Report of the
Comptroller and Auditor General of India
on
Public Sector Undertakings

The Report has been laid on the table of the State Legislature Assembly on 22-07-2014

for the year ended 31 March 2013

Government of Madhya Pradesh
Report No.2 of the year 2014

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Preface

1. This Report deals with the results of audit of Government companies and Statutory corporations which has been conducted under Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, as amended from time to time. The results of audit relating to departmentally managed commercial undertakings are presented separately.

2. Audit of the accounts of Government companies is conducted by CAG under the provisions of Section 619 of the Companies Act, 1956. Audit of Statutory Corporations of the State is governed by respective legislation.

3. The cases mentioned in this Report are those which came to notice in the course of audit during the year 2012-2013 as well as those which came to notice in earlier years, but were not included in the previous Reports. Matters relating to the period subsequent to 2012-2013 have also been included, wherever necessary.

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

Overview

1. Overview of Government Companies and Statutory Corporations

Audit of Government Companies is governed by Section 619 of the Companies Act 1956. The accounts of Government Companies are audited by Statutory Auditors appointed by CAG. These accounts are also subject to supplementary audit conducted by CAG. Audit of Statutory corporation is governed by their respective legislations. As on 31 March 2013, the State of Madhya Pradesh had 55 working PSUs (52 Companies and 3 Statutory corporations) and 9 non-working PSUs (all Companies), which has employed 58459 employees.

Investments in PSUs

As on 31 March 2013, the investment (Capital and Long Term Loans) in 65 PSUs was ₹ 46365.94 crore. It grew by 181.47 per cent from ₹ 16472.66 crore in 2007-08. Power Sector accounted for 93.30 per cent of total investment in 2012-13. The State Government contributed ₹ 12156.08 crore towards Equity, Loans and Grants/Subsidies to State PSUs during 2012-13.

Performance of PSUs

During the year 2012-13, out of 55 working PSUs, 26 PSUs earned profit of ₹275.94 crore Seven PSUs neither earned profit nor incurred losses and 18 PSUs incurred loss of ₹4307.57 crore as per their latest financial accounts as on 30 September 2013. Four PSUs did not submit their first accounts. The losses are attributable to various deficiencies in the functioning of PSUs. A review of three years' Audit Reports of CAG shows that the State PSUs' losses of ₹458.22 crore and in fructuous investments of ₹62.97 crore which could have been controlled with better management.

Comments on accounts

The quality of accounts of PSUs needs improvement. All 49 accounts of working PSUs finalised during October 2012 to September 2013 received qualified certificates from Statutory Auditors. There were 95 instances of non-compliances of Accounting Standards. Reports of Statutory Auditors on internal control of the companies indicated several weak areas.

Arrears in accounts and winding up

Twenty five working PSUs had arrears of 64 accounts ranged from one to nine years as of September 2013. The arrears need to be cleared in compliance with the provision of the Companies Act, 1956. Out of the nine non-working PSUs, seven had gone into liquidation. Arrears in respect of the remaining two non working PSUs ranged from three to five years.

(Chapter-I)

2. Review relating to Government Companies

2.1 Review on "Power Purchase Agreements entered into by MP Power Management Company Limited/ Board/ Government of MP with Private Power Producers for purchase of power and its operationalisation" during the period from 2008-09 to 2012-13

A Review relating to Power Purchase Agreements entered into by MP Power Management Company Limited/ Board/ Government of MP with Private Power Producers for purchase of power and its operationalisation was conducted. Executive summary of our audit findings is given below

Introduction

MP Power Management Company Limited (Company) under the administrative control of Department of Energy, Government of Madhya Pradesh (GoMP) is entrusted with the responsibility of assessing the demand of power in the State and make arrangements for meeting the demand by pooling all power purchases from different sources.

The Review conducted during May 2013 to July 2013 covers Power Purchase Agreements (PPAs) entered into by GoMP Company with Independent Power Producers and operationalisation of PPAs during the period from 2008-09 to 2012-13 including planning and procurement of power.

Against the planned procurement of 1009 MW capacity of power through IPPs on long term basis, the Company could procure only 207 MW during the period of review

The Company paid idle capacity charges to the extent of ₹66.77 crore during the period from November 2011 to March 2013 for scheduling lower capacity from a gas based Power Project.

Deviation from terms and conditions of Memorandum of Understanding and Implementation Agreement in respect of PPA with BLA Power Private Limited resulted in additional expenditure of ₹1.53 crore due to purchase of two and half per cent of power at regulated tariff rate instead of concessional tariff rate and committed additional cost of ₹73.83 crore.

The Company was deprived of availing cheap power from Sasan Power Ltd., for a period of 15 months due to postponement of commissioning date (COD) in all the six units of a power project resulting in potential loss of ₹ 1252.46 crore on account of purchase of power from other sources.

The Company did not impose liquidated damages of ₹10.89 crore as per PPA for tariff based power for the delay in commissioning of the Bina Thermal Power Project beyond the extension granted.

Due to removal of capping of fixed charge rate, the Company had to incur an additional expenditure of ₹ 24.51 crore and committed to incur an additional cost of ₹ 145.96 crore towards fixed charges on procurement of power from Torrent.

There is no mechanism to verify landed cost of coal and its gross calorific value.

Due to deficiencies in the billing, payment procedure and deviation from norms, the Company could not avail Rebate amounting to ₹ 53.02 lakh from developers and also incurred avoidable LPS of ₹ 6.97 crore.

(Chapter II)

2.2 Review on the working of Madhya Pradesh Laghu Udyog Nigam Limited, Bhopal

A Review relating to Madhya Pradesh Laghu Udyog Nigam Limited was conducted. Executive summary of our audit findings is given below

Introduction

Madhya Pradesh State Laghu Udyog Nigam Limited (Company) was incorporated in December 1961 as a wholly owned Government Company to promote Small Scale Industries (SSIs) by providing marketing, financial, technical and managerial assistance. The Government of Madhya Pradesh has reserved 149 items, for preferential purchase from SSI sector of the State, through the Company only, under its Store Purchase Rules (SPR). The Company collects Service Charges/Commission from Suppliers on supplies made by the suppliers to the Government Departments, which is a prime source of its income.

Planning

Company had not prepared any promotional plan including financial plan for the development of SSI units in the State. The Company did not assess the impact of the fairs and Reverse Buyer Seller Meets. The actual achievement of business targets ranged between 80.50 and 120.51 per cent during the period 2008-09 to 2012-13. The Company could not achieve the targets fixed in MoU during the years 2009-10, 2011-12 and 2012-13. The percentage of SSIs availing the marketing assistance ranged between 0.28 and 0.49 per cent of total SSI registered with Department of Industries, GoMP.

Marketing Activity

The business of Marketing department decreased from ₹ 667.15 crore in 2008-09 to ₹ 529.60 crore in 2012-13 due to decrease in business of reserved items. The penalty deducted for delay in Government supplies amounting to ₹ 1.68 crore, till March 2012 has not been paid to Government departments. The Company did not evolve a system to verify the eligibility of SSI units with reference to Industrial Development Act for allowing proper price preference of 10 per cent to state based units over all India tender.

The Performance of other departments of the Company

The divisions of Estate and Construction Department (E&C) split up the deposit works in parts and kept the Probable Amount of Contract very proximate to ₹five lakh and avoided publishing in news papers. The E&C Department adopted differential practice for deduction and remittance of royalty to the government exchequer. The Company failed to include an interest clause for delayed payments of bills in respect of construction of Navodaya Vidyalaya buildings

The profitability of the emporia was mainly due to inclusion of commission earned on sales of marketing items to Government Departments, agencies, bodies etc. for which marketing wing of the Company was established. In Delhi and Rewa emporia, the stock holding was more than their turnover. The Company has not framed any policy for disposal of non-moving stock. The agreements entered into for renovation of five of its emporia did not provide for levy of penalty in case of delay in completion.

The Raw Material Depot, Bhopal earned profit and Indore, Jabalpur and Gwalior Depot earned profits due to inclusion of commission from marketing of products manufactured by SSIs. There was shortfall in lifting of iron and steel items against the quantities to be supplied by steel manufacturers, as the number of SSI units procuring iron and steel items reduced from 146 in 2008-09 to 102 in 2012-13. The procurement of coal ranged from 72.45 to 86.26 per cent against the allotment and the Company could assist only 455 coal consuming units as against total 19471 units in the State.

The turnover of the Company increased from ₹ 151.92 crore in 2008-09 to ₹223.05 crore in 2011-12 (46.82 per cent), while the net profit of the Company increased only from ₹13.18 crore in 2008-09 to ₹13.76 crore in 2011-12 (4.40 per cent). The profit is mainly due to income earned through interest on Fixed Deposit Receipts, while its operational activity was decreasing. The Receivables of the Company as at the end of March 2008 was ₹ 5.72 crore, which increased to ₹ 9.44 crore as on March 2012. The Company did not frame any long term investment policy to invest its surplus fund.

Manpower Management

The Company had not done reassessment of its manpower requirement.

Monitoring and Internal Control

There was no mechanism to ensure procurement of reserved items directly by the government departments which were reserved for procurement through the Company. The Company also does not have a system of verifying whether the beneficiary units were SSIs in terms of Micro Small and Medium Enterprises Development Act, 2006. The Company does not have an independent IT Cell/Wing to implement the information technology system. The Company did not have a separate internal audit wing and the internal audit work was assigned to the CA firms. The scope of internal audit is limited to physical verification of stock and preliminary checking of accounts, leaving core area of activities unaudited.

(Chapter II)

2.3 Review on Materials Management of Madhya Pradesh Power Generating Company Limited.

A Review relating to Materials Management of Madhya Pradesh Power Generating Company Limited was conducted. Executive summary of our audit findings is given below

Introduction

The Madhya Pradesh Power Generating Company Limited, in order to operate and maintain its three thermal plants (total capacity of 3687 MW) and seven hydel plants located in the State, through its 21 stores is providing raw materials/inputs such as coal, oil and critical inventory/spares. Hence, effective management of inventory ensures timely availability of essential items for efficient operations with minimum blocking up of capital by ascertaining needs of stores on time and arranging such materials in the most efficient, economical and expeditious manner.

In order to review status of materials management in the Company a review on this subject, covering transactions from 2010-11 to 2012-13 in respect of all stores attached to three thermal plants was conducted in April to July 2013. The main findings, conclusions and recommendations arising out of the review are summarised below.

Planning and scheduling for Procurement of material

In the absence of any norms fixed in terms of days for publication and awarding of tenders from the date of receipt of indent from user department, the Company had taken time ranging from 38 days to 246 days in publishing Notice Inviting Tender (NITs) and a total of 238 days to 510 days for placing purchase orders, thus affecting its annual planned requirement.

Procurement of materials

In 43 cases where the value of Purchase Order (PO) exceeded ₹ five lakh, the requirement was not published in newspapers as required under its established procedures. Further, the Company had not only foregone an opportunity to obtain competitive rates, but also failed to develop a secondary source of supply to overcome possible contingencies due to placement of 66 POs on single tender basis.

Materials/spares valued ₹ 9.75 crore, was procured without assessing the actual requirement and were found to be lying in excess and inactive at various stores, resulting in blocking up of Company's funds.

Coal losses written off in excess of limits permitted by Madhya Pradesh Electricity Regulatory Commission (MPERC) amounted to ₹ 50.14 crore (2010-11), ₹ 35.19 crore (2011-12) and ₹ 40.50 crore (2012-13) respectively.

Due to excess holding of secondary oil beyond 60 days, the additional carring cost amounted to ₹ 1.40 crore to ₹ 2.76 crore during 2010-13.

In 164 purchase orders valued ₹ 102.84 crore, the Company waived the tender condition for collecting10 per cent security deposit of ₹ 6.64 crore from the suppliers. In respect of 52 purchase orders, material was not supplied even after lapse of two to three years.

Irregularities in inspection, receipt and issue of materials

As against Company's clear instructions to issue Material Receipt Certificate (MRCs) within seven days from the date of receipt of material at stores for processing payments to suppliers, in respect of 325 supplies against POs, the management delayed issue of MRCs for periods up to 209 days (Sarni), 918 days (Birsingpur) and 101 days (Chachai) respectively.

(Chapter II)

2.4 Review on Evaluation and Management of Build, Operate and Transfer scheme of Madhya Pradesh Road Development Corporation Limited

A Review relating to Evaluation and Management of Build, Operate and Transfer scheme of Madhya Pradesh Road Development Corporation Limited was conducted. Executive summary of our audit findings is given below

Introduction

Madhya Pradesh Road Development Corporation Limited, incorporated in July 2004 under the Companies Act, 1956, is engaged in strengthening, upgradation and development of the state highways and major district roads (MDR) in the State of Madhya Pradesh. The Company is mandated to provide an efficient, adequate and proper road infrastructure in the state.

During 2009-10 to 2012-13, the Company completed 16 project highways under different models of Build Operate and Transfer (BOT) Scheme under Public Private Partnership (PPP).

Overview of executed road projects

Out of the 16 completed projects, the Company completed 11 projects within the scheduled period of completion. There were delays of 67 days to 564 days in achieving Commercial Date of Operation in remaining five projects. The major reasons for delays were delay in financial closure, delay in handing over of site and problems associated with Right Of Way

Erroneous Treatment of Environmental Mitigation cost

The Company allowed 25 per cent escalation on the environment mitigation cost also treating it as construction cost. This resulted in higher payment to concessionaries amounting to ₹62.71 lakh towards Viability Gap Funding.

Increase in project cost due to adoption of higher specification

Considering the present and projected traffic on the road, two lane standard on the Khimlasa-Malthon section of the Bina–Khimlasa–Malthon project highway was not warranted. Developing this section on two lane standard thus resulted in unwarranted and avoidable expenditure of ₹14.37 crore towards proportionate VGF

Payment of bonus and annuity under BOT (Toll plus Annuity) model

For the development of three project highways the Company formulated a new model of PPP viz. BOT (Toll plus Annuity). Due to not reducing the construction period as recommended by the Consultants payment of bonus for early completion resulted in unintended benefit of ₹16.82 crore to the Concessionaires.

Selection of Public Sector undertaking as partner under PPP

Contrary to the principles of PPP the Company selected a public sector entity for the development of the Bina–Kurwai–Sironj Project highway.

Incorrect fixation of toll

The Company did not formulate and document standard procedure for fixation of toll rates. This resulted in unintended benefit to concessionaire to the tune of ₹37.43 lakh towards higher toll rates.

Delayed remittance of premium by the concessionaire

The concessionaire of the Indore-Ujjain project highway did not remit to the Company the premium amounting to ₹7.69 crore as on 30 September 2013.

(Chapter II)

3. Review relating to Statutory Corporation

3. Review on the Working of Madhya Pradesh Warehousing & Logistics Corporation

A Review relating to working of Madhya Pradesh Warehousing & Logistics Corporation was conducted. Executive summary of our audit findings is given below

Introduction

The Madhya Pradesh Warehousing and Logistics Corporation (Corporation) was formed on 31 March 2003. The main functions of Corporation included creation of infrastructure for storage of agricultural products, fertilizers, salt, gunny bales etc., undertaking clearance of goods from the godowns and provide disinfestations services to farmers, private parties etc. The Corporation is the nodal agency to provide warehousing facility to the Madhya Pradesh State Civil Supplies Corporation Limited for storage of food grains procured under Decentralised Procurement (DCP) scheme.

As on 31 March 2013, the Corporation has 2,887 godowns having total storage capacity of 54.73 lakh MT at 275 centres spread all over the State against the total storage capacity of 97.50 lakh MT available in the State. The review of the working of the Corporation revealed following shortcomings

Planning

Memorandum of understandings (MoU) with the Government of Madhya Pradesh (GoMP) for the years 2008-09 to 2012-13, intended to plan well in advance the activities to be carried out in the forthcoming years, were signed at the end of the relevant financial years, as such, the purpose of entering into MoUs was not achieved.

The requirement of land was not included in MoUs with GoMP sufficiently in advance. As a result, the Corporation could not construct godowns at Chhindwada, Khandwa, and Sehore due to non-availability of land.

The Corporation has not prepared any long term plan to increase its share in storage capacity. The Corporation increased its storage capacity from 11.41 lakh MT in 2008-09 to 14.81 lakh MT in 2012-13 but its share in total storage capacity of the State had marginally decreased from 15.83 per cent in 2008-09 to 15.18 per cent in 2012-13.

Construction of godowns

Against the target of storage capacity of 31,70,790 MT during the period 2008-09 to 2012-13, the Corporation despite availability of funds, could construct total storage capacity of 6,53,350 MT.

Failure of the Corporation to execute agreements within the validity period of tenders resulted in award of works in subsequent tenders at the higher cost by ₹1.28 crore.

Due to delay in completion of works of convertible CAPs and pre- engineering godowns, the Corporation could claim storage charges at the rate of ₹24 only applicable for CAP instead of ₹49 applicable for godown which resulted in loss of potential revenue of ₹8.86 crore.

Utilisation of godowns

In respect of own godowns and joint venture godowns its utilisation during 2008-09 to 2012-13 was less than the overall targets of utilisation. The Corporation stored foodgrain in JV godowns under four branches despite availability of surplus storage capacity in own/ hired godowns, thereby incurred loss of revenue of ₹25.69 lakh.

Storage of foodgrain

Loss on account of non-achievement of specified storage gain and damaged stock was worked out to ₹ 91.50 crore as on 31 March 2013 but the Corporation did not analyse reasons thereof and take remedial action for that.
The Corporation decided to use new kind of multi layered cross laminated film Covered At Plinth (CAP) covers at large scale without any field trial. The Corporation incurred extra expenditure of ₹2.72 crore due to purchase of the new kind of CAP covers at higher cost The Corporation incurred avoidable expenditure of ₹44 lakh due to purchase of heavier polythene covers for CAP compared to the standards set by Food Corporation of India.

Financial/budgetary management

Actual executed quantities in respect of 11 works exceeded the estimated quantities and payment for such excess quantities valued at ₹4.57 crore were made to contractor without approval of competent authority. In respect of 10 works, extra items of works values at ₹3.79 crore were executed without approval of the competent authority.

Human Resource Management

There was shortage of staff in all the groups in the Corporation against sanctioned strength.

Monitoring and Internal Control Mechanism

Meetings of Executive Committee to review the functions of the Corporation, were not held as per the prescribed frequency. Computer systems valued at ₹ 5.34 crore could not be utilised by the Corporation since its installation in March 2008 up to September 2013 due to not getting resolved the problems in software. No monitoring system was developed by the Corporation to ensure timely renewal of lease deed for land.

(Chapter III)

4. Transaction Audit Observations

Transaction audit observations included in the Report highlight deficiencies in the management of Public Sector Undertakings involving serious financial implications. The irregularities pointed out are broadly of the following nature:

Loss of ₹ 33.44 crore in four cases due to non compliance with rules and procedure.

(Paragraphs 4.2, 4.6, 4.7 and 4.9)

Loss of ₹ 1.55 crore was incurred in two cases due to deficient planning.

(Paragraphs 4.1 and 4.3)

Loss of ₹ 7.18 crore in four cases due to non-safeguarding the financial interests of organization.

(Paragraphs 4.4, 4.5, 4.8 and 4.10)

Loss of ₹ 168.12 crore was incurred in one case due to inadequate and deficient monitoring.

(Paragraph 4.11)

Some important observations are given below:

The Special Economic Zone (SEZ) Limited (Indore) did not avail Income Tax exemption which resulted in avoidable payment of Income Tax and interest of ₹ 13.25 crore.

(Paragraph 4.2)

Madhya Pradesh Madhya Kshetra Vidyut Vitran Company Limited suffered a loss of revenue of ₹ 84.84 lakh due to delay in issue of Supply availability notice and billing for the enhanced demand

(Paragraph 4.6)

Madhya Pradesh Madhya Kshetra Vidyut Vitran Company Limited suffered a loss of revenue of ₹ 3.89 crore due to giving undue benefits to the consumer on account of extending additional load before non fulfilment of sanctioned letter conditions as per Electricity Supply code, 2004 and non levy of additional charges on the excess load as per the MPERC Tariff

(Paragraph 4.7)

Madhya Pradesh Power Transmission Company Limited foregone revenue of ₹ 23.13 crore through tariff and consequential interest loss of ₹ 1.27 crore

(Paragraph 4.8)

Madhya Pradesh State Mining Corporation Limited failed to enforce the terms and conditions of agreement for production of A grade rock phosphate resulting in loss of revenue of ₹ 14.71 crore and failed to levy penalty of ₹ 73.55 lakh for unexecuted quantity and the Company also extended undue benefit to the contractor in awarding of contract for mining of Rock Phosphate resulted in avoidable extra expenditure of ₹ 4.82 crore

(Paragraphs 4.9 and 4.10)

The Madhya Pradesh State Mining Corporation Limited incurred a loss of ₹ 153.29 crore due to non levy of liquidated damages and it Joint Venture incurred a loss of ₹ 14.83 crore due to delay in purchasing geological report, payment of penal interest and towards penalty.

(Paragraph 4.11)

(Chapter IV)

CHAPTER - I

1. Overview of State Public Sector Undertakings

Introduction

1.1 The State Public Sector Undertakings (PSUs) consist of State Government companies and Statutory corporations. The State PSUs are established to carry out activities of a commercial nature while keeping in view the public welfare. The State working PSUs registered a turnover of ₹ 58237.27 crore as per their latest audited accounts as of September 2013. The major activities of Madhya Pradesh PSUs are concentrated in the power sector. The working PSUs of the State incurred an overall loss of ₹ 4031.63 crore in the aggregate as per their latest audited accounts as of September 2013. They had employed 58459[1] employees as of 31 March 2013.

1.2 As on 31 March 2013, there were 64 PSUs (55 working and nine non working) as per the details given in table no. 1.1. None of the companies was listed in any of the stock exchanges.

Table No. 1.1

Type of PSUs	Working PSUs	Non-working PSUs[2]	Total
Government companies [3]	52	9	61
Statutory corporations	3	Nil	3
Total	**55**	**9**	**64**

1.3 During the year 2012-13, one PSU[4] was established and one PSU[5] was closed down.

Audit Mandate

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

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[1] As per the details provided by 42 working PSUs. The remaining 13 working PSUs did not furnish the details.
[2] Non- working PSUs are those which have ceased to carry on their operations.
[3] Includes 619-B Companies.
[4] MP Audyogik Kendra Vikas Nigam(Sagar) Limited.
[5] Madhya Pradesh State Electricity Board wound up without liquidation w.e.f 26 April 2012.

1.5 The accounts of the State Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors, who are appointed by the Comptroller and Auditor General of India (CAG) as per the provisions of Section 619 (2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per the provisions of Section 619 (4) of the Companies Act, 1956.

1.6 Audit of Statutory corporations is governed by their respective legislations[6]. Out of three statutory corporations, CAG is the sole auditor for Madhya Pradesh Road Transport Corporation (MPRTC). In respect of Madhya Pradesh Warehousing and Logistics Corporation (MPWLC) and Madhya Pradesh Financial Corporation (MPFC) the audit is conducted by Chartered Accountants and supplementary audit is done by CAG.

Investment in State PSUs

1.7 As on 31 March 2013, the investment in 64 PSUs (including 619-B Companies) was ₹ 46365.94 crore as per details given in the table no. 1.2:

Table No. 1.2 ***(₹in crore)***

Type of PSUs	Government companies			Statutory corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	16863.12	27401.22	44264.34	511.01	1396.58	1907.59	46171.93
Non-working PSUs	59.57	134.44	194.01	--	--	--	194.01
Total	**16922.69**	**27535.66**	**44458.35**	**511.01**	**1396.58**	**1907.59**	**46365.94**

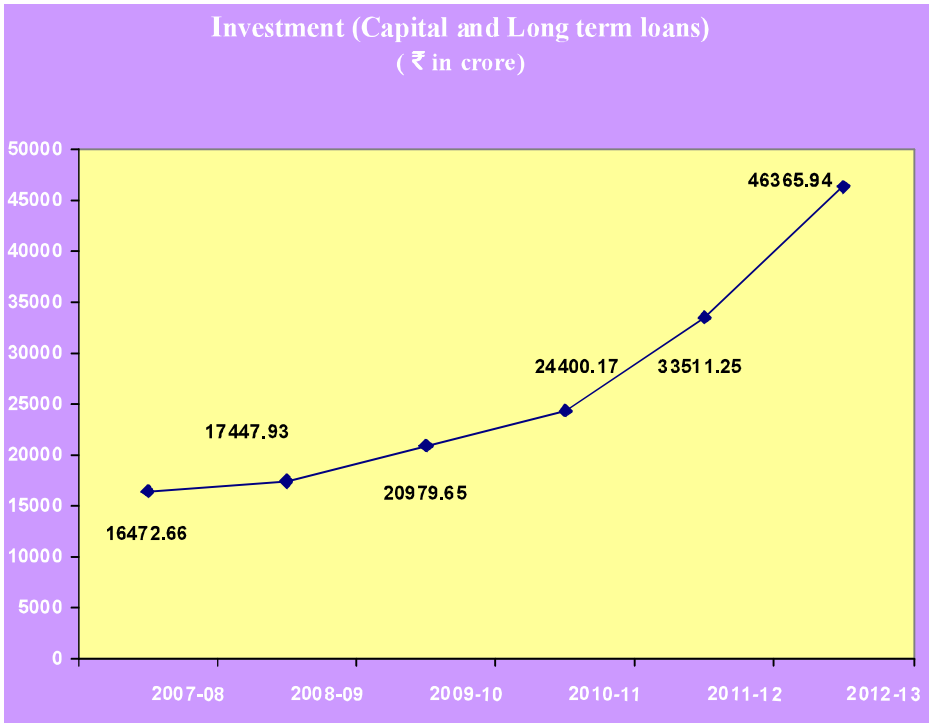
(Source: Information as furnished by the PSUs)

A summarised position of Government investment in State PSUs is detailed in ***Annexure 1.1.***

1.8 As on 31 March 2013, of the total investment in State PSUs, 99.58 *per cent* was in working PSUs and the remaining 0.42 *per cent* in non-working PSUs. This total investment consisted of 37.60 *per cent* towards Capital and 62.40 *per cent* in Long-term loans. The investment has grown by 181.47 *per cent* from ₹ 16472.66 crore in 2007-08 to ₹ 46365.94 crore in 2012-13 as shown in the chart no. 1.1.

[6] MPRTC: Road Transport Corporations Act, 1950; MPWLC: Warehousing Corporations Act, 1962; MPFC: State Financial Corporations Act, 1951.

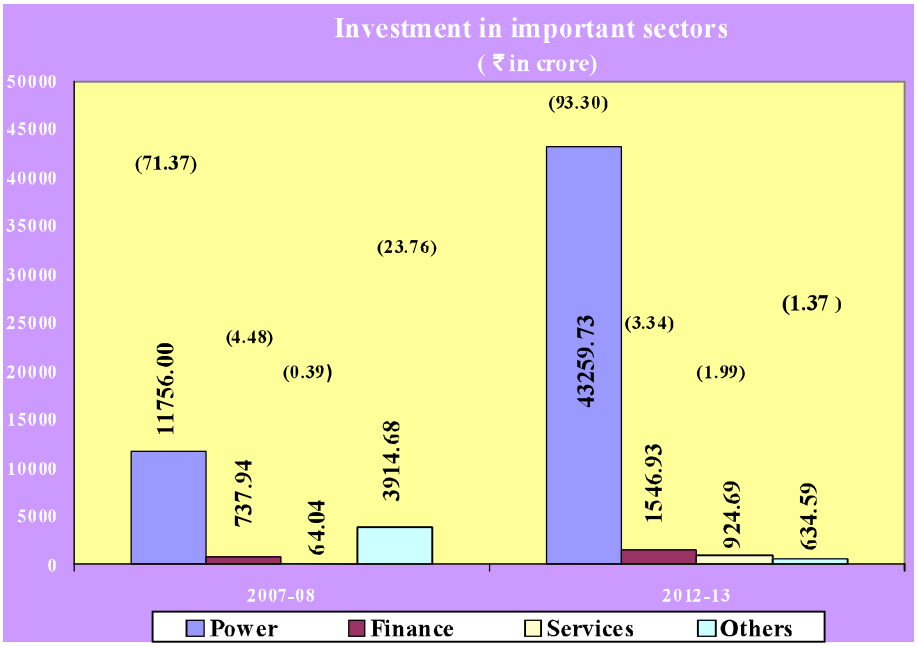
Chart No. 1.1



(Source: Information as furnished by the PSUs)

1.9 The investment in various important sectors and percentage thereof to total investment at the end of 31 March 2008 and 31 March 2013 are indicated in the chart no. 1.2.

Chart No. 1.2



(Figures in brackets show percentage of total investment)

The thrust of PSUs investment was mainly in the power sector which increased from ₹ 11756.00 crore in 2007-08 to ₹ 43259.73 crore during 2012-13. The Government investment increased in the power, finance and service sectors while it decreased in other sectors during 2012-13 in comparison to 2007-08.

Budgetary outgo towards Equity, Grants/Subsidies, Guarantees and Loans

1.10 The details regarding budgetary outgo from the State Government and Government of India towards equity, loans, grants/subsidies, guarantees issued and loans converted into equity in respect of State PSUs are given in ***Annexure 1.2***. The summarised details are given in the table no. 1.3 for the three years ended 2012-13.

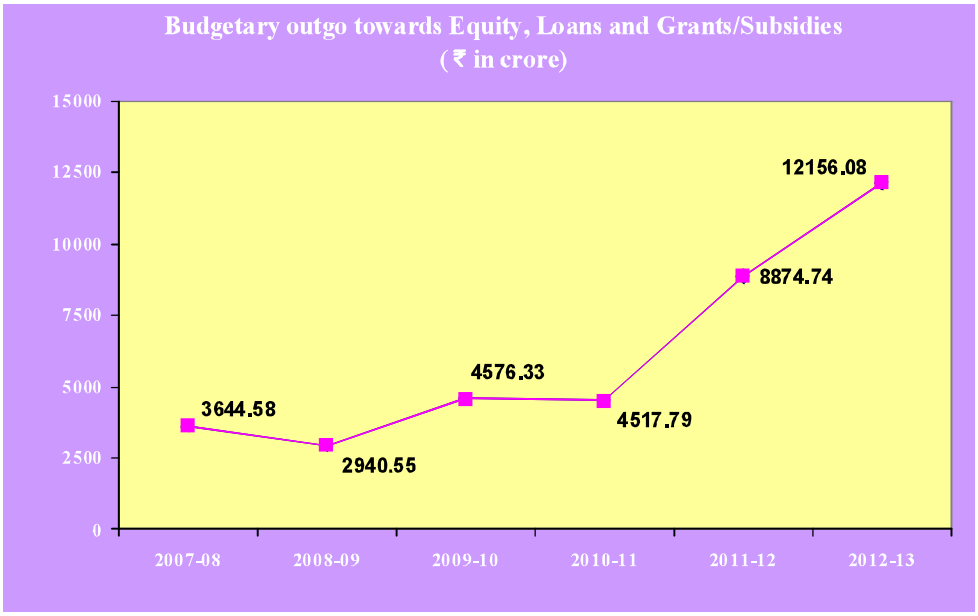
Table no. 1.3

Sl. No.	Particulars	2010-11		2011-12		2012-13	
		No.of PSUs	Amount (₹ *in crore)*	No.of PSUs	Amount (₹ *in crore)*	No.of PSUs	Amount (₹ *in crore)*
1.	Equity Capital outgo from budget	10	1060.63	9	1147.38	9	1418.65
2.	Loans given from budget	6	989.25	6	1745.99	4	2148.50
3.	Grants/Subsidy received	14	2467.91	18	5981.37	18	8588.93
4.	Total Outgo (1+2+3)		4517.79		8874.74		12156.08
5.	Loans converted into equity	--	--	--	--		--
6.	Guarantees issued	6	748.63	8	2429.15	7	5303.11
7.	Guarantee Commitment	7	3247.37	7	3259.42	8	4815.88

(Source: Information as furnished by the PSUs)

1.11 The details regarding budgetary outgo towards equity, loans and grants/subsidies for the past six years are given in the chart no. 1.3

Chart No. 1.3



(Source: Information as furnished by the PSUs)

The budgetary outgo towards equity, loans and grants/subsidies has increased from ₹ 8874.74 crore in 2011-12 to ₹ 12156.08 crore in 2012-13 due to increase in equity in 9 PSUs[7], increase in loans in 4 PSUs[8] and increase in grants/subsidies in 18 PSUs[9].

1.12 The PSUs are liable to pay guarantee commission (GC) at rates ranging from 0.5 *per cent* to one *per cent* per annum to the State Government on the maximum amount of guarantees sanctioned irrespective of the amount availed or outstanding. The guarantee commitment by the Government at the end of 2012-13 was ₹ 4815.88 crore against eight[10] PSUs against which the GC of ₹ 40.63 crore was payable as on 31 March 2013. Only three[11] PSUs had paid the GC to the extent of ₹ 1.98 crore.

Reconciliation with Finance Accounts

1.13 The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with those appearing in the Finance Accounts of the State. In case the figures do not agree, the Finance Department and the concerned PSUs should carry out reconciliation. The position in this regard as at 31 March 2013 is stated in the table no. 1.4:

Table no. 1.4 *(₹ in crore)*

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	9414.00	12355.75	2941.75
Loans	21190.62	17072.77	4117.85
Guarantees	6281.62	5303.11	978.51

(Source: Finance Accounts 2012-13 and the information as furnished by the PSUs)

1.14 We observed that the difference occurred in respect of 31 PSUs. In order to reconcile the discrepancy in figures of investment on equity and loans made by State Government in Government companies/corporations, we had taken up the matter with the heads of all the concerned PSUs for reconciliation of figures. The Government and the PSUs should take concrete steps to reconcile the differences in a time bound manner.

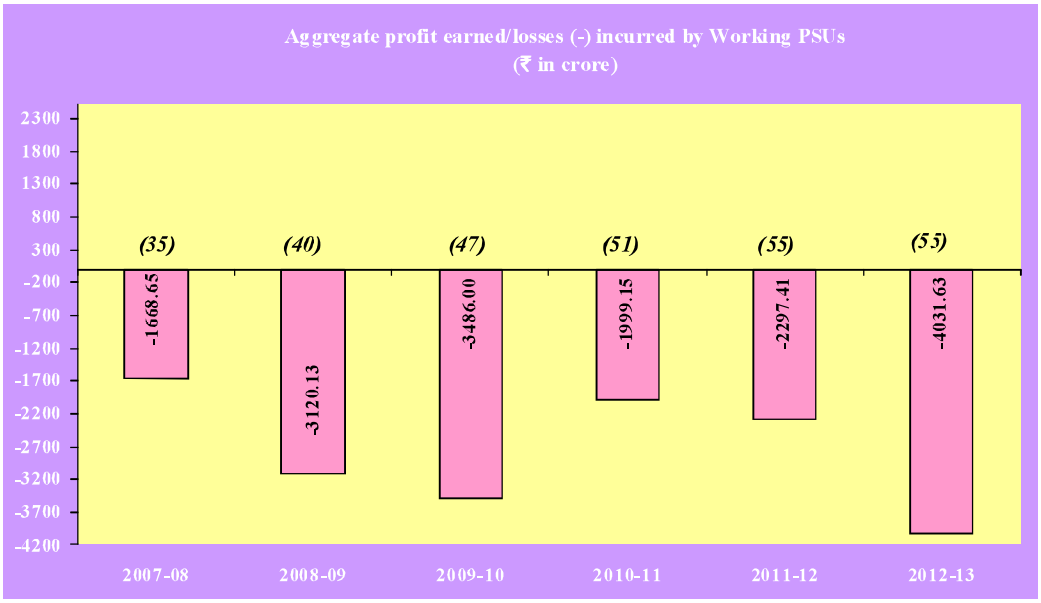
Performance of PSUs

1.15 The financial results of PSUs, financial position of Statutory corporations and working results of Statutory corporations are detailed in ***Annexure 1.3, 1.4 and 1.5*** respectively.

1.16 The aggregate profit earned/ losses incurred by State working PSUs during the period 2007-08 to 2012-13 as per latest audited accounts are given in the chart no. 1.4:

[7] S. No. A-6, 7, 9, 13, 14, 15, 16, 17, B-1 of Annexure-1.2
[8] S. No. A-6, 14, 16, 17 of Annexure-1.2
[9] S. No. A-1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 14, 15, 16, 18, 19 and 20 of Annexure-1.2
[10] S. No. A-6, 8, 13, 14, 15, 16, 17, and B-1 of Annexure-1.2
[11] S. No. A-32, A-36 and B-2 of Annexure-1.3

Chart No. 1.4



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

State working PSUs incurred losses of ₹ 4031.63 crore as per latest audited accounts, Out of 55 working PSUs, 26 PSUs earned total profit of ₹ 275.94 crore while Seven[12] PSUs neither earned profit nor incurred losses and 18 PSUs incurred loss of ₹ 4307.57 crore. Four[13] PSUs did not furnish their first accounts. The major contributors to profit were Madhya Pradesh State Mining Corporation Limited (₹ 45.77 crore), Madhya Pradesh Warehousing & Logistics Corporation (₹ 41.72 crore), Madhya Pradesh Rajya Van Vikas Nigam Limited (₹ 37.18 crore), Madhya Pradesh Road Development Corporation Limited (₹ 26.03 crore), and Madhya Pradesh State Agro Industries Development Corporation Limited (₹ 25.92 crore). The major contributors to losses were Madhya Pradesh Poorv Kshetra Vidyut Vitaran Company Limited (₹ 1432.23 crore), Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited (₹ 1424.99 crore), Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited (₹ 1414.93 crore) and Madhya Pradesh Power Generating Company Limited (₹ 10.33 crore). The main reason for significant increase in losses over 2011-12 was due to heavy losses incurred by all three Discoms.

1.17 A review of the latest three years Audit Reports of CAG shows that the State PSUs incurred controllable losses to the tune of ₹ 458.22 crore and infructuous Investment of ₹ 62.97 crore which were controllable with better management as indicated in the table no. 1.5 :

Table no. 1.5 ***(₹ in crore)***

Particulars	2010-11	2011-12	2012-13	Total
Net Profit (loss)	(1999.15)	(2297.41)	(4031.63)	(8328.19)
Controllable losses as per CAG's Audit Report	800.85	27.35	458.22	1286.42
Infructuous Investment	--	180.29	62.97	243.26

[12] A-19 ,23, 31 ,37, 38, 41 and 51 of Annexure-1.1
[13] Companies at serial No. A-9 ,16, 49, 50 of Annexure-1.3

1.18 The State Government had formulated (July 2005) a dividend policy for payment of minimum dividend of 20 *per cent* on profit after tax. As per their latest audited accounts as on 30 September 2013, 26 PSUs earned a total profit of ₹ 275.94 crore but only three[14] PSUs declared a dividend of ₹ 15.82 crore and the remaining 23 profit making PSUs did not declare any dividend.

Arrears in finalisation of accounts

1.19 The accounts of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Section 166, 210, 230, 619 and 619-B of the Companies Act, 1956. Similarly, in case of statutory corporations, their accounts are finalised, audited and presented to the legislature as per the provisions of their respective Acts. The table no. 1.6 provides the details of working PSUs and the status of finalisation of accounts by September 2013.

Table no. 1.6

Sl. No	Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
1	Number of working PSUs	40	47	51	55	55
2.	Number of accounts finalised during the year	25	49	59	50	49*
3.	Number of accounts in arrears	69	66	58	63	64
4.	Average arrears per PSU (3/1)	1.73	1.40	1.14	1.15	1.16
5.	Number of working PSUs with arrears in accounts	29	33	26	26	25
6.	Extent of arrears	1 to 8 years	1 to 8 years	1 to 7 years	1 to 8 years	1 to 9 years

(Source: Information as furnished by the PSUs)

1.20 The number of accounts in arrear decreased upto the year 2010-11 thereafter it had increased gradually upto the year 2012-13. During the year 2012-13, 49 accounts were finalised in respect of 55 working PSU's and arrear stood at 64.

1.21 In addition to the above, there were arrears in finalisation of accounts by non-working PSUs. Out of nine non-working PSUs, seven[15] had gone into liquidation. Arrears of accounts in respect of the remaining two[16] non-working PSUs ranged from three to five years.

1.22 The State Government had invested ₹ 296.60 crore (Equity: ₹ 18.43 crore, Loan: 9.00, Subsidy: ₹ 160.70 crore and Grants: ₹ 108.47 crore) in

[11]Madhya Pradesh State Civil Supplies Corporation Limited, Madhya Pradesh State Mining Corporation Limited and Sant Ravidas Hastha Shilp Evam Vikas Nigam Limited.

* Includes 48 accounts of working PSU's and 01 account of statutory corporation (MP Warehousing & logistic corp.)

[15] Madhya Pradesh Lift Irrigation Corporation Ltd; Madhya Pradesh State Dairy Development Corporation Ltd; Madhya Pradesh Film Development Corporation Ltd; Madhya Pradesh Panchayati Raj Vitt Evam Gramin Vikas Nigam Ltd; Madhya Pradesh Rajya Setu Nirman Nigam Ltd; Optel Telecommunication Ltd and Madhya Pradesh Vidyut Yantra Ltd.

[16] Madhya Pradesh State Industries Corporation Ltd and Madhya Pradesh State Textile Corporation Ltd.

11 PSUs during the years for which accounts have not been finalised as detailed in ***Annexure 1.6.*** In the absence of accounts and their subsequent audit, it cannot be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not and thus Government's investment in such PSUs remain outside the scrutiny of the State legislature. Further, delay in finalisation of accounts may also result in risk of fraud and leakage of public money, apart from violation of the provisions of the Companies Act, 1956.

1.23 The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. Though the administrative departments concerned were informed of the arrears in finalisation of accounts on a quarterly basis by Audit and the matter was taken up in September 2013 to the Chief Secretary/ Principal Secretary Finance, no remedial measures were taken.

1.24 In view of the above state of arrears, it is recommended that the Government should monitor and ensure timely finalisation of accounts in compliance with the provisions of the Companies Act, 1956.

Winding up of non-working PSUs

1.25 There were nine non-working PSUs as on 31 March 2013. Of these, seven PSUs have commenced the process of winding up.

1.26 During the year 2012-13, no companies/corporations have concluded the process of winding up. The stages[17] of closure in respect of non-working PSUs are given in table no. 1.7:

Table No. 1.7

Sl. No.	Particulars	Companies
1.	Total No. of non-working PSUs	9
2.	Of (1) above, the number of PSUs as under:	
(a)	voluntary winding up (liquidator appointed)	7[18]
(b)	Closure, i.e. closing orders/ instruction issued but liquidation process not yet started.	2[19]

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

[17] Adopted from Audit Report 2011-12, as no conclusive information was furnished by the companies

[18] Madhya Pradesh Lift Irrigation Corporation Ltd; Madhya Pradesh State Dairy Development Corporation Ltd; Madhya Pradesh Film Development Corporation Ltd; Madhya Pradesh Panchayati Raj Vitt Evam Gramin Vikas Nigam Ltd; Madhya Pradesh Rajya Setu Nirman Nigam Ltd; Optel Telecommunication Ltd; Madhya Pradesh Vidyut Yantra Ltd.

[19] Madhya Pradesh State Industries Corporation Ltd and Madhya Pradesh State Textile Corporation Ltd.

Comments on Accounts

1.28 During the period October 2012 to September 2013, 43 working companies forwarded their 48 audited accounts. Of these, 27 accounts of 22 companies were selected for supplementary audit. The audit reports of Statutory Auditors appointed by CAG and the supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of Statutory Auditors and CAG is stated in the table no. 1.8:

Table no. 1.8

Sl. No	Particulars	2010-11		2011-12		2012-13	
		No. of accounts	Amount (₹ *in crore*)	No. of accounts	Amount (₹ *in crore*)	No. of accounts	Amount (₹ *in crore*)
1.	Decrease in profit	11	208.26	8	463.78	3	8.39
2.	Increase in loss	3	64.36	4	40.45	2	52.16
3.	Non-disclosure of material facts	4	59.25	2	107.32	2	697.28
4.	Errors of classification	4	94.14	5	176.33	2	2548.36

(Source: Aggregate amount of Statutory Auditors & CAG comments)

The above table shows the aggregate money value of comments of the Statutory Auditors and the CAG has significant effect on profitability of PSUs, and accounting under proper head of account.

1.29 During the year, the Statutory Auditors had given qualified certificates for all the accounts of working companies. Additionally, CAG issued comments on eight accounts during the supplementary audit. The compliance with the Accounting Standards remained poor as there were 95 instances of non-compliance with Accounting Standards (AS) issued by the Institute of Chartered Accountants of India in 16 accounts during the year.

1.30 Some of the important comments of CAG in respect of accounts of Companies are stated below:

Madhya Pradesh State Electronics Development Corporation Limited (2011-12)

- The Government grant received by the Company for Software Technology Park ₹ 1.32 crore was income included under other Current Assets instead of accounting under Capital work-in-progress.

Madhya Pradesh Power Management Company limited (2012-13)

- The investment in equity of Subsidiary Companies was under stated by ₹ 697.12 crore, which also resulted in understatement of Share Capital to the same extent.

- Non accounting of Generation Based Incentive for January 2013, resulted in understatement of other income and other non Current Assets by ₹ 72 lakh.

- Amount of ₹ 2.06 crore paid as earned leave encashment to the employees on retirement by the Company was recoverable from the MP Power Transmission Corporation (MPTC). This had resulted in overstatement of Employee Benefit expenses and understatement of Trade Receivable from MPTC by ₹ 2.06 crore.

Madhya Pradesh State Civil Supplies Corporation Limited, (2011-12)

- The Company had wrongly classified an amount which pertains to Cash Credit as Non Current Liabilities, which resulted in overstatement of Non Current Liabilities and understatement of Current Liabilities by ₹ 2548.30 crore.

- The company had not capitalised the Fixed Assets of office building, which resulted in understatement of Fixed Assets and overstatement of Capital Work-in-Progress (Advance) by ₹ 1.56 crore.

1.31 During the year 2012-13 only one Statutory Corporation i.e. Madhya Pradesh Warehousing and Logistic Corporation forwarded its accounts for the year 2011-12 and no significant comments were noticed in supplementary audit of the Corporation.

Comments on Internal Control

1.32 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control/internal audit systems in the companies audited in accordance with the directions issued by the CAG to them under Section 619(3)(a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative resume of major comments made by the Statutory Auditors on possible improvement in the internal audit/ internal control system in respect of 17 Companies during the year 2012-13 are given in the table no. 1.9 :

Table no. 1.9

Sl. No.	Nature of comments made by Statutory Auditors	Number of Companies where recommendations were made	Reference to serial number of the companies as per *Annexure-2*
1.	Absence of Internal Audit system commensurate with the nature of business and size of the Company	8	A-6, A-15, A-20, A-26, A-27, A-29, A-33 and A-38
2.	Non maintenance of cost record	2	A-33, A-44
3.	Non maintenance of proper records showing full particulars including quantitative details, location, identification number, date of acquisitions, depreciated value of fixed assets.	11	A-1, A-3, A-6, A-20, A-21, A-32, A-33, A-34, A-35, A-36 and A-43

(Source: As per Statutory Auditors comments in their Audit Reports)

Recoveries at the instance of audit

1.33 During the course of audit in 2012-13, recoveries of ₹ 25.80 crore were pointed out to the Management of various PSUs of which a sum of ₹ 24.59 crore was admitted by 9[20] PSUs. However, six[21] PSUs made recovery of ₹ 3.77 crore only during the year 2012-13.

Status of placement of Separate Audit Reports

1.34 The table no. 1.10 shows the status of placement of Separate Audit Reports (SARs) issued by CAG on the accounts of Statutory corporations in the State Legislature.

Table no. 1.10

Sl. No.	Name of Statutory corporation	Year for which SARs placed in Legislature		
		Year of SAR	Date of issue to the Government	Date of placement in Legislature
1.	Madhya Pradesh Warehousing and Logistics Corporation	2011-12	09 January 2013	19 March 2013
2.	Madhya Pradesh Financial Corporation	2011-12	13 December 2012	20 February 2013

The Madhya Pradesh Road Transport Corporation (MPRTC) had not placed the SARs in the State Legislature for the years 2006-07 and 2007-08 which were issued on 13 April 2009. No reasons for non placement were furnished by the MPRTC.

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

Disinvestment, Privatisation and Restructuring of PSUs

1.35 The State Government did not undertake disinvestment and privatisation of the PSUs during 2012-13. However, the MP Power Trading Company Limited has been renamed as MP Power Management Company Limited with effect from 10 April 2012 and it has been made the holding Company of the three[22] Power Distribution Companies of Madhya Pradesh. The Madhya Pradesh State Electricity Board stood wound up without liquidation with effect from 26 April 2012, and the name of Madhya Pradesh Hastha shilp Evam Hath Kargha Vikas Nigam renamed as Sant Ravidas Madhya Pradesh Hastha shilp Evam Hath Kargha Vikas Nigam with effect from 26 February 2013.

[20] M.P. AKVN (Indore) Ltd , M.P. Madhya Kshetra vidyut vitaran co. Ltd., M.P. Pashchim Kshetra vidyut vitaran co. Ltd, M.P. Power Generating Co Ltd., M.P. Financial Corp. ltd., M.P. Police Housing Corp. ltd, M.P. Poorv Kshetra vidyut vitaran co. Ltd, M.P. AKVN (Bhopal) Ltd, SEZ (Indore) ltd.

[21] M.P. AKVN (Indore) Ltd , M.P. Madhya Kshetra vidyut vitaran co. Ltd., M.P. Pashchim Kshetra vidyut vitaran co. Ltd, M.P. Power Generating Co Ltd., M.P. Financial Corp. ltd., M.P. Police Housing Corp. ltd.

[22] MP Poorv Kshetra Vidyut Vitaran. Co. Ltd Jabalpur, MP Paschim Kshetra Vidyut Vitaran Co. Ltd Indore, MP Madhya Kshetra Vidyut Vitaran.Co. Ltd.Bhopal.

CHAPTER - II

2. Review relating to Government Companies

2.1 Review on "Power Purchase Agreements entered into by MP Power Management Company Limited/ Board/ Government of MP with Private Power Producers for purchase of power and its operationalisation" during the period from 2008-09 to 2012-13

Executive Summary

Introduction

MP Power Management Company Limited (Company) under the administrative control of Department of Energy, Government of Madhya Pradesh (GoMP) is entrusted with the responsibility of assessing the demand of power in the State and make arrangements for meeting the demand by pooling all power purchases from different sources.

The Review conducted during May 2013 to July 2013 covers Power Purchase Agreements (PPAs) entered into by GoMP Company with Independent Power Producers and operationalisation of PPAs during the period from 2008-09 to 2012-13 including planning and procurement of power.

Against the planned procurement of 1009 MW capacity of power through IPPs on long term basis, the Company could procure only 207 MW during the period of review

The Company paid idle capacity charges to the extent of ₹ 66.77 crore during the period from November 2011 to March 2013 for scheduling lower capacity from a gas based Power Project.

Deviation from terms and conditions of Memorandum of Understanding and Implementation Agreement in respect of PPA with BLA Power Private Limited resulted in additional expenditure of ₹ 1.53 crore due to purchase of two and half per cent of power at regulated tariff rate instead of concessional tariff rate and committed additional cost of ₹ 73.83 crore.

The Company was deprived of availing cheap power from Sasan Power Ltd., for a period of 15 months due to postponement of commissioning date (COD) in all the six units of a power project resulting in potential loss of ₹ 1252.46 crore on account of purchase of power from other sources.

The Company did not impose liquidated damages of ₹ 10.89 crore as per PPA for tariff based power for the delay in commissioning of the Bina Thermal Power Project beyond the extension granted.

Due to removal of capping of fixed charge rate, the Company had to incur an additional expenditure of ₹ 24.51 crore and committed to incur an additional cost of ₹ 145.96 crore towards fixed charges on procurement of power from Torrent.

There is no mechanism to verify landed cost of coal and its gross calorific value.

Due to deficiencies in the billing, payment procedure and deviation from norms, the Company could not avail Rebate amounting to ₹53.02 lakh from developers and also incurred avoidable LPS of ₹6.97 crore.

Introduction

2.1.1 The Government of India (GoI) notified a National Electricity Policy (NEP) in February 2005 with the main objective to supply reliable and quality power in an efficient manner and at reasonable rates. MP Power Management Company Limited[1] (Company) under the administrative control of Department of Energy, Government of Madhya Pradesh (GoMP) is entrusted with the responsibility of assessing the demand of power in the State and make arrangements for meeting the demand by pooling all power purchases from different sources.

The unrestricted maximum demand[2] (UMD) for power in the State during 2007-08 was 7200 MW and the Company/ State could meet the demand to the extent of 6436 MW resulting in a shortage of 764 MW, which was managed through load shedding. In 2012-13, while the UMD increased to 9804 MW, the demand met was 9412 MW leaving a shortage of 392 MW. Thus, the Company has been able to largely meet the power requirements of the State as at the end of March 2013. Considering the improved power availability, GoMP in 2013, launched Atal Jyoti Abhiyan with a view to provide 10 hours power supply to agricultural consumers and uninterrupted supply of power to other consumers of the State.

