Preface

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

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

2 This Report deals with the results of audit of Government companies and Statutory corporations and has been prepared for submission to the Government of Gujarat under Section 19A 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 (Civil) **-** Government of Gujarat.

3 Audit of the accounts of Government companies is conducted by the CAG under the provisions of Section 619 of the Companies Act, 1956.

4 In respect of Gujarat State Road Transport Corporation, which is a Statutory Corporation, the CAG is the sole auditor. As per the State Financial Corporations (Amendment) Act, 2000, CAG has the right to conduct the audit of accounts of Gujarat State Financial Corporation in addition to the audit conducted by the Chartered Accountants, appointed by the Corporation out of the panel of auditors approved by the Reserve Bank of India. In respect of Gujarat State Warehousing Corporation, CAG has the right to conduct the audit of accounts in addition to the audit conducted by the Chartered Accountants, appointed by the State Government in consultation with CAG. The audit of accounts of Gujarat Industrial Development Corporation was entrusted to the CAG under Section 19(3) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 for a period of five years from 1977-78 and has been extended from time to time up to the accounts for the year 2011-12. In respect of Gujarat Electricity Regulatory Commission, CAG is the sole auditor. The Audit Reports on the annual accounts of all these Corporations/Commission are forwarded separately to the State Government.

5 Audits have been conducted in conformity with the Auditing Standards issued by the CAG.

6 The cases mentioned in this Report are those which came to notice in the course of audit during the year 2008-09 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 2008-09 have also been included, wherever necessary.

Overview

1. Overview of Government companies and Statutory corporations

Audit of Government companies is governed by Section 619 of the Companies Act, 1956. The accounts of Government companies are audited by Statutory Auditors appointed by CAG. These accounts are also subject to supplementary audit conducted by CAG. Audit of Statutory corporations is governed by their respective legislations. As on 31 March 2009, the State of Gujarat had 57 working PSUs (53 companies and 4 Statutory corporations) and 13 non-working PSUs (all companies), which employed 1.16 lakh employees. The working PSUs registered a turnover of Rs. 50,289.48 crore for 2008-09 as per their latest finalised accounts. This turnover was equal to 13.90 per cent of State GDP indicating an important role played by State PSUs in the economy. The working PSUs earned profit of Rs. 2,404.89 crore for 2008-09 and had aggregate accumulated profit of Rs. 2,176.11 crore.

Investments in PSUs

As on 31 March 2009, the investment (Capital and long term loans) in 70 PSUs was Rs. 48,137.78 crore. It grew by 24.82 per cent from Rs. 38,565.15 crore in 2003-04. Power, Finance and Manufacturing Sectors together accounted for 35.73 per cent of total investment in 2008-09 whereas other Sectors accounted for 64.27 per cent. The Government contributed Rs. 9,201.10 crore towards equity, loans and grants/ subsidies during 2008-09.

Performance of PSUs

During the year 2008-09, out of 57 working PSUs, 40 PSUs earned profit of Rs. 2,586.06 crore and seven PSUs incurred loss of Rs. 181.17 crore. Major contributors to the profit were Gujarat State Fertilizers and Chemicals Limited (Rs. 739.18 crore), Gujarat State Petroleum Corporation Limited (Rs. 628 crore) and Gujarat Mineral Development Corporation Limited (Rs. 369.90 crore). The heavy losses were incurred by Gujarat State Financial Corporation (Rs. 109.13 crore) and Gujarat State Road Transport Corporation (Rs. 66.10 crore).

Though the PSUs were earning profits, there were instances of various deficiencies in the functioning of PSUs. A review of three years' Audit Reports of CAG shows that the State PSUs' losses of Rs. 1,723.63 crore and infructuous investments of Rs. 204.91 crore were controllable with better management.

Quality of accounts

The quality of accounts of PSUs needs improvement. During the year, the statutory auditors had given unqualified certificates for 17 accounts, qualified certificates for 38 accounts. There were 74 instances of non-compliance with Accounting Standards in 28 accounts. Reports of Statutory Auditors on internal control of the companies indicated several weak areas.

Arrears in accounts and winding up

Thirty four working PSUs had arrears of 52 accounts as of September 2009. The arrears need to be cleared by setting targets for PSUs and outsourcing the work relating to preparation of accounts. There were 13 non-working companies. As no purpose is served by keeping these PSUs in existence, they need to be wound up quickly.

2. Performance reviews relating to Government company

Performance review relating to **Outcome audit on the irrigation component of Sardar Sarovar Project** implemented by **Sardar Sarovar Narmada Nigam Limited** was conducted. Executive summary of the audit findings are given below:

Outcome audit on the irrigation component of Sardar Sarovar Project implemented by Sardar Sarovar Narmada Nigam Limited

Sardar Sarovar Narmada Nigam Limited has been engaged in implementing the interstate multipurpose Sardar Sarovar Project (SSP) and managing Narmada water through 458 Kms long Narmada Main Canal and a distribution network of 89,931 kms comprising of Branch canals, Distributaries, Minors and Sub-Minors. The performance audit of the Company for the period 2004-05 to 2008-09 covered the activities related to planning, execution, development and commissioning of the Canal network.

Project planning

The Detailed Project Report (DPR) originally prepared (January 1980) by the Company remained unrevised. Though the deadline of 2000 was fixed for achievement of full irrigation potential, no detailed plan to execute the project was prepared. As a result, the Company could create irrigation potential mainly in phase-I and II A and in other phases, it - constructed branches only without creation of any irrigational potential.

Project finance

At the end of March 2009, the Company's share capital was Rs. 23,719.21 crore and total borrowing was Rs. 9,075.30 crore. The project cost increased substantially from Rs. 6,406.04 crore at 1986-87 prices to Rs. 35,045.75 crore at 2005-06 prices. Due to imprudent financial management, the Company incurred avoidable expenditure of Rs.32.28 crore on higher borrowed cost and guarantee fee. The Company diverted AIBP funds to the tune of Rs. 1,833.12 crore meant for development of NMC and distribution network to other areas of the project which led to delay in creation of irrigation potential.

Project implementation

The completed length of the canal system was only 18,803 kms against The envisaged length of 90,389 kms.

Out of the total envisaged CCA of 18.29 lakh ha, the Company so far developed a CCA of 3.41 lakh ha of which the utilised CCA remained at 1.20 lakh ha only.

In Phase I and II A, there were 669 and 130 numbers of missing links affecting a CCA of 1,86,824 ha and 51,590 ha respectively. Of the above, 1,70,271 ha of CCA in Phase I was reported as developed which was actually not developed as no irrigation benefit can be availed from the incomplete construction of canals.

Due to non adoption of 'vertical integration approach', the Company created only branch canals in Phase II B, Phase II C and SBC and no irrigation potential could be created. The Company created irrigation potential in water fed zones first and ignored the water scarce zones like Saurashtra and Kutchh. In addition the Company was slowly converting the irrigation project into a drinking water project.

No data was maintained by the Company on the impact of providing irrigation facility on agricultural productivity or agricultural pattern in the SSP command area. As a result, the Company was not in a position to know whether the project has achieved its objective of increase in the agriculture produce as envisaged.

Irrigation policy

The Company has not framed a comprehensive long term policy. The interim policy framed by the Company did not cover some vital issues like, system of assessing corps pattern, guarding canal up to sub-minor level, fixation of water charges, duties and responsibilities of WUAs.

Canal maintenance

Even after investment of Rs. 18,515.58 crore in canal network, the repairs and maintenance was not done indicating laxity of the Company in safeguarding its valued assets besides threat of life/property in canal vicinity.

Conclusions and recommendations

The financial management of the company was poor as it borrowed funds at higher cost. While implementing the project the company failed in adoption of 'vertical integration approach' and which was further marred by non prioritization of distribution network and diversion of funds to other component of Sardar Sarovar Project.

There were deficiencies in management of contracts like award of work before acquisition of requisite land/ obtaining requisite clearance/ finalising the construction stage drawings, failure to take up repairing work in time which led to missing link in the channel and the development of CCA was adversely affected.

This review contained seven recommendations which included formulating strategic plan to execute canal project, expedite the work of development of distribution work, taking corrective action based on reasons identified for missing links and complete them as soon as possible, taking immediate steps to strengthen the WUAs for better management of canal and making a viable debt service plan to avoid huge financial burden on GoG in future.

(Chapter 2)

3. Performance review relating to Statutory corporation

Performance review relating to **Functioning of Gujarat State Road Transport Corporation** was conducted. Executive summary of the audit findings are given below:

Functioning of Gujarat State Road Transport Corporation

Gujarat State Road Transport Corporation (Corporation) provides public transport in the State through its 16 divisions and 125 depots. The Corporation had fleet strength of 7,561 buses as on 31 March 2009 and carried an average of 23.97 lakh passengers per day. The performance audit of the Corporation for the period 2004-05 to 2008-09 was conducted to assess efficiency and economy of its operations, possibility of realigning the business model to tap non-conventional sources of revenue, existence and adequacy of fare policy and effectiveness of top management in monitoring the affairs of the Corporation.

Finances and Performance

The Corporation suffered a loss of Rs. 158.28 crore in 2008-09 without considering prior period adjustments. Its accumulated losses and borrowings stood at Rs. 1,702.36 crore and Rs. 932.82 crore as at 31 March 2009. The Corporation earned Rs. 17.55 per kilometre and expended Rs. 19.11 per

kilometre in 2008-09. Audit noticed that with a right kind of policy measures and better management of its affairs, it is possible to increase revenue and reduce costs so as to earn profit and serve its cause better.

Vehicle profile and utilisation

The Corporation could not keep pace with the growing demand for public transport and its share declined from 19.59 per cent to 16.38 per cent during 2004-09. Corporation had a fleet of 7,561 buses. Of these, 3,791 were overage i.e. more than seven lakh kms. The percentage of overage buses declined from 78.36 per cent to 50.14 per cent due to acquisition of 3,720 new buses during 2004-09 at a cost of Rs. 530.11 crore.

The acquisition was mainly funded from the loans and equity contribution from the State Government.

Corporation's fleet utilisation at 87.8 per cent in 2008-09 was below All India Average (AIA) of 92 per cent. Its vehicle productivity at 417 kilometers per day was above the AIA of 313 kilometres. Similarly, its load factor at 65.74 remained above the AIA of 63 per cent. However, the Corporation could not achieve its own targets of vehicle productivity except during 2006-07. Though the Corporation did well on operational parameters, its 89 per cent of routes of buses remained unprofitable due to high cost of operations.

Economy in operations

Manpower and fuel constitute 76 per cent of total cost. The Corporation succeeded in reducing its manpower per bus from 7.32 in 2004-05 to 6.22 in 2008-09. However, the expenditure on repairs and maintenance was Rs. 185.34 crore (Rs. 2.45 lakh per bus) in 2008-09, of which 45.20 per cent was on manpower.

Revenue maximization

The Corporation can increase its revenue generation by reducing the percentage of spare vehicles to four from the present 10 per cent and put more buses on road for operation. Optimal utilisation of crew can control the cancellation of schedules to a significant level. The Corporation should also take up with the State Government the reimbursement of outstanding subsidy.

The Corporation has 4.78 lakh square metres of land. Though the Corporation has undertaken projects under public private partnership for construction of shopping complexes, malls, hotels, office spaces, etc. at seven of the 34 sites, the progress is very slow. Early completion of the projects would ensure steady stream of revenue without any investment by it and also help cross subsidise its operations. The Corporation has not framed any policy in this regard.

Need for a regulator

The Corporation has not formed norms for providing services on uneconomical routes.Thus, it would be desirable to have an independent regulatory body (like State Electricity Regulatory Commission) to fix the fares, specify operations on uneconomical routes and address the grievances of commuters.

Inadequate monitoring

The fixation of targets for various operational parameters and an effective Management Information System (MIS) for obtaining feed back on achievement thereof are essential for monitoring by the top management. The Corporation did not set targets for fleet utilisation and load factor. Further, the MIS did not give bus wise cost data to assess the viability of repairs and maintenance of buses and taking suitable remedial measures. The Board of Directors did not give any direction /instruction for improvement of various operational parameters.

Conclusion and Recommendation

Though the Corporation is incurring losses, it is mainly due to its high cost of operations. The Corporation can maximize its revenue by tapping non-conventional sources of revenue. The review contains seven recommendations to improve the Corporation's performance. Phasing out overage buses, creating a regulator to regulate fares and services and devising policy of tapping non conventional sources of revenue through public private partnership projects are some of the recommendations.

(Chapter 3)

4. Transaction Audit Observations

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

Loss of Rs. 8.78 crore in two cases due to non-compliance with rules, directives, procedures and terms and conditions of contracts.

(Paragraphs 4.5 and 4.18)

Exposure to unwarranted liabilities of Rs. 74.24 crore, loss of Rs. 54.42 crore and premature investment of Rs. 2.25 crore in 15 cases due to non-safeguarding the financial interests of organization.

(Paragraphs 4.2, 4.3, 4.6, 4.7, 4.10 to 4.17 and 4.19 to 4.21)

Loss of Rs. 8.20 crore in two cases due to defective/deficient planning.

(Paragraphs 4.1 and 4.8)

Loss of Rs. 1.19 crore in one case due to lack of fairness, transparency and competitiveness in operations.

(Paragraph 4.4)

Gist of the major observations is given below.

Finance Department made **Gujarat State Financial Services Limited** incur expenditure of Rs. 5.22 crore on its renovation and modernisation, most irregularly and inappropriately, under a hugely extended interpretation of 'Nirmal Gujarat' slogan of the Government.

(Paragraph 4.5)

Alcock Ashdown (Gujarat) Limited incurred loss of Rs. 13.73 crore and also exposed with a liability for payment of Rs. 10.36 crore, besides blocked up inventory of Rs. 74.34 crore due to non supply of vessels in time.

(Paragraph 4.10)

Gujarat State Financial Corporation suffered loss of Rs. 2.11 crore due to non revision of OTS amount as per stipulation approved by State Government.

(Paragraph 4.20)

Chapter I

1. Overview of State Public Sector Undertakings

Introduction

1.1 The State Public Sector Undertakings (PSUs) consist of State Government companies and Statutory corporations. The State PSUs are established to carry out activities of commercial nature while keeping in view the welfare of people. In Gujarat, the State PSUs occupy an important place in the State economy. The State working PSUs registered a turnover of Rs. 50,289.48 crore for 2008-09 as *per* their latest finalised accounts as of September 2009. This turnover was equal to 13.90 *per cent* of State Gross Domestic Product (GDP) for 2008-09. Major activities of Gujarat State PSUs are concentrated in power and finance sectors. The State PSUs earned a profit of Rs. 2,366.10 crore in the aggregate for 2008-09 as *per* their latest finalised accounts. They had employed 1.16 lakh[♣] employees as of 31 March 2009. The State PSUs do not have prominent Departmental Undertakings (DUs), which carry out commercial operations but are a part of Government departments.

1.2 As on 31 March 2009, there were 70 PSUs as *per* the details given below. Of these, four companies[§] were listed on the stock exchange(s).

Type of PSUs	Working PSUs	Non-working PSUs[Ψ]	Total
Government Companies[♦]	53	13	66
Statutory Corporations	4	-	4
Total	**57**	**13**	**70**

1.3 During the year 2008-09, one PSU (Gujarat Industrial Corridor Corporation Limited) was established on 30 March 2009 and one PSU (The Film Development Corporation of Gujarat Limited) was closed down.

Audit Mandate

1.4 Audit of Government companies is governed by Section 619 of the Companies Act, 1956. According to Section 617, a Government company is one in which not less than 51 *per cent* of the paid up capital is held by Government(s). A Government company includes a subsidiary of a Government company. Further, a company in which 51 *per cent* of the paid up capital is held in any combination by Government(s), Government companies and Corporations controlled by Government(s) is treated as if it were a Government company (deemed Government company) as *per* Section 619-B of the Companies Act, 1956.

♣ As per the details provided by 60 PSUs. (Remaining 10 PSUs did not furnish the details).

§ Gujarat Mineral Development Corporation Limited, Gujarat State Financial Corporation, Gujarat State Fertilizers and Chemicals Limited and Gujarat State Petronet Limited.

Ψ Non-working PSUs are those which have ceased to carry on their operations.

♦ Includes 619-B Companies.

1.5 The accounts of the State Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors, who are appointed by CAG as *per* the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by CAG as *per* the provisions of Section 619 of the Companies Act, 1956.

1.6 Audit of Statutory corporations is governed by their respective legislations. Out of four Statutory corporations, CAG is the sole auditor for Gujarat Industrial Development Corporation and Gujarat State Road Transport Corporation. In respect of Gujarat State Warehousing Corporation and Gujarat State Financial Corporation, the audit is conducted by Chartered Accountants and supplementary audit by CAG.

Investment in State PSUs

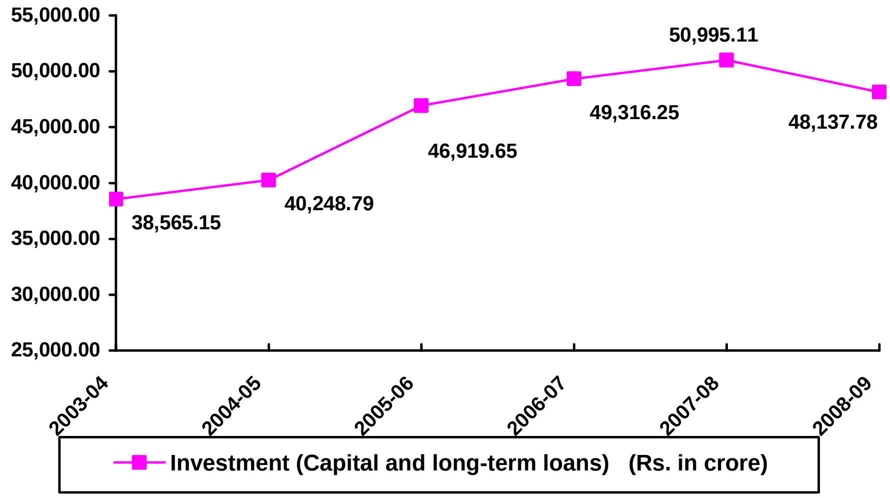
1.7 As on 31 March 2009, the investment (capital and long-term loans) in 70 PSUs (including 619-B companies) was Rs. 48,137.78 crore as per details given below.

(Rupees in crore)

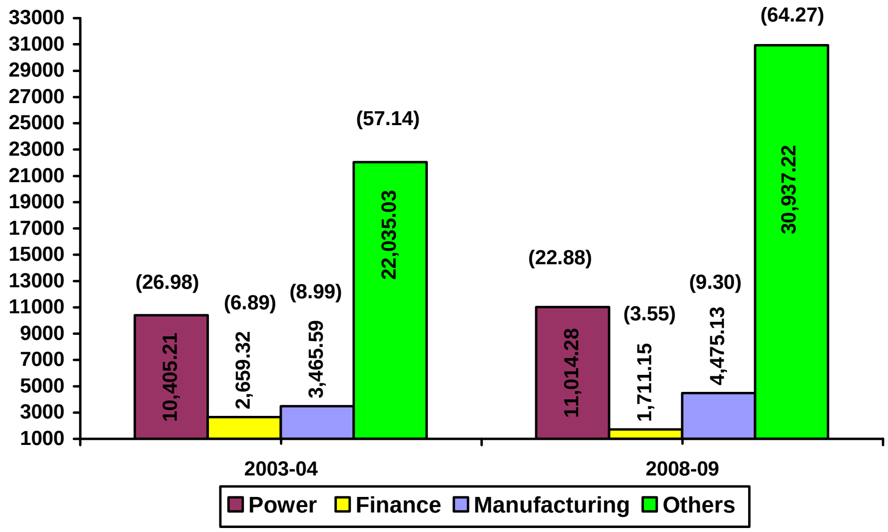
Type of PSUs	Government companies			Statutory corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	34,208.37	10,780.40	44,988.77	782.45	1,556.37	2,338.82	47,327.59
Non-working PSUs	98.63	711.56	810.19	-	-	-	810.19
Total	**34,307.00**	**11,491.96**	**45,798.96**	**782.45**	**1,556.37**	**2,338.82**	**48,137.78**

A summarised position of government investment in State PSUs is detailed in ***Annexure 1***.

1.8 As on 31 March 2009, of the total investment in State PSUs, 98.32 *per cent* was in working PSUs and the remaining 1.68 *per cent* in non-working PSUs. This total investment consisted of 72.89 *per cent* towards capital and 27.11 *per cent* in long-term loans. The investment has grown by 24.82 *per cent* from Rs. 38,565.15 crore in 2003-04 to Rs. 48,137.78 crore in 2008-09 as shown in the graph below.



1.9 The investment in various important sectors and percentage thereof at the end of 31 March 2004 and 31 March 2009 are indicated below in the bar chart:



(Figures in brackets show the percentage of total investment)

It can be observed from the above chart that the thrust of PSUs investment during the five years was mainly in other sectors which increased their percentage share from 57.14 to 64.27 *per cent*. The investment in finance sector had declined from Rs. 2,659.32 crore to Rs. 1,711.15 crore. Among others, investment in Sardar Sarovar Narmada Nigam Limited has risen from Rs. 20,438.17 crore to Rs. 26,749.67 crore. Similarly, investment in Gujarat State Petroleum Corporation Limited which falls under manufacturing sector increased from Rs. 114.11 crore to Rs. 3,054.10 crore.

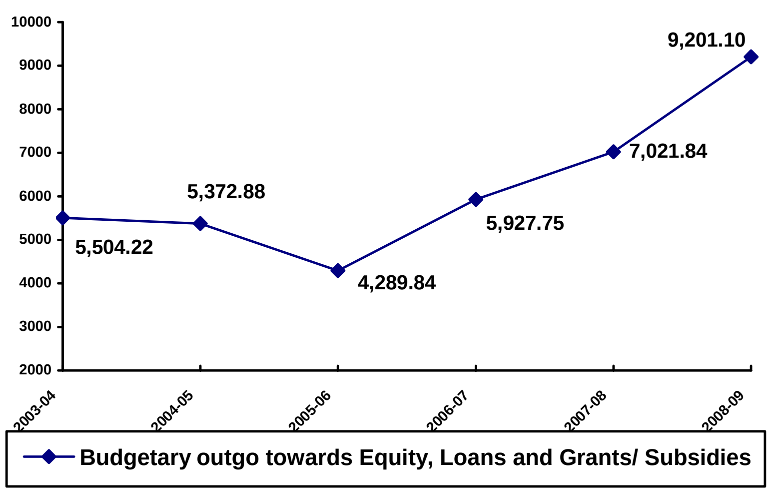
Budgetary outgo, grants/subsidies, guarantees and loans

1.10 The details regarding budgetary outgo towards equity, loans, grants/ subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of State PSUs are given in ***Annexure 3***. The summarised details are given below for three years ended 2008-09.

(Amount Rs. in crore)

Sl. No.	Particulars	2006-07		2007-08		2008-09	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	10	2,697.93	12	3,249.73	11	3,378.02
2.	Loans given from budget	8	263.53	9	369.51	9	867.72
3.	Grants/Subsidy received	28	2,966.29	26	3402.60	28	4,955.36
4.	**Total Outgo (1+2+3)**		**5,927.75**		**7,021.84**		**9,201.10**
5.	Loans converted into equity	1	623.06	-	-	-	-
6.	Loans written off	-	-	-	-	-	-
7.	Interest/Penal interest written off	-	-	-	-	1	13.70
8.	**Total Waiver (6+7)**	**-**	**-**	**-**	**-**		**13.70**
9.	Guarantees issued	1	597.00	5	80.71	1	150.00
10.	Guarantee Commitment	16	9,688.83	14	8,487.96	9	6,694.00

1.11 The details regarding budgetary outgo towards equity, loans and grants/ subsidies for past five years are given in a graph below.



It can be observed that during 2004-09 budgetary outgo increased from Rs. 5,504.22 crore to Rs. 9,201.10 crore. In addition Rs. 13.70 crore was also waived by the State Government in respect of a PSU during 2008-09.

1.12 In order to enable PSUs to obtain financial assistance from Banks and Financial Institutions, State Government gives guarantee under Gujarat State Guarantees Act, 1963 subject to the limits prescribed by the Constitution of India, for which the guarantee fee is being charged. This fee may vary between 0.5 and 2 *per cent* as decided by the State Government depending upon the loanees. The guarantee commitment decreased to Rs. 6,694.00 crore during 2008-09 from Rs. 9,688.83 crore during 2006-07. The State Government had issued guarantees to one PSU amounting to Rs. 150 crore during 2008-09. Further, three PSUs paid guarantee fee to the extent of Rs. 85.78 crore and one PSU had not paid guarantee fee of Rs. 0.80 crore for the year 2008-09 to the State Government.

Reconciliation with Finance Accounts

1.13 The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2009 is stated below.

(Rs. in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	26,304.66	29,337.09	3,032.43
Loans	2,159.47	2,976.20	816.73
Guarantees	8,692.85	6,694.00	1,998.85

1.14 Audit observed that the differences occurred in respect of 46 PSUs and some of the differences were pending reconciliation since November 1994 after being pointed out by Audit. The matter was brought (December 2008) to the notice of the Finance Department, concerned administrative Department and the respective PSUs about the differences appeared in the Audit Report (Commercial) and Finance Accounts for the year 2007-08. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

Performance of PSUs

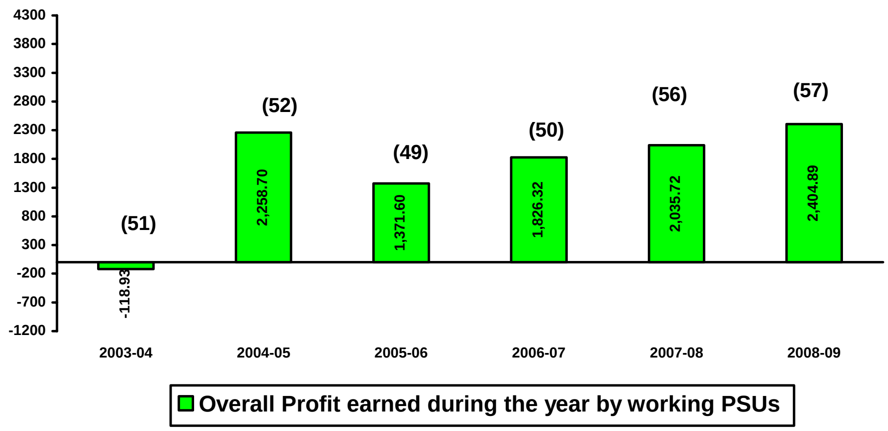
1.15 The financial results of PSUs, financial position and working results of working Statutory corporations are detailed in ***Annexure 2, 5 and 6*** respectively. A ratio of PSU turnover to State GDP shows the extent of PSU activities in the State economy. Table below provides the details of working PSU turnover and State GDP for the period 2003-04 to 2008-09.

(Rs. in crore)

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Turnover[∝]	14,015.20	16,756.24	8,557.28	37,238.90	40,632.57	50,289.48
State GDP	1,68,080.00	1,89,118.00	2,19,780.00[#]	2,54,533.00[¥]	2,80,086.00	3,61,846.00[‡]
Percentage of Turnover to State GDP	8.34	8.86	3.89	14.63	14.51	13.90

It can be seen from the above that the percentage of turnover to State GDP decline from 14.63 in 2006-07 to 13.90 in 2008-09. Further, the turnover during 2005-06 reduced due to non-finalisation of accounts in time (30 September 2006) by the seven companies[*] formed after bifurcation of erstwhile Gujarat Electricity Board. The sharp increase in turnover from the year 2006-07 to 2008-09 was due to multiple accounting of sale of same energy by holding company, generating company and four distribution companies.

1.16 Profit (losses) earned (incurred) by State working PSUs during 2003-04 to 2008-09 are given below in a bar chart.



(Figures in brackets show the number of working PSUs in respective years)

It can be observed from the above chart that the working of PSUs has improved over the period. During the year 2008-09, out of 57 working PSUs, 40 PSUs earned profit of Rs. 2,586.06 crore and seven PSUs incurred loss of Rs. 181.17 crore. One[§] working PSU had capitalised excess of expenditure over income, one[**] PSU had transferred excess of expenditure to non-plan grant, one[††] PSU is newly formed and seven [‡‡] are under construction. Major

[∝] Turnover as per the latest finalised accounts as of 30 September.
[#] Provisional.
[¥] Quick estimates
[‡] As per Statements prepared under the Gujarat Fiscal Responsibility Act, 2005, June-2009 Budget Publication No. 28(1).
[*] Gujarat Urja Vikas Nigam Limited (Holding company), Gujarat State Electricity Corporation (Generating company), Gujarat Energy Transmission Corporation Limited (Transmission company), Dakshin Gujarat Vij Company Limited, Madhya Gujarat Vij Company Limited, Uttar Gujarat Vij Company Limited and Paschim Gujarat Vij Company Limited (Four Distribution companies).
[§] Gujarat State Police Housing Corporation Limited
[**] Gujarat Women Economic Development Corporation Limited
[††] Gujarat Industrial Corridor Corporation Limited
[‡‡] GSPC (JPDA) Limited, GSPC LNG Limited, Sardar Sarovar Narmada Nigam Limited, GSPC Pipavav Power Company Limited, Gujarat Foundation for Mental Health and Allied Sciences, Bhavnagar Energy Company Limited and Dahej SEZ Limited.

contributors to the profit were Gujarat State Fertilizers and Chemicals Limited (Rs. 739.18 crore), Gujarat State Petroleum Corporation Limited (Rs. 628 crore) and Gujarat Mineral Development Corporation Limited (Rs. 369.90 crore). The heavy losses were incurred by Gujarat State Financial Corporation (Rs. 109.13 crore) and Gujarat State Road Transport Corporation (Rs. 66.10 crore).

1.17 Though the PSUs were earning profits, there were instances of deficiencies in financial management, planning, implementation of project, running their operations and monitoring. A review of latest Audit Reports of CAG shows that the State PSUs incurred losses to the tune of Rs. 1,723.63 crore and infructuous investment of Rs. 204.91 crore which were controllable with better management. Year wise details from Audit Reports are stated below.

(Rs. in crore)

Particulars	2006-07	2007-08	2008-09	Total
Net Profit (loss)	1,826.32	2,035.72	2,404.89	6,266.93
Controllable losses as per CAG's Audit Report	270.15	394.62	1,058.86	1,723.63
Infructuous Investment	39.87	19.78	145.26	204.91

1.18 The above losses pointed out by Audit Reports of CAG are based on test check of records of PSUs. The actual controllable losses would be much more. The above table shows that with better management, the profits can be enhanced substantially. The PSUs can discharge their role efficiently only if they are financially self-reliant. The above situation points towards a need for professionalism and accountability in the functioning of PSUs.

1.19 Some other key parameters pertaining to State PSUs are given below.

(Rs. in crore)

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Return on Capital Employed (*per cent*)	1.74	0.91	4.40	6.34	5.43	3.95
Debt	24,484.62	25,609.32	23,239.60	22,376.93	20,564.74	13,048.33
Turnover[ϒ]	14,015.20	16,756.24	8,557.28	37,238.90	40,632.57	50,289.48
Debt/ Turnover Ratio	1.75	1.53	2.72	0.60	0.51	0.26
Interest Payments	1,224.97	1,839.08	491.42	1,552.64	1,702.33	2,021.74
Accumulated Profits (losses)	(7,004.32)	(8,670.18)	(1,860.01)	(1,164.22)	(524.66)	1,844.36

(Above figures pertain to all PSUs except for turnover which is for working PSUs).

1.20 The debt/turnover ratio has been decreasing since 2005-06 and decreased from 2.72 in 2005-06 to 0.26 in 2008-09. Moreover, in 2008-09 the aggregate accumulated losses of all PSUs has turned into aggregate accumulated profit.

ϒ Turnover of working PSUs as *per* the latest finalised accounts as of 30 September.

1.21 The State Government had not formulated a dividend policy under which all PSUs are required to pay a minimum return on the paid-up capital contributed by the State Government. As per their latest finalised accounts, 40 PSUs earned an aggregate profit of Rs. 2,586.06 crore and only three PSUs declared a dividend of Rs. 81.59 crore.

Performance of major PSUs

1.22 The investment in working PSUs and their turnover together aggregated to Rs. 97,617.07 crore during 2008-09. Out of 57 working PSUs, the following six PSUs accounted for individual investment *plus* turnover of more than five *per cent* of aggregate investment *plus* turnover. These six PSUs together accounted for 71.97 *per cent* of aggregate investment *plus* turnover.

(Rs. in crore)

PSU Name	Investment	Turnover	Total (2) + (3)	Percentage to Aggregate Investment plus Turnover
(1)	(2)	(3)	(4)	(5)
Sardar Sarovar Narmada Nigam Limited	26,749.67	-	26,749.67	27.40
Gujarat Urja Vikas Nigam Limited (GUVN Limited)	3,896.87	14,013.92	17,910.79	18.35
Gujarat State Electricity Corporation Limited (Subsidiary of GUVN Limited)	1,212.54	6204.74	7,417.28	7.60
Gujarat State Petroleum Corporation Limited (GSPC Limited)	3,054.10	4,117.49	7,171.59	7.35
Gujarat State Fertilizers and Chemicals Limited	79.70	6,019.19	6,098.89	6.25
Paschim Gujarat Vij Company Limited (Subsidiary of GUVN Limited)	1,124.39	3,782.25	4,906.64	5.02
Total	**36,117.27**	**34,137.59**	**70,254.86**	**71.97**

Some of the major audit findings of past five years for above PSUs are stated in the succeeding paragraphs.

Sardar Sarovar Narmada Nigam Limited

1.23 The PSU had finalised the accounts for the year 2008-09. The PSU is under construction stage and hence no profit and loss account had been prepared.

1.24 *Deficiencies in planning*

- Due to imprudent deferment of construction work of Tail Race Channel for its river bed power house, the Company incurred an avoidable expenditure of Rs. 14.68 crore. (Paragraph 4.5 of Audit Report 2004-05).

- Premature investment of Rs. 16.78 crore on construction of concrete lining of branch canal led to loss of interest of Rs. 1.92 crore. (Paragraph 3.6 of Audit Report 2006-07).

1.25 *Deficiencies in implementation*

- In the management of contracts related to civil and electrical works for the construction/commissioning of power houses, extra expenditure of Rs. 58.70 crore due to incorrect fixation/revision of rates in the contracts was noticed. (Paragraphs 2.2.13, 2.2.14 and 2.2.15 of Audit Report 2007-08).

- Expenditure of Rs. 9.92 crore incurred on availing consultancy services remained unfruitful due to deferment in implementation of a project. (Paragraph 3.6 of Audit Report 2007-08).

1.26 *Deficiencies in monitoring*

- The Company paid excess idle charges of Rs. 10.68 crore to a contractor for machinery and manpower utilised on another work. (Paragraph 4.6 of Audit Report 2004-05).

1.27 *Deficiencies in financial management*

- Imprudent decision in purchase of cement resulted in loss of Rs. 1.34 crore. (Paragraph 4.3 of Audit Report 2003-04).

- The Company accorded undue benefit to contractor by not recovering prescribed security deposit of Rs. 3.22 crore and exposed itself against underperformance/ defective work. (Paragraph 3.7 of Audit Report 2006-07).

Gujarat Urja Vikas Nigam Limited (erstwhile Gujarat Electricity Board)

1.28 The PSU had arrears of accounts for one year as of September 2009. The loss of Rs. 0.05 crore in 2005-06 turned into profit of Rs. 5.39 crore in 2008-09. The turnover too has risen from Rs. 15,018.19 crore in 2006-07 to Rs. 17,910.79 crore in 2008-09. The return on capital employed, however, has declined from 7.02 *per cent* in 2006-07 to 2.13 *per cent* in 2008-09.

1.29 *Deficiencies in planning*

- There were instances of idle investment of Rs. 175.39 crore resulting in loss of interest of Rs. 25.62 crore due to mismatch of completion schedules. (Paragraphs 3.13, 3.14 and 3.15 of Audit Report 2004-05).

- The erstwhile Gujarat Electricity Board incurred an avoidable expenditure of Rs. 1.26 crore in purchase of stores by not following the laid down purchase policy. (Paragraph 4.12 of Audit Report 2004-05).

1.30 ***Deficiencies in implementation***

- Infructuous expenditure of Rs. 40.29 crore was incurred due to undertaking repairs and maintenance activities which were not needed in the Power Stations. (Paragraphs 2.4.12 and 2.4.18 of Audit Report 2006-07).

1.31 ***Deficiencies in financial management***

- The erstwhile Gujarat Electricity Board did not insert put/ call option clause in the bonds issued. This will result in avoidable loss of Rs. 105.84 crore by way of excess payment of interest on redemption of the bonds on their maturity. (Paragraph 4.9 of Audit Report 2004-05).

- The erstwhile Gujarat Electricity Board sustained revenue loss of Rs. 351.15 crore due to non-implementation of tariff award in agricultural sector. (Paragraph 2.2.11 of Audit Report 2005-06).

Gujarat State Electricity Corporation Limited (unbundled from erstwhile Gujarat Electricity Board)

1.32 The PSU had arrears of accounts for one year as of September 2009. The profit of the company had decreased from Rs. 78.41 crore in 2005-06 to Rs. 5.78 crore in 2008-09. The turnover has risen from Rs. 561crore in 2005-06 to Rs. 6,204.74 crore in 2008-09. The return on capital employed has decreased from 9.06 to 5.78 *per cent.*

1.33 ***Deficiencies in planning***

- The erstwhile Gujarat Electricity Board suffered a revenue loss of Rs. 373.89 crore due to delay in commissioning of new cooling tower at Dhuvaran thermal power station. (Paragraph 4.11 of Audit Report 2003-04).

- The erstwhile Gujarat Electricity Board suffered a loss of Rs. 14.26 crore due to belated exploration of alternative washeries. (Paragraph 4.10 of Audit Report 2004-05).

1.34 ***Deficiencies in implementation***

- The Company incurred avoidable extra expenditure of Rs. 10.99 crore on account of price escalation, service tax, belated signing of agreement and incorrect estimation of requirement of water. (Paragraphs 2.3.11, 2.3.12 and 2.3.33 of Audit Report 2007-08).

1.35 ***Deficiencies in monitoring***

- Failure of the Company to file an appeal in time resulted in loss of rebate of Rupees one crore as also avoidable payment of interest of Rs. 1.25 crore. (Paragraph 3.11 of Audit Report 2006-07).

- Undue benefit of Rs. 37.27 crore was extended to the loading supervision contractors due to improper fixation of monthly average quantity coal per wagon. (Paragraph 3.8 of Audit Report 2007-08).

1.36 ***Deficiencies in financial management***

- The erstwhile Gujarat Electricity Board suffered a loss of Rs. 37.30 crore due to deficiency in the freight prepayment contract. (Paragraph 4.12 of Audit Report 2003-04).

- The erstwhile Gujarat Electricity Board made an avoidable payment of transportation charges of Rs. 4.92 crore due to defective agreement with Gas Authority of India Limited for purchase of gas. (Paragraph 4.14 of Audit Report 2003-04).

Gujarat State Petroleum Corporation Limited

1.37 The PSU had arrears of accounts for one year as of September 2009. The profit of the company has risen continuously in past three years from Rs. 305.17 crore in 2005-06 to Rs. 628 crore in 2008-09. Similarly, the turnover too has risen from Rs. 1,286.76 crore to Rs. 4,117.49 crore during this period. However, the return on capital employed has decreased from 38.34 *per cent* to 19.67 *per cent*.

1.38 ***Deficiencies in implementation***

- Company incurred extra expenditure of Rs. 3.37 crore due to its failure to conduct Performance Acceptance tests properly. (Paragraph 3.5 of Audit Report 2007-08).

1.39 ***Deficiencies in financial management***

- The Company included a foreign firm into joint venture without any financial or technical contribution, giving it the benefit of future gains of Rs. 11.43 crore without having to share any venture risk. (Paragraph 3.5 of Audit Report 2006-07).

- The Company gave irregular benefit to the contractor and suffered loss of Rs. 106.71 crore by short recovering liquidated damages. It also gave the contractor additional undue benefit by accepting lower Performance Bank Guarantee. (Paragraph 3.3 of Audit Report 2007-08).

Gujarat State Fertilizers and Chemicals Limited

1.40 The PSU had finalised the accounts for the year 2008-09. The profit of the company has risen continuously in past three years from Rs. 436.93 crore in 2005-06 to Rs. 739.18.crore in 2008-09. Similarly, the turnover too has risen from Rs. 3,004.35 crore to Rs. 6,019.19 crore during this period. The return on capital employed has increased from 18.02 to 42.74 *per cent*.

1.41 ***Deficiencies in implementation***

- Installation of Chemicals Storage Tanks without obtaining environmental clearance resulted in loss of Rs. 5.48 crore. (Paragraph 3.2 of Audit Report 2005-06).

1.42 ***Deficiencies in financial management***

- The Company, at the instance of preference shareholders made undue payment of premium of Rs. 8.25 crore and also suffered interest loss of Rs. 18.41 lakh. (Paragraph 4.8 of Audit Report 2003-04).

- The Company overpaid Rs. 2.14 crore to transport contractors outside the agreed terms of contract. (Paragraph 3.1 of Audit Report 2007-08).

Paschim Gujarat Vij Company Limited (unbundled from erstwhile Gujarat Electricity Board)

1.43 The PSU had arrears of accounts for one year as of September 2009. The profit of the company had declined in past two years from Rs. 7.65 crore in 2006-07 to Rs. 2.16 crore in 2008-09. The turnover has risen from Rs. 2,523.82 crore to Rs. 4,906.64 crore in 2008-09. The return on capital employed has decreased from 7.02 *per cent* to 4.20 *per cent*.

1.44 ***Deficiencies in monitoring***

- Persistent high distribution losses in the power feeders resulted in loss of revenue of Rs. 39.67 crore to the PSU and Rs. 5.71 crore to the State exchequer. (Paragraph 4.13 of Audit Report 2003-04).

Conclusion

1.45 The above details indicate that the State PSUs are not functioning efficiently and there is tremendous scope for improvement in their overall performance. They need to imbibe greater degree of professionalism to ensure delivery of their products and services efficiently and profitably. The State Government should introduce a performance based system of accountability for PSUs.

Arrears in finalisation of accounts

1.46 The accounts of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956. Similarly, in case of Statutory corporations, their accounts are finalised, audited and presented to the Legislature as *per* the provisions of their respective Acts. The table below provides the details of progress made by working PSUs in finalisation of accounts by September 2009.

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Number of Working PSUs	52	49	50	56	57
2.	Number of accounts finalised during the year	57	38	50	43	62[§§]
3.	Number of accounts in arrears	37	35	32	53	52
4.	Average arrears *per* PSU (3/1)	0.71	0.71	0.64	0.95	0.91
5.	Number of Working PSUs with arrears in accounts	25	31	25	38	34
6.	Extent of arrears	1 to 7 years	1 to 2 years	1 to 3 years	1 to 5 years	1 to 6 years

1.47 It can be observed that the number of PSUs increased from 52 in 2004-05 to 57 in 2008-09 with consequential increase in the average arrear per PSU from 0.71 in 2004-05 to 0.91 in 2008-09. However, the extent of arrears declined from seven years to six years. The accumulation of arrears was the result of high employee turnover in the PSUs.

1.48 In addition to above, there was also the arrears in finalisation of accounts by non-working PSUs. Out of 13 non-working PSUs, six had gone into liquidation process, one[*] Company had decided for winding up the Company after clearing the arrears of Accounts and one[#] Company has gone for voluntary winding up. Of the remaining five non-working PSUs, three PSUs had arrears of accounts for two years.

1.49 The State Government had invested Rs. 4,198.59 crore (26 PSUs) (Equity: Rs. 165.60 crore (6 PSUs), loans: Rs. 535.39 crore (7 PSUs) and grants: Rs. 3,497.60 crore (20 PSUs) in PSUs during the years for which accounts have not been finalised as detailed in ***Annexure 4***. In the absence of accounts and their subsequent audit, it can not be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not and thus Government's investment in such PSUs remain outside the scrutiny of the State Legislature.

1.50 The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. Though the concerned administrative departments and officials of the Government were informed every quarter by the Audit, of the arrears in finalisation of accounts, no remedial measures were taken. As a result of this the net worth of these PSUs

[§§] Gujarat Industrial Investment Corporation Limited submitted revised accounts for the year 2006-07.

[*] Gujarat National Highways Limited.

[#] Gujarat Small Industries Corporation Limited could not be assessed in audit. The matter of arrears in accounts was also taken up with the Chief Secretary/ Finance Secretary to expedite the backlog of arrears in accounts in a time bound manner.

1.51 In view of above state of arrears, it is recommended that:

- **The Government may set up a cell to oversee the clearance of arrears and set the targets for individual companies which would be monitored by the cell.**

- **The Government may consider outsourcing the work relating to preparation of accounts wherever the staff is inadequate or lacks expertise.**

Winding up of non-working PSUs

1.52 There were 13 non-working Companies as on 31 March 2009. Of these, six PSUs have commenced liquidation process. The numbers of non-working companies at the end of each year during past five years are given below.

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
No. of non-working companies	12	15	14	14	13

The non-working PSUs are required to be closed down as their existence is not going to serve any purpose. During 2008-09, three non-working PSUs incurred an expenditure of Rs. 0.35 crore towards establishment expenditure. This expenditure was financed by the State Government (Rs. 0.01 crore) own fund (Rs. 0.30 crore) and sale of assets (Rs. 0.04 crore).

1.53 The stages of closure in respect of non-working PSUs are given below.

Sl. No.	Particulars	No. of Companies
1.	Total No. of non-working PSUs	13
2.	Of (1) above, the No. under	
(a)	liquidation by Court (liquidator appointed)	6
(b)	Voluntary winding up (liquidator appointed)	1
(c)	Winding up after clearance of arrear in accounts.	1
(d)	Closure, *i.e.* closing orders/ instructions not issued.	5

1.54 During the year 2008-09 one[#] PSU was finally wound up. The process of voluntary winding up under the Companies Act, 1956 is much faster and needs to be adopted/ pursued vigorously. The Government may make a decision regarding winding up of five non-working PSUs where no decision about their continuation or otherwise has been taken after they became non-working. The Government may consider setting up a cell to expedite closing down its non-working companies.

