REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL
OF INDIA

ON

PUBLIC SECTOR UNDERTAKINGS

FOR THE YEAR ENDED 31 MARCH 2016

GOVERNMENT OF ASSAM
(REPORT NO. 5 OF 2016)

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Preface

This Report deals with the results of audit of Government Companies and Statutory Corporations for the year ended 31 March 2016.

The accounts of Government Companies are audited by the Comptroller and Auditor General of India (CAG) under the provisions of the Section 143 of the Companies Act, 2013. The accounts certified by the Statutory Auditors (Chartered Accountants) appointed by the CAG under the Companies Act, are subject to supplementary audit by officers of the CAG and the CAG gives their comments or supplements the reports of the Statutory Auditors. In addition, the Government Companies as well as Other Companies covered under Section 139 (5) and 139 (7) of the Companies Act, 2013 are also subject to test audit by the CAG.

The audit of Statutory Corporations is governed by their respective legislations. In respect of one Statutory Corporation, namely, Assam State Transport Corporation the CAG is the sole auditor.

Reports in relation to the accounts of a Government Company or Corporation are submitted to the State Government by CAG for laying before State Legislature of Assam under the provisions of Section 19-A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

The instances mentioned in this Report are those, which came to notice in the course of test audit during the period April 2015 to March 2016 as well as those which came to notice in the earlier years, but could not be reported in the previous Audit Reports. Matters relating to the period subsequent to March 2016 have also been included, wherever necessary.

The audit has been conducted in conformity with the Auditing Standards issued by the CAG.

Executive Summary

Executive Summary

This Audit Report has been prepared in three chapters. **Chapter I** provides an overview of State Public Sector Undertakings (SPSUs) including figures on total investments in equity/long term loans of SPSUs, data on their financial performance, status of finalisation of their accounts, *etc*. **Chapter II** includes a performance audit relating to a State Government company. **Chapter III** of the Report includes nine audit paragraphs emerging from the Compliance Audit of SPSUs.

The draft reports of audit paragraphs and performance audit were sent to the Commissioner/Secretary of the Departments concerned with a request to furnish replies within six weeks. No replies were, however, received from the concerned departments for any of the draft reports on audit paragraphs and performance audit. A synopsis of the important findings contained in this Audit Report is presented below.

Chapter I Functioning of State Public Sector Undertakings

Audit of Government companies is governed by Section 143 of the Companies Act, 2013. The financial statements of Government companies are audited by Statutory Auditors appointed by CAG. These financial statements are also subject to supplementary audit conducted by officers of the CAG. Audit of Statutory corporations is governed by their respective legislations. As on 31 March 2016, the State of Assam had 49 SPSUs (33 working and 16 non-working SPSUs), which employed 40,675 employees. The 33 working SPSUs included 30 companies and 3 Statutory corporations. The working SPSUs registered a turnover of ₹ 5,061.36 crore for 2015-16 as per their latest finalised accounts as on 30 September 2016. This turnover was equal to 2.59 *per cent* of State Gross Domestic Product. At the same time, the working SPSUs incurred an overall loss of ₹ 663.12 crore for 2015-16 as per their latest finalised accounts as on 30 September 2016.

Investment in SPSUs

As on 31 March 2016, the investment (capital and long term loans) in 49 SPSUs was ₹ 4,983.15 crore. It increased by 50.43 *per cent* from ₹ 3,312.69 crore in 2011-12. The thrust of investment in SPSUs was mainly in the Power Sector, which accounted for 73.98 *per cent* of total investment in 2015-16. During 2015-16 the State Government contributed an aggregate amount of ₹ 962.60 crore towards loans (₹ 455.35 crore), and grants/subsidies (₹ 507.25 crore) to 12 SPSUs.

Reconciliation with Finance Accounts

During 2015-16, the unreconciled differences in the figures of the State Government's investments in equity and loans outstanding as per records of SPSUs and that appearing in the Finance Accounts of the State marginally decreased from ₹ 373.98 crore (2014-15) to

₹ 373.88 crore (2015-16) and those in loans reduced from ₹ 1,414.92 crore (2014-15) to ₹ 1,167.34 crore (2015-16). The unreconciled differences of outstanding investments, however, still remained significant.

Arrears in accounts and winding up

As on September 2016, 26 working SPSUs had arrears of total 171 accounts, under their jurisdiction with the periods of backlog ranging up to 25 years, which was significant. As no purpose is served by keeping 16 non-working SPSUs in existence, the liquidation process to wind up these SPSUs need to be expedited.

Performance of SPSUs

During the year 2015-16, out of 33 working SPSUs, 16 SPSUs earned aggregate profit of ₹ 97.98 crore and 17 SPSUs incurred loss of ₹ 761.10 crore. The major contributors to profit were Assam Gas Company Limited (₹ 67.32 crore), DNP Limited (₹ 9.58 crore), Assam Industrial Development Corporation Limited (₹ 5.53 crore) and Assam Mineral Development Corporation Limited (₹ 4.14 crore). The heavy losses were incurred by Assam Power Distribution Company Limited (₹ 577.50 crore) and Assam Electricity Grid Corporation Limited (₹ 80.55 crore).

Quality of accounts

All the 74 accounts finalised by 24 working SPSUs (including 2 accounts of 2 Statutory corporations) during October 2015 to September 2016, had received qualified certificates. There were 59 instances of non-compliance with Accounting Standards in 22 accounts.

Compliance with the Reports of Committee on Public Undertakings (COPU)

Action Taken Notes (ATN) on 31 recommendations pertaining to 10 Reports of the COPU presented to the State Legislature between April 2008 and December 2011 had not been received (November 2016).

Chapter II Performance Audit relating to Government Company

Performance Audit on the functioning of Assam Petro-Chemicals Limited

Introduction

Assam Petro-Chemicals Limited (Company) was incorporated (1971) as a subsidiary of the Assam Industrial Development Corporation Limited (AIDC) with the main objective to manufacture, market and deal in petrochemicals, chemical compounds and chemical products and also to undertake all incidental and consequential activities. The present activities of the Company are, however, confined to production and marketing of Methanol and Formalin only. The present performance audit was conducted to assess the economy, efficiency and effectiveness of the Company in implementation and operation of industrial projects during the period 2011-16 and also to assess the compliance of the Company against environmental issues.

Financial profile

The Reserves and Surplus of the Company reduced from ₹ 63.73 crore (2011-12) to ₹ 45.96 crore (2015-16) mainly due to losses of ₹ 6.47 crore (2014-15) and ₹ 22.19 crore (2015-16) incurred during the last two years. The broad reason for increase in losses of the Company during 2014-15 and 2015-16 were decrease in prices of Methanol and Formalin in the domestic as well as the international market.

Planning

The Company prepared isolated project specific plans for executing the capital projects. For the production planning, the Company prepared short-term production plans based on the expected plant availability during the ensuing year. Further, *ad hoc* allocations were made for marketing operations based on the requirements. Thus, a long term vision of Company's operations through a perspective/long term planning mechanism was missing.

Project Management

Delay in approval of the integrated 500 TPD Methanol Project as well as delays on part of the holding Company (AIDC) in delisting of equity shares of the Company, led to non-availability of the major portion of the project funding for execution of the project. Owing to this, the project cost had escalated from ₹ 1,028 crore to ₹ 1,990 crore and even after changing of the project components by the Company, the revised cost stood at ₹ 1,340 crore.

Operational Management

The Company was operating two manufacturing units with a production capacity of 33,000 MT per annum (Methanol plant) and 41,250 MT per annum (Formalin plant). As compared to the production capacity of the plants during the five years from 2011-12 to 2015-16, there was under achievement of 13,298 MT in case of the Methanol plant and 14,468 MT in case of the Formalin plant. The low capacity utilisation of the plants were broadly attributable to low pressure of gas, ageing of the Methanol plant, delay in charging of silver catalyst, lack of scheduled maintenance and absence of health assessment at pre-determined intervals, which led to unplanned shutdowns.

Monitoring and Internal Control

Several deficiencies were noticed in the internal control of the Company. The Internal Audit Reports of the Company for the years 2011-16 were silent on several vital issues, such as the efficacy of systems and controls, in the manufacturing units, adherence to plans, policies and procedures, operational efficiency of plants *etc*. There was absence of control mechanism to monitor the stock holding of the Company within the reasonable limits.

Chapter III Compliance Audit Observations

Compliance Audit observations included in the Report highlights deficiencies in the management of SPSUs, which resulted in serious financial implications. Gist of some of the important audit observations is given below:

Decision of **Assam Power Distribution Company Limited** to award the contract based on different rates for similar items in violation of the bid document led to an undue favour of ₹ 3.18 crore to the contractor.

(Paragraph 3.1)

Supply of electricity at lower voltage level in violation of AERC Regulations led to irrecoverable loss of ₹ 91.58 lakh to **Assam Power Distribution Company Limited**.

(Paragraph 3.2)

Negligence of **Assam Plains Tribes Development Corporation Limited** in taking timely action for payment of EPF dues resulted in avoidable expenditure of ₹ 2.85 crore.

(Paragraph 3.3)

Assam State Textbook Production and Publication Corporation Limited extended undue favour of ₹ 61.71 lakh to the supplier by not adjusting the price for change in specification of paper.

(Paragraph 3.4)

Functioning
of
State Public Sector Undertakings

Chapter I - Functioning of State Public Sector Undertakings

Introduction

1.1 The State Public Sector Undertakings (SPSUs) in Assam comprises of State Government Companies and Statutory Corporations. The SPSUs were established to carry out activities of a commercial nature, keeping in view the welfare of the people as also to contribute to the growth of the State economy. As on 31 March 2016, there were 49 SPSUs in the State. The details are given below:

Table 1.1: Total number of SPSUs as on 31 March 2016

Type of SPSUs	Working SPSUs	Non-working SPSUs[1]	Total
Government Companies[2]	30	16	46
Statutory Corporations	03	0	03
Total	**33**	**16**	**49**

Source: information furnished by the Companies/ Corporations

The working SPSUs registered a turnover of ₹ 5,061.36 crore, as per their latest finalised accounts as of September 2016. This turnover was equal to 2.59 *per cent* of the State Gross Domestic Product (GDP) of ₹ 1,95,145 crore[3] for 2015-16. During 2014-15, the contribution of working SPSUs (₹ 4,380.58 crore) was marginally lesser at 2.38 *per cent* of the State GDP (₹ 1,83,798 crore).

The working SPSUs incurred an aggregate loss of ₹ 663.12 crore, as per their latest finalised accounts (as of September 2016), as compared to the aggregate loss of ₹ 700.64 crore incurred by the working SPSUs during 2014-15. The decrease in the aggregate loss of working SPSUs, was mainly on account of profit earned (₹ 0.93 crore) in 2015-16 by Assam Power Generation Corporation Limited against loss (₹ 86.36 crore) incurred as per its accounts for 2013-14 finalised during last year. The SPSUs had employed 40,675 employees, as at the end of March 2016.

As of 31 March 2016, there were 16 non-working SPSUs, having an investment of ₹ 149.86 crore as per their latest finalised accounts as of September 2016. This was a critical area, as the investments in non-working SPSUs neither contributed to the economic growth of the State nor were they released for more productive purposes by way of disposal of assets *etc.*

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1 Non-working SPSUs are those which have ceased to carry on their operations.

2 Government Companies include Other Companies, referred to in Section 139 (5) and 139 (7) of the Companies Act, 2013

3 State GDP, as per the Economic Survey, 2015-16, published by the Government of Assam

Accountability framework

1.2 The audit of the financial statements of a Company, in respect of financial years commencing on or after 1 April 2014, is governed by the provisions of the Companies Act, 2013 (Act) and the audit of a Company, in respect of financial years that commenced earlier than 1 April 2014, continued to be governed by the Companies Act, 1956.

According to Section 2 (45) of the Act, a Government Company is one in which not less than 51 *per cen*t of the paid-up capital is held by the Central and/or State Government(s) and includes a subsidiary of a Government Company. The process of audit of Government companies under the Act is governed by the concerned provisions of Sections 139 and 143 of the Act.

Statutory Audit

1.3 The financial statements of a Government Company, as defined in Section 2 (45) of the Act, are audited by the Statutory Auditors, who are appointed by the Comptroller and Auditor General of India (CAG), as per the provisions of Section 139 (5) or (7) of the Act. These financial statements are subject to supplementary audit, to be conducted by the CAG, under the provisions of Section 143 (6) of the Act.

Further, the Statutory Auditors of any Other Company, owned or controlled, directly or indirectly, by the Central and/or State Government(s), are also appointed by CAG, as per the provisions of Section 139 (5) or (7) of the Act.

As per the provisions of Section 143 (7) of the Act, the CAG, may, in case of any Company (Government Company or Other Company), covered under sub-section (5) or sub-section (7) of Section 139 of the Act, if he considers necessary, by an order, cause test audit to be conducted of the accounts of such Company (Government Company and Other Company). The provisions of Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971, shall apply to the report of such test audit.

Audit of Statutory Corporations is governed by their respective legislations. Out of the three Statutory Corporations all working in the State, CAG is the sole auditor for one Corporation, namely, Assam State Transport Corporation. In respect of remaining two Corporations, (*i.e.* Assam State Warehousing Corporation and the Assam Financial Corporation), the audit is conducted by Chartered Accountants and supplementary audit by CAG.

Role of State Government and Legislature

1.4 The State Government exercises control over the affairs of the SPSUs through its administrative departments. The Chief Executive and Directors, on the Boards of the SPSUs, are appointed by the State Government.

The State Legislature also monitors the accounting and utilisation of State Government investment in the SPSUs. For this, the Annual Reports together with the Statutory Auditors' Reports and comments of the CAG, in respect of State Government Companies and Separate Audit Reports (SARs) in case of Statutory Corporations, are to be placed before the Legislature, under Section 394 of the Act, or as stipulated in the respective Acts. The Audit Reports of CAG are submitted to the State Government under Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

Stake of State Government

1.5 The State Government has significant financial stake in the SPSUs. This stake is mainly of three types:

- **Share Capital and Loans** - In addition to the Share Capital Contribution, the State Government also provides financial assistance by way of loans, to the SPSUs from time to time.
- **Special Financial Support** – The State Government provides budgetary support, by way of grants and subsidies to the SPSUs, as and when required.
- **Guarantees** – The State Government also guarantees the repayment of loans, along with interest availed by the SPSUs from Financial Institutions.

Investment in SPSUs

1.6 As on 31 March 2016, the investment (capital and long-term loans) in the 49 SPSUs was ₹ 4,983.15 crore, as per the details given in ***Table 1.2***.

Table 1.2: Total investment in SPSUs

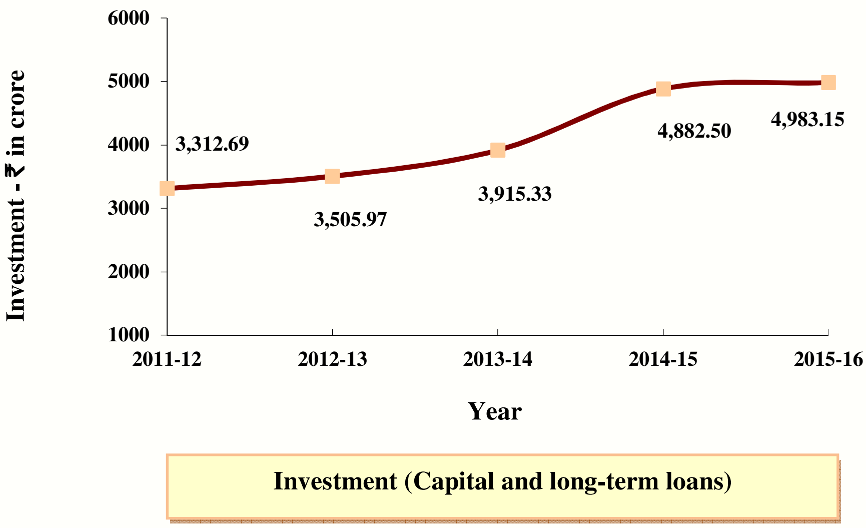
(₹in crore)

Type of SPSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Loans	Total	Capital	Loans	Total	
Working SPSUs	1,155.27	3,440.70	4595.97	213.51	47.09	260.60	4,856.57
Non-working SPSUs	45.42	81.16	126.58	-	-	-	126.58
Total	**1,200.69**	**3,521.86**	**4,722.55**	**213.51**	**47.09**	**260.60**	**4,983.15**

Source: information furnished by the Companies/ Corporations

Out of the total investment of ₹ 4,983.15 crore in SPSUs (as on 31 March 2016), 97.46 *per cent* was in working SPSUs and the remaining 2.54 *per cent* in non-working SPSUs. This total investment consisted of 28.38 *per cent* investment towards capital and 71.62 *per cent* investment in long-term loans. The investment has grown by 50.43 *per cent,* from ₹ 3,312.69 crore in 2011-12, to ₹ 4,983.15 crore in 2015-16, as shown in ***Chart 1.1***.

Chart 1.1: Total Investment in SPSUs



1.7 The sector wise summary of investments in the State PSUs (as on 31 March 2016) is given in ***Table 1.3***.

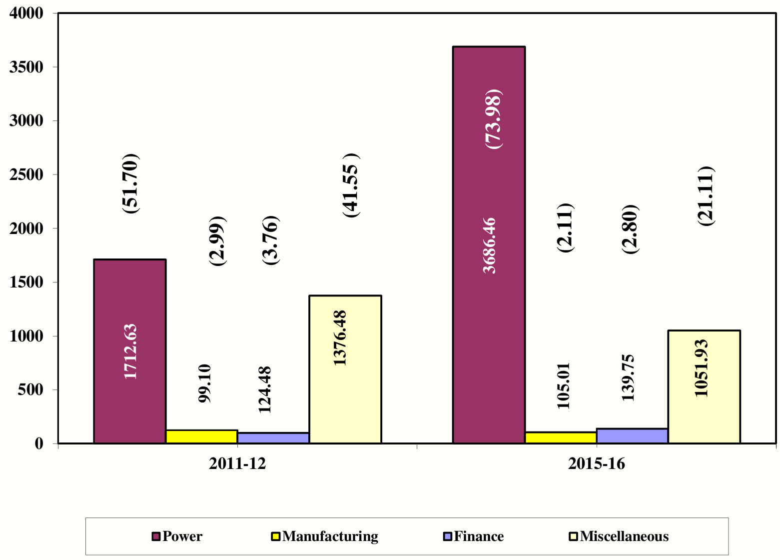
Table 1.3: Sector-wise investment in SPSUs

Name of Sector	Government/Other Companies		Statutory Corporations	Total Investment (₹ in crore)
	Working	Non-Working	Working	
Power	3,686.46	-	-	3,686.46
Manufacturing	58.43	46.58	-	105.01
Finance	64.60	-	75.15	139.75
Miscellaneous	226.45	-	-	226.45
Service	0.39	-	185.45	185.84
Infrastructure	275.22	7.54	-	282.76
Agriculture & Allied	284.42	72.46	-	356.88
Total	**4,595.97**	**126.58**	**260.60**	**4,983.15**

Source: information furnished by the Companies/ Corporations

The investment in four significant sectors and percentage thereof, at the end of 31 March 2012 and 31 March 2016, are indicated in ***Chart 1.2***. The thrust of SPSU investment was mainly in the power sector, which increased by 115 *per cent,* from ₹ 1,712.63 crore to ₹ 3,686.46 crore, during 2011-12 to 2015-16. The leap in investment in the power sector was on account of an increase of ₹ 2,062.50 crore in the long term borrowings of the power sector SPSUs, from ₹ 905.40 crore (2011-12) to ₹ 2,967.90 crore (2015-16) during this five year period.

Chart 1.2: Sector wise investment in SPSUs



(Figures in brackets show the *per cent* of total investment)

Source: information furnished by the Companies/ Corporations

Special support and returns during the year

1.8 The State Government provides financial support to SPSUs in various forms through its annual budget. The summarised details of budgetary outgo, towards equity, loans, grants/subsidies, loans written off and interest waived, in respect of State PSUs, for the three years ending 2015-16, have been given in ***Table 1.4***.

