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:

(i) Government Companies,

(ii) Statutory Corporations, and

(iii) Departmentally managed Commercial Undertakings.

2. This Report deals with the results of audit of Government Companies and Statutory Corporations and has been prepared for submission to the Government of Andhra Pradesh 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 No. 2 of the Comptroller and Auditor General of India (Civil) – Government of Andhra Pradesh for 2010-11.

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

4. In respect of Andhra Pradesh State Road Transport Corporation which is a Statutory Corporation, CAG is the sole auditor. As per 'The State Financial Corporations (Amendment) Act, 2000', the CAG has the right to conduct the audit of accounts of Andhra Pradesh State Financial Corporation in addition to the audit conducted by the Chartered Accountants appointed by the Corporation out of the panel of auditors approved by the Reserve Bank of India. In respect of Andhra Pradesh State Warehousing Corporation, CAG has the right to conduct the audit of accounts in addition to the audit conducted by the Chartered Accountants appointed by the State Government in consultation with CAG. In respect of Andhra Pradesh 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 2010-11 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 31 March 2011 have also been included, wherever necessary.

6. Audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

OVERVIEW

1. Overview of State Public Sector Undertakings

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 the CAG. These accounts are also subject to supplementary audit conducted by the CAG. Audit of Statutory Corporations is governed by their respective legislations. As on 31 March 2011, the State of Andhra Pradesh had 48 working PSUs (45 companies including six 619B companies and three Statutory Corporations) and 24 non-working PSUs (all companies including six 619B companies), which employed 2.64 lakh employees. The State working PSUs registered a turnover of ₹ 61,476.93 crore for 2010-11 as per the latest finalized accounts. This turnover was equal to 10.83 *per cent* of State GDP indicating an important role played by State PSUs in the economy. The working State PSUs earned a profit of ₹ 238.56 crore in aggregate for the year 2010-11 and had accumulated losses of ₹ 2,711.66 crore.

Investment in PSUs

As on 31 March 2011 the investment (Capital and long term loans) in 72 PSUs was ₹ 50,165.06 crore. It grew by 56.93 *per cent* from ₹ 31,967.13 crore in 2005-06. Power sector accounted for 53.76 *per cent* of total investment in 2010-11. The Government contributed ₹ 9,071.46 crore towards equity, loans and grants/subsidies during 2010-11.

Performance of PSUs

During the year 2010-11, 28 PSUs earned profit of ₹ 922.95 crore and 9 PSUs incurred loss of ₹ 684.39 crore. The major contributors to profit were The Singareni Collieries Company Limited (₹ 351.37 crore), Andhra Pradesh Power Generation Corporation Limited (₹ 313.22 crore), Andhra Pradesh State Financial Corporation (₹ 67.33 crore) and Transmission Corporation of Andhra Pradesh Limited (₹ 61.74 crore). Heavy losses were incurred by Andhra Pradesh State Housing Corporation Limited (₹ 341.13 crore) and Andhra Pradesh State Road Transport Corporation (₹ 317.40 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 ₹ 19,601.37 crore were controllable with better management. Thus, there is scope to improve the functioning and enhance the profits. 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. Out of 46 accounts finalized during October 2010 to September 2011, 28 accounts received qualified certificates. There were 51 instances of non compliance with Accounting Standards. Reports of Statutory Auditors on internal control of the companies indicated several weak areas.

Arrears in accounts and winding up

30 working PSUs had arrears of 70 accounts as of September 2011. The arrears need to be cleared by setting targets for PSUs and outsourcing the work relating to preparation of accounts wherever staff shortage exists. There were 24 non-working companies including six 619B companies. As no purpose is served by keeping these PSUs in existence, they need to be wound up quickly.

(Chapter I)

2. Performance Reviews relating to Government Companies

Performance Reviews relating to ***Power Distribution Companies in Andhra Pradesh, Mining and Sales activities of The Singareni Collieries Company Limited*** and IT Audit relating to ***Implementation of ERP in Transmission Corporation of Andhra Pradesh Limited*** were conducted. Executive summaries of audit findings are given below:

Performance Review of Power Distribution Companies in Andhra Pradesh

The power distribution in Andhra Pradesh is carried out by four Power Distribution companies namely Andhra Pradesh Central Power Distribution Company Limited (APCPDCL), Andhra Pradesh Eastern Power Distribution Company Limited (APEPDCL), Andhra Pradesh Northern Power Distribution Company Limited (APNPDCL) and Andhra Pradesh Southern Power Distribution Company Limited (APSPDCL) which were incorporated on 01 April 2000 under the Companies Act, 1956.

As on 31 March 2011, the State had distribution network of 8.60 lakh Circuit Kilo Meters (CKM) of lines (33/11 KV and LT), 3,871 sub-stations, 5,226 Power transformers (PTR) and 7,92,841 Distribution transformers (DTR) catering to 2.24 crore consumers.

Distribution Network planning

Against the planned additions of 1,649 sub-stations only 1,200 sub-stations were actually added. As against the growth of connected load from 28,157 MW in 2006-07 to 41,872 MW in 2010-11 (48 per cent), the corresponding increase in DTR capacity was from 26,025 MVA to 34,650 MVA (33 per cent). Thus, the increase in distribution capacity could not match the pace of growth in connected load.

Delay in implementation of HVDS works resulted in non-achievement of envisaged benefits amounting to ₹ 147.71 crore.

Implementation of centrally sponsored schemes

Under RGGVY the percentage of achievement, of electrification of BPL houses, against target in the State ranged between 71.09 and 82.72 per cent during 2006-10, which decreased to 49.16 per cent in 2010-11. APEPDCL was lagging behind in achievement with only 32 to 55 per cent of electrification of households during the review period.

The DISCOMs could utilise only 32.74 per cent of RAPDRP funds out of ₹ 326.93 crore received till end of March 2011, due to delay in selection of IT implementing agency. DISCOMs may lose opportunity of conversion of loan into grant by GoI, if RAPDRP projects are not implemented within stipulated time.

In respect of APCPDCL the AT&C losses were beyond 15 per cent and ranged between 17.26 and 18.34 per cent during 2006-11.

Operational efficiency

Due to Sub transmission and distribution losses in excess of APERC norms, APCPDCL suffered a loss of revenue to the tune of ₹ 1,633.96 crore.

Wide gap between transformation capacity and connected load led to overloading of distribution system, excess failure of DTRs and higher quantum of energy losses.

Financial position

Subsidy towards purchase of high cost power alarmingly increased from ₹ 617 crore in 2006-07 to ₹ 6,542 crore in 2008-09, which stood at ₹ 1,619 crore in 2010-11, in respect of all the DISCOMs.

As against total subsidy claim of ₹ 10,415.87 crore during 2006-11 by APCPDCL and APEPDCL, GoAP released only ₹ 5,356.13 crore, resulting in dependence on more borrowings.

The Loan funds and Current liabilities of APCPDCL and APEPDCL increased from ₹ 4,006.21 crore and ₹ 1,603.96 crore in 2006-07 to ₹ 11,073.99 crore and ₹ 4,827.58 crore in 2010-11, respectively.

Billing and Revenue collection efficiency

APERC disallowed 7,530.51 MU of free power to agriculture consumers, consequent to which APCPDCL and APEPDCL could not claim subsidy amounting to ₹ 2,519.94 crore from GoAP.

The outstanding dues of APCPDCL and APEPDCL were ₹ 1,633.50 crore at the end of March 2011, out of which ₹ 466.26 crore was outstanding for more than three years; ₹ 444.15 crore was involved in court cases and ₹ 465.52 crore was due from Government departments and local bodies.

Energy Audit

Out of 7,464 Nos. 11 KV feeders existing in APCPDCL and APEPDCL, energy audit was conducted only on 2,571 feeders. Energy audit was not conducted on the rural feeders. Consumer mapping was also not done in the above case.

Monitoring by Top Management

The monitoring system is inadequate as the follow up action was not effective due to which increase in arrears, excess failure of DTRs, high distribution losses, shortage of transformer oil etc., continued to occur.

(Chapter 2.1)

Performance Review of Mining and Sales Activities of The Singareni Collieries Company Limited

The Singareni Collieries Company Limited (SCCL/Company) was incorporated in December 1920 with the main objective of development of mines for extraction of coal. Jointly owned by GoI and GoAP, the Company had (31 March 2011) 9,481 million tonnes of proven coal reserves, which were 10.31 per cent of the country's reserves. As on 31 March 2011 the Company has 50 operative mines (16 Open Cast and 34 Under Ground mines). About 63 to 65 per cent of the coal produced in these coalfields is of thermal power grade, ranging from E to G, which is mainly supplied to power sector units.

Project Planning and Execution

During the year 2006-11, 21 projects were completed out of which 11 projects were completed with time over run of one to five years resulting in cost over-run of ₹ 39.75 crore and loss of production of 7.34 million tonnes of coal valued ₹ 858.20 crore. Six projects scheduled to be completed during 2006-11 and one project scheduled to be completed in 2011-12 were lagging behind, due to delay in land acquisition and procurement of equipment, which resulted in cost overrun of ₹ 64.46 crore besides shortfall in coal production of 93.78 lakh tonnes valued ₹ 1,247.43 crore.

Production of Coal

Though the overall production achieved by UG & OC mines put together had exceeded the targets, the UG mines could not achieve the targets and incurred a loss of ₹ 3,483.39 crore during 2006-11. Non re-deployment of surplus manpower to needy areas resulted in payment of ₹ 438.92 crore on account of wages to surplus staff. Output per Manshift (OMS) ranged between 1.91 and 3.59 tonnes, as compared to OMS of Coal India Limited, that ranged between 3.54 and 4.73 tonnes during 2006-11.

Mining Activity

The average stripping ratio of the Company was high at 5.45 as against 1.87 of CIL. Defective clauses in the agreement for removal of overburden resulted in excess payment of ₹ 21.52 crore.

Under utilization of machines in UG mines resulted in loss of production of 78.86 lakh tonnes of coal valued ₹ 1,092.61 crore.

Utilization of HEMM ranged between 20 to 55 per cent as against the norm of 40 to 73 per cent during 2006-11. HEMM consumed HSD oil valued ₹ 24.46 crore over and above the norm.

Sales

There was no coal pricing policy. Non-revision of coal prices (F & G grades) resulted in loss of revenue of ₹ 3,411.96 crore during 2007-11. Non collection of Additional price from APGENCO for supply of coal over and above the linked quantity resulted in loss of revenue of ₹ 432.54 crore.

Internal Control and Monitoring

Technical audit was not conducted and strategic plan covering the risk assessment for audit for three years was not prepared. Internal Audit activity was limited to routine pre-audit checks of various claims but did not cover important issues viz., OB contracts, land acquisition, manpower deployment, FSAs, etc.

Safety Management

The number of accidents recorded had decreased during past five years, but there was a loss of 2.36 lakh man days due to accidents during 2006-10.

Environment Management

Notwithstanding the fact that the Company had been conferred awards during 2006-11 in recognition of their commitment towards the environment, effective action needs to be taken to establish Effluent Treatment Plants at all Coal Handling Plants/ Area Workshops/ Base Workshops; Sewage Treatment Plants in all the colonies; and ensure better survival in all plantations.

(Chapter 2.2)

IT Audit on Implementation of ERP in Transmission Corporation of Andhra Pradesh Limited

Transmission Corporation of Andhra Pradesh Limited (Company) is engaged in transmission of electricity and Grid operations.

The Company decided (April 2003) to implement an Enterprise Resource Planning (ERP) with four modules viz., Finance and Controlling, Materials Management, Projects Management and Maintenance Management to provide management accurate, timely and reliable information for better decision making.

An IT Audit of the system revealed that

- There was no IT strategy and IT policy.
- Objectives of the system were partially achieved.
- Major business activities such as calculation of price variation, generation of bills for its consumers, loan administration and pension accounting were not included in the ERP.
- No documentation available defining roles for allocation of user ID based on job description.
- System exposed to greater risks by allowing the access to data from backend.
- Security of the system stands compromised by allowing the access to ERP application servers through LAN and existence of open ports on the computers connected to both ERP and LAN networks.
- Continuance of manual processing even after four years of ERP commissioning.
- Intended MIS reports are not generated.
- Migration of data from partially completed HR module into Payroll module resulted in serious errors in maintenance of service particulars of employees.
- Post Implementation Review of the system was not conducted for evaluating the System Effectiveness.

(Chapter 2.3)

3. 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 ₹458.23 crore in 12 cases due to non compliance with rules, directives, procedures, terms and conditions of contracts.

(Paragraphs 3.3 to 3.10, 3.12, 3.13, 3.18 and 3.20)

Loss of ₹ 94.24 crore in three cases due to non-safeguarding the financial interests of organisation.

(Paragraphs 3.14, 3.15 and 3.21)

Loss of ₹6.06 crore in three cases due to defective/deficient planning.

(Paragraphs 3.1, 3.16 and 3.17)

Loss of ₹5.37 crore in two cases due to inadequate/deficient monitoring.

(Paragraphs 3.2 and 3.19)

Unfruitful expenditure of ₹ 72.45 crore in one case due to non-achievement/ partial achievement of objectives.

(Paragraph 3.11)

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

Inclusion of contradictory clause in the MOU by **Andhra Pradesh Industrial Infrastructure Corporation Limited** and consequent reassignment of development rights to other parties by the SPV, formed for development of villas/ residential accommodation, without in-principle approval of the Company, failure of the VC&MD of the Company to monitor and report the same and sale of plots below market rate by the third party Developer resulted in loss of revenue of ₹ 126.90 crore. In another SPV relating to development of golf course also the Company had suffered a loss of revenue of ₹ 3.67 crore with an expected loss of ₹ 109.37 crore for the balance period of lease.

(Paragraph 3.3)

Andhra Pradesh Industrial Infrastructure Corporation Limited extended undue benefit at every stage of project implementation to the consortium of Reliance Energy Limited formed for development of Trade Towers and Business District, leading to forgoing revenue of ₹ 126.22 crore towards Development Premium, loss of ₹ 33.29 crore towards interest in debentures, deferment of payment of ₹ 230.27 crore towards land cost and non-forfeiture of Performance Security amounting to ₹ 32.90 crore, besides the project has not yet taken off.

(Paragraph 3.4)

Hyderabad Growth Corridor Limited, made irregular payment of ₹ 9.11 crore towards price adjustment, without ensuring the genuineness of claims preferred by the contractors in the Outer Ring Road and its ancillary projects.

(Paragraph 3.12)

Northern Power Distribution Company of Andhra Pradesh Limited procured Distribution Transformers, which failed within guarantee period and failure of the Company to get them repaired at the risk and cost of the suppliers led to unfruitful expenditure of ₹ 11.11 crore.

(Paragraph 3.13)

Southern Power Distribution Company of Andhra Pradesh Limited failed to include appropriate price variation clause in the bid for HVDS works, to take care of both positive and negative price variation of the cost of DTRs, which led to avoidable expenditure of ₹ 33.08 crore.

(Paragraph 3.14)

Andhra Pradesh State Road Transport Corporation incurred extra expenditure of ₹ 9.72 crore on procurement of Pre-cured Tread Rubber due to (i) non-enforcement of risk purchase clause; and (ii) change in evaluation method.

(Paragraph 3.18)

(Chapter 3)

Chapter I

1. Overview of State Public Sector Undertakings

Introduction

1.1 The State Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations. The State PSUs are established to carry out activities of commercial nature while keeping in view the welfare of people. In Andhra Pradesh, the State PSUs occupy an important place in the State economy. The working State PSUs registered a turnover of ₹ 61,476.93 crore for 2010-11 as per their latest finalised accounts as of September 2011. This turnover was equal to 10.83 *per cent* of State Gross Domestic Product (GDP) for 2010-11. Major activities of Andhra Pradesh State PSUs are concentrated in Power sector. The working State PSUs including working Statutory corporations earned a profit of ₹ 238.56 crore in the aggregate for 2010-11 as per their latest finalised accounts. They had employed 2.64 lakh employees as of 31 March 2011. The State PSUs do not include nine Departmental Undertakings (DUs), which carry out commercial operations but are a part of Government Departments. Audit findings of these DUs are incorporated in the Civil Audit Report for the State.

1.2 As on 31 March 2011, there were 72 PSUs as per the details given below. Of these, no Company was listed on the stock exchanges.

Type of PSUs	Working PSUs	Non-working PSUs[ʏ]	Total
Government Companies	45[≈]	24[∇]	69
Statutory Corporations	3	-	3
Total	**48**	**24**	**72**

1.3 During the year 2010-11, four PSUs namely Andhra Pradesh State Christian Minorities Finance Corporation Limited, Andhra Pradesh Gas Infrastructure Corporation Private Limited (619-B), Andhra Pradesh Gas Distribution Corporation Limited (619-B) and Krishnapatnam International Leather Complex Private Limited (619-B) were entrusted for audit.

Audit Mandate

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

[ʏ] Non- working PSUs are those which have ceased to carry on their operations.
[≈] Includes six 619-B working companies (Sl No: 6, 14, 15, 21, 28 and 38 of Part A of Annexure-1).
[∇] Includes six 619-B non- working companies (Sl No: 17 to 22 of Part-C of Annexure-1).

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

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

Investment in State PSUs

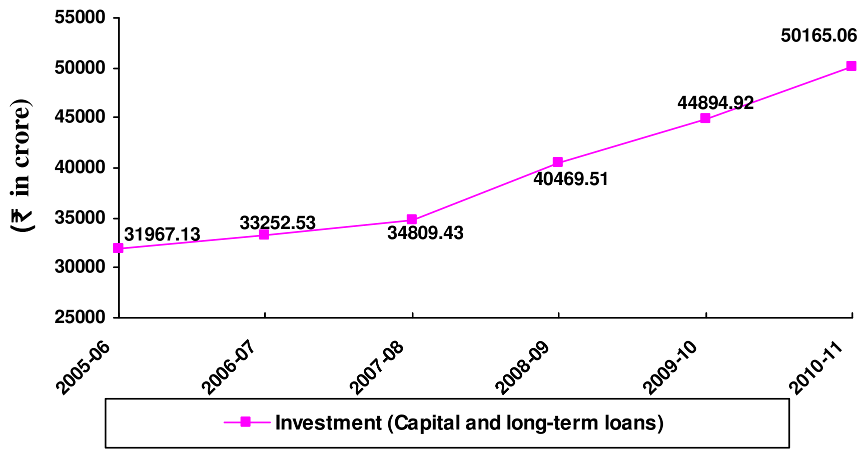
1.7 As on 31 March 2011, the investment (capital and long-term loans) in 72 PSUs (including 619-B companies) was ₹ 50,165.06 crore as per details given below:

(₹ in crore)

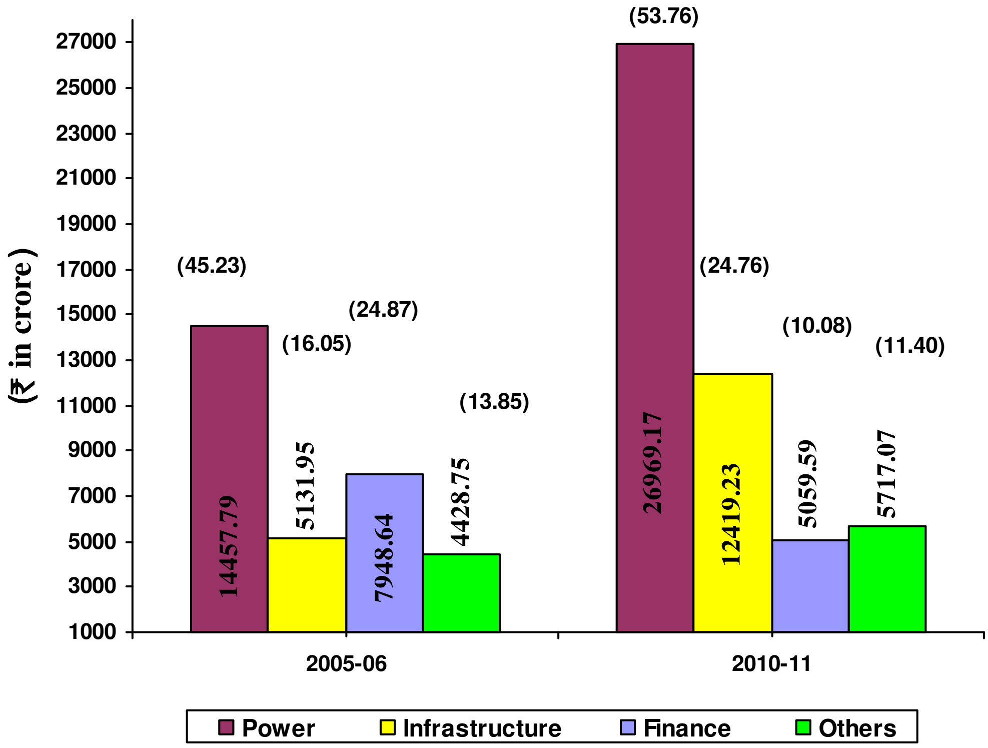
Particulars	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	7385.50	37680.37	45065.87	414.89	4415.32	4830.21	**49896.08**
Non-working PSUs	81.97	187.01	268.98	--	--	--	**268.98**
Total	**7467.47**	**37867.38**	**45334.85**	**414.89**	**4415.32**	**4830.21**	**50165.06**

A summarized position of Government investment in State PSUs is detailed in **Annexure-1.**

1.8 As on 31 March 2011, of the total investment in State PSUs, 99.46 *per cent* was in working PSUs and the remaining 0.54 *per cent* in non-working PSUs. This total investment consisted of 15.71 *per cent* towards capital and 84.29 *per cent* in long-term loans. The investment has grown by 56.93 *per cent* from ₹ 31,967.13 crore in 2005-06 to ₹ 50,165.06 crore in 2010-11 as shown below.



1.9 The investment (amount ₹ in crore) in various important sectors and percentage thereof at the end of 31 March 2006 and 31 March 2011 are indicated below in the bar chart. The thrust of PSUs investment was mainly on Power sector during the five years. The investment in Power sector has seen increase in percentage share from 45.23 in 2005-06 to 53.76 in 2010-11.



(Figures in brackets show the percentage of total investment)

During the period from 2005-06 to 2010-11, the investment in Infrastructure sector had become more than twice with an increase of 142 *per cent* (₹ 7,287.28 crore*)* due to increase in investment in housing activity of Andhra Pradesh State Housing Corporation Limited (₹ 5,921.21 crore) and development of roads by Hyderabad Growth Corridor Limited (₹ 1,428.20 crore). The investment in Power sector had increased by 86.54 *per cent* (₹ 12,511.37 crore) due to development of infrastructure in Power sector. However, during the same period the investment in Finance sector had decreased by 36.35 *per cent* (₹ 2,889.05 crore) on account of decrease in business of lending of loans and advances to business entities in the state.

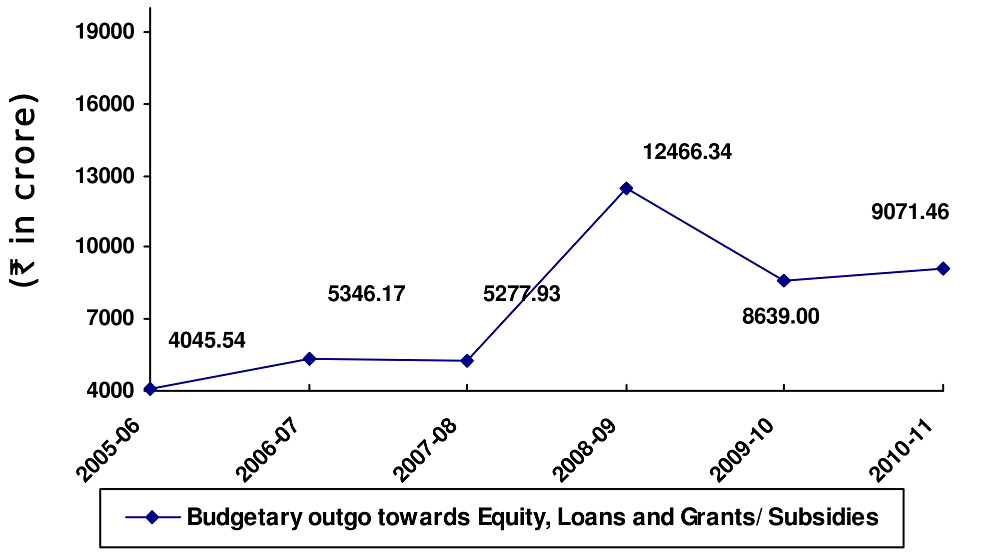
Budgetary outgo, grants/subsidies, guarantees and loans

1.10 The details regarding budgetary outgo towards equity, loans, grants/ subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of State PSUs are given in **Annexure-3**. The summarised details are given below for three years ended 2010-11.

(₹ in crore)

Sl. No.	Particulars	2008-09		2009-10		2010-11	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget≈	02	5.06	2	2.02	4	27.06
2.	Loans given from budget	02	2732.21	3	648.94	5	1783.47
3.	Grants/Subsidy received	16	9729.07	20	7988.04	16	7260.93
4.	**Total Outgo**	**18***	**12466.34**	**24***	**8639.00**	**21***	**9071.46**
5.	Interest/Penal interest written off	01	36.18	01	36.18	--	--
6.	Guarantees issued	05	511.78	4	229.65	5	2638.05
7.	Guarantee Commitment	15	15300.88	14	13770.31	14	14275.46

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



The main beneficiaries of subsidy and grants out of budget were Power and Service sectors which received 42.84 *per cent* (₹ 3,554.52 crore) and 29.20 *per cent* (₹ 2,423.25 crore) of total amount of subsidy and grants (₹ 8,297.53 crore) respectively, while the majority of loans given out of budget was to Infrastructure and Power sectors which received 68.65 *per cent* (₹ 1,224.32 crore) and 31.21 *per cent* (₹ 556.55 crore) of total amount of loans (₹ 1,783.47 crore) respectively.

1.12 The Government charges guarantee commission at the concessional rate of half *per cent* to two *per cent* for term loans granted by the Financial

≈ Amount represents outgo from State budget only.

* The figure represents number of PSUs which have received outgo from budget under one or more heads i.e., equity, loans and grants/subsidies.

Institutions and Banks to various PSUs. The guarantee commission is payable as and when loans are guaranteed. The amount of Guarantees outstanding decreased from ₹ 19,480.80 crore in 2005-06 to ₹ 14,275.46 crore in 2010-11 showing a decrease of 26.72 *per cent*. The guarantees mainly comprise amounts guaranteed for Power sector companies including Andhra Pradesh Power Finance Corporation Limited to develop power projects and infrastructure in Power sector, Andhra Pradesh State Housing Corporation Limited to implement housing activity under various schemes and Andhra Pradesh State Finance Corporation to provide financial assistance to small and medium scale industries. During the Year 2010-11, the State Government received ₹ 0.12 crore* towards guarantee commission and ₹ 2.76 crore was due to be received.

Reconciliation with Finance Accounts

1.13 The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2011 is stated below:

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	3361.63	6302.69	2941.06
Loans	10370.35	11409.01	1038.66
Guarantees	9723.70	14275.46	4551.76

1.14 Audit observed that the amount as per the records of PSUs was more than that of Finance Accounts in respect of equity, loans and guarantees. The differences occurred in respect of 64 PSUs and some of the differences were pending reconciliation since long period. We observed that:

- The difference of ₹ 2,941.06 crore in equity is mainly due to the reason that eight† PSUs of Power sector accounted equity as ₹ 4,339.39 crore as against Finance Accounts figure of ₹ 1,574.65 crore.
- The difference of ₹ 1,038.66 crore in loans is mainly due to the reason that Andhra Pradesh State Housing Corporation Limited accounted loans as ₹ 9,469.71 crore as against Finance Accounts figure of ₹ 7,602.47 crore, Andhra Pradesh Industrial Infrastructure Corporation Limited accounted loans as ₹ 0.70 crore as against Finance Accounts figure of ₹ 105.45 crore, and Andhra Pradesh Urban Finance and Infrastructure Development Corporation Limited has not accounted any loans as against Finance Account figure of ₹ 210.65 crore
- The major difference in respect of guarantees was noticed in case of Andhra Pradesh Power Finance Corporation Limited (₹ 4,846.33 crore). This is due to non-accountal of guarantees in the Finance Accounts.

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* Andhra Pradesh Industrial Development Corporation Limited.

† Andhra Pradesh Power Generation Corporation Limited, Central Power Distribution Company of Andhra Pradesh Limited, Eastern Power Distribution Company of Andhra Pradesh Limited, Northern Power Distribution Company of Andhra Pradesh Limited, New & Renewable Energy Development Corporation of Andhra Pradesh Limited, Southern Power Distribution Company of Andhra Pradesh Limited, Transmission Corporation of Andhra Pradesh Limited and Andhra Pradesh Power Development Company Limited (619-B)

The matter was taken up from time to time with the Finance Department of Government of Andhra Pradesh regarding the difference in figures relating to equity, loans and guarantees as per Finance Accounts and as per records of PSUs. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

Performance of PSUs

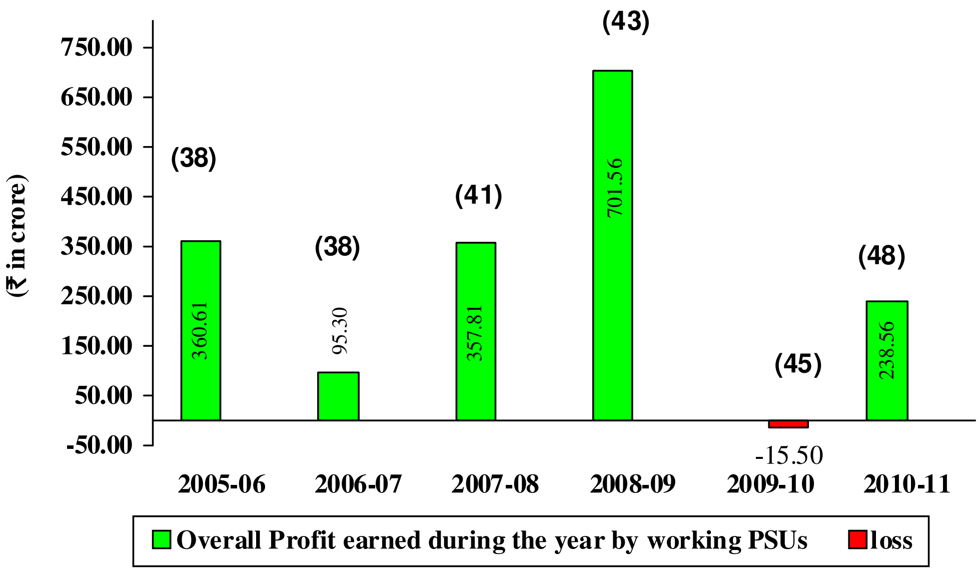
1.15 The financial results of PSUs, financial position and working results of working Statutory corporations are detailed in **Annexure-2, 5 and 6** respectively. A ratio of PSUs turnover to State GDP shows the extent of PSUs activities in the State economy. The table below provides the details of working PSUs turnover and State GDP for the period 2005-06 to 2010-11.

(₹ in crore)

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Turnover™	29019	31797	36923	44180	52822	61477
State GDP	255941	301035	364813	415832‡	475267§	567636**
Percentage of Turnover to State GDP	11.34	10.56	10.12	10.62	11.11	10.83

The GDP and turnover of PSUs is in increasing trend during the period 2006-07 to 2010-11. But the share of PSUs turnover in State GDP has fallen down as compared to the previous year.

1.16 Profit earned/ Loss incurred® by State working PSUs during 2005-06 to 2010-11 are given below:



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

It can be seen from the above chart that the profit earned by the working PSUs was showing the fluctuating trend. The profit earned in 2005-06 had decreased

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™ Turnover of working PSUs as per finalized accounts.

‡ Provisional.

§ Quick.

** Upgraded Advanced Estimates.

® Figures are as per the latest finalised accounts during the respective years and arrived before the below line adjustments.

by 73.57 *per cent* in 2006-07 when compared with profit earned in 2005-06. However, the profit had increased during 2007-08 by 275.46 *per cent* and further increased by 96.07 *per cent* in 2008-09 when compared with profit earned in the previous year. However, again it had decreased by 102.21 *per cent* in 2009-10 as compared to profit earned in 2008-09. However, the loss of ₹ 15.50 crore in 2009-10 turned into profit of ₹ 238.56 crore in 2010-11. According to the latest finalised accounts (**Annexure-2**), 28 PSUs earned profit of ₹ 922.95 crore and 9 PSUs incurred loss of ₹ 684.39 crore, four working PSUs[♣] prepared their accounts on a 'no profit no loss' basis and five PSUs[≈®] have not finalised their first accounts since incorporation and two PSUs[ᴿ] prepared Capital accounts out of total 48 working PSUs. The major contributors to profit were The Singareni Collieries Company Limited (₹ 351.37 crore), Andhra Pradesh Power Generation Corporation Limited (₹ 313.22 crore), Andhra Pradesh State Financial Corporation (₹ 67.33 crore) and Transmission Corporation of Andhra Pradesh Limited (₹ 61.74 crore). Heavy losses were incurred by Andhra Pradesh State Housing Corporation Limited (₹ 341.13 crore) and Andhra Pradesh State Road Transport Corporation (₹ 317.40 crore).

1.17 The losses of PSUs are mainly attributable to deficiencies in financial management, planning, implementation of projects, running their operations and monitoring. A review of the last three Audit Reports of CAG shows that the State PSUs incurred losses to the tune of ₹ 19,603.77 crore and infructuous investment of ₹ 208.35 crore which were controllable with better management. Year-wise details from Audit Reports are stated below:

(₹ in crore)

Particulars	2008-09	2009-10	2010-11	Total
Net Profit (loss)	701.56	(15.50)	238.56	924.62
Controllable losses as per CAG's Audit Report	574.96	4371.56	14654.85	19601.37
Infructuous Investment	4.20	179.83	24.32	208.35

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

[♣] Andhra Pradesh Power Finance Corporation Limited, Andhra Pradesh State Police Housing Corporation Limited, Andhra Pradesh Rajiv Swagruha Corporation Limited and New and Renewable Energy Development Corporation of Andhra Pradesh Limited.

[≈®] Indira Gandhi Centre for Advanced Research on Live Stock Private Limited, Andhra Pradesh State Christian Minorities Finance Corporation Limited , Andhra Pradesh Gas Distribution Corporation Limited , Krishnapatnam International Leather Complex Private Limited and Vizag Apparel Park for Exports.

[ᴿ] Andhra Pradesh Gas Infrastructure Corporation Private Limited and Andhra Pradesh Power Development Company Limited.

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

(₹ in crore)

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Return on Capital Employed (*per cent*)	1433.56 (5.32)	1447.82 (5.33)	2046.27 (6.18)	2999.08 (6.96)	3104.04 (5.28)	4260.35 (6.47)
Debt	24889.79	26366.38	27799.65	33234.97	37383.31	42282.70
Turnover[ꓘ]	29367.68	31796.88	36922.54	44180.06	52822.45	61476.93
Debt/ Turnover Ratio	0.85:1	0.83:1	0.75:1	0.75:1	0.71:1	0.69:1
Interest Payments[•]	2546.98	2344.48	2169.58	2644.13	3171.66	4063.59
Accumulated Profits (losses)	(2766.22)	(2628.25)	(3160.58)	(2761.49)	(3513.07)	(3121.66)

Note: Above figures pertain to all PSUs except for turnover which is for working PSUs

1.20 The turnover of PSUs increased by 109.34 *per cent* (₹ 32,109.25 crore) while debt increased by 69.88 *per cent* (₹ 17,392.91 crore) during the years 2005-06 to 2010-11. Debts to turnover ratio had been decreasing gradually from 0.85:1 in 2005-06 to 0.69:1 in 2010-11, which indicated the deteriorating operational performance of PSUs.

1.21 The State Government had not formulated any specific dividend policy under which all PSUs are required to pay a minimum return on the paid up share capital contributed by the State Government. As per their latest finalised accounts, 28 PSUs earned an aggregate profit of ₹ 922.95 crore and two working PSUs declared a dividend of ₹ 70.33 crore[††] at the rate of four *per cent* and 15.85 *per cent* on paid up share capital. As there is no specific dividend policy, the State Government should formulate a dividend policy to yield reasonable revenue on the investment made in all the profit making companies.

Arrears in finalisation of accounts

1.22 The accounts of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956. Similarly, in case of Statutory Corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts. The table below provides the details of progress made by working PSUs in finalisation of accounts by September 2011.

Sl. No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
1.	Number of Working PSUs	39	42	43	45	48
2.	Number of accounts finalised during the year	32	39	46	51	46
3.	Number of accounts in arrears	70	73	70	64	70[‡‡]
4.	Average arrears *per* PSU (3/1)	1.80	1.74	1.63	1.42	1.46
5.	Number of Working PSUs with arrears in accounts	25	29	26	25	30
6.	Extent of arrears	1 to 10 years	1 to 10 years	1 to 11 years	1 to 12 years	1 to 10 years

ꓘ Figures as per latest finalised accounts shown in Part A+B of Annexure-2.

• Figures as per finalised accounts.

†† Andhra Pradesh Mineral Development Corporation Limited and The Singareni Collieries Company Limited.

‡‡ Includes arrears of eight accounts of four newly audit entrusted companies i.e., Andhra Pradesh State Christian Minorities Finance Corporation Limited (2), Andhra Pradesh Gas Infrastructure Corporation Limited (619-B) (2), Andhra Pradesh Gas Distribution Corporation Limited (619-B) (1) and Krishnapatnam International Leather Complex Private Limited (619-B) (3) {Opening Balance (64) + Due for audit (44) + New companies arrears (8) – Accounts finalised (46)= 70}

1.23 The average arrears per PSU decreased from 1.80 in 2006-07 to 1.46 in 2010-11. The main reasons for the delay in finalisation of accounts were (i) non-maintenance/ incorrect maintenance of records, (ii) non-reconciliation of various transactions, (iii) lack of effective internal controls and (iv) lack of co-ordination amongst various departments in PSUs.

1.24 As regards non-working companies, out of 24 such PSUs, 11 had gone into liquidation process, two were wound up and one was under merger. The remaining 10 non-working PSUs were either under closure having no business activities or having no assets besides they had arrears of accounts for three to 27 years.

1.25 The State Government had invested ₹ 13,636.01 crore (Equity: ₹ 17.32 crore, loans: ₹ 4,437.49 crore, grants: ₹ 961.46 crore and subsidy: ₹ 8,219.74 crore) in 25 PSUs (22 working and 3 non-working PSUs) during the years between 2001-02 and 2010-11 for which accounts have not been finalised as detailed in **Annexure-4.** In the absence of accounts and their subsequent audit, it cannot 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 remains outside the scrutiny of the State Legislature. Further, delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956.

1.26 The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. Though the concerned administrative departments and officials of the Government were informed every quarter by the Audit, of the arrears in finalisation of accounts, no remedial measures were taken. As a result of this the net worth of these PSUs could not be assessed in audit. Earlier, the matter of arrears in accounts was taken up with the Chief Secretary (April 2010) to expedite the backlog of arrears in accounts in a time bound manner and also discussed in the meetings held by COPU in September 2010, however COPU meetings were not held thereafter as the post of Chairman had fallen vacant.

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

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

Winding up of non-working PSUs

1.28 There were 24 non-working PSUs[≈] (all companies) as on 31 March 2011. Of these, 11 PSUs have commenced liquidation process, two were being wound up and one PSU was under merger. The number of non-working

[≈] Includes six 619-(B) non working companies at Sl No: 17 to 22 of Part C of Annexure-1 and 2.

companies at the end of each year during past five years was 24. The non-working PSUs are required to be closed down as their existence is not going to serve any purpose.

1.29 The stages of closure in respect of non-working PSUs are given below:

Sl. No.	Particulars	Companies
1.	Total No. of non-working PSUs	24
2.	Of (1) above, the No. of PSUs under	
(a)	Liquidation by Court/ Voluntary winding up (liquidator appointed)	11
(b)	Winding up (liquidator not appointed)	02
(c)	Merger	01
(d)	Closure, i.e., closing orders/ instructions issued but winding up process not yet started.	10

1.30 During the year 2010-11, no company was wound up. The companies which have taken the route of winding up by Court order are under liquidation for a period ranging from 3 to 18 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 left over 10 non-working PSUs where no decision about their continuation or otherwise has been taken after they became non-working. The Government may consider setting up a cell to expedite closing down its non-working companies.

Accounts Comments and Internal Audit

1.31 Thirty five working companies forwarded their 40 audited accounts to the Accountant General (Commercial and Receipt Audit) during the year 2010-11. Of these, 34 accounts of 30 companies were selected for supplementary audit and six accounts of five companies♦ were not reviewed and non-review certificates were issued. The audit reports of Statutory Auditors appointed by CAG and the supplementary audit by CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of statutory auditors and CAG are given below:

(Amount ₹ in crore)

Sl. No.	Particulars	2008-09		2009-10		2010-11	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	12	345.53	10	77.05	13	537.60
2.	Increase in profit	02	75.13	05	256.34	0	0
3.	Increase in loss	05	144.13	04	130.03	03	117.39
4.	Decrease in loss	01	5.96	02	8.35	03	6.23
5.	Non-disclosure of material facts	07	88.68	05	369.55	10	1802.11
6.	Errors of classification	12	213.53	04	484.12	03	483.52

♦ Andhra Pradesh Meat Development Corporation Limited, Andhra Pradesh Urban Finance and Infrastructure Development Corporation Limited (2), Damodhara Minerals Private Limited (S), Overseas Manpower Company of Andhra Pradesh Limited and Hyderabad Metro Rail Limited

1.32 During the year, the Statutory Auditors had given unqualified certificates for 12 accounts, qualified certificates for 28 accounts of state PSUs while adverse certificates (which means that accounts do not reflect a true and fair position) and disclaimers (meaning the auditors are unable to form an opinion on accounts) were not issued against any account. Additionally, CAG also gave neither adverse comments nor disclaimer comments on any accounts during the supplementary audit. However, 18 comment certificates were issued. The compliance of companies with the Accounting Standards remained poor as there were 51 instances of non-compliance in 17[§§] accounts during the year.

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

Andhra Pradesh State Minorities Finance Corporation Limited (2008-09)

- Without any commitment from the Government to reimburse the loans due and written off, accounting these amounts as receivable has resulted in overstatement of 'Current Assets, Loans and Advances' and understatement of 'Expenditure - Government Loan Waiver Written Off' by ₹ 142.42 crore. Profit is also overstated by an equal amount.

Andhra Pradesh Industrial Infrastructure Corporation Limited (2009-10)

- Non-accountal of interest of ₹ 36.15 crore on 12 *per cent* convertible debentures for the years 2008-09 and 2009-10 has resulted in overstatement of Interest income and profit for the year by ₹ 19.17 crore, overstatement of 'prior period adjustments (net)' by ₹ 16.98 crore and overstatement of 'Sundry Debtors' and 'profit before taxation' by ₹ 36.15 crore.

Andhra Pradesh Mineral Development Corporation Limited (2006-07)

- Fixed Deposits amounting to ₹ 72.50 crore made in various scheduled Banks by the company were not supported by fixed deposit receipts nor authenticated details of confirmation from Banks.

Andhra Pradesh Power Generation Corporation Limited (2010-11)

- Without considering the reduced rate of surcharge on income tax, the Company measured and accounted the Deferred Tax Liability and Deferred Tax Asset, which resulted in overstatement of Deferred Tax and understatement of Net Profit by ₹ 13.54 crore.

Eastern Power Distribution Company of Andhra Pradesh Limited (2010-11)

- Non-accountal of ₹ 28.88 crore claims made by APGENCO towards belated payment surcharge has resulted in understatement of 'Current

[§§] Andhra Pradesh State Agro Industries Development Corporation Limited, Andhra Pradesh State Irrigation Development Corporation Limited, Andhra Pradesh Power Finance Corporation Limited, Andhra Pradesh Industrial Infrastructure Corporation Limited , Andhra Pradesh State Police Housing Corporation Limited, Andhra Pradesh Rajiv Swagruha Corporation Limited, Andhra Pradesh Urban Finance and Infrastructure Development Corporation Limited, Infrastructure Corporation of Andhra Pradesh Limited, Leather Industries Development Corporation of Andhra Pradesh Limited (2003-04 & 2004-05), Nizam Sugars Limited, Central Power Distribution Company of Andhra Pradesh Limited, Eastern Power Distribution Company of Andhra Pradesh Limited, Northern Power Distribution Company of Andhra Pradesh Limited, Southern Power Distribution Company of Andhra Pradesh Limited, Andhra Pradesh State Civil Supplies Corporation Limited, Andhra Pradesh Tourism Development Corporation Limited

Liabilities and Provisions – Sundry Creditors' and overstatement of 'Net profit' by ₹ 28.88 crore.

Northern Power Distribution Company of Andhra Pradesh Limited (2010-11)

- ❖ Non-accountal of ₹ 28.20 crore claims made by APGENCO towards belated payment surcharge has resulted in understatement of 'Current Liabilities and Provisions – Sundry Creditors' and overstatement of 'Net profit' by ₹ 28.20 crore.

Central Power Distribution Company of Andhra Pradesh Limited (2010-11)

- ❖ Accountal of the provision for leave encashment based on Actuary Report for the year 2004-05, which is contrary to the AS–15 has resulted in understatement of 'Employee Costs' and overstatement of 'Net Profit' by ₹ 87.85 crore.
- ❖ Non-accountal of ₹ 81.84 crore claims made by APGENCO towards belated payment surcharge has resulted in understatement of 'Current Liabilities and Provisions – Sundry Creditors' and overstatement of 'Net profit' by ₹ 81.84 crore.

Southern Power Distribution Company of Andhra Pradesh Limited (2010-11)

- ❖ Accountal of unidentified amount under bank balances has resulted in understatement of 'Other Expenses – Miscellaneous losses and write-offs' and 'Net Loss before Tax for the year' by ₹ 9.88 crore.
- ❖ Accountal of the negative balance of remittance in transit which should have been written off in the books of account has resulted in understatement of 'Cash and Bank balances' and 'Other Income' by ₹ 13.45 crore. Consequently, 'Net Loss before Tax for the year' is overstated by similar amount.
- ❖ Accountal of FSA pertaining to 2008-09 in current year i.e., 2010-11 though the same was already accounted for in 2008-09, has resulted in overstatement of 'Other Income' and 'Sundry Debtors' by ₹ 15.16 crore. Consequently, 'Net Loss before Tax for the year' is understated by similar amount.
- ❖ Non-accountal of ₹ 39.57 crore claims made by APGENCO towards belated payment surcharge has resulted in understatement of 'Current Liabilities and Provisions – Sundry Creditors' and overstatement of 'Net Loss before tax' by ₹ 39.57 crore.
- ❖ Non-capitalisation of interest on Power Finance Corporation loan has resulted in overstatement of 'Interest and Finance Charges' and understatement of 'Capital Work-in-Progress' by ₹ 8.58 crore. Consequently, 'Net Loss before Tax for the year' is overstated by similar amount.

1.34 Similarly three working Statutory corporations have forwarded their six accounts namely Andhra Pradesh State Warehousing Corporation (4), Andhra Pradesh State Financial Corporation (1) and Andhra Pradesh State Road Transport Corporation (1) to AG during the year 2010-11. The supplementary audit of these accounts had been completed by September 2011. During the year, the Statutory Auditors had given unqualified certificates for four accounts and qualified certificate for one account. 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. The details of aggregate money value of comments of Statutory Auditors and CAG are given below:

(Amount ₹ in crore)

Sl. No.	Particulars	2008-09		2009-10		2010-11	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	02	79.70	01	1.11	01	0.14
2.	Increase in profit	--	--	--	--	01	9.37
3.	Non-disclosure of material facts	02	--	01	3.83	01	15.29
4.	Errors of classification	01	26.81	01	11.47	01	11.32

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

Andhra Pradesh State Warehousing Corporation (2008-09)

- Reserve for Bad and Doubtful Debts is overstated by ₹ 55.44 lakh being the provision made towards employees' contribution (₹ 43.78 lakh) and penalty (₹ 11.66 lakh). The same should have been included in 'Current Liabilities-Provisions'. Not doing so has also resulted in understatement of Provisions by ₹ 55.44 lakh.

Andhra Pradesh State Financial Corporation (2010-11)

- The Separate Audit Reports of the CAG, of the previous years have not been placed before Annual General Meetings of the Corporation as required under Section 36(2)(c) and the same are being placed on the table of the Legislature without adoption by the AGM. This was also commented by CAG on the accounts for the year 2008-09 and 2009-10

1.36 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control/ internal audit systems in the companies audited in accordance with the directions issued by the CAG to them under Section 619(3)(a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative resume of major comments made by the Statutory Auditors in respect of finalised accounts on possible improvement in the internal audit/ internal control system in respect of 17 companies for the year 2008-09, 20 Companies for the year 2009-10 and

16 companies*** for the year 2010-11 are given below:

Sl. No.	Nature of comments made by Statutory Auditors	Number of companies where recommendations were made	Reference to serial number of the companies as per Annexure 2
1.	Non-fixation of minimum / maximum limits of store and spares.	-	-
2.	Absence of internal audit system commensurate with the nature and size of business of the company.	12	A-2,3,17,18,26,27,32, 33, 36,39,41 and 42
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.	9	A–1,12,13,18,21,32, 39,41 and 42
4.	Lack of internal control.	8	A – 1,13,18,27,36,39,41 and 42

Recoveries at the instance of Audit

1.37 During the financial year 2010-11, recoveries of ₹ 33.95 crore were pointed out to the Management of various PSUs. An amount of ₹ 9.48 crore was recovered from October 2010 to September 2011.

Status of placement of Separate Audit Reports

1.38 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 the 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.	Andhra Pradesh State Financial Corporation	2009-10	2010-11	Yet to be submitted	--
2.	Andhra Pradesh State Warehousing Corporation	2004-05	2005-06	07-09-2011	Arrears in finalisation of accounts
3.	Andhra Pradesh State Road Transport Corporation	2008-09	2009-10	21-3-2011	--

*** Andhra Pradesh State Agro Industries Development Corporation Limited, Andhra Pradesh Forest Development Corporation Limited, Andhra Pradesh State Irrigation Development Corporation Limited, Andhra Pradesh Industrial Development Corporation Limited, Andhra Pradesh Industrial Infrastructure Corporation Limited, Andhra Pradesh State Police Housing Corporation Limited, Andhra Pradesh Rajiv Swagruha Corporation Limited, Hyderabad Growth Corridor Limited (619-B), Damodhara Minerals Private Limited(S), Leather Industries Development Corporation of Andhra Pradesh Limited, Central Power Distribution Company of Andhra Pradesh Limited, Eastern Power Distribution Company of Andhra Pradesh Limited, Southern Power Distribution Company of Andhra Pradesh Limited, Andhra Pradesh State Civil Supplies Corporation Limited, Andhra Pradesh Technology Services Limited and Andhra Pradesh Trade Promotion Corporation

Reforms in Power Sector

Andhra Pradesh Electricity Regulatory Commission

1.39 Andhra Pradesh Electricity Regulatory Commission (APERC) with three members, including a Chairman appointed by the State Government was formed in March 1999 under the provisions of the Andhra Pradesh Electricity Reform Act^ (APER Act) to act as a regulator of the electricity sector in the State and with the objective of rationalization of electricity tariff, advising in matters relating to electricity generation, transmission and distribution in the State and issue of licenses. The audit of accounts of the Commission has been entrusted to the CAG under Section 104 (2) of the Electricity Act, 2003. The Commission had finalised its accounts upto the year 2005-06. During 2010-11, APERC issued 36 orders on the issues other than tariff.

Status of implementation of Memorandum of Understanding (MoU) between the State Government and the Central Government

1.40 In pursuance of the decision taken at the Chief Ministers' conference on Power Sector Reforms, a Memorandum of Understanding (MoU) was signed on 09 March 2001 between the Ministry of Power, Government of India (GoI) and the Department of Energy, Government of Andhra Pradesh (GoAP) as a joint commitment for implementation of a reform programme in the power sector with identified milestones. The progress achieved so far in respect of important milestones is shown below:

Sl No.	Commitment as per MOU	Targeted completion Schedule	Status (As on 30 September 2011)
(1)	**(2)**	**(3)**	**(4)**
	Commitments made by the State Government		
1.	Reduction in Transmission and Distribution losses	From 29.6 *per cent* to 19.5 *per cent* by 2006-2007	Reduced to15.58 *per cent.*
2.	100 *per cent* electrification of all villages	NA	Achieved.
3.	a) 100 *per cent* metering of all distribution feeders b) 100 *per cent* metering of 11 KV feeders	December 2001 March 2001	Achieved.
4.	100 *per cent* metering of all consumers	March 2002	Achieved, except agricultural services for which free power is provided. 7,25,322 Nos. out of total agricultural services of 29,32,374 have been metered.
5.	Others		
	(i) Conversion of distribution companies into Joint Venture Companies	June 2002	There is no proposal at the moment for Conversion of Distribution Companies into Joint Venture Companies.
	(ii) Energy Audit at all Levels	December 2001	Energy audit in APTRANSCO is being done for assessment of the losses of energy in the power

^ Since replaced with Section 82 (1) of Electricity Act, 2003.

Sl No.	Commitment as per MOU	Targeted completion Schedule	Status (As on 30 September 2011)
(1)	**(2)**	**(3)**	**(4)**
			system at transmission, sub transmission and distribution levels with the objective of identifying areas of high technical and commercial losses.
6.	Securitized outstanding dues of CPSUs[†††]	GOAP has issued Notification for issuance of Bonds to the tune of ₹2436.09 crore through RBI to CGS[‡‡‡] vide GoAP Lr.No.3321/706/A2/W&M /2003. Dated 18.08.2003	RBI has issued bonds to CGS through DEMAT[§§§] form for ₹2436.09 crore
7.	Supply of additional power	GoI will allocate additional 140 MW of power on completion of three double circuit transmission lines namely (1) 400 KV Khammam-Hyderabad double circuit Line and (2) 220 KV Nidadavole-Bhimadole double circuit line and (3) Lower Sileru-Bommuru double circuit Lines	1) 400 KV Khammam-Hyderabad double circuit Line charged on 29.09.2001 2)220 KV Nidadavole-Bhimadole double circuit line charged on 27.01.2002 3)220 KV Lower Sileru-Bommuru single circuit Line charged on 31.03.2003
8.	Allocation of additional power from new central generation stations to DISCOMs directly.	After achieving financial capability	All PPAs[****] including those of CGS allocated to DISCOMs[††††] with effect from June 2005
	General		
9.	Monitoring of MoU	Once in 3 months	T & D losses are being monitored monthly. Distribution Reforms Committee was constituted to conduct meeting once in every three months in order to review the progress and programme of APDRP[‡‡‡‡] works being implemented in four DISCOMs.

Source: Information furnished by APTRANSCO.

[†††] Central Public Sector Units.
[‡‡‡] Central Generation Stations.
[§§§] Dematerilised.
[****] Power Purchase Agreements.
[††††] Distribution Companies
[‡‡‡‡] Accelerated Power Development and Reforms Programme.

Chapter II

2. Performance Reviews relating to Government Companies

2.1 Power Distribution Companies in Andhra Pradesh

Executive Summary

The power distribution in Andhra Pradesh is carried out by four Power Distribution companies namely Andhra Pradesh Central Power Distribution Company Limited (APCPDCL), Andhra Pradesh Eastern Power Distribution Company Limited (APEPDCL), Andhra Pradesh Northern Power Distribution Company Limited (APNPDCL) and Andhra Pradesh Southern Power Distribution Company Limited (APSPDCL) which were incorporated on 01 April 2000 under the Companies Act, 1956.

As on 31 March 2011, the State had distribution network of 8.60 lakh Circuit Kilo Meters (CKM) of lines (33/11 KV and LT), 3,871 sub-stations, 5,226 Power transformers (PTR) and 7,92,841 Distribution transformers (DTR) catering to 2.24 crore consumers.

Distribution Network planning

Against the planned additions of 1,649 sub-stations only 1,200 sub-stations were actually added. As against the growth of connected load from 28,157 MW in 2006-07 to 41,872 MW in 2010-11 (48 per cent), the corresponding increase in DTR capacity was from 26,025 MVA to 34,650 MVA (33 per cent). Thus, the increase in distribution capacity could not match the pace of growth in connected load.

Delay in implementation of HVDS works resulted in non-achievement of envisaged benefits amounting to ₹ 147.71 crore.

Implementation of centrally sponsored schemes

Under RGGVY the percentage of achievement, of electrification of BPL houses, against target in the State ranged between 71.09 and 82.72 per cent during 2006-10, which decreased to 49.16 per cent in 2010-11. APEPDCL was lagging behind in achievement with only 32 to 55 per cent of electrification of households during the review period.

The DISCOMs could utilise only 32.74 per cent of RAPDRP funds out of ₹ 326.93 crore received till end of March 2011, due to delay in selection of IT implementing agency. DISCOMs may loose opportunity of conversion of loan into grant by GoI, if RAPDRP projects are not implemented within stipulated time.

In respect of APCPDCL the AT&C losses were beyond 15 per cent and ranged between 17.26 and 18.34 per cent during 2006-11.

Operational efficiency

Due to Sub transmission and distribution losses in excess of APERC norms, APCPDCL suffered a loss of revenue to the tune of ₹ 1,633.96 crore.

Wide gap between transformation capacity and connected load led to overloading of distribution system, excess failure of DTRs and higher quantum of energy losses.

Financial position

Subsidy towards purchase of high cost power alarmingly increased from ₹ 617 core in 2006-07 to ₹6,542 crore in 2008-09, which stood at ₹ 1,619 crore in 2010-11, in respect of all the DISCOMs.

As against total subsidy claim of ₹ 10,415.87 crore during 2006-11 by APCPDCL and APEPDCL, GoAP released only ₹ 5,356.13 crore, resulting in dependence on more borrowings.

The Loan funds and Current liabilities of APCPDCL and APEPDCL increased from ₹ 4,006.21 crore and ₹ 1,603.96 crore in 2006-07 to ₹ 11,073.99 crore and ₹ 4,827.58 crore in 2010-11, respectively.

Billing and Revenue collection efficiency

APERC disallowed 7,530.51 MU of free power to agriculture consumers, consequent to which APCPDCL and APEPDCL could not claim subsidy amounting to ₹ 2,519.94 crore from GoAP.

The outstanding dues of APCPDCL and APEPDCL were ₹ 1,633.50 crore at the end of March 2011, out of which ₹ 466.26 crore was outstanding for more than three years; ₹ 444.15 crore was involved in court cases and ₹ 465.52 crore was due from Government departments and local bodies.

Energy Audit

Out of 7,464 Nos. 11 KV feeders existing in APCPDCL and APEPDCL, energy audit was conducted only on 2,571 feeders. Energy audit was not conducted on the rural feeders. Consumer mapping was also not done in the above case.

Monitoring by Top Management

The monitoring system is inadequate as the follow up action was not effective due to which increase in arrears, excess failure of DTRs, high distribution losses, shortage of transformer oil etc., continued to occur.

Introduction

2.1.1 Electricity is an essential requirement for all facets of our life. It has been recognized as a basic human need. It is a critical infrastructure on which the socio-economic development of the country depends. Supply of electricity at reasonable rate to rural India is essential for its overall development. Equally important is availability of reliable and quality power at competitive rates to Indian industry to make it globally competitive and to enable it to exploit the tremendous potential of employment generation. Services sector has made significant contribution to the growth of our economy. Availability of quality power is very crucial to sustain the growth of this segment.

Recognizing that electricity is one of the key drivers for rapid economic growth and poverty alleviation, the nation has set itself the target of providing access to electricity for all households in next five years.

Major responsibility for achieving the key parameters of the above said importance of electricity devolves on the distribution sector. Distribution sector is very near to people. Distribution Companies are first point of contact in the electricity sector for millions of Indians. This is the sector which provides electricity to the door step of every household. It serves various objectives of electricity sector such as access to electricity for all households, supply of reliable and quality power of specified standards in an efficient manner and at reasonable rates and at the same time protects the consumer interest. To achieve the above objectives, Distribution Companies need to make a financial turnaround and they should be commercially viable.

In this review, we propose to analyse how far the Distribution Companies (DISCOMs) in Andhra Pradesh planned their operations to achieve above objectives, their financial turnaround and the problems encountered during the last five year period from 2006-07 to 2010-11.

Electricity Reforms and electricity scenario in Andhra Pradesh

2.1.2 As part of power sector reforms, the erstwhile Andhra Pradesh State Electricity Board (APSEB) was unbundled into Andhra Pradesh Power Generation Corporation Limited (APGENCO) and Transmission Corporation of Andhra Pradesh Limited (APTRANSCO). APTRANSCO was further unbundled into "Transmission Corporation" and four "Distribution Companies" (DISCOMs). Consequently, the business of distribution of power in Andhra Pradesh is carried out by the four DISCOMs namely Andhra Pradesh Central Power Distribution Company Limited (APCPDCL), Andhra Pradesh Eastern Power Distribution Company Limited (APEPDCL), Andhra Pradesh Northern Power Distribution Company Limited (APNPDCL) and Andhra Pradesh Southern Power Distribution Company Limited (APSPDCL), which were incorporated on 01 April 2000 under the Companies Act, 1956 under the administrative control of Department of Power, Government of Andhra Pradesh (GoAP).

Vital parameters of Electricity Supply in Andhra Pradesh

2.1.3 Sale of energy increased from 45,314.19 MU in 2006-07 to 63,304.78 MU in 2010-11, registering an increase of 39.70 *per cent* during the five year period 2006-11. As on 31 March 2011, the State had distribution network of 8.60 lakh Circuit Kilo Meters (CKM) of lines (33/11 KV and LT); 3,871 sub-stations; 5,226 Power transformers (PTR) and 7,92,841 Distribution transformers (DTR) of various categories. The number of consumers was 2.24 crore. The turnover of the four DISCOMs was ₹ 20,456.40 crore in 2010-11, which was equal to 38.88 *per cent* and 3.06 *per cent* of the State PSUs turnover and State Gross Domestic Product, respectively. The four DISCOMs employed 56,774 employees as on 31 March 2011.

Performance Review of electricity sector

2.1.4 Performance reviews on 'Purchase, performance, maintenance and repair of Transformers in power sector companies' and 'Outsourcing of activities/ functions in APCPDCL' were included in the Report of the Comptroller and Auditor General of India (Commercial), Government of Andhra Pradesh for the year ended 31 March 2007. The Reports are yet to be discussed by COPU. This performance audit was conducted on the functioning of Power Distribution Companies in Andhra Pradesh.

Scope and Methodology of Audit

2.1.5 The present performance audit conducted during February to May 2011 covers the performance of APCPDCL and APEPDCL (selected out of four DISCOMs in the State) during the period from 2006-07 to 2010-11. While APCPDCL was selected, as it is the largest of the four DISCOMs and having high percentage of losses and DTR failures, APEPDCL was selected as the company is best performer with low distribution losses and DTR failures. The review mainly deals with Network Planning and execution, Implementation of Central Schemes, Operational Efficiency, Billing and Collection efficiency, Financial Management, Consumer Satisfaction, Energy Conservation and Monitoring. The audit examination involved scrutiny of records at the Head Office, four out of 11 circles in APCPDCL and two out of five circles in APEPDCL (selection based on the statistics of Energy drawls, number of Sub-stations, industrial and other feeders, DTRs existing etc.).

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

Audit Objectives

2.1.6 The objectives of the performance audit were to assess:

- Whether aims and objectives of National Electricity Policy/Plans were adhered to and distribution reforms achieved;
- Adequacy and effectiveness of network planning and its execution;
- Efficiency and effectiveness in implementation of the Central schemes such as Restructured Accelerated Power Development & Reform Programme (RAPDRP) and Rajiv Gandhi Grameen Vidyutikaran Yojna (RGGVY);
- Operational efficiency in meeting the power demand of the consumers in the state;
- Billing and collection efficiency of revenue from consumers;
- Whether Financial Management was effective and surplus funds, if any, were judiciously invested;
- Whether a system is in place to assess consumer satisfaction and redressal of grievances;
- That energy conservation measures were undertaken; and
- That a monitoring system is in place and the same is utilised in review of overall working of DISCOMs.