[#] The Film Development Corporation of Gujarat Limited.

Accounts Comments and Internal Audit

1.55 Forty-seven working companies forwarded 55 accounts to PAG during the year 2008-09 which were selected for supplementary audit. The audit reports of statutory auditors appointed by CAG and the supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of statutory auditors and CAG are given below.

(Amount Rs. in crore)

Sl. No.	Particulars	2006-07		2007-08		2008-09	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	8	89.72	5	75.12	6	72.85
2.	Increase in loss	2	6.81	1	16.17	-	-
3.	Non-disclosure of material facts	8	1,148.33	5	286.21	12	457.52
4.	Errors of classification	12	1,011.92	13	3,451.79	16	4,567.03

It can be observed from the above that money value objections for decrease in profit and error of classification increased from Rs. 89.72 crore and Rs. 1,011.92 crore in 2006-07 to Rs. 72.85 crore and Rs. 4,567.03 crore in 2008-09 respectively. Further, non-disclosure of material facts had reduced from Rs. 1,148.33 crore in 2006-07 to Rs. 457.52 crore in 2008-09.

1.56 During the year, the statutory auditors had given unqualified certificates for 17 accounts, qualified certificates for 38 accounts. The compliance of companies with the Accounting Standards (AS) remained poor as there were 74 instances of non-compliance with AS in 28 accounts during the year.

Some of the important comments in respect of accounts of companies are stated below

1.57 Gujarat Water Resources Development Corporation Limited (2006-07)

- The Company had not provided for interest of Rs. 36.14 crore on Government loans due to adjustment of such loans against subsidy receivable from Government. Consequently accumulated losses are understated by Rs. 36.14 crore.

1.58 Gujarat Urja Vikas Nigam Limited (2007-08)

- The PSU erroneously accounted the rebate for prompt payment of power purchase bills received in April 2008 during the year leading to overstatement of profit by Rs. 22.64 crore.

1.59 Gujarat State Electricity Corporation Limited (2007-08)

- The PSU did not value its retired assets of Utran Power Plant at its available realisable value on the date of finalisation of accounts as required by AS-10 leading to overstatement of profit by Rs. 23.56 crore.

1.60 Gujarat State Land Development Corporation Limited (2006-07)

- The PSU continued to depict Rs. 2.14 crore towards losses of Boring and Blasting Scheme as a grant receivable since 1983 without any firm commitment from the Government.

1.61 Sardar Sarovar Narmada Nigam Limited (2007-08)

- The PSU continued to show commissioned power houses of Rs. 4,197.03 crore under works-in-progress instead of transferring the same to fixed assets.

- Inclusion of operation and maintenance expenses of Rs. 12.03 crore incurred on behalf of other States under incidental expenditure pending capitalisation resulted in understatement of sundry debtors and overstatement of incidental expenditure by the same amount.

- Inclusion of income recovered on behalf of State Government Rs. 142.95 crore as a deduction from Incidental Expenditure has resulted in understatement of Incidental Expenditure and understatement of sundry creditors by the same amount.

1.62 Similarly, three working Statutory corporations forwarded their four accounts for the year 2006-07 and 2007-08 to PAG during the year 2008-09. Of these, one account of Satutory corporation pertained to sole audit by CAG which was completed. Of the remaining two accounts, both the accounts were selected for supplementary audit. The audit reports of statutory auditors and the sole/ supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of statutory auditors and CAG are given below.

(Amount Rs. in crore)

Sl. No.	Particulars	2006-07		2007-08		2008-09	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	1	51.02	-	-	1	11.11
2.	Increase in loss	1	24.42	1	14.06	3	21.76
3.	Non-disclosure of material facts	2	580.39	2	378.71	1	15.53
4.	Errors of classification	2	822.04	1	73.18	3	276.23

It can be observed from the above that money value objection in all the four categories had decreased during last three years.

1.63 During the year, out of four accounts, only one accounts received unqualified certificate, three accounts received qualified certificates.

Some of the important comments in respect of accounts of Statutory corporations are stated below.

1.64 Gujarat State Financial Corporation (2006-07)

- Loans and advances are overstated by Rs. 13.08 crore due to non provision for ascertained bad debts and consequently loss is understated to the same extent.

Gujarat State Financial Corporation (2007-08)

- The PSU exhibited bonds overdue for repayment of Rs. 44.42 crore under long term borrowing instead of current liabilities.

1.65 Gujarat Industrial Development Corporation (2006-07)

- Non provision of additional claim for private land acquired has resulted in under statement of capital expenditure and current liabilities by Rs 15.53 crore.

1.66 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control/ internal audit systems in the companies audited in accordance with the directions issued by the CAG to them under Section 619(3) (a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative resume of major comments made by the Statutory Auditors on possible improvement in the internal audit/ internal control system in respect of six companies[£] for the year 2007-08 and six companies for the year 2008-09 are given below.

Sl. No.	Nature of comments made by Statutory Auditors	Number of companies where recommendations were made	Reference to serial number of the companies as *per* Annexure 2
1.	Non-fixation of minimum/ maximum limits of store and spares	6	A-2, A-26, A-34, A-35, A-40, A-45,
2.	Absence of internal audit system commensurate with the nature and size of business of the company	6	A-2, A-20, A-25, A-33, A-35 and A-40
3.	Non maintenance of cost record	1	A-17
4.	Non maintenance of proper records showing full particulars including quantitative details, situations, identity number, date of acquisitions, depreciated value of fixed assets and their locations	4	A-20, A-35, A-40, A-52
5.	Lack of internal control over sale of power	1	A-20

[£] Sr. No. A-2, A-6, A-24, A-25, A32 and A-40 in Annexure 2.

Recoveries at the instance of audit

1.67 During the course of propriety audit in 2008-09, recoveries of Rs. 173.57 crore were pointed out to the Management of various PSUs, of which, recoveries of Rs. 5.01 crore were admitted by PSUs. An amount of Rs. 4.71 crore was recovered during the year 2008-09.

Status of placement of Separate Audit Reports

1.68 The following table shows the status of placement of various Separate Audit Reports (SARs) issued by the CAG on the accounts of Statutory corporations in the Legislature by the Government.

Sl. No.	Name of Statutory corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in Legislature
1.	Gujarat State Financial Corporation	2006-07	2007-08	26.08.2009	Assembly session not held after issue of SAR.
2.	Gujarat State Warehousing Corporation	2006-07	2007-08	12.05.2009	Assembly session not held after issue of SAR.
3.	Gujarat Industrial Development Corporation	2006-07	2007-08	SAR under finalisation	-

Delay in placement of SARs weakens the legislative control over Statutory corporations and dilutes the latter's financial accountability. The Government should ensure prompt placement of SARs in the legislature(s).

Disinvestment, Privatisation and Restructuring of PSUs

1.69 During the year 2008-09, the State Government had neither disinvested nor privatised any of its PSUs.

Reforms in Power Sector

1.70 The State has Gujarat Electricity Regulatory Commission (GERC) formed in November 1998 under the Section 17 of the Electricity Regulatory Commission Act, 1998 with the objective of rationalisation of electricity tariff, advising in matters relating to electricity generation, transmission and distribution in the State and issue of licences. During 2008-09, (GERC) issued 27 orders (8 on annual revenue requirements and 19 on others).

1.71 Memorandum of Understanding (MoU) was signed in (January 2001) between the Union Ministry of Power and the State Government as a joint commitment for implementation of reforms programme in power sector with identified milestones. The progress achieved so far in respect of important milestones is stated below:

Sl. No.	Milestone	Achievement as at March 2009
1	Reduction in Transmission and Distribution losses (No target fixed)	Losses reduced to 21.14 *per cent.*
2	100 *per cent* electrification of all villages	100 *per cent* villages electrified.
3	100 *per cent* metering of all distribution feeder.	100 *per cent* metered of distribution feeder.
4	100 *per cent* metering of agriculture consumers	Only 37.82 *per cent* metering of agriculture consumers was done.
5	Securitised outstanding dues of Central Public Sector Undertakings (CPSUs).	The dues of CPSUs were reconciled and bond of Rs. 1,628.71 crore were issued by State Government against the dues.

It was observed from the above that the progress towards metering of agriculture consumers was too slow.

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Chapter II

Performance review relating to Government company

Sardar Sarovar Narmada Nigam Limited

2 Outcome audit on the irrigation component of Sardar Sarovar Project

Executive summary

Sardar Sarovar Narmada Nigam Limited has been engaged in implementing the interstate multipurpose Sardar Sarovar Project (SSP) and managing Narmada water through 458 Kms long Narmada Main Canal and a distribution network of 89,931 kms comprising of Branch canals, Distributaries, Minors and Sub-Minors. The performance audit of the Company for the period 2004-05 to 2008-09 covered the activities related to planning, execution, development and commissioning of the Canal network.

Project planning

The Detailed Project Report (DPR) originally prepared (January 1980) by the Company remained unrevised. Though the deadline of 2000 was fixed for achievement of full irrigation potential, no detailed plan to execute the project was prepared. As a result, the Company could create irrigation potential mainly in phase I and II A and in other phases, it constructed branches only without creation of any irrigational potential.

Project finance

At the end of March 2009, the Company's share capital was Rs. 23,719.21 crore and total borrowing was Rs. 9,075.30 crore. The project cost increased substantially from Rs. 6,406.04 crore at 1986-87 prices to Rs. 35,045.75 crore at 2005-06 prices. Due to imprudent financial management, the Company incurred avoidable expenditure of Rs.32.28 crore on higher borrowed cost and guarantee fee. The Company diverted AIBP funds to the tune of Rs. 1,833.12 crore meant for development of NMC and distribution network to other areas of the project which led to delay in creation of irrigation potential.

Project implementation

The completed length of the canal system was only 18,803 kms against the envisaged length of 90,389 kms.

Out of the total envisaged CCA of 18.29 lakh ha, the Company so far developed a CCA of 3.41 lakh ha of which the utilised CCA remained at 1.20 lakh ha only.

In Phase I and II A, there were 669 and 130 numbers of missing links affecting a CCA of 1,86,824 ha and 51,590 ha respectively. Of the above, 1,70,271 ha of CCA in Phase I was reported as developed which was actually not developed as no irrigation benefit can be availed from the incomplete construction of canals.

Due to non adoption of 'vertical integration approach', the Company created only branch canals in Phase II B, Phase II C and SBC and no irrigation potential could be created. The Company created irrigation potential in water fed zones first and ignored the water scarce zones like Saurashtra and Kutchh. In addition the Company was slowly converting the irrigation project into a drinking water project.

No data was maintained by the Company on the impact of providing irrigation facility on agricultural productivity or agricultural pattern in the SSP command area. As a result, the Company was not in a position to know whether the project has achieved its objective of increase in the agriculture produce as envisaged.

Irrigation policy

The Company has not framed a comprehensive long term policy. The interim policy framed by the Company did not cover some vital issues like, system of assessing corps pattern, guarding canal up to sub-minor level, fixation of water charges, duties and responsibilities of WUAs.

Canal maintenance

Even after investment of Rs. 18,515.58 crore in canal network, the repairs and maintenance was not done indicating laxity of the Company in safeguarding its valued assets besides threat of life/property in canal vicinity.

Conclusions and recommendations

The financial management of the company was poor as it borrowed funds at higher cost. While implementing the project the company failed in adoption of 'vertical integration approach' and which was further marred by non prioritization of distribution network and diversion of funds to other component of Sardar Sarovar Projects.

There were deficiencies in management of contracts like award of work before acquisition of requisite land/ obtaining requisite clearance/ finalising the construction stage drawings, failure to take up repairing work in time which led to missing link in the channel and the development of CCA was adversely affected.

This review contained seven recommendations which included formulating strategic plan to execute canal project, expedite the work of development of distribution work, taking corrective action based on reasons identified for missing links and complete them as soon as possible, taking immediate steps to strengthen the WUAs for better management of canal and making a viable debt service plan to avoid huge financial burden on GoG in future.

Introduction

2.1. Union Ministry of Water Resources constituted (October-1969) Narmada Water Disputes Tribunal (NWDT) for adjudication of disputes over the use, distribution and control of the water of interstate river Narmada among the States of Madhya Pradesh (MP), Maharashtra, Gujarat and Rajasthan. The NWDT gave its final award in August 1978 and December 1979. Sardar Sarovar Project (SSP) envisaged construction of dam, power house, Narmada Main Canal (NMC) and distribution network of canals.

As per NWDT award, the share of participating States from the utilisable quantum of Narmada water was distributed as below:-

Sl. No	Participating State	Share of Narmada Water (MAF[ϒ])
1.	Madhya Pradesh	18.25
2.	Maharashtra	0.25
3.	Gujarat	9.00
4.	Rajasthan	0.50

As per the award, an interstate authority i.e., Narmada Control Authority (NCA) started functioning since December-1979 for ensuring compliance to the decisions and directions in the award. The NWDT also formed (August-1978) Narmada Review Committee (NRC) to review and suspend any decisions taken by the NCA. Union Minister of Water Resources is the Chairman and the Chief Minister of each beneficiary States is the member of

ϒ Million Acre Feet.

NRC. The Union Government also constituted (September-1980) Sardar Sarovar Construction Advisory Committee (SSCAC)[£] to ensure efficient, economical and timely execution of dam and hydro power works.

Government of Gujarat (GoG) also promoted (March-1988) Sardar Sarovar Narmada Nigam Limited (SSNNL; the Company) for implementing SSP under the administrative control of Narmada Water Resources, Water Supply & Kalpasar Department (NWRWS & KD). The Management of the Company is vested in a Board of Directors (BoD) consisting of a Chairman, a Managing Director (MD), Joint MD (Finance) and Director (Civil) as full time members. Part time members include Chief Secretary- GoG in *ex-officio* capacity and one official representative each from the participating States, viz. MP, Maharashtra and Rajasthan. BoD has various sub-committees to monitor and control the activities of the Company. At field level the Company has Seven[×] Chief Engineer offices, 18 circle offices each headed by Superintending Engineer and 73 divisional offices each headed by Executive Engineer. SSNNL books project expenditure under the following heads of accounts:-

- Unit-I: Dam and appurtenant works;
- Unit-II: Narmada Main Canal (NMC);
- Unit-III: Power;
- Group-IV: Branches and distributaries;
- Group-V: Common expenditure (Interest payment etc); and
- Group-VI: Non-sharable expenditure.

Scope of Audit

2.2 The performance audit conducted during January-July 2009 covered the activities related to planning, execution, development and commissioning of the Canals (Unit II) and distribution network (Group IV) and its outcome[¥]. Audit examined the project related records kept at the head office (HO) of the Company, five[∝] Chief Engineer offices and 26 division offices[∂]. Though the execution of the canal network system is spread over a period of more than twenty years since 1987, Audit covered mainly the activities related to the project from April 2005 to March 2009 covering expenditure of Rs. 11,502.99 crore incurred for the Unit II and Group IV during the period out of the total expenditure of Rs. 18,515.58 crore incurred on the units upto March 2009.

[£] The Secretary of Irrigation -Government of India (GoI) is the Chairman of the SSCAC and Chairmen of the Central Water Commission (CWC), Central Electricity Authority (CEA) and senior representatives of the beneficiary States are its members

[×] CE (Canal-I) Vadodara, CE (Canal-III) Gandhinagar, CE (KBC) Mehsana, CE (Canal-IV) Patan, CE (SBC) Rajkot, CE (Design & Q.C and CPC) and CE (ND, Kevadiya Colony).

[¥] Outcome means creation of Cultivable Command Area (CCA) as envisaged, actual irrigation done from water released and increase in agricultural production.

[∝] CE (Canal-I) Vadodara, CE (Canal-III) Gandhinagar, CE (KBC) Mehsana, CE (Canal-IV) Patan and CE (SBC) Rajkot.

[∂] **Phase I:** Division-4 and 7, P&D Division Bharuch; Division-9 Karjan; Division-8 Dhaboi; Division-5 Jambusar; Division 3,7 and 10 Vadodara.
Phase II A: Dehgam, Dholka, Division-7 Gandhinagar, Sanand, Division-4/3 and 1/3 Kadi, Thasra.
Phase II C: Division 24, 2/4 and 2/5 Radhanpur.
SBC : Division 3/4 and 3/5 Dhrangadhra, Limbdi, Surendranagar.
KBC Division 4/5 and 18 Mehsana, Chanasma.

Audit objectives

2.3 The objective of the performance audit were to assess :

- the development of distribution and canal network in properly planned manner;
- timely execution of the canal network and its commissioning in an economic, efficient and effective manner;
- the ability to provide envisaged irrigation facility by established canal network;
- the corporate governance at SSNNL which was geared to obtain managerial accountability for outputs and outcomes;
- the adequacy of operation and maintenance of the canal network;
- socio economic benefits; and
- financial viability of created canal network.

Audit criteria

2.4 The criteria adopted for assessing the achievement of audit objectives were:

- Provisions of the award of NWDT, instructions of GoI/ GoG;
- Plans prepared by the Company, study reports, clearances given by the various statutory bodies i.e. Ministry of Environment and Forests (MOEF), NCA, Planning Commission, etc;
- Sardar Sarovar (Narmada) Detailed project report (DPR)/Techno Economic feasibility report for canal network of the project;
- Provisions in the contract agreements and claims of the contractors;
- Agenda/board resolutions, progress report, budgets, Government Resolutions (GRs) and instructions of the Company's HO to its field offices; and
- Provisions in water supply agreements with distribution agencies/users.

Audit methodology

2.5 Audit methodology involved review, scrutiny and analysis of:

- NWDT award, instructions of GoI and GoG; DPR, relevant study reports and other statutory clearances;

- agenda notes and resolutions of Purchase and Tender Committee meeting, project committee meetings, BoD meetings and SSCAC meetings;
- tender documents, selection of bidders and contracts entered with them for execution of civil/other works and payments made;
- annual financial statements, budget allocation of GoG for SSP;
- documents related to loans availed by the Company;
- progress report of field offices relating to construction, maintenance and operation of canal network system; and
- data/information about achievement of various benefits envisaged under the irrigation component of SSP.

Audit findings

2.6 Audit findings were discussed with MD and Director (Canal) of the Company in the Exit Conference held on 31 August 2009 and the views expressed by them have been considered while finalising the performance review. Audit findings are discussed in the succeeding paragraphs.

Project planning

The Company did not revise the DPR as directed by the Planning Commission.

2.7 The DPR was originally prepared (January 1980) by the Narmada Project Dam Designs Circle, Vadodara. As per the report, the Unit-II (Main canal) was scheduled to be completed within a period of 12 years, and achievement of full irrigation potential within a period of 20 years from the start of construction. Planning Commission directed (Ocober-1988) that as the project was too big and spread over a long period; the DPR should have been revised once in every five years. The Company, however, did not revise the DPR from time to time justifying deviations and appraising water availability, cost estimates, financing pattern, implementation schedule, envisaged increase in the agricultural production, etc. In the absence of revised DPR, control and monitoring exercised by the Company and its effectiveness could not be evaluated in audit.

Though the Company had decided for achievement of full irrigation potential by 2000, no detailed plan to execute the project was prepared. As a result, Company created irrigation potential in only two phases and in remaining three phases, it constructed only branches and could not create any irrigation potential.

Project Finance

Cost and finance for Canal project

2.8.1 The authorised capital of the Company which was Rs. 2,000 crore in 1988 has increased to Rs. 25,000 crore in March 2009. The paid up capital of

Rs. 23,719.21 crore upto March 2009 was released by the GoG which included financial assistance of Rs. 5,391.61 crore and Rs. 71.67 crore from GoI under Accelerated Irrigation Benefit Programme (AIBP) and Command Area Development and Water Management (CADWM) programme respectively for implementation of canal system. In addition, the Company met its funds requirements by way of borrowings from GoG, GoI and financial institutions. At the end of March 2009, the Company's total borrowing was Rs. 9,075.30 crore which included loans of Rs. 450 crore from HUDCO[≠] and Rs. 1,092.32 crore from NABARD[≈]. Of this, an amount of Rs. 29,973.10 crore was spent on execution of project work, the balance amount was utilised towards other related activities.

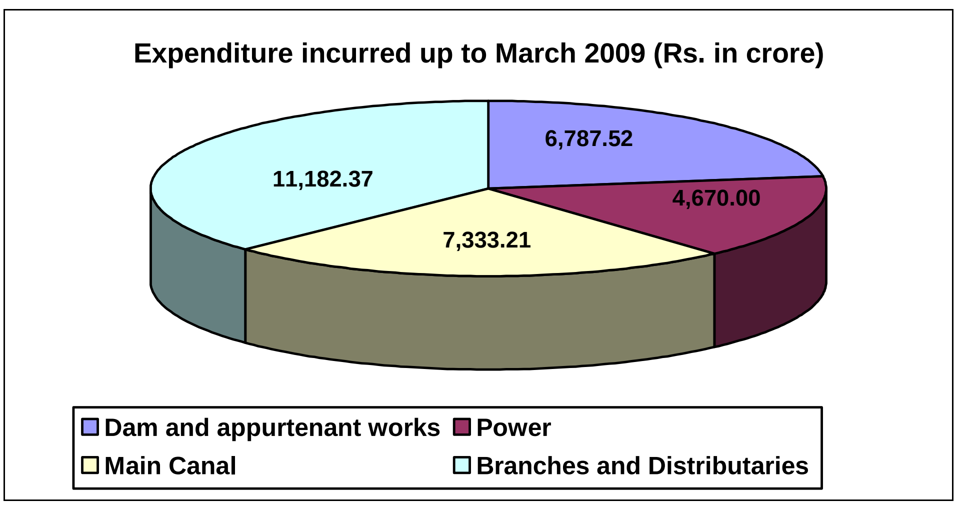
The table below shows project cost and expenditure incurred up to March 2009.

(Rs. in crore)

Particulars	Project cost at 1986-87 prices[ℵ]	Revised cost at 1991-92 prices	Revised cost at 2005-06 prices	Expenditure[*] incurred up to March 2009	Expenditure [*] incurred during 2005-09
Dam and appurtenant works	1,019.45	1,886.09	5,621.89	6,787.52	3,842.55
Main canal	1,588.54	3,295.08	6,558.46	7,333.21	3,641.84
Power	979.95	1,559.45	3,076.79	4,670.00	2,456.93
Branches and Distributaries	2,818.10	6,440.00	19,788.61	11,182.37	7,861.15
Total	**6,406.04**	**13,180.62**	**35,045.75**	**29,973.10**	**17,802.47**

Source: Project estimates and Annual accounts of company.

The break up of cost incurred on different cost components of the project is given in the following pie chart.



The Company did not revise the cost estimates periodically.

The Company revised (December 1994) the cost estimates to Rs. 13,180.62 crore at 1991-92 price level which were not sent for approval of Planning

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≠ Housing & Urban Development Corporation.
≈ National Bank for Agriculture and Rural Development.
ℵ As approved by the Planning Commission.
* Including R&R expenditure.

Commission, GoI. The project cost was again revised to Rs. 35,045.75 crore at 2005-06 price levels which has not been approved by the BoD so far. The Company however, sent (July 2007) the revised cost estimate of Rs. 35,045.75 crore to GoG which in turn sent it to Planning Commission, GoI in July 2007. The approval of the same was awaited (October 2009).

High borrowing cost

Company incurred avoidable expenditure of Rs. 32.28 crore due to unplanned borrowings.

2.8.2. For development of Narmada Main canal (NMC), the Company signed an agreement with HUDCO for a loan of Rs. 480 crore against the estimated project cost of Rs. 900.66 crore and the same was approved (February-2005) at floating rate of interest of 7.75 *per cent* per annum. Out of Rs. 480 crore loan sanctioned, the Company availed only Rs. 103 crore and balance loan of Rs. 377 crore was curtailed (October 2005) due to higher margin[ℑ] stipulated by HUDCO. The Company incurred expenditure of Rs. 3.77 crore towards guarantee fees on the undrawn loan (October 2005) also. Later on, the Company again applied (October 2005) for fresh loan of Rs. 347 crore at floating rate of interest and the same was approved (January 2006) by HUDCO for a period of 15 years. HUDCO revised its floating rate of interest from time to time, which ranged between 7.75 and 14 *per cent* during the period from September 2005 to March 2009. It was observed in audit that though NABARD was extending loan for similar projects under Rural Infrastructure Development Fund (RIDF) scheme at the fixed rate of interest of 6.50 *per cent* during the period, the Company did not opt for the cheaper loan resulting into loss of Rs. 28.51 crore towards differential cost of borrowing (1.25 to 7.5 *per cent*) during June 2005 to March 2009. Thus, the Company incurred avoidable expenditure aggregating to Rs.32.28 crore[∝] .

Diversion of funds to non-irrigation component of project

Company diverted Rs. 1,833.12 crore to non-irrigation components of the project.

2.8.3. SSP has been an eligible project for receipt of Central Loan/grant assistance under Accelerated Irrigation Benefits Programme (AIBP) scheme. Following table shows the details of Central Loan Assistance (CLA) received and expenditure done on components under AIBP as well as unspent CLA.

(Rupees in crore)

Sl. No	Year	2002-03	2003-04	2004-05
1	CLA Received (Excluding Fast Track Programme)	903.00	557.00	438.00
2	Ratio of contribution (Centre: State)	2:1	4:1	4:1
3	Total expenditure on AIBP components	549.57	674.76	592.04
4	Expenditure covered under NABARD Scheme*	0.00	209.10	219.32
5	Expenditure under Fast Track project	108.10	106.38	106.38
6	Actual expenditure on AIBP components from AIBP funds (3-4-5)	441.47	359.28	266.34
7	CLA utilized (as per Central State ratio)	294.31[ℜ]	287.42[℘]	213.07[*]
8	CLA unspent (1-7)	608.69	269.58	224.93

*Certain portion of the canal networks was funded by NABARD under RIDF.

ℑ HUDCO stipulated 45 *per cent* margin and 55 *per cent* loan *i.e.* 45 *per cent* of project cost to be brought by the Company and 55 *per cent* to be financed by the HUDCO.

∝ Rs. 28.51 crore *plus* Rs. 3.77 crore.

ℜ 441.47 x 2/3.

℘ 359.28 x 4/5.

* 266.34 x 4/5.

As shown in the table, the Company could not utilise CLA of Rs 1,103.20 crore provided by GoI during 2002-03 to 2004-05. Further, there was shortfall in expenditure of Rs. 27.36 crore as on 31 March 2002. Thus, the Company could not utilize Rs. 1,157.92 crore on the irrigation component of the project and diverted the same for other components. Moreover, the project also received Rs. 675.20 crore (2007-08) for development of Irrigation potential in identified drought prone districts under Drought Prone Area component of AIBP. This amount was also utilised for other components of work. Thus, total diversion of funds amounted to Rs.1,833.12 crore which led to delay in creation of envisaged irrigation potential and reaping of intended benefits.

Project Implementation

2.9 SSP is an interstate-multipurpose river valley project for development of irrigation, drinking water and power. It envisaged creation of annual irrigation potential of 18.29 lakh ha Cultivable Command Area[⊗] (CCA) in Gujarat through construction of 458 kms of NMC (Unit II) and 89,931 kms of distribution system (Group IV) consisting of branch canals, distributaries, minors, sub minors and field channels[#]. The canal system envisaged supply of drinking water to 8,215 villages and 135 cities and also supply of water for industries. The entire distribution system of SSP is broadly divided in to five phases starting at different chainage of NMC as detailed in paragraph 2.9.2.

Physical status of canal net work

2.9.1 The table below shows the physical status of canal network as on 31 March 2009.

[⊗] CCA is the area that can be reliably irrigated from a project and is fit for cultivation.
[#] to be constructed by end user.

Component of canal net work	Total length in km envisaged	Completed length in km.	Percentage of completion
Main canal (NMC)	458.00	458.00	100.00
Branch canals	2,759.00	1821.40	66.02
Distributaries	5,347.00	1533.87	28.69
Minors	20,027.00	4954.05	24.74
Sub-minors	61,798.00	10,035.99	16.24
Total	**90,389.00**	**18,803.31**	

Source: Progress Report submitted to the Chief Minister, Gujarat

Completion of distribution system below branch canals was less than 30 *per cent.*

As seen from the above, there was major shortfall in completion of canal network consisting of distributaries, minors and sub-minors which were for achievement of targeted irrigation potential. Target date for completion of the work of each component of the canal network was not fixed.

Development of Irrigation Potential

2.9.2. Table below shows phase-wise details of CCA envisaged, developed and utilised up to March 2009.

Against 18.29 lakh ha CCA envisaged, the Company could develop only 3.41 lakh ha.

Phase	No. of branch canals	Location from NMC (chainage) in kms.	Envisaged CCA	CCA Developed	CCA Utilised
			In lakh ha		
Phase-I	15	0 to 144	4.46	2.63	0.90
Phase-II A	7	144 to 263	1.64	0.78	0.30
SBC	1	263 to 267	5.25	0.00	0.00
Phase-II B	8	267 to 374	3.31	0.00	0.00
Phase-II C	7	374 to 458	3.63	0.00	0.00
Total	**38**		**18.29**	**3.41**	**1.20**

Source: Information furnished by the Company
SBC – Saurashtra Branch Canal

Against 3.41 lakh ha CCA developed, the Company could utilise only 1.20 lakh ha.

As evident from the above table, even after spending Rs. 18,515.58 crore on main canal and downstream distribution network, the Company could achieve only 18.64 *per cent* in development of CCA. To make things worse, the utilised CCA is only 6.56 *per cent* of envisaged CCA. Going by the achievement, the Company spent nearly Rs. 5.43 lakh to develop each hectare of CCA.

Non-adoption of 'vertical integration approach'

Due to non-adoption of vertical integration approach, Company could not create any irrigation potential in three out of five phases.

2.9.3 Water started flowing in Phase-I since July 2002. Construction of minors which commenced in October 1992, were still in progress (March 2009). Due to this, against the envisaged CCA creation of 18.29 lakh ha, only 3.41 lakh ha was developed (March 2009). Within the irrigation potential created, the benefits of irrigation were not reaching to the farmers as vital component of network *i.e.* sub-minors were not constructed or the canals which have been constructed have many missing links.

Audit scrutiny revealed that while clearing the SSP for investment, Planning Commission had put certain conditions which *inter-alia* included adoption of 'vertical integration approach[∅]' in construction of canal network. But the Company gave priority to construction of branch canals only. Distributaries, minors and sub-minors were not developed along with the branch canals. As a result, irrigation benefits have not reached to downstream farmers even after a period of 21 years since the commencement of work of branch canal and after investment of Rs. 18,515.58 crore.

Due to non adoption of 'vertical integration approach', the worst affected phases of the project were Phase II B, Phase-II C and SBC. Even after investing Rs. 1,196.02 crore[Δ] on these phases, no irrigation potential has been created.

Non prioritisation of Distribution network

2.9.4 The main idea behind taking up SSP was to meet irrigation demand of Gujarat considering water scarcity in the State. The SSP envisaged CCA development of 18.29 lakh hectares through construction of NMC, branch canals, distributaries, minors and sub- minors.

Company constructed canals in water fed zones and ignored the water scarce zones.

Phase-I of the SSP covered four[∈] Districts and nineteen[∇] Talukas. Analysis of the average rainfall trend for 28 years (from 1980 to 2007) revealed that the average rainfall in the above 19 talukas was 896 mm. On the other hand, during the same period, average rainfall in respect of Phase II B & C was 511 mm and the same for Saurashtra was 611 mm. The Company developed irrigation potential in Phase-I only whereas in Saurashtra and Kutchh[⊗] regions, it kept on constructing branch canals only without creating any irrigation potential. This clearly shows that Company provided irrigation network in water fed areas first and totally ignored the water scarce zones. As reported by the Company, against the envisaged CCA of 4.46 lakh ha in Phase-I, it had developed a CCA of 2.63 lakh ha and the utilised CCA is only 0.90 lakh ha indicating lack of demand for irrigation water in phase I. The fact, however, remained that it could have been more beneficial had the Company given due priority in development of distribution network in water scarce zones. The phase wise implementation has been discussed in paragraphs 2.10 to 2.14.

Phase I implementation

2.10 Distribution network system under Phase-I of SSP offtakes from the chainage falling between 0 and 144 kms of NMC (*i.e.*, between Narmada and Mahi rivers). It covered CCA of 4.46 lakh ha and serve four Districts and nineteen Talukas. This CCA was divided into 52 blocks for administrative

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∅ State should draw up an implementation schedule, segment wise, for completion of canal network, in such a way that a segment of the canal network, taken up from head , is completed in all respects so as to make the irrigation water available, for the designed potential of that segment, up to the outlet in that particular segment.

Δ Excluding R&R expenditure.

∈ Narmada, Bharuch, Vadodara and Panchmahal.

∇ Nanded , Tilakwada, Bharuch, Amod, Vagra, Jambusar, Naswadi, Sankheda, Pavi Jetpur, Dabhoi, Karjan, Waghodia, Sinor, Padra, Vadodara, Savli, Halol, Jambughoda and Kalol.

⊗ Linked to Phase II C.

purpose and Chief Engineer (Canal-I), Vadodara is in charge of Phase I. Against the total envisaged CCA of 4.46 lakh ha, the Company had developed 2.63 lakh ha CCA only (March 2009) out of which, 0.90 lakh ha had been utilised

Completion status of canal network

2.10.1 The table below shows the status of completion of canal network in number as well as in length of various canal levels:

Particulars	Completion Status						Investment (Rs. in crore)
	Total (No.)	Comp -leted (No.)	WIP (No.)	Under Planning (No.)	Total (Length in km.)	Completed Length (in km.)	
Branch Canal	25*	25	0	0	656.91	656.91	**296.82**
Distributaries	204	193	11	0	1,101.39	1,084.70	**271.81**
Minors	1,500	1,170	208	122	4,560.70	4,397.23	**360.32**
Sub Minors	10,452	5,601	3,961	890	12,132.90	7,800.64	**357.17**
Total							**1,286.12**

Source: Information given by various division offices of Phase-I and Progress Reports
* includes 10 sub branch canals.

From the above, it would be clear that the Company's achievement of ultimate irrigation potential was lacking, despite the fact that the phase I was declared completed by the Company (way back) in 2001. The distribution system of phase-I was yet to be completed and wherever it was completed, the utilisation is far lagging behind. Thus, even after spending Rs. 1,286.12 crore on Phase I, the Company was not in a position to achieve the envisaged irrigation potential so far (March 2009).

Audit analysis of CCA developed

Due to missing links in canals, 1.87 lakh ha CCA is erroneously reported as developed.

2.10.2 As stated in the earlier paragraph (2.9.2), as per Company's reports CCA developed was 2.63 lakh ha and 0.90 lakh ha CCA was utilised. However, audit scrutiny revealed that CCA developed was wrongly declared. Due to missing links in canals, 1.87 lakh ha CCA was erroneously reported as developed as indicated below:

Sl. No.	Particulars	No. of missing links	Length of missing links (in Km.)	Since when missing Links	CCA affected (ha)
1	Branch Canals	1	4.41	2006	4,152^
2	Distributaries	7	25.61	June 2004 to December 2005	12,401
3.	Minors and Sub Minors	661	3,523.00	N.A	1,70,271
Total CCA affected due to missing links					**1,86,824**

Source: Audit analysis based on information furnished by divisions

Following audit analysis shows how CCA developed was calculated erroneously in cases where missing links exist in the canal and water cannot be flown:

^ CCA affected is the CCA of distributaries and minors of the branch which is already constructed.

- The divisions considered CCA of a canal as developed once the lining work of the canal was fully or substantially completed. The fact whether water can be released in the canal or not was completely ignored. As a result, even if the canal was having missing links due to which water cannot be released in the canal, it has been considered as developed. 40,194 ha CCA reported as developed in this manner was erroneous.

- In cases where the canal work was complete but water can be released upto certain chainage only due to missing link or some other problem, the division consider the entire area as CCA developed. Audit scrutiny revealed that against CCA of 1,51,383 ha shown as developed, actual CCA developed should be 67,028 ha based on the flow of water which means 84,355 ha CCA was incorrectly shown as developed.

- In cases where the construction of canal is going on, the divisions considered CCA as developed based on proportionate completion of lining work of the canal. But in many cases, the water either cannot flow in the incomplete canal or can flow upto a distance substantially less than the work completed. In such cases, the CCA reported was 68,295 ha where as based on water flow, the CCA developed should be 22,573 ha which showed that 45,722 ha CCA was incorrectly shown as developed.

Thus, due to incorrect method of calculating CCA developed 1,70,271 ha of CCA which was reported as developed was actually not developed as no irrigation benefit can be availed from the incomplete construction of canals. This anomaly is further validated by the figure of CCA utilised which was far below the reported CCA developed.

Missing Links analysis

2.10.3 As per audit analysis, major reasons for missing links were:

- Work awarded without acquiring requisite land;
- Poor quality of work execution (discussed at paragraph 2.16.2);
- Delay in taking up repairing work;
- Undue favour to the contractors.

It is important to note that considering the scale of the project, audit could not analyse the reasons of all the missing links as mentioned above. But, illustrative cases have been reported for the above reasons which indicate that there may be many such cases which the management needs to analyse. Photographs of some of the missing links noticed during Audit are given below:

The reasons for missing link are discussed below:

Works awarded without acquiring requisite land

Awarding work without acquiring requisite land led to incomplete works affecting 2,390 ha CCA.

2.10.4 The Company follows the Gujarat Public Works Rules (GPWR) and also the instructions regarding award of work contracts of GOG issued to Public Works Department from time to time. As per para 3(8) of Chapter 9 (Preventive Vigilance) of GPWR, tender for the work can be invited only if 50 *per cent* of required land is available and it is expected that remaining land would also be made available at the time of awarding the work. The Company's BoD, however, decided (February 1992) to invite tenders if it has 20 *per cent* of required land in its possession and also to award the contract if it has 33 *per cent* of required land in its possession. Due to this, the works were awarded before acquisition of adequate land for the work leading in turn to poor progress of works execution in many cases.

Analysis of missing links showed that in eight cases, (given in ***Annexure 7***) the construction of canal could not be completed due to non availability of land which affected total CCA of 2,390 ha. An illustrative case from the annexure is given below:

The Company awarded (February 2000) the work of constructing minor and distributaries of Dayadara branch in Block No. 6D4 in Vadodara district to Harishchandra (I) Limited at a cost of Rs. 8.79 crore with a stipulated completion period of 36 months. The contractor could not start the work of S1 minor from 0 to 455 metre as the land was not available. The remaining work from Ch. 455 to 2,240 metres got completed in June 2005. Thus, due to non completion of the work of initial chainage of canal, the completed work from Ch. 455 metres to Ch. 2,240 metres remained idle for more than four years affecting a total CCA of 318 ha.

Unfruitful investment due to delay in repairing works

2.10.5 In following cases, the Company failed to take up the required repair works in time which affected the creation of irrigation potential:-

Delay in repairing the damaged canals resulted in idle investment of Rs. 8.17 *crore* and affected 8,927 ha. CCA.

Sl. No	Name of Canal	Month of completion	Month/Year when damaged/ Chainage	Investment (Rs. in crore)	CCA affected (In ha)	Remarks
1.	Vadodara Branch Canal	March-1997	2005/ (Ch.110.68 to 115.09 Kms)	8.17	4,152	Not repaired till date. As per latest estimate, the repair cost comes to Rs. 2.29 crore
2.	Kapurai Distributary	March-1999	April-2005/ (Ch. 8.47 to 12.828 Kms)	N.F	4,024	Company belatedly repaired it in March 2008 at a total cost of Rs.1.22 crore
3.	Surwada Distributary	June-1998	2005/ Ch.1.99 to 2.32 Kms	N.F	751	Till date not repaired.
Total					8,927	

N.F= Not furnished

Thus, it is clear from the above that in canals at Sl. Nos. 1 and 3, the Company had not done repairs works till date which affected 4,903 ha CCA and an investment of Rs. 8.17 crore remained unfruitful.

Undue favour to the contractors

2.10.6 The table below shows that there were instances of not taking up the risk and cost action against the defaulting contractors which resulted in delay in/non completion of work and non achievement of irrigation potential:-

Investment of Rs. 5.55 crore remained idle due to not taking action against the defaulting contractors.

Sl. No	Name of work/Name of contractor	Date of award/ tendered cost	Date of withdrawal	Cost of work done/left out (Rs. in crore)	Date of re-award	Remarks
1	Construction of canals of Block-6C/ J.K. Transport & Construction Co.	April-2001/ Rs.7.30 Crore	August-2005	2.06/5.24	April-2006	Till date no final bill has been prepared. Hence amount to be recovered from contractor cannot be ascertained by the Company
2.	Constructions of canals of Block No- 9A4 and 9A5/ Backbone Project Ltd.	June-2000 /Rs.7.04 Crore	---	2.40/4.64	--	Till date the Company has neither taken any action nor re awarded the work
3.	Construction of canals of Block-9A4 and 9A5 /J.K. Transport & Construction Co.	June-2000/ Rs.8.16 Crore	August-2005	1.09/7.07	April-2006	The Company failed to take any action against the original contractor.
4.	Construction of structures on Kherda Disty./ Nanji Kalabhai & Co.	June-2005/ Rs.0.39 Crore	January -2007	--/0.39	---	The contractor did not start the work. Company relieved him without taking any action.

It would be observed from the above table that due to default on part of contractors, works costing Rs. 5.55 crore had remained idle and irrigation potential envisaged could not be achieved yet no action to get the work executed at risk and cost of the contractor has been taken.

Phase II A implementation

2.11 Distribution network system under Phase II A offtakes from the chainage falling between 144 and 263 Km NMC. The envisaged CCA of this phase is 1.64 lakh ha covering five[±] Districts and 16[∝] Talukas. Chief Engineer (Canal-III), Gandhinagar was in charge of this phase. Seven[≈] branch canals under this phase off take from NMC. Against the envisaged CCA of 1.64 lakh ha, the Company developed a CCA of 0.78 lakh ha of which only 0.30 ha CCA was utilised (March 2009).

Completion status of canal network

2.11.1 The table below shows the status of completion of canal network in number as well as in length of various canal levels:

Particulars	Completion Status				
	Total (No.)	Completed (No.)	WIP (No.)	Total (Length in km.)	Completed Length (in km.)
Branch Canals	07	07	0	383.49	383.49
Distributaries	34	21	05	741.55	394.07
Minors	205	86	51	1,725.48	1,108.65
Sub Minors	2,104	742	681	2,947.38	2,036.50

Source: Information furnished by Circle offices of Phase II A

The above table indicates that distribution network of phase II A was not fully completed and wherever it was completed the utilisation was very low though Rs. 1,494.95 crore[ℵ] had already been spent on the phase.

Missing Links analysis

Due to missing links in canals, 0.52 lakh ha CCA is erroneously reported as developed.

2.11.2 As stated in the earlier paragraph (2.9.2), as per Company's reports CCA developed was 0.78 lakh ha and CCA utilised 0.30 lakh ha. However, audit scrutiny revealed that figures of CCA developed were wrongly declared as such, since missing links affected 0.52 lakh ha of CCA resulting in erroneous calculation as indicated below:

Particulars	Missing links (No.)	Missing links (in km.)	Missing link since when	CCA affected
Branch Canal	3	0.09	January 2005	Nil
Distributaries	74	13.03	2002	37,800
Minors and Sub-minors	53	44.72	2002	13,790
Total CCA affected				**51,590**

± Kheda, Anand, Gandhinagar , Mehsana and Ahmedabad.

∝ Kapadwanj, Kathalal, Mahemdabad, Mahudha, Matar, Thasara, Khambat, Bavla, Daskroi, Dholka, Sanand, Viramgam, Dehgam, Gandhinagar, Kalol and Kadi.

≈ Sanali, Mehmadabad, Ghodasar, Vehlal, Daskroi, Dholka, Sanand Branch Canal.

ℵ Amount includes cost of pumping stations also.

Thus, the actual area irrigated was 0.26[ℜ] lakh ha instead of 0.30 lakh ha as reported by the Company. Some of the reasons of missing links are discussed below:

Works awarded without acquiring requisite land

2.11.3 As discussed in paragraph 2.10.4, in Phase-II A also the construction of canal in 12 cases, (given in ***Annexure 7***) could not be completed due to non availability of land which affected total CCA of 4,834 ha. An illustrative case from the annexure is given below:

Award of works without acquisition of requisite land led to incomplete works affecting 4,834 ha CCA

The work of construction of Simej and Rampura distributary was awarded (April 2005) to Karnavati Infrastructure, Ahmedabad at a tendered cost of Rs.2.68 crore[⊗] with stipulated completion period of 15 months. The Company awarded the work without obtaining the land at Ch.2,319 m. Due to this, the work at this chainage was not completed and it was a missing link since the award of the work (April 2005) and affected a CCA of 1,198 ha. As on date, the Company had paid Rs.1.07 crore[∇] to the contractor which remained idle (March 2009).

Work awarded without permission from Highway Authorities

Award of works without permission from Highway authorities affected 7,828 ha CCA which resulted in idle investment of Rs. 14.11 crore.

2.11.4 In the following instances, it was observed that the Company awarded the work without obtaining prior permission from State Highway Authority (SHA) or National Highway Authority of India (NHAI). Moreover, the SHA had made clear in May 2003 that henceforth all the approvals for construction beneath state highway would be granted under 'Cut Push Method[µ]'. But, the Company made the provision in the contract for constructing the structures under 'Open Cut Method[ç]'. As a result, the work could not be completed in time and it also resulted in non achievement of irrigation potential as detailed below:

ℜ 0.78 lakh ha *less* 0.52 lakh ha =0.26 lakh ha.
⊗ Combined work for Simej and Rampura distributary.
∇ As per latest RA bill no. 13 of December 2008 final bill not yet prepared.
µ In case the canal crosses some roads, the structures for canal diversion will be made beneath road by inserting the pipes by pushing method.
ç Under this method, the road is openly cut to construct the structures for canal passing.

