply was silent about the reasons for the delay in surrender of the mines and the plot though the Company stopped the granite mining activity (February 1997).

The matter was reported to the Government in March 2002; their reply had not been received (November 2002).

4.3 Gujarat Industrial Investment Corporation Limited

4.3.1 Loss due to hasty payment towards right issue of shares

Advance payment of Rs.0.59 crore without execution of agreement coupled with belated legal action for recovery resulted in loss of interest of Rs.47.09 lakh to the Company.

The Company promoted a joint venture Company by the name of Remi Metals Gujarat Limited (RMGL) at Jhagadia in Gujarat, for manufacturing carbon, alloy steel and hot finished seamless pipes/tubes. As per the agreement entered (March 1993) into with RMGL, the Company contributed Rs.9.81 crore (between March 1993 and February 1994) towards its share of 11 *per cent* to the total equity capital of Rs.89.20 crore of RMGL. RMGL approached the Company (January 1996) to release Rs.0.59 crore as advance payment towards RMGL's proposed right issue of shares. Accordingly, the Company released the amount of Rs.0.59 crore to RMGL (April 1996) without executing any agreement.

It was observed in audit that there was no obligation for the Company to contribute to the right issue of shares of RMGL as per the shareholders agreement. The Company was also aware that RMGL was incurring substantial losses due to problems such as non installation of critical facility in plants, non availability of funds and increase in the power tariff. Under the circumstances, the Company's decision to make advance payment of Rs.0.59 crore lacked justification. RMGL did not come up with its proposed right issue, as the same was not approved by Securities and Exchange Board of India.

RMGL was registered with BIFR in April 1999.

Although Audit pointed out this imprudent decision in February 1997, the Company had not made adequate efforts to get back the amount of Rs.0.59 crore. The Company filed a civil suit against RMGL for recovery of the amount along with interest only in February 1999. The suit was stayed (June 1999) by the Civil Court as RMGL was already registered with BIFR (April 1999).

Thus, the hasty payment without execution of agreement coupled with belated legal action to get back the refund of Rs.0.59 crore had resulted in loss of interest of Rs.47.09 lakh on the Company's locked up fund (calculated at the rate of 12 *per cent per annum* from April 1996 to November 2002). Further, the chances for recovery of principal amount of Rs.0.59 crore were also remote due to BIFR status of RMGL. The Government/Company stated (May/April 2002) that lending institution while sanctioning the financial assistance for the creation of facility at the plants insisted on RMGL bringing unsecured loan from the promoters to bridge the gap in the means of financing the project till receipt of proceeds from the proposed right issue. Hence, the advance payment of Rs.0.59 crore was released to RMGL. As, RMGL refused to refund the amount, the Company made an application before the BIFR to direct RMGL to refund the amount along with interest with other alternative to proceed with the suit stayed in the Civil Court.

The reply is not tenable because as per the shareholder's agreement, the Company was not under any obligation to contribute towards the right issue of RMGL. Besides, the Company had not effectively pursued with RMGL for the refund of the amount paid despite having a nominee director in the management of RMGL.

4.4 Gujarat Agro Industries Corporation Limited

4.4.1 Avoidable expenditure on modification of plant

An expenditure of Rs.21.13 lakh incurred on modification and upgradation of solvent extraction plant remained unfruitful due to imprudent decision of the Company.

The Company decided (June 1998) to carry out modification and upgradation of its solvent extraction plant at Bareja (the unit) meant for extracting oil by solvent extraction process from rice bran. The work aimed at reducing fuel and other oil consumption in the production process. The plant was modified (November 1998) at a cost of Rs.21.13 lakh. However, the Company stopped the production (March 1999) as the unit had incurred substantial losses due to unfavourable market conditions. The State Government, as per the recommendation of Asian Development Bank (ADB), directed (December 1999) the Company to dispose of some of its loss making units including the unit at Bareja. However, the Company closed the unit (October 2000), which could not be disposed (January 2002) due to lack of competitive bids.

Bareja unit was one of the loss making units of the Company.

It was observed in audit that the unit had suffered substantial losses ranging between Rs.42.07 lakh and Rs.0.91 crore during 1993-98 due to competition in the market and the Company was aware (May 1998) of the fact that the loss incurring units were to be sold under the restructuring proposal arising from the policy of the ADB. Therefore, the decision (June 1998) of the Company to incur expenditure on the modification and upgradation of the plant was imprudent and the expenditure of Rs.21.13 lakh incurred on the work remained unfruitful.

The Company stated (May 2002) that Board of Directors (BOD) of the Company came to know the policy of ADB for closure of the loss incurring units in September 1999 and the directives in this regard from the Government were received in December 1999. However, the expenditure on the modification and upgradation of the plant was incurred between September and November 1998.

The reply of the Company was not correct. The Managing Director of the Company was aware of the policy of ADB by virtue of the State Government's Technical Secretarial meeting held on 16 May 1998. Besides, the BOD was briefed by the Chairman of the Company about the policy of ADB in the BOD meeting held on 6 June 1998 in which, the BOD had taken a decision to carry out modification and upgradation of the plant at Bareja.

The matter was reported to the Government in March 2002; their reply had not been received (November 2002).

4.5 Gujarat State Rural Development Corporation Limited

4.5.1 Unfruitful financial assistance

An expenditure of Rs.0.60 crore incurred by the Company for welfare of salt workers remained unfruitful due to deficiencies in planning and implementation of the scheme.

The Company, under a State Government scheme for development and welfare of salt workers, had provided financial assistance in the form of revolving fund, equipment finance and welfare assistance to the salt workers for production of salt. The Company implemented the scheme in Ahmedabad district during 1997-2000. Accordingly, the Company provided (February 1998) Rs.19.60 lakh and Rs.16.80 lakh towards revolving fund and equipment finance, respectively to 336 families of salt workers. Likewise, the Company also provided (February 2000) Rs.10.50 lakh each towards revolving fund and equipment finance to 210 families. Though, the production of salt was to start by February 1999 and February 2001, respectively, the same was not started (April 2002). During this period the Company also incurred administrative expenditure of Rs.2.34 lakh.

It was observed in audit that the production of salt could not be started as sea water could not reach the sites selected for salt production. No detailed study was carried out by the Company to assess the viability of the scheme, despite the fact that State Government had expressed (June 1993) an apprehension regarding implementation of the scheme in the district of Ahmedabad, as the same is far away from seashore. However, the Company went ahead with implementation of the scheme on the plea that the sites selected fell in saline land identified in Dhandhuka taluka of Ahmedabad district. No provision was made in the scheme for putting the bore wells on the sites to draw the salt water, in case, the sea water required for production of salt could not reach the sites. No system was evolved by the Company to monitor the implementation of the scheme regularly.

Thus, due to deficiencies in planning and implementation of the scheme, an expenditure of Rs.0.60 crore (including administrative expenditure) incurred by the Company under the scheme remained unfruitful. The Company stated

(August 2002) that the detailed study for assessing suitability of the sites for production of salt was not carried out as already some private firms had been producing salt in the areas near the sites selected by the Company. It was also stated that for the assistance provided under the scheme during the year 1997-98, salt could not be produced due to occurrence of cyclone and heavy rain on 19 and 20 May 1999.

The reply of the Company was not tenable as the detailed study was required to be carried out specifically at the sites to assess the adequacy of sea back water availability during high and low tides in order to ensure regular production of salt. Regarding non production of salt due to cyclone and heavy rain, the contention of the Company is not correct as the records made available to audit did not indicate any production of salt prior to May 1999 though the production was to be started by February 1999.

The matter was reported to the Government in June 2002; their reply had not been received (November 2002).

4.6 Sardar Sarovar Narmada Nigam Limited

4.6.1 Loss due to delay in recovery of power factor adjustment charges

The Company suffered a loss of interest of Rs.4.92 crore due to belated decision to recover the power factor adjustment charges of Rs.4.85 crore from a contractor.

The work of construction of concrete dam across Narmada river for Sardar Sarovar Narmada Project was awarded (April 1987) to M/s.Jaiprakash Associates, New Delhi (the contractor) at their tendered cost of Rs.320 crore. Clause 5 of special conditions of the contract provided for supply of energy at the rate of Re.1 *per* unit (kilowatt hour) of energy consumed by the contractor. Further, as per sub-clause 5.5 *ibid*, the contractor was to install power factor improving capacitors for maintaining minimum average power factor* as per the rules of Gujarat Electricity Board (the Board), otherwise, penal charge *i.e.* power factor adjustment charges (PF charges) as levied by the Board were recoverable from the contractor.

Power Factor adjustment charges were either not recovered or recovered belatedly.

During the test check of records of three divisions of the Company, it was noticed (March and June 1996) that the Company had not recovered PF charges from the contractor for not maintaining the required power factor from time-to-time. On having been pointed out in audit, the divisions had either belatedly recovered or not at all recovered the PF charges as per the details given in *Annexure*-17.

* It is an expression of relationship between useful current and total current used in an electrical device

Thus, the Company incurred a loss of Rs.4.92 crore on account of interest (at 12 *per cent per annum*) on the belated recovery of Rs.4.69 crore and non recovery of Rs.16.56 lakh. Even after having been pointed out in audit, there was a delay of 48 months in taking a decision (April 2000) for recovery.

The Company stated (August 2002) that the contract was being handled by civil engineers and, therefore, guidance was sought from the experts of electrical discipline before taking the decision. The reply was not tenable, in view of the financial implication involved in recovery of PF charges. Further, the guidance could be obtained from the Company's own electrical wing. Thus, the time taken in arriving the decision lacked justification. The Company had not fixed any responsibility for the delayed recovery/non recovery (November 2002).

The matter was reported to the Government in May 2002; their reply had not been received (November 2002).

4.6.2 Irregular payment of advance to Non-Government Organisations

Irregular payment of advance of Rs.1.52 crore to NGOs resulted in loss of interest of Rs.18.85 lakh.

Advance payment of Rs.1.52 crore was made in contravention of stipulations.

The rehabilitation work of the persons affected by Narmada Project was implemented by the Company through Sardar Sarovar Punarvasavat Agency (SSPA) under the control of the State Government. The funds required for this purpose were provided by the Company and the assets created and expenditure incurred by SSPA were accounted in the Company's accounts. For payment against works awarded to Non-Government Organisations (NGOs), SSPA stipulated (July 1997) that an advance of 50 *per cent* could be granted on issue of the work order, 40 *per cent* on completion of half of the work and the balance 10 *per cent* after completion of the work.

SSPA awarded (January and May 1999) the work of developing/improving civic amenities to six NGOs in colonies where people affected by Narmada project were residing, with stipulated period of completion as May/June 1999. For these works, SSPA made advance payment of Rs.3.35 crore to the NGOs, during January 1999 to December 2000.

Audit analysis (March 2001) of the records related to the works revealed that SSPA made premature payment of advance of Rs.1.52 crore to the NGOs in contravention of the stipulations, which in turn, resulted in loss of interest of Rs.18.85 lakh (calculated at the rate of 12 *per cent per annum)* to the Company for the period ranging from one to 24 months.

None of the NGOs completed the work even after lapse of 35 to 36 months (April 2002) and after adjusting (December 2001) advances of Rs.3.11 crore against the value of work done, an amount of Rs.0.24 crore was outstanding

(April 2002) against two NGOs *i.e.* Anand Niketan Ashram and International Rural Educational and Cultural Trust.

SSPA stated (July 2002) that the instructions regarding release of advance to NGOs were not followed in the instant cases as the amenities at various remote places were to be provided at the earliest by SSPA to the project affected persons. Regarding non-recovery of outstanding amount of Rs.0.24 crore, it was replied that corrective action was being taken. The reply is not convincing as the instructions for release of advance were issued only after taking into account the urgency for completing the works awarded to NGOs and also the financial interest of SSPA and the Company. Besides, the fact remains that SSPA failed to get the works completed by NGOs even after the delay of 35 to 36 months.

The matter was reported to the Government in May 2002; their reply had not been received (November 2002).

4.7 Gujarat Water Infrastructure Limited

4.7.1 Loss due to violation of Government directive

The Company suffered a loss of interest of Rs.46.45 lakh due to non-placement of surplus funds in Liquid Deposit Scheme of GSFS.

The State Government issued (December 1999) instruction to all Public Sector Undertakings (PSUs) to place surplus funds available with them for a period of less than 15 days in Liquid Deposit Scheme of Gujarat State Financial Services Limited (GSFS). It was also clarified in the instructions that the surplus funds would mean any operating surplus with PSUs in the form of cash in current account with bank or otherwise and would be required by PSUs in future even after one day. Underlying objective of the instruction was to enable PSUs to get some return on surplus funds which would otherwise be kept in current account of banks due to non availability of any avenue for parking such very short term surplus funds. Funds placed with GSFS under the scheme were withdrawable on one day notice.

The Company had not devised system for efficient cash management.

A test check of records in audit revealed that during March to August 2002, funds ranging from Rs.2.38 crore to Rs.39.94 crore were kept by the Company in two current accounts with a bank for making payments to the contractors and others. As the Company could assess its liability in advance for making payments, retention of such funds in current accounts lacked justification. Besides, no system was devised for efficient cash management in the Company through periodical preparation of cash flow statement in advance. The Company could have invested surplus funds ranging from Rs.1.38 crore to Rs.38.94 crore, even after retaining a minimum balance of rupees one crore each in both current accounts for meeting urgent requirements. Had the Company invested these surplus funds in the scheme of GSFS, it could have earned an interest of Rs.46.45 lakh (calculated at the rate of 4.61 to 9.92 *per* *cent* on daily balance offered by GSFS for the scheme) during the period. There was no justification on the records of the Company for non-placement of the surplus funds with GSFS.

The Government/Company stated (August/July 2002) that some of the projects meant to mitigate the severe shortage of drinking water in some parts of the State were undertaken by the Company on emergency basis. Hence, sufficient liquid funds were kept for making prompt payments to the contractors, consultants and others as and when their bills were processed and finalised by the Company.

The reply of the Company is not tenable as the Company had to make payments mainly to the contractors, for which it had time of 21 to 56 days from the date of receipt of bills from the contractors. As such, there was enough scope for the Company to plan for deployment of the surplus funds in a profitable way.

B. STATUTORY CORPORATIONS

4.8 Gujarat Electricity Board

4.8.1 Loss of revenue

Avoidable delay in replacing the boiler tubes resulted in loss of revenue of Rs.27.29 crore to the Board and Rs.4.45 crore to State exchequer.

The Chief Engineer, Dhuvaran Thermal Power Station (TPS) of the Board submitted (23 February 1998) an indent for urgent procurement of six sets of water wall tubes each for front, rear and side portions of boilers of Stage-I of TPS. Accordingly, the Board invited (March 1998) tenders for procurement of these items. Tenders received from 12 parties were opened on 2 May 1998 and were sent for technical scrutiny on 4 May 1998. Meanwhile, one of the boilers (*i.e.* boiler 2B) of TPS stopped functioning on 7 June 1998 due to leakage of water from wall tubes. After conducting hydrotest and after attending to the punctures, the boiler was taken into service. However, similar problem occurred frequently in the tubes of boiler. In view of this, TPS stressed (June 1998) the need for replacement of the tubes at the earliest.

Pending finalisation of tenders, the Board issued (July 1998) a letter of intent (LOI) to BHEL (from whom similar tubes were procured in 1996) for placing repeat order for two sets of boiler tubes. After receipt of LOI, BHEL informed (August 1998) the Board that the contracted delivery would begin only after receipt of clear purchase order or LOI with 10 *per cent* of ordered value as advance, whichever was later.

The boiler was kept out of operation pending replacement of water wall tubes.