In order to meet the gap between UMD and availability of power, the Company prepares plans for procuring power from the different sources viz., State owned generating stations, Central Generating stations and generation by Independent Power Producers (IPPs) from which the demand would be met. The plan prepared by the Company is submitted to GoMP for approval.

Power from IPPs is obtained through long term agreements and short term arrangements. Long term agreements are entered into by the Company either through the process of bidding or on the basis of Memorandum of Understanding (MoUs) entered into by GoMP. MoUs are signed between the GoMP and the IPPs proposing to set up power projects in the State and under the MoU, GoMP undertakes to provide facilities such as providing land for the project from its own sources or through acquisition, allotment of water for the project, assisting in GoMP clearances for the project etc. In lieu of the facilities/ assistance from GoMP, the IPP is required to provide five[3] *per cent* of the power generated from the project at concessional rate (Concessional power[4]) considering only the cost of fuel. Besides, the MoU provides for first right of allocation of upto 30 *per cent* of

[1] As a part of power sector reforms, Madhya Pradesh Power Trading Company Limited, Jabalpur, was incorporated on 2 May 2006. The name of the Company was since changed to Madhya Pradesh Power Management Company Limited (Company) with effect from 10 April 2012.
[2] The actual point of peak demand is a single half hour or hourly period which represents the highest point of customer consumption of electricity without any restriction.
[3] 7.5 per cent, if the fuel is obtained from captive coal block situated in Madhya Pradesh.
[4] Concessional power represents the power agreed to be supplied by IPP on variable cost i.e., cost of fuel.

power of the Power Station's installed capacity (tariff based power[5]) to the GoMP or its nominated agency at rates as determined by the Madhya Pradesh Electricity Regulatory Commission (MPERC). In pursuant to the terms of MoU, GoMP and IPPs sign the Implementation Agreements (IA). On the basis of the MoUs/ IAs signed between the GoMP and IPPs, the GoMP enters into Power Purchase Agreements (PPAs) for concessional power and the Company enters into PPAs for tariff based power. The Company being the nominated agency of the GoMP receives the concessional power. Thus, through long term PPAs, the Company obtains concessional power, tariff based power and bid based power[6].

The details of long term agreements (PPAs) entered into by the Company for procurement of power from conventional sources[7] during the period 2006-07 to 2012-13 are given in ***Annexure-2.1.1***. Besides, the Company has also entered into 98 PPAs for procurement through non conventional sources[8].

Organisational set up

2.1.2 The management of the Company is vested in a Board of Directors (BoD) comprising of Chairman, Managing Director, Director (Commercial) and five Non-Executive Directors. The day-to-day operations of the Company are carried out by the Managing Director, who is the Chief Executive of the Company with the assistance of eight Heads of the Department[9] and Company Secretary.

Capital Structure of the Company

2.1.3 The Authorised and Paid up Capital of the Company at the time of incorporation was ₹ 10.00 lakh each, which stood at ₹ 6500 crore and ₹ 4012.36 crore respectively by the end of March 2013.

Scope and Methodology of Audit

2.1.4 The Review conducted during May 2013 to July 2013 covers PPAs entered into by GoMP/ Board[10]/ Company with IPPs and operationalisation of PPAs during the period from 2008-09 to 2012-13 including planning and procurement of conventional and non-conventional power. The review also covered the Power Sale Agreements (PSAs) entered into with the PTC India Ltd. (PTC), which had entered into PPAs with IPPs.

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[5] Tariff based power represents the 30 per cent of the power generated by IPP on which first right of allocation vests with the Government or its nominated agency on which rate of supply is to be determined by MPERC.

[6] Bid based power represents the power that is contracted on the basis of bidding.

[7] Conventional sources represent the power generated through thermal and hydel.

[8] Non-conventional sources represent the power generated through Solar, Wind and Bio-mass/gas.

[9] (i)Executive Director (Finance and Administration) (ii)Executive Director (Power Management) (iii)Executive Director (Investment Promotion Cell) (iv)Chief General Manger (Regulatory) (v)Chief General Manager (Human Resources) (vi)Chief General Manager (Commercial) (vii)General Manager (Public Relations) (viii)Director General (Enforcement).

[10] Board represents erstwhile Madhya Pradesh Electricity Board from which the responsibility of power procurement was taken over by the Company.

Twelve out of 23 PPAs for conventional power and 24 out of 98 PPAs of non-conventional power entered into by the Company were randomly selected for scrutiny.

Entry conference was held with Management/ Government in May 2013. Audit findings were reported to the Company and Government in August 2013. Replies were received between August 2013 and November 2013. Findings were also discussed with the Principal Secretary (Energy) and Managing Director of the Company in an exit conference held in December 2013. Replies of the Company/ Government have been appropriately incorporated in the Report.

Audit Objectives

2.1.5 The objectives of the Review were to assess whether:

- The GoMP/ Company assessed the demand for power and planned for creation of generation capacities under IPP mode in accordance with National Electricity Plan/ Policy;
- The provisions of the Memorandum of Understandings (MoUs)/ Implementation Agreements (IAs)/ Model PPAs/ PPAs entered into by the GoMP/ Company were in line with established guidelines/ rules/ regulations and not detrimental to the interest of the Company;
- PPAs were operationalised as per its terms and conditions; and
- An effective monitoring mechanism was in place.

Audit Criteria

2.1.6 The audit criteria for assessing the performance were:

- Electricity Act 2003 and Electricity (Supply) Act 1948;
- National Electricity Policies and Tariff Policies issued by GoI from time to time;
- Guidelines, Terms and Conditions of Tariff issued by Central Electricity Regulatory Commission (CERC)/ Madhya Pradesh Electricity Regulatory Commission (MPERC) from time to time;
- Standard Bidding documents, Model PPAs framed by GoMP/ GoI, MoUs and PPAs; and
- Decisions of the BoD and Management Information System reports.

Audit Findings

2.1.7 The Audit findings are discussed below:

Planning

Target for procurement of power through long term agreements

2.1.8.1 As per NEP, the progress of implementation of capacity addition plans and growth of demand would need to be constantly monitored and necessary adjustments would be made from time to time.

Non-achievement of targeted procurement of power through long term PPAs resulted in additional financial burden of ₹ 288.16 crore.

The details of capacity addition planned vis-à-vis actual achievement and shortfall during the period from 2008-09 to 2012-13 are given in ***Annexure-2.1.2***. It could be seen from ***Annexure-2.1.2*** that against the planned additional capacity of 1009 MW on long term basis, the Company could add only 207 MW resulting in shortfall of 802 MW in capacity addition to the end of March 2013. The shortfall was mainly due to delay in completion of the projects planned. This resulted in increased load shedding or purchase of power through short term arrangements.

We noticed that while the Company made plans to meet its entire demand without any procurement from short term arrangements, the Company had to resort to short term purchase of 2361.93 MUs at an average cost of ₹ 4.86 per unit during the period from 2008-09 to 2012-13.We observed that the average cost per unit of power procured through long term basis during the above period was ₹ 3.64 per unit.

The Principal Secretary (Energy), during exit conference in December 2013, stated that the responsibility of timely execution of the projects is entirely that of the concerned IPPs and the GoMP or Company has a very limited role. He further stated that the shortfall in long term procurement with reference to plan might have resulted in resorting to load shedding etc. and the short term power purchases were primarily to meet peak demand and therefore should not be linked to shortfall in procurement on long term basis.

The fact however remained that the Company had to resort to short term procurement at higher cost, though no such procurement was planned. Besides, if supply had materialized through long term PPAs as planned, the Company would have at least been able to reduce its short term purchases.

Delay in completion of Shri Maheshwar Hydel Power Project

2.1.8.2 PPA between the erstwhile Madhya Pradesh State Electricity Board (Board) and Shri Maheshwar Hydel Power Corporation Ltd (SMHPCL) was signed in November 1994, which was further amended in September 2005 due to non-achievement of financial closure[11]. As per the terms and conditions of PPA, the scheduled Commercial Operation Date (COD) was March 2010 and extended to October 2012 due to force majeure conditions. However, the COD has so far (December 2013) not been achieved in the project.

The PPA, as amended, provides for termination of the contract in the event of failure on the part of IPP in achieving COD as scheduled.

We observed that the project cost, which was estimated at ₹ 736 crore in 1993 rose to ₹ 3993 crore in 2011. The Company estimated in October 2011 that the tariff[12] would increase from ₹ 1.51 per unit to ₹ 8.21 per unit due to increase in project cost. We further observed that the expenditure incurred on the project till March 2012 was ₹ 2917.70 crore, representing 73 *per cent* of the estimated project cost. Thus delay in the project might result in further increase in the overall

[11] Execution of all Financing Agreements required for Power Station.
[12] Average fixed and variable cost over the entire term of the PPA adjusted for inflation.

project cost and tariff. In spite of the defaults and non-achievement of COD by the IPP, the Company has not terminated the PPA.

The Government replied (October 2013) that the proposal for financial restructuring of the project was under consideration and it has been decided that a committee would be formed by the Ministry of Power (MoP), GoI to facilitate a decision regarding the tariff for power to be produced from the project.

The fact remains that further delay in commissioning of the project would increase the project cost leading to higher tariff as already estimated by the Company. The Principal Secretary (Energy) in exit conference agreed to review the case and take necessary action to protect the interest of the State.

Contract for purchase of power from an expensive source

2.1.8.3 The Company entered (16 January 2007) into a Power Sale Agreement (PSA) with PTC for purchase of 100 MW power, which had a back to back procurement arrangement (August 2005) from the 1100 MW gas based power project with Torrent Power Generation Limited (Torrent).

Failure on the part of the Company to insert a clause in PPA for long term fuel supply arrangement, resulted in payment of idle capacity charges of ₹ 66.77 crore.

As per the provisions of the PPA between PTC and Torrent, Torrent was to ensure fuel supply to meet the contracted capacity of 100 MW. Torrent had tied up for 4.2 Million Metric Standard Cubic Meter Per Day (MMSCMD) (for 77 *per cent* of capacity) of gas as against total 5.45 MMSCMD of gas required for the project. As Torrent could not enter into long term arrangement for supply of remaining 1.25 MMSCMD (23 *per cent*) of gas, it sourced the same from open market. Torrent intimated (November 2011) PTC about the reduction in linkage of gas from existing long term sources also and requested permission to procure the remaining gas from spot market. As it would increase the weighted average Energy Charges Rate (ECR) from ₹ 2.70 to ₹ 3.55 per Kwh, the Company decided (November 2011) to procure only 77 *per cent* of contracted capacity from Torrent. Thus, due to failure on the part of the Company to insert a clause for long term fuel supply arrangement, the Company had to pay idle capacity charges[13] to the extent of ₹ 66.77 crore during the period from November 2011 to March 2013 (***Annexure-2.1.3)***.

Thereafter, the Company entered (April 2012) into another agreement with PTC to purchase 35 MW power from the 382.5 MW gas based expansion project of Torrent based on PPA (April 2012) between PTC and Torrent.

We observed that at the time of entering into subsequent agreement for purchase, the Company was already aware of the problems of insufficient availability of gas faced by the IPP and was already paying idle capacity charges. Therefore, entering in to subsequent agreement for purchase of 35 MW power from the gas based project when the IPP had not secured long term gas linkage lacked justification.

The Government replied (October 2013) that there was a demand gap of around 2000 MW between off-peak and peak hours and as gas plants were suited to cope

[13] Generation Capacity not utilised to full extent.

with such instant variation, reserving capacity from such plants was desirable. During exit conference, the Managing Director stated that supply of power from 1100 MW project were reasonable for a gas based power plant meant for supplying peak power, till the signing of agreement for purchase of 35 MW from the expansion project.

The reply is not acceptable as the Company was well aware about the worsening situation of gas market at the time of entering into agreement in April 2012 and the Company was paying idle capacity charges from November 2011 due to non-availability of sufficient long term gas linkage. Reserving capacity from gas based plants on the ground that it was meant for supplying peak power is not justified as the Company had contracted for 24 hour supply for a period of 25 years and not for supply during peak period.

Procurement of power through PPAs

2.1.9 The GoI has issued (January 2005) detailed guidelines for tariff based bidding process for procurement of power competitively except in cases of expansion of existing projects or State owned projects etc. As per clause 5.1 of the Tariff Policy issued by the GoI in January 2006, all the future requirements of power should be procured competitively by Distribution licensees.

GoMP notified Madhya Pradesh (Investment in Power Generation Projects) Policy 2010 (Power Policy) for procuring power from IPPs that are establishing the power stations in the State through MoU route.

We noticed that out of 20 PPAs signed for total contracted capacity of 3365.5 MW of Thermal Power during 2006-07 to 2012-13 (***Annexure-2.1.1)***, the capacity contracted through competitive bidding was only 4.46 *per cent* from one bidder during 2010-11 at a levelised tariff[14] of ₹ 2.45 per unit. After 2010-11, the Company did not initiate any action for procurement of thermal power through competitive bidding. Instead, the GoMP/ Company signed 22 MoUs with IPPs during the period subsequent to the date of notification of Power Policy till March 2013. Audit findings on the inadequacies in operationalisation of the PPAs are discussed in succeeding paragraphs.

2.1.9.1 *Deviation from MoU for procurement of concessional power*

In pursuant to the terms of MoU signed by GoMP in August 2007, the Company entered (January 2011) into a PPA with BLA Power Private Ltd. (BLA) for supply of 'tariff based' power for 20 years. In May 2011 another PPA was signed by GoMP for supply of five *per cent* of net power generated as 'concessional power'. The COD of Unit-I (45 MW) of the Project was declared in April 2012 and the Company received 13.60 MUs being the five *per cent* of net power generated as concessional power (value ₹ 3.03 crore) and 82.62 MUs tariff based power (value ₹ 37.10 crore) during the period from April 2012 to March 2013.

[14] Levelised tariff means average fixed and variable cost over the entire term of the PPA adjusted for inflation.

Deviation from provisions of MoU/ IA resulted in additional expenditure of ₹ 1.53 crore and committed additional cost of ₹ 73.83 crore.

On scrutiny of records, we observed that GoI had allotted a coal block in June 1996 for captive dispensation[15] to BLA Industries Limited, a sister company of the IPP. GoMP granted (May 1998) a mining lease for the coal block. BLA entered into an agreement with BLA Industries Limited for supply of coal from the coal block to the power project in April 2011. In terms of the MoU, if the IPP was to obtain fuel supply for the project from captive coal block, the GoMP/ Company would be eligible for concessional power of 7.5 *per cent* of the net generated power from the project. Though at the time of signing of PPA for concessional power, the fuel linkage from the coal block allotted as captive dispensation to the IPP's sister company was already in existence, GoMP did not insist on supply of 7.5 *per cent* concessional power. This had resulted in foregoing two and half *per cent* of concessional power and consequential additional expenditure of ₹ 1.53 crore[16] to the Company for the period from April 2012 to March 2013. Besides, the committed additional cost during remaining agreement (PPA) period of 19 years amounted to ₹ 73.83 crore[17] at current tariff.

The Government stated (October 2013) that coal mines allotted to BLA Industries Ltd. by Ministry of Coal (MoC), GoI in May 1998 did not specify captive use for generation of power by BLA.

The reply is not acceptable. MoC, GoI's letter September 2012 clarified that coal mine allotted to BLA Industries Limited was for Captive Dispensation. Further, in exit conference, it was stated that the Company requested IPP to provide 7.5 *per cent* of concessional power, which was not agreed to by the IPP. As BLA had been consuming the coal extracted from the captive mine allotted to its sister Company in the state of MP, the GoMP/ Company should have effectively negotiated for 7.5 *per cent* of net generated power at variable cost as per provisions of MoU.

2.1.9.2 The GoMP entered into the MoU with Reliance Power Limited, Mumbai (RPL) in September 2007 for setting up 6X660 MW Thermal Power Project by RPL which was to remain in force for a period of one year and the Government may extend for such further period, as may be mutually agreed upon. As per MoU, the GoMP/ Company was entitled to procure 5/ 7.5 *per cent* concessional power and 30 *per cent* tariff based power for a period of 20 years. We observed that the GoMP/ Company had not signed PPA with RPL so far (July 2013). We further noticed that the validity period of MoU with RPL had lapsed in June 2010. We also noticed that MoU did not contain any protective clause to ensure that it does not lapse if there was delay in signing of PPA by the IPP. Absence of such clause resulted in RPL getting the requisite assistance[18] for the project from Government without corresponding benefits to the State.

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[15] Captive Dispensation means coal extracted from the mine allocated may be utilised for cement, steel, power plant etc. which does not require rail transportation.

[16] 6.80 MUs (13.60/2 x ₹ 2.26 (Avg. total cost at tariff rate ₹ 4.49 per unit – Avg. variable cost ₹ 2.23 per unit)

[17] (45 MW x 85% PAF x 2.5% Variable Portion x 19 Years x 365 Days x 24 Hours x 1000 Units x ₹ 2.26 per unit) + (45 MW x 85% PAF x 2.5% Variable Portion x 20 years x 365 days x 24 hours x 1000 units x ₹ 2.26 per unit).

[18] The GoMP will facilitate the Company in land acquisition, water allocation, coal linkage, captive coal block allocation, statutory and other clearances required for Central and State laws for implementation of the project.

In exit conference, the Principal Secretary (Energy) stated that the matter of allocation of coal was sub judice in the Honourable Supreme Court and the IPP may come forward for signing of PPA in case of decision in favour of IPP. He assured that in case of non-signing of PPA by the IPP, the department would move the Government to withdraw the facilities provided to IPP as per the terms of MoU.

The fact remains that till date GoMP has not been able get the PPA signed to safeguard the interest of the State and the MoU has lapsed.

Procurement of Power through bidding process

2.1.9.3 MoP, GoI issued (January 2005) guidelines for procurement of power through competitive bidding on long term basis as per the provisions of Section 63 of the Electricity Act 2003. The guidelines specify that procurement of power by bidding can be through Case-1[19] and Case-2[20] mechanisms.

The Company under Case-1 for supply of capacity up to 2000 MW of power on long term basis invited bids in June 2006. Reliance Power Limited, Mumbai (RPL) after negotiation, agreed (April 2008) to supply 1241 MW at levelised tariff of ₹ 2.45 per unit from its Chitrangi Power Project in MP. The Company had also entered into a MoU[21] with RPL for supply of 1188 MW of tariff based power in September 2007 from the same project.

In October 2010, the Company requested RPL to sign the PPA for the 1241 MW power offered through bidding process. RPL however informed the Company that it would be willing to sign the PPA, only if the Company foregoes its right to obtain 1188 MW of tariff based power under MoU obligation. The Company informed (December 2010) RPL that the offer against bidding process (Case-1) was independent and had no relation with the 'tariff based' power offered through MoU route. RPL had however not signed PPA so far (July 2013). Delay in signing the PPA and implementation of the Project would deprive the Company of getting 1241 MW of power at low cost[22] for 25 years besides restricting/ derailing the process of procurement through competitive bidding route.

In spite of not signing PPA by IPP the Company had not forfeited the Bid and Bank Guarantee for ₹ 37.50 crore.

We further observed that while RPL was not coming forward for signing PPA, they were extending the validity of their bid and Bank Guarantee (BG) for ₹ 37.50 crore towards bid bond from time to time. The Company has however not forfeited the bid bond by encashing the bank guarantee.

The Government replied (October 2013) that RPL had not signed the PPA due to non availability of full linkage coal and non achievement of financial closure of

[19] Where location, technology or fuel is not specified by the procurer.
[20] For hydro power projects, load center projects or other location specific projects with specific fuel allocation such as captive mines available, which the procurer intends to set up under tariff based bidding process.
[21] The Government or its Nominated Agency shall have first right to purchase power up to 30 per cent {1188 MW (3960 MW * 30 %)} of the aggregate capacity of generating units for a period of 20 years at the rate to be approved by Appropriate Electricity Regulatory Commission (AERC).
[22] @ ₹ 2.45 per unit against the average cost of ₹ 3.64 per unit for power procured through long term sources during 2008-09 to 2012-13

the project. It was further replied that after invoking bank guarantee, it may not be possible to force RPL to sign the PPA. The reply is not relevant as successful bidder is required to sign the PPA even if the coal linkage and financial closure had not been achieved. The Company should consider the feasibility of invoking bank guarantee for the failure in signing PPA, while reserving its right to enforce the signing of PPA.

PPAs under Non-Conventional energy sources

2.1.10 Ministry of New and Renewable Energy (MNRE)[23] issued (September 1992/ November 1994) guidelines for procurement of power from Non-Conventional Energy sources.

Renewable Energy Purchase Obligation

2.1.10.1 MPERC through its Regulation (Co-generation and Generation of Electricity from Renewable Sources of Energy) (Rev1) 2010 (November 2010) specified the minimum quantum of electricity to be procured from the renewable sources by all the Obligated Entities[24] {Renewable Purchase Obligation[25] (RPO)}. The targets fixed vis-à-vis actuals during the years 2011-12 and 2012-13 for solar and non solar RPOs are as follows:

Year	Actual Annual Energy Requirement (MUs)	RPO of Solar power				Short fall in (*per cent*)	RPO of Non Solar Power				Short fall in (*per cent*)
		In (*per cent*)	In (MUs)	Actuals	Shortfall (MUs)		In (*per cent*)	In (MUs)	Actual	Short fall (MUs)	
2011-12	40410	0.40	162	0	162	100	2.10	849	540	309	36.39
2012-13	44590	0.60	268	6	262	98	3.40	1516	699	817	53.89

Source: Compiled from Company records

It is seen that there was a shortfall of 36.39 *per cent* in procurement of Non-solar power against the RPOs during the year 2011-12, which increased to 53.89 *per cent* in 2012-13. In respect of Solar RPOs, there was 100 *per cent* and 98 *per cent* shortfall in meeting the targets during 2011-12 and 2012-13 respectively. We further noticed that shortfall in meeting the RPOs was mainly due to shortfall in entering into PPAs for solar and non-solar power.

Procurement of Power from Non conventional sources

2.1.10.2 During the period 2007-08 to 2012-13, the Company entered into eight PPAs with an installed capacity of 205.25 MW for procurement of Solar based power, out of which two PPAs with an installed capacity of 125 MW were entered through bidding process and the remaining six PPAs with installed capacity of 80.25 MW through MoU route. Similarly, Two PPAs with installed capacity of 2.4 MW and 86 PPAs with installed capacity of 286.06 MW were entered into for

[23] Previously known as Ministry of Non-Conventional Energy Sources.
[24] Company is the obligated entity because the power is being purchased on behalf of three Discoms in the State.
[25] It is minimum percentages of the total power that electricity distribution companies need to purchase from renewable energy sources.

procuring bio-mass and Wind Electric Generators (WEGs) based power through MoU route.

In February 2012, the Company initiated bidding process for procurement of 200 MW solar power on long term basis. The tariff for solar power in terms of MPERC tariff orders at the time of invitation of tenders was ₹ 15.35/ 13.94 per unit. After evaluation of bids, the Company entered into PPAs in October 2012 with Alfa Infraprop Limited and Welspun Solar Madhya Pradesh Private Limited, for supply of 20 MW and 105 MW solar power respectively at their quoted tariff of ₹ 7.90 per unit and ₹ 8.05 per unit respectively. The tariff obtained through bidding was thus lower by 48.53 and 42.25 *per cent* of the MPERC determined tariff.

We noticed that out of 98 PPAs entered into during 2007-08 to 2012-13, 96 PPAs were entered through MoU route against the spirit of Tariff Policy 2006[26] and guidelines for bidding issued by MNRE, GoI, and thus lost an opportunity to obtain lower prices as seen in above two PPAs.

The Government stated (October 2013) that the tariff determined by MPERC for Wind and Biomass projects was not very high as not much enthusiasm was shown by generators on these projects. It further stated that availability of renewable power to the extent of RPO had not yet been achieved and in the circumstances, exploration of possibility to get power at rates less than MPERC tariff was not feasible. Further during the exit conference it was stated in respect of non solar based plants that the MNRE has not issued specific guidelines for purchase through bidding.

Reply is not acceptable as the Company had so far not initiated the process of bidding to determine the cost for bidding based power. The fact that the cost of power through bidding in conventional and solar projects was less than prescribed tariff decided by MPERC[27] indicate that the Company might have obtained lower rates if it had opted for procurement through bidding. In bidding process, it would be open to many generators resulting in lower rates as seen in the above two cases. Further there was no restriction in attempting procurement of power through bidding process for wind/ bio-mass plants.

Deviations in the provisions of PPAs/ Model PPAs

2.1.11 The Company is required to execute PPAs on long term basis for procurement of tariff based and concessional power as per the Model PPAs approved (February/ June 2011) by GoMP.

Commercial Operation Dates

2.1.11.1 Commercial Operation Date (COD) is the date on which the power supply would start from any unit of the power project. Timely completion of the works is the essence of any agreement. Thus, fixation of COD in the PPA would be a vital aspect as the power supply at a contracted capacity would start from this

[26] All the future requirement of power should be through competitive bidding route.
[27] MPERC determined the levelised tariff for entire life period of the Projects.

date. We noticed instances where scheduled CODs were delayed due to delay in providing the infrastructure and other facilities by GoMP/ Company. The delay in COD would result in either procurement of power at higher rates through short term sources or load shedding. The cases of delay in scheduled COD and non-levy of Liquidated Damages (LDs) are discussed below:

Delay in providing land and other clearances by GoMP

Delay in facilitating handing over of land and other clearances etc., by the GoMP/ Company, the scheduled COD was not achieved which had resulted in depriving of availing cheap power from Sasan and a consequential potential loss of ₹ 1252.46 crore.

2.1.11.2 The Company entered into a PPA with Sasan Power Limited (Sasan) in August 2007 for 1485 MW power out of the total capacity of 3960 MW of Sasan UMPP. In terms of the PPA, the Company was required to hand over possession of land for the power station and site clearance from Ministry of Environment and Forest etc. The PPA also provided that the Power producer would have the option to prepone COD. Sasan exercised the option to prepone the COD, which was agreed to by the Company and accordingly a supplementary agreement was entered into between the two parties in October 2008.

The details of scheduled CODs as per PPA, preponement of CODs at the request of Sasan and the revised CODs due to default of the Company are given in the ***Annexure-2.1.4***. Sasan requested (July 2008) the Company to provide land and forest clearances in terms of the supplementary agreement.

Citing delay in meeting the obligations on handing over of land (9 months), forest clearance (21months), interconnection/ transmission facilities by GoMP/ Company as per the terms of the PPA etc., Sasan requested the Company to postpone the CODs. The Company accepted (September 2010) the request of Sasan and accordingly revised the CODs. As a result, the Company was deprived of cheap power from Sasan for a period of 15 months resulting in potential loss of ₹ 1252.46 crore on account of purchase of power from other sources during the corresponding period as detailed in the ***Annexure-2.1.5***.

The Government stated (November 2013) that there was no loss as the project was completed as per the originally scheduled COD and that the delay cannot be attributed to delay in providing land as 95 *per cent* of the land required for the project was already made available to the Sasan on time. Further during exit conference Managing Director stated that Sasan attempted to aggressively bring forward the commissioning date, which did not materialize as planned.

The reply is not acceptable as the Company accepted the plea of Sasan that the COD was delayed due to Company's failure in meeting its obligations and accordingly revised the COD. Further Unit I was delayed by four months from original COD and Unit II, originally scheduled for COD in December 2013 had not achieved COD till January 2014.

Delay in commissioning

2.1.11.3 The Company entered into a PPA (January 2011) with Bina for purchase of concessional power (five *per cent*) and tariff based power (65 *per cent*) from

their 1250 MW Thermal Power Project[28] to be established at Sirchopi, Tahsil Bina, District Sagar, Madhya Pradesh. In terms of PPA for tariff based power, Bina was liable to pay LD for delay in achieving COD as determined in the PPA.

The Bina sought (January 2012) four months extension for the COD of Unit-I (Phase-I) due to unprecedented heavy rainfall. Company accepted to the request and accordingly the COD was revised to July 2012. Bina achieved COD with a delay of 30 days from the extended COD. No LD was however imposed for delay beyond the period of extension granted by the Company.

Similarly, extension for COD of Unit-II (Phase I) sought by Bina was accepted by the Company and COD was revised to February 2013. Bina however achieved COD on 7 April 2013 with delay of 37 days. In this case also, no LD was imposed by the Company for delay beyond the extension granted.

The Company faild to impose LD of ₹ 10.89 crore for the delay as per provisions of PPA.

Thus, delay in achieving COD by the Developer for Unit-I & II resulted in delay in availing energy from the units. Besides, the Company failed to impose LD of ₹ 10.89 crore for the delay as per provisions of PPA.

We further observed that the Company did not include the clause of LD in the PPA for concessional power. As a result, the Company could not impose LD for the delayed CODs.

The Government stated (November 2013) that an agreement was reached not to levy LD as the Company had also defaulted in providing letter of credit (LC) on time in terms of the PPA for which LD amounting to ₹ 98.60 crore was payable by the Company.

Reply is not correct as the penalty for not providing LC was payable only if there was delay in commissioning test due to default of the Company. We did not find any evidence that the commissioning test was delayed due to failure of the Company to provide LC and thus the Company was not liable for any penalty.

Non-recovery of Liquidated Damages for short supply of power

2.1.11.4 As per PPA with Bina, the Developer was liable to pay LD to the procurer at the rate of ₹ 10000 per day/ MW for delay of 60 days and ₹ 15000 per day/ MW for delay in making the required availability of contracted capacity. However, the Developer was given option to supply energy from alternative generation source at par with agreed rates up to the period of 12 months.

In spite of short supply of 6719.60 MW, the Company did not levy LD of ₹ 6.72 crore.

Unit-I of Phase-I (250 MW) started power supply from 31 August 2012. We noticed that 26920.32 MW was required to be supplied by Bina as per PPA for the period from 31 August 2012 to 31 March 2013. The Developer however supplied only 20200.92 MW due to difficulties in stabilisation of the plant. LD of ₹ 6.72 crore leviable in terms of the PPA for the short supply of 6719.60 MW was not levied by the Company.

[28] Consists of two phases i.e. Phase-I for 500 MW (2X250 MW) and Phase-II for 750 MW (3X250 MW).

The Government stated (November 2013) that the Company would source the shortfall in supply by the IPP as and when the power position so warrants. In exit conference the Principal Secretary (Energy) stated that Bina was a revival project and it was a conscious decision of the Government to give relief to the Developer to make it possible for the Project to be revived. Reply confirms the fact that LD was not levied as provided in the PPA and any relief beyond what is provided for in the PPA amounted to undue benefit to the developer and had an impact on the cost of procurement of power by the State.

Additional expenditure on Operation & Maintenance Expenses

2.1.12.1 PTC India Limited(PTC) entered (August 2005) into a PPA with Torrent Power Generation Ltd. (Torrent) for purchase of power of 100 MW initially for five years and to be reduced to 50 MW for ten years thereafter from their gas based Thermal Power Project (1100 MW) established in Gujarat State. In January 2007, PTC entered into an agreement with the Company for supply of power of same capacity. As per the agreement entered into by the Company with PTC, the PPA between PTC and Torrent was an integral part of the contract.

The Company did not appeal to CERC against the additional burden without any visible benefits, resulting in additional expenditure of ₹ 25.69 crore and committed additional expenditure of ₹ 8.39 crore.

Tariff for power from the project was to be determined by CERC on an application/ petition filed by Torrent in terms of the PPA. Based on the petition filed by the Torrent in June 2009, CERC approved the Capital Expenditure and determined the tariff in January 2010. In its petition, Torrent claimed O&M expenses, which were higher than the normative O&M expenses of ₹ 14.80 lakh/MW to ₹ 18.49 lakh/MW fixed by CERC for the period between 2009-10 and 2013-14. Higher claim was made by Torrent on the plea that advance class machine/ technology was used in the power plant, which would increase the plant availability from 85 to 88 per cent. The CERC, considering the plea, relaxed the norms by invoking its power[29] under CERC (Terms and Conditions of Tariff) Regulations 2009 and approved O&M expenses at rates between ₹ 26.70 lakh/ MW and ₹ 29.68 lakh/ MW, which was 60 to 69 *per cent* higher than the norms.

The Company accepted the additional burden of ₹ 25.69 crore for the period from April 2011 to June 2013 and committed additional expenditure of ₹ 8.39 crore for the remaining period of nine months (July 2013 to March 2014).

We observed that the higher plant availability would result in higher generation and as a result higher revenues to the developer without any corresponding benefits to the Company, which had to pay higher O&M expenses. The Company however did not approach CERC for sharing of benefits accruing to the developer. During the exit conference the Principal Secretary (Energy) accepted the facts and stated that the Company would consider the feasibility of filing an appeal against the CERC's order.

[29] The CERC may relax any of the provisions of these Regulations on its own motion or on an application made by an interested person.

Capping of Fixed Charges

2.1.13 The Annual Fixed charges were determined based on the financial parameters outlined in MPERC/ CERC and the rate fixed in the PPAs should not exceed in any case.

2.1.13.1 According to the PPA between Torrent and PTC, based on which agreement for purchase of power between Company and PTC was drawn, the fixed charges would not exceed as initially agreed between the parties. As per Schedule-E annexed to the PPA between Torrent and PTC, the annual fixed charges for the period commencing from the date of COD of the Project to fifteenth anniversary of the COD would be ₹ 0.83 per unit.

Torrent, however, requested PTC to increase the fixed charges due to increase in the rate of interest on borrowing, working capital and increase in O&M expenses etc. and PTC accordingly requested (June 2009) the Company either to increase the tariff from ₹ 0.83 to ₹ 1.12 per unit or to accept the tariff as approved by CERC. The Company sought (September 2009) opinion on the PTC's request from its legal advisor, who opined (November 2009) that the Company should insist for enforcement of original PPA with capping of fixed at ₹ 0.83 per unit. The Company without waiting for receipt of legal opinion, acceeded to the demand of PTC (October 2009).

Failure of the Company to insist on terms agreed in the PPA/ PSA resulted in additional expenditure of ₹ 24.51 crore towards fixed charges and committed to incur an additional cost of ₹ 145.96 crore.

CERC determined (January 2010) the fixed charges at ₹ 1.08 for the period from March 2011 to March 2013 and the Company had started paying fixed charges accordingly from March 2011.

Thus, due to failure of the Company to insist on terms agreed in the PPA/ PSA, the Company had to incur an additional expenditure of ₹ 24.51crore (***Annexure-2.1.6***) towards fixed charges for the period from March 2011 to March 2013 and also committed to incur an additional cost of ₹ 145.96 crore (***Annexure-2.1.6***) for the remaining period up to 15th anniversary of the COD as envisaged in the PPA.

During the exit conference the Principal Secretary (Energy) stated that the rates of power shall be decided under Section 62 and 63 of the Electricity Act 2003 and there was no provision for capping of fixed cost in the Electricity Act 2003. Reply is not acceptable as the Company's own Legal advisor had opined that Company should insist for enforcement of original PPA with capping of fixed charges and no records were produced to Audit to show that capping of fixed charges was against the provisions of the Electricity Act.

Commission paid to an intermediary for inter-state power purchase

2.1.14.1 The Company entered four agreements with PTC for procurement of power, based on the PPAs between PTC and IPP. Thus, the PPAs were integral to the agreements with PTC. The details of the agreements entered are detailed in ***Annexure-2.1.7.***

It could be seen from the ***Annexure-2.1.7*** that the Company has to pay trading margin to the PTC for power supplied from IPPs through the agreements. Till

May 2013, the IPPs have supplied 2033.43 MUs and the Company paid ₹ 10.17 crore towards trading margin to PTC.

Had the Company considered the option to enter into PPA directly with IPPs established outside the State, it could have avoided the payment of ₹ 10.17 crore towards trading margin to PTC and prospective avoidable payment of trade margin of ₹ 875.48 crore.

We observed that there was no provision/ condition in any of Regulations/ Acts/ Notifications compelling the Company to have PPAs from outside State through PTC. It could therefore have considered the option to enter into PPA directly with IPPs established outside the State as it did in the case of Jharkhand Integrated Power Limited in September 2008 and avoided the payment towards the trading margin to PTC. The prospective avoidable payment on trading margin to PTC worked out to ₹ 875.48 crore for the remaining tenure of the agreements as detailed in ***Annexure-2.1.8.***

The Government stated (November 2013) that at the time of execution of the agreements with PTC, the financial position of the Company was not sound and Developers were not willing to enter into agreement with the Company directly, as PTC was willing to supply power, agreements were executed with PTC for procurement from IPPs on long term basis.

The reply is not acceptable as there was no evidence to show that the Company attempted but failed to enter into PPAs due to its financial position. As IPPs within the State did not have reservations in entering into PPAs with the Company, the Company would have been able to enter into interstate PPAs also, if it had intended to. This is further evidenced by the fact that the Company entered into 117 PPAs (including one PPA entered for procuring power from outside the State) with IIPs without any intermediary and only four agreements were entered into through PTC.

Miscellaneous

Non-inclusion of clause relating to sharing of penalties levied by the Developers on the fuel suppliers for short supply of fuel

Due to higher cost of energy charges, the Company scheduled lower capacity than the contracted capacity and paid idle capacity charges to the extent of ₹ 36.38 crore.

2.1.15.1 Bina Power Supply Company Limited entered into Fuel Supply Agreement (FSA) with Central Coalfields Limited (CCL) / South Eastern Coalfields Limited (SECL) for procurement of coal for its 1250 MW thermal power project. According to the FSA with CCL/ SECL were liable to pay compensation to the Bina, if they deliver the coal below Annual Contracted Quantity (ACQ). We observed that Bina received coal from CCL and SECL below the ACQ due to which Bina had to purchase the deficit quantity of coal from open market/ through imports. As a result, the rate of energy charges increased from ₹ 2.708 per unit to ₹ 3.144 per unit during September 2012 to January 2013. Due to higher rate of energy charges, the Company decided to draw less power than contracted from February 2013 and paid idle capacity charges to the extent of ₹ 36.38 crore ***(Annexure-2.1.9)*** based on 100 *per cent* of the contracted capacity during the period from February to May 2013.

Further, we observed that while the Company allowed Bina to procure coal from open market/ imported coal to meet shortfall in supply and also paid idle capacity charges, the Company had not included an enabling clause for sharing of compensation received by Bina from the fuel supplier as per the terms of FSA.

The Government stated (November 2013) that the credit from fuel supplier was received by the IPP for grade-slippage, oversized stones, short delivery etc. was already being adjusted in landed price of primary fuel and therefore, non-inclusion of this clause would not affect the energy charges annually. It was also stated that there was a three year moratorium on compensation from CCL to Jaypee Bina. The reply of the Government is not relevant as FSA did not cover short supply with reference to agreement quantities. Further, according to FSA, for short supply/ lifting, a separate claim has to be preferred for compensation and there was no evidence from the record made available to audit that such compensation was adjusted by Bina in the bills. Further, the moratorium on adjustment of shortfall of supplies safeguards the interest of CCL and the IPP, but the additional cost on open market purchase/import of coal due to shortfall in supply will have to be suffered by the procurer. Therefore, the Company should take necessary steps to insulate it from the burden arising from FSA by suitable changes to the PPA, which was agreed to by the Managing Director.

Excess Land Allotment

2.1.15.2 As per PPA for procurement of grid connected solar power on long term basis, land was to be allotted/ acquired at the rate of two hectares per MW for Solar Photo Voltaic (PV) projects. We observed that in case of Acme Solar Energy Private Limited, as against 50 hectares to be allotted, 74.914 hectares was allotted, whereas in case of Welspun Solar M.P. Limited, as against 50 hectares to be allotted 98.279 hectares was allotted by GoMP for their 25 MW each capacity Solar PV Projects. Thus, land to the extent of 73.19 hectares was allotted in excess of requirement.

Similarly, as per CEA Guidelines 2007, the land required for 6X660 MW Thermal Power Station at Chitrangi with indigenous coal was 3280 acres (0.83 Acres/ MW), against which, 3466 acres were allotted by GoMP to RPL, resulting in excess allotment of 186 acres.

The Government stated (November 2013) that the State Nodal Agency for new and renewable energy viz., MP Urja Vikas Nigam provides necessary support to facilitate land acquisition for solar projects and total land to be allotted for solar developer depends on the terrain of the land as it would not be possible to install solar panels on undulated land. In case of the thermal power project, Government stated that land requirement was dependent on the location of the associated auxiliaries like location of the reservoir, distance of coal mine from plant etc. Reply confirms the fact that land was allotted in excess of requirement for the Projects as per PPA and CEA guidelines. Allotment of land in excess of the provisions results in higher cost of project and resultant higher tariff.

Monitoring and Control

2.1.16 Energy bills would be raised by the IPPs on the Company on the seventh day of each month basis for the concessional and tariff based power supplied during the previous month. On receipt of power bills from the IPPs, the Company scrutinises the bills, passes them and makes payment after pre-audit. On scrutiny

of the bills passed and payments made by the Company, the following deficiencies were noticed in Audit:

2.1.16.1 There was no mechanism for technical verification of landed cost of coal/ gas, Gross Calorific Value (GCV) of primary fuel and secondary fuel being used and claimed as energy charges by the IPPs in their bills, either by the Company or a third party Agency. In the absence of the said mechanism, the possibility of payment of un-authenticated claims cannot be ruled out.

The Government stated (November 2013) that after amendment to the regulation by CERC in December 2012, the information was being submitted by the generators along with the monthly bills. The Managing Director during the exit conference stated that the Company was trying to improve the procedure for payment of power procured and verification of landed cost of coal, GCV etc.

The reply confirms that the accuracy of bills of IPPs was not being verified to prevent the possibility of payment in excess of due.

2.1.16.2 For PPAs entered into with the IPPs for procurement of tariff based power, rebate clause for payment of any Bill before Due date was included, whereas no such clause for rebate was included for concessional power. In two of the eight PPAs[30] for concessional power, supply had commenced. We noticed that the Company in certain cases, had paid bills in advance of the due date for concessional power by one to 30 days.

The Government stated (November 2013) that the model PPA for concessional power specifically excluded the rebate clause. During exit conference, the Managing Director stated that the Government did not consider it appropriate to provide for Rebate clause, since only payment made for concessional power was for fuel, which was essentially reimbursement for the fuel used in the plant.

Reply is not acceptable as the Company/ Discoms are paying interest on loans taken for working capital needs and therefore payment of bills before due date was not in the financial interest of the Company/ Discoms when there is no rebate clause for early payment. Hence, the Company should either make payment only on the due date or should consider inclusion of rebate clause in concessional power PPA to reduce its financing cost.

Due to changes incorporated in the Rebate Clause, the Company had foregone an amount of ₹ 53.02 lakh.

2.1.16.3 In terms of a PPA entered into with Bina for procurement of 65 *per cent* of the installed capacity of power, rebate was to be allowed if the payment was made within 21 days from the date of receipt of bill as compared to 30 days allowed in model PPA. Due to changes in PPA with reference to model PPA, the Company had forgone a rebate of ₹ 53.02 lakh on rebate during the period from December 2012 to May 2013.

The Government stated (November 2013) that being a revival project, it was agreed to provide payment within 21 days instead of 30 days. As the payment period and rate of rebate considered for the purpose of tariff was not as per model PPA, entering into PPA with terms beneficial to the IPP resulted in foregone

[30] (i) BLA Power Pvt. Ltd. (ii) Bina Power Supply Company Ltd.

rebate and the fact that this was a revival project was not relevant. During exit conference the Principal Secretary (Energy) agreed with audit view and directed the Company to consider this aspect at the time of filing petition before MPERC for tariff fixation in future.

Payment of surcharge due to default in making timely payment

2.1.16.4 As per provisions of PPAs entered into with IPPs for procurement of non-conventional source of power, when payment of any bills payable under the Agreement was delayed by the Company beyond due date, Late Payment Surcharge (LPS) would be payable by the Company to IPPs at prescribed rates.

Due to default in making timely payment of energy bills in respect of 12 IPPs, the Company incurred LPS of ₹ 6.02 crore.

Test check of energy bills submitted by the IPPs during the period from April 2012 to June 2013, indicated that the Company had defaulted in making timely payment of energy bills in respect of 12 IPPs and incurred LPS amounting to ₹ 6.02 crore (***Annexure-2.1.10***).

The Government stated (November 2013) that the receipts of the Company had always been short of payment requirements and therefore delay in payments could not have been avoided. It further stated that LPS has not been paid to any IPP except Manganese Ore Industries Limited. The fact however remains that the Company had paid bills in advance of the due date to IPP as commented in para 2.1.15.2 ibid and therefore the reply that the Company could not have avoided delay in payments was not borne out of facts.

Payment of LPS due to deviation from norms

Deviation in the norms for number of days allowed for payment of energy bills resulted in avoidable LPS of ₹ 94.97 lakh

2.1.16.5 On scrutiny of PPAs, it was noticed that the Company had agreed for payment period as 30 days instead of 60 days as prescribed in MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations 2009/ CERC (Terms and Conditions of Tariff) Regulations 2009. As a result, the Company had incurred an avoidable LPS of ₹ 94.97 lakh in respect of four PPAs, from which power supply had started. Besides, by adopting payment period at variance with regulations, the Company would incur additional LPS in all the PPAs during the currency of the contracts.

The Government during exit conference replied that the matter would be brought before the MPERC for factoring the reduction of due days for making payment of bills from 60 days to 30 days while determining the final tariff.

2.1.16.6 Internal Audit is an essential tool to strengthen the management by constructive appraisal of the operations including the review of internal control, policies, plans and procedures.

We observed that the Company did not have an internal audit wing and the work of internal audit was carried through Chartered Accountant firms. Scope of Internal Audit work did not include the work relating to core activities of the Company viz., billing and payments made to power suppliers, purchase of power, sale of power, letter of credit or escrow agreements entered by the Company etc, and was limited to assistance in preparation of accounting statements, statutory

compliances and other issues in connection with the Company's financial statements.

Due to narrow scope of internal audit, the work of audit committee of the Company regarding review of internal audit report and action taken thereon was also very limited.

The Statutory Auditor in his report on the Annual Accounts for the year 2011-12 opined that the scope of internal audit was insufficient and not commensurate with the size and nature of the business of the Company and needs further strengthening.

Thus, there is a need for strengthening of internal audit to address the risk areas in the changing business environment.

During exit conference, the Principal Secretary (Energy) agreed to strengthen the monitoring and control of the Company.

Conclusion

The Company failed to achieve the targeted procurement of power on long term basis. The Company deviated from MoU/ IA/ Model PPAs/ PPAs entered into with IPPs and failed to enter into agreement with RPL even after finalisation of bids.

The Company failed to insist on terms agreed in the PPA/ PSA resulting in additional expenditure towards fixed charges on procurement of power due to removal of capping of fixed charges. It incurred avoidable expenditure on commission due to procuring power through intermediary instead of procuring directly. The Company failed to include the clause relating to sharing of penalties levied by the Developers on the fuel suppliers for short supply of fuel.

The Company did not levy liquidated damages for delay in commissioning beyond the period for which extension was granted. Monitoring mechanism for processing of bills and payment procedure were deficient resulting in loss of rebate and avoidable payment of LPS. Scope of work for Internal Audit is not commensurate with the size and operations of the Company.

Recommendations

The Company needs to

- adhere to its planning in procurement of power and ensure compliance of the Guidelines/ Policy issued by Central/ State Governments from time to time;
- implement and adhere to the provisions of the Acts/ model PPAs/ PPAs;
- explore an alternative system to avoid purchasing power to meet long term power needs through power trading company;

- insert a suitable clause in the PPA to insulate it from the loss arising due to the failure of the Fuel Supplier/ IPPs in delivering/lifting the contracted quantity of fuel.; and
- strengthen its monitoring mechanism and internal audit.

2.2 Review on the working of Madhya Pradesh Laghu Udyog Nigam Limited, Bhopal

Executive Summary

Introduction

Madhya Pradesh State Laghu Udyog Nigam Limited (Company) was incorporated in December 1961 as a wholly owned Government Company to promote Small Scale Industries (SSIs) by providing marketing, financial, technical and managerial assistance. The Government of Madhya Pradesh has reserved 149 items, for preferential purchase from SSI sector of the State, through the Company only, under its Store Purchase Rules (SPR). The Company collects Service Charges/Commission from Suppliers on supplies made by the suppliers to the Government Departments, which is a prime source of its income.

Planning

Company had not prepared any promotional plan including financial plan for the development of SSI units in the State. The Company did not assess the impact of the fairs and Reverse Buyer Seller Meets. The actual achievement of business targets ranged between 80.50 and 120.51 per cent during the period 2008-09 to 2012-13. The Company could not achieve the targets fixed in MoU during the years 2009-10, 2011-12 and 2012-13. The percentage of SSIs availing the marketing assistance ranged between 0.28 and 0.49 per cent of total SSI registered with Department of Industries, GoMP.

Marketing Activity

The business of Marketing department decreased from ₹ 667.15 crore in 2008-09 to ₹ 529.60 crore in 2012-13 due to decrease in business of reserved items. The penalty deducted for delay in Government supplies amounting to ₹ 1.68 crore, till March 2012 has not been paid to Government departments. The Company did not evolve a system to verify the eligibility of SSI units with reference to Industrial Development Act for allowing proper price preference of 10 per cent to state based units over all India tender.

The Performance of other departments of the Company

The divisions of Estate and Construction Department (E&C) split up the deposit works in parts and kept the Probable Amount of Contract very proximate to ₹ five lakh and avoided publishing in news papers. The E&C Department adopted differential practice for deduction and remittance of royalty to the government exchequer. The Company failed to include an interest clause for delayed payments of bills in respect of construction of Navodaya Vidyalaya buildings

The profitability of the emporia was mainly due to inclusion of commission earned on sales of marketing items to Government Departments, agencies, bodies etc. for which marketing wing of the Company was established. In Delhi and Rewa emporia, the stock holding was more than their turnover. The Company has not framed any policy for disposal of non- moving stock. The agreements entered into for renovation of five of its emporia did not provide for levy of penalty in case of delay in completion.

The Raw Material Depot, Bhopal earned profit and Indore, Jabalpur and Gwalior Depot earned profits due to inclusion of commission from marketing of products

manufactured by SSIs. There was shortfall in lifting of iron and steel items against the quantities to be supplied by steel manufacturers, as the number of SSI units procuring iron and steel items reduced from 146 in 2008-09 to 102 in 2012-13. The procurement of coal ranged from 72.45 to 86.26 per cent against the allotment and the Company could assist only 455 coal consuming units as against total 19471 units in the State.

The turnover of the Company increased from ₹ 151.92 crore in 2008-09 to ₹ 223.05 crore in 2011-12 (46.82 per cent), while the net profit of the Company increased only from ₹ 13.18 crore in 2008-09 to ₹ 13.76 crore in 2011-12 (4.40 per cent). The profit is mainly due to income earned through interest on Fixed Deposit Receipts, while its operational activity was decreasing. The Receivables of the Company as at the end of March 2008 was ₹ 5.72 crore, which increased to ₹ 9.44 crore as on March 2012. The Company did not frame any long term investment policy to invest its surplus fund.

Manpower Management

The Company had not done reassessment of its manpower requirement.

Monitoring and Internal Control

There was no mechanism to ensure procurement of reserved items directly by the government departments which were reserved for procurement through the Company. The Company also does not have a system of verifying whether the beneficiary units were SSIs in terms of Micro Small and Medium Enterprises Development Act, 2006. The Company does not have an independent IT Cell/Wing to implement the information technology system. The Company did not have a separate internal audit wing and the internal audit work was assigned to the CA firms. The scope of internal audit is limited to physical verification of stock and preliminary checking of accounts, leaving core area of activities unaudited.

Introduction

2.2.1 The Madhya Pradesh Laghu Udyog Nigam Limited (Company) was incorporated (December 1961) as a wholly owned Company of the Government of Madhya Pradesh (GoMP) with a view to promote Small Scale Industries (SSIs) by providing marketing, financial, technical and managerial assistance. Activities of the Company include finalising rate contract for reserved items under Stores Purchase Rules (SPR) as well as non reserved items[1], civil construction works and renovation works of Government Organisations, selling handloom and handicraft items, arranging procurement of raw material[2] required by the SSIs, extending testing facilities[3] for the products, etc. Thus, the working of Company is multi-dimensional. The Company has three Regional Marketing Offices[4], four Raw

[1] Items which are not covered under SPR
[2] Iron & Steel and coal
[3] mechanical, electrical, pharmaceuticals, civil works material etc.
[4] Gwalior, Indore and Jabalpur

material depots[5], eight Emporia[6], eight Estate and Construction Divisions[7] and two Testing Laboratories[8].

