

## ***Preface***

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

- (i) Government companies,
- (ii) Statutory corporations, and
- (iii) Departmentally managed commercial undertakings.

This Report deals with the results of audit of Government companies and Statutory corporations including Madhya Pradesh State Electricity Board and has been prepared for submission to the Government of Madhya Pradesh under Section 19-A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, as amended from time to time. The results of audit relating to departmentally managed commercial undertakings are included in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2005 (Civil)- Government of Madhya Pradesh.

Audit of the accounts of Government companies is conducted by the Comptroller and Auditor General of India (CAG) under the provisions of Section 619 of the Companies Act, 1956. In respect of Madhya Pradesh Road Transport Corporation and Madhya Pradesh State 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 Madhya Pradesh 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 Madhya Pradesh Warehousing and Logistics Corporation, CAG has the right to conduct the audit of its accounts in addition to the audit conducted by the Chartered Accountants appointed by the State Government in consultation with CAG. In respect of Madhya Pradesh Electricity Regulatory Commission, CAG is the sole auditor. The Audit Reports on the annual accounts of all these corporations 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 2004-05 as well as those which came to notice in earlier years but were not dealt with in the previous Reports. Matters relating to the period subsequent to 2004-05 have also been included, wherever necessary.

## Overview

### 1. Overview of Government companies and Statutory corporations

- As on 31 March 2005, the State had 42 Public Sector Undertakings (PSUs) comprising 38 Government companies and four Statutory corporations. Out of 38 Government companies, 29 were working companies, while nine were non-working Government companies. All the four Statutory corporations were working corporations. In addition, there was one company under the purview of Section 619-B of the Companies Act, 1956.

*(Paragraphs 1.1 and 1.33)*

- The total investment in working PSUs increased from Rs.4934.12 crore as on 31 March 2004 to Rs.5637.59 crore as on 31 March 2005. The total investment in non-working PSUs increased from Rs.198.99 crore to Rs.224.36 crore during the same period.

*(Paragraphs 1.2 and 1.16)*

- The budgetary support in the form of capital, loans and grants /subsidy disbursed to the working PSUs increased from Rs.56.38 crore in 2003-04 to Rs.1449.99 crore in 2004-05. The State Government guaranteed loans aggregating Rs.63.92 crore during 2004-05. The total amount of outstanding loans guaranteed by the State Government decreased from Rs.5020.14 crore as on 31 March 2004 to Rs.646.35 crore as on 31 March 2005.

*(Paragraph 1.5)*

- Four working Government companies and two Statutory corporations, had finalised their accounts for the year 2004-05. The accounts of 22 working Government companies and two Statutory corporations were in arrears for periods ranging from one year to six years as on 30 September 2005. Madhya Pradesh Electricity Regulatory Commission and one new Company have not finalised their accounts since inception and accounts of three new Companies have not yet become due. None of the non-working Government companies had finalised its accounts for the year 2004-05 and were in arrears for periods ranging from one year to 15 years as on 30 September 2005.

*(Paragraphs 1.6 and 1.19)*

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- According to their latest finalised accounts, nine working PSUs (seven Government companies and two Statutory corporations) incurred aggregate loss of Rs.118.30 crore. On the other hand, 15 working PSUs (13 Government companies and two Statutory corporations) earned aggregate profit of Rs.192.78 crore, as per their latest finalised accounts. Three working Government companies declared dividend of Rs.72 lakh during the year. Of the loss incurring working Government companies, accumulated losses of two companies aggregated Rs.650.77 crore which exceeded their aggregate paid-up capital of Rs.82.15 crore. Two loss incurring Statutory corporations had accumulated losses of Rs.957.83 crore, which exceeded their paid-up capital of Rs.219.95 crore.

*(Paragraphs 1.7, 1.8, 1.9 and 1.11)*

- Even after completion of five or more years of their existence, the individual turnover of eight working Government companies has been less than rupees five crore in each of the preceding five years as per their latest finalised accounts. Further, one Government Company had been incurring losses for five consecutive year's leading to negative net worth. As such, the Government may either improve the performance of these nine Government companies or consider their closure.

*(Paragraph 1.31)*

## **2      Reviews in respect of Government Companies**

### **2.1      *Development and Financial assistance by Madhya Pradesh Adivasi Vitta Evam Vikas Nigam***

- Performance of the Company with regard to its stated objectives was abysmally low. It failed to lift even a single Adivasi family above the poverty line. Both physical as well as financial achievements suffered and substantially declined during 2000-05 under all the schemes operated by the Company.

*(Paragraphs 2.1.9 and 2.1.7)*

- The performance of the Company with regard to the benefits accrued was deficient in comparison to the amount spent. The Company incurred Rs.5.61 crore towards establishment expenditure to extend financial assistance of Rs.2.34 crore during 2000-05. Though the Company was aware that the failure of schemes was due to irresponsibility and rampant corruption on the part of staff, it failed to take any remedial measure to set right the deficiencies.

*(Paragraphs 2.1.7 and 2.1.9)*

- The Company could draw only Rs.7.45 crore (22 per cent) and disbursed only Rs.2.07 crore (6 per cent) to beneficiaries out of Rs.33.89 crore sanctioned by National Scheduled Tribes Finance and Development Corporation (NSTFDC) during 2000-05. It had to refund Rs.5.38 crore in respect of 18 schemes due to its failure to identify the beneficiaries after drawal of loans. Loan assistance of Rs.12.01 crore was cancelled by the NSTFDC due to the Company's failure to furnish list of beneficiaries.

*(Paragraph 2.1.7)*

- The Company provided financial assistance to only 2520 beneficiaries of the tribal population of 51.29 lakh (age group 20-59) since its inception, depicting dismal coverage of 0.05 per cent.

*(Paragraph 2.1.18)*

## **2.2 Creation and Development of infrastructure facilities by Madhya Pradesh Audyogik Kendra Vikas Nigams**

- AKVNs neither evolved any long term plan or strategy for acquisition of land nor fixed any annual targets in this regard. Against 23 growth centres to be developed by 1994, AKVNs developed only 14 growth centres during the last five years ended 31 March 2005. Expenditure on acquisition of land (Rs.6.63 crore) and development of plots (Rs.68.94 crore) remained unfruitful due to non completion of development of land and non-allotment of plots.

*(Paragraphs 2.2.6 and 2.2.7)*

- Irregular change in foundation design resulted in extra expenditure of Rs.87.56 lakh. Failure to levy penalty for delay in completion of infrastructure facilities resulted in loss of revenue of Rs.1.06 crore. Continuance of unviable water supply scheme resulted in a loss of Rs.1.45 crore.

*(Paragraphs 2.2.8, 2.2.9 and 2.2.13)*

- Delay in acquiring/developing land and allotting plots in SEZ resulted in the expenditure of Rs.27.45 crore remaining unfruitful. Injudicious decision to reduce the premium of land in respect of industrial units of Special Economic Zone (SEZ) resulted in loss of revenue of Rs.22.58 crore.

*(Paragraphs 2.2.18 and 2.2.19)*

- Deficient planning and inefficient operation of Food Processing Industrial Parks resulted in unfruitful expenditure of Rs.31.26 crore.

(Paragraphs 2.2.22 to 2.2.30)

- Setting up of Integrated Infrastructure Development Centres without field study/survey, common facilities and assessment of demand rendered the expenditure of Rs.8.79 crore unfruitful.

(Paragraphs 2.2.31 to 2.2.39)

### **3. Review in respect of Statutory Corporation**

#### ***Procurement, performance and maintenance of transformers in Madhya Pradesh State Electricity Board***

- Madhya Pradesh State Electricity Board failed to maintain a balance between the growth of sub-transmission & distribution transmission capacity in relation to the connected load. The Distribution transformation capacity was 155 to 230 per cent higher than the connected load upto the year ended 31 March 2004. The mismatch resulted in overloading with consequential failure of transformers and transmission and distribution (T&D) losses of over 250 per cent of the accepted level of such losses fixed by the Central Electricity Authority.

(Paragraphs 3.6.1 and 3.6.2)

- The Board lost Rs.10619.31 crore of potential revenue due to these excessive T&D losses. The Board failed to achieve even the modest target of reduction of T&D losses progressively to 28 percent by 2004-05 as prescribed by the Regulatory Commission.

(Paragraph 3.6.2)

- Deficient planning and bid evaluation coupled with delays in bid evaluation, commissioning of transformers, construction of sub-stations, resulted in avoidable excess expenditure of Rs.70.40 crore on the procurement of transformers. Besides, the delays in completion of various schemes resulted in un-quantifiable losses in revenue.

(Paragraphs 3.6.4, 3.6.5, 3.6.7, 3.6.8 and 3.6.9)

- The Board did not take action for the repair of high cost EHV transformers as also repair and conversion of other transformer for up to four years. Timely action for repair of nine 40 MVA and 15 transformers up to 20 MVA could have saved the Board financial outgo of Rs.10.62 crore and Rs.12.00 crore respectively. Ineffective contract management by the Board with regard to repair of transformers including non-availing of guarantee

cover, non-invocation of risk and cost clause etc. cost the Board Rs.6.82 crore in addition to non-maintenance of quality supply to consumers.

*(Paragraphs 3.6.6, 3.6.15, 3.6.21 and 3.6.23)*

#### **4. Transaction Audit observations**

- Execution of up-gradation/improvement work resulted in irregular expenditure of Rs.1.84 crore.

*(Paragraph 4.4)*

- Extension of undue benefit to a consumer, non-availing of pre-remittance facility and payment of over-run charges and imprudent cash management by the Board resulted in extra expenditure of Rs.96.13 lakh and loss of revenue of Rs.50.97 lakh.

*(Paragraphs 4.13, 4.14 and 4.15)*

- Execution of financially unviable projects, failure to implement decision regarding insuring stock, failure to regulate contract demand and maintain power factor resulted in extra expenditure of Rs.1.60 crore.

*(Paragraphs 4.18, 4.19 and 4.21)*

- Failure to honour payment obligations resulted in loss of net potential revenue of Rs.1.46 crore.

*(Paragraph 4.20)*

- **Madhya Pradesh State Civil Supplies Corporation Limited's** payment for element of work not done by transport contractors resulted in extra expenditure of Rs.7.49 crore.

*(Paragraph 4.1)*

- Procurement of non-fair average quality wheat by **Madhya Pradesh State Civil Supplies Corporation Limited**, resulted in a loss of Rs.1.37 crore.

*(Paragraph 4.2)*

- Placement of inter corporate loans by **Madhya Pradesh State Industrial Development Corporation Limited** without obtaining approval from Government, security from the borrower and verifying financial position coupled with it's failure to take action for recovery, resulted in loss of

Rs.187.44 crore besides locking up of Rs.93.13 crore with consequential interest of Rs.46.16 crore.

*(Paragraphs 4.5.1-4.5.9)*

- **Madhya Pradesh State Electricity Board's** insistence on negotiating the rate ignoring the reasonability of the offers and the market trend resulted in avoidable expenditure of Rs.4.34 crore.

*(Paragraph 4.8)*

- **Madhya Pradesh State Electricity Board's** provision of mere four *per cent* compensation for line loss in wheeling of power generated by private wind energy generators resulted in loss of Rs.2.47 crore.

*(Paragraph 4.9)*

- Payment to the contractors by **Madhya Pradesh State Electricity Board** due to irregular revision of rates resulted in avoidable extra expenditure of Rs.1.66 crore.

*(Paragraph 4.10)*

## CHAPTER I

### Overview of Government companies and Statutory corporations

#### Introduction

**1.1** As on 31 March 2005, there were 38 Government companies (29 working companies and nine non-working companies<sup>1</sup>) and four Statutory corporations (all working) as against 34 Government companies (25 working companies and nine non-working companies) and four Statutory corporations (all working) as on 31 March 2004 under the control of the State Government. During the year, one<sup>2</sup> new Government company in the Construction Sector and three<sup>3</sup> subsidiary companies of Madhya Pradesh Audyogik Kendra Vikas Nigam Limited, Indore came within the audit purview of the Comptroller and Auditor General of India (CAG). The accounts of the Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by the Statutory Auditors who are appointed by the CAG under the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit by the CAG under Section 619 of the Companies Act, 1956. The audit arrangements of the Statutory corporations are as shown below:

Sl. No.	Name of the corporation	Authority for audit by the Comptroller and Auditor General of India	Audit arrangement
1.	Madhya Pradesh State Electricity Board (MPSEB)	Under Rule 14 of the Electricity Supply (Annual Accounts) Rules, 1985 read with Section 185(2) (d) of the Electricity Act, 2003	Sole audit by the CAG.
2.	Madhya Pradesh Road Transport Corporation (MPRTC)	Section 33(2) of the Road Transport Corporations Act, 1950	Sole audit by the CAG.
3.	Madhya Pradesh Financial Corporation (MPFC)	Section 37(6) of the State Financial Corporations Act, 1951	Audit by Chartered Accountants and supplementary audit by the CAG.
4.	Madhya Pradesh Warehousing and Logistics Corporation (MPWLC)	Section 31(8) of the State Warehousing Corporations Act, 1962	Audit by Chartered Accountants and supplementary audit by the CAG.

The State Government had formed the Madhya Pradesh Electricity Regulatory Commission (MPERC) and its audit is entrusted to the CAG under Section 104 (2) of the Electricity Act, 2003.

<sup>1</sup> *Non-working companies are those which are under the process of liquidation, closure merger, etc.*

<sup>2</sup> *Madhya Pradesh Road Development Corporation Ltd.*

<sup>3</sup> *Pithampur Auto cluster pvt. Ltd., Crystal IT Park Indore Ltd., SEZ Indore Ltd.*



## Working Public Sector Undertakings (PSUs)

### Investment in working PSUs

**1.2** The total investment in 29 working PSUs (25 Government companies and four Statutory corporations) at the end of March 2004 and 33 working PSUs (29 Government companies and four Statutory corporations) at the end of March 2005 was as follows:

(Amount : Rupees in crore)

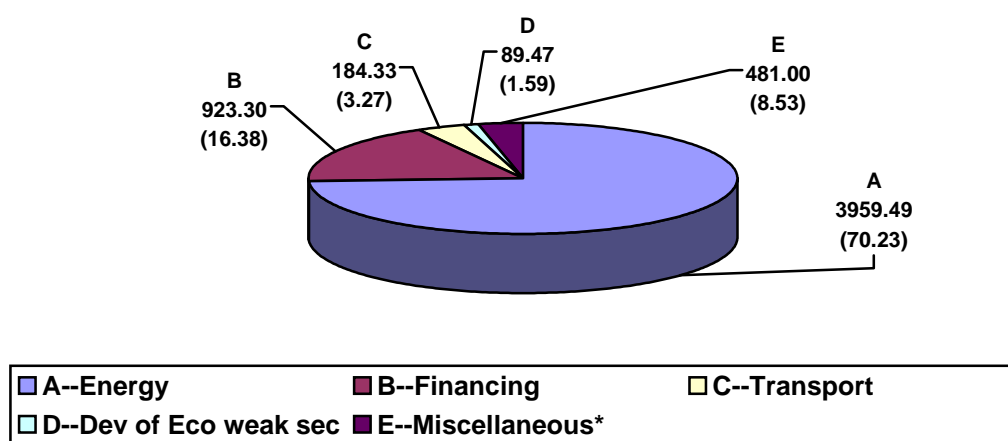
Year	Number of working PSUs	Investment in working PSUs			
		Equity	Share application money	Loans	Total
2003-04	29	530.74	90.34	4313.04	4934.12
2004-05	33	538.35	109.56	4989.68	5637.59 <sup>4</sup>

As on 31 March 2005, the total investment of working Government companies and Statutory corporations comprised 11.56 *per cent* of equity capital and 88.44 *per cent* of loans, compared to 12.59 and 87.41 *per cent* of equity and loans respectively as on 31 March 2004. An analysis of the investment in PSUs is given in the following paragraphs.

### Sector-wise investment in working Government companies and Statutory Corporations

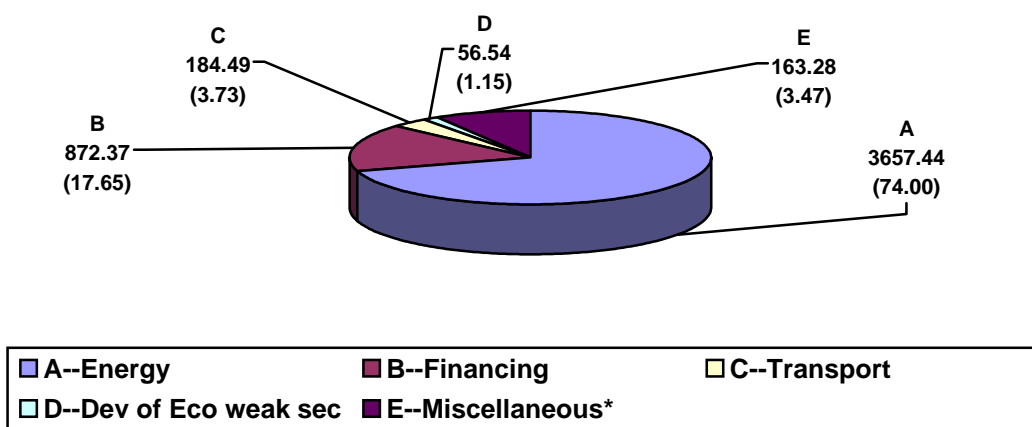
The investment (equity and long-term loans) in various sectors and percentages thereof at the end of 31 March 2005 and 31 March 2004 are indicated below in the pie charts:

**Investment as on 31 March 2005**  
(Amount: Rupees in crore)  
(Figures in brackets indicate percentage of investment)



<sup>4</sup> State Government's investment in working PSUs was Rs.1528.33 crore (others Rs.4109.26 crore). The figures as per Finance Accounts is Rs. 3493.72 crore. The difference is under reconciliation.

**Investment as on 31 March 2004**  
(Amount: Rupees in crore)  
(Figures in brackets indicate percentage of investment)



(\*Miscellaneous includes Agriculture, Industries, Electronics, Construction, Area Development, Mining, Handlooms & Handicrafts, Forest, Tourism and Public distribution.)

### Working Government companies

**1.3** Total investment in the working Government companies at the end of March 2004 and March 2005 was as follows.

*(Amount : Rupees in crore)*

Year	Number of working Government companies	Investment in working Government companies			
		Equity	Share application money	Loans	Total
2003-04	25	221.65	6.15	419.37	647.17
2004-05	29	236.69	16.44	744.65	997.78

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

As on 31 March 2005, the total investment in the working Government companies comprised 25.37 per cent equity capital and 74.63 per cent loans as against 35.20 and 64.80 per cent respectively, as on 31 March 2004.

Due to increase in long term loans, the debt-equity ratio of the working Government companies increased from 1.84:1 in 2003-04 to 2.94:1 in 2004-05.

## Working Statutory corporations

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

(Amount : Rupees in crore)

Name of corporation	2003-04		2004-05	
	Capital	Loans	Capital	Loans
Madhya Pradesh State Electricity Board <sup>5</sup>	169.62	3486.81	169.62	3788.86
Madhya Pradesh Road Transport Corporation	141.81	42.68	141.81	42.52
Madhya Pradesh Financial Corporation	73.79	364.18	75.30	413.61
Madhya Pradesh Warehousing and Logistics Corporation	8.06	--	8.06	0.04
<b>Total</b>	<b>393.28</b>	<b>3893.67</b>	<b>394.79</b>	<b>4245.02</b>

The summarised position of Government investment in the working Statutory corporations in the form of equity and loans is detailed in **Annexure I**. As a part of the reforms process, the Madhya Pradesh State Electricity Board (MPSEB) was unbundled (September 2000) into six Government companies. Out of these, only five companies were registered in November 2001 and May 2002. There was, however, no change in the organisational structure of MPSEB, pending finalisation of transfer of assets, liabilities and personnel. There was no change in the responsibility centres also, as the companies function as agents of MPSEB.

As on 31 March 2005, the total investment in working Statutory corporations comprised 8.51 per cent equity capital and 91.49 per cent loans as against 8.57 and 91.43 per cent respectively as on 31 March 2004. The debt-equity ratio increased from 9.90:1 in 2003-04 to 10.75:1 in 2004-05.

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

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

The budgetary outgo (in the form of equity capital and loans) and grants/subsidies from the State Government to the working Government companies and working Statutory corporations for the three years up to 2004-05 are given below:

<sup>5</sup> As MPSEB did not furnish figures for the year 2004-05, previous year's figures have been adopted for the current year also.

(Amount : Rupees in crore)

	2002-03				2003-04				2004-05			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No	Amt.	No	Amt.	No	Amt.	No	Amt.	No	Amt.	No	Amt.
Equity capital outgo from budget	2	3.02	1	1.00	1	0.90	1	1.34	2	10.30	1	1.50
Loans given from budget	1	10.88	3	247.05	1	7.24	--	--	1	4.28	2	375.44
Other grants/subsidy	10	61.51	3	586.92	11	46.90	--	--	10	213.14	2	845.33
<b>Total outgo</b>	<b>12<sup>6</sup></b>	<b>75.41</b>	<b>4<sup>6</sup></b>	<b>834.97</b>	<b>11<sup>6</sup></b>	<b>55.04</b>	<b>1<sup>6</sup></b>	<b>1.34</b>	<b>12<sup>6</sup></b>	<b>227.72</b>	<b>3<sup>6</sup></b>	<b>1222.27</b>

During the year 2004-05, Government had guaranteed loans aggregating Rs.63.92 crore obtained by the three working Government companies (Rs.48.92 crore) and one working Statutory corporation (Rs.15.00 crore). At the end of the year, guarantees amounting to Rs.646.35 crore in respect of the five working Government companies (Rs.66.79 crore) and two working Statutory corporations (Rs.579.56 crore) were outstanding as against Rs.5020.14 crore in respect of the five working Government companies (Rs.74.47 crore) and three Statutory corporations (Rs.4945.67 crore) at the end of the previous year. The guarantee commission payable to Government by the Government companies and Statutory corporations at the end of March 2005 was Rs.2.20 crore and Rs.87 lakh respectively.

### Finalisation of accounts by the working PSUs

**1.6** As could be noticed from *Annexure-2*, out of the 29 working Government companies and four Statutory corporations, only four companies and two corporations had finalised their accounts for the year 2004-05 upto 30 September 2005. During the period October 2004 to September 2005, 21 working Government companies finalised 26 accounts for previous years. Similarly, four working Statutory corporations finalised four accounts for previous years during this period. The Madhya Pradesh Electricity Regulatory Commission and one<sup>7</sup> new company have not finalised their accounts since inception and accounts of three<sup>8</sup> companies have not yet become due.

<sup>6</sup> These are the actual number of companies/corporations which had received budgetary support in the form of equity, loans, grant and /or subsidies from the State Government during the respective years.

<sup>7</sup> Sl. No. A17 of Annexure 2.

<sup>8</sup> Sl.No. A4, A6 and A11 of Annexure 2.

The accounts of the 22 working Government companies and two Statutory corporations were in arrears for periods ranging from one to six years as on 30 September 2005 as detailed below :

Sl. No	Number of working companies/ corporations		Period for which accounts are in arrears	Number of years for which accounts are in arrears	Reference to serial No. of Annexure 2	
	Government companies	Statutory corporations			Government companies	Statutory corporations
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1.	1	--	1999-2000 to 2004-05	6	A-18	--
2.	2	--	2001-02 to 2004-05	4	A-7,19	--
3.	1	--	2002-03 to 2004-05	3	A-1	--
4.	6		2003-04 to 2004-05	2	A-12,13,15,16,17, 21	--
5	12	2	2004-05	1	A-2,3,5,8,9,10, 14, 22,23,24,27, 29	B-1,2
	22	2				

### Financial position and working results of the working PSUs

**1.7** The summarised financial results of the working PSUs (Government companies and Statutory corporations) as per their latest finalised accounts are given in **Annexure 2**. Besides, the financial position and working results of the 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 29 working Government companies and four working Statutory corporations, seven companies and two corporations had incurred aggregate losses of Rs.64.31 crore and Rs.53.99 crore respectively and 13 companies and two corporations earned aggregate profit of Rs.36.35 crore and Rs.156.43 crore, respectively. The five<sup>9</sup> Government companies had not commenced their business activities and four<sup>10</sup> new Government companies had not prepared any profit and loss account for the year.

### Working of Government companies

#### *Profit earning working Government companies and dividend*

**1.8** The State Government had formulated (July 1998) a dividend policy for the payment of minimum dividend of 12 per cent of equity. The Madhya Pradesh

<sup>9</sup> Sl. No. A25, 26, 27, 28 and 29 of Annexure 2.

<sup>10</sup> Sl. No. A4, 6, 11 and 17 of Annexure 2.

State Civil Supplies Corporation Limited has finalised its accounts for 2004-05 by September 2005 and declared dividend of Rs.1.01 crore (8.42 per cent).

Similarly, out of the 21 working Government companies, which finalised their accounts for previous years by September 2005, 12 companies earned an aggregate profit of Rs.16.66 crore and only eight companies earned profit for the two or more successive years. Three companies declared dividend of Rs.72 lakh (13.03 *per cent*) for the previous years, during the year. The total return to the State Government by way of dividend during 2004-05, worked out to 0.78 *per cent* against its total equity investment of Rs.220.55 crore in all the working Government companies.

#### ***Loss incurring working Government companies***

**1.9** Out of the seven loss incurring working Government companies, two companies had accumulated losses aggregating Rs.650.77 crore which exceeded their aggregate paid up capital of Rs.82.15 crore.

Despite poor performance and complete erosion of the paid up capital, the State Government continued to provide financial support to these companies in the form of contribution towards equity, further loans, subsidy, grants etc. According to the available information, out of the total financial support of Rs.227.72 crore provided by the State Government to 12 companies by way of equity, loans, grants and subsidies during 2004-05, Rs.6.41 crore pertained to Madhya Pradesh Hastashilp Evam Hathkargha Vikas Nigam Limited whose accumulated losses had exceeded its paid-up capital.

### **Working of Statutory corporations**

#### ***Profit earning Statutory corporations and dividend***

**1.10** One of the profit earning Statutory corporations viz. Madhya Pradesh Warehousing and Logistics Corporation had finalised its accounts for 2004-05 and declared dividend for Rs.27 lakh for 2003-04 and Rs.30 lakh for 2004-05. The Madhya Pradesh State Electricity Board which finalised its accounts for 2003-04, earned profit of Rs.151.05 crore .

#### ***Loss incurring Statutory corporations***

**1.11** The remaining two loss incurring Statutory corporations viz. Madhya Pradesh Road Transport Corporation and Madhya Pradesh Financial Corporation had accumulated losses aggregating Rs.957.83 crore which was more than four times of their aggregate paid up capital of Rs.219.95 crore.

Despite their poor performance, the State Government provided financial support to these two corporations amounting to Rs.5.51 crore during 2004-05 by way of equity, loan and subsidy.

***Operational performance of the working Statutory corporations***

**1.12** The operational performance of the working Statutory corporations is given in ***Annexure 6***. On analysis of operational performance, the following points have emerged:

**Madhya Pradesh State Electricity Board**

**1.12.1** The transmission and distribution (T&D) losses had increased from 42.62 *per cent* in 2001-02 to 43.86 *per cent* in 2003-04 and the load factor reduced from 73.14 percent in 2002-03 to 70.21 percent in 2003-04.

**1.12.2** The percentage of expenditure on staff to total revenue expenditure increased from 12.47 in 2001-02 to 14.81 in 2003-04.

**Madhya Pradesh Road Transport Corporation**

**1.12.3** The average number of vehicles on road decreased from 1,876 in 2001-02 to 1269 in 2003-04 and employee vehicle ratio increased from 6:1 to 8:1 and passengers kilometers operated reduced from 607.48 crore km to 391.94 crore km during the same period.

**Madhya Pradesh Financial Corporation**

**1.12.4** The percentage of default to total loans increased from 25.27 in 2002-03 to 27.48 in 2004-05.

**Return on capital employed**

**1.13** As per their latest finalised accounts (up to September 2005), the capital employed<sup>11</sup> worked out to Rs.1059.68 crore in the 29 working companies and total return<sup>12</sup> thereon amounted to Rs.15.61 crore (1.47 percent) as compared to total return of Rs.(-)213.84 crore in the previous year (accounts finalised up to September 2004). Similarly, the capital employed and total return thereon, in case of the working Statutory corporations as per their latest finalised accounts (up to September 2005), worked out to Rs.1795.32 crore and Rs.533.75 crore (29.73 per cent) respectively, against the total return of Rs.299.91 crore in the previous year (4.78 percent) (accounts finalised up to September 2004). The details of capital employed and the total return on capital employed in case of the working Government companies and Statutory corporations are given in ***Annexure 2***.

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<sup>11</sup> *Capital employed represents net fixed assets (including capital works-in-progress) plus working capital, except in finance companies and corporations where it represents the mean of aggregate of opening and closing balances of paid-up capital, free reserves, bonds, deposits and borrowings (including refinance).*

<sup>12</sup> *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.*

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## Reforms in power sector

### *Status of implementation of MOU between State Government and the Central Government*

**1.14** A Memorandum of Understanding (MOU) was signed (May 2000) between the Government of Madhya Pradesh (GOMP) and Government of India (GOI) as a measure of joint commitment to undertake power sector reforms in a time-bound manner. Status of implementation of the reforms programme vis-à-vis respective commitments made in the MOU is as follows:

Sl. No.	Commitments as per MOU	Targeted completion schedule	Status (as on 31 March 2005)
1	2	3	4
	<b>Commitments made by State Government</b>		
1	Reduction in transmission and distribution losses	Not given	Software development work for energy audit of 33 KV and 11 KV network was undertaken. Scheme for loss reduction programme was forwarded to ADB, PFC, NABARD for financial assistance. The Govt. of India has appointed NTPC as Advisors-cum-consultants.
2	100 per cent metering of all 11 KV distribution feeders	December 2003	Completed
3	100 per cent metering of all consumers	December 2004	PFC sanctioned scheme for Rs.211.00 crore on 22.03.2002 for providing meters and metering equipments. The amount has been drawn by MPSEB 17 lakh single phase meters 3.41 lakh 3 phase meters and 7529 HT meters have been provided.
4	Securitisations of outstanding dues of Central power sector undertakings	NA	Securitized
5	Reorganisation of Board	NA	Five Companies have been incorporated.
6	Rural electrification programme	By 2007, starting from 2003	50,474 out of 51,806 villages electrified
7	Energy audit	June 2001, Revised target by September 2002	132 KV-100 per cent 33 KV-92.46 per cent 11 KV-92.58 per cent
8	Implementation of tariff orders issued by State Electricity Regulatory Commission during the year	Submission of tariff petition by 31 December each year	Board has filed the tariff petition for the FY 2004-05 as per the directives of Hon'ble MPERC in the month of August 2004. MPERC has issued order on 10.12.2004.
9	Installation of energy meters on grid/generating stations	NA	Completed
10	Replacement of electromagnetic meters with electronic meters	NA	26.62 lakh single phase and 4.60 lakh three phase electronic meters have been replaced/installed by March 2004
11	Supply of additional power	NA	Government of India allocated 350 MW power out of which 50 MW power already allocated through Northern Region.
12	Hydro-electric power development	NA	MoU was signed between GOMP and National Hydro Electric Power Corporation. National Hydro Electric Development Corporation—an independent joint venture utility—has already started functioning and it does not report any progress to MPSEB.



**Madhya Pradesh Electricity Regulatory Commission**

**1.15** The Madhya Pradesh Electricity Regulatory Commission (Commission) was formed in August 1998 under Section 17 of Electricity Regulatory Commissions Act, 1998 with the objective of determining electricity tariff, advising in matters relating to electricity generation, transmission, distribution, etc. in the State. It started functioning from February 1999. The Commission is a body corporate and comprises three members including a Chairman, who are appointed by the State Government. The audit of the accounts of the Commission has been entrusted to the CAG under Section 104 (2) of the Electricity Act, 2003. The Commission had not finalised its first accounts so far (September 2005).

**Non-working PSUs**

**Investment in the non-working PSUs**

**1.16** The total investment in the nine non-working Government companies at the end of March 2004 and 2005 was as follows:

(Amount : Rupees in crore)

Year	Number of non-working PSUs	Investment in non-working PSUs			
		Equity	Share application money	Loans	Total
2003-04	9	59.69	0.19	139.11	198.99
2004-05	9	59.69	0.19	164.48	224.36 <sup>13</sup>

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

(Rupees in crore)

Sl. No.	Status of non-working PSUs	Number of companies	Investment in non-working PSUs	
			Equity <sup>14</sup>	Long term loans
(i)	Under liquidation	5	12.39	--
(ii)	Under closure	4	47.49	164.48
<b>Total</b>		<b>9</b>	<b>59.88</b>	164.48

Of the above nine non-working PSUs, all the Government companies were under liquidation or closure under Section 560 of the Companies Act, 1956, for periods ranging from one to 22 years. Substantial investment of Rs.224.36 crore was involved in these companies. Effective steps need to be taken for their expeditious liquidation or revival.

<sup>13</sup> State Government investment in non-working PSUs was Rs.153.12 crore (others Rs.71.24 crore). The figure as per Finance Accounts is Rs.38.04 crore. The difference is under reconciliation.

<sup>14</sup> Equity includes share application money of Rs.0.19 crore in respect of two companies.

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

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

**1.18 Total establishment expenditure on the non-working PSUs**

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

(Amount : Rupees in lakh)

Year	Number of Government companies	Total establishment expenditure	Disposal of investments/assets	Financed by		
				Government by way of		Others <sup>15</sup>
				Loans	Grants	
2002-03	9	2,332.48	77.81	2,195.66	--	59.01
2003-04	9	178.93	2.27	168.38	--	8.28
2004-05	9	97.55	85.85	--	--	11.70
<b>Total</b>	--	<b>2608.96</b>	<b>165.93</b>	<b>2364.04</b>	--	<b>78.99</b>

**Note:** The abnormal increase in the establishment expenditure during 2002-03 was due to implementation of voluntary retirement scheme. The excess expenditure thereof was met by way of loans from the State Government.

The State Government has spent Rs.26.09 crore during 2002-05 towards establishment expenses of nine non-working companies. Expeditious action is necessary for winding up of these companies to avoid similar further unproductive expenditure.

**Finalisation of accounts by non-working PSUs**

**1.19** No non-working Government company has finalised its accounts for 2004-05. The accounts of the nine non-working companies were in arrears for periods ranging from one to 15 years as on 30 September 2005, as could be noticed from *Annexure 2*.

**Financial position and working results of the non-working PSUs**

**1.20** The summarised financial results of the non-working Government companies as per their latest finalised accounts are given in *Annexure 2*.

The investment in the nine non-working Government companies as equity aggregated Rs.59.05<sup>16</sup> crore. These companies had been incurring losses leading to a cash loss of Rs.12.03 crore and negative net worth of Rs.124.88 crore. The

<sup>15</sup> The other sources of finance are interest received from banks and proceeds from sale of stock and assets.

<sup>16</sup> Includes equity of Rs.1.04 crore of Madhya Pradesh Film Development Corporation.

accumulated loss of Rs.227.44 crore of these companies exceeded their paid up capital by more than three times, as per their latest finalised account.

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

**1.21** The Separate Audit Reports on the accounts of the Madhya Pradesh State Electricity Board (2001-02), Madhya Pradesh Road Transport Corporation (2002-03), Madhya Pradesh Financial Corporation (2003-04) and Madhya Pradesh Warehousing and Logistics Corporation (2002-03) have been placed before the Legislature.

**Disinvestments, privatisation and restructuring of the public sector undertakings**

**1.22** The State Government did not undertake the exercise of disinvestment, privatisation or restructuring of any of its PSUs during 2004-05.

**Results of Audit of accounts of PSUs by the Comptroller and Auditor General of India**

**1.23** During October 2004 to September 2005, the accounts of 27 Government companies (22 working and five non-working) and four Statutory corporations were selected for review in audit. The net impact of the important audit observations as a result of review of the PSUs was as follows:

Sl. No.	Details	Number of accounts			(Rupees in lakh)		
		Government companies		Statutory corporations	Government companies		Statutory corporations
		Working	Non-working	Working	Working	Non-working	Working
1	Decrease in profit	2	--	1	534.85	--	116.37
2	Increase in profit	1	--	--	90.08	--	--
3	Increase in loss	5	3	3	54.49	517.46	149041.95
4	Decrease in loss	2	--	1	30.72	--	4.26
5	Non disclosure of material facts	4	4	1	290.79	2567.71	4688.42
6	Errors of classification	4	-	-	120.87	--	--

***Errors and omissions noticed in case of Government companies***

**1.24** Some of the major errors and omissions noticed during audit in case of Government companies are tabulated below:

Sl. No.	Name of the Company	Year of accounts	Errors/omissions	Rupees in crore
1.	Madhya Pradesh State Civil Supplies Corporation Limited	2002-03	No provision had been made for the claim recoverable from the Food Corporation of India on account of excess transportation, which was rejected.	1.94
2.	Madhya Pradesh State Textile Corporation Limited	2003-04	The Company has cash credit in excess of its paid up capital, which was not approved by shareholders in the AGM in violation of Section 293 (1) (d) of the Companies Act 1956.	85.92
3.	Madhya Pradesh State Tourism Development Corporation Limited	2002-03	The capital work-in-progress included abandoned projects for last three years, which resulted in over statement of profit.	1.31
4.	Madhya Pradesh Audyogik Kendra Vikas Nigam (Bhopal) Limited	2002-03	Interest receivable on the Corporate Deposit Account, which was not allowed by Madhya Pradesh State Industrial Development Corporation Limited (Holding Company), resulted in overstatement of income and understatement of loss.	0.12

***Errors and omissions noticed in case of Statutory corporations***

**1.25** Some of the significant errors and omissions noticed during audit in case of Statutory corporations are tabulated below:

Sl. No.	Name of the Corporation	Year of accounts	Errors/omissions	Rupees in crore
1.	Madhya Pradesh warehousing and logistics corporation	2004-05	Non-provision of Income Tax on interest on share holders funds resulted in understatement of liability and overstatement of profit.	0.96
2.	Madhya Pradesh State Electricity Board	2002-03	<ol style="list-style-type: none"> <li>1. Non inclusion of the Board's share of power in Rihand Hydro Electric Project in U.P.</li> <li>2. Non accountal of disputed claim of western coal field limited (WCL) including interest.</li> <li>3. Non provision of liability claimed by WCL on accounts of price increase</li> </ol>	<p>15.23</p> <p>188.45</p> <p>68.29</p>

***Audit assessment of the working results of Madhya Pradesh State Electricity Board (MPSEB)***

**1.26** Based on the audit assessment of the working results of MPSEB for three years up to 2003-04 and taking into consideration the major irregularities and omissions pointed out in the SARs on the annual accounts of the MPSEB and not taking into account the subsidy/subventions receivable from State Government, the net surplus/deficit and the percentage of return on capital employed of the MPSEB will be as given below:

(Amount : Rupees in crore)

Sl. No.	Particulars	2001-02 <sup>17</sup>	2002-03	2003-04
1.	Net surplus/ (-) deficit as per books of accounts	(-) 1,160.50	(-)166.92	(+)151.05
2.	Subsidy from State Government	542.96	668.00	818.39
3.	Net surplus/ (-) deficit before subsidy from State Government (1-2)	(-) 1,703.46	(-)834.92	(-)667.34
4.	Net increase/decrease in net surplus/ (-) deficit on account of audit comments on the annual accounts of MPSEB	(-)573.11	(-)465.27	Comments under finalisation
5.	Net surplus/(-) deficit after taking into account the impact of audit comments but before subsidy from State Government (3-4)	(-)2276.57	(-)1300.19	--
6.	<b>Total return on capital employed</b>	<b>(-)23.17</b>	<b>266.77</b>	

***Persistent irregularities and system deficiencies in the financial matters of the PSUs***

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

**Statutory corporations**

**1.28 Madhya Pradesh State Electricity Board**

- The Board has not maintained prescribed register of assets (except for Board's hospital) indicating details of fixed assets viz., location, quantities, value, dates of acquisition/commissioning, depreciation, etc. As a result, the value shown in the accounts could not be vouchsafed in audit. The assets had also not been physically verified.
- Other material includes material suspense account with Rs.51.00 lakh (Dr.) and Rs.22.72 lakh (Cr.), the age wise details of which are not available.
- A number of accounting heads were showing adverse balances in the units test checked by Audit.

**1.29 Madhya Pradesh Road Transport Corporation**

- Physical verification of the assets (other than the fleet) has not been conducted since 1975-76.
- Asset register giving details of assets i.e. date of acquisition, location, status, etc. has not been maintained.
- Details of works-in-progress i.e. opening balance, additions during the year, amount transferred to fixed assets and closing balance of each asset

<sup>17</sup> Board has revised its accounts as per preliminary comments of audit and it had the impact of increasing the loss by Rs.356.55 crore.

at the end of each year as required under the provisions of Income Tax Act has not been shown in the accounts.

- Year-wise and party-wise details of the advances and deposits have not been worked out.
- Rupees 47.95 lakh are outstanding against other State Road Transport Corporations for more than 10 years.
- Confirmation of balances has not been obtained from the debtors and age-wise, party-wise break-up was not available.
- Non-provision of interest on Employees Provident Fund.
- The Corporation acquired land of 18488 sq. meters alongwith building/residential quarters for Agar Depot in Ujjain Division from the Western Railway in the year 1991-92; the fact of non-payment of consideration has not been disclosed.

**Reports of the Statutory Auditors for improvement in internal audit/ internal control on the directions of the Comptroller and Auditor General of India**

**1.30** The Statutory Auditors (Chartered Accountants) are required to give a detailed report on the various aspects including the Internal Control and 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 areas which need improvement. Directions/sub-directions under the Act, *ibid*, were issued to the Statutory auditors in respect of 29 working Government companies between October 2004 and September 2005. In pursuance of the directions so issued, reports of the Statutory Auditors involving 14 accounts of 12 Government companies were received (September 2005).

Major recommendations/comments made by the Statutory Auditors on possible improvements in the Internal Audit/Internal Control Systems of the State Government companies are indicated below:

Sl. No.	Nature of the recommendations/comments made by the Statutory auditors	No. of companies to which recommendations/comments pertain	Reference to serial numbers of Annexure 2
1.	Internal Audit System was not commensurate with the size and activities of the company	4	1,5,10,14
2	No adequate control over shortages and claim for loss of stores	1	5
3	Property and asset registers are not maintained	4	1,8,11,12
4	Maximum, minimum and re-ordering levels and economic order quantity of stock have not been prescribed	3	1,11,12
5	No adequate control over the timely recovery of outstanding dues.	3	11,12,20

6	Monthly bank reconciliation has not been done	2	1,23
7	Non-compliance with the Accounting Standards	5	1,5,8,11,20
8	Non-computerisation of accounts	4	5,8,11,12
9	Segment/project wise accounts are not prepared.	3	1,11,22

### Recommendations for closure of the PSUs

**1.31** Even after completion of five or more years of their existence, the turnover of eight Government companies (working)<sup>18</sup> have been less than rupees five crore in each of the preceding five years of their latest finalised accounts. Further, one<sup>19</sup> Government company had been incurring losses for five consecutive years leading to negative net worth. In view of the poor turnover and continuous losses, the Government may either take steps to improve the performance of these Government companies or consider their closure.

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

**1.32** The position of discussion of the Audit Reports (Commercial) by the COPU, reviews/paragraphs pending for discussion in the COPU, at the end of September 2005, is shown below :

Audit Report for the year	Number of reviews and paragraphs featured in the Audit Report		Number of reviews/paragraphs pending for discussion	
	Reviews	Paragraphs	Reviews	Paragraphs
2000-01	02	15	01	04
2001-02	03	23	02	03
2002-03	03	20	03	12
2003-04	02	17	02	17

### 619-B companies

**1.33** There was one company, viz. Madhya Pradesh Vidyut Yantra Limited, coming under Section 619-B of the Companies Act, 1956, which is a non-working company. According to its latest available accounts for 1989-90, the company with a total paid-up capital of Rs.1.50 crore, contributed by the State Government companies (Rs.1.26 crore) and Central Government and its companies (Rs.24 lakh) had suffered loss of Rs.63 lakh during the year. Its accumulated loss up to the year 1989-90 was Rs.3.78 crore.

<sup>18</sup> Madhya Pradesh Police Housing Corporation Limited, AKVN (Bhopal), (Jabalpur), (Rewa), Industrial Infrastructure Development Corporation (Gwalior) Limited, M.P. Adivasi Vitta Evam Vikas Nigam Limited. The Provident Investment Company Limited and Madhya Pradesh Urja Vikas Nigam Limited.

<sup>19</sup> M.P. State Industrial Development Corporation Limited.

