REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL
OF INDIA

FOR THE YEAR ENDED 31 MARCH 2011

No. 4

COMMERCIAL

GOVERNMENT OF MADHYA PRADESH

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∝ *Above includes Section 619-B companies at Sr. No. A-39 to A-43 (working Government Companies) and S. No. C-10 (Non-working Companies).*

Preface

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

(i) Government Companies,

(ii) Statutory Corporations, and

(iii) Departmentally managed commercial undertakings.

This Report deals with the results of audit in respect of Government Companies and Statutory Corporations and has been prepared for submission to the Government of Madhya Pradesh under Section 19-A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, as amended from time to time. The results of audit relating to departmentally managed commercial undertakings are included in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2011 (Civil)- Government of Madhya Pradesh.

Audit of the accounts of Government Companies is conducted by the Comptroller and Auditor General of India (CAG) under the provisions of Section 619 of the Companies Act, 1956. In respect of Madhya Pradesh Road Transport Corporation and Madhya Pradesh State Electricity Board, which are Statutory Corporations, the Comptroller and Auditor General of India is the sole auditor. As per the State Financial Corporations (Amendment) Act 2000, CAG has the right to conduct the audit of accounts of Madhya Pradesh Financial Corporation in addition to the audit conducted by the Chartered Accountants appointed by the Corporation out of the panel of auditors approved by the Reserve Bank of India. In respect of Madhya Pradesh Warehousing and Logistics Corporation, CAG has the right to conduct the audit of its accounts in addition to the audit conducted by the Chartered Accountants appointed by the State Government in consultation with CAG. In respect of Madhya Pradesh Electricity Regulatory Commission, CAG is the sole Auditor. The Audit Reports on the annual accounts of all these Corporations are forwarded separately to the State Government.

The cases mentioned in this Report are those which came to notice in the course of audit during the year 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 2010-11 have also been included, wherever necessary.

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

Overview

1. Overview of Government Companies and Statutory Corporations

Audit of Government Companies is governed by Section 619 of the Companies Act 1956. The accounts of Government Companies are audited by Statutory Auditors appointed by CAG. These accounts are also subject to supplementary audit conducted by CAG. Audit of Statutory Corporations is governed by their respective legislations. As on 31 March 2011, the State of Madhya Pradesh had 51 working PSUs (47 Companies and 4 Statutory Corporations) and 10 non-working PSUs (all Companies), which employed 0.47 lakh employees. The working PSUs registered a turnover of ₹ 31637.50 crore in 2010-11 as per their latest finalised accounts as on 30 September 2011. This turnover was equal to 11.65 per cent of State GDP indicating an important role played by State PSUs in the economy.

Investments in PSUs

As on 31 March 2011, the Investment (Capital and Long Term Loans) in 61 PSUs was ₹24400.17 crore. It grew by 28.26 per cent from ₹. 19023.31 crore in 2005-06. Power Sector accounted for 87.76 per cent of total investment in 2010-11. The State Government contributed ₹ 4517.79 crore towards Equity, Loans and Grants/Subsidies to State PSUs during 2010-11.

Performance of PSUs

During the year 2010-11, out of 51 working PSUs, 25 PSUs earned profit of ₹ 176.21 crore while two PSUs were in the situation of no profit and no loss and 14 PSUs incurred loss of ₹2175.36 crore as per their latest finalised accounts as on 30 September 2011. Five Companies did not submit their first accounts and four Companies had not started their commercial operation while one company capitalized the expenditure in balance sheet. The State PSUs had Accumulated Losses of ₹ 13923.97 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 ₹ 1173.31 crore and infructuous investments of ₹ 42.83 crore could have been controlled with better management. Thus, there is tremendous scope to improve the functioning and minimise/eliminate losses. The PSUs can discharge their role efficiently only if they are financially self-reliant. There is a need for professionalism and accountability in the functioning of PSUs.

Quality of accounts

The quality of accounts of PSUs needs improvement. All 59 accounts of working PSUs finalised during October 2010 to September 2011 received qualified certificates from Statutory Auditors. There were 68 instances of non-compliance of Accounting Standards. Reports of Statutory Auditors on internal control of the companies indicated several weak areas.

Arrears in accounts and winding up

Twenty six working PSUs had arrears of 58 accounts as of September 2011. The arrears need to be cleared by setting targets for PSUs. There were 10 non-working companies. As no purpose is served by keeping these PSUs in existence, they need to be wound up quickly.

(Chapter – I)

2.1 Performance Audit relating to Public Sector Undertakings

Performance Audit on the functioning of Madhya Pradesh Financial Corporation

Madhya Pradesh Financial Corporation was established under the State Financial Corporations Act, 1951 (SFC Act) for promoting industrial development in the state of Madhya Pradesh. The objective of the Corporation is to provide assistance for establishment of industries in the small, medium and service sectors and to play a dynamic role in developing the industrial base and socio-economic infrastructure in the state. The Performance Audit of the Corporation was conducted to assess the economy, efficiency and effectiveness in providing financial assistance during the period from 2006-07 to 2010-11.

Industrial promotion policy and assistance to micro and small enterprises

The Industrial Promotion Policy, Action Plan unveiled by the State Government in 2004-05 and the annual Memorandum of Understanding (MoU) signed with the State Government envisaged developing of industrial clusters and providing term loan assistance to micro, small and medium enterprises in backward areas. However, the Corporation could sanction only ₹475.29 crore to backward areas out of total ₹ 1042.38 crore sanctioned. Assistance to micro and small entrepreneurs declined year after year. The Corporation's market share in lending to Micro, Small and Medium Enterprise (MSME) sector in the state was only 6.48 per cent as compared to 93.52 per cent by commercial banks.

Appraisal of loans

Deficient appraisal of loans resulted in sanctioning of loans to two borrowers from whom ₹ 6.96 crore is outstanding with default ₹ 1.27 crore. Incorrect application of interest rates on seven loans led to loss of income of ₹ 30.50 lakh. The Corporation extended rebate of ₹20.65 lakh to ineligible borrowers.

Sanction and Disbursement

The Corporation could not disburse all the loans sanctioned every year because of non-availability of adequate funds. It disbursed ₹ 673.06 crore (65 per cent of loans sanctioned) out of ₹ 1042.38 crore sanctioned during the five-year period. The Corporation did not dispose of loan applications within the time frame prescribed in its loan policy.

Recovery and follow-up

The annual target fixed for recovery was less than the amount due for recovery. The amount to be recovered at the end of each year increased from ₹66 lakh in 2008-09 to ₹5.22 crore in 2010-11. The total NPA portfolio of the Corporation aggregated to ₹ 10.20 crore at the end of 2010-11 even after the transfer of entire NPA to the State Government during 2007-08. It indicated the Corporation's weakness to effectively monitor its NPA. It suffered a loss of ₹32.47 crore through One Time Settlement (OTS) of dues. The percentage of loss on OTS increased from 30 in 2007-08 to 78 in 2010-11.

Delay in initiating recovery proceedings resulted in accretion of outstanding dues of ₹ 16.52 crore and default of ₹ 1.27 crore in respect of loans of ₹11.89 crore provided to four borrowers. The Corporation could finalize sale and *recover dues amounting ₹ 11.07 crore from 49 out of 120 units taken over during the five year period. The Corporation could not recover ₹ 5.10 crore on sale of 23 units as their sale proceeds did not cover the amount of default.*

Financial Management

The profit increased from ₹ 51 lakh in 2008-09 to ₹ 2.01 crore in 2010-11. No dividend was paid on the State Government's investment of ₹ 269 crore. The Corporation mobilized only ₹ 71.42 crore against ₹ 100.00 crore through issue of bonds during 2009-10 and 2010-11.

Conclusion and recommendations

The Corporation did not play its supportive role effectively to industrialise the backward districts. The loan appraisal system was found to be deficient. Its interest rates were uncompetitive and the loss in One Time Settlement (OTS) was increasing year after year. The loans were rescheduled without any limit on number of re-scheduling.

The performance audit report contains six recommendations, which include evolving a structured policy for providing more assistance to MSME sector and to develop industries in backward areas, evolving a mechanism to make its interest rates competitive and adhere to time limits fixed by the Board for sanctioning of the loans.

(Chapter II)

2.2. Madhya Pradesh Poorv Kshetra Vidyut Vitaran Company Limited and Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited

Performance Audit on Power Distribution Utilities

The power distribution in the State of Madhya Pradesh is carried out by three Power Distribution Companies (Discoms) namely Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited (Madhya Discom), Madhya Pradesh Poorv Kshetra Vidyut Vitaran Company Limited (Poorv Discom) and Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited (Paschim Discom) which were incorporated on 31 May 2002 under the Companies Act, 1956.

During 2006-07, 19,706 MUs of energy was sold by the three Discoms which increased to 25,468 MUs, i.e. an increase of 29.24 per cent during 2006-11. As on 31 March 2011, the State had distribution network of 5,84,949 CKM, 2,680 sub-stations and 2,55,207 transformers of various categories. The number of consumers was 89.85 lakh. Based on the data relating to quantum of power sold, length of distribution network, number of consumers and AT&C losses, the Poorv and Paschim Discoms were selected for detailed analysis.

Distribution and network planning

Against the planned additions of 1031 sub-stations over the performance audit period, the three Discoms added only 651 sub-stations.

Implementation of centrally sponsored schemes

Under RGGVY the Poorv and Paschim Discoms had not fixed target for electrification for the year 2006-07 and 2007-08. During the five years from 2006-07 to 2010-11 only 3,375 villages were electrified by the two Discoms, *against a target of 4,379 villages achieving 77.07 per cent.*

Operational efficiency

Due to Sub transmission and distribution losses in excess of norms fixed by MPERC, during the five years from 2006-07 to 2010-11, the two Discoms suffered a loss of revenue to the tune of ₹ 1490.86 crore.

Financial Management

Due to release of inadequate funds by MPSEB under Cash Flow Mechanism during the period between 2006-07 and 2009-10, the Poorv Discom had diverted ₹ 102.81 crore from funds earmarked for capital works for salary, repairs & maintenance and administrative & general expenses.

To meet the necessary expenditure the Discoms were compelled to resort to working capital loan and during the performance audit period had borrowed ₹ 800 crore (₹ 250 crore Poorv Discom and ₹ 550 crore Paschim Discom) from Power Finance Corporation and the Paschim Discom had borrowed ₹ 2795.50 crore and Poorv Discom ₹ 996.19 crore from Government of Madhya Pradesh.

Billing and Revenue collection efficiency

The Poorv and Paschim Discoms billed only 73.21 per cent to 76.79 per cent of energy sold. In respect of the three Discoms in the State the balance dues outstanding at the end of the year increased from ₹ 3778.15 crore in 2006-07 to ₹ 6365.05 crore in 2010-11. The arrears in terms of number of months' assessment increased from 6.23 in 2006-07 to 6.63 in 2010-11.

Incorrect estimation of agricultural consumption

Because of non compliance with the directives of the MPERC regarding provision of meters on at least 25 per cent agricultural predominant DTRs, revision of the benchmark consumption could not be achieved, thus the Paschim Discom had to forgo revenue on 286.13 MU during 2010-11.

Conclusion and recommendations

Discoms could not achieve the planned addition of substations. The two Discoms had not included a clause in the agreement for levy of interest on the mobilisation advance to contractors. While the Discoms are paying interest on loans from PFC, they granted interest free advance to contractors. The percentage of metered consumers to total consumers decreased from 75 in 2006-07 to 64 in 2010-11. Due to incorrect estimation of unmetered agricultural consumers, the Paschim Discom had to forgo revenue on short billing of 286.13 MU during 2010-11. Delay in implementation of Bachat Lamp Yojana resulted in depriving the savings in power of 86.21 MU annually in respect of Poorv Discom. The Paschim Discom had not assessed the likely savings in peak load or reduction in power purchase cost that would accrue annually upon implementation of the scheme.

The performance audit report contains five recommendations which include increasing the phase of addition of Sub-Station to the distribution network, avoiding grant of interest free mobilisation advance to contractors, speeding up the pace of rural electrification, regulating the tariff in accordance with the National Tariff Policy.

(Chapter II)

3. Transaction audit observation

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

Loss of ₹86.80 crore in six cases due to non-safeguarding the financial interest of organization.

(Paragraphs 3.1, 3.2, 3.5, 3.6, 3.7 & 3.9)

Loss of ₹2.90 crore in two cases due to non-compliance of rules and procedures.

(Paragraphs 3.3 & 3.4)

Blockage of ₹0.47 crore in one case due to deficient planning.

(Paragraph 3.8)

Some important observations are given below:

Madhya Pradesh Power Trading Company Limited failed to obtain required amount of letter of credit of ₹ 65.51 crore from purchaser of power resulting in accumulation of dues of ₹ 78.63 crore

(Paragraph 3.6)

Madhya Pradesh Audhyogik Kendra Vikas Nigam (Rewa) Limited failed to take cognizance of amended Madhya Pradesh Industrial land allotment Rules (April 1999) resulting in loss of revenue of ₹ 4.12 crore in transfer of land to a private firm.

(Paragraph 3.2)

SEZ (INDORE) Limited and Madhya Pradesh Police Housing Corporation Limited made avoidable payment of ₹ 1.37 crore towards Interest, penalty on belated submission of Income tax returns and non-remittance of Advance Income Tax.

(Paragraph 3.4)

Madhya Pradesh Road Transport Corporation suffered a loss of revenue of ₹ 2.08 crore due to discontinuance of operation of inter-state buses by contractors.

(Paragraph 3.9)

Madhya Pradesh Laghu Udyog Nigam Limited failed to invoke price fall clause for revising the price of alumina ferric resulting in loss of ₹ 1.53 crore to the exchequer.

(Paragraph 3.3)

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 Madhya Pradesh, the State PSUs occupy an important place in the State economy. The State working PSUs registered a turnover of ₹ 31,637.50 crore in 2010-11 as per their latest finalised accounts as of September 2011. This turnover was equal to 11.65 *per cent* of State Gross Domestic Product (GDP) for 2010-11. Major activities of Madhya Pradesh PSUs are concentrated in power sector. The State working PSUs incurred an overall loss of ₹ 1999.15 crore in the aggregate for 2010-11 as per their latest finalised accounts as of September 2011. They had employed 0.47 lakh[1] employees as of 31 March 2011.

1.2 As on 31 March 2011, there were 61 PSUs as per the details given below. Of these, none of the Companies were listed on the stock exchange(s).

Type of PSUs	Working PSUs	Non-working PSUs[2]	Total
Government Companies [3]	47	10	57
Statutory Corporations	4[4]	Nil	4
Total	**51**	**10**	**61**

1.3 During the year 2010-11, four PSUs viz. MP Vikramaditya Knowledge City (U) Limited, MP Jay Pee Minerals Limited, MP Jay Pee Coal Fields Limited and Dada Dhuni Wale Khandwa Power Limited were established and came within the audit purview of CAG.

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 not less than 51 *per cent*

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1 *As per the details provided by 45 working PSUs. remaining 6 working PSUs did not furnish the details.*
2 *Non- working PSUs are those which have ceased to carry on their operations.*
3 *Includes 619-B Companies.*
4 *Including Madhya Pradesh State Electricity Board which was un-bundled (July 2002) into five power sector Companies and thereafter, activities of the Board had been confined to debt servicing and management of cash flow activities for power sector Companies.*

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.

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 the CAG as per the provisions of *Section 619 (2)* of the Companies Act, 1956. These accounts are also subjected to Supplementary audit conducted by the Comptroller and Auditor General of India (CAG) as per the provisions of *Section 619* of the Companies Act, 1956.

1.6 Audit of Statutory corporations is governed by their respective legislations. Out of four Statutory Corporations, CAG is the sole auditor for Madhya Pradesh State Electricity Board and Madhya Pradesh Road Transport Corporation. In respect of Madhya Pradesh Warehousing and Logistics Corporation and Madhya Pradesh 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 61 PSUs (including 619-B Companies) was ₹ 24,400.17 crore as per details given below:

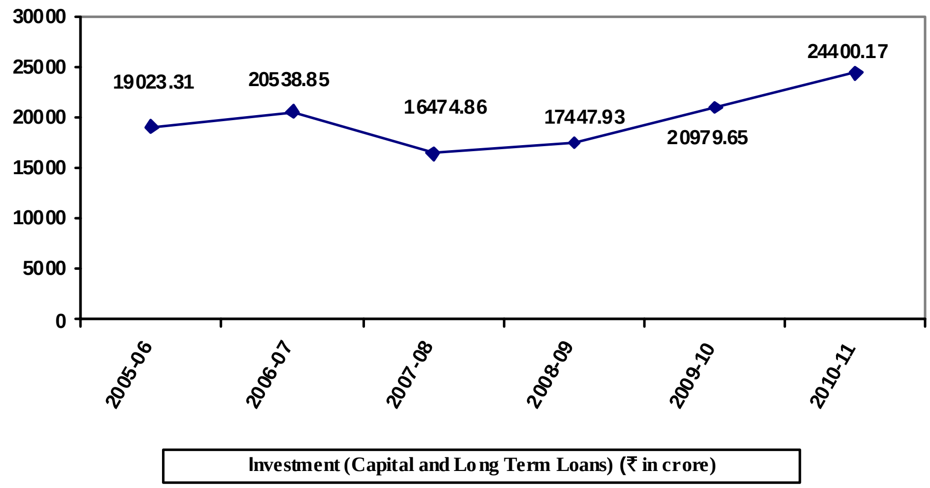
(Amount: ₹in crore)

Type of PSUs	Government Companies			Statutory corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	10159.33	12178.18	22337.51	580.62	1245.32	1825.94	**24163.45**
Non-working PSUs	61.10	175.62	236.72	0	0	0	**236.72**
Total	**10220.43**	**12353.80**	**22574.23**	**580.62**	**1245.32**	**1825.94**	**24400.17**

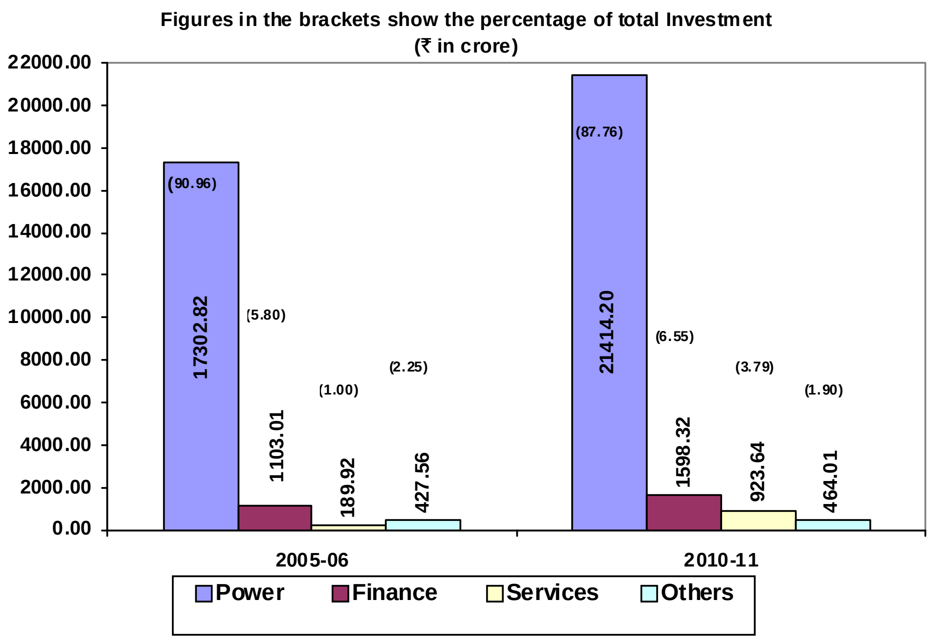
(Source: Information as furnished by the PSUs)

A summarised 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 *per cent* was in working PSUs and the remaining one *per cent* in non-working PSUs. This total Investment consisted of 44.27 *per cent* towards Capital and 55.73 *per cent* in Long-Term Loans. The Investment has grown by 28.26 *per cent* from ₹ 19,023.31 crore in 2005-06 to ₹ 24,400.17 crore in 2010-11 as shown in the graph on next page:



1.9 The Investment in various important sectors and percentage there of 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 in power sector which increased from ₹ 17,302.82 crore in 2005-06 to ₹ 21,414.20 crore during 2010-11. The Government investment has increased in all four sectors viz. power, finance service and other during 2010-11 in comparison to 2005-06.

Budgetary outgo, grants/subsidies, guarantees and loans

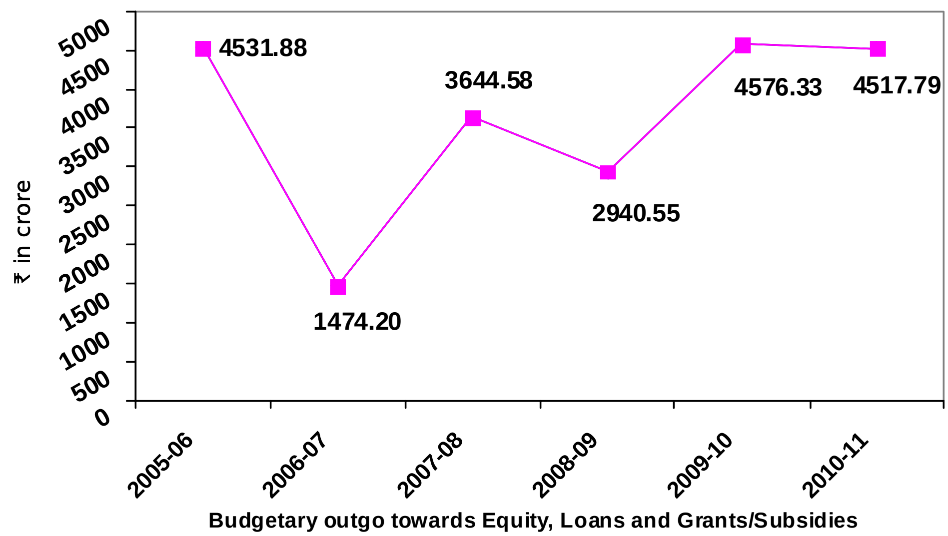
1.10 The details regarding budgetary outgo from the State Government towards Equity, Loans, Grants/Subsidies, Guarantees issued and Loans converted into Equity in respect of State PSUs are given in ***Annexure 3***. The summarised details are given below for three years ended 2010-11.

(Amount: ₹ 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	10	679.73	10	1047.85	10	1060.63
2.	Loans outgo from budget	4	215.63	6	1649.19	6	989.25
3.	Grants/Subsidy outgo	17	2045.19	14	1879.29	14	2467.91
4.	Total Outgo (1+2+3)		2940.55		4576.33		4517.79
5.	Loans converted into equity	1	2.00	3	336.54	--	---
6.	Guarantees issued	5	310.85	8	2438.30	6	748.63
7.	Guarantee Commitment	11	2751.27	11	1031.10	7	3247.37

(Source: Information as furnished by the PSUs)

1.11 The details regarding budgetary outgo towards Equity, Loans and Grants/Subsidies for past six years are given in a graph below:



The budgetary outgo towards Equity, Loans and Grants/Subsidies has shown a mixed trend during last six years period from 2005-06 to 2010-11. The budgetary outgo to State PSUs during 2010-11 was ₹ 4,517.79 crore in comparison to ₹ 4,531.88 crore during 2005-06. Out of total budgetary outgo, ₹ 2,049.88 crore towards Equity/Loan to 10 PSUs and Grants/Subsidy ₹ 2,467.91 crore to 14 PSUs during 2010-11.

1.12 The PSUs are liable to pay Guarantee Commission (GC) at the rates ranging from 0.5 *per cent* to one *per cent* per annum to the State Government on the maximum amount of Guarantees sanctioned irrespective of the amount availed or outstanding. The Guarantee Commitment by the Government at the end of 2010-11 was ₹ 3,247.37 crore against seven PSUs. The Guarantee Commission of ₹ 872.65 crore was payable by seven PSUs as on 31 March 2011 against which only five PSUs had paid the Guarantee Commission to the extent of ₹ 32.55 crore.

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 those appearing in the Finance Accounts of the State. In case the figures do not agree, the Finance Department and the PSUs concerned should carry out reconciliation. The position in this regard as at 31 March 2011 is given below.

(Amount: ₹in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	6323.86	10389.41	**4065.55**
Loans	1617.34	5554.43	**3937.10**
Guarantees	3604.00	3247.37	**356.63**

(Source: Finance accounts 2010-11 and the information as furnished by the PSUs)

1.14 We observed that the difference occurred in respect of 37 PSUs. In order to reconcile the discrepancy in figures of Investment on Equity and Loans by the State Government in Government Companies/Corporations, the issue of reconciliation was brought to the notice of head of all PSUs concerned in November 2011. The Government and the PSUs should take concrete steps to reconcile the differences in a time bound manner.

Performance of PSUs

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

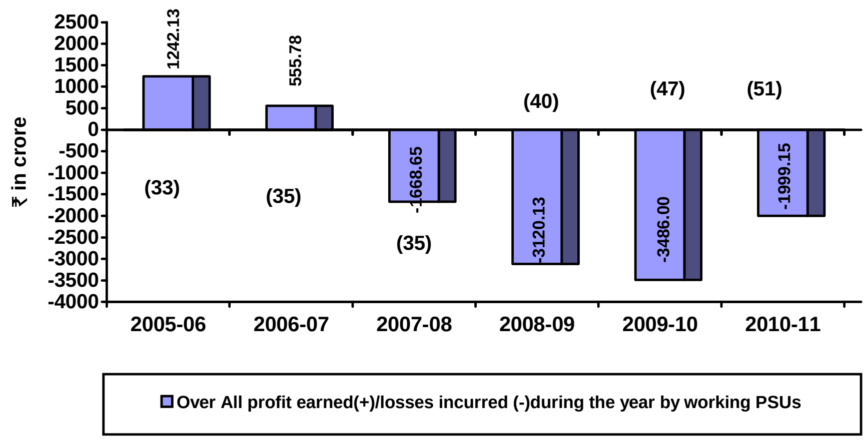
(Amount: ₹in crore)

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Turnover[5]	7375.32	14257.18	12800.73	20735.68	26067.37	31637.50
State GDP	116932.38	130571.44	142499.93	162525.22	194427.26	271680.69
Percentage of Turnover to State GDP	6.31	10.92	8.98	12.76	13.41	11.65

It may be seen from the above that the percentage of Turnover of State PSUs to State GDP has decreased from 13.41 in 2009-10 to 11.65 in 2010-11.

[5] *Turnover of working PSUs as per the latest finalised accounts as of 30 September 2011.*

1.16 Profit earned/ losses incurred by State working PSUs during 2005-06 and 2010-11 are given below in a bar chart:



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

From the above it can be seen that working PSUs earned overall profit during the years from 2005-06 to 2006-07 and started incurring losses thereafter till 2010-11. As against the overall profits of ₹ 1242.13 crore earned during 2005-06, State working PSUs incurred losses of ₹ 1999.15 crore during 2010-11. During the year 2010-11, out of 51 working PSUs, 25 PSUs earned profit of ₹ 176.21 crore, while two[6] PSUs were in the situation of no profit and no loss and 14 PSUs incurred loss of ₹ 2175.36 crore as per their latest finalised accounts as on 30 September 2011. Five[7] PSUs did not furnish their first accounts and four[8] PSUs had not commenced their commercial operations, while one[9] PSU capitalised the expenditure in balance sheet. The major contributors to profit were Madhya Pradesh State Mining Corporation Limited (₹ 32.97 crore), Madhya Pradesh Rajya Van Vikas Nigam Limited (₹ 28.17 crore) Madhya Pradesh Warehousing & Logistics Corporation (₹ 26.96 crore) and Madhya Pradesh Laghu Udyog Nigam Limited (₹ 20.17 crore) .The major contributors to losses were Madhya Pradesh Poorva Kshetra Vidyut Vitaran Company Limited (₹ 973.79 crore), Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited (₹ 586.46 crore), Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited (₹ 392.75 crore) and Madhya Pradesh Power Generating Company Limited (₹ 197.37 crore).

1.17 The losses of PSUs are mainly attributable to deficiencies in Financial Management, Planning, implementation of projects, operations and monitoring. A review of latest Audit Reports of CAG shows that the State

6 *Companies at serial No. A-21 and A-22 of Annexure-2.*
7 *Companies at serial No. A-27,42,44,45 and 47 of Annexure-2.*
8 *Companies at serial No. A-17, A-24 and A-25 of Annexure-2.*
9 *Company at serial No. A-35 of Annexure-2.*

PSUs incurred losses to the tune of ₹ 1,173.31 crore which could have been controlled with better management. Year-wise details for controllable losses and infructuous investments are indicated below:

(Amount: ₹ in crore)

Particulars	**2008-09**	**2009-10**	**2010-11**	**Total**
Net Profit (loss)	(3120.13)	(3486.00)	(1999.15)	(8605.30)
Controllable losses as per CAG's Audit Report	20.75	351.71	800.85	1173.31
Infructuous Investment	4.17	38.66	---	42.83

1.18 The above controllable 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 PSUs can discharge their role efficiently only if they are financially self-reliant. The above situation points towards a need for professionalism and accountability in the functioning of PSUs.

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

(Amount: ₹in crore)

Particulars	**2005-06**	**2006-07**	**2007-08**	**2008-09**	**2009-10**	**2010-11**
Return on capital employed (*per cent*)	12.81	5.51	Nil[10]	Nil[10]	Nil[10]	Nil[10]
Debt	14337.67	14989.72	9170.36	9309.00	10160.08	13599.12
Turnover[11]	7375.32	14257.18	12800.73	20735.68	26067.37	31637.50
Debt/Turnover Ratio	1.94:1	1.05:1	0.72:1	0.45:1	0.39:1	0.43:1
Interest Payments	391.20	734.80	1228.69	545.89	1117.00	2082.37
Accumulated Profit (loss)	(2618.22)	(3400.63)	(6274.55)	(6755.18)	(11492.22)	(13923.97)

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

1.20 The above parameters clearly exhibit a mixed trend in financial position of PSUs. Return on Capital Employed showed decreasing trend, it was 12.81 *per cent* in 2005-06 and decreased to 5.51 *per cent* in 2006-07, thereafter it turned negative. However, Debt Turnover Ratio has improved from 1.94: 1 in 2005-06 to 0.43:1 in 2010-11 which was mainly due to increase in Turnover from ₹ 7,375.32 crore (2005-06) to ₹ 31,637.50 crore (2010-11).

1.21 The State Government had formulated (July 1998) a dividend policy for payment of minimum dividend of 12 *per cent* on the equity contribution, which was revised (July 2005) to 20 *per cent* on profit after tax. The revised policy was communicated to Secretaries concerned and CMDs of all PSUs. As per their latest finalised accounts as on 30 September 2011, 25 PSUs earned an aggregate profit of ₹ 176.21 crore while only six PSUs declared a dividend of ₹ 6.13 crore and the remaining 19 profit making PSUs did not declare any dividend.

[10] *Nil figures represent negative returns.*
[11] *Turnover of working PSUs as per the latest finalised accounts as of 30 September2011.*

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 Section 166, 210, 230, 619 and 619-B of the Companies Act 1956, Similarly, in case of Statutory corporations, their accounts are required to be finalised, audited and presented to the Legislature as per the provisions of their respective Acts. The table below provides the details of progress made by 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	35	35	40	47	51
2.	Number of accounts finalised during the year	31	37	25	49	59
3.	Number of accounts in arrears	52	54	69	66[12]	58
4.	Average arrears per PSU (3/1)	1.49	1.54	1.73	1.43	1.14
5.	Number of working PSUs with arrears in accounts	30	25	29	33	26
6.	Extent of arrears	1 to 7 years	1 to 7 years	1 to 8 years	1 to 8 years	1 to 7 years

1.23 From the above table it would be seen that with the increase in number of working PSUs, arrear of accounts had also increased gradually during last three years up to 2008-09. During 2010-11, the position was improved and a total number of 59 accounts were finalised. The number of accounts in arrears decreased to 58 in 2010-11 as against 66 in 2009-10. The accumulation in arrears of accounts was mainly due to inadequacy of trained staff and absence of concerted efforts by the PSUs and administrative departments concerned.

1.24 In addition to above, there were arrears in finalisation of accounts by non-working PSUs. Out of 10 non-working PSUs, seven[13] had gone into liquidation process. All the remaining three non-working PSUs had arrears of accounts for three to 15 years.

1.25 The State Government had invested ₹ 1,922.38 crore (Equity: ₹ 297.70 crore, Loans: ₹ 192.26 crore, Subsidy: ₹ 1,349.91 crore and Grants: ₹ 82.51 crore) in 12 PSUs during the years for which accounts have not been finalised as detailed in ***Annexure 4.*** In the absence of accounts and their subsequent audit, it 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 and thus Government's investment in such PSUs remain outside the scrutiny of the State Legislature. Further, delay in finalization 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.

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[12] *Number of accounts in arrears of the year 2009-10 re-caste from 67 to 66.*
[13] *Serial No. C-1,2,3,4,6,8 and 10 of Annexure-2.*

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 administrative departments concerned were informed of the arrears in finalization of accounts on quarterly basis by Audit and the matter was taken up with the Chief Secretary/ Finance Secretary, no remedial measures were taken. As a result, the net worth of these PSUs could not be assessed in audit.

1.27 In view of above state of arrears, it is recommended that the Government monitor and ensure timely finalisation of Accounts with special focus of liquidation of arrears and thereby comply with the provisions of the Companies Act, 1956.

Winding up of non-working PSUs

1.28 There were 10 non-working PSUs (9 Companies and one 619-B Company) as on 31 March 2011. Of these, seven PSUs have commenced the process of winding up. The three non-working PSUs are required to be liquidated as their continued existence is not serving the purpose for which they were incorporated.

1.29 During the year 2010-11, no Companies/Corporations have concluded the process of winding up. The stages of winding up of non-working PSUs are given below:

Sl. No.	Particulars	Companies
1.	Total number of non-working PSUs	10
2.	Of (1) above, the number under	
(a)	Voluntary winding up (liquidator appointed)	7[14]
(b)	Closure, i.e. closing orders/ instruction issued but liquidation process not yet started.	3[15]

1.30. The process of voluntary winding up under the Companies Act is much faster and needs to be pursued vigorously. The Government may suitably review the necessity of their continuation in view of their non-functioning.

