Preface

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

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

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 2003-04 as well as those which came to notice in earlier years but were not dealt within the previous Reports. Matters relating to the period subsequent to 2003-04 have also been included, wherever necessary.

Overview

1. Overview of Government companies and Statutory corporations

As on 31 March 2004, the State had 50 Public Sector Undertakings (PSUs) comprising 45 Government companies and five Statutory corporations as against 49 PSUs comprising 44 Government companies and five Statutory corporations as on 31 March 2003. Out of 45 Government companies, 35 were working and 10 were non-working Government companies. All the five Statutory corporations were working corporations. In addition, there were 13 companies under Section 619-B of the Companies Act, 1956 as on 31 March 2004.

(Paragraphs 1.1 and 1.47)

The total investment in working PSUs increased from Rs.29,612.85 crore as on 31 March 2003 to Rs.34,550.20 crore as on 31 March 2004. The total investment in 10 non-working PSUs also increased from Rs.619.49 crore to Rs.805.43 crore during the same period.

(Paragraphs 1.2 and 1.17)

The budgetary support in the form of capital, loans and grants/subsidies disbursed to the working PSUs increased from Rs.2,761.04 crore in 2002-03 to Rs.5,501.82 crore in 2003-04. The State Government also contributed Rs.2.40 crore in the form of loan to three non-working companies during 2003-04. The State Government guaranteed loans aggregating Rs.2,331 crore during 2003-04. The total amount of outstanding loans guaranteed by the State Government to all PSUs as on 31 March 2004 was Rs.14,360.43 crore.

(Paragraphs 1.5 and 1.18)

Out of 35 working Government companies and five Statutory corporations, 13 working companies and one Statutory corporation finalised their accounts for the year 2003-04. The accounts of 21 working companies and four working Statutory corporations were in arrears for period ranging from one to eight years as on 30 September 2004. The accounts of one newly incorporated company was not due as on 30 September 2004. One non-working Government company finalised the accounts for the year 2003-04 and the accounts of remaining four non-working Government companies were in arrears for periods ranging from one to five years as on 30 September 2004. Five companies were under liquidation.

(Paragraphs 1.6 and 1.20)

According to the latest finalised accounts, 23 working PSUs (22 Government companies and one Statutory corporation) earned aggregate profit of Rs.489.74 crore, out of which only three working Government companies declared dividend of Rs.14.79 crore to the State Government. Against this

13 working PSUs (nine Government companies and four Statutory corporations) incurred aggregate loss of Rs.903.62 crore as per their latest finalised accounts. Of the loss incurring working Government companies, four companies had accumulated losses aggregating Rs.118.27 crore which exceeded their aggregate paid-up capital of Rs.33.89 crore by more than two times. The loss incurring Statutory corporations had accumulated losses aggregating Rs.1,737.25 crore which exceeded their paid-up capital of Rs.659.96 crore.

(Paragraphs 1.7, 1.8, 1.9 and 1.11)

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 rupees five 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.

(Paragraph 1.46)

2. Review relating to Government company

Gujarat State Land Development Corporation Limited

Gujarat State Land Development Corporation Limited was incorporated in March 1978, with the main objective of executing land reclamation and soil conservation schemes in the State. These schemes aimed at improvement and maintenance of quality of land through land and water management. The Company had deviated from the terms of sanction of the grants received from State Government for different schemes which resulted in curtailment of soil conservation activity. There was no recovery mechanism to watch recovery of loan from beneficiary farmers resulting in accumulation of dues. Some of the important points noticed in the review were as under:

The Company had diverted grants of Rs.33.43 crore (89 *per cent*) from soil conservation schemes towards meeting expenditure on pay and allowances and other administrative expenditure during 1999-2003.

(Paragraph 2.10)

Under village pond scheme the Company, in violation of terms of sanction of grants, exceeded the financial limit of rupees two lakh *per* pond. The actual expenditure *per* pond ranged from Rs.2.02 lakh to Rs.96.38 lakh on 1,047 ponds during 1999-2003, which resulted in irregular expenditure of Rs.14.91 crore.

(Paragraph 2.14)

Bulldozer utilisation charges were fixed at higher rate, which resulted in excess appropriation of grant under village pond scheme by Rs.10.11 crore.

(Paragraph 2.19)

In violation of State Government directives, the Company kept its surplus fund in current accounts instead of placing in liquid deposit schemes of Gujarat State Financial Services Limited. As a result it suffered loss of interest of Rs.88.67 lakh during April 2000 to August 2003.

(Paragraph 2.20)

Despite directives of the State Government (February 1998) for easing out surplus employees, the Company incurred extra expenditure of Rs.3.15 crore on surplus manpower during 1998-2003.

(Paragraph 2.24)

3. Review relating to Statutory corporation

Gujarat Electricity Board

Material Management and Inventory Control in Thermal Power Stations

Gujarat Electricity Board owns and operates six thermal power stations and four hydro power stations including two mini hydro power stations. Power generated from six thermal power stations constituted 97 *per cent* of the total power generated by the Board during 1999-2004. The Board took excess time in purchase of vital spares and finalisation of the price of fuel, which resulted in avoidable expenditure and generation loss. Some of the important points noticed in review were as under:

Restricted supply of low sulphur heavy stock oil on account of abnormal delay in finalisation of its price with Indian Oil Corporation Limited resulted in generation loss of Rs.102.45 crore.

(Paragraph 3.7)

Non maintenance of spare generator transformer resulted in generation loss of Rs.122.08 crore besides the unit remained idle for 274 days for want of spare generator transformer.

(Paragraph 3.12)

Non maintenance of stock of induced draft fans impellers resulted in generation loss of 43.42 million units valuing Rs.8.48 crore.

(Paragraph 3.13)

4. Transaction Audit Observations

Transaction audit observations included in this Report highlight deficiencies in the management of PSUs, which resulted in serious financial implications. The irregularities pointed out are broadly of the following nature:

- Avoidable payment / extra expenditure amounting to Rs.56.23 crore in six cases.

(Paragraphs 4.2,4.3,4.7,4.9,4.12 and 4.14)

- Undue benefit / favour / payment amounting to Rs.19.05 crore in three cases.

(Paragraphs 4.1,4.4 and 4.8)

- Loss of revenue of Rs.419.27 crore in two cases.

(Paragraphs 4.11and 4.13)

- Non recovery of dues / claim amounting to Rs.15.50 crore in three cases.

(Paragraphs 4.17, 4.18 and 4.19)

- Loss due to imprudent project implementation amounting to Rs.20.96 crore in one case.

(Paragraph 4.6)

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

Gujarat Mineral Development Corporation Limited

Discount of Rs.62.23 lakh was allowed to a private firm on the purchase of lignite in utter disregard to the terms of Memorandum of Understanding and the agreement.

(Paragraph 4.1)

Gujarat State Petronet Limited

The Company suffered a loss of Rs.20.96 crore due to imprudent implementation of Mora Utran Pipeline Project.

(Paragraph 4.6)

Gujarat Electricity Board

Persistent high distribution losses in power feeders of Porbandar city division resulted in loss of revenue of Rs.39.67 crore to the Board and Rs.5.71 crore to the State exchequer.

(Paragraph 4.13)

Gujarat State Road Transport Corporation

Due to non removal of tyres in time for retreading, the retreadability factor of tyres was very low which resulted in shortfall in performance of nylon tyres by 87,508 lakh km equivalent to cost of Rs.31.09 crore during 1999-2004.

(Paragraph 4.16.8)

Gujarat State Financial Corporation

Disbursement of loans to ineligible firms resulted in non-recovery of dues of Rs.10.47 crore.

(Paragraph 4.18)

CHAPTER-I

1. Overview of Government companies and Statutory corporations

Introduction

1.1 As on 31 March 2004, there were 45 Government companies (35 working companies and 10 non-working[*] companies) and five working Statutory corporations as against 44 Government companies (34 working companies and 10 non-working companies) and five Statutory corporations as on 31 March 2003 under the control of the State Government. During the year 2003-04 two[φ] new companies came under the audit purview of Comptroller and Auditor General of India (CAG) and one working company (Gujarat State Export Corporation Limited) was disinvested (5 March 2004). In addition, the State had formed Gujarat Electricity Regulatory Commission, whose audit is also being conducted by the CAG under Section 104(2) of the Electricity Act, 2003[ρ]. The accounts of the Government companies (as defined in Section 617 of Companies Act, 1956) are audited by Statutory Auditors who are appointed by the CAG as per provision of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by 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 CAG	Audit arrangement
1.	Gujarat Electricity Board (GEB)	Under Rule 14 of the Electricity (Supply) (Annual Accounts) Rules, 1985 read with Section 185 (2) (d) of the Electricity Act, 2003[θ]	Sole audit by CAG
2.	Gujarat State Road Transport Corporation (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 the State Government to CAG up to 2006-07
4.	Gujarat State Financial Corporation (GSFC)	Section 37(6) of the State Financial Corporations Act, 1951	Audit by Chartered Accountants and supplementary audit by CAG
5.	Gujarat State Warehousing Corporation (GSWC)	Section 31(8) of the State Warehousing Corporations Act, 1962	Audit by Chartered Accountants and supplementary audit by CAG

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

[φ] Serial No. A-18 and 20 of *Annexure*-2.

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

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

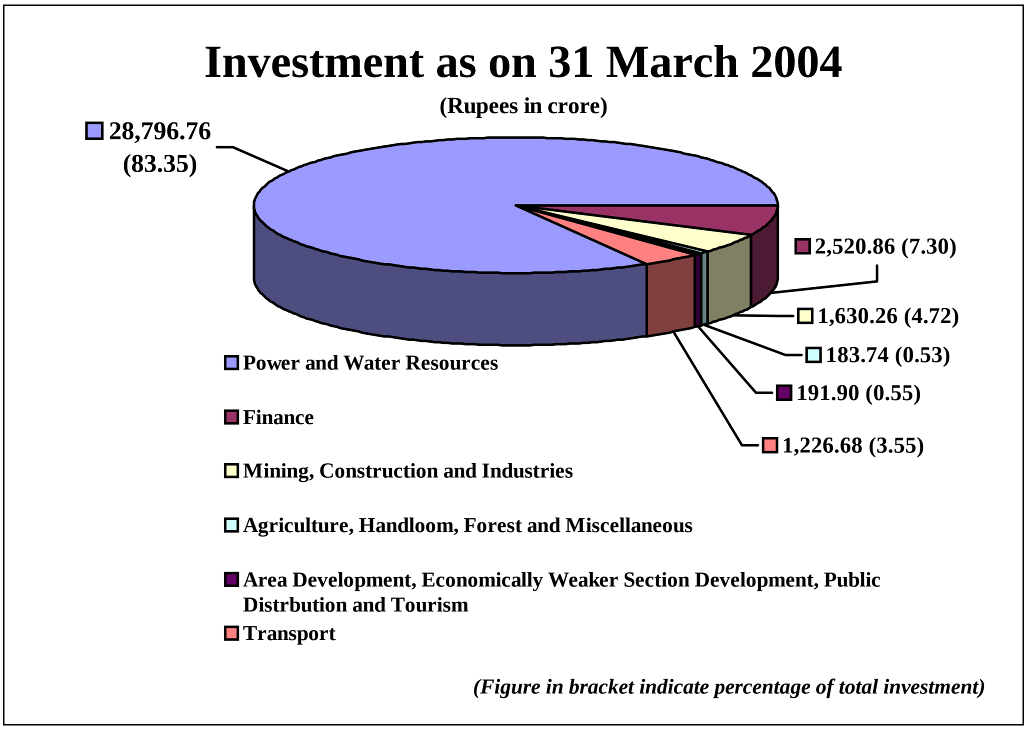
Working Public Sector Undertakings (PSUs)

Investment in working PSUs

1.2 As on 31 March 2004, the total investment in 40 working PSUs (35 Government companies and five Statutory corporations) was Rs.34,550.20 crore[σ] (equity: Rs.10,524.24 crore; long-term loans[•]: Rs.21,436.93 crore and share application money: Rs.2,589.03 crore) as against 39 working PSUs (34 Government companies and five Statutory corporations) with a total investment of Rs.29,612.85 crore (equity: Rs.10,444.82 crore; long-term loans: Rs.18,336.44 crore and share application money: Rs.831.59 crore) as on 31 March 2003. The analysis of investment in working PSUs is given in the following paragraphs.

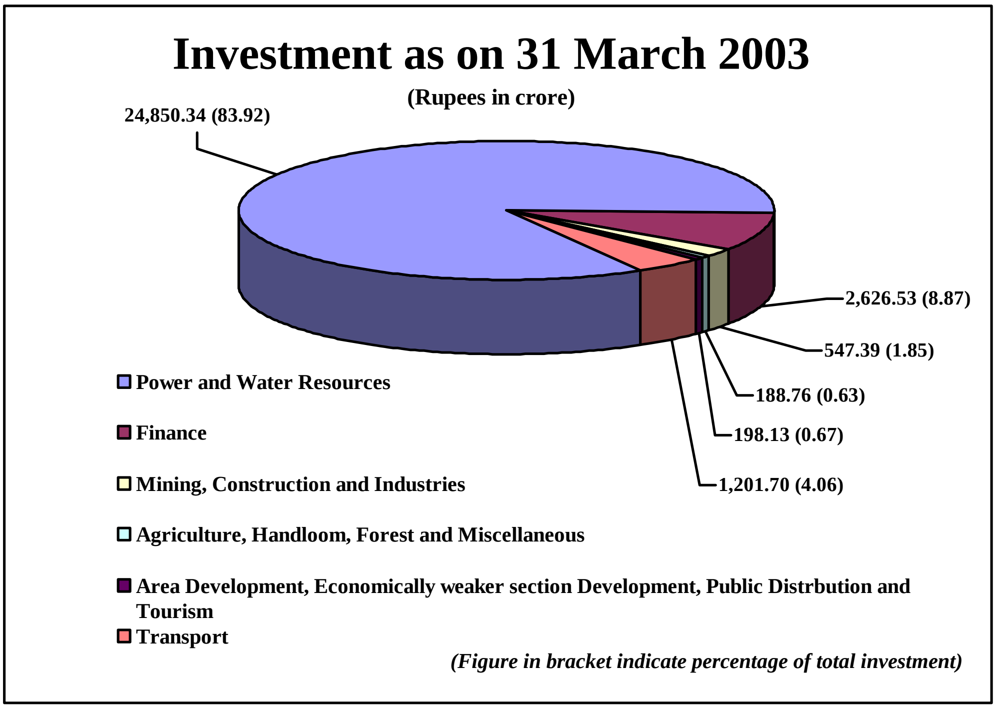
Sector wise investment in working Government companies and Statutory corporations

The investment (equity and long-term loans) in various sectors and percentage thereof at the end of 31 March 2004 and 31 March 2003 are indicated below in pie charts:



σ Reconciliation of figures with Finance Accounts is pending as Finance Accounts have not been prepared so far (August 2004).

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



Working Government companies

1.3 The total investment in working Government companies at the end of March 2003 and March 2004 was as follows:

(Amount: Rupees in crore)

Year	Number of working Government companies	Equity	Share application money	Long-term loans	Total
2002-03	34	9,780.85	831.59	9,012.25	19,624.69
2003-04	35	9,840.17	2,589.03	10,757.13	23,186.33

As on 31 March 2004, the total investment of working Government companies comprised 53.61 *per cent* of equity capital and 46.39 *per cent* of loans as compared to 54.08 and 45.92 *per cent*, respectively as on 31 March 2003.

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

Due to significant increase in long-term loans of mining sector, the debt equity ratio of working Government companies in this sector increased from 0.55:1 in 2002-03 to 4.26:1 in 2003-04.

Working Statutory corporations

1.4 The total investment in five working Statutory corporations at the end of March 2003 and March 2004 was as follows:

(Rupees in crore)

Name of corporation	2002-03		2003-04[@]	
	Capital	**Loans**	**Capital**	**Loans**
Gujarat Electricity Board	--	7,471.01	--	8,859.96
Gujarat State Road Transport Corporation	570.85	630.85	590.96	635.72
Gujarat State Financial Corporation	89.11	1,210.57	89.11	1,172.69
Gujarat State Warehousing Corporation	4.00	--	4.00	--
Gujarat Industrial Development Corporation	--	11.77	--	11.43
Total	**663.96**	**9,324.20**	**684.07**	**10,679.80**

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

Due to increase in long-term loans of Gujarat Electricity Board, the debt-equity ratio as a whole increased from 14.04:1 in 2002-03 to 15.61:1 in 2003-04.

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

1.5 The details regarding budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by 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 2001-04 are given below:

(Amount: Rupees in crore)

Particulars	2001-02				2002-03				2003-04			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.
Equity capital outgo from budget	5	2,226.36	1	17.85	8	767.39	1	14.05	12	1,813.38	1	20.11
Loans given from budget	4	2.67	1	1.50	4	1.37	1	390.81	4	0.66	2	2,074.18
Grant/ subsidy towards (1) Projects/ programmes/schemes	16	190.05	2	168.00	13	150.90	--	--	11	219.64	1	34.92
(2) Other subsidy	2	38.94	1	3,843.44	3	90.69	3	1,345.83	4	102.65	2	1,236.28
Total grants/subsidy	18	228.99	3	4,011.44	15	241.59	3	1,345.83	15	322.29	3	1,271.20
Total outgo	**23[*]**	**2,458.02**	**3[*]**	**4,030.79**	**15[*]**	**1,010.35**	**3[*]**	**1,750.69**	**23[*]**	**2,136.33**	**4[*]**	**3,365.49**

During the year 2003-04, the Government had guaranteed loans aggregating Rs.2,331 crore obtained by two working Government companies (Rs.1,625

[@] Figures for 2003-04 except Gujarat State Financial Corporation are provisional and as furnished by respective corporations.

[∉] Reconciliation of figures with Finance Accounts is pending as Finance Accounts have not been prepared so far (August 2004).

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

crore) and two working Statutory corporations (Rs.706 crore). At the end of the year guarantees amounting to Rs.14,318.37 crore obtained by 11 working Government companies (Rs.6,612.48 crore) and four working Statutory corporations (Rs.7,705.89 crore) were outstanding as against outstanding guarantees of Rs.12,801.20 crore obtained by eight working Government companies (Rs.5,968.42 crore) and four working Statutory corporations (Rs.6,832.78 crore) as on 31 March 2003. The guarantee commission paid/payable to Government by three Government companies and by four Statutory corporations during 2003-04 was Rs.66.02 crore and Rs.119.77 crore, respectively.

Finalisation of accounts by working PSUs

1.6 Out of 35 working Government companies and five Statutory corporations, only 13 companies and one Statutory corporation had finalised their accounts for the year 2003-04 up to 30 September 2004. The accounts of one newly incorporated company[η] were not due as on 30 September 2004. During the period from October 2003 to September 2004, 19 working Government companies finalised 21 accounts for previous years. Similarly, three working Statutory corporations finalised three accounts for previous years during this period.

The accounts of 21 working Government companies and four working Statutory corporations were in arrears for period ranging from one to eight years as on 30 September 2004 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 2003-04	8	A-15	--
2	1	--	1999-2000 to 2003-04	5	A-34	--
3	1	--	2001-02 to 2003-04	3	A-6	--
4	3	--	2002-03 to 2003-04	2	A-4, 10, 18	--
5	15	4	2003-04	1	A-1, 3, 5, 7, 9, 12, 13, 19, 21, 22, 26, 27, 31, 32, 35	B-1, 2, 4, 5
	21	**4**				

Reasons for delay in finalisation of accounts of working companies in general and of four[∅] working companies, where accounts were in arrears for three years or more in particular, have been discussed in detail in para 4.10 of Chapter-IV.

[η] Sl. No. A-20 of *Annexure*-2.
[∅] Sl. No. A-4, 6, 15 and 34 of *Annexure*-2.

Financial position and working results of working PSUs

1.7 The summarised financial results of working PSUs (Government companies and Statutory corporations) as per their 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 ***Annexures*-4** and **5**, respectively.

According to the latest finalised accounts of 34 working Government companies and five working Statutory corporations, nine companies and four corporations had incurred an aggregate loss of Rs.81.94 crore and Rs.821.68 crore respectively. Twenty-two companies and one corporation earned an aggregate profit of Rs.488.73 crore and Rs.1.01 crore, respectively. One[ξ] company had not commenced commercial activities; one[α] company had capitalised excess of expenditure over income and one[δ] company had transferred excess of expenditure to non-plan grant. One company (Sl. No.A-20 of ***Annexure*-2**) had not finalised its first accounts.

Working Government companies

Profit earning working Government companies and dividend

1.8 Ten profit earning working companies, which finalised their accounts for 2003-04 up to 30 September 2004, earned profit aggregating Rs.192.42 crore. Of these, only three companies (Sl.No.A-8, 29 and 30 of ***Annexure*-2**) declared dividend of Rs.19.11 crore of which State Government's share was Rs.14.79 crore. The remaining seven profit earning companies did not declare dividend. The total return by way of above dividend of Rs.14.79 crore, worked out to 0.12 *per cent* in 2003-04 on total equity investment of Rs.12,101.75 crore by the State Government in working Government companies as against 0.25 *per cent* in the previous year. The State Government had not formulated any dividend policy for payment of minimum dividend.

Ten profit earning working companies, which finalised their accounts for previous years up to 30 September 2004, showed profit aggregating Rs.293.36 crore. Out of above 20 profit earning companies, 13 companies were earning profit for two or more successive years.

Loss incurring working Government companies

1.9 Of the nine loss incurring working Government companies, four[*] companies had accumulated losses aggregating Rs.118.27 crore which exceeded their aggregate paid-up capital of Rs.33.89 crore by more than two times.

ξ Sl.No.A-24 of *Annexure*-2.
α Sl.No.A-10 of *Annexure*-2.
δ Sl.No.A-16 of *Annexure*-2.
* Serial No.A-4, 6, 12 and 22 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.82.42 crore by way of share capital (Rs.0.40 lakh), loans (Rs.4.00 lakh) and subsidy (Rs.82.38 crore) during 2003-04 to all the four companies.

Working Statutory corporations

Profit earning Statutory corporation and dividend

1.10 Gujarat Industrial Development Corporation had finalised its accounts for 2002-03 and earned profit of Rs.1.01 crore. It did not declare dividend.

Loss incurring Statutory corporations

1.11 Gujarat State Financial Corporation finalised its accounts for 2003-04 by September 2004 and incurred a loss of Rs.158.47 crore. The Corporation had accumulated loss of Rs.734.58 crore which exceeded its paid-up capital of Rs.89.11 crore by more than eight times. Other three[∞] working Statutory corporations finalised their accounts for 2002-03 and incurred loss aggregating Rs.663.21 crore. Gujarat State Road Transport Corporation had accumulated loss of Rs.1,002.67 crore which exceeded its paid-up capital of Rs.570.85 crore.

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.3,330.57 crore by way of share capital (Rs.20.11 crore), loans (Rs.2,074.18 crore) and subsidy (Rs.1,236.28 crore) during 2003-04 to three corporations (Sl. No.B-1, 2 and 3 of ***Annexures*-1** and **3**).

Operational performance of working Statutory corporations

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

Gujarat Electricity Board

1.13 The percentage of transmission and distribution loss to total power available for sale had increased from 22.26 *per cent* in 2000-01 to 31.13 *per cent* in 2002-03. Though the demand during 2000-03 was 30,917 MKWH[9], the power generation decreased from 21,106 to 20,731 MKWH during the same period resulting in increased dependence of the Board on purchase of power from private power producers/ central grid.

∞ Sl. No. B-1, 2 and 4 of *Annexure*-2.

9 Million Kilo Watt Hour.

Return on capital employed

1.14 As per the latest finalised accounts (up to September 2004), the capital employed* worked out to Rs.26,634.47 crore in 34 working Government companies and total return† thereon amounted to Rs.613.90 crore (2.30 *per cent*) as compared to total return of Rs.463.70 crore (2.03 *per cent*) on capital employed of Rs.22,822.96 crore in the previous year (accounts finalised up to 30 September 2003). Similarly, the capital employed and total return thereon in case of working Statutory corporations as per the latest finalised accounts (up to 30 September 2004) worked out to Rs.7,126.08 crore and Rs.138.63 crore (1.95 *per cent*), respectively as against capital employed of Rs.4,079.11 crore and the total return of Rs.151.57 crore (3.72 *per cent*) thereon in the previous year (accounts finalised up to 30 September 2003). 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**.

Reforms in power sector

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

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

Gujarat Electricity Regulatory Commission

1.16 Gujarat Electricity Regulatory Commission (Commission) was formed on 12 November 1998 under Section 17 of Electricity Regulatory Commissions Act, 1998λ 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 104(2) of the Electricity Act, 2003. The Commission had finalised its accounts up to 2003-04.

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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.

λ Since replaced by the Electricity Act, 2003.

Non-working PSUs

Investment in non-working PSUs

1.17 As on 31 March 2004, the total investment in 10 non-working PSUs (all non-working Government companies) was Rs.805.43 crore (equity: Rs.38.06 crore, long term loans: Rs.724.83 crore and share application money: Rs.42.54 crore), as against total investment of Rs.619.49 crore (equity: Rs.38.06 crore, long term loans: Rs.538.89 crore and share application money: Rs.42.54 crore) in 10 non-working Government companies as on 31 March 2003.

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

Sl. No.	Status of non-working PSUs	Number of companies	Investment (Rupees in crore)	
			Equity	Long term loans
1.	Under liquidation	5	58.92*	598.17
2.	Under closure	5	21.68	126.66
	Total	**10**	**80.60**	**724.83**

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

Of the above non-working PSUs, fourℑ Government companies were under liquidation under Section 560 of the Companies Act, 1956 for seven years and in respect of one company (Sl. No. C-4 of ***Annexure*-1**) the Gujarat High Court passed order for liquidation on 7 April 2003. Substantial investment of Rs.657.09 crore was involved in these five companies. Effective steps need to be taken for their expeditious liquidation or revival.

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

1.18 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 provided budgetary support of Rs.2.40 crore in the form of loan to three non-working companies during 2003-04. At the end of the year, guarantees amounting to Rs.42.06 crore obtained by three non-working companies were outstanding as against the same amount of outstanding guarantees obtained by three non-working companies as on 31 March 2003.

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

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

Total establishment expenditure of non-working PSUs

1.19 The year wise details of total establishment expenditure of non-working Government companies and sources of financing them during last three years up to 2003-04 are given below:

(Amount: Rupees in crore)

Year	Number of Government companies	Total establishment expenditure	Financed by		
			Disposal of investment/ assets	Government Loans	Others
2001-02	10	4.05[@]	0.04	1.85	2.16
2002-03	10	0.62[*]	--	--	0.62
2003-04	10	3.31[϶]	--	3.31	--
Total		**7.98**	**0.04**	**5.16**	**2.78**

An amount of Rs.7.98 crore has been incurred towards establishment expenditure of these 10 non-working Government companies during 2001-2004. Expeditious action is necessary for winding up of these companies to avoid further non-productive expenditure in this regard.

Finalisation of accounts by non-working PSUs

1.20 Out of 10 non-working Government companies, one company (Sl. No. C-2 of ***Annexure*-2**) had finalised its accounts for 2003-04 and the accounts of four companies were in arrears for period ranging from one to five years. Five[ω] companies were under liquidation as seen from ***Annexure*-2**.

Financial position and working results of non-working PSUs

1.21 The summarised financial results of non-working Government companies as per their latest finalised accounts are given in ***Annexure*-2**. The net worth of ten non-working Government companies against their paid-up capital of Rs.80.60 crore was Rs. (-)1,181.28 crore. These companies suffered cash loss of Rs.339.73 crore and their accumulated loss worked out to Rs.1,261.88 crore.

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

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

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

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

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

1.22 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 State Road Transport Corporation	2001-02	2002-03	SAR under process
2.	Gujarat Industrial Development Corporation	2001-02	2002-03	29.07.2004
3.	Gujarat State Financial Corporation	2001-02	2002-03 2003-04	07.07.2004 SAR under process
4.	Gujarat State Warehousing Corporation	2001-02	2002-03	19.07.2004

Note: SARs on the accounts of Gujarat Electricity Board up to 2002-03 have been placed in the Legislature.

Disinvestment, Privatisation and Restructuring* of Public Sector Undertakings

1.23 During the year 2003-04, the State Government disinvested Gujarat State Export Corporation Limited (GSECL). In October 1992, the Government of Gujarat had constituted State Finance Commission to examine the potential for privatisation and disinvestment of PSUs of the State Government. The recommendations of the Commission including setting up of a High Level Committee for formulating broad guidelines and constitution of a Cabinet Sub-Committee (constituted in March 1996) were reported *vide* paragraph 1.2.2 of Report of the Comptroller and Auditor General of India for the year ended 31 March 1998 (Commercial) Government of Gujarat. The action taken as a follow up to decisions of Cabinet Sub-committee up to April 2003 was as under:

Privatisation

1.24 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 (February 2002) orders for winding up of the Company and appointed liquidator for liquidation process. This order was stayed by a subsequent order

* Restructuring includes merger and closure of PSUs.

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

Restructuring

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

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

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

Disinvestment

1.28 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.

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

Merger

1.30 The Cabinet Sub-Committee recommended merger of Gujarat Rural Industries Marketing Corporation Limited with Gujarat State Leather Industry Development Corporation Limited and that of Gujarat State Handloom Development Corporation Limited with Gujarat State Handicrafts

Development Corporation Limited. These recommendations were accepted by the Government of Gujarat in July 1996. The draft scheme of merger was approved by the Government of India in both the cases and Gujarat Leather Industry Development Corporation Limited was merged (January 2001) with Gujarat Rural Industries Marketing Corporation Limited. Gujarat State Handloom Development Corporation Limited was merged with Gujarat State Handicrafts Development Corporation Limited in June 2002.

Closure

1.31 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.

1.32 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 (April 2003) 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.

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

1.33 During the period from October 2003 to September 2004, the accounts of 29 Government companies (27 working and two non-working) and four Statutory corporations (all working) were selected for review. As a result of the observations made by the CAG, the net impact of the important audit observations was as follows:

Sl. No.	Details	Number of accounts		Amount (Rupees in crore)	
		Working Government companies	Working Statutory corporations	Working Government companies	Working Statutory corporations
1.	Decreases in profit	3	1	0.27	3.19
2.	Increase in loss	4	2	20.66	665.83
3.	Decrease in loss	--	1	--	156.37
4.	Non-disclosure of material facts	4	3	24.91	205.10
5.	Errors of classification	6	3	34.93	469.04

Some of the major errors and omissions noticed during October 2003 to September 2004 in the course of review of annual accounts of these PSUs are mentioned below:

Errors and omissions noticed in case of Government companies

Gujarat State Investment Limited (2002-03)

1.34 The Company received (7 March 2003) Rs.10.39 crore as interest free advance towards equity contribution in Gujarat Alkalies and Chemicals Limited (GACL) from Government. The amount of Rs.10.39 crore was paid to GACL. The Company has not accounted for these transactions in their books of accounts. This resulted in understatement of current liabilities and current assets to the extent of Rs.10.39 crore.

Gujarat State Land Development Corporation Limited (2000-01)

1.35 The Company accounted administrative charges at 33.33 *per cent* on soil conservation works of Rs.14.61 crore under farm pond and water harvesting structure schemes, for which no administrative charges were leviable. This resulted in understatement of current liabilities – unutilised grants from State Government by Rs.4.87 crore and overstatement of profit to that extent.

Gujarat Water Infrastructure Limited (2002-03)

1.36 The State Government withdrew Rs.10 crore from Personal Ledger account. The Company without the approval of the State Government had adjusted the same from grant received (Rs.7.68 crore) and share application money (Rs.2.32 crore). The fact was not disclosed in the accounts.

Errors and omissions noticed in case of Statutory corporations

Gujarat Industrial Development Corporation (2002-03)

1.37 The Corporation did not provide for arrears of depreciation of Rs.1.33 crore on shed/ quarters valued at Rs.2.41 crore transferred during the year to fixed assets from "Capital expenditure on shed/ housing quarters". This resulted in overstatement of both fixed assets and excess of income over expenditure by Rs.1.33 crore.

Gujarat State Financial Corporation (2002-03)

1.38 The Corporation did not provide for interest of Rs.38.94 lakh for the period from 1 February 2003 to 31 March 2003 to two Priority Sector Bond holders, who exercised put option at end of fifth year for Rs.24 crore Bonds. Non provision of interest thereon resulted in understatement of current liabilities as well as loss for the year by Rs.38.94 lakh.

Audit assessment on the working results of Gujarat Electricity Board

1.39 Based on the audit assessment of the working results of GEB for three years up to 2002-03 and taking into consideration the major irregularities and omissions pointed out in the SARs on the annual accounts of GEB and not taking into account the subsidy/subventions receivable from the State Government, the net surplus/deficit of GEB will be as follows:

(Rupees in crore)

Sl. No.	Particulars	2000-01	2001-02	2002-03
1	Net surplus/(-) deficit as per books of accounts	(-)2,542.98	(-) 622.03	(-) 475.81
2	Subsidy from the State Government	2,021.26	2,578.65	1,805.14
3	Net surplus/ (-) deficit before subsidy from the State Government (1-2)	(-)4,564.24	(-) 3,200.68	(-) 2,280.95
4	Net increase/decrease in net surplus/(-) deficit on account of audit comments on the annual accounts	(-)446.11	(-) 289.07	(-) 509.07
5	Net surplus/(-) deficit after taking into account the impact of audit comments but before subsidy from the State Government (3-4)	(-)5,010.35	(-) 3,489.75	(-) 2,790.02

Persistent irregularities and system deficiencies in financial matters of PSUs

1.40 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:

Government companies

Gujarat State Forest Development Corporation Limited

1.41 The works-in-progress under plantations were understated by Rs.18.10 crore in respect of Bulsar and Panam Projects due to non inclusion of cumulative interest charges on term loans obtained from the banks for the plantation for the year ended 31 March 2003.

Statutory corporations

Gujarat State Road Transport Corporation

1.42 The balance under 'personal account with other State Transport Undertakings' included Rs.54.06 lakh being dues from other State Road Transport Undertakings *viz.,* Madhya Pradesh (Rs.30.07 lakh), Rajasthan (Rs.16.76 lakh) and Maharashtra (Rs.7.23 lakh) which were pending for recovery/adjustment since 1985-86 onwards.

Gujarat Industrial Development Corporation

1.43 Due to inclusion of development works carried out for Gujarat Growth Centres Development Corporation Limited (Rs.21.24 crore) and deposit paid to Gujarat Electricity Board (Rs.8.66 crore), the capital expenditure incurred by the Corporation was overstated by Rs.29.90 crore.

Recoveries at the instance of audit

1.44 Test check of records of Gujarat Electricity Board /other PSUs conducted during April 2003 to March 2004 disclosed short levy of tariff, short realisation of revenue, excess payments, credit of lapsed deposits, recovery of water charges, levy of liquidated damages and other observations, *etc*, aggregating Rs.13.96 crore in 57 cases apart from 11 cases where money value of recovery was not determined at the time of audit. The PSUs accepted the observations in all the 68 cases which had been pointed out by audit and a sum of Rs.11.83 crore relating to the abovementioned 57 audit observations was recovered at the instance of Audit.

Internal audit / internal control

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

Nature of comments/ recommendations made by Statutory Auditors	Number of companies where observations were noticed	Reference to Sl. No. of the companies as per *Annexure*-2
Internal audit needed to be strengthened having due regard to its size and nature of its business.	6	A-6, 8, 12, 21, 23, 30
The compliance on internal audit report is not adequate.	1	A-20
Inadequate internal audit system.	1	A-11
The scope of internal audit needs to be widened with the specific focus on account including review of compliance of statutes.	1	A-9

Recommendations for closure of PSUs

1.46 Even after completion of five years of their existence, the turnover of three* working Government companies and one** working Statutory corporation had been less than rupees five crore in each of the preceding five years as per their latest finalised accounts. 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.

* Serial No.A-2, 12 and 32 of *Annexure*-2.
** Serial No.B-4 of *Annexure*-2.
@ Serial No.A-4 and C-5 of *Annexure*-2.

619–B Companies

1.47 There were 13[⊗] companies falling under Section 619-B of the Companies Act, 1956 of which one (Sl. No.3 of ***Annexure*-8**) company was non-working. ***Annexure*-8** 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.

[⊗] Four new companies were incorporated by Gujarat Electricity Board for distribution of Electricity.

CHAPTER - II

2. Review relating to Government company

Gujarat State Land Development Corporation Limited

Highlights

Gujarat State Land Development Corporation Limited was incorporated in March 1978, with the main objective of executing land reclamation and soil conservation schemes in the State. These schemes aimed at improvement and maintenance of quality of land through land and water management.

(Paragraph 2.1)

The Company had diverted grants of Rs.33.43 crore (89 *per cent*) from soil conservation schemes towards meeting expenditure on pay and allowances and other administrative expenditure during 1999-2003.

(Paragraph 2.10)

Under village pond scheme the Company, in violation of terms of sanction of grants, exceeded the financial limit of rupees two lakh *per* pond. The actual expenditure *per* pond ranged from Rs.2.02 lakh to Rs.96.38 lakh on 1,047 ponds during 1999-2003, which resulted in irregular expenditure of Rs.14.91 crore.

(Paragraph 2.14)

Bulldozer utilisation charges were fixed at higher rate, which resulted in excess appropriation of grants under village pond scheme by Rs.10.11 crore.