## CHAPTER II

### REVIEWS IN RESPECT OF GOVERNMENT COMPANIES

#### DEVELOPMENTAL AND FINANCIAL ASSISTANCE BY MADHYA PRADESH ADIVASI VITTA EVAM VIKAS NIGAM

##### Highlights

Performance of the Company with regard to its stated objectives was abysmally low. It failed to lift even a single Adivasi family above the poverty line. Both physical as well as financial achievements suffered and substantially declined during 2000-05 under all the schemes operated by the Company.

*(Paragraphs 2.1.9 and 2.1.7)*

The performance of the Company with regard to the benefits accrued was deficient in comparison to the amount spent. The Company incurred Rs.5.61 crore towards establishment expenditure to extend financial assistance of Rs.2.34 crore during 2000-05. Though the Company was aware that the failure of schemes was due to irresponsibility and rampant corruption on the part of staff, it failed to take any remedial measure to set right the deficiencies.

*(Paragraphs 2.1.7 and 2.1.9)*

The Company could draw only Rs.7.45 crore (22 per cent) and disbursed only Rs.2.07 crore (6 per cent) to beneficiaries out of Rs.33.89 crore sanctioned by National Scheduled Tribes Finance and Development Corporation (NSTFDC) during 2000-05. It had to refund Rs.5.38 crore in respect of 18 schemes due to its failure to identify the beneficiaries after drawal of loans. Loan assistance of Rs.12.01 crore was cancelled by the NSTFDC due to the Company's failure to furnish lists of beneficiaries.

*(Paragraph 2.1.7)*

Some of the schemes implemented by the Company were not beneficiary-friendly, not appraised adequately and were not approved by the Board of Directors.

*(Paragraphs 2.1.14, 2.1.15 and 2.1.16)*



**Out of aggregate dues of Rs.30.05 crore recoverable during 2000-05, the Company could recover Rs.5.81 crore. The percentage of recovery declined from 12.5 (2000-01) to 1.6 (2004-05).**

*(Paragraph 2.1.25)*

**Though 82.78 lakh tribals (68 per cent) out of 1.22 crore are illiterate, the Company did not evolve any system of giving wide publicity and creating awareness of its activities among Adivasis living in Rural and Urban areas.**

*(Paragraph 2.1.12)*

**The Company provided financial assistance to only 2520 beneficiaries out of the tribal population of 51.29 lakh (age group 20-59) since its inception, depicting dismal coverage of 0.05 per cent.**

*(Paragraph 2.1.18)*

**Only 192 women (10.7 per cent) out of 1790 beneficiaries in 26 districts were given financial assistance. Though the Company identified (August 2001) specific schemes for the benefit of women, it did not implement any scheme (March 2005).**

*(Paragraph 2.1.19)*

**As against 90 days specified by NSTFDC for disbursement of loan to the beneficiaries, the Company took 4.5 to 60 months in disbursement of loans resulting in denial of timely benefit of self employment to beneficiaries.**

*(Paragraph 2.1.20)*

## **Introduction**

**2.1.1** With a view to promote financial and economic developmental activities for the benefit of Adivasis, Government of Madhya Pradesh floated a non-profit making Government Company.

Madhya Pradesh Adivasi Vitta Evam Vikas Nigam (Company) was incorporated in September 1994 with the objective of implementing schemes, projects and programmes for social, economic and educational advancement of Adivasis of the State, improving their health, hygiene and sanitation, eradicating illiteracy, poverty, preventing exploitation, atrocities, malnutrition,

superstition, chronic indebtedness and unemployment among them, and to lift them above poverty line.

The Company has so far been providing financial assistance for self employment schemes only. Further, the Company has not prepared any short term or long term perspective plan so far (March 2005) to achieve its stated objectives.

The schemes implemented by the Company were financed by the National Scheduled Tribes Finance and Development Corporation (NSTFDC), and the National Handicapped Finance and Development Corporation (NHFDC). The Company is also acting as a nodal agency for releasing State Government subsidies in respect of schemes financed by the commercial banks under refinance from the National Bank for Agriculture and Rural Development (NABARD).

The NSTFDC communicates to the Company the allocation of loan each year. The Company prepares the full time self employment schemes relating to agriculture, transport, industry and service sectors taking into account the needs of adivasis, their interests, experience, market potential, viability etc. After approval by the NSTFDC, the district offices invite applications from resident adivasi beneficiaries whose annual income does not exceed Rs.31,952/- in Rural and Rs.42,412/- in Urban areas. The applications, after scrutiny, are forwarded to the District Planning Committee for selection of beneficiaries considering factors like market demand, viability etc. A list of beneficiaries is then sent to NSTFDC for release of loan funds. The loan funds drawn are distributed to the beneficiaries through district offices and utilisation reports are sent to NSTFDC after implementation of the schemes. The same mechanism is adopted in case of NHFDC schemes except that NHFDC does not make annual allocation of funds.

NABARD schemes are prepared by the district offices of the Company with the help of *Janpad Panchayats* and submitted to commercial banks for sanction of loans. The Company releases subsidy, as and when received from the State Government, to the bank for disbursement to the beneficiaries.

Managing Director is the Chief Executive of the Company and is assisted by a General Manager at Head office and Managers at district level.

The organisation chart of the Company as on 31 March 2005 is as given below:



In 31 out of 45 districts, the activities of the Company are looked after by the respective District Industries Centres as per orders (July 1999) of the State Government. In the remaining 14 districts, the activities are managed by the Company through its branches headed by Managers who are drawn on deputation from the State Government.

### **Scope of Audit**

**2.1.2** Performance of the Company with regards to the developmental and financial assistance activities for the five years ended 31 March 2005, (including a sample of 15\* out of 45 district offices selected on the basis of quantum of cumulative loan assistance disbursed) was reviewed during November 2004 to April 2005.

### **Audit objectives**

**2.1.3** Audit was undertaken with a view to assessing whether :

- the Company achieved its objectives efficiently, economically and effectively;
- the coverage of the targeted population was adequate and the outcome is commensurate with the mandate;
- the system of appraisal ensured selection of viable schemes capable of generating income on a sustainable basis not only to ensure repayment of loans but also the economic upliftment of the targeted group;
- the Company prepared its schemes based on detailed surveys of adivasis living below poverty line requiring full-time self-employment, or used the data on Adivasis available at the Block Level;
- the Company formulated schemes as per its guidelines and coverage of beneficiaries was commensurate with the size/area/density of population in the State;
- funds drawn from NSTFDC/NHFDC were put to effective use for the stated objectives and that there were no refunds or diversions;
- the Company put in place an efficient system of monitoring the implementation of the schemes after disbursement of loans and also the recovery to enable repayment of loans to NSTFDC/NHFDC for recycling of loan to new beneficiaries, for better coverage;

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\* *Jhabua, Dhar, Barwani, Hoshangabad, Khargone, Shahdol, Mandla, Balaghat, Chhindwara, Betul, Raisen, Guna, Seoni, Bhopal and Sehore.*

- the schemes formulated/implemented were periodically reviewed or evaluated to assess their efficacy and out come for necessary corrective action if any.

### **Audit criteria**

**2.1.4** Performance of the Company was assessed against the mechanism of selection, coverage of beneficiaries, guidelines on formulation and implementation of schemes, system for imparting training, time frame for drawal, disbursement, repayment of loans and implementation of schemes, targets committed to the State Government and norms for assigning priority for allocation of funds to schemes under different sectors.

Based on the preliminary findings of the pilot study conducted during April/May 2004, the thrust areas were decided to be the number of Adivasis covered compared to the total Adivasi population, deficiencies in pre-sanction and post-disbursement inspection, trend in overdues, efficiency and effectiveness of appraisal of the schemes, monitoring of recovery and follow-up and impact assessment of the schemes.

### **Audit methodology**

**2.1.5** A mix of the following methodologies was used:

Scrutiny of MoU with the State Government, extent of compliance with the scheme guidelines, review of procedures for processing and appraisal of schemes by branches/district offices and selection of beneficiaries by selection committees, scrutiny of sanctions and release of loans to beneficiaries with reference to utilisation certificates, examining the mechanism available for monitoring the implementation of schemes after disbursement of loans and test check of demand for subsidy, its receipt and utilisation with reference to reports sent to State Government.

### **Audit findings**

The audit findings were reported to the Government/ Management in July 2005 and discussed in the Audit Review Committee for Public Sector Enterprises (ARCPSE) meeting held on 16 August 2005 where the Government was represented by the Secretary, Tribal Development Department and the Company was represented by the Manager, (Establishment). The review was finalised after considering the views of Government/Management.

Audit findings are discussed in the succeeding paragraphs.

**Achievement of targets**

**2.1.6** The targets and achievements of the Company during the five years ended 31 March 2005 are indicated in *Annexure-7*. It may be seen from the Annexure that :

**The Company failed to achieve targets.**

- The Company failed to achieve targets in respect of all the schemes sanctioned. The achievement in respect of its main activities viz schemes financed through NSTFDC\* and NHFDC was very low and its physical achievement declined from 66 per cent in 2000-01 to 10 per cent in 2004-05 (NSTFDC) and from 64 per cent to less than two per cent (NHFDC);
- The financial achievement in respect of NSTFDC schemes declined from 44 per cent (financial) in 2000-01 to 11 per cent in 2004-05 and that of NHFDC from 60 to two per cent during the same period;
- Though the targets were committed to the Government, year-wise targets for number of beneficiaries and amount of loans to be disbursed were not fixed by the Company as there was no system of preparing annual plans ;
- Low achievement was mainly due to deficient appraisals, ineffective monitoring and substantially low recovery.

**There was no system of preparing annual plans, fixing targets for coverage of area, beneficiaries and amount of loan.**

**Implementation of the schemes**

**Sanction of loan assistance**

**2.1.7** The following table indicates the details of year-wise allocations made by NSTFDC, schemes submitted, loans sanctioned, released, amount refunded and disbursed to branches by the Company during the five years ended 31st March 2005.

Year	Allocation by NSTFDC	Schemes submitted		Loan sanctioned		Loan released by NSTFDC		Loan refunded by the Company		Amount disbursed to branches	
	Amount (Rs. in lakh)	No. of beneficiaries	Amount (Rs. in lakh)	No. of beneficiaries	Amount (Rs. in lakh)	No. of beneficiaries	Amount (Rs. in lakh)	No. of beneficiaries	Amount (Rs. in lakh)	No. of beneficiaries	Amount (Rs. in lakh)
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12
2000-01	914.18	372	851.90	190	474.80	190	341.80	201	235.82	558	557.37
2001-02	864.18	1493	1012.72	303	754.52	1	6.80	26	7.64	216	354.08
2002-03	1128.11	2750	1270.38	839	1201.12	355	281.93	67	50.97	116	149.69
2003-04	1411.00	50	198.32	2302	500.93	83	114.59	--	-	195	216.71
2004-05	1411.00	306	590.16	206	457.88	--	-	172	243.62	59	56.38
<b>Total</b>	<b>5728.47</b>	<b>4971</b>	<b>3923.48</b>	<b>4840</b>	<b>3389.25</b>	<b>629</b>	<b>745.12#</b>	<b>466</b>	<b>538.05@</b>	<b>1144</b>	<b>1334.23*</b>
<b>Percent</b>			68 (col. 4 to 2)		86 (col. 6 to 4)		22 (col. 8 to 6)		72 (col. 10 to 8)		23 (col. 12 to 2)

# Includes Rs.23.80 lakh relating to schemes sanctioned prior to 2000-01.

\* NSTFDC: National Scheduled Tribes Finance and Development Corporation.

- @ **Includes Rs.238.88 lakh relating to loans drawn prior to 2000-01.**  
\* **Includes loan of Rs.11 crore received in earlier years**

It would be seen from the above table that:

**Only 22 per cent of sanctioned loan was obtained from NSTFDC.**

- The Company could submit schemes to the extent of 68 percent of allocation only. It obtained sanction for 86 percent of schemes submitted and received funds for only 22 percent of sanctioned loan.
- The effective amount of drawal of loan by the Company was Rs.2.07 crore <sup>@</sup> i.e. only four per cent of the allocation (Rs.57.28 crore) and six per cent of the loan sanctioned (Rs.33.89 crore) indicating gross under performance of the Company in implementing the schemes.
- Out of Rs.13.34 crore disbursed to branches only Rs.2.34 crore pertained to schemes sanctioned during 2000-05 and Rs.11.00 crore were for schemes sanctioned prior to 2000-01.
- The amount disbursed to branch/district offices reduced from Rs.5.57 crore in 2000-01 to Rs.56.38 lakh (10.1 per cent) in 2004-05.

**Loan of Rs.12.01 crore was cancelled by NSTFDC due to Company's failure to furnish list of beneficiaries.**

It was observed in audit that under performance of the Company in drawal of loans and number of beneficiaries was due to failure of the Company to furnish lists of beneficiaries to NSTFDC for release of loan and consequent cancellation of loan to the extent of Rs.12.01 crore out of Rs.33.89 crore sanctioned. Further, out of net loan of Rs.4.22 crore<sup>1</sup> drawn by the Company during 2000-05, it disbursed only Rs.2.34 crore<sup>2</sup> to 211 beneficiaries for which it incurred Rs.5.61 crore on establishment expenditure. There was no system in the head office to ascertain disbursement of funds by branches to the beneficiaries on monthly/ quarterly basis to regulate quick disbursement and also to effect timely refund of undisbursed amounts to NSTFDC to avoid loss of interest.

**There was no mechanism to ensure quick disbursement of loans to the beneficiaries.**

The Management stated (August 2005) that the decrease in loan assistance was due to want of continuing guarantee from the State Government. The reply is not tenable because the release of less financial assistance was due to non-furnishing of lists of beneficiaries by the Company to NSTFDC and default in repayment of loans. Further, loan funds of Rs.5.38 crore drawn by the Company were refunded and loans of Rs.12.01 crore were cancelled for the same reason.

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@ *Rs.745.12 lakh – Rs.538.05 lakh = Rs.207.07 lakh.*

<sup>1</sup> *Rs.745.12 lakh minus (Rs.23.80 lakh plus Rs.299.17 lakh) = Rs.422.15 lakh.*

<sup>2</sup> *Rs.1334.23 lakh minus Rs.1100.54 lakh = Rs.233.69 lakh.*

## Execution of schemes

**2.1.8** During 2000-05, the Company executed 25 schemes relating to various sectors like agriculture, transport, industry and other services. Audit scrutiny of 17 schemes revealed various deficiencies/lapses in formulation, implementation and monitoring of schemes and management of loans. Some major lapses in respect of six schemes are as detailed below:

### ***Tent House, Dairy Farming & Jeep Taxi***

The Company prepared a Tent House scheme for 150 beneficiaries for a cost of Rs.1.43 crore without assessing the demand/ willingness of the beneficiaries to participate in the scheme. A loan of Rs.1.11 crore drawn in March 2000 remained unutilised to the extent of Rs.84.36 lakh (60 *per cent*) as the Company failed to disburse loans to 73 (48.7 *per cent*) beneficiaries.

Similarly, the Company prepared a scheme for establishment of 200 dairy farming units at a total cost of Rs.1.40 crore without assessing the demand. The Company drew funds of Rs.1.06 crore from the NSTFDC (January 2000) but failed to identify 74 (58.73 *per cent*) out of 126 beneficiaries and funds amounting to Rs.49.82 lakh (47 *per cent*) remained unutilised.

In respect of both these schemes, the management stated that the branch managers belonged to other departments on whom it has no control. The reply is not tenable as the Company should have regulated the working of branch managers through the administrative departments of the State Government.

In yet another scheme for Jeep Taxi the Company got sanctioned phase VIII of the scheme without ensuring completion of the earlier phases and in which the recovery rate was only 32 *per cent*. Phase VIII was also not successful as the loan of Rs.1.25 crore drawn in March 2001 could not be fully utilised and the beneficiaries were not regular in repayment of the loan.

The management stated that poor recovery was due to insufficient officers in branches; the reply is not acceptable as the Company should have taken steps to improve the recovery.

### ***Goat farming Phase-II***

The Company drew Rs.1.40 crore (March 2003) against the scheme sanctioned in March 2002. Even after identification of 60 beneficiaries, the Company did not release (March 2005) full loan to all beneficiaries for reasons not on record. This resulted in an amount of Rs.95.53 lakh (68 *per cent*) remaining unutilised. It was also noticed during audit that the recovery in phase-I of this scheme had been only upto 10 *per cent* in six districts and that in Phase-II also the recovery rate was poor.

The management stated that poor recovery was due to insufficient officers in branches. The reply is not tenable and is also silent about failure to disburse the loan to identified beneficiaries.

### ***Mini dumper Phase-II***

The scheme was got sanctioned (January 2000) for Rs.1.45 crore without ascertaining the demand, and by furnishing fictitious names of 25 beneficiaries. The Company drew funds (March 2000) amounting to Rs.1.14 crore from NSTFDC. Out of 25 beneficiaries, the Company disbursed loans of Rs.27.3 lakh to only six (24 *per cent*) beneficiaries in February 2001 and Rs.86.45 lakh (76 *per cent*) remained undisbursed. It was also noticed that the delay in disbursement of the loan viz. 11 months also led to the extra burden of Rs.4.37 lakh on the six beneficiaries as by that time the price of dumper had increased.

Management stated that the delay was on the part of its branches, the reply is not acceptable as the Company should have taken steps to regulate the works of its own branches to avoid delays. Further, drawal of loan funds without identifying the beneficiaries defeated the objective of the scheme.

### ***Printing Press***

The Company drew Rs.1.03 crore (March 1998) under a printing press scheme sanctioned (February 1998) for a cost of Rs.1.30 crore (term loan : Rs.1.03 crore, margin money loan by the Company : Rs.19.50 lakh, beneficiary contribution : Rs.6.50 lakh and subsidy : Rs.1.20 lakh). In terms of the scheme it was planned to supply to tribal beneficiaries, 20 rejograph digital duplicator/printer with digital scanner and accessories with five step printing speed and peripherals (Machines) each costing Rs.4.36 lakh. The Company fixed March 1998 as the target for selection of 20 beneficiaries and simultaneously placed order for supply of 20 machines on a supplier on DGS&D rate contract FOR destination. The addresses of the beneficiaries were to be provided later on. Although the Company had not furnished the addresses of the beneficiaries the supplier despatched the machines to the Company (April and May 1998) and requested for payment of 98 *per cent* of the sale price in terms of the contract. The Company also paid (April/June 1998) Rs.90.44 lakh to the supplier (the balance amount of Rs.6.51 lakh was paid in November 2002).

The Company identified 19 beneficiaries during November 1998 to April 2001 and on receipt of their contribution, the Company supplied 19 machines to them. It was noticed during audit, from the minutes of the Board's meeting held in March 2002 the scheme was commercially not viable and that the beneficiaries could not repay the loan as the income earned by them from the machines was insufficient to meet the high cost of operation. The Company's Board ordered (July 2002) to seize and sell the machines through auction.

Thus, as a result of the Company having formulated an unviable scheme expenditure of Rs.98.95 lakh on purchase of machines proved infructuous as



the machines were lying idle. This had deprived the tribal beneficiaries of intended benefit. The Company is also faced with risk of diminution in the value of the machines due to prolonged storage (the machines have not been disposed off for over three years). The Company has not fixed any responsibility for formulating and implementing an unviable scheme.

**The Company could not lift even a single Adivasi family above the poverty line during 2000-05.**

**2.1.9** The Company attributed (April 2004) the failure to irresponsibility and rampant corruption on the part of its staff. It, however, failed to take any remedial measure to set right the deficiencies. As per scheme guidelines, a beneficiary who had successfully established his business and repaid the entire loan is considered self reliant and deemed to have been lifted above poverty line. During the years 2000-05 though financial assistance was given to 1144 beneficiaries, none of the beneficiaries fulfilled this criterion. Audit verified the list of beneficiaries produced by the Company and noticed that the Company could not lift even a single Adivasi family out of 12.13 lakh BPL families above the poverty line.

**Surveys on industrial/employment potential and of Adivasis living below poverty line were not conducted.**

**2.1.10** As per the population census of 2001, Madhya Pradesh has a tribal population of 1.22 crore (20.3 per cent) out of the State's population of 6.03 crore spread over 45 districts (Male 61.95 lakh; female 60.38 lakh; Rural 1.14 crore and Urban 8 lakh). The Company was incorporated with the objective of implementing schemes for the social, economic and educational upliftment of Adivasis of the State. It, however, did not conduct any survey of Adivasis living below poverty line (BPL) in order to formulate a base for preparation of schemes nor did it utilise the data on industrial potential as available with Small Industries Service Institute, GOI at Indore or data on BPL prepared by the Panchayat and Rural Development Department. Thus, the schemes formulated and implemented by the Company lacked focus and direction required for achievement of its objectives.

The Management stated (August 2005) that the survey was generally conducted by the branch managers. The reply is not tenable as no survey report was made available to Audit, though called for.

**Schemes formulated were not approved by the Board of Directors.**

**2.1.11** During 2000-05, the Company forwarded 39 schemes to NSTFDC for financing without the approval of the Board of Directors.

The Management stated (August 2005) that the Board had authorised the Managing Director to approve the schemes. No such authorisation was, however, furnished to Audit, when called for.

**There was lack of publicity and awareness among Adivasis about Company's schemes.**

**2.1.12** Though 82.78 lakh tribals (68 per cent) out of 1.22 crore are illiterate, the Company did not evolve any system of giving wide publicity and creating awareness of its activities among Adivasis living in rural and urban areas. No *Sampark Shivirs* (contact camps) were conducted to create awareness. It had only been advertising its schemes through local newspapers. Thus, failure to create awareness among the targeted population about the self-employment schemes deprived the needy Adivasis of the advantages/opportunities of the schemes.

**2.1.13** As per the guidelines (May 1996) of the Company, branch managers were responsible for preparation of project proposals. It was, however, observed in audit that the schemes were prepared at head office only with the help of staff (having no experience in project /scheme formulation) and without considering geographical, social and economic factors, market demand and viability. This was in violation of the Company's own guidelines.

**Schemes implemented were not appraised properly.**

**2.1.14** As the schemes were selected and prepared at the head office, the branch managers, who had to give comprehensive reports after site inspection never gave detailed reports about the sustainability of the project, as observed (July 1999) by the Managing Director himself. Consequently, appraisal of the schemes was not based on ground realities and was thus deficient. This was one of the reasons of failure of all the schemes as admitted (June 2004) by the Company itself. The selection committee at the time of selection of beneficiaries also did not consider aspects like viability, capacity of the applicant, market demand for the products manufactured under the schemes. This rendered the process of selection deficient.

**2.1.15** The head office selected the schemes and offered them to the beneficiaries without regard to their local interests and needs. Thus, the beneficiaries were compelled to take up unsuitable schemes. This contributed to the failure of the schemes.

**Subsidy element was included in cost of schemes, without approval from State Government.**

**2.1.16** Without obtaining specific approval of the State Government despite Board's direction (May 2000), the Company included subsidy element of Rs.10,000 per beneficiary in the estimated cost of the schemes. This led to avoidable extra commitment of Rs.50 lakh for 2000-01. The element of subsidy for 2001-05 has not been worked out by the Company.

The Management stated (August 2005) that subsidy would be payable only when it was made available by the State Government. The reply is not relevant because it was not proper for the Company to expect the Government to pay subsidy when the same was not approved by it.

**2.1.17** The Company implemented schemes without any linkage with density of Adivasi population in different districts as evidenced by a test check in audit as shown below:

District	Adivasi population		Loan disbursed	
	In lakh	Percent@	Rs. in lakh	Percent*
Guna	2.04	1.67	239.31	7.27
Jhabua	12.11	9.93	262.82	7.98
Dhar	9.48	7.77	191.71	5.82
Mandla	5.12	4.20	201.56	6.12

@ Percentage of total adivasi population (1.22 crore) in the State.

\* Percentage of total loan disbursed (Rs.32.93 crore) under NSTFDC schemes.

**2.1.18** The Company did not lay down any priority in allocation of assistance to different sectors, regions, type and cost of schemes.

**Core sector like agriculture got lower allocation of loan**

It was observed in audit that there were anomalies in the distribution of loan assistance to adivasis in different sectors, which resulted in lower allocation to important sectors like agriculture and larger allocation to transport sector, as detailed below, in respect of loans disbursed since inception to 31 March 2005:

Sector	Cost of scheme		Number of beneficiaries	
	Amount (Rupees in crore)	Percentage		Percentage
Agriculture & allied	13.51	33.74	683	27
Transport & allied	19.89	49.67	784	31
Industry	3.33	8.32	457	18
Other service	3.31	8.27	596	24
<b>Total</b>	<b>40.04</b>	<b>100</b>	<b>2520</b>	<b>100</b>

Further, since its inception, the Company has provided financial assistance to only 2520 beneficiaries of the tribal population of 51.29 lakh (age group 20-59) depicting dismally low coverage of 0.05 per cent.

**Women and most neglected tribes were not given due preference, in spite of Board's directive.**

**2.1.19** it was observed in audit that only 192 women (10.7 per cent) out of 1790 beneficiaries in 26 districts were given financial assistance. Though the Company identified (August 2001) specific schemes for the benefit of women, it did not implement any scheme (March 2005).

The Management stated (August 2005) that women beneficiaries were not neglected. The reply is general and not supported by any evidence.

**As against three months, the Company took 4.5 to 60 months for disbursement of loan.**

**2.1.20** The Company was required to release loans to the beneficiaries within 90 days of drawal from NSTFDC. Audit noticed that the Company took 4.5 to 60 months in disbursal of loans resulting in denial of timely benefit of self employment to the beneficiaries.

The Management stated (August 2005) that the delay was due to non completion of formalities by the beneficiaries. The reply is not convincing because in the event of failure of an applicant to pay margin money (being the only formality), the Company should have, as per its guidelines, cancelled the loan and sanctioned it to the beneficiary-in-waiting or refunded the loan.

**2.1.21** The schemes implemented by the Company were only for family based tribals. Though the Company formed (during 2000-05) Self Help Groups (SHG), it did not make any efforts to identify schemes for SHGs, in spite of noticing (June 2003) success of such schemes financed by the State Government.

The Management stated (August 2005) that it was exploring possible avenues for implementation of schemes for Self Help Groups.

**2.1.22** NSTFDC provides grant to the Company for imparting skills and entrepreneurial development training to the eligible beneficiaries. Under the scheme, 85 per cent of recurring expenditure on training programme was to be treated as grant and the remaining 15 per cent was to be borne by the Company.

**Only 213 of the 2520 beneficiaries were imparted training in operating schemes.**

In spite of availability of grant from the NSTFDC, the Company could impart (during 2000-05) training to only 213 out of 2520 beneficiaries who had availed financial assistance under seven schemes leaving the remaining 2307 beneficiaries untrained in their respective areas of work. The Company's failure in imparting training lacked justification.

The Management stated (August 2005) that it was imparting training only to the needy beneficiaries to save funds. The reply is not convincing as there was no evidence of assessment of the need of beneficiaries by the Company.

**Company failed to extend necessary help to beneficiaries as and when required.**

**2.1.23** As per the guidelines, the Company shall extend all possible help to beneficiaries in operating the scheme as and when needed by them. It was, however, noticed in audit that the Company failed to extend necessary help to the beneficiaries as requested, in several cases including arranging replacement of defective/old batteries supplied along with the vehicles from the dealers, getting the seized vehicles released from Police/Forest/RTO authorities, restoring the vehicles from others' possession to the allotted beneficiaries and helping the beneficiaries in getting route permits reserved etc.

The Management stated (August 2005) that the failure was due to non compliance of legal formalities.

**2.1.24** NSTFDC provides, at its cost, training to the officials of the Company for up-gradation of their skills in the field of project identification, formulation, appraisal, implementation, monitoring, and recovery of loans etc.

**The Company failed to avail facility of free executive development training from NSTFDC.**

Though the Company did not have officers trained in these areas, it did not avail of the free-of-cost facility, for reasons not on record.

The Management stated (August 2005) that the facility was being availed as and when the need arose. The reply is not convincing as the Board itself admitted (June 2004) that its schemes had failed mainly due to improper formulation and selection of beneficiaries and inadequate appraisal thereof.

### Recovery performance

**2.1.25** The following table indicates the recovery performance of the Company for the five years ended 31 March 2005.

(Amount : Rupees in crore)

As on 31 March	Amount recoverable	Amount recovered	Percentage of recovery
2001	15.74	1.97	12.5
2002	19.86	1.30	6.5
2003	24.16	1.02	4.2
2004	29.12	1.04	3.6
2005	30.05	0.48	1.6

It was observed that :

- the rate of recovery progressively declined from 12.5 per cent in 2000-01 to 1.6 per cent in 2004-05;
- the percentage of recovery ranged between nil and five in six districts, six and ten in 13 districts and 11 and 12.5 in four districts out of 23 districts selected for test check;
- during 2002-05, the recovery was nil in Bhopal district where Rs.70.71 lakh were disbursed out of which Rs.37.35 lakh were over due for recovery. In five other districts\* also there was no recovery during 2001-05.

### Implementation of NHFDC schemes

**2.1.26** From 1999-2000, the National Handicapped Finance and Development Corporation (NHFDC), Faridabad had been financing certain schemes for the benefit of handicapped Adivasis with the objective of promoting self-employment and managerial efficiency to run the units, making available raw-materials and assisting in marketing their products. Under these schemes, an Adivasi (aged between 18 and 55 years) living in Madhya Pradesh having more than 40 per cent disability with an annual income of not more than rupees one lakh in urban area and Rs.80,000 in rural areas is eligible.

The table below gives the details of targets set, loan cases sent for approval, sanctioned and disbursed by NHFDC and loan disbursed by the Company to its branches during the last five years up to 31 March 2005.

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\* Raisen, Narsinghpur, Dewas, Shivpuri and Rewa.

(Amount : Rupees in lakh)

Year	Target		Loan cases sent		Loan cases sanctioned & received		Loan disbursed to branches	
	Physical	Financial	Physical	Financial	Physical	Financial	Physical	Financial
1.	2.	3.	4.	5.	6.	7.	8.	9.
2000-01	50	25	76	101.68	33	18.05	32	15.12
2001-02	50	25	42	33.09	25	11.35	10	4.85
2002-03	50	25	27	22.61	22	12.23	13	5.55
2003-04	200	120	2	3.85	-	-	15	6.59
2004-05	200	100	12	52.87	-	-	3	1.50
<b>Total</b>	<b>550</b>	<b>295</b>	<b>159</b>	<b>214.10</b>	<b>80</b>	<b>41.63</b>	<b>73</b>	<b>33.61</b>
<b>Percentage</b>				<b>73</b> (Col. 5 to 3)		<b>19</b> (Col. 7 to 5)		

**In respect of NHFDC schemes Company achieved only 13 per cent of the targets committed.**

It could be seen from the above table that the Company could submit schemes to the extent of 73 per cent of the targets of which 19 per cent were approved. Out of Rs.41.63 lakh received, it refunded Rs.1.93 lakh (relating to five beneficiaries) as the beneficiaries failed to avail of the loan. Thus, as compared to the target set, the actual achievement was only 73 beneficiaries with a value of Rs.33.61 lakh i.e., only 13 per cent of the value of target and the remaining Rs.6.09 lakh relating to two beneficiaries were lying undisbursed with the Company.

As per the census 2001 for Madhya Pradesh, there were 2.38 lakh handicapped Scheduled Tribe persons in the State. Out of this, 97,720 Adivasis were in the age group of 20 to 59 years. Considering the magnitude of this figure, the number of persons who availed the benefit (73) of schemes of the Company was negligible (i.e. 0.07 per cent).

### **Implementation of NABARD schemes**

**2.1.27** With the objective of providing self-employment/additional source of income to Adivasis living below poverty line in the State, the State Government releases subsidy for the schemes sanctioned to Adivasis by commercial banks under refinance from NABARD.

Under the scheme, the Company is the channelising agency for subsidy sanctioned by the government. The bank keeps the subsidy as deposit in the beneficiary account. Recovery of instalments due from the beneficiary is made first and then subsidy is adjusted in subsequent instalments.

The details of beneficiaries, subsidy targeted and released under these schemes during the five years ended 31 March 2005 are given in *Annexure-7*.

It was observed in audit that the performance of the Company with regard to coverage was below target during 2000-04 (except 2002-03) and negligible (three per cent) in 2004-05. The Company failed to get the required number of schemes processed through the bank, to achieve the target. The company also failed to assess its funds requirement to meet the targeted subsidy.

Though the Branch Managers were required to conduct physical verification of assets of the beneficiaries, as per orders (December 1996) of the Government, no such verification was conducted. Subsidy of Rs.90.90 lakh refunded by the banks to the Company in 25 districts during 2000-05 and required to be refunded to the Government was either utilised against subsidy due to the beneficiaries for the subsequent period or was lying in the branches. The Company did not evolve any mechanism to monitor refund of subsidy by banks at periodical intervals. The Company diverted subsidy of Rs.2.37 crore towards repayment of loans from NSTFDC.

**There was diversion of subsidy of Rs.2.37 crore for repayment of loans to NSTFDC.**

### **Internal control/Audit**

The following deficiencies were noticed in the Company's Internal Control System.

#### ***Accounting control***

**2.1.28** In spite of being in existence for a decade, the Company did not introduce a proper accounting system either in the Head office or in branches.

It was observed in audit that :

- the Books of accounts were not kept on accrual basis of accounting
- the interest collected from the beneficiaries was adjusted against the principal
- the Bank Reconciliation Statements were not prepared regularly
- Details of consolidated balances shown in the financial statements were not kept on record
- Fixed assets registers were not properly maintained in Head office and at branches
- The accounts finalised for 1998-99 and 1999-2000 did not reflect the correct position of income/expenditure and assets/liabilities

Differences in expenditure accounts of earlier years were charged off without verification.

- Internal controls to check regularity of the expenditure /defalcation were absent
- Differences in expenditure accounts for Rs.1.29 crore (for period prior to 1997-98) were charged to the Profit and Loss Appropriation Account for 1999-2000 without investigation. Similarly, expenditure pertaining to earlier period for Rs.81.90 lakh was proposed to be written off in the accounts for 2001-02.
- Interest payments due to the financing agencies were not checked before releasing payment.

### ***Operational control***

**2.1.29** The Board of Directors did not review planning and execution of the schemes and also did not ensure maintenance of proper books of accounts.

Accounts of Branch offices from April 2001 to March 2005 were not reconciled with head office.

- The accounts at the Head office and branch offices were not reconciled periodically.
- Statement of accounts was not obtained from the banks regularly.
- Loans and advances were not shown in the accounts according to age, realisability, and security.
- Assets of the beneficiaries were not verified at periodical intervals.
- Beneficiary-wise ledgers were not maintained properly
- Receipt of funds from Head office was not acknowledged by branches
- Monthly statement of expenditure, and details of recovery of instalments and loans disbursed were not obtained from the branches.

### ***Internal Audit***

Corrective action was not taken on deficiencies pointed out by Internal Audit.

**2.1.30** The internal auditors were appointed long after the expiry of the relevant financial years. Timely completion of internal audit was not ensured. Internal Audit Report for 1999-2000 was not submitted to the Board. The deficiencies pointed out in the reports for 1999-2000, 2000-01 and 2001-02 persisted without any corrective action having been taken.

## **Conclusion**

**The Company did not conduct any survey to identify the magnitude of the problems faced by the Adivasis and to set priorities in formulating need-based schemes. It neither evolved any perspective/strategy for executing the schemes nor effectively appraised them. The Company did not submit**



**schemes to the financing agency to the extent of allocated funds. Further, loans sanctioned by the financing agency had to be subsequently cancelled due to the Company's failure to furnish list of beneficiaries. There was no mechanism to monitor disbursement of loans to the beneficiaries and overall implementation of schemes including recovery of dues. The quantum of achievement was not commensurate with the expenditure incurred. There were serious deficiencies in the system of record keeping/accounting. All these resulted in poor coverage of the targeted section of Adivasis, drawal of less funds against sanction, cancellation of loans by NSTFDC, substantial refund of funds by the Company, poor recovery of dues and thereby insignificant achievement of its goals.**

### **Recommendation**

The Company needs to :

- reorient its planning process by evolving a suitable strategy,
- improve the entire gamut of the process of selection of schemes/beneficiaries and execution,
- strengthen the machinery for submission of schemes for loans, sanction and release thereof and disbursement of loans to the beneficiaries,
- take effective steps to improve the performance of recovery and maintenance of records,
- generate awareness across the tribal population;
- install a mechanism to assess the impact of implementation of different schemes for the Adivasis;

Attention is invited to para 2.1.9 above where the Company has attributed the poor implementation of the scheme to irresponsibility and rampant corruption on the part of its staff. In this context it is recommended that the Company undertake a thorough investigation into the cases of irresponsibility and corruption in implementation of schemes and take appropriate action against those responsible for the same. Steps may also be taken simultaneously to install a control and monitoring system that is effective enough to ensure that such cases of irresponsibility and corruption are not allowed to reoccur.

The above matters were reported to Government (July 2005); its reply had not been received (September 2005).

**CREATION AND DEVELOPMENT OF INFRASTRUCTURE  
FACILITIES BY MADHYA PRADESH AUDYOGIK KENDRA VIKAS  
NIGAMS**

**Highlights**

**AKVNs neither evolved any long term plan or strategy for acquisition of land nor fixed any annual targets in this regard. Against 23 growth centres to be developed by 1994, AKVNs developed only 14 growth centres during the last five years ended 31 March 2005. Expenditure on acquisition of land (Rs.6.63 crore) and development of plots (Rs.68.94 crore) remained unfruitful due to non completion of development of land and non-allotment of plots.**

*(Paragraphs 2.2.6 and 2.2.7)*

**Irregular change in foundation design resulted in extra expenditure of Rs.87.56 lakh. Failure to levy penalty for delay in completion of infrastructure facilities resulted in loss of revenue of Rs.1.06 crore. Continuance of unviable water supply scheme resulted in a loss of Rs.1.45 crore.**

*(Paragraphs 2.2.8, 2.2.9 and 2.2.13)*

**Delay in acquiring/developing land and allotting plots in SEZ resulted in the expenditure of Rs.27.45 crore remaining unfruitful. Injudicious decision to reduce the premium of land in respect of industrial units of Special Economic Zone (SEZ) resulted in loss of revenue of Rs.22.58 crore.**

*(Paragraphs 2.2.18 and 2.2.19)*

**Failure to charge additional premium on corner plots and or plots located at 80 feet wide road in SEZ resulted in loss of revenue of Rs.2.76 crore. Extension of undue favour to two industrial units resulted in a loss of Rs.4.23 crore.**

*(Paragraphs 2.2.20 and 2.2.21)*

**Deficient planning and inefficient operation of Food Processing Industrial Parks resulted in unfruitful expenditure of Rs.31.26 crore.**

*(Paragraphs 2.2.22 to 2.2.30)*

**Setting up of Integrated Infrastructure Development Centres without field study/survey, common facilities and assessment of demand rendered the expenditure of Rs.8.79 crore unfruitful.**

*(Paragraphs 2.2.31 to 2.2.39)*

## **Introduction**

**2.2.1** Madhya Pradesh State Industrial Development Corporation Limited (Company) was entrusted with the responsibility of developing infrastructure in selected growth centres in the State. For this purpose, the Company incorporated five subsidiaries at Bhopal, Gwalior, Indore, Jabalpur and Rewa\* during 1981 to 1987 in the name of Madhya Pradesh Audyogik Kendra Vikas Nigams (MPAKVNs), under the Companies Act, 1956.

AKVNs are required to maintain roads, water supply, street light and administrative and other buildings in the growth centres under their control. For this purpose, lease rent and maintenance charges (annually) and water charges, street light charges (monthly) are collected from the industrial units. The AKVNs took up the implementation of Special Economic Zone Project (SEZ), Food Processing Industrial Park (FPIP) and Integrated Infrastructure Development Centre (IIDC) for development of export oriented, agro based and small and tiny industries respectively. Managing Director of the holding Company is the Chairman of each Company and is appointed by the State Government. Managing Director of each subsidiary (AKVN) is the chief executive and is assisted by Senior General Manager/General Managers, Executive Engineer and Financial Advisor/Accounts officer in development, technical and accounts wings.

The review on the working of all the five AKVNs for the period up to 31 March 1992 had featured in the Comptroller and Auditor General of India report (Commercial) for 1991-92. The Report was discussed (April 1999) by the Committee on Public Undertakings (COPU) and recommendations were given (July 1999). The action taken report on COPU's recommendations has already been received.

## **Scope of Audit**

**2.2.2** The present review conducted between December 2004 and April 2005 covers activities of these Companies (except AKVN, Rewa) during last five years ended 31 March 2005.

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\* *Stopped all its core activities since 1996-97.*

### **Audit objectives**

#### **2.2.3** Audit was undertaken with a view to:

- assess the adequacy and extent of land acquired by these AKVNs;
- examine economy of development of land and its utilisation including the process of planning;
- determine the AKVNs' efficiency in allotting the industrial plots developed, examine the basis of fixation of premium in respect of 'Special Economic Zone Project' and see whether the rate of premium was prima facie fixed to watch the interest of the company;
- ensure the extent of compliance by AKVNs with the rules, powers, orders of the Board/Company/Government;
- assess the performance of execution of work relating to Food processing industrial park (FPIP) and Integrated infrastructure development centre (IIDC);
- review the management of funds in the best interest of the Company/Government; and
- assess the performance of recovery of dues by these companies for proper and smooth flow of recycling of funds.

### **Audit criteria**

**2.2.4** Based on the preliminary findings of the pilot study conducted between November and December 2004, the performance of these Companies with regard to the creation and development of infrastructure facilities was assessed against the extent of land acquired and number of growth centres developed against identified area, including :

- Number of plots allotted out of developed plots;
- Delegation of financial powers, compliance with terms and conditions of agreements;
- General Policy for levy and collection of additional premium and norms as per Detailed Project Report in respect of Special Economic Zone;
- Guidelines of Government of India for Food Processing Industrial Park and Integrated Infrastructure Development Centres;

- Provisions of State Government for recovery of dues from industrial units.

### Audit methodology

**2.2.5** Audit followed the following mix of methodologies:

Analysis of data/information on acquisition of land for SEZ, FPIP, IIDC, area developed and plots allotted, scrutiny of administrative reports of FPIP and IIDC and utilisation certificates, case studies of individual units, review of sundry debtors, comparison of actuals with estimates in respect of civil works, scrutiny of records relating to management of funds.

### Audit findings

The audit findings were reported to Government/ Management in July 2005 and discussed in the Audit Review Committee for State Public Sector Enterprises (ARCPSE) meeting held on 18 August 2005 where the Government was represented by the Industries Commissioner and the Companies were represented by their Managing Directors. The review was finalised after considering views of the Government/ Management.

Audit findings are discussed in the succeeding paragraphs.

#### *Acquisition of land for Growth Centres*

**2.2.6** The State Government provides land free of cost to the AKVNs to enable them to set up growth centres. None of the AKVNs acquired any land during 2000-05 for growth centres and continued the development work on the land acquired earlier. AKVNs, however, acquired 998.881 hectare land for SEZ, FPIPs and IIDCs during the last five years. The details of land acquired, developed, allotted and expenditure on acquisition and development are shown in the **Annexure-8**. It was observed in audit that :

- The AKVNs neither evolved any long term plan or strategy for acquisition of land, nor fixed any annual targets in this regard.
- Out of 6777.43 ha land acquired by the AKVNs from the State Government, only 4317.259 ha (63.7 per cent) land was allotable<sup>@</sup> to industries units.

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<sup>@</sup> Allotable land means the area available net of area used for civic facilities, power and water supply services.

1501.383 ha of allottable land remained unallotted even after lapse of period ranging from nine to 22 years.

- Out of this allottable land, the AKVNs allotted only 2816.146 ha (65.2 per cent) land as on March 2005 and 1501.383 ha (value Rs.6.63 crore) remained unallotted even after lapse of periods ranging from 9 to 22 years.
- The percentage of allottable land to total land in respect of growth centres at Chainpura, Pratapura (AKVN, Gwalior) and Maneri (AKVN, Jabalpur) was only 34.8, 34.5 and 45.7 respectively as against the Companies' overall percentage of allottable area of 63.7.

Expenditure of Rs.6.63 crore on land acquired remained unproductive.

- Thus, AKVNs failure to take up new area for development hampered the process of industrialisation in the State. Moreover, expenditure of Rs.6.63 crore on the land acquired had remained unproductive due to non development/allotment of land.

### ***Development of Growth centres***

**2.2.7** Development work includes construction of roads, drains, culverts and buildings, arrangement for supply of water and electricity etc. by constructing pump houses/intake wells and electricity substations respectively and providing civic amenities.

As per GOI's declaration, (1984 to 1989), the AKVNs were required to develop 23 growth centres within five years i.e. by 1994. AKVNs could, however, set up only 14 growth centres by 31 March 2005 resulting in a shortfall of 9\* (39 per cent).