Name of work	Date of award/ tendered Cost (Rs. in crore)	Date of sending permission	Payment made (Rs. in crore)	CCA affected (in ha)	Remarks
Shiyal Distributary (Ch.12.14 to 20.05 Kms)	February 2005/ Rs.4.33	April 2007 (NHAI)	4.14	4,748	The work was to be executed by NHAI as deposit work for which the Company had paid Rs.1.55 crore. The work was still in progress
Laxmipura and Charol distributary (Block-27)	October 2005/ Rs.3.57	March 2007 (SHA)	2.74	1,250	The work of structures was awarded (February 2009) to R.J. Waghasia Chowki Junagadh and was still under progress
Vehlal and Daskroi Branch Canals	November 2004/ Rs.8.13	January 2006 (SHA)	5.48	1,348	The proposal for re awarding the structures work was still under approval at HO of the Company.
Rohisa direct Minor	November 2004/ Rs.2.41	March 2008 (SHA)	1.75	482	--do--
		Total	**14.11**	**7,828**	

As seen from the table above due to delay in seeking the required permission from NHAI/SHA a total CCA of 7,828 ha got affected and Rs. 14.11 crore incurred on the construction of the remaining works was lying idle.

Idle investment due to deficient planning

2.11.5 The construction of Dabhali distributary was awarded (October-2001) to B. Patel Infrastructure Pvt. Limited at a tendered cost of Rs.7.40 crore with completion schedule of 30 months. The canal existed at the downstream of Saidak river (Ch.3,010 and 3,220), tributary of Shedhi river, and during monsoon season flood normally occurs in the said vicinity which may cause damage to the canal. But while making the Cross Regulator planning of the said canal, Company ignored this fact and as a result, the canal at the above chainages was badly damaged during the monsoons of 2005. After realising this, the concerned division (Division-1, Thasara) proposed for providing underground pipelines between the Ch. 3,010 and 3,220 mtrs on Dabhali Distributary estimated at a cost of Rs. 46.59 lakh. The work has not been approved by HO (October 2009). There are two minors *i.e.* Dabhali Minor-2 and Sadeli Minor off taking beyond the Ch. 3,010 which were complete. Hence, due to missing link in the distributary, water could not flow in these minors as a result the investment made on these canals was lying idle affecting the irrigation potential of CCA of 308 ha.

Saurashtra Branch Canal (SBC) implementation

2.12 Distribution network system under SBC of SSP offtakes from the chainage falling between 263 and 267 kms of NMC. The envisaged CCA of this phase was 5.25 lakh ha covering five[ϒ] Districts and 21[≤] Talukas. Chief

ϒ Ahmedabad, Mehsana, Surendranagar, Bhavnagar and Rajkot.

≤ Barwala, Dhanduka, Dholka, Ranpur, Sanand, Viramgam, Kadi, Chooda, Dhrangadhra, Halvad, Lakhtar, Limbdi, Patdi, Wadhawan, Bhavnagar, Botad, Ghadhada, Umrala, Vallbhipur, Maliya and Rajkot.

Engineer (SBC), Rajkot is in charge of this phase. There are seven[∞] sub branch canals offtaking from Saurashtra Branch Canal. Out of which three[ℜ] were completed, three[⊗] were under progress and one[ℵ] was yet to be taken up. The Company invested Rs. 730.96 crore in this phase but no CCA was developed. (March 2009). Audit observations related to this phase are discussed below:-

Awarding contracts without ascertaining competency of contractors

Award of work to incompetent contractors resulted in delayed execution of work.

2.12.1 Para 3(6) (6) of chapter 9 (Preventive vigilance) of GPWR stipulates that if the rates quoted by the contractors are 10 *per cent* below/above the current SORs, the reasons and explanations should be taken from the contractors as to how they would be able to complete the work in time with the requisite quality. Further, if the quoted rates received are exorbitantly low, it should not be accepted.

A test check of the 73 works awarded (February 1997 to January-2008) for construction of six[⊄] sub branch canals of SBC revealed that in all these cases the contractors quoted exorbitantly lower rates *i.e.*, ranging below 13 to 51 *per cent* of the estimated cost of works. The Company, however, awarded the works without assessing contractors' capabilities in executing the works in time. As a result, 15 works of sub branches were delayed for a period of 24 to 49 months. No justification was on records for non adherence to GPWR.

Idle investment

2.12.2 Audit scrutiny revealed that there were instances of idle investment some of which are enumerated below:

Due to deficient planning, Company made idle investment of Rs. 4.38 crore on control cabin equipments and Rs. 1.48 crore towards premature construction of structure.

- The work of "manufacturing, supplying, erection and commissioning of radial gates for structure of SBC Ch.0.00 to 46.43 kms and Ch.46.43 to 70.976 kms was awarded (April 2002) to two firms[∉] at a total cost of Rs. 9.85 crore with a stipulated completion period of 24 months. It was proposed that the canal would be operated by adopting remote monitoring and control system (RMCS). The radial gates were commissioned in both stretches of SBC in April 2004 and June 2003 respectively at a total cost of Rs.10.15 crore.

  It was observed that the Company did not construct the control cabins at designated sites where control accessories would be kept to regulate the canal system locally (March-2009). Hence, the radial gates were being operated manually. As a result the expenditure of Rs. 4.38 crore incurred for the purchase of electrical and control equipments (*i.e.* rope hoist drums, control panels, remote terminal unit, gate cabinet, D.G.

[∞] Maliya, Vallbhipur, Dhrangdhra, Limbdi, Morbi, Botad and Narsinhpura branch canals.
[ℜ] Maliya (May-2005), Narsinhpura (October-2001) and Vallbhipur (March-2002).
[⊗] Dhrangdhra, Limbdi, and Botad Sub Branch Canal.
[ℵ] Morbi Sub Branch Canal.
[⊄] There are seven sub branch canals but information in respect of Vallbhipur sub branch canal is not furnished by the Company.
[∉] Indian Fabricators and Hardware Tools and Machinery Syndicate, Ahmedabad.

sets *etc*) acquired with radical gates remained idle. No records were available to confirm that these equipments were in possession of the Company.

- Morbi Branch Canal (MBC), a sub branch canal of SBC, was designed to cross Surendarnagar –Rajkot railway line at its chainage 1,540 meter. The Company incurred (May 2005) an expenditure of Rs. 1.48 crore for the construction of siphon beneath the railway line at this chainage. As the Company had not even awarded the contract for construction of MBC nearly four years after construction of the siphon, the investment of Rs. 1.48 crore remained idle.

Phase II B Implementation

2.13 Distribution network system under Phase II B of SSP offtakes from the chainage falling between 267 and 374 kms of NMC. The envisaged CCA of this phase is 3.31 lakh ha covering five[∅] Districts and thirteen[±] Talukas. Chief Engineer (KBC), Mehsana is in charge of phase II B. There are eight[℘] branch canals which were directly offtaking from NMC out of which four[ℵ] canals were completed and remaining four were under progress. There were 25 distributaries out of which 20[ℑ] distributaries were completed and remaining five[ð] were under progress. Though completion of branch canals and distributaries started in April 2004, the Company did not take up the work of developing the minors and sub-minors. Thus, even after investment of Rs. 196.87 crore made on Phase II, against the envisaged CCA of 3.31 lakh ha, no irrigation potential could be created.

Phase II C Implementation

2.14.1 Distribution network system under Phase II C of SSP offtakes from the chainage falling between 374 and 458 Kms of NMC. The envisaged CCA of this phase is 3.63 lakh ha covering three[®] Districts and 16[⇑] Talukas. Chief Engineer (Canal-IV), Patan is in charge of phase-II C. There were seven[ð] branch canals directly offtaking from NMC out of which two[ķ] were under progress and the remaining five were still under planning stage. The Company invested Rs. 268.19 crore on phase II C but no irrigation potential had been

∅ Ahmedabad, Mehsana, Surendranagar, Patan and Banaskantha.

± Detroj-rampura, Mandal, Viramgam, Becharaji, Kadi, Mehsana, Patdi, Chanasma, Harij, Radhanpur, Sami, Santalpur and Kakarej.

℘ Viramgam I&II, Goraiya, Kharaghoda, Jhinjuwada, Bolera, Rajpura and Amrapura.

ℵ Viramgam-I&II, Kharaghoda and Jhinjuwada.

ℑ Vidaj Distry, Sedrana Distry, Khawad-I Distry, Korda Distry, Khawad-II Distry, Kadipur Distry, Viramgam I Tail Distry, Laxmipura Distry, Sobhasan Distry, Charol Distry, Jivapura Distry, Bhimpura Distry, Viramgam II Tail Distry, Naviyani Distry, Sitapur Distry, Gunjala Distry, Vinjuwada Distry, Alampur Distry, Susiya Distry and Jahurpura Distry.

ð Virsoda Distry, Rudatal Distry, Dadhana Distry, Manawada Distry and Mandal Distry.

® Patan, Banaskantha and Kutchh.

⇑ Harij, Radhanpur, Sami, Santalpur, Bhabar, Diyodhar, Kankarej, Tharad, Vav, Anjar, Bhachau, Bhuj, Gandhidham, Mandavi, Mundra and Rapar.

ð Radhanpur, Kachhch, Vejpur, Madaka, Malsan, Dhima and Gadsisar Branch canal.

ķ Kutchh and Radhanpur Branch Canal.

created so far as construction of even branch canals was not complete. (March 2009).

Awarding work without obtaining statutory clearances

Award of works for KBC without clearance from MoEF led to idle investment of Rs. 33.91 crore.

2.14.2 The Company awarded three contracts for construction of Kutchh Branch Canal (KBC) at chainage 54.90 to 65.00 km and from 112.50 to 133.52 km at a total cost of Rs. 104.64 crore in March 2005, with stipulated date of completion by September 2007. Audit scrutiny revealed that KBC crosses the Kutchh Wildlife Ass Sanctuary at various chainages between 47 to 110 km. However, permission from the Ministry of Environment and Forest was awaited (March 2009). Thus, award of contracts for the chainage beyond the sanctuary, in anticipation of environmental approval, was not a rational decision. It had resulted in idle investment of Rs. 33.91 crore (up to March-2009) incurred for construction of canal beyond the sanctuary as the canal passing through the sanctuary area was yet to be constructed (March 2009).

General deficiencies in Project Implementation

2.15 Apart from the deficiencies reported regarding various phases of the project in the preceding paragraphs, many general deficiencies were also noticed in the implementation of the project which are discussed below;

Awarding contracts without finalising drawings

Award of work before finalising the construction stage drawings resulted in significant delays.

2.15.1 Para 2.2(3) of chapter 9 (Preventive vigilance) of GPWR states that *"the work should be awarded after finalisation of construction stage drawings"*. Test check of records of the Company at Phase II A, Phase II B and Phase-II C revealed that there were considerable delays on the part of the Company in issuing the necessary design drawings. The details of such cases are as below:-

Name of work	Issue of work order	Stipulated date of completion	Issue of drawings	Delay (in months)
Phase II A				
Bhurkhi Sub Distributary (Pkg-II)	October 2004	April 2007	February 2007	27
Construction of distributaries and sub distributaries of Dholka Br. Canal (Pkg-II)	April 2005	July 2005	December 2006 to May 2007	20 to 24
Shiyal Distributary (Ch.12.14 to 20.051 Kms)	February 2005	May 2006	August 2005 to May 2007	06 to 27
Gangad Distributary (Pkg-I)	Decembe r 2004	June -2007	October-2006 to May-2007	21 to 29
Phase II B				
Goraiya Branch Canal (Ch.15.750 to 35.795 Kms)	July 2004	January 2006	July-2005 to January-2006	12 to 24
Construction of Jahurpura distributary	Septemb er2007	September 2008	February to September-2008	05 to 12
Phase II C				
Kutchh Branch Canal (Ch.32.97 to 45.00 Kms)	March 2005	September 2006	July-2005 to June-2006	4 to 15

From the above, it can be concluded that the planning of the Company was poor which ultimately resulted in time and cost overrun and also non achievement of intended benefits.

Excess payment of price escalation

Company made excess payment of Rs. 3.74 crore as PE by not following the GoG directives.

2.15.2 As per GoG circular dated 31 August 1991, in the contract valuing above Rs. 15 lakh, if the contractor had to bring the cement and steel for the work, then, for the purpose of calculating the price escalation (PE), the concerned department should deduct the value of steel and cement brought by the contractor at star rates from gross value of work done by contractor during the quarter. Test check of 12 contracts[◊] which were awarded during the period 2004-09, the Company did not adopt above PE formula based on GoG circular. Consequently, the Company calculated the PE for labour and fuel component on gross value of work executed inclusive of the value of cement/steel brought by the contractor. This resulted in excess payment of Rs. 3.74 crore during 2004-09 as given in ***Annexure 8***.

Delayed submission and approval of time limit extensions

Significant delays in submission and approval of time limit extension proposals were noticed.

2.15.3 Para 3.73 (4) of the GPWR stipulates that the application for grant of extensions of time limit for the contract submitted by the contractor should be finalised by the concerned competent authority within a period of two months and if the extension was not so finalised within two months, it should be referred to next higher authority with the reasons for delay in finalising extension.

On test check of records of six divisions[Ÿ] of the company, it was noticed that in 26 cases there were delays of 5 to 42 months in submission of extension proposals to the competent authority by the division offices as detailed in ***Annexure 9***.

Besides, against the overall period of two months for grant of approval of extensions, the concerned competent authority (Chief Engineer/Director) took more than 3 to 22 months in 18 cases in granting the approvals as detailed in ***Annexure 10***. This clearly indicates the internal inefficiency of the management.

Absence of contractors' registration and their performance review

Company does not have any system of registration and performance appraisal of the contractors.

2.15.4 GoG directed departments taking up construction work to follow certain norms for registration of contractors under various categories based on their financial resources, technical capabilities, their past performances etc. Further, as a measure of ensuring uniform procedure in awarding various punishments (*i.e,* demotion to lower class, supervision of business, de-registration) to the defaulting contractor, GoG prescribed certain norms. It was

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◊ Phase-II A : Package II and III of Rajpura Sub branch canal.
Phase-II B : Canal structure on NMC, slice I of Goriya branch canal.
Phase-II C : Package I, II, III of KBC and package 1, 2 of Radhanpur branch canal.
SBC- Slice-I and III, and Structure on Limbdi Branch Canal.

Ÿ 2/5 Limbdi, 3/5 Dhrangadhra, 3/4 Dhrangadhra, 2/3 Dhandhuka, CE (KBC), NP Canal Division 3, Dahegam.

observed that though the Company was executing the works through contracts on a large scale, it did not devise any system for registration and review of list of approved contractors. As a result, the Company was not able to monitor performance of various contractors. If the Company followed these instructions, it could have avoided awarding contracts to contractor in any phase who had executed poor quality of work earlier. Such cases pointed out poor implementation of Phase I and breach of NMC due to poor quality of work.

Quality Control Mechanism

2.16 The company established a separate quality control wing for testing of the construction material and quality of work done in construction of the canals. The wing is headed by a Chief Engineer and assisted by two Superintending Engineers, six Executive Engineers and 33 field offices. All the field offices are equipped with material testing laboratories. The Company has fixed the norms for sample testing of materials being used by the contractors as well as quality of construction (soil excavation, embankment, lining, compaction, cement mixture, chemical tests etc.). Despite these arrangements, there were instances of canal breaches and poor quality of work executed by the contractors. Some of such instances are discussed in succeeding paragraphs.

NMC breach due to inferior quality of work

Inferior quality of work caused breach of NMC seven times. Company did not take any action against the contractor resulting in loss of Rs. 1.06 crore.

2.16.1 Narmada Main Canal (NMC) breached 7 times between 30 August 2005 and 11 March 2006 between the chainages 269.700 and 272.500 kms. As per the findings of Company (November-2005), main reason for the breaches was use of poor soil in embankments violating design drawings. The Company did not carry out detailed investigation on other breaches occurred during August-2005 to March-2006 and did not take technical and administrative steps to avoid its occurrence.

Though the Company got these defects rectified, the canal again breached (June 2008) at Ch.272.600 kms. The Company got it repaired (June 2008) at a cost of Rs. 1.06 crore (including Rs. 0.70 crore paid for crop compensation).

The High Power Committee (HPC) appointed (June 2008) to investigate the causes of breach reported (October 2008) that it was due to non-execution of canal embankment as per the designs. Besides the thickness of concrete lining provided in the canal was 5 to 6 cms at certain places against the stipulated thickness of 12.5 cms in the tender. Despite such gross violations of quality norms, the Company had not taken any action against the contractor. The Company also failed to fix responsibility against its officials for not ensuring execution of quality work. Moreover, though the contract empowers the Company to recover its dues from the contractor the Company did not recovere the cost of Rs. 1.06 crore against the payment of Rs. 2.97 crore made to the contractor[ξ] during June 2008 to March 2009 for the works executed under Kutchh Branch Canal.

[ξ] SSJV Project Pvt Limited, Bangalore.

Poor Quality work execution

Company failed to take any action against contractors for poor quality of works. Entire canal needs reconstruction now.

2.16.2 Director (Canal) inspected the canal network of Bharuch district and found that the work executed in 22 distributaries and minors[ℑ] (2003 to 2006) covering 29,555 ha CCA constructed by nine[⊗] contractors was with poor workmanship due to use of sub-standard soil and improper bricking/lining works. Some of the deficiencies in these cases are discussed below:

- The Company failed to assess the quality of work within the defect liability period of six months since completion of these works, as provided in the contract. As a result, it failed to take action against these contractors for the poor workmanship. Based on the inspection report (July 2006) of Director (Canal), the Company debarred (July 2007) Harishchandra (I) Ltd. from participating in any future tenders of the Nigam. But, later on, in July 2009, the Company again allowed the said contractor to participate in the forthcoming tenders without giving any reason. The Company also awarded (February and May 2007) contracts costing Rs. 24.36 crore, Rs. 51.28 crore and Rs. 16.63 crore to three such contractors[*] for Saurashtra Branch Canal.

- In the construction of Vedachha Minor costing Rs. 10.32 crore, though the work was completed (July 2006) just before the inspection of Director (Canal), the Company did not take any action against contractor[Δ] who had executed the work with poor workmanship. The Company also did not take any action on the recommendations of Director (Canal) for fixing the responsibilities of the Company officials for their failure to ensure quality of works (March 2009).

Company failed to take any action against contractor for poor quality of works. Entire canal needs reconstruction now.

2.16.3 Inspection report of Superintending Engineer (QC), Vadodara (June 2007) on Sarbhan Minor of Miyagam Branch, which was constructed by the contractor[#] in 2003, revealed that the contractor used black soil (CH type) in embankments which was not recommended as construction material as per IS: 1498-1970[η] and the works was not carried out as per the tender specifications and designs. As a result, the canal was damaged (2003) and the estimated reconstruction cost is Rs. 1.30 crore. Despite this, the Company had not taken any step towards recovery of reconstruction cost from the contractor.

Some of the photographs showing poor workmanship of the works executed are given below:

ℑ Distributaries – Tralsamadh, Amleshwar, Nabipur, Keshrol, Saykha, Amod, Sadathala; Minors – T2, DA-1, T-1, Karmad, Nabipur-2, Amlod (S1), Uprali (U1), Simaliya, Ranoda, Hinglot, Kurla, Amleshwar, Kothia, Vedchha, and Ladodara.

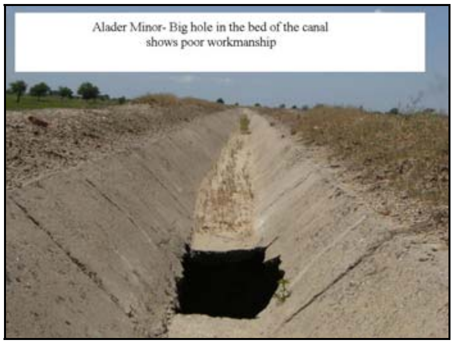
⊗ Harishchandra (I) Limited, Visnagar Taluka Mazdoor Sahakari Mandali Limited (VTMS), B.Patel Infrastructure Pvt. Limited, Surya Construction Co, Nitin Construction Co, M.V.Patel Co, G-Ambica Construction Co, Bhavna Engineering Co, Montecarlo Construction Limited.

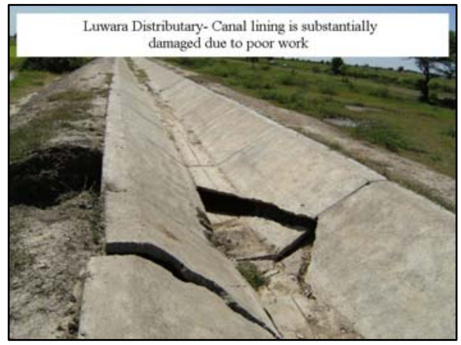
* Harishchandra (I) Limited, Visnagar Taluka Mazdoor Sahakari Mandali Limited and Bhavna Engineering Co.

Δ Harishchandra (I) Limited.

\# Harishchandra (I) Limited.

η This is a standard prescribed for use of soil in embankments of canals.


Alader Minor- Big hole in the bed of the canal shows poor workmanship


Luwara Distributary- Canal lining is substantially damaged due to poor work


Kelanpur Disty-Recent breach in the canal not reported in the files


Pithai Distributary -Unreported breach in the distributory showing lack of proper reporting system

Thus, the various deficiencies in the project implementation *viz.,* non-adoption of vertical integration approach, non prioritization of distribution network, diversion of funds, missing links due to award of work before acquisition of requisite land; failure to take up repairing work in time; award of work before obtaining statutory clearances/before finalising the construction stage drawings and lack of effective quality control mechanism led to non development of CCA as envisaged. Consequently, the investment of Rs. 18,515.58 crore made in creation of canal network remained largely unfruitful.

Non formulation of Irrigation policy

Company has not formed any long term and comprehensive irrigation policy.

2.17.1 The Company has not framed a comprehensive long term irrigation policy (March 2009). The irrigation policies framed in August 2002 and September 2004 are interim and does not cover some of the vital issues viz., system of assessing crop pattern and water requirement, system for supply of water and guarding the canal up to sub-minor level, mechanism for fixation of water charges, measurement and billing of water supplied and its recovery, guidelines for entering into water supply agreement with water distribution agencies and users, duties and responsibilities of the Water User's Associations (WUAs) etc.

It was observed in audit that the Company did not even follow some of its guidelines given in the interim irrigation policies viz., not to supply water outside the command area, maintenance of records containing survey number for each area, crop grown and water losses during conveyance and recovery of advances from the farmers /WUAs.

Non functional WUAs

WUAs are not functioning effectively

2.17.2 It was envisaged to form 1,651 WUA under Phase I and II A of SSP and 1,580 WUA were registered (March 2009). 221 Village Service Area (VSA) were handed over to these WUAs up to March 2009. Audit scrutiny revealed that most of the WUAs were registered on paper and are not functioning. As a result, the Company was not able to know how much water would be required for irrigation in different seasons and at many places the water had to be released in rivers to avoid damage to the main and branch canals. If all the WUAs were functioning effectively, it would be easier for the Company to know the demand for water from time to time. Moreover, even in cases where VSAs were handed over to the WUAs, the repairs and maintenance of canals was not being done by WUAs.

Non Execution of water supply agreement

Company lost revenue of Rs. 436.46 crore by not entering into water supply agreement.

2.17.3 The N.P. Canal division-7, Gandhinagar was supplying water (from Mahi right bank canal escape) to Irrigation Division, Nadiad for various purposes *viz*. irrigation, filling the village tanks and agricultural activities. The records of the Company did not indicate the competent authority under whose instructions the water was released to the irrigation division. No terms and conditions were finalised with the Irrigation Division for supply of water. Though the Company was releasing the water since August 2001, the concerned division did not raise any bills till March 2007. Only in April 2007, the bill for Rs. 436.46 crore was raised for the supply of 5,864.45 Mm^3 of water during the period August 2001 and March 2006. The Irrigation Division, however, did not agree (May 2007) to pay the bill stating that the division had neither received any directives from the Government nor had entered into any agreement with the Company for payment for water charges. Thus, due to supply of water without approval of competent authority and without entering into any contract led to non receipt of Rs. 436.46 crore. However, the Company kept on supplying water to Irrigation Division to the tune of 983.645 Mm^3 (May-2007 to March 2009) against which no bills were issued till date.

Project conversion from Irrigation to Drinking water

2.18 As per NWDT award, the water allocated for domestic and industrial supply was 0.86 MAF (2,897 MLD) and 0.20 MAF (674 MLD) respectively. The table below shows the capacity created, under progress and planned to be created by GWIL, GWSSB and Municipal Corporation (MC) for drawal of water from SSNNL for drinking and industrial purposes. Besides, table shows the water being supplied directly by SSNNL for industrial purposes.

Particulars of projects	Drinking	Industrial	Total
	(In Million Acre Feet)		
Executed			
GWIL	0.00	1.03	1.03
GWSSB	0.08	0.00	0.08
MC	0.14	0.00	0.14
SSNNL	0.00	0.04	0.04
Under Progress			
GWIL	0.09	0.00	0.09
GWSSB*	0.00	0.00	0.00
MC	0.00	0.00	0.00
Under Planning			
GWIL	0.00	0.06	0.06
GWSSB*	1.57	0.00	1.57
MC	0.00	0.00	0.00
		Total	**3.01**

Sourse: Information furnished by Company, GWSSB, GWIL.
* Based on Naramda Master Plan-2021 prepared by GoG

After failure to achieve irrigation potential, the Company is converting SSP into drinking water project bypassing the irrigation objective.

As per the NWDT award, 88 *per cent* of Narmada water allocated (9 MAF) to Gujarat i.e. 7.92 MAF was to be used for irrigation and remaining 12 *per cent i.e.* 1.08 MAF was for domestic and industrial purposes. This shows that the major objective of the project was to provide irrigation facility in the State. Accordingly, the Company is also getting central loans/grants under various central schemes as an eligible major irrigation project. Despite this, the capacity created, under progress and planned to be created for domestic and industrial purposes come to 3.01 MAF. Thus, the Company had already exceeded the allocated quantum for domestic and industrial purposes by 1.93 MAF. This suggests that the Company was creating the network of branch canals mainly to cater to the demand of drinking water and creation of irrigation potential had taken backseat. It seems that the whole project is being converted from an irrigation project to drinking water project.

Lack of MIS on agricultural productivity

Company has no MIS system to know impact of SSP on agriculture.

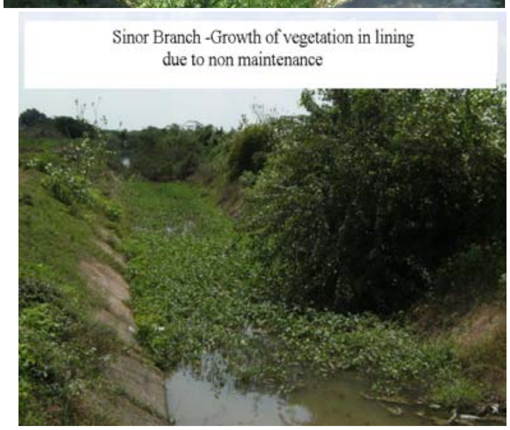
2.19 The Company had not maintained any records or data regarding the impact of providing irrigation facility on agricultural productivity or agricultural pattern in the SSP command area. As a result, the Company was not in a position to know whether the project has achieved its objective of increase in the agriculture produce as envisaged. In absence of these data, audit could not analyse the impact of provision of irrigation facility on agricultural pattern as well as productivity.

Canal Maintenance

Company totally ignored the periodical maintenance of NMC and other canal network.

2.20 The canal network created had got different components viz., NMC, branch canals, distributaries, minors and sub-minors with huge investment of Rs. 18,515.58 crore. As such, it is imperative to ensure proper maintenance of the net work. The Company, however, had never closed NMC for maintenance work since the commencement of flow in July 2002 as observed (October 2008) by High Power Committee (HPC) appointed by GoG. The Committee, in its report further observed that Storm Drainage arrangements made in the NMC was unsatisfactory and the repairable and restorable works of the canal were left unattended and the stop-lock gates on the NMC were never tested. The above observations are clearly indicative of laxity of the Company in safeguarding its valuable assets besides, posing threat to life/property in the canal vicinity.

Audit observed that the Company was not undertaking any repairs and maintenance work of other canals completed before 2001 in Phase I leading to vegetation growth, cracks and breaches in the linings and beds of canals. The photographs given below are indicative of status of repairs and maintenance of canals:



Project viability assessment

Company's total revenues are merely 20 *per cent* of its committed liabilities. Huge cost of repayment of debt and maintenance of canal will fall on GoG.

2.21 The Company's total borrowing was Rs. 9,075.30 crore (March 2009). It was observed in audit that the Company had not developed any long term debt service liability planning. For the year 2008-09, the Company made interest payments to the tune of Rs. 744.35 crore and incurred expenditure of Rs. 237.21 crore towards employees' remuneration. On the other hand, it's earning towards sale of water and electricity[λ] were only Rs. 112.84 crore and Rs. 73.65 crore respectively. As the Company was not able to generate enough revenues to meet interest and employees' remuneration liability, it would be very difficult for the Company to provide for funds for maintenance of the huge canal network it had already created. The question of repayment of loans from internal accruals, therefore, did not arise. Considering these facts,

[λ] Being generated from the power project of SSP maintenance of canals and repayment of loan and interest would be a huge financial burden on the Company. Since the Company would not be able to meet its liabilities, the burden would finally fall on GoG.

Corporate governance

2.22 As per Section 292A of the Companies Act, 1956, the Audit Committee (AC) is to be formed in the public limited Companies to have periodical discussion with the Company's auditors about the internal control system, scope of audit, audit observations and also to review half yearly/annual financial statements before submission to the BoD of the Company.

A mention was made in para 2.2.31 of the Report of the Comptroller and Auditor General of India 2008, (Commercial)–GoG about non attendance in AC meeting by Internal Auditors (IA) and Statutory Auditors (SA) of the Company. Subsequently also, during 2008-09, out of Six AC meeting held, IA did not attend any of the meetings.

Likewise, the non-attendance of non-executive directors in the BoD meeting of the Company was also mentioned in para 2.2.32 of the above mentioned report. However, out of four non-executive directors, only one director attended two meetings out of the four board meetings held during their term in 2008-09.

Project Monitoring

2.23 GoG constituted State level committee to monitor the Major, Medium and Minor irrigation project in May 2006. However, no meeting has been held since its constitution till March 2009.

The Company constituted Project Committee in August 2007. The mandate of the committee *inter alia* includes, approving work plans of SSP, approve the contracts, and monitor the progress of the project work. This committee was subsequently reconstituted (May 2008) into two committees:-

- Project Committee –I Dam & Appurtenant works, Power House and Narmada Main Canal.
- Project Committee –II Branch Canals, Distributaries and Command Area Development.

Total ten committee meetings were held during August-2007 to March 2009. Except approving the contracts, project committees has not done any monitoring of project.

The above matters were reported (September 2009) to the Government/ Company; their replies are awaited (December 2009).

Acknowledgement

Audit acknowledges the cooperation and assistance extended by different levels of the Management at various stages of conducting the performance audit.

Conclusion

- **Financial management of the Company was poor as it borrowed the funds at higher cost.**

- **There were deficiencies in the project implementation such as non-adoption of vertical integration approach, non prioritization of distribution network and diversion of funds.**

- **There were missing links due to award of work before acquisition of requisite land; failure to take up repairing work in time; award of work before obtaining statutory clearances/before finalising the construction stage drawings and lack of effective quality control mechanism which led to non development of envisaged CCA.**

- **The Company failed to plan the execution of works of various canals in coordinated manner. Contract management was also poor.**

- **The Company allowed drawal of water for drinking water significantly in excess of the award of NWDT and was converting the major irrigation scheme into a primarily drinking water scheme.**

- **The Company had neither taken any action on the reports of senior officers nor for the timely repair of breach of NMC many a times.**

- **Company's revenues were meager as compared to its fixed costs. This would lead to huge costs on GoG for repayment of loans and maintenance of canals in future.**

Recommendations

The Company should consider:

- **improving efficiency in the management of funds.**

- **formulating a strategic plan to execute canal projects, expedite the work of development of distribution network and re-examine the priorities in development of distribution network.**

- **taking corrective action after ascertaining the reasons of missing links with a view to exploit the intended benefits.**

- **initiating strict action against the tainted contractors and its own officials who were responsible for poor works and canal breaches.**

- **strengthening its internal control system for better works planning and contracts management.**

- **taking immediate steps to strengthen the WUAs for better management of canals and recovery of water charges.**

- **making a viable debt service plan to avoid huge financial burden on GoG in future.**

Chapter III

Performance review relating to a Statutory Corporation

Gujarat State Road Transport Corporation

Executive summary

Gujarat State Road Transport Corporation (Corporation) provides public transport in the State through its 16 divisions and 125 depots. The Corporation had fleet strength of 7,561 buses as on 31 March 2009 and carried an average of 23.97 lakh passengers per day. The performance audit of the Corporation for the period 2004-05 to 2008-09 was conducted to assess efficiency and economy of its operations, possibility of realigning the business model to tap non-conventional sources of revenue, existence and adequacy of fare policy and effectiveness of top management in monitoring the affairs of the Corporation.

Finances and Performance

The Corporation suffered a loss of Rs. 158.28 crore in 2008-09 without considering prior period adjustments. Its accumulated losses and borrowings stood at Rs. 1,702.36 crore and Rs. 932.82 crore as at 31 March 2009. The Corporation earned Rs. 17.55 per kilometre and expended Rs. 19.11 per kilometre in 2008-09. Audit noticed that with a right kind of policy measures and better management of its affairs, it is possible to increase revenue and reduce costs so as to earn profit and serve its cause better.

Vehicle profile and utilisation

The Corporation could not keep pace with the growing demand for public transport and its share declined from 19.59 per cent to 16.38 per cent during 2004-09. Corporation had a fleet of 7,561 buses. Of these, 3,791 were overage i.e. more than seven lakh kms. The percentage of overage buses declined from 78.36 per cent to 50.14 per cent due to acquisition of 3,720 new buses during 2004-09 at a cost of Rs. 530.11 crore. The acquisition was mainly funded from the loans and equity contribution from the State Government.

Corporation's fleet utilisation at 87.8 per cent in 2008-09 was below All India Average (AIA) of 92 per cent. Its vehicle productivity at 417 kilometers per day was above the AIA of 313 kilometres. Similarly, its load factor at 65.74 remained above the AIA of 63 per cent. However, the Corporation could not achieve its own targets of vehicle productivity except during 2006-07. Though the Corporation did well on operational parameters, its 89 per cent of routes of buses remained unprofitable due to high cost of operations.

Economy in operations

Manpower and fuel constitute 76 per cent of total cost. The Corporation succeeded in reducing its manpower per bus from 7.32 in 2004-05 to 6.22 in 2008-09. However, the expenditure on repairs and maintenance was Rs. 185.34 crore (Rs. 2.45 lakh per bus) in 2008-09, of which 45.20 per cent was on manpower.

Revenue maximization

The Corporation can increase its revenue generation by reducing the percentage of spare vehicles to four from the present 10 per cent and put more buses on road for operation. Optimal utilisation of crew can control the cancellation of schedules to a significant level. The Corporation should also take up with the State Government the reimbursement of outstanding subsidy.

The Corporation has 4.78 lakh square metres of land. Though the Corporation has undertaken projects under public private partnership for construction of shopping complexes, malls, hotels, office spaces, etc. at seven of the 34 sites, the progress is very

slow. Early completion of the projects would ensure steady stream of revenue without any investment by it and also help cross subsidise its operations. The Corporation has not framed any policy in this regard.

Need for a regulator

The Corporation has not formed norms for providing services on uneconomical routes.Thus, it would be desirable to have an independent regulatory body (like State Electricity Regulatory Commission) to fix the fares, specify operations on uneconomical routes and address the grievances of commuters.

Inadequate monitoring

The fixation of targets for various operational parameters and an effective Management Information System (MIS) for obtaining feed back on achievement thereof are essential for monitoring by the top management. The Corporation did not set targets for fleet utilisation and load factor. Further, the MIS did not give bus wise cost data to assess the viability of repairs and maintenance of buses and taking suitable remedial measures. The Board of Directors did not give any direction /instruction for improvement of various operational parameters.

Conclusion and Recommendation

Though the Corporation is incurring losses, it is mainly due to its high cost of operations. The Corporation can maximize its revenue by tapping non-conventional sources of revenue. The review contains seven recommendations to improve the Corporation's performance. Phasing out overage buses, creating a regulator to regulate fares and services and devising policy of tapping non conventional sources of revenue through public private partnership projects are some of the recommendations.

Introduction

3.1.1 In Gujarat, the public road transport is provided by Gujarat State Road Transport Corporation, (Corporation) which is mandated to provide an efficient, adequate, economical and properly co-ordinated road transport. The fare structure is controlled by the State Government which approves it.

3.1.2 The Corporation was incorporated on 01 May 1960, under Road Transport Corporation Act, 1950. The Corporation is under the administrative control of the Ports and Transport Department of the Government of Gujarat. The Management of the Corporation is vested with a Board of Directors comprising Chairman, Vice Chairman and Managing Director (VCMD) and four Directors appointed by the Union/State Government. The day-to-day operations are carried out by the VCMD, with the assistance of two General Managers, Executive Director (Vigilance), Chief Traffic and Commercial Manager, Controller of Purchase, Divisional Controllers and Depot Managers. The Corporation has 16 division[≠] offices, one central workshop and 125 depots. The division office is responsible for traffic operations of its depots and maintenance of buses at divisional workshop. The Corporation has its own bus body building facility at Central Workshop, Ahmedabad and seven tyre retreading plants[⊗]. The Corporation also gets fabrication of bus bodies and retreading of tyres through external agencies.

The percentage of share of Corporation in passenger traffic reduced from 19.59 to 16.38 during 2004-09.

3.1.3 The Corporation had a fleet strength of 7,561 buses as on 31 March 2009. The Corporation carried on an average 23.97 lakh passengers per day during 2008-09. The Corporation does not take buses on hire for its

≠ Palanpur, Mehsana, Himmatnagar, Ahmedabad, Nadiad, Vadodara, Godhara, Bharuch, Surat, Bulsar, Rajkot, Jamnagar, Bhavnagar, Amreli, Junagadh, Kutch

⊗ Ahmedabad, Rajkot, Palanpur, Godhara, Valsad, Amreli and Bharuch operations. The percentage share of the Corporation in the passenger transport operations reduced from 19.59 *per cent* in 2004-05 to 16.38 *per cent* in 2008-09. The turnover of the Corporation was Rs. 1,773.34 crore in 2008-09, which was equal to 0.49 *per cent* of Gross Domestic Product of the State (Rs. 3,61,846 crore). The Corporation employed 41,667 employees as at 31 March 2009.

3.1.4 A review on Operational performance of the Corporation was included in the Report of the Comptroller and Auditor General of India for the year 2000 (Commercial), Government of Gujarat. The review was discussed by the Committee on Public Undertakings (COPU) during December 2003. However, it did not make any recommendation on the review.

Scope and Methodology of Audit

3.2.1 The present review conducted during February 2009 to June 2009 covers the performance of the Corporation during the period from 2004-05 to 2008-09. The review mainly deals with operational efficiency, financial management, fare policy, fulfillment of social obligations and monitoring by top management of the Corporation. The audit examination involved scrutiny of records at the Head Office, one Central Workshop, 8[∇] out of 16 division offices and 51 out of 125 depots selected on the basis of operational performance and geographical location. During 2008-09, the operational revenue of 51 selected depots was Rs. 693.36 crore and amounted to 57.53 *per cent* of the total operational revenue of the Corporation.

3.2.2 The methodology adopted for attaining the audit objectives with reference to audit criteria consisted of explaining audit objectives to top management, scrutiny of records at Head Office and selected units, interaction with the auditee personnel, analysis of data with reference to audit criteria, raising of audit queries, discussion of audit findings with the Management and issue of draft review to the Management for comments.

Audit Objectives

3.3 The objectives of the performance audit were to assess:

3.3.1 Operational Performance

- the extent to which the Corporation was able to keep pace with the growing demand for public transport;
- whether the Corporation succeeded in recovering the cost of operations; and
- whether adequate maintenance was undertaken to keep the vehicles roadworthy.

∇ Palanpur, Ahmedabad, Vadodara, Godhara, Surat,, Rajkot, Junagadh and Kutch.

3.3.2 Financial Management

- whether the Corporation was able to recover its dues efficiently; and
- the possibility of realigning the business model of the Corporation to tap non-conventional sources of revenue and adopting innovative methods of accessing such funds.

3.3.3 Fare Policy and Fulfillment of Social Obligations

- the existence and adequacy of fare policy and;
- whether the Corporation operated adequately on uneconomical routes.

3.3.4 Monitoring by Top Management

- whether the monitoring by Corporation's top management was effective.

Audit Criteria

3.4. The audit criteria adopted for assessing the achievement of the audit objectives were:

- all India averages for performance parameters;
- performance standards and operational norms fixed by the Association of State Road Transport Undertakings (ASRTU);
- physical and financial targets/ norms fixed by the Management;
- manufacturers' specifications, norms for life of a bus, preventive maintenance schedule, fuel efficiency norms, etc.;
- instructions of the Government of India (GOI) and Government of State and other relevant rules and regulations and;
- procedures laid down by the Corporation.

Financial Position and Working Results

3.5.1 The financial position of the Corporation for the five years up to 2008-09 is given below.

(Rs. in crore)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09 (Provisional)
A. Liabilities					
Paid-up Capital	626.52	644.21	677.21	692.21	707.31
Reserve and Surplus (including Capital Grants but excluding Depreciation Reserve)	2.52	3.05	3.20	3.33	3.37
Borrowings (Loan Funds)	654.07	715.98	709.43	852.43	932.82
Current Liabilities and Provisions	478.43	645.52	777.92	912.78	961.90
Total	**1,761.54**	**2,008.76**	**2,167.76**	**2,460.75**	**2,605.40**
B. Assets					
Gross Block	612.38	673.24	734.91	912.47	905.48
Less: Depreciation	552.52	557.00	527.29	481.64	561.19
Net Fixed Assets	**59.86**	**116.24**	**207.62**	**430.83**	**344.29**
Capital works-in-progress (including cost of chassis)	5.07	45.33	50.67	11.67	15.67
Current Assets, Loans and Advances	454.27	492.61	488.75	474.17	543.08
Accumulated losses	1,242.34	1,354.58	1,420.72	1,544.08	1,702.36
Total	**1,761.54**	**2,008.76**	**2,167.76**	**2,460.75**	**2,605.40**

3.5.2 The details of working results like operating revenue and expenditure, total revenue and expenditure, net surplus/ loss and earnings and cost *per* kilometre of operation are given below.

(Rs. in crore)

Sl. No.	Description	2004-05	2005-06	2006-07	2007-08	2008-09 (Provisional)
1.	Total Revenue	**1,370.70**	**1,430.17**	**1,612.10**	**1,714.24**	**1,773.34**
2.	Operating Revenue[ϕ]	1,300.47	1,346.36	1,483.51	1,626.35	1,708.11
3.	Total Expenditure	**1,519.60**	**1,542.41**	**1,678.19**	**1,808.80**	**1,931.61**
4.	Operating Expenditure[ψ]	1,420.26	1,483.62	1,633.35	1,781.80	1,913.10
5.	Operating Profit/ Loss	(-)119.79	(-)137.26	(-)149.84	(-)155.45	(-)204.99
6.	Profit/ Loss for the year	(-)148.90	(-)112.24	(-)66.09	(-)94.56	(-)158.27
7.	Prior period expenditure	(-) 24.33	-	(-) 0.05	(-) 28.80	-
8.	Accumulated Profit/ Loss	(-)1,242.34	(-)1,354.58	(-)1,420.72	(-)1,544.08	(-)1,702.35
9.	Fixed Costs					
	(i) Personnel Costs	563.80	555.50	571.38	639.20	699.23
	(ii) Depreciation	42.69	25.90	47.08	83.99	111.06
	(iii) Interest	75.01	57.93	44.33	26.05	18.12
	(iv) Other Fixed Costs	--	--	--	--	--
	Total Fixed Costs	681.50	639.33	662.79	749.24	828.41
10.	Variable Costs					
	(i) Fuel and Lubricants	488.04	556.37	632.37	644.09	672.34
	(ii) Tyres & Tubes	38.60	39.13	43.43	46.08	50.78
	(iii) Other Items/ spares	26.67	31.59	24.62	24.30	46.34
	(iv) Taxes (MV Tax, Passenger Tax, *etc.*)	175.53	183.97	210.82	229.96	216.12
	(v) Other Variable Costs	109.26	92.02	104.16	115.13	117.62
	Total Variable Costs	838.10	903.08	1,015.40	1,059.56	1,103.20
11.	Effective KMs operated (in Lakh)	9,250.79	8,899.04	9,355.97	9,970.21	10,106.81
12.	Earnings *per* KM (Rs.) (1/11)	14.82	16.07	17.23	17.19	17.55
13.	Fixed Cost *per* KM (Rs.) (9/11)	7.37	7.18	7.08	7.51	8.20
14.	Variable Cost *per* KM (Rs.) (10/11)	9.06	10.15	10.85	10.63	10.92
15.	Cost *per* KM (Rs.) (3/11)	16.43	17.33	17.94	18.14	19.11
16.	Net Earnings *per* KM (Rs.) (12-15)	(-)1.61	(-)1.26	(-)0.71	-0.95	(-)1.56
17.	Traffic Revenue[§]	958.26	990.36	1,127.51	1,212.48	1,313.01
18.	Traffic Revenue *per* KM (Rs.) (17/11)	10.36	11.13	12.05	12.16	12.99
19.	Operating loss per K.M. (Rs.) (5/11)	(-)1.29	(-)1.54	(-)1.60	(-)1.56	(-)2.03

ϕ Operating revenue includes traffic earnings, passes and season tickets, re-imbursement against concessional passes, fare realised from private operators under KM Scheme, etc.