To ensure the growth of Company, the GoMP fixes targets every year for various activities of the Company and signs a Memorandum of Understanding (MOU) with the Company. The GoMP has reserved 149 items, for preferential purchase from SSI sector of the State, through the Company only, under its SPR. The Company is recognised as a nodal agency not only for procurement of reserved items but also for the non reserved items not covered under SPR. In order to meet its expenses, the Company collects service charges/commission from Suppliers on the supplies made by the suppliers to Government Departments/ State Public Sector Undertakings etc. which is a prime source of income to the Company. Further, the Company earns supervision charges on the construction works executed on deposit work basis. The Company operates emporia for the sale of handloom and handicraft items.

The Management of the Company is vested in a Board of Directors (BoD) consisting of six Directors[9] (March 2013). The Managing Director (MD) is the Chief Executive Officer and is assisted by five Chief General Managers[10] followed by Deputy Chief General Managers and General Managers as per organizational chart at ***Annexure-2.2.1.***

The Paid-up capital of the Company was ₹ 2.83 crore as on 31 March 2013. The Company finalised its accounts up to 2011-12 and earned profit after tax of ₹ 13.76 crore against turnover of ₹ 223.05 crore as on 31 March 2012. Against the sanctioned strength of 535 employees, 346 employees were working in the Company as on 31 March 2013.

Scope and Methodology of Audit

2.2.2 The working of the Company for the period 2003-04 to 2007-08 was earlier reviewed in the Audit Report of the Comptroller and Auditor General of India (Commercial) for the year 2007-08 Government of Madhya Pradesh. The Committee on Public Undertakings (COPU) discussed (July 2011) the Review and its recommendations are awaited. We reviewed the action taken on the assurances given by the Management before COPU and these have been incorporated under the relevant paragraphs in the present Review. The present Review, conducted during April to July 2013, assessed the performance of the Company during the period 2008-13 covering 14[11] of the 25 units for detailed field study selected based on its turnover.

[5] Bhopal, Gwalior, Indore and Jabalpur

[6] Bhopal, Gwalior, Indore and Jabalpur, Rewa, New Delhi and Kolkata (two)

[7] Bhopal (two), Gwalior (two), Indore, Jabalpur, Satna and Raipur (now situated at Bhopal)

[8] Indore and Jabalpur.

[9] Six directors consisting of Chairman, Managing director, two executive (GoMP) nominated by GoMP from the executives of Commerce & Industry and Finance Department respectively and two non executive directors

[10] Finance and Accounts, Emporium, Estate and Construction, Marketing, Technical and Coordination

[11] Regional Marketing Offices-Gwalior, Jabalpur, Indore, Mrignayni Emporia at Bhopal, Indore, Gwalior and Jabalpur, Testing lab-Indore, Estate & Construction divisions-Bhopal-I, Bhopal-II,Gwalior-I,Gwalior-II, Jabalpur and Indore

The audit methodology adopted with reference to the audit criteria consisted of scrutiny of records at the Head Office[12] and the selected units, interaction with the audited entity's personnel, analysis of data obtained from the Management Information System (MIS) with reference to audit criteria etc.

2.2.3 We explained the audit objectives to the Company during the Entry Conference held on 18 April 2013, which was attended by the Managing Director of the Company and representatives of Government. Audit findings emerging from the Review were reported (August 2013) to the Company and the State Government and discussed (November 2013) in the Exit Conference, attended by the Additional Chief Secretary (ACS), Department of Commerce and Industries, GoMP and Managing Director of the Company. The views expressed by the Management/Government in the Exit Conference and through their replies (October 2013), have been taken into consideration while finalising the report.

Audit Objectives

2.2.4 The objectives of the Review were to ascertain whether:

- Long term and short term plans were prepared to achieve the objectives of State Industrial policies and MoUs for providing assistance in procurement, financial, marketing and technical and management matters in respect of the small scale industries;
- the marketing activity was carried out with reference to provisions of Stores Purchase Rules and Memorandum and Articles of Association of the Company;
- the operation of various departments of the Company was carried out economically, efficiently and effectively in providing adequate/ reasonable assistance to SSIs in the State and compliance to the provisions of Public Works Department manuals;
- the Company had an effective and efficient financial management system;
- manpower management in the Company was effective and efficient for its operation; and
- adequate system of monitoring and internal control were in place.

Audit Criteria

2.2.5 The audit criteria adopted for deriving audit findings were drawn from:

- Industrial Promotion Policies-2004 and 2010 framed by the GoMP for the promotion of SSI units;
- Annual Memorandum of Understanding (MoU) entered into between the Company and GoMP;
- SPR and provisions of Micro, Small & Medium Enterprises (MSME) Act, 2006;
- Memorandum and articles of association of the Company;
- General principles of contract as well as provisions of State and Central Public Works Department manuals; and
- Agenda and minutes of meetings of Board of Directors of the Company.

[12] At Bhopal.

Audit findings

Planning

Industrial Promotion Policies

2.2.6 Department of Commerce, Industry & Employment (C&I), Government of Madhya Pradesh (GoMP) framed Industrial Promotion Policy in 2004, which was subsequently revised in 2010 with the main objective of promoting industrial investment in the State with special attention on promotion of small and medium enterprises. As determined by the above Industrial Promotion policies, the Company was required to take steps on the following:

- to establish vendor development and linkage between SSI and other units in developed industrial growth centres such as Pithampur, Malanpur, Mandideep to achieve zero inventory level for improving competitiveness and work efficiency of SSI & tiny sector units;
- to extend uninterrupted and easily available financial support to small industries through banks and financial institutions;
- expansion of marketing activities by organisation of buyers-sellers meet, trade fairs etc. and establishment of Urban hats (Mela) at Indore and other suitable places for expansion of marketing and display of small scale industries products under the marketing scheme of Development Commissioner (Handicrafts), Government of India.
- In the interest of small scale industries, complete transparency would be brought in working procedure of the Company and getting store purchase rules amended to increase supplies through SSI.

Audit analysis revealed the following:

The Company had not prepared any promotional and financial plan for development of SSIs with reference to vendor development as desired in Industrial Promotion Policy

- The Company had not prepared any promotional and financial plan for the development of SSI units in the State. Further, Company had not planned for vendor development and establish linkage between SSI and other units in developed industrial growth centres to achieve zero inventory level of SSIs for improving its competitiveness and work efficiency of SSI and tiny sector units as desired in the industrial policy.
- The Company organised six international and ten national fairs during the period covered under Review. However, the Company did not assess the impact of the fairs and inadequacies in its exhibition to improve the performance through the trade fairs and fact remained that the Company did not have a mechanism to evaluate the impact of fairs in development of micro & small industries in the State.
- The Company organised four Reverse Buyers Sellers Meet[13] (RBSM) during the period covered under Review and executed 237 MoUs

[13] RBSM presents a unique opportunity to major international buyers to interact with SSIs for sourcing their product requirement from Madhya Pradesh.

amounting to ₹ 2082.58 crore in these RBSMs. However, the Company did not maintain data base of the MoUs, which had actually translated into business for the State. Absence of a system to monitor and pursue materialisation of business arising out of the meets, would deprive the Government from assessing the impact of the efforts of the Company in development of industries in the State.

- There were 1181732 unregistered SSI units[14] as per fourth all India census (2006-07) of MSME. While the Company had been doing business of marketing, raw material supply assistance, etc with the units registered with DoI, it has not so far developed any long term/ short term plan for assisting the unregistered SSI units so as to make them eligible for the financial/technical support from the Company/Government.

- The all India SSI census (2006-07) also indicated that 44.5 *per cent* and 15.01 *per cent* units were sick due to marketing problems and non availability of raw materials respectively. The Company had not made any efforts to identify such sick SSI units for assistance.

- Though the Company's marketing department invites tenders on e-portal for procurement and supplies to Government department, it did not display the details of SSI unit wise supply orders, quantity, and value placed for ensuring transparency. Besides, product range and capacity of the suppliers to execute the orders in terms of quantity and value was also not displayed.

The Government in its reply stated (October 2013) that the Company has organised RBSM, Micro Small Medium Enterprise Summits etc. by inviting prospective buyers of products manufactured by SSI units. It further stated that tender notices, rate list and details of units/products for which agreements were entered into had also been displayed on e-portal.

The Company however did not ensure transparency as envisaged in the industrial promotion policy by displaying distribution of supply orders in terms of quantity, value and capacity of the units. The reply had not addressed the absence of vendor development programme, financial and promotional plan for development of SSI units and assistance to unregistered SSI units.

ACS in Exit Conference (November 2013) stated that the Government was looking at the role of the Company as a promotional agency of SSI units instead of the presently predominant role as suppliers to the Government.

Targets and achievements

MoU was not drawn with reference to objectives/targets set in the Industrial Promotion Policy

2.2.7 The Company enters into MoU every year with the GoMP, which contains targets of business, profit, dividend to GoMP, timely completion of projects etc. to be achieved. However, audit scrutiny of targets revealed that there was no linkage in fixing targets with reference to Industrial promotion policy of the Government other than target fixed for enlistment of 5000 new SSI units in 2012-13. The

[14] Units which are not registered with Directorate of Industries, (DoI) GoMP.

performance of the Company vis-à-vis the targets fixed in MoU did not thus ensure fulfillment of policy objectives of the Government.

The particulars of targets in terms of overall business vis-à-vis achievements[15] there against and percentage thereof is given below for the period 2008-09 to 2012-13:

Table number 2.2.1 **(₹ in crore)**

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
Targets	876.33	1093.05	889.80	1032.95	1113.00
Achievements[16]	1056.03	879.86	997.43	960.64	1076.83
Percentage	120.51	80.50	112.10	93.00	96.75

Source: Data furnished by the Company

The targets and achievements of the Company in various segments of its activities for five years ending 31 March 2013 are given in ***Annexure-2.2.2***. The actual achievement of targets ranged between 80.50 and 120.51 *per cent* during the period 2008-09 to 2012-13. However, the Company could not achieve the targets fixed in MoU during the years 2009-10, 2011-12 and 2012-13. We observed that the reason for shortfall in the business was direct procurement by the major indenting departments[17]even for items[18] which were reserved for procurement through Company. Further, decrease in sale of iron and steel as discussed in ***Para No 2.2.12***. We further observed that the Company was entering into MoU with the Government without ascertaining the annual requirement of the indenting departments.

The Government in its reply stated (October 2013) that the procurement budget of various departments were not known to the Company and major indenting departments have been placing work orders on contractors registered with Public Works department of GoMP, which included supply of reserved items for which the Company has no control.

As the Company was entrusted with the responsibility of assisting in growth of SSI in the state it should have taken up with the Government to ensure that orders for supply of items reserved for SSI units of the State are not procured from other sources.

Growth of SSI

2.2.8 As per Memorandum and Articles of Association (MoA) of the Company, the Company was responsible for promotion and assistance of SSI units by providing marketing, financial, technical and managerial assistance. However, we observed that the company provided mainly marketing assistance to the SSI units. The details of number of SSI registered with the Directorate of Industries (DoI),

[15] Contains monetary targets of various departments of the company i.e marketing, estate & construction, emporia, raw material, business development cell and technical department.

[16] The achievements represent overall business undertaken by the Company and will not match with turnover shown at annexure 2.2.6 as the latter includes only the commission on direct business.

[17] Public Health Engineering (PHE), Irrigation/Water resources and Local Administration.

[18] Galvainised Iron pipe/reinforcement CementConcrete pipe Hume/ Unplasticised poly vinyl chloride (UPVC) pipe

GoMP vis a vis number of SSI assisted through marketing activities by the Company during the period from 2008-09 to 2012-13 are given in table 2.2.2:

Table 2.2.2

Year	Registered with the DoI	Assisted by the Company	Percentage of assistance
2008-09	117592	580	0.49
2009-10	137336	660	0.48
2010-11	157038	655	0.42
2011-12	177138	611	0.34
2012-13	197024	560	0.28

Source: Data furnished by the company and Directorate of Industries.(DoI)

SSI units availing marketing assistance from the Company decreased from 0.49 per cent (2008-09) to 0.28 *per cent* (2012-13) of total SSIs registered with Department of Industries, GoMP

We observed that SSI units availing marketing assistance from the Company decreased from 0.49 *per cent* (2008-09) to 0.28 *per cent* (2012-13) of total SSIs registered with Department of Industries, GoMP. The main reasons for declining percentage in assistance rendered to SSI units as observed in Audit were reduction in the business of reserved items and Company's failure to explore the market for unreserved items produced by the SSI units of the State.

The Government stated (October 2013) that information regarding number of registered units dealing with the products marketed by the Company was available with GoMP. The reply confirms that the Company did not have information on the products manufactured by SSI units registered with the Government to render assistance. As a result, the Company provided assistance only to units which approached them due to which, assistance rendered by the Company has been consistently decreasing.

Marketing activity

Marketing Assistance

2.2.9 The Company finalises rate contract for reserved and unreserved items, which are valid for one year. An element of service charges/commission[19] receivable by the Company from the suppliers is also included in the rates finalised against the tenders floated. The finalised rates of various products are circulated for the benefit of buying departments and are notified on the website of the Company.

The business of marketing department was decreased due to decrease in business of reserved items

The overall business through the Marketing department of the Company decreased from ₹ 667.15 crore in 2008-09 to ₹ 529.60 crore in 2012-13 and the business of reserved items[20] through SSI units during the same period decreased from ₹ 455.21 crore to ₹ 355.20 crore.

While GoI, had reserved 350 items for exclusive purchase through SSI units, GoMP reserved only 149 items through SPR. The matter for enhancement of the list, deletion of obsolete[21] items and addition of new items were not taken up by the Company with GoMP.

[19] two *per cent*

[20] Medicines, GI pipes, ISI mark hume pipes, Caste Iron Detachable (CID) joints etc.

[21] About 20 items which are no longer in demand, like typewriter, gland rope, ink and ribbons etc.

The Government stated (October 2013) that the major indenting departments have been placing work orders on contractors including supply of reserved items for which the Company has no control. It further stated that the matter regarding revision of SPR was under consideration of GoMP.

The reply confirms that the Company had not so far (December 2013) devised a plan to increase the business of SSI units either by ensuring procurement of reserved items through the Company or by taking steps enlarge the basket of items reserved for procurement from SSI units.

Improper management of indents

2.2.9.1 Store Purchase Rules-14[22] provides for placing of indents by the indenting Departments on the Company for supply of reserved items. The State Government directed (October 2007) all the indenting departments to send the indents electronically to the Company to make the process more transparent and to avoid receipt of indents from departments by the Company through unauthorised intermediaries[23]. In compliance to the above Government order, the Company intimated all the indenting departments, in February 2009, that indents be sent through electronic means.

We observed that:

- The company continued to receive indents by post and through messengers, which amounted to violation of Government instructions. The Company had not received any indents through electronic means till March 2013. Thus, the Government's objective of keeping intermediaries/ mediators away and bringing transparency to the process had not been ensured by the Company. Besides, this also resulted in extra expenditure to the departments as discussed in succeeding paragraph.

The Government accepted (October 2013) the fact and stated that the Company has started (April 2013) obtaining indents through electronic medium.

- In 53 cases of the supply of cement during the period 2011-12 and 2012-13 and the supply of RCC fencing poles during the year 2011-12, indents obtained from the department were retained by mediators/suppliers for periods ranging from 14 days to 310 days in case of Cement and for periods ranging from 50 days to 83 days in case of supply of RCC fencing poles. After the rates for the items were revised upwards by the Company, the indents were submitted to the Company for issue of supply orders. This resulted in extra cost of ₹ 23.20 lakh on cement and ₹ 3.67 lakh on procurement of RCC fencing poles to the departments and corresponding undue benefit to the suppliers.

  The Government in its reply (October 2013) stated that the respective departments and not the Company was responsible for the belated receipt of indents. Further, Company stated that it brought the issue to the notice

[22] Articles produced or manufactured by SSIs shall be purchased through the Company only.
[23] Like SSI units, agents etc.

of indenting departments. The fact remained that the Company has failed to ensure that only indents received through electronic means were accepted and as a result intermediaries continued to influence the submission of indents and issue of supply orders.

Allowance of price preference to ineligible units

2.2.9.2 The Company invited[24] tenders for procuring galvanised mild steel tubes; un plasticised poly vinyl chloride rigid pipes/casing pipes etc. to meet the requirement of various Government Departments on all India basis. As per the prevailing policy of the GoMP, in respect of all India tender, price preference was to be given to state based SSI units up to 10 *per cent* over the lowest offer received against the tender.

The Industries (Development and Regulation) Act, 1951 (IDA) read with notifications/clarifications/orders issued from time to time, defines SSI and ancillary industrial undertaking.[25]

The Company placed[26] supply orders on M/s. STL Exports Ltd by giving price preference for SSI unit of the State. Besides, orders were also placed on M/s. STL Extrusion Pvt. Ltd and M/s. Siddhartha Marketing Services Ltd. All the three companies were part of the Siddharth Group of Industries as some of the Directors of these companies were having business interest in other group companies by way of directorship/equity holding.

The Company passed price preference to the ineligible unit to the extent of ₹ 11.63 crore

We noticed that the companies of this group do not fall under the definition of SSI in terms of the IDA and therefore ineligible for price preference, as the gross block of assets and investment in plant and machinery of Siddharth Group was more than ₹ 5 crore as per their Balance Sheet for the year 2007-08 to 2011-12. Price preference given to M/s STL Exports Ltd in procurement of GI pipe to the extent of ₹ 11.63 crore was therefore not in order. This not only resulted in undue benefit to the supplier but also resulted in extra cost in the form of price preference to the indenting departments of the Government.

The Government in its reply (October 2013) stated that these companies were SSI units and have no relation with each other and not being managed and controlled by Directors of other related companies.

The reply is not acceptable as the group companies have significant influence in each other as per records available. Besides, we noticed that the Company did not verify the investment in Plant & Machineries from the audited Balance Sheet of

[24] December 2010 and August 2012

[25] Investment in plant & Machinery more than twenty five lakh Rupees but does not exceed five crore Rupees determined as SSI. Further, where an industrial undertaking is a subsidiary of, or is owned or controlled by, any other industrial undertaking or undertakings and if the total investment in fixed assets in plant and machinery of the first mentioned industrial undertaking and the other industrial undertaking or undertakings clubbed together exceeds the limit of investment prescribed.

[26] During the years 2011-12 and 2012-13

the above mentioned three companies to determine their eligibility for price preference as SSI units.

ACS in Exit Conference (November 2013) instructed the Company to examine the issue and take necessary action.

Irregularities noticed in finalisation of tenders by marketing department

2.2.9.3 Tender for supply of laptop, computers and desktop with peripherals was invited in March 2008, wherein eligibility for participation was limited to firms having turnover of not less than ₹ 500 crore. One SSI unit viz. HLBS Pvt. Ltd. Bhopal, which had a turnover of less than ₹ 500 crore offered its rate against the tender, though the firm did not fulfill the eligibility criterion. The Company however considered the offer as it was from a SSI unit and placed (2008-09) orders on the firm for supply of computers valued at ₹ 18.90 lakh. Changing the eligibility criteria at the time of placement of order not only vitiates the tender process but also result in depriving other SSI units an opportunity to participate in the tender. Besides, inviting bids from non-SSI units, when such items are being manufactured by SSI was against its own objective of promotion and development of SSIs in the State.

The Government stated (October 2013) that the offer of HLBS Tech. Pvt. Ltd. was considered as it was a SSI unit in the State and after this tender, the Company has incorporated the relaxed criteria of past performance and qualification for SSI units of the state in the tender document. The fact remained that the Company deviated from its objective of promoting SSIs in the State by incorporating a condition of turnover. Further, finalising the procurement without giving opportunity of participation to other SSI units led to undue benefit to the firm.

Supply of DI pipes from the firms having doubtful business integrity

2.2.9.4 The Company invited (March 2012) all India tender for supply of duct iron pipes to meet the requirement of Government Departments.

We noticed that during the process of evaluation of the tender, the Company became aware that one of the tenderers M/s Rashmi Metalics Limited, Kolkata had been black listed by Government/ Government bodies in some states due evasion of revenue, involvement in fraud and irregularity in supplies. The Company, however, placed orders of ₹ 1.06 crore on the firm during 2012-13.This not only resulted in undue benefit to the firm but also risked the interest of the indenting departments in obtaining quality supply on time.

The Government in its reply (October 2013) stated that there was no provision in special terms and conditions of tender documents and general terms and conditions of the tender to debar the firms that were involved in evasion of Government revenue and the firm therefore could not be debarred by the Company. It was further stated that the point was noted for future compliance.

The reply is not acceptable as the Company was aware that the material supplied by the firm to various Government undertaking/Departments in the country were sub-standard and of poor quality. The Company should therefore have re-invited

bids after incorporating necessary conditions as placement of order on such firm would lead to compromising quality, which is against the interest of GoMP.

Performance of other departments of the Company

Performance of Estate & Construction (E&C) Department

2.2.10 The Company has an Estate and Construction wing (E&C). As per the articles of Association of the Company, civil works relating to construction, maintenance and administration of industrial estates and industrial areas for small scale industries are only permitted to be undertaken.

The Company however, under took construction of schools, hostels, Primary Health Centers of Government on deposit work basis. The wing also undertook interior decoration and renovation work of offices of other Corporations/offices and gets supervision charges as remuneration. The Company received funds of 174.79 crore and utilised ₹ 163.00 crore during 2008-09 to 2011-12[27].

Execution of deposit works

2.2.10.1 As per the requirement of the depositing agency, the Company prepares estimates (including contingencies and supervision charges) and accordingly, receives funds for the execution of deposit works after getting Administrative Approval from the concerned agency. The work is generally executed as per provisions of the Public Works Department (PWD) Manual of the State/Schedule of Rates (SoR) and other related orders and instructions of the PWD department/ Company from time to time. The works awarded by the Company to contractors were also based on SoR of PWD.

We observed that the Company had so far (December 2013) not adopted some of the provisions of manual and orders of the PWD department as discussed below:

- The PWD introduced (April 2010) the system of e-tendering for the tenders where estimated cost was ₹ 10.00 lakh or above. In May 2012, e-tendering was introduced for all works irrespective of value. The Company however introduced (September 2011) e-tendering only for the works where estimated cost was in excess of ₹ 25 lakh.
- The GoMP also started (February 2007) a portal for e-procurement in construction works, supply of materials etc. by the government departments, agencies, boards, public enterprises and other organizations of the State, where tenders could be uploaded for better transparency and wider publicity. The Company however uploaded only the tenders where estimated cost was above ₹ 25 lakh.
- As per the PWD Manual, tenders were to be accepted by the competent authority as per actual cost[28] of the work and not as per the Probable Amount of Contract (PAC) of the work. We however noticed in 35 test checked cases, where the actual cost of the work ranged between ₹ 25.47 and 34.77 lakh, that the tenders were accepted by the CGM (E&C)

[27] Information for the year 2012-13 not available due to non finalisation of Accounts.

[28] Probable Amount of Contract (PAC)+/- rates quoted by the contractor (in percentage w.r.t. SOR)

considering Probable Amount of contract (PAC) as the basis, though the competent authority as per actual cost of work was the Managing Director.

The Government in its reply (October 2013) stated that the Company had issued (August 2013) orders to follow e-tendering for all the works, irrespective of the amount involved and assured compliance of PWD manual for acceptance of tender in excess of ₹ 25 lakh.

Lack of transparency in tender publication in News Papers

2.2.10.2 As per the decision (March 2010) of the Managing Director, in line with the provisions of PWD manual, all the works relating to construction activities whose estimated cost of works exceeded ₹ five lakh were to be published in news papers for wider publicity.

The Company kept the PAC below ₹ five lakh in order to avoid publishing tenders in news papers.

During test check of tenders invited by the divisions, we observed that in 790 cases, the divisions recorded the PAC below ₹ five lakh (ranged between₹ 4.50 lakh and ₹ 4.99 five lakh) and avoided publishing in news papers. In 13 test checked cases, we noticed that the actual expenditure ranged between ₹ 7.23 lakh and ₹ 24.96 lakh.

We further observed that the deposits received from various Government agencies/departments against works were in lump sum and estimates were also prepared for the entire work to be executed for the same client and at same premises[29].The works were however split up for finalisation of tenders in parts and thereby the requirement of sanction from higher authorities and publication in news papers were avoided. Three test checked cases, where the works were split into 34 parts are given in ***Annexure-2.2.3***.

The Government in its reply (October 2013) accepted the fact and stated that the Company had issued (August 2013) orders to follow e-tendering for all the works, irrespective of the amount involved and publication of tenders in news paper. Managing Director agreed in exit conference (November 2013) with the views of the audit and assured to enquire the details of works which were split up to avoid approval by higher authorities.

Deduction of royalty from the final bills

2.2.10.3 The Mining Resources Department, GoMP directed (July 2004) that the minor minerals used in the construction works attracts advance deposit of royalty and the royalty deducted from contractors' final bills would not be refundable till Non objection Certificate (NoC) from the Mining department is produced by the contractor.

We observed that divisions of the E&C department of the Company adopted differential treatment for deduction of royalty with reference to material utilised in the works. While Indore Division retained royalties of ₹ 34.48 lakh during the period from 2008-09 to 2012-13 against works completed, Gwalior, Satna and

[29] The estimates of a particular deposit work were split up though the deposit was received for a composite work which was to be executed in the premise.

Bhopal divisions obtained *affidavits*[30] from the contractors at the time of settlement of final bills instead of retention of the amount of royalty.

As the orders of the GoMP will prevail over the order of the Company, final payment to contractor based on submission of affidavit was not in line with Government orders.

The Contracts did not contain a clause prescribing the time limit within which NOC of Mining Department should be produced, failing which the amounts would be credited to Government Account. As a result, the amounts withheld since 2008-09 by Indore division remained to be credited to the Government account.

The Managing Director in exit conference assured to adopt uniform treatment of royalty withheld by all the divisions.

Non inclusion of interest clause in the agreement

2.2.10.4 The Company entered in to agreements for construction of Navodaya Vidyalaya building in various districts of Madhya Pradesh, Chhatisgarh and Odissa with Navodaya Vidyalaya Samiti. The terms and conditions of the agreements included payment to the Company by Navodaya Vidyalay Samiti on presentation of monthly RA bills.

The Company could not recover an amount of ₹ 10.01 crore, which was pending for payment by Navodaya Vidyalaya Samiti for the period ranging from 3 to 32 months.

We noticed that against various works executed by the Company relating to the agreements, ₹ 10.01 crore was pending for payment by the Samiti for periods ranging from 3 to 32 months, for which specific reasons were not available on record. We further noticed that the Company failed to include a clause for timely payment of bills and interest for the delayed payments by the Samiti. The loss of interest on blocked capital calculated at the rate[31] of eight *per cent* per annum worked out to ₹ 72.24 lakh for the period from August 2011 to November 2012.

Chief General Manager (E&C) in exit conference (November 2013) stated that the matter is being pursued with the concerned department. The Company being a commercial organisation should have executed the works only on deposit basis and not by employing its own funds.

Performance of the Emporium Department

2.2.11 The Company operates eight emporia engaged in sale of handloom and handicraft items. The handloom/handicrafts items are normally purchased from weavers and artisans of the state and the selling price is fixed by increasing the purchase price by 60 *per cent.* Besides, some items reserved for procurement under Store Purchase Rules were also handled (April 2001) by the Emporium Department. The business of emporium department increased from ₹ 28.23 crore in 2008-09 to ₹ 112.64 crore in 2012-13 as shown in ***Annexure-2.2.2*** and achieved targets fixed in MoU except in the year 2012-13. The profit of the emporium department increased from ₹ 0.76 crore in 2008-09 to ₹ 2.99 crore in 2012-13.

The increased profitability of the emporia was mainly due to inclusion of commission earned on sales of marketing items.

[30] stating that contractor paid royalty on material used and in case any dues are found he will be responsible and will make himself present in the Office as and when called for.
[31] Minimum interest rate of FDRs during review period.

We observed that the increased profitability of the emporia was mainly due to inclusion of commission[32] earned on supply of marketing items[33] to Government departments. Bhopal and Kolkata emporia earned profits even after excluding marketing commission during review period but other five emporia[34] incurred continuous losses if the commission earned on marketing items, were excluded.

The Government in its reply (October 2013) accepted the fact and stated that profitability of certain emporia was due to the commission earned on MVS.

Inventory management in Emporia

2.2.11.1 The term inventory management describes the effective method of controlling objects and activities and ensuring that they get to the right place at the right time all within a cost parameter. The emporium-in-charge procures materials based on the market trend, price, previous rate, quality, customer demand of goods to be sold etc. The inventory held by different emporia during the period 2008-09 to 2012-13 has been tabulated in ***Annexure-2.2.4.***
We noticed that:

- The Company was not having norms prescribed for holding of stock in various emporia either through purchase manual or through executive instructions.
- The percentage of closing stock to sales was maintained by Bhopal emporia was the lowest among the emporia which ranged between 11.33 and 18.22 *per cent* during the year 2008-09 to 2012-13.
- The closing stock in Rewa (2011-12 and 2012-13) and New Delhi (2008-09 and 2009-10) was more than their annual turnover leading to unwanted accumulation of stock and resulted in blockage of funds apart from deterioration of stock which was alarming.

The Government in its reply (October 2013) stated that the Company considers its inventory as a whole and examines the inventory on the basis of year wise inventory level.

As the emporium wise inventory level during the period covered under the review was alarming, the Company needs to fix norms for inventory holding for individual emporium.

Lack of policy in disposal of old inventory

The stock to the extent of ₹ 1.10 crore was lying unsold for more than two years as at the end of March 2013

2.2.11.2 The Company in physical verification stock statement incorporates the position of stock remaining unsold. We noticed that stock to the extent of ₹ 1.10 crore was lying unsold for more than two years as at the end of March 2013. The following is the position of inventory at cost price in emporia in table 2.2.3:

[32] Two percent on reserved items and five percent on non-reserved items.
[33] Stationery, phynial, soap, toys etc.
[34] *Indore, Jabalpur, Gwalior, Rewa, New Delhi*

Table 2.2.3 (₹ in lakh)

Name of emporiums	Stock 1-2 years old	Stock 2-3 years old	Stock 3-5 years old	Stock 5-10 years old	Above 10 years old
Emporium, Indore	24.55	2.10	0.60	1.35	1.41
Emporium, Jabalpur	12.99	1.95	1.37	0.43	0.26
Emporium, Gwalior	3.13	3.14	0.81	0.50	Nil
Emporium, Bhopal	11.42	3.42	2.12	1.40	0.28
Emporium, Rewa	17.07	1.02	0.25	10.54	Nil
Emporium, Delhi	264.56	20.15	8.08	4.99	2.19
Emporium, Mrignayni-Kolkata	28.25	15.45	4.01	1.73	5.61
Emporium, Awanti-Kolkata	13.41	6.30	5.19	3.32	Nil
Total	**375.38**	**53.53**	**22.43**	**24.26**	**9.75**
Grand Total		**109.97**			

Source: Information furnished by the Company

We further noticed that:

- The Company has also not analysed reasons for non movement of stock for the period exceeding ten years.
- The Company has not framed any policy for disposal of non- moving stock.
- Above inventory also includes damaged stock of ₹ 32.53 lakh as on March 2013, however, the realisable value of the same was₹ 19.54 lakh. Thus, the Company suffered a loss of ₹ 12.99 lakh on damaged stock due to reduction in realisable value of the stock. The Company has not taken any action for early disposal of the stock so far (November 2013).

The Government in its reply (October 2013) accepted the fact and stated that a policy in this regard will be formed.

Goods sent on approval not returned

The durable goods worth ₹ 24.41 lakh were sent on approval of customers, but were not returned or adjusted through sales in the stock statement as on March 2013.

2.2.11.3 The term 'Goods sent on approval' means arrangement under which items of durable nature are provided to a prospective customer for a pre purchase trial. These items are returnable in resalable condition within seven days from the date of issue. if not accepted for purchase. If the goods are not returned within seven days, the goods are liable to be billed.

We observed that non durable goods worth ₹ 24.41 lakh were sent on approval to customers but were not returned or adjusted through sales in the stock statement as on March 2013.

The Government in its reply (October 2013) stated that the goods sent on approval had been reduced to ₹ 5.12 lakh (October 2013) by either billing the customers or by obtaining return of goods. While action for liquidating the balances of the goods sent on approval had been taken by the Company, after being pointed out by the Audit, no details as to how much was sold or taken back and physical condition thereof was furnished. Further, the Company had not introduced a monitoring mechanism for regular adjustment of goods sent on approval.

Assistance to emporia weavers/craftsmen

2.2.11.4 One of the objectives of the Company was development of weavers and artisans through sale of their products in emporia by marketing support. However,

we observed that growth in the number of venders to whom marketing support was provided by different emporia was very low and in some emporia it had actually decreased. The Company continued to procure items from same venders particularly Indore, Jabalpur and Gwalior emporia. It was also observed that there were 251 venders (2008-09) in eight emporia which marginally increased to 312 (2012-13).

The Government in its reply (October 2013) stated that the emporia normally purchase their products through weavers and artisans of MP, the decision is being taken purely on commercial basis and the purchase cannot be driven by objectives of their development only, though the number of weavers and artisans can be increased subject to availability and the quality of products offered.

The objective of the emporia was to promote the weavers and artisans of the State, but the Company procured material mainly from manufacturers and suppliers instead of weavers and artisans. Thus, the objective of providing marketing assistance to weavers and artisans had been very limited.

Renovation of emporia

2.2.11.5 With a view to cater to the demands of changing shopping habits of the consumers and increasing the turnover, Company decided to renovate its emporia to make it more consumer friendly with the core objective of promoting the products of the weavers and artisans of the state. The Company accordingly, took up work of renovating six[35] of its emporia during the period from 2008-09 to 2012-13 at a cost of ₹ 3.55 crore. While sales and profit after renovation increased in two[36] emporia, it decreased in Jabalpur emporium. In respect of remaining three emporia, renovation work was completed only during 2013-14.

The Company enters into agreement with the contractors entrusted with the work of renovation specifying the time period for completion. As the company is in the business of trading handicraft and handloom products through its emporia, any delay in completion of renovation work will have direct impact on its sales and profit arising from such sales.

The Company short levied the penalty of ₹ 15.50 lakh on account of delay in renovation of Indore

We noticed that in the agreements entered into for renovation of six of its emporia, no clause for levy of penalty in case of delay in completion of work was incorporated in five[37] contracts. In the case of renovation of Indore Emporium, the agreement with M/s Antique Interior Designer, Gwalior contained a penalty clause according to which, a penalty of ₹ 10000 for each day of delay was leviable. The renovation work of Indore Emporium was completed by the contractor after a delay of six and half months for which penalty amounting to ₹ 19.70 lakh was leviable. The Company however levied a penalty of only ₹ 4.20 lakh. This resulted in short levy of penalty of ₹ 15.50 lakh and undue advantage to the contractor to that extent. Besides, due to delay in renovation work, Company lost consignment sale of ₹ 57.00 lakh in Indore emporium.

[35] Emporia- Bhopal, Kolkata, Indore, Jabalpur, Gwalior and Rewa
[36] Bhopal and Kolkata
[37] Emporia- Bhopal, Kolkata, Jabalpur, Gwalior and Rewa

In the absence of an enabling clause for levy of penalty, in respect of Bhopal and Jabalpur emporia the Company could not secure its interest though the renovation work was completed after delay of 10 and 12 months respectively.

The Government in its reply (October 2013) accepted the fact and stated that the tender condition related to renovation of emporium have been revised and suitable penalty clause would be included in future renovations. Further, it stated that the committee considered the delay of 42 days for penalty in respect of Indore emporium and imposed penalty of ₹ 4.20 lakh.

The reply is not acceptable as penalty leviable as per the agreement was ₹ 19.70 lakh against which the company levied only ₹ 4.20 lakh. Further, the agreement did not stipulate any clause under which either time extension can be granted or delay in execution could be condoned/reduced. We recommend that the Company may consider uniform clauses in the agreements entered into by all the emporia after ensuring that financial interests of the Company are secured.

Performance of Raw Material Department

2.2.12 The activities of the Company include assistance to SSI units dealing with procurement of iron and steel required by the units as raw material. The Raw Material Department (RMD) sells iron & steel allotted by Steel Authority of India Limited (SAIL) to the Company for supply to SSIs. Further it is also engaged in supply of reserved[38] and non-reserved[39] items to Government Departments.

The details of business done by the Raw Material Department (RMD) during the period covered under Review are mentioned in ***Annexure-2.2.2***. It was observed from the ***Annexure-2.2.2*** that business of RMDs decreased to ₹ 192.74 crore in the year 2012-13 from ₹ 253.87 crore in the year 2008-09 due to reduction in sale quantity of iron & steel to the SSI units as discussed below.

Table 2.2.4

Year	Allocation of steel in MT by main producer	Availed/lifted quantity in MT	Shortfall in lifting (in MT)	Shortfall in lifting in percentage
2008-09	25694	16158.420	9535.58	37.11
2009-10	25695	15223.645	10471.355	40.76
2010-11	25695	11040.906	14654.094	57.04
2011-12	25695	14496.512	11198.488	43.58
2012-13	25695	12329.384	13365.616	52.02
Total	**128474**	**69248.867**	**59225.133**	

Source: Data furnished by the Company

We observed that the percentage of shortfall in lifting of Iron & Steel against allocated quantity varied from 37.11 to 57.04 *per cent* during 2008-09 to 2012-13. We further noticed that the number of SSIs getting supplies through the Company had reduced from 146 in 2008-09 to 102 in 2012-13. The Company did not have information on the number of SSI units requiring Iron & Steel for

[38] 51 items out of 149 reserved items
[39] cement etc.

their production activities to determine the scope for improving the performance of its depots and in turn increase its assistance to SSI units of the State.

The profitability of Raw Material depots were mainly due to inclusion of commission from the marketing of reserved and non-reserved items indicating that depot' main activities continued to incur losses.

The Government in its reply (October 2013) accepted the fact and stated that the GoI has decontrolled (1992) the iron and steel business and the low off take was due to competition from private dealers. Fact remained that the Company failed to review the need for continuance of its depots, if the business of Iron & Steel by the Company, after decontrol was not contributing to the growth of the SSI units.

Further, only the Bhopal depot was earning profit from sale of raw material items to SSIs. We observed that though the RMD at Indore, Jabalpur and Gwalior reported profits, the profit of the depots were due to inclusion of commission from the marketing of products manufactured by SSIs. Thus the depots are incurring losses in its main activity viz. sale of raw material to SSI units.

The Government in its reply (October 2013) stated that the working results of RMDs were improving. The reply is however silent on the fact that the depots were suffering losses in their main activity. Reply also did not address the issue of RMD undertaking marketing activities when a separate marketing department was already in existence.

Cancellation of supply orders placed on SSI units

2.2.12.1 The Company executes annual rate contract with SSI units for supply of stainless steel utensils, which is an item reserved under Store Purchase Rules (SPR). Indents for procurement of utensils are mainly received from Woman and Children Welfare Department (WCWD), GoMP. We noticed that Company placed supply orders of ₹ 47.10 crore for the supply of stainless steel utensils, of which orders amounting to ₹ 19.87 crore were cancelled by WCWD during the period covered under Review, on the ground that the quality of utensils supplied was poor. The Company did not take up with WCWD against cancellation as the defective quantity could have been replaced under the terms of agreement with the SSI units, besides imposition of penalty on them.

Further, this was a reserved item under SPR and it is obligatory on the departments to procure the same from the Company only. The Company however did not watch if the requirements for cancelled items were met by WCWD through procurement from the market subsequently. As SSI units would have already mobilized resources to supply material to WCWD as per orders placed, cancellation of order without compensation to SSI units would affect the growth of the SSI units in the State. We however noticed that no provision existed in the agreement between WCWD and the Company for imposing penalty on cancellation of order.

The Government in its reply (October 2013) stated that WCWD, at its own discretion cancelled the order and Company was left with no option but to cancel the supply orders given to the SSI units. Further, it was also stated that the matter of compensation to SSI units would be taken up with the concerned department.

Performance of Business Development Cell (BDC)

2.2.13 As per the coal supply policy, the Company was nominated by the GoMP for supply of coal to small and medium enterprises in the State. The Business Development Cell (BDC) of the Company carries out the activities to assist SSI units in procurement of coal. The Company enters into a Coal Supply Agreement with the South Eastern Coalfields Limited (SECL)/Western Coalfields Limited (WCL) for procurement of coal to be allotted to SSI units of the State. The Company earns five *per cent* as commission on the basic price of coal. The position of allocation by coal companies and distribution of coal to SSI units is given in the table 2.2.5:

Table 2.2.5

Year	Allocation of quota in MT by Coal Companies	Availed/lifted quantity in MT	Shortfall in MT	Percentage of lifting to total allocation
2008-09	349999	268199	81800	76.63
2009-10	565000	459342	105658	81.30
2010-11	616000	531382	84618	86.26
2011-12	667000	483240	183760	72.45
2012-13	667000	538530	128470	80.74

Source: Data furnished by the Company

The short lifting of coal was ranged from 72.45 to 86.26 *per cent* against allocation during 2008-09 to 2012-13.

It could be seen from the above table that the lifting of coal against allocation ranged from 72.45 to 86.26 *per cent.* The Company assisted only 455 coal consuming units as against total 19471 units[40]in the State, which represented only 2.33 *per cent* of units having coal as main source of power. The reasons for short lifting were mainly due to inferior grade of coal.

We further observed that, as per the coal allotment procedure, the utilization of coal for every quarter by the units has to be verified by the General Manager (GM) of the District Trade and Industries Center (DTIC) and the Company before allotment of next quarter coal. The Company, however, did not have a system of verification and is relying on the certificate given by the unit and countersigned by the GM (DTIC).

The Government in its reply (October 2013) accepted the fact and the CGM (BDC), in the exit conference stated that due to inferior grade of coal, the lifting was at lower side and also assured to take up the matter with coal companies.

The Company should devise a mechanism to make it possible for the small scale units to draw coal under this arrangement so that the entire quantity allotted is lifted, which in turn would assist the development/growth of SSI units.

Performance of Technical Department

2.2.14. Technical cell performs the duty of making specifications for articles to be supplied and pre-inspection before its supply and estimation of work for determining the reasonability of tendered rates and preparation of feasibility report of SSI/MSI units, for which fees at specified rate is recovered. There are two testing laboratories at Indore and Jabalpur opened for sample testing of

[40] As per SSI census 2006-07 by GoI

government/non government organization under the Technical cell. The details of the sample received from the Government and private parties are given in the table 2.2.6:

Table 2.2.6

Year		No. of samples received and tested				
		2008-09	**2009-10**	**2010-11**	**2011-12**	**2012-13**
Testing Lab, Indore	From Government Deptts.	1274	2323	1676	1397	2148
	From Private parties	1228	1104	1653	1274	1580
	Total	2502	3427	3329	2671	3728
Testing Lab, Jabalpur	From Government Deptts	2287	1855	1638	1814	1800
	From Private parties	292	549	791	705	461
	Total	2579	2404	2429	2519	2261

Source: Data furnished by the Company

We noticed that:

- the facility intended for aiding the small/medium sector units in testing of samples was primarily used for testing samples received from Government departments/organisations.

- testing fees structure was revised only once in 2010-11 during the period of 2008-09 to 2012-13, though there was regular increase in staff and establishment cost.
- the testing labs did not maintain records of the samples brought to the lab that could not be tested due to non-availability of facilities.

The Government (October 2013) accepted the facts and stated that the rates of testing charges were revised in 2010-11 and in the view of increase in expenditure under various heads, the rates would be revised. It further agreed to maintain records of samples brought at the lab but could not be tested due to non availability of facilities.

Financial Management

Financial position and working results of the Company

2.2.15 The financial position and working results of the Company for 2008-09 to 2011-12 as per audited accounts are given in ***Annexure 2.2.5 and 2.2.6.***

We observed that:

- The turnover of the Company increased from ₹ 151.92 crore in 2008-09 to ₹ 223.05 crore in 2011-12 (46.82 *per cent*), while the net profit of the Company increased only from ₹ 13.18 crore in 2008-09 to ₹ 13.76 crore in 2011-12 (4.40 *per cent*). The rate of growth in profit was lower due to higher rate of increase in administrative expenses and employees cost, imposition of service tax on supervision charges earned by E & C department from 2010-11.
- Profit includes income from deposits held by the Company which increased from ₹ 8.24 crore (2008-09) to ₹ 15.59 crore (2011-12). Thus, if

interest income is excluded, the profit would have been ₹ 12.13 crore in 2008-09, which would further decrease to ₹ 8.37 crore in 2011-12.

- The return on Capital employed decreased from 28.56 *per cent* in 2008-09 to 18.01 *per cent* in 2011-12, indicating deteriorating performance of the Company.

Failure to monitor realisation from Sundry Debtors

The Company did not have any age wise and party wise records of Sundry Debtors and system for timely reconciliation of the same.

2.2.16 The Company did not have any age wise and party wise records of Sundry Debtors. The sundry debtors of the Company stood at ₹ 5.72 crore, ₹ 7.28 crore, ₹ 7.31 crore and ₹ 9.44 crore during the year 2008-09, 2009-10, 2010-11 and 2011-12 respectively. The debtors of ₹ 3.06 crore of New Delhi emporium represented 48.96 *per cent* of all the emporia debtors of ₹ 6.25 crore as on March 2012.

The Company did not have a system of obtaining confirmation from the debtors on the dues receivable to make necessary adjustment to the receivables. As a result, name of parties from whom ₹ 11.42 crore was receivable and name of parties to whom 12.94 crore recorded as payable were not known to the Company. The Government in its reply (October 2013) accepted the fact and CGM (F&A), in exit conference, stated that the work of reconciliation was under progress.

Fund Management

The Company did not frame any long term investment policy to invest its surplus fund and a mechanism to assess the requirement of fund for ongoing deposit works to derive maximum return through prudential investment plan.

2.2.17 The Company had been investing its internally generated surplus funds and unspent deposits received from various Government departments for execution of civil works in Fixed Deposits (FDs). The investment in FDs increased from ₹ 116.27 crore (March 2009) to ₹ 209.18 crore (March 2013) and the Company earned interest of ₹ 46.35 crore during 2008-09 to 2011-12. The Company did not frame any long term investment policy to invest its surplus fund and a mechanism to assess the requirement of fund for ongoing deposit works to derive maximum return through prudential investment plan.

The Government in its reply (October 2013) assured to frame a long term policy for investment of surplus funds.

Non remittance of penalties recovered from SSIs

2.2.18 As per clause 23(1) of the agreements executed between the Company and SSIs, in case supplies are delayed or not found according to the specification/substandard supplies or for any other reason, a penalty equivalent to two *per cent* per month subject to maximum of 10 *per cent* of the value of supplies is to be imposed and recovered from SSIs. We noticed from the records of the Company that penalty deducted against supplies to Government departments was ₹ 1.68 crore as on 31 March 2012, which included ₹ 1.45 crore pertaining to the period prior to 2008-09.

We further noticed that the Company retained above amounts without any specific consent or approval of the State Government and had shown the same as liability not remitted (as on March 2012) into the accounts of the State exchequer. This resulted in unauthorised retention and use of penalties by the Company as its working capital.

The ACS in Exit Conference (November 2013) directed the Company to sort out the issue at the earliest with concerned departments.

Charging of excess commission

The emporium department of the Company charged service charges/commission in MVS scheme at the rate five *per cent* on unreserved items As a result, excess commission of ₹ 3.45 crore was recovered from the Government departments.

2.2.19 The Company introduced (March 2001) Mrignayani Vipnan Seva (MVS) scheme for the supply of various items[41] to the Government Departments through its Emporia and also issued[42] instructions for its implementation. The main objectives of the scheme were to fulfill small requirements of the Government Departments at regional level. Initially, 17 items were identified to be covered under the scheme for marketing and supply purpose. During the period 2009-13, five emporia at Bhopal, Indore, Gwalior, Jabalpur and Rewa secured business of ₹ 122.37 crore and earned services charges/commission of ₹ 5.90 crore.

As per the Rule 16 of the SPR, the service charges/commission charged by the Company should not exceed two *per cent*. The emporium department of the Company charged service charges/commission in MVS scheme at the rate five *per cent* on unreserved items and two *per cent* on reserved[43] items. As a result, excess commission of ₹ 3.45 crore was recovered from the Government departments.

Thus, charging of excess three *per cent* commission was against the rule 16.

The Government in its reply (October 2013) stated that charging of five *per cent* service charges was decided by the BoDs of the Company and MVS tenders were now floated through e-tendering system. However, MD in exit conference (November 2013) agreed to review the rates of commission and take corrective action.

It is true that five *per cent* service charges were approved by the BoDs but, relevant provision of Rule-16 of SPR was not mentioned in the Agenda items.

Human Resource Management

2.2.20 Management of manpower is one of the important factors in achieving the organizational objectives of a Company. The Company's sanctioned staff strength was fixed at 535 in 1986 and same has not been reassessed so far (March 2013). The working manpower position is detailed in Table 2.2.7

Table 2.2.7

Sl. No.	Cadre	*Sanctioned strength*	Regular Working strength	On deputation	On contract after retirement	Total men in position
1.	CGM, Dy.CGM, GM	**45**	36	01	01	38
2.	Managers	**85**	36	01	--	37
3.	Assistant Managers, Accountants etc.	**296**	194	03	05	202
4.	Others	**109**	80	--	--	80
	Total	**535**	346	5	6	**357**

Source: data furnished by the Company

[41] All textile materials, uniforms, musical instruments, stationary, door mates etc.
[42] March 2001 and revised in April 2007 and December 2009
[43] The items specified in rule 14 of SPR as amended from time to time, if any, are only reserved item. Rests of the item of supplies are treated as unreserved.

As the business of the Company is decreasing as discussed in Para No.2.2.7, the Company should have reviewed its manpower requirement and the activities that requires prioritisation for development of SSI units in the state considering the changes in the industrial environment since 1986.

The Government in its reply (October 2013) accepted the fact and stated that the Company is trying to meet its manpower needs by outsourced employees**.** Reply is however silent about reassessment of manpower requirement in view of decreasing business.

Monitoring, Internal Control and Internal Audit

Lack of monitoring by management

2.2.21 The units/field offices prepare periodical performance reports manually and submit to Head Office of the Company. We, however, noticed that the monitoring mechanism in the Company suffered from the following deficiencies, which had impact on its objective of assistance in development and growth of SSI:

- There was no mechanism to assess the quantum of direct purchases made by Government departments of items that were reserved for procurement through the Company in terms of the SPR. As a result, the Company was unable to take up this issue with the Government for ensuring that the business reserved for the Company is not diverted by the department/agencies of the Government.
- The Company did not get the SPR revised for the last more than 20 years though many of the items reserved for procurement through the Company have became obsolete and not being indented by the departments. Some of the new items dealt by the Company are unreserved items and it would help the SSI sector, if such items are got reserved by revision in the SPR.

Implementation of Information Technology System

2.2.22 The Company does not have an independent IT Cell/Wing to implement the information technology system in the Company, despite having turnover of ₹ 223.05 crore in 2011-12 under different segments of business. Further, 25 units located in and outside of the State have not been connected through a centralised server and management has to depend on different software installed at different departments to gather information. The Marketing department of the Company through e-portal published tenders, monitors supplies[44]. The system however does not exhibit on e-portal, the value of supply orders placed on different units as a measure of complete transparency despite its requirement in industrial policy of GoMP. Therefore, the system in use needs up gradation to suit the working of the Company and should be compatible with entire working to save time, cost and access by all officers/genuine users.

[44] Tender wise, supplier wise, value wise, item wise

Internal Control

2.2.23 Internal control system is an essential part of the Management activity. An efficient and effective system helps the Management to achieve its laid down objectives, procedure and financial proprietary discipline. We observed the following deficiencies in the internal control system-

- There was no internal control for recovery and adjustments of very old sundry debtors. (Para number ***2.2.16***)
- Systems for timely disposal of non-moving, damaged and surplus inventory accumulated in the emporiums of the Company were not in place. (Para number ***2.2.11.2***)
- The Company does not have a system of verifying a unit as SSI with reference to MSMED Act, 2006 with the related audited balance sheet of the unit from time to time. As a result, the Company is not in a position to ensure that the benefits meant for SSI are not availed by the units which had become medium enterprises. (Para number ***2.2.9.2***)
- As per the coal allotment procedure, the utilization of coal for every quarter by the units has to be verified by the GM (DTIC) and the Company before allotment of next quarter coal. The Company however did not have a system of verification and is relying on the certificate given by the unit and countersigned by the GM (DTIC). The Company does not also check with the DIC as to whether the countersignatures were made on verification. (Para number ***2.2.13***)
- The tenders floated by marketing, emporia, RMD and E&C departments were not routed through pre audit at corporate level and concurrence of finance department H.O. was not obtained before finalisation thereof. The system needs to be introduced for avoiding any leakage of revenue, extra cost or deviation from compliance of statutory provisions/manual.
- There was no structured mechanism for analysing the reasons for unit wise variance between actuals and budget which would make it difficult for the Company to take effective financial measures for overcoming inadequacies and fund management.
- Absence of a purchase manual relating to emporia business and accounting/ audit manual of the company.

