

## Preface

Government commercial enterprises, 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 including Punjab State Electricity Board\* and has been prepared for submission to the Government of Punjab 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 Punjab.
3. Audit of the accounts of Government companies is conducted by the Comptroller and Auditor General of India under the provisions of Section 619 of the Companies Act, 1956.
4. In respect of PEPSU Road Transport Corporation, Punjab State Electricity Board and Punjab Scheduled Castes Land Development and Finance Corporation, which are Statutory corporations, the Comptroller and Auditor General of India is the sole Auditor. As per the State Financial Corporations (Amendment) Act, 2000, CAG has the right to conduct the audit of accounts of Punjab 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 Punjab State Warehousing Corporation, he has the right to conduct the audit of accounts in addition to the audit conducted by the Chartered Accountants appointed by the State Government in consultation with CAG. In respect of Punjab State 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. The cases mentioned in this Report are those, which came to notice in the course of audit during the year 2009-10 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 2009-10 have also been included, wherever considered necessary.

The audit in relation to material included in the Audit Report (Commercial) 2009-10 has been conducted in accordance with the Auditing Standards.

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\* The Board has been unbundled (16 April 2010) into two companies namely the Punjab State Power Corporation Limited for generation, trading and distribution of power and the Punjab State Transmission Corporation Limited for transmission of power in the State.

## 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 2010, the State of Punjab had 31 working PSUs (26 companies and 5 Statutory corporations) and 19 non-working PSUs (all companies), which employed 0.77 lakh employees. The working PSUs registered a turnover of ₹ 22,399.29 crore for 2009-10 as per their latest finalised accounts. This turnover was equal to 11.64 per cent of the State GDP indicating an important role played by the State PSUs in the economy. However, the working PSUs incurred overall loss of ₹ 1,202.88 crore in 2009-10 and had accumulated losses of ₹ 10,387.87 crore.*

### *Investments in PSUs*

*As on 31 March 2010, the investment (Capital and long term loans) in 50 PSUs was ₹ 16,658.20 crore. It grew by over 18 per cent from ₹ 14,023.58 crore in 2004-05 mainly because of increase in investment in power sector. Power Sector accounted for nearly 87 per cent of the total investment in 2009-10. The Government contributed ₹ 3,317.98 crore towards equity and grants/subsidies during 2009-10.*

### *Performance of PSUs*

*During the year 2009-10, out of 31 working PSUs, 15 PSUs earned profit of ₹ 80.17 crore and 11 PSUs incurred loss of ₹ 1,283.05 crore. Three working PSUs prepared their accounts on 'no profit no loss basis' while other two working PSUs had not started their commercial activities. The major contributors to profit were Punjab Tourism Development Corporation Limited (₹ 27.50 crore) and Punjab State Container and Warehousing Corporation Limited (₹ 12.66 crore). The heavy losses were*

*incurred by Punjab State Electricity Board (₹ 1,041.10 crore) and Punjab State Grains Procurement Corporation Limited (₹ 85.96 crore).*

*The losses are attributable to various deficiencies in the functioning of PSUs. A review of three years Audit Reports of CAG shows that the state PSUs losses of ₹ 2,567.57 crore and infructuous investments of ₹ 5.15 crore were controllable with better management. Thus, there is tremendous scope to improve the functioning and minimise/eliminate losses. The PSUs can discharge their role efficiently only if they are financially self-reliant. There is a need for professionalism and accountability in the functioning of PSUs.*

### *Quality of accounts*

*The quality of accounts of PSUs needs improvement. Of the 27 accounts of working companies finalised during October 2009 to September 2010, ten accounts received qualified certificates and four accounts received adverse certificates. There were 50 instances of non-compliance with Accounting Standards. All six accounts of Statutory corporations finalised during October 2009 to September 2010 received qualified certificates. The Reports of the Statutory Auditors on internal control of the companies indicated several weak areas.*

### *Arrears in accounts and winding up*

*23 working PSUs had arrears of 49 accounts as of September 2010. The arrears need to be cleared by setting targets for PSUs and outsourcing the work relating to preparation of accounts. There were 19 non-working companies. As no purpose may be served by keeping these PSUs in existence, Government needs to expedite closing down of the non working PSUs.*

## 2. Performance review relating to Government Company

Performance review relating to 'Working of Punjab Water Resources Management & Development Corporation Limited' was conducted. Executive summary of the Audit findings is given below:

*The Punjab Water Resources Management & Development Corporation Limited is engaged in the installation of tubewells and lining of watercourses to supply water for irrigation in the State. The Company had been incurring losses and the accumulated loss as on 31 March 2009 was ₹76.09 crore. Though in February 2008, the Company had amended its Memorandum of Association inter alia to include the new objectives of promoting schemes for execution and management for recharge of ground water, anti water logging measures etc., no steps for their implementation, have been initiated by the Company:*

### *Delay in completion of tubewells*

*As against the norm of five months for installation of a tubewell, there were delays ranging from one to 36 months in 217 tubewells out of 239 tubewells (91 per cent) installed during 2004-09.*

### *Installation of tubewells in over-exploited zone*

*Punjab is one of the states drawing the ground water maximum and it needs to be regulated on sustainable basis, particularly in the over-exploited areas where drawl is more than recharging of the ground water. The Company installed 24 tubewells between September 2006 to February 2009 in four districts categorised as over-exploited without making arrangements for recharge of the ground water and defeating the objective of protection of the ground water.*

### *Reduction in irrigation potential*

*Despite the observation of the Hydrogeological wing of the Company that in 23 tubewells installed in the nearby areas there was less discharge of water, the*

*company neither limited the number of tubewells nor explored the alternate sites for installation of the tubewells. Due to such indiscriminate digging of tubewells and fast depleting water level in the state, 174 tubewells out of 295 tubewells drilled and developed during 2004-09 had less (25 per cent) discharge of water than the anticipated discharge and as a result against the targeted irrigation of 23,959 acres, actual irrigation was possible in 17,988 acres only.*

### *Failure to revise the rates for sale of water*

*The Company had incurred operation and maintenance cost of ₹9.05 to ₹11.20 per unit of electricity consumed during 2004-09 as against water charges of ₹one and ₹1.60 per unit in the Kandi and non Kandi area respectively fixed in May 2003. The Company had not brought to the notice of the State Government the high operational cost of the tubewells vis-a-vis the low rates prescribed for sale of water so as to revise the rate of water charges.*

### *Recovery of water charges*

*The present system of collection of water charges by lambardars authorised by the Revenue Department is prone to embezzlement as the Company had not laid down any system for periodical reconciliation of the amount collected and deposited in the banks by the lambardars. The outstanding dues of water charges had increased from ₹1.42 crore in 2005-06 to ₹5.35 crore in 2008-09.*

### ***Taking up of low priority project***

*In the case of lining of watercourses too, there were abnormal delays in completing the works. As against recommendations of a committee to give priority to water logged and saline ground water zone for taking up the work of lining of water courses and discourage such works in the areas where water balance was negative and falling (over-exploited area), the Company took up such works in the area of Upper Bari Doab Canal in Amritsar district which was declared as over-exploited by the Central Ground Water Board.*

### ***Internal Control***

*System of raising the bills and recovery of water charges was not effective. There was no monitoring of implementation of the projects.*

### ***Corporate Governance***

*There were instances of a number of the Board directors not attending the Board meetings. During the review period of five years, the Government had appointed eight Managing Directors whose tenure ranged from 29 to 665 days. Poor participation by the directors and frequent changes in the top official of Company has the risk of affecting effective functioning of the Company.*

### ***Recommendations***

*We have made six recommendations which included augmentation of recharging of ground water; handing over the operation and maintenance of the tubewells to the Water Users Associations; disallowance of subsidy attributable to the Company's inefficiencies; control of establishment cost and streamlining the system of revenue collection; and revision of water charges.*

## **3. Performance review relating to Statutory Corporation**

Performance review relating to 'Generation of Power by Punjab State Electricity Board' was conducted. Executive summary of the Audit findings is given below:

*The Punjab State Electricity Board was not able to recover its cost of operations. Due to phenomenal growth in the demand for power since 2005-06, the capacity addition was not adequate to meet the requirement leaving a deficit of 4232 MW at the end of 2009-10. In the background of chronic power shortage in the State, it was considered desirable to conduct performance audit to assess the status of power generation vis a vis requirement for power during the period 2005-06 and 2009-10. The audit findings are summarised below:*

### ***(I) Capacity additions***

*During 2005-10, the peak demand for power had increased by 2,078 MW, but the capacity addition was only 937 MW. Though 7,799 MW of power would have to be added*

*by the end of 11<sup>th</sup> plan (2012), the Board had planned to add additional capacity of 4,986 MW only and the capacity likely to be added is 2,438 MW leaving a deficit of 5,361 MW. Thus, the State is perennially in power shortage and unlikely to meet the national objective of power for all on demand by 2012.*

*The failure of the State to maintain pace with the demand for power was interalia due to financial constraints of the Board, chronic delays and indecisiveness in taking decisions by the Board, failure to undertake annual repair and maintenance and renovation/ modernization of the power plants in time.*



## **(II) Operational Performance**

*Performance of the existing generation stations depends on efficient use of material, man power and capacity of the plants so as to generate maximum energy possible without affecting the long term operation of the plants. Audit of operation of the power stations revealed the following:*

### **a) Consumption of coal**

*Due to failure of the Board to provide the requisite certificate of calibration of weigh bridges, the coal companies did not allow compensation of ₹ 3.76 crore towards shortage of coal supplied by them. Due to use of coal having less gross calorific value, high heat rate and leakages of steam in the aging units of power plants, there was excess consumption of coal to the tune of 75.48 lakh MT (₹ 1,808.98 crore) in three plants during 2005-10.*

### **b) Deployment of man power**

*The Board had 64,308 employees as on 31 March 2010 and the employee cost was 16.32 to 19.55 percent of the total expenditure during 2005-10. The actual manpower was more than the norms of CEA in all the power generating stations except GHTP, Lehra Mohabbat during 2005-10. In respect of GNDTP Bathinda and GGSSTP Ropar, the manpower reduced from 2751 and 3585 to 2237 and 3239 respectively during review period. Hydel Power Stations had surplus manpower of 203 in 2005-06 and reduced to norm at the end of 2009-10.*

### **c) Plant load factor**

*The average PLF of thermal power plants of the Board as a whole (79.18 per cent, 82.94 per cent, 87.42 per cent, 86.33 per cent and 88.96 per cent) was above the national average (73.71 per cent, 77.03 per cent, 78.75 per cent, 77.22 per cent and 77.48 per cent) throughout the review period. But the PLF of GNDTP, Bathinda was lower than the national average due to delay in taking up the renovation work of the plant.*

## **d) Outages**

*Planned outages and forced outages in thermal power stations decreased from 13,971 hours (13.29 per cent) in 2005-06 to 7507 hours (6.50 per cent) in 2009-10 and forced outages from 5,035 hours (4.79 per cent) in 2005-06 to 3,419 hours (2.96 per cent) in 2009-10*

*In the case of hydel power plants, the planned outages increased from 25,724 hours (9.47 per cent) in 2005-06 to 29,437 hours (10.84 per cent) in 2009-10 of the total available hours and they were more than the All India Average of 5.66 per cent (2007-08). Similarly, the forced outages in the hydel plants increased from 46,675 hours (17.18 per cent) in 2005-06 to 72,400 hours (26.66 per cent) in 2009-10 as compared to the All India Average of 2.34 percent (2007-08) due to non carrying out of renovation and modernization of the power plants as per plan.*

### **e) Auxiliary Consumption**

*Auxiliary consumption of power was higher than the PSERC norm of 11 per cent in the case of GNDTP Bathinda resulting in excess consumption of 78.86 million units valuing ₹ 26.89 crore during 2005-06 to 2009-10. In the case of Shanan hydel power station, it was very high ranging from 1.19 per cent to 1.79 percent against the norm of 0.50 per cent fixed by PSERC.*

## **(III) Renovation & Modernisation**

*Annual maintenance of majority of the thermal and hydel power stations in the State was carried out after delays ranging from six to 36 months adding to the deterioration of the plants.*

*In the case of GNDTP, Bathinda there were delays in the renovation and modernization of the generation units leading to loss of 1,775 million units of power. After renovation, some of the envisaged norms of performance had not been realised. The R&M work of UBDC hydro electric project scheduled during the 10<sup>th</sup> five year plan (2003-04 to 2006- 07) had not been carried out due to delayed approval of financial plan.*

#### **(IV) Environmental issues**

*All the thermal plants of PSEB were running without consent of the Punjab Pollution Control Board. The levels of suspended particulate matters in GGSSTP stage I and GNDTP stage I ranged from 65 to 161 mg/Nm<sup>3</sup> and 101 to 149 mg/ Nm<sup>3</sup> respectively as against the designed level of 100 mg/ Nm<sup>3</sup>. At GGSSTP, Ropar, waste water from the plant was discharged without any treatment into natural rivulet which ultimately enters the river Sutlej. GNTDP, Bathinda and GGSSTP, Ropar stations failed to bring down the pollution to specified levels and as a result the Board made avoidable payment of water cess of ₹16.83 crore during 2005-06 to 2009-10.*

#### **(V) Conclusion and Recommendations**

*The Punjab State Electricity Board had been initiating projects from time to time for augmenting power generation in the State. However, there are many projects which had been delayed badly and remained to be commissioned. While the Board has been running its thermal stations satisfactorily meeting the performance parameters, the performance of its hydel stations was below the standards.*

*We have made eight recommendations to improve the power scenario in the State. Vigorous pursuance of capacity addition programs by exploiting all conventional and non conventional potential resources of energy so as to meet the national objective of power for all by 2012, rational deployment of the manpower and carry out the renovation & modernisation activity in time are some of these recommendations.*

#### **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 ₹ 2.44 crore in three cases due to non compliance with rules, directives, procedures, terms and conditions of contracts.

**(Paragraphs 4.3, 4.8 and 4.14)**

Loss of ₹ 18.50 crore in five cases due to non-safeguarding the financial interests of PSUs.

**(Paragraphs 4.1, 4.5, 4.7, 4.10, and 4.13)**

Loss of ₹ 1.71 crore in two cases due to defective/deficient planning.

**(Paragraphs 4.2 and 4.11)**

Loss of ₹ 0.34 crore in one case due to lack of fairness/transparency and competitiveness in operations.

**(Paragraph 4.6)**

Loss of ₹ 5.50 crore in two cases due to inadequate/deficient monitoring.

**(Paragraphs 4.4 and 4.9)**

Unfruitful expenditure of ₹ 0.98 crore in two cases due to non-realisation/ partial realisation of objectives.

**(Paragraphs 4.12 and 4.15)**

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

**Punjab Agro Foodgrains Corporation Limited** failed to take timely and appropriate actions for milling of the paddy which led to deterioration of 9,881 MTs of paddy valuing ₹ 9.15 crore.

**(Paragraph 4.1)**

**Punjab Agro Industries Corporation Limited** released ₹ 4.00 crore without prescribing the terms of payment and ascertaining the actual requirements which resulted in blocking of funds with consequential loss of interest ₹ 1.26 crore.

**(Paragraph 4.2)**

**Punjab State Industrial Development Corporation Limited** interpreted the OTS policy wrongly and did not charge interest from the cut off date to the date of acceptance of OTS, which resulted in loss of ₹ 94.33 lakh.

**(Paragraph 4.3)**

**Punjab State Civil Supplies Corporation Limited** established no mechanism to monitor raising of bills in time which resulted in loss of interest of ₹ 4.67 crore to the Company.

**(Paragraph 4.4)**

**Punjab State Electricity Board** rejected the lowest offer on the plea that the rates were not in line with the detailed tender document which resulted in avoidable expenditure of ₹ 1.47 crore.

**(Paragraph 4.7)**

**Punjab State Electricity Board** unnecessarily linked the recovery of the line charges for new connection with recovery of default amount from the previous owner which resulted in non recovery of charges of ₹ 1.24 crore.

**(Paragraph 4.8)**

## CHAPTER I

### 1. Overview of 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 the people. In Punjab, the State PSUs occupy an important place in the State economy. The working PSUs registered a turnover of ₹ 22,399.29 crore in 2009-10 as *per* their latest finalised accounts as of 30 September 2010. This turnover was equal to 11.64 *per cent* of the State Gross Domestic Product (GDP) of ₹ 1,92,363.89 crore in 2009-10. Major activities of the Punjab State PSUs are concentrated in power, transport, procurement of foodgrains and finance sectors. The working State PSUs incurred a loss of ₹ 1,202.88 crore in the aggregate in 2009-10. They had employed 0.77 lakh<sup>•</sup> employees as on 31 March 2010.

**1.2** As on 31 March 2010, there were 50 PSUs as *per* the details given below. Of these, only one Company i.e. Punjab Communications Limited was listed on the stock exchange.

Type of PSUs	Working PSUs	Non-working PSUs <sup>ψ</sup>	Total
Government companies <sup>♦</sup>	26	19	45
Statutory corporations	5	-	5
<b>Total</b>	<b>31</b>	<b>19</b>	<b>50</b>

**1.3** During the year, one PSU (Gidderbaha Power Limited) was established whereas one PSU (Nabha Power Limited) ceased to be a Government Company. Two<sup>γ</sup> working companies became non working companies.

#### 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).

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- As per the details provided by all 50 PSUs
  - <sup>ψ</sup> Non-working PSUs are those which have ceased to carry on their operations
  - ♦ Includes three 619-B companies (deemed Government companies) namely Punjab Venture Capital Limited, Punjab Venture Investors Trust Limited and Gidderbaha Power Limited
  - <sup>γ</sup> Electronic Systems Punjab Limited and Amritsar Hotel Limited

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 was a Government company (deemed Government company) as *per* Section 619-B of the Companies Act.

**1.5** The accounts of the State Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by the Statutory Auditors, who are appointed by the Comptroller and Auditor General of India (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 the five Statutory corporations, CAG is the sole auditor for the Punjab State Electricity Board\*, Punjab Scheduled Castes Land Development and Finance Corporation and PEPSU Road Transport Corporation. In respect of the Punjab State Warehousing Corporation and Punjab Financial Corporation, the audit is conducted by the Chartered Accountants and supplementary audit by CAG.

#### Investment in the State PSUs

**1.7** As on 31 March 2010, the investment (capital and long-term loans) in the 50 PSUs (including 619-B companies) was ₹ 16,658.20 crore as detailed below:

(Amount: ₹ in crore)

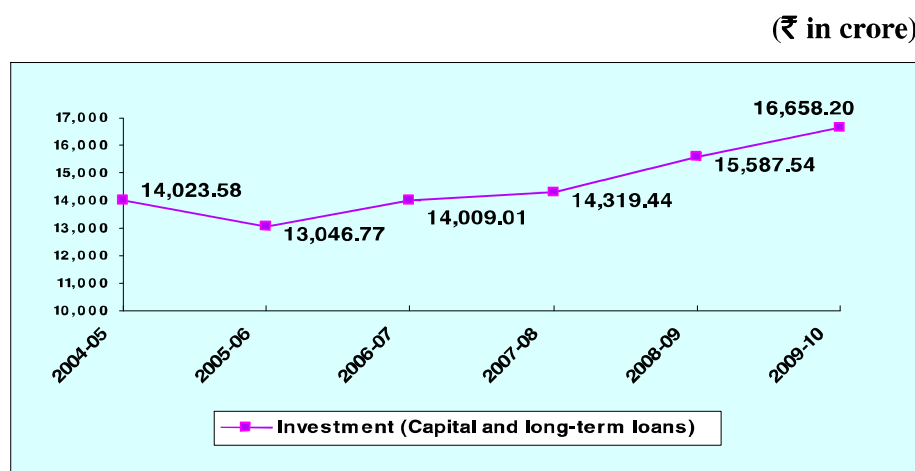
PSUs	Government companies			Statutory corporations			Grand total
	Capital	Long term loans	Total	Capital	Long term loans	Total	
Working PSUs	655.90	865.51	1,521.41	3,163.35	11,913.57	15,076.92	16,598.33
Non-working PSUs	24.12	35.75	59.87	-	-	-	59.87
<b>Total</b>	<b>680.02</b>	<b>901.26</b>	<b>1,581.28</b>	<b>3,163.35</b>	<b>11,913.57</b>	<b>15,076.92</b>	<b>16,658.20</b>

Details of Government investment in the State PSUs are given in **Annexure 1**.

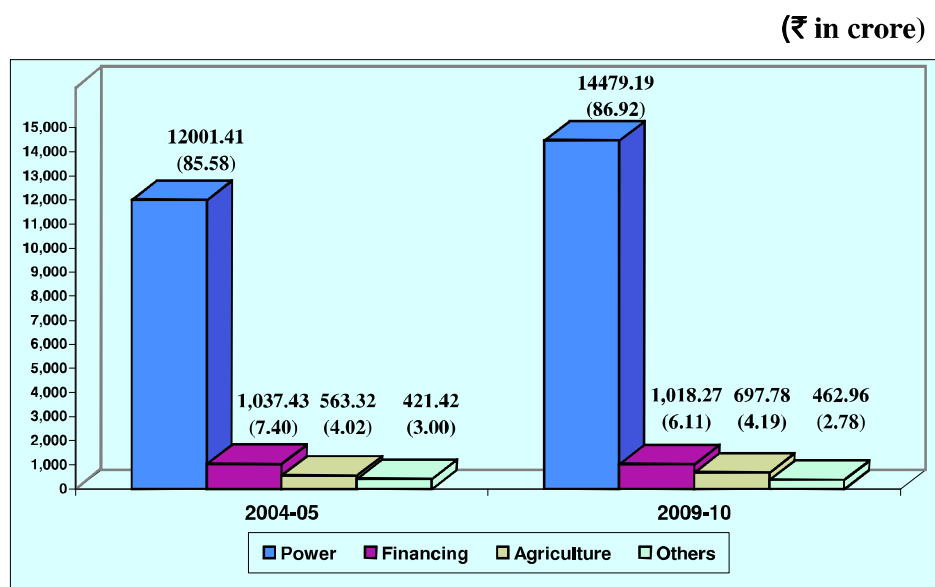
**1.8** As on 31 March 2010, of the total investment in the State PSUs, 99.64 *per cent* was in working PSUs and the remaining 0.36 *per cent* in non-working PSUs. The investment consisted of 23.07 *per cent* as capital and 76.93 *per cent* as long-term loans. The investment has grown by 18.79 *per cent* from ₹ 14,023.58 crore in 2004-05 to ₹ 16,658.20 crore in 2009-10 as shown in the graph below:

\* From 16 April 2010, the Punjab State Electricity Board has been unbundled into two new companies namely the Punjab State Power Corporation Limited and the Punjab State Transmission Corporation Limited





**1.9** The investment in important sectors and percentage thereof at the end of 31 March 2005 and 31 March 2010 are indicated below in the bar chart. The thrust of PSU investment in the State was mainly in power sector which had seen its percentage share rising from 85.58 per cent in 2004-05 to 86.92 per cent in 2009-10.



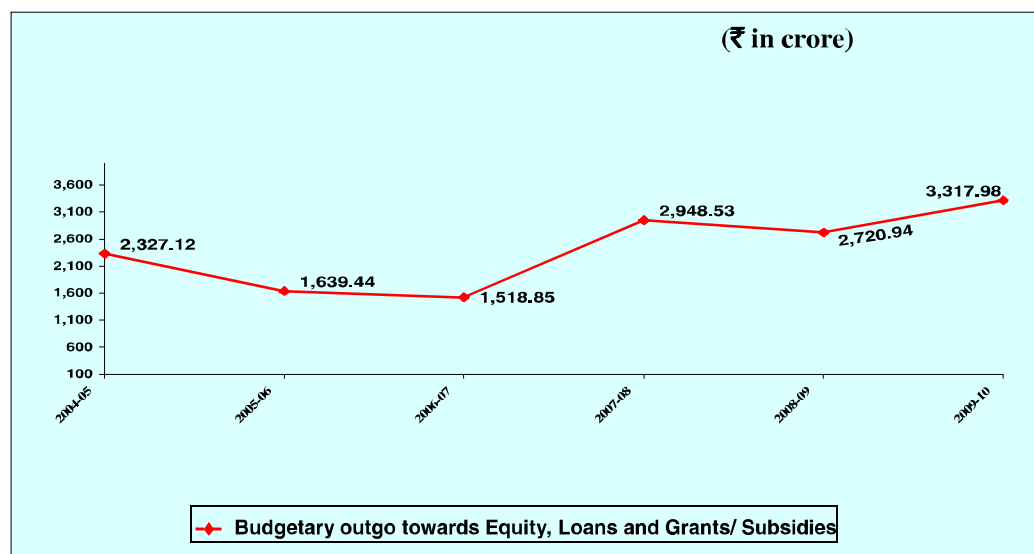
(Figures in brackets show the percentage of total investment)

**1.10** The details regarding budgetary outgo from the State Government towards equity, loans, grants/ subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of the State PSUs are given in **Annexure 3**. The summarised position is given below for three years ended 2009-10:

(Amount: ₹ in crore)

Sl. No.	Particulars	2007-08		2008-09		2009-10	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital	2	30.04	2	32.17	2	10.50
2.	Loans given to the PSUs	-	-	-	-	-	-
3.	Grants/Subsidy to the PSUs	5	2,918.49	4	2,688.77	3	3,307.48
4.	Total Outgo (1+2+3)	6*	2,948.53	5*	2,720.94	4*	3,317.98
5.	Guarantees issued	5	12,718.28	6	20,554.93	9	25,016.05
6.	Cumulative Guarantee Commitment	11	9,894.99	10	18,322.37	9	25,691.57

**1.11** The details regarding budgetary outgo towards equity, loans and grants/ subsidies for the past six years are given in a graph below:



The budgetary outgo which stood at ₹ 1,518.85 crore in 2006-07 was lowest during the six years increased to ₹ 2,948.53 crore in 2007-08 and to ₹ 3,317.98 crore in 2009-10 mainly due to significant increase in grant / subsidy given to power sector in these years.

\* Actual number of PSUs which received budgetary support

**1.12** The amount of guarantee commitment as on 31 March 2008 was ₹ 9,894.99 crore (11 PSUs) which increased to ₹ 18,322.37 crore (10 PSUs) as on 31 March 2009 and to ₹ 25,691.57 crore (9 PSUs) as on 31 March 2010.

The State Government charged guarantee fee at the rate of  $\frac{1}{8}$  per cent in case of PSUs engaged as procuring agencies and 0.5 to 2 per cent from the other PSUs. During the year, the PSUs paid guarantee fee of ₹ 22.91 crore out of ₹ 37.50 crore payable, leaving a balance of ₹ 14.59 crore. Besides, ₹ 24.33 crore of guarantee fee pertaining to the period from February 2001 to March 2009 was not paid as on 31 March 2010.

### Reconciliation with Finance Accounts

**1.13** The figures in respect of equity, loans and guarantees outstanding as *per* the 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 the differences. The position in this regard as on 31 March 2010 is given below:

(₹ in crore)			
Outstanding in respect of	Amount as per Finance Accounts (Provisional)	Amount as per records of PSUs	Difference
Equity	3,573.35	3,746.90	173.55
Loans	2,197.09	1,463.92	733.17
Guarantees	26,211.46	25,691.57	519.89

**1.14** Some of the differences were pending reconciliation since 1966-67. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

### Performance of the PSUs

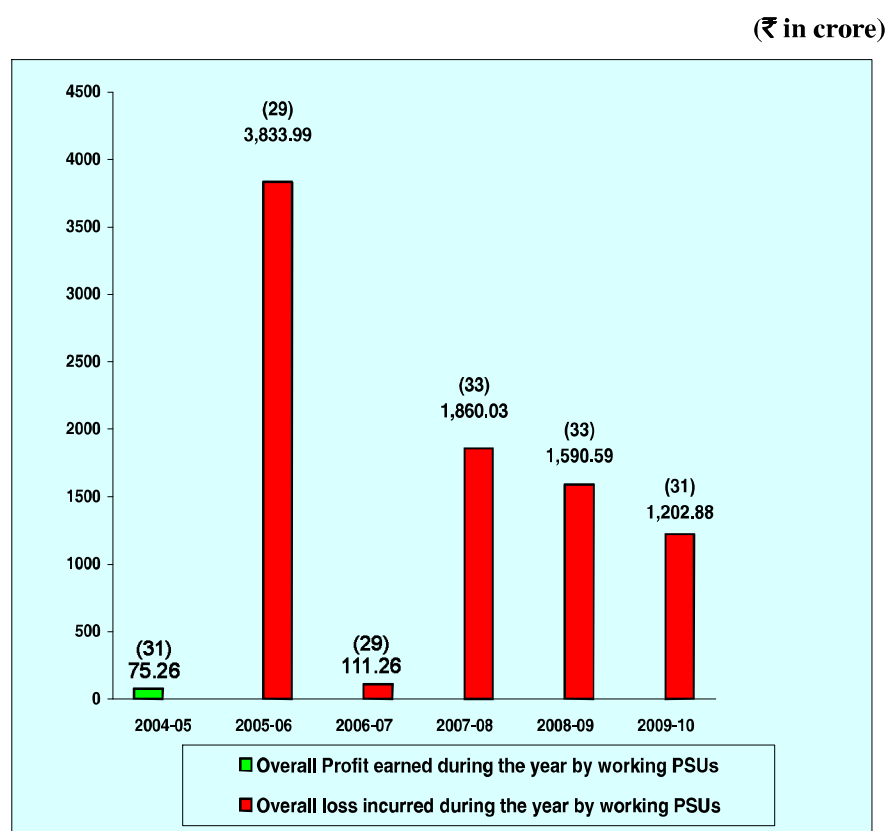
**1.15** The financial results of PSUs, financial position and the working results of the working Statutory corporations are detailed in *Annexures 2, 5 and 6* respectively. A ratio of PSU turnover to the State GDP shows the extent of PSU activities in the State economy.

The following table provides the details of working PSUs turnover and the State GDP for the period 2004-05 to 2009-10:

₹ in crore)						
Particulars	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Turnover <sup>β</sup>	14,647.17	14,762.15	17,245.64	17,552.66	19,138.60	22,399.29
State GDP <sup>⊗</sup>	97,452	1,09,735	1,23,397	1,37,486	1,58,972	1,92,363.89
Percentage of turnover to the State GDP	15.03	13.45	13.98	12.77	12.04	11.64

The percentage of turnover to the State GDP declined from 15.03 in 2004-05 to 11.64 in 2009-10 as the turnover of PSUs did not increase in proportion of the corresponding increase in GDP.

**1.16** Profit earned/loss incurred by the State working PSUs during 2004-05 to 2009-10 are given below in the bar chart.



(Figures in bracket represent the number of working PSUs in the respective years)

During 2004-10, the State working PSUs incurred losses every year, except the year 2004-05. The losses however decreased from ₹ 3,833.99 crore in 2005-06 to ₹ 1,202.88 crore in 2009-10. In 2005-06, the State working PSUs incurred heavy

<sup>β</sup> Turnover as per the latest finalised accounts as of 30 September of subsequent year

<sup>⊗</sup> For 2004-05 figure is as per revised estimates, 2005-06 and 2008-09 figures are provisional estimates, 2006-07 figure is quick estimate and 2007-08 and 2009-10 are advance estimates.

losses aggregating to ₹ 3,833.99 crore mainly due to writing off excess Rural Electrification subsidy (₹ 3,242.00 crore) by PSEB, which was booked in earlier years. During the year 2009-10, out of 31 working PSUs, 15 PSUs earned profit of ₹ 80.17 crore and 11 PSUs incurred loss of ₹ 1,283.05 crore. Three<sup>6</sup> working PSUs prepared their accounts on 'no profit no loss' basis; two working PSUs have not started commercial activities. The major contributors to profit were five PSUs viz. Punjab Tourism Development Corporation Limited (₹ 27.50 crores), Punjab State Container and Warehousing Corporation Limited (₹ 12.66 crore), Punjab Genco Limited (₹ 11.30 crore), Punjab Small Industries and Export Corporation Limited (₹ 8.59 crore) and Punjab Scheduled Castes Land Development and Finance Corporation (₹ 8.24 crore). The heavy losses were incurred by four PSUs viz. Punjab State Electricity Board (₹ 1,041.10 crore), Punjab State Grains Procurement Corporation Limited (₹ 85.96 crore), Punjab State Warehousing Corporation (₹ 84.58 crore) and Punjab State Industrial Development Corporation Limited (₹ 48.59 crore).

**1.17** The losses of working PSUs are mainly attributable to deficiencies in financial management, planning, implementation of project, running their operations and monitoring. The latest Audit Reports of CAG contained audit comments on losses to the tune of ₹ 2,567.57 crore and infructuous investment of ₹ 5.15 crore, which were controllable with better management. The year wise details from the Audit Reports are given below:

(₹ in crore)				
Particulars	2007-08	2008-09	2009-10	Total
Net loss	1,860.03	1,590.59	1,202.88	4,653.50
Controllable losses/ avoidable expenditure as per CAG's Audit Report	184.40	465.70	1,917.47	2,567.57
Infructuous Investment	3.88	-	1.27	5.15

**1.18** The above losses pointed out in the 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 losses can be minimised. 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.

<sup>6</sup> inclusive of Punjab Police Security Corporation Limited, which received grant from State Government to meet its expenses.



**1.19** Some other key parameters pertaining to the State PSUs are given below:

(₹ in crore)						
Particulars	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Return on Capital Employed (in percentage)	9.39	-	8.00	-	0.96	4.62
Debt	10,556.84	9,388.99	10,249.92	10,523.48	11,756.98	12,814.83
Turnover <sup>▲</sup>	14,647.17	14,762.15	17,245.64	17,552.66	19,138.60	22,399.29
Debt/ Turnover Ratio	0.72:1	0.64:1	0.59:1	0.60:1	0.61:1	0.57:1
Interest Payments	1,533.61	1,289.35	1,390.92	1,457.79	1,805.75	2,479.60
Accumulated losses	1,953.28	5,836.77	5,976.19	7,664.13	9,239.41	10,636.06

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

**1.20** The percentage of consolidated return on capital employed of all PSUs decreased from 9.39 in 2004-05 to 8.00 in 2006-07 and further decreased to 0.96 in 2008-09. It, however, increased to 4.62 in 2009-10 and was negative in the years 2005-06 and 2007-08. The accumulated losses increased by more than five times from ₹ 1,953.28 crore in 2004-05 to ₹ 10,636.06 crore in 2009-10.

The position of long term debts, which was 72 *per cent* of the turnover in 2004-05, showed improvement till 2006-07 when it declined to 59 *per cent* of the turnover. The ratio of the debts to the turnover again increased gradually after 2006-07 and reached 61 *per cent* in 2008-09 which again decreased to 57 *per cent* in 2009-10.

**1.21** The State Government had formulated (March 1999) a dividend policy under which all PSUs are required to pay a minimum return of four *per cent* on the funds invested by the State Government. As per their latest finalised accounts, 15 PSUs earned an aggregate profit of ₹ 80.17 crore of which three PSUs declared a dividend of ₹ 2.29 crore at the rate ranging from six *per cent* to 48 *per cent*. The remaining 12 PSUs did not declare dividend despite earning profits of ₹ 62.63 crore.

### ***Performance of major PSUs***

**1.22** The investment in working PSUs and their turnover together aggregated to ₹ 38,997.62 crore during 2009-10. Out of 31 working PSUs, each of the following PSUs accounted for investment *plus* turnover of more than five *per cent* of the aggregate investment *plus* turnover. These PSUs together accounted for 88.02 *per cent* of the aggregate investment *plus* turnover.

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▲ Turnover of working PSUs as per the latest finalised accounts as of 30 September of subsequent year

(₹ in crore)

PSU Name	Investment	Turnover	Total (2) + (3)	Percentage to aggregated investment plus turnover of all PSUs
(1)	(2)	(3)	(4)	(5)
Punjab State Electricity Board	14,447.43	9,010.34	23,457.77	60.15
Punjab State Civil Supplies Corporation Limited	3.73	5,840.18	5,843.91	14.98
Punjab State Grains Procurement Corporation Limited	1.05	3,023.86	3,024.91	7.76
Punjab State Warehousing Corporation Limited	41.54	1,959.23	2,000.77	5.13
<b>Total</b>	<b>14,493.75</b>	<b>19,833.61</b>	<b>34,327.36</b>	<b>88.02</b>

Punjab State Electricity Board which had more than 60 *per cent* of aggregated investment and turnover of all PSUs suffered a loss of ₹ 1,041.10 crore during the year 2008-09 and had accumulated losses of ₹ 8,411.23 crore as on 31 March 2009.

### Arrears in finalisation of accounts

**1.23** 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 the case of Statutory corporations, their accounts are to be 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 the working PSUs in finalisation of accounts by 30 September 2010.

Sl. No.	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
1.	Number of Working PSUs	29	29	33	33	31
2.	Number of accounts finalised during the year	27	24	25	38	33
3.	Number of accounts in arrears	48	53	62*	57	49 <sup>x</sup>
4.	Average arrears <i>per</i> PSU (3/1)	1.66	1.83	1.88	1.73	1.58
5.	Number of Working PSUs with arrears in accounts	23	24	29	25	23
6.	Extent of arrears (years)	1 to 4	1 to 4	1 to 5	1 to 5	1 to 6

\* includes one account of a Company which became working from non-working.

<sup>x</sup> excluding six accounts of two companies which became non-working during the year.

**1.24** The average number of accounts in arrears *per* working PSU decreased from 1.66 in 2005-06 to 1.58 in 2009-10. The PSUs having arrears of accounts need to take effective measures for early clearance of backlog and make the accounts up-to-date. The PSUs should also ensure that at least one year's accounts are finalised each year so as to restrict further accumulation of arrears.

**1.25** In addition to the above, there were also arrears in finalisation of the accounts by the non-working PSUs. Out of 19 non-working PSUs, eight\* had gone into liquidation process. All the remaining 11 non-working PSUs had arrears of accounts, for one to 19 years.

**1.26** The State Government had invested ₹ 3,410.01 crore (Equity: ₹ 42.67 crore, grants/subsidy: ₹ 3,367.34 crore) in five PSUs during the years for which accounts were not 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. Thus, Government's investment in such PSUs remained outside the scrutiny of the State Legislature. Further, delay in finalisation of the accounts may result in risk of fraud and leakage of public money, apart from violation of the provisions of the Companies Act, 1956.

**1.27** 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 finalization of accounts, no remedial measures were taken. As a result of this the net worth of these PSUs could not be assessed in audit.

**1.28** In view of the above mentioned state of arrears, it is recommended that:

- **The Government may set up a cell to oversee the clearance of arrears and set targets for individual companies which would be monitored by the cell.**
- **The Government PSUs may consider outsourcing the work relating to preparation of accounts wherever the staff is inadequate or lacks expertise.**

#### **Winding up of non-working PSUs**

**1.29** There were 19 non-working PSUs (all companies) as on 31 March 2010. Of these, eight\* PSUs were under liquidation/winding up process. The numbers of

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\* Companies at Sl. No. C-2, 7, 8, 9, 10, 12, 13 and 19 of **Annexure 2**

non-working companies at the end of each year during the past five years are given below.

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
No. of non-working companies	30	19	17	17	19

The non-working PSUs are required to be closed down as their existence is not going to serve any purpose. During 2009-10, nine non-working PSUs incurred an expenditure of ₹ 0.64 crore towards salary/establishment expenditure etc. This expenditure was financed through sale of assets (₹ 0.13 crore) of these PSUs and other resources\* (₹ 0.51 crore).

**1.30** The stages of closure in respect of the non-working PSUs are as follows:

Sl. No.	Particulars	Number
1.	Total No. of non-working PSUs	19
2.	Of (1) above, the number under	
(a)	liquidation by Court (liquidator appointed)	3
(b)	Voluntary winding up (liquidator appointed)	5
(c)	Closure, i.e. closing orders/ instructions issued but liquidation process not yet started.	7

**1.31** During the year 2009-10, no company was finally wound up. The companies which have taken the route of winding up by Court order are under liquidation for a period ranging from 1 to 27 years. The process of voluntary winding up under the Companies Act is much faster and needs to be adopted/ pursued vigorously. **The Government may make a decision regarding winding up of the remaining four non-working PSUs where no decision about their continuation or otherwise has been taken after they became defunct. The Government (Directorate of Disinvestment)\* may expedite closing down of the non-working companies.**

#### Accounts comments and internal audit

**1.32** Twenty one working companies forwarded their 27 accounts to Audit during the year 2009-10. Of these, 22 accounts of 17 companies 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 the statutory auditors and CAG are given below.