Table 1.4: Details regarding budgetary support to SPSUs

(₹ in crore)

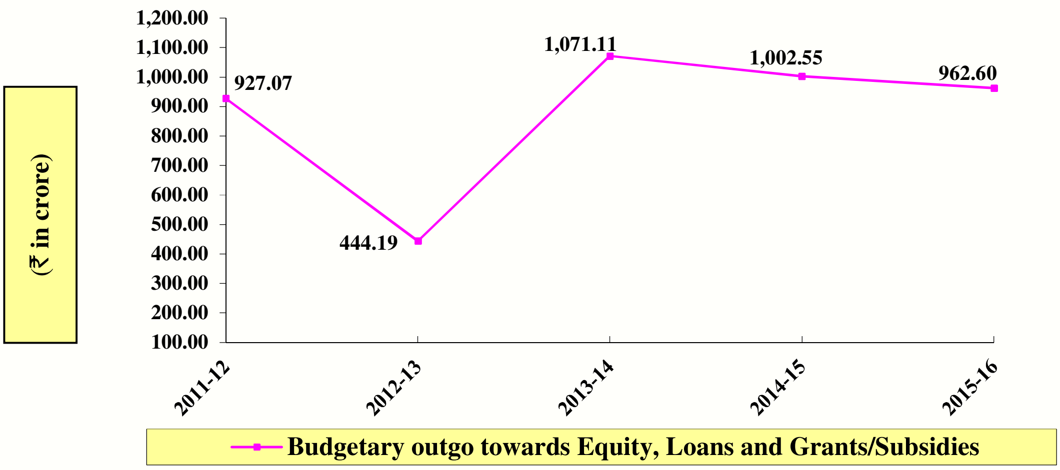
Sl. No.	Particulars	2013-14		2014-15		2015-16	
		No. of SPSUs	Amount	No. of SPSUs	Amount	No. of SPSUs	Amount
1.	Equity Capital outgo from budget	2	55.42	-	-	-	-
2.	Loans given from budget	6	255.94	5	589.48	6	455.35
3.	Grants/Subsidy from budget	18	759.75	13	413.07	9	507.25
4.	**Total Outgo (1+2+3)[4]**	**19**	**1,071.11**	**17**	**1,002.55**	**12**	**962.60**
5.	Waiver of loans and interest	**-**	**-**	**-**	**-**	**-**	**-**
6.	Guarantees issued	-	-	-	-	-	-
7.	Guarantee Commitment	-	-	-	-	-	-

Source: information furnished by the Companies/ Corporations

Details regarding the budgetary outgo towards equity, loans and grants/ subsidies, for the past five years, are given in ***Chart 1.3***.

[4] Actual number of SPSUs, which received equity, loans, grants/subsidies from the State Government

Chart 1.3: Budgetary outgo towards Equity, Loans and Grants/Subsidies



From the chart, it can be seen that during the five years from 2011-12 to 2015-16, the year-wise budgetary outgo of the State Government to the SPSUs, in the form of equity, loans, grants/subsidies, *etc*. showed a mixed trend. The budgetary outgo to SPSUs was lowest in five year during 2012-13 (₹ 444.19 crore) mainly due to extension of lesser amount of loans/grants to power sector companies in the State as compared to remaining four years. The budgetary outgo was at highest in 2013-14 (₹ 1,071.11 crore), which reduced marginally during subsequent two years to ₹ 1,002.55 crore (2014-15) and ₹ 962.60 crore (2015-16). During the last two years, significant budgetary outgoes of ₹ 909.91 crore[5] (2014-15) and ₹ 781.74 crore[6] (2015-16) were extended to the three power sector companies in the form of loan/grants. As per information furnished by SPSUs, no guarantee commitments were outstanding at the end of last three years from 2013-14 to 2015-16.

Reconciliation with Finance Accounts

1.9 The figures in respect of equity and loans extended by the State Government, and those remaining outstanding as per the records of SPSUs, should agree with the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned SPSUs and the Finance Department are required to carry out reconciliation of the differences. The position in this regard, as on 31 March 2016, is summarised in ***Table 1.5***.

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[5] Loans - ₹ 577.12 crore and grants/subsidies - ₹ 332.79 crore

[6] Loans - ₹ 344.55 crore and grants/subsidies - ₹ 437.19 crore

Table 1.5: Equity, loans, guarantees outstanding as per the State Finance Accounts *vis-a-vis* records of SPSUs

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of SPSUs	Difference
	(₹ in crore)		
Equity	2,258.01	1,884.13	373.88
Loans	3,835.51	2,668.17	1,167.34

Audit observed that differences in equity[7] figures existed in respect of 42 SPSUs. It was further, observed that the differences outstanding in respect of equity marginally decreased from ₹ 373.98 crore (2014-15) to ₹ 373.88 crore (2015-16), while the differences in loans had reduced from ₹ 1,414.92 crore (2014-15) to ₹ 1,167.34 crore (2015-16). As the unreconciled differences of outstanding investments remained significant, the State Government and the SPSUs need to take concrete steps to reconcile the differences in a time-bound manner.

Arrears in finalisation of accounts

1.10 The Financial Statements of the Companies, for every financial year, are required to be finalised, within six months from the end of the relevant financial year *i.e.* by 30 September, in accordance with the provisions of Section 96 (1) of the Act. Failure to do so may attract penal provisions under Section 99 of the Act. In the case of Statutory Corporations, their accounts are finalised, audited and presented to the Legislature, as per the provisions of their respective Acts.

Table 1.6 provides the details of progress made by working SPSUs in finalisation of accounts (as on 30 September 2016).

Table 1.6: Position relating to finalisation of accounts of working SPSUs

Sl. No.	Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
1.	Number of Working SPSUs/Other Companies	41	40	40	33	33
2.	Number of accounts finalised during the year	62	46	63	58	74
3.	Number of accounts in arrears	322[8]	316	293	212[9]	171
4.	Number of Working SPSUs with arrears in accounts	37	37	34	25	26
5.	Extent of arrears (numbers in years)	1 to 25 years	1 to 25 years	1 to 26 years	1 to 27 years	1 to 25 years

Source: information furnished by the Companies/Corporations

7 SPSU-wise details of loans were not available in the Finance Accounts of the State.

8 This includes 16 arrear accounts of Assam Minorities Development and Finance Corporation Ltd.

9 This excludes the arrears of 56 accounts (as of 2013-14), in respect of seven SPSUs (Sl. Nos. C-1 to C-7 of ***Annexure 2***), which were considered as 'non-working' during 2014-15.

It can be observed that, during the five years from 2011-12 to 2015-16, the number of accounts, in arrears, of the working SPSUs, has shown a decreasing trend. During the current year (2015-16), the backlog of arrears (171) has reduced by 40 accounts from 212 (2014-15), mainly because of finalisation of total 42 accounts by 5 SPSUs[10] during the period from October 2015 to November 2016. The arrear of the accounts of the working SPSUs was still significant.

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 SPSUs within the stipulated period. The Accountant General (AG) took up the matter (October 2015) with the State Government for liquidating the arrears of accounts. In response, the Department of Public Enterprises convened a review meeting (December 2015) with the representatives of SPSUs having arrears in accounts and directed them to take necessary steps towards liquidation of the arrear accounts. In addition, the departments concerned were also informed (September 2016) of the position of arrears in finalisation of the accounts in respect of the SPSUs. As of September 2016, however, 26 working SPSUs had arrears of 171 accounts under their jurisdiction, with the period of backlog ranging up to 25 years, which was significant (***Annexure 2***).

1.11 The State Government had invested ₹ 578.59 crore {equity: ₹ 3.54 crore (6 SPSUs), loans: ₹ 347.73 crore (6 SPSUs) and grants ₹ 227.32 crore (14 SPSUs)} in 17 SPSUs, during the years for which their accounts are in arrears, as detailed in ***Annexure 1***. In the absence of finalisation of the accounts and their subsequent audit, it could not be ensured whether the investments and expenditure incurred have been properly accounted for and whether the purpose for which the amounts were invested was achieved or not. Thus, the State Government investment in such SPSUs remained outside the control of the State Legislature.

1.12 In addition to above, as on 30 September 2016, there were arrears in finalisation of accounts by non-working PSUs. Out of the 16 non-working SPSUs, 14 SPSUs[11] had arrears of accounts ranging from 1 to 30 years. None of the 16 non-working SPSUs had started the process of liquidation (November 2016). The position of arrears in accounts of the non-working SPSUs is depicted in ***Table 1.7.***

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[10] SPSUs at Sl. No. A-6 (15 accounts), A-7 (11 accounts), A-21 (6 accounts), A-27 (5 accounts) and A-5 (5 accounts) of ***Annexure 2.***

[11] Assam Government Construction Corporation Limited and Assam State Textiles Corporation Limited had no arrears in accounts.

Table 1.7: Position relating to arrears of accounts in respect of non-working SPSUs

No. of non-working companies having arrear of accounts	Period for which accounts were in arrears	Total number of accounts in arrears
2[12]	More than 30 years	64
2[13]	20-30	50
1[14]	10-20	15
9[15]	1-10	35

Source: information as furnished by the Companies/ Corporations

Placement of Separate Audit Reports

1.13 The position depicted in ***Table 1.8*** shows the status of placement of Separate Audit Reports (SARs) issued by the CAG (up to 30 September 2016) on the accounts of Statutory Corporations in the Legislature.

Table 1.8: Placement of Separate Audit Reports

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 Government	Present Status
1.	Assam State Transport Corporation	2014-15	-	-	-
2.	Assam Financial Corporation	2012-13	2013-14	October 2014	Yet to be placed
			2014-15	November 2015	Yet to be placed
3.	Assam State Warehousing Corporation	2007-08	2008-09	September 2013	Yet to be placed
			2009-10	August 2014	Yet to be placed

The SARs issued by the CAG on the accounts of Assam State Transport Corporation for the years upto 2014-15 were placed in the State Legislature by the State Government. As per the available information, the SARs in respect of Assam Financial Corporation for two years (2013-14 and 2014-15) have already been printed and were in the process of placement in the State Legislature. No information was, however, available with regard to the reasons for delay in

[12] Sl. Nos. C-8 and C-14 of ***Annexure 2***

[13] Sl. Nos. C-3 and C-11 of ***Annexure 2***

[14] Sl. No. C-9 of ***Annexure 2***

[15] Sl. Nos. C-1, C-2, C-5, C-7, C-10, C-12, C-13, C-15 and C-16 of ***Annexure 2***

placement of SARs in respect of Assam State Warehousing Corporation for the years 2008-09 and 2009-10 (November 2016).

Impact of arrears in accounts

1.14 Delays in finalisation of accounts may entail the risk of fraud and leakage of public money apart from violation of the provisions of the relevant Statutes. In view of the position of arrears of accounts indicated under ***paragraphs 1.10*** to ***1.12***, the actual contribution of SPSUs to the State GDP, for the year 2015-16, could not be ascertained and their contribution to State exchequer was also not reported to the State Legislature.

State Government may therefore, consider:

- **To set up a cell to oversee the clearance of arrears and set the targets for individual companies, which may be monitored by the cell.**
- **Outsourcing the work relating to preparation of accounts wherever the staff is inadequate or lacks expertise.**

Performance of SPSUs, as per their latest finalised accounts

1.15 The financial position and working results of working Government Companies and Statutory Corporations are detailed in ***Annexure 2***. The ratio of turnover of SPSUs to the State GDP indicates the extent of activities of the SPSUs in the State economy. ***Table 1.9*** below provides the details of turnover of the working SPSUs and State GDP for a period of five years ending 2015-16.

Table 1.9: Details of working SPSUs turnover *vis-a-vis* State GDP

(₹ in crore)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Turnover[16]	2,879.21	3,509.96	3,910.26	4,380.58	5,061.36
State GDP	1,15,408	1,43,567	1,62,652	1,83,798	1,95,145
Percentage of Turnover to State GDP	2.49	2.44	2.40	2.38	2.59

Source: information furnished by the Companies/ Corporations and Economic Survey, published by the State Government

Though the turnover of the working SPSUs showed a continuous increase during the years from 2011-12 to 2015-16, the overall growth in terms of *percentage* of turnover to the State GDP showed a decreasing trend till 2014-15; with a marginal increase during 2015-16. As against the growth of 69.09 *per cent* in the State GDP

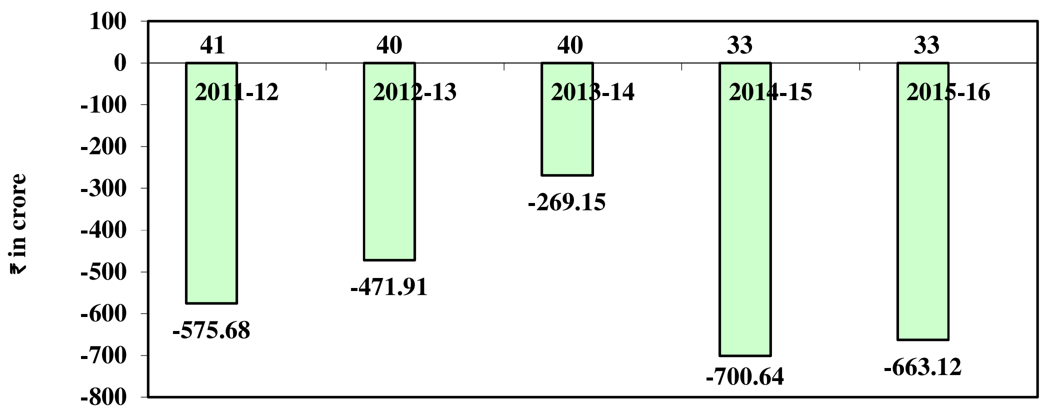
[16] Turnover as per the latest finalised accounts, as of 30 September of the respective year.

during the period 2011-12 to 2015-16, the growth in the turnover of the SPSUs was 75.79 *per cent.* This was indicative of the fact that the growth in the turnover of the SPSUs was marginally higher, as compared to the year wise growth in the State GDP figures, which led to an overall increase of 0.10 *per cent* from 2.49 *per cent* (2011-12) to 2.59 *per cent* (2015-16)

The power and transport sectors are considered to be the important drivers of the economy. Analysis of the turnover of power and transport sector SPSUs revealed that, during 2011-12 to 2015-16, the turnover of these SPSUs had increased by 82.92 *per cent*[17], which was encouraging as compared to the growth rate (69.09 *per cent*) of the State GDP during this period.

1.16 The overall position of losses incurred by working SPSUs during 2011-12 to 2015-16 is shown in ***Chart 1.4***.

Chart 1.4: Overall losses incurred by working SPSUs



Source: latest finalised accounts of the working SPSUs

<u>**Note: Figures in brackets show the number of working SPSUs in respective years**</u>

It may be seen that the overall losses of the working SPSUs showed a mixed trend during the last five years from 2011-12 to 2015-16. The losses of working SPSUs during 2011-14 gradually decreased from ₹ 575.68 crore (2011-12) to ₹ 269.15 crore (2013-14), the same had again increased steeply to ₹ 700.64 crore, due to heavy losses (₹ 694.84 crore) incurred by the three[18] power sector SPSUs in the State. During 2015-16, the losses in the power sector SPSUs had marginally reduced

[17] There was an increase of 82.92 *per cent* in the turnover of power and transport sector SPSUs, from ₹ 2,414.94 crore (2011-12) to ₹ 4,417.54 crore (2015-16), as per their latest finalised accounts, as on 30 September of the respective years.

[18] Assam Power Generation Corporation Limited (₹ 86.36 crore); Assam Electricity Grid Corporation Limited (₹ 80.55 crore) and Assam Power Distribution Company Limited (₹ 527.93 crore)

to ₹ 657.12 crore, which had resulted in corresponding reduction in the overall losses of working SPSUs to ₹ 663.12 crore during 2015-16.

During the year 2015-16, out of 33 working SPSUs, 16 SPSUs earned aggregate profits of ₹ 97.98 crore and 17 SPSUs incurred loss of ₹ 761.10 crore.

The major contributors to these profits were the Assam Gas Company Limited (₹ 67.32 crore), DNP Limited (₹ 9.58 crore), Assam Industrial Development Corporation Limited (₹ 5.53 crore) and the Assam Mineral Development Corporation Limited (₹ 4.14 crore). Heavy losses were, however, incurred by the Assam Power Distribution Company Limited (₹ 577.50 crore) and the Assam Electricity Grid Corporation Limited (₹ 80.55 crore). The heavy operational losses of the power sector companies were attributable to the high costs of power generation/purchase, as well as high employee costs.

1.17 Some other key parameters of the SPSUs are given in ***Table 1.10*** below.

Table 1.10: Key Parameters of SPSUs

(₹ in crore)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Return on Capital Employed	*	*	*	*	*
Debt	1,505.09	1,675.47	1,921.51	2,783.52	2,479.79
Turnover[19]	2,879.21	3,509.96	3,910.26	4,380.58	5,061.36
Debt/ Turnover Ratio	0.52:1	0.48:1	0.49:1	0.64:1	0.49:1
Interest Payments	166.49	173.32	231.26	261.01	277.30
Accumulated Profits/ (Losses)	(2,248.10)	(2,640.42)	(2,892.00)	(3,658.21)	(3,833.84)

Source: information furnished by the Companies/ Corporations
**** Negative figures during all the five years under reference***

From ***Table 1.10***, it can be seen that the return on capital employed of working SPSUs was negative throughout the period of five years from 2011-12 to 2015-16. This was mainly due to the huge losses incurred by the working SPSUs during the above period. As a result, the accumulated loss of the SPSUs had also increased by 70.54 *per cent* from ₹ 2,248.10 crore (2011-12), to ₹ 3,833.84 (2015-16) crore, during the period of five years from 2011-16. Further, there was gradual increase in the long term debts of the SPSUs, from ₹ 1,505.09 (2011-12) to ₹ 2,479.79 crore (2015-16). This correspondingly increased pressure on the profitability of the SPSUs by way of a significant increase of 66.56 *per cent* in the interest payments during the five years from ₹ 166.49 crore (2011-12) to ₹ 277.30 crore (2015-16).

[19] Turnover of working SPSUs, as per the latest finalised accounts, as of 30 September of the respective year.

1.18 There was no information available on record regarding the existence of any specific policy of the State Government on payment of minimum dividend by the SPSUs. As per their latest finalised accounts as on 30 September 2016, 16 SPSUs had earned an aggregate profit of ₹ 97.98 crore and only one SPSU (*viz*. Assam Gas Company Limited) had declared a dividend of ₹ 1.69 crore during 2015-16.

Winding up of non-working SPSUs

1.19 There were 16 non-working SPSUs (all Companies) as on 31 March 2016. None of these SPSUs, however, have commenced the liquidation process. The number of non-working SPSUs (Companies and Corporations), at the end of each year, during the past five years, is given in ***Table 1.11***.

Table 1.11: Non-working SPSUs

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
No. of non-working Companies	10	9	9	16	16
No. of non-working Corporations	-	1	1	-	-
Total	**10**	**10**	**10**	**16**	**16**

Source: information furnished by the Companies/ Corporations

Since the non-working SPSUs are neither contributing to the State economy nor meeting the intended objectives, these SPSUs need to be considered either for closing down or revival. During 2015-16, three non-working SPSUs incurred an expenditure of ₹ 0.40 crore towards salaries and establishment expenditure *etc*. This expenditure was financed through own sources.

1.20 As on 30 September 2016, the State Government had already issued necessary orders for closure of all the 16 non-working SPSUs. The liquidation process in respect of all 16 non-working SPSUs was, however, not started (November 2016). As no purpose is served by keeping 16 non-working SPSUs in existence, the liquidation process to wind up these SPSUs need to be expedited.

Accounts Comments

1.21 Twenty two working companies forwarded 72 audited accounts to the office of the AG, during October 2015 to September 2016. Of these, 46 accounts relating to 18 companies were selected for supplementary audit. While remaining 26 accounts relating to 10 companies were issued "Non-Review Certificates". The audit reports of statutory auditors appointed by CAG, and the supplementary audit of CAG, indicate that the quality of maintenance of accounts needs substantial improvement. Details of the aggregate money value of the comments of statutory auditors and CAG are given in ***Table 1.12***.

Table 1.12: Impact of audit comments on working Companies

(₹ in crore)

Sl. No.	Particulars	2013-14		2014-15		2015-16	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	3	15.51	4	10.92	7	39.05
2.	Increase in loss	2	4.03	16	171.61	23	74.02
3.	Non-disclosure of material facts	2	132.32	5	34.89	4	29.64
4.	Errors of classification	3	8.00	1	230.79	3	4.48

Source: information furnished by the Companies

During the year, the Statutory Auditors had given qualified certificates to all the 72 accounts finalised. The compliance of Companies with Accounting Standards (AS) remained poor, as there were 59 instances of non-compliance to AS in 22 accounts during the year.

1.22 Similarly, 2 working Statutory Corporations, forwarded 2 accounts to the AG, during the year 2015-16. Both the Statutory Corporations (*viz*. The Assam Financial Corporation and Assam State Warehousing Corporation) which had submitted their accounts to the AG are subject to supplementary audit by CAG. Both the accounts of Statutory Corporations were selected for supplementary audit and these accounts received qualified certificates. The Audit Reports of Statutory Auditors and the sole/supplementary audit of CAG, indicate that the quality of maintenance of accounts needs to be improved substantially. Details of the aggregate money value of the comments of the statutory auditors and the CAG are given in ***Table 1.13***.

Table 1.13: Impact of audit comments on Statutory Corporations

(₹ in crore)

Sl. No.	Particulars	2013-14		2014-15		2015-16	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	-	-	-	-	-	-
2.	Increase in loss	-	-	1	2.50	1	4
3.	Non-disclosure of material facts	-	-	-	-	-	-
4.	Errors of classification	1	69.75	-	-	-	-

Source: information furnished by the Corporations

Response of the State Government to Audit

1.23 For the Audit Report (PSUs) of the CAG for the year ended 31 March 2016 (Report No. 5 of 2016 of Government of Assam), one performance audit and nine audit paragraphs emerging from the Compliance Audit of SPSUs, involving eight departments of the State Government, were issued to the Additional Chief Secretaries/Principal Secretaries of the respective departments, with the request to furnish replies within six weeks. The replies of the State Government in respect of all the audit objections were, however, awaited (November 2016).