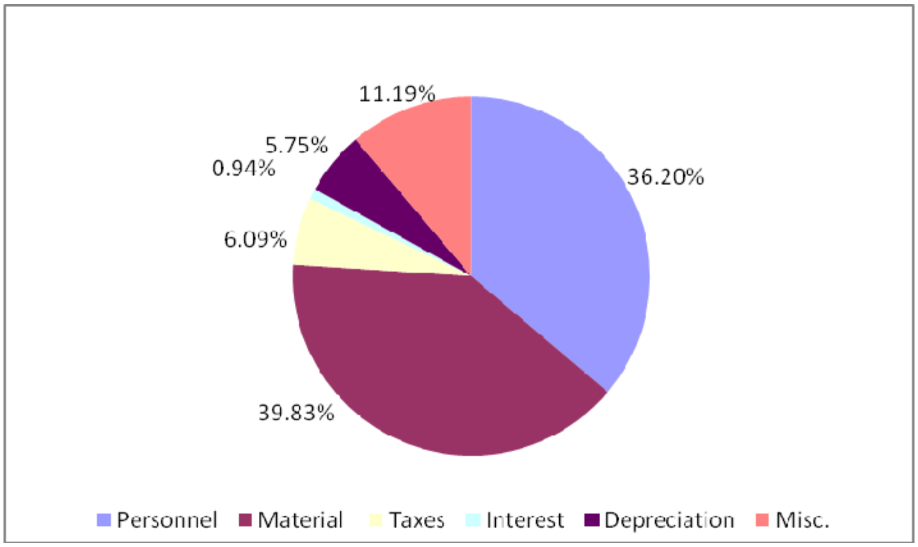
ψ Operating expenditure include expenses relating to traffic, repair and maintenance, electricity, welfare and remuneration, licences and taxes and general administration expenses.

§ Traffic revenue represents sale of tickets, advance booking, reservation charges and contract services earnings.

Elements of Cost

3.5.3 Personnel cost and material cost constitute the major elements of cost. The percentage break-up of cost for 2008-09 is given below in the pie-chart.

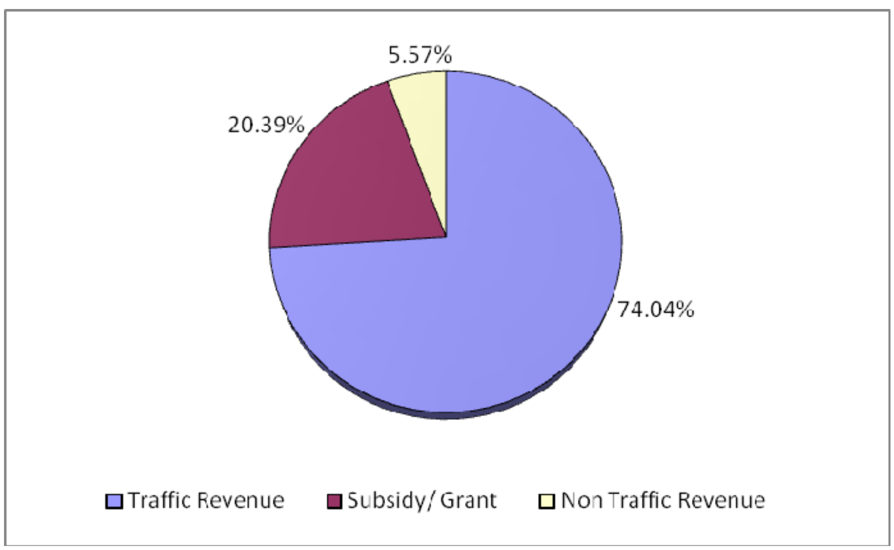
Components of various elements of cost



Elements of revenue

3.5.4 Traffic revenue, subsidy/ grant and non-traffic revenue constitute the major elements of revenue. The percentage break-up of revenue for 2008-09 is given below in the pie-chart.

Components of various elements of revenue



Audit Findings

3.6 Audit explained the audit objectives to the Corporation during an 'entry conference' held on 20 March 2009. Subsequently, audit findings were reported to the Corporation and the State Government in September 2009 and discussed in an 'exit conference' held on 24 August 2009 which was attended by VCMD, General Manager and heads of departments of the Corporation. The views of the Management have been considered at the time of finalisation of the review. The audit findings are discussed below.

Operational Performance

3.7 The operational performance of the Corporation for the five years ending 2008-09 is given in the ***Annexure 11***. The operational performance of the Corporation was evaluated on various operational parameters as described below. It was also seen whether the Corporation was able to maintain pace with the growing demand of public transport and recover the cost of operations. Audit findings in this regard are discussed in the subsequent paragraphs. These audit findings show that the losses were controllable and there is scope for improvement in performance.

Share of Corporation in public transport

3.8.1 The State Government has not framed any transport policy to achieve a balanced model mix of public transport and to discourage personalized transport. The State Government, however, approved (1994) a scheme of Road Transport Services authorising the Corporation to operate bus services (Stage Carriage Services) in the entire area of State of Gujarat covering all routes by operating maximum 8,823 vehicles and minimum 7,521 vehicles at a time, with minimum 56,306 daily trips. In addition, permits for stage carriage operation were given to Municipal Corporations, Municipalities and private operators in 13 cities/towns, one in each city/town for city service. The Corporation operated an average of 6,872 vehicles during the period under review. All the Stage Carriage routes are exclusive for operation of the Corporation

Private operators are permitted to operate buses under contract carriage. However, private operators who are permitted to operate buses under contract carriage are also plying vehicles parallel to the Corporation's buses on some of the stage carriage routes. Hence, the Corporation is facing stiff competition from private operators to that extent. The matter was also brought to the notice of State Government by the Corporation in COPU meeting (August/ November 1998). Accordingly COPU recommended (August 2001) to declare "No Parking Zone" around bus station area of the Corporation. The respective district administration declared the area of bus station as 'No Parking Zone'. The Corporation started implementing the same and lodged 97,403 cases against private operators for illegal operations and recovered Rs. 91.38 lakh upto October 2009, but could not succeed completely as the powers of impounding the vehicles were vested with Regional Transport Officer and Police Authorities. Therefore, such operations were still continuing.

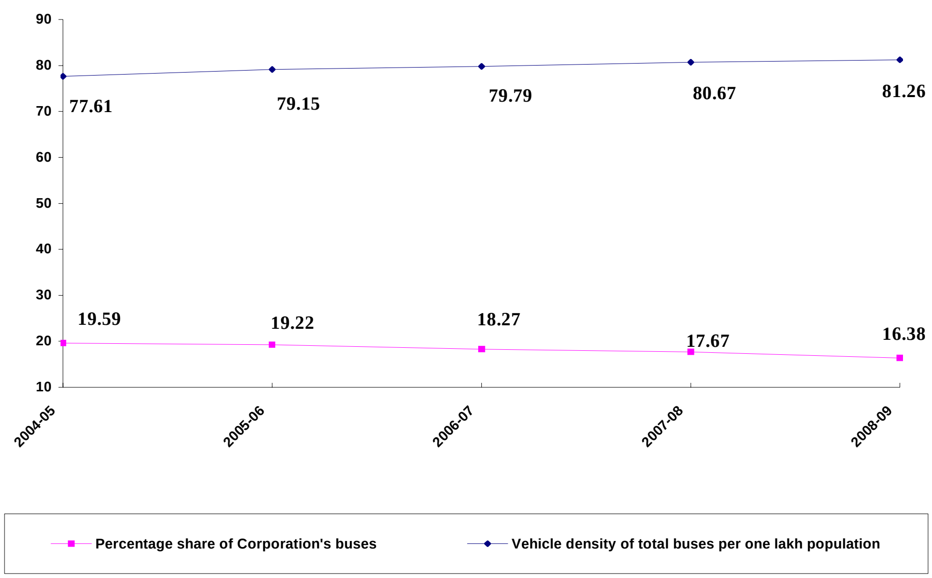
To confirm the above facts, Audit test checked daily time tables from 17 private bus operators of Ahmedabad on various routes. One important observation derived from the analysis was that in the Saurashtra region, the services of private operators are more as compared to the services of

Corporation. This may be due to the fact that Railway connectivity in this region is not very good and Corporation is not able to cater to the demand for road transport. The Corporation, however, neither conducted any analysis nor compiled data on the buses operated by private operators to assess the impact of private operations.

3.8.2 The table below depicts the growth of public transport in the State.

Sl. No.	Particular	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Corporations buses at the end of year	8,164	8,277	8,046	7,981	7,561
2.	Private buses	33,515	34,783	36,001	37,194	38,594
3.	Total buses for public transport	41,679	43,060	44,047	45,175	46,155
4.	Percentage share of Corporation	19.59	19.22	18.27	17.67	16.38
5.	Percentage share of private operators	80.41	80.78	81.73	82.33	83.62
6.	Estimated population (in crore)	5.37	5.44	5.52	5.60	5.68
7.	Vehicle density of total buses per one lakh population (3/6)	77.61	79.15	79.79	80.67	81.26

The line graph indicating percentage share of Corporation buses in public transport and vehicle density per one lakh population is given below:



3.8.3 The Corporation has not been able to keep pace with the growing demand for public transport. According to Census 2001, the population of Gujarat was 5.07 crore. Considering increase in population at the rate of 1.44 *per cent*, the Corporation should have gradually increased its fleet over the period to meet the growing demand for public transport. However, during 2004-05 to 2008-09, the number of buses reduced from 8,164 to 7,561. On the other hand, number of private buses increased from 33,515 in 2004-05 to

38,594 in 2008-09. Therefore, the percentage share of Corporation's buses decreased from 19.59 *per cent* in 2004-05 to 16.38 *per cent* in 2008-09. The average number of schedules operated by the Corporations also decreased from 6,936 in 2004-05 to 6,512 in 2008-09. The effective *per* capita KM operated *per* year is given below.

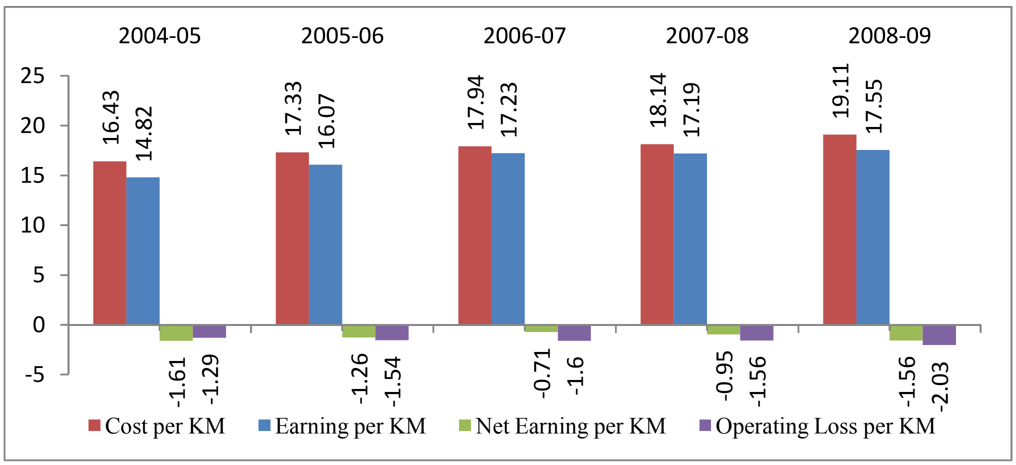
Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
Effective KM operated (lakh)	9,251	8,899	9,356	9,970	10,107
Estimated Population (crore)	5.37	5.44	5.52	5.60	5.68
Per Capita KM *per* year	17.23	16.36	16.95	17.80	17.79

3.8.4 The above table shows the decline in service by the Corporation except during 2007-08 and 2008-09.

3.8.5 Public transport has definite benefits over personalised transport in terms of costs, congestion on roads and environmental impact. The public transport services have to be adequate to derive those benefits. In the instant case, the Corporation was not able to maintain its share in transport due to operational inefficiencies as described later.

Recovery of cost of operations

3.9.1 The Corporation was not able to recover its cost of operations. During the last five years ending 2008-09, the net revenue showed a negative trend as given in the graph⊗ below:



Orissa, Uttar Pradesh and Karnataka registered best net earnings *per* KM at Rs. 0.49, Rs. 0.47 and Rs. 0.34 respectively during 2006-07.
(Source : STUs profile and performance 2006-07 by CIRT, Pune)

3.9.2 Above graph indicates the deteriorating performance of the Corporation over the period. The operating loss has also increased. Though the cost per km was significantly lower than the All India Average (Rs. 19.94) the Corporation was not able to achieve the All India Average for revenue per km (Rs. 18.22) during review period.

⊗ Cost per KM represents total expenditure divided by effective KM operated.
Earning per KM is arrived at by dividing total revenue with effective KM operated.
Net Earning per KM is revenue per KM reduced by cost per KM.
Operating loss per KM would be operating expenditure per KM reduced by operating income per KM.

Efficiency and Economy in operations

Fleet strength and utilisation

Fleet Strength and its Age Profile

3.10.1 The Corporation has its own fleet of buses. The table below explains the position of Corporation's own fleet.

3.10.2 The Association of State Road Transport Undertaking (ASRTU) had prescribed (September 1997) the desirable age of a bus as eight years or five lakh kilometres, whichever was earlier. The Corporation prescribed the life of a bus as 7 lakh KMs. The Corporation has revised the norm for overage buses from seven lakh KMs to eight lakh KMs in 2008-09. The table below shows the age-profile of the buses held by the Corporation for the period of five years ending 2008-09.

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1	Total No. of buses at the beginning of the year	8,820	8,164	8,277	8,046	7,981
2	Additions during the year	5	656	1,005	1,961	93
3	Buses scrapped during the year	661	543	1,236	2,026	513
4	Buses held at the end of the year (1+2-3)	8,164	8,277	8,046	7,981	7,561
5	Of (4), No. of buses more than 7 lakh kms	6,397	6,641	6,014	4,177	3,791
6	Percentage of overage buses to total buses	78.36	80.23	74.75	52.34	50.14

3.10.3 The above table shows that the Corporation was not able to achieve the norm of right age buses. During 2004-09, the Corporation added 3,720 new buses at a cost of Rs. 530.11 crore. The expenditure was funded through loan (Rs. 431.62 crore) and equity (Rs. 98.49 crore) contribution from State Government. To achieve the norm of right age buses, the Corporation was required to buy 3,791 new buses additionally which would have cost it Rs. 909.08 crore[€]. However, the Corporation did not generate adequate resources through its operations to finance the replacement of buses. Thus, the Corporation's ability to survive and grow depends on its efforts to remove operational inefficiencies, cut costs and tap non-conventional revenue avenues so that it can fund its capital expenditure and be self-reliant.

3.10.4 The overage fleet requires high maintenance and results in extra cost and less availability of vehicles compared to underage fleet, other things being equal. This only goes on to increase operational inefficiency and causes losses

€ calculated at the procurement rate of Rs.23.98 lakh per bus during 2008-09.

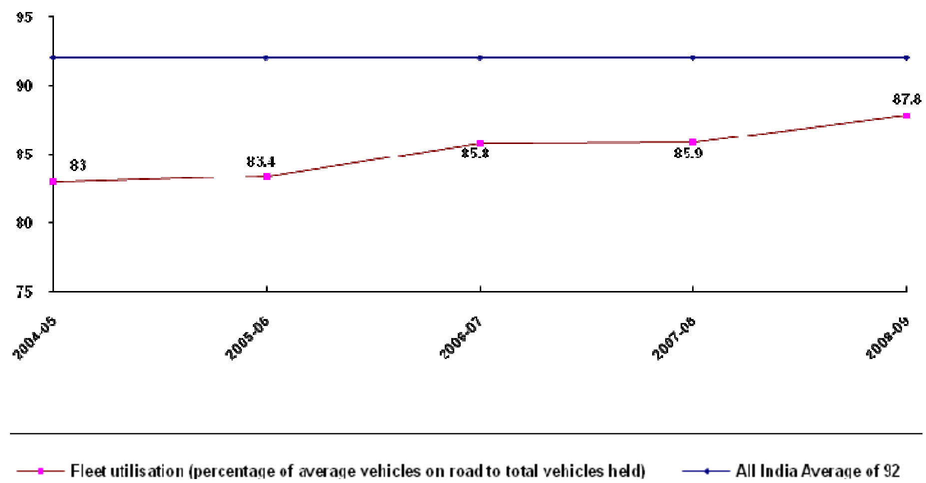
which, in turn, affects the ability of the Corporation to replace its fleet on a timely basis.

The Management stated (August 2009) that the Corporation has prepared a business plan (up to 2014-15) to acquire buses, for submission to State Government.

Fleet Utilisation

3.10.5 Fleet utilisation represents the ratio of buses held by the Corporation to the buses on road. The Corporation did not fix any target for fleet utilisation during the period 2004-05 to 2008-09. The fleet utilisation of the Corporation varied from 83 *per cent* in 2004-05 to 87.8 *per cent* in 2008-09 as compared to the All India Average[∝] of 92 *per cent* as indicated in the graph given below.

Andhra Pradesh, Tamil Nadu (Kumbakonam) and Tamil Nadu (Coimbatore) registered best fleet utilisation at 99.4, 98.4 and Rs. 98.3 *per cent* respectively during 2006-07. (Source : STUs profile and performance 2006-07 by CIRT, Pune)



3.10.6 It can be observed from the above chart that the utilisation of fleet of the Corporation improved year after year since 2004-05 due to induction of new buses. This led to reduction in breakdown and repair and maintenance expenditure. However, the fleet utilisation of the Corporation remained lower than the All India Average.

3.10.7 From the above, it can be concluded that the Corporation was not able to achieve an optimum utilisation of its fleet strength, which in turn impacted its operational performance. In reply to an audit query, the Corporation stated (November 2008) that it has fixed 4 *per cent* and 6 *per cent* spare vehicles for division and depot respectively, so 10 *per cent* of total vehicles remained off road. However, Rajasthan State Road Transport Corporation is keeping 4 *per cent* vehicles as spare. Thus, the Corporation kept 6 *per cent* vehicles as spare as compared with the practice adopted by the adjoining State Transport

∝ All India Average is for the year 2006-07 which has been used for comparison for the period under review.

Comparing to RSRTC norms, the Corporation kept 6 *per cent* more spare buses depriving it an opportunity to earn Rs. 47.67 crore during 2004-09.

Corporation. Consequently, the Corporation lost an opportunity to earn Rs. 47.67 crore as contribution during the review period, as given below:

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
Average numbers of vehicles held	8,164	8,277	8,046	7,981	7,561
Spare vehicles at the rate of 10 *per cent*	816	828	805	798	756
Excess spare vehicles (10-4 *per cent)*	490	497	483	479	454
Bus utilisation per day	359	363	377	396	417
Loss of bus kilometres (in lakh)	642.07	658.50	664.63	692.34	691.01
Contribution Per KM (in Rs.)♣	1.30	0.98	1.20	1.53	2.07
Loss of contribution (Rs. in crore)	8.35	6.45	7.98	10.59	14.30

Vehicle productivity

3.11.1 Vehicle productivity refers to the average Kilometres run by each bus *per* day in a year. The vehicle productivity of the Corporation vis-à-vis the overage fleet for the five years ending 2008-09 is shown in the table below.

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Vehicle productivity (KMs run *per* day *per* bus)	359	363	377	396	417
2	Internal targets	380	388	376	417	434
3	Shortfall in Vehicle Productivity	21	25	--	21	17
4	Overage fleet (percentage)	78.36	80.23	74.75	52.34	50.14

The trend indicates improvement in vehicle productivity vis-à-vis the reduction in overage fleet.

Tamil Nadu (Villupuram), Tamil Nadu (Salem) and Tamil Nadu (Kumbakonam) registered best vehicle productivity at 474, 469 and 462.8 KMs per day respectively during 2006-07. (Source : STUs profile and performance 2006-07 by CIRT, Pune)

3.11.2 Compared to the All India Average of 313 KMs *per* day, the vehicle productivity of the Corporation has been on higher side for all the years under review. However, the Corporation could not achieve its own targets in any of the year during review period, except 2006-07. Due to non achievement of internal target of vehicle productivity, the Corporation lost opportunity to earn Rs. 29.87 crore as contribution during the review period.

This indicates that the Corporation did not take corrective actions to improve the vehicle productivity.

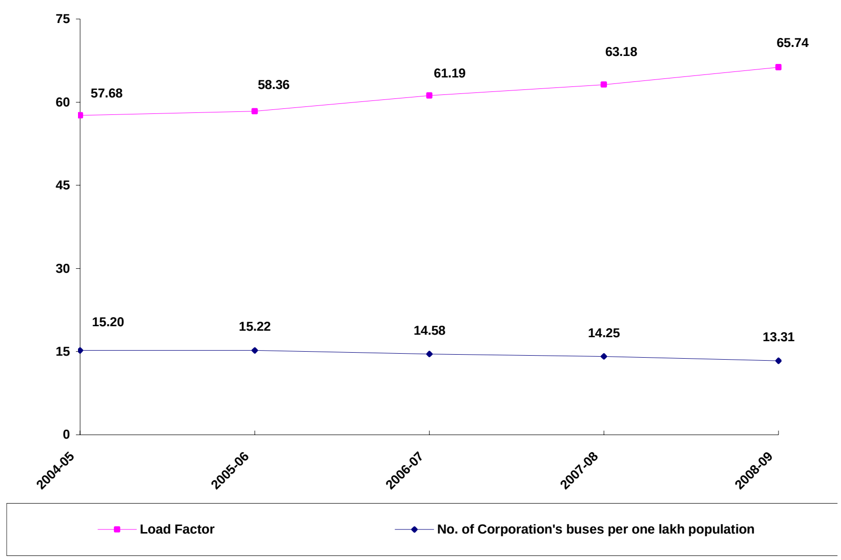
♣ Contribution Per KM = Traffic revenue per km *less* variable cost per km.

The Management stated (August 2009) that the internal targets were fixed based on the achievement of the previous years.

Capacity Utilisation

Load Factor

3.12.1. Capacity utilisation of a transport undertaking is measured in terms of Load Factor, which represents the percentage of passengers carried to seating capacity. The schedules to be operated are to be decided after proper study of routes and periodical reviews are necessary to improve the load factor. The load factor of the Corporation increased from 57.68 *per cent* in 2004-05 to 65.74 *per cent* in 2008-09 against the All India Average of 63 *per cent*. A graph depicting the Load factor vis-à-vis number of buses *per* one lakh population is given below.



The improvement in load factor was mainly due to introduction of monthly pass scheme to daily commuters (November 2005), return travel concession (March 2006), advance group booking (March 2006), increase in passenger amenities such as audio system, better seats in express buses and video system, fans etc in luxury buses.

3.12.2 The table below provides the details for break-even load factor (BELF) for traffic revenue as well as total revenue. Audit worked out this BELF at the given level of vehicle productivity and total cost *per* KM.

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1	Cost *per* KM	16.43	17.33	17.94	18.14	19.11
2	Traffic revenue per KM at 100 *per cent* load factor	17.96	19.07	19.69	19.25	19.76
3	Break – even Load Factor considering only traffic revenue (1/2)	91.48	90.88	91.11	94.23	96.71

3.12.3 The break-even load factor is quite high and is not likely to be achieved given the present load factor and the fact that the Corporation is also required to operate uneconomical routes. Thus, while the scope to improve upon the load factor remains limited, there is tremendous scope to cut down costs of operations as explained later.

Route Planning

3.12.4 Appropriate route planning to tap demand leads to higher load factor. While planning the routes, the Corporation takes into account availability of buses and the expected earning per kilometre for sanction of new trips and in case of student trips, number of students are kept in view. For this, the Corporation also considers suggestions of passengers/ Members of Legislative Assembly/Members of Parliament and District Co-ordination Committee. The Corporation also conducts survey of low income trips from time to time and takes appropriate steps like cancellation, deviation/diversion, extension, and change of timings. The total number of routes being operated by the Corporation was 15,227 with the length of 11.46 lakh kilometres at the end of 2008-09.

Parallel operation of bus services

Parallel operation means two or more buses starting from the same bus station at the same time and run parallel in the same direction on the same route[♣]. Audit test checked the relevant records including the bus time table applicable for the period 2006-07 related to two central bus stations at Ahmedabad and Vadodara. Out of 963 trips[∑], 448 trips were running parallel to others on same route in a day from Ahmedabad bus station. Similarly, out of 669 trips, 154 trips were running parallel to others on same route in a day from Vadodara bus station.

Such parallel operation of bus services leads to under utilisation of buses. Though the Corporation did not maintain details of occupancy ratio of such services, it has (2007-08) rationalised (curtailed 54 trips and made changes in 68 trips) the routes based on recommendation of audit.

♣ Route means a line of travel which specified the highway that may be traversed by a bus between one terminus to another.

∑ A single journey from one point to another and every return journey is also considered as a separate trip.

The Management admitted the fact and stated (August 2009) that number of such operations have gradually reduced as a result of various steps taken, after being pointed out by audit during 2008.

3.12.5 Some routes are profitable while others are not. The position in this regard is given in the Table below:

The percentage of profit making routes increased from 6.12 in 2005-06 to 17.44 in 2007-08, but again decreased to 10.73 in 2008-09.

(Figures in the bracket are percentage)

Particulars	Total No. of routes	No. of routes making profit	No. of routes not meeting total cost
2004-05	15,100 (100)	1,131 (7.49)	13,969 (92.51)
2005-06	14,972 (100)	917 (6.12)	14,055 (93.87)
2006-07	15,025 (100)	2,292 (15.25)	12,733 (84.74)
2007-08	15,637 (100)	2,727 (17.44)	12,910 (82.56)
2008-09	15,206 (100)	1,631 (10.73)	13,575 (89.27)

(Source-Information as provided by the corporation)

The profit making routes increased from 6.12 *per cent* in 2005-06 to 17.44 *per cent* in 2007-08, however, it decreased to 10.73 *per cent* in 2008-09. This decrease was due to increase in the staff cost owing to merger of 50 *per cent* dearness allowance in the pay and allowances of the employees during 2008-09.

3.12.6 Though some of the routes now appearing unprofitable would become profitable once the Corporation improves its efficiency, there would still be some uneconomical routes. Given the scenario of operated routes and obligation to serve uneconomical routes, an organisation should decide an optimum quantum of services on different routes so as to optimise its revenue while serving the cause. Trend analysis of routes revealed that the number of unprofitable routes have reduced owing to introduction of new buses, decrease in cancelled kilometres, rationalisation of trips, better crew utilisation, etc. The Corporation should review the unprofitable routes on continuous basis for its further reduction.

Cancellation of Scheduled Kilometres

3.12.7 A review of the operations indicated that the scheduled kilometres were not fully operated mainly due to non-availability of adequate number of buses, underutilisation of crew and other factors like breakdown, accidents, late arrivals, etc.

3.12.8 The details of scheduled kilometres, effective kilometres, cancelled kilometres calculated as difference between the scheduled kilometres and effective kilometres are furnished in the Table below.

(in lakh Kms)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.Scheduled	10,492.00	10,173.00	10,180.00	10,640.00	10,751.91
2. Effective	9,250.79	8,899.04	9,355.97	9,970.21	10,106.81
3. Cancelled	1,399.20	1,456.97	1,023.33	938.73	874.83
4. Percentage of cancellation	**13.34**	**14.32**	**10.05**	**8.82**	**8.14**
Cause wise analysis					
5. Want of buses	739.38	685.43	124.48	39.46	54.06
6. Want of crew	78.61	241.05	270.26	298.60	350.88
7. Others ϒ	581.21	530.49	628.59	600.67	469.89
8. Contribution Per KM (in Rs.)♣	1.30	0.98	1.20	1.53	2.07
9.Avoidable cancellation (want of buses and crew)	817.99	926.48	394.74	338.06	404.94
10. Loss of contribution (Rs. in crore) (8x9)	10.63	9.08	4.74	5.17	8.38

(Source-Information as provided by the corporation)

Cancellation of schedules for want of crew and buses led to loss of contribution of Rs.38.00 crore during 2004-09.

3.12.9 It can be seen from the above table that the percentage of cancellation of scheduled kilometres came down from 13.34 to 8.14 during 2004-05 to 2008-09 but remained on higher side as compared to the best performers. Due to cancellation of scheduled kilometres for want of buses and crew, the Corporation was deprived of contribution of Rs. 38.00 crore during 2004-05 to 2008-09. While availability of buses increased, the non availability of crew increased during review period. Thus, crew were not utilised optimally because there was no shortage of crew during review period as brought out in paragraph 3.14.2.

Tamilnadu (Salem), State Express Transport Corporation (Tamilnadu) and Tamilnadu (Villupuram) registered least cancellation of scheduled KMs at 0.45, 0.67 and 0.78 *per cent* respectively during 2006-07.
(Source: STUs profile and performance 2006-07 by CIRT, Pune)

The cancellation of scheduled kilometres decreased as a result of measures taken to reduce breakdowns and better monitoring by the Central Office.

Maintenance of vehicles

Preventive Maintenance

3.13.1 Preventive maintenance is essential to keep the buses in good running condition and to reduce breakdowns/ other mechanical failures. The Corporation had Tata and Leyland make buses, for which the following schedule of maintenance has been prescribed by the Original Equipment Manufacturers (OEMs).

ϒ Cancelled due to late arrival of buses, road accident, diversion of road, public agitation/ road blockage and heavy rain and mechanical failure.

♣ Contribution Per KM = Traffic revenue per km- variable cost per km (Sl.no.18-14 of Table in paragraph 3.5.2).

Sl. No.	Particulars	model	Schedule
1.	**Engine Oil change**		
	Tata make	697 and Cummins 1,510	Every 16000 KMs
		CNG	Every 9000 KMs
	Leyland make	6.65 and HINO	Every 16000 KMs
		HINO big bowl	Every 36000 KMs
		CNG	Every 10000 KMs
2.	**Brake Inspection (Docking)**		
	Tata and Leyland make		Every 18000 KMs

Audit observed that as against the above norms, the Corporation actually changed oil and carried brake inspections in buses after completion of 18,000 KMs.

3.13.2 A schedule of maintenance has been prescribed by the Corporation and is being followed as test checked during audit. The Corporation has prescribed preventive maintenance schedule for each bus and the checks to be carried out at depot and divisional workshop. Audit scrutiny revealed that the Corporation did not maintain bus wise record indicating preventive maintenance carried out as per the schedule, expenditure incurred on labour and spares, time taken for completing the job *etc*. In absence of proper records, extent of preventive maintenance as per schedule and its impact on breakdowns could not be ascertained in audit.

The Management admitted (August 2009) that it does not maintain bus wise cost incurred on preventive maintenance.

Repairs and Maintenance

3.13.3 A summarised position of fleet holding, overaged buses, repairs and maintenance (R&M) expenditure for the last five years up to 2008-09 is given below:

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Total buses at the end of year	8,164	8,277	8,046	7,981	7,561
2.	Percentage of overage buses	78.36	80.23	74.74	52.34	50.14
3.	R&M Expenses (Rs. in crore)	184.13	188.59	180.54	180.22	185.34
4.	R&M expense per bus (Rs. in lakh)	2.26	2.28	2.24	2.26	2.45
5.	Percentage of manpower cost in R&M expenses	48.48	45.84	44.84	45.52	45.20

(Source:- Information given by the Corporation)

Though the percentage of overaged buses to total buses reduced after 2005-06, the R&M expenses remained more or less at the same level.

Docking of vehicles for fitness certificates

3.13.4 The buses are required to be repaired and made fit before sending the same to Regional Transport Office (RTO) for renewal of fitness certificate under Section 62 of the Central Motor Vehicle Rules 1989. As the date of expiry of the old fitness certificate is known in advance, Management should plan accordingly to get the buses repaired in time so that bus days are not lost due to delay in renewal. A test check of the records of Ahmedabad Divisional Workshop for the period June 2006 to March 2008 revealed that no norms have been fixed for each type of job. Moreover, the Corporation did not maintain proper record to ascertain labour hours spent for repairing of each bus. As a result, bus days lost for excessive docking of vehicles and the loss of contribution due to cancelled km for want of bus on account of RTO passing could not be ascertained in audit.

Manpower Cost

3.14.1 The cost structure of the organisation shows that manpower and fuel constitute 76 *per cent* of total cost. Interest, depreciation and taxes – the costs which are not controllable in the short-term – account for 12.78 *per cent*. Thus, the major cost saving can come only from manpower and fuel.

Gujarat, Tamil Nadu (Villupuram) and Tamil Nadu (Salem) registered best performance at Rs. 6.10, Rs. 6.13 and Rs. 6.21 cost *per* effective KMs respectively during 2006-07.
(Source : STUs profile and performance 2006-07 by CIRT, Pune)

3.14.2 Manpower is an important element of cost which constituted 36.20 *per cent* of total expenditure of the Corporation in 2008-09. Therefore, it is imperative that this cost is kept under control and the manpower is utilised optimally to achieve high productivity. The Table below provides the details of manpower, its cost and productivity.

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Total Manpower (Nos.)	52,043	49,956	47,327	44,557	41,667
2.	Manpower Cost (Rs. in crore)	563.80	555.50	571.40	639.20	699.23
3.	Effective KMs (in lakh)	9,250.79	8,899.04	9,355.97	9,970.21	10,106.81
4.	Cost per effective KM (Rs.)	6.09	6.24	6.11	6.41	6.92
5.	Productivity *per* day *per* person (KMs)	48.70	48.82	54.13	61.27	66.45
6.	Total Buses (average No of vehicles on road.)	7,113	6,767	6,854	6,932	6,697
7.	Manpower *per* bus	7.32	7.38	6.90	6.43	6.22

North West Karnataka State Road Transport, Karnataka State Road Transport and Himachal Pradesh registered best performance at 4.89, 4.99 and 4.94 manpower *per* bus.
(Source : STUs profile and performance 2006-07 by CIRT, Pune)

3.14.3 During the period, the Corporation reduced its manpower per bus from 7.32 to 6.22. However, cost per effective kilometre increased during review period, though, the

Corporation has not so far implemented Sixth Pay Commission Report. As such, its impact on the manpower cost is not ascertainable.

3.14.4 As per the settlement (August 1987) with the workers union, the normal duty hours prescribed for operating crew is 11 hours, which includes steering duty of 8 hours, against which the Corporation could take normal duty ranging between 7.25 to 8.14 hours and steering duty ranging between 6.13 to 7.06 hours. As such, on an average each bus schedule£ required 5.25 persons$ forming two crew per schedule and including prescribed reserve ratio for the weekly off and leave. Results of the study of deployment of crew, average steering duty/normal over duty of crew, gross kilo meters covered during 2004-09 are tabulated below:

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1	Crew in position (nos.)	36,461	35,208	33,690	31,764	29,881
2	Crew required as per normψ.	34,662	32,947	32,445	31,510	29,754
3	Excess crew (1-4)	1,799	2,261	1,245	254	127
4	Excess crew cost (Rs. in crore)♣	15.08	19.21	11.08	2.45	1.44

(Source-Information as provided by the corporation)

As seen from the above table, the crew was not utilised optimally as per norm though the position improved significantly during review period. However, by optimum utilisation of staff, the Corporation could have minimised the overtime allowance of Rs. 85.63 crore paid during 2004-05 to 2008-09.

Fuel Cost

3.15.1 Fuel is a major cost element which constituted 34.80 *per cent* of total expenditure in 2008-09. Control of fuel costs by a road transport undertaking has a direct bearing on its productivity. The Table below gives the targets fixed by the Corporation for fuel consumption, actual consumption, mileage obtained *per* litre (Kilometre *per* litre *i.e.* KMPL) and All India Average.

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Gross Kilometres (in lakh)	9,330.81	8,981.52	9,428.73	10,056.81	10,202.81
2.	Actual Consumption (in lakh litres)	1,797.84	1,727.22	1,795.95	1,872.77	1,845.00
3.	Kilometre obtained per litre (KMPL)	5.19	5.20	5.25	5.37	5.53
4.	Target of KMPL fixed by Corporation	5.25	5.18	5.23	5.35	5.45

£ Is the programme of operation of a bus on one or more routes operating one or more trips within 24 hours.

$ 2 drivers and 2 conductors for to and fro for one route + 0.66 person for weekly off (4*1/6) + 0.59 Leave Reserve (4.66*1/8).

ψ Worked out on the basis of gross kilometre run x 5.25/steering duty in terms of kilometre.

♣ Worked out on the basis of average cost of crew.

North East Karnataka State Road Transport, Uttar Pradesh and Andhra Pradesh registered mileage of 5.45, 5.33 and 5.26 KMPL.
(Source : STUs profile and performance 2006-07 by CIRT, Pune)

3.15.2 It can be seen from the above table that the mileage obtained *per* litre has continuously shown an upward trend over the period under review and the same was above all India average of 4.94 KMPL (2006-07) and the same was above internal targets during review period except during 2004-05. Thus, the Corporation has been able to control the fuel cost.

Body Building

3.16 The Corporation is fabricating only Super Express (CNG) buses at Central workshop of Corporation. It outsources fabrication of special nature buses such as Luxury, Semi-Luxury, Super Express (Diesel), AC-Luxury and Sleeper Coach by inviting tenders.

Financial Management

3.17.1 Raising of funds for capital expenditure, *i.e.*, for replacement/ addition of buses happens to be the major challenge in financial management of Corporation's affairs. This issue has been covered in Paragraph 3.10.3. The section below deals with the Corporation's efficiency in raising claims and their recovery. This section also analyses whether an opportunity exists to realign the business model to generate more resources without compromising on service delivery.

Claims and Dues

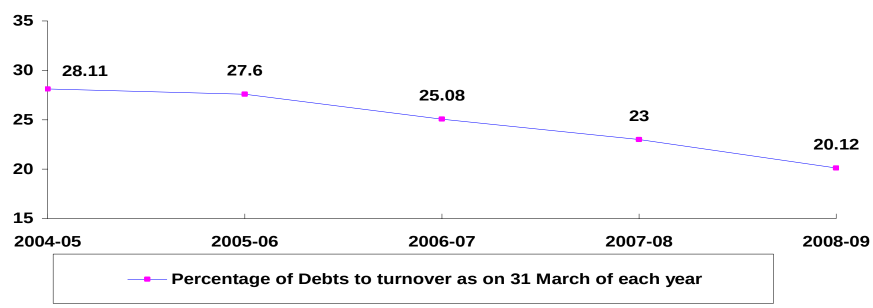
3.17.2 The Corporation gives its buses on hire (on casual contract). The parties are required to pay in advance the charges at prescribed rates ranging from Rs. 16 to Rs. 24 (for carrying 52 to 80 passengers) per kilometre or Rs. 220 to Rs. 360 per hour, whichever is higher at the time of booking. The rates of casual contract were fixed in November 1999 which have not been revised, despite increase in operational cost per kilometer from Rs. 11.56 in 2000-01 to Rs. 18.93 in 2008-09. The Corporation keeps the amount as deposit and on completion of journey, actual bill is prepared and amount payable/receivable is adjusted against the deposit. It was, however, noticed that an amount of Rs. 91.14 lakh was lying unadjusted as on 31 March 2009. Further, an amount of Rs. 93.98 lakh was still pending for recovery from State Government on account of hiring of vehicle prior to 2004-05.

3.17.3. The Corporation provides concessional passes to students only. For issuing the concessional passes to the students, the Corporation charges only 17.5 *per cent* of bus fare for both inward and outward journey. The Corporation accounts this income received in a separate head of account, and submits claims for remaining 82.5 *per cent* to the State Government annually. The State Government reimburses lump sum amount alongwith other subsidy claims such as city services, uneconomic and obligatory routes without any detailed break-up. Hence, actual or short reimbursement of subsidy for student passes is not ascertainable. Number of student passes issued during 2004-05 to 2008-09 and amount recoverable are shown in the table below.

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	No. of student passes issued (in lakh)	6.57	5.12	6.27	5.34	5.28
2.	Amount recoverable from State Government (Rs. in crore)	135.87	82.87	97.12	113.98	117.13

3.17.4 It was observed in audit that an amount of Rs. 1,978.76 crore was claimed during 2004-05 to 2008-09 from the State Government for reimbursement on account of concessional fare to students, losses incurred in city services and losses on buses plied on uneconomical routes as on 31 March 2009. The Corporation could realise only Rs. 1,745.33 crore till March 2009. Thus, an amount of Rs. 233.43 crore remained unrealised from State Government during review period. However, the State Government, while reimbursing the subsidy, did not give break up of the claim passed. As a result, the Corporation could not ascertain the component for which subsidy was short received and reasons thereof.

3.17.5. An analysis in Audit of the debts outstanding as a percentage of turnovers for the five years ending March 2009 are depicted in the graph below.



3.17.6. From the above, it can be seen that the outstanding dues are being recovered promptly.

Realignment of business model

3.18.1. The Corporation is mandated to provide an efficient, adequate and economical road transport to public. Therefore, the Corporation cannot take an absolutely commercial view in running its operations. It has to cater to uneconomical routes to fulfil its mandate. It also has to keep the fares affordable. In such a situation, it is imperative for the Corporation to tap non-traffic revenue sources to cross-subsidize its operations. However, the share of non-traffic revenues (other than interest on investments) was nominal at 4.72 *per cent* of total revenue during 2004-09. This revenue of Rs. 372.68 crore during 2004-09 includes advertisements and restaurant/ shop rentals. Audit observed that the Corporation has non-traffic revenue sources which it has not tapped substantially.

3.18.2. Over a period of time, the Corporation has acquired sites at prime locations in cities, district and tehsil headquarters. The Corporation generally uses the ground floor/ land for its operations, leaving an ample scope to construct and utilise spaces above. Audit observed that the Corporation has land (mostly owned/ leased by Government) at 34 important locations admeasuring 4.78 lakh square meters as shown below.

Particulars	Cities (Municipal areas)	District HQrs.	Tehsil HQrs.	Total
Number of sites	**12**	**7**	**15**	**34**
Occupied Land (lakh Sq. mtrs.)	**2.80**	**1.66**	**0.32**	**4.78**

3.18.3 It is, thus, possible for the Corporation to undertake projects on public private partnership (PPP) basis for construction of shopping complexes, malls, hotels, office spaces, etc. above (from first or second floor onwards) the existing sites so as to bring in a steady stream of revenues without any investment by it. Such projects can be executed without curtailing the existing area of operations of the Corporation. Such projects can yield substantial revenue for the Corporation which can increase year after year.

The Corporation invited (October 2005) proposals from private entrepreneurs for taking up projects under Public Private Partnership basis for construction of shopping complexes, malls, hotels, office spaces, etc. at seven sites. The Corporation received offers from the parties for seven sites involving concession fees of Rs. 182 crore. The proposal sent (October 2007) to State Government was approved in February 2008. However, the letter of acceptance (LOA) issued to the parties were kept in abeyance by the Corporation as per instructions of State Government for one year and the same were issued in six cases excluding Surat. Further developments were awaited (March 2009).

The Management stated (November 2009) that the State Government approved the proposal in October 2009 in respect of four projects in which the letter of acceptation were issued in November 2009. In respect of remaining two projects, developers are unwilling.

The Corporation also developed (March 2009) bus stations including Commercial Complex on Build, Transfer and Lease basis at 14 sites out of 27 identified sites. The Corporation earned Rs. 22.28 crore as premium and received Rs. 4.54 crore as construction cost. The work on three sites is in progress whereas in 10 sites, the Corporation has initiated the process.

3.18.4 Audit observed that the Corporation has not framed any policy in this regard. Since substantial non-traffic revenue will help the Corporation cross-subsidise its operations and fulfil its mandate effectively, the Corporation may like to study realigning its business model and frame a policy in this regard. Some of the audit findings relating to advertisement and stall rental are as follows.

Advertisements

The Corporation sustained loss of revenue of Rs.1.02 crore due to non awarding of contract during August 2006 to December 2006.

The Corporation had earned income of Rs. 15.18 crore during last five years ending 2008-09 through advertisements on the sides of buses, compound walls of bus stations and staff colonies by appointing advertisement agents through open tenders. During last five years up to 2008-09, three contracts♠ were awarded for advertisement by the Corporation. The scrutiny of these contracts revealed irregularities in the form of non submission of bank guarantee of Rs. 2.10 crore by firm "K", non recovery of interest on delayed payment of installments from firm 'K' (Rs. 39.45 lakh) and firm 'P' (Rs. 1.01 crore) from December 2002 to March 2009 and loss of potential revenue of Rs. 1.02 crore due to non-award of contract for advertisement during 1 August 2006 to 4 December 2006.

Vacant stalls/ canteens

The Corporation lost potential revenue of Rs. 1.48 crore due to non leasing of 209 stalls.

The Corporation had 1,408 stalls/ canteens in sixteen divisions, of which 451 stalls/ canteens (32.03 *per cent*) were vacant as on 31 March 2009. Jamnagar and Rajkot Divisions were having highest vacant stalls/ canteens at 56.14 *per cent* and 54.69 *per cent* respectively. Three Divisions i.e. Amreli, Bhavnagar and Nadiad published advertisements 22 to 40 times for leasing out the stalls/ canteen. However, 102 out of 267 stalls/ canteens of these divisions remained vacant as on March 2009. Due to non-leasing of stalls/ canteens, the Corporation lost potential revenue of Rs. 1.48 crore in respect of 209 stalls/ canteens for which details were made available to audit. However, no details were made available by the Corporation in respect to 242 stalls/ canteens.

The policy regarding leasing stalls/ canteens should be reviewed after ascertaining reasons for which the stalls/ canteens remained vacant *i.e.* inadequate lease period (11 months), upset value fixed for each stall, location of stalls, existence of unauthorized stalls around bus station etc.

Parcel and allied services

The Corporation awarded (July 2007) contracts for transportation of parcel, allied services and courier services to M/s. "S" for a period of 36 months. Audit scrutiny revealed that the firm did not pay service tax of Rs. 63.59 lakh (July 2007 to May 2009).