Details of growth centres/industrial area developed as on 31 March 2005 are shown in ***Annexure-8***.

Failure to allot plots resulted in the development expenditure of Rs.68.94 crore being unfruitful.

It was observed in audit that the AKVNs' 1501.383 ha land developed prior to 2000-01 remained unallotted due to lack of demand. As a result, the expenditure of Rs.68.94 crore incurred on development remained unfruitful so far (September 2005).

- The Companies mandated to create and develop infrastructure facilities did not prepare a long term corporate plan indicating centres to be identified and or developed annually;
- No new growth centres were identified by the AKVNs during 2000-05.
- In respect of growth centre at Mandideep II which was sanctioned by GOI in 1989 and to be completed by 1994, AKVN, Bhopal did not even start the acquisition of land. The entire 324.43 ha land was acquired in 1996 at a cost of Rs.93.90 lakh and developed incurring Rs.13.23 crore up to 31 March 2005. No land was allotted by the Company up to March 2005.

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\* *AKVN Bhopal-2, Gwalior-3 and Jabalpur-4.*

- In respect of Malanpur-Ghirongi growth centre, 447.290 ha land (55.7 per cent) acquired during 1985-92 had not been allotted so far (March 2005).
- Plots measuring 310.53 ha in respect of growth centres at Pithampur (177.72 ha) and Meghnagar (132.81 ha) developed prior to 1990 were not allotted by AKVN, Indore even after 15 years of their development.

AKVN, Gwalior stated (August 2005) that due to liberalisation of licensing policy, it had become difficult to attract entrepreneurs to start industries. The reply is not tenable because the liberalisation policy had only encouraged the entrepreneurs to set up new units and was not a deterrent.

### ***Irregular expenditure due to change in foundation design***

**2.2.8** AKVN, Indore awarded (August 2003) the work of construction of multi storied buildings for Software Technology Park (STP) and Gems Jewelry Park (GJP) for a value of Rs.43.17 crore against estimated cost of Rs.37.50 crore. The estimates, designs and drawings were prepared by the consultant engaged by the Company on a fee of Rs.52 lakh and were approved by the holding Company.

It was noticed in audit that:

**Irregular change in foundation designs by the Company resulted in extra expenditure of Rs.87.56 lakh**

- Without the approval of its Board and the holding Company, the foundation designs in respect of STP Buildings were subsequently changed without any reason on record, which resulted in extra cost of Rs.87.56 lakh (*Annexure-9*);
- Despite availability of space in the adjacent site for storing excavated earth, the Company paid extra lead for transporting earth beyond 500 M;
- The Company failed to decide on the change before starting the excavation;
- Even though there was no change in design in respect of GJP Buildings, there was a cost over run of Rs.34.79 lakh (3.18 per cent).

Management stated (February 2005) that the decision to change the design was taken by the then Managing Director and the change in design was due to change in structure from two basements plus one ground plus eight floors to one basement plus ground plus nine floors.

The reply is not acceptable as the reduction of one basement should have resulted in decrease in quantity of excavation, and approval of the Board and holding Company should have been obtained. Further, instead of excavating the areas identified for column foundation, the Company excavated the entire area which led to extra expenditure.

**Delay in completion of infrastructure facilities**

**Non levy of penalty for delay in completing the work led to loss of revenue of Rs.1.06 crore.**

**2.2.9** In the case of nine work orders issued during December 2001 to August 2003 by AKVN, Indore for construction of infrastructure facilities like roads, drains, culverts, etc. the contractors delayed the completion of work by 6 to 33 months as against the schedule period of 2 to 11 months. The Company, however, did not levy penalty of Rs.1.06 crore though extension of time was not granted by the competent authority in any of these cases. This tantamounted to an undue favour and resulted in a loss of revenue of Rs.1.06 crore (*Annexure-10*).

Management stated (May 2005) that the proposals for extension of time were recommended by the Executive Engineer and approved by the competent authority. The reply is not acceptable as in three works<sup>@</sup> of the Company, the contractors did not apply for extension of time and in case of five works<sup>@@</sup> the Managing Director did not grant extension of time, hence, penalty should have been levied in these cases. Further, in respect of one work<sup>@@@</sup>, there was no provision for grant of extension of time without levy of penalty as per the terms of agreement entered into for this work.

**Allotment of plots**

**2.2.10** Allotment of plot made to the entrepreneur on lease basis at premia fixed by the Company concerned from time to time. Letter of intent (LOI) indicating the terms and conditions for allotment, area allotted and amount of deposit, is issued to the allottee. LOI generally includes terms for payment of additional premium towards prime location of land, annual lease rent and maintenance/development charges besides premium.

The details of plots allotted by AKVNs during the last five years ended 31 March 2005 are given in *Annexure-8*.

It was observed in audit that :

The performance of the Company during 2000-05 in allotment of plots was dismal (5.36 per cent) as out of 1586.436<sup>\*</sup> ha land available for allotment as on 1 April 2000, letters of intent were issued only for 85.053 ha land during the last five years i.e. at an average of one per cent per year as against five per cent per year during the period since inception (1981) to 31 March 2000.

➤ The percentage of allotment (allotable plots) was only 64.8 and thus about one-third of the plots remained unallotted. Even this

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@ Three – Sl.no. 4, 7 and 8.

@@ Five - Sl.no. 1, 2, 3, 5 and 6.

@@@ One – Sl.no. 9 of Annexure 12.

\* Unallotted land as on 31 March 2005 plus LOIs issued during 2000-05 = land available for allotment on 1<sup>st</sup> April 2000 (1501.383 + 85.053 = 1586.436).



achievement could be made by granting 40 percent rebate in premium of Rs.1.99 crore (*Annexure-11*) during 2001-04. Out of 141 plots, 98 plots (70 per cent) were allotted with rebate in premium;

- Allotment of plots to allotable plots in respect of growth centres Mandideep II was Nil, Pratappura 26.1 per cent, Meghnagar 20.9 per cent and Maneri 22.9 per cent during the last five years;
- It was also noticed in audit that the AKVNs incurred Rs.1.06 crore during 2000-05 for business promotion. Despite this, the AKVNs failed to attract industrialists resulting in slow pace of industrial development in the State.

The AKVNs had shown the reduced premium (60 per cent) in the lease deed instead of the original premium. This resulted in short levy of stamp duty (Rs.15.98 lakh) at eight per cent of premium and registration fee (Rs.11.99 lakh) at 75 per cent of stamp duty which resulted in loss to the Government to that extent.

#### ***Loss of revenue due to non/less charging of additional premium***

**2.2.11** AKVNs were required to charge additional premium as per the terms of LOI, in respect of advantageous locations. Audit scrutiny revealed that there was no uniformity in the rates of locational premium charged by various Companies. While AKVN, Bhopal was collecting additional premium at 10 per cent each for corner plots and plots located at 80 feet wide road and 20 per cent for corner plots located at 80 feet wide road also, AKVN (Indore) Limited was collecting 15 per cent for corner plots and ten per cent for 80 feet wide road but only 15 per cent as against 25 per cent where the corner plots are located at 80 feet wide road.

**AKVN's failure to collect additional premium for prime locations resulted in loss of revenue of Rs.45.20 lakh.**

AKVN, Gwalior was collecting only 10 per cent in either case instead of 20 per cent and AKVN, Jabalpur did not collect any additional premium on plots allotted prior to July 1992 and was collecting only thereafter.

Thus, failure by AKVNs to collect additional premium as per LOI had resulted in a loss of revenue of Rs.45.20 lakh (*Annexure-12*).

AKVN, Gwalior stated (November 2004) that the matter would be placed before its Board, the outcome of which was still awaited (August 2005). AKVN, Indore and AKVN, Jabalpur had not furnished their replies (April 2005).

#### ***Short billing of lease rent and maintenance charges by AKVN, Bhopal***

**2.2.12** The letter of intent (LOI) issued by the Company included a condition that annual lease rent (at two per cent of premium) and annual maintenance charges (at two and half per cent of premium) were also to be deposited by the unit.

**Company's failure to levy annual lease rent and maintenance charges on total premium led to loss of Rs.19.95 lakh.**

It was noticed in audit that the Company ignored the additional premium while calculating annual lease rent and annual maintenance charges. This resulted in a loss of Rs.19.95 lakh towards lease rent and maintenance charges (including recurring annual loss of Rs.6.21 lakh) during 2000-05 (*Annexure-13*).

While accepting (December 2004) the audit observations, Company stated that corrective action had been taken.

### **Maintenance of growth centres**

#### ***Continuance of unviable water supply scheme by AKVN, Bhopal***

**2.2.13** Without ascertaining the rules/conditions governing the water supply arrangement and also without assessing the feasibility of continuing the scheme, the Company took over (July 1995) from Madhya Pradesh Laghu Udyog Nigam (MPLUN) the maintenance of the scheme along with assets such as pump well, pump house, water treatment plant, overhead tanks etc. and 49 employees. As the scheme was very old, it had suffered a loss of Rs.1.11 crore up to March 2000. Still, the Company, did not take steps to improve the operations. Later on, the Hathaikhera dam from which the water was drawn, was closed (July 2002) due to inflow of polluted water. Hence, the water treatment plant became idle. To meet the water requirement, the Company started drawing water from tube wells for supply to the units. This was expensive, because out of 500 units, only 72 units took water connections and the remaining units made their own arrangements for water.

**Company's continuance of unviable operations led to loss of Rs.1.45 crore.**

The Company did not take steps either to retransfer the scheme to MPLUN or get the loss reimbursed from the Government. Continuance of the unviable operations led to further loss of Rs.1.45 crore up to March 2005.

Management stated (September 2004) that the existence of a clause in the agreement enabling the units to make their own arrangements for water was not known to it as these were allotted by the District Industries Centre (DIC) and that steps would be taken to obtain grants from Government.

The reply was not tenable as the Company should have ascertained the conditions at the time of take-over of the scheme. Further, no proposal had so far been submitted to Government for financial assistance towards the grant (September 2005).

#### ***Non-collection of water charges from Nagar Panchayat by AKVN, Bhopal***

**2.2.14** The Company had been supplying water to Patel Nagar and Indira Nagar colonies of Mandideep since 1986 through Nagar Panchayat, Mandideep. Due to non-payment of water charges of Rs.1.15 crore by Nagar Panchayat, water supply was disconnected (November 1999). At the request of Nagar Panchayat, the Company decided (February 2000) to: (a) recalculate arrears at industrial rates (instead of at commercial rates), (b) waive the penalty of Rs.49.64 lakh and (c) demand clearance of arrears and regular payment of current water charges before 10 of every month. The Nagar

Panchayat agreed to these decisions. Accordingly, the Company revised the dues from Rs.1.15 crore to Rs.65.02 lakh and restored water supply to the colonies.

The Nagar Panchayat, however, failed to pay even reduced arrears and also current bills regularly which led to accumulation of dues of Rs.81 lakh (up to July 2004). But the Company did not take action for recovery of dues and the position continued (March 2005).

**Company's failure to recover dues resulted in locking up of Rs.81.00 lakh and consequent loss of interest of Rs.39.01 lakh.**

Thus, the Company's extension of water supply to units not covered by its mandate and failure to recover dues resulted in blocking of Rs.81 lakh with loss of interest of Rs.39.01\* lakh. It also rendered the waiver of penalty of Rs.49.64 lakh unfruitful.

The Company stated (September 2004) that the matter was being pursued with the Nagar Panchayat and the Government.

#### ***Idle establishment cost***

**2.2.15** AKVN, Rewa stopped all its core activities since 1996-97. The Company, however, continued incurring expenditure towards salaries for the staff. Such expenditure during the period 1999-2004 worked out to Rs.2.41 crore. The Company has not yet been closed (August 2005).

#### ***Non recovery of dues from industrial units***

**2.2.16** The industrial units are required to pay advance annual lease rent, maintenance and development charges, water charges etc. to the respective AKVNs. As per orders (December 1981) of the State Government, AKVNs were required to meet expenditure on maintenance/ development of growth centres from such receipts. Further, the AKVNs were empowered to recover the dues as revenue recovery and initiate necessary action like issue of Revenue Recovery Certificate (RRC), legal notice, attaching the property and disposing thereof in case of failure by industrial units to pay the dues.

It was noticed in audit that

- AKVNs, despite being vested with powers, failed to initiate action like issue of RRC, legal notice etc. for recovery;
- Failure of AKVNs, Gwalior, Bhopal and Rewa to take timely action for recovery from the industrial units resulted in a loss of Rs.3.18 crore on account of dues against units already closed (***Annexure-14***);

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\*  $Rs.65.02 \text{ lakh} \times 60/12 \times 12/100 = Rs.39.01 \text{ lakh.}$

- It was decided (July 1998) in a meeting with MPSIDC and MPFC that the dues from units taken over by these two PSUs would be repaid to AKVNs. AKVNs, however, failed to recover Rs.72.50 lakh being the dues from the units which were taken over by the PSUs.

**AKVN's failure to take follow-up action for recovery of dues resulted in loss of Rs.3.91 crore besides locking up of Rs.7.31 crore.**

**Diversion of funds by AKVNs hampered the flow of funds required for infrastructure.**

Thus, lack of follow-up action by AKVNs had resulted in a loss of Rs.3.91 crore (Rs.3.18 crore + Rs.0.73 crore) besides locking up of Rs.7.31 crore. This also affected the flow of funds required for speedy industrial development of the State.

#### ***Diversion of funds meant for infrastructure facilities***

**2.2.17** The proceeds collected by the AKVNs towards premium lease rent, maintenance charges, etc are to be utilised for developing and maintaining the growth centres. It was observed in audit that the AKVNs diverted these funds and invested them as intercorporate deposits in the holding Company. As on 31 March 2004, Rs.18.70 crore (including interest of Rs.8.70 crore) remained to be recovered by four AKVNs<sup>iv</sup>. The holding Company had already refused to pay the interest on these deposits. Thus, diversion of funds meant for development works hampered the flow of funds required for creating infrastructure facilities.

### **Special Economic Zone**

Government of India announced (2000) a policy on economic zone with a view to increase export base of the country. The State Government framed special economic zone policy and passed an Act- Indore Special Economic Zone (Special provisions) Act, 2003. AKVN, Indore was declared (October 2002) the implementing agency for setting up special Economic Zone (SEZ) at Indore. Based on a detailed Project Report (DPR) (August 2002) prepared by State Government, AKVN, Indore set up (February 2003) Special Economic Zone Limited (SEZ).

#### ***Delay in acquisition and development of land and allotment of plots in the SEZ***

**2.2.18** The scheme envisaged that the following economic and social benefits would accrue to the Central and State Government, local bodies, industry trade on implementation. (a) Export and trade facilitation-foreign exchange earnings (b) Foreign direct investment (c) long-term development on account of employment generation, wealth maximization, financial returns for the promoters.

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<sup>iv</sup> AKVNs at Bhopal, Indore, Gwalior and Jabalpur.

The details of land required, acquired developed, allotted, to be allotted and cost of allottable land as on 31 March 2005 are given in **Annexure-15**.

It was observed in audit that :

- The Company has not fixed any long term plan for acquisition/development of land and allotment of plots under the scheme;
- As per a notification (August 2002) of the State Government, 1038 ha land was to be acquired for the SEZ scheme. Against this, the Company got transferred (February 2003) the entire 138 ha land belonging to EPIP<sup>♥</sup> project to this scheme as Phase I. Out of the allottable 105 ha land, it allotted 51.34 ha to industrial units, and the remaining 53.626 ha (cost Rs.7.65 crore) had not been allotted so far (August 2005);
- Against 900 ha land to be acquired in respect of phase II, the Company acquired only 544 ha land and the balance 356 ha land had not yet been acquired as on 31 March 2005, even after three years of notification of the project;
- Out of 544 ha land acquired, only 308 ha (57 per cent) was allotable. The Company allotted 19.84 ha land but the remaining land admeasuring 288.16 ha (cost Rs.19.80 crore) had not been allotted so far (March 2005);
- The Company got sanctioned (June 2004) a term loan of Rs.16.70 crore from Bank of Punjab (interest at 8.5 per cent including penal interest of two per cent) for meeting cost of acquisition of land. The Company, instead of utilising the loan for the said purpose, transferred Rs.16.20 crore to the holding company. As of June 2005, the holding company repaid Rs.9.11 crore, AKVN, Indore repaid Rs.2.12 crore to the bank and Rs.6.36 crore were outstanding towards principal (Rs.4.97 crore) and interest (Rs.1.39 crore). Thus, diversion of loan by AKVN, Indore resulted in denial of funds required for acquisition of land (356 ha).

**Delay in acquiring/ developing land and allotting plots in SEZ resulted in expenditure of Rs.27.45 crore remaining unfruitful.**

Thus, the Company's delay in acquiring/ developing land and allotting plots resulted in the expenditure of Rs.27.45<sup>@</sup> crore remaining unfruitful. The delay also led to postponement of the benefits expected from setting up the special project.

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♥ Export Promotion Industrial Park.

@ Rs.7.65 crore plus Rs.19.80 crore = Rs.27.45 crore.

***Injudicious reduction of premium affecting the viability of (SEZ) project***

**2.2.19** The State Government fixed the rates of premium for the plots in SEZ at (a) Rs.825 per square metre (Sqm) for plots of more than five acre and Rs.1030 per sqm for plots of less than five acre in respect of industrial plots and (b) Rs.4950 per sqm in respect of commercial plots. The management of AKVN, Indore, however, proposed (February 2003) reduction in the premium of commercial and industrial plots and sought Board's approval, without furnishing justification therefor.

Though the Board was not authorised to reduce the rates fixed by the State Government, it approved (February 2003) the reduction in premium from Rs.1030 to Rs.400/Rs.500 per sqm in respect of plots for area less than five acres and from Rs.825 to Rs.400 per sqm for area above five acres in respect of industrial plots and from Rs.4950 per sqm to Rs.600/Rs.800 per sqm in respect of commercial plots.

**Unauthorised reduction of premium by the Company resulted in loss of revenue of Rs.22.58 crore.**

It was observed in audit that the Company allotted 14 industrial plots and one commercial plot during February 2003 to January 2004. Thus, the irregular reduction of premium resulted in a loss of revenue that worked out to Rs.21.71 crore and Rs.87 lakh respectively (*Annexure-16*).

Management stated (May 2005) that the Board of Directors was empowered to decide on the rates of land in the capacity of developer and the Board approved (February 2003) reduction in the rates of premium. The reply is not tenable as (a) the State Government had appointed AKVN, Indore only as implementing agency and not as developer (b) the State Government had not approved the reduction of premium and (c) there was no justification for reduction of rates of premium which was beyond the Board's competence.

***Loss of revenue due to injudicious decision not to charge additional premium***

**Company's decision not to charge additional premium led to loss of revenue of Rs.2.76 crore.**

**2.2.20** AKVNs were charging fixed percentage as additional premium in respect of corner plots and or plots located at 80 feet wide road because of the advantageous location. The Board of AKVN, Indore however, decided (February 2003) not to charge additional premium in respect of such plots in SEZ for reasons not on record. This had resulted in loss of revenue of Rs.2.76 crore (*Annexure-17*) in respect of eight plots allotted between February 2003 and December 2004.

Management of AKVN, Indore stated (April 2005) that its Board had decided not to charge additional premium. The reply was not tenable as (a) there was no justification on record for such decision (b) the proposal was not approved by the State Government and (c) If additional premium was not charged for such plots every entrepreneur would like to have only corner plots/80 feet wide road. This would lead to non-allotment of centre plots and thereby affect the viability of the project.

***Extension of undue favours to SEZ units***

**2.2.21** SRF Limited (Unit) applied (September 2003) for allotment of land measuring 60,000 sqm in SEZ, Indore Phase-I. The Unit paid Rs.72 lakh as premium for the area at reduced rate of Rs.120 per sqm on the ground that it had earlier requested the Government for reduction in premium and that it would pay the difference after final decision by the Government. The Company informed the Unit that the issue was referred to Government. Before obtaining the orders of the Government, the Company accepted the payment and handed over (September 2003) possession of land measuring 60672 sqm without issuing allotment letter.

In the meantime, the State Government announced (June 2004) a new industrial promotion policy 2004 effective from 1 April 2004. As per this policy, mega projects i.e. industries with investment of Rs.25 crore and above, were entitled to concession of 75 per cent of the premium on land subject to a maximum of 20 acre on investment up to Rs.500 crore. The Company immediately (June 2004) got approval of its Chairman for allowing concession in premium to the Unit and issued (July 2004) letter of intent allowing concession in premium of Rs.1.82 crore. The issue of reduction in premium had not been decided by the Government (September 2005).

Similarly, IPCA Laboratories Limited (Unit) applied (August 2004) for allotment of 52 acre land for setting up new 100 per cent export pharmaceuticals industry in the SEZ, Indore, Phase-I and selected 52.63 acres (212994 Sqm) land including 3.62 acre (14628 Sqm) coming under power line. To this unit also, without obtaining approval from the State Government, the Company allowed concession of Rs.1.82 crore in the premium. Further, the Company submitted a proposal for not charging premium in respect of the 3.62 acres, got it approved by the Chairman and handed over possession (January 2005) of the entire area without collecting premium of Rs.58.51 lakh\* for the area (14628 Sqm.) falling under power line.

It was observed in audit that :

- As SRF had obtained the possession of the land in September 2003 itself, the premium should have been collected as per the then prevailing rules i.e. Rs.400 per sqm as against Rs.120 per sqm.;
- As the Company was having developed land, it should have issued LOI within 15 days of application as per guidelines of State Government instead of delaying it for nine months;
- The new industrial policy 2004 came into effect from April 2004 and should not therefore have been applied to the land given in 2003 as SRFs application for concession was still pending (September 2005);

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\*  $Area\ multiplied\ by\ premium\ per\ sqm = 14628 \times Rs.400 = Rs.58,51,200$

- The rules for allotment of land did not provide for non-charging of premium in such cases (IPCA);
- The proposal for not charging premium on area falling under power line (IPCA) and grant of 75 per cent concession was not approved by the State Government of Madhya Pradesh.

**Company's decision to grant concession in premium without Government approval resulted in loss of revenue of Rs.4.23 crore.**

Thus, the irregular decision of the Company not to charge premium tantamounted to undue favour and had resulted in loss of revenue of Rs.4.23\* crore.

Management stated (May 2005) that as the State Government in the meantime declared concession in premium for mega projects, the unit SRF was given the benefit. Reply was not furnished in respect of ICPA.

The reply was not acceptable as the Unit was not entitled for the concession and the same was also not approved by the Government.

### **Food Processing Industrial Park**

#### ***Deficient planning and inefficient operation***

**2.2.22** Under a scheme of food processing industrial park (FPIP), GOI sanctioned (between December 2000 and March 2003) six\* Food parks in the State with the objective of providing common facilities such as uninterrupted power supply, water supply, cold storage (capacity 6000 M.T.), ice plant, ware-housing (3000 M.T.), Effluent Treatment Plant (ETP), testing lab, processing facilities like fruit concentrate, pulp making units etc. GOI also sanctioned rupees four crore as grant to each of such projects. AKVNs took up execution of five parks based on project reports prepared by them. These parks were to be completed between April 2002 and March 2004.

The details of five out of six parks taken up for execution, GOI sanction, project cost, actual expenditure envisaged benefits, expected and actual revenue earned etc. as on 31 March 2005 are given in ***Annexure-18***.

The deficiencies noticed in execution of the scheme are discussed below:

Out of these five parks, common facilities were completed for the parks at Mandsaur, Babai-Pipariya and Borgaon. In respect of the park at Nimarni warehousing and testing lab facilities were completed. In respect of the park at Maneri taken up for execution in March 2003, the works of common facilities were not yet started. No industrialist has been allotted plots in any park. The

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\* Concession in premium Rs.1.82 crore + premium of area under powerline Rs.0.59 crore = Rs.2.41 crore (IPCA) + Rs.1.82 crore of SRF).

\* Jaggakhedi, Nimarni, Babai-Pipariya, Borgaon, Maneri and Malanpur.



AKVNs spent Rs.31.26 crore up to March 2005 on these parks. The expected earnings of Rs.14.61 crore by 31 March 2005 by these parks were not achieved so far (August 2005).

***Setting up of parks on the basis of unrealistic project report***

**2.2.23** The parks taken up for execution were based on unrealistic project report as noted below:

- The project reports for the food processing park at Jaggakhedi and Nimrani were based on production of vegetable for 1993-94 and 1994-95 without considering the market potential for the latest period preceding the sanction i.e. December 2000 (Jaggakhedi) and September 2001 (Nimrani);
- The same project report for Jaggakhedi was adopted for the parks at Nimrani and Babai-Pipariya without taking into account market realities of the area;
- The project report for the park at Jaggakhedi envisaged that the estimated demand of 2 lakh litres of water a day could be met as the park would supply water upto 5 lakh litres of water/day. It was noticed that the Company had given the cold storage plant to one industrial unit on lease. The unit complained that the availability of water was not sufficient to meet its requirement. This indicates that availability of water was not ensured before taking up development of the park.
- The project report for installing testing lab and R&D equipments for food processing park was based on the assumption that these facilities could be availed by various industries like leather, cement, pharmaceuticals and metallurgical industries, paints, dye stuff etc. Inclusion of these categories of industries for setting up food processing parks lacked justification. The market potential for testing laboratory was projected to be the same for all the food parks citing the above factors;
- Further, the project report assumed that creation of testing lab facilities would cater to the needs of industrial units in the States like Uttar Pradesh, Rajasthan and Gujarat. The Company's expectation that industries in these States would approach the food processing parks for these facilities was unfounded.

The food processing parks set up on the basis of these assumptions consequently proved to be unsuccessful.

***Wrong selection of site***

**2.2.24** The food parks are to be located near the area where fruits and vegetables are grown so that quality and cost are not affected during

transportation. It was noticed in audit that the food park set up by AKVN Indore at Jaggakhedi was situated in a remote area about 10 km away from the district headquarters Mandsaur.

Similarly, AKVN, Bhopal decided to set up a park in an area of 50 acres of land. As this much land was not available in one locality, 32 acre in Pipariya and 18 acre in Babai were considered and the park as Babai-Pipariya was proposed and got approved. As the cold storage and warehousing facilities were created only in Pipariya and the distance between Babai and Pipariya was around 40 kms, the needs of processing industries in Babai were not met.

Thus, due to extra cost and risk involved in transportation, no industrialist was ready and willing to avail the cold storage and warehousing facilities.

***Setting up of park without considering the cultivation of crop***

**2.2.25** AKVN, Indore set up a cold storage plant in FPIP at Jaggakhedi, District Mandsaur with a capacity for 6000 MT. It was noticed in audit that agriculture production in District Mandsaur is the lowest (2.5 percent) among the districts of the region. Cultivation of potato – the main produce to be stored in the cold storage was only 600 MT according to the Detail Project Report (DPR) as noted below:

(Production in MT)						
Crop	Mandsaur	Ujjain	Ratlam	Dewas	Shajapur	Total
Potato	600	43700	6400	48600	43500	142800
Gur	900	1400	4500	7400	4300	18500
Onion	3300	6900	16400	6700	13900	47200
Chilli	600	100	600	100	100	1500
<b>Total</b>	<b>5400</b>	<b>52100</b>	<b>27900</b>	<b>62800</b>	<b>61800</b>	<b>210000</b>

Even if the entire produce of all crops (5400 M.T.) in this district was stored (without sale or local consumption) the storage capacity would not be fully utilised. Had the park been set up in other districts viz. Dewas (potato production-48600 MT) or Ujjain (43700 MT) having real potential, the expenditure would have yielded fruitful results.

Further, the project report for the park was prepared based on enquiries received from 21 industrial units. Interestingly, the Company did not conduct any survey on cultivation/production of tomato in the five districts of the region, though this is one of the important crops requiring cold storage facilities. It was observed in audit that out of these 21, only three units (tomato) could avail the benefit of cold storage while others were dealing in products not requiring such facilities (like *papad, dal, maida, noodles, besan* etc.).

Thus, setting up of a park with cold storage facilities without considering the actual production of crop and market potential led to the facilities remaining unused.

***Incomplete infrastructure facilities***

**2.2.26** Availability of water and electricity are the basic needs to run cold storage plants. It was noticed in audit that :

- Cold storage plant at Jaggakhedi could not be put to use as the availability of water in summer in the area was not adequate to meet the requirements;
- No provision was made for HT line/sub station for electricity in the project report for Babai-Pipariya park set up by AKVN, Bhopal. Thus, the Company would have to incur further expenditure of rupees one crore in this regard as the existing HT line was nearly 1.25 km away from Pipariya;
- No provision for electricity was made in the estimate for the park set up at Nimrani by AKVN, Indore. The cost of this work is estimated at Rs.72 lakh;
- The park at Borgaon set up by AKVN, Jabalpur in February 2004 could not be put to use as the Company has not applied for electricity connection so far (August 2005) for reasons not on record.

***Delay in completion of parks***

**2.2.27** The five food processing parks were to be completed between April 2002 and March 2004. The parks at Jaggakhedi, Babai-Piparia and Borgaon were completed after delays of 21, 19 and 11 months respectively. The park at Nimarani scheduled to be completed by September 2002 was not completed so far and in respect of park at Maneri taken up for execution in March 2003, the work of common facilities have not yet been started (September 2005) for reasons not on record. The delay in completion of parks led to delay in industrialization and the benefits thereof.

AKVN, Jabalpur stated (August 2005) that there was ample scope for setting up of park at Maneri as six large and 40 small scale industrial units had already been set up. The reply was not convincing because had it been the case, the Company should have completed the park by June 2004, while it has not yet started the work (August 2005). Further, it appointed consultants for cold storage, warehouse and milk chilling plant only in March 2005 i.e., after delay of 24 months.

AKVN, Bhopal stated (August 2005) that the warehouse and cold storage were leased out on hire basis for Rs.3.70 lakh and Rs.16 lakh respectively. As it was a Central Government scheme and grant was released in instalments,

time schedule could not be adhered to. The reply is not tenable as (a) hiring out the facilities was not the objective of the scheme (b) no agreement for lease with the unit was entered into so far and (c) electricity connection was not obtained by the Company so far (September 2005).

***Loss of warranty-period advantage***

**2.2.28** The delay/failure of the AKVNs in putting the facilities of cold storage and milk chilling plant resulted in lapsing of warranty cover on the plant and machinery. Thus, the AKVNs by their delay, denied the facility of free repair/replacement/service of equipments.

AKVN, Bhopal stated (August 2005) that as it had not finalised the completion reports of cold storage, the question of lapsing of warranty did not arise. The reply is not tenable because inasmuch as the work was completed, the finalisation of report was only a formality and not a ground for extending the warranty period of equipments which lapsed.

***Failure to attract entrepreneurs***

**2.2.29** Having set up Food Processing Parks, AKVNs should have taken serious steps for immediate use of the facilities by attracting industrialists so that the idling period could be minimised and expenditure on parks yielded benefits. It was noticed in audit that AKVNs did not take steps to (a) complete basic infrastructure facilities like supply of water, electricity and testing laboratory; and (b) Identify prospective entrepreneurs for allotment parks.

AKVN, Jabalpur stated (August 2005) that industrialists were being approached through conference, e-mail. It decided to take up construction of Research and Development (R&D) laboratory, Effluent Treatment Plant after establishment of some food processing industries. The reply is not tenable because the approach through conference/seminar should have preceded the setting up of the park. Further, unless the infrastructure facilities are complete no industrialist would be willing to set up the unit.

***Diversion of grant received for execution of food park***

**2.2.30** AKVN, Jabalpur got released (March 2003) rupees two crore out of the grant of rupee four crore from GOI for setting up of food park at Maneri. Instead of utilising the grant for this purpose, the Company invested the amount in term deposit for reasons not on record. As a result, it could not obtain the balance grant of rupees two crore from GOI. Thus, the common facilities envisaged in the project could not yet be started (August 2005).

**Deficient planning coupled with failure to provide basic infrastructure facilities resulted in the expenditure of Rs.31.26 crore remaining unproductive.**

Thus, deficient planning coupled with AKVNs' failure to provide basic infrastructural facilities like electricity, water supply and unprofessional execution of the parks resulted in the expenditure of Rs.31.26 crore remaining unproductive. Besides, this did not prove to be an incentive for prospective agro-based entrepreneurs to set up their industrial units as they could not derive any benefit. Above all, neither the expected revenue nor employment generation could be achieved, thereby defeating the objective of setting up of these parks.

### **Integrated Infrastructure Development Centres**

**2.2.31** Pursuant to policy measures for promoting and strengthening of small, tiny and village industries in rural/backward areas, the GOI, Ministry of Industries introduced (1994) a scheme to set up Integrated Infrastructure Development (IID) centres with the objective to :

- promote cluster of small scale and tiny units to create employment opportunities and linkage between agriculture and industry
- provide common service facilities and technological back-up services; and
- create infrastructure facilities like power, water, communication etc. in the new/existing industrial areas.

The scheme was envisaged to be financed through grant by GOI (40 per cent), loan by SIDBI\* (60 per cent) for a project up to rupees five crore. The cost in excess of rupees five crore would be financed by the State Government. The project cost includes cost of land, laying and leveling road, water supply, power, drainage etc. (Rs.3.05 crore) common facilities—post office, conference hall, bank, raw material depot, canteen (Rs.50 lakh) Effluent Treatment Plant (ETP) (Rs.50 lakh) telecommunication (Rs.50 lakh) and building for common service (Rs.45 lakh).

During 2000-05, AKVNs Indore, Jabalpur and Gwalior set up six IIDCs involving 1204 plots <sup>ψ</sup> of which only three plots were allotted to industrial units. Against expected employment generation for 14683 persons and revenue of Rs.12.05 crore by 31 March 2005, the achievement was negligible (Rs.0.12 crore) (**Annexure-19**). The AKVNs incurred Rs.8.79 crore <sup>φ</sup> on these IIDCs (including Rs.2.08 crore on the centre at Nadantola prior to 1998).

The deficiencies noticed in audit are discussed below:

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\* SIDBI- Small Industries Development Bank of India.

ψ  $146+261+199+358+112+128=1204$ .

φ  $1.97+1.16+0.44+2.27+0.36+0.51=6.71+2.08=Rs.8.79$  crore.

***Absence of field study /survey***

**2.2.32** As per criteria prescribed by GOI for selection of IID centres, the selection should be preceded by a comprehensive potential survey of the area. Potentiality for small scale and tiny industrials should be clearly established with organic linkages between agriculture and industry. It was, however, noticed in audit that AKVNs did not conduct any survey/field study of prospective industrial units that would avail the benefit of these centres. No study was made on the likely small scale or cluster of units nor any enquiries, expression of willingness etc. obtained from existing industries. As the centres were formed without assessment of demand, AKVNs could not identify potential industrial units and the centres remained largely idle.

***Lack of monitoring and evaluation study***

**2.2.33** As per the scheme, AKVNs were required to conduct concurrent and *post facto* evaluation studies to take corrective measures. It was observed in audit that out of 1204 plots developed during 2000-05 by the AKVNs in six IID centres, only three plots were allotted up to 31 March 2005. Still, the AKVNs did not conduct any study or review their performance to assess the reasons for the negligible demand nor took corrective steps. Consequently, the centres set up at a cost of Rs.8.79 crore continue to remain idle with their draw backs/ deficiencies like absence of common facilities remaining unattended.

***Delay in taking up the scheme***

**2.2.34** GOI had announced the scheme of IIDC for small scale and tiny industries in March 1994. Three AKVNs, however, started implementing the scheme only between September 2000 and November 2003 and thereby delayed the development of infrastructure facilities for these categories of industries by six to eight years.

***Failure to provide common facilities***

**2.2.35** GOI guidelines stipulated that the centres should have access to basic facilities like telecommunications, Effluent Treatment Plant, building for common service facilities to the extent of 40 per cent i.e. Rs.2.00 crore. It was, however, observed in audit that the project estimates for IIDC at Jaggakhedi, Nimarani, Lamtara and Jaderua did not include any provision and the estimate for Naugaon and Pratappura included insufficient provision for these facilities. Failure of AKVNs to provide common facilities envisaged in the scheme resulted in the entrepreneurs not being attracted to the centres.

***Absence of time schedule***

**2.2.36** The project reports of AKVNs did not indicate any time frame for completion and as a result even after two to five years, the centres except center at Lamtara were not completed. As a result, the expected benefits of the scheme could not be derived as yet.

***Non utilisation of loan drawn for the scheme.***

**2.2.37** It was observed in audit that AKVN, Indore received (November 2002) loan of rupees one crore from SIDBI for the centre at Jaggakhedi and refunded (February 2003) the same with interest (Rs.4.03 lakh) without utilising the loan. The reasons for refund without utilisation were not on record.

***Failure to draw loan assistance***

**2.2.38** As per the scheme, 60 per cent of the amount i.e. rupees three crore would be availed as loan from SIDBI.

It was noticed in audit that AKVN, Gwalior did not provide for loan assistance from SIDBI in their project report and AKVN, Jabalpur did not receive any loan from SIDBI.

AKVN, Jabalpur stated (August 2005) that the remaining work would be completed on receipt of funds from the State Government. The reply is not convincing because the scheme was to be implemented from funds from GOI (grant) and SIDBI (loan) in the ratio of 2:3, which was not availed.

***Setting up of more centres without identifying entrepreneurs for the already developed centres***

**2.2.39** AKVN, Gwalior took up for execution one IID centre at Nadantola in May 1997 and incurred Rs.2.08 crore on construction of roads, culverts drains (Rs.1.15 crore) and common facilities (Rs.51.45 lakh) water resources and distribution (Rs.3.73 lakh) and contingencies (Rs.28.40 lakh). However, for reasons not on record, the Company did not complete the scheme even after eight years. Consequently, it would have to incur additional expenditure on these items, as the infrastructure created eight years ago may have deteriorated/got damaged.

Without taking steps to complete the scheme, taking corrective action therefor, and also identifying prospective entrepreneurs, AKVN, Gwalior started implementing three more IID centres at different places and spent further Rs.3.14 crore and developed 598 plots of land out of which only three plots were allotted (August 2005). The remaining plots could not be allotted as the common facilities as per the scheme were not created by the Company. As a result, the entire expenditure of Rs.5.22 crore remained unproductive.

Thus, AKVNs failure to (a) approach the issue professionally adhering to the guidelines of Government of India (b) assess market potential and (c) identify prospective entrepreneurs, resulted in expenditure of Rs.8.79 crore remaining unfruitful. This defeated the objective of forming clusters of tiny units under the scheme.

**AKVNs' failure to provide common facilities and identify prospective entrepreneurs resulted in the expenditure of Rs.8.79 crore remaining unfruitful.**

## Conclusion

The AKVNs neither evolved any long term plan or strategy for acquisition of land nor did they fix annual targets in this regard. No new growth centres were identified by the AKVNs during the last five years ended 31 March 2005, and such centres identified before 1990 were not completed even by March 2005. There were delays in acquiring and developing land, providing infrastructure facilities and allotting developed plots to industrial units mainly due to failure to attract prospective entrepreneurs. There were instances of loss of revenue due to non/less charging of additional premium. Implementation of the Central Government schemes was not professionally managed as special economic zone, food parks and Integrated infrastructure development centres were set up without proper survey/field study after assessing market demand and without synchronising various stages of implementation. There was laxity in collecting dues from industrial units and funds meant for infrastructure facilities were diverted. These deficiencies/lapses/shortcomings resulted in denial of the scheme benefits to the targeted category of industries or clusters of units, loss of revenue, non-generation of employment and thereby returns to the State Government/ Companies. This defeated the objective of speedy and wider industrialisation of the State.

## Recommendations

In view of the above, concerted efforts should be made by the AKVNs for

- acquiring land, developing identified growth centres, and allotting the developed plots; and
- completing the allotment of plots under SEZ, Food Parks and IID centres on priority and making use of them by attracting entrepreneurs.

These efforts should be according to a time bound programme to speed up the pace of industrial development in the State.

The above matters were reported to Government (July 2005); its reply had not been received (September 2005).



## CHAPTER-III

### REVIEW IN RESPECT OF STATUTORY CORPORATION

#### Procurement, performance and maintenance of transformers in Madhya Pradesh State Electricity Board

##### Highlights

Madhya Pradesh State Electricity Board failed to maintain a balance between the growth of sub-transmission & distribution transmission capacity in relation to the connected load. The Distribution transformation capacity was 155 to 230 per cent higher than the connected load upto the year ended 31 March 2004. The mismatch resulted in overloading with consequential failure of transformers and transmission and distribution (T&D) losses of over 250 per cent of the accepted level of such losses fixed by the Central Electricity Authority.

*(Paragraphs 3.6.1 and 3.6.2)*

The Board lost Rs.10619.31 crore of potential revenue due to these excessive T&D losses. The Board failed to achieve even the modest target of reduction of T&D losses progressively to 28 percent by 2004-05 as prescribed by the regulatory commission.

*(Paragraph 3.6.2)*

Deficient planning and bid evaluation coupled with delays in bid evaluation, commissioning of transformers, construction of sub-stations, resulted in avoidable excess expenditure of Rs.70.40 crore on the procurement of transformers. Besides, the delays in completion of various schemes resulted in unquantifiable losses in revenue.

*(Paragraphs 3.6.4, 3.6.5, 3.6.7, 3.6.8 and 3.6.9)*

The failure rate of transformers at 14.56 per cent in the year 2000-01 increased to 24.14 per cent during the year 2003-04 indicating slack and deteriorating quality assurance system.

*(Paragraph 3.6.12)*

The guidelines issued by Power Finance Corporation (PFC) lay down that no transformer should be loaded beyond 75 to 80 percent of its capacity. During the years from 2000-05, 211 transformers were, however, found overloaded from 100.02 to 124.37 per cent.

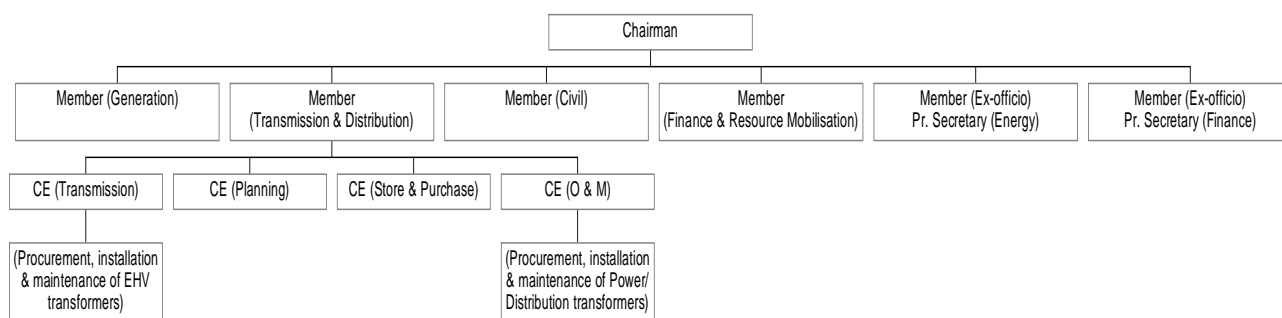
*(Paragraph 3.6.13)*

**The Board did not take action for the repair of high cost EHV transformers as also repair and conversion of other transformer for up to four years. Timely action for repair of nine 40 MVA and 15 transformers up to 20 MVA could have saved the Board financial outgo of Rs.10.62 crore and Rs.12.00 crore respectively. Ineffective contract management by the Board with regard to repair of transformers including non-availment of guarantee cover, non-invocation of risk and cost clause etc. cost the Board Rs.6.82 crore in addition to non-maintenance of quality supply to the consumers.**

*(Paragraphs 3.6.6, 3.6.15, 3.6.21 and 3.6.23)*

## Introduction

**3.1** Transformer is a static equipment used for stepping up or stepping down voltage in generation, transmission and distribution of electricity. Power is usually generated at a low voltage of 11 KV to 15.4 KV and is then stepped up to 132 KV/ 220 KV/400 KV through power transformers for bulk transmission to the load centres. At the receiving sub-station, voltage is brought down (220 KV/ 132 KV/ 66 KV/ 33KV) by using stepdown transformers and further stepped down (11 KV to 0.4 KV) for supplying to various consumers. The transformers used at the generating stations and in the high voltage sub-stations (known as transmission system) are called power transformers while transformers used in the distribution system are called distribution transformers. Power is distributed to the consumers and licensees through transmission and distribution lines at voltage ranging from 440 volts to 132 KV. The benefit of transmitting power at high and extra high voltages is the reduction in line losses. The organization set-up of the Board is as under:



The procurement, performance and repair of transformers by MPSEB (Board) were last reviewed and incorporated in the Report of the Comptroller and Auditor General of India for the year 1987-88 (Commercial) which was discussed (31 October 1995) by the Committee on Public Undertakings

(COPU). The recommendation of the COPU and the Action Taken Note thereon were, however, awaited (August 2005).