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- \* Includes borrowings from common pool fund of PSUs under liquidation, interest on investments, etc
  - A cell established for disinvestment of State Government equity in State PSUs/Subsidiaries and for restructuring/privatization, etc. of these PSUs

(Amount: ₹ in crore)

Sl. No.	Particulars	2007-08		2008-09		2009-10	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	4	190.51	3	116.63	1	227.60
2.	Increase in loss	6	14.91	6	23.84	3	21.76
3.	Decrease in loss	-	-	-	-	3	51.56
4.	Non-disclosure of material facts	-	-	2	1.59	2	289.96
5.	Errors of classification			2	432.53	1	15.62
	<b>Total</b>		<b>205.42</b>		<b>574.59</b>		<b>606.50</b>

The aggregate money value of total comments increased from ₹ 205.42 crore (10 accounts) in 2007-08 to ₹ 606.50 crore in (7 accounts) in 2009-10.

**1.33** During the year, the statutory auditors had given unqualified certificates for 13 accounts, qualified certificates for ten accounts and adverse certificates (which mean that accounts do not reflect a true and fair position) for four accounts. The compliance of companies with the Accounting Standards (AS) remained poor as there were 50 instances where Accounting Standards were not complied with in 15 accounts during the year 2009-10\*.

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

**Punjab State Grains Procurement Corporation limited (2005-06)**

Non inclusion of value of closing stock of 29,301.62 quintal of stock of rice in closing stock as on 31 March 2006 and undervaluation of 27,041.365 quintals of closing stock of raw rice, resulted in understatement of closing stock and overstatement of loss by ₹ 3.41 crore.

**Punjab Small Industries and Export Corporation Limited (2007-08)**

Inclusion of interest income of ₹ 1.13 crore in the liabilities resulted in overstatement of current liabilities and understatement of general reserves by ₹ 1.13 crore.

**Punjab Water Resources Management and Development Corporation Limited (2007-08)**

Non provision of ₹ 10.59 crore in respect of recovery proceedings filed by State Bank of India in Debt Recovery Tribunal, Jaipur for recovery of principal, interest

\* October 2009 to September 2010.



and other charges, resulted in understatement of losses and liabilities to that extent.

### **Punjab Agro Foodgrains Corporation Limited (2007-08)**

The Company booked the claims in respect of interest and custody & maintenance charges on wheat procured in the years 2004-05 to 2007-08 for over and above the period provided in the provisional rates. This resulted in overstatement of current assets and reserves & surplus by ₹ 84.93 crore. Profit for the year was also overstated by ₹ 47.07 crore.

### **Punjab State Seeds Corporation Limited (2007-08)**

Non provision of interest on loans availed from Punjab Rural Development Fund resulted in understatement of unsecured loans as well as accumulated losses by ₹ 3.89 crore.

**1.35** Similarly, five working Statutory corporations forwarded their six accounts to Audit during the year 2009-10\*. Of these, three accounts of three statutory corporations pertained to sole audit by CAG which was completed. The remaining three 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 in the following table:

(Amount: ₹ in crore)

Sl. No.	Particulars	2007-08		2008-09		2009-10	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Increase in loss	1	7.48	3	63.21	4	163.71
2.	Decrease in profits	-	-	-	-	1	0.52
3.	Non-disclosure of material facts	1	72.63	2	170.05	4	482.48
4.	Errors of classification	1	302.90	1	299.09	-	-
	<b>Total</b>		<b>383.01</b>		<b>532.35</b>		<b>646.71</b>

The aggregate money value of total comments increased from ₹ 383.01 crore in 2007-08 to ₹ 646.71 crore in 2009-10.

**1.36** During the year, all the six accounts received qualified certificates. Some of the important comments in respect of accounts of Statutory corporations are stated below:

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\* October 2009 to September 2010.

### **Punjab State Electricity Board (2008-09)**

- Interest and finance charges were understated by ₹ 70.61 crore due to short provision of interest on security deposit to consumers. This resulted in understatement of deficit to the same extent.
- Other debits were understated by ₹ 16.65 crore on account of loss on the manufacture of PCC Poles (difference between Board's cost at its workshops and market price), resulting in understatement of deficit as well as overstatement of current assets to the same extent.
- Depreciation and related debits (Net) were understated by ₹ 8.62 crore due to short provision of depreciation. Consequently deficit was also understated to the same extent.

### **Punjab Financial Corporation (2008-09)**

The Corporation had accounted for the amount of interest income on sale proceeds of jointly financed unit taken over as its own income instead of crediting it to the trust account, resulting in understatement of accumulated loss and the trust account by ₹ 3.00 crore (including ₹ one crore for the year 2008-09).

### **PEPSU Road Transport Corporation (2008-09)**

Non provision of liability of ₹ 36.49 crore on account of revision of pay scales based on Punjab Government's salary structure resulted in understatement of current liabilities as well as losses to that extent.

**1.37** The statutory auditors (Chartered Accountants) are required to furnish a detailed report on 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 seven companies<sup>μ</sup> for the year 2008-09 and eight<sup>▲</sup> companies for the year 2009-10 are given in the following table.

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<sup>μ</sup> Sl. No. A- 1, 6, 7, 8, 9, 13 and 25 in *Annexure 2*

<sup>▲</sup> Sl. No. A- 1, 6, 7, 8, 9, 13, 22 and 25 in *Annexure 2*

Sl. No.	Nature of comments made by Statutory Auditors	Number of companies in respect of which 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	3	A-6, A-7 and A-13
2.	Absence of internal audit system commensurate with the nature and size of business of the company	4	A-6, A-7, A-13 and A-22
3.	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-6, A-8, A-13 and A-25
4.	Non existence of system of proper documentation of software programme / no approved IT plan	7	A-1, A-7, A-8, A-9, A-13, A-22 and A-25
5.	Non computerisation of operations	6	A-1, A-6, A-7, A-8, A-13 and A-22
6.	Audit committee did not exist	4	A-6, A-13, A-22 and A-25
7.	No clear cut credit policy exist	5	A-6, A-7, A-8, A-9 and A-13

#### Recoveries at the instance of Audit

**1.38** During the course of audit in 2009-10, recoveries of ₹ 75.40 crore were pointed out to the Management of 14 PSUs out of which recoveries of ₹ 22.82 crore were admitted by PSUs. Against this, an amount of ₹ 0.62 crore was recovered during the year 2009-10.

#### Status of placement of Separate Audit Reports

**1.39** 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	Punjab Scheduled Castes Land Development & Finance Corporation	2006-07	2007-08	22 February 2010	Accounts under print
2	Punjab State Electricity Board	2007-08	2008-09	29 January 2010	Reply awaited from Government.
3	Punjab State Warehousing Corporation	2006-07	2007-08	20 July 2010	Accounts under print
4	PEPSU Road Transport Corporation	2007-08	2008-09	3 June 2010	Accounts under print

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

### Disinvestment, privatisation and restructuring of PSUs

**1.40** The State Government established (July 2002) the Directorate of Disinvestment under the Department of Finance, with the function relating to disinvestment of State Government equity held in Public sector undertakings and their subsidiaries/promoted companies and restructuring/privatization etc. of the PSUs. However, no Government Company\* was disinvested/privatised by the Directorate during the year.

### Reforms in power sector

**1.41** The Punjab State Electricity Regulatory Commission (PSERC) was formed in March 1999 under Section 17 of the Electricity Regulatory Commissions 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 licenses. During 2009-10, the PSERC issued 25 orders (one on annual revenue requirements and 24 on others).

\* Nabha Power Limited was privatized by Punjab State Electricity Board on its own.

• Since replaced by the Electricity Act, 2003

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

Sl. No.	Milestone	Achievement as of March 2010
1.	Reduction in transmission and distribution losses to 18 <i>per cent</i> by March 2003.	20.12 <i>per cent</i> during 2009-10.
2.	100 <i>per cent</i> metering of all 11 KV distribution feeders by September 2001.	Electronic meters on all the 6,455 11 KV feeders stand installed up to 31 March 2010.
3.	100 <i>per cent</i> metering of all consumers by 30 June 2002.	All consumers (except Agriculture Power consumers) were metered. Out of 11.05 lakh agricultural consumers, 10.06 lakh consumers were unmetered.
4.	Securitize outstanding dues of Central Public Sector Undertakings.	Securitized since August 2003.
5.	Establishment of State Electricity Regulatory Commission	Constituted in March 1999.
6.	Implementation of tariff orders issued by SERC during 2002-08 for distribution tariff to be implemented from 1 August 2002.	Eighth tariff order for 2009-10 was implemented by PSEB on 9 September 2009, applicable with effect from 1 April 2009.
7.	Installation of energy meters on grid/generating stations by 30 September 2001.	Installed by March 2005.
8.	Replacement of electro mechanical meters with electronic meters by March 2006.	40.40 lakh electronics meters have been installed against 58.13 lakh metered consumers.
9.	Monitoring of MOU on quarterly basis.	Since the expiry of MOU on 31 March 2008, no steering committee meetings were held.

It is evident that PSEB could not achieve the target of reduction of T & D losses to 18 *per cent*, 10.06 lakh Agriculture Power consumers were still unmetered and 17.73 lakh electromechanical meters were still to be replaced with electronic meters.



## CHAPTER II

### Performance review relating to Government Company

### Performance Audit of the working of Punjab Water Resources Management & Development Corporation Limited

#### Executive Summary

*The Punjab Water Resources Management & Development Corporation Limited is engaged in the installation of tubewells and lining of watercourses to supply water for irrigation in the State. The Company had been incurring losses and the accumulated loss as on 31 March 2009 was ₹ 76.09 crore. Though in February 2008, the Company had amended its Memorandum of Association inter alia to include the new objectives of promoting schemes for execution and management for recharge of ground water, anti water logging measures etc., no steps for their implementation, have been initiated by the Company:*

#### *Delay in completion of tubewells*

*As against the norm of five months for installation of a tubewell, there were delays ranging from one to 36 months in 217 tubewells out of 239 tubewells (91 per cent) installed during 2004-09.*

#### *Installation of tubewells in over-exploited zone*

*Punjab is one of the states drawing the ground water maximum and it needs to be regulated on sustainable basis, particularly in the over-exploited areas where drawl is more than recharging of the ground water. The Company installed 24 tubewells between September 2006 to February 2009 in four districts categorised as*

*over-exploited without making arrangements for recharge of the ground water and defeating the objective of protection of the ground water.*

#### *Reduction in irrigation potential*

*Despite the observation of the Hydrogeological wing of the Company that in 23 tubewells installed in the nearby areas there was less discharge of water, the company neither limited the number of tubewells nor explored the alternate sites for installation of the tubewells. Due to such indiscriminate digging of tubewells and fast depleting water level in the state, 174 tubewells out of 295 tubewells drilled and developed during 2004-09 had less (25 per cent) discharge of water than the anticipated discharge and as a result against the targeted irrigation of 23,959 acres, actual irrigation was possible in 17,988 acres only.*

#### *Failure to revise the rates for sale of water*

*The Company had incurred operation and maintenance cost of ₹ 9.05 to ₹ 11.20 per unit of electricity consumed during 2004-09 as against water charges of ₹ one and ₹ 1.60 per unit in the Kandi and non Kandi area respectively fixed in May 2003. The Company had not brought to the notice of the State Government the high operational*

*cost of the tubewells vis-a-vis the low rates prescribed for sale of water so as to revise the rate of water charges.*

#### ***Recovery of water charges***

*The present system of collection of water charges by lambardars authorised by the Revenue Department is prone to embezzlement as the Company had not laid down any system for periodical reconciliation of the amount collected and deposited in the banks by the lambardars. The outstanding dues of water charges had increased from ₹1.42 crore in 2005-06 to ₹5.35 crore in 2008-09.*

#### ***Taking up of low priority project***

*In the case of lining of watercourses too, there were abnormal delays in completing the works. As against recommendations of a committee to give priority to water logged and saline ground water zone for taking up the work of lining of water courses and discourage such works in the areas where water balance was negative and falling (over-exploited area), the Company took up such works in the area of Upper Bari Doab Canal in Amritsar district which was declared as over-exploited by the Central Ground Water Board.*

#### ***Internal Control***

*System of raising the bills and recovery of water charges was not effective. There was no monitoring of implementation of the projects.*

#### ***Corporate Governance***

*There were instances of a number of the Board directors not attending the Board meetings. During the review period of five years, the Government had appointed eight Managing Directors whose tenure ranged from 29 to 665 days. Poor participation by the directors and frequent changes in the top official of Company has the risk of affecting effective functioning of the Company.*

#### ***Recommendations***

*We have made seven recommendations which included augmentation of recharging of ground water; handing over the operation and maintenance of the tubewells to the Water Users Associations; disallowance of subsidy attributable to the Company's inefficiencies; control of establishment cost and streamlining the system of revenue collection; and revision of water charges.*

## Introduction

**2.1** Water resources of India consist of both the surface water and the ground water. Agriculture utilises nearly 80 *per cent* of the available water resources in Punjab. A team of hydrologists observed (August 2009) that northern India's underground water supply was being pumped and consumed by human activities faster than the natural processes could replenish them. The experts further observed that ground water level was declining by as much as 33 centimeter per year over the past decade.

The Punjab State Tubewell Corporation Limited was incorporated in December 1970 as a wholly owned Government Company to provide irrigation facilities to the farmers by installation of deep tubewells. Subsequently, in 1974-75 the State Government entrusted the work of lining of watercourses to the Company. With a view to further enhance the scope of working, the Company was renamed (February 2008) as the Punjab Water Resources Management & Development Corporation Limited and the following new objectives were added to its Memorandum of Association:

- To promote schemes for execution and management for recharge of ground water, anti water logging measures, research and development of design techniques of irrigation structures, computerization and creation of data bank; and
- Improvement and management of major, medium and minor irrigation projects likely to promote the development of irrigation.

Though the Company had amended (February 2008) the Memorandum of Association by adding the above mentioned new objectives, no steps for their implementation for recharging of ground water which is fast depleting have been initiated by the Company (March 2010).

The Company is presently engaged in installation, operation and maintenance of tubewells, sale of water to the farmers at the rates fixed by the State Government and lining of watercourses by executing the projects approved by the Government of India under the Command Area Development and Water Management Programme\* (CADWM).

The Management of the Company is vested in the Board of Directors (Board) consisting of 15 directors appointed by the State Government. As on 31 March 2010, there were 13 directors. The Managing Director is the Chief Executive Officer of the Company and is assisted by one Superintending Engineer at the Head Office and four Superintending Engineers in the field offices.

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\* Programme of Government of India for lining of water courses.

### Scope of audit

**2.2** The present performance audit review was conducted during November 2009 to May 2010 to assess the performance of the Company during the period from 2004-05 to 2008-09\*. The audit was conducted by test check of records in the head office of the Company and nine out of the 16 divisional offices selected on probability proportion to size with replacement sampling technique. The selected divisional offices covered 65.27 *per cent* of the expenditure on installation of tubewells and 78.69 *per cent* of the expenditure on lining of water courses incurred during 2004-09.

### Audit objectives

**2.3** The audit objectives were to ascertain whether:

- Installation, operation and maintenance of the tubewells were executed in efficient, effective and economical manner;
- Functions relating to lining of watercourses were carried out as per priorities and norms prescribed by the State Government and Government of India;
- Funds for executing the works were utilised efficiently and economically;
- The Company billed for sale of water at the prescribed rate and its prompt realisation; and
- Prevalent internal control system in the Company was adequate and effective.

### Audit criteria

**2.4** Norms and instructions contained in the following were used as criteria:

- Memorandum of Association and long term and short term plans of the Company;
- Directives as well as policies of the Government of India/State Government; and
- Targets set under various schemes for installation of tubewells and lining of watercourses.

### Audit methodology

**2.5** Audit used a mix of the following methodologies:

- Scrutiny of minutes/ agenda of meetings of the Board and sub committees;
- Scrutiny of contracts relating to execution of works by the contractors;

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\* Figures (operational and financial) for the year 2009-10 have not been compiled by the Management (August 2010).

- Examination of records relating to sanction and execution of the projects for installation of tubewells and lining of watercourses;
- Scrutiny of records relating to utilization of the funds;
- Scrutiny of records relating to raising of bills for sale of water to the beneficiaries; and
- Interaction with the Management and issue of audit queries.

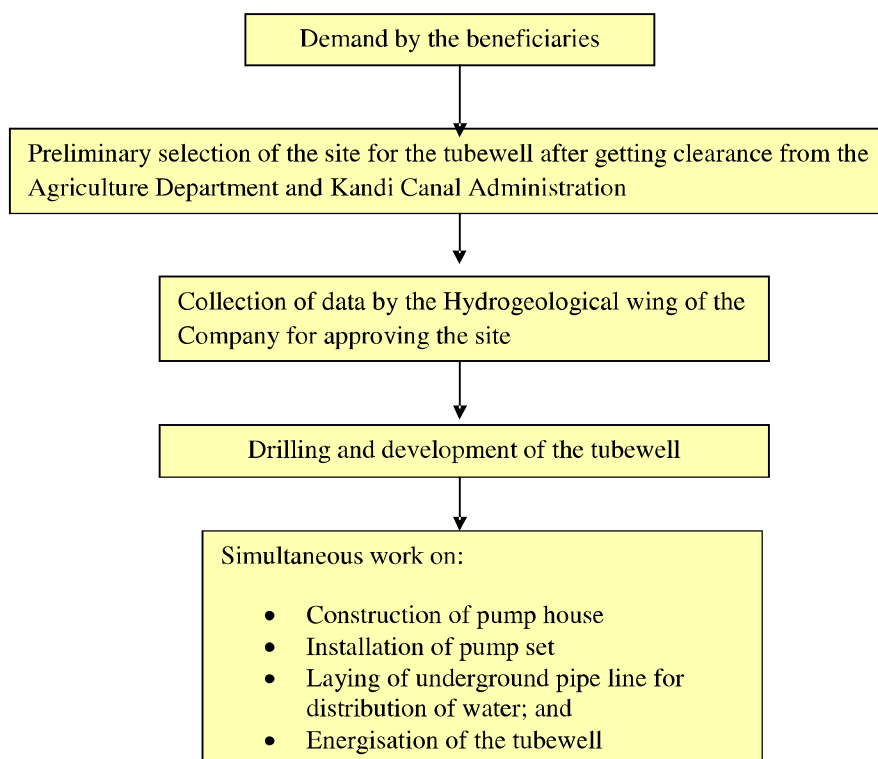
### Audit findings

The audit findings were reported to the Management/Government in May/July 2010 and discussed in the Exit Conference on 28 July 2010 which was attended by Managing Director, Financial Adviser and Senior Hydrogeologist of the Company. Views of the Management have been duly considered while finalizing the review.

The audit findings are discussed in the succeeding paragraphs:

### Implementation of the tubewell programmes

**2.6** The installation of a deep tubewell involves the stages of drilling and development, construction of pump house, installation of pump set, construction of underground water carrier channels and energisation. After deciding the site for a tubewell, geological and hydrogeological data is collected by hydrogeological wing of the Company. The Company carried out the activity of installation of tubewells utilising the funds received from the State Government. The stages involved in installation of the tubewells are given in the following flow chart:



The installation of tubewells was carried out by eight<sup>†</sup> divisional offices of the Company. The Company planned to install 312 tubewells at an estimated cost of ₹ 98.48 crore (revised to ₹ 110.97 crore) under nine schemes (six State plan schemes and three Punjab Nirman Programme schemes) during the period from 2004-09 to create irrigation potential in 41,704 acres of area against which 239 tubewells were completed and irrigation potential in 27,474 acres of area was actually created. The details showing the tubewell schemes planned and executed during 2004-09 are indicated in **Annexure 7**.

The reasons for non completion of balance 73 tubewells analysed in audit were as follows:

- Drilling and development work on 17 tubewells was not initiated.
- In 18 tubewells, the pipeline for supply of water was not laid, though the tubewells had been energised.
- Civil works for 22 tubewells were not started.
- In seven tubewells, pump sets were not installed.
- Nine tubewells had not been energised by the State Electricity Board.

It was further observed that against the prescribed period of five months for installation of a tubewell, 217 out of 239 tubewells were installed after the delay of one to thirty six months, as discussed in para 2.6.5 *infra*.

Some of the major schemes undertaken by the Company during the period of review were examined in audit and the deficiencies noticed are discussed in the succeeding paragraphs:

#### ***Installation of 100 deep tubewells***

**2.6.1** The project for installation of 100 tubewells in four<sup>‡</sup> districts was approved (June 2004) by the Company at an estimated cost of ₹ 21.39 crore. The installation of tubewells was to be completed in a phased manner in three years i.e. 35 tubewells each during the first and second year and 30 tubewells in the third year. The Company assessed that there was acute shortage of water in the region and water level was very deep. With the installation of these tubewells, the Company proposed to bring additional area of 14,820 acres under cultivation. The first instalment of funds (₹ 4.08 crore) was received from the State Government in August 2005. The Company took up the work of drilling and development of the tubewells in August 2005. Against the 35 tubewells targeted for the first year, no tubewell could be energised till March 2006. The Company revised (June 2006) the project cost to ₹ 32.70 crore due to escalation in the prices of material etc. The State Government further released ₹ 26.88 crore during March 2006 to September 2008 to the Company. The schedule period of completion of the scheme was revised (April 2009) to 31 March 2010. The Company, however, completed 95 tubewells at a cost of ₹ 30.45 crore upto 31 March 2009.

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<sup>†</sup> Tubewell Construction Divisions at Hoshiarpur, Jalandhar, Ludhiana, Malerkotla, Pathankot, Ropar and Operation and Maintenance Divisions at Chandigarh and Hoshiarpur.

<sup>‡</sup> Gurdaspur, Hoshiarpur, Nawanshehar and Ropar.

We observed that instead of taking up the work of installation of tubewells in the phased manner, the Company decided (June 2006) to take up the work of drilling and development of all the 100 tubewells simultaneously and complete it by 31 December 2006. This resulted in delay in creation of irrigation potential as well as extra expenditure as below:

- With the available funds of ₹ 19.23 crore released by the State Government the Company could complete 62 tubewells upto 31 March 2007 against which only 26 tubewells were actually completed. Failure to do the work in a phased manner resulted in delay of one to 21 months in completing the balance 34 tubewells (after excluding two abandoned tubewells). This resulted in delay in creation of the irrigation potential in 3420 acres of area.
  - The Company got the work of drilling and development of 65 tubewells through private contractors and 33 tubewells were drilled departmentally. Audit scrutiny revealed that had the drilling and development of tubewells been done in a phased manner with the available machinery (eight departmental rigs for drilling of tubewells), the Company could have drilled and developed 56 tubewells departmentally (as against 33 tubewells drilled departmentally) during three years. Thus, failure of the Company to undertake the drilling and development work in a phased manner resulted in extra expenditure of ₹ 2.48 crore.
- Failure to undertake drilling and development work departmentally in phased manner resulted in extra expenditure of ₹ 2.48 crore.**

The Management stated (July 2010) that it had taken up the matter with the State Government for release of funds required for the purchase of machinery as most of the drilling machinery available with the Company was outlived and the Company was unable to drill the tubewells within the scheduled period, and hence it was decided to get the tubewells drilled through private agencies. The reply is not acceptable in view of the fact that since the Company failed to take up the work in a phased manner, it had to get the tubewells drilled through private parties. Further, the contention that the machinery was outlived is not acceptable as this was an after thought and was never brought to notice of the Board at the stage of taking up of work.

### ***Installation of eight deep tubewells in Garhshankar block***

**2.6.2** The Company prepared (September 2004) a project report for installation of eight deep tubewells in Garhshankar block of Hoshiarpur district at an estimated cost of ₹ 3.93 crore (revised to ₹ 5.11 crore in September 2007). The tubewells were to be installed by March 2007.

The Company completed the work of drilling and development and construction of pump house of the tubewells during June 2005 to May 2006. In the meantime, the Company had placed (10 April 2006) an order on Trade Linkers Amritsar<sup>§</sup>, for supply of eight pump sets. The supplier was required to supply the pump sets by 15 June 2006. The supplier requested (September 2006) for grant of extension in the delivery period on the plea of incessant rains with floods in Maharashtra and labour strikes in their manufacturing unit. The Company merely on the request of the supplier and without verifying the facts extended the delivery period upto 15 October 2006. The

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<sup>§</sup> The agency is authorised supplier of the main supplier viz. Calama Pumps, Mumbai.



supplier again requested (February 2007) to grant extension upto 16 February 2007 on the same grounds furnished earlier which was also accepted by the Company. The supplier supplied six and two pump sets in December 2006 and February 2007 respectively. There was, thus, delay of six to eight months (from the scheduled delivery period) in the supply of eight pump sets. We noticed that:

- three pump sets were installed during February/March 2008 i.e. after a delay of 12 to 13 months from their receipt.
- one pump set was irregularly diverted to another tubewell. As a result, another pump set was to be procured and installed (October 2008) after a delay of 27 months.

The delays resulted in blocking up of capital of ₹ 3.50 crore (drilling and development cost) during the delayed period of six to 27 months.

The Management stated (July 2010) that the delay was on the part of Punjab State Electricity Board (PSEB) as the electric poles, transformers etc. were not available in their stores. The reply of Management is not specific to the audit observation of delay in supply and installation of pump sets.

### ***Installation of 119 alternate tubewells***

**2.6.3** The Central Ground Water Board (CGWB) recommended (March 2005) that drawl of the ground water in the over-exploited zones<sup>⊗</sup> be regulated on sustainable basis by making arrangements for recharge of water.

**The Company installed 24 tubewells in four districts which were over-exploited, against the recommendations of Central Ground Water Board.**

The Company approved (June 2006) a project for installation of 119 alternative tubewells\* in 19 blocks and proposed to bring 14,875 acres under irrigation with the stipulation that these alternate tubewells would not affect the ground water status. The Company completed installation of 98 tubewells upto 31 March 2009. We observed that out of these, 24 tubewells at a cost of ₹ 5.22 crore were installed during September 2006 to February 2009 in four districts<sup>⌘</sup> which were categorised as over-exploited areas. No arrangements for recharge of these tubewells were made by the Company.

The Management stated (July 2010) that installation of alternate tubewells even in the over-exploited area had not been prohibited by the CGWB and discharge of the abandoned and dried up tubewells had been accounted for in the figure of water exploited in these areas. The reply is not acceptable as the CGWB had recommended drawl of water in over-exploited zone on sustainable basis which was not done by the Company. Further, the inclusion of discharge of abandoned tubewells in the figures of water exploitation does not imply that Company should install the alternate tubewells in these areas without making arrangements for recharge of water.

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⊗ Area in which drawl of ground water is more than its recharge.

\* Tubewells installed at site near to the dried and abandoned tubewells.

⌘ Patiala, Sangrur, Nawanshehar and Hoshiarpur.

### Reduction in irrigation potential

**2.6.4** After the selection of site for digging the tubewell and obtaining clearance from the Agriculture Department and Kandi Canal Administration, the Hydrogeological wing of the Company assesses the availability of water discharge. The discharge of the tubewells as per the project report, actual discharge obtained and the area brought under irrigation are given in **Annexure 8**.

**Improper selection of sites for digging of tubewells resulted in creation of irrigation facility of 17,988 acres against the targeted irrigation of 23,959 acres.**

Out of 295 tubewells on which the drilling and development work was completed during 2004-09, the Company obtained less discharge of water than the estimated quantity in 174 tubewells. According to the norms, the Company was to bring 23,959 acres of area under irrigation by the 174 tubewells installed at a cost of ₹ 61.98 crore during the period from 2004-05 to 2008-09. It was observed that the actual discharge of the tubewells was less by 24.92 *per cent* than the anticipated discharge and as a result actual irrigation was possible in only 17,988 acres against the targeted irrigation of 23,959 acres. Further, audit scrutiny revealed that immediately before the installation of tubewells, the Hydrogeological wing of the Company had noticed less discharge of water in 23 tubewells already in operation at the nearby sites. The Company, however, did not take cognizance of the same.

The Management stated (July 2010) that the schemes were framed 2-3 years before implementation and the project were started since 2006-07 when funds were received from the State Government. Thus, due to depletion of water level, the tubewells did not yield the projected discharge and thus the area under irrigation had decreased. However, the fact remains that the Company did not take cognizance of findings of its Hydrogeological wing.

### Delay in completion of the tubewells

**2.6.5** The Company had prescribed a time period of five<sup>\*\*</sup> months for installation of a tubewell. After successful development of the tubewell, the work of laying of pipeline is taken up so as to make availability of water up to the channels in the fields of beneficiaries. The following table depicts the extent of delay in completion of the tubewells:

<sup>\*\*</sup> 20 days for initial formalities i.e. obtaining land from the farmers etc, one and a half month for drilling and development and two and a half month for completion of civil works, including laying of underground pipelines.

Sl. No.	No. of tubewells	Delay in months
1	40	one to three
2	47	Above three and upto six
3	44	Above six and upto nine
4	21	Above nine and upto twelve
5	14	Above 12 and upto 15
6	19	Above 15 and upto 18
7	23	Above 18 and upto 24
8	9	Above 24 and upto 36
<b>Total</b>	<b>217</b>	

The Company took excess time of one to 36 months in installation of 217 out of 239 tubewells (90.79 *per cent*) completed during 2004-2009. Audit scrutiny revealed that 86 tubewells could not be completed and put to use for one to 19 months even after energisation due to delay in laying of the pipelines. It was further noticed that laying of the pipeline was delayed due to delay in inviting tenders (one to 28 months in 63 cases) and delay in allotment of works (one to 30 months in 69 cases). This deprived the farmers of potential irrigation in 10,306 acres. Besides, an amount of ₹ 17.93 crore spent on the construction works remained blocked during the period of delay. This also resulted in loss of interest of ₹ 33.96 lakh on the amount remained blocked during the delayed period.

The Management stated (July 2010) that before inviting tenders for laying the pipelines, the process for tendering was to be completed which took two to three months. The reply is not acceptable as due to lack of proper planning and close monitoring, the Company failed to install the tubewells within the period of five months.

#### **Non involvement of the beneficiaries**

**2.6.6** According to the National Water Policy-2002, involvement of the beneficiaries should be encouraged from the project planning stage itself. In the case of lining of water courses, the Company involved (from April 2004) the beneficiaries by requiring them to contribute 10 *per cent* of the cost of lining works. However, the Company did not involve the beneficiaries in installation of the tubewells and the entire capital cost was incurred by the Company. We noticed that in similar cases of installation of tubewells by the Gujarat State Water Resources Development Corporation, the beneficiaries were contributing 15 *per cent* of the capital cost of the tubewells for getting the benefit of irrigation. Thus, the Company due to its failure to involve the beneficiaries in the installation of tubewells lost an opportunity to generate additional funds of ₹ 11.10 crore (at the rate of 10 *per cent* of the total capital cost of ₹ 110.97

**Failure to involve beneficiaries in the installation of tubewells resulted in losing of an opportunity to generate funds of ₹11.10 crore.**

crore) during 2004-09. Further the involvement of farmers would create a sense of belonging facilitating optimum utilisation of the scarce water resources.

The Management stated (July 2010) that the tubewells were installed in the area where the economic condition of the farmers was poor and they were unable to contribute the cost of installation of the tubewells. The reply of the Management is not based on records as it had neither ascertained the economic condition of the farmers nor determined any parameters for taking contribution from them towards the cost of tubewells.

**Even 15 years after the decision of State Government, the Company could not hand over operation and maintenance of tubewells to Water Users Associations.**

**2.6.7** The State Government decided (November 1995) to hand over the operation and maintenance of tubewells to the Water Users Associations (beneficiaries) with a view to reduce the burden of subsidy. Accordingly in the project estimate for installation of 100 tubewells approved in February 2005, the Management stated that after successful operation of the tubewells, the operation and maintenance of the tubewells would be handed over to the beneficiaries for which necessary willingness/understanding had already been obtained from them. It was noticed by us that the Company had not transferred the operation and maintenance of the tubewells to the beneficiaries so far (31 March 2010). As of March 2009, 1700 tubewells were in operation but the operation and maintenance of the tubewells was continuously being done by the Company and an expenditure of ₹ 87.43 crore was incurred during the period 2004-09.

The Management stated (July 2010) that as per policy of the State Government, the Company made efforts during 1996-97 to hand over the operation and maintenance of the tubewells to the beneficiaries, but most of them were reluctant to take over the operation and maintenance of the tubewells. It was also stated (July 2010) that expenditure on operation of the tubewells was being met by the Company from the amount of sale of water. The reply is not based on facts as the income from the sale of water was ₹ 17.62<sup>r</sup> crore during the period 2004-09 as against the corresponding operational and maintenance cost of ₹ 87.43 crore. The Management also failed to implement the participation of the beneficiaries in the schemes for which willingness/understanding were obtained in 2000-01.

In order to reduce the burden of subsidy on the State Government, there is an urgent need to increase the rates of sale of water so that the gap is reduced and the beneficiaries are pursued simultaneously by framing policy to hand over the operation and maintenance of the tubewells in a phased manner to them.

### Sale of water

**2.7** According to the Memorandum of Association, the Company was to sell water at the rates, terms and conditions determined by it from time to time. However, the sale of water from the tubewells of the Company were continued to be at the rates fixed by the State Government similar to the rates for canal water fixed for the Irrigation Department. The Water Policy of the State Government, 2008 also provided that the water rates should be fixed and revised from time to time with a view to recover at

<sup>r</sup> Figure as per annual accounts.

least the annual maintenance and operational costs. The following points were noticed in audit.

***Failure to revise the rates for sale of water***

Against ₹ 9.05 to ₹ 11.20 per unit of electricity incurred, the Company recovered ₹ one to ₹ 1.60 per unit of electricity for sale of water during 2004-09.

**2.7.1** We observed that the Company had incurred operation and maintenance cost of ₹ 9.05 per unit to ₹ 11.20 per unit of electricity consumed during 2004-09 as against the water charges of ₹ one and ₹ 1.60 per unit of electricity in the kandi<sup>††</sup> and non kandi area respectively fixed in May 2003. The Company had neither exercised its inherent power to revise the rates from time to time nor taken up the matter with the State Government for revision of the rates.

The Management stated (December 2009) that revision of the rates was done by the State Government after getting proposal from the Company. We noticed that the Company had neither moved any proposal nor impressed upon the State Government to revise the rates in view of the high operational cost of running and maintenance of the tubewells. The revision could also result in judicious use of the scarce irrigation resources and act as a deterrent against liberal use of water by the farmers.

***Recovery of water charges***

**2.7.2** The following table indicates the amount recoverable and recovery made on account of sale of water by the divisional offices for the five years ending 31 March 2009:

(₹ in lakh)

	Opening Balance	Demand for the year	Total amount due	Actual recovery	Recovery (in percentage)	Closing balance
<b>2004-05</b>	98.63	370.50	469.13	327.39	69.79	141.74
<b>2005-06</b>	141.74	248.86	390.60	241.54	61.84	149.06
<b>2006-07</b>	149.06	395.14	544.20	217.90	40.04	326.30
<b>2007-08</b>	326.30	349.58	675.88	231.84	34.30	444.04
<b>2008-09</b>	444.04	358.77	802.81	267.36	33.30	535.45 <sup>‡‡</sup>
<b>Total</b>		<b>1722.85</b>		<b>1286.03</b>		

It would be seen from the above that the outstanding dues have progressively increased from ₹ 1.42 crore in 2005-06 to ₹ 5.35 crore in 2008-09. The percentage of recovery of dues declined drastically from 69.79 in 2004-05 to 33.30 in 2008-09. Despite the decision of the Board (January 2005) to stop supply of water from the tubewells to the farmers who had not made the payment of water charges, no action was taken to implement the decision.

Our scrutiny revealed the following deficiencies:

- The Company had neither determined the terms and conditions for the sale of water to the beneficiaries nor fixed the time schedule for recovery of the dues on account of sale of water. The Company had not made any provision for levy of penalty, surcharge etc. for non /delay in payment of water charges. The demand

<sup>††</sup> Semi-mountainous area.

<sup>‡‡</sup> excluding ₹ 25 lakh recoverable as per books of accounts at Head office.

for water charges was raised on the beneficiaries in the form of 'khataunies' for two crops, Kharif and Rabi, separately. The tubewell operator was issuing the sale bill to the beneficiaries for the use of tubewell water. The water charges were collected by the 'lambardars' authorized by the State Revenue Department who charged commission at the rate of three *per cent* of the amount of sale of water collected from the beneficiaries. We found that the Company had not prescribed any system:

- to check the authentication of the sale bills issued to the beneficiaries;
  - to issue receipt books to the lambardars so that they could issue receipts in token of having collected the amount from the beneficiary farmers;
  - to reconcile the period and amount of collection made by the lambardars and deposited in the bank account of the Company;
  - to transfer the amount of water charges lying in the current account of the divisions to the head office of the Company.
- The system of recovery of water charges was prone to embezzlement as the Company had not laid down any system for periodical reconciliation of the amount realised and deposited into the bank by the lambardars.

The Management stated (July 2010) that the Divisional Engineers (DEs) had been instructed to countersign the bills of sale of water checked by the revenue staff of the divisions and to reconcile the period and amount collected by the lambardars and deposited in the bank. It was further stated that the Company was in the process of taking up the matter with the State Government for the issue of receipt books to the lambardars for collecting the water charges and that all the DEs had been advised to make vigorous efforts for effecting the recovery from the beneficiaries on account of sale of water and to stop supply of water to those farmers who had not made the payment of water charges. We, however, do not agree with the reply as instead of taking up the matter with the State Revenue Department, the Management should have issued the receipt books to the lambardars and instructed them for further issuance of receipts to the beneficiaries in token of acknowledgement of recovery of the water charges.

- The recovery of dues ranged between 31.66 *per cent* and 85.73 *per cent* in four<sup>§§</sup> test checked divisions of the Company. In two<sup>\*\*\*</sup> divisions, the entire amount on account of sale of water was recovered from the farmers, which means that it was possible to realise the dues in full.
- The Management apprised (August 2007) the Board that it was almost impossible to recover ₹ 0.61 crore on account of sale of water pertaining to the old period of 10 to 25 years. The Board directed (August 2007) the Financial Adviser to analyse the cases of old dues to ascertain that if the employees responsible were still in service, necessary action could be taken to recover the amount from them. But no action could be taken in this regard as beneficiary wise details of ₹ 0.61 crore were not available with the Company.

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<sup>§§</sup> Tubewell Construction Division at Pathankot and Ropar and Operation and Maintenance Division at Chandigarh and Hoshiarpur.

<sup>\*\*\*</sup> Tubewell division Ludhiana and Jalandhar.

- Mention was made in the Report of the Comptroller and Auditor General of India for the period ending 31 March 1998 that for the recoverable water charges of ₹ 25.24 lakh, the details of beneficiaries and the period to which it pertained was not known to the Company. During examination of the paragraph by the Committee of Public Undertakings (COPU), the Company assured (June 2000) that the details of recoverable amount were being located and necessary action would be taken to set right the figure. The COPU settled (October 2003) the paragraph on the assurance given by the Company. We, however, noticed that the Company did not initiate action to identify the beneficiaries from whom the amount was recoverable. The matter has also not been placed to the Board either to write off the irrecoverable amount or further action to be taken in the matter.

### Construction of field channels - Lining of Watercourses

**2.8** Field channels convey water from the outlet of the Government controlled distributaries to the individual farmer's land. The field channels are lined to avoid seepage, leakage in conveyance system, evaporation losses and water loss through cuts and breaches which creates water logging in adjoining lands reducing their production capacity. Upto 2003-04, the Government of India (GOI) provided 50 *per cent* of the cost of the project as grant and the remaining 50 *per cent* was borne by the State Government. The financing pattern was changed (February 2004) by the GOI and the share of State Government was reduced to 40 *per cent* and the remaining 10 *per cent* was to be contributed by the beneficiary farmers. The Company executes the work of lining of field channels through eight field divisions. During the five years ending 31 March 2009, the Company incurred expenditure of ₹ 287.28 crore on lining of watercourses. The targets for the lining of watercourses and progress achieved there against in respect of the projects taken up during the last five years ending 31 March 2009 are given in **Annexure 9**.