(Paragraph 2.19)

In violation of State Government directives, the Company kept its surplus fund in current accounts instead of placing in liquid deposit schemes of Gujarat State Financial Services Limited. As a result, it suffered loss of interest of Rs.88.67 lakh during April 2000 to August 2003.

(Paragraph 2.20)

The Company neither had consolidated position of the work done and amount recoverable from farmers nor developed any recovery mechanism, for effecting the recovery. During 1990-2000 an amount of Rs. 11.67 crore became due for recovery from farmers against which the Company could recover only Rs.24.50 lakh.

(Paragraph 2.21)

Despite directives of the State Government (February 1998) for easing out surplus employees, the Company incurred extra expenditure of Rs.3.15 crore on surplus manpower during 1998-2003.

(Paragraph 2.24)

Introduction

2.1 Gujarat State Land Development Corporation Limited (the Company) was incorporated on 28 March 1978, as a wholly owned Government company with the main objective of executing land reclamation and soil conservation schemes in the State. The soil conservation schemes aimed at improvement and maintenance of quality of land through land and water management.

Objectives

2.2 The main objectives as envisaged in Memorandum of Association of the Company, *inter alia* were to undertake:

- systematic assessment of land in the State (including *kotar*[ξ] and *khar*[∂] land), which can be reclaimed for cultivation by treatment;
- land reclamation and soil conservation activities, such as contour *bunding*, *nala* plugging, terracing, land levelling and land shaping;
- ravine reclamation programme;
- reclamation programme for water logging and coastal areas and other *khar* land; and
- farm development works in irrigation commands areas, such as, construction of field channels, field drains, land levelling and *kyari* making.

The Company confined its activities mainly to the soil conservation and failed to undertake other objectives *viz.*, assessment of land in the State, prevention of water logging and farm development works in command area.

[ξ] Kotar means, conversion of barren land into cultivable land.
[∂] Saline land.

Organisational set up

2.3 The management of the Company is vested in a Board of Directors (BOD) consisting of not less than three and not more than 15 directors. As on 31 March 2004, BOD consisted of seven official directors, including a Chairman and a Managing Director appointed by the State Government. The Managing Director is the Chief Executive of the Company and is assisted in day to day functioning by Executive Director (Administration), Company Secretary, Manager (Finance) and Additional Agriculture Director.

The Company has nine[#] divisions (eight soil conservation and one mechanical division) each headed by a Deputy Director. There are 27 sub-division offices (25 soil conservation and two mechanical sub-division) at district level each headed by an Assistant Director under the control of divisions and is responsible for implementation of various schemes. Besides, the Company has 126 charge offices[*] at taluka level and two training centres at Morbi and Thasara.

Scope of Audit

2.4 The implementation of the National Watershed[Ω] Development Project for Rainfed Areas by the Company was last reviewed in the Report of the Comptroller and Auditor General of India for the year ended 31 March 1996, No.3 (Civil), Government of Gujarat. The review was yet to be taken up for discussion by Public Accounts Committee (July 2004).

The present review conducted during November 2003 to February 2004 covers the execution of various schemes. The audit findings as a result of test check of records of five[Δ] out of nine division offices, 11 out of 27 sub-division offices and head office are discussed in the succeeding paragraphs.

The audit findings as a result of test check of records were reported to Government/Company in April 2004 with a specific request for attending the meeting of Audit Review Committee for State Public Sector Enterprises (ARCPSE) so that viewpoints of Government/Company was taken into account before finalising the review. The response from the Government/Company for holding the meeting was awaited (September 2004) in spite of pursuance.

[#] Soil Conservation divisions at Ahmedabad, Amreli, Bhuj, Godhra, Palanpur, Rajkot, Surat, Vadodara and Mechanical division at Vadodara.

[*] Under each sub-division there are four to five charge offices headed by field supervisors. These offices are responsible for implementation of the scheme undertaken in the area by the sub-division.

[Ω] Watershed is a geographical area that drains at a common point. This natural unit is evolved through the interaction of rain water with land mass and typically comprised arable land, non-arable land and natural drainage lines in rainfed area.

[Δ] Soil conservation divisions at Vadodara, Godhra, Rajkot, Ahmedabad and Mechanical division at Vadodara.

Sources of fund

2.5 The authorised share capital was Rs.10 crore and the paid-up capital of the Company as on 31 March 2003 was Rs.5.86 crore fully subscribed by the State Government. The Company received grants aggregating Rs.241.86 crore[ϕ] from State/Central Government for implementation of various schemes during 1999-2003. In addition, it had also received loans from State Government for implementing schemes. The loan outstanding as on 31 March 2003 was Rs. 40 crore.

Unspent grants

There were unspent grants of Rs.187.74 crore as on 31 March 2003.

2.6 For execution of soil conservation works, the State and Central Government had sanctioned and disbursed grants to the Company from time to time. The State Government prescribed return for utilisation of fund to ascertain whether the funds were utilised for the works for which they were sanctioned. At the close of the year, Utilisation Certificates (UTC) duly signed by Managing Director, Manager (Finance) and a firm of Chartered Accountants were furnished based on information collected from technical/accounts section. The accounts of the Company as on 31 March 2003 showed accumulation of unspent grants of Rs.187.74 crore.

Neither accounting manual required, nor the State Government directed for maintaining separate accounts for various grants received. In the absence of specific instructions, the Company was recording receipt of grants expenditure from grants and consolidated opening and closing balances of various schemes under a common head of accounts. As the accounts of the Company are in arrears, management has shown inability (February 2004) to segregate scheme wise balance of grants. Hence, the chances of adjustment/refund of unspent grants were remote. Audit observed that instead of utilising the grants for specified purpose, these were diverted for meeting other expenses such as pay and allowances of employees, village pond scheme *etc*. without seeking the approval of the State Government. The Company did not have any effective mechanism to ascertain expenditure incurred for various schemes implemented by it.

The management/Government stated (September/October 2004) that the unspent grants were utilised mainly for pay and allowances of the staff and excess expenditure incurred on village pond scheme due to demand raised by Members of Parliament/Members of Legislative Assembly and political leaders.

The reply was not tenable as the Company was expected to keep pay and allowances of the staff and other establishment expenditure within the norms prescribed by the State Government. The Company also should have restricted the expenditure of village pond scheme within the grants released by the State Government for the purpose.

[ϕ] Provisional as the Company finalised accounts up to 2001-02.

Financial position and working results

2.7 The Company finalised its accounts up to 2001-02 and prepared accounts for 2002-03 on provisional basis. The financial position and working results of the Company for 1999-2003 are given in ***Annexure-9***.

The Company incurred aggregate loss of Rs.2.18 crore even though it recovered inadmissible establishment charges of Rs.13.35 crore under farm pond (Rs.2.92 crore), water harvesting structure (Rs.5.18 crore) and village pond (Rs.5.25 crore) schemes during 1999-2002. The Company was incurring losses mainly due to excessive staff cost and lack of avenues for revenue generation other than budgetary resources.

Implementation of the schemes

2.8 With a view to boost agricultural productivity in the State through development of soil by adopting appropriate techniques of soil conservation, schemes formulated by the State/Central Government were entrusted to the Company. These schemes provided for conservation of rain water, thereby supplementing water supply for irrigation as well as drinking purpose and stabilising ground water resources.

For implementation of the schemes, the Company made allocation of funds to its division offices. The division offices allocate the fund to sub-division office, which in turn allocates to its charge offices. Charge offices allocate the fund to the field assistants. Field assistants execute soil conservation works by engaging labours. The Company did not have effective monitoring system and proper control over field offices, which lead to malpractice and misappropriation, as discussed in paragraph 2.22 *infra*.

2.9 The State Government transferred (July 1982) existing schemes of soil conservation to the Company along with the staff. The major schemes implemented by the Company and grants received during 1999-2003 are tabulated below:

Name of the scheme	**Amount (Rs. in crore)**
Soil conservation scheme in normal area	51.53
Soil conservation scheme in tribal area	24.02
Farm pond scheme	19.52
Village pond scheme	50.27
Marco management scheme	66.63
Flood relief scheme	6.67
Water harvesting structure scheme	17.56
Other schemes	5.66
Total	**241.86**

Audit findings on implementation of these schemes are discussed in the succeeding paragraphs.

Land related schemes

Soil conservation scheme (normal)

2.10 The soil conservation scheme (normal) was transferred from the State Government in July 1982. Under the scheme, activities of soil and water conservation such as land levelling, terracing, land shaping, contour *bunding*, *nala* plugging along with survey and maintenance thereof in the areas other than tribal areas were undertaken. Neither the State Government nor the Company has laid down norms for the implementation of the schemes. The Company did not carry out vegetative measures[∞] for the optimal benefits of soil conservation activities.

The Company had diverted grants of Rs.33.43 crore.

The scheme provided for 33.33 *per cent* administrative charges on soil conservation works executed by the Company. The Company received grants of Rs.37.42 crore for soil conservation scheme, in addition to separate grants of Rs.14.11 crore for pay and allowance and other establishment expenses during 1999-2003. The Company fixed target for treatment of 36,207 hectares of land, but it treated 3,490 hectare at a cost of Rs.2.99 crore (8 *per cent*) for which it was entitled to adjust administrative charges of rupees one crore. The balance grants of Rs.33.43 crore (89 *per cent*) was utilised for pay and allowances and other administrative expenditure of the Company.

The *Paramarsh* Committee appointed by the Company (April 2000) to streamline its working observed (August 2000) that the administrative expenditure of the Company was higher than admissible due to which grants earmarked for soil works were diverted towards administrative charges and soil works were curtailed accordingly. The Company did not take any action to streamline its working based on the recommendation of the Committee.

The management/Government stated (September/October 2004) that the soil and water conservation schemes were transferred to the Company alongwith the staff. The budget provision was made considering establishment expenditure.

The reply is not tenable as the State Government separately granted fund for establishment expenditure. The Company was expected to incur establishment expenditure within the norms prescribed by the State Government.

Soil conservation scheme (tribal)

2.11 Under the soil conservation scheme (tribal) transferred from the State Government in July 1982, soil conservation activities in tribal areas were undertaken. Neither the State Government nor the Company has laid down norms for the implementation of the scheme. Under the scheme, the Company did not carry out vegetation measures to sustain the soil works executed. The Company was recovering 33.33 *per cent* towards administrative charges on soil conservation work. Out of grants of Rs.18.25 crore received during 1999-2003, the Company was required to execute works of Rs.13.69 crore.

[∞] Vegetative measures means plantation of trees, pasture development and vegetation on contour for sustaining soil works and checking run off of water.

The Company fixed target for treatment of 20,093 hectare of land, however, it treated 8,824 hectare at a cost of Rs.10.71 crore and utilised the balance amount of Rs.2.98 crore towards pay and allowances and other administrative expenditure of the Company. This was in addition to the grants of Rs.5.77 crore separately provided by the State Government for pay and allowances.

The management/Government stated (September/October 2004) that the soil and water conservative schemes were transferred to the Company alongwith the staff. The budget provision was made considering establishment expenditure.

The reply was not tenable as the State Government separately granted funds for establishment. The Company was expected to incur establishment expenditure within the norms prescribed by the State Government.

National watershed development project for rainfed areas

2.12 The National watershed development project for rainfed areas (the project), launched as Centrally Sponsored Scheme by Government of India in 1986-87, was confined to treatment[#] of arable[ϒ] and non-arable land for stabilisation of agricultural production through conservation of rain water and soil. During ninth five year plan (1997-2002), 164 watersheds were selected in the State covering 3.15 lakh hectare land at a cost of Rs.99.31 crore.

Audit scrutiny revealed the following:

Against target of 3.15 lakh hectare, the Company developed only 1.93 lakh hectare land.

- Against targeted development of 3.15 lakh hectare land at a cost of Rs.99.31 crore, the Company reported development of 2.50 lakh hectare land at a cost of Rs.59.62 crore during ninth five year plan (1997-2002). The main reason for short achievement despite adequate release of fund was low priority towards adoption of vegetative measures by the Company. Audit observed during January 2004 that in 31 out of 164 cases test checked, the actual area treated worked out to be 1.93 lakh hectare (61 *per cent*) against 2.50 lakh hectare reported.

The management stated (February 2004) that the progress could not be achieved due to insufficient rain and lack of co-operation from farmers. The Company further stated (September 2004) that as the project provided vegetative treatment up to 50 *per cent,* 100 *per cent* achievement was not possible.

The reply was not tenable as the project was formulated for rainfed areas having irregular and insufficient rain. The Company, despite implementing the project for more than a decade, failed to educate farmers and gain their confidence. Besides, the project report envisaged 100 *per cent* vegetative treatment.

[#] Treatment includes soil conservation works such as contour bunding, nala plugging, vegetative measures such as pasture development, vegetation on contour, afforastation, establishment of nursery, distribution of seeds and fertilizers to farmers, training of farmers, castration of scrub bulls *etc*.
[ϒ] Cultivable land.

- The Government of India while reviewing the progress of the project for 1999-2000 directed (August 2001) saturation≈ of all watersheds selected under ninth five year plan. Out of 164 watersheds identified, only 30 watersheds (18 *per cent*) were saturated and remaining 134 watersheds, for which expenditure of Rs.50.21 crore was incurred, were not saturated.

In reply to Audit enquiry, the management stated (February 2004) that the watersheds were saturated where it was administratively convenient and received good co-operation from farmers.

Audit observed that the Company was required to appoint apprentices to educate the farmers about the salient features of the project. As the company did not appoint the apprentices, it failed to receive co-operation from farmers to saturate watersheds.

- During 1997-2002 the actual expenditure (as per audited accounts) on the project was Rs.50.12 crore. The Company was entitled to Rs.55.13 crore (including 10 *per cent* administrative charge of Rs.5.01 crore), against which it appropriated grants of Rs.59.62 crore through furnishing of utilisation certificates. Thereby grants of Rs.4.49 crore was appropriated in excess.

The management/Government stated (September/October 2004) that the necessary adjustment would be made after verification.

The Company appropriated excess grants of Rs.1.81 crore by charging inadmissible expenses.

- The project provided for training to farmers for educating them about the benefits of the project and to book expenditure under 'Training' head of the project. It also provided survey of the area and purchase of equipments *etc.* and to book the expenditure under 'Survey & Projection' head of the project. In order to book the expenditure and show the grants as utilised, the Company directed (October 2001) its field offices to book 'travelling expenses' to 'training' and 'vehicles maintenance' to 'survey and projection' head of the project respectively, irrespective of the purpose for which it was spent during 2001-02. Thus, the Company, unauthorisedly charged Rs.63.11 lakh to 'training' and Rs.1.18 crore to 'survey and projection' and appropriated excess grants of Rs.1.81 crore. The Company withdrew (May 2002) this direction on completion of the ninth five-year plan.

- Under Tenth five-year plan commencing from 2002-03, the Company was required to educate the beneficiaries about the benefits of the programme and formulate watershed committees to execute the work. As the Company did not effectively educate the farmers about the expected benefits, the beneficiaries did not volunteer for implementation of the scheme. Consequently, the Company did not execute any work against the target of treatment of 16,395 hectare area during 2002-03. The State Government released rupees nine crore, out of allocation of Rs.17.69 crore to the Company during 2002-03. As the Company could utilise only Rs.41.81 lakh during the year, the balance allocated funds of Rs.8.69 crore

≈ Seventy five *per cent* or more treatment has been completed.

The Company had cumulative unutilised balance of Rs.17.57 crore due to non-execution of the work.

was not released to the Company due to slow progress of the work. The Company had cumulative unutilised balance of Rs.17.57 crore as on 31 March 2003.

The management/Government stated (September/October 2004) that the project envisaged people participation and being first year it was not possible to implement the programme without completion of training at all levels. The reply was not tenable as the Company had failed to educate the beneficiaries about the benefits of the programme.

- The Company did not evolve any system for monitoring and evaluation of the project as envisaged in the project scheme.

Integrated watershed development project

2.13 Integrated Watershed Development (Plains) Project (IWDP), financed by World Bank, was launched in 1990-91 with stipulated date of completion by 31 March 1997. The Company was responsible for implementation of the IWDP in Gujarat. The IWDP was extended up to 31 March 1999 for attaining saturation of watershed taken up by completing left over work and development of new areas contiguous to the watershed. The grants for IWDP was released through the State Government from time to time. The State Government, while releasing grants, prescribed that the expenditure incurred by the Company should not exceed the grants released. The State Government also directed (December 1998) the Company to complete the works and book the expenditure before 31 March 1999, as the IWDP was to be completed by 31 March 1999. It further clarified that under no circumstance budget provision in this regard would be made under any plan scheme of the State Government during 1999-2000.

In violation of the Government's directives, the Company incurred expenditure of Rs.93.06 lakh in excess of the grants.

Despite above instructions of the State Government, the Company incurred an expenditure of Rs.67.85 crore on the project up to 1998-99 against release of Rs.66.92 crore leaving Rs.93.06 lakh recoverable from the State Government. The Company, therefore, approached the State Government (February 2000) to make provision towards reimbursement of expenditure. The State Government (March 2001) enquired reasons for the excess expenditure, the reply, if any, furnished to the State Government was not made available to audit.

Audit further noticed that two[*] divisions of the Company paid Rs.73.30 lakh between April- June 1999 towards soil conservation work during December 1998 to March 1999. The Company, without authorisation of State Government, booked (March 2000) this expenditure (Rs.73.30 lakh) along with Rs.24.43 lakh towards 33.33 *per cent* administrative charges to grants receivable from the State Government. The Company however, did not make any proposal towards reimbursement of Rs.97.73 lakh from the State Government.

Thus, the Company in violation of terms of sanction of the project incurred

[*] Ahmedabad: Rs.33.20 lakh and Rajkot: Rs.40.10 lakh.

unauthorised expenditure of Rs.1.91 crore (Rs.93.06 lakh *plus* Rs.97.73 lakh) which affected the financial position of the Company.

The management/Government stated (September/October 2004) that while making claim for reimbursement in July 1999, expenditure of Rs.73.30 lakh was included. The reply was not tenable because the outcome of the claim is still (September 2004) not known even after expiry of more than five years.

Water related schemes

Village pond scheme

2.14 The State Government directed (June 1996) the Company to deepen village ponds for providing drinking water to the villagers by removing silt therein, to enhance its storage capacity, to check the depletion of ground water and stabilising water supply system of the village. The State Government further directed (July 1996) the Company to take up the activity of deepening of village ponds for providing irrigation under the scheme in consultation with and as per the priority fixed by district collectors.

Audit Scrutiny revealed the following:

Works were undertaken on the recommendation of political leaders.

- The Company directed its field offices to undertake the work on the recommendation of the Member of Parliament / Member of Legislative Assembly / Minister of Agriculture or other political leaders for which there was no justification on record.

- The Company did not carry out any survey to identify village ponds for deepening nor conducted technical scrutiny and cost benefit analysis before taking up the work.

The Company spent Rs.2.63 crore on excess deepening of 166 village ponds.

- The scheme envisaged deepening of one pond in a village. The Company deepened two to seven ponds in 135[◊] villages resulting in excess deepening of 166 ponds during 1999-2002 at a cost of Rs.2.63 crore. The Company has booked expenditure of Rs.19.39 lakh for deepening three to seven ponds in three villages[∈] of Rajkot district but no documentary evidence was made available in support of the works.

- The head office of the Company did not allocate the entire fund to the division office as released by the State Government for the scheme. During 1999-2003 against release of Rs.50.27 crore by the State Government, the head office made allocation of Rs.29.89 crore only to the division offices, which in turn incurred expenditure of Rs.41.45 crore by diversion of fund from other schemes. No justification was available on record for the diversion. This indicated that the head office of the Company did not have effective control over its field offices.

[◊] Two ponds: 113 villages, three ponds: 17 villages, four ponds: three villages, five ponds: one village and seven ponds: one village.
[∈] Malia, Morbi and Chachapar.

The Company diverted grants from other schemes for excessive deepening of ponds in three divisions.

- The Company fixed financial limit of rupees two lakh *per* pond as prescribed by the State Government for deepening the village ponds. The division wise target fixed and physical and financial achievement in respect of village pond scheme during 1999-2003 is given in ***Annexure-10***. As against the target of deepening of 1,869 ponds at Rs.37.39 crore, the Company deepened 2,396 ponds at a cost of Rs.54.81 crore during 1999-2003. Audit noticed that in Ahmedabad, Amreli and Rajkot divisions, the target of deepening ponds was exceeded by 45, 82 and 61 *per cent* respectively by diverting fund from other schemes.

The management/Government stated (September/October 2004) that the excess work was done particularly in Amreli and Rajkot divisions due to scarce condition prevailing and grants were utilised in excess mainly as per recommendation of Member of Parliament/Member of Legislative Assembly and other political leaders.

The reply was not tenable as the Company accepted the recommendations of the political leaders in favour of two divisions at the cost of other water scarce areas like Bhuj and Palanpur divisions. Moreover, the Company was expected to undertake activities within the fund sanctioned for the purpose.

The Company incurred irregular expenditure of Rs.14.91 crore on 1,047 ponds.

- The Company in violation of terms for sanction of grants directed (March 1999) its field offices not to adhere to the prescribed financial limit of rupees two lakh *per* pond but to complete the work in order to increase the ground water level. The Company, however, did not prescribe any norms for completing the works. This direction provided freedom to field offices to work merely on the recommendations of political leaders. This resulted in irregular expenditure of Rs.14.91 crore on 1,047 ponds ranging between Rs.2.02 lakh and Rs.96.38 lakh *per* pond during 1999-2003 and which required sanction of the State Government. The Government has sought (June 2001) justification for incurring excess expenditure. The justification furnished to Government for excess expenditure was not made available to audit.

- The figures of utilisation certificates (UTCs) were casual and lacked supporting evidence. During 1999-2002 against the receipt of grants of Rs.45.17 crore, UTCs were furnished for Rs.56.44 crore. The accounts of Company, however, reflected expenditure of Rs.44.15 crore.

Audit noticed that expenditure shown in UTC was worked out at the rate of Rs.800 per hour on hiring of earthmoving machinery during 1999-2001 against actual rate paid between Rs.450 and Rs.500 *per* hour. This resulted in excess reporting of expenditure in the UTCs to the extent of Rs.10.63 crore.

- During 2001-02, against budgetary provision of Rs.5.10 crore, the Company reported expenditure of Rs.15.79 crore as per UTCs resulting in excess expenditure of Rs.10.69 crore. The State Government stated (July 2002) that the excess expenditure was irregular, which was to be met out of Company's own resources. The Company failed to maintain financial discipline by keeping expenditure within the grants released.

- Under the scheme, no establishment expenditure was admissible. The Company in violation of terms of sanction, debited in its accounts for the year 2001-02, the grants by Rs.5.25 crore towards establishment charges resulting in excess appropriation of grants to that extent.

- The State Government directed the Company from time to time (July 2000 to September 2001) to evaluate the scheme. The Company did not evaluate the benefits derived, even after release of Rs.50.27 crore for deepening of ponds during 1999-2003 by the State Government.

- For deepening of pond, the Company used its bulldozers. The grants received for the scheme were appropriated in excess by Rs.10.11 crore by fixing utilisation charges of bulldozers at higher rates as discussed in paragraph 2.19 *infra.*

Water harvesting structure

2.15 In order to protect rainfed agriculture from erratic and insufficient rainfall, the State Government entrusted (August 1997) a scheme of water harvesting structure (WHS) to the Company. The scheme envisaged creation of structures in arable and non-arable land in the State, to check run off of soil and water.

Audit scrutiny revealed the following:

- The Company incurred expenditure of Rs.62.94 lakh during 1997-2002 in four[o] districts which were not identified in the scheme.

The management/Government stated (September/October 2004) that these districts were taken up because of low rainfall. The reply was not tenable as the Company violated its own guidelines for executing the scheme.

The Company exceeded prescribed limit of rupees two lakh per water harvesting structure in 93 cases.

- The financial limit of rupees two lakh *per* WHS prescribed by the Company was exceeded in 93 cases. This resulted in excess expenditure of Rs.1.28 crore during 1998-2000. The Company observed (September 2001) that due to improper selection of sites, besides excess expenditure there was less storage of rainwater, defeating the very purpose of the scheme.

The management/Government stated (September/October 2004) that the statement of WHS furnished to audit was incomplete. The Company, however, had not furnished complete statement to Audit.

- The scheme envisaged collection of 20 *per cent* of estimated cost as beneficiary's contribution and remaining 80 *per cent* expenditure was to be incurred from the grants. During 1997-2002, the Company executed works of Rs.4.55 crore in arable land of which beneficiary's contribution of Rs.1.14 crore, in the form of cash/labour was recoverable at the prescribed rate of 20 *per cent*. The Company did not maintain separate account for

[o] Porbandar, Kheda, Vadodara and Dahod.

cost contributed by the beneficiaries. In the absence of such records, it could not be ascertained as to whether the Company effected the recovery.

- In case of works executed in non-arable land, 20 *per cent* of estimated cost of works was to be recovered as contribution from beneficiary farmers and was to be deposited in a separate bank account for maintenance of WHS. The Company did not collect and keep any amount although expenditure of Rs.14.92 crore was incurred during 1997-2002. Non-collection of beneficiaries' contribution at the prescribed rate had deprived the Company of Rs.2.98 crore spent on the scheme.

- During 1997-2002, against release of Rs.20.52 crore from the State Government, the Company furnished UTCs for Rs.20.69 crore, whereas accounts reflected expenditure of Rs.19.22 crore.

- The State Government entrusted implementation of the scheme to the Company alongwith existing staff, for which no separate administrative charges were admissible. In violation of terms of sanction, the Company had appropriated grants of Rs.6.41 crore towards administrative charges on works of Rs.19.22 crore undertaken during 1997-2002.

Farm pond scheme

2.16 The rainfed agriculture in the State was protected through collection of rain water in small ponds from erratic and insufficient rain. The ponds so excavated were named Farm pond / *Khet Talavadi*. The State Government directed (September 1995) the Company to take up the scheme.

Audit scrutiny revealed the following:

For optimising benefits of rain water storage, the scheme provided plantation of tree and pasture development on banks of farm pond besides stone pinching at the inlet and outlet of the farm ponds. The Company did not carry out such works resulting in rapid silting of the ponds.

The scheme envisaged collection of 15 *per cent* of cost of farm ponds as beneficiary farmers' contribution in form of cash or labour work and remaining 85 *per cent* expenditure was to be met out of grants. On the works expenditure of Rs.31.59 crore incurred by the Company during 1997-2003, beneficiary farmers' contribution of Rs.5.57 crore was recoverable. The Company did not maintain proper records to indicate that the recovery was effected from the farmers under the scheme.

The Company unauthorisedly appropriated administrative charges of Rs.8.23 crore.

The scheme does not provide for recovery of administrative charges. The Company, in violation of terms of sanction, appropriated administrative charges of Rs.8.23 crore at 33.33 *per cent* on the soil works of Rs.24.70 crore incurred during 1997-2002. The unauthorised inclusion of administrative charges of Rs.8.23 crore had resulted in excess drawal of grants to that extent.

The management/Government while accepting the fact of irregular appropriation of grants stated (September/October 2004) that it was done for meeting establishment expenditure. The reply was not acceptable, as the Company should have utilised the fund for the purpose for which it was sanctioned.

Flood relief scheme

2.17 The State Government released (March 2001) Rs.6.67 crore to the Company for providing compensation to farmers of Mehsana district for reclamation of land affected due to flood in 1997. As certain portion of Mehsana district was included in newly restructured Patan, Mehsana and Gandhinagar districts, the Company released (April 2001) Rs.3.49 crore, Rs.2.99 crore and Rs.19 lakh to the respective District Collectors, based on their requests.

Audit noticed that based on the financial limit of Rs.1,500 *per* hectare prescribed by State Government for claim of compensation for reclamation of 15,111 hectare land by Collector of Patan, the release of fund should have been restricted to Rs.2.27 crore. The District Agricultural Officer, Patan who was responsible to recommend claim stated (January 2002) that the actual compensation was given for 9,361 hectares. Thus, for 9,361 hectares land, the compensation works out to Rs.1.40 crore.

The Company's failure to exercise proper financial control resulted in excess payment of grants of Rs.2.09 crore (Rs.3.49 crore *minus* Rs.1.40 crore). The Company did not have details for compensation of Rs.3.18 crore paid to Mehsana (Rs.2.99 crore) and Gandhinagar (Rs.19 lakh) district collectors even after lapse of more than three years (April 2004).

Evaluation of schemes

2.18 The Company did not evolve a system for periodical evaluation of schemes for analysing the bottlenecks, if any, experienced during the execution for suggesting mid course corrections. Though the State Government released (March 1998) Rs.10 lakh for evaluation of all the schemes, the Company did not conduct evaluation except farm ponds, national watershed development project for rainfed area and k*yari* scheme. In the absence of evaluation, it could not be ascertained whether the achievement confirmed to the targets/objectives set forth and was commensurate with the expenditure. The evaluation report in respect of farm ponds and *kyari* scheme was not made available to audit.

Fixation of higher rates for utilisation of bulldozers

2.19 The bulldozers were utilised for soil conservation activity entrusted by the State Government, farmers and other agencies on deposit works basis. The Company had 76 bulldozers as on 31 March 2003 (including five procured from Ministry of Defence in 2000).

The State Government issued (October 1980) direction for fixation of rate of machinery to be hired departmentally and by the contractors. Depreciation, repairs charges, actual charges of petrol, oil, lubricants (POL) and pay and allowances including travelling allowances of personnel operating were to be included as an element of cost, when machinery were hired departmentally. The State Government also directed that the elements of interest, supervision charges and any unforeseen items should not be considered as an element of cost.

The Company fixed rates for hiring of bulldozers from time to time. The State Government while approving the rate proposed by the Company had not compared with the elements of cost as per its instructions of October 1980, which resulted in fixation of higher rate.

Rates for bulldozers having capacity up to 90 HP were fixed in October 1997 at Rs.600, Rs.750 and Rs.800 *per* hour for agriculture, non-agriculture and chemical usage respectively. The same were revised (December 2001) to Rs.800, Rs.950 and Rs.1,050 *per* hour respectively. The Company charged in village pond scheme at Rs.800 per hour up to March 2002 and Rs.1,050 *per* hour thereafter. The details of elements considered by the Company *vis-a-vis* worked out in Audit are given in ***Annexure*-11**.

The scrutiny of elements of cost considered by the Company while fixing the rate revealed that the rate *per* hour could have been fixed at Rs.400 and Rs.550 against Rs.800 and Rs.1,050 fixed by the Company in October 1997 and December 2001 respectively. This can be further evident from the fact that during 1999-2001, the Company hired earthmoving machinery from private agencies at the rate between Rs.450 and Rs.500 per hour. The arbitrary and higher fixation of rates of bulldozers resulted in excess appropriation of grants of Rs.10 crore under village pond scheme as mentioned in paragraph 2.14 *supra* for 2.40 lakh hours operated during April 1999 to June 2003.

Similarly, the Company fixed (December 2001) rates for bulldozer having 165/180 HP capacity at Rs.1,600, Rs.1,900 and Rs.2,100 *per* hour respectively for agriculture, non-agriculture and chemical usage. The revised rates were made applicable by the Company from 1 April 2002. The scrutiny of records revealed that the rate *per* hour could have been fixed at Rs.1,100 against Rs.2,100 *per* hour fixed by the Company as detailed in ***Annexure*-11**. The rate fixed by Irrigation Department of the State for such bulldozer was Rs.1,066 *per* hour during 2001-2002. This shows that the Company had arbitrarily fixed higher rate for bulldozer. This has resulted in excess appropriation of grants under village pond scheme as mentioned in Paragraph 2.14 *supra* by Rs.10.64 lakh during April 2002 to June 2003.

Thus, the fixation of rates of bulldozers on higher side resulted in excess appropriation of grants under village pond scheme to the extent of Rs.10.11 crore.

The management/Government stated (September/October 2004) that administrative cost of Rs.347/ Rs.514 per hour was worked out considering pay and allowance of staff indirectly associated with machinery. The reply was not tenable as norms fixed by the State Government were specific and only allowed cost of staff directly associated with bulldozers.

Surplus fund

Loss due to violation of Government's directives

2.20 The State Government issued (December 1999) instructions to all State Public Sector Undertakings (PSUs) to place surplus fund 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 by the State Government that the surplus fund would mean any operating surplus with PSUs in the form of cash in current accounts with bank or otherwise and would be required by PSUs in future date even after one day. Underlying objective of the instructions was to enable PSUs to get some return on surplus fund, which would otherwise be kept in current account. Fund placed with GSFS under the scheme was withdrawable on one day notice.

A test check of records in audit revealed that during April 2000 to August 2003, the Company kept fund ranging from Rs.47.90 lakh to Rs.23.90 crore in five current accounts with four[⊗] nationalised banks in Gandhinagar. As the Company could assess the liability in advance for making payments, retention of such fund in current accounts lacked justification.

Failure to invest surplus fund as per Government's directives resulted in interest loss of Rs. 88.67 lakh.

The Company could have invested surplus fund ranging from Rs.22.90 lakh to Rs.23.65 crore, even after retaining a minimum balance of Rs.25 lakh daily in current accounts for meeting urgent requirements. Had the Company invested the surplus fund in the scheme of GSFS, it could have earned an interest of Rs.88.67 lakh (calculated at the rate of 1.96 to 11 *per cent* on daily balance offered by GSFS for the scheme) during the period.

The management/Government stated (September/October 2004) that it would take due care to keep minimum balance with bank and deposit surplus fund with GSFS.

Recovery of dues from farmers

2.21 Soil conservation schemes of State Government, undertaken by the Company in arable land, provided recovery of 25 to 50 *per cent* of cost of soil conservation work from beneficiary farmers. This was to be treated as loan and recoverable in eight annual instalments after moratorium period of two years along with interest at the rate of four to eight *per cent*.

The concerned charge office after completion of the work was required to prepare a completion report stating therein cost of soil conservation work undertaken, survey number, amount recoverable, period, name of farmer, etc. After obtaining approval of sub-division office of the Company, the same was to be included in recovery statement showing amount recoverable from beneficiary farmers.

Audit observed that there was inordinate delay in preparation of completion report by the Company. As on August 2003, there were 26,880 completion reports pending for preparation since January 1990, reasons for which were

[⊗] State Bank of India, State Bank of Saurashtra, Union Bank of India and Punjab National Bank.

The Company could recover only Rs.24.50 lakh, out of Rs.11.67 crore due for recovery.

not available on record. The Company had neither consolidated position of work done and amount recoverable from farmers nor established any recovery mechanism for enforcing recovery from the beneficiary farmers. Out of Rs.11.67 crore due for recovery for 1990-2000, the Company recovered (December 2003) Rs.24.50 lakh, which is only two *per cent* of the dues.

The *Paramarsh* Committee appointed by the Company (April 2000) to streamline the working observed that there was inordinate delay in preparation of completion report. The Committee observed that the duties of recovery of loan from farmers solely rested with field assistants without proper monitoring and supervision. The Committee expressed concern about wilful and malafied inaction of the employees.

The management/Government stated (September/October 2004) that the farmers did not pay loan due to their poor economic condition and waiver of loan by State Government in past.

The reply was not tenable as the dues were recoverable as per agreements and the Company had not made concerted efforts to recover the dues.

Audit further noticed that the Company did not take effective steps for recovery of Rs.14.62 lakh from Collector, Mehsana towards village ponds desilted during October 1997 even after a period of more than six years.

Internal control system and internal audit

Internal control system

2.22 The Company fixed scheme wise target for its divisions based on the allocation of grants by State Government/ Central Government. At the close of the year, the Company prepared a statement showing shortfall/excess in achievement. However, the Company did not analyse the reasons for variance to take corrective action. The Company did not have effective internal control system for enforcement of its decision by subordinate offices mainly due to absence of well defined responsibility areas.

For execution of soil conservation works, fund was released to field offices by head office of the Company. Field assistant in the charge office carried out the works by engaging labours. Muster rolls were required to be maintained for the labourers engaged and the payments to them were to be made by field assistant in the presence of the field supervisor, who is also required to measure 25 *per cent* of soil conservation work executed. However, due to ineffective control of the Company, there were 152 cases of serious irregularities during 1999-2004 which included recording of measurements and making payments without actual execution of works, recording measurements and making payments in excess of actual quantity executed, execution of works without having approval of the competent authority and execution of works without preparation of the estimates, misappropriation through tampering with vouchers and other records, production and recording of fictitious vouchers, making payment before receipt of fund, *etc*. Test check of 18 out of 152 cases mentioned above revealed that:

- Charge sheets were issued after delay ranging between 15 and 84 months.

- The inquiries against defaulting employees were completed after delay of 16 to 56 months against prescribed time limit of eight months.

- Recoveries were ordered after delay of six to 13 months of receipt of inquiry report.

- Recoveries of Rs.24.49 lakh were ordered during February 2001 to February 2004 of which Rs.0.40 lakh only was recovered (May 2004).

- Recovery of Rs.1.55 lakh (three cases) could not be effected (May 2004) as one erring employee had retired and two employees were repatriated to the parent department.

- In violation of the direction of the State Government, two defaulting employees were posted (June 1997 and October 2003) at sensitive posts involving financial transactions.

Audit further noticed that there were 11 cases of alleged corruption, malpractice, misappropriation and misuse of Government property, against erring employees of the Company (March 2004) wherein preliminary inquiry was pending for four to 62 months after considering grace period of four months prescribed under Gujarat State Service Rules. Inordinate delay in inquiry would provide erring employees further chance of corruption or help them in tampering with records. The reasons for the delay were not on record.