Internal Audit

2.2.24 To keep proper watch on various activities performed by various wings, an adequate internal audit system which is commensurate with the size and nature of business of the Company is essential. It was noticed that the Company had a separate Internal Audit Wing headed by General Manager (Internal Audit) and a Manager, which undertakes physical verification of stock. The Company also use the services of CA firms for audit of cash book, Bank book with related vouchers, Bank reconciliation, advances to employees etc. Thus, the internal audit in the Company is limited to physical verification of stock and preliminary checking of accounts leaving scrutiny of core area of contracts, tenders etc. unaudited.

The Company had also not framed any Internal Audit/Accounts Manual and the internal audit reports had not been submitted to the BoDs. Thus, internal audit system was deficient and ineffective.

The Government in its reply (October 2013) stated that due to shortage of staff, internal audit wing could not be continued and internal audit work has been assigned to Chartered Accountant firms. The Statutory Auditors in their Audit Report for the year 2011-12 also expressed that the internal audit system needs to be further strengthened

The reply was not acceptable as the work assigned to internal auditors was restricted up to preliminary checking of transactions leaving scrutiny of contracts and tenders unaudited.

Conclusion

The Company had not prepared any promotional and financial plan for the development of SSI units in the State and did not assess the impact of the fairs and RBSMs. The Company could not achieve the targets of business fixed in MOUs during the three years up to 2012-13. The percentage of SSIs availing the marketing assistance was insignificant.

The business of marketing department of the Company decreased due to decrease in business of reserved items, non-adherence to the GoMP orders regarding management of indents. The company did not evolve a proper system to verify the eligibility of SSI units for allowing price preference.

Civil deposit works were split up in parts to avoid publishing tenders in news papers and the Company also failed to introduce e-tendering system fully to make the entire process of finalization of tenders and issue of work order transparent and free from defects. The E&C divisions adopted differential practice for deduction and remittance of royalty to the government exchequer and non-inclusion of interest clause in the agreement.

The profitability of the emporia was mainly not due to counter sales. There was no policy for disposal of non- moving stock, goods sent on approval. Company did not levy penalty as per clause of agreement against renovation work of emporia.

The Company could not lift the total quantity of iron and steel allocated by steel manufacturers. Similarly, it could not also lift the total allocated quantity of coal and thus could not provide assistance to SSIs as planned. The testing fee structure was not revised since 2011-12 in respect of Technical labs.

The profit of the Company was mainly due to income earned through interest on FDRs, while its operational profit was in decreasing trend. The receivables management was poor and lacked timely reconciliation. The company has not done reassessment of manpower.

The Company does not have an independent IT Cell/Wing to implement the information technology system and the functioning of internal audit wing was deficient and ineffective.

Recommendations

The Company should endeavor to:

- plan and implement for promotion of SSIs through financial assistance;
- increase the number of SSIs under its marketing activities;
- develop a mechanism to trace out the direct purchases, follow up the revision in SPR with GoMP;
- execute deposit works in more economical and transparent manner by fully utilising the available funds, avoiding splitting of works and framing terms and conditions of contracts to secure interest of depositor departments/institutions with proper application of delegation of powers of executives;
- increase business of emporia by analysing causes of losses, fixing norms for inventory holding and speedy realisation/adjustment of sundry debtors;
- lift and distribute the total allocated quantity of iron & steel and coal to broad base its assistance to SSIs; and
- establish an independent IT Cell/Wing to implement the information technology system, sound internal control and effective internal audit.

2.3 Review on Materials Management of Madhya Pradesh Power Generating Company Limited.

Executive Summary

Introduction

The Madhya Pradesh Power Generating Company Limited, in order to operate and maintain its three thermal plants (total capacity of 3687 MW) and seven hydel plants located in the State, through its 21 stores is providing raw materials/inputs such as coal, oil and critical inventory/spares. Hence, effective management of inventory ensures timely availability of essential items for efficient operations with minimum blocking up of capital by ascertaining needs of stores on time and arranging such materials in the most efficient, economical and expeditious manner.

In order to review status of materials management in the Company a review on this subject, covering transactions from 2010-11 to 2012-13 in respect of all stores attached to three thermal plants was conducted in April to July 2013. The main findings, conclusions and recommendations arising out of the review are summarised below.

Planning and scheduling for Procurement of material

In the absence of any norms fixed in terms of days for publication and awarding of tenders from the date of receipt of indent from user department, the Company had taken time ranging from 38 days to 246 days in publishing Notice Inviting Tender (NITs) and a total of 238 days to 510 days for placing purchase orders, thus affecting its annual planned requirement.

Procurement of materials

In 43 cases where the value of Purchase Order (PO) exceeded ₹ five lakh, the requirement was not published in newspapers as required under its established procedures. Further, the Company had not only foregone an opportunity to obtain competitive rates, but also failed to develop a secondary source of supply to overcome possible contingencies due to placement of 66 POs on single tender basis.

Materials/spares valued ₹ 9.75 crore, was procured without assessing the actual requirement and were found to be lying in excess and inactive at various stores, resulting in blocking up of Company's funds.

Coal losses written off in excess of limits permitted by Madhya Pradesh Electricity Regulatory Commission (MPERC) amounted to ₹50.14 crore (2010-11), ₹35.19 crore (2011-12) and ₹40.50 crore (2012-13) respectively.

Due to excess holding of secondary oil beyond 60 days, the additional carrying cost amounted to ₹ 1.40 crore to ₹ 2.76 crore during 2010-13.

In 164 purchase orders valued ₹ 102.84 crore, the Company waived the tender condition for collecting10 per cent security deposit of ₹ 6.64 crore from the suppliers. In respect of 52 purchase orders, material was not supplied even after lapse of two to three years.

Irregularities in inspection, receipt and issue of materials

As against Company's clear instructions to issue Material Receipt Certificate (MRCs) within seven days from the date of receipt of material at stores for processing payments to suppliers, in respect of 325 supplies against POs, the management delayed issue of MRCs for periods up to 209 days (Sarni), 918 days (Birsingpur) and 101 days (Chachai) respectively.

Introduction

2.3.1 Madhya Pradesh Power Generating Company Limited (Company) is a wholly owned Company of Government of Madhya Pradesh (Government) and is engaged in generation of electricity. It is the successor entity of erstwhile Madhya Pradesh State Electricity Board (MPSEB) and came into being w.e.f. 1 June 2005.

Management of the Company is vested in a Board of Directors (BODs) appointed by the State Government. The day to day operations are carried out by the Managing Director who is the Chief Executive of the Company and is assisted by the Executive Directors, Chief Engineers, Superintending Engineers and Executive Engineers.

To operate and maintain its three thermal plants and seven hydel plants (total capacity of 3687 MW) located in the State, the Company is maintaining 21 stores (thermal- 11 and hydel-10) to provide coal, oil and other critical inventory/spares. Besides, open land/stock yard/tanks are also being used for storing coal and oil.

While on one hand it is essential to ensure availability of raw materials viz. coal and oil, stores and spares for uninterrupted operations and maintenance of generating power stations, on other hand excess inventory holding leads to additional carrying cost on account of interest, storage and handling charges, insurance, record keeping, inspection and risk of deterioration in quality, which adversely affects the profitability of the organization. Hence, management of inventory ensures timely availability of essential items with minimum blocking up of capital in the most efficient, economical and expeditious manner.

Audit Objectives

2.3.2 The objectives of audit were to examine whether:

- system of planning and scheduling for procurement of material existed and was adequate and required funds were provided for procurement;
- inspection, receipt and issue of materials were according to prescribed procedures and

- system for identifying and timely disposal of obsolete, slow and non-moving materials was adequate.

Audit Criteria

2.3.3 Audit criteria, for the purpose of audit were derived from following sources:

- orders and guidelines of Government of Madhya Pradesh Electricity Regulatory Commission (MPERC), MPSEB Purchase and Stores manual/ procedures of Company, terms and conditions of tender/supply etc;
- norms laid down by the Management for holding raw material and stock of spares and categorisation of slow moving, non-moving and obsolete items;
- Agenda and Minutes of BoDs meetings.
- delegation of financial powers at various levels for procurement.

Scope and Methodology of Audit

2.3.4 We reviewed records and systems/procedures relating to procurement and storing of coal, oil and stores/spares for three years 2010-11 to 2012-13 of 11 stores[1] of three thermal plants.

The scope and methodology of Audit were explained to the Management in an entry conference held in April 2013. The audit was conducted during April to July 2013. Audit findings arising out of audit were discussed in an exit conference held with the Government and Management on 21 October 2013. The views and replies of the Government/Management on audit findings have been appropriately incorporated in the review.

Acknowledgement

2.3.5 We acknowledge the co-operation extended by Government and the Company in providing necessary information, records and clarifications for smooth conduct of the review.

Audit findings

Analysis of closing inventory/spares

2.3.6 In terms of MPERC regulations, carrying cost of stores and maintenance spares held in stock to the extent of 20 *per cent* of normative Operation & Maintenance (O&M) expenses would be eligible for tariff fixation. Carrying cost of stores and spares held in excess of the limits prescribed will have to be absorbed by the Company. The table no. 2.3.1 indicates the available closing inventory/spares from 2010-11 to 2012-13.

[1] Includes merged construction division stores

Table 2.3.1 **(₹ in crore)**

Sl. No.	Particulars	2010-11	2011-12	2012-13
1	Coal	74.25	199.39	267.83
2	Oil	34.06	55.77	75.53
3	Stores & Spares	231.17	216.62	269.04
	Total	**339.48**	**471.78**	**612.40**
4	Non-moving stores & spares	44.11	53.28	37.99
5	Percentage of non-moving to total spares	19	24	14
6	Spares qualifying for tariff fixation as approved by MPERC	138.78	145.55	164.66
7	Excess Stock of spares (Sl.No.3-6)	92.39	71.07	104.38
8	Excess carrying cost @ 9 *per cent* p.a.on Sl.No.7	8.31	6.40	9.40

Source : i) Data as obtained from Finance and Stores wing and figures as submitted to MPERC for tariff fixation by the Company.

It can be observed from the above table that even though there is a decline in holding of non-moving inventory/spares from 19 to 14 *per cent* during the last three years, the Company is holding inventory/spares beyond MPERC allowable limits of maintenance spares at the rate of 20 *per cent* of the normative O&M Expenses. The cost of carrying stores and spares in excess of limits worked out to ₹ 8.31 crore, ₹ 6.40 crore and ₹ 9.40 crore during the years 2010-11, 2011-12 and 2012-13, respectively.

While the overall holding of stores and spares ranged between 1.5 and 1.7 months' consumption during the period covered in audit, we observed that inventory holding of some high value items exceeded 24 months' consumption and even beyond. Few such cases are listed in the Annexure 2.3.3 of the Report.

Planning and scheduling for procurement of material

2.3.7 *Timeframe for planning of procurement of material*

2.3.7.1 Up to 2012-13, the Company has not evolved any policy to have an Advance Procurement Plan in place. However, the user departments on the basis of Anticipated Annual Requirement (AAR) of the items mandated for centralised procurement and also the other spares and stores that are required in a year, send indents to the Material Management (MM) department at Corporate Office who is

responsible for centralised procurement[2] of goods. The requirement of users is compiled and consolidated by MM department before publication of Notice Inviting Tender (NIT). Thereafter, the tendering procedures are followed and with the prior approval of competent authority, orders are placed on the successful suppliers/ bidders.

During test check of AAR of centralised items, which were consolidated and finalised by Chief Engineer/Material Management (CE/MM), Jabalpur, we noticed that no time limit for sending the annual requirements was prescribed by the MM department. Time limit or norms were also not fixed for finalising indents. In the absence of time limit, the indents of spares required in a year are received from user departments after the commencement of the year for which indents are made, thereby defeating the purpose of preparation of annual indents. We further noticed that in 15 out of 141 cases of centralized purchases test checked, the time taken by the MM department to publish the NIT ranged from 38 to 246 days from the date of receipt of indents and 238 to 510 days for award of purchase orders (POs) (***Annexure-2.3.1 & 2.3.2***).Similarly, for procurement of stores and spares other than centralised items like grinding balls, other than mill bearing spares etc., the MM department took 30 to 160 days from the date of receipt of indents for publishing NITs and 210 to 441 days for award of POs (***Annexure-2.3.1 & 2.3.2***).

The MM department has taken 38 to 246 days to publish NITs and 238 to 510 days to award PO's from the date of receipt of indents.

We further observed that the delivery schedules in respect of 8 out of 47 POs test checked and placed by MM Department spilled over to the subsequent year. Abnormal time taken for placement of order and spilling of delivery schedules to subsequent year would defeat the objective of procurement based on Anticipated Annual Requirement planning and the need/requirement of generating stations are not met affecting efficiency of plants, which would result in further wear and tear.

The Management stated (July/October2013) that inviting tenders after ensuring actual requirement at site, evaluation and vetting of indents and re-confirmation of requirements from user departments normally required six to eight months. It was also stated that compilation and consolidation of requirements was a time consuming process and there could be further delays on account of clarifications obtained from bidders. The fact remains that Para 2.5 of the Memorandum on Purchase Procedures clearly stipulates that the time required for various factors having a bearing on supply should be centralised and indents raised accordingly to ensure that supply materialised as per requirement.

Fixation of norms of various inventory levels

2.3.7.2 In terms of MPSEB stores manual, minimum stock level, maximum stock level and average consumption levels for the items to be maintained in all the stores should be fixed. As the levels were not fixed in terms of the manual in all the stores, the Additional Secretary of the Company directed (August, 2009) all

[2] Like pulveriser mill grinding elements/components, mill bearing, air heater tubes, conveyor belts, oil & lubricants, control power cables etc.

concerned authorities in charge of stores to ensure compliance of the provisions of the manual. We noticed that the management of none of the three generating stations test checked had so far (June 2013) adhered to these directions.

While accepting the audit observation, the Management stated that (October 2013) stock levels would be fixed under the new Enterprises Resource Planning (ERP) system which is to be introduced soon.

Procurement of materials

2.3.8 *Placement of purchase order on single tender basis*

2.3.8.1 As per the established purchase procedures, the Company had to call for tenders/quotations from at least three approved vendors/parties and wherever, the value of materials indented exceeds ₹ 5.00 lakh, tenders were to be published in at least two daily newspapers.

We noticed that in respect of 66 cases quotations were called for from single party only and in respect of 43 cases where estimated value of materials exceeded ₹ 5.00 lakh, the Company failed to publish NITs in news papers.

We observed that while the MM department publishes NIT for centralised procurement, there was no practice of publishing tenders exceeding ₹ 5.00 lakh by the generating plants. We also observed that quotations were being called from a single supplier by the generating plants. During test check of 235 purchase orders[3] relating to three thermal plants, we noticed that 66 tenders were called from a single party only, of which in 43 cases[4], though estimated value of supply exceeded ₹ 5.00 lakh, tenders were not published in news papers.

It was replied (October 2013) by the Management that critical items of special/proprietary nature where reverse engineering could not be done are being procured from OEMs on single quotation basis. However, audit observed that even the suppliers of commonly used spares/consumables were being treated as OEMs and single tender was invited. Further, the Company failed to explore alternate sources of supplies from open markets to increase its vendor base by publishing tenders and was dependent on single source. This not only resulted in violation of established procedures and resultant foregone opportunity to obtain competitive rates but also in failure to develop a secondary source of supply to overcome possible contingencies.

Unwarranted procurement of materials/spares resulted in non-moving of inventories and blocking of funds

2.3.8.2 A review of Purchase Orders placed by the three test checked generating stations (thermal) during the period covered under audit and the stock holding of the items procured indicated that the items that were to be procured through centralised purchase were directly procured on the plea of urgent need/critical for operations. However, we observed that many of these items were not utilised by the concerned plants for periods ranging from one to twelve years resulting in blocking of Company's funds. Details in respect of few purchase orders, where

[3] value ranging between ₹ 1.70 lakh and ₹ 83.55 lakh

[4] value ranging between ₹ 5.67 lakh and ₹ 83.55 lakh

the procurement resulted in accumulation of non-moving inventories are given in ***Annexure 2.3.3.***

Unwarranted procurements of materials resulted in blocking of funds amounting to ₹ 9.75 crore (slow moving ₹ 6.74 crore and non-moving inventory ₹ 3.01 crore).

The above cases includes inventory of ₹ 9.75 crore (slow moving inventory ₹ 6.74 crore and non-moving inventory ₹ 3.01 crore). These procurements and their non-utilisation indicates that the Company had failed to make proper assessment before placing indents/orders by taking past consumption pattern into account and decision to procure additional quantities (especially Alloy Steel Tube & Electric Resistance Welded pipes) are thus unjustified.

The Management stated (October 2013) that most of the items were insurance spares[5] and were either required for planned overhauls or regular maintenance. The reply is not acceptable to audit as insurance spares are capitalised as part of assets and the audit observation do not relate to insurance spares but to spares lying in inventory that have been procured for overhauls/maintenance. As procurement has to be timed with the schedule for overhauls, procurement well in advance/delayed procurement has resulted in accumulation of inactive/non-moving inventory.

Coal losses on account of transit, stacking and handling exceeding MPERC norms

2.3.8.3 Coal is one of the major inputs and important raw material required for generation of power and consumes the major portion of Company's working capital. Adequate planning and proper arrangement for timely supplies is required to ensure uninterrupted operation of the generating plants.

The Company, to meet its coal requirements, procures coal from the mines of South Eastern Coalfields Limited and Western Coalfields Limited located at a distance of 70 to 450 Km from the three thermal power stations. During transportation of coal and its handling at the plant, some quantity is lost by wind, moisture, spontaneous combustion and as carpet coal[6]. Besides, loss also occurs due to inaccuracies found in weighment process. Taking all these factors into consideration, the Madhya Pradesh Electricity Regulatory Commission (MPERC) has fixed a normative allowable loss of 0.2 *per cent* for pit head and 0.8 *per cent* for the non-pit head generating stations. As any loss exceeding permissible limits will have to be absorbed by the Company, it is necessary for the management to take concrete steps to arrest/reduce these losses.

The table 2.3.2 indicates the total coal procured and losses incurred on transit, Stacking and Handling (S&H) of coal during last four years ending 31 March 2013.

[5] Insurance spares are mandatory spares which are either supplied during erection & commissioning of plants or replaced during capital overhauls and are capitalised to assets, whereas consumption of O&M spares are charged to P&L account.

[6] Carpet coal : Formation of soft carpet, comprising of coal and dust which result in loss of coal

Table 2.3.2

Sl. No.	Particulars	2010-11	2011-12	2012-13
1	Total Quantity Received (MT)	13622422	13251387	14349795
2	Actual Loss on account of			
	(i) Transit (MT)	43326	50363	51665
	(ii) S&H (MT)	336200	187133	183009
	Total Loss (MT)	379526	237496	234674
3	Permissible limits for losses by MPERC (MT) (0.2 to 0.8)	127110	100472	107113
4	Loss in excess of norms fixed by MPERC (MT) (Sl. No. 2 – 3)	252416	137024	127561
6	Loss charged to P&L Account in excess of permissible limit (₹ in crore)	50.14	35.19	40.50

Source: Data as provided by Finance & Accounts wing of the Company.

Coal losses written off in excess of permissible limits amounted to ₹ 50.14 crore (2010-11), ₹ 35.19 crore (2011-12) and ₹ 40.50 crore (2012-13).

It can be observed from the above that the losses during transit and S&H though marginally decreased in 2011-12 when compared to 2010-11, it increased marginally in 2012-13. The total coal losses during 2010-11 which stood at ₹ 50.14 crore increased by 38.39 *per cent* over 2009-10 losses (₹ 36.23 crore). Thereafter, it decreased by 29.81 *per cent* (₹ 35.19 crore) in 2011-12 and increased by 15.09 *per cent* (₹ 40.50 crore) in 2012-13 respectively. Out of three thermal plants reviewed in audit we noticed that the transit and S&H losses was high in SGTPS, Birsinghpur and worked out to ₹ 28.05 crore (56 *per cent of the total coal losses*), ₹ 23.82 crore (68 *per cent*) and ₹ 23.78 crore (68 *per cent*) respectively during the last three years up to 2012-13 in excess of permissible limits.

No adequate measures were taken and implemented by the Company to arrest coal losses.

In order to study the causes for such losses, the Company constituted (March/April 2008) a committee of Engineers who recommended creating sufficient infrastructure by providing concrete flooring of coal yards, fencing, training personnel in stacking and handling etc. Similar measures to control coal losses were also recommended (November 2010) by the Director (Vigilance). Audit observed that even after a lapse of three years except for work undertaken to construct a compound wall, no other recommendations were implemented by the Company.

We also observed that even though MPERC has not fixed separate norms for carpet coal losses as it is a part and parcel of stacking and handling process, for which norms already existed. The Company however conceptualized and provided for the carpet coal losses accumulated for over 47 years at 14 coal yards in its three thermal plants in the books of accounts for the year 2009-10 and wrote off (March/July 2012) 114217 MTs valued ₹17.82 crore As carpet coal losses was not separately allowable in terms of MPERC regulations, the Company had absorbed this additional loss on account of carpet coal from its own accruals.

The Management replied (October 2013) that MPERC has gradually reduced the norms for coal losses. It was also stated that boundary walls were being constructed and security arrangements enhanced, to further reduce losses. The fact remains that non adherence to norms fixed by MPERC would result in increased losses to the Company and steps to minimize coal losses as per recommendations

made by consultants/vigilance department has not been taken by the Company so far (October, 2013).

Excess inventory held in respect of secondary oil

2.3.8.4 After coal, the second most consumable inventory in power plants both in physical and financial terms is secondary oil which includes furnace oil (FO), High Speed Diesel (HSD) and Light Diesel Oil (LDO), which is used alternatively to ignite/fire to maintain the required temperature/heat in the boilers. Secondary oil is being procured from centrally owned PSUs on rate contract basis. The annual consumption of secondary oil was about 59933 KL, 57204 KL and 49924 KL during the years 2010-11, 2011-12 and 2012-13, respectively.

MPERC allows holding of inventory of 60 days of consumption of oil for the purpose of determining the cost of working capital. Thus, the Company, by efficient management in procurement and distribution of oil to the generating plants, could improve its profitability.

A review of monthly consumption of secondary oil vis- a- vis stock of closing balances of inventory held in terms of number of days indicated that the holding of secondary oil was in excess of the norms prescribed by MPERC for calculating the interest on working capital. The details of inventory held and the impact in terms of carrying cost in the generating stations is given in ***Annexure 2.3.4.***

Due to excess holding of secondary oil beyond 60 days, the additional carrying cost amounted to ₹ 1.40 crore to ₹ 2.76 crore during 2010-13.

It can be observed from the Annexure 2.3.4 that all the three thermal plants were holding an average excess stock of secondary oil (worked out at 85 *per cent* Plant Availability Factor)[7] ranging from 434 KL to 2351 KL (FO) and 555 KL to 1016 KL (LDO) considering the requirement for 60 days. The excess holding was to the extent of 16 to 336 days requirement (i.e., even after holding inventory upto 60 days) respectively. Based on their value, the additional carrying cost on holding stock in excess of sixty days requirement amounted to ₹ 1.40 crore, ₹ 1.75 crore and ₹ 2.76 crore during the years 2010-11, 2011-12 and 2012-13 respectively.

While accepting the audit observation, the Management replied (October 2013) that necessary action to bring in improvement would be undertaken.

Receipt of materials/spares after attending Annual Overhaul (AOH)

2.3.8.5 In order to maintain minimum spares of hydraulic coupling to meet any emergency/ preventive maintenance clubbed with its planned Annual/ Capital overhaul of Unit-5 (1 x 500 MW), the CE (Generation), Birsinghpur invited a single bid in September 2010 from Voith Turbo Private Limited, Hyderabad (VTPL). Accordingly, a purchase order valued at ₹ 23.57 lakh was placed (April 2011) with VTPL. Supply was received on 30 August 2012.

[7] As per Annual Revenue Requirement (ARR) for tariff fixation, PAF considered is 85% - 88% depending on the capacities of power stations.

Receipt of material/spares after attending Annual Overhaul rendered an investment of ₹ 23.57 lakh idle.

In this connection, we observed that the spares stated to be required during AOH[8] between 30-08-2012 and 15-09-2012 were inspected on 22-09-2012, after completion of AOH and remained idle thereafter in the stores. The likelihood of its utilisation would arise only after three to five years when the schedule for next AOH becomes due. Thus, the plant was made operational without complete replacement of materials during overhaul and has defeated the objective of procurement. Thus, the spares required for preventive maintenance and also to meet emergency were received after completion of AOH rendering the procurement redundant with unnecessary blocking up of Company's funds amounting to ₹ 23.57 lakh.

The Management stated during exit conference (October 2013) that due to financial difficulties the delay occurred. The reply is not acceptable to audit as whenever AOH are planned by the Company, it should ensure availability of funds so that the procurement process of critical items are either not stalled or delayed jeopardising operations. As these items are plant specific, their alternate use was not possible till next overhaul after three to five years. Hence, financial planning for receipt of materials and its utilisation should have been ensured/prioritised.

Non-compliance of guidelines/instructions

2.3.8.6 Government of M.P. issued directions (August/September 2010) to introduce E-Tendering system in the Company from October 2010. The Company has not introduced E-Tendering for orders placed till June 2013, which not only amounted to non-compliance of instructions but also deprived the Company of the benefits of competitive bidding and strengthening of vendor base.

We observed that with the approval of Government, the Company started the e-tendering process from July 2013 by uploading tenders in the GoMP website.

The Management stated (October 2013) that procurement through e-tendering system has commenced from 1 July 2013. The fact remains that the Company started the e-tendering system only after a delay of over 30 months after issue of instructions by GoMP in September 2010, while the Government departments had started e-tendering from October 2010 itself.

Irregular exemption and waiver of Security Deposit and Earnest Money Deposit

2.3.8.7 As per Clause 15 of standard tender document and circular instructions issued from time to time, the Company has to collect 10 *per cent* of cost of purchase order value as Security Deposit (SD) against performance Guarantee (PG) from the suppliers. The Company also has the system of collecting one time fixed amount ranging from ₹ 3 lakh and ₹ 5 lakh towards permanent of security deposit (PSD) from the suppliers and exempt them from paying SD for each order

[8] The material/spares required during overhaul cannot be put to use till next overhaul due after three to five years.

placed with them. Besides, Public Sector Undertakings like Bharat Heavy Electricals Limited, Indian Oil Corporation Limited, Hindustan Petroleum Corporation Limited, etc. are exempted from payment of SD. The tender notices issued for procurement included the condition for payment of security deposit amounting to 10 *per cent* of the value of order.

In deviation to Purchase Policy, the Company waived to collect 10 *per cent* of security deposit amounting to ₹ 6.64 crore in respect of 164 POs.

During test check, we observed that in 164 purchase orders (Centralised-1 No and Local- 163 Nos) valued ₹ 102.84 crore placed on private suppliers between April 2010 and March 2013, the Company did not collect 10 *per cent* of SD amounting to ₹ 6.64 crore (includes 5 *per cent* differential SD of ₹ 3.64 crore in one case on ₹ 72.80 crore) as contemplated in the tender documents. In 52 of these purchase orders, value ranging between ₹ 0.14 lakh and ₹ 98.69 lakh, the ordered materials was not supplied even after lapse of two to three years.

We further observed that the Company decided to exempt the suppliers from payment of SD at the time of placing orders.

This not only defeats the objective of protecting Company's financial interest through assured supply of prescribed specifications but also resulted in extending undue favour to suppliers.

2.3.8.8 The first criteria/step to open quotations and tenders is submission of Earnest Money Deposit by the bidders who are not exempted from such deposit (firms registered as SSI units and central PSUs are exempted from deposit of EMD). We observed in audit that in respect of four tenders (value ranging between ₹ 3.75 lakh and ₹ 20.95 lakh), payment of EMD from bidders who were not under the exempted category, was waived by the Company.

We further observed that while the terms and conditions of tender document provide for collection of EMD/SD/PBG, the Delegation of Powers (DOP) of the Company provides powers to officers for approving waiver from payment. We are of the opinion that the powers delegated were meant to be exercised for making changes in the tender documents before inviting bids, as granting waiver after receiving bids tantamount to extension of undue favour to suppliers. Since the condition was incorporated to protect defects during the liability period, any such waiver subsequent to calling and finalisation of tender is an undue favour and hence waiver is unjustified. We also observed that this exemption is granted on the grounds that the supplier is an Original Equipment Manufacturer (OEM) (including authorized dealers). We however noticed that even for consumables materials like nuts, bolts, electrodes, caustic soda lye etc., SD is being waived considering the supplier as OEM. Waiver of the condition to some bidders could also invite litigations, when it is approved after invitation of tender.

During exit conference, the Government stated (October 2013) that the existing system of waiver of SD would be reviewed. It was further stated that compliance to instructions on collection of SD would be ensured in future.

Irregularities in inspection, receipt and issue of materials

2.3.9 *Inordinate delay in issue of Material Receipt Certificate (MRCs)*

2.3.9.1 MPSEB issued instructions in December 1996 to HODs at site to strictly adhere to the time limit of seven days from the date of receipt of material prescribed for issue of MRCs by duly completing entire process of receipt and inspection of materials. These instructions were also adopted by the Company since its incorporation.

A test check of MRC Registers maintained by all the thermal plant stores indicated that out of 4997 items for which MRCs were issued during 2010-13, there was delay in inspection and issue of MRC in respect of 325 items of material (STPS, Sarni-120, SGTPS, Birsinghpur-124 and ATPS, Chachai-81), as detailed below in table no 2.3.3.

Table No. 2.3.3

Sl. No.	Area Stores	2010-11		2011-12		2012-13	
		Range of Delay (in days)	Range of PO (₹ in Lakh)	Range of Delay (in days)	Range of PO (₹ in Lakh)	Range of Delay (in days)	Range of PO (₹ in Lakh)
1	**STPS, Sarni**						
	(i) EE (O&M), Store-I	8-195	0.10-15.90	8-103	0.05-35.42	10-150	0.09-11.00
	(ii) EE (O&M),Store-II	12-209	0.33-20.94	12-57	0.02-62.72	8-209	0.02-112.38
2	**SGPTS, Birsinghpur**						
	(i) EE (O&M), Store-I	12-604	0.13-12.03	15-139	0.14-68.00	16-222	0.10-17.67
	(ii) EE (O&M),Store-II	30-649	0.12-27.66	17-918	0.07-83.43	20-107	0.06-3.94
3	ATPS, Chachai	10-45	0.14-5.71	16-70	0.03-19.11	15-101	0.03-44.40

Source: Data prepared out of Daily Receipt Register, Inspection notes and Material Receipts Certificate issued by concerned stores of the Company.

As against a time limit of seven days for issue of MRCs, the Company has taken a maximum of 101 to 918 days. The delay in conducting inspection of material also ranged between 10 days and 918 days.

It can be observed from the above table that in preparation of MRC's by STPS, Sarni, SGPTS, Birsinghpur and ATPS, Chachai there was delay of up to 209 days, 918 days and 101 days respectively. Audit further observed that inordinate delays were found while conducting inspection of materials and the delays ranged between 9 to 207 days (Sarni), 10 to 918 days (Birsinghpur) and 8 to 90 days (Chachai) respectively which clearly indicates that the delay was by the indenting divisions themselves and procurement of material thus does not appear to be need based.

While accepting the audit observation, the Management stated (October 2013) that practice of periodic (weekly) reporting has been introduced from May 2013 and the ERP system which is proposed to be implemented would reduce the delays.

Material at Site

2.3.9.2 According to the Manual of Instructions of Stores of erstwhile MPSEB and as adopted by the Company, when material is required for works, it is issued to the works either from stock or through purchases and the items so issued is kept in the Material At Site account pending capitalisation/consumption. Further, all surplus materials at site, works on which have been completed or stopped or on

which outlay has been prohibited for any considerable length of time, should be transferred to other works in progress or brought on to the stock account. The stores/spares dismantled or removed due to replacement during regular maintenance/ overhaul should be brought back to stock either as scrap or reusable stores. An illustrative list of materials replaced during regular maintenance/ overhaul is listed out in the ***Annexure- 2.3.5*** some of the inadequacies noticed by Audit in the maintenance of MAS are as under:

- We observed that materials drawn for replacements by Boiler Maintenance Division (BMD), Turbine Maintenance Division (TMD), Electrical Maintenance Division (EMD), Coal Handling Plant (CHP) etc., were not devoluted back to stores as scrap. We also observed that the replaced materials/spares were being kept at site citing reasons that they can be re-used on repair and reconditioning. Retaining the material at site instead of bringing it to stock of the divisional stores and holding material without inspection as to their serviceability would impact the process of procurement planning. We further noticed that physical verification of the stores/spares replaced and at site was not conducted.

We observed that materials drawn for replacements and repairs by various divisions either remained unreplaced or if replaced were not devoluted back to stores. Reconditioned materials which were stated to be required for reuse were not accounted for as spares.

- During a test check of MAS maintained by all the three thermal plants , we noticed that in SGTPS, Birsinghpur discrepancies/differences in closing balances of materials/spares found in respect of 'O' Ring Insert (8 Nos), Steam Globe V/V 2500 Class (2 Nos), Globe valve 1'(7 Nos), Tungston Carbide TC (Ring) Dura (2 Nos), Pump Shaft (2 Nos), Vinton 'O' Ring (1 Nos), Sleeves Packing (12 Nos) in physical verification remained to be adjusted. In the absence of specified time frame for transfer of all items on completion of work to stores and reconciliation of the discrepancies/differences, the Company may not be in a position to ensure that the material at site are properly accounted for and stored for future use.

- There were instances of high value materials/spares (valued ₹ 1.43 crore) drawn for regular maintenance and for immediate replacement remaining unutilized for periods ranging from one to four and over five years from their drawl from main stores. We further noticed that even consumable items like HPSV lamps, which can be purchased at short notice, were kept in MAS for long periods.

While accepting the audit observation the Management stated (October 2013) that efforts were being made to overcome these deficiencies which will be taken care of once ERP system is introduced by the Company.

Non-coverage of insurance of assets/property and stores

2.3.9.3 A review of the Company's record indicated that as at the end of 31 March 2013, the Company was holding total inventory/stocks valued ₹ 1363.82 crore (Coal and Oil- ₹ 343.36 crore and Capital and O&M spares/materials- ₹ 1020.46 crore). However, it is observed in audit that despite stocking of combustible and hazardous materials and high value inventories, there is no practice in the Company to obtain insurance policy/coverage against theft, burglary, fire accidents and other perils of nature. Besides, it is also learnt that the total tangible

assets (net block)/ property valued ₹ 4437.91 crore (excluding capital work-in-progress- ₹ 7035.64 crore)) of Company is also not covered through any insurance.

It was replied (July/October 2013) by the Management that Public Liability Insurance Policy (covering hazardous materials) was being obtained regularly and work in progress of ongoing projects was also covered through insurance. It was further stated that action to cover other assets/property and stores of running power stations was under active consideration. Further progress is awaited in audit.

Non-disposal of scrap

2.3.10 ***Non disposal of scrap/obsolete materials***

2.3.10.1 Due to continuous operation of plants, wear and tear of machinery/equipments and other material occurs, which on replacement were scrapped and handed over by Return Indent (RI) to the concerned stores.

For disposal of scrap material the Company has entered into an agreement with MSTC Limited[9].In this regard, guidelines were issued (January 2007) by MSTC for preparation of lots for the purpose of e-auction, who acts on the basis of the list of disposable materials received from its principal (Company). MSTC was entitled for a service charge at the rate of three *per cent* on the sales realisation.

Scrutiny of records at Corporate Office, Jabalpur indicated that as at the end of March 2013, scrap/obsolete items valued at ₹ 4.66 crore (thermal- ₹ 4.40 crore and hydel - ₹ 0.26 crore) in 255 lots (thermal- 119 and hydel-136) was lying un-auctioned in all the power houses.

The Management replied (October 2013) that except for 28 *per cent* of scrap which were not purchased by buyers/not sold by the Company due to unacceptable prices, the balance scrap was sold and lifted till October, 2013. The undisposed scrap of 28 *per cent* valued at ₹ 1.22 crore included scrap valued at ₹ 1.12 crore (scrap of ₹ 0.26 crore lying undisposed since April 2010) at STPS, Sarni.

Conclusion:

We found that the norms on time limits for publishing NITs and placing POs from the receipt of indents from user departments were not fixed and there were several instances of orders being placed after the close of the year for which requirement was assessed. The Company (especially the plant management) had constantly deviated its purchase procedures/policy by placing purchase orders based on single tender basis. The Company had not also standardised the stocks levels to avoid unnecessary holding of stocks. Many instances of inactive and non-moving inventory were primarily due to unplanned/ unwarranted procurements resulting

[9] A Government of India Enterprise

in blocking of Company's funds, besides coal losses beyond MPERC norms/limits, excess inventory of secondary oil was also noticed. Materials/spares were being received and inspected after completion of Annual overhauls for which procurement was made and consequent retaining of spares for long periods without use. The Company is exempting/relaxing the condition on recovery of SD/EMD from its suppliers and as a result, the Company has not been able to bind the supplier to financially indemnify in case of default/sub-standard supply and lack of seriousness in supply etc.

Instances of inordinate delay in issue of MRCs, non-devolution of materials, non-accountal of spares/re-usable items and other discrepancies in MAS were also noticed.

Recommendations:

In order to have an efficient material management the Company should:

- fix timeframe for assessment of requirement, inviting tenders and awarding of purchase orders so as to achieve objective of planned purchases and avoid delay in purchases;
- consider fixing stock levels for different categories of stores and spares to minimise inventory holding in excess of limits allowed by MPERC;
- introduce a mechanism to ensure that purchases by power stations are not made on a single tender basis when items are not of proprietary nature;
- create sufficient infrastructure facilities for stacking and handling of coal so as to arrest/minimise coal losses; and
- ensure compliance to its own policy/guidelines in collection/waiver of security deposits for protecting its financial interest.

2.4 Review on Evaluation and Management of Build, Operate and Transfer scheme of Madhya Pradesh Road Development Corporation Limited

Executive Summary

Introduction

Madhya Pradesh Road Development Corporation Limited, incorporated in July 2004 under the Companies Act, 1956, is engaged in strengthening, upgradation and development of the state highways and major district roads (MDR) in the State of Madhya Pradesh. The Company is mandated to provide an efficient, adequate and proper road infrastructure in the state.

During 2009-10 to 2012-13, the Company completed 16 project highways under different models of Build Operate and Transfer (BOT) Scheme under Public Private Partnership (PPP).

Overview of executed road projects

Out of the 16 completed projects, the Company completed 11 projects within the scheduled period of completion. There were delays of 67 days to 564 days in achieving Commercial Date of Operation in remaining five projects. The major reasons for delays were delay in financial closure, delay in handing over of site and problems associated with Right Of Way

Erroneous Treatment of Environmental Mitigation cost

The Company allowed 25 per cent escalation on the environment mitigation cost also treating it as construction cost. This resulted in higher payment to concessionaries amounting to ₹62.71 lakh towards Viability Gap Funding.

Increase in project cost due to adoption of higher specification

Considering the present and projected traffic on the road, two lane standard on the Khimlasa-Malthon section of the Bina–Khimlasa–Malthon project highway was not warranted. Developing this section on two lane standard thus resulted in unwarranted and avoidable expenditure of ₹14.37 crore towards proportionate VGF

Payment of bonus and annuity under BOT (Toll plus Annuity) model

For the development of three project highways the Company formulated a new model of PPP viz. BOT (Toll plus Annuity). Due to not reducing the construction period as recommended by the Consultants payment of bonus for early completion resulted in unintended benefit of ₹16.82 crore to the Concessionaires.

Selection of Public Sector undertaking as partner under PPP

Contrary to the principles of PPP the Company selected a public sector entity for the development of the Bina–Kurwai–Sironj Project highway.

Incorrect fixation of toll

The Company did not formulate and document standard procedure for fixation of toll rates. This resulted in unintended benefit to concessionaire to the tune of ₹37.43 lakh towards higher toll rates.

Delayed remittance of premium by the concessionaire

The concessionaire of the Indore-Ujjain project highway did not remit to the Company the premium amounting to ₹7.69 crore as on 30 September 2013

Introduction

2.4.1 Madhya Pradesh Road Development Corporation Limited, Bhopal (Company) under the administrative control of Public Works Department, Government of Madhya Pradesh was incorporated on 14 July 2004 as a wholly owned government company under the Companies Act 1956, with the objective of executing roads and allied infrastructure projects or for objects, as envisaged in public –private or joint venture basis.

The Company was notified (October 2005) as the State Highway Authority under Madhya Pradesh Rajmarg Adhiniyam, 2004 and given mandate to develop and operate State Highways. The Company is engaged in strengthening and development of State Highways and Major District Road (MDR) projects. Majority of these are on "Build Operate and Transfer (BOT) contracts under "Public Private Partnership" (PPP) Model.

The Company is required to follow guidelines and "Model Concession Agreement" (MCA) of the Planning Commission, Government of India issued (between 2006 and 2008) for BOT contracts under PPP Model. The Company followed BOT (Toll)[1], BOT (Annuity)[2] and BOT (Toll *plus* Annuity)[3] models for contracts with concessionaire[4] for construction and development of highways.

During the period from 2009-10 to 2012-13, the Company completed 16[5] project highways at an estimated cost of ₹ 3,803.81 crore[6] as detailed in ***Annexure 2.4.1.*** Apart from these, 14 project highways[7] were ongoing.

[1] Under this Model, Concessionaire is allowed to collect and keep Toll charges for specified period with 'Viability Gap Funding' to him or 'Premium' to be paid by him.
[2] Only a fixed sum as annuity is paid to Concessionaire every six months during the concession period.
[3] Besides annuity, Concessionaire is allowed to collect Toll also during the concession period.
[4] Concessionaire is the Private Sector Partner who undertakes investments and operates the facility for a fixed period of time after which the ownership reverts back to the public sector.
[5] 13 on BOT (Toll) and 3 on BOT (Toll + Annuity) model
[6] ₹ 3,596.37 crore (BOT Toll) *plus* ₹ 207.44 crore (BOT Toll + Annuity)
[7] Damoh-Jabalpur, Satna-Chitrakoot, Bina-Kurwai-Sironj, Bhopal bypass, Jhabua-Kukshi, Damoh-Hirapur, Sarangpur-Shujalpur, Seoni-Maharashtra Border, Khandwa-Burhanpur Road, Lakhnadon-Seoni Border, Rau-Mandleshwar, Patan-Raheli Road, Bhopal-Sironj, Ishagarh-Guna

Organisational set-up

2.4.2 The Management of the Company is vested in a Board of Directors comprising nine Directors[8] including a Chairman. The day-to-day operations of the Company are carried out by the Managing Director, who is the Chief Executive of the Company, with the assistance of a Technical Adviser, Chief Engineer (BOT), Chief Engineer (Procurement), Chief Engineer (Maintenance/MDR), Chief General Manager (Human Resource Development), Deputy General Manager (Highways), Deputy General Manager (National Highway), Deputy General Manager (BOT), Chief Accounts Officer and Company Secretary. As at the end of March 2013, the operations of the Company are spread over in 13 Divisions[9], each headed by Divisional Manager/General Manager. The organisation chart is indicated in ***Annexure 2.4.3***. The Company after due tendering process and evaluation of offers also engaged an Independent Engineer or Supervision and Quality Consultant (SQC) for each project highways, for supervision, monitoring and quality control of the works.

Scope and Methodology of Audit

2.4.3 During the period from 2009-10 to 2012-13, out of 16 project highways completed, 13[10] were selected on random basis for scrutiny. Apart from these, three[11] out of 14 on-going projects were also selected on random sampling basis for such scrutiny.

A Review on Construction and maintenance of Roads and Bridges under the BOT Schemes in the State of Madhya Pradesh for the period April 2004 to March 2009 was included in the Report of the Comptroller and Auditor General of India (Civil), Government of Madhya Pradesh for the year ended 31 March 2009 in which findings relating to Company were also reported. The audit findings of the review were discussed in the meeting of Public Accounts Committee (PAC) held in May 2012 and their recommendations are awaited (December 2013).

We explained the audit objectives, scope of audit and methodology of audit to the Company and Government during an 'Entry Conference' held on 8 November 2012.

The methodology adopted for audit consisted of explaining audit objectives to top management, scrutiny of records at Head Office and at divisional offices, interaction with the personnel of audited entity and analysis of data with reference to audit criteria and raising of audit queries.

Transactions relating to selected project highways were reviewed in the audit. Records maintained in the Head Office of the Company and in six[12] out of 13 Divisions were examined.

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[8] Government nominees

[9] Bhopal, Indore (I and II), Jabalpur, Rewa (I and II), Gwalior, Sagar, Ujjain (I and II), Chambal, Narmadapuram and Chhindwara

[10] 10 project highway on BOT (Toll) viz Mandsour-Sitamau, Bhopal-Dewas, Chandpur-Badwani, Indore-Ujjain, Bhind-Gopalpur, Matkuli-Chhindwara, Bina-Malthon, Sagar-Damoh, Mhow-Ghatabillod, Ujjain-Unhel-Nagda-Ghiloda, and three project highway on BOT (Toll+Annuity) viz Badwani-Sendhawa, Sardarpur-Badnawar, Mandsour-Pratapgarh detailed in ***Annexure 2.4.1*** and ***Annexure 2.4.2***

[11] Satna-Chitrakoot, Bina-Kurwai-Sironj and Damoh-Jabalpur

[12] Bhopal, Indore (I and II), Ujjain (I and II) and Sagar

Audit findings were reported to the Company and the State Government in June 2013. Replies of the Company and the State Government to the audit findings were received in July 2013 and December 2013 respectively. Audit findings were also discussed in 'Exit Conference' held on 5 September 2013 with the Principal Secretary (PWD) of the GoMP and the Managing Director of the Company. Views expressed by the Government/Company in the exit conference and reply given by the Government/ Company have been considered while finalising the review.

Audit Objectives

2.4.4 The objectives of the review were to assess whether:

- the execution of project was in accordance with terms and conditions of the concession agreements entered into with concessionaires;
- estimates of the project highways were in accordance with the guidelines contained in the model Request for Proposal (RFP) promulgated by the Planning Commission in July 2009;
- concession agreements were as per the model Concession Agreement (MCA) of April 2009 of the planning commission;
- toll was fixed in accordance with the guidelines issued by GoMP;
- premium offered by the Concessionaires was remitted by them in terms of the concession agreement; and
- operation and maintenance requirements were complied with by the Concessionaires.

Audit Criteria

2.4.5 The audit criteria were sourced from the following:

- Guidelines contained in the model RFP;
- Provisions of the model Concession Agreement;
- Instructions issued by the State Government for implementation of BOT projects;
- Recommendations and publications of the Indian Roads Congress (IRC[13]); and
- Provisions of concession agreements governing execution and maintenance of roads.

Audit Findings

Audit findings are set out in the succeeding paragraphs.

Overview of executed road projects

2.4.6 According to the concession agreements, concessionaires were required to complete project highways within two years. During the period 2009-10 and 2012-13, the Company completed 13 project highways on BOT (Toll) and three project highways on BOT (Toll *plus* Annuity) model of PPP as detailed in ***Annexure 2.4.4.***

[13] A Technical body of highway engineers, registered as an society devoted to the cause of better roads in India and provides a forum to sharing of knowledge on the range of subjects dealing with construction of roads and bridges in India.

Out of the 16 completed projects, the Company completed 11 projects within the schedule period of completion whereas there were delays of 67 days to 564 days in achieving COD in other five[14] projects taken up under BOT (Toll). The main reasons for delay in execution of the projects as seen from the records of the Company were delay in financial closure and problems associated with Right of Way.

Estimation of project cost

Erroneous Treatment of Environmental Mitigation Cost

Treatment of environmental mitigation cost had increased the VGF to the Concessionaires by ₹ 62.71 lakh.

2.4.6.1 The Company appoints a technical consultant for each project highway on the basis of tender and enters into an agreement for preparation of cost estimates for the project. According to Clause 3.14 of model Request for Proposal for selection of technical consultants, technical consultants would prepare cost estimates based on indicative Bill of Quantities (BOQ) of various components. The consultant may add 25 *per cent* of such construction cost as a lump sum provision for meeting out any physical and price contingencies, interest during construction, other financing cost and pre-construction expenses etc.

We noticed in respect of four out of 16 test checked project highways mentioned in the Table No 2.4.1 that environmental mitigation cost[15] was also included as construction cost and 25 *per cent* contingencies were considered on such construction cost. Whereas in respect of other project highways[16], the Company did not add environment mitigation cost for providing contingencies of 25 *per cent*. Thus, the Company did not follow a uniform practice for treating the environmental mitigation cost.

This treatment of environmental mitigation cost had increased the total cost of the four project highways and consequently increased the Viability Gap Funding to the Concessionaire by ₹ 62.71 lakh as detailed in the Table No 2.4.1.

Table No 2.4.1 *(₹ in lakh)*

Sl. No.	Project highways (all were under BOT (Toll) model)	Environmental mitigation cost	Extra Provision on cost (Provided 25 *per cent*)	Grant demanded (*per cent*)	*Impact*
1	2	3	4 (3 x25%)	5	*6 (4 x5)*
1	Sagar Damoh	207.70	51.925	38	19.73
2	Damoh–Jabalpur	207.70	51.925	39	20.25
3	Bina–Malthon	108.41	27.103	38.01	10.30
4	Bhind–Gopalpur	130.01	32.503	38.25	12.43
	Total				**62.71**

The Government replied (December 2013) that since the environment mitigation cost was borne by the concessionaire, it was considered a component of civil cost and there was no over costing of project cost. In the Exit Conference the Managing Director explained that environment mitigation cost is treated as construction cost

[14] Chandpur–Badwani, Makuli–Chhindwara, Lebad–Jaora, Jaora–Nayagaon and Ujjain–Unhel–Nagda– Ghiloda project highways

[15] Environmental Mitigation Cost consists of cost for reduction of noise/dust pollution, plantation of trees, etc.

[16] Labad-Manpur and Indore-Ujjain project highway

primarily because the same is incurred during the construction period of the project highway.

The reply is not acceptable as the inclusion of the environment mitigation cost in construction cost had resulted in increase of VGF to the Concessionaires and the Company itself did not treat environment mitigation cost as construction cost in other project highways.

Increase in project cost due to adoption of higher specification

2.4.6.2 The Company decided (June 2008) to take up Widening, Strengthening, Maintaining and operating of Bina-Khimlasa-Malthon 37.63 km project highway on two lane standard on BOT (Toll) basis. The project road consisted of two stretches of road. One Stretch was a Major District Road (MDR) from Bina to Khimlasa chowk[17](BK) and the other was State Highway 42 from Khimlasa chowk to Malthon[18](KM). The estimated project cost was ₹ 69.11 crore.

The Company signed the concession agreement (CA) with concessionaire Essel Bina Khimlasa Malthon Toll Road Limited on 7 August 2009 with a concession period of 25 years. Financial closure[19] was achieved by the concessionaire on 25 May 2010. Provisional completion certificate[20] for the road was issued by the Independent Engineer in December 2011. Accordingly, the concessionaire commenced collection of toll from December 2011.
We noticed that:

The traffic as per 2008 estimates on BK section was 3722 PCU[21] and on KM section 892 PCU. It was projected that the traffic on BK section would increase to 18722 PCU in the year 2034. In the same proportion, the traffic on KM section was expected to increase to 4487 PCU. According to IRC64:1990[22], for the traffic of 18000 PCU, the standard of the road would be "two lane *plus* paved shoulder" and for the traffic of 4487 PCU, the standard would be "single lane". So by the year 2034, the BK section of the road would require a two lane *plus* paved shoulder standard, whereas single lane standard would suffice for the KM section.

In spite of the vast difference in the traffic on the two sections of the road, for the purpose of the project, the traffic on the BK section only was considered and both the sections were developed on "two lane *plus* paved shoulder" standard.

Thus, the KM section of the road, where single lane standard would suffice even up to the end of the concession period, was also developed on a two lane standard, thereby

[17] BK Section - length 17.04 Km
[18] KM Section - length 20.59 Km
[19] Financial closure is the date on which arrangement for financing the project highway is completed by the concessionaire.
[20] The Independent Engineer may issue a provisional certificate of completion all parts of Project can be legally, safely and reliably opened for commercial operation though certain works or things forming part thereof are not yet complete.
[21] All types of vehicles passing are converted into a standardised unit for ease of comparison. Such unit is Passenger Car Unit counted on per day basis.
[22] IRC 64:1990 issued by IRC specifies standard of road (two lane *plus* paved shoulder) according to the density of traffic.

Adoption of higher standard for project resulted additional burden of ₹ 14.37 crore to Public.

rendering the related expenditure on proportionate VGF amounting to ₹ 14.37 crore unwarranted and avoidable.