Audit Criteria

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

- Provisions of Electricity Act 2003;
- National Electricity Plan, Plans and norms concerning distribution network of DISCOMs and Planning criteria fixed by the SERC;
- Terms and conditions contained in the Central Scheme Documents;
- Standard procedures for award of contract with reference to principles of economy, efficiency and effectiveness;
- Norms prescribed by various agencies with regard to operational activities;
- Norms of technical and non-technical losses;
- Guidelines/ instructions/ directions of State Government/SERC; and
- Best performance under various parameters in the regions/all India averages.

Audit Findings

2.1.8 We explained the audit objectives to the two Companies during the ‘Entry Conference’ held on 28 February 2011. Subsequently, audit findings were reported to the Company and the State Government in June 2011 and discussed in an ‘Exit Conference’ held on 20 October 2011. The Exit Conference was attended by Principal Secretary, Energy Department, GoAP and Chairman and Managing Directors of APCPDCL and APEPDCL. The Companies replied to audit findings in August/ September 2011. The views expressed by them have been considered while finalizing this Review. The audit findings are discussed in subsequent paragraphs.

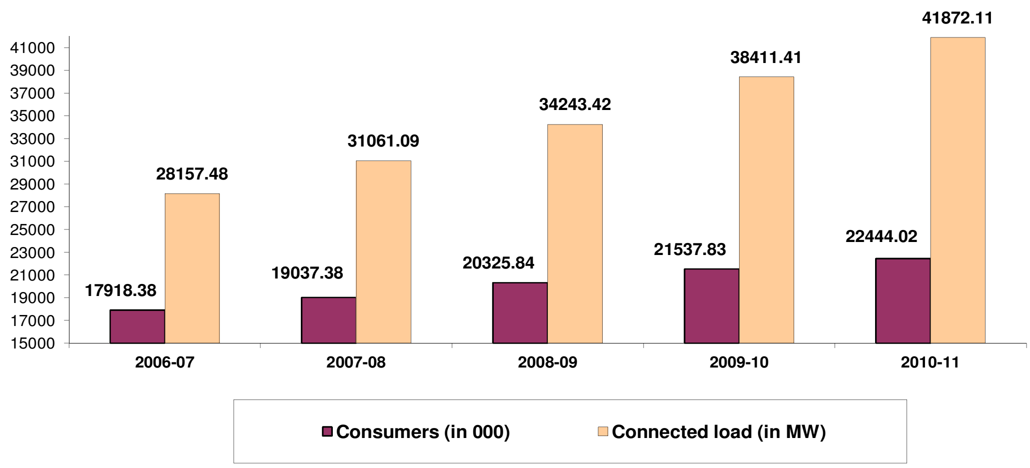
Distribution Network Planning

2.1.9 The National Electricity Policy was evolved with the following objectives:

- Access to electricity – Available for all household in next five years from 2005.
- Supply of reliable and quality power of specified standards in an efficient manner and reasonable rates.

To ensure access to electricity by all, the Power Distribution Companies in the State are required to prepare long term/ annual plan for creation of infrastructural facilities for efficient distribution of electricity so as to cover maximum population in the State. Besides, the Companies are required to upkeep the existing network and expand the distribution network keeping in view new connections and growth in demand. We observed that both APCPDCL and APEPDCL did not prepare plans for augmentation of their distribution network.

2.1.9.1 The particulars of consumers and their connected load are given below in bar chart.



The particulars of distribution network planned vis-à-vis achievement there against in respect of the four DISCOMs in the State are depicted in **Annexure-7**.

2.1.9.2 Against the planned additions of 1,649 sub-stations during 2006-11 only 1,200 sub-stations were actually added. Further, as compared to the growth of connected load from 28,157.48 MW (35,196.85 MVA) in 2006-07 to 41,872.11 MW (52,340.14 MVA at 0.80 Power Factor) in 2010-11 as depicted in the graph, the increase in DTR capacity was from 26,025 MVA to 34,650 MVA (33 *per cent*). Thus, the increase in distribution capacity could not match the pace of growth in consumer demand as discussed in para 2.1.10.

Some of the observations on poor planning are discussed below:

Inadequate transformation capacity

2.1.10 Transformer is a static device installed for stepping up or stepping down voltage in transmission and distribution of electricity. The energy received at high voltage (132 KV, 66 KV, 33 KV) from primary sub-stations of the Transmission Companies is transformed to lower voltage (11 KV) at 33/11 KV sub-stations of the Distribution Companies to make it usable by the consumers. In order to cater to the entire connected load, the transformation capacity should be adequate. The ideal ratio of transformation capacity to connected load is considered as 1:1.

The table below indicates the details of transformation capacity at 33/11 KV sub-stations and connected load of the consumers in respect of four DISCOMs during the period 2006-11.

(in MVA)

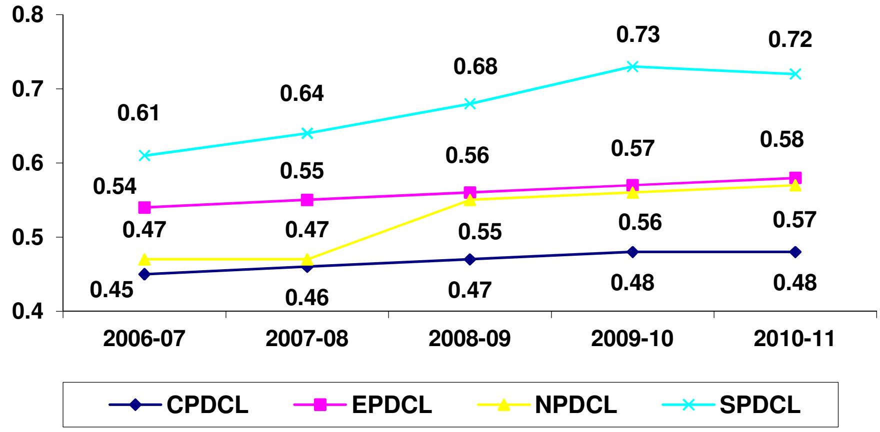
Year	Transformation Capacity	Connected load	Gap in Transformation capacity	Ratio of Transformation capacity to connected load
2006-07	19851.60	35196.85	15345.25	0.56:1
2007-08	22210.75	38826.37	16615.62	0.57:1
2008-09	24593.90	42804.28	18210.38	0.57:1
2009-10	27190.35	48014.27	20823.92	0.57:1
2010-11	28302.90	52340.14	24037.24	0.54:1

It can be seen from the table above that the ratio of transformation capacity to total connected load in the State ranged between 0.54:1 and 0.57:1. This represented a wide gap of transformation capacity. Such a high gap of transformation capacity led to overloading of the system, frequent tripping, and adverse voltage regulation with consequential higher quantum of energy losses. The increase in transformation capacity could not match the pace of growth in consumer demand. This led to overloading of network and consequential rotational cuts in distribution of electricity.

2.1.11 High Voltage Distribution System (HVDS) is an effective method for reduction of technical losses, prevention of theft, improved voltage profile and better consumer service. The GoI had also stressed (February 2001) the need to adopt LT less system of distribution through replacement of existing LT lines by HT lines to reduce the distribution losses. National Electricity Policy 2005 laid down that the Distribution Companies should be prompted to reduce LT/HT ratio keeping in view the techno economic considerations.

Implementation of LT less system

2.1.12 The HT-LT ratio over the review period in respect of all the four DISCOMs in the State is depicted in the graph below:



It may be seen from the above graph that the HT network was half the LT network in respect of APCPDCL and APEPDCL. The ratio registered nominal increase from 0.45 to 0.48 and 0.54 to 0.58 respectively, during 2006-11. On a review of implementation of HVDS, which is aimed at conversion of LT to HT, we observed the following:

APCPDCL

Poor physical and financial progress in HVDS works in APCPDCL resulted in non-achievement of targeted benefits of ₹ 129.75 crore.

2.1.12.1 The Company formulated (2004-05) a scheme to convert Low Tension Distribution System to HVDS in a phased manner. The Company, after inviting tenders, awarded (February 2006 – February 2009) HVDS schemes under 35 packages to various contractors in three phases. Details of financial and physical progress of HVDS works taken up by the Company in five districts (Anantapur, Mahabubnagar, Nalgonda, Kurnool, and Ranga Reddy) in three phases are given in the **Annexure-8**. We observed that overall physical and financial progress of the works were low at 37.63 and 44.96 *per cent* as of 31 March 2011. Against total target of 74,615 DTRs only 33,554 DTRs, were erected even after 24 to 60 months after award of the works as against scheduled completion period of 12 to 18 months from the date of award resulting in non-achievement of envisaged benefits of containing of energy loss, theft of energy etc., amounting to ₹ 129.75 crore. Further, conversion of LT line into AB Cable was very poor (16.90 *per cent*) during the review period, as only 5,227 Kms of AB Cable was laid against target of 30,925 Kms.

APCPDCL replied that the contractors had not properly programmed the execution of works. There was steep increase in steel and cement prices and seasonal effect on labour and supply of material resulted in abnormal delays in execution of the projects and conceded the fact of non-erection of AB Cable due to short closure of agreements of HVDS Phase I & II. However, the work was proposed under Phase III of HVDS. The reply is not acceptable as lack of timely supervision resulted in non achievement of the envisaged benefits.

APEPDCL

2.1.12.2 APEPDCL formulated (December 2005) a scheme under HVDS in Rajahmundry circle covering five divisions at an estimated cost of ₹ 50.35 crore (2005-06 cost data). The Rural Electrification Corporation (REC) sanctioned a loan of ₹ 45.31 crore in June 2006 towards 90 *per cent* cost of scheme. Though APEPDCL floated tenders based on the division-wise survey quantities, those were cancelled and retendered four times between June 2008 and Jan 2009 on account of high/ abrupt rates quoted.

APEPDCL belatedly (March 2009) entrusted the detailed survey of 11 KV feeders in respect of three out of the five divisions to a private consulting agency for verification of divisional estimates. After receipt of survey reports (July 2009), the actual requirement of work was identified and a revised estimate was prepared wherein the cost of works in respect of five divisions worked out to ₹ 59.33 crore against the original estimate of ₹ 50.35 crore. On noticing the cost escalation, APEPDCL decided to defer works costing ₹ 12.82 crore of two divisions.

Inordinate delay in taking up HVDS works by APEPDCL resulted in cost escalation by ₹ 9 crore and failure to derive envisaged benefits to the tune of ₹ 17.96 crore.

APEPDCL awarded works of three divisions (Rajahmundry, Jaggampeta, RCpuram) along with partial work of two divisions (Kakinada, Amalapuram) on lowest tender basis to five contractors at a value of ₹ 46.31 crore during the period September 2010 to January 2011 and the works are still under execution. It is noticed that the cost of works of five divisions, earlier included in 2005-06 estimates but taken up after a delay of four years, escalated by ₹ 9 crore in 2009-10. Thus, delay in conducting proper survey of feeders and taking up HVDS works in Rajahmundry circle has resulted in failure to derive the envisaged benefit of reduction in energy losses to the tune of 45.20 MU valued at ₹ 17.96 crore within the planned time frame.

APEPDCL replied that works were awarded for all the divisions for an amount of ₹ 46 crore, which is less than the sanctioned amount of ₹ 50.35 crore and hence there was no cost overrun. The reply is not acceptable as it had awarded only partial works leaving works estimated to cost ₹ 12.82 crore in respect of two divisions (Kakinada and Amalapuram).

Implementation of Centrally Sponsored Schemes

Rural Electrification

2.1.13 The key development objective of the power sector is supply of electricity to all areas including rural as mentioned in Section 6 of the Electricity Act. Rural Electrification Corporation of India is the nodal agency to implement the programme of giving access to electricity to all households in the next five years beginning from 2005. The Rajiv Gandhi Gramin Vidyutikaran Yojana (RGGVY) scheme initiated by REC aims at electrifying all villages and habitations.

As per the new definition of village electrification with effect from 2004-05, a village would be declared as electrified if,

a) Basic infrastructure such as Distribution Transformers and Distribution lines are provided in the inhabited locality as well as the Dalit Basti hamlet where it exists.

b) Electricity is provided to public places like schools, Panchayats office, health centers, dispensaries, community centers etc.

c) The number of households electrified should be at least 10 *per cent* of the total number of households in the village.

2.1.13.1 As on 31 March 2006, we observed that all the 26,613 villages in the State (as per 2001 census) were electrified (100 *per cent*). However, the DISCOMs, in order to provide electricity to all BPL households and habitations implemented RGGVY in the State. The year-wise target *vis-à-vis* achievement of electrification of various BPL households in villages under RGGVY scheme during the review period in respect of the State is shown in the table below:

(in numbers)

Year	Electrified in the beginning of the year	Targeted for electrification during the year	Electrified during the year	Electrified at the end of the year	Percentage of achievement against target during the year
2006-07	16322	595200	423111	439433	71.09
2007-08	439433	709109	538127	977560	75.89
2008-09	977560	983514	801212	1778772	81.46
2009-10	1778772	599293	495720	2274492	82.72
2010-11	2274492	323900	159241	2433733	49.16

We observed that the overall percentage of achievement of electrification of BPL houses against target in the State ranged between 71.09 and 82.72 *per cent* during 2006-10. It had decreased to 49.16 *per cent* in 2010-11. APCPDCL performed well with achievement of 100 *per cent* electrification of the households during 2006-10 and 69.75 *per cent* in 2010-11 due to revision of targets in anticipation of increase in the BPL households. APEPDCL was lagging behind in achievement with only 32 to 55 *per cent* electrification during the review period mainly due to slow progress in registration of BPL households.

APEPDCL stated that though the targets were achieved in four districts, the same in respect of East Godavari district was not achieved due to taking up works two years later than the commencement of works in other districts.

2.1.13.2 With a view to test check the implementation of Rural Electrification Schemes in APEPDCL, We visited Jajivalasa village, Ramavaram Mandal under Jaggampeta Division. We noticed that direct connection from poles was being given without fixing meters in most of the BPL houses, consequently electricity bills were not raised. Thus, supply of power to consumers without fixing meters was irregular and results in loss of revenue to the Company.

2.1.13.3 DISCOMs received funds under RGGVY for rural electrification. The position of the funds available *vis-à-vis* utilised under RGGVY Scheme during the five years ending 31 March 2011 is depicted in **Annexure- 9**.

We observed from the annexure that as against ₹ 596.86 crore received under RGGVY, funds to the extent of ₹ 556.65 crore were utilized by all the DISCOMs till end of March 2011. Test check of implementation of the scheme in the selected DISCOMs revealed the following:

2.1.13.4 APEPDCL awarded (October 2008) the work for construction of infrastructure facilities in East Godavari district, for ₹ 7.03 crore to Katakam Constructions. During the execution of works the use of new items (R.S.Joists poles) were necessitated due to which the agreement value was enhanced to ₹ 34.04 crore from ₹ 7.03 crore (an increase of 384 *per cent*) based on the prevailing rates of R.S Joists in the market in October 2008.

APEPDCL lost opportunity to obtain competitive rates and incurred avoidable expenditure of ₹ 4.11 crore.

Audit observed that the Company lost the opportunity to obtain competitive rates due to entrusting new items of work to the same contractor without calling for fresh tenders. Audit further observed that though the market rates of the new items were showing decreasing trend the Company continued to allow higher rates fixed initially for R.S.Joists as there was no price variation clause in the contract which resulted in avoidable expenditure of ₹ 4.11 crore.

The reply is also silent as to why decreasing market rates were not considered in respect of R.S.Joists.

Loss of opportunity to get waival of interest due to non-completion of targeted electrification of Dalitawadas within in the scheduled time

2.1.13.5 REC sanctioned 52 nos of electrification schemes to APEPDCL, at an estimated cost of ₹ 91.25 crore for electrification of 3,396 nos of Dalitawadas and Hamlets in five districts. As per the scheme, the GoAP released ₹ 64.39 crore as loan during the period from May 2004 to June 2007. The terms of loan sanctioned by REC, inter-alia, specified waiver of interest, provided the Scheme is successfully completed within schedule.

We observed that only 3,067 nos of Dalitawadas and Villages/ Hamlets were actually electrified against the target of 3,396 nos during the scheduled completion period up to 21 March 2005. APEPDCL attributed the delay and non-completion of targeted electrification to the remoteness and non-approachability of Dalitawadas located in Hilly areas and sought for deviation from target and waival of interest on loan from REC.

APEPDCL requested the GoAP (December 2008) for arranging waival of interest and refund of already paid interest since works were completed. However REC rejected the claim by pointing out that the scheme was not completed in time and in full. And no waival of interest could be given. We observed that APEPDCL did not proceed with a proper plan for implementation of the targets as projected to REC with reference to field conditions and location of BPL families. Further the Company failed to obtain completion certificates from Gram Panchayats immediately after electrification as a proof of successful implementation within time frame even in respect of the 3,067 BPL households electrified.

Thus, due to failure to achieve completion of scheme within the scheduled time frame, the Company has lost opportunity to get waival of interest payment amounting to ₹ 8.12 crore (for the period 2004-05 to 2010-11) out of which payment of ₹ 2.33 crore is yet to be made to REC.

Other points in Contract Management

Extra expenditure in HVDS works

Irregular increase of estimated prices by APCPDCL in excess of lowest quoted prices resulted in extra expenditure of ₹ 14.88 crore.

2.1.14 For conversion of LT net works in to HVDS, APCPDCL invited (July 2008) tenders at an estimated cost of ₹ 300 crore and awarded (February 2009) the works on turnkey basis. After opening price bids the Company found that the quoted prices were in excess of estimates ranging between 17.2 to 26.10 *per cent*. As per GO No. 94 of GoAP, dealing with tender premium, the maximum premium at which tenders can be accepted have been set at 10 *per cent*. In case of receipt of tenders at more than 10 *per cent* of the estimated cost they need to call for revised tender. However, we observed that the Company, without calling revised tender to get better rates, revised the estimated rates of 16 KVA and 25 KVA DTRs from ₹ 43,112 and ₹ 48,118 to ₹ 47,800 and ₹ 64,913, respectively, to match with quoted rates of the tender. We further observed that the revised estimated price of 25 KVA DTR was more than the lowest quoted price of various bidders, which ranged between ₹ 55,264 and ₹ 57,857 after applying the respective tender premium. Thus, irregular increase of estimated prices, after opening the price bids, which were more than the lowest quoted prices, resulted in extra expenditure of ₹ 14.88 crore.

APCPDCL replied that the estimates were prepared after applying price variation clause to the previous purchase price. Reply is not acceptable as revision of estimated prices after opening bids is irregular.

Non-levy of labour welfare cess

2.1.14.1 As per Section 3(1) of Building and Other Construction Workers' Welfare Cess Act, 1996 labour welfare cess shall be levied and collected at such rate not exceeding two *per cent* but not less than one *per cent* of the cost of construction incurred by an employer.

We observed from test check of 265 contracts (APCPDCL: 240; APEPDCL: 25) entered during 2007-11 valued ₹ 434 crore (APCPDCL: ₹ 293.76 crore; APEPDCL: ₹ 140.24 crore) that labour welfare cess at the rate of one *per cent* amounting to ₹ 4.34 crore was not deducted from the contractors' bills, resulting in liability to the DISCOMs for payment of the cess. Both the companies accepted that necessary clause towards labour cess would be included in the contracts.

Unauthorised payment of ₹ 2.80 crore towards price variation claims in excess of approved limit

APEPDCL

Allowing price variation without limit by APEPDCL resulted in excess payment of ₹ 2.80 crore.

2.1.14.2 As per the provisions of the Purchase Manual (Clause 5.13), where variable prices are permitted, the price variation should be subject to a ceiling of 10 *per cent*. The Company placed four purchase orders in November 2005 for supply of 4,000 nos 25 KVA Distribution Transformers (DTR) at an ex-works price of ₹ 30,684 each, allowing price variation without any limit. We observed that the Company paid (January 2006 to August 2007) ₹ 2.80 crore towards price variation claims, which ranged between 11 to 40 *per cent* and thus, contrary to the provisions of the Purchase Manual. Thus, allowing price variation without any limit resulted in excess payment of ₹ 2.80 crore.

Restructured Accelerated Power Development & Reforms Programme

2.1.15 The Government of India (GoI) approved the Accelerated Power Development & Reforms Programme (APDRP) to leverage the reforms in power sector through the State Governments. This scheme was implemented by the power sector companies through the State Government with the objective of upgradation of sub-transmission and distribution system including energy accounting and metering, for which financial support was provided by GoI.

In order to carry on the reforms further, the GoI launched the Restructured APDRP (R-APDRP) in July 2008 as a Central Sector Scheme for XI Plan with Power Finance Corporation (PFC) as nodal agency. The R-APDRP scheme comprises of Part A and B. Part A was dedicated to establishment of IT enabled system for achieving reliable and verifiable baseline data system in all towns besides installation of SCADA[*]/ Distribution Management System. For this, 100 *per cent* loan is provided and was convertible into grant on completion and verification of same by Third Party independent evaluating agencies. The Part B of the scheme deals with strengthening of regular sub-transmission & distribution system and upgradation projects.

Financial Performance

2.1.15.1 The details of the funds released by GOI, mobilised from other agencies (including REC/ PFC/ Commercial Banks), utilisation there against and balances in respect of the all DISCOMs in the State is given in the **Annexure-10**. We observed from the annexure that all the four DISCOMs utilised ₹ 107.03 crore as against the fund of ₹ 326.93 crore received till end of March 2011 (32.74 *per cent*). Delay in utilisation of funds was mainly on account of delay in awarding of contracts, slow progress of works and delay in

[*] **Supervisory Control And Data Acquisition –** It generally refers to industrial control systems, computer systems that monitor and control industrial, infrastructure, or facility-based processes.

finalization of Request For Proposal (RFP) and System Resource Specification (SRS) of IT enabling works. These are discussed in subsequent paras.

Establishment of IT enabled system

2.1.15.2 Part – A of the R-APDRP scheme is dedicated to establishment of IT enabled system and SCADA/ Distribution Management System which *inter alia* includes establishment of data center, Disaster recovery center and providing solutions for all operational modules viz., meter data acquisition, Energy audit, new connections, GIS based customer indexing, customer care services, billing, material management etc.

Though the DISCOMs received funds under R-APDRP during March 2009, it took more than one year (May 2010) to call for tender and award the work of implementation of IT infrastructure to Tata Consultancy Services (TCS), Hyderabad for a contract value of ₹ 131.23 crore (APCPDCL: ₹ 105.15 crore; APEPDCL: ₹ 26.08 crore). Though the work was to be completed by October 2011, we observed that only GIS survey work was taken up, the progress of which was also less at 5.79 and 51 *per cent* (APCPDCL and APEPDCL respectively). We further observed that though the bid document/ tender was silent about charging of interest on any advance paid, interest free mobilization advance of ₹ 9.67 crore (APCPDCL: ₹ 7.84 crore; APEPDCL: ₹ 1.83 crore) was paid (December 2010/ March 2011) to the contractor resulting in extending undue benefit to the contractor to the tune of ₹ 21.56 lakh[♣].

Non inclusion of indemnity clause

2.1.15.3 As per the terms and conditions of sanction for loan under R-APDRP, loan will not be converted into grant in case projects are not completed within three years from the date of sanctioning of the project. We observed that the DISCOMs failed to include corresponding indemnifying clause in the agreement signed with TCS, which is detrimental to the interests of the DISCOMs. Subsequent request to include such a clause in agreement did not fructify.

APCPDCL and APEPDCL replied that the project is first in the country and required lot of time in finalization of RFP and SRS before award of contracts. Further it was replied that the bid documents approved by PFC does not provide for charging interest on the mobilization advance. It was also replied that there is no practice of including indemnifying clause in the agreement. The reply is not acceptable as indemnifying clause should be included in the agreement to protect its financial interest of the companies.

[♣] APCPDCL: Interest on advance of ₹ 7.84 crore @ 11 *per cent* for three months up to March 2011 - ₹ 7.84 crore X 11/100 X 3/12 = ₹ 21.56 lakh.

SCADA Project

2.1.15.4 APEPDCL took up (December 2006), before launching of R-APDRP scheme, a pilot project of installation SCADA system in 50 sub-stations of Visakhapatnam circle and awarded the work at a cost of ₹ 4.98 crore in December 2006 to ABB, Mumbai to be completed in 12 months. For creation of communication network to the proposed SCADA project a separate contract was awarded to BSNL. The SCADA project was not completed till date due to technical problems. Due to dispute with the contractor the contract of ABB was terminated (December 2010) after encashment of his Bank guarantee amounting to ₹ 50 lakh. APEPDCL replied that apart from technical problems in ABB contract, non-maintenance of consistency and stability in the BSNL network caused problems to SCADA project. The reply is not acceptable as the main reason for technical problem was non-provision of desired earth resistance at work site by APEPDCL. We observed that the expenditure of ₹ 8.60 crore incurred on the project over a period of four years remained un-fruitful, besides depriving the APEPDCL of the envisaged benefits under SCADA.

APEPDCL incurred unfruitful expenditure of ₹ 8.60 crore due to failure in implementation of SCADA project.

Un-fruitful expenditure of ₹ 4.61 crore on establishment of IT enabled system

2.1.15.5 In order to enhance the efficiency of distribution system and reduce the T&D losses, APEPDCL took up IT enabled system works and entered into three contracts viz., first one with M/s GECE in May 2004 for Geographical Information System (GIS) based consumer indexing, asset coding survey and installation of hard ware in 29 towns of five circles with targeted completion by Feb 2005 at a cost of ₹ 3.42 crore; second one with Rolta, Mumbai in September 2005 for installation of GIS software at a cost of ₹ 1.66 crore to be completed by March 2006 and the third one with TCS under R-APDRP scheme in May 2010 for complete installation of hardware and software for GIS based consumer indexing and asset coding in all the 29 towns.

The first contract with M/s GECE was short closed in March 2008 after partial execution of work valued at ₹ 2.36 crore out of ₹ 3.42 crore agreed value; the second contract with M/s Rolta was executed with a delay of six years against targeted completion of six months at a value of ₹ 2.25 crore against enhanced agreement value of ₹ 2.55 crore and the third contract with TCS is a repeat project of consumer indexing and asset coding at a value of ₹ 26 crore which is under execution.

Audit observed that i) the incomplete survey and delayed consumer indexing by GECE (the first contractor) in turn affected the second contract awarded to Rolta which was delayed inordinately with repeated time extensions. The second contract was terminated at incomplete stage. ii) by the time the work was decided to be taken up through TCS the consumer indexing and mapping already done by Rolta became obsolete.

Incomplete survey and inordinate delay in implementation resulted in infructuous expenditure of ₹ 4.61 crore.

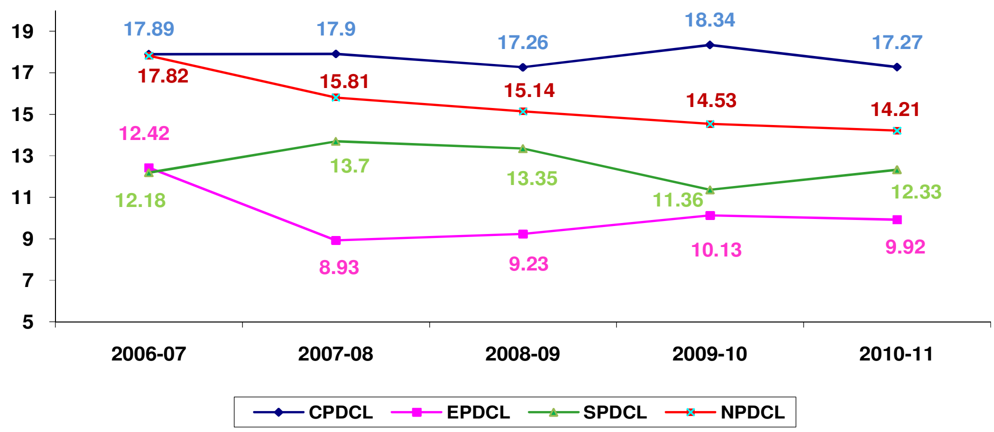
APEPDCL replied that the field engineers would utilize the GIS software developed by M/s Rolta for day to day work. The reply is not tenable since entire work is again taken up by TCS and due to incomplete execution, the expenditure of ₹ 4.61 crore incurred on first two contracts has become infructuous.

Strengthening of sub-transmission and distribution system

2.1.15.6 Against total Project Cost of ₹ 826.91 crore (APCPDCL: ₹ 823.91 crore; APEPDCL: ₹ 3 crore) for implementation of Part-B of R-APDRP, PFC released an amount of ₹ 124.08 crore (APCPDCL: ₹ 123.58 crore, APEPDCL: ₹ 0.50 crore,-July/September 2010). Both the companies are yet to implement projects resulting in non-utilisation of funds. Undue delay in taking up the works under R-APDRP Scheme would result in non-reduction in AT&C losses in APCPDCL as discussed in subsequent paragraphs.

Aggregate Technical & Commercial Losses

2.1.15.7 One of the prime objectives of R-APDRP Scheme was to strengthen the distribution system with the focus on reduction of Aggregate Technical & Commercial losses (AT&C losses) on sustainable basis. Main objective of implementing the R-APDRP scheme is to reduce AT&C losses below the level of 15 *per cent*. The graph below depicts the AT&C losses over the review period in the four DISCOMs for five years ending 31st March 2011.



It could be seen from the above line graph that except in case of APCPDCL where the AT&C losses ranged from 17.26 to 18.34 *per cent,* all other DISCOMs maintained the AT&C losses below 15 *per cent.*

Consumer metering

2.1.15.8 Attainment of 100 *per cent* metering was one of the objectives of the R-APDRP scheme. However, in respect of all the DISCOMs metering programme under the scheme was not taken up so far inspite of having 27.70 lakh un-metered agricultural consumers (LT Category V) as on 31 March 2011.

Operational Efficiency

2.1.16 The operational performance of the DISCOMS is judged on the basis of availability of adequate power for distribution, adequacy and reliability of distribution network, minimizing line losses, detection of theft of electricity, etc. These aspects have been discussed below.

Purchase of Power

2.1.17 Assessment of future demand and requirement of power is calculated on the basis of past consumption trends, present requirement, load growth trends and T&D losses and its trend. APERC approves the sources of purchase of power and the purchase cost based on the estimates made in the ARR. In addition depending on the requirements, additional power purchases are made, out of which some portion will be subsidised by the Government.

The details of demand of power assessed for the State based on the 17 Electric Power Survey (EPS), purchase of power approved by APERC and actual power purchased during the period 2006-07 to 2010-11 in respect of the State as a whole were as under:

(In Million Units)

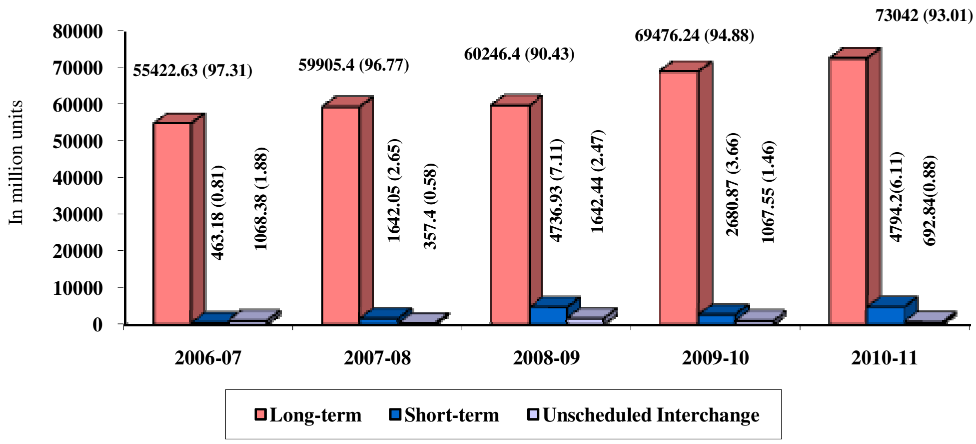
Year	Demand assessed in EPS	Purchases approved by APERC (including Government approved)	Actual Power purchased†	Power Deficit	Excess/ Shortfall in purchase against approved
(1)	(2)	(3)	(4)	(5) = (2– 4)	(6) = (3 – 4)
2006-07	52854	55097.64	56954.19	0	1856.55
2007-08	62338	58042.12	61904.85	433.15	3862.73
2008-09	67967	69365.00	66625.78	1341.22	-2739.22
2009-10	74288	71041.06	73224.66	1063.34	2183.60
2010-11	81404	77861.27	78529.00	2875.00	-667.73

We observed that though the demand for power increased over the years, the actual power purchased was always less than the demand resulting in power deficit ranging between 433.15 MU and 2,875 MU in the last five years. The power purchases by the DISCOMs was more than the approved quantity of APERC resulting in purchase of high cost power to the tune of 7,902.88 MU amounting to ₹ 4,285.76 crore.

For the above purchases, DISCOMs entered into Long term and Short term power purchase agreements with various agencies viz., State Generation Companies, Central PSUs, IPPs, etc., besides Unscheduled Interchange

† Indicates units supplied by generators/ traders into Transmission system.

purchases on need basis. The break-up of the total power purchased into long term, short term and UI was as follows.



Note: figures in brackets indicate percentage of units to total purchased units.

It may be seen from the above graph that the percentage of short term purchases including UI to the total purchases increased from 2.69 (2006-07) to 9.58 *per cent* (2008-09), which however decreased to 6.99 *per cent* in 2010-11 indicating that the Company did not have proper plans for long-term purchases at a cheaper rate and instead depended on the short term purchases and Unscheduled Interchange (UI) at higher rates, which ultimately burdened the consumers.

The source-wise purchase of power during review period in respect of the State is given in the **Annexure-11**.

We observed that the average purchase cost per unit increased from ₹ 1.98 in 2006-07 to ₹ 2.89 in 2010-11 (45.95 *per cent*). We also observed that while the quantum of purchase of power registered an increase of 37.88 *per cent,* the increase in corresponding cost of power purchase registered 101.72 *per cent* during 2006-11 indicating purchase of power from traders including UI at higher cost per unit ranging between ₹ 4.95 (2006-07) to ₹ 7.15 (2008-09).

Non-realization of Cross subsidy surcharge from Captive Power Plants

2.1.18 As per Section 42 of Electricity Act 2003 and Rule 3(a) of Electricity Rules 2005, any captive generator shall consume 51 *per cent* of generation for its own use. In the case of below 51 *per cent* captive consumption, a captive user has to pay cross subsidy surcharge (CSS) to the distribution Licensee for the energy drawn from CPP in accordance with Section 42 of the Electricity Act, 2003. The CSS is determined by APERC in its tariff orders from year to year.

APCPDCL

APCPDCL failed to levy and collect cross subsidy surcharge of ₹ 12.31 crore from Captive Power plants.

2.1.18.1 We observed that three captive consumers of Penna Cements have consumed less than 51 *per cent* of the captive generation and wheeled the balance power to DISCOMs, which attracted levy of CSS of ₹ 12.96 crore. However the Company raised (June 2011) CSS for ₹ 0.65 crore for the period April and May 2010 only. Thus, the Company has extended undue benefit by not raising demand for CSS for the remaining 10 months amounting to ₹ 12.31 crore (₹ 12.96 crore - ₹ 64.68 lakh).

Non-levy of maintenance expenses for interconnection facilities on Non-Conventional Energy (NCE) Power Plants

2.1.18.2 The interconnecting facilities viz., bus bar, switch yard etc., at the generating stations of Non-Conventional Energy Power (NCE) Plants were being maintained by DISCOMs. As per terms and conditions of PPA (article 3.3) entered into by DISCOMs with the NCE plants, maintenance expenses for interconnection facilities were to be paid from commercial operation date (COD). However, we observed that action was not taken to get reimbursement of the maintenance charges so far, resulting in non-realisation of ₹ 3.01 crore.[‡] Both APCPDCL and APEPDCL agreed and issued notices at the instance of audit for recovery of maintenance expenses, which are yet to be recovered (August 2011).

Excess Transmission losses borne by DISCOMs

2.1.18.3 Transmission loss is the difference between energy received from the generating station to the transmission network and energy sent to DISCOMs. As per the APERC directions, the transmission losses as approved by the Commission shall be borne by the DISCOMs. During the review period the Transmission losses ranged between 4.76 (2007-08) to 5.97 (2008-09) *per cent* against the APERC approved norms of 4.02 (2010-11) to 4.45 (2006-07) *per cent*. Thus, due to inefficiency of APTRANSCO all the four DISCOMs suffered revenue loss of ₹ 1,120.08 crore due to short receipt of 3,733.60 MU.

Sub-transmission & Distribution Losses

2.1.19 The losses at 33 KV stage are termed as sub-transmission losses while those at 11 KV and below are termed as distribution losses. The losses occur mainly on two counts, i.e., technical and commercial. Technical losses occur due to inherent character of equipment used for transmitting and distributing power and resistance in conductors through which the energy is carried from one place to another. On the other hand, commercial losses occur due to theft of energy, defective meters and drawal of un-metered supply, etc. The loss of energy on account of these factors must be kept at bare minimum.

[‡] APCPDCL: ₹ 0.68 crore from 41 generators; APEPDCL: ₹ 0.24 crore from 15 generators; APSPDCL: ₹ 2.10 crore from 55 generators.

The table below indicates the energy losses in respect of the State for last five years up to 2010-11 (DISCOM wise details are given in **Annexure-12**).

Sl. No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
1.	Energy purchased[§] (MU)	53982.74	57373.87	62706.95	69398.22	72951.54
2.	Energy sold (MU)	45314.19	48791.88	53626.14	59664.99	63304.78
3.	Energy losses (1 – 2) (MU)	8668.55	8581.99	9080.81	9733.23	9646.76
4.	Percentage of energy losses (*per cent*) {(3 / 1) x 100}	16.06	14.96	14.48	14.03	13.22
5.	Percentage of losses allowed by SERC (*per cent*)	DISCOM wise details vide Annexure-12				
6.	Excess losses (in MU) Details in annexure-12	37.04	427.87	850.02	1891.72	1578.01
7.	Average realisation rate per unit (in ₹)	DISCOM wise details vide Annexure-12				
8.	Value of excess losses (₹ in crore) (details in Annexure-12)	5.74	131.10	329.03	670.20	598.88

Loss of ₹ 1,734.95 crore on account of failure to control distribution losses within permissible limits.

We observed that losses in the State as whole ranged between 13.22 (2010-11) and 16.06 *per cent* (2006-07) during the last five years ending 31 March 2011. We further observed that 94 *per cent* value of excess loss relates to APCPDCL.

Overloading of HT lines

APCPDCL

2.1.19.1 Each 33 KV feeder will have a maximum thermal load limit (TLL) of 300 amps. Scrutiny of the load flow data on the 33 KV feeders revealed that, 130 out of 727 feeders in APCPDCL were loaded above the maximum permissible TLL of 300 amps. Loading of the lines beyond capacity resulted in voltage fluctuations, higher distribution losses and 3,17,999 numbers of interruptions and 21,933 numbers of breakdowns.

APCPDCL replied that Sufficient number of 33/11 KV lines are being laid to reduce the overloading of the feeders.

APEPDCL

2.1.19.2 In APEPDCL out of 298 nos. of 33KV feeders existing as on 31 March 2011, 18 numbers feeders recorded more than 100 *per cent* load and 90 numbers feeders recorded between 80 to 100 *per cent* load. Further, out of 2,179 numbers 11 KV feeders existing at the end of March 2011, 172 feeders had recorded more than 100 *per cent* load whereas 306 feeders recorded loads between 80 to 100 *per cent*. Overloading of lines resulted in higher distribution losses, interruptions (71,874 numbers) for 66,159 hours and breakdowns (9,927 numbers) for 20,730 hours.

Performance of Distribution Transformers

2.1.19.3 APERC had not fixed any norm for failures of DTRs. However, the Companies were fixing internal norms for failure of DTRs. The details of

[§] Indicates units received into Distribution system excluding transmission losses.

norms fixed, actual DTRs failed and the expenditure incurred on their repairs in respect of APCPDCL and APEPDCL is depicted in the **Annexure-13.**

We observed from the annexure that there were excess failure of DTRs above the norms ranging from 4.24 to 9.76 *per cent* in APCPDCL (2006-11), while in APEPDCL these were 0.16 and 2.48 *per cent* in 2007-08 and 2010-11 respectively. Both the companies incurred ₹ 117.02 crore (APCPDCL: ₹ 101.09 crore; APEPDCL: ₹ 15.93 crore) on repairs to DTRs during the review period, out of which ₹ 38.62 crore (APCPDCL: ₹ 34.45 crore; APEPDCL: ₹ 4.17 crore) was incurred on DTRs failed in excess of the norms. Failure of DTRs could be minimized by preventive maintenance and avoiding overloading of the same. Cause-wise analysis of failure of DTRs revealed that the percentage of failure due to over-loading ranged between 14.44 to 24.64 *per cent* in respect of APCPDCL and 13.81 to 26.98 *per cent* in respect of APEPDCL during the years under review as shown in the table below:

Year	Name of Company	Total Number of DTRs failed during the year	Number of failures due to over-loading	Percentage of failures due to over-loading
2006-07	CPDCL	37819	9319	24.64
	EPDCL	2554	422	16.53
2007-08	CPDCL	38891	5616	14.44
	EPDCL	2238	471	21.05
2008-09	CPDCL	37525	8785	23.41
	EPDCL	1684	454	26.98
2009-10	CPDCL	38838	9512	24.49
	EPDCL	5070	700	13.81
2010-11	CPDCL	40151	9892	24.63
	EPDCL	4612	612	13.27

APCPDCL

2.1.19.4 On scrutiny of the load flow details of the DTRs in APCPDCL we observed that out of 2,50,345 DTRs existing to the end of 31 March 2011, 1,16,161 nos. were loaded between 80 to 100 *per cent* and 10,549 nos. were loaded beyond 100 *per cent* capacity as against targeted maximum load of 80 *per cent*. Further, detailed analysis of three selected circles in APCPDCL revealed that failure apart from overloading were due to poor maintenance, low oil and bad lines which could be controlled by undertaking timely preventive maintenance which accounted for 56,144 i.e., 36.67 *per cent* of the total failures (other than manufacturing defects) during the review period in these circles.

APCPDCL replied that due to unauthorized agricultural connections the DTRs are overloaded and added that several preventive maintenance steps are taken to reduce overloading of DTRs. The reply is not acceptable, as preventive maintenance of DTRs stated to have been taken by the Management has not shown any results.

2.1.19.5 In APEPDCL, DTR failure percentage due to overloading has increased from 16.53 to 26.98 *per cent* upto 2008-09 but decreased to 13.27 *per cent* in 2010-11. However, an analysis of circle wise position indicated that the DTR failures due to overloading was very high in Srikakulam circle and ranged between 49.75 to 65.22 *per cent* and was on increasing trend during review period. Further, cause-wise analysis of DTR failures revealed that the incorrect load balancing of DTRs (8.54 to 15 *per cent*), low level of oil (4 to 8 *per cent*) and bad tree clearance (9 and 23.24 *per cent*) also resulted in the DTR failures during the years from 2006-07 to 2010-11.

APEPDCL stated that action is being taken for balancing of loads on DTRs and procurement of additional DTRs etc., and also stated high failure rate of DTRs in Srikakulam circle was due to floods and cyclone and instructions for balancing were issued from time to time. Apart from overloading, the cause-wise analysis of DTR failures revealed that absence of preventive maintenance resulted in more failures.

Delay in repair of Distribution Transformers

2.1.19.6 APCPDCL and APEPDCL undertake repair of damaged transformers both in-house and through outside agencies also. Further, as per the general terms and conditions of purchase order, the suppliers were required to guarantee the performance of DTRs for 5 years from the date of supply/ installation. DTRs failed within guarantee period were required to be replaced/ repaired in 60 days. There were 7,718 DTRs (APCPDCL: 5,750; APEPDCL: 1,968) which failed within the guarantee period and were awaiting repair/ replacement at the end of 2010-11.

Capacitor Banks

2.1.20 Capacitor bank (CB) improves power factor by regulating the current flow and voltage regulation. In the event of voltage falling below normal, the situation can be set right by providing sufficient capacity of CBs to the system as it improves the voltage profile and reduces dissipation of energy to a great extent thereby saving loss of energy. The position as regards CBs in respect of APCPDCL and APEPDCL is shown in the **Annexure-14**.

The AP Grid code (3.2.12.5) states the DISOCMs shall install capacitors at various locations of the distribution system so that the PF is not less than 90 *per cent* which was not done as required.

2.1.20.1 We observed that APCPDCL has not fixed any targets but adopted the actually installed number of CBs in a year as the target for that year. Though the Company installed 2,038 CBs (600 KVAR; 2 and 5 MVAR) for a total capacity of 2,664.2 MVAR, there was shortage in reactive energy ranging between 439 (2009-10) and 248 (2006-07) MVAR during 2006-11, due to non-working of 1,064 CBs (791 MVAR), which were old and became defective. This led to loss of energy saving of 22.02 MU valued at ₹ 7.71 crore. Similarly, in APEPDCL against the targeted addition of the capacitor banks of 300 MVAR the actual addition was only 217 MVAR, which led to loss of targeted energy savings of 0.82 MU valued at ₹ 24.77 lakh. Further, the Companies also incurred additional expenditure of ₹ 2.50 crore towards reactive energy compensation charges.

Commercial losses

2.1.21 The majority of commercial losses relate to consumer metering and billing besides pilferage of energy. While the metering and billing aspects have been covered under implementation of R-APDRP scheme and billing efficiency, respectively, the other observations relating to commercial losses are discussed below.

High incidence of theft

2.1.22 Substantial commercial losses are caused due to theft of energy by tampering of meters by the consumers and unauthorised tapping/ hooking by the non-consumers. As per section 135 of Electricity Act 2003, theft of energy is an offence punishable under the Act.

The targets for number of checkings, theft cases, assessed amount and amount realized there against in respect of APCPDCL and APEPDCL are given in **Annexure-15.** An analysis of the annexure revealed the following:

2.1.22.1 We observed that both APCPDCL and APEPDCL did not provide for any targets for inspection of services, assessment and realisation of amounts by checking and yard stick for checking of services. As against the assessed amount of ₹ 24.20 crore and ₹ 10.88 crore booked on theft cases, only ₹ 10.85 crore and ₹ 7.20 crore was realized, respectively, which indicate lack of effective persuasion for realisation.

Performance of Raid Team

2.1.22.2 In order to minimise the cases of pilferage/ loss of energy and to save the Company from sustaining heavy financial losses on this account, Section 163 of Electricity Act 2003, provides that the licensee may enter in the premises of a consumer for inspection and testing the apparatus. Vigilance Wing in the DISCOM consists of Chief Vigilance Officer of the rank of Superintendent of Police/ Additional Superintendent of Police having the powers of the Police Station for investigation over his jurisdiction. Each Operation Circle has one Anti Power Theft Squad (APTS) and one Detection of Pilferage of Energy (DPE) Wing. The DPE wing prepares work plan to conduct raids by identifying such consumers/areas where large scale theft was suspected based on the energy audit reports. The DPE wing assists the raid teams during inspections. Following is the position of raids conducted during the review period in respect of APCPDCL and APEPDCL.

(Amount ₹ in crore)

Year	Company	Total number of consumers as on 31 March	No. of consumers checked	Assessed amount	Realised amount	Un-realised amount	Percentage of checking to total No. of consumers
2006-07	CPDCL	5486545	236350	0.44	0.24	0.20	4.31
	EPDCL	3554312	37903	11.28	3.77	7.51	1.06
2007-08	CPDCL	5822215	175994	9.88	6.29	3.59	3.02
	EPDCL	3797331	49238	10.17	4.85	5.32	1.30
2008-09	CPDCL	6273279	183301	31.89	20.74	11.14	2.92
	EPDCL	4095755	51807	22.25	14.35	7.90	1.27
2009-10	CPDCL	6671407	209480	35.45	22.04	13.40	3.14
	EPDCL	4348110	43002	18.46	13.32	5.14	0.99
2010-11	CPDCL	7021703	188018	28.00	12.45	15.54	2.68
	EPDCL	4603600	36539	33.66	19.56	14.11	0.79

It may be seen from the above table that the percentage of unrealised amount against assessed amount was fluctuating and ranged between 34.93 (2008-09) and 55.50 *per cent* (2010-11) in APCPDCL & 27.84 (2009-10) and 66.58 *per cent* (2006-07) in APEPDCL indicating poor persuasion. At the same time the percentage of checking of number of consumers also decreased from

4.31 in 2006-07 to 2.68 *per cent* in 2010-11(APCPDCL) and from 1.06 in 2006-07 to 0.79 *per cent* in 2010-11 (APEPDCL). This shows that there was need to conduct more raids in respect of both the DISCOMs to drastically reduce theft of energy.

APEPDCL replied that targets were fixed for conducting inspections on annual basis but did not clarify reason for reduction in percentage of checking the consumers and audit suggestion were accepted to be followed scrupulously in future.

Financial Position and Working Results

2.1.23 One of the major aims and objectives of the National Electricity Policy of 2005 is ensuring Financial Turnaround and commercial viability of electricity sector. The tables below summarize the financial position and working results of two selected DISCOMs for the period from 2006-07 to 2010-2011. (The details in respect of APSPDCL and APNPDCL were given in **Annexure-16** and **Annexure-17**).

A. Financial Position

(₹ in crore)

Particulars	CPDCL					EPDCL				
	2006-07	2007-08	2008-09	2009-10	2010-11	2006-07	2007-08	2008-09	2009-10	2010-11
A. Liabilities										
Paid- up Capital	728.48	728.48	728.48	728.48	728.48	121.23	121.23	121.23	121.23	121.23
Reserve & Surplus **	750.09	937.75	1118.66	1264.17	1383.01	492.57	534.96	773.81	803.28	896.83
Borrowings										
Loans	1242.46	1449.92	2608.22	3895.99	5510.23	707.73	828.63	1715.63	2012.22	3187.88
Current Liabilities & Provisions	2763.75	2624.36	3954.92	4630.27	5563.76	896.23	951.29	1177.85	1511.91	1639.70
Total	**5484.78**	**5740.51**	**8410.28**	**10518.91**	**13185.48**	**2217.76**	**2436.11**	**3788.52**	**4448.64**	**5845.64**
B. Assets										
Gross Block	3170.98	3807.74	4433.91	5124.12	5783.18	1809.33	2061.31	2396.75	2649.96	2856.36
Less: Depreciation	1543.66	1777.36	2037.96	2333.26	2659.58	789.81	819.24	973.2	1141.6	1317.61
Net Fixed Assets	**1627.32**	**2030.38**	**2395.95**	**2790.86**	**3123.60**	**1019.52**	**1242.07**	**1423.55**	**1508.36**	**1538.75**
Capital works-in-progress	650.19	620.39	609.73	605.33	696.07	186.52	186.75	194.11	192.17	181.6
Investments	22.52	24.12	24.12	24.14	86.95	9.41	9.41	9.23	25.55	70.84
Current Assets, Loans and Advances	2949.19	2841.41	5193.46	6911.46	9100.02	1002.31	997.88	2161.63	2722.56	4054.45
Accumulated losses	235.56	224.21	154.21	117.74	114.62	0	0	0	0	0
Deferred tax	-	-	32.81	69.38	64.22	-	-	-	-	-
Total	**5484.78**	**5740.51**	**8410.28**	**10518.91**	**13185.48**	**2217.76**	**2436.11**	**3788.52**	**4448.64**	**5845.64**
Debt equity ratio	**1:1**	**1.01:1**	**1.54:1**	**2.08:1**	**2.76:1**	**1.15:1**	**1.26:1**	**1.92:1**	**2.18:1**	**3.13:1**
Net worth	**1243.01**	**1442.02**	**1692.93**	**1874.91**	**1996.88**	**613.80**	**656.19**	**895.04**	**924.51**	**1018.06**

** Reserves and surplus includes capital grants but excludes depreciation reserve.

B. Working results

(₹ in crore)

Sl.No.	Description	CPDCL					EPDCL				
		2006-07	2007-08	2008-09	2009-10	2010-11	2006-07	2007-08	2008-09	2009-10	2010-11
1	**Income**										
(i)	Sale of Power	4978.04	5871.64	6475.85	7811.67	9860.06	2236.39	2609.02	2735.75	2982.75	3472.09
(ii)	subsidy & grants	498.65	1108.00	3371.74	2262.65	1601.57	8.27	0	671.54	887.97	857.66
(iii)	Other income	221.39	425.37	396.72	515.06	571.03	78.01	122.30	126.85	113.11	141.08
	Total Income	**5698.08**	**7405.01**	**10244.31**	**10589.38**	**12032.67**	**2322.67**	**2731.32**	**3534.14**	**3983.83**	**4470.83**
2	**Expenditure on Distribution of Electricity**										
(a)	**Fixed cost**										
(i)	Employees cost	307.64	388.7	357.93	380.06	625.18	165.65	210.07	209.60	255.86	429.75
(ii)	Administrative and General expenses	68.94	60.67	71.75	71.17	86.93	37.33	39.91	40.47	46.79	49.42
(iii)	Depreciation	198.76	233.69	260.92	295.30	326.32	139.04	111.82	157.63	168.43	179.66
(iv)	Interest and finance charges	223.15	121.74	273.97	461.06	579.93	103.5	118.51	124.07	171.98	186.31
(v)	Other Expenses	51.54	698.76	398.49	121.83	96.47	1.73	19.99	2.62	3.93	2.39
	Total fixed cost	**850.03**	**1503.56**	**1363.06**	**1329.42**	**1714.83**	**447.25**	**500.3**	**534.39**	**646.99**	**847.53**
(b)	**Variable cost**										
(i)	Purchase of Power	4935.97	5797.58	8666.29	9105.90	10173.80	1939.74	2252.47	2953.09	3305.67	3589.41
(ii)	Repairs & Maintenance	79.89	102.73	116.29	151.34	137.80	11.19	13.46	22.91	13.90	17.86
	Total variable cost	**5015.86**	**5900.31**	**8782.58**	**9257.24**	**10311.06**	**1950.93**	**2265.93**	**2976**	**3319.57**	**3607.27**
(c)	**Total cost 3(a) + (b)**	**5865.89**	**7403.87**	**10145.64**	**10586.66**	**12025.92**	**2398.18**	**2766.23**	**3510.39**	**3966.56**	**4454.8**
	Profit/loss	**-167.81**	**1.14**	**98.67**	**2.72**	**6.75**	**-75.51**	**-34.91**	**23.75**	**17.27**	**16.03**

2.1.24 The financial viability of the DISCOMs are generally influenced by the various factors such as

a) Timely revision of tariff;

b) Adequacy of revision of tariff to cover the cost of operation;

c) Timely release of promised subsidy by the Government;

d) Cross subsidization policy of the Government and its implementation by the DISCOMs;

e) The Financial Management of DISCOMs; and

f) The Revenue billing and collection efficiency.

Each of these factors are discussed in the following paragraphs.

a) Timely revision of tariff

2.1.24.1 The tariff structure of the power distribution companies is subject to revision and approval by the APERC after the objections, if any, received against Aggregate Revenue Requirement (ARR) petition filed by them within the stipulated dates. Each DISCOM was required to file the ARR for each year

120 days before the commencement of the respective financial year. The APERC accepts the ARR filed by the Company with such modifications/ conditions as may be deemed just and appropriate and after considering all suggestions and objections from public and other stakeholders.

Delay in filing ARR resulted in loss of revenue of ₹ 187.28 crore and avoidable payment of ₹ 47.69 crore towards load factor incentive.

We observed that all the DISCOMs delayed the filing of ARR by 30 days in 2006-07 and 140 days in 2010-11. Though the delay did not affect the Tariff Order coming into effect in 2006-07, delayed filing of ARR by 140 days in 2010-11 resulted in delay in issue of Tariff Order by four months (August 2011). Consequently, APCPDCL and APEPDCL suffered loss of revenue of ₹ 136.12 crore and ₹ 51.16 crore, respectively due to billing in respect of some Categories (against which Tariff was hiked for 2010-11) at Old Tariff rates for the period 1 April 2010 to 31 July 2010. We further observed that due to delayed implementation of new tariff, both APCPDCL and APEPDCL incurred an avoidable expenditure of ₹ 42.74 crore and ₹ 4.95 crore respectively as load factor incentive allowed to HT consumers for the first four months which was removed in the new tariff order. Further, the companies allowed excess HT incentive since 2002 to December 2009 to the extent of ₹ 4.88 crore (APCPDCL: ₹ 1.80 crore; APEPDCL: ₹ 3.08 crore) which was to be recovered as per APERC directions. Both the companies agreed to recover the excess HT incentive from the consumers.

APCPDCL and APEPDCL attributed the delay in filing of ARR to non-availability of data on energy requirement for Lift Irrigation (LI) schemes in the State. However, they could have assessed the energy requirement of LI schemes based on the capacities declared in the project reports, to avoid delays in filing ARR, keeping in view the substantial impact on revenues due to delay in implementation of new tariff. Thus, the delay in filing of ARR and its implementation deprived a total revenue of ₹ 178.86 crore in case of APCPDCL and ₹ 56.11 crore in case of APEPDCL.

2.1.24.2 We observed that both APCPDCL and APEPDCL earned profits during the review period except for the year 2006-07 when APCPDCL suffered a loss of ₹ 167.81 crore and for the years 2006-07 and 2007-08 APEPDCL suffered loss of ₹ 75.51 crore and ₹ 34.91 crore respectively.

We further observed that in both APCPDCL and APEPDCL power purchase, employee cost and interest and finance charges constituted the major elements of cost in 2010-11 which represented 84, five and five *per cent* and 80, 10 and four *per cent,* respectively, of the total cost in the year. On the other hand sale of power, subsidy and other income constituted the major elements of revenue which represented 82, 13 and five *per cent* and 78, 19 and three *per cent,* respectively, of the total revenue.

b) Timely release of promised subsidy by the Government

2.1.24.3 As per Section 65 of Electricity Act 2003, the Government was required to pay in advance the subsidy element to the DISCOMs so that their operation is not financially affected.

The Government released ₹ 4,513.63 crore and ₹ 842.57 crore to APCPDCL and APEPDCL, respectively, during the last five years, which was delayed by 13 days to 145 days against the advance release. Though the Government has released the subsidy allowed in the tariff orders to the DISCOMs, there were heavy arrears of subsidy yet to be released as discussed in the subsequent para.

2.1.24.4 As per the directives of GoAP, issued from time to time, to ensure adequate and quality power supply in the State by all means, if necessary, by means of need based power purchases (the cost of which would be reimbursed by GoAP in the next financial year), DISCOMs resorted to purchase of high cost power from inter state power traders at high rates ranging between ₹ 4.46 and ₹ 7.15 per unit (as against average cost of purchase of ₹ 1.98 to ₹ 2.89 per unit) during 2006-11. Subsidy towards purchase of high cost power alarmingly increased from ₹ 617 core in 2006-07 to ₹ 6,542 crore in 2008-09, which stood at ₹ 1,619 crore in 2010-11, in respect of all the four DISCOMs.

Further, as against the total subsidy claim (including tariff subsidy) of ₹ 10,415.87 crore (APCPDCL: ₹ 8,856.83 crore; APEPDCL: ₹ 1,559.04 crore) during 2006-11, only ₹ 5,356.13 crore (APCPDCL: ₹ 4,513.63 crore; APEPDCL: ₹ 842.50 crore) was actually paid by State Government leaving a balance of ₹ 5,059.74 crore as detailed below.

(₹ in crore)

Particulars	CPDCL					EPDCL				
	2006-07	2007-08	2008-09	2009-10	2010-11	2006-07	2007-08	2008-09	2009-10	2010-11
Opening balance	-	-	-	2325.48	3561.81	-	-	-	544.54	716.54
Add: Due from State Government during the year	498.65	1108	3378.45	2270.17	1601.56	8.27	-	671.54	606.64	272.66
Less: Received during the year	498.65	1108	1052.97	1033.84	820.17	8.27	-	127.00	434.64	272.66
Closing balance	-	-	2325.48	3561.81	4343.20	-	-	544.54	716.54	716.54

Non-release of subsidy of ₹ 5059.74 crore by State Government resulted in increase in borrowings.

The DISCOMs have financed purchase of power at high cost through short term borrowings. The loan funds and current liabilities of APCPDL have increased from ₹ 4,006.21 crore in 2006-07 to ₹ 11,073.99 crore in 2010-11 similarly in case of APEPDCL, they have increased from ₹ 1,603.96 crore in 2006-07 to ₹ 4,827.58 crore in 2010-11. Both APCPDCL and APEPDCL while accepting the audit observation did not mention any measures proposed for improvement of the situation.

c) Cross subsidization policy of the Government and its implementation

2.1.24.5 Section 61 of Electricity Act 2003 stipulates that the tariff should progressively reflect the average cost of supply (ACoS) of electricity and also reduce cross subsidy in a phased manner as specified by the Commission. National Tariff Policy envisaged that the tariff of all categories of consumers should range within plus or minus 20 *per cent* of the ACoS by the year 2010- 2011.

The position as regards cross-subsidies in various major sectors in respect of four DISCOMs is depicted in the **Annexure-18.**

2.1.24.6 It could be observed from the Annexure that in APCPDCL, while the cross subsidy in respect of domestic category is within the prescribed limit of 20 *per cent* of ACoS, in respect of commercial and industrial categories, the variation is high ranging from 116.3 to 242.48 *per cent*. The agriculture category is subsidized but the cross subsidy is borne more by the commercial and industrial consumers.

APCPDCL replied that due to non-increase of power Tariffs, DISCOMs are not able to maintain the level of 20 *per cent* of ACoS but efforts are made to reduce the deviations from NEP.

2.1.24.7 It could be observed from the Annexure that in APEPDCL cross subsidy of Domestic Consumers was reduced to 6.98 *per cent* in 2008-09 from 26.2 *per cent* in 2006-07 but increased to 24.12 *per cent* in 2009-10 and 26.58 *per cent* in 2010-11, whereas realization of revenue as a percentage of ACoS from commercial and industrial consumers ranged between 103.59 and 213.15 *per cent,* respectively.

APEPDCL replied that reduction of cross subsidy levels was the prerogative of APERC and DISCOM would obey the orders. The reply was not acceptable as the tariff has been revised by the Commission every year. Though the level of cross subsidy is determined by the Commission on the directions of Government, as per Section 108 of the Electricity Act, the Government and Commission's decision about the cross subsidy should have been guided by the spirit of Section 61 of the Electricity Act, 2003 and para 8.3(2) of National Tariff Policy.

d) The financial management of DISCOMs

2.1.24.8 As evident from the declining debt equity ratio of APCPDCL and APEPDCL, the companies started relying on borrowed funds for their management than their own generation of surplus from core activities. Some of the instances of bad financial management are detailed below:

Incorrect communication of agricultural dues resulted in loss of ₹ 7.56 crore

APCPDCL

2.1.24.9 As against the amount of ₹ 577.65 crore reimbursable by the Government of Andhra Pradesh (GoAP) towards waived agricultural dues the APCPDCL informed only ₹ 570.09 crore to GoAP. The incorrect communication deprived the release of funds to the tune of ₹ 7.56 crore towards waived agricultural dues.