♠ **(i)** Krishna communication (firm K) for 15.12.02 to 14.12.05 Extended up to 31.3.06; **(ii)** Sambhav Media (firm S) for 1.4.06 to 31.3.2011 (cancelled): **(iii)** Prithvi Associated (firm P) for 5.12.06 to 4.12.2011.

Fare policy and fulfillment of social obligations

Existence and fairness of fare policy

Pricing policy and related issues

3.18.5 As per State Government notification (December 1997), the Corporation could increase the passenger fare on six monthly basis after obtaining its approval. Further, State Government notified (February 2003) various factors *viz.* increase/decrease in dearness allowance to staff, cost of diesel, average cost of tyres and the cost of chassis as basis for revising the fares under Automatic Fare Revision System.

The Corporation suffered revenue loss of Rs.1.87 crore due to delay in revision of fare.

The Corporation with the approval of the State Government revised the fares on four[ϒ] occasions during 2004-09. The amount of fare revision ranged from 1.66 paisa/km to 2.42 paisa/km. There was delay of 34 days in submission of proposal for fare revision on one occasion (July 2006) to the State Government and delay of 123 and 157 days in granting the approval by State Government on two other occasions (November 2004/November 2005), which resulted in revenue loss of Rs. 1.87 crore due to belated revision of fare.

3.18.6 Further, during the period 2004-08 the Corporation paid Rs. 97.63 crore towards toll tax. However, due to non availability of exemption from payment of toll tax from concerned authorities[↔] and also non provision for recovering the toll tax through passenger fare, the Corporation had to absorb the financial burden of Rs. 97.63 crore during the period. To meet the cost of toll tax, Rajasthan State Road Transport Corporation (RSRTC) recovers an additional amount of rupee one[f] and rupee two on the bus fares depending upon bus fare and distance. The Corporation could follow the similar practice and avoid absorption of toll tax.

The Corporation faces stiff competition from private operators who are paying composite tax for contract carriage whereas the Corporation pays Passenger tax and Motor Vehicle tax as given below:

Sl. No.	Type of Vehicle	For the Corporation		for Private Operators	
		Tax Rate	Average tax paid per bus (Rs. in lakh)	Tax Rate	Average tax paid per bus (Rs. in lakh)
1	Luxury	17.5 *per cent* of traffic revenue + M.V. tax	**5.55**	Rs. 6000/- per seat for one year	**1.94**
2	Ordinary	17.5 *per cent* of traffic revenue + M.V. tax	**2.44**	Rs. 3600/- per seat for one year	**1.88**

As a result, the Corporation pays more tax than private operators. Further, the rates of Passenger tax prevailing in other States are lower than Gujarat such as

ϒ 12 November 2004, 15 November 2005, 15 July 2006 and 23 June 2008.

↔ National Highway Authority of India, Government of Gujarat/ Local authority.

f Rupee one for bus fares ranging between Rs.20 and 40 or for the travel between 51 kms. to 105 kms and rupee two on the bus fares of Rs.40 and above or travel of Rs.105 kms and more from passengers.

Karnataka (7 *per cent*), Andhra Pradesh (7.5 *per cent*) and Rajasthan (12 *per cent)*. The State Government should take suitable action for regulating the tax structure to help the Corporation in facing the competition.

The Management stated (August 2009) that the proposal for inclusion of toll tax in the fare structure and passenger tax would be taken up with the State Government.

Adequacy of services on uneconomical routes

3.18.7 The Corporation had about 10.73 *per cent* profit making routes as of March 2009 as shown in table under paragraph 3.12.5. However, the position would change if the Corporation improves its efficiency. Nonetheless, there would still be some routes which would be uneconomical. Though the Corporation is required to cater to these routes, the Corporation has not formulated norms for providing services on uneconomical routes. In the absence of norms, the adequacy of services on uneconomical routes cannot be ascertained in audit. The desirability to have an independent regulatory body to specify the quantum of services on uneconomical routes, taking into account the specific needs of commuters, is further underlined.

The Management admitted (August 2009) that there was no norm regarding uneconomical routes and the routes were finalised based on population and geographical locations.

The Corporation claims subsidy for losses sustained by it in operation of buses on uneconomical routes. For working out this claim, the Corporation keeps record of kilo meters operated and earning per kilometre at depot level for each trip operated and prepares statement showing kilometres operated and EPKM, which are not meeting operational cost[ϒ] worked out by central office. Based on this data, claim for reimbursement of losses of services on uneconomical routes are preferred on State Government which in turn gives subsidy as lump sump, as discussed in paragraph no. 3.17.4, without giving any item wise details. Hence, the amount of short reimbursement, if any, on this account is not ascertainable.

Monitoring by top management

MIS data and monitoring of service parameters

3.19.1 For an organisation like a Road Transport Corporation to succeed in operating economically, efficiently and effectively, there has to be written norms of operations, service standards and targets. Further, there has to be a Management Information System (MIS) to report on achievement of targets and norms. The achievements need to be reviewed to address deficiencies and also to set targets for subsequent years. The targets should generally be such that the achievement of which would make an organisation self-reliant. In the

ϒ Operational cost= cost of fuel, crew, spare parts, tyre tubes, lubricants, battery, depreciation, taxes and cost of repairs and maintenance staff.

light of this, Audit reviewed the system prevailing in the Corporation and noticed that the Management set the targets for important parameters except fleet utilisation and load factor. MIS did not give bus wise cost data to guide the Management in assessing the viability of the operations and taking suitable remedial measures. The Top Management never gave any directions/ instructions on various short comings with a view to further improve the operations.

3.19.2 The top management of the Corporation is expected to demonstrate managerial capability to set realistic and progressive targets, address areas of weakness and take remedial action wherever the things are not moving on expected lines. However, such ability was not seen either from records or performance of the Corporation during period under review.

The above matters were reported (September 2009) to the State Government/Corporation; their replies are awaited (December 2009).

Acknowledgement

Audit acknowledges the cooperation and assistance extended by different levels of the Management at various stages of conducting the performance audit.

Conclusion

Operational performance

- The Corporation could not keep pace with the growing demand for public transport as its share came down from 19.59 *per cent* in 2004-05 to 16.38 *per cent* in 2008-09.
- The Corporation could not recover cost of operations in any of the five years under review. This was mainly due to operational inefficiencies and ineffective monitoring by top management.
- The Corporation did not maintain bus wise data for cost of preventive maintenance.

Financial management

- The Corporation did not follow up recovery of its dues from State Government to logical end.
- The Corporation has tremendous potential to tap non-conventional sources of revenue but it did not have a policy in place to undertake large scale tapping of such funds.

Fare policy and fulfillment of social obligations

- Though the Corporation has a fare policy, it is not based on scientific norms.

- No policy yardstick has been laid down for operation on uneconomical routes. Therefore, the adequacy of operations could not be ascertained in Audit.

Monitoring by top management

- The MIS system of Corporation was not adequate and the monitoring by its top management of key operational parameters and service standards was largely ineffective.

On the whole, there is immense scope to improve performance of the Corporation. However, the present set-up of the Corporation does not seem to be equipped to handle this. Effective monitoring of key parameters, coupled with certain policy measures, can see improvement in performance.

Recommendations

The Corporation may:

- phase out overage buses in a time bound manner to achieve ideal fleet composition and improve its operations.
- assess the route behavior in order to facilitate rational route planning.
- consider devising a policy for tapping non-conventional sources of revenue on a large scale, which will result in steady inflow of revenue without additional investment.
- hold regular meeting of its Board of Directors to review various operational parameters and take remedial action, if any.

The State Government should :

- give break up of subsidy released and reasons for the claims rejected.
- consider creating a regulator to regulate fares and also services on uneconomical routes.
- evolve mechanism to link the bus fare with cost of toll tax.

Chapter IV

Transaction Audit Observations

Important audit findings emerging from test check of transactions made by the State Government companies and Statutory corporations are included in this Chapter.

Government companies

Gujarat State Fertilizers and Chemicals Limited

4.1 Avoidable payment of price escalation

Failure to seek GOI approval at appropriate time for foreign collaboration led to avoidable payment of Rs. 5.96 crore.

The Company decided (October 2006) to enter into foreign collaboration agreements (FCA) with Halder Tapsoe A/S Denmark (HTAS) for setting up a project for production of Methanol, at Vadodara for an estimated cost of €85,97,500 (Rs. 51.59 crore[∇]). Under FCA, the Company was to make two arrangements with HTAS *i.e.* a) for license, knowhow and basic engineering package (€ 21,00,000; equivalent to Rs. 12.60 crore) and b) supply of proprietary equipments (€ 64,97,500 equivalent to Rs. 38.99 crore). The Company issued letter of intent (LOI) and also got the acceptance of HTAS for the work in October 2006. The contract was signed on 11 January 2007.

As per the provisions of contracts, the contract would be considered effective only if 10 *per cent* of the contract price is paid to HTAS within 30 days from the date of signing of the contract. In the contract for supply of proprietary equipments, it is further specified that if the contract is not made effective till 10 February 2007, HTAS reserves its right to revise the price of the contract. As per the contract signed for supply of proprietary equipments, the price was fixed at € 66,02,500[*] (Rs. 39.62crore). The Company, however, did not pay the advance of € 7,12,750[#] (Rs. 4.28 crore) by 10 February 2007, on the plea that approval to its proposal for foreign collaboration was pending with Government of India (GOI)[$]. In March 2007, HTAS intimated the Company that it had revised the contract price for supply of equipments upward by € 7,35,000 (Rs. 4.41 crore). The Company upon receipt of GOI approval on 11 May 2007 remitted the advance payments to HTAS for both contracts

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∇ Calculated at the rate of Rs. 60 per Euro as adopted by the Company in its proposal and the amount was exclusive of duties, taxes, cess and transportation.

* Revised at later stage by including € 1,05,000 on account of additional items.

\# Total value of contract € 87,02,500 (Engineering € 21,00,000 supplies including catalysts € 66,02,500) (-) value of catalysts € 11,00,000= € 76,02,500 on which 10 *per cent* advance = € 7,60,250 (-) credit on engineering fee allowed by HTAS € 47,500= € 7,12,750.

$ Ministry of Commerce and Industry, Department of Industrial Policy and Promotion Secretariat for Industrial Assistance.

(*i.e.* i. Engineering package and ii. Supply of proprietary equipments) and also accepted the revision in the price of supply of equipments.

As per the guidelines of GOI, the approval of GOI was required to be taken before signing of FCA. In fact, the approval itself should be made a part of the FCA to be executed between the Company and HTAS. Hence, the Company could have approached the GOI upon acceptance of LOI by HTAS i.e. on 26 October 2006. Instead, the Company approached GOI on 23 January 2007 i.e. after signing of the FCA. If the Company had avoided this delay in seeking GOI approval, it could have made the contract effective by 10 February 2007 and thereby avoided the increase in cost of supply of equipments by Rs. 5.96 crore[∀].

The Management/Government stated (July/August 2009) that as this project being a unique one in which old ammonia plant was being revamped for production of Methanol, various aspects were discussed with HTAS even after issue of LOI. Hence, the Company approached GoI after entering into contract with HTAS. However, GoI took more than three months in granting the approval against the reasonable period of one month estimated by the Company.

The reply is not convincing. The Company carried out (August 2006) the evaluation of HTAS technology for the project through a consultant and also discussed all vital issues with HTAS till September 2006. After arriving consensus on various issues with HTAS, the LOI was issued. As such, the Company was in a position to approach GoI for the approval in October 2006 itself. The Company, however, with a notion of getting the approval within a period of one month, belatedly approached GoI in January 2007.

It is recommended that the Company should fix the responsibility for delay in approaching GoI for approval.

Gujarat Mineral Development Corporation Limited

4.2 Excess payment made to a transport contractor

Excess payment of Rs. 1.52 crore was made to a transport contractor for Akrimota Power Station.

The Company awarded (August 2005) work for excavation and transportation of lignite/limestone from Akrimota/Panandhro/Umarsar mines to Akrimota Thermal Power Station (ATPS) and transportation of ash on return from ATPS to mines, to Swaminarayan Vijay Carry Trade Private Limited, Bhuj (SVCT). The scope of work covered excavation, loading and transportation of 15 lakh MT per annum of lignite; and 7.5 lakh MT per annum of limestone from mines to ATPS and on return trip to mines, to carry 15 lakh MT per annum of ash generated in the plant. The rate for excavation, loading and transportation

[∀] Rs. 4.41 crore (Increase in basic price) plus 34.21 *per cent* customs duty plus 1 *per cent* transportation charges.

of lignite and limestone was Rs. 61.95 per MT and Rs. 62.45 per MT respectively and for transportation of ash was Rs. 31 per MT.

From December 2005, the Company started selling ash from the point of ATPS itself to a cement company which resulted into non-availability of ash at power plant for transportation back to mines. This affected the earnings of the contractor as it was related to the quantity of ash lifted from ATPS. SVCT requested (May 2007) escalation in price as compensation since the prices quoted were for composite work of supply of lignite/limestone to ATPS and to transport ash back to mines.

Tender committee in its 50th meeting decided (3 April 2008) to increase transportation rates of lignite and limestone by Rs. 24.57 per MT. Accordingly a composite rate of Rs. 91.87[⊗] per MT was fixed which was to be paid in case of non-availability of sufficient ash from ATPS. If ash was made available on the return journey of dumpers to mines, the original rates specified in the work order was to be applicable. The revised rates were made applicable from 1 April 2006.

Audit scrutiny revealed that the Company applied the revised rate on entire quantity of lignite/limestone transported to the mines except where ash was available on return journey for which original rates were applied. As per the original contract, the contractor was being paid for an assured quantity of 15 lakh MT of ash only. Therefore, after the hike in the rates, the contractor should be paid at the original rates for the quantity of ash transported from ATPS and at higher rate for non-availability of the assured minimum quantity of ash which shall be the difference between 15 lakh MT and the quantity actually transported. Remunerating the transporter at the enhanced rate for the difference between the entire quantity of lignite and limestone transported (18.55 lakh MT) and the quantity of ash actually transported (1.24 lakh MT) resulted in excess payment of Rs. 1.52 crore on 6,18,339 MT of lignite/limestone transported during April 2006 to February 2009 as per ***Annexure 12***.

The Management stated (July/October 2009) that the number of dumpers required to carry ash from ATPS to mines shall be equivalent to number of dumpers required to carry lignite/limestone from mines to ATPS due to less density of ash (0.75 MT/M^3) compared to lignite/limestone (1.25 MT/M^3). Hence, the Audit should have considered practical quantity of ash transported instead of the quantity of ash assumed to have been transported from ATPS.

The reply is not convincing as the transportation rates are based on the quantity of lignite, limestone and ash transported which has no relevance to number of trips. In fact, considering the density of proportion of lignite and ash, it was not possible for transporter to transport more than 15 lakh MT. Accordingly, payment to the transporter for the difference in quantity of lignite/limestone transported and quantity of ash transported was incorrect. Audit has correctly worked out the excess payment after considering the actual

[⊗] Original rate (Rs. 61.95)+ Hike for non-availability of Ash (Rs. 24.57) + diesel hike as per the contract terms & conditions(Rs. 5.35) = Rs. 91.87.

quantity of ash transported against the proportionate quantity of ash supposed to have been transported during the period by the contractor.

It is recommended that the responsibility should be fixed for the excess payment made as pointed out in audit.

The matter was reported to Government (September 2009); their reply had not been received (December 2009).

Gujarat Industrial Investment Corporation Limited

4.3 Introduction of unwarranted OTS scheme

The Company incurred a loss of Rs. 1.17 crore by settling dues of profit making company against whom the Company had security worth Rs. 7.13 crore.

The Company introduced (January 2002) One Time Settlement (OTS) Scheme III for settling the dues of the loss making defaulting units. In January 2008, the Company modified the Scheme (OTS III - Modified) by extending its applicability for settling the dues from the defaulting Units which made profit in any of the last three years.

Belgium Glass & Ceramics (P) Limited (the unit) was sanctioned a term loan of Rs. 73 lakh (December 1995) which was repayable with interest in 20 quarterly installments within a period of six years. The loan was secured by all present and future assets of the Unit, personal guarantee of its directors and corporate guarantee given by a firm[⊕]. The Unit started making profits from March 1998 but was not regular in the repayment of its dues since beginning. Though, the Company took possession of mortgaged assets of the Unit twice (March 2000 and February 2001), but did not proceed for sale of assets of the Unit and gave back the possession to loanee. Despite having cash profit of Rs. 54 lakh to Rs. 58 lakh during 2005-07, the Unit did not repay the dues. The Unit repeatedly approached (June 2006 to November 2007) the Company either for reduction of interest/rescheduling of loan or for settlement of dues under OTS. The Company did not consider the request as the Unit was profit making and was not eligible for any OTS scheme.

After the introduction (January 2008) of OTS III – Modified scheme, the Unit got eligibility and approached (12 February 2008) the Company for OTS. As on 15 February 2008 the outstanding dues of the Unit were Rs. 1.69[∇] crore. The value of the security available with the Company was Rs. 7.13[*] crore. The Unit, however, offered to pay Rs. 51.85 lakh which was higher than the principal outstanding of Rs. 51.37 lakh applicable in this case as per OTS. The Company sanctioned (March 2008) the OTS and the Unit paid Rs. 51.85 lakh (March 2008). This was the only profit making Unit which approached and

[⊕] Vimal Proteins (P) Limited.

[∇] Principal Rs. 51.37 lakh: Interest Rs. 117.28 lakh and other expenses Rs. 0.44 lakh.

[*] Value of fixed and current assets Rs. 5.92 crore and value of personal guarantee of directors Rs.1.21 crore.

settled its dues since the introduction of OTS III – Modified scheme till April 2009.

As the Company could have taken the possession of the assets under Section 29 of the State Financial Corporations (SFC) Act, 1951 and realised the full outstanding amount, the introduction of such a scheme was unwarranted. Also, only one loanee has taken the benefit of the scheme which shows that there was not much problem of default by profit making units. Thus, by modifying the OTS-III scheme without justification, the Company incurred loss of Rs. 1.17 crore (Rs. 1.69 crore *less* Rs. 0.52 crore).

The Government/Management (July 2009) stated that the Company modified the OTS III scheme with a view to maximise the recovery of dues from defaulting units even if they were of profit making units. The Company, however, to safeguard its interest, fixed criteria for ensuring a minimum rate of return[#] while settling the defaulters' accounts under OTS. Regarding settlement of account of only one unit under OTS III – Modified scheme, it was stated that it was left with the loanees to decide whether to avail benefit of OTS or not. Further, for not taking any action against the Unit under SFC Act, it was stated that the Company did not consider it prudent to close the operation of a running unit for realising its dues.

The reply is not tenable. The modification of OTS III scheme did not achieve its purpose of maximising the recovery of dues from the defaulting units; rather it had benefited only one defaulting unit which was making profit. Reason given for not taking action under SFC Act is not convincing.

It is recommended that the Company should introduce/modify any OTS scheme only after properly assessing the need for it.

Sardar Sarovar Narmada Nigam Limited

4.4 Undue benefit to contractors

The Company gave undue benefit to contractors by not recovering the component of royalty of Rs. 1.19 crore.

The Company awards the work for construction of canal earth work, structures and service roads for creation of canal system of Sardar Sarovar Project (SSP). One of the items of the work is 'earth in embankment in uniform layers from borrow areas/village tanks etc., in all sorts of soil, soft murrum (E-6)'. The contractors for the work have to bring earth/clay/ soft murrum from nearby villages, tanks or borrow areas. The contractors quote their rate for the above item based on the distance and the royalty on earth, if applicable. As per the provisions of Gujarat Minor Minerals Rules, 1966[∀], royalty is payable on earth/clay/ soft murrum taken from borrow areas/village tanks.

[#] Rate of 15.25 *per cent* compounded quarterly from the date of disbursement of loans to till the settlement of dues under OTS. The rate 15.25 *per cent* is one *per cent* higher than the prime lending rate of the Company.

[∀] Renamed as Gujarat Minor Minerals (Amendment) Rules 2005 in December 2005.

The Company received and opened the tenders for award of six contracts relating to construction of canal earth work, structures and service roads for Botad and Limbdi Branch Canals during August to October 2006. The contracts were awarded (February – May 2007) with the stipulated period of completion ranging from 15 to 18 months from issue of work orders as per ***Annexure 13***. As per clause 40 of tender conditions of these six contracts, the royalty charges were to be borne by the contractors and they were required to pay royalty and produce the "no due certificate" issued by the competent authority of Government of Gujarat (GoG), to the Company. Otherwise, the Company shall deduct the amount of royalty from the running account bill of the contractor. Further, it was stipulated that if the law of local or duly constituted authority or introduction of any State statue, decree, regulations or bye laws led to any reduction in cost to the contractor then such reduction in cost should be passed on to the Company. On 20 January 2007, GoG exempted the payment of royalty on earth/clay/soft murrum used in the works executed for the Company.

The rate[^] for E-6 item of work in these contracts was inclusive of royalty as the tenders were received and opened prior to 20 January 2007. After grant of exemption on 20 January 2007, the contractors were not paying any royalty on earth/clay/ soft murrum taken from borrow areas/village tanks for these works. Thus, the exemption granted by GoG led to reduction in cost of work under E-6 item. The Company, however, while making payments to contractors for the work executed under E-6 item, did not invoke the contract provisions to take the credit of such reduction in cost by deducting royalty of Rs 8.05 per cubic meter (cum) included in the rate of E-6 item.

Resultantly, an amount of Rs. 1.19 crore towards royalty remained unrecovered from contractors for 14.74 lakh cum of earth/clay/ soft murrum utilised in these works during 20 January 2007 to May 2009. Thus, the Company gave undue benefit to the contractors to the extent of Rs. 1.19 crore by not deducting amount of royalty in defiance to the provisions of contract. The works under these contracts were not yet completed (May 2009).

It is recommended that the Company should recover the amount of royalty from the contractors and also should fix the responsibility for non deduction of royalty as per the contract.

The matter was reported to Government/Management (July 2009); their reply had not been received (December 2009).

^ Ranging from Rs. 35 to Rs. 48 per cubic metre which includes royalty also.

Gujarat State Financial Services Limited

4.5 Irregular expenditure

Finance Department made the Company incur expenditure of Rs. 5.22 crore on its renovation and modernisation, most irregularly and inappropriately, under a hugely extended interpretation of 'Nirmal Gujarat' slogan of the Government.

The Finance Department (FD) of GoG informed (25 January 2007) the Company that GoG declared the year 2007 as 'Nirmal Gujarat[£]' and there was a need to modernise the office building of FD and accordingly asked the Company to bear the cost of such modernisation. FD justified its instructions on the plea that the Managing Director (MD), Joint MD and Vice President of the Company were holding positions in and were operating from FD. Also, the Company was getting its financial resources due to instructions of FD (July 1995/December 1999) to all the state public sector undertakings (PSUs) to place their surplus funds with the Company. As per the intimation, modernisation including new furniture/cabins etc., were to be done in all the six floors of FD and title to the property was to vest with FD.

The Board of Directors (BoD) of the Company (1 February 2007) gave in principle approval for incurring of expenditure without any estimate. FD directed (April/May 2007) the Company to issue the required work orders to architects, civil contractors etc., from time to time. The Company's BoD sanctioned (2 June 2007) the expenditure as a donation for the 'Nirmal Gujarat- Modernisation of FD' and authorised the MD to do the needful in this regard. The Company had no role in the whole process of preparation of estimate, selection of contractors, passing the bills and ensuring final output. In July 2007, though FD tentatively estimated the cost of modernisation as Rs. 4.50 crore, the Company has already incurred Rs. 5.22 crore till 31 March 2009 and the work was still in progress (April 2009).

The actions of the Company as well as the State Government (Finance Department) are irregular and improper on account of the following reasons:

- Instead of seeking funds requirements through legislative process for budget allocation for the same, the State Government opted for seeking donation from the Company.

- The BoD of the Company gave donation to its administrative ministry in violation of the provisions of the Companies Act, 1956 and the financial propriety which reflected poor corporate governance.

[£] "Nirmal Gujarat" is about managing waste (including capacity building in the management of waste) related with industries, transportation, hospitals, sanitation, solid waste disposal, tourism, temples, office building etc. It is also protecting water bodies, trees, green spaces and heritage buildings. It is also about implementing strategies, innovations, recycling and cleaner technologies, rules and regulations, incentives, administrative charges, and special campaigns.

- As per Section 293(i)(e) of the Companies Act, 1956, granting donations did not fulfil the terms and conditions governing corporate donations.

The Government stated (August 2009) that improving the working environment was one of the objectives of 'Nirmal Gujarat' slogan. The Company modernised its office through optimal utilisation of space and manpower usage resulting in improvement of its working environment. It was also stated that the expenditure had the sanction of BoD which must have considered the role of FD in formation and progress of the Company. Further, it was stated that the Company had given rationale for incurring the expenditure as its top officials were from FD and majority of the top management decision making processes had been taking place at FD itself. As far as the violation of the Companies Act was concerned, it was mentioned that there was no such violation since the decision taken by the BoD was within the powers granted by Article of Association (AA) of the Company.

The reply is not convincing as modernisation of government department is not covered under 'Nirmal Gujarat'. Moreover, the decision of the BoD in the matter was *ultra vires* of the Companies Act, 1956.

It is suggested that the Company should approach the State Government for return of the amount donated.

Gujarat State Electricity Corporation Limited

4.6 Delay in award of contract for replacement of high pressure heaters

Delay in award of contract for replacement of high pressure heaters led to generation loss of 221.40 million units resulting in contribution loss of Rs. 7.08 crore.

Thermal Power Stations (TPSs) use high pressure feed water heaters (HPHs) to recover heat from the steam which is extracted from the turbine. This heat is used to increase the temperature of the feed water in the boilers. This results in saving of heat energy used in heating feed water in boilers. As Gandhinagar Thermal Power Station (GTPS) of erstwhile GEB[∨] experienced frequent failures of HPHs in its Unit 3 and 4 during 2000-03, GTPS prepared (21 April 2003) a detailed project report (DPR) for taking up the work of replacement of HPHs in these units at the estimated cost of Rs. 6.50 crore. For completion of the work, DPR envisaged a span of 34 ½ months divided as (i) 12 months for the activities till award of contract, (ii) 20 months for supply of HPHs from the date of award of contract and (iii) 2½ months for erection and commissioning. The anticipated benefits as per DPR were in the form of increased generation of 7.5 MW per hour i.e. 65.70 MUs[⊗] per annum for each Unit 3 and Unit 4 based on its actual plant load factor, extended life of boiler, coal mill and

[∨] Gandhinagar TPS which was hitherto with erstwhile Gujarat Electricity Board (GEB) was transferred to its generation company Gujarat State Electricity Company Limited after the unbundling of GEB on 1 April 2005.

[⊗] 7.5 MW per hour x 24hrs.x 365 days = 65.70 MUs per annum.

induced draft (ID) fan parts, improvement in heat rate, and reduction in coal consumption and auxiliary consumption. In June 2003, the GEB accorded approval to GTPS for taking up the work.

It was observed in audit that against the envisaged completion of work and commissioning of HPHs by April 2006, the HPHs of Unit 4 was commissioned on 12 September 2008 and that of Unit 3 on 31 December 2008 only. In all, there was a delay of 32 months. Of this, delay 20 ½ months was attributable to GEB/Company due to delay[*] in taking various actions and decisions in time as evident from following facts:

- The GEB/Company took 14 ½ months in preparation and approval of tender specifications for the work (13 June 2003 to 2 September 2004) against the envisaged time limit of six months.

- For invitation of tender and issue of detailed work order to the contractor, a time limit of six months was fixed. Against this, the GEB/Company, took 18 months *i.e.* i) GTPS took nearly five months and 22 days in inviting the tender (24 February 2005) after the approval of tender specifications and ii) both GTPS and the HO of the Company took 12 months and 7 days from invitation of tender to issue of detailed work order (2 March 2006) to the contractor.

Thus, due to avoidable delay of 20 ½ months in finalisation of tender for the work, the Company, apart from other benefits, failed to get the envisaged benefit of increased generation of 221.40 million units worth Rs. 54.02 crore[∇] during the period of delay which led to loss of a contribution of Rs. 7.08 crore[⊕].

The Government/Management stated (September 2009) that to have a better competitive bidding, erstwhile Gujarat Electricity Board for the first time decided to go for open tender for purchase of HPHs instead of directly purchasing it from the original equipment manufacturer for GTPS (i.e. BHEL). Hence, the preparation of tender specifications for the first time by GTPS and granting of its approval by the HO and evaluation of bids after obtaining clarifications from bidders on the technical and commercial terms quoted in their offer in deviation to tender specifications took a lot of time in finalisation of tender and award of work.

The reply is not convincing. The reasons cited for the delays are very common and the GEB/Company could have avoided these delays if it had taken adequate and timely actions on all the activities relating to award of work.

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[*] Delay of 5 months was attributable to the contractor for which Company recovered (June 2009) penalty of Rs. 25.20 lakh. Remaining delay of 6 ½ months was unavoidable.

[∇] 65,700 MWH per annum x 1000=6,57,00,000 kwh or units per annum which is equal to 1.8 lakh units per day. 1,80,000x615 days (the delay) =11,07,00,000 units x2 (Units 3 and 4) =22,14,00,000 units x average selling price of a unit during 2006-07 and 2007-08 was Rs. 2.44=Rs. 54.02 crore.

[⊕] Average selling price of a unit (Rs. 2.44) *minus* average variable cost of per unit (Rs. 2.12)= contribution per unit (Rs. 0.32) x22,14,00,000 units= Rs. 7.08 crore.

It is recommended that the Company should fix the responsibility for the delays pointed out and put in place suitable mechanism that such delays do not take place in future.

4.7 Avoidable payment of Gujarat Sales Tax

The Company made an avoidable payment of Rs. 2.70 crore on account of Gujarat Sales Tax by not executing separate agreement for purchase of gas and transportation of gas with GAIL.

The Company entered into a single agreement (February 2004) with Gas Authority of India Ltd (GAIL) for purchase and transportation of 2,80,000 standard cubic metre per day of gas to the Company's gas based power station at Utran. The gas transmission charges[*] were fixed separately from the gas charges.

A scrutiny of the gas bills of GAIL for the period 2004-08 revealed that GAIL prepared a combined bill for the value of gas as well as the gas transmission charges for the gas quantity supplied, though the gas transmission charges are shown separately in the bill. GAIL recovered Gujarat Sales Tax (GST) at the rate of 14/12 *per cent* up to 31 March 2006 and thereafter Value Added Tax (VAT) at the rate of 12.50 *per cent* both on the component of gas charges and on the transmission charges. Moreover, transportation of gas being a service covered under Service Tax Act, GAIL also recovered service tax at rate of 10.20 to 12.36 *per cent*[∇] on the fixed monthly transmission charges with effect from 16 June 2005. Accordingly, the Company has paid both VAT as well as Service tax on the gas transmission charges.

The Company also received gas for which the transmission charges were recovered by Gujarat State Petronet Limited without levying VAT. Hence, the Company while contracting with GAIL should have entered into separate agreements for purchase of gas and for transportation of gas. If it had done so, the transmission charges would have remained outside the purview of payment of GST as well as VAT. Thus, it could have avoided GST of Rs. 1.30[⊕] crore which was levied on the transmission charges of Rs. 9.59 crore during 2004-06 and VAT of Rs. 1.40 crore[∀] during 2006-08 for the gas transported by GAIL.

The Management/Government stated (August/November 2009) that GAIL was both supplying and transporting the gas to its customers as a single entity and so the gas supply agreements executed by GAIL with all its customers were identical. Hence, it did not agree to any changes in the agreement.

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[*] Transmission charges were Rs. 13.65 per Million British Thermal Unit (mmbtu) and Rs. 22.86 per mmbtu till 31 March 2007 and monthly fixed transmission charges of Rs. 27,69,748 is being charged from 1April 2007.

[∇] Including education cess at the rate of 2/3 *per cent* on service tax of 12 *per cent*.

[⊕] Rs. 71.28 lakh GST paid on transmission charges up to 15 June 2005 *plus* Rs. 58.88 lakh GST paid on transmission charges and on service tax levied on transmission charges from 16 June 2005 to 31 March 2006.

[∀] VAT paid on transmission charges and on service tax levied on transmission charges from 1 April 2006 to 31 March 2008.

The reply is not convincing as the records did not show that the Company made adequate efforts for entering into separate agreements with GAIL to avoid GST/VAT on the transmission charges. Having separate agreements is possible because GAIL has a system for accounting the transmission charges separately. Also, tax consultant of GAIL had opined (June 2005) that VAT could be avoided if separate agreement for transportation of gas would be executed.

It is recommended that the Company should effectively pursue for entering into separate agreements with GAIL for purchase of gas and for transportation of gas.

4.8 Loss due to deficient planning in procurement and use of spares

Deficient planning in procurement and use of turbine generator spares for capital overhauling of power plant not only led to contribution loss of Rs. 1.13 crore but also interest loss of Rs. 1.11 crore.

The Chief Engineer, Sikka Thermal Power Station (STPS) sent (March 2000) proposal to its Head Office (HO) of erstwhile GEB[#] for purchase of turbine generator spares. The spares were required during capital overhaul (COH) of unit 2 of STPS scheduled to be conducted in June 2000. The HO approved (November 2000) purchase proposal and STPS placed (7 December 2000) the order for Rs. 2.42 crore (ex-works price) on BHEL, Vadodara. Delivery of materials was to be completed in 12 months from the date of placing order i.e., by 7 December 2001. In view of this, COH scheduled to be taken up in June 2000, was postponed till January 2002 and was completed during 25 January 2002 to 10 April 2002.

Against the ordered quantity, BHEL supplied spares worth Rs. 1.69 crore during December 2001 to March 2003 with a delay up to 16 months over the stipulated delivery period. Out of these, the spares of Rs. 17.29 lakh were received up to 10 April 2002 i.e. prior to completion of COH. From these spares, STPS utilised spares of Rs. 1.56 lakh only as the complete set of assembly was not received during COH and COH was completed by reconditioning the existing parts of turbine generator. In view of completion of COH, STPS requested (June 2002) its HO for short closure of the supply order. Belatedly in February 2004, the HO intimated the STPS about its disagreement for short closure of order on the reason that such spares would not be readily available if needed in future. In the meantime, STPS continued to accept the supply of spares of Rs. 1.52 crore during June 2002 to March 2003.

It was observed in audit that, the COH done without using new spares was inadequate, as unit 2 of STPS had forced outages for a total span of 436.88 hours on four occasions[⊗] during 2003-07 due to problems in turbine generator. Consequently, STPS suffered a generation loss of 26.90 million units and

[#] STPS was hitherto with erstwhile Gujarat Electricity Board (GEB) was transferred to its generation company Gujarat State Electricity Company Limited after the unbundling of GEB on 1 April 2005.
[⊗] 4 to 7 November 2003, 28 April 2004, 13 to 16 June 2005, 6 to 18 January 2007.

resultant contribution loss of Rs. 1.13 crore[∨]. Further, of the total spares procured (till March 2003), STPS utilised spares of Rs. 8.80 lakh (Rs. 1.56 lakh and Rs. 7.24 lakh) only both during COH and in the subsequent period. However, spares of Rs. 1.93 crore[⊕] remained in stock over a period of six years resulting in loss of interest of Rs. 1.11 crore[∇] on the blocked funds during 2004-09.

The Management/Government stated (September/November 2009) that BHEL being the original equipments supplier for unit 2 of STPS; it had placed the order for spares as recommended by BHEL. Initially, for want of spares COH was postponed till end of January 2002. However, as annual overhaul (AOH) of boiler of unit 2 was due as per boiler regulations, COH of generator was also carried out with available spares while taking up AOH of boiler in January to April 2002.

The reply does not give any justification for belated submission of proposal by STPS and the delay in placement of order for spares by HO for the COH. Thus, the fact remained that deficiency in planning the procurement of spares led to taking up of COH without having required spares and occurrence of problems in turbine generator during post COH period and consequential generation loss. Besides, the Company also suffered interest loss on the funds blocked up due to idle inventory of spares.

It is recommended that the responsibility should be fixed for the lapses pointed out in audit.

4.9 Deficient monitoring mechanism

Gujarat State Electricity Corporation Limited awarded contract to a non-competent bidder for purchase of Gravimetric feeders.

In order to replace the existing volumetric coal feeders[⊗] at Ukai, Sikka and Wanakbori TPS with gravimetric feeders[∨] at an estimated cost of Rs. 8.30 crore, Rs. 2.77 crore and Rs. 12 crore respectively the Board invited tenders (March/May 2002) for rotary type gravimetric feeders for Ukai and Sikka TPS and dual belt type gravimetric feeders for Wanakbori TPS. The Board decided to go in for dual belt type gravimetric feeders for all the three TPS and consequently offer of Techfab Systems, Faridabad, was considered as the only technically acceptable bidder for Ukai and Sikka TPS and the lowest technically acceptable bidder for Wanakbori TPS. The Board approved placement of orders for Ukai and Wanakbori TPS, in August 2003, at a cost of Rs. 27.20 crore and for Sikka TPS, in May 2004, at a cost of Rs. 4.48 crore.

Audit observed following irregularities in the above contracts:

[∨] Average realisation rate Rs. 2.57 per unit minus average variable cost Rs. 2.15 per unit (during 2005-07) =Contribution Rs. 0.42 per unit x 2,69,01,395 units.

[⊕] Rs. 1.6 crore ex-works price, excise duty Rs. 0.26 crore and central sales tax Rs.0.07 crore.

[∇] At the rate of 9.55 *per cent* being the average borrowing rate during 2004-09.

[⊗] Ukai 3, 4 and 5; Sikka-unit 1; Wanakbori-Units 1, 2 and 3.

[∨] 6 feeders per unit; total 42 feeders.

- Techfab Systems, Faridabad (division of Technofab Engineering Limited) was the L-1 bidder and was approved for award of the contract by the Board of Directors. However the final order was issued to Technofab Engineering Limited considering it as the contracting party for Techfab Systems. This was irregular as tenders are not transferrable. The Board by allowing a division without contractual capacity to quote in the tender and then transferring the order to the party with contractual capacity had vitiated the basic norms of tendering.

The Management/Government stated (November/December 2009) that as Techfab Systems which had quoted for the tender was a division of Technofab Engineering Limited, the tender was in fact quoted by Technofab Engineering Limited hence there was no transfer of tenders.

Reply is not acceptable as in that case the tender could have been directly quoted by Technofab Engineering Limited. Moreover, if Techfab Systems (actually a partnership firm of Delhi) was the authorised agent of Stock Equipment, USA, the bid of Technofab Engineering Limited which was declared as qualified should have clearly mentioned in the bid documents of Techfab Systems.

- The tender filed by Techfab Systems, Faridabad (a division Technofab Engineering Limited) was for the supply of gravimetric feeders of Stock Equipment, USA. But the authority letter of Stock Equipment, USA enclosed along with the tender mentioned Techfab Systems, Delhi as their marketing and sales representative. Audit scrutiny revealed that Techfab Systems, Delhi which was the agent of Stock Equipment USA, was a registered partnership firm and the authorisation letter of this partnership firm had been fraudulently used by Techfab System, Faridabad (division of Technofab Engineering Limited) to obtain the order. The Board was unable to detect this fraud as it did not insist on the RBI approval of the tenderer to act as the agent of Stock Equipment, USA. Even when the Board came to know of the fraud later on through investigations conducted, it did not cancel the order but allowed the firm to continue the execution of the contract.

The Management/Government denied (November/December 2009) the possibility of fraud but has not given any justification as to why even the agency agreement was not insisted on.

- The CVC guidelines (January 2002) on public procurement lays down that while considering Indian agents of foreign suppliers for placement of orders the foreign principal's proforma invoice indicating commission payable to the agent, copy of the agency agreement with the foreign principal and the enlistment of the Indian agent with DGS&D under the compulsory registration scheme of the Ministry of Finance should be insisted upon. None of the above was insisted upon by the Board leading to violation of the CVC guidelines and consequent non detection of the fraud in the agent's name committed by the bidder.

The Management/Government has not given any justification for violation of the CVC guidelines.

- The supply order placed (December 2003) by the Board in respect of Ukai and Wanakbori TPS on Technofab Engineering Ltd required feeder capacity of 4 T/Hr to 40 T/Hr ordinarily and a maximum designed discharge capacity of 100 T /Hr if required. But in the corresponding order placed (December 2003) with Stock Equipments Company, USA, the stipulation as regards maximum discharge capacity which was required for emergencies was absent.

The Management/Government stated (November/December 2009) that in the existing mill 100 tonnes/hour is not technically feasible. Reply is not acceptable as in the original order 100 tonnes/hour was meant only for emergencies and Company has not given any reasons as to why it was at all included in the original tender if it was not feasible.

- CVC guidelines further lays down that the modifications in contract terms/specifications after award of contracts should be severely discouraged. It was seen in the above orders that many amendments were made after the issue of the order as discussed below:

  a) The order required a security deposit of 10 *per cent* of the order value to be given for satisfactory completion of the work in addition to performance guarantee by way of bank guarantee for the warranty period. This was amended (April 2004) to a bank guarantee of 10 *per cent* of order value towards security deposit and performance guarantee to be released after completion of the warranty period.

  b) The original order required release of order for one feeder initially and after its successful commissioning and performance, release of the orders for the remaining feeders for the unit. This was amended (April 2004) so as to allow the supplier to supply all feeders of one unit simultaneously. Resultantly as on date 12, 6 and 6 feeders have already been supplied to Ukai, Wanakbori and Sikka respectively whereas only 3, 1 and 1 feeder have been installed (upto September 2009) in these power stations.

The Management/Government stated (November/December 2009) that terms and conditions were changed based on negotiations in case of security deposit and performance guarantee. The reply is not convincing because change in conditions after award of contract which favours the supplier is against the financial interest of the Company. Reply also does not state why all the feeders were purchased at one go when original order required release of order for only one feeder initially.

Hence, the Company not only failed to detect the fraud of utilisation of agency certificate issued in respect of other firm but also wrongly awarded the orders to the entity which had not participated in the bid, violated CVC guidelines and gave various unauthorised benefits to the party by unilaterally deviating from the terms and conditions of the contract after award of Contract.

Alcock Ashdown (Gujarat) Limited

4.10 Avoidable loss in ship building contract

The Company incurred loss of Rs. 13.73 crore and also exposed with a liability for payment of Rs. 10.36 crore, besides blocked up inventory of Rs. 74.34 crore due to non supply of vessels in time.

The Company entered (September 2005) into ship building contract with Sea Tanker Management Company Limited, Norway (STMC) for construction of 4 Chemical Tankers at the rate of US $ 16.75 million (approx Rs. 75 crore) each with payment terms as (i) 20 *per cent* advance, (ii) 10 *per cent* at Keel Laying and (iii) 70 *per cent* at the time of delivery. STMC paid Rs. 74.01 crore as per the terms of the contract. The delivery of first vessel was scheduled in September 2007 and for the balance three vessels, each after six months. The scheduled delivery for the first vessel was mutually agreed (in December 2007) to be extended to December 2008. But, STMC unilaterally terminated the contract and invoked Bank Guarantee (November 2008) under Article IV clause 1(b) which states that "if the delay in delivery of the vessel shall continue for a period in excess of 120 days after delivery date, the buyer may at its option cancel the contract" and take back the advance already paid. Accordingly, STMC recovered Rs. 87.74 crore[∀].

Audit observed that the Company's order book which had orders of Rs. 25 crore in March 2004 crossed to Rs. 1,200 crore in 2006-07 which was beyond the capacity of the Company. Meanwhile GoG considered to disinvest the Company in July 2006 but in March 2008 GoG decided to defer the disinvestment plan[#]. During this period, the Company stopped all ship construction activities. This resulted in non-fulfillment of the original delivery schedule.

Even after extension of delivery schedule for first vessel, the Company did not make sincere efforts to meet the revised delivery schedule of December 2008. This is evident from the fact that the Company started searching for new buyer and invited bids (10th August 2008) through its website for selling all the four vessels on as is where is basis. The Company did not receive any bids and hence was unable to find a buyer for all the vessels. These vessels had remained incomplete (July 2009).

Thus, the Company did not fulfill its contractual commitments by taking orders for more than the construction capacity and by incorrectly stopping the work during consideration of disinvestment. Besides, the Company, instead of meeting the revised delivery schedule, tried to sell the vessels in the market without assessing its market value. As a result, the Company suffered a loss of Rs. 13.73[^] crore and also led to blocking of inventory worth Rs. 74.34 crore spent on four vessels (March 2009). Further, the Company is liable to pay to a

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∀ Rs. 74.01 crore advance, Rs. 7.96 crore as foreign exchange loss and Rs. 5.77 crore as interest loss.

\# Disinvestment was deferred because the highest bid received (Rs. 169 crore) was much less than the valuation (Rs. 350 crore).

^ Rs. 87.74 crore (recovered by STMC*) less* Rs. 74.01 crore (paid by STMC) supplier firm⊗ an amount of Rs. 9.82 crore∨ towards cost of Main Propulsion Engines and Rs. 53.79 lakh* towards storage charges against the purchase order placed (April 2006) for these vessels. The supplier was ready with the engines in July 2008 but the Company has not yet taken delivery of the engines (September 2009). In case of non delivery of engines, the Company had a risk to lose the advance payment of Rs. 2.45 crore paid for these engines.

Moreover, the Company had incurred an additional cost of Rs. 3.73 crore∇ in purchase of CPP Propulsion System and main DG set due to change in the specification⊕ by firm M which firm M had agreed to pay. But now, with the cancellation of the order by firm M, this amount also can not be recovered.

The Management stated (September 2009) that the orders booked were normal looking into the boom situation prevailed for shipbuilding business during 2003-06. Regarding non adherence to revised construction schedule, it was stated that due to time overrun in execution of the above contract the Company's banker stopped funding for that project and further STMC also did not agree (June 2008) to the Company's demand (May 2008) for increasing the contract price by 30 to 40 *per cent* due to escalation in cost. This led to cancellation of the contract on mutually agreed basis.