Internal audit

2.23 The Company does not have its own internal audit wing. However, the Company has been appointing Chartered Accountants as internal auditors for checking of financial records at head office and field offices. Despite instructions (October 1994) of the State Government, internal auditors' reports were not placed before the Board of Directors during 1999-2003. Up to 1998-99, soil conservation work, the core activity of the Company was not covered by internal audit. Though the internal auditors reported deficiency in the system of granting advance to staff, custody of cash, ascertainment of obsolete stores, the Company did not take corrective measures. The following major irregularities were pointed out, for which no recovery/action was taken against the concerned employee by the Company (May 2004).

- In Surendranagar sub-division, the farm pond works (Rs.11.51 lakh) included excavation of three to six feet deep pit. The execution was shown as done by engaging tractors, which was not practical.

- Beneficiary’s contribution was not collected.

- Payment was made for checking 62,000 to 84,000 running meters soil work in a day by field supervisor. Such checking was not feasible in a day.

The Statutory Auditors during finalisation of accounts for 1999-2002 observed, that the internal audit was not commensurate with the nature and size of the Company. The system of working out the amount of loan due from farmers and its recovery was very poor.

The management/Government stated (September/October 2004) that pending internal audit objections for the years 2001-03 would be placed in Audit Committee meeting in short time.

Surplus manpower

2.24 With curtailment of certain soil conservation schemes, the Company restructured its establishment and identified (February 1998) 727 surplus employees. Considering future growth of the Company, it was decided (February 1998) to repatriate 532 surplus employees to their parent department. The State Government reiterated (April 1999) earlier direction of February 1998 for easing out surplus employees. The Company decided (December 2001) to introduce Voluntary Retirement Scheme (VRS) but it did not implement the same. Despite direction of State Government, the Company did not make concerted efforts (January 2004) to downsize its establishment.

The Company incurred extra expenditure of Rs.3.15 crore on surplus manpower.

The Company had 297 employees on deputation (December 2003) and as such it could have eased out them merely by non-renewal of their tenure of deputation. The Company's inaction resulted in avoidable payment of Rs.3.15 crore towards pay and allowances for surplus employees in six cadres ranging from 66 to 95 during 1998-2003.

The management/Government stated (September/October 2004) that due to financial crunch, VRS could not be implemented. After completion of repatriation of employees, actual requirement would be ascertained. The reply was not tenable as delayed repatriation/VRS would further aggravate the problem of higher administration cost.

Conclusion

The Company engaged in soil conservation activity in the State since March 1978, deviated from the terms of sanction of the grants received from State Government for various schemes, resulting in excess appropriation of grants towards pay and allowances and administrative charges and curtailment of soil conservation activity. Also, absence of a recovery mechanism from beneficiary farmers resulted in accumulation of dues. Lack of internal control in execution of soil conservation works led to serious irregularities. Direction of the State Government to ease out surplus staff had not been implemented.

The Company should adhere to the terms and conditions of the grants, develop system of monitoring and evaluation of the schemes and bring down its establishment expenditure. The Company should evolve a

recovery mechanism and make concerted efforts for recovery of loan from farmers. The internal control mechanism in the Company needs to be improved and internal audit needs to be strengthened for prevention of irregularities.

CHAPTER - III

3. Review relating to Statutory corporation

Gujarat Electricity Board

Material Management and Inventory Control in Thermal Power Stations

Highlights

Gujarat Electricity Board owns and operates six thermal power stations which constituted 97 *per cent* of the total power generated by the Board during 1999-2004.

(Paragraph 3.1)

Restricted supply of low sulphur heavy stock oil on account of abnormal delay in finalisation of its price with Indian Oil Corporation Limited resulted in generation loss of Rs.102.45 crore.

(Paragraph 3.7)

Delayed purchase of cupro nickel tubes (Rs.1.93 crore) and economiser coils (Rs.4.25 crore) coupled with delayed replacement resulted in generation loss of Rs.25.32 crore.

(Paragraphs 3.10 and 3.11)

Non availability of spare generator transformer resulted in generation loss of Rs.122.08 crore.

(Paragraph 3.12)

Non maintenance of stock of induced draft fans impellers resulted in generation loss of 43.42 million units valuing Rs.8.48 crore.

(Paragraph 3.13)

Procurement of material without planning resulted in blocking of Rs.82 lakh with consequential interest loss of Rs.29.52 lakh.

(Paragraph 3.16)

Introduction

3.1 Gujarat Electricity Board (Board) owns and operates six thermal power stations (TPS). Four[ϒ] TPSs are coal based, one TPS (Panandhro) is lignite based and one TPS (Dhuvaran) is operated on low sulphur heavy stock (LSHS) oil. The only gas based power station at Utran (UGBPS) was transferred (August 2002) to Gujarat State Electricity Corporation Limited (GSECL), a subsidiary of the Board. As of March 2004 the total installed capacity of all the six TPSs was 3,759[υ] Mega Watt (MW). The power generated from six TPSs was 1,07,350 MU[♦] and constituted 97 *per cent* of total power of 1,10,866 MU generated in the State by the Board during 1999-2004.

Organisational set up

3.2 The Board of members of Gujarat Electricity Board consisted of three nominated members and three full time members headed by the Chairman. The generation section of the Board looks after the purchase of generation materials (May 2000), which was earlier looked after by Store Purchase Section. The materials utilised commonly by generation, distribution and transmission sections are procured by store purchase section. The Chief Engineer (Generation) under the administrative control of the Executive Director (Generation, Project and Planning) and Member (Technical) heads the generation section and is assisted in purchase function by two Superintending Engineers (SE), four Executive Engineers (EE) and eleven Deputy Engineers (DE):

Scope of Audit

3.3 Matters related to 'Fuel Costs' and 'Material Management and Inventory control of Transmission and Distribution Materials' were last reviewed in the Reports of the Comptroller and Auditor General of India for the year ended 31 March 2001 and 31 March 2002 (Commercial) – Government of Gujarat respectively. The review on 'Fuel Costs' has been taken up for discussion by the Committee on Public Undertakings (COPU), while the review on 'Material Management and Inventory control of Transmission and Distribution Materials' was pending for discussion (September 2004).

The observations of the present review conducted during October 2003 to March 2004 covers the procurement, consumption and utilisation of generation materials (including fuel during 2001-04), inventory control, disposal of scrap and accounting of generation materials of six TPSs covering a period of five years up to 2003-04 which were not reported in the earlier reviews. The audit findings as a result of test check of records of six TPSs are discussed in succeeding paragraphs.

[ϒ] Gandhinagar (GTPS), Sikka (STPS), Ukai (UTPS), Wanakbori (WTPS).

[υ] Dhuvaran 534, Gandhinagar 660, Panandhro 215, Sikka 240, Ukai 850, Wanakbori 1260.

[♦] Million Unit.

The audit findings of the present review were reported to Government/ the Board in May 2004 with a specific request for attending the meeting of Audit Review Committee for State Public Sector Enterprises (ARCPSE) so that viewpoints of Government/ Board could be taken into account before finalising the review. The meeting of ARCPSE was held on 10 September 2004 with officials of State Government and the Board and their viewpoints have been duly incorporated in the review.

Material management

3.4 Material management is an integrated management approach to efficient planning, economic procurement and effective utilisation of material inputs with a view to control material cost and inventories to ensure uniform flow of materials of requisite quality and quantity at the appropriate time with minimum storage cost.

Purchase procedure

3.5 The Board has a store purchase code detailing the purchase procedure in relation to invitation and finalisation of tenders, delegation of powers and bifurcation of materials between centralised and local purchases. The Board adopted a purchase policy in October 2000 to streamline the purchase procedure like classification of new and regular parties, price evaluation, requirement of technical specifications, negotiations and quantity distribution. 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 when declared technically acceptable as per technical bid.

Deficiencies in purchases

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

- Delay in finalisation of tenders against prescribed norms,
- Incorrect assessment of requirement by user departments leading to delayed purchase and
- Absence of procedure of pre-despatch inspection of materials.

Fuel purchase

Generation loss due to short receipt of oil

3.7 DTPS mainly uses low sulphur heavy stock oil (LSHS) as the primary fuel for generation of electricity. The LSHS was supplied by Indian Oil Corporation Limited, Vadodara (IOC) after advance payment at mutually agreed (20 April 1998) rate of Rs.4,200/4,400 *per* MT valid for 60 days. The Board was required to take up the issue with Ministry of Petroleum, Government of India (GOI) within the validity period for finalisation of the price acceptable to IOC. The Board, however, did not take up the matter with GOI to get the prices fixed in lieu of *ad hoc* prices within the validity period and continued payment at *ad hoc* rates.

The short receipt of LSHS oil resulted in power generation loss of Rs.102.45 crore.

Due to non finalisation of the price, IOC restricted the supply of LSHS oil to 20,000 MT *per* month against the requirement of 50,000-60,000 MT *per* month during June-December 2001. Consequently, DTPS was operated either on partial load or by closing down one or more units. The prices were finalised (24 November 2001) with retrospective effect (1 October 2001) and the supply of LSHS oil could be normalised by December 2001. The short receipt of LSHS oil resulted in loss of power generation of 463.592 MUs valuing Rs.102.45 crore during June-December 2001.

The Government/ Board accepted (August/October/November 2004) that the generation was restricted due to restricted supply of LSHS oil by IOC pending finalisation of LSHS oil prices.

Procurement of materials

3.8 The bulk of materials are purchased centrally by the head office of the Board based on annual/ urgent indents received from power stations. The material purchased is delivered to the power station depending on the indents. Items not specified for bulk purchase are procured locally.

The year wise material purchased for TPS during 1999-2004 was Rs.174.11 crore, Rs.93.29 crore, Rs.113.08 crore, Rs.163.96 crore and Rs.160.23 crore respectively.

Delay in finalisation of tenders

Delay in finalisation of tenders ranged between 31 and 380 days.

3.9 Store purchase code requires finalisation of tenders within the validity period of 120 days from the date of opening of tenders. In exceptional cases the firms may be requested to extend the validity period where the finalisation is likely to get delayed. A test check of tenders finalised during 1999-2004 revealed that there was delay in 29 (45 *per cent*) out of 65 tenders. This included 20 tenders (28 *per cent*) where the delay ranged from 31 to 380 days. This led to generation loss of Rs.258.33 crore, as discussed in the succeeding paragraph.

Loss due to delay in procurement of condenser tubes

3.10 Bharat Heavy Electricals Limited (BHEL)'s manual for stage I of Wanakbri thermal power station (WTPS) provided that the condenser tubes fitted in stage I comprising unit I, II and III were to be replaced by complete set of new tubes whenever the pluggings exceeded ten *per cent* of the total installed quantity of condenser tubes. The WTPS was experiencing leakages in condenser tubes since 1994 in all the three units of stage I. So, WTPS planned to replace the condenser tubes in annual overhaul (AOH) schedule to be carried out during 1998-99.

WTPS placed (July 1998) indent with head office for procurement of 15,620 cupro nickel condenser tubes (tubes) and for early receipt of the same, proposed to place repeat order on previous suppliers, who were to supply tubes for replacement in unit III. WTPS reviewed and revised (December 1998) the already indented quantity to 9000 tubes and enquired (17 July 1999) for procurement of tubes from suppliers of previous purchase orders for supply of 9000 tubes on the same terms and conditions. Though the suppliers agreed to supply the requisite quantity on existing terms and conditions, orders could not be placed due to lack of approval of the competent authority. Due to non-availability of tubes the capital overhaul (COH) of unit I scheduled from 15 October 1999 was postponed to December 1999.

The Board issued (November 1999) letters of intent (LOI) to three[÷] parties for supply of 9000 tubes. Gujarat Cypromet Limited, Mumbai (GCL) accepted the LOI and the Board placed (December 1999/April 2000) two orders for supply of 2550 tubes. The complete supplies were received during July - November 2000. On receipt, tubes were partially replaced in unit I to the extent of availability and the shortfall was met by refitting 364 number plugged leaky condenser tubes.

Chief Engineer (Gen.), head office sought (April 2000) confirmation of exact requirement of tubes from WTPS. The requirement of 6800 tubes was informed (April 2000) for unit I and II. The Board received complete supplies of tubes costing Rs.1.93 crore during July-November 2001.

Due to phased receipt of supplies the tubes of unit I were partially replaced in AOH of July-August 2001 and balance tubes in AOH of June-July 2002 and total replacement of tubes of unit II in AOH of February-March 2003.

Delay in procurement of condenser tubes resulted in generation loss of Rs.4.12 crore.

Thus, non placement of repeat orders on previous suppliers and abnormal delay in procurement of condenser tubes during 1998-2003 resulted in delayed replacement of tubes. This resulted in forced outages during May 1999 to May 2003 in unit I and II of WTPS with consequential generation loss of 21.405 MUs amounting to Rs.4.12 crore.

The Government/ Board accepted (August/October/November 2004) that delayed finalisation of tenders resulted in phased replacement of tubes and stated that the generation loss was due to high ambient temperature in summer season and air ingress in vacuum system due to 15 years of operation.

The reply was not tenable as generation loss was not suffered due to high ambient temperature in summer season but due to ageing effect of set of tubes and cooling system coupled with abnormal delay in replacement of set with new tubes that resulted in air ingress in vacuum system.

[÷] 2250 tubes each to Gujarat Cypromet Limited, Sanand and Multimetal Limited, Kota and 4500 tubes to Alcobex Metals Limted, Jodhpur.

Loss due to delay in procurement of economiser coils

3.11 The economiser coils of unit I, II and III of WTPS were of continuous finned type which got eroded fast due to flue gas passing through it. The erosion was faster as the flue gas contained more ash particles than designed which resulted in thinning of tubes and consequent operational failures.

Power Finance Corporation (PFC) sanctioned (November 1998) a loan of Rs.7.92 crore for replacement of economiser coils in unit I, II & III at WTPS under renovation and modernisation programme (Phase-II) of IX five year plan. Government of Gujarat approved (December 1998) the proposal in principle. The Board administratively approved (February 1999) and planned to replace existing continuous finned type coils with fin free coils in all three units during AOH of 1999-2000 to avoid unexpected failures from non-approachable locations at an estimated cost of Rs.10.10 crore. The Board placed (August 1999) orders on BHEL for design, supply, erection and commissioning of economiser coils of unit I and II only at the end cost of Rs.8.83 crore to meet the immediate requirement. The work of unit III was deferred for next year's programme to consider other parties. The work of unit I and II was completed in February and October 2000 respectively. The Board decided (February 2001) to replace economiser coils of unit III at the end cost of Rs.4.25 crore and placed (March 2001) the order on BHEL as the job was of critical nature and BHEL being the original designer, manufacturer and supplier. The coils (182 nos.) were supplied (April 2001) and replaced during COH (August-December 2002) of unit III.

Non placement of combined order for economiser coils of all the units resulted in generation loss of Rs.21.20 crore.

Thus, non placement of order for economiser coils of unit III along with unit I and II delayed the purchase of coils. Consequently replacement thereof was delayed resulting in forced outages during February 2001 to July 2002 due to which the Board suffered generation loss of 94.22 MUs amounting to Rs.21.20 crore.

The Government/ Board stated (August/October/November 2004) that the replacement work of economiser coil in unit III could not be taken up along with the work of unit I and II as all machines could not be taken out of service to meet the power demand. The performance of replaced coils of unit I and II was also to be observed.

The reply was not tenable as all the units are never taken out of service simultaneously and coils could be replaced in ensuing AOH (January-February 2001) of unit III to avoid further generation loss. The site engineer never reported satisfactory performance but reported (November 2000) satisfactory completion of replacement of coils in unit I and II.

Loss due to non-maintenance of spare generator transformer

3.12 A generator transformer (GT) of 140 MVA 13.8/ 240 Kilo Volt (KV) failed at Ukai thermal power station (UTPS) during synchronisation of 120 MW unit I on 23 August 2001 and the unit was not available for generation of electricity. The said GT was used for stepping up the electricity generated at 13.8 KV to 220 KV suitable for transmission. The Board did not keep spare

GT between four identical units wherein same ratings GT were in operation in spite of past experience of GT failures at Wanakbori and Dhuvaran TPS in January 1989 and February 1999 respectively, wherein spare GTs were maintained to avoid generation loss. The Board issued (September 2001) limited tender enquiry for procurement of GT within three months or earlier. The tender was finalised (20 December 2001) in four months (6 September 2001 to 20 December 2001) when Asea Brown Boveri Limited (ABB) offered to supply the GT within least delivery period of five months and at the least cost of Rs.2.73 crore. The Board agreed and issued (21 December 2001) LOI and the detailed order was issued (2 February 2002) at the end cost of Rs.2.73 crore with delivery period of five months from date of LOI. The new transformer was finally commissioned in unit I at UTPS on 24 May 2002.

Lack of spare GT resulted in generation loss of Rs.122.08 crore.

Thus, due to lack of spare GT, the unit I of UTPS remained idle for 274 days (23 August 2001 to 23 May 2002). This resulted in generation loss of 552.38 MUs amounting to Rs.122.08 crore.

The Government/ Board stated (August/October/November 2004) that GT is not kept spare unless and until the exigency arises. The reply was not acceptable as non-maintenance of spare GT for contingencies involving huge generation losses lacked planning. Further, necessity of spare GT was evident from GT failures at Wanakbori and Dhuvaran for which spare GT were kept at respective TPS. The repaired GT of Ukai TPS was commissioned in lieu of failed GT at Gandhinagar TPS (GTPS) unit II within one month.

Loss due to non-maintenance of spare impellers

3.13 Unit I and II of GTPS have two induced draft (ID) fans in each unit. These ID fans handle flue gas alongwith ash contents beyond the designed parameters on continuous basis. Therefore, impellers were subject to heavy wear and tear resulting in vibrations beyond specified limits, which damaged the shafts and bearings of ID fans. So bearings of ID fans were required to be changed frequently causing forced outages. Since no stock of spare impellers was maintained and supply of new impeller was likely to take longer time, the Board decided (November 1999) to re-blade the impellers to avoid forced outages/ generation loss. Accordingly, the work of re-blading was awarded in batches of three impellers in two spells (February 2000 and June 2000) which were received back (27 December 2002 and 3 May 2001) after 844 and 116 days respectively. This exercise was carried out due to non-maintenance of spare impellers being a critical spare for smooth functioning of the units.

Lack of spare impellers resulted in generation loss of Rs.8.48 crore.

Thus, lack of spare impellers resulted in forced outages in unit I and II of GTPS during May 2000 and April 2001. This resulted in generation loss of 43.42 MUs amounting to Rs.8.48 crore®.

The Government/ Board accepted (August/October/November 2004) that there was no spare ID fan impeller as per the original power plant design, hence the generation loss could not be avoided.

® At the average realisation rate of respective years.

Inventory control and store management

Non-fixation of stock limits

Stock levels were not fixed to have effective control over inventory.

3.14 The stock position of the six[◊] TPSs for the five years ending March 2004 is given in ***Annexure-12***. The closing stock represented 623 to 1,115 days consumption in respect of Panandhro TPS with generation capacity of 215 MW as against the closing stock of 55 to 307 days consumption in terms of value during the same period in Wanakbori TPS with generation capacity of 1,260 MW. The Board had not fixed inventory levels *viz.*, safety stock, reordering level, minimum and maximum level for effective control over inventory in TPSs. As a result, there was wide variation in closing stock levels without relevance to generation capacity during 1999-2004.

The Government/ Board stated (August/October/November 2004) that purchases are controlled for minimum periodical requirements after considering quantity in stock, orders placed and pending orders. The reply was not tenable as non-fixation of inventory levels resulted in high closing stock levels between 55 and 1,115 days' consumption in terms of value.

Stagnant Stores

3.15 The table below indicates position of closing stock of six[◊] TPSs stores reported in monthly inventory control return (MICR) held at the end of each year during 1999-2004:

(Rupees in lakh)

Particulars	1999-00	2000-01	2001-02	2002-03	2003-04[Ω]
Stagnant stores:					
Slow moving stores	859.23	950.54	1,025.28	1,300.76	1,343.14
Non moving stores	761.65	722.15	1,340.66	1,262.85	1,032.49
Defective and repairable stores	6.30	6.30	6.30	6.30	3.47
Total stagnant stores	**1,627.18**	**1,678.99**	**2,372.24**	**2,569.91**	**2,379.10**
Active stores	4,637.87	4,488.93	4,718.78	4,597.68	4,254.49
Total inventory	**6,265.05**	**6,167.92**	**7,091.02**	**7,167.59**	**6,633.59**
Percentage of stagnant stores to total inventory	25.97	27.22	33.45	35.85	35.86

Stagnant stores increased from 25.97 to 35.86 *per cent* during 1999-2004.

It may be seen from the above table that stagnant stores increased from 25.97 to 35.86 *per cent* during 1999-2004. This resulted in blocking of fund of Rs.23.79 crore during 2003-04 in stagnant inventory as against Rs.16.27 crore in 1999-2000.

An analysis of the stock held in TPS revealed that no norms were prescribed for classification of stock into active, slow and non-moving but off late the

[◊] Dhuvaran, Gandhinagar, Panandhro, Sikka, Ukai, Wanakbori.
[Ω] Figures for 2003-04 are provisional.

Board decided (February 2003) that items of power station store office (PSSO) be classified as:

- Active for the period up to one year from the date of recording;
- Items lying idle for period exceeding one year be classified as slow moving; and
- Items remaining idle for period exceeding four years may be classified as non-moving.

In the absence of any uniform policy, all TPSs followed different basis for above mentioned classification and the decision of February 2003 was also not implemented (August 2004). In a test check of TPS stores records, Audit noticed the following deficiencies/ discrepancies in classification of stock:

- In GTPS, aluminum and copper cable valuing Rs.12.39 lakh were issued in December 2003 from PSSO but the same were classified as non-moving instead of active.
- In UTPS, various items valued rupees five crore were received from BHEL in April 2003 to be commissioned in the forthcoming shut down of unit III and IV were classified as non-moving instead of active.

This shows that there was no system of proper classification of stores material and the inventory position was not effectively monitored through MICR.

The Government/ Board accepted (August/October/November 2004) that the deviations observed were due to system deficiency, which would be improved on implementation of new computerised system.

Procurement of material without immediate requirement

3.16 The Board placed (December 2000) an order on BHEL for supply, erection and commissioning of damaged internals of Pass-B[ω] at GTPS unit V at a cost of Rs.1.29 crore. The work was to be completed within 45 days from the date of issue of work commencement order. BHEL supplied material valuing Rs.82 lakh during January-March 2001. The Board had not issued any work commencement order on the ground that time asked by BHEL for supply and erection was very long (105 days) and it was not possible to shut down the machine.

Procurement of materials without proper planning resulted in interest loss of Rs.29.52 lakh.

Thus, procurement of material without planning for its utilisation resulted in blocking of Rs.82 lakh with consequential interest loss of Rs.29.52 lakh[ℵ]. Besides, performance guarantee which was valid for 18 months from the date of supply has also lapsed.

[ω] A part of electrostatic precipitators.
[ℵ] Worked out @ 12 *per cent* per *annum* at the minimum borrowing rate during 1999-2004.

The Government/ Board stated (August/October/November 2004) that due to system demand the necessary outage was not given. The material is proposed to be utilised in ensuing capital overhaul of the unit planned in 2005-06. The reply was not acceptable as orders were placed without proper planning.

Non-reconciliation of stores ledger with financial accounts

3.17 There is no system of reconciliation of quantitative stores ledger with the priced store ledger and with financial accounts of the power generating units.

The table below shows value of closing stock as per financial accounts and stores ledger in six TPSs at the end of each year during 1999-2004:

(Rupees in lakh)

Closing stock as per:	1999-2000	2000-01	2001-02	2002-03	2003-04[∇]
Financial accounts	6,917.50	7,093.30	7,321.59	7,280.38	7,852.45
Store accounts	6,265.05	6,167.92	7,091.02	7,167.59	6,633.59
Difference	**652.45**	**925.38**	**230.57**	**112.79**	**1,218.86**

As seen from the above, the value of stock as per financial accounts was excess by Rs.6.52 crore to Rs.12.19 crore during 1999-2004. Lack of reconciliation resulted in incorrect accounting of stores.

Operation and maintenance expenditure

3.18 ***Annexure*-13** indicates the TPS wise power generated, operation and maintenance expenditure and cost per MU of generation during 1999-2004.

A review of the O and M expenditure of six TPSs during 1999-2004 revealed that the expenditure *per* MU of generation varied widely and ranged from Rs.5.88 lakh to Rs.27.16 lakh. Further, the expenditure on store and spares against *per* MU of generation was also varying and ranged between Rs.8,000 to Rs.56,000. The Board had not fixed any norms as a result no control on such expenditure could be exercised.

Store management

3.19 Efficient store management requires maintenance of adequate quantity of materials in stock, issue of material without delay and regular monitoring of utilisation of materials, timely replacement of rejected materials and disposal of scrap material at regular intervals to prevent deterioration in quality and value of scrap. A test check of the six PSSO revealed the following deficiencies:

Non replacement of rejected materials

3.20 The thermal power stations place orders locally for purchase of materials required by TPS. The user department verifies the material to ascertain that the material is in accordance with the technical specifications of

[∇] Figures for 2003-04 are provisional.

Rejected materials valuing Rs.63.40 lakh were lying unreplaced.

the order. Stores purchase code of the Board prescribes that stores not received in accordance with the technical specifications, should be rejected outright and the firm should be informed accordingly within ten days from the date of receipt of material. As on 31 March 2004, material costing Rs.63.40 lakh received through 165 purchase orders up to November 2003 were lying rejected in four TPSs. The details are given below:

(Amount rupees in lakh)

Name of TPS	Number of purchase orders	Material received during	Amount
Ukai	37	Up to September 2003	9.95
Gandhinagar	73	May 1999 to October 2003	34.06
Sikka	11	April 2000 to November 2003	12.33
Panandhro	44	June 1996 to October 2003	7.06
Total	**165**	**--**	**63.40**

Of these 165 cases, intimation of rejection in 29 cases was given within the prescribed time of 10 days, in 103 cases, the intimation of rejection was given between 11 and 728 days and in the remaining 33 cases details regarding intimation of rejection were not available on records. Thus, rejected material remained in TPS stores mainly due to delay in giving intimation of rejection to suppliers. Besides, store purchase code did not prescribe any procedure to deal with such rejected material. Audit noticed that the above mentioned materials were purchased locally by respective TPS and there was no system of pre-despatch inspection. The Board did not make concerted efforts for replacement of the rejected materials.

The Government/ Board stated (August/October/November 2004) that actions were being taken for finalising the orders.

Delay in disposal of scrap

3.21 Periodical review and disposal of accumulated scrap augments working capital, releases space and reduces pressure on inventories. Timely disposal also prevents deterioration in quality and value of the scrap. The position of scrap as at the end of each year during 1999-2004 in five• TPSs is tabulated below:

(Rupees in lakh)

Year	Opening balance	Addition during the year	Total	Value of scrap sold	Closing balance
1999-2000	467.32	491.79	959.11	445.47	513.64
2000-01	513.64	421.84	935.48	517.21	418.27
2001-02	418.27	590.40	1,008.67	442.20	566.47
2002-03	566.47	627.38	1,193.85	733.95	459.90
2003-04	459.90	546.00	1,005.90	476.25	529.65

Delay in disposal of scrap resulted in blocking of fund.

It may be seen from the above table that during the last five years, scrap valuing Rs.4.18 crore to Rs.5.66 crore was lying in the stores resulting in blocking of fund. The accumulation of scrap was due to procedural delays

• Gandhinagar, Panandhro, Sikka, Ukai, Wanakbori.

coupled with delayed decision and absence of fixed timetable for timely disposal as discussed in succeeding paragraph.

The Government/ Board stated (August/October/November 2004) that scrap disposal was being geared up by re-delegation of powers for disposal of scrap to TPS Chief Engineers. The fact remained that accumulation of scrap was due to procedural delays coupled with delayed decision.

Loss due to delay in disposal of shaft of circulating water pump

Absence of specific guidelines for valuation of scrap resulted in short recovery of Rs.10.32 lakh.

3.22 The Board approved (November 2000) auction for disposal of scrap materials including 8,300 Kg. shaft of circulating water pump. The Board estimated its sale value at Rs.16.60 lakh; against which it received (December 2000) highest bid of Rs.31.66 lakh including tax for shaft of pump from M/s.Anil Metals, Ahmedabad with 60 days validity. The Board instead of selling the material to the highest bidder decided (March 2001) to get the material valued through Government approved valuer (GAV). The GAV while assessing the value at Rs.16.18 lakh stated (January 2002) that the price at the time of actual disposal would depend on market conditions. The shaft of pump was sold (October 2002) for Rs.21.34 lakh including taxes after a delay of 21 months (December 2000 to October 2002). Thus, absence of specific guidelines of the Board for valuation of scrap resulted in short recovery of Rs.10.32 lakh besides blocking of fund.

The Government/ Board stated (August/October/November 2004) that there was no procedure for valuation of scrap material through Government approved valuer. There was also no difference between valuation of Board and GAV.

The reply was not acceptable as the price bid received for auction was higher by 91 *per cent* from its own estimates, due to absence of system wherein prevalent market conditions were not considered for valuation of scrap. This deprived the Board of the benefit of higher prices.

Advances to suppliers/contractors

Advances of Rs.14.45 crore were pending for adjustment for 2-18 years and above.

3.23 The terms and conditions of supply order/ contract at times provide for payment of advance to suppliers/ contractors which are adjusted as and when supplies/ services are received/ rendered. As on 31 March 2004, an amount of Rs.21.97 crore was pending for adjustment in the books of six[ε] TPSs which included Rs.14.45 crore outstanding for 2-18 years and above.

During test check, Audit noticed that the advances were not being adjusted promptly/ correctly due to improper coordination between stores and accounts section of the TPS. Audit noticed that due to incorrect adjustments, WTPS accounts showed credit balance of Rs.43.90 lakh in advance to suppliers account.

[ε] Dhuvaran, Gandhinagar, Panandhro, Sikka, Ukai, Wanakbori

This shows that there was no system for review of these advances to facilitate pursuance for settlement where advances were outstanding for long periods, also the extent to which materials were received from suppliers and the amounts actually recoverable *etc.*, were not readily ascertainable.

The Board stated (August/October/November 2004) that action was being taken after verification of old records for adjustment of outstanding advances.

Non-commissioning of fire protection system

Fire protection system valued at Rs.1.46 crore could not be commissioned even after a lapse of 12 years.

3.24 The Board placed an order (August 1991) on Mather and Platt (India) Limited, Bombay (M&P) for supply, erection and commissioning of fire protection and alarm system at Utran Gas Based Power Station (UGBPS) at a total price of Rs.1.46 crore. Though the entire work was to be completed by 22 April 1992, the system has not been commissioned in toto (August 2004). Earlier M&P had expressed inability (June 1993) to provide Halon fire protection system (to be imported from USA), as manufacture of the system was stopped in view of Montreal protocol acceded to by India to phase out all ozone depleting substances by 2010.

The Board had earlier consulted Desein Private Limited who opined (May 1993) that Board should go for conventional CO2 system where Halon protection system was still to be installed. However, Board continued its insistence for implementation of Halon system. During a meeting (March 1995) with Central Electricity Authority, it was clarified to the Board that Halon system will be phased out in India by 2003.

The Board issued (15 March 1997) Amendment V extending the time limit up to 2 November 1997 and deleted the Halon system from the scope of work. Even after the extension of time limit, the work was restarted only in December 2000 and after executing part of work M&P expressed inability (October 2003) to execute the balance work. The Board encashed the bank guarantee (28 November 2003) of Rs.13.89 lakh and the contract was closed with payments made to the extent of Rs.1.14 crore (February 2004).

Thus, Board’s delayed decision to delete Halon fire protection system despite being aware of its phasing out in near future delayed the execution of fire protection system besides depriving UGBPS of critical fire protection facility.

The Government/ Board (August/October/November 2004) stated that the work was not completed in toto but the installed part could be operated and plant could be safeguarded in emergency. The reply was not acceptable as the fact remained that the fire protection system remained uninstalled in toto even after a delay of more than 12 years due to lack of Board’s foresight, inaction and non-acceptance of experts’ advice to go for conventional CO2 system in place of Halon system.

Conclusion

The Board took excess time in purchase of vital spares and finalisation of the price of fuel, which resulted in avoidable expenditure and generation loss. The Board has not laid down effective inventory control system by stipulating the minimum, maximum and re-ordering level for effective control on procurement and consumption of spares and materials; this led to short/ delayed procurement of stores and resulted in generation loss. In the absence of specific norms for classification of stock into active, slow and non-moving, the power stations were following different norms resulting in incorrect classification and ineffective control on inventory.

The Board needs to evolve a system to fix stocking norms and review all the classified and unclassified non-moving stock lying at the power station stores and initiate immediate action for their utilisation/ disposal. Further, the system of emergency purchase needs to be reviewed and revamped.

CHAPTER - IV

4. Transaction Audit Observations

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

GOVERNMENT COMPANIES

Gujarat Mineral Development Corporation Limited

4.1 Undue benefit to a firm

Discount of Rs.62.23 lakh was allowed to a private firm on the purchase of lignite in utter disregard to the terms of Memorandum of Understanding and the agreement.

The Company decided (May 2000) to give discount on the basic price of lignite to the bulk consumers entering into long term contracts with the Company for the purchase of lignite. The discount was allowed from June 2000 at the rate of five and eight *per cent* on the annual purchase quantity of lignite over one lakh to three lakh metric tonnes (MTs) and over three lakh MTs respectively. The Company further decided (July 2001) to give the discount at the rate of 08, 12 and 15 *per cent on* the annual purchase quantity of lignite over three lakh to five lakh MTs, five lakh to seven lakh MTs and over seven lakh MTs respectively. The Company took this decision mainly to attract Sanghi Industries (firm) which wanted (July 2001) to purchase five to seven lakh MTs of lignite for its cement plant at Motiber in Kutchh district.

The firm after entering into (January 2002) a Memorandum of Understanding (MOU) with the Company for annual purchase of four to seven lakh MTs of lignite, started to purchase lignite from April 2002. Subsequently, an agreement in this regard was also signed (April 2003) by the Company with the firm for a validity period of three years. As per the terms of MOU and the agreement, the firm was entitled for discount only on the quantity of lignite purchased over three lakh MTs in a year at the rates as decided in July 2001. The terms explicitly disallowed discount to the firm on the quantity of lignite purchased below three lakh MTs in a year.

Discount was allowed at the behest of firm.

Audit observed that the firm purchased only 2.77 lakh MTs of lignite during April 2002 to March 2003. Despite this, the Company, on the request (February 2003 and April 2003) of the firm, allowed (February 2003 and June 2003) discount at the rate of five *per cent* on the entire quantity of 2.77 lakh MT lignite, purchased by the firm. This resulted in loss of Rs.62.23 lakh to the Company and undue benefit to the firm.

The Company stated (June 2004) that the MOU/agreement was entered with the firm to secure its commitment for purchasing an assured quantity of lignite from the Company; the terms of MOU/agreement did not have overriding effect on the Company's policy to allow discount on all the bulk purchases ranging from three lakh to seven lakh MTs.

The reply was not tenable in view of the specific term in MOU/agreement to disallow discount on the quantity below three lakh MTs.

The matter was reported to Government in March 2004; their reply had not been received (November 2004).

4.2 Extra expenditure on laboratory test of ore sample

The Company incurred an avoidable expenditure of Rs.30.63 lakh due to despatch of defective sample of fluorspar ore to a process licensor of Canada for laboratory test.

The Company shortlisted (March 2001) Mcnally Bharat Engineering Company Limited, Kolkata as a consultant for development and implementation of the latest process know-how in the Company's Fluorspar Project at Kadipani (the project). As per the arrangement made (June 2001) with the consultant, the Company, at first, was to send representative sample of fluorspar ore of the project to the process licensor Lakefield Research Limited, Canada (firm 'L') for laboratory test. Further, on the receipt of test results from firm 'L', the consultant was to provide assistance in pilot plant testing and also evaluation of process design offered by firm 'L', so as to enable the Company to take suitable investment decision for the modernisation of the project. The Company was to pay fee of Rs.60 lakh (inclusive of cost of testing charges of firm 'L') to the consultant.

Defective sample was sent without following prescribed procedure.

Audit observed that although the consultant agreed (April 2001) to provide guidelines to the Company for preparation of representative sample of ore, the Company without obtaining the guidelines sent (July 2001) the sample to firm 'L' for laboratory test in August 2001.

Firm 'L', after conducting (October 2001) the sample test compared their results with the test results of the sample obtained by the Company before sending the sample to firm 'L'. As wide variations in the quantum of fluorite and calcium contents of the ore were noticed between the test results of both the firm 'L' and the Company, firm 'L' declared (October 2001) that the sample ore sent to it was altered and looked like waste dump material and was not at all a representative sample of ore.

The Company in February 2002 after adhering to the guidelines of the consultant prepared a representative sample of ore and again sent it to firm 'L' for laboratory test purpose. Although in April 2002 the Company got encouraging results based on the representative sample sent (February 2002) to firm 'L', in the process of sending the sample for the second time, the Company incurred an avoidable expenditure of Rs.30.63 lakh (testing charges Rs.30.34 lakh and freight charges Rs.0.29 lakh).