Follow up action on Audit Reports

Replies outstanding

1.24 The CAG's Audit Reports represent culmination of the process of scrutiny starting with initial inspection of accounts and records maintained by various SPSUs. It is, therefore, necessary that they elicit appropriate and timely response from the Executive. Finance (Audit & Fund) Department, Government of Assam issued (May 1994) instructions to all administrative departments that immediately on receipt of Audit Reports, the concerned departments would prepare an explanatory note on the paragraphs and performance audits included in the Audit Reports indicating the corrective/remedial action taken or proposed to be taken and submit the explanatory notes to the Assam Legislative Assembly with a copy to the AG within 20 days from the date of receipt of the Reports.

Table 1.14: Explanatory notes not received (as on 30 September 2016)

Year of the Audit Report	Date of placement of Audit Report in the State Legislature	Total Performance audits (PAs) and Paragraphs in the Audit Report		Number of PAs/ Paragraphs for which explanatory notes were not received	
		PA	Paragraphs	PA	Paragraphs
2011-12	4 April 2013	1	9	1	6
2012-13	4 August 2014	1	7	0	7
2013-14	2 March 2015	1	9	0	8
2014-15	18 July 2016	1	8	0	6
Total		**4**	**33**	**1**	**27**

Source: Audit Reports (PSU) of respective years

From the ***Table 1.14***, it can be seen that out of 33 paragraphs and 4 performance audits, explanatory notes to 27 paragraphs and 1 performance audit, in respect of seven departments, which were commented upon, were awaited (November 2016).

Discussion of Audit Reports by COPU

1.25 The status (as on 30 September 2016) of Performance Audits and paragraphs, which appeared in Audit Reports (PSUs) and discussed by the Committee on Public Undertakings (COPU), was as summarised in ***Table 1.15***.

Table 1.15: Performance Audits/Paragraphs which appeared in Audit Reports *vis-a-vis* those discussed (as on 30 September 2016)

Period of Audit Report	Number of performance audits/ paragraphs			
	Appeared in Audit Report		Paras discussed	
	PAs	Paragraphs	PAs	Paragraphs
2004-05	2	11	1	9
2005-06	3	11	2	6
2006-07	2	13	1	11
2007-08	2	16	1	15
2008-09	2	14	2	5
2009-10	1	10	1	7
2010-11	1	8	1	2
2011-12	1	9	0	7
2012-13	1	7	0	2
2013-14	1	9	0	1
2014-15	1	8	0	0
Total	**17**	**116**	**9**	**65**

Compliance to Reports of Committee on Public Undertakings (COPU)

1.26 Action Taken Notes (ATN) on 31 recommendations pertaining to 10 Reports of the COPU, presented to the State Legislature between April 2008 and December 2011, had not been received (November 2016), as indicated in ***Table 1.16***.

Table 1.16: Compliance to COPU Reports

Year of the COPU Report	Total number of COPU Reports	Total no. of recommendations in COPU Report	No. of recommendations where ATNs not received
2008-09	6	65	24
2009-10	2	10	1
2010-11	1	9	5
2011-12	1	6	1
Total	**10**	**90**	**31**

These reports of COPU contained recommendations in respect of paragraphs pertaining to five departments, which had appeared in the Reports of the CAG of India for the years 2002-03 to 2005-06.

It is recommended that the State Government may ensure:

(a) sending of replies to IRs/explanatory notes/draft paragraphs/performance audits and ATNs on the recommendations of COPU as per the prescribed time schedule;

(b) recovery of loss/outstanding advances/overpayments within the prescribed period; and

(c) revamping of the system of responding to audit observations in a timely manner.

Coverage of this Report

1.27 This Report contains nine audit paragraphs and one performance audit on the functioning of Assam Petro-Chemicals Limited involving a financial effect of ₹ 57.77 crore.

Disinvestment, Restructuring and Privatisation of SPSUs and any reforms in power sector

1.28 There was no information regarding any disinvestment or privatisation programme in any of the SPSUs.

Performance Audit
relating to
Government Company

Chapter II - Performance Audit relating to Government Company

Performance Audit on the functioning of Assam Petro-Chemicals Limited

Assam Petro-Chemicals Limited (Company) was incorporated (1971) as a subsidiary of the Assam Industrial Development Corporation Limited (AIDC), with the main objectives of manufacturing, marketing and dealing in petrochemicals, chemical compounds and chemical products; and undertaking all incidental and consequential activities. The present activities of the Company are, however, confined to production and marketing of Methanol and Formalin only. The present performance audit was conducted to assess the economy, efficiency and effectiveness achieved by the Company in its functioning during the period 2011-16. The major observations emerging from the present report are as follows:

Highlights

In absence of perspective/long term plans, the Company has been preparing isolated plans for executing the capital projects. Further, the Company resorted to annual short term production plans based on the expected plant availability. The Company also allocated funds on an *ad hoc* basis to carry out its marketing operations.

(*Paragraph 2.8*)

Delay in approval of integrated 500 Tonnes per day Methanol project, along with delays on part of the holding company (AIDC) in delisting of equity shares of the Company, led to unavailability of the major portion of the funds for execution of the project.

(Paragraphs 2.9.3 and 2.9.4)

During the period 2011-16, there was an excess consumption of 4,043.46 MT of Methanol (valued at ₹ 5.46 crore) in production of Formalin as against the prescribed norms. Further, the content of Methanol in production of Formalin exceeded the permissible norms of 3 *per cent* by 0.20 *per cent* to 4.92 *per cent* during September 2012 to December 2014.

(*Paragraph 2.11.5*)

The Company could not achieve the standard Plant Load Factor (90.41 *per cent)* during the period 2011-16 (except in 2012-13 for Methanol plant and in 2015-16 for Formalin plant) mainly on account of forced outages. These outages had occurred on account of mechanical, electrical and instrumental faults which were avoidable through planned maintenance.

(*Paragraph 2.12*)

The Internal Audit Reports of the Company were silent on several vital issues, such as the efficacy of systems and controls, as well as adherence to plans, policies and procedures and operational efficiency. There was absence of a control mechanism for monitoring the stock holding of the Company and ensure that the same remain within reasonable limits.

(Paragraphs 2.17 and 2.17.1)

Introduction

2.1 Assam Petro-Chemicals Limited (Company) was incorporated (1971) as a subsidiary of the Assam Industrial Development Corporation Limited (AIDC), another State Public Sector Undertaking (SPSU). As per the Memorandum of Association of the Company, the main objectives of the Company were to manufacture market and deal in petrochemicals, chemical compounds and chemical products and also to undertake all incidental and consequential activities. Presently, the Company was engaged in the production and marketing of Methanol[1] and Formalin[2] only.

Organisation Structure

2.2 The Company functions under the administrative control of the Industries and Commerce Department, GoA. The Management of the Company vests with the Board of Directors (BoD), consisting of 11 members including Chairman and the Managing Director (MD). The day-to-day operations of the Company are managed by the MD, who is assisted by General Managers/Deputy General Managers.

Scope of Audit

2.3 A Performance Audit (PA) covering the activities of the Company for the period 1998-2003 featured in the Report of the Comptroller and Auditor General of India (Commercial), GoA for the year ended 31 March 2004. The Report was discussed (January 2007) by the Committee on Public Undertakings (COPU) and the recommendations contained in the 35th Report of COPU were presented to the State Legislative Assembly on 12 November 2007. Action Taken Notes (ATNs) on the recommendations of the COPU were, however, pending for submission by the Company to the GoA (November 2016).

The present PA covered the activities of the Company for the period of five years from 2011-12 to 2015-16. The PA mainly deals with the aspects relating to planning, project management, operational performance, marketing operation, environmental issues and

[1] Methanol is used as a feedstock for production of Formalin. It is also used in manufacture of spirit.

[2] Formalin is used in the production of industrial resins, *e.g.*, for particle board and coatings.

monitoring and internal control. Presently, the Company has two manufacturing units[3] and the present PA involved detailed examination of the functioning of both the manufacturing units along with the execution of an ongoing[4] project. Besides, the status of compliance on the COPU recommendations on the earlier PA by the Company has also been examined and findings suitably included (***paragraph 2.18***).

Audit Objectives

2.4 The audit objectives of the PA were to assess whether:

- planning and project management were effective in achieving the organisational goals;
- processing and manufacturing activities as well as marketing operations, were carried out efficiently, economically and effectively so that activities were sustainable; and
- an effective internal control and monitoring mechanism was in place to ensure efficient management of inventory and human resources as well as compliance to statutory requirements on environmental aspects.

Audit Criteria

2.5 The audit criteria for assessing the performance of the Company against above mentioned audit objectives were derived from the following sources:

- industrial policy of the GoA and the Government of India (GoI); Memorandum of Association, Articles of Association of the Company and other policy documents; Agenda/Minutes of the meetings of BoD and its sub-committees;
- regulatory clearances required from different authorities; Techno Economic Feasibility Report; appraisals made by the consultants and management; and correspondence with the Government and various stakeholders;
- industrial norms relating to processing of petrochemicals into downstream products as well as processing of Methanol and Formaldehyde; generally accepted standards relating to manufacturing and sales promotion activities; and
- conditions set by the Assam Pollution Control Board/Ministry of Environment and Forests and prescribed norms on pollution.

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3 100 TPD Methanol Plant and 125 TPD Formalin Plant

4 Integrated 500 TPD Methanol

Audit Methodology

2.6 The methodology adopted for attaining the audit objectives involved explaining the scope, audit objectives, audit criteria *etc*. to the management of the Company in the Entry conference (23 February 2016); analysis of data/records with reference to audit criteria; raising of audit queries; and issuing of the draft audit report to the Company/GoA for comments.

The draft Audit Report was also discussed (7 October 2016) with the representatives of the Company/GoA in the Exit conference. The formal replies (October 2016) of the Company to the draft report as well as the views expressed by the representatives of the Company and GoA in the Exit conference, have been appropriately taken into consideration while finalizing the Audit Report. We acknowledge the cooperation extended by the GoA and the Company during the course of audit**.**

Audit Findings

Financial Profile

2.7 The financial position and working results of the Company for the last five years from 2011-12 to 2015-16, have been summarized in ***Annexure 3*** and ***Annexure 4*** respectively**.** It may be seen from ***Annexure 3*** that Reserves and Surplus of the Company decreased from ₹ 63.73 crore (2011-12) to ₹ 45.96 crore (2015-16). This was mainly due to losses of ₹ 6.47 crore (2014-15) and ₹ 22.19 crore (2015-16) incurred by the Company during last two years. This was broadly attributable to decrease in prices of both the products of the Company (*viz*. Methanol and Formalin) in the domestic as well as the international market.

It can be seen from ***Annexure 4*** that revenue from operation was highest (₹ 96.47 crore) during 2013-14, which was mainly due to higher market prices of Methanol and Formalin during that year. After 2013-14, however, the increase in the cost of input material and labours *viz.* gas, power and employees cost *etc*. coupled with a slump in price of Methanol and Formalin in the international market had adversely affected the operational results of the Company.

Planning

2.8 An appropriate long-term/short-term plan is helpful for the Company to ensure production at reasonable cost so as to facilitate replacing the overaged plant and machinery in a systematic and timely manner without hindering the normal production process. There was absence of a comprehensive long-term planning mechanism by the Company as regards production and marketing of Methanol and Formalin. Further, the Company prepared isolated project specific plans for executing capital projects from time to time. For the production planning, the Company prepared short-term production plans based on the expected plant availability during the ensuing year. There was no system of planning the marketing operations and *ad hoc* allocation of funds were made from time to time based on the requirement. Thus, a long term vision of Company's operations through a perspective/long term planning mechanism was missing.

Project Management

2.9 The Company, considering the good demand for Methanol, Formalin, Acetic Acid and other downstream products of Methanol in the domestic and international markets, planned (2000) to augment its existing production of Methanol (100 TPD) and Formalin (100 TPD). These plants were operational for 28 years against its reasonable life of 15 years. This led to major inefficiencies and high production cost on account of high consumption of energy, forced outages due to frequent breakdowns and high costs of maintenance.

The Company in order to arrest the above deficiencies, revamped (August 2012) the existing Formaldehyde Plant from 100 TPD to 125 TPD at a cost of ₹ 4.26 crore. The Company had also planned (2009) to revamp and upgrade the existing Methanol plant by construction of a new integrated 500 TPD Methanol and 200 TPD Acetic Acid project at an estimated capital investment of ₹ 1,028 crore. The Company, thereafter deferred execution of 200 TPD Acetic Acid Plant and approved (August 2016) construction of a new 200 TPD Formaldehyde Plant at an estimated cost of ₹ 55.00 crore, which is still in the planning stage. Deficiencies noticed with regard to planning and project management are discussed in the succeeding paragraphs.

A. 125 TPD Formaldehyde plant:

Delay in revamping/capacity expansion of existing plant

2.9.1 The existing 100 TPD Formaldehyde Plant was planned (October 2008) to be revamped to 125 TPD at an estimated cost of ₹ 4.17 crore, with a view to increase profits by optimising the sale of Formalin[5] by converting more of the Methanol into Formalin. Accordingly, work order was issued (October 2008) to M/s ENPRO Projects Consultant (P) Limited for providing consultancy services relating to preparation of basic design and detail engineering, assistance in procurement, erection and commissioning of the capacity expansion project. Simultaneously, eight work orders for execution of different components of revamping the project were awarded (August 2008 to June 2011). Though the project was scheduled to be completed by October 2009, the revamping project could finally be commissioned in August 2012.

[5] Market price of Formalin was significantly higher than Methanol, hence, selling of Methanol after converting into Formalin was beneficial than selling it (Methanol) unprocessed in the market.

The delay in commissioning of the project was due to delay by the contractors in supply and erection of works awarded to them. It was observed that out of the eight work orders issued by the Company, four work orders, *viz.,* (i) supply of reactor, blower and motor, (ii) packing materials, (iii) civil & structural works and (iv) consultancy, were completed by the contractors within a delay of 15 days to 4 months. One work relating to replacement of cooling tower was delayed by 3 years. The delay was mainly on account of considerable time taken (August 2010) by the Company to provide site clearance for supply of materials. The Company, thereafter also delayed in shutting down[6] (June 2011) the plant, which led to delay in final completion of the replacement work. Another two works *viz.* (i) Mechanical/Electrical/Instrumentation work of civil & structural works and (ii) Installation of electrical panels, cables, *etc*. were delayed, as these works depended upon the work of erection of Stainless Steel Electric Resistance Welding (SS ERW) pipes.

The Company issued (June 2011) purchase order for procurement of SS ERW pipes[7] in favour of M/s Prakash Steelage at a contract value of ₹ 11.19 lakh after 19 months of the scheduled date of commissioning (October 2009) of the project. This was mainly due to delay in updation of the vendor list by the Company. The procurement order for purchase of SS ERW pipes, which were essential for other related works, was finally executed in December 2011. Thus, non-synchronisation of various project works led to delay in commissioning of the project with corresponding loss of production of 21,216 Metric Tonne (MT)[8] of Formalin valued at ₹ 23.30 crore.

In reply, the Company stated (October 2016) that there was poor response from reputed vendors for supply of material and it had to float the Notice Inviting Tenders (NIT) several times before issuing the work order. It was further stated that change in specification of pipe fittings in order to cope with the existing material of construction also led to delay.

The reply of the Company is not justified, as it should have updated the vendors list at regular intervals so as to avoid delay in procurement of equipment for urgent requirements.

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6 The existing 100 TPD Formaldehyde plant was being revamped to 125 TPD, hence to upgrade the existing components in the plant, the plant had to be shutdown.

7 SS ERW pipe is a mechanical fitting in construction.

8 The loss has been worked out based on the actual production (84.55 *per cent*) achieved during 2012-13, for the period (2 years and 9 months) of delay (from October 2009 to August 2012) *viz*. 25 MT x 365 x 84.55 *per cent*.

B. Integrated 500 TPD Methanol

2.9.2 The Company earlier (2000) considered revamping of existing Methanol Plant from 100 TPD to 130 TPD at an estimated cost of ₹ 31 crore. This plan for revamping was, however, abandoned. The Company, instead preferred (August 2010) to invest in the Integrated 500 TPD Methanol plant (Integrated project) which also included construction of 5 Mega Watt Captive Power Plant. The Integrated project intended to increase the capacity for production of Methanol and avail optimum benefit by bringing down the cost of production. Inability of the Company to take a decision between 2000 and 2010 indicates indecisiveness on part of the management, which set back the project by many years.

The audit findings relating to implementation of the Integrated Project have been discussed in the succeeding paragraphs.

Delay in approval of project

2.9.3 The Company submitted (November 2011) a detailed project proposal, for construction of the Integrated Project to the GoA for approval. The Public Investment Board (PIB), GoA accorded the in-principle approval (December 2011) to the proposal, subject to certain terms and conditions to be fulfilled by the Company, before approval of the project by the Cabinet of GoA. The terms and conditions *inter alia* required the Company to (i) enhance the authorized share capital of the Company to ₹ 350 crore (ii) finalize share capital participation by Oil India Limited (OIL) (₹ 129 crore) and Assam Gas Company Limited (AGCL) (₹ 25 crore); (iii) finalize the gas supply agreement; (iv) obtain the sanction of term loan from Banks; and (v) to obtain all statutory clearances for the project before sanction of share capital contribution (₹ 140 crore) by GoA. Subsequently, the OIL offered (January 2013) to increase its participation in the equity share capital of the Company to 49 *per cent* (₹ 228 crore). To accommodate the proposal of OIL, PIB directed (December 2013) the Company to enhance its Authorised Share Capital to ₹ 500 crore. The PIB approved (December 2013) the integrated project which was finally approved by the Cabinet in February 2014.

The delay in final approval of the project was mainly on account of belated change in the capital structure of the Company, which was necessitated due to enhancement of share participation by OIL. This delay of over two years (December 2011 to February 2014) for approval of project also led to corresponding delay in receipt of sanctioned funds from GoA, as well as escalation in the project cost from ₹ 1,028 crore to ₹ 1,990 crore. Owing to this significant cost escalation, the Company changed (August 2016) the project components, by replacing the construction of the 200 TPD Acetic Acid plant with construction of a 200 TPD Formaldehyde plant, which involved comparatively lower cost. The total cost of the new Integrated project after change in its components stood at ₹ 1,340 crore (October 2016).

Delay in delisting of shares

2.9.4 The Company had planned the Integrated Project at an estimated cost of ₹ 1,028 crore. The Capital investment (₹ 1,028 crore) required for the project was to be availed through equity contribution of ₹ 393 crore[9] from OIL, GoA and AGCL. The remaining amount of ₹ 635 crore was to be arranged through long term borrowings from banks. OIL informed (September 2012), GoA, AIDC (holding Company) and the Company that, since equity shares of the Company and OIL were listed with the Bombay Stock Exchange (BSE), the capital infusion by OIL could be completed only after delisting of the Company's shares from the BSE. AIDC, however, initiated (May 2014) the process of delisting after 20 months of the suggestion (September 2012) made by OIL and the same was pending till date (October 2016).

The inordinate delay in initiating the delisting process by AIDC had resulted in share capital amounting to ₹ 228 crore not being infused by OIL till date (October 2016). Meanwhile, the Company had finalised agreement for availing the term loan of ₹ 635 crore from a consortium of 10 banks led by State Bank of India (SBI). Accordingly, a loan agreement was entered into (July 2013) with the consortium of banks and M/s SBICAP Trustee Company Limited was appointed (June 2013) as the security trustee for the term loan. As per the loan agreement, the Company was required to infuse minimum 25 *per cent* of equity capital for drawal of term loan. The Company could not fulfil this condition as OIL's capital contribution (₹ 228 crore) was not received pending delisting of the shares. Hence, no loan funds could be drawn by the Company even after the expiry of 3 years of the loan sanction/agreement.

It was further observed that the consortium of banks had subsequently declined (August 2016) to disburse the sanctioned loan citing expiry of validity period, change of project components (as discussed under ***paragraph 2.9.3)*** as well as price escalation. The consortium of banks had accordingly advised the Company to apply for the loan afresh. The Company appointed (August 2016) M/s SBI Capital Markets Limited for preparation of the Project Information Memorandum (PIM) for submission to the bank for the fresh loan proposal. It was observed that the Company had incurred an aggregate expenditure of ₹ 2.32 crore[10] towards various fees and charges while finalising the loan agreement (July 2013) for availing the term loan of ₹ 635 crore. The Company, however, could not derive the intended benefit of the expenditure

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[9] OIL would contribute ₹ 228 crore (49 *per cent* of the share capital), with ₹ 140 crore being contributed by GoA and ₹ 25 crore being contributed by AGCL.

[10] The expenditure includes upfront fees to the consortium of banks (₹ 0.72 crore), Acceptance fees (₹ 0.02 crore) and SBI Cap (₹ 1.58 crore).

(₹ 2.32 crore) incurred towards availing the bank borrowings due to delay in delisting of Company's shares from BSE.