Pool Account Settlement

APEPDCL

2.1.24.10 The sister DISCOMs of AP owe an amount of ₹ 1,446.42 crore to APEPDCL towards cost of Power drawals from the Company upto 2010-11 on account of imbalance pool settlement. Non-realization of heavy dues from the sister DISCOMs pending since 2005-06 had an adverse impact on the financial health of APEPDCL which is resorting to borrowings at higher rates of interest, while the Company did not earn any interest on the pool imbalance dues.

e) The revenue billing and collection efficiency

Incorrect estimation of agricultural consumption

2.1.24.11 In accordance with APERC direction (June 2001) DISCOMs prepared a database (as per 2001 census) showing the details of number of mandals where agricultural consumption took place, number of agricultural pump sets in each mandal and connected load of each agricultural pump set. On the basis of readings obtained from meters fixed at selected DTRs in selected villages in each mandal, agricultural consumption is arrived at after extrapolation for the entire population of pump sets duly making adjustments for LT line losses.

2.1.24.12 A test check of the records in APCPDCL revealed that out of 6,277 sample DTR meters, readings were taken only from 4,475 DTR meters as the remaining were not working rendering the assessed agricultural consumption unrealistic/ unreliable. Consequently APERC was admitting assessed consumption in respect of number of agricultural connections as per 2001 census only (8.58 lakh services) though the number of services were increased year after year which stood at 9.94 lakh services by the end of March 2011. This resulted in disallowance of 7,530.51 MU of agricultural consumption valued ₹ 2,519.94 crore by APERC during 2006-11.

Further, the Company in the process of regularising unauthorised agriculture connections, identified 3,41,892 agriculture services during the review period, out of which 2,59,488 services (75.90 *per cent*) were yet to be regularized, on which an amount of ₹ 25.95 crore (at ₹ 1,000 per HP towards development charges) was to be realized. Management replied that constant drive is made to detect the unauthorised agricultural services and to regularize them.

2.1.24.13 A review of the estimated agricultural consumption in APEPDCL revealed that the assessment was done without considering number of inactive pump sets, which resulted in showing excess consumption of agricultural units to the extent of 729.40 MU valued ₹ 273.38 crore for the period 2007-11 (up to January 2011).

APCPDCL replied that the new methodology suggested by APERC is under implementation for realistic assessment of agricultural consumption.

Non-filing of Fuel Surcharge Adjustment (FSA) claim in time

2.1.24.14 As per Section 62(4) of Electricity Act 2003, additional fuel and power purchase costs have to be passed on to the consumers as Fuel Surcharge Adjustment (FSA). DISCOMs were to work out and file the FSA claim at the end of each quarter to APERC. For the year 2008-09 the DISCOMs filed the

FSA proposals with APERC belatedly in February 2010 i.e., after a delay of 12 to 20 months. Out of approved FSA of ₹ 819.86 crore (APCPDCL: ₹ 538.86 crore; APEPDCL: ₹ 281 crore) recoverable from the consumers, the companies raised demand through monthly bills for ₹ 400.18 crore (APCPDCL: ₹ 235.78 crore; APEPDCL:₹ 164.40 crore) but could recover only ₹ 242.61 crore (APCPDCL: ₹ 174.09 crore; APEPDCL: ₹ 68.52 crore) till March 2011, as claims amounting to ₹ 185.13 crore (APCPDCL: ₹ 132.30 crore; APEPDCL: ₹ 52.83 crore) were disputed and legal cases were filed by consumers. Out of this an amount of ₹ 10.08 crore (APCPDCL: ₹ 9.84 crore; APEPDCL: ₹ 0.24 crore) was irrecoverable as the consumers were not identified.

Delay in filing of FSA claims resulted in loss of ₹ 10.08 crore.

APCPDCL replied that there were delays in collection of data in filing FSA proposals. The reply is not acceptable as huge amounts are involved for collection from consumers, the Company could have arranged for collection of data which was possible with computerization and filed the FSA proposals in time.

Further, FSA claim of ₹ 958.73 crore (APCPDCL: ₹ 677.40 crore; APEPDCL: ₹ 281.33 crore) for the year 2009-10 was filed with APERC with a delay of one to 11 months. For the year 2010-11 FSA claim to the extent of ₹ 1,993 crore (APCPDCL: ₹ 1,408 crore; APEPDCL: ₹ 585 crore) was filed in time but the same is yet to be finalised by the APERC.

Instances of undue favour to consumers in various forms are illustrated below:

Incorrect application of tariff

2.1.25 As per the terms of tariff orders, HT Category-I is applicable to industrial consumers having Contracted Maximum Demand of 70 KVA and above, whose industrial purpose is manufacturing, processing and/or preserving goods for sale. HT Category-II is applicable to those other than above.

2.1.25.1 A review of records in APCPDCL revealed that 15 printing presses (which are not manufacturing, processing and/or preserving goods for sale) were categorized under HT Category-I instead of HT Category-II, while six printing presses having the same nature of business were classified under HT Category-II. Wrong categorisation of the above 15 services, resulted in loss of revenue of ₹ 5.31 crore for the period from April 2006 to March 2011.

Wrong categorization of services led to loss of revenue ₹ 29.96 crore.

2.1.25.2 In APEPDCL, Garrison Engineers, Naval Dockyard, Visakhapatnam, engaged in the activity of ship repairs etc., which is not manufacturing, processing and/or preserving goods for sale, was being billed incorrectly under HT Category-I instead of HT Category-II, which resulted in loss of revenue to the tune of ₹ 24.65 crore for the period from November 2006 to March 2011. APEPDCL replied that necessary clarification with regard to classification of the customer will be sought from the APERC.

Non-collection of Additional Consumption Deposit

2.1.26 APERC issued (May 2004) orders prescribing the initial Security to be deposited by various consumers for getting electricity connection as well as Additional Consumption Deposit (ACD) to be paid by various consumers. As per clause 6 of the order, a security deposit to cover the estimated power consumption for two months was to be determined at the time of connection and to be reviewed every year. The ACD was to be paid by the consumer within 30 days of the notice. If there was a delay in payment of ACD, the consumer was to pay Surcharge there on at 18 *per cent* and in case the Consumer fails to deposit the ACD the supply of the defaulting consumers was to be disconnected.

2.1.26.1 A review of records relating to assessment and collection of ACD for the year 2010-11 revealed that APCPDCL assessed ACD at ₹ 105.74 crore which was to be collected from 2,40,945 consumers. Out of this, the Company collected ₹ 64.66 crore leaving a balance of ₹ 41.08 crore. In respect of APEPDCL as against assessed ACD of ₹ 39.66 crore to be collected from 98,612 consumers, the Company collected ₹ 25.34 crore only from 33,569 consumers leaving a balance of ₹ 14.32 crore.

APCPDCL replied that most of the ACD amount is due from Government and Local bodies and surcharge was also being levied for late payment. APEPDCL replied that uncollected ACD would be included in the next year. However the fact remains that huge amounts of ACD remained uncollected.

Engagement of Private Accounting Agencies (PAAs) despite availability of Energy Billing System

Avoidable expenditure of ₹ 43.55 crore due to continuation of PAAs even after introduction of billing software.

2.1.27 APCPDCL and APEPDCL developed billing application software which enabled, availability of billing data of all the locations of the Companies at centralised location. Main advantage of this IT application software was elimination of Private Accounting Agencies being engaged by the Companies at each section office level for all bill related activities. We observed that both the Companies continued to engage PAAs inspite of introduction of billing software resulting in avoidable expenditure of ₹ 43.55 crore (APCPDCL: ₹ 34.67 crore; APEPDCL: ₹ 8.88 crore) during the period 2006-11.

APCPDCL, while agreeing that the work load to PAAs has been reduced, stated that the reduction of remuneration is under consideration. Reply is not acceptable since the main advantage of implementation of EBS was elimination of engagement of PAAs.

Revenue collection efficiency

2.1.28 As revenue from sale of energy is the main source of income of DISCOM, prompt collection of revenue assumes great significance. The table below indicates the balance due for collection at the beginning of the year, revenue assessed, amount realized and written off during the year and the balance outstanding at the end of the year in respect of APCPDCL and

APEPDCL during last five years ending 2010-11. (In respect of APSPDCL and APNPDCL the outstanding dues are given in **Annexure-19**).

(₹ in crore)

Particulars	CPDCL					EPDCL				
	2006-07	2007-08	2008-09	2009-10	2010-11	2006-07	2007-08	2008-09	2009-10	2010-11
Amount due for realization at the beginning of the year	1179.86	1216.76	1281.37	902.54	1014.01	134.62	145.78	140.82	152.07	208.37
Revenue assessed/billed during the year	5036.93	5955.26	6543.48	7269.92	8848.62	2126.63	2334.04	2534.19	2800.81	3393.89
Total Amount due for realization	6216.79	7172.02	7824.85	8172.46	9862.63	2261.25	2479.82	2675.01	2952.88	3602.26
Amount realized/written off during the year	5000.03	5890.65	6922.31	7158.45	8544.33	2115.47	2339.00	2522.94	2744.51	3287.06
Outstanding at the end of the year	1216.76	1281.37	902.54	1014.01	1318.30	145.78	140.82	152.07	208.37	315.20
Outstanding for more than three years	559.32	664.33	523.57	530.04	392.44	NA	NA	53.56	68.99	73.82
Debts prior to 1999-2000	152.93	142.07	76.79	61.74	41.07	NA	NA	5.83	5.81	4.06
Disconnected Services	230.21	277.73	109.52	101.48	116.19	14.59	10.26	9.45	8.27	9.82
Court cases	220.78	198.67	217.13	248.70	280.97	54.65	59.02	66.11	84.47	163.18
SPSUs/CPSUs	159.37	175.46	54.27	73.40	72.43	Included with state and central government dues				
Local bodies	43.74	53.69	47.19	109.12	236.79	8.34	11.20	15.54	31.19	51.15
State/ Central Government dues	21.23	25.55	81.64	84.14	155.94	7.42	6.66	11.46	22.34	21.64

An analysis of the balances outstanding revealed that

Dues of ₹ 466.26 crore were outstanding for more than three years due to ineffective pursuation.

- Dues outstanding for more than three years amounted to ₹ 466.26 crore (APCPDCL: ₹ 392.44 crore; APEPDCL: ₹ 73.82 crore equivalent to 29 and 23 *per cent* of the total dues) consisting of dues from LT and HT categories. This indicated ineffective pursuasion of old debts.
- Group-wise analysis of debts outstanding as on 31 March 2011 revealed that an amount of ₹ 126.01 crore (APCPDCL: ₹ 116.19 crore; APEPDCL: ₹ 9.82 crore) was due from disconnected services.
- Dues from State/Central Government departments abnormally increased from ₹ 21.23 crore and ₹ 7.42 crore in 2006-07 to ₹ 155.94 crore and ₹ 21.64 crore in 2010-11, in APCPDCL and APEPDCL respectively, registering steep increase of 634.52 and 191.64 *per cent* respectively indicating lack of effective pursuasion at higher management level to realise the huge arrears from Government departments.
- Dues against Local Bodies also increased from ₹ 43.74 crore and ₹ 8.34 crore in 2006-07 to ₹ 236.79 crore and ₹ 51.15 crore in 2010-11 in APCPDCL and APEPDCL, respectively.

Failure to finalise Permanent Disconnection cases

2.1.29 Test check of billing details of LT consumers during 2006-11 revealed that in APCPDCL 398 consumers having arrears of more than ₹ 1 lakh did not deposit their dues of ₹ 8.40 crore for four to 197 months and in APEPDCL arrears of ₹ 1.93 crore was due from 70 consumers for six to 36 months. The supply of these consumers was disconnected temporarily and billing was stopped. The Companies neither disconnected supply permanently nor finalized the accounts of these consumers. This resulted not only in non-realisation of arrears amounting to ₹ 10.33 crore (August 2011), but also risk of unauthorised use/ theft of power.

Consumer Satisfaction

2.1.30 One of the key elements of the Power Sector Reforms was to protect the interest of the consumers and to ensure better quality of service to them. The consumers often face problems relating to supply of power such as non-availability of the distribution system for the release of new connections or extension of connected load, frequent tripping on lines and/ or transformers and improper metering and billing.

The Company was required to introduce consumer friendly actions like introduction of computerized billing, online bill payment, establishment of customer care centers, etc., to enhance satisfaction of consumers and reduce the advent of grievances among them. The billing issues have already been discussed in preceding paragraphs. The redressal of grievances is discussed below:

Redressal of Grievances

2.1.30.1 The APERC specified the mode and time frame for redressal of grievance in Regulation No. 7 of 2004 in pursuance of the Electricity Act 2003. The Commission had also prescribed the standards of Performance for DISCOMs in which the time limit for rendering services to the Consumers and compensation payable for not adhering to the same are specified. The nature of services contained in the Standards inter-alia include line breakdowns, Distribution Transformers failures, period of load shedding/scheduled outages, voltage variations, meter complaints, installation of new meters/connections or shifting thereof, etc.

Consumer Redressal System Existing in the DISCOMs

2.1.30.2 APCPDCL has given wide publicity of the measures and activities of Consumer Grievance Redressal Forum (CGRF) in print and electronic media, apart from conducting Circle level consumers' courts, awareness programmes in sub-station level meetings and 'Rythu Sadassu' (meetings with farmers). The Company provides all inputs required by CGRF to enable its functioning independently and to conduct hearings systematically and regularly in all Circles by providing supporting staff, accommodation for conducting court proceedings. Compliance reports of CGRF orders are being submitted to APERC.

2.1.30.3 APEPDCL has a CGRF and in order to implement proper redressal of complaints relating to supply of meters, New Services Connection, Title Transfer, Category, and bills etc. The Company prepared a Citizen Charter fixing standards of performance such as time limits for each problem within which the complaints were to be solved. Customers can make calls to 155333 to register their Complaints and the same are entered into the system and recorded, then the registered complaints are being forwarded to concerned area of operation (Section) to meet/ attend the problems. The Company also takes Consumer feedback periodically to review the performance of service.

2.1.30.4 To enable the compilation of complaints for assessing the performance on this account, online data was maintained by the Companies. The overall position as regard receipt of complaints and their clearance in respect of APCPDCL and APEPDCL is depicted in the table below (data in respect of APSPDCL and APNPDCL is given in **Annexure-20**).

(in lakh number)

Particulars	2006-07		2007-08		2008-09		2009-10		2010-11	
	CPDCL	EPDCL	CPDCL	EPDCL	CPDCL	EPDCL	CPDCL	EPDCL	CPDCL	EPDCL
Total complaints received	0.32	3.94	0.61	3.50	0.79	3.21	0.95	2.67	1.01	3.36
Complaints redressed within time	0.29	3.67	0.56	3.31	0.74	3.07	0.87	2.32	0.84	2.70
Complaints redressed beyond time	0.02	0.14	0.02	0.07	0.04	0.05	0.08	0.18	0.17	0.47
Pending complaints	0.02	0.13	0.04	0.12	0.04	0.09	0.04	0.17	0.04	0.19
Percentage of complaints redressed beyond time to total complaints	6.25	3.55	3.28	2.00	5.06	1.56	8.42	6.74	16.83	13.99
Compensation paid, if any, to Consumers (₹ in lakh)	-	0.05	-	-	-	-	-	0.10	-	-

In APCPDCL the percentage of complaints redressed beyond scheduled time, increased from 3.28 to 15.84 *per cent* during 2007-11, indicating necessity of more speedy and timely attention to the consumers' complaints**.**

In APEPDCL the number of Complaints redressed beyond time increased from 3.55 *per cent* in 2006-07 to 13.98 *per cent* in 2010-11. The pending complaints also increased to 7.44 *per cent* in 2010-11 (25,487) from 3.04 *per cent* in 2006-07 (11,974). The Company has not disposed off 102 complaints under Consumer Grievance Redressal Forum (CGRF) during the year 2010-11. The Company incurred ₹ 2.02 lakh towards compensation awarded to Consumer for the year 2009-10, for delayed redressal of complaints under CGRF. Thus, the Company needs to redress all the Complaints within time.

Energy Conservation

2.1.31 Recognizing the fact that efficient use of energy and its conservation is the least-cost option to mitigate the gap between demand and supply, the GoI enacted the Energy Conservation Act, 2001. The conservation of energy being a multi-faceted activity, the Act provides both promotional and regulatory roles on the part of various organizations. The promotional role includes awareness campaigns, education and training, demonstration projects, R & D and feasibility studies. The regulatory role includes framing rules for mandatory audits for large energy consumers, devising norms of energy consumption for various sectors, implementation of standards and provision of fiscal and financial incentives.

APCPDCL

2.1.31.1 Government of India announced "Bachat Lamp Yojana" (BLY) on 28 May 2007 to reduce electricity consumptions by households during peak hour by using energy efficient Compact Florescent Lamps (CFL) as an alternative to energy inefficient Incandescent Lamps (ICL). Though the Company entered (August 2008) into MOU with an international firm (International Reserve Corporation Ltd, USA) the Company is yet to commence the Project and reap the benefits of energy conservation (May 2011).

APCPDCL stated that registration process with international agencies took considerable time and presently the work is in progress. The fact remains that the scheme which was initiated more than four years ago is yet to take shape to reap the benefits of saving energy.

2.1.31.2 The APCPDCL implemented (2006-07) energy conservation scheme in distribution network at a cost of ₹ 133.99 crore with loan assistance of REC. Under the scheme the Company constructed 96 numbers of 33/11 KV SSs and augmentation of 89 SSs. Though the scheme envisaged a saving in energy of 83 MU and additional sale of 383.85 MU the Company has not conducted any analysis to ascertain the extent of envisaged benefits.

APCPDCL replied there is general increase in sales volume due to taking up of the project. The fact however remained that the APCPDCL had not analysed the benefits as envisaged in the project.

Energy Audit

2.1.32 A concept of comprehensive energy audit was put in place with the objective to identify the areas of energy losses and take steps to reduce the same through system improvements besides accurately accounting for the units purchased/ sold and losses at each level. The main objectives of energy audit are as follows:

- better and more accurate monitoring of the consumption of electricity by consumers;
- elimination of wastages;
- reduction of downtime of equipment;
- massive savings in operational costs and increase in revenue, etc.

APCPDCL

2.1.32.1 A test check of the energy audit reports/ returns revealed that, out of 5,276 numbers of 11 KV feeders (1,519 urban; 3,014 rural and 743 industrial feeders) energy audit is being done only on 1,606 town and Mandal Head Quarter (MHQ) feeders (351 MHQ and 1,255 town feeders). Energy audit is not being conducted on the rural feeders. It was observed that though

50 *per cent* of energy is being consumed by the rural areas including agriculture, till date no mapping is done in case of rural feeders and the energy audit is not being conducted. Out of 5,276 feeders, MRI compatible meters were fixed only to 1,903 feeders. Out of 2,058 PTRs in the Company 1,928 PTRs were MRI compatible. Absence of the MRI compatible meters will result in non-availability of data relating to the load in MW, MVA, MVAR, voltage, PF etc., and hence overloading of SS cannot be identified and losses cannot be monitored. We also observed that though negative losses were recorded in many feeders the Company has not taken any action to verify the reasons for such abnormality, which may have impact on overall losses.

APCPDCL while accepting that mapping of rural feeders is not done, MRI dump inputs of all rural feeders has been taken up and instructions are issued to take up energy audit in rural feeders.

APEPDCL

2.1.32.2 As against 2,188 nos. of 11 KV feeders (Town: 412; Mandal: 193; Industrial: 360 and Rural: 1,223) energy audit is being conducted on 965 feeders only. Energy audit on 1,223 rural feeders could not be conducted due to incomplete consumer mapping. Though overloading of 44 nos. 11 KV feeders (Town and MHQ) were identified, no action has been taken for relieving overloads and analyzing the abnormalities.

APEPDCL replied that action is being taken for consumer mapping on rural feeders with clear action plan on overloaded feeders.

Monitoring by top Management

2.1.33 The Power Distribution Companies play an important role in the State economy. For such a giant organization to succeed in operating economically, efficiently and effectively, there has to be a Management Information System (MIS) for monitoring by top management. In APCPDCL and APEPDCL though, the management is monitoring various aspects such as T&D loses, AT&C loses, DTR failures, collection of revenue etc., regularly, the follow up action, however, was not effective due to which increase in arrears, excess failure of DTRs, shortage of transformer oil etc., continued to occur.

APCPDCL stated that the information furnished by the functional heads through APCPDCL intranet is consolidated by the IT wing in co-ordination with different wings into the standard MIS Reports and the same is reviewed by the CMD during the monthly Review Meetings at Corporate Office/ Circle Offices. During the Review Meetings, the CMD gives necessary instructions and it is the responsibility of the concerned Directors and Superintending Engineer/ Operations to ensure that the CMD instructions are complied with.

APEPDCL replied that conclusion and suggestion are noted for further improvements.

We could not verify from the records of monthly and quarterly meetings the action taken, directions issued by the top management of the DISCOMs. In the absence of such documentary evidence of follow up action taken by the management, audit examined a sample item of the MIS which requires follow up action and the results are as follows**:**

Shortage of Transformer oil

2.1.33.1 Whenever any DTR fails the DISCOMs should retrieve the transformer oils from the failed transformer. The DISCOMs fixed the shortage of retrieval of transformer oil as two *per cent.* We, however observed from the review of records relating to recovery of Transformer Oil that in both APCPDCL (two circles) and APEPDCL short fall of retrieval of transformer oil exceeded the targeted shortage by 23.52 lakh liters from 1,06,119 DTRs amounting to ₹ 5.64 crore. The shortages were neither investigated to ascertain the shortfall in retrieval and fix responsibility. The shortage of transformer oil was also not put up to the higher management for write off.

APCPDCL while stating many reasons for shortage of oils in transformers stated that efforts are made by arranging meeting at Corporate Office level to reduce the shortage of transformer oil. However, the shortage of oil increased during 2010-11.

APEPDCL replied that reason for shortage of transformer oil was due to leakage in gaskets and loose connections of bushings bolts, nuts and leakage at the time of transportation to hill top areas. It was however stated that explanation for abnormal shortage of transformer oil is being called for from the concerned offices.

Internal Audit

Inadequacy of Internal audit

2.1.34 Erstwhile APSEB was operating departmental Internal Audit (IA) teams at each circle. Consequent on formation of the companies, both APCPDCL and APEPDCL decided in October 2003 to outsource the "Internal Audit" function by engaging teams of Chartered Accountants (CA) consisting of one CA and two assistants by providing remuneration to each team.

Performance of outsourced Internal Audit of APCPDCL

2.1.34.1 During the years 2006-07 to 2010-11 on an average, only 70 *per cent* of the total units were covered. It was observed that after a lapse of nearly six years Management realized that the reports of IA were not to the expectations, therefore IA was entrusted to Institute of Public Auditors of India, Hyderabad, on experimental basis. During the review period out of ₹ 1.83 crore shortfall of amount pointed out only ₹ 1.41 crore (77.08 *per cent)* was recovered so far.

In APCPDCL there was no Internal Audit Manual indicating the scope and coverage of internal audit. No audit plan was prepared during the review period and audits were arranged on adhoc basis. Details of number of paras raised, dropped after action, balance paras to be pursued are not available with APCPDCL.

Though internal audits were entrusted to CAs since 2003, there was no proper review of the reports, adequacy of audits etc., from time to time by IA wing nor by higher management.

APCPDCL replied that executive summary of IA reports are submitted to CMD and audit committee and directions are issued to the circles concerned for compliance. However, the quality of reports has not improved.

APEPDCL

2.1.34.2 Out of 74 numbers of units of the Company, IA covered an average of 63 number of units per year during the review period and the Company incurred expenditure of ₹ 50.27 lakh towards fees to IA firms. During the review period 3,187 paras valued ₹ 13.28 crore were raised towards shortfall of revenue out of which 1,280 paras were settled/ dropped on recovery and settlement of ₹ 6.96 crore. The balance amount is yet to be recovered by the concerned units. Thus, the APEPDCL is required to take effective steps in recovery of shortfall amounts as pointed out by IA. We observed that:

(i) Though major part of Company's expenditure (86 *per cent*) was on power purchase by APPCC, the area was not covered in IA till 2009-10.

(ii) APEPDCL is yet to strengthen the scope of IA to enlarge its coverage keeping in view the size of the organization and the need for system audit of EDP environment, despite commenting on the same every year in the Annual Reports by Statutory Auditors (from 2006-07 to 2010-11).

Thus, in respect of both APCPDCL and APEPDCL, IA is outsourced which were not effective and did not contribute for improvement of the performance of the companies.

Conclusions

- ***The DISCOMs failed to plan augmentation of their distribution network as per National Electricity Policy (NEP). The DISCOMs failed to add required number of sub-stations as targeted and also failed to complete the centrally sponsored scheme due to defective planning.***
- ***The distribution transformation capacity was far short of connected load which resulted in overloading and consequent failure of DTRs and power outages.***
- ***Actual power purchased was always less than the demand resulting in power deficit leading to purchase of high cost power.***
- ***The DISCOMs failed to collect cross subsidy surcharge from the CPPs whose captive consumption was below 51 per cent, in violation of the terms of Electricity Act, 2003.***
- ***APCPDCL did not contain the distribution losses as per the norms approved by APERC.***

- ***Assessment of agricultural consumption was unrealistic.***
- ***Delay in filing of FSA claims led to loss of interest and revenue. Incorrect application of tariff to HT consumers resulted in loss of revenue.***
- ***Dues from consumers as well as state Government were not pursued and realized promptly to improve financial health.***
- ***Delay in filing of ARR resulted in financial loss.***
- ***Energy audit was inadequate and energy conservation measures were not encouraging.***
- ***Monitoring was not effective due to lack of follow up action on key performance indicators.***

Recommendations

The DISCOMs need to

- ***Plan the distribution network in time with the projected power demand in the state as per NEP.***
- ***Assess and create adequate transformation capacity in tune with the growth in connected load.***
- ***Increase the HT network to reduce distribution losses.***
- ***Monitor the captive power generation and consumption status of CPP so as to levy and collect cross subsidy surcharge promptly wherever necessary.***
- ***Fix targets for inspection of services and conduct intensive raids to control theft of energy.***
- ***Carry out timely preventive maintenance of DTRs to avoid failures due to overloading.***
- ***Conduct intensive drives for collection of arrears.***
- ***Take effective steps for prompt filing of ARRs and FSA claims.***
- ***Take steps to derive the envisaged benefits by timely implementation of schemes and projects.***
- ***Take adequate measures for effective implementation of energy conservation.***
- ***Strengthen the energy audit for reduction of energy losses.***

The Singareni Collieries Company Limited

2.2 Mining and Sales activities

Executive Summary

The Singareni Collieries Company Limited (SCCL/Company) was incorporated in December 1920 with the main objective of development of mines for extraction of coal. Jointly owned by GoI and GoAP, the Company had (31 March 2011) 9,481 million tonnes of proven coal reserves, which were 10.31 per cent of the country's reserves. As on 31 March 2011 the Company has 50 operative mines (16 Open Cast and 34 Under Ground mines). About 63 to 65 per cent of the coal produced in these coalfields is of thermal power grade, ranging from E to G, which is mainly supplied to power sector units.

Project Planning and Execution

During the year 2006-11, 21 projects were completed out of which 11 projects were completed with time over run of one to five years resulting in cost over run of ₹ 39.75 crore and loss of production of 7.34 million tonnes of coal valued ₹ 858.20 crore. Six projects scheduled to be completed during 2006-11 and one project scheduled to be completed in 2011-12 were lagging behind, due to delay in land acquisition and procurement of equipment, which resulted in cost overrun of ₹ 64.46 crore besides shortfall in coal production of 93.78 lakh tonnes valued ₹ 1,247.43 crore.

Production of Coal

Though the overall production achieved by UG & OC mines put together had exceeded the targets, the UG mines could not achieve the targets and incurred a loss of ₹ 3,483.39 crore during 2006-11. Non re-deployment of surplus manpower to needy areas resulted in payment of ₹ 438.92 crore on account of wages to surplus staff. Output per Manshift (OMS) ranged between 1.91 and 3.59 tonnes, as compared to OMS of Coal India Limited, that ranged between 3.54 and 4.73 tonnes during 2006-11.

Mining Activity

The average stripping ratio of the Company was high at 5.45 as against 1.87 of CIL. Defective clauses in the agreement for removal of overburden resulted in excess payment of ₹ 21.52 crore.

Under utilization of machines in UG mines resulted in loss of production of 78.86 lakh tonnes of coal valued ₹ 1,092.61 crore.

Utilization of HEMM ranged between 20 to 55 per cent as against the norm of 40 to 73 per cent during 2006-11. HEMM consumed HSD oil valued ₹ 24.46 crore over and above the norm.

Sales

There was no coal pricing policy. Non-revision of coal prices (F & G grades) resulted in loss of revenue of ₹ 3,411.96 crore during 2007-11. Non collection of Additional price from APGENCO for supply of coal over and above the linked quantity resulted in loss of revenue of ₹ 432.54 crore.

Internal Control and Monitoring

Technical audit was not conducted and strategic plan covering the risk assessment for audit for three years was not prepared. Internal Audit activity was limited to routine pre-audit checks of various claims but did not cover important issues viz., OB contracts, land acquisition, manpower deployment, FSAs, etc.

Safety Management

The number of accidents recorded had decreased during past five years, but there was a loss of 2.36 lakh man days due to accidents during 2006-10.

Environment Management

Notwithstanding the fact that the Company had been conferred awards during 2006-11 in recognition of their commitment towards the environment, effective action needs to be taken to establish Effluent Treatment Plants at all Coal Handling Plants/ Area Workshops/ Base Workshops; Sewage Treatment Plants in all the colonies; and ensure better survival in all plantations.

Introduction

2.2.1 The Singareni Collieries Company Limited (SCCL/ Company) was incorporated in December 1920 with the main objective of development of mines for extraction of coal. In 1960 Government of India (GoI) participated in the equity of the Company and also started extending loan assistance. Since then the Company is jointly owned by the Government of Andhra Pradesh (GoAP) and the GoI in the ratio of 51 and 49 *per cent* as their share. SCCL, the second largest coal company in the country, is involved in coal extraction on the Pranahita-Godavari valley of Andhra Pradesh.

Against India's total proven coal reserves of 92,000 million tonnes, the Company had (as on 31 March 2011) geological coal reserves of 9,481 million tonnes (10.31 *per cent*). As on 31 March 2011 the Company has 50 operative mines (16 Open Cast (OC) and 34 Under Ground (UG) mines). About 63 to 65 *per cent* of the coal produced in these coalfields is of thermal power grade. The Company's mines were spread over 17,500 sq kms in Khammam, Karimnagar, Adilabad and Warangal districts of Andhra Pradesh. About 65 *per cent* of coal extracted was supplied by the Company to the thermal power units. To cope up with increased demand for coal in power, cement and other industrial sectors, the Company increased mechanisation in mining in addition to manual mining in UG mines.

The Company extracted 2,246.19 lakh tonnes of various grades of coal at a cost of ₹ 28,916.00 crore and sold 2,235.16 lakh tonnes of coal to various industries and realized ₹ 30,885.36 crore during the years 2006-07 to 2010-11. The Company made total investment of ₹ 1,197.79 crore in completed projects during 2006-11 and the total profit after tax was ₹ 351.37 crore during 2010-11. The Company employed about 67,615 employees as at 31 March 2011.

Organisational Set Up

2.2.2 The management of the Company is vested in a Board of Directors (Board). The Chairman and Managing Director is the Chief Executive who is assisted by five Functional Directors.

Scope of Audit

2.2.3 This review conducted between March and June 2011 covers the Performance of Mining, Sales activities and procurement and utilisation of Heavy Earth Moving Machinery (HEMM) during the years 2006-07 to 2010-11.

Audit Objectives

2.2.4 The performance audit was conducted in order to assess whether:

- The project exploration and identification of coal reserves were planned and executed timely, effectively and economically.
- The targets for production of coal were achieved with effective deployment and redeployment of available manpower.

- The mines were operated economically and efficiently, by following the standardised and accepted procedure and the available equipments were fruitfully deployed.
- The sales activities were carried out efficiently keeping in mind the norms laid down regarding costing of coal, sales policy of the company and the Government.
- Proper and adequate attention was paid to safety and environmental factors in operation of the mine.

Audit Criteria

2.2.5 The following audit criteria are considered for assessing the achievement of audit objectives:

- Projections made in the Feasibility Reports;
- Rated Capacity of the Mining Equipment;
- Production/Manpower norms fixed by Target Fixation Committee.
- Pricing Policy and GoI directions thereon;
- Terms of Fuel Supply Agreements;
- Requirements laid down in the Environment Management Plan;
- Directions issued by the Director General of Mines Safety (DGMS) for safety; and
- Audit analysis of follow up action by the Government on earlier audit on “Removal of Overburden” included in the Report of the C & AG of India (Commercial), Government of Andhra Pradesh for the year 31 March 2006.

Audit Methodology

2.2.6 The methodology adopted for attaining the audit objectives with reference to audit criteria consisted of explaining audit objectives to the top management in an Entry Conference held on 28 February 2011, scrutiny of records at Corporate Office, Marketing office and Area offices, interaction with the auditee personnel, analysis of data with reference to audit criteria, raising of audit queries.

Audit Findings

2.2.7 The audit findings were reported to the Company and the Government in July 2011 and discussed in the exit conference held on 20 October 2011 which was attended by the Principal Secretary, Energy Department, GoAP, Chairman and Managing Director and the functional Directors of the Company. The Company replied to the audit findings in September 2011 and the replies were considered while finalising the review. The audit findings are discussed below.

Project Planning and Execution

2.2.8 The Company identifies reserves, prepares a detailed Feasibility Report (FR) for establishing a coal mine. Board of Directors of the Company sanctions projects valued upto ₹ 100 crore and beyond which are approved by the GoI. Approval limit of Board of Directors increased from ₹ 100 crore to ₹ 500 crore with effect from 17 July 2009. During 2006-11, 22 projects costing ₹ 3,185.67 crore (Sanctioned by the Company: 14 projects - ₹ 749.95 crore; by GoI: Eight projects - ₹ 2,435.72 crore) were sanctioned for extraction of 42.373 million tonnes of coal. Details of projects at the beginning of the year, sanctioned and completed during the year, in progress and back log at the end of each year for the period 2006-11 are as given below:

Projects	2006-07	2007-08	2008-09	2009-10	2010-11	Total
At the beginning of the year	31	35	31	28	24	-
Sanctioned during the year	7	7	3	4	1	22
Completed during the year	3	6	3	7	2	21
Projects Dropped/ deferred	0	5	3	1	0	9
On going projects at the end of the year	35	31	28	24	23*	-

*Including 3 projects kept on hold

From the above table it may be seen that there were 31 projects at the beginning of 2006-07 and 22 projects were sanctioned during the five year period 2006-11. Out of 53 projects, 21 projects were completed during 2006-11, nine projects were dropped/ deferred and 23 projects were under implementation at the end of March 2011, out of which six projects were lagging behind schedule, while the remaining 14 projects were scheduled for completion beyond 2010-11 (out of which one project i.e. Shanthi Khani LW is lagging behind). Project-wise details viz., date of sanction; scheduled and actual dates of completion; estimated and actual cost of project; time and cost overrun and reasons thereof, etc., in respect of both completed and ongoing projects are given in **Annexure –21** and **22** respectively.

In respect of completed projects there was loss of production of ₹ 858.20 crore due to time overrun and also there was cost overrun of ₹ 39.75 crore.

It could be seen from the **Annexure-21** that out of 21 completed projects, 10 projects[*] were completed within scheduled time, in respect of remaining 11 projects there was time overrun of one to five years. The delay occurred mainly due to land acquisition (4 projects) and delay in procurement of equipment (3 projects). We observed that there was cost overrun of ₹ 39.75 crore in respect of four projects due to time overrun, carrying additional works not envisaged in FR, change of location, increase in compensation paid for non-forest land, etc. We further observed that due to time overrun there was loss of production of 7.34 million tonnes of coal valued ₹ 858.20 crore.

2.2.8.1 As on 31 March 2011, there were seven projects lagging behind the schedule date of completion resulting in not only time overrun but also non achievement of anticipated coal production. The details of original schedule of completion, revised schedule of completion, targeted production and shortfall

[*] Delays are insignificant (three months).

in respect of these mines to the end of March 2011 were as given in the following table.

(Quantity in lakh tonnes and ₹ in crore)

Sl. No.	Name of the Project	Cost of the Project (₹.)		Scheduled Date of completion		Capacity per annum (Qty.)	Anticipated production to the end of 3/11 (Qty.)	Actual production to the end of 3/11 (Qty.)	Shortfall (Qty.)
		As per FR/ RFR	Actual as on 31.3.11	Original	Revised				
1	SRP OC II	49.08/ 88.47	13.06	March 08	March 10	15.00	45.00	17.36	27.64
2	Continuous miner at VK 7	49.66/ 74.73	79.14	March 04	March 08	4.00	28.00	6.13	21.87
3	Dorli OCP II	47.67	8.02	March 08	NA	7.00	21.00	0	21.00
4	Abbapur OCP	39.48	1.23	March 09	Yet to be finalized	6.00	12.00	0	12.00
5	Continuous Miner at GDK 11A	70.80	58.71	March 09	NA	4.00	8.00	7.59	0.41
6	KTK OC Sector -I	91.50	86.31	March 11	NA	12.5	--	--	--
7	ShanthiKhani Longwall	249.03	38.43	March 12	Under Preparation	11.67	11.92	1.06	10.86
	Total								**93.78**

Delay in implementation of projects resulted in cost overrun of ₹ 64.46 crore and loss of production of ₹ 1247.43 crore.

Due to delay in implementation of SRP OC-II and VK-7 Continuous miner projects, the FRs were revised from ₹ 98.74 crore to ₹ 163.20 crore resulting in cost overrun of ₹ 64.46 crore. Due to delay in completion of above projects as per schedule, the shortfall of production was 93.78 lakh tonnes valued ₹1,247.43 crore. The reasons for delay in completion of these projects were mainly due to

- delay in land acquisition (2 projects – Dorli OC-II & SRP OC-II);
- delay in finalization of tenders and procurement of equipment (2 Continuous Miner projects – VK-7 & GDK-11A);
- delay in getting clearance from Forest Department for acquisition of Forest Land (1 project – Abbapur OC);
- constraints in coal dispatch to APGENCO on cost plus arrangements (1 project - KTK OC Sector-I); and
- insufficient exploration (1 Project-Shanthi Khani Longwall)

Some of the above cases are discussed below:

Delay in deciding the dump area resulted in loss of production of 21 lakh tones.

i) Dorli OC-II: Though the project was sanctioned in March 2004 with date of completion as March 2008, the Company grounded the project only in June 2011 due to delay in acquisition of land identified for external dump yard. Even after acquisition of land in September 2009, the project was delayed as the Company proposed (February 2010) to utilize the adjacent OC-I project land for dumping OB, which was later dropped (February 2011) as it was found to be uneconomical due to increased lead distance. Accordingly Company decided to start the mine as standalone project. Thus the Company's inaction in deciding on the dump area and its failure to assess the economics of the alternative resulted in delay in completion of the project thereby resulting in forgoing of coal production of 21 lakh tonnes.

Internal delay in processing the application and delay in identifying land for Compensatory Afforestation resulted in delay in completion of the project.

ii) Abbapur OC: As per Forest (Conservation) Act 1980, it is mandatory to identify equivalent extent of non-forest land for Compensatory Afforestation for considering diversion of forest land for mining purposes. Though the project was sanctioned in October 2004, due to internal delay in processing the application and delay in identifying Compensatory Afforestation land, the Company applied for diversion of 165.92 ha of forest land required for this project only in October 2008. Thus, due to delay on the part of the Company, the project scheduled for completion in March 2009, was still under implementation.

The Management replied that pursuance of the case with various District Collectors and forest officials, identification of Government lands and to get it inspected by the Forest Department took lot of time to ascertain its suitability. The reply is not acceptable as the Company took abnormal time in processing the application and identifying Compensatory Afforestation land, which resulted in non-grounding of the project.

Exploration with less number of boreholes resulted in non detection of fault in the mine and non achievement of the production target.

iii) Shanthi Khani: The Company was operating "Long wall Projects" in Adriyal, Jallaram and Kakathiya Projects. While conducting exploration of coal for the above three projects, the Company adopted density of bore holes of 16.40, 20.30 and 22.60 per sq. kilometer. However, while implementing the Longwall Technology in the existing Shanthikhani mine, the Company carried out (1999-2002) exploration with a bore hole density of 12.50 per sq. kilometer only. While preparing road ways in the mine, a fault was encountered (January 2008) consequent to which, the Company had to conduct re-exploration by drilling 43 additional boreholes resulting in delay in completion of the project. Thus, inadequate exploration with less number of boreholes resulted in non detection of fault in the mine. The Project was proposed to commence production in 2008-09 and to achieve the targeted production in 2011-12. However, we observed that the Company could achieve 1.06 lakh tonnes against 11.92 lakh tonnes during the years 2008-09 to 2010-11 as envisaged in the FR. As the Project is lagging behind, the Company proposed (May 2011) to revise the FR.

The Management stated that due to lack of experience of handling large scale underground mining projects with new generation longwall, services of Commonwealth Scientific and Industrial Research Organization, Australia (CSIRO) was sought, which recommended digging additional boreholes to interpret geological structure correctly. The reply is not acceptable as the Company used Longwall technology in their other projects.

Some of other cases of irregularities in Project Planning and Execution are discussed below:

Disallowance of Financial Assistance by CCDAC

2.2.8.2 Government of India was providing financial assistance to coal companies for protection of important surface structures and public utilities during extraction of coal. All coal companies are required to apply to the member secretary, Coal Conservation and Development Advisory Committee (CCDAC) giving details of protective works that would be carried out. As per the guidelines of CCDAC, protection works such as construction of water dams are eligible for financial assistance, provided the works are not included in Project Report. Even though the Company was aware of the CCDAC guidelines, the Company approved (July 2005) Feasibility Report (FR) for expansion of OC mine (RG OCP-I) for extraction of balance coal reserves of existing UG mine (GDK 9 incline) including certain protection works i.e., construction of 32 water dams (involving an expenditure of ₹ 12.80 crore) at an estimated cost of ₹ 88.10 crore through internal sources. The OCP-I Extension Project was completed (January 2009) at a capital cost of ₹ 79.41 crore and the Company submitted (March 2009) a claim for subsidy of ₹ 11.88 crore towards the cost of construction of water dams. The claim was rejected by the CCDAC, on the ground that the works were already provided in project report. Thus, the failure of the Company to adhere to the guidelines of CCDAC resulted in its foregoing subsidy of ₹ 11.88 crore.

The Management replied that while preparing FR, all the activities that are required for completion of the project will be incorporated and for receiving the subsidy / assistance from CCDAC the important activities for completing the project can not be overlooked in the Project Report. The reply is not acceptable as despite knowing that they would not get reimbursement of protection works from CCDAC in case it includes such work in FR, including it in the FR deprived of receiving the subsidy.

De-rating of Production Capacity

De-rating of the production capacity rendered the mine non remunerative and resulted in loss of ₹ 68.92 crore.

2.2.8.3 The FR for KTK 6 incline, Bhoopalpally area was approved (April 1990) for a rated capacity of 2.55 lakh tonnes per annum with a capital outlay of ₹ 14.15 crore. Subsequently, the FR was revised (June 2002) for a rated capacity of 3.12 lakh tonnes per annum with an enhanced capital outlay of ₹ 29.90 crore to be completed by 2004-05. Due to adverse Geo-mining conditions and heavy seepage of water since inception, the targeted production envisaged in the revised FR could not be achieved. Hence, the Company de-rated (March 2009) the capacity from 3.12 to 1.80 lakh tonnes per annum and the project was declared as completed on 31 March 2009 with a delay of five years with actual expenditure of ₹ 26.62 crore. The capacity of the mine was reduced to 70.59 *per cent* of the originally rated capacity, rendering the mine non-remunerative. The mine had achieved the production of 9.58 lakh tonnes against the target of 21.21 lakh tonnes during the years 2004-05 to 2010-11 resulting in shortfall of 11.63 lakh tonnes. Non-achievement of targeted production had resulted in increase in cost of production and thereby loss to the extent of ₹ 68.92 crore for the years 2005-06 to 2010-11.

The Management replied that the adverse geo-mining conditions, disturbed law and order situation were the causes for loss of production. Hence, the project was de-rated. The reply is not acceptable as the Company did not conduct the exploration activities properly as it is evident from the fact that the rated capacity was fixed at 2.55 lakh tonnes in 1990, was revised to 3.12 lakh tonnes in 2002, was again revised to 1.8 lakh tonnes in 2009. This adversely rendered the mine as unremunerative.

Production of Coal

Under utilisation of manpower and machinery resulted in shortfall in production of coal valued ₹ 1,084.75 crore.

2.2.9 The Company operates underground (UG) and opencast (OC) mines for extraction of coal. The details of targets and actual production achieved during the period of audit in respect of these mines are given in **Annexure-23.**

We observed that the overall production achieved by UG & OC mines ranged between 100.06 (2010-11) and 113.32 (2009-10) *per cent* during the five years period 2006-11. The extraction of coal in excess of targets in the OC mines has offset the extraction of lesser quantity of coal in the UG mines which ranged between 72.80 and 93.50 *per cent* (except during 2007-08 with 101.72 *per cent*). Further under utilisation of manpower and machinery as discussed in paragraph Nos. 2.2.9.1 and 2.2.11.1, resulted in shortfall in production of 78.01 lakh tonnes of coal valued ₹ 1,084.75 crore during 2006-11 (worked out at average sales realisation per tonne in each year).

We further observed that though the Company had achieved the overall targeted production during the five years ended 31 March 2011 and earned profit in all five years, the UG mines of the Company could not achieve the targets and incurred losses of ₹ 3,483.39 crore, whereas OC mines earned profit of ₹ 5,835.83 crore. On analysis of profitability of the UG mines, we observed that the average sales realisation did not cover even operating cost for large number of mines and continued to incur cash losses year to year. We observed that in the year 2010-11, out of 34 mines, 29 mines failed to recover operating cost.

As the Company had not prepared the Break Even Production (BEP) for each mine the Company could not concentrate on monitoring heavy loss making underground mines either for improving the production performance or to take suitable remedial action which resulted in losses in operation of UG mines.

In reply, the Company stated that because of various constraints both controllable and non-controllable, targets were not getting materialized in UG mines. The reply is not acceptable as the production in UG mines was not commensurate with the men, material and resources employed in UG mines

Manpower Deployment in underground mines

2.2.9.1 Deployment of manpower is an important input for production of coal. Total manpower deployed by the Company decreased from 82,224 in 2006-07 to 67,615 in 2010-11 due to retirements, control on fresh recruitment, Voluntary Retirement Scheme and mechanisation of operations in UG mines.

The Industrial Engineering Department (IED) of the Company assesses the man-power requirement of each mine in advance for ensuing financial year, considering production schedules, type of technology deployed, coal evacuation system and statutory requirement. We observed that the manpower deployed was in excess of requirement in some areas and there was shortage in some other areas during 2006-11 as given in the table below:

Year	Total areas[†]	Surplus		Shortage	
		Areas	Manpower	Areas	Manpower
2006-07	10	7	3004	3	387
2007-08	10	6	1160	4	1281
2008-09	10	7	1955	3	333
2009-10	10	6	3131	4	939
2010-11	10	10	3708	0	0

Non-utilisation of surplus manpower effectively resulted in payment of wages of ₹ 438.92 crore.

The surplus manpower ranged between 1,160 and 3,708 and shortage ranged between 0 and 1,281 during the years 2006-07 to 2010-11. Due to non-deployment of surplus manpower to needy areas and excess deployment in some areas, the Company failed to achieve effective utilisation of manpower besides incurring an expenditure of ₹ 438.92 crore towards wages to surplus manpower for the years 2006-07 to 2010-11, which had negative contribution on the economics of the mine operation leading to operating losses. We further observed that despite deploying surplus manpower the Company could not achieve the targeted production in UG mines, except in 2007-08.

The Management replied that the surplus is only 130 in 2006-07 and 338 in 2008-09 which is due to company's policy of providing employment on compassionate grounds to female dependants of workmen involved in fatal accidents or unfit due to ill-health. The reply is not relevant, since the audit comment was on the surplus manpower deployed in UG mines, and not on the Company as a whole.

Outsourcing of maintenance works despite availability of unskilled workers resulted in extra expenditure of ₹ 19.92 crore.

2.2.9.2 We further observed that the Company, instead of utilising the surplus unskilled manpower for certain works viz., civic maintenance, house keeping in townships, maintenance of Railway sidings, filter beds, water supply, STP, swimming pools, miscellaneous works, etc., outsourced the above works and incurred ₹ 24.21 crore during 2010-11. We observed that by effective utilization of surplus unskilled manpower for the above works, the Company could have saved ₹ 19.92 crore on outsourcing the works during 2010-11.

Delay in redeployment of manpower from closed UG mines

Delay in redeployment of surplus manpower available in closed mines, resulted in payment of idle wages of ₹ 2.23 crore.

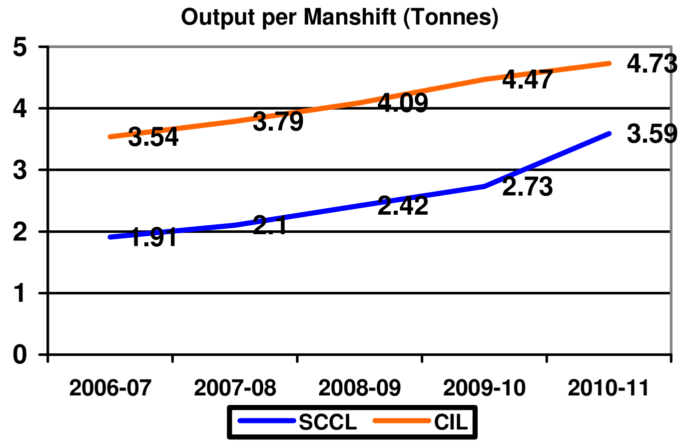
2.2.9.3 We observed that though the Company closed two mines (Somagudem (SGM) -1 and Mothilalkhani (MK) - 4) in March 2008 and August 2009 respectively, the redeployment of workmen (SGM-1: 11 to 86 workmen; MK-4: 31 to 120 workmen) was done only in August 2008 and March 2010 respectively, i.e., after a lapse of five and seven months after closure of the mines, with consequent payment of idle wages of ₹ 2.23 crore (SGM-1: ₹ 33.68 lakh; MK-4: ₹ 189.11 lakh). Had the Company properly planned for redeployment of surplus manpower prior to the date of abandonment of mines, the payment of idle wages to the tune of ₹ 2.23 crore could have been avoided.

[†] Area is a place comprising group of mines controlled by one General Manager.

The Management replied that after stoppage of production, several protective and statutory jobs have to be undertaken and information has to be furnished to the statutory agencies, for which some manpower has to be deployed from the last date of production till the final closure / abandonment of a mine.

The reply is not acceptable as the delays pointed out by us were after considering the above operations and beyond the date of abandonment of mines.

2.2.9.4 Output per Man shift (OMS) indicates the productivity of mining company. The chart below indicates comparative picture of the OMS of the Company and Coal India Limited (CIL) for the period 2006-11.



It could be seen from the above chart that the Company achieved 88 *per cent* increase in OMS from 1.91 tonnes in 2006-07 to 3.59 tonnes in 2010-11. However, OMS of the Company had always been lower than the CIL. Though the Management attributed the low OMS to high stripping ratio[‡] in OC mines, we observed that apart from high stripping ratio the ineffective and under utilisation of available manpower and equipment also contributed for the low OMS.

While accepting the fact that OMS of the Company was lesser than that of CIL the Company stated that productivity of UG/ OC mines in the Company was more than that of CIL. The reply is not relevant as we compared output per manshift and not the production alone.

Mining Activity

2.2.10 Coal is mined mainly through two methods viz., Open Cast (OC) and Under Ground (UG) mining depending upon the geological nature of coal deposits. For extraction of coal in open cast mines, the overburden (OB) existing over the coal seems was removed by engaging Heavy Earth Moving Machinery (HEMM). For extraction of coal in underground mines, tunnels were excavated until the coal seams are touched.

[‡] Stripping ratio indicates the quantum of earth to be removed to extract one tonne of coal.

Overburden removal

2.2.10.1 Coal production from OC mines contributes 77.85 p*er cent* of the total coal production of the Company. There were 16 working OC mines as on 31 March 2011. In the Feasibility Reports (FRs) of OC mines quantum of OB to be removed and mineable coal to be extracted are indicated by the Stripping Ratio. Initially the Company carried out the removal of OB with its HEMM and subsequently outsourced the work (1991). Removal of OB was outsourced 100 *per cent* in four mines; the Company carried out mining by using its men and machinery in one mine; and mining was carried out by both the Company and outsourcing agency in eleven mines as on 31 March 2011.

In the table below the stripping ratios of various units of CIL and SCCL for 2010-11 are given.

Production	CIL units								SCCL
	MCL	CCL	SECL	ECL	NCL	BCCL	WCL	Total	
Coal (million tonnes)	98.11	46.25	95.90	23.43	66.25	25.31	34.95	391.30	397.26
OB (million cubic meters)	88.70	62.52	137.57	56.25	182.21	83.23	115.82	732.11	2164.82
Stripping ratio	**0.90**	**1.35**	**1.43**	**2.40**	**2.75**	**3.29**	**3.31**	**1.87**	**5.45**

It could be seen from the above table that during 2010-11 the stripping ratio of various units of CIL spread throughout the country are much lower, which ranged between 1:0.90 and 1:3.31 whereas the stripping ratio of the Company was much higher at 1:5.45. The reasons for high stripping ratio in SCCL, as attributed by the Management, were deeper, steeper, more faulted, scattered and dispersed coal reserves in comparison to other coal belts.

Analysis of cost of OB removal by the Company vis-à-vis outsourcing

Company's cost of OB removal is higher than outsourcing contractors even after excluding the cost of wages.

2.2.10.2. The details of cost incurred by the Company and outsourcing from 2006-07 to 2010-11 is indicated in **Annexure-24**. We observed that the Company did not carry out any cost benefit analysis for outsourcing so far (May 2011). We further observed that the Company's cost of OB removal per bank cubic meter (bcm) was higher (ranged between ₹ 35.75 and ₹ 52.02 per bcm) than the OB removal through outsourcing between 2006-07 and 2010-11. Even after excluding the cost of wages, which was a fixed cost element, the cost incurred by the Company in OB removal on their own was higher than the outsourcing cost per bcm (ranged between 8.14 and 13.03 *per cent*) during 2006-10. This excess cost was mainly due to high costs incurred by the Company for explosives, power and other stores and spares including diesel as detailed in **Annexure-24.**

The Management replied that over the years, the cost of OB removal by outsourcing has been proved to be cheaper when compared to the departmental HEMM. The Company did not offer any comments on the high cost of explosives, power etc.

Targets and Achievement

2.2.10.3 The Company fixes targets for removal of OB based on the capacity of equipment available with it in advance for the subsequent year. After deciding the quantity of coal to be extracted and allocating the available excavation capacity of the equipment to coal extraction, the quantity of OB to be removed by the Company is decided. The balance quantity of OB to be removed is offered to contractors by calling open tenders. The quantity of OB removed by the Company *vis-à-vis* the outsourced Contractors during the last five years ending 31 March 2011 is given below:

Year	OB removed through (in lakh bank cubic meters (lbcm))			Percentage of total OB removed through	
	Internal resources	Outsourcing	Total	Internal resources	Outsourcing
2006-07	532.26	866.32	1398.58	38.06	61.94
2007-08	429.52	977.73	1407.25	30.52	69.48
2008-09	490.06	1356.30	1846.36	26.54	73.46
2009-10	533.33	1943.96	2477.29	21.53	78.47
2010-11	648.54	1534.56	2183.10	29.71	70.29
Total	2633.71	6678.87	9312.58	28.28	71.72

The share of Company in total OB removed in five years ranged between 21.53 (2009-10) to 38.06 *per cent* (2006-07), which gradually decreased from 38.06 to 21.53 *per cent* between 2006-10 but increased to 29.71 *per cent* in 2010-11.

2.2.10.4 A reference is invited to Performance Audit Report on 'Removal of Overburden in opencast mines of the Singareni Collieries Company Limited' included in the Report of the Comptroller and Auditor General of India (Commercial), Government of Andhra Pradesh for the year ended 31 March 2006, wherein matters relating to removal of OB were discussed. We noted persistence of certain omissions despite pointing out the same with suitable recommendation. Details are given at **Annexure-25.**

Further, we noticed the following shortcomings in removal of OB during 2006-11.

Outsourcing Contracts for OB removal

2.2.10.5 The Company had awarded 32 contracts for removal of OB in the OC projects operated during the five years ending 31 March 2011, the details such as name of the project, quantity awarded, name of the excavation agency, period of contract, rate at which work was awarded and status of the contract are given in the **Annexure-26**. We observed that the Company was outsourcing OB removal on adhoc basis. Five Contractors secured 24 contracts constituting 75 *per cent* of the 32 contracts. Though the Company was preparing the estimates and negotiating with Contractors, the awarded rates were higher than the estimates in nine out of 12 contracts where estimates were reviewed.

Further, we observed that 32 contracts were awarded by outsourcing the removal of 9,426.38 lakh bank cubic meters (lbcm) of OB during the five years ending 31 March 2011. The period of contracts ranged between six months and 75 months. It can also be noticed that though the minimum rates of awarded contracts steadily increased over the years, the maximum rates of the contracts were fluctuating during the period. The weighted average rates were high in Ramagundam Area (I&II) as compared to the other areas as indicated in **Annexure-27**, which ranged between ₹ 78.19 and ₹ 96.14 per bcm as against ₹ 54.86 and ₹ 79.94 per bcm, respectively**.**

Management replied that in Ramagundam Area the rates were high due to higher leads when compared to other areas. The reply is not acceptable because weighted average lead vis-à-vis awarded weighted average rate as worked out by the Company also had wide variation in respect of Ramagundam Area III and was not comparable.

Deficient evaluation of tenders by Technical Evaluation Committee

2.2.10.6 The Company invited tenders (November 2005) for removal of 223.20 lbcm of OB at Block-C of Manuguru Opencast Project-IV. After technical evaluation (December 2005/ January 2006) of the bids by Technical Evaluation Committee an order was placed (April 2006) on ABC Engineering Works, Vijayawada, being the lowest bidder. A scrutiny of the Evaluation Report revealed that the past performance of the tenderers was not evaluated as required under Clause 7.21 of Chapter-7 of Purchase Manual. Further, we observed that as against an earlier order placed (October 2004) on this Contractor for OB removal at GK OCP, Kothagudem, the contractor deployed insufficient equipment, defaulted in performance and stopped the work (June 2007), which compelled the Company to incur additional cost of ₹ 40.51 crore for completion of the balance works.

Deficient evaluation of tender resulted in awarding of contract to defaulted firm.

Though the Company was aware of the firm's bad performance before placing (April 2006) order, these facts were not brought to the notice of the Tender Evaluation Committee which resulted in awarding the contract to same defaulted firm. The contractor again defaulted and had not achieved the monthly targets from January 2008 up to the end of contract (November 2009) due to non deployment of adequate machinery as per terms and conditions of the order. The total quantity of work executed by the contractor up to 17 November 2009 was 111.057 lbcm only as against the total awarded quantity of 202.310 lbcm i.e., about 54.89 *per cent*. The Company did not (August 2011) initiate action for recovery of ₹ 5.39 crore towards penalties.

Management stated that offers are being evaluated by considering the past performance of the firm as per terms and conditions of the order. The reply is not acceptable as the company had not taken into the account the performance of the contractor in the ongoing contract viz., deployment of HEMM, achievement of monthly schedules as on the date of evaluation of tenders. The performance of the contractor was only 60, 68 and 60 *per cent,* during October, November and December 2005 respectively against the monthly schedules and the Company also issued notices (November 2005/January 2006) to the contractor about deployment of only 5-6 shovels and 35-40 tippers against the requirement of seven shovels and 45 tippers stipulated in the order which was causing short fall in OB removal. These facts were not reported in the Tender Evaluation Report.

Bonus and Penalty Clauses

2.2.10.7 A review of work orders issued for removal of OB in the OC mines during the period from 2006-07 to 2010-11 revealed that in respect of consumption of explosives and diesel, the Company was incorporating clauses in the order that (i) if the contractor consumes explosives & accessories and diesel over and above the agreed quantity per bcm of OB removed, a penalty equivalent to the value of excess consumed explosives & accessories and diesel would be levied and (ii) in case the quantity of explosives & accessories and diesel consumed by the contractor was less than the agreed quantity per bcm of OB removed, a bonus amount equivalent to the value of explosives & accessories and diesel saved would be paid to the contractor. In this regard we observed that due to deviation from the terms of the order and inclusion of defective clause the Company paid excess bonus as discussed below:

(a) Excess payment of bonus in deviation of terms of the order

The Company supplied explosives and diesel to excavation contractors for OB removal. The contractors were to use only the quantity of diesel and explosives as stipulated in the work order on per bank cubic meter basis. For regulation of excess/less consumption of diesel and explosives besides above clauses another clause was included in three orders (YOC-23, MOC-135 and MOC-136) stipulating that "All the taxes and duties, if any, applicable on the bonus amount shall be to the account of the contractor only". However, we observed that in respect of the three orders (September/ October 2006), the bonus for less consumption of diesel and explosives were paid at invoice price which was inclusive of taxes and duties in deviation of the specific terms of the orders. The excess amount of component of taxes, duties and freight (at the rate of 47.92 *per cent* for diesel and 28.72 *per cent* for explosives) worked out to ₹ 4.58 crore.

Payment of bonus on saved diesel and explosives at invoice price without excluding taxes and duties resulted in excess payment of ₹ 21.52 crore.

(b) Excess payment of bonus due to defective clause

The Company did not include a suitable clause as to the exclusion of taxes for payment of bonus amount. In the absence of this, the Company while making payments towards bonus for savings in consumption of explosives and diesel had calculated the value of saved quantities at the gross price of the materials including Cenvat, Education cess and Value Added Tax (VAT), which were not actually incurred, resulting in extending undue benefit to the contractor to the tune of ₹ 16.94 crore in respect of four contracts (December 2005 to April 2006).

Management replied that the NIT was modified suitably for subsequent tenders.

Excess payment of ₹22.08 crore due to lead variation

2.2.10.8 The Company awarded (January 2009) a contract to Nagarjuna Construction Company Ltd., (NCCL), Hyderabad for removal of 720 lbcm of OB at Medapalli Opencast Project, Ramagundam-I at weighted average rate of

₹ 49.99 per bcm amounting to ₹ 359.98 crore including service tax for a period of 6 years. The terms and conditions of the work order, *inter alia*, provided for lead variation clause whenever there was change in the specified unloading/ dumping location resulting in variance in lead distance, upon which the revised bench-wise rates and quantity of diesel will be calculated as per the formulae given. Since the contract was for a period of 6 years, the lead calculation would be made at the end of every year progressively and payments would be adjusted accordingly.

The dump yards were changed in December 2009 and May 2010 due to development of abnormal cracks and height restrictions imposed resulting in lead variations. Further, we observed that (i) at the time of preparation of outsourcing proposals, while assessing the bench wise and year wise leads, the fixed lead distance between the different horizons had been considered twice erroneously which resulted in excess lead, (ii) about 70 lakh bcm of OB was transported by a different route which was less by three KMs than the projected haul road and (iii) there was abnormal delay in finalization of the revised lead variations as per clause No.4 of the Work Order due to protracted correspondence and delay in approval for revised dump locations by the Company.

Non-review of lead distance in the quarry as per contractual agreement resulted in excess payment of ₹ 22.08 crore to the contractor.

Thus, failure of the Company to assess the projected lead correctly and include it in NIT/ Work order and timely review of the leads as contemplated in the work order had resulted in excess payment to the contractor to the tune of ₹ 22.08 crore till March 2011.

Management replied that an amount of ₹ 8.01 crore was recovered till date (August 2011) and a note for considering bench-wise rates with revised leads is under process for giving necessary amendment to the work order. However, the fact remains that the bench-wise rates with revised leads to be finalized at the end of each year were abnormally delayed, which resulted in excess payment to the contractor.