The Company stated (May/October 2004) that the first sample was collected from the plant itself. However, as the sample was collected during monsoon period it was wet with mud and looked like waste dump material. The variations noticed between the test results of the Company and firm `L' were due to different methods of testing adopted by both of them for determination of variables in the sample.

The reply was not tenable as the first sample was sent without following the guidelines being offered by the consultant for its preparation and the Company was aware beforehand of different methods of tests to be conducted on the first sample by firm `L' and the same methods of tests were conducted in the second sample.

The matter was reported to the Government in April 2004; their reply had not been received (November 2004).

Sardar Sarovar Narmada Nigam Limited

4.3 Extra cost in purchase of cement

Imprudent decision in purchase of cement resulted in loss of Rs.1.34 crore.

The Company decided (August 2000) to invite a tender for bulk purchase of 46,800 metric tonne (MT) of Portland pozzolana cement (PPC) for dam work during July 2000 to June 2001. The Company issued (October 2000) tender notices to five[*] cement manufacturers (the firms), identified (May 1996) by the Expert Committee on Cement Concrete (ECCC) for the Sardar Sarovar (Narmada) Project Dam Works. On opening of the tenders (November 2000), the Company noticed that all the five firms formed a cartel and quoted the uniform rate of Rs.2,500/MT. The quoted rate was higher compared to the Company's estimate of Rs.2,400/MT. During negotiations (December 2000) the firms did not agree to reduce the rate.

Suggestion to avoid reinvitation of tender was ignored.

In view of the increasing trend in the cement price, the Company's Superintending Engineer (S.E.) of Procurement Circle, Vadodara suggested (December 2000) the Company to avoid reinvitation of the tender. Despite this, the Company reinvited (April 2001) the tender by issue of advertisements in newspapers. Four out of the five existing firms responded (June 2001) to the reinvited tender. The firms again formed a cartel and quoted uniformly higher rate of Rs.3,060/MT against the previous rate of Rs.2,500/MT. The Company issued (January/June 2002) supply orders of 46,800 MT cement at the negotiated rate of Rs.2,910/MT on three firms[#]. Pending finalisation of the reinvited tender, the Company purchased (May 2001) 2,993 MT cement for urgent requirements from two firms subject to the condition that the rate to be approved for the reinvited tender would be applicable to these purchases. The Company, however, purchased 51,843 MT cement (inclusive of 2,993 MT) against the ordered quantity till February 2003 at the rate of Rs.2,910/MT till

[*] M/s.Gujarat Ambuja Cement Co. Ltd. , M/s. Narmada Cement Co. Ltd., M/s. Gujarat Sidhee Cement Ltd., M/s.Larsen & Toubro Ltd., M/s. Shree Digvijay Cement Co. Ltd.
[#] M/s.Larsen & Toubro Ltd. – 23,400 MTs, M/s.Gujarat Sidhee Cement Co. Ltd. – 11,700MTs , M/s. Narmada Cement Co. Ltd. - 11,700MTs.

31 March 2002 and thereafter at the rate of Rs.2,717.66/MT due to reduction of sales tax from 15 to 8 *per cent* applicable from 1 April 2002 on the cement.

Audit observed that the price of cement increased by 16.25 *per cent* during October 2000 to April 2001 and it remained overall high till the finalisation (June 2002) of reinvited tender. Hence, the Company should have avoided the reinvitation of tender as per the suggestion of S.E. and should have placed the purchase orders, based on the original tender of October 2000. This could have enabled the Company to avoid the extra cost of Rs.1.34 crore incurred on the purchase of 51,843 MT cement at higher rates (i.e. Rs.2,910 and Rs.2,717.66/MT) compared to the rate of Rs.2,500/MT received in original tender.

The management/Government stated (May/September 2004) that the extra cost of Rs.1.34 crore was not incurred by the Company as audit worked the extra cost by comparing the cement rates at two different points of time; the Company was unable to break the cartel through reinvitation of tender as there were limited number of bulk manufacturers of cement in Gujarat and the manufacturer from other States also did not come forward to bid.

The reply was not tenable since the extra cost could have been avoided had the Company purchased the cement based on the rate received in the tender of October 2000. Besides, the scope of new bidders was not ensured as the tender reinvited in April 2001 included the old stipulation (the bidder firms should be identified by ECCC or of equivalent standards and supplying cement to Narmada canal works) of tender of October 2000 and did not incorporate any new conditions to infuse competition. Consequently, cartel was formed among the firms.

Gujarat Power Corporation Limited

4.4 Undue favour to a defaulting bidder

Failures to forfeit security deposit and encash bank guarantee resulted in passing of undue benefit of Rs.10 crore to a defaulting bidder.

The Company is a nodal agency of Government of Gujarat for augmenting power generation capacity in the State. In December 1999, the Company issued a Letter of Intent (LOI) to Reliance Industries Limited (firm) granting the rights to develop 375 Mega Watt (MW) lignite based power plant (the project) at Ghogha, Bhavnagar district and also generate and sell power from the plant to Gujarat Electricity Board (GEB). The LOI was valid upto December 2000. As per the terms of LOI, the firm was to sign an Implementation Agreement (IA) with the Company and also to enter into a Power Purchase Agreement (PPA) with GEB within 30 days and six months from the date of issue of LOI, respectively. Besides, the firm was to sign Fuel Supply Agreement (FSA) with the Company for purchase of lignite. The Company had already acquired mines costing Rs.48.41 crore for the project during 1992-97. The firm, after achieving the financial closure with its lenders within the period of validity of LOI, was to install power plant and supply power to GEB within 33 months from the financial closure.

Audit observed that the firm had unconditionally accepted (January 2000) the terms of LOI. However, it had neither signed the IA and FSA with the Company nor signed PPA with GEB till December 2000 on the plea that it was deliberating and evaluating many issues related to fuel supply and payment security mechanism (PSM) under the PPA with the Company and GEB, respectively. Hence, at the instance of the firm, the Company extended three times the validity of the LOI, last one upto October 2003. In the meantime, the Company as per terms of bid documents and the LOI, acquired (December 2001) land for Rs.3.79 crore for setting up of the power plant and also incurred (upto August 2003) expenditure of Rs.5.79 crore towards cost of bids evaluation till issue of LOI to the firm.

The firm backed out (July 2003) from its commitment to develop the project on the plea that it had internally reviewed the viability of the project in the light of discussions held with GEB on the issues of PSM/tariff norms and was not hopeful of achieving the financial closure. The Company, besides cancelling (December 2003) the LOI, released both security deposit of rupees two crore and bank guarantee of rupees eight crore lodged by the firm as bid security with the Company at the time of submission of its bid (October 1996). Although the Company should have forfeited the bid security as per terms of bid documents, the Company did not do so. Legal action was also not initiated against the firm for the breach of terms of the LOI.

The management/Government stated (March/October 2004) that the terms of PPA which formed part of the bid document had became impracticable due to changes, such as, fall in interest rate, formation of Electricity Regulatory Commission and enactment of new Central and State Electricity Act, since the issuance of LOI to the firm. Hence, GEB was also wary about signing the PPA with the firm, as per terms of bid. As the construction of the project had not started, the question of abandonment by the firm did not arise and hence the Company did not forfeit the bid security.

The reply was not tenable as GEB was agreeable (April 2003) to reach consensus with the firm on all the issues related to PPA as per terms of bid documents. The firm, however, was insisting for revision in the original terms of bid documents related to PSM, which GEB did not agree. Further, as per the terms the bid security was kept in the Company's custody to compensate any loss to it in the event of back out by the successful bidder. Hence, the Company should have forfeited the firm's bid security.

Gujarat National Highways Limited

4.5 Loss of Interest

Non-adherence to the instructions of Government of Gujarat for placement of surplus fund with Gujarat State Financial Services Limited resulted in loss of Rs.82.17 lakh.

The Government of Gujarat (GOG), at the instance (June 1995) of National Highway Authority of India (NHAI) formed (July 1997) Gujarat National Highways Limited (the Company) with a view to take up the project work of construction and maintenance of four lane road at the stretch of 30 kilometres (*i.e.* km 351 to 381/6) on national highway (NH)-8 near Gujarat and Maharashtra border. GOG and NHAI contributed Rs.10 crore and Rs.6 crore towards equity capital of the Company in January and April 1998 respectively.

NHAI took up (October 1998) the project work on its own alongwith other road projects falling on NH-8 with the aid of ADB[#] fund and the Company did not get any other work.

The equity fund of Rs.16 crore was kept in the short term deposits for a period of three/six months with SBI[@], renewed from time to time since February/June 1998. In this regard, a mention was made in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2000 (Commercial) - Government of Gujarat *vide* paragraph number 3.10.1, about the non-placement of funds by the Company in short term deposits with GSFS[^] as per the GOG instructions of July 1995.

Further, the consequential loss of interest of Rs.12.25 lakh during February /June 1998 to January 2000 due to non-adherence of GOG instructions was commented. Despite this, the Company continued to keep the fund with SBI on the plea that NHAI did not agree for the placement of fund with GSFS. Thus, in all, due to non-adherence to the instructions, the Company suffered further loss of interest of Rs.82.17 lakh as the fund kept with SBI earned interest at the rate of 4.5 to 7 *per cent* against the interest rate of 5 to 8 *per cent per annum* offered by GSFS to its depositors during February 2000 to March 2004.

The Company while admitting the facts stated (July/September 2004) that funds were kept with SBI as per its BOD's decision of December 1998. The reply was not tenable as the Company was bound to follow GOG's instructions (July 1995) as per clause 235 of its Articles of Association.

The matter was reported to Government in April 2004; their reply had not been received (November 2004).

Gujarat State Petronet Limited

4.6 Loss due to imprudent implementation of a project

The Company suffered a loss of Rs.20.96 crore due to imprudent implementation of Mora Utran Pipeline Project.

The Company awarded (November 2000) the work of comprehensive engineer services for the project of laying gas transmission pipeline from Mora to Utran (the project) to Tractebel Engineers and Constructors Private Limited, New Delhi (firm 'T') at a fee of Rs.1.91 crore. The work of firm 'T' *inter alia* included the activities *viz*., design, engineering, procurement services,

[#] Asian Development Bank.
[@] State Bank of India.
[^] Gujarat State Financial Services Limited.

supervision of construction and commissioning of pipeline. The Company placed (April 2001) the order for procurement of pipes with Jindal Pipes Limited, New Delhi (firm 'J') for Rs.4.71 crore and also awarded (May 2001) the work of laying the pipeline to M/s. Jaihind Projects, Ahmedabad (firm 'JP') at a cost of Rs.4.28 crore.

The pipeline was operated below the designed capacity.

The Company, however, after the completion of pipeline work carried out (January - April 2002) hydro-testing of the line and noticed leakages on the pipes seams. Consequently, the Company carried out (February - June 2002) the rectification works at a cost of Rs.2.26 crore and commissioned the pipeline in June 2002 against its schedule of March 2002. Even then, due to the manufacturing deficiency in the pipeline, the Company was unable to operate the pipeline beyond the pressure of 25 bar[#] against the original design requirement of 95 bar. This resulted in under-utilisation of investment to the extent of Rs.19.72 crore (Rs.26.76 crore X 70/95) against the total investment of Rs.26.76 crore made by the Company in the project.

Audit analysis revealed the following:

- The Company was aware (August 2001) of the deficiencies in the services of firm 'T' *viz.,* ambiguities in the pipeline specifications, non-specifications of sampling frequency, process/duration of quality control tests to be conducted, issuance of incorrect certificate without conducting the prescribed technical audit for the verification of quality/calibration of pipes samples, etc. Despite this, the Company went ahead with the availing of services of firm 'T' and placed orders on its recommendations on firm 'J' which supplied defective pipes. Although the Company withheld (January 2003) Rs.51.77 lakh out of the fee payable to firm 'T', in the meantime, it had awarded four more consultancy contracts worth Rs.12.58 crore to firm 'T' during December 2002 to December 2003, which lacked justification.

- Firm 'J' had no experience in production of the grade of pipes required by the Company. However, the Company did not evaluate independently the recommendation of firm `T' by cross checking the experience and the capability of firm `J' before the placement of purchase order with firm 'J'. Moreover, disregarding its own interest, the Company, at the instance of firm 'T', allowed (March 2001) the arrangement for keeping a Third Party Inspection Agency (TPIA) being appointed by firm 'J'. However, TPIA did not fulfill its obligations by regularly witnessing and validating all the tests supposed to have been carried out in firm 'J's factory before the supply of pipes to the Company. The Company had encashed (January 2003) firm 'J's' bank guarantee (BG) of Rs.50.34 lakh for the supply of defective pipes.

The management/Government stated (July/October 2004) that firm `T' was an agency of international repute and its professional deficiencies as pointed out in audit were not the causes for the leaks in the pipes supplied by firm `J'. Besides, firm `J' was also selected based on its capabilities and

[#] Unit to measure the pressure.

competitiveness. However, in the instant case, legal action was initiated (April 2004) against firm `J' for supply of defective pipes.

The reply was not correct. The Company's records indicated that firm T's failures to verify capabilities of firm `J' before award of the work, give pipeline specification to firm 'J' and also to carry out technical audit during fabrication of pipes had led to the leaks in the pipes supplied by firm `J'. The Company initiated no legal action against firm 'T' for the consequential loss of Rs. 20.96* crore suffered by it.

4.7 Avoidable payment of consultancy fee

Award of consultancy work even after knowing the constraints in developing the pipelines for Gas Transmission System under Build-Lease-Maintain-Transfer concessions resulted in loss of Rs.58 lakh.

The Company plans and develops pipelines for Gas Transmission System (the system) in Gujarat. The Company also operates the pipelines and recovers the transmission charges from the users of gas. The Company, decided (January 2000) to develop pipelines for the system in future, under the concept of build-lease-maintain-transfer (BLMT) agreements. As per the BLMT concept, the concessionaire (private sector participant) undertakes to construct the pipelines, leases it to the Company and maintains it during the agreement period. The concessionaire would collect lease rentals (inclusive of maintenance charges) from the Company and upon the completion of agreement period would transfer the pipelines to the Company.

The Company's consultant, *viz.*, Tractebel Engineers and Construction Private Limited (the consultant) appointed (March 2000) for preparation of maintenance agreement as per BLMT cautioned (May 2000) the Company that splitting the job of operation and maintenance of pipelines between the Company and concessionaire respectively under BLMT would lead to disputes between them. Disregarding the consultants recommendation, the Company decided (March 2001) to develop Vadodara-Ahmedabad-Kalol (V-A-K.) pipeline on BLMT basis. Accordingly, the Company awarded (March 2002) the work of preparation of technical part of request for proposal (RFP) documents on BLMT agreement for V-A-K pipeline at the cost of Rs.99.85 lakh to Engineers India Limited (EIL), New Delhi.

The Company decided (June 2002) to drop BLMT option for developing any pipelines for the system. The reasons as cited by the Company for dropping the option *inter alia* included the chances for complication in overall grid operation as the pipelines of the system were to be transferred to the concessionaire for maintenance job, disputes over the operation and maintenance of the pipelines, the Company's preference to own all assets in its name and the recommendation of its consultant to avoid BLMT option. Hence, the Company terminated the services of EIL after payment of Rs.58 lakh in July 2002. Further, the Company, finally, awarded (March 2003) the work of

* Rupees 2.26 crore *plus* Rs.19.72 crore *minus* the amount witheld/BG encashed Rs.1.02 crore.

Recommendation for avoiding BLMT option was ignored.

developing the V-A-K pipeline through award of contract on engineering, procurement and construction basis as per the practice in vogue. Audit observed that the BLMT option was never tried anywhere in the gas transmission business and hence the award of work to EIL disregarding the recommendation of its consultant to avoid the BLMT option resulted in infructuous expenditure of Rs.58 lakh.

The management/Government stated (March/July 2004) that the audit contention that the Company went ahead with the option disregarding the consultant's recommendation was not correct, as the consultant had only highlighted the complication involved in trying with the BLMT option.

The reply was not tenable as the Company cited the recommendation of the consultant as one of the reasons for dropping the BLMT option in the Board of Directors' meeting held on 27 June 2002. Thus, the award of consultancy work, even after knowing the constraints in developing the pipelines under BLMT option resulted in loss of Rs.58 lakh.

Gujarat State Fertilizers and Chemicals Limited

4.8 Undue payment of premium

The Company, at the instance of preference shareholders made undue payment of premium of Rs.8.25 crore and also suffered interest loss of Rs.18.41 lakh.

The shareholders authorised (September 1998) the Company to augment long term resources for meeting normal capital expenditure through issue of Unsecured Redeemable Cumulative Non Convertible Preference Shares (preference shares) on private placement basis. Accordingly, the Company raised (February 1999) Rs.33 crore by issue of 33 lakh preference shares of Rs.100 each to four institutions[*] (the preference shareholders). The dividend at the rate of 10.75 *per cent* was payable on the preference shares subject to the availability of divisible profits with the Company. The Company paid (March 1999) dividend of Rs.4.04 crore to the preference shareholders for the period from 9 February to 31 March 2000. Due to non availability of divisible profit, dividend was not paid from 1 April 2000 to 9 February 2002. The preference shares were due for redemption at par on 9 February 2002, but were redeemed (March 2002) at a premium of Rs.25 per share involving total premium payment of Rs.8.25 crore.

Audit scrutiny revealed the following:

Payment was made in violation of AOA of the Company.

- Section 80(2) of the Companies Act, 1956 stipulates that the redemption of preference shares may be carried out on such terms and in such manner as provided by the Articles of Association (AOA) of the Company. The AOA of the Company stipulates that the preference shares should be redeemed

[*] HDFC Bank Limited - Rs.11 crore, Housing Development Finance Corporation Limited- Rs.10 crore, ICICI Banking Corporation Limited – Rs.10 crore and Oriental Insurance Company Limited - Rs.2 crore.

as per the terms and conditions of their issue and in the absence of any specific terms and conditions in this behalf, in such manner as the directors may think fit. Accordingly, in this case, the preference shares were redeemable only at par as specified in their issue. Thus, the redemption of preference shares at premium by the Company had resulted in violation of its AOA resulting in irregular payment of premium of Rs.8.25 crore.

- The Company on the pretext of availing ensuing loan facility from one of the preference shareholders *i.e.*, HDFC Bank Limited (the bank) and also at the behest of all the preference shareholders decided (January 2002) to compensate the dividend loss to them through the redemption of the preference shares at premium. Although the dividend loss was Rs.6.60 crore due to its non-payment by the Company during 1 April 2000 to 8 February 2002 yet the preference shareholders were compensated through the payment of premium of Rs.8.25 crore. This lacked justification.

- The Company, at the instance of the bank kept a fund of Rs.1.10 crore with them since January 2002. The fund did not earn any interest as the Company kept the same only to compensate the bank against loss due to non-payment of dividend. The bank, however, finally adjusted the fund in May 2003 against the loan borrowed (March 2002) with the interest rate of 12.75 *per cent* by the Company from the bank. Although the Company compensated the bank through the payment of premium of Rs.2.75 crore in March 2002, the Company failed to bargain with the bank for the recovery of interest loss of Rs.18.41 lakh (at 12.75 *per cent*) on the fund kept with it during January 2002 to May 2003.

The management/Government stated (April/May/September/November 2004) that as per opinion (February 2002) of the Company's advocate, the Company was empowered to redeem the preference shares at premium as it was allowed by the Company's AOA. Further, the decisions to compensate the dividend loss to the preference shareholders and also to give up the claim for the interest loss of Rs.18.41 lakh from the bank was taken by the Company with a commercial consideration of availing the ensuing loan/concessions from the bank.

The reply was not tenable as the same advocate gave contradictory opinion to the Company earlier in November 2001 stating that redemption of a preference shares at premium would not only alter their terms of issue but also affect the interest of equity shareholders and hence the consent of equity shareholders should be obtained for effecting any change in the terms of their issue.

Gujarat Alkalies and Chemicals Limited

4.9 Loss due to deficiency in Memorandum of Understanding

The Company incurred extra cost of Rs.11.78 crore in purchase of energy at higher rate due to defective penalty clause in Memorandum of Understanding.

Penalty of Rs.1.09 crore was recovered against the extra cost of Rs.12.87 crore.

As per the Memorandum of Understanding (MOU) entered (May 1989) with Gujarat Industries Power Company Limited (GIPCL), the Company was to draw 24.42 crore KWH[$] energy annually from GIPCL. The Company was also receiving energy supply from GEB with the contract demand of 31,000 KVA[*] since July 1999. During 2000-01 and 2001-02, against the Company's entitlement of 24.42 crore KWH energy annually, GIPCL supplied only 21.22 crore and 21.10 crore KWH respectively. Consequently, the shortage in power supply was met from GEB at an extra cost of Rs.12.87 crore. The Company recovered penalty of Rs.1.09 crore from GIPCL for the short supplied energy during 2000-02, as per the terms of the MOU.

Audit observed that penalty clause for short supply of energy was defective as the MOU entered in May 1989 provided penalty at the rate of Re.0.10/KWH on the short supplied quantity. Although the average tariff per KWH of energy charged by both GIPCL and GEB had increased by 61 and 73 *per cent* respectively over a period of 12 years since 1990-91, yet proportionate increase in the penalty rate was not allowed in the absence of any provision made in this regard in the MOU. Moreover, neither the Company had made any effort to review and revise the MOU for safeguarding its interest nor had taken any legal action against GIPCL for non-performance of its obligation under the MOU (May 2004)

The management/Government stated (March/April/November 2004) that the Company entered into an MOU to get assured quantity of the energy at a cheaper cost from GIPCL. Accordingly, the energy tariff of GIPCL always remained cheaper compared to GEB so far. The clause for charging the penalty of Re.0.10/KWH was inserted in the MOU to ensure that GIPCL would plan the operation of GTPP in such a way so that its commitment for minimum of 70 *per cent* PLF could be achieved.

The reply was not tenable, since as per the MOU, in the event of the Company's failure to purchase the committed units of energy from GIPCL, the Company had to pay minimum applicable demand charges of Re.0.57/KWH during 2000-02. However, the penalty of Re.0.10/KWH remained the same since May 1989. Thus, the Company incurred extra expenditure of Rs.11.78 crore[**] in purchase of energy due to defective penalty clause in MOU.

[$] Kilo-Watt Hours.
[*] Kilo-Volt Ampere.
[**] Rs.12.87 crore – Rs.1.09 crore

4.10 Delay in finalisation of accounts by working Government companies

Statutory provisions for finalisation of accounts

4.10.1 According to the provisions of Section 210(3) read with section 166 of the Companies Act, 1956, audited accounts of a company should be approved and placed in the Annual General Meeting (AGM) of the shareholders within six months of the close of its financial year. Further, as per provisions of Section 619A (3) of the Act, ibid, the State Government should place an Annual Report on the working and affairs of each State Government company together with a copy of the Audit Report and comments thereon made by the Comptroller and Auditor General of India (CAG) before the State Legislature within three months of its AGM.

Management's/Government's responsibility for preparation of accounts

4.10.2 Under the provisions of Section 210(1) read with Section 216 and 218 of the Companies Act, 1956, the Board of Directors (BOD) of a company is required to lay in every AGM an audited copy of the annual accounts i.e. balance sheet and profit and loss account for the financial year along with the Auditors Report and other specified annexures. Therefore, it was the responsibility of the management of respective companies to finalise the accounts in time. The administrative department concerned have also to oversee and ensure that the accounts are finalised and adopted by the companies within the prescribed period.

Procedure for finalisation of accounts

4.10.3 The annual accounts prepared by the companies are approved by its BOD and are then audited by the Statutory Auditors appointed by the CAG. As per provisions of Section 619(4) of the Companies Act, 1956 the CAG conducts supplementary audit of the accounts of the companies. Such accounts along with the comments of the CAG and the report of the Statutory Auditors are placed before the AGM of the Company for adoption.

Risk involved due to delay in finalisation of accounts

4.10.4 The finalised accounts of the companies reflect their overall financial health and efficiency in conducting their business. In the absence of timely finalisation of accounts, CAG cannot conduct the supplementary audit of the accounts of the companies and thus Government's investment remains outside the scrutiny of the State Legislature. Besides, the delay also opens the system to risks of fraud and leakage of public money.

Extent of arrears

4.10.5 As on 31 March 2004 there were 45 Government companies (35 working companies and 10 non-working companies) and five Statutory corporations (all working). Out of 35 working Government companies and five Statutory corporations, only 12 companies and one Statutory corporation had finalised their accounts for the year 2003-04 as on 30 September 2004. The accounts of remaining 23 working Government companies and four Statutory corporations were in arrears for one to eight years as on 30 September 2004.

Out of 10 non-working companies, five companies are under liquidation. One of the five non-working companies had finalised their accounts for the year 2003-04 and remaining four non-working companies were in arrears for one to five years as on 30 September 2004.

Comparative position of clearance of arrears

4.10.6 The table given below indicates the position of number of accounts in arrear and clearance thereof (up to September in each year) related to all working companies during the last five years upto 2003-04:

Year	Total number of accounts due	Number of accounts cleared	Balance of accounts in arrears	Percentage of accounts cleared to accounts due
1999-2000	75	38	37	51
2000-01	70	37	33	53
2001-02	66	29	37	44
2002-03	71	34	37	48
2003-04	74	36	38	49

The above table revealed that clearance of arrears of accounts ranged between 44 and 53 *per cent* in respect of these companies.

The detailed position of delay in finalisation of accounts by four PSUs (test checked in audit) and holding of AGM is detailed in ***Annexure-14***

The position of delay indicated in ***Annexure-14*** is summarised below:

Name of the Company	No. of accounts finalised during 1999-2004	No. of accounts in arrear	Range of delay in months	
			Finalisation of accounts	Holding of AGM
Gujarat Scheduled Castes Economic Development Corporation Limited	3	8	55-70	65-77
Gujarat National Highways Limited	1	5	4	Yet to be held
Merged accounts of Gujarat State Handloom and Handicrafts Development Corporation Limited	1	3	30	Yet to be held
Gujarat State Land Development Corporation Limited	6	2	24-27	30-34

Factors responsible for delay/arrears

4.10.7 The reasons for delay in finalisation of accounts by above four companies are discussed hereunder:

Gujarat Scheduled Castes Economic Development Corporation Limited

4.10.8 GOG formed (August 1996) a Statutory Board under Section 1(3) of Gujarat Scheduled Castes Development Corporation Act, 1985 and transferred the activities of the Company along with its employees to the Board. Even after a lapse of 83 months since the transfer of activities, GOG neither had taken any step nor made any arrangement for the finalisation of the accounts of the Company for 1996-97 to 2003-04 (September 2004).

The management/Government stated (June/August 2004) that the delay in finalisation of accounts and non-initiation of action for winding up of the Company pointed out (April 2004) in audit was noted seriously by GOG. Accordingly, GOG had appointed (June 2004) members for BOD of the Company with aims of clearing the arrears of accounts by March 2005 and also to wind up the Company thereafter. The fact, however, remained that GOG had failed to take up necessary follow up actions immediately after transferring the activities of the Company to the Board.

Gujarat National Highways Limited

4.10.9 The Company was formed in July 1997 to take up activities of development/ maintenance of highways, bridges, etc., in Gujarat. As the promoters of the Company (i.e. GOG and National Highways Authority of India) did not assign any activities (March 2004) to the Company since its formation, the Company did not appoint any employee. Resultantly, the accounts for the year 1997-98 and 1998-99 were got prepared through an outside agency. The Company's accounts for the period from 1999-2000 to 2002-03 were not finalised (September 2004).

The Company while accepting (July/October 2004) the audit contention stated that the accounts for the years 1999-2000 to 2001-02 were submitted for CAG audit in July 2004. The verification of the reply in audit, however, revealed that the Company failed to lay the accounts in its Annual General Meeting for the year 1998-99 even after the lapse of 48 months (September 2004) since the issuance of final comments on the accounts by CAG in September 2000.

Gujarat State Handloom and Handicrafts Development Corporation Limited

4.10.10 The Company was formed in June 2002 after amalgamation of the erstwhile Gujarat State Handloom Development Corporation Limited and Gujarat State Handicrafts Development Corporation Limited. As the erstwhile Companies had prepared their accounts up to 1999-2000, the Company was required to prepare its merged accounts for the year 2000-01 onwards. The Company, however, finalised its accounts for the year 2000-01 only in April

2004 after the lapse of 21 months since its formation causing accumulation of arrears of accounts of the subsequent years.

The management stated (May/October 2004) that the finalisation of accounts for the year 2000-01 got delayed initially due to receipt of different instructions from concerned authorities in the matter of merging the accounts of erstwhile companies with retrospective date. However, after the receipt of necessary clarification from the office of CAG in September 2003, the Company had finalised the accounts for the year 2000-01.

The reply was not tenable as the amalgamation of erstwhile companies was notified in June 2002; however, the separate accounts already prepared for the year 1999-2000 were adopted by AGMs of erstwhile companies in January and July 2002. Hence, in July 2002 itself the Company should have initiated action for preparation of merged accounts for the year 2000-01. Thus, the delay lacked justification.

Gujarat State Land Development Corporation Limited

There was weak organisational set-up for accounting function in the Company.

4.10.11 The Company had finalised (September 2004) its accounts for the period up to 2001-02. The reasons, such as, absence of professionally qualified persons (Chartered Accountants) heading the accounts function, non fixation of proper internal targets for timely finalisation of accounts, inadequate/untrained accounts staff, the delay in compilation/reconciliation of accounts of units and the absence of computerisation of accounting functions was responsible for the arrears of accounts in the Company. The Company's Statutory Auditors took seven to thirteen months between the commencement and completion of audit of accounts of the Company for period from 1996-97 to 2001-02.

The Company while accepting (May 2004) the reasons for arrears of accounts as pointed (April 2004) in audit had stated that it was planning to clear the arrears of accounts at the earliest. The Company has however, neither prepared any time bound action plan for clearing the arrears of accounts nor devised any strategy to rectify the deficiencies of its accounting functions.

Steps taken by the State Government

4.10.12 The State Government exercises its control over the companies through the concerned Administrative/Finance Department. In terms of the Memorandum and Articles of Association of the companies, the Government had the power to issue directives in the interest of companies. As most of the directors of the companies are nominees of the State Government, the Government was expected to take concrete steps through its nominee directors to ensure that the accounts of the companies are finalised in time. Despite, the position of arrears being pointed out by audit regularly to the administrative departments, State Government had not taken concrete steps to liquidate the arrears in accounts.

The matter was reported to the Government in April 2004; their reply had not been received (November 2004).

STATUTORY CORPORATIONS

Gujarat Electricity Board

4.11 Loss due to delay in commissioning of new cooling tower

The Board suffered a revenue loss of Rs.373.89 crore due to delay in commissioning of new cooling tower at Dhuvaran thermal power station.

A natural draught cooling tower (NDCT[⊗]) commissioned (1972) for unit-5 at Dhuvaran thermal power station (TPS) had collapsed in December 1996. Hence, the Board awarded (June 1998) the work of design, construction, erection and commissioning of new induced draught cooling tower (IDCT)[⊗] to firm E[*] at a cost of Rs.4.44 crore. The work was to be completed by August 1999. The Board, however, cancelled the work order in August 2000 due to the slow progress made in execution of the work by firm `E'. The balance of the work left out relating to electrical and mechanical portion costing Rs.97.57 lakh was awarded (May 2002) at a cost of Rs.2.42 crore and of civil work portion costing Rs.30.63 lakh was awarded (February 2001) to new firms[@] for Rs.1.02 crore. Although the civil work was completed (January 2002) yet the execution of electrical and mechanical works of IDCT were still in progress (September 2004).

Audit observed the following:

The Board ignored the consultant's suggestion for commissioning of a new cooling tower.

- During 1993-94, the Board's consultant suggested to construct new NDCT for unit-5 as the old NDCT was very weak due to the severe rusting of reinforcement in its structure. Despite this, the Board had not initiated any action for the construction of new cooling tower till the collapse of the old NDCT[⊗] on the plea that the construction of new one was considered as not viable as the life of the power plant of the TPS itself was on the verge of expiry. The plea was, however, not consistent with the subsequent decision (June 1998) of the Board to commission the new tower in the place of collapsed tower.

- The Board was aware (April 1998) that the IDCT for unit was of a large size (i.e. 16,500 cum/hr flow) and firm `E' was a new entrant in the field of construction of such large size towers. The work was, however, given to firm `E' being the lowest bidder. Even though the second lowest (L-2) bidder was a reputed firm in the construction of large size towers, the same was not considered as the rate quoted (*i.e*. Rs.5.53 crore) by the L-2 was higher compared to the rate of firm `E'.

- The Board had not initiated any action under 'Risk and cost clause' of the work order of firm `E' for the recovery of extra cost of Rs.2.16 crore due

[⊗] NDCT is constructed vertically and prone to deterioration due to weather conditions and its constrcution cost is higher compared to IDCT, which is constructed horizontally and not prone to deterioration due to weather conditions.
[*] Enviro Clean Systems Limited, Hyderabad.
[@] M/s.KB Mehta, M/s. Mahavir construction

to the award of the works at higher cost (*i.e*. Rs.3.44 crore) compared to the cost (*i.e*. Rs.1.28 crore) of the left out works.

- Pending completion of the work of construction of new IDCT, the TPS had been generating the energy at 90 mega watt (MW) against the original load capacity of 120 MW with the help of truncated old NDCT since December 1996. As a result the Board lost generation of 1,841.84 million units during December 1996 to March 2004 resulting in revenue loss of Rs.373.89 crore.

The Board/Government stated (April/May/October 2004) that the then existing old NDCT collapsed before the Board took up the work of rehabilitating it. As per the Board's policy the work was awarded to firm 'E' being the lowest bidder. The action against firm `E' under 'Risk and cost clause' of work order was not initiated so far as the exact additional expenditure incurred by the Board for the work was not known pending completion and commissioning of the new IDCT. As the unit 5, even in any case, had to be kept under shut down for want of fuel at a reasonable price, the Board might have suffered only marginal generation loss due to the delays in commissioning the new IDCT.

The reply was not tenable as the reasons given for non initiation of timely action for commissioning of new cooling tower and also award of the work to inexperienced firm 'E' lacked justification. Besides, as per State Government instructions (June 1980), the Board should have initiated action against firm 'E' for recovering the claim based on the cost of left out work given to new firms (i.e. KB and M). Further, review of energy generation data revealed that hardly 2.94 *per cent* generation loss occurred due to shutdown of plant for want of fuel during December 1996 to March 2004.

Thus, non initiation of timely action for commissioning the new cooling tower and also the subsequent delay due to award of work to firm `E' led to non commissioning of new IDCT so far (May 2004). Consequently, the Board suffered revenue loss of Rs.373.89 crore.

4.12 Avoidable payment of surcharge to Railways

The Board suffered a loss of Rs.37.30 crore due to deficiency in the freight prepayment contract.

The Railways levied surcharge at the prescribed rate in case the freight for coal to be transported in rakes was not paid in advance at the time of despatch from the colliery end. In order to ensure timely prepayment of freight, the Board started (March 1990) the practice of appointing agents to prepay the freight at the colliery end. The Board, however, had to reimburse the freight alongwith service charges at the decided rates to the agents within eight days (the credit period) of the receipt of prepaid rakes at the power stations (the destinations). Prior to July 2000, the Board appointed the agents for freight prepayment contracts through invitation of limited tenders. Terms of the contracts provided that the Board was liable to pay interest (at the prevailing cash credit rate) to the agents for the delays, if any, in the reimbursement of freight amount beyond the credit period allowed. The Board, however, after the invitation (July 1999) of public tender for the first time, awarded (June 2000) the freight prepayment contract to Karam Chand Thapar and Brothers Limited, Mumbai (firm) for the coal movement to Ukai, Wanakbori and Gandhinagar thermal power stations. The contract was initially valid for six months from July 2000 and was further extended from time to time up to June 2003. In deviation from the earlier contract a clause was not included in the contract regarding payment of interest to the firm beyond the credit period in the event of any delay in reimbursement of freight alongwith service charges (i.e. 2.07 *per cent* on the prepaid amount of freight).

The Board made an avoidable payment of surcharge of Rs.37.30 crore to Railways.

Audit observed that during July to September 2000, the Board had not regularly reimbursed the freight to the firm within the credit period on the pretext of shortage of funds with it. As on 15 September 2000, the Board had unpaid freight dues of Rs.63.22 crore with the delay ranging from two to 21 days over the credit period. On this plea the firm started releasing (from August 2000) the rakes on "To pay[$]" basis to the destinations. Resultantly, the Board paid surcharge of Rs.37.30 crore (@ 15 *per cent*) to the Railways on 679 number of rakes released on "To pay" basis by the firm during August 2000 to 15 January 2001. Considering the Board's outstanding dues of Rs.63.22 crore (15 September 2000) the interest payable at the highest cash credit rate of 18 *per cent* would have been only Rs.38.73 lakh.

As per terms of the contract, surcharge of Rs.37.30 crore paid to the Railways by the Board was recoverable from the firm. However, the penalty was not recovered on the plea that the Board had also failed to make any provision in the contract for the payment of interest on the amount of freight belatedly reimbursed to the firm. The Board, however, amended the terms of contract on 15 January 2001 and thereby agreed to pay interest in the event of any delay in reimbursement of freight to the firm in future.

The Board/Government stated (April/May/October 2004) that the payment of interest made to the agents under previous contracts had resulted in cash loss to the Board and hence the tender (July 1999) did not provide for the payment of interest on the belated reimbursement of freight to the firm. Although the Board had decided to reimburse the freight amount to the firm within the stipulated time it was unable to do so owing to its financial crisis. The Board again agreed for the payment of interest to the firm to avoid any further payment towards surcharge on "To pay" rakes.