Accounts Comments and Internal Audit

1.31 During the year, forty working Companies forwarded their 55 audited accounts to the Principal Accountant General. Of these, 33 accounts of 30 Companies were selected for supplementary audit. 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 and the effect of the

14 Serial No. C-1,2,3,4,6,8 and 10 of Annexure-2.
15 Serial No. C-5,7 and 9 of Annexure-2.

comments of Statutory Auditors and of CAG on the financial position and working results are given below:

(Amount: ₹ in crore)

Sl. No.	**Effect**	**2008-09**		**2009-10**		**2010-11**	
		No. of accounts	**Amount**	**No. of accounts**	**Amount**	**No. of accounts**	**Amount**
1.	Decrease in profit	9	280.66	12	362.48	11	208.26
2.	Increase in loss	6	91.17	2	6.26	3	64.36
3.	Non-disclosure of material facts	11	1353.38	13	222.89	4	59.25
4.	Errors of classification	8	293.92	5	17.77	4	94.14

The above table indicates that comments on Non-disclosure of material facts have decreased significantly.

1.32 During the year, the Statutory Auditors had given qualified certificates on all the accounts of working Companies. CAG had also issued comments on nine accounts after the supplementary audit. The compliance of the Accounting Standards (AS) issued by the Institute of Chartered Accountants of India, remained poor. During the year, such non-compliance was noticed in 68 instances in respect of 15 accounts.

1.33 Some of the important comments on the accounts of Companies are given below:

Madhya Pradesh State Civil Supplies Corporation Limited (2010-11)

➢ **Contingent Liabilities**

As per Madhya Pradesh VAT Act, the expenses upto the first storage point have to be included in the price of wheat for computation of Purchase Tax. However, the Company paid Purchase Tax at ₹ 1,100 per quintal instead of ₹ 1,282.72 per quintal. The liability on account of balance Purchase of ₹ 15.46 crore is pending before the Hon'ble High Court. However, the Contingent Liability of the same has not been disclosed.

➢ **Balance Sheet**

As per State Government Gazette Notification dated 28 February 2009, the arrears of Sixth pay commission for the period 1 January 2006 to 31 August 2008 was payable to its employees in five installments. As two installments were already disbursed as on 31 March 2011, the liability on balance three installments amounting to ₹ 5.70 crore should have been disclosed in the Notes on accounts.

Madhya Pradesh Rajya Van Vikas Nigam Limited (2009-10)

- **Current Liabilities & Provision (Schedule J) ₹ 162.17 Crore**

This does not include provision of ₹ 8.58 crore against the liability for the period from 1 July 2009 to 31 March, 2010 towards Group Gratuity, which became payable consequent upon switching over by the Company from previous system of Group Gratuity on 'Pure Endowment' basis to 'Cash Accumulation' basis. The new scheme was made effective with effect from July 2009 as per the decision of the Board of Directors in its meeting held on 28 June 2010 and the Company did not make the provision for the liability despite the demand from Life Insurance Corporation of India. This has resulted in understatement of Current Liabilities and Provisions and overstatement of Profit for the current year by ₹ 8.58 crore each.

M.P. Audyogik Kendra Vikas Nigam (Bhopal) Limited (2009-10)

- **Expenditure (Schedule- 8)-Gratuity Expenses: ₹ 32.64 lakh**

As per the Accounting Standered-15, the liability of Retirement Benefits (Gratuity) of the employees is to be provided as per Actuarial Valuation. Company has taken a LIC policy for Gratuity. As per the Actuarial Valuation given by LIC in March 2010, the amount payable was ₹ 170.98 lakh out of which Company has paid ₹32.64 lakh only. This has resulted in overstatement of Profit by ₹ 138.34 lakh (₹170.98 lakh-₹32.64 lakh) and understatement of Current Liabilities to the same extent.

SEZ (Indore) Limited (2007-08)

- **Income earned during the year (Schedule-9)**
  Lease Rent: - ₹ 1.99 crore

This includes lease rent amounting ₹ 72.50 lakh and Development Fund amounting to ₹ 91.90 lakh (totaling ₹ 1.64 crore) pertaining to the period 2008-09 received during the current year and accounted as current year Income.
The treatment of Income received in advance as current year Income resulted in overstatement of Profit for the year by ₹1.64 crore and understatement of Current Assets to that extent.

Madhya Pradesh Adivasi Vitta Avam Vikas Nigam Limited (2003-04)

- **Balance Sheet – Share Capital-Issued, Subscribed and Paid up Capital- ₹ 15.59 crore**

This includes ₹ 1.59 crore received from State Government towards Share Capital in 2003-04. As shares were allotted on 6 August, 2004, the amount should have been shown as Share Application money instead of Issued, Subscribed and Paid-up Capital.

Dada Dhuni Wale Khandwa Power Limited (2010-11)

- **Capital Work in Progress-₹ 22.92 lakh (Schedule-3)**

The above work does not include ₹ 35.54 crore towards estimated compensation and service charge for acquisition of 1000 acres of land for setting up 2x 800 MW thermal Power Project at Khandwa, the demand for which was raised by the sub-divisional magistrate and land acquision officer on 23 February 2011 and payment for which was made on 9 June,2011. This has resulted in under statement of CWIP under Land Acquisition and under statement of provision for Capital Liabilities by ₹ 35.54 crore.

Madhya Pradesh Madhya Kshetra Vidyut Vitran Company Limited (2009-10)

- **Depreciation- ₹ 97.80 crore (Schedule-6)**

The Company charged Depreciation on the Fixed Assets for the year 2009-10 on straight-line method at the rates provided by the Central Government vide circular date 29-03-1994 contrary to the decision taken (26-03-2010) by the Board of Directors of the Company in their 39th meeting for charging the Depreciation as per the rates prescribed under the Companies Act, 1956. This has resulted in understatement of Depreciation and Loss by ₹ 16.25 crore and overstatement of Assets to that extent.

- **Purchase of Electricity Energy – ₹ 2763.19 crore (Schdedule-17)**

This does not include an amount of ₹ 41.90 crore towards True Up Charges payable in respect of 2006-07 to Madhya Pradesh Power Trading Company Limited as per Annual Revenue Requirement (ARR) and Retail Tariff Determination of Madhya Pradesh Electricity Regulatory Commission for the year 2009-10.

Madhya Pradesh Road Development Corporation Limited (2009-10)

- **Earning Per Share (Basic)- ₹ 4.36**

As per clause 10, 11 and 12 of Accounting Standard-20 on “Earning Per Share” basic earning per share should be calculated by dividing the Net Profit or Loss for the period attributable to Equity Shareholders by the weighted average number of equity shares outstanding during the period. As per the Profit and Loss for the year ended 31 March 2010 profit attribute to equity shareholders worked out to ₹ 12,06,29,707/- and the weighted average number of shares 1,54,53,424. Thus basic earning works out to ₹ 7.81 per share, which is understated by ₹ 3.45 per share.

1.34 Similarly, three working Statutory corporations forwarded their four accounts to PAG during the period 2010-11 of these, one account of one Statutory corporation (Madhya Pradesh State Electricity Board) pertained to sole audit by CAG, which was under process. The remaining three accounts (one of Madhya Pradesh Financial Corporation and two of Madhya Pradesh Warehousing & Logistics Corporation) were selected for Supplementary audit. The reports of Statutory auditors and the Sole/Supplementary audit of CAG for three years from 2008-09 to 2010-11 indicated that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of 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	1	113.83	1	2.24	----	----
2.	Increase in loss	1	1009.86	1	3.01	---	---
3.	Non-disclosure of material facts	--	--	1	65.00	----	----
4.	Errors of classification	1	8.78	1	18.32	1	38.39

The above table shows that during 2010-11 aggregate money value of audit comments relating to “Errors of classification” was ₹ 38.39 crore in 2010-11, as compared to ₹ 18.32 crore during 2009-10 in the said category.

1.35 Some of the important comments in respect of accounts of the Statutory Corporation solely audited by CAG are stated below:

Madhya Pradesh Financial Corporation, Indore (2010-11)

- **Balance Sheet-Other Liabilities and provisions: ₹ 42.60 crore**

In accordance with the terms of SFC Act, 1951, the Corporation had provided an amount of ₹ 38.89 crore towards Dividend in the books of accounts for the years 1990-91 to 1999-2000 but the same has not been disbursed so far. As per section 205C of the Companies Act, 1956, In case of Unpaid Dividend held by the Corporation for seven years from the date of declaration, the amount has to be credited to the Investors Education and Protection Fund. The Corporation has not done this.

This has resulted in overstatement of Other Liabilities (Dividend Payable) by ₹ 38.89 crore and understatement of Reserve and Surplus to that extent.

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 on possible improvement in the internal audit/ internal control system in respect of 28 Companies for the year 2010-11 are given below:

Sl. No.	Nature of comments made by Statutory Auditors	Number of Companies where recommenda-tions 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	A-3, 34
2.	Absence of internal audit system commensurate with the nature and size of business of the Company	21	A-1,2,6,9,12,14, 16, 19, 20, 21, 22, 23,24, 29, 31,32,33, 40,42, B-2, C-5
3.	Non maintenance of cost record	3	A-26,31,33
4.	Non maintenance of proper records showing full particulars including quantitative details, date situations, identity number, date of acquisitions, depreciated value of fixed assets and their locations	17	A1,2,3,6,8,9,10,14,16,19,29,31,32, 39,41,42, C-5

Recoveries at the instance of audit

1.37 During the course of propriety audit in 2010-11, recoveries of ₹ 193.11 crore were pointed out to the Management of various PSUs which was also admitted by them. However, an amount of only ₹ 9.77 crore was recovered during the year 2010-11.

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 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.	Madhya Pradesh Warehousing and Logistics Corporation	2009-10	2010-11	29.09.2011	Under process
2.	Madhya Pradesh Financial Corporation	2009-10	2010-11	30.09.11	No reply furnished.
3.	Madhya Pradesh State Electricity Board	2009-10	2010-11	Under process	------
4.	Madhya Pradesh Road Transport Corporation	2005-06	2006-07 & 2007-08	13-04- 2009	No information furnished

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

Disinvestments, Privatisation and Restructuring of PSUs

1.39 The State Government did not undertake Disinvestments, Privatisation and Restructuring of any of the PSUs during 2010-11.

CHAPTER-II

2.1 Performance Audit on the functioning of Madhya Pradesh Financial Corporation

Executive Summary

Madhya Pradesh Financial Corporation was established under the State Financial Corporations Act, 1951 (SFC Act) for promoting industrial development in the state of Madhya Pradesh. The objective of the Corporation is to provide assistance for establishment of industries in the small, medium service sectors and to play a supportive role in developing the industrial base in the state. The Performance Audit of the Corporation was conducted to assess the economy, efficiency and effectiveness in providing financial assistance during the period from 2006-07 to 2010-11.

Industrial promotion policy and assistance to micro, small and medium enterprises

The Industrial Promotion Policy, Action Plan unveiled by the State Government in 2004-05 and the annual Memorandum of Understanding (MoU) signed with the State Government envisaged developing of industrial clusters and providing term loan assistance to micro, small and medium enterprises in backward areas. However, the Corporation could sanction only ₹ 475.29 crore to backward areas out of total ₹ 1042.38 crore sanctioned. Assistance to micro and small entrepreneurs declined year after year. The Corporation's market share in lending to Micro, Small and Medium Enterprise (MSME) sector in the state was only 6.48 per cent as compared to 93.52 per cent by commercial banks.

Appraisal of loans

Deficient appraisal of loans resulted in sanctioning of loans to two borrowers from whom ₹ 6.96 crore is outstanding with default ₹ 1.27 crore. Incorrect application of interest rates on seven loans led to loss of income of ₹ 30.50 lakh. The Corporation extended rebate of ₹ 20.65 lakh to ineligible borrowers.

Sanction and Disbursement

The Corporation could not disburse all the loans sanctioned every year because of non-availability of adequate funds. It disbursed ₹ 673.06 crore (65 per cent of loans sanctioned) out of ₹ 1042.38 crore sanctioned during the five-year period. The Corporation did not dispose of loan applications within the time frame prescribed in its loan policy.

Recovery and follow-up

The annual target fixed for recovery was less than the amount due for recovery. The amount to be recovered at the end of each year increased from ₹ 66 lakh in 2008-09 to ₹ 5.22 crore in 2010-11. The total NPA portfolio of the Corporation aggregated to ₹ 10.20 crore at the end of 2010-11 even after the transfer of entire NPA to the State Government during 2007-08. It indicated the Corporation's weakness to effectively monitor its NPA. It suffered a loss of ₹ 32.47 crore through One Time Settlement (OTS) of dues. The percentage of loss on OTS increased from 30 in 2007-08 to 78 in 2010-11.

Delay in initiating recovery proceedings resulted in accretion of outstanding dues of ₹ 16.52 crore and default of ₹ 1.27 crore in respect of loans of ₹ 11.89 crore provided to four borrowers. The Corporation could finalize sale and recover dues *amounting ₹ 11.07 crore from 49 out of 120 units taken over during the five year period. The Corporation could not recover ₹ 5.10 crore on sale of 23 units as their sale proceeds did not cover the amount of default.*

Financial Management

The profit increased from ₹ 51 lakh in 2008-09 to ₹ 2.01 crore in 2010-11. No dividend was paid on the State Government's investment of ₹ 269 crore. The Corporation mobilized only ₹ 71.42 crore against ₹ 100.00 crore through issue of bonds during 2009-10 and 2010-11.

Conclusion and recommendations

The Corporation did not play its supportive role effectively to industrialise the backward districts. The loan appraisal system was found to be deficient. Its interest rates were uncompetitive and the loss in One Time Settlement (OTS) was increasing year after year. The loans were rescheduled without any limit on number of re-scheduling.

The performance audit report contains six recommendations, which include evolving a structured policy for providing more assistance to MSME sector and to develop industries in backward areas, evolving a mechanism to make its interest rates competitive and adhere to time limits fixed by the Board for sanctioning of the loans.

Introduction

2.1.1 Madhya Pradesh Financial Corporation, formerly known as Madhya Bharat Financial Corporation, was established on 30 June 1955 under Section 3(1) of the State Financial Corporations Act, 1951 (SFC Act) for promoting industrial development in the State of Madhya Pradesh. The Corporation was promoted by Government of Madhya Pradesh (State Government) and Industrial Development Bank of India (IDBI) along with commercial banks, LIC of India and others. In 2006, the shareholding of IDBI was transferred to Small Industries Development Bank of India (SIDBI) and the Corporation was re-organized due to bifurcation of the State in 2003-04 into Madhya Pradesh and Chhattisgarh. As on 31 March 2011, the total share capital of the Corporation stood at ₹ 351.14 crore, with the State Government holding shares worth ₹ 328.70 crore (93.61 *per cent*), SIDBI ₹ 22.22 crore (6.33 *per cent*), and others (public sector banks, Life Insurance Corporation of India, Investment Trust & Co-operative Bank and individuals) holding ₹ 22 lakh (0.06 *per cent*). The objective of the Corporation is to provide assistance for establishment of industries in the small, medium and service sectors and to play a dynamic role in developing the industrial base and socio-economic infrastructure in the State of Madhya Pradesh.

The management of the Corporation is vested with the Board of Directors, which comprised of six directors including the Chairman and the Managing Director. The Managing Director is the Chief Executive of the Corporation, who is assisted by two General Managers. The Corporation has ten Field Offices (FO)[16] and nine Business Development Centres (BDC)[17] spread across the state. One Field Office is located at New Delhi. Each FO/ BDC is headed by an officer of the rank of Deputy General Manager/ Manager/ Deputy Manager, who reports to the Head Office at Indore.

Scope of Audit

2.1.2 The performance of the Corporation was last reviewed and incorporated in the Audit Report (Commercial) of the Comptroller and Auditor General of India for the year ended 31 March 2006 (Government of Madhya Pradesh) and was deliberated in the meeting of Committee on Public Undertakings (COPU) in January/ February 2010 and its recommendations were awaited (September 2011). The present Performance Audit covered the activities of the Corporation with special reference to financial assistance received as grant and equity from the State Government and the financial assistance extended to entrepreneurs for economic development of the State from 2006-07 to 2010-11.

Loan sanction files pertaining to the period 2006-07 to 2010-11, available at the Head Office and Field Offices/ Business Development Centres, were examined based on stratified random sampling using IDEA software. We reviewed 430 loan sanction files valuing ₹ 896.09 crore (out of 1495 loan sanction files valuing ₹ 1032.36 crore), covering 29 *per cent* in terms of number of loan sanction files and 87 *per cent* in terms of the value of loans sanctioned.

Audit Objectives

2.1.3 The Performance Audit was undertaken to evaluate and assess whether

- the assistance extended was in line with the industrial development policy of the State Government and fulfill the objective of providing the loan to medium and small scale industries in backward areas.
- there existed proper system of project appraisal and the same was sound, effective and adequate to cover the risk of lending;
- there existed customer-friendly environment to attract/ retain good customers and loans were extended on competitive rates so as to sustain its operations;

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[16] *Field Offices: Capital Market Division (Indore), Indore-I, Indore-II, Bhopal, Jabalpur, Gwalior, Ratlam, Ujjain, Dewas and Satna.*

[17] *Business Development Centres: Indore Urban-I, Indore Urban-II, Sendhwa, Katni, Harda, Sagar, Rewa, Shahdol and Khandwa.*

- adequate monitoring mechanism existed to ensure timely recovery of dues and resorting to speedy legal action in case of default;
- the funds were borrowed, disbursed and utilised effectively and efficiently; and
- there was an effective and efficient system of internal checks and controls.

Audit Criteria

2.1.4 The audit objectives were assessed against

- objectives of the State Government's industrial policy;
- provision of Memorandum of Understanding (MoU) signed with the State Government and SIDBI;
- guidelines and instruction issued by RBI, SIDBI and the Central/ State Government regarding financing and utilization of loans;
- decisions taken in meetings of the Project Appraisal Committee;
- targets set in annual plans and budgets ;and
- objectives of the Loan Policy and laid down procedures for sanction, disbursement and follow up and recovery of loan.

Audit Methodology

2.1.5 The following Audit methodology was adopted for scrutiny of records.

- Examination of various Acts and rules applicable to the functioning of the Corporation such as SFC Act 1951, RBI/SIDBI guidelines, State Government Industrial Policy, terms and conditions of MOU entered into with the State Government;
- Issue of audit memos and their replies thereto;
- Interaction and personal discussion with the officials of the audited entity.

Financial assistance and recovery procedures

2.1.6 As per Section 26 of the SFC Act, 1951 the Corporation can grant financial assistance up to ₹ 5 crore to a company or co-operative society and up to ₹ 2 crore to any other unit. This limit can be increased four times with the prior approval of SIDBI. Section 28 of the Act prohibits any assistance to an industrial concern whose aggregate paid-up share capital and free reserve exceeds ₹ 30 crore. Loans are sanctioned and disbursed after appraisal of viability of schemes. In case of default in repayment of loans, Section 29 of the Act empowers the Corporation to take over the unit and sell the mortgaged/ hypothecated property. It can apply to the District Judge concerned for an order for sale of such property and enforcing the liability of any surety. As per Section 32-G, the amounts due to the Corporation could be treated as an arrear of land revenue and recovered by issuing Revenue Recovery Certificate (RRC) by the District Collector concerned under an application to the State Government. The process of sanction, disbursement and recovery is shown in ***Annexure-7***.

Financial position and working results

2.1.7 The summarized financial position and working results of the Corporation for the years 2006-07 to 2010-11 are given in ***Annexure-8*** and ***Annexure-9*** respectively. The Corporation suffered loss in 2006-07 but posted profit from 2007-08 after the State Government, as part of financial restructuring, took over its Non Performing Assets (NPA). The Corporation, in the 391st meeting of its Board of Directors (April 2008), projected that the Corporation would move from the situation of negative spread to positive profit and would earn a profit of ₹ 2.50 crore in 2008-09 after restructuring. The Corporation could, however, earn a profit of ₹ 51 lakh in 2008-09, ₹ 1.10 crore in 2009-10 and ₹ 2.01 crore in 2010-11.

The *percentage* of return on capital employed increased from 2.87 in 2006-07 to 7.46 in 2007-08 but decreased to 4.97 during 2010-11. The increase in *percentage* of return on capital employed during 2007-08 was mainly due to re-casting of accounts on the basis of ‘Uniform Accounting Policy[18] recommended by SIDBI. At the same time, the net worth of the Corporation dipped from ₹ 277.19 crore in 2006-07 to ₹ 131.02 crore in 2007-08 and thereafter rose to ₹ 152.20 crore in 2010-11.

The Corporation stated (September 2011) that the financial accounts were drawn on accrual system of accounting for the first time in 2007-08 with many adjustment entries along with balance sheet restructuring and, hence, comparison of figures should be made from 2008-09. We observed that increase in profit and net worth was unimpressive even after 2007-08 despite financial support and restructuring.

Audit Findings

2.1.8 Before taking up the Performance Audit, the audit scope, objectives and methodology were explained to the Corporation during the Entry Conference held on 18 April 2011. Audit findings noticed during performance audit were reported to the Corporation/ Government in July 2011 and discussed in the Exit Conference held on 29 November 2011, which was

[18] *Change from cash to accrual system of accounting .*

attended by the Managing Director and senior officers of the Corporation. The views and reply of the management were considered while finalizing the report. However, reply was not received from the Government and representative from the Government was also not present in the entry and exit conference**.** The audit findings are discussed in the succeeding paragraphs.

Industrial promotion policy and support to micro and small industries

Inadequate support to entrepreneurs in backward and rural areas

Loans amounting to ₹ 567.09 crore were sanctioned to industries in non backward areas .

2.1.9 As per the Statement of Objects and Reasons in the SFC Act, the SFCs should confine their activities to financing medium and small scale industries. The annual MOU signed with the State Government envisaged that the Corporation would provide assistance to small and medium sectors in backward /rural areas for establishment of Greenfield projects and ensure balanced regional growth across the length and breadth of the state. Further, the industrial promotion policy 2004(revised in November 2010) of the State Government provided for tackling industrial sickness and developing infrastructure by promoting industries in identified industrial clusters keeping in mind the availability of raw materials skilled labour and market potential.

An analysis of the district wise sanction of loans during the period from 2006-07 to 2010-11 revealed that industries in Indore (non backward district) were sanctioned loans of ₹ 457.80 crore while those in Bhopal (non backward district) were sanctioned loans of ₹ 109.29 crore which accounted for 44 *per cent* and 11 *per cent* of the total loans sanctioned respectively.

A further analysis of loans advanced to micro small and medium enterprises by all the financial institutions including commercial banks in the State of Madhya Pradesh during the period 2006-07 to 2010-11 revealed that the financial institutions accounted for 93.52 *per cent* amounting to ₹ 9709.98 crore, of the total sanctioned loan while the Corporation sanctioned loans amounting to ₹ 673.06 crore (6.48 *per cent*). The market share of the Corporation which was 13.26 *per cent* in 2006-07 came down to 4.35 *per cent* in 2010-11.

Loans of ₹ 51.35 crore were not availed by the loanees due to un-competitive interest rates.

An analysis of 430 loan sanction cases during the performance audit period revealed that 103 borrowers did not avail the loans amounting to ₹ 282.43 crore even though they were sanctioned**.** A scrutiny of the reasons for non availment revealed various reasons such as uncompetitive rates of interest offered by the Corporation as compared to the rate of interest offered by the commercial banks, difficulty in fulfilling the terms and conditions relating to mortgage of the property and additional security demanded by the Corporation. We observed that 11 borrowers did not avail the loans amounting to ₹ 51.35 crore due to sanctioning of loans by commercial bank at a lesser rate of interest.

The Corporation replied (September 2011) that the industries in the backward areas could not be sanctioned loans as the entrepreneurs did not put up the projects in the backward areas by their own choice and therefore the loan applications did not come from the backward areas. Further the Corporation also replied that they should not be compared with the commercial banks which have many branches for lending term loans and working capital loans. The commercial banks raised the funds from primary sources[19] while the Corporation avails refinance form secondary sources[20]. The fact remains that Corporation had 18 branches situated all over the state with more than half a century of its experience in providing term loans. We observed that the Corporation did not come up with innovative and attractive ideas of financing the medium and small industries in backward areas in order to promote, encourage and motivate the entrepreneurs to set up their industries in such areas. The Corporation did not bring to the notice of the entrepreneurs through advertisement about the various kinds of facilities and the range of finances available to an entrepreneur if they were ready to put up industries in backward areas. Further the Corporation did not mobilize optimal resources from the primary source even though the State Government has given them guarantee for placement of bonds with the capital market**.** By acting on the suggestion of the State Government, the Corporation could have reduced its dependence on the refinancing from the secondary source as discussed in *Para 2.1.32* and improving its ability to provide loans to borrowers at a competitive rate of interest.

Further, an analysis of the interest rates offered by the Corporation as compared to the commercial banks revealed that the interest rate charged by the Corporation was higher by one *per cent*. We analysed in audit, 11 borrowers switched over to the commercial banks due to higher rate of interest offered by the Corporation. The Corporation does not have a mechanism to review the rates of interest charged by various financial institutions including commercial banks on the loans offered by them in order to adjust its rates of interest and become more competitive in the business of lending.

In the absence of such mechanism and its flexibility to become competitive they lost business worth ₹ 51.35 crore during the last five years ending 2010-11 due to lower rate of interest offered by other institutions.

High exposure in commercial and real estate sector

2.1.10 The Board of Directors in June 2008 laid down the sectoral norms for sanction of loans. As per the norms, the Corporation was expected to limit its loan exposure to Industrial and manufacturing sectors to 50 *per cent* of the total loans sanctioned, 25 *per cent* to service sector and 25 *per cent* to CRE sector. As per ***Annexure 10*** exposure to CRE sector was more than the prescribed limit of 25 *per cent*. CRE sector was sanctioned loans working out to 35 *per cent* in 2007-08, 27 *per cent* in 2009-10 and 39 *per cent* of total

[19] *Funds raised through issue of bonds from capital market.*
[20] *Funds raised from refinancing institutions such as SIDBI/HUDCO.*

loans sanctioned in 2010-11. The Corporation maintained that the growth in assistance to CRE sector was high because of major investment in CRE sector and it asserted that it was assisting the industrial sector also. The fact remains that Corporation did not adhere to the exposure limits fixed by the Board.

Appraisal of loans

2.1.11 The borrowers intending to avail loans applies to the Corporation in the forms prescribed for various types of loan such as small loans, working capital loans, medium term loans and long term loans. The applications are accompanied by the project report, required documents and prescribed fees. The Corporation has devised check list with reference to which the respective applications are processed to ascertain the credit risk rating of the borrower.

The FO/BDC prepares appraisal on the basis of the documents submitted by the borrowers and submits the same to the loan committees established for sanctioning of the loan depending upon the amount of loan applied for. If the loan amount exceeds ₹ 2.40 crore, the appraisal is submitted to the board for sanctioning.

Deficiencies in appraisal of loans

2.1.12 On scrutiny of the loan sanctioned files we observed that the loans were sanctioned without ensuring the fulfillment of the conditions of the sanction, existence of security, sanctioning of loans on unapproved terms and unapproved rates of interest. Loans were also granted with inadmissible rebates, to inadmissible borrowers and additional loans to defaulting borrowers. The cases falling under the above category are briefly narrated in the following paragraphs.

An amount of ₹ 6.96 crore was outstanding and ₹ 1.27 crore in default on loans sanctioned to borrowers due to deficient appraisal.

- An application for a term loan of ₹ 7.50 crore by Deccan Chromate ltd, Shahdol was scrutinized and sanctioned (February 2009) by the board with rate of interest at 14.5 *per cent* to enable the completion of the ongoing project of manufacturing chemicals. The borrower offered security in the form of land, buildings, plant and machinery. The loan was sanctioned with the condition that the borrower would raise and invest interest free unsecured loan of ₹ 4.41 crore and also invest ₹ 2.50 crore out of internal accruals for implementation of the unit. The terms and conditions further provided that he would furnish additional security of ₹ 25 lakh before availing the loan. However without ensuring the fulfillment of the above conditions of additional funds into business and also without an independent appraisal of the project by an outside agency in view of the fact that the Corporation had no experience of financing in the region in this portfolio, the Corporation disbursed an amount of ₹ 2.65 crore in May 2009. Even after observing that the unit did not repay the loan and having issued notices under section 138 (b) and (c) of the Negotiable Instruments Act, the Corporation released further installments of ₹ 85 lakh in December 2009, ₹ 20 lakh in March 2010 and ₹ 1.35 crore in September 2010. As on May 2011, an amount of ₹ 6.96 crore was pending for recovery. Subsequently, it was also brought to the notice of the Corporation that the unit was located on disputed land. The appraisal of the loan application without verifying that the property was situated in a land free from encumbrance and further release of loans without fulfillment of terms and conditions of loan in terms of additional capital to be brought in by the borrower, resulted in the loan of ₹ 6.96 crore becoming irrecoverable.

The Corporation stated (September 2011) that the loan was sanctioned after independent appraisal and disbursements were made to enable completion of project and ensuring payment to outstanding creditors. However, the examinations of records indicated that the loan appraisal was done based on project information provided by the loanee and not backed up by on site visit by Corporation officials. Subsequent disbursements to the borrower were not justified in the backdrop of default in repayment and inability of promoters to tie up the required funds before availing the loan.

- The BDC at Sendhwa, sanctioned (December 2006) a term loan of ₹ 15 lakh for construction of a marriage and community hall to a borrower on security of first charge on its land and building and residential house of the guarantor. The borrower defaulted in repayment of interest from June 2007 and various actions by the Corporation by way of legal notices by the borrower did not bring the desired results of the recovery as the mortgage property could not be taken over due to resistance by the local residents stating that a school was being run on the site. The RRC issued (September 2009) by Corporation through the district collector did not yield any result. With the lapse of eighteen months the loan had accumulated to ₹ 16.84 lakh (June 2011). When the audit took up the matter with the Corporation, it replied (September 2011) that they did not take over the property as the local residents were resisting the move stating that a school might exist in the site. We considered the reply and observed that Corporation did not verify the existence of the school at the site. The reply confirms the fact that the Corporation did not ascertain free availability of land for construction of the marriage hall at the time of sanctioning the loan. The Corporation also failed to carry out subsequent inspection of the site to ensure that the loan disbursed was utilized for construction of the marriage hall. This was indicative of poor appraisal of the loan application and led to non recovery of loan.

Disbursement of loan on unapproved terms

2.1.13 The Corporation sanctions loans based on the prescribed terms and conditions such as interest rates, schedule of repayment, rebates etc., and the rates of interest are determined by the Board of Directors from time to time. The interest rates charged and rebate allowed by the Corporation during the period from 2006-07 to 2010-11 are detailed in ***Annexure-11***. During the period under review three types of rebates existed in the Corporation viz., basic rebate of one *per cent* for timely payment, rebate at one *per cent* to manufacturers established in Special Economic Zone (SEZ) and manufacturers carrying on export of its own products and Credit Rating rebate at 0.5 to 1.5

per cent. All the rebates would be admissible only in case of prompt payment by the borrowers. However, the net interest rate to be charged shall not be below the minimum interest rate after taking into account all the rebates allowed by the Corporation.

The deficiencies noticed in enforcing the terms and conditions of sanction of loans are brought out below:

Incorrect application of interest rate

2.1.14 The loan sanction letters stipulated that the interest rate was subject to variation as decided by the Board of Directors from time to time and/ or revised by SIDBI while sanctioning refinance. On a test check of 430 loan files, we noticed seven instances (see **Table 1**) where the Corporation extended benefit to borrowers by not charging the rate of interest as per the terms of sanction, leading to loss of income of ₹ 30.50 lakh.

Table 1

(₹ in lakh)

Sl. No.	Borrower	Loan amount	Sanction date	Net interest charged (%)	Net interest applicable (%)	Loss*	Reasons
1	Smooth Developers Pvt. Ltd.	100	2006-07	12.75	14.00	3.03	Deflection from Board approved rate
2	Magnolia Hospitality Pvt. Ltd.	200	Dec.06	10.50	11.00	7.15	----do----
3	Aaron Hotels Pvt. Ltd.	165	Sep. 09	14.00	15.75	11.57	Rate of interest applicable as per the terms of sanction was not levied
4	GEI Hamon Industries Ltd. (II)	500	Mar. 07	13.00	14.00	2.07	----do----
5	MP Paper Board & Paper Mills Pvt. Ltd.	250	Dec.06	13.75	14.50	2.24	----do----
6	Pearl Construction Bhopal	175	Nov. 06	12.00	14.00	3.91	----do----
7	Ayushman Medical & Diagnostics Pvt. Ltd. Bhopal	450	Mar. 07	13.75	14.50	0.53	----do----
Total						**30.50**	

** (principal amount outstanding at the beginning of every quarter on the basis of reducing balance method) x (differential rate of interest) x (period outstanding)*

The Corporation replied (September 2011) that it charged interest rates applicable for loans to service sector projects in line with the rate structure applicable for that period. However, the fact remained that Corporation charge interest rates that were not as per the rates approved by the Board of Directors at the time sanctioning of loan**.**

Grant of inadmissible rebate on loans

2.1.15 As per the existing practice followed by the Corporation, rebate is granted if the payments are received within the first five days of the month. Realization of dues beyond fifth of every month is treated as default and penalty at two *per cent* per annum is levied on the defaulted amount for the defaulted period**.** We observed that the practice has not been followed by the Corporation uniformly in all the cases. The Corporation discretionally extended rebate to borrowers who did not make timely repayment (within first five days) of principal and interest dues. Test check of loan files and ledger accounts of major loanees revealed that inadmissible rebate(payment was received beyond first five days of the due date) was granted in respect of 12 loanees even though they failed to repay the principal as well as interest dues within the prescribed time, which resulted in loss of ₹ 9.65 lakh.

The Corporation accepted the fact and stated (September 2011) that rebate was granted to certain cases, which have an excellent track record of repayment. However, on pointing out by audit, the Board in December 2011 approved a policy for granting rebate for timely payment within first five days of the due date.

Extension of rebate to ineligible borrowers

2.1.16 Rebate of one *per cent* was allowed in cases of SEZ and export oriented units. Out of 430 loan files examined, we noticed four instances of granting of rebate which did not meet these criteria. This has resulted in loss of income of ₹ 20.65 lakh. Out of these case, a loss of ₹ 11.06 lakh observed in one case which is discussed below.