The reply is not convincing. The Company's BoD meeting held on 5 December 2008 confirms that booking of orders for Rs. 1,200 crore (2006-07) was beyond their technical and financial competency and it was one of the reasons for delay in execution of the above contract. Further, the minutes of the above meeting also confirm that STMC had unilaterally terminated the contract and not on mutual consent basis.

It is suggested that the Company should execute orders in time and avoid their cancellations

The matter was reported to Government (July 2009); the reply had not been received (December 2009).

4.11 Irregular amendment in the agreement

The Company exposed itself to a contractual liability of Rs. 7.30 crore by unauthorisedly and incorrectly passing on ship building subsidy to a buyer of vessels.

Government of India (GoI)∀ extended the 'Shipbuilding Subsidy Scheme' to State Public Sector Shipyards from October 2002 which was hitherto

⊗ M/s. Rolls-Royce, Norway.
∨ Being 80 *per cent* of cost of engines as advance of 20 *per cent* of cost is already paid.
* 5000NOK per week*66 weeks *Rs.8.15/NOK * 2 engines.
∇ This cost is included in the cost of inventory i.e. Rs. 74.34 crore.
⊕ M/s Sea Tankers asked the Company to supply the propeller with 4500 mm diameter instead of 3800 mm diameter and also to supply main DG set with fuel HPO (180 CST burning) instead of fuel MDO as mentioned in the contract.
∀ Ministry of Shipping.

applicable only to Central Public Sector Shipyards. Under the scheme, the shipyards become eligible for a subsidy up to 30 *per cent* of the price of the vessel to be received from GOI, for both domestic and export orders.

On 23 December 2004, the Company entered into an agreement with Gudami International Pte. Limited, Singapore[#] (Firm G) for construction and sale (export) of two self propelled Product Carriers ('vessels') of 3000 Metric Tonnes dead weight at a total cost of US$ 60,50,628[^] (Rs. 26.48 crore), after successfully winning an international competitive bid. On 26 December 2004, Executive Director (ED) of the Company issued an amendment to agreement committing to pass on 94.42 *per cent* of shipbuilding subsidy to firm G upon its receipt from GoI. In December 2007, when the management brought up the matter for the first time to their notice, the BoD noted that the amendment made was unauthorised and directed the then MD to inform firm G that the amendment to contract was *ab initio* null and void. The Board, however, did not fix managerial responsibility for unauthorised management action to suo moto soften the agreement against its fiscal interest, which also vitiated the spirit of GoI's subsidy scheme. Till date, no action has been taken on the directive of BoD.

The Company delivered the first vessel in February 2008 and second vessel was scheduled to be delivered by end of December 2009. Till March 2008, the Company received Rs. 25.78 crore from firm G as stage payments for two vessels, and based on that it also received shipbuilding subsidy of Rs. 7.73 crore from GoI. The Company stands exposed to contractual liability of payment of Rs. 7.30 crore, being 94.42 *per cent* of shipbuilding subsidy received till March 2008, to firm G.

The Management stated (July 2009) that it had brought to the notice of BoD about the receipt of subsidy of Rs. 7.73 crore. Further, the Company neither transferred nor committed to transfer the subsidy amount received to firm G. The reply is not convincing as the Company has not intimated firm G declaring that the amendment to contract issued on 26 December 2004 was *ab initio* null and void. Thus, fact remained that the Company stands exposed to contractual liability for passing the subsidy to firm G.

It is recommended that the Company should intimate the firm that the amendment to contract was *ab initio* null and void and also take action against the official concerned who have authorised the issue of such amendment. A system should be devised whereby any amendments to the contracts especially having financial implication/creating any other kind of liability to the Company should be made only with the approval of BoD.

The matter was reported to Government (June 2009); the reply had not been received (December 2009).

[#] An Adani Group Indian Company.

[^] i.e. at US$ 30,25,314 per vessel at the exchange of rate of Rs. 43.77 per $.

Gujarat State Petronet Limited

4.12 Irregular and premature investment in construction of spur line

The Company made irregular and premature investment of Rs. 2.25 crore in laying of spur line without approval of BoD and without entering into gas transmission agreement with a customer.

The Company in its BoD meeting decided (11 May 2005) to develop its gas transmission network by laying spur lines from its main trunk line i.e. Mora-Vapi pipeline (MVP) to cater to demands of potential customers identified in three clusters situated around MVP. Accordingly, three spur lines from MVP to GIDC[⊗] estate, Vapi (15 kms), Morai (3 kms) and GIDC estate, Sarigram (15 kms) were to be laid. The Company awarded (April 2006) contract for laying and commissioning of five spur lines in a package at a cost of Rs. 11.76 core[∨] to Medikonda Construction, Nallore. Of the five, three spur lines were planned for customers in the identified clusters and the remaining two separate spur lines were intended individually for Raymonds Limited (firm R) and Atul Limited (firm A), Valsad district. The contractor laid all the five spur lines and commissioned (February to April 2007) all the spur lines except the spur line for firm A (March 2009). The Company also started transportation of gas in these four spur lines since its commissioning by entering into Gas Transmission Agreement (GTA) with gas supplying companies[*] and directly with customers[∇]. No such agreement was entered into for Atul spur line.

It was observed that the firm A did not fall in any of the three clusters for which BOD gave approval (11 May 2005) for laying spur lines. Though the Company assessed (September 2004) the demand of firm A for gas would be around 3,75,000 standard cubic metre per day, it did not initiate GTA with either firm A or any gas supplying company. Further, firm A had also not entered into any Gas Supply Agreement (GSA) with any gas supplying company. The GTA could not be finalised as Firm A wanted that the Company should also lay the additional spur line (1.5 km) inside its premises free of cost which was not agreeable to the Company. Despite this, the Company without entering into any GTA with firm A, laid a separate spur line (4 kms.) up to the premises of firm A at a cost of Rs. 2.25 crore.

Thus, the Company made an irregular and premature investment of Rs. 2.25 crore in laying spur line without approval of BoD and without ensuring any firm commitment from the customer by entering into GTA. Further, the locking up of fund of Rs. 2.25 crore led to interest loss of Rs. 40.89 lakh[⊕] over a period of 23 months (May 2007 to March 2009).

[⊗] Gujarat Industrial Development Corporation, a State Government PSU.

[∨] Excluding cost of pipes and valves which was to be supplied by the Company.

[*] For three clusters, the Company entered into GTA with GSPC and GSPC Gas Co. (both being associate companies).

[∇] For spur line to Morai cluster, one customer Alok Industries entered into separate GTA with the Company.

[⊕] Calculated at the Company's average borrowing rate of 9.5 *per cent*.

The Government/Management stated (August/September 2009) that the Company had to take certain decision involving business risk. Accordingly, the decision to lay spur line for firm A was taken by the Company's management in full knowledge of the situation/market scenario at that point of time. Further, the spur line for firm A was being transferred under the control of GSPC Gas Company Limited (GSPC Gas), one of the group companies of Gujarat State Petroleum Company Limited, engaged in distribution of gas. Hence, GSPC Gas was in touch with firm A for signing a contract.

The reply is not convincing. Investing in laying a pipeline for a specific customer without ensuring any firm commitment from the potential customer indicates that the decision lacks commercial prudence. Further, the reply does not contain any details on the terms and condition of transfer of spur line for firm A to GSPC Gas and the status of such transfer. Finally, the fact remained that the investment made in the spur line was not only irregular but also premature.

It is recommended that the Company should fix the responsibility for the lapses pointed out.

Infrastructure Finance Company Gujarat Limited

4.13 Unfruitful expenditure

The Company's failure to conduct feasibility study coupled with lack of support from GoG resulted in non raising of funds. Consequently, the Company remains dormant with an accumulated loss of Rs. 1.03 crore.

GIIC promoted (February 2000) Infrastructure Finance Company Gujarat Limited (the Company), an Asset Management Company[∀] in order to make available funds for infrastructure projects in Gujarat. The Company, in turn formed (March 2000) two trusteeship companies[#] to carry on the activities from the proposed corpus of Rs. 3,200 crore in Gujarat Infra Debt Fund (GIDF) and Rs. 1,277 crore in Gujarat Infrastructure Equity Fund (GIEF). Infrastructure Development Finance Company Limited (IDFC), Chennai and American Orient Capital Partner India Private Limited, (AOC), Mumbai were the other shareholders[^] of the Company. GoG released (November 2000/March 2001) Rs. 88.60 crore in Personal Ledger Account (PLA) of GIIC for contributing to GIEF and GIDF in the ratio of 1:3.

The Company launched the first tranche to raise Rs. 100 crore for GIDF and Rs. 80 crore for GIEF during October 2001 to February 2002. The Company, however, was not able to raise funds. In view of this, the GoG contribution towards GIDF and GIEF was also not passed on to the trusteeship companies.

∀ It is an investment Company that invests the pooled funds of retail investors in securities in line with the stated investment objectives. For a fee, the investment company provides more diversification, liquidity and professional management service than is normally available to individual investors.

\# Gujarat Infrafinance Trust Limited and Infra Invest Trust Gujarat Limited.

^ IDFC and AOC joined in the Company (October 2000) with total equity capital of Rs.2.50 crore (25 lakh shares of Rs. 10 each) GIIC, IDFC and AOC held the shares in ratio of 48:26:26 till June 2005.

The Company applied (March 2004) to Registrar of Companies for winding up of the trusteeship companies under simplified exit scheme.

As the Company was lying dormant, GoG resolved (October 2004) to create two new trust funds[⊗] to attract overseas subscription for funding infrastructure projects with the Company acting as the settler[*] of funds. However, no progress was made in this regard also. As the Company was no longer an asset management company, IDFC and AOC divested (June 2005) their holdings[∇] in the Company in favour of GIIC. During 2004-08, the Company had earned only interest income by keeping the equity capital funds in the bank deposits. The accumulated loss of the Company was Rs. 1.03 crore upto 2007-08.

It was observed in audit that the main reasons (as cited by the Company itself) for failure to raise subscription for original funds were long tenure of funds, poor response from banks to these funds being unrated investments, absence of any anchor investor for the funds, financial market etc. The reasons indicate that the Company had neither conducted any feasibility study nor obtained any expert opinion before launching the funds. Though GoG decided (November 2000) to contribute debt fund at zero *per cent* rate so as to reduce the average cost of capital for infrastructure projects and attract investment from private sector participants for the funds, later on, it decided (February 2001) to contribute to the fund at 12 *per cent* interest. Even, the GoG fund of Rs. 88.60 crore kept in PLA was also not made available at the time of launching of first tranche.

The Government/Management stated (July/August 2009) that as three financial institutions viz., GIIC, IDFC and AOC were associated with the Company for raising the funds, neither any expert opinion was obtained nor rating of the instruments was done prior to launching the first tranche. Further, it was stated that GIIC had put up a proposal to GoG for merging the Company with it.

The reply is not convincing as in the absence of feasibility study, appropriate decisions on various crucial issues for the successful launch of the first tranche should not be taken. The Government reply does not give any reason for not releasing their contribution with zero interest as envisaged. Thus, the fact remained that the Company's failure to conduct feasibility study coupled with lack of support from GoG in getting GoG contribution with zero interest led to failure of the launch and resultant non achievement of objective by the Company. The Company, thus, remained dormant and earned only interest income by keeping its equity capital in bank deposits.

It is recommended that GoG should take decision either to entrust meaningful business activity to the Company or closure of the Company itself.

[⊗] Gujarat Infrastructure Development Fund and Gujarat Charity Fund.

[*] The role of settler is to form and incorporate trust for any specified purpose and the settler can also contribute any fund to the trust being formed by him.

[∇] IDFC and AOC divested their holding of 6,50,000 shares each at Rs.5.70 per share.

Dakshin Gujarat Vij Company Limited

4.14 Non recovery of security deposit

The timely recovery of security deposit from the low tension consumers could have enabled the Company to reduce its borrowings and save the interest of Rs. 21.67 crore thereon.

Dakshin Gujarat Vij Company Limited[⊕] (the Company), is one of the licensees supplying electricity to different category of consumers in the State. Gujarat Electricity Regulatory Commission (GERC) notified (31 March 2005) that Low Tension (LT) consumers should at all times maintain with the licensee an amount equivalent to consumption charges of three months from consumers with bi-monthly billing cycle or of two months from consumer with monthly billing cycle, as the case may be, as security against any default in payment towards the electricity supplied/to be supplied to him during the period, till the agreement for supply of energy is in force. The licensee should review the adequacy of amount of security deposit (SD) once in a year based on the consumers' average consumption during last 12 months. The licensee should pay interest on SD of consumers at the Bank Rate (as on 1 April of every year) notified by Reserve Bank of India (RBI) or such higher rate as may be fixed by the GERC from time to time.

Though the notification came into effect from 31 March 2005, the Company was ready with modified software only in August 2006. During the intervening period, the Company did not have any other system. Even after introduction of software, the Company did not recover the shortfall amount of SD promptly from all consumers due to various representations received from the consumers. Had the Company taken necessary action within one year from the date of notification and started the recovery of shortfall amount of SD from May 2006, it could have avoided the borrowing to the extent of shortfall and saved the interest paid on it. Test check of ten out of 17 divisions of the Company revealed that the Company short recovered amount ranging between Rs. 158.56 crore and Rs. 200.63 crore during 2006-09 and paid interest of Rs. 21.67 crore which could have been avoided otherwise. The details are given below.

Year	Total consumers	Short Recovery		Period (months)	Differential interest rate (*per cent*)[#]	Loss of interest (Rs. in lakh)
		No. of consumers	Amount (Rs. in crore)			
2006-07	12,75,675	8,96,733	158.56	11	4	581.38
2007-08	13,84,569	9,42,027	200.63	12	4	802.51
2008-09	12,76,513	8,87,990	195.69	12	4	782.77
Total						**2166.66**

Thus, the Company could have avoided interest of Rs. 21.67 crore at the rate of 4 *per cent* during 2006-09. Besides, due to non recovery of SD, the

[⊕] Earlier Gujarat Electricity Board.

[#] Difference between interest rate on cash credit availed (10 *per cent*) and interest rate payable on the SD (6 *per cent*) to consumers as per bank rate notified by RBI for the years 2006-09.

Company's position would be precarious if the consumers make default in payment of energy bills.

The Management stated (November 2009) that initial problems after unbundling of Gujarat Electricity Board, floods in Surat, preparation of computer programme, consumers' representation were the main reasons for the non/ delay in recovery of SD. Further, it stated that the hard step relating to disconnection of defaulting consumers has not been taken since there is no clear cut provision in GERC Regulations.

The reply is not convincing as even though GERC notification came into effect from 31 March 2005, the Company took nearly 18 months (April 2005-September 2006) in initiating action for recovery by processing and issuing bills. Further lack of proper follow up even after having a specific computer programme for this, reflects adversely on the systems and procedures that have been evolved by the Company for implementation of a notification which had implications on the revenue and finance of the Company. As far as the power to disconnect the supply to defaulting consumers is concerned, the Company is already empowered to do so under Section 56(1) of The Electricity Act, 2003.

It is recommended that directions/ instructions of BoD/GERC should be implemented strictly and officials should be made accountable for any lapse in implementing the instructions.

The matter was reported to Government (August 2009); their reply had not been received (December 2009).

4.15 Avoidable extra expenditure

Deficiency in the purchase proposal led to avoidable expenditure of Rs. 49.45 lakh in purchase of cables, besides resulting in their delayed supply.

The Company invited (September 2005) tender for purchase of 90 kms of 3.5 core LT PVC 150 mm^2 cables for its annual requirement of 2005-06 with the validity period of 120 days from the date of opening the tender. The cables were required for providing power supply to Low Tension (LT) consumers. Ten bidders submitted their bids and the tenders were opened on 12 September 2005. Nine bidders were declared technically qualified.

The Company held (October 2005) negotiations with L-1 bidder i.e. Suyog Electricals Limited, Vadodara (firm S) who had quoted end cost of Rs. 2,45,827 (including 5 *per cent* sales tax) per km. During negotiations held on 27 October 2005, firm S offered two *per cent* discount on its quoted rate, provided the Company would place the order for the full quantity of 90 km. Reckoning the discount, the revised end cost worked out to Rs. 2,40,940^ (including sales tax) per km. The Company's management while recommending (November 2005) for the placement of order for the full quantity on Firm S at the end cost of Rs. 2,40,940 per km did not bring to the

^ (basic cost Rs.1,95,804 + freight charges Rs.1,564 + excise duty Rs.31,956) Rs.2,29,324 + Rs.11,466 (sales tax @ five *per cent*) + insurance Rs.150 = Rs.2,40,940.

notice of the Board of Directors (BOD) that the discount offer of Firm S was valid only if the supply order for full quantity was placed with it. BoD allotted 60 *per cent* (54 kms) to firm S and balance 40 *per cent* (36 kms) to L-2 Chandresh Cables Limited, Chatral (firm C) on the condition that firm C should match the rate of firm S. The Company placed (9 January 2006) the order on both firm S and firm C at the end cost of Rs. 2,40,940 per km for the quantity allotted. Firm S did not accept (January 2006) the order at the reduced rate as full quantity was not allotted to it. Likewise, firm C refused (January 2006) to accept the order at matching rate of firm S. The Company, therefore, reallotted (12 January 2006) the 40 *per cent* quantity of firm C to firm S. Firm S, however, did not accept this order on plea that the order was received after the validity period of the tender i.e 10 January 2006. Hence, the Company re-invited (July 2006) tender and placed (17 November 2006/17 March 2007) orders for procurement of 62.5 kms[⊗] cables on the same firm S who stood L1 with the end cost of Rs. 3,20,052 per km (including 12.5 *per cent* value added tax). The firm completed the supply in September 2007 and the Company made the full payment of Rs. 2.07 crore by October 2007.

The Company mismanaged the purchase by not informing BoD about the conditional discount offer of L1 firm while seeking approval to the purchase proposal. Resultantly, there was a delay in supply of cable by 281 days (from 10 January 2006 to 16 November 2006), and the Company had to incur avoidable extra expenditure of Rs. 49.45 lakh[∨] on purchase through retendering subsequently. The Company has no system of determining the economic (opportunity) cost of delayed supplies of critical inputs such as cables.

The Government/Management while admitting the fact about not specifically mentioning the conditional discount offer of L-1 while appraising the BoD stated (September 2009) that as per practice of distributing critical items to more than one supplier at matching price, BoD took decision to allot the quantity between two suppliers as cable was considered to be a critical item. Further, the Company does not incur any additional cost on account of delay in supply of material. The reply is not convincing as cables were critical item, the Management was required to inform BoD about the discount offer of L-1 subject to allotment of full quantity. Though the loss due to delay in procurement could not be ascertained, the Company incurred additional cost of Rs. 49.45 lakh by paying higher price for cables.

It is recommended that in future all the facts pertaining to the purchases should be presented before BoD to enable it to take decisions based on adequate and reliable facts to safeguard financial interest of the Company.

[⊗] Original order was placed for 50 kms and then repeat order clause in the Purchase order was invoked to procure further quantity of 12.5 kms.

[∨] (Rs.3,20,052 – Rs.2,40,940) = Rs.79,112 x 62.5 kms = Rs. 49,44,500.

Paschim Gujarat Vij Company Limited

4.16 Avoidable extra cost in purchase of transformers

The Company incurred an extra cost of Rs. 1.41 crore in purchase of transformers and irregularly refunded a penalty of Rs. 19.12 lakh to a supplier.

The Company decided (August 2007) to procure 2,100 CRGO* transformers of 63 KVA urgently for ensuring proper supply of power to agricultural consumers during peak season of September-October 2007. Further, it was decided to purchase the transformers from the suppliers of UGVCL∇, viz. Shilchar Electronics Limited, Vadodara⊕, and Western Transformers, Vadodara, (WT) on whom UGVCL had placed (September 2006) orders for supply of similar transformers at an end cost of Rs. 97,609 per transformer. Both the suppliers confirmed (16 August 2007) to supply the quantity at a discount of 2.3 *per cent* in view of decrease in cost of the material. The Company, without inquiring from the market about prevalent prices and without confirming from UGVCL about any further purchases, placed (21 August 2007) orders for purchase of 1,500 and 600 transformers at end cost of Rs. 95,592.63 and Rs. 95,587.63 per transformer with STL and WT respectively. In the meantime, UGVCL opened (18 August 2007) price bids of subsequent tender invited (2007-08) for purchase of similar transformers. In this tender, STL quoted lowest rate at end cost of Rs. 88,882.56 per transformer. Since the Company was placing the order with supplier of UGVCL, it should have inquired with UGVCL regarding any further purchases. In that case, the Company could have known about the tender to be opened shortly and the price quoted by STL with UGVCL before placing the order. As a result, the Company paid higher price for the transformers. Had the Company placed the order at the rate of end cost of Rs. 88,882.56 per transformer, it could have saved Rs. 1.41∀ crore.

Further, against the stipulation for completion of supply by 31 October 2007, STL asked (October 2007) for grant of extension in delivery period till 30 November 2007 citing the reasons of heavy rains and power failures during August/September 2007. But the Company did not confirm extension of delivery period. Both suppliers completed the supply by February 2008. Accordingly, the Company recovered (October 2007 to February 2008) a penalty of Rs. 35.36 lakh and Rs. 20.01 lakh from STL and WT respectively for delayed supplies beyond 31 October 2007. STL again approached (January 2008) the Company for extending the delivery period up to 30 November 2007 on the pretext that at the time of accepting the Letter of Intent (17 August 2007) itself, it had requested the Company to keep the delivery period up to 30 November 2007. The Company accepted (May 2008) the request of STL and

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* Cold rolled grain oriented anneald steel lamination.

∇ Uttar Gujarat Vij Company Limited, Mehsana, a State Government PSU engaged in power distribution.

⊕ Shilchar Electonics Limited changed to Shilchar Technologies Limited (STL).

∀ STL - 1500 (95592.63-88,882.56) = Rs.1,00,65,105 and WT – 600 (95587.63-88,882.56) = Rs. 40,23,042.

released (July 2008) part penalty of Rs. 19.12 lakh recovered for the delay up to 30 November 2007. Since the Company had not accepted the earlier requests of STL and no refund of penalty was made to WT, accepting the request of STL later on lacks justification and was irregular.

The Management stated (July 2009) that generally they would give one month time from the date of receipt of order by the supplier for commencing the supply. However, in these cases, one month time were not given as the transformers were required urgently. Hence, management considered the request of STL and released penalty recovered for the delay up to 30 November 2007. The reply is not convincing as the condition to commence the supply without any time lag was known to STL while accepting the order and reason given for refund of penalty was not justified. The Management is also silent on the issue of non communication with UGVCL about the price before placing the order with its supplier.

Thus, the Company not only incurred an extra expenditure of Rs. 1.41 crore on purchase of transformers but it also suffered a loss of Rs. 19.12 lakh by way of irregular refund of penalty.

It is recommended that the Company should device a system where it should share critical information like price offered, the supply position and the quality of the product of the vendor within the sister concerns.

The matter was reported to Government (June 2009); their reply had not been received (December 2009).

4.17 Irregular refund of penalty

The Company gave undue benefit to a supplier by irregularly refunding penalty of Rs. 36.32 lakh.

The Company placed (January 2006) order for 2,20,000 units of 11 KV Disc Insulators at a cost of Rs. 6.78 crore with Aditya Birla Insulators Limited[#], Hooghly (firm A). As per the contract, the supply was to be completed by October 2006 with a delivery schedule of 15,000-20,000 units for the first two months from the date of receipt of supply order and 30,000-40,000 units per month thereafter, failing which penalty shall be levied at 1/2 *per cent* per week subject to maximum of 10 *per cent* reckoned on the value of delayed supplies. Further, the penalty levied for delayed supply could be waived for the reasons absolutely beyond control of the supplier (*force majeure*) for which documentary evidence will have to be provided. Firm A did not supply the material within the delivery schedule and completed the entire supply by July 2007. The Company recovered (February 2006 to July 2007) penalty of Rs. 45.40 lakh for the delayed supplies in terms of the contract. Firm A, while making request (November 2006/April 2008) for extension of delivery period, attributed the delay in supply to rise in price of raw materials, difficulty in getting metal part of the disc insulators and transportation problems due to flood. The Company on the plea that no monetary loss was suffered due to

[#] Formerly known as Birla NGK Insulators Private Limited.

delay decided (May 2008) to retain token penalty of Rs. 9.08 lakh (20 *per cent*) and refunded (May 2008) remaining penalty of Rs. 36.32 lakh (80 *per cent*).

Audit observed that the problem of rise in raw material prices and difficulty in getting metal parts are normal business risks and do not fall under force majeure. Also, there were no documentary evidences to show the difficulty in transportation due to flood. Thus, the Company's decision to refund the penalty in contravention to the terms of contract resulted in undue benefit of Rs. 36.32 lakh to firm A.

The Management stated (September 2009) that delay in supply was due to natural calamity such as heavy rains in Gujarat Region in August/September 2006 which led to transportation problem affecting delivery of material. Further, the work did not suffer due to delay and there was no additional financial loss to the Company. The reply is not convincing as till July 2006, firm A had delivered only 85,000 units as against scheduled delivery of 1,50,000 units. Also, the Company has not secured its financial interest and refunded the penalty amount, which was due as per terms of purchase order without the approval of BoD.

It is recommended that Company should strictly apply the penalty provisions of the purchase order and refrain itself from using discretionary powers.

The matter was reported to Government (July 2009); the reply had not been received (December 2009).

Uttar Gujarat Vij Company Limited

4.18 Loss of revenue

The Company suffered revenue loss of Rs. 3.56 crore by not merging more than one HT connections in single premises.

Gujarat Electricity Board (GEB) instructed (October 1967 and April 1993) that more than one connection should not be released in one single premise, unless it was 'helpful to the Board'. Gujarat Electricity Regulatory Commission (GERC) vide Electricity Supply Code and Related Matters Regulations dated 31 March 2005 also stated that the distribution licensee cannot provide more than one connection/meter for one premises, unless consumer opting for second meter produces separate legal entity document such as Income Tax number/Sales Tax number, ration card and rent or lease agreement.

The Company is one of the four power distribution companies created after unbundling of erstwhile GEB. Audit observed that in following two cases, the Company released more than one High Tension (HT) connection in the same name at same premise:

Sl No.	Name of the division	Name of the consumer	Remarks
1.	O & M Division, Palanpur	Banaskantha District Milk Producers Union Limited	The Division released (May 1972 and May 1977) two connections (29002 and 29004) to the consumer, in the same premises having contract demand of 1400 KVA and 550 KVA respectively. The division released (April 2001) a third connection (29068) to the consumer having contract demand of 2000 KVA. All the three connections were in adjacent premises and having the same PAN^. The division could have amalgamated the existing connections in 2001 itself when the consumer applied for a new connection and thereby the contract demand of the consumer would have been more than 2500 KVA on which the higher rates of demand charges and energy charges were applicable. This led to revenue loss of Rs. 3.45⊗ crore.
2.	O & M Division, Gandhinagar	Nirma Education and Research Foundation	The Division released (October 1996 and March 2004) two connections (18028 and 19706) to Nirma Education and Research Foundation having contract demand of 500 KVA and 475 KVA respectively at the same premises. Contract demand of connection no. 18028 was increased (May 2007) from 500 KVA to 700 KVA. As the two connections were having the same PAN and falling in same premise, the release of second connection to the consumer was not justified. The division could have increased the contract demand of connection 18028 at the time of application for second connection. By doing so, the contract demand would have increased to 975 KVA (from March 2004) and 1175 KVA (from June 2007) and ToU charges could have been recovered. This resulted in revenue loss of Rs. 10.57˅ lakh.

Thus, Company's action to allow the consumers to have more than one connection in the same premise was against the directions of erstwhile GEB and GERC, and led to aggregate revenue loss of Rs. 3.56 crore.

The Management stated (August 2009) that in case of Palanpur division, the survey number and premises of all the three connections are different. Connection no.29004 is about 750 meters away from connection no.29002 and 29068. In case of Gandhinagar division, the block numbers of two connections are different. The premise is divided into sub premises and two connections are divided by big ground and road and therefore they are separate premises.

^ Permanent Account Number.

⊗ Rs. 1.14 crore (demand charges)+Rs. 2.31 crore (energy charges) from April 2001 to March 2009.

˅ Rs. 10.57 lakh (ToU charges) from April 2004 to March 2009.

The reply is not convincing. As per GEB and GERC stipulations, the consumer should not be allowed to have more than one connection in one premise irrespective of the distance and survey number of the units situated in the same premises.

It is recommended that the Company should streamline its internal control procedures to ensure that such connections are reviewed and corrective actions are taken immediately and also take action against defaulting officials for violation of instructions.

The matter was reported to Government (September 2009); the reply had not been received (December 2009).

Statutory corporations

Gujarat State Financial Corporation

4.19 Avoidable liability of sales tax, interest and penalty

Failure to recover sales tax from the loanees assisted under hire purchase scheme exposed the Corporation to a liability for Rs. 56.58 crore.

The Corporation extended (1995-2000) financial assistance of Rs. 174.35 crore to 197 units (loanees) in purchase of machinery/equipments (assets) under Hire Purchase (HP) scheme. Under HP scheme, the Corporation was making direct payment to supplier for asset purchased for the loanee. This amount was to be recovered with interest in 36/48 monthly instalments. As per Gujarat Sales Tax Act, 1969, hire purchase transactions are considered as 'sale' and attract sales tax (ST)[∨].

The HP agreement executed with hirer i.e., loanee, provided for recovery of ST. The Corporation, however, neither recovered the applicable ST (at the rate of 4/8 *per cent*) nor paid ST in all 197 cases where HP assistance was provided. ST department in assessment orders (November 1998/April 1999) for the year 1995-96 and 1996-97 raised demand of Rs. 26.24 crore[*] for the assistance provided under HP scheme. The Corporation's plea (December 1998) that the HP transactions were merely loan transactions and it would not attract ST was not accepted (May 2000) by ST department. The Corporation, however, reiterating the plea went in appeal (June 2000/May 2001) to ST tribunal without simultaneously going for recovery of ST on adhoc basis from the loanees.

At the instance of GoG, the Corporation withdrew (2 September 2002) the appeals made before ST Tribunal. The Corporation, on the plea of fund constraint, did not avail (April/May 2007) ST department's Samadhan Yojana,

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[∨] (a) if asset is purchased from outside the state/ imported, then the first sale made within the state (b) if the purchase is made from a registered supplier within the state or if supplier has not included the amount of ST in invoice and paid it to ST department. The Corporation was a registered (April 1995) dealer under the Act, *ibid*.

[*] Tax Rs. 8.87 crore; interest and penalty Rs. 17.37 crore.

2007 wherein it was to pay only ST amount of Rs. 13.70 crore in settlement of its total dues of Rs. 56.58 crore[▽] till March 2007.

Of the 197 assisted units, 96 units settled their dues and No Due Certificate (NDC) were issued to them. In remaining 101 units, total dues of Rs. 243.32 crore were outstanding (April 2008). In 32 out of 101 units, the Corporation issued (June 2007) notices for recovery of ST along with interest for Rs. 34.31 crore. In remaining 69 units, it was unable to issue notices as individual case files were misplaced in the absence of which vital details including loanee's supplier and his registration number were not available. No recovery was made on the notice issued to the 32 units (March 2009).

The Management stated that (August 2009) pending disposal of the appeal, if it recovered ST on adhoc basis from the loanees, it would have diluted the Corporation's stand on this issue. Further, NDC were issued to 96 units under the impression that the Corporation would not have to recover ST from loanees. After withdrawal of appeal, the Corporation was unable to issue notices for recovery of ST to remaining 69 units as the assessment order issued by ST department did not have details of the name of units, the amount of ST considered (loanee wise), etc.

The reply is not convincing since as per HP agreement, ST was to be recovered from loanee and hence if the ST was recovered on adhoc basis till disposal of the appeal, it would not have diluted the Corporation's stand on the issue. Further, the Corporation should have kept the basic details about loanees for settling any statutory dues arising out of its transactions with them. Thus, series of lapses, *viz.*, non recovery of ST from the loanees since beginning, non maintenance of records, issuing NDC to loanees without recovery of ST and non settlement of the dispute under Samadhan Yojana led the Corporation exposed with a liability of Rs. 56.58 crore.

It is recommended that the Corporation should fix responsibility for the lapses pointed in audit.

The matter was reported to Government (June 2009); the reply had not been received (December 2009).

4.20 Loss due to intimation of erroneous amount of dues to assisted units

Corporation suffered loss of Rs. 2.11 crore due to non revision of OTS amount as per stipulation approved by State Government.

The State Government approved (September 2007) 'One Time Settlement Scheme 2007' (OTS) of the Corporation for settling the defaulters' loan accounts which were considered as non performing assets (NPA). The OTS allowed for settlement of loans of Rs. 15 lakh and above but were in default. The outstanding dues of loanee units as on 1 May 2007 were to be reworked

[▽] ST Rs. 13.70 crore for 1995-2001*(plus)* Interest Rs. 25.08 crore and penalty Rs. 19.14 crore for year 1995-2007=Rs. 57.92 crore *(minus)* amount paid/recovered was Rs. 1.34 crore =Rs. 56.58 crore.

after recasting their accounts based on the benefits offered and the amount of OTS was to be determined.

The Units opting for OTS had to apply on or before 31 March 2008 along with down payment of 25 *per cent* of principal outstanding. While approving the OTS, GoG added (September 2007) a stipulation on its own that the units settling their accounts under OTS will not be entitled to get the credit of subsidy[⊕], if any, received from the State Government after their account became NPA.

The Corporation had entrusted (5 March 2007) the work of calculation of OTS amount to iNDEXTb[∀] even before the scheme was approved by BoD (28 March 2007). The Corporation, however, failed to intimate iNDEXTb about the stipulation regarding exclusion of credit of subsidy by the State Government. Resultantly, in 48 units eligible for OTS, iNDEXTb reckoned the credit for the subsidy of Rupees three crore received (1991-2007) even after their account became NPA and computed (May-December 2007) the OTS amount incorrectly as Rs. 9.79 crore instead of Rs. 15.16 crore. The Corporation intimated (December 2007) the incorrect amount to these 48 Units which had made the down payments (upto March 2008) for registering their case under OTS. The Corporation when noticed the mistake reworked (March 2008) the OTS amount as per the new stipulation in respect of 48 Units. Though nine units paid (May/June 2007) their dues of Rs. 2.56 crore as per the revised OTS amount, many of remaining units objected to hike in the OTS amount. Consequently, the remaining 39 units from whom the revised OTS amount of Rs. 12.60 crore was due, the Corporation again revised (July 2008) their OTS amount to Rs. 10.49 crore by giving the benefit of interest on subsidy received after accounts of the units become NPA. The settlement was made accordingly based on this revised OTS amount for these 39 units. The Corporation did not obtain formal approval of GoG regarding this modification of the stipulation inserted by GoG. Thus, the Corporation suffered loss of Rs. 2.11 crore[#] due to non revision of OTS as per stipulation approved by the GoG.

It is recommended that the responsibility should be fixed for not timely intimating the iNDEXTb the changes in the scheme to correctly work out the amount of OTS and also for not obtaining formal approval of GoG before giving the benefit of interest on subsidy.

The matter was reported to Government/Management (June 2009); their reply had not been received (December 2009).

⊕ To attract investments in the less industrially developed areas for generation of more employment, the State Government gives the capital investment subsidy limited to maximum of 20 *per cent* of fixed capital investment in the industrial units. The amount of this subsidy is adjusted against the dues repayable by the units for the loans availed from the Corporation.

∀ It is a State Government agency and runs a computer centre to cater to the computerisation requirements of different organisation on commercial basis.

Revised OTS amount of 39 units (Rs. 12.60 crore) – Re-revised OTS amount of 39 units (Rs. 10.49 crore).

4.21 Short recovery of dues

Due to deficiency in the OTS, the Corporation had to withdraw the sale proceedings against assets of a defaulting loanee and lost out Rs. 96 lakh.

The Corporation introduced (September 2007) OTS for settling the accounts of the loanee units (the Units) which were NPA as on 1 May 2007. The unit opting to settle its due had to apply on or before 31 March 2008 along with down payment of 25 *per cent* of principal outstanding. As per the OTS, the Corporation was to rework the outstanding dues of the Unit as on 1 May 2007 after recasting their accounts with reference to the benefits offered under OTS and the extent of repayment made by the unit. As per the OTS, if the finally arrived amount was less than 65 *per cent* of the principal amount disbursed, the Corporation will recover either 65 *per cent* of the principal amount or 65 *per cent* of total valuation of all securities available, whichever was higher as OTS amount from the Unit.

Audit observed (December 2008) that the Corporation had disbursed (December 1998 to November 1999) a loan of Rs. 3.33 crore to Makcur Laboratories Limited, Ahmadabad (firm M). The loan was repayable in quarterly installments till November 2005. Firm M, however, remained in default and its outstanding dues were Rs. 3.48 crore[^] (September 2007). The Corporation extended (14 December 2007) an offer to firm M for settlement of dues under the OTS, but firm M did not give any response. Hence, the Corporation took possession of the factory premises of firm M on 29 December 2007. As per valuation done by the approved valuer on 29 January 2008 and 02 February 2008, the combined value of premises and plant and machinery was Rs. 3.84 crore. The Corporation advertised for sale of the said property (20 January 2008) and got the highest offer of Rs. 3.46 crore. The Corporation's Regional Tender Committee (RTC) recommended (5 February 2008) for acceptance of this offer. Pending compliance of further formalities of sale, firm M applied (21 January 2008) for being included in the OTS and made the down payment on 8 February 2008, i.e. after acceptance of offer for sale of the property by RTC. In the absence of any condition in the OTS scheme to reject the application of defaulting units whose assets were already in the possession of the Corporation and the proceedings to sell such assets are also reached in an advanced stage, the Corporation had to allow (13 February 2008) firm M to settle its accounts for OTS amount of Rs. 2.50 crore (being 65 *per cent* of valuation of property). Firm M paid OTS amount in May 2008. Consequently, the Corporation lost out Rs. 0.96 crore (Rs. 3.46 crore *less* Rs. 2.50 crore) on its outstanding dues.

The Management stated (August 2009) that it considered this case under OTS as the application and down payment from firm M was received during the validity period of OTS i.e., upto 31 March 2008. Thus, the fact remains that due to the deficiency in the OTS scheme, the Corporation had to settle the dues of the firm M even after recommendation of RTC to sell the assets at higher price which was detrimental to the financial interest of the Corporation.

[^] Principal Rs. 2.74 crore and Interest Rs. 0.74 crore.

It is recommended that the Corporation should insert a provision in the OTS scheme, whereby it should reserve its right to reject the application of defaulting units whose assets are already in the possession of the Corporation and the proceedings to sell such assets are also reached in an advanced stage.

The matter was reported to Government (June 2009); their reply had not been received (December 2009).

General

4.22 Opportunity to recover money ignored

Five PSUs did not either seize the opportunity to recover their money or pursue the matters to their logical end. As a result, recovery of money amounting to Rs. 5.33 crore remains doubtful.

A review of unsettled paras from Inspection Reports (IRs) pertaining to periods upto 2003-04 showed that there were 10 paras in respect of five PSUs involving a recovery of Rs. 5.33 crore. As per clause 197 of Regulations on Audit and Accounts 2007, the PSUs are required to take remedial action within four weeks after receipt of IRs. However, no effective action were taken to take the matters to their logical end, i.e., to recover money from the concerned parties. As a result, these PSUs have so far lost the opportunity to recover their money which could have augmented their finances.

PSU wise details of paras and recovery amount are given below. The list of individual paras is given in ***Annexure 14***.

Sl. No.	PSU Name	No. of paras	Amount for Recovery (Rs. crore)
1	Gujarat Industrial Development Corporation	3	3.95
2	Gujarat State Investments Limited	1	0.25
3.	Dakshin Gujarat Vij Company Limited	2	0.41
4.	Sardar Sarovar Narmada Nigam Limited	3	0.12
5.	Gujarat Water Resources Development Corporation Limited	1	0.60
TOTAL		**10**	**5.33**

The paras mainly pertain to recovery of dues from allottees, non-recovery of bridge loan, interest for delayed remittance from banks, non execution of decrees and issue of excess advance. Above cases point out the failure of respective PSU authorities to safeguard the financial interests of PSUs. Audit observations and their repeated follow up by Audit, including bringing the pendency to the notice of the Administrative/Finance Department and PSU Management periodically have not yielded the desired results in these cases.

The PSUs should initiate immediate steps to recover the money and complete the exercise in a time bound manner.

The matter was reported to Government (August 2009); the reply was awaited (December 2009).

4.23 Lack of remedial action on audit observations

Ten PSUs did not either take remedial action or pursue the matters to their logical end in respect of 24 IR paras, resulting in foregoing the opportunity to improve their functioning.

A review of unsettled paras from Inspection Reports (IRs) pertaining to periods upto 2003-04 showed that there were 24 paras in respect of 10 PSUs, which pointed out deficiencies in the functioning of these PSUs. As per clause 197 of Regulations on Audit and Accounts, 2007, the PSUs are required to take remedial action within four weeks after receipt of IRs. However, no effective action were taken to take the matters to their logical end, i.e., to take remedial action to address these deficiencies. As a result, these PSUs have so far lost the opportunity to improve their functioning in this regard.

PSU wise details of paras are given below. The list of individual paras is given in ***Annexure 15***.

Sl. No	Name of PSU	No. of Paras
1	Gujarat State Financial Corporation	1
2	Gujarat Industrial Investment Corporation Limited	2
3	Gujarat Industrial Development Corporation	1
4	Gujarat Mineral Development Corporation Limited	1
5	Gujarat Water Infrastructure Limited	1
6	Tourism Corporation of Gujarat Limited	1
7	Alcock Ashdown (Gujarat)Ltd	1
8	Dakshin Gujarat Vij Company Limited	1
9	Paschim Gujarat Vij Company Limited	1
10.	Sardar Sarovar Narmada Nigam Limited	14
	Total	**24**

The paras mainly pertain to unfruitful investment/infructuous/avoidable expenditure, unjustified acceptance of offer under One Time Settlement Scheme, non-invocation of risk and cost clause, non-availment of rebate and payment of price escalation without approval of competent authority.

Above cases point out the failure of respective PSU authorities to address the specific deficiencies and ensure accountability of their staff. Audit observations and their repeated follow-up by Audit, including bringing the pendency to the notice of the Administrative/Finance Department and PSU management periodically, have not yielded the desired results in these cases.

The PSUs should initiate immediate steps to take remedial action on these paras and complete the exercise in a time bound manner.

The matter was reported to Government (August 2009); the reply was awaited (December 2009).

4.24 Follow-up action on Audit Reports

Outstanding action taken notes

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

Though, the Audit Reports for the year 2004-05, 2005-06 and 2006-07 were presented to the State Legislature on 24 March 2006, 30 March 2007 and 26 March 2008 respectively, 14 departments, which were commented upon, did not submit explanatory notes on nine out of 67 paragraphs/ reviews as on 30 September 2009 as indicated below.

Year of the Audit Report (Commercial)[#]	Total Paragraphs/ Reviews in the Audit Report	Number of Paragraphs/Reviews for which explanatory notes were not received
2004-05	22	2
2005-06	24	5
2006-07	21	2
Total	**67**	**9**

Department-wise analysis is given in ***Annexure 16.***

Compliance to Reports of Committee on Public Undertakings outstanding

4.24.2 The First Report of COPU of 12th Assembly was presented to the State Legislature on 19 February 2009. The Report contains 44 recommendations on 36 paragraphs and six reviews related to nine PSUs falling under five administrative departments included in the Audit Report for the years 1993-94 to 2003-04 (Commercial), Government of Gujarat. As per rule 32 of the Rules of Procedure (Internal Working) of COPU, Gujarat Legislative Assembly, the administrative departments of PSUs should submit the Action Taken Notes (ATNs) on the recommendations within a period of three months from the date of its presentation.

ATNs on 23 recommendations of seven PSUs falling under three administrative departments had not been received as on 30 September 2009.

Response to Inspection Reports, Draft Paragraphs and Reviews

4.24.3 Audit observations noticed during audit and not settled on the spot are communicated to the heads of the respective PSUs and the concerned departments of the State Government through Inspection Reports. The heads

[#] The Audit Report for the year 2007-08 was presented to the State Legislature on 28 July 2009. The explanatory notes on the paragraphs and reviews were due for submission by 27 October 2009.

of PSUs are required to furnish replies to the Inspection Reports through the respective heads of departments within a period of six weeks. Review of Inspection Reports issued up to March 2009 pertaining to 50 PSUs revealed that 1,391 paragraphs relating to 413 Inspection Reports remained outstanding as on 30 September 2009. Department-wise break-up of Inspection Reports and audit observations outstanding as on 30 September 2009 is given in ***Annexure 17.***

Similarly, draft paragraphs and reviews on the working of PSUs are forwarded to the Principal Secretary/Secretary of the Administrative Department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. Audit noticed that 13 draft paragraphs and two draft reviews forwarded to the various departments during June to September 2009 as detailed in ***Annexure 18*** had not been replied to so far (December 2009).

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 and ATNs to the recommendations of COPU as per the prescribed time schedule; (b) action to recover loss/ outstanding advances/ overpayment is taken within the prescribed time; and (c) the system of responding to audit observations is strengthened.