The reply is not tenable. As the Board did not adhere to its commitments towards reimbursement of freight, the interest had to be paid resulting in cash loss. Moreover, the Board was fully aware of heavy amount of surcharge to be paid to Railways. Thus, the fact remains that the Board's failure to incorporate the provision for the payment of interest in the initially awarded contract had resulted in loss of Rs.37.30 crore.

[$] Under this method the agent will not make prepayment of freight to Railways, hence, the Board has to pay for the freight alongwith surcharge at the receiving end.

4.13 High distribution losses

Persistent high distribution losses in the power feeders resulted in loss of revenue of Rs.39.67 crore to the Board and Rs.5.71 crore to the State exchequer.

Power generated by the Board is fed into distribution network through various categories[*] of feeders located at the sub-stations of the Board. The difference between the number of units of power sent out through the feeders and actual number of units received at the consumers end represent the distribution losses of the feeders. As the occurrence of technical and line losses are inherent in the distribution of power, feeder-wise normal (i.e. theoretical) loss is being determined by the Board based on the number of lines emanated from a feeder and number of transformers on the feeder. The distribution loss in excess of theoretical loss of a feeder could be avoided through proper management of power distribution network.

Distribution losses were more than 30 *per cent* in 11 to 17 numbers of feeders.

Audit analysis of the records of Porbandar city division (the division) of the Board revealed that of the 19 feeders the actual distribution loss was more than 30 *per cent* in 11 to 17 numbers of feeders during April 2001-04. The theoretical losses ranging from 1.72 to 9.91 *per cent* were fixed for the feeders during the period. The distribution losses in excess of theoretical losses[#] of the feeders were however high and remained in the range of 4.26 to 94.39 *per cent*, 14.15 to 92.31 *per cent* and 6.36 to 43.55 *per cent* during 2001-02, 2002-03 and 2003-04 respectively. Thus, in all, the Board had actually lost 168.72 million units (MUs) of energy in excess of theoretical loss fixed in this regard during 2000-01 to 2003-04. This had resulted in loss of revenue of Rs.39.67 crore to the Board and of Rs.5.71 crore to State exchequer due to non levy of electricity duty and tax on sale of electricity on the abnormal loss of 168.72 MUs of energy.

The persistence of high distribution losses in more number of feeders of the division during the period indicated that the corrective measures, *viz.*, checking and sealing of consumer installations, replacement of old and faulty meters, providing metal meter boxes etc., were not adequately taken to bring down the actual distribution losses equal to the quantum of theoretical losses fixed for the feeders. Although the Board decided in July 2000 to fix the accountability on the divisional heads for the persistent high distribution losses, no follow-up action was taken on the Board's decision (June 2004).

The Board/Government while admitting (August/November 2004) the audit contention stated that continuous monitoring and maintenance of the feeders were going on in the division for reducing the high percentage of distribution losses. Further, action would be taken against divisional heads for the persistent high distribution losses after the receipt of necessary explanations from them. Thus, the fact remained that the Board had neither taken adequate corrective measures to bring down the losses nor fixed the responsibility on the divisional heads as per its own decision of July 2000 so far (June 2004).

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[*] Express feeders, High/low tension feeders, Rural/Urban feeders.

[#] It refers to the line losses when current is passing through the line but there is no load on the line. It is calculated based on the number of lines emanating from the feeder and the number of transformers on the feeder.

4.14 Avoidable payment due to defective agreement

The Board made an avoidable payment of transportation charges of Rs.4.92 crore due to defective agreement with Gas Authority of India Limited for purchase of gas.

GAIL unilaterally reduced the contracted quantity.

The Board executed (December 1992) an agreement with Gas Authority of India Limited* (GAIL) for purchase of gas for its Utran gas based power station (GBPS) upto December 1997. The agreement was extended from time to time upto 31 December 2003. The agreement provided that GAIL was to supply seven lakh standard cubic meters (SCM) of gas per day. GAIL on the pretext of demand management measure, unilaterally reduced the allocated gas supply to 6.81 lakh SCM *per* day with effect from April 1999 and to 4.5 lakh SCM *per* day with effect from February 2000. The agreement stipulated that in addition to the gas price, transportation charges at the rate of Rs.21,15,575 per month was payable by the Board, which was subject to escalation at the rate of three *per cent per annum*. The Board transferred (August 2002) UGBPS to Gujarat State Electricity Corporation Limited (GSECL) whose entire equity capital of Rs.519.30 crore (March 2003) was held by the Board.

Audit Scrutiny (May 2000) of the relevant records of the Board and GSECL relating to the purchase of the gas during April 1999 to March 2004 revealed that GAIL had unilaterally reduced the contracted quantity twice and had at times not supplied even the reduced contracted quantity of gas. Despite this, GAIL recovered the transportation charges of Rs.13.86 crore@ from the Board/GSECL during the period, based on the fixed monthly rate originally contracted for supply of seven lakh SCM per day. The gas supply agreement previously entered (December 1975) with ONGC by the Board (renewed from time to time), however, stipulated for the recovery of transportation charges based on every 1000 SCM of gas actually supplied to the Board. Hence, on this analogy, the Board/GSECL should have negotiated with GAIL for recovery of transportation charges proportionate to the quantity of gas actually supplied to them. This would have enabled the Board/GSECL to save Rs.4.92 crore had GAIL allowed them to make the payment of Rs.8.94 croreΦ towards proportionate transportation charges during April 1999 to March 2004.

GSECL/Government/the Board stated (April/May/July/September 2004) that compared to terms of ONGC agreement, the terms of agreement with GAIL provided for the supply of increased quantity of gas with more pressure from GAIL's remote gas field to the Board/GSECL. Hence, fixed transportation charges irrespective of quantity gas supplied was recovered by GAIL.

The reply was not tenable as the Board/GSECL did not make adequate efforts to insist GAIL to agree for recovery of proportionate transportation charges while extending the agreement from time to time. Further, the Board/GSECL

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* Gas distributing arm of Oil and Natural Gas Commission (ONGC) since May 1992.

@ Inclusive of Rs.1.65 crore paid between September 2003 and March 2004 during which gas supply was transferred to another plant of GSECL at Dhuvaran.

Φ Calculated based on the actual monthly quantity of gas supplied by GAIL.

had also entered (October 2002/July 2003) two gas transmission agreements with Gujarat State Petronet Limited for purchasing gas from Gujarat State Petroleum Corporation Ltd for UGBPS. The transportation charges were being paid in two parts, one being fixed capacity charges linked with contracted quantity of gas purchased and another being commodity charges linked with actual quantity of gas purchased in each fortnight. Thus, an element of flexibility was ensured through the agreements even for reducing the fixed capacity charges in the event of reduction, if any, made in the original contracted quantity of gas. Thus, the Board/GSECL had lost Rs.4.92 crore not only due to the defective agreement initially (December 1992) entered with GAIL but also due to their failure to review the terms of agreement with requisite commercial prudence during April 1999 to March 2004.

4.15 Deficiency in internal control and internal audit system

Internal Control

4.15.1 Internal Control is a management tool used to provide reasonable assurance that the management's objectives are being achieved in an efficient, effective and adequate manner. A good system of internal control should comprise, *inter alia,* proper allocation of functional responsibilities within the organisation, proper operating and accounting procedures to ensure accuracy and reliability of accounting data, efficiency in operations and safeguarding of assets, quality of personnel commensurate with their responsibilities and duties and review of the work of one individual by another whereby possibility of fraud or error in the absence of collusion is minimised.

Gujarat Electricity Board (Board) had laid down operating procedures for different areas of functioning, accounting procedure manuals and ensured reasonable allocation of functional responsibilities.

Audit observed the following deficiencies in implementation of internal control:

Absence of proper control over material-at-site account

4.15.2 In the Board's operation and maintenance (O and M) divisions where there are no stores, stock movements to divisions/from divisions to sub-divisions are routed through material at site (MAS) account. The Dy. Engineer of the sub-divisions draws material against his personal name from this stock and submits utilisation details in the form of material requisition (MR) notes to the divisions. In turn, the divisions debit the expenditure of asset head and credit the MAS account to the extent of utilisation of the material. Thus, at the end of the year the MAS stock in the divisions represents stock not drawn by sub-divisions/stock drawn by Dy. Engineers but not utilised till the year-end. Audit observed that the MAS stock balance of the Board had constantly increased from Rs.6.13 crore (1999-2000) to Rs.10.16 crore in 2003-2004. The Board has not carried out any physical verification of MAS stock. As Dy.Engineers draw the stores without MR notes, it is necessary that divisions constantly monitor the balance lying with the Dy.Engineers to ensure its speedy utilisation in the works.

Erroneous projection of works expenditure

4.15.3 The Board in order to show that the financial targets fixed by it were being achieved, had booked an amount of Rs.10.59 crore, Rs.32.32 crore and Rs.9.42 crore as expenditure under various works accounts on the last date of financial years of 2001-02, 2002-03 and 2003-04 (provisional) respectively, although the expenditure were not actually incurred. Besides, the materials booked to works automatically got reduced for accounting purposes from stock figures, though the same existed in the stores, thereby leaving a scope for manipulations. The Board had not rectified the irregular accounting procedure despite being pointed out by audit from time to time.

Absence of control over vouchers submitted for payment by field units to Head Office

4.15.4 The field units send all vouchers above rupees five lakh for payment to the Board's Head Office (HO) and exhibit the vouchers sent to HO as outstanding until proof of payment is received from HO. The Board did not have a procedure of reconciling the vouchers sent from field units with vouchers received at HO to prevent any loss in transit, misplacement, etc. and also to ensure speedy clearance of vouchers.

Audit observed that in two O and M divisions[*] of the Board, vouchers for payment of electricity duty pertaining to 1990-91 (Rs.69.30 lakh) and 1997-98 (Rs.41.36 lakh) were outstanding till date (August 2004) as the vouchers were stated to have not been received at HO. The vouchers might have been misplaced in transit and due to lack of reconciliation between the HO and the field units, the payment of electricity duty of these vouchers remained pending. Thus, the Board needs to introduce a system of periodical reconciliation of vouchers between HO and field units for timely payment through vouchers.

The Board needs to introduce a system of periodic reconciliation of vouchers sent and received.

Blocking of funds due to delay in receipt of power transformers from repairing agencies

4.15.5 During 1997-2004, the Board had placed 17 contracts for repairing power transformers on various agencies. Terms of the contract provided that the agencies should repair the transformers within six months from the date of work orders issued to them. A review of details of time taken by the agencies during 1997-2004 revealed that in all cases, the agencies took 30 to 2190 days (April 2004) beyond the stipulated time. The Board needs to exercise effective control over the agencies so that they do not retain the high value transformers for unduly long period.

[*] Anand rural division and Anand city division

Internal Audit

4.15.6 Internal audit is a part of internal control which is used to detect irregularities, fraud, manipulation and embezzlement etc. and to see whether rules, instructions issued from time to time are being followed or not. The Board through adoption (December 1960) of the Internal Audit and Inspection code (IA code) defined the functions and responsibilities of the Internal Audit Wing (IAW) of the Board.

The Board's IAW is headed by the Chief Finance Manager (CFM) and consists of a sanctioned strength of 439 employees at various field offices and 43 employees at HO. The average establishment cost of IAW was Rs.6.89 crore *per annum* during 2000-03.

Scope of Internal Audit

4.15.7 The primary function of IAW is to verify the accuracy and completeness of accounts and to ensure that all revenues and receipts of the Board are promptly collected and sums so collected are brought to account under the proper heads. It has to further ensure that all expenditure and disbursements are authorised, vouched and correctly classified and that the financial accounts represent the complete and full statement of the financial transactions it purports to exhibit.

Working of Internal Audit Wing

4.15.8 IAW has been conducting audit at two stages i.e. pre-audit and post-audit. Pre-audit in respect of expenditure, payments etc., are conducted before transaction is concluded and post audit works are taken up not later than six months from the occurrence of the transactions. Further, the official in charge of the post-audit team at field office prepares an audit report after every audit and submits the same to the concerned unit with copy to HO. IAW prepares its annual achievement report for submission to the Members of Board.

Outstanding Internal Audit Reports

4.15.9 During 2000-03, the field offices of IAW raised 6,546 to 13,230 audit paras and also settled 9,388 to 12,874 paras after receipt of replies/ corrective actions taken by the authority concerned on the paras. As on 31 March 2003, there were 5,232 outstanding paras. The IAW at HO deals with the major audit findings of the reports at required levels for expediting corrective actions and final settlement of the paras.

Deficiencies in the organisational set up and the functioning of Internal Audit Wing

4.15.10 Audit analysis of internal audit system including the performance of the IAW of the Board during 2000-03 revealed the following deficiencies in the organisational set up and the functioning of IAW:

Injudicious allocation of manpower was made in the various functional areas of IAW.

- The total sanctioned strength of 482 employees in the IAW constituted less than one *per cent* of the total 51,288 employees in the Board as a whole in the year 2002-03. Further, the review of the functional bifurcation of the IAW of both HO and field offices revealed that basically the pre-audit of expenditure and establishment audit was conducted by 378 employees and the post-audit of all revenues and also overall checking of establishment and expenditure records was done by 104 employees. Thus, more importance was given for establishment and expenditure audit compared to revenue audit.

The Board recovered an amount of Rs.3.51 crore at the instance of CAG audit.

- The Board's circular issued in December 1980 laid down that efficiency of the IAW would be judged *inter alia* on the number of audit objections raised by CAG of India in auditing the records of the Board. In this context, audit objections having financial implications ranging from Rs.1,033.67 crore to Rs.2,601.05 crore were raised in CAG audit on the accounts of the Board for the years 2000-03. Further, the Board recovered Rs. 3.51 crore during the same period at the instance of CAG audit, which earlier remained short recovered from their consumers. The details of audit objections raised in CAG audit on the records already audited by IAW are given in ***Annexure-15***.

- The IA code prescribed that the IAW had to reconcile quarterly the "Advance given to suppliers for stores purchase account" with the "Outstanding stores creditor account". The IAW, however, failed to ensure the reconciliation between the two accounts since December 1994. Finally, the Board had got the reconciliation work done (March 2000/February 2002) through an outside agency at a cost of Rs.7.83 lakh.

The Board/Government stated (July 2004) that the odd balances in these accounts remained unreconciled for a longer period due to laxity in performance of accounting functions by some units of the Board. The reply was not tenable as non-reconciliation of the two accounts for a longer period indicated lack of vigorous follow up by IAW with concerned units.

The Board lost interest of Rs.1.26 crore due to time lag of 6 months in the post audit of HT bills.

- The Board's circular (December 1980) envisaged pre-audit of all high tension (HT) consumer bills by staff of IAW before issue of the bills or maximum within a period of one week from the date of issue of the bills. HT bills were, however, audited by IAW only six months after the issue of the bills. So, the instances of short recovered revenue amounting to Rs.20.96 crore were belatedly detected by IAW during 2000-03. Hence, the Board had lost interest of Rs.1.26 crore[@] on the above recovery due to the time lag of 6 months in the post audit of HT bills.

A consultancy report (the report) for revamping the Board's internal audit system was prepared (March 1997) through A.F. Fergusan and Company, Vadodara at a cost of Rs.12.46 lakh. The report *inter alia* revealed that IAW was unable to establish focus on continuous system improvements and also

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[@] Rs.20.96 crore x $\frac{12}{100}$ x $\frac{6}{12}$ = Rs.125.76 lakh.

identify areas of focus for conducting indepth audit due to its failure in evaluation of internal controls existed with the Board. Further, it was recommended in the report that IAW should conduct technical, energy and cost and management audit of the Board. The Board decided (August 1997) to defer the approval and implementation of the report in view of the impending restructuring of the Board. This had not only rendered the expenditure of Rs.12.46 lakh as infructuous but also allowed IAW to function with its deficiencies.

The Board/Government while accepting (July 2004) the audit contentions stated that besides giving importance to accounts audit, necessary actions such as review of organisational structure and allocation of manpower and recruitment of professionally qualified persons would be made at the time of restructuring of the Board.

Gujarat State Road Transport Corporation

4.16 Performance of tyre retreading plants and tyres

4.16.1 The Corporation operated an average daily fleet of 8,963 buses through 140 depots under 16 traffic divisions during 2003-04. The Corporation has been meeting its requirement of tyres, tubes and flaps through purchase from tyre manufacturers. Tyres retreaded in its retreading plants were also used for meeting the requirement of the tyres.

Tyre retreading plants

4.16.2 At the end of 31 March 2004, the Corporation had seven retreading plants* each headed by a Deputy Works Superintendent. The tyres retreading plants at Naroda, Bharuch and Rajkot have the facility for production under both hot and cold processes. The plants at Godhra, Valsad, Amreli and Palanpur have only cold process.

Performance of tyre retreading plants

4.16.3 The total installed capacity of the seven plants was 1,17,400 tyres *per annum*. The Corporation, however, fixed a target of 75,400 tyres *per* year depending on number of shifts of working of the plant and manpower, which was 64.2 *per cent* of the installed capacity. No separate targets were fixed for production under hot and cold process in plants where both processes were followed. The plant wise detail of production of retreaded tyres during 1999-2004 is given in ***Annexure-16***.

Installed capacity, targets and production of retreaded tyres under hot and cold process of the tyre retreading plants during 1999-2004 were as follows:

* Godhra, Bharuch, Valsad, Palanpur, Rajkot, Amreli and Naroda.

(Number of tyres)

Particulars	1999-2000	2000-01	2001-02	2002-03	2003-04
Installed capacity	1,17,400	1,17,400	1,17,400	1,17,400	1,17,400
Target	75,400	75,400	75,400	75,400	75,400
Production:					
Hot Process	36,972	22,081	11,179	10,132	8,991
Cold Process	41,974	54,881	58,518	51,423	49,805
Total	**78,946**	**76,962**	**69,697**	**61,555**	**58,796**
Percentage of production to installed capacity	67.2	65.5	59.3	52.4	50.0
Percentage of production to targets	104.7	102	92.4	81.6	77.8

The percentage of production of retreaded tyres to installed capacity reduced from 67.2 to 50.

As seen from the above capacity utilisation of the tyre retreading plants, during 1999-2004 reduced from 67.2 *per cent* in 1999-2000 to 50 *per cent* in 2003-04. The utilisation against the targeted capacity also reduced from 104.7 to 77.8 *per cent*.

An analysis of the production performance of both hot and cold process retreading plants revealed that during 2001-04 the shortfall in production was mainly due to shortage of retreading material and retreadable[#] tyres.

There was consistent decline in the receipt of tyres from the divisions for retreading. Audit observed that the availability of tyres for retreading decreased from 82,439 tyres in 2000-01 to 65,742 in 2001-02 and to 61,827 in 2003-04. This was because of non removal of tyres in time for retreading and high percentage of scrapping of new tyres. (as discussed in paragraphs 4.16.8 and 4.16.9 *supra*).

There were 66,608 idle labour hours resulting in payment of idle wages of Rs.38.07 lakh.

Audit further observed that there were 66,608 idle labour hours on account of non production of retreaded tyres for the above reasons in tyre retreading plants during 2001-04, which resulted in payment of idle wages of Rs.38.07[*] lakh.

Non fixation of labour norms

4.16.4 The Corporation had not fixed standard labour hours for retreading of tyres in its tyre retreading plants. As a result actual labour hours per tyre varied even in similar type of tyre retreading plants.

Non fixation of standard labour hours for production resulted in extra labour cost of Rs.46.32 lakh.

The average labour hour per tyre under cold process was 2 hours 48 minutes in Palanpur and 4 hours 24 minutes in Valsad during 1999-2004 though the plants were of similar make. This resulted in increase in the cost of production of retreaded tyres to the tune of Rs.24.45 lakh in Valsad during 1999-2004.

In respect of tyre retreading plant in Naroda the average labour hour per tyre during 1999-2004 was 4 hrs. 24 min. for cold process and 5 hrs. 05 min. for hot process. For similar tyre retreading plant in Bharuch, the average labour hour per tyre 4 hrs. 15 min. for cold process and 4 hrs. 09 min. for hot process

[#] It refers to used tyres which could be retreaded for reuse.
[*] 66,608 hours X Rs.57.15(average labour rate per hour during 2001-2004).

during 1999-2004. This resulted in increase in cost of production to the tune of Rs.21.87 lakh in Naroda.

Thus non fixation of standard labour hours for production in tyre retreading plants resulted in extra labour cost of Rs.46.32 lakh in two plants.

The management stated (March 2004) that the labour hours per tyre were not uniform due to different type of machineries. The reply was not tenable as comparison had been made only in respect of similar type of machineries.

Excess consumption of precured tread rubber

Consumption of tread rubber in excess of norms resulted in extra expenditure of Rs.33.38 lakh.

4.16.5 As against the standard norms of 9.5 kgs of precured tread rubber per tyre under cold process, the actual consumption during 1999-2004 ranged from 9.627 to 10.130 kgs per tyre. Thus, there was an excess consumption of 49.93 MT of precured tread rubber for production of 2.57 lakh tyres resulting in excess expenditure of Rs.33.38 lakh during 1999-2004.

The management stated (March 2004) that the excess consumption was due to higher width size of tread rubber for radial tyres than nylon tyres.

The reply was not tenable as the Corporation started purchase of radial tyres only from July 2003 and number of radial tyres retreaded during 1999-2004 was negligible (550 tyres).

Quality control and sample testing

4.16.6 The Corporation had laid down laboratory test policy for testing of tubes, flaps and tyre retreading materials. As per the laboratory test policy of the Corporation, the number of tests to be carried out in respect of tubes, flaps and retreading materials against the purchase orders were to be decided by the Technical Committee keeping in view the financial limit of expenditure on testing to one *per cent* of the total purchase value. The samples from the divisions selected by the Technical Committee are sent to Central Institute of Road Transport (CIRT) laboratory at Pune for testing with reference to the specification of Association of State Road Transport Undertakings (ASRTU). If the test results were negative, the suppliers were liable to pay the test charges, administrative expenses and penalty charges. The penalty as decided by the Technical Committee of the Corporation was to be levied on the lot value from which sample was sent for testing.

During 1999-2004 the Corporation got tested 852 samples involving purchase of Rs.8.86 crore which was 18.65 *per cent* of the total purchase (Rs.47.51 crore) of tubes, flaps and retreading material. It took 35 to 372 days for testing and getting test reports from CIRT from the date of sending the samples for testing from the divisions. The material was consumed before the test reports were made available. Test reports in respect of 85 out of 852 samples (9.98 *per cent)* had become invalid, as the time taken for testing was more than the prescribed time limit. In such cases the penalty could not be imposed and the testing served only academic interest. Test reports were awaited in respect of

104 samples for periods ranging from one to 56 months. Thus, the purpose of conducting sample tests was not achieved in large number of cases.

The Technical Committee of the Corporation levied penalty of Rs. 67.71 lakh during 1999-2004 of which Rs.22.58 lakh was still (March 2004) pending for recovery.

The Corporation used inferior quality tyre retreading materials valuing Rs. 5.88 crore.

Analysis of reports of 505 samples of tyre retreading material valuing Rs.6.96 crore (tested during 1999-2004) revealed that only 138 samples passed the test. The remaining 367 samples valuing Rs.5.88 crore failed the tests and thus the Corporation used inferior quality tyre retreading materials due to delay in testing of samples.

Audit analysis in respect of sample test reports of retreading materials revealed that the lot quantity from which the sample tests were done was not uniform and not fixed. A test check of reports of 151 samples indicated that the variation in lot size was ranging between 2.67 and 100 *per cent* of the supplied quantity. Since the penalty was levied on the lot value, non fixation of lot quantity and supply in smaller lots escaped the scope of compensation for consumption of inferior quality materials.

The management stated (March 2004) that CIRT did not carry out the testing of samples till the receipt of testing charges. The Corporation could not make payments in time due to financial constraints. Moreover as per the shelf life prescribed by ASRTU for rubber items, due weightage could not be given for the test report. The reply was not tenable as the testing fee involved nominal payments. Moreover, the penalty for inferior materials could not be imposed as testing was not done within the prescribed time limit.

Performance of tyres

Breakdown of buses due to failure of tyres

4.16.7 The number of breakdown of buses due to failure of tyres increased from 37,310 in 1999-2000 to 70,799 in 2002-2003. A comparison of the ratio of breakdown of buses due to failure of tyres to average fleet in the Corporation with that of Andhra Pradesh State Road Transport Corporation (APSRTC) and Maharashtra State Transport Corporation (MSRTC) is given below:

Year	GSRTC	MSRTC	APSRTC
1999-2000	3.72 : 1	1 : 1	0.32 : 1
2000-01	2.38 : 1	0.26 : 1	0.30 : 1
2001-02	5.24 : 1	0.93 : 1	0.31 : 1
2002-03	7.58 : 1	0.96 : 1	NA

The breakdowns due to failure of tyres were mostly categorised under tyre puncture. However, the detailed data on the reasons for tyre puncture such as improper inflation, use of injured tyres or tubes, bad driving habits and non observance of tyre pressure *etc.* were not maintained by the Corporation. The Corporation had laid down detailed tyre maintenance procedures such as checking of tyre injuries, air pressure, wheel alignment and balancing. It also specified for periodical tyre rotation and timely removal of tyres for retreading to avoid over usage of tyres and abnormal wear. The higher breakdown of buses due to failure of tyres is indicative of over usage of tyres without strict adherence to the tyre maintenance procedures. Further, cancellation of scheduled trips and resultant revenue loss on account of tyre failures remained unnoticed due to non-maintenance of such data.

The management stated (March 2004) that as new vehicles were not purchased during 2001-02 compared to other State Transport Undertakings (STUs), the ratio of breakdown was not comparable with other STUs.

The reply was not tenable because even in the earlier years wherein the Corporation was getting more new buses, the ratio of breakdown due to failure of tyres was higher compared to other STUs. The fact that the ratio had aggravated in last two years indicated non-adherence to tyre maintenance procedures strictly.

Retreadability factor[*]

4.16.8 The Corporation's retreadability factor for 1999-2004 was 1.10 while it was 4.34 for KSRTC and 3.14 for APSRTC.

An analysis of the receipt of 2.72 lakh retreadable tyres in the seven retreading plants during 2000-04 indicated that 1.87 lakh tyres (68.9 *per cent*) were received for first retreading, 79,541 tyres (29.3 *per cent)* for second retreading and 4,837 tyres (1.8 *per cent)* for third retreading. This indicated that the major number of tyres were scrapped after first retreading itself resulting in lower performance of tyres.

Low retreadability factor resulted in low mileage of nylon tyres by 87,508 lakh kms costing Rs.31.09 crore.

A nylon tyre is expected to give a mileage equivalent to its initial life *plus* three retreads *i.e.* 1,42,600 kms.[♣] Due to non-removal of tyres in time for retreading, the retreadability factor was 1.10 against the norm of 3.0. During 1999-2004, the average life of a nylon tyre was 1,09,600 kms against the expected life of 1,42,600 kms which resulted in shortfall in performance of nylon tyres by 87,508 lakh kms equivalent to a cost of Rs. 31.09 crore during 1999-2004.

The management accepted (March 2004) the low retreadability factor, which was due to non-removal of tyres in time for retreading. It was further stated that this was due to financial crunch and shortage of staff for tyre maintenance.

The fact, however, remains that the Corporation has been suffering avoidable extra cost on tyres due to lower achievement of retreadability factor.

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[*] Retreadability factor indicates the maximum number of times a tyre can be retreaded for usage till scrap.

[♣] 46,000 kms + 3 x 32,200 kms.

Premature failure of new tyres

4.16.9 The Corporation had fixed norms for scrapping of new tyres. During 1999-2001 the norms for scrapping of new tyres was 8 *per cent*, which was raised to 10 *per cent* during 2001-03 and 12.5 *per cent* during 2003-04. During 1999-2004 the Corporation rejected 52,762 new tyres prematurely. Audit observed that during 2001-04 the overall percentage of scrapping of new tyres ranged from 15.48 to 24.95 as against the norms of 8 to 12.5 *per cent* fixed by the Corporation.

Scrapping of new tyres in excess of norms resulted in low mileage by 11,378 lakh kms costing Rs. 5.27 crore.

On the basis of average life attained by the tyres in the Corporation during 1999-2004, the Corporation lost 11,378 lakh kms[#], in respect of 26,884 new tyres scrapped over and above the norms, which was equivalent to a cost of Rs. 5.27 crore. The premature scrapping of tyres was on account of non adherence to tyre maintenance procedures like proper air pressure in tyres and non removal of tyres in time for retreading.

The management stated (March 2004) that maintenance procedure could not be adhered strictly due to shortage of mechanical staff and non availability of new and retreaded tyres. The fact, however, remains that due to non adherence to tyre maintenance procedures and scrapping of new tyres, the Corporation had been incurring avoidable extra cost on tyres.

The matter was reported to the Government in March 2004, their reply was awaited (November 2004).

4.17 Non recovery of a claim

The Corporation failed to initiate timely legal action against a defaulting contractor which resulted in non recovery of Rs.66.67 lakh.

The Corporation awarded (February 1996) a contract to M/s. Baneshwari Tyres and Re-mould Works, Ahmedabad (firm 'B') for sale of 1500 scrapped buses (the vehicles) at Rs.12.11 crore (*i.e*. Rs.80,739 *per* vehicle). The firm 'B' was to take delivery of all the vehicles during February-November 1996 in terms of contract. During the period firm 'B' took delivery of 530 vehicles after making payment of Rs.4.28 crore and did not take the delivery of the remaining 970 vehicles thereafter. Hence, the Corporation (November 1998) cancelled the contract and forfeited the earnest money deposit (EMD) of Rs.24.34 lakh of firm 'B' kept with the Corporation. Finally, the Corporation sold the remaining 970 vehicles at Rs.6.92 crore (*i.e*. Rs.71,357 *per* vehicle) to M/s. B.R.Shah, Ahmedabad (firm 'S') in February 2000.

Legal action was not initiated even after the lapse was pointed out by audit.

Audit observed that as per the terms of contract entered with firm 'B', the Corporation was entitled to recover the loss of Rs.91.01[*] lakh being the differential sales price from firm 'B' as the remaining 970 vehicles could fetch a lower rate. The Corporation did not initiate any action against firm `B' for

[#] (average tyre life km *minus* km achieved by scrapped new tyre) x number of tyres scrapped in excess of norms.
[*] Rs.80,739 (-) Rs.71,357 x 970 vehicles.

the recovery of Rs.66.67 lakh being the net sale proceeds short realised (sale proceed short realised Rs.91.01 lakh *minus* adjustment of EMD Rs.24.34 lakh).

On being pointed by Audit in October 2000, the Corporation had only issued (November 2000) a notice to firm ‘B’ demanding for the payment of the amount to the Corporation. Belatedly, in October 2003, the Corporation approached their lawyer for initiating a legal action against firm ‘B’. The lawyer, however, gave (March 2004) the opinion that the instant case was weak as the time limit of three years (*i.e.* reckoned from the date of cancellation of the contract) allowed as per the provisions of The Limitation Act 1963, for filing a legal suit was already expired in October 2001. Thus, the Corporation’s failure to initiate timely legal action resulted in non recovery of Rs.66.67 lakh from firm ‘B’. The Corporation has not fixed responsibility for the inaction.

The management stated (August 2004) that firm ‘B’ had frequently made representations to the State Government and also to Chairman of the Corporation even for getting refund of EMD of 24.34 lakh forfeited by the Corporation. In this context, further initiation of legal action against firm ‘B’ was also got delayed.

The reply was not tenable as firm ‘B’ made the representations to the Government and the Corporation only in February and December 2002 respectively. Moreover, initiation of legal action against firm ‘B’ was an independent action which the Corporation should have taken allowed time limit (*i.e.* up to October 2001) within the provisions of The Limitation Act, 1963.

The matter was reported to the Government in May 2004; their reply had not been received (November 2004).

Gujarat State Financial Corporation

4.18 Non recovery of dues

Disbursement of loans to ineligible firms resulted in non recovery of dues of Rs.10.47 crore.

The Corporation extended (June and July 1999) working capital term loans for Rs.1.50 crore and Rs.1.25 crore to Enkay Texo Food Industries Limited, Silvassa (firm `E’) and its associate concern Accelerate Synthetics Private Limited, Ankleshwer (firm `A’) respectively. The loans of firm `E’ and `A’ were carrying interest rate of 19 and 20 *per cent per annum* and were repayable in 30 monthly instalments starting from October and November 1999 respectively. As per the norms fixed (July 1997) by the Corporation, the firms were *inter alia* required to fulfil the following criteria for availing the working capital term loan:

- The firm should be in production for at least three years with a minimum positive net worth of Rs.1.50 crore.

- The existing cash accruals of the firm should be adequate to meet existing and proposed liabilities of the loan and other debts.
- The firm should not be in default to financial institutions and should have satisfactory track record in repayment of its dues to them.
- The asset coverage ratio* after considering the proposed loan should not be less than 2 : 1.

Audit observed that the Corporation was aware (June/July 1999) of the fact that the firms did not fulfil the above criteria in view of the following:

Firm `E' was in default in repayment of dues of Rs.18.87 crore to its bankers.

- Firm `E' was in default (June 1999) in repayment of dues of Rs.18.87 crore to its bankers and of Rs.65 lakh to the Corporation on account of availing of the bill discounting facility of Rs.1.50 crore from the Corporation in March 1997. Moreover, firm `E' was already having cash credit arrangement for Rs.65.93 crore with its bankers for meeting working capital requirement of Rs.40 crore. Besides, the annual cash accrual of Rs.14.40 crore of the firm E was not adequate to meet its repayment liability of Rs.15 crore to its bankers.
- Firm `A' had been in production activity for a period of two years and its net worth was Rs.32.27 lakh only. Further, the debt equity ratio of firm E was 6 : 1 indicating the inadequacy of asset coverage over debt liabilities of firm `E'.

Despite this the Corporation extended the loans to the ineligible firms without any justification on record. Further, the firms were irregular and also in default since beginning in payment of instalments of their loans. Firm`E' was registered as a sick unit with BIFR in May 2001 and the physical possession of firm `A' was taken over by the Corporation in January 2001 under Section 29 of State Financial Corporations Act, 1951. Total dues of Rs.10.47 crore from firm `E' (principal : Rs.1.34 crore, interest and other charges : Rs.3.87 crore, total : Rs.5.21 crore) and from firm `A' (principal : Rs.1.27 crore, interest and other charges : Rs.3.99 crore, total Rs.5.26 crore) were outstanding as on 31 March 2004. The Corporation, however, did not take effective action to recover the dues by invoking personal guarantees of promoters of the firms and also through sale of the assets of firm `A' (May 2004).

The management/Government stated (May/August/September 2004) that the Board of Directors of the Corporation had visited (May 1999) the manufacturing unit of firm `E' and were impressed by the activities of the unit. Besides, the Corporation had sanctioned the loan to firm `E' as it had received recommendation from the ministry's level for its sanctioning. In case of firm `A', the Corporation had sanctioned the loan on the strength of one year performance of the unit of firm `A' before the sanction and also based on the securities being offered by firm `A'.

* Ratio showing total assets to total liabilities.

The reply is not tenable as the Corporation should have considered the previous records of firm 'E' and its repayment capacity instead of relying on the Ministry's recommendations. Besides the sanction of loans to firm 'A' which was in production for one year, was in violation of the Corporation's own norms of eligibility of three years.

4.19 Extending financial assistance to an ineligible unit

Disbursement of loans to an ineligible unit resulted in non recovery of dues of Rs.4.36 crore.

The Corporation sanctioned and disbursed (September/November 1999) a loan of Rs.1.30 crore for meeting the working capital requirement of Moon Drugs Limited, Ahmedabad (the unit). The loan was carrying 18 *per cent* interest and was repayable in 30 monthly instalments starting from March 2000.

The Corporation sanctioned (July 2000) another loan of Rs.91 lakh to the unit under its scheme for "Marketing assistance for small scale industries (SSI) products" (the scheme loan). The scheme loan was carrying 17 *per cent* interest and was repayable within a period of seven years in 25 quarterly instalments starting from August 2001. The Corporation, initially, disbursed (August/October 2000) Rs.66.19 lakh as per the terms of scheme loan. The unit was irregular in repayment of the loans since beginning. Besides, the unit did not implement the project meant to launch new products and increase turnover, for which the loans were availed of. The Corporation did not release the balance amount of Rs.24.81 lakh sanctioned under the scheme loan to the unit. The physical possession of the unit's factory and sales premises were taken over (September 2001/June 2003) by the Corporation under Section 29 of State Financial Corporations Act, 1951. As on 31 December 2003, the total dues of Rs.4.36 crore (principal: Rs.1.78 crore and interest: Rs.2.58 crore) remained outstanding. Further follow up action for its recovery by the Corporation was awaited (April 2004).

Audit analysis of the case revealed the following irregularities:

Thin profit margin and longer operative cycle indicated inadequate cash accruals.