Analysis of the annexure revealed the following:

- There was delay of one year each in the two projects (Kotla Branch and Eastern Branch) commenced and completed during 2004-09 which resulted in delay in providing benefits of potential irrigation to the farmers in 23,651 and 3,482 hectares of Kotla Branch and Eastern Branch respectively during the delayed period.
- In the case of Upper Bari Doab Canal (UBDC) project, the Company had completed only 12 *per cent* of the work though the scheduled completion period lapsed in 2007-08 (discussed in the paragraph 2.8.1)

The Management stated (March 2010) that keeping in view the plan provision made by the State Government in the annual budgets for every year, the targets for lining of the watercourses were fixed. It was also stated that these schemes were welfare schemes and the benefit was realised in the long run in the shape of higher production of food grains and general uplift of the farmer's community. The reply is not specific as the State Government delayed the release of funds received from the GOI to the Company (as discussed in the paragraph 2.9.2). Due to time over run, the cost of the



projects had gone upward, besides the farmer community was deprived of the benefits of higher production during the period of delay.

Some of the major schemes undertaken by the Company were reviewed in audit and the deficiencies noticed are discussed below:

***Lining of watercourses of Upper Bari Doab Canal - Taking up of low priority project***

**2.8.1** The project estimate for lining of water courses of the Upper Bari Doab Canal system (UBDC) was prepared by the Company in May 2001. The Company proposed to cover 1,84,861 hectare of land and the cost of the project was assessed at ₹ 159.85 crore. The project was approved by the GOI in February 2004. The UBDC was passing through the district Amritsar and the CGWB had observed (March 2004) that all the blocks in the district were over-exploited.

The Company had not conducted any survey to identify the priority areas for lining of the watercourses. The Committee constituted (February 1987) by the State Government to evaluate the impact of lining of water courses recommended (March 1987) to give priority<sup>†††</sup> to the water logged and saline ground water zones for taking up the work of lining of water courses. The committee further observed that in the area, where water balance was negative and falling, lining of watercourses would further aggravate the falling trend.

**The Company took up lining of water courses in Amritsar district a low priority area in disregard to recommendations of a committee set up by State Government.**

Disregard to the recommendations of the Committee, the Company took up the work of lining of water courses in the UBDC project in Amritsar district in April 2005. Though the project was scheduled to be completed by 31 March 2008, the Company could complete only 3.70 *per cent* of the work upto March 2007 and intimated the State Government in May 2007 that the beneficiaries were reluctant to deposit their 10 *per cent* share which had affected the progress of work. Scrutiny in audit, however, revealed that in most of the area under the UBDC project, the farmers had been meeting their demand for water through private tubewells already installed and there was no demand for construction of watercourses.

We noticed that the Company could complete 12.42 *per cent* of work on the project upto March 2009. The State Government requested (March 2009) the GOI for extension of the completion date because of poor response of the farmers of the area. The GOI revised the date of completion of the project to 31 March 2012. Due to deferment of completion schedule, the construction cost would further increase to ₹ 358.57 crore.

Thus, by taking up the low priority project of UBDC, the Company has not only delayed the project but it also failed to create irrigation potential during the period March 2004 to February 2009 in the high priority area of Abohar branch (saline and brackish) for which the work has been proposed to be taken up in 2009-10.

The Management stated (July 2010) that the main purpose of lining of watercourses was to save water due to seepage and for equitable distribution of water to all the

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<sup>†††</sup> Priority fixed by the Committee – i) water logged zones ii) saline ground water zone  
iii) border area iv) riverian areas v) sandy zones and vi) other areas not covered.

beneficiaries. The reply is not acceptable as undertaking of lining of watercourses in the over-exploited zone was against the recommendations of Committee. The seepage from unlined watercourses would help in improvement of water level in the over-exploited zones.

### ***Lining of watercourses of Kotla Branch and Eastern Branch Canal - Diversion of funds***

**2.8.2** The Government of India approved (February 2004) two projects (Kotla Branch and Eastern Branch) for the lining of watercourses to create irrigation potential in 54,564 and 51,001 hectares at a cost of ₹ 49.84 crore and ₹ 46.51 crore (revised to ₹ 78.24 crore and ₹ 73.26 crore) respectively. The terms and conditions of the Central grant provided that the funds would not be diverted for the purposes which are not related to Command Area Development and Water Management (CADWM) programme. The GOI desired to complete the work in three years by 2006-07. We noticed that the Company did not fix targets for the work so as to complete the projects within the prescribed time. The construction works were taken up in 2004-05 and completed in 2007-08 i.e. after a delay of one year. Resultantly, the farmers were deprived of the potential irrigation during the delayed period and the establishment cost also exceeded the projected cost due to delay in completion of the work.

Scrutiny of records of the completed projects revealed that the work on four<sup>\*\*\*</sup> components of the projects involving an amount of ₹ 13.27 crore (Kotla ₹ 6.70 crore and Eastern canal ₹ 6.57 crore) were not taken up by the Company. The funds saved were diverted towards meeting the establishment expenditure of the Company in violation of the guidelines of CADWM Programme.

The Management stated (July 2010) that the funds of ₹ 13.27 crore were not claimed from the GOI for executing the four components. It was further stated that the expenditure on these components related to the Agriculture and Irrigation Department of the State and the savings had been charged to the establishment expenses.

Audit scrutiny, however, found that the Company had received ₹ 13.27 crore for execution of the four components included in the projects. The Company should have refunded the funds received for the four items instead of diverting them for the establishment expenses.

## **Financial management**

**2.9** Efficient financial management provides for establishing a sound system of control over funds and it serves as a tool for decision-making and optimum utilisation of the available resources. Audit analysis revealed the following deficiencies in the financial management:

<sup>\*\*\*</sup>

i) Soil surveys ii) field drain construction iii) adaptive research and trials iv) subsidy to small, marginal and SC/ST farmers for installation of shallow tubewells.

### 2.9.1 Financial position and working results

- The Company had finalised its accounts only upto 2007-08. The financial position and working results for the five years ending 31 March 2009 (figures for 2008-09 were provisional) are given in **Annexure 10 and 11** respectively. It would be observed that the Company had continuously incurred loss during the last five years and the accumulated losses increased from ₹ 63.46 crore as on 31 March 2005 to ₹ 76.09 crore as on 31 March 2009. As analysed in audit, one of the main reasons for the accumulated losses was non inclusion of the depreciation in the subsidy given by the State Government.
- The Company had not framed any guidelines for capitalization of the expenditure on tubewells completed from time to time. The figure of capital work in progress continued to accumulate which increased from ₹ 30.44 crore in 2004-05 to ₹ 51.28 crore in 2008-09. Scrutiny in audit revealed that:
  - An amount of ₹ 10.35 crore related to 11 schemes of tubewells completed upto 2003-04, but the amount was not capitalised till 2008-09.
  - In the scheme of installation of 100 tubewells, 95 tubewells were completed upto 31 March 2009. Against ₹ 43.18 crore to be capitalised, only ₹ 20.02 crore were capitalised leaving ₹ 23.16 crore excess in work in progress.
- The State Government provided funds in the shape of share capital to the Company for the installation of tubewells under the State plan schemes. As on 31 March 2009, the authorised share capital of the Company was ₹ 125 crore which was fully paid up. During 2004-09, the State Government released ₹110.90 crore towards share application money for the installation of tubewells, but the Company had not issued the shares so far (June 2010) even though the authorised share capital was increased to ₹ 300 crore in January 2010.
- The Company is mainly dependent on operation and maintenance subsidy given by the State Government. As may be seen from the **Annexure 11**, the State Government provided subsidy to the Company to meet the gap between the expenditure on operation and maintenance of the tubewells (excluding depreciation) and the income from sale of water. We further noticed that :
  - While working out the claim for subsidy, the basis of allocation of the establishment expenditure of the head office and tubewell construction divisions was neither defined nor adopted uniformly. This was arbitrarily increased from 38 *per cent* (head office) and 60 *per cent* (tubewell divisions) in 2002-03 to 53 *per cent* (head office) and 75 *per cent* (tubewell divisions) in 2005-06 and onwards.
  - Due to incorrect calculations, as on 31 March 2006, the Company worked out the recoverable amount of subsidy as ₹ 32.01 crore instead of ₹ 34.16 crore worked out by Audit. The Company admitted (April 2010) the error and stated that the difference of ₹ 2.15 crore had been rectified in the Company's accounts for the year 2009-10. However, the Company had not yet (August 2010)

taken up the matter with the State Government to get the differential amount.

### **2.9.2 Delay in release of grants by the State Government**

The Centrally Sponsored Command Area Development and Water Management (CADWM) programme provided that in no circumstances, funds would be diverted for activities not related to the CADWM programme. The release of central assistance was to be regulated keeping in view the matching grant (40 *per cent*) released by the State Government from time to time as discussed in paragraph 2.8 *infra*. The Company executes the work of lining of water courses through its field divisions which prepare estimates for the lining of water courses on the basis of Common Schedule of Rates (CSR) and premium applicable thereon. The tenders are invited through press and work is allotted to the lowest tenderer.

We observed that the GOI released ₹ 133.33 crore to the State Government during 2004-09 for lining of the watercourses in five projects to be done by the Company. The State Government was required to contribute ₹. 106.66 crore and release ₹. 239.99 crore to the Company. Against this the State Government released only ₹ 184.23 crore (including the State fund of ₹ 85.15 crore), which was short by ₹ 55.76 crore.

In eight cases, funds amounting to ₹ 110.43 crore (ranging between ₹ 2.02 crore to ₹ 60.91 crore) were sanctioned by the State Government after a delay of two to six months of their receipt from the GOI. After the sanction of funds by the State Government, there was a delay of one to three months in drawl of funds from the treasury by the Company. As a result, the executions of the works were delayed and in the meanwhile there was increase in the CSR. This resulted in extra expenditure of ₹ 1.42 crore<sup>§§§</sup> during 2004-09.

### **2.9.3 Utilisation of funds for post lining maintenance of water courses**

The National Water Policy 2002 emphasized the need for progressive involvement of farmers in the management of irrigation for increasing the agricultural productivity and water use efficiency. The farmers' participation in irrigation management was to be ensured so that the pressure of maintenance was reduced on the State Government. According to the instructions (March 1997) of the GOI, an amount of ₹ 500 per hectare (₹ 600 per hectare from April 2004) in the ratio of 45:45:10 was to be contributed by the GOI, the State Government and the beneficiaries as one time functional grant (OTFG) and was to be released in favour of the concerned Water Users Association (WUA) of the outlet after completion of the work. The fund so created was to be kept in fixed deposits (FDR) pledged in favour of the Divisional Engineer (DE) and the interest earned was to be utilized for the repair and maintenance of the lined watercourses. After the expiry of lock-in period of three years, the principal amount of FDRs and interest thereon were to be made separately in favour of WUA. No expenditure on account of maintenance of watercourses has been incurred by the WUA so far (March 2010). The following

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§§§ Extra expenditure has been worked out by taking into account the premium on CSR rates at the time of receipt of grant by the State Government from the GOI compared with the premium on CSR rates at the time of receipt of grant by the Company from the State Government or rate at which the work was actually got done whichever was lower.

table shows the amount of OTFG due from the Centre/State Government and the beneficiaries in respect of four schemes completed during 2004-09.

(₹ in crore)

Sr. No.	Name of scheme	CCA (in hectares)	Amount of OTFG Centre/State Share	Beneficiaries share of OTFG
1	Sirhind feeder Part I	1,10,884	4.99	0.55
2	Bathinda Branch Part I	1,06,004	4.77	0.53
3	Kotla Branch	56,684	3.06	0.34
4	Eastern Branch	51,001	2.75	0.31
<b>Total</b>			<b>15.57</b>	<b>1.73</b>

We noticed the following deficiencies:

**Delay of 23 to 2063 days in depositing ₹ 6.37 crore in FDRs resulted in loss of ₹ 23.74 lakh.**

- The Company did not have the consolidated details of total amount of OTFG due from the State Government/GOI and actually received thereagainst.
- The divisions had not realised ₹ 1.73 crore, being 10 *per cent* share to be recovered from the beneficiaries.
- Seven<sup>\*\*\*\*</sup> divisions placed an amount of ₹ 11.62 crore (Central and State share) from 2001 to 2008 in the FDRs initially for a period of one to five years of which six<sup>†††</sup> divisions opened FDRs for ₹ 6.37 crore, after a delay of 23 to 2063 days from the receipt of funds. This delay resulted in loss of interest income of ₹ 23.74 lakh.
- Out of 742 FDRs (₹ 4.50 crore) maintained by two<sup>‡‡‡‡</sup> divisions, 405 FDRs (₹ 2.58 crore) were not delivered to the WUA.

The Management replied (July 2010) that the Company had issued guidelines to all the field divisions to follow the instructions of GOI in regard to utilisation of OTFG.

\*\*\*\* Lining Division at Abohar, Amritsar, Bathinda, Ferozepur, Ludhiana, Malout and Rampuraphul.

††† Lining Division at Abohar, Bathinda, Ferozepur, Ludhiana, Malout and Rampuraphul.

‡‡‡ Lining Division at Abohar and Ludhiana.

## **Internal control system and Internal audit**

### ***Internal Control***

**2.10.1** The Internal Control is an essential pre-requisite for efficient and effective management of the organisation. The internal control in the Company was deficient in regard to the following:

- There was no prescribed system to monitor compliance of the decisions of the Board of Directors (BOD). Audit noticed that though the Board decided (January 2005) to discontinue supply of water to the farmers who had not made the payment of water charges, no action had been taken to implement the decision.
- There was no effective system for raising the bills and recovery of water charges. The Company had not maintained beneficiary wise detail in respect of the outstanding dues on account of sale of water. The Management stated (July 2010) that the system of raising the bills and recovery of water charges was being strengthened.
- The Management had not framed effective system to manage the funds received for the repair and maintenance of watercourses.

### ***Internal audit***

**2.10.2** The Company has neither framed internal audit manual nor has its own internal audit wing. However, the Company has been appointing a firm of chartered accountants as internal auditor for conducting audit of its financial records every year. It was noticed that:

- The Internal Auditors submitted reports for the period 2004-05 and 2005-06 during July 2007 to April 2008. The internal audit reports for the period 2006-07 onwards were yet to be submitted by the auditors; and
- The internal audit reports were not brought to the notice of the Board/Audit committee for perusal and remedial action. Thus, the internal audit was not only ineffective but also failed in its objectives.

The Management stated (July 2010) that the audit reports for 2006-07 and 2008-09 had been received and would be submitted to the audit committee for review.

### ***Monitoring and Evaluation***

**2.11** There should be a system to monitor and evaluate the performance and socio-economic impact of the projects. While preparing the projects for lining of the watercourses, the Company envisaged that the whole programme of CADWM needed to be monitored properly to achieve the desired objective. During 2004-09, the Company executed the works of installation of tubewells and lining of watercourses at a cost of ₹ 383.52 crore, but there was no monitoring of the implementation of the projects to ascertain the achievement of desired results. We further noticed that the GOI/State Government had provided funds of ₹ 90 lakh in two projects (Kotla and

Eastern Branch) for monitoring purposes. The Company had, however, not carried out the monitoring and evaluation of the projects so as to compare the projected figures with the actual results for apprising the BOD/State Government. It was noticed that the monitoring and evaluation wing of the Company was closed down in June 2003.

The Management stated (July 2010) that the Divisional Engineer had been asked to ensure monitoring and evaluation of the projects. It was, however, noticed by us that there was no system of monitoring and evaluation either at divisional level or at headquarter.

### **Corporate Governance**

**2.12** Corporate Governance is the system by which the Company is directed and controlled by the Management in the best interest of the stakeholders ensuring greater transparency and better and timely financial reporting. We noticed that:

- During the period from 20 January 2004 to 31 December 2009, the State Government had appointed eight Managing Directors, whose tenure ranged between 29 and 665 days. Such frequent changes of the top official had the risk of affecting smooth and efficient functioning of the Company.
- In compliance to Section 292 A of the Companies Act 1956, the Company constituted the audit committee in November 2006 to ensure compliance of internal control system, but the meeting of the audit committee was not held (September 2010).
- Some of the directors were not serious in attending the Board meetings of the Company.

### **Acknowledgement**

In addition to examination of records and documents, a number of issues were deliberated for conducting this performance audit by the audit team. We acknowledge the co-operation and assistance extended by different levels of Management at various stages of conducting performance audit.

The matter was referred (July 2010) to the Government, the reply had not been received (September 2010).

### **Conclusion**

- There were delays ranging from one to 36 months in the installation of 217 tubewells out of 239 tubewells installed during 2004-09.
- The Company installed 24 tubewells in four districts categorised as over-exploited area without making arrangements for recharge of the ground water. Further, the Company had not taken any action for recharging of the ground water and anti water logging measures.
- The Company did not involve the beneficiaries in the installation, operation and maintenance of tubewells as envisaged in the National Water Policy 2002.



- The present system of collection of water charges by the lambardars is prone to embezzlement as the Company has not laid down any system for periodical reconciliation of the amount collected and deposited in the banks by the lambardars.
- The Company neither exercised its powers regarding fixation of tariff and levy of surcharge for delayed payments nor brought to the notice of the State Government the high operational cost of the tubewells vis a vis the low rates prescribed for sale of water so as to revise the rate of water charges.
- In disregard to the recommendations of the state level committee to give priority to saline ground water zone for construction of the watercourses, the Company took up works in the over-exploited area of Upper Bari Doab Canal in Amritsar district.
- The Company had no major source of its own income and was surviving on the subsidy/grants provided by the Government.

#### Recommendations

- The Company should make efforts to ensure completion of the works in time by avoiding delays in tendering, allotment of work, energisation etc. and by better coordination and simultaneous execution of all components of the works.
- In the background of fast depleting ground water and requirement for sustainable development of agriculture in the State, the Company needs to regulate installation of the tubewells and execution of lining of watercourses only in those area where the adverse impact of such works is minimal. It also needs to take steps for augmenting recharging of the ground water.
- With a view to create sense of ownership and controlled use of water by the farmers, the Company should actively involve the beneficiaries by charging a token contribution of 10 *per cent* of the cost of installation of the tubewells and hand over the operation and maintenance of the tubewells to the Water Users Associations.
- While releasing subsidy to the Company, the Government should disallow the subsidy attributable to the Company's inefficiencies in controlling the cost and maximisation of the revenue.
- Government needs to consider discontinuing the directorship of the non serious directors and make the Board to strictly work on commercial principles by limiting the subsidy.
- The Company needs to control its establishment cost and realise the full revenue of water charges by streamlining the system of revenue collection and revision of the water charges in tune with the cost of supply.

## Chapter III

### Performance review relating to a Statutory corporation

#### Punjab State Electricity Board

#### Performance audit of generation of power

##### Executive Summary

*The Punjab State Electricity Board was not able to recover its cost of operations. Due to phenomenal growth in the demand for power since 2005-06, the capacity addition was not adequate to meet the requirement leaving a deficit of 4232 MW at the end of 2009-10. In the background of chronic power shortage in the State, it was considered desirable to conduct performance audit to assess the status of power generation vis a vis requirement for power during the period 2005-06 and 2009-10. The audit findings are summarised below:*

##### **(I) Capacity additions**

*During 2005-10, the peak demand for power had increased by 2,078 MW, but the capacity addition was only 937 MW. Though 7,799 MW of power would have to be added by the end of 11<sup>th</sup> plan (2012), the Board had planned to add additional capacity of 4,986 MW only and the capacity likely to be added is 2,438 MW leaving a deficit of 5,361 MW. Thus, the State is perennially in power shortage and unlikely to meet the national objective of power for all on demand by 2012.*

*The failure of the State to maintain pace with the demand for power was interalia due to financial constraints of the Board, chronic delays and indecisiveness in taking decisions by the Board, failure to undertake annual repair and maintenance and renovation/modernization of the power plants in time.*

##### **(II) Operational Performance**

*Performance of the existing generation stations depends on efficient use of material, man power and capacity of the*

*plants so as to generate maximum energy possible without affecting the long term operation of the plants. Audit of operation of the power stations revealed the following:*

##### **a) Consumption of coal**

*Due to failure of the Board to provide the requisite certificate of calibration of weigh bridges, the coal companies did not allow compensation of ₹ 3.76 crore towards shortage of coal supplied by them. Due to use of coal having less gross calorific value, high heat rate and leakages of steam in the aging units of power plants, there was excess consumption of coal to the tune of 75.48 lakh MT (₹ 1,808.98 crore) in two plants during 2005-10.*

##### **b) Deployment of man power**

*The Board had 64,308 employees as on 31 March 2010 and the employee cost was 16.32 to 19.55 percent of the total expenditure during 2005-10. The actual manpower was more than the norms of CEA in all the power generating stations except GHTP, Lehra Mohabbat during 2005-10. In respect of GNDTP Bathinda and GGSSTP Ropar, the manpower reduced from 2751 and 3585 to 2237 and 3239 respectively during review period. Hydel Power Stations had surplus manpower of 203 in 2005-06 and reduced to norm at the end of 2009-10.*

##### **c) Plant load factor**

*The average PLF of thermal power plants of the Board as a whole (79.18 per cent, 82.94 per cent, 87.42 per cent, 86.33 per cent and 88.96 per cent) was above the national average (73.71 per cent, 77.03 per cent, 78.75 per cent, 77.22 per cent and 77.48 per cent) throughout the*

review period. But the PLF of GNDTP, Bathinda was lower than the national average due to delay in taking up the renovation work of the plant.

#### **(d) Outages**

Planned outages and forced outages in thermal power stations decreased from 13971 hours (13.29 per cent) in 2005-06 to 7507 hours (6.50 per cent) in 2009-10 and forced outages from 5,035 hours (4.79 per cent) in 2005-06 to 3,419 hours (2.96 per cent) in 2009-10

In the case of hydel power plants, the planned outages increased from 25,724 hours (9.47 per cent) in 2005-06 to 29,437 hours (10.84 per cent) in 2009-10 of the total available hours and they were more than the All India Average of 5.66 per cent (2007-08). Similarly, the forced outages in the hydel plants increased from 46,675 hours (17.18 per cent) in 2005-06 to 72,400 hours (26.66 per cent) in 2009-10 as compared to the All India Average of 2.34 percent (2007-08) due to non carrying out of renovation and modernization of the power plants as per plan.

#### **(e) Auxiliary Consumption**

Auxiliary consumption of power was higher than the PSERC norm of 11 per cent in the case of GNDTP Bathinda resulting in excess consumption of 78.86 million units valuing ₹ 26.89 crore during 2005-06 to 2009-10. In the case of Shanan hydel power station, it was very high ranging from 1.19 per cent to 1.79 percent against the norm of 0.50 per cent fixed by PSERC.

#### **(III) Renovation & Modernisation**

Annual maintenance of majority of the thermal and hydel power stations in the State was carried out after delays ranging from six to 36 months adding to the deterioration of the plants.

In the case of GNDTP, Bathinda there were delays in the renovation and modernization of the generation units leading to loss of 1,775 million units of power. After renovation, some of the

envisaged norms of performance had not been realised. The R&M work of UBDC hydro electric project scheduled during the 10<sup>th</sup> five year plan (2003-04 to 2006-07) had not been carried out due to delayed approval of financial plan.

#### **(IV) Environmental issues**

All the thermal plants of PSEB were running without consent of the Punjab Pollution Control Board. The levels of suspended particulate matters in GGSSTP stage I and GNDTP stage I ranged from 65 to 161 mg/Nm<sup>3</sup> and 101 to 149 mg/ Nm<sup>3</sup> respectively as against the designed level of 100 mg/ Nm<sup>3</sup>. At GGSSTP, Ropar, waste water from the plant was discharged without any treatment into natural rivulet which ultimately enters the river Sutlej. GNDTP, Bathinda and GGSSTP, Ropar stations failed to bring down the pollution to specified levels and as a result the Board made avoidable payment of water cess of ₹ 16.83 crore during 2005-06 to 2009-10.

#### **(V) Conclusion and Recommendations**

The Punjab State Electricity Board had been initiating projects from time to time for augmenting power generation in the State. However, there are many projects which had been delayed badly and remained to be commissioned. While the Board has been running its thermal stations satisfactorily meeting the performance parameters, the performance of its hydel stations was below the standards.

We have made eight recommendations to improve the power scenario in the State. Vigorous pursuance of capacity addition programs by exploiting all conventional and non conventional potential resources of energy so as to meet the national objective of power for all by 2012, rational deployment of the manpower and carry out the renovation & modernisation activity in time are some of these recommendations.

## Introduction

**3.1** Power is an essential requirement for all facets of life and has been recognized as a basic human need. The availability of reliable and quality power at competitive rates is very crucial to sustain growth of all sectors of the economy. The Electricity Act, 2003 provides a framework to develop the power sector, promote transparency and competition and protect the interest of the consumers. In compliance with Section 3 of the Act, the Government of India, in consultation with the State Governments and the Central Electricity Authority, prepared the National Electricity Policy in February 2005 for development of the power sector by optimal utilisation of resources like coal, gas, nuclear fuel, hydro and renewable sources of energy.

At the beginning of the year 2005-06, the total installed capacity of power generation in the State of Punjab was 5,964 Mega Watt (MW) and the effective peak available capacity was 4,834 MW against the peak demand of 7,708 MW during the year 2005-06, leaving peak time deficit of 2,874 MW. Electricity requirement in terms of units was assessed as 35,935 million units (MU) against which 33,651 MU were available leaving a shortfall of 2,284 MU. As on 31 March 2010, the total installed capacity of power generation increased to 6,901 MW and the effective peak available capacity was 5,554 MW against the peak demand of 9,786 MW during the year 2009-10, leaving a gap of 4,232 MW. Electricity requirement in terms of units was assessed as 46,426 MU against which 40,741 MU were available leaving a shortfall of 5,685 MU. Thus, there was a phenomenal growth in peak demand by 2,078 MW, whereas the capacity addition was only 937 MW during 2005-10. To bridge the gap, the Punjab State Electricity Board resorted to heavy purchase of power and cyclic load sheddings.

In the back ground of chronic power shortage in the State and the Government of India's policy to provide power for all by 2012, it was considered necessary to undertake performance audit of power generation in the State.

## Organisational set up

**3.2** In Punjab, generation of power is primarily carried out by the Punjab State Electricity Board (Board), which was incorporated in May 1967 under the administrative control of the Power Department of the Government of Punjab. The Management of the Board was vested with a Board of Members comprising of seven members appointed by the State Government. Six members, including the Chairman, were the whole time members and one Ex-officio member was representative of the Punjab Government. The day-to-day operations were monitored by the Chairman, with the assistance of regular five members.

The turnover of the Board was ₹ 11,833.82\* crore in 2009-10, which was equal to 56.85 *per cent* and 6.15 *per cent* of the turnover of the State Public Sector Undertakings and State Gross Domestic Product, respectively. The

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\* Including tariff compensation from the State Government ₹ 3,144.25 crore.

Board employed 64,308 employees as on 31 March 2010, of which 8,052 were engaged in generation activity. The Board has been unbundled (16 April 2010) into two companies namely the Punjab State Power Corporation Limited (Powercom) for generation, trading and distribution of power and the Punjab State Transmission Corporation Limited (Transco) for transmission of power in the State. It is, however, observed that functions of the generation and distribution wings are diverse and inherent problems of the latter dilute the prospects of the former. As such the present arrangement of keeping the functions of generation and distribution with one company (Powercom) may not be conducive to have focused and effective arrangement and to achieve the generation targets. The Board may consider setting up of a separate company for generation on the lines of practices followed in the other States.

### Scope and methodology of audit

**3.3** The performance audit conducted during December 2009 to May 2010 covered the activities relating to generation of power by the Board during the period from 2005-06 to 2009-10. The performance audit mainly deals with planning, project management, financial management, operational performance, environmental issues and monitoring by the top management. The audit examination involved scrutiny of records at the Board's Head Office and three thermal and eight hydel power generating stations having installed capacity of 2369 MW \* out of the 14 stations having total installed capacity of 3630 MW of the Board.

The audit methodology consisted of explaining the audit objectives to the top management during an entry conference held on 14 January 2010, scrutiny of records at the Head Office and selected power generating stations, interaction with the auditee personnel, analysis of data with reference to the audit criteria, raising of audit queries, discussion of the audit findings with the management and issue of draft performance audit report to the Management for comments.

### Audit Objectives

**3.4** The following were the objectives of the performance audit.

#### *Planning and Project Management*

- To assess whether the capacity addition programmes taken up / to be taken up in the State were in line with the National policy of power for all by 2012;
- To assess whether there was optimization of generation of power in the existing generation stations; and

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\* Two coal based thermal stations – Guru Nanak Dev Thermal Plant, Bathinda (440 MW) and Guru Gobind Singh Super Thermal Plant Ropar (1,260 MW); three hydro stations- Ranjit Sagar Dam Shahpur Kandi (600 MW-Punjab share: 452.4 MW), Shanan Power House Joginder Nagar (110 MW), Uppar Bari Doab Canal Hydro Power Station Malikpur (91.35 MW) and five micro hydel stations (5.6 MW) at Nadampur, Rohti, Thuhi, Daudhar and Ropar and one rice straw based thermal station at Jalkheri (10 MW).

- To ascertain whether the award of contracts and execution of projects were managed economically, efficiently and effectively.

#### ***Financial Management***

- To assess the soundness of financial health of the Board and
- To ascertain whether the funding for the new projects and upgradation of the existing generating units were adequate.

#### ***Operational Performance***

- To assess whether requirements of fuels were worked out realistically, procured economically and utilised efficiently;
- To assess whether the manpower requirement was realistic and utilised effectively;
- To assess whether the prescribed preventive maintenance was carried out in time to minimise the forced outages; and
- To assess whether the life extension (renovation and modernization) programmes were identified in time and carried out in economic, effective and efficient manner.

#### ***Environmental Issues***

- To assess whether the various types of pollutants in the power stations were within the prescribed norms and whether the power stations complied with the statutory requirements.

#### ***Monitoring and Evaluation***

- To ascertain whether adequate Management Information System (MIS) existed in the Board to monitor and assess the impact of various schemes and utilize the feedback for future plans.

### **Audit Criteria**

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

- National Electricity Plan, norms and guidelines of the Central Electricity Authority (CEA) regarding planning and implementation of the projects;
- Standard procedures for award of contract with reference to principles of economy, efficiency and effectiveness;
- Targets fixed for generation of power;
- Parameters fixed for plant availability, plant load factor etc;
- Performance of the best units in the regions/all India levels;
- Prescribed norms for planned outages; and
- Acts relating to environmental issues.



### Financial Position and Working Results

**3.6.1** The financial position of the Board for the five years ending 2009-10 is given below.

(₹ in crore)

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10 (Provisional)
<b>A. Liabilities</b>					
Paid up Capital	2,946.11	2,946.11	2,946.11	2,946.11	2,946.11
Reserve & Surplus (including Capital Grants but excluding Depreciation Reserve)	3,980.00	4,307.41	4,705.05	5,146.64	5,681.58
Borrowings	8,887.02	11,285.24	13,246.13	15,815.54	17,346.69
Current Liabilities & Provisions	2,350.87	2,590.28	3,497.89	3,390.41	4,026.88
<b>Total</b>	<b>18,164.00</b>	<b>21,129.04</b>	<b>24,395.18</b>	<b>27,298.70</b>	<b>30,001.26</b>
<b>B. Assets</b>					
Gross Block	14,778.82	15,413.59	16,420.74	18,431.77	20,438.00
Less: Depreciation	6,085.68	6,770.84	7,414.33	8,092.43	8,883.06
Net Fixed Assets	8,693.14	8,642.75	9,006.41	10,339.34	11,554.94
Capital works-in-progress	2,035.95	3,281.49	3,784.79	3,264.57	2,931.29
Investments	253.79	278.08	709.54	1,233.25	1,867.34
Current Assets, Loans and Advances	2,826.98	2,946.20	3,524.31	4,050.31	4,017.12
Accumulated losses	4,354.14	5,980.52	7,370.13	8,411.23	9,630.57
<b>Total</b>	<b>18,164.00</b>	<b>21,129.04</b>	<b>24,395.18</b>	<b>27,298.70</b>	<b>30,001.26</b>

The accumulated losses of the Board increased year after year and the entire capital including reserves had been eroded at the end of 2008-09. The main reasons for this state of affairs was the Board's failure to achieve the performance parameters and targets set by the Punjab State Electricity Regulatory Commission as discussed in paragraph-3.18 and over-dependence on purchase of power.

**3.6.2** The details of working results like cost of generation of electricity, realisation of revenue and cost *per* unit of power sold are given below.



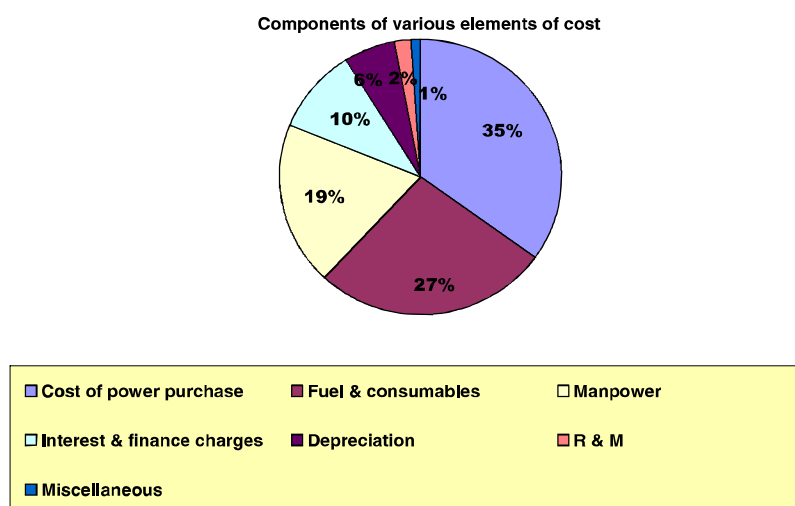
(₹ in crore)						
Sl. No.	Description	2005-06	2006-07	2007-08	2008-09	2009-10 Provisional
<b>1.</b>	<b>Income</b>					
	Revenue from sale of power	6,701.08	7,030.96	7,913.14	9,010.34	8,689.57
	Other income including interest/subsidy	1,635.16	1,677.84	3,169.75	2,904.85	3,501.90
	<b>Total income</b>	<b>8,336.24</b>	<b>8,708.80</b>	<b>11,082.89</b>	<b>11,915.19</b>	<b>12,191.47</b>
<b>2.</b>	<b>Generation</b>					
	Total generation (MUs)	24,642.59	23,964.70	25,500.34	26,851.12	27,662.17
	Less: Auxiliary consumption (MUs)	1,438.70	1,427.92	1,556.01	1,658.32	1,760.44
	Net generation	23,203.89	22,536.78	23,944.33	25,192.80	25,901.73
	Power Purchased (MUs)	10,447.21	13,726.53	16,973.77	14,850.50	14,838.92
	Total power available (MUs)	33,651.10	36,263.31	40,918.10	40,043.30	40,740.65
	Less: Transmission and Distribution Losses (MUs)	8,187.48	8,367.09	8,796.27	7,416.02	8,042.85
	<b>Total power sold (MUs)</b>	<b>25,463.62</b>	<b>27,896.22</b>	<b>32,121.83</b>	<b>32,627.28</b>	<b>32,697.80</b>
<b>3.</b>	<b>Expenditure</b>					
<b>(a)</b>	<b>Fixed cost</b>					
(i)	Employees cost	1,627.36	1,751.48	2,035.28	2,202.04	2,495.48
(ii)	Administrative and General expenses	58.01	59.20	69.70	70.97	75.51
(iii)	Depreciation	583.86	603.79	665.15	693.73	796.85
(iv)	Interest and finance charges	952.63	884.29	863.62	1,194.59	1,309.55
	<b>Total fixed cost</b>	<b>3,221.86</b>	<b>3,298.76</b>	<b>3,633.75</b>	<b>4,161.33</b>	<b>4,677.39</b>
<b>(b)</b>	<b>Variable cost</b>					
(i)	Fuel consumption					
(a)	Coal	2,258.42	2,333.90	2,496.89	2,933.99	3,485.59
(b)	Oil	18.36	19.19	38.33	130.66	50.65
(c)	Other fuel related cost including shortages/surplus	111.11	79.26	92.77	87.76	85.80
(ii)	Cost of water	12.44	12.37	13.49	13.18	13.83
(iii)	Lubricants and consumables	3.08	3.81	4.08	5.91	6.93
(iv)	Repair and maintenance	223.00	267.66	274.14	317.37	358.94
(v)	Miscellaneous expenses	70.16	(-) 6.77*	(-) 101.33*	122.05	80.67
(vi)	Cost of power purchased	2,404.92	4,327.01	6,020.37	5,184.05	4,651.02
	<b>Total variable cost</b>	<b>5,101.49</b>	<b>7,036.43</b>	<b>8,838.74</b>	<b>8,794.97</b>	<b>8,733.43</b>
	<b>Total cost 3(a) + (b)</b>	<b>8,323.35</b>	<b>10,335.19</b>	<b>12,472.49</b>	<b>12,956.30</b>	<b>13,410.82</b>
<b>4.</b>	Realisation (₹ per unit)	3.27	3.12	3.45	3.65	3.73
<b>5.</b>	Fixed cost (₹ per unit)	1.27	1.18	1.13	1.27	1.43
<b>6.</b>	Variable cost (₹ per unit)	2.00	2.52	2.75	2.70	2.67
<b>7.</b>	Total cost (₹ per unit) (5+6)	3.27	3.70	3.88	3.97	4.10
<b>8.</b>	Contribution (Paise per unit) (4-6)	1.27	0.60	0.70	0.95	1.06
<b>9.</b>	<b>Profit (+)/Loss(-) (Paise per unit) (4-7)</b>	<b>0</b>	<b>(-) 0.58</b>	<b>(-) 0.43</b>	<b>(-) 0.32</b>	<b>(-) 0.37</b>

The Board always incurred loss per unit of energy sold except during 2005-06.

### Elements of Cost

**3.6.3** Power purchase, fuel and manpower constituted the major elements of costs. The break-up of costs for 2009-10 is given below in the pie-Chart.

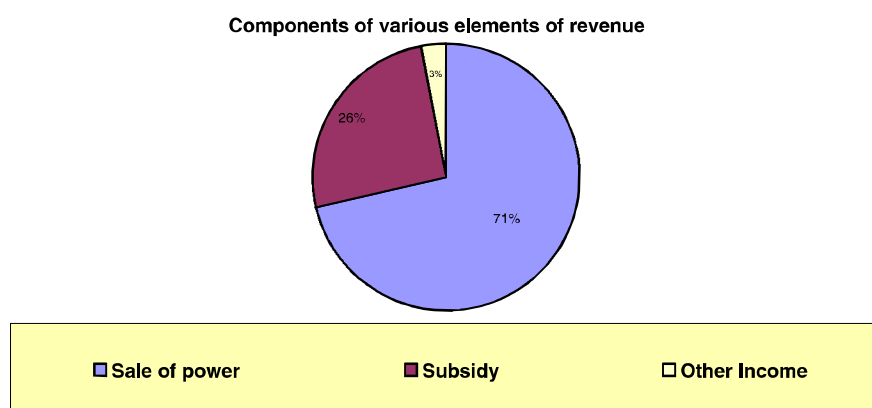
\* The figures are negative due to prior period adjustments



We observed that due to inadequate capacity addition, the Board's dependence on power purchase increased progressively and the cost of power purchase increased from 29 *per cent* (10447 MUs valuing ₹ 2,405 crore) in 2005-06 to 35 *per cent* (14839 MUs valuing ₹ 4,651 crore) in 2009-10.

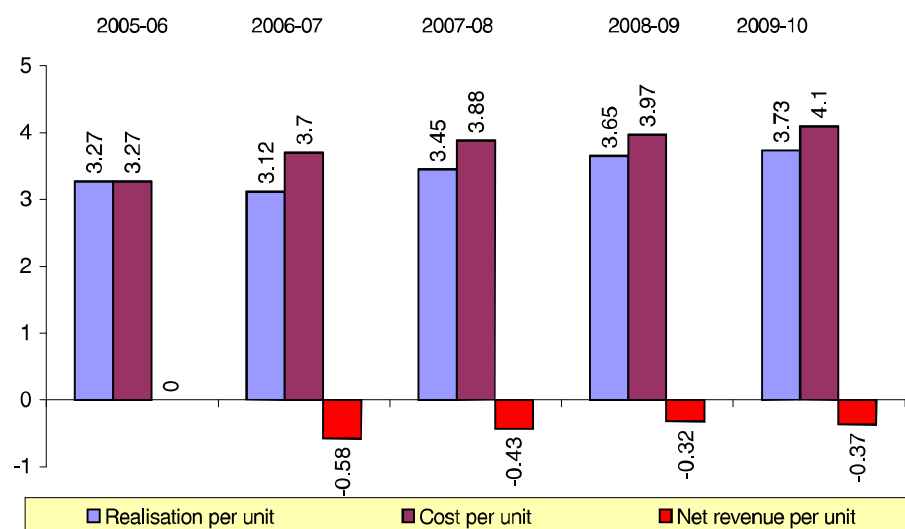
### ***Elements of revenue***

**3.6.4** Sale of power constituted the major elements of revenue. The break-up of revenue for 2009-10 is given below in the pie-chart.