AHMEDABAD **(DHIREN MATHUR)**
The Accountant General
(Commercial and Receipt Audit), Gujarat

Countersigned

NEW DELHI **(VINOD RAI)**
The Comptroller and Auditor General of India

Annexure 1

Statement showing particulars of up to date paid-up capital, loans outstanding and Manpower as on 31 March 2009 in respect of Government companies and Statutory corporations

(Referred to in paragraphs 1.7)

(Figures in column 5 (a) to 6 (d)are Rupees in crore)

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up Capital*				Loans* outstanding at the close of 2008-09				Debt equity ratio for the year 2008-09 (Previous year)	Manpower (No. of employees)
				State Gover-nment	Central Gover-nment	Others	Total	State Gover-nment	Central Gover-nment	Others	Total		
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	7	8
A	**Working Government companies**												
Agriculture & Allied													
1	Gujarat Agro Industries Corporation Limited (GAICL)	Agriculture and Co-operation	5 September 1969	8.08	0.00	0.00	8.08	7.00	0.00	20.00	27.00	3.34:1 (3.34:1)	211
2	Gujarat State Seeds Corporation Limited (GSSCL)	Agriculture and Co-operation	16 April 1975	3.25	0.18	0.00	3.43	0.00	0.00	0.00	0.00	0.000	207
3	Gujarat State Land Development Corporation Limited (GSLDCL)	Agriculture and Co-operation	28 March 1978	5.88	0.00	0.00	5.88	17.16	0.00	0.00	17.16	2.92:1	974
4	Gujarat Sheep and Wool Development Corporation Limited (GSWDCL)	Agriculture and Co-operation	10 September 1979	2.28	1.89	0.14	4.31	0.00	0.00	0.00	0.00	0.00:1 (2.92:1)	247
Sector wise Total				**19.49**	**2.07**	**0.14**	**21.70**	**24.16**	**0.00**	**20.00**	**44.16**	**2.03:1 (2.03:1)**	**1639**
Finance													
5	Gujarat Industrial Investment Corporation Limited (GIICL)	Industries and Mines	12 August 1968	256.98	0.00	0.00	256.98	1.61	0.00	0.58	2.19	0.01:1 (0.10:1)	111
6	Gujarat State Handloom and Handicrafts Development Corporation Limited (GSHHDCL)	Industries and Mines	10 August 1973	10.23	1.81	0.02	12.06	15.89	2.70	0.00	18.59	1.54:1 (1.55:1)	198
7	Gujarat State Investments Limited (GSIL)	Finance	29 January 1988	442.77	0.00	0.00	442.77	0.43	0.00	0.00	0.43	0.001:1 (0.001:1)	3
8	Gujarat Women Economic Development Corporation Limited (GWEDCL)	Women and Child Development	16 August 1988	5.32	1.70	0.00	7.02	0.00	0.18	0.00	0.18	0.03:1 (0.03:1)	32

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up Capital*				Loans** outstanding at the close of 2008-09				Debt equity ratio for the year 2008-09 (Previous year)	Manpower (No. of employees)
				State Gover-nment	Central Gover-nment	Others	Total	State Gover-nment	Central Gover-nment	Others	Total		
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	7	8
9	Gujarat State Financial Services Limited (GSFSL)	Finance	20 November 1992	36.28	0.00	0.00	36.28	0.00	0.00	0.00	0.00	0.00	16
10	GSFS Capital and Securities Limited (GSFS -CSL)	Finance	3 March 1998	0.00	0.00	5.00	5.00	0.00	0.00	0.00	0.00	0.00	1
11	Gujarat Minorities Finance and Development Corporation Limited (GMFDCL)	Social Justice and Empowerment	24 September 1999	8.40	0.00	0.00	8.40	7.33	0.00	28.71	36.04	4.29:1 (7.10:1)	21
12	Infrastructure Finance Company Gujarat limited (IFCGL)	Finance	3 February 2000	0.00	0.00	2.50	2.50	0.00	0.00	0.00	0.00	0.00	0
13	Gujarat Gopalak Development Corporation Limited (GGDCL)	Social Justice and Empowerment	18 May 2001	2.60	0.00	0.00	2.60	0.00	0.00	5.82	5.82	2.24:1 (1.55:1)	8
14	Gujarat Safai Kamdar Vikas Nigam Limited (GSKVNL)	Social Justice and Empowerment	24 October 2001	4.00	0.00	0.00	4.00	5.36	0.00	35.15	40.51	10.13:1 (13.23:1)	15
15	Gujarat Thakor and Koli Vikas Nigam (GTKVN)	Social Justice and Empowerment	19 September 2003	1.60	0.00	Rs. 700 Only	1.60	0.90	0.00	5.60	6.50	4.06:1 (2.08:1)	3
Sector wise Total				**768.18**	**3.51**	**7.52**	**779.21**	**31.52**	**2.88**	**75.86**	**110.26**	**0.14:1 (0.15:1)**	**408**
Infrastructure													
16	Gujarat State Rural Development Corporation Limited (GS Rural DCL)	Panchayat Rural Housing and Rural Development	7 July 1977	0.58	0.00	0.00	0.58	0.00	0.00	0.00	0.00	0.000	168
17	Gujarat Ports Infrastructure and Development Company Limited (GPIDCL)	Ports and Transport	27 August 1982	0.00	0.00	18.00	18.00	0.00	0.00	0.00	0.00	0.00	6
18	Gujarat State Police Housing Corporation Limited (GSPHCL)	Home	1 November 1988	50.00	0.00	0.00	50.00	0.00	0.00	0.00	0.00	0.000	243

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up Capital*				Loans** outstanding at the close of 2008-09				Debt equity ratio for the year 2008-09 (Previous year)	Manpower (No. of employees)
				State Gover-nment	Central Gover-nment	Others	Total	State Gover-nment	Central Gover-nment	Others	Total		
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	7	8
19	Gujarat Growth Centres Development Corporation Limited (GGCDCL)	Industries and Mines	11 December 1992	15.00	21.35	0.00	36.35	0.00	0.00	0.00	0.00	0.000	#
20	Gujarat State Road Development Corporation Limited (GS Road DCL)	Roads and Building	12 May 1999	6.00	0.00		6.00	0.02	0.00	3.14	3.16	0.63:1 (0.53:1)	32
21	Gujarat Urban Development Company Limited (GUDCL)	Urban Development and Urban Housing	27 May 1999	21.23	0.00	0.00	21.23	0.00	0.00	0.00	0.00	0.000	39
22	Gujarat Industrial Corridor Corporation Limited (GICCL)	Industries and Mines	30 March 2009	10.00	0.00		10.00	0.00	0.00	0.00	0.00	0.000	0
Sector wise Total				**102.81**	**21.35**	**18.00**	**142.16**	**0.02**	**0.00**	**3.14**	**3.16**	**0.02:1 (0.023:1)**	**488**
Manufacture													
23	Gujarat State Fertilizers and Chemicals Limited (GSFCL)	Energy and Petrochemicals	15 February 1962	30.66	0.00	49.04	79.70	0.00	0.00	0.00	0.00	0.000	4,125
24	Gujarat Mineral Development Corporation Limited ## (GMDCL)	Industries and Mines	15 May 1963	47.06	0.00	16.54	63.60	0.00	0.00	478.57	478.57	7.52:1 (14.60:1)	2,565
25	Gujarat State Petroleum Corporation Limited (GSPCL) ##	Energy and Petrochemicals	29 January 1978	200.72	0.00	10.50	211.22	0.00	0.00	2,842.88	2,842.88	13.46:1	285
26	Alcock Ashdown (Gujarat) Limited (AAL)	Industries and Mines	5 September 1994	15.50	0.00	35.50	51.00	50.00	0.00	0.00	50.00	0.98:1	197
27	GSPC (JPDA) Limited (GSPC -JPDA)	Energy and Petrochemicals	13 October 2006	0.00	0.00	32.27	32.27	0.00	0.00	0.00	0.00	0.00	0
28	GSPC LNG Limited (GSPC-LNG)	Energy and Petrochemicals	27 February 2007	0.00	0.00	5.05	5.05	0.00	0.00	0.00	0.00	0.00:1 (7.06:1)	6
Sector wise Total				**293.94**	**0.00**	**148.90**	**442.84**	**50.00**	**0.00**	**3,321.45**	**3,371.45**	**7.61:1 (4.45:1)**	**7,178**
Power													
29	Gujarat Power Corporation Limited (GPCL)	Energy and Petrochemicals	28 June 1990	200.27	0.00	19.30	219.57	0.00	0.00	0.00	0.00	0.00	28
30	Gujarat State Electricity Corporation Limited(GSECL)	Energy and Petrochemicals	12 August 1993	0.00	0.00	1,212.54	1,212.54	0.00	0.00	0.00	0.00	0.00	9,563

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up Capital*				Loans** outstanding at the close of 2008-09				Debt equity ratio for the year 2008-09 (Previous year)	Manpower (No. of employees)
				State Gover-nment	Central Gover-nment	Others	Total	State Gover-nment	Central Gover-nment	Others	Total		
1	**2**	**3**	**4**	**5 (a)**	**5 (b)**	**5 (c)**	**5 (d)**	**6 (a)**	**6 (b)**	**6 (c)**	**6 (d)**	**7**	**8**
31	Gujarat State Energy Generation Limited (GSEGL)	Energy and Petrochemicals	13 December 1998	0.00	0.00	239.65	239.65	0.00	0.00	283.31	283.31	1.18	15
32	Gujarat Energy Transmission Corporation Limited (GETCL)	Energy and Petrochemicals	19 May 1999	0.00	0.00	1,557.52	1,557.52	0.00	0.00	0.00	0.00	0.00:1 (0.55:1)	12,177
33	Dakshin Gujarat Vij Company Limited (DGVCL)	Energy and Petrochemicals	15 September 2003	0.00	0.00	516.41	516.41	0.00	4.60	280.01	284.61	0.55:1 (1.23:1)	4,654
34	Madhya Gujarat Vij Company Limited (MGVCL)	Energy and Petrochemicals	15 September 2003	0.00	0.00	443.57	443.57	0.00	0.00	262.10	262.10	0.59:1 (1.08:1)	5,120
35	Paschim Gujarat Vij Company Limited (PGVCL)	Energy and Petrochemicals	15 September 2003	0.00	0.00	462.90	462.90	283.14	206.98	171.37	661.49	1.43:1 (0.97:1)	11,931
36	Uttar Gujarat Vij Company Limited (UGVCL)	Energy and Petrochemicals	15 September 2003	0.00	0.00	237.15	237.15	89.15	0.00	373.00	462.15	1.95:1 (1.21:1)	7,104
37	Gujarat Urja Vikas Nigam Limited (GUVNL)	Energy and Petrochemicals	22 December 2004	3,317.37	0.00	0.00	3,317.37	377.53	0.00	201.97	579.50	0.18:1 (0.23:1)	310
38	GSPC Pipavav Power Company Limited (GSPC-PPCL)	Energy and Petrochemicals	22 February 2006			41.89	41.89	0.00	0.00	207.55	207.55	5.00:1 (5.29:1)	15
39	Bhavnagar Energy Company Limited (BECL)	Energy and Petrochemicals	26 July 2007	0.00	0.00	25.00	25.00	0.00	0.00	0.00	0.00	0.00	9
Sector wise Total				**3,517.64**	**0.00**	**4,755.93**	**8,273.57**	**749.82**	**211.58**	**1,779.31**	**2,740.71**	**0.33:1 (0.72:1)**	**50,926**
Service													
40	Tourism Corporation of Gujarat Limited (TCGL)	Industries and Mines	10 June 1975	20.00	0.00	0.00	20.00	0.00	0.00	0.00	0.00	0.00	363
41	Gujarat Industrial and Technical Consultancy Limited (GITCL)	Industries and Mines	8 December 1978	0.00	0.00	0.20	0.20	0.00	0.00	0.00	0.00	0.00	36

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up Capital*				Loans** outstanding at the close of 2008-09				Debt equity ratio for the year 2008-09 (Previous year)	Manpower (No. of employees)
				State Gover-nment	Central Gover-nment	Others	Total	State Gover-nment	Central Gover-nment	Others	Total		
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	7	8
42	Gujarat State Civil Supplies Corporation Limited (GSCSCL)	Food and Civil Supplies	26 September 1980	10.00	0.00	0.00	10.00	0.00	0.00	0.00	0.00	0.00	1,764
43	Gujarat State Petronet Limited (GSPL)	Energy and Petrochemicals	23 December 1998	0.00	0.00	562.12	562.12	0.00	0.00	1,106.95	1,106.95	1.97:1	150
44	Gujarat Informatics Limited (GIL)	Science and Technology	19 February 1999	17.06	0.00	1.45	18.51	10.88	0.00	0.00	10.88	0.59:1 (0.61:1)	51
45	GSPC Gas Company Limited (GSPC-GCL)	Energy and Petrochemicals	11 March 1999	0.00	0.00	69.21	69.21	0.00	0.00	281.17	281.17	4.75:1 (2.36:1)	143
46	Guj- Infopetro Limited (GIL)	Science and Technology	15 January 2001	0.00	0.00	2.69	2.69	0.00	0.00	0.00	0.00	0.00	46
47	Gujarat Foundation for Mental health and Allied Sciences (GFMHAS) ^	Health and family welfare	29 April 2003	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0
48	Dahej SEZ Limited (DSL)	Industries and Mines	21 September 2004	0.00	0.00	0.05	0.05	0.00	0.00	0.00	0.00	0.00	6
49	Gujarat Water Resources Development Corporation Limited (GWRDCL)	Narmada, Water Resources, Water Supply and Kalpsar	3 May 1971	31.49	0.00	0.00	31.49	0.00	0.00	0.00	0.00	0.00	3,577
50	Gujarat State Forest Development Corporation Limited (GSFDCL)	Forest and Environment	20 August 1976	3.93	2.39	0.00	6.32	0.00	0.00	0.00	0.00	0.00	236
Sector wise Total				**47.06**	**0.00**	**635.72**	**682.78**	**10.88**	**0.00**	**1,388.12**	**1,399.00**	**2.05:1 (0.23:1)**	**2,559**
Miscellaneous													
51	Gujarat Rural Industries Marketing Corporation Limited (GRIMCL)	Industries and Mines	16 May 1979	9.17	0.00	0.00	9.17	0.00	0.00	0.00	0.00	0.00:1 (0.35:1)	75
52	Sardar Sarovar Narmada Nigam Limited (SSNNL)	Narmada, Water Resources, Water Supply and Kalpsar	24 March 1988	23,719.21	0.00	0.00	23,719.21	0.00	0.00	3,030.46	3,030.46	0.13:1 (0.49:1)	5,242

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up Capital*				Loans** outstanding at the close of 2008-09				Debt equity ratio for the year 2008-09 (Previous year)	Manpower (No. of employees)
				State Gover-nment	Central Gover-nment	Others	Total	State Gover-nment	Central Gover-nment	Others	Total		
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	7	8
53	Gujarat Water Infrastructure Limited (GWIL)	Narmada, Water Resources, Water Supply and Kalpsar	25 October 1999	99.92	0.00	0.00	99.92	0.00	0.00	81.20	81.20	0.82:1 (1.03:1)	63
Sector wise Total				**23,863.72**	**2.39**	**0.00**	**23,866.11**	**0.00**	**0.00**	**3,111.66**	**3,111.66**	**0.13:1 (0.49:1)**	**9,193**
Total A (All sector wise working Government companies)				**28,612.84**	**29.32**	**5,566.21**	**34,208.37**	**866.40**	**214.46**	**9,699.54**	**10,780.40**	**0.32:1 (0.58:1)**	**72,391**
B Working Statutory corporations													
Agriculture & Allied													
1	Gujarat State Warehousing Corporation (GSWC)	Agriculture and Co-operation	05 December 1960	2.00	0.00	2.00	4.00	0.00	0.00	0.00	0.00	0.000	161
Sector wise Total				**2.00**	**0.00**	**2.00**	**4.00**	**0.00**	**0.00**	**0.00**	**0.00**		**161**
	Finance												
2	Gujarat State Financial Corporation (GSFC)	Industries and Mines	1 May 1960	49.09	0.00	40.02	89.11	592.17	0.00	109.77	701.94	7.88:1 (8.72:1)	210
Sector wise Total				**49.09**	**0.00**	**40.02**	**89.11**	**592.17**	**0.00**	**109.77**	**701.94**	**7.88:1 (8.72:1)**	**210**
Infrastructure													
3	Gujarat Industrial Development Corporation (GIDC)	Industries and Mines	04 August 1962	0.00	0.00	0.00	0.00	2.54	0.00	1.61	4.15		1,728
Sector wise Total				**0.00**	**0.00**	**0.00**	**0.00**	**2.54**	**0.00**	**1.61**	**4.15**		**1,728**
4	Gujarat State Road Transport Corporation (GSRTC)	Ports and Transport	01 May 1960	583.06	106.28	0.00	689.34	850.28	0.00	0.00	850.28	1.23:1 (1.05:1)	41,667
Sector wise Total				**583.06**	**106.28**	**0.00**	**689.34**	**850.28**	**0.00**	**0.00**	**850.28**	**1.23:1 (1.05:1)**	**41,667**
Total B (All sector wise working Statutory corporations)				**634.15**	**106.28**	**42.02**	**782.45**	**1,444.99**	**0.00**	**111.38**	**1,556.37**	**1.99:1 (1.94:1)**	**43,766**
Grand Total (A + B)				**29,246.99**	**135.60**	**5,608.23**	**34,990.82**	**2,311.39**	**214.46**	**9,810.92**	**12,336.77**	**0.35:1 (0.61:1)**	**1,16,157**

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up Capital*				Loans** outstanding at the close of 2008-09				Debt equity ratio for the year 2008-09 (Previous year)	Manpower (No. of employees)
				State Gover-nment	Central Gover-nment	Others	Total	State Gover-nment	Central Gover-nment	Others	Total		
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	7	8
C Non working Government companies													
Agriculture & Allied													
1	Gujarat Fisheries Development Corporation Limited (b) (GFDCL)	Agriculture and Co-operation	17 December 1971	1.94	0.00	0.00	1.94	2.29	0.00	0.00	2.29	1.18:1 (1.18:1)	0
2	Gujarat Dairy Development Corporation Limited (GDDCL)	Agriculture and Co-operation	29 March 1973	10.46	0.00	0.00	10.46	53.77	0.00	20.00	73.77	7.05:1 (6.99:1)	8
Sector wise Total				**12.40**	**0.00**	**0.00**	**12.40**	**56.06**	**0.00**	**20.00**	**76.06**	**6.13:1 (6.13:1)**	**8**
Finance													
3	Gujarat Small Industries Corporation Limited (GSICL) (under liquidation)	Industries and Mines	26 March 1962	3.79	0.00	0.21	4.00	8.65	0.00	14.42	23.07	5.77:1 (5.77:1)	6
4	Gujarat Leather Industries Limited (GLIL) (under liquidation)	Industries and Mines	18 April 1978	0.00	0.00	1.50	1.50	2.06	0.00	0.00	2.06	0.00:1 (1.37:1)	0
Sector wise Total				**3.79**	**0.00**	**1.71**	**5.50**	**10.71**	**0.00**	**14.42**	**25.13**	**4.57:1**	**6**
Infrastructure													
5	Gujarat State Construction Corporation Limited (GSCCL)	Roads and Buildings	16 December 1974	5.00	0.00	0.00	5.00	9.26	0.00	0.00	9.26	1.85:1 (1.85:1)	3
6	Gujarat National Highways Limited (GNHL)	Roads and Buildings	08 July 1997	10.00	6.00	0.00	16.00	0.00	0.00	0.00	0.00	0.00	0
Sector wise Total				**15.00**	**6.00**	**0.00**	**21.00**	**9.26**	**0.00**	**0.00**	**9.26**	**0.44:1 (0.44:1)**	**3**
7	Gujarat State Textile Corporation Limited (GSTCL) (under liquidation) (b)	Industries and Mines	30 November 1968	46.46			46.46	587.88		0.67	588.55	12.67:1 (12.67:1)	0
8	Gujarat State Machine Tools Limited (GSMTL)	Industries and Mines	15 February 1974	0.00	0.00	0.53	0.53	0.00	0.00	2.39	2.39	4.60:1	0

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up Capital*				Loans** outstanding at the close of 2008-09				Debt equity ratio for the year 2008-09 (Previous year)	Manpower (No. of employees)
				State Gover-nment	Central Gover-nment	Others	Total	State Gover-nment	Central Gover-nment	Others	Total		
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	7	8
10	Gujarat Trans-Receivers Limited (GTRL)	Industries and Mines	26 March 1981	0.00	0.00	0.29	0.29	0.00	0.00	0.55	0.55	1.90:1 (1.89:1)	0
Manufacturing													
11	Gujarat Fintex Limited (GFL) (under liquidation, subsidiary of GSTC) (b)	Industries and Mines	20 September 1992	0.00	0.00	Rs.200 Only	Rs.200 Only	0.00	0.00	0.01	0.01	0.00	0
12	Gujarat Siltex Limited (GSL) (under liquidation, subsidiary of GSTC) (b)	Industries and Mines	20 September 1992	0.00	0.00	Rs.200 Only	Rs.200 Only	0.00	0.00	0.01	0.01	0.00	0
13	Gujarat Texfab Limited (GTL) (b)	Industries and Mines	20 September 1992	0.00	0.00	Rs.200 Only	Rs.200 Only	0.00	0.00	0.01	0.01	0.00	0
Sector wise Total				**58.91**	**0.00**	**0.82**	**59.73**	**588.78**	**0.00**	**12.33**	**601.11**	**10.07:1 (10.07:1)**	**0**
Total C (All sector wise non working Government companies)				**90.10**	**6.00**	**2.53**	**98.63**	**664.81**	**0.00**	**46.75**	**711.56**	**7.22:1 (7.21:1)**	**17**
Grand Total (A + B + C) All PSUs				**29,337.09**	**141.60**	**5,610.76**	**35,089.45**	**2,976.20**	**214.46**	**9,857.67**	**13,048.33**	**0.37:1 (0.64:1)**	**1,16,174**

Except in respect of PSUs which finalised their accounts for 2008-09 (Sl.No. A-1, A-6, A-10, A12, A-13, A-20, A-21, A-22, A-23, A-28, A-29, A-37, A-38, A-40, A-42, A-43, A45, A-46, A-47, A-49, A-51, A-53 , C-2 and C-14 figures are provisional and as given by the PSUs.

** Loans outstanding at the close of 2008-09 represent long-term loans only.

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

Employees transferred to GIDC w.e.f. 1 April 2009.

Bonus share issued during the year by the Company in the ratio of 1:1.

Above includes Section 619-B companies at Sr. No. A-17, A-23, A-26, A-31,A-39, A-41, A-43, A-46, A-48, C-4 and C-8.

$ Paid-up capital includes share application money.

Annexure 2

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

(Referred to in paragraphs 1.15 and 1.66)

(Figures in columns 5(a) to 11 are Rupees in crore)

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit / Loss (-)				Turnover	Impact of Accounts Comme-nts#	Paid up Capital	Accumulated Profit / Loss (-)	Capital employed @	Return on capital employed$	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depreci-ation	Net Profit/ Loss							
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6	7	8	9	10	11	12
A Working Government companies														
Agriculture & Allied														
1	GAICL	2008-09	2009-10	3.33	0.24	0.15	2.94	271.70	--	8.08	1.39	36.52	3.18	8.71
2	GSSCL	2007-08	2008-09	14.86	0.00	0.23	14.63	91.96	--	3.43	36.81	38.89	14.63	37.62
3	GSLDCL	2006-07	2008-09	5.73	2.04	0.14	3.55	223.25	-0.09	5.88	(-) 98.40	(-) 75.92	5.59	--
4	GSWDCL	2005-06	2006-07	(-) 0.02	0.00	0.05	(-) 0.07	1.77	--	4.31	(-) 0.89	4.35	(-) 0.07	--
Sector wise Total				**23.90**	**2.28**	**0.57**	**21.05**	**588.68**	**(-) 0.09**	**21.70**	**(-) 61.09**	**3.84**	**23.33**	**1.65**
Finance														
5	GIICL	2006-07	2008-09	35.70	0.00	0.38	35.32	53.72	--	256.98	(-) 215.24	31,382.15	35.32	0.11
6	GSHHDCL	2006-07	2008-09	0.13	1.18	0.01	(-) 1.06	10.47	--	12.06	(-) 46.91	(-) 15.98	0.12	--
7	GSIL	2008-09	2009-10	36.23	0.00	0.01	36.22	0.00	--	442.77	0.18	443.05	36.22	8.18
8	GWEDCL	2006-07	2009-10	0.00	0.00	0.00	0.00	0.00	--	7.02	$	9.00	0.00	0.00
9	GSFSL	2008-09	2009-10	643.43	542.80	0.13	100.50	677.59	--	36.28	158.70	5,321.59	643.30	12.09
10	GSFS-CSL	2008-09	2009-10	0.90	0.00	0.02	0.88	1.04	--	5.00	6.54	11.33	0.88	7.77
11	GMFDCL	2007-08	2008-09	(-) 1.86	1.29	0.04	(-) 3.19	3.11	--	4.75	(-) 7.14	29.93	(-) 1.90	--
12	IFCGL	2007-08	2009-10	0.10	0.00	0.00	0.10	0.00	--	2.50	(-) 1.03	7.43	0.10	1.35
13	GGDCL	2007-08	2008-09	0.16	0.01	0.00	0.15	0.13	--	1.85	0.36	6.97	0.16	2.30
14	GSKVNL	2007-08	2008-09	1.95	0.55	0.01	1.39	0.00	--	2.50	3.59	38.70	1.94	5.01
15	GTKVN	2008-09	2009-10	3.05	0.01	0.00	3.04	0.00	(-) 0.05	1.60	0.83	134.19	3.05	2.27
Sector wise Total				**719.79**	**545.84**	**0.60**	**173.35**	**746.06**	**(-) 0.05**	**773.31**	**(-)100.12**	**37,368.35**	**719.19**	**1.92**

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit / Loss (-)				Turnover	Impact of Accounts Comme-nts#	Paid up Capital	Accumulated Profit / Loss (-)	Capital employed @	Return on capital employed$	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depreci-ation	Net Profit/ Loss							
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6	7	8	9	10	11	12
Infrastructure														
16	GS Rural DCL	2008-09	2009-10	(-) 1.23	0.00	0.00	(-) 1.23	1.22	--	0.58	(-) 2.98	(-) 1.74	(-) 1.23	0.00
17	GPIDCL	2008-09	2009-10	1.28	0.00	0.01	1.27	0.00	--	18.00	1.64	19.62	1.27	6.47
18	GSPHCL	2007-08	2009-10	##	0.00	0.00	0.00	0.00	--	50.00		110.88	##	--
19	GGCDCL	2005-06	2006-07	0.87	0.00	0.60	0.27	1.17	--	36.35	-0.13	36.33	0.27	0.74
20	GS Road DCL	2007-08	2008-09	1.95	0.00	0.00	1.95	3.29	--	6.00	2.67	(-) 51.32	1.95	--
21	GUDCL	2008-09	2009-10	1.71	0.00	0.00	1.71	1.54	--	21.23	5.24	23.60	1.71	7.25
22	GICCL	###					0.00		--	10.00			0.00	0.00
Sector wise Total				**4.58**	**0.00**	**0.61**	**3.97**	**7.22**	**0.00**	**142.16**	**6.44**	**137.37**	**3.97**	**2.89**
Manufacture														
23	GSFCL	2008-09	2009-10	921.39	39.17	143.04	739.18	6,019.19	9.20	79.70	47.76	1,821.01	778.35	42.74
24	GMDCL	2008-09	2009-10	501.59	53.91	77.78	369.90	977.67	--	63.60	129.40	1,857.36	423.81	22.82
25	GSPCL	2007-08	2008-09	851.51	94.04	129.47	628.00	4,117.49	(-) 26.27	105.61	905.37	3,671.19	722.04	19.67
26	AAGL	2007-08	2008-09	17.59	13.90	1.17	2.52	66.11	--	51.00	13.91	114.79	16.42	14.30
27	GSPC-JPD`A	2007-08	2008-09	0.00	0.00	0.00	0.00	0.00	--	1.40	**	0.00	0.00	
28	GSPC- LNG	2007-08	2008-09	0.01	0.00	0.00	0.01	**	--	2.05	0.02	2.02	0.01	0.50
Sector wise Total				**2,292.09**	**201.02**	**351.46**	**1,739.61**	**11,180.46**	**(-) 17.07**	**303.36**	**1,096.46**	**7,466.37**	**1,940.63**	**25.99**
Power														
29	GPCL	2008-09	2009-10	27.48	0.00	0.12	27.36	30.76	--	219.57	326.85	355.77	27.36	7.69
30	GSECL	2007-08	2008-09	626.43	280.44	277.64	68.35	6,204.74	(-) 23.56	1,212.54	409.78	6,036.23	348.79	5.78
31	GSEGL	2008-09	2009-10	56.48	20.20	26.92	9.36	264.24	--	219.65	35.30	1.36	29.56	2,173.53
32	GETCL	2007-08	2008-09	412.04	198.10	174.97	38.97	761.86	--	1,557.52	88.68	4,080.68	237.07	5.81
33	DGVCL	2007-08	2008-09	139.89	73.29	64.58	2.02	3,324.59	--	516.41	31.87	1,261.93	75.31	5.97
34	MGVCL	2007-08	2008-09	122.18	59.54	59.13	3.51	1,880.72	--	443.57	36.78	1,102.61	63.05	5.72
35	PGVCL	2007-08	2008-09	280.96	135.46	143.34	2.16	3,782.25	--	462.90	45.44	3,276.74	137.62	4.20

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit / Loss (-)				Turnover	Impact of Accounts Comme-nts#	Paid up Capital	Accumulated Profit / Loss (-)	Capital employed@	Return on capital employed $	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depreci-ation	Net Profit/ Loss							
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6	7	8	9	10	11	12
36	UGVCL	2008-09	2009-10	220.41	111.49	101.43	7.49	3,589.37	--	237.15	25.55	1,893.14	118.98	6.28
37	GUVNL	2007-08	2008-09	130.52	116.51	8.62	5.39	14,013.92	(22.64)	3,317.37	(-) 624.24	5,725.99	121.90	2.13
38	GSPC-PPCL	2007-08	2008-09	**	**	**	0.00	**	--	36.89	**	250.79		**
39	BECL	2007-08	2008-09	0.00	0.00	0.00	0.00	0.00	--	1.55	0.00	717.73	0.00	0.00
Sector wise Total				**2,016.39**	**995.03**	**856.75**	**164.61**	**33,852.45**	**(-) 46.20**	**8,611.69**	**376.01**	**24,702.97**	**1,159.64**	**4.69**
Service														
40	TCGL	2007-08	2008-09	23.45	0.01	0.80	22.64	4.94	--	20.00	(-) 5.81	48.97	22.65	46.25
41	GITCL	2008-09	2009-10	0.10	0.00	0.02	0.08	1.82	--	0.20	0.15	0.20	0.08	40.00
42	GSCSCL	2008-09	2009-10	4.20	1.71	1.09	1.40	1,098.35	(-) 0.24	10.00	1.92	46.36	3.11	6.71
43	GSPL	2008-09	2009-10	294.15	85.33	17.05	191.77	487.50	--	562.12	248.42	2,441.61	277.10	11.35
44	GIL	2008-09	2009-10	8.93	2.44	0.07	6.42	10.71	--	18.51	14.94	32.38	8.86	27.36
45	GSPC-GCL	2008-09	2009-10	150.26	16.92	13.09	120.25	85.17	--	69.21	98.35	524.38	137.17	26.16
46	GIPL	2008-09	2009-10	3.10	0.81	0.22	2.07			0.05	6.71	6.56	2.88	43.90
47	GFMHAS						0.00					0.00	0.00	0.00
48	DSL*	2004-05	2009-10	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00
Sector wise Total				**484.19**	**107.22**	**32.34**	**344.63**	**1688.49**	**(-) 0.24**	**680.09**	**364.68**	**3,100.46**	**451.85**	**14.57**
Miscellaneous														
49	GWRDCL	2007-08	2008-09	8.50	0.00	5.82	2.68	65.93		31.49	(-)24.20	210.42	2.68	1.27
50	GSFDCL	2008-09	2009-10	1.76	0.00	0.23	1.53	24.86		6.32	18.08	32.21	1.53	4.75
51	GRIMCL	2006-07	2007-08	0.90	0.36	0.17	0.37	16.04		9.17	0.10	13.71	0.73	5.32
52	SSNNL	2008-09	2009-10		0.00	0.00	0.00	0.00		23,719.21	0.00	32,856.16	0.00	-
53	GWIL	2008-09	2009-10	58.45	8.22	42.48	7.75	145.98		99.92	(-) 10.15	557.44	15.97	2.86
Sector wise Total				**69.61**	**8.58**	**48.70**	**12.33**	**252.81**	**0.00**	**23,866.11**	**(-) 16.17**	**33,669.94**	**20.91**	**0.06**
Total A (All sector wise working Government companies)				**5,610.55**	**1,859.97**	**1,291.03**	**2,459.55**	**48,316.17**	**(-) 63.65**	**34,398.42**	**1,666.21**	**10,6449.30**	**4,319.52**	**4.06**

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit / Loss (-)				Turnover	Impact of Accounts Comme-nts#	Paid up Capital	Accumulated Profit / Loss (-)	Capital employed@	Return on capital employed $	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depreci-ation	Net Profit/ Loss							
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6	7	8	9	10	11	12
B Working Statutory corporations														
Agriculture & Allied														
1	GSWC	2007-08	2008-09	(-) 0.19	0.00	0.20	(-) 0.39	2.56		4.00	1.33	46.27	(-) 0.39	--
Sector wise Total				**(-) 0.19**	**0.00**	**0.20**	**(-) 0.39**	**2.56**		**4.00**	**1.33**	**46.27**	**(-) 0.39**	--
Finance														
2	GSFC	2007-08	2008-09	3.83	112.55	0.41	(-) 109.13	67.89	(-) 21.76	89.11	(-)1,301.27	1,332.20	3.42	0.26
Sector wise Total				**3.83**	**112.55**	**0.41**	**(-)109.13**	**67.89**	**(-) 21.76**	**89.11**	**(-) 1301.27**	**1,332.20**	**3.42**	**0.26**
Infrastructure														
3	GIDC	2007-08	2008-09	148.09	0.42	26.71	120.96	290.77	(-) 11.11	0.00	389.12	2,656.90	121.38	4.57
Sector wise Total				**148.09**	**0.42**	**26.71**	**120.96**	**290.77**	**(-) 11.11**	**0.00**	**389.12**	**2,656.90**	**121.38**	**4.57**
Service														
4	GSRTC	2006-07	2007-08	25.31	44.33	47.08	(-) 66.10	1,612.09		689.34	1,420.72	607.96	(-) 21.77	--
Sector wise Total				**25.31**	**44.33**	**47.08**	**(-) 66.10**	**1,612.09**		**689.34**	**1,420.72**	**607.96**	**(-) 21.77**	--
Total B (All sector wise working Statutory corporations)				**177.04**	**157.30**	**74.40**	**(-) 54.66**	**1,973.31**	**(-) 32.87**	**782.45**	**509.90**	**4643.33**	**102.64**	**2.21**
Grand Total (A + B)				**5,787.59**	**2,017.27**	**1,365.43**	**2,404.89**	**50,289.48**	**(-) 96.52**	**35,180.87**	**2,176.11**	**1,11,092.63**	**4,422.16**	**3.98**
C Non working Government companies														
Agriculture & Allied														
1	GFDCL	1998-99	2002-03	(-) 0.87	0.15	0.03	(-) 1.05	28.13		1.94	4.01	0.87	(-) 0.90	
2	GDDCL	2008-09	2009-10	(0.11)	0.00	0.00	(-) 0.11	0.26		10.46	(-) 119.96	0.37	(-)0.11	--
Sector wise Total				**(-) 0.98**	**0.15**	**0.03**	**(-) 1.16**	**28.39**		**12.40**	**(-) 115.95**	**1.24**	**(-) 1.01**	
Finance														
3	GSICL	2006-07	2007-08	(-) 0.31	3.31	0.00	(-)3.62	0.00		4.00	(-)74.93	3.21	(-) 0.31	
4	GLIL (under liquidation)	2001-02	2002-03	0.00	0.00	0.00	0.00	0.00		1.50	(-) 6.67	0.00	0.00	-
Sector wise Total				**(-) 0.31**	**3.31**	**0.00**	**(-) 3.62**	**0.00**		**5.50**	**(-) 81.60**	**3.21**	**(-) 0.31**	--
Infrastructure														
5	GSCCL	2006-07	2007-08	(-) 0.17	1.01	0.00	(-) 1.18	36.40		5.00	(-) 33.93	5.55	(-) 0.17	-

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit / Loss (-)				Turnover	Impact of Accounts Comme-nts#	Paid up Capital	Accumulated Profit / Loss (-)	Capital employed@	Return on capital employed $	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depreci-ation	Net Profit/ Loss							
1	**2**	**3**	**4**	**5 (a)**	**5 (b)**	**5 (c)**	**5 (d)**	**6**	**7**	**8**	**9**	**10**	**11**	**12**
6	GNHL	2002-03	2006-07	1.30	0.00	0.00	1.30	0.00	--	16.00	4.47	20.51	1.30	6.34
Sector wise Total				**1.13**	**1.01**	**0.00**	**0.12**	**36.40**	**--**	**21.00**	**(-) 29.46**	**26.06**	**1.13**	**4.34**
Manufacturing														
7	GSTCL(under liquidation since 1997)	1994-95	1995-96	0.00	0.00	0.00	0.00	0.00	--	46.46	0.00	0.00	0.00	0.00
8	GSMTL	2008-09	2009-10	0.06	0.00	0.00	0.06	0.00	--	0.53	(-) 2.3)	0.57	0.06	10.53
9	GCEL@@) under liquidation since 2003	2001-02$$	2002-03	(-) 34.13	0.00	0.00	(-) 34.13	5.57	--	12.45	(-) 104.74	0.00	(-)34.13	-
10	GTRL (Subsidiary of GIIC)	2006-07	2008-09	0.00	0.00	0.00	0.00	0.00	--	0.29	(-) 6.04	(-) 4.03	0.00	-
11	GFL(under liquidation since1997, subsidiary of GSTC)	1994-95	1995-96	0.00	0.00	0.00	0.00	0.00	--	Rs.200 only	0.00	0.00	0.00	-
12	GSL(under liquidation since1997, subsidiary of GSTC)	1994-95	1995-96	0.00	0.00	0.00	0.00	0.00	--	Rs.200 only	0.00	0.00	0.00	-

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit / Loss (-)				Turnover	Impact of Accounts Comme-nts#	Paid up Capital	Accumulated Profit / Loss (-)	Capital employed@	Return on capital employed $	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depreci-ation	Net Profit/ Loss							
1	**2**	**3**	**4**	**5 (a)**	**5 (b)**	**5 (c)**	**5 (d)**	**6**	**7**	**8**	**9**	**10**	**11**	**12**
13	GTL (under liquidation since1997, subsidiary of GSTC)	1994-95	1995-96	0.00	0.00	0.00	0.00	0.00	--	Rs.200 only	6.04	0.00	0.00	-
Sector wise Total				**(-) 34.13**	**0.00**	**0.00**	**(-) 34.07**	**5.57**	**--**	**12.74**	**(-) 104.74**	**(-) 4.03**	**(-) 34.07**	
Total C (All sector wise non working Government companies)				**(-)34.23**	**4.47**	**0.03**	**(-) 38.73**	**70.36**	**0.00**	**51.64**	**(-) 331.75**	**26.48**	**(-) 34.26**	
Grand Total All PSUs				**5,753.36**	**2,021.74**	**1,365.46**	**2,366.16**	**50,359.84**	**(-) 96.5)**	**35,232.51**	**1,844.36**	**1,11,119.11**	**4,387.90**	**3.95**

Impact of accounts comments include the net impact of comments of Statutory Auditors and CAG and is denoted by (+) increase in profit/ decrease in losses (-) decrease in profit/ increase in losses.

**Capital employed represents net fixed assets (including capital works-in -progress) plus working capital expect in case of finance companies /corporation where the capital employed is worked out as a aggregate of the opening and closing balance.

$ Return on capital employed has been worked out by adding profit and interest charged to profit and loss account.

*** Indicates the PSU is under construction.

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

Capital loan from Central Government.

@ Indicates the PSU declared sick by BIFR.

$ Excess of income transferred to non-plan grant.

Capitalised.

* Company had not raised any share capital.

Annexure 3

Statement showing grants and subsidy received/receivable, guarantees received, waiver of dues, loans written off and loans converted into equity during the year and guarantee commitment at the end of March 2009

(Referred to in paragraph 1.10)

(Figures in columns 3(a) to 6(d) are n Rupees in crore)

Sl. No.	Sector & Name of the Company	Equity/ loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year@		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
1	2	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
A Working Government companies													
Agriculture & Allied													
1	GAICL	0	0	3.95	85.27	0	89.22	0	0	0	0	0	0
2	GSLDCL	0.00	0	0	308.81	42.77	351.58	0	0	0	0	0	0
3	GSWDCL	0	0	0	6.07	0	6.07	0	0	0	0	0	0
Sector wise Total		**0.00**	**0**	**3.95**	**400.15**	**42.77**	**446.87**	**0**	**0**	**0**	**0**	**0**	**0**
Finance													
4	GSHHDCL	0	0	0	6.74	0	6.74	0	0	0	0	0	0
5	GWEDCL	0	0	0	9.63	0	9.63	0	0	0	0	0	0
6	GSFSL	10.00	0	0	0	0	0	0	0	0	0	0	0
7	GMFDCL	3.65	8.94	0	0.30	0.27	0.57	0	36.22	0	0	0	0
8	GGDCL	0.75	2.83	0	0.73	0	0.73	0	4.62	0	0	0	0
9	GSKVNL	0.50	14.28	0	26.70	14.55	41.25	0	0	0	0	0	0
10	GTKVN	1.00	4.5	0	0.35	0	0.35	0	5.60	0	0	0	0
Sector wise Total		**15.90**	**30.55**	**0.00**	**44.45**	**14.82**	**59.27**	**0.00**	**46.44**	**0.00**	**0.00**	**0.00**	**0.00**
Infrastructure													
11	GS Rural DCL	0	0	0	0.50	0	0.50	0	0	0	0	0	0
12	GSPHCL	0	0	0	98.33	0	98.33	0	0	0	0	0	0
13	GS Road DCL	0	0	0	62.19	0	62.19	0	0	0	0	0	0

Sl. No.	Sector & Name of the Company	Equity/ loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year@		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
1	2	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
14	GUDCL	0.10	0	0	0	0	0.00	0	0	0	0	0	0
15	GICCL	10.00	0	0	0	0	0.00	0	0	0	0	0	0
Sector wise Total		**10.10**	**0.00**	**0.00**	**161.02**	**0.00**	**161.02**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Manufacture													
16	AAGL	0.00	50.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
17	GSPC-JPDA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
18	GSPC-LNG	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sector wise Total		**0.00**	**50.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Power													
19	GSECL	0	0	0	0.75	0	0.75	0	79.89	0	0	0	0
20	GETCL	0	0	0	35.71	0	35.71	0	0	0	0	0	0
21	DGVCL	0	0	226.87	99.01	0	325.88	0	0	0	0	0	0
22	MGVCL	0	0	0	346.50	0.00	346.50	0	0	0	0	0	0
23	PGVCL	0	0	0	1,201.96	0	1,201.96	0	0	0	0	0	0
24	UGVCL	0	0	0	1,623.15	0	1,623.15	0	0	0	0	0	0
25	GUVNL	120.70	0	0	306.64	0	306.64	0	2,169.83	0	0	13.7	13.7
26	GSPC- PPCL	0	0	0	0	0	0	0	0	0	0	0	0
Sector wise Total		**120.70**	**0**	**226.87**	**3,613.72**	**0**	**3,840.59**	**0**	**2,249.72**	**0**	**0**	**13.70**	**13.70**
Service													
27	TCGL	0	0	24.64	79.71	0	104.35	0	0	0	0	0	0
28	GSCSCL	0	0	0.22	2.13	0	2.35	0	0	0	0	0	0
29	GIL	0	0	37.09	14.81	1.00	52.90	0	0	0	0	0	0
30	GSPC-GCL	0	0	0	0	0	0	0	0	0	0	0	0
Sector wise Total		**0.00**	**0.00**	**61.95**	**96.65**	**1.00**	**159.60**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**

Sl. No.	Sector & Name of the Company	Equity/ loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year@		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
1	2	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
Miscellaneous													
31	GWRDCL	0.00	0.00	0.00	39.57	0.00	39.57	0.00	0.00	0.00	0.00	0.00	0.00
32	GSFDCL	0.00	0.00	1.35	2.14	0.00	3.49	0.00	8.98	0.00	0.00	0.00	0.00
33	GRIMCL	0.00	0.00	0.00	1.00	0.00	1.00	0.00	0.00	0.00	0.00	0.00	0.00
34	SSNNL	3,206.32	581.00	0.00	0.00	0.00	0.00	150.00	4,267.76	0.00	0.00	0.00	0.00
35	GWIL	10.00	0.00	0.00	117.23	0.00	117.23	0.00	0.00	0.00	0.00	0.00	0.00
Sector wise Total		**3,216.32**	**581.00**	**1.35**	**159.94**	**0.00**	**161.29**	**150.00**	**4,276.74**	**0.00**	**0.00**	**0.00**	**0.00**
Total A (All sector wise working Government companies)		**3363.02**	**661.55**	**294.12**	**4,475.93**	**58.59**	**4,828.64**	**150.00**	**6,572.90**	**0.00**	**0.00**	**13.70**	**13.70**
B Working Statutory corporations													
Finance													
1	GSFC	0	60.00	0	0	0	0	0	0	0	0	0	0
Sector wise Total		**0**	**60.00**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Infrastructure													
2	GIDC	0	0	87.90	117.81	0	205.71	0	0	0	0	0	0
Sector wise Total		**0**	**0**	**87.90**	**117.81**	**0**	**205.71**	**0**	**0**	**0**	**0**	**0**	**0**
Service													
3	GSRTC	15.00	145.50	0.00	361.62	0.00	361.62	0.00	81.10	0.00	0.00	0.00	0.00
Sector wise Total		**15.00**	**145.50**	**0.00**	**361.62**	**0.00**	**361.62**	**0.00**	**81.10**	**0.00**	**0.00**	**0.00**	**0.00**
Total B (All sector wise working Statutory corporations)		**15.00**	**205.50**	**87.90**	**479.43**	**0**	**567.33**	**0**	**81.10**	**0**	**0**	**0**	**0**
Grand Total (A + B)		**3,378.02**	**867.05**	**382.02**	**4,955.36**	**58.59**	**5,395.97**	**150.00**	**6,654.00**	**0.00**	**0.00**	**13.70**	**13.70**

Sl. No.	Sector & Name of the Company	Equity/ loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year@		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
1	**2**	**3 (a)**	**3 (b)**	**4 (a)**	**4 (b)**	**4 (c)**	**4 (d)**	**5 (a)**	**5 (b)**	**6 (a)**	**6 (b)**	**6 (c)**	**6 (d)**
C Non working Government companies													
Agriculture & Allied													
1	GDDCL	0	0.67	0	0	0	0	0	0	0	0	0	0
Sector wise Total		**0**	**0.67**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Manufacturing													
2	GCEL (b)	0					0		40.00				0
Sector wise Total		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**40.00**	**0**	**0**	**0**	**0**
Total C (All sector wise non working Government companies)		**0**	**0.67**	**0**	**0**	**0**	**0**	**0**	**40.00**	**0**	**0**	**0**	**0**
Grand Total (A + B + C)		**3,378.02**	**867.72**	**382.02**	**4,955.36**	**58.59**	**5,395.97**	**150.00**	**6,694.00**	**0.00**	**0.00**	**13.70**	**13.70**

.@Figures indicate total guarantees outstanding at the end of the year.