- The Corporation at first did not agree (October 1998) to sanction the working capital loan as the unit was very much irregular in repayment of two term loans earlier availed of (June 1991 and March 1993) by it from the Corporation. Besides, the Corporation was aware (September 1999) of the thin profit margin of 0.58 *per cent* on the sales and also longer operative cycle[*] of 243 days of the unit compared to the pharmaceutical industry norm of 165 days which indicated the chances for generation of inadequate cash accruals to pay the instalments of the loan. The Corporation fixed (July 1997) the norms for sanctioning the loan, such as, the unit should have satisfactory track record of repayment of loans to its financial institutions and also the existing cash accruals of the unit should be adequate to meet existing and proposed liabilities of term loans and debts. The unit did not fulfil these norms. Despite this the Corporation

[*] The constantly changing form of investment in the sequence from cash to merchandise or material to receivables and back to cash.

sanctioned (September 1999) the working capital loan to the unit for which no justification was on record.

- The unit was also not entitled to avail of the scheme loan as it was not an SSI unit. Further, the cheques worth Rs.18.53 lakh issued during July-October 2000 by the unit towards the payment of instalments for the working capital loan were dishonoured by the unit's banker. The Corporation, however, after adjusting (October 2000) Rs.9.57 lakh against the dues of Rs.18.53 lakh went ahead with disbursement of the scheme loan during the period.

The management/Government stated (April/August/September 2004) that unit had thin profit margin and longer operative cycle due to high interest cost, selling and distribution expenses and collection period on account of export sales respectively. The Corporation, however, disbursed (September 1999) the working capital loan as the unit was being its existing loanee and had also cleared the dues of its previous loans. Further, it was stated that the scheme loan was meant for marketing the products manufactured by SSI units. Hence, in this case, even though the unit was a non SSI unit, the scheme loan was granted to it for marketing the products of SSI units.

The reply was not tenable as the irregular repayment of previous loans by the unit even after their rescheduling was indicative of the fact that it was not having a satisfactory track record of dealings with the Corporation. Besides, the norms of the scheme loan categorically stated that only SSI units were eligible to avail the scheme loan. Thus, sanctioning of loans to the ineligible unit resulted in non recovery of dues of Rs.4.36 crore.

Gujarat Industrial Development Corporation

4.20 Imprudent fixation of allotment price

Non insertion of suitable clause in allotment orders coupled with an imprudent approach in fixation of allotment price of plots resulted in reduction of revenue by Rs.2.66 crore.

The Corporation acquired (September 1993/June 1994) land admeasuring 4,02,375 square meters (sqm) from Government of Gujarat for setting up an industrial estate at Rafleshwar, Rajkot (the estate). Of the land acquired, the land admeasuring 2,82,035.62 sqm was allocable in the form of plots to allottees with necessary infrastructure facilities. Pending fixation of price of the land by the Government, the Corporation fixed (April 1995) Rs.100 *per sqm* as allotment price (AP) of plots based on the estimated land price of Rs.5.75 *per sqm*.

Allotment price was fixed based on the estimated price of land.

In January 1997, the Government fixed the price of the land acquired by the Corporation at Rs.47 *per sqm* and also demanded the Corporation to pay Rs. 1.89 crore along with interest *of 15 per cent* on it from 1 October 1993 till its date of payment. The Corporation, on the pretext of making representation to the Government for the reduction of the price of land neither had made the payment to the Government till December 2002 nor revised the AP in the light of actual price of Rs.47 *per sqm* as fixed by the Government. The Corporation revised (April 2000) the AP of the estate from Rs.100 to Rs.150 *per sqm.* As the Government did not agree to reduce the price of land, the Corporation (January 2003) finally made the payment of Rs.4.51 crore (*i.e.*, Rs.1.89 crore *plus* interest of Rs.2.62 crore from October 1993 to December 2002) to the Government.

Audit observed that the Corporation was aware (January 1995) that the land price of Rs.5.75 *per sqm* was only tentative and the price to be decided by the Government was going to be high. Despite this, the Corporation failed to incorporate a suitable clause in the allotment orders issued to the allottees for effecting additional recovery in the event of fixation of high price for the land by the Government. Reasons for non insertion of such clause in the instant case were not on record.

The Corporation allotted plots admeasuring 2,497.81sqm in the year 1995 and 2,79,537.81 sqm during January 1997 to December 2003 to allottees. The Corporation should have revised the allotment price approximately to Rs.196.50 *per sqm* based on land price of Rs.47 *per sqm* in January 1997. Having done that the Corporation could have earned additional revenue of Rs.2.66 crore[#] during January 1997 to December 2003.

Thus, non insertion of a suitable clause in allotment orders coupled with an imprudent approach in fixation of AP resulted in reduction of revenue by Rs.2.66 crore.

The management stated (September 2004) that the land acquired was non agricultural land and the then prevalent maximum market price was rupees nine *per sqm* in the area. It did not expect the price of land to be fixed at a much higher rate of Rs.47 *per sqm* by the Government and the matter had been taken up with the Government for reduction of price of land.

The reply was not tenable as the Corporation was aware that the price of land of Rs.5.75 *per sqm* was mere tentative and a suitable clause should have been incorporated in the allotment orders. Further, when the price of land was fixed by the Government at Rs.47 *per sqm* in January 1997, the Corporation did not revise the AP immediately.

The matter was reported to Government in April 2004; their reply had not been received (November 2004).

[#] The Corporation would have sold the plots for Rs.5.49 crore (at the rate of Rs.196.50 *per sqm*) instead of Rs.2.83 crore (at the rate of Rs.100-150 *per sqm*).

General

4.21 Implementation of Voluntary Retirement Scheme in State Public Sector Undertakings

Government of Gujarat (GOG) formulated (November 1997 / April 1999) Voluntary Retirement Scheme (VRS) for encouraging the employees of State Public Sector Undertakings (PSUs) to give up their employment voluntarily before the date of their superannuation. The PSUs were to implement the VRS with the prior approval of Finance Department (FD) of GOG. During 1998-2004, seven PSUs either identified for closure or for privatisation by GOG had implemented VRS based on the guidelines issued by GOG in November 1997. These seven PSUs availed financial assistance either in the form of loan or grant from the State Renewal Fund (SRF) constituted (September 1996) for this purpose by GOG. Besides, during the period 10 PSUs, with an aim to reduce their surplus manpower, implemented VRS out of their own fund, based on the guidelines issued by FD of GOG, in April 1999. The salient features *inter alia* of both types of VRS are as under:

Guidelines of November 1997 applicable for the PSUs identified for closure/privatisation:

- The employees of the PSUs were to either opt for VRS or to include themselves among surplus staff for consideration of alternative job in other departments of GOG/ PSUs.

- An employee opting for VRS was entitled to provident fund, leave encashment, gratuity and *ex-gratia* payment of 35 days' emoluments[*] for each completed year of services and 25 days' emoluments for each remaining year of service or the monthly emoluments at the time of retirement multiplied by the balance months of services left before normal date of retirement, whichever was less.

- The VRS beneficiaries would not be re-employed in any departments of GOG/ PSUs.

Guidelines of April 1999 meant for reduction of surplus employees in PSUs:

- The VRS has to remain in force for 90 days from the date of its announcement and also the entire cost of the VRS should be borne by PSU.

- An employee who was to superannuate within three years from the date of application for VRS was not eligible for the benefits.

[*] Basic pay + Dearness allowance + House rent allowance at old rate *i.e*. prior to its revision by Fifth Pay Commission.

- An employee opting for VRS was entitled to provident fund, leave encashment, gratuity and *ex-gratia* payment equivalent to 35 days' emoluments[@] for each completed year of service added with 25 days emoluments for each remaining year of service or the monthly emoluments at the time of retirement multiplied by the balance months of service left before normal date of retirement, whichever was less.

- The PSU may retrench the surplus employees under the provision of Industrial Dispute Act, 1947 in case the implementation of VRS did not yield desired result in the reduction of surplus employees.

Details of period of implementation of VRS, the amount utilised, number of employees relieved under VRS related to 16 PSUs (including one PSU in which both types of VRS were implemented) are given in **A*nnexure-17***. Test check of records of all the PSUs except two[#] PSUs revealed that the guidelines were not strictly adhered to in the following cases:

Gujarat Small Industries Corporation Limited (GSIC)

Re employment of ex-employees

Payment of Rs.31.75 lakh was made to ex-employees.

4.21.1 During December 1999 to January 2004 GSIC re-employed its eight to 26 ex-employees on contract basis even though they were earlier relieved (September 1999 to October 2002) from their services under VRS. The re-employment of ex-employees not only violated the GOG guidelines of November 1997 but also defeated the purpose of VRS. The re-employment resulted in payment of Rs.31.75 lakh towards salary of the ex-employees during their re-employment period.

Government stated (August 2004) that since ex-employees were conversant with working of GSIC their services were availed of for attending to the residual works *viz.,* recovery of dues from loanee units, legal cases, finalisation of GSIC's accounts etc. The reply was not tenable as the guidelines had explicitly disallowed for the re-employment of any of the ex-employees under any circumstances.

Gujarat Agro Industries Corporation Limited (GAIC)

Adoption of incorrect rate of House Rent Allowance

4.21.2 GAIC identified (August 1998) its six unviable manufacturing units for their closure. Accordingly, GAIC availed (March 2000) a loan of rupees seven crore with interest *rate of 11 per cent* from SRF and implemented VRS based on the GOG guidelines of November 1997 before the closure of the units in

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[@] Basic pay + Dearness allowance + House Rent Allowance at new rate *i.e*. after its revision by Fifth Pay Commission.

[#] Gujarat State Fisheries Development Corporation Limited and Gujarat Communications and Electronics Corporation Limited for which records were not made available to audit due to their closure.

Extra expenditure of Rs.29.35 lakh was incurred due to adoption of incorrect HRA rate.

April 2000. As per the guidelines, the emoluments for the purpose of *ex-gratia* payment consist of basic pay, dearness allowance and house rent allowance at old rate. GAIC, however, adopted the rate of HRA as revised by Fifth Pay Commission. Consequently, GAIC while relieving (January - June 2000) the 202 employees of the units under VRS incurred extra expenditure of Rs.29.35 lakh towards *ex-gratia* payments.

The management/Government stated (July/August/October 2004) that it had introduced VRS for restructuring its organisation. Hence it followed the guidelines of April 1999 and adopted the revised rate of HRA in computation of *ex-gratia*. The reply was not tenable as VRS guidelines of November 1997 were applicable to GAIC in view of the loan availed by it from SRF meant for implementation of VRS in the units identified for closure.

Gujarat Tractor Corporation Limited (GTCL)

Non-recovery of un-utilised grant

Unutilised grant of Rs.91.36 lakh remained unrecovered.

4.21.3 GOG, while selling its 51 *per cent* (78,04,010) shares in GTCL to Mahindra and Mahindra Limited in December 1999 agreed to provide grant for implementation of VRS in the resultant Company, i.e. Mahindra Gujarat Tractor Limited (MGTL). As per the terms of agreement, MGTL was to implement the VRS as per the guidelines of November 1997 and relieve the employees of erstwhile GTCL till December 2000. Accordingly, at the instance of MGTL, GOG released (September 2000) a grant of Rs.5.29 crore from SRF for relieving 146 employees of GTCL under VRS by MGTL. However, MGTL relieved only 130 employees of GTCL and disbursed Rs.4.38 crore under VRS till December 2000. The unutilised grant of Rs.91.36 lakh alongwith the interest at the rate of 18 *per cent* was to be recovered by GOG from MGTL as per the terms of the grant. However, GOG had not recovered the dues of Rs.1.45 crore (including interest of Rs.53.45 lakh for January 2001 to March 2004) from MGTL.

The matter was reported to the Government in April /June 2004; their reply had not been received (November 2004).

Gujarat Industrial Investment Corporation Limited (GIIC)

Incorrect calculation of ex-gratia

Extra payment of Rs.1.64 crore was made due to incorrect computation of *ex-gratia*.

4.21.4 GIIC implemented (February 2000 and June 2001) VRS based on GOG guidelines of April 1999 and relieved 175 surplus employees. However, GIIC reckoned 26 days as one month instead of 30 days in computation of *ex-gratia* payment. Hence, GIIC paid Rs. 12.32 crore instead of the correct amount of Rs.10.68 crore resulting in extra payment of Rs.1.64 crore towards *ex-gratia*.

The management/Government while admitting (August 2004) the audit contention stated that it had reckoned 26 days as one month instead of 30 days in computation of *ex-gratia* in order to make the VRS more attractive.

Besides, the administrative cost of GIIC had reduced to a larger extent after the successful implementation of VRS. The reply was not tenable, as the computation of the *ex-gratia* in the instant case was not made in consonance with GOG guidelines of April 1999.

Gujarat Mineral Development Corporation Limited (GMDC)

Payment of early bird incentive

4.21.5 As per GOG guidelines of April 1999 the financial benefits allowed to the retiring employees under VRS should not fall outside the scope/exceed the limits fixed in the guidelines. However, VRS framed by GMDC included an incentive of Rs.25,000 or Rs.15,000 to each employee availing VRS at the first/second month respectively during which VRS was in force. GMDC implemented VRS on three occasions during April 2000 to May 2003 and paid Rs.14.05 crore to 297 employees who opted the VRS. VRS announced by GMDC on each occasion was in force for a period of three months from the date of announcement. Audit observed that GMDC released financial benefit of Rs.42.20 lakh in the name of `Early Bird Incentive' to 178 employees during the implementation of VRS on all the three occasions. This payment was in violation of the GOG's guidelines on VRS.

Rs.42.20 lakh was paid to employees as early bird incentive.

VRS allowed to ineligible employees and incorrect calculation of ex-gratia

4.21.6 A detailed scrutiny of 46 cases related to VRS implemented by GMDC during January - May 2003, revealed as follows:

- In violation of GOG guidelines of 1999, the Company allowed VRS to 11 employees having less than three years of remaining service. This had resulted in irregular payment of Rs.21.29 lakh towards *ex- gratia* to these employees.

- In 35 cases, the Company had reckoned 60 days of emoluments[χ] for each completed years of service *plus* three months emoluments as notice pay instead of 35 days emoluments for each completed year of service added with 25 days emoluments for each remaining year of service which were required to be reckoned in computation of *ex-gratia* payment as per the guidelines. These 35 cases include 31 employees whose HRA was reckoned at the rate of 15 *per cent* of basic pay instead of 5 *per cent*. This resulted in excess payment of *ex-gratia* by Rs.43.81 lakh.

The management/Government stated (June/November 2004) that it had obtained GOG's (Industries and Mines Department) approval for the payment of Early Bird Incentive and also for reckoning 60 days in computation of amount of *ex-gratia*. It was further stated that approval of its Board of Directors (BOD) was obtained for relieving the employees having less than three years service under VRS and also for adoption of HRA at the rate of 15

[χ] Pay+DA+HRA.

per cent of basic pay for employees worked in project offices. The reply was not tenable as the approval was not obtained from the FD of GOG, which approved the guidelines besides the BOD had no powers to vary the GOG's guidelines.

Gujarat State Financial Corporation (GSFC)

VRS allowed to ineligible employees

Payment of Rs.81.79 lakh was made to the employees ineligible for VRS.

4.21.7 In disregard to GOG guidelines of April 1999, GSFC allowed VRS (February-April 2003) to its 21 employees having less than three years of remaining service. This had resulted in irregular payment of Rs.81.79 lakh towards *ex- gratia* to these employees.

The management/Government (Industries and Mines Department) stated (June/August 2004) that GSFC had obtained (April 2003) GOG's approval for extending VRS to its employees who had crossed 55 years of age. Hence, the 21 employees were also eligible to avail VRS. The reply was not tenable as the guidelines approved by the Finance Department did not provide for relaxation of any of such eligibility criteria of VRS.

Gujarat Industrial Development Corporation (GIDC)

Failure to retrench surplus manpower and delay in implementation of VRS

4.21.8 GIDC identified (September 2002) 321 employees as surplus and obtained (April 2003) the approval of GOG for implementation of VRS, based on the guidelines of April 1999.

Audit scrutiny revealed the following:

- The VRS was implemented during September - October 2003 and 88 employees opted for VRS. GIDC, however, did not consider the option of retrenching the remaining 233 surplus employees under the provisions of Industrial Disputes Act, 1947 as per GOG guidelines. Consequently, GIDC continued to incur an approximate expenditure of Rs.12.74 lakh per month towards the pay and allowances on 233 surplus employees since November 2003 (March 2004).

- Due to belated implementation of VRS, GIDC incurred an avoidable expenditure of Rs.20.50 lakh towards pay and allowances of the 88 employees, during June - August 2003.

The management/Government stated (June/August/October/December 2004) that it had not identified the surplus employees so far and the identification made in September 2002 was only an estimation of employees not having more work in GIDC. As regards belated implementation of VRS, GIDC stated that it had to attend various works after receipt of GOG's approval (April 2003) in order to make the VRS successful. The reply was not tenable as the records of the Corporation indicated that 321 employees were identified as surplus in September 2002. Further, VRS was in force for a period of three months and hence this duration was enough to carry out the related works to make VRS successful.

4.22 Follow-up action on Audit Reports

Outstanding action taken notes

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

Though the Audit Report for the year 1999-2000 was presented to the State Legislature in August 2001, 4 out of 10 departments which were commented upon did not submit explanatory notes on 2 out of 29 paragraphs/reviews as on 30 September 2004

Department-wise position of outstanding explanation notes are given below:

Sl. No.	Name of the Department	1999-2000
1.	Roads and Buildings	1*
2.	Women and Child Development	1*
3.	Narmada, Water Resources and Water Supply	1*
4.	Information and Broadcasting	1
	Total	**2**

* This represents one general paragraph to which three departments' replies were awaited.

The Government did not respond to the paragraphs highlighting the loss suffered by the State PSUs due to violation of Government directives in deployment of its surplus funds and also due to non-utilisation of Government funds for the purpose for which it was received by the State PSUs.

Outstanding compliance to Reports of Committee on Public Undertakings (COPU)

Replies to three paragraphs pertaining to one Report (*i.e*. Thirteenth Report of Eighth Assembly, 1994-95) of COPU presented to State Legislature in December 1994 had not been received (September 2004).

This report of COPU contains 12 recommendations related to paragraphs appeared in Audit Reports from 1987-88 to 1992-93. As per rule 32 of Rules of Procedure (Internal Working) of Committee on Public Undertakings

(COPU), Gujarat Legislative Assembly, replies to the recommendations in the form of Action Taken Notes (ATNs) are to be submitted by the administrative department of PSUs within three months from the date of placement of Report of COPU in the State Legislature. However, in case of three recommendations, replies to two paragraphs pertaining to Gujarat Electricity Board and one in respect of Gujarat State Road Transport Corporation appeared in the Audit Report for the year 1987-88 were awaited (September 2004). In case of remaining 20 recommendations, COPU completed examination (October 2001) of ATNs, however, the final report was awaited (September 2004).

Actions taken on the persistent irregularities

With a view to assist and facilitate discussion of the paras of persistent nature by the State COPU, an exercise has been carried out to verify the extent of corrective action taken by the concerned auditee organisation and results thereof are indicated in ***Annexures*-18** and **19.**

Government company

The cases of irregular payments made to the contractors amounting to Rs.1.86 crore and also avoidable expenditure of Rs.7.94 crore incurred on energy bills noticed in audit of Sardar Sarovar Narmada Nigam Limited (the Company) were included in the Reports of Comptroller and Auditor General of India for the years 2001-02 and 2002-03 (Commercial) – Government of Gujarat. The irregularities were persisting with the Company over a period of two years (September 2004). Actions taken by the Company/State Government on the irregularities as scrutinised (June 2004) in audit revealed that either no actions or inadequate actions were taken as per details given in ***Annexure-18***.

Statutory corporation

The irregularities in the nature of deficiencies in the provisions of the contracts entered into by the Gujarat Electricity Board (the Board) with the contractors/suppliers with financial implication of Rs.15.04 crore and also delay in construction/completion of projects with a financial implication of Rs.7.18 crore noticed in audit of the Board were included in the Reports of Comptroller and Auditor General of India for the years 1999-2000 to 2002-03 (Commercial) – Government of Gujarat. The irregularities were persisting with the Board over a period of four years (September 2004). Actions taken by the Board on the irregularities as scrutinised (June 2004) in audit revealed that either no actions or inadequate actions were taken as per details given in ***Annexure-19***.

4.23 Response to Inspection Reports, Draft Paras and Reviews

Audit observations noticed during audit and not settled on the spot are communicated to the heads of PSUs and concerned departments of State Government through Inspection Reports. The heads of PSUs are required to furnish replies to the Inspection Reports through respective heads of departments within a period of six weeks. Inspection Reports issued up to March 2004 pertaining to 39 PSUs disclosed that 1,184 paragraphs relating to

395 Inspection Reports remained outstanding at the end of September 2004. Department-wise break-up of Inspection Reports and audit observations outstanding as on 30 September 2004 is given in ***Annexure*-20**.

Similarly, draft paragraphs and reviews on the working of PSUs are forwarded to the Principal Secretary/ Secretary of the Administrative Department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. Audit observed that nine draft paragraphs and one draft review forwarded to the various departments during February to May 2004 as detailed in ***Annexure*-21** had not been replied to so far (September 2004).

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 within prescribed time; and (c) the system of responding to the audit observations is revamped.

Ahmedabad **(Anupam Kulshreshtha)**
The: **Principal Accountant General**
(Commercial and Receipt Audit), Gujarat

Countersigned

New Delhi **(Vijayendra N. Kaul)**
The: **Comptroller and Auditor General of India**

ANNEXURE-1

Statement showing particulars of up-to-date paid-up capital, equity/loans received out of budget and loans outstanding as on 31 March 2004 in respect of Government companies and Statutory corporations.

(Referred to in paragraph 1.3,1.4,1.5,1.11,1.17 and 1.18)

(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 2003-04**		Total	Debt equity ratio for the year 2003-04 (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	703.75	--	--	--	703.75	--	--	--	700.00	2,000.00	2,700.00	3.84:1 (3.84:1)
2	Gujarat Sheep and Wool Development Corporation Limited	228.41	188.70	--	14.25	431.36	--	--	--	--	--	--	
3	Gujarat State Seeds Corporation Limited	295.00	18.00	--	--	313.00	10.00	--	--	--	--	--	
4	Gujarat State Land Development Corporation Limited	586.71	--	--	--	586.71	0.40	--	--	1,649.34		1,649.34	2.81:1 (2.81:1)
	Sector wise total	**1,813.87**	**206.70**	**0.00**	**14.25**	**2,034.82**	**10.40**	**0.00**	**0.00**	**2,349.34**	**2,000.00**	**4,349.34**	**2.14:1 (2.15:1)**
	INDUSTRY SECTOR												
5	Gujarat State Petroleum Corporation Limited (GSPC Ltd)	10,036.00 850.00@@	--	--	525.00	10,561.00 850.00@@	--	--	--	--	--	--	
	Sector wise total	**10,036.00 850.00@@**	**--**	**--**	**525.00**	**10,561.00 850.00@@**	**--**	**--**	**--**	**--**	**--**	**--**	
	HANDLOOM AND HANDICRAFTS SECTOR												
6	Gujarat State Handloom & Handicrafts Development Corporation Limited	1022.86	180.67	--	2.00	1,205.53	--	4.00	--	917.45	250.00	1,167.45	0.97:1 (0.89:1)
	Sector wise total	**1,022.86**	**180.67**	**--**	**2.00**	**1,205.53**	**--**	**4.00**	**--**	**917.45**	**250.00**	**1,167.45**	**0.97:1 (0.89:1)**

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
	FOREST SECTOR												
7	Gujarat State Forest Development Corporation Limited	392.76	208.89	--	--	601.65	--	--	--	--	--	--	(0.17:1)
	Sector wise total	**392.76**	**208.89**	**--**	**--**	**601.65**	**--**	**--**	**--**	**--**	**--**	**--**	**(0.17:1)**
	MINING SECTOR												
8	Gujarat Mineral Development Corporation Limited	2,353.20	--	--	826.80	3,180.00	--	--	28,667.00	--	78,369.92	78,369.92	24.64:1 --
9	Gujarat State Petronet Limited (Subsidiary of GSPC Limited)	--	--	17,330.53 3,500.00*	3,685.00	21,015.53 3,500.00*	-- 3,500.00*	--	27,692.58	--	39,620.08	39,620.08	1.62:1 (0.63:1)
	Sector wise total	**2,353.20**	**0.00**	**17,330.53** **3,500.00***	**4,511.80**	**24,195.53** **3,500.00***	**3,500.00***	**0.00**	**56,359.58**	**0.00**	**117,990.00**	**117,990.00**	**4.26:1** **(0.55:1)**
	CONSTRUCTION SECTOR											0.00	
10	Gujarat State Police Housing Corporation Limited	5,000.00	--	--	--	5,000.00	--	--	--	--	--	--	--
11	Gujarat State Road Development Corporation Limited	500.00 100.00*	--	--	--	500.00 100.00*	-- 100.00*	--	--	2.27	327.37	329.64	0.55:1 (0.66:1)
	Sector wise total	**5,500.00** **100.00***	--	--	--	**5,500.00** **100.00***	-- **100.00***	--	--	**2.27**	**327.37**	**329.64**	**0.06:1** **(0.06:1)**
	AREA DEVELOPMENT SECTOR												
12	Gujarat State Rural Development Corporation Limited	58.00	--	--	--	58.00	--	--	--	--	--	--	--
13	Gujarat Growth Centres Development Corporation Limited	1500.00	2,135.00	--	--	3,635.00	--	--	--	--	--	--	--
14	Gujarat Urban Development Company Limited	2083.00	--	--	--	2,083.00	30.00	--	--	--	--	--	--
	Sector wise total	**3,641.00**	**2,135.00**	--	--	**5,776.00**	**30.00**	--	--	--	--	--	--
	DEVELOPMENT OF ECONOMICALLY WEAKER SECTION SECTOR												
15	Gujarat Scheduled Castes Economic Development Corporation Limited	1465.00	984.34	--	--	2,449.34	100.00	--	1,250.77	--	1,986.03	1,986.03	0.81:1 (2.61:1)

1	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
16	Gujarat Women Economic Development Corporation Limited	532.00	170.05	--	--	702.05	--	--	--	--	34.88	34.88	0.05:1
17	Gujarat Minorities Finance & Development Corporation Limited	95.00 20.00*	--	--	--	95.00 20.00*	-- 20.00*	40.00	600.00	290.00	3,719.18	4,009.18	34.86:1 (37.89:1)
18	Gujarat Gopalak Development Corporation Limited	25.00	--	--	--	25.00	10.00	--	--	--	328.00	328.00	13.12:1
19	Gujarat Safai Kamdar Vikas Nigam Limited	Rs.900.00 Only 50.00*	--	--	--	Rs.900.00 Only 50.00*	-- 50.00*	--	196.13	--	658.75	658.75	13.18:1
20	Gujarat Thakor and Koli Vikas Nigam	Rs.700.00 Only	--	--	--	Rs.700.00 Only	--	--	--	--	--	--	
	Sector wise total	**2,117.00** **70.00***	**1,154.39**	**0.00**	**0.00**	**3,271.39** **70.00***	**110.00** **70.00***	**40.00**	**2,046.90**	**290.00**	**6,726.84**	**7,016.84**	**2.10:1** **(3.27:1)**
	PUBLIC DISTRIBUTION SECTOR												
21	Gujarat State Civil Supplies Corporation Limited	1,000.00	--	--	--	1,000.00	--	--	--	--	--	0.00	(1.23:1)
	Sector wise total	**1,000.00**	**--**	**--**	**--**	**1,000.00**	**--**	**--**	**--**	**--**	**--**	**0.00**	**(1.23:1)**
	TOURISM SECTOR												
22	Tourism Corporation of Gujarat Limited	1,719.91	--	--	--	1,719.91	--	--	--	335.40	--	335.40	0.20:1 (0.21:1)
	Sector wise total	**1,719.91**	**--**	**--**	**--**	**1,719.91**	**--**	**--**	**--**	**335.40**	**--**	**335.40**	**0.20:1** **(0.21:1)**
	POWER AND WATER RESOURCES SECTOR												
23	Gujarat Water Resources Development Corporation Limited	3,148.61	--	--	--	3,148.61	--	1.00	--	--	--	0.00	--
24	Sardar Sarovar Narmada Nigam Limited	819,109.24 254182.72*	--	--	--	819,109.24 254182.72*	-- 176273.00*	--	130,833.00	--	870,525.20	870,525.20	0.81:1 (0.88:1)
25	Gujarat Power Corporation Limited	20,027.47	--	--	1,930.10	21,957.57	--	--	--	--	--	0.00	--
26	Gujarat Water Infrastructure Limited	4,992.01	--	--	--	4,992.01	1,232.09	--	--	--	19,764.50	19,764.50	3.96:1 (5.75:1)
	Sector wise total	**847,277.33** **254182.72***	**0.00** **--**	**0.00** **--**	**1,930.10** **--**	**849,207.43** **254182.72***	**1,232.09** **176273.00***	**1.00**	**130,833.00**	**0.00**	**890,289.70**	**890,289.70**	**0.81:1** **(0.88:1)**

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
	FINANCING SECTOR												
27	Gujarat Industrial Investment Corporation Limited (GIIC)	25,697.77	--	--	--	25,697.77	--	--	206.46	2,500.00	50,303.28	52,803.28	2.05:1 (2.32:1)
28	Gujarat State Investments Limited	44,276.91	--	--	--	44,276.91	--	--	--	--	--	0.00	--
29	Gujarat State Financial Services Limited (GSFS Ltd.)	2,628.00	--	--	--	2,628.00	--	--	--	--	--	0.00	--
30	GSFS Capital & Securities Limited (Subsidiary of GSFS Ltd.)	--	--	500.00	--	500.00	--	--	--	--	--	0.00	--
	Sector wise total	**72,602.68**	**0.00**	**500.00**	**0.00**	**73,102.68**	**0.00**	**0.00**	**206.46**	**2,500.00**	**50,303.28**	**52,803.28**	**0.72:1** **(0.82:1)**
	MISCELLANEOUS SECTOR												
31	Gujart Rural Industries Marketing Corporation Limited	917.44	--	--	--	917.44	12.27	--	--	--	--	--	--
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	990.00 200.00*	--	--	400.00	1,390.00 200.00*	-- --	--	--	--	10.00	10.00	0.01:1 (0.01:1)
34	Gujarat National Highways Limited	1,000.00	600.00	--	--	1,600.00	--	--	--	--	--	--	
35	Gujarat Informatics Limited	1,706.44	--	--	145.00	1,851.44	--	--	--	1,400.00	--	1,400.00	0.76:1 (0.76:1)
	Sector wise total	**4,695.99** **200.00***	**600.00**	**0.00**	**545.00**	**5,840.99** **200.00***	**12.27** **--**	**21.48**	**0.00**	**1,421.48**	**10.00**	**1,431.48**	**0.24:1** **(0.22:1)**
	TOTAL - A (All Sector wise Government companies)	**954,172.60** **255,402.72***	**4,485.65**	**17,830.53** **3,500.00***	**7,528.15**	**984,016.93** **258,902.72***	**1,394.76** **179,943.00***	**66.48**	**189,445.94**	**7,815.94**	**1,067,897.19**	**1,075,713.13**	**0.87:1** **(0.85:1)**

1	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
B	**WORKING STATUTORY CORPORATIONS**												
	POWER SECTOR												
1	Gujarat Electricity Board	--	--	--	--	--	--	203,418.00	130,242.00	275,433.00	610,563.00	885,996.00	
	Sector wise total	**--**	**--**	**--**	**--**	**--**	**--**	**203,418.00**	**130,242.00**	**275,433.00**	**610,563.00**	**885,996.00**	
	TRANSPORT SECTOR												
2	Gujarat State Road Transport Corporation	48,468.31	10,627.82	--	--	59,096.13	2,011.00	--	6,000.00	1,786.50	61,785.67	63,572.17	1.08:1 (1.09:1)
	Sector wise total	**48,468.31**	**10,627.82**	--	**--**	**59,096.13**	**2,011.00**	--	**6,000.00**	**1,786.50**	**61,785.67**	**63,572.17**	**1.08:1 (1.09:1)**
	FINANCE SECTOR												
3	Gujarat State Financial Corporation	4,909.04	--	--	4,002.36	8,911.40	--	4,000.00	2.12	4,102.10	113,166.98	117,269.08	13.16:1 (13.58:1)
	Sector wise total	**4,909.04**	**0.00**	**0.00**	**4,002.36**	**8,911.40**	**--**	**4,000.00**	**2.12**	**4,102.10**	**113,166.98**	**117,269.08**	**13.16:1 (13.58:1)**
	AGRICULTURE AND ALLIED SECTOR												
4	Gujarat State Warehousing Corporation	200.00	200.00	--	--	400.00	--	--	--	--	--	0.00	
	Sector wise total	**200.00**	**200.00**	**0.00**	**--**	**400.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	
	MISCELLANEOUS SECTOR												
5	Gujarat Industrial Development Corporation	--	--	--	--	--	--	--	--	252.83	890.00	1,142.83	
	Sector wise total	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**252.83**	**890.00**	**1,142.83**	
	TOTAL (All Working Statutory corporations)	**53,577.35**	**10,827.82**	**0.00**	**4,002.36**	**68,407.53**	**2,011.00**	**207,418.00**	**136,244.12**	**281,574.43**	**786,405.65**	**1,067,980.08**	**15.61:1 (14.04:1)**
	TOTAL (All Working Government companies and Statutory corporations)	**1,007,749.95 255,402.72***	**15,313.47**	**17,830.53 3,500.00***	**11,530.51**	**1,052,424.46 258,902.72***	**3,405.76 179,943.00***	**207,484.48**	**325,690.06**	**289,390.37**	**1,854,302.84**	**2,143,693.21**	**1.63:1 (1.63:1)**

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
C	**NON WORKING COMPANIES**												
	AGRICULTURE AND 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	1045.81	--	--	--	1,045.81	--	83.92	--	10,381.87	1,098.73	11,480.60	10.98:1 (10.90:1)
	Sector wise total	**1,239.58**	**0.00**	**0.00**	**0.00**	**1,239.58**	**0.00**	**83.92**	**0.00**	**10,610.44**	**1,098.73**	**11,709.17**	**9.45:1** **(9.38:1)**
	INDUSTRY SECTOR												
3	Gujarat Small Industries Corporation Limited	378.95			21.05	400.00		35.00		256.41		256.41	0.64:1 (16.78:1)
	Sector wise total	**378.95**	**0.00**	**0.00**	**21.05**	**400.00**	**0.00**	**35.00**	**0.00**	**256.41**	**0.00**	**256.41**	**0.64:1** **(16.78:1)**
	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			0.85		53.60	53.60	1.85:1 (1.82:1)
	Sector wise total	**1,245.01**	**0.00**	**14.79**	**14.21**	**1,274.01**	**0.00**	**0.00**	**0.85**	**90.00**	**922.86**	**1,012.86**	**0.80:1** **(0.79:1)**
	TEXTILES SECTOR												
6	Gujarat State Textile Corporation Limited (GSTC) (under liquidation) #	392.50 4254.23*				392.50 4254.23*				58,788.29	66.69	58,854.98	12.67:1 (7.32:1)
7	Gujarat Fintex Limited (under liquidation, subsidiary of GSTC)			Rs.200.00 only		Rs.200.00 only					0.85	0.85	
8	Gujarat Siltex Limited (under liquidation, subsidiary of GSTC)			Rs.200.00 only		Rs.200.00 only					0.85	0.85	
9	Gujarat Texfeb Limited (under liquidation, subsidiary of GSTC)			Rs.200.00 only		Rs.200.00 only					0.85	0.85	
	Sector wise total	**392.50** **4254.23***	**0.00**	**0.01**	**0.00**	**392.51** **4254.23***	**0.00**	**0.00**	**0.00**	**58,788.29**	**69.24**	**58,857.53**	**12.67:1** **(7.32:1)**

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
	CONSTRUCTION SECTOR												
10	Gujarat State Construction Corporation Limited	500.00				500.00		120.80		647.32		647.32	1.29:1 (1.05:1)
	Sector wise total	**500.00**	**0.00**	**0.00**	**0.00**	**500.00**	**0.00**	**120.80**	**0.00**	**647.32**	**0.00**	**647.32**	**1.29:1** **(1.05:1)**
	Total (Non working companies)	**3,756.04** **4254.23***	**0.00**	**14.80**	**35.26**	**3,806.10** **4254.23***	**0.00**	**239.72**	**0.85**	**70,392.46**	**2,090.83**	**72,483.29**	**19.04:1** **(6.69:1)**
	GRAND TOTAL	**1011505.99** **259,656.95***	**15313.47** **0.00**	**17845.33** **3,500.00***	**11565.77** **0.00**	**1056230.56** **263,156.95***	**3405.76** **179943.00***	**207724.20**	**325690.91**	**359782.83**	**1856393.67**	**2216176.50**	**1.68:1** **(1.66:1)**

Except in respect of PSUs which finalised their accounts for 2003-04 (Sl.No.A-2,A-8,A-11,A-14,A-16,A-17,A-23,A-24,A-25,A-28,A-29,A-30,B-3 and C-2) 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 Liquidator is incorporated.