Underground Mining

Production Performance

2.2.11 In UG Mines, coal is extracted mostly by hand section mining i.e., manual coal filling. With a view to reduce the cost of production and also to improve production, the Company introduced machine mining in all UG mines besides hand section mining. The production performance and capacity utilisation of various techniques used in UG mines during the period of audit are given in **Annexure-28.**

Under-utilisation of machines in UG mines resulted in loss of production valued ₹ 1092.61 crore

We observed that the targets were not achieved during the last five years (except in the year 2007-08) inspite of mechanisation. The loss of production for the years 2006-07, 2008-09, 2009-10 and 2010-11 worked out to 78.86 lakh tonnes valued ₹ 1,092.61 crore due to under-utilization of machines in UG mines.

The Management replied that due to difficult geo-mining conditions and increased depth of workings, targeted production from UG Mines could not be achieved. The reply is not acceptable as the targets are fixed considering all these aspects.

Utilisation of Machinery

2.2.11.1 The details of Scheduled Standard Hours, Machine Available Hours, actual utilization, idle hours, etc., are given in **Annexure-29**. We observed that as against 54,38,046 Machine Available hours, 19,86,867 hours were actually utilised during the review period and the percentage of actual utilization ranged between 32.56 (2006-07) and 38.21 (2010-11) indicating under-utilisation of machine available hours. The utilization of machine hours in Longwall ranged between 29.20 and 48.02 *per cent*, in Continuous Miner between 22.54 and 36.06 *per cent*, in Road Headers between 12.96 and 24.48 *per cent*, in Blasting Gallery between 33.33 and 39.71 *per cent*, in Load Haul Dumpers between 32.45 and 59.41 *per cent* and in Side Dump Loaders between 34.52 and 39.53 *per cent*.

We observed that the main reasons for under utilization of machine available hours were shifting of machinery, shift change, preparation for roof supports, etc., which are controllable with proper planning.

The Management replied that action was being taken on controllable factors for increasing the utilization of under ground machines.

Operational Performance

2.2.11.2 Longwall, Continuous Miner and Blasting Gallery are the major output yielding methods of mining. Their operational performance has been reviewed and following observations are made:

i) Blasting Gallery

Non- monitoring of spontaneous heating resulted in loss of 4.33 lakh tonnes of coal reserves.

On a test check of performance of this technology in two mines (GDK 11A & GDK 10 incline) we observed that the Company pre-closed (during the years 2006-11) 7 panels due to spontaneous heating, thereby losing the opportunity of prospecting 4.33 lakh tonnes of coal reserves. Further, monitoring of spontaneous heating was not effective as the Company did not establish proper preventive mechanism such as Magnehelic type pressure measuring instrument and Industrial Scientific handheld multi gas detectors to avoid occurrence of spontaneous heating.

The Management replied that in spite of compliance of recommendations made by CSIRO and other reputed Indian Government Scientific Institutions for improving the performance in the BG panels, SCCL could not fully utilize the BG technology in some of the panels.

ii) Continuous Miners

The Company introduced Continuous Miner Technology in VK-7 mine. The contract placed on Joy Mining Machinery Limited (JMML), England, *inter alia* include site investigation; supply, installation and commissioning of equipment; operate and maintain the equipment ensuring the availability of critical spares at site and imparting training to the Company staff during the first five years, at total landed cost of ₹ 162.09 crore. Further, the firm was to indemnify the Company against losses and claims for death of the personnel due to its negligence. The machine was commissioned in August 2006. On 12 November 2006 a fatal accident occurred due to roof collapse causing death of four employees/ officers besides loss of mine equipment valuing ₹ 19.01 crore. Enquiries and investigations made (December 2006) by two agencies (Rock Mechanics Technology and Firth Consulting Services Pvt. Ltd.) proved that the roof monitoring system provided by the firm failed and could not give warning signal of roof fall, which was a part of contractual obligation of the supplier. However, we observed that the Company had not proceeded against the firm for breach of contract but accepted the proposal of the supplier to share 50 *per cent* of cost of equipment replaced, which was not in the financial interest of the Company and amounted to extending undue benefit to the firm. Apart from damage of equipment (net loss: ₹ 10.69 crore), the Company suffered loss of production of 8.41 lakh tonnes valued ₹ 98.78 crore (between November 2006 and June 2009).

The Management replied that the roof fall occurrence was above the monitoring horizons of the equipment. The failure of roof is due to the geological disturbances. It cannot be predicted by the Monitoring system as the fall height is more than 12 metres. As the accident took place due to a combination of reasons, the firm JMML alone cannot be held accountable for the accident and cannot be penalized for the whole loss.

The reply of the management is factually incorrect. As per the Frith Consulting Services Private Limited the height of the fall was 6 meters and not 12 metres and above.

Performance of HEMM

2.2.12 Draglines, Shovels, Dumpers, Dozers and Drills are the Heavy Earth Moving Machinery (HEMM) used in OC mines for removal of OB and also production of coal. Equipment capacity is the annual material handling capacity expressed in million cubic metres (M.cum) for OB or lakh tonnes for Coal. As on 31 March 2011, the Company was operating two Draglines, 86 shovels, 452 Dumpers, 79 Dozers and 50 Drills.

Utilization of HEMM

2.2.12.1 The Company adopted CMPDIL[§] methodology of assessment of performance and utilization of HEMM. Availability percentage of equipment was worked out considering idle hours and working hours to standard shift hours (SSH) and utilization percentage was based on working hours to SSH. While the availability of HEMM generally conformed to the norms prescribed by the CMPDIL, the utilization was far below the norms in respect of all the

[§] Central Mine Planning & Design Institute Limited.

categories of equipment as indicated below:

(in percentage)

Equipment	Utilization norm of CMPDIL	Percentage of Utilization to SSH				
		2006-07	2007-08	2008-09	2009-10	2010-11
Draglines	73	49	28	53	50	55
Shovels	60	48	48	52	54	52
Dumpers	50	35	35	36	36	34
Dozers	45	34	31	31	31	29
Drills	40	20	21	24	29	26

The percentage of utilization of the Dumpers ranged between 34 and 36 during the period 2006-11 against the norm of 50. Their utilisation was almost static during the period indicating management's inaction to take remedial measures to improve the performance. On the contrary the Company was outsourcing the OB removal.

Further, the Committee on Public Undertakings (COPU) while reviewing the Audit Report of CAG of India for the year ended 31 March 1997 (Commercial) Government of Andhra Pradesh, recommended segregation of controllable and non-controllable factors in breakdowns of HEMM but the Company had not taken any action in this regard.

Further, a comparison of the utilisation of HEMM during the last five years with certain other companies dealing with coal production in the country revealed that the utilisation of HEMM in SCCL was on lower side ranking at 5th position for draglines and drills and at 4th position for shovels, dumpers and dozers as given below.

Company	Utilisation Percentage*				
	Dragline	Shovel	Dumper	Dozer	Drills
SCCL	43.00	50.80	35.20	31.20	24.40
BCCL[**]	67.19	83.30	60.24	52.43	66.54
MCL[††]	58.40	45.80	30.20	30.80	39.40
NCL[‡‡]	103.40	64.60	72.40	45.00	59.20
WCL[§§]	83.60	52.60	40.20	31.40	28.80

*Average for five years compiled from the Annual Reports of the respective Companies

The Management replied that the utilization of HEMM was showing an improving trend and that the Company was taking action like preventive maintenance, planned repairs and introduction of OC Mine Management System (OCMMS) to improve utilization of equipment. The reply is not acceptable as the utilization of dumpers and dozers steadily decreased during the period and the utilization of draglines was erratic. Similarly, the idle hours also increased in respect of dumpers and dozers. Since norms are fixed taking all factors into consideration, the underutilization of the equipment against the norms is not justified and needs to be improved.

[**] Bharat Coking Coal Limited (BCCL);
[††] Mahanadi Coalfields Limited (MCL);
[‡‡] Northern Coalfields Limited (NCL); and
[§§] Western Coalfields Limited (WCL) – all are subsidiaries of Coal India Limited

Excess consumption of HSD oil

Consumption of HSD oil in excess of norms resulted in extra expenditure of ₹ 24.46 crore.

2.2.12.2 The Company had fixed norms for consumption of High Speed Diesel (HSD) oil as litres per cubic metre of OB/ Coal excavated for Dumpers (area-wise based on the lead) and litres per hour worked for Shovels, Dozers, Grader, and water sprinklers long back. The norms in respect of Dumpers for lead distances from 0.10 to 3.5 KMs were fixed between 0.08 and 1.76 litres per cubic metre of OB/Coal excavated. Similarly, the norms for other HEMM were fixed between 10.20 and 125 litres per hour based on the capacities of the equipment. Scrutiny of mine-wise consumption of HSD oil revealed that there was excess consumption of HSD oil than the norm in four to six mines, valued ₹ 24.46 crore as given in **Annexure-30.** The summarized details of excess consumption of HSD oil is given below:

(Quantity in kilolitres)

Year	No of mines where excess consumption was noticed	HSD oil as per norm	Actual consumption	Excess consumption	Percentage of excess consumption
2006-07	4	28712.22	29394.29	682.07	2.38
2007-08	6	30190.61	33598.47	3407.86	11.29
2008-09	6	38776.33	40668.07	1891.74	4.88
2009-10	4	14843.96	15241.00	397.04	2.67
2010-11	4	7703.96	8344.56	640.60	8.32

A further analysis of the consumption pattern in the projects revealed that the consumption was more in respect of two mines which was more than 10 *per cent* (RG OC I: 16.51 *per cent* in 2007-08 and RG OC II: 21.45 *per cent* in 2007-08 and 11.28 *per cent* in 2008-09). Though the Company was reviewing the consumption of HSD oil in respect of the equipment on yearly basis, the reasons for the excess consumption of oil was not reviewed so as to take remedial measures and reduce the consumption.

The Management replied that the overall consumption of HSD oil was less than the norm during the period 2006-11 and that in projects where consumption is more than the norm the details are reviewed and analysed.

The fact remains that four to six mines are still consuming more than the norm during 2006-11.

Recovery of burnt oil

2.2.12.3 We observed that in seven out of 16 mines, recovery of burnt oil was very low as per details in **Annexure-31.** The percentage recovery was erratic and not consistent, which ranged between 18 and 69 during review period. The main reasons attributed to low recovery were drainage of oil due to failure of hose assembly and "O" rings of running vehicles, wastage during change of failed components and inadequate storage facilities. We also observed that there was no equipment like wheel mounted trolleys, underground storage tanks; portable oil trolleys for collection and storage of burnt oil. Further, spillage, mis-handling and negligence etc., also could have contributed to low recovery of burnt oil.

The Management replied that the Company was taking preventive action to avoid leakages of lubricants. We observed that the burnt oil has a realisable value and classified as hazardous waste and hence proper studies have to be conducted by the Company and norms for recovery should be fixed.

Coal Washeries

The Company failed to supply agreed quantity of coal to Washeries which resulted in loss of potential profit of ₹ 48.08 crore.

2.2.13 With a view to improve the quality of coal and to earn additional revenue the Company concluded (February 2008/ November 2009) two agreements with Global Coal & Mining Private Limited, who is the owner of coal washeries at Manuguru and Ramagundam areas, with installed capacity of 15 lakh tonnes each per annum, to be operated on Build Own and Operate (BOO) basis. As per the terms of the agreement the Company had to offer 10 lakh tonnes of washable coal per year. However, the Company could not offer agreed quantity in 2010-11 due to failure of transport Contractor to supply the agreed quantity to Washery and no alternate arrangement for supply of coal was made by the Company which resulted in loss of potential profit of ₹ 48.08 crore.

The Management replied that the action against Contractor is being initiated. Further progress is awaited.

Sales Activity

2.2.14 The Company meets the linkage requirements of major Power Companies (72.60 *per cent*), Cement Companies (13.5 *per cent*) and Other customers (13.9 *per cent*) through Fuel Supply Agreements (FSA). During the five years period 2006-07 to 2010-11, out of 2,235.16 lakh tonnes of coal sold 2,047.75 lakh tonnes were sold through FSAs and the percentage of FSA sales to total sales increased from 87 (2006-07) to 97 (2010-11).

Pricing Policy

2.2.14.1 The pricing of coal was fully deregulated by the GoI with effect from 1 January 2000. We observed that the Company did not have any declared pricing policy or mechanism, in the absence of which the revision of coal prices was erratic and without any relevance to the cost of production. The average cost of production and average sale price during 2006-11 are as given below:

(In ₹ per tonne)

Year	Average Cost of Production	Average Sale price	Surplus/ Deficit
2006-07	1024.81	1002.31	-22.50
2007-08	1092.78	1097.75	4.97
2008-09	1284.24	1260.68	-23.56
2009-10	1384.70	1380.29	-4.41
2010-11	1541.26	1561.42	20.16

We observed that except in 2007-08 and 2010-11, the average sale price fixed was less than the corresponding average cost of production, and the deficit ranged between ₹ 4.41 (2009-10) and ₹ 23.56 (2008-09) per tonne. We further

Non-revision of the prices of F & G grades of coal since September 2004 resulted loss of revenue ₹ 3,411.96 crore.

observed that the prices of F and G grade coal of ₹ 681 and ₹ 503 per tonne respectively were not revised after September 2004 though the cost of production of coal increased from year to year, which was ₹ 1,541.26 per tonne in 2010-11. Non-revision of the prices of F & G grades of coal since September 2004 resulted in loss of revenue of ₹ 3,411.96 crore for the years 2007-08 to 2010-11.

The Management replied that at any point of time Company price for F & G grades are higher than the Mahanadhi Coal Fields Limited (MCL) price *(other sources of APGENCO in F & G grades).* Besides, the Company is heavily depending on APGENCO for sale of F&G grades of coal produced in Kothagudem region. Increase in prices of F and G grades beyond the prices of Coal India Limited (CIL) will have adverse impact on marketability of F & G grades of coal in case APGENCO opts to buy from CIL and other sources.

The reply is not acceptable as marketability of coal would not be a problem in view of huge demand for coal and ever increasing gap between demand and supply. Further, though the basic price of the coal of the Company was less than that of MCL, the landed cost per tonne of coal procured from MCL by APGENCO is more by ₹ 239 per tonne and ₹ 287 per tonne for F and G grades, respectively.

Short collection of additional Price

Non-payment of additional price by APGENCO resulted in loss of revenue of ₹ 432.54 crore.

2.2.14.2 The Company entered (1-7-2006) into FSA with Andhra Pradesh Power Generation Corporation Limited (APGENCO) for supply of 100.80 lakh tonnes coal per annum. We observed that during the years 2008-11 the Company supplied 113.20 lakh tonnes of coal in excess of the linked quantity. The Company requested (April 2009) the APGENCO for payment of additional price of ₹ 444 per tonne for the quantity supplied in excess of linkage quantity. In response to the request made by the Company, APGENCO agreed (27 July 2009) to pay additional price of ₹ 444 per tonne for 19 lakh tonnes of coal supplied during the year 2009-10, out of which payment was made for 15.78 lakh tonnes only. Considering total excess quantity of 113.20 lakh tonnes of coal supplied during 2008-11, the loss of revenue due to non-payment of additional price by APGENCO works out to ₹ 432.54 crore {(113.20 – 15.78) x ₹ 444)}.

The Management replied that they were constantly pursuing with APGENCO for payment of additional price for the quantity supplied in 2008-09, whereas APGENCO was not accepting for payment of such additional price. Still discussions are taking place with APGENCO and Government of Andhra Pradesh for releasing of payment.

The reply is not acceptable, as the Company failed to conclude the agreement with APGENCO for recovery of additional price for the quantity supplied over and above the linkage. Further, in similar situation, the Company is collecting ₹ 760 per tonne for supply of coal in excess of FSA quantity from NTPC for which Company and NTPC entered into a mutual agreement. In the absence of the agreement, the Company could not realize the additional price.

Non-renewal of FSA

The Company could not claim performance incentive of ₹ 41.08 crore due to non-renewal of FSA with APGENCO.

2.2.14.3 As per clause 20 of the FSA entered into (July 2006) with APGENCO, the FSA can be renewed on mutual consent from time to time but not exceeding six months, after which the seller/purchaser shall have the option to continue or withdraw from the FSA. We observed that though the FSA had expired by 31 March 2008, the Company neither renewed the FSA nor a new FSA was entered till date (September 2011). It was further, observed that due to non-renewal of FSA with APGENCO, the company could not claim any performance incentive, envisaged from April 2009 for supplies in excess of 90 *per cent* of Annual Contracted Quantity, on par with other power sector Companies, amounting to ₹ 41.08 crore for the years 2009-10 and 2010-11.

The Management replied that the Company was making all attempts to conclude FSA with APGENCO and also requested APGENCO to release the performance incentive for the FY 2009-10 and 2010-11. Even though FSA is not concluded, the SCCL is continuing to supply coal to meet the requirements of APGENCO.

Non-Collection of Crushing Charges

2.2.14.4 The Company procured (June/August 2007) four "-100MM crushers" at a cost of ₹ 1.16 crore for installation at Ramagudam and Mandamarri with the objective of supplying crushed coal to customers and to earn an additional revenue of ₹ six per tonne towards the crushing charges. However, the Company installed three crushers leaving the other crusher uninstalled to date (March 2011). We observed that though the Company installed one crusher at Ramagundam (December 2010) and two crushers at Mandamarri (January/ July 2009) the company did not collect the envisaged crushing charges till date (June 2011) in respect of crushed coal supplied at Ramagundam.

The Management replied that the crushing charges of ₹ six were not collected from the Customers as the coal was mixed with larger size coal due to non-availability of infrastructure for dispatching -100 MM size coal separately.

The reply is not acceptable as the Company failed to provide necessary infrastructure for separation of -100 MM and -150 MM and above crushed coal to earn the envisaged revenue.

Non levy of Mine Reclamation Cost

2.2.14.5 While issuing Environmental clearances, MoEF, stipulated that the depth of the final gap of an OC mine should be reduced to 30/35/45 metres from surface by re-handling/ dumping OB. The reduction of depth of the final void could be done either by re-handling the OB of the external/ internal dumps or by dumping the OB produced from the adjacent/ relay projects. Re-handling of OB of the external/ internal dumps incurs additional cost to be loaded on the project, while the cost of dumping of the OB of the relay project

Though the provision for mine reclamation cost was made in accounts, decision was not taken to include the MRC in sale prices of coal.

could be accounted to the relay project i.e., adjacent project. The Company was carrying out the back filling/ reclamation activities from relay projects wherever feasible. However, in other cases where back filling was required to be done, by re-handling the OB of the external/ internal dumps, cost of such activities was estimated and provided in the accounts. The Company provided ₹ 1,988 crore towards back filling charges till end of March 2011.

As the expenditure on back filling cannot be absorbed in the present coal price, the Company estimated (December 2009) additional price under "Mine Reclamation Cost (MRC)" at ₹ 71 per tonne to be included in sale price of coal, as the reclamation costs are not included in the FRs of respective projects. Though the Company is making provision for reclamation cost every year, it has not taken a decision to include the MRC in sale prices of coal to date (September 2011).

The Management replied that the Company is not in a position to load additional cost on account of mine reclamation and it will be reviewed at an appropriate time and decision will be taken in due course. However, the Company needs to take decision as early as possible in view of the huge accumulated reclamation cost to be absorbed.

Internal Control and Monitoring

Technical audit was not conducted and Periodical updating of manual was not done.

2.2.15 The Internal Audit (IA) is being carried out by Internal Audit Wing as per the Internal Audit Manual of the Company. We observed that though the Company prepared and adopted Internal Audit Manual (June 2005), which provided for conducting Technical Audit apart from normal internal audit, technical audit was not conducted so far. Periodical updating of the manual, to meet latest developments in the organisation, was not done. Though the Company had introduced (July 2008) the SAP, it has not prepared any manual/ procedure to be followed in conducting internal audit in EDP environment so far (September 2011). We further observed that the Company has not prepared Strategic plan covering the risk assessment for audit, for three years period, as envisaged in the IA manual, in the absence of which, the internal audit was restricted to routine checks based on the annual plan.

A review of Internal Audit Reports for the years 2006-11 revealed that internal audit of the Company was mainly limited to pre/ post audit of various claims/ payments, Physical Verification of inventory, etc., but did not cover major areas viz., tender procedures followed by the Company in finalization of tenders for removal of Overburden; comparison of the consumption of explosives, HSD oil, etc., by the Company and off loading contractors; land acquisition matters; deployment of man power at mines against the sanctioned strength; exploration activities; sufficiency of safety measures; yearly review of FSAs etc.

Management Information System

2.2.16 The Industrial Engineering Department (IED), based on the information received from the areas, prepares various Management Information Reports. We observed that though review meetings were stated to

Norms were not fixed for departmental consumption of explosives.

Cost sheets are not analysed to identify the cost control areas.

have been conducted at area level, no minutes/ action taken notes were prepared. Further, it was observed that the IED neither fixed any norms for consumption of explosives for removal of OB and extraction of coal, nor compared the consumption of the same with that of contractors. Efforts were also not made to identify and analyse controllable and non-controllable reasons for under utilisation of HEMM, underground mining machines etc.

The Cost and Budget Department of the Company prepares the Mine wise/Technology wise Cost Sheets for every month. We observed that the Cost sheets are not analysed to identify the cost control areas to take corrective action to reduce the cost of production. The Company has not prescribed any periodical returns to be submitted to higher authority for scrutiny of the element wise cost of production. Thus, the utility of these Reports for cost reduction and better management is not effective.

Safety Management

2.2.17 The Fifth Conference on Safety in Mines held at New Delhi in December 1980 recommended various measures to be implemented in improving safety in mines. It was suggested to have a well defined safety policy to be implemented with the approval of Board of Directors of the Company. Pursuant to the Board decision (January 1983) the Company framed the safety policy, which *inter alia* provides for a) continuous review and improvement of all existing safety practices; b) imparting awareness of safe working methods to staff; c) supply of latest equipment to employees; and d) reduce the accident rate to the barest minimum. The Board also stressed on the need to give importance for maintenance of health and prevent fatigue.

The Company incurred ₹ 1,253.80 crore on various safety measures during the period from 2006-07 to 2009-10. The details of accidents occurred during the last five years ending 31 December 2010 as recorded in the 'accident register' are given below:

Year	Fatal accidents		Serious accidents		Reportable accidents		No. of Mandays lost
	No. of accidents	No. of fatalities	No. of accidents	No. of persons injured	No. of accidents	No. of persons injured	
2006	16	19	620	624	1474	1482	48749
2007	10	10	557	562	1256	1260	53604
2008	12	13	427	429	964	975	45847
2009	17	21	405	410	634	639	46740
2010	10	12	302	312	511	531	40834
Total	**65**	**75**	**2311**	**2337**	**4839**	**4887**	**235774**

It can be seen from the above table that there was gradual reduction in number of accidents during 2006-10. Cause-wise analysis, in audit, of the fatal accident cases for the year 2010 revealed that 50 *per cent* of the total fatal accidents were due to haulage and conveyors; 70 *per cent* of the accidents were in underground mines; 10 *per cent* in OC mines and the balance had occurred above the ground.

We observed that

- Though the serious and reportable accidents decreased during the period, the mandays lost did not decrease proportionately and was erratic which contributed to more production loss.
- Though the Disaster Management Plan contemplated conducting mock rehearsals once in six months, the Company conducted the rehearsals at irregular intervals but did not record the results of such rehearsals which were impeding the knowledge of readiness to disaster mitigation.

The Management stated that the efforts put in to reduce accidents have given fruitful results by reduction in fatalities, serious injuries and reportable injuries. However, the mandays lost due to serious injuries and reportable injuries had not reduced considerably though various measures are being implemented by the Company.

2.2.17.1 The following table enumerates the details of fatality rate/ serious injury rate in SCCL as compared to CIL for the period 2006 to 2009.

Particulars	Company	2006	2007	2008	2009
Fatality Rate per Million Tonne	CIL	0.30	0.15	0.16	0.14
	SCCL	0.50	0.24	0.30	0.39
Fatality Rate Per 3 lakh manshifts	CIL	0.32	0.18	0.20	0.19
	SCCL	0.32	0.18	0.26	0.39
Serious Injuries Rate Per Million Tonne	CIL	0.96	0.92	0.91	0.57
	SCCL	16.55	13.52	9.92	8.46
Serious injuries Rate Per 3 lakh manshifts	CIL	1.02	1.05	1.15	0.77
	SCCL	10.58	10.25	8.47	8.19

While the fatality rate per Million Tonne of coal produced in CIL ranged between 0.14 and 0.30, in SCCL the same was higher ranging between 0.24 and 0.50 during 2006-09. Similarly the fatality rate per three lakh man-shifts in CIL ranged between 0.18 and 0.32, whereas the same was higher in SCCL ranging between 0.18 and 0.39 during 2006-09.

Further, serious injuries per Million Tonne/ per three lakh man-shifts were abnormally high in SCCL ranging between 8.19 and 16.55 as compared to 0.57 and 1.15 in CIL.

The Management stated that the geo-mining conditions of SCCL were adverse as compared to CIL. However, though the Company was incurring huge expenditure on safety measures, the fatality rate and serious injury rate were high.

2.36 lakh mandays lost due to serious and reportable accidents.

2.2.17.2 Audit scrutiny revealed that the Company had lost 2.36 lakh mandays due to serious and reportable accidents with consequential loss of production of 5.56 lakh tonnes of coal valued ₹ 68.35 crore, besides payment of workmen compensation of ₹ 6.21 crore during the period 2006-11.

Environment Management

Mining Projects

2.2.18 We noted that the Company was conferred several awards during 2006-11 in recognition of their commitment towards the environment from various agencies. Scrutiny of various records maintained by the Company in compliance with various norms on the subject revealed the following:

Air Pollution

2.2.18.1 Most of the mining operations produce dust. The major operations producing dust are drilling, blasting, hauling, loading, transporting and crushing. The uncontrolled dust not only creates serious health hazard but also affects the productivity through poor visibility, breakdown of equipment, increased maintenance cost and ultimately deteriorates the ambient air quality in and around the mining site.

We observed that as per terms of the Special Conditions of Environmental Clearance (EC) issued by the MoE&F, each Coal Handling Plant/Coal Screen Plant (CHP/CSP) should be equipped with high efficiency bag filters, water sprinkling system to check emissions from crushing operations, haulage roads, transfer points etc., and drills should be wet operated or with dust extractors. We observed that out of nine CHP/ CSPs operated by the Company only five were provided with mist spraying arrangements for mitigating the dust and other four (Rudrampur, Yellandu -2 Nos. CHP/CSP, Bhoopalapalli) CHP/ CSPs were operated with only mobile water sprinklers.

Water Pollution

2.2.18.2 Waste water discharge from mines, effluent treatment plants and sewage treatment plants etc., are formed as acidic water. The acidic water results in severe water pollution problems. Environmental effects of Acid Mine Drainage (AMD) include contamination of drinking water and disrupted growth and reproduction of aquatic plants and animals. We observed that:

- As per clause (xv) of the Specific conditions of the EC, each Coal Handling Plant/ Coal Screening Plant (CHP/CSP), Area Workshop (AW)/ Base Workshop (BW) should be provided with Effluent Treatment Plants (ETPs) to segregate oil and grease from the waste water. However, it was observed that out of 31 CHP/AW/BW only 14 ETPs were arranged resulting in the waste water being discharged in to the environment without treatment causing water pollution to that extent. Further, Section 9 of Hazardous Waste (Management and Handling) Rules, 1989 requires maintenance of records for collection, receipt, treatment, transport, storage and disposal of hazardous waste. However, the Company was yet to comply with the stipulation of MoE&F notification.
- As per the EC each colony should be provided with Sewage Treatment Plant (STP) for treatment of sewage discharge. Out of 12 places where colonies were situated, STPs were arranged only at seven places resulting in discharging untreated sewage waste of the colonies in

remaining five places (Kothagudem, Ramagundam I & II, Bellampalli and Goleti) into the environment.

Extraction of coal without Consent Orders of APPCB and without EC

The Company extracted coal without the Consent Orders.

2.2.18.3 The Consent letter issued by APPCB specifies the actual quantity of coal to be produced per annum. This condition was not observed by the Company on several occasions. Due to extraction of coal in excess of the production envisaged in Consent Order, the APPCB had not issued the Consent Orders for year 2008 for the mines in Kothgudem Area and advised (24 October 2008) to obtain fresh EC from GoI. However, the Company extracted coal without the Consent Orders from the year 2008 onwards. We further observed that the Company had been operating 11 mines having balance life of one to twenty years without EC.

It was replied that the EC would be obtained for these mines at the time of renewal of mining lease.

Poor survival in plantations

Survival percentage of saplings was poor in some plantations.

2.2.18.4 The Company raises plantations in OB dumps, in vacant areas (block plantation) and on both sides of roads (avenue plantation) in and around mining areas. The Company incurred ₹ 13.73 crore on plantations during 2006-10. As per clause (xi) of Specific Conditions of the EC, the Company has to raise 2500 plants per hectare. As against this, actual number of plants raised for five years up to 2010 ranged between 1093 to 2688 (OB Plantation), 400 to 2,138 (Block plantation) and 92 to 1,500 (Avenue Plantation). However, the survival percentage of saplings was poor in respect of Block plantation and Avenue plantation, which ranged between 22 and 36 *per cent* only as against norm of 80 *per cent* survival (Ramagundam I & II Areas (in 2006), Kothagudem and Srirampur Areas respectively).

Management replied that the plantations would be revisited and given due care to see that the survivals are increased.

Pollution at Coal washery, Manuguru

2.2.18.5 Scrutiny of the records of Coal Washery, Manuguru pertaining to the environmental issues revealed the following:

i) The firm had not constructed Rain Water Harvesting structure as required under clause 8 of the Schedule-A of the Consent Order of APPCB.

ii) As per Special condition 5 of Consent Order of APPCB, the firm had to monitor ground water around the coal washery and submit half yearly monitoring reports to Regional Officer, APPCB, Kothagudem. However, no such monitoring has been done by the firm.

The slurry was allowed to flow outside without processing causing environmental problems.

iii) As per Special conditions 6 & 7 of Consent Order of APPCB, the firm should take measures to maintain the efficiency of the settling tank of waste water not less than 90 *per cent* and maintain zero effluent discharge. It was observed that due to frequent breakdowns to the thickener slurry settlement tank, the slurry was allowed to flow outside without processing.

This was causing damage to the roads, compound wall apart from causing damages to environment around the washery.

It was replied that the Company had advised the coal washery authorities at Manuguru to improve the pollution abatement and monitoring facilities in order to comply with the statutory conditions of consent orders issued by APPCB.

Conclusions

- ***The Company failed to complete the projects as planned during the five year period and projects were delayed due to delay in land acquisition, procurement of equipment, deficient exploration, etc., resulting in time overrun, and cost overrun and loss of anticipated production.***
- ***Underground mines were incurring losses due to ineffective utilisation of equipment and manpower.***
- ***Despite pointing out in earlier Audit Report, no action was taken by the Company to formulate clear policy for OB removal in OC mines; OB Manual was not prepared; vendor development was not done to avoid monopoly in OB contracts; norms for utilisation of explosives for departmental removal of OB were not fixed and there was no monitoring on number of HEMM deployed by OB contractors.***
- ***While availability of HEMM was conforming to norms the utilisation was far below norms.***
- ***The Company had not declared pricing policy for coal, due to which the revision of coal prices was erratic which had no relation to cost of production.***
- ***Sale of coal to FSA customers was not managed effectively to optimise revenue.***
- ***Internal audit was limited to routine pre-audit checks without conducting technical audit and audit of major issues viz., OB contracts, land acquisition matters, FSAs, etc. Controllable and non-controllable reasons for under utilisation of HEMM and other mining equipment were not analysed to take remedial action.***
- ***Though the number of accidents had shown decreasing trend during the past five years ending 2010, the rate of serious injuries per MT/ per 3 lakh manshifts was abnormally high as compared to that of CIL.***
- ***Effluent Treatment Plants were not provided at all CHP/ CSP and the survival percentage of plantations was poor.***

Recommendations

The Company Should

- ***Effectively implement mining projects duly coordinating all related matters viz., land acquisition, procurement of equipment, etc., so as to ensure timely completion.***
- ***Effectively utilise the available equipment and manpower to achieve optimum production.***

- ***Streamline all issues relating to OB removal to achieve greater efficiency and economy.***
- ***Formulate coal pricing policy and manage sales efficiently to optimise revenue.***
- ***Conduct Technical audit and prepare strategic audit plans covering for three years based on the risk assessment. Study and analyse cost data for identification of controllable and non-controllable reasons in respect of loss of utilisation hours of HEMM, Underground mining machines, etc., for cost control and cost reduction purpose.***
- ***Effectively advocate and implement safety measures, especially in underground mines, to achieve zero accidents rate.***
- ***Strictly comply with all environment protection norms.***

Transmission Corporation of Andhra Pradesh Limited

2.3 IT Audit on Implementation of ERP

Executive Summary

Transmission Corporation of Andhra Pradesh Limited (Company) is engaged in transmission of electricity and Grid operations.

The Company decided (April 2003) to implement an Enterprise Resource Planning (ERP) with four modules viz., Finance and Controlling, Materials Management, Projects Management and Maintenance Management to provide management accurate, timely and reliable information for better decision making.

An IT Audit of the system revealed that

- There was no IT strategy and IT policy.
- Objectives of the system were partially achieved.
- Major business activities such as calculation of price variation, generation of bills for its consumers, loan administration and pension accounting were not included in the ERP.
- No documentation available defining roles for allocation of User ID based on job description.
- System exposed to greater risks by allowing the access to data from backend.
- Security of the system stands compromised by allowing the access to ERP application servers through LAN and existence of open ports on the computers connected to both ERP and LAN networks.
- Continuance of manual processing even after four years of ERP commissioning.
- Intended MIS reports are not generated.
- Migration of data from partially completed HR module into Payroll module resulted in serious errors in maintenance of service particulars of employees.
- Post Implementation Review of the system was not conducted for evaluating the System Effectiveness.

Introduction

2.3.1 The Transmission Corporation of Andhra Pradesh Limited (Company) is engaged in the business of transmission of electricity and grid operations. The activities of the Company include construction and maintenance of Extra High Tension (EHT) transmission network.

The Company implemented (August 2007) an Enterprise Resource Planning (ERP) through M/s Industrial and Financial Systems (IFS) with a total cost of ₹ 817.52 lakh with four modules viz., Finance and Controlling (FA), Materials Management, Projects Management (PM) and Maintenance Management (MM) under the project name "Resource Optimization Solution for Enterprise (ROSE)". In addition, Payroll (PR) module was implemented from July 2010, while Human Resources (HR) module is still under implementation (August 2011).

Information Systems Setup

2.3.2 The system operates in a client server environment with HPrx6600 server and HP EVA 4000 based SAN with Windows Server 2003 and HP UX 11.23 as Operating Systems. Oracle 9i is used as the backend database software. Optical Fiber Network through transmission lines were used for the network requirements of the ERP. Leased lines were used wherever it was not possible to utilize the Company's own network.

Audit objectives

2.3.3 The audit was conducted with a view to assess whether built-in input, process and output controls were adequate and the data captured in the system were accurate, complete and reliable; adequate security exists to safeguard physical and virtual assets; and business rules were correctly mapped in ERP and it was serving the intended purpose.

Audit Findings

2.3.4 The audit findings were reported to the Company and the Government in October 2011. The Company replied to the audit findings in November 2011 and the replies were considered while finalising the report. The audit findings are discussed below.

2.3.4.1 Lack of IT strategy and IT policy

The Company did not have an approved and well documented IT strategy or IT policy to integrate all their activities into a co-ordinated IT environment.

2.3.4.2 Partial achievement of objectives

Despite implementing the system about four years ago, the envisaged objectives of implementing ERP could not be achieved due to lack of proper planning, deficient system design and non-incorporation of important business activities.

2.3.4.3 System Acquisition, Development and Implementation

The following areas of work were not included in the Finance module:

a. There is no option to process the price variation clauses of the purchase order in the ERP. The company accepted that it was due to technical constraints and they are processed manually.

b. The process of calculation and approval of consumer bills is a manual process and entered into ERP for recording purpose only. The Company accepted the observation.

c. Loan accounting has not been made a part of Finance module. Due date for repayment of loans and interest calculations are done manually. The Company accepted the observation.

d. Pension accounting was functioning outside the Finance module.

2.3.4.4 Logical Access Controls

1. There was no effective password policy whereby essential parameters like number of invalid logon attempts until user is locked, maximum password length, use of alphanumeric and special characters, prohibition of dictionary words could be taken care of. The Company replied (November 2011) that they had prepared a standard operating procedure in this regard and added that action was being taken to implement the same.

2. There was no audit trail as no logs were maintained making the verification of the changes made in the system difficult. The Company explained (November 2011) their attempts made in the past to address the issue and added that they were planning to devise a new strategy to address the matter.

3. Absence of documents defining the roles for specification of job profiles and allocation of User ID made the system administration an arbitrary job. Company accepted their inability.

4. There was no segregation of responsibilities as both System Administrator and Database Administrator were accessing the administration tool using the same User ID with same password. As logs of the activities of these User IDs were not maintained, the integrity of the database could not be ensured. The functions of System Administrator and Database Administrator were allotted to the same person which is against the normal business rules. Management replied that any user with **SYSDBA** and **SYSOPER** privileges cannot access the application and any user assigned with **SYSOPER** privileges can

perform database operations. The reply is not correct and is self contradictory.

5. The entire system was exposed to greater risk as the Database Administrator could access the data from backend which is against the best practice. The Company replied (November 2011) that such technically not feasible issues were mailed by core team to ERP Administrator for necessary action at backend using "**IFSAPP**" User ID.

2.3.4.5 IT Security

1. The system is exposed to greater risk as officials at Corporate office were permitted to access the ERP directly and not through the Citrix Metaframe presentation server while other officials were permitted to access the presentation layer of the application only through Citrix. Company accepted the observation and stated that additional Citrix Licenses will be procured to route the ERP users in Corporate Office through Citrix Metaframe Presentation Server after consulting M/s IFS.

2. Scanning the ERP network and Local Area Network (LAN) for ports ranging from 1 to 1023 using the software "Free IP tools" revealed that vulnerable ports were open on the computers connected to both the networks, exposing the users of the system to risks apart from attack of viruses and worms in servers and personal computers and intrusion by hackers. The Company replied (November 2011) that action was being taken to close the vulnerable ports and to remove Administration account privileges on network computers.

2.3.4.6 Application controls

Even after four years of implementation of ERP system, manual records and manual processing are still in use resulting in duplication. Company accepted the observation.

Module-wise Deficiencies

2.3.4.7 Financial Accounting Module

1. Provision of extension of work order upto the period 31-12-9999 results in non-closure of work orders. Lack of option for restricting the reopening of a closed work order may facilitate unauthorised withdrawal of material in the name of closed work orders. Company accepted the observation.

2. Details of assets could not be obtained from ERP even after entering the data. Similarly, the ERP system does not provide the book value of the assets when they are scrapped. Company accepted the observation.

2.3.4.8 Project Management Module

3. Due to non-updating of data in ERP, all the MIS reports were not generated. Company accepted the observation.

4. Lack of timely updating the project module prevented the management from real time tracking of the progress of the projects. Company accepted the observation.

2.3.4.9 Maintenance Management Module

5. Failure to update the data in System results in non-availability of up-to-date information for monitoring the actual progress in maintenance. Company while accepting the observation stated that poor ERP connectivity was the reason for non-updation of data.

2.3.4.10 Human Resources Management and Payroll Modules

6. Despite extension for seven times, the HR module was not completed (November 2011). Separation of PR module and migration of data from partially completed HR module led to serious error in maintenance of leave account of employees where the EL accumulated was shown as more than the limit of 300 days in respect of 17 employees.

7. As the 'transaction month' field, which was meant to capture the year and month of the employee loan transaction defined as numeric with 8 digits instead of Date format with "YYYYMM" structure, incorrect data like zero, 2101008, and 20009 was entered into the database.

8. Lack of proper definition of PAN field led to acceptance of incorrect data in the system. Company accepted the observation.

2.3.4.11 Evaluation of System Effectiveness

Audit carried out the evaluation of system effectiveness through a questionnaire circulated among 533 users out of whom feedback was given by 285 users. Summary of feedback is as follows:

Sl No.	Parameter/Question	Response (%)	
		Yes	No
1	Usefulness of User manuals	66	34
2	Adequacy of Training	66	34
3	Timeliness of Service function	100	0
4	Stability of Network	64	36
5	Improvement in day to day working	59	41
6	Usefulness of Reports	89	11
7	Overall satisfaction	73	27

In view of the above, audit is of the opinion that a post-implementation review i.e. six months after the implementation of the system could have helped the Company in evaluating the system and addressing various system inadequacies.

Conclusions

The Company implemented ERP to regulate the activities and processes, to provide an organization-wide view of the operations and to provide management with accurate, timely and reliable information for better management decision making.

Even after a lapse of four years of implementation of system, the Company had not formulated an IT strategy or mapped all its activities in the ERP and there was no documented plan either. Manual processing of critical activities was in vogue as major activities like loan administration, revenue recognition etc., were kept outside the ERP system. Most of the MIS reports were not being generated through the system and wherever they were generated, they were not reliable due to belated entry/ non-entry of data in the system. There was no integration between various modules resulting in duplication of work and giving scope to human errors. The system is vulnerable to internal as well as external attack due poor security.

Recommendations

The Company should

- ***plan to include all the major activities of the Company in a time bound manner in the ERP as envisaged initially to reduce the dependence on manual processing and attendant errors creeping into the system;***
- ***ensure timely data entry in ERP to make the reports reliable and complete;***
- ***integrate all the modules to prevent duplication of work and scope for errors;***
- ***formulate and implement a comprehensive security policy to safeguard IT assets and fix the existing vulnerabilities;***
- ***formulate, regulate and document the allotment of different roles based on their job specification and delegation of powers;***
- ***build an appropriate input controls for data integrity and reliability; and***
- ***review the feedback given by various users of the system to address the same in a time bound manner.***

Chapter III

3. Transaction Audit Observations

Important audit findings emerging from test check of transactions made by the State Public Sector Undertakings are included in this Chapter.

Government Companies

Andhra Pradesh State Seeds Development Corporation Limited

3.1 Loss of ₹ 90.94 lakh due to procurement of jowar on outright purchase

The Company procured excess quantity of jowar seeds on outright purchase instead of on consignment basis resulting in loss of ₹ 90.94 lakh.

Andhra Pradesh State Seeds Development Corporation Limited (Company) received (August 2009) an indent, from the Department of Agriculture (Department) for 16,501 quintals (Qtls) of jowar for Kharif 2009 - Contingency Plan (with a request to position only one third of the quantity i.e., 5,500 Qtls).

As against the requirement of 5,500 Qtls, the Company procured (September 2009) 8,993 quintals of jowar (M 35-1 variety) from three other seeds corporations[1] at an average rate of ₹ 2,850 per Qtl on outright purchase. During the Khariff and Rabi 2009 the Company sold 4,732 Qtls leaving a balance quantity of 4,261 Qtls. The unsold stock was infested and became unfit for further sales during the next season. The Company requested (December 2009) the Department for reimbursement of the loss for which there was no reply so far (June 2011). The Company further demanded (January 2010) through legal notice for reimbursement of the loss for infested seed from Joint Director of Agriculture (JDA). JDA replied (February 2010) that though the indent was for whole quantity, it requested to position only one third of the indented quantity.

The total unfit quantity of 4261 Qtls was auctioned (March/April 2010) at an average rate of ₹ 716 per Qtl. The Company incurred a loss of ₹ 90.94 lakh towards the seed procured.

Audit observed that when the Company was requested to position only one third of the indented quantity to meet the requirement of a contingency plan, it should have procured the seed on consignment basis instead of outright

[1] Maharashtra State Seed Corporation (MSSC) 2,863 Qtls, National Seeds Corporation (NSC) 2,700 Qtls, Karnataka State Seeds Corporation 3,430 Qtls.

purchase basis. This resulted in excess procurement of seed by 4,261 Qtls which was infested and became unfit for further sale.

Management stated (May 2011) that upon the repeated requests from the JDA, Anantapur and upon the instructions of Special Chief Secretary of the Department, Company procured the seed in excess of the requirement. Further, it was replied that other State Seeds Corporations were not willing to supply on consignment basis. The reply is not acceptable as the Department requested only to place one third of the indented quantity and Company did not produce any record to show orders for excess procurement nor letters of rejection for supply on consignment basis.

Thus, the action of the Company to procure seed on outright purchase instead of consignment basis resulted in a loss of ₹ 90.94 lakh.

Company while taking procurement decisions should invariably consider the facts like the quantity and variety to be procured to meet the needs of the users besides safeguarding its financial interests.

The matter was reported (April 2011) to the Government and their reply had not been received (September 2011).

3.2 Delay in receipt of non-subsidy amount resulted in loss of interest of ₹1.02 crore

Failure to enter into agreements/Memoranda of Understanding, issue suitable instructions to Distributors, non-compliance with instructions in respect of Agro Rythu Seva Kendras and monitor the timely remittance of sale proceeds resulted in loss of interest of ₹ 1.02 crore.

Andhra Pradesh State Seeds Development Corporation Limited (Company) had been acting as the Nodal Agency for distribution of various crop seeds in the districts. During the past ten years the Company had been distributing seeds under subsidy programmes by opening temporary outlets in required mandals in addition to its own sales counters. For manning the temporary outlets, the Company was utilizing the services of two types of agencies i.e., Distributors and Agro Rythu Seva Kendras (ARSKs). The Distributors were Mandal Agricultural officers (MAOs) of Agriculture Department and other Government/non-Government Organisations. ARSKs were set up by Andhra Pradesh State Agro Industries Development Corporation Limited (Agros) for sale of seeds under subsidy programmes since 2006-07.

As per the procedure in vogue, the Company procures seeds from seed suppliers and distributes the same to farmers on sale basis. For seeds distributed under subsidy programmes, non-subsidy portion was collected from the farmers and subsidy portion was released by the Government of Andhra Pradesh.

A scrutiny of records relating to collection of non-subsidy amount by the Company indicated the following deficiencies:

- In respect of Distributors, agreements/Memoranda of Understanding (MoU) were not entered into by the Company for safeguarding its financial interests. No specific instructions for timely remittance of sale proceeds collected by the Distributors were issued by the Company.

- In respect of ARSKs, though the Company had issued instructions to its District Managers (DMs) to ensure remittance of sale proceeds into Company's accounts on the immediate next day of collection by ARSKs, these were not complied with by DMs.

- The matter regarding timely remittance of sale proceeds was not taken up with Agriculture Department in respect of dues from MAOs and other officers of the Department.

- Due to lack of/non-compliance of instructions and monitoring by the Company, abnormal delays (up to 3 years) in remittance of sale proceeds by the Distributors (₹ 19.04 crore) and ARSKs (₹ 7.86 crore) were noticed as on 31 March 2011.

Absence of suitable arrangement and suitable instruction for immediate payment of the money received by the Distributors, strict implementation of instructions in respect of ARSKs and absence of an effective mechanism to monitor the dues of the Agriculture Department resulted in abnormal delays in remittance of sale proceeds of ₹ 26.90 crore (as on 31 March 2011) ranging from one month to three years by the Distributors/ARSKs with consequent loss of interest (at the rate of 7 *per cent*) amounting to ₹ 1.02 crore.

The Company should take steps for timely remittance of sale proceeds by distributors and ARSKs to avoid consequent loss of interest.

The matter was reported (May 2011) to the Government/Management and their reply had not been received (September 2011).

Andhra Pradesh Industrial Infrastructure Corporation Limited

3.3 Loss due to inclusion of a provision detrimental to the interests of the Company and violation of terms and conditions of Collaboration Agreement by the Developer

Inclusion of contradictory clause in the MOU, reassignment of development rights to other parties without in-principle approval of the Company and failure of the VC&MD of the Company to monitor and report the same and sale of plots below market rate resulted in loss of revenue of ₹ 126.90 crore in one SPV. In another SPV, the Company had suffered a loss of revenue of ₹ 3.67 crore with an expected loss of ₹ 109.37 crore for the balance period of lease.

Andhra Pradesh Industrial Infrastructure Corporation Limited (Company) selected another promoter viz., Emmar Properties PJSC, Dubai (Emmar) through the Competitive process of selection for formation of three Special

Purpose Vehicles[2] (SPVs). The factors that favoured the selection of Emmar were the technical capability, experience in the field of infrastructure and financial soundness as the developmental activity was expected to be carriedout by the SPV. The SPVs were created to develop the following infrastructures.

Name of SPV	Area of the land to be developed (acres)	Purpose
EHTPL	285 (sale)	Villas, residential accommodation and IT infrastructure.
BHLPL	235 (lease)	Golf course in 235 acres. In addition, construction of Boutique Hotel in 17 acres of SPV 1.
CCCPL	15 (sale)	Convention centre.

As the process of developmental activity started, there were Memorandum of Understanding (MoU) (November 2002) and the Collaboration Agreement (CA) entered into (August 2003) between both parties, figuring out the rights, duties, obligations and profit sharing of the promoters. The profit which would accrue to the SPV was expected to be shared between the promoters in the ratio of 74:26. While the prime objective was carrying out the development activity by the SPVs themselves, the MoU and CA contained an enabling clause whereby the SPV could reassign the right of development to any other entity. Insertion of the above clause in the MoU and CA tilted the process of execution in favour of a third party through reassignment which went against original objective of formation of SPV. By taking advantage of this clause, the SPV reassigned the rights of development to another sister Company of Emmar viz., Emaar MGF Land Private Limited (MGF). While reassigning the development work to MGF, it was prescribed in the agreement between the SPV and MGF that 75 *per cent* of the profit accruing to the developer would be retained by MGF and only 25 *per cent* would be transferred to the SPV. This has the effect of substantially reducing the profit of SPV in the development activity. In addition to the above financial impact of the arrangement done by the SPV, the following irregularities were also noticed in carrying out the same.

a) Violation of terms and condition of Collaboration Agreement by the Developer

i. Clause 2.4(x) of collaboration agreement stipulated that the Developer should obtain an in-principle approval of the Company for re-assigning its rights towards implementation of the Project. We observed that the

[2] 1. Emaar Hills Township Private Limited (EHTPL); 2. Bowlder Hills Leisure Private Limited (BHLPL); and 3. Cyberabad Convention Centre Private Limited (CCCPL).

Developer assigned the development work to MGF without in principle approval of the Company, which was irregular.

ii. ***VC & MD's inaction:*** When the Board of Directors of EHTPL decided (September 2006) to transfer its rights for development of the township to MGF, the Vice Chairman and Managing Director of the Company (VC &MD) attended the meeting as nominee Director of the Company. Despite the decision being in deviation to the CA terms, the VC &MD did not report the same to the Government/Board.

iii. ***Absence of monitoring system:*** While entering into CA, the Company failed to devise a mechanism to watch and verify the correctness and impact of transactions through periodical returns on development activity including the revenues generated to safeguard its financial interests.

b) Loss of revenue

EHTPL: Due to re-assignment of development work by EHTPL to MGF without in-principle approval, the revenues that accrue to the SPV will automatically vest with MGF consequently diluting the percentage of income that should have come to the Company by virtue of original agreement.

We observed that MGF entered (November 2008 to July 2010) into sale agreements with 89 parties for sale of 25.03 acres of land at an average rate of ₹ 2.50 crore per acre as against ₹ 22 crore per acre evaluated by Axis Bank. If the sale had been carried out by the SPV at the market value of ₹ 22 crore per acre, the SPV would have earned a profit of ₹ 488.09 crore, in which the Company would have got a share of ₹ 126.90 crore. Entering into the development agreement by SPV with MGF resulted in loss of revenue of ₹ 126.90 crore to the Company.

BHLPL: The Company concluded (December 2005) an agreement leasing out 235 acres of land to BHLPL. According to this, lease rentals at two *per cent* of the gross annual revenue of the golf course/club for the first 33 years and three *per cent* for the next 33 years were payable by BHLPL. Similarly, in November 2006 BHLPL executed a deed to assign its lease hold rights to MGF, which provided for retention of 95 *per cent* of the total revenue earned from golf course/club by MGF and to pass on 5 *per cent* of the revenue to BHLPL, without in-principle approval of the Company, which resulted in reducing the Company's share. With reference to the revenue of ₹ 9.66 crore received by BHLPL towards its five *per cent* share of the golf revenue for the period from April 2008 to December 2010 we worked out the loss of revenue to the Company at ₹ 3.67 crore with an expected loss of revenue of ₹ 109.37 crore (based on revenue of 2010) for the balance lease period.

Thus, inclusion of contradictory clause in MoU/CA, violation of the terms of CA by the EHTPL and BHLPL, which resorted to re-assignment of development rights without in-principle approval of the Company and consequent sale of plots below market rate resulted in loss of Company's share of revenue in EHTPL by ₹ 126.90 crore and loss of its revenue from BHLPL by ₹ 3.67 crore with an expected loss of ₹ 109.37 crore for the balance period of lease.

The Company should frame the terms of the MOU with due care and institutionalise a mechanism to monitor the implementation of the projects by the SPVs to safeguard the interests of the Company.

The matter was reported (June 2011) to the Government/ Management and their reply had not been received (September 2011).

3.4 Undue favour extended to an allottee

Extending undue benefit at every stage of project implementation led to forgoing of DP revenue of ₹ 126.22 crore, reduction of debenture interest to two *per cent* for 2010-14 resulting in loss of ₹ 33.29 crore, deferred realisation of ₹ 230.27 crore towards land cost instead of lump sum receipt and non-forfeiture of PS amounting to ₹ 32.90 crore besides the project not yet taking off.

The Government of Andhra Pradesh (GoAP) had allotted 97 acres of land in Manchirevula village, Rajendranagar mandal, Ranga Reddy district to Andhra Pradesh Industrial Infrastructure Corporation Limited (APIIC/Company) during February 2004 for development of IT Park. However, the actual area on ground was found (October 2004) to be 80.68 acres only. Expression of Interest cum Request for Qualification (EOI cum RFQ) for development of Trade Towers (100 floors building) and Business District (Project) was invited (April 2006) by the Company. After evaluation of technical and commercial bids by Capital Fortunes Limited (Consultant) the Project was awarded (6 October 2007) to Reliance Energy Limited (REL) – Sobha Developers Private Limited (SDPL) (Consortium) who quoted ₹ 6.57 crore per acre.

The Letter of Award (LOA) *inter alia*, contained formation of a Special Purpose Vehicle (SPV) by the Consortium and the Company for implementing the Project. A scrutiny of the formation of SPV and the subsequent developmental activity indicated the following unintended benefits to the private parties.

1. While bidding for the project of Trade Tower and Business district, the Consortium of REL and SDPL had the share in the consortium in the ratio of 66:23. The above Consortium was awarded the contract only because of the presence of SDPL with enormous experience in the infrastructure activity without whose presence the Consortium could not have bagged the contract by securing the highest cumulative score of 75 in the bidding process. By way of amendment to the LOA in November 2007, the Company permitted the Consortium to maintain share of 89 *per cent* in the SPV rather than the original share of Consortium partners in the ratio of 66:23 between REL and SDPL. At the time of formation of SPV in May 2008, the REL maintained its share at 89 *per cent* and the Company at 11 *per cent,* thereby knocking out the SDPL out of SPV. The knocking out of SDPL out of SPV was against the terms and conditions of EOI cum RFQ, which provided as follows.

Clause 7.5.7 of EOI cum RFQ provided that "any change in the shareholding pattern of the SPV after award of the Project should be with the prior approval of APIIC and shall be such that the technical and financial capability of the Consortium is unchanged even after such substitution".

However, no specific approval for removing SDPL was accorded by the Company as required by clause 6.2 of EOI cum RFQ. As REL did not possess relevant experience and it did not substitute SDPL with any other party, having expertise in construction activity to ensure technical and financial capability of the Consortium is unchanged, it is not eligible for carrying out the quoted work. This was a 'significant event of default' by SPV as per clause 6.1 of Development Agreement (DA) which cannot be cured. Hence, the allotment itself is irregular.

2. As per terms of LOA, the SPV has to complete construction of Trade Tower of minimum 100 floors – minimum of 4 million square feet and market at least 50 *per cent* of built up area, under first Module, to be eligible for execution of Sale Deed for land required for second Module. However, while entering into DA, this condition was changed to mere payment of land cost of second Module, which diluted the very purpose of the LOA condition i.e., achievement of substantial progress in the construction of Trade Towers and sale of built up area under first Module before allotting land for second Module. Consequently the Company handed over/executed Power of Attorney (POA) for land under second Module without start of any developmental activities under first Module as envisaged by the GoAP.

3. Allotment of Secured Fully Convertible Debentures (FCDs) of ₹ 180 crore carrying interest @ 12 per cent per annum as Development Premium (DP) compounded annually as per LOA was changed to 12 per cent simple interest (effect not quantifiable). Debenture interest of ₹ 36.15 crore accrued till 31 March 2010 was allowed to be paid during FY 2014 as onetime payment with interest @ two per cent per annum. Debenture interest was reduced from 12 per cent to two per cent per annum during 2010-14 resulting in loss of ₹ 33.29 crore.

4. The amendment given to the LOA changed construction of international standard building to warm shell which requires less capital cost and time.

5. Even after getting into DA in May 2008, the SPV till November 2009 - (i) did not pay the part consideration of ₹ 230.27 crore for second Module land as per DA and (ii) did not arrive at zero date[3] due to non-submission of DPR within 180 days and non-obtaining of Critical Project Clearances (CPCs) within 12 months of DA. These defaults entitle the Company to forfeit the Performance Security (PS) of ₹ 32.90 crore but the Company did not forfeit the same.

[3] Zero date means latter of (i) handing over the land (ii) fulfilling of the conditions precedent by the Company and SPV.

6. The Company executed (28 May 2008) the Power of Attorney (POA) despite receipt (July 2008) of only ₹ 100 crore within the due date as against the total due of ₹ 330.27 crore for second Module land. Deferring payment for second Module land (as per restructuring proposal approved by the Company in November 2009) staggered up to 2014 for which POA was executed in favour of the SPV was not in the interests of the Company. Thus, REL did nothing except forming of the SPV and allotment of FCDs/Equity Shares for first Module land and payment of ₹ 100 crore towards second Module land cost during the period from October 2007 to till date (May 2011) i.e., no construction activity was initiated except getting rights over land.

7. The restructuring proposal involved unjustified waiver of DP on land cost of second Module amounting to ₹ 126.22 crore (₹ 53.92 crore accrued till March 2010 and ₹ 72.30 crore that would accrue till March 2012).

Thus, extending undue benefit at every stage of project implementation had led the Company to forgoing the DP revenue of ₹ 126.22 crore, reduction of debenture interest to two *per cent* for 2010-14 resulting in loss of ₹ 33.29 crore, deferred realisation of land cost of ₹ 230.27 crore instead of a lump sum receipt besides the project not yet taking off.

The Company should ensure that the allottees fulfill all the terms and conditions of the agreements and safe guard its financial interests while accepting any change in the terms of agreement/ restructuring proposals.

The matter was reported (June 2011) to the Government/Management and their reply had not been received (September 2011).

3.5 Loss of ₹29.17 crore due to allotment of lands at concessional rates and non-collection of other mandatory charges

Allotment of lands at concessional rates than those fixed by the Price Fixation Committee led to loss of revenue of ` 28.25 crore. Interest on belated payment, restoration penalty and land cost amounting to ` 0.92 crore were not collected before final allotment.

Andhra Pradesh Industrial Infrastructure Corporation Limited (Company) allots lands for establishment of industries in the State at the price fixed by the Price Fixation Committee (PFC). PFC notifies the land rates and their validity period after considering the land rate and development charges etc. The terms and conditions of allotment are as follows:

a. Allotment for commercial purpose would be charged at twice the prevailing rate of land.

b. In case of non-payment of dues by the stipulated period, the allotment would be cancelled and EMD would be forfeited.

c. In case of restoration of allotment, restoration charges would be paid at two *per cent* of the prevailing land cost and fresh EMD would be furnished.

A review of allotment of land at IT Park, Financial District, Nanakramguda, Ranga Reddy district revealed that the Company allotted land to three industrial units during October 2009 to January 2010. Scrutiny of these revealed the following shortcomings:

1. The land was allotted at the rates lower than those fixed by the PFC on the grounds of economic slowdown, irregular shape of the plots and absence of approach road without approval of the Board of Directors resulting in a loss of ₹ 28.25 crore as detailed in the **Annexure-34.**

2. There was no condition in the allotment regulations for reduction in price due to irregular shape, if any. Also no study was conducted to calculate the wastage in the utility of the land due to irregular shape. Further, roads of 30/24 metre wide abutting the plots had been proposed.

3. In case of VHPL, a plot admeasuring 0.30 acre abutting on northern side and earmarked for development of greenery had no access except to VHPL, but the land cost was not collected.

4. VHPL did not pay the land cost for 1.23 acres allotted to them within time and the allotment was cancelled (May 2010) duly forfeiting the EMD of ₹ 52.45 lakh. However, the allotment was restored (June 2010) after receiving an amount of ₹ 4.72 crore towards land cost. Though the Company demanded (June 2010) VHPL to pay the restoration penalty of ₹ 19.87 lakh and interest of ₹ 11.33 lakh for belated payment, they did not demand recoupment of EMD of ₹ 52.45 lakh forfeited. The Company made final allotment contrary to its allotment regulations, without recovering ₹ 91.97 lakh (EMD forfeited - ₹ 52.45 lakh + Restoration penalty - ₹ 19.87 lakh + Interest upto March 2011 - ₹ 19.65 lakh).

Thus, due to allotment of the lands at the rates lower than those fixed by PFC and failure to collect interest, restoration penalty and land cost from VHPL, the Company lost revenue of ₹ 29.17 crore.

Company while allotting lands to the private parties should charge the rates fixed by PFC to safeguard its financial interest and avoid undue benefit to the allottees on account of interest/penalties payable by them.

The matter was reported to the Government/ Management (May 2011); their reply had not been received (September 2011).

3.6 Allotment of land at concessional rate and waiver of lease rentals/penalty resulted in loss of ₹ 13.40 crore

The Company allotted land at a concessional rate of ₹ 40 lakh per acre as against the prevailing rate of ₹ 60 lakh per acre and also waived lease rental/penalty resulting in loss of ₹ 13.40 crore.

Andhra Pradesh Industrial Infrastructure Corporation Limited (Company) allotted (August 2008) 60.15 acres of land at the total cost of ₹ 24.06 crore in Andhra Pradesh Special Economic Zone at Atchutapuram, Visakhapatnam to Anjaney Alloys Ltd, Kolkata (Allottee) for setting up of Ferro alloys project on lease basis for a period of 33 years at a concessional lease premium of ₹ 40 lakh per acre. The Letter of Allotment *inter alia* provided for the following:

- The Allottee shall pay lease rentals in advance every year at the rate of two *per cent* of the 50 *per cent* of the lease premium per annum from the date of taking possession of land.

- Construction should commence within six months and the manufacturing activities should commence within two years of taking possession of land and any extension of time would be subject to levy of penalty at the rate of 10 *per cent* of the lease premium.

After receiving (September 2008) the payment for lease premium and advance rental for 6 months (₹ 12.03 lakh), the Company executed (October 2008) the lease deed and handed over the possession of land. The Allottee, after one year from taking the possession of land, expressed (August 2009) its desire to retain 40 acres and surrender balance 20 acres of land (approximately) and requested to waive lease rentals for at least a period of two years as they were unable to start construction due to its inability to obtain the required environmental and forest clearances. Based on the request a fresh lease deed was entered (September 2009) for 40 acres of land after cancelling the previous lease deed for 60.15 acres and waiving lease rentals for two years. The Allottee surrendered (September 2009) 20.15 acres to the Company.