Expect in respect of PSUs which finalised their accounts for 2008-09 (Sl. No. A-1, A-9, A-14, A-15, A-16, A-28, A29, A-30, A-31, A-33, A-35, A37 and C-1) figures are provisional and as given by the PSUs.

(b) Information as furnished by Company in eariler years

Annexure 4

Statement showing investments made by State Government in PSUs whose accounts are not finalised up to 30 September 2009.

(Referred to in paragraph 1.49)

(Figures in columns 6 to 8 are Rupees in crore)

SI. No.	Sector and Name of the Public Sector Undertaking	Year up to which accounts finalised	Paid- up capital	Period of Accounts pending finalisation	Investment made by State Government during the year for which accounts are in arrear		
					Equity	Loans	Grant
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
A	Working Government Companies						
1	Gujarat State Land Development Corporation Limited	2006-07	5.88	2008-09	0.00	0.00	308.81
				2007-08	10.00	0.00	0.00
2	Gujarat Sheep and Wool Development Corporation Limited	2005-06	4.31	2008-09	0.00	0.00	6.07
				2007-08	0.00	0.00	7.78
				2006-07	0.00	0.00	3.47
3	Gujarat State Handloom and Handicrafts Development Corporation Limited	2006-07	12.06	2008-09	0.00	0.00	6.74
				2007-08	0.00	0.00	6.39
4	Gujarat Women Economic Development Corporation Limited	2006-07	7.02	2008-09	0.00	0.00	9.63
				2007-08	0.00	0.00	7.30
5	Gujarat Minorities Finance and Development Corporation Limited	2007-08	8.40	2008-09	3.65	8.94	0.30
6	Gujarat Gopalak Development Corporation Limited	2007-08	2.60	2008-09	0.75	2.83	0.73
7	Gujarat Safai Kamdar Vikas Nigam Limited	2007-08	4.00	2008-09	0.50	14.28	26.70
8	Gujarat State Police Housing Corporation Limited	2007-08	50.00	2008-09	0.00	0.00	98.33
9	Gujarat State Road Development Corporation Limited	2007-08	6.00	2008-09	0.00	0.00	62.19
10	Alcock Ashdown (Gujarat) Limited	2007-08	51.00	2008-09	0.00	50.00	0.00
11	GSPC (JPDA) Limited (Subsidiary of GSPC Limited)	2007-08	32.27	2008-09	0.00	0.00	0.00
12	GSPC LNG Limited	2007-08	5.05	2008-09	0.00	0.00	0.00
13	Gujarat State Electricity Corporation Limited (Subsidiary of GUVN Limited)	2007-08	1,212.54	2008-09	0.00	0.00	0.75
14	Gujarat Energy Transmission Corporation Limited (Subsidiary of GUVN Limited)	2007-08	1,557.52	2008-09	0.00	0.00	35.71
15	Dakshin Gujarat Vij Company Limited (Subsidiary of GUVN Limited)	2007-08	516.41	2008-09	0.00	0.00	99.01

SI. No.	Sector and Name of the Public Sector Undertaking	Year up to which accounts finalised	Paid- up capital	Period of Accounts pending finalisation	Investment made by State Government during the year for which accounts are in arrear		
					Equity	Loans	Grant
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
16	Madhya Gujarat Vij Company Limited (Subsidiary of GUVN Limited)	2007-08	443.57	2008-09	0.00	18.84	346.50
17	Paschim Gujarat Vij Company Limited (Subsidiary of GUVN Limited)	2007-08	462.90	2008-09	0.00	0.00	1,201.96
18	Gujarat Urja Vikas Nigam Limited (GUVN Limited)	2007-08	3,317.36	2008-09	120.70	0.00	306.64
19	GSPC Pipavav Power Company Limited (Subsidiary of GSPC Limited)	2007-08	41.89	2008-09	0.00	0.00	0.00
20	Tourism Corporation of Gujarat Limited	2007-08	20.00	2008-09	0.00	0.00	79.71
21	Gujarat Foundation for Mental health and Allied Sciences**	2003-04		2008-09			
22	Gujarat Water Resources Development Corporation Limited	2007-08	31.49	2008-09	0.00	0.00	39.57
23	Gujarat Rural Industries Marketing Corporation Limited	2006-07	9.17	2008-09	0.00	0.00	1.00
				2007-08	0.00	0.00	1.26
	Total A (All working Government companies)				**135.60**	**94.89**	**2,656.55**
B	**Working Statutory corporations**						
1	Gujarat State Financial Corporation	2007-08	89.11	2008-09	0.00	60.00	0.00
2	Gujarat Industrial Development Corporation	2007-08	0.00	2008-09	0.00	0.00	117.81
3	Gujarat State Road Transport Corporation	2006-07	689.34	2008-09	15.00	145.50	361.62
				2007-08	15.00	235.00	361.62
Total B (All working Statutory corporations)					**30.00**	**440.50**	**841.05**
Grand Total (A + B)					**165.60**	**535.39**	**3,497.60**

**** The information is not furnished**

Annexure 5

Statement showing financial position of Statutory corporations

(Referred to in paragraph 1.15)
(Rupees in crore)

1. Gujarat State Road Transport Corporation

Particulars	2005-06	2006-07	2007-08
A . Liabilities			
Capital (including capital loan & equity capital)	644.21	677.21	692.21
Borrowings (Government.:-)	---	---	---
(Others:-)	715.98	709.43	852.46
Funds*	3.05	3.20	3.32
Trade dues and other current liabilities (including provisions)	645.52	777.92	820.86
Total - A	**2,008.76**	**2,167.76**	**2368.85**
B. Assets			
Gross Block	718.57	785.58	917.45
Less:Depreciation	557.00	527.28	479.66
Net fixed assets	161.57	258.30	437.79
Capital works-in-progress (including cost of chassis)	--	--	--
Investments	--	--	--
Current assets, loans and advances	492.61	488.74	491.67
Deferred Cost	--	--	--
Accumulated losses	1,354.58	1,420.72	1439.39
Total - B	**2,008.76**	**2,167.76**	**2,368.85**
C. Capital employed ##	**8.66**	**(-)30.88**	**108.60**

2. Gujarat State Financial Corporation

Particulars	2005-06	2006-07	2007-08
A. Liabilities			
Paid-up capital	89.11	89.11	89.11
Forfeited Shares	4.61	4.61	4.61
Reserve fund and other reserves and surplus	253.65	254.20	269.26
Borrowings:			
(i) Bonds and debentures	238.11	193.41	143.98
(ii) Industrial Development Bank of India &			
Small Industries Development Bank of India	299.87	179.87	59.87
(iii) Loan in lieu of share capital:			
(a) State Government	6.03	6.03	6.03
(iv) Other (including State Government)	322.25	463.49	566.82
Other liabilities and provisions	154.89	195.47	286.52
Total - A	**1,368.52**	**1,386.19**	**1,426.20**
B. Assets			
Cash and Bank balances	14.75	10.21	30.21
Investments	8.85	8.85	8.85
Loans and Advances	411.18	137.75	49.88
Net fixed assets	18.94	8.13	7.77
Other assets	897.78	1204.79	1313.03
Miscellaneous expenditure	17.02	16.46	16.46
Total - B	**1,368.52**	**1,386.19**	**1,426.20**
C. Capital employed**	**1,131.55**	**943.64**	**898.86**

3. Gujarat State Warehousing Corporation

Particulars	2005-06	2006-07	2007-08
A. Liabilities			
Paid-up-capital	4.00	4.00	4.00
Reserves and surplus	4.37	4.44	4.05
Trade dues and current liabilities (including provisions)	2.64	2.68	2.77
Total - A	**11.01**	**11.12**	**10.82**
B. Assets			
Gross Block	8.90	8.38	8.40
Less: Depreciation	3.94	3.74	3.92
Net fixed assets	4.96	4.64	4.48
Capital works-in-progress	--	0.01	0.03
Current assets, loans and advances	6.05	6.47	6.31
Accumulated losses	--	--	
Total - B	**11.01**	**11.12**	**10.82**
C. Capital employed ##	**8.37**	**8.44**	**8.02**

4 Gujarat Industrial Development Corporation

Particulars	2005-06	2006-07	2007-08
A. Liabilities			
Loans	4.86	4.86	5.62
Subsidy from Government	97.55	141.80	127.31
Reserves and surplus	508.79	588.17	709.12
Receipts on capital account	1,306.34	1,624.23	2,104.11
Current liabilities and provisions (including deposits)	372.30	421.64	346.78
Total - A	**2,289.84**	**2,780.70**	**3,292.94**
B. Assets			
Gross block	22.05	22.72	27.43
Less:Depreciation	11.46	12.34	13.35
Net fixed assets	10.59	10.38	14.08
Works-in-progress	33.14	56.35	47.44
Capital expenditure on development of industrial estates etc.	972.48	1,060.98	1,131.57
Investments	162.35	135.79	123.60
Other assets	1,111.28	1,517.20	1,976.25
Miscellaneous expenditure	--		
Total - B	**2,289.84**	**2,780.70**	**3,292.94**
C. Capital employed* **	**1,770.12**	**2,138.30**	**2,652.61**

* Excluding depreciation funds.

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

** 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)

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

Annexure 6

Statement showing working results of Statutory corporations

(Referred to in paragraph 1.15)
(Rupees in crore)

1. Gujarat State Road Transport Corporation

SI. No.	Particulars	2005-06	2006-07	2007-08*
1	**Operating**			
	(a) Revenue	1,367.38	1,505.05	1,626.33
	(b) Expenditure	1,483.62	1,633.35	1,690.52
	(C) Surplus (+)/ Deficit (-)	(-)116.24	(-)128.30	(-) 64.19
2	**Non -Operating**			
	(a) Revenue	62.79	107.04	100.91
	(b) Expenditure	58.79	44.84	26.60
	(C) Surplus (+)/ Deficit (-)	4.00	62.20	74.31
3	**Total**			
	(a) Revenue	1,430.17	1,612.09	1,727.24
	(b) Expenditure	1,542.41	1,678.19	1,717.12
	(C) Net Profit (+) / Loss(-)	(-)112.24	(-)66.10	10.12
	Interest on capital and loans	**58.79**	**44.33**	**25.98**
	Total return on capital employed	**(-)53.45**	**(-)21.77**	**36.10**
	Percentage of return on Capital employed	**--**	**--**	**33.24**

2. Gujarat State Financial Corporation				
SI. No.	**Particulars**	**2005-06**	**2006-07**	**2007-08**
	Income			
1	(a) Interest on loans	72.63	28.32	55.62
	(b) Interest-sacrifice on restructuring	111.47	0	9.98
	(c) Other income	1.53	2.14	2.29
	Total – 1	185.63	30.46	67.89
	Expenses			
2	(a) Interest on long-term and short-term loans	73.17	87.79	112.55
	(b) Other expenses	124.46	254.31	64.47
	Total-2	197.63	342.10	177.02
3	Profit before tax (1-2)	**(-)12.00**	**(-)311.64**	**(-) 109.13**
4	Provision for tax			
5	Profit(+)/ Loss (-) after tax	**(-) 12.00**	(-)311.64	(-) 109.13
6	Provision for non performing assets	18.65	209.98	10.36
7	**Total return on Capital employed**	**61.17**	**(-)223.88**	**3.42**
8	**Percentage of return on Capital employed**	**5.41**	**--**	**0.38**

3. Gujarat State Warehousing Corporation				
SI. No.	**Particulars**	**2005-06**	**2006-07**	**2007-08**
	Income			
1	(a) Warehousing charges	9.17	5.02	2.56
	(b) Other income	0.38	1.48	1.23
	Total-1	**9.55**	**6.50**	**3.79**
2	**Expenses**			
	(a) Establishment charges	3.24	2.93	3.34
	(b) Other expenses	2.41	1.85	0.84
	Total-2	**5.65**	**4.78**	4.18
3	Profit(+)/ Loss (-) before tax	3.90	1.72	-0.39
4	Provision for tax	0.28	0.93	0.00
5	Prior period adjustments	0.12	0.01	0.00
6	Other appropriations	0.54	0.13	0.00
7	Amount available for dividend	2.96	0.65	-0.39
8	Dividend for the year	0.40	--	--
9	**Total return on capital employed**	**4.15**	**1.72**	**-0.39**
10	**Percentage of return on capital employed**	**49.62**	**20.42**	**--**
4 Gujarat Industrial Development Corporation				
1	Revenue Receipts	191.39	229.19	290.77
2	Net expenditure after capitalisation	149.58	149.81	169.81
3	Excess of income over expenditure	41.81	79.38	120.96
4	Provision for replacement, renewals and for additional liability	--	--	--
5	Net surplus	41.81	79.38	120.96
6	Total interest charged in Profit & Loss account	0.43	0.42	0.42
7	**Total return on capital employed**	**42.24**	**79.80**	**121.38**
8	**Percentage of return on capital employed**	**2.39**	**3.73**	**4.58**

* The figures are provisional.

Annexure 7

Statement showing the cases of missing links due to Land acquisition problem

(Referred to in paragraphs 2.10.4 and 2.11.3)

Sl. no.	Particulars of Canal	Length of Missing links in meter	Since when	CCA Affected
Phase-I				
1	Block no. 6D4 S-I Minor	455	June 2001	318
2	Block no. 6D4 A-2 Minor	490	June 2001	180
3	Block- 6A-2 Tentalav Br. Minor	1,810	June 2004	115
4	Block 6A-2 Branch minor -2	1,440	June 2004	64
5	Block 6A-2 Jiyatalavdi Branch minor	740	June 2004	119
6	Block 6H-II Achhod Branch minor-I	150	3 Years	658
7	Block 6A-I jojwa	1,540	March 2007	689
8	Block 6A- Bamroli	1,860	March 2007	247
	Total			**2,390**
Phase-II A				
9	Branch minor of Ganol Minor-II of Rampur Dy.	495	June 2005	200
10	Simej Dy. of Dholka Branch canal	2319	April 2005	1,198
11	Simej minor -III of Simej Dy. Of Dholka	3180	October 2004	375
12	Soyla distributary	Tail string	2006	379
13	Telav II Dy.	355	2007	274
14	Jivanpura	330	2007	193
15	Ghodasar branch Hilol Dy. Badarpur minor	4,056	2004	761
16	Vehal branch Harniyav Bhuval minor	1,450	2004	257
17	Vehal branch Raska kanij direct minor	683	2004	294
18	Raska-Kanij of RK. Minor -II	455	2004	NF
19	Torna minor II	1,135	2005	528
20	Chhipadi minor	300, 1,200, 2,520	2005	375
Total				**4,834**
	NF= Not furnished			

Annexure 8

Statement showing cases of extra payment of price escalation

(Referred to in paragraph 2.15.2)

Phase	No of cases	Particulars of cases/works	Amount (in Rs.)
Phase-II(A)	2	Package -II, of Rajpura sub Branch Canal	12,34,608
		Package -III, of Rajpura sub Branch Canal	
Phase-II(B)	2	Construction of siphon on N.M.C CH.362.011 Kms	1,30,97,616
		Goraya Branch Canal Slice-I	
Phase -II (C)	5	Kachchh Branch Canal (Package-III)	1,71,79,732
		Kachchh Branch Canal (Package-I)	
		Kachchh Branch Canal (Package-II)	
		Kachchh Branch Canal (Package-I)	
		Kachchh Branch Canal (Package-2)	
Saurashtra Branch Canal	3	Dhrangdhara Branch Canal (Package-II, Slice-III)	59,14,508
		Dhrangdhara Branch Canal (Slice-I)	
		Wadhwan Bhogavo Construction of siphon (Slice-V) Limbdi Branch Canal	
Total	**12**		**3,74,26,464**

Annexure 9

Statement showing cases where approval for extensions of time limit was granted with delay

(Referred to in paragraph 2.15.3)

Sl. No	Name of work	Name of Agency	Date of work order	Time Limit (in Months)	Stipulated Date of Completion	Date of sending time limit extension to concerned authority	Date of getting time limit extension from the competent authority	Delay (in Months)
1	2	3	4	5	6	7	8	9
	Chief Engineer (Canal-III) Phase-II (A)							
	N.P.Canal Div No.3 Dehgam							
1	Pkg-I (Construction of minors and sub-minors)	Bhavana Engineering	18.11.2004	30	17.05.2007	16.10.2007	07.11.2008	11
2	D-III (Construction of minors and sub-minors)	Uma Builders	03.03.2005	15	02.06.2006	04.09.2006	25.02.2008	15
3	GSM-4 (Construction of minors and sub-minors)	Ravi Builders	30.11.2004	9	29.07.2005	20.12.2006	27.05.2008	15
4	GSM-5 (Construction of minors and sub-minors)	Vishal Builders	21.10.2004	9	20.07.2005	20.12.2006	16.09.2008	20
5	VSM-1 (Construction of minors and sub-minors)	C.M.Patel, Ahmedabad	18.10.2004	9	17.07.2005	20.12.2006	17.09.2008	20
6	VSM-3 (Construction of minors and sub-minors)	D.P.Vekariya Surat	29.10.2004	9	28.07.2005	20.11.2006	31.05.2008	16
7	VSM-13 (Construction of minors and sub-minors)	K.R.Savani	16.11.2004	9	15.08.2005	12.12.2006	30.08.2008	18
8	VSM-14 (Construction of minors and sub-minors)	K.R.Savani	25.10.2004	9	24.07.2005	22.11.2006	19.07.2008	18
9	DSM-3 (Construction of minors and sub-minors)	B.K.Construction	19.02.2005	9	18.11.2005	18.12.2006	17.09.2008	19
	Chief Engineer (SBC)							
	N.P.Canal Div No.2/5 Limbdi							
10	Construction of LBC Ch.23.43 to 29.91 Kms Slice-IV	Arit Construction Co.	16.01.2008	11	15.12.2008	18.12.2008	Progress	5
11	Construction of LBC Ch.31.09 to 43.08 Kms Slice-VII	VTMS, Visnagar	23.02.2007	18	22.08.2008	03.12.2008	Progress	5
12	Construction of LBC Ch.43.08 to 55.766 Kms Slice-VIII	Bhavna Engineering	18.04.2007	18	17.10.2008	15.11.2008	Progress	6

Sl. No	Name of work	Name of Agency	Date of work order	Time Limit (in Months)	Stipulated Date of Completion	Date of sending time limit extension to concerned authority	Date of getting time limit extension from the competent authority	Delay (in Months)
1	2	3	4	5	6	7	8	9
	N.P.Canal Div No.3/5 Dhrangdhara							
13	Construction of Dhrangdhara Branch Canal Ch.16.68 Kms	K.M.Patel & Co	17.08.2004	24	16.08.2006	26.08.2008	03.05.2009	7
	N.P.Canal Div No.3/4 Dhrangdhara							
14	MBC Ch.0.00 to 22.109 Kms	Bhavna Engineering Co	18.05.2001	24	17.05.2003	03.09.2003	06.12.2006	37
15	MBC Ch.22.105 to 47.085 Kms	D.P.Vekariya Surat	21.05.2001	24	20.05.2003	03.09.2003	17.11.2006	36
16	MBC Ch.47.085 to 74.83 Kms	Bhavna Engineering Co	18.05.2001	24	17.05.2003	03.09.2003	06.12.2006	37
17	MBC Ch.74.83 to 105.216 Kms	Montecarlo Construction Co	21.05.2001	24	20.08.2003	03.09.2003	17.11.2006	36
18	MBC Ch.105.216 to 137.93 Kms	B.Patel Infrastructure Co	27.06.2001	24	26.06.2003	03.09.2003	06.12.2006	37
19	Control cabin MBC Ch.66 to 137.93 Kms	N.P.Patel & Co	29.12.2003	11	28.11.2004	31.01.2005	05.09.2008	42
20	Radial Vertical Gates at Botad Br Canal	HTMS	27.04.2004	15	26.07.2005	10.07.2007	Progress	22
21	Radial Vertical Gates at Botad Br Canal Ch.50.150 to 118.751 Kms	D.K.Engineers	23.04.2004	15	22.10.2005	31.12.2006	Progress	29
22	Distributary, D-1, Ch.0.00 to 5.97 Kms	Ashok Associates	06.03.2007	8	05.11.2007	10.01.2008	Progress	16
23	Hear Regulator Ch.24.701 to 52.030 Kms	Jayshree Khodiyar Construction	18.04.2007	4	17.08.2007	17.01.2008	Progress	15
	N.P.Canal Div No. Dhanduka							
24	W.B.M. Service Road Ch.2.80 to 28.534 Kms	Mepabhai Mandan	23.02.2007	4	22.06.2007	25.07.2007	Progress	22
25	W.B.M. Service Road Ch. 28.534 to 55.471 Kms	Mepabhai Mandan	23.02.2007	4	22.06.2007	25.07.2007	Progress	22
	Phase-II (C)							
	Chief Engineer (KBC)							
26	Construction of KBC (Ch.122.19 to 133.519 Kms)	SSJV Projects Pvt Ltd	14.03.2005	18	13.09.2006	May-08	07.02.2009	9

Annexure 10

Statement showing cases where the proposals for extension of time limit were submitted with delay

(Referred to in paragraph 2.15.3)

Sl. No	Name of work	Name of Agency	Tender Cost	Date of work order	Time Limit (in Months)	Stipulated Date of Completion	Date of sending time limit extension to concerned authority	Delay (in Months)	Date of getting time limit extension from the competent authority
1	2	3	4	5	6	7	8	9	10
	Chief Engineer (Saurashtra Branch Canal)								
	Divison No. 2/5 Limbdi								
1	Const of canal, EW structure, Service road LBC Ch.6 to 14.91 Slice-I	VTMS Visnagar	69,452,624	26.05.05	18.00	25.11.06	August-2007	9	27.03.2009
2	Ch. 14.91 to 23.43 Slice-III	VTMS Visnagar	69,525,966	26.05.05	18.00	25.11.06	12.07.07	8	05.03.2009
3	Ch.55.766 to 65 Slice-IX	B.A.Patel	230,346,833	18.04.07	18.00	17.10.08	27.03.09	5	Under Process
4	Ch. 77.58 to 100.385 Slice XI	G.P.Patel	54,753,626	23.02.07	11.00	22.01.08	14.08.08	7	17.09.08
5	Limbdi Bhogavo CSY/CR at Ch. 29.91 to 31.09 Kms	Sorathia Velji Ratna	84,118,802	10.08.04	15	09.11.05	17.08.06	9	15.11.06
	Divison No. 3/5 Dhrangdhara								
6	Ch. 0.00 to 16.68 Kms	Dhorjiya Const Co.	152,389,000	19.11.04	24	18.11.06	20.07.07	9	Under Process
7	Ch.74.310 to 81.883 Kms	Harishchandra (I) Ltd	124,902,000	21.05.07	11	20.04.08	14.08.08	3	Under Process
	Divison No. 3/4 Dhrangdhara (Maliya Br. Canal)								
8	Construction of WBM Road on MBC at Ch. 108.209 to 137.93 Kms	Golden Electricals Co	10,284,000	08.12.04	8	08.08.05	20.06.06	10	Under Process
9	Construction of Dostributary, Minor and Sub Minor on MBC MD-25 to 27 Package-2	Aarti Const. Co, Vadodara	11,170,000	21.04.07	11	20.03.08	01.09.08	5	03.10.08

Sl. No	Name of work	Name of Agency	Tender Cost	Date of work order	Time Limit (in Months)	Stipulated Date of Completion	Date of sending time limit extension to concerned authority	Delay (in Months)	Date of getting time limit extension from the competent authority
1	2	3	4	5	6	7	8	9	10
	Divison No. 2/3 Dhanduka								
10	Radial Vertical Gates at Ch. 0.00 to 50.150 Kms	Hardware Tools Mach. Syndicate	22,927,968	27.04.04	15	26.07.05	January-2007	17	Under Process
11	Radial Vertical gates at Ch. 50.150 to 118.751 Kms	D.K.Engineers Ahmedabad	19,501,440	23.04.04	15	22.10.05	31.12.06	14	Under Process
	Chief Engineer (Canal-III) Phase-II(A)								
	Divison No. 8 Dholka								
1	Construction of subminors (Package no. KM-3)	Laxmi Construction Co.	14,412,522	25.11.04	9	24-08-2005	03.04.2007	19	Under Process
2	Construction of subminors (Package no. KM-4)	Laxmi Construction Co.	18,705,274	25.11.04	9	24-08-2005	18.12.2006	16	Under Process
3	Construction of subminors (Package no. KM-12)	Laxmi Construction Co.	18,644,240	25.11.04	9	24-08-2005	02.01.2007	16	Under Process
4	Construction of subminors (Package no. KM-15)	Gayatri Construction Co.	14,907,359	30.11.04	9	29.07.2005	20.12.2006	17	Under Process
5	Construction of subminors (Package no. KM-7)	Vikram Infra. Co	12,878,245	18.11.04	9	17.08.2005	13.11.2006	15	Under Process
6	Construction of subminors (Package no. KM-13)	Gayatri Construction Co.	18,804,682	08.11.04	8	07.07.2005	02.01.2007	17	Under Process
7	Construction of subminors in Koth sub branch canal(Package no. KM-8)	Vikram Infra. Co	22,077,800	29.11.04	9	28.08.2005	18.12.2006	16	Under Process

Annexure 11

Statement showing operational performance of Gujarat State Road Transport Corporation

(Referred to in paragraph 3.7)

(Rs. in crore)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
Average number of vehicles held at the end of the year	8,164	8,277	8,046	8,055	7,628
Average number of vehicles on road	7,113	6,767	6,854	6,932	6,697
Percentage of utilisation of vehicles	83.00	83.40	85.80	85.90	87.80
Number of employees at the end of the year	52,043	49,956	47,327	44,557	41,667
Employee vehicle ratio	7.32	7.38	6.90	6.43	6.22
Number of routes operated at the end of the year	16,217	15,750	15,352	15,621	15,227
Route kilometers (In lakh)	11.28	10.62	10.92	11.64	11.46
Kilometres operated (in lakh)					
Gross	9,331	8,982	9,429	10,057	10,203
Effective	9,251	8,899	9,356	9,970	10,107
Dead	80	82	73	87	96
Percentage of dead kilometers to gross kilometers	0.87	0.93	0.78	0.87	0.95
Average kilometres covered per bus per day	359.03	363.04	376.55	396.18	417.24
Average revenue per kilometer (Rs.)	14.82	16.07	17.23	17.19	17.55
Average expenditure per kilometer (Rs.)	16.43	17.33	17.94	18.14	19.11
Loss (-) /Profit (+) per kilometre (Rs.)	(-) 1.61	(-) 1.26	(-) 0.71	(-)0.95	(-)1.56
Number of operating depots	132	129	126	126	125
Average number of break-down per lakh kilometers	0.133	0.130	0.088	0.050	0.036
Average number of accidents per lakh kilometers	0.15	0.15	0.14	0.12	0.11
Passenger kilometre operated (in crore)	2,726.01	2,654.36	2,873.17	3,182.16	3,343.00
Occupancy ratio (Load Factor)	57.60	58.36	61.19	63.18	65.74
Kilometres obtained per litre of Diesel	5.19	5.20	5.25	5.37	5.53

Annexure 12

Statement showing excess payment to contractor on lignite transportation to Power Station

(Referred to in paragraph 4.2)

Month	Quantity \In MT)	Lignite/Limestone (when ash was not suppose to be available on return journey) i.e. 1/3 of quantity\(in MT)	Lignite/Limestone (when ash was supposed to be available on return journey) i.e.2/3 of quantity (in MT)	Actual Lignite / Limestone transported (when ash was available on return journey) (in MT)	Difference which the Company should have paid at new transportation rate (d - e)	Actual Quantity on which the Company had paid new transportation rate	Excess payment @ Rs. 24.57 per MT (g - f) * Rs. 24.57)
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**
April 06 to March 08	1001981.00	333993.67	667987.33	0.00	667987.33	1001981.00	8206224.39
April-08	94441.45	31480.48	62960.97	9742.95	53218.02	84698.50	773475.48
May-08	42444.26	14148.09	28296.17	8614.35	19681.82	33829.91	347618.49
June-08	102196.10	34065.37	68130.73	18140.69	49990.04	84055.41	836986.06
July-08	74893.37	24964.46	49928.91	6388.08	43540.83	68505.29	613376.70
August-08	41378.33	13792.78	27585.55	5732.01	21853.54	35646.32	338888.52
September-08	14962.69	4987.56	9975.13	2857.22	7117.91	12105.47	122544.43
October-08	113937.52	37947.17	75958.35	27195.76	48762.59	86741.76	933148.21
November-08	68602.86	22867.62	45735.24	9225.94	36509.30	59376.92	561857.42
December-08	118573.19	39524.40	79048.79	13523.80	65524.99	105049.39	971114.43
January-09	93140.25	31046.75	62093.50	13231.13	48862.37	79909.12	762818.65
February-09	88564.40	29521.47	59042.93	9054.62	49988.31	79509.78	725342.44
March-09		0.00	0.00	0.00	0.00	0.00	0.00
Total	**1855115.42**	**618339.80**	**1236743.62**	**123706.55**	**1113037.07**	**1731408.87**	**15193395**

Annexure 13

Statement showing under recovery of royalty

(Referred to in paragraph 4.4)

Sl No.	Slice/ Package	Name of the Agency	Last date of issue of tender Date of opening of tender	Date of work order/ Stipulated completion date	Details of work done and paid	Quantity of earth work executed in embank ment after 20.01.2007 (In cubic Metre)	Royalty recoverable (Rs.8.05 per CMT)
A	**Construction of Earth work, structures of Limbdi Branch Canal**						
1	Ch.31.07 to 43.08 km	VTMS, Visnagar	8.8.2006 11.8.2006	23.02.2007 22.08.2008	16th RA bill of 4/2009	2,00,070	16,10,563.50
2	Ch.43.08 to 55.766 Km	Bhavana Engineering, Ahmedabad	16.10.2006 18.1a0.2006	18.04.2007 17.10.2008	17th R.A. bill of 4/2009	3,18,815	25,66,460.75
3	Ch.55.776 to 65.00 km	Bhailal A. Patel	16.10.2006 18.10.2006	18.04.2007 17.10.2008	16th R.A. Bill of 4/2009	21,154	1,70,289.70
4	Ch.65.00 to 77.58 km	VTMS, Visnagar	16.10.2006 18.10.2006	10.05.2007 09.11.2008	7th R.A. bill of 3/08 (work terminated)	1,00,971	8,12,816.55
B	**Construction of earth work of Botad Branch Canal**						
5	Remaining Earthwork & Structure ch.8.31 to 16.06 km (Slice – II-A)	VTMS Visnagar	14.10.2006 18.10.2006	22.02.2007 21.05.2008	11th RA Bill of Jan 2009	48,148	3,87,591.40
6	Ch.22.239 Km to 42.726 Km (Slice-IV)	G.P. Patel	6.9.2006 8.9.2006	15.03.2007 14.06.2008	16th RA Bill of March 2009	7,84,794	63,17,591.70
	TOTAL					**14,73,952**	**1,18,65,313.60**

Annexure 14

List of paras involving recovery of money

(Referred to in paragraph 4.22)

Gujarat Industrial Development Corporation **(Rs. in lakh)**

Sl No.	Brief of the para	Year of IR/ Para no.	Amount involved	Remarks
1	Non recovery of allotment price towards the land allotted to Vapi Waste and Effluent Management Co. for solid waster management project.	1999-2000 (Para 3)	5.13	Out of Rs.2.36 crore recoverable as on July 2005, the Corporation is yet to recover the balance amount of Rs.5.13 lakh from the party since July 2005.
2	Non-recovery of revised economic rent due from 149 allottees for the period from November 1995 to March 2002	2002-03 (Para 1)	389.01	No reply from Management.
3	Non-recovery of excess amount of allotment price refunded to Bharuch Enviro Infrastructure Limited.	2002-03 to 2003-04 (Para 2)	1.12	The Corporation agreed (September 2004) to recover the amount refunded. However, the details of actual recovery called for are awaited.
			395.26	

Gujarat State Investments Limited

Sl No.	Brief of the para	Year of IR/ Para no.	Amount involved	Remarks
1	Non recovery of bridge loan (given to Gujarat Tractor Corporation Limited (GTCL)) from Gujarat Industrial Development Corporation which acquired land belonging to GTCL.	1998-99 to 1999-2000 (Para 1)	25.00	The assets of GTCL were acquired by GIDC. As per Government instructions (March 1999), the loan was to be repaid to the Company from the sale proceeds of land. The loan is yet to be recovered.
			25.00	

Dakshin Gujarat Vij Company Limited

Sl No.	Brief of the para	Name of division	Year of IR/ Para no.	Amount involved	Remarks
1	The Company (erstwhile Gujarat Electricity Board) lost interest due to delay in crediting remittances in its bank account by the Bank of Baroda for the period July 2001 to March 2005	O&M Urban Division, Surat	1999-2000 to 2003-04 (Para 2)	8.63	The Company is yet to recover interest from the Bank for delay in crediting remittance.
2	The Company (erstwhile Gujarat Electricity Board) did not execute Civil Suit decrees passed in its favour.	O&M Circle, Valsad	2000-01 to 2002-03 (Para 2)	32.60	Though decree in respect of 21 High Tension consumers was passed in favour of erstwhile Board for Rs.68.54 lakh, an amount of Rs.32.60 lakh is yet to be recovered.
				41.23	

Sardar Sarovar Narmada Nigam Limited

Sl No.	Brief of the para	Name of division	Year of IR/ Para no.	Amount involved	Remarks
1	The division gave financial accommodation to two non-govt. organisations (NGO) by granting excess advance (Rs.5.28 lakh and Rs.1.27 lakh) than the prescribed norms.	Narmada Project Construction (Reh.) Dn.1, Kevadia Colony (now at Vadodara)	April 2000 to March 2003 (Para 2)	6.55	An amount of Rs 1.83 lakh has been adjusted against first NGO. The recovery/ adjustment of balance amount from first NGO and second NGO is pending.
2	The division is yet to adjust Travelling Allowance Advance (given in August 2000) in respect of three persons due to non submission of the bills.	Assistant General Manager & Pay and Accounts Office, Gandhinagar	April 1996 to March 2002 (Para 2)	3.24	The advances in three cases are still unsettled.
3.	The division did not levy penalty/interest on three officials for non adjustment/ delay in adjustment of excess TA Advances.	Assistant General Manager & Pay and Accounts Office, Gandhinagar	April 1996 to March 2002 (Para 4)	1.72	The recovery is pending.
				11.51	

Gujarat Water Resources Development Corporation Limited

Sl No.	Brief of the para	Year of IR/ Para no.	Amount involved	Remarks
1	The Company operated tube wells during April 2001 to May 2002 in respect of Sardar Sarovar Punarvasavat Agency without getting reimbursed for the same due to absence of any agreement resulted in avoidable expenditure.	2003-04 (Para 1)	60.36	Recovery of money from SSPA is still pending.
			60.36	

Annexure 15

List of Paras involving deficiencies

(referred to in paragraph 4.23)

Gujarat State Financial Corporation **(Rs. in lakh)**

Sl. No	Para	Year of IR/ Para no.	Amount	Remarks
1	The Corporation had subscribed to rights issue of fully convertible debentures of SWIL Limited (Now Jhagadia Copper Ltd.) to the extent of Rs. 2.40 crore under writing assistance in violation of provisions of section 28 (i) (d) of State Financial Corporations Act, 1951.	1999-2000 (Para 18)	240.00	The responsibility for giving sanction to the underwriting assistance need to be fixed. The present value of shares is Rs. 1.13 crore (31 July 2009).

Gujarat Industrial Investment Corporation Limited

Sl. No	Para	Year of IR/ Para no.	Amount	Remarks
1	The Company's failure to complete legal formalities of mortgage, collateral security, mortgage of promoters' property, etc. with SYP Agro Foods Limited led to non recovery of loan.	1999-2000 (Para 11)	260.45	The responsibility for releasing loan without completing legal formalities needs to be fixed.
2.	The Company accepted the offer of Rs. 45 lakh under One Time Settlement Scheme (OTS) against the dues of Rs. 126 lakh from Kassar Innovative Foods Limited even though the Company was having security of Rs.185 lakh.	2001-02 (Para 1.7)	91.00	The decision to accept OTS despite having adequate security was not justified and responsibility needs to be fixed.

Gujarat Industrial Development Corporation

Sl. No	Para	Year of IR/ Para no.	Amount	Remarks
1	Delay in measurement of final plots which were allotted on tentative basis, led to loss of revenue.	2001-02 (Para 6)	46.43	The Corporation failed to take necessary action to measure the plots immediately after its allotment.

Gujarat Mineral Development Corporation Limited

Sl. No	Para	Year of IR/ Para no.	Amount	Remarks
1.	Non-invocation of risk and cost clause against D.K Shah, who abandoned the work, which led to re-tendering and award of work at higher rate to other agency.	2001-02 (Para 5)	10.33	Though the Company forfeited EMD/SD and did not pay RA bills amounting to Rs.2.01 lakh, the non-invocation of risk and cost clause against the defaulting agency was not justified.

Gujarat Water Infrastructure Limited

Sl. No	Para	Year of IR/ Para no.	Amount	Remarks
1	Non-availment of rebate of 0.75 per cent eligible for bulk drawal of Rs.50 crore line of credit from HUDCO resulted in loss	2002-03 (Para 1)	85.42	The company availed exactly Rs. 50 crore twice in March 2001 and October 2001. Through proper planning of drawal in both the cases, the Company could have availed the benefit of rebate.

Tourism Corporation of Gujarat Limited

Sl. No	Para	Year of IR/ Para no.	Amount	Remarks
1	Professional fee for design study, land survey and structural services paid to TCS on projects subsequently abandoned resulted in avoidable expenditure	2003-04 (Para 2)	16.87	Responsibility needs to be fixed for taking decision to abandon the projects without citing reasons

Alcock Ashdown(Gujarat) Limited

Sl. No	Para	Year of IR/ Para no.	Amount	Remarks
1	Due to inordinate delay of 40 months in building and delivery of a passenger vessel to Andaman and Nicobar Administration, the Company could not recover 113.48 lakh so far	2003-04 (Para 4)	113.48	Responsibility needs to be fixed for inordinate delay.

Dakshin Gujarat Vij Company Limited

Sl. No	Para	Name of the division	Year of IR/ Para no.	Amount	Remarks
1	Undue delay in repairing of transformers/ non receipt of repaired transformers after considerable period.	O & M Division, Vyara	2000-03 (Para 6)	--	Though there was substantial delay in repairing of the transformers, no action was taken against the repairer.

Paschim Gujarat Vij Company Limited

Sl. No	Para	Name of the division	Year of IR/ Para no.	Amount	Remarks
1	Inordinate delay in repairing of transformers.	O & M Division, Surendr-anagar	2000-04 (Para 6)	--	Out of 52 transformers sent for repairing, 24 transformers were yet to be received from the repairers.

Sardar Sarovar Narmada Nigam Limited

Sl. No	Para	Name of the division	Year of IR/ Para no.	Amount	Remarks
1.	The division settled the claims with the contractors though the matter was pending with the Court. The claims arose due to faulty price escalation formula in the tender.	Narmada Project District Colony Dn. Vadodara	April 1994 to March 1998 (Para 1)	38.00	Responsibility needs to be fixed against the erring officials for faulty price escalation formula.
2.	Payment of price escalation on the value of work executed above 130 *per cent* of the tender quantity without approval of the excess above 130 *per cent* of tendered quantity/ Non approval of quantity executed in excess of 130 *per cent* of tender quantity and extra items	Narmada Project Canal Dn. 1/1, Vadodara	April 1997 to March 2000 (Para 2A(i), B(i) and C(i))	--	
		Narmada Project Canal Dn. 1/8, Bharuch	April 1998 to March 2000 (Para 1(ii))	3.03	The payment of final bills has been made without approval of the competent authority for which responsibility needs to be fixed.
		Narmada Project Canal Dn.No.1, Kevadia Colony (work transferred to NPC Dn.8, Dabhoi)	January 2008 to March 2001 (Para 1 (C) i, 1(C) ii)	14.13 --	

		Narmada Project Power House Civil Construction Dn.1, Kevadia colony	June 1998 to December 2000 (Para 1(ii))		The approval of the competent authority is awaited and final bill is also pending for which responsibility needs to be fixed..
3	Approval of rate for the work executed above 130% of the tender quantity not obtained/	Narmada Project Canal Dn. 1/1, Vadodara Narmada Project Canal Dn.No.1, Kevadia Colony (work transferred to NPC Dn.8, Dabhoi)	April 1997 to March 2000 (Para 2D(i)) January 2008 to March 2001 (Para 1(a) i)	-- 39.36	The payment of final bill has been made without approval of the competent authority for which responsibility needs to be fixed.
4	Approval for revised rates including price escalation not obtained.	NPC Dn. 13 Thasra (Old NPMC DN. 4A Thasra)	April 1999 to December 2001 (Para 1(i))	--	The payment of final bill has been made without approval of the competent authority for which responsibility needs to be fixed.
5	Loss due to purchase of defective FRP boat	Narmada Project Construction (Reh.) Dn.2, Kevadia Colony	April 1997 to March 2000 (Para 2 (C))	6.90	The division is yet to dispose off the boat.
6	Non-approval of extension and non recovery of compensation for delay in completion of work.	Narmada Project Construction (Reh.) Dn.3 & 4, Vadodara	January 2001 to March 2003 & April 2000 to April 2002 (Para 9 (iii) & (iv))	--	The approval of the competent authority is pending for which responsibility needs to be fixed.

Annexure 16

Statement showing paragraph/reviews for which explanatory notes were not received

(Referred to in paragraph 4.24.1)

Sl.No.	Name of the Department	2004-05	2005-06	2006-07
1.	Narmada, Water Resources, Water Supply and Kalpsar	1*	1$	1
2.	Energy and Petrochemicals	2*	1$	--
3.	Home	1*	--	--
4.	Industries and Mines	1*	4#$	1
5.	Agriculture and Co-operation	1*	2#$	--
6.	Forest and Environment	1*-	1$	--
7.	Food and Civil Supplies	1*	--	--
8.	Women and Child Development	1*	--	--
9.	Science and Technology	1*	1$	--
10.	Urban Development and Urban Housing	1*	1	--
11.	Roads and Building	1*	1$	--
12.	Social Justice and Empowerment	1*	2#$	--
13.	Finance	1*	1$	--
14.	Panchayat, Rural Housing and Rural Development	--	2#$	--
	Total	**2**	**5**	**2**

* Includes one paragraph for which replies were awaited from thirteen departments.
\# Includes one paragraph for which replies were awaited from four departments.
$ Includes one paragraph for which replies were awaited from ten departments.

Annexure 17

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

(Referred to in paragraph 4.24.3)

Sl. No.	Name of Department	Number of PSUs	Number of outstanding IRs	Number of outstanding paragraphs	Years from which paragraphs outstanding
Working PSUs					
1	Industries and Mines	10	49	179	2000-01
2	Agriculture & Co-operation	5	13	42	2002-03
3	Science & Technology	1	5	9	2004-05
4	Roads & Buildings	1	3	10	2002-03
5	Panchayat, Rural Housing and Rural Development	1	1	1	2006-07
6	Women, Youth Development, Cultural Activity, Prohibition and Excise	1	3	9	2003-04
7	Forest and Environment	1	5	11	2001-02
8	Home	1	3	5	2004-05
9	Finance	3	5	10	2000-01
10	Social Justice and Empowerment	4	9	36	2005-06
11	Food & Civil Supplies	1	7	24	2000-01
12	Narmada, Water Resources and Water Supply	3	102	394	1998-99
13	Energy and Petrochemicals	14	152	451	1999-2000
14	Urban Development and Urban Housing	1	6	30	2003-04
15	Ports and Transport	1	48	177	2000-01
Non-working PSUs					
1	Industries & Mines	1	1	1	2001-02
2	Road & Buildings	1	1	2	2002-03
	Total	**50**	**413**	**1391**	

Annexure 18

Statement showing the department-wise draft paragraphs/reviews reply to which are awaited as on 31 December 2009

(Referred to in paragraph 4.24.3)

Sl. No.	Name of the Department	Number of draft paragraphs	Number of draft reviews	Period of issue
1.	Energy and Petrochemicals	6*	--	June/July/August 2009
2.	Industries and Mines	8*	--	June/July/August/ September 2009
3.	Narmada, Water Resources, Water Supply and Kalpsar	3*	1	July/August/ September 2009
4.	Ports and Transport	--	1	September 2009
5.	Finance	1**	--	August 2009

* Includes reply awaited in respect of two general paragraphs.
** Pertain to one general paragraph for which reply is awaited.