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

* Represents share application money

** Represents long term loans only

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

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

ANNEXURE-2

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

Sl. No.	Sector and Name of Public Sector Undertaking	Name of Department	Date of incorporation	Period of accounts	Year in which accounts finalised	Net Profit/ Loss (-)	Net impact of Audit comments
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
A	**Working Government companies**						
	AGRICULTURE AND ALLIED SECTOR						
1	Gujarat Agro Industries Corporation Limited	Agriculture and Co-operation	9 May 1969	2002-03	2003-04	69.23	--
2	Gujarat Sheep and Wool Development Corporation Limited	Agriculture and Co-operation	9 December 1970	2003-04	2004-05	26.72	Under process
3	Gujarat State Seeds Corporation Limited	Agriculture and Co-operation	16 April 1975	2002-03	2003-04	91.90	--
4	Gujarat State Land Development Corporation Limited	Agriculture and Co-operation	28 March 1978	2001-02	2004-05	(-)270.73	Under process
	Sector wise total					**(-)82.88**	--
	INDUSTRY SECTOR						
5	Gujarat State Petroleum Corporation Limited (GSPC Ltd.)	Energy and Petrochemicals	29 January 1978	2002-03	2003-04	27,761.81	--
	Sector wise total					**27,761.81**	--
	HANDLOOM AND HANDICRAFT SECTOR						
6	Gujarat State Handloom & Handicraft Development Corporation Limited	Industries and Mines	10 August 1973	2000-01	2003-04	(-)362.27	(-)6.94
	Sector wise total					**(-)362.27**	**(-)6.94**
	FOREST SECTOR						
7	Gujarat State Forest Development Corporation Limited	Forest and Environment	20 August 1976	2002-03	2003-04	52.07	(-)5.08
	Sector wise total					**52.07**	**(-)5.08**
	MINING SECTOR						
8	Gujarat Mineral Development Corporation Limited	Industries and Mines	15 May 1963	2003-04	2004-05	12,046.25	--

(Referred to in paragraphs 1.1,1.6, 1.7, 1.8, 1.9, 1.11, 1.14, 1.19, 1.20, 1.21, 1.45 and 1.46)

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

Paid-up capital	Accumu-lated Profit/Loss(-)	Capital employed (A)	Total return on capital employed	Percentage of return on capital employed	Arrears of accounts in terms of years	Turnover	No. of Employees
(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
703.75	(-)1625.84	1,259.42	182.43	14.49	1	17,180.79	246
431.36	4.22	551.17	27.17	4.93		241.87	254
253.00 50.00*	1,477.27	1,931.02	91.90	4.76	1	2,931.15	224
585.91 0.20*	(-)7710.30	(-)3710.05	(-)72.78	--	2	7,891.12	1,413
1,974.02 **50.20***	**(-)7,854.65**	**31.56**	**228.72**	724.71		**28,244.93**	**2,137**
10,561.11 850.00*	42,996.48	34,354.31	28,182.39	82.03	1	29,348.98	74
10,561.11 **850.00***	**42,996.48**	**34,354.31**	**28,182.39**	82.03		**29,348.98**	**74**
1,024.85 139.98*	(-)2213.51	690.16	(-)264.44	--	3	1,061.00	244
1,024.85 **139.98***	**(-)2213.51**	**690.16**	**(-)264.44**	--		**1,061.00**	**244**
571.65	1,035.04	2,136.83	63.53	2.97	1	683.59	259
571.65	**1,035.04**	**2,136.83**	**63.53**	2.97	**--**	**683.59**	**259**
3,180.00	65,077.16	137,939.25	12,118.61	8.79	--	27,295.60	2,705

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
9	Gujarat State Petronet Limited (Subsidiary of GSPC Ltd.)	Energy and Petrochemicals	23 December 1998	2002-03	2003-04	1,148.36	--
	Sector wise total					**13,194.61**	**--**
	CONSTRUCTION SECTOR						
10	Gujarat State Police Housing Corporation Limited	Home	1 November 1988	2001-02	2003-04	##	--
11	Gujarat State Road Development Corporation Limited	Roads and Building	12 May 1999	2003-04	2004-05	25.98	--
	Sector wise total					**25.98**	
	AREA DEVELOPMENT SECTOR						
12	Gujarat State Rural Development Corporation Limited	Panchayat Rural Housing and Rural Development	7 July 1977	2002-03	2003-04	(-)90.02	--
13	Gujarat Growth Centres Development Corporation Limited	Industries and Mines	11 December 1992	2002-03	2003-04	(-)0.44	--
14	Gujarat Urban Development Company Limited	Urban Development and Urban Housing	27 May 1999	2003-04	2004-05	40.92	--
	Sector wise total					**(-)49.54**	
	DEVELOPMENT OF ECONOMICALLY WEAKER SECTION SECTOR						
15	Gujarat Scheduled Castes Economic Development Corporation Limited	Social Justice and Empowerment	29 November 1979	1995-96	2002-03	194.95	--
16	Gujarat Women Economic Development Corporation Limited	Women and Child Development	16 August 1988	2003-04	2004-05	(-)61.63	--
17	Gujarat Minorities Finance and Development Corporation Limited	Social Justice and Empowerment	24 September 1999	2003-04	2004-05	(-)33.16	--
18	Gujarat Gopalak Development Corporation Ltd	Social Justice and Empowerment	18 May 2001	2001-02	2002-03	1.12	(-)0.40
19	Gujarat Safai Kamdar Vikas Nigam Limited	Social Justice and Empowerment	24 October 2001	2002-03	2003-04	8.17	--
20	Gujarat Thakor and Koli Vikas Nigam	Social Justice and Empowerment	19 September 2003		Even first accounts were not received		
	Sector wise total					**109.45**	**(-)0.40**
	PUBLIC DISTRIBUTION SECTOR						
21	Gujarat State Civil Supplies Corporation Limited	Food & Civil Supplies	26 September 1980	2002-03	2003-04	(-)65.01	--
	Sector wise total					**(-)65.01**	
	TOURISM SECTOR						
22	Tourism Corporation of Gujarat Limited	Industries and Mines	10 June 1975	2002-03	2003-04	(-)86.55	--
	Sector wise total					**(-)86.55**	

(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
18,515.13 2500.00*	785.28	40,635.43	2,932.04	7.22	1	9,071.15	81
21,695.13 2500.00*	**65,862.44**	**178,574.68**	**15,050.65**	8.43	**--**	**36,366.75**	**2,786**
5,000.00	##	5,036.44	##	--	2	--	137
500.00 100.00*	(-)290.77	623.91	25.98	4.16	--	--	9
5,500.00 100.00*	**(-)290.77**	**5,660.35**	**25.98**	0.46	**--**	**--**	**146**
58.00	(-)113.53	(-)55.45	(-)90.02	--	1	214.90	187
3,335.00	(-)0.31	3,368.40	(-)0.44	--	1	20.25	7
2,083.00	110.71	2,193.64	40.92	1.87	--	50.66	NF
5,476.00	**(-)3.13**	**5,506.59**	**(-)49.54**	**--**	**--**	**285.81**	**194**
1,422.55 78.00*	709.11	3,087.30	225.63	7.31	8	263.59	100
702.05	$	776.64	(-)61.63	--	--	--	28
95.00 20.00*	(-)11.57	4,145.87	106.54	2.57	--	--	8
5.00	1.12	14.41	1.12	7.77	2	--	11
Rs. 900.00 only	8.17	857.31	40.67	4.74	1	--	NF
2,224.60 98.00*	**706.83**	**8,881.53**	**312.33**	3.52	**--**	**263.59**	**147**
1,000.00	(-)354.79	11,756.03	636.03	5.41	1	45,217.44	1,927
1,000.00	**(-)354.79**	**11,756.03**	**636.03**	5.41		**45,217.44**	**1,927**
1,719.91	(-)1789.80	3,778.65	(-)13.73	--	1	390.14	398
1,719.91	**(-)1789.80**	**3,778.65**	**(-)13.73**	**--**	**--**	**390.14**	**398**

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	POWER AND WATER RESOURCES SECTOR						
23	Gujarat Water Resources Development Corporation Limited	Narmada, Water Resources and	3 May 1971	2003-04	2004-05	67.49	--
24	Sardar Sarovar Narmada Nigam Limited	Narmada, Water Resources and	24 March 1988	2003-04	2004-05	**	--
25	Gujarat Power Corporation Limited	Energy and Petrochemicals	28 June 1990	2003-04	2004-05	2,800.24	--
26	Gujarat Water Infrastructure Ltd.	Narmada, Water Resources and	25 October 1999	2002-03	2003-04	(-)584.64	(-)75.00
	Sector wise total					**2,283.09**	**(-)75.00**
	FINANCING SECTOR						
27	Gujarat Industrial Investment Corporation Limited (GIIC)	Industries and Mines	12 August 1968	2002-03	2003-04	(-)6701.60	--
28	Gujarat State Investments Limited	Industries and Mines	29 January 1988	2003-04	2004-05	1,126.41	--
29	Gujarat State Financial Services Limited (GSFS Ltd.)	Finance	20 November 1992	2003-04	2004-05	2,907.07	--
30	GSFS Capital and Securities Ltd. (Subsidiary of GSFS Ltd.)	Finance	3 March 1998	2003-04	2004-05	183.07	--
	Sector wise total					**(-)2485.05**	
	MISCELLANEOUS SECTOR						
31	Gujarat Rural Industries Marketing Corporation Limited	Industries and Mines	16 May 1979	2002-03	2003-04	34.64	--
32	The Film Development Corporation of Gujarat Limited	Information and Broadcasting	4 February 1984	2002-03	2003-04	4.12	--
33	Alcock Ashdown (Gujarat) Limited	Industries and Mines	5 September 1994	2003-04	2004-05	17.67	--
34	Gujarat National Highways Limited	Roads and Buildings	8 July 1997	1998-99	2000-01	100.17	--
35	Gujarat Informatics Limited	Science and Technology	19 February 1999	2002-03	2003-04	164.91	--
	Sector wise total					**321.51**	
	Total - A (Working Government companies)					**40,617.22**	**(-)87.42**

(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
3,148.61	(-)2900.48	24,038.70	74.15	0.31	--	5,168.62	3,948
819,109.24 254182.72*	**	2,018,135.00	**			--	7,894
21,957.57	24,647.58	28,914.96	2,800.24	9.68	--	3,217.74	30
2,992.01 767.91*	(-)1194.25	57,417.08	1,589.70	2.77	1	528.56	51
847,207.43 **254950.63***	**20,552.85**	**2,128,505.74**	**4,464.09**	0.21	**--**	**8,914.92**	**11,923**
25,697.77	(-)17,882.38	89,352.66	1,340.07	1.50	1	4,863.88	139
44,276.91	2,201.85	51,155.79	1,126.41	2.20	--	1,145.53	2
2,628.00	4,495.19	128,544.79	9,762.74	7.59	--	9,884.83	21
500.00	509.06	965.12	183.07	18.97	--	281.36	3
73,102.68	**(-)10,676.28**	**270,018.36**	**12,412.29**	4.60	**--**	**16,175.60**	**165**
905.17	(-)81.19	1,573.04	54.45	3.46	1	406.95	87
100.00	(-)34.95	65.05	4.12	6.33	1	--	NF
1,390.00 200.00*	44.57	6,711.75	17.67	0.26	--	794.17	241
1,600.00	70.57	1,671.95	100.17	5.99	5	--	NF
1,851.44	(-)47.16	3,530.80	164.91	4.67	1	436.04	54
5,846.61 **200.00***	**(-)48.16**	**13,552.59**	**341.32**	2.52	**--**	**1,637.16**	**382**
977,903.99 **258888.81***	**107,922.55**	**2,663,447.38**	**61,389.62**	2.30	**--**	**168,589.91**	**20,782**

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
B	**Working Statutory corporations**						
	POWER SECTOR						
1	Gujarat Electricity Board	Energy and Petrochemicals	1 May 1960	2002-03	2003-04	(-)47,581.00	(-)50,907.00
	Sector wise total		**.**			**(-)47,581.00**	**(-)50,907.00**
	TRANSPORT SECTOR						
2	Gujarat State Road Transport Corporation	Home	1 May 1960	2002-03	2003-04	(-)18,725.21	Under process
	Sector wise total					**(-)18,725.21**	
	FINANCING SECTOR						
3	Gujarat State Financial Corporation	Industries and Mines	1 May 1960	2003-04	2004-05	(-)15,847.48	Under process
	Sector wise total					**(-)15,847.48**	
	AGRICULTURE AND ALLIED SECTOR						
4	Gujarat State Warehousing Corporation	Agriculture and Co-operation	5 December 1960	2002-03	2003-04	(-)14.70	--
	Sector wise total					**(-)14.70**	
	MISCELLANEOUS SECTOR						
5	Gujarat Industrial Development Corporation	Industries and Mines	4 August 1962	2002-03	2003-04	100.53	(-)319.41
	Sector wise total					**100.53**	**(-)319.41**
	Total - B (Working Satutory corporations)					**(-)82,067.86**	**(-)51,226.41**
	Grand total (A+B)					**(-)41,450.64**	**(-)51,313.83**
C	**Non-working Government companies**						
	AGRICULTURE AND ALLIED SECTOR						
1	Gujarat Fisheries Development Corporation Limited	Ports and Fisheries	17 December 1971	1998-99	2002-03	(-)104.91	--
2	Gujarat Dairy Development Corporation Limited@	Agriculture and Co-operation	29 March 1973	2003-04	2004-05	(-)205.93	--
	Sector wise total					**(-)310.84**	**--**

(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
--	(-)542,722.00	407,103.00	29,647.00	7.28	1	840,665.00	50,687
	(-)542,722.00	**407,103.00**	**29,647.00**	7.28	--	**840,665.00**	**50,687**
57,085.13 1,786.50#	(-)100266.91	20,045.63	(-)12243.19	--	1	127,177.53	58,324
57,085.13 1,786.50#	**(-)100266.91**	**20,045.63**	**(-)12243.19**	--	--	**127,177.53**	**58,324**
8,911.40	(-)73457.88	140,757.00	(-)3762.30	--	--	4,235.20	491
8,911.40	**(-)73457.88**	**140,757.00**	**(-)3762.30**	--	--	**4,235.20**	**491**
400.00	(-)373.73	475.35	(-)14.70	--	1	353.26	213
400.00	**(-)373.73**	**475.35**	**(-)14.70**	--	--	**353.26**	**213**
	14,411.68	144,227.17	236.35	0.16	1	14,633.98	1,937
	14,411.68	**144,227.17**	**236.35**	0.16	--	**14,633.98**	**1,937**
66,396.53 1,786.50#	**(-)702,408.84**	**712,608.15**	**13,863.16**	1.95	--	**987,064.97**	**111,652**
1,044,300.52 258,888.81* 1,786.50#	**(-)594,486.29**	**3,376,055.53**	**75,252.78**	2.23	--	**1,155,654.88**	**132,434**
193.77	(-)400.87	87.38	(-)93.59	--	5	2,813.01	1
1,045.81	(-)14964.00	441.01	(-)205.93	--	--	--	15
1,239.58	**(-)15,364.87**	**528.39**	**(-)299.52**	--	--	**2,813.01**	**16**

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	INDUSTRY SECTOR						
3	Gujarat Small Industries Corporation Limited	Industries and Mines	26 March 1962	2002-03	2003-04	(-)438.47	--
	Sector wise total					**(-)438.47**	
	ELECTRONICS SECTOR						
4	Gujarat Communications and Electronics Limited	Industries and Mines	30 May 1975	2001-02☼	2002-03	(-)3412.98	--
5	Gujarat Trans-Receivers Limited (Subsidiary of GIIC)	Industries and Mines	26 March 1981	2002-03	2003-04	(-)1.36	--
	Sector wise total					**(-)3,414.34**	
	TEXTILES SECTOR						
6	Gujarat State Textile Corporation Limited(GSTC)	Industries and Mines	30 November 1968	1996-97	@@	(-)29755.34	--
7	Gujarat Fintex Limited (Subsidiary of GSTC)	Industries and Mines	20 September 1992	1994-95	1995-96	(-)0.08	--
8	Gujarat Siltex Limited (Subsidiary of GSTC)	Industries and Mines	20 September 1992	1994-95	1995-96	(-)0.08	--
9	Gujarat Texfab Limited (Subsidiary of GSTC)	Industries and Mines	20 September 1992	1994-95	1995-96	(-)0.08	--
	Sector wise total					**(-)29,755.58**	
	CONSTRUCTION SECTOR						
10	Gujarat State Construction Corporation Limited	Roads and Buildings	16 December 1974	2002-03	2003-04	(-)122.79	(-)7.09
	Sector wise total					**(-)122.79**	**--**
	Total - C (Non-working Government companies)					**(-)34,042.02**	**(-)7.09**
	Grand total (A+B+C)					**(-)75,492.66**	**(-)51,320.92**

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

* indicates Share application money

** indicates the PSU is under construction

@@' indicates the PSU is under liquidation and provisional figures

(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
400.00	(-)6006.82	3,787.66	(-)46.38	--	1	--	7
400.00	**(-)6006.82**	**3,787.66**	**(-)46.38**	**--**	**--**	**--**	**7**
1,245.01	(-)10473.66	882.59	(-)3013.29	--	Under liquidation since 2003	557.01	--
29.00	(-)570.11	(-)367.06	(-)1.36	--	1	--	--
1,274.01	**(-)11,043.77**	**515.53**	**(-)3,014.65**	--	--	**557.01**	
392.50 4254.23*	(-)90,855.00	(-)24,162.81	(-)24880.57	--	Under liquidation since 1997	756.60	NF
Rs. 200.00 only	(-)0.17	(-)0.01	(-)0.08	--	Under liquidation since 1997	--	--
Rs. 200.00 only	(-)0.18	(-)0.02	(-)0.08	--	Under liquidation since 1997	--	--
Rs. 200.00 only	(-)0.18	(-)0.02	(-)0.08	--	Under liquidation since 1997	--	--
392.51 **4254.23***	**(-)90,855.53**	**(-)24,162.86**	**(-)24,880.81**	--	--	**756.60**	
500.00	(-)2917.44	628.17	(-)44.05	--	1	3,694.88	17
500.00	**(-)2917.44**	**628.17**	**(-)44.05**	--	--	**3,694.88**	**17**
3,806.10 **4254.23***	**(-)126,188.43**	**(-)18,703.11**	**(-)28,285.41**	--	--	**7,821.50**	**40**
1,048,106.62 **263,143.04*** **1,786.50#**	**(-)720,674.74**	**33,573,252.40**	**46,967.37**	0.14	--	**1,163,476.38**	**132474**

NF : Information not furnished by the Company.

\# Capital loan from Central Government

@ indicates the PSU referred to BIFR

$ Excess of income tranferred to non-plan grant

☼ Results for six month's account only

\## Capitalised

ANNEXURE-3

(Referred to in paragraphs 1.5, 1.11 and 1.18)

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 2004

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

Sl. No.	Name of the Public Sector Undertaking	Subsidy/Grants received during the year: Central Government	State Government	Others	Total	Guarantees received during the year and outstanding at the end of the year*: Cash Credit from banks	Loan from other sources	Letter of credit opened by banks in respect of import	Payment obligation under agreement with foreign consultants or contracts	Total	Waiver of dues during the year: Loan Repayment written off	Interest waived	Penal interest waived	Total	Loans on which moratorium 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	220.25	1,001.46	--	1,221.71	--	--	--	--	0.00	--	--	--	0.00	--	--
2	Gujarat Sheep and Wool Development Corporation Limited	--	353.34	--	353.34	--	--	--	--	0.00	--	--	--	0.00	--	--
3	Gujarat State Land Development Corporation Limited	--	5,682.82	--	5,682.82	--	--	--	--	0.00	--	--	--	0.00	--	--
4	Gujarat State Handloom & Handicrafts Development Corporation Limited	--	103.00	--	103.00	--	--	--	--	0.00	--	--	--	0.00	--	--
5	Gujarat State Forest Development Corporation Limited	120.00	--	--	120.00	--	--	--	--	0.00	--	--	--	0.00	--	--
						--	(898.21)			(898.21)						
6	Gujarat Mineral Development Corporation Limited	--	--	--	--	--	60,000.00	--	--	60,000.00	--	--	--	--	--	--
							(60,000.00)			(60,000.00)						
7	Gujarat State Police Housing Corporation Limited	--	11,659.09	--	11,659.09	--	--	--	--	0.00	--	--	--	0.00	--	--
8	Gujarat State Road Development Corporation Limited	--	--	--	0.00	--		--	--	0.00	--	--	--	0.00	--	--
							(5,000.00)			(5,000.00)						
9	Gujarat Rural Development Coporation Limited	13.69	1,499.70	--	1,513.39	--	--	--	--	0.00	--	--	--	0.00	--	--
10	Gujarat Scheduled Castes Economic Development Corporation Ltd.	320.60	--	--	320.60	--		--	--	0.00	--	--	--	0.00	--	--
							(3,305.04)			(3,305.04)						
11	Gujarat Women Economic Development Corporation Limited	30.25	143.08	285.66	458.99	--	--	--	--	0.00	--	--	--	0.00	--	--
							(34.88)			(34.88)						
12	Gujarat Minorities Finance & Development Corporation Limited	--	--	--	--	--	--	--	--	0.00	--	--	--	0.00	--	--
							(3,122.00)			(3,122.00)						--
13	Gujarat Safai Kamdar Vikas Nigam Limited	--	98.30	290.15	388.45	--	--	--	--	--	--	--	--	0.00	--	--
							(1,000.00)			(1,000.00)						
14	Gujarat Gopalak Development Corporation Limited	--	15.00	--	15.00	--	--	--	--	--	--	--	--	--	--	--
							(700.00)			(700.00)						

1	2	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	6	7
15	Gujarat State Civil Supplies Corporation Limited	--	14.07	--	14.07	--	--	--	--	0.00	--	--	--	0.00	--	--
16	Tourism Corporation of Gujarat Limited	105.84	952.44	--	1,058.28	--	--	--	--	0.00	--	--	--	0.00	--	--
17	Gujarat Water Resources Development Corporation Limited	--	3,756.62	--	3,756.62	--	--	--	--	0.00	--	--	--	0.00	--	--
18	Sardar Sarovar Narmada Nigam Limited	--	--	--	--	32,500.00	70,000.00	--	--	102,500.00	--	--	--	0.00	--	--
						(47,500.00)	(503,920.86)			(551,420.86)						--
19	Gujarat Water Infrastructure Limited	--	6,350.00	--	6,350.00	--	--	--	--	0.00	--	--	--	0.00	--	--
							(19,757.00)			(19,757.00)						--
20	Gujarat Industrial Investment Corporation Limited	--	--	--	0.00	--	--	--	--	0.00	--	--	--	0.00	--	--
							(16,010.00)			(16,010.00)						--
21	Gujarat Rural Industries Marketing Corporation Limited	--	10.00	--	10.00	--	--	--	--	0.00	--	--	--	0.00	--	--
22	Gujarat Informatics Limited	7.26	589.65	--	596.91	--	--	--	--	0.00	--	--	--	0.00	--	--
	TOTAL - A (All working Government	**817.89**	**32,228.57**	**575.81**	**33,622.27**	**32,500.00**	**130,000.00**	--	--	**162,500.00**	--	**0.00**	**0.00**	**0.00**	--	--
						(47,500.00)	**(612,747.99)**			**(661,247.99)**						
B	**Working statutory corporations**															--
1	Gujarat Electricity Board	--	105,628.00	--	105,628.00		70,000.00	--	--	70,000.00	--	--	--	0.00	--	--
						(33,500.00)	(631,386.10)			(664,886.10)	--	--	--		--	--
2	Gujarat State Road Transport Corporation	--	18,000.00	--	18,000.00	--	--	--	--	0.00	--	--	--	0.00	--	--
						--	(57,728.21)	--	--	(57,728.21)					--	--
3	Gujarat State Financial Corporation	--	--	--	--	--	600.00	--	--	600.00	--	--	--	0.00	--	--
							(46,552.70)			(46,552.70)					--	--
4	Gujarat Industrial Development Corporation	2,122.00	3,492.00	--	5,614.00	--	--	--	--	0.00	--	--	--	0.00	--	--
						(1,422.00)				(1,422.00)					--	--
	Total (All working statutory corporations)	**2,122.00**	**127,120.00**	**0.00**	**129,242.00**	--	**70,600.00**	--	--	**70,600.00**	--	**0.00**	--	**0.00**	**0.00**	**0.00**
						(34,922.00)	**(735,667.01)**			**(770,589.01)**						
	Total (All working Government companies and corporations)	**2,939.89**	**159,348.57**	**575.81**	**162,864.27**	**32,500.00**	**200,600.00**	--	--	**233,100.00**	--	**0.00**	--	**0.00**	**0.00**	**0.00**
						(82,422.00)	**(1,348,415.00)**			**(1,431,837.00)**						
C	**NON-WORKING COMPANIES**													0.00		
1	Gujarat Small Industries Corporation Limited	--	--	--	--	--	--	--	--	--	--	--	--	0.00		
							(200.00)			(200.00)						
2	Gujarat Fisheries Development Corporation Limited@	--	--	--	--	--	--	--	--	--						
							(6.00)			(6.00)	--	--	--	0.00	--	--
3	Gujarat Communication and Electronics Limited@	--	--	--	--	--	--	--	--	--						
							(4,000.00)			(4,000.00)				0.00		
	Total (All non-working Government companies)	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
							(4,206.00)			**(4,206.00)**						
	GRAND TOTAL	**2,939.89**	**159,348.57**	**575.81**	**162,864.27**	**32,500.00**	**200,600.00**	**0.00**	**0.00**	**233,100.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
						(82,422.00)	**(1,352,621.00)**			**(1,436,043.00)**						

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

@ indicates information furninshed by the company for earlier years

Except in respect of PSUs which finalised their accounts for 2003-04 (Sl.No.A-2,A-6,A-8,A-11,A-12,A-17,A-18 and C-3) figures are provisional and as given by the PSUs.

ANNEXURE - 4

Statement showing financial position of Statutory corporations

(Referred to in paragraph 1.7)

1. Gujarat Elecricity Board (Rupees in crore)

Particulars	2000-01	2001-02	2002-03
A. Liabilities			
Loans from Government	2,850.37	908.29	766.37
Other long-term loans(including bonds)	4,592.49	5,403.67	7461.52
Reserves and surplus	1,459.79	1,663.16	2216.91
Current liabilities and provisions	6,903.51	7,814.81	7285.69
Total-A	**15,806.16**	**15,789.93**	**17,730.49**
B. Assets			
Gross fixed assets	10,094.81	10,770.09	11508.99
Less: Depreciation	4801.10	5436.47	6057.92
Net fixed assets	5293.71	5333.62	5451.07
Capital works-in-progress	882.17	819.57	656.85
Deferred cost	28.07	22.44	18.59
Current assets	4493.47	3909.55	5248.80
Investments	779.36	753.34	927.96
Miscellaneous expenditure	--	--	
Accumulated losses	4,329.38	4,951.41	5427.22
Total-B	**15,806.16**	**15,789.93**	**17,730.49**
(C) Capital employed#	**3,765.84**	**2,247.93**	**4,071.03**

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

Particulars	2000-01	2001-02	2002-03
A. Liabilities			
Capital (including capital loan & equity capital)	556.82	574.67	588.72
Borrowings (Government.:-)	---	---	---
(Others:-)	440.31	591.87	612.99
Funds*	0.84	1.00	1.42
Trade dues and other current liabilities (including provisions)	1172.28	1,261.95	391.21
Total - A	**2170.25**	**2,429.49**	**1,594.34**
B. Assets			
Gross Block	648.55	645.23	643.83
Less:Depreciation	358.71	406.20	483.86
Net fixed assets	289.84	239.03	159.97
Capital works-in-progress (including cost of chassis)	20.88	--	---
Investments	--	--	---
Current assets, loans and advances	341.61	289.80	431.70
Deferred Cost	--	--	---
Accumulated losses	1517.92	1,900.66	1,002.67
Total - B	**2170.25**	**2,429.49**	**1,594.34**
C. Capital employed##	**(-)519.95**	**(-)710.42**	**200.46**

3. Gujarat State Financial Corporation (Rupees in crore)

Particulars	2001-02	2002-03	2003-04
A. Liabilities			
Paid-up capital	94.01	89.11	89.11
Forfeited Shares	--	9.21	9.21
Reserve fund and other reserves and surplus	91.05	96.61	92.08
Borrowings:			
(i) Bonds and debentures	597.14	589.52	530.26
(ii) Fixed Deposits		0.13	0.13
(iii) Industrial Development Bank of India &			
Small Industries Development Bank of India	542.81	589.83	588.89
(iv) Reserve Bank of India			
(v) Loan in lieu of share capital:			
(a) State Government	6.03	6.03	6.03
(b) Industrial Development Bank of India	--	--	
(vi) Other (including State Government)	--	47.89~	106.42
Other liabilities and provisions	160.72	118.20	127.58
Total - A	**1,491.76**	**1,546.53**	**1,549.71**
B. Assets			
Cash and Bank balances	87.94	25.41	10.45
Investments	15.89	15.64	11.62
Loans and Advances	1,104.89	929.68	744.07
Net fixed assets	22.19	22.71	21.22
Other assets	258.08	547.87	752.35
Miscellaneous expenditure	2.77	5.22	10.00
Total - B	**1,491.76**	**1,546.53**	**1,549.71**
C. Capital employed**	**1,384.83**	**1,399.12**	**1407.57**

4. Gujarat State Warehousing Corporation (Rupees in crore)

Particulars	2000-01	2001-02	2002-03
A. Liabilities			
Paid-up-capital	4.00	4.00	4.00
Reserves and surplus	4.45	4.47	4.49
Borrowings (Government.:-)	--	--	
(Others:-)	--	--	
Trade dues and current liabilities (including provisions)	4.61	5.21	5.21
Total - A	**13.06**	**13.68**	**13.70**
B. Assets			
Gross Block	8.33	8.33	8.28
Less: Depreciation	3.17	3.35	3.47
Net fixed assets	5.16	4.98	4.81
Capital works-in-progress	1.15	1.15	1.15
Current assets, loans and advances	3.46	4.20	4.00
Accumulated losses	3.29	3.35	3.74
Total - B	**13.06**	**13.68**	**13.70**
C. Capital employed ##	**5.16**	**5.12**	**4.75**

5 Gujarat Industrial Development Corporation (Rupees in crore)

Particulars	2000-01	2001-02	2002-03
A. Liabilities			
Loans	16.12	14.33	19.75
Subsidy from Government	3.10	9.03	9.03
Reserves and surplus	422.37	463.11	464.11
Receipts on capital account	908.47	931.58	973.59
Current liabilities and provisions (including deposits)	232.45	267.27	286.94
Total - A	**1,582.51**	**1,685.32**	**1,753.42**
B. Assets			
Gross block	18.35	18.41	21.03
Less:Depreciation	7.51	8.33	9.21
Net fixed assets	10.84	10.08	11.82
Works-in-progress	--	--	20.76
Capital expenditure on development of industrial estates etc.	994.90	1042.19	904.08
Investments	74.43	128.81	143.71
Other assets	502.32	504.22	668.28
Miscellaneous expenditure	0.02	0.02	4.77
Total - B	**1,582.51**	**1,685.32**	**1,753.42**
C. Capital employed***	**1,302.61**	**1,384.06**	**1,442.27**

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

* Excluding depreciation funds.

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

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

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

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

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

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

ANNEXURE - 5

Statement showing working results of Statutory corporations

(Referred to in paragraph 1.7)

1. Gujarat Electricity Board (Rupees in crore)

Sl.No.	Particulars	2000-01	2001-02	2002-03
1	(a) Revenue receipts	6,496.01	7,550.53	8406.65
	(b) Subsidy/Subvention from Government	2,021.26	2,578.65	1805.14
	Total	8,517.27	10,129.18	10211.79
2	Revenue expenditure (net of expenses capitalised) including write off of intangible assets but excluding depreciation and interest	8,821.50	8,995.93	9400.30
3	Gross surplus (+)/deficit(-) for the year (1-2)	(-)304.23	1133.25	811.49
4	Adjustments relating to previous years	(-)296.70	(-)43.54	210.65
5	Final gross surplus(+)/deficit(-) for the year (3+4)	(-)600.93	1089.71	1022.14
6	Appropriations:			
	(a) Depreciation (less capitalised)	714.51	694.40	725.67
	(b) Interest on Government loans	367.20	118.04	(-)357.62
	(c) Interest on other loans, bonds, advance, etc. and finance charges	860.34	899.30	1129.9
	(d) Total interest on loans & finance charges (b+c)	1,227.54	1,017.34	772.28
	(e) Less:-Interest capitalised	--	--	
	(f) Net interest charged to revenue (d-e)	1,227.54	1,017.34	772.28
	(g) Total appropriations (a+f)	1,942.05	1,711.74	1497.95
7	Surplus(+)/deficit(-)before accounting for subsidy from State Government {5-6(g)-1(b)}	(-)4,564.24	(-)3200.68	(-)2280.95
8	Net surplus(+)/deficit(-){5-6(g)}	(-)2,542.98	(-)622.03	(-)475.81
9	**Total return on capital employed***	**(-)1,315.44**	**395.31**	**296.47**
10	**Percentage of return on capital employed**	**--**	**17.59**	**7.28**

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

Sl.No.	Particulars	2000-01	2001-02	2002-03
1	Operating			
	(a) Revenue	1198.4	1,169.31	1,271.77
	(b) Expenditure	1454.06	1,478.76	1,430.37
	(c) Surplus (+)/Deficit(-)	(-)255.66	(-)309.45	(-)158.60
2	Non-operating			
	(a) Revenue	50.14	47.79	36.47
	(b) Expenditure	112.44	130.63	65.12
	(c) Surplus(+)/Deficit(-)	(-)62.30	(-)82.84	(-)28.65
3	Total			
	(a) Revenue	1248.54	1,217.10	1,308.24
	(b) Expenditute	1566.5	1,609.39	1,495.49
	(c) Net Profit(+)/Loss(-)	(-)317.96	(-)392.29	(-)187.25
	Interest on capital and loans	55.76	64.80	64.82
	Total return on Capital employed	(-)262.20	**(-)327.49**	**(-)122.43**

3. Gujarat State Financial Corporation (Rupees in crore)

Sl.No.	Particulars	2001-02	2002-03	2003-04
1	Income			
	(a) Interest on loans	92.73	36.01	41.05
	(b) Other income	7.41	3.69	7.88
	Total - 1	**100.14**	**39.70**	**48.93**
2	Expenses			
	(a) Interest on long-term and short-term loans	149.66	146.66	120.85
	(b) Other expenses	77.33	94.64	86.56
	Total-2	**226.99**	**241.30**	207.41
3	Profit before tax (1-2)	(-)126.85	(-)201.60	(-)158.47
4	Prior period adjustments	--	--	
5	Provision for tax	--	--	
6	Profit(+)/Loss(-) after tax	(-)126.85	(-)201.60	(-)158.48
7	Provision for non performing assets	46.93	34.73	50.10
8	Other appropriations	--	--	--
9	Amount available for dividend#	--	--	--
10	Dividend paid	--	--	--
11	**Total return on Capital employed**	**22.81**	**(-)54.94**	**(-)37.62**
12	**Percentage of return on Capital employed**	**1.65**	--	--

4. Gujarat State Warehousing Corporation (Rupees in crore)

Sl.No.	Particulars	2000-01	2001-02	2002-03
1	Income			
	(a) Warehousing charges	2.35	3.84	3.53
	(b) Other income	0.63	0.08	0.05
	Total-1	**2.98**	**3.92**	**3.58**
2	Expenses			
	(a) Establishment charges	2.80	2.82	2.91
	(b) Other expenses	0.67	1.14	0.82
	Total-2	**3.47**	**3.96**	**3.73**
3	Profit(+)/Loss(-) before tax	(-)0.49	(-)0.04	(-)0.15
4	Provision for tax	--	--	
5	Prior period adjustments	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**	**(-)0.49**	**(-)0.04**	**(-)0.15**
10	**Percentage of return on capital employed**	--	--	

5. Gujarat Industrial Development Corporation (Rupees in crore)

Sl.No.	Particulars	2000-01	2001-02	2002-03
1	Revenue Receipts	139.72	130.24	146.34
2	Net expenditure after capitalisation	93.05	89.50	145.34
3	Excess of income over expenditure	46.67	40.74	1.00
4	Provision for replacement, renewals and for additional liability	33.99	34.41	
5	Net surplus	12.68	6.33	1.00
6	**Total return on capital employed**	**14.78**	**7.89**	**2.36**
7	**Percentage of return on capital employed**	**1.13**	**0.57**	**0.16**

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

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

ANNEXURE - 6

Statement showing operational performance of Statutory corporations

(Referred to in paragraph 1.12)

1. Gujarat Electricity Board

Particulars	2001-02	2002-02	2002-03
Installed capacity			
(a) Thermal	3,804 #	3,759#	3759
(b) Hydro	547	547	547
(c) Gas	189	201	27
(d) Other	--	--	--
Total	**4,540**	**4,507**	**4,333**
Normal maximum demand	8,171	8,476	9,040
Power generated :			
(a) Thermal	22,891	22,633	22,293
(b) Hydro	436	284	589
(c) Other	--	--	--
Total	**23,327**	**22,917**	**22,882**
Less:Auxiliary consumption			
(a) Thermal	2219	2141	2144
(percentage)	(9.69)	(9.46)	(9.61)
(b) Hydro	2	6	7
(percentage)	(0.46)	(2.11)	(1.19)
(c) Other	--	--	--
(percentage)	--	--	--
Total	**2,221**	**2,147**	**2,151**
(percentage)	(9.52)	(9.37)	(9.40)
Net power generated	21,106	20,770	20,731
Power purchased:			
(a) Within the State			
-Government	--	--	--
-Private	7,886	7,356	11,548
(b) Other States	--	--	--
(c) Central Grid	11,584	13,296	12,614
Total power available for sale	40,576	41,422	44,893
Power sold:			
(a) Within the State	31,511	31,834	30,886
(b) Outside the State	33	126	31
Transmission and distribution losses	9,032	9,462	13,976
Plant Load Factor (percentage)	66.7	66.2	66.96
Percentage of Transmission and distribution losses to total power available for sale	22.26	22.84	31.13
Number of villages/towns electrified	18,212	18,212	18,212
Number of pump sets/wells energised	6,94,163	733,000	764,564
Number of sub-stations	706	725	739
Transmission/distribution lines (in kms)			
(a) High/medium voltage	1,70,251	176,235	181,220
(b) Low voltage	1,99,416	206,543	211,655
Connected load (in MW)	15,970	16,414	16,424
Number of consumers	71,27,393	7,332,979	7,474,402
Number of employees	51,003	50,628	50,687
Consumer/employees Ratio	140:1	145:1	147:1
Total expenditure on staff during the year (Rs.in crore)	722.97	735.49	745.99
Percentage of expenditure on staff to total revenue expenditure	6.54	6.82	6.79
Units sold			
(a) Agriculture	15,467	15,674	12,940
(Percentage share to total units sold)	(49.03)	(49.04)	(141.86)