- The Corporation sanctioned two term loans of ₹ 2.75 crore and ₹ 2 crore to Gajra Differential Gears Pvt. Ltd. in Dewas during March 2005 and February 2008 at the rate of 13 *per cent* and 13.75 *per cent* respectively. The borrower unit availed the first loan in full and ₹ 1.95 crore out of the second loan. The loans were not repaid as per the repayment schedule. The Recovery Committee Meeting in its meeting held in July 2008, decided to allow rebate ₹ 11.06 lakh for the period from September 2008 to June 2009. We noted that as per the interest rate structure adopted by the Corporation the rebate of one *per cent* on term loan would be provided on timely repayment of loan by export oriented units and additional rebate of one *per cent* would be granted to only those concerns which have repaid their earlier term loan(s) well in time. In terms of the rate structure, the unit was, thus, not eligible for rebates as it had defaulted in repaying its loan accounts. The decision to allow rebate of one *per cent* for timely repayment of loan and an additional one *per cent* for being in export business, was irregular in view of the regular default committed by the borrower. Thus, the Corporation extended an undue favour to the borrower by allowing the rebate of ₹ 11.06 lakh during the period of default.

The Corporation replied (September 2011) that the decision to grant additional rebate was taken by the Recovery Committee after considering the overall track record and specific circumstances of the case. As the additional rebate was allowable only to loanees who repaid the loans in time and the proceedings of the Recovery Committee can only be subservient to the existing practice, policy and guidelines approved by the Board of Directors in this regard.

Improper grant of loans

2.1.17 As may be seen from ***Annexure 12***, members of the same family living in at the same address had availed off two loans of ₹ 30 lakh each in the name of Bhagirath Cold Storage Pvt, Ltd and Mama ice and cold storage Ltd, on 29.3.2009 and 31.3.2009. The prime security and additional security offered for both the loans were on and same property of free hold land and building constructed there on. While appraising the applications which happened almost simultaneously, the BDC, Dewas, in the loan appraisal note, stated that the loanee for the second loan granted on 31.3.2009 was first time loanee. Since both the applications were processed simultaneously the fact that the same property has been offered by the borrowers as prime security and additional security could not have escaped the attention of the appraisers. Not only did the appraisers overlook the fact of the same property being offered as security, the appraisal committee further stated in the appraisal note second application for loan that the borrowers were fresh applicants. Sanctioning the second loan on the same property pledged as security for the first loan was improper as the appraisal committee did not value the pledged property so as to ensure that the value of the pledged property covers both the loans**.** Up to June 2011 no repayment has been made by the borrower and the total outstanding in both the loans was to the tune of ₹ 29.73 lakh and ₹ 33.57 lakh.

➢ Similarly, the same family members obtained two loans in the name of Dev Hospitals for an amount of ₹ 75 lakh and in the name of Choudhary Hospital for an amount of ₹ 25 lakh. The above loans were sanctioned in March 2009 and May 2010. For these two loans as may be seen from ***Annexure 12,*** the security offered was one and same. While appraising the application for the second loan sanctioned in May 2010 the appraisal committee did not consider the fact of the same property being offered as security since the registered document of the property pledged as a security for the loan sanctioned in March 2009 was already available with the Corporation. Out of the above loans an amount of ₹ 97.77 lakh is outstanding with a default amount of ₹ 10.77 lakh.

Dues of ₹ 1.61 crore were outstanding on loans disbursed to promoters of the same family.

Thus, the inappropriate appraisal of loan applications by the appraisal committee resulted in undue favour of sanctioning of loans on the same property more than once and also resulted in non recovery of loans of ₹ 1.61 crore.

➢ An amount of ₹ 1.20 crore was sanctioned to Sun Petpack Pvt. Ltd, Jabalpur in April 2000 for meeting its working capital requirements. The unit failed to repay the loan according to the repayment schedule and the loan was rescheduled twice and an amount of ₹ 89.51 Lakh was outstanding in July 2006. Without considering the default in repayment of loan and the reschedulement of loans thereof the Corporation further sanctioned loan of ₹ 30 lakh in July 2006, ₹ 25 lakh in 2007, ₹ 1 crore in November 2009 and ₹ 65 lakh in August 2010. By the end of March 2011, an amount of ₹ 1.01 crore was outstanding with a default of ₹ 26.64 lakh. Had the appraisal committee considered the record for repayment of loans by the borrowers they would not have extended the undue benefit of sanctioning of loans every year.

The Corporation replied (September 2011) that no undue favour was provided to the loanee by sanctioning the loans. The fact remained that despite borrower was continuously defaulting in payment further loan was sanctioned and rescheduled frequently.

Sanction and disbursement of loans

2.1.18 The loans are sanctioned by the Corporation after approval of the loan appraisal by the Loan Committees. The documentation is to be completed within nine months from the date of sanction. The full amount of loan was to be availed within a period of 15 months from the date of sanction and in case of non-availment the balance loan would be automatically cancelled. The adequacy of funds towards sanctioned loans is planned at the time of disbursement of loans as the borrowers avail the loan at different stages of implementation of financed project. At the time of disbursement, the Corporation assesses the availability of funds with it and gets additional funds through refinance from SIDBI/HUDCO and generates funds through issue of bonds.

Target and achievement of sanction and disbursement

2.1.19 The Corporation set targets for sanction and disbursement of loans every year. The achievements against the targets for the period from 2006-07 to 2010-11 are detailed in ***Annexure-13.*** We observed that the Corporation could not achieve the targets of sanction and disbursement during the years 2007-08, 2009-10 and 2010-11.

Decline in support to micro and small enterprises

2.1.20 SIDBI, in its report titled ‘SIDBI Report on Micro Small and Medium Enterprises (MSME) Sector - 2010’, identified pulse processing, engineering goods, leather toys, cotton ginning, cattle feed, handloom and power loom as the major industries in the State of Madhya Pradesh. The Corporation, however, sanctioned only ₹ 353.84 crore to micro and small sector enterprises, which constituted only around 34 *per cent* of the total assistance provided during the five-year period. Audit scrutiny further revealed that the loan sanctioned to micro units fell from ₹ 14.36 crore in 2007-08 to ₹ 9.51 crore in 2010-11 and that for small units declined from ₹ 76.70 crore in 2006-07 to ₹ 52.93 crore in 2010-11. The actual disbursement to small enterprises also declined from ₹ 72.59 crore in 2006-07 to ₹ 38.22 crore in

2010-11. On the other hand, the target and achievement in respect of Commercial Real Estate (CRE) and large units increased from ₹ 30.53 crore in 2006-07 to ₹ 96.36 crore in 2010-11 even though these units did not belong to the priority sector. The Corporation has, thus, been moving away from its objective of assisting micro and small enterprises and started focusing more on assisting large enterprises.

The Corporation accepted (September 2011) that it provided 34 *per cent* of the total disbursements to MSME sector during the last five years and stated that new business potential is available in the real estate sector. Further, banks posed serious competition for lending to SME in the post-liberalization era.

While sanctioning the loan, the Corporation should not lose sight of the basic objectives for which it was set up and appropriately plan methodologies of functioning in a competitive environment.

Delay in sanctioning loans to eligible borrowers

2.1.21 The Loan Committee(s) or the Board of Directors sanction(s) loans based on the feasibility reports/ appraisal notes put up by Field Offices of the Corporation. To achieve the objectives enshrined in the loan policy formulated on 13 June 2008, the Board of Directors, in its 392nd meeting (June 2008), prescribed procedure-related guidelines for disposing of all loan proposals in a defined time frame, *viz.*, 30 days for loans up to ₹ 1 crore and 45 days for loans above ₹ 1 crore. **Table 2** indicates the delay in sanctioning of loans before and after the formulation of loan policy by the Corporation.

Table 2

(₹ in crore)

	Before 13 June 2008		After 13 June 2008	
	No. of loans	**Value of loans**	**No. of loans**	**Value of loans**
Loans below ₹ 1 crore				
Total loans sanctioned	673	89.73	554	102.60
Loans sanctioned with delay of more than 30 days: 31-60 days 61-90 days 91-150 days Above 150 days	 90 31 23 15	 17.64 7.41 5.20 2.62	 91 39 27 17	 18.16 12.63 8.62 5.39
	159	**32.87**	**174**	**44.80**
Percentage of value of loans with delay		**36.63**		**43.66**
Loans above ₹ 1 crore				
Total loans sanctioned	66	228.65	171	586.50
Loans sanctioned with delay of more than 45 days: 45-60 days 61-90 days 91-150 days Above 150 days	 5 5 2 3	 20.65 11.85 2.30 7.70	 20 35 24 9	 65.10 113.30 82.55 60.75
	15	**42.50**	**88**	**321.70**
Percentage of value of loans with delay		**18.59**		**54.85**

From the above, it could be seen that loans below ₹ 1 crore were sanctioned with the period of delay ranging from 31 to 311 days and with a delay ranging from 46 to 378 days on loans above ₹ 1 crore were sanctioned. In case of loans below ₹ 1 crore sanctioned after implementing the loan policy, the maximum delay occurred in the range of 31 to 60 days (91 loans valued at ₹18.16 crore) while in case of high-value loans, the delay was more pronounced in the range of 61 to 90 days (35 loans valued at ₹ 113.30 crore). The delay on loans below ₹ 1 crore increased from 36.63 to 43.66 *per cent* and that on bigger loans went up from 18.59 to 54.85 *per cent* during the period after implementation of loan policy. Thus, it is evident that even after the formulation of loan policy in June 2008, the Corporation did not dispose of the loan applications within the prescribed time.

The Corporation stated (September 2011) that the process of technical appraisal, valuation, rating, market report, legal scrutiny and presentation to sanctioning authority required at least 30 to 60 days. However, the time frame for disposal of loan applications was prescribed in the loan policy after considering all the relevant factors for processing and appraising of loans. Further, the percentage of delay after formulation of loan policy increased from 37 *per cent* to 44 *per cent* in case of loans sanctioned below ₹ 1 crore and from 19 *per cent* to 55 *per cent* in case of loans above ₹ 1 crore.

Recovery and follow up of loans

2.1.22 On disbursement of the loans, a schedule of recovery is intimated to the borrower in order to ensure timely recovery of loan. In case of default in repayment of loans, the Corporation initiates three kinds of actions as given below:

- take over and sale of the unit and recovery of the loan out of the sale proceeds,
- filing a civil suit in a court of law or issue of Revenue Recovery Certificate through the District Collector for initiating recovery action against the assets of the borrower,
- one time settlement whereby the borrower repays a significant portion of the loans and the rest of the loan remained unpaid is borne by the Corporation as a loss.

The **Table 3** below provides details of recovery effected by the Corporation during the last five years ending 2010-11.

Table 3

(₹ in crore)

Particulars	2006-07	2007-08	2008-09*	2009-10	2010-11
Amount due for recovery at the beginning of the year	94.47	73.31	6.06	0.66	3.28
Amount falling due during the year	95.56	105.00	107.71	135.32	149.00
Total amount due for recovery.	190.03	178.31	113.77	135.98	152.28
Target fixed for recovery	100.00	120.00	108.00	125.00	146.00

Particulars	2006-07	2007-08	2008-09*	2009-10	2010-11
Percentage of recovery target fixed to total amount due for recovery.	52.60	67.30	94.90	91.90	95.88
Amount recovered	116.72	122.83	113.11	132.70	147.06
Amount to be recovered at the end of the year	73.31	55.48	0.66	3.28	5.22

**** Opening balance figures for 2008-09 have been recast on implementation of restructuring package by the State Government***

As may be seen from the above table the target for recovery in the year 2006-07 and 2007-08 were at a low level of 53 *per cent* and 67 *per cent* of the amount due for recovery in the respective years. The low percentage of fixation of recovery target resulted in accumulation of dues pending for recovery to the tune of ₹ 128.89 crore at the end of 2007-08. The State Government had to come to the rescue of the Corporation by way of restructuring where by an amount of ₹ 113.50 crore of NPA pending for recovery was taken over by them. This has improved the position of the amount due for recovery during the three years ending 2010-11. Even after the restructuring by the State Government, the Corporation did not fix the recovery targets at 100 of the amount due for recovery in each of the years and outstanding loan to be recovered has increased from ₹ 0.66 lakh in 2008-09 to ₹ 5.22 crore in 2010-11.

Recovery through One Time Settlement scheme

2.1.23 With the objective of realizing its long overdue, the Corporation adopted a One Time Settlement (OTS) scheme whereby it was agreed upon by the borrowers to pay up a portion of the outstanding amount at the time of settlement. **Table 4** shows the outstanding dues, the amount at which these dues were finally settled and the loss suffered by the Corporation during the period 2006-07 to 2010-11 as a result of OTS.

Table 4 (₹ in crore)

Year	No. of cases settled	Total outstanding at the time of settlement	Amount settled	Loss on settlement	Amount received against settlement	*Per cent*age of loss to total outstanding
Before financial restructuring						
2006-07	94	18.63	10.52	8.11	9.30	50
2007-08	65	15.52	10.89	4.63	10.20	30
After financial restructuring						
2008-09	38	4.54	3.05	1.49	1.63	33
2009-10	29	8.31	4.18	4.13	2.89	50
2010-11	29	17.99	3.88	14.11	0.96	78
Total	**255**	**64.99**	**32.52**	**32.47**	**24.98**	**50**

Audit scrutiny revealed that

- the Corporation sacrificed ₹ 32.47 crore in settlement of dues worth ₹ 64.99 crore in respect of 255 loan accounts during the period under review

- the percentage of loss to total outstanding at the time of OTS increased from 50 *per cent* in 2006-07 to 78 *per cent* in 2010-11 and
- the Corporation suffered loss of ₹ 19.73 crore on settlement of its dues during the three-year period from 2008-09 to 2010-11 despite implementation of financial restructuring package.
- the proportion of the loss suffered as a result of OTS has reached an alarming proportion of 78 *per cent* of the amount outstanding at the time of settlement which were in the range of 30 to 50 *per cent* during the period 2006-07 to 2009-10.

Recovery through Revenue Recovery Certificates

2.1.24 323 Revenue Recovery Certificates (RRC) issued under Section 32-G of the SFC Act, through the District Collectors, for recovery of its NPA amounting to ₹ 47.25 crore was pending as on 31 March 2011. This includes RRCs amounting to ₹ 25.93 crore issued prior to 2006-07. The non-recovery/delay in recovery of outstanding dues despite issuing of RRC indicates the laxity on the part of the Corporation to effectively pursue and follow up these cases with the Revenue authorities. We are of the view that further delay in monitoring and recovering these old dues through RRC could translate these dues into irrecoverable.

Delay in initiating recovery action against chronic defaulters

2.1.25 As on 31 March 2011, 1398 term loan accounts (other than CRE finance) involving principal amount of ₹ 454.75 crore and interest of ₹ 1.70 crore were outstanding for recovery. This included 295 accounts with principal amount of ₹ 3.65 crore and interest of ₹ 1.57 crore in default. Of the default amount, there were 111 sub-standard and doubtful assets (NPA) valuing ₹ 2.82 crore towards principal and ₹ 0.91 crore towards interest. With regard to loans disbursed to CRE sector, 20 out of 99 outstanding loan accounts amounting to ₹ 0.27 crore were in default. Action for recovery of dues from chronic defaulters was initiated belatedly, as discussed below.

- The Corporation sanctioned a term loan of ₹ 5 crore at 11 *per cent* interest in November 2007 to Agarwal Indotex Ltd, While the unit was in default of repayment of loan the unit applied for a fresh working capital loan of ₹ 5 crore in December 2008 and the Corporation sanctioned the same in July 2009. Interest was payable at the rate of 14.5 *per cent*. The working capital loan of ₹ 5 crore was secured by mortgage of fixed assets ranking paripasu with the charge already created in favour of SBI for a term loan of ₹ 11.66 crore availed from SBI. The unit again defaulted on repayment of the working capital loan and requested the Corporation to adjust the overdue interest out of fixed deposit of ₹ 50 lakh lying with the Corporation as additional security. The Corporation in December 2009 rescheduled both the term loans and working capital loan. Despite rescheduling the default continued and the loan was further rescheduled in March 2010. As the unit did not make payment as promised in the agreement of March 2010, the working capital loan was again rescheduled in October 2010. At the time of third rescheduling, an amount of ₹ 76.87 lakh was in default and ₹ 10.29 crore was outstanding on both the loan accounts. The Corporation was also informed that the unit was default in repayment of ₹ 56 lakh on the term loan availed form SBI. The Corporation served a legal notice in September 2010 asking the unit to clear all the loans failing which legal action for take over and sale of the property under SFC Act, 1951 was to be initiated. In spite of three rescheduling of loans and the unit was continuously defaulting in repayment, the Corporation did not proceed further to take over the property and recover the dues out of sale of property. Instead, it approved the proposal to adjust the over dues out of the fixed deposits pledged with the Corporation and against upfront payment of ₹ 22.14 lakh for liquidating the dues. The laxity of the Corporation led to a continued default of outstanding of ₹ 9.95 crore on both the loan accounts as on June 2011.

The Corporation replied (September 2011) that the loan was rescheduled to enable to unit to tide over the exceptional circumstances caused by fire and the banks are also provided relief to the borrowers by rescheduling the loans. We observed that the loans was rescheduled twice even before the fire occurred and there was no improvement in repayment despite rescheduling.

➢ Shehnai Club and Resorts Pvt. Ltd was sanctioned (February 2008) a term loan of ₹ 6.50 crore at an interest rate of 13.75 *per cent* for setting up of amusement park, water park, resort hotel, marriage garden and gymnasium at Indore. An amount of ₹ 6.40 crore was released (March - October 2008) against the prime security of fixed assets and was to be repaid after a moratorium period of 12 months in 28 quarterly installments from April 2009 to January 2016. The borrower defaulted (April 2009) in repayment of first installment of principal and interest as the cheque issued by him was dishonoured. The default continued during the period from April 2009 to March 2010 and the Corporation issued legal notices to the borrower for recovering its dues. It, however, re-scheduled (March 2010) the loan on the request of the borrower when an amount of ₹ 6.59 crore was outstanding and ₹ 69.71 lakh was in default. The borrower continued to default on repayment even after re-scheduling. The Corporation took over the mortgaged assets in March 2011. Soon after, the borrower requested the Corporation for releasing one of the mortgaged properties, assuring them to repay the loan amount from the sale proceeds of the released property. The Corporation released the additional property after obtaining cheques for ₹ 1.45 crore as the realizable value of the property was considered enough to cover the dues. Meanwhile, the borrower again requested for re-scheduling the loan and the Corporation acceded to the request after entering into an agreement (31 March 2011) with the borrower for repayment of ₹ 6.14 crore in 24 quarterly installments commencing from April 2011. Soon after re-scheduling of loan, cheques amounting to ₹ 63 lakh issued by the borrower and deposited by the Corporation were dishonoured on presentation (April 2011). We observed that the Corporation failed to initiate firm action for recovery, which resulted in an amount of ₹ 6.37 crore remaining outstanding and ₹ 51.92 lakh in default (June 2011).

In its reply, the Corporation stated (September 2011) that re-scheduling of loan was provided considering the overall scenario and action would be taken to recover the amount. The fact remains that Corporation failed to recover the dues after rescheduling the loan.

➢ The Corporation released (April – November 2006) a term loan of ₹ 18 lakh to Bablu Warehouse at the rate of 11 *per cent*, repayable in 26 quarterly installments commencing from October 2006, for construction of a warehouse for storing vegetables at Rajgarh district. The loan was sanctioned against prime security of land and building valuing ₹ 30 lakh. The borrower defaulted in repayment of loan citing lack of working capital and non-availability of capital investment subsidy from National Bank for Agriculture and Rural Development (NABARD).

The Corporation served (August 2007) a legal notice asking the borrower to repay the outstanding dues and later decided (October 2007) to take possession of the unit under Section 29 of the SFC Act. It published press advertisement for sale of the unit (October 2007) but did not receive any offer. In a discussion with the representatives of the Corporation (November 2007), the borrower undertook to repay the dues in piece-meal installments. As this was not honoured and no payment received, the Corporation issued (February 2008 and March 2009) two new press advertisements for sale of the unit and received the best offer of ₹ 21 lakh from a party against the latter advertisement. The offer was referred to the borrower (April 2009) for submission of better offer (if any) by him and providing an option to clear all dues within 10 days. In response, the borrower undertook to repay the overdue within six months, which the Corporation accepted. However, the borrower did not honour his commitment and instead expressed (April 2011) his willingness to pay ₹ 12.40 lakh towards one-time settlement of the overdue but the Corporation's Recovery Committee rejected the offer on the ground that it did not cover even the principal dues.

We observed that the Corporation was liberal in allowing the defaulter to get away with his repayment obligations on more than three occasions and by not finalizing the sale of unit in March 2009 for ₹ 21 lakh. As of June 2011, the Corporation was yet to recover an outstanding amount of ₹ 20 lakh (including principal of ₹ 14.75 lakh in default) and the possibility of recovery in the circumstances was rather bleak. The failure to realize its overdue in case of a unit that defaulted in repayment for over five years even though their assets were taken over in October 2007 reflected poorly on the recovery mechanism of the Corporation.

The Corporation stated (September 2011) that they were attempting to recover the outstanding dues.

➢ The Corporation released (August 2006) an assistance of ₹ 10.65 lakh at 11 *per cent* to Yadav Restaurant for setting up a restaurant at Ratlam district. The loan was sanctioned against security of land and building and hypothecation of furniture and fixture and was repayable in 30 quarterly installments commencing from March 2007. The Corporation released (August - October 2006) another loan of ₹ 10.35 lakh to Yadav Sweets, an associate concern of the borrower, at 11 *per cent* that was repayable in 30 quarterly installments commencing from February 2007. Both the units did not operate profitably and defaulted in repayment of dues and the Corporation issued demand notices (September and December 2007) for recovering its dues. In a review meeting convened by the Corporation during December 2008, the borrower undertook to repay the dues by January 2009. The loan account was also re-scheduled (March 2009), revising the repayment period from September 2009 to June 2015 in respect of the first loan and from August 2009 to May 2015 in respect of the second loan; the overdue interest was treated as loan. However, default continued and the borrower did not deposit the dues in accordance with the terms of re-scheduling. The Corporation served a legal notice (September 2009) recalling the entire outstanding loan but the borrower approached the Corporation (March 2010) with a one-time settlement proposal of ₹ 12 lakh for the first loan and ₹ 11.75 lakh for the second loan, payable in nine months. The borrower could deposit only ₹ 2.20 lakh towards settlement of dues.

Concerned with mounting default and inability of the borrower to repay despite acceptance of one-time settlement, the Corporation issued another legal notice (January 2011) under Section 138 of Negotiable Instruments Act recalling the entire loan amount with cancellation of one-time settlement. In response, the borrower submitted a cheque of ₹ 11 lakh in December 2010 and another cheque of ₹ 12 lakh in January 2011 but was returned by the bank on presentation with remarks that the signature of the party was different. The Corporation finally took over both the units but returned possession (June 2011) to the borrowers on *supurdgi*[21] basis after the borrowers deposited ₹ 4 lakh with the Corporation. The borrowers also agreed to deposit post-dated cheque of ₹ 2.40 lakh each in seven monthly installments from July 2011 to January 2012. As of July 2011, principal amount of ₹ 17.18 lakh was in default on the two loan accounts. We observed that the Corporation was unable to recover its dues even after a lapse of five years from the date of default though it legally took over the assets of the borrowers valued at ₹ 16.75 lakh. Evidently, the inordinate delay in recovering the dues by encashment of securities has put the Corporation at an increased risk of non-realization due to inadequate security cover.

The Corporation stated (September 2011) that it was closely monitoring the accounts of the unit and has been receiving payment in piece-meal basis.

Management of non-performing assets

2.1.26 The financial institutions needs to keep its NPA as low as possible by regularly making the recovery of its loan and should keep its portfolio as per

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[21] *Supurdgi – the process of handing over assets after obtaining written promise.*

the prudential norms set by the RBI/SIDBI. As per the RBI classification, the loans are categorized as follows:

Loan classification	
Standard assets	Where payments are regular
Sub-standard assets	Where loan as well as interest remains overdue over a period of three months but not exceeding two years
Doubtful assets	Where loan as well as interest remains overdue beyond two years
Loss assets	Where losses are identified but not written off at the end of the year

All assets other than standard assets are known as Non Performing Assets (NPA). **Table 5** indicates net outstanding loans, and NPA of the Corporation for the five years ended 2010-11.

Table 5

(₹ in crore)

		2006-07	**2007-08**	**2008-09**	**2009-10**	**2010-11**
Outstanding loans		397.46	297.52	391.24	406.73	463.45
NPA	Sub-standard assets	26.78	0	8.15	9.20	6.03
	Doubtful assets	55.93	0	0	0.26	4.17
	Loss assets	30.31	0	0	0	0
	Total NPA	**113.02**	**Nil**	**8.15**	**9.46**	**10.20**
Net outstanding loans (standard assets)		284.44	297.52	383.09	397.27	453.25

As may seen from the above table despite the State Governments' initiative to improve the financial position of the Corporation in 2007-08 the position started deteriorating from 2008-09 and the NPA of the Corporation has reached a level of ₹ 10.20 crore in 2010-11 indicating the Corporation's weakness to effectively monitor the NPA portfolio.

Financial restructuring by the State Government

2.1.27 As the Corporation was facing acute shortage of funds to meet its repayment obligations, increasing business volume, requirement of funds for retiring high interest bearing bonds and non availability of funds due to accumulation of high NPA, the Corporation submitted a proposal to State Government for financial restructuring which was approved in March 2008. The terms and conditions of the financial restructuring, inter alia were as follows:

- The State Government loan of ₹ 60 crore with interest rate of 8.5 *per cent* was converted into equity capital,
- The NPA portfolio of ₹ 113.50 crore was taken over by the State Government and cash support of ₹ 113.50 crore was given to the Corporation.
- The NPA amount of ₹ 113.50 crore was required to be followed up by the Corporation for recovery and remit the recovered amount once in a quarter till it reaches ₹ 85.12 crore to the State Government by opening a separate bank account. However, the Corporation remitted only an amount of ₹ 20.30 crore out of the recovered amount of ₹ 39.55 crore to the State Government till March 2011.
- The balance amount of ₹ 11.32 crore was invested by the Corporation in the fixed deposits with the commercial banks. Further an amount of ₹ 56.02 lakh earned as interest on the fixed deposits up to 31 March 2011 was also retained by the Corporation.

The Corporation replied (September 2011) that the funds are not required to be remitted on quarterly basis as per MoU and it is gradually remitting the recovered funds to the State Government because five years' time period has been given for recovery of the portfolio. The fact remained that the provision of the agreement signed with the State Government for transfer of NPA expressly provided for remitting the recovered funds on quarterly basis.

Loss on sale of assets taken over in case of default

2.1.28 The Corporation has the right to take over the mortgaged assets of the assisted units/ borrowers under Section 29 of the SFC Act in case of default in repayment of loans. Taking over the assets is resorted to after issuing demand/ legal notices to the defaulter for payment of dues. In case of taking over the assets of the borrowers, the assets are first taken over symbolically but the possession is handed back to the borrower on *supurdgi* basis. In case of continued default, the assets are physically taken over by the Corporation. ***Annexure-14*** indicates the details of assets taken over by the Corporation during the period from 2006-07 to 2010-11**.** We observed that in respect of 10 cases, the action for taking over the assets was initiated after a period of three years from the date of issue of legal notice for repayment of loans.

The delay in finalizing the sale also added to the Corporation's expenditure (₹12.83 lakh) besides causing depreciation in the value of the assets. Further analysis revealed that the Corporation could finalize sale and recover dues amounting to ₹ 11.07 crore from 49 out of 120 units taken over during the five-year period. In respect of nine loan accounts where ₹ 4.47 crore was in default at the time of take over, the assets were taken over symbolically and returned back to the borrowers on *supurdgi* basis. The Corporation could not recover ₹ 5.10 crore on sale of 23 units as their sale proceeds did not cover the amount of default.

The Corporation replied (September 2011) that the asset taken over is handed back after the borrower deposits substantial payment of dues. There were not more than 50 units available for sale as on 31 March 2011. The records indicated that 62 units that were available for sale as on 31 March 2011 and an amount of ₹ 9.59 crore in respect of 62 units are yet to be recovered.

A case where the Corporation took over the assets but was yet to finalize the sale and recover its dues is discussed below.

➢ The Corporation sanctioned (November 2006) a loan of ₹ 60 lakh at 13 *per cent* interest to Madhu Aluminium (Pvt.) Ltd., Indore for meeting the working capital margin money requirement against security of fixed assets already mortgaged while availing assistance earlier during June 2004 (₹ 1 crore) and August 2005 (₹ 1.25 crore). The loan was repayable in 20 quarterly installments from April 2007. Another loan of ₹ 75 lakh at 14.50 *per cent* interest was sanctioned to the unit in January 2009 for meeting additional working capital margin money requirements against the same security. Further charge on the security was also created on the residential flat of promoters, valued at ₹ 11.70 lakh and fixed deposit receipts worth ₹ 26 lakh. The total value of security mortgaged worked out to ₹ 4.70 crore against the outstanding dues of ₹ 2.23 crore. The borrower defaulted (December 2009) in repayment of loans and legal notice was issued in December 2009 calling the borrower to pay up the dues of ₹ 2.35 crore. As the default continued, the Corporation took over (February 2010) the assets for recovering the dues. The borrower intimated (March 2010) that they were making all efforts to sell some property (other than that mortgaged) and also suggested to liquidate the fixed deposit receipts pledged with the Corporation and requested for re-scheduling the loans. In April 2010, the assets taken over were returned to the borrower after obtaining *supurdgi* signed by the borrower and the three loan accounts were re-scheduled (July 2010). Even after re-scheduling, the borrower defaulted in making payments and the assets were again taken over by the Corporation (November 2010) for recovering outstanding dues. The Corporation advertised the sale of mortgaged property. At this juncture, the Central Excise authorities in Pithampur district intimated (December 2010) the Corporation that an amount of ₹ 2.64 crore was in arrear and recoverable from the borrower. Meanwhile, the realizable value of the property was valued at ₹ 3.12 crore, which was less by ₹ 1.63 crore after considering the outstanding amount of ₹ 2.12 crore payable to the Corporation and ₹ 2.64 crore payable to Excise department. The Corporation received 13 offers against the press advertisement, the highest offer being ₹ 4.11 crore. The Corporation, however, re-advertised sale of the property indicating the reserve price of ₹ 3.12 crore but only one offer was received. The sale was then re-advertised. We observed that even at the known offered price of ₹ 4.11 crore the company stood losing ₹ 0.64 crore after meeting the excise duty commitment of 2.64 crore. Thus, the Corporation could not recover its dues despite re-scheduling of the loans, foregoing interest thereon after taking over the assets in November 2010 and it could not also complete sale of the asset taken over despite retendering.

In reply, the Corporation stated (September 2011) that it was in the process of finalizing the sale of unit.

Re-scheduling of loans

The Corporation lost ₹ 71.09 lakh due to non levy of penalty on loans re-scheduled.

2.1.29 The Corporation reschedules the loans of borrowers in order to enable them to tide over their financial problems in repayment of loan installments. The re-scheduled amount included the principal outstanding and/ or in default. At the time of re-scheduling loans, the Corporation insists the borrower to pay up the interest overdue and/ or in default and an agreement is entered into with the borrower for prompt payment of future installments of principal and interest. The details of loans re-scheduled during the period 2008-09 to 2010-11 are provided in ***Annexure-15.***

Analysis revealed that out of 64 loans re-scheduled during the year 2010-11, 21 loans were re-scheduled more than once. The frequent re-phasing of loan accounts indicated a bad trend as it instigates the borrowers to become habitual defaulters and later request for further re-scheduling. It was only in May 2010 that the Corporation issued a circular to all its Field Offices directing them to charge one *per cent* extra in case of loans re-scheduled for the second time, based on the instruction of the Managing Director (April 2010). The Corporation failed to levy the penalty in case of loan accounts that were approved for re-scheduling during the year 2010-11, resulting in loss of ₹ 71.09 lakh.

The Corporation stated (September 2011) that the number of cases re-scheduled was not substantial and re-scheduling the loans yielded better return to the Corporation *vis-à-vis* taking coercive action. It added that re-scheduling was not a normal or routine practice. As discussed above, re-scheduling was done every year and the amount of loans re-scheduled was substantial during the five-year period (₹ 169.01 crore). Further, re-scheduling of loans caused postponement of recovery of principal and interest dues.

Financial Management

Sources and utilization of funds

2.1.30 The Corporation managed its finance through infusion of share capital from the State Government and regular borrowings from SIDBI and Housing and Urban Development Corporation (HUDCO**).** During the years 2009-10 and 2010-11, the Corporation mobilized funds amounting to ₹ 71.42 crore though private placement of bonds against the guarantee given by the State Government.

Funding by the State Government

2.1.31 The Corporation entered into a Memorandum of Understanding (MoU) with the State Government every year setting out long term and short term goals for achievement. The long-term goals, *inter alia*, aimed at reducing the dependence on Government assistance in future and payment of dividend to the Government on its investment. During the period from 2006-07 to

2010-11, the State Government invested equity capital of ₹ 269 crore to sustain the operations of the Corporation. However, Corporation did not pay any return on the Government funding. Of this corpus, the Corporation invested (December 2006/ January 2007) ₹ 185 crore in two power generating Companies based on a decision taken by its Board of Directors (October 2006). The Corporation, however, was yet to receive any dividend or appreciation on the investment as project of power companies are under construction stage (September 2011).

The Corporation admitted (September 2011) that dividend could not be paid to the Government as there was no distributable surplus.

Mobilization of funds through placement of bonds

2.1.32 The Corporation has been availing refinance from SIDBI for providing assistance to small and medium enterprises. It was availing Line of Credit from HUDCO for funding to commercial real estate sector. However, the funds available under these resource streams were limited and their utilization was also restricted to the earmarked sector. The Corporation, therefore, contemplated to raise funds through alternate sources with the approval of State Government to meet its annual disbursement outlay of ₹ 200 crore for the year 2009-10. It proposed (July 2009) to raise an amount of ₹ 50 crore through placement of bonds to bridge the resource gap in resources. State Government has provided the guarantee for issue of bonds. The Board of Directors, in its 397th meeting, approved (July 2009) mobilization of funds through bonds with maturity period of five to ten years. However, an amount of ₹ 37.14 crore only could be mobilized during 2010-11 from this issue**.** In December 2010, the Board approved raising the second series of bonds worth ₹ 50 crore and the Corporation garnered ₹ 34.28 crore as application money from the issue till March 2011. The Corporation mobilized only ₹ 71.42 crore against ₹ 100.00 crore through issue of bonds during 2009-10 and 2010-11.

Failure of Capital Market Division to raise funds

2.1.33 The Board of Directors decided (June 1993) to set up a Capital Market Division for taking up newer and non-conventional financing. It also decided to under take fee-based activities such as project appraisal, public issue management, underwriting of public issues, loans syndication and other corporate advisory services. The division was also given the responsibility of appraising large-size projects with the objective of expeditiously disposing of the loan cases. We observed that it did not undertake any fee-based activity or advisory service since 1997-98. As such, the objective of establishing such a division was defeated.