In the meantime, TPS was encountering problems in operation of boiler 2B (November 1998) as it was unable to take rated pressure due to frequent failure of water wall tubes and the need for replacement of water wall tubes on top priority basis was reiterated. Despite this, after protracted correspondence with BHEL for eight months, the Board issued amended purchase order only in April 1999. Thereafter, BHEL delivered the tubes in October 1999. In the meantime, boiler 2B had completely stopped functioning from 14 February to 27 November 1999 till the tubes were got replaced. Consequently, there was generation loss of 143.643 million units (MUs) of electricity to the Board.

It was observed in Audit that though TPS knew in May 1995 itself that the tubes of boiler 2B were required to be replaced by April 1997, it did not initiate timely action by placing the indent. As the TPS was commissioned in 1964-65, the Board should have identified the boilers whose life had expired and needed replacement of tubes to avoid shut down of the unit. Further, the Board could have avoided the delay of 8 months in issuing the amendment to the purchase order as desired by BHEL in view of critical condition of boiler 2B and urgent requirement of tubes. Failure on the part of the Board in these critical areas led to generation loss of 143.643 MUs worth Rs.27.29 crore (worked out at the average tariff of Rs.1.90 *per* unit) to the Board and Rs.4.45 crore to the State exchequer by way of loss of electricity duty and tax on sale of electricity.

The Board/Government replied (May/June 2002) that there were four units for which nine boilers were available in the TPS and two boilers were in operation with each units at a time. Accordingly, the extra boiler, 5A, which was attached to Unit II of TPS was taken in service when the boiler 2B was not in operation during the period between February and November 1999. Hence, there was no generation loss to the Board. The reply of the Board was not tenable as the boiler 5A was in operation along with other two boilers 2A and 2B of Unit II of TPS till the boiler 2B stopped functioning in February 1999. As such, the average quarterly generation of 34.290 MUs, when all three boilers were in operation came down to the range of 31.072 MUs to 19.465 MUs due to functioning of only two boilers 2A and 5A during the period between February and November 1999. Besides, the reply did not contain any reasons for non-initiation of timely action for procurement of the tubes for boiler 2B.

4.8.2 Excessive transmission and distribution losses in feeders due to theft

Persistence of high T & D losses in two feeders due to theft had resulted in loss of revenue of Rs.16.65 crore to the Board and Rs.2.76 crore to the State exchequer.

A scrutiny of the records of the Godhra O & M division revealed that in respect of two feeders *viz.* at Nava Bajar and GF Mills of the city sub-division,

T & D losses were very high against the theoretical losses of the feeders.

the actual transmission and distribution (T & D) losses were in the range of 67.84 to 83.98 *per cent* during April 1997 to March 2002 against the theoretical losses ranging from 6.74 to 10.09 *per cent* of the feeders due to theft of power by the consumers of that area. Thus, out of 134.22 million units (MUs) sent out from the sub-station to the feeders during the period, the Board suffered an abnormal loss of 91.86 MUs. This had resulted in loss of revenue of Rs.16.65 crore to the Board and of Rs.2.76 crore to the State exchequer due to non levy of electricity duty and tax on sale of electricity on the unbilled consumption of lost power supply during the period.

The Board took (May 2001) a decision to minimise loss of power by taking corrective measures, such as, restriction of supply, issue of average bills for 160 units where bi-monthly consumption recorded was less than 100 units and removal of illegal fittings made for stealing power supply by the consumers. However, the Board could not implement the decision on the plea of consumer's agitation besides non availability of police force with the Board. The Board had neither deployed any private agency to handle maintenance, billing and revenue collection of the feeders, as suggested (April 2001) by the Superintending Engineer of the division nor took up the problem of high T&D losses with the State Government for making more police force available.

The Board/Government stated (August/September 2002) that it had taken necessary steps to control the losses in the feeders but the results were not encouraging. The Board added that despite this, the Board had been taking measures for controlling the losses with abundant precautions as the feeders were supplying power to the communally sensitive area.

The reply was not tenable as the high losses in the feeders have been persisting for more than five years. This is indicative of fact that the measures taken by the Board to control the losses were not adequate.

4.8.3 Excess payment to the contractors for labour component

The Board made an excess payment of Rs.0.99 crore to contractors due to adoption of incorrect formula.

The Chief Engineer, Wanakbori Thermal Power Station (TPS) of the Board awarded (March 1997) annual rate contract for maintenance of coal mill meant for crushing and powdering of coal of six units of TPS to three firms*, valid for a year from the date of commencement of work. Subsequently, the contracts were extended from time to time till June 2001. As per clause 41 of

* M/s.Skywin Erectors, M/s.Weldon Erectors and M/s.Philips Engineering

the contract, the escalation on account of cost of labour component was payable to the firms on the basis of formula given below:

$$\text{Amount of labour escalation payable} = K \ (x) \ \text{Bill amount for the month} \ (x) \ \frac{\text{Revised unskilled labour rate} \ \textit{(less)} \ \text{Prevailing unskilled labour rate on opening of tender}}{\text{Prevailing unskilled labour rate on opening of tender}}$$

(`K' indicates labour component in entire work.)

A provision was made in the contract to neutralise the effect of variation in the cost of labour component.

As per the Board's policy (September 1987) the value of `K' in the formula was to be fixed based on proportion of labour cost to the total contract cost. In the above contracts, the value of `K' was fixed as 0.80. The provision for payment of labour escalation was made in the contract to neutralise the effect of variation in the labour cost to the firms. However, the calculation of labour escalation during the period from April 1997 to June 2001 worked out to Rs.36.53 lakh by taking actual increase in the labour, as detailed below:

$$\text{Amount of labour esclation payable} = \text{Revised unskilled labour rate} \ \textbf{\textit{less}} \ \text{Prevailing unskilled labour rate on opening of tender} \ \mathbf{X} \ \text{Number of labours employed} \ \mathbf{X} \ \text{30 days}$$

Thus, as against an actual increase of Rs.36.53 lakh during the period in the labour cost, the Board had paid an amount of Rs.1.35 crore to the firms, resulting in excess payment of Rs.0.99 crore. The above irregularity was brought (July 1999) to the notice of the Board. The Board reviewed the formula and came to the conclusion that adoption of value of `K' as 0.80 had resulted in excess escalation in payment of cost of labour component due to non segregation of profit element from the cost of contract and it was decided (October 2000) to reduce the value of `K' from 0.80 to 0.60. But the same was not implemented (June 2001).

The Board/Government stated (June/July 2002) that there would be *cent per cent* labour involvement in these types of contracts as material and consumables were supplied at the Board's cost. Hence, the value of work of 'K' was fixed at 0.80 after allowing a provision of 15 *per cent* and 5 *per cent* value of the contract towards elements of profit and administrative overheads respectively. It was also justified that the decision (October 2000) to reduce the value of 'K' from 0.80 to 0.60 could not be made effective as the contracts were already renewed for further period up to June 2001. However, the Board had subsequently revised the formula for labour escalation which envisaged payment of actual escalation on the wages paid by the contractors. Reply of the Government was not tenable considering that the provision for payment of labour escalation was made in the contracts with intention to neutralise the effect of variation in the labour cost to the firms, in reality, due to adoption of the misleading formula, undue benefits were passed on to the firms for which the Board had not fixed any responsibility.

4.8.4 Loss due to delay in placement of regular supply order

The Board had to incur an extra expenditure of Rs.0.83 crore due to delays in placement of regular supply order on a firm.

The Board decided (March 1995) to place an order for design, fabrication, galvanising and supply of transmission line towers and erection of 400 KV single circuit line from Gandhar to Kasor on Urja Engineers Pvt. Ltd., Baroda, (the firm) at a cost of Rs.8.73 crore. The Board issued (July 1995) letter of intent (LOI) for the work and asked the firm to confirm all the terms and conditions, as per the Board's specifications. The firm, while accepting the LOI, also specifically confirmed (July 1995) that it had withdrawn the conditions and deviations of its offer against the Board's specifications. The work was to be completed within 24 months from the date of issue of LOI (*i.e.* by 10 July 1997). However, the Board issued regular supply order (the order) to the firm only in August 1996, *i.e.* after a lapse of 12 months from issue of LOI. In view of the delay as well as the representation made by the firm (October 1996), the Board decided (July 1998) to increase the cost of the work to Rs.9.56 crore and also extended the time schedule for completion of the work up to October 1998. The increase of Rs.0.83 crore in the cost was effected by updating price of the tender, based on the price prevailing in August 1996 over the price in November 1993 (opening of tender) and by addition of 12.5 *per cent* over the updated price. The work was completed in April 1999 at a cost of Rs.12.75 crore due to subsequent increase in the scope of work originally given.

The firm was not allowed to proceed ahead with the work.

It was observed in Audit that even after the receipt of confirmation (July 1995) from the firm accepting all the terms and conditions as per the Board's specifications, the Board had gone in protracted correspondence and held discussions with the firm as the Board was not satisfied with the assurance given by the firm. Pending issue of the order, the Board did not approve the route survey sheet for more than 8 months since its submission by the firm in November 1995 and did not inspect and allow testing prototype tower completed by the firm. Further, the Board instructed (April 1996) the firm not to proceed ahead with the work till placement of the order on it. In view of avoidable delay on the part of the Board in issuing the order, it had to finally accede to the demand of the firm in increasing the cost of the work by Rs.0.83 crore and had to extend the stipulated date of completion of work up to

October 1998. Responsibility for the delay in placement of the order had not been fixed by the Board (November 2002).

The Board/Government stated (August/September 2002) that the implications on the deviations noticed with the firm's offer against the Board's specifications were required to be analysed critically, hence, the order was not issued till the receipt of satisfactory clarification from the firm. As the delay was due to contractual disputes, the Board could not fix the responsibility. Besides, the increase in the cost of work was effected by mere updation of price of the tender. The reply was not tenable as the time of 12 months taken by the Board on the plea of obtaining satisfactory clarifications from the firm lacked justification. Further, the results of increase in the cost of work was not only due to updation of price of tender but also due to allowance of 12.5 *per cent* granted by the Board over and above the updated price of the tender.

4.8.5 Avoidable loss due to non consideration of lowest bid

The Board suffered an avoidable loss of Rs.0.60 crore because they did not consider the lowest offer received from a technically acceptable bidder.

The Board invited (August 1998) limited tender for procurement of 90 permasep permeatar modules, an important component used in Reverse Osmosis Plant meant for purifying saline water at Kutch Lignite Thermal Power Station (KLTPS). Technical and price bids received from six bidders were opened in September 1998. During scrutiny of technical bids, it was noticed that none of the bidders had specifically offered model No.B-10 6840-063 N as called for by the Board in the tender enquiry. However, of the six bidders, four had offered model No.6835 T confirming to technical requirements of the Board. Hence, the Board called for and received (December 1998/February 1999) revised bids for Model No.6835 T from the remaining two bidders *i.e.* M/s. Sukan Instruments Private Limited (Firm 'S') and M/s. Bharat Heavy Electricals Limited (BHEL), Ranipet. On the completion of technical scrutiny (February 1999), five bids were considered as technically acceptable. Of them, Firm 'S' had quoted the lowest price of Rs.3.95 crore. However, the Board decided (July 1999) not to consider the bids of BHEL and Firm 'S' as they were revised bids and received after the opening of technical and price bids. Thus, the Board placed (August 1999) a purchase order on M/s. S. R. Paryavaran Engineering Private Limited (Firm 'SRP') Chandigarh, at a cost of Rs.4.55 crore, being one among the remaining three technically acceptable bidders.

It was observed in Audit that the Board failed to specify the required model No.6835 T in the tender enquiry, though the very model was in use in KLTPS. Hence, the tender enquiry was defective. Under the circumstances, the Board should have considered the revised bids of BHEL and Firm 'S'. Otherwise, the Board should have insisted on the Firm 'SRP' to reduce its price to Rs.3.95 crore being the lowest price for model No.6835 T received from the technically acceptable bidder Firm 'S'. Since the Board failed to do so, it had to suffer loss of Rs.0.60 crore (i.e. Rs.4.55 crore *minus* Rs.3.95 crore).

The Board/Government stated (September/October 2002) that the non consideration of revised bids of BHEL and Firm 'S' was a conscious decision taken by the Board. The Board, otherwise would have invited complications, such as, litigations and delay in procurement. The apprehensions were not valid, as the Board had got option of inviting price bids afresh for model No.6835 T from all the technically acceptable bidders before finalising the tender. Moreover, the model No.6835 T offered by the other three firms was originally not called for by the Board. Besides, the reply did not contain any reasons for Board's failure to specify the required model in the tender invited in August 1998.

4.8.6 Undue benefit extended to a contractor

The Board incurred an avoidable expenditure of Rs.16.67 lakh towards bonus payment to a contractor under a contract for coal handling work.

The Board awarded (November 1993) an annual contract for coal handling work at Ukai Thermal Power Station (TPS) to M/s. Super Handlers, Ahmedabad (the contractor). The contract was extended from time to time up to April 2002. The contract, *inter alia,* included the work of unloading coal from wagons through wagon tipplers[*] to hoppers[#] at coal handling plants of the TPS. As per terms of the contract, if wagons were available for all 24 hours and wagon tipplers and other machineries of the plants worked, the contractor should have unloaded the minimum of 170 wagons *per* day, failing which penalty of Rs.150 *per* wagon would be levied. The contractor would be entitled to bonus of Rs.150 and Rs.180 *per* wagon, if the number of unloaded wagons *per* day ranged from 171 to 200 and above 200, respectively. The Board installed (December 1997) two feeder breakers[$] with hopper grids at a cost of Rs.1.74 crore in one of the coal handling plants of TPS. Consequently, speed of unloading of the wagons at the plant increased by 6 to 8 wagons *per* hour. Considering this aspect, the Chief Engineer, TPS, brought (January 1998) to the notice of Head Office (H.O.) of the Board a need for upward revision in the minimum unload target of 170 wagons *per* day and also of the related necessity for amending the provision regarding bonus payment in the contract. However, H.O. of the Board did not take (April 2002) any steps to amend the provision of the contract, though it had concurred with the views of TPS.

The Board should have, logically revised the minimum unloading target from 170 to 227 wagons *per* day so that the contractor would have been entitled to bonus of Rs.150 and Rs.180 *per* wagon, if number of unloaded wagons *per*

[*] It is a machine used to rotate position of wagon upward to downward to unload coal from it
[#] It is a device used for collection of coal
[$] It is to break coal lump in to small pieces

The Board had not revised the provision for payment of bonus in the contract.

day ranged from 228 to 267 and above 267, respectively, with effect from December 1997. Thus, failure of the Board to amend the provision of the contract resulted in excess payment of bonus of Rs.47.62 lakh to the contractor during the period between December 1997 and April 2002.

The Board stated (August 2002) that the aspect of revision in minimum unload target was taken care of in the new tender invited (August 2001) for the work. However, the tender could not be finalised as estimates and other conditions relating to tender were to be revised. Nevertheless, the Board had revised (June 2002) the minimum unload target in the existing contract with retrospective effect from December 1997. The reply of the Board was not tenable as the avoidable delay in effecting the revision had resulted in financial accommodation to the contractor. No responsibility had been fixed for the lapse of the Board (August 2002). Besides, the verification of reply revealed that the Board had recovered (June 2002) Rs.30.95 lakh against the total recovery of Rs.47.62 lakh, pointed out (May 2002) in audit, from the contractor's running account bill. Though the contractor protested against the recovery, the Board had not yet issued any formal amendment to the bonus clause of the contract for regularising the above recovery (November 2002).

The matter was reported to the Government in May 2002; their reply had not been received (November 2002).