In reply, the Company attributed (October 2016) the delay in delisting of shares to indecision of the holding Company (AIDC). The Company further stated that the expenditure incurred for sanctioning of bank loan was necessary and the Company would draw the funds from the banks in due course.

The reply is not acceptable as the Company should have pursued the issue with AIDC/GoA at appropriate level to speed up the delisting process and avoid the expiry of the term loan validity period.

Operational Management

2.10 The Company had started (June 1976) commercial operations after commissioning of its Methanol Unit-I (7,000 Metric Tonne per annum equivalent to 21 Tonnes per day) and Formalin Unit-I (16,500 Metric Tonne per annum). The Methanol Unit-I was, however, shut down in February 1998 while the Formalin Unit-I was also shut down in January 1999. At present, the Company had been operating with two manufacturing plants namely, Methanol Unit-II and Formalin Unit-II as per details summarized in ***Table 2.1*** below:

Table 2.1

Name of the Plant	Installed capacity (in MT)	Name of the product	Date of commissioning	Age as of October 2016
Methanol Unit II	33,000 per annum	Methanol	12-09-1988	28 years
Formalin Unit II	41,250[11] per annum	Formalin	30-09-1997	19 years

It may be noticed that as against the normal operational life of 15 years, Methanol Unit-II and Formalin Unit-II had already completed 28 years and 19 years of their operations as of October 2016 respectively.

Target achievement and Production process

2.10.1 The unit-wise details of targeted production of Methanol and Formalin against the installed capacity of two plants *vis-à-vis* the achievements, there against for five years from 2011-12 to 2015-16, are summarised in ***Table 2.2***:

[11] Installed capacity increased from 33,000 per annum to 41,250 per annum with effect from F.Y 2012-13

Table 2.2

Year	Methanol (in MT)			Formalin (in MT)		
	Capacity	Target	Actual	Capacity	Target	Actual
2011-12	33,000	25,900	26,994	33,000	27,015	29,888
2012-13	33,000	32,850	33,546	41,250	30,975	34,877
2013-14	33,000	30,400	28,822	41,250	38,672	37,363
2014-15	33,000	30,600	32,168	41,250	40,225	39,100
2015-16	33,000	30,675	30,172	41,250	39,930	42,304
Total	**1,65,000**	**1,50,425**	**1,51,702**	**1,98,000**	**1,76,817**	**1,83,532**

It can be seen from ***Table 2.2*** that, during the period of five years, the Company was able to achieve the targeted production for both the products. It could be further noticed that as compared to the installed capacity of 1,65,000 MT (Methanol plant) and 1,98,000 MT (Formalin plant) for overall period of five years, the overall production targets for 2011-16 were fixed at much lower level at 1,50,425 MT (Methanol plant) and 1,76,817 MT (Formalin plant). Further, as compared to the production capacity of two plants during 2011-16, there was under achievement of production by 13,298 MT (Methanol plant) and 14,468 MT (Formalin Plant).

In reply, the Company accepted (October 2016) the facts and stated that the production targets were fixed for both the plants after taking into account the unprecedented lower gas pressure, power failure, maintenance and unseen problems, considering old age of the plants.

The reply is not tenable as the Company could have addressed the problems of power failure and voltage dip by setting up the Captive Power Plant, which was also recommended (November 2007) by the COPU as discussed under ***paragraph 2.18*** *infra*. Further, excess outages on account of maintenance jobs and unseen plant problems were linked to the old age of manufacturing plants. The Company needs to expedite replacement of these plants with the new plants in a timely manner.

Production Efficiency

2.11 The efficiency of production plants depends on 'input' as well as 'output' efficiency. While the input efficiency is linked mainly with the continuity in supply of quality input material (gas, methanol crude *etc*.) at reasonable costs, the 'output efficiency' is connected with several other factors such as plant load factor, plant availability, capacity utilization and planned and forced outages. The following points were observed with reference to efficiency of production plants of the Company:

Input efficiency

Lapses in gas transportation agreement

2.11.1 As per gas transportation agreement entered (May 2003) between the Company and AGCL, AGCL was to transport the gas from OIL's off-take point to the Company's in-take point through its own pipelines and deliver the same at the Company's 'in-take point' at a minimum pressure of 14.2 kg/cm^2 g.

It was, however, observed that the Company could not ensure supply of gas by AGCL to the Methanol Plant at the required pressure, due to which the Methanol plant faced problems of low pressure of gas from time to time. During 2012-16, the plant was under forced shutdown for total 147.38 hours due to low pressure of gas thereby causing loss of production of Methanol aggregating 614 MT valued at ₹ 0.83 crore. It was further, seen that the transportation agreement did not contain any enabling provisions for levying the penalty on AGCL to compensate for the loss of production due to inconsistency in pressure of gas.

In reply, the Company accepted (October 2016) the facts and stated that the matter regarding low pressure of gas had been taken up with AGCL and OIL through GoA.

The reply is not acceptable in view of the fact that there was no persuasion from the Company for inclusion of any penal clause in the gas transportation agreement to compensate the production loss on failure of AGCL, to deliver gas at requisite pressure.

Transportation Cost

2.11.2 The transportation cost of gas was fixed (May 2003) by AGCL at ₹ 320 per 1,000 standard cubic metre (scm) with an annual escalation of 3 *per cent* at 80 *per cent* Minimum Demand Charge (MDC) of the committed quantity, the transportation cost was fixed by AGCL based on the estimated capital cost (₹ 49.67 crore) of laying the pipelines required for gas transportation. Scrutiny of records revealed that the actual cost incurred on the project was ₹ 28.92 crore. The AGCL, however, did not revise the cost of transportation considering the actual cost. The acceptance of the transportation cost, which was fixed on the basis of estimated cost, without any clause for revision of the cost based on the actual cost had led to an extra expenditure of ₹ 1.83 crore to the Company during 2004-05 to 2015-16.

In reply, the Company accepted (October 2016) the facts and stated that the actual cost of the project had not been considered by AGCL.

The Company should have pursued the issue with AGCL immediately after completion of the work of laying the pipeline, which could have helped the Company in paying lower transportation costs to AGCL.

Minimum Demand Charges

2.11.3 Under the gas transportation agreement entered with AGCL, the Company had booked (May 2003) total 0.15 mmscmd[12] of gas for transportation through AGCL's pipelines. A summarised position of quantity of gas booked under the transportation agreement *vis-à-vis* the actual requirement of gas during the five years from 2011-12 to 2015-16 has been given in ***Table 2.3*** below**:**

Table 2.3

Sl. No.	Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
1.	Quantity of gas booked under Transportation Agreement with AGCL (mmscmd)	0.15	0.15	0.15	0.15	0.15
2.	Requirement of gas as per initial planning[13] (mmscmd)	0.138	0.138	0.138	0.138	0.138
3.	Excess Gas booked (mmscmd) (1 - 2)	0.012	0.012	0.012	0.012	0.012
4.	Avoidable expenditure on MDC[14] (₹ in crore)	0.34	0.37	0.39	0.23	0.30

The Company had the commitment of availing supply of gas from OIL to the extent of 0.15 mmscmd. Following the shutdown (February 1998) of the Methanol Unit-I, however, the consumption of gas declined to 0.11 mmscmd. Thereafter, the Company, after considering the proposed expansion of Methanol Unit–II from 100 TPD to 130 TPD and setting up the Captive Power Plant, reduced (November 2002) the booked quantum of gas from OIL from 0.15 mmscmd to 0.138 mmscmd.

The Company, however, entered (May 2003) into a gas transportation agreement with AGCL with a booked quantum of 0.15 mmscmd for a period of 15 years despite knowing (November 2002) its actual requirements (0.138 mmscmd). As per the agreement, if the consumption of gas fell below 80 *per cent* of the monthly committed booked quantum of 0.15 mmscmd, the Company was liable to pay Minimum Demand Charges (MDC) at applicable rates. The agreement also provided for amendment to the terms with mutual consent of both the parties.

It was observed that the Methanol expansion plan (100 TPD to 130 TPD) was abandoned (February 2011) by the Company, while the construction of the Captive Power Plant was also postponed (2007-08). As a result, the maximum requirement of gas for the existing 100 TPD Methanol plant was even lower at 0.11 mmscmd (October 2016). It was noticed that actual drawal of gas during 2011-16 by the

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[12] Million matric standard cubic metre per day (mmscmd)

[13] This includes gas requirements for expansion of Methanol and captive power plant.

[14] MDC is payable to AGCL for less transportation and not to OIL.

Company was always less than 80 *per cent* of the monthly committed quantity. Accordingly, AGCL enforced the MDC clause based on committed booked quantum of 0.15 mmscmd and recovered an amount of ₹ 1.63 crore (April 2011 to March 2016) as transportation charges over and above the actual drawal.

Though, the Company requested AGCL on several occasions, to revise the MDC clause considering the reduced quantum of gas (0.138 mmscmd) committed for supply by OIL, this request was not accepted by AGCL and the terms of agreement were yet to be modified (October 2016).

Thus, due to booking of higher quantum of gas for transportation than the actual requirement and failure to amend the terms of the transportation agreement led to avoidable expenditure of ₹ 1.63 crore to the Company during 2011-16.

In reply, the Company accepted (October 2016) the facts and stated that the matter regarding review of gas supply and MDC had been taken up with AGCL several times since 2008, but AGCL declined to consider the request during the tenure of the Agreement.

Consumption of gas

2.11.4 The specific consumption of gas, in the form of process-feed stock as well as fuel for the reformer furnace in the Methanol plant was determined (March 1989) at 963.33 scm per MT of Methanol produced. During 2011-16, the Company produced 1,51,702 MT of Methanol after consuming 167.99 mmscmd of gas as against the norm of 159.72 mmscmd [15], leading to an excess consumption of 8.27 mmscmd of gas. This resulted in excess expenditure of ₹ 7.24 crore[16] during 2011-16 towards cost of excess gas consumed.

In reply, the Company stated (October 2016) that during the process of shutdown and start-up of plant on account of any scheduled or unscheduled maintenance, gas was consumed even without production of Methanol.

The fact, however, remained that the excess consumption of gas in the production process was linked with the ageing of the Methanol plant and the Company should expedite the process of replacement of the old plant with the new plant.

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[15] Guarantee norms for feedstock (146.14 mmscmd) + Fuel (13.58 mmscmd)

[16] 8,268.41 scm x ₹ 8,760.98 (Average price of gas during the five years up to 2015-16)

Consumption of Methanol in the Formalin plant

2.11.5 The usual life span of the silver catalyst[17] (also known as reactor catalyst or catalyst) is three to eight months. Besides, the purity of the feed flow rates is also crucial in the production process. Since the catalyst is very receptive to contamination and presence of sulphur or transition metal could destroy the reaction and reduce the production to zero. When these processes are not followed, the Methanol contents and its consumption per unit remain high. As per operational procedures of the Company, 0.469 MT of Methanol was required for the production of 1 MT of Formalin at a proportional weight of 37 *per cent* of Formaldehyde, 3 *per cent* of Methanol and 60 *per cent* water.

During the five years from 2011-12 to 2015-16, the Company produced 1,79,673 MT of Formalin by consuming 88,310.10 MT of Methanol as against the norms of 84,266.64 MT. Thus, there was an excess consumption of 4,043.46 MT of Methanol valued at ₹ 5.46 crore[18].

It was further observed that during the period from September 2012 to December 2014, the content of Methanol in production of Formalin ranged from 3.20 *per cent* (July 2014) to 7.92 *per cent* (October 2014) as against the maximum permissible norm of 3 *per cent.* Although, the useful life of catalyst was three to eight months, during 2011-16, there were delays ranging from 9 to 14 months in charging the catalyst, thereby resulting in high content of Methanol in the Formalin produced.

In reply, the Company accepted (October 2016) the facts and stated that the consumption of Methanol in the formalin Plant depends on the number of plant start-ups and shut-downs, ageing of the silver catalyst and air to methanol mixture.

The reply of the Company was indicative of deficiencies in adopting systematic maintenance procedures and in charging the catalyst in a timely manner, which could have helped it in bringing down the processing costs of Formalin.

Output efficiency

Plant Load Factor

2.12 Plant Load Factor (PLF) refers to the ratio between the actual production and the maximum possible production at installed capacity. Each of the two production plants of the Company (*viz.* the Methanol and Formalin plants) had an installed capacity of 100 TPD. The installed capacity of Formalin plant was, however, increased

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[17] A silver catalyst is a substance which is implemented in the reactor to facilitate the Formalin production process without undergoing any transformation in itself.

[18] 4,043.46 MT x ₹ 13,500 (the lowest realization price during the period)

(August 2012) from 100 TPD to 125 TPD. However, the operating capacity of the plant at 100 *per cent* plant capacity utilisation was fixed based on the standard PLF of 90.41 *per cent*[19] as worked out by the Company.

The Company could not achieve the standard PLF (90.41 *per cent)* during 2011-16 except (2012-13) for Methanol plant (91.91 *per cent)* and (2015-16) for Formalin plant (92.47 *per cent)*. One of the primary reasons for low PLF was forced outages on account of avoidable reasons. Cause-wise analysis of outages[20], for the period 2011-16, revealed that 21.63 *per cent* of outages in Methanol plant (647.90 hours) and 18.98 *per cent* of outages in Formalin plant (497.14 hours) had occurred on account of mechanical, electrical and instrumental faults, which could have been avoided through planned maintenance. Thus, there was production loss of 2,440.64 MT (647.90 hours x 3.767 MT[21]) of Methanol and 2,246.58 MT (497.14 hours x 4.519 MT[22]) of Formalin, valued at ₹ 3.29 crore[23] and ₹ 1.91 crore[24] respectively on account of these controllable outages.

It was observed that the Company had not taken corrective action for replacement of mechanical instruments in a timely manner. Although, the Company prepared the annual plan for maintenance of the plant, it had not specified the detailed time schedule for carrying out various maintenance works. In absence of this, the regular upkeep and maintenance of the Methanol plant was not monitored and ensured.

Further, considering the old age of the Methanol plant, the BoD of the Company recommended (March 2016) a Hazard and Operability (HAZOP) study of the plant. The study was meant to identify and evaluate problems that might represent risks to equipment or prevent efficient operation of the plant. However, no such Study was carried out till date (October 2016).

In reply, the Company stated (October 2016) that 100 *per cent* utilisation of its capacity cannot be expected from a 28 year old plant due to various constraints. It was further stated that all possible efforts were being made to avoid any unplanned

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19 The operating capacity of two plants was fixed by the Company on the basis of 330 stream days after excluding 35 days for annual maintenance {(330 stream days ÷ 365 days) x 100 = 90.41 *per cent*}.

20 Outages refer to the period for which the generating unit is not available for power generation.

21 The production loss has been worked out based on 100 TPD per 24 hours at standard PLF of 90.41 *per cent* {(100 TPD ÷ 24 hours) x 90.41 *per cent.*

22 The installed capacity of Formalin plan was increased from 100 to 125 TPD with effect from 2012-13. Hence, the production loss has been worked out based on the average of 100 TPD (2011-12) and 125 TPD (2012-13 to 2015-16) per 24 hours at standard PLF of 90.41 *per cent* (4.999 MT x 90.41 *per cent*).

23 2,440.64 MT x ₹ 13,500 = ₹ 3.29 crore (calculated at the lowest realization price during the period)

24 2,246.58 MT x ₹ 8,500 = ₹ 1.91 crore (calculated at the lowest realization price during the period)

shutdowns to reduce production losses. As regards HAZOP study, it was mentioned that the same had been initiated and would be completed in due course of time.

The fact, however, remained that the production loss on account of controllable factors could have been minimised or avoided through periodic health assessment of important equipment and by taking timely corrective action.

Energy conservation

2.13 The energy efficiency of a manufacturing unit largely depends upon conducting of energy audits, setting up of energy usage norms, adoption of energy efficiency programmes and implementation of appropriate management controls. The Company engaged (July 2003) the Petroleum Conservation Research Association (PCRA) for conducting a third party energy audit.

As per the PCRA Energy Audit Report, the flue gas analysis of the Boiler and Reformer furnace showed a considerable amount of excess air, leading to substantial amount of stack[25] losses in terms of gas consumption. PCRA, accordingly, recommended (July 2003) that flue gas analysis should be conducted at regular intervals as reduction in excess air could result in savings to the tune of ₹ 17.39 lakh *per* annum by reducing the consumption levels of gas. It was, however, observed that the Company did not carry out flue gas analysis (October 2016).

With a view to carry out energy conservation and its allied activities under Section 2(S) of the Energy Conservation Act, 1991, the Company constituted (September 2007) an Energy Conservation Cell (ECC). Some of the important activities to be carried out by the Energy Cell included formalizing an energy management policy statement, setting up and periodically review the energy monitoring and reporting system and monitor the parameters contributing to energy costs, initiate measures for energy efficiency and review their implementation.

It was, however, seen that the ECC was not active and had not taken any action to carry out the above mentioned activities towards better energy management even after 9 years of its constitution (October 2016).

In reply, the Company accepted (October 2016) the facts and stated that the technology employed in the Methanol plant did not have any provision for sampling of flue gas in the stack. The Company, however, assured that the ECC would be reconstituted.

[25] Stack losses typically involve both excess air and stack temperatures. The amount of heat lost depend on the temperature and volume of gas leaving the boiler.

The fact, however, remained that the Company had not adhered to the recommendations of PCRA in a timely manner and was deficient in adopting energy conservation measures.

Power consumption in residential units

2.13.1 For running the manufacturing units and supply to the residential quarters, the Company purchased electricity from Assam Power Distribution Company Limited (APDCL). The electricity requirement was also partially met from the captive generation through its own turbo-generator. During 2011-16, the Company received 524.52 lakh kWh of power from APDCL at a total cost of ₹ 35.22 crore, which alone constituted 16.28 *per cent* of the total variable cost (₹ 216.34 crore) of production.

It was observed that the electricity was being supplied to the residential quarters as well as plants and factory area from the same supply panel without any provision for separate metering for domestic and commercial consumption. The Company was making recoveries from its employees on the basis of flat monthly rates irrespective of the quantum of actual consumption. No steps were, however, taken for recovery of energy bills based on actual consumption.

In reply, the Company accepted (October 2016) the facts and stated that it was in the process of installing energy meters in the residential quarters and the recovery of energy bills would be made based on actual consumption.

The reply indicates that the system of unmetered supply adopted by the Company did not provide any incentive to effect economy in the use of electricity. Hence, there is a need for the Company to expedite the works and ensure that energy bills in township area are served based on actual consumption.

Delay in execution of water supply agreement

2.13.2 Treated Raw Water was used for meeting the water requirements of the manufacturing plants. The water for the plants was mainly sourced through Brahmaputra Valley Fertilizer Corporation Limited (BVFCL) and Assam Power Generation Corporation Limited (APGCL).

It was observed that BVFCL had been supplying (since August 2006) clarified water to the Company at ₹ 5.09 per Cubic Metre (CUM). BVFCL increased (May 2009) the price of clarified water from ₹ 5.09 to ₹ 25.46 per cum. Considering the high cost, the Company approached (November 2011) M/s Poly Enterprise Limited (supplier) for supply of clarified water at a lower cost. The supplier offered a rate of ₹ 8 per cum and also agreed to install a pipeline between the treatment plant and the hook-up point of the Company's existing pipeline at its own cost.

Accordingly, the Company conducted (November 2011) quality checks and communicated (February 2012) the shortcomings noticed to the supplier for necessary corrective action. Thereafter, a Letter of Intent for the supply of water was issued (July 2012) to the supplier. The Company once again verified (October 2013) the facility of the supplier and identified shortcomings, which were also attended and rectified (December 2013) by the supplier. The facility was again quality checked (January 2014) and finally the purchase order was issued with the supply of water commencing in the same month.

It is clear that there had been an inordinate delay in the execution of the water supply contract with the supplier despite the lower rate offered by the supplier than that of BVFCL. The delay involved a loss of ₹ 19.25 lakh to the Company, in terms of potential savings towards the cost of clarified water (July 2012 to May 2014).

In reply, the Company stated (October 2016) that the process started only after November 2011 and considerable time was required by the supplier to create the facility fit and suitable for consumption.

The fact, however, remained that there had been inordinate delay in completing the process of execution of the contract by the Company, which needed to have been expedited, considering the high cost involved in procurement of water from BVFCL.

Marketing and sales performance

2.14 Although the Company had captive demand for Methanol for using the same as feedstock in its own production process, the Company faced stiff competition with private producers with regard to sale of Formalin in the open market, which were sold in an around the State areas[26] and in neighbouring countries[27].

It was observed that the sales of Formalin in the North-eastern region (NER) showed an increasing trend during 2011-16. The sales of Formalin by the Company in West Bengal recorded a steep decline from 8,810.10 MT (2012-13) to 4,763.49 MT (2015-16). As regard Methanol, the consolidated sales figures of the Company in North India and Bangladesh recorded a steep decline from 9,757.75 MT (2012-13) to 5,149.70 (2015-16). Some of the deficiencies noticed with regard to marketing strategies adopted by the Company are as follows:

- Every change in the price of Methanol and Formalin in the international and domestic market had corresponding impact on the sales performance of the Company. As such, the BoD directed (February 2016) the Company to fix the price of Methanol and Formalin after a thorough study. The Company was, however, yet to take action on the directions of BoD (October 2016).