Accepting the audit observation, the Corporation replied (September 2011) that fee-based activity was not taken up for a long time as a result of slowdown in economy. We observed that other SFCs such as Karnataka State Financial Corporation, Andhra Pradesh State Financial Corporation and

Kerala Financial Corporation have augmented their income generation by undertaking fee-based activities.

Ineffective internal audit

2.1.34 The internal audit department is looked after by a Manager (Accounts), who holds the post as an additional charge and reports to General Manager (Finance and Accounts). Though the existing internal audit manual (framed in 1996) stipulates that the internal audit section should be headed by a Deputy General Manager reporting directly to the Managing Director, the present reporting arrangement did not ensure its independence and objectivity. The department undertook internal audit of the field offices on a rotational basis as per audit plan. However, its coverage and scope was limited to collecting data on loans, *viz.*, new loans sanctioned, disbursement of loans, legal notices issued, office expenses incurred, maintenance of registers, withdrawal of funds from banks, interest subsidy received, cheques dishonored, loans account settled etc. We observed that only 70 *per cent* of the units planned were audited in the last five years ended 2010-11. The departments in the Head Office and the Capital Market Division were kept outside the purview of internal audit. There were no effective suggestions/ recommendations in the audit reports to improve the processes and operations of the Corporation. Further, the internal audit reports were not placed before the Audit Committee/ Board of Directors. A case of misappropriation of ₹ 6.46 lakh by an employee occurred in Indore branch during the period of performance audit. We observed that there is a need to have a systemic change in procedure and policy guidelines of the existing internal audit system.

The Corporation stated (November 2011) that it was revising its internal audit manual.

Information Technology system

2.1.35 The Corporation has a Systems Department with several computer terminals and software for undertaking activities such as loan accounting, financial accounting, cash flow and fund flow statement preparation, word processing, payroll, MIS reporting, data transfer between offices, website management, etc. The FO/BDC's send the data in batch mode through internet mail attachments which is being verified at head office and integrated (merged and clubbed) into Corporate database. The data is segregated FO/BDC wise and is sent back to the FO/BDC in similar manner every fortnight to effect changes occurred at the head office level. We observed that the Corporation did not have a formal written down Information Technology (IT) policy document. The system also did not allow automatic categorization of loans into small scale or medium scale industry based on the cost of purchase of plant and machinery, calculation of interest on loans based on the date of realization of cheques and incorporation of various legal formats.

The Corporation stated (September 2011) that the revamping of the IT system was in progress and a web-based IT system for enabling integration of all activities would be completed by 31 March 2012.

Conclusion

- **The Corporation failed to play a supportive role in industrialisation of backward areas by bringing innovative schemes of financing to promote, encourage and motivate entrepreneurs to set up industries in backward areas to attain the objective of industrial policy of the State;**

- **The Corporation did not develop and put in place a mechanism whereby the rates of interest offered by the commercial bank and other financial institutions on the term loans and working loans are compared periodically so as to make the Corporation's rate of interest competitive;**

- **The Corporation exceeded its norm of exposure in sanctioning loans to CRE sector;**

- **The Corporation did not have a policy regarding grant of rebate for timely repayment of loan and it discretionally allowed rebate even in case of delayed repayments;**

- **The Corporation delayed the sanctioning of the loans beyond the time permitted by the Board;**

- **The loss on account of OTS with the defaulting loanee were increasing from year to year and**

- **The loans were rescheduled frequently without any limit on the number of rescheduling resulting in delayed recovery of loans.**

Recommendations

To improve its functioning, the Corporation may

- **bring out schemes of financing to attract investors to backward areas in order to fulfill the objectives of industrial policy;**

- **institute a mechanism for making its interest rates competitive;**

- **limit its exposure to the CRE sector to the approved norms and start concentrating on the micro, small and medium enterprises in the backward areas of the State;**

- **adhere to time limits fixed by the Board for sanctioning of the loans;**
- **consider putting a ceiling of maximum amount of loss than can be incurred in each case of one time settlement and**
- **put a ceiling on the number of times a loan can be rescheduled.**

2.2 MP Poorv Kshetra Vidyut Vitaran Company Limited *and* MP Paschim Kshetra Vidyut Vitaran Company Limited

Performance Audit of Power Distribution Utilities in Madhya Pradesh

Executive Summary

The power distribution in the State of Madhya Pradesh is carried out by three Power Distribution Companies (Discoms) namely Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited (Madhya Discom), Madhya Pradesh Poorv Kshetra Vidyut Vitaran Company Limited (Poorv Discom) and Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited (Paschim Discom) which were incorporated on 31 May 2002 under the Companies Act 1956.

During 2006-07, 19,706 MUs of energy was sold by the three Discoms which increased to 25,468 MUs, registering an increase of 29.24 per cent during 2006-11. As on 31 March 2011, the State had distribution network of 5,84,949 CKM, 2,680 sub-stations and 2,55,207 transformers of various categories. The number of consumers was 89.85 lakh. Based on the data relating to quantum of power sold, length of distribution network and the number of consumers, the Poorv and Paschim Discoms were selected for detailed analysis.

Distribution and network planning

Against the planned additions of 1031 sub-stations, the three Discoms added only 651 sub-stations during 2006-11.

Implementation of centrally sponsored schemes

Under RGGVY the Poorv and Paschim Discoms had not fixed target for electrification for the year 2006-07 and 2007-08. During the five years from 2006-07 to 2010-11 only 3,375 villages were electrified against a target of 4,379 villages achieving 77.07 per cent.

Operational efficiency

Due to Sub transmission and distribution losses in excess of norms fixed by MPERC, during the five years from 2006-07 to 2010-11, the two Discoms suffered a loss of revenue to the tune of ₹1490.86 crore.

Financial Management

Due to release of inadequate funds by MPSEB under Cash Flow Mechanism during the period between 2006-07 and 2009-10, the Poorv Discom had diverted ₹ 102.81 crore from funds earmarked for capital works for salary, repairs & maintenance and administrative & general expenses.

To meet the necessary expenditure the Discoms were compelled to resort to working capital loan and during the review period had borrowed ₹ 800 crore (₹ 250 crore Poorv Discom and ₹ 550 crore Paschim Discom) from Power Finance Corporation and the Paschim Discom had borrowed ₹ 2795.50 crore and Poorv Discom ₹ 996.19 crore from Government of Madhya Pradesh.

Billing and Revenue collection efficiency

The Poorv and Paschim Discoms billed only 73.21per cent to 76.79 per cent of *energy sold. In respect of the three Discoms in the State the balance dues outstanding at the end of the year increased from ₹ 3778.15 crore in 2006-07 to ₹ 6365.05 crore in 2010-11. The arrears in terms of number of months' assessment increased from 6.23 in 2006-07 to 6.63 in 2010-11.*

Incorrect estimation of agricultural consumption

Because of non compliance with the directives of the MPERC regarding provision of meters in at least 25 per cent agricultural predominant DTRs, revision of the benchmark consumption could not be achieved, thus the Paschim Discom had to forgo revenue on 286.13 MU during 2010-11.

Conclusion and recommendations

Discoms could not achieve the planned addition of substations. The two Discoms had not included a clause in the agreement for levy of interest on the mobilisation advance to contractors. While the Discoms are paying interest on loans from PFC, they granted interest free advance to contractors. The percentage of metered consumers to total consumers decreased from 75 in 2006-07 to 64 in 2010-11. Due to incorrect estimation of unmetered agricultural consumers, the Paschim Discom had to forgo revenue on short billing of 286.13 MU during 2010-11. Delay in implementation of Bachat Lamp Yojana resulted in depriving the savings in power of 86.21 MU annually in respect of Poorv Discom. The Paschim Discom had not assessed the likely savings in peak load or reduction in power purchase cost that would accrue annually upon implementation of the scheme.

The performance audit report contains five recommendations which include increasing the phase of addition of Sub-Station to the distribution network, avoiding grant of interest free mobilisation advance to contractors, speeding up the pace of rural electrification and regulating the tariff in accordance with the National Tariff Policy.

Introduction

2.2.1 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 supply of electricity is very crucial to sustained 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 house hold. 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 performance audit, we analysed how far the distribution Companies (Discoms) in Madhya Pradesh planned their operations to achieve the 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 Madhya Pradesh

2.2.2 As a part of power sector reforms, the erstwhile Madhya Pradesh State Electricity Board was unbundled (May 2002) and initially five companies (Madhya Pradesh Power Generating Company Limited, Madhya Pradesh Power Transmission Company Limited, Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited, Madhya Pradesh Poorv Kshetra Vidyut Vitaran Company Limited and Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited) were formed and later another Company (Madhya Pradesh Power Trading Company Limited) was formed. Consequently, the business of distribution of power in Madhya Pradesh is carried out by the three Discoms. These were incorporated on 31 May 2002 under the Companies Act 1956. They are under the administrative control of Department of Energy.

Vital parameters of Electricity Supply in Madhya Pradesh

2.2.3 During 2006-07, 19,706 MUs of energy was sold by the three Discoms which increased to 25,468 MUs, registering an increase of 29.24 *per cent* during 2006-11. As on 31 March 2011, the State had distribution network of 5,84,949 CKM, 2,680 sub-stations and 2,55,207 transformers of various categories. The number of consumers was 89.85 lakh. The turnover of the three Discoms was ₹ 10,874.75 crore in 2010-11 which was equal to 34.37 *per cent* and 4.00 *per cent* of the State PSUs and State Gross Domestic Product respectively. It employed 38,071 employees as on 31 March 2011.

2.2.4 Performance Audit of power sector: Performance audit on 'Power Generation Activities' was included in the Audit Report of the Comptroller and Auditor General of India (Commercial), Government of Madhya Pradesh for the year ended 31 March 2010. The Audit Report is yet to be discussed by COPU. This Performance Audit is conducted on the functioning of Power Distribution Companies in Madhya Pradesh.

Scope and Methodology of Audit

2.2.5 The present performance audit was conducted during February and June 2011 and covers the functioning of the Discoms during the period from 2006-07 to 2010-11. The Performance audit 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 of the Corporate Office and 4[22] out of 15 Circles (Poorv Kshetra Vidyut Vitaran Company Limited, Jabalpur-Poorv Discom) and 4[23] out of 14 Circles (Paschim Kshetra Vidyut Vitaran Company Limited, Indore-Paschim Discom). The circles were selected based on the strength of LT and HT consumers.

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

2.2.6 The objectives of the performance audit were to assess:

- whether aims and objectives of National Electricity Plan 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, Revised 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
- whether energy conservation measures were undertaken.

[22] *Chhindwara, Jabalpur (City), Sagar and Katni.*
[23] *Indore (City), Indore (O&M), Ujjain and Dewas.*

Audit Criteria

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

- provisions of Electricity Act 2003;
- objectives of National Electricity Plan, Plans and norms concerning distribution network of Discoms and planning criteria fixed by the MPERC;
- terms and conditions contained in the documents of Central Schemes;
- standard procedures for award of contract and principles of economy, efficiency and effectiveness in conducting operations of the Company;
- norms prescribed by various agencies with regard to operational activities;
- norms of technical and non-technical losses;
- guidelines/ instructions/ directions of State Government/MPERC.

Audit Findings

2.2.8 We explained the audit objectives to the Companies during the 'Entry Conference' held on 21 January 2011 (Paschim Discom), 31 January 2011(Poorv Discom) and 14 February 2011 (Madhya Discom). Audit findings were reported to the Company and the State Government in July 2011 and discussed in an 'Exit Conference' held on 8 December 2011. The Exit Conference was attended by senior officers of the Poorv and Paschim Discoms. The Poorv and Paschim Discoms replied to audit findings in December 2011. The replies, views expressed during both the Conferences and latest position of various aspects raised by audit and furnished by the Company during the Exit Conference have been considered while finalizing this Performance audit. However, reply was not received from the Government and representative from the Government was not present in the entry and exit conference. The audit findings are discussed in subsequent paragraphs.

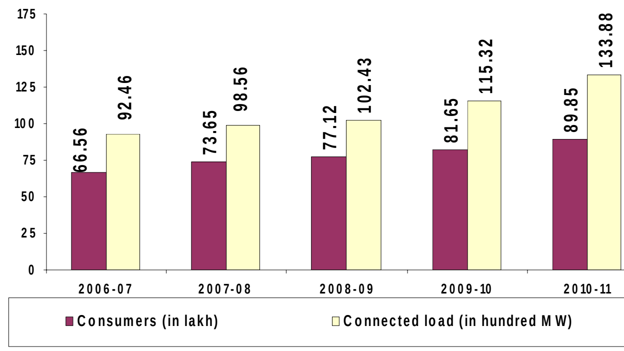
Distribution Network Planning

2.2.9 The National Electricity Plan was evolved with the objective of providing:

- 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.

The number of consumers and their connected load in the State during performance audit period are indicated in the chart.



While the system improvement and rural electrification schemes have been dealt with separately under subsequent paragraphs, the particulars of distribution network planned vis-à-vis achievement there against in the State as a whole is depicted in ***Annexure -16***. It may be seen from the annexure that against the planned additions of 1031 sub-stations over the performance audit period, only 651 sub-stations were actually added. Further, while the connected load increased from 9246 MW (equivalent to 11558 MVA at 0.80 Power Factor) in 2006-07 to 13388 MW (equivalent to 16735 MVA at 0.80 Power Factor) in 2010-11 (44.80 *per cent*), the transformer capacity increased from 13,661 MVA in 2006-07 to 19,184 MVA (40.43 *per cent*) in 2010-11.

Some of the observations on planning are discussed below:

Transformation capacity

2.2.10 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 the State during the period from 2006-11.

(Figures in MVA)

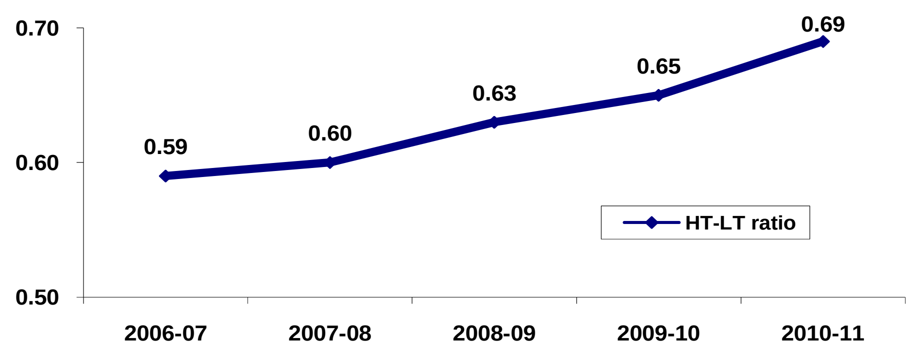
Year	Connected load	Transformation Capacity available	Gap (-) in/excess of Transformation capacity	Ratio of Transformation capacity to connected load
2006-07	11558	14154	2596	1.22:1
2007-08	12320	15472	3152	1.26:1
2008-09	12804	17277	4473	1.35:1
2009-10	14415	18292	3877	1.27:1
2010-11	16735	19184	2449	1.15:1

It may be seen from the table that the ratio of transformation capacity to total connected load ranged between 1.15:1 and 1.35:1. This represented an adequate transformation capacity in the state.

Implementation of LT less system

2.2.11 High Voltage Distribution System (HVDS) is an effective method of reduction of technical losses, prevention of theft, improved voltage profile and better consumer service. The GOI 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 Plan 2005 also laid down that the distribution companies should be prompted to replace LT lines by HT lines to reduce the distribution losses.

The HT-LT ratio over the performance audit period is depicted in the graph:



The HT-LT ratio increased from 0.59 to 0.69 respectively during 2006-11. On a review of implementation of HVDS, which is aimed at conversion of LT to HT, we observed the following discrepancies:

Poorv and Paschim Discom

Though the Discom was paying interest on the funds borrowed, they granted interest free mobilisation advance during contract period.

2.2.12 Under the scheme funded by Asian Development Bank (ADB), the Poorv Discom envisaged conversion of 15,567 KMs of Low Tension lines to High Voltage (11kV) lines. For execution of scheme, the Discom issued 16 work orders valued ₹ 631.72 crore. As per the terms and conditions of funding by ADB, interest is charged on the amount of funding from the date of advance. Whereas, the Discoms levied interest on mobilisation advance paid to the contractors only for the period beyond which the contract was delayed from the scheduled date of completion. The Discom should have followed the same conditions of levying interest on mobilisation advance given to the contractors. Not doing so, has resulted in non-recovery of interest of ₹ 14.34 crore on the amount of ₹ 71.72 crore granted to the contractors on mobililsation advance.

Similarly, in the case of Paschim Discom, an amount of ₹ 8.30 crore was not recovered towards interest on mobilisation advance of ₹ 46.14 crore granted to the contractors.

The Discom stated (June 2011) that they had adopted Standard Bidding Document of ADB which did not specify any interest on mobilisation advance. The bidding documents were also approved by the lender. We suggested that Discoms should have followed the same principle of paying interest to ADB on its loan for recovery of interest on loan granted by it to the contractors

2.2.13 A review of scheme assisted by Asian Development Bank (ADB) revealed that

- As per the scheme, the works (tranche–IV), were to be completed by July 2009, However, the same were awarded to contractors only between August 2008 and October 2009 at a total cost of ₹ 270.73 crore. The work was delayed and the percentage of completion ranged from 19 *per cent* to 98 *per cent* as on April 2011.

Implementation of Centrally Sponsored Schemes

Rural Electrification

2.2.14 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 w.e.f 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% of the total number of households in the village.

As on 31 March 2006, there were 52,087 villages (as per 2001 Census) in the State. Out of 36,374 villages in Poorv and Paschim Discoms selected for detailed analysis, 32,741 villages were electrified (90 *per cent*). The year-wise target vis-à-vis achievement of electrification under RGGVY scheme during the review period is shown in the table below.

(Figures in numbers)

Year	Electrified in the beginning of the year	Targeted for electrification during the year	Electrified during the year	Electrified in the end of the year	Percentage of achievement against target during the year
2006-07	32741	0	0	32741	0
2007-08	32741	0	4	32745	0
2008-09	32745	1764	252	32997	14.29
2009-10	32997	1730	927	33924	53.58
2010-11	33924	885	2192	36116	247.68
Total		**4379**	**3375**		**77.07**

We observed that:

The Poorv and Paschim Discoms did not achieve the target for electrification of villages.

- The Discom did not fix any target for rural electrification during 2006-07 and 2007-08 and as result no village was electrified during these years.
- During the five years from 2006-07 to 2010-11 only 3,375 villages were electrified by the two Discoms, against a target of 4,379 villages indicating only 77.07 *per cent* achievement;

2.2.15 For execution of the RGVVY scheme, the Poorv Discom placed 27 work orders during September 2006 and August 2010 at a cost of ₹ 923.61 crore. A review of all work orders revealed that

- the percentage of payment method adopted[24] by the Discom on supply and erection contracts were at variance with those recommended by REC[25],
- in respect of two Districts (Damoh and Shahdol) only 32 per cent work was completed by November 2011 as against the target of completion by 18 months from March 2008 and October 2010 for Damoh and Shahdol respectively.

The Poorv Discom did not levy liquidated damages amounting to ₹ 8.31 crore for slow progress of work.

- in respect of eight contracts valuing ₹ 166.16 crore, the Discom did not levy liquidated damages of ₹ 8.31 crore for slow progress of work though provided in the contracts.
- in respect of 27 contracts valuing ₹ 923.61 crore where works were awarded between September 2006 and November 2010 and were to be completed between March 2008 and May 2012, no work was completed

[24] *(15 per cent advance, 80 per cent on receipt of material,5 per cent on final payment) on supply and on erection (10 per cent for advance,90 per cent for work done)*

[25] *(15 per cent advance, 70 per cent on receipt of material,15 per cent on final payment)on supply and on erection(10 per cent for advance,80 per cent for work done,10 per cent on final payment)*

so far (July 2011). The completion of works ranged between 0.10 to 51 *per cent* only,

- while the REC guidelines specified 15 and 10 *per cent* mobilisation advance on ex-works price of the supply and erection contract, the Paschim Discom paid mobilisation advance on total contract price inclusive of taxes resulting in excess payment of advance amounting to ₹ 4.52 crore.

The Poorv Discom replied (December 2011) that the percentage of payment method was adopted so that the contractors have sufficient cash flow and works do not suffer on this account. However, no prior approval was taken from the funding agency for such deviation in guidelines.

2.2.16 The Discoms received funds under RGGVY for rural electrification. The position of the funds available vis-à-vis utilised under various schemes in respect of Poorv and Paschim Discoms selected for detailed analysis during the five years ending 31 March 2011 is depicted in the table below.

(₹ in crore)

Year	Opening Balance	Funds received during the year	Total funds available	Funds Utilised	Unspent funds at the end of the year	Percentage of utilised fund
2006-07	0.00	73.53	73.53	27.96	45.57	38.03
2007-08	45.57	55.15	100.72	43.15	57.57	42.84
2008-09	57.57	122.12	179.69	32.92	146.77	18.32
2009-10	146.77	314.76	461.53	177.96	283.57	38.56
2010-11	283.57	202.96	486.53	173.50	313.03	35.66

It is evident from the table that

- in all the years the amount of funds utilised was less than the amount of funds received.
- the unspent funds at the end of all the years were increasing year after year.
- delay in execution of works in case of Poorv Discom was the reason for under-utilisation of funds.

Restructured Accelerated Power Development & Reforms Programme

2.2.17 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 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[26]/ 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.

Funds released by the Government of India

2.2.18 The details of the funds released by GOI, mobilized from other agencies (including REC/ PFC/ Commercial Banks), utilisation there against and balances in respect of the Poorv and Paschim Discoms are depicted below.

(₹ in crore)

Year	Funds released by		Funds available	Funds utilised	Balance	Percentage of balance to funds available
	GOI	Others (PFC)				
2009-10	Nil	37.00	37.00	4.70	32.30	87
2010-11	Nil	160.08	192.38	26.39	165.99	86

It may be seen from the above that in both the years 2009-10 and 2010-11 the amount of funds utilised was less than the amount of funds released.

In execution of the Project, we observed that the Poorv Discom had granted interest-free advance of ₹ 11.09 crore and Paschim Discom ₹ 3.36 crore to TCS under Part A. The Poorv Discom had also granted interest-free advance of ₹ 35.83 crore to contractors under Part B (₹ 21.69 crore as on March 2011). While Discoms are paying interest on the loan from PFC @ 11.5 *per cent per annum*, granting interest free advance was against the financial interest of the Discoms.

Consumer metering

2.2.19 The MPERC directed (July 2009) that all un-metered domestic connections in urban areas given after December 2007 and all un-metered domestic connections in rural areas be provided with meters in a phased manner and meterisation be completed by March 2010.

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

Only the Paschim Discom was successful in attaining 100 *per cent* meterisation in urban areas by the end of June 2009, but there existed unmetered connections in rural areas. In case of other two Discoms there existed unmetered connections in both urban and rural areas. Financial crunch was the main reason for not achieving the targets for meterisation.

Attainment of 100 *per cent* metering was one of the objectiveChapter-II Performance Audi scheme. Accordingly, the work of metering of unmetered consumers and replacement of defective and stopped meters under 82 towns in the State was taken up at a total cost of ₹ 124.02 crore It was targeted that the work would be completed by July 2012 and June 2011 respectively. The achievement of metering of all consumers (of various categories) in the State is indicated in the ***Annexure –17***.

We observed that:

- The Poorv Discom had not fixed targets for meterisation for the years 2006-07 to 2009-10
- The Paschim Discom had also not fixed targets for the years 2006-07, 2007-08 and 2010-11
- In none of the years during the review period (except in 2008-09 in case of Paschim Discom) the targets fixed for meterisation were achieved by the Discoms
- The percentage of metered consumers to total consumers in the State decreased from 75 in 2006-07 to 64 in 2010-11.

Operational efficiency

2.2.20 The operational performance of the Discom was evaluated on the basis of various factors including 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.

Sub-transmission & Distribution Losses

2.2.21 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 the bare minimum. The following table indicates the energy losses for the Discoms selected for detailed analysis for last five years up to 2010-11.

(In Million Units)

S.No	Particulars		2006-07	2007-08	2008-09	2009-10	2010-11
1	Energy purchased	Poorv	9777	10444	10290	10403	11242
		Paschim	12693.00	13580.90	13394.54	13627.53	15099.10
		Total	**22470.00**	**24024.90**	**23684.54**	**24030.53**	**26341.10**
2	Energy Available for Sale (after transmission losses)	Poorv	9062	9817	9604	9632.00	10563
		Paschim	11663.90	12789.20	12656.20	12705.60	14148.90
		Total	20725.90	22606.20	22260.20	22337.60	24711.90
3	Energy Sold	Poorv	5817	6114	6028	6410	7231
		Paschim	8079.40	8442.50	8382.90	9069.50	10412.80
		Total	**13896.40**	**14556.50**	**14410.90**	**15479.50**	**17643.80**
4	Energy Losses (2-3)	Poorv	3245	3703	3576	3222	3332
		Paschim	3584.50	4346.70	4273.30	3636.10	3736.10
		Total	**6829.50**	**8049.70**	**7849.30**	**6858.10**	**7068.10**
5	Percentage of energy losses (per cent) {(4 / 2) x 100}	Poorv	35.81	37.72	37.23	33.45	31.54
		Paschim	30.73	33.99	33.76	28.62	26.41
6	Percentage of losses allowed by MPERC (per *cent*)	Poorv	32.50	29.50	26.50	23.50	30.00
		Paschim	30	27.5	25	23	26
7	Normative losses (in MUs)	Poorv	2945.15	2896.02	2545.06	2263.52	3168.90
		Paschim	3499.17	3517.03	3164.05	2922.29	3678.71
8	Excess losses (in MUs)	Poorv	299.85	806.99	1030.94	958.48	163.10
		Paschim	85.33	829.67	1109.25	713.81	57.39
9	Total Excess losses (in MUs)		385.18	1636.66	2140.19	1672.29	220.49
10	Average realisation rate per unit (in ₹)	Poorv	2.29	2.17	2.35	2.79	2.97
		Paschim	2.23	2.18	2.4	2.87	3.13
11	Value of excess losses (₹ in crore) (8 x 10)	Poorv	68.67	175.12	242.27	267.42	48.44
		Paschim	19.03	180.87	266.22	204.86	17.96
12	**Total value of excess losses** (₹ in crore)		**87.70**	**355.99**	**508.49**	**472.28**	**66.40**

The AT&C losses of the Discoms were higher than the norms fixed by the MPERC.

It would be seen from the table that losses ranged between 31.54 *per cent* and 37.72 *per cent* (Poorv Discom) and between 26.41 *per cent* and 33.99 *per cent* (Paschim Discom) during the last five years ending 31 March 2011. Reduction in these losses is the most significant step towards making the Discoms financially self-sustaining. The importance of reducing losses can be gauged from the fact that one *per cent* decrease in losses could add ₹ 76.53 crore [27] (Poorv Discom ₹ 31.50 crore and Paschim Discom ₹ 45.03 Crore) to the profits of the Discoms annually. The main reasons for such high energy losses were heavy number of unmetered consumers thereby leading to high quantum of assessed sales against metered sales and theft of electricity.

[27] *Based on losses and Average Rate of Realisation of the Discoms during 2010-11.*

Performance of Distribution Transformers

2.2.22 The MPERC had fixed the norm of failure of DTRs in its tariff orders. The details of norms fixed, actual DTRs failed and the expenditure incurred on their repairs is depicted in the table below.

Sl. No.	Particulars		2006-07	2007-08	2008-09	2009-10	2010-11
1.	Existing DTRs at the close of the year (in Number)		1,86,755	2,00,720	2,24,544	2,38,109	2,55,207
2.	DTR Failures (in Number)		33,338	27,331	31,315	30,813	33,748
3.	Percentage of failures	Madhya	21.36	16.17	17.72	13.70	12.70
		Poorv	14.83	13.00	15.00	11.95	11.56
		Paschim	17.12	11.89	11.67	12.92	14.99
4.	Norm allowed by MPERC (in percentage)	Madhya	14.00	12.00	10.00	8.00	8.00
		Poorv	14.00	13.00	12.00	11.50	11.00
		Paschim	11.51	12.00	10.18	11.00	10.50
5.	Excess failure percentage over norms	Madhya	7.36	4.17	7.72	5.70	4.70
		Poorv	0.83	0	3.00	0.45	0.56
		Paschim	5.61	0	1.49	1.92	4.49
6.	Expenditure on repair of failed DTRs (₹ in crore) Poorv and Paschim Discoms		13.04	14.92	13.18	11.80	17.21

It may be seen from the above table that except during the year 2007-08 (Poorv and Paschim Discom) the percentage of failure of transformers was in excess of norms fixed by the MPERC.

Cause-wise analysis of failure of DTRs revealed that in respect of the Poorv and Paschim Discoms the percentage of failure due to defective manufacture/repair and line bursting was high and ranged between 81.33 and 94.23 of the total failures. Percentage of failure due to over-loading ranged between 3.96 to 11.07 *per cent* during the years under review as shown in the table below.

(Figures in numbers)

Year	Total Number of DTRs failed	Number of failures due to		Percentage of failures due to	
		Defective manufacture/ line bursting	Over-loading	Defective manufacture/ line bursting	Over-loading
2006-07	20,823	17,511	1,949	84.09	9.36
2007-08	16,369	13,313	1,812	81.33	11.07
2008-09	18,136	15,281	1,290	84.26	7.11
2009-10	19,178	18,072	759	94.23	3.96
2010-11	21,749	20,247	1,028	93.09	4.73

Commercial losses

2.2.23 The majority of commercial losses relate to consumer metering and billing besides pilferage of energy. The other observations relating to commercial losses are discussed below.

High incidence of theft

2.2.24 Substantial commercial losses are suffered 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.

We observed that:

- The Paschim Discom had not fixed targets for number of checkings, number of theft cases, amount assessed in theft cases and amount to be realised
- The Paschim Discom had not furnished the data on the actual number of checkings and actual number of theft cases noticed
- The targets for realisation of the amount assessed were not achieved by the Poorv Discom in any of the years except 2009-10 during the performance audit period

Performance of Raid Team

2.2.25 In order to minimise the cases of pilferage/loss of energy and to save the Discoms from sustaining heavy financial losses on this account, Section 163 of Electricity Act 2003, provides that the licensee may enter the premises of a consumer for inspection and testing the apparatus. Vigilance team of Discoms headed by an Officer of the rank of Chief Engineer at its headquarters was entrusted with the work of conducting raids of checking the premises of the consumers with the assistance of Assistant Engineers (AEs) and other departmental officers of the Discoms concerned. Following is the position of raids conducted during review period.

(₹ in crore)

Sl. No	Year	Total number of consumers (in lakh)	No. of consumers checked (in lakh)	Assessed amount	Realised amount	Unrealised amount	Percentage of unrealized amount to assessed amount	Percentage of checking to total nos. of consumer
1	2006-07	66.56	15.23	155.99	84.5	71.49	45.83	22.88
2	2007-08	73.65	14.84	177.59	97.67	79.92	45.00	20.15
3	2008-09	77.12	12.81	135.99	80.2	55.81	41.04	16.61
4	2009-10	81.65	13.76	292.97	182.91	110.06	37.57	16.85
5	2010-11	89.85	12.18	351.03	174.94	176.09	50.16	13.56

Though the percentage of unrealized amount against the amount assessed during the raids decreased from 45.83 in 2006-07 to 37.57 in 2009-10, it increased to 50.16 in 2010-11. At the same time the percentage of checking of number of consumers also decreased. This shows that there was need to conduct more raids to drastically reduce theft of energy and also that the Discoms have not taken adequate steps to recover the amounts assessed as per the Electricity Act.

Financial Position and Working Results

2.2.26 One of the major aims and objectives of the National Electricity Plan of 2005 is ensuring Financial Turnaround and commercial viability of electricity sector. The tables below summarizes the financial position and working results of two selected Discoms for the period from 2006-07 to 2010-2011.(The details in respect of Madhya Discom are given in ***Annexure-18***).

(₹ in crore)

Particulars	POORV DISCOM					PASCHIM DISCOM				
	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	417.04	493.34	603.79	1014.91	1194.45	637.31	788.58	662.85	1170.18	1223.05
Reserve & Surplus	24.41	198.26	368.18	654.54	809.48	40.18	101.98	321.17	380.06	437.24
Borrowings (Loan Funds)										
Secured	0.00	134.12	328.25	463.26	746.00	-	-	32.03	87.45	255.44
Unsecured	883.55	699.68	691.47	1401.90	2259.25	890.66	981.48	838.11	690.17	1223.7
Current Liabilities & Provisions	1568.11	2245.28	3698.90	4128.18	4440.10	1585.93	2284.96	3388.11	4533.65	5427.44
Total	**2893.11**	**3770.68**	**5690.59**	**7762.79**	**9449.28**	**3154.08**	**4157**	**5242.27**	**6861.51**	**8566.87**
B. Assets										
Gross Block	1444.71	1639.06	1944.26	2196.64	2600.22	1677.77	1805.22	1985.91	2061.3	2722.7
Less: Depreciation	956.98	1059.21	1187.65	1296.74	1391.55	989.8	1065.71	1284.71	1379.24	1601.67
Net Fixed Assets	487.73	579.85	756.61	899.90	1208.67	687.97	739.51	701.2	682.06	1121.03
Capital works-in-progress	498.70	528.88	556.22	766.91	745.60	829.24	914.58	1000.92	1178.86	863.87
Investments	4.00	4.00	50.74	226.54	4.61	28.05	27.67	138.41	148.15	248.79
Current Assets, Loans and Advances	1358.24	1500.19	2092.79	2405.02	3140.00	1254.6	1441.21	1539.62	1557.22	2459.71
Miscellaneous Expenditure	0.18	0.12	0.06	0.00	12.18	-	-	-	-	-
Deferred Revenue Expenditure	1.19	0.79	0.40	0.00	0.00	-	-	-	-	-
Accumulated losses	543.07	1156.85	2233.77	3364.42	4338.22	354.22	1034.02	1862.12	3295.21	3873.47
Total	**2893.11**	**3770.68**	**5690.59**	**7762.79**	**9449.28**	**3154.08**	**4156.99**	**5242.27**	**6861.50**	**8566.87**
Debt : Equity[28]	**-**	**1.69:1**	**1.42:1**	**1.76:1**	**2.31:1**	**1.28:1**	**0.98:1**	**1.18:1**	**0.36:1**	**0.76:1**

Working results

2.2.27 The table below summarizes the particulars of cost of electricity vis-à-vis revenue realization per unit there from in respect of two selected Discoms for the period from 2006-07 to 2010-2011.(The details in respect of Madhya Discom are given in ***Annexure-19***).