4.8.7 Avoidable extra expenditure

A delay in completion of cooling tower led to an avoidable extra expenditure of Rs.36.63 lakh.

The Board awarded (August 1996) work of design and construction of Natural Drought Cooling Tower (NDCT) for extension Unit V of Gandhinagar Thermal Power Station (TPS) to National Building Construction Corporation Limited (the firm) at a lumpsum cost of Rs.9.34 crore. As per the terms and conditions of the order, the work was to be completed in 66 weeks *i.e.* by 19 November 1997 from the date of issue (4 July 1996) of letter of intent. The work was actually completed on 31 March 1999 with a delay of 71 weeks.

Out of 71 weeks delay, 54 weeks delay was attributable to the Board.

Audit scrutiny of records revealed that delay of only two weeks out of total delay of 71 weeks was attributable to the firm. Delay of 15 weeks was due to unforeseen circumstances such as heavy monsoon, unapproachable site condition. The delay of 54 weeks was attributable to internal inefficiencies of the Board. Delay on the part of the Board was mainly due to delay in carrying out second soil investigation for determining the load bearing capacity necessitating redesigning and revision of drawings, change in location of cooling tower, failure to supply material in time and delay in carrying out performance test of the cooling tower. As a consequence of delay in completion of cooling tower, the Board had to incur an expenditure of Rs.40.70 lakh to interconnect the Unit V with water cooling system of Unit IV of the TPS in order to commission Unit V on schedule date in October 1998.

The interconnection was subsequently dismantled at the cost of Rs.6.87 lakh after commissioning of the cooling tower in March 1999.

The Board/Government stated (May/November 2002) that the delay was beyond the control, hence, it would be difficult to pin point any inefficiency on the part of the Board. It was also stated that had the inter-connection work not been done, the Board could have suffered substantial power generation loss due to non-commissioning of Unit V on schedule. Besides, the inter-connection pipelines were dismantled and credited in stores and even some of the pipes were used in the TPS. The reply was not tenable as the delay was avoidable through proper planning. Moreover, the work of the cooling tower could be completed timely had the Board discharged its obligation under the contract accurately. Besides, verification of the reply revealed that the Board could utilise the dismantled pipes worth Rs.10.94 lakh only. Thus, the Board had to incur an avoidable extra expenditure of Rs.36.63 lakh (Rs.47.57 lakh *minus* Rs.10.94 lakh) mainly due to delay on its part in completion of the work by the firm.

4.9 Gujarat State Road Transport Corporation

4.9.1 Extra cost due to use of upholstered seats in super express buses

The Corporation incurred an extra cost of Rs.1.83 crore due to use of ready-made upholstered seats instead of fabricated seats.

The activities of the Central Workshop, Ahmedabad (CWA), a unit of the Corporation, *inter alia*, include bus body building. Based on the decision (October 1998) of the Chairman of the Corporation, CWA started (May 2000) using ready-made upholstered passenger seats (two and three seaters) in the super express buses, as the same was considered to be superior due to better appearance and more comfortable to passengers in comparison to the seats fabricated in CWA. Subsequently, the Corporation decided (April 2001) to discontinue the use of upholstered seats and started using fabricated seats in order to bring down the cost of body building of the buses. Thus, during the period from May 2000 to June 2001, CWA had used the costlier upholstered seats instead of the fabricated seats in super express buses.

The Corporation, without assessing the viability, used ready-made upholstered seats in super express buses.

Audit analysis of the cost records revealed that CWA had executed the work of body building for super express buses on 775 number of Ashok Leyland chassis and 75 number of TATA chassis during the period and had incurred an extra cost of Rs.20,430 *per* bus and Rs.33,390 *per* bus respectively due to use of the upholstered seats instead of the fabricated seats. Consequently, the Corporation incurred an avoidable total extra cost of Rs.1.83 crore on this account in bus body building of 850 super express buses.

The Corporation in its reply stated (October 2001) that the extra cost involved in use of the upholstered seats was in their knowledge, however, the decision (October 1998) was taken as the use of upholstered seats had given better appearance and also comfort to passengers. It was, however, noticed that the

Corporation had not conducted any study or analysis on the impact of their decision on tariff structure or on profitability of the Corporation. The decision (October 1998) of the Corporation, therefore, lacked justification. Moreover, the subsequent decision of the Corporation confirmed the fact that the earlier decision to use the upholstered seats was taken by the Corporation with an *ad hoc* and unscientific approach without any relation to the objectives of profitability of the organization.

The matter was reported to the Government/Corporation in June 2002; their replies had not been received (November 2002).

4.10 Gujarat State Financial Corporation

4.10.1 Imprudent financial assistance

An amount of Rs.5.34 crore remained to be recovered by the Corporation due to imprudent financial assistance extended under Hire Purchase Scheme.

The Corporation introduced (February 1995) a Hire Purchase Scheme (the scheme) to assist the industrial concerns for purchase of equipments, machineries and vehicles. The scheme involved rendering 90 *per cent* of the cost of the asset as hire purchase finance assistance which was to be recovered subsequently in equated monthly instalments (EMIs) inclusive of interest at the rate of 20 to 24 *per cent per annum* in a period of 36 months/48 months.

Eventhough advance amount was paid on behalf of the unit, machinery were not supplied by the supplier.

The Corporation sanctioned (February 1998) financial assistance for purchase of machineries under the scheme to M/s. Hercules Engineering Industries (unit 'H') and its associate concern M/s. Pioneer Drums and Containers (unit 'P'), Sarigam, of Rs.1.34 crore and Rs.1.32 crore respectively. The amounts were repayable in 48 instalments ending March 2002, by the units. The Corporation made payments (March 1998) of Rs.1.20 crore and Rs.1.19 crore respectively for purchasing machineries for the units to M/s. ATIN Industries, Ahmedabad (the supplier), who was selected (March 1998) as per suggestion made by the units. However, the supplier did not at all deliver any machineries. Consequently, the Corporation neither made any further payment to the supplier nor the units in turn, repaid the instalments to the Corporation. The physical possession of the units were taken over (February 2000) by the Corporation under section 29 of State Financial Corporations Act, 1951, and a criminal suit was also filed (August 2000) against the units and the supplier. However, nothing could be recovered and an amount of Rs.5.34 crore from unit 'H' (principal : Rs.1.15 crore, interest and other charges : Rs.1.53 crore, total : Rs.2.68 crore) and from unit 'P' (principal : Rs.1.14 crore, interest and other charges : Rs.1.52 crore, total Rs.2.66 crore) were outstanding as on 31 March 2002.

It was observed in audit that the Corporation at first did not agree to sanction any assistance under the scheme to the units in November 1997, as unit 'H' was very much irregular in repayment of term loan earlier availed of from the

Corporation. Units 'H' and 'P' belonged to same promoter and there were no manufacturing activities in the units. Moreover, the units would not be having adequate cash accruals to pay hire purchase instalments. Although these facts were in the knowledge of the Corporation at the time of sanctioning assistance in February 1998 there was no justification on records for subsequent sanction of the assistance to the units. Besides, the Corporation failed to verify antecedent and bonafides of the supplier before making payments for purchasing the machineries.

The Corporation stated (June 2002) that the unit 'H' was irregular in repayment of the previous loan, however it had finally repaid (November 1995) the loan after rescheduling. Hence, the assistance were sanctioned to the units. The reply of the Corporation was not tenable as the poor track record of repayment of previous loan was one of the reasons for non sanctioning of the assistance earlier in November 1997. Thus, the fact remains that the sanctioning of financial assistance to the units having poor track record in repayment of previous loan and inadequate cash accruals and non verification of antecedent and bonafides of supplier of machineries before placing purchase orders are indicative of unprofessional approach of the Corporation in disbursing credit facility.

The matter was reported to the Government in June 2002; their reply had not been received (November 2002).

4.11 Gujarat State Warehousing Corporation

4.11.1 Avoidable delay in utilising a new office premise

The Corporation suffered loss of interest of Rs.0.51 crore due to avoidable delay in putting its new office premise in use.

Fire safety system was not installed for more than 47 months.

The Corporation decided (January 1991) to shift its office from existing rented premises in Ahmedabad to Gandhinagar as the rented premises had inadequate space. Accordingly, the Corporation had constructed a five storied office building with a built-up area of 2,084 sq. mts. in Gandhinagar at a total cost of Rs.1.30 crore. The civil work of the building was completed in July 1998. As per the construction plan approved (June 1994) for the building by competent authority, the Corporation was to provide the fire safety system in the building. However, the work of installing fire safety system was not taken up (June 2002) even after expiry of 47 months since the completion of civil work of the building. In view of this, the 'Use Permission' certificate sought in April 2001 was not issued by the competent authority. Consequently, the new premise was not put to use (June 2002). Even after allowing a reasonable time of one year from completion of civil work for attending to the other works *viz.* electrical fittings, sanitary, installation of lift and fire safety system, the Corporation should have either shifted its office to new building or given it on rent from August 1999 at an estimated monthly rent of about Rs.80,000.

Thus, failure on the part of the Corporation in attending to the work of installing the fire safety system in the new premise resulted in loss of interest of Rs.0.51 crore due to blocking of Rs.1.30 crore (calculated at the rate of 12 *per cent per annum* on the basis of yearwise expenditure incurred) during the period from August 1999 to November 2002.

The Corporation stated (June 2002) that a decision to put off the idea of shifting the office to new building at Gandhinagar was taken in September 2000 by the Board of Directors (BOD) based on the representation made by the Corporation's employees union. Besides, the permission sought to either to sell out or to give new building on rent was not received from the State Government (June 2002). However, efforts were made by the Corporation to identify the buyers for selling the new building. Paucity of fund was cited as a reason for non-installation of fire safety system in new building. Reply of the Corporation was not convincing because the Corporation originally took the decision (January 1991) to shift from the rented premises in Ahmedabad due to inadequate space and the building being located in communal riot prone locality. However, the very purpose had been defeated by the BOD's decision of September 2000. The reply did not contain details about the period when the Corporation approached the Government for the permission and reason for the delay in getting it (June 2002).

The matter was reported to the Government in April 2002; their reply had not been received (November 2002).

4.12 Gujarat Industrial Development Corporation

4.12.1 Infructuous expenditure

The Corporation incurred an infructuous expenditure of Rs.14.80 lakh on the software modules procured.

The Corporation had entered (June 1999) into an agreement with Software Frontiers Limited (the firm), for preparing computer programmes to develop Management Information System (MIS) at a cost of Rs.37 lakh. As per terms of the agreement, the firm was required to prepare, finalise and implement software programmes consisting of 14 modules and was also to provide training to end users of the Corporation by August 2000. As per terms of payment, 15 *per cent* of the value of contract was payable within 20 days from the date of agreement, 70 *per cent* in phases with *5 per cent* for each of the 14 modules within 15 days from the date of preparing and handing over of each of the modules and the balance amount of 15 *per cent* was payable on completion of the entire work. The Corporation paid (June 1999 to October 2000) an amount of Rs.14.80 lakh against the eight modules delivered (August 2000) by the firm. However, these modules were found to be incomplete by the Corporation. The firm had not performed (January 2002) any of remaining contractual obligations. The eight software modules as delivered could not be utilised by the Corporation during the last 17 months since receipt thereof (August 2000), as these were incomplete rendering the entire expenditure of Rs.14.80 lakh as infructuous.

The Corporation failed to safeguard its interest and incurred an infructuous expenditure of Rs.14.80 lakh.

It was observed in audit that the Corporation did not obtain any security deposit from the firm. The Corporation stated (August 2002) that the security deposit was not obtained from the firm as the work given to the firm was in the nature of availing the professional services for development of software and it was contemplating action against the firm for non-fulfilment of the agreed terms. Thus, the Corporation failed to safeguard its interest for which no responsibility had been fixed (June 2002).

The matter was reported to the Government in February 2002; their reply had not been received (November 2002).

4.12.2 Loss due to change in date of allotment of a plot

The Corporation suffered a loss of Rs.2.59 crore for delays for which it was not responsible as per terms of allotment.

The Corporation allotted (13 December 1994) a plot of land measuring 1,20,000 square meters in Bhat Estate to Parekh Platinum Limited, Bombay (the allottee). The price of the land was Rs.3.75 crore, against which an amount of Rs.0.94 crore being 25 *per cent* of the price was paid (December 1994) by the allottee as down payment. The remaining amount of Rs.2.81 crore was payable in 40 quarterly instalments along with interest at 18 *per cent* commencing from March 1995 to December 2004.

The allottee had represented (November 2000) to the Corporation to defer the date of allotment of the plot, from 13 December 1994 to 11 August 1999, on the plea that the Corporation had failed to arrange for power supply, which it could avail of from Gujarat Electricity Board (GEB) on 11 August 1999 through its own arrangements. The allottee also cited that the permission for construction on the plot was received from Ahmedabad Urban Development Authority (AUDA) in September 1996 only, *i.e.* after completion of change of zone formalities in the estate by the Corporation with AUDA.

The Board of Directors (BOD) of the Corporation considered (April 2001) the plea of the allottee and decided to change the date of allotment from 13 December 1994 to 5 February 1997 (*i.e.* the date on which GEB had given estimate to the allottee for supply of power). In view of the change, the payment of balance dues was rescheduled from 5 February 1997 to December 2006, after a waiver of interest of Rs.1.09 crore on Rs.2.81 crore (balance dues as on 5 February 1997) for the period 13 December 1994 to 5 February 1997 and penal interest charges of Rs.1.50 crore for delayed payments of instalments.

The Corporation changed the date of allotment to the benefit of an allottee.

It was observed in audit that the allotment of plot was made in December 1994 with an explicit condition that the allottee at his cost had to make own arrangements for obtaining separate feeder connection for power supply. Regarding the change of zone formalities with AUDA, the Corporation had not given any commitment for its approval within any time frame, as the approval was to be given by AUDA. Besides, the allotment was made in the nature of 'as is where is' basis to the allottee. As such, the Corporation was not responsible for providing any infrastructure. Moreover, it could not be held responsible for any other delay affecting adversely the allottee.

It is also pertinent to mention that the BOD of the Corporation rejected (February 1999) earlier similar request of the allottee (January/February 1999) for waiver of penal interest and change in the date of allotment to 30 September 1996. Though facts of the case remained the same, BOD decided (April 2001) to change the date of allotment with the effect of deferment leading to waiver of interest including interest on delayed payment of instalments. Thus, due to injudicious decision to defer the date of allotment of plot, the Corporation had to suffer a loss of Rs.2.59 crore for the delays for which it was not responsible.

The matter was reported to the Government/Corporation in March 2002; their replies had not been received (November 2002).

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

Countersigned

NEW DELHI **(Vijayendra N. Kaul)**
The: **Comptroller and Auditor General of India**

ANNEXURE-1

(Referred to in paragraph 1.2.1.1, 1.2.1.2, 1.2.2 and 1.3.2)

Statement showing particulars of up-to-date paid-up capital, equity/loans received out of budget and loans outstanding as on 31 March 2002 in respect of Government companies and Statutory corporations.