### ***Recovery of cost of operations***

**3.6.5** The Board was not able to recover its cost of operations during the review period (except 2005-06) as given in the chart below:



Had the total revenue earned by the Board been sufficient to cover the cost during 2006-07 to 2009-10, an additional amount of ₹ 5,276 crore would have been available for capacity addition/ life extension of the power stations and other programmes. The main reasons for high cost of supply of power were excess consumption of coal (paragraph-3.12.2), over staffing (paragraph-3.13), high interest cost (paragraph-3.17) and high expenses on power purchases (paragraph-3.8).

### Audit Findings

**3.7** Audit explained the audit objectives to the Board's Management during an entry conference held on 14 January 2010. Subsequently, the audit findings were reported to the Board during February 2010 and May 2010 and discussed in an exit conference held on 28 July 2010. The views expressed by the Board have been considered while finalising this report. The audit findings are presented below:

### Planning

**3.8** The National Electricity Policy aims to provide over 1,000 units of electricity per capita by 2012, for which it was estimated that capacity addition of more than 1,00,000 MW would be required during 2002-2012 in the country. The Government laid emphasis on the full development of hydro potential being cheaper source of energy as compared to thermal. Besides, environmental concerns would have to be suitably addressed through appropriate advance actions.

Details of installed capacity and generation are given in the **Annexure 12**. The power availability in the State indicating the Board's own generation, peak demand and deficit is given below.

Year	Average generation (MW)	Peak demand (MW)	Average demand (MW)	Percentage of average generation to average demand	Percentage of average generation to Peak demand
2005-06	2,467	7,708	5,910	41.74	32.01
2006-07	2,497	8,917	6,373	39.18	28.00
2007-08	3,188	8,672	6,547	48.69	36.76
2008-09	3,416	8,773	6,753	50.58	38.94
2009-10	3,572	9,786	7,393	48.32	36.50

During 2005-10, the actual generation was substantially less than the peak as well as the average demand. The actual generation was only 39.18 to 50.58 *per cent* of the average demand and 28.00 to 38.94 *per cent* of the peak demand. The total supply even after purchase of power from elsewhere was not sufficient to meet the peak demand, as shown below:

Year	Peak demand (MW)	Peak demand met (MW)	Sources of meeting Peak demand (MW)		Peak deficit	
			Own*	Purchase	MW	Percentage
2005-06	7,708	6,092	2,798	3,294	1,616	20.97
2006-07	8,917	6,558	2,895	3,663	2,359	26.46
2007-08	8,672	7,340	3,656	3,684	1,332	15.36
2008-09	8,773	7,428	3,895	3,533	1,345	15.33
2009-10	9,786	7,407	4,145	3,262	2,379	24.31

There remained a shortfall of 1,332 to 2,379 MW (15 to 26 *per cent* of the peak demand) even after purchase of power. Consequently, the Board had to resort to rotational load sheddings to the extent of 0.44 to 3.30 hours per day during 2006-07 to 2009-10.

Purchase of power included overdrawl from the grid and short term purchase at high cost. The details of power purchased through long term/short term power purchase agreements, overdrawl from the grid and the extra expenditure incurred on account thereof are given below:

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\* Own sources include generation of power by the Board's generating stations and share from BBMB projects. The figures here would not match with the figures indicated in the previous table and Annexure 12 as it reflects generation at a point of peak time

Sl. No.	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10	Total
1	Power purchase through long term power purchase agreements and inter state banking arrangements (MU)	8,835	9,954	12,621	12,547	11,474	55,431
2	Overdrawls from the grid and Short term power purchases (MU)	1,612	3,773	4,353	2,304	3,365	15,407
3	Total Power Purchase (MU) (1+2)	10,447	13,727	16,974	14,851	14,839	70,838
4	Cost of power purchase through long term power purchase agreements and inter state banking arrangements (₹ in crore)	1,898.56	2,312.26	3,605.12	3,623.14	2,853.04	14,292.12
5	Average cost per unit of power purchase through long term power purchase agreements and inter state banking arrangements (₹) [(4÷1) X 10]	2.15	2.32	2.86	2.89	2.49	2.58
6	Cost of overdrawls from the grid and short term power purchases (₹ in crore)	506.36	2,014.75	2,415.25	1,560.91	1,797.98	8,295.25
7	Average cost per unit of overdrawls from the grid and short term power purchases (₹) [(6÷2)X10]	3.14	5.34	5.55	6.77	5.34	5.38
8	Extra cost per unit on account of overdrawls from the grid and short term power purchases as compared to long term arrangement (₹) (7-5)	0.99	3.02	2.69	3.88	2.85	2.80
9	Extra expenditure incurred on account of overdrawls from the grid and short term power purchases (₹ in crore) [(2x8) ÷ 10]	159.59	1139.45	1,170.96	893.95	959.03	4322.98

**To meet the chronic deficit of power, the Board resorted to unplanned purchase of power through short term and panic measures at exorbitant cost of power resulting in avoidable extra expenditure of ₹ 4,322.98 crore during 2005-10.**

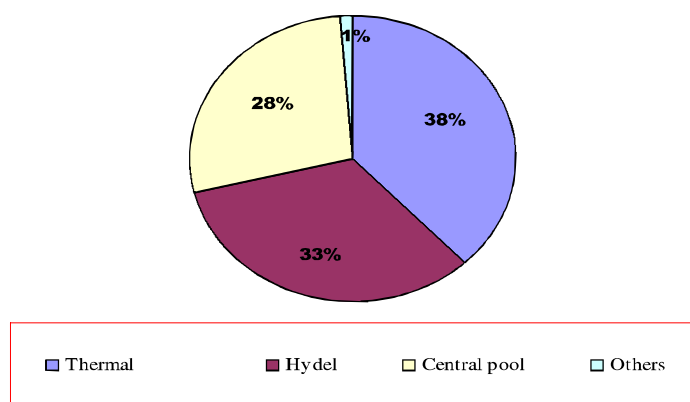
To meet the chronic deficit of power, the Board resorted to unplanned purchase of power through short term and panic measures at exorbitant cost at an average of ₹ 5.38 per unit, when its average realization of revenue was ₹ 3.46 per unit of energy sold during review period. It could be seen from the above table that out of 70,838 MU power purchased during 2005-10, 15,407 MU (21.75 per cent) was in the form of overdrawl from the grid and short term power purchase at higher rates. This resulted in avoidable extra expenditure of ₹ 4,322.98 crore during 2005-10.

Had the Board implemented the capacity addition programmes seriously and resorted to well planned long term arrangements of power purchase, the short term purchase of power at high cost could have been reduced considerably.

The Management stated (July 2010) that short term purchases though could not be dispensed with fully, but needed to be resorted to judiciously.

### **Capacity addition**

**3.9** The State had total installed capacity of 5,964 MW at the beginning of 2005-06 which increased to 6,901 MW at the end of 2009-10. The break up of generation capacity as on 31 March 2010 under thermal, hydel, central allocation and others is shown in the pie chart below.



To meet the peak demand of 11,000 MW by end of 2011-12 projected for the State by CEA in its 17th Electric Power Survey, the Board assessed (May 2007) the requirement of capacity as 14,000 MW. Thus 7,799 MW (14,000 MW less 6,201 MW as on 31 March 2007) of capacity was required to be added by the end of 11th Plan (March 2012). The planning by the Board was deficient to the extent that it had fixed a target for capacity addition of 4,986 MW only against the projected additional requirement of 7,799 MW during the 11th Five Year Plan. Further, considering the commissioning schedule of the planned and projects under execution, likely capacity addition of only 2,438 MW would be feasible by the end of 11th Plan, thereby leaving a deficit of 5,361 MW. Thus, the State would not be able to meet the objective of National Electricity Policy “Power for all on demand by 2012”.

The particulars of capacity additions envisaged, actual additions and peak demand vis-à-vis energy supplied during the review period are given below.

Sl. No.	Description	2005-06	2006-07	2007-08	2008-09	2009-10
1.	Capacity at the beginning of the year (MW)	5,964	5,919	6,201	6,359	6,591
2.	Additions Planned in NEP (MW)	-	1,268	-	-	75
3.	Additions planned by the Board (MW)		2	713	387	670
4.	Actual additions (MW)	(-) 45 <sup>▲</sup>	282	158	232	310
5.	Capacity at the end of the year (MW) (1 + 4)	5,919	6,201	6,359	6,591	6,901
6.	Shortfall in capacity addition (MW) (3 – 4)	45	(-) 280	555	155	360
7.	Peak demand (MUs)	35,935	38,784	43,015	41,659	46,426
8.	Net power available for sale in the State.*	32,658	34,984	39,039	37,226	39,977
9.	Shortfall in energy availability (MUs) (7 – 8)	3,277	3,800	3,976	4,433	6,449

The particulars of the projects at the beginning of 2005-06, additions/deletions during the review period and total capacities at the end of 2009-10 are given in

▲ Due to derating of BBMB units.

\* These figures would not match with the figures given in the working results and Annexure-13 as these do not include common pool supply.

Actual capacity addition was only 937 MW against 1,772 MW planned by the State during 2005-10, leaving a shortfall of 835 MW.

the *Annexure 13*. It may be observed from the above table that during the review period of five years, the actual capacity addition was only 937 MW against 1,772 MW planned by the State leaving a shortfall of 835 MW. The State failed to maintain pace in terms of capacity addition with the growing demand. Some of the reasons for shortfall in capacity addition were:

- failure of the Board in providing escrow cover to the developer of Goindwal Sahib Thermal Power Project (540 MW);
- delay in investment decision, financial constraints and inter departmental dispute regarding cost sharing in Shahpurkandi (168 MW); and
- non-finalisation of the power purchase agreement due to ambiguity in the bidding term in respect of Upper Bari Doab Canal (UBDC)-III project (75 MW).

These are discussed in the paragraph 3.10.1 to 3.10.5.

### ***Failure to take up modernisation***

**3.9.1** In order to cope up with the rising demand for power, not only the additional capacity need to be created, but also plan needs to be in place for better utilisation of the existing facilities and for undertaking life extension programme of the existing facilities which are near completion of their age, besides timely repair/ maintenance. The details of the thermal power generating units due for Renovation and Modernisation (R&M)/ Life Extension programmes (LE) during the five years ending 2009-10 vis-à-vis actually taken up are discussed in paragraph 3.16.

## **Project Management**

**3.10** Project management includes timely acquisition of land, effective actions to resolve bottlenecks, obtain necessary clearances from the Ministry of Forest and Environment and other authorities, rehabilitation of the displaced families, proper scheduling of various activities, adequate budget provisions, etc. We noticed time and cost overruns due to inefficiency and absence of coordination with various agencies as discussed in the succeeding paragraphs.

The following table indicates the scheduled/actual dates of completion, commissioning of the power stations and the time overrun in respect of two projects completed during the review period.

**Time overrun**

Sl. No.	Name of the Project	Details		Due date as per Work order	Actual date of completion	Time overrun (In months)
1.	GHTP Stage-II Lehra Mohabbat (Unit-III and IV of 250 MW each)	Date of completion of unit	Unit III	30 September 2006	5 February 2008	16
			Unit IV	31 December, 2006	2 August 2008	19
		Date of commercial operation/commissioning of unit	Unit III	31 December 2006	16 October 2008	21
			Unit IV	31 March 2007	25 January 2010	33
2.	Micro Hydel Power Project at GGSSTP, Ropar (1.7 MW)	Date of completion of unit		30 June 2005	22 February 2006	7
		Date of commercial operation/commissioning of unit		-	27 May 2007	-

It could be seen from the above that none of the two projects was completed in time and the time overrun varied from 16 to 33 months in execution of GHTP Stage II Lehra Mohabbat at various stages. The particulars of cost overrun of the above projects are given in the following table.

**Cost overrun**

(₹ in crore)						
Sl. No.	Name of the Unit	Estimated cost as per DPR	Awarded Cost	Actual expenditure as on 31 March 2010	Expenditure over and above the estimate (4 – 2)	Percentage increase as compared to DPR (5)/(2)
	(1)	(2)	(3)	(4)	(5)	(6)
1.	GHTP Stage-II, Lehra Mohabbat	1,789.67	1,673.87	2547.56	757.89	42.35
2.	Micro Hydel Power Project at GGSSTP, Ropar (1.7 MW) (Hydel Channel)	14.79	Departmental work	15.71	0.92	6.22

Many instances of administrative delay, inefficiencies and non seriousness in decision making leading to time/cost overrun of the projects and non-generation of power are discussed in the paragraphs 3.10.1 to 3.10.6.

***GHTP Stage-II, Lehra Mohabbat***

**3.10.1** Cost and time overrun in the construction and commissioning of Stage-II (Unit III and IV) of GHTP, Lehra Mohabbat had been discussed in paragraph 3A of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2009 (Commercial) - Government of Punjab. The Report is yet to be discussed by COPU (September 2010).

***Micro Hydel Power Project at GGSSTP, Ropar***

**3.10.2** The Board approved (September 2000) the project for construction of 4.4 kilometres long hydel channel and a 1.7 MW micro hydel power house at the tail end of GGSSTP Ropar at an estimated cost of ₹ 25 crore. Though the execution of project was taken up in April 2002 and completed in February 2006, the project was commissioned only in May 2007. We observed that the main reason for delay of 14 months in commissioning of the project was breach of the hydel channel on account of existence of embedded wire crates below the bed of channel, the removal of which though initially provided in



the work order was ignored while reallocating the left over work. This lapse was avoidable. The breach of the hydel channel resulted in generation loss of 10.92 MUs\* and extra expenditure of ₹ 62.76 lakh on plugging the breach in channel. The Committee formed to investigate the breach observed (August 2007) in its report that it occurred due to under piping caused by excessive seepage from Ash dykes coupled with normal seepage from the channel and the importance of removal of wire stone crates lying below the channel section had been overlooked by the engineers. The Board, however, did not fix any responsibility for the lapse.

### ***Shahpurkandi Hydro Electric Project***

**3.10.3** Planning Commission/ CEA cleared the Shahpurkandi project (168 MW) in 1992 at a cost of ₹ 895 crore. The project also aimed to act as a balancing reservoir to enable the Ranjit Sagar Dam (RSD) project to generate power during peak hours and to ensure uniform release of water to the canal system off-taking from the Madhopur Headworks. It was decided to take up the work departmentally since global tenders invited in 1996 could not be finalized on the ground that the price quoted by the successful bidder was almost three times of the estimated departmental cost.

The Planning Commission accorded investment clearance in 2001 at a revised cost of ₹ 1,324.18 crore with cost sharing between the Irrigation Department, Punjab at the rate of 12.61 *per cent* (irrigation component) and the Board at the rate of 87.39 *per cent* (power component). Due to inability of the Board to generate funds, the work taken up departmentally by the Irrigation Department was stopped in October 2003. Later, the State Government decided (May 2006) to take up the project departmentally by outsourcing. For financial assistance in respect of power component, the Board submitted a loan application to Power Finance Corporation (PFC). The irrigation component was revised from 12.61 *per cent* to 20.90 *per cent* and finally to 28.61 *per cent* (August 2009) by the State Government. The PFC agreed (July / September 2009) to sanction loan of ₹ 1,681.47 crore. However, the final sanction/disbursement of loan by PFC was awaited (July 2010) for want of bank guarantee from the State Government.

**Due to indecisiveness in deciding the mode of execution of the project and cost sharing, there was time overrun of 18 years and cost overrun of ₹ 1,391 crore at the estimate stage itself.**

Thus, the inability of the Board to raise funds and indecisiveness in deciding the mode of execution of the project and proportion of cost sharing resulted in time and cost overrun of 18 years (1992-2010) and ₹ 1,391 crore (₹ 2,286 crore - ₹ 895 crore), respectively so far at the estimate stage itself. This led to additional cost of ₹ 993.03 crore which would be borne by the Board. Resultantly, the envisaged power generation of 168 MW could not be achieved. Further, due to non commencement of this project, another linked project (Shahpurkandi extension project) could not be taken up to generate the envisaged 55.5 MW of power.

The Management stated that there was no delay in taking decision for implementation of the project which required a comprehensive approach and time was taken for processing only.

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\* Estimated on the basis of generation data.

The reply is not based on the facts as the delay was on account of Board's indecisiveness as regards cost components and mode of implementation of the project.

### ***Goindwal Sahib Thermal Power Station***

**3.10.4** The Board signed (17 April 2000) a Power Purchase Agreement (PPA) with GVK Power Limited, Secunderabad (developer) for construction of Goindwal Sahib Thermal Power project of 2x270 MW on build, own and operate basis. The project was envisaged to be executed during the 10<sup>th</sup> plan period (2002-07). The project was not implemented due to inability of the Board in providing escrow cover to the developer and non-finalisation of the coal price by the developer. Subsequently, the State Government decided (July 2005) to revive the project and the Board entered into (February 2006) an MOU with the developer for signing a revised power purchase agreement in line with the standard PPA.

The revised PPA (March 2007), however, had substantial deviations from the standard PPA with regard to provisions for performance guarantee, liquidated damages, performance tests etc. and it was held up. The revised PPA was signed in May 2009 at the instance of Punjab State Electricity Regulatory Commission. The generating Units are scheduled to be commissioned in January/July 2013. Thus, formulation of the revised PPA in deviation from the Standard PPA in March 2007 delayed starting of the project for more than two years.

The Management stated that the standard PPA was issued by the Ministry of power in September 2007. The Reply is not supported by the facts as the Board and the developer had agreed (February 2006) to adopt the terms and conditions of the draft standard PPA published by the Ministry of Power in January 2006.

### ***UBDC (Stage III) Hydroelectric Project***

**3.10.5** The State Government decided (May 2002) to execute the UBDC (Stage III) Hydroelectric Project (75 MW) through private participation. Accordingly, the Board after inviting international competitive bids forwarded (May 2004) the proposal of Malana Power Company Limited (MPCL) for execution of the project on Build, Own, Operate and Transfer basis to the State Government. Subsequently, the Board issued (February 2006) the letter of intent (LOI) to MPCL prescribing the completion period as 82 months from the date of signing of the power purchase agreement (PPA). We observed that the delay of 15 months in issue of the LOI was on account of preparation of bid document on inaccurate and unreliable hydrological data and non considering various vital aspects. The execution of the project had not been commenced (July 2010) due to non finalisation of PPA in time.

The Management stated that all the factors were taken into consideration while finalizing the documents. The reply is not based on the facts as the bid document did not include the vital aspects like proposed water discharge to the

J&K State, indents of irrigation department, correct design discharge, carbon credit, hydrological risk etc.

### Contract Management

**3.11** Contract management is the process of managing the contract (including inviting bids and award of work) and execution of work in an effective and economic manner.

During the review period, contracts relating to generation works valuing ₹ 2,338.60 crore were executed. The agreements relating to civil works, supply of equipments and other miscellaneous works valued at ₹ 664.73 crore\* were examined by us and an instance of undue favour to a contractor is given below:

#### *Favour to a contractor*

**3.11.1** Work order for the Renovation and Modernisation of Stage-I (Unit-I&II) of GNDTP Bathinda was placed (May 2003) on NTPC Alstom Power Services Private Limited (NASL). After commissioning of the Unit-II, shutdown of Unit-I was taken on 10 March 2006. As per the terms of the contract, after renovation, the Unit-I was scheduled to be commissioned on 9 November 2006. The Unit was, however, commissioned on 31 May 2007 after a delay of 203 days.

As per terms and conditions of the contract, the firm was liable to pay liquidated damages (LD) of ₹ 4.93 crore for the delay, which was condoned by the Board (January 2008) on the ground that fixing the problem of direct firing was beyond the expected and planned means of the firm. We observed that the Chief Engineer/Thermal, GNDTP, Bathinda had pointed out (May 2007) that the problem of direct firing was due to mistake made by APIL, a subcontractor of NASL which was not brought to the notice of the Board of Members which condoned the LD. Thus, all facts were not placed before the Board.

### Input Efficiency

**3.12** Performance of the generation stations is dependent on efficiency of input such as material and manpower and output efficiency in terms of plant load factor, plant availability, capacity utilization, outages and auxiliary consumption. These aspects are discussed below:

### Procurement of coal

#### *Procedure for procurement of coal*

**3.12.1** The CEA fixes power generation targets for Thermal Power Stations (TPS) considering capacity of plant, average PLF and past performance. The

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\* Other than the agreement valuing ₹ 1,673.87 crore related to GHTP Lehra Mohabbat Stage-II mentioned in paragraph 3.10.1.

Board works out coal requirement on the basis of targets so fixed and past coal consumption trends. The coal requirement so assessed was conveyed to the Standing Linkage Committee (SLC) of the Ministry of Energy (MOE), Government of India, which decided the source and quantity of coal supply to TPSs on quarterly basis. On the basis of linkage source approved by SLC, the Board was to enter into Coal Supply Agreements (CSA) with collieries. However, the Board did not enter into CSA during 2003-09 due to lack of consensus among coal companies, CEA and power generation utilities. Since April 2009, the utilities have been permitted to enter into dedicated CSA with coal companies for their coal requirement.

The position of coal linkages fixed, coal received, generation targets prescribed and actual generation achieved by the Board during the period from 2005-06 to 2009-10 was as under:

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10	Total
Coal Linkage fixed (Lakh MT)	107.00	98.31	113.12	137.88	124.00	580.31
Quantity of coal received (Lakh MT)	98.40	95.73	109.85	118.89	124.19	547.06
Generation targets (MU)	14,130	15,125	15,641	17,951	18,109	80,956
Actual generation achieved (MU)	14,835	15,435	16,457	18,066	20,296	85,089
Excess / Shortfall (-) in generation targets (MU)	705	310	816	115	2,187	4,133

It would be seen from the above that the total linkage of coal during the five years fixed by the SLC was 580.31 lakh MT for the Board. Against this, 547.06 lakh MT of coal was received, resulting in short receipt of 33.25 lakh MT (5.73 *per cent*) of coal. In the absence of any agreement during 2005-09 with the coal companies, the Management failed to procure allotted quantity of coal.

### ***Unjustified payment to a supplier of coal***

**3.12.2** The terms and conditions of Fuel Supply Agreement entered (August 2006) with PANEM\* for supply of coal to the Board's thermal power stations, *interalia*, provided that PANEM would endeavor to supply C and D grade coal to the Board. The Board might accept F grade coal with a discount of 19 *per cent* in price, provided the number of rakes of F grade coal would not exceed five per cent of the total rakes delivered during a quarter. No payment for the coal and freight was to be made for the F grade coal if it was in excess of five *per cent* of the total supply on quarterly basis. The rejected F grade coal would be unloaded and burnt in the boiler to clear the blockade.

During July 2007 to September 2007, the Board received 188 rakes at the three thermal power stations, of which 18 rakes (9.57 *per cent* of total rakes) were of F grade. As envisaged in the agreement, the Board did not release the

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\* To develop and operate the captive coal mine in Jharkhand, the Board entered (March 2001) into an agreement with M/s Eastern Minerals & Trading Agency, Kolkata and formed a joint venture company called Panem Coal Mines Limited (PANEM)

payment of ₹12.21 crore for the F grade coal. PANEM represented (January 2008) that continuous unprecedented heavy rains in the mining area resulted in inadvertent contamination of coal loaded in wagons and requested for the release of payment by relaxing the five per cent limit. The Board decided (December 2008) that no payment should be made for the coal cost, however, the freight of ₹ 9.31 crore already paid by PANEM to the Railways might be reimbursed as a one time measure.

PANEM again represented (February 2009 and October 2009) for review of the decision. The Board while considering (November 2009) the request of PANEM, observed that PANEM had supplied excellent quality of coal except during the second quarter of 2007. Against the permissible limit of five percent F grade coal on quarterly basis, PANEM had supplied only 0.6 per cent of F grade coal till date and the Board had gainfully consumed the F grade coal supplied by PANEM. The Board, accordingly, allowed the cost of ₹ 2.90 crore for the F grade coal supplied by PANEM.

**Payment of ₹ 12.21 crore to the supplier of coal by the Board in violation of terms of agreement lacked justification**

We observed that consideration of the entire supply of coal from 2006-07 onwards for the purpose of working out the quantum of F grade coal was against the explicit provisions in the agreement whereunder only the quarterly supplies were to be considered. Further, the Board had not considered the fact that it had suffered a loss of ₹ 1.55 crore on account of excess consumption of coal due to lower useful heat value (UHV). Thus, payment of ₹ 12.21 crore in violation of the terms of agreement lacked justification.

#### ***Non recovery against shortages of coal***

**3.12.3** The cost of shortage in unweighed rakes at the loading end was recoverable from the coal companies, provided weigh bridges at the receiving end were calibrated in terms of the provisions of Weights and Measures Act. A sum of ₹ 7.53 crore towards coal shortage in unweighed rakes at the loading end for the period from March 1999 to March 2007 was recoverable from the coal companies. In a meeting held on 28 January 2008 between the coal companies and the Board, the coal companies allowed an amount of ₹ 3.77 crore, being 50 *per cent* of the claim and the balance of ₹ 3.76 crore was not allowed as the Board could not make available the requisite certificates of calibration for some of the periods from the Weights and Measures department. We observed that the plant authorities failed to provide the record of calibration of weigh bridges for over one year (April 1999 to September 2000) to the coal companies. Responsibility for not making available the requisite certificates in support of the claim had not been fixed so far.

The Management assured that responsibility would be fixed.

#### ***Excess consumption of coal***

**3.12.4** The consumption of coal depends upon its calorific value. The norms are fixed in the project report for various power generation stations for production of one unit of power. Year-wise details of units generated, coal

required as per norms of project reports, coal consumed and excess consumption of coal with respect to norms of project reports are given below:

Sl. No.	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10	Total
1.	<b>Unit generated (MUs)</b>						
	GNDTP Bathinda	2,359.17	2,221.12	3,008.00	2,845.59	2,723.35	13,157.23
	GGSTP Ropar	9,329.31	9,770.34	9,806.16	9,610.67	10,056.35	48,572.83
	GHTP Lehra Mohabbat	3,145.92	3,443.17	3,508.59	4,441.92	6,042.26	20,581.86
	<b>Total</b>	14,834.40	15,434.63	16,322.75	16,898.18	18,821.96	82,311.92
2.	<b>Coal required as per norms (MT)</b>						
	GNDTP Bathinda●	11,25,324	10,59,474	14,34,816	13,57,346	12,99,038	62,75,998
	GGSTP Ropar♣	54,66,976	57,25,419	57,46,410	56,31,853	58,93,021	284,63,679
	GHTP Lehra Mohabbat♥	19,37,887	21,20,993	21,61,291	26,19,713	33,97,556	122,37,440
	<b>Total</b>	85,30,187	89,05,886	93,42,517	96,08,912	105,89,615	469,77,117
3.	<b>Coal consumed (MT)</b>						
	GNDTP Bathinda	17,50,439	15,98,939	21,84,720	21,01,362	20,14,417	96,49,877
	GGSTP Ropar	61,11,300	65,00,845	66,59,874	63,90,772	66,88,917	323,51,708
	GHTP Lehra Mohabbat	18,20,387	18,97,070	20,64,811	26,71,124	36,31,810	120,85,202
	<b>Total</b>	96,82,126	99,96,854	109,09,405	111,63,258	123,35,144	540,86,787
4.	<b>Excess consumption (MT) (3 – 2)</b>						
	GNDTP Bathinda	6,25,115	5,39,465	7,49,904	7,44,016	7,15,379	33,73,879
	GGSTP Ropar	6,44,324	7,75,426	9,13,464	7,58,919	7,95,896	38,88,029
	GHTP Lehra Mohabbat	Nil	Nil	Nil	51,411	2,34,254	2,85,665
	<b>Total</b>	12,69,439	13,14,891	16,63,368	15,54,346	17,45,529	75,47,573
5.	<b>Rate per MT (₹)</b>						
	GNDTP Bathinda	2,346.31	2,321.73	2,270.00	2,414.50	2,471.00	
	GGSTP Ropar	2,301.52	2,312.87	2,339.00	2,462.00	2,633.00	
	GHTP Lehra Mohabbat	2618.95	2570.80	2,319.00	2,488.20	2,558.00	
6.	<b>Coal consumed per Unit (Kg.) [3 ÷ (1 x 1000)]</b>						
	GNDTP Bathinda	0.742	0.720	0.726	0.738	0.740	0.733
	GGSTP Ropar	0.655	0.665	0.679	0.665	0.665	0.666
	GHTP Lehra Mohabbat	0.579	0.551	0.589	0.601	0.601	0.587
7.	<b>Value of excess coal (₹ in crore)(4 x 5)</b>						
	GNDTP Bathinda	146.67	125.25	170.23	179.64	176.77	798.56
	GGSTP Ropar	148.29	179.35	213.66	186.85	209.56	937.71
	GHTP Lehra Mohabbat	Nil	Nil	Nil	12.79	59.92	72.71
	<b>Total</b>	294.96	304.60	383.89	379.28	446.25	1808.98

75.48 lakh MT of coal valuing ₹ 1,808.98 crore was consumed in excess of norms at the thermal power stations of the Board during 2005-10.

Above table shows that consumption of coal remained higher than the norms in all the years under review. Excess consumption of coal was to the tune of 75.48 lakh MT, the money value of which was worked out to ₹ 1,808.98 crore.

- The gross calorific value (GCV) of coal used in the power plants was lower than the designed GCV implying poor quality of coal used;

● 0.477 kilograms per unit.

♣ 0.586 kilograms per unit.

♥ 0.616 kilograms per unit for Stage-I and 0.488 kilograms per unit for Stage-II.

- Higher station heat rate\* due to deteriorated condition of the boiler furnaces on account of ageing of the units and
- Steam leakages (59 instances during 2005-10).

Out of the total excess consumption of 75.48 lakh MT, 24.33 lakh MT valuing ₹ 453.96 crore (GNDTP Bathinda- 4.26 lakh MT valuing ₹ 75.36 crore and GGSSTP Ropar- 20.07 lakh MT valuing ₹ 378.60 crore) was on account of higher station heat rate. Had the Board procured and fed proper grade of coal as designed and taken up the R&M works in time, the excess consumption of coal could have been minimised. The Management accepted the facts.

We suggest that the R&M works due for the plants be taken up without further delay and efforts be made to procure coal of proper grade.

### Manpower Management

**3.13** As mentioned in paragraph 3.2, the Board employed 64,308 employees as of 31 March 2010 and during 2005-10 the employee cost accounted for 16.32 to 19.55 *per cent* of the total expenditure, which is one of the highest in the country. As per National Electricity Policy released by the CEA in April 2007, the man power norm in 10<sup>th</sup> and 11<sup>th</sup> Five year plans was 1.76 and 1.58 persons per MW of the installed capacity in respect of thermal power stations and 1.79 and 1.61 persons in respect of hydel power stations. The year-wise details of sanctioned strength, manpower required as per the CEA norms and actual manpower in respect of thermal power stations and hydel power stations upto March 2010 are given in the *Annexure 14*.

It would be seen from the annexure that manpower was within norm at GHTP Lehra Mohabbat. In respect of GNDTP Bathinda and GGSSTP Ropar, the manpower reduced from 2751 and 3585 to 2237 and 3239 respectively during review period. Excess expenditure on manpower with reference to norm at GNDTP Bathinda and GGSSTP Ropar worked out to ₹ 437.76 crore during review period. Hydel Power Stations had surplus manpower of 203 in 2005-06 and reduced to norm at the end of 2009-10. Pricewaterhouse Coopers Private Limited was awarded (August 2007) with the work of conducting detailed study on manpower requirement across the different business groups of the Board. The consultant was required to complete the study and suggest action plan to rationalise the manpower within seven months of award of the assignment i.e. by April 2008. However, the consultant has not submitted the final report so far (September 2010), even after lapse of more than two years. The Board neither could enforce the consultant to submit the report within the scheduled time nor foreclose the contract in the absence of enabling provision for non performance.

We suggest that the Board should contain the employee cost by optimising the deployment of manpower.

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\* It is the heat energy input in kilo calorie for generating one unit of electric energy at generator terminals.

## Output Efficiency

### Generation of power

**3.14.1** The targets for generation of power for each year are fixed by the Board. It was observed that the Board generated a total of 1,06,945 MU of power during 2005-06 to 2009-10 against the target of 1,00,417 MU as shown in the following table:

Year	Thermal power Stations (MUs)		Hydel power Stations (MUs)		Total Generation (MUs)	
	Target	Actual	Target	Actual	Target	Actual
2005-06	14,130	14,835	3,894	5,049	18,024	19,884
2006-07	15,125	15,435	3,668	4,430	18,793	19,865
2007-08	15,641	16,457	3,707	4,644	19,348	21,101
2008-09	17,951	18,066	4,080	4,232	22,031	22,298
2009-10	18,109	20,296	4,112	3,502	22,221	23,798
<b>Total</b>	<b>80,956</b>	<b>85,089</b>	<b>19,461</b>	<b>21,857</b>	<b>100,417</b>	<b>106,946</b>

It was noticed that during 2005-10, generation of power by the Boards' own hydel and thermal power stations was consistently more than the targets fixed (except hydel generation in 2009-10). This was appreciable performance. However, we observed that the targets for the hydel power stations were fixed without keeping in view the designed capacity, hydrology and anticipated discharge of water. For example in the case of Ranjit Sagar Project, the targets had been fixed (1,150 MUs in 2006-07 and 1,500 MUs in 2008-09) much lower than the firm power generation of 1,813 MUs as envisaged in the project report.

Year-wise details of energy to be generated as per design, actual generation, plant load factor as per design and actual plant load factor in respect of the hydel power projects commissioned upto March 2010 are given in the *Annexure 16*.

### Low Plant Load Factor (PLF)

**3.14.2** Plant load factor (PLF) refers to the ratio between the actual generation and the maximum possible generation at installed capacity. According to norms fixed by CERC, the PLF for thermal power generating stations should be 80 per cent, against which the national average was 73.71 per cent, 77.03 per cent, 78.75 per cent, 77.22 per cent and 77.48 per cent during 2005 - 06 to 2009-10 respectively. Year wise and plant wise PLF of thermal power stations is given in *Annexure 15* which revealed that the PLF of thermal power plants of the Board as a whole was 79.18 per cent, 82.94 per cent, 87.42 per cent, 86.33 per cent and 88.96 per cent during 2005-06 to 2009-10 respectively. The PLF of Stage-I of

The PLF of Stage-I of GHTP, Lehra Mohabbat was maximum at 96 per cent among all the State Sector power Stations during the year 2008-09.

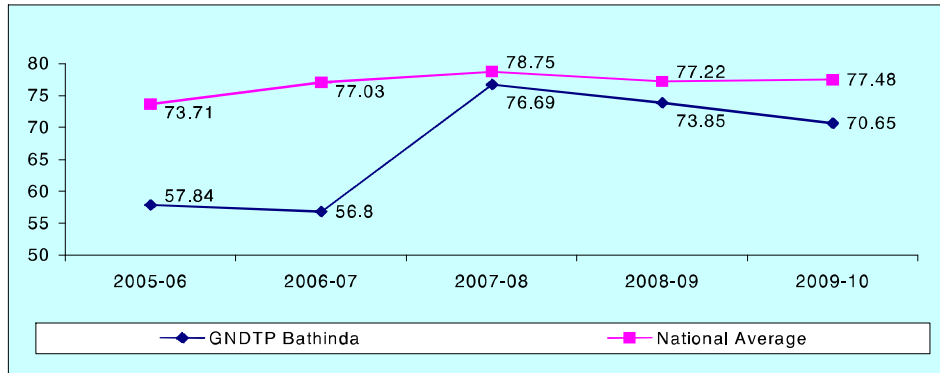
**Unit No. 6 of Kota TPS of PRVUNL achieved PLF of 101.10 per cent which was highest among all the State sector units.**

**Source: Performance Review of Thermal Power Stations 2008-09 by CEA.**



GHTP, Lehra Mohabbat was maximum at 96 *per cent* among all the State Sector power Stations during the year 2008-09. The PLF of GNDTP Bathinda was, however, lower than the national average due to delay in taking up the R&M works of the plant as discussed in paragraph-3.16.

The PLF of the GNDTP Bathinda is depicted in the following line graph:



The PLF in the hydel power stations decreased from 50.39 *per cent* in 2005-06 to 34.97 *per cent* in 2009-10. The main reasons for the low PLF, as observed by us, were low plant availability, decrease in capacity utilization and major shut downs and delays in repairs and maintenance of the stations.

#### ***Low plant availability***

**3.14.3** Plant availability means the ratio of actual hours of operation of the plant to the maximum possible hours available during certain period. As against the CERC norm of 80 *per cent* plant availability during 2004–09 and 85 *per cent* during 2010, the average plant availability of thermal power stations was 87.41 *per cent* during the five years up to 2009-10.

Year wise plant availability of thermal power stations is given in **Annexure 15** which revealed that plant availability at GGSSTP Ropar and GHTP Lehra Mohabbat was above the CERC norms during the review period, however, plant availability at GNDTP, Bathinda was lower than the CERC norm during 2005-06 (68.37 *per cent*), 2006-07 (64.93 *per cent*) and 2009-10 (83.94 *per cent*). This was due to longer duration of outages caused by inordinate delays in renovation and modernisation works.

The details of total hours available, total hours operated, planned outages, forced outages and overall plant availability in respect of the hydel power stations of the State as a whole are shown below:

Sl. No.	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
1.	Total hours available	2,71,560	2,71,560	2,72,304	2,71,560	2,71,560
2.	Operated hours	1,99,161	1,79,539	1,99,103	1,74,890	1,69,723
3.	Planned outages (in hours)	25,724	32,724	28,034	28,592	29,437
4.	Forced outages (in hours)					
	(a) Due to non-availability of water etc.	42,629	55,142	43,038	65,439	69,639
	(b) Other reasons	4,046	4,155	2,129	2,639	2,761
	<b>Total</b>	<b>46,675</b>	<b>59,297</b>	<b>45,167</b>	<b>68,078</b>	<b>72,400</b>
5.	Plant availability (per cent)	73.34	66.11	73.12	64.40	62.50

It is evident from the above table that the plant availability in hydro projects ranged between 73.34 per cent in 2005-06 and 62.50 per cent in 2009-10 which was less than the All India Average of 92 per cent (2007-08). The low plant availability was due to excess hours of planned and forced outages.

### ***Decrease in Capacity Utilisation***

**3.14.4** Capacity utilisation means the ratio of actual generation to possible generation of power during the actual hours of operation. Year wise and plant wise capacity utilisation factor of thermal power stations are given in **Annexure 15** which revealed that capacity utilisation factor of GNDTP Bathinda was lower as compared to GGSSTP Ropar and GHTP Lehra Mohabbat during the review period. Capacity utilisation at GNDTP Bathinda ranged between 82.85 and 87.63 per cent whereas capacity utilisation at GGSSTP Ropar ranged between 95.03 and 98.94 per cent and at GHTP Lehra Mohabbat, it ranged between 97.24 and 100.54 per cent. We observed that the main reasons for the low utilisation of available capacity at GNDTP Bathinda during 2005-10, were:

- Operation of units at partial load due to non availability of equipments like ID Fans, Vapour Fans, Coal Mills etc. and
- Breakdowns due to delay in execution of R&M works.

The capacity utilisation of the State owned hydel projects decreased from 86.05 per cent in 2005-06 to 77.15 per cent in 2009-10. The main reasons for the low utilisation of the available capacity during 2005-10, as analysed in audit, were:

- In Uppar Bari Doab Canal project, the available capacity was not utilised fully due to non optimal utilization of water discharges available at Madhopur headworks due to diversion of the water to Madhopur-Beas link and non carrying of desilting and timely removal of trash of the hydel channel. This resulted in generation loss of 52.71 MUs during rainy seasons of 2005-06 to 2009-10.
- One of the reasons for low capacity utilization of Ranjit Sagar Dam Project was non-completion of the barrage at ShahpurKandi Dam Project as the same was aimed to act as a balancing reservoir to enable RSD project to function as peaking station for optimum power generation during peak hours (paragraph 3.10.4).