The Government replied (December 2013) that the standard and specifications of the road was not compromised in view of present traffic. It was also stated that by development of this project highway, the distance between Jhansi and Bhopal would be reduced by 26 KMs and additional traffic was anticipated because of this reduced distance. In the Exit Conference the Managing Director stated that the project highway was declared as a State Highway.

The reply is not acceptable as development of the KM section to a higher standard was not in accordance with the norms of IRC in view of the low density of traffic. Besides, if additional traffic was anticipated by the Company, the estimated increase in collection of toll from additional traffic should have been considered and VGF should have been reduced accordingly. Due to adoption of higher standard with reference to IRC norms without justified reasons on record, the Public exchequer suffered an additional burden of ₹ 14.37 crore.

2.4.6.3 Execution of road projects

According to the concession agreements, the concessionaire was required to complete the project in 24 months and for delays beyond the scheduled date of completion, damages at the rate of 0.1 *per cent* of the Performance Security[23] for each day of delay was leviable. Compensation was also payable by the Company in the event of delay in handing over the site/right of way to the concessionaire. The agreements also prescribe time frame for completion of different activities of the project and the concessionaire would be liable for damages for delay in adhering to the time frame prescribed.

Out of the 16 test checked project highways (13 completed and 3 ongoing projects), we noticed delays in five completed projects. While in five completed works, damages were levied as per agreement, in following two cases damages had not been levied as and when due as discussed below:

- The work of strengthening and reconstruction of Bina-Kurwai-Sironj project highway taken up under BOT (Toll) was awarded (November 2010) to Telecommunications Consultants India Ltd, New Delhi (TCIL). There were delays from the beginning in execution of the project. The Independent Engineer reported (June 2012) that the Concessionaire had not achieved Project Milestones[24] I and II and stated that the Company might resort to claiming damages in terms of the Concession Agreement. As of December 2012, only 17 *per cent* of the work was completed but the Company had not claimed damages of ₹ 73.90 lakh (up to April 2013) from TCIL.

  After being pointed out (February 2013) by us, the Company called upon (April 2013) the concessionaire to deposit the damages. Progress of recovery is awaited (January 2014).

[23] Performance security is five *per cent* of project cost.

[24] Concessionaire shall have commenced 10 *per cent* and 35 *per cent* of the project cost expended on the 180th and 365th day from the appointed date for achieving milestone I and II respectively

- The Article 14.4.1 of the concession agreement for the Bina-Khimlasa-Malthon project highway stipulates that all items listed in the Punch List[25] shall be completed by the Concessionaire within 90 days of the date of provisional certificate, failing which the Company shall be entitled to recover damages from him. The Provisional certificate was issued in December 2011. Thus the items in the Punch List were to be completed by March 2012. We observed that Completion Certificate was not issued so far (September 2013) to the concessionaire even after a lapse of more than fifteen months from the date of issue of provisional certificate indicating non completion of items listed in the Punch List. The Company however had not claimed damages of ₹ 2 crore[26] for non-completion of punch list items[27].

The Company and Government did not reply to the observation.

Inclusion of the provisions relating to payment of Bonus and fixing the construction period at 730 days, resulted in unintended benefit to the concessionaires to the tune of ₹ 29.27 crore in the form of Bonus.

Payment of bonus and annuity under BOT (Toll *plus* Annuity) model

2.4.6.4 The project highways Mandsaur-Pratapgarh, Sardarpur-Badnawar and Badwani-Palsod-Sendhwa were developed (June/ July 2012) on BOT (Toll *plus* Annuity) model of PPP. Keeping in view of low density of traffic and lesser toll revenue in respect of these three project highways, the Company decided (January 2011-March 2011) to develop these project highways under BOT (Toll *plus* Annuity) Model. The State Level Empowered Committee on Public Private Partnership Projects decided (December 2010 and January 2011) that these project highways would be taken up on equated fixed annuity as discovered through tender mechanism.

Payment of bonus

The details of the project highways, scheduled period of completion as per CA, construction period as recommended by the Consultants, actual period of construction and bonus[28] granted for early completion are indicated in the table No 2.4.2.

Table No 2.4.2

Name of the project highway	Length (KMs)	Scheduled Completion period as per concession agreement *(months)*	Construction period recommended by the Consultants *(months)*	Scheduled and Actual Commercial Operation Date (COD)	Actual period of completion of projects highways *(months)*	Bonus granted for early completion (₹ in crore)	Amount of Bonus if Construction period fixed as per Consultants recommendation (₹ in crore)	Extra Bonus granted by the Company (₹ in crore)
Mandsaur-Pratapgarh	11.526	24	12	10 September 2013 and 18 June 2012	9	2.86	0.53	2.33
Sardarpur-Badnawar	42.990	24	18	14 December 2013 and 9 June 2012	6	14.16	9.47	4.69

[25] Punch List contains the details of items of work not completed as on the date of Provisional Completion Certificate.

[26] Damages is 0.1 *per cent* of the performance security or 0.2 *per cent* of the cost of completing such items as estimated by the IE, whichever is lower. IE did not work out such cost. Therefore, audit took 0.1 *per cent* of the performance security.

[27] Items are incomplete construction of shoulder, side slope, junction, bus bay, RCC drain, lane stretches, signage boards, truck lay bye, tree plantation, toll plaza, metal crash barrier, median and pedestrian railing

[28] Bonus calculated by the Company: Amount of per day Annuity * Number of days saved in schedule completion.

Badwani-Palsod-Sendhwa	56.880	24	12	2 October 2013 and 3 July 2012	9	12.25	2.44	9.81
Total						**29.27**	**12.45**	**16.82**

It may be seen from the table no 2.4.2

- The Schedule completion period for these project highways was allowed 24 months in the concession agreement whereas Consultants suggested 12 months to 18 months as completion period. Reasons for allowing more time than that was recommended by consultants were not on records made available, particularly when payment of bonus for early completion was provided for in the agreement.
- The Concessionaires completed the project highways within six to nine months against the scheduled completion period of 24 months.
- In cases of contracts involving payment of Annuity, Toll is not collected by the concessionaire and he is allowed a Bonus for early completion as specified by the Planning Commission in the model agreement. However in these cases, the concessionaires were also to collect Toll. Since the concessionaire would collect additional toll by achieving COD ahead of scheduled COD, he would any way draw incremental revenue and such commencement of toll collection ahead of scheduled date of COD would be incentive enough for early achievement of COD. Thus, inclusion of the provisions relating to payment of Bonus for early achievement of COD and not fixing the construction period as recommended by the consultant, resulted in unintended benefit to the concessionaires to the tune of ₹ 16.82 crore in the form of Bonus.

  The Government replied (December 2013) that (i) the Model Concession Agreement (MCA) provides for the construction period of two years and (ii) payment of Bonus was as per the MCA, which was an incentive to the concessionaire for completing the project speedily.

  The reply is not acceptable because the MCA for this type of PPP Model was not in place and the Company could have fixed the construction period as recommended by the consultant. By providing a longer construction period than that was recommended by consultant, the Company had committed to pay bonus for early completion to the extent of six to 12 months, even before commencement of work.

Payment of Annuity

The project highways taken up under BOT (Toll) are eligible for a Viability Gap Funding (VGF), which is usually restricted to 40 *per cent* of the cost of the project. According to the note submitted (October 2010) by the Company to the Director, Institutional Finance, GoMP, where the projects to be taken up under BOT (Toll *plus* Shadow Fees[29]) with a VGF of 40 *per cent*, the quantum of the Shadow Fees was to be restricted to 10 *per cent* of the project cost, so that VGF and Shadow Fee together do not exceed 50 *per cent* of the project cost.

[29] Shadow Fees is a type of annuity in the form of compensation paid to the concessionaire in lieu of non levy of Toll from vehicles other than Commercial Vehicles.

The details of estimated cost, Annuity payable, present value of such future Annuities and Toll and the total present value as a percentage of estimated cost in respect of the three project highways is indicated in the Table No 2.4.3.

Table No 2.4.3

Name of the project highway	Estimated cost (₹ in crore)	Amount of Annuity payable on six monthly basis (₹ in crore)	Present value of the 26 instalments of Annuity* (₹ in crore)	Present value of estimated Toll* (₹ in crore)	Amount of Bonus paid (₹ in crore)	Total of present value of Annuity, Toll and Bonus	Present value and Bonus as a percentage of estimated cost
Mandsaur-Pratapgarh	21.90	1.17	15.21	10.24	2.86	28.31	129.27
Sardarpur-Badnawar	83.66	4.71	61.25	105.55	14.16	180.96	216.17
Badwani-Palsod-Sendhwa	107.11	4.97	64.63	72.95	12.25	149.83	139.89

**The discounting rate of 12 per cent considered for present value calculation.*

It may be seen from the Table No. 2.4.3 that in respect of the three projects under BOT (Toll *plus* Annuity), VGF in the form of Annuity exceeded 50 *per cent* of the project cost and ranged from 60 *per cent* to 73 *per cent*. The total present value of Annuity, Toll and Bonus in respect of the two projects accounted for 140 *per cent* to 216 *per cent* of the project cost against 129 *per cent* in respect of one project. This indicates that project wise evaluation of financial implications was not adequate resulting in very high return to the concessionaires, particularly in Sardarpur-Badnawar project highways and consequential higher VGF and extra burden to the Government.

In the Exit Conference, the Managing Director stated that experience proved that through the method of Annuity, there was lesser burden on the exchequer and more number of project highways could be developed.

The reply given in the exit conference however does not give justification for payment of annuity in excess of 50 *per cent* of the project cost in deviation of its own commitment to GoMP.

Selection of Public Sector undertaking as partner under PPP

Selecting of TCIL being Government Company for contract through PPP was contrary to the objectives of utilising funds through private enterprises.

2.4.6.5 According to the Secretariat for the Committee on Infrastructure, Government of India, PPP means "an arrangement between a government or statutory entity on one side and a private sector entity on the other, for the provision of public assets". Public private partnerships are a tool to bring together the strengths of both sectors. In addition to maximising efficiencies and innovations of private enterprise, they provide much needed capital to finance government programmes and projects, thereby public funds could be available for core economic and social programs.

The Company signed (November 2010) concession agreement with Telecommunications Consultants India Ltd, New Delhi (TCIL). TCIL being the best bidder for the work of strengthening and reconstruction of two lane standard Bina-

Kurwai-Sironj project highway (total length 56.180 KM). The work was estimated to cost ₹ 95.10 crore. TCIL being Government Company, its selection for contract through PPP was contrary to the objectives of utilising funds through private enterprises.

In the Exit Conference the Managing Director stated that the Company was not aware of this and this would be considered for future contracts.

Incorrect fixation of toll and realisation of Premium

Incorrect fixation of toll

2.4.6.6 The State Government approves the levy of toll on the project highways being developed under BOT scheme for various types of vehicles for a road or part thereof (Homogeneous Section) from the date of COD issued by the Independent Engineer of the project highway concerned. The rates of toll are fixed based on the length of the road/Homogeneous Section on a "per trip per vehicle" basis.

The toll is collected by the concessionaire. The toll rates are revised every year and are computed on the basis of Wholesale Price Index (WPI) and are rounded off to the nearest five rupees. The revised toll rates, based on the WPI for the year ending 31 March of the previous year, are made effective from 1 September every year[30].
We noticed that, there were no instructions or directions about the source of WPI. Lack of such instructions resulted in fixation of higher toll rate as stated below:

- There was no uniformity in computation of toll for the year 2011-12[31] in case of four[32] project highways.
- In case of the project highways Labad-Manpur, Bina-Khimlasa-Malthon, and Sagar-Damoh, the values for basic (WPI (A)) and WPI considered for the relevant year (WPI (B)) were the "Monthly" values for the month of March 2007 and March 2011 respectively published by the office of the Economic Adviser, Ministry of Commerce and Industry Government of India, instead of yearly value of WPI as per State Government notification.
- In case of the project highway Bhind-Mihona-Gopalpur, though the values of WPI adopted were "yearly", however, these were based on the base year 1993-94 instead of latest WPI available for base year 2004-05.

Fixation of higher toll rate resulted higher collection of toll of ₹ 37.43 lakh by the concessionaire from the users.

This resulted in fixation of higher toll rate and consequently higher collection of toll by the concessionaire from the users. Such collection of higher toll during the period from September 2011 to August 2012 on these four project highways worked out to ₹ 37.43 lakh as detailed in ***Annexure-2.4.5***

The Government stated (December 2013) that though the values of WPI (A) and WPI (B) were being adopted as was prescribed for some time, it was realised that the value of WPI (B) might be considered as the average of the WPI from April to March of that particular year. It was further stated that from September 2012, the WPI with

[30] Basic toll rates were the toll notified with effect from 1 September 2007.
revised toll rate =basic toll rate*WPI for 31st March of previous year (WPI(B))/WPI of 1.09.2007 (WPI(A))
[31] applicable from September 2011 to August 2012
[32] Lebad-Manpur, Sagr-Damoh, Bina-Khimlas-Malthon and Bhind-Mihona-Gopalpur project highway

latest series was being adopted consistently from the website of Ministry of Commerce and Industry, Government of India.

In the Exit Conference, the Managing Director informed that the Company had since standardised the procedure and this would be formally documented with the approval of the Board of Directors.

Delayed remittance of premium by the concessionaire

2.4.6.7 The Company decided to take up the work of "Widening, Upgradation and Strengthening" of the existing two lane Ujjain-Indore project highway to four lane standards under BOT (Toll).

The Company signed concession agreement with Mahakaleshwar Tollways Private Limited (concessionaire) on 17 September 2008 and financial closure was achieved by the concessionaire on 26 May 2009. As per clause 26.2.1 of the concession agreement, the concessionaire was to pay a Premium of 26.38 *per cent* of the total toll revenue in first week of the following month, which would increase at the rate of one *per cent* per annum. Independent Engineer issued provisional completion certificate on 15 November 2010 and the concessionaire commenced toll collection from that date.

Concessionaire collected toll but had not deposited the amount of premium of ₹ 7.69 crore with the Company.

We noticed (February 2013) that the concessionaire had paid the premium to the Company up to March 2012. For the year 2012-13 and 2013-14[33], the concessionaire collected ₹ 26.76 crore towards toll but had not deposited (September 2013) the amount of premium of ₹ 7.69 crore[34] with the Company on the grounds of insufficient collection of toll due to the non payment of toll by certain users and not getting support from Administration for toll collection.

The Management stated (April 2013) that the collection of toll by the Concessionaire was less than his financial obligation. It further stated that legal opinion on non-payment was being sought. In the Exit Conference, the Managing Director explained that all the revenues generated through toll were deposited by the concessionaire in an escrow account. From this account, by way of a waterfall arrangement, the monies were appropriated towards operation and maintenance of the project highway, toll collection expenses, interest, other expenses of the SPV and only after this, it could be appropriated towards premium and lastly to the concessionaire.

The reply is not specific as to how the Company proposed to ensure that the premium due to the Company in terms of concession agreement was realised on time.

Operation and Maintenance

Absence of Annual Maintenance Programme for roads constructed

2.4.6.8 According to the Concession Agreements entered into with the concessionaires, the concessionaire has to operate and maintain the project highway during the period of operation. The concessionaire should at all times during the operation period ensure that the project highway conforms to the maintenance

[33] Up to September 2013

[34] 28.38 *per cent* of ₹17.26 crore for the year 2012-13 and 29.38 *per cent* of ₹9.50 crore for the year 2013-14 of the toll collected

requirements set forth in concession agreement. Concession agreement also provides that on or before COD and no later than 45 days prior to the beginning of each accounting year during the operation period, the concessionaire shall provide to the Company and the Independent Engineer, its proposed annual programme of preventive, urgent and other schedule maintenance (the Maintenance Programme) to comply with the maintenance requirements.

The Table No 2.4.4 below depicts date of commercial operation in respect of the six projects highways.

Table 2.4.4

Sl. No.	Name of the Project Highway (road)	Date of commercial operation
1	Mhow-Ghatabillod (Toll)	30 December 2012
2	Badwani-Sendhwa (Toll + Annuity)	3 July 2012
3	Sardarpur-Badnawar (Toll + Annuity)	9 June 2012
4	Mandsour – Sitamau (Toll)	5 February 2009
5	Mandsour– Pratapgarh (Toll + Annuity)	18 June 2012
6.	Bhopal-Dewas (Toll)	30 April 2010

It may be seen that though the commercial operation of the project highways mentioned in the Table No 2.4.4 had already commenced, the concessionaires did not submit their proposed Annual Maintenance Programme by the due date as envisaged in the concession agreements. On being pointed out by us no records showing conduct of annual maintenance was produced. In absence of the annual maintenance of the project highways, quality of roads may deteriorate.

After this was pointed out by Audit, the Company obtained (May 2013) annual maintenance programme in respect of four[35] project highways. Status in respect of the remaining two Project highways was awaited (December 2013).

Roughness test not conducted

2.4.6.9 The concession agreements for BOT (Toll) provide that the concessionaire shall comply with the Operation and Maintenance requirements set out in the schedules. It provides that the road roughness[36] value shall be measured at least twice in a year by a properly calibrated vehicle mounted bump integrator Road Measurement Data Acquisition System (ROMDAS) before the monsoon and soon after the monsoon, preferably in the months of April and October every year and that the concessionaire shall ensure that at no point during the operation period, the roughness in the road index shall exceed 3000 mm per km and 1000 mm in any 200 m length.

The details of Project Highways and the date of commencement of their commercial operation under the jurisdiction of the Indore (1 and 2) and Ujjain (1 and 2) divisions of the Company are indicated in the Table No: 2.4.5

Table No 2.4.5

Sl. No.	Name of the Project Highway (road)	Date of commercial operation
1	Lebad-Manpur (Toll)	30 November 2011
2	Mhow-Ghatabillod (Toll)	30 December 2012
3	Mandsour – Sitamau (Toll)	5 February 2009
4	Indore – Ujjain (Toll)	19 November 2010

[35] Serial number 1, 3, 4 and 5 of the table No 2.4.4

[36] Surface roughness is a measure of the texture of a road surface. It is quantified by the vertical deviations of a real road surface from its ideal form.

5	Mandsour– Pratapgarh (Toll + Annuity)	18 June 2012
6	Badwani-Sendhwa (Toll + Annuity)	3 July 2012
7	Sardarpur-Badnawar (Toll + Annuity)	9 June 2012

We noticed that:

- No such tests were conducted by the concessionaire except for the road at Sl. No. 1 of the table on the due dates.
- Though on Lebad-Manpur project highway commercial operation commenced in November 2011, measurement of roughness values which were due in April 2012 and October 2012, were conducted in April 2013 and the roughness values per km were indicated instead of roughness values in 200 metre lengths.
- In case of the project highways Badwani-Sendhwa, Mandsaur-Pratapgarh and Sardarpur-Badnawar developed on Toll plus Annuity model, though the schedule to CA provided that roughness value more than 3000 mm/km should be corrected/repaired within 180 days, the periodicity of conducting the roughness index test itself was not specified in the concession agreement. In these three project highways, first roughness tests were carried out after 11 months[37] against the maximum six months in respect of project highways on toll basis.

After this was pointed out, the Government obtained (May 2013) results of the roughness tests in respect of four[38] project highways only. In the Exit Conference the Managing Director stated that the roughness test in case of project highway Lebad-Manpur was not carried out in April 2012 and October 2012 because the project highway was commissioned recently.

The reply is not acceptable as roughness tests were to be conducted as per schedule documented in the concession agreements as cost of the tests must have also been taken in to account by the concessionaire while submitting proposal for projects.

Structural evaluation using deflection study not conducted

2.4.6.10 The Annexure I of Schedule K of concession agreement provided that the Characteristic Deflection Test as per IRC-81-1997 was to be carried out every year after rainy season. High values of deflections indicate that the road is structurally weak, whereas, low value deflections points to a structurally sound road. We noticed that such test was not carried out in respect of any of the 16 completed project highways during the review period.

The Government replied (May 2013) that this test was conducted only if any severe distress or sign of premature failure of crust is found. It was further stated that during inspection by officials/Independent Engineer, no sign of severe distress or premature failure of crust was found.

The reply is not acceptable because the concession agreement provided that the Characteristic Deflection Test as per IRC-81-1997 was to be carried out every year after rainy season.

[37] Test due in October 2012 and conducted in May 2013

[38] Serial number 4, 5, 6 and 7 of the Table No 2.4.5

Safety audit not conducted

2.4.6.11 According to the Standard Concession Agreement, the concessionaire shall *inter alia* comply with safety requirements set forth in Schedule L appended thereto. According to the Schedule L (Safety measures during Operation Period), once in every accounting year, a safety audit shall be carried out by the safety consultant and the Safety Audit Reports would recommend improvements to the road, markings, signs, project facilities etc.

We noticed that such safety audit was not carried out in respect of the project highways completed between 2009-10 and 2012-13.

The Government replied (May 2013) that (i) the compliance of safety requirement was taken care of by appointing a safety consultant in the staff of the Independent Engineer who was responsible for the compliance of safety requirements during construction as well as O & M period, (ii) the Divisional Managers of the Company work as the Independent Engineer during O & M period, (iii) independent safety consultant was appointed for the project highway Lebad-Jaora to review the design from safety point of view and (iv) the safety requirement was also being addressed in the larger perspective through the implementation of Accident Response System for which an agency had recently been fixed.
The facts remained that no safety audit report was produced to us.

Conclusion:

There were delays in completion of project highways due to delay in financial closure, delay in handing over of sites and problems associated with right of way.

For providing contingencies, uniform practise was not followed in respect of environmental mitigation cost. Khimlasa Malthon section of a project highway was developed on a two lane standard in spite of low density of traffic resulted in proportionate VGF unwarranted and avoidable.

Non deletion of provisions relating to payment of Bonus for early completion and not reducing construction period as recommended by the consultant under a new model of BOT with Toll *plus* Annuity resulted in unintended benefit to the concessionaires in the form of Bonus.

There were no instructions or directions about fixation of toll in case of project highways which resulted in fixation of higher Toll rate and consequently higher collection of toll by the concessionaire from the users of four project highways.

Roughness test were not conducted on the due dates in respect of six project highways. Characteristic Deflection Test, which was to be carried out every year after rainy season, was not carried out in respect of any of the project highways completed during the review period. Safety audit was not carried out in respect of the project highways completed between 2009-10 and 2012-13.

Recommendations

The Company should ensure that:

- the elements of total project cost is computed uniformly and adopted in all project highways;
- project highways are developed in terms of guidelines of Indian Roads Congress commensurate with the density of traffic;
- the construction period is fixed as recommended by the consultant of the project highways;
- price index are uniformally adopted for fixation of Toll; and
- prescribed periodical tests to ensure quality and safety audit are conducted.

CHAPTER - III

3. Review relating to Statutory Corporation

3. Review on the Working of Madhya Pradesh Warehousing & Logistics Corporation

Executive Summary

Introduction

The Madhya Pradesh Warehousing and Logistics Corporation (Corporation) was formed on 31 March 2003. The main functions of Corporation included creation of infrastructure for storage of agricultural products, fertilizers, salt, gunny bales etc., undertaking clearance of goods from the godowns and provide disinfestations services to farmers, private parties etc. The Corporation is the nodal agency to provide warehousing facility to the Madhya Pradesh State Civil Supplies Corporation Limited for storage of food grains procured under Decentralised Procurement (DCP) scheme.

As on 31 March 2013, the Corporation has 2,887 godowns having total storage capacity of 54.73 lakh MT at 275 centres spread all over the State against the total storage capacity of 97.50 lakh MT available in the State. The review of the working of the Corporation revealed following shortcomings

Planning

Memorandum of understandings (MoU) with the Government of Madhya Pradesh (GoMP) for the years 2008-09 to 2012-13, intended to plan well in advance the activities to be carried out in the forthcoming years, were signed at the end of the relevant financial years, as such, the purpose of entering into MoUs was not achieved.

The requirement of land was not included in MoUs with GoMP sufficiently in advance. As a result, the Corporation could not construct godowns at Chhindwada, Khandwa, and Sehore due to non-availability of land.

The Corporation has not prepared any long term plan to increase its share in storage capacity. The Corporation increased its storage capacity from 11.41 lakh MT in 2008-09 to 14.81 lakh MT in 2012-13 but its share in total storage capacity of the State had marginally decreased from 15.83 per cent in 2008-09 to 15.18 per cent in 2012-13.

Construction of godowns

Against the target of storage capacity of 31,70,790 MT during the period 2008-09 to 2012-13, the Corporation despite availability of funds, could construct total storage capacity of 6,53,350 MT.

Failure of the Corporation to execute agreements within the validity period of tenders resulted in award of works in subsequent tenders at the higher cost by ₹ 1.28 crore.

Due to delay in completion of works of convertible CAPs and pre- engineering godowns, the Corporation could claim storage charges at the rate of ₹ 24 only applicable for CAP instead of ₹ 49 applicable for godown which resulted in loss of potential revenue of ₹ 8.86 crore.

Utilisation of godowns

In respect of own godowns and joint venture godowns its utilisation during 2008-09 to 2012-13 was less than the overall targets of utilisation. The Corporation stored foodgrain in JV godowns under four branches despite availability of surplus storage capacity in own/ hired godowns, thereby incurred loss of revenue of ₹25.69 lakh.

Storage of foodgrain

Loss on account of non-achievement of specified storage gain and damaged stock was worked out to ₹ 91.50 crore as on 31 March 2013 but the Corporation did not analyse reasons thereof and take remedial action for that.
The Corporation decided to use new kind of multi layered cross laminated film Covered At Plinth (CAP) covers at large scale without any field trial. The Corporation incurred extra expenditure of ₹ 2.72 crore due to purchase of the new kind of CAP covers at higher cost. The Corporation incurred avoidable expenditure of ₹ 44 lakh due to purchase of heavier polythene covers for CAP compared to the standards set by Food Corporation of India.

Financial/Budgetary management

Actual executed quantities in respect of 11 works exceeded the estimated quantities and payment for such excess quantities valued at ₹ 4.57 crore were made to contractor without approval of competent authority. In respect of 10 works, extra items of works values at ₹3.79 crore were executed without approval of the competent authority.

Human Resource Management

There was shortage of staff in all the groups in the Corporation against sanctioned strength.

Monitoring and Internal Control Mechanism

Meetings of Executive Committee to review the functions of the Corporation was not held as per the prescribed frequency. Computer systems valued at ₹ 5.34 crore could not be utilised by the Corporation since its installation in March 2008 up to September 2013 due to not getting resolved the problems in software. No monitoring system was developed by the Corporation to ensure timely renewal of lease deed for land.

Introduction

3.1 The Madhya Pradesh Warehousing and Logistics Corporation (Corporation) was formed on 31 March 2003 as per Madhya Pradesh State Government's order[1] dated 26 March 2003.

The main function of Corporation, *inter alia*, included creation of infrastructure through construction and hiring godowns/ entering joint venture agreements with private godown owners for storage of agricultural products, pulses, oil seeds, spices, fertilizers, salt, gunny bales, undertaking clearance of goods from the godowns and provide disinfestations services to farmers, private parties *etc*. The

[1] The erstwhile Madhya Pradesh State Warehousing Corporation which stopped its activities on 31 March 2003, was established in 1958 under the Agricultural Produce (Development and Warehousing) Corporations Act, 1956, replaced by the Warehousing Corporations Act , 1962.

Corporation also acts as an agent of the Central Warehousing Corporation (CWC) and State Government for notified purposes[2]. The Corporation is the nodal agency to provide warehousing facility to the Madhya Pradesh State Civil Supplies Corporation Limited (MPSCSC) for storage of food grains procured under Decentralised Procurement (DCP) scheme.

Against the total storage capacity of 97.50[3] lakh MT available in the State as on 31 March 2013, the Corporation with 2,887[4] godowns provides storage capacity of 54.74[5] lakh MT at 275 centres spread all over the State.

Organisational setup

3.2 The Management of the Corporation is vested with the Board of Directors (BoD) comprising of 11 directors (including a Chairman and a Managing Director) five Directors are nominated by CWC including one appointed in consultation with State Bank of India and at least one from non official group and five directors nominated by State Government. Managing Director is appointed by GoMP in consultation with the directors and under intimation to CWC. The Board is headed by a Chairman and the day-to-day affairs are managed by Managing Director assisted by a Secretary, General Manager (Personnel), General Manager (Accounts), General Manager (Commercial), Chief Engineer, Scientific Storage Officer and General Manager (Recovery). The Corporation has eight[6] Regional Offices headed by Regional Managers and warehouses at 275 centres throughout the State headed by Branch Managers. The Organisational chart is as per ***Annexure-3.1.***

Audit objectives

3.3 The Review was conducted with a view to ascertain whether:

- Planning for acquisition of land and construction of godowns was made in accordance with the Memorandum of Understanding entered with the State Government and storage requirement of the State.
- Constructions of godowns were undertaken economically and efficiently.
- Storage capacity was optimally utilized.
- Financial management/ budgetary management was efficient and effective; and
- Adequate monitoring and internal control system were in place.

[2] The Corporation act as an agent of the CWC and the State Government for the purpose of purchase, sales, storage and distribution of agriculture produce, seeds, manure, fertilizers, agricultural implements and notified commodities.

[3] It includes storage capacity of the Coporation:14.81 lakh MT, MarkFed:7.07 lakh MT, CWC:4.76 lakh MT, FCI: 3.64 lakh MT, other institutional godowns:14.09 lakh MT and private parties:53.13 lakh MT

[4] Own: 1028, Hired: 432 and under Joint Venture: 1427.

[5] Own: 14.81 lakh MT, Hired: 6.24 lakh MT and under Joint Venture: 33.68 lakh MT.

[6] Bhopal, Narmadapuram (August 2012), Indore, Jabalpur, Ujjain, Sagar, Rewa and Gwalior.

Audit criteria

3.4 The sources of Audit Criteria were:

- Memorandum of Understanding (MoU) signed every year by the Corporation with the State Government;
- Guidelines, instructions, directions issued by GoMP/FCI/ /Board of Directors and Subcommittee of the Board for purchase of land and construction and utilisation of godowns;
- Guidelines for construction and utilisation of godowns under Rural Infrastructure Development Funds (RIDF) issued by NABARD;
- Provisions of Warehousing Corporation Act, 1962;
- Provisions of Warehousing (Development & Regulation) Act 2007, Rules & Regulations and guidelines of Warehousing Development and Regulatory Authority; and
- Memorandum and Articles of Association, Delegation of Powers, MP Public Works Department Manuals, Recruitment and Manpower Policy/norms, Accounts Manual, Technical Manual and CPWD Manual (adopted by the Corporation).

Scope and methodology of audit

3.5 The working of the Madhya Pradesh Warehousing & Logistics Corporation was last reviewed and reported in the Report of the Comptroller and Auditor General of India (Commercial)-Government of Madhya Pradesh for the year ended 31 March 2007. The Committee on Public Undertakings (COPU) discussed the Review in November 2010 and their recommendations are awaited (November 2013).

The present Review was conducted during May to August 2013. Fourteen branches[7] out of 275 branches and six Regional offices[8] out of eight Regional offices and Headquarters office were randomly selected for detailed examination.

An entry conference was held with the Additional Chief Secretary of the Department and Managing Director on 1 May 2013 to apprise them of the audit objectives, scope and methodology of audit.

The Methodology adopted to attain the audit objectives with reference to the audit criteria are examination of Minutes of meetings of Board of Directors, Sub-committee Reports, records relating to construction of godowns, agreements for hiring of godowns, joint venture and other schemes.

The Corporation and department furnished replies to the draft review in December 2013 and January 2014 respectively. The Exit Conference to discuss audit

[7] Vidisha, Nasrullaganj, Ashta, Sewda, Gohad, Sheopur, Indore, Badwah, chhindwada, Narsingpur, Babai, Piparia, Banda and Bina.

[8] Bhopal, Gwalior, Hoshangabad, Jabalpur, Sagar and Indore.

findings was held on 03 January 2014. The views expressed by the Government and Corporation have been suitably incorporated in the review.

Audit findings

The audit findings are discussed in the succeeding paragraphs.

Planning

Memorandum of understanding with GoMP

Annual MoU with GoMP were signed at the end of the relevant financial year.

3.6 Every PSU in the state is required to enter into Memorandum of Understanding (MoU) with GoMP every year, detailing the activities proposed to be undertaken in the ensuing year. Thus, the MoU is required to be signed by the PSUs before the commencement of the relevant year. MoU entered into by the Corporation with GoMP includes projections of construction/ arrangement for storage capacity during the year, projected cash/fund flow, road map for utilisation of storage capacity, turnover etc. We, however, noticed that MoU with the GoMP for the years 2008-09, 2009-10, 2010-11, 2011-12 and 2012-13 were signed on 25 February 2009, 15 February 2010, 25 February 2011, 24 December 2011 and 1 January 2013 respectively i.e. at the end of the relevant financial year as against the requirement of signing it before the commencement of the year. The purpose of entering into MoU was thus not achieved.

The Government stated (January 2014) that in the beginning of the financial year, the Corporation prepared draft MoU which was revised as mutually decided with the State Government. The reply confirms that the MoUs were not finalised before start of the year.

Availability of land for construction works

3.7 In the MoU entered with the State Government, the Corporation specifies the number of godowns and storage capacity it intends to complete during the year. Thus action for obtaining land from the Government should be planned sufficiently in advance to ensure that the targets set in the MoU are realized.

We noticed that the construction work of godowns planned at Chhindwada, Khandwa, and Sehore in 2009-10, could not be undertaken by the Corporation so far (August 2013) as land had not been made available by the Government. Thus, the targets set in the MoU, though signed towards the close of the year was unrealistic and therefore did not meet the requirements of the Government in providing storage facilities according to its procurement plans.

Augmentation of storage capacity

3.8 The State Government ascertains the quantity of foodgrain likely to be procured under Decentralised Procurement (DCP) during a year and intimates the same to the Corporation for arranging storage capacity to store foodgrain. To meet the requirement of storage capacity, the Corporation enters into MoU with the Government for augmentation of own storage capacity by creating own godowns/

Covered at Plinth (CAP[9]). Besides, it hires godown and enters into Joint Venture (JV) agreement with the private parties also.

The Corporation had not prepared any log term plan to augment its storage capacity.

The Corporation did not have any long term plan to augment its share in storage capacity to fulfil requirement of the State and the capacity planning is restricted to the MoU entered into with the Government annually. The Corporation had own storage capacity of 11.41 lakh MT in 2008-09 which increased to 14.81 lakh MT in 2012-13 but its share in total storage capacity of the State had decreased from 15.83 *per cent* in 2008-09 to 15.18 *per cent* in 2012-13. Out of the total increase of State capacity by 25.42 lakh MT (97.50 lakh MT-72.08 lakh MT) during 2008-09 to 2012-13, capacity of 19.62 lakh MT (53.13 lakh MT – 33.51 lakh MT) was added by private parties (80 *per cent* of total capacity addition) and the Corporation added a capacity of only 3.40 MT. During this period, audit observed that the production of foodgrains (cereal and pulses) increased from 2.29 Millon Tonnes in 2008-09 to 3.92 Millon Tonnes in 2012-13.

The Government stated (January 2014) that to meet the requirement of storage of food grain procured under DCP, the Corporation hires or enters into Joint Venture agreement with private and institutional godowns. The fact remains that the capacity growth of the Corporation was slower than that of the private parties.

Construction of godowns

The corporation owns two kinds of Godowns i.e. traditional godowns[10] and pre-engineering godowns[11]. Besides these godowns, the Corporation in case of shortage of storage space, uses Covered at Plinths[12] (CAPs) to store food grain procured by MP State Civil Supplies Corporation (MPSCSC) under DCP.

Augmentation of storage capacity through construction of godowns

3.9 During the period 2008-09 to 2012-13, the Corporation constructed 19 traditional godowns (67,850 MT), nine[13] pre-engineering godowns (36,900 MT), seven[14] convertible CAPs[15] (1,43,200 MT) and 22 temporary cemented CAPs (4,05,400 MT) only against the target of total 259 construction works for storage capacity of 31,70,790 MT despite availability of funds. The Corporation did not analyse reasons for the slow progress.

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[9] *CAP is a platform upto 30 cm to 45 cm made of sandbags (Kaccha CAP) or cemented (Pucca CAP) used for storing foodgrain for short period of one season.*

[10] Godown constructed in open and on column/ beam foundation which has wall constructed upto the truss level all around and then sheets are fixed to form the roof above the truss level.

[11] Godown constructed on column/ beam foundation. A 10 feet masonry wall constructed above the plinth level godown (phase-I). Then remaining work (roof) is constructed by tightening it with already factory built steel column and trusses/ rafters (phase-II)

[12] There are two types of CAPs; Temporary CAPs and Convertible CAPs. Temporary CAP includes Kaccha CAP (made of sandbags) and Pucca CAP (cemented) whereas convertible CAPs are Plinth having pillars, which can later on be converted into Godown, used for storage.

[13] All nine godowns constructed up to 10 feet height only (with no roof) and were used as CAPs; therefore, this figure is treated as work-in-progress.

[14] Sehore (20000 MT), Sultanpur (16000 MT), Sultanpur (34000 MT), Sultanpur (20000 MT), Pawarkheda (10000 MT), Seoni (25000 MT) and Pawarkheda-B (20000 MT).

[15] Plinth having pillars, which can later on be converted into Godown, used for storage.

During 2008-09 to 2012-13, due to non-achievement of targeted construction work, the Corporation had:

- Constructed temporary CAPs made of sandbags (Kaccha CAP) at 116 places with storage capacity 13.57 lakh MT resulting in extra burden to the State Exchequer as cost of construction was borne by the Government.
- Met the storage requirements of the Government by hiring capacities[16] from private parties and through joint venture arrangements
- Due to non–completion of convertible CAPs into traditional godown and Pre-engineering godown, the Corporation was deprived of potential revenue as discussed in para 3.12.

Shortcomings noticed in construction of different types of godowns are discussed in succeeding paragraphs.

Non-finalisation of tenders for construction of godown within validity period

3.10 As per clause 4.7 of the standard tender document, after finalisation of tender, the Corporation is required to enter into an agreement with the contractor within 120 days of the opening of bid. If it is not done, bidder can refuse to accept the work.

Failure to execute agreement within validity period resulted in extra cost of ₹1.28 crore.

We observed during test check of records that during November 2010 to January 2011, the Corporation called for tenders for construction of five godowns[17] but failed to enter into agreement with the lowest bidders within the validity period. Reasons for non finalisation of tenders within the validity period were not found in records made available to Audit. On reinvitation of tender in September 2012, the rates received by the Corporation for those works were higher by ₹ 1.28 crore and contracts were entered at the higher rates. Thus, failure of the Corporation to execute agreements within the validity period resulted in extra cost of ₹ 1.28 crore.

The Government stated (January 2014) that due to engagement of technical staff and utilisation of fund in construction of CAPs, it was decided to construct godowns later on.

The reply is not tenable as the Corporation is aware that the technical staff would be engaged in DCP related construction/warehousing activities during the period between December/January and May and therefore invitation of tenders should have been timed to ensure that work can be awarded within validity period. Further, the Corporation did not face any shortage of funds as it had sufficient funds invested in deposits.

[16] Storage capacity hired by the Corporation ranged from 2.45 lakh MT to 6.24 lakh MT during 2008-09 to 2012-13.

[17] Rajgarh (1000 MT), Gohad (4800 MT), Morena (3600MT), Ratlam (3600MT) and Mandsaur (3600 MT).

Delays in construction of convertible CAP

3.11 During 2008-09 to 2012-13, the Corporation adopted the concept of constructing convertible CAP in two phases. In the first phase, plinth and foundation with pillars are constructed which can be used as CAP for storage in forthcoming procurement season. In second phase, walls are erected and roof is covered on the CAPs so constructed in first phase to form a complete traditional godown. Though the Corporation planned for augmentation of 31,70,790 MT storage capacity during 2008-09 to 2012-13, no specific target was fixed for conversion of CAPs to traditional godowns.

We noticed that work order for construction of first phase of seven convertible CAPs was issued during May 2010 to January 2012 for completion within a period of three months. The works were however completed during June 2011 to December 2012 with delays ranging between seven months and 29 months beyond the scheduled completion period. Tenders for conversion of six of these CAPs into traditional godowns were finalised during October 2012 to May 2013. Works under the second phase were scheduled for completion within six months from the date of award. All the works were in progress (December 2013). Thus, there were delays of one month to eight months in construction of convertible CAPs in second phase also. As a consequence, the Corporation had to forgo the additional storage charges as discussed in following paragraph.

In respect of one CAP, viz. Sehore involving a capacity of 20000 MT, tenders for undertaking second phase work has not been finalised so far (December 2013).

Delays in construction of pre-engineering godown

3.12 The construction of pre-engineering godowns was taken up (May 2009) with a view to complete works in short time and keep maintenance cost less. The construction of pre-engineering godown consists of two parts. Separate contracts for construction of plinth, foundation and wall up to 10 feet height (Part I) and for construction of roof by fixing factory built steel or fabricated structure above 10 feet height (Part II) are awarded by the Corporation. The Corporation planned (May 2009) for construction of 14 pre-engineering godowns during 2008-09 to 2012-13.

We noticed that work orders were issued during October 2009 to June 2010 for construction of Part I of 14 pre-engineering godowns, of which, work of nine[18] pre-engineering godowns were completed during August 2010 to April 2012. There were delays of three months to 25 months against schedule period of three months in construction of these nine godowns. While work in respect one godown due for completion in October 2010 was in progress, construction of remaining four godowns could not be taken up due to non availability of land (December 2013).

Construction of Part II in respect of three godowns scheduled to be completed by June 2013 were still in progress and in respect of three godowns tenders were yet to be finalised. In the remaining four godowns, the process for invitation of tender for Part II has not commenced (December 2013). Thus, the Corporation has not

[18] At Sanawad (3600 MT), Sihora Road (1800 MT), Katni (5400 MT), Balaghat (5400 MT), Singroli (5400 MT), Seoni (5400 MT), Berchha (3600 MT), Maksi (3600MT) and Karond (4000 MT).

been able to complete construction of even a single pre-engineering godown during the five year period covered under audit and as a result, the anticipated creation of 65,200 MT capacity through pre-engineering godowns remained unachieved.

Delay in completion of construction of godown resulted in deprived of potential revenue of ₹ 8.86 crore.

The rate of storage charges effective during 2011-12 and 2012-13 were ₹ 24 and ₹ 49 per MT per month for CAP and godowns respectively. We noticed that due to non-completion of works of second phase of convertible CAPs and Part II work of pre-engineering godowns, the Corporation could claim storage charges applicable for CAP instead of that applicable for godowns. As a result, the Corporation was deprived of potential revenue of ₹ 8.86 crore during the period 2011-12 and 2012-13 (***Annexure-3.2***).

The Government stated (January 2014) that it had been using the incomplete convertible CAPs/pre-engineering godowns as CAPs for storage. It further stated that action for conversion of convertible CAPs into godown had been initiated. The reply is however silent about the delays in completion of works.

Short/non-imposition of penalty for delay in completion of work

3.13 The Corporation awards construction works of godowns and CAPs to the contractors through tendering process. As per the agreement, the contractors need to adhere to the prescribed time schedule for completion of work. The terms and conditions of agreements provide for imposition of penalty at the rate of 1/16 of contract value per week of delay subject to maximum of six *per cent* in respect of works costing above ₹ 25 lakh.

Short levy of penalty of ₹ 1.23 crore for delay in completion of works.

During test check of records of 41 of the 57 construction works of godowns and CAPs completed during 2008-09 to 2012-13, we observed that there were delays ranging from one month to 21 months in completion of 24 works. Penalty at prescribed rate was either not imposed or short imposed by the Corporation in respect of these works costing above ₹ 25.00 lakh resulting in short levy of penalty of ₹ 1.23 crore as detailed in ***Annexure 3.3.***

The contractors mainly attributed reasons for delays to heavy rain, heavy transportation at site, shortage of water, disturbance due to high tension line etc. These reasons were accepted by the Corporation and accordingly lesser penalty was imposed. The action of the Corporation in accepting these reasons for delays is not justified as these were deemed to be in notice of the contractors at the time of submitting tender, who should have taken into account while accepting the schedule date of completion. As a result of delays in construction of godowns and consequential hiring of godowns, the Corporation lost potential revenue of ₹ 21.15 crore.

The Government stated (January 2014) that construction period in respect of works was extended as the reasons requiring extension were beyond the control of the contractors and penalty of ₹ 29.76 lakh was imposed considering the extent of delay attributable to the contractor.

The reply is not tenable as contract clearly stated that the contractor would be responsible for any delay in execution and therefore penalty for the entire delay was leviable.

3.14 Construction works of Covered at Plinths

During 2008-09 to 2012-13, the Corporation constructed seven convertible CAPs and 116 temporary CAPs with storage capacity of 15 lakh MT through the contractors. Expenditure incurred in respect of temporary CAPs is reimbursed by the State Government to the Corporation.

Following irregularities were noticed during test check of records of selected 19 cases[19] relating to construction activities in respect of convertible and temporary CAPs (cemented).

- As per the General Note 6.7 and 17.1 of SOR of Building Construction, payment for construction of Plain Cement Concrete[20] (PCC M-10) and Re-inforcement Cement Concrete[21] (RCC M-20) should only be made after obtaining satisfactory Quality Report. Further, in case of construction work valued above ₹ 25.00 lakh, a testing lab at construction site has to be established by the Contractor. Quality Report in respect of eight works was not produced as required. Thus, quality of CC/RCC works was not assured in respect of these eight works ***(Annexure 3.4)***. Further, required testing lab was also not established in these works by the Corporation.

- Approved drawings & designs, approved estimates, site order books (consumed cement, concrete etc.), test reports in respect of cement, sand and bricks consumed and cement consumption register in eight works were not being maintained by the Corporation. In absence of these records, quality/specification of work could not be assured.

  The Government stated (January 2014) that the material used in construction works were tested in the Government Institutions and in certain cases the contractors also established testing labs on the site. Further, site order book, Material consumption Register and Cement Register were maintained on site. The reply is not tenable as no evidence was produced to us regarding establishment of testing lab and maintenance of material consumption register at site in respect of works test checked in audit.

  As per para 2.11.6 of CPWD Specifications, Site Engineers should maintain field level book for recording level of surface. The Corporation, however, had not maintained the field level book in respect of leveling operations and earth works of convertible CAP, temporary CAP. In the absence of field level book, the quantity of material used in the execution cannot be accurately ascertained by the Corporation.

[19] 12 temporary Pucca CAPs and 7 convertible CAPs
[20] In M-10, cement, sand and metal are used in ratio of 1:3:6 on volumetric basis.
[21] In M-20 concrete, cement, sand and metal are sued in the ratio of 1:1.5:3.

Use of expensive items in place of cheaper items resulted in excess expenditure of ₹ 1.78 crore.

- In construction of temporary CAPs[22], moorum/copra[23] was being used in foundation filling by the Corporation. However, in construction of five convertible and temporary CAPs[24], the Corporation used crusher stone dust[25] for foundation filling instead of moorum/ copra. As the crusher stone dust was costlier (₹ 530 per cu m) than the moorum/ copra (₹ 337 per cu m), use of crusher stone dust in foundation work resulted in extra expenditure of ₹ 1.04 crore.

  Further, in construction of 17 convertible and temporary CAPs[26] the Corporation used costlier concrete (M-10)[27] for flooring work instead of cheaper concrete (M-7.5)[28] as per relevant IS code 607 of 1971 used by FCI and Central Warehousing Corporation (CWC). Thus, use of expensive items in place of cheaper items resulted in excess expenditure of ₹ 74.15 lakh.

  The Government stated (January 2014) that as per IS 456:2000, minimum standard for concrete is M-10. The reply is not acceptable as M-7.5 concrete was being used by FCI and CWC. Further, IS: 456 is a general specification whereas IS: 607 is specifically for construction of warehouses.

3.15 The Corporation applied (February 2012) for loan from NABARD through the State Government[29] for construction of nine traditional godowns[30],11 convertible CAPs and conversion of three convertible CAPs into Godowns for creating total storage capacity of 4,70,800 MT involving expenditure of ₹ 99.90 crore with scheduled completion in March 2013. The loan of ₹ 94.90 crore was approved on 20 March 2012 by NABARD and remaining amount of ₹ 5 crore was to be contributed by the State Government. NABARD sanctioned loan to the State Government who further passed on the amount of loan to the Corporation through Departmental Budget. The instalment of loan was to be released by NABARD after incurring expenditure as a reimbursement.

Due to slow progress, out of 23 works only eight were completed against scheduled completion time.

During scrutiny of relevant records we noticed that out of 23 works, only eight construction works were completed. Remaining 15 works were incomplete as on June 2013. Of these, seven works were completed above 50 *per cent* and eight

[22] In construction of 34000 MT and 20000 MT temporary CAPs at Sultanpur.

[23] Item no. 2.27 of MPPWD SOR 2009 for supplying and tilling in plinth with hard muram/hard copre under floors including, watering, ramming consolidating and dressing complete.

[24] 20000 MT & 10000 MT Convertible CAPs at Pawarkheda, 20000 MT temporary cemented CAP at Umardha, 25000 MT temporary cemented CAP at Macherakala and 10000 MT temporary cemented CAP at Kesla.

[25] Item no. 2.26 of PWD, SOR-2009 for supplying and filling in plinth with crusher stone dust not exceeding 20 cm in depth and dressing complete.

[26] Eight convertible CAPs at Umardha (15000 MT) , Devatia (20000), Pawarkheda (10000), Sehore (20000), Bamhori (20000), Sultanpur (10000)- not completed upto November 2013), Pawarkheda-A (20000) and Sultanpur (16000) and nine temporary cemented CAPs at Kesla-A (10000 MT), Kheda (20000 MT), Ichchawar-B(10000), Ichchawar–A (10000) , Mandla (20000), Anuppur (20000), Kesla-B (10000), Macherakala (15000) and Barkheda (27000).

[27] M-10 = (1 cement: 3 sand : 6 gravel)

[28] M-7.5 = (1 cement: 5 sand: 10 gravel)

[29] State Government is the guarantor in the case.

[30] Including six godowns under Private Entrepreneur Godown Scheme by FCI.

works were completed less than 50 *per cent* only after lapse of 15 months from the date of sanction of the loan by NABARD. Thus, due to delay in completion of works, storage capacity additions of 3,37,300 MT could not be achieved as per the terms of NABARD assistance.

Utilisation of godowns

Storage capacity utilisation of godowns under various categories

3.16 The Corporation in MoU sets a target for utilisation of its various kinds of Storage Capacity on the basis of procurement target under DCP intimated by the State Government.

The targeted average capacity utilisation as per MoUs and actual average utilisation of godowns available with the Corporation including capacity available under own, hired and Joint Venture is given in the Table No.3.1.

Table-3.1

Sl. No.	Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
	No. of Branches of the Corporation	237	256	258	271	275
A	**No. of own Godowns**	**985**	**993**	**1015**	**1018**	**1028**
1	Average capacity available (in lakh MT)	11.41	11.67	11.87	13.11	14.81
2	Average capacity utilised (in lakh MT)	7.88	8.35	9.00	10.20	11.64
3	Percentage utilisation of own capacity	69	72	76	78	79
B	**No. of hired Godowns**	**320**	**338**	**424**	**526**	**432**
1	Average Storage capacity hired during the year (in lakh MT)	2.56	2.45	5.03	6.12	6.24
2	Average capacity of hired godowns utilised during the year (in lakh MT)	2.26	1.99	4.24	5.31	5.41
3	Percentage of utilisation of hired Godown	88	81	84	87	87
C	**No. of Joint Venture Godowns**	**-**	**334**	**638**	**1013**	**1427**
1	Average capacity available in joint venture (in lakh MT)	-	6.39	12.60	17.30	33.68
2	Average capacity utilised (in lakh MT)	-	4.71	10.45	13.31	28.66
3	Percentage utilisation of Joint Venture capacity	-	74	83	77	85
	For all three types of storage capacity (own/hire/Jv)					
	Average capacity (in lakh MT)	13.97	20.51	29.50	36.53	54.73
	Average occupancy[31] (in lakh MT)	11.81	16.88	25.35	29.66	46.31
	Percentage of occupancy to capacity	85	82	86	81	85
	Targeted Capacity Utilisation as per MoU (in Percentage)	85	87	85	87	87

Source: *Data furnished (figures as available on 31st march of respective financial year) by Management (it does not include the Capacity of CAPs therefore, the data does not match with that of capacity shown in Printed Annual Report) and Periodic Capacity Utilisation Statement.*

From the above table, it can be seen that the Corporation achieved the targeted overall capacity utilisation during 2008-09 and 2010-11 due to higher utilisation of hired godowns and there was marginal shortfall in utilisation of targeted

[31] Its included Reserve Capacity also (2008-09:1.67 lakh MT , 2009-10:1.83 lakh MT , 2010-11: 1.66 lakh MT , 2011-12: 0.84 lakh MT and 2012-13: 0.60 lakh MT).

capacity during 2009-10, 2011-12 and 2012-13. However, in respect of own godowns and joint venture godowns the utilisation in all the years was less than the overall targets for the Corporation as per MoU.