### Scope of Audit

**3.2** The present review covers the performance of the Board with regard to procurement, performance and repair of transformers for the last five years ended March 2005. Audit was carried out between January and May 2005 through examination of records at the headquarters of the Board at Jabalpur, one out of two Major Transformer Repairing Units (MTRUs), 12 out of 142 Operation and Maintenance (O&M) divisions and 6 out of 15 Area Stores.

### Audit objectives

**3.3** Performance audit of the procurement, performance and repair of transformers by MPSEB was carried out to assess whether:

- the transformation capacity was commensurate with the connected load;
- there existed an appropriate procedure for the procurement of transformers to minimise delay, ensure quality and to avoid extra/excess expenditure in procurement;
- transformers failed within or beyond guarantee period are got repaired quickly;
- transformers installed at various substations are maintained as per the manufacturers' specification to ensure trouble free service and long life; and
- the Board ensures the extent of compliance of maintenance schedule of transformers installed in the system.

### Audit criteria

**3.4** The following audit criteria were adopted:

System of planning, award of work/contract management for system augmentation, construction of sub-stations, procurement of material and their storage, number and installed capacity of transformer repair workshops, rules, procedures, specifications and other Board's instructions with regards to repair and inventory management including scrapping of transformers. Terms and conditions of transformer repair agreements, delegation of powers including instructions of the specialized agencies etc.

### Audit methodology

**3.5** Audit was carried out through analysis of the data/information on transformer related records at Head Office and O&M divisions, verification of procurements made, the maintenance programme, cause-wise reasons of failure, time taken to repair the failed transformers so as to put them to use in system, examination of recommendation files, Tender specification files, order files, execution files, loss/extra expenditure on procurement.

### Audit findings

The audit findings were reported to the Government/Management in June 2005 and discussed at a meeting of the Audit Review Committee for Public Sector Enterprises (ARCPSE) held on 18 August 2005, where Government was represented by the Secretary, Energy Department and the management was represented by the senior officials of the Board. The review was finalised after considering the views of the Government/Management.

The audit findings are discussed in the succeeding paragraphs.

#### *Growth of transformation capacity*

**3.6.1** Adequate grid power transformation capacity is needed for evacuation of power from generating stations. Sub-power transformation capacity is the middle chain for feeding distribution transformers to meet power load of the consumers.

The table below indicates the growth of the power transformation capacity, distribution transformation capacity, connected load, and length of High Tension (HT) / Low Tension (LT) lines during the five years ended March 2005.

Sl. No.	Particulars	2000-01	2001-02	2002-03	2003-04	2004-05 **
1.	Grid power Transformation capacity (400/220/132/66/33 KV)					
	MVA	16615	16653	16975	19509	21812
	MW	14123	14155	14429	16583	18540
	No. of transformers	362	362	372	399	430
2.	Sub-power Transformation capacity (220/132/66/33/11/KV)					
	MVA	8437	8601	9347	9935	11193
	MW	7171	7311	7945	8445	9514
	No. of transformers	2437	2470	2642	2758	2970

Sl. No.	Particulars	2000-01	2001-02	2002-03	2003-04	2004-05 **
3.	Distribution Transformation capacity (11/0.4 KV)					
	MVA	13816	13391	14087	15120	15162
	MW	11744	11382	11974	12852	12888
	No. of transformers	155280	158267	164687	168393	170860
4.	Percentage of distribution transformation capacity in excess of sub-power transformation capacity	63.75	55.69	50.71	52.19	35.46
5.	Total connected load					
	MVA	9620	10061	10146	10209	10468
	MW	8177	8552	8624	8678	8898
6	(a) Distribution transformation capacity in excess of connected load (MW) (3-5)	3567	2830	3350	4174	3990
	(b) Percentage of excess distribution transformation capacity (6/5)	43.62	33.09	38.85	48.1	44.84
7.	Sub-power Transformation capacity per MVA of connected load (2/5)	0.88	0.85	0.92	0.97	1.07
8.	Distribution transformation capacity per MW of connected load (3/5)	1.44	1.33	1.39	1.48	1.45
9	Length of lines (Kms)					
	LT	319422	320406	331067	335062	337021
	HT	198720	199690	206836	209929	NA
10	Ratio of LT Lines to HT Lines	1.61:1	1.60:1	1.60:1	1.75:1	NA
	Million Watt (MW)= Million Voltage Ampere (MVA x 0.85)					

**\*\* Figures for 2004-05 are provisional**

It would be seen from the above table that

**There was mismatch between sub-transformation and distribution transformation capacity and the connected load**

- As on 31 March 2004, the sub-power transformation capacity was 9935 MVA and distribution transformation capacity was 15120 MVA against the connected load of 10209 MVA. The sub-transformation capacity per MVA of connected load ranged between 0.85 MVA and 1.07 MVA during 2000-01 to 2004-05 against the ideal capacity of one. Similarly, the distribution transformation capacity per MW of connected load ranged between 1.33 to 1.48 MW during the last five years ended March 2005 indicating that the distribution transformation capacity was on the higher side. Audit analysis revealed that in three out of seven regions (Ujjain, Indore, Gwalior) the distribution transformation capacity ranged between 1825 and 3131.73 MVA as compared to connected load between 795 and 2024.59 MW during the last four years ended 31 March 2004. Thus, the distribution transformation capacity was 155 to 230 per cent higher than the connected load up to the year ended 31 March 2004.
- This mismatch in sub-transformation capacity and connected load resulted in overloading of Extra High Voltage (EHV) power transformers leading to failure of the transformers. There was thus an urgent requirement to augment the sub-transformation capacity to avoid further damage to the transformers. On the other hand, distribution transformation capacity was much higher than the connected load. The Board failed to maintain a balance in the growth of sub-transformation and distribution transformation capacity vis-à-vis the connected load.

***Excessive transmission losses:***

**3.6.2** Transmission losses occur due to resistance in the conductors through which the energy is carried from one place to another. Transformation losses include copper losses (load losses) which are dependent upon the quantum of power being transformed whereas iron losses (no load losses) are due to design characteristics of the transformers and are constant irrespective of the magnitude of load on the system.

**Excessive transmission and distribution losses resulted in loss of potential revenue of Rs.10619.31 crore.**

Central Electricity Authority (CEA) fixed the accepted level of transmission and distribution (T&D) losses at 15.5 per cent (8.5 per cent transmission and sub-transmission losses and 7 per cent distribution losses). Against this the actual losses in the Board's system ranged between 43.99 and 50.97 per cent during the last four years ended March 2004, which is 250 per cent of the accepted level of such losses. Due to excessive T&D losses, the Board lost potential revenue of Rs.10,619.31 crore.

The Madhya Pradesh Electricity Regulatory Commission (MPERC) Bhopal, in its tariff order dated 30 November 2002 prescribed targets of reduction of T&D losses to 32 per cent during 2003-04 and 28 per cent during 2004-05 in phased manner, which were not achieved.

### ***Procurement of Transformers***

**3.6.3** During the last five years ended 31 March 2005, the Board procured 104 EHV power transformers (Rs.153.69 crore) and 42522 distribution transformers (Rs.231.49 crore). Some of the system deficiencies noticed during test check of procurement of transformers are discussed in the succeeding paragraphs.

#### ***Deficient planning***

##### ***Construction of 132 KV sub-stations***

**3.6.4** The transmission system of the State was overloaded to the extent of 67 per cent resulting in low voltage in several areas of the State. To overcome this problem, a loan assistance of Rs.588.98 crore was sanctioned (July 2001) by Asian Development Bank (ADB) to the Board for taking up various transmission upgradation and strengthening schemes in the State. The project cost benefit analysis revealed that with the installation of 132/33 KV sub-station, the reduction in loss would range between 5 and 16 MW for each 132 KV sub-station constructed. Based on this projection, the potential saving of energy through 25 numbers 132 KV sub-stations for a year worked out to 962 MUs and likely annual benefits of Rs.192.40 crore to the Board.

It was noticed in audit that the work orders for erection of four numbers of 132 KV sub-station (Alirajpur, Madhotal, Ron and Umariya) were issued in December 2002 for completion by June 2003. The supply of transformers started from March 2003 and was completed by April 2004 but the sub-stations could not be commissioned for want of handing over of the site to the contractor. Thus due to failure of the Board to synchronize allied works with the supply schedule of transformers, the commissioning of sub-station had been delayed by over one year which had resulted in a loss of Rs.30.78 crore (proportionately) on account of saving of 153.92 million units of energy foregone in a year through four sub-stations.

**Board's failure to synchronize allied works with supply schedule of transformers resulted in loss of Rs.30.78 crore**

The Board accepted the delay stating that the works of Ron and Madhotal sub-stations could not be commenced due to delay in acquisition of land and work of Alirajpur sub-station was delayed due to obstacles created by the local tribals. Reasons for delay in completion of Umariya sub-station were not intimated to Audit.

#### ***Ineffective contract management***

##### ***Delay in finalisation of tenders***

**3.6.5** During the review period the Board invited only three domestic tenders for procurement of transformers. The Board did not fix any time limit within which an offer for tender should be finalised. It was observed in audit that time taken in finalisation of offers ranged from 15 (Tender Specification 16/1999) to 8 months (TS 9/2001 and 10/2001), and in none of the cases was the offer finalised within the initial validity period.

The Board accepted (April 2005) the audit observation and stated that the benefit of delay was achieved by obtaining better design of transformers with lower losses, at reasonable cost. The reply is not tenable as the technical bids are opened and the technical aspects about design and load loss etc. are looked into well before the opening of price bids. The price bids are opened much in advance of the expiry of validity of offers even then there were delays in finalisation of offers and the Board had to bear the avoidable payment of price variation at enhanced rates due to such delays. The additional financial burden on account of extra price variation claim arising from the delays in finalisation of offers for tenders as also the loss due to delayed completion of supply could not be worked out in audit for want of details.

### ***Action not taken against defaulting Contractors***

**3.6.6** The Board placed (September 2002) an order on Emco Ltd., Thane for supply of two numbers 220 KV/ 160 MVA transformers (TR-09/2001) at a price of Rs.2.24 crore each.

The supplier delayed the delivery of one transformer by eight months and did not deliver the second transformer (May 2005). It was observed in audit that the Board neither initiated any legal action against the supplier nor invoked the risk and cost clause. Due to non-supply of the transformer, the installation/commissioning of sub-station at Pandhurna/ Rajgarh could not be completed as per schedule. The Board procured (September 2002) 220 KV/ 160 MVA transformer incurring extra cost of Rs.71.40 lakh which was recoverable from the defaulting contractor in terms of the contract. Had the Board initiated legal action and invoked the risk and cost clause against the supplier, it could have saved the extra expenditure of Rs.71.40 lakh.

In another case, the delivery schedule (Clause 5) required the supply of two transformers to be completed by May 2003. The firm, however, supplied only one transformer and the other transformer had not been delivered so far (May 2005).

**Extra expenditure of Rs.90.40 lakh due to non invoking of risk and cost clause**

The Board did not initiate any penal action against the defaulting firm. The Board placed further orders under ADB loan funds for supply of similar transformer at higher rates (Rs.1.41 crore per unit) in September 2002. Non invoking of the risk and cost clause had resulted not only in delay in completion of priority transmission work but also in a loss of Rs.19.00 lakh (Rs.1.41 crore of ADB (-) Rs.1.22 crore of TR-10/01) to the Board.

The Board stated (May 2005) that the risk and cost clause would be initiated only in the event of failure by the firm to supply the transformer by the revised committed date (April 2005 or 1st week of May 2005). The reply is not tenable as there was no provision in the agreement to revise the delivery date and that the Board, had already delayed penal action by two years. Moreover, the supply by the firm was still awaited (May 2005).



**Deficient bid evaluation and procurement of 132 KV 40 MVA transformers against ADB loan**

**3.6.7** The Board procured 315, 160 and 63 MVA power transformers in a single package, while 40 MVA transformers were procured in three packages at three different rates.

**Procurement of 40 MVA transformers without giving weightage for low load loss and load plus auxiliary loss resulted in extra expenditure of Rs.14.17 crore.**

As per prevailing practice of the Board, adjustments are made towards cost of no load loss at the rate of Rs.2.40 lakh per KW and load plus auxiliary loss at the rate of Rs.0.98 lakh per KW for the difference in loss to bring the quoted rates of suppliers at par. In case of procurement under ADB loan, this practice was not followed and power transformers of the same rating were procured against three different packages at three different rates. Had the prevailing practice been followed, the Board could have saved Rs.14.17 crore.

The Board stated (April 2005) that 40 MVA transformers were procured in three different packages in view of the limited capacity of the manufacturers and to get the transformers within the desired delivery period.

The reply is not tenable as the transformers of the same ratings and technical specifications could be procured in three different packages so as to get timely deliveries but not at three different rates. The rate difference between the three packages ranged from Rs.31 lakh to Rs.38 lakh per transformer.

**Defective tender evaluation**

**Procurement of 40 MVA transformers with similar specification at two different rates resulted extra expenditure of Rs.14.60 crore.**

**3.6.8** It was noticed in audit that the purchases made against ADB funded procurement for 160 and 40 MVA transformers were at higher rates as compared to Board funded purchases. This rate difference got further accentuated, in view of the fact that the ADB purchases were exempt from payment of Excise Duty. Though the purchase orders against domestic as well as ADB tenders were placed in the same month (September 2002), there was a rate difference amounting to Rs.14.60 crore between the procurement cost of ADB funded and Board funded purchases, as per details given below:-

Particulars of Power Transformers	Quantity procured against ADB funded	Unit FOR rate received against Board funded (Rs. in lakh)	Unit FOR rate of ADB funded (Rs. in lakh)	Unit rate difference (Rs. in lakh)	Total difference (Rs. in crore)
160 MVA	10	284.97	330.84	45.87	4.59
40 MVA (Pkg-IV)	20	122.00	141.24	19.24	3.85
40 MVA (Pkg-VI)	21	122.00	151.34	29.34	6.16
					<b>14.60</b>

Thus, defective system of tender evaluation resulted in extra expenditure of Rs.14.60 crore. The Board stated (April 2005) that the rates received against ADB tenders and domestic tenders could not be compared, as the technical

specifications and scope of supply were different. The reply is not tenable as there was no difference in technical specifications such as capacity of transformers, voltage ratios and there were no load losses and full load losses in both the cases, as per the bid documents.

(ii) In another case of International Competitive Bids (December 2002) for the procurement of distribution transformers under Madhya Pradesh Power Sector Development Projects financed by ADB, there were six packages containing some common items. The bids for the six packages were opened on 25 June 2003 and as per evaluation the lowest evaluated prices for all the six packages for common items were as detailed below:-

Package No.	Name of the lowest bidders	Capacity of distribution transformer (in KVA)	Number of items	Lowest evaluated price (Rs. in lakh)	Price per Unit (Rs.)	Price difference between packages (Rs.)
1.	M/s Star	10	2237	371.34	16,600	(2 – 1)
2.	M/s FTS	10	3727	657.30	17636	1036
3.	M/s RTS	100	1836	657.04	35787	(4 – 3)
4.	M/s Accurate	100	3059	1107.59	36208	421
5.	M/s RKE	200	892	601.92	67480	(6-5)
6.	M/s M & B	200	1483	1000.73	67480	nil

**Board incurred extra expenditure of Rs.51.49 lakh on procurement of transformers at different rates in the same tender.**

The Board incurred an extra expenditure of Rs.51.49 lakh\* for similar items due to ignoring price differences.

The Board stated (April 2005) that pursuant to sub-clause 36.6 of the Instruction to Bidders, the Board was to evaluate and compare the Bids on the basis of packages or combination of packages or total of packages in order to arrive at the least cost combination. The reply is not tenable as the Board should have negotiated with the bidders for the lowest evaluated prices of common items of all the six packages so as to avoid the price difference for the same items in different packages.

(iii) In yet another case the Board invited (November 2002) tenders for procurement of 33 KV and 11 KV Current Transformers (CTs) and 11 KV Potential Transformers (PTs) financed under ADB loan. As per the procedure laid down by ADB, the recommendation for procurement was to be sent to them duly signed by all approving authorities.

As per supply capacity criteria of the tender notice, bidders should have supplied 680 Nos 33 KV CTs, 2200 Nos 11 KV CTs and 300 Nos 11 KV PTs, in any two years put together during the past five years. The Board further

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\* *(Rs.1036 multiplied by 3727) plus (Rs.421 multiplied by 3059) = Rs.51.49 lakh.*

clarified (November 2002) that the supply of higher ratings of CT and PT and the supply of combined CT/PT units of prescribed/higher ratings shall be considered for deciding supply capacity criteria.

The Board, after vetting the bids, recommended to the ADB to accept the second lowest offer of Electrical Transformer Company, Bhopal (ETC) ignoring the lowest offer of Macroplast Limited, stating that the firm did not fulfill the supply capacity criteria. The ADB approved the proposals and the Board placed orders (May 2003) on ETC for supply of 4842 CTs and 510 PTs, which were supplied by them between August 2003 and February 2004.

On this being pointed out in audit, the Chief Engineer (Purchase) stated (December 2003) that they had not considered the combined CT/PT supply criterion of the lowest bidder as the bidder had counted each combined CT/PT as 3 CTs and 1 PT, which was not acceptable. The reply is not tenable, as the Board while issuing clarification on 22 November 2002 had nowhere stated that while considering the combined CT/PT units of prescribed/higher ratings, one combined CT/PT will be treated as 1 CT and 1 PT only. The ADB had also (March 2003) accepted that combined CT/PT with three CTs has three sets of core and winding and hence it should be counted as three CT and one PT.

Thus non consideration of the lowest offer of Macroplast Limited, who fulfilled the supply capacity criteria, resulted in extra expenditure of Rs.18.65 lakh.

#### ***Non-Recovery of liquidated damages***

**3.6.9** During the years 2000-01 to 2004-05, the Board placed orders for supply of 104 transformers of various ratings under four tenders, of which 91 transformers were received after delays ranging from 14 to 365 days and three transformers remained undelivered till date (May 2005).

**Board failed to recover penalty of Rs.10.14 crore for delay in supply of transformers.**

As per the Liquidated Damages clause of the agreement, the Board was eligible for recovery of penalty at the rate of 0.5 per cent of price of transformers for each week of delay subject to a maximum of 10 per cent. Accordingly, penalty amounting to Rs.10.14 crore was recoverable. The Board has not given the details of penalty recovered, if any, from the suppliers, so far.

The Board stated (April 2005) that as per the terms of the domestic as well as ADB contracts, the dates of readiness of the units for final inspection were to be considered as the dates of delivery and the delays from the dates of MRC\* as adopted by Audit were not correct. The reply is not acceptable as in none of the cases pointed out by Audit, were the dates of readiness of the units for final inspection, the dates of actual inspection by the Board officials and the dates of issue of despatch instructions made available during the course of

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\* *Material Receipt Certificate.*

audit or subsequently, despite assurance given during the Audit Review Committee meeting.

***Deficient execution***

***Delay in commissioning of Power Transformers***

**3.6.10** During the period from 2000-01 to 2004-05, the Board placed orders for the procurement of 104 power transformers of various ratings out of which 101 were supplied and one transformer each of 315, 160 and 40 MVA

remained unsupplied (May 2005). It was noticed that there were delays ranging from 2 to 400 days (after allowing 30 days for commissioning from the date of receipt of transformers by the Board) in commissioning of 89 out of 101 transformers and four transformers were still in commissioning stage. These delays resulted in an interest loss of Rs.4.77 crore to the Board (at the rate of 12 per cent per annum) on idle investment in these transformers.

**Delay of 2 to 400 days (after allowing 30 days) in commissioning transformers resulted in interest loss of Rs.4.77 crore on idle investment in these transformers.**

The Board stated (April 2005) that there had not been any interest loss as 89 units had already been installed before the ADB completion schedule of the project (June 2006). The reply is not tenable because during the period of delay in commissioning of the transformers the intended benefit could not be derived. The overall completion schedule of June 2006 did not mean that all the equipments would be commissioned in June 2006.

In case of four EHV transformers the delay in commissioning were attributed to the following avoidable reasons.

- (i) in case of one transformer (Shivpuri), the delay was attributed to financial crunch and delayed tie-up with ADB.
- (ii) in case of the second (Bairagarh), delay in supply of gantry, columns and single tension hardware
- (iii) in case of the third (Alirajpur), the delay in acquisition of land and
- (iv) in case of the fourth (Bina), the reasons for delay were not intimated. The above reasons could have been avoided by proper planning and taking timely action.

**Performance of Transformers**

**3.6.11** The Government of India, Ministry of Power prescribed (March 1994) the life of power transformers as 35 years and of distribution transformers as 25 years. The Board did not, however, formulate any policy for replacement of transformers that had outlived their useful life.

***Growing failure rate of distribution transformers***

**3.6.12** The table below indicates the persistent increase in failure rate of distribution transformers during the last five years up to 2004-05.

Financial year	Number of transformers installed at the beginning of the year	Number of transformers failed during the year	Failure percentage with reference to No. of transformers installed
2000-01	155280	22608	14.56
2001-02	156577	28383	18.13
2002-03	162011	32994	20.37
2003-04	166533	40199	24.14
2004-05	169106	38683	22.88

**The failure rate of transformers increased to 24.14 per cent by 2003-04. The percentage in eight O&M circles was found to be 30 per cent or above during these four years.**

It would be seen from the table above that the failure rate of distribution transformers was constantly growing during 2000-04 indicating slack and deteriorating quality assurance system. The failure rate at 14.56 per cent in the year 2000-01 increased to 24.14 per cent during the year 2003-04. Failure rate in some of the O&M circles was even higher. In eight O&M circles (Satna, Bhopal, Vidisha, Sehore, Rajgarh, Guna, Shivpuri, Indore) the average failure rate was 30 per cent or above with a constant rising trend during these four years. Neither were remedial measures taken to arrest the rising trend of failure, nor had any norms or permissible limit for failure been fixed by the Board.

The cause-effect analysis of distribution transformers as per the annual review conducted by the Board during 2000-05 is given below:

Sl. No.	Reasons of failure	Percentage of failure			
		2000-01	2001-02	2002-03	2003-04
1.	Manufacturing defects in new units	19.41	17.87	14.75	16.75
2.	Manufacturing defects in new repaired units	16.16	17.71	18.57	12.70
3.	Lightening	10.39	11.46	7.09	6.11
4.	Deterioration of insulators	4.76	3.45	6.73	5.73
5.	Short circuiting	8.04	13.08	9.09	7.81
6.	Other causes	14.51	15.75	20.29	18.03
7.	Reasons yet to be established	8.57	8.83	6.74	11.26
8.	Internal defects	7.96	4.42	9.66	11.97

**Note : Details for 2004-05 were awaited.**

It may be seen from the above table that the reasons for failure of transformers except Sl.No. 1 and 2, could have been controlled by taking proper maintenance and remedial measures.

### ***Overloading of Extra High Voltage (EHV) transformers***

**3.6.13** The guidelines issued by Power Finance Corporation (PFC) lay down that no transformers should be loaded beyond 75 to 80 per cent of its capacity.

The overloading of transformer not only results in excessive transmission losses but also leads to pre-mature failure of transformers.

The table below indicates the year-wise number of overloaded transformers and the extent of their overloading for the five years ended 31 March 2005.

**211 high cost EHV transformers were overloaded between 100.02 and 124.37 per cent during the last five years.**

Year	Number of overloaded EHV transformers	Percentage of overloading with reference to capacity
2000-01	30	100.54 to 117.20
2001-02	35	100.02 to 124.37
2002-03	51	100.02 to 119.51
2003-04	41	100.08 to 113.26
2004-05	54	100.75 to 115.03
<b>Total</b>	<b>211</b>	

Thus, 211 transformers were overloaded during 2000-05 and in one case overloading was up to 124 per cent of the designed capacity. EHV transformers are very costly equipment, the value ranging between Rs.1.25 crore (40 MVA) and Rs.4.73 crore (315 MVA) and heavy overloading thereof leads to premature failure of these transformers.

The Board accepted the fact of overloading and assured (May 2005) that remedial measures would be taken.

### **Repair of Transformers**

**3.6.14** The Board undertakes repair of damaged transformers both in-house at Major Transformers Repairing Units (MTRUs) and through contractors against rate contract.

#### ***Repair of transformers at Major Transformers Repairing Units***

**3.6.15** The Board had three MTRUs one each at Jabalpur, Indore and Gwalior (Closed) to repair damaged power (other than EHV power transformers) and distribution transformers. The performance of MTRU at Jabalpur for the period from 2000-01 to 2004-05 was test checked in audit.

The installed capacity, targets vis-à-vis achievements for the repair of transformers during the last five years ended 2004-05 are indicated in the table below:

Year	Installed capacity of transformers (Numbers)	Target (Numbers)	Achievements (Numbers)	Shortfall as against installed capacity (Numbers and percentage)	Shortfall in achievement as against the target (Numbers and percentage)
2000-01	2000	900	800	1200 (60)	100 (11.11)
2001-02	2000	900	710	1290 (64.50)	190 (21.11)
2002-03	2000	900	721	1279 (63.95)	179 (19.88)
2003-04	2000	900	652	1348 (67.42)	248 (27.55)
2004-05	2000	900	653	1347 (67.35)	247 (27.44)

**Under utilization of Board's in-house transformers repairing capacity resulted in extra expenditure of Rs.5.31 crore on repair of transformers from outside agencies.**

It would be seen from the above that the targets fixed during 2000-01 to 2004-05 were very low as compared to the installed capacity. The shortfall in utilisation of the installed capacity ranged between 60 per cent in 2000-01 and 67.40 per cent in 2003-04. The unit did not achieve even the modest targets fixed and the shortfall in achievement of targets was 11 per cent in 2000-01 and increased over the years to 27 per cent in 2004-05. Due to non-utilisation of the installed capacity of this MTRU, the Board had to incur Rs.5.31 crore on repair of transformers from outside agencies under rate contract, during 2000-05.

The Additional Superintending Engineer- MTRU Jabalpur admitted (April 2005) that about 2000 to 2500 defective transformers could be repaired if sufficient quantity of material/ equipments were provided to them.

#### *Repair of transformers through private agencies*

#### *Repair of EHV transformers*

**3.6.16** The year-wise breakup of failed EHV transformers is as under:

Year	Number of failed transformers	MVA ratings
2000-01	10	160 MVA-2, 40 MVA-2, 20MVA & below-6
2001-02	10	315 MVA -1, 40 MVA-4, 20 MVA-5
2002-03	8	40 MVA -4, 20 MVA-4
2003-04	5	40 MVA-3, 20 MVA-2
2004-05	6	40 MVA-2, 20 MVA-4
<b>Total</b>	<b>39</b>	

Audit noticed that (a) the Board did not initiate any action for repair of 24 out of 39 failed transformers even after lapse of periods ranging from three months to over four years.

**Non repair of nine 40 MVA failed transformers resulted in avoidable expenditure of Rs.10.62 crore on purchase of new transformers.**

The Board procured 78 numbers 40 MVA transformers at an average cost of Rs.1.18 crore per unit during this period. Timely action for repair of nine 40 MVA transformers by the Board could have saved an expenditure of Rs.10.62 crore on purchase of such transformers. Further, the Board did not take any action for repair of 15 transformers of upto 20 MVA capacity, even after lapse of six months to five years. This resulted in blockage of Rs.12.00 crore (Rs.80 lakh x 15 transformers) and consequential loss of interest of Rs.3.30 crore (up to December 2004).

The Chief Engineer (Planning) stated (April 2005) that the transformers were got repaired depending upon availability of funds allocated for repair and maintenance. The reply is not tenable as the allocation of funds for repair and maintenance should be apportioned according to the annual requirement and priority should be given to repairs over new purchases.

**Delay in placement of repair order and non lifting of transformers for repair after placement of order resulted in blockage of Board's inventory worth Rs.19.73 crore.**

(b) It was further noticed in audit that in case of 15 out of 39 failed EHV transformers there was a delay ranging from 17 days to more than two years (beyond 30 days) in lifting of 12 transformers by the repairing agencies to whom repair orders were issued and three transformers which failed between August 2000 and November 2002 had not even been lifted despite issue of repair orders. The delay in placement of repair orders/lifting of EHV transformers by the repairing firm resulted in blockage of Board's inventory worth Rs.19.73 crore with consequential loss of interest of Rs.1.13 crore up to March 2005.

The Board accepted (April 2005) the delay and attributed the reasons of delay to various considerations which were to be taken care of before declaring any unit as failed and its handing over to the repairing agencies.

The Board, however, did not specify any time limit for such consideration to be completed before handing over the transformer to the repairing agencies.

**Delays in commissioning of transformers after its repair resulted in blockade of inventory worth Rs.13.63 crore.**

(c) Four repaired EHV transformers were commissioned after delays ranging from 4 to 154 days (after allowing 30 days for commissioning). The delays in commissioning resulted in blockage of Board's inventory worth Rs.13.63 crore with consequential loss of interest of Rs.3.52 crore at the rate of 12 percent per annum up to March 2005.

The Chief Engineer (Planning) stated (April 2005) that 30 days' period might not be considered adequate for commissioning of a repaired unit. The reply is not tenable as the Board had neither revised the time limit for commissioning of transformers nor were the case-wise reasons for delays furnished to Audit.



***Delay in placement of repair orders***

**3.6.17** The Board did not prescribe any time limit/norms for finalisation of repair order from the date of failure of transformers though it prescribed that the failed transformers should be despatched within three months after finalising the repair orders. It was observed in audit that due attention was not given to timely placement of repair orders in respect of the power/EHV transformers failed at Thermal Power Stations as shown in the table below:

Sl. No.	Make/Serial No.	Capacity and place of failure	Date of failure	Date of despatch for repair	Period of delay in sending the transformer to the firm (Excluding 3 months for formalities) (in months)	Name of repairing firm
1.	NGEF 2800034637	63 MVA ATPS Chachai	4.6.2000	14.2.2003	29	Aditya Vidyut Appliances Ltd., Thane
2.	Vottamp 270512	16 MVA SGTPS Birsinghpur	3.9.2000	18.2.2004	38	-do-
3.	Vottamp 270513	16 MVA SGTPS Birsinghpur	9.5.2001	18.2.2004	30	-do-
4.	APEX Sl.No. NA	500 KVA ATPS Chachai	23.10.2002	Not issued upto 31.1.2005	24 (tentative figure)	Not issued
5.	TELK 1202942	20 MVA SGTPS Birsinghpur	17.6.2003	15.5.2004	8	Aditya Vidyut Appliances Ltd., Thane

The aforesaid transformers being capital intensive required immediate action for repair. The thermal power authorities, however, took 8 to 38 months (beyond three months) in finalising the repair orders and despatching them for repair.

***Avoidable expenditure of Rs.24 lakh on repair of transformer***

**3.6.18** Due to augmentation of substation at Indore to 132 KV one surplus 40 MVA BHEL make working transformer (Sl.No. 6004695) was shifted to 132 KV substation at Barwani. The transportation of the transformer was got done through a local transporter without entering into any agreement/ contract by the Board. The transformer stopped functioning after a day of commissioning on 30 March 2003. Thereafter the Board placed (June 2004) repair order on Rajasthan Transformer and Switchgears, Jaipur at Rs.24 lakh. The transformer is yet to be returned after repairs by the firm (March 2005).

Thus, the Board had to bear an expenditure of Rs.24 lakh on repair of the transformer which failed immediately after its commissioning due to probable mishandling by the transporter during shifting. The Superintending Engineer (T&C), Indore had also attributed the failure to the damage caused to some

spacers of the transformer during the transportation, which rendered the windings loose. The Board could not take any action against the transporter in the absence of any contract/agreement with him. The transformer was not insured for transit. The Board stated (April 2005) that no action was taken against the transporter as the transformer was in service for some time after commissioning at Barwani. The reply is not acceptable as running of a transformer for a few hours could not be considered as successful commissioning after shifting.

***Delay in placement/ execution of order for conversion of EHV transformer***

**3.6.19** A 30 MVA 132/66/11 KV EHV transformer in good working condition rendered surplus in September 1992 at Chhindwara was considered for conversion of its winding from 66 KV to 33 KV ratings. The Board however, placed (June 2001) an order for upgradation/uprating of transformer on Tarapur Transformers (Pvt.) Ltd. (TTPL) Mumbai in June 2001 after a lapse of about nine years. Moreover, TTPL had not carried out even initial joint inspection of transformer at site so far and as such the unit could not be handed over to them till date (April 2005).

Reasons for delay in placement of conversion order as well as non-cancellation of order placed on TTPL even after nine years were not explained to Audit. The Board stated that the transformer had already rendered more than 30 years of service and had completed its useful life. Reply is not tenable in view of the fact that when the transformer was replaced and rendered surplus in 1992 it was considered good and in working condition and good enough for conversion. The delay in placement of order and non-execution of the order by the firm had resulted in idling of such a costly equipment which seems to have lost its utility due to passage of such a long period. Further, the loss could not be quantified for want of details.

***Delay in repair of 20 MVA EMCO transformers***

**3.6.20** One 20 MVA transformer installed at 220 KV sub-station Itarsi which failed in 1991, and remained idle till October 1999, was commissioned after repairs, at 132 KV sub-station Balaghat on 12 November 2001.

Due to augmentation of Balaghat substation, the 20 MVA transformer was taken out (July 2003) and shifted to Mandla where it was re-commissioned on 6 December 2003. The transformer remained unused for 149 days (July to December 2003) out of the performance guarantee of 36 months given by the repairing firm (Star delta, Bhopal).

As such the transformer was under performance guarantee up to 12 November 2004. Due to some technical problem, the transformer stopped functioning on 20 November 2004, eight days after the expiry of the performance guarantee on 12 November 2004 since then the transformer was lying idle (May 2005). Had the transformer been shifted and re-commissioned at Mandla in time (30 days), the Board could have got it repaired free of cost within the performance

guarantee period. The Board accepted (April 2005) the delay in re-commissioning of the transformer at Mandla.

**3.6.21** The Board placed an order for repair of one 16 MVA transformer on Rajasthan Transformers and Switchgears, Jaipur (RTS) for a cost of Rs.8.00 lakh. As per the repair order, the repaired transformer was guaranteed for satisfactory performance for a period of 36 months from the date of commissioning.

The repaired transformer commissioned on 26 September 2001 at 132 KV substation, Katni failed on 14 September 2004 when it was still covered under the performance guarantee up to 25 September 2004. The Board intimated (27 October 2004) its failure to the repairing firm RTS for re-repair on 27 October 2004 i.e. after a delay of about one and half months from the date of expiry of the performance guarantee. The firm did not accept Board's claim that the transformer had failed within the performance guarantee as intimation of its failure was given after expiry of the performance guarantee period.

Thus, delayed intimation of failure to the firm resulted in loss of opportunity to save repairing cost of about Rs.8 lakh which the Board was bound to bear on its repair in future.

The Board (April 2005) accepted the delay in intimation of failure of the unit to the firm and stated that the matter was being pursued with the firm.

**3.6.22** The Board finalised the rate contract for repair of EHV transformers in 1999 on firm price basis with no price variation clause and placed various orders for repair of such transformers thereafter.

As per the order issued on 18 May 2001, one 40 MVA power transformer was got repaired under the above rate contract from RTS Jaipur at a firm price of Rs.16.80 lakh.

Subsequently, when two 40 MVA failed transformers of Bharat Bijlee Ltd., Mumbai (BBL) were sent for repair, RTS put following conditions (August 2002) for consideration before taking up further repairs:

- The transportation, loading and unloading charges may be reviewed or transformer delivered at their works;
- Charges for insulation material used in winding assembly may be reconsidered.

Instead of reviewing the rates as requested by the firm, the Board placed (August 2002) a repair order on BBL for repair of those two transformers for a cost of Rs.42.52 lakh (exclusive of to and fro transportation, ED/ST) on a single enquiry and without assessing the reasonability of rates. The rates charged by BBL were higher by Rs.4.46 lakh per transformer, excluding transportation, resulting in an extra expenditure of Rs.8.92 lakh.

The Board stated (April 2005) that the timely repair of the two transformers by BBL had helped the Board in sorting out the load management problem and uninterrupted power supply in the area. The reply is not tenable as RTS who were under approved rate contract were also repairing the transformers well in time and the delay occurred due to abnormally delayed payment by the Board.

***Non-invocation of guarantee clause and placement of repair order on other firm***

**3.6.23** A 20 MVA 220/33 KVA TELK make transformer originally installed (October 1991) at Sanjay Gandhi Thermal Power Station, Birsinghpur failed in June 1996 was got repaired by Tarapur Transformers, Mumbai twice and the repaired transformer was shifted to Tons Hydro Electric Station, Sirmour where it was commissioned on 5 October 2003. The guarantee clause as per repair order categorically laid down that the repairing firm was contractually bound to repair the transformers if it failed within 12 months from the date of commissioning or 18 months from the date of dispatch from works, whichever was earlier, failing which the repair could be got done through some other agency at the risk and cost of the defaulting contractor and security deposit of Rs.2.26 lakh forfeited. The transformer failed on 10 January 2004 just after three months of commissioning. The matter was not taken up with Tarapur Transformers for re-repairing under the guarantee clause and finally an order was placed on Transformers and Electricals, Kerala (TELK) (March 2005) at a repair cost of Rs.44.15 lakh excluding taxes and duties. Had the guarantee clause been invoked the aforesaid amount could have been saved. The costly EHV transformer is lying un-repaired for the past one and a half year.

**Board's failure to get the transformers repaired within the guarantee period resulted in extra expenditure of Rs.44.15 lakh.**

***Delay in repairing of power transformers resulting in blockage of funds***

**3.6.24** Audit scrutiny revealed that 196 power transformers (1.6, 3.15 and 5 MVA) valuing Rs.7.98 crore (179 FBGP : Rs.7.13 crore and 17 FWGP : Rs.85.00 lakh) were lying idle as on 28 February 2005. It was noticed in audit that:

- 179 transformers failed beyond guarantee period had been lying in three Area Stores (Chhindwara, Itarsi and Satna) for periods ranging from 2 to 106 months. The transformers FBGP were lying unattended at Satna for periods ranging from two to 106 months (including 6 burnt transformers), at Itarsi 5 to 17 months and Chhindwara 11 to 29 months. The Board neither initiated any action for getting the transformers repaired nor did it prepare any action plan for their repair in future.
- As per Board's circular (July 1999) the transformers FWGP were to be repaired free of cost by the firm within six months from the date of intimation of failure to the firm. One failed power transformer (3.15 MVA) worth Rs.12 lakh was lying in Area Store Itarsi after November 2003, and had not been lifted by the firm even after a lapse of more than two years after its failure. One power transformer (1.6 MVA)

worth Rs.3.28 lakh lifted by the firm in January 2003 for repair was lying with them and had not been returned back so far. The reasons for delay in getting the transformer repaired were neither found on record nor stated to Audit. The details of balance 15 transformers (FWGP) lying in other stores were not made available to Audit.

**Board's failure to get repaired 196 power transformers (both FBGP and FWGP) resulted in blocking of Rs.7.98 crore.**

It was further observed in audit that one 2.5 MVA 33/11 KV "NEI" make power transformer (RV 2280/01) valued Rs.4.43 lakh was lifted by United Electricals, Bhopal from Area Store Itarsi in December 1999. The transformer had not been repaired by the firm but the Board did not initiate any legal action against the firm (May 2005).

Thus delay/non-initiation of appropriate action for repairing 196 transformers had resulted in blockage of Board's funds to the tune of Rs.7.98 crore with consequential interest loss of Rs.95.73 lakh per annum at the rate of 12 percent. Besides, the Board had to incur additional expenditure on procurement of new transformers for replacement of failed ones.

### ***Non repair of Distribution Transformers***

#### ***Distribution Transformers failed within guarantee period***

**3.6.25** It was noticed in audit that 14170\* transformers FWGP valuing Rs.48.41 crore were lying unrepaired either at Area Stores or with the firms as on February 2005. It was further seen that :

Out of 2845 new transformers valuing Rs.11.45 crore which failed within the guarantee period, 1426 and 1419 transformers were lying with the Area Stores and the repairing firms respectively at the end of February 2005.

Similarly, out of 11325 transformers valuing Rs.36.65 crore which failed within the guarantee period of their repair under rate contract, 4912 and 6413 transformers were lying with the area stores and repairing firms respectively at the end of February 2005.

Thus, the failed transformers had been lying unattended for periods ranging from 1 month to over 19 years in Area Stores and from 1 month to 16 years with the firms. The Board did not initiate any action against the defaulting firms.

**Failure of the Board in initiating action for repair of 14170 FWGP transformers resulted in idle inventory of Rs.48.41 crore.**

The Board's failure in initiating timely action for getting the transformers repaired within the guarantee period had resulted in idle inventory of Rs.48.41 crore. Besides, losing the benefit of free repair of such failed transformers there was an interest loss of Rs.5.81 crore per annum to the Board as the delay in repair of transformers resulted in purchase of new transformers from borrowed funds.

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\* 25 KVA -434, 63 KVA-7159, 100 KVA-5711, 200 KVA-791 and 315 KVA-75.

**Distribution Transformers failed beyond guarantee period (FBGP)**

**Board's failure in taking timely action for repair of 13104 FBGP transformers resulted in idle inventory of Rs.31.74 crore.**

**3.6.26** As on 28 February 2005, 13104<sup>♦</sup> transformers up to 315 KVA valuing Rs.31.74 crore FBGP were either lying at various Area Stores<sup>▲</sup> or with the firms<sup>®</sup>. The age-wise details of these transformers were neither made available to Audit nor found on record. It was, however, noticed in four Area Stores (Satna, Chhindwara, Itarsi and Sagar) that the Board did not initiate timely action to get such transformers repaired. In the absence of age-wise details, the period of delay could not be worked out in audit. The Board's failure in initiating timely action for repair of transformers resulted in piling up of idle inventory worth Rs.31.74 crore with consequential interest loss of Rs.3.81 crore per annum.

**Transformers worth Rs.4.99 crore lost in fire**

**3.6.27** A major fire accident broke out on 11 April 2004 at area store Satna. It engulfed 570 transformers valuing Rs.2.22 crore which failed within the guarantee period (FWGP) and were lying in the store for being lifted by the suppliers for repair/replacement at their cost. Besides, 1971 un-repairable 25 KVA transformers and 270 other assorted size distribution transformers valuing Rs.2.77 crore were also burnt in the fire.

An investigation (January 2005) into the cause of the fire revealed that unsafe level of clearance between HT and LT line passing over the area combined with improper sag/tension, and overloading of the top conductor of LT line resulted in a short circuit causing huge fire at the store.

Thus, violation of the Indian Electricity Supply Rules 1956 and absence of necessary precautionary measures resulted in a major fire due to which the Board had to suffer loss of transformers worth Rs.4.99 crore including new transformers valued Rs.2.22 crore besides other losses. Final action on the report of the investigation team had not been taken so far (May 2005).

**Conclusion**

**The performance of the Board with regard to procurement, performance and maintenance of transformers was found to be sub-optimal during the period 2000-05. The Board took up the work in a fragmented way which**

<sup>♦</sup> 25 KVA- 5338, 63 KVA – 4640, 100 KVA – 2531, 200 KVA- 545, 315 KVA – 50.

<sup>▲</sup> 25 KVA- 5208, 63. KVA – 2174, 100 KVA – 930, 200 KVA- 152, 315 KVA – 47.

<sup>®</sup> 25 KVA- 130, 63 KVA – 2466, 100 KVA- 1601, 200 KVA- 393, 315 KVA – 3.

**suffered from defective planning, ineffective contract management with regard to procurement, repair and maintenance of transformers as also inventory management. The Board's unprofessional handling of these functions not only resulted in its failure to arrest high T&D losses and avoidable extra cost but the consumer also could not be supplied uninterrupted quality power.**

### **Recommendations**

The Board should take immediate steps to:

- remove the imbalance in growth of sub-transformation and distribution transformation capacity vis-à-vis connected load;
- arrest excessive T&D losses;
- revamp procedures for procurement of transformers to avoid delays in finalisation of tenders, deficiency in system of evaluation and reasonability of rates;
- fix time limit for finalisation of offers for placement of orders;
- formulate a dependable policy for timely repair of failed transformers; and
- identify and dispose of scrapped transformers.

## CHAPTER IV

### Transaction Audit Observations

#### Introduction

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

#### Government companies

#### Madhya Pradesh State Civil Supplies Corporation Limited

##### *Over payment made to transport contractors*

**Payment for element of work not done by transport contractors resulted in extra expenditure of Rs.7.49 crore.**

**4.1** Madhya Pradesh State Civil Supplies Corporation Limited (Company) undertakes supply of foodgrains for distribution in the State through Public Distribution System, *Sampoorna Gramin Rozgar Yojana*, Mid-day meal scheme etc. The foodgrains are lifted from the Food Corporation of India (FCI) base-depots and transported to warehouses of various storage agencies for storage till supplied through the above schemes.