[26] Northern Eastern Region, West Bengal, Bihar and Jharkhand.

[27] Bangladesh, Nepal and Bhutan

- In order to optimise the profitability of the Company, the BoD directed (December 2011) it to import Methanol from the international market and also to work out the right product mix (proportion of in-house production and imported Methanol). In the absence of any concrete efforts on part of the Company, the BoD again directed (March 2016) it to import Methanol from the Kandla Port and concentrate its marketing activities in North India so as to generate more revenue. The Company, however, had not taken any concrete action to comply with the above directions of BoD (October 2016). Thus, the Company could not ensure adequate supply of Methanol at the cost viable for outsourcing the production of Formalin through conversion agents[28]. As a result, the Company had to keep in abeyance its expansion plans for marketing of Formalin in the States of Bihar, Uttar Pradesh and West Bengal.

- During a survey conducted (May 2016) by Audit in the branch offices of the Company in West Bengal and Assam, it was observed that the Company had neither fixed any accountability for collection of customer feedback nor set any targets at field office level to monitor and improve its sales performance.

Thus, it can be seen that the Company had not taken adequate steps for optimisation of its profit through the right product mix. The Company neither adhered to the directions of the BoD for import of Methanol from Kandla Port nor could it utilise the service of conversion agents for expansion of market for its products.

In reply, the Company stated (October 2016) that it was in the advanced stage of importing and trading Methanol to increase its market share and turnover. It further stated that all statutory requirements and infrastructure creation in this regard have already been completed.

The fact, however, remained that there had been inordinate delay in initiating the process of import of Methanol by the Company. As a result, the Company could not venture into potential markets for expansion of its sales activities. The reply was also silent on other important issues relating to collection of customer feedback, fixing of sales targets, *etc*.

Environmental issues

2.15 The GoI has enacted various Acts and Statutes for minimizing the adverse impact of the industrial activity on the environment. The Ministry of Environment and Forests (MoEF), GoI and the Central Pollution Control Board (CPCB) have also been vested with powers for this purpose under various Statutes. At the State level, the Pollution Control Board, Assam (PCBA) is the regulatory agency for ensuring compliance with the provisions of these Acts and Statutes. Audit scrutiny, relating to

[28] A conversion agent is engaged for conversion of Methanol into Formalin and distributes the same in potential markets.

compliance of the Company with the provisions of various Acts in this regard, revealed the following:

Operation of plants without required 'consent to operate'

2.15.1 Under the provisions of the Water (Prevention & Control of Pollution) Act, 1974 and Air (Prevention & Control of Pollution) Act, 1981, a formal consent (*viz.* 'consent to operate') from the PCBA was to be obtained/renewed to operate Methanol and Formalin production plants, within the month of November, of the year immediately preceding the financial year in which the previous consent was due for expiry. The consent letter contains different conditions and stipulations with regard to air and water pollution to be complied with by the production units *viz.* compliance to ambient air quality, level of pH of water, quality of flue gas and noise level *etc*. In case of non-compliance with the terms and conditions, PCBA was empowered to take appropriate action (including suspension of operations) under various statutes.

The Company applied to the PCBA for renewal of consent on five occasions during 2011-16, with delays ranging from 42 (2013-14) to 115 (2014-15) days from the due date[29]. Consequently, renewal of consent by PCBA for the above periods was also delayed by 57 (2013-14) to 120 (2011-12) days. As such, the operation of these plants was carried out without consent of the PCBA for the periods of delay in renewal.

In reply, the Company stated (October 2016) that the delay was due to the time taken in analysis of various parameters of environment by the third party.

The reply is not acceptable as the Company should have taken timely action in the matter so as to ensure that environmental analysis is carried out in a time bound manner and the 'consent to operate' the plant is obtained on time from PCBA.

Monitoring facilities and equipment

2.15.2 With a view to minimise the incidence of water pollution by disposal of industrial waste, the Company installed an Effluent Treatment Plant (ETP) comprising of 'Tilted Plate Interceptor[30]' for collection of wastes such as spill oil and grease. The ETP had an installed capacity to treat 600 cum of wastes per day The Company after collection of spill oil and grease treated the wastewater in a lagoon[31] and then the treated water was drained off. At the outlet of the ETP, the Company had installed the

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[29] November of preceding financial year

[30] It is a separator used for separation of free oil from effluent water.

[31] Lagoon is a treatment pond provided with artificial aeration to promote biological oxidation of waste water.

pH meter[32] to measure the content alkaline in the wastes. During 2011-16, the daily effluent generated on an average was 190.80 cum per day.

On examination of records relating to alkaline content in the wastes, it was observed that against the permissible limit of 5.50 to 9.0 pH, the actual pH was in the range 6.18 and 7.75 pH. The Company, however, did not have a regular system of monitoring the level of concentration of Biochemical Oxygen Demand (BOD), Chemical Oxygen Demand (COD) and Total Dissolved Solids (TDS). Although, the Company was to analyse samples on a real-time basis, the Company collected samples and analysed on 40 occasions only during 2011-16. The result of analysis revealed that against the permissible limit of 30 milligrams per litre (mg/l), 250 mg/l and 2100 mg/l for BOD, COD and TDS, the level of concentration was in the range 12 to 23 mg/l, 92 to 142 mg/l and 202 to 496 mg/l respectively. However, to ensure continuous monitoring of effluent generated from the plants, the installation of an online effluent monitoring system was necessary.

Further, as per an MoEF notification (September 2009), ambient air quality data was also to be collected, monitored and displayed by the Company at a convenient location. The Company was also required to upload and update the data on its website periodically. The CPCB had also directed (October 2015) the Company to install online monitoring systems and link the data to the CPCB website. On this being pointed out (June 2016) by Audit, the Company installed (August 2016) an 'online monitoring system' and had also linked the data against the system to the CPCB's website.

Further, as per the Water (Prevention and Control of Pollution) Cess Act, 1977, for the purpose of measuring and recording the quantity of water consumed, it is mandatory to affix meters of prescribed standards at specified places. Audit scrutiny revealed that the Company had not installed the required meters to record the actual water consumption (September 2016).

No specific reply to the audit observation was submitted by the Company on the issue (October 2016).

Human Resource Management

2.16 The Company implemented the recruitment process after getting approval from GoA, on proposals approved by the BoD. The summarised position of actual manpower *vis-a-vis* the sanctioned strength of the Company during 2011-16 is given in ***Table 2.4***.

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[32] A pH Meter is a scientific instrument that measures the hydrogen-ion concentration (or pH) in a solution, indicating its acidity or alkalinity.

Table 2.4

Sl. No.	Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
1.	Sanctioned strength	483	483	482	482	482
2.	Man-in-Position	369	355	365	366	362

The Table above shows that the actual manpower during 2011-16, was below the sanctioned strength of the Company. It was, however, seen that the Company did not prepare any strategic plan to improve the scarcity of manpower.

In reply, the Company stated (October 2016) that, since both of its manufacturing plants are continuous process plants, recruitment of manpower was done depending upon the business exigencies as well as manpower needs of different departments.

The fact, however, remained that the absence of a strategic plan in regard to human resource management had led to substantial amount being spent on payment of overtime allowance, as discussed subsequently.

Overtime Allowance

2.16.1 Due to shortage of manpower, the Company was regularly deploying its existing staff for undertaking additional works against payment of overtime allowance (OT). The Company had paid OT aggregating to ₹ 6.08 crore during 2011-16. The payment of OT was highest in the Electrical Department (₹ 1.13 crore) during 2011-16. There was a continuous growth in overtime expenditure from ₹ 0.72 crore (2011-12) to ₹ 1.77 crore (2015-16).

Further, Section 64 of the Factories Act, 1948 *inter alia* provides that OT shall not exceed 50 hours per employee per quarter (*i.e.* 200 hours per employee per year). The average OT payment per year, however, for the Electrical Department of the Company ranged between 351 hours and 413 hours (except during 2014-15), which was much higher than the statutory limit of 200 hours per year.

In reply, the Company stated (October 2016) that the issue was being constantly monitored at HoD level and resultantly, overtime wages had reduced by 40 *per cent*. It was further stated that necessary steps had also been taken for filling up critical vacancies in the near future.

The fact, however, remained that the OT paid (2011-16) was in excess of the statutory ceilings and there was a need for the Company to be more vigilant in this regard.

Monitoring and Internal Control

2.17 An effective internal control system of an organisation ensures achievement of organisational objectives, effective utilisation of resources, safeguarding of assets and availability of reliable information for decision making by the Company. The deficiencies noticed in the internal control system of the Company have been discussed as below:

- During 2011-16, the Company conducted internal audit through a Chartered Accountant only during 2014-16. Internal audit reports were silent on several vital areas of operation, such as efficacy of systems and controls, particularly in the manufacturing units, operational efficiency of plants, adherence to plans, policies and procedures, *etc*.;
- Although a documented Management Information System (MIS) in respect of the production plants was in existence, regular analysis and reporting of the data was absent. As a result, the targets set by the Company for subsequent years did not take adequate care of the constraints faced in achievement of targets during previous years, thereby leaving scope for recurrence of similar deficiencies in its operations.

Inventory Control

2.17.1 There was also no control mechanism in place to monitor the stock holding of the Company and ensure that the same remain within reasonable limits. The stock holding of the Company during 2011-16 ranged between 37 to 91 months consumption. As compared to the lead-time of 12 months required for the procurement of any item, the inventory holding was exceptionally high. At the end of 31 March 2016, the Company was holding inventory valuing ₹ 9.16 crore, including non-usable/moving items valuing ₹ 0.96 crore. Further, as the plants were old and the inventories were being carried forward at cost, these inventories might not yield their true value.

The deficiencies in the internal control system as discussed above, indicated systemic failures and the absence of an effective control mechanism, besides lack of accountability at different levels of the Company.

In reply, the Company stated (October 2016) that regular monthly analysis of the MIS would be done hereafter. In regard to inventory management, the Company stated (October 2016) that it had adopted the manual system for classification of inventory. It further added that, since the plant was very old, some inventories, which were not readily available in the market, had to be kept in stock for long periods, so as to run the plant smoothly. Further, it stated that the process of segregation of obsolete/unserviceable stocks had being initiated since 2014-15.

Compliance on the recommendations of COPU

2.18 The COPU made (12 November, 2007) three recommendations on paragraphs 2.1.11, 2.1.12 and 2.1.22 of the PA Report on the functioning of the Company, featured in the Report of Comptroller and Auditor General of India (Commercial), GoA for the year ended 2003-04. The status of compliance with regard to the COPU recommendations on the above three paragraphs, is detailed in subsequent paragraphs:

2.18.1 *Paragraph 2.1.11*

The Company received electrical power from the Assam State Electricity Board (ASEB) and, hence, hours lost due to power failures and voltage dips were not controllable in the short run. The Company was, however, considering setting up of a captive power plant, to avoid disruptions in production due to power failures.

COPU recommendation

COPU recommended that, in order to avoid such production losses due to power failures, a captive power plant should be set up and preventive maintenance should also be done to reduce such shut down hours.

Management reply

The Company stated (May 2006) that the captive power project was attached with the new Integrated 500 TPD Methanol project. The project scheduled to be completed by October 2017 was under construction.

Further observations by Audit

Audit observed that the proposal for construction of the new Integrated 500 TPD Methanol Plant was approved by GoA in February 2014 and the project included erection of the captive power plant. The project work was under progress with the rescheduled date of completion being October 2018.

2.18.2 *Paragraph 2.1.12*

During 1998-99 to 2002-03, the Company suffered production loss of 6,691.08 MT Methanol and 32,099.10 MT Formalin, valued at ₹ 6.01 crore and ₹ 19.39 crore respectively, due to forced shutdowns, which was primarily due to reformer tube failures and shortage of feed Methanol, respectively. This represented around 69 to 72 *per cent* of the total shutdown hours excluding shutdowns for power failures.

COPU recommendation

COPU recommended that the Company should be careful in future, to avoid such type of unfruitful expenditure.

Management reply

The Company stated (October 2016) that after revamping, the Formalin plant was running at its normal capacity without much loss of production.

Further observations by Audit

Audit observed that, during 2011-12 to 2015-16, the Company suffered production loss of 8,337.33 MT Methanol valued at ₹ 11.25 crore and 10,189.91 MT Formalin, valued at ₹ 8.66 crore. This represented around 69 to 95 *per cent* of total shutdown hours, excluding shutdowns for power failure.

2.18.3 *Paragraph 2.1.22*

During the five years from 1998-99 to 2002-03, the Company received 67.78 Million Units (MU) of power from ASEB at a total cost of ₹ 23.69 crore. Even though the cost of the electricity alone constituted 40 to 47 *per cent* of the total variable cost of production during 2000-01 to 2002-03, the actual consumption was not metered separately for each plant for comparing the same with the norms of 510 kWh per tonne of Methanol and 52 kWh per tonne of Formalin fixed for the purpose.

COPU recommendation

COPU recommended that the Company should install separate meters for each plant.

Management reply

The Company stated that after receiving the recommendation from COPU, it approached APDCL[33] for separation of the domestic feeder from the industrial feeder, so that the actual power consumption of the Methanol Plant could be arrived at. However, APDCL advised (February 2010) the Company not to separate the feeder.

Further observations by Audit

During 2011-16, the Company incurred ₹ 35.22 crore for purchase of power. The cost of electricity constituted 16.28 *per cent* of the total variable cost of production. However, separate meters for Methanol plant and residential area were not installed. Thus, the actual consumption for Methanol plant and residential area could not be ascertained by the Company for comparing the same with the norms.

[33] The erstwhile ASEB was unbundled and the power supply operations were handed over to APDCL.

Conclusion

- **The Company did not have a perspective/long term planning mechanism for its production and marketing activities as well as in execution of capacity expansion projects. There were considerable delays in completing the revamping of existing plant as well as construction of new integrated plant, due to non-synchronisation of project works and delay in availing the planned investment from the stakeholders.**

- **The Company could not exercise necessary controls over fuel linkage as well as supply and consumption of input material. The Company was also deficient in adhering to periodic maintenance schedules and timely replacement of the important equipment resulting in avoidable loss of production. Further, the Company could not effectively follow the control measures necessary for conservation of energy so as to tap the potential savings in production cost.**

- **Despite the directions of its Board of Directors, the Company had not applied the right product mix of imported and in-house produced Methanol to optimise the profitability.**

- **The internal control and monitoring mechanism of the Company was weak. The Company was deficient in fulfilling the statutory requirement to timely obtain the 'consent to operate' the manufacturing plants from the Pollution Control Board, Assam.**

Recommendations

- **The Company should strengthen its planning mechanism by devising long-term perspective plans in line with its laid down objectives and ensure completion of capacity expansion projects within the stipulated time;**

- **There should be a system for procurement of gas commensurate with the Company's requirements. The Company needs to prepare a comprehensive plan for effective marketing and apply an optimal product mix, so as to improve its operational performance**;

- **The Company should ensure strict compliance to environmental laws and also evolve an adequate MIS for evaluating the performance of production units for timely corrective action.**

Compliance Audit Observations

Chapter III - Compliance Audit Observations

Important audit findings emerging from test check during the audit of the State Government companies/Statutory corporations are included in this Chapter.

Government Companies

Assam Power Distribution Company Limited

3.1 Undue favour

Decision of the Company to award the contract based on different rates for similar items in violation of the bid document led to an undue favour of ₹ 3.18 crore to the contractor.

Assam Power Distribution Company Limited (Company) was selected (September 2008) as the implementing agency in the State for implementing the Restructured Accelerated Power Development Reforms Programme (Scheme), launched by the Government of India (GoI).

Part-B of the Scheme aimed at strengthening of the existing sub-transmission and distribution system and up-gradation of existing projects. The Scheme was sanctioned for an amount of ₹ 644.05 crore, against which the GoI released (December 2011 to June 2012) ₹ 193.22 crore to the Company.

The Company awarded (January 2013) the work of supply of the materials relating to Scheme works under the Dibrugarh Project Area to M/s Win Power Infra at a cost of ₹ 22.09 crore. The supply work was to be completed (July 2014) within 18 months from the issue of work order. The work was divided into four project areas *viz.* Dibrugarh town (₹ 14.78 crore), Naharkatia (₹ 4.23 crore), Namrup (₹ 1.02 crore), and Duliajan (₹ 2.06 crore). The supply of materials was completed and the entire amount of ₹ 22.09 crore was released (September 2014) to the contractor.

As per Clause 1.14.3 of the Standard Bidding Document, the bidder was required to quote uniform rates for similar items, which were to be utilized by the bidder in more than one project area. In case the bidder quoted different rates for similar items for different project areas, the Company was entitled to issue the work order considering the lowest rate quoted by the bidder in any project area.

It was, however, seen that, in the above work, the above contractor quoted different rates for similar items of materials required to be supplied in the four project areas. The Company, on its part, failed to invoke Clause 1.14.3 and awarded the contract at different rates as quoted by the bidder for different project areas against similar items.

Thus, the decision of the Company to award the contract based on different rates for similar items, in violation of the bid document, resulted in an undue favour of ₹ 3.18 crore to the contractor.

In reply, the Company stated (July 2016) that the rate of the same item may be different due to extra transportation cost involved.

The reply of the Company is not acceptable, as allowance of different rates to the contractor was in violation of the terms and conditions of the bid document and no provision was included in the bid document to quote different rates based on extra transportation cost.

The matter was reported (May 2016) to the Government; no reply had been received (November 2016).

3.2 Violation of AERC regulation

Supply of electricity at lower voltage level in violation of AERC Regulations led to irrecoverable loss of ₹91.58 lakh to the Company.

As per clause 2.2 of the Electricity Supply Code and Related Matters Regulations, 2004 (First Amendment-2007), notified by the Assam Electricity Regulatory Commission (AERC), *'the voltage of supply to consumers shall be determined on the basis of the contract demand of the consumer. Any consumer having a minimum contract demand of 5 MVA was to be supplied electricity by the distribution licensee (Company) at a voltage level of 132/220 KV'*.

Examination of records (June 2013) of the Company, revealed that the Company, as a temporary arrangement allowed (27 October 2010) one consumer (*viz.* Brahmaputra TMT Bars with contract demand of 11 MVA), to draw power at 33/132 KV voltage level for six months (upto 26 April 2011) as against the prescribed level of 132/220 KV. To facilitate the supply at prescribed level of 132/220 KV voltage, the consumer was directed to construct the required infrastructure at their own cost within the period of six months. Similarly, the Company also allowed (March 2007) another consumer (*viz.* Shree Shiv Sai Steel Industries with contract demand of 8 MVA) to draw power at 33/132 KV voltage against AERC's prescribed voltage level of 132/220 KV with a direction to create necessary infrastructure to draw power at 132/220 KV voltage.

It was, however, observed that the consumers did not create the necessary infrastructure to facilitate the Company to supply power at the voltage level of 132/220 KV. The Company, however, even after the expiry of the stipulated periods, continued to supply power to both the consumers at 33/132 KV voltage level in violation of Regulation 2.2 of AERC.

It may be stated that, during the process of transformation of electricity from a higher voltage level to a lower voltage level, there is an inherent transformation loss. This is corroborated by the fact that as per the Electricity Tariff of the Company as approved by AERC, *'for supply at voltages higher than as applicable to the consumers as per Regulation 2.2 of AERC, rebate at the rate of 3 per cent shall be applicable on energy consumption for each higher level of voltage'*. Apparently, the rebate of 3 *per cent* was extended to the consumers in consideration of the potential savings in the energy loss for supply of electricity at higher level than prescribed.

Thus, the Company by supplying electricity to both the consumers at a lower level than specified by AERC, had incurred energy loss in the form of transformation and line losses. In absence of any stipulation in this regard in the AERC Regulations, audit considered the rate of 3 *per cent* allowed as rebate under the Electricity Tariff to work out the energy loss (transformation and line loss) involved in the process of transformation of electricity from higher voltage to lower voltage.

Accordingly, the losses incurred by the Company on account of continued supply of electricity to the two consumers[1] at lower voltage level than specified, worked out to 42,28,242 kWh. The Company, however, recovered the cost of 16,84,344 kWh (line loss) only being the difference in consumption of electricity between consumer meter and check meter installed by the Company at the substation.

[1] Brahmaputra TMT Bars (April 2011 to July 2013) and Shree Shiv Sai Steel Industries (April 2011 to January 2014)

Thus, violation of AERC regulation by supplying power to the consumers at lower voltage level than specified led to an irrecoverable energy loss of 25,43,898 kWh (detailed in ***Annexure 5***) valued at ₹ 91.58 lakh[2].

The matter was reported (July 2016) to the Company/Government; their replies had not been received (November 2016).

Assam Plains Tribes Development Corporation Limited

3.3 Avoidable expenditure

Negligence of the Company in taking timely action for payment of EPF dues resulted in avoidable expenditure of ₹ 2.85 crore.