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

Sl. No.	Sector and Name of the company/ corporation	Paid-up capital as at the end of the current year					Equity/Loans received out of budget during the year		Other loans received during the year @	Loans outstanding at the close of 2001-02**		Total	Debt equity ratio for the year 2001-02 (Previous year) 4(f) / 3(e)
		State Government	Central Government	Holding company	Others	Total	Equity	Loan		Government	Others		
1	**(2)**	**3(a)**	**3(b)**	**3(c)**	**3(d)**	**3(e)**	**4(a)**	**4(b)**	**4(c)**	**4(d)**	**4(e)**	**4(f)**	**5**
A	**WORKING COMPANIES**												
	AGRICULTURE & ALLIED SECTOR												
1	Gujarat Agro-Industries Corporation Limited (GAIC)	1,067.75	--	--	--	1,067.75	--	--	--	700.00	2,000.00	2,700.00	2.53:1 (0.94:1)
2	Gujarat Sheep and Wool Development Corporation Ltd.	228.41	188.70	--	14.25	431.36	--	--	--	--	--	--	
3	Gujarat State Seeds Corporation Limited	235.00	18.00	--	--	253.00	--	--	--	--	--	--	
4	Gujarat State Land Development Corporation Limited (b)	586.11	--	--	--	586.11	0.20	66.94	--	1,376.64	--	1,376.64	2.35:1 (0.23:1)
	Sector wise total	**2,117.27**	**206.70**	**0.00**	**14.25**	**2,338.22**	**0.20**	**66.94**	**0.00**	**2,076.64**	**2,000.00**	**4,076.64**	**1.74:1**
	INDUSTRY SECTOR												
5	Gujarat State Petroleum Corporation Limited (GSPC	9,886.00	--	--	525.00	10,411.00	1,000.00 850.00@@	--	--	--	1,163.95	1,163.95	0.11:1 (0.62:1)
	Sector wise total	**9,886.00**	**0.00**	**0.00**	**525.00**	**10,411.00**	**1,000.00 850.00@@**	**0.00**	**0.00**	**0.00**	**1,163.95**	**1,163.95**	**0.11:1**
	HANDLOOM AND HANDICRAFT SECTOR												
6	Gujarat State Handicrafts Development Corporation Ltd.	298.24	95.00	--	--	393.24	--	103.69	--	194.09	430.00	624.09	1.59:1 (1.32:1)

1	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
7	Gujarat State Handloom Development Corporation Ltd.	681.91	85.67	--	2.00	769.58	--	--	--	444.36	--	444.36	0.58:1 (0.63:1)
	Sector wise total	**980.15**	**180.67**	**0.00**	**2.00**	**1,162.82**	**0.00**	**103.69**	**0.00**	**638.45**	**430.00**	**1,068.45**	**0.92:1**
	FOREST SECTOR												
8	Gujarat State Forest Development Corporation Ltd.	392.76	178.89	--	--	571.65	--	--	--	--	98.31	98.31	0.17:1 (0.35:1)
	Sector wise total	**392.76**	**178.89**	**0.00**	**0.00**	**571.65**	**0.00**	**0.00**	**0.00**	**0.00**	**98.31**	**98.31**	**0.17:1 (0.35:1)**
	MINING SECTOR												
9	Gujarat Mineral Development Corporation Limited	2,353.20	--	--	826.80	3,180.00	--	--	--	-	--	--	--
10	Gujarat State Petronet Limited (Subsidiary of GSPC Limited)	--	--	9,831.00	3,685.00	13,516.00	--	--	7,976.00	--	14,896.00	14,896.00	1.10:1 (0.33:1)
	Sector wise total	**2,353.20**	**0.00**	**9,831.00**	**4,511.80**	**16,696.00**	**0.00**	**0.00**	**7,976.00**	**0.00**	**14,896.00**	**14,896.00**	**0.89:1**
	CONSTRUCTION SECTOR												
11	Gujarat State Police Housing Corporation Limited	5,000.00	--	--	--	5,000.00	--	--	--	--	--	--	
12	Gujarat State Road Development Corporation Ltd.	500.00	--	--	--	500.00	--	--	107.92	2.27	260.16	262.43	0.52:1 (0.31:1)
	Sector wise total	**5,500.00**	**0.00**	**0.00**	**0.00**	**5,500.00**	**0.00**	**0.00**	**107.92**	**2.27**	**260.16**	**262.43**	**0.05:1**
	AREA DEVELOPMENT SECTOR												
13	Gujarat State Rural Development Corporation Ltd.	58.00	--	--	--	58.00	--	--	--	--	--	--	
14	Gujarat Growth Centres Development Corporation Ltd.	1,500.00	1,835.00	--	--	3,335.00	--	--	--	--	--	--	

1	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
15	Gujarat Urban Development Company Limited	2,053.00	--	--	--	2,053.00	17.00	--	--	--	--	--	
	Sector wise total	**3,611.00**	**1,835.00**	**0.00**	**0.00**	**5,446.00**	**17.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	
	DEVELOPMENT OF ECONOMICALLY WEAKER SECTION SECTOR												
16	Gujarat Scheduled Castes Economic Development Corporation Limited(b)	765.00	735.55	--	--	1,500.55	--	--	652.42	--	3,918.26	3,918.26	2.61:1 (1.53:1)
17	Gujarat Women Economic Development Corporation Ltd.	532.00	170.05	--	--	702.05	--	--	--	--	--	--	
18	Gujarat Minorities Finance & Development Corporation Ltd.	75.00	--	--	--	75.00	25.00	75.00	2,025.00	175.00	2,782.00	2,957.00	39.43:1 (19.26:1)
19	Gujarat Safai Kamdar Vikas Nigam Limited	Rs.90 only	--	--	--	--	--	--	--	--	--	--	
	Sector wise total	**1,372.00**	**905.60**	**0.00**	**0.00**	**2,277.60**	**25.00**	**75.00**	**2,677.42**	**175.00**	**6,700.26**	**6,875.26**	**3.02:1**
	PUBLIC DISTRIBUTION SECTOR												
20	Gujarat State Civil Supplies Corporation Limited	1,000.00	--	--	--	1,000.00	--	--	1,248.00	36.66	1,248.00	1,284.66	1.28:1 (1.07:1)
	Sector wise total	**1,000.00**	**0.00**	**0.00**	**0.00**	**1,000.00**	**0.00**	**0.00**	**1,248.00**	**36.66**	**1,248.00**	**1,284.66**	**1.28:1**
	TOURISM SECTOR												
21	Tourism Corporation of Gujarat Limited	1,719.91	--	--	--	1,719.91	--	--	--	317.90	25.00	342.90	0.20:1 (0.21:1)
	Sector wise total	**1,719.91**	**0.00**	**0.00**	**0.00**	**1,719.91**	**0.00**	**0.00**	**0.00**	**317.90**	**25.00**	**342.90**	**0.20:1**
	POWER AND WATER RESOURCES SECTOR												
22	Gujarat Water Resources Development Corporation Ltd.	3,148.61	--	--	--	3,148.61	--	--	--	--	--	--	
23	Sardar Sarovar Narmada Nigam Limited	8,19,109.24 10,165.81*	--	--	--	8,19,109.24 10,165.81*	2,21,593.88	--	1,38,276.00	--	5,83,064.00	5,83,064.00	0.70:1 (0.59:1)
24	Gujarat Power Corporation Limited	20,027.47	--	--	1,930.09	21,957.56	--	--		--	121.58	121.58	0.01:1 (0.01:1)

1	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
25	Gujarat Water Infrastructure Limited	2,992.01	--	--	--	2,992.01	--	--	15,400.00	--	20,143.00	20,143.00	6.73:1 (--)
	Sector wise total	**8,45,277.33 10,165.81***	**0.00**	**0.00**	**1,930.09**	**8,47,207.42 10,165.81***	**2,21,593.88**	**0.00**	**1,53,676.00**	**0.00**	**6,03,328.58**	**6,03,328.58**	**0.71:1**
	FINANCING SECTOR												
26	Gujarat Industrial Investment Corporation Limited	25,697.77	--	--	--	25,697.77	--	--	5,186.59	2,500.00	65,838.23	68,338.23	2.66:1 (3.05:1)
27	Gujarat State Investments Limited	49,476.91	--	--	--	49,476.91	--	--	--	--	--	--	
28	Gujarat State Financial Services Limited (GSFS Ltd.)	2,628.00	--	--	--	2,628.00	--	--	--	--	--	--	
29	GSFS Capital & Securities (Subsidiary of GSFS Ltd.)	--	--	500.00	--	500.00	--	--	--	--	--	--	
	Sector wise total	**77,802.68**	**0.00**	**500.00**	**0.00**	**78,302.68**	**0.00**	**0.00**	**5,186.59**	**2,500.00**	**65,838.23**	**68,338.23**	**0.87:1**
	MISCELLANEOUS												
30	Gujarat State Export Corporation Limited	1.65	--	--	13.35	15.00	--	--	--	--	--	--	
31	Gujart Rural Industries Marketing Corporation Limited	848.71	--	--	--	848.71	--	--	--	--	--	--	
32	The Film Development Corporation of Gujarat Limited (b)	82.11	--	--	--	82.11	--	21.48	--	21.48	--	21.48	0.26:1 (0.26:1)
33	Alcock Ashdown (Gujarat) Limited	990.00 800.00*	--	--	400.00	1,390.00 800.00*	--	--	--	10.00	--	10.00	0.01:1 (--)
34	Gujarat National Highways Limited	1,000.00	600.00	--	--	1,600.00	--	--	--	--	--	--	

1	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
35	Gujarat Informatics Limited	1,706.44	--	--	145.00	1,851.44	--	--	--	2,400.00	--	2,400.00	1.30:1 (1.30:1)
	Sector wise total	**4,628.91 800.00***	**600.00**	**0.00**	**558.35**	**5,787.26 800.00***	**0.00**	**21.48**	**0.00**	**2,431.48**	**0.00**	**2,431.48**	**0.37:1**
	TOTAL - A (All Sector wise Government companies)	**9,56,641.21 10,965.81***	**3,906.86**	**10,331.00**	**7,541.49**	**9,78,420.56 10,965.81***	**2,22,636.08 850.00@@**	**267.11**	**1,70,871.93**	**8,178.40**	**6,95,988.49**	**7,04,166.89**	**0.71:1**
B	**Working Statutory corporations**												
	POWER SECTOR												
1	Gujarat Electricity Board	--	--	--	--	-	-	150.00	1,15,912.00	49,630.00	5,14,246.00	5,63,876.00	
	Sector wise total	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**150.00**	**1,15,912.00**	**49,630.00**	**5,14,246.00**	**5,63,876.00**	
	TRANSPORT SECTOR												
2	Gujarat State Road Transport Corporation	45,052.57	10,627.82	--	--	55,680.39	1,785.00	--	17,891.00	1,786.50	59,186.59	60,973.09	1.09:1 (0.85:1)
	Sector wise total	**45,052.57**	**10,627.82**	**0.00**	**0.00**	**55,680.39**	**1,785.00**	**0.00**	**17,891.00**	**1,786.50**	**59,186.59**	**60,973.09**	**1.09:1**
	FINANCE SECTOR												
3	Gujarat State Financial Corporation	4,909.04	--	--	4,491.71	9,400.75	--	--	15,741.57	882.30	1,18,994.93	1,19,877.23	12.75:1 (12.20:1)
	Sector wise total	**4,909.04**	**0.00**	**0.00**	**4,491.71**	**9,400.75**	**0.00**	**0.00**	**15,741.57**	**882.30**	**1,18,994.93**	**1,19,877.23**	**12.75:1**
	AGRICULTURE AND ALLIED SECTOR												
4	Gujarat State Warehousing Corporation	200.00	200.00	--	--	400.00	--	--	--	--	--	--	
	Sector wise total	**200.00**	**200.00**	**0.00**	**0.00**	**400.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	

1	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
	MISCELLANEOUS SECTOR												
5	Gujarat Industrial Development Corporation	--	--	--	--	--	--	--	--	323.64	1,110.00	1,433.64	
	Sector wise total	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**323.64**	**1,110.00**	**1,433.64**	
	TOTAL (All Working Statutory corporations)	**50,161.61**	**10,827.82**	**0.00**	**4,491.71**	**65,481.14**	**1,785.00**	**150.00**	**149544.57**	**52,622.44**	**6,93,537.52**	**7,46,159.96**	**11.39:1**
	TOTAL (All Working Government companies and Statutory corporations)	**10,06,802.82 10,965.81***	**14,734.68**	**10,331.00**	**12,033.20**	**10,43,901.70 10,965.81***	**2,24,421.08 850.00@@**	**417.11**	**3,20,416.50**	**60,800.84**	**13,89,526.01**	**14,50,326.85**	**1.37:1**
C	**NON WORKING COMPANIES**												
	AGRICULTURE &ALLIED SECTOR												
1	Gujarat Fisheries Development Corporation Limited(b)	193.77	--	--	--	193.77	--	--	--	228.57	--	228.57	1.18:1 (1.18:1)
2	Gujarat Dairy Development Corporation Limited	1,045.81	--	--	--	1,045.81	--	1,096.98	1.87	8,984.49	1,116.23	10,100.72	9.66:1 (9.97:1)
	Sector wise total	**1,239.58**	**0.00**	**0.00**	**0.00**	**1,239.58**	**0.00**	**1,096.98**	**1.87**	**9,213.06**	**1,116.23**	**10,329.29**	**8.33:1**
	INDUSTRY SECTOR												
3	Gujarat Small Industries Corporation Limited	378.95	--	--	21.05	400.00	--	--	195.15	1,252.44	5,425.00	6,677.44	16.69:1## (0.93:1)
	Sector wise total	**378.95**	**0.00**	**0.00**	**21.05**	**400.00**	**0.00**	**0.00**	**195.15**	**1,252.44**	**5,425.00**	**6,677.44**	**16.69:1**
	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)	--	--	14.79	14.21	29.00	--	--	--	--	51.87	51.87	1.79:1 (1.73:1)
	Sector wise total	**1,245.01**	**0.00**	**14.79**	**14.21**	**1,274.01**	**0.00**	**0.00**	**0.00**	**90.00**	**921.13**	**1,011.13**	**0.79:1**

1	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
	TEXTILES SECTOR												
6	Gujarat State Textile Corporation Limited (GSTC) (under liquidation) #	392.50 4,254.23*	--	--	--	392.50 4,254.23*	--	--	--	34,012.12	--	34,012.12	7.32:1 (7.32:1)
7	Gujarat Fintex Limited (under liquidation, subsidiary of GSTC)	--	--	Rs.200 Only	--	--	--	--	--	--	0.85	0.85	
8	Gujarat Siltex Limited (under liquidation, subsidiary of GSTC)	--	--	Rs.200 Only	--	--	--	--	--	--	0.85	0.85	
9	Gujarat Texfab Limited (under liquidation, subsidiary of GSTC)	--	--	Rs.200 Only	--	--	--	--	--	--	0.85	0.85	
	Sector wise total	**392.50** **4,254.23***	**0.00**	**0.00**	**0.00**	**392.50** **4,254.23***	**0.00**	**0.00**	**0.00**	**34,012.12**	**2.55**	**34,014.67**	**7.32:1** **(7.32:1)**
	CONSTRUCTION SECTOR												
10	Gujarat State Construction Corporation Limited	500.00	--	--	--	500.00	--	--	--	526.52	--	526.52	1.05:1 (1.05:1)
	Sector wise total	**500.00**	**0.00**	**0.00**	**0.00**	**500.00**	**0.00**	**0.00**	**0.00**	**526.52**	**0.00**	**526.52**	**1.05:1**
	Total (Non working companies)	**3,756.04** **4,254.23***	**0.00**	**14.79**	**35.26**	**3,806.09** **4,254.23***	**0.00**	**1,096.98**	**197.02**	**45,094.14**	**7,464.91**	**52,559.05**	**6.52:1**
	GRAND TOTAL	**10,10,558.86** **15,220.04***	**14,734.68**	**10,345.79**	**12,068.46**	**10,47,707.79** **15,220.04***	**2,24,421.08** **850.00@@**	**1,514.09**	**3,20,613.52**	**1,05,894.98**	**13,96,990.92**	**15,02,885.90**	**1.41:1**

Except in respect of PSUs which finalised their accounts for 2001-02 (Sl.No.A-2,A-9,A-12,A-15,A-18,A-22,A-24,A-27,A-28,A-29,B-3 and C-10) figures are provisional and as given by the PSUs.