## **Outages**

### **3.14.5 Outages**

Outages refer to the period for which the plant remained closed for attending to planned/ forced maintenance. Year wise and plant wise planned and forced outages are given in **Annexure 15**, which revealed that:

- The total number of hours lost due to planned outages in thermal power stations decreased from 13971 hours in 2005-06 to 7507 hours in 2009-10 i.e. from 13.29 *per cent* to 6.50 *per cent* of the total available hours in the respective years
- The forced outages in thermal power stations decreased from 5,035 hours in 2005-06 to 3,419 hours in 2009-10 i.e. from 4.79 to 2.96 *per cent* of the total available hours in the respective years. The forced outages remained less than the norm of 10 *per cent* fixed by CEA in all the five years ending 31 March 2010.

In respect of hydel power stations, the position of planned and forced outages is given in the table under paragraph 3.14.3. We observed the following deficiencies in planned and forced outages:

- In the case of Hydel Power Projects, the total number of hours lost due to planned outages increased from 25,724 hours in 2005-06 to 29,437 hours in 2009-10 i.e. from 9.47 *per cent* to 10.84 *per cent* of the total available hours in the respective years. The planned outages were more than the All India Average (AIA) of 5.66 *per cent* (2007-08) in all the years. The main reason for excess planned outages were intermittent capital overhauling and prolonged capital maintenance in Mukerian and UBDC projects and frequent replacement of runner and old parts in Shanan project.
- The forced outages (including hours lost due to non-availability of water) in the hydel power stations increased from 46,675 hours in 2005-06 to 72,400 hours in 2009-10 i.e. from 17.18 *per cent* to 26.66 *per cent* of the total available hours in the respective years. The forced outages were far in excess of the AIA (including hours lost due to non-availability of water) of 2.34 *per cent* (2007-08) in all the years. The AIA of forced outages, excluding hours lost due to non-availability of water was 0.95 *per cent*. Against this, percentage of forced outages of hydel power stations ranged between 0.97 *per cent* and 1.53 *per cent* during four years and was 0.78 *per cent* during 2007-08. The main reason for excess forced outages in UBDC project was non carrying out of renovation and modernisation as per approved plan as discussed in Paragraph 3.16.3.

### ***Auxiliary consumption of power***

**3.14.6** Energy consumed by power stations themselves for running their equipments and common services is called Auxiliary Consumption. PSERC

**Wanakbari Thermal Power Station of GSECL achieved the lowest auxiliary power consumption at 7.05 per cent during 2008-09.**

**Source: Performance Review of Thermal Power Stations 2008-09 by CEA.**

fixes norm for auxiliary consumption at the time of tariff fixation. The PSERC norm varied from 8.50 per cent to 11 per cent during review period. Auxiliary consumption was fixed at 8.50 per cent for GGSSTP, Ropar, 9.00 per

cent for GHTP, Lehra Mohabbat and 11.00 per cent for GNDTP, Bathinda. The auxiliary consumption of thermal power plants of the Board as a whole was 9.20, 8.91, 9.11, 8.93 and 8.47 per cent during 2005-06 to 2009-10 respectively.

We observed that percentage of auxiliary consumption of GNDTP Bathinda was higher than the norms prescribed by PSERC and it ranged between 11.36 and 12.22 per cent during the review period. This resulted in excess consumption of 78.86 MU valuing ₹ 26.89 crore which could not be dispatched to the grid. Auxiliary consumption was higher due to frequent trippings and operation of the units on partial load, which was caused due to delay in carrying out the renovation and modernisation works. In other projects the auxiliary consumption was within norm.

**Auxiliary consumption was in excess of norms at GNDTP, Bathinda by 78.86 MUs valued at ₹ 26.89 crore during 2005-10.**

Similarly, the auxiliary consumption at Shanan hydel power project was very high due to non replacement of the old power transformer and ranged between 1.79 per cent (2006-07) and 1.19 per cent (2009-10) against the norm of 0.5 per cent fixed by PSERC. In other projects the auxiliary consumption was within norm.

### ***Performance of the Micro Hydel Projects***

**3.14.7** The Board had installed (1985-89) four micro hydel power projects having total capacity of 3.9 MW\*. The operation and maintenance (O&M) of the projects was carried out by the Board itself upto 10 July 2005 and thereafter, these projects were handed over to DSL Powers (P) Limited for O&M for ten years.

The generation of power from these micro hydel projects during 2005-10 was 5.96, 7.96, 6.99, 4.32 and 2.97 MUs respectively, which was far less than the annual targets of 10 MUs and designed capacity of 24.29 MUs. The reasons for low generation of power as analysed by us were stoppage of generation of power by Rohti project (since 11 July 2005) and Thuhi project (since 30 November 2008) due to break down of gear boxes and the less generation of power in Nidampur and Dhudhar projects due to excessive time taken in removing technical defects by the O&M contractor. Besides, the Board did not ensure preventive/ routine maintenance of these power houses by the O&M contractor. Further, the Board did not maintain records of forced and planned outages in these power houses.

\* Nidampur (0.8 MW), Rohti (0.8 MW), Thuhi (0.8 MW) and Daudhar (1.5 MW)

### Repairs & Maintenance

**3.15** To ensure long term sustainable levels of performance, it is important to adhere to periodic maintenance schedules. The efficiency and availability of the equipment is dependent on the strict adherence to annual maintenance and equipment overhauling schedules. Non adherence to the schedules carry a risk of the power plant consuming more coal, fuel oil and a higher risk of forced outages which necessitate further R&M works, besides loss of generation.

We observed that annual maintenance of units of majority of the thermal and hydel power Stations in the State was done after a delay ranging from six to 36 months (details given in the **Annexure 17**). The delayed maintenance caused continuous deterioration in the condition of machines causing increased consumption of coal and increase in outages.

### Renovation and Modernisation

**3.16.1** The R&M activities are aimed at overcoming problems in the operating units caused due to generic defects, design deficiency and ageing by re-equipping, modifying and augmenting them with latest technology/systems. The R&M activities are undertaken in the thermal power plants operating at Plant Load Factor of 40 *per cent* and above after assessing the performance and requirement of the units. Refurbishment activities are aimed at extending economic life of the units (by 15 to 20 years) which have served for more than 20 years or operating at PLF below 40 *per cent*. The CEA guidelines provide time frame for implementing the life extension & uprating schemes: six months for preparation of DPR and placement of order and shut down of unit:six to eight months each. Audit findings on R&M of two plants are discussed in the following paragraphs.

**Guru Nanak Dev Thermal Plant, Bathinda**

**3.16.2** The sequential events of R&M activities of Stage-I & II are detailed below:

Sl. No.	Particulars	Stage-I		Stage-II	
		Unit-I	Unit-II	Unit-III	Unit-IV
1	Month/year of commissioning of Units	September 1974	May 1975	May 1978	January 1979
2	Due month/year for taking up the RLA & LE Study	September 1994	May 1995	May 1998	January 1999
3	Month/year of taking up the RLA & LE Study	Not conducted	December 1999	February 2001	December 2001
4	Month/year of preparation of DPR and estimated cost of the R&M Scheme	February 2001 ₹ 229.00 crore		April 2003 ₹ 290.20 crore	
5	Month/year of inviting tenders	April 2001		April 2005	
6	Name of the contractor	NTPC Alstom Power Services Private Limited (NASL)		Bharat Heavy Electricals Limited (BHEL)	
7	Month/year of award of work and cost of the work awarded	May 2003 ₹ 179.56 crore		November 2006 ₹ 465.36 crore	
8	Due dates for commissioning of Units after R&M	9 November 2006	8 November 2004	21 August 2008	21 July 2009
9	Actual dates of commissioning of the Units after R&M	31 May 2007	20 January 2006	Not yet completed	Not yet completed
10	Delay in commissioning of units (Up to 31 July 2010)	203 days	438 days	709 days	375 days

There were large scale delays in commissioning of the units of GNDTP, Bathinda, after renovation, which resulted in generation loss of 1,775 MU.

It may be observed from the above that there were large scale delays in commissioning of the units after renovation. Some of the causes for the delay which resulted in generation loss of 1,775 MU are given below:

**Stage-I**

There was abnormal delay of 19 months (after allowing six months as per CEA norms) due to delay in finalising the technical specifications and commercial terms and conditions of the work order and delay in taking decision on modifications of certain clauses of the contract. The Management stated that one of the participant bidders got stay order on 18 January 2002 from the Punjab and Haryana High court, Chandigarh and the case was ultimately decided by the court in favour of PSEB on 17 December 2003. The reply is not based on facts as stay order of 18 January 2002 was vacated by the Punjab and Haryana High Court on 7 February 2002 and on this account, there was a delay of 20 days only. The loss of generation was 1,117 MUs for delay of 203 days and 438 days in respect of Unit-I and II respectively after adjusting 152 MUs generated during operation of Unit-I on partial load from 8 February 2007 to 31 May 2007.

The post R&M achievements vis-à-vis the envisaged parameters are given below:

- Auxiliary consumption of power in the Units-I & II during 2006-07 to 2009-10 was 10.02, 10.07, 10.09 and 10.34 *per cent* against the envisaged auxiliary consumption of 9.10 *per cent*.
- Heat rate of the Unit-I ranged between 2860 and 3104 Kcal/Kwh during 2007-08 to 2009-10, whereas in the Unit-II it ranged between 2841 and 3144 Kcal/Kwh during 2006-07 to 2009-10 against the envisaged norm of 2460 Kcal/Kwh.

Thus, even after the R&M works, the envisaged norms of performance have not been realised. Performance guarantee tests to prove the guaranteed technical parameters required to be conducted in accordance with the terms and conditions of the contract have not been conducted so far (May 2010). No penalty could be imposed on the contractor for poor workmanship, if any, in the absence of performance guarantee tests.

The Management accepted the facts and stated that ten *per cent* amount of the total value of the work order had been withheld and would be released only after successful completion of the performance guarantee tests.

### **Stage-II**

There was abnormal delay of 31 months in respect of R&M works due to delay in finalising the technical specifications and commercial terms and conditions of the work order. The R&M works of both the units of Stage-II were to be completed within a maximum period of 31 months from the effective date of contract i.e. by 21 July 2009. However, BHEL started the R&M works of Unit-III with effect from 14 January 2010 and the R&M works of Unit-IV had not been taken up so far (April 2010). We observed that though BHEL was badly lagging behind the stipulated milestones, the Management did not take up the matter at Board/Government level even after the lapse of scheduled dates of the completion of R&M works. The loss of generation of power upto March 2010 worked out to 658 MUs.

### ***UBDC Hydro Electric Project***

**3.16.3** The Board accorded its approval (March 2003) to carry out R&M of both the stages of the UBDC Hydro electric project (91.35MW) during the 10<sup>th</sup> five year plan (2003-04 to 2006-07) period at an estimated cost of ₹ 7.89 crore.

We observed that the R&M activities had not been carried out as per the approved schedule due to delayed approval (July 2007) of financial plan by the Board and were yet to be completed (April 2010), even after a lapse of more than three years of the scheduled date of completion. Out of the estimated approved cost of ₹ 7.89 crore, only ₹ 3.20 crore has been spent so far.

### **Financial Management**

**3.17** Efficient fund management serves as a tool for decision making, optimum utilisation of available resources and economical borrowings at favourable terms at appropriate time. The power sector companies should streamline their systems and procedures to ensure that funds in idle inventory are not invested, outstanding advances are adjusted/recovered promptly and funds are not borrowed in advance of actual requirement.

The details of sources and utilisation of resources of the Board for the years 2005-06 to 2009-10 are given below:

(₹ in crore)

Sl. No.	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
<b>Sources</b>						
1.	Net Profit/(loss)	12.89	(1,626.39)	(1,389.60)	(1,041.10)	(1,219.35)
2.	Add: adjustments	788.08	913.30	993.20	1,005.66	1,198.78
3.	Funds from operations (1+2)	800.97	(713.09)	(396.40)	(35.44)	(20.57)
4.	Cash deficit	1,209.29	1,623.38	1,409.26	1,901.12	3,455.10
5.	Total (3+4)	2,010.26	910.29	1,012.86	1,865.68	3,434.53
<b>Utilisation</b>						
6.	Capital expenditure	130.76	1,885.45	1,520.75	1,536.59	1,654.74
7(a).	Increase in working capital	(341.51)	(1,645.77)	(2,491.03)	(961.32)	(760.69)
7(b).	Repayment of capital liabilities	2,221.01	670.61	1,983.14	1,290.41	2,540.48
8.	Cash surplus	Nil	Nil	Nil	Nil	Nil
9.	Total	2,010.26	910.29	1,012.86	1,865.68	3,434.53

The Board had no cash surplus at all and the capital expenditure was stagnated at about ₹ 1,500 crore per annum. In the absence of cash surplus, the Board was constrained to limit the capital expenditure affecting capacity addition, R&M works etc. The cash deficit was overcome mainly by borrowings in the form of cash credit/loans from the commercial banks/financial institutions. Some of the reasons for cash deficit were poor/delay in recovery of power supply bills, high employee cost, over dependence on power purchase and high interest commitment on loans. We observed that dependence of the Board on borrowed funds increased from ₹ 8,887.02 crore in 2005-06 to ₹ 17,346.69 crore at the end of 2009-10. This being a huge liability resulted in heavy interest burden of ₹ 5,204.68 crore during the review period ultimately increasing the operating cost of the Board. Therefore, there is an urgent need for containing the borrowings of the Board. In the context of strained financial condition of the Board and large scale inefficiencies in implementation of the projects, it is necessary for the Board to encourage private participation in capacity addition programmes.

### Tariff Fixation

**3.18** The Board is required to file its application for approval of tariff for each year 120 days before commencement of the respective year. The Electricity Regulatory Commission accepts the application filed by the Board with such modifications /conditions as may be deemed just and appropriate after considering all suggestions and objections from the public and other stakeholders and issues order containing targets for performance parameters and the tariffs for the year.

The Aggregate Revenue Requirement (ARR) and Tariff Application were filed belatedly by the Board with the PSERC for all the years except 2006-07. Non-filing of ARR and Tariff Application for the year 2007-08 by the stipulated date resulted in rejection of a claim (lodged in ARR and Tariff Application for the Year 2008-09) for ₹ 115.19 crore as interest payment on non/delayed receipt of subsidy from the Government during 2007-08. PSERC rejected the claim on the ground that the Tariff Order for 2007-08 was issued on September 17, 2007 on suo-moto basis. The subsidy or any other amount



due from the Government could be quantified and became payable to the Board only after the issue of Tariff Order and the Board was, in part, responsible for the delay in issue of the Tariff Order for 2007-08.

**Due to failure of the Board to achieve various performance parameters and targets, PSERC did not allow expenditure of ₹ 2,751.36 crore during 2005-09.**

The Commission sets performance targets for each year for parameters that are deemed to be controllable which include: station heat rate, Plant availability, auxiliary energy consumption, secondary fuel oil consumption, Operation and Maintenance expenses, Plant load factor and financing cost. Any financial loss on account of underperformance of the targets for the above mentioned parameters is not recoverable through tariffs. We noticed that the Board has consistently not been able to achieve the performance parameters and targets set by PSERC, which led to disallowances of expenditure of ₹ 2,751.36 crore; on account of station heat rate (₹ 462.30 crore), operation and maintenance expenses (₹ 1,242.68 crore) and interest and finance charges (₹ 1,046.38 crore) during the last four years ending 2008-09.

The Board had not contained the expenditure disallowed by the Commission by improving its performance. As a result, it affected the financial health of the Board adversely. It is necessary that the Board achieves the performance parameters set by the Commission failing which accountability should be fixed against the persons concerned in the Board.

### Environment Issues

**3.19** In order to minimize the adverse impact on the environment, the GOI had enacted various Acts and statutes. At the State level, the Punjab Pollution Control Board (PPCB) is the regulating agency to ensure compliance with the provisions of Acts and statutes. The Ministry of Environment and Forests (MoE&F), GOI and Central Pollution Control Board (CPCB) are also vested with powers under the various statutes. The Board has an environmental wing at each of its thermal power station. Audit scrutiny relating to compliance with the provisions of various Acts revealed the following:

#### *Operation of the plants without consent of PPCB*

**3.19.1** As per Section 25 of the Water (Prevention and control of Pollution) Act, 1974 and Section 21 of Air (Prevention and control of Pollution) Act, 1981, the Board was required to obtain consent of PPCB to operate the thermal plants in the State. However, all the thermal plants of PSEB were running without the consent of PPCB.

The Management stated that most of the observations of PPCB had been complied with and it was expected that consent to operate the plant would be received in near future.

### Air Pollution

**3.20** Coal ash, being a fine particulate matter, is a pollutant under certain conditions when it is airborne and its concentration in a given volume of atmosphere is high. Control of dust levels (Suspended Particulate Matters –

SPM) in flue gas is an important responsibility of the thermal power stations. Electrostatic Precipitator (ESP) is used to reduce the dust concentration in flue gases. Control of dust level is dependant on effective and efficient functioning of the ESPs.

### ***Non-achievement of specified SPM levels***

**3.20.1** Central Electricity Authority fixed (June 2003) a norm that all the new/extension/ existing thermal power stations would comply with the revised norm of suspended particulate matters of 100 mg/Nm<sup>3</sup>. The ESPs installed at GNDTP Bathinda and GGSSTP Ropar were designed to the achieve SPM of 200 mg/Nm<sup>3</sup>. In order to reduce the SPM level, the ESPs of GGSSTP Stage-I and GNDTP Stage-I were upgraded/installed (June 2006) at a total cost of ₹1.46 crore and ₹ 12.00 crore (including cost of civil works and other related equipment) respectively. We observed that even after up-gradation, the recorded SPM levels of GGSSTP Stage-I and GNDTP Stage-I for the years under review ranged from 65 mg/Nm<sup>3</sup> to 161 mg/Nm<sup>3</sup> and 101 mg/Nm<sup>3</sup> to 149 mg/Nm<sup>3</sup> respectively, as against the designed level of 100 mg/Nm<sup>3</sup>. In 23 out of 44 months, the norm was not achieved.

The Management stated (May 2010) that the ESPs of Stage-II & III of GGSSTP Ropar and Stage-II of GNDTP Bathinda would be upgraded during the forthcoming R&M programmes of the units.

### ***Failure to install on-line monitoring equipment***

**3.20.2** As per the provisions of the Environment (Protection) Act, 1986, thermal power stations should have on-line monitoring systems to record the SPM levels. GGSSTP Ropar incurred an expenditure of ₹ 44.14 lakh on procurement and installation of the on-line monitoring and other equipments. We observed that these equipment were not functioning effectively and SPM data was being collected manually. It was further noticed that the on-line monitoring equipment was not installed at critical areas like coal handling plants of GNDTP, Bathinda where four generating units were in operation. Thus, non-functioning/non-installation of the on-line monitoring equipment defeated the purpose of their procurement.

### ***Clean Development Mechanism***

**3.20.3** To save the Earth from green house gases (GHG) a number of countries including India signed the 'Kyoto Protocol' (Protocol) in December 1997. Article 3 of the Protocol targeted reduction of emission of GHG by five per cent in the developed countries. Only those power plants that meet the UNFCCC norms and take up new technologies will be entitled to sell these credits. If the developed countries were unable to reduce their own carbon emissions, they could book the savings of GHG in developing countries in their account by paying some money to the concerned country. This whole system is named Clean Development Mechanism (CDM). In India the Ministry of Environment and Forest (MOEF), Government of India is the nodal agency under KYOTO protocol.

We noticed that Board has not developed any system to calculate and realise the benefits, if any, admissible under CDM.

### Water pollution

**3.21** The waste water of the power plant is the source of water pollution. As per the provisions of the Water (Prevention & Control of Pollution) Act, 1974, the thermal power plants were required to obtain consent of the PPCB.

We observed that waste water from different sections at GGSSTP, Ropar was discharged without any treatment through several outlets to either natural rivulet or local drain or ash dykes which ultimately enter the river Sutlej. Effluent Treatment Plant or Sedimentation tanks were not provided. The difference between intake and outfall temperature of water used for cooling purposes was beyond the permissible limit of 10° C. As Light Density Polythene sheets had not been laid at the base of ash dykes of Stage-I & II, there was continuous seepage of water from these ash dykes. Further, effluents from the Oxidation Ponds provided in each of the colonies at GGSSTP were having Biochemical Oxygen Demand (BOD) of 40 to 63 mg/litre against the permissible limit of 30 mg/litre. We further observed that though no effluent was discharged from GNDTP to public area/canal/drain etc. and the surplus effluent was taken back in raw water lake number 2 from where it was again utilized in the plant, no measuring device had been installed at the outlet point and reports of effluent discharged were not being submitted to the PPCB. Sewage treatment plant in C-compound area has not been installed so far (April 2010). Further, effluents from the Oxidation pond/Sedimentation tank provided in the power colony were having BOD of 31 to 98 mg/litre against permissible limit of 30 mg/litre. Due to failure of the Board to bring down the pollution to specified levels, water cess was being paid at higher rates at GNDTP Bathinda and GGSSTP Ropar, resulting in extra payment of ₹16.83 crore (₹ 0.56 crore for GNDTP Bathinda and ₹ 16.27 crore for GGSSTP Ropar) during 2005-10.

Due to failure of the Board to bring down the pollution to specified levels, water cess was being paid at higher rates resulting in extra payment of ₹ 16.83 crore during 2005-10.

The main reasons for water pollution were non-construction/ineffective functioning of the oxidation ponds, sedimentation tanks and effluent treatment plants. As all the factors contributing to water pollution were controllable, the Board should take effective and time bound steps to avoid the non-repairable damage caused to the water bodies.

The Management stated that remedial measures like installation of sewage treatment plants, sedimentation tanks, etc. had been initiated.

### Monitoring by top Management

**3.22** The Board plays an important role in the State economy. For such an organisation to succeed in operating economically, efficiently and effectively, there should be adequate documented management systems of operations, service standards and targets. Further, there has to be a Management Information System (MIS) to report on the achievement of targets and norms. The achievements need to be reviewed to address deficiencies and also to set

targets for subsequent years. Audit of the system existing in this regard revealed the following:

- The Board did not devise a proper management information system to evaluate power demand and supply position in the State to take timely policy decision regarding capacity addition programme, long term power purchase agreements and demand side management measures to overcome energy/peak shortages.
- The Board did not have effective system to minimize the delay in decision making process and for monitoring adherence to its plan in implementation of the projects.
- The Board did not evolve a proper system for monitoring the adherence to performance parameters and targets.
- The Board did not evolve an effective monitoring system to address the environmental issues at the power generating stations.

### Conclusion

**Performance audit of generation of power by the Punjab State Electricity Board disclosed the following:**

- **The accumulated losses of the Board increased year after year and the entire capital including reserves had been eroded by 2008-09. Due to its poor financial position, the Board was constrained to limit the capital expenditure affecting capacity addition and R&M works etc.**
- **The Board failed to meet the growth in peak demand by 2,078 MW, as the capacity addition was only 937 MW during 2005-10 due to delay in planning and implementation of capacity addition programmes.**
- **To meet the chronic deficit of power in the State, the Board resorted to unplanned purchases of power through short term agreements at exorbitant rates.**
- **The Board failed to contain the consumption of coal within the norms. There was excess consumption of coal of 75.48 lakh MT due to use of coal of less calorific value, high station heat rate and frequent leakages of steam.**
- **The Board failed to contain the employee cost which is one of the highest in the country.**

- **The existing generating units were ageing and there were abnormal delays in taking up/ execution of the renovation and modernisation works of these units.**
- **The Board has consistently not been able to achieve the performance parameters and targets set by PSERC, which led to disallowance of expenses of ₹ 2,751.36 crore which could not be realised through tariff.**
- **The Board failed to address the environmental issues at the power generating stations.**

### **Recommendations**

**The Board need to:**

- **intensify its capacity addition programs by exploiting all conventional and non conventional potential resources of energy by involving private entrepreneurs and by close monitoring of the programmes for timely execution so as to meet the national objective of power for all by 2012,**
- **bring more professionalism in decision making and execution of the projects,**
- **further rationalising the deployment of manpower,**
- **improve operational performance of the stations by containing the break downs and auxiliary consumption of power,**
- **carry out the scheduled maintenance of the thermal and hydel power stations and undertake renovation & modernisation of the power plants in time,**
- **achieve the performance parameters set by the Commission failing which accountability should be fixed against the persons concerned in the Board,**
- **address the environmental issues and**
- **consider setting up of a separate company for generation on the lines of practice followed in the other States.**

We referred the matter to the Government in May 2010, reply is awaited (September 2010).

## Chapter IV

### 4. Transaction Audit Observations

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

#### Government companies

##### Punjab Agro Foodgrains Corporation Limited

#### 4.1 Deterioration of paddy due to inept handling

**Failure to take timely and appropriate action for milling of the paddy led to deterioration of 9,881 MTs of paddy valuing ₹ 9.15 crore.**

To mill the paddy procured for the central pool, selection of the millers is done by the District level committee comprising of representatives of the procuring agencies and Food & Supplies Department (FSD). After expiry of the specified date i.e. 25 September 2007 for the Kharif marketing season of 2007-08, allotment / change in allotment of the millers was done by the Director, Food & Supplies.

The paddy procured (28,492 MT during October – November 2007) by the Company at Khamano mandi in Fatehgarh Sahib was planned to be stored for milling in the premises of Lakshmi Energy & Foods Limited (LEFL). However, due to declaration of LEFL as defaulter by the procuring agencies, the Company stored the paddy in its own custody. LEFL offered (19 November 2007) to mill the entire paddy by the due date (28 February 2008) provided the Company agreed to accept the pattern of advance rice<sup>\*</sup>. However, the Company did not take any decision on the proposal of LEFL. Meanwhile, FSD after obtaining temporary 'No Due certificate' from the procuring agencies allotted (22 November 2007) 7,500 MT of paddy to LEFL. The Company did not approach FSD for shifting of the balance 20,992 MTs of unmilled paddy lying at Khamano Mandi to Ludhiana district.

LEFL after completing the milling of allotted paddy of 7,500 MT reiterated (7 February 2008) its earlier proposal to mill the entire paddy against delivery of advance rice. Again the Company did not decide the matter. The FSD allotted (28 February 2008) three millers i.e. LEFL (9,963 MTs), HR Trading (6,000 MTs) and Naveen Rice Mill (5,029 MTs) for milling of the paddy.

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<sup>\*</sup> A scheme under which the miller delivers the rice in advance to FCI on his own and then claims paddy from procuring agencies

LEFL milled the allotted paddy of 9,963 MTs. The miller HR Trading did not lift any quantity of the paddy and Naveen Rice Mill lifted only 1,147.60 MTs of paddy. As a result 9,881 MTs of paddy remained unmilled (June 2008). The Company did not get the paddy milled at the risk and cost of the defaulted millers. LEFL after initial refusal offered (September 2008) to mill the balance paddy provided some compensation was given on the ground that the *percentage* of damaged and discoloured rice was expected to be much more. The Company did not agree to the proposal of LEFL. A team of personnel of the Company visited (December 2008) the storage area for physical verification and observed that almost all the stocks of paddy were broken, and lying uncovered and scattered in heaps.

To dispose of the unmilled damaged paddy of 9,881 MT valuing ₹ 9.15 crore, the Company decided (November 2009) to invite open tenders/auction. However, disposal of paddy was still awaited (September 2010).

Thus, non-seriousness and failure to take timely and appropriate actions by the Company for milling of the paddy led to deterioration of 9,881 MTs of paddy valuing ₹ 9.15 crore. The exact amount of loss would be known only after disposal of the deteriorated paddy.

It is unacceptable on whatever grounds that in the midst of poverty in the country, food grains are allowed to become waste. It is necessary that Government investigate the issue to fix accountability and take appropriate disciplinary action against the errant officials.

We referred the matter to the Management and Government in December 2009, reply to which is awaited (September 2010).

## **Punjab Agro Industries Corporation Limited**

### **4.2 Injudicious release of funds**

**Injudicious release of ₹ 4.00 crore by the MD of the Company, without prescribing the terms of payment and ascertaining the actual requirements resulted in blocking of funds with consequential loss of interest ₹ 1.26 crore.**

The Company makes investment in the equity shares of different industrial units to promote the agro-based industry in the State. The investment is made after approval of the project by the Project Approval Board (PAB) of the State Government.

In November 2006, the Company approached PAB seeking approval for setting up of a winery project at Talwandi Sabo in Bhatinda District at an estimated cost of ₹ 4.00 crore. On the grounds of lack of inhouse expertise and manpower in the Company, the project was proposed to be managed by the Viticulture Council of Punjab (VCP), a society formed under the Societies Act, 1860 wherein the Managing Director of the Company (MD) was also a member. Neither any detailed project report regarding feasibility of the winery project was presented to the PAB by the Company nor the matter was brought to the notice of the Board of Directors of the Company. The PAB decided (January 2007)

that a smaller winery unit with a cost of ₹ 4.00 crore be set up to catch the forthcoming grape season in April 2007. It was contended that as the VCP had applied for grant under the National Horticulture Mission Scheme, the grant if received, would be paid back to the Company. In case of non receipt of the grant, a new Company be registered and share equivalent to the investment made by the Company be got allotted. The PAB also approved that the winery unit be implemented and managed by the VCP.

The VCP requested (January 2007) for immediate release of funds to undertake the processing of grapes in the month of April 2007. The MD of the Company, without seeking approval of the Board of Directors and without considering the desirability of releasing funds in proportion to the actual requirements, released (February 2007) the entire amount of ₹ 4.00 crore as advance to the VCP. The Company did not enter into any formal agreement with the VCP, prescribing the terms of advance payment. Subsequently, the VCP, without the knowledge of the Company transferred the funds of ₹ 4.00 crore as unsecured loan to another Council named the Council for Citrus and Agri juicing. Incidentally, the Chief Executive of both the councils was the same person.

The Company enquired (January 2008) from the VCP about the status of the project to which the VCP intimated (April 2008) that the project would be implemented shortly. Thereafter, as the communication received from the VCP did not give clear picture of the status of the funds, the Company asked for (June 2008) refund of the amount of ₹ 4.00 crore. The VCP did not refund the amount and intimated (February 2009) that the amount would be refunded as and when funds were made available by the State Government. In July 2009, the VCP intimated that the State Government had not provided funds on the plea that the Citrus Council would come into a surplus fund situation by 2012-13 and out of those surplus funds it would return the loan to all Government agencies.

Thus, the injudicious release of funds by the MD of the Company, without keeping in view the actual requirements *vis a vis* status of the project and without obtaining approval of the project from the Board of Directors had resulted in blocking of funds with consequential loss of interest of ₹ 1.26<sup>♦</sup> crore besides, jeopardizing the recovery of the amount.

The Management and Government stated (May / June 2010) that ₹ 4.00 crore was released as approved by the PAB and the Company persistently took up the matter with the VCP for refund with interest. The reply, however, does not justify the action on the part of MD to release the fund without formal approval of the Board and also without ascertaining the actual requirement of funds *vis a vis* the status of the winery project. In the absence of any formal agreement prescribing the terms of advance payment, the Company could not recover the principal amount and suffered a loss of interest of ₹ 1.26 crore till July 2010.

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♦ calculated at the minimum rate of interest of 9.25 *per cent* earned by the Company on the fixed deposits kept with the banks for a period of 41 months i.e. from March 2007 to July 2010



## Punjab State Industrial Development Corporation Limited

### 4.3 Loss due to non-charging of interest

**Due to wrong interpretation of OTS policy, the Company did not charge interest from the cut off date to the date of acceptance of OTS, which resulted in loss of ₹ 94.33 lakh.**

To facilitate development of industries in the State, the Government of Punjab/ Company formulated (March 2009) One Time Settlement (OTS) policy for recovery of equity and loans advanced by the Company to the industrial units. As per terms and conditions of the policy, interest on the OTS amount was to be charged at the rate of 13.20 *per cent* per annum (compounded quarterly) from the cut off date\* except where allowed otherwise. The industrial units opting for lump sum payment of the OTS amount within 90 days of conveying of acceptance by the Company were eligible for rebate of five *per cent* on the OTS amount. No interest was to be charged on the lump sum OTS amount, if it was paid within 90 days of the date of acceptance of the OTS by the Company.

We noticed that due to wrong interpretation of the OTS policy, the Company did not charge interest for the period between the cut-off date and the date of acceptance of OTS, from the loanees who opted for lump-sum payment of the OTS amount. Test check of records of the Company revealed that six units<sup>8</sup> opted (March to May 2009) for lump sum payment of the OTS amount of ₹ 38.48 crore. The Company took 49 to 108 days in conveying its acceptance. But it did not charge interest of ₹ 94.33 lakh for the period between the cut off date and the date of acceptance in terms of the policy *ibid*. Thus, failure of the Company to charge interest from the cut off date to the date of acceptance of OTS resulted in loss of ₹ 94.33 lakh.

The Government stated (June 2010) that for delay on part of the Company in conveying acceptance of OTS to the units, interest need not be charged from the units as it would defeat the very purpose of the policy and also contrary to the spirit and provisions of the policy and without any lapse on the part of entrepreneurs. The audit objection brings out non charging of interest as per the OTS policy, which clearly states that interest will be charged from the cut off date. Any relaxation to the approved policy needs prior approval of the State Government and Board of Directors of the Company. Further, for delay, if any, in acceptance of OTS, the Government / Management could take action against the erring officials. It is also pertinent to mention here that Punjab Financial Corporation, a sister PSU has charged interest for the said period for the cases settled under OTS scheme.

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\* Cut off date for applications received on or before 15<sup>th</sup> of a month would be the last date of the preceding month and for applications received from 16<sup>th</sup> till last date of the month would be 15<sup>th</sup> of the month.

<sup>8</sup> Brahma Steyr Tractors Limited, A.P. Enzymes (India) Limited, S.N. Paper Mills Private Limited, Fazilka Cotton and Synthetics Limited, Garg Forgings & Castings Limited and Satia Synthetics Limited.

## Punjab State Civil Supplies Corporation Limited

### 4.4 *Loss of interest due to belated raising of claims*

**Absence of mechanism to monitor raising of bills resulted in loss of interest of ₹ 4.67 crore to the Company.**

The Company procures paddy for the central pool on behalf of Food Corporation of India (FCI) by availing cash credit limit from the banks and stores paddy at the millers' premises in joint custody of the Company and the miller. After getting the paddy milled, the resultant rice is delivered to FCI by the miller/Company as per the movement plan conveyed by the FCI and the FCI in turn reimburses to the Company the cost of rice, which includes the minimum support price, bonus and other elements of incidentals as per the provisional/final rates conveyed by the Government of India (GOI) for each Kharif Marketing Season (KMS).

The provisional rates of custom milled rice issued by the GOI in October 2008 for the KMS 2008-09 included incentive bonus<sup>€</sup>. To regulate the payments for rice delivered by the State procuring agencies, the Regional Office of FCI in Punjab prepared the cost sheet and circulated (November 2008) to its field offices with copy to the State procuring agencies *inter alia* indicating that the provisional rate of rice was inclusive of bonus of ₹ 74.63 and interest on bonus of ₹ 1.44 per quintal<sup>\*</sup>. Reimbursement of bonus and interest thereon was to be made on delivery of rice to FCI and on production of documentary evidence of payment of bonus to the farmers.

We observed that the Company had no system to ensure timely raising of supplementary bills. Though the Company had made payment of bonus upto March 2009, the amount on account of bonus was not claimed immediately on delivery of rice to FCI. One district office (Ferozpur) raised supplementary bills for bonus and interest thereon in time. Three district offices<sup>†</sup>, after being pointed out during local audit (August 2009 to November 2009) raised the bills of ₹ 25.10 crore after a delay of 7 days to 476 days. Remaining 13 district offices raised the bills of ₹ 90.89 crore after a delay of 8 days to 492 days.

Thus, due to weak internal control mechanism the Company failed to monitor the timely raising of bills for bonus and interest thereon by the district offices. The delayed raising of bills resulted in loss of interest of ₹ 4.67 crore<sup>\*</sup> to the Company.

The Management stated (June 2010) that for the KMS 2008-09, the State Government made arrangement for payment of bonus direct to the farmers in the form of payment

<sup>€</sup> An additional payment to minimum support price fixed by the Government of India

<sup>\*</sup> For an average holding period of two months

<sup>†</sup> Kapurthala, Ludhiana and Gurdaspur

<sup>\*</sup> Worked out with effect from the April 2009 (for deliveries upto March 2009) / from the month next to the month of delivery to the month preceding the month of raising the bills @ 11.25 per cent, the minimum rate of interest on cash credit payable by the Company during the period of delay

warrants through public sector banks. Since these could not be encashed for one reason or other, it was decided to make payment through Arhtias (mediators) against receipt of time barred warrants. The payment of bonus through Arhtias continued upto 15 March 2009. The reply is not acceptable as the Company had made payment of bonus to the farmers upto March 2009 and did not raise supplementary bills promptly.

The Company needs to strengthen its monitoring mechanism so that all claims are raised promptly.

We referred the matter to the Government in April 2010; their reply had not been received (September 2010).

#### **4.5 Extra contribution to the employees provident fund**

**The Company, in contravention of the statutory provisions, deposited the employer's contribution to Provident fund in excess by ₹ 7.07 crore.**

As per section 6 of the Employees Provident Funds and Miscellaneous Provisions Act, 1952, the employers were under obligation to contribute to the fund at the rate of 12 *per cent* of basic pay, dearness allowance, cash value of food concession and retaining allowance payable to each employee. However, the prescribed rate of contribution was 10 *per cent* in respect of establishments which had at the end of any financial year accumulated losses equal to or exceeding the net worth\*. Further, para 26A (2) of the Employees Provident Funds Scheme, 1952 provides that where the monthly pay of an employee exceeds ₹ 6,500, the contribution payable by the employer shall be limited to the amount payable on a monthly pay of ₹ 6,500.

The accumulated losses of the Company continued to exceed its net worth during the years 2006-07, 2007-08 and 2008-09 and stood at ₹ 450.43 crore as on 31 March 2009.

We observed (May 2009) that the Company in contravention of the statutory provisions, instead of restricting the employer's contribution to 10 *per cent* of the emolument of the employees, had deposited the contribution at the rate of 12 *per cent* and also without limiting the contribution to the amount payable on the monthly pay of ₹ 6,500. These lapses resulted in excess deposit of employer's contribution of ₹ 7.07 crore by the Company during the years 2006-07, 2007-08 and 2008-09.

The Management *inter alia* stated (June 2010) that the rate of contribution once adopted under this scheme could not be reduced under rule 12. Management contention is however, not based on fact as this rule deals with the wages to which the employee is entitled and not the employers' contribution payable under the Act.

The Company should follow the applicable rules and regulations in order to avoid unnecessary payments and to minimise the losses.

We referred the matter to the Government in April 2010; their reply had not been received (September 2010).

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

## Punjab Small Industries and Export Corporation Limited

### 4.6 Loss of revenue in leasing out a Business Centre

**The imprudent decision to lease out the Business Centre to NIIFT at a token lease amount of ₹ one per annum resulted in loss of revenue of ₹ 33.60 lakh.**

As a part of the Export Promotion Industrial Park at Ludhiana, set up by the Company, it constructed (March 2001) a Business Centre having a conference hall, exhibition hall and a club at a cost of ₹ 4.04 crore. The centre was to be used for convenience of the exporters. The Company decided (November 2002) to invite offers from reputed organisations/individuals for taking over the building on lease basis. Accordingly advertisements were issued (January 2003 and April 2003) and three offers were received. The highest offer was from Ram Krishan & Sons for lease rent of ₹ 1.10 lakh per month in the first year which was to increase to ₹ 1.40 lakh per month from the second year. The offer was rejected on the ground that the rents quoted were less than the assessed rate of ₹ 1.86 lakh per month (as assessed by Public Works Department). Thereafter, the Company received offers between April 2003 and January 2006 for outright purchase and for rent/ lease basis which were also not accepted.