Assam Plains Tribes Development Corporation Limited (Company) is an establishment covered under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 (Act). As per the said Act, every employee of the Company shall contribute 12 *per cent* of their salary (basic pay *plus* dearness allowance) towards Employees' Provident Funds (EPF) subscription. The Employer has to make equal contribution along with the statutory administrative and other charges related with the maintenance of said fund and deposit it to the Employees' Provident Funds Organisation (EPFO) within 15 days of the close of every month. In case of default/delay in payment:-

- the employer shall be liable to pay the dues with simple interest of 12 *per cent*.
- in addition, the employer is liable to pay penal damage, ranging between 5 to 27 *per cent*, on the amount due, upto the day payment is made.
- further, the employer, who contravenes or makes default in complying with the provisions of the Act shall be punishable with imprisonment and fine.

It was observed that the Company was not regular in paying its PF dues since January 2003. Accordingly, the EPFO issued (December 2013) a notice requiring the Company to pay Damages (₹ 1.91 crore) and Interest (₹ 0.94 crore) for delay/default in payment of monthly subscription for the period from January 2003 to May 2013 along with unpaid EPF dues of ₹ 3.97 crore as of May 2013. While accepting the demand of EPFO, the Company paid the entire dues along with interest and damages in instalments.

[2] Audit has calculated the loss on the basis of the minimum tariff applicable at the rate of ₹ 3.60 per kWh

Audit observed that:

- The Company had fixed deposits, ranging between ₹ 15.55 crore to ₹ 20.71 crore, during 2002-03 to 2013-14, which were earning interest to a maximum of 8 *per cent*. The interest income earned on the fixed deposits was, however, less than the interest of 12 *per cent* payable on account of delayed payments to the EPF authority.

- The Company had also been implicated for the same default earlier by the EPFO, which had attached (March 2007) its bank accounts for non-payment of EPF dues. Further, two officials (Managing Director and Accounts Officer) of the Company were imprisoned and fined (May 2013) for default in payment.

- The Company failed to prioritise its payments of statutory dues or to take up the matter with the Government of Assam (GoA), for avoiding the payment of damages and interest.

Thus, the negligence of the Company in taking timely action for payment of EPF dues, resulted in an avoidable expenditure of ₹ 2.85 crore.

The Company, in its reply, stated that the dues could not be cleared because of the financial hardship faced by the Company.

The reply is not tenable, as the Company should have prioritised its payments of statutory dues, or take up the matter with the GoA, for avoiding the payment of damages and interest.

The matter was reported (May 2016) to the Government; their reply had not been received (November 2016).

Assam State Textbook Production and Publication Corporation Limited

3.4 Undue favour

The Company extended undue favour of ₹ 61.71 lakh to supplier by not adjusting the price for change in specification of paper.

The Assam State Textbook Production and Publication Corporation Limited (Company) was responsible for printing and distributing free textbooks (upto class VIII) on behalf of the Axom Sarba Siksha Abhiyan Mission every year.

For printing of free textbooks relating to academic year 2015, the Company issued (June 2014) Notice Inviting Tenders (NIT) for procurement of 7,100 MT of "70 GSM Water-marked Maplitho Paper", with watermarks of "Axom Sarba Siksha Abhijan Mission, Assam" (SSA). As per clauses 3 and 5 of Section-V of the NIT, "*The Maplitho paper watermark shall bear watermark of Axom Sarba Siksha Abhijan Mission"* and *"the successful bidder will arrange the manufacturing of 'Dandy Roll*[3]*' as per the design at its own cost.*"

Against the above NIT, the Company received five bids and selected Hindustan Paper Corporation Limited (HPCL), Guwahati, being the lowest bidder was selected at the quoted price of ₹ 54,287.70 per MT of Maplitho Paper, which also included the cost of watermarking on the papers. Accordingly, work orders were issued (September 2014 and January 2015) in favour of HPCL for procurement of 9,373 MT paper valuing ₹ 50.88 crore, for printing of free/sale edition textbooks. The entire quantity (9,372 MT) of paper was, however, supplied (October 2014-February 2015) by HPCL without watermarking of SSA logo on it.

Scrutiny of the records of the Company revealed that, before issue of the work orders, the Company decided (September 2014) to waive the requirement of providing watermarking of the SSA logo on the papers on the plea of corresponding delay in receipt of testing reports of the paper samples from Central Pulp and Paper Research Institute, Uttar Pradesh which cause delay in finalisation of tenders. The Company felt that the incorporation of watermark logo would cause further delay in meeting the target date of distribution of free textbooks.

However, though the Company changed the specifications by waiving the requirement of watermark logo on the papers, it did not evoke the provisions of Clause 15[4] of the bid document for corresponding adjustment in the contract price.

The rate quoted by HPCL was a composite price including the cost of watermarking. In absence of separate quoted rate for watermarking, the audit in its approach to determine the cost of watermarking, considered rate (₹ 658.45 per MT) of watermarking quoted (May 2014) by HPCL in its rate contract with Directorate General of Supplies & Disposals, New Delhi. Thus, due to not adjusting the price for change in the work specification, the Company extended

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[3] 'Dandy Roll' is a roller which is used to solidify partly formed paper during its manufacture and to impress the watermark.

[4] Clause 15 provides for an adjustment in the contract price based on change in work specification.

undue favour amounting to ₹ 61.71 lakh to HPCL, against procurement of 9,372 MT paper.

In reply, the Company stated (June 2016) that although the provision of watermark was mentioned in the tender document, the final decision regarding supply of paper, with or without watermark, was taken after finalisation of rates and the price bid of HPCL did not include any component showing inclusion of cost for "Dandy Roll" necessary for incorporating the Logo and, hence, price adjustment was not considered.

The reply is not acceptable, as the quotations of the bidders as well as the terms of the work order issued to HPCL clearly stipulated that the papers shall be watermarked and the cost of the "Dandy Roll" had to be borne by the successful bidder. HPCL's rate being composite including the cost of watermarking and "Dandy Roll", hence, this would have been excluded from the price or should have been negotiated by the Company. Further, the change in specification after issue of work order was not in order. Hence, the decision of the management to waive the provision of watermark without considering the financial implication was not justified.

The matter was reported (May 2016) to the Government; their reply had not been received (November 2016).

Assam Livestock and Poultry Corporation Limited

3.5 Loss of Revenue

Lackadaisical approach of the Company in submission of proposal for upgradation of the Plant and in formalising the agreement with the Collaborator led to loss of potential lease rent revenue of ₹35.23 lakh.

Mention was made in paragraph 3.1 of the Report of the Comptroller and Auditor General of India (Commercial) - Government of Assam (GoA) for the year ended March 2011 about lack of initiative by the Company in creating legal and contractual rights for receipt of lease rent. The paragraph had pointed out the accumulation of irrecoverable lease rent dues of ₹ 56.62 lakh from M/s Maestro Enterprise on this account in Integrated Piggery Development Project at Nazira (Plant), which was completed (June 2006) at a cost of ₹ 3.02 crore.

During discussion (May 2013) before the Committee on Public Undertakings (COPU), the Company had assured that a Memorandum of Understanding (MoU) shall be entered with M/s En Punto (a new collaborator), within a period of 6 months, to operate the Plant under the Public Private Partnership (PPP) mode. It was further assured that, after operationalisation of the plant, it would be a profit earning unit.

Scrutiny of records of the Company revealed that the Company had entered (May 2013) into a MoU with the collaborator to operate the Plant under PPP mode. The MoU was valid for a period of 6 months (*i.e.* upto November 2013), and was to be followed by a Final PPP agreement. The MoU *inter alia* stated that:

- The Collaborator was not required to pay rent for initial 6 months from the date of MoU.
- The Plant would be handed over on an ‘as is where is’ basis.
- The Collaborator would have to infuse its own funds for any minor upgradation of the plant and machinery to keep the plant operational.
- The Company would facilitate submission of the proposal for upgradation of the project from the Government of India/State agencies.

The draft PPP agreement prepared (November 2012) by the Company prior to signing (May 2013) of MoU further contained a clause relating to the collaborator having to pay a sum equivalent to at least 5 *per cent* of the value of assets handed over to it after valuation, as lease rent, every financial year.

The assets of the piggery project were handed over to M/s En Punto (June 2013), who repaired and overhauled the machinery *viz.* boiler unit, generator, electrical panels and motors, which enabled them to start the slaughter line operation of the plant. The plant required upgradation due to detoriation in the quality of the assets. The upgradation and modernisation of the Plant involved substantial cost which was beyond the financial capacity of the Company.

Accordingly, a preliminary request for upgradation of the Plant valuing ₹ 4.98 crore was submitted (March 2014) to GoA by the Company for approval. It was, however, observed that the Company did not submit the ‘concept papers for upgradation of the project’ as desired (June 2015) by the GoA without any reason on record (November 2016).

From the above, it could be concluded that:-

- Despite the past experience, with the previous collaborator (M/s Maestro Enterprise), the Company failed to enter into any legal agreement with the new Collaborator (M/s En Punto), although the MoU clearly stipulated to formalise the agreement so as to could create legal rights and obligations enforceable in a Court of Law.

- The Company, while handing over (June 2013) the Plant to the collaborator, failed to revalue the assets for determining the lease rent as per the terms of MoU.

- The delay in submission of DPR by the Company and lack of efforts towards initiating the process of upgradation of the Plant had adversely affected the operational performance of the Plant and earning capacity thereby causing inability of the Company to recover lease rent from the collaborator.

- The Company did not put in place a mechanism to check and monitor the operation of the Plant so as to safeguard the assets and ensure receipt of lease rent in time.

As was the case earlier, the Company, this time also, could not recover any lease rent from the collaborator since beginning (December 2013) in the absence of a formal PPP agreement. The collaborator took the plea (February 2014) that the plant needs modernisation and upgradation, while remaining silent on signing of the agreement. During the entire period, the collaborator utilised the assets of the Company, without payment of rent, till date (November 2016).

Thus, the lackadaisical approach of the Company in submission of proposal for upgradation of the plant to GoA and in formalising the agreement with the Collaborator had led to loss of potential lease rent revenue of ₹ 35.23 lakh[5].

In reply, the Company stated (June 2016) that the collaborator was not able to market the products without FSSAI certification. The Plant required major upgradation, which was beyond the Company's capacity and hence had sent an upgradation proposal to the GoA, which was yet to be approved. This had also affected the signing of the final PPP agreement with the collaborator, as well as collection of lease rent.

The reply is not tenable, as the Company has not made any viable efforts for upgradation of the Plant and was yet to submit the revised proposal as sought by the GoA. Consequently, in the absence of a legally binding agreement between the Company and the collaborator, it could not recover any lease rent from the collaborator.

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[5] ₹ 3.02 crore x 5 *per cent* x 28 months (December 2013 - March 2016) = ₹ 35.23 lakh. As the project was handed over on an 'as is where is' basis without revaluation and the Company, as well as the collaborator, have to invest for any upgradation of the plant, the lease rent has been calculated, based upon the original value of the asset.

The matter was brought to the notice to Government (April 2016); however, no reply had been received so far (November 2016).

Assam State Development Corporation for Scheduled Castes Limited

3.6 Undue Favour

Procurement of power tillers having lower technical specification at higher cost led to additional expenditure of ₹ 39.76 lakh besides depriving potential coverage of additional beneficiaries.

Assam State Development Corporation for Scheduled Castes Limited (Company) was set up in the year 1975, for the purpose of socio-economic development of people of Scheduled Castes of Assam living 'Below the Poverty Line' through implementation of Family Oriented Income Generating Scheme (Scheme). The Company had been implementing the scheme with the amount received from the Central/State Governments under Special Assistance to Scheduled Castes Component Plan. Under the scheme, the Company provided Power Tiller, Tractor, Sewing machine *etc.* to the beneficiaries.

For the year 2013-14, the Company submitted (November 2013) a proposal to the Government of Assam (GoA) for purchase and distribution of Power Tillers to Scheduled Castes farmers in the rural areas of Assam at an estimated cost of ₹ 2.64 crore. The project was intended to increase production of rice from existing 8 quintals to 12 quintals per bigha, through use of modern power tillers. The scheme was also intended to help farmers for multiple cropping, with better transportation for their products and generation of additional income. The GoA approved (November 2013) the proposal of the Company as summarised in the ***Table 3.1.***

Table 3.1

No. of units to be distributed (Power Tiller)	Unit Cost	Total Subsidy (75 *Per cent*)	Promoters' Contribution (25 *Per cent*)	Total Cost
				Amount in ₹
161	1,63,800	1,97,78,850	65,92,950	2,63,71,800

As per Rule 150 of General Financial Rules, 2005 read with the office memorandum issued (August 2010) by the Finance Department, GoA, it was necessary for any Government organization to invite open tenders for supply/works involving cost of more than ₹ 25 lakh. The GoA, while sanctioning the proposal (February, 2014) had also instructed the Company to ensure compliance of all Financial Rules.

Examination of records of the Company revealed that contrary to the provisions of GFR and GoA instructions, the Company, without calling for the open tenders, selected three suppliers[6] for supply of power tillers to be distributed under the scheme at their quoted prices. The Company further did not constitute a purchase committee, citing shortage of time. The Chairman of the Company instead, directed it to select the highest bidder *viz.* M/s Nikita Marketing Pvt. Limited, although another model[7], having better technical specifications was available at lower price as detailed in the ***Table 3.2***.

Table 3.2

Particulars	Nikita Marketing	INDTEC
Model	VST Shakti 130DI	Kranti DI 1515
Engine Horse Power (HP)	13	15
Fuel tank capacity (Ltrs)	11	15.7
Oil capacity of engine (Ltrs)	2.4	3.5
Tilling capacity per hectare per hour	0.12	0.81
Rate per unit (₹)	1,63,800	1,39,255

It can be seen from the above Table that the specifications of M/s INDTEC were superior in respect of all the parameters under consideration. The Company, however, ignored these aspects and placed an order (February 2014) with M/s Nikita Marketing Services for supply of 162 power tillers at a total cost of ₹ 2.65 crore, which were delivered (April 2015) to the Company. The decision of selection of the highest bidder was also not put up to the Board of Directors (BoD) of the Company for regularisation till date (November 2016).

Hence, the decision of procurement of power tillers of inferior quality at higher cost, without calling for tender and also without the consent of the BoD was not in order. This resulted in undue favour to M/s Nikita Marketing Services besides

[6] M/s Nikita Marketing Pvt. Limited (VST Shakti 130DI brand at ₹ 1,63,800 per unit), M/s Indtec Elektro Control (Kranti DI 1515 brand at ₹ 1,39,255 per unit) and Assam Saii Motors Pvt. Limited (Rhino 15DI brand at ₹ 1,49,100 per unit)

[7] Kranti DI 1515

additional cost of ₹ 39.76 lakh[8] to the Company, which could have been otherwise utilised for the welfare of 28[9] additional beneficiaries.

The Company stated (June 2016) that NIT was not invited and BoD approval was not taken due to shortage of time. It further stated that M/s Nikita Marketing Services was selected on the basis of its reputation, as also the fact that the Power Tiller of VST Shakti offered by it was suitable to the soil of Assam, locally manufactured and superior in quality to others. It also stated that the rates of the Power Tiller were approved by the Directorate of Agriculture.

The reply is not tenable as the specifications of Kranti DI 1515 supplied by M/s INDTEC were also approved by the Directorate of Agriculture itself and the same were superior in respect of all the parameters under consideration.

The matter was reported (April 2016) to the Government; their reply had not been received (November 2016).

Assam Small Industries Development Corporation Limited

3.7 Undue favour

Improper fixation of price of medicines for supply to the Director of Health Services resulted in extension of undue favour of ₹ 19.48 lakh to the manufacturer-cum-supplier.

The Assam Small Industries Development Corporation Limited (Company) deals with the procurement and supply of different items, based on specific requests received from the various Departments of Government of Assam (GoA). Such items are procured through the Micro, Small and Medium Enterprises (MSME) of the State. Based on the nature of the items required, the Company collects quotations from agencies/suppliers, fixes the rates for the items and procures the same from the interested MSME units.

The Director of Health Services (DHS) requested (December, 2014 to June, 2015) the Company, to supply certain drugs and pharmaceutical items, as *per* the approved rates of the Company. The drugs to be supplied included 365.61 lakh numbers of Ciprofloxacin 500 mg tablets.

[8] (₹ 1,63,800 - ₹ 1,39,255) x 162

[9] ₹ (2,63,71,800/139255) - (2,63,71,800/163800) = 28

Audit observed that the rate of Ciprofloxacin 500 mg was fixed (February, 2015), at ₹ 2,237[10] *per* 1000 tablets, by the Technical Committee of the Company. The rate had been fixed by the Technical committee after detailed verification of the cost-analysis submitted by the manufacturer and certified by the cost consultant of the Company. Based on the rate fixed by the Company, the manufacturer supplied (February 2015 to March 2016) 267.74 lakh tablets at a cost of ₹ 6.98 crore[11].

Audit scrutiny of the records of the Company revealed that while fixing the rate of Ciprofloxacin, the Company considered the rate of packing materials as ₹ 110.69 *per* 1000 tablets, as against the rate of ₹ 58.72 per 1000 tablets quoted by the manufacturer, leading to the fixation of the price at a rate higher by ₹ 51.97 *per* 1000 tablets. This also led to a corresponding increase in the overhead and profit margin by ₹ 20.79[12] *per* 1000 tablets. As a result, the price of product was fixed at a rate higher by ₹ 72.76 *per* 1000 tablets.

Thus, improper fixation of price resulted in an undue favour of ₹ 19.48 lakh[13] to the manufacturer at the cost of State exchequer.

In reply, the Company stated (June 2016) that the packing cost was based on the previous rate considered by the Company, while fixing rates of other medicines. It further stated that the packing material cost quoted by the manufacturer was not practical, and hence it was ignored.

The reply of the Company is not acceptable, as the packing cost was quoted by the manufacturer, based on its ability to do so. The Company also did not seek any clarification from the manufacturer, if it felt the price was not practical. Hence, it was improper on part of the Company to consider the higher cost, rather than the cost quoted by the manufacturer.

The matter was reported (September 2016) to the Government; their reply had not been received (November 2016).

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[10] Rates were fixed with retrospective effect from September 2014 based on the request of the manufacturer-cum-supplier (M/s Ghanashyam Pharmaceuticals).

[11] This includes excise duty, VAT and commission of the Company.

[12] The Company allowed overhead (25 *per cent*) and profit (15 *per cent* on the cost of the drug). Hence, the amount worked out to ₹ 20.79 (₹ 51.97 x 40 *per cent*).

[13] 267.74 lakh x ₹ 72.76/1000 = ₹ 19.48 lakh

3.8 Management of Industrial Estates

Inadequacy of funds due to not revising the lease rent at regular intervals had hampered maintenance of Industrial Estates. Further, lack of effective monitoring of the Industrial Estates resulted in illegal encroachments, excess holding of land as well as sub-letting of sheds by lessees.

The Assam Small Industries Development Corporation Limited (Company) was established (January 1962) with the primary objective of promoting and developing small scale industries in the State. A compliance audit on management of Industrial Estates (IEs) for the period from 2013-14 to 2015-16 was conducted to assess (i) the operations of the IEs and realisation of lease rent were effective; and (ii) the monitoring system in place to control and manage the IEs was effective. The audit findings are discussed in the succeeding paragraphs.

3.8.1 *Fixation of lease rent*

As on 31 March 2016, the Company had leased out a total of 12.08 lakh square metre (sqm) of open land and 157 sheds across 16 IEs. Lease rent was the main source of revenue for the Company and the same was being fixed/revised by the Company from time to time, based on the recommendations made by the BoD of the Company. The rates of lease rent in different IEs were fixed after taking into account the location of the IEs. Although in the lease agreements, the Company inserted a clause for periodical revision of lease rent, the clause was not specific about the periodicity and quantum of revision. The ambiguity in the lease agreement terms regarding the rate and periodicity of lease rent revision was also pointed out by the lessees. This aspect was also examined in respect of Assam Industrial Development Corporation Limited (AIDC), another State PSU engaged in similar activities. It was noticed that AIDC had framed Land Management Rules, 2010, clearly stipulating for revision of lease rent after every three years.

During a review meeting of the State Level Committee, the committee observed (August 2014) that the revenue being realised from the lessees was nominal and instructed the Company to take appropriate steps to revise the existing structure of lease rates. In this regard, it was observed that in 6 IEs[14] out of total 16 IEs, the Company had last revised the lease rent between 2001 and 2008. In the case of the remaining 10 IEs, the year of the last revision of lease rent was not found on record.

[14] Badarpurghat in 2001, Bamunimaidan and Bonda in 2006 and Tinsukia, Numaligarh and Biswanath Chariali in February 2008

Based on the directions (August 2014) of SLC, the BoD of the Company approved (September 2014) the revised rents with effect from 01 January 2016. The increase in rent, which ranged from 74 to 233 *per cent* was, however, objected (January 2016) by the lessees, on the plea that the new rates were exorbitant and arbitrary. Due to the objections raised by the lessees of various IEs, the matter was placed before the BoD, which decided (May 2016) to lower the rates. The Entrepreneurs Associations of two IEs[15] had again raised (July 2016) the issue of enhancement of lease rent, which they felt was very high. The Company assured (July 2016) the Association to look into the matter for periodic enhancement of the rent. However, no further action in this regard was seen on record (October 2016).