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

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

** Represents long term loans only

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

* Represents share application money

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

The increase in debt equity ratio is because of inclusion of long term loans classified under short term loans by the Company.

ANNEXURE-2

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

(Referred to in Paragraphs 1.2.4, 1.2.5, 1.3.4, 1.3.5 and 1.7)
(Figures in columns 7 to 12 and 15 are Rupees in lakh)

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	Paid-up capital	Accumulated Profit/Loss(-)	Capital employed (A)	Total return on capital employed	Percentage of return on capital employed	Arrears of accounts in terms of years	Turnover (Rupees in lakh)	No. of Employees
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
A	**Working Government companies**														
	AGRICULTURE AND ALLIED SECTOR														
1	Gujarat Agro-Industries Corporation Limited	Agriculture and Co-operation	9 May 1969	2000-01	2001-02	(-)1,392.44		698.75 369.00*	(-)813.08	2,519.61	(-)1,253.77	--	1	14,930.60	453
2	Gujarat Sheep and Wool Development Corporation Limited	Agriculture and Co-operation	9 December 1970	2001-02	2002-03	17.86		431.36	(-)66.19	386.05	17.86	4.63	--	239.08	260
3	Gujarat State Seeds Corporation Limited	Agriculture and Co-operation	16 April 1975	2000-01	2001-02	323.33		253.00	1,250.95	1,704.39	323.33	18.97	1	3,360.66	227
4	Gujarat State Land Development Corporation Limited	Agriculture and Co-operation	28 March 1978	1998-99	2001-02	(-)36.88		320.91 24.00*	(-)7,165.21	(-)5,529.68	(-)36.88	--	3	7,384.89	1603
	Sector wise total					**(-)1,088.13**		**1,704.02 393.00***	**(-)6,793.53**	**(-)919.66**	**(-)949.46**	--	--	**25,915.23**	**2,543**
	INDUSTRY SECTOR														
5	Gujarat State Petroleum Corporation Limited (GSPC Ltd.)	Energy and Petrochemicals	29 January 1978	2000-01	2001-02	4,519.63		8,561.11 1,850.00*	6,692.52	8,584.37	6,433.55	74.94	1	7,009.40	31
	Sector wise total					**4,519.63**		**8,561.11 1,850.00***	**6,692.52**	**8,584.37**	**6,433.55**	**74.94**	--	**7,009.40**	**31**
	HANDLOOM AND HANDICRAFT SECTOR														
6	Gujarat State Handicrafts Development Corporation Limited	Industries and Mines	10 August 1973	1999-00	2001-02	(-)200.33		293.92 33.00*	(-)1,128.21	(-)167.50	(-)155.36	--	2	417.45	168
7	Gujarat State Handloom Development Corporation Limited (B)	Industries and Mines	12 November 1979	1999-00	2001-02	(-)133.86		697.92	(-)725.64	420.65	(-)81.14	--	2	835.42	179
	Sector wise total					**(-)334.19**		**991.84 33.00***	**(-)1,853.85**	**253.15**	**(-)236.50**			**1,252.87**	**347**

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	FOREST SECTOR														
8	Gujarat State Forest Development Corporation Limited	Forest and Environment	20 August 1976	2000-01	2001-02	(-)15.17	3.08	571.65	998.79	2,255.90	(-)6.67	--	1	724.40	278
	Sector wise total					**(-)15.17**		**571.65**	**998.79**	**2,255.90**	**(-)6.67**	--	--	**724.40**	**278**
	MINING SECTOR														
9	Gujarat Mineral Development Corporation Limited	Industries and Mines	15 May 1963	2001-02	2002-03	10,978.87		3,180.00	51,730.30	64,748.37	11,143.06	17.21	--	25,256.58	2,781
10	Gujarat State Petronet Limited (Subsidiary of GSPC Ltd.)	Energy and Petrochemicals	23 December 1998	2000-01	2001-02	(-)220.28		12,015.53	(-)223.86	20,245.13	(-)59.56	--	1	196.02	48
	Sector wise total					**10,758.59**		**15,195.53**	**51,506.44**	**84,993.50**	**11,083.50**	**13.04**	**--**	**25,452.60**	**2,829**
	CONSTRUCTION SECTOR														
11	Gujarat State Police Housing Corporation Limited	Home	1 November 1988	1998-99	Under process	##		5,000.00	##	7,080.57	##	--	3	2,098.36	78
12	Gujarat State Road Development Corporation Limited	Roads and Building	12 May 1999	2001-02	2002-03	(-)179.02		500.00 100.00*	(-)276.74	570.01	(-)179.02	--	--	--	10
	Sector wise total					**(-)179.02**		**5,500.00 100.00***	**(-)276.74**	**7,650.58**	**(-)179.02**	--	--	**2,098.36**	**88**
	AREA DEVELOPMENT SECTOR														
13	Gujarat State Rural Development Corporation Limited	Panchayat Rural Housing and Rural Development	7 July 1977	2000-01	2001-02	31.28		58.00	67.09	125.17	31.28	24.99	1	18.47	195
14	Gujarat Growth Centres Development Corporation Ltd.	Industries and Mines	11 December 1992	2000-01	2001-02	0.70		3,100.00 240.66*	14.02	3,359.61	0.70	0.02	1	16.11	7
15	Gujarat Urban Development Company Limited	Urban Development and Urban Housing	27 May 1999	2001-02	2002-03	29.93		2,053.00	42.21	2,080.96	29.93	1.44	--	54.63	11
	Sector wise total					**61.91**		**5,211.00 240.66***	**123.32**	**5,565.74**	**61.91**	**1.11**	**--**	**89.21**	**213**
	DEVELOPMENT OF ECONOMICALLY WEAKER SECTION SECTOR														
16	Gujarat Scheduled Castes Economic Development Corporation Limited	Social Justice and Empowerment	29 November 1979	1995-96	Under process	194.95		1,422.55 78.00*	709.11	3,087.30	225.63	7.31	6	263.59	NF

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
17	Gujarat Women Economic Development Corporation Limited	Women and Child Development	16 August 1988	1999-00	2001-02	(-)31.75		682.05 *20.00	$	730.64	(-)31.75	--	2	1.61	29
18	Gujarat Minorities Finance and Development Corporation Limited	Social Justice and Empowerment	24 September 1999	2001-02	2002-03	2.67		75.00	37.54	3,037.85	63.46	2.09	--	25.00	7
19	Gujarat Safai Kamdar Vikas Nigam Limited	Social Justice and Empowerment	24 October 2001	Even first Accounts were not received.											
	Sector wise total					**165.87**		**2,179.05** **98.00***	**746.65**	**6,855.79**	**257.34**	**3.75**	--	**170.39**	**37**
	PUBLIC DISTRIBUTION SECTOR														
20	Gujarat State Civil Supplies Corporation Limited	Food & Civil Supplies	26 September 1980	2000-01	2001-02	(-)57.85		1,000.00	(-)471.75	10,582.50	999.51	9.44	1	60,834.37	2,118
	Sector wise total					**(-)57.85**		**1,000.00**	**(-)471.75**	**10,582.50**	**999.51**	**9.44**	--	**60,834.37**	**2,118**
	TOURISM SECTOR														
21	Tourism Corporation of Gujarat Limited	Industries and Mines	10 June 1975	2000-01	2001-02	75.74		1,719.91	(-)1,923.51	3,045.87	162.89	5.35	1	642.38	422
	Sector wise total					**75.74**		**1,719.91**	**(-)1,923.51**	**3,045.87**	**162.89**	**5.35**	--	**642.38**	**422**
	POWER AND WATER RESOURCES SECTOR														
22	Gujarat Water Resources Development Corporation Limited	Narmada Water Resources and Water Supply	3 May 1971	2001-02	Under Process	66.99		3,148.61	(-) 2,821.38	21,256.65	66.99	0.32	--	5,345.75	4,445
23	Sardar Sarovar Narmada Nigam Limited	Narmada, Water Resources and Water Supply	24 March 1988	2000-01	2001-02	**		5,97,515.00 2,06,666.00*	**	10,58,507.00	**	--	1	--	9,352
24	Gujarat Power Corporation Limited	Energy and Petrochemicals	28 June 1990	2001-02	2002-03	20,472.65		21,957.57	21,663.90	40,561.68	20,489.97	50.52	--	21,052.59	29
25	Gujarat Water Infrastructure Ltd.	Narmada, Water Resources and Water Supply	25 October 1999	2000-01	2001-02	**		Rs.700 only 2,992.00*	**	28,515.26	**	--	1	--	32
	Sector wise total					**20,539.64**		**6,22,621.18** **2,09,658.00***	**18,842.52**	**11,48,840.59**	**20,556.96**	**1.79**		**26,398.34**	**13,858**
	FINANCING SECTOR														
26	Gujarat Industrial Investment Corporation Limited (GIIC)	Industries and Mines	12 August 1968	2000-01	2001-02	(-)5,241.98	765.80	24,157.76 1,540.01*	(-)4,239.46	1,14,517.54	4,040.08	3.53	1	8,716.33	195

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
27	Gujarat State Investments Limited	Industries and Mines	29 January 1988	2001-02	2002-03	1,179.04	-	49,476.91	6,368.48	55,321.75	1,179.04	2.13	--	1,208.61	6
28	Gujarat State Financial Services Limited (GSFS Ltd.)	Finance	20 November 1992	2001-02	2002-03	1,798.21	-	2,628.00	1,394.98	52,149.79	6,312.38	12.10	--	7,343.15	22
29	GSFS Capital and Securities Ltd. (Subsidiary of GSFS Ltd.)	Finance	3 March 1998	2001-02	2002-03	267.46		500.00	324.90	771.42	267.46	34.67	--	302.28	3
	Sector wise total					**(-)1,997.27**		**76,762.67** **1,540.01***	**3,848.90**	**2,22,760.5**	**11,798.96**	**5.29**	**--**	**17,570.37**	**226**
	MISCELLANEOUS SECTOR														
30	Gujarat State Export Corporation Limited	Industries and Mines	14 October 1965	2000-01	2001-02	65.23		15.00	345.44	357.88	65.23	18.23	1	258.74	71
31	Gujarat Rural Industries Marketing Corporation Limited	Industries and Mines	16 May 1979	2000-01	2001-02	16.32		848.71 25.41*	(-)36.30	2,737.60	53.10	1.94	1	708.72	92
32	The Film Development Corporation of Gujarat Limited	Information and Broadcasting	4 February 1984	2000-01	2002-03	0.34		82.11 17.89*	(-)39.29	60.70	0.34	0.56	1	--	NF
33	Alcock Ashdown (Gujarat) Limited	Industries and Mines	5 September 1994	2000-01	2001-02	72.56		2,190.00	34.90	5,979.52	73.38	1.23	1	1,447.10	NF
34	Gujarat National Highways Limited	Roads and Buildings	8 July 1997	1998-99	2000-01	100.17		1,600.00	70.57	1,671.95	100.17	5.99	3	--	NF
35	Gujarat Informatics Limited	Information Technology	19 February 1999	2000-01	2001-02	58.19		904.36 947.08*	(-)35.47	4,239.31	175.73	4.15	1	535.08	49
	Sector wise total					**312.81**		**5,640.18** **990.38***	**339.85**	**15,046.96**	**467.95**	**3.11**	**--**	**2,949.58**	**212**
	Total - A (Working Government companies)					**32,762.56**		**7,47,658.14** **2,14,903.05***	**71,779.61**	**15,15,515.79**	**50,450.92**	**3.33**	**--**	**1,71,107.50**	**23,202**
B	**Working Statutory corporations**														
	POWER SECTOR														
1	Gujarat Electricity Board	Energy and Petrochemicals	1 May 1960	2000-01	Under Process	(-)2,54,298.00	1,02,779.00		(-)4,32,938.00	3,76,584.00	(-)1,31,545.00	--	1	6,28,048.00	51,003
	Sector wise total					**(-)2,54,298.00**			**(-)4,32,938.00**	**3,76,584.00**	**(-)1,31,545.00**	**--**	**--**	**6,28,048.00**	**51,003**
	TRANSPORT SECTOR														
2	Gujarat State Road Transport Corporation	Home	1 May 1960	2001-02	Under Process	(-)37,166.77	213.86	55,680.39 1,786.50#	(-)1,87,795.02	(-)71,041.09	(-)30,687.43	--	--	99,684.00	59,210
	Sector wise total					**(-)37,166.77**		**55,680.39** **1,786.50#**	**(-)1,87,795.02**	**(-)71,041.09**	**(-)30,687.43**	**--**	**--**	**99,684.00**	**59,210**

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	FINANCING SECTOR														
3	Gujarat State Financial Corporation	Industries and Mines	1 May 1960	2001-02	Under process	(-)12,685.16	38.00	9,400.76	(-)23,688.61	1,38,483.48	6,973.60	5.04	--	9,537.44	703
	Sector wise total					**(-)12,685.16**		**9,400.76**	**(-)23,688.61**	**1,38,483.48**	**6,973.60**	**5.04**	**--**	**9,537.44**	**703**
	AGRICULTURE AND ALLIED SECTOR														
4	Gujarat State Warehousing Corporation	Agriculture and Co-operation	5 December 1960	2000-01	2001-02	(-)49.61	0.83	400.00	329.38	515.70	(-)49.61	--	1	246.87	236
	Sector wise total					**(-)49.61**		**400.00**	**329.38**	**515.70**	**(-)49.61**	**--**	**--**	**246.87**	**236**
	MISCELLANEOUS SECTOR														
5	Gujarat Industrial Development Corporation	Industries and Mines	4 August 1962	2000-01	Under process	1,267.74	181.16	-	13,678.55	1,30,260.85	1,477.81	1.13	1	13,972.07	2,157
	Sector wise total					**1,267.74**		**-**	**13,678.55**	**1,30,260.85**	**1,477.81**	**1.13**	**--**	**13,972.07**	**2,157**
	Total - B (Working Satutory corporations)					**(-)3,02,931.80**		**65,481.15** **1,786.50#**	**(-)6,30,413.70**	**5,74,802.94**	**(-)1,53,830.63**	**--**	**--**	**7,51,488.41**	**1,13,309**
	Grand total (A+B)					**(-)2,70,169.24**		**8,13,139.29** **2,16,689.55*** **1,786.50#**	**(-)5,58,634.09**	**20,90,318.73**	**(-)1,03,379.71**			**9,22,595.88**	**1,36,511**
C	**Non-working Government companies**														
	AGRICULTURE SECTOR														
1	Gujarat Fisheries Development Corporation Limited	Ports and Fisheries	17 December 1971	1998-99	2002-03	(-)104.91		193.77	(-)400.87	87.38	(-)93.59	--	3	2,813.01	1
2	Gujarat Dairy Development Corporation Limited@@	Agriculture and Co-operation	29 March 1973	2000-01	2001-02	(-)953.68	301.51	1,045.81	(-)12,536.49	(-)1,140.57	(-)858.41	--	1	--	421
	Sector wise total					**(-)1,058.59**		**1,239.58**	**(-)12,937.36**	**(-)1,053.19**	**(-)952.00**	**--**	**--**	**2,813.01**	**422**
	INDUSTRY SECTOR														
3	Gujarat Small Industries Corporation Limited	Industries and Mines	26 March 1962	1999-00	2001-02	(-)1,198.84		400.00	(-)4,662.97	4,035.06	(-)879.71	--	2	662.45	81
	Sector wise total					**(-)1,198.84**		**400.00**	**(-)4,662.97**	**4,035.06**	**(-)879.71**	**--**	**--**	**662.45**	**81**
	ELECTRONICS SECTOR														
4	Gujarat Communications and Electronics Limited	Industries and Mines	30 May 1975	1999-00	2001-02	(-)8,398.49		1,245.01	(-)7,076.93	1,475.44	(-)7,198.12	--	2	5,694.73	811