Scrutiny of tenders floated during 2000-03 revealed that while inviting tenders for transportation of the foodgrains, the Company included the element of *Hammali*<sup>^</sup> with complete items of work to be undertaken by the contractors and the rates quoted by the contractors were inclusive of the cost of this item of work at FCI base depot. The rates, inclusive of *Hammali* (at the rate of Rs. two per quintal) were accordingly received and accepted by the Company.

It was noticed in audit that the *Hammali* work was done by the FCI at its own cost. Despite being aware of this, the Company paid *Hammali* charges at rupees two per quintal towards the transportation of 374.47 lakh quintals foodgrains during 2000-03 for eventual distribution through the above schemes. This has resulted in over payment of Rs.7.49 crore.

The Management stated (December 2004) that necessary changes are carried out in the tender forms from time to time on the basis of suggestions/

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<sup>^</sup> *Hammali-Handling expenses incurred in destacking, weighing and loading of foodgrains at loading points.*



complaints of transporters and arbitration awards. The reply is not tenable since the FCI had already made it clear on 22 July 2002 that it undertakes operation of destacking of food grain bags from the stacks, loading of foodgrains into the trucks and arranging 100 per cent weightment within the depot premises. The tenders should have been invited accordingly. Moreover, in respect of tenders invited for transportation during 2003-04, the Company expressly incorporated a condition that contractors should quote their rates net of *hammali* because the FCI undertakes these items of work at its own cost.

Thus, during 2002-03, the Company's failure to exclude this element of cost, which was being borne by the FCI, resulted in over payment of Rs.7.49 crore\* to the transport contractors.

The matter was reported to the Government (May 2005); its reply had not been received (September 2005).

***Loss due to procurement of non-fair average quality wheat***

**Procurement of non-fair average quality wheat resulted in a loss of Rs.1.37 crore.**

**4.2** Madhya Pradesh State Civil Supplies Corporation Limited (Company) had been procuring wheat under the de-centralised procurement scheme for distribution through Public Distribution System at the rates fixed by Government of India (GOI). The Company was entitled to a price differential on wheat so distributed equal to the difference between the economic cost of procurement and the actual rates realised from the various categories of consumers. This was subject to the condition that the wheat procured under the scheme should be of Fair Average Quality (FAQ).

The Satna District unit of the Company procured 24375 MT wheat, against an estimated quantity of 5360 MT during the Rabi marketing season 2003-04, out of which 3948 MT was found to be non-FAQ. The Company was not entitled to price differentials on this non-FAQ wheat. The Company, however, submitted (December 2003) its provisional price differential claim to the State Government for Rs.70.23 crore including Rs.1.37 crore for the price differential on 3948 MT non-FAQ wheat. The State Government, directed (February 2004) the Company to withdraw the claim for non-FAQ wheat. Accordingly, it submitted (February 2004) a revised claim after deducting Rs.1.37 crore.

Thus, the Company's procurement of non-FAQ wheat, despite being aware of the guidelines of GOI, had resulted in a loss of Rs.1.37 crore.

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\* *Quantity lifted (374.47 lakh quintal) X Hammali charges (Rs.2 per quintal)  
Rs.748.94 lakh.*

Management stated (October 2004) that no subsidy on non-FAQ wheat had so far been claimed from GOI and that the claim would be made after clearance from the State Government.

The reply is not relevant, as the Company's claim for price differential on the non-FAQ wheat is unfounded as it is not eligible for the subsidy on the same.

The matter was reported to the Government (May 2005); its reply had not been received (September 2005).

### **Madhya Pradesh Laghu Udyog Nigam Limited**

#### *Avoidable loss on sales*

#### **Company's abrupt withdrawal of incentives on sale of wire rod and delayed restoration thereof resulted in a loss of revenue of Rs.19.66 lakh.**

**4.3** Madhya Pradesh Laghu Udyog Nigam Limited (Company) Depot at Indore was procuring steel from the Vizag steel plant (VSP) availing concession of Rs.550 per MT and turnover discount of Rs.125 per MT for lifting agreed quantity and supplying the same to the SSI units. To achieve higher sales, the Company passed on a part<sup>f</sup> of this concession to SSI units for lifting more than 100 MT and 500 MT per month respectively. Though the incentive contributed towards increase in the turnover from 94.64 MT (Rs.16.99 lakh) during 2002-03 to 2863.12 MT (Rs.six crore) in 2003-04, the Company withdrew it, with effect from April 2004 without any notice.

In the meantime, two Indore based SSI units\* communicated their requirement of high carbon wire of 8125 MT and 3600 MT respectively for 2004-05. The Depot also received (June and July 2004) offers from the VSP for the supply of 7892 MT high carbon wire rods with validity period of seven days. The General Manager immediately approached (June 2004) its Head office at Bhopal stating that these SSI units were having long term contract with VSP which entitled them to the concession of Rs.200 per MT, if procured directly from them. The Depot, therefore, recommended (June 2004) to revive and even increase the incentive to Rs.450 per MT to make the Company's price more attractive. The Head office delayed the approval of incentive of Rs.250 per MT by three months, by which time the validity of seven days for the offers had already expired. Consequently, no material could be procured

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<sup>f</sup> Rs.200 per MT (Up to February 2002) and Rs.300 and Rs.350 per MT (from March 2002).

\* (i) Vora wires industries (India) Limited and (ii) Saurabh Tubes Private Limited.

and sold. It was noticed in audit that consequent upon the Company's revival of incentive, the sale of high carbon rod picked up in September 2004 as the Depot sold 293.75 MT steel up to 15 September 2004, which proves that the decision of withdrawing the incentive was not in the best interest of the Company.

Thus, the abrupt withdrawal of incentive on the carbon wire rods by the Company and delayed decision for restoration thereof resulted in a loss of Rs.19.66 lakh\* during April to August 2004.

The matter was reported to the Government/Company (May 2005); their reply had not been received. (September 2005).

### **Madhya Pradesh Audyogik Kendra Vikas Nigam (Indore) Limited**

#### ***Irregular expenditure***

#### **Execution of upgradation/improvement work not authorised to be done by the Company resulted in avoidable expenditure of Rs.1.84 crore.**

**4.4** Madhya Pradesh Audyogik Kendra Vikas Nigam (Indore) Limited (Company) got technical sanction (November 2002) for an estimate of upgradation/ improvement of riding quality of Rau-Pithampur road for Rs.1.34 crore and immediately invited tenders and submitted them to its holding Company<sup>§</sup> for approval. The holding Company, however, directed (January 2003) the Company to cancel tenders for the work stating that as per orders (September 2002) of the State Government the work was to be executed only in the private sector on BOOT<sup>@</sup> basis. Accordingly, the Company cancelled (January 2003) the tenders.

Instead of inviting bids on BOOT basis, the Company prepared fresh estimate again for the same work for a value of Rs.2.15 crore. The holding Company reiterating (May 2003) the orders of Government directed the Company to float tenders for pre qualifying the bidders and not for the work. But the Company awarded (August 2003) the work to the lowest tenderer at 22.22 per cent below SOR\*. The work was completed and the contractor was paid for Rs.1.84 crore. Thus, the Company's taking up and executing a work not

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\* Requirement during the period multiplied by loss of revenue per MT (425 per MT) = Rs.19,65,625 without any incentive (4625 MT)

§ Madhya Pradesh State Industrial Development Corporation Limited.

@ Build, Own, Operate and Transfer.

\* Scheduled of rate.

intended to be done by it was against the direction of State Government. This had resulted in an irregular expenditure of Rs.1.84 crore.

Management stated (February 2005) that the estimate was revised to Rs.2.15 crore as the condition of the road had deteriorated due to rains.

The reply is not relevant as there was no justification for the Company to incur expenditure on this work.

The matter was reported to Government (July 2005); the reply had not been received.

**Madhya Pradesh State Industrial Development Corporation Limited**

***Inter-corporate Loans***

**4.5** Madhya Pradesh State Industrial Development Corporation Limited (Company) decided (April 1995) to park its funds with companies as Inter corporate Deposits (ICD) at interest rates higher than the market rates to earn more income and also to recall the funds when required. During 2000-04, the Company parked Rs.339.98 crore in 33 industrial units which were in default of Rs.702.39 crore including interest of Rs.410.71 crore as on 31 March 2004.

Audit selected ten i.e. 50 per cent out of these 33 industrial units which were in default of repayment of principal and interest for detailed scrutiny.

***Acceptance and placement of Inter corporate loans***

The scheme considered for ICDs was being managed as inter-corporate loan (ICL). The table below indicates the ICLs accepted and placed by the Company at the end of six years upto 31 March 2004.

(Amount: Rupees in crore)

Particulars	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-05	Total
ICLs accepted	115	272.08	56.52	63.84	1.56	Nil	509
No. of Companies/ banks from whom accepted	3	10	5	4	4	Nil	12*
ICLs placed	101.35	182.20	50.53	5.90	Nil	Nil	339.98
Number of companies with which placed	13	27	10	3	Nil	Nil	33*

\* These are the actual numbers of companies from which the funds were obtained/in which the loans were placed.

***Placement of inter corporate loans without obtaining approval from Government, security from the borrower and verifying the financial position.***

As per clause 110 (10) of the Memorandum and Articles of Association of the Company, grant of loan or giving of a guarantee or any other financial assistance to any one particular concern in excess of Rs.15 crore requires the prior approval of the State Government. While placing ICLs, the Company, in order to safeguard its interest, was required to verify the financial position of the industrial unit and also to obtain sufficient security from the unit concerned.

In violation of its Articles, without obtaining approval from the Government and/or obtaining tangible security and also without verifying the financial soundness of the units, the Company placed Rs.151.50 crore on six\* industrial units from whom Rs.290.31 crore (Principal Rs.148.25 crore interest Rs.116.11 crore) was outstanding as on September 2004.

***Induj Eneritech Limited (formerly Kumar power corporation)***

**4.5.1** The Company placed Rs.44.75 crore as six ICLs on the Induj Eneritech Limited (borrower) between January 1999 and January 2000 at interest rates varying between 18 and 17 per cent per annum repayable after three to five years, as against the accepted practice of one year. The borrower utilised these funds as investment in its subsidiary-Maheswar Hydel Power Corporation for setting up of a hydel power project of 400 MW.

It was observed in audit that though the unit had paid only Rs.3.60 crore out of Rs.24.35 crore due by September 2001, the Company did not take any action for recovery.

The Company was aware that (a) it was not holding any tangible security for recovery of dues from the borrower and (b) the borrower's asset base as well as income generating capacity was not enough to repay the dues. The Company's Board, however, approved (August 2004) a one time settlement (OTS) of repayment in monthly instalments after sacrificing Rs.25.95 crore.

Even after acceptance of OTS, against the monthly payment of Rs.3.87 crore, the borrower remitted Rs.25 lakh only. The Company requested (August 2004) the Tahsildar, Indore District not to proceed against the borrower under RRC# and at the same time failed to take any action for monthly shortfall of Rs.3.62 crore.

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\* *Induj Eneritech Limited, Surya Agro Oils Limited, Geekay Exim Limited, Snowcem India Limited, Progressive Extractions and exports (P) Limited and Killicks Nixon Limited.*

# *Revenue Recovery Certificate.*

- The Company was aware that the borrower had already proposed for the repayment of loan from the profits, as and when earned from their power project and that the project would not be able to earn profit in the next eight to ten years. Nevertheless, it did not obtain security, personal guarantee or collateral security from the borrower for the ICLs.
- The Company, before releasing the funds, did not ascertain the sources from which the borrowed funds would be repaid along with interest.

**Placement of ICLs without obtaining security and assessing financial position of the borrower led to a loss of Rs.25.95 crore.**

Thus, the Company's irregular placement of ICLs without obtaining sufficient security, grant of OTS facility to the borrower to make repayment in instalments without assessing the financial position or repaying capacity, resulted in a loss of Rs.25.95 crore, besides a recurring monthly shortfall of Rs.3.62 crore in repayment and locking up of Rs.68.38 crore with an interest loss of Rs.9.5 crore per annum. This had defeated the objective of grant of OTS facility and the chances of recovery of the loan along with the interest were remote.

Management stated (July 2005) that though the repayment as per OTS was to be made in equal instalments, due to cash flow problems of the borrower, the Company accepted irregular repayments. It was also stated that the borrower agreed to pay interest on the shortfall for the delayed period and would pay the dues of Rs.80.04 crore.

The reply is not acceptable, as the borrower never honoured the payment schedule even after OTS and the Company has no security to ensure recovery.

#### ***Surya Agro Oils Limited.***

**4.5.2** The Company placed ICL of Rs.29.75 crore on Surya Agro Oil Limited (Borrower) between June 1999 and June 2000 (repayable between March 2001 and October 2004) at interest rates varying between 18.5 and 17.5 per cent.

It was observed that :

- The SBI\* and SBT\*, which advanced loans to the borrower had already (1998) filed suits for recovery in the Debt Recovery Tribunal.
- Out of the ICLs received, the borrower repaid rupees seven crore to the promoters.

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\* SBI State Bank of India; SBT State Bank of Travancore;

- Despite dishonour of the borrower's eight cheques for Rs.11.47 crore issued between February and May 2001, the Company did not take action under section 138 of the Negotiable Instruments Act.

**The Company failed to assess the financial position of the borrower before placing the ICL, which led to locking up Rs.29.75 crore and consequent loss of interest of Rs.32.45 crore.**

Thus, the Company's failure to ascertain the financial position of the borrower before placing ICLs and in taking effective steps for recovery resulted in locking up of Rs.29.75 crore and consequent loss of interest of Rs.32.45 crore.

The management stated (July 2005) that its action under Revenue Recovery Certificate (RRC) was quashed by the Board of Revenue and its appeal was pending in the High Court, Jabalpur.

#### ***Geekay Exim Limited***

**4.5.3** The Company placed (between August 1999 and January 2000) three ICLs aggregating Rs.24 crore on Geekay Exim Limited (Borrower) repayable after three years (between August 2002 and October 2004) at interest rates varying between 18.5 and 17 per cent per annum.

It was observed that :

- The Company failed to verify the credibility and financial position of the borrower, as the borrower had outstanding debts of Rs.242.48 crore in 1999. Further, a number of petitions for its winding up were pending in May 1997.
- It did not take effective follow-up action on dishonoured cheques or for recovery.
- The deed of hypothecation of the assets given by the borrower's sister concern (Thirumala Impex Limited) in favour of the Company was found defective and remained un-rectified.

**Placement of the ICLs without security coupled with failure to take action for recovery resulted in a loss of Rs.51.21 crore.**

Thus, the Company's placement of ICLs without adequate security coupled with its failure to take action for recovery resulted in loss of Rs.51.21 crore.

While confirming (January 2005) the non-rectification of the defective deed, the Management stated that no action was possible as Kolkata High Court had appointed a liquidator.

#### ***Snowcem India Limited***

**4.5.4** The Company placed (between May 1999 and January 2000) ICLs of Rs.28 crore on the Snowcem India Limited (Borrower) at interest rates varying between 19 and 17 per cent per annum repayable between May 2001 and October 2004.

It was observed that :

- Though the notice of RRC sent by the Company was returned (April 2003) undelivered, it neither took any action thereafter nor did it obtain any legal opinion for recovery of dues.
- The Company also failed to get revalidated the transfer deed in respect of shares which had lapsed.
- The Company failed to obtain personal guarantee of the promoters for the loans.

**Release of ICL loan without obtaining any security and failure to take follow up action resulted in a loss of Rs.61.04 crore.**

Thus, the Company's irregular release of loan without obtaining any tangible security, repeated placement of ICLs on the borrower for long periods and its ineffective follow-up for recovery resulted in loss of Rs.61.04 crore as the chances of recovery are bleak.

The Company stated (January 2005) that a notice under RRC had been issued in April 2003 but no coercive action was possible as the borrower had been referred to the BIFR. The reply is not tenable, as the Company did not take steps for recovery of dues between 2001 and 2004 (the borrower had already stopped payments in November 2001 itself) and it was referred to the BIFR only in February 2004.

#### ***Progressive Extractions and Escorts (P) Limited***

**4.5.5** The Company placed (June to November 1999) four ICLs aggregating Rs.6.75 crore on Progressive Extractions and Exports (P) Limited (Borrower) repayable in March 2001 at an interest rate of 18.5 per cent per annum.

It was observed that though the post-dated cheques issued by the borrower were dishonoured, the Company did not take action under section 138 of the Negotiable Instruments Act. After delay of one year, it issued Notice under RRC in April 2002, which was also set aside by the Board of Revenue for having been filed under incorrect provisions of law.

Meanwhile, Madhya Pradesh Financial Corporation (MPFC) which had also financed the borrower, took over (September 2004) the unit and disposed it for Rs.9.10 crore. The Company, thereafter, requested (November 2004) for passing on the surplus amount to it. MPFC has not, however, released any amount to the Company so far (March 2005).

**Placement of the ICLs without obtaining security led to a loss of Rs.14.47 crore**

Thus, the Company's placement of ICLs without obtaining adequate tangible security coupled with its delay in taking action for recovery of dues, resulted in a loss of Rs.14.47 crore.

While agreeing with the audit observation, the management stated that it had filed an appeal against the order of the Board of Revenue and that the same



was pending with the High Court, Jabalpur. Further, it had approached the High Court for a direction to MPFC to release the funds, which had not materialised.

***Killicks Nixon Limited***

**4.5.6** The Company placed (March 1998 to January 2000) three ICLs aggregating Rs.15 crore at interest rates varying between 18 and 17 per cent per annum with Killicks Nixon Limited, Mumbai (borrower) repayable between November 2001 and October 2004.

**Release of the ICLs without security and failure to take follow-up action led to a loss of Rs.33.01 crore**

It was observed in audit that the borrower defaulted but the Company did not take any action for the recovery of dues till April 2004 when it issued notice under RRC. The borrower, however, continued to default and did not submit any proposal for repayment. The borrower was registered with BIFR in May 2004. The dues as of 31 December 2004 aggregated to Rs.33.01 crore (Principal Rs.15.00 crore; interest Rs.18.01 crore).

Thus, release of the ICLs by the Company without obtaining security and its failure to initiate timely action for recovery resulted in a loss of Rs.33.01 crore.

The Company stated (January 2005) that (a) security by way of shares and demand promissory note was obtained (b) action under RRC had been taken in April 2004 and (c) no action was possible now.

The reply is not tenable as (a) the shares pledged were not revalidated (b) the demand promissory notes were not valid and (c) No action was taken for three years from 2001 to 2004, when the borrower defaulted in the payment of principal and interest.

In addition, the Company placed ICLs in violation of its Articles, without obtaining approval from Government and/or obtaining tangible security and also without verifying the financial soundness of the units.

***Failure to discharge high- cost loan of Government***

**4.5.7** The Company obtained loans of Rs.10.28 crore from the State Government during 1992-93 (Rs.5.72 crore) and 1993-94 (Rs.4.56 crore) carrying interest at the rate of 18.5 percent and penal interest at the rate of three percent per annum. Except for Rs.11.41 lakh adjusted by the State Government, the Company did not repay the loan or interest and the dues to the Government as on 31 March 2004 worked out to Rs.21.75 crore (Principal Rs.10.16 crore, interest Rs.11.59 crore).

**The Company's failure to discharge high cost loan resulted in extra interest liability of Rs.4.06 crore**

It was observed in audit that the Company raised Rs.24.88 crore (Rs.14.38 crore in April 1999 at interest rate 13 per cent; Rs.10.50 crore in August 1999 at an interest rate of 14 per cent per annum) as ICLs from the Audyogik Kendra Viaks Nigam, Gwalior and the MP Text Book Corporation respectively. Had these funds been utilised for repayment of the Government loan, the Company could have avoided extra interest liability of Rs.4.06 crore. Moreover, the funds placed as ICLs with other companies had been virtually lost as most of the borrowers turned defaulters.

While confirming the facts, the Company admitted (July 2005) that its decision to invest in Surya Oils Limited and Progressive Extractions Limited at higher rate of interest proved wrong, as no payment was forthcoming from these companies.

***Diversion of funds received for term lending activity to working capital***

**4.5.8** With a view to commence term loan activity and meeting contingent liability thereon, the Company requested (June 2000) Syndicate Bank for financial assistance of Rs.15 crore. After completion of formalities and hypothecation deed (June 2001), it received a demand loan of Rs.12 crore and secured overdraft of rupees three crore at the prime lending rate of 12.5 per cent plus three per cent extra (July 2001) which was revised to 13.5 per cent per annum plus three per cent from October 2001.

It was observed in audit that the Company used these high-cost borrowings for :

- Redeeming low-cost ICDs of the MP Text Book Corporation (rupees one crore carrying interest rate of 14 per cent per annum) and AKVN<sup>#</sup>, Indore (Rs.65 lakh carrying interest rate 13 per cent per annum)
- Adjusting the minus balance in bank account (rupees nine crore)
- Payment of interest on the ICLs to the three<sup>\*</sup> cooperative banks, MP Text Book Corporation

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<sup>#</sup> Audyogik Kendra Vikas Nigam.

<sup>\*</sup> Mumbai District Cooperative Bank; Apex Cooperative Bank of Goa and UP State Agri Cooperative Bank.

**The Company's use of high cost funds to redeem the low cost loan led to a loss of interest of Rs.14.89 lakh**

Thus, utilising of the high cost funds for redeeming low cost ICDs resulted in a loss of Rs.14.89 lakh<sup>§</sup> Further, the Company did not invest the high cost funds in any income- generating activity. The funds meant for the term lending were utilised for the payment of interest, which should have been paid from the income received from the investments. The diversion of the demand loan of Rs.12 crore resulted in recurring annual expenditure of Rs.1.86 core towards interest on this loan.

The Company stated (January 2003) that it had placed Rs.50 lakh on Embee Industries Limited as ICD and some amounts were used for payment to the borrowers and administrative expenses.

The reply is not tenable as the Company had already over drawn Rs.9.02 crore from banks by the time the demand loans were credited (July 2001). Further, Embee Industries limited had already become defaulter and no interest could be received from that company.

***Failure to take action for recovery despite holding first charge on the assets***

**4.5.9** The Company released (September 1991) a term loan of Rs.90 lakh and equity contribution of Rs.7.50 lakh to Malanpur Leather Limited, Gwalior (Borrower) for their proposed new leather manufacturing unit on the following conditions:

- The term loan would be secured by first charge on the entire fixed assets, machinery, tools, and accessories present and future, of the borrower company.
- Equitable mortgage for 25 per cent of the term loan
- A floating charge on the remaining assets
- Personal guarantee of the promoters and directors.

The loan was to be repaid in 12 half- yearly instalments of Rs.7.50 lakh each with interest at the rate of 19.5 per cent per annum with initial moratorium period of two years.

The borrower sought permission for creation of second charge in favour of the SBI for increased working capital facilities and also *pari passu* charge in favour of the SBI's loan to the borrower. Though the borrower was in default for second instalment due in November 1994, the Company acceded to the

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<sup>§</sup> Rs. 100 lakh multiplied by 2.5 per cent	(16.5-14.0) for three years	=7.50 Lakh
Rs. 65 lakh multiplied by 3.5 per cent	(16.5-13.0) for three years three months	= <u>7.39 Lakh</u>
		Total <u>14.89 Lakh</u>

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request and granted permission (November 1994) for creation of the second charge.

The borrower continued to default despite repeated extensions of time. It was noticed in audit that despite holding first charge on the assets and guarantees of the borrower, the Company failed to invoke the charge for recovery of dues. Meanwhile, the borrower was referred (January 1999) to the BIFR and the SBI which had advanced Rs.2.40 crore to the borrower obtained (February 1999) favourable orders from the BIFR for recovery of their dues of Rs.4.98 crore with interest and the SBI also became entitled to dispose of the property of the borrower. The BIFR decided (August 2000) to wind up the borrower Company as there was no rehabilitation proposal despite several opportunities having been given. The Company after obtaining (October 2000) legal opinion decided to issue a notice to the borrower under section 29 of the State Financial Corporation Act.

**Despite holding first charge, Company failed to invoke the same which led to a loss of Rs.1.76 crore**

Thus, the Company's failure to invoke the charge on the assets and also the guarantees resulted in a loss of Rs.1.76 crore (Principal Rs.75.00 lakh; interest Rs.93.93 lakh and equity Rs.7.50 lakh)

While accepting the facts, the Company stated (July 2005) that no legal action under the SFC Act could be taken and it had issued notice of RRC against the promoters, which was in process.

The reply is indicative of the casual approach of the Company towards recovery of the dues.

The matters were referred to Government (May 2005); reply had not been received (September 2005).

### **Summary**

The scheme formulated for Inter Corporate Deposits was being managed as Inter Corporate Loans. In violation of its Article of Association, prior approval of the State Government was not obtained in the cases of financial assistance of more than Rs.15 crores to a single industrial concern. The financial position, credit worthiness and repaying capacity of the industrial units were not ascertained before placing the funds. Though ICLs were placed for medium term, no tangible security was obtained to protect the financial interest of the Company. The ICLs, initially placed as short term deposits, continued for periods of three to five years at firm rates of interest. Follow-up action for recovery of dues was either lacking or ineffective particularly when the borrower's cheques were dishonoured

Concerted efforts should, therefore, be made by the Company to put in place a system in which inter corporate loans are placed only after ensuring security for the loans, monitoring the repayments of the borrowers and taking effective and immediate follow up for recovery of the loans.

The above matters were reported to Government (May 2005); reply had not been received (September 2005).

### **Delay in closure of companies under liquidation**

#### *Statutory Provisions for winding up of companies*

**4.6** The companies which stop functioning either due to orders of closure or for other reasons are required to be wound up. The Companies Act, 1956, under various sections\* stipulates the procedure to be followed for winding up i.e.

- Preparing declaration of solvency
- Passing Special Resolution for winding up
- Publication of the resolution
- Appointment of Liquidator and Publication thereof
- Preparing accounts of winding up and submitting a copy thereof to the official Liquidator.

As on 31 March 2005, there were nine non-working Government companies in Madhya Pradesh, awaiting winding up as mentioned below:

- Three Companies closed prior to 1992 and one company closed in 1994 had not yet completed final winding up process.
- Four Companies ordered for closure between 1992 and 2002, had not yet commenced the process of liquidation
- The remaining one company had neither revived its activities nor got any order for its closure.

Details of the eight companies under closure/liquidation and one Company which were neither revived nor closed are given in ***Annexure-20***.

As any delay in completion of liquidation results in unproductive expenditure on establishment and related activities, an attempt was made in audit to analyse the reasons for the delay in closure of these companies under liquidation. The results of the audit findings are discussed in the succeeding paragraphs.

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\* Sections 484 to 486, 488, 492, 493, 496 497, 516 and 553.

***Delay in preparing declaration of solvency***

**Delay in declaration of solvency led to delay in winding up**

**4.6.1** Section 488 (1) of the Companies Act, 1956 (Act) requires the majority of the Directors of a company to declare that the company had no debts or that it would be able to pay its debts within a maximum of three years from the commencement of the winding up process. Sub-section 488 (2)(a) and (b) also requires that the declaration is to be made within five weeks of its resolution for voluntary winding up. The declaration should be sent to the Registrar of Companies along with a copy of the Auditors' Report on the accounts of the company up to the date immediately before the declaration including the Balance Sheet and Statement of Assets and Liabilities as on that date.

It was, however, observed that such declaration was either not prepared or delayed by the companies as detailed in ***Annexure-21*** leading to delay in their winding up.

***Delay in finalisation of accounts***

**Delay in finalisation of accounts led to delay in commencing/completing process of liquidation**

**4.6.2** The accounts of eight companies shown in ***Annexure-22*** were in arrears, which led to delay in filing declaration and consequently their winding up.

It can be seen from the annexure that the arrears in finalisation of the accounts at the time of declaration of solvency took 9 to 87 months for completion resulting in further accounts becoming due for finalisation. The delays in finalisation of the latest accounts by the four companies (Sl.No.5 to 8) ranged between 8 and 104 months. As on 31 March 2005, the seven companies had arrears in finalisation of the accounts ranging from 1 to 15 years. Any delay in their finalisation would further delay the commencement/completion of the liquidation process. The delays in finalisation of accounts were due to lack of adequate trained staff and funds, casual approach, delay in previous years accounts etc.

***Delay in passing resolution for winding up***

**Companies failed to pass resolution for winding up in time**

**4.6.3** Section 484 (I)(b) of the Act requires passing of a special resolution by the companies for voluntary winding up. There were, however, delays ranging from 11 to 156 months in passing the resolution by the companies leading to delay in commencing the process of winding up. The details indicating delay in passing of the resolution is given in ***Annexure-23***.

***Delay in publication of resolution of winding up***

**There were delays in publishing winding up resolution**

**4.6.4** According to Section 485 (1) of the Act, the resolution for voluntary winding up should be published in the Official Gazette and also in newspapers circulated in the district within 14 days of passing such resolution. It was, however, noticed in respect of MP Panchayati Raj that the resolution for winding up was taken on 26 August 1991 but the same was yet to be published

in the Official Gazette. Further, the resolution for closure in respect of the MP Dairy was taken on 20 March 1984 but the same was published only on 2 September 1988 i.e. after four years of delay.

***Delay in filling the vacancy of liquidator***

**Delay in appointment of liquidator led to delay in winding up**

**4.6.5** As per Section 492 (1) of the Act, any vacancy caused in the office of the Liquidator, by whatever reason, should be filled in by the company in the annual general meeting. Two\* companies did not fill in the vacancy of liquidator when there was a change in the incumbency on 1 October 1985 and 19 January 1999 respectively.

Though the chief executives of the companies have been changed, Liquidators were not appointed in the general meetings of the companies.

***Inconsistent stand taken by the Government/management of the companies***

**4.6.6** Due to inconsistent stand taken by the Management and the Government, two\*\* companies could not complete the process of liquidation and thereby their winding up.

**Company's inconsistent decision affected the process of winding up**

The MP Panchayati Raj had already been under liquidation since August 1991. Instead of initiating the process for its winding up, the Company passed a resolution in August 1996 for its revival and requested the State Government for further action. Pending receipt of orders from the Government, it again passed a resolution in the general meeting on 23 February 2004 for winding up. The State Government, thereafter, ordered (April 2004) liquidation of the Company. Though a liquidator was appointed (February 2004), the Company was yet to be wound up (April 2005).

**State Government's decision led to uncertainty of the status of the company**

The State Government ordered the closure of the MP Rajya Setu Nirman Nigam Limited with effect from March 1992. Though the Company did not take steps to initiate the liquidation process, the State Government again ordered (July 2004) the transfer of all agreements and works executed by the Company to a new Company – Madhya Pradesh Road Development Corporation Limited – as its successor, and assignee, without indicating the status of the company after transfer.

***Uncertainty in deciding the status***

**4.6.7** Optel Telecommunication Limited (OPTEL) stopped its production activities from June 2000 due to huge losses; the accumulated loss as at 31 March 2004 stood at Rs.107.70 crore (provisional accounts).

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\* *MP Dairy Development Corporation Limited and MP Film Development Corporation Limited.*

\*\* *MP Panchayati Raj Vitta Evam Gramin Vikas Nigam Limited, MP Rajya Setu Nirman Nigam Limited.*

The Madhya Pradesh State Electronics Development Corporation Limited, (Holding Company) approved (January 2001) the disinvestment of its stake in the OPTEL and appointed SBI Cap<sup>@</sup> as advisors for disinvestment and 'Little and Company' as legal advisors to the process. The Holding Company paid Rs.25 lakh to SBI Cap. As per the terms of appointment of SBI Cap, the disinvestment process was to be completed by August 2001. As on 31 March 2005, however, the Company had neither revived its operations nor had been disinvested. It was observed (March 2005) that though OPTEL stopped its operations in June 2000, the Holding Company invited bids for expression of interest only in January 2002 and the final bids in August 2003. A single bid received was not opened and approval for disinvestment of the Holding Company's stake (65.45 per cent) of Rs.15 crore was granted by the State Government only in May 2002.

**There was uncertainty on the part of Government/ Holding company in deciding the future of the company.**

The advisors to disinvestment proposed that if the State Government loan of Rs.17.12 crore to the subsidiary was converted into grant and the sales tax liability was waived, more offers would come. The core group\* initially rejected (May 2003) this proposal, and later (July 2004) recommended the proposal to be finally decided by the Cabinet Committee on Economic Affairs.

Thus, the failure of Holding Company and Government in finalising the disinvestment process led to uncertainty of its continuance.

#### ***Impact of the delay in winding up of the closed Companies***

**Delay in winding up of companies led to avoidable expenditure of Rs.43.20 crore towards establishment cost.**

**4.6.8** As these companies have not been wound up, the salary and administrative expenses proved to be additional burden on the State Government. The delay in winding up of these companies resulted in avoidable expenditure of Rs.43.20 crore. **Annexure-24** shows the details of establishment expenditure incurred by these companies and sources of funds etc.

In addition to the avoidable establishment cost, the delay in winding up of MP Lift also resulted in non recovery of Rs.5.96 lakh on account of dues outstanding from employees (one of whom had expired) and Rs.10.91 lakh recoverable from the contractors/suppliers.

#### ***Failure to implement decision to expedite process***

**4.6.9** A meeting under the Chairmanship of Chief Secretary, Government of Madhya Pradesh held on 29 March 2004 to expedite the process of liquidation of MPLDCL, MPSICL and MPSTCL, decided :

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<sup>@</sup> State Bank of India Capital Market Limited

<sup>\*</sup> Core Group – committee consisting of Secretary Finance, Commerce and Industries Department and Managing Director MPSEDC and OPTEL.



**Committee's decision to expedite the process was not implemented**

- to draw a road map within 15 days for closure and completion of the process within six months
- to disband the services of core staff in each company by 15 June 2004
- to furnish the details of the Assets and Liabilities to the respective Administrative department for onward transmission to the Finance department to hand over the responsibility of closure and disposal of assets/management of MP Leather, MPSIC and MP Textile to MP Khadi and Village Industries Board, MP Laghu Udyog Nigam Limited and MP Hastashilp Evam Hathkargha Vikas Nigam Limited respectively.

It was noticed in audit that the decisions had not been implemented by the above companies so far (September 2005).

### **Summary**

Inspite of orders for the closure by Government and also stoppage of activities, nine companies were not wound up. While there was inordinate delay by four companies in completing the process of winding up even after the lapse of 10 years, four companies had not even started the process. The delays in their winding up resulted in avoidable unproductive expenditure towards salary and other expenses, besides defeating the purpose of their closure.

Concerted efforts are required to be made by these companies and the State Government to expedite the process of winding up in a time bound manner with a view to avoiding further unproductive expenditure.

## **Corporate Governance in Public Sector Undertakings in Madhya Pradesh**

### **Introduction**

**4.7** Corporate Governance is the system by which the companies are directed and controlled in the best interest of the shareholders, to ensure greater transparency and better and timely financial reporting. The four elements of good governance are accountability, participation, predictability and transparency. The Board of Directors is responsible for the governance of companies. The Companies Act, 1956, (Act) was amended in December 2000 by inserting sub section 2AA to section 217 which requires that the Board's report shall include Directors' Responsibility Statement (DRS). The DRS should, *inter alia*, indicate that the Board of Directors have taken proper and sufficient care for the maintenance of accounting records, for safeguarding the assets of the company and for preventing and detecting frauds and other irregularities.

According to Section 292-A of the Companies Act, 1956 notified in December 2000, every public company having paid up capital of not less than Rs. five crore shall constitute an Audit Committee, at the Board level. Section 292 A of the Act, *ibid*, also requires that:

- Every Audit Committee shall act in accordance with the terms of reference specified by the Board.
- The Audit Committee should have a minimum of three directors of which two-third of the total number of such directors shall be directors other than Managing Directors or whole time directors.
- The members of the Audit Committee shall elect the Chairman from amongst themselves.
- The Statutory Auditors, Internal Auditors, if any, and the Director in charge of finance should attend and participate in the meetings of the Audit Committee without voting rights.

Audit covered 10 PSUs as detailed in ***Annexure-25***, with the objective of assessing the level of compliance by these companies of various provisions that affect Corporate Governance and matters relating thereto. None of these PSUs is listed with any stock exchange.

Audit has covered, *inter alia*, two main components that constitute the mechanism of Corporate Governance viz. :

- Matters relating to the Board of Directors
- Constitution of the Audit Committees

Although the primary objective of audit analysis was to focus on compliance with regulatory requirement under the Companies Act, 1956, impact analysis wherever possible, of such compliance/non-compliance has also been attempted.

### **Matters relating to the Board of Directors**

#### ***Delay in appointment of Directors***

**4.7.1** In terms of Section 252 (1) of the Companies Act, 1956, every public company shall have at least three Directors in its Board. It was noticed in audit that there were delays in appointment of directors by the State Government after retirement of earlier Directors and at times when there was no full Board

in certain Companies. In half of these companies<sup>1</sup> upto six posts of directors / Government directors remained unfilled for periods ranging from one to four years during the period of four years ended 31 March 2005

It indicates non seriousness of the State Government towards adherence to the provisions to Section 252 of the Companies Act, 1956. The strength of Board of Directors was reduced to two in 2001-02. The meeting held on 22 October 2001 was attended by these two directors, violating the provision 252 (I) of the Companies Act, 1956.

### ***Adequacy of Board Meetings***

**4.7.2** It was observed that in eight out of the ten companies<sup>2</sup> audited only one to three meetings of the Board of Directors were held during certain years. Thus, these companies failed to comply with the provisions of Section 285 of the Act which prescribes a minimum of four such meetings in a year thereby indicating non-serious approach of the top executives towards adherence to the statutory provisions of the Act. The adverse impact on the functioning of the companies as a result of less association of the management cannot be ruled out.

### ***Attendance of the Directors in the Board meetings:***

**4.7.3** The Board has two types of directors i.e. Executive and Non-Executive Directors. The Non-Executive Directors are independent for the judgment on the issues of strategies, performance and standards of conduct. The Chairman of the Board is required to ensure effective participation of all the Directors to make an effective contribution in guidance and control over the affairs of the company.

The attendance of Directors in the Board meetings of six companies was not regular as is evident from the table given in ***Annexure-26***.

Thus, the Directors who remained absent in the meetings failed in their fiduciary duty and the companies were deprived of their independent views on important issues.

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<sup>1</sup> In MPSMC- 1 post since 2001-02; MPLUN – 4 to 5 in 2004-05; MPRVVN-3 in 2004-05;  
MPSTDC – 4 in 2001-02, 3 in 2002-03 and 2 in 2003-04; MPSAIDC- 5 in 2001-02, 6 in 2002-03 and 2003-04 and 6 to 9 in 2004-05.

<sup>2</sup> One meeting each- MPSEDC and MPSAIDC (2001-02) and MPSTDC and MPHVVN (2003-04);  
Two each – MPLUN (2001-02 and 2004-05), MPSIDC (2003-04), MPSEDC and MPSTDC (2004-05),  
Three each – MPSIDC, MPUVN and MPHVVN (2001-02), MPSEDC, MPSAIDC and MPLUN (2003-04) and MPRVVN (2004-05)

As the Board of Directors influences and enacts policies and decisions concerning public life and social development, absence of the directors defeated the purpose of their appointment in the Board.

***Attendance in the Annual General Meetings***

**4.7.4** The attendance of the Directors in the Annual General of Meetings (AGMs) of the companies was also not satisfactory. Out of the total numbers of directors on the Board, attendance varied from below 50 per cent to nil in AGMs of certain years in as many as seven companies<sup>3</sup>.

***Directors' Report:***

**4.7.5** The Directors' report annexed to the annual accounts of MPSEDC and MPSTDC did not contain DRS in all the four years ended 31 March 2005 though required under Section 217-(2AA) of the Companies Act, 1956. The fact that the DRS were not included in the Directors' reports indicates the Management's attitude to governance issues.

***Audit Committees***

***Constitution of the Audit Committees***

**4.7.6** The amendment in the Companies Act with regard to the constitution and functions of the Audit Committee was made with effect from 13 December 2000. Out of the 10 companies, only one company (MPSIDC) was statutorily required to constitute an Audit committee. It constituted the committee after delay of three months on 27 March 2001, in spite of the clear legal provision.

***Composition of the Audit Committee:***

**4.7.7** In contravention of the provisions for election of the Chairman by the members of the committee itself, only first meeting out of a total of six was held under the Chairmanship of an independent director (Non-Government) and the remaining five meetings were held under the Chairmanship of Managing Director in MPSIDC. This compromised the independence of the Audit Committee showing lack of accountability and transparency.

***Meetings of the Audit Committee:***

**4.7.8** As per the terms of reference, the Audit Committee of MPSIDC was to meet three times in a year. Contrary to this, the Committee met only twice during the years 2002-03, 2003-04 and 2004-05.

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<sup>3</sup> Below 50 per cent –MPSMC (four AGMs) and MPLUN (three); Below 30 per cent – MPSIDC (one), MPSEDC, MPSAIDC and MPUVN (three each); Nil-MPSIDC (one), MPHUN (three).

***Attendance of the Auditors in the meetings.***

**4.7.9** As per section 292A(5) of the Act, *ibid* the external auditor and internal auditor, if any, shall attend and participate in every Audit Committee meeting.

It was, however, observed in audit that the external auditor and internal auditor of MPSIDC did not attend one third of the total of six meetings held. The absence of the auditors defeated the very purpose of discussing and improving the audit performance of the company.

***Summing up***

As is evident from the above findings, the ‘spirit’ of governance is largely missing in these companies. Hence, there is a need to evolve Corporate Governance principles in areas like Independent Auditors, Auditing and developing effective internal controls.

**Statutory Corporations**

**Madhya Pradesh State Electricity Board**

***Avoidable expenditure on the procurement of steel support***

**Insistence of the Board on negotiating the rates, ignoring the reasonability of the offers and the market trend resulted in avoidable expenditure of Rs.4.34 crore.**

**4.8** The Madhya Pradesh Electricity Board (Board) invited tenders (December 2002) for procurement of steel for support and sections in two packages for its Madhya Pradesh Power Sector Development Project, financed by Asian Development Bank (ADB).

The tenders were opened (15 February 2003) and the Steel Authority of India Limited and Unique Structures Towers Limited were found lowest for package I (Rs.28.58 crore for 15117 MT) and for package II (Rs.7.23 crore for 4435 MT) respectively. Though the lowest offers were reasonable as compared to the estimated cost (Rs.35.19 crore) and in view of the upward trend of the price of steel in the market, the Board, compared the rates with the rates received in September 2002, and concluded that the bid prices were high. The Board sought (April 2003) permission of the ADB for negotiation with the lowest bidders.

The ADB rejected the request for negotiation suggesting that the orders should be placed on the lowest bidders. In the meantime, validity of the offer for package II had already expired and the bidders refused to extend the same.

The Board invited fresh tenders (January 2004) by splitting the quantity of material in two newly formed packages of 2089 MT and 2346 MT and lowest rates received were Rs.5.66 crore for package I and Rs.6.39 crore for package II which were higher than the earlier quoted price of Rs.7.23 crore for both the packages. The Board, after reducing the procurement to 90 percent of the tendered quantity, placed orders (September 2004) on the lowest bidders, for supply of 3991.5 MT valued at Rs.10.85 crore. Thus, the insistence of the Board on negotiating the rates ignoring the reasonability of the offers coupled with increasing market trend, delay in evaluation of the tenders and poor follow up of the case with the ADB resulted in avoidable extra expenditure of Rs.4.34\* crore.

The Board stated (July 2005) that the rates received were higher when compared to the rates received in September 2002 due to which it took up the case with the ADB.

The reply is not tenable since the Board was aware of the increasing trend in steel prices, hence order should have been placed on the firm instead of negotiating with it specially in view of the fact that the rates received were lower than its own estimates.

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

***Loss due to inadequate compensation for the line loss in wheeling of the wind energy***

**Wheeling of the power generated by private wind energy generators through the transmission and distribution lines of the Board with a provision of mere four per cent compensation for line loss resulted in loss of Rs.2.47 crore.**

**4.9** Government of Madhya Pradesh announced (September 1994) a scheme of incentives for setting up new power generating units in the State for generating energy from non conventional sources. The private parties had the option of selling the power to the Madhya Pradesh State Electricity Board (Board) at the rate of Rs.2.25 per kwh, on payment of two per cent wheeling charges to the Board irrespective of the distance involved. As per the scheme,

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\* Rs.10.85 crore – Rs.6.51 crore (90 per cent of Rs.7.23 crore).

the State Government would compensate the Board for the line losses at the rate of four per cent of the power wheeled by the Board.

Under the scheme, five firms installed (1995-96 onwards) 98 wind energy generators (WEGs) in Dewas District with an installed capacity of 27.33 MW and the power generated was fed into the Board's grid, after entering into separate agreements with the Board for wheeling of power.