[28] *Debt Equity: Figures in the table are taken from the Chapter-I.*

No.	Description	POORV DISCOM (₹ in crore)					PASCHIM DISCOM (₹ in crore)				
		2006-07	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2006-07**	**2007-08**	**2008-09**	**2009-10**	**2010-11**
1	**Income**										
(i)	Revenue from Sale of Power	1982.67	2031.90	2072.81	2498.72	2836.74	2382.50	2548.60	2640.24	3120.08	3823.78
(ii)	Revenue subsidy & grants	88.51	97.41	188.65	190.79	296.99	214.25	235.12	394.71	521.79	605.69
(ii)	Other income	140.74	142.02	163.48	239.90	230.15	130.65	154.72	170.49	189.35	253.17
	Total Income	**2211.92**	**2271.33**	**2424.94**	**2929.41**	**3363.88**	**2727.40**	**2938.44**	**3205.44**	**3831.22**	**4682.64**
2	**Distribution (In MUs)**										
(i)	Total power purchased	9777.00	10444.00	10290.00	10403.00	11242.00	12693.00	13580.90	13394.54	13627.53	15099.10
(ii)	Less: Transmission losses,	715.00	627.00	686.00	771.00	679.00	1029.10	791.70	738.34	921.93	950.20
(iii)	Net Power available for Sale	9062.00	9817.00	9604.00	9632.00	10563.00	11663.90	12789.20	12656.20	12705.60	14148.90
(iv)	Less: Sub-transmission & distribution losses	3245.00	3703.00	3576.00	3222.00	3332.00	3584.50	4346.70	4273.30	3636.10	3736.10
	Net power sold	**5817.00**	**6114.00**	**6028.00**	**6410.00**	**7231.00**	**8079.40**	**8442.50**	**8382.90**	**9069.50**	**10412.80**
3	**Expenditure on Distribution of Electricity**										
(a)	**Fixed cost**										
(i)	Employees cost	306.74	357.26	410.23	466.12	568.99	289.62	326.36	392.23	822.42	502.70
(ii)	Administrative and General expenses	48.29	64.38	72.48	77.38	74.28	45.57	56.51	60.02	75.51	91.94
(iii)	Depreciation	114.78	102.22	85.07	109.08	94.81	66.95	75.91	96.30	94.54	86.27
(iv)	Extra ordinary items	-4.00	0.00	-4.04	160.70	78.84	0.00	0.00	0.00	0.00	0.00
(v)	Interest and finance charges	45.80	90.04	86.66	134.22	341.17	78.14	101.34	129.24	196.51	453.41
(vi)	Other Expenses	112.45	35.70	91.68	311.30	292.33	31.09	110.84	88.90	258.60	102.99
	Total fixed cost	**624.06**	**649.60**	**742.08**	**1258.80**	**1450.42**	**511.37**	**670.96**	**766.69**	**1447.58**	**1237.31**

Sl. No	Description	POORV DISCOM (₹ in crore)					PASCHIM DISCOM (₹ in crore)				
		2006-07	2007-08	2008-09	2009-10	2010-11	2006-07	2007-08	2008-09	2009-10	2010-11
(b)	**Variable cost**										
(i)	Purchase of Power	1687.48	1976.80	2503.45	2448.50	2609.07	2116.31	2618.16	2948.54	3377.44	3390.68
(ii)	Electricity Duty						0.00	0.00	0.00	0.00	0.00
(iii)	Transmission/ Wheeling Charges	183.20	227.44	224.55	329.66	249.03	226.55	298.45	281.55	257.68	398.71
(iv)	Repairs & Maintenance	20.83	30.26	30.69	23.11	29.15	24.26	30.08	35.24	36.92	47.88
	Total variable cost	**1891.51**	**2234.50**	**2758.69**	**2801.27**	**2887.25**	**2367.12**	**2946.69**	**3265.33**	**3672.04**	**3837.27**
(c)	**Total cost 3(a) + (b)**	**2515.57**	**2884.10**	**3500.77**	**4060.07**	**4337.67**	**2878.49**	**3617.65**	**4032.02**	**5119.62**	**5074.58**
4	Realisation (₹ per unit) (incl. revenue subsidy)	2.29	2.17	2.35	2.79	2.97	2.23	2.18	2.40	2.87	3.13
5	Fixed cost (₹ per unit)	0.69	0.66	0.77	1.31	1.37	0.44	0.52	0.61	1.14	0.87
6	Variable cost (₹ per unit)	2.09	2.28	2.87	2.91	2.73	2.03	2.30	2.58	2.89	2.71
7	Total cost per unit (in ₹) (5+6)	2.78	2.94	3.65	4.22	4.10	2.47	2.83	3.19	4.03	3.59
8	Contribution (4-6) (₹ per unit)	0.20	-0.11	-0.52	-0.12	0.24	0.20	-0.13	-0.18	-0.02	0.42
9	**Profit (+)/Loss(-) per unit ₹ in (4-7)**	**-0.49**	**-0.77**	**-1.30**	**-1.43**	**-1.13**	**-0.24**	**-0.65**	**-0.79**	**-1.16**	**-0.46**

2.2.28 The financial viability of the Discoms is generally influenced by the various factors such as

a) Timely revision of tariff;
b) Recovery of cost of operations;
c) Recovery of fixed cost;
d) Timely release of promised subsidy by the Government;
e) Cross subsidization policy of the Government and its implementation by the Discoms;
f) Financial Management of Discoms; and
g) Revenue billing and collection efficiency.

Each of these factors is discussed in the following paragraphs.

a) Timely revision of tariff

2.2.29 The tariff structure of the power distribution utilities is subject to revision approved by the respective MPERC after the objections, if any, received against

ARR petition filed by them within the stipulated date. The Discom was required to file the ARR for each year five months before the commencement of the respective year. The MPERC accepts the application filed by the Discoms with such modifications/conditions as may be deemed just and appropriate and after considering all suggestions and objections from public and other stakeholders. In case of 2006-07, delay of 21 days was noticed due to incomplete petition filed by Discoms (Poorv and Paschim Discom) and 44 days in 2009-10 (Poorv Discom). This led to delay in actual implementation of the tariff for these years.

b) Recovery of cost of operations

During the first four years of the review period the loss per unit was increasing, though it reduced during 2010-11

2.2.30 The Discoms were not able to recover their cost of operations. During the last five years ending 2010-11, the loss per unit showed generally an increasing trend - except in the case of the year 2010-11. In case of Poorv Discom the loss per unit increased from ₹ 0.49 in 2006-07 to ₹ 1.43 in 2009-10, which decreased slightly to ₹ 1.13 in 2010-11. Similarly in case of Paschim Discom the loss per unit which was ₹ 0.24 in 2006-07 increased to ₹ 1.16 in 2009-10, which decreased to ₹ 0.46 in 2010-11.

Our analysis revealed that main reasons for high cost of sale of energy was due to amount provided for doubtful debts and provision for interest and finance charges.

c) Deficit in recovery of fixed costs

2.2.31 None of the Discoms were able to recover fixed costs. Detailed analysis in respect of the Poorv and Paschim Discom revealed that the extent of tariff was lower than breakeven levels (in percentage terms) of revenue from sale of power at the present level of operations and efficiency for the five years ending 31 March 2011 as shown in the table below:

(₹ in crore)

Year	Sales (excluding subsidy)	Variable costs	Fixed costs	Contribution	Deficit in recovery of fixed costs	Deficit as percentage of sales
(1)	(2)	(3)	(4)	(5) = (2) – (3)	(6) = (4) – (5)	(7)={(6)/ (2)} X 100
2006-07	4365.17	4258.63	1135.43	106.54	1028.89	23.57
2007-08	4580.50	5181.19	1320.56	-600.69	1921.25	41.94
2008-09	4713.05	6024.02	1508.77	-1310.97	2819.74	59.83
2009-10	5618.80	6473.31	2706.38	-854.51	3560.89	63.37
2010-11	6660.52	6724.52	2687.73	-64.00	2751.73	41.31

It could be seen from above table that

- In none of the years under performance audit period the Discoms were able to recover fixed costs .
- The deficit in recovery of fixed cost was increasing from year to year.

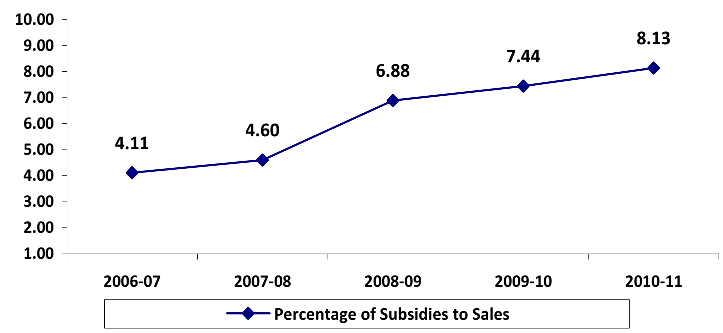
d) Timely release of promised subsidy by the Government

2.2.32 There is an urgent need for ensuring recovery of cost of service from consumers to make the power sector sustainable. The State Government is providing subsidy with a view to ensure supply of power to specific category of consumers at concessional rates of tariff.

Subsidy Support

The subsidy support from the Government showed an increasing trend.

2.2.33 The graph below indicates revenue subsidy support from State Government to the Poorv and Paschim Discoms (against concessional tariff) as a percentage of sales[29] for the last five years ending 31 March 2011.



It is evident from the above that subsidy support from the Government is showing increasing trend. It is a matter of concern as the subsidy may be withdrawn over a period of time in a phased manner so that tariff may cover average cost of supply to consumers. Further, against the subsidy claim of ₹ 1673.41 crore, ₹ 1366.48 crore was actually paid by the State Government as detailed in the table below.

(₹ in crore)

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
Opening balance	133.37	191.58	146.65	270.96	367.24
Add: Due from State Government during the year	179.51	210.51	324.03	417.96	541.40
Less: Received during the year	121.30	255.44	199.72	321.68	468.34
Closing balance	191.58	146.65	270.96	367.24	440.30

[29] *The figure here is excluding revenue subsidy for concessional tariff from State Government.*

It may be seen from the table above that the closing balance of subsidy receivable has increased indicating that the State Government has not been fully reimbursing the subsidy becoming due in each year**.** This has not only adversely affected the financial health of the Discoms but also infringes the provisions of Section 65 of the Electricity Act 2003 requiring the State Governments to pay the subsidy in advance.

e) Cross subsidization policy of the Government and its implementation by the Discoms

2.2.34 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 consumer should range within plus or minus 20 *per cent* of the ACOS by the year 2010-11. The position as regards cross-subsidies in various major sectors is depicted in the table below.

Particulars	2006-07		2007-08		2008-09		2009-10		2010-11	
Average cost of supply in ₹ (ACOS)[30]	3.49		3.60		3.69		3.71		4.22	
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	3.16	91	3.43	95	3.36	91	3.45	93	4.01	95
Non –Domestic (Commercial)	5.86	168	5.48	152	5.39	146	5.34	144	5.87	139
Industrial	4.72	135	4.56	127	4.61	125	4.71	127	5.11	121
Commercial	2.03	58	2.42	67	2.55	69	2.49	67	3.17	75
Railways	4.64	133	4.6	128	4.65	126	4.75	128	5.28	125
Public water works	2.95	85	3.08	86	3.39	92	3.41	92	3.8	90
Street light	3.53	101	3.59	100	3.69	100	3.75	101	3.88	92
LT Industrial	4.55	130	4.36	121	4.46	121	4.71	127	5.23	124
Coal Mines	5.5	158	5.35	149	5.39	146	5.31	143	5.44	129

It may be seen from the above table that

- in case of domestic, public water works and street light the tariffs were within ± 20 % of the average cost of supply.
- in case of non-domestic, industrial, LT industrial, coal mines and railway sectors, the average realisation continues to be more than 20 *per cent* of the average cost of supply.

[30] *The ACOS is as determined by the MPERC based on the various items of expenses as approved for the respective year. This is different from the cost per unit mentioned in the working results, which is based on the actual cost incurred.*

The objective of keeping the tariffs of all categories within plus or minus 20 *per cent* of the ACOS by the year 2010- 11, envisaged in the National Tariff Policy, was not achieved. Thus, there is a need to correct this imbalance by progressively and gradually reducing the existing cross subsidies levels.

f) Financial Management of DISCOMs

Even after six years of power sector reforms, the Discoms were not financially independent.

2.2.35 Efficient fund management serves as a tool for decision making for optimum utilisation of available resources and borrowings at favourable terms at appropriate time. This includes revenue collection, billing, borrowings, grants, transfer of funds, interest recovery/payments, restructuring of loans, security deposits, bank reconciliations and other related transactions. While the revenue and billing have been dealt with in the preceding paragraphs, the other areas are discussed in subsequent paragraphs.

Under schedule 3 of the Electricity Reform Transfer Rules 2006 dealing with the transfer of functions of the MPSEB relating to bulk purchase and bulk supply of electricity along with related agreements and arrangements in the name of the newly formed M.P. Power Trading Company Limited, Jabalpur, a Cash Flow Mechanism 2006 (CFM) under the new sector structure was notified in June 2006.

The main objective of the CFM was the centralization of the cash management function across the six Companies[31]. The main feature of arrangements were that

- All the cash collected by Discom shall be transferred to MPSEB account.
- MPSEB shall allocate cash among companies based on a predetermined priority for payment of expenses.

As per CFM approved by the Government of Madhya Pradesh (GoMP), revenue collected by the Discoms is transferred to MPSEB. The MPSEB allots funds to the Discoms for Operational & Maintenance expenses comprising of Repair and Maintenance (R&M), Administrative and General Expenses (A&G) and Salary / Pension payment of the officers and employees. Besides this, the MPSEB is also incurring expenses on behalf of the Discoms for purchase of power, Transmission charges and debt servicing.

The Power Distribution Companies in the State of Madhya Pradesh have not been vested with complete independence, though they were distinct entities. Because of

[31] *1. Madhya Pradesh Power Generating Company Limited 2. Madhya Pradesh Power Transmission Company Limited, 3. Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited, 4. Madhya Pradesh Poorv Kshetra Vidyut Vitaran Company Limited, 5. Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited and 6. Madhya Pradesh Power Trading Company Limited.*

the presence of CFM all the cash received by them for sale of power is being remitted to MPSEB.

As a result of the above arrangement, the Discoms do not have complete control over their finances but are dependent on MPSEB even after a lapse of six years of introduction of electricity reforms in the State.

The Poorv Discom replied (December 2011) that the arrangement has benefited them in many ways like in negotiating with bankers for providing various financial facilities like movement of funds without any charges, flexibility in meeting the operational expenditure etc. The CFM had been a useful arrangement for them. This was also reiterated in the Exit Conference.

The very purpose of reforms in power sector was to create independent entities capable of managing the business of power distribution. With the arrangement of CFM the financial independence of the Discoms is compromised.

Non receipt of adequate funds from MPSEB

2.2.36 Due to shortage of collection of revenue, MPSEB is not able to provide funds regularly to the Discoms. As expenses on account of R&M, A&G, Salary and Pension are critical and also inevitable the Discoms utilized the funds earmarked for Capital works and for works under RGGVY for the above mentioned purposes. As per directions of MPSEB, the Discoms made part payment of salaries from the earmarked funds.

During the period between 2006-07 and 2009-10, the Poorv Discom had diverted ₹ 102.81 crore from funds earmarked for capital works towards salary, repairs & maintenance and administrative & general expenses and granted loan to MPSEB to the extent of ₹ 59.80 crore.

To manage the funds position, the Discoms resorted to working capital loan of ₹ 800 crore (₹ 250 crore Poorv Discom and ₹ 550 crore Paschim Discom) from Power Finance Corporation. The Paschim and Poorv Discoms borrowed ₹ 2795.50 crore and ₹ 996.19 crore respectively from Government of Madhya Pradesh (March 2011).

The practice of utilising funds earmarked for capital works for revenue expenditure is not in the financial interests of the Discoms and is adversely affecting completion of capital works.

Non remittance of pension and gratuity to MPSEB Terminal Benefit Trust

2.2.37 The State Government established a Trust (MPSEB Terminal Benefits Trust), for the benefit of the employees and the pensioners covered by the provisions of notification issued in June 2005 under the M.P. Electricity Reforms Transfer Scheme Rules.

We observed that though the MPSEB Terminal Benefit Trust was formed and account has also been opened the Discoms did not make any payments towards terminal benefits (pension and gratuity) to the Trust amounting to ₹ 1002.55 crore (Poorv Discom ₹ 417.27 crore and Paschim Discom ₹ 585.28 crore) for the period from 2006-07 to 2010-11. However, these amounts were charged to profit and loss account of the respective years by making a provision for the same in the accounts.

The Discoms had neither remitted the amounts to the Terminal Benefit Trust nor established any separate fund for managing of the fund. Thus, because of non remittance of the terminal benefit funds to the Trust, the MPERC disallowed these amounts in truing-up order of Discom ARRs.

The Paschim Discom stated (May 2011) that contributions are not being remitted due to paucity of funds.

g) Revenue billing and collection efficiency

Billing efficiency

2.2.38 The efficiency in billing of energy lies in distribution/sale of maximum energy by the Poorv and Paschim Discoms to their consumers to realise the revenue from them in time.

(Figures in MUs)

Sl. No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
1.	Energy sold	13896.40	14556.50	14410.90	15479.50	17643.80
2.	Free Supply	309.82	381.83	451.44	525.26	710.91
3.	Assessed Sales	3721.84	3899.55	3481.40	3592.10	4774.80
4.	Energy billed (metered sales)	10174.56	10656.95	10929.50	11887.40	12863.00
5.	Percentage of energy billed to total energy sold	73.22	73.21	75.84	76.79	72.93
6	Percentage of Free Supply to total energy sold	2.23	2.62	3.13	3.39	4.03
7.	Assessed sales as percentage of metered sales	36.58	36.59	31.85	30.22	37.12

During the review period the Discoms billed only 72.93 *per cent* to 76.79 *per cent* of the total energy sold.

It would be seen from the above that energy billed during performance audit period ranged between 72.93 *per cent* and 76.79 *per cent* of the total energy sold while free supply was in the range of 2.23 *per cent* and 4.03 *per cent*. Further, against the norm of zero *per cent* of assessed sales allowed by MPERC, assessed sales constituted 30.22 *per cent* and 37.12 *per cent* during performance audit period.

Revenue Collection Efficiency

2.2.39 The table below indicates the balance outstanding at the beginning of the year, revenue assessed during the year, revenue collected and the balance outstanding at the end of the year in respect of all the three Discoms in the state during last five years ending 2010-11.

During the review period the balance outstanding at the end of the year showed an increasing trend

(₹ in crore)

S.No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
1	Balance outstanding at the beginning of the year	3107.42	3778.15	4475.00	4890.45	5481.31
2	Revenue assessed/Billed during the year[32]	7272.18	7933.67	8339.96	9552.34	11521.29
3	Total amount due for realisation (1+2)	10379.60	11711.82	12814.96	14442.79	17002.60
4	Amount realised during the year	6601.45	7236.82	7924.51	8961.48	10637.55
5	Balance outstanding at the end of the year	3778.15	4475.00	4890.45	5481.31	6365.05
6	Percentage of amount realised to total dues (4/3)	63.60	61.79	61.84	62.05	62.56
7	Arrears in terms of No. of months assessment	6.23	6.77	7.04	6.89	6.63

We observed from the above details that:

- the balance outstanding at the end of the year increased from ₹ 3778.15 crore in 2006-07 to ₹ 6365.05 crore in 2010-11
- the Discoms did not have age-wise analysis of outstanding dues as on 31 March 2011
- the arrears in terms of number of months assessment increased from 6.23 in 2006-07 to 6.63 in 2010-11. This indicated ineffective persuasion of old debts.

As on March 2011 an amount of ₹ 676.61 crore (Poorv Discom ₹ 158.35 Crore and Paschim Discom ₹ 518.56 crore) was due from permanently disconnected consumers which were recoverable since 1985.

Thus the Discoms need to achieve complete meterisation of consumers in order to eliminate assessed sales, follow up and complete the capitalization of assets as per

[32] *Does not include adjustments for un-billed revenue/write-offs etc., and hence is different from the figures appearing under Working Results.*

capital expenditure plans as approved by the MPERC and improve their billing & revenue collection efficiency to enable them to recover fixed costs and thus become financially viable.

Some of the irregularities relating to revenue collection are discussed below:

Incorrect estimation of agricultural consumption

Because of non revision of benchmark consumption by unmetered agricultural consumers, Paschim Discom had to forgo revenue on 286.13 MU during 2010-11.

2.2.40 The billing of the unmetered agricultural consumers was based on the assessed consumption prescribed by the MPERC in respective years. This consumption was only assessed and thus did not reflect the actual consumption in the absence of meters.

Since the Discoms were facing difficulties in the task of meterisation of agricultural consumers, they had been pleading for revision of the assessed consumption in case of such consumers. The MPERC however did not agree and opined that meters be installed on distribution transformers supplying electricity to predominantly agriculture consumers immediately and advised the Discom to conduct a sample survey during the busy as well as lean seasons of the year so as to estimate the trend of consumption.

While approving the tariff for the year 2010-11, MPERC has not accepted the study submitted by the Paschim Discom and stated that it was incomplete as the sample size was not sufficient hence it was not found acceptable (May 2010) for the purpose of billing of un-metered agriculture consumers. The MPERC further stated that the Discom had provided meters on about 10 *per cent* DTRs as against the directive of previous Tariff Order for providing meters on at least 25 *per cent* agricultural predominant DTRs. The Poorv Discom had not submitted any data.

As per study of Paschim Discoms, the per month consumption during 2010-11 during Off and On season was 82 units(Off season) and 178 units(On season) against which MPERC allowed billing @40 units(Off season) and @120 units (On season). Due to this the Paschim Discom had to forgo revenue on short billing of 286.13 MU during 2010-11.

The Paschim Discom stated (May 2011) that it is making all efforts to comply with the directives of the MPERC.

Under charge/ non levy of initial/ Additional Security

2.2.41 The MPERC issued Security Deposit (Revision-I) Regulations, 2009 in August 2009. No exemption regarding recovery of security deposit from any particular consumer or a group/category of consumers has been made in the regulations.

As per regulation, security deposit equivalent to 45 days' consumption should be payable to the Discom. The adequacy of amount of the security deposit obtained from the consumers would be reviewed by the Discom annually in April every year on the basis of consumption during the previous 12 months. Based on this review, the Discom may raise demand on the consumer for additional security deposit in three equal monthly instalments.

We observed that the Poorv Discom raised the demand for 50 *per cent* of additional security deposit of ₹ 2.74 crore on November 2010 and no demand for the balance 50 per cent of additional security deposit of ₹ 2.74 crore was raised so far (March 2011).

Energy Conservation

2.2.42 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. 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.

We observed that all the three Discoms have displayed on their websites do's and don'ts for consumers for conservation of electricity, benefits of usage of compact fluorescent lamps (CFL) and other energy efficient devices. Further they offer incentive to consumers for use of energy saving devices, use of ISI marked pump sets, increasing power factor etc. It was also observed that the Madhya Discom has replaced the lights and bulbs in their corporate office with CFLs.

A study of process of implementation of Bachat Lamp Yojana revealed the following:

2.2.43 In the three Discoms, we observed that though action was initiated as long back in 2008 and 2009 (Poorv Discom September 2008, Madhya and Paschim Discoms January 2009), the Discoms are still (December 2011) in the process of finalising the agency for implementation of the Scheme.

Delay in implementation of the scheme has resulted in non achievement of the stated objectives of likely reduction in power of 86.21 MU annually (Poorv Discom). The Paschim Discom had not assessed the likely reduction in peak load or saving in power purchase cost that would accrue annually upon implementation of the scheme.

Monitoring

2.2.44 The Power Distribution Utilities play an important role in the State economy. For such a giant organisation to succeed in operating economically, efficiently and effectively, the affairs are required to be monitored by top management.

Regular (daily/weekly/monthly) MIS reports are generated based on the information received from the field and are available on the Discoms' website for review by top management. MPERC, under Para 5.3 (f) of the above Tariff Order (2006-07), directed the Discoms to initiate action and report compliance on the issue, *inter alia*, of induction of full-time Directors for Finance and Operations. The MPERC has issued the directives with the intention that the management of the companies must be properly equipped with the requisite level of proficient persons so as to handle affairs of the companies in an efficient and diligent manner.

We observed that the Discoms have yet (December 2011) to comply with the above directive of the MPERC.

Conclusion

- **Discoms could not achieve the planned addition of substations.**
- **Discoms achieved only 77 *per cent* of target for rural electrification.**
- **The two Discoms had not included a clause in the agreement for levy of interest on the mobilisation advance to contractors. While the Discoms are paying interest on loans from PFC, they granted interest free advance to contractors.**
- **The percentage of metered consumers to total consumers decreased from 75 in 2006-07 to 64 in 2010-11.**
- **Discoms have not implemented the National Tariff Policy by regulating the tariff of non-domestic, industrial, railways and coal mine consumers with +/- 20 *per cent* of average cost of supply.**
- **Cash Flow Mechanism followed by the MPSEB does not provide the financial autonomy to the Discoms.**
- **Due to incorrect estimation of unmetered agricultural consumers, the Paschim Discom had to forgo revenue on short billing of 286.13 MU during 2010-11.**

- **Delay in implementation of Bachat Lamp Yojana resulted in depriving the savings in power of 86.21 MU annually in respect of Poorv Discom. The Paschim Discom had not assessed the likely savings in peak load or reduction in power purchase cost that would accrue annually upon implementation of the scheme.**

Recommendations

The Discoms need to

- **increase the phase of addition of Sub-Station to the distribution network.**
- **avoid providing interest free mobilisation advance to contractors.**
- **speed up the pace of rural electrification.**
- **regulate the tariff in accordance with the National Tariff Policy.**
- **MPSEB need to review the policy of Cash Flow Mechanism to provide financial autonomy to Discoms.**

CHAPTER III

Transaction Audit Observations

Important audit findings arising out of test check of transactions of the State Government companies/corporations are included in this Chapter.

Government companies

Madhya Pradesh Audhyogik Kendra Vikas Nigam (Bhopal) Limited

3.1 Avoidable loss due to under insurance

The Company's failure to include individual value of assets in the lease Agreement resulted in under-insurance by the lessee and consequential avoidable loss of ₹ 74.67 lakh.

Madhya Pradesh Audhyogik Kendra Vikas Nigam (Bhopal) Limited (Company) commissioned (February 2007) a Food Processing Park at Pipariya in Hoshangabad District. It consisted of Cold Storage Plant, Ice Plant and Warehouse at total cost of ₹ 2.93 crore. The Building, Cold Storage Plant and Ice Plant was leased (9 October 2007) to M/s. Big India Farms Limited (firm) at annual lease rent of ₹ 10.50 lakh. As per the lease agreement, the firm had to insure the Buildings, Cold Storage and Ice Plant at its own cost in the joint name of the firm and the Company. But the Company failed to indicate the individual value of Buildings (₹ 1.75 crore), Cold Storage Plant (₹ 92.21 lakh) and Ice plant (₹ 26.37 lakh) in the lease agreement. Thus, the firm insured (31 October 2007) the Buildings for ₹ 1.10 crore and Plant and Machineries for ₹ 1.10 crore with New India Insurance Company Limited from 31 October 2007 based on the value determined by a private valuer in October 2007.

A fire accident occurred on 26 February 2008, which caused extensive damages to the Buildings, Cold storage Plant and Ice Plant. Since the Buildings and Plant and Machineries were insured for ₹ 1.10 crore each, the surveyor concluded the under-insurance in Buildings as 53.84[33] *per cent*. Finally, the loss for Buildings and Plants (Cold storage and Ice plants) was assessed at ₹ 1.78 crore and ₹ 12.97 lakh respectively. After deducting salvage value, under-insurance, short circuited cable cost and policy excess, the surveyor worked out the net loss as ₹ 76.22 lakh and this was finally settled (April 2009) as full claim by the Insurance Company.

[33] *(₹ 238.19 lakh – ₹ 110 lakh)/ ₹ 238.19 lakh) = 53.84 per cent.*

We observed (July 2010) that the failure of the Company to include the individual value of Building, cold storage plant and ice plant in the lease agreement resulted in under-insurance by the lessee and consequential avoidable loss of ₹ 74.67 lakh. Further**,** the firm took the insurance cover in its own name only without inclusion of name of the Company. Thus, the Company not only failed to indicate the separate costs for Buildings and individual Plants but also failed to ensure that the insurance cover is taken in the joint name with Company being made a beneficiary for the same.

The Company stated (July 2010/September 2011) that the settlement was received in protest and an appeal was pending with the Consumer Disputes Redressal Commission (Commission). However, we observed that the Commission dismissed (October 2010) the appeal and further the Honorable Supreme Court had also rejected the further appeal in the matter (February 2011) on the ground that since the insurance cover was not taken in the joint name of the firm and the Company, the claim of the Company was not maintainable.

Had the Company incorporated correct individual cost of building, cold storage plant and ice plant in the lease agreement and also taken the insurance cover jointly in the name of lessee and the Company, the loss of insurance cover to the extent of ₹ 74.67 lakh could have been avoided.

The matter is referred to Government in May 2011 and its reply is awaited.

Madhya Pradesh Audyogik Kendra Vikas Nigam (Rewa) Limited

3.2 Loss of revenue

Failure to charge transfer fee of 100 *per cent* of land premium as per existing rules applicable on the date of transfer of land resulted in loss of revenue of ₹ 4.12 crore.

Madhya Pradesh Audyogik Kendra Vikas Nigam (Rewa) Limited (Company) is the subsidiary of Madhya Pradesh State Industrial Development Corporation Limited and is responsible for development of industrial infrastructure in the areas within its jurisdiction. As per the orders of the State Government issued at the time of its formation (1981), the Company is vested with powers for allotment of land for industrial purpose by charging the premium, lease rent, etc. as per the rates fixed by State Government from time to time. As per Madhya Pradesh Industrial (Shed, Plot, Land) Allotment Rules 1974, the plots and sheds are transferrable between parties on payment of transfer fee, being percentage of premium fixed by State Government from time to time. The above rules were amended (April 1999) and transfer fee was enhanced to 100 *per cent* of the premium.

For establishing cement Plant in Rampur, the Company leased (June 1986) 103.1 hectare (ha) of land to M/s JK synthetics (firm) at a premium of ₹ 4.39 lakh with an annual lease rent of ₹ 100 per ha. Though the firm paid the annual lease rent regularly from 1986 to 2006, it requested (April 2006) to transfer the land in favour of M/s Jay Prakash Associates.

We observed (November 2010) that the Company approved (July 2006) the transfer of land to Jay Prakash Associates on payment of transfer fee at the concessional rate of 20 *per cent* of prevailing land premium of ₹ 5 lakh per ha, without taking cognizance of the State Government's Order (April 1999) of charging transfer fee at 100 *per cent* of land premium on transfer of land. The lease agreement for the same was executed on 17 July 2006 with Jay Prakash Associates.

We observed that the transfer of land to Jay Prakash Associates at concessional rates was in contravention of the State Government's Order not only resulted in revenue loss of ₹ 4.12 crore[34] but also undue benefit to a private party.

The Company replied (September 2011) that no industrial unit was ready to take over the land. It was further stated that considering the MP Shed Allotment Rules 1974, 20 *per cent* land premium on transfer was approved by their Board (July 2006) and added that the objective of the Company was not to maximize profits.

The Company should have charged land premium at hundred *per cent* as per Madhya Pradesh Government amendment order (1 April 1999) and against total land premium of ₹ 5.15 crore (103.1 ha* ₹ 5 lakh per ha) realizable, only ₹ 1.03 crore was realized and ₹ 4.12 crore was foregone.

The matter was reported (5 May 2011) to the Government and its reply awaited.

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[34] *103.1 ha* ₹ 4 lakh (i.e. prevailing land premium ₹ 5 lakh per ha less concessional rate of ₹ 1 lakh).= ₹ 4.12 crore*

Madhya Pradesh Laghu Udyog Nigam Limited

3.3 Extra expenditure

The Company failed to invoke fall price clause of the agreement to reduce the procurement rate of alumina ferric resulting in extra expenditure of ₹ 1.53 crore to the exchequer.

The Madhya Pradesh Laghu Udyog Nigam Limited (Company) is an agency of the State Government for finalizing the rate contracts for reserved items[35]. The indents for use of reserved items in various departments of the State Government are received by the Company and it arranges the supply of these items based on the rate contracts entered with it. The rate contracts are valid for one year and the commission at the rate of two *per cent* is receivable directly by the Company on sales made through it. The finalized rates are circulated among the departments for making payments to the suppliers.

The rate for Alumina ferric was finalized at ₹ 3,092 per ton with effect from 16 August 2007. However, during the currency of the rate contract, the rates were revised to ₹ 4,500 per ton from 29 November 2007 and further to ₹ 5,000 from 11 February 2008 which remained valid upto 15 August 2008. Subsequently, the new rate contract was finalised at ₹ 8,404 per ton valid for one year with effect from 25 August 2008. Even though the quoted rates were much higher than the previous tender, the company accepted the rate (₹ 8,404) as reasonable considering the prevailing rates for raw materials, viz. sulphuric acid and bauxite.

We observed (August 2010) that the Company failed to ascertain the prevailing rates of alumina ferric from Directorate General of Supplies & Disposal (DGS&D). DGS&D had fixed the rate at ₹ 4,080 per ton in August 2008. We further observed that though the Company was aware that chemical export of one of the raw material viz., sulphuric acid was banned by China and the raw material prices were volatile due to Olympic games (being a temporary phenomenon) it failed to negotiate with the lowest bidder for reduction in quoted rate from ₹ 8,404 per ton. Moreover, the 'fall price clause' of the tender document clearly specified that the prices charged by the bidder should in no event exceed the price offered to any other person/ party/ State Government/ DGS&D/ Public undertaking during the period of the contract. It was further provided in the said clause that if the bidder offered lower price in such contract to any other person/ party/ State Government/ DGS&D/ Public undertaking, such lower rate shall be applied in this contract. We observed that though the DGS&D had finalized the rate of ₹ 4,368 per ton

[35] *149 items manufactured by Small Scale Industrial units of Madhya Pradesh were classified as reserved items in the Stores Purchase Rules 1995 (SPR) and these were stipulated to be purchased through the Company.*

for alumina ferric in February 2009, the Company failed to invoke the fall price clause for downward revision of rates from March 2009.