Particulars	2000-01	2001-02	2002-03
(b) Industrial	8,643	8,646	9,439
(Percentage share to total units sold)	(27.40)	(27.05)	(30.53)
(c) Commercial	890	866	971
(Percentage share to total units sold)	(2.82)	(2.71)	(13.14)
(d) Domestic	3,021	2,937	3,117
(Percentage share to total units sold)	(9.58)	(9.19)	(10.08)
(e) Other	3,523	3,837	4,450
(Percentage share to total units sold)	(11.17)	(12.01)	(14.39)
Total	**31,544**	**31,960**	**30,917**
(a) Revenue (excluding subsidy from Government) (paise per KWH)	205.93	236.25	271.91
(b) Expenditure* (paise per KWH)	313.25	310.46	336.96
(c) Profit(+)/Loss(-) (paise per KWH)	(-)107.32	(-)74.21	65.05
(d) Average subsidy claimed from Government (in Rupees)	0.64	0.81	0.58
(e) Average interest charges (in Rupees)	0.28	0.25	0.16

2. Gujarat State Road Transport Corporation

Particulars	2000-01	2001-02	2002-03
Average number of vehicles held	9,895	9,662	9,336
Average number of vehicles on road	8,573	8,300	7,793
No. of Employees	59,210	58,324	58,324
Employee vehicle ratio	6.91	7.03	7.48
Percentage of utilisation of vehicles	86.6	85.9	83.47
Number of routes operated at the end of the year	20,104	16,052	18,507
Route kilometres	12,04,578	9,87,244	1,126,944
Kilometres operated (in lakh)			
(a) Gross	11,610.17	11,027.59	10,294.21
(b) Effective	11,517.21	10,935.05	10,199.21
(c) Dead	92.96	92.54	95
Percentage of dead kilometres to gross kilometres	0.81	0.81	0.93
Average kilometres covered per bus per day	371	363.9	361.4
Operating revenue per kilometre (Paise)	1,040.53	1,069.33	1,246.94
Average expenditure per kilometre (Paise)	1,262.51	1,352.31	1,402.44
Profit(+)/Loss(-) per kilometre (Paise)	(-)221.98	(-)350.01	(-)155.5
Number of operating depots	139	140	140
Average number of break-down per lakh kilometres	4.5	7.1	10.3
Average number of accidents per lakh kilometres	0.17	0.16	0.16
Passenger kilometre operated (in crore)	3,873.50	3,701.54	3,464.96
Occupancy ratio	65.61	66.36	67.47
Kilometres obtained per litre of:			
(a) Diesel Oil	5.30	5.30	5.30
(b) Engine Oil	2,977	3,223	2,391

3.Gujarat State Warehousing Corporation

Particulars	2000-01	2001-02	2002-03
Number of stations covered	49	79	75
Storage capacity created upto the end of the year (tonne in lakh)			
(a) Owned	1.35	1.35	1.35
(b) Hired	0.08	1.46	0.08
Total	**1.43**	**2.81**	**1.43**
Average capacity utilised during the year (tonne in lakh)	1.04	2.86	0.72
Percentage utilisation	72.73	101.78	50.35
Average revenue per tonne per year (Rupees)	285.78	137.18	498.61
Average expenses per tonne per year (Rupes)	333.45	138.57	519.44
Profit (+)/Loss (-) per tonne (Rupees)	(-)47.67	(-)1.39	(-)20.83

4. Gujarat State Financial Corporation

Particulars	2001-02		2002-03		2003-04	
	Number	Amount (Rupees in crore)	Number	Amount (Rupees in crore)	Number	Amount (Rupees in crore)
Applications pending at the beginning of the year	44	40.72	52	52.21	31	49.03
Applications received	640	157.77	--	--	--	--
Total	**684**	**198.49**	**52**	**52.21**	**31**	**49.03**
Applications sanctioned	535	86.99	21	3.18	--	--
Applications cancelled/withdrawn/ rejected/reduced	97	59.34	--	--	--	--
Applications pending at the close of the year	52	52.21	31	49.03	--	--
Loans disbursed	766	76.81	604	21.76	31	3.11
Loan outstanding at the close of the year		1038.69		871.54		737.54
Amount overdue for recovery at the close of the year						
(a) Principal		281.00		360.53		638.21
(b) Interest		689.88		764.29		1212.03
Total		**970.88**		**1124.82**		**1850.24**
Percentage of overdue to the total loans outstanding		93.47		129.06		250.87

5. Gujarat Industrial Development Corporation

Particulars	**2001-02**	**2002-03 (Provisional)**	**2003-04**
Number of estates	246	248	247
Area (in hectares)			
(a) Acquired	24862	25095	26062.99
(b)Developed	13978	14059	17121.28
(c)Allotted	13245	13431	12491.58
Sheds			
(a) Constructed	12291	12231	12332
(b) Allotted	12192	12276	11796
Housing Quarters			
(a) Constructed	12834	12834	12868
(b) Allotted	11902	11906	11135
Percentage of			
(a) Area developed to area acquired	56.22	56.12	65.69
(b) Area allotted to area developed	97.92	95.53	72.95
(c) Sheds allotted to sheds constructed	93.77	99.87	95.65
(d) Quarters allotted to quarters constructed	92.30	92.76	86.53

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 1.15)

Sl. No.	Commitments as per MOU	Targeted completion schedule	Status (As on 31 March 2003)
1	Reduction in Transmission and Distribution losses	No target fixed	26.52 *per cent* (Provisional)
2	100 *per cent* electrification of all villages	No target fixed. However, out of 18028 villages, electrification was to be done for 17940 villages. Electrification of remaining 88 villages was not feasible.	100 *per cent*
3	100 *per cent* metering of all distribution feeder	No target fixed as the achievement was made even before entering into MoU.	100 *per cent*
4	100 *per cent* metering of all agriculture consumers	9.10.2003	24.09 *per cent*
5	Securitised outstanding dues of Central Public Sector Undertakings (CPSUs)	Outstanding dues with CPSUs was Rs.1411.49 crore (National Thermal Power Corporation Limited: Rs.837.24 crore, Nuclear Power Corporation Limited: Rs.369.95 crore, Power Grid Corporation of India Limited: Rs.70.05 crore, South Eastern Coalfields Limited: Rs.134.25 crore).	The dues of CPSUs were reconciled and bonds of Rs.1628.71 crore were issued by Government of Gujarat against the dues as given below: Sl.CPSU Amount No.Name (Rs. in crore) 1. NTPC Rs.837.24 2. PGCIL Rs.70.04 3. SECF Rs.351.48 4. NPC Rs.369.95 Total Rs.1628.71 ========

ANNEXURE - 8

(Referred to in paragraph 1.48)

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)

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,			Profit (+) /Loss (-)	Accumulated profit(+)/ loss(-)
					State Govern-ment	State Government PSUs	Central Government and their PSUs	State Govern-ment	State Government PSUs	Central Government and their PSUs	State Govern-ment	State Government PSUs	Central Government and their PSUs	State Govern-ment	State Government PSUs	Central Government and their PSUs		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
1	Gujarat State Machine Tools Ltd.	Non working	2002-03	53.54	--	20.84 (38.92)	20.85	--	329.24	--	--	--	--	--	350.08	20.85	(-)0.75	(-) 312.77
2	Gujarat State Electricity Corporation Ltd.	Working	2003-04	57,330.01	--	57,330.01 (100)	--	--	--	62,789.23	--	--	--	--	57,330.01	62,789.23	2,714.95	14,128.71
3	Gujarat Leather Industries Ltd.	Under liquidation	2001-02	150.00	--	76.50 (51)	--	21.42	184.35	--	--	--	--	21.42	260.85	--	(-) 78.76	(-) 665.95
4	Gujarat Ports Infrastructure and Development Company Ltd.	Working	2003-04	1,800.00	--	1,800.00 (100)	--	--	--	--	--	--	--	--	1,800.00	--	(-) 3.11	(-) 13.98
5	Gujarat State Fertilizers and Chemicals Ltd.	Working	2003-04	7,973.68	50.00 (0.63)	3,015.99 (37.82)	--	3,700.00	--	5,716.49	--	--	--	3750.00	3,015.99	5,716.49	17426.87	4,012.13
6	Gujarat Industrial and Technical Consultancy Ltd.	Working	2003-04	20.00	--	6.47 (32.35)	13.53 (67.65)	--	--	--	--	--	--	--	6.47	13.53	0.77	*28.76*
7	Gujarat Alkalies and Chemicals Ltd.	Working	2003-04	4,590.47	--	1,640.08 (35.73)	1,307.24 (28.48)	--	1,000.00	31,715.63	--	--	--	--	2,640.00	33,022.87	8,890.57	1254.40
8	Gujarat State Energy Generation Ltd.	Working	2002-03	16,148.00	--	9.204.00 (57.00)	6,951.00 (43.00)	--	--	--	--	--	--	--	9,204.00	6,951.00	526.08	350.54
9	Gujarat Energy Transmission Corporation Limited	Working	2003-04	45.01	--	45.01 (100)	--	--	--	--	--	--	--	--	45.01	--	--	--
10	Dakshin Gujarat Vij Company Limited	Working	2003-04	5.01	--	5.01 (100)	--	--	0.75	--	--	--	--	--	5.76	--	--	--
11	Madhya Gujarat Vij Company Limited	Working	2003-04	5.01	--	5.01 (100)	--	--	0.75	--	--	--	--	--	5.76	--	--	--
12	Paschim Gujarat Vij Company Limited	Working	2003-04	5.01	--	5.01 (100)	--	--	0.75	--	--	--	--	--	5.76	--	--	--
13	Uttar Gujarat Vij Company Limited	Working	2003-04	5.01	--	5.01 (100)	--	--	0.78	--	--	--	--	--	5.79	--	--	--

* Figures in bracket indicates percentage of paid up capital

ANNEXURE-9

Statement showing summarised financial position and working results of Gujarat State Land Development Corporation Limited for four years upto March 2003

(Referred to in paragraph 2.7)

	Particulars	1999-00	2000-01	2001-02	2002-03 (Provisional)
Financial Position					
		(Rupees in crore)			
A.	**Liabilities**				
a)	Paid-up capital	5.12	5.12	5.86	5.86
b)	Share application money	---	0.74	---	---
c)	Reserve and Surplus	0.04	0.03	0.13	---
d)	Loans	28.19	31.43	34.02	40.01
e)	Current liabilities	134.47	153.40	125.32	192.47
	Total	**167.82**	**190.72**	**165.33**	**238.34**
B.	**Assets**				
a)	Gross block	8.18	8.69	8.76	10.84
b)	Less:Depreciation	6.08	6.30	6.36	8.99
c)	Net Block	2.10	2.39	2.40	1.85
d)	Work-in-progress	---	0.74	1.25	1.31
e)	Current assets, loans and advances	93.44	113.18	84.58	158.46
f)	Accumulated losses	72.28	74.41	77.10	76.72
	Total	**167.82**	**190.72**	**165.33**	**238.34**
C.	Capital employed*	(-)38.93	(-)37.09	(-)37.05	(-)30.85
	Net worth**	(-)67.12	(-)69.26	(-)71.11	(-)70.86
Working Results					
A.	**Income**				
a)	Land Development charges	55.22	90.16	76.12	27.42
b)	Government Grant	6.57	4.78	2.79	7.02
c)	Bulldozer works receipts	7.36	5.88	2.79	2.05
d)	Interest	1.24	1.57	3.83	3.30
e)	Other income	0.33	0.32	1.72	---
	Total	**70.72**	**102.71**	**84.84**	**39.79**
B.	**Expenditure**				
a)	Operating expenses	41.56	72.65	62.10	19.31
b)	Bulldozer operating expenses	2.46	2.45	1.24	0.66
c)	Salaries, wages, administration and office expenses *etc*.	25.59	24.49	22.11	23.83
d)	Depreciation	0.25	0.21	0.13	0.17
e)	Financial charges	1.41	1.83	1.97	1.76
	Total	**71.27**	**101.63**	**87.55**	**45.73**
C.	**Profit/(-)Loss for the year**	**(-)0.55**	**1.08**	**(-)2.71**	**(-)5.94**

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

** Net worth represents paid-up capital plus free reserves less intangible assets.

ANNEXURE-10

Statement showing target and achievement in respect of village pond scheme

(Referred to in paragraph 2.14)

(Amount: Rupees in lakh)

Name of the district	1999-2000				2000-01				2001-02				2002-03				Total			
	Target		Achievement		Target		Achievement		Target		Achievement		Target		Achievement		Target		Achievement	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Ahmedabad	45	90.00	29	74.38	90	180.00	171	341.52	30	60.00	96	163.41	44	88.00	7	14.32	209	418	303	593.63
Vadodara	4	8.00	0	0.00	0	0.00	1	1.63	12	24.00	7	12.11	6	12.00	4	7.92	22	44	12	21.66
Amreli/ Bhavnagar	150	300.00	297	424.41	332	664.00	540	1303.81	69	138.00	272	636.18	66	132.00	12	45.61	617	1234	1121	2410.01
Godhara	5	10.00	3	5.00	31	62.00	39	67.03	30	60.00	13	23.85	12	24.00	4	8.06	78	156	59	103.94
Palanpur	94	188.00	43	88.98	128	257.00	66	271.59	38	76.00	32	129.64	46	92.00	8	11.84	306	613	149	502.05
Rajkot	110	220.00	73	175.46	220	440.00	298	874.90	46	92.00	301	579.05	57	114.00	24	40.03	433	866	696	1669.44
Surat	0	0.00	0	0.00	0	0.00	0	0.00	15	30.00	4	4.45	7	14.00	1	0.90	22	44	5	5.35
Bhuj	25	50.00	0	0.00	125	250.00	39	134.53	15	30.00	6	30.37	17	34.00	6	9.72	182	364	51	174.62
Total	**433**	**866.00**	**445**	**768.23**	**926**	**1853.00**	**1154**	**2995.01**	**255**	**510.00**	**731**	**1579.06**	**255**	**510.00**	**66**	**138.40**	**1869**	**3739**	**2396**	**5480.70**

ANNEXURE-11

Statement showing evaluation of rate fixed for bulldozers utilisation

(Referred to in paragraph 2.19)

(Amount in Rupees)

Particulars	**Capacity up to 90 HP**						**Capacity 165/180 HP**			
	Rates fixed in October 1997			**Rates fixed inDecember 2001**			**Rates fixed inDecember 2001**			
	Fixed by Company	Worked out in Audit	Excess rate fixed	Fixed by Company	Worked out in Audit	Excess rate fixed	Fixed by Company	Worked out in Audit	Excess rate fixed	Remarks
Depreciation and Interest	58	51	7	55	51	4	570	297	273	Element of interest cannot be considered as per direction of the State Government.
Repairs & Maintenance	108	108	0	149	149	0	165	149	16	Repair was considered in excess of actual.
Petrol, Oil and Lubricants	165	124	41	234	187	47	536	429	107	Consumption was considerd on higer than actual including probable price rise.
Administrative Charges	382	70	312	514	100	414	514	100	414	Instead of considering cost of operating personnel, cost of entire division including 10 *per cent* towards Head office cost was considered.
Supervision and transport charges	37	0	37	35	0	35	35	0	35	Shifting charges were charged by the Company separately.
Miscellaneous	5	5	0	5	5	0				
Total	**755**	**358**	**397**	**992**	**492**	**500**	**1,820**	**975**	**845**	
Rounded to	**800**	**400**	**400**	**1,050**	**500**	**550**	**2,100**	**1,066**	**1,034**	

ANNEXURE - 12

Stock position of six thermal power stations

(Referred to in paragraph 3.14)

(Rupees in lakh)

Particulars/TPS/Capacity in MW	1999-2000	2000-01	2001-02	2002-03	2003-04[ε]
DHUVARAN 534 MW					
Opening stock	956.90	688.47	717.14	597.18	618.00
Receipt	955.35	870.12	1,151.52	697.69	1,618.78
Issues	1,223.78	841.45	1,271.48	676.87	1,373.30
Closing stock	688.47	717.14	597.18	618.00	863.48
Closing stock in days consumption	**205**	**311**	**171**	**333**	**229**
GANDHINAGAR 660 MW					
Opening stock	845.48	1,099.06	1,203.32	961.37	1,071.62
Receipt	2,590.47	2,260.33	1,888.59	2,909.72	2,626.13
Issues	2,336.89	2,156.07	2,130.54	2,799.47	2,700.19
Closing stock	1,099.06	1,203.32	961.37	1,071.62	997.56
Closing stock in days consumption	**172**	**204**	**165**	**140**	**135**
PANANDHRO 215 MW					
Opening stock	1,152.99	1,601.98	1,515.61	1,566.31	1,358.29
Receipt	1,188.90	516.55	563.58	588.07	1,324.58
Issues	739.91	602.92	512.88	796.09	869.72
Closing stock	1,601.98	1,515.61	1,566.31	1,358.29	1,813.15
Closing stock in days consumption	**790**	**918**	**1,115**	**623**	**761**
SIKKA 240 MW					
Opening stock	689.10	675.26	740.87	686.37	683.62
Receipt	1,187.25	976.50	1,239.65	1,715.69	1,057.83
Issues	1,201.09	910.89	1,294.15	1,718.44	1,119.43
Closing stock	675.26	740.87	686.37	683.62	622.02
Closing stock in days consumption	**205**	**297**	**194**	**145**	**203**
UKAI 850 MW					
Opening stock	856.97	820.81	774.72	745.24	846.68
Receipt	2,790.58	2,050.20	2,192.85	2,807.70	4,410.01
Issues	2,826.74	2,096.29	2,222.33	2,706.26	4,375.43
Closing stock	820.81	774.72	745.24	846.68	881.26
Closing stock in days consumption	**106**	**135**	**122**	**114**	**74**
WANAKBORI 1,260 MW					
Opening stock	5,694.07	2,031.92	2,141.64	2,765.12	2,702.17
Receipt	9,892.24	2,655.58	4,271.39	7,677.46	4,985.70
Issues	13,554.39	2,545.86	3,647.91	7,740.41	5,012.89
Closing stock	2,031.92	2,141.64	2,765.12	2,702.17	2,674.98
Closing stock in days consumption	**55**	**307**	**277**	**127**	**195**
TOTAL SIX TPS					
Opening stock	10,195.51	6,917.50	7,093.30	7,321.59	7,280.38
Receipt	18,604.79	9,329.28	11,307.58	16,396.33	16,023.03
Issues	21,882.80	9,153.48	11,079.29	16,437.54	15,450.96
Closing stock	6,917.50	7,093.30	7,321.59	7,280.38	7,852.45
Closing stock in days consumption	**115**	**283**	**241**	**162**	**185**

[ε]Note: Figures in respect of 2003-04 are provisional.

ANNEXURE - 13

STATEMENT SHOWING DETAILS OF REPAIRS AND MAINTENANCE EXPENDITURE

(Referred to in paragraph 3.18)

(Rupees in lakh)

Name of TPS/ Year	Generation MU's	Total O&M variable expenditure (Rs. in crore)	Other O&M Expenditure			Cost per MU of Generation	
			Stores and spares	Repairs and maintenance	Total	Total O&M variable expenditure (3/2)	Stores and spares (4/2)
DHUVARAN							
1999-00	2,489	33,291	253	202	455	13.38	0.10
2000-01	2,487	34,796	355	123	478	13.99	0.14
2001-02	1,832	33,370	295	450	746	18.22	0.16
2002-03	1,386	37,638	334	193	528	**27.16**	0.24
2003-04	1,455	35,363	449	398	847	24.30	0.31
GANDHINAGAR							
1999-00	3,109	46,053	443	204	647	14.81	0.14
2000-01	3,327	54,753	510	509	1,019	16.46	0.15
2001-02	3,805	61,725	485	356	841	16.22	0.13
2002-03	4,222	61,360	592	461	1,052	14.53	0.14
2003-04	3,376	50,121	492	672	1,164	14.85	0.15
PANANDHRO							
1999-00	963	5,666	460	484	944	**5.88**	0.48
2000-01	966	7,192	546	399	945	7.45	**0.56**
2001-02	980	9,104	352	534	887	9.29	0.36
2002-03	1,037	8,056	328	366	694	7.77	0.32
2003-04	966	7,105	413	381	794	7.36	0.43
SIKKA							
1999-00	961	15,732	245	490	735	16.37	0.25
2000-01	1,097	17,065	346	120	466	15.56	0.32
2001-02	1,140	16,857	389	182	570	14.79	0.34
2002-03	1,130	18,846	405	375	780	16.68	0.36
2003-04	1,000	19,676	471	335	807	19.68	0.47
UKAI							
1999-00	4,446	51,009	393	863	1,256	11.47	0.09
2000-01	5,380	63,435	434	503	937	11.79	**0.08**
2001-02	4,750	64,249	619	628	1,247	13.53	0.13
2002-03	5,313	66,765	458	848	1,306	12.57	0.09
2003-04	4,571	63,172	716	1,619	2,335	13.82	0.16
WANAKBORI							
1999-00	9,110	1,21,043	1,630	441	2,071	13.29	0.18
2000-01	8,917	1,17,129	1,310	732	2,043	13.14	0.15
2001-02	9,347	1,28,522	1,390	783	2,173	13.75	0.15
2002-03	8,961	1,31,029	2,005	167	2,172	14.62	0.22
2003-04	9,136	1,34,509	2,406	519	2,925	14.72	0.26

Note: Figures in respect of 2003-04 are provisional

ANNEXURE-14

Statement showing delay in finalisation of accounts and holding of Annual General Meetings

(Referred to in paragraph 4.10.6)

Sl. No.	Name of the Company/Corporation	Financial year (up to next September in which accounts finalised)	Year of Accounts finalised	Delay in finalisation (in months)	Delay in holding of AGM (in months)
1	Gujarat Scheduled Castes Economic Development Corporation Limited	1999-2000 2000-01 2002-03	1993-94 1994-95 1995-96	55 55 70	65 66 77
2	Gujarat National Highways Limited	1999-2000	1998-99	4	Yet to be held
3	Gujarat State Land Development Corporation Limited	1999-2000 2000-01 2001-02 2002-03 2003-04 2004-05	1996-97 1997-98 1998-99 1999-2000 2000-01 2001-02	24 24 27 27 27 25	31 30 31 34 34 Yet to be held
4	Merged accounts of Gujarat State Handloom and Handicrafts Development Corporation Limited	2003-04	2000-01	30	Yet to be held

ANNEXURE-15

Details of audit objections raised in CAG audit

(Referred to in paragraph 4.15.10)

Sl. No.	Audit checks prescribed	Comments raised by Government Auditors	2000-01	2001-02	2002-03
Objections raised during accounts audit			**(Rs. in crore)**		
1	Pre audit and post audit of assets, depreciation on assets and work-in-progress both accounting and relevant registers	(i) Short provision of depreciation.	51.59	2.05	9.49
		(ii) Excess provision of depreciation	5.15	20.65	---
		(iii)Understatement of fixed assets	---	---	51.70
		(iv)Overstatement of work in progress	209.79	93.57	70.51
2	Cent per cent audit of all payment vouchers at division, circle, and H.O	(i) Misclassification of payment vouchers of deposits	34.81	---	---
		(ii) Dual accounting in payment vouchers of interest	2.82	---	---
3	Pre audit of all suspense registers at divisions, circles and Head Office	(i) Odd balances	27.56	349.36	518.95
		(ii)Non-liquidation of deposits	82.57	38.10	29.29
		(iii)Old balances	---	50.27	89.88
4	Bank reconciliation statements and cash book verification at division and H.O	(i)Time barred cheques not disclosed	193.18	---	5.27
		(ii) Old BRS differences not reconciled			
		(a) Old cheques of Board not accounted by the Bank	778.62	---	---
		(b) Old credits of bank not considered	139.80	6.33	5.92
		(c) old debits of banks not considered	667.42	236.81	81.85
5	Annual Trial Balances Audit at division and H.O	(i)Under provision of liability	164.53	76.44	29.94
		(ii) Excess provision of expenditure	69.55	118.41	81.22
		(iii) Excess provision of unbilled revenue	---	---	18.56
		(iv) Short provision of unbilled revenue	---	---	1.09
		(v) Short provision of doubtful dues from consumers	36.13	47.39	33.86
		(vi) Excess provision of doubtful dues	1.82	15.40	---
		(vii) Excess accounting of revenue	15.94	0.17	---
		(viii) Non withdrawal of fictitious arrears	14.13	---	6.14
		(ix) Under recovery of revenue	57.81	1.95	---
		(x) Misclassifications	47.83	1258.09	---
TOTAL:			**2601.05**	**2314.99**	**1033.67**
Objections raised during transaction audit					
6	100 per cent post-audit of all high tension and low tension revenue bills.	Under recovery of revenue pointed out during regular audit			
		No. of divisions	29	9	8
		Recovery pointed out	2.86	1.72	1.69
		Recovery made	1.95	1.39	0.17

ANNEXURE–16

Plants wise details of installed capacity, targets and production of retreaded tyres in Gujarat State Road Transport Corporation

(Referred to in paragraph 4.16.3)

Name of Retreading plant	Annual installed capacity	Annual target	Process	Production				
				1999-2000	2000-01	2001-02	2002-03	2003-04
Central Workshop, Naroda	19,000	9,800	Hot Cold Total	6,866 3,134 10000	3,969 8,831 9,800	1,748 6,105 7,853	2,530 5,388 7,918	2,675 7,125 9,800
Rajkot	24,000	20,000	Hot Cold Total	16,765 4,514 21,279	10,127 10,110 20,237	4,658 13,482 18,140	3,392 10,971 14,363	2,306 11,379 13,685
Bharuch	21,600	17,400	Hot Cold Total	13,341 3,939 17,280	7,985 9,416 17,401	4,773 11,677 16,450	4,210 9,578 13,788	4,010 8,158 12,168
Palanpur	18,000	10,500	Cold	11,762	11,174	10,668	10,309	8,795
Godhara	5,400	5,400	Cold	5,400	5,402	4,559	5,282	4,990
Amreli	16,800	6,300	Cold	7,198	6,941	7,002	5,976	5,780
Valsad	12,600	6,000	Cold	6,027	6,007	5,025	3,919	3,578
Total	**1,17,400**	**75,400**	Hot Cold **Total**	36,972 41,974 **78,946**	22,081 54,881 **76,962**	11,179 58,518 **69,697**	10,132 51,423 **61,555**	8,991 49,805 **58,796**

ANNEXURE-17

Details on VRS implemented by PSUs identified for closure/ privatization

(Referred to in paragraph 4.21)

Sr. No.	2Name of PSU	Period of Implementation of VRS	No. of Employees relived under VRS	Funds drawn/utilised from SRF (Rs. in Crore)
1.	**Gujarat Communications & Electronics Limited**	**1998-2002**	**1362**	**45.97**
2.	**Gujarat Dairy Development Corporation Limited**	**1999-2004**	**1312**	**29.57**
3.	**Gujarat Small Industries Corporation Limited**	**1999--2004**	**321**	**10.64**
4.	**Gujarat Tractor Corporation Limited**	**1998-2002**	**196**	**7.50***[*]
5.	**Gujarat Agro Industries Corporation Limited**	**1999-2000**	**202**	**7.00**
6.	**Gujarat State Construction Corporation Limited**	**1998-2003**	**253**	**4.96**
7.	**Gujarat State Fisheries Development Corporation Limited**	**1998-1999**	**121**	**1.23**
	TOTAL		3767	106.87

Details on VRS implemented by PSUs for reducing its surplus manpower.

Sl. No	Name of PSU	Period of implementation of VRS	No of Employees relieved under VRS	Own funds utilised for VRS (Rs. in crore)
1	**Gujarat Water Resources Development Corporation Limited**	**1998-2004**	**1452**	**38.18**
2	**Gujarat Industrial Investment Corporation Limited**	**1999-2002**	**175**	**20.32**
3	**Gujarat Agro. Industries Corporation Limited**[^]	**2000-2004**	**239**	**18.09**
4	**Gujarat Industrial Development Corporation**	**1999-04**	**710**	**17.77**
5	**Gujarat State Financial Corporation**	**2003-04**	**176**	**16.79**
6	**Gujarat Minerals Development Corporation Limited**	**2000-03**	**297**	**14.05**
7	**Gujarat Handloom and Handicraft Development Corporation Limited**	**2003-04**	**68**	**3.43**
8	**Tourism Corporation of Gujarat Limited**	**1999-2001**	**52**	**1.38**
9	**Gujarat State Export Corporation Limited**	**2003-04**	**23**	**1.22**

[*] The PSU actually utilised Rs.6.47 crore.
[^] Implemented both types of VRS

10	**Gujarat State Forest Development Corporation Limited**	**2001-02**	**26**	**0.70**
	TOTAL-----		3218	131.93

ANNEXURE-18

Status of action taken on the cases of persistent irregularities pertaining to Government company appeared in the Report of CAG of India for the year 2001-02 and 2002-03 (Commercial) – Government of Gujarat

(Referred to paragraph 4.22)

Sl. No.	Gist of persistent irregularities	Year of Audit Report/ Para No.	Money Value (Rs. in crore)	Gist of audit observations	Actionable points/ Action to be taken	Details of actions taken
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Sardar Sarovar Narmada Nigam Limited						
1.	Irregular payment	**2001-2002/** 4.6.2	1.52	Irregular payment of advance of Rs.1.52 crore was made to Non Government Organisations (NGOs).	Responsibility is required to be fixed for making premature payment of advance in contravention of stipulations. An amount of Rs.24 lakh was outstanding (April 2002) from NGOs should be recovered by the Company.	The Company did not agree to fix the responsibility on the plea that the premature advance was released to NGOs for expediting the rehabilitation work. As on April 2004 an amount Rs.18 lakh was to be recovered from NGOs.
		2002-2003/ 4.10	0.34	The Company made irregular payments of Rs.33.96 lakh against the provisions of contract awarded for the construction of distributory canals for Sardar Sarovar Narmada Project.	Responsibility is required to be fixed for making payments to the contractors for uncompacted earthwork done, as the payments made remained outside the scope of the contracts.	The Company did not accept the audit contention and gave justification that the payments were made as per terms of contract. Hence, no action was taken.
2.	Avoidable payment/loss related to energy bills.	**2001-2002/** 4.6.1	4.92	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.	Responsibility is required to be fixed for delayed recovery/non-recovery of power factor charges.	The Company did not agree to audit contention for fixing the responsibility. The Company pleaded that due to complexity of the issue the Company took some time and consulted experts before taking the decision. Hence, no action was taken.

(1)	(2)	(3)	(4)	(5)	(6)	(7)
		2002-2003/ 4.7	1.73	The Company's failure to avail concessional tariff for energy consumption for its residential colony resulted in avoidable expenditure of Rs.1.73 crore.	Responsibility is required to be fixed for the failure to take separate point of supply for energy consumption at residential colony A separate connection should be obtained for availing concessional tariff.	The Company did not agree to the audit contention of the Company's failure to avail the concession tariff. Hence did not fix the responsibility. Although the Company agreed (August 2003) to pursue the matter of obtaining a separate connection from the Board yet the same was not obtained (June 2004).
		2002-2003/ 4.9	1.29	The Company incurred an avoidable expenditure of Rs.1.29 crore on excess contract demand for energy supplied.	Responsibility is required to be fixed: • For the failure to assess energy requirement properly. • For not taking necessary action to reduce the contract demand which was in excess. Action should be taken to reduce the contract demand.	The Company did not agree to the audit contention of avoidable expenditure incurred by it. Hence, no action was taken by the Company for fixing the responsibility pointed out in audit. However, the Company had initiated action for reducing contract demand.
Total			**9.80**			

ANNEXURE-19

Status of action taken on the cases of persistent irregularities pertaining to Statutory corporation appeared in the Report of CAG of India for the year 1999-2000 and 2002-2003(Commercial) – Government of Gujarat

(Referred to paragraph 4.22)

Sl. No.	Gist of persistent irregularities	Year of Audit Report/ Para No.	Money Value (Rs. in crore)	Gist of audit observations	Actionable points/ Action to be taken	Details of actions taken
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Gujarat Electricity Board						
1.	Deficiencies in contracts	**1999-2000/** 3.11.2	14.69	The Board paid avoidable penalty of Rs.14.69 crore to Railways on account of overloading which could not be recovered from loading supervision contractor due to a defective contract.	**Responsibility is required to be fixed for not specifying the upper limit in the contract, as prescribed by the Railways, for carrying quantity of coal in the Railway wagons.**	The Board did not fix the responsibility for entering into a defective contract. However, the Board inserted a new clause in the contracts from October 2003 to prevent the over loading of coal in the wagons.

	1999-2000/ 3.11.7	0.22	The Board incurred an additional expenditure of Rs.22.04 lakh in procurement of conductors due to failure in incorporation of an essential clause in the contract regulating the payment of excise duty.	Responsibility is required to be fixed for failure to incorporate provision for absorption of possible increase in excise duty in the contract.	The Board did not accept the audit contention and gave the justification for the lapse pointed out in audit. Hence, no action was taken.

		2002-2003/ 4.16	0.13	The Board made an avoidable payment of Rs.13.22 lakh due to inclusion of obsolete and idle bulldozers under maintenance contract.	**Responsibility is required to be fixed for inclusion of obsolete and idle bulldozers kept under maintenance contract.** **A system should be devised for periodically review of the machines kept under maintenance contracts.**	The Board did not accept the audit contention and gave the justification for the lapse pointed out in audit. Hence, no action was taken. System has been followed now, to periodically review the machines kept under maintenance contracts.

(1)	(2)	(3)	(4)	(5)	(6)	(7)
2.	Delay in construction / completion	**2001-02/** 4.8.7	0.37	A delay in completion of cooling tower led to an avoidable extra expenditure of Rs.36.63 lakh.	Responsibility is required to be fixed for belatedly carrying out the activities required for timely completion of cooling tower.	The Board did not accept the audit contention and gave the justification for the lapse pointed out in audit. Hence, no action was taken.
		2002-03/ 4.14	6.81	Belated commissioning of new bore wells led to energy generation loss of 3.08 crore units and consequently revenue loss of Rs.6.81 crore.	Responsibility is required to be fixed for belated action for commissioning of new bore wells.	The Board did not accept the audit contention and gave the justification for the lapse pointed out in audit. Hence, no action was taken.
Total			**22.22**			

ANNEXURE-20

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

(Referred to in paragraph 4.23)

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	**Narmada, Water Resources and Water Supply**	**3**	**127**	**321**	**1993-94**
2	**Energy and Petrochemicals**	**7**	**109**	**270**	**1995-96**
3	**Home**	**2**	**58**	**265**	**1992-93**
4	**Industries and Mines**	**10**	**53**	**207**	**1992-93**
5	**Agriculture and Cooperation**	**5**	**16**	**33**	**1996-97**
6	**Forest and Environment**	**1**	**8**	**24**	**1992-93**
7	**Food and Civil Supplies**	**1**	**2**	**9**	**2000-01**
8	**Women and Child Development**	**1**	**3**	**13**	**1999-00**
9	**Panchayat, Rural Housing and Rural Development**	**1**	**6**	**11**	**1993-94**
10	**Social Justice and Empowerment**	**2**	**2**	**6**	**2002-03**
11	**Information Technology**	**1**	**1**	**2**	**2001-02**
12	**Urban Development and Urban Housing**	**1**	**3**	**9**	**2002-03**
13	**Roads and Building**	**1**	**1**	**3**	**2003-04**
14	**Ports and Fisheries**	**1**	**1**	**1**	**2003-04**
	B) Non-working PSUs				

1	**Industries and Mines**	**1**	**4**	**9**	**1997-98**
2	**Roads and Building**	**1**	**1**	**1**	**2002-03**
	Total	39	395	1,184	

ANNEXURE-21

Statement showing the department-wise draft paragraphs/reviews reply to which are awaited as on 30 September 2004

(Referred to in paragraph 4.23)

Sl. No.	Name of Department	Number of draft paragraphs	No. of draft reviews	Period of issue
1	**Industries and Mines**	**5**	**--**	**March/ April 2004**
2	**Energy and Petrochemicals**	**1**	**--**	**May 2004**
3	**Home**	**2**	**--**	**March/May 2004**
4	**Agriculture and Co-operation**	**1**	**1**	**April 2004**
5	**Roads and Building**	**2**	**--**	**April 2004**

Note: In one case (paragraph No. 4.10), replies from three administrative departments were awaited.