The amount paid by the Allottee towards 60.15 acres of land was adjusted towards the lease premium for 40 acres of land and the lease rentals for 60.15 acres for the period of occupation and balance amount of ₹ 8.01 crore was refunded (December 2009). However, in view of the improved economic scenario, the Allottee again requested (April 2010) for re-allotment of surrendered land of 20.15 acres for the purpose of future expansion of their project which was accepted and a letter of allotment was issued (May 2010) fixing lease premium of ₹ 40 lakh per acre and lease rentals at two *per cent* of the total lease premium. The Allottee remitted (May – July 2010) ₹ 8.06 crore towards the lease premium.

In this connection, the following observations are made:

- Allotment of land at a concessional rate of ₹ 40 lakh per acre as against the prevailing rate of ₹ 60 lakh was without any justification or approval from the Board of Director (Board) or Government; hence was irregular. This resulted in loss of ₹ 12.03 crore to the Company.

- Waiver of lease rental for two years in respect of 40 acres was not justified as the allotment itself was at a concessional rate and the Allottee did not commence construction activity within six months of taking possession of the land. This resulted in loss of revenue of ₹ 16 lakh (₹ 40 lakh x 2 *per cent* x 50 *per cent* x 40).

- Penalty amounting to ₹ 1.21 crore was not levied while restoring the 20.15 acres of land. The reasons for the same were not on record and there was no approval of the Board for the same. (₹ 60 lakh x 20.15 acres x 10 *per cent*).

Thus, allotment of land at a concessional rate (₹ 12.03 crore), unjustified waiver of lease rentals (₹ 16 lakh) and penalty (₹ 1.21 crore) led to loss of revenue of ₹ 13.40 crore.

Company should adhere to its allotment regulations in respect of allotments, collection of various charges, fees or penalties as applicable, to avoid loss.

The matter was reported (April 2011) to the Government/Management and their reply had not been received (September 2011).

3.7 Loss of ₹ 24.03 crore due to short/non-collection of service charges and process fee

The Company, contrary to its allotment regulations, collected only two *per cent* service charges against the prescribed 15 *per cent* and also did not collect the process fee of ₹ 10,000 per acre resulting in loss of revenue of ₹ 24.03 crore.

Andhra Pradesh Industrial Infrastructure Corporation Limited (Company) in pursuance of its objects for industrial development acquires land on behalf of others for establishment of industrial zones in accordance with the directions of the Government. For acquisition of land on behalf of others, the Company *inter-alia*, collects 15 *per cent* on the total cost of acquisition of the land as service charges and process fee of ₹ 10,000 per acre.

Lepakshi Knowledge Hub Private Limited (LKHPL), Bangalore requested (March 2008) the Company for allotment of 10,000 acres of land in Ananthapur district for establishment of a knowledge hub for developing the area by establishing a cluster of national and international universities along with research centres etc. In this regard, the Government of Andhra Pradesh (GoAP/Government) entered (December 2008) into a Memorandum of Agreement (MoA) with LKHPL for allotment of required land through the Company at the rates fixed by it.

The observations made in this regard are as below:

- The Company did not enter into any formal agreement with LKHPL to specify the terms and conditions. Even the MoA entered with the Government also did not contain clear terms and conditions of the project like requirement of the extent of land, project report, time schedule etc.

- The Company while provisionally allotting 1,118.20 acres of land, *inter-alia* directed (January 2009) LKHPL to pay 15 *per cent* service charges on the total cost of ₹ 19.57 crore and collected ₹ 2.94 crore towards service charges without any mention of the process fee payable by them. However, upon a request (February 2009) made by LKHPL to fix service charges at one *per cent* of the total land cost, the Company revised the same to two *per cent* contrary to its allotment regulations for the total area allotted including 1,118.20 acres handed over in January 2009. As such the Company, on the total allotted and registered (February – October 2009) land of 8,844.01 acres (Government land - 3,032.83 acres at the rate of ₹ 0.50 lakh per acre and DKT land - 5,811.18 acres at the rate of ₹ 1.75 lakh per acre) to LKHPL at a total cost of ₹ 116.86 crore, collected/ adjusted service charges of ₹ 2.34 crore only (at the rate of two *per cent* on ₹ 116.86 crore) instead of ₹ 17.53 crore[4] in violation of its own policy resulting in loss of ₹ 15.19 crore to the Company. Further, the Company did not collect the process fee of ₹ 8.84 crore[5]. Thus, non-collection of process fee and short collection of service charges resulted in extension of undue benefit to LKHPL and loss of revenue of ₹ 24.03 crore to the Company.

In reply the Management stated (June 2011) that the Government extended various incentives like reimbursement of VAT/CST/Stamp Duty and providing water supply and other facilities to the project. It was further stated that as the Company is an extended arm of the Government, to encourage LKHPL to set up the project for developing the backward area, Company collected two *per cent* service charges on the land cost, but was silent about non-obtaining of the approval of the Board for the same.

The reply is not tenable as the Government has already extended the required benefits to LKHPL to encourage the setting up of the project and did not direct/authorise the Company to extend any benefits in addition to the already extended concessions through MoA. Thus, collection of service charges at a concessional rate of two *per cent* as against 15 *per cent* and non-collection of process fee of ₹ 10,000 per acre were contrary to the Company's allotment regulations and were irregular as they were without approval of the Board of Directors/Government.

While allotting the lands to the private entities, the Company should follow their allotment regulations and collect the applicable process fee and service

[4] Service charges at the rate of 15 *per cent* on ₹ 116.86 crore = ₹ 17.53 crore.

[5] Process fee at the rate of ₹ 10,000 per acre = 8,844.01 acres x₹10,000 = ₹ 8.84 crore.

charges at the prescribed rates. Any deviations, if necessitated, should be got approved by the Board/Government.

The matter was reported (April 2011) to the Government and their reply had not been received (September 2011).

3.8 Failure to collect at commercial rate and process charges resulted in loss of revenue of ₹ 11.71 crore

Company failed to charge not only commercial rate for the land allotted but also the requisite process charges for change in constitution of allottee company resulting in loss of ₹ 11.71 crore. It also allowed total elimination of initial promoter from the project; making the allotment irregular.

Andhra Pradesh Industrial Infrastructure Corporation Limited (Company) allots lands for industrial development. According to the Company's regulation 7.7 (c) allotments for any commercial purpose should be charged double the rate of prevailing land cost. Further, any request for approval of change in constitution of the allottee may be considered by levying 10 *per cent* on the prevailing land cost subject to the condition that the sale consideration should have been paid fully and project implemented by the time the request is received as per the Company's regulation 18.1(a).

MAPE Advisory Group Private Limited requested the Company to allot land for setting up of institutional and retail broking etc., and infrastructure for finance related companies. In response, the Company allotted/handed over possession of 1.34 acres of land at Financial District, Nanakramguda, Hyderabad to the special purpose vehicle formed viz., MAPE Infrastructure Projects (India) Private Limited (MIPL) by concluding (June 2008) an agreement for sale of land (ASL). ASL *inter alia*, provided for the following:

- The allottee was to pay ₹ 9.76 crore towards the cost of land at the prevailing land rate of ₹ 18,000 per square metre.

- The allottee should commence and complete construction of project within six months and two years respectively from the date of taking possession of land failing which the allotment and the ASL would be cancelled and the earnest money deposit (EMD) would be forfeited.

- Sale deed would be executed by the Company only after implementation of the envisaged project by MIPL.

- No transfer or change of ownership/constitution of business was allowed until execution of sale deed.

The MIPL requested (December 2008) the Company to broaden the scope of common facilities to include additional activities such as hotels, shopping complex, entertainment facilities etc., as it was unviable to confine to providing financial or broking service alone due to global financial crisis. For this purpose, the Company concluded (September 2009) a supplementary ASL for including additional line of activity, by collecting (June 2009) a process fee of ₹ 5,000.

The MIPL informed (June 2009) the Company that there was a change in its constitution. For this, the Company instead of 10 *per cent* of prevailing land cost (₹ 2.17 crore) collected (18 February 2010) only two *per cent* (₹ 0.22[6] crore) at the request of MIPL that it was a burden due to global crisis. The MIPL again informed (19 February 2010) that there was a change in the constitution i.e., shareholding pattern changed to Tulasiram Pillarisetty – 10 *per cent* and Dr.PRK Prasad - 90 *per cent* and requested to approve the same. The Company, quoting the earlier two *per cent* payment, approved (26 February 2010) the second change also without collecting any additional amount.

In this regard the following observations are made:

- The Company collected ₹ 9.76 crore towards the land cost instead of ₹ 19.52 crore i.e., double the cost of land as per regulation 7.7 (c) as the modified line of activities approved were of commercial nature. This resulted in a loss of revenue of ₹ 9.76 crore.

- The actions of approval of change in constitution before completion of the Project and reduction of the charges from 10 to two *per cent* of prevailing land cost for such change, without the approval of the Board were irregular and resulted in loss of revenue of ₹ 1.95 crore (₹ 2.17 crore – ₹ 0.22 crore).

- Change in ownership also led to allotment of the project to the individuals whose credentials were not on record; hence the allotment was irregular.

- The Company failed to forfeit EMD of ₹ 90 lakh and cancel the allotment of land as the allottee did not establish their unit so far (March 2011) as against the scheduled completion within two years from the date of possession of land i.e., by June 2010.

Thus, failure to collect commercial rate for the land allotted for commercial purpose (₹ 9.76 crore) and collection of lesser charges for approval of change in constitution (₹ 1.95 crore) resulted in loss of ₹ 11.71 crore. Further improper monitoring by the Company resulted in allowing the MIPL to retain the land without fulfilling the project completion as per ASL and eliminating the original allottee; hence irregular.

The Company should follow the allotment regulations strictly and collect the rate and charges applicable as per the regulations to avoid loss. Further, while approving changes in the constitution of the allottee, the Company should reassess the eligibility of the allottee to ensure that the objective of industrial development is fulfilled.

[6] Two *per cent* on prevailing land cost i.e., (₹ 10.85 crore*2) x 2 *per cent*.

The matter was reported (April 2011) to the Government/Management and their reply had not been received (September 2011).

3.9 Short collection of land cost and non-collection of interest on belated payments resulted in loss of ₹18.65 crore

Allotment of land at lesser rate and short/non-collection of interest for delayed payments resulted in loss of ₹ 18.65 crore.

The Andhra Pradesh Industrial Infrastructure Corporation Limited (Company) selected a consortium[7] for development of IT Park at Raidurg village, Ranga Reddy district and allotted (October 2005) 37.50 acres of land at the rate of ₹ 3.69 crore per acre. As per Letter of Allotment, a special purpose vehicle[8] formed /Developer should complete development of Phase-I within three years and the entire project within five years from the date of Development Agreement (DA). The Company handed over (March 2007/April 2008) the total land allotted. However, during the resurvey of lands (October 2007), the area was arrived at 40 acres instead of 37.50 acres. As there were delays in payment of the land cost, the Board of Directors decided to charge interest at 12 *per cent* compounded annually on the delayed payments.

The Developer requested (April 2008) for allotment of additional 2.5 acres of land identified at the bid price of ₹ 3.69 crore per acre with 12 *per cent* development premium as against ₹ 10.52 crore per acre[9] fixed (June 2008) by the Price Fixation Committee (PFC). The Company allotted (October 2008) the land at the rate of ₹ 8.09 crore per acre[10]. However, upon a request (July 2009) by the Developer for reduction in the price, Vice-Chairman & Managing Director directed and nominated (September 2009) a Consultant[11] to value the land. The Consultant indicated (October 2009) the value of the land to be between ₹ 5.40 crore and ₹ 5.80 crore per acre on the presumption that the land was for residential purpose and there was no road access to it. Based on this, a final allotment order was issued (February 2010) fixing the land cost at ₹ 5.51 crore per acre (net of 5 *per cent* waiver on ₹ 5.80 crore), but without a mention of interest payable for the delay in payment.

We observed the following irregularities in this regard:

- Allotment of 2.5 acres of land at ₹ 5.51 crore per acre in deviation of the rate fixed by the PFC resulted in a loss of ₹ 12.53 crore.

- The Developer delayed fulfillment of some important obligations viz., submission of Detailed Project Report/entering into DA and payment of purchase price, which entitled the Company to cancel allotment. Nevertheless, the Company extended undue benefit by way of short/non-collection of interest of ₹ 4.61 crore on the belated payments made in

[7] Shyamaraju & Company (India) Private Limited and Nuziveedu Seeds Limited.
[8] Divyasree NSL Infrastructure Private Limited.
[9] 4,047 sq.meters x ₹ 26,000 = ₹ 10.52 crore.
[10] 4,047 sq.meters x ₹ 20,000 = ₹ 8.09 crore.
[11] CB Richard Ellis South Asia Pvt. Ltd.

different installments for 37.50 acres ignoring the Board's decision to charge compound interest.

- The Company did not charge interest of ₹ 1.51 crore on the belated payments for the additional allotment of 2.5 acres.

- The practice of engaging outside valuer for fixation of the rate, for which PFC exists, was not in vogue in the Company. Valuation of land by the Consultant was erroneous and improper as he assumed that the land was for residential purposes but not for the allotted commercial purpose and discounted the future revenues at a very high rate of 27.65 *per cent.* The rate fixed based on these assumptions was not realistic. By appointing a consultant for valuation of land, the PFC cannot abdicate its responsibility for fixation of land at lower rate.

- Further, the reason attributed for undervaluation that the land had no road access was not correct as the Company itself had handed over possession (April 2008) of 11.50 acres of land which was close to the road without leaving road access to the extra land identified in October 2007; hence it was a pretext created by the Company itself.

Thus, the Company suffered loss of revenue of ₹ 18.65 crore due to allotment of land at lesser rate (₹ 12.53 crore) and short/non-collection of interest for delayed payments (₹ 6.12 crore).

The Company should collect the land rates fixed as per allotment regulations and strictly comply with the decisions of the Board to levy interest and penal charges.

The matter was reported (May 2011) to the Government/Management and their reply had not been received (September 2011).

3.10 Loss of ₹ 3.84 crore due to non-compliance with the Allotment Regulations

Company, contrary to its Allotment Regulations, short collected service and process charges and did not levy occupation charges while cancelling the allotment.

Andhra Pradesh Industrial Infrastructure Corporation Limited (Company) in pursuance of its objects for industrial development acquires land on behalf of others for establishment of industries. For acquisition of land the Company *inter-alia*, collects 15 *per cent* on the total cost of acquisition of the land as service charges and process fee of ₹ 10,000 per acre. Further, in the event of surrender, it should also collect occupation charges based on the period of occupation.

The Company, at the request of Thermal Powertech Corporation (India) Limited, Hyderabad (TPCIL) for allotment of 1,200 acres of Government land at Polatitippa village of Krishna district for setting up of coal based thermal power project (Project) of 1,320 MW, filed (December 2007) requisition with

District Collector, Krishna district for alienation of required land. Government fixed (April 2008) the market value of land at ₹ 2.00 lakh per acre and accordingly revenue authorities handed over (May 2008) advance possession of 1,200 acres of Government land at Polatitippa village to the Company pending finalisation of regular alienation. The Company provisionally allotted (May 2008) and handed over possession of land to TPCIL on receipt (May 2008) of land cost ₹ 24 crore (₹ 2.00 lakh x 1,200 acres) and service charges of ₹ 2.4 crore (i.e., 10 *per cent* on land cost). The Company also entered (June 2008) into Agreement of Sale of land.

As the land allotted at Polatitippa falls under Coastal Regulatory Zone (CRZ), TPCIL requested (December 2008) the Company to allot alternate land of 1,800 acres near Krishnapatnam village of Nellore district in lieu of land allotted at Polatitippa. The Company allotted (February 2009) 1,802.84 acres of land in Krishnapatnam village at an upfront fee of ₹ 9.00 lakh per acre on lease basis with lease rentals of two *per cent* per annum on the upfront fee and adjusted the amount of ₹ 26.40 crore received for Polatitippa land towards the upfront fee. TPCIL handed over (January 2010) the possession of land at Polatitippa to the Company i.e., after one year eight months.

In this connection the following irregularities were observed:

- The Company collected ₹ 2.40 crore towards service charges and process fee for the land allotted at Polatitippa as against ₹ 4.80 crore collectible.

- The Company did not collect the charges of ₹ 1.44 crore (6 *per cent* of ₹ 24 crore) for the occupation of land for a period of one year eight months.

Thus, the Company's failure to comply with the Allotment Regulations resulted in short collection of ₹ 2.40 crore towards service charges and process fee and non-collection of occupation charges of ₹ 1.44 crore.

The Company should strictly adhere to its Allotment Regulations in allotments as well as cancellations so as to safeguard its financial interest.

The matter was reported (June 2011) to the Government/Management and their reply had not been received (September 2011).

3.11 Mid-course evaluation of the Special Economic Zones

Abnormal delay in finalization of land rate by Price Fixation Committee (PFC) and consequent allotment of land on adhoc basis and violation of PFC recommendations resulted in loss of revenue of ₹ 54.86 crore. Lack of watch over imports resulted in foregoing of import duty of ₹ 17.59 crore. Monitoring was deficient with reference to fulfillment of commitments by units in respect of timely implementation of projects, employment creation, investments and exports.

3.11.1 The Government of India (GoI) had announced (April 2000) the introduction of Special Economic Zones (SEZ) policy in the country. The SEZ

Act, 2005, supported by SEZ Rules, came into effect on 10 February 2006. The main objectives of the SEZ Act are (a) generation of additional economic activity, (b) promotion of exports of goods and services, (c) promotion of investment from domestic and foreign sources, (d) creation of employment opportunities and (e) development of infrastructure facilities.

After notification of formation of SEZ, the developer (APIIC in case of Andhra Pradesh), would be entitled to all exemptions/taxes/ concessions. The land at SEZs would then be allotted by the developer on lease basis to the eligible SEZ Units under the guidelines of the Act. The developer has to see that the Units have to commence the production/ manufacturing activity within two years of handing over the possession of land and required eligible employees are being deployed before the completion of the project as per the MoUs entered with the State Government. The Company is one of the developers of SEZs in Andhra Pradesh and had developed 17 SEZs between December 2006 and September 2009 and allotted 1,576.45 acres of land for 84 Units from these SEZs for industrial development. Out of these units, 44 units were allotted land during 2009-11 for which the gestation period of two years has not been completed. In the remaining 40 units, 22 Units did not implement the projects and 18 Units had implemented their projects. The evaluation of the implemented 18 units has been taken up.

Based on the projections given by the individual units, Letter of Permissions (LOPs) will be issued by the Development Commissioner (DC) for availing of the import duty exemptions. The Unit has to submit Bond-Cum-Legal Undertaking (BLUT) to the extent of the duty exemptions that are going to accrue. The Units will avail of other benefits such as exemption from Income Tax, Minimum Alternate Tax, Central Sales Tax, Service Tax, State Sales Tax/ VAT, Professional tax etc., based on the LOP. The Quarterly / Annual Performance have to be reviewed through the Quarterly / Annual Performance Reports (QPR/APR).

Audit Objectives

3.11.2 A review of the performance of all the 18 implemented Units was taken up with the objective to assess a range of issues such as price fixation, investment, employment generation and fulfillment of its export and import obligations etc. Considering the long gestation period of such projects and contractual commitments to be fulfilled by the SEZ Units at various intervals, it is essential that they are evaluated on various key parameters from time to time. The results of such evaluation assist the policy makers and the implementing agencies alike in steering the project appropriately through these lessons learnt. In this backdrop, it was decided to intervene and evaluate these 18 units implemented which were developed by the Company. The results of the evaluation are discussed below.

Audit Findings

3.11.3 Price Fixation

a) The pricing policy of the Company envisaged formulation of a Price Fixation Committee (PFC) to recommend the land rate and lease premium. We observed that there were delays ranging between three months and three years in price fixation in five Units[12] that led to allotment of lands on an adhoc basis involving a loss of ₹ 18.37 crore as detailed in the **Annexure-35.**

b) In three cases[13], the rate of allotment was lower than the rates fixed by the PFC resulting in a loss of ₹ 20.21 crore.

c) In nine cases[14] the Government of Andhra Pradesh (GoAP) directed the Company to allot land at the rates agreed upon by them with the Units i.e., without PFC route thereby resulting in fixation of price at a lower rate involving a loss of ₹ 16.28 crore.

Investments

3.11.4 One of the objectives of development of SEZs is promotion of investments from domestic and foreign sources. As on 31 March 2011, the projected investment vis-a-vis actual investment of these 10 Units[15] was ₹ 565.27 crore and ₹ 386.04 crore respectively indicating a shortfall of 31.71 *per cent* as detailed in **Annexure-36** The shortage of investments was very high in respect of Mahati Software Private Ltd., (95.22 *per cent*), Kenexa Technologies Private Limited (68.35 *per cent*) and Infotech Enterprises (43.31 *per cent*). There was no specific clause regarding the time frame within which the proposed investment was to be fulfilled.

Employment generation

3.11.5 We observed that 13 Units[16] did not generate projected employment. As against the projected employment of 11,541 people, the actual employment provided was only to 5,698 people as on 31 March 2011 i.e., a shortage of 50.63 *per cent*, while five Units[17] had employed 2,592 people as against the proposed number of 1,300 as detailed in **Annexure-37**. As per MoUs entered with following seven units, the cost of land *pro-rata* along with interest should be refunded in case of shortfall of employment. However, no amounts were recovered even though there was shortfall of employment.

[12] Sl. Nos 1 to 3, 5 and 8 of Annexure - 35
[13] Sl. Nos. 6, 7 and 18 of Annexure - 35.
[14] Sl. Nos. 9 to 17 of Annexure - 35.
[15] Sl. Nos. 1, 2, 4, 7, 8, 10 to 12, 15 and 18 of Annexure - 36.
[16] Sl.Nos. 4 to 8, 10 and 12 to 18 of Annexure - 37.
[17] Sl.Nos. 1 to 3, 9 and 11 of Annexure- 37.

The major shortfall in employment was noticed in respect of the following Units:

Sl. No.	Name of the Unit & SEZ	Area (acres)	Proposed employment (Number of people)	Actual employment as on 31-3-2011 (Number of people)	Shortage (%)
1	5 Units[18] at Hill No.2 & Hill No.3 IT/ITES SEZ Madhurwada	39.00	3900	1312	66.36*
2	2 Units[19] at IT / ITES SEZ at Nanakramguda	13.52	4435	2918	34.21

* The shortage in respect of Kenexa Technologies is on very high side. They employed only 873 as against the requirement of 2500.

Exports and Imports

Exports

3.11.6 The details of projected exports to the actual exports are given at **Annexure–38.** It was seen that eight Units[20] did not achieve the projected exports while six Units had achieved the projections and the details of exports of two Units were not on record. Two Units did not complete one year of operation. The actual exports of the eight Units were ₹ 574.54 crore when compared to projection of ₹ 2,112.10 crore, the shortage worked out to ₹ 1,537.56 crore (72.80 *per cent*).

Imports

3.11.7 The details of projected imports (₹ 1340.35 crore) to the actual imports (₹ 355.39 crore) are indicated vide **Annexure–39.** However, it was seen that four Units[21] had imported more than the actual requirements. The actual imports of the four Units were ₹ 82.98 crore when compared to projection of ₹ 9.33 crore, the excess worked out to ₹ 73.65 (789.39 *per cent*) which is on very high side.

One specific case where the imports were much higher than the projections is discussed below:

3.11.8 Infotech Enterprises was allotted (22 September 2007) five acres of land at Hill No.3 Madhurwada IT/ITES SEZ for manufacture of software including engineering electronic and information technology services. Letter of Permission (LOP) was issued on 5 February 2009. The Unit had commenced commercial operations w.e.f. 28 June 2010 and as such the LOP was valid upto 27 June 2015. The total projected import for the first five years was ₹ 15.47 crore. The Unit had submitted BLUT for ₹ 6 crore for getting the

[18] Sl.Nos. 10 and 12 to 15 of Annexure -37.
[19] Sl.Nos. 16 and 17 of Annexure - 37.
[20] Sl.Nos. 1 to 4, 9, 10, 12 and 17 of Annexure - 38.
[21] Sl. Nos. 9, 11, 15 and 16 of Annexure - 39.

exemption of duties for the imports. As per the projections, the Unit could import goods worth ₹ 6.73 crore upto 31 March 2011. We observed that as against the projected imports of ₹ 6.73 crore, the Unit had imported goods worth ₹ 74.12 crore. Thus, the imports were higher by ₹ 67.39 crore as per the projections as on 31 March 2011. It is pertinent to mention here that the actual imports were higher by ₹ 58.65 crore when compared to the total projected imports for five years. The DC did not obtain the BLUT for the remaining amount. This resulted in forgoing of import duty of ₹ 17.59 crore taking 30 *per cent* as duty on the excess imported goods valued ₹ 58.65 crore. Considering the projections upto 31 March 2011 the duty excess availed worked out to ₹ 20.22 crore. In addition penalty and interest were also leviable which could not be quantified due to inadequate data.

Monitoring issues

3.11.9 We observed the following lacunae in monitoring at the level of Company and Development Commissioner.

a) At Company level

- MOU entered into between the Units and GoAP, caters and stipulates minimum number of employment to be created for which land cost rebate was allowed. MOU further envisages that in case the stipulated number was not achieved, the land cost was to be refunded on pro-rata basis on the employment. No monitoring in this regard was being made either by Company or by GoAP.

- As per the terms and conditions of the lease deed of allotment, the Units were to commence production and / or operation within 24 months from the date of taking over of land or such extended period as agreed by the "lessor" i.e., Company. We observed that 22 Units did not implement the projects even after two years of such possession and the Company failed to take action to cancel the allotments in respect of 22 Units.

- There was no coordination between the Company/GoAP and Development Commissioner to monitor and share information on the contractual obligations to be fulfilled by the SEZ Units at periodical intervals.

b) At Development Commissioner level

- Out of 18 Units, only 5 Units have submitted (May 2011) their APRs for the period 2009-10 and the DC did not insist APRs for the other Units.

- The Units were not submitting the actual investment made by them regularly. Even for those Units which had submitted details, no cross-verification was carried out by calling for the audited and certified annual accounts.

- The BLUT was not annexed with the details of the items to be imported and they show only the lumpsum amount. Particulars of actual imports were not compared with the projections regularly. Some Units had imported material more than projected. The Utilization Certificates in respect of utilization of the material were not being insisted upon.

- Apart from duty free import, the Units were availing other benefits such as exemption from Income Tax, Minimum Alternate Tax, Central Sales Tax, Service Tax, State sales tax, VAT, Professional tax etc. However, the DC was not getting the information on the above incentives. As per the prudent practice this information should be obtained regularly and the positive impact with reference to the exemptions availed of was to be monitored.

- The employment particulars furnished by the Units were not being cross verified with the records of the Provident Fund Commissioner's Office.

Recommendations

- Pricing through PFC route is a prudent commercial practice. The Company should adhere to it. Deviations, if any, should be well justified.

- The Company should closely monitor the implementation/progress of the Units by establishing an appropriate system.

- The Company should monitor the particulars of employment generated by the Units with reference to the commitments made in the MOUs and initiate action for getting pro-rata refund of land cost in case of failure.

- The Company should coordinate with the DC and GoAP for monitoring and sharing of information on the contractual obligations to be fulfilled by the Units.

- The DC should periodically review the performance of the Units by obtaining QPRs/APRs regularly.

- The investment details submitted by the Units should be cross checked by obtaining the audited and certified annual accounts.

- Particulars of actual imports were to be compared with the projections regularly and insist upon the Utilization Certificates in respect of the utilization of the material imported.

- The employment particulars furnished by the Units were to be cross verified with the records of the office of the Provident Fund Commissioner.

- The DC should insist for annexing the details of the items to be imported alongwith the BLUT.

APIIC stated (July 2011) that to attract industrial units, lower rates were offered for land allotment and currently the Company was adopting the pricing policy recommended by PFC for all the SEZs/ Industrial Parks. However, the fact remains that allotment of land at lower rate than that fixed by PFC was in deviation to approved pricing policy and hence irregular.

While updating (December 2011) the data on investment, employment created, etc. (up to end of September 2011), the Development Commissioner (DC) stated that the economic slow down had affected the units, which resulted in delay in implementation of most of the projects. The DC further stated that the recommendations of Audit were noted for compliance.

The matter was reported (June 2011) to the Government and their reply had not been received (December 2011).

Hyderabad Growth Corridor Limited

3.12 Irregular payment of ₹ 9.11 crore to contractors towards price adjustment

The Company without ensuring the genuineness of claims preferred by the contractors paid an amount of ₹ 9.11 crore towards price adjustment.

Hyderabad Growth Corridor Limited (Company) was incorporated (December 2005) by Hyderabad Urban Development Authority (a statutory body of Government of Andhra Pradesh (GoAP)) and Infrastructure Corporation of Andhra Pradesh Limited (a GoAP Company) as a special purpose vehicle. The objectives of the Company were designing, constructing, implementing, operating and maintaining the primary, complementary and support project components of Hyderabad Growth Corridor Project (Outer Ring Road (ORR) and its ancillary projects)(Project). The Project was to be implemented by the Company in two phases. For executing the Project, the works were awarded to eight contractors (two for phase-I and six for phase-II).

As per clause 70 (3)(iv) of Part-2 of Conditions of the Contract and Technical Specifications forming part of the above contracts, price adjustment (increase/ decrease) in the cost of plant & machinery, spares PROCURED by the contractor, shall be paid in accordance with the formula stipulated therein based on the wholesale price index for heavy machinery and parts. The price adjustment for plant & machinery spares was applicable on 20 *per cent* of the total value of the work done.

However, it was observed in Audit that the Company paid (July 2006-September 2010) ₹ 9.11 crore towards price adjustment on plant & machinery, spares to the contractors without ascertaining the details of the plant & machinery, spares actually procured by them to ensure genuineness of the claims for upward revision in the prices. Thus, payment of ₹ 9.11 crore to the contractors towards price adjustment was irregular. Further the price adjustment clause is defective to the extent that it provided for payment based on procurement instead of on consumption.

In reply, Management stated that the price adjustment amount was arrived at and paid to the contractors in accordance with contract conditions as the contract clause (sub-clause 70.3 (viii)) neither specified any need to ascertain the details of the plant & machinery for allowing price adjustment nor the same is needed. Further, though the price adjustment clause provides for payment based on procurement of plant & machinery it actually means payment for consumption. Hence the Company followed the procedure stipulated in agreement while making payments towards price variation.

The reply is not acceptable as payment of price variation without verifying the details of plant & machinery actually procured/consumed by contractors tantamounts to financial impropriety. The Company also did not furnish any document in support of its contention that the price variation payments were based on actual consumption of plant & machinery.

Company should make payment to contractors following due procedures and also ensure that their claims are genuine.

The matter was reported (May 2011) to the Government and their reply had not been received (September 2011).

Northern Power Distribution Company of Andhra Pradesh Limited

3.13 Unfruitful Expenditure of ₹11.11 crore

Procurement of DTRs, which failed within guarantee period and failure of the Company to get them repaired at the risk and cost of the suppliers led to unfruitful expenditure of ₹ 11.11 crore.

Northern Power Distribution Company of Andhra Pradesh Limited (Company) regularly procures Distribution Transformers (DTRs) of various capacities for installation in the distribution system following tendering process. As per the terms and conditions of the purchase orders the DTRs should be guaranteed for satisfactory operation for a period of two to five years (as specified in the purchase order) from the date of supply and the supplier should rectify or replace the defective DTRs within 60 days of receipt of intimation of defects, failing which payment to the extent of failed DTRs will be deducted from the subsequent bills/ bank guarantees. If the supplier fails to repair within 60 days from the date of information, the Company shall get the DTRs repaired at the cost of the supplier. The supplier was required to furnish performance security to the extent of 10 *per cent* of contract value for proper fulfillment of contract including the warranty period.

It was observed during audit that 2,479 DTRs valued ₹ 11.11 crore supplied by 38 suppliers to the Company failed within the Guarantee Period (WGP) and they were pending rectification/replacement, for six months to five years, to the end of March 2011. Out of these 2,142 DTRs (86.41 *per cent*) valuing ₹ 9.44 crore were supplied by eight different suppliers during 2007-10 and the percentage of failures ranged between 4.31 and 31 *per cent* as detailed in **Annexure-40**.

We observed that though majority of WGP failed DTRs were lying un-repaired for periods exceeding the stipulated 60 days period, the Company failed to take any action to a) forfeit the available Performance Security Bank Guarantees; b) recover the cost of failed DTRs from subsequent bills of the suppliers; c) get the WGP failed DTRs repaired at the risk and cost of the suppliers; and d) black list the suppliers. We also observed that the Company did not hold any security in respect of 19 suppliers against whom 73 WGP failed DTRs valued ₹ 45.66 lakh were pending repair/ replacement for periods ranging from two to five years.

Thus, non-replacement/ rectification of defective DTRs by the suppliers, in spite of the fact that the DTRs were under guarantee up to five years, and failure on the part of the Company either to take stern action against the defaulted suppliers or to get the equipment repaired at the risk and cost of the suppliers rendered the expenditure of ₹ 11.11 crore unfruitful.

The Company should take prompt action as per the provisions of Purchase order/ purchase manual for forfeiture of performance security and recovery of the cost of failed DTRs from payments against subsequent supplies to safeguard its financial interest. Further the Company should also examine the feasibility of getting the failed DTRs repaired at the risk and cost of suppliers so as to put the equipment to use.

The matter was reported (May 2011) to the Government/Management and their reply had not been received (September 2011).

Southern Power Distribution Company of Andhra Pradesh Limited

3.14 Avoidable expenditure of ₹ 33.08 crore due to defective price variation clause in HVDS works

The Company's failure to include appropriate price variation clause in the bid to take care of both positive and negative price variation of the cost of DTRs, led to avoidable expenditure of ₹ 33.08 crore.

Southern Power Distribution Company of Andhra Pradesh Limited (Company) entered (April – August 2007) into 16 Agreements with eight contractors for execution of High Voltage Distribution System (HVDS) works in Chittoor and Kadapa districts at an aggregate estimated cost of ₹ 438.40 crore. These works were awarded on turnkey basis and about 87 *per cent* of the estimated cost represents the cost of 25/16 KVA distribution transformers (DTRs). The Company regularly purchases DTRs of various capacities for installation in the Distribution System. The prices of DTRs are variable. As per para 5.13 of the Purchase Manual of the Company, 'where variable prices are permitted, a definite price variation formula should be indicated in the Bid and where IEEMA[22] price variation formula is applicable, the same may be adopted'. Accordingly, in all the purchase orders placed by the Company for procurement of DTRs, the clause relating to 'Prices' was being indicated

[22] Indian Electrical & Electronics Manufacturers Association.

as - The prices are variable as per IEEMA price variation formula (duly indicating specific base date and PV formula).

However, contrary to the above practice the Company, in the General Conditions of Contract of HVDS bid document indicated (Clause 45.1.3) that 'Estimate rates given in the schedule are the rates of the Distribution Transformer as on 01 October 2006 including VAT. Price variation will be allowed as and when there is hike in the material cost reported in IEEMA Journal'. Thus, the price variation clause included in the bid is in deviation to the regular price variation clause mentioned in all the purchase orders for purchase of DTRs, as the present clause provides for price variation only when there is hike in the material cost reported in the IEEMA Journal and hence highly detrimental to the financial interests of the Company. The Company, however, recovered (June 2007 to March 2010) ₹ 31.98 crore from the running bills of the contractors towards negative price variation due to reduction in cost of raw materials etc., as per IEEMA data. One of the contractors represented (August 2010) for refund of the recovered amount on the ground that the price variation clause was specifically referring to hike in the material cost and hence the said clause cannot be applied when there is reduction in the material cost. The Company, after obtaining legal opinion of Advocate General of the State, which confirmed the fact that the provisions of the contract does not permit the Company to recover negative price variation amount, refunded (November 2010) ₹ 33.08 crore (₹ 31.98 crore already recovered towards negative price variation and ₹ 1.10 crore towards differential taxes and duties etc.) to the contractors.

It was replied (May 2011) by the Management that based on instructions from Government to take further action on the representation of one contractor for refund of amount recovered towards negative price variation, the Company took the opinion of Advocate General, Government of Andhra Pradesh, who opined that in terms of general clauses of contract there is no empowerment in the contract to empower the employer to resort to negative price variation in the event there being reduction in the material cost. Based on the opinion, the Company after obtaining approval of Board of Directors, refunded the recovered amount to the contractors. The reply is irrelevant and was silent about the reasons for non-adoption of the price variation formula specified in the Purchase Manual. The legal opinion also confirms the fact that the price variation clause was defective, unilateral and detrimental to the financial interests of the Company.

Thus, failure of the Company to include appropriate price variation clause to take care of both positive and negative price variation of the cost of DTRs led to incurring avoidable extra expenditure of ₹ 33.08 crore, which consequently resulted in unintended benefit to the contractors.

Inclusion of a suitable price variation clause in the bids is a matter of common prudence. The Company, while finalising bid documents should scrupulously follow the relevant provisions of the Purchase Manual and take utmost care in framing the terms and conditions to safeguard its financial interests.

The matter was reported (May 2011) to the Government and their reply had not been received (September 2011).

3.15 Uneconomical purchase of Energy Meters

The Company failed to take advantage of the lowest rates and procured meters at higher rate resulting in uneconomical purchase of meters with consequential extra expenditure of ₹ 2.08 crore.

Southern Power Distribution Company of Andhra Pradesh Limited (Company) invited tenders (December 2008) for procurement of four lakh LCD type Electrostatic Energy Meters with 'Infra Red port[23]' (IR port). Technical Bids were opened on 30 December 2008 and Price Bids of four technically qualified bidders (out of total 13 bidders) were opened on 6 March 2009. ICSA India Ltd., Hyderabad quoted the lowest rate of ₹ 808.52 per meter. While the process of finalisation of the tender was on, the Company proposed (April/May 2009) to change the specification from IR port to IrDA[24] port to facilitate higher data transfer speed. As the tender was not finalised, the Company held (June 2009) discussions and negotiations, with regard to change in technical specification and consequent price revision, and the L1 bidder agreed to supply meters with IrDA port at ₹ 909 each (original L1 price of ₹ 808.52 *plus* ₹ 100 extra for IrDA port). The remaining three bidders (L2 to L4) also agreed to supply the meters at L1 price. The Company placed orders (July 2009) on all the four bidders for supply of two lakh meters (50000 meters each). The Company also placed repeat orders (February/ July 2010) on the same four firms for another four lakh meters (one lakh meters each) at the same rate of ₹ 909 per meter. In this regard the following audit observations are made:

1. After opening price bids on 6 March 2009 and knowing that the lowest rate quoted was ₹ 808.53 per meter, the Company resorted (March 2009) to purchase two lakh meters with IR port at higher rate of ₹ 847.78 per meter through APCPDCL on the plea that stock of meters on hand exhausted. Instead the Company could have requested the qualified bidders to supply the meters with IR port immediately, so as to take advantage of the lower rate offered by the bidder. Due to this uneconomical purchase the Company incurred avoidable extra expenditure of ₹ 78.52 lakh.

2. As per clause 5.8 of Purchase Manual, the criteria for purchase by repeat order *inter alia* stipulated that – a) the quantity in the repeat order should not exceed 100 *per cent* of the quantity ordered in the original order; b) it should be ensured that prices have not reduced; and c) repeat orders will be placed when the prices in the market are rising. We observed that after placing orders (July 2009) by the Company on four firms[25] for procurement of two lakh meters with IrDA port at

[23] IR port is an interface to the meter for accurately acquiring energy usage data.
[24] Infra red Data Association.
[25] i) ICSA (India) Private Ltd., ii) Nina Power Private Ltd., iii) HPL Socomek Private Ltd., and Himachal Energy Private Ltd.

₹ 909 per meter, APEPDCL placed orders (November 2009) on another firm[26] for supply of meters with IrDA port at ₹ 876.57 per meter (with additional feature of 'super capacitor', which enable meter reading during power outage), which indicated falling trend in prices. We observed that the Company without considering the lower rate at which APEPDCL placed orders, placed repeated orders (Feb/July 2010) on the four firms for supply of four lakh meters at higher rate of Rs 909 per meter, resulting in avoidable extra expenditure of ₹ 1.30 crore (₹ 909 (-) ₹ 876.57 x 400000 meters). While placing the repeat order the Company failed to observe the laid down procedure of obtaining the current market price by contacting the other DISCOMs to ascertain whether the prices are really falling or increasing. Further the Company also placed orders for 200 *per cent* of the original quantity without limiting the order to 100 *per cent* of the earlier order quantity, which is not in accordance with the Purchase Manual provisions.

Thus, failure of the Company to take advantage of the available lowest rates and procurement of meters at higher rates resulted in uneconomical purchase with consequential extra expenditure of ₹ 2.08 crore.

The Company should coordinate with other DISCOMs and ascertain the lowest available rates for purchase of meters by them so as to avoid extra expenditure.

The matter was reported (May 2011) to the Government/Management and their reply had not been received (September 2011).

Transmission Corporation of Andhra Pradesh Limited

3.16 Idle Investment

Failure to complete stringing of second circuit of 132 KV transmission line resulted in idle investment of ₹ 2.10 crore.

Transmission Corporation of Andhra Pradesh Limited (Company) accorded administrative approval (December 2006) for erection of second circuit stringing of 45 kilometers on 132 KV line at an estimated cost of ₹ 2.71 crore. Accordingly, the work was taken up at a cost of ₹ 2.17 crore (funded by Power Finance Corporation) to improve the reliability of the supply in Wadapalli and Miryalguda area, as the section was having only a single circuit line. The work which was scheduled to be completed by March 2008 was executed by August 2009 through a contractor at a cost of ₹ 2.10 crore except at two places i.e., at broad gauge railway track near Piduguralla and at the crossing of river Krishna. At these two places, the vacant cross arms with single circuit line were being used by Southern Power Distribution Company of Andhra Pradesh Limited (SPDCL) by stringing the 33 KV line. We observed that, though the Company was aware of this fact since 2003, it took up the works for second circuit without getting the cross arms vacated resulting in idle investment of

[26] Elymer International (P) Ltd.

₹ 2.10 crore for 20 months (upto April 2011) with consequent avoidable expenditure of ₹ 35.50 lakh on the borrowed funds besides defeating the objective of providing uninterrupted power supply to the area.

In the reply of the Management, received through the Government, the Company stated (June 2011) that an undertaking was given by Superintendent Engineer (Operation) for laying the underground cable at railway crossing span. Regarding the river crossing span, it was stated that administrative approval for 33 KV features at 132 KV substation was accorded by the Company and the work was also awarded (May 2011) to Heavy Engineering Company. The Company assured that on completion of these works, the 33 KV lines would be vacated by SPDCL and second circuit would be energized.

The reply is not acceptable as there was already an abnormal delay in getting the 33 KV lines vacated, which are still strung on 132 KV Towers resulting in non-charging of the works completed by the Company.

Thus, improper planning of the Company in taking up the work without arranging for vacation of the existing 33 KV lines strung on its 132 KV cross arm not only resulted in locking up of Company's funds to the tune of ₹ 2.10 crore but also in loss of interest of ₹ 35.50 lakh (April 2011).

The Company before awarding the work for erection of lines and towers should take necessary line clearances in advance to avoid right of way problems.

3.17 Idle expenditure

Non-commissioning of 132/33 KV sub-station due to poor planning resulted in idle expenditure of ₹ 3.05 crore.

In order to meet the increasing load growth and to provide uninterrupted power supply during emergency to the entire Vijayawada City and surrounding areas, the Transmission Corporation of Andhra Pradesh Limited (Company) constructed (September 2010) a 132/33 KV substation (SS) at Autonagar, Vijayawada in Krishna District at a cost of ₹ 3.05 crore. Another agreement for erection and stringing of 1 KM of Line in Line out (LILO) to the substation from Gunadala-Gangoor 132 KV line to commission the substation was also awarded (August 2010) to the same contractor at ₹ 45.62 lakh which was yet to be taken up (March 2011). As a result, the SS at Autonagar could not be commissioned (September 2011) for want of completion of LILO works.

Scrutiny of records revealed that LILO works could not be taken up as the street through which transmission line was to pass was not in a straight line and the required horizontal clearance of 2.75 metre from the buildings at one corner of street as per Indian Electricity Rules, 1956 could not be maintained. Moreover the local residents, on the grounds of health hazards of a HT line passing through a residential area, approached the Hon'ble High Court of Andhra Pradesh for staying the proposal. Efforts made by the Company to change the design of the pile foundation for erecting the narrow based multi circuit towers also did not fructify.

We further observed that the Company was aware (March 2008) of the space constraint to maintain horizontal clearance and concern of the residents on passing of HT lines through the residential colony. However the Company awarded (April/November 2009) the work of construction of SS and LILO works which eventually led to protest and litigation by the local residents resulted in non-commissioning of the SS and consequential idling of funds to extent of ₹ 3.05 crore.

The Management replied (June 2011) that though a gazette publication was issued before laying LILO line for Autonagar SS for public awareness and inviting objections, no claim was received from public and accordingly the works were taken up. However, during the marking of foundations, the local residents objected. It was also stated that Company is putting all efforts to get the stay order vacated and soon after solving of right of way (RoW) problems, the line work will be completed and the substation would be charged by end of June 2011. The reply was endorsed (June 2011) by the Government.

The reply is not acceptable as the Company should have obtained the RoW clearance before taking up the works as it was well aware of the objections raised by the residents before marking the foundations itself. Further, the RoW problem remained unsolved even as on date (September 2011).

The Company, while conducting feasibility study should obtain the prerequisite advance RoW clearances before planning for construction in order to avoid delays in commissioning and resultant idle expenditure.

Statutory Corporation

Andhra Pradesh State Road Transport Corporation

3.18 Extra expenditure of ₹ 9.72 crore in procurement of Pre-cured Tread Rubber

The Corporation incurred extra expenditure of ₹ 9.72 crore on procurement of Pre-cured Tread Rubber due to (i) non-enforcement of risk purchase clause; and (ii) change in evaluation method.

Andhra Pradesh State Road Transport Corporation (Corporation) procures Pre-cured Tread Rubber (PTR) for recapping the worn out tyres to improve their life. PTR is procured as per the guidelines approved (June 2000) by its Board of Directors which *inter alia* provided that procurement of PTR was to be based on the (i) performance of latest six quarters measured in terms of Cost per Kilometre (CPK) of the PTR supplied by firms (suppliers), (ii) firms whose performance was available for a minimum 1,000 tyres should be considered for placing bulk orders (more than 10 metric tonnes (MTs)) and (iii) in case of firms who were considered earlier for bulk orders and from whom supplies were discontinued for different reasons they should be offered quantity not exceeding 50 MTs at the lowest CPK.

During 2006-11, tenders were invited seven times and orders worth ₹ 132.68 crore were finalised for procurement of 9,906 MTs of PTR (9.00 x 20 size). Scrutiny of the records relating to the above tenders indicated that the Corporation incurred extra expenditure of ₹ 9.72 crore as discussed below:

a) Non-enforcement of purchase order terms led to extra expenditure of ₹ 5.69 crore

As per the NIT / Purchase Orders terms and conditions, rates quoted by the suppliers shall remain firm for 12 months. We observed that on one occasion rates were enhanced (May 2006) against these terms and conditions resulting in extra expenditure of ₹ 0.69 crore. Further, on two occasions (March 2008 and February 2010), the Corporation purchased PTR from alternative sources at higher rates due to non supply of the same by the suppliers on whom orders were placed and incurred extra expenditure of ₹ 5.00 crore but no action was taken on the defaulting suppliers to invoke the risk purchase clause / blacklist them and orders are also continued to be placed on these suppliers. We further observed that while purchasing PTR from alternate suppliers Board approved guidelines were not followed as PTR was purchased from alternate sources on lowest rate per Kg basis instead of lowest CPK basis resulting in extra expenditure of ₹ 5.69 crore as detailed in **Annexure – 41**.

In reply it was stated (January / July 2011) that the firms are local industries and regular suppliers to the Corporation and blacklisting these suppliers will amount to loosing local industries and the risk purchase clause is being invoked sparingly where the firms are regular defaulters. It was also stated that 75 *per cent* of the requirement of PTR should be procured from the local Medium, Small and Micro Enterprises (MSMEs).

Reply is not acceptable as the suppliers didn't default in 2006 due to rate enhancement but defaulted in 2008 and 2010 when the Corporation did not enhance the rates. From this it is clear that the suppliers are regular defaulters and action should have been taken on the defaulting suppliers. Regarding purchase of PTR from local MSMEs, Government orders did not provide any immunity to the suppliers in the event of default as it is fulfilment of contractual obligations and the Corporation has got every right to protect its interests. Further, Government directed (October 2010) the Corporation to call for open tenders in place of limited tenders to ensure better competition.

b) Change in evaluation method resulted in extra expenditure of ₹ 4.03 crore

Based on offers received, Provisioning Committee (PC) recommended (February 2011) to procure 600 MTs from eight firms (including 475 MTs from four local firms) at the CPK of L3[27] firm (Treadsdirect) at 4.3257 paise based on the performance during the preceding six quarters as per guidelines. Surprisingly, based on a representation received from a local firm, performance / CPK was reworked changing the evaluation period to 20 quarters as per which, CPK of Treadsdirect became the lowest at 4.9261 paise and orders were placed (March 2011) on nine firms for supply of 640 MTs (including 495 MTs from local firms). By merely changing the evaluation period, local firms were paid higher rate ranging from ₹ 18.32 to ₹ 26.92 per Kg which resulted in extra expenditure of ₹ 1.31 crore. Thus, change of evaluation period to 20 quarters was not justified. Notwithstanding the revision of PTR guidelines in 2008 and 2004 by a committee of officers of the Corporation, no change was suggested regarding the evaluation period. Besides, 20 quarters mileage was considered for arriving at the CPK in the subsequent tenders (June 2011) also. We observed that had six quarters mileage been considered, Corporation could have saved ₹ 2.72 crore based on the matching CPK rate of L1 firm MRF. Thus, by changing the evaluation period to 20 quarters, recurring additional burden was thrust upon the Corporation.

In reply it was stated (July 2011) that there was huge difference in the mileage of the firms with six and 20 quarters evaluation period. Hence, Corporation has considered 20 quarters for the time being and simultaneously directed the Mechanical Engineering Department to conduct a comprehensive study on the issue and hence it can't be interpreted as additional expenditure.

Reply is not acceptable. Board approved guideline on arriving at the CPK followed since June 2000 was changed without comprehensive study / prior approval of the Board and also disregarding recommendations of earlier committees. Further, contrary to the recommendations of the PC to conduct comprehensive study and put up the recommendations to the Board for revising the existing guidelines, ratification of the Board was obtained (March 2011) for change in the evaluation period to 20 quarters for future procurement in an unjustified manner without comprehensive study, without bringing the fact of additional expenditure of ₹ 1.31 crore, without bringing the recommendations of the previous committees etc., to Board's notice. Management is silent as to how ratification was obtained without comprehensive study and without furnishing full facts to the Board.

c) Deviations from the Board/ Government approved guidelines

Following deviations from Government/ Board approved guidelines were noticed.

- Limited tenders were invited instead of open tenders.

[27] Offers of L1 firm MRF (3.7480 paise) and L2 firm Kwolity Rubber Ltd (4.0688 paise) were not considered for bulk procurement and order quantity was restricted to 25 MTs each since the tyres analysed were less than 1000 in respect of MRF (224 tyres) and Kwolity (731 tyres).

- Security deposit was not collected at 10 *per cent* of the order value or ₹ 5 lakh whichever is less to ensure adherence to purchase order terms and conditions.

In reply it was stated (July 2011) that various related aspects are being studied in detail and the comprehensive guidelines will be put up for approval of the Board and the same will be informed to the Government as and when required.

Reply is silent about the reasons for inviting limited tenders instead of open tenders and reasons for not collecting security deposit. Further, there is no evidence that various observations raised in the para having significant financial implications were brought to the notice of the Board for deliberating on the same and taking judicious decisions in the best financial interest of the Corporation.

Thus, payment of price escalation despite the price being firm and procurement at a higher rate resulted in extra expenditure of ₹ 9.72 crore.

Recommendations

The Corporation may

- **take stringent action against the defaulting firms;**
- **ensure minimum allocation to major suppliers to keep their performance under reckoning; and**
- **strictly avoid deviations from guidelines without prior approval of the Board/ Government.**

The matter was reported (June 2011) to the Government and their reply had not been received (September 2011).

3.19 Short devolution of scrapped springs resulted in revenue loss of ₹ 4.35 crore

The Corporation failed to adhere to the instructions in respect of devolution of scrapped springs which resulted in short devolution of springs valuing ₹ 4.35 crore.

The Corporation uses spring blades (springs) in the suspension system of their buses. It procures new springs for issuing to the depots for replacement of broken/unserviceable spring blades. New springs are issued to the needy depots by the zonal stores. As per the instructions (October 1999) in vogue the norm for returning scrapped springs is equal to the quantity of new springs drawn. The instructions further stated that the zonal stores should maintain a record of quantities of issue of new springs and receipt of scrapped springs for each depot and the Regional Manager/Executive Director of the concerned region/zone had to monitor the scrapping of springs.

Audit scrutiny of the issue of new springs vis-à-vis receipt of scrapped springs during 2006-07 to 2010-11 (upto December 2010) indicated that there was huge variation in the new springs drawn and scrapped springs returned by the depots. Against the issue of 83.24 lakh Kgs of new springs, the receipts from depots were only 63.21 lakh Kgs resulting in shortage of 20.03 lakh Kgs (24.06 *per cent*) of scrapped springs valued ₹ 4.35[28] crore. Review of data also indicated the following:

- Short devolution of scrapped springs by six[29] zones ranged between 0.61 lakh and 8.07 lakh Kgs (i.e., 8.25 *per cent* to 39.23 *per cent*) as against the norm of zero *per cent* short devolution.

- Scrutiny of depot-wise details revealed that the percentage of short devolution of scrapped springs was upto 90.19 (Ranigunj-I).

- None of the six zonal stores had the cumulative figures of scrapped springs not returned by the depots at any particular given time indicating poor accounting and monitoring of the scrapped returns.

From the above it is clear that proper accountal and internal controls/monitoring were lacking at various levels in the system of accounting/devolution of scrapped springs which resulted in loss of revenue to the tune of ₹ 4.35 crore.

Management replied (May 2011) that circular instructions were issued in 1999 which were being reiterated directing that the scrapped springs are to be used for generating useful leaves from them and the vehicles are to be fitted with these reconditioned springs. Due to this depots maintain huge inventory of loose blades and hence it is not possible to arrive at the variance by merely looking at the difference in the quantities of new springs issued and scrapped springs returned. The reply is not acceptable as the Corporation has not furnished any documentary evidence in support of the fact that stock of reconditioned and removed springs were lying in stores. The depots were also not maintaining any records for the stock of reconditioned/ removed springs lying with them. This clearly indicates the failure of the Corporation in monitoring the usage and accountal of scrapped springs, which is one of the high value items requiring cost control mechanism.

It is recommended that the Management should formulate comprehensive guidelines/ system for closely monitoring the devolution of scrapped springs and their accountal to take appropriate timely action in case of delays.

The matter was reported (April 2011) to the Government and their reply had not been received (September 2011).

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[28] Based on the average rate realized on the disposal of scrapped springs in 2010-11.

[29] Hyderabad (39.23 *per cent*), Kadapa (26.79 *per cent*), Vizianagaram (22.62 *per cent*), Nellore (20.78 *per cent*), Karimnagar (9.41 *per cent*) and Vijayawada (8.25 *per cent*).

3.20 Irregular payment of reimbursable allowances covered in Grade pay - ₹4.51 crore

Irregular payment of ₹ *4.51* crore was made towards reimbursable allowances which were converted into grade pay.

The revised pay scales of staff and officers of Andhra Pradesh State Road Transport Corporation (Corporation) had been approved by the Board of the Corporation (February 2010) and Government of Andhra Pradesh (GoAP) (October 2010). On scrutiny of records relating to implementation of revised pay and allowances we observed that based on a representation submitted (January 2010) by the APSRTC Officers Association, the Board approved (9 February 2010) introduction of Grade Pay and the amount of existing reimbursable allowances towards refreshments, news paper and bearer had been taken as Grade Pay[30]. In the letter sent (February 2010) to the GoAP for sanction of revised pay scales, it was clearly mentioned that it was agreed to convert the existing reimbursable allowances of refreshments, news paper and bearer named as grade pay to the officers.

We observed that separate proposal was submitted (9 February 2010) to the Board on the same day for revision of allowances to the officers. However, contrary to the facts mentioned in the proposals submitted for revision of pay scales, allowances which were proposed for conversion into grade pay were again included in the list of allowances to be revised without mentioning this important fact in the note submitted for approval and the Board approved this proposal also without considering full facts. Thus, approval of the Board was obtained for drawal of allowances converted into grade pay. The Corporation has paid both the Grade Pay and again the allowances resulting in irregular payment of Rs.4.51 crore (up to August 2011) with recurring impact till the same is stopped.

In reply it was stated (August 2011) that the enhanced part of allowances payable towards newspapers and refreshments were only provided excluding the amount that merged into Grade Pay and the same was implemented with the approval of the Board.

Reply is not acceptable as the fact that allowances converted into Grade Pay are proposed in addition to the Grade Pay was not brought out in the note submitted to the Board and the fact that it was agreed to convert the existing reimbursable allowances of refreshments, news paper and bearer as Grade Pay was clearly mentioned in the letter sent to the GoAP. Hence, payment/ continuation of allowances converted to Grade Pay has no justification.

It is recommended to review the matter for determining the allowances in accordance with the norms and initiate recovery action, wherever necessary. Responsibility may also be fixed for not appraising the Board with regard to payment of Grade pay and reimbursable allowances. The Management should

[30] Grade pay per month to Executive Directors (EDs) (₹ 6800 – included in the basic pay), Heads of the Department (HODs) (₹ 6100), Sr. Scale Officers (SSOs) (₹ 4100) and Jr. Scale Officers (JSOs) (₹ 2700).

be more vigilant and exercise greater care in matters relating to correct implementation of decisions take by them.

The matter was reported (August 2011) to the Government and their reply had not been received (September 2011).

3.21 Undue benefit to manufacturers and additional burden in procurement of buses

Corporation extended undue benefit of ₹ 59.08 crore to the manufacturers due to waiver of penalty on delayed supply of buses. Further, there was an additional burden of ₹ 242.49 crore due to procurement of buses of BS III standard, with auto transmission and LED destination boards and without ensuring State contribution.

3.21.1 Andhra Pradesh State Road Transport Corporation (Corporation) placed purchase orders (between March 2009 and January 2011) on three vehicle manufacturers[31] for supply of 1,479 fully built buses **(Annexure-42)** under Jawaharlal Nehru National Urban Renewal Mission (JNNURM[32]) scheme of the Government of India, Ministry of Urban Development (MoUD) for operation in four cities in Andhra Pradesh viz., Hyderabad, Visakhapatnam, Vijayawada, and Tirupathi. Out of this, 1,441 buses were received up to April 2011 **(Annexure-42).** Scrutiny of the records relating to purchase of buses under JNNURM scheme revealed the following shortcomings.

Undue benefit extended to the vehicle manufacturers

3.21.2 As per the terms and conditions of the purchase orders, 1,429 buses shall be delivered by the manufacturers latest by June 2009 (1,389 buses) / October 2009 (40 buses), failing which penalty at ₹ 1000 per bus per day shall be levied. Out of this, 1,395 buses delivered up to April 2011 were with delays ranging from 87 to 664 days and the penalty towards late supply of these buses worked out to ₹ 43.21 crore. However, the Corporation waived the penalty without approval of its Board on the plea that they had not paid any advance amounts to the vehicle manufacturers and orders for majority of buses under JNNURM were placed on AL, TML and Volvo by all State Transport Undertakings (STUs) causing delay in delivery of buses due to fabrication limitations etc. Further, penalty of ₹ 23.00[33] crore deducted from the bills of vehicle manufacturers initially (in respect of buses delivered up to June 2010) was also refunded (October 2010) disregarding the earlier (July 2010) committee recommendations. Waiver of penalty on delayed delivery was not justified and the same resulted in extension of undue benefit to the vehicle manufacturers, as i) it was a conscious business decision of the manufacturers to accept orders fully knowing their supply constraints and the scheduled dates of delivery and hence, acceptance of orders disregarding the supply constraints

[31] Tata Motors Ltd (TML), Ashok Leyland Ltd (AL) and Volvo Buses India Pvt Ltd (Volvo).
[32] JNNURM scheme was initially introduced (December 2005) for development of urban infrastructure in selected mission cities and the same was extended (January 2009) for procurement of buses.
[33] TML (₹ 11.70 crore), AL (₹ 11.28 crore) and Volvo (₹ 0.02 crore).

and subsequent late delivery cannot be treated as *force majeure;* ii) cumulative delay in delivery of 1,395 buses was 4.32 lakh bus days due to which the revenue which should have accrued to the Corporation was foregone iii) substantial delay in delivery of buses affected the replacement/ augmentation schedule of the Corporation; iv) while extending (November 2010) delivery time beyond March 2010, MoUD clearly indicated that the extension of delivery period was in no way a waiver of penalty imposed by STUs.

In reply it was stated (July 2011) that during the pre-bid meeting itself vehicle manufactures requested for extension of delivery period and the Corporation informed that if GoI approves extension of last date for supply of buses, the same will be communicated. It was also stated that after examining the committee report and as agreed to in the pre-bid meeting, amount was refunded since MoUD extended the delivery time from time to time.

Reply is not acceptable. In the minutes of the pre-bid meeting (March 2009) it was recorded that "the representatives have requested to extend the last date for supply of all buses. They have also informed that manufacturers have represented the GoI to extend the last date to September 2009. In the pre-bid meeting it was also agreed to extend the lead time for delivery of buses to 40 days from 30 days as per NIT terms and conditions considering the request of the manufacturers but the issue of penalty was not discussed in the pre-bid meeting. However, all the buses delivered by TML/ AL were beyond 40 days from placement of purchase orders. While extending the delivery period, MoUD clearly indicated that the extension of delivery period was in no way a waiver of penalty to be imposed by STUs. Hence, reply that penalty was refunded as agreed in the pre-bid meetings was not correct and refund of penalty already recovered that too without approval of the Board was not justified. Management is silent on the reasons for waiver of penalty without approval of its Board.

3.21.3 As per the scheme guidelines, all the buses procured under JNNURM shall conform to Urban Bus Specifications (UBS) which *inter alia* include Intelligent Transport System (ITS [34]) related requirements and multiplex wiring. This was also mentioned in the purchase orders and detailed specifications issued by MoUD (May 2009) on ITS were communicated to the manufacturers before delivery for compliance. However, none of the 1,441 buses delivered up to April 2011 were equipped with ITS and only low floor buses contained multiplex wiring. Due to non-provision of ITS in 997 buses delivered up to 5 June 2010, ₹ 19.22[35] crore was withheld from the bills of vehicle manufacturers which was refunded subsequently (October 2010) and no further deductions were made on the plea that that the specifications circulated by MoUD were recommendatory in nature and the vehicle manufactures assured to provide GPRS[36] hardware in the GPS[37] compatible controller. Further, a committee of the officers of the Corporation which looked into the matter in its report (July 2010) mentioned that at various stages

[34] ITS controller, Video cameras, Camera recording unit for 48 hrs, Audio visual passenger information system, Ticket issue machine with SIM card, master multiplex wiring system etc.

[35] AL (₹ 10.06 crore) TML (₹ 9.01 crore) and Volvo (₹ 0.15 crore).

[36] General Packet Radio Service.