The Company invoked the clause for increasing the rate from ₹ 3,092 to ₹ 4,500 and further to ₹ 5,000 during the previous rate contract (November 2007 and February 2008) on the plea of rise in the price of raw materials but failed to invoke the same when the decrease of prices of raw materials was noticed. Thus, failure of the Company to decrease the rate of Alumina ferric from ₹ 8,404 to ₹ 4,368 per ton from March 2009 by invoking the fall price clause resulted in avoidable expenditure of ₹ 1.53 crore to the State Exchequer.

The Company replied (26 March 2011) that there was an unprecedented rise in sulphur rate at the time of finalizing the rate (August 2008). The Company accepted the availability of fall clause in the tender conditions. The Company remained silent for not invoking the fall clause.

Thus the Company failed to invoke Clause 33.1 of the tender for revising the alumina ferric rate to ₹ 4,368 per ton from March 2009 resulting in avoidable expenditure of ₹ 1.53 crore to the exchequer.

The company should incorporate price variation clause in future tenders to avoid extra expenditure to the exchequer.

The matter was referred to the Government in May 2011 and reply is awaited.

SEZ Indore Limited and Madhya Pradesh Police Housing Corporation Limited

3.4 Avoidable payment of Interest

Non-filing of Annual income tax return and shortfall in remittance of Advance Income tax resulted in avoidable payment of interest of ₹ 99.25 lakh (SEZ) and ₹ 37.85 lakh (MPPHC)

Under the provision of Section 139 and 140 A of Income Tax Act, 1961, every Company, at the close of each financial year, must assess its tax liability for the year, adjust both advance tax paid and tax deducted at source and deposit balance tax payable on self assessment and file returns within 30 September of the assessment year. Further as per Section 208 of the Income Tax Act 1961, it is obligatory for a company to pay Advance Income Tax (AIT) in four quarterly installments[36] during the financial year. As per section 234 A of the Act, simple interest at one *percent* per month is payable in case of default in furnishing return on income. As per section 234 B of the Act, simple interest at one *percent* per month is payable on the amount of shortfall in assessed tax, if the advance tax paid fall short by more than ten *percent* of the assessed tax

[36] *on or before 15 June, 15 September, 15 October and 15 March .*

and as per section 234 C, simple interest is payable in case of deferment in payment of Advance income tax on due dates.

We observed (April 2011) that SEZ Indore Limited failed to file the Income Tax Returns for the Assessment Years 2007-08 and 2008-09 till date (June 2011). Further, there was shortfall in payment of Advance Income Tax (AIT) besides deferment in payment of AIT. Due to the above irregularities, SEZ paid interest of ₹ 99.25 lakh towards non-filing of return in time under Section 234 A (₹ 41.74 lakh), shortfall in payment of AIT under Section 234 B (₹ 50.50 lakh) and deferment of payment of AIT under section 234 C (₹ 7.01 lakh). The Company remitted Income Tax along with interest only on 20 February 2010 and 27 May 2011 for these Assessment years respectively. This resulted in payment of interest of ₹ 99.25 lakh, which could have been avoided by timely paying the quarterly installments of AIT and by filing the IT returns on due dates as per the provisions of the Act.

The Company replied (June 2011) those Annual Accounts for last few years were being finalised together and there were difficulties in ascertaining profit for the respective years and on finalization of accounts, tax obligation would be fulfilled. The primary duties of management is to ascertain the profit for respective years, estimation and payment of advance tax on their due dates and it should have been completed in time even without finalizing the Annual Accounts. Had the company remitted Advance Tax on due dates and filed Income Tax Return on due dates during these years, it could have avoided payment of interest of ₹ 99.25 lakh.

Similarly, it was observed (November 2010) in respect of the Madhya Pradesh Police Housing Corporation Limited that the Company did not remit the quarterly advance tax payable on 15 June and 15 September during the years from 2007-08 to 2009-10. As a result, it paid interest of ₹ 37.85 lakh under Section 234 B of the Act. Payment of interest could have been avoided had the Company correctly estimated the liability and remitted AIT on due dates.

The Company replied (April 2011) that due to inadequacy of trained staff, finalization of accounts was in arrears and thus income tax liability could not be estimated exactly in advance. It also stated that the dates of completion of civil works were spread beyond the financial year and thus it was not possible to assess the surplus income generated at various stages of construction during the financial year. The Company further contented that by depositing the available money under fixed deposits, they earned interest. The interest paid on delayed payment of income tax was paid out of interest earned on fixed deposits. The estimation of income tax for every financial year is a primary duty of the management and spreading of project completion over different financial years is a normal phenomenon in a business entity. Even in those cases, the Tax payable can be fairly estimated on the basis of stages of completion of work. Further, the Company's contention of interest earned on fixed deposit due to delayed payment of income tax does not appear to hold good since the funds lying in current account balances were much more than the liabilities towards income tax payment. The amount available under current accounts during the corresponding quarters could have been used for payment of advance tax. Thus due to incorrect estimation of income tax liability and default in payment of quarterly advance tax installments resulted in avoidable expenditure of ₹ 37.85 lakh.

In order to avoid payment of interest on delayed filing of return and delayed payment of quarterly AIT installments, the Company should file return and remit AIT on due dates.

The matter was reported to Government (26 April 2011) and its reply is awaited.

Madhya Pradesh Power Transmission Company Limited

3.5 Non- recovery of dues

Delay in submission of compensation claims to insurance company for recovery of cost of shortage of material within the validity period of insurance cover resulted in loss of ₹ 92.35 lakh

(a) The Madhya Pradesh Power Transmission Company Limited (Company)[37] placed an order (October 2005) on M/s Tejinder Singh, Jabalpur for erection of 132 KV Baansagar PH IV – Amarpatan Double Circuit Single Stringing (DCSS) line at the cost of ₹ 1.48 crore with scheduled date of completion as 19 August 2006. As per the terms and conditions of the contract, the contractor obtained an insurance cover jointly in the name of Company and Contractor to cover risks relating to issue of materials by the Company for the period upto 28 October 2009. The Company issued (December 2005 to March 2009) various line materials to the contractor.

The progress of the work was very slow and after issue of several notices, the contractor completed work of tower erection (53 out of 236) and stringing (Nil) as on 19 August 2006. Though the Company granted extension of time upto February 2008 and subsequent assurance given by contractor to complete the work by March 2009, the contractor failed to complete the work. The balance work valuing ₹ 16.37 lakh was withdrawn (April 2009) from the contractor and was completed by the Company at the risk and cost of the contractor in November 2009. The Company claimed (April 2010) ₹ 42.06 lakh from the contractor. The break-up details of ₹ 42.06 lakh revealed that ₹ 31.48 lakh related to shortage of materials found at the time of taking of the possession of site in August 2009 from the contractor and the balance towards additional cost incurred for completing the balance works. The company failed to claim the value of shortage of materials from insurance company within

[37] *Erstwhile the work was done by the Madhya Pradesh State Electricity Board, Jabalpur.*

validity period of insurance cover i.e. 28 October 2009. The Company adjusted the security deposit of ₹ 5 lakh (August 2010) against the dues. Even though the Company decided (12 June 2009) to file civil suit against the contractor for recovery of dues, the company failed to do so. As the amount of ₹ 37.06 lakh was yet to be settled by the contractor, the company initiated arbitration proceedings in June 2010 which was in progress till June 2011. Failure on the part of the Company to take possession of the left out materials on the site at the time of withdrawal of the contract in April 2009 and prefer the claim for compensation for shortage of material value before expiry of the joint insurance cover by 28 October 2009 resulted in a loss of ₹ 31.48 lakh to the company.

The Company replied (June 2011), contractor did not return balance materials and the Company took possession of materials in August 2009 and at the time reconciliation, the insurance policy was expired on 28 October 2009. The Company added that arbitration proceedings ordered (14 June 2010) against the contractor was under way.

As the Company took possession of materials in August 2009, it had sufficient time to process and prefer the claim for compensation in accordance with the insurance policy before its expiry on 28 October 2009. Failure to do so resulted in loss of ₹ 31.48 lakh.

(b) Similarly, Company placed (December 2005) an order on M/s. Aditya Transmission Ltd, Hyderabad, for erection of 220 KV Birsinghpur – Rewa Transmission line at a revised cost of ₹ 2.97 crore (original contract value ₹ 1.91 crore) with scheduled date of completion in November 2006. In accordance with the terms and conditions of the contract, the contractor took an insurance policy covering the risks relating to the cost of materials jointly it in the name of the Board and the Contractor and hypothecated it in favour of the Board till the completion of the work. The contractor failed to complete the work in spite of several notices issued and left the site (April 2008) without notice. The Company got the balance work completed (October 2008) at the risk and cost of the contractor by incurring additional expenditure of ₹ 20.27 lakh. After adjusting the security deposit of the contractor available with the Company (₹ 9.53 lakh) and pending bills of ₹ 6.58 lakh, the Company claimed ₹ 55.29 lakh from the contractor (September 2009) after a lapse of more than one year after completion of work and the amount is yet to be recovered (November 2011).

We observed (December 2010) that out of ₹ 55.29 lakh, ₹ 46.63 lakh related to material shortage by the contractor. The Company not only failed to ensure the renewal of the insurance policy which expired in October 2007, without an active insurance policy, but also it kept on issuing materials from time to time till April 2008. The Company maintained security deposit of ₹ 9.53 lakh from the Contractor which was insufficient to recover the balance dues from him.

The Company neither reviewed the amount of security deposit so as to increase it sufficiently to cover the material cost nor was it ensured that there exists an insurance cover for adequate amount.

The Company replied (August 2011) that the contractor failed to renew in spite of several requests for renewal of insurance policy. The Company further added that arbitration proceedings are under way (June 2011).

The Company failed to reconcile the materials issued to the contractor at regular interval to ensure that the value of materials left with the contractor is covered by the amount of insurance policy and the security deposit. Failure to do so has resulted in a loss of ₹ 55.29 lakh.

The matter was referred to the Government in March 2011 and its reply is awaited.

Madhya Pradesh Power Trading Company Limited

3.6 Inadequate letter of credit

Inadequate LC collected from Lanco Power Trading Ltd resulted in accumulation of dues of ₹ 78.63 crore.

The Madhya Pradesh Power Trading Company Limited (Company) is responsible for trading of Power on behalf of three Power distribution Companies of the state of Madhya Pradesh. The Company agreed (April 2010) for sale of power to Lanco Power Trading Limited, Gurgaon (Purchaser) on firm basis at the pre-determined rates for the specified contracted quantum of power on monthly basis. As per the agreement between the parties, the Purchaser had to provide weekly revolving letter of credit (LC) equivalent to 30 days of energy billing in favour of the Company and the LC shall be available for all unpaid dues towards energy charges, compensation dues, penalty, open access charges and surcharge. Also if the Purchaser failed to schedule (purchase) 80 *per cent* of energy approved by the Regional Load Despatch Centre on monthly basis, it shall be liable to pay compensation at ₹ 2 per Kilowatt hour (Kwh) for the shortage quantity within 15 days from the date of receipt of invoice. Further, surcharge at the rate of 15 *per cent* could be levied in case of failure to pay the compensation in time for the period of delay.

Our scrutiny (May 2011) revealed that the Purchaser failed to purchase the power as stipulated in the agreement during the period July 2010 to March 2011. Accordingly, the Company claimed compensation on monthly basis aggregating to ₹ 83.63 crore over the corresponding period. Since the Purchaser failed to settle the compensation, the Company claimed (April 2011) a surcharge of ₹ 2.92 crore for 2010-11 and requested them to pay the dues within 15 days otherwise it will take recourse to legal action for recovery of outstanding amount.

We observed (May 2011) that though the Purchaser had provided (October 2010) the LC for ₹ 5 crore only as against the due LC amount for ₹ 65.51 crore (being the energy bill of 30 days of May 2010), the Company continued to supply the power without protecting its financial interest by obtaining the adequate LC in advance. Had the Company taken diligent action by obtaining the requisite LC for ₹ 65.51 crore in time, it could have encashed the same thereby recovering at least 78 *per cent* of the outstanding dues of ₹ 83.63 crore. It was further observed that in spite of default in settling the amount claimed, no concrete action was taken against the Purchaser and sale of power was continued (June 2011). On being pointed out by Audit in May 2011, the Company encashed (May 2011) the LC of ₹ 5 crore and a petition was also filed (May 2011) before Madhya Pradesh Electricity Regulatory Commission for adjudication on the matter.

The Company accepted (June 2011) the facts and stated that the Purchaser did not provide the requisite LC despite repeated reminders.

However, the fact remains that the Company failed to protect its own financial interests and resulted in the accumulation of dues ₹ 78.63 crore. In order to safeguard the same, the Company should ensure strict adherence to the terms and conditions of the agreement before effecting sale of power.

The matter was reported (July 2011) to the Government and reply is awaited.

Madhya Pradesh State Tourism Development Corporation Limited

3.7 Avoidable expenditure

Despite the poor performance of the marketing agency, the company's action of extending the contract without inclusion a clause for pro-rata reduction in remuneration resulted in avoidable expenditure of ₹ 25.26 lakh.

The Madhya Pradesh State Tourism Development Corporation Ltd (Company) was incorporated (May 1978) for development of tourism in the state. It aimed at providing accommodation to tourists, developing places of tourist interest, providing transport services so as to attract large number of tourists. Accordingly, the company has been operating Hotels in various places of State. After following the due tendering process and further negotiating with the lowest bidder, the Company appointed (November 2007) M/s Solutions (firm) as marketing agency for increasing the business of one of its hotels viz., Hotel Palash Residency in Bhopal initially for six months on payment of ₹ 85,000 per month and it was extended from time to time. As per the agreement, the firm assured to bring monthly business of ₹ 15 lakh to Hotel Palash Residency. The following table indicates the business targets vis-à-vis achievements there-against till March 2011.

Year	Target (in ₹ lakh)	Business actually contributed (in ₹ lakh)	Percentage of achievement	Shortfall in achievement		Remuneration paid (in ₹ lakh)
				Value (in ₹ lakh)	In percentage	
2007-08	75	10.20	13.60	64.80	86.40	4.25
2008-09	180	33.57	18.65	146.43	81.35	10.20
2009-10	180	39.05	21.69	140.95	78.31	10.20
2010-11	72	50.19	69.71	21.81	30.29	10.20
Total	**507**	**133.01**	**26.23**	**373.99**	**73.77**	**34.25**

It may be seen from the above table that as against the targeted business of ₹ 5.07 crore, the firm brought business of only ₹ 1.33 crore (i.e. 26.23 *per cent* achievement against its target), but the Company paid 100 *per cent* remuneration as per the agreement.

We observed (January 2011) that since the Company failed to incorporate any penal clauses in the agreement for non-achievement of targeted business or for pro-rata reduction in remuneration payable to the firm for shortfall in achievement of targeted business, the Company paid excess remuneration of ₹ 25.26 lakh as against the pro-rata remuneration of ₹ 8.99 lakh based on its actual achievement. It was further observed that despite the dismal performance of the firm during February to June 2008 by contributing insignificant business of just ₹ 11.51 lakh, the Company extended the agency tenure from July 2008 to March 2011 without any modification in the agency agreement. Had the Company incorporated the pro-rata remuneration clause in the renewed agency agreement with effect from July 2008 to March 2011, an expenditure of ₹ 25.26 lakh from July 2008 to March 2011 could have been avoided.

The Company replied (May/July 2011) that due to heavy business in hotel, the staff were hardly finding time to go out for marketing and they were totally engaged in regular works in hotel itself, thus there was need to extend the marketing agency work. We observed that the business of hotel recorded increasing trend from ₹ 5.20 crore (2008-09) to ₹ 7.65 crore (2009-10) and ₹ 6.57 crore (2010-11) while business contributed by M/s. Solutions was only 6.54, 5.10 and 5.06 *per cent* of the total income during these years respectively. Failure to incorporate pro-rata remuneration clause in the agreement has resulted in loss of ₹ 25.26 lakh in payment of excess remuneration to the agency.

The matter was reported (4 May 2011) to the Government and its reply awaited.

Bhopal City Link Limited

3.8 Blockage of funds

Investment of ₹ 46.90 lakh in Passenger Information System (PIS) units is lying idle since February 2009 due to non-commissioning of BRTS corridor.

Bhopal City Link Ltd (Company) was incorporated to establish and maintain public transport system in the city of Bhopal. With the objective of operation of city buses in an efficient manner and to monitor the bus operation from a central control room, the Company placed (4 November 2006) an order for ₹ 59.58 lakh on M/s. Arya Omnitalk Wireless Solutions (firm) for supply of 48 numbers of Global Positioning System based Vehicle Tracking Units (Bus Units), 100 numbers of Bus Stop Passenger Information System (PIS) and setting up of a central control room and integrating/ interfacing these Bus Units/ PIS for use under Bus Rapid Transit System (BRTS). Though the contract was stipulated to be completed by 4 January 2007, 100 PIS Units and 39 Bus units were received between February and March 2007 and monitoring system report was generated on 1 February 2008. The Company paid ₹ 46.90 lakh between February 2007 to February 2009 towards 100 PIS Units and payment of ₹ 7.40 lakh towards 39 Bus units was met from Jawaharlal Nehru Urban Renewal Mission (JNNURM) Project.

We observed (April 2010) that while the Company installed (March 2007) all 39 Bus Units, it installed (March 2007) only 23 PIS units. It was further observed that even these 23 PIS Units were not working since January 2008. As the balance 77 PIS were never installed, all the 100 PIS Units were lying idle resulting in blockage of funds of ₹ 46.90 lakh from February 2009. It was noticed that though the Company was aware that these PIS Units could be utilized for passenger information only on completion of the BRTS Project which was scheduled for completion only by September 2011, these were procured four years ahead of schedule thereby leading to blockage of funds.

The Company stated (29 April 2010) that the PIS procured for operation of buses under BRTS Project of JNNURM scheme, would be put to use on commissioning of BRTS. The Company anticipated (19 May 2011) that the BRTS Project would be completed by 9 September 2011. Thus the Company admitted the procurement of PIS four years in advance of commissioning of BRTS.

The Company's failure to synchronise the purchase of PIS units with the completion of BRTS Project resulted in blockage of funds of ₹ 46.90 lakh from February 2009.

The matter was reported to the Government (8 April 2011) and its reply is awaited.

Statutory Corporation

Madhya Pradesh Road Transport Corporation

3.9 Loss of revenue on discontinuance of Inter-State Buses

The operation of inter-state bus services by contractors' buses were discontinued despite its profitability resulting in net revenue loss of ₹ 2.08 crore

Madhya Pradesh Road Transport Corporation (Corporation) was incorporated for operation of bus services both within the state and outside the state. Due to recurring losses, the Corporation discontinued operation of its own buses since 2005 and allowed (13 June 2005) private buses to be operated in the name of the Corporation. Under the above arrangement, the vehicles of the private operators were registered with transport authorities of the State Government in the name of the Corporation and were allowed to obtain bus permits. Besides bearing all expenses of operation, the operators had to pay administrative charges at ₹ 3 per route km to the Corporation. The number of bus services operated during 2008-09, 2009-10 and 2010-11 (upto August 2010) were 681, 195 and 174 with respective revenue earnings of ₹ 15.04 crore, ₹ 7.11 crore and ₹ 2.74 crore. The Corporation discontinued contractors' bus services within the state in November 2008 and only inter-state bus services were operating from December 2008.

The Government of India rejected (12 November 2009) the proposal initiated in February 2005 for closure of the Corporation and advised the State Government to implement suitable package for restructuring/revival of the Corporation. In reply, the State Government sought (12 January 2010) financial support but it did not consider the profitability of operation of inter-state buses. The Corporation was earning monthly revenue of ₹ 50.30 lakh with monthly expenditure of ₹ 32.13 lakh in August 2010 on operation of inter-state buses. The Corporation failed to take cognizance of these aspects and decided (1 September 2010) to discontinue the operation of inter-state services. The existing agreements with private operators were not renewed beyond their validity. Accordingly, all the service agreements were discontinued from 1 October 2010.

Despite assured monthly income of ₹ 50.30 lakh on operation of interstate buses for meeting out total monthly salaries and wages and other expenditure of ₹ 14.03 lakh in October 2010 with viability/scope for existence, the Corporation discontinued the operation of interstate bus services from 1 October 2010, resulting in net revenue loss of ₹ 2.08 crore during the period from 1 October 2010 to March 2011.

The matter was reported (May 2011) to the Government and its reply is awaited.

General

3.10 Follow-up action on Audit Reports

Explanatory notes outstanding

3.10.1 Report 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 the various offices of Public Sector Undertakings and Departments of Government. It is, therefore, necessary that they elicit appropriate and timely response from the Executive. Chief Secretary, Government of Madhya Pradesh had issued instructions (November 1994) to all Administrative Departments to submit explanatory notes indicating corrective/remedial action taken or proposed to be taken on the 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 Undertaking (COPU).

Though, the Audit Report for the year 2009-10 was presented to the State Legislature on 28 March 2011. Six departments which were commented upon, did not submit explanatory notes on 12 paragraphs/reviews as on 30 September 2011. Department-wise analysis is given in the ***Annexure-20***.

Compliance to the Reports of Committee on Public Undertakings

3.10.2 The replies to recommendations of the COPU, as contained in its Reports, are required to be furnished in the form of Action Taken Notes (ATNs) within six months from the date of presentation of the Report by the COPU to the State Legislature. On the basis of recommendations of the COPU, three Action Taken Notes (ATNs) were received during 2010-11.

Response to Inspection Reports, Draft Paragraphs and Reviews

3.10.3 Audit observations noticed during audit and not settled on the spot are communicated to the heads of the PSUs and the administrative departments concerned of the State Government through inspection reports. The heads of PSUs are required to furnish replies to the inspection reports through the respective heads of administrative departments within a period of four weeks.

Inspection reports issued up to March 2011 pertaining to 37 PSUs showed that 1566 paragraphs relating to 482 inspection reports remained outstanding at the end of September 2011 which had not been replied for one to six years. Department-wise breakup of inspection reports and audit observations outstanding as on 30 September 2011 is given in ***Annexure-21***.

Similarly, draft paragraphs and reviews on the working of PSUs are forwarded to the Principal Secretary/Secretary of the administrative department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of four weeks. We, however, noticed that replies to two reviews and nine draft paragraphs forwarded to various departments between April 2011 to July 2011 as detailed in ***Annexure-22*** had not been received (November 2011)**.**

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

Gwalior **(K.K. Srivastava)**
The **Principal Accountant General (Civil and Commercial Audit) Madhya Pradesh**

Countersigned

New Delhi **(Vinod Rai)**
The **Comptroller and Auditor General of India**

Annexure-1

(Referred to in paragraph 1.7)

Statement showing particulars of up to date paid up capital, loans outstanding and Manpower as on 31 March 2011 in respect of Government companies[38] and Statutory corporations

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

Sl. No.	Sector & Name of the PSU	Name of the Department	Month and year of incorporation	Paid-up[39] Capital				Loans[40] outstanding at the close of 2010-11				Debt equity ratio for 2010-11 (Previous year)	Manpower (No. of employees)
				State Government	Central Government	Others	Total	State Government	Central Government	Others	Total		
1	2	3	4	5 (a)	5(b)	5(c)	5(d)	6(a)	6(b)	6(c)	6(d)	7	8
A. Working Government Companies													
AGRICULTURE & ALLIED													
1	The Madhya Pradesh State Agro Industries Development Corporation Limited	Fruit processing and Horticulture	21 March 1969	2.10	1.20	--	3.30	--	--	--	--	---	423
2	Madhya Pradesh Rajya Van Vikas Nigam Limited	Forest	24 July 1975	37.93	1.39	--	39.32	--	--	--	--	--	1079
Sector wise total				**40.03**	**2.59**	--	**42.62**	--	--	--	--	--	**1502**
FINANCE													
3	M.P. Audyogik Kendra Vikas Nigam (Bhopal) Limited	Commerce & Industries	16 October 1987	--	--	1.35	1.35	--	--	--	--	--	268
4	M.P. Audyogik Kendra Vikas Nigam(Indore) Limited	--do--	16 November 1981	--	--	1.65	1.65	--	--	--	--	--	214
5	M.P. Audyogik Kendra Vikas Nigam (Jabalpur) Limited	--do--	16 November 1981	--	--	1.33	1.33	--	--	--	--	--	65
6.	M.P. Audyogik Kendra Vikas Nigam (Rewa) Limited	--do--	16 November 1981	--	0.80	---	0.80	1.09	--	--	1.09	1.36:1 (1.36:1)	89

[38] *Above includes Section 619-B companies at Sr. No. A-39 to A-43 (working Government Companies) and S. No. C-10 (Non-working Companies).*

[39] *Paid up capital includes share application money.*

[40] *Loans outstanding at the close of 2010-11represent long term loan only.*

Sl. No.	Sector & Name of the PSU	Name of the Department	Month and year of incorporation	Paid-up[39] Capital				Loans[40] outstanding at the close of 2010-11				Debt equity ratio for 2010-11 (Previous year)	Manpower (No. of employees)
				State Government	Central Government	Others	Total	State Government	Central Government	Others	Total		
7.	M.P. Audyogik Kendra Vikas Nigam (Ujjain) Limited	--do--	02 September 2008	--	--	10.00	10.00	--	--	--	--	--	42
8.	Industrial Infrastructure Development Corporation (Gwalior) Limited	-do-	28 May 1985	--	--	0.75	0.75	--	--	--	--	--	151
9.	Madhya Pradesh Pichhara Varg Tatha Alpsankhyak Vitta Evam Vikas Nigam Limited	Picchra Varg Kalyan Vibhag	29 September 1994	8.54	--	--	8.54	0.58	--	31.65	32.23	3.77:1 (4.05:1)	20
10.	Madhya Pradesh Adivasi Vitta Evam Vikas Nigam Limited	Schedule Tribe Welfare Department	29 September 1994	23.67	5.38	--	29.05	--	--	16.93	16.93	0.58:1 (1.63:1)	114
11.	The Provident Investment Company Limited	Finance	04 December 1926	0.49	--	0.01	0.50	--	---	---	---	--	19
12.	Madhya Pradesh State Industrial Development Corporation Limited	Commerce & Industry	13 September 1965	81.09	--	--	81.09	93.88	--	443.25	537.13	6.62:1 (6.60:1)	91
Sector wise total				**113.79**	**6.18**	**15.09**	**135.06**	**95.55**	--	**491.83**	**587.38**	**4.35:1** (4.74:1)	**1073**
INFRASTRUCTURE													
13.	Madhya Pradesh Police housing Corporation Limited	Home (Police)	31 March 1981	4.58	--	---	4.58	--	--	--	--	--	142
14.	Madhya Pradesh Road Development Corporation Limited	PWD	14 July 2004	20.00	--	--	20.00	--	--	--	--	--	121
Sector wise total				**24.58**	**--**	**--**	**24.58**	**--**	**--**	**--**	**--**	**--**	**263**

Sl. No.	Sector & Name of the PSU	Name of the Department	Month and year of incorporation	Paid-up[39] Capital				Loans[40] outstanding at the close of 2010-11				Debt equity ratio for 2010-11 (Previous year)	Manpower (No. of employees)
				State Government	Central Government	Others	Total	State Government	Central Government	Others	Total		
MANUFACTURING													
15.	Pithampur Auto Cluster Pvt. Limited	Commerce & Industries	27 December 2004	--	--	11.98	11.98	--	--	--	--	--	2
16.	Madhya Pradesh State Electronics Development Corporation Limited	Commerce & Industries	18 November 1983	21.91	--	--	21.91	17.12	--	--	17.12	0.78:1 (0.78:1)	69
17.	Crystal I.T. Park Indore Limited, Indore	Commerce & Industries	16 September 2004	--	--	0.05	0.05	--	--	--	--	--	--
18.	Madhya Pradesh Hastha Shilp Evam Hath Kargha Vikas Nigam Limited	Gram Udyog Department	28 November 1981	0.02	0.52	0.72	1.26	--	--	0.23	0.23	0.18:1 (1.50:1)	292
19.	Madhya Pradesh State Mining Corporation Limited	Mineral Resources Department	19 January 1962	2.20	--	--	2.20	--	--	--	---	--	405
20.	MP AMRL (Semaria) Coal Company Limited	Mineral Resources Department	19 November 2009	--	--	1.00	1.00	--	--	--	--	--	--
21.	MP AMRL (Morga) Coal Company Limited	Mineral Resources Department	19 November 2009	--	--	1.00	1.00	--	--	--	--	--	--
22.	MP AMRL (Bicharpur) Coal Company Limited	Mineral Resources Department	19 November 2009	--	--	1.00	1.00	--	--	--	--	--	--
23.	MP AMRL (Marki Bakra) Coal Company Limited	Mineral Resources Department	19 November 2009	--	--	1.00	1.00	--	--	--	--	--	--
24.	MP Jaypee Coal Limited	Mineral Resources Department	14 May 2009	--	--	10.00	10.00	--	--	--	--	--	--
25.	MP Monnet Mining Company Limited	Mineral Resources Department	16 November 2009	--	--	2.00	2.00	--	--	--	--	--	1

Sl. No.	Sector & Name of the PSU	Name of the Department	Month and year of incorporation	Paid-up[39] Capital				Loans[40] outstanding at the close of 2010-11				Debt equity ratio for 2010-11 (Previous year)	Manpower (No. of employees)
				State Government	Central Government	Others	Total	State Government	Central Government	Others	Total		
26.	MP Jay Pee Minerals Limited	Mineral Resources Department	21 February 2006	--	--	76.54	76.54	--	--	--	--	--	--
27.	MP Jay Pee Coal fields Limited	Mineral Resources Department	4 January 2010	--	--	1.00	1.00	--	--	--	--	--	--
	Sector wise total			**24.13**	**0.52**	**106.29**	**130.94**	**17.12**	**0**	**0.23**	**17.35**	**0.13:1** (0.36:1)	**769**
POWER													
28.	Madhya Pradesh Urja Vikas Nigam Limited	Energy Department	25 August 1982	0.69	--	--	0.69	--	--	--	--	--	220
29.	Madhya Pradesh Power Transmission Company Limited	-do-	22 November 2001	2154.43	--	--	2154.43	1737.31	--	524	2261.31	1.04:1 (0.99:1)	4822
30.	Madhya Pradesh Poorv Kshetra Vidyut Vitaran Company Limited	-do-	31 May 2002	1194.45	--	---	1194.45	1985.81	--	775.20	2761.01	2.31:1 (1.76:1)	13469
31.	Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited	-do-	31 May 2002	1223.05	--	--	1223.05	520.54	--	408.13	928.67	0.76:1 (0.36:1)	11930
32.	Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited	-do-	31 May 2002	1436.40	--	--	1436.40	436.23	--	676.48	1112.71	0.77:1 (1.72:1)	--
33.	Madhya Pradesh Power Generating Company Limited	-do-	22 November 2001	3542.07	--	185.00	3727.07	43.48	--	4465.10	4508.58	1.20:1 (1.04:1)	6055
34.	Shahpura Thermal Power Company Limited	-do-	05 February 2007	--	--	0.05	0.05	--	--	1.17	1.17	23.4:1 (27.8:1)	4

Sl. No.	Sector & Name of the PSU	Name of the Department	Month and year of incorporation	Paid-up[39] Capital				Loans[40] outstanding at the close of 2010-11				Debt equity ratio for 2010-11 (Previous year)	Manpower (No. of employees)
				State Government	Central Government	Others	Total	State Government	Central Government	Others	Total		
35.	Madhya Pradesh Power Trading Company Limited	-do-	02 May 2006	20.00	--	--	20.00	--	--	--	--	--	134
36.	Dada Dhuni Wale Khandwa Power Limited.	-do-	25 February 2010	--	--	5.00	5.00	--	---	--	--	--	7
Sector wise total				**9571.09**	**0**	**190.05**	**9761.14**	**4723.37**	**0**	**6850.08**	**11573.45**	**1.18:1 (0.93:1)**	**36641**
SERVICES													
37.	M.P. Trade and Investment Facilitation Corporation Limited	Commerce & Industries	14 February 1977	0.80	--	--	0.80	--	--	--	--	--	25
38.	Madhya Pradesh Laghu Udyog Nigam Limited	-do-	28 December 1961	2.68	0.15	---	2.83	---	---	---	---	---	355
39.	SEZ Indore Limited	-do-	20 February 2003	---	--	26.97	26.97	--	--	--	---	---	3
40.	Madhya Pradesh State Civil Supplies Corporation Limited	Food, Civil Supplies & Consumer Protection	03 April 1974	8.47	--	--	8.47	--	--	--	--	--	862
41.	Madhya Pradesh State Tourism Development Corporation Limited	Tourism	24 May 1978	24.97	--	--	24.97	--	--	--	--	--	1850
42.	Indore City Transport Services Limited	Urban Development	01 December 2005	--	--	0.25	0.25	--	--	--	--	--	7
43.	Jabalpur City Transport Services Limited	-do-	31 August 2006	--	--	0.25	0.25	--	--	--	--		3
44.	Bhopal City Link Limited	-do-	25 July 2006	0.30	--	--	0.30	--	--	--	--		4

Sl. No.	Sector & Name of the PSU	Name of the Department	Month and year of incorporation	Paid-up[39] Capital				Loans[40] outstanding at the close of 2010-11				Debt equity ratio for 2010-11 (Previous year)	Manpower (No. of employees)
				State Government	Central Government	Others	Total	State Government	Central Government	Others	Total		
45.	Ujjain City Transport Services Limited	-do-	05 June 2008	--	--	--	--	--	--	--	--	--	--
46.	Katni City Transport Services Limited	-do-	10 September 2009	--	--	0.15	0.15	--	--	---	--	--	--
47.	MP Vikramaditya Knowledge (U) Limited		18 March 2010	--	---	---	---	---	---	---	----	---	-----
Sector wise total				**37.22**	**0.15**	**27.62**	**64.99**	**--**	**--**	**--**	**--**	**--**	**3109**
Total A (All sector wise working Government Companies)				**9810.84**	**9.44**	**339.05**	**10159.33**	**4836.04**	**0**	**7342.14**	**12178.18**	**1.20:1**	**43357**
B. Working Statutory Corporations													
AGRICULTURE & ALLIED													
1	Madhya Pradesh Warehousing and Logistics Corporation	Food, Civil Supplies & Consumer Protection	19 February 1958	4.28	--	3.78	8.06	--	--	4.94	4.94	0.61:1 (0.58:1)	1448
Sector wise total				**4.28**	**--**	**3.78**	**8.06**	**--**	**--**	**4.94**	**4.94**	**0.61:1 (0.58:1)**	**1448**
FINANCE													
2.	Madhya Pradesh Financial Corporation	Finance	30 June 1955	349.08	--	2.06	351.14	--	---	523.54	523.54	1.49:1 (1.29;1)	220
Sector wise total				**349.08**	**--**	**2.06**	**351.14**	**--**	**---**	**523.54**	**523.54**	**1.49:1 (1.29;1)**	**220**
POWER													
3.	Madhya Pradesh State Electricity Board	Energy Department	01 April 1957/ 1 Januanry, 2001	79.61	---	---	79.61	--	--	--	---	--	797
Sector wise total				**79.61**	**---**	**---**	**79.61**	**--**	**--**	**--**	**---**	**--**	**797**
SERVICES													
4.	Madhya Pradesh Road Transport Corporation	Transport	21 May1962	109.96	31.85	--	141.81	573.35	--	143.49	716.84	5.05:1 (5.05:1)	1361
Sector wise total				**109.96**	**31.85**	**--**	**141.81**	**573.35**	**--**	**143.49**	**716.84**	**5.05:1 (5.05:1)**	**1361**