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
5	Gujarat Trans-Receivers Limited (Subsidiary of GIIC)	Industries and Mines	26 March 1981	2000-01	2002-03	(-)7.86		29.00	(-)567.14	(-)365.50	(-)7.86	--	1	NIL	NIL
	Sector wise total					**(-)8,406.35**		**1,274.01**	**(-)7,644.07**	**1,109.94**	**(-)7,205.98**	**--**	**--**	**5,694.73**	**811**
	TEXTILES SECTOR														
6	Gujarat State Textile Corporation Limited(GSTC)@	Industries and Mines	30 November 1968	1996-97	@	(-)29,755.34		392.50 4,254.23*	(-)90,855.00	(-)24,162.81	(-)24,880.57	--	5	756.60	NF
7	Gujarat Fintex Limited (Subsidiary of GSTC)@	Industries and Mines	20 September 1992	1994-95	1995-96	(-)0.08		Rs.200 only	(-)0.17	(-)0.01	(-)0.08	--	7	NIL	NIL
8	Gujarat Siltex Limited (Subsidiary of GSTC)@	Industries and Mines	20 September 1992	1994-95	1995-96	(-)0.08		Rs.200 only	(-)0.18	(-)0.02	(-)0.08	--	7	NIL	NIL
9	Gujarat Texfab Limited (Subsidiary of GSTC)@	Industries and Mines	20 September 1992	1994-95	1995-96	(-)0.08		Rs.200 only	(-)0.18	(-)0.02	(-)0.08	--	7	NIL	NIL
	Sector wise total					**(-)29,755.58**		**392.50** **4,254.23***	**(-)90,855.53**	**(-)24,162.86**	**(-)24,880.81**	**--**	**--**	**756.60**	**-**
	CONSTRUCTION SECTOR														
10	Gujarat State Construction Corporation Limited	Roads and Buildings	16 December 1974	2001-02	2002-03	(-)150.56		500.00	(-)2,714.13	731.47	(-)64.86	--	--	3,723.30	35
	Sector wise total					**(-)150.56**		**500.00**	**(-)2,714.13**	**731.47**	**(-)64.86**	**--**	**--**	**3,723.30**	**35**
	Total - C (Non-working Government companies)					**(-)40,569.92**		**3,806.09** **4,524.23***	**(-)1,18,814.06**	**(-)19,339.58**	**(-)33,983.36**	**--**	**--**	**13,650.09**	**1,349**
	Grand total (A+B+C)					**(-)3,10,739.16**		**8,16,945.38** **2,20,943.78*** **1,786.50#**	**(-)6,77,448.15**	**20,70,979.15**	**(-)1,37,363.07**	**--**	**--**	**9,36,245.97**	**1,37,860**

(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) As per Government of India Gazette Notification dated 19 June 2002, the Company has been merged with the Company at Serial Number 6.

* indicates Share application money
** indicates the PSU is under construction
NF : Information not furnished by the Company.
\# Capital loan from Central Government
\#\# Capitalised

@ indicates the PSU is Under liquidation and provisional figures
@@ indicates the PSU referred to BIFR
$ Excess of income tranferred to non-plan grant

ANNEXURE-3

(Referred to in paragraphs 1.2.2 and 1.3.2)

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 guarantee outstanding at the end of March 2002

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

		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					
Sl. No.	Name of the Public Sector Undertaking	Central Govern-ment	State Govern-ment	Others	Total	Cash credit from banks	Loans from other sources	Letters of credit opened by banks in respect of imports	Payment obligation under agreement with foreign consultants or contracts	Total	Loans repayment written off	Interest waived	Penal interest waived	Total	Loans on which mora-torium allowed	Loan converted into equity during the year
1	**2**	**3(a)**	**3(b)**	**3(c)**	**3(d)**	**4(a)**	**4(b)**	**4(c)**	**4(d)**	**4(e)**	**5(a)**	**5(b)**	**5(c)**	**5(d)**	**6**	**7**
A	**WORKING COMPANIES**															
1	Gujarat Agro Industries Corporation Limited (GAIC)	213.50	4,407.36	--	4,620.86	--	--	--	--	--	--	--	--	--	--	--
2	Gujarat Sheep and Wool Development Corporation Limited	40.00	241.33	--	281.33	--	--	--	--	--	--	--	--	--	--	--
3	Gujarat Water Resources Development Corporation Limited	--	3,738.36	--	3,738.36	--	--	--	--	--	--	--	--	--	--	--
4	Gujarat State Land Development Corporation Limited	--	3,748.19	--	3,748.19	(462.44)	--	--	--	(462.44)	--	--	--	--	--	--
5	Gujarat State Handicrafts Development Corporation Limited	--	156.10	--	156.10	--	--	--	--	--	--	--	--	--	--	--
6	Gujarat Informatics Limited	4.50	927.00	--	931.50	--	--	--	--	--	--	--	--	--	--	--
7	Gujarat State Forest Development Corporation Limited	--	-- **36.00	--	-- **36.00	-- (98.31)	--	--	--	-- (98.31)	--	--	--	--	--	--
8	Gujarat State Police Housing Corporation Limited	--	5,075.00	--	5,075.00	--	--	--	--	--	--	--	--	--	--	--
9	Gujarat State Road Development Corporation Limited	--	--	--	--	--	5,000.00 (5,000.00)	--	--	5,000.00 (5,000.00)	--	--	--	--	--	--

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
10	Gujarat Rural Development Coporation Limited	111.65	181.22	--	292.87	--	--	--	--	--	--	--	--	--	--	--
11	Gujarat Water Infrastructure Limited	--	2,767.91	--	2,767.91	--	20,123.00 (20,123.00)	--	--	20,123.00 (20,123.00)	--	--	--	--	--	--
12	Gujarat Scheduled Castes Economic Development Corporation Ltd.	420.00	--	--	420.00	--	-- (2,188.54)	--	--	-- (2,188.54)	--	--	--	--	--	--
13	Gujarat Women Economic Development Corporation Limited	12.77	0.82	177.50	191.09	-- (100.00)	--	--	--	-- (100.00)	--	--	--	--	--	--
14	Gujarat Minorities Finance & Development Corporation Limited	--	25.00	--	25.00	--	500.00 (2,322.00)	--	--	500.00 (2,322.00)	--	--	--	--	--	--
15	Gujarat State Civil Supplies Corporation Limited	--	17.96	--	17.96	--	--	--	--	--	--	--	--	--	--	--
16	Tourism Corporation of Gujarat Limited	20.00	1,313.00	--	1,333.00	--	--	--	--	--	--	--	--	--	--	--
17	Gujarat State Power Corporation Limited	--	--	--	--	--	(191.62)	--	--	(191.62)	--	--	--	--	--	--
18	Gujarat Industrial Investment Corporation Limited	--	200.00	--	200.00	--	-- (163.70)	--	--	-- (163.70)	--	--	--	--	--	--
19	Gujarat State Export Corporation Limited	--	25.00 **25	--	25.00 **25	--	--	--	--	--	--	--	--	--	--	--
20	Gujarat Rural Industries Marketing Corporation Limited	--	1.00	--	1.00	--	--	--	--	--	--	--	--	--	--	--
21	Sardar Sarovar Narmada Nigam Limited	--	--	--	--	--	90,750.00 (5,26,577.00)	--	--	90,750.00 (5,26,577.00)	--	--	--	--	--	--
22	Alcock Ashdown (Gujarat) Limited@	--	--	--	--	150.00 (150.00)	--	--	--	150.00 (150.00)	--	--	--	--	--	--
23	Gujarat State Urban Development Corporation	--	74.12	--	74.12	--	--	--	--	--	--	--	--	--	--	--
	TOTAL - A (All working Government companies)	**822.42**	**22,899.37 **61.00**	**177.50**	**23,899.29 **61.00**	**150.00 (810.75)**	**1,16,373.00 (5,56,565.86)**	**0.00**	**0.00**	**1,16,523.00 (5,57,376.61)**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**

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
B	**Working statutory corporations**															
1	Gujarat Electricity Board	--	3,84,344.00	--	3,84,344.00	-- (33,500.00)	68,748.00 (6,11,843.00)	--	--	68,748.00 (6,45,343.00)	--	--	--	--	--	--
2	Gujarat State Road Transport Corporation	--	15,600.00	--	15,600.00	--	20,000.00 (62,991.76)	--	--	20,000.00 (62,991.76)	--	--	--	--	--	--
3	Gujarat State Financial Corporation	--	1,200.00	--	1,200.00	--	5,446.00 (57,721.00)	--	--	5,446.00 (57,721.00)	--	--	--	--	--	--
4	Gujarat Industrial Development Corporation	--	--	--	--	--	-- (1,944.60)	--	--	-- (1,944.60)	--	--	--	--	--	--
	Total (All working statutory corporations)	**0.00**	**4,01,144.00**	**0.00**	**4,01,144.00**	**(33,500.00)**	**94,194.00 (7,34,500.36)**	**0.00**	**0.00**	**94,194.00 (7,68,000.36)**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
	Total (All working Government companies and corporations)	**822.42**	**4,24,043.37 **61.00**	**177.50**	**4,25,043.29 **61.00**	**150.00 (34,310.75)**	**2,10,567.00 (12,91,066.22)**	**0.00**	**0.00**	**2,10,717.00 (13,25,376.97)**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
C	**NON-WORKING COMPANIES**															
1	Gujarat Small Industries Corporation Limited	--	--	--	--	--	-- (200.00)	--	--	-- (200.00)	--	--	--	--	--	--
2	Gujarat Fisheries Development Corporation Limited@	--	--	--	--	--	-- (6.00)	--	--	-- (6.00)	--	--	--	--	--	--
3	Gujarat Communication and Electronics Limited @	--	--	--	--	--	-- (4,000.00)	--	--	-- (4,000.00)	--	--	--	--	--	--
4	Gujarat State Construction Corporation Limited	--	--	--	--	--	-- (182.00)	--	--	-- (182.00)	--	--	--	--	--	--
	Total (All non-working Government companies)	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**(4,388.00)**	**0.00**	**0.00**	**(4,388.00)**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
	GRAND TOTAL	**822.42**	**4,24,043.37 **61.00**	**177.50**	**4,25,043.29 **61.00**	**150.00 (34,310.75)**	**2,10,567.00 (12,95,454.22)**	**0.00**	**0.00**	**2,10,717.00 (13,29,764.97)**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**

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

** indicates subsidy receivable

@ indicates information furnished by the Company for earlier years.

ANNEXURE-4

Statement showing financial position of Statutory corporations

(Referred to in paragraph 1.2.4)

1. Gujarat Elecricity Board (Rupees in crore)

Particulars	1998-99	1999-2000	2000-01
A. Liabilities			
Loans from Government	4,007.05	4,341.38	2,850.37
Other long-term loans(including bonds)	2,726.32	3,196.83	4,592.48
Reserves and surplus	1,458.87	1,218.88	1,459.79
Current liabilities and provisions	3,810.22	5,539.10	6,903.51
Total-A	**12,002.46**	**14,296.29**	**15,806.15**
B. Assets			
Gross fixed assets	8,440.45	9,390.48	10,094.81
Less: Depreciation	3,457.79	4,070.81	4801.10
Net fixed assets	4,982.66	5,319.67	5293.71
Capital works-in-progress	1,136.23	994.44	882.17
Deferred cost	26.95	29.71	28.08
Current assets	5,196.65	5,482.81	4493.47
Investments	659.97	683.15	779.36
Miscellaneous expenditure	--	--	--
Accumulated losses	--	1,786.39	4,329.38
Total-B	**12,002.46**	**14,296.17**	**15,806.17**
(C) Capital employed#	**7,505.32**	**6,257.83**	**3,765.84**

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

Particulars	1999-2000	2000-01@	2001-02 (tentative accounts)
A. Liabilities			
Capital (including capital loan & equity capital)	515.21	556.82	574.66
Borrowings (Government.:-)	--	--	---
(Others:-)	447.57	440.31	591.87
Funds*	0.51	0.84	1.00
Trade dues and other current liabilities (including provisions)	848.46	1,172.28	1,244.55
Total - A	**1,811.75**	**2,170.25**	**2,412.08**
B. Assets			
Gross Block	624.93	648.55	650.35
Less:Depreciation	336.95	358.71	404.65
Net fixed assets	287.98	289.84	245.70
Capital works-in-progress (including cost of chassis)	39.93	20.88	--
Investments	--	--	--
Current assets, loans and advances	283.88	341.61	288.43
Deferred Cost	--	--	--
Accumulated losses	1,199.96	1,517.92	1,877.95
Total - B	**1,811.75**	**2,170.25**	**2,412.08**
C. Capital employed##	**(-)236.67**	**(-)519.95**	**(-)710.42**

3. Gujarat State Financial Corporation (Rupees in crore)

Particulars	1999-2000	2000-01	2001-02
A. Liabilities			
Paid-up capital	93.93	94.01	94.01
Share application money	--	--	--
Reserve fund and other reserves and surplus	100.89	91.05	91.05
Borrowings:			
(i) Bonds and debentures	555.28	587.05	597.14
(ii) Fixed Deposits	--	0.13	
(iii) Industrial Development Bank of India &			
Small Industries Development Bank of India	441.83	486.32	542.81
(iv) Reserve Bank of India	--	16.50	
(v) Loan in lieu of share capital:			
(a) State Government	6.03	6.03	6.03
(b) Industrial Development Bank of India	--	--	--
(vi) Other (including State Government)	--	67.26[$]	--
Other liabilities and provisions	187.08[@]	100.91	160.72
Total - A	**1,385.04**	**1,449.26**	**1,491.76**
B. Assets			
Cash and Bank balances	117.74	99.53	87.94
Investments	15.89	15.89	15.89
Loans and Advances	1,190.08	1,179.45	1,104.89
Net fixed assets	28.06	24.06	22.19
Other assets	27.70	127.01	258.08
Miscellaneous expenditure	5.57	3.32	2.77
Total - B	**1,385.04**	**1,449.26**	**1,491.76**
C. Capital employed**	**1,300.69**	**1,347.78**	**1,384.83**

4. Gujarat State Warehousing Corporation (Rupees in crore)

Particulars	1998-99	1999-2000	2000-01
A. Liabilities			
Paid-up-capital	4.00	4.00	4.00
Reserves and surplus	4.40	4.43	4.45
Borrowings (Government.:-)	--	--	--
(Others:-)	--	--	--
Trade dues and current liabilities (including provisions)	2.71	4.55	4.61
Total - A	**11.11**	**12.98**	**13.06**
B. Assets			
Gross Block	8.32	8.34	8.33
Less: Depreciation	2.76	2.97	3.17
Net fixed assets	5.56	5.37	5.16
Capital works-in-progress	0.96	1.08	1.15
Current assets, loans and advances	4.19	3.78	3.46
Accumulated losses	0.40	2.75	3.29
Total - B	**11.11**	**12.98**	**13.06**
C. Capital employed ##	**8.00**	**5.68**	**5.16**