[37] Global Positioning System.

of inspection of the buses it was clearly informed to the manufacturers to comply with MoUD specifications regarding provision of ITS/ multiplex wiring but the same was not done. Further, after refunding the withheld amount without approval of its Board, the Corporation placed a trial order on AL (February 2011) for multiplex wiring (₹ 0.64 lakh per bus) and ITS related equipment (₹ 0.53 lakh per bus) in 20 buses. From this it is clear that provision of GPS controller in the buses is not sufficient for implementation of ITS. Thus, procurement of buses without ITS related equipment in defiance of the MoUD guidelines led to extension of undue benefit of ₹ 15.87 crore to vehicle manufacturers (worked out based on the orders placed in February 2011).

In reply it was stated (July 2011) that orders were placed based on MoUD specifications of November 2008 which requires only ITS compatibility but these specifications were changed subsequently (May 2009) to provision of full fledged ITS system and as there was no clarity between the old and new specifications, amount was withheld initially. It was also stated that since the manufacturers agreed to provide ITS compatible controller and once backend office is established by the Corporation ITS will be functional. It was also stated that MoUD released CFA of ₹ 109.77 crore only as against ₹ 131.97 crore mainly due to non-provision of full fledged ITS system.

Reply is not acceptable as even before delivery of a single bus by TML/ AL, revised specifications of MoUD were communicated to them for compliance. However, Corporation failed to resolve the issue and ultimately took delivery of the buses without ITS equipment even though the cost of the buses was substantially higher than the regular buses. Reply that ITS can be functional with controller provided by the manufactures is not correct as the Corporation placed separate orders for multiplex wiring and ITS equipment at additional cost. Management is silent about the reasons for refund of amount against the recommendations of the committee (July 2010) and without approval of its Board.

3.21.4 We further observed that cost of the buses under the scheme was more (35.22 *per cent* to 202.66 *per cent*) than the cost of regular buses **(Annexure-43)** with higher operating cost. We also observed that during 2004-09, percentage of over-aged buses of the Corporation was ranging from 62.93 *per cent* to 74.39 *per cent* which could not be replaced due to financial constraints and it was operating scrapped buses for want of replacements. Further, the Corporation was in heavy debts (₹ 1,404.47 crore) with accumulated losses[38] (₹ 1,151.84 crore). Nevertheless, the Corporation decided to take part in the scheme. The following decisions taken in execution of the scheme could add to the financial woes of the already ailing Corporation.

- As per the scheme guidelines, project cost shall be borne by MoUD (35 to 80 *per cent*), State Government (10 to 20 *per cent*) and the Corporation (10 to 50 *per cent*). However, the Corporation decided to purchase the buses without State contribution which resulted in additional burden of ₹ 53.87 crore.

[38] By March 2011, Debts and Accumulated losses increased to ₹ 2440.98 crore and ₹ 1971.77 crore respectively.

- As per the scheme guidelines issued in December 2005, MoUD shall release Central Financial Assistance (CFA) to the State Government/ nodal agency, which in turn could release it to the implementing agency as grant or loan or grant-cum-loan. Though Government of Andhra Pradesh had already decided (July 2006) to release CFA as grant and loan in 60:40 ratio for transport sector projects, proposals were initiated by the Corporation presuming that entire CFA will be released as grant and the Board of the Corporation was appraised accordingly. Additional burden of loan component (40 *per cent* of CFA) would be to the tune of ₹ 89.63 crore towards principal (₹ 53.81 crore) and interest (₹ 35.82 crore).

In reply it was stated that the Corporation has purchased buses under JNNURM scheme only after examining all the pros and cons of procurement by doing cost benefit analysis, considering the fuel efficiency and maintenance cost. It was also stated that the Corporation was still pursuing with the Government to treat entire CFA as grant.

Reply is not acceptable as the details of the cost benefit analysis stated to have been done before purchasing the buses were not on record and also not made available to Audit in spite of several requests. Reply is silent as how entire CFA was treated as grant contrary to GoAP orders of July 2006. Further, Corporation is repeatedly requesting the GoAP to contribute its share of the project cost and treat the entire CFA as grant on the plea that the Corporation was not in a position to bear the huge burden in view of high cost of the buses with increased maintenance costs. This clearly indicate that the scheme was availed without cost benefit analysis.

- The Corporation provided LED destination boards to all JNNURM buses (at an additional cost of ₹ 1.41 lakh to ₹ 2.27 lakh per bus as against the cost of ₹ 200 per bus in case of conventional destination boards) on the plea that the buses were high end. We observed that out of 1,479 buses, only 98 buses are high end i.e., AC buses and the remaining 1,381 were regular metro express/ deluxe non-AC buses resulting in additional burden of ₹ 15.12 crore on provision of LED boards to regular buses.

In reply it was stated (July 2011) that MoUD informed (May 2009) that provision of LED destination Boards is mandatory in JNNURM buses. It was also replied that these electronic display Boards are superior to the conventional destination boards.

Reply is not acceptable as there was no mention of LED destination boards in the UBS applicable at the time of placement of orders. Though the Corporation was aware that LED destination boards were optional, the same were provided to all the buses on the plea that the buses were high end even though only 98 buses were high end. Reply that LED destination boards are superior to conventional boards is also not correct as most of the LED destinations boards are not functioning causing unwarranted inconvenience to the commuters rendering the expenditure incurred as infructuous. Reasons for malfunctioning of the LED destination boards and extent of malfunctioning could not be examined due to non-production of data and relevant record in spite of repeated requests.

- The Corporation purchased 238 low floor buses with auto transmission at an additional cost of ₹ 10.01 crore (₹ 5.49 lakh per bus) disregarding the technical evaluation committee recommendations (March 2009) to gather lot of information from depots/ workshops on this besides getting feedback from Mehdipatnam depot where five buses were retrofitted with auto transmission gear boxes. We observed that fuel efficiency of the buses retrofitted with auto transmission gear boxes was 24.94 *per cent* lesser as compared to manual transmission. Due to this, Corporation might incur recurring extra expenditure of ₹ 73.86 crore on consumption of extra fuel by auto transmission buses.

In reply it was stated that the Corporation conducted trial on auto transmission on five buses and the negotiations committee has deliberated at length on the subject and after detailed examination of the advantages and cost economies and based on the recommendations of Mechanical Engineering Department (MED) committee recommended auto transmission.

Reply is not acceptable as trial on auto transmission at Mehdipatnam depot in five buses was inconclusive as four out of five buses were transferred to other depots/ auto transmission removed in at least two buses without the knowledge of Head Office of the Corporation defeating the purpose of trial and rendering the expenditure on trial as infructuous. Further, copies of cost benefit analysis stated to have been done and the MED report based on which the negotiations committee recommended auto transmission were not made available to audit. Reply is also silent on the extra expenditure on consumption of extra fuel by auto transmission buses and why the recommendations of the technical evaluation committee were ignored.

Thus, waiver of penalty on delayed delivery of buses and failure to insist for ITS related equipment/ multiplex wiring in the fully built buses resulted in extension of undue benefit of ₹ 59.08 crore to the vehicle manufacturers and other decisions in procurement resulted in additional burden of ₹ 242.49 crore.

It is recommended that Management should conduct a thorough cost benefit analysis before purchasing the buses under special schemes and strictly adhere to the terms and conditions stipulated in the purchase orders.

The matter was reported (June 2011) to the Government and their reply had not been received (September 2011).

General

3.22 Follow up action on Audit Reports

Explanatory Notes Outstanding

3.22.1 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 Government. It is, therefore, necessary that appropriate and timely response is elicited from the Executive on the Audit findings included in the Audit Reports. Finance Department, Government of Andhra Pradesh issued (June 2004) instructions to all Administrative Departments to submit explanatory notes indicating 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).

Though the Audit Reports for the years 1992-93 to 2009-10 were presented to the State Legislature between March 1994 and March 2011, 13 departments did not submit explanatory notes on 124 out of 429 paragraphs/ reviews as on September 2011 as indicated below:

Year of the Audit Report (Commercial)	Date of presentation to State Legislature	Total Paragraphs/ reviews in Audit Report	No of Paragraphs/ reviews for which explanatory notes were not received
(1)	(2)	(3)	(4)
1992-93	29-03-1994	36	1
1993-94	28-04-1995	25	2
1995-96	19-03-1997	28	6
1996-97	19-03-1998	29	2
1997-98	11-03-1999	29	10
1998-99	03-04-2000	29	7
1999-2000	31-03-2001	24	6
2000-01	30-03-2002	21	5
2001-02	31-03-2003	23	8
2002-03	24-07-2004	16	3
2003-04	31-03-2005	21	7
2004-05	27-03-2006	23	4
2005-06	31-03-2007	23	5
2006-07	28-03-2008	29	13
2007-08	05-12-2008	25	8
2008-09	30-03-2010	27	17
2009-10	29-03-2011	21	20
Total		**429**	**124**

Department-wise analysis of reviews/ paragraphs for which explanatory notes are awaited is given in **Annexure-44**. Majority of the cases of non-submission of explanatory notes relate to PSUs under the Departments of Energy and Industries and Commerce.

Compliance to Reports of Committee on Public Undertakings (COPU)

3.22.2 Action Taken Notes (ATNs) on recommendations of the Committee on Public Undertakings (COPU) are required to be furnished within six months from the date of presentation of the Report to the State Legislature. ATNs on 607 recommendations pertaining to 37 Reports of the COPU presented to the

State Legislature between April 1991 and March 2011 had not been received as of September 2011 are indicated below:

Year of COPU Report	Total number of Reports involved	No. of Recommendations where replies not received
1991-92	1	3
1992-93	6	239
1993-94	5	136
1995-96	1	30
1996-97	1	2
1997-98	2	38
1998-99	2	16
2000-01	8	72
2001-02	2	6
2004-05	3	23
2005-06	2	17
2006-07	4	25
Total:	**37**	**607**

The replies to recommendations were required to be furnished within six months from the date of presentation of the Reports to the State Legislature.

Response to inspection reports, draft paragraphs and reviews

3.22.3 Audit observations noticed during audit and not settled on the spot are communicated to the heads of PSUs and departments concerned of State Government through inspection reports. The heads of PSUs are required to furnish replies to the inspection reports through respective heads of departments within a period of six weeks. Inspection reports issued up to March 2011 pertaining to 46 PSUs disclosed that 3064 paragraphs relating to 782 inspection reports remained outstanding at the end of September 2011. Of these, 126 inspection reports containing 895 paragraphs had not been replied to for one to six years. Department wise break-up of Inspection reports and audit paragraphs outstanding as on 30 September 2011 is given in **Annexure-45.** In order to expedite settlement of outstanding paragraphs, four Audit Committee meetings were held during 2010-11 wherein position of outstanding paragraphs was discussed with executive/administrative departments.

Similarly, draft paragraphs and reviews are forwarded to the Principal Secretary/Secretary of the administrative department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. It was, however, observed that 20 draft paragraphs forwarded to various departments during April 2011 to August 2011 as detailed in **Annexure-46** had not been replied to so far (September 2011).

It is recommended that (a) the Government should ensure that procedure exists for action against officials who failed to send replies to inspection reports/draft paragraphs/reviews and ATNs on recommendations of COPU as per the prescribed time schedule, (b) action is taken to recover loss/outstanding advances/overpayments in a time-bound schedule, and (c) the system of responding to audit observations is revamped.

(SADU ISRAEL)
Accountant General
(Commercial and Receipt Audit)
Andhra Pradesh

Hyderabad
The

Countersigned

New Delhi

The

(VINOD RAI)
Comptroller and Auditor General of India

Annexure – 1

Statement showing particulars of up-to-date capital, loans outstanding and manpower as on 31 March 2011 in respect of Government Companies and Statutory Corporations

(Referred to in paragraph 1.7)

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

Sl. No.	Sector and Name of the Company	Name of the Department	Month and Year of incorporation	Paid-up capital@				Loans outstanding at the close of 2010-11*				Debt-equity ratio for 2010-11 (Previous year)	Man-power (No. of employees) (as on 31-03-11)
				State Govt.	Central Govt.	Others	Total	State Govt.	Central Govt.	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 AND ALLIED												
1	Andhra Pradesh State Agro Industries Development Corporation Limited	Agriculture and Co-operation	05.03.1968	18.81	2.69	0.00	21.50	25.07	0.00	0.00	25.07	**1.17:1 (1.17:1)**	262
2	Andhra Pradesh Forest Development Corporation Limited	Forest, Environment Science and Technology	16.06.1975	21.32	0.50	0.00	21.82	22.99	0.00	41.85	64.84	**2.97:1 (3.7:1)**	757
3	Andhra Pradesh State Irrigation Development Corporation Limited	Irrigation and CAD	07.09.1974	132.86	0.95	0.00	133.81	48.08	0.00	0.00	48.08	**0.36:1 (0.36:1)**	489
4	Andhra Pradesh Meat Development Corporation Limited	Animal Husbandry, Dairy Development and Fisheries	31.10.1977	29.02	1.41	0.00	30.43	0.00	0.00	0.00	0.00	**-**	8
5	Indira Gandhi Centre Advanced Research on Livestock Private Limited	Animal Husbandry, Dairy Development and Fisheries	11.11.2008	0.01	0.00	0.00	0.01	0.00	0.00	0.00	0.00	**-**	0
6	Andhra Pradesh State Seeds Development Corporation Limited (619-B)	Agriculture and Co-operation	30.03.1976	1.07	0.90	0.80	2.77	133.62	0.00	0.00	133.62	**48.24:1 (50.04:1)**	285
	Total			**203.09**	**6.45**	**0.80**	**210.34**	**229.76**	**0.00**	**41.85**	**271.61**	**1.29:1 (1.43:1)**	**1801**
	FINANCE												
7	Andhra Pradesh State Film Television and Theatre Development Corporation Limited	General Administration	10.10.1975	6.22	0.00	0.00	6.22	0.30	0.00	0.00	0.30	**0.05:1 (0.12:1)**	40
8	Andhra Pradesh Handicrafts Development Corporation Limited	Industries and Commerce	10.11.1981	1.50	0.50	0.00	2.00	0.49	0.00	0.00	0.49	**0.25:1 (0.25:1)**	148
9	Andhra Pradesh State Minorities Finance Corporation Limited	Minorities Welfare	19.01.1985	139.85	0.00	0.00	139.85	13.48	0.00	0.00	13.48	**0.10:1 (0.13:1)**	87

Sl. No.	Sector and Name of the Company	Name of the Department	Month and Year of incorporation	Paid-up capital@				Loans outstanding at the close of 2010-11*				Debt-equity ratio for 2010-11 (Previous year)	Man-power (No. of employees) (as on 31-03-11)
				State Govt.	Central Govt.	Others	Total	State Govt.	Central Govt.	Others	Total		
1	2	3	4	5(a)	5(b)	5(c)	5(d)	6(a)	6(b)	6(c)	6(d)	7	8
10	Andhra Pradesh State Christian Minorities Finance Corporation Limited	Minorities Welfare	11.02.2010	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-	34
11	Andhra Pradesh Power Finance Corporation Limited	Energy	12.07.2000	29.00	0.00	0.00	29.00	0.00	0.00	2710.20	2710.20	**93.46:1 (98.51:1)**	1
	Total			**176.57**	**0.50**	**0.00**	**177.07**	**14.27**	**0.00**	**2710.20**	**2724.47**	**15.39:1 (16.18:1)**	**310**
	INFRASTRUCTURE												
12	Andhra Pradesh Industrial Development Corporation Limited	Industries and Commerce	16.12.1960	130.31	1.04	0.00	131.35	15.56	1.48	0.00	17.04	**0.13:1 (0.13:1)**	88
13	Andhra Pradesh Industrial Infrastructure Corporation Limited	Industries and Commerce	26.09.1973	16.33	0.00	0.00	16.33	0.70	0.00	413.55	414.25	**25.37:1 (25.97:1)**	462
14	Andhra Pradesh Gas Infrastructure Corporation Private Limited (619-B)	Industries and Commerce	02.09.2009	0.00	0.00	20.89	20.89	0.00	0.00	0.00	0.00	-	0
15	Andhra Pradesh Gas Distribution Corporation Limited (619-B)	Infrastructure and Investment	10.01.2011	0.00	0.00	10.00	10.00	0.00	0.00	0.00	0.00	-	0
16	Andhra Pradesh State Housing Corporation Limited	Housing	05.07.1979	0.25	0.00	0.00	0.25	9469.71	0.00	857.17	10326.88	**41307.52:1 (38796.12:1)**	7572
17	Andhra Pradesh State Police Housing Corporation Limited	Home	20.05.1971	1.81	0.00	0.00	1.81	0.00	0.00	33.90	33.90	**18.73:1 (26.99:1)**	212
18	Andhra Pradesh Rajiv Swagruha Corporation Limited	Housing	27.08.2007	0.05	0.00	0.00	0.05	0.00	0.00	0.00	0.00	-	145
19	Andhra Pradesh Urban Finance and Infrastructure Development Corporation Limited	Municipal Administration and Urban Development	12.01.1993	0.15	0.00	0.00	0.15	0.00	0.00	0.00	0.00	**0 (3153.40:1)**	4
20	Fab City (India) Pvt. Limited (S)	Industries and Commerce	02.05.2006	0.00	0.00	0.01	0.01	0.00	0.00	0.00	0.00	-	0
21	Hyderabad Growth Corridor Limited (619-B)	Municipal Administration and Urban Development	25.12.2005	0.00	0.00	0.15	0.15	332.64	1095.41	0.00	1428.05	**9520.33:1 (3544.67:1)**	50
22	Infrastructure Corporation of Andhra Pradesh Limited	Infrastructure and Investment	31.05.2005	18.12	0.00	0.00	18.12	0.00	0.00	0.00	0.00	-	32
	Total			**167.02**	**1.04**	**31.05**	**199.11**	**9818.61**	**1096.89**	**1304.62**	**12220.12**	**61.37:1 (67.03:1)**	**8565**
	MANUFACTURING												
23	Andhra Pradesh Beverages Corporation Limited	Revenue	23.07.1986	8.34	0.00	0.00	8.34	0.00	0.00	0.00	0.00	-	470

Sl. No.	Sector and Name of the Company	Name of the Department	Month and Year of incorporation	Paid-up capital@				Loans outstanding at the close of 2010-11*				Debt-equity ratio for 2010-11 (Previous year)	Man-power (No. of employees) (as on 31-03-11)
				State Govt.	Central Govt.	Others	Total	State Govt.	Central Govt.	Others	Total		
1	2	3	4	5(a)	5(b)	5(c)	5(d)	6(a)	6(b)	6(c)	6(d)	7	8
24	Andhra Pradesh Heavy Machinery and Engineering Limited (S)	Energy	01.09.1976	0.15	0.00	17.12	17.27	1.00	0.00	0.00	1.00	**0.06:1 (0.13:1)**	518
25	Andhra Pradesh Mineral Development Corporation Limited	Industries and Commerce	24.02.1961	6.31	0.00	0.00	6.31	0.00	0.00	0.00	0.00	**-**	268
26	Damodhara Minerals Private Limited(S)	Industries and Commerce	28.01.2000	0.00	0.00	0.04	0.04	0.00	0.00	0.00	0.00	**-**	0
27	Leather Industries Development Corporation of Andhra Pradesh Limited	Industries and Commerce	04.10.1973	23.08	0.00	0.00	23.08	9.50	0.00	0.00	9.50	**0.41:1 (0.96:1)**	95
28	Krishnapatnam International Leather Complex Private Limited (619-B)	Industries and Commerce	19.08.2008	0.00	0.00	0.10	0.10	0.00	0.00	0.00	0.00	**-**	5
29	The Nizam Sugars Limited	Industries and Commerce	17.04.1937	33.49	0.00	0.51	34.00	39.23	0.00	0.00	39.23	**1.15:1 (1.16:1)**	0
30	The Singareni Collieries Company Limited	Energy	18.11.1920	885.60	847.56	0.04	1733.20	0.00	398.01	0.00	398.01	**0.23:1 (0.27:1)**	67615
	Total			**956.97**	**847.56**	**17.81**	**1822.34**	**49.73**	**398.01**	**0.00**	**447.74**	**0.25:1 (0.28:1)**	**68971**
	POWER												
31	Andhra Pradesh Power Generation Corporation Limited	Energy	29.12.1998	2106.80	0.00	0.00	2106.80	0.00	0.00	11109.23	11109.23	**5.27:1 (5.10:1)**	10658
32	Central Power Distribution Company of Andhra Pradesh Limited	Energy	30.03.2000	728.47	0.00	0.00	728.47	42.08	0.00	2068.62	2110.70	**2.90:1 (1.80:1)**	13782
33	Eastern Power Distribution Company of Andhra Pradesh Limited	Energy	30.03.2000	121.23	0.00	0.00	121.23	53.48	0.00	372.57	426.05	**3.51:1 (3.59:1)**	7710
34	Northern Power Distribution Company of Andhra Pradesh Limited	Energy	30.03.2000	274.76	0.00	0.00	274.76	0.00	0.00	1062.43	1062.43	**3.87:1 (3.63:1)**	7722
35	New & Renewable Energy Development Corporation of Andhra Pradesh Limited	Energy	20.10.1969	0.19	0.00	0.03	0.22	0.00	0.00	0.08	0.08	**0.36:1 (3.73:1)**	166
36	Southern Power Distribution Company of Andhra Pradesh Limited	Energy	30.03.2000	358.72	0.00	0.00	358.72	42.83	0.00	2110.76	2153.59	**6.00:1 (5.74:1)**	16439
37	Transmission Corporation of Andhra Pradesh Limited	Energy	29.12.1998	779.22	0.00	0.00	779.22	332.62	0.00	2268.40	2601.02	**3.34:1 (2.95:1)**	3977
38	Andhra Pradesh Power Development Company Limited (619-B)	Energy	01.03.2006	30.00	0.00	568.57	598.57	494.25	0.00	2043.83	2538.08	**4.24:1 (4.41:1)**	81
	Total			**4399.39**	**0.00**	**568.60**	**4967.99**	**965.26**	**0.00**	**21035.92**	**22001.18**	**4.43:1 (4.10:1)**	**60535**

Sl. No.	Sector and Name of the Company	Name of the Department	Month and Year of incorporation	Paid-up capital@				Loans outstanding at the close of 2010-11*				Debt-equity ratio for 2010-11 (Previous year)	Man-power (No. of employees) (as on 31-03-11)
				State Govt.	Central Govt.	Others	Total	State Govt.	Central Govt.	Others	Total		
1	2	3	4	5(a)	5(b)	5(c)	5(d)	6(a)	6(b)	6(c)	6(d)	7	8
	SERVICES												
39	Andhra Pradesh State Civil Supplies Corporation Limited	Consumer Affairs, Food and Civil Supplies	31.12.1974	3.00	0.00	0.00	3.00	0.00	0.00	0.00	0.00	**-**	994
40	Andhra Pradesh Tourism Development Corporation Limited	Youth advancement, Tourism &Culture	18.02.1976	3.76	0.00	0.00	3.76	0.00	0.00	15.25	15.25	**4.06:1 (3.83:1)**	1920
41	Andhra Pradesh Technology Services Limited	Information Technology & Communications	17.01.1985	0.20	0.00	0.00	0.20	0.00	0.00	0.00	0.00	**-**	118
42	Andhra Pradesh Trade Promotion Corporation Limited	Industries and Commerce	05.06.1970	0.85	0.00	0.01	0.86	0.00	0.00	0.00	0.00	**-**	46
43	Hyderabad Metro Rail Limited	Municipal Administration and Urban Development	18.5.2007	0.57	0.00	0.00	0.57	0.00	0.00	0.00	0.00	**-**	82
44	Vizag Apparel Park for Export	Handlooms & Textiles	31.03.2004	0.05	0.00	0.00	0.05	0.00	0.00	0.00	0.00	**-**	0
	Total			**8.43**	**0.00**	**0.01**	**8.44**	**0.00**	**0.00**	**15.25**	**15.25**	**1.81:1 (1.70:1)**	**3160**
	MISCELLANEOUS												
45	Overseas Manpower Company of Andhra Pradesh Limited	Employment and Training	10.01.2006	0.21	0.00	0.00	0.21	0.00	0.00	0.00	0.00	**-**	11
	Total			**0.21**	**0.00**	**0.00**	**0.21**	**0.00**	**0.00**	**0.00**	**0.00**		**11**
	Total: A			**5911.68**	**855.55**	**618.27**	**7385.50**	**11077.63**	**1494.90**	**25107.84**	**37680.37**	**5.10:1 (4.84:1)**	**143354**
B.	**Working Statutory Corporations**												
	AGRICULTURE AND ALLIED												
1	Andhar Pradesh State Warehousing Corporation	Agriculture and Co-operation	05.08.1958	3.81	0.00	3.81	7.62	0.00	0.00	6.12	6.12	**0.80:1 (0.94:1)**	347
	Total			**3.81**	**0.00**	**3.81**	**7.62**	**0.00**	**0.00**	**6.12**	**6.12**	**0.80:1 (0.94:1)**	**347**
	FINANCE												
2	Andhra Pradesh State Financial Corporation	Industries and Commerce	01.11.1956	176.86	28.87	0.27	206.00	1.94	11.40	1924.46	1937.80	**9.41:1 (8.43:1)**	498
	Total			**176.86**	**28.87**	**0.27**	**206.00**	**1.94**	**11.40**	**1924.46**	**1937.80**	**9.41:1 (8.43:1)**	**498**

Sl. No.	Sector and Name of the Company	Name of the Department	Month and Year of incorporation	Paid-up capital[@]				Loans outstanding at the close of 2010-11*				Debt-equity ratio for 2010-11 (Previous year)	Man-power (No. of employees) (as on 31-03-11)
				State Govt.	Central Govt.	Others	Total	State Govt.	Central Govt.	Others	Total		
1	2	3	4	5(a)	5(b)	5(c)	5(d)	6(a)	6(b)	6(c)	6(d)	7	8
	SERVICES												
3	Andhra Pradesh State Road Transport Corporation	Transport, Roads and Buildings	11.01.1958	140.20	61.07	0.00	201.27	148.03	0.00	2323.37	2471.40	**12.28:1 (7.45:1)**	119688
	Total			**140.20**	**61.07**	**0.00**	**201.27**	**148.03**	**0.00**	**2323.37**	**2471.40**	**12.25:1 (7.45:1)**	**119688**
	Total: B			**320.87**	**89.94**	**4.08**	**414.89**	**149.97**	**11.40**	**4253.95**	**4415.32**	**10.64:1 (7.82:1)**	**120533**
	Total: (A+B)			**6232.55**	**945.49**	**622.35**	**7800.39**	**11227.60**	**1506.30**	**29361.79**	**42095.69**	**5.40:1 (5.01:1)**	**263886**
C.	**Non-working Govt. companies**												
	AGRICULTURE AND ALLIED												
1	Andhra Pradesh Dairy Development Corporation Limited	Animal Husbandry, Dairy Development and Fisheries	07.02.1974	18.72	0.00	0.00	18.72	0.00	0.00	0.00	0.00	**-**	
2	Andhra Pradesh Fisheries Corporation Limited	Animal Husbandry, Dairy Development and Fisheries	05.07.1974	4.67	0.00	0.00	4.67	8.67	0.00	0.00	8.67	**1.86:1 (1.86:1)**	
3	Proddutur Milk Foods Limited	Animal Husbandry, Dairy Development and Fisheries	23.10.1978	1.96	0.00	0.00	1.96	0.00	0.00	0.00	0.00	**-**	
	Total			**25.35**	**0.00**	**0.00**	**25.35**	**8.67**	**0.00**	**0.00**	**8.67**	**0.34:1 (0.34:1)**	
	FINANCE												
4	Andhra Pradesh Small Scale Industries Development Corporation Limited	Industries and Commerce	18.03.1961	9.62	0.00	0.00	9.62	4.60	0.00	0.00	4.60	**0.48:1 (0.48:1)**	
5	Andhra Pradesh Tourism Finance Limited	Youth advancement, Tourism &Culture	07.03.2001	0.03	0.00	0.00	0.03	0.00	0.00	0.00	0.00	**-**	
	Total			**9.65**	**0.00**	**0.00**	**9.65**	**4.60**	**0.00**	**0.00**	**4.60**	**0.48:1 (0.48:1)**	
	MANUFACTURING												
6	Allwyn Auto Limited	Industries and Commerce	31.05.1993	0.15	0.00	0.00	0.15	14.45	0.00	0.00	14.45	**96.33:1 (96.27:1)**	
7	Allwyn Watches Limited	Industries and Commerce	19.03.1993	0.15	0.00	0.00	0.15	64.93	0.00	0.00	64.93	**432.87:1 (432.87:1)**	

Sl. No.	Sector and Name of the Company	Name of the Department	Month and Year of incorporation	Paid-up capital@				Loans outstanding at the close of 2010-11*				Debt-equity ratio for 2010-11 (Previous year)	Man-power (No. of employees) (as on 31-03-11)
				State Govt.	Central Govt.	Others	Total	State Govt.	Central Govt.	Others	Total		
1	2	3	4	5(a)	5(b)	5(c)	5(d)	6(a)	6(b)	6(c)	6(d)	7	8
8	Andhra Pradesh Electronics Development Corporation Limited (S)	Industries and Commerce	21.11.1980	12.62	0.00	0.10	12.72	0.68	0.00	0.00	0.68	**0.05:1 (0.06:1)**	
9	Andhra Pradesh Steels Limited (S)	Industries and Commerce	16.11.1973	0.00	0.00	2.03	2.03	2.12	0.00	0.00	2.12	**1.04:1 (1.04:1)**	
10	Andhra Pradesh Scooters Limited	Industries and Commerce	21.08.1974	6.47	0.00	4.64	11.11	5.59	0.00	5.60	11.19	**1.01:1 (1.01:1)**	
11	Andhra Pradesh State Textile Development Corporation Limited	Industries and Commerce	31.05.1974	3.77	0.03	0.00	3.80	11.75	0.00	0.00	11.75	**3.09:1 (2.96:1)**	
12	Apptronix Communications Limited (S)**	Industries and Commerce	27.02.1984	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**-**	
13	Hyderabad Chemicals and Fertilizers Limited (S)	Agriculture and Co-operation	September, 1942	0.26	0.00	0.53	0.79	8.25	0.00	0.00	8.25	**10.44:1 (10.45:1)**	
14	Marine and Communication Electronics (India) Limited (S)	Industries and Commerce	29.08.1974	0.00	0.00	1.89	1.89	4.77	0.00	0.00	4.77	**2.52:1 (2.52:1)**	
15	Republic Forge Company Limited	Industries and Commerce	15.04.1957	7.07	0.00	0.70	7.77	54.77	0.00	0.00	54.77	**7.05:1 (7.05:1)**	
16	Southern Transformers and Electricals Limited (S)	Industries and Commerce	21.09.1976	0.00	0.00	0.58	0.58	0.78	0.00	0.00	0.78	**1.34:1 (1.34:1)**	
17	Andhra Pradesh Automobile Tyres & tubes Ltd (619-B)	Industries and Commerce	20.07.1972	0.73	0.00	0.02	0.75	0.00	0.00	0.00	0.00	**-**	
18	Golkonda Abrasives Ltd (619-B)	Industries and Commerce	NA	0.38	0.00	0.17	0.55	0.00	0.00	0.00	0.00	**-**	
19	Krishi Engineering Ltd (619-B)	Engineering	NA	0.29	0.10	0.13	0.52	0.00	0.00	0.00	0.00	**-**	
20	PJ Chemicals Ltd (619-B)	Industries and Commerce	NA	0.16	0.22	0.00	0.38	0.00	0.00	0.00	0.00	**-**	
21	Suganthy Alloy castings Ltd (619-B)	Industries and Commerce	NA	0.10	0.04	0.06	0.20	0.00	0.00	0.00	0.00	**-**	
22	Vidyut Steels Ltd (619-B)	Industries and Commerce	NA	0.29	0.31	0.28	0.88	0.00	0.00	0.00	0.00	**-**	
	Total			**32.44**	**0.70**	**11.13**	**44.27**	**168.09**	**0.00**	**5.60**	**173.69**	**3.92:1 (3.91:1)**	
	SERVICES												
23	Andhra Pradesh Essential Commodities Corporation Limited	Food, Civil Supplies and Consumer Affairs	21.04.1984	1.13	0.00	0.00	1.13	0.00	0.00	0.00	0.00	**-**	

Sl. No.	Sector and Name of the Company	Name of the Department	Month and Year of incorporation	Paid-up capital[@]				Loans outstanding at the close of 2010-11*				Debt-equity ratio for 2010-11 (Previous year)	Man-power (No. of employees) (as on 31-03-11)
				State Govt.	Central Govt.	Others	Total	State Govt.	Central Govt.	Others	Total		
1	2	3	4	5(a)	5(b)	5(c)	5(d)	6(a)	6(b)	6(c)	6(d)	7	8
24	Andhra Pradesh State Non-Resident Indian Investment Corporation Limited	Industries and Commerce	18.03.1981	1.57	0.00	0.00	1.57	0.05	0.00	0.00	0.05	**0.03:1 (0.03:1)**	
	Total			**2.70**	**0.00**	**0.00**	**2.70**	**0.05**	**0.00**	**0.00**	**0.05**	**0.02:1 (0.02:1)**	
	Total - C			**70.14**	**0.70**	**11.13**	**81.97**	**181.41**	**0.00**	**5.60**	**187.01**	**2.28:1 (2.28:1)**	
	A+B+C			**6302.69**	**946.19**	**633.48**	**7882.36**	**11409.01**	**1506.30**	**29367.39**	**42282.70**	**5.36:1 (4.98:1)**	**263886**

1 Sl.No.6,14,15,21,28 and 38 of Part-A are 619-B working Companies and Sl.Nos.17 to 22 of Part-C are 619-B non-working companies.
2 * Loans outstanding at the close of 2010-11 represent long term loans only.
3 ** no activity since inception.
4 @ paid up capital includes share application money of ₹ 372.12 crore in respect of Sl.Nos.4,9,12,14,15,22,27,38 and 45 of working PSUs and ₹ 4.06 crore in respect of Sl. Nos. 1 and 24 of non-working PSUs.
5 Except in respect of companies and corporations which finalised their accounts for 2010-11 figures are provisions and as given by the companies and corporations.

Annexure – 2

Summarised financial results of Government Companies and Statutory Corporations for the latest year for which accounts were finalised

(Referred to in paragraphs 1.15 and 1.16)

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

Sl. No.	Sector and name of Company	Period of accounts	Year in which finalised	Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss	Turnover	Impact of Accounts Comments #	Paid-up capital	Accumu-lated profit(+)/ loss(-)	Capital employed @	Return on capital employed $	Percentage return on capital employed
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6	7	8	9	10	11	12
A.	**Working Government companies**													
	AGRICULTURE AND ALLIED													
1	Andhra Pradesh State Agro Industries Development Corporation Limited	2009-10	2010-11	-6.03	1.43	0.14	-7.60	260.88	0.00	21.50	-13.87	70.46	-6.17	0.00
2	Andhra Pradesh Forest Development Corporation Limited	2009-10	2011-12	21.81	5.60	1.12	15.09	37.85	-7.85	21.82	84.96	265.05	20.69	7.81
3	Andhra Pradesh State Irrigation Development Corporation Limited	2010-11	2011-12	6.38	6.18	3.46	-3.26	45.00	-62.44	133.81	-94.51	176.06	2.92	1.66
4	Andhra Pradesh Meat Development Corporation Limited	2010-11	2011-12	0.03	0.00	0.00	0.03	0.00	0.00	30.43	-17.82	15.56	0.03	0.19
5	Indira Gandhi Centre for Advanced Research on Livestock Private Limited	First Accounts not submitted		0.00										
6	Andhra Pradesh State Seeds Development Corporation Limited (619-B)	2010-11	2011-12	4.59	0.17	0.53	3.89	584.47	-4.22	2.77	1.72	201.13	4.06	2.02
	TOTAL			**26.78**	**13.38**	**5.25**	**8.15**	**928.20**	**-74.51**	**210.33**	**-39.52**	**728.26**	**21.53**	**2.96**
	FINANCING													
7	Andhra Pradesh State Film Television and Theatre Development Corporation Limited	2010-11	2011-12	0.33	0.12	0.16	0.05	8.67	0.00	6.22	1.62	8.68	0.17	1.96

Sl. No.	Sector and name of Company	Period of accounts	Year in which finalised	Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss	Turnover	Impact of Accounts Comments #	Paid-up capital	Accumu-lated profit(+)/ loss(-)	Capital employed @	Return on capital employed $	Percentage return on capital employed
1	**2**	**3**	**4**	**5 (a)**	**5 (b)**	**5 (c)**	**5 (d)**	**6**	**7**	**8**	**9**	**10**	**11**	**12**
8	Andhra Pradesh Handicrafts Development Corporation Limited	2008-09	2009-10	2.19	0.00	0.74	1.45	54.98	0.00	2.00	4.92	10.23	1.45	14.17
9	Andhra Pradesh State Minorities Finance Corporation Limited	2008-09	2010-11	4.11	0.50	0.23	3.38	0.00	-143.85	139.85	-11.95	142.55	3.88	2.72
10	Andhra Pradesh State Christian Minorities Finance Corporation Limited	First Accounts not submitted												
11	Andhra Pradesh Power Finance Corporation Limited (No profit/ loss)	2010-11	2011-12	309.68	309.68	0.00	0.00	0.14	0.00	29.00	0.00	2807.27	309.68	11.03
	TOTAL			**316.31**	**310.30**	**1.13**	**4.88**	**63.79**	**-143.85**	**177.07**	**-5.41**	**2968.73**	**315.18**	**10.62**
	INFRASTRUCTURE													
12	Andhra Pradesh Industrial Development Corporation Limited	2008-09	2011-12	2.42	1.46	0.11	0.85	15.71		130.61	17.96	96.13	2.31	2.40
13	Andhra Pradesh Industrial Infrastructure Corporation Limited	2009-10	2010-11	50.30	37.65	0.67	11.98	239.87	-40.86	16.33	406.95	633.19	49.63	7.84
14	Andhra Pradesh Gas Infrastructure Corporation Private Limited	2009-10	2011-12	0.00	0.00	0.00	0.00	0.00	0.00	1.00	0.00	0.38	0.00	0.00
15	Andhra Pradesh Gas Distribution Corporation Limited	First Accounts not submitted												
16	Andhra Pradesh State Housing Corporation Limited	2007-08	2010-11	52.86	391.41	2.58	-341.13	164.57	-66.94	0.25	-2928.59	9139.73	50.28	0.55
17	Andhra Pradesh State Police Housing Corporation Limited (No profit/loss)	2009-10	2010-11	0.00	6.44	0.28	0.00	44.89	0.00	1.81	0.00	50.69	6.44	12.70
18	Andhra Pradesh Rajiv Swagruha Corporation Ltd. (No Profit/loss)	2008-09	2011-12	10.14	10.09	0.05	0.00	204.71	0.00	0.05	0.00	283.29	10.09	3.56

Sl. No.	Sector and name of Company	Period of accounts	Year in which finalised	Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss	Turnover	Impact of Accounts Comments #	Paid-up capital	Accumu-lated profit(+)/ loss(-)	Capital employed @	Return on capital employed $	Percentage return on capital employed
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6	7	8	9	10	11	12
19	Andhra Pradesh Urban Finance and Infrastructure Development Corporation Limited	2000-01	2011-12	-0.19	0.00	0.00	-0.19	0.00	0.00	0.15	-0.88	-0.74	0.00	0.00
20	Fab City SPV (India) Pvt. Ltd.(S)	2007-08	2009-10	-0.44	0.00	0.00	-0.44	0.09	1.45	0.01	-0.29	-0.29	-0.44	0.00
21	Hyderabad Growth Corridor Limited (619-B company)	2009-10	2011-12	0.84	0.00	0.04	0.80	0.62	0.00	0.15	-3.71	-3.56	0.80	-22.47
22	Infrastructure Corporation of Andhra Pradesh Limited	2009-10	2010-11	3.76	0.00	0.08	3.68	6.59	-4.83	17.37	1.23	1.16	3.68	317.24
	TOTAL			**119.69**	**447.05**	**3.81**	**-324.45**	**677.05**	**-111.18**	**167.73**	**-2507.33**	**10199.98**	**122.79**	**1.20**
	MANUFACTURING													
23	Andhra Pradesh Beverages Corporation Limited	2009-10	2010-11	5.50	4.72	0.75	0.03	11780.54	1.06	8.34	0.54	52.04	4.75	9.13
24	Andhra Pradesh Heavy Machinery and Engineering Limited (S)	2010-11	2011-12	6.22	1.08	0.20	4.94	65.92	0.00	17.27	9.74	35.74	6.02	16.84
25	Andhra Pradesh Mineral Development Corporation Limited	2006-07	2011-12	22.72	0.02	0.59	22.11	89.46	-12.82	6.31	71.67	79.39	22.13	27.88
26	Damodhara Minerals Private Limited(S)	2010-11	2011-12	-0.01	0.00	0.00	-0.01	0.00	0.00	0.04	-0.05	-0.02	-0.01	0.00
27	Leather Industries Development Corporation of Andhra Pradesh Limited	2004-05	2011-12	-2.99	0.91	0.47	-4.37	0.15	0.44	7.25	-38.18	6.55	-3.46	0.00
28	Krishnapatnam International Leather Complex Private Limited	First Accounts not submitted												
29	The Nizam Sugars Limited	2010-11	2011-12	1.31	11.23	0.07	-9.99	0.00	5.78	34.00	-224.85	33.46	1.24	3.71
30	The Singareni Collieries Company Limited	2010-11	2011-12	732.26	26.78	354.11	351.37	9287.13	0.00	1733.20	381.60	3285.36	378.15	11.51
	TOTAL			**765.01**	**44.74**	**356.19**	**364.08**	**21223.20**	**-5.54**	**1806.41**	**200.47**	**3492.52**	**408.82**	**11.71**
	POWER													
31	Andhra Pradesh Power Generation Corporation Limited	2010-11	2011-12	2659.64	1369.23	977.19	313.22	8917.71	-91.57	2106.80	630.85	18247.28	1682.45	9.22

Sl. No.	Sector and name of Company	Period of accounts	Year in which finalised	Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss	Turnover	Impact of Accounts Comments #	Paid-up capital	Accumu-lated profit(+)/ loss(-)	Capital employed @	Return on capital employed $	Percentage return on capital employed
1	**2**	**3**	**4**	**5 (a)**	**5 (b)**	**5 (c)**	**5 (d)**	**6**	**7**	**8**	**9**	**10**	**11**	**12**
32	Central Power Distribution Company of Andhra Pradesh Limited	2010-11	2011-12	909.39	579.93	326.33	3.13	9860.07	-163.87	728.48	-114.62	7355.93	583.06	7.93
33	Eastern Power Distribution Company of Andhra Pradesh Limited	2010-11	2011-12	378.79	186.31	179.66	12.82	3472.09	-29.00	121.23	96.71	4197.93	199.13	4.74
34	Northern Power Distribution Company of Andhra Pradesh Limited	2010-11	2011-12	405.23	220.21	178.04	6.98	2566.28	-30.41	274.76	-14.50	4044.22	227.19	5.62
35	New & Renewable Energy Development Corporation of Andhra Pradesh Limited (No profit/ loss)	2009-10	2011-12	2.25	0.12	2.13	0.00	17.99	0.00	0.22	-0.07	2.96	0.12	4.05
36	Southern Power Distribution Company of Andhra Pradesh Limited	2010-11	2011-12	756.23	409.78	343.43	3.02	4946.94	-54.93	358.72	143.53	6122.96	412.80	6.74
37	Transmission Corporation of Andhra Pradesh Limited	2010-11	2011-12	608.46	188.69	358.03	61.74	954.52	0.00	779.22	468.51	4861.49	250.43	5.15
38	Andhra Pradesh Power Development Company Limited (619-B)	2010-11	2011-12	0.00	0.00	0.00	0.00	0.00	0.00	275.86	0.00	0.00	0.00	0.00
	TOTAL			**5719.99**	**2954.27**	**2364.81**	**400.91**	**30735.60**	**-369.78**	**4645.29**	**1210.41**	**44832.77**	**3355.18**	**7.48**
	SERVICE													
39	Andhra Pradesh State Civil Supplies Corporation Limited	2008-09	2010-11	9.10	3.71	0.72	4.67	2144.46	-6.06	3.00	106.28	171.99	8.38	4.87
40	Andhra Pradesh Trade Promotion Corporation Limited	2009-10	2010-11	3.08	0.17	0.62	2.29	25.53	-4.08	0.86	67.44	73.22	2.46	3.36
41	Andhra Pradesh Technology Services Limited	2009-10	2011-12	2.76	0.00	0.31	2.45	14.10	-0.22	0.20	22.56	22.55	2.45	10.86
42	Andhra Pradesh Tourism Development Corporation Limited	2008-09	2010-11	17.11	1.64	11.23	4.24	110.16	-0.40	3.76	22.24	118.72	5.88	4.95
43	Hyderabad Metro Rail Limited	2009-10	2010-11	0.03	0.00	0.00	0.03	0.00	0.00	0.57	0.54	36.29	0.03	0.08

Sl. No.	Sector and name of Company	Period of accounts	Year in which finalised	Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss	Turnover	Impact of Accounts Comments #	Paid-up capital	Accumu-lated profit(+)/ loss(-)	Capital employed @	Return on capital employed $	Percentage return on capital employed
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6	7	8	9	10	11	12
44	Vizag Apparel Park for Exports*	First Accounts not submitted		0.00										
	TOTAL			**32.08**	**5.52**	**12.88**	**13.68**	**2294.25**	**-10.76**	**8.39**	**219.06**	**422.77**	**19.20**	**4.54**
	MISCELLANEOUS													
45	Overseas Manpower Company of Andhra Pradesh Limited*	2008-09	2010-11	0.03	0.00	0.00	0.03	0.44	0.00	0.21	0.19	0.41	0.03	7.32
	TOTAL			**0.03**	**0.00**	**0.00**	**0.03**	**0.44**	**0.00**	**0.21**	**0.19**	**0.41**	**0.03**	**7.32**
	TOTAL: A			**6979.89**	**3775.26**	**2744.07**	**467.28**	**55922.53**	**-715.62**	**7015.43**	**-922.13**	**62645.44**	**4242.73**	**6.77**
B.	**Working Statutory Corporations**													
	AGRICULTURE AND ALLIED													
1	Andhra Pradesh State Warehousing Corporation	2008-09	2011-12	23.26	0.61	1.30	21.35	61.03	0.00	7.61	96.84	113.81	21.96	19.30
	TOTAL			**23.26**	**0.00**	**1.30**	**21.35**	**61.03**	**0.00**	**7.61**	**96.84**	**113.81**	**21.96**	**19.30**
	FINANCING													
2	Andhra Pradesh State Financial Corporation	2010-11	2011-12	210.93	142.41	1.19	67.33	287.90	-0.14	206.01	97.42	2157.55	209.74	9.72
	TOTAL			**210.93**	**142.41**	**1.19**	**67.33**	**287.90**	**-0.14**	**206.01**	**97.42**	**2157.55**	**209.74**	**9.72**
	SERVICE													
3	Andhra Pradesh State Road Transport Corporation	2010-11	2011-12	78.55	145.80	250.15	-317.40	5205.47	0.00	201.27	-1983.79	843.79	-171.60	0.00
	TOTAL			**78.55**	**145.80**	**250.15**	**-317.40**	**5205.47**	**0.00**	**201.27**	**-1983.79**	**843.79**	**-171.60**	**0.00**
	TOTAL: B			**312.74**	**288.21**	**252.64**	**-228.72**	**5554.40**	**-0.14**	**414.89**	**-1789.53**	**3115.15**	**60.10**	**1.93**
	TOTAL: A+B			**7292.63**	**4063.47**	**2996.71**	**238.56**	**61476.93**	**-715.76**	**7430.32**	**-2711.66**	**65760.59**	**4302.83**	**6.54**
C	**Non-working Government companies**													
	AGRICULTURE AND ALLIED													
1	Andhra Pradesh Fisheries Corporation Limited	1.4.02 to 9.5.02	2003-04	0.00	0.00	0.00	0.00	0.00	0.00	4.67	-21.75	-7.24	-0.13	0.00
2	Proddutur Milk Foods Limited	1983-84	1990-91	0.00	0.00	0.00	0.00	0.00	0.00	1.96	0.00	0.00	0.00	0.00

Sl. No.	Sector and name of Company	Period of accounts	Year in which finalised	Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss	Turnover	Impact of Accounts Comments #	Paid-up capital	Accumu-lated profit(+)/ loss(-)	Capital employed @	Return on capital employed $	Percentage return on capital employed
1	**2**	**3**	**4**	**5 (a)**	**5 (b)**	**5 (c)**	**5 (d)**	**6**	**7**	**8**	**9**	**10**	**11**	**12**
3	Andhra Pradesh Dairy Development Corporation Limited	2001-02	2006-07	0.00	0.00	0.00	0.00	0.00	0.00	18.72	-5.23	20.51	0.00	0.00
	TOTAL			**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**25.35**	**-26.98**	**13.27**	**-0.13**	**0.00**
	FINANCING													
4	A.P Small Scale Industrial Development Corporation Limited	2001-02	2003-04	2.18	0.00	0.00	2.18	0.02	0.00	9.62	-20.03	2.93	3.25	110.92
5	Andhra Pradesh Tourism Finance Limited	2002-03	2004-05	0.11	0.00	0.00	0.11	0.11	0.00	2.00	0.07	2.05	0.11	5.37
	TOTAL			**2.29**	**0.00**	**0.00**	**2.29**	**0.13**	**0.00**	**11.62**	**-19.96**	**4.98**	**3.36**	**67.47**
	MANUFACTURING													
6	Allwyn Auto Limited	1994-95	1997-98	-6.46	0.00	0.00	-6.46	0.00	0.00	0.15	-13.54	-2.97	-5.24	0.00
7	Allwyn Watches Limited	1998-99	2002-03	-70.69	0.00	0.00	-70.69	13.00	0.00	0.15	-248.70	95.75	-30.03	0.00
8	Andhra Pradesh Electronics Development Corporation Limited	2002-03	2006-07	-0.75	0.00	0.00	-0.75	0.00	0.00	12.72	-10.74	3.68	-0.75	0.00
9	Andhra Pradesh Scooters Limited	1992-93	1993-94	-3.70	0.00	0.00	-3.70	0.00	0.00	11.11	-34.49	-3.79	-2.26	0.00
10	Andhra Pradesh State Textile Development Corporation Limited	1997-98	2010-11	-0.07	0.12	0.02	-0.21	6.77	-0.53	3.80	-4.01	3.68	-0.09	0.00
11	Andhra Pradesh Steels Limited (S)	1991-92	1993-94	-2.09	0.00	0.00	-2.09	0.00	0.00	2.03	-6.51	-2.51	-1.68	0.00
12	Aptronix Communications Limited (S)*			0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
13	Hyderabad Chemicals and Fertilizers Limited (S)	1984-85	1986-87	0.62	0.00	0.00	0.62	0.00	0.00	0.78	-0.63	-1.34	-0.28	0.00
14	Marine and Communication Electronics (India) Limited (S)	1992-93	1994-95	-4.70	0.00	0.00	-4.70	0.00	0.00	1.89	-4.21	7.23	-3.29	0.00
15	Republic Forge Company Limited	1991-92	1993-94	-3.34	0.00	0.00	-3.34	0.00	0.00	7.77	-23.41	8.82	-0.26	0.00
16	Southern Transformers and Electricals Limited(S)	1993-94	1996-97	-0.57	0.00	0.00	-0.57	0.00	0.00	0.58	-5.78	-1.45	-0.21	0.00

Sl. No.	Sector and name of Company	Period of accounts	Year in which finalised	Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss	Turnover	Impact of Accounts Comments #	Paid-up capital	Accumu-lated profit(+)/ loss(-)	Capital employed @	Return on capital employed $	Percentage return on capital employed
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6	7	8	9	10	11	12
17	Andhra Pradesh Automobile Tyres & tubes Ltd	1992-93	NA	0.00	0.00	0.00	0.00	0.00	0.00	0.75	-0.77	0.00	-0.02	0.00
18	Golkonda Abrasives Ltd	1997-98	NA	-0.01	0.00	0.00	-0.01	0.00	0.00	0.55	-7.44	0.00	-0.01	0.00
19	Krishi Engineering Ltd	1984-85	NA	-0.52	0.00	0.00	-0.52	0.00	0.00	0.52	-3.54	0.00	-0.52	0.00
20	PJ Chemicals Ltd	1989-90	NA	-0.51	0.00	0.00	-0.51	0.00	0.00	0.38	-3.56	0.00	-0.51	0.00
21	Suganthy Alloy castings Ltd	1983-84	NA	-0.16	0.00	0.00	-0.16	0.00	0.00	0.20	-0.26	0.00	-0.16	0.00
22	Vidyut Steels Ltd	1985-86	NA	-0.40	0.00	0.00	-0.40	0.00	0.00	0.88	-1.55	0.00	-0.40	0.00
	TOTAL			**-93.35**	**0.12**	**0.02**	**-93.49**	**19.77**	**-0.53**	**44.26**	**-369.14**	**107.10**	**-45.71**	**0.00**
	SERVICE													
23	Andhra Pradesh Essential Commodities Corporation Ltd.	2003-04	2007-08	0.00	0.00	0.00	0.00	0.00	0.00	1.13	9.61	10.75	0.00	0.00
24	Andhra Pradesh Non Resident Indian Investment Corporation Ltd.	2002-03	2006-07	0.00	0.00	0.00	0.00	0.00	0.00	1.57	-3.53	-2.16	0.00	0.00
	TOTAL			**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**2.70**	**6.08**	**8.59**	**0.00**	**0.00**
	TOTAL: C			**-91.06**	**0.12**	**0.02**	**-91.20**	**19.90**	**-0.53**	**83.93**	**-410.00**	**133.94**	**-42.48**	**0.00**
	Total: A+B+C			**7201.57**	**4063.59**	**2996.73**	**147.36**	**61496.83**	**-716.29**	**7514.25**	**-3121.66**	**65894.53**	**4260.35**	**6.47**

Notes:

1. Sl No. 6,14,15,21,28 and 38 of Part A and Sl No. 17 to 22 of Part C are 619 -B Companies.
2. # 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.
3. @ Capital employed represents net fixed assets (including capital works-in-progress) plus working capital except in case of Stat Financial Corporations where the capital employed is worked out as a mean of aggregate value of opening and closing balances of paid up capital, free reserves, bonds, deposits and borrowings (including refinance).
4. $ Return on capital employed has been worked out by adding profit and interest charged to profit and loss account.