Sl. No	Sector & Name of the PSU	Name of the Department	Month and year of incorporation	Paid-up[39] Capital				Loans[40] outstanding at the close of 2010-11				Debt equity ratio for 2010-11 (Previous year)	Manpower (No. of employees)
				State Government	Central Government	Others	Total	State Government	Central Government	Others	Total		
Total B (All sector wise working Statutory corporations)				**542.93**	**31.85**	**5.84**	**580.62**	**573.35**	**--**	**671.97**	**1245.32**	**2.14:1 (0.72:1)**	**3826**
Grand Total (A+B)				**10353.77**	**41.29**	**344.89**	**10739.95**	**5409.39**	**0**	**8014.11**	**13423.5**	**1.25:1 (0.93:1)**	**47183**
C. Non working Government Companies													
AGRICULTURE & ALLIED													
1.	Madhya Pradesh Lift Irrigation Corporation Limited	Water resources Deptt.	13 July 1976	5.92	--	--	5.92	--	--	--	--	--	Under liquidation
2.	Madhya Pradesh State Dairy Development Corporation Limited	Agriculture	22 March 1975	--	--	--	--	--	--	--	--	--	Under liquidation
Sector wise total				**5.92**	**--**	**--**	**5.92**	--	--	--	--	--	**--**
FINANCE													
3.	Madhya Pradesh Film Development Corporation Limited	Department of Culture	16 December 1981	1.04	--	--	1.04	--	--	--	--	--	Under liquidation
4.	Madhya Pradesh Panchayati Raj Vitta Evam Gramin Vikas Nigam Limited	Panchayat and Rural Development	30 March 1981	0.16	--	--	0.16	--	--	--	--	--	Under liquidation
Sector wise total				**1.20**	**--**	**--**	**1.20**	--	--	--	--	**--**	**--**
INFRASTRUCTURE													
5.	Madhya Pradesh State Industries Corporation Limited	Commerce and Industries	11 April 1961	15.12	--	--	15.12	41.18	---	--	41.18	2.72:1 (2.80:1)	Closed
6.	Madhya Pradesh Rajya Setu Nirman Nigam Limited	PWD	04 October 1978	5.00	--	--	5.00	--	--	--	--	--	Under liquidation
Sector wise total				**20.12**	**--**	**--**	**20.12**	**41.18**	**--**	**--**	**41.18**	**--**	**--**
MANUFACTURING													
7.	Madhya Pradesh Leather Development Corporation Limited	Rural Industries Department	25 November 1981	1.54	--	--	1.54	--	--	--	--	--	Closed

Sl. No.	Sector & Name of the PSU	Name of the Department	Month and year of incorporation	Paid-up[39] Capital				Loans[40] outstanding at the close of 2010-11				Debt equity ratio for 2010-11 (Previous year)	Manpower (No. of employees)
				State Government	Central Government	Others	Total	State Government	Central Govern-ment	Others	Total		
8.	Optel Telecommunication Limited	Commerce and Industries	23 December 1988	--	--	23.96	23.96	17.12	--	29.48	46.60	1.94 (1.94:1)	Under liquidation
9.	Madhya Pradesh State Textile Corporation Limited	Commerce and Industries	27 November 1970	6.86	--	--	6.86	86.74	--	1.10	87.84	12.80:1 (12.80:1)	14
10.	Madhya Pradesh Vidyut Yantra Limited			--	--	1.50	1.50	--	--	--	--	--	Under liquidation
	Sector wise total			**8.40**	--	**25.46**	**33.86**	**103.86**	--	**30.58**	**134.44**	**3.97:1**	**14**
Total C (All sector wise non working Government companies)				**35.64**	**--**	**25.46**	**61.10**	**145.04**	**--**	**30.58**	**175.62**	**2.87:1**	**14**
Grand Total (A+B+C)				**10389.41**	**41.29**	**370.35**	**10801.05**	**5554.43**	**0**	**8044.69**	**13599.12**	**1.26:1**	**47197**

Note

1. *For Madhya Pradesh State Road Transport Corporation (B-4) data of year 2008-09 has been adopted for the year 2010-11, as corporation was unable to furnish the detail.*
2. *First accounts of following companies were not received 1.Ujjain City Transport Services Limited (A-45) 2. Indore city Transport Limited (A-42) 3. M P Jay Pee Coal Field Limited (A-27) 4 Bhopal City Link Limited (A-44) and 5.M P Vikramaditya Knowledge City (U) Limited (A-47)*
3. *Paid up Capital of M.P.Vidyut Yantra limited (C-10) is taken for 1989-90 (AR 2007-08) as the Company is non functional and no information is received.*
4. *After unbundling (July 2002) of the Board into five companies activities of the Board were confined to debt servicing and management of cash flow activities of the Power Sector Companies.*

Annexure –2

(Referred to in paragraph 1.15)

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

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

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalized	Net Profit (+) Loss (-)				Turn-over	Impact of Accounts Comments[41]	Paid up Capital	Accumulated Profit (+) Loss (-)	Capital employed	Return on capital employed[42]	Percentage return on capital employed
				Net Profit Loss before Interest & Deprecia-tion	Inte-rest	Deprecia-tion	Net Profit/ Loss							
1	2	3	4	5(a)	5(b)	5(c)	5(d)	6	7	8	9	10	11	12
A. Working Government Companies														
AGRICULTURE & ALLIED														
1.	Madhya Pradesh State Agro Industries Development Corporation Limited	2008-09	2010-11	1.71	0.19	0.34	1.18	336.13	(-) 2.72	3.30	(-) 7.48	4.20	1.37	32.62
2.	Madhya Pradesh Rajya Van Vikas Nigam Limited	2009-10	2010-11	28.58	--	0.41	28.17	85.73	(-)8.58	39.32	45.76	91.44	28.17	30.81
Sector wise total				**30.29**	**0.19**	**0.75**	**29.35**	**421.86**	**(-)11.30**	**42.62**	**38.28**	**95.64**	**29.54**	**30.89**
FINANCE														
3.	M.P. Audyogik Kendra Vikas Nigam (Bhopal) Limited	2010-11	2011-12	1.81	--	0.17	1.64	10.90	(-) 1.38	1.35	6.25	7.59	1.64	21.61
4.	M.P. Audyogik Kendra Vikas Nigam(Indore) Limited	2008-09	2011-12	11.65	---	1.5	10.15	24.71	(-)0.05	1.65	18.87	112.48	10.15	9.02
5.	M.P. Audyogik Kendra Vikas Nigam (Jabalpur) Limited	2010-11	2011-12	0.48	---	---	0.48	1.42	---	1.33	8.44	9.93	0.42	4.23
6.	M.P. Audyogik Kendra Vikas Nigam (Rewa) Limited	2009-10	2010-11	2.49	---	---	2.49	3.06	---	0.80	2.24	5.49	2.49	45.36
7.	M.P. Audyogik Kendra Vikas Nigam (Ujjain) Limited	2008-09	2009-10	0.53	---	0.01	0.52	0.73	---	10.00	0.35	10.30	0.52	5.05
8.	Industrial Infrastructure Development Corporation (Gwalior) Limited	2010-11	2011-12	0.23	---	0.08	0.15	3.45	---	0.75	3.90	4.65	0.14	3.01
9.	Madhya Pradesh Pichhara Varg Tatha Alpsankhyak Vitta Evam Vikas Nigam Limited	2004-05	2011-12	1.75	1.83	0.02	(-) .10	2.18	---	6.44	--	6.45	1.93	29.92
10.	Madhya Pradesh Adivasi Vitta Evam Vikas Nigam Limited	2003-04	2011-12	3.37	1.33	0.10	1.94	4.38	(-)0. 36	18.36	2.51	20.07	3.27	16.30
11.	The Provident Investment Company Limited	2009-10	2011-12	5.66	--	0.04	5.62	4.67	--	0.50	20.03	22.54	5.62	24.93
12.	Madhya Pradesh State Industries Development Corporation Limited	2009-10	2010-11	6.94	0.08	0.18	6.68	8.55	---	81.09	(-)606.24	712.62	6.88	0.96
Sector wise total				**34.91**	**3.24**	**2.10**	**29.57**	**64.05**	**(-) 1.79**	**122.27**	**(-)543.65**	**912.12**	**33.06**	**3.62**
INFRASTRUCTURE														
13.	Madhya Pradesh Police housing Corporation Limited	2010-11	2011-12	1.36	--	---	1.36	6.90	--	4.58	29.95	35.89	1.36	3.79
14.	Madhya Pradesh Road Development Corporation Limited	2009-10	2010-11	14.60	--	0.37	14.23	28.13	(+)0 .35	19.00	39.52	58.58	14.22	24.27
Sector wise Total				**15.96**	**---**	**0.37**	**15.59**	**35.03**	**0.35**	**23.58**	**69.47**	**94.47**	**15.58**	**16.49**

41 *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.*

42 *Return on capital employed has been worked out by adding profit and interest charged to profit and loss account.*

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalized	Net Profit (+) Loss (-)				Turn-over	Impact of Accounts Comments[41]	Paid up Capital	Accumulated Profit (+) Loss (-)	Capital employed	Return on capital employed[42]	Percentage return on capital employed
				Net Profit Loss before Interest & Deprecia-tion	Inte-rest	Deprecia-tion	Net/ Profit/ Loss							
MANUFACTURING														
15.	Pithampur Auto Cluster Pvt. Limited	2009-10	2010-11	0.94	---	6.45	(-)5.51	2.13	--	11.98	2.21	62.22	(-)5.51	0.00
16.	Madhya Pradesh State Electronic Development Corporation Limited	2009-10	2011-12	1.97	0.32	.30	1.35	7.93	(-)15.44	21.91	.85	151.90	1.67	1.10
17.	Crystal I.T. Park Indore Limited***	2010-11	2011-12	--	---	--	--	--	--	0.05	--	---	---	---
18.	Madhya Pradesh Hastha Shilp Evam Hath Kargha Vikas Nigam Limited	2006-07	2009-10	0.44	0.09	0.22	0.13	21.61	--	1.26	0.71	16.77	0.22	1.31
19.	Madhya Pradesh State Mining Corporation Limited .	2010-11	2011-12	33.18	----	0.21	32.97	95.50	--	2.20	89.66	75.61	32.97	43.61
20.	MP AMRL (Semaria) Coal Company Limited Δ	2010-11	2011-12	(-)0. 06	--	---	(-)0. 06	0.00	--	1.00	(-)0.33	0.60	(-)0.07	0.00
21.	MP AMRL (Morga) Coal Company Limited	2010-11	2011-12	0.00	--	--	0.00	0.00	--	1.00	(-)0.27	0.67	(-) 0.00	0.00
22.	MP AMRL (Bicharpur) Coal Company Limited	2010-11	2011-12	0.00	--	--	0.00	0.00	---	1.00	(-)0.27	0.67	(-) 0.00	0.00
23.	MP AMRL (Marki Bakra) Coal Company Limited	2010-11	2011-12	(-) 0.01	--	--	(-) 0.01	0.00	--	1.00	(-)0.28	0.67	(-) .02	0.00
24.	MP Jaypee Coal Limited ***	2010-11	2011-12	--	--	--	--	--	--	10.00	--	10.02	--	--
25.	MP Monnet Mining Company Limited Δ.	2010-11	2011-12	--	--	---	--	--	--	2.00	--	1.67	--	--
26.	MP Jay Pee Minerals Limited	2010-11	2011-12	(-)0.76	---	0.40	(-) 1.16			76.53	(-)1.17	54.40	1.16	2.13
27.	MP Jay Pee Coal fields Limited	First accounts not received												
	Sector wise Total			**35.70**	**0.41**	**7.58**	**27.71**	**127.17**	**(-)15.44**	**129.93**	**91.11**	**375.20**	**30.42**	**8.11**
POWER														
28.	Madhya Pradesh Urja Vikas Nigam Limited	2009-10	2010-11	(-)4.00	----	0.00	(-)4.00	48.88	(-)1.29	0.69	--	29.09	(-)3.98	0.00
29.	Madhya Pradesh Power Transmission Company Limited	2010-11	2011-12	587.03	338.34	248.98	(-)0.29	1454.27	--	2154.43	(-)128.42	5017.27	338.05	6.74
30.	Madhya Pradesh Poorv Kshetra Vidyut Vitaran Company Limited	2010-11	2011-12	(-)537.81	341.17	94.81	(-)973.79	3363.88	--	1194.45	(-)4338.21	1123.26	(-)632.63	0.00
31.	Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited	2010-11	2011-12	221.72	528.20	86.27	(-)392.75	4682.64	--	1223.05	(-)3873.47	2662.20	135.44	5.09
32.	Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited	2009-10	2011-12	(-)376.71	111.95	97.80	(-)586.46	3098.64	(-) 59.03	1182.20	(-)2674.70	1472.55	(-)474.50	0.00
33.	Madhya Pradesh Power Generating Company Limited	2010-11	2011-12	435.90	319.32	313.95	(-)197.37	3662.09	(-) 4.04	3727.07	(-)1298.96	7885.72	(-)121.94	0.00
34.	Shahpura Thermal Power Company Limited**	2010-11	2011-12	--	--	--	--	--	--	0.05	--	1.87	---	---
35.	Madhya Pradesh Power Trading Company Limited	2010-11	2011-12	0.03	---	0.03	--	9191.75	--	20.00	--	3590.16	(-)6.06	0.00
36.	Dada Dhuni Wale Khandwa Power Limited.	2010-11	2011-2012	(-) 0.23	---	---	(-) 0.23	.20		5.00		4.79	(-)0.23	0.00
Sector wise Total				**325.93**	**1638.98**	**841.84**	**(-) 2154.89**	**25502.35**	**(-) 64.36**	**9506.94**	**(-) 12313.76**	**21786.91**	**(-) 765.85**	0.00
SERVICES														
37.	M.P. Trade and Investment Facilitation Corporation Limited	2009-10	2010-11	0.67	--	.07	.60	10.98	--	0.80	7.19	15.83	0.59	3.73
38.	Madhya Pradesh Laghu Udyog Nigam Limited	2009-10	2011-12	20.91	--	0.74	20.17	163.40	(-) 1.40	2.83	53.67	56.06	20.17	35.98
39.	SEZ Indore Limited (SEZIL)	2007-08	2011-12	6.27	0.70	0.57	5.00	18.72	(-) 1.89	26.97	6.60	43.77	5.78	13.21

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalized	Net Profit (+) Loss (-)				Turn-over	Impact of Accounts Comments[41]	Paid up Capital	Accumulated Profit (+) Loss (-)	Capital employed	Return on capital employed[42]	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Deprecia-tion	Net/ Profit/ Loss							
40.	Madhya Pradesh State Civil Supplies Corporation Limited	2010-11	2011-12	368.90	365.87	0.83	2.20	4805.12	(-) 169.23	8.47	140.10	3176.51	367.88	11.58
41.	Madhya Pradesh State Tourism Development Corporation Limited	2008-09	2010-11	4.13	--	2.63	1.50	50.06	(-) 0.01	24.97	4..76	233.81	1.50	0.64
42.	Indore City Transport Services Limited	First accounts not received												
43.	Jabalpur City Transport Services Limited	2010-11	2011-12	0.12	---	0.02	0.10	0.17	---	0.25	0.40	0.65	0.10	15.38
44.	Bhopal City Link Limited	First accounts not received												
45.	Ujjain City Transport Services Limited	First accounts not received												
46.	Katni City Transport Services Limited	2009-10	2011-12	(-) 0.01	---	---	(-)0. 01	---	---	0.15	0.01	0.13	(-)0.01	0.00
47.	MP Vikramaditya Knowledge (U) Limited	First accounts not received												
Sector wise Total				**400.99**	**366.57**	**4.86**	**29.56**	**5048.45**	**(-) 172.53**	**64.44**	**212.73**	**3526.76**	**396.01**	**11.23**
Total A (All sector wise working Government companies)				**843.78**	**2009.39**	**857.50**	**(-) 2023.11**	**31198.91**	**(-) 265.07**	**9889.78**	**(-) 12445.82**	**26791.10**	**(-) 261.24**	**0.00**
B. Working Statutory corporation														
AGRICULTURE & ALLIED														
1.	Madhya Pradesh Warehousing and Logistics Corporation	2010-11	2011-12	33.75	0.69	6.10	26.96	99.96	(+) 0.52	8.06	79.25	186.35	27.65	14.84
Sector wise total				**33.75**	**0.69**	**6.10**	**26.96**	**99.96**	**(+)0.52**	**8.06**	**79.25**	**186.35**	**27.65**	**14.84**
FINANCE														
2.	Madhya Pradesh Financial Corporation	2010-11	2011-12	42.39	39.77	--	2.62	55.16	(-)7.20	351.14	(-) 237.66	839.92	41.78	4.97
Sector wise total				**42.39**	**39.77**	**--**	**2.62**	**55.16**	**(-)7.20**	**351.14**	**(-) 237.66**	**839.92**	**41.78**	**4.97**
POWER														
3.	Madhya Pradesh State Electricity Board♦	2010-11	2011-12	29.78	20.27	1.51	8.00	73.42	--	79.61	--	98.86	28.26	28.58
Sector wise total				**29.78**	**20.27**	**1.51**	**8.00**	**73.42**	**--**	**79.61**	**--**	**98.86**	**28.26**	**28.58**
SERVICES														
4.	Madhya Pradesh Road Transport Corporation	2007-08	2008-09	1.08	10.10	4.60	(-) 13.62	210.05		141.81	(-) 1024.52	(-) 144.80	(-) 3.52	0.00
Sector wise total				**1.08**	**10.10**	**4.60**	**(-) 13.62**	**210.05**		**141.81**	**(-) 1024.52**	**(-) 144.80**	**(-) 3.52**	**0.00**
Total B (All sector wise working Statutory corporations)				**107.00**	**70.83**	**12.21**	**23.96**	**438.59**	**(-)6.68**	**580.62**	**(-) 1182.93**	**980.33**	**94.17**	**9.60**
Grand Total (A+B)				**950.78**	**2080.22**	**869.71**	**(-)1999.15**	**31637.50**	**(-) 271.75**	**10470.40**	**(-) 13628.75**	**27771.43**	**(-) 167.07**	**0.00**
C Non working Government companies														
AGRICULTURE & ALLIED														
1.	Madhya Pradesh Lift Irrigation Corporation Limited	2002-03 to 2009--10	2010-11	0.04	--	--	0.04	Under liquidation	--	5.92	(-) 6.33	(-) 0.36	0.04	0.00
2.	Madhya Pradesh State Dairy Development Corporation Limited	2001-02	2002-03	--	--	--	--	Under liquidation	--	--	--	--	--	--
Sector wise total				**0.04**	**--**	**--**	**0.04**	**---**	**--**	**5.92**	**(-) 6.33**	**(-)0.36**	**0.04**	**0.00**
FINANCE														
3.	Madhya Pradesh Film Development Corporation Limited	2009-10	2010-11	--	--	--	--	Under liquidation	--	1.03	--	1.02	--	--
4.	Madhya Pradesh Panchayati Raj Vitta Evam Gramin Vikas Nigam Limited	2005-06	2006-07	0.03	--	--	0.03	Under liquidation	--	0.16	0.02	0.16	0.03	18.75

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalized	Net Profit (+) Loss (-)				Turnover	Impact of Accounts Comments[41]	Paid up Capital	Accumulated Profit (+) Loss (-)	Capital employed	Return on capital employed[42]	Percent-age return on capital employed
				Net Profit Loss before Interest & Depreciation	Interest	Deprec-iation	Net/ Profit/ Loss							
Sector wise total				**0.03**	**--**	**--**	**0.03**	**---**	**--**	**1.19**	**0.02**	**1.18**	**0.03**	**2.54**
I NFRASTRUCTURE														
5.	Madhya Pradesh State Industries Corporation Limited	2007-08	2010-11	0.09	---	.02	0.07	1.42	--	15.12	(-) 48.41	7.80	0.07	0.90
6.	Madhya Pradesh Rajya Setu Nirman Nigam Limited	1989-90	1993-94	(-) 1.13	--	--	(-) 1.13	Under liquidation	--	5.00	(-) 2.15	2.87	(-) 1.13	0.00
	Sector wise total			**(-) 1.04**	**--**	**0.02**	**(-) 1.06**	**1.42**	**--**	**20.12**	**(-) 50.56**	**10.67**	**(-) 1.06**	**0.00**
MANUFACTURING														
7.	Madhya Pradesh Leather Development Corporation Limited	1995-96	2008-09	0.04	0.01	0.06	(-) 0.03	1.06	--	0.96	0.34	1.41	(-) 0.02	0.00
8.	Optel Telecommunication Limited	2009-10	2010-11	(-) 27.07	2.14	--	(-) 29.21	Under liquidation	--	23.97	(-) 131.76	(-) 24.48	(-) 27.07	0.00
9.	Madhya Pradesh State Textile Corporation Limited	2005-06	2009-10	(-) 4.88	--	0.02	(-) 4.90	0.66	--	6.85	(-) 106.97	(-) 11.89	(-) 4.90	0.00
10.	Madhya Pradesh Vidyut Yantra Limited	--		--	--	--	(-) 0.0	Under liquidation	--	1.50	0.04	----	--	--
Sector wise total				**(-) 31.91**	**2.15**	**0.08**	**(-)34.14**	**1.72**	**---**	**33.28**	**(-) 238.35**	**(-) 34.96**	**(-) 31.99**	**0.00**
Total C (All sector wise non working Government companies)				**(-) 32.88**	**2.15**	**0.10**	**(-)35.13**	**3.14**	**----**	**60.51**	**(-) 295.22**	**(-) 23.47**	**(-) 32.98**	**0.00**
`Grand Total (A+B+C)				**917.90**	**2082.37**	**869.81**	**(-)2034.28**	**31640.64**	**(-)271.75**	**10530.91**	**(-) 13923.97**	**27747.96**	**(-) 200.05**	**0.00**

******* *The companies (Sl.No. A-17, 24, and 25) had not started commercial operation and A-35capitalised expenditures in Balance Sheet*

♦ *After unbundling (July 2002) of the Board into five companies activities of the Board were confined to debt servicing and management of cash flow activities of the Power Sector Companies.*

÷ *Company (Serial No.C-10) was under liquidation and complete information were not available.*

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		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year		Waiver of dues during the year			
		Equity	Loans	Central Govern-ment	State Govern-ment	Others	Total	Received	Commit-ment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
1	2	3(a)	3(b)	4 (a)	4 (b)	4 (c)	4 (d)	5(a)	5(b)	6(a)	6(b)	6(c)	6(d)
A.	**Working Government Companies**												
	AGRICULTURE & ALLIED												
1.	Madhya Pradesh State Agro Industries Development Corporation Limited	--	--	9.60	0.20	--	9.80	--	--	--	--	--	--
2.	Madhya Pradesh Rajya Van Vikas Nigam Limited	--	--	---	0.45	--	0.45	--	--	--	--	--	--
	FINANCE												
3.	M.P. Audyogik Kendra Vikas Nigam(Indore) Limited	--	--	7.42	--	--	7.42	--	--	--	--	--	--
4.	M.P. Audyogik Kendra Vikas Nigam (Jabalpur) Limited	---	--	1.39	3.75	--	5.14	--	--	--	--	--	--
5.	Industrial Infrastructure Development Corporation (Gwalior) Limited	--	--	2.50	---	---	2.50	---	--	--	--	--	--
6.	Madhya Pradesh Pichhara Varg Tatha Alpsankhyak Vitta Evam Vikas Nigam Limited	0.50	0.71	--	--	--	--	0.71	31.65	--	--	--	--
7.	Madhya Pradesh Adivasi Vitta Evam Vikas Nigam Limited	1.50	--	---	1.75	---	1.75	51.00	---	--	--	--	--
8.	Madhya Pradesh State Industries Development Corporation Limited	--	--	14.10	--	--	14.10	--	---	--	--	--	--
	INFRASTRUCTURE												
9.	Madhya Pradesh Road Development Corporation Limited	1.00	--	--	854.13	--	854.13	--	--	--	--	--	--
	MANUFACTURING												
10	Madhya Pradesh State Electronic Development Corporation Limited	--	--	3.06	13.98	--	17.04	--	--	--	--	--	--
11	Madhya Pradesh Hastha Shilp Evam Hath Kargha Vikas Nigam Limited	0.52	--	4.41	9.33		13.74	--	--	--	--	--	--

Sl. No.	Sector & Name of the Company	Equity/loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year		Waiver of dues during the year			
		Equity	Loans	Central Govern-ment	State Govern-ment	Others	Total	Received	Commit-ment	Loans repay-ment written off	Loans converted into equity	Interest/ penal interest waived	Total
	POWER												
12	Madhya Pradesh Urja Vikas Nigam Limited	--	--	20.74	21.28	--	42.02	--	--	--	--	--	--
13	Madhya Pradesh Power Transmission Company Limited	37.50	87.50	--	--	--	--	--	170.40	--	--	--	--
14	Madhya Pradesh Poorv Kshetra Vidyut Vitaran Company Limited	179.53	700.08	--	460.23	--	460.23	4.72	2.04	--	--	--	--
15	Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited	37.00	80.50	--	610.68	--	610.68	171.23	81.25	--	--	--	--
16	Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited	254.20	104.76	--	448.43	--	448.43	470.97	490.87	--	--	--	--
17	Madhya Pradesh Power Generating Company Limited	543.88	15.70	--	--	--	--	-----	2034.41	--	---	--	--
	SERVICES												
18	Madhya Pradesh State Civil Supplies Corporation Limited	--	--	2945.96	15.40	--	2961.36	---	--	--	--	--	--
19.	Madhya Pradesh State Tourism Development Corporation Limited	--	--	32.20	24.00	--	56.20	--	--	--	--	--	--
Total A (All sector wise working Government companies)		**1055.63**	**989.25**	**3041.38**	**2463.61**	**0**	**5504.99**	**698.63**	**2810.62**	**0.00**	**0.00**	**0.00**	**0.00**
B	**Working "Statutory corporations**												
1.	Madhya Pradesh Financial Corporation	5.00	--	--	--	--	--	50.00	436.75	--	---	--	--
2.	Madhya Pradesh Warehousing and Logistics Corporation	--	--	--	4.30	--	4.30	--	--	--	--	--	--
Total B (All sector wise working Statutory corporations)		**5.00**	**0.00**	**0.00**	**4.30**	**0.00**	**4.30**	**50.00**	**436.75**	**0.00**	**0.00**	**0.00**	**0.00**
Grand Total (A+B)		**1060.63**	**989.25**	**3041.38**	**2467.91**	**0.00**	**5509.29**	**748.63**	**3247.37**	**0.00**	**0.00**	**0.00**	**0.00**

Annexure-4

(Referred to in paragraph 1.25)

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

(Amount: ₹in crore)

Sl. No.	Name of PSU	Year upto which accounts finalised	Paid up capital as per latest finalised accounts	Arrear years in which investment received	Investment made by State Government during the year in which accounts are in arrears			
					Equity	**Loan**	**Subsidy**	**Grants**
1	**Madhya Pradesh Urja Vikas Nigam Limited, Bhopal**	2009-10	0.69	2010-11	----	---	21.28	-----
2	**Madhya Pradesh Rajya Van Vikas Nigam Limited, Bhopal.**	2009-10	39.32	2010-11	----	---	----	0.45
3	**Madhya Pradesh Audyogik Kendra Vikas (Jabalpur) Limited, Jabalpur**	2009-10	1.33	2010-11	----	---	3.75	---
4	**Madhya Pradesh State Electronics Development Corporation Limited, Bhopal.**	2009-10	21.91	2010-11	----	---	13.10	----
5	**Madhya Pradesh State Agro Industries Development Corporation Limited, Bhopal.**	2008-09	3.30	2009-10 to 2010-11	----	---	0.20	---
6	**Madhya Pradesh Road Development Corporation Limited, Bhopal.**	2009-10	20.00	2010-11	----	---	854.13	----
7	**Madhya Pradesh State Tourism Development Corporation Limited, Bhopal**	2008-09	24.97	2009-10 to 2010-11	----	---	29.02	27.78
8	**Madhya Pradesh Hastashilp Aivam Hathkargha Vikas Nigam Limited, Bhopal.**	2006-07	1.26	2007-08 to 2010-11	----	---	-----	25.24
9	**Madhya Pradesh Adivasi Vitta Aivam Vikas Nigam, Bhopal.**	2003-04	29.05	2004-05 to 2010-11	4.5	----	---	8.80
10	**Madhya Pradesh Pichhra Varg Tatha Alp-Sankhayak Vitta Aivam Vikas Nigam, Bhopal.**	2004-05	8.54	2005-06 to 2010-11	1.5	----	---	0.24
11	**Madhya Pradesh Power Transmission Company Limited**	2009-10	2154.43	2010-11	37.50	87.50	----	---
12	**Madhya Pradesh Madhya Kshetra Vidyut Vitran Company Limited**	2009-10	1182.20	2010-11	254.20	104.76	428.43	20.00
	Total				**297.70**	**192.26**	**1349.91**	**82.51**
	Grand Total				**1922.38**			

Annexure-5

(Referred to in paragraph 1.15)

Statement showing financial position of Statutory corporations

(Amount: ₹in crore)

Working Statutory corporations			
1. Madhya Pradesh State Electricity Board [43]			
	2008-09	**2009-10**	**2010-11**
A. Liabilities			
Equity capital	1098.00	1131.68	79.61
Contribution/Grant or subsidy receivable from towards cost of capital	0.00	0.00	2.31
Loans from Government	0.00	83.76	---
Other long-term loans (including bonds)	0.00	0.00	95.16
Reserves and surplus	2.34	2.34	0.02
Current liabilities and provisions	301.12	85.10	87.84
Total A	**1401.46**	**1302.88**	**264.94**
B. Assets			
Gross fixed assets	72.54	72.86	73.96
Less : Depreciation	46.36	47.86	49.38
Net fixed assets	26.18	25.00	24.58
Capital works-in-progress	1.15	1.15	1.15
Deferred cost	0.00	0.00	0.00
Current assets	1297.30	1199.44	161.07
Subsidy receivable from Government	0.00	0.00	1.10
Investments	76.83	77.29	77.04
Profit and Loss Account	0.00	0.00	0.00
Total – B	**1401.46**	**1302.88**	**264.94**
(C) Capital employed[44]	**1228.06**	**1140.88**	**98.86**
2. Madhya Pradesh Road Transport Corporation			
	2005-06	**2006-07**	**2007-08**
A. Liabilities			
Capital (including capital loan and equity capital)	141.81	141.81	141.81
Borrowings (Government) (Others)	17.50 466.24	574.12 13.79	573.35 143.49
Funds[45]	422.57	27.43	21.09
Trade dues and other current liabilities (including provisions)	597.75	920.01	873.52
Total - A	**1645.87**	**1677.16**	**1753.26**
B. Assets			
Gross Block	460.74	460.77	457.50
Less : Depreciation	64.07	69.49	74.59
Net fixed assets	396.67	391.28	382.91
Capital works-in-progress (including cost of chassis)	1.74	1.92	1.16
Investments	0.02	0.02	0.02
Current assets, loans and advances	380.14	273.04	344.65
Accumulated loss	867.30	1010.90	1024.52
Total - B	**1645.87**	**1677.16**	**1753.26**
C. Capital employed[46]	**180.80**	**(-)253.77**	**(-)144.80**

43 *After unbundling (July 2002) of the Board into five companies, activities of the Board were confined to debt servicing and management of cash flow activities of the Power Sector companies. And the huge difference arises in the Equity Capital of the board is because of transfer of possession of Assets and Liabilities into those five companies. Transfer of possession is under process during the years after unbundling of the board. Simultaneously this also makes impact on the Capital Employed of the board.*

44 *Capital employed represents net fixed assets (including capital works-in-progress) plus working capital. While working out working capital, the element of deferred cost and investments have been excluded from current assets.*

45 *Excluding depreciation funds.*

46 *Capital employed represents net fixed assets (including capital works-in-progress) plus working capital.*

3. Madhya Pradesh Financial Corporation [47]			
	2008-09	**2009-10**	**2010-11**
A. Liabilities			
Paid-up capital	338.29	346.14	351.14
Share application money	-	-	-
Reserve fund and other reserves and surplus	38.92	38.82	38.73
Borrowings (Including interest due):			
(i) Bonds and debentures	41.40	63.33	108.17
(ii) Fixed deposits			
(iii) Industrial Development Bank of India & Small Industries Development Bank of India	369.45	334.60	330.50
(iv) Reserve Bank of India	--	-	-
(v) Loan towards share capital from: (a) State Government (b) Small Industrial Development Bank of India	 1.43 1.43	 - -	 - -
(vi) Others (including State Government)	47.48	50.00	84.87
Other Liabilities and provisions	34.61	38.38	42.61
Total – A	**873.01**	**871.27**	**956.02**
B. Assets			
Cash and Bank balances	33.10	16.59	46.64
Investments	187.07	187.05	187.05
Loans and advances	390.42	405.75	461.99
Net fixed assets	8.24	8.23	8.06
Other assets	13.40	13.98	14.61
Miscellaneous expenditure	240.78	239.67	237.66
Total – B	**873.01**	**871.27**	**956.02**
C. Capital employed[48]	**801.49**	**800.93**	**839.92**