The actual transmission loss to the Board in its HT system ranged between 17.26 and 19.73 per cent during 2001-04. The State Government had adopted (February 2001) different yardsticks for calculation of the wheeling charges for energy generated through conventional sources. It was seven to 13 per cent (average 10 per cent) for wheeling power up to 15 MW and 10 to 17 per cent beyond 15 MW (average 13.5 per cent), depending upon the distance to be covered. Thus, the Board had been incurring loss by wheeling the energy generated by WEG from 1995 onwards.

During the period from 2001 to 2005 (up to January 2005), the Board wheeled 1154.99 lakh units of power fed into its grid from the WEGs, and sustained a loss of Rs.2.47 crore due to extra transmission loss (13.5 – 4 per cent).

It was observed in audit that in absence of enabling provisions in the agreement, the Board could neither get the actual line loss compensated by the wind energy generating firms nor did it take up the matter with Government, for full compensation of loss of energy in transmission. Besides, the Board's claim for compensation amounting to Rs.1.73 crore for the period from 1995 to 2004 (up to November 2004) as agreed in the incentive scheme, had not yet been settled (January 2005).

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

***Irregular revision of rates***

<b>Extra payment to the contractor due to irregular revision of rates Rs.1.66 crore</b>
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**4.10** The Board awarded (November 1994) the work of construction of foundation and superstructure for power house II (2x15 MW) of Tons Hydro Electric Project at Silpara to a private contractor for a contract price of Rs.8.54 crore excluding the cost of steel and cement. The work was scheduled to be completed by 29 March 1998.

The site was handed over to the contractor on 30 November 1994 but due to slow progress, the contractor completed only 29.2 per cent of the work (valued Rs.2.49 crore) during the stipulated period of completion.

Attributing the delay in completion of the work to the Board due to non issuance of the drawings, inadequate supply of steel and cement and delay in payment of bills, the contractor claimed (September 1998) a compensation of Rs.4.24 crore from the Board and also requested for revision of rates for completing the remaining work.

The Board rejected (October 1998) the claim for compensation, but allowed an increase of 29 per cent in the rates for the remaining work, from April 1998, over and above the payment of escalation, though such increase in rates was not covered by any contractual provisions.

The contractor completed the work on 31 December 2002 and the total value of work paid for was Rs.9.89 crore (excluding escalation) which included a sum of Rs.1.66\* crore towards increase in rates.

Though the work was delayed due to the reasons not attributable to the contractor he was compensated in terms of the price escalation clause in the agreement. The increase in rates over and above the price escalation during the extended period was unwarranted and resulted in avoidable extra payment of Rs.1.66 crore to the contractor.

The matter was reported to Government/Board (May 2005), their replies had not been received (September 2005).

#### *Irregular waiver of dues*

**Dues of Rs.94.88 lakh from a consumer were waived irregularly thereby bestowing an undue favour, besides being a loss to the Board.**

**4.11** Sourabh Metals (P) Limited, Mandideep, an HT consumer of Madhya Pradesh State Electricity Board (Board) had been defaulting in payment despite the directives of the Court and a number of concessions given by the Board. The Board had been insisting that no relief could be given unless the State Government agreed to compensate the loss as the Board had already given several concessions to the consumer. The consumer was subsequently registered with the Board of Industrial and Financial Reconstruction (BIFR), which sanctioned (21 August 1996) a scheme indicating waiver of the outstanding dues against the consumer amounting to Rs.94.88 lakh as on 31 March 1995 and directed (31 May 2000) the Board to allow the said relief/concession to the consumer.

The Board challenging the arbitrary decision of BIFR, filed an appeal before the Appellate Authority, for Industrial and Financial Reconstruction (AAIFR)

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\*  $Rs.989.39 \text{ lakh} - Rs.249.47 \text{ lakh} = Rs.739.92 \text{ lakh} \times Rs.29 \text{ divided by } 129 = Rs.166.34 \text{ lakh.}$



against the orders of BIFR. The AAIFR setting aside the orders of BIFR stated (19 February 2001) that BIFR had acted inappropriately by giving directions to MPSEB to waive the penal charges. The BIFR had not obtained any consent from the MPSEB in this regard under the Sick Industrial Companies Act. The consumer, however, filed a writ petition in the High Court of Madhya Pradesh at Jabalpur against the decision of AAIFR.

The Board, however, in its meeting (10 July 2003) without waiting for orders of the Court on the writ petition filed by the consumer, decided to waive the outstanding dues recoverable from the consumer on the pretext that the consumer had regularly been paying current bills and would be paying in future also on running of the industry. The Board stated (July 2005) that the decision for waiver of dues was taken by the Board according to the commitment of Government to BIFR that decision of waiver was taken by the committee of financial matters of MP, and that the decision was taken by the Board by passing a resolution.

The reply is not tenable since despite the State government's direction for waiver of dues, the Board had been insisting on compensation by Government. The Board should have convinced the Cabinet Sub Committee that the Board had received a favourable award from the AAIFR and that any waiver of dues to the consumer would have an effect of over-reaching and negating the favourable award.

Thus, disregarding the decision received in its favour from the AAIFR, the action of the Board to waive the outstanding dues without getting any assurance from Government regarding compensation and even without waiting for the court decision, had resulted in an undue favour to the consumer and loss to the Board amounting to Rs.94.88 lakh.

The matter was reported to Government (December 2004); its reply had not been received so far (September 2005).

#### ***Imprudent cash management***

<b>Retention of cash balance in excess of requirements resulted in loss of interest revenue of Rs.50.97 lakh to the Board</b>
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**4.12** The funds required for making various payments are requisitioned monthly by the Regional Accounts Officers (RAOs) of Madhya Pradesh State Electricity Board (Board). Based on such requisitions, funds are allotted to RAOs by the Board. The RAOs keep these funds in their current accounts and withdraws therefrom as per requirement. The Board instructed the RAOs to maintain a bare minimum cash balance and remit excess balance back to Head Office promptly as it was facing a severe cash crunch.

In total disregard of these instructions, the RAO, Gwalior requisitioned funds much in excess of requirements and kept the same in the current account. The

RAO retained average monthly balance of Rs.87 lakh in 2002-03, Rs.1.90 crore in 2003-04 and Rs.1.46 crore in 2004-05 against rupees two to five lakh required at the close of each month. Due to excess requisition of funds and non return of surplus funds to the Head Office, the Board had to forgo interest revenue of Rs.50.97 lakh.

RAO Gwalior stated (February 2005) that the balance amount was either remitted to head office or cheques were issued in the next month. The reply is not tenable, as only small amounts were remitted to the head office while large balances were retained. Neither were monthly requirements prepared on a realistic basis, nor was any cognizance taken of the warning issued by the Chief Engineer, Gwalior in June 2001 and the Joint Director (B&CM) Jabalpur in July 2002.

The matter was reported to Government/Board (July 2005); their reply had not been received (September 2005).

*Undue benefit to a consumer*

**Undue benefit of Rs.40.89 lakh was extended to a consumer due to inaction by the Board officials.**

**4.13** A special team of the Board officials detected (11 September 2000) a theft of electrical energy during a raid in the premises of a Low Tension industrial consumer with a load of 100 HP in the District of Morena. The power supply was disconnected and after assessing consumption of 256952 units for the period from September 1999 to August 2000 (Average 21416 units per month) a demand for Rs.23.26 lakh towards theft of energy of 206647 units was raised on 18 September 2000.

The consumer made a representation to the Superintending Engineer (O & M) Morena circle (SE) for arbitration of the dispute. The consumer remitted Rs.5.25 lakh (19 September 2000) and Rs.2.32 lakh (21 December 2000) as part payment against the demand. The SE did not respond and the consumer filed a writ petition (8 January 2001) in the Gwalior Bench of the Jabalpur High court. The court ordered (11 January 2001) that :

- the power supply to the petitioner shall not be disconnected
- The petitioner shall furnish solvent surety for an amount of Rs.20 lakh to the Board.
- The petitioner shall continue to pay further bills for consumption of electricity.

The Court also directed (15 January 2001) the SE to submit a return personally on or before 19 February 2001, failing which the petition would be heard and

decided *ex parte*. The consumer furnished solvent surety for Rs.20 lakh, but the return, as directed by the Court, had not been filed by the SE, so far.

Thus, due to inaction by the officials on the representation of the consumer and failure to comply with the Court order, an amount of Rs.15.68 lakh had remained unrecovered since September 2000 resulting in loss of interest to the Board.

It was further noticed in audit that on restoration of electric supply after part payment on 19 September 2000, the actual consumption in October 2000 was recorded at 20217 units. The consumption drastically reduced from the next month<sup>v</sup> The total consumption from October 2000 to July 2004 was billed for 307585 units. (Average consumption of 6687 units per month). Based on average monthly consumption of 21416 units, it worked out to 985136 units (21416x46) resulting in short billing and undue benefit to the consumer for Rs.25.20 lakh\* towards 677534 units (985136 minus 307585) by the Board officials. The Board officials did not check and find out the cause for such reduction in consumption immediately though the monthly reading was taken by an official of Assistant Engineer level. The Board officials conducted a check in April 2003 and detected a theft of electricity and an amount of Rs.2.54 lakh was demanded by the Board which was paid by the consumer without any protest.

Thus due to inaction on the part of the Board officials not only did a sum of Rs.15.69 lakh remain un-recovered for such a long time but also failure to take note of sudden reduction in monthly reading immediately after the month following the month of restoration resulted in undue benefit of Rs.25.20 lakh to the consumer due to short billing.

The Board stated (June 2005) that the Superintending Engineer had reconnected the supply in response to the representation of the consumer, and that the court case could not be followed up properly due to the fact that the High Court had initiated contempt proceedings against the Board officials for insisting on bank guarantee against solvent surety.

The reply is not tenable. When the contempt case was on, the Board did not pursue the case filed by the consumer for getting the stay vacated. Thus, there was inaction on the part of the Board officials at various levels leading to undue benefit to the consumer and loss to the Board.

The matter was reported to Government (March 2005); its reply had not been received (September 2005).

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<sup>v</sup> November 2000 –7536 unit , December 2000 –4400 units, January 2001 -4605 units and so on.

\* Calculated at the rate of Rs.3.72 per unit (on average basis)

*Avoidable expenditure***Non-availing of free remittance facility by the Board resulted in avoidable expenditure of Rs.29.16 lakh.**

**4.14** The Madhya Pradesh State Electricity Board (Board) had an arrangement with the State Bank of India (SBI) and Central Bank of India (CBI) for availing 'at par'<sup>u</sup> facility (free remittance) of its collections by the Distribution Centres to the Regional Accounts Offices (RAO) for onward transmission to the Board's main account at Jabalpur. The Additional Chief Engineer (B&CM) had also issued instructions (May 1999) that field Offices should avail 'at par' facility and bank charges paid, if any, should be got refunded from the bank.

RAO Birsinghpur, however, did not avail the facility during 2002-04 and incurred an expenditure of Rs.24.96 lakh, by way of bank charges. Similarly distribution centres at Datia urban, Datia rural, Morar, Dabara urban and Dabara rural under RAO Gwalior spent Rs.4.20 lakh during 2002-04 towards bank charges.

On this being pointed out in audit (March 2005) RAO Birsinghpur stated (March 2005) that the bank had charged only 50 percent of the commission chargeable and that the RAOs were not aware of the 'at par' facility available from the bank. RAO Gwalior stated that instructions were being issued to the Distribution Centres to draw Demand Drafts on the branches of SBI only.

Thus, non-compliance of the instructions of the Board by the field offices resulted in avoidable expenditure of Rs.29.16 lakh\*.

The matter was reported to Government/Board (May 2005); their replies had not been received (September 2005).

*Payment of overrun charges***Avoidable payment of overrun charges to a contractor Rs.26.08 lakh**

**4.15** The Board placed (February 1999) orders on Bharat Heavy Electricals Limited (BHEL), Nagpur (Contractor) for transportation, assembly, erection, testing and commissioning of Hydro generating equipment for 3x20 MW power house III of Bansagar Hydro Electric Project, at Deoland in Shahdol District, at a cost of Rs.3.75 crore. The work order, *inter alia*, stipulated that in

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<sup>u</sup> 'at par' facility means that the banks provide service free of charge.

\* Rs.24.96 lakh+Rs.4.20 lakh = Rs.29.16 lakh.

case completion of work was held beyond the period of 25 months including three months grace period from the date of start of the work due to any reasons not attributable to the contractor, overrun charges at the rate of Rs.3.50 lakh per month would be payable to the contractor.

The Contractor commenced (10 December 1999) the erection work. Phase-I was to be completed by 9 October 2001. For reconditioning of stator and supply of certain materials required for assembly, erection and commissioning of the Hydro generating equipments, the Board placed three different orders on BHEL, Bhopal (Supplier) between March and July 2001, for a total value of Rs.2.27 crore to be completed within four months, with a request to advance the date of supply to the maximum extent possible. But due to delay (nine months) in supply of the material and reconditioning of stator, the mechanical erection of unit III of the power house was delayed and the equipments could be commissioned (2 September 2002) only on availability of water in the canal from 16 August 2002.

Thus the failure of the Board in assessing the time requirement of materials/ reconditioning of stator, delay in placing the supply order and not pursuing with the supplier for urgent supply resulted in delay in commissioning of the equipments, and avoidable payment of overrun charges amounting to Rs.26.08 lakh.

The Board stated (May 2005) that the unit III could not be synchronized in monsoon season of 2001, because by the time the unit was ready, the monsoon was over and water level in the reservoir had depleted below the minimum draw down level.

The reply is not tenable as the delay in reconditioning was due to delay in assessment of requirements and delay in placing order which, resulted in overall delay in commissioning of unit III and avoidable payment of overrun charges to the contractor.

The matter was reported to Government (May 2005); its replies had not been received (September 2005).

***Non-recovery of charges***

**The Board lost Rs.16.52 lakh due to its failure to collect system strengthening charges and part of supervision charges from two colonizers**

**4.16** Mahavir Housing Co-operative Society Limited, Katni with a connected load of 558 KW applied (31 March 2001) for external electrification of their society comprising 190 plots and deposited Rs.1.42 lakh (31 March 2001) towards supervision charges, with the Board.

The Chief Engineer, Jabalpur Region (JR) accorded (July 2003) Administrative Approval and Technical Sanction to the estimate of the work for Rs.13.94 lakh. The work was to be carried out by the colonizer through 'A' class electrical contractor after depositing supervision charges with the Board amounting to Rs.1.82 lakh in advance and payment of system strengthening charges at the rate of Rs.2300 per KW.

The work order was issued (October 2003) by the Additional Superintending Engineer (O&M) Katni, without recovering system strengthening charges amounting to Rs.12.83 lakh (Rs.2300X558 KW) and balance amount of supervision charges of Rs.0.40 lakh (Rs.1.82 lakh – Rs.1.42 lakh).

Similarly, in another case (Bargawon colony at Katni), an estimate for the connected load of 143 KW was sanctioned (November 2003), but the system strengthening charges amounting to Rs.3.29 lakh (143 KWXR.2300) were not recovered from the colonizer.

Thus, non recovery of system strengthening and supervision charges resulted in a loss of Rs.16.52 lakh\*.

The matter was reported to Government/Board (March 2005); their replies had not been received (September 2005).

## **Environmental Management System in Madhya Pradesh State Electricity Board**

### **Introduction**

**4.17.1** Developmental activities and economic growth are known to cause stress on the environment. The increasing dependence on sophisticated manufacturing processes, especially with the aid of chemicals creates pollution and associated problems, causing damage to the basic elements of the environment such as water, air and land. The damage to these essential elements of the environment has affected the ecological balance and resulted in loss of natural resources which are not quantifiable.

The Management of each organisation should develop an Environment Management System to take care of the environment surrounding the organisation and the duties and liabilities associated with it. Responsibility of adopting environment friendly policies and initiating action plans to comply with the environmental regulations should form an integral part of the system.

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\* *Rs.12.83 lakh + Rs.0.40 lakh + Rs.3.29 lakh.*

### **Legal framework**

**4.17.2** As a first step towards pollution control, Government of India introduced the Water (Prevention and Control of Pollution) Act, 1974, followed by the Air (Prevention and Control of Pollution) Act, 1981. With the introduction of Environment (Protection) Act, 1986, increased thrust was given to environment protection activities.

The Central Pollution Control Board (CPCB) and Madhya Pradesh Pollution Control Board (MPPCB) are the agencies to oversee enforcement of the legal provisions relating to pollution and environment protection in Madhya Pradesh.

### **Audit Findings**

#### ***Expenditure on the Pollution Control without assessing the usefulness***

**4.17.3** The Madhya Pradesh State Electricity Board (MPSEB) has three thermal power stations (TPSs) viz Satpura Thermal Power Stations (STPS), Amarkantak Thermal Power Station (ATPS) and Sanjay Gandhi Thermal Power Station (SGTPS).

The TPSs had incurred expenditure for Rs.1.24 crore<sup>♥</sup> during 2000-05 outside the action plan to bring down the level of environmental pollution to the norms prescribed. The benefits actually accrued in the areas of pollution control were, however, not reviewed by the plant authorities/Board.

#### ***Working of Electro Static Precipitators***

**4.17.4** Electro Static Precipitators (ESP) reduce the Suspended Particulate Matter (SPM) in flue gases of coal fired boilers in TPSs. Excessive SPM not only increases atmospheric pollution, but also causes erosion of Induced Draft (ID) fans' impeller, which in turn necessitates operation of the TPS at reduced load leading to loss of generation. The Board installed 15 ESPs in the TPSs<sup>♣</sup> as of March 2005. Further, four bag filters<sup>\*</sup> (two each in two units) were also installed in ATPS. The designed norms of stock emission level of SPM, the Pollution control Board's norms as well as actual emission levels during the five years ended March 2005 are given in **Annexures-27, 28 and 29**.

The actual emission levels at the STPS Sarni and ATPS Chachai were higher than the PCB norms of 150 Nm<sup>3</sup> as well as the design norms. The maximum

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<sup>♥</sup> ATPS, Chachai Rs.68 lakh, STPS, Sarni Rs.56 lakh, SGTPS, Birsingpur Nil.

<sup>♣</sup> (STPS-9, ATPS-2 and SGTPS-4)

<sup>\*</sup> Bag filter is a technology used in ATPS I for reducing SPM in the flue gases emitting from ash contents of coal fired Boilers in Thermal Power Stations.

level of stack emission was 911 Nm<sup>3</sup> in the STPS during 2004-05 (unit 7), 1250 Nm<sup>3</sup> in the ATPS during 2003-04 (unit 2) and 252 Nm<sup>3</sup> in the SGTSPS during 2004-05 (unit I). Central Pollution control Board (CPCB) had declared Satpura TPS Sarni and Amarkantak TPS Chachai as non-complying power stations. The Board did not, however, take any action (except STPS) to meet the statutory requirements. Even in four units of STPS, where the work of augmentation was taken up, it could not achieve the desired improvement.

#### ***Status of Electro Static Precipitators***

**4.17.5** During February 2001, officials of CPCB and the MP Pollution Control Board (MPPCB) inspected the STPS and identified the station as defaulting since 1998. As per the directives of the CPCB, the MPSEB prepared (September 2001) an action plan for augmentation of ESPs in unit 6 to 9 of STPS to achieve the emission norms of 150mg/ Nm<sup>3</sup>. The total work of augmentation of ESPs was to be completed in three phases.

As per the action plan, the Board placed (November 2001) orders on BHEL for a total cost of Rs.4.51 crore for supply and erection of various equipments and accessories for modification and improvement of the ESPs to bring down the emission level to 150mg/ Nm<sup>3</sup>.

The work was, however, not completed within the stipulated period of eight to ten months. The Board, after incurring an expenditure of Rs.4.75 crore completed the work relating to ESP 6 and 8 (2002-03) and ESP 9 (2003-04) only. The work relating to ESP 7 remained pending (March 2005).

Further, even after modification/improvement work, the stack emission level of unit 6, 8 and 9 at STPS Sarni did not improve. Though, BHEL had guaranteed reduction of emission level up to 20 per cent of the existing level, it had remained much higher than the CPCB norms as well as the designed norms as given below:

#### **Level of stack emission**

Unit Number	<i>Minimum level</i>		<i>Maximum level</i>	
	<b>Before modification</b>	<b>After modification</b>	<b>Before modification</b>	<b>After modification</b>
	<i>(In Mg/Nm<sup>3</sup>)</i>			
Unit 6	320	330	860	691
Unit 8	360	384	780	906
Unit 9	362	515	810	817



The Board stated (May 2005) that the modification works taken up by BHEL had improved the stack emission to a certain extent and the tests carried out by them had indicated an improvement to the extent of 38 per cent in unit 8.

The reply is not tenable as the emission level of unit 8 had increased from 780 mg / Nm<sup>3</sup> in 2001-02 to 906 mg / Nm<sup>3</sup> in 2004-05. The Board, however, did not invoke the guarantee clause against BHEL and did not insist on the performance guarantee tests by them in respect of unit 6 and 9 so far (May 2005).

As phase I of the action plan had remained incomplete, the subsequent phases of the plan were not taken up by the Board (May 2005). An expenditure of Rs.7.01 crore was, however, incurred on regular maintenance of ESPs in STPS during the five years ended March 2005. In spite of this, no improvement was noticed in the emission level which had remained above the designed norms in TPS.

#### ***Loss of generation due to non operation of ID Fan***

**4.17.6** The ESPs are used to reduce the emission level of SPM in the flue gases from the coal fired in the boilers of Thermal Power stations. Each boiler is provided with two induced draft (ID) fans and if any of the ID fans is non-operative due to heavy dust emission, the power generation gets automatically reduced by 50 per cent. During the period 2001-02 to 2003-04, the heavy dust emission from boilers of the three power stations resulted in non-operation of the ID fans periodically, leading to automatic reduction of power generation and as a result, the Board suffered a loss of generation of 520.4 million units, valued Rs.104 crore.

The Board replied (May 2005) that the details were awaited from the power station concerned. The details of loss of generation for the subsequent period under review were also awaited.

#### ***Pollution Monitoring Equipment***

**4.17.7** The Charter on Corporate Responsibility for Environmental Protection (CREP) prescribes installation/activation of opacity meters/ continuous monitoring with proper calibration system in all the three TPSs by 31 December 2004. It was noticed in audit that online equipment installed in the SGTPS and STPS valuing Rs.42.90 lakh and Rs.40 lakh respectively had remained inoperative for a long time and no monitoring of emission was conducted.

The Chief Engineer (P&R) replied (March 2005) that a scheme for installation of online stack monitoring system for all units of the STPS Sarni, two units of the SGTPS Birsinghpur and two units of the ATPS Chachai was submitted to the Board for approval, against which a loan of Rs.63.50 lakh was also made

available by the Power Finance Corporation. The scheme had, however, not been approved by the Board (April 2005).

### ***Corporate Social Responsibility***

#### ***Tree plantation.***

**4.17.8** MPPCB prescribed that thick green belt should be developed along the periphery of the TPSs and maximum open area should be utilised for the purpose. It was observed that 58,000 trees were planted at a cost of Rs.23.65 lakh<sup>∅</sup> during 2000-05 but there was nothing on record about survival of these trees.

In the absence of any periodical physical verification of the plants survived, the number of trees actually survived and the extent of environmental pollution reduction, could not be ascertained.

#### ***Establishment of Environmental Monitoring Laboratory***

**4.17.9** In a meeting of the CPCB, MPPCB, MP Power Generating Company and the Board, it was suggested that Environment cell/ Division may be constituted at MPSEB Head Office and adequate laboratory facilities should be developed at TPSs so that the work of monitoring and pollution control could get the desired impetus. It was also decided that the Board should stop awarding monitoring tasks to private firms. The CPCB supplied a list of instruments/ equipments required for the laboratory facilities. Though separate environment monitoring cells were formed in each TPS, the laboratory facilities had not been established so far (May 2005) and as a result proper monitoring of pollution control in the TPSs was not being carried out by the Board. The Board had been getting the pollution monitoring work done through the private parties. During the period under review, the Board had spent Rs.19.82 lakh<sup>ξ</sup> on the pollution monitoring work.

#### ***Analysis of Air Pollution and water waste.***

**4.17.10** The emission and effluent standards mandatory for TPSs, were evolved by CPCB and notified under the Environment Protection Act by Government of India. State PCB circulated these standards to be followed by

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<sup>∅</sup> STPS: 42000; Rs.16.63 lakh; ATPS: 2000: Rs.1.11lakh and SGTPS 14000: Rs5.91 lakh.

<sup>ξ</sup> SGTPS: Rs.7.71 lakh during 2003-05, ATPS: Rs.3.23 lakh in 2003-04 and STPS: Rs.8.88 lakh in 2003-04

all TPPs. Besides, the pollution control Authorities and National Task Force were constituted to ensure compliance of standards and visited the TPSs from time to time.

The MPPCB had inspected STPS, ATPS and SGTPS between January and December 2004, analysed the air pollution and waste water supplies of during 2004-05 and found that the suspended particulate matter (SPM) was above the prescribed limit. There were no proper arrangements for air pollution control and the equipments installed were not operated properly. The analysis of waste water samples had also revealed suspended solids above the prescribed limits. The Pollution Control Board reported that the arrangements provided in the power stations for treatment of effluents were also found either not appropriate or not operated properly. The management was directed to improve the treatment efficiency of the effluent treatment plants.

Thus, the Power houses were not complying with the pollution control standards fixed by the pollution control board.

### ***Summary***

The State Pollution Control Board after inspection of the TPSs reported that all the units of the three TPSs, except one unit of STPS were defaulting in the emission norms. The Board is required to take steps for achieving augmentation of the ESPs, for bringing down the emission level of SPM, for increasing the benefits of the various pollution control expenditure, and to improve the efficiency of effluent treatment plants and for strengthening the Pollution Monitoring System.

## **Madhya Pradesh Warehousing and Logistics Corporation**

### ***Avoidable expenditure on the financially unviable project***

**Injudicious decision to take up a double storey project without assessing viability of such construction resulted in avoidable expenditure of Rs.76.08 lakh.**

**4.18** With a view to create additional storage capacity of 3600 MT by conversion of existing godowns at Chhindwara into a double storey godown, the work of design, fabrication, painting, supply and creation of the pre-engineering system was awarded (25 June 2002) by Madhya Pradesh Warehousing and Logistics Corporation (Corporation) to Vardhaman Precision Profiles and tubes (P) Limited (contractor) for Rs.2.50 crore. The work was to be carried out on turnkey basis, without dismantling the existing

structure and without shifting the stock kept in the godown. The Corporation, however, did not assess the viability of such constructions before award of work.

When the work was under progress, the management examined (January 2003) the financial viability of the project and considering the high cost, the Contractor was asked (July 2003) to stop the work, when work worth Rs.19.08 lakh had been completed and iron structures valued at Rs.60 lakh brought to the site. The contractor demanded a payment of Rs.3.99 crore towards the cost of pre-engineered materials, establishment expenses, interest for delay in payment and loss of profit etc. In view of adverse legal opinion (July 2004), the Corporation decided (September 2004) to continue the work, but entered in to an addendum to the original agreement for construction of a new double storied godown at the adjoining site.

The Corporation assessed the value of additional work (excluding the work to be executed by the contractor) at the new site at Rs.36.83 lakh and the revised cost of the work at Rs.3.07 crore. The work was, however, not completed. It was observed in audit that (i) the Corporation did not assess its requirement of storage capacity on a realistic basis, (ii) before awarding the work, it failed to make any cost-benefit analysis for such type of construction, (iii) the agreement with the Contractor did not include an exit clause to enable the Corporation to take recourse in such a situation, (iv) though the original work was stopped in view of huge expenditure involved, the Corporation's addendum to the agreement resulted in further increase in the cost to Rs.3.07 crore and (v) as per Indian standard IS: 607, the normative cost of construction of the godown above 1000 MT capacity was Rs.1500/ MT, against which, the Corporation would be incurring Rs.5164 /MT excluding the cost of land, which lacked justification.

Thus, the Corporation's decision to take up a double storey project without any cost benefit analysis resulted in unfruitful expenditure of Rs.19.08 lakh incurred on the previous site. Further, the Corporation would incur an additional expenditure of Rs.57 lakh on enhanced cost of the project.

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

***Failure to implement decision regarding insuring stock***

**Failure to implement the decision of the Board resulted in avoidable expenditure of Rs.61.97 lakh towards insurance premium.**

**4.19** To safeguard the interest of depositors, Madhya Pradesh Warehousing and Logistics Corporation (Corporation) insures goods stocked in its warehouses. For this purpose, it set apart (2000-01) 25 per cent of its profits

towards a self-indemnity fund. The Executive committee of the Board of Directors decided (November 2001) that with effect from 2002-03, stock with less risk shall be covered under self indemnity fund and high risk stock by a floater policy, as was being followed by the Central Warehousing Corporation.

The Management, however, during 2002-04, kept the stock without segregating the same in the godowns. Moreover, despite setting apart a portion of the profit for meeting any loss of property on account of fire etc. and also without considering the number of fire accidents in the past, the Corporation took insurance cover and paid premium. It was observed in audit (December 2004) that during the last four years (2000-04), there were only five fire incidents causing loss of Rs.1.05 crore, against which the Corporation received claims of Rs.23.10 lakh only from the insurance company and the balance of Rs.81.93 lakh was borne by the Corporation.

Had the management segregated stock risk-wise and utilised its own funds for non-hazardous goods and insured only hazardous goods, the expenditure could have been minimised. Its failure to implement the decision resulted in avoidable expenditure of Rs.61.97 lakh<sup>v</sup> on insurance of non-hazardous goods.

The Management stated (December 2004) that the amount in self indemnity fund was only Rs.10-11 crore which was negligible compared to stock of depositors valuing Rs.500-600 crore.

The reply is not acceptable as the Executive committee had considered these facts before taking the decision.

The matter was reported to Government (May 2005); its reply had not been received (September 2005)

### **Madhya Pradesh Road Transport Corporation**

#### *Loss of revenue*

#### **Failure of the Corporation to honour its payment obligation to the financiers resulted in foregoing net potential revenue of Rs1.46 crore.**

**4.20** Madhya Pradesh Road Transport Corporation (Corporation) entered (July 1996 to February 2002) into agreements with financing companies for procuring 837 buses valuing Rs.78.64 crore on hire purchase/lease basis, details of which are given in *Annexure-30*. The terms of agreements, *inter*

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<sup>v</sup> Worked out on the basis of stock of hazardous and non-hazardous goods stored by the Corporation during 2002-04.

*alia*, stipulated that in case of default in payment of monthly dues, the financier was entitled to charge interest at the rate of three per cent per month compounded monthly on the amount of arrears.

The Corporation, however, did not pay the dues regularly to the financiers. It was noticed in audit (February 2005) that Arihant Hire Purchase Company, Guwahati, one of the financiers – seized 11 buses (10 in August 2003 and one in August 2004) for default in payment of monthly dues amounting to Rs.1.32 crore as of 31 December 2004. The total dues not paid by the Corporation to all the 15 financiers as on 31 March 2005 worked out to Rs.50.24 crore.

Thus, the failure of the Corporation in honouring its payment obligations resulted in losing the option to own the vehicles besides foregoing net potential revenue of Rs.1.46 crore from 11 seized buses during August 2003 to March 2005. Further, the Corporation has also to pay the dues along with the penal interest at three per cent per month.

The Management stated (March 2005) that due to financial crisis, the repayment could not be made. The reply is not acceptable because the Corporation was aware that the default would entail seizure of vehicles and should have, therefore, arranged to meet its financial commitments necessary for operation of the fleet.

The matter was reported to Government (June 2005); its reply had not been received (September 2005).

***Avoidable payment of penalty and extra demand charges.***

**The Corporation's failure to regulate contract demand as per actual requirement and to maintain power factor as per tariff schedule resulted in avoidable expenditure of Rs.22.12 lakh**

**4.21** The Divisional office, Jabalpur of the Madhya Pradesh Road Transport Corporation, (Corporation) was availing high tension power supply since April 1999 for its workshop at Karmeta with a contract demand of 235 KVA from the Madhya Pradesh State Electricity Board (Board). The tariff schedule of the Board required maintenance of average monthly power factor of at least 90 per cent failing which penal provisions were attracted.

It was noticed in audit (March 2004 to July 2004) that the Division maintained (April to May 2004) a power factor ranging from 39 to 73 percent only and consequently paid penalty of Rs.16.23 lakh for low power factor. Further, the actual demand during the aforesaid period ranged from 44 to 98 KVA and, as

a result, the Division paid minimum demand charges (higher than actual) amounting to Rs.5.89 lakh.

Thus, the failure of the Corporation to regulate its contract demand as per the actual requirement resulted in avoidable expenditure of Rs.22.12 lakh. The division stated (March and July 2004) that action was being taken to reduce the contract demand to 50 KVA. The reply is not acceptable as the Corporation did not take any action even after this being pointed out in audit in March 2004.

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

## **General**

### ***Response to Inspection Reports, Draft Paragraphs and Reviews***

**4.22** Audit observations not settled on the spot are communicated to the heads of the PSUs and the administrative departments concerned of the State Government through Inspection Reports. The heads of PSUs are required to furnish replies to the Inspection Reports through the respective Heads of administrative Departments within a period of six weeks. Inspection Reports issued up to March 2005 pertaining to 28 PSUs showed that 5492 paragraphs relating to 2040 Inspection Reports remained outstanding at the end of September 2005. Of these, 1893 Inspection Reports containing 4711 paragraphs had not been replied to for one year to 19 years (*Annexure-31*).

Similarly, draft paragraphs and reviews on the working of PSUs are forwarded to the Principal Secretary/Secretary of the administrative department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. It was, however, observed that replies to all the 21 draft paragraphs and three draft reviews forwarded to the various departments between December 2004 and July 2005 as per details in Annexure, were awaited (September 2005).

It is recommended that the Government should ensure that : (a) procedure exists for action against the officials who fail to send replies to inspection reports / draft paragraphs / reviews as per the prescribed time schedule;

(b) action is taken to recover loss/outstanding advances/overpayments in a time bound schedule; and (c) the system of responding to audit observations is revamped.

**Gwalior  
The**

**(J. N. Gupta)  
Principal Accountant General  
(Civil and Commercial Audit)  
Madhya Pradesh**

**Countersigned**

**New Delhi  
The**

**(Vijayendra N. Kaul)  
Comptroller and Auditor General of India**





*Audit Report (Commercial) for the year ended 31 March 2005*

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>(g)</b>	<b>Construction</b>												
10.	M.P. Police Housing Corporation Limited.	600.00	--	--	--	600.00	--	428.25	--	--	641.39	641.39	1.07:1 (3.04:1)
11.	M.P. Road Development	1000.00	--	--	--	1000.00	1000.00	--	--	--	--	--	--
	<b>Total (g)</b>	<b>1600.00</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>1600.00</b>	<b>1000.00</b>	<b>428.25</b>	<b>--</b>	<b>--</b>	<b>641.39</b>	<b>641.39</b>	<b>0.40:1 (3.04:1)</b>
<b>(h)</b>	<b>Area Development</b>												
12.	M.P.A.K.V.N. (Bhopal) Ltd.	--	--	135.01	--	135.01	--	--	--	--	--	--	--
13.	M.P.A.K.V.N. (Indore) Ltd.	--	--	165.00	--	165.00	--	--	30500.00	--	30500.00	30500.00	184.51:1
14.	M.P.A.K.V.N. (Jabalpur) Ltd.	--	--	133.11	0.01	133.12	--	--	--	--	--	--	--
15.	M.P.A.K.V.N. (Rewa) Ltd.	--	--	80.00	--	80.00	--	--	--	71.29	75.00	146.29	1.83:1 (2.14:1)
16.	Industrial Infrastructure Development Corporation (Gwalior) Limited.	--	--	75.00	--	75.00	--	--	--	--	--	--	--
17.	SEZ Indore Limited	--	--	1497.40	--	1497.40	--	--	--	--	--	--	--
	<b>Total (h)</b>	<b>--</b>	<b>--</b>	<b>2085.52</b>	<b>0.01</b>	<b>2085.53</b>	<b>--</b>	<b>--</b>	<b>30500.00</b>	<b>71.29</b>	<b>30575.00</b>	<b>30646.29</b>	<b>14.69:1 (0.29:1)</b>
<b>(i)</b>	<b>Development of Economically Weaker Sections</b>												
18.	M.P.Pichada Varg Tatha Alpasankhyak Vitta Evam vikas Nigam Ltd.	674.85	--	--	--	674.85	30.00	--	325.00	57.80	3318.46	3376.26	5.00:1 (4.92:1)
19.	M.P.Adivasi Vitta Evam vikas Nigam Limited.	1067.00	769.00	--	--	1836.00	--	--	--	--	3060.46	3060.46	1.67:1 (-)
	<b>Total (i)</b>	<b>1741.85</b>	<b>769.00</b>	<b>--</b>	<b>--</b>	<b>2510.85</b>	<b>30.00</b>	<b>--</b>	<b>325.00</b>	<b>57.80</b>	<b>6378.92</b>	<b>6436.72</b>	<b>2.56:1 (1.28:1)</b>
<b>(j)</b>	<b>Public Distribution</b>												
20.	M.P.State Civil Supplies Corporation Limited.	1200.00	--	--	--	1200.00	--	--	--	--	--	--	--
	<b>Total (j)</b>	<b>1200.00</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>1200.00</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>(k)</b>	<b>Tourism</b>												
21.	M.P.State Tourism Development Corporation Limited.	2497.29	--	--	--	2497.29	--	--	--	--	--	--	--
	<b>Total (k)</b>	<b>2497.29</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>2497.29</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>(l)</b>	<b>Financing</b>												
22.	The Provident Investment Company Limited.	49.26	--	--	0.40	49.66	--	--	--	--	--	--	--
23.	M. P .State Industrial Development Corporation Ltd.	8109.18	--	--	--	8109.18	--	--	--	1364.27	33917.11	35281.38	4.35:1 (4.35:1)
	<b>Total (l)</b>	<b>8158.44</b>	<b>--</b>	<b>--</b>	<b>0.40</b>	<b>8158.84</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>1364.27</b>	<b>33917.11</b>	<b>35281.38</b>	<b>4.32:1 (4.32:1)</b>
<b>(m)</b>	<b>Miscellaneous</b>												
24.	M. P. Urja Vikas Nigam Ltd.	68.92	--	--	--	68.92	--	--	--	--	--	--	--
	<b>Total (m)</b>	<b>68.92</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>68.92</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>

**Annexure**

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>(n)</b>	<b>Energy</b>												
25.	M. P. Power Transmission Company Limited.	5.01	--	--	--	5.01	--	--	--	--	--	--	--
26.	M. P. Poorv Kshetra Vidyut Vitaran Company Limited.	5.01	--	--	--	5.01	--	--	--	--	--	--	--
27.	M. P. Paschim Kshetra Vidyut Vitaran Company Limited.	5.01	--	--	--	5.01	--	--	--	--	7.22	7.22	1.44:1 (1.44:1)
28.	M. P. Power Generating Company Limited.	5.01	--	--	--	5.01	--	--	--	--	--	--	--
29.	M. P. Madhya Kshetra Vidyut Vitaran Company Limited.	5.01	--	--	--	5.01	--	--	--	--	--	--	--
	<b>Total (n)</b>	<b>25.05</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>25.05</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>7.22</b>	<b>7.22</b>	<b>0.29:1 (--)</b>
	<b>TOTAL – A</b>	<b>22054.75</b>	<b>1094.60</b>	<b>2162.98</b>	<b>1.41</b>	<b>25313.74</b>	<b>1030.00</b>	<b>428.25</b>	<b>30898.75</b>	<b>1696.52</b>	<b>72768.33</b>	<b>74464.85</b>	<b>2.94:1 (1.84:1)</b>
<b>B.</b>	<b>Statutory Corporations</b>												
1.	Madhya Pradesh State Electricity Board <sup>#</sup>	16961.71	--	--	--	16961.71	--	37144.11	--	92975.99	285910.02	378886.01	22.34:1 (20.56:1)
2.	M.P. Road Transport Corporation	10995.53	3185.35	--	--	14180.88	--	400.00	--	2149.60	2102.73	4252.33	0.30:1 (0.30:1)
3.	Madhya Pradesh Financial Corporation	5427.84	--	--	2101.15	7528.99	150.00	--	--	142.65	41218.22	41360.87	5.49:1 (4.94:1)
4.	M.P.Warehousing and Logistics Corporation	428.08	--	--	378.08	806.16	--	--	4.00	--	4.00	4.00	0.01:1 (-)
	<b>Total – B</b>	<b>33813.16</b>	<b>3185.35</b>	<b>--</b>	<b>2479.23</b>	<b>39477.74</b>	<b>150.00</b>	<b>37544.11</b>	<b>4.00</b>	<b>95268.24</b>	<b>329234.97</b>	<b>424503.21</b>	<b>10.75:1 (9.90:1)</b>
	<b>Total – A+B</b>	<b>55867.91</b>	<b>4279.95</b>	<b>2162.98</b>	<b>2480.64</b>	<b>64791.48</b>	<b>1180.00</b>	<b>37972.36</b>	<b>30902.75</b>	<b>96964.76</b>	<b>402003.30</b>	<b>498968.06</b>	<b>7.70:1 (6.94:1)</b>
<b>C</b>	<b>Non-working Companies</b>												
<b>(a)</b>	<b>Agriculture and Allied</b>												
1.	M.P.Lift Irrigation Corporation Limited.	592.29	--	--	--	592.29	--	--	--	--	--	--	--
2.	M.P.State Dairy Development Corporation Limited.	--	--	--	--	--	--	--	--	--	--	--	--
	<b>Total (a)</b>	<b>592.29</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>592.29</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>(b)</b>	<b>Industries</b>												
3.	M.P.Leather Development Corporation Limited.	154.29	--	--	--	154.29	--	--	--	--	--	--	--
4.	M.P.Film Development Corporation Limited.	103.84	--	--	--	103.84	--	--	--	--	--	--	--
5.	M.P. State Industries Corporation Limited.	1511.67	--	--	--	1511.67	--	--	--	3254.46	--	3254.46	2.15:1 (2.14:1)
	<b>Total (b)</b>	<b>1769.80</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>1769.80</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>3254.46</b>	<b>--</b>	<b>3254.46</b>	<b>1.84:1 (1.83:1)</b>

**Audit Report (Commercial) for the year ended 31 March 2005**

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>(c)</b>	<b>Electronics</b>												
6.	Optel Telecommunication Ltd.	--	--	1500.00	896.72	2396.72	--	--	2515.36	--	4601.22	4601.22	1.92:1 (10.78:1)
	<b>Total (c)</b>	--	--	<b>1500.00</b>	<b>896.72</b>	<b>2396.72</b>	--	--	<b>2515.36</b>	--	<b>4601.22</b>	<b>4601.22</b>	<b>1.92:1 (0.87:1)</b>
<b>(d)</b>	<b>Textile</b>												
7.	M.P. State Textile Corporation Limited.	685.95	--	--	--	685.95	--	--	--	8481.98	110.20	8592.18	12.53:1 (12.53:1)
	<b>Total (d)</b>	<b>685.95</b>	--	--	--	<b>685.95</b>	--	--	--	<b>8481.98</b>	<b>110.20</b>	<b>8592.18</b>	<b>12.53:1 (12.53:1)</b>
<b>(e)</b>	<b>Construction</b>												
8.	M.P.Rajya Setu Nirman Nigam Limited.	500.00	--	--	--	500.00	--	--	--	--	--	--	--
	<b>Total (e)</b>	<b>500.00</b>	--	--	--	<b>500.00</b>	--	--	--	--	--	--	--
<b>(f)</b>	<b>Financing</b>												
9.	M.P.Panchayati Raj Vitta Evam Gramin Vikas Nigam Limited.	27.25	--	--	15.67	42.92	--	--	--	--	--	--	--
	<b>Total (f)</b>	<b>27.25</b>	--	--	<b>15.67</b>	<b>42.92</b>	--	--	--	--	--	--	--
	<b>Grand Total- C</b>	<b>3575.29</b>	--	<b>1500.00</b>	<b>912.39</b>	<b>5987.68</b>	--	--	<b>2515.36</b>	<b>11736.44</b>	<b>4711.42</b>	<b>16447.86</b>	<b>2.75:1 (2.32:1)</b>
	<b>GRAND TOTAL (A+B+C)##</b>	<b>59443.20</b>	<b>4279.95</b>	<b>3662.98</b>	<b>3393.03</b>	<b>70779.16</b>	<b>1180.00</b>	<b>37972.36</b>	<b>33418.11</b>	<b>108701.20</b>	<b>406714.72</b>	<b>515415.92</b>	<b>7.28:1 (6.54:1)</b>

**Notes:** Except in respect of Companies which finalised their accounts for the year 2004-05 (Serial number A-20, 25, 26 and B-3 and 4), the figures are provisional and as supplied by the Companies/Corporations.