5 Gujarat Industrial Development Corporation (Rupees in crore)

Particulars	1998-99	1999-2000	2000-01
A. Liabilities			
Loans	34.91	27.87	16.12
Subsidy from Government	2.10	2.10	3.10
Reserves and surplus	323.58	375.70	422.37
Receipts on capital account	790.07	849.48	908.47
Current liabilities and provisions (including deposits)	204.05	203.00	232.45
Total - A	**1,354.71**	**1,458.15**	**1,582.51**
B. Assets			
Gross block	14.92	17.74	18.35
Less:Depreciation	5.62	6.58	7.51
Net fixed assets	9.30	11.16	10.84
Capital expenditure on development			
of industrial estates etc.	911.87	960.78	994.90
Investments	32.92	49.43	74.43
Other assets	400.58	436.75	502.32
Miscellaneous expenditure	0.04	0.03	0.02
Total - B	**1,354.71**	**1,458.15**	**1,582.51**
C. Capital employed* **	**1,114.19**	**1,202.91**	**1,302.61**

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 fi nal adopted accounts of 2000-01

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

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

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

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

ANNEXURE - 5

Statement showing working results of Statutory corporations

(Referred to in paragraph 1.2.4)

1. Gujarat Electricity Board (Rupees in crore)

Sl.No.	Particulars	1998-99	1999-2000	2000-01
1	(a) Revenue receipts	5,952.43	6,039.82	6,496.01
	(b) Subsidy/Subvention from Government	1,673.17	1,329.87	2,021.26
	Total	7,625.60	7,369.69	8,517.27
2	Revenue expenditure (net of expenses capitalised) including write off of intangible assets but excluding depreciation and interest	6,621.66	7,987.54	8,821.50
3	Gross surplus (+)/deficit(-) for the year (1-2)	1,003.94	(-)617.85	(-)304.23
4	Adjustments relating to previous years	(-)100.78	(-)123.92	(-)296.70
5	Final gross surplus(+)/deficit(-) for the year (3+4)	903.16	(-)741.77	(-)600.93
6	Appropriations:			
	(a) Depreciation (less capitalised)	558.05	604.11	714.51
	(b) Interest on Government loans	251.65	272.93	367.20
	(c) Interest on other loans, bonds, advance, etc. and finance charges	476.93	589.77	860.34
	(d) Total interest on loans & finance charges (b+c)	728.58	862.70	1,227.54
	(e) Less:-Interest capitalised	--	--	--
	(f) Net interest charged to revenue (d-e)	728.58	862.70	1,227.54
	(g) Total appropriations (a+f)	1,286.63	1,466.81	1,942.05
7	Surplus(+)/deficit(-)before accounting for subsidy from State Government {5-6(g)-1(b)}	(-)2,056.64	(-)3,538.45	(-)4,564.24
8	Net surplus(+)/deficit(-){5-6(g)}	(-)383.47	(-)2,208.58	(-)2,542.98
9	**Total return on capital employed***	**301.27**	**(-)1,296.03**	**(-)1,315.44**
10	**Percentage of return on capital employed**	**4.01**	**--**	**--**

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

Sl.No.	Particulars	1999-2000	2000-01	2001-02
1	Operating			
	(a) Revenue	1,034.85	1,198.40	1,169.33
	(b) Expenditure	1,360.45	1,454.06	1,458.56
	(c) Surplus (+)/Deficit(-)	(-)325.60	(-)255.66	(-)289.23
2	Non-operating			
	(a) Revenue	37.48	50.14	48.11
	(b) Expenditure	71.15	112.44	130.54
	(c) Surplus(+)/Deficit(-)	(-)33.67	(-)62.30	(-)82.43
3	Total			
	(a) Revenue	1,072.33	1,248.54	1,217.44
	(b) Expenditute	1,431.60	1,566.50	1,589.10
	(c) Net Profit(+)/Loss(-)	(-)359.27	(-)317.96	(-)371.66
	Interest on capital and loans	70.82	55.76	64.79
	Total return on Capital employed	**(-)289.32**	**(-)262.20**	**(-)306.87**

3. Gujarat State Financial Corporation (Rupees in crore)

Sl.No.	Particulars	1999-2000	2000-01	2001-02
1	Income			
	(a) Interest on loans	170.75	96.51	92.73
	(b) Other income	28.60	11.95	7.41
	Total - 1	**199.35**	**108.46**	**100.14**
2	Expenses			
	(a) Interest on long-term and short-term loans	143.00	145.65	149.66
	(b) Other expenses	40.85	39.81	30.41
	Total-2	**183.85**	**185.46**	**180.07**
3	Profit before tax (1-2)	15.50	(-)77.00	(-)79.93
4	Prior period adjustments	1.64	0.66	--
5	Provision for tax	3.50	--	--
6	Profit(+)/Loss(-) after tax	12.00	(-)77.00	(-)79.93
7	Provision for non performing assets	--	23.80	46.93
8	Other appropriations	7.00	--	--
9	Amount available for dividend#	5.00	--	--
10	Dividend paid	6.86	6.86	--
11	**Total return on Capital employed**	**158.50**	**68.64**	**69.73**
12	**Percentage of return on Capital employed**	**12.19**	**5.09**	**5.04**

4. Gujarat State Warehousing Corporation (Rupees in crore)

Sl.No.	Particulars	1998-99	1999-2000	2000-01
1	Income			
	(a) Warehousing charges	1.86	2.75	2.35
	(b) Other income	1.00	0.32	0.63
	Total-1	**2.86**	**3.07**	**2.98**
2	Expenses			
	(a) Establishment charges	1.71	2.79	2.80
	(b) Other expenses	1.40	0.76	0.67
	Total-2	**3.11**	**3.55**	**3.47**
3	Profit(+)/Loss(-) before tax	(-)0.25	(-)0.48	(-)0.49
4	Provision for tax	--	--	--
5	Prior period adjustments	--	1.84	0.05
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**	**(-)0.02**	**(-)0.48**	**(-)0.49**
10	**Percentage of return on capital employed**	--	--	--

5. Gujarat Industrial Development Corporation (Rupees in crore)

Sl.No.	Particulars	1998-99	1999-2000	2000-01
1	Revenue Receipts	143.99	156.49	139.72
2	Net expenditure after capitalisation	101.35	104.37	93.05
3	Excess of income over expenditure	42.64	52.12	46.67
4	Provision for replacement, renewals and for additional liability	23.57	23.80	33.99
5	Net surplus	19.07	28.32	12.68
6	**Total return on capital employed**	**25.98**	**31.89**	**14.78**
7	**Percentage of return on capital employed**	**2.33**	**2.65**	**1.13**

* 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 1.2.4.2.3)

1. Gujarat Electricity Board

Particulars	1998-99	1999-2000	2000-01
Installed capacity	-----------------(MW)------------------		
(a) Thermal	3,804 #	3,804 #	3,804 #
(b) Hydro	547	547	547
(c) Gas	189	189	189
(d) Other	--	--	--
Total	**4,540**	**4,540**	**4,540**
Normal maximum demand	7,346	7,920	8,171
Power generated :	-----------------(MKWH)------------------		
(a) Thermal	21,806	22,137	22,891
(b) Hydro	1,346	1,040	436
(c) Other	--	--	--
Total	**23,152**	**23,177**	**23,327**
Less:Auxiliary consumption			
(a) Thermal	2,208	2,149	2219
(percentage)	(10.12)	(9.71)	(9.69)
(b) Hydro	10	10	2
(percentage)	(0.74)	(0.96)	(0.46)
(c) Other	--	--	--
(percentage)	--	--	--
Total	**2,218**	**2,159**	**2,221**
(percentage)	(9.58)	(9.32)	(9.52)
Net power generated	20,934	21,018	21,106
Power purchased:			
(a) Within the State			
-Government	--	--	--
-Private	6,376	8,928	7,886
(b) Other States	--	--	--
(c) Central Grid	8,790	10,060	11,584
Total power available for sale	36,100	40,006	40,576
Power sold:			
(a) Within the State	28,558	31,048	31,511
(b) Outside the State	270	130	33
Transmission and distribution losses	7,272	8,828	9,032
Plant Load Factor (percentage)	63.5	64.3	66.7
Percentage of Transmission and distribution losses to total power available for sale	20.14	22.07	22.26
Number of villages/towns electrified	17,940	17,940	18,212
Number of pump sets/wells energised	6,43,757	6,70,422	6,94,163
Number of sub-stations	649	690	706
Transmission/distribution lines (in kms)			
(a) High/medium voltage	1,57,693	1,64,552	1,70,251
(b) Low voltage	1,82,769	1,89,873	1,99,416
Connected load (in MW)	15,123	15,670	15,970
Number of consumers	66,16,274	68,79,476	71,27,393
Number of employees	48,978	50,841	51,003
Consumer/employees Ratio	135:1	135:1	140:1
Total expenditure on staff during the year (Rs.in crore)	704.54	690.46	722.97
Percentage of expenditure on staff to total revenue expenditure	8.91	7.21	6.54
Units sold	-----------------(MKWH)------------------		
(a) Agriculture	12,221	14,914	15,467
(Percentage share to total units sold)	(42.39)	(47.84)	(49.03)

Particulars	1998-99	1999-2000	2000-01
(b) Industrial	9,697	9,147	8,643
(Percentage share to total units sold)	(33.64)	(29.34)	(27.40)
(c) Commercial	752	816	890
(Percentage share to total units sold)	(2.61)	(2.62)	(2.82)
(d) Domestic	2,643	2,813	3,021
(Percentage share to total units sold)	(9.17)	(9.02)	(9.58)
(e) Other	3,515	3,488	3,523
(Percentage share to total units sold)	(12.19)	(11.19)	(11.17)
Total	**28,828**	**31,178**	**31,544**
(a) Revenue (excluding subsidy from Government) (paise per KWH)	206.48	193.72	205.93
(b) Expenditure* (paise per KWH)	252.25	280.67	313.25
(c) Profit(+)/Loss(-) (paise per KWH)	(-)45.77	(-)86.95	(-)107.32
(d) Average subsidy claimed from Government (in Rupees)	0.58	0.43	0.64
(e) Average interest charges (in Rupees)	0.22	0.23	0.28

2. Gujarat State Road Transport Corporation

Particulars	1998-99	1999-2000	2000-01
Average number of vehicles held	9,327	9,646	9,895
Average number of vehicles on road	8,057	8,320	8,573
No. of Employees	59,839	60,608	59,210
Employee vehicle ratio	7.43	7.28	6.91
Percentage of utilisation of vehicles	86.4	86.3	86.6
Number of routes operated at the end of the year	18,534	19,157	20,104
Route kilometres	10,83,560	11,34,166	12,04,578
Kilometres operated (in lakh)			
(a) Gross	10,429.38	11087.48	11,610.17
(b) Effective	10,335.55	10990.46	11,517.21
(c) Dead	93.83	97.02	92.96
Percentage of dead kilometres to gross kilometres	0.9	0.88	0.81
Average kilometres covered per bus per day	354.9	364.1	371
Operating revenue per kilometre (Paise)	888.22	941.59	1,040.53
Average expenditure per kilometre (Paise)	1,025.37	1237.35	1,262.51
Profit(+)/Loss(-) per kilometre (Paise)	(-)137.15	(-)327.77	(-)221.98
Number of operating depots	138	138	139
Average number of break-down per lakh kilometres	9.7	7.5	4.5
Average number of accidents per lakh kilometres	0.15	0.21	0.17
Passenger kilometre operated (in crore)	3,884.84	3636.68	3,873.50
Occupancy ratio	71.35	63.83	65.61
Kilometres obtained per litre of:			
(a) Diesel Oil	4.99	5.11	5.30
(b) Engine Oil	1,544	1,714	2,977

3.Gujarat State Warehousing Corporation

Particulars	1998-99	1999-2000	2000-01
Number of stations covered	49	49	49
Storage capacity created upto the end of the year (tonne in lakh)			
(a) Owned	1.35	1.35	1.35
(b) Hired	0.09	0.09	0.08
Total	**1.44**	**1.44**	**1.43**
Average capacity utilised during the year (tonne in lakh)	0.92	1.00	1.04
Percentage utilisation	63.89	69.44	72.73
Average revenue per tonne per year (Rupees)	309.72	305.75	285.78
Average expenses per tonne per year (Rupes)	336.95	353.43	333.45
Profit (+)/Loss (-) per tonne (Rupees)	(-)27.23	(-)47.68	(-)47.67

4. Gujarat State Financial Corporation

Particulars	1999-2000		2000-01		2001-02	
	Number	Amount (Rupees in crore)	Number	Amount (Rupees in crore)	Number	Amount (Rupees in crore)
Applications pending at the beginning of the year	198	128.44	157	185.89	44	40.72
Applications received	597	375.55	629	254.16	640	157.77
Total	**795**	**503.99**	**786**	**440.05**	**684**	**198.49**
Applications sanctioned	444	274.40	474	241.93	535	86.99
Applications cancelled/withdrawn/ rejected/reduced	194	43.70	268	157.40	97	59.34
Applications pending at the close of the year	157	185.89	44	40.72	52	52.21
Loans disbursed		240.00		193.25		76.81
Loan outstanding at the close of the year		1190.08		1179.44		1038.69
Amount overdue for recovery at the close of the year						
(a) Principal		106.48		171.12		281.00
(b) Interest		230.46		371.66		689.88
Total		**336.94**		**542.68**		**970.88**
Percentage of overdue to the total loans outstanding		28.31		46.01		93.47

5. Gujarat Industrial Development Corporation

Particulars	1999-2000	2000-01	2001-02
Number of estates	254	260	265
Area (in hectares)			
(a) Acquired	24024	24525	24867
(b)Developed	13320	13742	13742
(c)Allotted	13089	13118	13162
Sheds			
(a) Constructed	12291	12291	12291
(b) Allotted	12015	12154	12186
Housing Quarters			
(a) Constructed	12834	12834	12834
(b) Allotted	11772	11928	11932
Percentage of			
(a) Area developed to area acquired	55.44	56.03	55.26
(b) Area allotted to area developed	98.26	95.46	95.78
(c) Sheds allotted to sheds constructed	97.75	98.89	99.15
(d) Quarters allotted to quarters constructed	91.72	92.94	92.97

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

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

ANNEXURE-7

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

(Referred to in paragraph 1.2.6)

Sl. No.	Commitments as per MOU	Targeted completion schedule	Status (as on 31 March 2002)
1	Reduction in Transmission and Distribution losses	No target fixed	20.13 *per cent*
2	100 *per cent* electrification of all villages	No target fixed. However, out of 18,028 villages, electrification was to be done for 17,940 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	3.48 *per cent*
5	Securitised outstanding dues of Central Public Sector Undertakings (CPSUs)	Outstanding dues with CPSUs was Rs.1,411.49 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. The issue of bonds against the dues by the State Government is under process.

ANNEXURE - 8

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

(Referred to in paragraph 1.8)

Sl. No.	Name of Department	No. of PSUs	No. of outstanding I.Rs	No. of outstanding paragraphs	Years from which paragraphs outstanding
	A) Working PSUs				
1	Industries and Mines	13	56	261	1987-88
2	Agriculture and Cooperation	6	17	79	1985-86
3	Information and Broadcasting	1	1	2	1994-95
4	Information Technology	1	1	4	2001-02
5	Roads and Buildings	1	1	2	2001-02
6	Panchayat, Rural Housing and Rural Development	1	4	21	1993-94
7	Women, Youth Development, Cultural Activity, Prohibition and Excise	1	4	15	1991-92
8	Forest	1	7	27	1991-92
9	Home	2	64	328	1984-85
10	Finance	1	1	1	2001-02
11	Social Welfare	1	6	44	1991-92
12	Food and Civil Supplies	1	2	14	2001-02
13	Narmada, Water Resources and Water Supply	2	122	363	1990-91
14	Energy and Petrochemicals	2	185	538	1987-88
	B) Non-working PSUs				
1	Industries and Mines	2	9	36	1992-93
2	Agriculture and Cooperation	1	3	33	1993-94
3	Ports and Fisheries	1	3	16	1991-92
	Total	**38**	**486**	**1,784**	

ANNEXURE - 9

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

(Referred to in paragraph 1.8)

Sl. No.	Name of Department	Number of draft paragraphs	No. of draft reviews	Period of issue
1	Industries and Mines	7	1	February/March/ June 2002
2	Energy and Petrochemicals	1	1	February/April/ May/ June 2002
3	Narmada, Water Resources and Water Supply	2	-	May/June 2002
4	Agriculture and Co-operation	2	-	March/April 2002
5	Home	1	-	June 2002
6	Panchayat, Rural Housing and Rural Development	1	-	June 2002

Note: In case of two draft paragraphs, referred in Sl.No.1 and one draft paragraph in case of Sl. No.5, neither the Department nor the concerned PSUs had given their replies. However, in rest of the cases, only the concerned PSUs had given their reply. In case of draft review referred at Sl.No.2, neither the Department nor the concerned PSUs had given their replies. However, reply of the concerned PSU had been received in case of the draft review referred in Sl.No.1 above.