In scrutiny of records relating to capacity utilisation of own godowns at 237 to 275 branches of the Corporation during 2008-09 to 2012-13, following shortcomings were noticed:

The Corporation never achieved utilisation target in respect of own godowns and JV godowns.

- Seventeen to 25 branches utilised storage capacity below 50 *per cent* and 71 to 100 branches utilised storage capacity below 70 *per cent* during the years 2008-09 to 2012-13.
- Own godowns at two branches[32] were never utilised due to its abandonment but the capacity of the godowns at those branches was not excluded from the total available capacity.
- We further noticed that as a result of less utilisation of storage capacity of owned/hired godowns compared to that of godowns of JV partners, the Corporation lost revenue as discussed in succeeding paragraph

The Government stated (January 2014) that it acted as a nodal agency for storing foodgrain procured in DCP. Therefore, it was required to keep vacant space in warehouses for storing foodgrain. The reply is not convincing as there was a scope of better utilisation of own godowns as the actual utilisation was less than the targeted utilisation in all the five years and thereby the Corporation could have saved expenditure on hiring private godowns.

Loss due to storage in hired/JV godown instead of own godowns

3.17 As per Corporation policy while storing foodgrain priority should be given to own godowns, then hired godowns and lastly to JVs. At the time of delivery of foodgrain priority should be reverse of above.

In case of hired godowns, hire charges are payable to owner whether the hired godowns are utilised for storage or not. In the case of Joint Venture (JV) godowns, storage charges received are shared with the JV partners in the agreed ratio on actual storage basis only. Therefore, the Corporation should make efforts to store foodgrain in own or hired godowns first.

We noticed in scrutiny of records that in respect of godowns under four[33] branches, the Corporation stored foodgrain in JV godowns despite availability of surplus storage capacity ranging from 77 MT to 7101 MT in own and hired godowns. Had storage capacity in own and hired godowns been utilised, the Corporation could have saved ₹ 25.69 lakh of revenue loss.

The Government stated (January 2014) that to ensure vacant space availability in next procurement season, the Corporation issued foodgrain from own godowns. The reply is not tenable as it did not follow its own policy of delivery of foodgrains and storage of foodgrains in JV godowns despite availability of space in its own godowns entailed the loss.

[32] At Ghatabillod and Kathibada branches under Indore Region of the Corporation.
[33] Pandurana, Chhindwada, Sewda and Gadarwara.

Storage of foodgrain

Storage gain and storage loss due to damage of foodgrain

Non-achievement of prescribed storage gain and loss due to damage of stock resulted in withheld of ₹10.92 crore by MPSCSC.

3.18 The Corporation stores foodgrains procured by different agencies under DCP Scheme in its warehouses. Further, as per the instructions issued (October 2003) by Ministry of Consumer Affairs, Food and Public Distribution, Government of India, storage gain in wheat due to absorption of moisture is required to be passed on by the Corporation to the agency procuring wheat at the rate of one *per cent* and 0.70 *per cent* of quantity stored for covered godowns and open godowns/CAPs respectively if handed over to the procuring agency after 30 June every year. Further as per the Madhya Pradesh Agricultural Warehouse Act, 1947, Chapter III, Clause 9, the Corporation shall take such care of the produce stored in their warehouse as a man of ordinary prudence would take of his own produce under similar circumstances.

It was observed that in test checked eight Regional Offices, against the normative storage gain of one *per cent* for covered godowns, shortfall in storage gain ranged between 0.01 *per cent* to 1.00 *per cent*. Similarly, against the normative storage gain of 0.70 *per cent* for open godowns/ CAPs, shortfall in storage gains ranged from 0.01 *per cent* to 0.70 *per cent* during the period 2008-09 to 2012-13 as detailed in the ***Annexure 3.5.*** The loss on account of non achievement of storage gain amounted to ₹ 57.58 crore[34], during the review period. The Corporation did not analyse reasons for non achievement of storage gain.

Similarly, it was noticed that during the review period foodgrain worth ₹ 33.92 crore was damaged due to water logging, inadequate storage arrangement and non-fumigation in time.

The MPSCSC had withheld payment of ₹ 10.92 crore on account of loss of storage gain and damaged stock, out of the amount payable to the Corporation during 2008-09 to 2012-13.

The Government stated (January 2014) that as per decision arrived in a meeting between the parties, MPSCSC should not have withheld amounts from storage charges bills against non-achievement of desired gain or storage loss due to damage of stock.

The reply however does not give reasons for non achievement of storage gains and damage of stock. Besides, both the entities are under the control of same administrative department i.e. Food, Civil Supplies and Consumer Protection, GoMP and therefore should have resolved the issue of payment after investigating reasons for shortfall in desired storage gain and damage of foodgrains.

Adoption of new pattern of storage of stacks

3.19 In view of growing problem of storing foodgrain due to increasing production, Food Corporation of India (FCI) came up with an experiment to store 181 MT of foodgrain in a stack instead of 150 MT. Finding favourable results,

[34] Loss = Quantity of shortfall in desired storage gain * applicable rate of foodgrains

FCI instructed (21April 2010) all its regional offices to adopt the storage in 181 MT stack.

Imprudent decision to adopt new CAP covers resulted in loss of ₹ 4.22 crore.

We however noticed that the Corporation did not follow this concept of utilising storage space though FCI had issued instructions in April 2010 for use of 181 MT stack in their regional offices. It indicates lack of coordination between the two public sector enterprises closely related in discharging their functions.

The Government stated (January 2014) that the Corporation came to know about the new concept in February 2012 only. The reply is not tenable as the Corporation even after becoming aware of the new concept in February 2012, continues to stack only up to 150 MT instead of 181 MT and thus incurs unnecessary expenditure annually on construction of temporary CAPs.

Adoption of new kind of CAP covers

3.20 Up to 2011-12, the Corporation was using Low Density Polythene (LDPE) – Black polythene[35] as a CAP cover. Based on feedback from MARKFED, the Corporation planned to use 9,000 Multi layered cross laminated film CAP covers[36] against total requirement of 13,000 CAP covers. The Corporation placed order (April 2012) on firm M/s Supreme Industries Limited (Supreme) for supply of 5,000 Multi layered cross laminated film CAP covers at the rate of ₹ 9,791 per CAP cover and 4,000 CAP covers to Madhya Pradesh State Cooperative Marketing Federation (MARKFED) at the rate ₹ 10,151.70 per CAP cover.

In this connection, we observed as under:

1. The Corporation had already got rates (March 2012) from Supreme before awarding order (April 2012) to MARKFED. Therefore, there was no justification for awarding order at higher rate to MARKFED which also procured these CAP covers from the same firm resulting in extra cost of ₹ 14.43 lakh.

2. During 2012-13, 4550 numbers of CAP covers valued at ₹ 4.45 crore got damaged due to storm and rain. The Corporation had not maintained separate records for each supplier and as a result, could not identify number of CAP covers damaged with respect to each supplier. The Corporation withheld ₹ 2.95 crore from the payment of Supreme, while full payment was made to MARKFED. Further, damage to CAP covers also resulted in damage to foodgrains worth ₹ 3.88 crore as seen from records.

3. As per the purchase agreement, these CAP covers had one year guarantee. The Corporation did not initiate any action for getting the damaged covers replaced and instead got them repaired by the firm.

[35] Size-32'X21'X17'
[36] Size-32'X21'X18'

4. The size of the CAP covers purchased by the Corporation was bigger than the standard size required for storage and this resulted in extra expenditure of ₹ 36.20 lakh[37].

5. The Corporation incurred extra cost of ₹ 2.21 crore on purchase of multi layered CAP covers, when compared with the cost of LDPE covers.

Thus, due to the decision of large scale use of multi layered CAP covers, without any field trials in the first year, the Corporation had to bear a loss of ₹ 3.88 crore due to damage of foodgrains besides excess expenditure of ₹ 2.72 crore on purchase of the CAP covers.

The Government stated (January 2014) that the Corporation used Multi-Layered Cross Laminated Covers at the instruction of the State Government and it was more durable than LDPE. The Management further stated that due to its light weight (32 kg) the Corporation bought oversized covers to cover beneath the base. The reply is not acceptable as the Corporation used the new Multi-Layered Cross Laminated Covers at majority of places without examining suitability of its use, besides purchase at higher rate.

Procurement of LDPE black polythene for CAPs

3.21 As per the standards prescribed by Food Corporation of India (FCI), the weight of each LDPE black polythene cap cover should be 52 kg. The Corporation purchased LDPE covers each of 48 kg during 2008-09 to 2010-11 through Madhya Pradesh Laghu Udyog Nigam Limited (MPLUN). However, during 2011-12 and 2012-13, it purchased LDPE black polythene CAP covers of standard size[38] but of heavier weight viz. 55 kg. The details of purchase of the LDPE black polythene cap covers during 2011-12 & 2012-13 are given in the Table 3.2.

Table-3.2

Sl. No.	Year	Quantity of purchased LDPE (in Numbers)	Average rate (₹ per unit)	Excess expenditure[39] (Amount in ₹)
1	2011-12	5500	7627	2288100
2	2012-13	5510	7027	2111933
	Total	**11010**		**4400033**

The rates of polythene are proportional to its weight per unit. Therefore, due to purchase of heavier polythene compared to the standards set by FCI, the Corporation incurred avoidable expenditure of ₹ 44 lakh as detailed in the Table 3.2 above.

The Government stated (January 2014) that the overweight covers were supplied by the rate contract supplier of MPLUN. The reply is not tenable as the Corporation did not indicate standard weight of LDPE cover while placing order

[37] ML CAP cover size= 2*18 (32+21)+(32*21) =2580 cubic feet
LDPE cover size=. 2*17(32+21)+(32*21)= 2474 cubic feet
Excess size= 2580-2474= 106 cubic feet
Excess payment =106*(9791/2580)*9000 CAP covers= ₹ 36.20 lakh

[38] Size: 32'x 21'x17'.

[39] (Average rate/55)*3kg *Purchased quantity.

on MPLUN, resulting in procurement of heavier LDPE cover and avoidable extra expenditure.

Financial/ budgetary management

3.22 The financial position and working results of the Corporation for the last five years are given in ***Annexure-3.6*** and ***Annexure-3.7 respectively***. The total income of the Corporation rose from ₹ 48.97 crore in financial year 2008-09 to ₹ 220.82 crore in financial year 2012-13. Profit before tax and after depreciation and land premium increased from ₹ 8.37 crore as on 31 March 2009 to ₹ 72.39 crore as on 31 March 2013. A review of financial position and working results for the years 2008-09 to 2012-13 shows following:

- Capital employed by the Corporation increased from ₹ 109.03 crore as on 31 March 2009 to ₹ 295.37 crore as on 31 March 2013. Income per rupee of capital employed ranged from ₹ 0.45 to ₹ 0.89 during the years 2008-09 to 2012-13.
- Expenditure of the Corporation to the total income decreased from 73 *per cent* during 2008-09 to 63 *per cent* during 2012-13.
- Income per metric tonne of storage increased from ₹ 350.54 during the year 2008-09 to ₹ 403.47 during 2012-13.

Issues relating to financial controls have been discussed in succeeding paragraphs:

Payment for excess quantities and excess items made to contractor without approval of competent authority.

- As per paragraphs 2.130 and 2.131 of MP Works Department Manual, a revised estimate must be submitted to the Competent Authority when the expenditure is likely to exceed the amount of the sanctioned estimate by more than 10 *per cent*. It further provides that any development of scheme found necessary while a work is in progress must be covered by a supplementary estimate and submitted to the sanctioning authority.

  We noticed that actual executed quantities in respect of 11 works[40] exceeded the 10 *per cent* of the estimated quantities and payment for such excess quantities valued at ₹ 4.57 crore were made to contractor without approval of competent authority ***(Annexure 3.4)***.

  We further noticed that in respect of 10 works[41], extra items of works valued at ₹ 3.79 crore were executed without approval of the competent authority ***(Annexure 3.4)***.

  The Government stated (January 2014) that since extra items executed as per site requirement and did not exceed 10 *per cent* of the estimated quantity, revised sanction was not required. The reply is not tenable as extra quantity cannot be executed without approval of the competent authority.

Human resource management

3.23 The sanctioned strength and the actual strength as on 01 April 2008 and 31 March 2013 is given in Table No.3.3.

[40] Seven convertible CAPs and four temporary pucca CAPs
[41] Three convertible CAPs and seven temporary pucca CAPs

Table – 3.3

Sr. No.	Category		As on 01.04.2008		As on 31.03.2013		
		Sanctioned Strength	Actual strength	Excess (+) /Shortage (-)	Sanctioned Strength	Actual strength	Excess (+) /Shortage (-)
1.	Group-I[42]	13	2	(-)11	13	3	(-)10
2.	Group-II[43]	35	13	(-)22	35	22	(-)13
3.	Group-III[44]	698	581	(-)117	693	566	(-)127
Total		746	596	(-)150	741	591	(-)150

Source: Information furnished by the management of the Corporation.

From the above, it may be seen that there was shortage of staff in all groups in the Corporation against sanctioned strength. It was observed that despite increase in activities of the corporation there was no significant change in sanctioned strength. Shortages as on 31 March 2013 in Group-I and Group-II cadre were 10 (77 *per cent*) and 13 (37 *per cent*) respectively, which indicates that important management control was lacking.

We further observed that:

- As per the guidelines for staffing pattern adopted (July 1986) by the Corporation, every branch/warehouse centre having storage capacity more than 10000 MT should be headed by a Sr. Assistant Manager/Superintendant/Manager. During 2012-13, 131 branches of the Corporation had storage capacity more than 10000 MT (75 branches had storage capacity more than 25000 MT) but only 3 branches were headed by Sr. Assistant Manager/Superintendent/ Manager. Remaining 128 branches were headed by Junior Superintendant, Joint Managers etc.

Non-fumigation of wheat stock owing to shortage of staff resulted in damage of stock valuing ₹ 16.72 crore.

- Out of 101100 MT of wheat pertaining to MPSCSC stored in Piparia branch in 2010-11[45], 51452.092 MT of wheat valued at ₹ 16.72 crore was damaged due to non-fumigation of stock owing to shortage of technical staff at the branches.

Monitoring and Internal Control Mechanism

3.24 The Corporation has an internal audit wing consisting of only four staff which is not commensurate with the size, nature of activities and number of branch offices in the Corporation. We further noticed that Internal Audit staff was also engaged in preparation of accounts. The annual internal audit of the Corporation was being conducted by a firm of Chartered Accountants. Brief of Internal Audit Report/ physical verification reports were not being submitted to the Board of Directors of the Corporation for scrutiny and decision making.

[42] Secretary, Chief Engineer, General Manager (Accounts), General Manager (Commercial),General Manager (Personnel), General Manager (Audit), General Manager (Technical), Executive Engineer, Deputy General Manager (Accounts),Deputy General Manager (Technical), Deputy General Manager (General).

[43] Zonal Engineer, Assistant General Manager (Accounts), Assistant General Manager (Technical), Assistant General Manager (General), Manager (Technical), Manager (Law),Manager (Accounts),Manager (General),Manager (Information Technology).

[44] Joint Manager (Technical), Joint Manager (General), Joint Manager (Law), Joint Manager (Accounts), Junior Engineer, Stenographer, Steno-typist, Tracer, Internal Auditor, Senior Quality Control Assistant, Junior Quality Control Assistant, Assistant Accountant, Senior Assistant, Assistant, Junior Assistant (Accounts), Junior Assistant (General), Drivers.

[45] Open storage:11400 MT and closed storage: 93000 MT.

Meetings of Executive Committee

3.25 Under Regulation 3(1) of the Madhya Pradesh State Warehousing Corporation Regulations and Section 42 of Warehousing Corporation Act, 1962, meeting of Executive Committee (EC) was required to be convened once in a month to review the functioning of the Corporation. Such meeting were not conducted by the Corporation since its establishment in 1958 till 2007. The issue was reported in the Audit Report (Commercial) 1999-2000, Government of Madhya Pradesh. Management in the meeting of the COPU assured (September 2004) to hold meetings of Executive Committee as per the Regulation.

We however noticed that only six meetings were conducted during 2008-09 to 2011-12 whereas no meeting was held in 2012-13 despite assurance given to COPU. Thus, monitoring system in the Corporation was weak.

Lack of Monitoring Mechanism

3.26 Under Integrated Information System for Foodgrain Management (IISFM) project, the Food Corporation of India (FCI) provided in February and March 2008 Computer Systems (Hardware and Software) valued at ₹ 5.34 crore through National Informatics Centre for installation at 179 Branches/ Regional offices of the Corporation to enable them to give day to day closing position of stock at Warehousing Centres. As per agreement (October 2007) between FCI and the Corporation, it was the responsibility of the Corporation to get it resolved from National Informatics Centre (NIC) in case of any problem in software /hardware.

We noticed that the Computer Systems provided by the FCI could never be utilised due to some technical problems in the software relating to data entry. No concrete action was taken by the Management to resolve the problem in software either through NIC or any other private party. Thus, due to failure of the Management, the computer systems valued at ₹ 5.34 crore could not be utilised for intended purpose since its installation in March 2008. Thus, the objective of monitoring over the stock position could also not be fulfilled.

Non-resolvement of software problem of computer system valuing ₹ 5.34 crore resulted in non utilization of source for intended purpose.

The Government stated (January 2014) that the official works were done on these computers and after arranging proper training to the Data Entry Operators data entry had been started at 138 locations out of 179 locations from September 2013.

The reply is not convincing as the Computer systems were meant to be utilised for IISFM which could not be started up to September 2013 due to delay in resolution of software problem despite receipt of Hardware & Software in March 2008.

Non monitoring of achievement of desired moisture gain

3.27 The Ministry of Consumer Affairs, Food and Public Distribution, Government of India issued (October 2003) instructions to pass on storage gain in wheat due to absorption of moisture at the rate of one *per cent* and 0.70 *per cent* of quantity stored for covered godowns and open godowns/CAPs respectively to the procuring agency if handed over to them after 30 June every year. Though the storage gain was much less than the said norm during the years 2008-09 to 2012-13, the Corporation did not analyse reasons for non achievement of required storage gain due to absorption of moisture.

Monitoring for renewal of land on lease

3.28 The Corporation acquires land from the State Government. The Corporation needs to execute lease deed in respect of land received and also requires renewal of lease deed on expiry of lease terms. No monitoring system was developed by the Corporation to ensure timely renewal of lease deed for land. In this regard, we further observed following lapses:

- As on March 2008, lease deeds at 19 locations had expired and were pending for renewal. During 2008-09 to 2012-13, lease deed for land at 48 more locations became due for renewal. But the Corporation did not initiate action for renewal of lease for land at those locations.

- At 102 locations of four Regional Offices[46] out of the eight Regional Offices, lease deed was not executed. In two cases[47], land was in possession for more than 50 years. Whereas information in respect of remaining four regional offices was not made available to audit.

Registration of the Corporation

3.29 Section 3 of the Warehousing (Development & Regulation) Act, 2007 stipulates that no person shall commence or carry out the warehousing business unless he has obtained a registration certificate in respect of concerned warehouse or warehouses granted by the Warehousing Development And Regulatory Authority. It further states that a person carrying on business immediately before the commencement of the Act (October 2007) shall be allowed to carry on such business, in case he had made an application for registration within 30 days from the date of such commencement.

We, however, found that the Corporation had so far not applied for registration under the Act for carrying out the warehousing business.

Hiring of a godown

3. 30 The Branch Manager, Tendukheda hired (February 2010) a private godown, which had already stored CHANA DAL without obtaining required permission of the concerned Regional Manager.

Lack of control and supervision by Regional Manger led to irregular hiring of godown.

We found that the Regional Manager failed to take notice of the fact of hiring of private godown without his approval in the reports of physical verification conducted in March 2010 and June 2010. This indicates lack of control and supervision by the Regional Manager. Incidentally, damage and shortage of stock in the said godown was noticed besides irregular issue of warehousing receipts by Branch Manager for grains which were already stored in the godown at the time of hiring.

The Government stated (January 2014) that the Corporation had adequate and effective system of inspection and supervision but sometimes such incident occurred due to carelessness of employees, for which disciplinary action was

[46] Jabalpur ,Sagar , Ujjain and Rewa.
[47] Satna (Gosala) and Ujjain.

initiated against concerned employees. The reply is not convincing to the extent that the Regional Manager failed to take notice of hiring of the godowns in discharging his supervisory functions.

Conclusion

The Corporation has not prepared any long term plan to increase its share in storage capacity. MoUs with the State Government were signed at the end of the relevant financial years which included requirement of land but not entering into MOUs sufficiently in advance causing bottlenecks in construction of godowns. It increased its own storage capacity but its share in total storage capacity of the State had marginally decreased.

There were huge shortfall in construction of godowns against the target of creating additional storage capacity despite availability of funds, the Corporation had to award work of construction of godowns at higher cost due to non-finalisation of tender within validity period, delay in completion of works of convertible CAPs and pre-engineering godowns, resulted in loss of potential revenue.

Utilisation in respect of own godowns and JV godowns was less than the overall targets of utilisation. Food grain were stored in JV godowns despite availability of surplus storage capacity in own/ hired godowns causing loss of revenue to the Corporation. It did not analyse reasons for non-achievement of specified storage gain and damage of stock and take remedial action for that. New kind of CAP covers was purchased at higher rates at large scale without any field trials and purchase of heavier polythene cover for CAPs resulted in extra cost.

Execution of extra items and payment to contractor for quantities exceeding the estimated quantities of works were without approval of competent authority. There was shortage of staff in all the groups in the Corporation against the sanctioned strength.
Internal Audit Wing was not commensurate with the size, nature of activities and number of branch offices in the Corporation, Meetings of Executive Committee to review the functions of the Corporation, were not held as per the prescribed frequency, computer systems could not be utilised for monitoring due to not getting resolved the problems in software. No monitoring system was developed by the Corporation to ensure timely renewal of lease deed for land.

Recommendations

The Corporation should consider to:

- Enter into MoUs with the State Government in advance to effectively plan and implement construction of godowns;
- Identify and resolve the problems in construction of godowns so as to augment its storage capacity in time bound manner;
- Increase utilisation of own/ hired godowns to avoid loss of revenue;
- Analyse reasons for non-achievement of specified storage gain and damage of stock and take remedial action for that; and
- Strengthen system of monitoring and internal control by ensuring regular meeting of Executive Committee and strengthening Internal Audit Wing.

CHAPTER - IV

4. Transaction Audit Observations

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

Government Companies

Special Economic Zone Limited (Indore)

4.1 Avoidable Payment of Surcharge

Failure of the Company to make timely payment of energy bills resulted in extra expenditure of ₹ 31.74 lakh.

The Special Economic Zone (SEZ) Limited, Indore (Company) entered (October 2010) into an agreement with Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited (MPPKVVCL) for supply of electricity required for industrial units located in SEZ. MPPKVVCL raises demand for energy supplied every month giving 13 days for payment by cheque and 15 days for Demand Draft (DD) from the date of bill. The payment made by cheques drawn/ DDs issued by State Bank of India, Industrial Estate (IE), Marimata Branch, are only treated as cash. Any instrument of other banks should be deposited three days earlier to the due date, failing which surcharge is leviable in terms of clause 2 of the agreement entered between the Company and MPPKVVCL. As the Company is subsidiary of Madhya Pradesh Audyogik Kendra Vikas Nigam (MPAKVN) (Indore) Limited, all the transactions are being carried out through the bank account of its parent Company MPAKVN (Indore) Limited.

On review (August 2012) of the payment of energy bills to MPPKVVCL, we observed that the Company remitted the energy bills during the years 2010-11 and 2011-12 after 15 to 17 days from the due dates, even though the Company was having surplus funds. Due to delayed payment, MPPKVVCL levied surcharge[1] of ₹ 31.74 lakh on energy bills. Besides, the payment was made through cheques of banks other than State Bank of India's, IE, Marimata Branch, as a result of which surcharge for three additional days was levied.

Though MPPKVVCL introduced payment of High Tension bill through Real Time Gross Settlement (RTGS) facility in December 2007, the Company made payment through cheques up to May 2011, leading to payment of surcharge till the date of clearance of the cheques. The RTGS facility was utilised from June 2011 only. Thus, failure of the Company to pay the energy bills on time, even when it had adequate funds, resulted in payment of surcharge of ₹ 31.74 lakh which was avoidable.

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[1] Penal charges at the rate of 1.25 *per cent* per month levied for delay in making payment of electricity charges.

The matter was reported to the Company/Government in May 2013, their replies are awaited (January 2014)

4.2 Avoidable Payment of Income Tax

Non-availing of Income Tax exemption resulted in avoidable payment of Income Tax and interest of ₹ 13.25 crore.

The Special Economic Zone (SEZ) Limited (Indore) was incorporated under the Companies Act, 1956 on 20 February 2003 for the purpose of development of land in SEZ with basic infrastructure such as construction of roads, drainage system, street light, water supply etc, and carrying out maintenance works in the SEZ. As per Section 80-IA (1) of the Income Tax (IT) Act, 1961, where the gross total income of an assessee includes any profits and gains derived by an undertaking of an enterprise from any business such as developing or operating or maintaining any infrastructure facility, there shall, in accordance with and subject to the provisions of this section, be allowed, in computing the total income of the assessee, a deduction of an amount equal to hundred *per cent* of the profits and gains derived from such business for ten consecutive assessment years and as per Section 80-IA (2) of the IT Act, 1961, the above deduction, at the option of assessee, be claimed by him for any ten consecutive assessment years out of fifteen years beginning from the year in which the undertaking or the enterprise develops and begin to operate any infrastructure facility.

On scrutiny of records of SEZ Indore, we noticed (August 2012) that the Company was exempted from payment of income tax under Section 80-IA (4) (iii) of the Income Tax (IT) Act 1961. We further noticed that the Company paid an amount of ₹ 11.93 crore for the period from 2006-07 to 2011-12 towards income tax and interest of ₹ 1.32 crore for non-compliance of provisions of IT Act under section 234 (A,B,C)[2]. SEZ, however, did not avail the benefit under section 80-IA of the IT Act, 1961. This has resulted in avoidable payment of Income Tax of ₹ 13.25 crore.

The Management stated (August 2012) that there was no provision in the SEZ Act, 2005 for change in developer and as per provisions of SEZ Act, 2005 and Income Tax Act, 1961 and various rules made thereunder, tax exemption benefits is available only to the notified developer i.e. Madhya Pradesh Audyogik Kendra Vikas Nigam (Indore) Limited.

The reply is not acceptable as the above provisions of Income Tax Act, 1961, provide that if an enterprise that develops a Special Economic Zone on or after the 1 day of April 2001, transfers the operation and maintenance of such Special Economic Zone to another Developer, transferee developer was eligible for exemption from payment of Income Tax.

[2] In case the return of income for any assessment year is furnished after the due date or where the Advance Tax paid by assessee is less than 90 *per cent* of the assessed tax or if an assessee fails to pay Advance Tax.

The matter was reported to the Government in June 2013, their reply is awaited (December 2013).

4.3 Avoidable Expenditure due to improper planning

Improper planning in assessment of demand for purchase of power resulted in avoidable expenditure of ₹ 1.23 crore.

The Special Economic Zone (SEZ) Limited (Indore) was established as a special purpose vehicle as approved by the Government of Madhya Pradesh with the objective of promoting export based industries. In order to arrange supply of electricity to the industrial units in the Zone, the Company entered in to an agreement (November 2009) with Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited (MPPKVVCL), for a contracted demand of 5000 kVA. In December 2009, the Company applied further additional load of 3000 kVA and an agreement was entered on January 2010. In May 2010, application for further additional load of 3000 kVA was made. The contracted demand of 8000 kVA was however increased to 10000 kVA (i.e. by 2000 kVA) and agreement was signed in July 2010, though the actual power drawn was more than 13000 kVA in the month of June 2010 itself. The Company made another application (August 2010) for further increase of load of 4000 kVA which was sanctioned (September 2010) with the approval of Madhya Pradesh Electricity Regulatory Commission (August 2010), subject to conditions[3].

We observed (August 2012) that the actual demand drawn by the company ranged between 11600 kVA and 14000 kVA during the period from April 2010 to September 2010, while the contracted demand for the above period was only 8000 kVA to 10000 kVA. Though the actual demand drawn by the Company was more than the sanctioned demand, the Company did not take immediate steps to increase the demand to match its requirement and as a result MPPKVVCL levied excess demand charges at the rate of 1.5 times for the first 15 *per cent* excess and for the remaining at the rate of 2 times of the normal demand charges, which amounts to ₹ 1.30 crore. Had the Company applied for the load of 14000 kVA in the month of April 2010 itself, it would not have to pay excess demand charges and only additional charge would have been levied at the rate of 3 *per cent* on the total amount of fixed charges and energy charges, which amounts to ₹ 7.00 lakh, for the period of April 2010 to September 2010. Hence by assessing the demand earlier, the Company could avoid the payment of extra expenditure of ₹ 1.23 crore[4]. The Company also failed to recover excess demand charge so paid, from the entrepreneurs or restrict them to keep actual load till enhanced load is sanctioned by MPPKVVCL so as to avoid levy and payment of excess demand charges. Thus, the Company bore the total excess demand charges itself.

The matter was reported to the Company/Government in August 2013, their replies are awaited (January 2014).

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[3] The supply of additional 4000 kVA is allowed till 31st March 2011.
The supply will be made at 33 KV line using multiple feeders.
The consumer has to pay additional charge at 3 per cent on the total amount of fixed charges and energy charges.

[4] ₹ 1.30 crore - ₹ 0.07 crore

Madhya Pradesh Audyogik Kendra Vikas Nigam (Indore) Limited

4.4 Failure of undertaking a due diligence check in allotment of land

Failure of undertaking a due diligence check resulted in allotment of entire land at a concessional rate leading to loss of ₹ 30 lakh.

Madhya Pradesh Audyogik Kendra Vikas Nigam (Indore) Limited (Company) a subsidiary of Madhya Pradesh State Industrial Development Corporation Limited is responsible for development of Industrial infrastructure in the area of Indore. The Company leases developed land to entrepreneur.

As per Government of Madhya Pradesh Industries Promotion Policy 2010 (November 2010) and working plan 2010, mega projects would be those industries having proposed fixed capital investment[5] of ₹ 25 crore or more and such projects would be provided land at 25 *per cent* of the prescribed premium rates, if the capital investment was made within a period of three years. Further, if the project cost was between ₹ 25 crore and ₹ 50 crore, maximum of five acre could be offered at concessional rate and if the project cost was between ₹ 50 crore and ₹ 100 crore, maximum of 10 acre could be offered at concessional rate.

The Company received (September 2010) an application for allotment of 36000 square meters (Sq Mtrs) plot in the Pithampur Industrial area of the Company, from M/s. Badve Engineering Private Limited (BEPL) for setting up a project for manufacture of automobile components. The prescribed premium rate for land in the industrial area (December 2010) was ₹ 400 per Square Metre (Sq Mtr). The Company allotted (January 2011) 30000 Sq Mtrs (7.5 acres) of land for the project, treating it as a mega industry.

We observed that the Company collected a premium of ₹ 30 lakh for 30000 Sq Mtrs of land computed at a concessional rate of ₹ 100 per Sq Mtrs. It was further observed that the total project cost was ₹ 53.70 crore inclusive of cost of land and site development of ₹ 6.20 crore. As the Company leases only developed land, inclusion of ₹ 6.20 crore as development cost by the industry viz. BEPL was not justifiable and had resulted in inflating the project cost. Had this amount not been considered, the project cost would work out to only ₹ 47.50 crore and as such the industry would have been eligible for allotment at concessional rate for only five acres[6] viz 20,000 Sq Mtrs (approx) of land. Hence for the balance 10000 Sq Mtrs land, normal premium of ₹ 400 per Sq Mtrs was chargeable.

The Management stated (June 2013) that the allotment of land has been made as per the provisions of Industrial Policy 2010 and the project cost shown by the BEPL was ₹ 53.70 crore and ₹ 6.20 crore which was shown as land and development cost was included in ₹ 53.70 core.

The reply of the management is not tenable as the Company leases only developed land. Besides, inclusion of ₹ 6.20 crore as land and development cost is not

[5] Exclusive of working capital

[6] 1 acre = 4046 Sq Mtrs. (Rounded at 4000 sq meters)

justifiable as in the other cases of allotment, audit did not find inclusion of development cost to the overall project cost. By including the land development cost in the project cost, BEPL became entitled for additional 10000 Sq. Mtrs land at concessional rate. Thus the decision of the management to accept the project cost details as furnished by the industry without undertaking a due diligence check resulted in allotment of entire land at a concessional rate leading to loss of ₹ 30 lakh[7].

The matter was reported to the Government in May 2013, their reply is awaited (January 2014).

4.5 Loss of interest due to poor fund management

Absence of proper fund management system resulted in loss of interest income of ₹ 79.17 lakh, due to parking of huge cash balances in the savings accounts.

Madhya Pradesh Audyogik Kendra Vikas Nigam (Indore) Limited (Company) a subsidiary of Madhya Pradesh State Industrial Development Corporation Limited is responsible for development of Industrial infrastructure in the area of Indore.

Scrutiny of records for the period of April 2011 to March 2013 of the Company indicated that the Company operates three saving accounts with Kotak Mahindra Bank (Indore) and the accounts are operated only for day to day transactions. A balance of ₹ 3.23 crore stood at the credit of the above three accounts at the end of April 2011 which accumulated to ₹ 22.89 crore at the end of March 2013. Besides, the Company had 11 other current accounts with various banks for day to day requirements.

It was seen in audit that the Company did not have any mechanism to periodically identify the availability of surplus fund to invest in term deposits. Had the Company followed fund management system for investing of surplus funds and parked it in term deposits, it would have fetched an additional interest of ₹ 79.17 lakh during the period April 2011 to March 2013. In order to safe guard its financial interest, the Company has to devise a suitable fund management mechanism for maximisation of returns on its funds.

The Management stated (September 2013) that it had earned interest of ₹ 43.97 lakh during the period from April 2011 to June 2012 and added that the notional rate of interest shown in audit para was not in conformity with the prevailing rate of interest.

The reply is not acceptable as the Company had parked its fund in the saving bank account of Kotak Mahindra Bank instead of depositing in term deposits at higher rate of interest[8] of the same Bank. Thus absence of suitable investment mechanism resulted in maintenance of surplus funds in savings accounts leading to additional interest loss of ₹ 79.17 lakh.

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[7] ₹ 400 – ₹ 100 = ₹ 300 * 10000 Sq Mtrs.

[8] @ 9 *per cent* per annum

The matter was reported to the Government in August 2013, their reply is awaited (January 2014).

Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited

4.6 Loss of Revenue

Delay in issue of Supply availability notice and billing for the enhanced demand resulted in loss of revenue of ₹ 84.84 lakh.

According to clause 4.74 of the Madhya Pradesh Electricity Supply Code, 2004 (Code), issued (June 2004) by the Electricity Regulatory Commission, the prescribed time limit for serving of power availability notice for commencement of supply is 90 days if extension work[9] is involved and within 30 days if no extension work is involved from the date of entering into supply agreement with the consumer. According to clause 2.1 (n) of the Code, the date of commencement of supply means the day immediately following the day of expiry of the period of one month in case of Low Tension (LT) consumers and three months in case of High Tension (HT) consumers from the date of intimation to an intending consumer of the availability of power or the date of actual availing of supply by the consumer. Accordingly, billing for energy charges is to be done from the date of intimation of the availability of power or the date of actual availing of supply, whichever is earlier.

Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited (Company) was incorporated with the objective of distribution of power. M/s. Security Paper Mills (SPM), Hoshangabad an existing consumer applied (June 2009) for enhancement of its contracted load from 5000 kVA to 10000 kVA. The Company, however sanctioned (October 2009) an additional load of 3000 kVA and a supplementary agreement for enhanced load of 8000 kVA was entered into in January 2010. The General Manager (Operation and Maintenance) instructed (February 2010) the Deputy General Manager (O&M) to issue supply availability notice to the consumer so as to commence billing for the enhanced load (8000 kVA). The notice was however issued to the consumer only in June 2010. The consumer requested (June 2010) for commencement of billing from September 2010 due to delay in installation work of its new pulp mill and further requested (September 2010) for commencement of billing from 1 November 2010 due to non-completion of electrical work. Accordingly, the Company commenced billing for the enhanced load from 1 November 2010.

We observed (January 2012) that in terms of clause 4.74 of the Code, the Company should have issued supply availability notice for the enhanced load in February 2010 itself i.e. on completion of 30 days from the date of entering into the agreement in January 2010 and commenced billing from May 2010 onwards. As it was the responsibility of the Company to issue the notice as stipulated in code, delayed issue of notice by four months and further according permission for delayed billing, was irregular. This has resulted in loss of revenue of ₹ 84.84 lakh.

[9] Laying of new lines and establishment of feeder.

The Government stated (August 2013) that it had to augment its line for supply of enhanced load of 8000 kVA and on completion of the work in July 2010, supply availability notice was issued and the consumer was billed for the enhanced load from November 2010. Audit scrutiny however indicated that the work undertaken by the Company during this period was not related to the augmentation work of the Company for release of enhanced load but augmentation of conductor and replacement of deteriorated support of 33 KV lines falling within SPM premises as deposit work, which was the responsibility of the consumer in terms of clause 4.68[10] of the Code. Therefore, the Company should not have delayed the billing for enhanced load at the request of the consumer.

Thus, failure of the Company to issue the supply availability notice on time resulted in foregoing of revenue of ₹ 84.84 lakh.

4.7 Undue favour to the consumer by enhancing the load

Loss of revenue of ₹ 3.89 crore due to giving undue benefits to the consumer on account of extending additional load before non fulfilment of sanctioned letter conditions as per Electricity Supply Code, 2004 and non levy of additional charges on the excess load as per the MPERC Tariff.

According to clause 4.3 of Madhya Pradesh Electricity Supply Code 2004 (Code) "The cost of extension of distribution mains and extension or up gradation of the point of supply for meeting demand of new consumers shall be payable by the consumer". According to clause 4.12 of the Code the consumer shall get the work done within the time frame as provided in the Code, failing which the licensee may, on giving 15 days notice treat the requisition for supply or enhanced supply as cancelled. The time frame prescribed in the code for the completion of work was 90 days if extension work was involved and within 30 days if no extension work is required.

M/s Kakada rolling mill, Govindpura, an existing High Tension consumer with a contracted load of 2350 kVA made an application (December 2009) for enhancement of load by 1250 kVA. The Company intimated (January 2010) the sanction for additional power of 1250 kVA over the existing contract demand of 2350 kVA on 33 KV line subject to successful completion of laying new 33 KV feeder for a route length of 1.67 KMs of 33 KV line from the switching substation by the consumer.

The consumer requested (January 2010) for immediate release of the enhanced load and sought 12 months time for the enhancement work. Considering the additional revenue that can be generated through enhancement in load, the Company decided to release the additional load before completion of

[10] The clause 4.68 provides that consumer may take up the work of extension on his own and shall furnish to the licensee the test report and the permission from the Electrical Inspector to energise the installation.

enhancement work by providing power through the stand by feeder for Govindura. Though the maximum period for completion of the work of extension is 90 days in terms of the Code, the Company permitted a period of six months for executing the work of new 33 KV feeder and entered (April 2010) into an agreement for enhanced load of 3600 kVA effective from April 2010. Thus, the agreement was *ab initio* against the provision of the Code. Besides, no enabling provision was kept in the agreement to enforce billing as per existing load till the consumer complete the extension work and to terminate agreement in case of failure of the consumer to complete the work of extension within the period of six months.

We noticed (March 2012) that the consumer from time to time sought extension of time for carrying out the extension work beyond the period of the six months allowed in the agreement. The Management however did not initiate any action to discontinue supply at enhanced load on failure of the consumer to complete the work within the specified period nor did it bill on the basis of existing load, evidently because of absence of any enabling provision in the agreement. The work was actually completed in September 2013. Billing on the basis of regular enhancement of load instead of existing load resulted in the consumer drawing more power than that would be possible in terms of the code without paying penalty of ₹ 3.89 crore from April 2010 to March 2013 for such excess drawl.

Thus, agreement for giving additional load before fulfilling terms and conditions of the sanction (January 2010) and absence of suitable provision to secure interest of the Company resulted in undue benefit to the consumer. Besides, the standby feeder erected by the Company at its own cost remained unavailable for the purpose for which the investment was made.

The Government stated (September 2013) that the consumer was given time to complete the work of separate feeder, taking into consideration the best interest of the Company as it was giving regular revenue. They further stated that it could not discontinue the enhanced supply as the consumer was regular in payment of dues.

The reply is not acceptable as agreement was against the provision of the Code and the Company failed to secure its interest as it did not include provision in the agreement enabling it to bill the consumer on the basis of existing load and thereby lost additional revenue.

Madhya Pradesh Power Transmission Company Limited

4.8 Loss of Interest

Foregone revenue of ₹ 23.13 crore through tariff and consequential interest loss of ₹ 1.27 crore.

Madhya Pradesh Power Transmission Company Limited (Company), Jabalpur is engaged in transmission of electricity to the Distribution companies in the State of Madhya Pradesh. Till 2008-09, the Company treated the income earned on fixed deposits as non-tariff income as per the regulations of Madhya Pradesh Electricity Regulatory Commission (MPERC).

Due to change in its accounting policy in line with Accounting Standard (AS) -16, the Company in its annual accounts for the year 2009-10 accounted the interest earned during construction as a deduction from the interest paid against loans obtained for creation of capital assets.

The Company filed an application in October 2010 for True up[11] of Transmission tariff for the financial year (F.Y.) 2009-10 with MPERC, wherein it claimed the interest of ₹ 8.61 crore earned on deposits as a deduction from capital work in progress.

The MPERC added the interest of ₹ 8.61 crore earned by the Company to the non-tariff income and accordingly determined a net true up amount of ₹ 53.99 crore.

The Company filed a review petition in August 2012 with MPERC against the true up order requesting the Commission to revise the true up amount from ₹ 53.99 crore to ₹ 62.60 crore on the plea that the interest was deducted twice i.e. from capital work in progress and also by reckoning it as income. The claim of the Company was however rejected (September 2012) as MPERC was following a consistent approach by treating the interest earned as revenue income. On reduction of capital work in progress, MPERC directed the Company to provide asset wise interest income to be restored in its forthcoming tariff petition. The same methodology was adopted in the true-up petition for 2010-11 filed in February 2012. Even though the public hearing and clarification in regard to true-up of FY 2010-11 tariff was continuing till January 2013, i.e. till four months after the review petition on true-up order for FY 2009-10 was disposed of, the Company did not revise its true-up claim for 2010-11 by suitably increasing the value of assets corresponding to the asset wise interest income. As a result, in the true-up order of 2010-11, MPERC in February 2013 added back interest income of ₹ 14.52 crore to other non-tariff income without considering the effect on the capital work in progress.

Thus, the Company lost the opportunity for realisation of ₹ 23.13 crore[12] on the interest earned on deposits during 2009-10 and 2010-11. Consequently, the Company suffered loss of interest amounting to ₹ 1.27[13] crore till April 2013.

The Government replied (July 2013) that the amount would be restored in the assets value in the forthcoming tariff petition as ordered by MPERC in September 2012 and thus there would be no loss to the Company.

The reply of the Government is not acceptable as the Company filed its Multiyear tariff petition for the period 2013-14 to 2015-16 in February 2013, where also the asset value has not been proposed for restoration. The Company has so far (December 2013) not been able to determine the asset wise interest income to determine the extent of increase in the assets. As the Company has not filed any appeal against the MPERC order, it may not be able to claim deduction from non-tariff income. It may also not be able to succeed in restoration of asset value in

[11] True up petition is a tariff petition filed against the multiyear/yearly tariff issued by the Electricity Regulatory Commission after the actual expenditure incurred by the Company becomes known.

[12] ₹ 8.61 crore + ₹ 14.52 crore

[13] ₹ 1.27 crore (₹ 0.82 crore + ₹ 0.45 crore) @ 13 *per cent* per annum

the absence details on asset wise interest to be recapitalised and therefore, entire interest earned amounting to ₹ 23.13 crore may have to be foregone.

Madhya Pradesh State Mining Corporation Limited

4.9 Loss of revenue due to failure in enforcing the terms and conditions of agreement

The Corporation failed to enforce the terms and conditions of agreement for production of A grade rock phosphate resulting in loss of revenue of ₹ 14.71 crore and failed to levy penalty of ₹ 73.55 lakh for unexecuted quantity.

Madhya Pradesh State Mining Corporation Limited (Company) operates quarries and raises, sells and disposes the minerals namely rock phosphate, bauxite, dolomite, pyrophyllite, flag stone and sand. It excavates rock phosphate from its Mines at Hirapur and Meghnagar and sells through its sub offices at Sagar and Meghnagar. The Company entered (January 2010) into an agreement with M/s.Pappu Construction (Contractor), Mumbai for mining and crushing of rock Phosphate from its mines in Sagar and Chhatarpur. According to the terms and conditions of the agreement, the contractor has to mine and crush 7,80,000 cubic meters (M^3) of rock phosphate of approved grade viz. 'A' grade of 29 *per cent* phosphate and low grade of 18-20 *per cent* phosphate over a period of 10 years from June 2010.

The agreement inter alia provided that the contractor shall excavate mines according to the monthly schedule stipulated by the Company and failure to achieve the monthly schedule attracted penalty at the rate of five *per cent* of the value of unexecuted quantity. To obtain the approved quality of rock phosphate, the scope of work included hand picking or sorting of rock phosphate obtained from mine through blasting.

On the basis of monthly schedule, the contractor was required to mine 30,000 MT, 36000 MT and 36000 MT of 'A' grade rock phosphate during 2010-11, 2011-12 and 2012-13 respectively. The contractor however mined only 3028.51 MT and 559.14 MT of 'A' grade rock phosphate during 2010-11 and 2011-12 respectively. There was no production of 'A' grade rock phosphate in the year 2012-13. As per the agreement, for the shortfall in production of 'A' grade rock phosphate by 26971.49 MT, 35,440.86 MT and 36000 MT during 2010-11, 2011-12 and 2012-13 respectively, the contractor was liable for penalty of ₹ 73.55 lakh at the rate of five *per cent* of the value of unexecuted quantity. The Company is yet to recover penalty from the contractor (August 2013).

We further observed that due to shortfall in production by the contractor, the Company could not sell rock phosphate as planned resulting in foregone revenue of ₹ 14.71 crore during 2010-11, 2011-12 and 2012-13. The Company could have terminated the contract in case of violation of any clause of agreement by issuing 15 days' notice and forfeited the security deposit. Instead, the Company, in November 2011 i.e. one and a half years after commencement of production issued only a notice to the contractor for shortfall in production. No further action was taken against the contractor till December 2013.

The Management stated (August 2013) that the production of 'A' grade Rock Phosphate was not undertaken as there was no demand of Rock Phosphate and it would block the capital of the Corporation.

The reply of Management is not acceptable as demand in the market for 'A' grade Rock Phosphate should have been assessed by the Company before entering into agreement for production. Besides, non-production of 'A' grade Rock Phosphate was not as a result of Company's request to reduce production and the Company had issued notice against shortfall in production. Further, in reply to another audit paragraph on mining of phosphate in Hirapur mines during 2011-12 and 2012-13, the Company assured that it would maximise the production from Rock Phosphate mines.

Thus, the Company had foregone revenue of ₹ 14.71 crore due to failure to enforce the production schedule of different grade rock phosphate and also failed to levy penalty of ₹ 73.55 lakh at the rate of five *per cent* of the value of unexecuted quantity.

The matter was reported to the Government in June 2013, their reply is awaited (January 2014).

4.10 Avoidable Expenditure in award of contract

Undue benefit extended to the contractor in awarding of contract for mining of Rock Phosphate resulted in avoidable extra expenditure of ₹ 4.82 crore.

The Madhya Pradesh State Mining Corporation Limited (Company) decided to undertake mining and crushing of rock phosphate from its Kachaldara mines in Meghnagar through engagement of a contractor and invited tenders (July 2009) for mining and crushing of one lakh Cubic Meter (M^3) of rock phosphate per annum for a period of ten years. The conditions of tender inter alia included that the tenderer must have an annual experience in excavation of 75,000 M^3 in *major* minerals during the preceding three years. The Company received five tenders. The lowest tenderer was, M/s. Katni Bauxite Private Limited, Satna a Joint Venture (JV) of the Company, who quoted the rate of ₹ 272 per M^3 (₹ 216 for mining and ₹ 56 for crushing). The second lowest rate was from M/s. Pappu Construction who quoted ₹ 344 per M^3. The Company, while considering the lowest tender, imposed a condition that any loss suffered from the operation of Kachaldara mines would not be set off against the profits of the JV as the Company had a stake holding of 11 *per cent* in the JV. Aggrieved by the condition, M/s. Katni Bauxite filed a writ petition, in the High court. The court directed (May 2010) the Company to invite fresh tender with directions to allow M/s. Katni Bauxite to participate in re-tender.

Accordingly, the Company floated (October 2010) re-tender in which it included a new condition that the tenderer must have previous experience in excavation of one lakh M^3 of *rock-phosphate* in last three years. Reason for introduction of the new condition was not on records made available to audit. In response to above, three tenderers including M/s Pappu Construction participated and the rate of ₹ 272 per M^3 by Katni Bauxite was the lowest. The Company however again invited tender in December 2010 on the ground that opening the price bid of M/s. Katni

Bauxite in second tender was not correct, as it did not technically qualify in regard to experience in the mining of rock phosphate. In response to the tender, the Company received two bids, in which rates of M/s. Pappu Construction at ₹ 573 per M^3 was the lowest. The Company accepted the offer of M/s. Pappu Construction and accordingly entered into an agreement in March 2011 to undertake the work of mining and crushing of rock phosphate from Kachaldara and Gwali group of Mines, Meghnagar.

In this connection the following are the audit observations:

- In the first tender, the Company was not inclined to accept the lowest offer quoted by M/s. Katni Bauxite on the ground that any loss incurred in the contract would affect the profitability of the JV Company which would in turn have impact on dividend receipt in respect of 11 *per cent* shareholding of the Company. The condition imposed by the Company was against the provisions of the Companies Act on declaration of dividend. Besides, rejection of offer on this ground lacked justification as the Company received only a nominal dividend of ₹ 80850 during 2008-09 and 2009-10.

- In the second tender, the Company was well aware of the production activities of Katni Bauxite and incorporation of a condition on experience in rock phosphate amounted to disqualifying the firm and against the judgement of the High Court, which gave directions to allow Katni Phosphate to participate in the re-tender.

- M/s. Pappu Construction quoted ₹ 344 per M^3 in first tender and ₹ 573 in the third tender. The Company, however did not conduct price negotiations though there was difference of ₹ 229 between first and third tender. The Company even ignored the fact that the contractor was awarded similar work in January 2010 at ₹ 403 per M^3 for mining and crushing the same grade product at Hirapur mines.

During the year 2011-12 and 2012-13, a quantity of 1,06,326 M.T. and 1,33,875 MT of Rock Phosphate respectively was excavated. By not accepting the L1 rate in the first tender, the Company incurred avoidable extra expenditure of ₹ 4.82 crore[14] during the year 2011-12 and 2012-13 along with committed recurring additional expenditure of ₹ 24.08 crore[15] for the remaining period of the contract.

The Management stated (August 2013) that the rates offered by M/s Katni Bauxite Private Limited were not practical and the rates of Hirapur mines cannot be compared as the nature and condition of the minerals of both the mines are different.

The reply is not acceptable as Katni Bauxite is engaged in the business of mining and dismissing the rates of its own joint venture Company which had experience in mining of major minerals as unworkable was not in the financial interest of the Company. The reply did not also explain the difference of ₹ 229 per MT in rates offered between first and third tenders by M/s. Pappu Construction within a period

[14] (106326 MT + 133875 MT)* ₹ 200.67
[15] 150000 M.T. * ₹ 200.67 * 8

of 18 months, though it represented an increase of 67 *per cent*. Thus failure of the Company to consider the rates obtained in the first tender for this mine and the rates quoted for other mines by M/s Pappu Constructions had resulted in extra expenditure to the Company.

The matter was reported to the Government in June 2013, their reply is awaited (January 2014).

4.11 Development and Mining of coal blocks in the state of Madhya Pradesh

4.11.1 Introduction

Ministry of Coal, Government of India (GoI) has the overall responsibility of framing policies and strategies for exploration and development of coal reserves. Considering the increasing gap between demand and supply and to reduce dependence on imports, Government of India framed guidelines (1993) for allocation of coal blocks to private players and Public Sector Enterprises (PSEs). According to the GoI guidelines as amended from time to time, allocation of blocks to the PSEs were to be made either for captive use or for commercial mining on an application received from the State Government.