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 2011

(Figures in column 3 (a) to 6 (d) are ₹ in crore)

Sl. No.	Sector & Name of the Company	Equity/loans received out of budget during the year		Subsidy and grants received during the year				Guarantees received during the year and outstanding at the end of the year		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment @	Loans repayment written off	Loans converted into equity	Interest/ Penal interest waived	Total
(1)	(2)	3(a)	3(b)	4(a)	4(b)	4(c)	4(d)	5(a)	5(b)	6(a)	6(b)	6(c)	6(d)
A.	**Working Government Companies**												
	AGRICULTURE AND ALLIED												
1	Andhra Pradesh Forest Development Corporation Limited	0.00	0.00	1.84	0.00	0.00	1.84	0.00	0.00	0.00	0.00	0.00	0.00
2	Indira Gandhi Centre Advanced Research on Livestock Private Limited	0.00	0.00	0.00	37.50	0.00	37.50	0.00	0.00	0.00	0.00	0.00	0.00
	Total	**0.00**	**0.00**	**1.84**	**37.50**	**0.00**	**39.34**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
	FINANCING												
3	Andhra Pradesh State Film, Television and Theatre Development Corporation Limited	0.00	0.00	0.00	0.19	0.00	0.19	0.00	0.00	0.00	0.00	0.00	0.00
4	Andhra Pradesh Handicrafts Development Corporation Limited	0.00	0.00	2.31	1.56	0.00	3.87	0.00	0.00	0.00	0.00	0.00	0.00
5	Andhra Pradesh State Minorities Finance Corporation Limited	0.00	0.00	69.19	199.73	0.00	268.92	0.00	30.00	0.00	0.00	0.00	0.00
6	Andhra Pradesh State Christian Minorities Finance Corporation Limited	0.00	0.00	0.00	19.40	0.00	19.40	0.00	0.00	0.00	0.00	0.00	0.00

Sl. No.	Sector & Name of the Company	Equity/loans received out of budget during the year		Subsidy and grants received during the year				Guarantees received during the year and outstanding at the end of the year		Waiver of dues during the year			
		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)
7	Andhra Pradesh Power Finance Corporation Limited	0.00	0.00	0.00	318.47	0.00	318.47	2000.00	4846.33	0.00	0.00	0.00	0.00
	Total	**0.00**	**0.00**	**71.50**	**539.35**	**0.00**	**610.85**	**2000.00**	**4876.33**	**0.00**	**0.00**	**0.00**	**0.00**
	INFRASTRUCTURE												
8	Andhra Pradesh Industrial Development Corporation Limited	0.48	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
9	Andhra Pradesh Industrial Infrastructure Corporation Limited	0.00	0.00	9.85	0.00	0.00	9.85	0.00	413.55	0.00	0.00	0.00	0.00
10	Andhra Pradesh State Housing Corporation Limited	0.00	891.68	867.73	733.46	0.00	1601.19	0.00	857.18	0.00	0.00	0.00	0.00
11	Andhra Pradesh State Police Housing Corporation Limited	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.25	0.00	0.00	0.00	0.00
12	Hyderabad Growth Corridor Limited	0.00	332.64	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
13	Infrastructure Corporation of Andhra Pradesh Limited	0.75	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Total	**1.23**	**1224.32**	**877.58**	**733.46**	**0.00**	**1611.04**	**0.00**	**1271.98**	**0.00**	**0.00**	**0.00**	**0.00**
	MANUFACTURING												
14	Andhra Pradesh Beverages Corporation Limited	0.00	0.00	0.00	0.00	0.00	0.00	0.00	11.16	0.00	0.00	0.00	0.00
15	Leather Industries Development Corporation of Andhra Pradesh Limited	15.83	2.60	0.00	10.00	0.00	10.00	0.00	0.00	0.00	0.00	0.00	0.00
16	The Singareni Collieries Company Limited	0.00	0.00	48.53	0.00	0.00	48.53	0.00	0.00	0.00	0.00	0.00	0.00
	Total	**15.83**	**2.60**	**48.53**	**10.00**	**0.00**	**58.53**	**0.00**	**11.16**	**0.00**	**0.00**	**0.00**	**0.00**
	POWER												
17	Andhra Pradesh Power Generation Corporation Limited	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5576.83	0.00	0.00	0.00	0.00

Sl. No.	Sector & Name of the Company	Equity/loans received out of budget during the year		Subsidy and grants received during the year				Guarantees received during the year and outstanding at the end of the year		Waiver of dues during the year			
		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)
18	Central Power Distribution Company of Andhra Pradesh Limited	0.00	0.00	0.00	2199.06	0.00	2199.06	53.48	145.89	0.00	0.00	0.00	0.00
19	Eastern Power Distribution Company of Andhra Pradesh Limited	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.54	0.00	0.00	0.00	0.00
20	Northern Power Distribution Company of Andhra Pradesh Limited	0.00	0.00	0.00	14.02	0.00	14.02	44.50	420.52	0.00	0.00	0.00	0.00
21	Southern Power Distribution Company of Andhra Pradesh Limited	0.00	0.00	0.55	1316.38	0.00	1316.93	0.00	18.41	0.00	0.00	0.00	0.00
22	New & Renewable Energy Development Corporation of Andhra Pradesh Limited	0.00	0.00	17.05	7.46	0.00	24.51	0.00	0.00	0.00	0.00	0.00	0.00
23	Transmission Corporation of Andhra Pradesh Limited	0.00	148.62	0.00	0.00	0.00	0.00	36.37	884.40	0.00	0.00	0.00	0.00
24	Andhra Pradesh Power Development Company Limited	10.00	407.93	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Total	**10.00**	**556.55**	**17.60**	**3536.92**	**0.00**	**3554.52**	**134.35**	**7046.59**	**0.00**	**0.00**	**0.00**	**0.00**
	SERVICE												
25	Andhra Pradesh State Civil Supplies Corporation Limited	0.00	0.00	6.95	2250.00	0.00	2256.95	0.00	0.00	0.00	0.00	0.00	0.00
26	Andhra Pradesh Tourism Development Corporation Limited	0.00	0.00	10.78	2.50	0.00	13.28	0.00	0.00	0.00	0.00	0.00	0.00
27	Andhra Pradesh Trade Promotion Corporation Limited	0.00	0.00	1.82	0.00	0.00	1.82	0.00	0.00	0.00	0.00	0.00	0.00
28	Hyderabad Metro Rail Limited	0.00	0.00	0.00	61.20	0.00	61.20	0.00	0.00	0.00	0.00	0.00	0.00
	Total	**0.00**	**0.00**	**19.55**	**2313.70**	**0.00**	**2333.25**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
	Total A	**27.06**	**1783.47**	**1036.60**	**7170.93**	**0.00**	**8207.53**	**2134.35**	**13206.06**	**0.00**	**0.00**	**0.00**	**0.00**

Sl. No.	Sector & Name of the Company	Equity/loans received out of budget during the year		Subsidy and grants received during the year				Guarantees received during the year and outstanding at the end of the year		Waiver of dues during the year			
		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	**Working Statutory Corporations**												
	FINANCING												
1	Andhra Pradesh State Financial Corporation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	506.37	0.00	0.00	0.00	0.00
	Total	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**506.37**	**0.00**	**0.00**	**0.00**	**0.00**
	SERVICE												
2	Andhra Pradesh State Road Transport Corporation	0.00	0.00	0.00	90.00	0.00	90.00	503.70	563.03	0.00	0.00	0.00	0.00
	Total	**0.00**	**0.00**	**0.00**	**90.00**	**0.00**	**90.00**	**503.70**	**563.03**	**0.00**	**0.00**	**0.00**	**0.00**
	Total B	**0.00**	**0.00**	**0.00**	**90.00**	**0.00**	**90.00**	**503.70**	**1069.40**	**0.00**	**0.00**	**0.00**	**0.00**
	Grand Total A+B	**27.06**	**1783.47**	**1036.60**	**7260.93**	**0.00**	**8297.53**	**2638.05**	**14275.46**	**0.00**	**0.00**	**0.00**	**0.00**

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

Annexure 4

Statement showing investments made by State Government in PSUs whose accounts are in arrears
(Referred to in paragraph 1.25)

(Figures in Columns 4, 6 to 9 are ₹ in crore)

Sl. No.	Name of PSU	Year upto which account finalised	Paid up Capital as per latest finalised accounts	Investment made by Government during the years for which accounts are in arrears					No of accounts in arrears
				Year in which Equity Loans/Grants received	Equity	Loans	Grants	Subsidy	
1	2	3	4	5	6	7	8	9	10
A.	**Working Government companies**								
	AGRICULTURE AND ALLIED								
1	Andhra Pradesh State Agro Industries Development Corporation Limited	2009-10	21.50	2010-11	0.00	0.00	0.00	0.00	1
2	Andhra Pradesh Forest Development Corporation Limited	2009-10	21.82	2010-11	0.00	18.63	0.00	0.00	1
3	Indhira Gandhi Centre for Advanced Research on Live Stock Private Limited (11.11.2008)	First account not finalised	0.01	2008-09	0.00	0.00	75.00	0.00	3
				2009-10	0.00	0.00	75.00	0.00	
				2010-11	0.00	0.00	37.50	0.00	
	TOTAL		**43.33**		**0.00**	**18.63**	**187.50**	**0.00**	**5**
	FINANCING								
4	Andhra Pradesh Handicrafts Development Corporation Limited	2008-09	2.00	2009-10	0.00	0.00	0.00	0.00	2
				2010-11	0.00	0.00	0.00	1.56	
5	Andhra Pradesh State Minorities Finance Corporation Limited	2008-09	139.85	2009-10	0.00	0.00	112.93	0.00	2
				2010-11	0.00	0.00	199.73	0.00	
6	Andhra Pradesh State Christian Minorities Finance Corporation Limited	First account not finalised		2009-10	0.00	0.00	4.27	0.00	2
				2010-11	0.00	0.00	8.00	0.00	
	TOTAL		**141.85**		**0.00**	**0.00**	**324.93**	**1.56**	**6**
	INFRASTRUCTURE								
7	Andhra Pradesh Industrial Development Corporation Limited	2008-09	131.48	2009-10	0.26	0.00	0.00	0.00	2
				2010-11	0.48	0.00	0.00	0.00	

Sl. No.	Name of PSU	Year upto which account finalised	Paid up Capital as per latest finalised accounts	Investment made by Government during the years for which accounts are in arrears					No of accounts in arrears
				Year in which Equity Loans/Grants received	Equity	Loans	Grants	Subsidy	
1	2	3	4	5	6	7	8	9	10
8	Andhra Pradesh Industrial Infrastructure Corporation Limited	2009-10	16.33	2010-11	0.00	0.00	0.00	0.00	1
9	Andhra Pradesh Gas Infrastructure Corporation Private Limited	2009-10	1.00	2010-11	0.00	0.00	0.00	0.00	1
10	Andhra Pradesh Gas Distribution Corporation Limited	First account not finalised		2010-11	0.00	0.00	0.00	0.00	1
11	Andhra Pradesh State Housing Corporation Limited	2007-08	0.25	2008-09	0.00	2731.22	0.00	1350.71	3
				2009-10	0.00	371.14	0.00	1130.80	
				2010-11	0.00	891.68	0.00	733.46	
12	Andhra Pradesh State Police Housing Corporation Limited (No Profit/loss)	2009-10	1.81	2010-11	0.00	0.00	0.00	0.00	1
13	Andhra Pradesh Rajiv Swagruha Corporation Ltd.	2008-09	0.05	2009-10	0.00	0.00	0.00	0.00	2
				2010-11	0.00	0.00	0.00	0.00	
14	Andhra Pradesh Urban Finance and Infrastructure Development Corporation Limited	2000-01	0.15	2001-02	0.00	0.00	35.55	47.31	10
				2002-03	0.00	0.00	19.07	34.10	
				2003-04	0.00	62.50	23.77	54.11	
				2004-05	0.00	25.00	67.15	97.93	
				2005-06	0.00	0.00	150.19	64.82	
				2006-07	0.00	0.00	57.52	88.37	
				2007-08	0.00	0.00	3.62	6.51	
				2008-09	0.00	0.00	0.00	0.00	
				2009-10	0.00	0.00	0.00	0.00	
				2010-11	0.00	0.00	0.00	0.00	

Sl. No.	Name of PSU	Year upto which account finalised	Paid up Capital as per latest finalised accounts	Investment made by Government during the years for which accounts are in arrears					No of accounts in arrears
				Year in which Equity Loans/Grants received	Equity	Loans	Grants	Subsidy	
1	2	3	4	5	6	7	8	9	10
15	Fab City SPV (India) Private Limited	2007-08	0.01	2008-09	0.00	0.00	0.00	0.00	3
				2009-10	0.00	0.00	0.00	0.00	
				2010-11	0.00	0.00	0.00	0.00	
16	Hyderabad Growth Corridor	2009-10	0.15	2010-11	0.00	332.64	0.00	0.00	1
17	Infrastructure Corporation of Andhra Pradesh Limited	2009-10	17.37	2010-11	0.75	0.00	0.00	0.00	1
	TOTAL		**168.60**		**1.49**	**4414.18**	**356.87**	**3608.12**	**26**
	MANUFACTURING								
18	Andhra Pradesh Beverages Corporation Limited	2009-10	8.34	2010-11	0.00	0.00	0.00	0.00	1
19	Andhra Pradesh Mineral Development Corporation Limited	2006-07	6.31	2007-08	0.00	0.00	0.00	0.00	4
				2008-09	0.00	0.00	0.00	0.00	
				2009-10	0.00	0.00	0.00	0.00	
				2010-11	0.00	0.00	0.00	0.00	
20	Leather Industries Development Corporation of Andhra Pradesh Limited	2004-05	7.25	2005-06	0.00	0.00	2.03	0.00	6
				2006-07	0.00	0.00	1.67	1.26	
				2007-08	0.00	0.00	2.03	0.74	
				2008-09	0.00	0.99	2.03	0.00	
				2009-10	0.00	0.00	2.00	0.00	
				2010-11	15.83	2.60	10.00	0.00	

Sl. No.	Name of PSU	Year upto which account finalised	Paid up Capital as per latest finalised accounts	Investment made by Government during the years for which accounts are in arrears					No of accounts in arrears
				Year in which Equity Loans/Grants received	Equity	Loans	Grants	Subsidy	
1	2	3	4	5	6	7	8	9	10
21	Krishnapatnam International Leather Complex Private Limited	First account not finalised	0.10	2008-09	0.00	0.00	0.00	0.00	3
				2009-10	0.00	0.00	0.00	0.00	
				2010-11	0.00	0.00	0.00	0.00	
	TOTAL		**22.00**		**15.83**	**3.59**	**19.76**	**2.00**	**14**
	POWER								
22	New & Renewable Energy Development Corporation of Andhra Pradesh Limited	2009-10	0.22	2010-11	0.00	0.00	5.77	1.69	1
	TOTAL		**0.22**		**0.00**	**0.00**	**5.77**	**1.69**	**1**
	SERVICE								
23	Andhra Pradesh State Civil Supplies Corporation Limited	2008-09	3.00	2009-10	0.00	0.00	0.00	2350.00	2
				2010-11	0.00	0.00	0.00	2250.00	
24	Andhra Pradesh Technology Services Limited	2009-10	0.20	2010-11	0.00	0.00	0.00	0.00	1
25	Andhra Pradesh Tourism Development Corporation Limited	2008-09	3.76	2009-10	0.00	0.00	0.05	2.45	2
				2010-11	0.00	0.00	0.00	2.50	
26	Andhra Pradesh Trade Promotion Corporation Limited	2009-10	0.86	2010-11	0.00	0.00	0.00	0.00	1
27	Hyderabad Metro Rail Limited	2009-10	0.57	2010-11	0.00	0.00	61.20	0.00	1
28	Vizag Apparel Park for Exports (Date of Incorporation : 31.03.2004)	First account not finalised	0.05	2004-05	0.00	0.00	2.38	0.00	7
				2005-06	0.00	0.00	0.00	0.00	
				2006-07	0.00	0.00	1.00	0.67	
				2007-08	0.00	0.00	2.00	0.75	
				2008-09	0.00	0.00	0.00	0.00	

Sl. No.	Name of PSU	Year upto which account finalised	Paid up Capital as per latest finalised accounts	Investment made by Government during the years for which accounts are in arrears					No of accounts in arrears
				Year in which Equity Loans/Grants received	Equity	Loans	Grants	Subsidy	
1	2	3	4	5	6	7	8	9	10
				2009-10	0.00	0.00	0.00	0.00	
				2010-11	0.00	0.00	0.00	0.00	
	TOTAL		**8.44**		**0.00**	**0.00**	**66.63**	**4606.37**	**14**
	MISCELLANEOUS								
29	Overseas Manpower Company of Andhra Pradesh Limited	2008-09	0.21	2009-10	0.00	0.00	0.00	0.00	2
				2010-11	0.00	0.00	0.00	0.00	
	TOTAL		**0.21**		**0.00**	**0.00**	**0.00**	**0.00**	**2**
	TOTAL: A		**384.65**		**17.32**	**4436.40**	**961.46**	**8219.74**	**68**
B.	**Working Statutory Corporations**								
	AGRICULTURE AND ALLIED								
1	Andhra Pradesh State Warehousing Corporation	2008-09	7.61	2009-10	0.00	0.00	0.00	0.00	2
				2010-11	0.00	0.00	0.00	0.00	
	Total		**7.61**		**0.00**	**0.00**	**0.00**	**0.00**	**2**
	Total B		**7.61**		**0.00**	**0.00**	**0.00**	**0.00**	**2**
	TOTAL: A+B		**392.26**		**17.32**	**4436.40**	**961.46**	**8219.74**	**70**
C	**Non-working Government companies**								
	AGRICULTURE AND ALLIED								
1	Andhra Pradesh Fisheries Corporation Limited	1-4-02 to 9-5-02	4.67	2002-03	0.00	0.41	0.00	0.00	
	TOTAL		**4.67**		**0.00**	**0.41**	**0.00**	**0.00**	

Sl. No.	Name of PSU	Year upto which account finalised	Paid up Capital as per latest finalised accounts	Investment made by Government during the years for which accounts are in arrears					No of accounts in arrears
				Year in which Equity Loans/Grants received	Equity	Loans	Grants	Subsidy	
1	2	3	4	5	6	7	8	9	10
	MANUFACTURING								
2	Allwyn Watches Limited	1998-99	0.15	2002-03	0.00	0.25	0.00	0.00	
				2003-04	0.00	0.25	0.00	0.00	
3	Andhra Pradesh State Textile Development Corporation Limited	1997-98	3.80	2000-01	0.00	0.18	0.00	0.00	
	TOTAL		**3.95**		**0.00**	**0.68**	**0.00**	**0.00**	
	Total C		**8.62**		**0.00**	**1.09**	**0.00**	**0.00**	
	TOTAL: A+B + C		**400.88**		**17.32**	**4437.49**	**961.46**	**8219.74**	**70**

Annexure – 5

Statement showing the financial position of Statutory Corporations
(Referred to in Paragraph 1.15)

(₹ in crore)

1. Andhra Pradesh State Road Transport Corporation			
Particulars	**2008-09**	**2009-10**	**2010-11**
A. Liabilities			
Capital (including capital loan and equity capital)	201.27	201.27	201.27
Borrowings - Government	106.00	148.03	612.42
Others	1298.47	1410.21	1908.55
Funds* (Including expenditure from betterment fund, receipt on capital account and receipt under TGKP scheme)	101.85	89.25	105.96
Trade dues and other current liabilities (including provisions)	1418.72	2255.62	2367.69
Total - A	**3126.31**	**4104.38**	**5195.89**
B. Assets			
Gross Block	2475.97	2593.95	2753.13
Less: Depreciation	1740.17	1796.64	1919.80
Net Fixed Assets	735.80	797.31	833.33
Capital works-in-progress (including cost of chasis)	40.50	22.69	114.02
Investments	0.62	0.62	0.62
Current assets, loans and advances	1197.55	1617.36	2264.13
Accumulated loss	1151.84	1666.40	1983.79
Total - B	**3126.31**	**4104.38**	**5195.89**
C. Capital Employed†	**514.63**	**181.74**	**843.79**

* Excluding depreciation funds.

† Capital employed represents net fixed assets (including works-in-progress) plus working capital. While working out working capital, the element of interest on loans is included in current liabilities.

(₹ in crore)

2. Andhra Pradesh State Financial Corporation			
Particulars	**2008-09**	**2009-10**	**2010-11**
A. Liabilities			
Paid up Capital	206.01	206.01	206.01
Reserve fund and other reserves and surplus	69.61	137.29	183.17
Borrowings:			
(i) Bonds and Debentures	418.82	530.97	504.97
(ii) Fixed Deposits	29.43	60.34	68.10
(iii) SIDBI	1079.07	1077.69	1187.33
(iv) State Government	1.94	1.94	1.94
(v) Industrial Development Bank of India	11.40	11.40	11.40
(vi) Others	33.74	55.02	164.07
Other liabilities and provisions	184.68	287.57	233.68
Total - A	**2034.70**	**2368.23**	**2560.67**
B. Assets			
Cash and Bank Balances	74.80	96.61	157.27
Investments	77.18	174.48	5.86
Loans and Advances	1660.50	1851.41	2117.35
Net Fixed Assets	141.45	145.57	149.66
Other Assets	80.77	100.16	130.53
Accumulated loss	0.00	0.00	0.00
Total - B	**2034.70**	**2368.23**	**2560.67**
C. Capital Employed[‡]	**1709.43**	**1931.46**	**2157.55**

[‡] Capital employed represents a mean of aggregate of opening and closing balances of paid-up capital, reserves (other than those which have been funded specially and backed by investments outside), bonds, deposits and borrowings (including refinance).

(₹ in crore)

3. Andhra Pradesh State Warehousing Corporation			
Particulars	**2006-07**	**2007-08**	**2008-09**
A. Liabilities			
Paid up Capital	7.61	7.61	7.61
Reserves and Surplus (incl. Subsidy)	85.01	98.43	98.16
Borrowings (Others)	7.49	7.38	8.05
Trade dues and current liabilities (including provision)	49.38	49.36	72
Total - A	**149.49**	**162.78**	**185.82**
B. Assets			
Gross Block	36.86	49.86	50.17
Less: Depreciation	24.12	25.26	26.36
Net Fixed Assets	12.74	24.60	23.81
Current Assets, Loans and Advances	136.75	138.18	162.00
Total - B	**149.49**	**162.78**	**185.81**
C. Capital Employed[§]	**100.11**	**113.42**	**113.81**

[§] Capital employed represents net fixed assets (including works-in-progress) plus working capital.

Annexure – 6

Statement showing working results of Statutory Corporations
(Referred to in Paragraph 1.15)

(₹ in crore)

1. Andhra Pradesh State Road Transport Corporation				
Sl.No.	**Particulars**	**2008-09**	**2009-10**	**2010-11**
1	Operating:			
	(a) Revenue	4237.75	4398.84	5210.77
	(b) Expenditure	4802.20	5169.46	6422.59
	(c) Surplus (+)/Deficit (-)	-564.45	-770.62	-1211.82
2	Non-Operating:			
	(a) Revenue	783.75	805.62	925.92
	(b) Expenditure	119.45	543.12	36.50
	(c) Surplus (+)/Deficit (-)	664.30	262.50	889.42
3	Total			
	(a) Revenue	5021.50	5204.46	6136.69
	(b) Expenditure	4921.65	5712.58	6459.09
	(c) Net of prior period adjustments	10.93	-6.43	5.00
	(d) Net Profit(+)/Loss(-)	110.78	-514.55	-317.40
4	Interest on capital and loans	116.86	114.62	145.80
5	Total return on Capital Employed**	227.65	-399.93	-171.59
6	Percentage of return on Capital Employed	44.24	NIL	NIL

** Total return on capital employed represents net surplus/deficit plus total interest charged to Profit and Loss Account (less interest capitalised).

(₹ in crore)

2. Andhra Pradesh State Financial Corporation				
Sl.No.	**Particulars**	**2008-09**	**2009-10**	**2010-11**
1	Income			
	(a) Interest on loans	208.83	257.08	287.90
	(b) Other income	28.70	31.08	34.53
	Total -1	**237.53**	**288.16**	**322.43**
2	Expenses			
	(a) Interest on long term and short term loans	113.63	136.38	142.41
	(b) Other expenses	79.32	52.13	79.74
	Total - 2	**192.95**	**188.51**	**222.15**
3	Profit before tax (1-2)	44.58	99.65	100.28
4	Prior period adjustments	0.00	0.51	3.57
5	provision for tax	10.56	26.00	28.16
6	Profit (+)/Loss (-) after tax	34.02	74.16	75.69
7	Other appropriations	8.83	-6.48	-8.36
8	Profit (+)/Loss (-) after other appropriation	42.85	67.68	67.33
9	**Total return on Capital Employed**[††]	156.48	204.06	209.74
10	**Percentage of return on Capital Employed**	**12.27**	**10.57**	**9.72**

[††] Total return on capital employed represents net surplus/deficit plus total interest charged to Profit and Loss Account (less interest capitalised).

(₹ in crore)

3. Andhra Pradesh State Warehousing Corporation				
	Particulars	**2006-07**	**2007-08**	**2008-09**
1	**Income**			
	(a) Warehousing Charges	63.36	62.09	61.03
	(b) Other income	5.36	7.14	8.77
	Total - 1	**68.72**	**69.23**	**69.80**
2	**Expenses**			
	(a) Establishment Charges	10.55	13.54	12.52
	(b) Other Expenses	38.80	38.19	35.93
	Total - 2	**49.35**	**51.73**	**48.45**
3	Profit (+)/Loss (-) before tax	19.37	17.50	21.35
4	Provision for tax	5.03	4.52	6.50
5	Prior Period Adjustments	0.37	0.00	0.00
6	Other appropriations	0.31	0.38	1.01
7	Amount available for dividend	13.66	12.60	13.84
8	Dividend for the year	1.52	1.52	1.52
9	**Total return on capital employed**[‡‡]	**19.40**	**18.01**	**21.96**
10	**Percentage of return on Capital employed**	**19.38**	**15.88**	**19.30**

[‡‡] Total return on capital employed represents net surplus/deficit plus total interest charged to Profit and Loss Account (less interest capitalised).

Annexure – 7

Statement showing particulars of distribution network planned vis-à-vis achievement there against by State as a whole from 2006-07 to 2010-11

(Referred to in Paragraph 2.1.9.1)

(in numbers)

Sl.No.	Description	2006-07	2007-08	2008-09	2009-10	2010-11
(A)	**No. of Substations (of various categories)**					
(i)	At the beginning of the year	2671	2849	3045	3347	3698
(ii)	Additions planned for the year	210	303	377	472	287
(ii)	Additions made during the year	178	196	302	351	173
(iv)	At the end of the year	2849	3045	3347	3698	3871
(v)	Shortage in addition (ii-iii)	32	107	75	121	114
(B)	**HT Lines (in CKM)**					
(i)	At the beginning of the year	252641.43	261819.78	271178.83	294527.47	308290.18
(ii)	Additions planned for the year	9225.35	9393.05	23348.64	13762.71	8971.43
(iii)	Additions made during the year	9178.35	9359.05	23348.64	13762.71	8971.43
(iv)	At the end of the year	261819.78	271178.83	294527.47	308290.18	317261.61
(v)	Shortage in addition (ii-iii)	47.00	34.00	00	00	00
(C)	**LT lines (in CKM)**					
(i)	At the beginning of the year	507432.99	513838.98	519062.96	529313.35	534118.15
(ii)	Additions planned for the year	6590.99	5608.01	10334.17	4919.80	8646.57
(iii)	Additions made during the year	6405.99	5223.98	10250.39	4804.80	8646.57
(iv)	At the end of the year	513838.98	519062.96	529313.35	534118.15	542764.72
(v)	Shortage in addition(ii-iii)	185.00	384.03	83.78	115	0
(D)	**Transformers Capacity (in MVA) DTR**					
(i)	At the beginning of the year	24484	26025	28156	30574	32571
(ii)	Additions planned for the year	NA	NA	NA	NA	NA
(iii)	Additions made during the year	1541	2131	2418	1997	2079
(iv)	At the end of the year	26025	28156	30574	32571	34650
(v)	Shortage in addition (ii-iii)	NA	NA	NA	NA	NA

Annexure – 8

Details of financial and physical progress of HVDS works taken up by APCPDCL.
(Referred to in Paragraph 2.1.12.1)

Financial progress:

(₹ in crore)

Phase	Scheme Cost	No. of Contract Packages	Year	Value of Agreement	Expenditure incurred as of 31.01.2011	Percentage of Expenditure to Scheme Cost
I	458.77	15	2006-07 2007-08	35.75	163.52	35.64
II		15	2006-07 2007-08	120.30		
				156.05	**163.52**	
III	378.59	5	2008-09	250.00	151.60	40.04
TOTAL	**378.59**			**456.05**	**315.12**	**37.63**

Physical progress:

(in numbers)

Phase	No. of DTRs to be erected			No. of DTRs actually erected			Percentage of DTRs erected
	25 KVA	16 KVA	Total	25 KVA	16 KVA	Total	
I	6034	5511	11545	2881	1918	4799	41.57
II	20378	19200	39578	6822	6084	12906	32.61
II	16450	7042	23492	11449	4400	15849	67.47
TOTAL	42862	31753	74615	21152	12402	33554	44.96

Annexure – 9

Details of funds received under RGGVY
(Referred to in Paragraph 2.1.13.3)

(₹ in crore)

Year	Company	Opening Balance	Funds received during the year	Total funds available	Funds Utilised	Unspent funds at the end of the year
2006-07	CPDCL	--	21.48	21.48	35.07	-13.59
	EPDCL	--	27.73	27.73	25.88	1.85
	SPDCL	0	26.16	26.16	25.52	0.64
	NPDCL	8.04	1.54	9.58	1.84	7.74
	Total	**8.04**	**76.91**	**84.95**	**88.31**	**-3.36**
2007-08	CPDCL	-13.59	47.23	33.64	31.66	1.98
	EPDCL	1.85	54.25	56.10	83.38	-27.28
	SPDCL	0.64	91.02	91.66	59.31	32.35
	NPDCL	7.74	1.60	9.34	2.03	7.31
	Total	**-3.36**	**194.10**	**191.34**	**176.38**	**14.96**
2008-09	CPDCL	1.98	--	1.98	44.33	-42.35
	EPDCL	-27.28	51.82	24.54	43.79	-19.25
	SPDCL	32.35	12.67	45.02	42.01	3.01
	NPDCL	7.31	1.77	9.08	2.26	6.82
	Total	**14.96**	**66.26**	**80.62**	**132.39**	**-51.77**
2009-10	CPDCL	-42.35	57.98	15.63	27.01	-11.38
	EPDCL	-19.25	38.02	18.77	37.70	-18.93
	SPDCL	3.01	39.18	42.19	42.19	0.00
	NPDCL	6.82	2.69	9.51	2.83	6.68
	Total	**-51.77**	**137.87**	**86.10**	**109.73**	**-23.63**
2010-11	CPDCL	-11.38	57.86	46.48	32.87	13.61
	EPDCL	-18.93	54.95	36.02	14.77	21.25
	SPDCL	0.00	0	0	0	0
	NPDCL	6.68	0.87	7.55	2.20	5.35
	Total	**-23.63**	**113.68**	**90.05**	**49.84**	**40.21**

Annexure - 10

Statement showing RAPDRP funds receipt vis-à-vis utilization in the State during 2006-11
(Referred to in Paragraph 2.1.15.1)

(₹ in crore)

Year	Company	Funds released by		Funds available	Funds utilised	Balance	Percentage of balance to funds available
		GOI	Others				
2006-07	The scheme was taken up from 2008-09						
2007-08							
2008-09	CPDCL	50.02		50.02	NIL	50.02	100.00
	EPDCL	17.38	-	17.38	-	17.38	100.00
	SPDCL	12.67	30.84	43.51	42.01	1.50	3.44
	NPDCL	12.75		12.75	2.16	10.59	83.06
	Total	**92.82**	**30.84**	**123.66**	**44.17**	**74.49**	**64.28**
2009-10	CPDCL	2.47		52.49	NIL	52.49	100.00
	EPDCL	0.82	-	18.20	-	18.20	100.00
	SPDCL	39.18	11.77	52.45	42.20	10.25	19.54
	NPDCL	24.72		35.31		35.31	100.00
	Total	**67.19**	**11.77**	**158.45**	**42.20**	**116.25**	**73.36**
2010-11	CPDCL	123.58		176.07	11.10	164.97	93.70
	EPDCL	0.73	-	18.93	1.83	17.10	90.00
	SPDCL	0.00	0.00	10.25	7.73	2.52	24.58
	NPDCL	0.00	0.00	35.31	0.00	35.31	100.00
	Total	**124.31**	**0.00**	**240.46**	**20.66**	**219.90**	**92.43**
	G.Total	**326.93**			**107.03**		

Annexure – 11

Statement showing Source-wise purchase of Power in the State during 2006-11
(Referred to in Paragraph 2.1.17)

(value ₹ in crore)

Year	Particulars	State Govern-ment PSUs	Central Sector	IPPs	Others	Total
2006-07	Units (MU)	29643	18946	5019	3347	56955
	Value	4894.89	3201.10	1521.49	1656.08	11273.56
	Cost per unit (₹)	1.65	1.69	3.03	4.95	1.98
2007-08	Units (MU)	31446	20312	6484	3663	61905
	Value	5286.72	3774.74	1982.98	2205.42	13249.86
	Cost per unit (₹)	1.68	1.86	3.06	6.02	2.14
2008-09	Units (MU)	31350	20896	6785	7596	66627
	Value	6627.46	4266.58	2710.91	5427.70	19032.65
	Cost per unit (₹)	2.11	2.04	4.00	7.15	2.86
2009-10	Units (MU)	29828	21993	16383	5021	73225
	Value	7384.06	5174.88	4726.92	2943.23	20229.09
	Cost per unit (₹)	2.48	2.35	2.89	5.86	2.76
2010-11	Units (MU)	35341	20369	16042	6777	78529
	Value	9892.87	5168.86	4852.93	2826.82	22741.48
	Cost per unit (₹)	2.80	2.54	3.03	4.17	2.89

Annexure – 12

Statement showing DISCOM wise energy losses
(Referred to in Paragraph 2.1.19)

Sl. No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
1	**Energy purchased (MU)**					
	CPDCL	24185.34	26257.00	28942.87	31933.25	34289.59
	EPDCL	8765.18	9250.67	9889.05	11260.69	11602.87
	SPDCL	12329.55	12663.01	13805.48	15741.05	16449.08
	NPDCL	8702.67	9203.19	10069.55	10463.23	10610
	Total	**53982.74**	**57373.87**	**62706.95**	**69398.22**	**72951.54**
2	**Energy sold (MU)**					
	CPDCL	20068.14	21793.00	24039.95	26610.00	28938.28
	EPDCL	7732.92	8452.71	9103.01	10414.70	10822.94
	SPDCL	10360.95	10797.99	11938.50	13697.28	14441.24
	NPDCL	7152.18	7748.18	8544.68	8943.01	9102.32
	Total	**45314.19**	**48791.88**	**53626.14**	**59664.99**	**63304.78**
3	**Energy losses (1 – 2) (MU)**					
	CPDCL	4117.20	4464.00	4902.92	5323.25	5351.31
	EPDCL	1032.26	797.96	786.04	845.99	779.93
	SPDCL	1968.60	1865.02	1866.98	2043.77	2007.84
	NPDCL	1550.49	1455.01	1524.87	1520.22	1507.68
	Total	**8668.55**	**8581.99**	**9080.81**	**9733.23**	**9646.76**
4	**Percentage of energy losses (*per cent*) {(3 / 1) x 100}**					
	CPDCL	17.02	17.00	16.94	16.67	17.27
	EPDCL	11.78	8.63	7.95	7.51	6.72
	SPDCL	15.97	14.73	13.52	12.98	12.21
	NPDCL	17.82	15.81	15.14	14.53	14.21
	State losses	**16.06**	**14.96**	**14.48**	**14.03**	**13.22**
5	**Percentage of losses allowed by APERC (*per cent*)**					
	CPDCL	17.07	15.51	14.27	11.50	13.10
	EPDCL	13.70	12.62	9.55	8.82	10.80
	SPDCL	16.00	14.76	13.54	13.00	12.23
	NPDCL	17.39	15.42	14.38	12.23	12.81
6	**Excess losses (in MU)**					
	CPDCL		391.54	772.77	1650.71	1429.88
	EPDCL	-	-	-	-	-
	SPDCL	-	-	-	-	-
	NPDCL	37.04	36.33	77.25	241.01	148.13
	Total	**37.04**	**427.87**	**850.02**	**1891.72**	**1578.01**
7	**Average realisation rate per unit (in ₹)**					
	CPDCL	2.73	3.20	4.10	3.79	3.96
	EPDCL	2.90	3.09	3.74	3.72	4.00
	SPDCL	2.68	2.92	3.86	3.60	3.98
	NPDCL	1.55	1.60	1.58	1.85	2.20
8	**Value of excess losses (₹ in crore) (6 x 7)**					
	CPDCL	-	125.29	316.83	625.61	566.23
	EPDCL	-	-	-	-	-
	SPDCL	-	-	-	-	-
	NPDCL	5.74	5.81	12.20	44.59	32.65
	Total	**5.74**	**131.10**	**329.03**	**670.20**	598.88

Annexure- 13

Statement showing DTR failure status in DISCOMs (Referred to in Paragraph 2.1.19.3)

S.No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
1	Existing DTRs at the close of the year(in Number)					
	CPDCL	173795	183276	212836	221791	250345
	EPDCL	76722	87513	95165	106154	114575
	SPDCL	158160	185003	226255	249601	275813
	NPDCL	110688	117052	127290	149067	155624
	Total	**519365**	**572844**	**661546**	**726613**	**796357**
2	DTR Failures (in numbers)					
	CPDCL	37819	38891	37525	38838	40151
	EPDCL	2544	2238	1684	5070	4612
	SPDCL	14780	14191	15375	17778	19925
	NPDCL	9079	10647	11408	12718	17642
	Total	**64222**	**65967**	**65992**	**74404**	**82330**
3	Percentage of failures to DTRs existing					
	CPDCL	21.76	21.22	17.48	17.51	16.04
	EPDCL	3.33	2.56	1.77	4.78	4.03
	SPDCL	9.34	7.67	6.80	7.12	7.22
	NPDCL	8.20	9.10	8.96	8.60	11.46
	Total	**12.37**	**11.52**	**9.98**	**10.24**	**10.34**
4	Excess failure percentage over norms					
	CPDCL	9.76	9.22	5.48	5.51	4.24
	EPDCL	0	0.16	0	2.48	1.88
	SPDCL	0	0	0	0	0
	NPDCL	0	0	0	0	0
5	Expenditure on repair of failed DTRs(₹ in crore)					
	CPDCL	14.30	18.00	18.43	22.41	27.95
	EPDCL	2.48	2.59	2.66	3.58	4.62
	SPDCL	10.10	11.31	12.37	12.39	11.90
	NPDCL	29.31	33.59	36.83	42.57	45.14
	Total	**56.19**	**65.49**	**70.29**	**80.95**	**89.61**

Annexure – 14

Statement showing progress of installation of capacitor banks and consequential loss of envisaged energy savings (Referred to in Paragraph 2.1.20)

(in MVAR)

Year	Company	Installed Capacity at the beginning of the year	Targeted addition during the year	Actual addition during the year	Installed capacity at the close of the year MVAR	Percentage of shortfall in achievement of target	Loss of envisaged energy savings in unit		
							(Units)	Average Rate per unit (₹)	Value (₹)
2006-07	CPDCL	1660.2	8	8	1668.2	-	-	-	-
	EPDCL	410	50	39	449	22	109230	2.83	309121
2007-08	CPDCL	1668.2	260	260	1928.2	-	-	-	-
	EPDCL	449	150	113	562	25	367410	2.72	999355
2008-09	CPDCL	1928.2	300	300	2228.2	-	-	-	-
	EPDCL	562	60	52	614	13	79440	2.71	215282
2009-10	CPDCL	2228.2	308	308	2536.2	-	-	-	-
	EPDCL	614	20	3	617	85	168810	3.34	563825
2010-11	CPDCL	2536.2	128	128	2664.2	-	-	-	-
	EPDCL	617	20	10	627	50	99300	3.92	389256

Annexure - 15

Statement showing target & actual performance of checking, theft cases detected, assessment made and amount realized for the five years ending March 2011
(Referred to in Paragraph 2.1.22)

(Amount ₹ in lakh)

Year	Company	No of Checkings		Theft Cases		Assessed Amount		Amount realized	
		Target	Actual	Target	Actual	Target	Actual	Target	Actual
2006-07	CPDCL	Nil	236350	Nil	65	Nil	12.05	Nil	6.52
	EPDCL	37500	37903	Nil	4597	Nil	378.27	Nil	179
2007-08	CPDCL	Nil	175994	Nil	982	Nil	170.11	Nil	84.78
	EPDCL	37500	49238	Nil	2825	Nil	269.03	Nil	158.34
2008-09	CPDCL	Nil	183301	Nil	16183	Nil	707.16	Nil	317.21
	EPDCL	58800	51807	Nil	2980	Nil	160	Nil	136.195
2009-10	CPDCL	Nil	209480	Nil	16833	Nil	855.9	Nil	391.99
	EPDCL	58800	43002	Nil	1449	Nil	163.52	Nil	144.05
2010-11	CPDCL	Nil	188018	Nil	15761	Nil	675.3	Nil	284.86
	EPDCL	58800	36539	Nil	1355	Nil	116.91	Nil	102.82

Annexure - 16

Financial position of APSPDCL and APNPDCL
(Referred to in Paragraph 2.1.23)

(₹ in crore)

Particulars	APSPDCL					APNPDCL				
	2006-07	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2006-07**	**2007-08**	**2008-09**	**2009-10**	**2010-11**
A. Liabilities										
Paid up Capital	358.72	358.72	358.72	358.72	358.72	274.76	274.76	274.76	274.76	274.76
Reserve & Surplus (including Capital Grants but excluding Depreciation Reserve)	106.42	242.89	153.52	159.00	163.43	257.30	286.84	340.59	410.53	464.73
Borrowings (Loan Funds)										
Secured	1177.75	1399.34	1658.67	1959.47	2061.66	183.68	458.92	436.25	704.65	831.80
Unsecured	460.76	421.67	1569.90	2268.53	2674.57	655.69	586.30	1219.93	2068.31	2540.62
Current Liabilities & Provisions	1636.31	1751.84	2396.70	2798.04	3548.33	1477.89	1017.18	1451.49	1428.00	1473.04
Total	**3739.96**	**4174.46**	**6137.51**	**7543.76**	**8806.71**	**2849.32**	**2624.00**	**3723.02**	**4886.25**	**5584.95**
B. Assets										
Gross Block	2718.26	3586.5	3801.88	4538.67	5329.98	1757.84	1916.61	2354.57	2722.37	2946.71
Less: Depreciation	1168.21	1321.28	1549.22	1820.69	2159.58	798.58	918.19	1054.49	1222.62	1394.21
Net Fixed Assets	**1550.05**	**2265.22**	**2252.66**	**2717.98**	**3170.40**	**959.26**	**998.42**	**1300.08**	**1499.75**	**1552.50**
Capital works-in-progress	680.49	346.88	748.69	689.31	306.58	398.55	462.71	322.72	263.35	261.63
Investments	63.55	98.76	0.29	0.30	54.58	12.64	13.31	19.15	30.69	53.20
Current Assets, Loans and Advances	1445.22	1463.17	3135.73	4136.17	5275.15	1442.27	1118.36	2055.15	3072.25	3703.12
Accumulated losses/Differed tax	0.65	0.43	0.14			36.60	31.20	25.92	20.21	14.50
Total	**3739.96**	**4174.46**	**6137.51**	**7543.76**	**8806.71**	**2849.32**	**2624.00**	**3723.02**	**4886.25**	**5584.95**
Debt equity ratio	3.52	3.03	6.30	8.17	9.52	3.17	3.23	3.30	3.67	3.75
Networth	465.14	601.61	512.24	517.72	508.72	250.86	257.27	263.71	270.57	277.55

Annexure – 17

Working results of APSPDCL and APNPDCL
(Referred to in Paragraph 2.1.23)

(₹ in crore)

S.No	Description	2006-07	2007-08	2008-09	2009-10	2010-11	2006-07	2007-08	2008-09	2009-10	2010-11
		APSPDCL					APNPDCL				
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1	**Income**										
(i)	Revenue from Sale of Power	2456.05	3040.97	3216.85	3811.84	4558	1264.55	1488.95	1592.5	1947.14	2566.28
(ii)	Revenue subsidy & grants	611.93	679.44	1896.28	1747.15	2072	838.88	1078.95	2040	1811.33	1817.99
(iii)	Other income	236.34	171.22	189	210.27	307	193.15	120.14	94.67	112.12	135.43
	Total Income	**3304.32**	**3891.63**	**5302.13**	**5769.26**	**6937**	**2296.58**	**2688.04**	**3727.2**	**3870.59**	**4519.7**
2	**Distribution (In MUs)**										
(i)	Total power purchased	12329.55	12663.01	13805.48	15741.05	16449.08	8702.67	9203.19	10070	10463.23	10610
(ii)	Less: Transmission losses, if applicable	-	-	-	-	-	-	-	-	-	-
(iii)	Net Power available for Sale	12329.55	12663.01	13805.48	15741.05	16449.08	8702.67	9203.19	10070	10463.23	10610
(iv)	Less: Sub-transmission & distribution losses	1968.6	1865.02	1866.98	2043.77	2007.84	1550.49	1455.01	1524.9	1520.22	1507.67
	Net power sold	**10360.95**	**10797.99**	**11938.5**	**13697.28**	**14441.24**	**7152.18**	**7748.18**	**8544.7**	**8943.01**	**9102.33**
3	**Expenditure on Distribution of Electricity**										
(a)	**Fixed cost**										
(i)	Employees cost	174.82	267.84	302.28	331.1	670	200.31	186.18	211.72	210.22	402.14
(ii)	Administrative and General expenses	47.66	40.45	50.11	50.77	57	31.73	31.62	33.1	34.17	42.09
(iii)	Depreciation	183.41	178.53	224.32	270.28	344	109.6	120.48	136.69	168.3	178.03
(iv)	Interest and finance charges	149.07	178.02	242.05	342.27	435.09	97.48	93.09	122.88	183.28	220.21
(v)	Other Expenses	60.83	45.98	131.93	59.57	41.64	27.83	89.82	-6.09	38.34	28.48
	Total fixed cost	**615.79**	**710.82**	**950.69**	**1053.99**	**1547.73**	**466.95**	**521.19**	**498.3**	**634.31**	**870.95**
(b)	**Variable cost**										
(i)	Purchase of Power	2429.79	2861.79	4065.71	4319.06	5040.81	1710.48	2054.01	2994.6	3068.61	3454.73
(ii)	Electricity Duty	36.04	41.11	45.97	52.72	59	14.69	16.27	19.54	20.98	22.62

S.No	Description	2006-07	2007-08	2008-09	2009-10	2010-11	2006-07	2007-08	2008-09	2009-10	2010-11
		APSPDCL					APNPDCL				
(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**	**(8)**	**(9)**	**(10)**	**(11)**	**(12)**
(iii)	Transmission/ Wheeling Charges	140.62	150.37	162.83	273.45	206.92	123.37	108.35	162.54	122.47	140.97
(iv)	Repairs & Maintenance	30.79	44.66	55.72	63.35	74	29.31	33.59	36.83	42.57	45.14
	Total variable cost	**2637.24**	**3097.93**	**4330.23**	**4708.58**	**5380.73**	**1877.85**	**2212.22**	**3213.5**	**3254.63**	**3663.46**
(c)	**Total cost 3(a) + (b)**	**3253.03**	**3808.75**	**5280.92**	**5762.57**	**6928.46**	**2344.8**	**2733.41**	**3711.8**	**3888.94**	**4534.41**
4	Realisation (₹ per unit) (including revenue subsidy)	2.68	2.92	3.86	3.6	3.98	2.73	2.72	2.74	3.54	4.36
5	Fixed cost (₹ per unit)	0.5	0.56	0.69	0.67	0.94	0.65	0.67	0.58	0.71	0.96
6	Variable cost (₹ per unit)	2.14	2.45	3.14	2.99	3.27	2.63	2.86	3.76	3.64	4.02
7	Total cost per unit (in ₹) (5+6)	2.64	3.01	3.83	3.66	4.21	3.28	3.53	4.34	4.35	4.98
8	Contribution (4-6) (₹ per unit)	0.54	0.47	0.72	0.6	0.71	0.1	-0.14	-1.02	-0.1	0.34
9	**Profit (+)/Loss(-) per unit (in ₹) (4-7)**	**0.04**	**-0.09**	**0.03**	**-0.07**	**-0.23**	**-0.55**	**-0.81**	**-1.6**	**-0.81**	**-0.62**
	Profit/Loss	**51.29**	**810.88**	**21.21**	**6.69**	**8.54**	**-48.22**	**-45.37**	**15.4**	**-18.35**	**-14.71**

Annexure – 18

Statements indicating cross-subsidies in various major sectors in respect of APCPDCL, APEPDCL, APNPDCL and APSPDCL
(Referred to in Paragraph 2.1.24.5)

APCPDCL

Particulars	2006-07		2007-08		2008-09		2009-10		2010-11	
Average cost of supply (ACOS) (₹)	2.42		2.59		2.75		3.19		3.32	
Average Revenue from	**Paise per unit**	**Percent-age of ACOS**	**Paise per unit**	**Percent-age of ACOS**	**Paise per unit**	**Percent-age of ACOS**	**Paise per unit**	**Percent-age of ACOS**	**Paise per unit**	**Percent-age of ACOS**
Domestic	261	107.85	263	101.54	265	96.36	271	84.95	278	83.73
Commercial	588	242.98	595	229.73	592	215.27	591	185.27	615	185.24
Industrial	433	178.93	436	168.34	442	160.73	371	116.30	396	119.28
Agricultural	001	0.41	001	0.39	001	0.36	001	0.31	001	0.30
Others[§§]	398	164.46	387	149.42	384	139.64	386	121.00	317	95.48

APEPDCL

Particulars	2006-07		2007-08		2008-09		2009-10		2010-11	
Average cost of supply (ACOS) (₹)	2.83		2.72		2.71		3.34		3.42	
Average Revenue from	**Paise per unit**	**Percentage of ACOS**	**Paise per unit**	**Percentage of ACOS**	**Paise per unit**	**Percentage of ACOS**	**Paise per unit**	**Percentage of ACOS**	**Paise per unit**	**Percentage of ACOS**
Domestic	209	73.80	214	78.83	252	93.02	253	75.88	251	73.42
Commercial	538	190.37	558	204.98	578	213.15	579	173.36	610	178.32
Industrial	362	127.97	346	127.13	356	131.46	346	103.59	409	119.62
Agricultural	012	4.18	017	6.36	042	15.41	018	5.42	037	10.70
Others	295	104.44	298	109.42	305	112.41	295	88.22	307	89.90

[§§] Including Railways, Public Works, Street lighting, etc.

APNPDCL

Particulars	2006-07		2007-08		2008-09		2009-10	
Average cost of supply (ACOS)	155.25 Paise per unit		159.95 Paise per unit		160.00 Paise per unit		185.00 Paise per unit	
Average Revenue from	**Paise per unit**	**Percentage of ACOS**	**Paise per unit**	**Percentage of ACOS**	**Paise per unit**	**Percentage of ACOS**	**Paise per Unit**	**Percentage of ACOS**
Domestic	216.91	139.71	233.21	145.80	221.00	138.12	252.00	136.21
Commercial	572.50	368.76	576.00	360.11	575.00	359.37	607.00	328.10
Industrial	453.68	292.22	455.84	284.98	456.00	285.00	509.00	275.13
Agricultural	24.44	15.74	24.46	15.29	25.00	15.62	28.00	15.13
Others	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

APSPDCL

Particulars	2006-07		2007-08		2008-09		2009-10		2010-11	
Average cost of supply (ACOS) (₹)	2.64		3.01		3.83		3.66			
Average Revenue from	**Paise per unit**	**Percentage of ACOS**	**Paise per unit**	**Percentage of ACOS**	**Paise per unit**	**Percentage of ACOS**	**Paise per unit**	**Percentage of ACOS**	**Paise per unit**	**Percentage of ACOS**
LT										
Domestic supply - Category -I	229	86.68	235	78.11	226	59.11	233	63.61	242	62.24
Non-Domestic supply - Category -II	573	217.26	581	193.07	545	142.35	567	154.99	572	147.12
Industrial Supply- Category -III	371	140.72	371	123.35	364	95.18	420	114.68	452	116.25
Cottage Industries - Category - IV	152	57.80	186	61.83	178	46.52	219	59.72	225	57.87
Irrigation and Agriculture Category - V	2	0.65	002	0.53	1	0.39	001	0.18	1	0.26
Public Lighting - Category - VI	172	65.01	167	55.48	176	46.04	172	46.87	168	43.21
General Purpose - Category - VII	395	149.70	398	132.41	370	96.74	405	110.56	418	107.51
Temporary Supply - Category - VIII	855	324.22	560	186.32	616	161.05	800	218.50	780	200.61
HT										
Industrial Segregated - Category - I	377	142.74	365	121.44	375	98.15	388	105.95	402	103.39
Industrial Non-Segregated - Category - II	545	206.44	528	175.40	528	138.01	506	138.08	526	135.29
Irrigation and Agriculture - Category - IV	262	99.46	274	90.98	296	77.32	316	86.36	335	86.16
Railway Traction - Category - V	426	161.64	402	133.80	413	108.04	409	111.61	402	103.39
Colony Lighting Category - VI	355	134.67	352	116.91	396	103.57	439	119.93	452	116.25
Electricity Co-Operative Societies	16	6.18	037	12.32	040	10.37	19	5.29	015	3.86
Temporary Supply	1317	499.21	657	218.39	762	199.26	486	132.79	492	126.54

Annexure - 19

Balance outstanding at the beginning of the year, revenue assessed, collected and the balance outstanding at the end of the year during last five years ending 2010-11
(Referred to in Paragraph 2.1.28)

(₹ in crore)

S.No	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
1	**Balance outstanding at the beginning of the year**					
	CPDCL	1179.86	1216.76	1281.37	902.54	1014.01
	EPDCL	134.62	145.78	140.82	152.07	208.37
	SPDCL	308.47	256.61	278.98	259.84	382.10
	NPDCL	217.78	275.54	239.88	317.96	399.75
	Total	**1840.73**	**1894.69**	**1941.05**	**1632.41**	**2004.23**
2	**Revenue assessed/Billed during the year**					
	CPDCL	5036.93	5955.26	6543.48	7269.92	8848.62
	EPDCL	2126.63	2334.04	2534.19	2800.81	3393.89
	SPDCL	2328.95	2679.83	2948.12	3752.59	4127.85
	NPDCL	1264.55	1489.00	1592.54	1947.14	1899.74
	Total	**10757.06**	**12458.13**	**13618.33**	**15770.46**	**18270.10**
3	**Total amount due for realisation (1+2)**					
	CPDCL	6216.79	7172.02	7824.85	8172.46	9862.63
	EPDCL	2261.25	2479.82	2675.01	2952.88	3602.26
	SPDCL	2637.42	2921.58	3201.67	3994.89	4504.95
	NPDCL	1482.23	1764.50	1832.42	2265.10	2299.49
	Total	**12597.69**	**14337.92**	**15533.95**	**17385.33**	**20269.33**
4	**Amount realised during the year**					
	CPDCL	5000.03	5594.92	6748.36	7155.50	8544.33
	EPDCL	2115.47	2339.00	2522.94	2744.51	3287.06
	SPDCL	2380.81	2627.74	2916.40	3595.25	3979.03
	NPDCL	1206.79	1524.60	1514.46	1865.35	1818.57
	Total	**10703.10**	**12086.26**	**13702.16**	**15360.61**	**17628.99**
5	**Amount written of during the year**					
	CPDCL	0.00	295.73	173.95	2.95	0.00
	EPDCL	-	-	-	-	-
	SPDCL	0.00	14.86	25.43	17.54	4.00
	NPDCL	0.00	0.00	0.00	0.00	0.00
	Total	**0.00**	**310.59**	**199.38**	**20.49**	**4.00**
6	**Balance outstanding at the end of the year**					
	CPDCL	1216.76	1281.37	902.54	1014.01	1318.30

S.No	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
	EPDCL	145.78	140.82	152.07	208.37	315.20
	SPDCL	256.61	278.98	259.84	382.10	522.92
	NPDCL	275.54	239.88	317.96	399.75	480.92
	Total	**1894.69**	**1941.07**	**1632.41**	**2004.23**	**2636.34**
7	**Percentage of amount realised to total dues (4/3)**					
	CPDCL	80.43	78.01	86.24	87.56	86.63
	EPDCL	93.55	94.32	94.31	92.94	91.25
	SPDCL	90.27	89.94	91.09	90.00	88.33
	NPDCL	81.42	86.40	82.65	82.35	79.09
	Total	**84.96**	**84.30**	**88.20**	**88.35**	**86.97**
8	**Arrears in terms of No. of months assessment**					
	CPDCL	2.90	2.58	1.66	1.67	1.79
	EPDCL	0.82	0.72	0.72	0.89	1.11
	SPDCL	1.32	1.25	1.06	1.22	1.52
	NPDCL	2.61	1.93	2.40	2.46	3.04
	Total	**2.11**	**1.87**	**1.44**	**1.53**	**1.73**

Annexure - 20

Statement showing status of consumer complaints and their redressal in DISCOMs (Referred to in Paragraph 2.1.30.4)

(Numbers in lakh)

S.No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
1	**Total complaints received**					
	CPDCL	0.32	0.61	0.79	0.95	1.01
	EPDCL	3.94	3.50	3.21	2.67	3.36
	SPDCL	4.99	5.37	5.15	5.47	5.28
	NPDCL	0.86	0.57	0.32	0.25	0.41
2	**Complaints redressed within time**					
	CPDCL	0.29	0.56	0.74	0.87	0.84
	EPDCL	3.67	3.31	3.07	2.32	2.70
	SPDCL	4.99	5.37	5.15	5.47	5.28
	NPDCL	0.35	0.29	0.21	0.12	0.19
3	**Complaints redressed beyond time**					
	CPDCL	0.02	0.02	0.04	0.08	0.17
	EPDCL	0.14	0.07	0.05	0.18	0.47
	SPDCL	0	0	0	0	0
	NPDCL	0.51	0.28	0.11	0.13	0.16
4	**Pending complaints**					
	CPDCL	0.02	0.04	0.04	0.04	0.04
	EPDCL	0.13	0.12	0.09	0.17	0.19
	SPDCL	0.00	0.00	0.00	0.00	0.00
	NPDCL	0.51	0.28	0.11	0.13	0.22
5	**Percentage of complaints redressed beyond time to total complaints**					
	CPDCL	6.25	3.28	5.06	8.42	16.83
	EPDCL	3.55	2.00	1.56	6.74	13.99
	SPDCL	0.00	0.00	0.00	0.00	0.00
	NPDCL	59.30	49.12	34.38	52.00	39.02
6	**Compensation paid in ₹ in lakh**					
	CPDCL	-	-	-	-	-
	EPDCL	0.05	-	-	0.10	-
	SPDCL	0.13	0.05	0.05	0.12	0.26
	NPDCL	0.17	0.09	0.04	0.00	0.13

Annexure – 21

(Referred to in Paragraph No. 2.2.8)

A. Details of Completed Projects

Sl. No.	Name of the Project	Year of Sanction	Schedule year of comple-tion	Actual year of comple-tion	Time Overrun (Yrs)	Sanctioned cost of the project (₹ Cr.)	Actual expendi-ture incurred (₹ in Cr.)	Cost over run (₹ in Cr.)	Envisa-ged produ-ction (in MT)	Actual produc-tion (in MT)	Loss of Produc-tion (in MT)	Value (₹ in Cr.)	Remarks
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
1	Semi-mechanisation with SDLs in Goleti-IA incline	2001-02	2004-05	2006-07	2	18.05	21.11	3.06	0.48	0.24	0.24	24.54	Delay in acquisition of 4.56 Ha. Forest land required for opening of mine entries and service buildings
2	LHD's at GDK-8,9,10 and PVK-5 inclines (10 Nos.)	2003-04	2004-05	2006-07	2	21.85	8.32	NA	0.428	0.13	0.298	30.39	Due to supply of equipment in a phased manner over a period of one year and delayed procurement of ancillary/equipment like Tran switch etc.
3	LHD's at GDK-8,6A and11A (14 Nos.)	2004-05	2005-06	2006-07	1	22.68	11.536	NA	0.9263	0.448	0.4783	49.66	The delay was only for three months. However, the project completion report was approved by the Board of Directors belatedly.
4	Conversion of Road Header into Continuous Minor at GDK-11A	2003-04	2005-06	2007-08	2	9.67	5.345	NA	0.27	0.0163	0.2537	25.43	Equipment did not work continuously for considerable period and performance of the machine found to be abnormally poor and also the mis-match of conveying capacity with cutting capacity
5	Introduction of SDL's in RK-6 & KTK-1 & 1A	2005-06	2006-07	2007-08	1	4.42	3.31	NA	0.14	0.127	0.013	1.38	The delay was only for three months. However, the project completion report was approved by the Board of Directors belatedly.
6	21 Incline (Blasting Gallary)	1999-00	2003-04	2007-08	4	27.05	34.61	7.57	0.855	0	0.855	86.89	Due to delay in taking decision for implementation of the project in appropriate panel.
7	JVR OCP 1	2004-05	2007-08	2007-08	NA	91.24	80.88	NA	1.1	1.281	NA	NA	The project was completed within the scheduled time. However, the project completion report was approved by the Board of Directors in 2008-09.

Sl. No.	Name of the Project	Year of Sanction	Schedule year of comple-tion	Actual year of comple-tion	Time Overr un (Yrs)	Sanctioned cost of the project (₹ Cr.)	Actual expendi-ture incurred (₹ in Cr.)	Cost over run (₹ in Cr.)	Envisa-ged produ-ction (in MT)	Actual produc-tion (in MT)	Loss of Produc-tion (in MT)	Value (₹ in Cr.)	Remarks
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
8	Manuguru OCP-3	2003-04	2006-07	2007-08	1	25.1	12.34	NA	0.5	1.062	NA	NA	The delay was only for three months. However, the project completion report was approved by the Board of Directors belatedly.
9	SDL's at RK-NT, VK-7, GDK-8A, JK-5, PVK-5, 21 Inc. PK-1, GDK-6 & 6B (42 Nos.)	2004-05	2005-06	2007-08	2	25.57	14.52	NA	2.765	1.8	0.965	98.28	The project was completed in 2006-07 with a delay of one year due to Inadequate technical support by the equipment supplier, delay in supply of spares etc. The completion report was approved by the Board of Directors in October 2007.
10	Ramagundam OCP 1 Expansion	2005-06	2007-08	2008-09	1	88.1	79.41	NA	1.25	1.46	NA	NA	The project was completed within the scheduled time. However, the project completion report was approved by the Board of Directors in 2008-09.
11	Srirampur OC-1	2003-04	2007-08	2008-09	1	48.93	48.17	NA	0.8	1.13	NA	NA	The project was completed within the scheduled time. However, the project completion report was approved by the Board of Directors in 2008-09.
12	Bellampalli OCP-II Exp.	2003-04	2007-08	2008-09	1	35.51	16.99	NA	0.63	1.3	NA	NA	Details not made available to audit
13	KTK-6	1990-91	2004-05	2009-10	5	29.9	26.619	NA	1.56	0.635	0.925	99.25	The reasons for delay were discussed vide para no. 2.2.8.3
14	Dorli OCP-1	2003-04	2007-08	2009-10	2	48.68	47.56	NA	0.7	0.003	0.697	76.51	Delay in acquisition of land and implementation of Restructure and Resettlement (R&R) packages.
15	Koyagudem OCP-2	2005-06	2008-09	2009-10	1	58.89	58.07	NA	1	0	1	126.07	The project was completed within the scheduled time. However, the project completion report was approved by the Board of Directors in 2009-10.
16	JVR OCP 1 Exp.	2004-05	2009-10	2009-10	NA	39.98	36.87	NA	0.91	2.23	NA	NA	The project completed with all schedule parameters
17	Medipalli OCP Exp.	2006-07	2008-09	2009-10	1	83.3	67.39	NA	3	3.09	NA	NA	Details not made available to audit
18	Manuguru OCP-2 Exp.	2007-08	2008-09	2009-10	1	179.51	178.62	NA	3.5	3.58	NA	NA	Delay in diversion of forest land of 175.69 Ha.

Sl. No.	Name of the Project	Year of Sanction	Schedule year of comple-tion	Actual year of comple-tion	Time Overrun (Yrs)	Sanctioned cost of the project (₹ Cr.)	Actual expendi-ture incurred (₹ in Cr.)	Cost over run (₹ in Cr.)	Envisa-ged produ-ction (in MT)	Actual produc-tion (in MT)	Loss of Produc-tion (in MT)	Value (₹ in Cr.)	Remarks
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
19	RG - OC-3 Exp.	2007-08	2009-10	2009-10	NA	246.39	245.02	NA	3.6	4.1	NA	NA	The project completed with all schedule parameters
20	Khairagura	2006-07	2008-09	2009-10	1	92.46	105.38	12.92	2.5	1.852	0.648	89.44	Delay in acquisition of forest and non-forest land and implementation of R&R packages.
21	RG - OC-I Exp.Phase-II	2007-08	2010-11	2010-11	NA	79.52	95.72	16.2	1.87	0.907	0.963	150.36	Loss of production during development of the mine
	Total					**1276.80**	**1197.79**	**39.75**			**7.34**	**858.20**	

B. Details of Projects Dropped/ Converted as OC/ Deferred etc.

Sl. No.	Name of the mine	Year of Sanction/ Approval	Schedule year of completion	Estimated Cost of the Project (₹ in crore)	Reasons for dropping
1	KTK-3 Incline	1996-97	2006-07	47.33	Converted as KTK OC sector-I Proj. on 3-1-08
2	Continuous Minor at PVK-5	2004-05	2007-08	48.3	In view of the failure of the pilot project i.e. conversion of Road header into Continuous minor at GDK-11A the project was dropped. Since these projects were also similar in nature, hence the projects were dropped.
3	Continuous Minor at GDK 8 Inc.	2004-05	2006-07	20.78	
4	Continuous Minor at GDK 10 Inc.	2004-05	2006-07	20.78	
5	Introduction of SDL's in SK & RK-1A	2006-07	2006-07	3.03	The project is converted into Opencast project, hence this project is dropped
6	Kakatiya Khani - 7 Inc.	2008-09	2007-08	33.12	Amalgamation of KTK 7, 8, 8A as KTK Longwall in March 09
7	KTK - 8 & 8A Inc.	2008-09	2007-08	41.54	
8	KTK -9 &9A Inc.	2003-04	2009-10	40.71	The project is proposed for Longwall method, hence this project is dropped.
9	Kasipet OCP	2001-02	2004-05	47.29	Due to land acquisition problem, the project is deferred.

Annexure-22

(Referred to in Paragraph No.2.2.8)

A. Details of Ongoing Projects as on 31.03.2011

(₹ in crore)

Sl No.	Name of the Project	Date of sanction/FR/RCE	Scheduled year of completion	Time over run	Sanctioned cost of the Project	Actual Expenditure incurred	Cost over run	Capacity MTPA	Reasons for delay if any
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	Kondapuram Mine	19.12.2008	2013-14	NA	19.29	7.174	0	0.51	NA
2	Vakilpalli BG	19.12.2008	2011-12	NA	31.49	9.092	0	0.49	NA
3	Continuous Miner at VK 7	07.08.2001/20.10.2004	2007-08	3	74.73	79.14	4.41	0.40	After the occurrence of accident on 12.11.2006, Project got delayed for revival of the permission and due to negotiations with the firm for replacement of the equipment. Production started from 10.06.09.Completion Report being put up to the Board
4	Dorli OCP-II	16.03.2004	2007-08	3	47.67	8.02	0	0.70	Delayed due to delay in Forest land diversion. The proposal for integration of Dorli OCI and OC II projects has been dropped and it is decided to take up Dorli OC II as a stand alone project.
5	Continuous Miner at GDK-11A Incline	18.06.2005	2008-09	2	70.8	58.71	0	0.40	Delay in procurement of equipment. Production started from 15.12.08.Completion report is being put up to the Board
6	SRP OC-II	20.10.2004/06.01.2006	2009-10	1	88.47	13.06	0	1.50	Delay in diversion of Forest land
7	Abbapur OCP	20.10.2004	2008-09	2	39.48	1.23	0	0.60	Delay in diversion of Forest land

Sl No.	Name of the Project	Date of sanction/FR/RCE	Scheduled year of completion	Time over run	Sanctioned cost of the Project	Actual Expenditure incurred	Cost over run	Capacity MTPA	Reasons for delay if any
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
8	Indaram OCP	23.02.2007	2011-12	NA	91.2	1.081	0	1.20	Delay in RR and Cost Plus arrangements
9	KTK OC Sector-1 Project	03.01.2008	2009-10	1	91.5	86.31	0	1.25	Delay due to constraint in coal dispatch to APGENCO
10	Manuguru Opencast Project	03.01.2008	2011-12		50.46	6.212	0	1.50	NA
11	Shortwall Mining Technology at RK NT Mine	30.12.2009	2011-12	NA	54.19	18.012	0	0.54	NA
12	Adriyala Shaft Project	29.09.2006	2012-13	NA	212.34	158.251	0	2.144	Project was expected to be delayed till July 2013 due to delay in drivages
13	Shanthikhani Longwall Project	09.10.2006	2011-12	NA	249.03	38.431	0	1.167	It was decided to prepare Revised Feasibility Report in view of geological disturbances which is under progress.
14	Jallaram Shaft Project	14.09.2007	2012-13	NA	467.78	12.306	0	2.285	It was decided to prepare Revised Feasibility Report in view of geological disturbances which is under progress.
15	Kakathiya Longwall Project	15.12.2008	2012-13	NA	453.63	64.4	0	2.747	The anticipated date of completion is March 2015 against FR date of Dec 2012. Delay of project is due to selection of TPO
16	RG OC-II Extension Project	30.12.2009	2011-12	NA	418.97	73.645	0	4	NA
17	RKP OCP Phase-I	29.03.2010	2014-15	NA	209.78	16.26	0	2.5	NA

Sl No.	Name of the Project	Date of sanction/FR/RCE	Scheduled year of completion	Time over run	Sanctioned cost of the Project	Actual Expenditure incurred	Cost over run	Capacity MTPA	Reasons for delay if any
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
18	Manuguru OC-II Extension (Phase II)	29.03.2010	2011-12	NA	181.9	0.927	0	3	NA
19	Kistaram OCP	01.11.2010	2014-15	NA	242.29	0	0	2.00	NA
20	JK-5 OCP	06.01.2006/12.01.2011	2012-13	1	76.15	0.36		2.00	Fresh FR is approved incorporating the EC recommendations
B. Projects Kept on Hold									
21	Kunavaramp OCP	26.10.2005	2008-09	2	8.18	0.119	0	0.70	Delay due to R&R issues
22	Sravanapally OCP	28.06.2006	2008-09	2	94	3.524	0	2.00	Delay due to Social issues (Villagers are not allowing for acquisition of land)
23	Semi-Mechanisation with diesel operated LHDs in GDK 5	04.09.2006	2008-09	2	24.66	0	0	0.454	It was decided to drop the project.
	Total				**3171.15**	**656.256**	**4.41**	**31.93**	

Annexure-23

Statement showing Targets and Actual production for the years 2006-07 to 2010-11 (Referred to in paragraph No. 2.2.9)

(Qty. in lakh tonnes)

Year	Target			Actual			Percentage of Achievement		
	UG	OC	Total	UG	OC	Total	UG	OC	Total
2006-07	132.85	242.15	375.00	118.76	258.31	377.07	89.39	106.67	100.55
2007-08	124.30	256.10	380.40	126.45	279.59	406.04	101.72	109.17	106.74
2008-09	134.00	281.40	415.40	120.87	324.59	445.46	90.20	115.35	107.24
2009-10	128.00	317.00	445.00	119.69	384.6	504.29	93.50	121.32	113.32
2010-11	156.20	356.80	513.00	113.72	399.61	513.33	72.80	112.00	100.06
Total	**675.35**	**1453.45**	**2128.80**	**599.49**	**1646.70**	**2246.19**	**88.77**	**113.30**	**105.51**

Annexure-24

Statement showing Cost Comparison for OB removal by Company and Offloading Contractors
(Referred to in paragraph No. 2.2.10.2)

(Figures in ₹ per Bank Cubic Meter (BCM))

Sl. No.	Particulars	Year				
		2006-07	2007-08	2008-09	2009-10	2010-11
I	**Company Cost Components**					
a	Wages	26.71	31.35	44.80	42.08	43.52
b	NCWA VIII Provision	1.898	5.13	----	----	----
c	Executive Pay revision	0.126	0.73	----	----	----
d	Explosives	7.87	6.85	9.04	9.00	6.75
e	Other Stores	52.21	62.37	59.84	54.49	57.27
f	Power	5.43	5.09	4.24	5.29	4.13
g	Other expenses	2.19	3.26	5.32	9.05	6.61
A	**Total Cost of Company (A)**	**96.44**	**114.78**	**123.24**	**119.91**	**118.28**
B	Wages Component (B= I(a) + I(b) + I(c))	28.73	37.21	44.80	42.08	43.52
C	**Total Cost of Company Excluding Wages (A-B)**	**67.71**	**77.57**	**78.44**	**77.83**	**74.76**
II	**Offloading Cost Components**					
a	Explosives	6.62	7.06	7.07	7.22	7.48
b	Stores and Spares	24.59	24.30	24.42	25.34	30.63
c	Bills	29.48	37.27	39.73	39.41	39.78
D	**Total Cost of Offloading (D)**	**60.69**	**68.63**	**71.22**	**71.97**	77.89
E	**Excess Cost between Company and Offloading (E=A-D)**	**35.75**	**46.15**	**52.02**	**47.94**	**40.39**
F	**Excess Cost incurred by Company excluding Wages components (C-D)**	**7.02**	**8.94**	**7.22**	**5.86**	**(-) 3.13**
G	**Percentage of excess cost to cost of Offloading (F/D*100)**	**11.57**	**13.03**	**10.13**	**8.14**	**(-) 4.19**

Annexure-25

Important observations included in the Performance Audit Report on 'Removal of OB in OC mines' of the Company included in the Report of the C&AG of India (Commercial) Government of Andhra Pradesh for the year 31 March 2006.