ANNEXURE - 10

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

(Figures in column 5 to 19 are Rupees in lakh) (Referred to in paragraph 1.10)

Sl. No.	Name of company	Status (working /non-working)	Year of account	Paid-up capital	Equity by*			Loans by			Grants by			Total investment by way of equity, loans and grants			Profit(+)/ loss(-)	Accumulated profit (+)/ accumulated loss (-)
					State Government	State Government companies	Central Government and their companies	State Government	State Government companies	Central Government and their companies	State Government	State Government companies	Central Government and their companies	State Government	State Government companies	Central Government and their companies		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
1	Gujarat State Machine Tools Ltd.	Non-Working	2000-01	53.34	--	20.84 (38.92)	20.85 (38.94)	106.07	394.09	--	--	--	--	106.07	414.93	20.85	77.75	(-)345.64
2	Gujarat State Electricity Corporation Ltd.	Working	2001-02	44,400.00	--	44,400.00 (100)	--	--	--	49,349.28	--	--	--	--	44,400.00	49,348.28	10,443.19	12,544.32
3	Gujarat Leather Industries Ltd.	Working	2000-01	150.00	--	76.50 (51)	--	--	44.00	--	--	--	--	--	120.50	--	(-)308.56	(-)585.65
4	Gujarat Ports and Infrastructure Development Company Ltd.	Working	2000-01	1,800.00	--	1,800.00 (100)	--	--	--	--	--	--	--	--	1,800.00	--	(-)1.30	(-)1.21
5	Gujarat State Fertilizers and Chemicals Ltd.	Working	2001-02	7,973.68	--	3,015.99 (37.82)	--	--	--	--	--	--	--	--	--	--	(-)4,806.27	35,334.69
6	Gujarat Industrial and Technical Consultancy Ltd.	Working	2001-02	20.00	--	6.47 (32.35)	13.53 (67.65)	--	--	7.00	--	--	--	--	6.47	20.53	7.07	23.55
7	Gujarat Alkalies and Chemicals Ltd.	Working	2001-02	4,590.47	--	1,640.08 (35.72)	1,307.24 (28.47)	--	--	34,213.63	--	--	--	--	1,640.08	35,520.87	(-)3,963.72	91.00
8	Gujarat State Energy Generation Ltd.	Working	2000-01	15,578	--	8,627.00 (55.38)	6,951.00 (44.62)	--	--	--	--	--	--	--	8,627.00	6,951.00	Pre-operative stage	

* Figures in bracket indicates percentage of paid-up capital

ANNEXURE-11

Statement showing summarised financial position of Gujarat Water Resources Development Corporation Limited

(Referred to in paragraph 2.6)

(Rupees in crore)

	1997-98	1998-99	1999-00	2000-01	2001-02
A. LIABILITIES					
(a) Paid-up capital	31.49	31.49	31.49	31.49	31.49
(b) Reserves and surplus	48.07	62.21	110.22	133.29	137.75
(c) Capital grants	83.87	100.56	83.01	71.07	71.54
(d) Borrowings	0.10	--	--	--	--
(e) Trade dues and Current liabilities	39.25	34.85	41.88	52.00	57.54
Total	**202.78**	**229.11**	**266.60**	**287.85**	**298.32**
B. ASSETS					
(a) Gross Block	173.90	190.86	241.50	265.41	271.66
(b) Less depreciation	50.77	54.85	58.99	63.26	67.46
(c) Net block	123.13	136.01	182.51	202.15	204.20
(d) Capital work in progress	0.15	0.15	0.15	--	0.07
(e) Current assets loans and advances	37.87	61.98	53.17	57.43	65.84
(f) Accumulated losses	41.63	30.97	30.77	28.27	28.21
Total	**202.78**	**229.11**	**266.60**	**287.85**	**298.32**
Capital employed*	121.90	163.29	193.95	207.58	212.57
Net worth**	121.80	163.29	193.95	207.58	212.57

* Capital employed represents net fixed assets (including capital work in progress) *plus* working capital

** Net worth represents paid-up capital *plus* reserves and surplus and capital grants less accumulated losses

ANNEXURE -12

Analysis of purchases (Group-wise)

(Referred to in paragraph 3A.1)

(Rupees in lakh)

Description	1997-98	1998-99	1999-00	2000-01	2001-02 (provisional)
Total materials purchase	**64,030.57**	**61,893.53**	**63,758.01**	**49,246.69**	**55,781.64**
Usagewise classification of purchase					
Head Office (HO) Purchase O&M	27,898.42	26,228.38	27,313.60	23,879.70	31,169.35
Local Purchase O&M	13,160.24	15,378.11	19,691.01	13,032.55	11,619.25
HO Purchase capital	16,748.42	15,264.35	12,639.33	9,854.94	10,393.82
Local Purchase capital	6,223.49	5,022.69	4,114.07	2,479.50	2,599.22
Total Purchase	**64,030.57**	**61,893.53**	**63,758.01**	**49,246.69**	**55,781.64**
Item wise classification of purchase					
Steel	3,709.68	6,106.04	3,305.21	3,956.53	3,437.07
Cement	1,672.43	1,311.75	1,302.59	995.11	647.26
Transformers	11,866.22	9,682.99	10,835.78	10,153.97	9,870.90
Meters and Metering Equipments	4,270.75	2,884.18	4,054.16	2,796.33	6,126.15
Cables and Conductors	14,314.64	10,940.95	9,769.58	9,292.64	13,305.72
Poles	8.52	891.45	2,032.13	1,092.41	1,487.78
Insulators	2,308.98	2,504.17	2,397.85	1,917.25	1,850.02
Power Station Spares	3,532.11	7,812.80	13,999.68	5,635.62	6,817.82
Others	22,347.24	19,759.20	16,061.03	13,406.83	12,238.92
Total purchase	**64,030.57**	**61,893.53**	**63,758.01**	**49,246.69**	**55,781.64**
Total Revenue Expenditure	6,63,162	7,99,166	9,58,046	10,83,872	10,75,749
Percentage of O&M purchase to total purchase	64.12	67.22	73.73	74.96	76.71
Percentage of HO purchase to total purchase	69.73	67.04	62.67	68.51	74.51
Percentage of Purchases to Revenue Expenditure	9.66	7.74	6.65	4.54	5.18

ANNEXURE -13

Delegation of power for accepting tenders

(Referred to in paragraph 3A.4.1)

(Amount in Rupees)

	Competent Authority	Advertised	Limited	Proprietary
1	**Head Office**			
a)	Board	*more than* 10 crore	*more than* 3 crore	*more than* 5 crore
b)	Purchase committee with full time members	5-10 crore	2-3 crore	3-5 crore
c)	Chairman with full time Members	3-5 crore	1-2 crore	1-3 crore
d)	(i) Committee of full time member	2-3 crore	50-100 lakh	50-100 lakh
	(ii) E.D. concerned with GM (F)/(A)	1-2 crore	20-50 lakh	30-50 lakh
	(iii) DPC headed by Secretary and members CE(M)/CE of user department and ED(F)/CFM(SPS)	50-100 lakh	10-20 lakh	20-30 lakh
	(iv) CE(M) with GM(F)/ CFM	50 lakh	10 lakh	20 lakh
	(v) SE(M)/GM(F)	5 lakh	2.50 lakh	5 lakh
	(vi) EE(M)/DY. CAO	2 lakh	1 lakh	2 lakh
2	**Power stations**			
	CE/ACE with DY.CAO	10-20 lakh	3-6 lakh	5 lakh
3	**Zonal/Circles**			
a)	ACE/COA	10 lakh	3 lakh	5 lakh
b)	SE/AO	3 lakh	1.50 lakh	1.50 lakh
c)	EE/Superintendent	1 lakh	0.50 lakh	0.50 lakh

ANNEXURE -14

Inventory position

(Referred to in paragraph 3A.5.1)

(Rupees in lakh)

	1997-98	1998-99	1999-00	2000-01	2001-02 (Provisional)
(i) Opening stock					
Capital	5,246	6,348	4,780	2,420	3,748
O&M	20,811	19,666	23,047	17,933	17,928
Total stock	**26,057**	**26,014**	**27,827**	**20,353**	**21,676**
(ii) Purchases					
Capital	22,971	20,287	16,753	12,335	12,993
O&M	41,058	41,606	47,005	36,912	42,783
Other debits (including fabricated material receipts)	6,200	9,840	5,616	4,927	6,462
Total Receipts	**70,229**	**71,733**	**69,374**	**54,174**	**62,238**
(iii) Issues					
For consumption	38,377	36,172	34,406	26,695	28,206
To Contractors	22,528	25,084	22,998	18,650	21,243
Capitalisation of spares	2,604	5,735	14,166	4,438	6,327
Net transfers (Transfer outward - Transfer inward)	4,960	2,878	3,468	2,935	4,406
Other	1,819		1,285	233	1,950
Total issues	**70,288**	**69,869**	**76,323**	**52,951**	**62,132**
(iv) Material stock Adjustments	**(+) 16**	**(-) 51**	**(-) 525**	**(+) 100**	**(+) 266**
(v) Closing stock					
O&M	19,666	23,047	17,933	17,928	19,264
Capital	6,348	4,780	2,420	3,748	2,784
Total closing stock (i +ii – iii + iv)	**26,014**	**27,827**	**20,353**	**21,676**	**22,048**
Closing stock in days consumption	**135 days**	**145 days**	**97 days**	**149 days**	**130 days**

ANNEXURE- 15

RSO-wise details of inter circle transfer of material

(Referred to in paragraph 3A.5.3.1)

(Rupees in lakh)

Name of RSO	HO purchase *plus* Local purchase received at RSO	Material transferred from other RSOs/Circles	Materials issues within circle	Material issues out of circle
Shapur				
2000-01	1,231.33	388.04	1,235.70	291.99
Apr. 2001 to Dec. 2001	1,131.24	448.59	1,578.17	43.84
Bharuch				
2000-01	1,630.76	178.45	1,238.16	495.27
Apr. 2001 to Dec. 2001	1,743.07	91.38	1,325.25	614.44
Mehsana				
2000-01	2,412.80	248.87	1,583.45	1,067.05
Apr. 2001 to Dec. 2001	1,703.89	226.20	1,252.20	689.68
Bhuj				
2000-01	1,153.03	376.22	1,354.62	77.58
Apr. 2001 to Dec. 2001	558.79	228.08	857.42	63.56
Navsari				
2000-01	3,979.36	587.19	980.68	3,447.94
Apr. 2001 to Dec. 2001	3,337.54	269.24	995.48	2,574.75
Rajkot				
2000-01	2,957.33	307.48	2,029.38	1,107.36
Apr. 2001 to Dec. 2001	2,711.72	127.73	1,747.53	1,055.39
Surendranagar				
2000-01	1,393.64	235.26	1,372.67	344.58
Apr. 2001 to Dec. 2001	891.59	288.77	904.96	204.00
Palanpur				
2000-01	2,099.25	559.82	2,489.49	214.62
Apr. 2001 to Dec. 2001	1,342.16	413.62	1,793.97	54.74
Nadiad				
2000-01	3,334.84	64.47	2,586.81	898.51
Apr. 2001 to Dec. 2001	2,558.92	224.06	2,324.66	561.12
Himatnagar				
2000-01	877.26	361.20	1,061.36	142.01
Apr. 2001 to Dec. 2001	845.52	310.17	985.02	99.34
Dhasa				
2000-01	2,034.38	144.14	2,023.07	115.03
Apr. 2001 to Dec. 2001	1,582.93	134.23	1,722.41	117.08
Vatva				
2000-01	353.95	152.73	352.16	37.90
Apr. 2001 to Dec. 2001	833.77	116.16	681.92	354.59
Jamnagar				
2000-01	817.24	559.89	N.A.	N.A.
Apr. 2001 to Dec. 2001	886.23	276.43	N.A.	N.A.

Note:- In respect of RSOs officially required to cater to circles not having RSO, transfers to such circles have not been considered as issue out of circle. Compiled from monthly ST 8 and ST 10 returns submitted by RSOs.

ANNEXURE -16

Stock position as on 31 March 2001

(Referred to in paragraph 3A.5.3.4)

(Rupees in lakh)

Stores centres	Active stores	Slow moving stores	Non moving stores	Obsolete and Repairable stores	Scrap stores	Grand Total
RSOs	2,432.73	432.71	219.17	83.57	217.54	3,385.72
O&M Stores	6,892.90	63.28	66.79	722.91	255.42	8,001.30
Transmission Stores	994.66	7.91	15.12	0.85	120.56	1,139.10
Power Station Stores	4,992.60	985.97	747.84	9.28	446.07	7,181.76
Total	**15,312.89**	**1,489.87**	**1,048.92**	**816.61**	**1,039.59**	**19,707.88**
Percentage to total stores	**77.70**	**7.56**	**5.32**	**4.14**	**5.28**	**100.00**

Stock position as on 31 March 2002

(Rupees in lakh)

Stores centres	Active stores	Slow moving stores	Non moving stores	Obsolete and Repairable stores	Scrap stores	Grand Total
RSOs	2,728.75	105.33	455.95	93.62	196.53	3,580.18
O&M Stores	6,713.76	180.52	223.98	772.46	321.85	8,212.57
Transmission Stores	1,430.41	28.64	63.53	0.10	138.77	1,661.45
Power Station Stores	5,898.99	1,027.54	1,359.38	9.28	568.55	8,863.74
Total	**16,771.91**	**1,342.03**	**2,102.84**	**875.46**	**1,225.70**	**22,317.94**
Percentage to total stores	**75.15**	**6.02**	**9.43**	**3.93**	**5.50**	**100.00**

Note:- The above figures are compiled from monthly returns (MICR) submitted by divisions and do not tally with *Annexure* 14 closing stock figure.

ANNEXURE-17

Belated/non recovery of PF charges

(Referred to in paragraph 4.6.1)

Name of the Division	**Period of short recovery**	**Amount involved (Rupees in lakh)**	**Amount recovered belatedly**		**Amount to be recovered (Rupees in lakh)**	**Interest loss on belated / short recovery (at the rate of 12 *per cent per annum*) (Rupees in lakh)**
			Amount (Rupees in lakh)	**Month of recovery**		
Narmada Project Power House Civil Construction Division No.1	April 1988 to December 2000	102.35	102.35	February /July 2002	--	114.08
Narmada Project Power House Civil Construction Division No.2	September 1989 to June 1995	16.56	--	--	16.56	28.70
Narmada Project Dam Division	September 1989 to August 2000	366.43	366.43	February 2001 to January 2002	--	349.17
Total		**485.34**	**468.78**		**16.56**	**491.95**