The Principal Secretary Industries and Commerce, Government of Punjab (PSIC), who was also the Chairman of Northern India Institute of Fashion Technology (NIIFT), Mohali\* desired (August 2007) that NIIFT should open a centre at Ludhiana before the academic session of 2008-09. Accordingly, the Director General of NIIFT approached (September 2007) the Company and desired to take over the Business Centre so that necessary modifications of the centre for the purpose of NIIFT could be carried out. The Company submitted (December 2007) a proposal to its Board of Directors to lease out the centre to NIIFT on “as is where is basis” at a rent of ₹ 2.16 lakh per month (as assessed by Public Works Department). However, the Board under the Chairmanship of PSIC and in the presence of a Director, who happened to be the Director General of NIIFT, decided (December 2007) to lease out the centre on a token lease amount of ₹ one per annum for two years on the ground that the primary objective of the Company was to encourage and provide all possible assistance to export oriented industries/institutes of the State and fashion designing in the modern age was also required to be strengthened. Accordingly, possession of the centre was handed over to NIIFT in August 2008. NIIFT has been using the centre to impart education in the field of Fashion Design and Technology.

We observed that while handing over the centre by sacrificing the potential monthly rental income of ₹ 2.16 lakh, the Company neither prescribed any terms and conditions nor entered into any Memorandum of agreement. The Company should have negotiated with NIIFT so that atleast the rent offered by Ram Krishan & Sons (₹ 1.40 lakh per month) could have been recovered. Failure of the Company to negotiate with NIIFT and

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\* A registered Society of Government of Punjab under the Societies Registration Act, 1860

lease out the premises at a token lease amount of ₹ one per annum resulted in loss of revenue of ₹ 33.60 lakh to the Company during the period August 2008 to July 2010.

The Management stated (April 2010) that in the light of audit observation, the Company had taken up the matter with the Administrative Department proposing either to direct NIIFT to make payment of rent at the rate of ₹ 2.16 lakh per month, or to ask them to vacate the Business Centre building immediately. The Management further stated (May 2010) that proceedings to decide the rent required to be collected from NIIFT was under process.

The Company, being a commercial organisation, should allot / lease out its properties at commercial / reasonable rates.

We communicated our observations to the Government in December 2009; their reply had not been received (September 2010).

## **Statutory corporations**

### **Punjab State Electricity Board**

#### **4.7 Avoidable expenditure in purchase of HT steel wire**

**Imprudent decision of the Board to reject the lowest offer on the plea that the rates were not in line with the detailed tender document resulted in avoidable expenditure of ₹ 1.47 crore.**

The Punjab State Electricity Board (Board) invited sealed tenders in April 2008 to purchase 1015 MT of 4 mm diameter HT steel wire. The prices quoted in the tenders were to be on variable price<sup>c</sup> basis and the tenders were to be accompanied by earnest money. In response, the Board received three tenders which were opened on 30 April 2008. The offer of Orissa Concrete and Allied Industries Limited, Kolkata was not accompanied by earnest money and hence it was not considered. The offer of Usha Martin Limited, Hoshiarpur at ₹ 61,088.36 per MT (with base price of ₹ 51,000 per MT) was at firm price basis and the UIC Udyog Limited, Kolkata offered the price on variable basis (with base price of ₹ 51,000 per MT as on January 2008). Before finalisation of the tenders, the Hoshiarpur firm intimated (6 June 2008) that it had worked out the quoted rate on the basis of basic price prevalent in February 2008 and it would not demand any increase in price and would pass on the benefit of decrease in basic price, if any, in future to the Board. Thus, in effect, the rate offered by this firm also became variable within the ceiling of ₹ 61,088.36 per MT computed with reference to the basic price prevalent in February 2008.

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<sup>c</sup> linked with the price of wire rods sold by Rashtriya Ispat Nigam Limited, a Government of India enterprises

To bring the tenders on equal footing, the Project Purchase Committee (PPC) calculated (June 2008) the rate payable on 22 May 2008 to the Kolkata firm as ₹ 68,784.82 per MT and the Hoshiarpur firm as ₹ 61,088.36 per MT. The PPC recommended to the Board for purchase of 1,015 MT of HT wire at the rate of ₹ 61,088.36 per MT from the Hoshiarpur firm at a total cost of ₹ 6.20 crore. The Board, however, rejected (23 June 2008) the offer of Hoshiarpur firm on the plea that the rates quoted by it were firm whereas variable rates were sought in the tender and it decided to place the order on the Kolkata firm for the entire quantity at their quoted variable rates. The Board issued letter of intent in June 2008 to the Kolkata firm and confirmed the same by issue of purchase order in July 2008 for supply of the material within three months. The entire quantity of HT wire was received between June and November 2008 at a total cost of ₹ 7.67 crore.

Audit observed that the Board's decision to ignore the recommendation of PPC, which was beneficial to the Board, was not prudent. In the instant case, though the tender specified the price to be quoted as variable, the Hoshiarpur firm which had initially quoted firm price subsequently agreed for passing on the benefit of reduction in prices, if any, to the Board. It was further noticed in audit that the Board in the past also had finalised tenders on firm rates, though the bids were invited at variable rates. Failure to adopt the similar strategy in the instant case cost the Board dearly. The injudicious decision of the Board not to consider the offer of Hoshiarpur firm thus resulted in avoidable expenditure of ₹ 1.47 crore.

The Board stated (February 2010) that its decision to place the order on UIC Udyog Limited, Kolkata was in line with the provisions of the Detailed Notice Inviting Tender, according to which 'telephonic and conditional tender would not be accepted'. It further stated that the offer of Hoshiarpur firm was subject to the condition that the entire ordered quantity (1,015 MT) shall be lifted in the month of June and July 2008 against the prescribed delivery period of three months. The above reply of the Board is an after thought and was not the subject matter before the Board of Directors while deciding to reject the offer of Hoshiarpur firm. The PPC had also recommended lifting the entire quantity in two months instead of three months.

We referred the matter to the Government in November 2009; their reply had not been received (September 2010).

#### **4.8 Failure to recover the line charges**

**Unnecessary linking of recovery of the line charges for new connection with recovery of default amount from the previous owner resulted in non recovery of charges of ₹ 1.24 crore.**

The Board's Sales Regulations provided that an application for new electricity connection in a premises that had defaulted payments in the past can not be registered till such time the defaulted amount is paid. After the expiry of six months of permanent disconnection, the service line if found to exist is deemed to have been dismantled for all

intents and purposes. Further, the Electricity Act, 2003 prohibits the Board to grant any concession without the approval of Regulatory Commission.

Khushi Ram Bihari Lal Limited, Dhuri (KRBL) bought (December 2003) the premises of Oswal Agro Furane Limited (OAFL) through the official liquidator. The electricity connection of the premises stood permanently disconnected since May 1996 as OAFL did not pay its dues to the Board and went into liquidation. The firm (OAFL) had dues of ₹ 1.26 crore on account of energy charges, payable to the Board. As per the Regulation cited above, service connection charges had to be collected while giving new connection to this premises that defaulted payment to the Board and the previous connection stood disconnected.

KRBL applied (February, 2004) for new electricity connection in the said premises. The Empowered Committee of the Government of Punjab directed (September 2004) the Board not to impose the line charges of (₹ 1.24 crore) on KRBL on the ground that the line had already existed and OAFL had made payment for the same. The relief was approved to KRBL on the understanding that the Board would be able to recover its pending claims of ₹ 1.26 crore against OAFL from the official liquidator in full. The decision of the Empowered Committee was subject to revision if the actual recovery from the liquidator was found less. The Board did not contest the decision of the Committee for unnecessary linking of levy of line charges for new connection with recovery of past dues from OAFL. The Board released the connection to KRBL in March 2005 without collecting the line charges of ₹ 1.24 crore.

Subsequently, while considering the request of KRBL for extension in electricity load, the Empowered Committee decided (September 2008) that KRBL would pay the original line charges as applicable at the time of signing their project with the State Government. After a period of one year since decision of the Empowered Committee, the Board issued a demand notice to KRBL in September 2009 for payment of the line charges within 21 days. KRBL did not make the payment and till date no action was taken by the Board.

We observed that the decision taken by the Empowered Committee in September 2004 was against the provisions of the Board's Sales Regulations and the Electricity Act 2003 to which the Board did not contest. Further, even after the decision of the Empowered Committee taken in September 2008 to recover the line charges from KRBL, the Board made no serious efforts to recover the charges or to disconnect the service connection. Thus, failure of the Board to effectively pursue the case resulted in non-recovery of the line charges of ₹ 1.24 crore from KRBL.

The Board stated (February 2010) that disconnection of the supply of electricity to the premises was not effected as per directions of the higher authorities.

We referred the matter to the Government in May 2010; their reply had not been received (September 2010).

#### 4.9 Incomplete works due to defective construction

**Due to defective stub setting for erection of towers, the work of the transmission line remained incomplete, though an expenditure of ₹ 83.15 lakh had been incurred.**

The Board's instructions for construction of the transmission lines provided that before carrying out the stub setting for erection of towers, all the tower locations need to be inspected by the Sub Divisional Officer / Executive Engineer. Fifty *per cent* of the straight line locations should be concreted in the presence of Sub-Divisional Officer and another 25 *per cent* in the presence of Executive Engineer. All angle locations should invariably be concreted in presence of the Executive Engineer.

The work of 66 KV Madhir-Sukhna Ablu single circuit transmission line, to be used as a link line in case of emergency, was divided in two parts. The work of stub setting of the transmission line was to be done departmentally in three months time. The work of erection of towers and stringing and sagging of the transmission line was to be done through private party. The work of stub setting of the transmission line was carried out departmentally at a cost of ₹ 16.45 lakh and the work of erection, stringing, sagging and commissioning of transmission line was allotted (March 2007) to Jain Brothers, Ambala which was scheduled to be completed within two months.

On a complaint made by the contractor, the Additional Superintending Engineer (TLSC Division, Bathinda) inspected (May 2007) the site of work and found that certain tower locations were not in alignment and not in accordance with the approved route plan. Due to the wrong alignment, the stringing work was not possible and the foundations and towers might require reconstruction. The contractor refused to do the work and informed that in case erection and sagging was done on the stubs, the line would collapse. The Board constituted (February 2008) a Committee to look into the issue which confirmed (April 2008) that stub setting of the towers was not done as per the approved route plan.

Thus, due to failure of the Board officials to notice the defective stub setting during their inspections, the work of the transmission line which was to be completed in May 2007 remained incomplete after having spent ₹ 83.15 lakh\*. No steps have been taken (March 2010) by the Board to set right the defects, even though a period of two years has elapsed since noticing of the defects in stub setting.

The Board stated (June 2010) that inspections of the works were carried out, but no reports were kept. We observed that the authority which stated to have carried out the inspections failed to notice the defective stubbing and no records of inspections were kept.

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\* Civil works ₹ 16.45 lakh, tower material and conductor ₹ 44.06 lakh and overheads ₹ 22.64 lakh



Disciplinary action ought to be initiated to fix responsibility against the delinquent officials involved in the defective construction of the stub setting and ineffective inspections of the work.

We reported the matter to the Government in May 2010; their reply had not been received (September 2010).

#### **4.10 Extra expenditure in purchase of High Chrome Grinding Media**

**Failure of the Board to place order within the extended validity period and as per the revised offer resulted in extra expenditure of ₹ 57.92 lakh in purchase of High Chrome Grinding Media.**

High Chrome Grinding Media (Media) is the metallic balls used to crush the coal into pulverised form in the thermal power plants. As Bharat Heavy Electricals Limited (BHEL) was the sole supplier of metallic balls, the Board issued (March 2007) a tender enquiry to BHEL for purchase cum rate contract agreement for 1,000 Metric Tonnes (MT) of High Chrome Grinding Media, for supply over a period of four years from 2008 to 2011. BHEL offered (May 2007) to supply the material having wear rate guarantee of 150 grams per MT of grounded coal at the following ex-works rates:

<b>For quantity ordered upto</b>	<b>Supply upto</b>	<b>Price per MT (₹)</b>
30 September 2007	31 March 2008	62,906
30 September 2008	31 March 2009	67,312
30 September 2009	31 March 2010	72,025
30 September 2010	31 March 2011	77,075

The offer of BHEL was valid for 90 days i.e. upto 18 August 2007. As per the offer, the Board was to make advance payment of 10 *per cent* of the cost while placing the purchase order. The material was to be delivered by BHEL within 8 to 10 months from the date of receipt of order and the 10 *per cent* advance amount. On request of the Board, BHEL extended (7 August 2007) the validity of offer upto 31 October 2007. Just two days before expiry of the extended validity period, the Board decided (29 October 2007) to constitute a committee to negotiate with BHEL for reduction of the quoted rates and reduction of the wear rate guarantee from the offered 150 grams to 135 grams/MT. The Board also approached (30 October 2007) BHEL to extend the validity of offer upto 31 December 2007. BHEL agreed (30 October 2007) to extend the validity period upto 30 November 2007 and at the same time revised their offer as given below, on the ground of steep rise in input cost.

<b>For quantity Ordered upto</b>	<b>Supply upto</b>	<b>Price per MT (₹)</b>
30 November 2007	31 March 2008	62,906
30 September 2008	31 March 2009	67,312

During negotiation with the Board's Committee, BHEL agreed (22 November 2007) to give discount of two *per cent* in price and reduce the wear rate guarantee to 145 grams

per MT. However, the Board without taking cognizance of the revised offer of BHEL issued letter of intent (29 November 2007) and purchase cum rate contract agreement (17 December 2007) for supply of 1000 MT of Media in terms of BHEL initial offer of May 2007. Further, the Board issued supply cum purchase order (28 December 2007) for 250 MT of Media required by March 2008 by making advance payment of ₹ 15.41 lakh. BHEL did not accept (5 January 2008) the purchase cum rate contract agreement for 1000 MT and asked the Board to amend the same as it was not in line with its revised offer. However, the Board insisted (25 January 2008) for acceptance of the purchase cum rate contract agreement for 1000 MT. BHEL refused (February 2008) to honour the purchase cum rate contract agreement on the ground that it was not in line with its revised offer and validity of the revised offer also expired in November 2007. As a special case, it accepted the order for 250 MT of Media for supply by March 2008 at its quoted rate of ₹ 62,906 per MT and supplied the material in March 2008.

Subsequently, the Board issued (10 July 2008) tender enquiry for supply of 250 MT of Media and procured 249.430 MT from BHEL during January to March 2009 at the rate of ₹ 87,000 per MT.

We observed that against the initial validity period of three months, the Board took four months just to constitute a committee for negotiation and further during the extended validity period, it did not place the order as per the revised offer of BHEL. These failures resulted in extra expenditure of ₹ 57.92 lakh<sup>Y</sup> in the purchase of 249.430 MT of Media, which the Board was constrained to procure subsequently at high cost.

The Board stated (April 2010) that BHEL backtracked from their business obligations in view of unexpectedly high rise in price of raw material. The contention of the Board is not acceptable as the Board despite knowing that BHEL was the sole supplier and it had no other option failed to place the order in time and in line with the revised offer of BHEL.

We referred the matter to the Government in February 2010; their reply had not been received (September 2010).

#### **4.11 Short levy of penalty on the contractor**

**Defective amendment to the agreement resulted in fixation of lower target of generation of energy and short levy of penalty of ₹ 44.85 lakh.**

The Board approved (March 2004) award of the contract for operation and maintenance (O&M) of four micro hydel power plants installed at Nidampur (800 KW), Daudhar (1500 KW), Thuhi (800 KW) and Rohti (800 KW) to DSL Powers (P) Limited for ten years. The agreement signed (May 2004) with the contractor provided that the contractor would be paid O&M charges of ₹ 6.27 crore during the period of ten years. The

<sup>Y</sup> Worked out on 249.430 MT at differential rate of ₹ 21,034 plus applicable rate of excise duty (8.24 per cent) and CST (two per cent).

contractor would operate and maintain the plants in an efficient manner to ensure that the quantum of energy generated would be as nearly as possible to the design energy\* of each power station. The minimum annual generation would be 40 and 45 *per cent* of the design energy in the first and the subsequent years respectively. In the event of generation of energy lower than the specified minimum, the contractor would pay penalty at the rate of ₹ 2.50 per unit of power less generated. The contractor was to be paid monthly O&M charges after adjusting penalty, if any, for less delivered energy.

The plants were handed over to the contractor on 11 July 2005. Since Rohti plant required major repair and replacement work, it was decided (17 April 2006) that its design energy would not be considered for payment of the O&M charges. In the case of three other plants, the contractor failed to generate the specified quantity of energy and disputed (June 2007) the mode of working of the shortfall in generation. He stated that it was absolutely impossible to generate the design energy without ensuring availability of adequate water in the hydel power houses and requested that the design energy be calculated with reference to the actual water discharge. The Board considered (25 April 2008) the issue and amended (13 May 2008) the relevant clause of the agreement to the effect that in the event of average water discharge actually made available to the contractor is less than the historical water discharge, penalty would be levied as per actual availability of water.

The Board amended the agreement in May 2008 providing for revision of the generation targets on the basis of actual discharge of water during the periods when the actual discharge was lower than the historical discharge, but it did not provide for fixation of the generation target when the actual average availability of water would be higher than the historical discharge. In other words, in the amended agreement the actual water discharge was taken to fix the generation target when it was lower than the historical discharge but was ignored when it was higher than the historical discharge.

The three power plants generated 56.76 lakh and 46.10 lakh units of electricity during the third and fourth year respectively. The Board worked out the targeted energy of 60.82 lakh units and 67.08 lakh units for the third and fourth year respectively. Since the actual generation was less than the targeted generation with reference to the actual average water discharge or historical water discharge, whichever was less, the Board levied penalty of ₹ 10.15 lakh and ₹ 52.45 lakh during the third and fourth year respectively.

We observed that on the basis of actual flow of water, the targeted generation would be 70.80 lakh units and 75.04 lakh units for the third and fourth year, respectively instead of the Board's figures of 60.82 lakh and 67.08 lakh units, worked out on the basis of actual water discharge or historical water discharge, whichever was lower. Resultantly, the Board worked out the targeted energy short by 9.98 lakh units and 7.96 lakh units with consequential short levy of penalty of ₹ 44.85 lakh (₹ 24.95 lakh and ₹ 19.90 lakh for the third and fourth year respectively).

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\* Possible energy generation worked out on the basis of the historical average flow of water during the period April 1992 to March 2002.

Thus, the defect in the amendment to the contract made in May 2008 resulted in short computation of the targeted energy for the third and fourth year and short levy of penalty of ₹ 44.85 lakh. When this was pointed out (January 2010), the Board and the Government stated (March 2010 and June 2010) that the Board had worked out the generation target on the basis of amendment of May 2008. The reply is not acceptable as the amendment itself was defective as pointed out above.

#### 4.12 Unfruitful expenditure on construction of a Sub station

**Failure of the Board to ensure the feasibility and non obtaining of clearance from the Forest Department before undertaking the work of a sub station resulted in unfruitful expenditure of ₹ 44.27 lakh besides the interest payment of ₹ 32.08 lakh.**

The instructions issued by the Board provided for preliminary and detailed survey before undertaking construction of the transmission lines so as to eliminate the likely bottlenecks in advance. In the detailed survey, the proposed tower locations and span are marked and inspected to satisfy the requirements of Road and Railway Regulations and Forest and Environment Regulations. The instructions emphasised that utmost importance should be given to the survey part of the construction activity of a transmission line.

With a view to meet the additional demand for supply and conservation of energy, the Board got sanctioned (August 2000) a term loan of ₹ 2.40 crore carrying interest at the rate of 13.5 *per cent* per annum from Rural Electrification Corporation (REC) for erecting a new 66-33/11 KV sub station at Kiratpur Sahib. The sub station was to be fed from the existing 132 KV sub-station at Anandpur Sahib by erecting 19 Kilometers of transmission line. The project was to be completed within two years from the date of first disbursement of the loan and the entire loan was to be repaid within seven years.

The Board drew the first instalment of ₹ 48.10 lakh in January 2001. The Board did not initiate the work of transmission line and incurred ₹ 44.27 lakh (October 2001 to November 2007) on the construction of sub-station and continued to seek extensions from REC for completing the whole work. Keeping in view the poor progress of work, REC considered (January 2007) the project as a non-starter and asked the Board to refund the loan with penal interest.

In May 2007, the Board observed that the proposed transmission line was to pass through excessive forest area and it would be very difficult to get clearance from the Forest Department and even if permission was granted, it would involve payment of huge compensation. Pending final decision, the Board requested (January 2008) REC for release of ₹ 39.74 lakh on the basis of utilisation certificate submitted by the Board. REC released (6 February 2008) the amount. The Board refunded the entire loan of ₹ 87.84 lakh alongwith interest of ₹ 32.08 lakh (which included penal interest of ₹ 2.41 lakh) to REC by 29 February 2008. The substation work completed to the extent of 80 *per cent* by March 2006 remained unused for want of the transmission line. The Board had since planned (2009-10) to upgrade the substation to 132 KV and feed it from an alternative transmission line. But this also remained to be materialised (September 2010).

Thus, failure of the Board to conduct the pre-requisite surveys and obtain mandatory clearance from the Forest Department for erecting the transmission line through forest before undertaking the construction of civil works for sub-station at Kiratpur resulted in unfruitful expenditure of ₹ 44.27 lakh, besides the interest payment of ₹ 32.08 lakh on the loan availed from REC. This also deprived the Board of the envisaged benefits of conservation of energy.

The Board, while undertaking such projects, should do proper planning and adhere to the laid down systems and procedures to make judicious utilization of borrowed funds.

We referred the matter to the Board / Government in December 2009; their reply had not been received (September 2010).

#### 4.13 Wasteful expenditure

**The Board incurred wasteful expenditure of ₹ 23.33 lakh by booking a box at the Mohali Cricket Stadium, despite being in losses.**

In February 2005, the Punjab Cricket Association (PCA) offered the Board a 24-seator box at the Mohali Cricket Stadium to watch cricket matches at ₹ 10 lakh, for three years or three international matches whichever was later. The Chairman of the Board approved (February 2005) the offer, subject to *ex post facto* approval of the full Board. Payment of ₹ 10 lakh was made to PCA, Mohali in February 2005. The full Board approved (March 2005) the payment / proposal on the ground that under the encouragement policy of sports of the Board, the players and the officers concerned with the sports would be able to raise the standard of the game after witnessing international matches. Subsequently in October 2008, the Board again at the request of PCA booked a 40-seator box at the Mohali Cricket Stadium for three international matches by paying ₹ 20 lakh after obtaining approval of the full Board.

Audit observed that the Board had no policy / rules for making such expenditure. The Board had neither identified the players / officials for whom these bookings were intended nor had any records to substantiate that its officials had witnessed the international matches. Thus, the decision of the Board at the instance of PCA to incur this expenditure on the plea that witnessing of international matches would raise the standard of the game of PSEB players was not substantiated by facts and lacked justification, particularly when the Board had been in perennial and heavy losses.

After being pointed out by Audit (November 2008), the Board cancelled (November 2009) the booking and got refund of ₹ 6.67 lakh, the amount proportionate to the unexpired period of booking. Thus, by not observing propriety and economy even in difficult times, the Board incurred a wasteful expenditure of ₹ 23.33 lakh.

The Management stated (April 2010) that expenditure was made with the permission of full Board. The fact remains that the Board was in heavy losses since 2000-01 and should

not have incurred such wasteful expenditure. Subsequent cancellation of the booking of box vindicates the audit observation.

The Board needs to frame detailed guidelines for incurring such type of expenditure in future.

We referred the matter to the Government in November 2009; their reply had not been received (September 2010).

## **Punjab Financial Corporation**

### **4.14 Avoidable loss**

**Disbursement of the NEF assistance by the Corporation without meeting the terms of SIDBI had resulted in loss of ₹ 25.97 lakh to the Corporation.**

The Small Industries Development Bank of India (SIDBI) had been providing financial assistance to small entrepreneurs in the form of soft loan for investment as equity under the scheme of National Equity Fund (NEF assistance). The scheme was operated through the Prime Lending Institutions (PLIs) including the State Financial Corporations. The NEF assistance was to be provided to the entrepreneurs through the PLIs, levying service charges at the rate of five *per cent* per annum of which one *per cent* was to be retained by the PLIs and the remaining four *per cent* was to be passed on to SIDBI. The terms and conditions of NEF scheme as modified in May 2000 *inter alia* provided that availment of refinance by the PLIs from SIDBI in respect of term loan component of the project of the entrepreneurs would be a pre-requisite for lending the NEF assistance.

Our scrutiny of records of the Corporation revealed that it disbursed (June 2000 to October 2004) NEF assistance of ₹ 69.39 lakh to 14 entrepreneurs on the basis of sanctions issued by SIDBI for the term loan / NEF assistance, but without availing the refinance facility from SIDBI as per the modified terms and conditions. The Corporation was in losses since 1997-98 and its financial health was deteriorating. Despite this, the Corporation disbursed the NEF assistance from its own funds raised through high cost loans / bonds. Due to the poor financial health of the Corporation, SIDBI stopped regular refinance facility to the Corporation since 2003-04. Consequently, the Corporation could not get refinance for the term loan component of the projects of the 14 entrepreneurs to whom NEF assistance was given by it. The Corporation kept on pursuing SIDBI for reimbursing the NEF assistance given by it to the entrepreneurs. SIDBI refused to entertain the claims of the Corporation on the plea that availment of refinance against the term loan component was a prerequisite for extending the NEF assistance and finally declared (October 2007) the sanctions issued for the NEF assistance as lapsed. Thus, disbursement of the NEF assistance by the Corporation out of its own fund without meeting the terms of SIDBI had resulted in loss of ₹ 25.97 lakh\*.

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\* Calculated at the lending rate of 13 *per cent* of SIDBI less interest rate of five *per cent* receivable under NEF scheme

The Management stated (September 2009) that the sanctions for refinance by SIDBI was the pre-requisite and not the disbursement and as such the Corporation released the assistance correctly. The reply is not correct because as per the modified terms and conditions of the NEF scheme, availment of refinance from SIDBI in respect of the term loan component of the projects was a pre-requisite for lending the NEF assistance and not the mere sanction for NEF assistance.

The Corporation needs to be more cautious in implementing the various schemes particularly when it is in heavy losses and its financial health is not sound.

We communicated the matter to the Government in November 2009 and their reply had not been received (September 2010).

### **Pepsu Road Transport Corporation**

#### **4.15 Loss due to failure to enforce the terms of agreement**

##### **Failure of the Management to enforce the terms of agreement resulted in loss of opportunities to recover the loss from the outsourcing agencies.**

In December 2002, the Corporation decided to outsource the services of drivers to operate its buses. Clause 17 of the agreement entered with the outsourcing agencies provided that in the event of loss of property of the Corporation on account of negligence on the part of any driver of the outsourcing agencies, the agencies would be liable for making good such loss. The agreement further provided that a summary enquiry would be completed within 30 days of loss, by an officer deputed by the Corporation with a representative of the outsourcing agency for calculating the loss and fixing of responsibility.

We observed that during the period April 2006 to March 2010, 89 buses of the Corporation driven by drivers of eight\* outsourcing agencies were damaged due to road accidents. During this period, the rate of accidents by the outsourced drivers was more than double the accidents by the own drivers of the Corporation. The ratio of drivers per accident was nine in respect of the outsourced drivers against 19 in respect of the drivers of the Corporation. However, the Corporation did not take any action as required under the agreement, i.e. no enquiry officer was ever appointed by the Corporation in any of the case to find out the cause of damage and to claim the loss after fixing responsibility. The damaged buses were repaired by the Corporation on its own in the Body Fabrication cell and Central Workshop, after incurring an expenditure of ₹ 65.50 lakh. Thus, due to continued failure of the management to enforce the terms of agreement, the Corporation lost opportunities to recover the loss from the outsourcing agencies. Further, had the Corporation conducted enquiries in terms of the agreements to recover the loss from the

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\* S.L. Bajaj; Virasat; Ex-servicemen, Patiala; The Providers, Chandigarh; ISS Ludhiana; Gursewak Singh, Sangrur; SSS Providers, Patiala; and PESCO, Chandigarh.

outsourcing agency, it could have acted as deterrent and made the drivers and the outsourcing agencies more careful.

The Corporation should enforce the contract terms on the outsourcing agencies to protect its interest.

We referred the matter to the Government / Management in May 2010; their reply had not been received (September 2010).

## General

### 4.16 Follow-up Action on Audit Reports

#### *Explanatory Notes Outstanding*

**4.16.1** The Audit 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 in various offices and departments of the Government. It is, therefore, necessary that they elicit appropriate and timely response from the executive. The State Finance Department issued instructions (August 1992) to all the administrative departments to submit detailed notes, duly vetted by Audit indicating the corrective/remedial action taken or proposed to be taken on paragraphs and reviews included in the Audit Reports, within three months of their presentation to the Legislature, without waiting for any notice or call from the Committee on Public Undertakings (COPU).

The Audit Reports for the years 2002-03, 2003-04, 2004-05, 2005-06, 2006-07, 2007-08 and 2008-09 featuring 167 paragraphs/reviews relating to PSUs under the administrative control of 13 departments were placed in the State Legislature on the dates indicated in the following table. No replies in respect of 66 paras / reviews have been received from eight departments of the State Government by 30 September 2010.

Year of the Audit Report (Commercial)	Date of Presentation	Total no. of paragraphs/ reviews in the Audit Report	Number of paragraphs/ reviews for which detailed notes were not received.
2002-03	June 2004	23	1
2003-04	March 2005	22	3
2004-05	March 2006	23	10
2005-06	March 2007	28	2
2006-07	March 2008	25	11
2007-08	March 2009	24	17
2008-09	March 2010	22	22
<b>Total</b>		<b>167</b>	<b>66</b>

The department-wise analysis is given in *Annexure 18*. The departments largely responsible for non-submission of detailed notes were Power, Finance, Agriculture, Industries and Food and Supplies. The Government did not respond to important reviews that highlighted delay in taking action against defaulting millers/loanees, performance of workshops, purchase and inventory control, deficiencies in planning, construction and commissioning of power plant in power sector, loss in sale of damaged wheat, one time



settlement to profit making units, sanctions/disbursement/recovery of loans and operational deficiencies in working of State Transport Undertakings.

***Action Taken Notes on Reports of Committee on Public Undertaking (COPU)***

**4.16.2** As per rule 25 of the Internal Working Rules of COPU, Punjab Legislative Assembly, replies to the recommendations in the form of Action Taken Notes (ATNs) are to be submitted by the administrative department of the PSU within six months from the date of placement of Report of COPU in the State Legislature. Replies to 5 paragraphs pertaining to two Reports of COPU (84<sup>th</sup> and 85<sup>th</sup>) presented to the State Legislature on 24<sup>th</sup> March 2008 and 5 paragraphs pertaining to two Reports of COPU (88<sup>th</sup> and 89<sup>th</sup>) presented to the State Legislature on 6<sup>th</sup> March 2009 had not been received as on 30 June 2010.

***Action taken on the persistent irregularities***

**4.16.3** With a view to assist and facilitate discussions of the irregularities of persistent nature by the State COPU, an exercise had been carried out to verify the extent of corrective action taken by the concerned auditee organisations. The results thereof in respect of Government companies and Statutory corporations are included in the ***Annexure 19***.

**Government companies**

Irregularities having financial implication of ₹ 1.39 crore in respect of Punjab Agro Foodgrains Corporation Limited and ₹ 7.74 crore relating to Punjab State Civil Supplies Corporation Limited were included in the Reports of Comptroller and Auditor General of India for the years 2003-04 to 2008-09 (Commercial) - Government of Punjab. These irregularities had been persisting for period ranging between two and five years.

**Statutory corporations**

Irregularities having financial implication of ₹ 27.12 crore pertaining to Punjab State Electricity Board were included in the Reports of Comptroller and Auditor General of India for the years 2003-04 to 2008-09 (Commercial) - Government of Punjab. These irregularities had been persisting for period ranging between one and five years.

***Response to Inspection Reports, Draft Paras and Reviews***

**4.16.4** Audit observations noticed during audit and not settled on the spot are communicated to the heads of PSUs and concerned departments of the State Government through Inspection Reports. The heads of PSUs are required to furnish replies to the Inspection Reports through respective heads of departments within a period of four weeks. Inspection Reports issued upto March 2010 revealed that 2,752 paragraphs relating to 831 Inspection Reports pertaining to 40 PSUs were outstanding at the end of 30 June 2010. The department-wise break up of Inspection Reports and audit observations outstanding as on 30 June 2010 is given in ***Annexure 20***.

Similarly, draft paragraphs and reviews on the working of PSUs are forwarded to the

Principal Secretary/Secretary of the administrative department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. However, 13 draft paragraphs and two draft performance reviews forwarded to the various departments during April 2010 to July 2010 as detailed in **Annexure 21** had not been replied so far (September 2010).

It is recommended that the Government should ensure that: (a) procedure exists for action against the officials who fail to send replies to inspection reports/draft paragraphs/reviews as per the prescribed time schedule; (b) action to recover loss/outstanding advances/overpayment is taken within prescribed period and (c) the system of responding to audit observations is revamped.



(S. Murugiah)

**Principal Accountant General (Audit), Punjab**

**CHANDIGARH**  
The

**Countersigned**



(Vinod Rai)

**Comptroller and Auditor General of India**

**NEW DELHI**  
The

Annexure – 1  
(Referred to in paragraph 1.7)

Statement showing particulars of paid-up capital, loans outstanding and manpower as on 31 March 2010 in respect of Government companies and Statutory corporations

(Figures in column 5 (a) to 6(d) are ₹ in crore)

Sl. No.	Sector & Name of the Company	Name of the Depart ment	Month and year of incorporation	Paid-up Capital*			Total	Loans* outstanding at the close of 2009-10			Debt equity ratio for 2009-10	Man power (No. of employees as on 31.3.2010)	
				State Govern ment	Central Govern ment	Others		State Govern ment	Central Govern ment	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.	Punjab Agro Foodgrains Corporation Limited	Agriculture	8 July 2002	-	-	5.00	5.00	-	-	-	-	-	- (all employees are on deputation)
2.	Punjab Agro Industries Corporation Limited	-do-	11 February 1966	45.46	1.25	2.50	49.21	5.50	-	-	5.50	0.11:1 (0.11:1)	565
3.	Punjab Agro Juices Limited	-do-	1 February 2006	50.00	-	-	50.00	-	-	23.55	23.55	0.47:1 (0.46:1)	95
4.	Punjab Agro Power Corporation Limited	-do-	8 July 2005	-	-	0.05	0.05	-	-	-	-	-	-
5.	Punjab State Forest Development Corporation Limited	Forest	23 May 1983	0.25	-	-	0.25	-	-	10.00	10.00	(40:1)	286
6.	Punjab State Grains Procurement Corporation Limited	Food and Supplies	10 March 2003	1.05	-	-	1.05	-	-	-	-	-	- (all staff is on deputation/ contract)
7.	Punjab State Seeds Corporation Limited	Agriculture	27 March 1976	4.51	-	1.11	5.62	-	-	5.00	5.00	0.89:1 (1.27:1)	92
8.	Punjab Water Resource Management & Development Corporation Limited	Irrigation	26 December 1970	269.57	-	-	269.57	222.26	-	-	222.26	0.82:1 (0.86:1)	2,274
Sector wise Total				370.84	1.25	8.66	380.75	227.76	-	38.55	266.31	0.70:1 (0.70:1)	3,312
Financing													
9.	Punjab State Industrial Development Corporation Limited	Industries	31 January 1966	78.21	-	-	78.21	-	-	545.52	545.52	6.98:1 (7.29:1)	96
10.	Punjab Venture Capital Limited	-do-	4 December 1998	-	-	0.05	0.05	-	-	-	-	-	5
11.	Punjab Venture Investors Trust Limited	-do-	4 December 1998	-	-	0.05	0.05	-	-	-	-	-	-

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorporation	Paid-up Capital*			Loans* outstanding at the close of 2009-10			Debt equity ratio for 2009-10	Man power (No. of employees) (as on 31.3.2010)
				State Government	Central Government	Others	State Government	Central Government	Others		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	6 (a)	6 (b)	6 (c)	(7)	(8)
<b>Sector wise Total</b>				78.21	-	0.10	-	-	545.52	6.97:1 (7.28:1)	101
<b>Infrastructure</b>											
12.	Punjab Police Housing Corporation Limited	Home	30 March 1989	0.05	-	-	-	-	-	- (22.8:1)	159
13.	Punjab Small Industries and Export Corporation Limited	Industries	17 March 1962	49.86	0.15	-	-	-	-	-	541
<b>Sector wise Total</b>				49.91	0.15	-	-	-	-	- (0.02:1)	700
<b>Manufacture</b>											
14.	Consumer Electronics (Punjab) Limited	Industries	12 January 1978	-	-	0.21	-	-	-	-	5
15.	Punjab Communications Limited	-do-	21 July 1981	-	-	12.05	-	-	-	- (0.09:1)	281
16.	Punjab Recorders Limited	-do-	4 January 1977	-	-	0.71	-	-	0.79	1.11:1 (1.11:1)	15
<b>Sector wise Total</b>				-	-	12.97	-	-	0.79	0.06:1 (0.50:1)	301
<b>Power</b>											
17.	Gidderbaha Power Limited	Power	14 August 2008	-	-	0.05	-	-	8.73	174.60:1	Staff is on deputation from PSEB
18.	Punjab Genco Limited	Industries	5 March 1998	22.90	-	-	-	-	0.08	- (0.69:1)	1 (others are on contract)
<b>Sector wise Total</b>				22.90	-	0.05	-	-	8.81	0.38:1 (20.71:1)	1
<b>Service</b>											
19.	Gulmohar Tourist Complex (Holiday Home) Limited	Tourism	9 July 2003	0.02	-	-	-	-	-	-	-

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorporation	Paid-up Capital*				Loans* outstanding at the close of 2009-10				Debt equity ratio for 2009-10	Man power (No. of employees) (as on 31.3.2010)
				State Government	Central Government	Others	Total	State Government	Central Government	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
20.	Neem Chameli Tourist Complex Limited	Tourism	9 July 2003	0.02	-	-	0.02	-	-	-	-	-	-
21	Punjab Information & Communication Technology Corporation Limited	Industries	27 March 1976	19.23	-	-	19.23	-	-	-	-	-	38
22	Punjab Police Security Corporation Limited	Home	18 January 2008	0.05	-	-	0.05	-	-	-	-	-	-
23.	Punjab State Bus Stand Management Company Limited	Transport	7 March 1995	56.15	-	-	56.15	-	-	44.08	44.08	0.79:1 (0.93:1)	-
24.	Punjab State Civil Supplies Corporation Limited	Food and Supplies	14 February 1974	3.73	-	-	3.73	-	-	-	-	-	2,003
25.	Punjab State Container and Warehousing Corporation Limited	Agriculture	26 April 1995	25.00	-	-	25.00	-	-	-	-	-	6
26.	Punjab Tourism Development Corporation Limited	Tourism	26 March 1979	6.66	-	-	6.66	-	-	-	-	-	-
<b>Sector wise Total</b>				<b>110.86</b>	<b>-</b>	<b>-</b>	<b>110.86</b>	<b>-</b>	<b>-</b>	<b>44.08</b>	<b>44.08</b>	<b>0.40:1 (0.47:1)</b>	<b>2,047</b>
<b>Total A (All sector wise working Government Companies)</b>				<b>632.72</b>	<b>1.40</b>	<b>21.78</b>	<b>655.90</b>	<b>227.76</b>	<b>-</b>	<b>637.75</b>	<b>865.51</b>	<b>1.32:1 (2.10:1)</b>	<b>6,462</b>