(Referred to in paragraph No. 2.2.10.4)

Sl No.	Para No.	Comment in brief	Present position
1.	2.1.7	There is no clear cut stated policy for outsourcing of OB removal, with specific reference to OB removal by the Company and out sourcing.	There is no change in the position, as the Company has not declared any policy. In the absence any policy, planning for removal OB by the Company/ by Outsourcing may not be effective. Management stated that the Company is removing OB around 30 *per cent* of total OB removal over the last 5 years period. Further it was stated that there was no restriction for outsourcing of OB removal from 28/12/2004. The reply is not acceptable as the Company had not framed any policy for outsourcing of OB removal.
2.	2.1.8	FR projections of OB removal were not taken into account while fixing the Mine-wise targets. In most of the cases the targets were fixed far in excess of projections envisaged in FRs of the respective mines. Thus, the targets fixed were unrealistic.	There was no change in the position as the Company continued to fix targets in excess of projections made in the FRs, rendering the targets unrealistic. Against the projection of 7,800.76 lakh bank cubic meters (lbcm) of OB removal provided in FRs, the Company fixed 10,612.04 lbcm of OB removal as target during the five years period 2006-11. Thus, the Company had fixed target of OB removal in excess of projection in FR by 2,811.28 lbcm which represents 36 *per cent* in excess of FR projections. This was a deviation from the approved FR for which sanction of the Board was not obtained. Management stated that it was forced to revise the projections and enhance the production to cater to the ever growing demand for coal as well as to complementing the Govt. efforts to reduce the demand-supply gap. Thus, Management has deviated from the approved FR projections as pointed out in the Para.
3.	2.1.9	No prior approval of the Board of Directors was obtained for revision of the stripping ratios; the Company	Stripping ratio represents the ratio between the mineable reserves of coal and OB to be removed. The Stripping Ratios of the opencast

Sl No.	Para No.	Comment in brief	Present position
		did not conduct any systematic and scientific study for arriving at the mineable reserves resulting in revision of stripping ratios; and the details of computation of revised mineable reserves were not on record.	mines of the Company ranged between 1:4.59 and 1:11.02. There was backlog of 1163.36 lbcm of OB removal in 9 mines as on 31 March 2011. Out of these 9 mines, one mine (GK OC) was continuously in backlog despite continuous outsourcing, which resulted in additional burden or ₹ 24.90 crore representing the difference between the cost of OB removal for the year 2010-11 and the cost in the previous year. Despite commented upon, the matters remain unattended to as the deficiencies were still continuing. Management stated that the backlog in OB removal would be cleared in a phased manner over a period of time.
4.	2.1.10	**Contract Management Cell (CMC):** To streamline the activities pertaining to OB removal, the Company established (December 1999) a Contract Management Cell (CMC) with the objectives of Preparation of OB removal manual, maintaining a database of men and machinery available with each contractor, contracts awarded, etc., however draft OB removal manual was still (July 2006) to be submitted to the Board and no database /track record of OB removal contractors was being maintained.	It is observed in audit that the OB removal Manual is still to be submitted to the Board and obtain approval. Despite the recommendation to prepare OB removal contract manual, the same was not complied. Management stated that they are following Purchase Manual for works relating to excavation in opencast mines. The reply is not acceptable as the draft OBR Manual was yet to be submitted for Board approval.
5.	2.1.11	**Vendor Development:** It was observed in audit that a few vendors had monopolised the work of outsourcing and the company had not taken any steps for vendor development. • During the last five years ended 31 March 2006, five contractors/ firms were awarded more than one contract for OB removal in different mines during the same period/ simultaneously. • The same parties were quoting lower rates in subsequent tenders despite increase in cost of various	The details of contracts Contractor wise and year-wise are given in **Annexure-32.** It could be seen from the Annexure that during the five years ended 31 March 2011 all the contracts were awarded between 12 different contractors. However, only five contractors secured 24 contracts out of 32 constituting 75 *per cent* of the contracts awarded during the above period. The quantity of these 24 contracts worked out to 6784.47 lbcm constituting 72 *per cent* of the total quantity of OB removal offloaded during the five years period. Despite commented in earlier Report the Company has not initiated action to motivate

Sl No.	Para No.	Comment in brief	Present position
		inputs.	new contractors to participate in the bids so as to reduce the monopoly of few contractors. The monopoly of few contractors was resulting in higher rates. Management stated that efforts were made to encourage new vendors by taking measures viz., wider publicity in news papers, SCCL website, and relaxation in the eligibility criteria.
6.	2.1.12	**Insufficient EMD:** The Purchase Manual prescribes that an amount of ₹ 50 lakh towards permanent Earnest Money Deposit (EMD) in the form of DD drawn in favour of the company is to be given by each tenderer for participating in any number of OB excavation tenders.	A review of orders placed during the period from 2006-07 to 2010-11 revealed that though 18 out of 32 orders placed were for removal OB for more than 150 lbcm each, the EMD being collected remained at ₹ 50 lakh only and was not commensurate with the quantum and value of works awarded. Hence, in case of default, the penalties levied could not be recovered from the contractors. We observed that in respect of two contracts pertaining to M/s. ABC Engineering (KOC-62 dated 15.10.2004 and MOC-4 dated 05.04.2006), the contractor defaulted in execution of contracts and penalty amounting to ₹ 7.51 crore and ₹ 5.39 crore respectively was yet to be recovered, due to lack of sufficient security. Thus, the irregularity continued despite earlier comment. Management stated that the EMD was not revised (i) to encourage participation of more number of firms (ii) due to representation of local contractors not to increase the EMD amount and (iii) EMD collected is as per Purchase Manual. The reply is not acceptable as the quantity and value of OB removal contracts had increased manifold and to protect the financial interest of the Company the manual needs to be revised and EMD enhanced accordingly.
7.	2.1.24	**Wrong booking of expenditure towards OB removal:** As per FRs of Medipalli (1996-97) and Koyagudem (2002-03) OC mines, OB removal was to be done 100 *per cent* through outsourcing. Audit scrutiny revealed that the	The Company continued to book expenditure towards removal of OB in Medipalli OC and JVR OC-I Expansion projects even though there was no provision for OB removal by the Company in the FRs, which amounted to ₹ 14.46 crore during 2006-10, without approval of the Board of Directors.

Sl No.	Para No.	Comment in brief	Present position
		company had booked ₹ 43.55 crore towards cost of OB removal of 12.45 lbcm during the four years from 2002-03 to 2005-06 in respect of Medipalli OC mine and ₹ 6.74 crore towards wages in respect of Koyagudem mine for the last four years.	Management stated that due to geological disturbances, minor quantities of OB and waste material were removed by the Company Equipment and prior sanction was not taken as it is not possible to foresee the disturbances. The reply is not acceptable as the Company has neither taken prior approval nor post facto approval for expenditure booked.
8.	2.1.25	**Consumption of explosives:** Though the company had been doing its operations in OC mining for the last 30 years it has not fixed norms for consumption of explosives per bcm of OB removed either mine-wise, year-wise or area-wise. Audit scrutiny of consumption of explosives per bcm in respect of OB removal operations by the company and by outsourcing revealed that the consumption of explosives per bcm by the company was higher than that of outsourced contracts, the reasons for which were not analysed by the company.	Consumption of explosives continued to be more in respect of OB removal operations by the Company compared to that in respect of outsourced activity. On a test check of consumption of explosives, we observed that the Company consumed 0.34 to 0.53 kg of explosives per bcm of OB as against 0.22 to 0.36 kg consumed by the OB contractor in Prakasham Khani during 2006-11. The Company did not fix any norm for utilization of explosives for departmental removal of OB. Due to non-fixing of norms for consumption of explosives, the Company could not monitor the consumption of explosives for departmental removal of OB at par with the offloading contractors, which resulted in extra expenditure of ₹ 14.93 crore for the years 2006-11 (as detailed in the **Annexure-33**). Management stated that the consumption of explosives depends mainly on the type of explosives and the strata conditions as well as the capacity and nature of HEMM used. The reply is not acceptable as the OB contractors are also working in the same area and facing similar conditions.
9.	2.1.28	**Preparation of unrealistic estimates for tender evaluation:** In order to assess the rates quoted by the tenderers, the Company prepares estimated rate per bcm, which was considered while processing the tenders for comparison. These estimates are unrealistic since they were prepared without obtaining cost data for the rates quoted by the contractors and details of equipment deployed, besides adoption of borrowing costs without any	The Company continued the same practice in preparation of estimates even after comment by audit indicating lack of remedial measures. We further observed that while preparing estimates the Company adopted life of various equipments between five and eight years against nine years envisaged in the FRs. Thus, due to incorrect estimates, the tender evaluation of contracts for outsourcing of removal of OB cannot be stated to be effective. Management stated that the estimated rates are

Sl No.	Para No.	Comment in brief	Present position
		reference to prevailing market rates.	for guidance and not for awarding on unit rate/cost plus basis. The availability and utilization factors of the equipment by the OB removal contractors are far higher. OBR contractors replace the equipment after their effective life. Such factors would have considerable impact on the working life of equipment and their operating and maintenance cost. The reply is not acceptable as the HEMM deployment as envisaged in FR and tender documents have a bearing on the rates quoted by the OBR contractors.
10.	2.1.30	**Non-monitoring of HEMM deployed:** The estimates prepared by the Company were primarily based on a particular combination of HEMM configuration (shovel-dumper combination) and number of equipment to be deployed. The project authorities monitored the HEMM deployment till 2002 after which it was discontinued. As the economics of the rate offered by the contractor was assessed based on the HEMM proposed to be deployed, any short deployment would vitiate the workings of estimated rate. It was recommended to record actual deployment of HEMM in the Measurement Books. However, the same was not being done.	There was no change in the position. While the Company stipulated the number of Heavy Earth Moving Machinery (HEMM) to be deployed by the excavation contractors in the OB removal contracts, a contradictory clause stating that *"As long as the contractor meets 100 per cent month-wise schedules, the number of shovels and dumpers to be deployed shall not be insisted"*. Thus, there were contradictory clauses in the work order regarding deployment of equipment. The Company should monitor the actual deployment of HEMM by OB contractors vis a vis volume of work done so as to prepare realistic estimates. Management stated that it was not justifiable to insist for deployment of HEMM as given in work orders as long as OBR targets are achieved. The reply is not acceptable as the HEMM deployment as envisaged in tender documents and work orders have a bearing on the rates quoted by the OBR contractors.

Annexure-26

Statement showing Contracts awarded for removal of Overburden during the five years ending 31 March 2011
(Referred to in paragraph No. 2.2.10.5)

Sl. No.	Year	Project/Mine	Area	Order No.	Quantity Awarded in LBCM	Name of the excavation Agency	Weighted Average Rate per Cu.M (in ₹)	Period of Contract in months	Status as on 31.3.2011
1	**2006-07**	Block C of MNG.OC-IV	Manuguru	MOC.4 dated 05.04.2006	223.20	M/s. ABC Engineering Works, Vijayawada	73.77	36	Completed
2	**2006-07**	RGM.OCP.II	Ramagundam 2	ROC.2001 dated 05.04.2006	226.00	M/s. B.Girijapathi Reddy & Co., Nellore	92.88	25	Completed
3	**2006-07**	SRP.OCP.1	Srirampur	SRP.116 dated 14.9.2006	99.42	M/s. S.V.Engineering Constructions, Nellore	58.68	22	Completed
4	**2006-07**	Block E of JK OCP, YLD	Yellandu	YOC.23 dated 23.9.2006	63.00	M/s. V.Prabhakar Reddy, Hyderabad	62.52	12	Completed
5	**2006-07**	Block G of MNG.OC.II	Manuguru	MOC.135 dated 11.10.2006	157.00	M/s. Gulf Oil Corporation Ltd., Hyderabad	73.39	24	Completed
6	**2006-07**	Block II of MNG.OC.III	Manuguru	MOC.136 dated 11.10.2006	137.72	M/s. S.V.Engineering Constructions, Nellore	54.86	36	Completed
7	**2006-07**	Medapalli OC	Ramagundam 1	ROC.1097 dated 12.12.2006	123.00	M/s. V.Prabhakar Reddy, Hyderabad	79.89	15	Completed
8	**2006-07**	BPA.OC.II	Bellampalli	BOC.130 dated 10.01.2007	54.86	M/s. S.V.Engineering Constructions, Nellore	60.64	36	Completed
9	**2007-08**	Block D of MNG.OC.IV	Manuguru	MOC.14 dated 23.04.2007	237.98	M/s. V.Prabhakar Reddy, Hyderabad	66.61	40	Completed
10	**2007-08**	Block A of RG.OC.III	Ramagundam 3	ROC.3010 dated 23.04.2007	73.66	M/s. B.Girijapathi Reddy & Co., Nellore	78.30	15	Completed
11	**2007-08**	Medapalli OC	Ramagundam 1	ROC.1008 dated 23.04.2007	430.00	M/s. B.Girijapathi Reddy & Co., Nellore	79.83	48	Under Execution

Sl. No.	Year	Project/Mine	Area	Order No.	Quantity Awarded in LBCM	Name of the excavation Agency	Weighted Average Rate per Cu.M (in ₹)	Period of Contract in months	Status as on 31.3.2011
12	**2007-08**	Dorli OC I	Bellampalli	BOC.11 dated 23.04.2007	287.24	M/s. B.Girijapathi Reddy & Co., Nellore	64.86	42	Under Execution
13	**2007-08**	GK OC KGM	Kothagudem	KOC.50 dated 04.7.2007	160.75	M/s. V.Prabhakar Reddy, Hyderabad	79.94	18	Completed
14	**2007-08**	JVR OC Sathupalli	Kothagudem	KOC.74 dated 01.10.2007	540.00	M/s. B.Girijapathi Reddy & Co., Nellore	68.37	60	Under Execution
15	**2007-08**	Koyagudem OC II, YLD	Yellandu	YC.162 dated 09.02.2008	627.54	M/s. AMR Constructions Pvt. Ltd. Hyderabad	59.18	75	Under Execution
16	**2007-08**	JK OCP Block E YLD	Yellandu	YC.163 dated 15.02.2008	36.71	M/s. PLR Projects Pvt. Ltd., Hyderabad	63.15	7	Completed
17	**2007-08**	BPA.OC.II	Bellampalli	BOC.212 dated 01.3.2008	48.81	M/s. S.V.Engineering Constructions, Nellore	57.99	18	Completed
18	**2008-09**	Khairagura OCP, BPA	Bellampalli	BOC.17 dated 19.4.2008	614.48	M/s. Sushee High Constructions Pvt. Ltd. Hyderabad	79.20	48	Under Execution
19	**2008-09**	PK OC IV &PK OC-II	Manuguru	MOC.16 dated 19.4.2006	107.26	M/s. PLR Projects Pvt. Ltd., Hyderabad	63.88	24	Completed
20	**2008-09**	SRP OC	Srirampur	SRP.16 dated 19.4.2008	688.83	M/s. V.Prabhakar Reddy, Hyderabad	74.89	36	Under Execution
21	**2008-09**	KTK OC I BHPL	Bhoopalpalli	7600000885 dated 22.9.2008	554.54	M/s. B.Girijapathi Reddy & Co., Nellore	67.15	36	Under Execution
22	**2008-09**	RG.OC.I EXPN.RG.III	Ramagundam 3	7600000919 dated 26.9.2008	77.50	M/s. GRN Constructions Pvt. Ltd. Nellore	58.30	12	Completed
23	**2008-09**	RG.OC.III	Ramagundam 3	7600000893 dated 26.9.2008	346.76	M/s. RK Transport, Hyderabad	89.88	36	Under Execution
24	**2008-09**	RG.OC.II	Ramagundam 2	7600002697 dated 26.9.2008	587.20	M/s. GRN Constructions Pvt. Ltd. Nellore	78.19	40	Under Execution

Sl. No.	Year	Project/Mine	Area	Order No.	Quantity Awarded in LBCM	Name of the excavation Agency	Weighted Average Rate per Cu.M (in ₹)	Period of Contract in months	Status as on 31.3.2011
25	**2008-09**	GK OC KGM	Kothagudem	7600001591 dated 06.01.2009	625.21	M/s. AMR Constructions Pvt. Ltd. Hyderabad	76.66	60	Under Execution
26	**2008-09**	Medapalli OC, RG-I	Ramagundam 1	7600001590 dated 06.01.2009	720.00	M/s. Nagarjuna Constructions Co. Ltd., Hyderabad	96.14	72	Under Execution
27	**2008-09**	JK OCP Block E YLD	Yellandu	7600001604 dated 07.01.2009	74.92	M/s. G.Ramanaiah Naidu, Nellore	62.24	16	Completed
28	**2009-10**	MNG PK OC	Manuguru	7600002669 dated 18.9.2009	576.00	M/s. AMR Constructions Pvt. Ltd. Hyderabad	77.15	36	Under Execution
29	**2009-10**	RG OC-I EXPN.RG.III	Ramagundam 3	7600002840 dated 30.11.2009	31.45	M/s. AMR Constructions Pvt. Ltd. Hyderabad	59.32	6	Completed
30	**2010-11**	MNG OC-II, PH.II EXTN	Manuguru	7600003376 dated 05.8.2010	436.50	M/s. Sadbhav GKC KV, Ahmedabad	75.35	36	Under Execution
31	**2010-11**	RG.OC.I EXPN Phase.II	Ramagundam 3		55.62	M/s. B.Girijapathi Reddy & Co., Nellore		8	Backed out
32	**2010-11**	Dorli OC I	Bellampalli		403.22	M/s. SVEC, Nellore		40	LOI Issued

Annexure-27

Statements showing area-wise rates of contracts awarded during the year ending 31 March 2011
(Referred to in paragraph No. 2.2.10.5)

Area	No. of contracts awarded	Quantity Awarded (in lakh bank cubic meter)	Weighted Average Rates awarded (₹ per Bank Cubic Meter)	Status of Contracts as on 31 March 2011	
				Completed	Under Execution
Bellampalli	5	1408.61	57.99 to 79.20	2	2
Bhoopalapalli	1	554.54	67.15	--	1
Kothagudem	3	1325.96	68.37 to 79.94	1	2
Manuguru	7	1875.66	54.86 to 77.15	5	2
Ramagundam 1	3	1273.00	79.83 to 96.14	1	2
Ramagundam 2	2	813.20	78.19 to 92.88	1	1
Ramagundam 3	5	584.99	58.30 to 89.88	3	1
Srirampur	2	788.25	58.68 to 74.89	1	1
Yellandu	4	802.17	59.18 to 63.15	3	1
Total	**32**	**9426.38**	**54.86 to 96.14**	**17**	**13**

Annexure-28

Statement showing Technology-wise Targets and Actuals.
(Referred to in paragraph No. 2.2.11)

(Qty. in lakh tonnes)

Technology		2006-07	2007-08	2008-09	2009-10	2010-11	Total
Road Header***	Target	1.05	1.35	2.70	2.90	3.50	**11.50**
	Actual	1.06	1.22	1.17	1.26	1.46	**6.17**
Longwall	Target	10.40	9.00	10.00	9.00	7.00	**45.40**
	Actual	9.15	11.29	7.71	8.97	5.31	**42.43**
Side Discharge Loader†††	Target	35.45	31.07	43.12	44.40	78.03	**232.07**
	Actual	30.33	37.88	40.84	44.18	50.57	**203.80**
Load Haul Dumper‡‡‡	Target	15.62	13.91	20.78	19.50	26.00	**95.81**
	Actual	11.00	14.44	18.66	19.64	19.68	**83.42**
Blasting Gallery§§§	Target	13.45	13.10	13.20	12.00	14.85	**66.60**
	Actual	10.34	12.98	10.86	10.22	9.02	**53.42**
Continuous Miner	Target	2.00	4.30	3.00	8.00	8.25	**25.55**
	Actual	0.74	0.02	0.31	4.32	8.54	**13.93**
Total	**Target**	**77.97**	**72.73**	**92.80**	**95.80**	**137.63**	**476.93**
	Actual	**62.62**	**77.83**	**79.55**	**88.59**	**94.58**	**403.17**
	Shortfall	**15.35**	**0.00**	**13.25**	**7.21**	**43.05**	**78.86**

*** A Roadheader is an excavating equipment consisting of a boom-mounted cutting head, a loading device usually involving a conveyor, and a crawler travelling track to move the entire machine forward into the rock face.

††† Side Discharge Loader is an underground mining equipment used for loading of coal.

‡‡‡ Load Haul Dumper is an underground mining equipment used for loading of coal.

§§§ Blasting Gallery method involves blasting a series of holes drilled in to the sides and roof of galleries and after blasting remote controlled LHDs are employed for loading the coal.

Annexure-29

Statement showing the particulars of Underground Machines and Utilisation for the years 2006-07 to 2010-11

(Referred to in paragraph 2.2.11.1)

Year/ Name of the Machine	No. Machines working	Utilisation				
		Standard Schedule Hours (SSH)	Mainte-nance Hours (MH)	Machine Available Hours (MAH)	Actual Utilisa-tion (Hrs)	Percent-age of utilisa-tion
2006-07						
Longwall	4	30336	11276	19060	5566	29.20
Continuous Miner	1			0		
Road Headers	8	74088	15519	58569	7588	12.96
Blasting Gallery	22	175528	43890	131638	43872	33.33
Load Haul Dumpers	36	260241	65667	194574	63137	32.45
Side Dump Loaders	98	683295	106289	577006	199175	34.52
Total				**980847**	**319338**	**32.56**
2007-08						
Longwall	2	20904	8896	12008	5050	42.06
Continuous Miner						
Road Headers	6	56952	12035	44917	7730	17.21
Blasting Gallery	24	169968	41614	128354	44552	34.71
Load Haul Dumpers	32	268008	50318	217690	77451	35.58
Side Dump Loaders	96	704984	75503	629481	231892	36.84
Total				**1032450**	**366675**	**35.52**
2008-09						
Longwall	2	16464	6620	9844	4469	45.40
Continuous Miner	1	1848	153	1695	383	22.60
Road Headers	4	53724	13087	40637	6465	15.91
Blasting Gallery	4	141288	33269	108019	37926	35.11
Load Haul Dumpers	41	277504	57549	219955	85846	39.03
Side Dump Loaders	98	692459	72111	620348	245224	39.53
Total				**1000498**	**380313**	**38.01**
2009-10						
Longwall	2	16698	6322	10376	4983	48.02
Continuous Miner	2	13440	3178	10262	2313	22.54
Road Headers	6	51544	11974	39570	5689	14.38
Blasting Gallery	4	143136	28290	114846	45603	39.71
Load Haul Dumpers	37	306072	43814	262258	100586	38.35
Side Dump Loaders	121	804684	95649	709035	273115	38.52
Total				**1146347**	**432289**	**37.71**
2010-11						
Longwall	1	15864	5839	10015	3494	34.89
Continuous Miner	2	14760	3982	10778	3887	36.06
Road Headers	6	52248	11436	40812	9991	24.48
Blasting Gallery	5	167032	27424	139608	50679	36.30
Load Haul Dumpers	36	295721	47525	148196	88040	59.41
Side Dump Loaders	145	1015817	87322	928495	332161	35.77
Total				**1277904**	**488252**	**38.21**
Grand Total				**5438046**	**1986867**	**36.54**

Annexure-30

Statement showing the details of HSD oil consumed as per norm, actual and excess consumption project-wise for the period from 2006-07 to 2010-11 (Referred to in paragraph No. 2.2.12.2)

Year	Name of the Mine	HSD oil as per norm	Actual consumption	Excess consumption	Per-centage of excess consumption	Rate per litre (₹)	Value (₹ in lakh)
		(Litres)					
2006-07	GK OC	5144950	5261266	116316	2.26	33.85	39.37
	PK OC II/PK OC	10950800	11077660	126860	1.16	33.76	42.83
	RG OC I	6670058	6934823	264765	3.97	33.82	89.54
	RG OC II	5946416	6120543	174127	2.93	33.82	58.89
	TOTAL	**28712224**	**29394292**	**682068**	**2.38**		**230.63**
2007-08	GK OC	5274956	5500389	225433	4.27	34.74	78.32
	JVR OC	1268735	1369808	101073	7.97	34.65	35.02
	PK OC II/PK OC	10752450	11628960	876510	8.15	34.86	305.55
	RG OC I	5636811	6567555	930744	16.51	34.92	325.02
	RG OC II	5685240	6904641	1219401	21.45	34.92	425.81
	KHAIRAGURA OC	991656	1045933	54277	5.47	35.03	19.01
	TOTAL	**30190605**	**33598469**	**3407864**	**11.29**		**1188.73**
2008-09	PK OC II/PK OC	14568150	15308150	740000	5.08	32.33	239.24
	RG OC II	6764520	7527360	762840	11.28	32.33	246.63
	RG OC III	15552650	15887940	335290	2.16	32.33	108.40
	BPA OC Extn	638030	664220	26190	4.10	32.33	8.47
	Dorli OC	572670	584220	11550	2.02	32.33	3.73
	SRP OC	680311	696179	15868	2.33	32.33	5.13
	TOTAL	**38776331**	**40668069**	**1891738**	**4.88**		**611.60**
2009-10	GK OC	5695660	5794100	98440	1.73	38.82	38.21
	JK OC	1038590	1040420	1830	0.18	38.64	0.71
	RG OC II	7653250	7947640	294390	3.85	38.64	113.75
	BPA OC Extn	456460	458840	2380	0.52	38.64	0.92
	TOTAL	**14843960**	**15241000**	**397040**	**2.67**		**153.59**
2010-11	GK OC	5510650	6048150	537500	9.75	40.78	219.19
	JK OC	886280	960400	74120	8.36	40.78	30.23
	BPA OC Extn	263140	284760	21620	8.22	40.78	8.82
	Dorli OC	1043890	1051250	7360	0.71	40.78	3.00
	TOTAL	**7703960**	**8344560**	**640600**	**8.32**		**261.24**
	G. Total						**2445.79**

Annexure-31

Statement showing the recovery of burnt oil for the period 2006-11
(Referred to in paragraph No. 2.2.12.3)

(Quantity in kilolitres and recovery in percentage)

Particulars	GK OC	JVR OC	JK OC	PK OC	OC-I RG-III	OC-II RG-III	OC-III RG-II
2006-07							
Lub issued	142.80	19.95	86.94	456.54	366.66	610.13	640.00
Used oil recovered	85.80	11.14	60.00	92.94	119.56	171.10	412.21
Recovery	60	55.84	69	20	33	28	64
2007-08							
Lub issued	162.75	47.25	32.34	401.52	339.03	530.99	624.51
Used oil recovered	95.80	12.00	19.07	194.60	142.74	147.40	271.79
Recovery	59	25.40	59	48	42	28	44
2008-09							
Lub issued	171.15	60.73	34.82	506.73	304.54	463.84	987.74
Used oil recovered	83.80	22.60	10.47	190.60	90.90	140.30	378.92
Recovery	49	37	30	38	30	30	38
2009-10							
Lub issued	195.51	100.98	33.62	566.54	247.38	508.76	1362.08
Used oil recovered	95.60	18.00	11.43	196.80	81.11	151.70	490.17
Recovery	49	18	34	35	33	30	36
2010-11							
Lub issued	190.47	105.53	31.29	554.93	183.96	361.31	1342.361
Used oil recovered	103.60	21.00	8.00	210.90	114.95	125.20	332.51
Recovery	54	20	26	38	62	35	25

Annexure-32

Statement showing OB removal Contracts awarded during the five years ending 31 March 2011

(Referred to in Sl. No. 5 of Annexure-25)

Sl. No.	Name of the Contractor	Contracts secured (No.)	Percentage of no of contracts awarded to total no of contracts	Total Quantity Awarded (lbcm)	Percentage of Quantity awarded to Total Quantity
1	M/s. B.Girijapathi Reddy & Co., Nellore	7	21.88	2167.06	22.99
2	M/s. S.V.Engineering Constructions, Nellore	5	15.63	744.03	7.89
3	M/s. V.Prabhakar Reddy, Hyderabad	5	15.63	1273.56	13.51
4	M/s. AMR Constructions Pvt. Ltd. Hyderabad	4	12.50	1860.20	19.73
5	M/s. GRN Constructions Pvt. Ltd. Nellore	3	9.38	739.62	7.85
6	M/s. PLR Projects Pvt. Ltd., Hyderabad	2	6.25	143.97	1.53
7	M/s. ABC Engineering Works, Vijayawada	1	3.13	223.20	2.37
8	M/s. Gulf Oil Corporation Ltd., Hyderabad	1	3.13	157.00	1.67
9	M/s. Nagarjuna Constructions Co. Ltd., Hyderabad	1	3.13	720.00	7.64
10	M/s. RK Transport, Hyderabad	1	3.13	346.76	3.68
11	M/s. Sadbhav GKC KV, Ahmedabad	1	3.13	436.50	4.63
12	M/s. Sushee High Constructions Pvt. Ltd. Hyderabad	1	3.13	614.48	6.52
	Total	**32**	**100**	**9426.38**	**100.00**

Annexure-33

Statement showing excess consumption of explosives in Prakasham Khani, Goutham Khani and Jawahar Khani during the years 2006-07 to 2010-11
(Referred to in Sl. No.8 of Annexure-25)

Year	Explosives consumed (Kgs)		OB removed (bcm)		Consumption of explosives per bcm (Kgs)			Excess consumption (in Kgs)	Expenditure incurred by Company on Explosives per bcm (₹)	Cost of explosives per Kg (₹)	Cost of Excess Consumption (₹ in lakh)
	SCCL	Contractor	SCCL	Contractor	SCCL	Contractor	Difference				
1	2	3	4	5	6 (2/4)	7 (3/5)	8 (6-7)	9 (4X8)	10	11 (10x4)/2	12 (9x11)
Prakasham Khani											
2006-07	4198440	4378456	12414000	19930900	0.34	0.22	0.12	1489680	5.02	14.84	221.07
2007-08	4173490	8602675	10434000	25122700	0.40	0.34	0.06	626040	6.20	15.50	97.04
2008-09	5535190	7941587	11132000	22055400	0.50	0.36	0.14	1558480	9.71	19.53	304.37
2009-10	6358870	9083407	13092000	25024500	0.49	0.36	0.13	1701960	6.16	12.68	215.81
2010-11	7273270	9799052	13650000	29695500	0.53	0.33	0.20	2730000	6.44	12.09	330.06
								8106160			**1168.35**
Goutham Khani											
2006-07	2189270	2344950	4189000	7085000	0.52	0.33	0.19	795910	2.86	5.47	43.54
2007-08	2657130	3126000	4216000	8300000	0.63	0.38	0.25	1054000	9.85	15.63	164.74
2008-09	2299710	3955190	4164000	9450000	0.55	0.42	0.13	541320	10.48	18.98	102.74
2009-10	2155960	5847070	5174000	12478000	0.42	0.47	- 0.05				
2010-11	1921000	4818040	4789000	9982000	0.40	0.48	- 0.08				
								2391230			**311.02**
Jawahar Khani											
2006-07	1103500	1018681	4757464	4757464	0.23	0.21	0.02	95149	2.79	12.03	11.45
2007-08	186125	621334	826609	1875132	0.23	0.33	- 0.10	----			
2008-09	12400	1211523	21660	3818683	0.57	0.32	0.25	5415	19.40	33.89	1.84
2009-10	0	2273750	0	6379257							
2010-11	0	97101	0	270531							
								100564			**13.29**
GRAND TOTAL											**1492.66**

Annexure – 34

Statement showing the loss incurred due to allotment of lands at concessional rates (Referred to in Paragraph 3.5)

(₹ in crore)

Sl No	Name of the Allottee	Purpose	Date of Provisional Allotment	Extent of land in Acres	Rate at which allotted (per acre)	Rate as per PFC (per acre)	Differential cost
1	Palnadu Infrastructure Pvt. Ltd. (PIPL), Hyderabad.	Incubation Centre and other social activities	13.10.09	0.93	3.97	7.53	3.56
2	Nightingale Hotels Pvt.Ltd. (NHPL), New Delhi.	Hotel Project (Commercial)	13.10.09	1.03	6.60	16.67	10.07
3.	V Zone Hospitality Pvt. Ltd. (VHPL), New Delhi.	Hotel Project (Commercial)	18.01.10	1.23	5.25	19.87	14.62
	Total			**3.19**	**15.82**	**44.07**	**28.25**

Annexure - 35

Statement showing the details of the Date of Allotment, extent, lease premium, market / PFC rate (Referred to in Paragraph 3.11.3)

Sl. No.	Name of the unit & SEZ	Date of Allotment	Extent in acres	Lease premium per acre (₹ in crore)	Market Rate / Rate fixed by PFC (₹ in crore)	Difference in Rate (₹ in crore)	Total Difference (₹ in crore)
1	W.S. Industries Limited, Multiproduct APSEZ Atchutapuram & Rambilli	05-May-07	47.77	0.1	0.35	0.25	11.94
2	Uniparts India Ltd, Multiproduct APSEZ Atchutapuram & Rambilli	27-Jun-07	30.01	0.3	0.35	0.05	1.5
3	Pokarna Limited, Multiproduct APSEZ Atchutapuram & Rambilli	05-Nov-07	39.53	0.3	0.35	0.05	1.98
4	Confidence Petroleum (India) Limited, Multiproduct APSEZ Atchutapuram & Rambilli	12-Mar-08	10	0.6	0.35	-	0
5	Tulip Granites Pvt. Limited, Building Product SEZ, Ongole	27-Oct-09	15	0.12	0.20	0.08	1.20
6	Aurobindo Pharma Ltd, Formulation SEZ Jadcherla (M) Mahaboobnagar	26-Jun-07	45	0.07	0.2	0.13	5.85
			4	0.07	0.4	0.33	1.32
7	Glochem Industries, Formulation SEZ Jadcherla (M), MBNR	08-Jan-08	5	0.2	0.4	0.2	1
8	Hemair Systems, Multiproduct SEZ, Naidupet, SPS Nellore	14-May-09	25	0.09	0.16	0.07	1.75
9	Symboisis Technologies, IT/ITES SEZ, Hill No.2, Madhurwada, Visakhapatnam	17-Sep-07	2	0.1	0.4	0.3	0.6
10	Sankhya Technologies Ltd., IT/ITES SEZ, Hill No.2, Madhurwada, Visakhapatnam	17-Sep-07	2	0.1	0.4	0.3	0.6
11	Mahati Software Pvt Ltd., IT/ITES SEZ, Hill No.2, Madhurwada, Visakhapatnam	17-Sep-07	2	0.1	0.4	0.3	0.6

Sl. No.	Name of the unit & SEZ	Date of Allotment	Extent in acres	Lease premium per acre (₹ in crore)	Market Rate / Rate fixed by PFC (₹ in crore)	Difference in Rate (₹ in crore)	Total Difference (₹ in crore)
12	M/s.Kenexa Technologies Private Limited IT/ITES SEZ, Hill No.3, Madhurwada, Visakhapatnam	22-Sep-07	25	0.1	0.4	0.3	7.5
13	M/s.E Centric Solutions Private Limited, IT/ITES SEZ, Hill No.3, Madhurwada, Visakhapatnam	22-Sep-07	5	0.1	0.4	0.3	1.5
14	IIC Technologies Private Limited, IT/ITES SEZ, Hill No.3, Madhurwada, Visakhapatnam	14-Sep-07	2	0.1	0.4	0.3	0.6
15	Infotech Enterprises Limited, IT/ITES SEZ, Hill No.3, Madhurwada, Visakhapatnam	22-Sep-07	5	0.1	0.4	0.3	1.5
16	M/s.Virtusa (India) Private Limited, IT/ITES SEZ Nanakramguda, Ranga Reddy District	15-Jan-05	6.32	0.6	0.85	0.25	1.58
17	M/s.Sierra Atlantic Software, IT/ITES SEZ Nanakramguda, Ranga Reddy District	16-Feb-05	7.2	0.6	0.85	0.25	1.8
18	M/s.Tata Advanced Systems Limited , Aerospace Precision Engg.SEZ,Adibhatla(v) Ranga Reddy District	05-May-09	7	0.3	2.02	1.72	12.04
	Total		**284.83**				**54.86**

Annexure – 36

Statement showing the details of proposed investment, actual investment, shortage and percentage of shortage
(Referred to in Paragraph 3.11.4)

Sl.No.	Name of the unit	Name of the SEZ	Extent in acres	Proposed investment (₹ in Cr.)	Actual investment (₹ in Cr.)	Shortage in investments (₹ in Cr.)	% of shortage
1	W.S. Industries Limited	Multiproduct APSEZ Atchutapuram & Rambilli	47.77	200	142	58	29
2	Uniparts India Ltd	Multiproduct APSEZ Atchutapuram & Rambilli	30.01	100	80	20	20
3	Pokarna Limited	Multiproduct APSEZ Atchutapuram & Rambilli	39.53	160	170	-10	-6.25
4	Confidence Petroleum (India) Limited	Multiproduct APSEZ Atchutapuram & Rambilli	10	46	38	8	17.39
5	Tulip Granites Pvt. Limited	Building Product SEZ, Ongole	15	18.65	22	-3.35	-17.96
6	Aurobindo Pharma Ltd	Formation SEZ Jadcherla (M) Mahaboobnagar	49	400	590.2	-190.2	-47.55
7	Glochem Industries	Formation SEZ Jadcherla (M) Mahaboobnagar	5	20	12.46	7.54	37.7
8	Hemair Systems	Multiproduct SEZ, Naidupet, SPS Nellore	25	9	6.42	2.58	28.67
9	Symboisis Technologies	IT/ITES SEZ, Hill No.2, Madhurwada, Visakhapatnam	2	2	NA	NA	NA
10	Sankhya Technologies Ltd.,	IT/ITES SEZ, Hill No.2, Madhurwada, Visakhapatnam	2	5.58	5	0.58	10.39
11	Mahati Software Pvt Ltd.,	IT/ITES SEZ, Hill No.2, Madhurwada, Visakhapatnam	2	41.88	2	39.88	95.22
12	Kenexa Technologies Private Limited	IT/ITES SEZ, Hill No.3, Madhurwada, Visakhapatnam	25	27.68	8.76	18.92	68.35
13	E Centric Solutions Private Limited	IT/ITES SEZ, Hill No.3, Madhurwada, Visakhapatnam	5	3	18.21	-15.21	-507
14	IIC Technologies Private Limited	IT/ITES SEZ, Hill No.3, Madhurwada, Visakhapatnam	2	2.5	10.64	-8.14	-325.6
15	Infotech Enterprises Limited	IT/ITES SEZ, Hill No.3, Madhurwada, Visakhapatnam	5	33.13	18.78	14.35	43.31
16	Virtusa (India) Private Limited	IT/ITES SEZ Nanakramguda, Ranga Reddy	6.32	100.8	102.04	-1.24	-1.23
17	M/s.Sierra Atlantic Software	IT/ITES SEZ Nanakramguda, Ranga Reddy	7.2	60	64.27	-4.27	-7.12
18	M/s.Tata Advanced Systems Limited	Aerospace Precision Engg.SEZ,Adibhatla(v) Ranga Reddy	7	82	72.62	9.38	11.44

Annexure – 37

Statement showing the proposed employment, actual employment and shortage (Referred to in Paragraph 3.11.5)

Sl.No.	Name of the unit	Name of the SEZ	Date of Allotment	Extent in acres	Proposed employment	Actual employment as on 31-3-2011	Shortage
1	2	3	4	5	6	7	8
1	M/s. W.S. Industries Limited	Multiproduct APSEZ Atchutapuram & Rambilli	05-May-07	47.77	500 (1,000 As per application)	622	-122
2	M/s.Uniparts India Ltd	Multiproduct APSEZ Atchutapuram & Rambilli	27-Jun-07	30.01	200	1251	-1051
3	M/s.Pokarna Limited	Multiproduct APSEZ Atchutapuram & Rambilli	05-Nov-07	39.53	200	224	-24
4	M/s.Confidence Petroleum (India) Limited	Multiproduct APSEZ Atchutapuram & Rambilli	12-Mar-08	10	400	89	311
5	M/s.Tulip Granites Pvt. Limited	Building Product SEZ, Ongole	27-Oct-09	15	104	100	4
6	M/s. Aurobindo Pharma Ltd	Formulation SEZ Jadcherla (M) Mahaboobnagar	26-Jun-07	49	2000	894	1106
7	M/s. Glochem Industries	Formulation SEZ Jadcherla (M) Mahaboobnagar	08-Jan-08	5	300	97	203
8	M/s. Hemair Systems	Multiproduct SEZ, Naidupet, SPS Nellore	14-May-09	25	120	45	75
9	M/s.Symboisis Technologies	IT/ITES SEZ, Hill No.2, Madhurwada, Visakhapatnam	17-Sep-07	2	200	235	-35
10	M/s.Sankhya Technologies Ltd.,	IT/ITES SEZ, Hill No.2, Madhurwada, Visakhapatnam	17-Sep-07	2	200	15	185
11	M/s.Mahati Software Pvt Ltd.,	IT/ITES SEZ, Hill No.2, Madhurwada, Visakhapatnam	17-Sep-07	2	200	260	-60
12	M/s.Kenexa Technologies Private Limited	IT/ITES SEZ, Hill No.3, Madhurwada, Visakhapatnam	22-Sep-07	25	2500	873	1627
13	M/s.E- Centric Solutions Private Limited	IT/ITES SEZ, Hill No.3, Madhurwada, Visakhapatnam	22-Sep-07	5	500	196	350

Sl.No.	Name of the unit	Name of the SEZ	Date of Allotment	Extent in acres	Proposed employment	Actual employment as on 31-3-2011	Shortage
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**
14	IIC Technologies Private Limited	IT/ITES SEZ, Hill No.3, Madhurwada, Visakhapatnam	14-Sep-07	2	200	150	50
15	Infotech Enterprises Limited	IT/ITES SEZ, Hill No.3, Madhurwada, Visakhapatnam	22-Sep-07	5	500	78	422
16	M/s.Virtusa (India) Private Limited	IT/ITES SEZ Nanakramguda, Ranga Reddy	15-Jan-05	6.32	2104	1890	214
17	M/s.Sierra Atlantic Software	IT/ITES SEZ Nanakramguda, Ranga Reddy	16-Feb-05	7.2	2331	1028	1303
18	M/s.Tata Advanced Systems Limited	Aerospace Precision Engg.SEZ,Adibhatla(v) Ranga Reddy	05-May-09	7	282	243	39

Annexure – 38

Statement showing the projected exports, actual exports and shortage (Referred to in Paragraph 3.11.6)

Sl. No.	Name of the unit	Name of the SEZ	Date of LOP	Date of Comml. Production	Projected exports upto 31-3-2011 (₹ crore)	Actual Exports Upto 31-3-2011 (₹ crore)	Shortage of exports compared to projections (₹ crore)
1	M/s. W.S. Industries Limited	Multiproduct APSEZ Atchutapuram & Rambilli	14-May-07	01-Jul-09	152.7	11.18	141.52
2	M/s.Uniparts India Ltd	Multiproduct APSEZ Atchutapuram & Rambilli	31-Jul-07	24-Oct-08	698.86	106.23	592.63
3	M/s.Pokarna Limited	Multiproduct APSEZ Atchutapuram & Rambilli	20-Jun-07	01-Apr-09	71.36	23.4	47.96
4	M/s.Confidence Petroleum (India) Limited	Multiproduct APSEZ Atchutapuram & Rambilli	17-Apr-08	01-Jun-09	251.32	0.59	250.73
5	M/s.Tulip Granites Pvt. Limited	Building Product SEZ, Ongole	11-Dec-09	13-Aug-10	32.72	31.36	1.36
6	M/s. Aurobindo Pharma Ltd	Formation SEZ Jadcherla (M) Mahaboobnagar	NA	NA	NA	267.41	NA
7	M/s. Glochem Industries	Formation SEZ Jadcherla (M) Mahaboobnagar	NA	NA	NA	NA	NA
8	M/s. Hemair Systems	Multiproduct SEZ, Naidupet, SPS Nellore	03-Aug-09	05-Apr-10	9.75	7.93	1.82
9	M/s.Symboisis Technologies	IT/ITES SEZ, Hill No.2, Madhurwada, Visakhapatnam	07-Jan-09	25-Nov-09	3	0	3
10	M/s.Sankhya Technologies Ltd., (BPO)	IT/ITES SEZ, Hill No.2, Madhurwada, Visakhapatnam	05-Mar-09	02-Mar-10	0.35	0.08	0.27
11	M/s.Mahati Software Pvt Ltd.,	IT/ITES SEZ, Hill No.2, Madhurwada, Visakhapatnam	07-Jan-09	06-May-10	1.33	37.45	-36.12
12	M/s.Kenexa Technologies Private Limited	IT/ITES SEZ, Hill No.3, Madhurwada, Visakhapatnam	14-Feb-07	13-Feb-08	216	67.85	148.15
13	M/s.E Centric Solutions Private Limited	IT/ITES SEZ, Hill No.3, Madhurwada, Visakhapatnam	02-Aug-07	03-Aug-08	24.45	26.36	-1.91
14	IIC Technologies Private Limited	IT/ITES SEZ, Hill No.3, Madhurwada, Visakhapatnam	11-Oct-07	01-Oct-09	1.5	8.02	-6.52
15	Infotech Enterprises Limited	IT/ITES SEZ, Hill No.3, Madhurwada, Visakhapatnam	05-Feb-09	28-Jun-10	0	3.19	-3.19
16	M/s.Virtusa (India) Private Limited	IT/ITES SEZ Nanakramguda, Ranga Reddy	Co-Developer LOP Dt:NA	17-Nov-08, 25-Oct-10	76.56	123.5	-46.94
17	M/s.Sierra Atlantic Software	IT/ITES SEZ Nanakramguda, Ranga Reddy	16-Jul-07	01-Dec-07	718.51	365.21	353.3
18	M/s.Tata Advanced Systems Limited	Aerospace Precision Engg.SEZ,Adibhatla(v) Ranga Reddy	23-Jun-09	08-Mar-10	36.63	228.5	-191.87
	Total				**2295.04**	**1308.26**	**1254.19**

Annexure – 39

Statement showing the projected imports, actual imports and shortage (Referred to in Paragraph 3.11.7)

Sl.No.	Name of the unit	Name of the SEZ	Date of LOP	Projected imports upto 31-3-2011 (₹ crore)	Actual imports upto 31-3-2011 (₹ crore)	Shortage upto 31-3-2011 (₹ crore)
1	M/s. W.S. Industries Limited	Multiproduct APSEZ Atchutapuram & Rambilli	14-May-07	60.67	4.62	56.05
2	M/s.Uniparts India Ltd	Multiproduct APSEZ Atchutapuram & Rambilli	31-Jul-07	120.65	10.74	109.92
3	M/s.Pokarna Limited	Multiproduct APSEZ Atchutapuram & Rambilli	20-Jun-07	216.1	12.58	203.52
4	M/s.Confidence Petroleum (India) Limited	Multiproduct APSEZ Atchutapuram & Rambilli	17-Apr-08	313	4.73	308.27
5	M/s.Tulip Granites Pvt. Limited	Building Product SEZ, Ongole	11-Dec-09	20.6	13.78	6.82
6	M/s. Aurobindo Pharma Ltd	Formation SEZ Jadcherla (M) Mahaboobnagar	NA	NA	132.58	NA
7	M/s. Glochem Industries	Formation SEZ Jadcherla (M) Mahaboobnagar	NA	NA	1.91	NA
8	M/s. Hemair Systems	Multiproduct SEZ, Naidupet, SPS Nellore	03-Aug-09	5	2.42	2.58
9	M/s.Symboisis Technologies	IT/ITES SEZ, Hill No.2, Madhurwada, Visakhapatnam	07-Jan-09	0.4	0.46	-0.06
10	M/s.Sankhya Technologies Ltd.,	IT/ITES SEZ, Hill No.2, Madhurwada, Visakhapatnam	05-Mar-09	0.13	NA	NA
11	M/s.Mahati Software Pvt Ltd.,	IT/ITES SEZ, Hill No.2, Madhurwada, Visakhapatnam	07-Jan-09	0.39	0.85	-0.46
12	M/s.Kenexa Technologies Private Limited	IT/ITES SEZ, Hill No.3, Madhurwada, Visakhapatnam	14-Feb-07	12	10.56	1.44
13	M/s.E Centric Solutions Private Limited	IT/ITES SEZ, Hill No.3, Madhurwada, Visakhapatnam	02-Aug-07	1	0.88	0.12
14	IIC Technologies Private Limited	IT/ITES SEZ, Hill No.3, Madhurwada, Visakhapatnam	11-Oct-07	2	0.63	1.37
15	Infotech Enterprises Limited	IT/ITES SEZ, Hill No.3, Madhurwada, Visakhapatnam	05-Feb-09	6.73	74.12	-67.39
16	M/s.Virtusa (India) Private Limited	IT/ITES SEZ Nanakramguda, Ranga Reddy	24-Mar-10	1.81	7.55	-5.74
17	M/s.Sierra Atlantic Software	IT/ITES SEZ Nanakramguda, Ranga Reddy	16-Jul-07	496.7	16.5	480.2
18	M/s.Tata Advanced Systems Limited	Aerospace Precision Engg.SEZ, Adibhatla(v) Ranga Reddy	23-Jun-09	83.17	60.48	22.69
	Total			**1340.35**	**355.39**	**1119.33**

Annexure – 40

Details of DTRs pending for repair under WGP (March 2011)
(Referred to in Paragraph 3.13)

Sl. No.	Name of the Firm	Supplied		No. of defective DTRs	Value (₹ in lakh)	Percentage of failed DTRs to supplied quantity	Remarks
		Quantity	Period				
1.	Madhu Refinary	1400	09/2009 to 07/2010	139	66.98	10	Company failed to either forfeit the Performance Security Deposit or deduct the cost of defective DTRs from subsequent supply bills
2.	Rayala Seema Green Energy	5790	05/2008 to 02/2010	1085	499.63	19	
3.	Saibaba Flame Proof SG	1970	01/2009 to 01/2010	84	39.65	4.3	
4.	Sri Sai	2450	01/2009 to 02/2010	224	102.75	9.14	
5.	SVR Electricals	850	10/2009 to 12/2009	127	48.87	15	
6.	Vijay Transformers	NA	Before 2007-08	70	24.86	NA	Company held only₹ two lakh as Performance Security Deposit.
7.	Victory	1067	11/2007 to 09/2008	332	112.13	31	Company held only ₹ two lakh as Performance Security Deposit. Supplier lifted 148 DTRs for repairs two years back but did not return the DTRs.
8.	Jaganmatha Electricals	NA	Before 2007-08	81	48.87	NA	Company failed to forfeit ₹ 15.03 lakh withheld towards price variation claim.
	Total			**2142**	**943.74**		

Annexure – 41

Statement showing the details of extra expenditure incurred by APSRTC in enhancement of rate in contravention of the terms of Purchase Orders and procurement of PTR from alternate sources at higher rates
(Referred to in Paragraph 3.18 a)

Month of Purchase Order	No. of defaulting suppliers/ suppliers to whom enhanced rate paid	Quantity (in MTs)		CPK (in paise)		Extra expenditure (₹ in crore)
		As per Purchase Orders	Enhanced rate paid for	As per Purchase Orders	As per amendment / alternative procurement	
May 2006	5	1420	1159	3.0589	3.1636 to 3.4049	0.69
Mar 2008	6	1500	739	2.9519	3.4724 to 9.2090	3.40
Feb 2010	7	1996	972	3.1829	3.4838 to 3.9287	1.60
Total						**5.69**

Annexure – 42

Details of orders placed for buses under JNNURM

(Referred to in Paragraph 3.21.1)

Original orders position:

Type of buses****	Hyderabad	Vijayawada	Visakhapatnam	Tirupathi	Total
LF- AC- TML	32	8	0	0	40
LF- AC- AL	10	0	0	0	10
LF- AC- VBIPL	8	0	0	0	8
LF- Non-AC- TML	50	40	50	0	140
LF- Non-AC- AL	100	0	0	0	100
SLF- Non-AC- TML	235	0	200	50	485
SLF- Non-AC- AL	565	192	0	0	757
Total	**1000**	**240**	**250**	**50**	**1540**

All the buses for Hyderabad, Visakhapatnam and Tirupathi are Diesel and for Vijayawada CNG.

Note: Orders placed on AL for supply of 100 LF non-AC and 10 LF AC buses were cancelled due to the inability of the firm to supply the buses. Purchase order for one SLF bus of TML was also cancelled since the bus met with a fatal accident enroute to Hyderabad. In the place of the orders cancelled, purchase order was placed (January 2011) on TML for additional 50 LF AC buses for Hyderabad. Thus revised order position was reduced to 1,479 buses.

Revised orders position:

Type of buses	Hyderabad	Vijayawada	Visakhapatnam	Tirupathi	Total
LF- AC- TML	82	8	0	0	90
LF- AC- VBIPL	8	0	0	0	8
LF- Non-AC- TML	50	40	50	0	140
SLF- Non-AC- TML	234	0	200	50	484
SLF- Non-AC- AL	565	192	0	0	757
Total	**939**	**240**	**250**	**50**	**1479**

Buses received upto April 2011:

Type of buses	Hyderabad	Vijayawada	Visakhapatnam	Tirupathi	Total
LF- AC- TML	74	8	0	0	82
LF- AC- Volvo	8	0	0	0	8
LF- Non-AC- TML	49	27	50	0	126
SLF- Non-AC- TML	233	0	200	50	483
SLF- Non-AC- AL	556	186	0	0	742
Total	**920**	**221**	**250**	**50**	**1441**

**** LF – Low Floor; SLF – Semi Low Floor.

Annexure – 43

Statement showing the details of cost per bus in respect of regular buses and its equivalent bus under JNNURM scheme

(Referred to in Paragraph 3.21.4)

Bus type	Regular ₹	JNNURM ₹	Difference ₹	Percentage of difference
Metro Express - Non- AC- Diesel	1205830	1983625	777795	64.50
Metro Deluxe - Non-A/C-Diesel	1489789	4500000	3010211	202.06
Metro Express - Non-A/C-CNG	1795916	2428375	632459	35.22
Metro deluxe -Non-A/C-CNG - TML/AL	2218833	5073509	2854676	128.66
City AC - Diesel - TML/AL	2678034	5500000	2821966	105.37
City AC - Diesel - Volvo	2678034	8105417	5427383	202.66
City AC - CNG	NA	6012253	NA	-

Annexure - 44

Statement showing reviews/paragraphs for which explanatory notes were not received (as on 30 September 2011)
(Referred to in paragraph 3.22.1)

Sl. No	Name of the Department	1992-93		1993-94		1995-96		1996-97		1997-98		1998-99		1999-00		2000-01		2001-02		2002-03		2003-04		2004-05		2005-06		2006-07		2007-08		2008-09		2009-10		Total	
		R	P	R	P	R	P	R	P	R	P	R	P	R	P	R	P	R	P	R	P	R	P	R	P	R	P	R	P	R	P	R	P	R	P	R	P
1	Industries & Commerce	1	0	0	0	0	4	1	1	1	4	0	2	1	6	1	1	0	6	0	2	0	2	0	1	0	2	1	4	0	1	0	4	0	4	6	44
2	Agriculture & Cooperation	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	2	1	2	0	0	0	0	1	5
3	Irrigation & CAD	0	0	1	0	0	1	0	0	0	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	1	0	1	0	0	2	5
4	Food, Civil Supplies & Consumer Affairs	0	0	1	0	0	0	0	0	0	0	0	1	0	0	0	1	0	1	0	0	0	0	0	1	0	0	0	0	0	0	0	1	0	1	1	6
5	Housing	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	1	1	0	0	3	1
6	Energy	0	0	0	0	0	0	0	0	0	4	0	3	0	0	1	0	0	1	0	0	1	0	1	0	0	2	1	3	0	0	1	1	1	7	6	21
7	Forest	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	1
8	Revenue	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	1	0	0	0	3
9	Youth advancement, tourism and culture	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	1
10	Municipal admn. & urban development	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	1
11	Home	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	1
12	Road & Transport	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	0	2	1	3
13	General Administration	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3	0	1	0	1	0	1	0	1	0	3	1	1	0	11
Total		1	0	2	0	1	5	1	1	1	9	1	6	1	6	2	3	0	8	0	3	1	5	1	3	0	5	2	11	2	6	3	14	2	18	21	103

Note: R stands for Reviews; P stands for Paragraphs

Annexure -45

Statement showing department-wise break-up of outstanding Inspection Reports (IRs)
(Referred to in paragraph 3.22.3)

Sl. No.	Name of department	No. of PSUs	No. of outstanding IRs	No. of outstanding paragraphs	Year from which paragraphs outstanding
1	Agricultural and Cooperation	3	16	107	2004-05
2	Energy	11	486	1588	2004-05
3	Food, Civil Supplies and Consumer Affairs	1	8	78	2004-05
4	Forest, Environment, Science and Technology	1	5	14	2004-05
5	General Administration	1	3	13	2006-07
6	Home	1	4	28	2007-08
7	Housing	2	6	61	2005-06
8	Irrigation and Command Area Development	1	6	33	2004-05
9	Industries and Commerce	10	35	310	2004-05
10	Municipal Administration and Urban Development	3	8	42	2004-05
11	Minorities Welfare	2	3	9	2005-06
12	Revenue	1	6	31	2004-05
13	Transport, Roads and Buildings	1	181	624	
14	Tourism and Culture	1	6	77	2004-05
15	Animal Husbandry, Dairy Development	2	1	4	2010-11
16	Employment & Training	1	2	10	2009-10
17	Handloom Textiles	1	1	15	2010-11
18	Infrastructure and investment	2	2	9	2009-10
19	Information Technology and communication	1	3	11	2004-05
	Total	**46**	**782**	**3064**	

Annexure – 46

Statement showing the department-wise draft paragraphs to which replies are awaited (Referred to in paragraph 3.22.3)

Sl. No.	Name of the department	No. of draft paragraphs	Period of issue
1.	Agriculture and Co-operation	2	April, May 2011
2.	Industries & Commerce	9	April, May and June 2011
3.	Energy	4	April, May and June 2011
4.	Municipal Administration & Urban Development	1	May 2011
5.	Transport, Roads and Buildings	4	April, June and August 2011
	Total	**20**	

Glossary

AB CABLE	Aerial Bunched Cable
ACD	Additional Consumption Deposit
ACoS	Average Cost of Supply
AH	Account Head
AMD	Acid Mine Drainage
APDRP	Accelerated Power Development Reforms Programme
APPCB	Andhra Pradesh Pollution Control Board
APPCC	Andhra Pradesh Power Co-ordination Committee
APSEB	Andhra Pradesh State Electricity Board
APTS	Anti Power Theft Squad
ARR	Aggregate Revenue Requirement
AT&C Losses	Aggregate Technical and Commercial Losses
AW	Area Workshop
BEP	Break Even Production
BG	Blasting Gallery
BLY	Bachat Lamp Yojana
BOO	Build Own and Operate
BPL	Below Poverty Line
BW	Base Workshop
CA	Compensatory Afforestation
CB	Capacitor Bank
CCDAC	Coal Conservation and Development Advisory Committee
CCL	Central Coal Fields Limited
CFL	Compact Florescent Lamp
CGRS	Consumer Grievance Redressal Forum
CHP	Coal Handling Plant
CIL	Coal India Limited
CKM	Circuit Kilometers
CMD	Contracted Maximum Demand
CMPDIL	Central Mine Planning & Design Institute Limited
COD	Commercial Operation Date
CPP	Captive Power Plant
CSIRO	Commonwealth Scientific Industrial Research Organisation
CSP	Coal Screening Plant
CSS	Cross Subsidy Surcharge
CVC	Chief Vigilance Commission
CWIP	Capital work-in-progress
DA	Dearness Allowance
DGMS	Director General of Mines Safety
DPE	Detection of Pilferage of Energy
DTR	Distribution Transformer
ECL	Eastern Coal Fields Limited

EDP	Electronic Data Processing
EHT	Extra High Tension
EPS	Electric Power Survey
ERP	Enterprise Resource Planning
ETPs	Effluent Treatment Plants
FR	Feasibility Report
FSA	Fuel Supply Agreement
FSA	Fuel Surcharge Adjustment
GIS	Geographical Information System
HEMM	Heavy Earth Moving Machinery
HR	Human Resources
HSD Oil	High Speed Diesel Oil
HT	High Tension
HVDS	High Voltage Distribution System
IA	Internal Audit
ICL	Incandescent Lamps
IED	Industrial Engineering Department
IFS	M/s Industrial and Financial Systems
IPPs	Independent Power Producers
KV	Kilo Volt
KVA	Kilovolt Ampere
KVAR	Kilovolt Ampere Reactive
Lbcm	Lakh bank cubic meters
LIS	Lift Irrigation Scheme
LT	Low Tension
LW	Long Wall
M.Cum	Million Cubic Meters
MCL	Mahanadi Coal Fields Limited
MHQ	Mandal Head Quarter
MIS	Management Information System
MoEF	Ministry of Environment and Forest
MoU	Memorandum of Understanding
MRC	Mine Reclamation Cost
MRI	Meter Reading Instrument
MT	Million Tonnes
MU	Million Units
MVA	Megavolt Ampere
MVAR	Megavolt Ampere Reactive
MW	Mega Watts
NCCL	Nagarjuna Construction Company Limited
NCE Plant	Non Conventional Energy Plant
NCL	Northern Coal Fields Limited
NEP	National Electricity Policy
NIT	Notice inviting Tender
OC Mines	Open cast Mines

OCMMS	Open Cast Mine Management System
PAAs	Private Accounting Agencies
PF	Power Factor
PFC	Power Finance Corporation
PPA	Power Purchase Agreement
PR	Project Report
PTR	Power Transformer
RAPDRP	Restructured Accelerated Power Development Reforms Programme
REC	Rural Electrification Corporation
RFP	Request For Proposal
RFR	Revised Feasibility Report
RGGVY	Rajiv Gandhi Grameena Vidyutikaran Yojna
SCADA	Supervisory Control And Data Acquisition
SECL	South Eastern Coal Fields Limited
SERC	State Electricity Regulatory Commission
SRS	System Resource Specification
SSH	Standard Shift Hours
STP	Sewage Treatment Plant
T&D Losses	Transmission and Distribution Losses
TL&SS	Transmission lines and Sub-stations
TLC	Transmission lines-Construction
UG Mines	Under Ground Mines
UI	Unscheduled Interchange
VAT	Value Added Tax
WCL	Western Coal Fields Limited