The fact remained that the absence of a specific clause for revision of the lease rents in the lease agreements resulted in lease rent not being increased.

3.8.2 *Recovery of lease rent*

The position of outstanding lease rent and the number of industrial units who had defaulted in payment of lease rent against each IEs, as on 31 March 2016, has been summarised in ***Table 3.3*.**

Table 3.3

Sl. No.	Industrial Estate	No. of defaulting units	Accumulated lease rental dues as on 31 March 2016 (*₹in lakh*)
1.	IE, Bamunimaidan	52	46.06
2.	Food Processing Park, Chaygaon	9	5.29
3.	IE, Bonda	48	16.77
4.	Mini IE Sibsagar	1	0.12
5.	Mini IE, Tinsukia	3	3.45
6.	IE, Badarpur	33	46.05
7.	Commercial Shed, Badarpur	6	3.00
8.	Commercial Estate, Moranhat	3	0.03
9.	IE, Morigaon	9	0.68
10.	Commercial Estate, Hojai	5	0.17
11.	Commercial Estate, Dhing	2	0.10
12.	IE, Biswanath Chariali	3	1.15
	Total	**174**	**122.87**

[15] Bamunimaidan and Bonda

As can be seen from ***Table 3.3***, the amount of outstanding lease rent from the industrial units, as on 31 March 2016, stood at ₹ 1.23 crore. Scrutiny of records of the Company revealed the following:

- Despite repeated defaults in payment of dues by 174 units across 12 IEs, the Company did not take any legal action for seizure of the assets of the defaulter units.
- Enabling clause/provision was not included in the lease agreement for obtaining security deposit from the lessee, nor was there any clause for levy of interest on delayed payment of lease rent so as to discourage defaults in payment of rent by the lessees.
- The Company had not maintained any database with respect to the properties leased out, nor did it maintain any registers for recording the cases of allotment, so as to ensure raising of monthly rental bills in time after allotment.

Case Study:

It was seen in two instances that the Company was deficient in taking timely action against some of the lessees for recovery of outstanding lease rent, which led to accumulation of dues as discussed subsequently:

A. In the IE, Bamunimaidan, the aggregate unpaid rental dues of two units *viz.* M/s Chandika Food Products *(lease rent: ₹5,400 per month)* and M/s Luhit Commercial *(lease rent: ₹4,104 per month)*, as on 31 March 2016 was ₹ 22.32 lakh. It was seen that both the units started defaulting since the handover (October 2003) of the allotted land/shed to them. Both the defaulting units had been making part payment of their dues on an intermittent basis. The Company filed (February 2016) a Bakijai[16] case against one defaulting unit (M/s Luhit Commercial) for recovery of the outstanding dues. The outcome of the case was awaited (October 2016). Further, the other unit (M/s Chandika Food Products), after receiving (November 2013) a notice from the Company for payment of arrear dues (₹ 10.18 lakh), filed (December 2013) a case against the Company for not adjusting repairing expenses (₹ 3.40 lakh) in the assets incurred by them, against the lease rent. The Company was yet to initiate steps for eviction of these lessees (October 2016).

B. The Company allotted (August 2009) land measuring 1,338 sqm to M/s Padmawati Agro Foods (lessee) at Food Processing Park (FPP), Chaygaon. At the request of the lessee, the Company issued (June 2010) a No Objection Certificate to the lessee for obtaining a loan from IDBI Bank, for the purpose of

[16] A debt recovery case filed under the Assam Recovery Act, 1976.

setting up a factory in the allotted land. It was observed that the lessee was a defaulter in payment of lease rent since September 2009, and also defaulted (September 2009) in repayment of bank loans in time. As a result, the bank locked (March 2016) the factory premises of the lessee.

The Company, requested (March 2016) the IDBI Bank to facilitate payment of the outstanding rent of the lessee, amounting to ₹ 4.46 lakh (up to March 2016). Response of the bank on the request of the Company was, however, awaited (October 2016).

Thus, failure on the part of the Company to take timely legal action for seizure of assets of defaulters, not incorporating clause in the agreements for deposit of security money, and also not maintaining database of properties leased out by the Company, led to accumulation of lease rent dues.

In reply, the Company stated (October 2016) that they were taking legal action against the defaulting units and had also closed a few units.

The Company, however, needs to incorporate an appropriate clause in the agreements for deposit of security money as also take timely legal action for seizure of assets of defaulting units to improve the collection of lease rents in a timely manner.

3.8.3 *Upkeep and maintenance of IEs*

The responsibility for maintenance of the IEs rested with the Company. During the period of 3 years (2013-16) covered by audit, no financial assistance was received by the Company from the GoA/GoI for the purpose. During the period of three years from 2013-14 to 2015-16, the Company incurred only a meagre amount of ₹ 0.09 crore towards maintenance of the IEs against its total revenue expenditure of ₹ 19.51 crore. The Company attributed the meagre allocation for IE maintenance to lack of adequate funds with the Company.

In this regard, Audit observed that AIDC, another State Public Sector Undertaking engaged in the activity of leasing out land/sheds to industrial units, was collecting monthly maintenance charges at the rate of ₹ 1.75 per sqm from lessees, which was being utilised on maintenance of IEs. The Company, however, did not allocate any portion of its lease rent so as to facilitate adequate and proper upkeep of IEs operated by it in a planned manner, nor take any initiative to collect similar maintenance charges separately from the lessees.

Further, the Entrepreneurs Associations of IE, Bamunimaidan and Bonda also highlighted (July 2016) the issue of poor condition of sheds, roads and drainage, which needed repairs. The Associations also requested the Company to allow them to undertake the work of repair of sheds by the lessees themselves, and the cost to be adjusted against their rent. In response, however, the Company, informed (July 2016) the Associations that the sheds were allotted to the lessees on 'as and where' basis and since it was not financially sound and the collection of rent was also very minimal, it was difficult for the Company to carry out such repairs. The Company further stated that, while proposals were sent to the Government for upgradation of the IEs, no financial aid was received.

The Company, in its reply to Audit, stated (October 2016) that the rents were in the process of being enhanced.

The Company, however, may consider collecting maintenance charges from the lessees to garner more revenue for better upkeep of its assets.

3.8.4 *Lapses in availing GoI funds for upgradation schemes*

The Company spent an amount of ₹ 0.43 crore during 2015-16 on upgradation of assets in the IEs. Audit noticed that, although the Company submitted 7 proposals, for the years 2015-16 and 2016-17 to the GoA for upgradation of the existing IEs (₹ 21.74 crore), it did not receive any response or funds from the GoA.

It was further observed that the Ministry of Commerce & Industry (Ministry), GoI, had written (August 2013 to May 2014), to GoA on five occasions for submitting the project proposals under the Modified Industrial Infrastructure Upgradation Scheme (MIIUS), for upgradation of infrastructure in the existing IEs. On 18 August 2015, the Ministry again asked GoA to submit project proposals under the MIIUS by 31 August 2015. GoA, however, requested the Company to submit proposals in this regard only on 01 September 2015, *i.e.* after lapse of GoI deadline. Notwithstanding this delay, the Company submitted (29 September 2015) a proposal of upgradation of an IE (Bonda) at a cost of ₹ 6.25 crore to GoA for consideration. No further feedback from the GoA/GoI, however, was found on record in this regard.

Thus, due to lack of timely action, the Company lost the opportunity for obtaining GoI funding for upgradation of existing IEs.

The reply of the Company was silent on the observations raised by audit.

3.8.5 *Assets not put to use*

The Company completed[17] (May 2013) the work of Food Processing Park, under the Food Park Scheme of the Ministry of Food Processing Industries (MFPI), GoI at a total expenditure of ₹ 6.18 crore. The FPP included development of 1.34 lakh sqm of land to be allotted to potential entrepreneurs, along with a cold storage facility for storage of the food products by the entrepreneurs, which was constructed at a cost of ₹ 2.52 crore.

In this regard, it was seen that the Company started allotment of land in the FPP from 2004-05 onwards. As on March 2016, the Company allotted the entire allocable land measuring 0.63 lakh sqm[18] to 9 entrepreneurs. It was, however, seen that the entrepreneurs to whom it was allotted were dealing in food products which did not have the requirement of cold storage.

Examination of records revealed that while submitting (December 2000) the DPR for the FPP to GoI, the Company emphasised the need for a cold storage, as it provides a vital link between the production and consumption of perishable items and ensures availability of products over an extended period. In this regard, it was also observed that the Company after 16 months of its completion (May 2013) had issued (October 2014) Notice Inviting Bids to lease out the Cold Storage. As no bids were received, the Company invited fresh bids (July 2015), to lease out the cold storage. No response was, however, received by the Company on this occasion as well.

Meanwhile, a party showed (August 2015) interest for running the cold storage. The Company agreed (September 2015) to lease out the cold storage for a period of 10 years at an annual rent of ₹ 4.00 lakh. No further developments were, however, seen on record for signing an agreement with the party (October 2016). Thus, the asset created by investing ₹ 2.52 crore has remained idle till date and the objective of construction of cold storage for preservation of food items remained unfulfilled.

Audit observed that no feasibility study/survey was conducted to see whether a cold storage was required at the location.

In reply, the Company stated (October 2016) that the response from entrepreneurs was poor and that it is expecting better response from them in the future. The fact, however, remained that the selection of the location by the

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[17] Some minor works, such as the installation of a DG set, Water Treatment Plant, Effluent Treatment Plant *etc*., remained incomplete and hence the project is yet to be officially commissioned.

[18] The balance land of 0.71 lakh sqm was utilised by the Company in construction of cold storage, roads and other facilities.

Company, without proper survey led to the assets remaining unutilised and the desired benefits from the project remaining unachieved.

3.8.6 *Loss of revenue*

The Company allotted (January 2005) an area of 0.43 lakh square feet of land to M/s Dharampal Satyapal (lessee) at IE, Bamunimaidam. The lessee was, however, directed (May 2005) to stop further construction at the allotted land in view of the objections raised by GoA on the eligibility of the allotee. The Inquiry Officer appointed by the GoA, however, did not find (June 2005) any malafide intent in allotment of land on part of the officers of the Company involved in the process. The BoD of the Company also dropped (June 2010) all charges against the officials who allotted the land, and the same was communicated to the GoA. Despite requests[19] by the Company to regularise the allotment of land to M/s Dharampal Satyapal, the GoA neither issued any instruction to regularise the allotment nor advised the Company to lease out the land to any other parties. This indecision on the part of GoA resulted in loss of potential lease rent revenue of ₹ 89.31 lakh for the period from January 2005 to March 2016 to the Company.

In reply, the Company stated (October 2016) that they were waiting for instruction from GoA regarding regularising the allotment to the lessee.

The Company should have taken action to ensure that the land is used to avoid further loss of lease rental income.

3.8.7 *Lack of effective monitoring of the IEs*

The Company had four branch offices[20] for overseeing the operations of 12 Estates[21] and collecting lease rents therein. In respect of another four estates, these functions were performed directly by the Head Office. It was however seen, that the Company had not maintained the basic details of units taken over, updated status of recoveries made from defaulting units concerned after take-overs *etc*. Absence of such vital records had adversely impacted the ability of the Company to effectively control and manage its assets. Thus, due to lack of effective monitoring of the IEs by the Company, cases of encroachment and

[19] November 2011, July 2012, April 2013, March 2016, April 2016

[20] located at Nagaon' Jorhat' Tinsukia and Badarpurghat

[21] Bokakhat' Numaligarh' Sibsagar' Moranhat' Borhapjan' Doomdooma' Hojai' Morigaon' Dhing' Biswanath Chariali' Badarpurghat' Doomdooma

holding of excess land by the lessees were noticed by audit, which are discussed below.

(i) Encroachment in Industrial Estates: In IE, Bamunimaidan, out of the total area of 1.47 lakh sqm of land, a land area of 0.81 lakh sqm (55 *per cent*) was encroached during 1984. Of this, 0.44 lakh sqm (30 *per cent*) was sold to encroachers as per GoA decision (September 1996), while the remaining encroached land of 0.37 lakh sq mtr (25.17 *per cent*) was pending to be regularised by way of its sale to the encroachers. In IE, Bonda, out of 32,120 sqm of project area, a land area of 1,393 sqm (4.33 *per cent*) had been occupied by encroachers.

The issue of hindrances faced in expansion of existing industries due to illegal encroachment of project area was also pointed out (July 2016) by the Entrepreneurs Association of two IEs, *viz.* Bamunimaidan and Bonda. The Company replied (July 2016) to the association that the encroachment of land in the IE, Bamunimaidan had taken place since 1984, after which the GoA had directed the Company to allot the land to the encroachers.

In reply to audit, the Company stated (October 2016) that it was pursuing with the District Administration to remove the encroachment from its estates.

The Company should, however, pursue with the concerned authorities regularly to remove encroachment from the IEs and take necessary measures so as to prevent future encroachments.

(ii) Holding of excess land by lessees: The Company engaged (April 2010) a technical expert for assessment and valuation of shed and land area under unauthorised occupation of allottees. As per the Report of the technical expert, a total of 0.61 lakh sq. ft area of land had been occupied by the industrial units in excess of allotment.

It was, however, observed that out of total area of unauthorised occupation (0.61 lakh sq. ft.) the Company had regularised 0.19 lakh sq. ft. of land occupied by 9 industrial units[22]. The remaining area of 0.42 lakh sq. ft. occupied by 25 units was, however, pending for regularisation by the Company, pending billing to these units for the excess land occupied by them. Further, the Company had started billing the units only from 2014 onwards. Till July 2016, the Company had realised ₹ 11.26 lakh as arrear rent against 9 units. As a result of not regularising and billing the remaining 25 units, the Company was yet to realise an amount of ₹ 89.18 lakh.

[22] 3 units in 2014, 3 units in 2015 and 3 units in 2016.

Further, the members of the Bamunimaidam Entrepreneurs Association informed (July 2016) the Company regarding irregular sub-letting of sheds by the lessees in the IEs. As sub-letting was not permissible as per the lease agreement, the Company was required to take immediate action on the matter. However, on the plea of difficulties in identifying the cases of sub-letting, (*e.g.* due to payment of rents and attending of meetings by the original lessees), the Company did not take any action in the matter.

It was further observed that the Company did not explore the option of physical inspection of the premises of the lessees to identify such instances of sub-letting. As such, the Company was deficient in taking proactive action towards detecting the possible cases of sub-letting, which was indicative of slackness on Company's part in safeguarding its assets.

In reply, the Company stated (October 2016) that it was pursuing the issue with the units occupying excess land and also has taken steps to prevent subletting of its units.

The Company, however, needs to improve its monitoring mechanism so as to detect cases of irregularities on part of the lessees and take action in a timely manner.

Thus, it could be seen from the above cases that there was no laid down policy of the Company for periodic revision of lease rent leading to generation of minimal revenue from IEs, which also hampered the maintenance of IEs due to paucity of funds. Absence of timely legal action against defaulting units also led to accumulation of unrecovered lease rental dues. Further, lack of effective monitoring of the IEs resulted in illegal encroachments, excess holding of land as well as sub-letting of sheds by lessees.

It is recommended that the Company should revise the lease rents periodically and take effective steps for timely realization of lease rents from the defaulting lessees. The Company also needs to put an effective monitoring system in place so that prompt action could be initiated against illegal encroachments and also regularize the excess holding of land by the lessees.

The above matters were reported (August 2016) to the Government; there replies had not been received (November 2016).

Assam Government Marketing Corporation Limited

3.9 Irregular procurement

The Company allotted supply orders based on recommendations of the indenting departments/functionaries of Government of Assam without observing financial propriety.

The Assam Government Marketing Corporation Limited (Company) functions under the administrative control of the Handloom, Textile & Sericulture Department of the Government of Assam (GoA). A compliance audit was conducted on procurement activities undertaken by Company on behalf of the GoA covering the period of three years from 2013-14 to 2015-16. The findings of audit are discussed in the succeeding paragraphs.

3.9.1 *Procurement on behalf of Government departments*

The Company executed 148 supply orders (valuing ₹ 72.99 crore) during the period 2013-16 on behalf of the Government departments against a commission of 2 *per cent.* After obtaining the supply indents, the Company sub-contracted the work by placing corresponding supply orders with the suppliers registered with it.

Analysis of supply orders issued by the Company during 2013-16, against the indents received from the Government departments, revealed that 41 orders, valuing ₹ 43.26 crore (59.27 *per cent),* were allotted to parties, on the strength of their being registered suppliers of the Company. Another 53 orders, valuing ₹ 19.85 crore (27.19 *per cent),* were allotted merely on the basis of the claims made by the suppliers that the indents from the department had been secured for the Company by them. Besides, it was also observed that 54 orders valuing ₹ 9.88 crore (13.54 *per cent),* were allotted based on the recommendations of the functionaries, or the department concerned of GoA, irrespective of the fact whether the suppliers were registered or not.

3.9.2 *Award of work based on recommendation of department/minister*

As per Rules 254 to 258 of the Assam Financial Rules, 1983, "*the State action must not be arbitrary but must be based on relevant and rationale principle, which is non-discriminatory. It must not be guided by extraneous and irrelevant consideration because that would be denial of equality*".

In two instances, however, it was seen that the work were awarded to suppliers merely on the basis of recommendation of the department/minister concerned in contravention of the standard procedure[23] as discussed below.

A. The Directorate of Welfare of Plain Tribes & Backward Classes (DWPTBC) invited (December 2012), quotations for the procurement of cotton yarn and hand spray machines. Two firms *viz.* M/s Duggar and Company and M/s Das Agency & Supplies participated in the tendering process, on behalf of the Company. The purchase committee formed by the DWPTBC approved (January 2012) the price of the hand spray machines at ₹ 1,200 per hand spray machine, and issued (November 2012) the work order to the Company, for supply of 10,400 hand spray machines, to be distributed in the various sub-divisional Welfare Offices, in different districts of the State.

After receiving the indent from the DWPTBC, the Company allotted (December 2012), the work of distributing total 3,200 hand spray machines to M/s Duggar and Company (1,700 machines) and to M/s Das Agency & Supplies (1,500 machines). The supply order for the remaining 7,200 spray machines (69 *per cent*) was issued (December 2012) to 11 parties based on the recommendations of the Minister of DWPTBC.

Out of the 11 firms so recommended, only 4 firms[24] had participated in the original tender process invited by the DWPTBC. Even these 4 firms were initially rejected for not being able to offer the specific brand at that time. The other 7 firms had not participated in the tender process itself.

B. The Company received (August 2013) an indent from the Directorate of Scheduled Castes (DSCW) for supply of 16,995 bundles of cotton yarn for distribution among the beneficiaries at the predetermined rate of ₹ 1,500 per bundle. The Company, instead of inviting its registered suppliers for supply of the required items issued (December 2013) the entire supply order for procurement of 16,995 bundles of cotton yarn to 24 firms, which were recommended by the DSCW. The supply of the entire quantity of 16,995 bundles of cotton yarn valuing ₹ 2.55 crore was completed during March 2014. In this regard, it was seen that, out of the 24 firms recommended by the DSCW, only 8 firms[25] had participated in the tender process of the DSCW. The other 16 firms had not even participated in the tendering process.

[23] The standard procedure relates to calling of indents and issue of work order to the registered suppliers.

[24] Jai Mata Enterprise, Riddhi Shiddhi Enterprise, River Valley Association, Agragami Associates

[25] Orient Enterprise, M.B. Enterprise, MG Associates, Jai Mata Enterprise, BK Enterprise, Das Agency and Suppliers, Shree Vinayak Associates

In the above two cases, the Company had violated norms of transparency and fair practices by issuing work orders to ineligible firms, merely based on the recommendation of the departments concerned.

Thus, it could be seen from the above cases that the Company did not observe propriety in executing the procurement activities as a significant size of procurements were allotted based on recommendations of the functionaries, or the department concerned of GoA, irrespective of whether the suppliers were registered or not.

Hence, the Company needs to adopt a transparent process in selection of suppliers so as to ensure economy in procurement and encourage fair competition for its procurement activities.

The above matters were reported (August 2016) to the Company/Government; there replies had not been received (November 2016).

