

# Overview



## OVERVIEW

This Report contains one Performance Audit on ‘Working of Jammu and Kashmir Cements Limited’ and seven paragraphs involving a financial effect of ₹964.32 crore relating to doubtful recovery of loan, avoidable extra expenditure, loss of revenue and blockade of funds, unplanned execution of power projects, non-payment of labour cess etc. Some of the major findings are mentioned below:

### Public Sector Undertakings (PSUs)

The State of Jammu and Kashmir had 23 working PSUs (20 Companies and three Statutory Corporations) and three non-working PSUs which employed 24,306 employees. Power sector accounted for 51.42 *per cent*, i.e., ₹2727.54 crore of the total investment in 2014-15. The Government contributed ₹84.67 crore towards Equity, Loans and Grants/Subsidies to State PSUs during 2014-15. As on 31 March 2015, the investment (capital and long-term loans) in 26 State PSUs and Statutory corporations was ₹5304.69 crore. The total investment consisted of 16.50 *per cent* as capital and 83.50 *per cent* as long-term loans. The investment has grown by 1.51 *per cent* from ₹5225.63 crore in 2010-11 to ₹5304.69 crore in 2014-15.

*(Paragraphs: 1.1, 1.6, 1.7 and 1.8)*

### Performance Audit

#### Industries and Commerce Department

#### Working of the Jammu & Kashmir Cements Limited

- Accounts of the Company were in arrears since 2008-09. The Company which earned profit of ₹4.35 crore during 2011-12 suffered loss of ₹26.28 crore during 2014-15.

*(Paragraphs: 2.1.6 and 2.1.6.1)*

- Capacity utilisation *vis-a-vis* installed capacity for clinker and cement production ranged between 25 *per cent* and 48 *per cent*. Raw mills, kilns and cement mills of old plant were under-utilised to the extent of 39 *per cent*, 24 *per cent* and 32 *per cent* and of new plant to the extent of 78 *per cent*, 33 *per cent* and 76 *per cent* of available operational hours. Low operation of kilns led to loss of production of cement valuing ₹187.21 crore.

*(Paragraphs: 2.1.7.2 and 2.1.7.3)*

- Excess consumption of 58278 MTs of coal and of power to the extent of 658.04 lakh kWh in cement plants caused extra burden of ₹80.17 crore to the Company.

*(Paragraph: 2.1.7.4)*

- The Company had not formulated a definite procurement policy. Failure of the Company to procure coal under e-auction from ECL Kolkata resulted in extra expenditure of ₹87.50 lakh.

*(Paragraph: 2.1.8.1)*

- Grade slippages of 75179 MTs of Grade ‘A’ coal resulted in variation in cost of ₹26.02 crore which was not recovered from the defaulting contractors by the Company.

*(Paragraph: 2.1.8.2)*

- Shortfall in production of 5.30 lakh MTs of clinker due to low capacity utilization of new cement plant at Khrew resulted in loss of production of cement valuing ₹388.19 crore. Delay in setting up of cement unit at Samba resulted in loss of production of 1.57 lakh MTs of cement valuing ₹113.40 crore.

*(Paragraphs: 2.1.10.1 and 2.1.10.2)*

- The Company failed to install pollution monitoring and dust control devices required as per norms of Ministry of Environment and Forests and in terms of Mines Act, 1952 and Metaliferous Mines Regulation Act, 1961.

*(Paragraph: 2.1.12)*

### **Audit of Transactions**

Transaction audit observations included in the Report highlight deficiencies in the management of State Government Companies, which had serious financial implications. Gist of the important audit observations is given below:

#### **Finance Department**

##### **(Jammu and Kashmir Bank Limited)**

- Non-observance of due diligence to monitor transactions of unusual pattern before sanction of credit facility in favour of a borrower and subsequent failure to initiate timely action resulted in doubtful recovery of ₹1.19 crore.

*(Paragraph: 3.1)*

### **Forest Department**

#### **(Jammu and Kashmir State Forest Corporation)**

- Procurement of imported timber by the Corporation without ascertaining actual requirement of the cloudburst affected families of Leh and at higher rates besides effecting its sale at reduced rates resulted in avoidable extra expenditure of ₹95.35 lakh, loss of ₹1.03 crore besides blocking of resources to the extent of ₹2.19 crore for over four years.

*(Paragraph: 3.2)*

- Imprudent decision of the Management in entering into public private partnership mode with a non-viable venture selected in non-transparent manner and without ensuring assured market of products resulted in loss of ₹58 lakh, besides blockade of ₹98 lakh.

*(Paragraph: 3.3)*

### **Power Development Department**

#### **(Jammu and Kashmir State Power Development Corporation Limited)**

- Execution of project of renovation, modernisation and upgradation of 15 MW Ganderbal Power House which suffered right from its approval due to delay, repeated revisions necessitated by restricting execution of works resulted in unplanned execution of the project and consequent unfruitful expenditure of ₹9.92 crore. The objective of the project to generate additional power of 63.64 MUs with extra annual revenue of ₹12.72 crore could as such not be achieved.

*(Paragraph: 3.4)*

- Failure of the Company to ensure timely completion of works of 'Restoration of Wangath Link Canal' and 'Modernisation of spill channel' of Upper Sindh Hydropower Project-II Kangan and inaction to enforce the terms and conditions of the contract for delay in execution against the contractors resulted in loss of power generation of 230.79 MUs valuing ₹19.15 crore.

*(Paragraph: 3.5)*

- The projects for evacuation of power from BHEP Stage-II which were targetted for completion by November 2014 had not been taken up due to non-acquisition and handing over of land to PGCIL by the Company despite release of ₹2.48 crore in advance.

*(Paragraph: 3.6)*

- Failure of the Company to comply with provisions of the Act to book labour cess on expenditure incurred on account of payment made to the contractor for execution of works of BHEP Stage-II resulted in non-payment of labour cess to the extent of ₹7.08 crore.

***(Paragraph: 3.7)***