4. Madhya Pradesh Warehousing and Logistics Corporation			
	2008-09	**2009-10**	**2010-11**
A. Liabilities			
Paid-up Capital	8.06	1.50	1.50
Advances against Capital/Pending share Allotment	---	6.56	6.56
Reserves and surplus	97.66	102.47	117.13
Borrowings (Including interest due): Government Others	 -- 3.31	 -- 4.75	 -- 5.05
Trade dues and current liabilities (including provisions)	41.64	69.39	97.28
Total A	**150.67**	**184.67**	**227.52**
B. Assets			
Gross Block	147.94	151.39	163.41
Less : Depreciation	52.97	58.00	63.98
Net Fixed assets	94.97	93.39	99.43
Capital works-in-progress	5.45	8.79	17.03
Current assets, loan and advances	50.25	82.49	111.06
Total -B	**150.67**	**184.67**	**227.52**
Capital employed[49]	**125.55**	**110.52**	**186.35**

47 *Certain figures for the year 2008-09 and 2009-10 have been re-cast on review.*

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

49 *Capital employed represents net fixed assets (including capital works-in-progress) plus working capital.*

Annexure:-6

(Referred to in paragraph 1.15)

Statement showing working results of Statutory corporations

(₹ in crore)

A. Working Statutory corporations				
1.	**Madhya Pradesh State Electricity Board**[50]			
	Particulars	**2008-09**	**2009-10**	**2010-11**
1	(a) Revenue receipts	69.09	77.06	73.42
	(b) Subsidy/Subvention from Government	0.00	0.00	0.00
	Total	69.09	77.06	73.42
2	Revenue expenditure (net of expenses capitalised) including write-off of intangible assets but excluding depreciation and interest	42.08	76.16	43.64
3	Gross Surplus (+)/Deficit(-) for the year (1-2)	37.01	0.90	29.78
4	Adjustments relating to previous years (Credit)	(-)4.88	(-)0.90	----
5	Final Gross Surplus (+)/Deficit(-) for the year (3+4)	22.13	0.00	29.78
6	Appropriations :			
	(a) Depreciation (less capitalised)	1.56	1.51	1.51
	(b) Interest on Government loans	0.00	0.00	0.00
	(c) Interest on others, bonds, advance, etc. and finance charges	20.57	32.22	20.27
	(d) Total interest on loans & finance charges (b+c)	20.57	32.22	20.27
	(e) Less :- Interest capitalised	0.00	0.00	0.00
	(f) Net interest charged to revenue (d-e)	20.57	32.22	20.27
	(g) Total appropriations (a+f)	22.13	33.73	21.78
7	Surplus(+)/deficit(-)before accounting for subsidy from State Government {5-6(g)-1(b)}	0.00	0.00	0.00
8	Net Surplus(+)/Deficit (-) {5-6(g)}	0.00	(-)33.73	8.00
9	Total return on capital employed[51]	0.00	33.12	28.26
10	Percentage of return on capital employed	0.00	2.90	28.58
11.	Capital employed	**1228.06**	**1140.48**	**98.86**
2.	**Madhya Pradesh Road Transport Corporation**			
		2005-06	**2006-07**	**2007-08**
1	Operating			
	(a) Revenue	218.34	204.97	205.41
	(b) Expenditure	294.38	340.86	202.16
	(c) Surplus (+)/Deficit (-)	(-) 76.04	(-) 135.89	3.25
2	Non-operating			
	(a) Revenue	5.42	2.15	4.64
	(b) Expenditure	15.44	9.86	21.51
	(c) Surplus(+)/Deficit(-)	(-)10.02	(-)7.71	(-)16.87
3	**Total**			
	(a) Revenue	223.76	207.12	210.05
	(b) Expenditure	309.82	350.72	223.67
	(c) Net Profit(+)/Loss(-)	(-)86.06	(-)143.60	(-)13.62
4	Interest on capital and loans	11.00	9.05	10.10
5	**Total return on Capital employed**[52]	**(-)75.06**	**(-)134.55**	**(-)3.52**

[50] *After unbundling (July 2002) of the Board into five companies, activities of the Board were confined to debt servicing and management of cash flow activities of the Power Sector companies. And the huge difference arises in the Equity Capital of the board is because of transfer of possession of Assets and Liabilities into those five companies. Transfer of possession is under process during the years after unbundling of the board. Simultaneously this also makes impact on the Capital Employed of the board.*

[51] *Total return on capital employed represents net Surplus/ Deficit plus total interest charged to Profit and Loss Account (less interest capitalised).*

[52] *Total return on capital employed represent net surplus/deficit plus total interest charged to Profit and Loss accounts (less interest capitalised)*

3.	**Madhya Pradesh Financial Corporation** [53]			
		2008-09	**2009-10**	**2010-11**
1	**Income**			
	(a) Interest on loans (b) Other Income	40.60 3.51	50.29 1.30	54.16 1.00
	Total-1	**44.11**	**51.59**	**55.16**
2	**Expenses**			
	(a) Interest on long-term loans	35.49	40.26	39.77
	(b) Provision for non performing assets	0.66	0.14	0.49
	(c) Other expenses	7.98	9.60	11.85
	(d) Depreciation	0.24	0.21	0.23
	Total-2	**44.37**	**50.21**	**52.34**
3	Profit/Loss before tax (1-2)	(-)0.26	(+)1.38	2.82
4	Provision for tax	0.21	(-)0.26	0.62
5	Other appropriations	0.98	(+)0.02	0.19
6	Amount available for dividend	0.51	1.10	2.01
7	Dividend declared	---	--	---
8	**Total return on capital employed**	**36.00**	**41.64**	**41.78**
9	Percentage of return on capital employed	4.53	5.21	4.97
4.	**Madhya Pradesh Warehousing and Logistics Corporation**			
		2008-09	**2009-10**	**2010-11**
	Income			
	(a) Warehousing charges (b) Other Income	46.34 2.63	61.64 4.89	89.65 10.31
	Total	**48.97**	**66.53**	**99.96**
	Expenses			
	(a) Establishment charges	24.50	33.01	37.29
	(b) Other expenses	16.09	15.41	21.76
	Total	**40.59**	**48.42**	**59.05**
	Profit (+)/Loss(-) before tax	8.38	18.11	40.91
	Other appropriations[54]	8.08	17.81	40.61
	Amount available for dividend	0.30	0.30	0.30
	Dividend for the year	0.30	0.30	0.30
	Total return on capital employed[55]	**4.99**	**12.14**	**27.65**
	Percentage of return on capital employed	3.97	10.53	14.84

53 Certain figures for the year 2008-09 and 2009-10 have been re-cast on review.

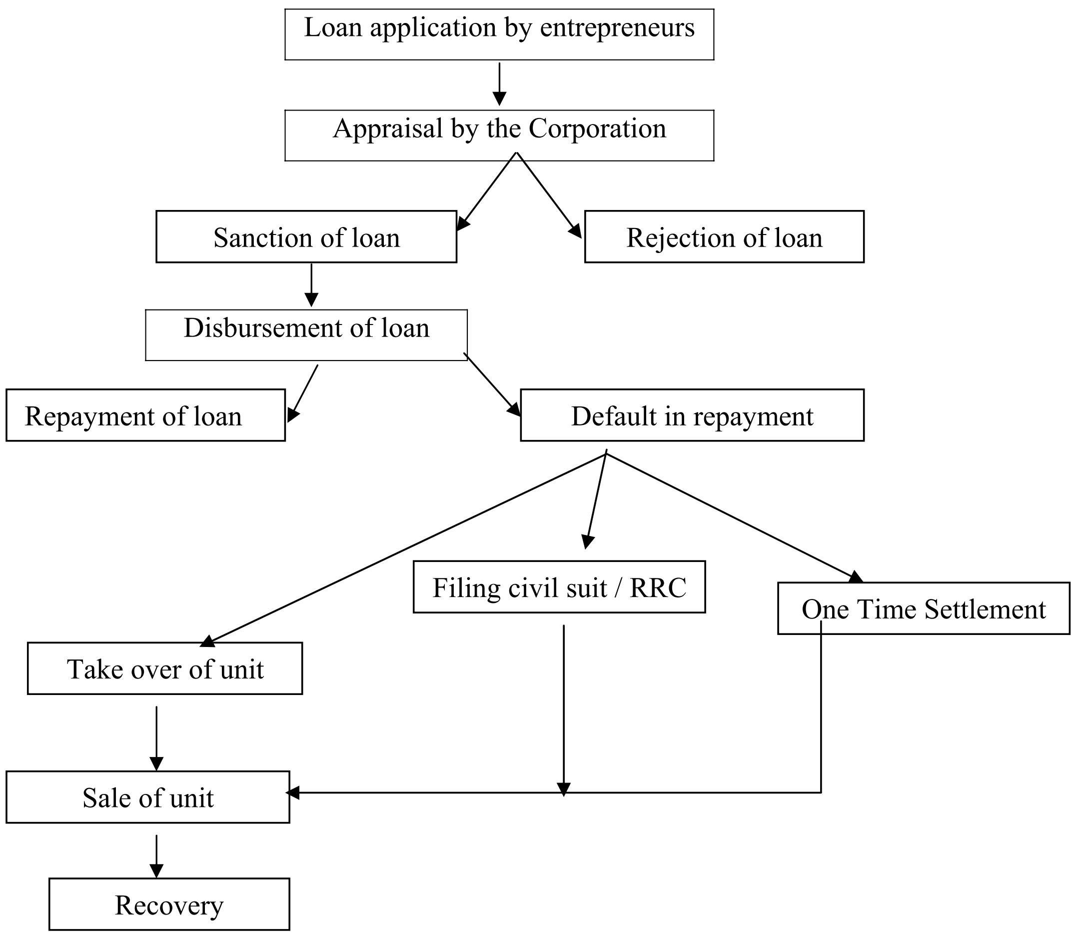
54 This does not include prior period adjustments.

55 Total return on capital employed represents net surplus/deficit plus total interest charged to profit and loss accounts.

Annexure-7

(Referred to in Paragraph 2.1.6)

Process of financing and recovery of loans in Madhya Pradesh Financial Corporation



Annexure-8

(Referred to in Paragraph 2.1.7)

Statement showing financial position of Madhya Pradesh Financial Corporation for the period 2006-07 to 2010-11

(₹ in crore)

	2006-07	2007-08[56]	2008-09	2009-10	2010-11
A. Liabilities					
Paid up capital	268.29	333.29	338.29	346.14	351.14
Share application money	-	-	-	-	-
Reserve fund and other reserves and surplus	8.90	39.02	38.92	38.82	38.73
Borrowings (including interest due)					
(i) Bonds and debentures	109.16	65.32	41.40	63.33	108.17
(ii) Fixed deposits	-	-	-	-	-
(iii) IDBI & SIDBI	274.74	301.82	369.45	334.60	330.50
(iv) RBI	-	-	-	-	-
(v) Loan towards share capital from					
(a) State Government.					
(b) SIDBI	1.43	1.43	1.43	-	-
(vi) Others (including State	1.43	1.43	1.43	-	-
Government)	126.58	91.70	47.48	50.00	84.87
Other liabilities and provisions	9.98	22.19	34.61	38.38	42.61
Total - A	**800.51**	**856.20**	**873.01**	**871.27**	**956.02**
B. Assets					
Cash and bank balances	13.05	104.06	33.10	16.59	46.64
Investments	187.22	187.22	187.07	187.05	187.05
Loans and advances	337.52	302.83	390.42	405.76	461.99
Net fixed assets	8.52	8.32	8.24	8.23	8.06
Other assets	11.90	12.48	13.40	13.98	14.61
Miscellaneous expenditure	242.30	241.29	240.78	239.67	237.67
Total - B	**800.51**	**856.20**	**873.01**	**871.27**	**956.02**
C. Capital employed[57]	**684.02**	**794.15**	**801.49**	**800.93**	**839.92**
D. Net worth[58]	**277.19**	**131.02**	**136.43**	**145.29**	**152.20**

56 *The Corporation prepared its accounts on accrual basis system from 2007-08, based on Recommended Accounting Practices by SIDBI and regrouped the previous year figures (2006-07)*

57 *Capital employed represents the mean of the aggregate of opening and closing balances of paid up capital, loans in view of capital, seed money, debentures, reserves (other than those which have been funded specifically and backed by investments outside), bonds, deposits and borrowings (including refinance)*

58 *Net worth includes paid up capital, free reserves and surplus (less miscellaneous expenses not written off).*

Annexure-9

(Referred to in Paragraph 2.1.7)

Statement showing working results of Madhya Pradesh Financial Corporation for the period 2006-07 to 2010-11

(₹ in crore)

		2006-07	2007-08[59]	2008-09	2009-10	2010-11
1	**Income**					
	(a) Interest on loans	41.07	46.46	40.60	50.29	54.16
	(b) Other income	2.81	31.56	3.51	1.30	1.00
	Total -1	**43.88**	**78.02**	**44.11**	**51.59**	**55.16**
2	**Expenses**					
	(a) Interest on long term loans	34.71	58.25	35.49	40.26	39.77
	(b) Provision for non performing assets/ diminution in investments	16.05	5.42	0.66	0.14	0.49
	(c) Other expenses[60]	8.13	12.92	7.98	9.60	11.15
	(d) Depreciation	0.21	0.21	0.24	0.21	0.23
	Total - 2	**59.10**	**76.80**	**44.37**	**50.21**	**51.64**
3	Profit/ (Loss) before tax (1-2)	(-) 15.22	1.22	(-) 0.26	1.38	2.82
4	Provision for tax	-	0.21	0.21	0.26	0.62
5	Other appropriations	-	-	0.98	0.02	0.19
6	Profit/ (Loss) after tax	(-) 15.22	1.01	0.51	1.10	2.01
7	Amount available for dividend [61]	-	1.01	0.51	1.10	2.01
8	Dividend declared	-	-	-	-	-
9	**Total return on capital employed [62]**	**19.64**	**59.27**	**36.00**	**41.36**	**41.78**
10	**Percentage of return on capital employed**	**2.87**	**7.46**	**4.49**	**5.16**	**4.97**

59 *The Corporation has prepared its accounts on accrual basis system from 2007-08, based on Recommended Accounting Practices by SIDBI and regrouped the figures for 2006-07.*

60 *Other expenses include personnel and administrative expenses.*

61 *Represents profit available for dividend after considering the specific reserves and provision for taxation.*

62 *Total return on capital employed represents net surplus/ deficit plus total interest charged to profit and loss account (less interest capitalized).*

Annexure-10

(Referred to in Paragraph 2.1.10)

Statement showing Sector-wise loans sanctioned during the period 2006-07 to 2010-11

(₹ in crore)

Sector	Exposure limit *(per cent)*	2006-07		2007-08		2008-09		2009-10		2010-11	
		Amt.	Per cent	Amt.	Per cent	Amt.	Per cent	Amt.	Per cent	Amt.	Per cent
Manufacturing	50	106.68	62.64	76.90	45.65	154.84	67.07	124.68	54.99	126.80	51.47
Service[63]	25	33.09	19.43	32.77	19.45	47.32	20.50	40.97	18.07	23.19	9.41
CRE	25	30.53	17.93	58.78	34.90	28.69	12.43	61.08	26.94	96.36	39.12
TOTAL		**170.30**	**100**	**168.45**	**100**	**230.85**	**100**	**226.73**	**100**	**246.35**	**100**

[63] *Service sector includes hotel, hospital and nursing homes, marriage halls, departmental stores/shops*

Annexure-11

(Referred to in Paragraph 2.1.13)

Statement showing interest rates charged by MPFC during the period 2006-07 to 2010-11 (fig. in Percentage)

Sl No.	Loan Scheme	17th July 2009			2nd March 2009			28th November 2008			15th Oct. 2008			01st August 2008			w.e.f. 04th July 2007		
		Gross Int. Rate	Rebate Int. Rate	Net Int. Rate	Gross Int. Rate	Rebate Int. Rate	Net Int. Rate	Gross Int. Rate	Rebate Int. Rate	Net Int. Rate	Gross Int. Rate	Rebate Int. Rate	Net Int. Rate	Gross Int. Rate	Rebate Int. Rate	Net Int. Rate	Gross Int. Rate	Rebate Int. Rate	Net Int. Rate
1	**Term Loan Scheme**																		
	upto ₹.50000/-	10.00		10.00	10.00		10.00	10.00		10.00	9.50		9.50	9.50		9.50	9.50		9.50
	Above ₹.50000 to ₹. 2 lakh	12.00	0.50	11.50	12.00	0.50	11.50	12.00	0.50	11.50	11.50	0.50	11.00	11.50	0.50	11.00	10.50		10.50
	Above ₹.2 lakh upto ₹. 25 lakh	14.00	1.00	13.00	14.50	0.50	14.00	14.50	0.50	14.00	13.00	0.50	12.50	13.00	0.50	12.50	11.50		11.50
	Above ₹.25 lakh upto ₹.200 lakh																		
	Industrial Units[64]	14.00	1.00	13.00	15.00	1.00	14.00	15.00	1.00	14.00	14.00	1.00	13.00	14.00	1.00	13.00	13.00	1.00	12.00
	Above ₹.200 lakh	14.00	1.00	13.00	14.50	1.00	13.50	14.50	1.00	13.50	13.75	1.00	12.75	13.75	1.00	12.75	12.50	1.00	11.50
2	**Other Schemes [65]**																		
	Infrastructure Developments Projects [66] (Commercial Real Estate)	15.75	1.00	14.75	16.75	1.00	15.75	19.00	1.00	18.00	16.00	1.00	15.00	15.00	1.00	14.00	14.00	1.00	13.00
	Working Capital Medium Term Loan	14.00	1.00	13.00	14.50	1.00	13.50	14.50	1.00	13.50	14.50	0.50	14.00	14.50	0.50	14.00	14.00	1.00	13.00
	Short Term Loan	14.00	1.00	13.00	14.50	1.00	13.75	14.50	1.00	13.50	13.50	0.50	14.00	14.50	0.50	14.00	14.50	0.50	14.00
	Scheme for Medical Professionals	13.00	0.50	12.50	13.50	1.00	12.50	13.50	1.00	12.50									
	Scheme for Misc.Fixed Assets	14.00	1.00	13.00	14.50	1.00	13.50	14.50	1.00	13.50									

Note: *The interest rate under the infrastructure scheme shall have an annual interest rate reset clause to be applicable on 1st of April every year during the currency of the loan.*

[64] *Includes Hotels, Hospitals,and Nursing Homes.*
[65] *Interest rate shall be applicable irrespective of the loan amount*
[66] *Include Development of Residential Colonies, Commercial Complexes, Multiplexes, Shopping Malls etc.*

Annexure-12

(Referred to in Paragraph 2.1.17)

Statement showing details of loans sanctioned to promoters of the same family

Sl. No.	Name of the Loanee	Address	Status	Promoters (Shri/ Smt.)	Relation-ship	Date of loan application	Date of sanction	Amount of loan (₹. in lakh)	Rate of int. (%)	Date of Commence-ment of repayment	No. of qtrly instal-ments	Particulars of default. (June 2011)	Location of Business	Prime security	Additional security
1	Bhagirath Cold Storage Pvt. Ltd	28, AB Road, Barwal, Shajapur, Dewas.	Pvt Ltd Co.	Rameshwar Choudhary, Lalitha Choudhary, Surya Prakash Choudhary, Gopal Singh Choudhary,	Main Promoter Wife, Brother Brother	4.03.2009	29.03.2009	30.00	15	1.09.2010	24 (Sept.10 to Jun.16)	Outstanding ₹. 29.73 lakh Default ₹. 4.73 lakh	A.B. Road, Barwal, Shajapur	Free hold land measuring 0.209 hectare at survey No. 379 gram Barwal, Shajapur and building constructed there on	Mortgage of shop house and godown on plot no. 775 patware halka no. 32 village Berchha, Shajapur
														Free hold land measuring 0.595 hectare at survey no. 378/2 and 379 gram Barwal Shajapur and building constructed there on	
2	Mama Ice and Cold Storage Pvt. Ltd	28, AB Road, Barwal, Shajapur, Dewas	Pvt Ltd Co.	Rameshwar Choudhary, Lalitha Choudhary, Surya Prakash Choudhary,	Main Promoter Wife, Brother	26.03.2009	31.03.2009	30.00	15	1.09.2010	24 (Sept.10 to Jun.16)	Outstanding ₹. 33.57 lakh Default ₹. 8.57 lakh	A.B. Road, Barwal, Shajapur	Free hold land measuring 0.595 hectare at survey no. 378/2 and 37.9 gram Barwal Shajapur and building constructed there on	Mortgage of shop house and godown on plot no. 775 patware halka no. 32 village Berchha, Shajapur
														Free hold land measuring 0.209 hectare at survey No. 379 gram Barwal, Shajapur and building constructed there on	

Sl. No.	Name of the Loanee	Address	Status	Promoters (Shri/ Smt.)	Relation-ship	Date of loan application	Date of sanction	Amount of loan (₹. in lakh)	Rate of int. (%)	Date of Commence-ment of repayment	No. of qtrly instal-ments	Particulars of default. (June 2011)	Location of Business	Prime security	Additional security
3	Dev Hospital	28, AB Road, Barwal, Shajapur, Dewas	Pro-prietor -ship firm	Rameshwar Choudhary, Sanjay Patidar	Main Promoter B-I-Law	4.03.2009	27.10.2 009	75.00	14	1.01.2011	24 (Jan.11 to Oct.16)	Outstanding ₹ 76.85 lakh Default ₹ 9.85 lakh	A.B. Road, Ward No. 4, Shajapur	Free hold land and building of hospital at survey No. 117 gram Mahupura, patware halka no. 15 ward no. 4 Shajapur	Addition security worth Rs. 35 lakh in the form of fixed assets
4	Choudhary Hospitals	28, AB Road, Barwal, Shajapur, Dewas	Partne r-ship firm	Rameshwar Choudhary, Sanjay Patidar	Main Promoter Brother-In-Law	31.05.201 0	30.06.2 010	25.00	14	1.08.2011	24 (Aug.11 to May 17)	Outstanding ₹.20.92 lakh, Default ₹ 0.92 lakh	A.B. Road, Ward No. 4, Shajapur	Free hold land and building of hospital at survey No. 117 gram Mahupura, patware halka no. 15 ward no. 4 Shajapur	Extension of charge on all fixed assets of M/s Mama ice and cold storage Shajapur
														Free hold land measuring 2998.75 sq. foot at survey no. 126, gram Mahupura patware halka no. 15 ward no. 4 Shajapur	

Annexure-13

(Referred to in Paragraph 2.1.19)

Statement showing targets and achievements in respect of loans sanctioned to different sectors during the period 2006-07 to 2010-11

(₹ in crore)

Sector		2006-07		2007-08		2008-09		2009-10		2010-11	
		T	A	T	A	T	A	T	A	T	A
Micro	Sanction	15.00	13.70	20.00	14.36	16.25	12.80	15.00	11.99	15.00	9.51
	Disbursement	12.00	11.56	15.00	10.43	13.00	7.74	10.00	12.23	14.00	8.06
Small	Sanction	70.00	76.70	65.00	45.40	53.75	46.29	50.00	70.16	75.00	52.93
	Disbursement	65.00	72.59	45.00	33.13	42.50	39.85	45.00	37.67	40.00	38.22
Medium	Sanction	60.00	49.37	46.25	59.38	80.00	104.09	110.00	53.70	60.00	72.55
	Disbursement	28.00	26.95	30.00	33.40	64.50	60.28	80.00	37.15	32.50	41.74
MSME Total	**Sanction**	**145.00**	**139.77**	**131.25**	**119.14**	**150.00**	**163.18**	**175.00**	**135.85**	**150.00**	**134.99**
	Disbursement	**105.00**	**111.10**	**90.00**	**76.96**	**120.00**	**107.87**	**135.00**	**87.05**	**86.50**	**88.02**
Commer-cial Real Estate (CRE)	Sanction	30.00	30.53	43.75	49.31	50.00	28.09	50.00	61.08	62.50	96.36
	Disbursement	15.00	11.50	30.00	20.31	40.00	18.79	30.00	27.06	35.00	52.17
Other large units	Sanction	0	0	0	0	0	39.58	25.00	29.50	37.50	15.00
	Disbursement	0	0	0	0	0	35.02	15.00	26.15	38.50	11.06
Grand Total	**Sanction**	**175.00**	**170.30**	**175.00**	**168.45**	**200.00**	**230.85**	**250.00**	**226.43**	**250.00**	**246.35**
	Disbursement	**120.00**	**122.60**	**120.00**	**97.27**	**160.00**	**161.68**	**180.00**	**140.22**	**160.00**	**151.25**

***T** - Target**, A** - Actual*

Annexure-14

(Referred to in Paragraph 2.1.28)

Statement showing assets of defaulted units taken over under Section 29 of the SFC Act during the period 2006-07 to 2010-11

(₹ in crore)

Year	No. of units taken over	Original sanctioned amount	Default amount at the time of take over
2006-07	33	8.05	5.94
2007-08	37	12.31	9.96
2008-09	20	3.99	4.02[67]
2009-10	8	3.95	1.23
2010-11	22	9.92	6.83
TOTAL	**120**	**38.22**	**27.98**

67 *The default amount was more than the sanctioned amount during the year 2008-09 due to accumulation of interest*

Annexure-15

(Referred to in Paragraph 2.1.29)

Statement showing details of loans re-scheduled during the period 2006-07 to 2010-11

(₹ in crore)

Year	No. of loans re-scheduled	Amount re-scheduled	Amount outstanding	Amount in default
2006-07	18	6.45	1.96	0.30
2007-08	39	4.94	2.99	0.79
2008-09	201	64.61	28.46	1.87
2009-10	89	44.51	21.87	1.21
2010-11	64	48.50	48.37	0.40
TOTAL	**411**	**169.01**	**103.65**	**4.57**

Annexure – 16

(Referred to in paragraph 2.2.9)

Statement showing particulars of distribution network planned vis-à-vis achievement there against in the State as a whole during 2006-07 to 2010-11

(Figures in number)

S.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	2029	2141	2256	2468	2582
ii	Additions planned for the year	158	267	316	144	146
iii	Additions made during the year	112	115	212	114	98
iv	At the end of the year	2141	2256	2468	2582	2680
v	Shortage in addition (ii - iii)	46	152	104	30	48
(B)	**HT Lines (in CKM)**					
i	At the beginning of the year	197176	200423	205606	212904	224812
ii	Additions planned for the year	5009	10112	11932	13460	19120
iii	Additions made during the year	3247	5183	7298	11908	14205
iv	At the end of the year	200423	205606	212904	224812	239017
v	Shortage in addition (ii - iii)	1762	4929	4634	1552	4915
(C)	**LT Lines (in CKM)**					
i	At the beginning of the year	337180	339148	340568	340646	343385
ii	Additions planned for the year	870	1664	1457	2499	3600
iii	Additions made during the year	1968	1420	78	2739	2547
iv	At the end of the year	339148	340568	340646	343385	345932
v	Shortage in addition (ii - iii)	-1098	244	1379	-240	1053
(D)	**Transformers Capacity (in MVA)**					
i	At the beginning of the year	13661	14154	15472	17277	18292
ii	Additions planned for the year	734	1488	1962	1015	1236
iii	Additions made during the year	493	1318	1805	1015	892
iv	At the end of the year	14154	15472	17277	18292	19184
v	Shortage in addition (ii - iii)	241	170	157	0	344

Annexure – 17

(Referred to in paragraph 2.2.19)

Statement showing progress of installation of meters

(Figures in number)

Year	Meters installed at the opening of the year	Targeted for metering during the year	Actual meters installed during the year	Meters installed at the close of the year [68]
2006-07	4762056	359158	235295	4997351
2007-08	4950884	314876	231797	5182681
2008-09	5182681	410064	205473	5388154
2009-10	5314921	509768	135567	5450488
2010-11	5439971	647862	308119	5748090

[68] *Figures in Col 5 do not agree with Col 2 of next year because of Permanently Disconnected consumers*

Annexure – 18

(Referred to in paragraph 2.2.26)

Financial Position of M.P. Madhya Kshetra Vidyut Vitaran Company Limited, Bhopal

(₹ in crore)

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
A. Liabilities					
Paid up Capital	445.72	564.37	706.25	1182.19	1436.39
Reserve & Surplus (including Capital Grants but excluding Depreciation Reserve)	27.58	51.63	236.42	343.54	437.28
Borrowings (Loan Funds)					
Secured	0	147.27	389.17	533.09	979.77
Unsecured	945.09	1053.37	1390.39	2129.81	3273.2
Current Liabilities & Provisions	1601.56	2056.92	2722.04	2868.96	2727.21
Total	**3019.95**	**3873.56**	**5444.27**	**7057.59**	**8853.85**
B. Assets					
Gross Block	1342.7	1687.85	2044.62	2256.72	2398.8
Less: Depreciation	995.78	1057.1	1134.36	1232.16	1340.86
Net Fixed Assets	346.92	630.75	910.26	1024.56	1057.94
Capital works-in-progress	607.69	426.18	381.88	511.55	890.3
Investments	4.07	3.00	2.52	2.52	2.52
Current Assets, Loans and Advances	1231.7	1490.25	2253.07	2844.27	3623.46
Miscellaneous Expenditure	0.06	0.04	0.02	0.00	0.00
Deferred Revenue Expenditure	1.19	0.79	0.40	0.00	0.00
Accumulated losses	828.32	1322.55	1896.12	2674.69	3279.63
Total	**3019.95**	**3873.56**	**5444.27**	**7057.59**	**8853.85**
Debt : Equity	**-1.93:1**	**-0.94:1**	**-0.81:1**	**-0.61:1**	**-0.89:1**
Net Worth	**-355.08**	**-706.59**	**-953.47**	**-1148.96**	**-1405.96**

Annexure – 19

(Referred to in paragraph 2.2.27)

Statement showing cost and realization per unit in respect of M.P. Madhya Kshetra Vidyut Vitaran Company Limited, Bhopal

(₹ in crore)

Sl. No.	Description	2006-07	2007-08	2008-09	2009-10	2010-11
1	**Income**					
(i)	Revenue from Sale of Power	1892.25	2010.26	2228.17	2536.81	2845.67
(ii)	Revenue subsidy & grants	115.85	236.34	360.33	379.17	465.88
(iii)	Other income	166.65	166.22	150.25	182.66	267.64
	Total Income	**2174.75**	**2412.82**	**2738.75**	**3098.64**	**3579.19**
2	**Distribution (In MUs)**					
(i)	Total power purchased	10807.24	11858.17	11592.81	12525.10	12286.00
(ii)	Less: Transmission losses,	676.87	760.40	614.18	1962.04	955.80
(iii)	Net Power available for Sale	10130.37	11097.77	10978.63	10563.06	11330.20
(iv)	Less: Sub-transmission & distribution losses	4320.06	4748.49	4389.28	3620.30	3506.41
	Net power sold	**5810.31**	**6349.28**	**6589.35**	**6942.76**	**7823.79**
3	**Expenditure on Distribution of Electricity**					
(a)	**Fixed cost**					
(i)	Employees cost	276.02	316.20	382.17	479.58	510.29
(ii)	Administrative and General expenses	48.43	56.16	58.65	56.45	77.96
(iii)	Depreciation	114.78	61.33	87.35	97.80	108.71
(iv)	Other Expenses	134.31	134.42	176.54	340.96	44.08
(v)	Interest and finance charges	40.85	47.96	64.53	111.95	355.79
(vi)	Other Expenses	0.85	0.42	41.65	0.42	0.00
	Total fixed cost	**615.24**	**616.49**	**810.89**	**1087.16**	**1096.83**
(b)	**Variable cost**					
(i)	Purchase of Power	2071.87	2260.35	2478.56	2763.19	3063.90
(ii)	Repairs & Maintenance	11.04	30.11	40.33	27.27	23.39
	Total variable cost	**2082.91**	**2290.46**	**2518.89**	**2790.46**	**3087.29**
(c)	**Total cost 3(a) + (b)**	**2698.15**	**2906.95**	**3329.78**	**3877.62**	**4184.12**
4	Realisation (₹ per unit) **(Revenue from sale of power*including Subsidy / power available for sale)**	1.98	2.02	2.36	2.76	2.92
5	Fixed cost (per unit)	0.60	0.56	0.74	1.03	0.97
6	Variable cost (per unit)	2.06	2.06	2.29	2.64	2.72
7	Total cost per unit (in ₹) (5+6)	2.66	2.62	3.03	3.67	3.69
8	Contribution (4-6) (₹ per unit)	-0.08	-0.04	0.07	0.12	0.20
9	**Profit (+)/Loss(-) per unit (in ₹) (4-7)**	**-0.68**	**-0.60**	**-0.67**	**-0.91**	**-0.77**

Annexure-20

(Referred to in Paragraph 3.10.1)

Statement showing paragraphs/reviews for which explanatory notes were not received.

Sl. No.	Name of Department	2008-09	2009-10	Total
1.	Energy	---	4	4
2.	Public Works Department	--	2	2
3.	Commerce of Industries	2	--	2
4.	Food processing Horticulture	--	1	1
5.	Tourism	--	2	2
6.	Rural Industries Department	**--**	1	1
	Total	**2**	**10**	**12**

Annexure-21

(Referred to Paragraph 3.10.3)

Statement showing Outstanding Inspection Report (IRs) and Paragraphs to which replies are awaited

Sl. No.	Name of the Department	Number of PSUs	Number of Outstanding IRs	Number of Outstanding paragraphs	Earliest year from which paragraphs outstanding
1.	Energy	09	438	1406	2004-05
2.	Commerce and industries	12	18	48	2005-06
3.	Mining Resources	01	1	4	2010-11
4.	Tribal Welfare	01	2	13	2008-09
5.	Tourism	01	1	1	2009-10
6.	Home (Police)	01	1	4	2009-10
7.	Rural industries	01	2	4	2008-09
8.	Agriculture	01	1	11	2009-10
9.	Minorities welfare	01	2	14	2009-10
10.	Forest	01	2	3	2009-10
11	Food, Civil Supplies & Consumer protection	02	3	24	2008-09
.12.	PWD	01	2	11	2009-10
13.	Urban Development	05	09	23	2008-09
	Total	**37**	**482**	**1566**	

Annexure-22

(Referred to in Paragraph 3.10.3)

Review and Draft paragraphs to which the replies are awaited

S.No.	Name of Department	No. of reviews	No. of DPs	Period of Issue
1.	Commerce & Industries Department	--	04	April & May 2011
2.	Tourism Department	--	01	May 2011
3.	Urban Development	--	01	April 2011
4.	Transport Department	--	01	May 2011
5.	Home Police	--	01	April 2011
6.	Energy Department	1	02	May ,June & July 2011
7.	Finance	1	--	July 2011
	TOTAL	**2**	**9**[69]	

[69] *One Draft Paragraph (3.4) was issued to two companies viz SEZ (Indore) Limited and Madhya Pradesh Police Housing Corporation Limited , which are under Department of Commerce & Industries and Home(Police) Department respectively.*