GUWAHATI	**(ABDUL RAUF)**
THE	**Accountant General (Audit), Assam**

Countersigned

NEW DELHI	**(SHASHI KANT SHARMA)**
THE	**Comptroller and Auditor General of India**

Annexures

Annexure 1

Statement showing the investment made by State Government in SPSUs whose accounts are in arrears as on 30 September 2016

(Referred to in paragraph 1.11)

(Figures in columns 4 & 6 to 8 are ₹in crore)

Sl. No.	Name of Public Sector Undertaking	Year upto which accounts finalised	Paid up capital	Periods of accounts pending finalisation	Investment made by State Governments during the years for which the accounts are in arrears		
					Equity	Loans	Grants
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**
A	**Working Government Companies**						
1.	Assam Seeds Corporation Limited	2013-14	1.46	2	0.00	0.00	0.00
2.	Assam Fisheries Development Corporation Limited	2011-12	0.49	4	0.00	0.00	3.07
3.	Assam Livestock and Poultry Corporation Limited	2014-15	2.19	1	0.00	0.00	0.43
4.	Assam Tea Corporation Limited	2007-08	29.54	8	0.00	124.64	0.00
5.	Assam Plantation Crop Development Corporation Limited	2013-14	5.00	23	0.00	7.65	2.99
6.	Assam Plains Tribes Development Corporation Limited	2013-14	3.39	2	0.10	0.00	51.60
7.	Assam State Development Corporation for Other Backward Classes Limited	2009-10	2.80	6	2.11	2.07	0.00
8.	Assam State Film (Finance & Development) Corporation Limited	2011-12	0.10	4	0.00	0.00	0.08
9.	Assam Hills Small Industries Development Corporation Limited	1992-93	2.00	23	0.00	23.27	1.64
10.	Assam State Fertilizers and Chemicals Limited	2006-07	4.92	9	0.00	0.00	0.06
11.	Assam Electricity Grid Corporation Limited	2014-15	99.93	1	0.00	39.70	5.46
12.	Assam Power Distribution Company Limited	2014-15	162.77	1	0.00	150.40	97.05
13.	Assam Tourism Development Corporation Limited	2014-15	0.39	1	0.00	0.00	23.23
Total A (All Working Government companies)			**314.98**		**2.21**	**347.73**	**185.61**

(Figures in columns 4 & 6 to 8 are ₹ in crore)

Sl. No.	Name of Public Sector Undertaking	Year upto which accounts finalised	Paid up capital	Periods of accounts pending finalisation	Investment made by State Governments during the years for which the accounts are in arrears		
					Equity	Loans	Grants
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**
B	**Working Statutory corporations**						
1.	Assam State Transport Corporation	2014-15	737.72	1	0.00	0.00	27.50
2.	Assam State Warehousing Corporation	2010-11	13.14	5	1.33	0.00	6.86
	Total B (All working Statutory Corporations)		**750.86**		**1.33**	**0.00**	**34.36**
	Total (A+ B)		**1,065.84**		**3.54**	**347.73**	**219.97**
C	**Non - working Government Companies**						
1.	Assam State Minor Irrigation Development Corporation Limited	2011-12	17.35	4	0.00	0.00	0.07
2.	Industrial Papers (Assam) Limited	2000-01	0.40	15	0.00	0.00	7.28
	Total C (All non-working Government Companies)		**17.75**		**0.00**	**0.00**	**7.35**
	Total (A + B + C)		**1,083.59**		**3.54**	**347.73**	**227.32**

Annexure 2

Summarised financial position and working results of Government Companies and Statutory Corporations as per their latest financial statements/accounts as on 30 September 2016

(Referred to in paragraph 1.15)

(Figures in Columns 5 to 12 are ₹in crore)

Sl. No.	Sector/Name of the Company	Period of Accounts	Year in which finalised	Paid up Capital	Loan outstanding at the end of the year	Accumulated Profit (+)/ Loss (-)	Turnover	Net Profit (+) / Loss (-)	Net impact of Audit Comments#	Capital employed@	Return on capital employed$	Percentage of return on capital employed	Man-power
1	2	3	4	5	6	7	8	9	10	11	12	13	14
A. Working Government Companies													
AGRICULTURE & ALLIED													
1.	Assam Seeds Corporation Limited	2013-14	2016-17	1.46	7.19	-13.17	22.00	-3.64	0.00	-4.52	-3.64	-	174
2.	Assam Fisheries Development Corporation Limited	2011-12	2014-15	0.49	0.00	1.20	4.02	1.04	0.00	1.69	1.04	61.54	73
3.	Assam Livestock and Poultry Corporation Limited	2014-15	2016-17	2.19	0.00	-5.95	0.45	-1.47	1.59	-3.46	-1.47	-	25
4.	Assam Tea Corporation Limited	2007-08	2016-17	29.54	120.70	-25.53	24.76	-18.01	-3.03	124.71	-15.49	-	16691
5.	Assam Plantation Crop Development Corporation Limited	2013-14	2016-17	5.00	9.69	-4.20	0.23	-1.23	-0.21	0.98	4.14	422.45	66
	Sector wise total			**38.68**	**137.58**	**-47.65**	**51.46**	**-23.31**	**-1.65**	**119.40**	**-15.42**	**-**	**17029**

Sl. No.	Sector/Name of the Company	Period of Accounts	Year in which finalised	Paid up Capital	Loan outstanding at the end of the year	Accum-ulated Profit (+)/ Loss (-)	Turnover	Net Profit (+) / Loss (-)	Net impact of Audit Comments#	Capital employed@	Return on capital employed$	Percentage of return on capital employed	Man-power
1	2	3	4	5	6	7	8	9	10	11	12	13	14
FINANCE													
6.	Assam Plains Tribes Development Corporation Limited	2013-14	2016-17	3.39	19.94	-30.07	0.01	-0.18	-3.16	-7.18	-0.18	-	156
7.	Assam State Development Corporation for Other Backward Classes Limited	2009-10	2016-17	2.80	3.81	-8.99	0.00	-0.80	0.00	-4.60	-0.99	-	72
8.	Assam Minorities Development Corporation	1997-98	2016-17	2.00	0.00	0.01	0.00	0.01	-0.02	0.01	0.01	100.00	-
9.	Assam State Development Corporation for Scheduled Castes Limited	2009-10	2012-13	9.85	18.66	-23.74	0.00	-1.68	0.00	-2.33	-1.19	-	126
10.	Assam State Film (Finance & Development) Corporation Limited	2011-12	2015-16	0.10	0.04	0.53	0.02	0.17	0.00	0.59	0.17	28.81	13
	Sector wise total			**18.14**	**42.45**	**-62.26**	**0.03**	**-2.48**	**-3.18**	**-13.51**	**-2.18**	**-**	**367**

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Paid up Capital	Loan outstanding at the end of the year	Accumulated Profit (+)/ Loss (-)	Turnover	Net Profit (+) / Loss (-)	Net impact of Audit Comments[#]	Capital employed[@]	Return on capital employed[$]	Percentage return on capital employed	Man-power
1	2	3	4	5	6	7	8	9	10	11	12	13	14
INFRASTRUCTURE													
11.	Assam Hills Small Industries Development Corporation Limited	1992-93	2015-16	2.00	16.49	-4.38	0.31	-0.55	0.00	6.38	-0.55	-	61
12.	Assam Industrial Development Corporation Limited	2015-16	2016-17	122.31	86.35	-31.46	2.17	5.53	-7.01	177.20	5.53	3.12	158
13.	Assam Small Industries Development Corporation Limited	2013-14	2014-15	6.67	5.19	-14.52	90.00	-1.70	0.85	-2.67	-1.68	-	116
14.	Assam Electronics Development Corporation Limited	2012-13	2016-17	9.46	0.00	0.25	0.92	2.26	-8.89	9.71	2.26	23.27	296
15.	Assam Mineral Development Corporation Limited	2014-15	2016-17	4.89	4.72	1.66	47.21	4.14	-1.29	11.27	4.14	36.73	95
16.	Assam Police Housing Corporation Limited	2012-13	2015-16	0.04	0.00	18.78	3.97	2.14	0.00	18.82	2.14	11.37	157
17.	Assam Trade Promotion Organisation	2014-15	2016-17	10.00	0.00	0.67	0.39	0.18	0.00	10.67	0.18	1.69	-
Sector wise total				**155.37**	**112.75**	**-29.00**	**144.97**	**12.00**	**-16.34**	**231.38**	**12.02**	**-**	**883**

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Paid up Capital	Loan outstanding at the end of the year	Accumulated Profit (+)/ Loss (-)	Turnover	Net Profit (+) / Loss (-)	Net impact of Audit Comments#	Capital employed@	Return on capital employed$	Percentage return on capital employed	Man-power
1	2	3	4	5	6	7	8	9	10	11	12	13	14
MANUFACTURING													
18.	Assam Petrochemicals Limited	2015-16	2016-17	9.13	0.00	-29.27	72.31	-22.19	-6.97	55.08	-22.19	-	394
19.	Ashok Paper Mill (Assam) Limited	2014-15	2016-17	0.01	13.32	-80.37	0.00	-3.70	0.00	-67.04	-1.98	-	119
20.	Assam Hydro-Carbon and Energy Company Limited	2015-16	2016-17	21.00	0.00	9.90	1.02	1.60	0.00	30.90	1.60	5.18	4
21.	Amtron Informatics (India) Limited	2011-12	2016-17	0.01	0.00	-3.64	0.00	-0.22	0.00	-3.63	-0.22	-	16
22.	Assam State Fertilizers and Chemicals Limited	2006-07	2015-16	4.92	8.84	-9.58	1.94	0.50	0.00	2.62	0.50	19.08	41
Sector wise total				**35.07**	**22.16**	**-112.96**	**75.27**	**-24.01**	**-6.97**	**17.93**	**-22.29**	**-**	**574**
POWER													
23.	Assam Power Generation Corporation Limited	2015-16	2016-17	455.86	630.74	-173.27	679.72	0.93	5.33	913.33	51.28	5.61	1,303
24.	Assam Electricity Grid Corporation Limited	2014-15	2015-16	99.93	392.18	-242.46	462.52	-80.55	0.00	371.62	-49.78	-	2,482
25.	Assam Power Distribution Company Limited	2014-15	2015-16	162.77	1055.59	-2985.03	3190.18	-577.50	-29.77	-2053.65	-370.77	-	12,640
Sector wise total				**718.56**	**2078.51**	**-3400.76**	**4332.42**	**-657.12**	**-24.44**	**-768.70**	**-369.27**	**-**	**16,425**

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Paid up Capital	Loan outstanding at the end of the year	Accumulated Profit (+)/ Loss (-)	Turnover	Net Profit (+) / Loss (-)	Net impact of Audit Comments#	Capital employed@	Return on capital employed$	Percentage return on capital employed	Man-power
1	2	3	4	5	6	7	8	9	10	11	12	13	14
SERVICES													
26.	Assam Tourism Development Corporation Limited	2014-15	2016-17	0.39	0.00	11.72	4.23	1.58	-0.03	12.11	1.58	13.05	132
Sector wise total				**0.39**	**0.00**	**11.72**	**4.23**	**1.58**	**-0.03**	**12.11**	**1.58**	**13.05**	**132**
MISCELLANEOUS													
27.	Assam Government Marketing Corporation Limited	1999-00	2016-17	4.05	1.49	-5.53	2.98	-0.78	-0.19	0.41	-0.78	-	72
28.	Assam State Text Book Production and Publication Corporation Limited	1990-91	2005-06	1.00	0.00	2.12	7.61	0.91	0.00	5.88	1.30	22.11	80
29.	Assam Gas Company Limited	2015-16	2016-17	16.91	0.00	591.43	279.36	67.32	-21.76	608.34	67.32	11.07	433
30.	DNP Limited	2015-16	2016-17	167.25	37.80	15.52	62.62	9.58	6.19	182.77	9.58	5.24	123
Sector wise total				**189.21**	**39.29**	**603.54**	**352.57**	**77.03**	**-15.76**	**797.40**	**77.42**	**9.71**	**708**
Total A (All sector wise)				**1155.42**	**2432.74**	**-3037.37**	**4960.95**	**-616.31**	**-68.37**	**396.01**	**-318.14**	**-**	**36,118**

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Paid up Capital	Loan outstanding at the end of the year	Accumulated Profit (+)/ Loss (-)	Turnover	Net Profit (+) / Loss (-)	Net impact of Audit Comments#	Capital employed@	Return on capital employed$	Percentage return on capital employed	Man-power
1	2	3	4	5	6	7	8	9	10	11	12	13	14
B. Working Statutory Corporations													
FINANCE													
1.	Assam Financial Corporation	2015-16	2016-17	32.35	42.80	-4.03	7.06	0.09	-0.65	71.12	2.22	3.12	144
Sector wise total				**32.35**	**42.80**	**-4.03**	**7.06**	**0.09**	**-0.65**	**71.12**	**2.22**	**3.12**	**144**
SERVICE													
2.	Assam State Transport Corporation	2014-15	2015-16	737.72	0.00	-779.90	85.12	-46.78	0.00	-42.18	-36.19	-	3,975
3.	Assam State Warehousing Corporation	2010-11	2016-17	13.14	4.25	-12.54	8.23	-0.12	-4.00	4.85	0.48	9.90	398
Sector wise total				**750.86**	**4.25**	**-792.44**	**93.35**	**-46.90**	**-4.00**	**-37.33**	**-35.71**	**-**	**4,373**
Total B (All sector wise working Statutory corporations)				**783.21**	**47.05**	**-796.47**	**100.41**	**-46.81**	**-4.65**	**33.79**	**-33.49**	**-**	**4,517**
Grand Total (A + B)				**1938.63**	**2479.79**	**-3833.84**	**5061.36**	**-663.12**	**-73.02**	**429.80**	**-351.63**	**-**	**40,635**
C. Non-working Government Companies													
AGRICULTURE & ALLIED													
1.	Assam Agro-Industries Development Corporation Limited	2006-07	2012-13	2.20	7.26	-20.58	3.43	-1.51	0.00	-18.18	-1.13	-	3
2.	Assam State Minor Irrigation Development Corporation Limited	2011-12	2013-14	17.35	45.65	-63.76	0.00	-0.02	0.00	-46.42	-0.02	-	-
Sector wise total				**19.55**	**52.91**	**-84.34**	**3.43**	**-1.53**	**0.00**	**-64.60**	**-1.15**	**-**	**3**

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Paid up Capital	Loan outstanding at the end of the year	Accumulated Profit (+)/ Loss (-)	Turnover	Net Profit (+) / Loss (-)	Net impact of Audit Comments#	Capital employed@	Return on capital employed$	Percentage return on capital employed	Man-power
1	2	3	4	5	6	7	8	9	10	11	12	13	14
INFRASTRUCTURE													
3.	Assam Power Loom Development Corporation Limited	1993-94	2001-02	1.47	0.00	0.00	0.00	0.00	0.00	1.23	0.00	-	11
4.	Assam Government Construction Corporation Limited	2015-16	2016-17	2.00	0.00	0.00	0.00	0.00	0.00	2.00	0.00	-	-
	Sector wise total			**3.47**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**3.23**	**0.00**	**-**	**11**
MANUFACTURING													
5.	Assam Conductors and Tubes Limited	2011-12	2015-16	1.54	11.19	-5.60	0.00	-0.04	0.00	0.62	-0.04	-	3
6.	Assam State Textiles Corporation Limited	2015-16	2016-17	15.78	6.07	-22.94	0.00	0.03	0.00	-7.16	0.03	-	6
7.	Pragjyotish Fertilizers and Chemicals Limited	2009-10	2015-16	2.33	0.00	0.00	0.00	0.00	0.00	1.55	0.00	-	1
8.	Assam Tanneries Limited	1982-83	1983-84	0.02	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-	0
9.	Industrial Papers (Assam) Limited	2000-01	2012-13	0.40	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-	2
10.	Assam Spun Silk Mills Limited	2013-14	2015-16	1.70	3.99	0.00	0.00	0.00	0.00	0.00	0.00	-	0
11.	Assam Polytex Limited	1987-88	1993-94	5.26	6.30	0.00	0.00	0.00	0.00	0.00	0.00	-	0
12.	Assam Syntex Limited	2014-15	2015-16	5.12	0.00	-59.20	0.00	0.14	0.00	-54.08	0.14	-	4
13.	Assam State Weaving and Manufacturing Company Limited	2014-15	2015-16	8.20	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-	3

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Paid up Capital	Loan outstanding at the end of the year	Accumulated Profit (+)/ Loss (-)	Turnover	Net Profit (+) / Loss (-)	Net impact of Audit Comments#	Capital employed@	Return on capital employed$	Percentage return on capital employed	Man-power
1	2	3	4	5	6	7	8	9	10	11	12	13	14
14.	Assam and Meghalaya Mineral Development Corporation Limited	1983-84	1984-85	0.23	0.00	-0.09	0.00	-0.01	0.00	0.05	-0.01	-	0
15.	Cachar Sugar Mills Limited	2008-09	2015-16	3.38	0.42	-7.28	0.00	-0.09	0.00	-19.99	-0.19	-	5
16.	Fertichem Limited	2014-15	2015-16	2.00	0.00	-22.07	0.00	-0.08	0.00	-20.07	-0.08	-	2
Sector wise total				**45.96**	**27.97**	**-117.18**	**0.00**	**-0.05**	**0.00**	**-99.08**	**-0.15**	**-**	**26**
Total C (All sector wise non working Government Companies)				**68.98**	**80.88**	**-201.52**	**3.43**	**-1.58**	**0.00**	**-160.45**	**-1.30**	**-**	**40**
Grand Total (A+B+C)				**2007.61**	**2560.67**	**-4035.36**	**5064.79**	**-664.70**	**-73.02**	**269.35**	**-352.93**	**-**	**40,675**

Impact of accounts comments include the net impact of comments of Statutory Auditors and CAG and is denoted by (+) increase in profit/ decrease in losses (-) decrease in profit/ increase in losses.

@ Capital employed represents Shareholders Funds *plus* Long Term Borrowings

$ Return on capital employed has been worked out by adding interest charged to P/L account to the profit/loss for the year.

Annexure 3

Financial Position of Assam Petro-Chemicals Limited for the period from 2011-12 to 2015-16 ***(referred to in paragraph 2.7)***					
Particulars	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**2015-16**
LIABILITIES					
Share capital	9.13	9.13	9.13	9.13	9.13
Reserve and Surplus	63.73	66.69	74.74	68.15	45.96
Share Application	0.00	17.02	17.02	0.00	0.00
Non-Current Liabilities	1.49	1.77	0.74	17.84	39.69
Current liabilities	20.19	23.58	20.69	14.31	9.19
TOTAL	**94.54**	**118.19**	**122.32**	**109.43**	**103.97**
ASSETS					
Fixed Assets	15.02	16.71	15.20	14.02	13.97
Capital works in Progress	3.24	0.92	3.55	5.64	16.62
Intangible Assets	0.05	0.04	0.02	0.02	0.03
Non-current Assets (L&A)	12.4	10.48	10.4	10.47	7.37
Current Assets and Advances	63.83	90.04	93.15	79.28	65.98
TOTAL	**94.54**	**118.19**	**122.32**	**109.43**	**103.97**

Annexure 4

Working results of Assam Petro-Chemicals Limited for the period from 2011-12 to 2015-16
(referred to in paragraph 2.7)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
INCOME					
Revenue from operations	60.47	80.85	96.47	83.22	72.31
Interest income	3.58	5.28	6.13	6.32	4.07
Other Income	0.14	0.92	0.24	1.08	0.38
TOTAL INCOME	**64.19**	**87.05**	**102.84**	**90.62**	**76.76**
EXPENDITURE					
Cost of materials consumed	25.85	31.74	32.63	44.17	43.42
Changes in inventories of finished goods, WIP and stock-in-trade	-0.44	0.51	-0.39	-0.64	0.55
Manufacturing and ODE	0.00	0.00	0.00	0.00	0.00
Employee benefit expense	21.08	24.62	37.01	31.79	33.22
Finance cost	0.02	0.00	0.21	0.00	0.02
Depreciation and amortisation expense	1.75	2.32	2.40	1.50	1.29
Other Expenses	12.52	15.27	19.86	19.47	19.75
TOTAL EXPENSES	**60.78**	**74.46**	**91.72**	**96.29**	**98.25**
Profit/Loss before prior period item, exceptional and extraordinary items and tax	**3.41**	**12.59**	**11.12**	**-5.67**	**-21.49**
Prior Period items Income (+) / Expense (-)	**4.52**	**-0.09**	**-0.38**	**0.25**	**0.09**
Profit/Loss before exceptional and extraordinary items and tax	**-1.11**	**12.68**	**11.50**	**-5.92**	**-21.58**
Exceptional and Extraordinary items	**-0.01**	**7.63**	**-0.01**	**-0.01**	**0.00**
Net Profit Before Tax	**-1.10**	**5.05**	**11.51**	**-5.91**	**-21.58**
Taxes	**-0.04**	**1.01**	**2.13**	**0.56**	**0.62**
Net Profit After Tax	**-1.06**	**4.04**	**9.38**	**-6.47**	**-22.20**

Annexure 5

Statement of Transformation loss not recovered by Assam Power Distribution Company Limited *(referred to in paragraph 3.2)*					
Name of the Consumer	**Period of billing**	**Units Billed**[1]	**Transformation & Line Loss**[2]	**Line loss recovered**[3]	**Transformation Loss not recovered**
		Kilowatt Hour (kWh)			
Brahmaputra TMT Bars	April 2011 to July 2013	8,72,33,840	26,17,015	5,63,780	20,53,235
Shree Shiv Sai Steel Industries	April 2011 to January 2014	5,37,07,560	16,11,227	11,20,564	4,90,663
	Total	**14,09,41,400**	**42,28,242**	**16,84,344**	**25,43,898**

[1] This is the actual units consumed and billed as per meters at the consumer end.

[2] AERC regulation does not specify transformation and line loss for supply at lower voltage than specified. Hence, 3 *per cent* which has been specified for supply at higher voltage than specified has been considered as transformation and line loss

[3] As the supply was made at lower voltage, the Company to minimise the loss, recovered the line loss (*viz*. difference in consumption of check meter at sub-station and consumption as per consumer meters).