Sl. No	Sector & Name of the Company	Name of the Department	Month and year of incorporation	Paid-up Capital*			Loans* outstanding at the close of 2009-10			Debt equity ratio for 2009-10 (as on 31.3.2010)	Man power (No. of employees) (as on 31.3.2010)		
(1)	(2)	(3)	(4)	State Government	Central Government	Others	Total	State Government	Central Government	Others	Total	(7)	(8)
B. Working Statutory Corporations													
Agriculture & Allied													
1.	Punjab State Warehousing Corporation	Agriculture	November 1967	4.00	4.00	-	8.00	-	-	33.54	33.54	4.19:1 (5.45:1)	1,385
Sector wise Total				4.00	4.00	-	8.00	-	-	33.54	33.54	4.19:1 (5.45:1)	1,385
Financing													
2.	Punjab Financial Corporation	Industries	February 1953	29.31	-	11.08	40.39	16.54	-	264.62	281.16	6.96:1 (6.77:1)	238
3.	Punjab Scheduled Castes Land Development and Finance Corporation	Social Welfare	January 1971	30.82	26.85	-	57.67	-	-	13.57	13.57	0.24:1 (0.23:1)	239
Sector wise Total				60.13	26.85	11.08	98.06	16.54	-	278.19	294.73	3.01:1 (2.99:1)	477
Power													
4.	Punjab State Electricity Board	Power	May 1967	2,946.11	-	-	2,946.11	1,157.41	165.36	10,178.55	11,501.32	3.90:1 (3.38:1)	64,308
Sector wise Total				2,946.11	-	-	2,946.11	1,157.41	165.36	10,178.55	11,501.32	3.90:1 (3.38:1)	64,308
Service													
5.	PEPSU Road Transport Corporation	Transport	7 January 1956	86.82	24.36	-	111.18	46.29	-	37.69	83.98	0.76:1 (0.72:1)	4,631
Sector wise Total				86.82	24.36	-	111.18	46.29	-	37.69	83.98	0.76:1 (0.72:1)	4,631
Total B (All sector wise working Statutory corporations)				3,097.06	55.21	11.08	3,163.35	1,220.24	165.36	10,527.97	11,913.57	3.77:1 (3.28:1)	70,801
Grand Total (A+B)				3,729.78	56.61	32.86	3819.25	1,448.00	165.36	11,165.72	12,779.08	3.35:1 (3.08:1)	77,263

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorporation	Paid-up Capital*				Loans* outstanding at the close of 2009-10				Debt equity ratio for 2009-10	Man power (No. of employees) (as on 31.3.2010)
				State Government	Central Government	Others	Total	State Government	Central Government	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
<b>C. Non working Government companies</b>													
<b>Agriculture &amp; Allied</b>													
1.	Punjab Land Development and Reclamation Corporation Limited	Agriculture	22 March 1965	1.45	-	-	1.45	3.53	-	0.50	4.03	2.78:1 (2.78:1)	-
2.	Punjab Micro Nutrients Limited	Agriculture	1 February 1983	-	-	0.25	0.25	0.36	-	-	0.36	1.44:1 (1.44:1)	-
3.	Punjab Poultry Development Corporation Limited	Animal Husbandry	15 September 1964	3.09	-	-	3.09	-	-	-	-	-	-
<b>Sector wise Total</b>				<b>4.54</b>	<b>-</b>	<b>0.25</b>	<b>4.79</b>	<b>3.89</b>	<b>-</b>	<b>0.50</b>	<b>4.39</b>	<b>0.92:1 (0.92:1)</b>	
<b>Financing</b>													
4.	Punjab Film and News Corporation Limited	Cultural Affairs	26 June 1973	1.51	-	-	1.51	0.14	-	-	0.14	0.09:1 (0.09:1)	-(On contract basis)
<b>Sector wise Total</b>				<b>1.51</b>	<b>-</b>	<b>-</b>	<b>1.51</b>	<b>0.14</b>	<b>-</b>	<b>-</b>	<b>0.14</b>	<b>0.09:1 (0.09:1)</b>	<b>-(On contract basis)</b>
<b>Manufacturing</b>													
5.	Electronic Systems Punjab Limited	Industries	22 September 1980	-	-	3.00	3.00	-	-	6.09	6.09	2.03:1 (2.03:1)	-
6.	Intermagnetic India Limited	-do-	6 June 1991	-	-	0.21	0.21	-	-	-	-	-	-
7.	Punjab Bio-Medical Equipments Limited	-do-	4 January 1977	-	-	0.43	0.43	-	-	0.41	0.41	0.95:1 (0.95:1)	-
8.	PCL Telecom Limited	-do-	6 April 1993	-	-	0.20	0.20	-	-	-	-	-	-
9.	Punjab Digital Industrial Systems Limited	-do-	4 January 1977	-	-	0.25	0.25	-	-	0.26	0.26	1.04:1 (1.04:1)	-
10.	Punjab Electro Optics Systems Limited	-do-	12 January 1978	-	-	0.12	0.12	-	-	0.87	0.87	7.25:1 (7.25:1)	-
11.	Punjab Footwears Limited	Industries	15 July 1969	-	-	0.15	0.15	-	-	0.04	0.04	0.27:1 (0.27:1)	-

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Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorporation	Paid-up Capital*				Loans* outstanding at the close of 2009-10			Debt equity ratio for 2009-10	Man power (No. of employees) (as on 31.3.2010)
				State Government	Central Government	Others	Total	State Government	Central Government	Others		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	(7)	(8)
12.	Punjab Power Packs Limited	Industries	28 September 1981	-	-	1.55	1.55	0.65	-	7.39	5.19:1 (5.19:1)	-
13.	Punjab Power Products Limited	Industries	13 March 1979	-	-	0.31	0.31	-	-	0.66	2.13:1 (2.13:1)	-
14.	Punjab State Handloom and Textile Development Corporation Limited	Industries	27 March 1976	3.63	-	-	3.63	1.08	1.71	-	0.77:1 (0.77:1)	2
15.	Punjab State Hosiery and Knitwear Development Corporation Limited	Industries	21 February 1977	3.91	-	-	3.91	9.64	-	0.49	2.59:1 (2.59:1)	-
16.	Punjab State Leather Development Corporation Limited	-do-	23 February 1981	3.42	-	-	3.42	-	-	-	-	1
17.	Punjab Tanneries Limited	-do-	29 October 1969	-	-	0.52	0.52	-	-	1.41	2.71:1 (2.71:1)	-
<b>Sector wise Total</b>				<b>10.96</b>	<b>-</b>	<b>6.74</b>	<b>17.70</b>	<b>11.37</b>	<b>1.71</b>	<b>17.62</b>	<b>1.73:1 (1.68:1)</b>	<b>3</b>
Service												
18.	Amritsar Hotel Limited	Tourism	9 July 2003	0.02	-	-	0.02	-	-	-	-	-
19.	Punjab Export Corporation Limited	Industries	17 June 1963	0.09	-	0.01	0.10	0.52	-	-	5.20:1 (5.20:1)	-
<b>Sector wise Total</b>				<b>0.11</b>	<b>-</b>	<b>0.01</b>	<b>0.12</b>	<b>0.52</b>	<b>-</b>	<b>-</b>	<b>4.33:1 (5.20:1)</b>	<b>-</b>



Total C (all sector wise non working Government companies)			17.12	-	7.00	24.12	15.92	1.71	18.12	35.75	1.48:1 (1.41:1)	3
Grand (A+B+C)			3,746.90	56.61	39.86	3,843.37	1,463.92	167.07	11,183.84	12,814.83	3.33:1 (3.07:1)	77,266

Above includes three Section 619-B companies at Sl. No. A-10, I and 17

♣ Paid-up capital includes share application money.

♦ Loans outstanding at the close of 2009-10 represent long-term loans only and do not include interest accrued and due.

**Annexure – 2**

*(Referred to in paragraphs 1.15)*

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

(Figures in column 5(a) to (11) are ₹ in crore)

Sl. No	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit/Loss before Interest & Depreciation 5 (a)	Net Profit/Interest 5 (b)	Net Profit (+)/Loss(-) Depreciation 5 (c)	Net Profit/ Loss 5 (d)	Turnover (6)	Impact of Accounts Comments # (7)	Paid up Capital (8)	Accumulated Profit (+)/Loss(-) (9)	Capital employed (10)	Return on capital employed* (11)	Percentage return on capital employed (12)
<b>(1)</b>	<b>(2)</b>	<b>(3)</b>	<b>(4)</b>	<b>5 (a)</b>	<b>5 (b)</b>	<b>5 (c)</b>	<b>5 (d)</b>	<b>(6)</b>	<b>(7)</b>	<b>(8)</b>	<b>(9)</b>	<b>(10)</b>	<b>(11)</b>	<b>(12)</b>
<b>A. Working Government Companies</b>														
<b>Agriculture &amp; Allied</b>														
1.	Punjab Agro Foodgrains Corporation Limited	2007-08	2009-10	3.46	2.65	0.27	0.54	1,666.74	(+) 227.60	5.00	4.57	1,750.90	3.19	0.18
2.	Punjab Agro Industries Corporation Limited	2008-09	2009-10	2.93	1.04	0.12	1.77	-	(-) 3.98	49.21	(-) 1.42	76.81	2.81	3.66
3.	Punjab Agro Juices Limited	2008-09	2009-10	0.35	2.96	10.56	(-) 13.17	0.29	-	50.00	(-) 16.74	69.50	(-) 10.21	-
4.	Punjab Agro Power Corporation Limited	2008-09	2009-10	D	D	D	D	D	-	0.05	D	0.01	D	-
5.	Punjab State Forest Development Corporation Limited	2009-10	2010-11	2.31	-	0.12	2.19	34.86	Under Audit	0.25	20.79	31.11	2.19	7.04
6.	Punjab State Grains Procurement Corporation Limited	2006-07	2010-11	22.68	108.62	0.02	(-) 85.96	3,023.86	(+) 35.64	1.00	(-) 269.27	529.01	22.66	4.28
7.	Punjab State Seeds Corporation Limited	2007-08	2009-10	4.26	0.11	0.10	4.05	39.71	-	5.62	1.31	18.75	4.16	22.19
8.	Punjab Water Resource Management & Development Corporation Limited	2007-08	2010-11	2.61	-	5.53	(-) 2.92	8.19	(-) 21.00	231.89	(-) 73.06	381.09	(-) 2.92	-
<b>Sector wise Total</b>				<b>38.60</b>	<b>115.38</b>	<b>16.72</b>	<b>(-) 93.50</b>	<b>4,773.65</b>	<b>(-) 216.94</b>	<b>343.02</b>	<b>(-) 333.82</b>	<b>2,857.18</b>	<b>21.88</b>	<b>0.77</b>
<b>Financing</b>														
9.	Punjab State Industrial Development Corporation Limited	2008-09	2010-11	(-) 6.17	42.19	0.23	(-) 48.59	9.26	9.44	78.21	(-) 512.86	139.98	(-) 6.40	-

Sl. No	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/Loss(-)				Turnover	Impact of Accounts Comments <sup>g</sup>	Paid up Capital	Accumulated Profit (+)/Loss(-)	Capital employed <sup>g</sup>	Return on capital employed <sup>h</sup>	Percentage return on capital employed
(1)	(2)	(3)	(4)	Net Profit/Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/Loss	(6)	(7)	(8)	(9)	(10)	(11)	(12)
				5 (a)	5 (b)	5 (c)	5 (d)							
10.	Punjab Venture Capital Limited	2007-08	2010-11	0.07	-	0.01	0.06	0.40	-	0.05	0.32	0.34	0.06	17.65
11.	Punjab Venture Investors Trust Limited	2008-09	2010-11	0.01	-	-	0.01	0.01	-	0.05	0.03	0.07	0.01	14.29
<b>Sector wise Total</b>				(-) 6.09	42.19	0.24	(-) 48.52	9.67	9.44	78.31	(-) 512.51	140.39	(-) 6.33	-
<b>Infrastructure</b>														
12.	Punjab Police Housing Corporation Limited	2009-10	2010-11	B	B	B	B	B	Under Audit	0.05	B	0.05	B	-
13.	Punjab Small Industries and Export Corporation Limited	2007-08	2009-10	11.35	2.42	0.34	8.59	170.01	-	50.01	63.42	125.35	11.01	8.78
<b>Sector wise Total</b>				11.35	2.42	0.34	8.59	170.01	-	50.06	63.42	125.40	11.01	8.78
<b>Manufacturing</b>														
14.	Consumer Electronics (Punjab) Limited	2006-07	2010-11	B	B	B	B	B	Under Audit	0.21	B	0.64	B	-
15.	Punjab Communications Limited	2009-10	2010-11	1.89	0.03	0.87	0.99	110.86	-	12.05	23.39	108.54	1.02	0.94
16.	Punjab Recorders Limited	2003-04	2008-09	(-) 0.85	-	0.07	(-) 0.92	0.04	(-) 6.42	0.71	(-) 5.80	(-) 0.10	(-) 0.92	-
<b>Sector wise Total</b>				1.04	0.03	0.94	0.07	110.90	(-) 6.42	12.97	17.59	109.08	0.10	0.09
<b>Power</b>														
17.	Gidderbaha Power Limited	2009-10	2010-11	D	D	D	D	D	-	0.05	D	8.68	D	-
18.	Punjab Genco Limited	2008-09	2009-10	15.55	1.28	2.97	11.30	18.41	(-) 0.71	22.90	50.11	89.97	12.58	13.98
<b>Sector wise Total</b>				15.55	1.28	2.97	11.30	18.41	(-) 0.71	22.95	50.11	98.65	12.58	12.75
<b>Service</b>														
19.	Gulmohar Tourist Complex (Holiday Home) Limited	2004-05	2008-09	(-) 0.14	-	0.06	(-) 0.20	0.04	-	0.02	(-) 0.60	1.46	(-) 0.20	-
20.	Neem Chameli Tourist Complex Limited	2005-06	2010-11	(-) 0.01	-	-	(-) 0.01	0.01	-	0.02	(-) 0.04	0.02	(-) 0.01	-

Sl. No	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit/Loss before Interest & Depreciation (5(a))	Net Profit/Interest (5(b))	Depreciation (5(c))	Net Profit/Loss (5(d))	Turnover (6)	Impact of Accounts Comments <sup>a</sup> (7)	Paid up Capital (8)	Accumulated Profit (+)/Loss(-) (9)	Capital employed <sup>a</sup> (10)	Return on capital employed* (11)	Percentage return on capital employed (12)
21.	Punjab Information & Communication Technology Corporation Limited	2008-09	2009-10	0.96	-	0.16	0.80	1.67	-	19.23	23.06	52.74	0.80	1.52
22.	Punjab Police Security Corporation Limited	2009-10	2010-11	-	-	-	-	-	-	0.05	-	0.08	-	-
23.	Punjab State Bus Stand Management Company Limited	2007-08	2009-10	32.11	4.90	26.29	0.92	204.99	-	56.15	(-) 3.55	606.99	5.82	0.96
24.	Punjab State Civil Supplies Corporation Limited	2009-10	2010-11	864.22	862.70	0.97	0.55	5,840.18	Under Audit	3.73	(-) 449.88	7,089.84	863.25	12.18
25.	Punjab State Container and Warehousing Corporation Limited	2009-10	2010-11	15.81	0.01	3.14	12.66	16.08	-	25.00	34.88	66.43	12.67	19.07
26.	Punjab Tourism Development Corporation Limited	2006-07	2010-11	27.58	-	0.08	27.50	20.34	Under Audit	6.66	10.70	17.52	27.50	156.96
<b>Sector wise Total</b>				940.53	867.61	30.70	42.22	6,083.31	-	110.86	(-) 385.43	7,835.08	909.83	11.61
<b>Total A (All sector wise working Government companies)</b>				1,000.98	1,028.91	51.91	(-) 79.84	11,165.95	(-) 214.63	618.17	(-) 1,100.64	11,165.78	949.07	8.50
<b>B. Working Statutory corporations</b>														
<b>Agriculture &amp; Allied</b>														
1.	Punjab State Warehousing Corporation	2007-08	2010-11	119.51	198.57	5.52	(-) 84.58	1,959.23	(-) 7.62	8.00	(-) 247.37	1,345.52	113.99	8.47
<b>Sector wise Total</b>				119.51	198.57	5.52	(-) 84.58	1,959.23	(-) 7.62	8.00	(-) 247.37	1,345.52	113.99	8.47
<b>Financing</b>														
2.	Punjab Financial Corporation	2009-10	2010-11	13.13	16.65	0.09	(-) 3.61	11.88	Under audit	40.39	(-) 319.19	324.01	13.04	4.02
3.	Punjab Scheduled Castes Land Development and Finance Corporation	2007-08	2009-10	8.42	0.15	0.03	8.24	15.89	(-) 0.52	50.27	25.46	78.69	8.39	10.66
<b>Sector wise total</b>				21.55	16.80	0.12	4.63	27.77	(-) 0.52	90.66	(-) 293.73	402.70	21.43	5.32

Sl. No	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/Loss(-)			Turnover	Impact of Accounts Comments <sup>#</sup>	Paid up Capital	Accumulated Profit (+)/Loss(-)	Capital employed @	Return on capital employed*	Percentage return on capital employed
				Net Profit/Loss before Interest & Depreciation	Interest	Depr-eciation							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	(5 (d)	(7)	(8)	(9)	(10)	(11)	(12)
<b>Power</b>													
4.	Punjab State Electricity Board	2008-09	2009-10	854.54	1199.50	696.14	(-) 1,041.10	(-) 16.28	2,946.11	(-) 8,411.23	14,229.10	158.40	1.11
<b>Sector wise Total</b>				854.54	1199.50	696.14	(-) 1,041.10	(-) 16.28	2,946.11	(-) 8,411.23	14,229.10	158.40	1.11
<b>Service</b>													
5.	PEPSU Road Transport Corporation	2008-09	2010-11	12.63	9.23	5.39	(-) 1.99	(-) 38.81	111.18	(-) 334.90	(-) 131.97	7.24	-
<b>Sector wise Total</b>				12.63	9.23	5.39	(-) 1.99	(-) 38.81	111.18	(-) 334.90	(-) 131.97	7.24	-
<b>Total B (All sector wise working Statutory corporations)</b>				1,008.23	1,424.10	707.17	(-) 1,123.04	(-) 163.23	3,155.95	(-) 9,287.23	15,845.35	301.06	1.90
<b>Grand Total (A+B)</b>				2,009.21	2,453.01	759.08	(-) 1,202.88	(-) 377.86	3,774.12	(-) 10,387.87	27,011.13	1,250.13	4.63
<b>C. Non working Government companies</b>													
<b>Agriculture &amp; Allied</b>													
1.	Punjab Land Development and Reclamation Corporation Limited	1994-95	2000-01	1.60	0.40	0.13	1.07	(-) 0.48	1.45	0.65	5.56	1.47	26.44
2.	Punjab Micro Nutrients Limited*	1991-92	1994-95	(-) 0.07	0.05	-	(-) 0.12	-	0.25	(-) 0.61	0.13	(-) 0.07	-
3.	Punjab Poultry Development Corporation Limited	2004-05	2007-08	(-) 1.71	-	-	(-) 1.71	-	3.09	(-) 8.03	4.14	(-) 1.71	-
<b>Sector wise Total</b>				(-) 0.18	0.45	0.13	(-) 0.76	(-) 0.48	4.79	(-) 7.99	9.83	(-) 0.31	-
<b>Financing</b>													
4.	Punjab Film and News Corporation Limited	1998-99	2007-08	0.01	-	-	0.01	-	1.51	(-) 2.00	(-) 0.25	0.01	-
<b>Sector wise Total</b>				0.01	-	-	0.01	-	1.51	(-) 2.00	(-) 0.25	0.01	-
<b>Manufacturing</b>													
5.	Electronic Systems Punjab Limited	2007-08	2010-11	0.43	25.07	0.12	(-) 24.76	(-) 3.40	3.00	(-) 188.08	(-) 3.59	0.31	-
6.	Intermagnetic India Limited	2001-02	2009-10	E	E	E	E	-	0.21	E	0.19	E	-

Sl. No	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit/Loss before Interest & Depreciation	Net Profit/Interest	Depre- ciation	Net Profit/ Loss	Turnover	Impact of Accounts Comments <sup>a</sup>	Paid up Capital	Accumulated Profit (+)/Loss(-)	Capital employed <sup>a</sup>	Return on capital employed <sup>a</sup>	Percentage return on capital employed
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
7.	Punjab Bio-Medical Equipments Limited*	1996-97	2001-02	(-)0.03	-	-	(-)0.03	-	-	0.43	(-)1.12	0.19	(-)0.03	-
8.	PCL Telecom Limited*	2004-05	2005-06	-	-	-	-	-	-	0.20	(-)0.59	(-)0.39	-	-
9.	Punjab Digital Industrial Systems Limited*	2006-07	2007-08	(-)0.71	-	-	(-)0.71	-	-	0.25	(-)0.78	(-)1.12	(-)0.71	-
10.	Punjab Electro Optics Systems Limited*	1996-97	1997-98	(-)0.01	-	-	(-)0.01	-	-	0.12	(-)1.28	(-)0.70	(-)0.01	-
11.	Punjab Footwears Limited	1990-91	1995-96	(-)0.05	0.05	-	(-)0.10	0.18	-	0.15	(-)0.83	(-)0.39	(-)0.05	-
12.	Punjab Power Packs Limited*	1997-98	1999-00	(-)1.03	0.09	-	(-)1.12	1.97	-	1.55	(-)5.53	3.63	(-)1.03	-
13.	Punjab Power Products Limited*	1982-83	1983-84	(-)0.06	0.06	-	(-)0.12	Not Available	-	0.26	(-)0.27	1.05	(-)0.06	-
14.	Punjab State Handloom and Textile Development Corporation Limited	2008-09	2010-11	(-)0.12	-	-	(-)0.12	-	(-) 2.17	3.63	(-)8.37	(-)0.86	(-)0.12	-
15.	Punjab State Hosiery and Knitwear Development Corporation Limited	2005-06	2006-07	(-)0.02	-	0.04	(-)0.06	-	-	3.91	(-)16.84	0.88	(-)0.06	-
16.	Punjab State Leather Development Corporation Limited	2001-02	2009-10	(-)0.05	-	-	(-)0.05	-	-	3.42	(-)7.61	0.22	(-)0.05	-
17.	Punjab Tanneries Limited	1991-92	1993-94	(-)0.06	0.84	0.03	(-)0.93	0.08	-	0.52	(-)4.98	0.33	(-)0.09	-
<b>Sector wise Total</b>				(-)1.71	26.11	0.19	(-)28.01	2.33	(-) 5.57	17.65	(-)236.28	(-)0.56	(-)1.90	-

Sl. No	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/Loss(-)			Turnover	Impact of Accounts Comments <sup>#</sup>	Paid up Capital	Accumulated Profit (+)/Loss(-)	Capital employed <sup>@</sup>	Return on capital employed <sup>♦</sup>	Percentage return on capital employed
				Net Profit/Loss before Interest & Depreciation	Interest	Depre- ciation							
(1)	(2)	(3)	(4)	₹ (a)	₹ (b)	₹ (c)	₹ (d)	(7)	(8)	(9)	(10)	(11)	(12)
Service													
18.	Amritsar Hotel Limited	2005-06	2010-11	(-30.40)	-	0.01	(-30.41)	(-0.08)	0.02	(-1.65)	(-1.64)	(-0.41)	-
19.	Punjab Export Corporation Limited*	1977-78	1979-80	(-30.06)	0.03	-	(-30.09)	-	0.10	(-0.27)	0.07	(-0.06)	-
<b>Sector wise Total</b>				<b>(-30.46)</b>	<b>0.03</b>	<b>0.01</b>	<b>(-30.50)</b>	<b>(-0.08)</b>	<b>0.12</b>	<b>(-1.92)</b>	<b>(-1.57)</b>	<b>(-0.47)</b>	<b>-</b>
<b>Total C (all sector wise non working Government companies)</b>				<b>(-32.34)</b>	<b>26.59</b>	<b>0.33</b>	<b>(-29.26)</b>	<b>(-) 6.13</b>	<b>24.07</b>	<b>(-248.19)</b>	<b>7.45</b>	<b>(-2.67)</b>	<b>-</b>
<b>Grand (A+B+C)</b>				<b>2,006.87</b>	<b>2,479.60</b>	<b>759.41</b>	<b>(-) 1,232.14</b>	<b>(-) 383.99</b>	<b>3,798.19</b>	<b>(-) 10,636.06</b>	<b>27,018.58</b>	<b>1,247.46</b>	<b>4.62</b>

<sup>#</sup> 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.

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

<sup>♦</sup> Return on capital employed has been worked out by adding interest to net profit.

B Two companies (Sl. Nos. A-12 and 14) functioning on 'no profit no loss' basis.

D Two Companies (Sl. No. A-4 and A-17) have not started commercial activity.

E One Company (Sl. No. C-6) has not started commercial activity.

\* Eight non-working companies (Serial No. C-2, 7, 8, 9, 10, 12, 13 & 19) are under liquidation.

Annexure – 3

(Referred to in paragraph 1.10)

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 2010

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 <sup>6</sup>		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)
<b>A. Working Government Companies</b>													
Agriculture & Allied													
1.	Punjab Agro Foodgrains Corporation Limited	-	-	-	-	-	-	3,051.58	3,492.15	-	-	-	-
2.	Punjab Agro Juices Limited	-	-	-	100.00	-	100.00	-	-	-	-	-	-
3.	Punjab State Forest Development Corporation Limited	-	-	-	-	-	-	20.00	20.00	-	-	-	-
4.	Punjab State Grains Procurement Corporation Limited	-	-	-	-	-	-	7,083.16	3,068.61	-	-	-	-
5.	Punjab Water Resource Management & Development Corporation Limited	8.00	-	-	63.18	-	63.18	-	-	-	-	-	-
<b>Sector wise Total</b>		<b>8.00</b>	<b>-</b>	<b>-</b>	<b>163.18</b>	<b>-</b>	<b>163.18</b>	<b>10,154.74</b>	<b>6,580.76</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Financing													
6.	Punjab State Industrial Development Corporation Limited	-	-	-	-	-	-	99.97	545.52	-	-	-	-
<b>Sector wise Total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>99.97</b>	<b>545.52</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



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 <sup>6</sup>		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)
<b>Service</b>													
7.	Punjab State Civil Supplies Corporation Limited	-	-	0.04	-	-	0.04	7256.11	6,836.90	-	-	-	-
	<b>Sector wise Total</b>	-	-	0.04	-	-	0.04	7256.11	6,836.90	-	-	-	-
	<b>Total A (All sector wise working Government companies)</b>	8.00	-	0.04	163.18	-	163.22	17,510.82	13,963.18	-	-	-	-
	<b>B. Working Statutory corporations</b>												
<b>Agriculture &amp; Allied</b>													
1.	Punjab State Warehousing Corporation	-	-	-	-	-	-	3,792.56	2,372.27	-	-	-	-
	<b>Sector wise Total</b>	-	-	-	-	-	-	3,792.56	2,372.27	-	-	-	-
<b>Financing</b>													
2.	Punjab Financial Corporation	-	-	-	-	-	-	17.00	196.91	-	-	-	-
3.	Punjab Scheduled Castes Land Development and Finance Corporation	2.50	-	5.00	-	-	5.00	4.35	13.57	-	-	-	-
	<b>Sector wise Total</b>	2.50	-	5.00	-	-	5.00	21.35	210.48	-	-	-	-
<b>Power</b>													
4.	Punjab State Electricity Board	-	-	-	3,144.30	-	3,144.30	3,691.32	9,145.64	-	-	-	-
	<b>Sector wise Total</b>	-	-	-	3,144.30	-	3,144.30	3,691.32	9,145.64	-	-	-	-
	<b>Total B (All sector wise working Statutory corporations)</b>	2.50	-	5.00	3,144.30	-	3,149.30	7,505.23	11,778.39	-	-	-	-
	<b>Grand Total (A+B)</b>	10.50	-	5.04	3,307.48	-	3,312.52	25,016.05	25,691.57	-	-	-	-

@ Figures indicate total guarantees outstanding at the end of the year.

## Annexure – 4

(Referred to in paragraph 1.26)

**Statement showing investment made by State Government in PSUs, whose accounts are in arrears**

(Amount: ₹ in crore)

Sl. No.	Name of PSU	Year upto which accounts finalised	Paid up capital as per latest finalised accounts	Arrear years in which investment received	Investment made by State Government during the year in which accounts are in arrear		
<b>A. Working PSUs</b>					<b>Equity</b>	<b>Loan</b>	<b>Grants/Subsidy</b>
1	Punjab Agro Juices Limited	2008-09	50.00	2009-10	-	-	100.00
2	Punjab Water Resource Management and Development Corporation Limited	2007-08	231.89	2008-09	29.67	-	44.11
				2009-10	8.00	-	63.18
3	Punjab State Electricity Board	2008-09	2,946.11	2009-10	-	-	3,144.30
4	Punjab Scheduled Castes Land Development and Finance Corporation	2007-08	50.27	2008-09	2.50	-	-
				2009-10	2.50	-	-
	<b>Total A</b>		<b>3,278.27</b>		<b>42.67</b>	<b>-</b>	<b>3,351.59</b>
<b>B. Non Working PSU</b>							
5	Punjab Land Development and Reclamation Corporation Limited	1994-95	1.45	1995-96	-	-	4.98
				1996-97	-	-	-
				1997-98 --			
				1998-99	-	-	2.50
				1999-00 2			
				2000-01	-	-	-
				2001-02	-	-	1.30
				2002-03	-	-	5.85
	<b>Total B</b>		<b>1.45</b>		<b>-</b>	<b>-</b>	<b>15.75</b>
	<b>Total A + B</b>		<b>3,279.72</b>		<b>42.67</b>	<b>-</b>	<b>3,367.34</b>

## Annexure – 5

(Referred to in paragraph 1.15)

### Statement showing financial position of Statutory corporations

#### 1. Punjab State Electricity Board

(₹ in crore)

	Particulars	2007-08	2008-09	2009-10 (Provisional)
<b>A</b>	<b>Liabilities</b>			
	Equity capital	2,946.11	2,946.11	2,946.11
	Loans from State Government	2,350.26	2,297.84	1,157.42
	Loans from Central Government	94.05	89.82	165.36
	(a) Other long term loans (including bonds)	6,373.18	7,565.13	10,178.55
	(b) Other loans	7,371.48	9,133.16	9,523.93
	Reserves and reserve funds	1,762.21	1,876.23	2,003.02
	Current liabilities and provisions	3,497.89	3,390.41	4,026.88
	<b>Total A</b>	<b>24,395.18</b>	<b>27,298.70</b>	<b>30,001.27</b>
<b>B</b>	<b>Assets</b>			
	Gross fixed assets	16,420.74	18,431.77	20,438.00
	Less: Depreciation	7,414.33	8,092.42	8,883.06
	Net fixed assets	9,006.41	10,339.35	11,554.94
	Capital works-in-progress	3,784.79	3,264.57	2,931.29
	Deferred cost	4.06	10.83	11.04
	Current assets	3,428.76	3,908.98	3,893.88
	Investments	709.54	1,233.25	1,867.34
	Assets not in use	67.61	106.61	92.71
	Subsidy receivable	12.38	12.38	12.50
	Accumulated losses (Deficit)	7,370.13	8,411.23	9,630.57
	Intangible assets	11.50	11.50	7.00
	<b>Total B</b>	<b>24,395.18</b>	<b>27,298.70</b>	<b>30,001.27</b>
<b>C</b>	<b>Capital employed<sup>1</sup></b>	<b>12,789.68</b>	<b>14,229.10</b>	<b>14,445.94</b>

<sup>1</sup> Capital employed represents net fixed assets including capital work-in-progress and assets not in use plus working capital.

## 2. PEPSU Road Transport Corporation

(₹ in crore)

	Particulars	2007-08	2008-09	2009-10 (Provisional)
<b>A</b>	<b>Liabilities</b>			
	Capital (including capital loan and equity capital)	111.18	111.18	NA
	Borrowings:			
	Government	46.29	46.29	NA
	Others	21.31	31.52	NA
	Funds*	0.02	0.02	NA
	Trade dues and other current liabilities (including provisions)	227.25	228.96	NA
	Grant in aid	0.50	13.95	NA
	<b>Total</b>	<b>406.55</b>	<b>431.92</b>	
<b>B</b>	<b>Assets</b>			
	Gross Block	92.59	108.78	NA
	Less: Depreciation	52.98	58.34	NA
	Net fixed assets	39.61	50.44	NA
	Capital works-in-progress (including cost of chassis)	2.57	2.72	NA
	Investments	0.03	0.03	NA
	Current assets, loans and advances	31.43	43.83	NA
	Accumulated losses	332.91	334.90	NA
	<b>Total</b>	<b>406.55</b>	<b>431.92</b>	
<b>C</b>	<b>Capital employed<sup>@</sup></b>	<b>(-)153.64</b>	<b>(-) 131.97</b>	

\* Excluding Depreciation funds.

@ Capital employed represents net fixed assets including capital work-in- progress plus working capital.

### 3. Punjab Scheduled Castes Land Development and Finance Corporation

(₹ in crore)

	Particulars	2007-08	2008-09 (Provisional)	2009-10 (Provisional)
<b>A</b>	<b>Liabilities</b>			
	Paid-up capital	50.27	55.17	57.67
	Reserves and surplus	27.15	25.92	25.15
	Borrowings:			
	(a) Government	-	-	-
	(b) Others	8.35	12.55	13.57
	Trade dues and current liabilities (including provisions)	11.51	14.11	15.60
	<b>Total A</b>	<b>97.28</b>	<b>107.75</b>	<b>111.99</b>
<b>B</b>	<b>Assets</b>			
	Gross Block	1.07	1.14	1.16
	Less: Depreciation	0.78	0.82	0.86
	Net Fixed Assets	0.29	0.32	0.30
	Capital works-in-progress	-	-	-
	Investments	0.05	0.05	0.05
	Current assets, loans and advances	96.94	107.38	111.64
	<b>Total B</b>	<b>97.28</b>	<b>107.75</b>	<b>111.99</b>
<b>C</b>	<b>Capital employed*</b>	<b>78.69</b>	<b>89.71</b>	<b>95.02</b>

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\* Capital employed represents mean of aggregate of opening and closing balances of paid-up capital, borrowings and reserves and surplus.

**4. Punjab Financial Corporation**

(₹ in crore)

	Particulars	2007-08	2008-09	2009-10
<b>A</b>	<b>Liabilities</b>			
	Paid-up capital	40.39	40.39	40.39
	Share application money	-	-	-
	Reserve fund and other reserves and surplus	10.71	10.71	10.71
	Borrowings			
1	Bonds and Debentures	190.16	189.16	196.91
2	Fixed Deposits	-	-	-
3	Industrial Development Bank of India and Small Industries Development Bank of India	70.32	67.90	67.71
4	Reserve Bank of India	-	-	-
5	Loan in lieu of share capital	-	-	-
(a)	State Government	-	-	-
(b)	Industrial Development Bank of India	-	-	-
6	Others (including State Government)	16.54	16.54	16.54
	Other liabilities and provisions	14.79	17.05	17.89
	<b>Total A</b>	<b>342.91</b>	<b>341.75</b>	<b>350.15</b>
<b>B</b>	<b>Assets</b>			
	Cash and bank balances	16.61	9.74	18.08
	Investments	0.82	0.71	0.72
	Loans and advances	28.43	8.55	6.15
	Net fixed assets	0.73	0.74	0.68
	Other assets	6.70	6.42	5.33
	Accumulated loss (including miscellaneous expenditure)	289.62	315.59	319.19
	<b>Total B</b>	<b>342.91</b>	<b>341.75</b>	<b>350.15</b>
<b>C</b>	<b>Capital employed<sup>+</sup></b>	<b>332.63</b>	<b>321.73</b>	<b>324.01</b>

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

**5. Punjab State Warehousing Corporation****(₹ in crore)**

	<b>Particulars</b>	<b>2007-08</b>	<b>2008-09 (Provisional)</b>	<b>2009-10 (Provisional)</b>
<b>A</b>	<b>Liabilities</b>			
	Paid-up capital	8.00	8.00	8.00
	Reserves and surplus	26.48	26.47	26.47
	Borrowings			
	(a) Government:	-	-	NA
	(b) Others:	1,566.03	2,898.91	NA
	Trade dues and current liabilities (including provisions)	530.29	475.23	NA
	<b>Total A</b>	<b>2,130.80</b>	<b>3,408.61</b>	
<b>B</b>	<b>Assets</b>			
	Gross Block	245.12	257.31	NA
	Less: Depreciation	91.72	97.12	NA
	Net fixed assets	153.40	160.19	NA
	Capital works-in-progress	-	1,562.80	NA
	Investments	-	-	NA
	Current assets, loans and advances	1,722.41	1,288.61	NA
	Accumulated losses	247.37	397.01	NA
	Miscellaneous Expenditure	7.62	-	NA
	<b>Total B</b>	<b>2,130.80</b>	<b>3,408.61</b>	
<b>C</b>	<b>Capital employed<sup>\$</sup></b>	<b>1,345.52</b>	<b>2,536.37</b>	

<sup>\$</sup> Capital employed represents net fixed assets including capital work-in-progress plus working capital.

## Annexure – 6

(Referred to in paragraph 1.15)

### Statement showing working results of Statutory corporations

#### 1 Punjab State Electricity Board

(₹ in crore)

Sl. No.	Particulars	2007-08	2008-09	2009-10 (Provisional)
1.	(a) Revenue receipts	8,234.47	9,313.37	9,047.17
	(b) Subsidy/Subvention from Government	2,848.42	2,601.81	3,144.30
	<b>Total</b>	<b>11,082.89</b>	<b>11,915.18</b>	<b>12,191.47</b>
2.	Revenue expenditure (net of expenses capitalised) including write off of intangible assets but excluding depreciation and interest	11,049.87	10,955.45	11,228.88
3.	Gross surplus(+)/deficit(-) for the year (1-2)	33.02	959.73	962.59
4.	Adjustments relating to previous years	111.12	(-)107.60	(-) 74.74
5.	Final gross surplus(+)/deficit(-) for the year (3+4)	144.14	852.13	887.85
6.	Appropriations			
(a)	Depreciation (less capitalised)	665.15	693.73	796.87
(b)	Interest on Government loans	85.99	-	-
(c)	Interest on others, bonds, advance, etc., finance charges and provision for tax	1,004.37	1,451.03	1,567.72
(d)	Total interest on loans and finance charges (b+c)	1,090.36	1,451.03	1,567.72
(e)	Less: Interest capitalised	221.77	251.53	257.38
(f)	Net interest charged to revenue (d-e)	868.59	1,199.50	1,310.34
(g)	Total appropriations (a+f)	1,533.74	1,893.23	2,107.21
7.	Net surplus(+)/deficit(-) {5-6(g)}	(-)1,389.60	(-) 1,041.10	(-) 1,219.36
8.	Surplus(+)/deficit(-) before accounting for subsidy from State Government {5-6(g)-1(b)}	(-)4,238.02	(-) 3,642.91	(-)4,363.66
9.	Total return on capital employed <sup>\$</sup>	(-)521.01	158.40	90.98
10.	Percentage of return on capital employed	-	1.11	0.63

<sup>\$</sup> Total return on capital employed represents net surplus/ deficit plus total interest charged to profit and loss account (less interest capitalised).



**2 PEPSU Road Transport Corporation****(₹ in crore)**

Sl. No.	Particulars	2007-08	2008-09	2009-10 (Provisional)
	<b>Operating</b>			
(a)	Revenue	221.82	227.31	NA
(b)	Expenditure	225.36	228.76	NA
(c)	Surplus (+)/Deficit(-)	(-)3.54	(-)1.45	NA
	<b>Non operating</b>			
(a)	Revenue	8.99	8.69	NA
(b)	Expenditure	8.13	9.23	NA
(c)	Surplus(+)/Deficit(-)	0.86	(-) 0.54	NA
	<b>Total</b>			
(a)	Revenue	230.81	236.00	NA
(b)	Expenditure	233.49	237.99	NA
(c)	Profit(+)/Loss (-)	(-) 2.68	(-) 1.99	
(d)	Prior period adjustment	(+)0.90	-	
(e)	Net profit (+)/loss(-)	(-)1.78	(-) 1.99	
	Interest on capital and loans	8.13	9.23	
	Total return on capital employed <sup>\$</sup>	(+)6.35	(+) 7.24	

<sup>\$</sup> Total return on Capital employed represents net surplus/ deficit plus total interest charged to profit and loss account (less interest capitalised).

### 3. Punjab Scheduled Castes Land Development and Finance Corporation

(₹ in crore)

Sl. No.	Particulars	2007-08	2008-09 (Provisional)	2009-10 (Provisional)
1.	Income	17.59	6.78	7.69
	<b>Total-1</b>	<b>17.59</b>	<b>6.78</b>	<b>7.69</b>
2.	Expenses			
(a)	Establishment charges	6.21	7.07	7.41
(b)	Other expenses	0.82	1.08	1.05
	<b>Total-2</b>	<b>7.03</b>	<b>8.15</b>	<b>8.46</b>
3.	Profit(+)/Loss(-) (1-2)	10.56	(-)1.37	(-) 0.77
4.	Other appropriations	2.32	-	-
5.	Amount available for dividend	8.24	-	-
6.	Dividend for the year	-	-	-
7.	Total capital employed	78.69	89.71	95.02
8.	Return on capital employed <sup>\$</sup>	8.39	NA	NA
9.	Percentage of return on capital employed	10.66	NA	NA

<sup>\$</sup> Total return on capital employed represents net surplus/deficit plus total interest charged to profit and loss account (less interest capitalised).