In the State of Madhya Pradesh, on the basis of applications made by the State Government between 2002 and 2006, the Madhya Pradesh State Mining Corporation Limited (MPSMCL) was allotted 10 coal blocks by the Ministry of Coal, GoI (MOC) during 2006-2007. As per the conditions of letter of allocation, the prospecting/detailed exploration and coal mining shall be carried out by MPSMCL or a separate company to be created with participation of MPSMCL provided that separately created company is a Government company eligible to do coal mining as per the provisions of the Coal Mines (Nationalisation) Act, 1973. MPSMCL selected (between June 2005 and June 2009) Joint Venture partners namely Sainik Mining and Allied Services Limited, Jaiprakash Associates Limited, ACC Limited and Monnet Ispat Limited for development of these blocks. The status showing date of allotment by MOC, end use, name of Joint Venture (JV) partner, date of invitation of expression of interest by MPSMCL, facilitation fee, geological/ mineable reserve etc. of the allotted 10 coal blocks is given in ***Annexure-4.1.***

Shortcomings noticed in selection of JV partners by MPSMCL, exploitation of mines by JV Company and other activities have been discussed in succeeding paragraphs.

4.11.2 Selection of Joint Venture partner for Amelia coal block

Allotment of the Amelia coal block to ineligible bidder on the basis of single tender resulted in loss of opportunity to get higher facilitation fee.

The Government of Madhya Pradesh (GoMP) applied (December 2002) to MOC for allotment of Mahan coal block. MOC in March 2005 intimated that it would not be possible to allot the Mahan coal block and in lieu of Mahan coal block, offered to consider allotment of Amelia/Amelia North coal block. MPSMCL on behalf of the State Government accordingly requested (May 2005) for allotment of the two coal blocks, which were allotted by MOC in January 2006.

The MPSMCL in anticipation of allotment, invited (July 2003) expression of interest for selecting a joint venture (JV) partner for Mahan coal block. Only one company, viz. Sainik Mining and Allied Services Limited (SMASL), submitted (1 September 2003) their bid within the scheduled date of bid submission. The Letter of Intent (LOI) was awarded to SMASL on 23 September 2003. The MPSMCL entered in to a JV agreement (June 2005) with SMASL for mining at Amelia coal block which was likely to be allotted to MPSMCL in lieu of the Mahan block.

GoI reiterated in the allotment letter (January 2006) that MPSMCL would do coal mining in accordance with the provisions of Coal Mines (Nationalisation) Act, 1973. According to the Act, the Central Government, a Government Company including a State Government Company and a Corporation owned, managed and controlled by the Central Government is eligible to do coal mining without restriction of captive mining. Audit scrutiny of the allotment indicated the following:

Acceptance of single offer for the coal block

At the time of invitation of bids for Mahan block in July 2003, 11 firms purchased tender documents and six[16] of the firms requested for extension of the bid submission date to enable submission of a comprehensive proposal. The request of the firms was rejected by the Company. On the date of opening of bid, the Company had received only one bid from SMASL. As per CVC guidelines, single bid/tender could be accepted only in case of exigency with detailed justification. At the time of finalisation of bid, the Company was still awaiting allotment of coal block and thus there was no exigency for finalisation on the basis of single bid. MPSMCL however accepted the single bid submitted by the SMASL for Mahan coal block and the same bid was considered for entering into JV agreement for mining in Amelia coal block without any justification.

Failure to invite fresh tender

LOI awarded on SMASL (September 2003) was for Mahan coal block and there was no condition in tender document/LOI to offer another block in case of non-allotment of Mahan coal block by the MOC. The Board of Directors of the Company (Board) resolved in April 2005 to return the EMD of SMASL as the validity of its offer had already expired (31 March 2005) and invite fresh EOI to select JV partner for Amelia coal block. The legal advisor of the Company also expressed the same views. The Board however decided in June 2005 to offer Amelia coal block to MPSMCL. As Mahan coal block was not allotted and instead Amelia coal block was allotted by the MOC, MPSMCL should have started fresh tender procedure for awarding the coal block, especially keeping in view superior mineable grade of coal[17] viz. grade A and B and higher reserve at Amelia coal block. The financial implication of awarding Amelia Coal Block instead of Mahan coal block without tendering has been discussed in the following paragraph.

[16] HD enterprises, Tata Steel, Guru Mahar Construction, Atlanta Infrastructure, Thiess-Komast–Minecs and Ardeshir B. Cursetjee & Sons Ltd.

[17] The Amelia is having grade of coals from A to G while Mahan had reserves of grade C to G.

MPSMCL had invited separate tenders for Amelia (North) coal block (August 2005) and Dongri Tal-II coal block (December 2006) and received higher offer of facilitation fee [18] than that offered in the case of Mahan coal block. Had MPSMCL invited fresh tenders for Amelia coal block instead of entering into JV agreement for Amelia coal block on the same rates of facilitation fees offered for Mahan coal block, it would have had opportunity to obtain higher offers of facilitation fees. Failure to invite fresh tender for Amelia coal block and arbitrary selection of SMASL has resulted in loss of opportunity to earn higher facilitation fee by ₹ 7328.89 crore (***Annexure-4.2***) to MPSMCL.

Allotment of the coal block to ineligible bidder

The bid document (Part-I) of Mahan coal block stipulated that the bidder should furnish experience in coal mining and coal beneficiation[19] for preceding five years. Against this condition, SMASL submitted strata and surface mining[20] work experience for four years and beneficiation experience for two years only.

We noticed that the Company in August 2005, invited expression of interest for Amelia (North) coal block which was similar[21] to the Mahan coal block in terms of the mineable reserves. The tender document for Amelia (North) coal block prescribed a mining experience of extracting at least three million tonne of coal/major mineral during the preceding three years. The SMASL also applied for Amelia (North) coal block, which was rejected (September 2005) by tender evaluation committee as SMASL had experience of strata and surface mining only which could not be considered as mining/ production of coal/ major minerals. As mineable reserves of Amelia block[22] was at least two and half times bigger than the Mahan/Amelia /North) coal blocks, entering into JV agreement (June 2005) amounted to award of contract to a firm not having requisite experience.

4.11.3 Delay in commencement of mining

MPSMCL entered into nine JV agreements between 2005-06 and 2009-10 for development of the nine[23] coal blocks out of the 10 coal blocks allocated by the MOC. As per the guidelines of MOC, the JV Companies were required to commence production in the allocated coal blocks within 36 months (42 months if forest land is involved) in case of open cast mines and 48 months (54 months when mining is in forest land) in case of underground mines from the date of issue of letter of allotment. Besides, additional two years was allowable for commencement of production for unexplored and regionally explored captive coal blocks. In terms of the letters of allotment and MOC guidelines, production from these blocks should commence from June 2009 to April 2014 (details in ***Annexure-4.3*****).** Production however has not commenced in any of the blocks so

[18] The fees payable by the Joint Venture Company to MPSMCL exclusive of all charges, levies, taxes, penalties, including but not limited to service charges for each tonne of ROM (Run of Mine) coal sold through JV Company.

[19] In Mining, beneficiation is a process whereby extracted ore from mine is separated into mineral and gangue, the former suitable for further processing or direct use.

[20] Surface mining is a broad category of mining in which soil and rock overlying the mineral deposit (the overburden) are removed.

[21] Mineable reserve of Amelia(North) Coal Block was 83.94 MT and Mahan Coal Block 86.52 MT

[22] Mineable reserve of Amelia Coal Block was 287.96 MT.

[23] No JV agreement was entered into for Morga-I Coal Block which was reserved for power project.

far (December 2013). We noticed that in five blocks, the delay in commencement of production till December 2013 ranged between 13 and 56 months. The progress in the remaining four blocks, which are due to commence production in April 2014 has also been slow for which show cause notices had been issued by the MOC (January 2014).

As provided in JV agreements, the JV Companies were responsible for purchase of Geological Report (GR[24]), forest clearance, Environment Management Plan (EMP) clearance, mining permission and undertaking production. MPSMCL's role was limited to provide assistance in obtaining environment and forest clearance, preparation and approval of mining plan, approvals from different statutory bodies for operating and maintaining the mine. In all the allotted coal blocks where normative production was due between July 2009 and April 2014[25], there was time overrun as stated above mainly due to delay in land acquisition, forest clearance, preparation and approval of mining plan, EMP clearance, etc.

De-allocation of Semeria/ Piparia coal block

The Inter Ministerial Group (IMG) of Government of India (GoI) recommended (November 2012) for de-allocation of Semariya/ Pipariya coal block for violation of the conditions of purchase of GR within specified time and failure in achievement of milestones for development of coal block as laid down in the letter of allocation (July 2007). Accordingly, the GoI de-allocated (January 2013) the Semariya/ Pipariya block and intimated that MPSMCL would not be eligible for allocation of another coal block in lieu of de-allocated coal block. MOC also decided to invoke bank guarantee (BG) to the extent of ₹ 1.14 crore (5

urt of Madhya Pradesh, Jabalpur against forfeiture of bank guarantee and for restoration of allotment of the coal block. The Company was granted stay against encashment of bank guarantee by the Court on 7 February 2013.

Till the time of de-allocation, expenditure to the extent of ₹ 5.74 crore[26] had been incurred by the JV Company towards development of the coal block including security deposit and BG, which would become infructuous, if the allotment was not restored.

We further noticed (January 2014) that show cause notices to explain why the coal block should not be de-allocated due to slow progress, had been issued by MOC for four[27] other blocks allocated for commercial purpose. Delay in production as per schedule by JV Companies could result in de-allocation of these blocks also and result in further losses to MPSMCL.

[24] The GR is a detailed report of estimated geological and mineable reserve of a particular coal block.
[25] Normative production dates have been calculated with reference to the period specified in the allotment letters for preparation of detailed GR, obtaining forest clearance, preparation of mining plan and achieving the production.
[26] Total investment ₹ 6.88 crore-50% of ₹ 2.28 crore (BG amount to be returned by MOC)
[27] Marki Barka, Bicharpur, Morga-III and IV coal blocks

Shortfall in achieving production milestones in South Mandla coal block

MPSMCL has provided bank guarantee (BG) to MOC of varying amounts for the ten coal blocks allotted by MOC as per terms of allotment. Fifty *per cent* BG given by MPSMCL to MOC was linked to the achievement of production milestones and proportionate deduction was to be made in case of slippage as per the letter of allotment. No such corresponding condition was introduced by MPSMCL in the JV agreement in order to safeguard its financial interest.

Production was scheduled to start at South Mandla coal block by January 2012 as per the letter of allotment of 25 July 2007. IMG reviewed (November 2012) the said coal block and found that substantial progress had been made. IMG however recommended levy of penalty for shortfall in achieving production milestones. The Government of India accepted (April 2013) the recommendation of IMG and deducted ₹ 0.36 crore from the BG.

We further noticed (January 2014) that show cause notices for slow progress had been issued by MOC for seven[28] other coal blocks. In the absence of an enabling provision in the JV agreement, the MPSMCL will not be in position to pass on the loss due to encashment of BG by MOC to the JV partner.

4.11.4 Non levy of Liquidated Damages

The MPSMCL failed to, invoke liquidated damages clause for delay in commencement of production in Amelia and Amelia (North) coal blocks and also failed to include clause for liquidated damages in other JV agreements.

As per the terms of agreements, the JV Companies for the Amelia and Amelia (North) coal blocks shall be liable to pay MPSMCL liquidated damages at the rate of 0.20 *per cent* of the quoted project cost for each month of delay in production of coal.

We observed in scrutiny of records that coal production in the blocks could not be started (as of 30 June 2013) as per the milestones prescribed in the agreement. MPSMCL, however, did not invoke the condition of the agreement for levy of liquidated damages of ₹ 153.29 crore (***Annexure-4.4***).

We further observed in scrutiny of JV agreements that MPSMCL failed to include the condition for levy of liquidated damages in JV agreements in respect of six coal blocks[29], of which in three blocks[30] (as of June 2013), production should already have commenced as per the JV agreement. Due to failure in incorporation of a clause in the JV agreement, corresponding to the conditions in the letter of allotment, the Company could not levy liquidated damages for delay in production.

[28] Amelia, Amelia (North), Dongri Tal-II, Marki Barka, Bicharpur, Morga-III and IV coal blocks
[29] Marki Barka, Simariya/Pipariya, South Mandla, Bicharpur, Morga-IV and Morga-III
[30] Dongri Tal-II, Simariya/Pipariya and South Mandla

4.11.5 Extra expenditure due to delay in purchasing geological report

The JV Companies had to pay extra amount of ₹ 3.19 crore due to delay in purchase of Geological Report from CMPDIL in respect of South Mandla and Marki Barka coal blocks.

The MOC allotted (25 July 2007) South Mandla coal block to MPSMCL. The letter of allotment[31] stipulated that "the Company shall buy the Geological Report (GR) from Central Mine Planning and Design Institute Limited (CMPDIL) within six weeks from the date of the letter (i.e., 7 September 2007)" The MPSMCL selected Jaiprakash Associates Limited (JAL) as joint venture partner and issued offer to JAL on 13 October 2008. The CMPDIL, on the request of MPSMCL, intimated (10 November 2008) the cost (₹ 9.29 crore) of GR which was valid till March 2009. MPSMCL intimated (30 January 2009) JAL to deposit the cost to get GR for preparation of Mining Plan.

We observed that JAL did not remit the cost of GR till March 2009. The CMPDIL, on further request from MPSMCL, intimated (1 October 2009) the revised purchase cost (₹ 11.92 crore) of GR which was valid up to March 2010. JAL finally deposited the amount on 7 November 2009 for GR. Thus, by delaying the purchase of GR, the JV Company incurred an avoidable extra expenditure of ₹ 2.63 crore[32].

Similarly, in the case of Marki Barka coal block, the CMPDIL intimated (10 September 2007) the cost (₹ 0.89 crore) of geological data. The JV Company, however purchased it only in October 2012 at a higher cost of ₹ 1.45 crore after a delay of 60 months, thereby incurring avoidable extra expenditure of ₹ 0.56 crore. Increase in cost would affect the profitability of the JV companies and consequentially MPSMCL as it holds equity of 51 *per cent* in the JV companies.

4.11.6 Avoidable liability for payment of penal interest

The JV Company incurred liability of penal interest of ₹ 11.89 crore due to delay in payment of award money for acquisition of tenancy land in respect of Amelia coal block.

For development and mining of Amelia coal block, the JV Company (M.P. Sainik Mining Pvt. Ltd.) requested (25 May 2006) the Collector, Sidhi for acquisition of 380.93 ha of tenancy land and deposited (25 April 2007) an amount of ₹ 3.00 crore towards 10 *per cent* of the estimated cost of the land. The Land Acquisition Officer (LAO) passed the award (13 November 2009) in favour of the JV Company and assessed an amount of ₹ 31.00 crore towards cost of land.

The balance amount of ₹ 28.00 crore was to be paid by the JV Company within three months from the date of award by the LAO. The Collector, at the request of the JV Company, agreed (4 February 2010) for extension of time limit for payment towards cost of land subject to payment of interest after 90 days from the date of award. As the JV Company did not remit the amount, the Collector raised (7 November 2012) a demand for ₹ 40.20 crore including interest of ₹ 11.89 crore[33], which was yet (December 2013) to be paid by the JV Company. Thus, due to non depositing the cost of land within 90 days of the date of award, the JV Company had incurred liability for payment of additional amount of ₹ 11.89 crore on account of interest. The increase in capital cost of JV Company would result in lower profitability to MPSMCL which holds a majority stake in the JV Company.

[31] Clause 2 (viii) of the letter of allotment
[32] ₹ 11.92 minus ₹ 9.29 crore
[33] Calculated at the rate of 12 *per cent* for one year delay and at the rate of 15 *per cent* beyond one year

4.11.7 Avoidable expenditure toward penal interest

Delay in creation of security in favour of lender by the JV Company resulted in payment of additional interest of ₹ 0.81 crore in respect of Amelia (North) coal block.

For development of land, construction of buildings and railway sidings at Amelia (North) coal block, the M.P. Jaypee Minerals Limited, the JV Company, applied for loan of ₹ 150 crore from ICICI Bank. The Bank sanctioned (23 March 2012) loan for financing the project with the condition that the borrower shall create and perfect the securities within 90 days of first draw down date. In the event of failure, the borrower was liable to pay additional interest on the outstanding amount of the facility at the rate of one *per cent* per annum plus interest tax or other statutory levy, if any, till creation of such security. The company withdrew ₹ 105 crore in three instalments[34]. As per joint venture agreement, hypothecation/ mortgage/ pledge of immovable properties of the JV Company required prior permission of MPSMCL. MPSMCL granted permission for mortgage in April 2013, that is, after a delay of nine months from the date of first disbursement. As a result, the JV Company could not create and perfect security within the stipulated period of 90 days, resulting in payment of avoidable penal interest of ₹ 81.29 lakh[35] and increase in capital cost of the JV Company.

4.11.8 Avoidable expenditure toward penalty

The JV Company had to pay penalty of ₹ 49.79 lakh due to use of agricultural land without getting prior permission for constructing building, boundary wall and use of explosive magazine.

The total land requirement for exploration of Amelia (North) coal block was 905.65 ha consisting of private land (137.46 ha), Government land (39.44 ha) and forest land (728.75 ha). As per the M P Land Revenue Code, 1959, the JV Company had to obtain prior permission from the Department of Revenue before using agricultural land for commercial purpose. But the Company started using agricultural land (27.66 ha) without getting prior permission. Taking cognizance of the violation of the Code, the Sub Divisional Magistrate (Devsar Tashil, District Singrauli) levied (26 September 2012) Premium of ₹ 4.15 Lakh and dead rent of ₹ 2.38 Lakh per year for change of land use along with penalty of ₹ 49.79 lakh on the JV Company, which was paid (November 2012) by the company Thus, failure to observe the provisions of Revenue Code led to avoidable extra expenditure of ₹ 49.79 lakh.

The matters were referred (November 2013) to the Government; their reply is awaited (January 2014).

[34] First disbursement of Rs. 50.00 crore on 13.06.2012
Second disbursement of Rs. 50.00 crore on 13.02.2013
Third disbursement of Rs. 5 crore on 22.03.2013

[35] Up to March 2013

GENERAL

4.12 Follow-up action on Audit Reports

Explanatory notes outstanding

4.12.1 Report of the Comptroller and Auditor General of India represent the culmination of the process of scrutiny starting with initial inspection of accounts and records maintained in the various offices of Public Sector Undertakings and Departments of Government. It is, therefore, necessary that they elicit appropriate and timely response from the Executive. Chief Secretary, Government of Madhya Pradesh had issued instructions (November 1994) to all Administrative Departments to submit explanatory notes indicating corrective/remedial action taken or proposed to be taken on the paragraphs and reviews included in the Audit Reports within three months of their presentation to the Legislature, without waiting for any notice or call from the Committee on Public Undertakings (COPU).

Though, the Audit Report for the year 2010-11 was presented to the State Legislature on 12 December 2012. Three departments which were commented upon did not submit explanatory notes on 03 Paragraphs/reviews as on 30 September 2013. The Audit Report for the year 2011-12 was presented to the State Legislature on 11 January 2014. Department-wise analysis is given in the ***Annexure 4.5.***

Compliance with the Reports of Committee on Public Undertakings

4.12.2 The replies to recommendations of the COPU, as contained in its Reports, are required to be furnished in the form of Action Taken Notes (ATNs) within six months from the date of presentation of the Report by the COPU to the State Legislature. On the basis of recommendations of the COPU, fifteen Action Taken Notes (ATNs) were received during 2012-13.

Response to Inspection Reports, Draft Paragraphs and Reviews

4.12.3 Audit observations noticed during audit and not settled on the spot are communicated to the heads of the PSUs through Inspection Reports (IRs). The heads of PSUs are required to furnish replies to the inspection reports within a period of four weeks.

Inspection reports issued up to March 2013 pertaining to 46 PSUs showed that 1514 paragraphs relating to 564 IRs remained outstanding at the end of September 2013 which had not been replied for one to eight years. Department-wise breakup of IRs and audit observations outstanding as on 30 September 2013 is given in ***Annexure-4.6.***

Similarly, Draft Paragraphs and Reviews on the working of PSUs are forwarded to the Principal Secretary/Secretary of the administrative department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. Five Reviews and eleven Draft Paragraphs were forwarded to various departments between May 2013 to August 2013, but reply to eight Draft paragraphs have not been received so far (January 2014) as detailed in ***Annexure-4.7.***

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

Bhopal **(D. K. SEKAR)**
The **Accountant General**
(Economic and Revenue Sector Audit)
Madhya Pradesh

Countersigned

New Delhi **(SHASHI KANT SHARMA)**
The **Comptroller and Auditor General of India**

Annexure-1.1

Statement showing particulars of up to date paid up capital, loans outstanding and manpower as on 31 March 2013 in respect of Government companies[1] and Statutory corporations

(Referred to in paragraph 1.7)

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

Sl. No.	Sector & Name of the PSU	Name of the Department	Month and year of incorporation	Paid-up Capital[2]				Loans[3] outstanding at the close of 2012-13				Debt equity ratio for 2012-13 (Previous year)	Manpower (No. of employees)
				State Government	Central Government	Others	Total	State Government	Central Government	Others	Total		
1	2	3	4	5 (a)	5(b)	5(c)	5(d)	6(a)	6(b)	6(c)	6(d)	7	8
A. Working Government Companies													
AGRICULTURE & ALLIED													
1	Madhya Pradesh State Agro Industries Development Corporation Limited	Fruit processing and Horticulture	21 March 1969	2.10	1.20	--	3.30	--	--	--	--	–	435
2	Madhya Pradesh Rajya Van Vikas Nigam Limited	Forest	24 July 1975	37.93	1.39	--	39.32	–	--	--	--	–	982
Sector wise total				**40.03**	**2.59**	**--**	**42.62**	**--**	**–**	**--**	**–**	**–**	**1417**
FINANCE													
3	M.P. Audyogik Kendra Vikas Nigam (Bhopal) Limited	Commerce & Industry	16 October 1987	–	–	2.85	2.85	--	–	–	--	--	255
4	M.P. Audyogik Kendra Vikas Nigam(Indore) Limited	–do--	16 November 1981	–	--	1.65	1.65	--	–	–	--	--	239
5	M.P. Audyogik Kendra Vikas Nigam (Jabalpur) Limited	--do--	16 November 1981	--	–	1.33	1.33	--	--	–	--	–	65
6.	M.P. Audyogik Kendra Vikas Nigam (Rewa) Limited	–do–	16 November 1981	–	–	0.80	0.80	1.09	--	–	1.09	1.36:1 (3.25:1)	87
7.	M.P. Audyogik Kendra Vikas Nigam (Ujjain) Limited	–do--	02 September 2008	--	–	10.00	10.00	–	--	--	--	--	37
8.	Industrial Infrastructure Development Corporation (Gwalior) M.P. Limited	--do--	28 May 1985	--	--	0.75	0.75	--	--	--	--	--	152
9.	M.P. Audyogik Kendra Vikas Nigam (Sagar) Limited	–do–	14 June 2012			1.17	1.17	–	–	--	--	--	27
10.	Madhya Pradesh Pichhara Varg Tatha Alpsankhyak Vitta Evam Vikas Nigam Limited	Picchra Varg Kalyan Vibhag	29 September 1994	9.15	--	--	9.15	0.58	–	21.68	22.26	2.43:1 (6.07:1)	19
11.	Madhya Pradesh Adivasi Vitta Evam Vikas Nigam Limited	Schedule Tribe Welfare	29 September 1994	25.50	5.38	--	30.88	--	--	16.93	16.93	0.55:1 (0.56:1)	--
12.	The Provident Investment Company Limited	Finance	04 December 1926	0.49	--	0.01	0.50	--	--	--	--	–	--
13.	Madhya Pradesh State Industrial Development Corporation Limited	Commerce & Industry	13 September 1965	81.09	--	--	81.09	94.38	--	313.89	408.27	5.03:1 (7.78:1)	81
Sector wise total				**116.23**	**5.38**	**18.56**	**140.17**	**96.05**	**--**	**352.50**	**448.55**	**3.20:1 (5.15:1)**	**962**

Sl. No.	Sector & Name of the PSU	Name of the Department	Month and year of incorporation	Paid-up Capital[2]				Loans[3] outstanding at the close of 2012-13				Debt equity ratio for 2012-13 (Previous year)	Manpower (No. of employees)
				State Government	Central Government	Others	Total	State Government	Central Government	Others	Total		
1	2	3	4	5 (a)	5(b)	5(c)	5(d)	6(a)	6(b)	6(c)	6(d)	7	8
INFRASTRUCTURE													
14.	Madhya Pradesh Police Housing Corporation Limited	Home (Police)	31 March 1981	4.58	--	---	4.58	--	---	–	–	–	142
15.	Madhya Pradesh Road Development Corporation Limited	Public Works	14 July 2004	20.00	--	--	20.00	–	--	–	--	–	182
16	Narmada Basin Projects Company Limited	Narmada Valley Development	27 October 2011	5.00	--	--	5.00	–	--	--	–	--	–
Sector wise total				**29.58**	**–**	**–**	**29.58**	**--**	**--**	**--**	**–**	**–**	**324**
MANUFACTURING													
17.	Pithampur Auto Cluster Limited	Commerce & Industry	27 December 2004	–	–	11.98	11.98	---	--	--	--	–	2
18.	Madhya Pradesh State Electronics Development Corporation Limited	--do–	18 November 1983	21.91	--	--	21.91	17.12	--	--	17.12	0.78:1 (0.78:1)	59
19.	Crystal I.T. Park Indore Limited,	--do--	16 September 2004	----	--	0.05	0.05	--	--	--	–	–	--
20.	Sant Ravidas Madhya Pradesh Hastha Shilp Evam Hath Kargha Vikas Nigam Limited	Gram Udyog	28 November 1981	0.02	0.52	0.72	1.26	0.13	--	--	0.13	0.10:1 (1.28:1)	288
21.	Madhya Pradesh State Mining Corporation Limited	Mineral Resources	19 January 1962	2.20	–	--	2.20	--	--	--	---	--	386
22.	MP AMRL (Semaria) Coal Company Limited	–do–	19 November 2009	–	--	1.00	1.00	--	--	--	--	–	--
23.	MP AMRL (Morga) Coal Company Limited	--do--	19 November 2009	–	–	1.00	1.00	--	--	--	--	–	--
24.	MP AMRL (Bicharpur) Coal Company Limited	--do–	19 November 2009	--	–	1.00	1.00	--	–	--	–	–	--
25.	MP AMRL (Marki Bakra) Coal Company Limited	–do–	19 November 2009	--	--	1.00	1.00	--	–	--	–	--	--
26.	MP Jaypee Coal Limited	--do--	14 May 2009	--	--	10.00	10.00	–	--	--	--	--	--
27.	MP Monnet Mining Company Limited	--do–	16 November 2009	--	--	2.00	2.00	–	--	--	--	--	--
28.	MP Jay Pee Minerals Limited	--do–	21 February 2006	--	--	61.22	61.22	–	–	105.00	105.00	1.72:1	--
29.	MP Jay Pee Coal fields Limited	--do--	4 January 2010	--	--	10.00	10.00	–	--	--	--	--	--
30.	M.P. Sainik Coal Mining Pvt. Ltd	--do–	22 July 2005	–	--	30.78	30.78	--	--	–	--		13
Sector wise Total				**24.13**	**0.52**	**130.75**	**155.40**	**17.25**	**--**	**105.00**	**122.25**	**0.79:1 (1.37:1)**	**748**

Sl. No.	Sector & Name of the PSU	Name of the Department	Month and year of incorporation	Paid-up Capital[2]				Loans[3] outstanding at the close of 2012-13				Debt equity ratio for 2012-13 (Previous year)	Manpower (No. of employees)
				State Government	Central Government	Others	Total	State Government	Central Government	Others	Total		
1	2	3	4	5 (a)	5(b)	5(c)	5(d)	6(a)	6(b)	6(c)	6(d)	7	8
POWER													
31	Madhya Pradesh Urja Vikas Nigam Limited	Energy Department	25 August 1982	0.69	--	--	0.69	--	--	--	--	–	209
32.	Madhya Pradesh Power Transmission Company Limited	–do--	22 November 2001	2375.64	--	--	2375.64	2137.04	–	360.61	2497.65	1.05:1 (0.84:1)	5397
33.	Madhya Pradesh Poorv Kshetra Vidyut Vitaran Company Limited	--do--	31 May 2002	206.64	--	1391.44	1598.08	6895.73	–	946.09	7841.82	4.91:1 (4.04:1)	13131
34.	Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited	–do–	31 May 2002	195.05	--	1630.91	1825.96	636.08	--	--	636.08	0.35:1 (0.89:1)	11930
35.	Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited	–do–	31 May 2002	215.34	--	1554.99	1770.33	6180.00	--	1246.32	7426.32	4.19:1 (2.19:1)	12029
36.	Madhya Pradesh Power Generating Company Limited	--do--	22 November 2001	4527.49	--	185.00	4712.49	336.20	--	8073.80	8410.00	1.78:1 (1.47:1)	6014
37.	Shahpura Thermal Power Company Limited	--do–	05 February 2007	--	--	0.05	0.05	–	--	2.26	2.26	45.2:1 (45.2:1)	1
38.	Madhya Pradesh Power Management Company Limited[4]	–do--	02 May 2006	4100.97	--	--	4100.97	–	--	–	--	–	845
39.	Dada Dhuni Wale Khandwa Power Limited.	--do--	25 February 2010	–	--	45.00	45.00	–	–	–	–	–	7
40.	Bansagar Thermal Power Company Limited	–do–	09 June 2011	--	--	0.05	0.05	15.00	--	1.29	16.29	325.8:1 (300:1)	16
41.	Shri Singaji Power Project Limited	--do--	12 October 2011	--	–	0.05	0.05	–	--	–	–	--	3
Sector wise Total				**11621.82**	**--**	**4807.49**	**16429.31**	**16200.05**	**--**	**10630.37**	**26830.42**	**1.63:1 (1.80:1)**	**49582**
SERVICE													
42.	M.P.Trade and Investment Facilitation Corporation Limited	Commerce & Industry	14 February 1977	0.80	--	–	0.80	–	–	--	–	--	25
43.	Madhya Pradesh Laghu Udyog Nigam Limited	--do--	28 December 1961	2.68	0.15	--	2.83	–	--	--	--	–	336
44.	SEZ Indore Limited	–do–	20 February 2003	--	--	26.97	26.97	--	--	--	--	--	3

Sl. No.	Sector & Name of the PSU	Name of the Department	Month and year of incorporation	Paid-up Capital[2]				Loans[3] outstanding at the close of 2012-13				Debt equity ratio for 2012-13 (Previous year)	Manpower (No. of employees)
				State Government	Central Government	Others	Total	State Government	Central Government	Others	Total		
1	2	3	4	5 (a)	5(b)	5(c)	5(d)	6(a)	6(b)	6(c)	6(d)	7	8
45.	Madhya Pradesh State Civil Supplies Corporation Limited	Food, Civil Supplies & Consumer Protection	03 April 1974	8.47	--	--	8.47	--	--	--	--	–	830
46.	Madhya Pradesh State Tourism Development Corporation Limited	Tourism	24 May 1978	24.97	--	--	24.97	–	–	--	--	--	2127
47.	Indore City Transport Services Limited	Urban	01 December 2005	–	--	0.25	0.25	–	--	--	–	--	7
48.	Jabalpur City Transport Services Limited	–do–	31 August 2006	--	--	0.25	0.25	–	--	--	–		4
49.	Bhopal City Link Limited	–do--	25 July 2006	–	–	0.30	0.30	–	--	--	–		4
50.	Ujjain City Transport Services Limited	--do–	05 June 2008	--	--	0.05	0.05	--	--	--	--	–	168
51.	Katni City Transport Services Limited	--do--	10 September 2009	–	--	0.15	0.15	--	--	–	--	–	--
52.	Madhya Pradesh Vikramaditya Knowledge City (Ujjain) Limited	Education	18 March 2010	--	--	1.00	1.00	--	--	--	--	--	1
Sector wise Total				**36.92**	**0.15**	**28.97**	**66.04**	--	--	–	--	–	**3505**
Total A (All Sector wise working Government companies)				**11868.71**	**8.64**	**4985.77**	**16863.12**	**16313.35**	--	**11087.87**	**27401.22**	**1.62:1 (1.81:1)**	**56538**
B. Working Statutory corporations													
AGRICULTURE & ALLIED													
1	Madhya Pradesh Warehousing and Logistics Corporation	Food, Civil Supplies & Consumer Protection	19 February 1958	4.28	–	3.78	8.06	82.21	--	1.66	83.87	10.4:1 (0.21:1)	1426
Sector wise Total				**4.28**	--	**3.78**	**8.06**	**82.21**	--	**1.66**	**83.87**	**10.4:1 (0.21:1)**	**1426**
FINANCE													
2.	Madhya Pradesh Financial Corporation	Finance	30 June 1955	338.70	--	22.44	361.14	--	---	595.87	595.87	1.65:1 (1.41:1)	195
Sector wise Total				**338.70**	–	**22.44**	**361.14**	–	---	**595.87**	**595.87**	**1.65:1 (1.41:1)**	**195**

Sl. No.	Sector & Name of the PSU	Name of the Department	Month and year of incorporation	Paid-up Capital[2]				Loans[3] outstanding at the close of 2012-13				Debt equity ratio for 2012-13 (Previous year)	Manpower (No. of employees)
				State Government	Central Government	Others	Total	State Government	Central Government	Others	Total		
1	2	3	4	5 (a)	5(b)	5(c)	5(d)	6(a)	6(b)	6(c)	6(d)	7	8
SERVICES													
3.	Madhya Pradesh Road Transport Corporation	Transport	21 May1962	109.96	31.85	--	141.81	573.35	--	143.49	716.84	5.05:1 (5.05:1)	300
Sector wise Total				**109.96**	**31.85**	**--**	**141.81**	**573.35**	**--**	**143.49**	**716.84**	**5.05:1 (5.05:1)**	**300**
Total B (All sector wise working Statutory corporations)				**452.94**	**31.85**	**26.22**	**511.01**	**655.56**	**--**	**741.02**	**1396.58**	**2.73:1 (2.08:1)**	**1921**
Grand Total (A+B)				**12321.65**	**40.49**	**5011.99**	**17374.13**	**16968.91**	**--**	**11828.89**	**28797.80**	**1.66:1 (3.90:1)**	**58459**
C. Non working Government companies[5]													
AGRICULTURE & ALLIED													
1.	Madhya Pradesh Lift Irrigation Corporation Limited	Water resources	13 July 1976	5.92	--	--	5.92	--	--	--	--	--	Under liquidation
2.	Madhya Pradesh State Dairy Development Corporation Limited	Agriculture	22 March 1975	--	--	--	--	--	--	--	--	--	Under liquidation
Sector wise Total				**5.92**	**--**	**--**	**5.92**	**--**	**--**	**--**	**--**	**--**	
FINANCE													
3.	Madhya Pradesh Film Development Corporation Limited	Department of Culture	16 December 1981	1.04	--	--	1.04	--	--	--	--	--	Under liquidation
4.	Madhya Pradesh Panchayati Raj Vitta Evam Gramin Vikas Nigam Limited	Panchayat and Rural Development	30 March 1981	0.16	--	--	0.16	--	--	--	--	--	Under liquidation
Sector wise Total				**1.20**	**--**	**--**	**1.20**	**--**	**--**	**--**	**--**	**--**	
INFRASTRUCTURE													
5.	Madhya Pradesh State Industries Corporation Limited	Commerce and Industry	11 April 1961	15.12	--	--	15.12	--	--	--	--	--	Closed
6.	Madhya Pradesh Rajya Setu Nirman Nigam Limited	Public Works	04 October 1978	5.00	--	--	5.00	--	--	--	--	--	Under liquidation
Sector wise Total				**20.12**	**--**	**--**	**20.12**	**--**	**--**	**--**	**--**	**--**	**--**

Sl. No.	Sector & Name of the PSU	Name of the Department	Month and year of incorporation	Paid-up Capital[2]				Loans[3] outstanding at the close of 2012-13				Debt equity ratio for 2012-13 (Previous year)	Manpower (No. of employees)
				State Government	Central Government	Others	Total	State Government	Central Government	Others	Total		
1	2	3	4	5 (a)	5(b)	5(c)	5(d)	6(a)	6(b)	6(c)	6(d)	7	8
MANUFACTURING													
7	Optel Telecommunication Limited	Commerce and Industry	23 December 1988	--	--	23.97	23.97	17.12	--	29.48	46.60	1.94:1 (1.94:1)	Under liquidation
8.	Madhya Pradesh State Textile Corporation Limited	–do—	27 November 1970	6.86	–	--	6.86	86.74	--	1.10	87.84	12.80:1 (12.80:1)	3
9.	Madhya Pradesh Vidyut Yantra Limited	--do--	3 December 1974	–	–	1.50	1.50	–	–	--	–	--	Under liquidation
Sector wise total				**6.86**	**--**	**25.47**	**32.33**	**103.86**	**--**	**30.58**	**134.44**	**4.16:1 (5.28:1)**	**3**
Total C (All Sector wise non working Government Companies)				**34.1**	**--**	**25.47**	**59.57**	**103.86**	**--**	**30.58**	**134.44**	**2.26:1 (2.33:1)**	**3**
Grand Total (A+B+C)				**12355.75**	**40.49**	**5037.46**	**17433.70**	**17072.77**	**–**	**11859.47**	**28932.24**	**1.66:1 (1.83:1)**	**58462**

[1] Above includes, S. No.C-1 to C-9 (Non-working companies).
[2] Paid up Capital up includes Share Application Money.
[3] Loans outstanding at the close of 2012-13 represent long term loans only.
[4] M.P. Power Trading Company Ltd has been renamed as M.P. Power Management Company Limited with effect from 10 April 2012.
[5] Details of non functional companies at Sl. No. C-2, C-3, C-4, C-7, and C-9 have been adopted from Audit Report 2011-12 as no information was received from the companies.

Annexure-1.2

Statement showing equity, loans, grants and subsidy received/receivable, guarantees received, waiver of dues, loans written off and loans converted into equity during the year and guarantee commitment at the end of March 2013

(Referred to in paragraph 1.10)

(Figures in column 3(a) to 6(d) are ₹in crore)

Sl. No.	Sector & Name of the company	Equity/loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year		Waiver of dues during the year			
		Equity	Loans	Central Govern-ment	State Govern-ment	Others	Total	Received	Commit-ment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
1	2	3(a)	3(b)	4 (a)	4 (b)	4 (c)	4 (d)	5(a)	5(b)	6(a)	6(b)	6(c)	6(d)
A.	**Working Government companies**												
1.	Madhya Pradesh State Agro Industries Development Corporation Limited	--	--	10.23	0.20	--	10.43	--	--	--	--	–	--
2.	Madhya Pradesh Rajya Van Vikas Nigam Limited	--	--	--	26.05	--	26.05	--	--	–	--	--	--
3.	M.P. Audyogik Kendra Vikas Nigam (Indore) Limited	--	–	2.50	–	–	2.50	–	--	–	--	--	–
4.	M.P. Audyogik Kendra Vikas Nigam (Jabalpur) Limited	--	--	--	2.57	–	2.57	–	--	--	--	--	--
5.	Industrial Infrastructure Development Corporation (Gwalior) Limited	--	–	–	1.50	---	1.50	---	–	--	--	--	--
6.	Madhya Pradesh Pichhara Varg Tatha Alpsankhyak Vitta Evam Vikas Nigam Limited	0.10	9.00	--	0.50	--	0.50	---	21.69	–	--	--	--
7.	Madhya Pradesh Adivasi Vitta Evam Vikas Nigam Limited	1.33	--	---	2.00	---	2.00	51.00	---	–	--	–	--
8.	Madhya Pradesh State Industrial Development Corporation Limited	–	--	19.40	--	--	19.40	--	---	--	--	–	–
9.	Madhya Pradesh Road Development Corporation Limited	1.00	–	–	700.81	–	700.81	--	–	--	--	--	--
10.	Madhya Pradesh State Electronic Development Corporation Limited	--	--	9.65	39.17	–	48.82	–	--	--	--	--	--
11.	Sant Ravidas Madhya Pradesh Hastha Shilp Evam Hath KarghaVikas Nigam Ltd	--	--	1.84	16.32	--	18.16	--	--	–	--	--	--

Sl. No.	Sector & Name of the Company	Equity/loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year		Waiver of dues during the year			
		Equity	Loans	Central Govern-ment	State Govern-ment	Others	Total	Received	Commit-ment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
1	2	3(a)	3(b)	4 (a)	4 (b)	4 (c)	4 (d)	5(a)	5(b)	6(a)	6(b)	6(c)	6(d)
12.	Madhya Pradesh Urja Vikas Nigam Limited	--	--	7.06	17.62	--	24.68	–	--	–	–	--	–
13.	Madhya Pradesh Power Transmission Company Limited	191.20	--	--	--	–	--	--	122.48	–	–	–	–
14.	Madhya Pradesh Poorv Kshetra Vidyut Vitaran Company Limited	206.64	1847.45	–	735.26	–	735.26	1196.78	297.38	–	–	–	–
15.	Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited	195.05	–	--	877.65	--	877.65	1057.20	393.41	–	--	–	---
16.	Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited	215.34	1.83	19.92	793.44	---	813.36	1003.33	1584.74	–	–	–	--
17.	Madhya Pradesh Power Generating Company Limited	602.99	290.22	--	–	--	--	1876.8	1810.00	–	–	–	--
18.	SEZ Indore Limited	–	--	1.60	--	--	1.60	--	--	–	–	–	–
19.	Madhya Pradesh State Civil Supplies Corporation Limited	–	–	4633.44	531.35	–	5164.79	18.00	17.89	–	--	–	--
20.	Madhya Pradesh State Tourism Development Corporation Limited	--	--	49.86	88.99	–	138.85	--	--	--	--	--	--
Total A (All Working Government companies)		**1413.65**	**2148.50**	**4755.50**	**3833.43**	**–**	**8588.93**	**5203.11**	**4247.59**	**–**	**–**	**–**	**--**
B	**Working Statutory corporations**												
1.	Madhya Pradesh Financial Corporation	5.00	--	--	--	--	--	100.00	568.29	--	--	--	--
Total B (All Working Statutory corporations)		**5.00**	**--**	**--**	**–**	**–**	**--**	**100.00**	**568.29**	**–**	**–**	**–**	**–**
Grand Total (A+B)		**1418.65**	**2148.50**	**4755.50**	**3833.43**	**--**	**8588.93**	**5303.11**	**4815.88**				

Annexure –1.3

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

(Referred to in paragraph 1.15)

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

Sl. No.	Sector & Name of the company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments[6]	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed[7]	Return on capital employed[8]	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss							
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
A. Working Government companies														
AGRICULTURE & ALLIED														
1.	Madhya Pradesh State Agro Industries Development Corporation Limited	2010-11	2012-13	26.47	0.19	0.36	25.92	944.18	--	3.30	6.73	13.34	26.11	195.73
2.	Madhya Pradesh Rajya Van Vikas Nigam Limited	2011-12	2012-13	37.72	0.27	0.27	37.18	77.39	--	39.32	91.29	130.69	37.45	28.66
Sector wise total				**64.19**	**0.46**	**0.63**	**63.10**	**1021.57**	**--**	**42.62**	**98.02**	**144.03**	**63.56**	**44.13**
FINANCE														
3.	M.P. Audyogik Kendra Vikas Nigam (Bhopal) Limited	2012-13	2013-14	4.15	--	0.21	3.94	18.09	--	2.85	8.63	14.21	3.94	27.73
4.	M.P. Audyogik Kendra Vikas Nigam (Indore) Limited	2011-12	2012-13	27.30	0.26	2.68	24.36	39.23	--	1.65	42.39	138.46	24.62	17.78
5.	M.P. Audyogik Kendra Vikas Nigam (Jabalpur) Limited	2011-12	2012-13	0.96	--	0.01	0.95	2.06	--	1.33	8.26	9.59	0.95	9.91
6.	M.P. Audyogik Kendra Vikas Nigam (Rewa) Limited	2011-12	2012-13	1.56	0.14	--	1.42	2.23	--	0.80	4.13	7.67	1.56	20.34
7.	M.P. Audyogik Kendra Vikas Nigam (Ujjain) Limited	2012-13	2013-14	1.35	--	0.34	1.01	4.02	--	10.00	3.67	14.36	1.01	7.03
8.	Industrial Infrastructure Development Corporation (Gwalior) Limited	2012-13	2013-14	(-)9.16	--	0.16	(-)9.32	8.94		0.75	(-)5.02	(-)3.28	(-)9.32	--
9.	M.P. Audyogik Kendra Vikas Nigam (Sagar) Limited	First A/c not received												

Sl. No.	Sector & Name of the company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments[6]	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed[7]	Return on capital employed[8]	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss							
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
10.	Madhya Pradesh Pichhara Varg Tatha Alpsankhyak Vitta Evam Vikas Nigam Limited	2007-08	2012-13	2.05	2.14	0.01	(-) 0.10	2.41	--	7.05	0.03	47.53	2.04	4.29
11.	Madhya Pradesh Adivasi Vitta Evam Vikas Nigam Limited	2003-04	2011-12	3.37	1.33	0.10	1.94	4.38	(-)0. 36	18.36	2.51	20.07	3.27	16.29
12.	The Provident Investment Company Limited	2009-10	2011-12	5.66	--	0.04	5.62	4.67	--	0.50	20.03	22.55	5.62	24.92
13.	Madhya Pradesh State Industrial Development Corporation Limited	2011-12	2013-14	9.11	--	0.18	8.93	12.95	--	81.09	(-) 593.50	5.11	8.93	174.76
Sector wise Total				**46.35**	**3.87**	**3.73**	**38.75**	**98.98**	**(-)0.36**	**124.38**	**(-)508.87**	**276.27**	**42.62**	**15.43**
	INFRASTRUCTURE													
14.	Madhya Pradesh Police Housing Corporation Limited	2011-12	2012-13	1.17	--	0.23	0.94	8.43	--	4.58	30.60	46.55	0.94	2.02
15.	Madhya Pradesh Road Development Corporation Limited	2012-13	2013-14	26.41	--	0.38	26.03	49.48	--	20.00	81.54	101.54	26.03	25.64
16.	Narmada Basin Projects Company Limited	First A/c not received												
Sector wise Total				**27.58**	**--**	**0.61**	**26.97**	**57.91**	**--**	**24.58**	**112.14**	**148.09**	**26.97**	**18.21**
	MANUFACTURING													
17.	Pithampur Auto Cluster Pvt. Limited	2012-13	2013-14	4.55	--	5.56	(-)1.01	6.29	--	11.98	(-)7.98	57.82	(-)1.01	--
18.	Madhya Pradesh State Electronics Development Corporation Limited	2011-12	2012-13	1.78	--	0.35	1.43	10.61		21.91	(-)8.57	41.61	1.43	3.44
19.	Crystal I.T. Park Indore Limited	2011-12	2012-13	--	--	--	--	--	--	0.05	(-)0.06	(-)0.01	--	--
20.	Sant Ravidas Madhya Pradesh Hastha Shilp Evam Hath Kargha Vikas Nigam Limited	2010-11	2013-14	1.06	0.04	0.31	0.71	18.18	(-)3.36	1.26	2.48	18.63	0.75	4.03
21.	Madhya Pradesh State Mining Corporation Limited	2011-12	2012-13	46.02	--	0.25	45.77	181.57	--	2.20	113.49	151.73	45.77	30.17
22.	MP AMRL (Semaria) Coal Company Limited [Δ]	2012-13	2013-14	(-) 0.05	--	--	(-) 0.05	--	--	1.00	(-) 0.46	0.54	(-) 0.05	--

Sl. No.	Sector & Name of the company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments[6]	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed[7]	Return on capital employed[8]	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss							
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
23.	MP AMRL (Morga) Coal Company Limited	2012-13	2013-14	0.00	–	–	--	--	--	1.00	(-) 0.32	0.68	0.00	--
24.	MP AMRL (Bicharpur) Coal Company Limited	2012-13	2013-14	(-) 0.07	--	–	(-) 0.07	--	--	1.00	(-)0.44	0.56	(-) 0.07	--
25.	MP AMRL (Marki Bakra) Coal Company Limited	2012-13	2013-14	(-) 0.02	–	--	(-) 0.02	--	--	1.00	(-)0.37	0.63	(-) 0.02	--
26.	MP Jaypee Coal Limited	2012-13	2013-14	(-) 0.01	–	--	(-)0.01	–	--	10.00	(-) 0.09	9.91	(-) 0.01	--
27.	MP Monnet Mining Company Limited	2012-13	2013-14	(-) 0.01	–	---	(-) 0.01	–	--	2.00	(-) 0.35	1.65	(-)0.01	--
28.	MP Jay Pee Minerals Limited	2012-13	2013-14	(-)0.04	---	--	(-) 0.04	--	--	61.22	(-)1.27	164.95	(-)0.04	–
29.	MP Jay Pee Coal fields Limited	2012-13	2013-14	(-) 0.02	–	--	(-) 0.02	--	–	10.00	(-) 0.39	9.61	(-) 0.02	--
30	M.P. Sainik Coal Mining Pvt. Limited	2012-13	2013-14	(-) 0.02	–	--	(-) 0.02	--	--	30.98	(-) 0.70	30.08	(-) 0.02	--
Sector wise Total				**53.17**	**0.04**	**6.47**	**46.66**	**216.65**	**(-)3.36**	**155.60**	**94.97**	**488.39**	**46.70**	**9.56**
POWER														
31.	Madhya Pradesh Urja Vikas Nigam Limited	2011-12	2013-14	0.07	–	0.07	–	0.04	--	0.69	0.00	3.76	--	--
32.	Madhya Pradesh Power Transmission Company Limited	2012-13	2013-14	362.36	138.69	222.00	1.67	2019.43	--	2375.64	(-)143.75	4084.59	140.36	3.44
33.	Madhya Pradesh Poorv Kshetra Vidyut Vitaran Company Limited	2012-13	2013-14	(-) 1066.10	256.30	109.83	(-) 1432.23	5268.07	--	1598.08	(-)6937.29	3199.94	(-) 1175.93	--
34.	Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited	2012-13	2013-14	(-) 1032.81	267.82	124.36	(-) 1424.99	6738.93	--	1825.96	(-)5922.60	(-)1398.48	(-) 1157.17	--
35.	Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited	2012-13	2013-14	(-) 959.30	298.00	157.63	(-) 1414.93	4569.74	(-)52.16	1770.33	(-) 6001.03	(-)1273.58	(-)1116.93	--
36.	Madhya Pradesh Power Generating Company Limited	2012-13	2013-14	682.11	340.58	351.86	(-) 10.33	5386.13	--	4712.49	(-)1418.71	11270.42	330.25	2.93
37.	Shahpura Thermal Power Company Limited**	2012-13	2013-14	–	–	–	--	–	--	0.05	0.01	2.70	--	--
38.	Madhya Pradesh Power Management Company Limited	2012-13	2013-14	59.80	58.20	1.60	--	15940.04	(-)2.78	4100.97	0.00	4100.97	58.20	1.42
39.	Dada Dhuni Wale Khandwa Power Limited.	2012-13	2013-14	0.75	--	--	0.75	0.76	--	45.00	0.77	45.76	0.75	1.64

Sl. No.	Sector & Name of the company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments[6]	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed[7]	Return on capital employed[8]	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss							
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
40.	Bansagar Thermal Power Company Limited	2012-13	2013-14	1.46	2.17	–	(-)0.71	1.46	--	0.05	(-)0.55	17.20	1.46	8.49
41.	Shri Singaji Thermal Power Company Limited	2012-13	2013-14	--	--	–	--	--	--	0.05	--	0.05	–	--
Sector wise Total				**(-) 1951.66**	**1361.76**	**967.35**	**(-) 4280.77**	**39924.60**	**(-)54.94**	**16429.31**	**(-) 20423.15**	**20053.33**	**(-)29 19.01**	--
SERVICES														
42.	M.P. Trade and Investment Facilitation Corporation Limited	2012-13	2013-14	1.89	0.02	0.07	1.80	3.86		0.80	9.30	427.08	1.82	0.43
43.	Madhya Pradesh Laghu Udyog Nigam Limited	2011-12	2013-14	25.42	0.11	1.35	23.96	240.55	(-)2.25	2.83	73.57	76.4	24.07	31.51
44.	SEZ Indore Limited	2010-11	2012-13	12.69	1.21	1.05	10.43	85.48	--	31.39	22.15	59.98	11.64	19.41
45.	Madhya Pradesh State Civil Supplies Corporation Limited	2012-13	2013-14	1287.86	1283.37	1.05	3.44	16105.18		8.47	145.80	1664.45	1286.81	77.31
46.	Madhya Pradesh State Tourism Development Corporation Limited	2010-11	2012-13	3.90	0.08	3.12	0.70	69.07		24.97	(-)3.68	321.36	0.78	0.24
47.	Indore City Transport Services Limited	2005-06	2013-14	(-)0.08	–	--	(-)0.08	0.01	--	0.25	--	0.25	(-)0.08	--
48.	Jabalpur City Transport Services Limited	2012-13	2013-14	0.15	---	0.01	0.14	0.17	--	0.25	0.57	0.82	0.14	17.07
49.	Bhopal City Link Limited	First Account not received												
50.	Ujjain City Transport Services Limited	First Account not received												
51.	Katni City Transport Services Limited	2010-11	2011-12	--	–	--	--	–	--	0.15	(-) 0.01	0.13	--	–
52.	Madhya Pradesh Vikramaditya Knowledge City (Ujjain) Limited	2012-13	2013-14	0.08	–	–	0.08	0.11	–	1.00	0.09	1.09	0.08	7.34
Sector wise Total				**1331.91**	**1284.79**	**6.65**	**40.47**	**16504.43**	**(-)2.25**	**70.11**	**247.79**	**2551.56**	**1325.26**	**51.95**
Total A (All sector wise working Government companies)				**(-)428.46**	**2650.92**	**985.44**	**(-)4064.82**	**57824.14**	**(-)60.91**	**16846.60**	**(-)20379.10**	**23661.67**	**(-)1413.90**	–
B. Working Statutory corporation														
AGRICULTURE & ALLIED														
1.	Madhya Pradesh Warehousing and Logistics Corporation	2011-12	2012-13	51.99	0.84	9.43	41.72	136.66	--	8.06	95.76	153.51	42.56	27.72

Sl. No.	Sector & Name of the company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments[6]	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed[7]	Return on capital employed[8]	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss							
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Sector wise total				51.99	0.84	9.43	41.72	136.66	--	8.06	95.76	153.51	42.56	27.72
FINANCE														
2.	Madhya Pradesh Financial Corporation	2011-12	2012-13	53.24	48.15	--	5.09	66.42	--	356.14	(-) 233.66	891.46	53.24	5.97
Sector wise total				**53.24**	**48.15**	**--**	**5.09**	**66.42**	**--**	**356.14**	**(-) 233.66**	**891.46**	**53.24**	**5.97**
SERVICE														
3.	Madhya Pradesh Road Transport Corporation	2007-08	2008-09	1.08	10.10	4.60	(-) 13.62	210.05	--	141.81	(-) 1024.52	(-) 144.80	(-)3.52	--
Sector wise total				**1.08**	**10.10**	**4.60**	**(-) 13.62**	**210.05**		**141.81**	**(-) 1024.52**	**(-) 144.80**	**(-) 3.52**	**--**
Total B (All sector wise working Statutory corporations)				**106.31**	**59.09**	**14.03**	**33.19**	**413.13**	**--**	**506.01**	**(-)1162.42**	**900.17**	**92.28**	**10.25**
Grand Total (A+B)				**(-)322.15**	**2710.01**	**999.47**	**(-)4031.63**	**58237.27**	**(-)60.91**	**17352.61**	**(-)21541.52**	**24561.84**	**(-) 1321.62**	**--**
C. Non working Government companies														
AGRICULTURE & ALLIED														
1.	Madhya Pradesh Lift Irrigation Corporation Limited	2003-10	2010-11	0.04	--	--	0.04	Under liquidation	--	5.92	(-) 6.33	(-)0.36	0.04	--
2.	Madhya Pradesh State Dairy Development Corporation Limited	2001-02	2002-03	--	--	--	--	Under liquidation	--	--	--	--	--	--
Sector wise total				**0.04**	**--**	**--**	**0.04**	**---**	**--**	**5.92**	**(-) 6.33**	**(-) 0.36**	**0.04**	**--**
FINANCE														
3.	Madhya Pradesh Film Development Corporation Limited	2009-10	2010-11	--	--	--	--	Under liquidation	--	1.04	--	1.02	--	--
4.	Madhya Pradesh Panchayati Raj Vitta Evam Gramin Vikas Nigam Limited	2005-06	2006-07	0.03	--	--	0.03	Under liquidation	--	0.16	0.02	0.16	0.03	18.75
Sector wise total				**0.03**	**--**	**--**	**0.03**	**---**	**--**	**1.20**	**0.02**	**1.18**	**0.03**	**18.75**
INFRASTRUCTURE														
5.	Madhya Pradesh State Industries Corporation Limited	2009-10	2013-14	(-)0.19	---	---	(-)0.19	0.28	--	15.12	50.55	(-)35.38	(-)0.19	--

Sl. No.	Sector & Name of the company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments[6]	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed[7]	Return on capital employed[8]	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss							
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
6.	Madhya Pradesh Rajya Setu Nirman Nigam Limited	1989-90	1993-94	(-) 1.13	–	–	(-) 1.13	Under liquidation	--	5.00	(-) 2.15	2.87	(-) 1.13	--
Sector wise total				**(-)1.32**	--	--	**(-)1.32**	**0.28**	--	**20.12**	**48.4**	**(-)32.51**	**(-)1.32**	--
MANUFACTURING														
7.	Optel Telecommunication Limited	2009-10	2010-11	(-) 27.07	2.14	--	(-) 29.21	Under liquidation	--	23.97	(-) 131.76	(-) 24.48	(-) 27.07	--
8.	Madhya Pradesh State Textile Corporation Limited	2007-08	2012-13	(-) 0.32	3.82	--	(-) 4.14	0.01	--	6.86	(-)112.13	(-)17.42	(-) 0.32	--
9.	Madhya Pradesh Vidyut Yantra Limited	--	–	–	--	--	--	Under liquidation	--	1.50	0.04	--	--	–
Sector wise total				**(-)27.39**	**5.96**	–	**(-)33.35**	**0.01**	--	**32.33**	**(-)243.85**	**(-)41.9**	**(-)27.39**	--
Total C (All sector wise non working Government companies)				**(-)28.64**	**5.96**	--	**(-)34.60**	**0.29**	--	**59.57**	**(-)201.76**	**(-)73.59**	**(-)28.64**	–
Grand Total (A+B+C)				**(-)350.79**	**2715.97**	**999.47**	**(-)4066.23**	**58237.56**	**(-)60.91**	**17412.18**	**(-)21743.28**	**24488.25**	**(-)1350.26**	--

- For working companies at S.No. A-10, 11, 12, 44, 51 and B-2, B-3 data from Annual Report 2011-12 has been adopted, as Companies did not furnished any latest finalised accounts..