\*\* Loans outstanding at the close of 2004-05 represent long-term loans only.

@ Includes bonds, debentures, inter-corporate deposits, etc.

\$ Adjusted against the work-under-construction at the end of the year.

# As MPSEB has not furnished figures for the year 2004-05, previous year's figures have been adopted for the current year also.

## State Government investment in all PSUs was Rs.1681.44 crore (Others Rs.4180.51 crore). The figure as per Finance Accounts is Rs.3531.76 crore. The difference is under reconciliation.

## ANNEXURE 2

(Referred to in paragraphs 1.6, 1.7, 1.13, 1.19 and 1.20)

**Summarised financial results of Government companies and Statutory corporations for the latest year for which accounts were finalised**  
(Figures in columns 7 to 12 and 15 are Rupees in lakh)

Sl. No.	Sector and name of Company	Name of Department	Date of incorporation	Period of accounts	Year in which accounts finalised	Net Profit (+)/ Loss (-)	Net impact of audit comments	Paid-up capital	Accumulated Profit (+) / Loss(-)	Capital employed (A)	Total return on capital employed (B)	Percentage of total return on capital employed	Arrears in accounts in terms of years	Turn-over	Manpower
1.	2.	3.	4.	5.	6.	7.	8.	9.	10	11	12	13.	14.	15	16
<b>A.</b>	<b>Government companies</b>														
	<b>Working</b>														
<b>(a)</b>	<b>Agriculture and Allied</b>														
1.	M.P.State Agro industries Development Corporation Limited	Agriculture	21-03-1969	2001-02	2004-05	(+)48.22	--	329.50	(-)32.15	1662.88	(+)70.97	4.27	03	20876.12	582
	<b>TOTAL (a)</b>					<b>(+)48.22</b>	<b>--</b>	<b>329.50</b>	<b>(-)32.15</b>	<b>1662.88</b>	<b>(+)70.97</b>	<b>4.27</b>	<b>03</b>	<b>20876.12</b>	<b>582</b>
<b>(b)</b>	<b>Industries</b>														
2..	M.P. Trade and Investment Facilitation Corporation Limited **	Commerce & Industries	14-02-1977	2003-04	2005-06	(+)68.70	--	80.25	(+)502.41	582.67	(+)68.70	11.79	01	9459.31	12
3.	M.P. Laghu Udyog Nigam Limited.	Commerce & Industries	28-12-1961	2003-04	2005-06	(+)79.83	--	282.75	(+)1065.85	1168.86	(+)79.83	6.83	01	3286.46	387
4.	Pithampur Auto Cluster Pvt. Ltd.	Commerce & Industries	27.12.2004	First account has not been prepared											
	<b>TOTAL (b)</b>					<b>(+)148.53</b>	<b>--</b>	<b>363.00</b>	<b>(+)1568.26</b>	<b>1751.53</b>	<b>148.53</b>	<b>8.42</b>	<b>02</b>	<b>12745.77</b>	<b>399</b>
<b>(c)</b>	<b>Electronics</b>														
5.	M.P.State Electronics Development Corporation Limited.	Commerce & Industries	18-11-1983	2003-04	2005-06	(-)56.19	-	2191.25	(+)765.41	3198.49	(-)56.19	--	01	237.52	73
6.	Crystal I.T. Park Indore Limited	Commerce & Industries	16.09.2004	First account has not been prepared											
	<b>TOTAL (c)</b>					<b>(-)56.19</b>	<b>-</b>	<b>2191.25</b>	<b>(+)765.41</b>	<b>3198.49</b>	<b>(-)56.19</b>	<b>--</b>	<b>01</b>	<b>237.52</b>	<b>73</b>
<b>(d)</b>	<b>Handlooms &amp; Handicrafts</b>														
7.	M.P. Hasthashilp Evam Hath Kargha Vikas Nigam Limited.	Gram Udyog Department	18-11-1981	2000-01	2004-05	(-)11.89	--	106.16	(-)208.64	1261.96	(+)4.63	0.37	04	1691.63	345
	<b>TOTAL (d)</b>					<b>(-)11.89</b>	<b>--</b>	<b>106.16</b>	<b>(-)208.64</b>	<b>1261.96</b>	<b>(+)4.63</b>	<b>0.37</b>	<b>04</b>	<b>1691.63</b>	<b>345</b>
<b>(e)</b>	<b>Forest</b>														
8.	M.P. Rajya Van Vikas Nigam Limited..	Forest	24-07-1975	2003-04	2004-05	(+)227.44	--	3931.76	(+)784.42	5695.40	(+)227.47	3.99	01	1649.72	1197
	<b>TOTAL (e)</b>					<b>(+)227.44</b>	<b>--</b>	<b>3931.76</b>	<b>(+)784.42</b>	<b>5695.40</b>	<b>(+)227.47</b>	<b>3.99</b>	<b>01</b>	<b>1649.72</b>	<b>1197</b>

*Audit Report (Commercial) for the year ended 31 March 2005*

1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.	15.	16.
<b>(f)</b>	<b>Mining</b>														
9.	M.P. State Mining Corporation Limited.	Mineral Resources Department	19-01-1962	2003-04	2005-06	(+)472.98	--	219.59	(+)998.06	1069.29	(+)472.98	44.23	01	2356.18	456
	<b>TOTAL (f)</b>					<b>(+)472.98</b>	<b>--</b>	<b>219.59</b>	<b>(+)998.06</b>	<b>1069.29</b>	<b>(+)472.98</b>	<b>44.23</b>	<b>01</b>	<b>2356.18</b>	<b>456</b>
<b>(g)</b>	<b>Construction</b>														
10.	M.P. Police Housing Corporation Limited.	Home (Police)	31-03-1981	2003-04	2005-06	(+)17.03	--	600.00	(-)78.08	2552.12	(+)17.03	0.67	01	111.64	141
11.	M.P. Road Development Corporation Limited	PWD	14.07.2004	First account has not yet been prepared.											
	<b>TOTAL (g)</b>					<b>(+)17.03</b>	<b>--</b>	<b>600.00</b>	<b>(-)78.08</b>	<b>2552.12</b>	<b>(+)17.03</b>	<b>0.67</b>	<b>01</b>	<b>111.64</b>	<b>141</b>
<b>(h)</b>	<b>Area Development</b>														
12.	M.P.A.K.V.N. (Bhopal) Limited	Commerce & Industries	16-10-1987	2002-03	2004-05	(-)47.12	(-)12.09	135.01	(+)137.55	272.56	(-)47.12	--	02	267.88	273
13.	M.P.A.K.V.N. (Indore) Limited.	--do--	16-11-1981	2002-03	2005-06	(+)77.19	--	165.00	(+)456.96	5119.53	(+)95.99	1.87	02	670.91	217
14.	M.P.A.K.V.N. (Jabalpur) Limited.	--do--	16-11-1981	2003-04	2005-06	(-)10.68	--	133.12	(+)643.19	773.45	(-)10.68	--	01	47.26	70
15.	M.P.A.K.V.N. (Rewa) Ltd.	--do--	16-11-1981	2002-03	2005-06	(+)457.20	-	80.00	(-)41.49	447.87	(+)469.20	104.76	02	--	99
16.	Industrial Infrastructure Development Corporation (Gwalior) Limited.	--do--	28-05-1985	2002-03	2005-06	(+)0.92	--	75.00	(+)108.28	187.70	(+)1.03	0.55	02	0.74	160
17.	S EZ indore Limited	-do-	20.02.2003	First account has not been prepared											
	<b>TOTAL (h)</b>					<b>(+)477.51</b>	<b>--</b>	<b>588.13</b>	<b>(+)1304.49</b>	<b>6801.11</b>	<b>(+)508.42</b>	<b>7.48</b>	<b>11</b>	<b>986.79</b>	<b>819</b>
<b>(i)</b>	<b>Department of Economically Weaker Sections</b>														
18.	M.P. Pichhda Varg Tatha Alpsankhyak Vitta Evam Vikas Nigam Limited.	Pichhda Varg Kalyan Vibhag	29-09-1994	1998-99	2004-05	(+)9.23	--	354.17	(-)7.21	1931.30	(+)55.12	2.85	06	19.90	23
19.	M.P. Adivasi Vitta Evam Vikas Nigam Limited.	Schedule Tribe Welfare Department	29-09-1994	2000-01	2004-05	(-)14.66	--	1577.00	(+)72.30	4637.14	(+)220.99	4.76	04	195.83	117
	<b>TOTAL (i)</b>					<b>(-)5.43</b>	<b>--</b>	<b>1931.17</b>	<b>(+)65.09</b>	<b>6568.44</b>	<b>(+)276.11</b>	<b>4.20</b>	<b>10</b>	<b>215.73</b>	<b>140</b>
<b>(j)</b>	<b>Public Distribution</b>														
20.	M.P. State Civil Supplies Corporation Limited.	Food, Civil Supplies & Consumer Protection	03-04-1974	2004-05	2005-06	(+)1968.62	--	1200.00	(+)2057.54	6976.35	(+)2775.60	39.79	--	68246.77	922
	<b>TOTAL (j)</b>					<b>(+)1968.62</b>	<b>--</b>	<b>1200.00</b>	<b>(+)2057.54</b>	<b>6976.35</b>	<b>(+)2775.60</b>	<b>39.79</b>	<b>--</b>	<b>68246.77</b>	<b>922</b>

**Annexure**

1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.	15.	16.
<b>(k)</b>	<b>Tourism</b>														
21.	M.P. State Tourism Development Corporation Limited.	Tourism	24-05-1978	2002-03	2005-06	(+)27.31	--	2497.29	(-)1223.51	4507.88	(+)27.41	0.61	02	971.63	782
	<b>TOTAL (k)</b>					<b>(+)27.31</b>	<b>--</b>	<b>2497.29</b>	<b>(-)1223.51</b>	<b>4507.88</b>	<b>(+)27.41</b>	<b>0.61</b>	<b>02</b>	<b>971.63</b>	<b>782</b>
<b>(l)</b>	<b>Financing</b>														
22.	The Provident Investment Company Limited.	Finance	04-12-1926	2003-04	2005-06	(+)180.31	-	49.66	(+)604.89	343.08	(+)180.31	52.56	01	288.31	26
23.	M.P. State Industrial Development Corporation Limited.	Commerce & Industry	13-09-1965	2003-04	2004-05	(-)6022.56	--	8109.18	(-)64867.92	63318.54	(-)2823.72	--	01	387.73	104
	<b>TOTAL (l)</b>					<b>(-)5842.25</b>	<b>-</b>	<b>8158.84</b>	<b>(-)64263.03</b>	<b>63661.62</b>	<b>(-)2643.41</b>	<b>--</b>	<b>02</b>	<b>676.04</b>	<b>130</b>
<b>(m)</b>	<b>Miscellaneous</b>														
24.	M.P. Urja Vikas Nigam Limited.	Energy Department	25-08-1982	2003-04	2004-05	(-)268.31	--	68.92	(+)125.42	266.32	(-)268.31	--	01	6.66	242
	<b>TOTAL (m)</b>					<b>(-)268.31</b>	<b>--</b>	<b>68.92</b>	<b>(+)125.42</b>	<b>266.32</b>	<b>(-)268.31</b>	<b>--</b>	<b>01</b>	<b>6.66</b>	<b>242</b>
<b>(n)</b>	<b>Energy</b>														
25.	M. P. Power Transmission Company Limited.	Energy	22-11-01	2004-05	2005-06	--	--	5.01	--	(-)2.03	--	--	--	--	--
26.	M. P. Poorv Kshetra Vidyut Vitaran Company Limited.	-do-	31-05-02	2004-05	2005-06	--	--	5.01	--	4.82	--	--	--	--	--
27.	M. P. Paschim Kshetra Vidyut Vitaran Company Limited.	-do-	31-05-02	2003-04	2004-05	--	--	5.01	--	(-)2.03	--	--	01	--	--
28.	M. P. Power Generating Company Limited.	-do-	22-11-01	2004-05	2005-06	--	--	5.01	--	(-)4.51	--	--	--	--	--
29.	M. P. Madhya Kshetra Vidyut Vitaran Company Limited.	-do-	31-05-02	2003-04	2004-05	--	--	5.01	--	(-)1.70	--	--	01	--	--
	<b>TOTAL (n)</b>					<b>--</b>	<b>--</b>	<b>25.05</b>	<b>--</b>	<b>(-)5.45</b>	<b>--</b>	<b>--</b>	<b>02</b>	<b>--</b>	<b>--</b>
	<b>TOTAL - A</b>					<b>(-)2796.43</b>	<b>--</b>	<b>22210.66</b>	<b>(-)58136.72</b>	<b>105967.94</b>	<b>(+)1561.24</b>	<b>1.47</b>	<b>41</b>	<b>110772.2</b>	<b>6228</b>
<b>B.</b>	<b>Statutory Corporations</b>														
1.	Madhya Pradesh State Electricity Board	Energy	01-04-1957	2003-04	2005-06	(+)15105.34	-	16961.71	(-)236139.10	64470.22	(+)53429.35	82.87	01	496285.00	59234
2.	M.P. Road Transport Corporation	Transport	21-05-1962	2003-04	2005-06	(-)4759.67	--	14180.88	(-)73589.50	58973.46	(-)3593.42	--	01	18861.00	10646
3.	Madhya Pradesh Financial Corporation	Finance	30-06-1955	2004-05	2005-06	(-)638.95	--	7814.29	(-)22193.56	47569.85	(+)2738.73	5.75	--	3273.62	295
4.	Madhya Pradesh Warehousing and Logistics Corporation	Food, Civil Supplies & Consumer Protection	19-02-1958	2004-05	2005-06	(+)537.75	--	806.16	(+)6554.07	8518.42	(+)800.50	9.40	--	3471.24	1531
	<b>TOTAL --B</b>					<b>(+)10244.47</b>	<b>--</b>	<b>39763.04</b>	<b>(-)325368.09</b>	<b>179531.95</b>	<b>(+)53375.16</b>	<b>29.73</b>	<b>02</b>	<b>521890.86</b>	<b>71706</b>
	<b>GRAND TOTAL (A+B)</b>					<b>(+)7448.04</b>	<b>--</b>	<b>61973.70</b>	<b>(-)383504.81</b>	<b>285499.89</b>	<b>(+)54936.40</b>	<b>19.24</b>	<b>43</b>	<b>632740.74</b>	<b>77934</b>

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1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.	15.	16.
<b>C</b>	<b>Non-working Companies</b>														
<b>(a)</b>	<b>Agriculture</b>														
1.	M.P.Lift Irrigation Corporation Limited.	Water resources Deptt.	13-07-1976	1992-93	2005-06	(-)5.34	--	592.29	(-)629.73	(-)32.50	(-)5.34	--	12	--	--
2.	M.P.State Dairy Development Corporation Limited.	Agriculture	22-03-1975	2001-02	2002-03	<b>No profit and loss account has been prepared as all the assets and liabilities have been taken over by M.P. Cooperative Dairy Federation Limited w.e.f. August 1983.</b>							<b>3</b>		
<b>Total (a)</b>						<b>(-)5.34</b>	<b>--</b>	<b>592.29</b>	<b>(-)629.73</b>	<b>(-)32.50</b>	<b>(-)5.34</b>	<b>--</b>	<b>15</b>	<b>--</b>	<b>--</b>
<b>(b)</b>	<b>Industries</b>														
3.	M.P. Leather* Development Corporation Limited.	Rural Industries Department	25-11-1981	1994-95	2002-03	(+)2.54	(-)0.54	71.79	(+)34.54	(+)717.68	(+)2.85	0.40	10	65.11	17
4.	M.P.Film Development Corporation Limited.	Department of Culture	16-12-1981	2003-04	2004-05	<b>Profit and loss account has not been prepared as the company has gone for voluntary winding up in December 1998</b>							<b>01</b>	--	
5.	M.P. State Industries Corporation Limited.	Commerce and Industries	11-04-1961	2002-03	2004-05	(-)355.04	--	1511.67	(-)4883.40	(+)965.85	(-)334.24	--	02	230.17	17
<b>Total (b)</b>						<b>(-)352.50</b>	<b>(-)0.54</b>	<b>1583.46</b>	<b>(-)4848.86</b>	<b>(+)1683.53</b>	<b>(-)331.39</b>	<b>-</b>	<b>13</b>	<b>295.28</b>	<b>34</b>
<b>(c)</b>	<b>Electronics</b>														
6.	Optel Telecommunication Limited	Commerce and Industries	23-12-1988	2003-04	2005-06	(-)592.12	--	2396.72	(-)7073.06	(+)4443.76	(-)554.02	--	01	--	--
<b>Total (c)</b>						<b>(-)592.12</b>	<b>--</b>	<b>2396.72</b>	<b>(-)7073.06</b>	<b>(+)4443.76</b>	<b>(-)554.02</b>	<b>--</b>	<b>01</b>	<b>--</b>	<b>--</b>
<b>(d)</b>	<b>Textiles</b>														
7.	M.P. State Textile Corporation Limited.	Commerce and Industries	27-11-1970	2003-04	2004-05	(-)492.26	--	685.95	(-)10021.07	(-)284.96	(-)863.01	--	01	1.86	37
<b>Total (d)</b>						<b>(-)492.26</b>	<b>--</b>	<b>685.95</b>	<b>(-)10021.07</b>	<b>(-)284.96</b>	<b>(-)863.01</b>	<b>--</b>	<b>01</b>	<b>1.86</b>	<b>37</b>
<b>(e)</b>	<b>Construction</b>														
8.	M.P. Rajya Setu Nirman Nigam Limited.	PWD	04-10-1978	1989-90	1993-94	(-)112.99	-	500.00	(-)215.04	(+) 286.90	(-)112.99	-	15		
<b>Total (e)</b>						<b>(-)112.99</b>	<b>-</b>	<b>500.00</b>	<b>(-)215.04</b>	<b>(+) 286.90</b>	<b>(-)112.99</b>	<b>-</b>	<b>15</b>		
<b>(f)</b>	<b>Financing</b>														
9.	M.P. Panchayati Raj Vitta Evam Gramin Vikas Nigam Limited.	Panchayat and Rural Development	30-03-1981	2003-04	2004-05	(+)4.89	--	42.92	(+)44.24	(+)88.14	(+)4.89	5.55	01	6.41	
<b>Total (f)</b>						<b>(+)4.89</b>	<b>--</b>	<b>42.92</b>	<b>(+)44.24</b>	<b>(+)88.14</b>	<b>(+)4.89</b>	<b>5.55</b>	<b>01</b>	<b>6.41</b>	
<b>TOTAL C</b>						<b>(-)1550.32</b>	<b>-</b>	<b>5801.34</b>	<b>(-)22743.52</b>	<b>(+)6184.87</b>	<b>(-)1861.86</b>	<b>--</b>	<b>46</b>	<b>303.55</b>	<b>71</b>
<b>GRAND TOTAL (A+B+C)</b>						<b>(+)5897.72</b>	<b>--</b>	<b>67775.04</b>	<b>(-)406248.33</b>	<b>291684.76</b>	<b>(+)53074.54</b>	<b>18.20</b>	<b>89</b>	<b>633044.29</b>	<b>78005</b>

(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 the mean of aggregate of the opening and closing balance of paid-up capital, free reserves, bonds, deposits and borrowings (including refinance)

(B) Returns on capital employed represent net surplus plus or net loss minus interest on borrowed funds charged to Profit and Loss Account.

\* Company revised its accounts at the instance of audit.

\*\* Formerly known as Madhya Pradesh Export Corporation Limited..



### ANNEXURE 3

(Referred in paragraphs 1.5 and 1.17)

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

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

Sl No.	Name of the public sector undertaking	Subsidy and grants received during the year @				Guarantees received during the year and outstanding at the end of the year*					Waiver of dues during the year				Loans on which moratorium allowed	Loans converted into equity during the year
		Central Govt.	State Govt.	Others	Total	Cash Credit from Banks	Loans from other sources	Letter of Credit opened by banks in respect of imports	Payment obligation under agreement with foreign consultants or contractors	Total	Loans repayment written off	Interest waived	Penal interest waived	Total		
1	2	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	6	7
<b>A.</b>	<b>Working Government companies</b>															
<b>(a)</b>	<b>Agriculture and Allied</b>															
1.	M.P. State Agro Industries Development Corporation Limited	136.50 (1.00)	235.80 (-)	-	372.30 (1.00)	-	-	-	-	-	-	-	-	-	-	-
	<b>Total (a)</b>	<b>310.16 (1.00)</b>	<b>235.80 (-)</b>	<b>-</b>	<b>372.30 (1.00)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>(b)</b>	<b>Industries</b>															
2.	M.P. Laghu Udyog Nigam Limited.	- (17.54)	-	-	- (17.54)	-	-	-	-	-	-	-	-	-	-	-
3.	Pithampur Auto Cluster Private Limited	(1665.00)	-	-	(1665.00)	-	-	-	-	-	-	-	-	-	-	-
	<b>Total (b)</b>	<b>- (1682.54)</b>	<b>-</b>	<b>-</b>	<b>- (1682.54)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>(c)</b>	<b>Handlooms and Handicrafts</b>															
4.	M.P. Hasthashilp Evam Hath Kargha Vikas Nigam Limited	- (80.57)	- (640.99)	-	- (721.56)	-	73.75 (601.31)	-	-	73.75 (601.31)	-	-	-	-	-	-
	<b>Total (c)</b>	<b>- (80.57)</b>	<b>- (640.99)</b>	<b>-</b>	<b>- (721.56)</b>	<b>-</b>	<b>73.75 (601.31)</b>	<b>-</b>	<b>-</b>	<b>73.75 (601.31)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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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
(d)	<b>Construction</b>															
5.	Madhya Pradesh Police Housing Corporation Limited.	13462.82 (-)	--	--	13462.82	-	-- (641.39)	-	-	-- (641.39)	-	-	-	-	-	-
6.	M.P. Road Development Corporation Ltd.	--	5053.90 (10761.00)		5053.90 (10761.00)	--										
	<b>Total (d)</b>	<b>13462.82 (-)</b>	<b>5053.90 (10761.00)</b>	<b>--</b>	<b>18516.72 (10761.00)</b>	<b>-</b>	<b>-- (641.39)</b>	<b>-</b>	<b>-</b>	<b>-- (641.39)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
(e)	<b>Area Development</b>															
7.	M.P.A.K.V.N. (Indore) Limited.	- (1589.49)	- (185.01)	-	- (1774.50)	--	- (-)	-	-	-- (-)	-	-	-	-	-	-
8.	M.P.A.K.V.N. (Jabalpur) Limited.	17.27 (-)	100.00	--	117.27 (-)	--	-- (298.26)	-	-	-- (298.26)						
9.	Industrial Infrastructure Development Corporation (Gwalior) Limited.	552.89 (-)	-- (-)		552.89 (-)	-	- (-)	-	-	-- (-)	-	-	-	-	-	-
10.	MP AKVN (Bhopal) Limited	- (80.00)	- (20.00)		- (100.00)											
	<b>Total (e)</b>	<b>570.16 (1669.49)</b>	<b>100.00 (205.01)</b>		<b>670.16 (1874.50)</b>	<b>-</b>	<b>-- (298.26)</b>	<b>-</b>	<b>-</b>	<b>-- (298.26)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
(f)	<b>Development of economically weaker societies</b>															
11.	M.P. Pichhara Varg Thatha Alpasankhyak Vitta Evam Vikas Nigam Limited	- (-)	- (-)	- (-)	- (-)	-	3318.46 (3318.46)	-	-	3318.46 (3318.46)						
12.	M.P Adivasi Vitta Evam Vikas Nigam Limited	- (100.00)-	- (100.00)-	- (100.00)-	- (100.00)-	-	-- (-)	-	-	-- (-)						
	<b>Total (f)</b>	<b>- (-)</b>	<b>- (100.00)</b>	<b>- (-)</b>	<b>- (100.00)</b>	<b>-</b>	<b>3318.46 (3318.46)</b>	<b>-</b>	<b>-</b>	<b>3318.46 (3318.46)</b>						
(g)	<b>Public Distribution</b>															
13.	M.P.State Civil Supplies Corporation Limited.	12845.40 (-)	2677.00 (-)	-	15522.40 (-)	1500.00	-	-	-	1500.00	-	-	-	-	-	-
	<b>Total (g)</b>	<b>12845.40 (-)</b>	<b>2677.00 (-)</b>	<b>-</b>	<b>15522.40 (-)</b>	<b>1500.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1500.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
(g)	<b>Tourism</b>															
14.	M.P.State Tourism Development Corporation Limited.	937.30 (14.00)	447.87 (415.83)	-	13851.17-- (429.83)	-	-	-	-	-	-	-	-	-	-	-
	<b>Total (g)</b>	<b>937.30 (14.00)</b>	<b>447.87 (415.83)</b>	<b>-</b>	<b>13851.17-- (429.83)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
(h)	<b>Finance</b>															
15.	M.P. State Industrial Development Corporation Limited	2035.00 (-)	--	--	2035.00 (-)	--	-- (1819.50)	--	--	-- (1819.50)						
	<b>Total (h)</b>	<b>2035.00 (-)</b>	<b>--</b>	<b>--</b>	<b>2035.00 (-)</b>	<b>--</b>	<b>-- (1819.50)</b>	<b>--</b>	<b>--</b>	<b>-- (1819.50)</b>						

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
(i)	<b>Miscellaneous</b>															
16.	M.P.Urja Vikas Nigam Limited.	48.31 (--)	677.00 (--)		725.31 (--)	-	-	-	-	-	-	-	-	-	-	-
	<b>Total (i)</b>	<b>48.31 (--)</b>	<b>677.00 (--)</b>		<b>725.31 (--)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>Total (A)</b>	<b>30035.49 (3447.60)</b>	<b>9191.57 (12122.83)</b>	<b>- --</b>	<b>39227.06 (15469.63)</b>	<b>1500.00</b>	<b>3392.21 (6678.92)</b>	<b>--</b>	<b>--</b>	<b>4892.21 (6678.92)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>B.</b>	<b>Working Statutory corporations</b>															
1.	Madhya Pradesh State Electricity Board**	-	81839.32 (2692.66)	-	81839.32 (2692.66)	-	-	-	-	--						
2.	M.P. Road Transport Corporation.	-	--	-	--	(154.84)	(1321.92)	-	-	--						
3.	Madhya Pradesh Financial Corporation	-	1.00 (-)	-	1.00 (-)	1500.00 (56479.76)	-	-	-	1500.00 (56479.76)						
	<b>Total (B)</b>	<b>--</b>	<b>81840.32 (2692.66)</b>	<b>-</b>	<b>81840.32 (2692.66)</b>	<b>1500.00 (56634.60)</b>	<b>--</b>	<b>(1321.92)</b>	<b>--</b>	<b>1500.00 (57956.52)</b>						
	<b>Grand Total (A+B)</b>	<b>30035.49 (3447.60)</b>	<b>91031.89 (14815.49)</b>	<b>-</b>	<b>121067.38 (18162.29)</b>	<b>3000.00 (56634.60)</b>	<b>3392.21 (8000.84)</b>	<b>--</b>	<b>--</b>	<b>6392.21 (64635.44)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>

\* Figures within brackets under columns 3(a) to 3(d) represent grants and those under columns 4(a) to 4(e) guarantees outstanding at the end of the year.

\*\* Figures for 2004-05 have not been furnished by MPSEB. Previous year's figures have been adopted for the current year

## ANNEXURE 4

(Referred to in paragraph 1.7)

### Statement showing financial position of Statutory corporations

(Amount : Rupees in crore)

Working Statutory corporations			
1. Madhya Pradesh State Electricity Board			
	2001-02	2002-03	2003-04
<b>A. Liabilities</b>			
Equity capital	169.62	169.62	169.62
Loans from Government	390.62	581.28	929.76
Other long-term loans (including bonds)	3749.29	3492.67	3510.72
Reserves and surplus	--	---	--
Current liabilities and provisions	8522.21	9679.39	11835.86
<b>Total A</b>	<b>12831.74</b>	<b>13922.96</b>	<b>16445.96</b>
<b>B. Assets</b>			
Gross fixed assets	9106.21	9819.19	11022.18
Less : Depreciation	4113.73	4598.45	5074.64
Net fixed assets	4992.48	5220.74	5947.54
Capital works-in-progress	1965.20	2098.52	2842.30
Deferred cost	1.33	1.27	1.27
Current assets	3789.65	4355.94	5226.40
Investments	194.05	218.13	290.25
Profit and Loss Account	1889.03	2028.36	2138.20
<b>Total - B</b>	<b>12831.74</b>	<b>13922.96</b>	<b>16445.96</b>
<b>(C) Capital employed**</b>	<b>5044.87</b>	<b>5545.24</b>	<b>2180.38</b>
2. Madhya Pradesh Road Transport Corporation			
	2001-02	2002-03	2003-04
<b>A. Liabilities</b>			
Capital (including capital loan and equity capital)	182.37	141.82	141.82
Borrowings (Government)	22.50	17.50	17.50
(Others )	122.26	142.31	142.04
Funds <sup>\$</sup>	547.74	428.12	430.29
Trade dues and other current liabilities (including provisions)	666.81	553.66	617.71
<b>Total - A</b>	<b>1541.68</b>	<b>1283.41</b>	<b>1349.35</b>
<b>B. Assets</b>			
Gross Block	634.52	461.07	458.01
Less : Depreciation	77.87	55.20	53.69
Net fixed assets	556.65	405.87	404.32
Capital works-in-progress (including cost of chassis)	4.65	3.44	3.23
Investments	0.12	0.09	0.09
Current assets, loans and advances	199.72	185.72	205.82
Accumulated loss	780.54	688.29	735.89
<b>Total - B</b>	<b>1541.68</b>	<b>1283.41</b>	<b>1349.35</b>
<b>C. Capital employed<sup>#</sup></b>	<b>94.21</b>	<b>41.37</b>	<b>4.34</b>

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

<sup>\$</sup> Excluding depreciation funds.

<sup>#</sup> Capital employed represents net fixed assets (including capital works-in-progress) plus working capital.

<b>3. Madhya Pradesh Financial Corporation</b>			
	<b>2002-03</b>	<b>2003-04</b>	<b>2004-05</b>
<b>A. Liabilities</b>			
Paid-up capital	88.08	73.78	75.29
Share application money	--	--	--
Reserve fund and other reserves and surplus	10.04	9.27	9.13
Borrowings :			
(i) Bonds and debentures	282.60	228.62	220.40
(ii) Fixed deposits			
(iii) Industrial Development Bank of India & Small Industries Development Bank of India	159.45	132.64	190.36
(iv) Reserve Bank of India	--	6.19	--
(v) Loan towards share capital from:			
(a) State Government	1.73	1.43	1.43
(b) Industrial Development Bank of India	1.74	1.43	1.43
(vi) Others (including State Government)	--		
Other Liabilities and provisions	5.57	3.39	8.73
<b>Total – A</b>	<b>549.21</b>	<b>456.75</b>	<b>506.77</b>
<b>B. Assets</b>			
Cash and Bank balances	5.36	15.59	17.70
Investments	3.25	2.67	2.27
Loans and advances	287.28	209.87	252.75
Net fixed assets	9.76	8.76	8.57
Other assets	4.84	4.32	3.54
Miscellaneous expenditure	238.72	215.54	221.94
<b>Total – B</b>	<b>549.21</b>	<b>456.75</b>	<b>506.77</b>
<b>C. Capital employed*</b>	<b>545.20</b>	<b>498.50</b>	<b>475.70</b>
<b>4. Madhya Pradesh Warehousing and Logistics Corporation</b>			
	<b>2002-03</b>	<b>2003-04</b>	<b>2004-05</b>
<b>A. Liabilities</b>			
Paid-up Capital	6.56	8.06	8.06
Advances against Capital	--		
Reserves and surplus	65.57	72.73	76.42
Borrowings:			
Government	1.33	--	--
Others	--	00	0.04
Trade dues and current liabilities (including provisions)	12.27	16.96	25.10
<b>Total A</b>	<b>85.73</b>	<b>97.75</b>	<b>109.62</b>
<b>B. Assets</b>			
Gross Block	93.68	99.29	101.17
Less : Depreciation	31.05	34.69	38.32
Net Fixed assets	62.63	64.60	62.85
Capital works-in-progress	2.87	0.02	1.36
Current assets, loan and advances	20.23	33.13	45.41
<b>Total -B</b>	<b>85.73</b>	<b>97.75</b>	<b>109.62</b>
<b>Capital employed</b>	<b>73.46</b>	<b>80.79</b>	<b>84.49</b>

\* 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).

## ANNEXURE 5

(Referred to in paragraph 1.7)

### Statement showing working results of Statutory corporations

(Rupees in crore)

A. Working Statutory corporations					
1.	Madhya Pradesh State Electricity Board				
	Particulars	2001-02	2002-03	2003-04	
1	(a) Revenue receipts	4637.00	4794.50	5688.42	
	(b) Subsidy/Subvention from Government	542.96	668.00	818.39	
	<b>Total</b>	<b>5179.96</b>	<b>5462.50</b>	<b>6506.81</b>	
2	Revenue expenditure (net of expenses capitalised) including write-off of intangible assets but excluding depreciation and interest	5452.55	4788.48	5591.43	
3	Gross Surplus (+)/Deficit(-) for the year (1-2)	(-)272.59	674.02	915.38	
4	Adjustments relating to previous years	567.37	(-)0.08	95.57	
5	Final Gross Surplus (+)/Deficit(-) for the year (3+4)	(-)294.78	673.94	1010.95	
6	Appropriations :				
	(a) Depreciation (less capitalised)	540.15	487.53	476.68	
	(b) Interest on Government loans	206.07	62.77	87.34	
	(c) Interest on others, bonds, advance, etc. and finance charges	732.24	746.05	826.61	
	(d) Total interest on loans & finance charges (b+c)	938.31	808.82	913.95	
	(e) Less :- Interest capitalised	379.74	468.03	530.71	
	(f) Net interest charged to revenue (d-e)	558.57	340.79	383.24	
	(g) Total appropriations (a+f)	1098.72	828.32	859.92	
7	Surplus(+)/deficit(-)before accounting for subsidy from State Government {5-6(g)-1(b)}	(-)1646.90	(-)822.38	(-)667.36	
8	Net Surplus(+)/Deficit (-) {5-6(g)}	(-)803.93	(-)154.38	(-)151.03	
9	Total return on capital employed*	(-)333.38	(-)279.30	(+)232.21	
10	Percentage of return on capital employed		--	<b>10.65</b>	
2.	<b>Madhya Pradesh Road Transport Corporation</b> **				
		2002-03 (up to 31-12- 2002)	2002-03 (1-1-03 to 31-03- 03)	2003-04	2004-05 (Provisional)
1	Operating				
	(a) Revenue	172.77	48.64	175.03	138.56
	(b) Expenditure	251.48	61.72	209.25	164.68
	(c) Surplus(+)/Deficit(-)	(-)78.71	(-)13.08	(-)34.22	(-)26.12
2	Non-operating				
	(a) Revenue	3.96	1.38	4.97	6.67
	(b) Expenditure	9.23	4.34	15.75	34.12
	(c) Surplus(+)/Deficit(-)	(-)5.27	(-)2.96	(-)10.78	(-)27.45
3	<b>Total</b>				
	(a) Revenue	176.73	50.02	180.00	145.23
	(b) Expenditure	260.71	66.06	225.00	198.80
	(c) Net Profit(+)/Loss(-)	(-)83.98	(-)16.04	(-)45.00	(-)53.57
4	Interest on capital and loans	12.15	2.96	11.00	--

\* Total return on capital employed represents net Surplus/ Deficit plus total interest charged to Profit and Loss Account (less interest capitalised).

\*\* Consequent on bifurcation of MPSRTC between Madhya Pradesh and Chhattisgarh State w.e.f. 31 December 2002 it has prepared accounts for 2002-03 in two phases viz upto 31 December 2002 and from 1 January to 31 March 2003.

5	Total return on Capital employed*	(-)71.83	(-)13.08	(-)34.00	(-)53.57
<b>3.</b>	<b>Madhya Pradesh Financial Corporation</b>				
		<b>2002-03</b>	<b>2003-04</b>	<b>2004-05</b>	
<b>1</b>	<b>Income</b>				
	(a) Interest on loans	36.34	27.05	29.66	
	(b) Other Income	2.19	1.26	3.07	
	<b>Total-1</b>	<b>38.53</b>	<b>28.31</b>	<b>32.73</b>	
<b>2</b>	<b>Expenses</b>				
	(a) Interest on long-term loans	49.02	29.10	28.21	
	(b) Provision for non performing assets	5.90	3.97	6.21	
	(c) Other expenses	7.41	6.75	8.53	
	<b>Total-2</b>	<b>62.33</b>	<b>39.82</b>	<b>42.95</b>	
3	Loss before tax (1-2)	23.80	11.51	10.22	
4	Provision for tax	--	--	--	
5	Other appropriations	4.32	0.25	(-)3.83	
6	Amount available for dividend*	--	--	--	
7	Dividend payable	47.29	38.90	38.90	
<b>8</b>	<b>Total return on capital employed</b>	<b>30.35</b>	<b>15.55</b>	<b>17.99</b>	
9	Percentage of return on capital employed	5.58	3.12	3.78	
<b>4.</b>	<b>Madhya Pradesh Warehousing and Logistics Corporation</b>				
		<b>2002-03</b>	<b>2003-04</b>	<b>2004-05</b>	
	<b>Income</b>				
	(a) Warehousing charges	35.11	32.64	34.71	
	(b) Other Income	0.34	0.68	1.15	
	<b>Total</b>	<b>35.45</b>	<b>33.32</b>	<b>35.86</b>	
	<b>Expenses</b>				
	(a) Establishment charges	12.57	13.74	14.91	
	(b) Other expenses	9.28	8.75	12.21	
	<b>Total</b>	<b>21.85</b>	<b>22.49</b>	<b>27.12</b>	
	Profit (+)/Loss(-) before tax	13.60	10.83	8.74	
	Other appropriations <sup>@</sup>	12.24	10.56	8.44	
	Amount available for dividend	1.36	0.27	0.30	
	Dividend for the year	1.36	0.27	0.30	
	<b>Total return on capital employed</b>	<b>13.74</b>	<b>10.91</b>	<b>11.36</b>	
	Percentage of return on capital employed	18.70	13.50	13.45	

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

@ This does not include prior period adjustments.

## ANNEXURE 6

(Referred to in paragraph 1.12)

### Statement showing operational performance of Statutory corporations

#### A. Working Statutory corporations

##### 1. Madhya Pradesh State Electricity Board

Sl. No	Particulars	2001-02	2002-03	2003-04
	<b>Installed capacity</b>		(MW)	
(a)	Thermal	2147.500	2147.500	2147.500
(b)	Hydro	792.959	842.955	842.955
(c)	Gas	--	--	
(d)	Other	--	--	
	<b>Total</b>	<b>2940.459</b>	<b>2990.455</b>	<b>2990.455</b>
	Normal maximum demand	4632.000	4769.000	5662.000
	<b>Power generated :</b>		(MWKH)	
(a)	Thermal	11288.861	13680.860	13168.440
(b)	Hydro	2372.191	1890.550	2632.720
(c)	Gas	--	--	--
(d)	Other	--	--	--
	<b>Total</b>	<b>13661.052</b>	<b>15571.410</b>	<b>15801.160</b>
	Less : Auxiliary consumption	--	--	--
(a)	Thermal	1109.507	1315.050	1302.090
	(Percentage)	(99.45)	(99.65)	(99.56)
(b)	Hydro	6.121	4.610	5.700
	(Percentage)	(0.55)	(0.35)	(0.44)
(c)	Gas	--	--	--
	(Percentage)	--	--	--
(d)	Other	--	--	--
	(Percentage)	--	--	--
	<b>Total</b>	<b>1115.628</b>	<b>1319.660</b>	<b>1307.790</b>
	<b>(Percentage)</b>	<b>(8.17)</b>	<b>(9.66)</b>	<b>(8.28)</b>
	Net power generated	12545.425	14251.750	14493.370
	Power purchased	13124.575	12926.340	14000.130
	Total power available for sale	25670.00	27178.090	28493.500
	Power sold	14730.138	15280.403	15996.060
	Transmission and distribution losses	10939.861	11897.687	12497.440
	Load factor (Percentage)	62.90	73.14	70.21
	Percentage of transmission and distribution losses to total power available for sale	42.62	43.59	43.86
	Number of villages/towns electrified	50306	50400	50474
	Number of pump sets/wells energised	1273195	1320923	1325092
	Number of sub-stations	NA	165066	172670
	Transmission/distribution lines (in kms)			
(a)	High/medium voltage	NA	185984	191898
(b)	Low voltage	NA	NA	335062
	Connected load (in MW)	8719	8624	8678
	Number of consumers	6403122	6395646	6442961
	Number of employees	62077	60299	58774
	Consumer/employees Ratio	103.1	106:1	110:1
	Total expenditure on staff during the year (Rs.in crore)	768.01	814.25	1024.48
	Percentage of expenditure on staff to total revenue expenditure	12.47	14.50	14.81



Sl. No	Particulars	2001-02	2002-03	2003-04
	<b>Units sold</b>	<b>----- (MKWH)</b>		
(a)	Agriculture	4185.420	4974.183	5347.00
	(Percentage share to total units sold)	(28.08)	(32.36)	33.10
(b)	Industrial	4154.416	4171.096	5617.000
	(Percentage share to total units sold)	(27.88)	(27.14)	34.77
(c)	Commercial	596.787	651.589	608.000
	(Percentage share to total units sold)	(4.00)	(4.24)	4.26
(d)	Domestic	3210.758	3243.067	3311.000
	(Percentage share to total units sold)	(21.54)	(21.09)	20.50
(e)	Others	2757.663	2333.741	1190.956
	(Percentage share to total units sold)	(18.50)	(15.19)	7.37
	<b>Total</b>	<b>14905.044</b>	<b>15373.676</b>	<b>16153.956</b>
		<b>(Paise per KWH)</b>		
(a)	Revenue (excluding subsidy from Government)	290	NA <sup>@</sup>	NA
(b)	Expenditure <sup>*</sup>	349	NA	NA
(c)	Profit(+)/Loss(-)	(-59)	NA	NA
(d)	Average subsidy claimed from Government (in Rupees)	0.40	NA	NA
(e)	Average interest charges (in Rupees)	0.65	NA	NA
<b>2.</b>	<b>Madhya Pradesh Road Transport Corporation</b>			
Sl. No	Particulars	2001-02	2002-03	2003-04
			<b>(Up to 31-12-02)</b>	<b>(01-01-03 to 31-03-03)</b>
	Average number of vehicles held	2547	1747	1745
	Average number of vehicles on road	1876	1435	1417
	Percentage of utilisation of vehicles	74	82	81
	Number of employees	14695	11199	11204
	Employee-vehicle ratio	6:1	6:1	8:1
	Number of routes operated at the end of the year	1376	NA	1033
	Route kilometres	NA	NA	206561
	Kilometres operated (in lakh)			
	(a) Gross	2040.23	1396.10	380.32
	(b) Effective	1976.16	1358.64	369.84
	(c) Dead	61.07	37.46	10.48
	Percentage of dead kilometres to gross kilometres	2.99	2.68	2.76
	Average kilometres covered per bus per day	213	220	264
	Operating revenue per kilometre (paise) over previous year's income (per cent)	1237 (-3.66)	1360 9.94	1538 11.00
	Average expenditure per kilometre (paise)	1964	2044	2031
	Profit(+)/Loss(-) per kilometre (paise)	(-727)	(-684)	(-493)
	Number of operating depots	57	57	47
	Average number of breakdowns per lakh kilometres	6.90	7.00	8.90
	Average number of accidents per lakh kilometres	0.15	0.15	0.13
	Passenger kilometres operated (in crore)	607.48	600.00	553.54
	Occupancy ratio	60	61	62
	Kilometres obtained per litre of :	--	--	--
	(a) Diesel Oil	4.07	4.05	4.06
	(b) Engine Oil	609	605	605

<sup>@</sup> Not available.