## 4 Punjab Financial Corporation

(₹ in crore)

Sl. No.	Particulars	2007-08	2008-09	2009-10
1.	<b>Income</b>			
(a)	Interest on loans	14.26	9.09	11.88
(b)	Other income	2.40	1.62	2.04
	<b>Total-1</b>	<b>16.66</b>	<b>10.71</b>	<b>13.92</b>
2.	<b>Expenses</b>			
(a)	Interest on long-term loans and short-term loans	16.85	16.79	16.65
(b)	Provision for non-performing assets	10.63	8.88	-
(c)	Other expenses	12.32	11.00	11.71
	<b>Total-2</b>	<b>39.80</b>	<b>36.67</b>	<b>28.36</b>
3.	Profit(+)/Loss(-) before tax (1-2)	(-)23.14	(-)25.96	(-)14.44
4.	Prior period adjustments	-	-	10.83
5.	Provision for tax	(-)0.02	(-)0.02	-
6.	Profit(+)/Loss(-) after tax	(-)23.16	(-)25.98	(-)3.61
7.	Other appropriations			
	(i) Reserve for bad and doubtful debts	-	-	-
	(ii) Transfer to statutory reserve	-	-	-
8.	Amount available for dividend	-	-	-
9.	Dividend paid/payable	-	-	-
10.	Total return on capital employed <sup>#</sup>	(-)6.31	(-)9.19	13.04
11.	Percentage of return on capital employed	-	-	4.02

<sup>#</sup> Total return on capital employed represents net surplus/deficit plus total interest charged to profit and loss account (less interest capitalised).

## 5 Punjab State Warehousing Corporation

(₹ in crore)

Sl. No.	Particulars	2007-08	2008-09 (Provisional)	2009-10 (Provisional)
<b>1.</b>	<b>Income</b>			
(a)	Warehousing charges	172.16	137.90	NA
(b)	Other income	20.30	2.50	NA
	<b>Total-1</b>	<b>192.46</b>	<b>140.40</b>	
<b>2.</b>	<b>Expenses</b>			
(a)	Establishment charges	45.82	52.67	NA
(b)	Other expenses	205.52	149.35	NA
	<b>Total-2</b>	<b>251.34</b>	<b>202.02</b>	
3.	Profit(+)/Loss(-) before tax	(-)58.88	(-)61.62	
4.	Provision for tax	(-)1.05	-	
5.	Prior period adjustments	(-)24.65	0.41	
6.	Other appropriations		1.56	
7.	Profit(+)/Loss(-) after tax	(-)84.58	(-)63.59	
8.	Amount available for dividend	-	-	
9.	Dividend for the year	-	-	
10.	Total return on capital employed <sup>#</sup>	113.99	NA	
11.	Percentage of return on capital employed	8.47	NA	

<sup>#</sup> Total return on capital employed represents profit before tax plus interest charged in P&L Account.

**Annexure – 7**  
(Referred to in Paragraph no. 2.6)  
**Tubewell schemes planned and executed during 2004-09**

Sl. No.	Name of scheme	Number of tubewells in the project	Original project cost	Revised project cost	Actual expenditure upto 31 March 2009	Scheduled period of completion	Tubewells actually completed as on 31 March 2009	Irrigation potential (in acres)	Irrigation potential created upto 31 March 2009 (in acres)
1.	100 Deep Tubewells under NABARD	98*	2,139.00	3,270.00	3,045.50	February 2008	95	14,820	10,003
2.	119 Alternate Tubewells (Punjab Nirman Programme)	122†	4,110.00	4,110.00	3,919.06	June 2009	98	14,875	12,023
3.	8 Tubewells in Beet Area of Garh Shankar Block	8	393.00	511.00	504.28	March 2007	7	1,000	593
4.	14 Tubewells in Mahilpur & Garhshankar Block	14	513.31	513.31	501.28	June 2007	14	2,156	1,785
5.	25 Tubewells in Balachaur & Saroya Block (Punjab Nirman Programme)	25	868.30	868.30	803.43	September 2007	20	3,088	2,495
6.	8 Tubewells in Sialba Majri Block (Punjab Nirman Programme)	8	293.00	293.00	244.76	December 2007	1	1,102	93
7.	25 Tubewells in Balachaur & Saroya Block (State Plan)	25	949.00	949.00	287.52	September 2008	nil	3,088	-
8.	7 Tubewells in Garhshankar & Mahilpur Block	7	451.15	451.15	188.06	September 2007	nil	834	-
9.	5 Tubewells under RSVY scheme	5	131.00	131.00	130.49	June 2007	4	741	482
	<b>Total</b>	<b>312</b>	<b>9,847.76</b>	<b>11,096.76</b>	<b>9,624.38</b>		<b>239</b>	<b>41,704</b>	<b>27,474</b>

\* After adjusting two tubewells abandoned during implementation of the schemes.

† After adding three tubewells during implementation of the schemes.

# Annexure – 8

(Referred to in Paragraph no. 2.6.4)

## Statement showing less area irrigated due to less discharge of tubewells

Sl. No.	Name of scheme	No. of tubewells in the project	No. of tubewells with less discharge	Expected discharge (in cusec)	Actual discharge (in cusec)	Area required to be irrigated (in acres)	Actual irrigation potential created (in acres)	Less area irrigated (in acres)	percentage less area irrigated	Expenditure incurred on the project (₹ in lakh)	Proportionate cost of tubewells where discharge was less	Proportionate loss of less utilisation of capital cost (₹ in lakh)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)*
1.	100 deep tubewells under NABARD	98	81	91.50	63.70	11,300.25	7,866.95	3,433.30	30.38	3,270.00	2,648.70	804.74
2.	119 alternate tubewells (PNP)	122	57	64.25	52.85	7,934.88	6,526.98	1,407.90	17.74	4,110.00	1,968.66	349.30
3.	8 tubewells in Beet Area of Garh Shankar Block	8	8	8.00	5.65	988.00	697.78	290.22	29.37	511.00	511.00	150.11
4.	14 tubewells in Mahilpur & Garh shankar Block	14	9	11.25	8.20	1,389.38	1,012.70	376.68	27.11	513.31	329.99	89.46
5.	25 tubewells in Balachaur & Saroya Block (State)	25	6	6.00	5.05	741.00	623.67	117.33	15.83	949.00	227.76	36.06
6.	25 tubewells in Balachaur & Saroya Block (PNP)	25	5	5.00	4.10	617.50	506.35	111.15	18.00	868.30	173.66	31.26
7.	7 tubewells in Garhshankar & Mahilpur Block	7	2	2.00	1.70	247.00	209.95	37.05	15.00	451.15	128.90	19.34
8.	8 tubewells in Sialba Majri Block	8	5	5.00	3.50	617.50	432.25	185.25	30.00	293.00	183.13	54.94
9.	5 tubewells under RSVY	5	1	1.00	0.90	123.50	111.15	12.35	10.00	131.00	26.20	2.62
	<b>Total</b>	<b>312</b>	<b>174</b>	<b>194.00</b>	<b>145.65</b>	<b>23,959.01</b>	<b>17,987.78</b>	<b>5,971.23</b>	<b>24.92</b>	<b>11,096.76</b>	<b>6,198.18</b>	<b>1,537.83</b>

\* = Col.12 \*Col. 9 / Col. 7

**Annexure – 9**

*(Referred to in Paragraph no.2.8)*

**Statement showing lining schemes executed during 2004-09**

Sl. No.	Name of the scheme	Original cost of Project (₹ in crore)	Revised cost of Project (₹ in crore)	Area benefited in hectares as per project	Period of start	Scheduled period of completion	Actual period of completion	Delay in completion	Area actually benefited in hectares	Area benefited during scheduled period (in hectares)	Area benefited (Percentage)	Expenditure incurred during 2004-09/(Total expenditure on the project) (₹ in crore)
<b>Lining schemes completed during 2004-09</b>												
1.	Sirhind feeder I	92.31	-	1,05,540	1998-99	N.A	2005-06	N.A	1,10,884	N.A	105.06	11.68 (106.23)
2.	Bathinda Branch I	144.90	-	1,01,561	1998-99	N.A	2005-06	N.A	1,06,004	N.A	104.37	11.82 (107.72)
3.	Kotla Branch	49.84	78.24	54,564	2004-05	2006-07	2007-08	1 year	56,684	30,913	56.56	79.43
4.	Eastern Branch	46.51	73.26	51,001	2004-05	2006-07	2007-08	1 year	51,001	47,519	93.17	72.88
											<b>Total (A)</b>	<b>175.81</b>
<b>Lining schemes in progress as on 31 March 2009</b>												
5.	UBDC	159.85	358.57	1,84,861	2005-06	2007-08	In progress		22,967	22,967	12.42	35.20
6.	Sirhind Feeder II	407.03	628.75	3,14,496	2008-09	2015-16	In progress		27,963	27,963	8.89	38.02
7.	Bathinda Branch II	238.18	366.10	1,81,707	2008-09	2010-11	In progress		24,650	24,650	13.57	38.25
											<b>Total (B)</b>	<b>111.47</b>
											<b>Total (A+B)</b>	<b>287.28</b>

## Annexure – 10

(Referred in Paragraph 2.9.1)

### Statement showing the financial position of Punjab Water Resources Management and Development Corporation Limited for the five years ending 2008-09

(₹ in crore)

	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09 (Provisional)
<b>A</b>	<b>Liabilities</b>					
a) i)	Paid up capital	125.00	125.00	125.00	125.00	125.00
ii)	Share application money	37.44	57.55	77.15	106.89	136.57
b)	Borrowings	222.26	222.26	222.26	222.26	222.26
c)	Trade dues and current liabilities(including provisions)	83.12	52.81	139.86	181.39	86.18
<b>Total A</b>		<b>467.82</b>	<b>457.62</b>	<b>564.27</b>	<b>635.54</b>	<b>570.01</b>
<b>B</b>	<b>Assets</b>					
a)	Gross block	86.47	84.68	107.80	119.31	127.04
b)	Less: depreciation	4.45	4.42	4.66	5.74	6.49
c)	Net fixed assets	82.02	80.26	103.14	113.57	120.55
d)	Capital work in progress	30.44	43.32	49.00	43.43	51.28
e)	Investments	-	-	-	-	-
f)	Current assets, including loans and advances	291.90	266.06	341.99	405.48	322.09
g)	Miscellaneous expenditure (to the extent not written off or adjusted)	63.46	67.98	70.14	73.06	76.09
<b>Total B</b>		<b>467.82</b>	<b>457.62</b>	<b>564.27</b>	<b>635.54</b>	<b>570.01</b>
<b>C</b>	<b>Capital employed<sup>3</sup></b>	321.24	336.83	354.27	381.09	407.74
<b>D</b>	<b>Net worth<sup>4</sup></b>	98.98	114.57	132.01	158.83	185.48

<sup>3</sup> Capital employed represents net fixed assets (including capital work in progress) plus working capital

<sup>4</sup> Net worth represents paid up capital plus reserves less intangible assets.



# Annexure – 11

(Referred in Paragraph 2.9.1 )

Statement showing working results of Punjab Water Resources Management and Development Corporation Limited for the five years ending 2008-09

(₹ in crore)

	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09 (Provisional)
<b>1.</b>	<b>Income</b>					
a)	Sale of water	3.70	2.58	4.03	5.72	1.59
b)	Subsidy	44.73	32.01	56.28	29.32	37.13
c)	Interest income	0.08	1.00	0.90	1.71	2.16
d)	Other receipts	1.05	0.85	3.02	3.00	2.22
<b>Total</b>		<b>49.56</b>	<b>36.44</b>	<b>64.23</b>	<b>39.75</b>	<b>43.10</b>
<b>2.</b>	<b>Expenditure</b>					
a)	Running and maintenance of tubewells	36.16	23.55	13.15	7.10	7.47
b)	Establishment and office expenses	32.79	31.82	89.63	58.51	64.86
c)	Depreciation	4.45	4.43	4.67	5.74	6.49
d)	Miscellaneous	0.10	0.14	0.07	0.06	0.07
<b>Total</b>		<b>73.50</b>	<b>59.94</b>	<b>107.52</b>	<b>71.41</b>	<b>78.89</b>
<b>3.</b>	Deduct expenditure capitalized and included in work in progress	20.70	18.98	41.12	28.75	32.76
<b>4.</b>	<b>Net expenditure</b>	<b>52.80</b>	<b>40.96</b>	<b>66.40</b>	<b>42.66</b>	<b>46.13</b>
	<b>Net loss (4-1)</b>	<b>3.24</b>	<b>4.52</b>	<b>2.17</b>	<b>2.91</b>	<b>3.03</b>

**Annexure – 12**  
(Referred in Paragraph 3.8)  
**Statement showing power generation during 2005-06 to 2009-10**

Sl. No	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
1.	Installed capacity (MW)					
(a)	Thermal	2,120	2,120	2,120	2,370	2,620
(b)	Hydel (Including Common Pool BBMB Projects)	2,256	2,256	2,258	2,258	2,258
(c)	Central	1,488	1,764	1,918	1,900	1,940
(d)	Other	55	61	63	63	83
	<b>TOTAL</b>	<b>5,919</b>	<b>6,201</b>	<b>6,359</b>	<b>6,591</b>	<b>6,901</b>
2.	Normal maximum demand	7,708	8,917	8,672	8,773	9,786
	Percentage increase/decrease (-) over previous year		15.69	(2.75)	1.16	11.55
3.	Power generated (MU)					
(a)	Thermal	14,835	15,435	16,457	18,066	20,296
(b)	Hydel (including share in Common Pool BBMB projects)	9,808	8,530	9,043	8,785	7,366
(c)	Gas	-	-	-	-	-
(d)	Other	-	-	-	-	-
	<b>TOTAL (a)+(b)+(c)+(d)</b>	<b>24,643</b>	<b>23,965</b>	<b>25,500</b>	<b>26,851</b>	<b>27,662</b>
	Percentage increase/decrease (-) over previous year		(2.75)	6.41	5.30	3.02
4.	LESS: Auxiliary consumption					
(a)	Thermal	1,365	1,376	1,499	1,614	1,720
	(Percentage)	(9.20)	(8.92)	(9.11)	(8.94)	(8.47)
(b)	Hydel	74	52	57	44	40
	(Percentage)	(0.75)	(0.60)	(0.63)	(0.50)	(0.54)
	<b>TOTAL (a)+(b)</b>	<b>1,439</b>	<b>1,428</b>	<b>1,556</b>	<b>1,658</b>	<b>1,760</b>
	(Percentage)	(5.84)	(5.96)	(6.10)	(6.17)	(6.36)
5.	Net power generated (3-4)	23,204	22,537	23,944	25,193	25,902
6.	Total demand (MU)	35,935	38,784	43,015	41,659	46,426
7.	Deficit (MU)	12,731	16,247	19,071	16,466	20,524
<b>8.</b>	<b>Power purchased (MU)</b>					
(a)	Within the State					

	(i) Government	38	191	221	198	249
	(ii) Private	188	1,111	1,264	1,177	2,056
(b)	Other States	2,184	2,209	1,783	1,390	98
(c)	Central Grid	8,037	10,216	13,706	12,085	12,436
	<b>Total power purchased (a)+(b)+(c)</b>	<b>10,447</b>	<b>13,727</b>	<b>16,974</b>	<b>14,850</b>	<b>14,839</b>
9	Total power available for sale (5+8)	33,651	36,264	40,918	40,043	40,741
10.	<b>Power Sold (MU)</b>					
(a)	Within the State	24,471	26,617	30,243	29,810	31,934
(b)	Common Pool Supply and Sale to Other States	993	1,279	1,879	2,817	764
	<b>Total power sold (a)+(b)</b>	<b>25,464</b>	<b>27,896</b>	<b>32,122</b>	<b>32,627</b>	<b>32,698</b>
11.	Transmission and distribution losses (9-10) (Percentage) <sup>1</sup>	8,187 (25.07)	8,368 (23.92)	8,796 (22.53)	7,416 (19.92)	8,043 (20.12)

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1 Transmission and distribution losses ÷ (Total power available for sale – common pool supply and sale to other states) x 100

**Annexure-13**  
(Referred in Paragraph 3.9.1)

**Statement showing installed capacity of Punjab State Electricity Board**

Sl. No	Name of the project	Installed Capacity as on 1 April 2005 (MW)	Addition during 2005-10 (MW)	Installed Capacity as on 31 March 2010 (MW)
1.	Own Thermal Power Stations			
	Guru Nanak Dev Thermal Plant, Stage-I&II, Bathinda	440.00		440.00
	Guru Gobind Singh Super Thermal Plant, Stage-I, II and III, Ropar	1,260.00		1,260.00
	Guru Hargobind Thermal Plant, Stage-I&II, Lehra Mohabbat	420.00	500.00	920.00
	<b>Total Thermal Power Capacity</b>	<b>2,120.00</b>	<b>500.00</b>	<b>2,620.00</b>
2.	Hydel Power Stations			
	Own Hydel Power Stations			
	Shanan Power House, Joginder Nagar	110.00		110.00
	Uppar Bari Doab Canal Hydro Power Station, Stage-I&II, Malikpur	91.35		91.35
	Anandpur Sahib Hydro Electric Project	134.00		134.00
	Mukerian Hydro Electric Project Stage-I&II	207.00		207.00
	Ranjit Sagar Dam, Shahpur Kandi*	452.40		452.40
	Nadampur Micro	0.80		0.80
	Daudhar Micro	1.50		1.50
	Rohti Micro	0.80		0.80
	Thuhi Micro	0.80		0.80
	GGSSTP, Ropar Micro		1.70	1.70
	Total Own Hydel Power Capacity (A)	998.65	1.70	1000.35
	Share from Common Pool BBMB Projects (B)	1326.79	(-) 68.79♣	1258.00
	<b>Total Hydel Power Capacity (A+B)</b>	<b>2325.44</b>	<b>-67.09</b>	<b>2258.35</b>
3	New and renewable source of energy (NRSE) projects			
	PSEB's own Rice Straw Thermal Plant, Jalkheri (A)	10.00		10.00
	Other Private projects (B)	16.25	56.10	72.35
	<b>Total NRSE Capacity (A+B)</b>	<b>26.25</b>	<b>56.10</b>	<b>82.35</b>
4.	<b>Share from Central Sector Projects</b>	<b>1492.00</b>	<b>448.00</b>	<b>1940.00</b>
	<b>Total Installed Capacity (1+2+3+4)</b>	<b>5963.685</b>	<b>937.015</b>	<b>6900.700</b>

\* Out of total installed capacity of 600 MW, the share of the State of Punjab is 452.4 MW.

♣ Due to derating of BBMB Units, the share of the State was decreased by 68.79 MW.

**Annexure-14**  
(Referred in Paragraph 3.13)

**Statement showing sanctioned strength, manpower required as per the CEA norms and actual manpower in respect of thermal power stations and hydel power stations of Punjab State Electricity Board.**

**Thermal Power Stations**

(Number of persons)						
Sl. No.	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
1.	<b>Sanctioned strength</b>					
	GNDTP Bathinda	3,222	3,215	2,943	2,938	2,936
	GGSSSTP Ropar*	3,103	3,106	2,975	2,972	2,971
	GHTP Lehra Mohabbat	810	798	798	1,139	1,139
	<b>Total</b>	<b>7,135</b>	<b>7,119</b>	<b>6,716</b>	<b>7,049</b>	<b>7,046</b>
2.	<b>Manpower as per the CEA norms</b>					
	GNDTP Bathinda	774	774	695	695	695
	GGSSSTP Ropar	2,218	2,218	1,994	1,994	1,994
	GHTP Lehra Mohabbat	739	739	664	1,059	1,454
	<b>Total</b>	<b>3,731</b>	<b>3,731</b>	<b>3,353</b>	<b>3,748</b>	<b>4,143</b>
3.	<b>Actual manpower</b>					
	GNDTP Bathinda	2,751	2,612	2,495	2,390	2,237
	GGSSSTP Ropar	3,585	3,514	3,407	3,286	3,239
	GHTP Lehra Mohabbat	697	671	645	837	813
	<b>Total</b>	<b>7,033</b>	<b>6,797</b>	<b>6,547</b>	<b>6,513</b>	<b>6,289</b>
4.	<b>Excess manpower with reference to CEA norms (4-3)</b>					
	GNDTP Bathinda (Per cent)	1,977 (255.43)	1,838 (237.47)	1,800 (258.99)	1,695 (243.88)	1,542 (221.87)
	GGSSSTP Ropar (Per cent)	1,367 (61.63)	1,296 (58.43)	1,413 (70.86)	1,292 (64.79)	1,245 (62.44)
	GHTP Lehra Mohabbat	Nil	Nil	Nil	Nil	Nil
	<b>Total</b>	<b>3,344</b>	<b>3,134</b>	<b>3,213</b>	<b>2,987</b>	<b>2,787</b>
5.	<b>Expenditure on salaries ( ₹ in crore)</b>					
	GNDTP Bathinda	58.35	66.33	72.40	74.76	80.46
	GGSSSTP Ropar	74.26	90.62	97.53	102.11	119.96
	GHTP Lehra Mohabbat	22.52	25.00	27.91	32.15	41.21
	<b>Total</b>	<b>155.13</b>	<b>181.95</b>	<b>197.84</b>	<b>209.02</b>	<b>241.63</b>
6.	<b>Extra expenditure ( ₹ in crore) (4+3x5)</b>					
	GNDTP Bathinda	41.93	46.67	52.23	53.02	55.46
	GGSSSTP Ropar	28.32	33.42	40.45	40.15	46.11
	GHTP Lehra Mohabbat	Nil	Nil	Nil	Nil	Nil
	<b>Total</b>	<b>70.25</b>	<b>80.09</b>	<b>92.68</b>	<b>93.17</b>	<b>101.57</b>
	<b>G. Total ( ₹ in crore)</b>	<b>437.76</b>				

\* Micro Hydel Project of 1.7 MW at GGSSSTP, Ropar was commissioned in May 2007. Sanctioned strength of GGSSSTP Ropar also included manpower employed at this Micro Hydel Project.

**Hydel Power Stations**

(Number of persons)

Sl. No.	Particulars.	2005-06	2006-07	2007-08	2008-09	2009-10
1.	Sanctioned strength	2,838	2,838	2,811	2,811	2,811
2.	Manpower as per the CEA norms	2,052	2,052	1,846	1,846	1,846
3.	Actual manpower	2,255	2,148	2,072	1,899	1,763
4.	Excess manpower with reference to CEA norms (4-3) <i>(Per cent)</i>	203 (9.89)	96 (4.68)	226 (12.24)	53 (2.87)	Nil
5.	Expenditure on salaries (₹ in crore)	34.50	41.22	45.62	45.89	53.23
6.	Extra expenditure (₹ in crore) (4÷3x5)	3.11	1.84	4.98	1.28	Nil
	<b>Total (₹ in crore)</b>	<b>11.21</b>				

**Annexure-15**  
(Referred in Paragraph 3.14.2 to 3.14.5)

**Statement showing year wise installed capacity, maximum possible generation, actual generation, plant load factor, plant availability factor, capacity utilisation factor, planned and forced outage of thermal power stations of Punjab State Electricity Board.**

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10	Total
<b>Installed Capacity (MW)</b>						
GNDTP Bathinda	440	440	440	440	440	
GGSTP Ropar	1,260	1,260	1,260	1,260	1,260	
GHTP Lehra Mohabbat	420	420	420	670	920	
Total	2,120	2,120	2,120	2,370	2,620	
<b>Maximum possible generation (MU)</b>						
GNDTP Bathinda	3,854	3,854	3,865	3,854	3,854	19,281
GGSTP Ropar	11,038	11,038	11,068	11,038	11,038	55,220
GHTP Lehra Mohabbat	3,679	3,679	3,689	4,681	6,265	21,993
Total	18,571	18,571	18,622	19,573	21,157	96,494
<b>Actual generation (MU)</b>						
GNDTP Bathinda	2,359	2,221	3,008	2,846	2,723	13,157
GGSTP Ropar	9,329	9,771	9,806	9,610	10,057	48,573
GHTP Lehra Mohabbat	3,147	3,443	3,643	5,610	7,516	23,359
Total	14,835	15,435	16,457	18,066	20,296	85,089
<b>Plant Load Factor (Per cent) (Actual generation÷Maximum possible generation)</b>						
GNDTP Bathinda	57.84	56.80	76.69	73.85	70.65	68.24
GGSTP Ropar	84.52	88.52	88.60	87.06	91.11	87.96
GHTP Lehra Mohabbat	85.51	93.58	95.12	94.89	96.44	94.15
Total	79.18	82.94	87.42	86.33	88.96	88.18
<b>Total Available hours</b>						
GNDTP Bathinda	35,040	35,040	35,136	35,040	35,040	1,75,296
GGSTP Ropar	52,560	52,560	52,704	52,560	52,560	2,62,944
GHTP Lehra Mohabbat	17,520	17,520	17,568	21,528	27,864	1,02,000
Total	105,120	105,120	105,408	109,128	115,464	5,40,240
<b>Planned Outages (Hours)</b>						
GNDTP Bathinda (per cent)	8,398 (23.97)	10,424 (29.75)	2,482 (7.06)	2,529 (7.22)	3,906 (11.15)	27,739
GGSTP Ropar (per cent)	3,592 (6.83)	3,062 (5.83)	3,036 (5.76)	2,450 (4.66)	2,908 (5.53)	15,048
GHTP Lehra Mohabbat (per cent)	1,981 (11.31)	699 (3.99)	683 (3.89)	577 (2.68)	693 (2.32)	4,633
Total (per cent)	13,971 (13.29)	14,185 (13.49)	6201 (5.88)	5556 (5.09)	7507 (6.50)	47,420
<b>Forced Outages (Hours)</b>						
GNDTP Bathinda (per cent)	2,683 (7.66)	1,863 (5.32)	1,905 (5.42)	1,274 (3.64)	1,722 (4.91)	9,447

GGSSTP Ropar (per cent)	2,221 (4.23)	2,068 (3.93)	1,372 (2.60)	2,847 (5.42)	1,252 (2.38)	9,760
GHTP Lehra Mohabbat (per cent)	131 (0.75)	294 (1.68)	228 (1.30)	288 (1.34)	445 (1.60)	1,386
Total (per cent)	5035 (4.79)	4225 (4.02)	3505 (3.33)	4409 (4.04)	3419 (2.96)	20,593
<b>Net available hours (Total available hours-Planned Outage-Forced Outage)</b>						
GNDTP Bathinda	23,959	22,753	30,749	31,237	29,412	1,38,110
GGSSTP Ropar	46,747	47,430	48,296	47,263	48,400	2,38,136
GHTP Lehra Mohabbat	15,408	16,527	16,657	20,663	26,726	95,981
Total	86,114	86,710	95,702	99,163	104,538	4,72,227
<b>Plant Availability (Per cent) (Net available hours+Total available hours)</b>						
GNDTP Bathinda	68.37	64.93	87.52	89.14	83.94	78.79
GGSSTP Ropar	88.94	90.24	91.64	89.92	92.09	90.57
GHTP Lehra Mohabbat	87.94	94.33	94.81	95.98	95.92	94.10
Total	81.92	82.49	90.79	90.87	90.54	87.41
<b>Reserve Outage</b>						
GNDTP Bathinda	372	299	204	388	79	1,342
GGSSTP Ropar	1,114	521	204	609	46	2,494
GHTP Lehra Mohabbat	309	173	54	67	51	654
Total	1,795	993	462	1064	176	4,490
<b>Actual Running Hours</b>						
GNDTP Bathinda	23,587	22,454	30,545	30,849	29,333	1,36,768
GGSSTP Ropar	45,633	46,909	48,092	46,654	48,354	2,35,642
GHTP Lehra Mohabbat	15,099	16,354	16,603	20,596	26,675	95,327
Total	84,319	85,717	95,240	98,099	104,362	4,67,737
<b>Capacity Utilisation Factor (Per cent) (Plant Load Factor+Plant Availability Factor)</b>						
GNDTP Bathinda	84.60	87.48	87.63	82.85	84.17	
GGSSTP Ropar	95.03	98.09	96.68	97.42	98.94	
GHTP Lehra Mohabbat	97.24	99.20	100.33	98.86	100.54	

Notes:

1. Actual generation of GNDTP Bathinda for 2005-06, 2006-07 and 2007-08 included 130 MU, 32 MU and 44 MU generated during trial runs.
2. Unit-III and Unit-IV of GHTP Lehra Mohabbat were commercial commissioned on 16 October 2008 and 25 January 2010 respectively. Actual generation of GHTP Lehra Mohabbat for 2007-08, 2008-09 and 2009-10 included 134 MU, 1168 MU and 1474 MU generated in Stage-II (Unit-III&IV) during trial runs.



**Annexure – 16**  
(Referred in Paragraph 3.14.1)

**Statement showing station – wise and year-wise details of energy to be generated as per design, actual generation and plant load factor as per design vis-à-vis actual in Punjab State Electricity Board**

Year	Energy Generation (MU)		Plant Load Factor (per cent)	
	As per design	Actual	As per design	Actual
<b>Shanan Power House</b>				
2005-06	963.60	508.95	100	52.82
2006-07	963.60	495.67	100	51.44
2007-08	966.24	540.42	100	55.93
2008-09	963.60	531.52	100	55.16
2009-10	963.60	510.54	100	52.98
<b>UBDC Malikpur</b>				
2005-06	800.23	530.62	100	66.31
2006-07	800.23	384.60	100	48.06
2007-08	802.42	428.03	100	53.34
2008-09	800.23	338.94	100	42.43
2009-10	800.23	336.69	100	42.07
<b>Ranjit Sagar Dam Project</b>				
2005-06	5,256.00	2,013.19	100	38.30
2006-07	5,256.00	1,679.47	100	31.95
2007-08	5,270.40	1,538.44	100	29.19
2008-09	5,256.00	1,473.76	100	28.04
2009-10	5,256.00	1,068.86	100	20.33
<b>Mukerian Hydel Project</b>				
2005-06	1,813.32	1,238.24	100	68.29
2006-07	1,813.32	1,170.74	100	64.56
2007-08	1,818.29	1,361.88	100	74.90
2008-09	1,813.32	1,131.86	100	62.42
2009-10	1,813.32	885.95	100	48.86
<b>Anandpur Sahib Hydel Project</b>				
2005-06	1,173.84	751.61	100	64.03
2006-07	1,173.84	692.02	100	58.95
2007-08	1,177.06	768.68	100	65.30
2008-09	1,173.84	751.49	100	64.02
2009-10	1,173.84	697.36	100	59.41

### Annexure – 17

(Referred in Paragraph 3.15)

#### Statement showing delay in maintenance of Thermal and Hydel Units in Punjab State Electricity Board

Sl. No.	Station Name	Unit Name/ No.	When due	When done	Delay
1.	GGSSTP, Ropar	Unit-I	January 2005	January 2006	12 Months
			April 2008	January 2009	9 Months
		Unit-II	May 2008	November 2009	18 Months
		Unit-III	April 2006	October 2006	6 Months
		Unit-IV	June 2009	March 2010	9 Months
		Unit-VI	May 2007	February 2008	9 Months
			March 2009	January 2010	10 Months
2.	Anandpur Sahib Hydel Project	Unit-I	April 2009	November 2009	7 Months
		Unit-IV	April 2009	November 2009	7 Months
3.	Mukerian Hydel Project	Unit-I	February 2007	January-February 2010	3 Years
		Unit-III	January 2009	July-August 2009	6 Months
		Unit-IV	January 2009	July-August 2009	6 Months
		Unit-V	March 2009	January 2010	9 Months
		Unit-VIII	April 2006	January 2007	8 Months
		Unit-IX	April 2007	January-February 2010	2 Years 9 Months
		Unit-X	January 2007	January 2010	3 Years
		Unit-XI	April 2006	January 2007	8 Months
4.	Shanan Power House	Unit-II	December 2006	October 2007	10 Months
5.	UBDC Malikpur	Unit-I (Stage-I)	March 2007	August 2008	1 year 4 Months
		Unit-III (Stage-I)	March 2009	December 2009	8 Months
		Unit-I (Stage-II)	March 2007	October-November 2007	6 Months
			November 2008	February 2010	1 year 2 Months
6.	Ranjit Sagar Dam Project	Unit-II	February 2007	November 2007	8 Months
		Unit-III	May 2008	January-February 2009	8 Months
		Unit-IV	May 2007	January-February 2008	7 Months

### Annexure – 18

*(Referred to in paragraph 4.16.1)*

**Statement showing paragraphs/reviews for which explanatory notes were not received as on 30 September 2010**

Sl. No.	Name of the Department	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	Total
1.	Agriculture	-	-	-	1	4	2	6	13
2.	Food and Supplies	-	-	-	-	1	4	-	5
3.	Industries	-	-	-	-	1	2	3	6
4.	Social Welfare	-	-	-	-	-	1	-	1
5.	Power	-	-	7	-	4	6	7	24
6.	Finance <sup>♦</sup>	1	2	3	1	1	2	5	15
7.	Animal Husbandry	-	1	-	-	-	-	-	1
8.	Transport	-	-	-	-	-	-	1	1
	<b>Total</b>	<b>1</b>	<b>3</b>	<b>10</b>	<b>2</b>	<b>11</b>	<b>17</b>	<b>22</b>	<b>66</b>

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<sup>♦</sup> These paragraphs relate to Agriculture, Animal Husbandry, Food & Supplies, Tourism, Industries, Transport and Social Welfare, reply of which is being coordinated by the Finance Department.

## Annexure – 19

(Referred to in paragraph 4.16.3)

**Statement showing persistent irregularities pertaining to Government companies and Statutory corporations appeared in the Reports of CAG of India for the years 2003-04 to 2008-09 (Commercial), Government of Punjab**

### A. Government companies

#### Punjab State Civil Supplies Corporation Limited

Sl. No.	Nature of persistent irregularity	Year of Audit Report/Para No.	Money value (₹ in crore)	Gist of audit observations	Actionable points/Action to be taken	Details of action taken
1.	Loss of interest due to delayed raising of bills.	2003-04 2.1.15	1.31	Delay in raising of sale bills resulted in loss of interest of ₹ 1.31 crore.	The Company was required to recover the interest loss from the officials/ rice millers responsible for delay in raising the bills.	Reply awaited.
		2005-06 4.12	0.28	Delayed raising of sale bills due to failure of the field staff to submit dispatch documents in time resulted in loss of ₹ 0.28 crore.	The Company was required to recover the interest loss from the officials responsible for delay in raising the bills.	Do
		2006-07 2.2.16	1.01	Failure of the field staff to submit dispatch documents in time resulted in delayed submission of bills to FCI for payment with consequent interest loss of ₹ 1.01 crore to the Company.	The Company should have monitored the timely submission of dispatch documents by the field staff as well as raising of sale bills on FCI.	Do
		2008-09 3.10.2	1.65	Delayed raising of sale bills of wheat resulted in loss of ₹ 1.65 crore on account of interest to the Company.	The Company should have monitored the timely submission of dispatch documents by the field staff as well as raising of sale bills on FCI.	Do
2.	Non raising of interest claims	2006-07 2.2.17	0.46	Non raising of interest claims for delay in payment by FCI resulted in non recovery of interest ₹ 0.46 crore.	The Company should have monitored the receipt of recoverable amount from FCI by taking proper follow up action.	Reply awaited
		2008-09 3.10.3	3.03	Delayed receipt of payments from FCI and non raising of interest bills accordingly resulted in loss of interest of ₹ 3.03 crore.	The Company should have monitored the receipt of recoverable amount from FCI by taking proper follow up action	Do
	<b>Total</b>		<b>7.74</b>			

## Punjab Agro Foodgrains Corporation Limited

Sl. No.	Nature of persistent irregularity	Year of Audit Report/Para No.	Money value (₹ in crore)	Gist of audit observations	Actionable points/Action to be taken	Details of action taken
1.	Avoidable payment of transportation charges	2005-06 2.14	0.85	Non-recovery of transportation charges either from FCI or from the millers in respect of paddy transported within eight kilometers resulted in loss of ₹0.85 crore to the Company.	The Company should have recovered the transportation charges either from FCI or from the millers.	Reply awaited.
		2008-09 3.4	0.54	Non recovery of transportation charges from the millers in respect of paddy transported with in 8 kilometers resulted in loss of ₹ 0.54 crore to the Company.	The Company should have recovered this amount from the millers while settling their accounts.	Do
	<b>Total</b>		<b>1.39</b>			

**B. Statutory corporations**  
**Punjab State Electricity Board**

Sl. No.	Nature of persistent irregularity	Year of Audit Report/Para No.	Money value (₹ in crore)	Gist of audit observations	Actionable points/Action to be taken	Details of action taken
1.	Loss due to non clubbing of connections	2003-04 3.11	17.53	Failure of the Board to implement instructions regarding clubbing of more than one connection running in the same premises resulted in loss of revenue of ₹ 17.53 crore due to non levy of surcharge.	Responsibilities for non clubbing of connections were required to be fixed	Reply awaited
		2004-05 3.12	5.19	Non clubbing of connection running in the same premises coupled with delayed action resulted in accumulation of recoverable amount of ₹ 5.19 crore.	Responsibilities for non clubbing of connections were required to be fixed	Do
		2005-06 4.20	0.35	Failure of the Board to club connections resulted in accumulation of recoverable amount of ₹ 0.35 crore.	Responsibilities for non clubbing of connections were required to be fixed.	Do
		2006-07 4.18	0.24	Non application of appropriate tariff due to non clubbing of load resulted in revenue loss of ₹ 0.24 crore.	Responsibilities for non clubbing of connections were required to be fixed.	Do
		2008-09 3.12	3.81	Extending undue favour to a consumer by non clubbing of connections resulted in loss of ₹ 3.81 crore to the board.	The two connections of the consumers should have been clubbed and tariff recovered in accordance with provisions of Electricity Supply Regulations.	Do
	<b>Total</b>		<b>27.12</b>			

**Annexure – 20**  
(Referred to in paragraph 4.16.4 )

**Statement showing Department wise break up of Inspection reports/Paras outstanding as on 30 September 2010**

Sr. No.	Department	No. of PSUs	No. of IRs outstanding	No. of Paras outstanding	Years for which observations outstanding
<b>A</b>	<b>Working PSUs</b>				
1.	Agriculture	6	53	349	1992-93 to 2008-09
2.	Food & Supplies	2	117	625	1986-87 to 2008-09
3	Irrigation	1	5	27	2004-05 to 2007-08
4.	Industries	11	54	203	1985-86 to 2008-09
5.	Forest	1	6	21	2002-03 to 2008-09
6.	Tourism	4	8	14	2002-03 to 2007-08
7.	Home	1	5	11	2004-05 to 2007-08
8.	Transport	2	42	195	1995-96 to 2008-09
9.	Social Welfare	1	3	9	2005-06 to 2008-09
10.	Power	2	517	1,263	2004-05 to 2008-09
	<b>Total A</b>	<b>31</b>	<b>810</b>	<b>2,717</b>	
<b>B</b>	<b>Non Working PSUs</b>				
1.	Agriculture	1	6	10	1996-97 to 2006-07
2.	Industries	7	13	22	1991-92 to 2008-09
3.	Animal Husbandry	1	2	3	2001-02 and 2006-07
	<b>Total B</b>	<b>9</b>	<b>21</b>	<b>35</b>	
	<b>Grand Total (A+B)</b>	<b>40</b>	<b>831</b>	<b>2,752</b>	

**Annexure – 21**  
(Referred to in paragraph 4.16.4)

**Statement showing the department wise draft paragraphs/reviews, replies to which are awaited**

<b>Sl. No.</b>	<b>Name of the Department</b>	<b>No. of Draft paragraphs</b>	<b>No. of Performance reviews</b>	<b>Period/month of issue</b>
1.	Power	6	1	April 2010 to July 2010
2.	Agriculture	2		April 2010 and May 2010
3.	Industries	2		May 2010
4.	Food and Supplies	2		May 2010
5.	Transport	1		May 2010
6.	Irrigation		1	July 2010
	<b>Total</b>	<b>13</b>	<b>2</b>	