<sup>\*</sup> Revenue expenditure includes depreciation but excludes interest on long term loans

(Amount : Rupees in crore)

3. Madhya Pradesh Warehousing and Logistics Corporation						
Particulars		2002-03	2003-04	2004-05		
Number of stations covered		219	229	230		
Storage capacity created up to the end of the year (in lakh tonnes)						
(a) Owned		9.51	9.63	9.65		
(b) Hired		2.28	2.04	2.13		
<b>(c) Total</b>		<b>11.79</b>	<b>11.67</b>	<b>11.78</b>		
Average capacity utilized during the year (in lakh tonnes)		9.49	9.05	9.22		
Percentage of utilization		81	77	78		
Average revenue per metric tonne per year (Rs)		373.61	368.18	388.93		
Average expense per metric tonne per year (Rs.)		230.28	248.48	294.15		
4. Madhya Pradesh Financial Corporation						
Particulars	2002-03		2003-04		2004-05	
	Number	Amount	Number	Amount	Number	Amount
Applications pending at the beginning of the year	15	16.36	13	2.37	14	5.20
Applications received during the year	204	104.15	155	68.72	556	177.54
<b>Total</b>	<b>219</b>	<b>120.51</b>	<b>168</b>	<b>71.09</b>	<b>570</b>	<b>182.74</b>
Applications sanctioned	180	107.02	136	54.95	515	162.23
Applications cancelled/ withdrawn/rejected/ reduced	26	5.58	18	10.94	--	--
Applications pending at the close of the year	13	2.37	14	5.20	41	9.83
Loans disbursed	153	0.75	95	41.83	388	110.01
Loans outstanding at the close of the year *	3439	563.45	2733	452.91	2033	395.40
<b>Amount overdue for recovery at the close of the year</b>						
(a) Principal		120.63		105.82		93.54
(b) Interest		21.78		17.79		15.13
<b>Total</b>		<b>142.41</b>		<b>123.61</b>		<b>108.67</b>
Amount involved in recovery certificate cases	-	-		--		
Total	-	-		--		
Percentage of default to total loans outstanding		25.27		27.29		27.48

\* Including interest

**Annexure-7***(Referred in to para 2.1.6 )*

Statement showing targets and achievements of MP Adivasi Vitta Evam Vikas Nigam during the five years ended 31 March 2005

**(Amount : Rupees in lakh)**

	Year	Target		Achievement			
		Physical (Beneficiaries)	Financial (Rs.)	Physical (Beneficiaries)	Percentage	Financial (Rs.)	Percentage
<b>(a)</b>	<b>NSTFDC</b>						
	2000-01	850	1255.00	558	66	557.37	44
	2001-02	570	1045.00	216	38	354.08	34
	2002-03	570	563.00	116	20	149.69	27
	2003-04	570	620.50	195	34	216.71	35
	2004-05	570	513.00	59	10	56.38	11
	<b>Total (a)</b>	<b>3130</b>	<b>3996.50</b>	<b>1144</b>	<b>36</b>	<b>1334.23</b>	<b>33</b>
<b>(b)</b>	<b>NHFDC</b>						
	2000-01	50	25.00	32	64	15.12	60
	2001-02	50	25.00	10	20	4.85	19
	2002-03	50	25.00	13	26	5.55	22
	2003-04	200	120.00	15	7.5	6.59	5
	2004-05	200	100.00	3	1.5	1.50	--
	<b>Total (b)</b>	<b>550</b>	<b>295.00</b>	<b>73</b>	<b>13</b>	<b>33.61</b>	<b>11</b>
<b>(c)</b>	<b>NABARD</b>						
<b>(i)</b>	<b>Cost</b>						
	2000-01	10000	2500.00	6928	69	1413.32	57
	2001-02	6475	1618.75	5323	82	1037.76	64
	2002-03	6475	1618.75	6941	107	1986.08	122
	2003-04	6500	1950.00	5502	85	1542.77	79
	2004-05	6500	1430.00	231	04	54.22	04
	<b>Total (c)(i)</b>	<b>35950</b>	<b>9117.50</b>	<b>24925</b>	<b>69</b>	<b>6034.15</b>	<b>66</b>
<b>(ii)</b>	<b>Subsidy</b>						
	2000-01		600.00			391.86	65
	2001-02		388.50			242.65	62
	2002-03		647.50			724.82	112
	2003-04		750.00			563.20	75
	2004-05		1170.00			40.85	3
	<b>Total (c) (ii)</b>		<b>3556.00</b>			<b>1963.38</b>	

## Annexure-8

(Referred to in paragraphs 2.2.6, 2.2.7 and 2.2.10)

Statement showing position of land acquired, allotable land, allotted land, period of acquisition and development and expenditure thereon as at 31 March 2005

(Amount : Rupees in lakh)

Name of AKVN	Name of Growth centre	Land acquired up to 31.03.05 (Ha.)	Allotable Land (Ha.)	Land allotted up to 31.03.05 (Ha.)	Un-allotted land (Ha.)	Percentage of allotable land to total land	Percentage of allotted land to allotable land	Percentage un-allotted land to allotable land	Period of acquisition	Period of development	Expenditure on development	Cost of land acquired	Dev. Cost per Ha. of allotable land	Expenditure on land not allotted	Acquisition cost per Ha	Acquisition cost of unallotted land
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.	15.	16.	17.
Bhopal	Mandideep I	777.843	545.00	536.260	8.740	70	98.4	1.6	Dec 1983	--	1283.78	109.00	2.36	20.63	0.20	1.75
	Pelukhedi	228.000	160.00	78.570	81.430	70	49	51	April 1987	--	1004.64	72.46	6.28	511.38	0.45	36.64
	Mandideep II	324.403	227.400	Nil	227.400	70	Nil	100	October 1996	--	1322.91	93.90	5.817	1322.91	0.41	93.23
		<b>1330.246</b>	<b>932.400</b>	<b>614.830</b>	<b>317.570</b>	<b>70</b>	<b>66</b>	<b>34</b>			<b>3611.33</b>	<b>275.36</b>		<b>1854.92</b>		<b>131.62</b>
Gwalior	Malanpur-Ghirongi	1446.097	803.340	356.056	447.290	55.6	43.3	55.7	1985-92	--	5495.12	757.00	6.84	3059.46	0.94	420.45
	Banmore	289.000	239.360	181.136	58.224	82.8	75.7	24.3	1989	--	439.62	95.97	1.84	107.13	0.40	23.29
	Chainpura	340.097	118.220	97.320	20.900	34.8	82.3	17.7	1990-99	--	435.94	108.00	3.69	77.12	0.91	19.02
	Pratappura	90.000	31.080	8.120	22.960	34.5	26.1	73.9	1988-89	--	137.32	Nil	4.42	101.48	--	--
		<b>2165.194</b>	<b>1192.000</b>	<b>642.626</b>	<b>549.374</b>	<b>55</b>	<b>54</b>	<b>46</b>	-	-	<b>6508.00</b>	<b>960.97</b>	-	<b>3345.19</b>		<b>462.76</b>
Indore	Pethampur	1876.280	1313.400	1135.680	177.720	70	86.5	13.5	1984-88	1984-90	788.80	NA	0.60	106.63	NA	NA
	Kheda	182.200	156.000	98.730	57.270	85.6	63.39	36.6	1992	1992-96	756.85		4.85	277.76		
	Dewas III	121.740	97.770	97.070	0.700	80.3	99.3	0.7	1982	1982-85	213.40		2.18	1.53		
	Maksi	88.850	66.640	64.860	1.780	75	97.3	2.7	1984	1984-87	36.92		0.55	0.98		
	Meghnagar	223.750	167.810	35.000	132.810	75.00	20.9	79.1	1984	1984-87	150.12		0.89	118.20		
		<b>2492.82</b>	<b>1801.62</b>	<b>1431.34</b>	<b>370.28</b>	<b>72.3</b>	<b>79.4</b>	<b>20.6</b>			<b>1446.09</b>			<b>508.64</b>		
Jabalpur	Maneri	517.270	236.259	54.090	182.169	45.7	22.9	77.1	1986-87	--	431.42	33.20	1.83	333.37	0.14	25.50
	Borgaon	271.900	155.250	73.260	81.99	57	47.2	52.8	1987		1630.21	82.24	10.50	852.27	0.53	43.02
		<b>789.170</b>	<b>391.509</b>	<b>127.350</b>	<b>264.159</b>	<b>49.6</b>	<b>32.5</b>	<b>67.5</b>			<b>2061.63</b>	<b>115.44</b>		<b>1185.64</b>		<b>68.52</b>
<b>G.T.</b>		<b>6777.43</b>	<b>4317.529</b>	<b>2816.146</b>	<b>1501.383</b>	<b>63.7</b>	<b>65.2</b>	<b>34.8</b>			<b>14127.05</b>	<b>1351.77</b>	-	<b>6894.39</b>		<b>662.90</b>

## Annexure-9

(Referred to in para 2.2.8)

Statement showing details of extra expenditure due to change in foundation design

**(A) Increase in quantities of earthwork.**

Particulars	Unit	S.T.P.			G.J.P.			Rate per M <sup>3</sup> (Rs.)	Extra Expenditure		
		Estimated quantity	Actual quantity	Increase	Estimated quantity	Actual quantity	Increase		STP (Rs.)	GJP (Rs.)	Total (Rs.)
Earth work in excavation for foundation.....upto 50m, dewatering etc. complete.	M3	41996	66357.84	24361.84	15649.00	33694.76	18045.76	41.00	998835	739876	1738711
Filling of selected available earth.....mechanically compacted complete	M3	20000	38221.59	18221.59	12000.00	18433.40	6433.40	41.00	747085	263769	1010854
<b>Total</b>		<b>61996.00</b>	<b>104579.43</b>	<b>42583.43</b>	<b>27649.00</b>	<b>52128.16</b>	<b>24479.16</b>		<b>1745920</b>	<b>1003645</b>	<b>2749566</b>

**(B) Items not provided in estimate but executed.**

Transportation of earth (proposed for back filling)	M3	--	16011.66	16011.66	--	12847.38	12847.38	54.35	870233	698255	1568488
Transportation of earth (proposed for back filling)	M3	--	20730.07	20730.07	--	14261.05	14261.05	54.35	1126679	775088	1901767
Transportation of excavated: earth for back filling	M3	--	28221.59	28221.51	-	18433.40	18433.40	54.35	1533843	1001855	2535698
<b>Total</b>						45541.83	45541.83		3530755	2475198	6005953
<b>Grand Total</b>			<b>64963.32</b>	<b>64963.32</b>					<b>5276675</b>	<b>3478843</b>	<b>8755518</b>

**Note: STP-Software Technology Park; GJP-Gem Jewellery Park**

## Annexure-10

(Referred to in para 2.2.9)

Statement indicating details of loss of revenue due to failure to levy penalty for delay in completing the work

(Amount : Rupees in lakh)

Sl. No.	Name of AKVN	Agreement No.	Name of work	Name of Contractor	Contract Value Rs.	Date of work order	Time allowed	Due date of completion	Actual date of completion	Value of work as on 31.03.05 Rs.	Delay in months	Penalty for delay	
												Maximum Penalty	Amount Rs.
1.		2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.
1.	Indore	148/01-02	Constr. of W.B.M. Road (Airport to Pithampur)	M/s Prakash Chandra Agrawal	254.00	21.12.01	Six months including rainy season	20.06.02	28.03.05	203.20	33	10% of value of work	20.32
2.	"	181/01-02	Constr. Of W.B.M. road (I.I.D. Nimarani)	M/s Novalty Enterprises	70.35	13.02.02	Eleven months	12.01.03	05.11.03	30.74	9	-do-	3.07
3.	"	25/02-03	Constr. of W.B.M. roads (I/A Nimarani)	M/s Novalty Enterprises	67.93	27.04.02	Eleven months	26.03.02	05.11.03	38.23	7	-do-	3.82
4.	"	83/02-03	Constr. of Bridge Culverts (Airport to Pithampur)	M/s O.P.H. Mittal	82-36	23.09.02	Six months including rainy season	22.03.03	Almost completed (as on 31-03-05)	82.90	24	-do-	8.29
5.	"	84/02-03	Asphalting of road (Pithampur-Airport)	M/s Prakash as phalting and toll Highways	263.27	28.09.02	Six months including rainy season	27.03.03	31.03.05	229.66	24	-do-	22.97
6.	"	99/02-03	Upgradation and strengthening of roads.(I/A Dewas)	M/s T.R. Trehan constr. Company	121.51	24.12.02	Six months including rainy season	26.06.03	15.06.04	113.49	12	-do-	11.35
7.	"	22/03-04	Asphalting of existing B. T. roads. (I/A Pithampur)	M/s Prakash ashphalting and toll Highways.	54.67	30.06.03	Two months including rainy season	29.08.03	27.02.04	58.11	6	-do-	5.81
8.	"	36/03-04	Upgradation/ work infrastructure of Toll road	Shri Arun Jain	215.00	4.08.03	Four months including rainy season	03.12.03	09.06.04	183.71	7	-do-	18.37
9.	"	178/01-02	Constr. Of cold storage (F.P.P. Jaggakhedi)	M/s Viridi Brothers, Indore	237.73	31.01.01	Nine months	30.10.01	16.01.04	237.49	26	5% of value of work.	11.87
											<b>Total</b>		<b>105.87</b>

## Annexure-11

(Referred to in para 2.2.10)

**Statement of rebate (40 per cent) in premium allowed on letter of intents issued in International Trade Fair, New Delhi, organised in 2001-04**

Name of AKVN	Year	No. of LOI issued	No. of LOI issued with rebate	Amount of premium received (Rs. in lakh) 60 per cent	Percentage of LOI with rebate to total LOI	Amount of rebate (40 per cent) allowed (Rs. in lakh)
1.	2.	3.	4.	5.	6.	7.
Bhopal	2001-02	9	8	7.31	89	4.87
	2002-03	11	9	9.03	82	6.02
	2003-04	6	4	10.03	67	6.69
	<b>Total</b>	<b>26</b>	<b>21</b>	<b>26.37</b>	<b>81</b>	<b>17.58</b>
Gwalior	2001-02	4	2	8.32	50	5.55
	2002-03	12	11	9.91	92	6.60
	2003-04	3	3	8.89	84	5.93
	<b>Total</b>	<b>19</b>	<b>16</b>	<b>27.12</b>	<b>84</b>	<b>18.08</b>
Indore	2001-02	28	25	118.01	89	78.67
	2002-03	22	17	59.15	77	39.43
	2003-04	38	18	67.77	47	45.18
	<b>Total</b>	<b>88</b>	<b>60</b>	<b>244.93</b>	<b>68</b>	<b>163.28</b>
Jabalpur	2001-02	5	2	0.98	40	0.65
	2002-03	3	--	--	--	--
	2003-04	5	--	--	--	--
	<b>Total</b>	<b>13</b>	<b>2</b>	<b>0.98</b>	<b>15</b>	<b>0.65</b>
Year-wise	2001-02	46	37	134.62	80	89.75
	2002-03	48	37	78.09	77	52.06
	2003-04	52	25	86.69	48	57.80
	<b>Total</b>	<b>146</b>	<b>99</b>	<b>299.40</b>	<b>68</b>	<b>199.61</b>
AKVN-wise	Bhopal	26	21	26.37	81	17.58
	Gwalior	19	16	27.12	84	18.08
	Indore	88	60	244.93	68	163.28
	Jabalpur	13	2	0.98	15	0.65
<b>Grand Total</b>		<b>146</b>	<b>99</b>	<b>299.40</b>	<b>68</b>	<b>199.61</b>

1. Stamp duty (@ 8 per cent on Rs.199.61 lakh) not charged : Rs.15.98 lakh
2. Registration fees (75 per cent of stamp duty) not charged : Rs.11.99 lakh  
**Rs.27.99 lakh**

## Annexure-12

(Referred to in para 2.2.11)

**Statement of non/less charging of additional premium in respect of corner plots also located at 80 feet or more wide road**

Name of AKVN	Sl. No.	Name of industrial unit	Area allotted (Hectare)	Amount of premium (Rs.)	Additional premium to be charged @ 20 per cent of premium (Rs.)	Additional premium actually charged (Rs.)	Difference Rs.
Jabalpur	1.	Raymond Woolen Mills Limited	40.485	6072900	1214580	Nil	1214580
	2.	K.K. Patedia	6.4	1920000	384000	Nil	384000
	3.	Hanuman Cromocoats	1.6	480000	96000	Nil	96000
<b>Total</b>							<b>1694580</b>
Gwalior	1.	M/s Atlas Cycles	4176	2505600	501120	250560	250560
			2.0234	1214058	242812	121406	121406
	2.	M/s Sterling Agro Industries	7.84	4704000	940800	470400	470400
	3.	M/s Vikram Woolens	8.214	4928400	985680	492840	492840
	4.	M/s Surya Roshni	6.747	2361450	472290	236145	236145
	5.	M/s Supreme Venyle	84464	3096252	619250	309625	309625
							<b>2178596</b>
Indore	1.	Shushila Rathi*	3.5	2520000	630000	378000	252000
	2.	Poonam Chand Rathi*	4.00	2880000	720000	288000	432000
	3.	M/s Bharat Petro Products Company	0.46	207000	51750	6298	45452
	4.	M/s Shivangi Estates	2.5	1125000	281200	168750	112500
	5.	Indo Micro Nutrients (P) Limited	2.05	1025000	256250	153750	102500
							<b>944452</b>
						<b>Grand Total</b>	<b>4520008</b>

\* 60 per cent of total premium after rebate of 40 per cent.



### Annexure-13

(Referred to in para 2.2.12)

Statement indicating details of lease rent and maintenance charges not levied on additional premium during the last five years ended 31 March 2005

Year	Amount	Annual lease rent at 2 per cent and monthly charges at 2.5 per cent (Rs.)	Number of Years	Lease rent and maintenance charges short levied during 2000-05 (Rs.)
(1)	(2)	(3)	(4)	(5)(3x4)
Additional premium on LOIs issued prior to 2000-01 on which lease rent and maintenance charges were not levied annually during 2000-05	5647577	254140	6	1524840
2000-01	167072	7518	6	45108
2001-02	109868	4944	5	24720
2002-03	66969	3014	4	12056
2003-04	163829	7372	3	22116
2004-05	525602	23652	2	47304
2005-06 (upto August 2005)	7100079	319503	1	319503
<b>Total</b>	<b>13780996</b>	<b>621143</b>		<b>1995647</b>

Note: Lease rent and maintenance charges become due on 1<sup>st</sup> April of each year and paid in advance.

### Annexure-14

(Referred to in paragraph 2.2.16)

Statement indicating details of amount outstanding from Industrial units

(Amount : Rupees in lakh)

Name of AKVN	Dues to be recovered from				Total	
	Closed units		Units taken over by MPFC@/ MPSIDC#			Existing units
	Numbers	Amount	Numbers	Amount		
Bhopal	492	139.78	12	17.35	119.47	276.60
Gwalior	62	169.55	--	--	451.40	620.95
Indore	--	--	33	53.38	134.69	188.07
Jabalpur	--	--	--	--	19.40	19.40
Rewa	NA	9.39	NA	1.77	5.86	17.02
<b>Total</b>	<b>554</b>	<b>318.72</b>	<b>45</b>	<b>72.50</b>	<b>730.82</b>	<b>1122.04</b>

@ MPFC - Madhya Pradesh Financial Corporation.

# MPSIDC - Madhya Pradesh State Industrial Development Corporation.

## Annexure-15

(Referred to in para 2.2.18)

### Statement indicating details of land acquired, developed and plots allotted in respect of SEZ scheme

(Land in hectares; Amount : Rupees in lakh)

Sl. No.	Particulars	Phase I			Phase II			Total		
		Govt.	Private	Total	Govt.	Private	Total	Govt.	Private	Total
1.	Land to be acquired	138.00	--	138.00	221.426	678.074	900.00	359.926	678.074	1038.00
2.	Land actually acquired	138.00	--	138.00	200.00	344.00	544.00	338.00	344.00	682.00
3.	Land yet to be acquired	Nil	Nil	Nil	21.926	334.074	356.00	21.926	334.074	356.00
4.	Allotable land acquired	105	--	105			308.00			413.00
5.	Value of total land acquired	84.24	--	84.24	120.00	1996.00	2116.00	22.24	1996.00	2198.24
6.	Developmental cost of land			1413.25	NA	NA	NA			1413.25
7.	Acquisition cost per ha of allotable land (5/4)	0.80	--	0.80			6.87	0.80	6.87	
8.	Developmental expenditure per ha. of allotable land (6/4)			13.46	NA	NA	NA			13.46
9.	Allotted	51.374	--	51.374			19.840			71.214
10.	Unallotted land	53.626	--	53.626			288.16			314.767
11.	Acquisition cost of unallotted land	42.90	--	42.90			1979.66			2022.56
12.	Development cost of unallotted land			721.80	NA	NA	NA			721.80
	<b>Total</b>	<b>2135.05</b>								

## Annexure-16

(Referred to in para 2.2.19)

Statement showing loss of revenue due to reduction of premium in respect of units in SEZ, Indore

(Amount : Rupees in lakh)

Sl. No.	Name of allottee	Date of application	Date of LOI	Area allotted (Sqm.)	Premium per sqm. after reduction	Premium per sqm. as per project report	Difference per sqm.	Loss of premium Rs. (5 x 8)
1.	2.	3.	4.	5.	6.	7.	8.	9.
1.	Industrial Unving Packaging	18-12-02	01-02-03	500	500	1030	530	2.65
2.	Flexi Tuff Int.	22-01-03	11-02-03	52,200	400	825	425	226.10
3.	Amula Export Limited	19-05-03	26-05-03	8000	400	1030	630	50.40
4.	Emerald Tobacco (P) Limited	08-05-03	26-05-03	8000	400	1030	630	50.40
5.	Mahgauri Foods Limited	18-06-03	30-08-03	4050	400	1030	630	25.51
6.	M/s SOCERS Pharmaceuticals	21-08-03	28-08-03	4050	400	1030	630	25.51
7.	SRF Limited	13-09-03	05-07-04	60672	400	825	425	257.86
8.	Ecolife Pharmaceuticals (P) Ltd.	16-10-03	12-11-03	4000	425	1030	605	24.20
9.	Asian Marine service	18-12-03	24-12-03	1000	500	1030	530	5.30
10.	Khayaji Foods Limited	18-08-04	14-12-04	2000	450	1030	580	11.60
11.	IPCA laboratories	02-09-04	29-01-05	198366	400	825	425	843.05
12.	Necholas Piramal	25-11-04	04-03-05	88800	400	825	425	377.40
13.	Eicher Motors Limited	27-11-04	04-03-05	40000	400	825	425	170.00
14.	IITC Organic India (P) Limited	19-01-05	19-01-05	16000	400	1030	630	100.80
	<b>Commercial Plot</b>							
15.	Bhaskar Exim Limited	16-01-04	27-01-04	2000	600	4950	4350	87.00
						<b>Grand Total</b>	<b>Industrial Commercial</b>	<b>2170.78</b>
								<b>87.00</b>
								<b>2257.78</b>

## Annexure-17

(Referred to in Para 2.2.20)

**Statement showing loss of revenue due to failure to charge additional premium in SEZ area in respect of corner plots in 80' Road**

**AKVN Limited, Indore**

(Amount : Rupees in lakh)

Sl. No.	Name of allottee	Date of application	Date of LOI	Details of plot allotted (SEZ Phase-I)		Premium (Sq.m.)	Total premium	15 per cent additional premium for corners plot	10 per cent additional premium for plot of 80' road	Total
				Plot No.	Area allotted (sq.m)					
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.
1.	Flexi Tuff International (four side road)	22-01-03	11-02-03	C 41 to 50	53200	400	212.80	31.92	21.28	53.20
2.	Amulya Exports Limited (Three side road)	19-05-03	26-05-03	C 9 to 15, 16	8000	400	32.00	4.80	3.20	8.00
3.	Emeralds Tobacco Limited (four side road)	08-05-03	26-05-03	C 31, 32	8000	400	32.00	4.80	3.20	8.00
4.	M/s SRF Limited (four side road)	13-09-03	05-07-04	C 1 to 18	60672	400	242.69	36.40	24.27	60.67
5.	Asian Marine Services (Three side road)	18-12-03	24-12-03	D 68	1000	500	5.00	0.75	0.50	1.25
6.	Nicholas Piramal Lab Limited	25-11-04	04-03-05	C 17 to 20	88800	400	355.20	53.28	35.52	88.80
7.	Eicher Motors Limited	27-11-04	04-03-05	A 1 to 3	40000	400	160.00	24.00	16.00	40.00
8.	Organic India Limited	19-01-05	29-01-05	B 15 to 18	16000	400	64.00	9.60	6.40	16.00
	<b>Total</b>						<b>1103.69</b>	<b>165.55</b>	<b>110.37</b>	<b>275.92</b>

## Annexure-18

(Referred to in paragraph 2.2.22)

### Statement indicating details of Food Processing Industrial Parks

Sl. No.	Particulars	Jaggakhedi (Mandsaur) AKVN (Indore)	Nimarni (Khargone) AKVN (Indore)	Babai-Pipariya (Hoshangabad) AKVN (Bhopal)	Borgaon (Chhindwara) AKVN (Jabalpur)	Maneri AKVN (Jabalpur)
1.	Santion by GOI	December 2000	September 2001	January 2002	March 2002	March 2003
2.	Project cost (Rs. in crore)	8.15	8.66	8.21	8.44	8.33
3.	Funding GOI/ State/ AKVN (Rs. in crore)	4.00 4.15	4.00 4.66	4.00 4.21	4.00 4.44	4.00 4.33
4.	Receipts from GOI (Rs. in crore)	3.82	2.00	2.00	3.29	2.00
5.	Land developed for park (acres)	50	67	32-Pipariya 18-Babai	50	50
6.	Value of land (Rs. in crore)	3.00	3.00	2.00	3.00	3.00
7.	Expenditure up to March 2005	7.45	5.53	6.76	7.82	3.70
8.	Common facilities					
	Cold storage	Completed	Only building completed	Completed	Completed	Not completed
	Warehouse	Completed	Completed	Completed	Completed	Non completed
	Testing Lab	Completed	Completed	Not completed	Completed	Not completed
9.	Expected earnings by cold storage (Rs. in lakh)					
	2003	97.75	58.18	--	126.55	Nil
	2004	109.97	184.89	102.55	142.37	72.74
	2005	109.97	184.89	115.37	142.37	133.64
	<b>Total</b>	<b>217.69</b>	<b>427.96</b>	<b>217.92</b>	<b>611.29</b>	<b>86.38</b>
	Achievement	Nil	Nil	Nil	Nil	Nil
10.	Provision for HT connection	--	No provision	No provision	--	--
11.	Scheduled date of completion	April 2002	September 2002	March 2003	March 2003	NA
12.	Date of completion	January 2004	Not completed	Completed	February 2004	--
13.	Time taken for completion (months)	35	--	23	24	--

## Annexure-19

(Referred to in paragraph 2.2.31)

### Statement indicating details of Integrated Infrastructure Development Centres

(Amount : Rs. in crores)

Sl. No.	Particulars	AKVN (Indore)		AKVN (Jabalpur)	AKVN (Gwalior)		
		Jaggakhedi	Nimrani	Lamtara	Naugaon	Jaderua	Pratappura
1.	Sanction by GOI	September 2000	September 2000	July 2003	June 2002	November 2003	November 2003
2.	Land (Ha)	39.085	101.30	41.30	41.30	25.00	21.45
3.	Project cost (Rs.)	3.91	5.11	1.86	3.60	2.07	2.77
4.	Funding (as per scheme) (Rs.)						
i	GOI	1.56	2.00	0.74	1.44	0.83	1.11
ii	SIDBI	2.35	3.00	1.12	2.16	1.24	1.66
iii	State Government	--	0.11	Nil	Nil	Nil	Nil
<b>Total</b>		<b>3.91</b>	<b>5.11</b>	<b>1.86</b>	<b>3.60</b>	<b>2.07</b>	<b>2.77</b>
5.	Funding as per project report (Rs.)						
i	GOI	1.56	2.00	0.74	1.44	0.83	1.11
ii	SIDBI	2.35	3.00	1.12	nil	nil	nil
iii	State Govt.	nil	0.11	nil	nil	nil	nil
iv	Internal accruals	nil	nil	nil	2.16	1.24	1.66
<b>Total</b>		<b>3.99</b>	<b>5.11</b>	<b>1.86</b>	<b>3.60</b>	<b>2.07</b>	<b>2.77</b>
6.	Expenditure (upto March 2005) (Rs.)	1.97	1.16	0.44	2.27	0.36	0.51
7.	Receipt from						
i	GOI (Rs.)	0.67	0.41	0.17	1.24	0.33	0.45
ii	SIDBI (Rs.)	Nil	Nil	Nil	Nil	Nil	Nil
iii	State Government (Rs.)	--	--	0.34			
iv	Internal accruals (Rs.)	1.30	0.75	(-)0.07	1.03	0.03	0.06
8.	GOI grant not received (Rs.)	0.89	1.59	0.57	0.20	0.50	0.66
9.	SIDBI loan not taken (Rs.)	2.35	3.00	1.12	Nil	Nil	Nil
10.	Plots to be created	146	261	199	358	112	128
11.	Plots created	146	261	199	358	112	128
12.	Plots allotted	Nil	Nil	Nil	2	--	1
13.	Employment generation (persons)	3700	6000	1483	1500 minimum	1500 minimum	1500 minimum
14.	Capital investment (Rs.)	90.00	NA	29.66			
15.	Expected revenue 2000-05 (Rs.)	3.58	6.07	0.26	1.05	0.33	0.76
16.	Actual revenue earned (Rs.)	Nil	Nil	Nil	0.08	Nil	0.04

**Annexure-20***(Referred to in para 4.6)***Statement indicating details of closed companies**

<b>Sl. No.</b>	<b>Name of the Company</b>	<b>Orders of closure/Resolution of the Company</b>
1.	Madhya Pradesh State Dairy Development Corporation Limited (MP Dairy)	Resolution of Board of Directors dated 3 January 1983
2.	Madhya Pradesh Film Development Corporation Limited (MP Film)	Government orders dated 15 December 1994
3.	Madhya Pradesh Panchayati Raj Vitta Evam Gramin Vikas Nigam Limited (MP Panchayati Raj)	Government orders dated 28 June 1990
4.	Madhya Pradesh Lift Irrigation Corporation Limited (MP Lift)	Government orders dated 16 August 1982
5.	Madhya Pradesh Leather Development Corporation Limited (MP Leather)	Government orders dated 23 April 1998
6.	Masdhya Pradesh State Industries Corporation Limited (MPSIC)	Government orders dated 6 August 2002
7.	Madhya Pradesh Rajya Sethu Nirman Nigam Limited (MP Setu)	Government orders dated 12 March 1992
8.	Madhya Pradesh State Textile Corporation Limited (MP Textile)	Government orders dated 31 October 2000
9.	Optel Telecommunications Limited (OPTTEL)	Stopped production in June 2000

## Annexure-21

(Referred to in para 4.6.1)

### Statement indicating delay in declaration of solvency

Sl. No.	Name of the Company	Date of orders of closure	Date of declaration of solvency	Delay (in months)
1.	MP Dairy	3 January 1983	20 March 1984	13
2.	MP Film	15 December 1994	21 December 1998	47
3.	MP Panchayati	28 June 1990	20 August 1991	13
4.	MP Lift	16 August 1982	5 January 1988	64
5.	MP Leather	23 April 1998	Not filed	83
6.	MPSIC	6 August 2002	Not filed	31
7.	MP Setu	12 March 1992	Not filed	156
8.	MP Textile	31 October 2000	Not filed	53
9.	OPTEL	June 2000 (Stoppage of activities)	Not filed	57

**Note:** In respect of companies at Sl nos. 5 to 9, delay in declaration of solvency is indicated up to 31 March 2005.



**Annexure-22***(Referred to in para 4.6.2)***Statement indicating delay in finalisation of accounts**

Sl. No.	Name of the Company	Year up to which accounts were finalised at the time of declaration of solvency	Month of finalisation	Delay in months	Present position of finalised accounts	Month of finalisation	Delay (in months)	No. of accounts to be finalised ending March 2005
1.	MP Dairy	1979-80	March 1984	41	2001-02	--	--	3
2.	MP Film	1996-97	July 1998	9	2003-04 (upto 18 January 2004)	--	--	1
3.	MP Panchayati Raj	1985-86	August 1991	58	2003-04	--	--	1
4.	MP Lift	1979-80	January 1988	87	1991-92	--	--	13
5.	MP Leather	--	--	--	1994-95	June 2004	104	10
6.	MPSIC	--	--	--	2001-02	July 2003	9	3
7.	MP Setu *	--	--	--	1989-90	March, 1993	29	15
8.	MP Textile	--	--	--	2002-03	June 2004	8	2

\* **New Corporation has been formed w.e.f. 27 December 2000.**

## Annexure-23

(Referred to in para 4.6.3)

### Delay in passing resolution for winding up

Sl. No.	Name of the Company	Date of closure	Date of resolution by AGM	Delay (in months)
1.	MP Dairy	31 March 1983	20 March 1984	11
2.	MP Film	15 December 1994	19 January 1999	48
3.	MP Panchayati Raj	28 June 1990	26 August 1991	13
4.	MP Lift	16 August 1982	4 February 1988	65
5.	MP Leather	23 April 1998	Not yet passed	83
6.	MPSIC	6 August 2002	Not yet passed	31
7.	MP Setu	12 March 1992	Not yet passed	156
8.	MP Textile	31 October 2000	Not yet passed	53
9.	OPTEL	June 2000	Not yet passed	57

**Note:** In respect of companies at Sl.nos.1 to 4, the delay is as on date of resolution and in respect of companies at Sl nos. 5 to 9, delay is indicated up to 31 March 2005.

## Annexure-24

(Referred to in para 4.6.8)

**Statement indicating impact of delay in winding up of closed companies**

(Amount : Rupees in lakh)

Sl. No.	Name of the Company	Sources	Period	Amount
1.	MP Dairy	Expenditure borne by Dairy Federation	1983-84 to 2001-02	1.25
2.	MP Film	Interest on deposit and recovery from employee	1995-96 to 2004-05	24.01
3.	MP Panchayati Raj	Bank interest	1990-91 to 2004-05	51.79
4.	MP Lift	Own source and interest	1982-83 to 2004-05	265.92
5.	MP Leather	Government grant and proceeds from sale of current assets	1999-2000 to 2004-05	244.55
6.	MPSIC	Internal and VRS Fund	2002-03 to 2004-05	588.41
7.	MP Textile	Sales, interest and other receipts, VRS funds (core staff)	2001-02 to 2003-04	671.17
8.	OPTEL	Sales, service charges, other income, loan from holding company	2000-01 to 2004-05	2473.00
			<b>Total</b>	<b>4320.10</b>

Note: The figures were based on data furnished by the management as some Companies had not finalised their latest accounts.

## Annexure-25

(Referred to in para 4.7)

**Statement indicating list of Government Companies examined in Audit**

Sl. No.	Name of the Company
1	M.P. State Industrial Development Corporation Limited (MPSIDC)
2	M.P. State Electronics Development Corporation Limited (MPSEDC)
3	M.P. State Civil Supplies Corporation (MPSCSC)
4	M.P. State Mining Corporation Limited (MPSMCL)
5	M.P. State Agrpindustrial Development Corporation Limited (MPSAIDC)
6	M.P. Laghu Udyog Nigam Limited (MPLUN)
7	M.P. Rajya Van Vikas Nigam Limited (MPRVVN)
8	M.P. State Tourism Development Corporation Limited (MPSTDC)
9	M.P. Urja Vikas Nigam Limited (MPUVN)
10	M.P. Hastashilp Evam Hathkargha Vikas Nigam Limited (MPHHVN)

## Annexure-26

(Referred to in para 4.7.3 )

### Statement of attendance on the meetings of the Board of Directors of Government Companies

Company	Year	Total No. of meetings held	Strength of the Board of Directors	Attendance of the Board of Directors
MPSIDC	2001-02	3	8	3-5
	2002-03	4	8	4-6
	2003-04	2	6	3-5
MPSAIDC	2001-02	1	13	5
	2002-03	5	9-13	7-8
	2003-04	3	9-13	3-7
	2004-05	6	6-9	3
MPRVVN	2001-02	4	11	4-9
	2002-03	4	11	8
	2003-04	4	6-8	5-6
	2004-05	3	8	4-6
MPUVN	2002-03	4	4-5	3
	2003-04	5	4-7	3-5
	2004-05	5	5	4
MPSTDC	2001-02	7	8-9	5
	2002-03	5	9	4-6
	2003-04	1	9	6
	2004-05	2	8	4
MPHHUN	2001-02	3	12	7-9
	2002-03	4	12	4-8
	2003-04	1	12	5
	2004-05	5	12	3-4

## Annexure-27

(Referred to in para 4.17.4)

Statement indicating details of Emission level at STPS, Sarni

Sl. No.	Unit No.	MPPCB Norms (SPPV mg/NM3)	Designed Norm Original ESPs	Minimum & Maximum level of SPM									
				Year Ended March 2001		Year Ended March 2002		Year Ended March 2003		Year Ended March 2004		Year Ended March 2005	
				Min	Max	Min	Max	Min	Max	Min	Max	Min	Max
01	1	150 mg/NM3	150 mg/NM3	135 (6-1-2000)	160 (3-1-01)	160 (5-7-01)	250 (5-2-02)	132 (25-2-03)	184 (15-4-02)	124 (15-4-03)	180 (2-7-03)	138 (3-5-04)	162 (14-12-04)
02	2	150 mg/NM3	150 mg/NM3	148 (9-2-01)	243 (7-9-2000)	138 (8-10-01)	210 (2-11-01)	150 (3-2-03)	188 (30-5-02)	120 (5-11-03)	182 (2-4-03)	142 (18-5-04)	155 (16-12-04)
03	3	150 mg/NM3	150 mg/NM3	135 (3-6-2000)	190 (5-12-2000)	140 (4-9-01)	210 (5-4-01)	132 (5-11-02)	242 (23-5-02)	100 (3-12-03)	300 (23-10-03)	130 (3-5-04)	154 (12-1-01)
04	4	150 mg/NM3	150 mg/NM3	132 (14-9-2000)	230 (16-12-2000)	140 (5-9-01)	190 (6-4-01)	140 (19-6-02)	200 (3-10-02)	136 (3-10-03)	164 (3-7-03)	136 (20-4-04)	163 (3-11-04)
05	5	150 mg/NM3	150 mg/NM3	140 (31-10-2000)	170 (10-8-2000)	122 (10-10-01)	290 (9-4-01)	122 (22-5-02)	160 (31-10-01)	130 (26-6-03)	182 (29-11-03)	136 (15-7-04)	169 (16-4-04)
06	6	150 mg/NM3	390mg/NM3	368 (8-5-2000)	860 (16-3-01)	320 (13-7-01)	620 (23-8-01)	510 (11-5-02)	660 (19-4-02)	330 (29-9-03)	600 (4-8-03)	340 (8-6-04)	691 (7-12-04)
07	7	150 mg/NM3	390 mg/NM3	375 (7-8-2000)	510 (30-3-01)	307 (13-7-01)	710 (5-12-01)	500 (19-4-02)	800 (3-11-02)	538 (26-8-03)	750 (11-10-03)	604 (10-5-04)	911 (21-1-05)
08	8	150 mg/NM3	390 mg/NM3	360 (24-5-2000)	560 (11-1-01)	390 (8-6-01)	780 (26-3-02)	500 (12-8-02)	780 (4-7-02)	390 (25-3-04)	740 (28-7-03)	384 (22-4-04)	906 (14-2-05)
09	9	150 mg/NM3	390 mg/NM3	362 (28-8-2000)	520 (9-12-2000)	400 (11-8-01)	760 (3-12-01)	460 (3-5-02)	810 (18-6-02)	522 (6-10-03)	760 (30-4-03)	515 (10-8-04)	817 (3-1-05)

## Annexure-28

(Referred to in para 4.17.4)

### Statement indicating details of Emission level at ATPS, Chachai

Sl. No.	Name with unit of T.P.S	Installed capacity (MW)	Month & Year of Commissioning	Whether E.S.P/Bag Filter Replaced. If so, Month/Year	Emission Level (SPM/NM3)			
					M.P.P.C.B Norms		Minimum & Maximum Emission Level	
					Year	Mg/ NM <sup>3</sup>	Min.	Max.
01	ATPS # 1	30	April 1965	Bag filter in BLR. #1 October 1997	2000-01	150	112	962
					2001-02	150	102	144
					2002-03	150	228	647
					2003-04	150	141	353
					2004-05	150	111	121
				Bag Filter in BLR. #2 July-1997	2000-01	150	910	988
					2001-02	150	U/S	U/S
					2002-03	150	110	654
					2003-04	150	132	360
					2004-05	150	111	124
02	ATPS # 2	20 (Derated)	April 1965	Bag filter in BLR. #3 September 1997	2000-01	150	128	940
					2001-02	150	126	892
					2002-03	150	116	160
					2003-04	150	141	355
					2004-05	150	115	132
				Bag Filter in BLR. #4 October -2003	2000-01	150	820	998
					2001-02	150	820	938
					2002-03	150	357	686
					2003-04	150	145	1250
					2004-05	150	114	140
03	ATPS #3	120	September 1977	E.S.P in BLR # 5 October 1991	2000-01	150	102	138
					2001-02	150	120	182
					2002-03	150	125	360
					2003-04	150	121	142
					2004-05	150	132	144
04	ATPS # 4	120	March 1978	E.S.P in BLR # 6 December 1991	2000-01	150	110	124
					2001-02	150	106	140
					2002-03	150	121	339
					2003-04	150	116	141
					2004-05	150	131	144

**Annexure-29***(Referred to in para 4.17.4)***Statement indicating details of Emission level at SGTPS, Birsinghpur**

Sl. No.	Name with unit of TPS	Installed Capacity (in MW)	Month / year of commissioning	Emission Level (SPM mg/ nm3)										
				MPPCB Norms	Minimum & Maximum emission level									
					2000-01		2001-02		2002-03		2003-04		2004-05	
Min.	Max	Min.	Max	Min.	Max	Min.	Max	Min.	Max					
1.	SGTPS Unit I	210	March 1993	150	139.4	169.8	105.4	159.7	40.0	149.0	126.0	172.0	22.8	252.0
2.	SGTPS Unit II	210	March 1994	150	139.5	178.0	144.3	182.4	101.2	150.0	129.0	150.0	130.0	190.0
3.	SGTPS Unit III	210	Feb. 99	150	50.0	141.3	132.0	148.0	140.0	246.0	82.0	176.0	92.0	148.0
4.	SGTPS Unit IV	210	Nov. 99	150	80.0	149.7	122.9	210.2	92.0	147.7	48.0	157.0	100.0	145.0

### Annexure-30

(Referred to in para 4.20)

Statement indicating details of companies which financed procurement of buses by MP Road Transport Corporation on hire purchase/lease basis

(Amount : Rs. in lakh)

SL. No.	Name of the financier	Number of buses	Amount	Amount outstanding as on 31 March 2005
1.	Finance Lloyds Limited, Indore	110	984.63	535.63
2.	L&T Finance Limited	38	209.91	81.95
3.	Nicco-UCO Financial services, Kolkata	87	753.81	638.94
4.	Fed Bank Financial Services Ltd.	21	252.00	142.59
5.	Ashok Leyland Finance Ltd, Indore	12	380.41	308.38
6.	First Leasing co. of (I) Ltd, Chamaii	113	1202.60	603.80
7.	Orix Audit Finance Ltd., Delhi	83	729.00	409.20
8.	Appollo Finvert India Limited	22	232.22	116.64
9.	Harita Finance Limited, Chennai	45	176.00	85.01
10.	SREI International Finance Ltd.	121	650.00	367.12
11.	Bank of Madurai, Chennai	32	295.55	209.84
12.	Magma Leasing Limited, Kolkatta	82	1004.94	704.93
13.	Telco/BHPL	23	259.85	233.54
14.	Arihant Hire Purchase Ltd, Indore	20	249.41	131.58
15.	Ashok Leyland	28	484.09	455.31
	<b>Total</b>	<b>837</b>	<b>7864.42</b>	<b>5024.46</b>



**Annexure-31***(Referred to in paragraph 4.22)***Statement of outstanding Inspection Reports (IRs), Paragraphs and, Draft paragraphs to which the replies are awaited**

Sl. No.	Name of Department	Number of PSUs	Number of outstanding IRs	Number of outstanding paragraphs	Earliest year from which paragraphs outstanding
1.	Energy	02	1546	3618	1985-86
2.	Transport	01	337	1021	1986-87
3.	Commerce and Industries	12	69	318	1992-93
4.	Mining Resources	01	06	36	1997-98
5.	Tribal Welfare	01	07	44	1994-95
6.	Tourism	01	07	38	1993-94
7.	Home	01	11	77	1993-94
8.	Rural Industries	02	16	83	1988-89
9.	Agricultural	01	9	64	1990-91
10.	Minorities Welfare	01	04	17	2000-01
11.	Forest	01	06	56	1997-98
12.	Food & Public Distribution	02	16	91	1992-93
13.	Finance	02	06	29	1999-2000
	<b>Total</b>	<b>28</b>	<b>2040</b>	<b>5492</b>	

**Draft paragraphs to which the replies are awaited**

Sl. No.	Name of Department	Number of draft paragraphs	Period of issue
1.	Energy	10	December 2004 to July 2005
2.	Commerce & Industries	05	May to July 2005
3.	Food & Civil Supplies	04	May and June 2005
4.	Transport	02	June 2005
	<b>Total</b>	<b>21</b>	