[6] Impact of accounts comments include the net impact of comments of Statutory Auditors and CAG and are denoted by (+) increase in net profit/ decrease in loss and (-) decrease in profit/ increase in losses

[7] Capital Employed includes Share holders Fund Plus Long Term Borrowings (Except Statutory Corporations where Capital employed represents net fixed assets (including capital works-in-progress) plus working capital.)

[8] Return on capital employed has been worked out by adding profit and interest charged to profit and loss account.

Annexure-1.4

Statement showing financial position of Statutory corporations

(Referred to in paragraph 1.15)

(₹in crore)

Working Statutory corporations			
1. Madhya Pradesh Road Transport Corporation[9]			
	2005-06	**2006-07**	**2007-08**
A. Liabilities			
Capital (including Equity capital)	141.81	141.81	141.81
Borrowings (Government) (Others)	17.50 466.24	574.12 13.79	573.35 143.49
Funds[10]	422.57	27.43	21.09
Trade dues and other Current Liabilities (including provisions)	597.75	920.01	873.52
Total – A	**1645.87**	**1677.16**	**1753.26**
B. Assets			
Gross Block	460.74	460.77	457.50
Less : Depreciation	64.07	69.49	74.59
Net Fixed Assets	396.67	391.28	382.91
Capital works-in-progress (including cost of chassis)	1.74	1.92	1.16
Investments	0.02	0.02	0.02
Current Assets, Loans and Advances	380.14	273.04	344.65
Accumulated Loss	867.30	1010.90	1024.52
Total – B	**1645.87**	**1677.16**	**1753.26**
C. Capital employed[11]	**180.80**	**(-)253.77**	**(-)144.80**

2. Madhya Pradesh Financial Corporation			
	2009-10	**2010-11**	**2011-12**
A. Liabilities			
Paid-up capital	346.14	351.14	356.14
Reserve fund and other Reserves and surplus	38.82	38.73	35.63
Borrowings (Including interest due):			
(i) Bonds and debentures	63.33	108.17	112.67
(ii) Fixed deposits			
(iii) Industrial Development Bank of India & Small Industries Development Bank of India	334.60	330.50	319.80
(iv) Others (including State Government)	50.00	84.87	69.72
Other Liabilities and provisions	38.38	42.61	52.69
Total – A	**871.27**	**956.02**	**946.65**
B. Assets			
Cash and Bank balances	16.59	46.64	0.73
Investments	187.05	187.05	187.05
Loans and advances	405.75	461.99	502.16
Net fixed assets	8.23	8.06	7.86
Other assets	13.98	14.61	15.19
Accumulated Loss	239.67	237.66	233.66
Total – B	**871.27**	**956.02**	**946.65**
C. Capital employed[12]	**800.93**	**839.92**	**891.46**

[9] Figures adopted from the Audit Report 2011-12 as Corporation did not furnish the latest accounts.
[10] Excluding depreciation funds.
[11] Capital employed represents net fixed assets (including capital works-in-progress) plus working capital.
[12] Capital employed represents the mean of the aggregate of opening and closing balances of paid-up capital, loans in lieu of capital, seed money, debentures, reserves (other than those which have been funded specifically and backed by investments outside), bonds, deposits and borrowings (including refinance).

3. Madhya Pradesh Warehousing and Logistics Corporation[13]			
	2009-10	**2010-11**	**2011-12**
A. Liabilities			
Paid-up capital	1.50	1.50	1.50
Advances against Capital/Pending share Allotment	6.56	6.56	6.56
Reserves and surplus	102.47	117.13	277.49
Borrowings (Including interest due): Government Others	 -- 4.75	 -- 5.05	 -- 1.77
Trade dues and Current Liabilities (including provisions)	69.39	97.28	108.49
Total A	**184.67**	**227.52**	**395.81**
B. Assets			
Gross Block	151.39	163.41	183.29
Less : Depreciation	58.00	63.98	73.71
Net Fixed Assets	93.39	99.43	109.98
Capital works-in-progress	8.79	17.03	32.56
Current Assets, Loan and Advances	82.49	111.06	253.27
Total –B	**184.67**	**227.52**	**395.81**
Capital employed[14]	**110.52**	**186.35**	**153.51**

[13] Figures adopted from the last year Audit Report as the Corporation did not furnish the latest accounts.
[14] Capital employed represents net fixed assets (including capital works-in-progress) plus working capital.

Annexure-1.5

Statement showing working results of Statutory corporations

(Referred to in paragraph 1.15)

(₹in crore)

Working Statutory corporations				
1. Madhya Pradesh Road Transport Corporation[15]				
		2005-06	**2006-07**	**2007-08**
1	Operating			
	(a) Revenue	218.34	204.97	205.41
	(b) Expenditure	294.38	340.86	202.16
	(c) Surplus(+)/Deficit(-)	(-)76.04	(-)135.89	3.25
2	Non-operating			
	(a) Revenue	5.42	2.15	4.64
	(b) Expenditure	15.44	9.86	21.51
	(c) Surplus(+)/Deficit(-)	(-)10.02	(-)7.71	(-)16.87
3	**Total**			
	(a) Revenue	223.76	207.12	210.05
	(b) Expenditure	309.82	350.72	223.67
	(c) Net Profit(+)/Loss(-)	(-)86.06	(-)143.60	(-)13.62
4	Interest on capital and loans	11.00	9.05	10.10
5	**Total return on Capital employed[16]**	**(-)75.06**	**(-)134.55**	**(-)3.52**
2.	**Madhya Pradesh Financial Corporation[15]**			
		2009-10	**2010-11**	**2011-12**
1	**Income**			
	(a) Interest on loans	50.29	54.16	64.43
	(b) Other Income	1.30	1.00	1.99
	Total-1	**51.59**	**55.16**	**66.42**
2	**Expenses**			
	(a) Interest on long-term loans	40.26	39.77	48.15
	(b) Provision for standard assets	0.14	0.49	0.27
	(c) Other expenses	9.60	11.85	12.91
	(d) Depreciation	0.21	0.23	--
	Total-2	**50.21**	**52.34**	**61.33**
3	Profit/Loss before tax (1-2)	(+)1.38	2.82	5.09
4	Provision for tax	(-)0.26	0.62	1.08
5	Other appropriations	(+)0.02	0.19	0.01
6	Amount available for dividend	1.10	2.01	4.01
7	Dividend declared	–	--	–
8	**Total return on capital employed[16]**	**41.64**	**41.78**	**53.24**
9	**Percentage of return on capital employed**	**5.21**	**4.97**	**5.97**

[15] Figures adopted from the Audit Report 2011-12 as Corporation did not furnish the latest accounts.

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

3.	**Madhya Pradesh Warehousing and Logistics Corporation**			
		2009-10	**2010-11**	**2011-12**
1	**Income**			
2	(a) Warehousing charges	61.64	89.65	107.38
	(b) Other Income	4.89	10.31	29.28
	Total	**66.53**	**99.96**	**136.66**
3	**Expenses**			
	(a) Establishment charges	33.01	37.29	44.99
	(b) Other expenses	15.41	21.76	49.95
	Total	**48.42**	**59.05**	**94.94**
4	Profit (+)/Loss(-) before tax	18.11	40.91	41.72
5	Other appropriations	17.81	40.61	41.42
6	Amount available for dividend	0.30	0.30	0.30
7	Dividend for the year	0.30	0.30	0.30
8	**Total return on capital employed**	**12.14**	**27.65**	**42.56**
9	**Percentage of return on capital employed**	**10.53**	**14.84**	**27.72**

Annexure-1.6

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

(Referred to in paragraph 1.22)

(₹ in crore)

Sl. No.	Name of PSU	Year upto which accounts finalised	Paid up capital as per latest finalised accounts	Arrear years in which investment received	Investment made by State Government during the year in which accounts are in arrears			
					Equity	Loan	Subsidy	Grants
1	2	3	4	5	6	7	8	9
1	Madhya Pradesh State Agro Industries Development Corporatiou Limited, Bhopal.	2010-11	3.30	Upto 2011-12	--	--	0.21	--
				2012-13			0.20	
2	Madhya Pradesh Rajya Van Vikas Nigam Limited, Bhopal.	2011-12	39.32	2012-13	--	--	--	26.05
3	Madhya Pradesh Audyogik Kendra Vikas Nigau (Jabalpur) Limited, Jabalpur	2011-12	1.33	2012-13	–	–	2.57	–
4	Madhya Pradesh Pichhara Varg Tatha Alp-Sankhayak Vitta Aivam Vikas Nigam, Bhopal.	2007-08	7.05	Upto 2011-12	2.00	--	--	0.44
				2012-13	0.10	9.00	–	0.50
5	Madhya Pradesh Adivasi Vitta Aivam Vikas Nigam, Bhopal.	2003-04	18.36	Upto 2011-12	5.00	--	--	10.80
				2012-13	1.33	--	--	2.00
6	Madhya Pradesh State Electronics Development Corporation Limited, Bhopal.	2011-12	21.91	2012-13	--	--	39.17	–
7	Sant Ravidas Madhya Pradesh Hastha Shilp Evam Hath KarghaVikas Nigam Limited Bhopal.	2010-11	1.26	Upto 2011-12	--	–	--	
				2012-13	--	–	–	16.32
8	Madhya Pradesh Urja Vikas Nigam Limited, Bhopal	2011-12	0.69	2012-13	--	--	17.62	–
9	Madhya Pradesh State Tourism Development Corporation Limited, Bhopal	2010-11	24.97	Upto 2011-12	–	–	43.66	20.64
				2012-13			57.27	31.72
10	Narmada Basin Projects Company Limited	First accounts not received	5.00	2012-13	5.00	--	--	--
11	Madhya Pradesh Financial Corporation Limited	2011-12	356.14	2012-13	5.00	--	--	–
Total					**18.43**	**9.00**	**160.70**	**108.47**
Grand Total					**296.60**			

Annexure-2.1.1

Details of PPAs signed by the Company/ GoMP through MoU route, PSA with PTC and through competitive bidding route during the years 2006-07 to 2012-13

(Referred to in Paragraph 2.1.1and 2.1.9)

Year	Total PPAs signed through MoU/PSA/Bidding		PPAs signed through bidding process		% of contracted capacity through bidding Process to total PPAs signed
	Nos.	Contracted Capacity (MW)	Nos.	Contracted Capacity (MW)	
I) Initiated by GoMP/ Company					
2006-07	3	600	0	0	0.00
2007-08	0	0	0	0	0.00
2008-09	0	0	0	0	0.00
2009-10	0	0	0	0	0.00
2010-11	7	1913.5	1	150	7.84
2011-12	8	517	0	0	0.00
2012-13	2	335	0	0	0.00
Total	**20**	**3365.5**	**1**	**150**	**4.46**
II) Initiated by GoI/ PFC					
2007-08	1	(UMPP)1425	1	1425	100.00
2008-09	1	(UMPP)200	1	200	100.00
Total		**4990.5**			**35.57**

Annexure-2.1.2

The details of planned vis-à-vis actual power scenario for the years from 2008-09 to 2012-13

(Referred to in Paragraph 2.1.8.1)

(in MW)

Planned						Actual				
Year	**Unrestricted Maximum demand/ requirement of power**	**Long Term PPAs**	**Other Source**	**Total**	**Shortage/ Excess**	**Other Source**	**Long Term PPAs**	**Short Term**	**Total**	**Shortage**
2008-09	8144	128	7495	7623	521	6025		220	6245	1899
2009-10	8938	319	7976	8295	643	5560		27	5587	3351
2010-11	9753	574	8680	9254	499	6559		132	6691	3062
2011-12	10491	924	9597	10521	-30	7909	55	582	8546	1945
2012-13	10949	1009	9653	10662	287	7986	207	1219	9412	1537
Total					**1920**					

Annexure-2.1.3

Statement showing Idle Capacity Charges (Torrent)

(Referred to in Paragraph 2.1.8.3)

Month	Days in Month	Contracted Capacity (in MWH)	Actual Supply (in MWH)	Short Supply due to Scheduling of lesser supply (in MWH)	Capacity Charges paid (₹)	Idle Capacity Charges (in proportion with short supply of contracted capacity (₹)
(1)	(2)	(3)	(4)	(5)(3-4)	(6)	(7)(5x6/3)
November-11	30	72000	48240	23760	6,07,09,268.00	2,00,34,058.00
December-11	31	74400	39805.7	34594.3	7,49,42,893.00	3,48,46,733.00
January-12	31	74400	46907	27493	6,44,40,658.00	2,38,12,729.00
February-12	29	69600	41166.7	28433.3	6,46,78,414.00	2,64,22,712.00
March-12	31	74400	45672	28728	6,56,16,614.00	2,53,36,480.00
April-12	30	72000	46440	25560	6,19,76,920.00	2,20,01.807.00
May-12	31	74400	46416	27984	6,78,19,712.00	2,55,08,963.00
June-12	30	72000	39480	32520	7,42,47,477.00	3,35,35,110.00
July-12	31	74400	35778	38622	7,67,18,177.00	3,98,25,396.00
August-12	31	74400	30450	43950	7,72,31,383.00	4,56,22,571.00
September-12	30	72000	29448	42552	7,47,31,385.00	4,41,66,249.00
October-12	31	74400	26280	48120	7,39,55,415.00	4,78,32,454.00
November-12	30	72000	22560	49440	7,43,89,271.00	5,10,80,633.00
December-12	31	74400	22804.5	51595.5	7,59,48,010.00	5,26,69,026.00
January-13	31	74400	19408	54992	7,52,80,354.00	5,56,42,705.00
February-13	28	67200	13474	53726	6,93,23,299.00	5,54,23,565.00
March-13	31	74400	12458.5	61941.5	7,67,55,045.00	6,39,02,186.00
TOTAL:		**1240800**	**566788.4**	**674011.6**	**1,20,87,64,295.00**	**66,76,63,377.00**

Annexure-2.1.4

Details of Scheduled CODs, Preponed CODs and Revised CODs in respect of Sasan UMPP

(Referred to in Paragraph 2.1.11.2)

Unit	Scheduled CODs	Preponed CODs at the request of Sasan	Revised CODs due to default of GoMP/ Company	Status as on January 2014
I	07.05.2013	31.12.2011	31.03.2013	August 2013
II	07.12.2013	31.03.2012	30.06.2013	Under progress
III	07.07.2014	30.06.2012	30.09.2013	Under progress
IV	07.02.2015	30.09.2012	31.12.2013	Under progress
V	07.09.2015	31.12.2012	31.03.2014	Under progress
VI	07.04.2016	31.03.2013	30.06.2014	Under progress

Annexure-2.1.5
Statement showing Potential Loss due to revisions of CODs

(Referred to in Paragraph 2.1.11.2)

Unit No.	Total Capacity (in MW)	Share of power allocated to MP (37.5% of total capacity in MW)	Preponed dates of CODs as per supplementary agreement dated 15/10/08	Delay in CODs due to delay in providing land	Total Delay (in months)	No. of units supposed to be supplied during the delay period	Levelised Tariff payable to Sasan Power (₹/per unit)	Average rate of conventional energy procured by the company during the year 2010-11 (₹/per unit)	Difference in tariff (₹/per unit)	Loss is sustained by the company due to delay in CODs (₹)
I	660	247.5	31/12/2011	31/03/2013	15	2165389875	1.196	2.16	0.964	2087435840
II	660	247.5	31/03/2012	30/06/2013	15	2165389875	1.196	2.16	0.964	2087435840
III	660	247.5	30/06/2012	30/09/2013	15	2165389875	1.196	2.16	0.964	2087435840
IV	660	247.5	30/09/2012	31/12/2013	15	2165389875	1.196	2.16	0.964	2087435840
V	660	247.5	31/12/2012	31/03/2014	15	2165389875	1.196	2.16	0.964	2087435840
VI	660	247.5	31/03/2012	30/06/2014	15	2165389875	1.196	2.16	0.964	2087435840
	3960	**1485**								**12524615037**
								Say ₹1252.46 crore		
	Formula - No. of units supposed to supplied during the period of delay= (Share of power allocated to MP*.85*0.94 (less auxiliary consumption)*24*365*1000* delayed period of COD **Note-Auxilliary consumption was considered @ 6%**									

Annexure-2.1.6

Calculation of Additional cost of power

(Referred to in Paragraph 2.1.13.1)

1.	Actual additional cost of power paid to Torrent Power during March 2011 to March 2013	
A.	Total Energy Units supplied by Torrent Power during March 2011 to March 2013 (calculated on the basis of energy bills raised by Torrent Power)	980507048
B.	Capacity charges fixed as per original PPA between PTC and Torrent Power dated 02/08/2005) (₹/ per unit)	0.83
C.	Capacity charges fixed by CERC vide its order dated 11/01/2010 and based on which the Company has worked out the fixed cost (₹/ per unit)	1.08
D.	Additional cost (C-D) (₹/ per unit)	0.25
E.	**Additional cost of power on account of applicability of CERC rate instead of PPA rate (A * D) (₹)**	**245126762**
2.	Prospective additional cost of power to be paid during the period from April 2013 to February 2016 (2 years 11 month)	
A.	Total units to be supplied by Torrent during April 2013 to February 2016 (100 MW*85%*3% auxiliary consumption*24*365*2*11/12*1000)	1324147000
B.	Additional cost of power to be paid during the period (₹ / per unit)	0.25
C.	**Committed additional cost (2A* 2B) (₹)**	**331036750**
3.	Prospective additional cost of power to be paid during the period from March 2016 to February 2021 (5 years)	
A.	Total Units to be supplied (75MW * 85 PLF*3% auxiliary consumption *24*365*1000*5 years)	2708482500
B.	**Committed additional cost (3A* 2B) (₹)**	**677120625**
	Prospective additional cost of power to be paid during the period from March 2021 to February 2026 (5 years)	
A.	Total Units to be supplied (50 MW * 85 PLF*3% auxiliary consumption *24*365*1000*5 years)	1805655000
B.	**Committed additional cost (4A* 2B) (₹)**	**451413750**
5.	**Total Committed additional cost (2C + 3B + 4B) (₹)**	**1459571125**
		Or say ₹14595.71 lakh
Note: Auxiliary consumption was considered at @ 3 %.		

Annexure-2.1.7

Details Showing PSAs entered with PTC and Rate of Trade Margin

(Referred to in Paragraph 2.1.14.1)

Sl. No.	Name of Power Project	Parties of PPA and Date of PPA	Parties of PSA and Date of PSA	Contracted Capacity (in MW)	Trading margin to PTC
1	1100 MW SUZEN Power Project (Gas based).	PTC and Torrent dated 02/08/2005	Company and PTC dated 16/01/2007	Year 1 to 5–100 MW Year 6 to 10–75 MW Year 11 to 15–50 MW Year 16 to 25–25 MW	Year 1 to 12 – ₹ 0.05/Kwh Year 13 to 25 – ₹ 0.10/Kwh
2	600 MW Coal Fired Thermal Power Station	PTC and Dheeru Powergen dated 30/08/2006	Company and PTC dated 21/09/2006	Year 1 to 25-300 MW	Year 1 to 12 – ₹ 0.05/Kwh Year 13 to 25 – ₹ 0.10/Kwh
3	1200 MW Lanco Amarkanatak Coal Fired Thermal Power Station	PTC and Lanco dated 11/05/2005	Company/MPSEB and PTC dated 30/05/2005	Year 1 to 25 – 300 MW	Year 1 to 12 – ₹ 0.05/Kwh Year 13 to 25 – ₹ 0.10/Kwh
4	382.5 MW UNOSUZEN Power Project (Gas based)	PTC and Torrent dated 04/04/2012	Company and PTC dated 23/04/2012	Year 1 to 25- 35 MW	Year 1 to 12 – ₹ 0.05/Kwh Year 13 to 25 – ₹ 0.10/Kwh

Annexure-2.1.8

Statement Showing the Avoidable Expenditure due to Payment of PTC's Trading Margin

(Referred to in Paragraph 2.1.14.1)

Sl. No.	Particulars	Actual Loss (₹)	Prospective Loss (₹)
1	**Torrent Power Generation Ltd. (SUZEN Power Project)** Contracted Capacity **(a) First 5 years – 100 MW** (i) Normative Supply = 100 MW X 0.97 X 0.85 = 82.45 MW (ii) Power Supply Started from March 2011. (iii) Total Power supplied during the period March, 2011 to March 2013 – 980406900 Kwh (iv) Payment of PTC Trading Margin during the March 2011 to March 2013 = 980406.9 Mwh X 1000 X ₹ 0.05 (v) The balance period of 2 Years and 9 Months = 1000 days (vi) PTC Trading Margin for balance period (@ ₹ 0.05/Kwh) = 82.45 MW X 24 X 1000X1000 days X ₹ 0.05 **(b) Next Year 6 to Year 10 – 75 MW** (i) Normative Supply = 75 MWX0.97X0.85 = 61.8375 MW (ii) Period of 5 Years = 1825 days (vi) PTC Trading Margin for balance period (@ ₹ 0.05/Kwh) = 61.8375 MW X 24 X 1000X1825 days X ₹ 0.05 **(c) Next Year 11 to Year 15 – 50 MW** (i) Normative Supply = 50 MWX0.97X0.85 = 41.225 MW (ii) Period of 2 Years = 730 days (iii) PTC Trading Margin for 2year period (@ ₹ 0.05/Kwh) = 41.225 MW X 24 X 1000X730 days X ₹ 0.05 (iv) Period of 3 Years = 1095 days (v) PTC Trading Margin for 3year period (@ ₹ 0.10/Kwh) = 41.225 MW X 24 X 1000 X 1095 days X ₹ 0.10 **(d) Next Year 16 to Year 25 – 25 MW** (i) Normative Supply = 25 MWX0.97X0.85 = 20.6125 MW (ii) Period of 10 Years = 3650 days (iii) PTC Trading Margin for 10 year period (@ ₹ 0.10/Kwh) = 20.6125 MW X 24 X 1000 X 3650 days X ₹ 0.10	49020345.	98940000 135424125 36113100 108339300 180565500
	Total: (1)	**49020345**	**559382025**
2	**Dheeru Powergen Private Ltd.** Contracted Capacity – 300 MW Normative Supply = 300 MWX0.915X0.85 = 233.325 MW Prospective PTC Trading Margin for entire 25 years:- (a) First 12 Years (@ 0.05/Kwh) = 233.325 MW X 24 X 1000X4380 days X ₹ 0.05/Kwh (b) Remaining 13 Years (@ ₹ 0.10/Kwh) = 233.325 MW X 24 X 1000 X 4745 days X ₹ 0.10		1226356200 2657105100
	Total: (2)		**3883461300**
3	**Torrent Power Ltd. (UNOSUZEN Power Project)** Contracted Capacity – 35 MW Normative Supply = 35 MWX0.97X0.85 = 28.8575 MW		

	Prospective PTC Trading Margin for entire 25 years:- (a) First 12 Years (@ ₹ 0.05/Kwh) = 28.8575 MW X 24 X 1000X4380 days X ₹ 0.05/Kwh (b) Remaining 13 Years (@ ₹ 0.10/Kwh) = 28.8575 MW X 24 X 1000 X 4745 days X ₹ 0.10		 151675020 328629210
	Total: (3)		**480304230**
4	**Lanco Amarkantak Power Private Ltd.** Contracted Capacity – 300 MW Normative Supply = 300 MWX0.915X0.85 = .233.325 MW (i) Power Supply Started from December, 2012. (ii) Total Power supplied during the period December, 2012 to May, 2013 – 1053019.5 Mwh (iii) PTC Trading Margin paid (during the December, 2012 to May, 2013) = 1053019.5 Mwh X 1000 X ₹ 0.05/Kwh (iv) PTC Trading Margin for balance period: (a) First 12 Years (@ ₹ 0.05/Kwh) = 233.325 MW X 24 X 1000 X 4195 daysX ₹ 0.05/Kwh (b) Remaining Period 13 Years (@ ₹ 0.10/Kwh) = 233.325 MW X 24 X 1000X4745 days X ₹ 0.10	52650975	 1174558050 2657105100
	Total: (4)	**52650975**	**3831663150**
	Grand Total: (1 + 2 + 3 + 4)	**101671320**	**8754810705**
	Say	**₹ 10.17 crore**	**₹ 875.48 crore**

Annexure-2.1.9

Statement showing Idle Capacity Charges (Bina)

(Referred to in Paragraph 2.1.15.1)

Month	Contracted Capacity (in Kwh)	Actual Supply (in Kwh)	Short supply due to scheduling of lesser supply (in Kwh)	Capacity charges paid (₹)	Idle capacity charges (in proportion with short supply to contracted capacity) (₹)
1	2	3	4 (2-3)	5	6 (4x5/2)
Feb-13	84916800	55312410	29604390	193972546	67624297
March-13	94031520	29348000	64683520	197258189	135692308
April-13	90998400	31611250	59387150	207254380	135257839
May-13	94031520	82859500	11172020	212638941	25263938
				Total	**363838382**

Say ₹ 36.38 crore

Annexure-2.1.10

Statement showing Late Payment Surcharge incurred towards IPPs during April 2012 to June 2013

(Referred to in Paragraph 2.1.16.4)

Sl. No.	Name of Party	Total amount paid (₹)	Total LPS incurred (₹)
1	Astha Innovations Pvt. Ltd.	1,39,69,241	7,86,123
2	Cepco Industries	16,42,12,220	76,26,721
3	Giriraj Enterprises	14,47,96,714	76,78,947
4	IL & FS Wind Power Ltd. Mumbai	25,20,78,354	95,17,758
5	KS Oils, Morena	12,92,15,756	77,62,468
6	Ruchi Soya	47,12,71,598	1,95,54,059
7	Ruchi Infra	2,84,52,831	11,64,764
8	Nakoda	3,79,62,162	15,24,784
9	Sanvaria	3,83,10,627	19,11,528
10	Rajaram	51,90,532	2,66,819
11	Ushodaya	3,59,48,512	23,34,233
12	MP Wind Farms	18,79,737	91,127
	Total	**1,32,32,88,284**	**6,02,19.331**

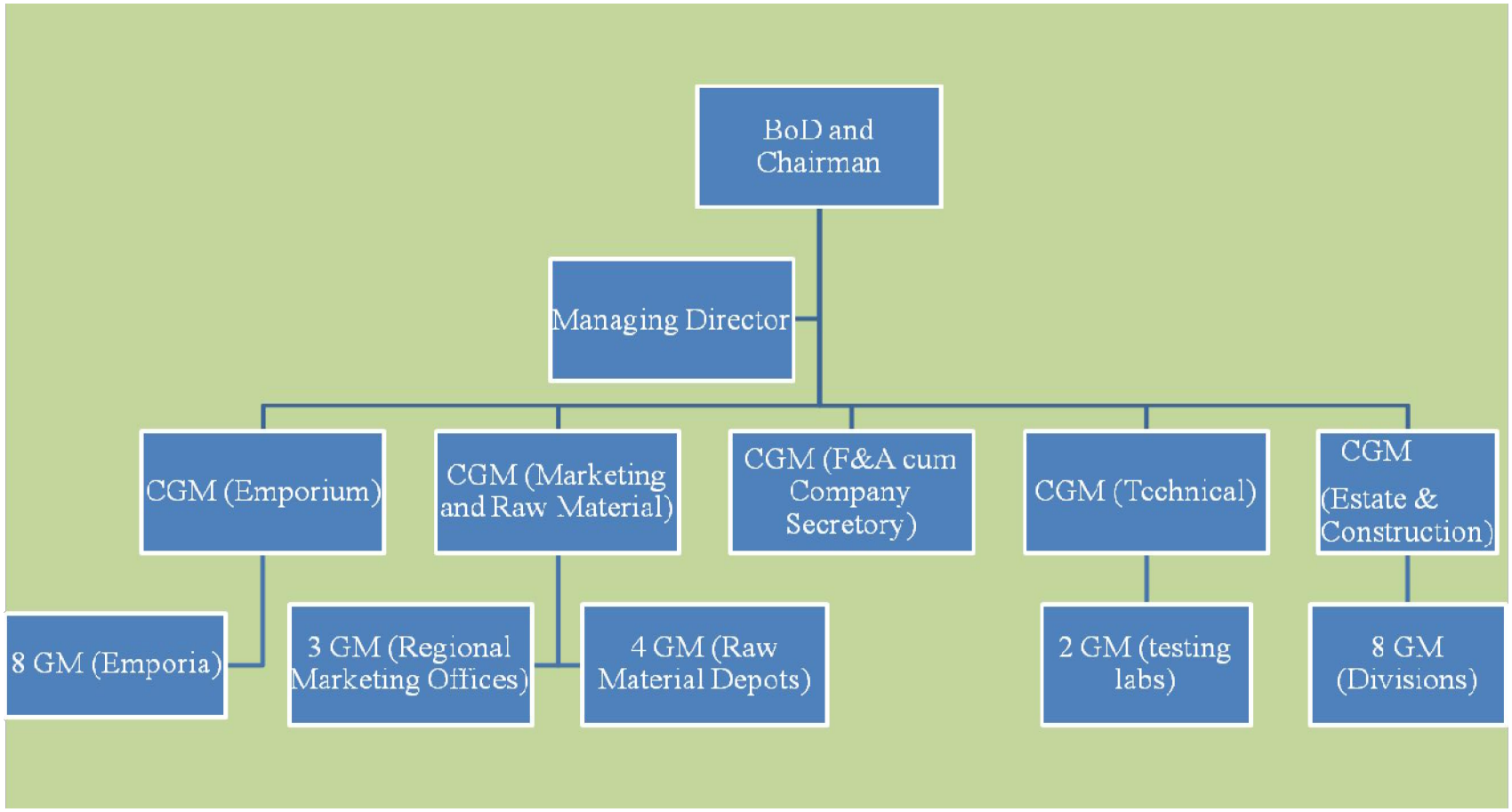
Note: 1. LPS is calculated for the period from the due date to date of payment/ cheque date.

2. LPS is calculated at the rate 2 *per cent*/5 *per cent* (as per the terms of PPAs) over and above Benchmark Prime Lending Rate (BPLR) of SBI.

3. BPLR of SBI w.e.f. April 2012 is 14.75% and w.e.f. October 2012 is 14.50%.

Annexure-2.2.1
Organisational Structure of the Company

(Referred to paragraph number 2.2.1)



Annexure-2.2.2

MoU Targets and Achievements

(Referred to in paragraph 2.2.7, 2.2.11, 2.2.12)

(₹ in crore)

S. N.	Particulars	Business				
		2008-09	**2009-10**	**2010-11**	**2011-12**	**2012-13**
1	**Marketing**					
	Target	489.25	671.20	456.00	500.00	522.00
	Actual	667.15	453.16	505.30	461.42	529.60
	Percentage of achievement	136.36	67.51	110.81	92.28	101.45
2	**Estate and Construction Division**					
	Target	46.25	98.00	110.00	118.00	118.00
	Actual	37.32	108.49	117.63	118.38	105.89
	Percentage of achievement	80.69	110.70	106.94	100.32	89.74
3	**Emporia**					
	Target	23.29	40.00	50.00	80.00	119.00
	Actual	28.23	42.89	79.28	102.98	112.64
	Percentage of achievement	121.21	107.22	158.56	128.73	94.65
4	**Raw Material Depot**					
	Target	246.77	233.10	205.00	239.00	240.00
	Actual	253.87	206.98	201.52	168.69	192.74
	Percentage of achievement	102.88	88.79	98.30	70.58	80.31
5	**Business Development Cell (Coal)**					
	Target	70.00	50.00	68.00	95.00	113.00
	Actual	68.94	67.66	92.89	108.32	134.94
	Percentage of achievement	98.49	135.32	136.60	114.02	119.42
6	**Testing Labs**					
	Target	0.78	0.75	0.80	0.95	1.00
	Actual	0.52	0.68	0.81	0.84	1.03
	Percentage of achievement	67.00	90.05	101.25	88.42	103.00

Annexure-2.2.3
Statement showing of irregularities in execution of various civil works
(Referred to in paragraph 2.2.10.2)

Name of Department	Subject	Introduction	Observation
Collector, Sehore	***Internal furnishing of Collector Office, Sehore***	Collector, Sehore accorded (June 2011) its Administrative Approval of ₹ 100.24 lakh for the internal furnishing of new collector office building, Sehore on the basis of estimate submitted (March 2011) by the Company and remitted (July 2011) deposit of ₹ 100.24 lakh for the execution of the said work.	We observed that the deposit received from the Collector, Sehore against the estimate of interior works as a whole to be executed in the Collector Office building, but the Company has split up the work in ten parts treating each work separately and finalised the tenders to avoid sanction from higher authority and publication in news papers or e-tendering. The estimates were prepared at lower side and afterwards the PAC in four cases was revised between 141 percent and 308 percent.
	Construction of Government Ayurvedic College and Hospital, Jabalpur	Government of Madhya Pradesh, Ayush Department appointed (July 2011) Company as an agency for the construction of Ayurvedic College and Hospital, Jabalpur. In the view of above appointment Company prepared first stage estimates for ₹ 481.54 lakh and submitted (November 2011) the same to Commissioner Indian medical and Homeo, Bhopal for their approval. Principal, Government Ayurvedic College and Hospital, Jabalpur accorded (November 2011) Administrative Approval of ₹ 80.00 lakh and released (November 2011) ₹ 45.00 lakh for the same.	We observed that Company invited (November 2011) tenders for the construction of committee room (PAC ₹ 4.95) and staff room (PAC ₹ 4.95 lakh) by splitting the work in small parts. Two work orders were issued on 12.3.2012 for against the PAC of ₹ 4.95 lakh at 7.89 *per cent* above SoR-2009 to the same contractor. The work orders were revised on 16.3.2012 to ₹ 15.45 lakh for both the works (total PAC ₹ 30.90 lakh) on the request of contractor before starting of the work. This has resulted irregular award of additional work.
	Interior decoration and renovation	Public Health and Family Welfare Department, GoMP accorded (November 2010) Administrative Approval of ₹ 3.59 crore for the modernization and renovation	The Executive Engineer, Directorate Health services directed (September 2010) to Company to prepare master plan, detailed estimate and working plan for the entire work, but the same has not been done by the

Name of Department	Subject	Introduction	Observation
	work in Jai Prakash Hospital, Bhopal	of Jai Prakash Hospital building, Bhopal as per the first stage estimate submitted (August 2010) by the Company. Further the Hospital administration also sanctioned (January 2011) ₹ 73 lakh (paid ₹ 48 lakh) under NRHM scheme. Further, ₹ 9.80 lakh also paid (January 2011) separately for the renovation of kitchen work. Thus, the Company received ₹ 4.16 crore for the works. The entire work was envisaged to construct Ward room, Private Room, Modular kitchen, Parking shed, renovation of Operation theatre, labor room, water proofing of roof and other repair works etc. Company took up the work during the period February 2011 to September 2012 and submitted (October 2012) completion certificate for entire amount of ₹ 3.59 crore including supervision charges of ₹ 38.55 lakh.	Company. We observed that Company splitted up the work in 22 parts including Renovation work of Operation theatre (₹ 110 lakh), Construction of private ward (₹ 24.50 lakh) and 20 other works, which PAC ranged between ₹ 4.50 lakh and ₹ 4.99 lakh for each work and the Company issued work orders on various firms/contractors as per the NIT issued by the Company. The work order for the construction of operation theatre was issued (February 2011) for ₹ 1.10 crore to M/s. MKM Associates, Bhopal. The firm intimated (February 2012) that as per the verbal instructions of the Hospital administration, the additional quantum of work was required and the amount of PAC was to be increased to ₹ 1.70 crore from ₹ 1.10 crore. In view of above HOD (E&C) enhanced (February 2012) the PAC to ₹ 1.70 crore. Further, the PAC of the eight test checked works out of above mentioned 20 works was enhanced ranged between 150 and 443 per cent, and the cost of works was increased from ₹ 39.25 lakh to ₹ 136.03 lakh. The Company incurred expenditure of ₹ 447.99 lakh on execution of the said works. Thus, Company incurred excess expenditure of ₹ 73.59 lakh in the above deposit work.

Annexure-2.2.4

Statement showing excess inventory held at Emporiums

(Referred to in paragraph 2.2.11.1)

(₹ in lakh)

Year	Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
Emporium, Indore	Sales	42.22	53.83	80.74	109.56	94.23
	Closing stock	18.54	24.82	26.14	28.72	30.02
	Stock in terms of month sales	5.27	5.53	3.88	3.15	3.82
	Percentage of closing stock to sales	43.91	46.11	32.38	26.21	31.86
Emporium, Jabalpur	Sales	29.77	29.75	21.17	41.40	43.04
	Closing stock	16.77	16.13	16.03	31.10	30.90
	Stock in terms of month sales	6.76	6.50	9.11	9.01	8.60
	Percentage of closing stock to sales	56.33	54.22	75.72	75.12	71.79
Emporium, Gwalior	Sales	29.32	37.10	38.97	45.41	34.58
	Closing stock	16.98	24.10	32.46	21.33	33.01
	Stock in terms of month sales	6.96	7.80	9.99	5.64	11.46
	Percentage of closing stock to sales	57.91	64.96	83.29	46.97	95.46
Emporium, Bhopal	Sales	282.24	346.69	420.82	371.81	396.25
	Closing stock	39.93	39.29	48.33	48.74	72.20
	Stock in terms of month sales	1.70	1.36	1.38	1.57	2.19
	Percentage of closing stock to sales	14.15	11.33	11.48	13.11	18.22
	Sales	16.79	21.61	21.54	25.75	28.93

Emporium, Rewa	Closing stock	14.45	16.78	18.22	31.77	42.72
	Stock in terms of month sales	10.32	9.32	10.12	14.78	17.72
	Percentage of closing stock to sales	86.06	77.65	84.59	123.38	147.67
Emporium, Delhi	Sales	136.73	145.13	247.03	318.11	300.56
	Closing stock	175.01	162.71	198.30	242.67	299.86
	Stock in terms of month sales	15.36	13.46	9.63	9.15	11.97
	Percentage of closing stock to sales	128.00	112.11	80.27	76.28	99.77
Mrignayni Emporium, Kolkata	Sales	174.33	250.72	418.28	506.25	597.20
	Closing stock	65.61	67.89	104.57	119.46	177.12
	Stock in terms of month sales	4.52	3.25	3.00	2.83	3.56
	Percentage of closing stock to sales	37.63	27.08	25.00	23.60	29.66
Emporium, Avanti-Kolkata	Sales	40.81	58.28	79.59	88.38	128.40
	Closing stock	23.32	36.96	48.22	56.97	86.19
	Stock in terms of month sales	6.86	7.60	7.27	7.74	8.05
	Percentage of closing stock to sales	57.14	63.42	60.58	64.46	67.13

Annexure –2.2.5

Financial Position of the Company from 2008-09 to 2012-13

(Referred to in paragraph 2.2.15)

(₹ in crore)

Particulars	2008-09	2009-10	2010-11	2011-12 (provisional)	2012-13
Liabilities					
(a) **Paid Up Capital**					**Provisional figures are not available with the Company**
i. State Government	2.68	2.68	2.68	2.68	
ii. Central Government	0.15	0.15	0.15	0.15	
Total	2.83	2.83	2.83	2.83	
(b) Reserves & Surplus					
i. Free Reserves & Surplus	43.00	53.68	62.58	73.05	
iii. Capital Reserve	0.32	0.32	0.32	0.52	
Total	43.32	54.00	62.90	73.57	
(c) Borrowings	---	---	---	---	
(d) Current Liabilities & Provision	151.93	153.82	194.06	156.61	
(e) Noncurrent Liabilities	---	---	---	59.34	
Total	**198.08**	**210.65**	**259.80**	**292.35**	
Assets					
Particulars					
(f.) Gross block	11.11	12.83	16.86	9.91	
(g) *Less:* depreciation	6.04	6.28	7.52	1.35	
(h) Net Block	5.07	6.55	9.34	8.46	
(i) Capital Works in Progress	---	---	---	---	
(j) Investment	0.73	0.75	0.76	0.77	
(k) Current Assets Loans & Advances	192.28	203.35	249.70	283.12	
Total	**198.08**	**210.65**	**259.80**	**292.35**	
Capital Employed*	46.15	56.83	65.73	76.40	
Interest Paid	---	---	---	0.11	
Total return on capital employed	13.18	13.94	11.62	13.76	
Percentage return on capital employed	28.56	24.53	17.68	18.01	
Net worth(a(i)+b(iii)	**46.15**	**56.83**	**65.74**	**76.40**	

***Capital Employed-Shareholders fund (+) Long term borrowing**

Annexure-2.2.6
Statement showing the working results of the Company for the period from 2008-09 to 2012-13

(Referred to in paragraph 2.2.15)

(₹ in crore)

Particulars	Year				
	2008-09	2009-10	2010-11	2011-12	2012-13
Income-					**Provisional figures are not available with the Company**
(a)Turnover					
(a)i Sales					
Raw Material Depot	71.38	52.54	44.43	64.19	
Emporium	15.18	19.47	27.83	30.99	
Head office	38.30	65.56	84.79	98.73	
Inter unit transfer	(1.32)	---	---	---	
(a)ii Supervision Charges	5.85	8.98	9.53	9.27	
(a)iii Service Commission	22.53	16.86	19.36	19.87	
(a)Total Turnover	**151.92**	**163.40**	**185.95**	**223.05**	
(b) Closing stock	6.82	5.77	7.61	7.65	
(c) misc. Income	1.75	1.25	1.84	1.90	
(d) Interest on FDR	8.24	12.17	10.35	15.59	
Total Income	**168.73**	**182.59**	**205.75**	**248.19**	
Expenditure-					
(a)Purchase including opening stock	123.94	136.29	154.63	190.11	
(b) Direct Expenses	1.16	0.98	2.00	---	
(c) Payment to and provision for employees	15.01	17.53	16.36	21.09	
(d) administrative and other Expenses	5.57	4.78	7.07	11.68	
(e)Selling & distribution Expenses	1.91	2.09	1.80	---	
(f) Depreciation	0.77	0.75	1.27	1.35	
Total Expenditure	**148.36**	**162.42**	**183.14**	**224.23**	
Profit/ Loss before tax	20.37	20.17	22.61	23.96	
Profit/loss (excluding interest on FDRs)	12.13	8.00	12.26	8.37	
Provision for tax and deferred tax	(6.96)	(6.14)	(7.56)	(10.20)	
Prior profit adjustment	(0.23)	(0.09)	(3.43)	---	
Profit/ Loss after tax	13.18	13.94	11.62	13.76	
Provision for General Reserve	1.32	1.39	1.16	1.37	
Dividend	2.63	2.79	2.32	2.75	
Dividend tax	0.45	0.47	0.39	0.46	
Net profit transferred to Reserve and surplus	8.78	9.29	7.75	9.18	

Annexure - 2.3.1
Statements showing actual time taken for publication of NIT and awarding P.O. from the date of receipt of indent

(Referred to in Paragraph No. 2.3.7.1)

(Time taken in days)

Sl. No.	Particulars	Time taken to publish NIT from the date of receipt of indent	Total time taken in placement of P.O. from the date of receipt of indent
Anticipated Annual Requirement(AAR)			
1	Mills Bearing	177	333
2	Auxiliary Bearings	246	510
3	Conveyor Belts	133	334
4	Chemicals/Resins	101	278
5	Power Cables	93	340
6	High Pressure Boiler Tubes	38	238
7	ERW Pipes	112	313
Regular Purchases			
1	Grinding Balls	160	360
2	Grinding Balls	120	210
3	Transformer Oil	40	245
4	High Pressure Finned Tube	117	279
5	Steel Pipes	96	285
6	Bearing Other than Mills	155	441
7	Ash Slurry Pipes	109	312
8	Air Heater Tubes	30	210

Note: i) Out of 141 POs reviewed

ii) Total days consumed excludes delivery period.

Annexure - 2.3.2
Statements showing actual time taken for publication of NIT and awarding of P.O.

(Referred to in Paragraph 2.3.7.1)

Sl. No	Particulars	Time taken to publish NIT (In days)	Total time taken in placement of P.O (In days)	Delivery Period from the date of awarding of PO.
Anticipated Annual Requirement(AAR)				
1	Mills Bearing	177	333	3 months
2	Auxiliary Bearings	246	510	8 months
3	Conveyor Belts	133	334	4 months
4	Power Cables	93	340	3 months
5	High Pressure Boiler Tubes	38	238	6 months
6	ERW Pipes	112	313	4 months
Regular Purchases				
1	Grinding Balls	160	360	-
2	Bearing Other than Mills	155	441	-

Annexure - 2.3.3

Statement showing inactive, slow and non-moving inventory/spares available at thermal plant stores

(Referred to paragraph 2.3.8.2)

Sl. No	Nature of items	Opening Stock as on 01.04.2010	Purchases during 2010-13	Consumption during 2010-13	Closing Stock as on 31.03.2013		Audit observation
					Quantity	Value (₹ in lakh)	
1	Gate valve complete assembly	Nil	10 nos	Nil	10 nos	10.51	The 10 nos. each of 8"& 6" Knife Gate Valve remained unutilized for about 3 years from its date of procurement (June-2010). (Birsinghpur)
2	Vacuum Pump-spares	Nil	5 nos	Nil	5 nos	25.48	Major and other of vacuum pump spares remained unutilized for over 2 ½ years. (Birsinghpur)
3	ID fans	1 nos	1 nos	1 nos	1 nos	13.42	Inspite of having one mandatory set, the management procured (August, 2010) one more ID fan set additionally which remained unutilized. (Sarni)
4	Weak Base Anion Resins (7130486253704)	Nil	4000 ltrs	Nil	4000 ltrs	10.16	The unit management even failed to consume one liter of WBAR/WACR and its guarantee period of 18 months got expired. (Birsinghpur)
5	Weak Acid Caution Resins (7130486253604)	Nil	5000 ltrs	Nil	5000 ltrs		
6	ERW pipes (7130641488402)	4231 mtrs	9952.46 mtrs	11623.46 mtrs	2551 mtrs	84.36	The average consumption was 617 mtrs/month, whereas, the stock held was for 6 months. (Sarni)
7	ERW pipes (7130641724602)	3898 mtrs	17224.10 mtrs	10794.10 mtrs	10328	341.00	Considering its average consumption of 432 mtrs/months, the inventory held was for about 24 months. (Sarni)
8	ERS Steel Tubes (0321401001901)	10600 nos	17400 nos	20000 nos	8000 nos	89.00	Incorrect assessment by BMD-II led to excess procurement of 8000 nos of ERWS Tubes. (Birsinghpur)
9	Journal Bearing (lower & upper)	6 nos	18 nos	3 nos	21 nos	35.90	Out of 12 nos. each bearing procured, only one (lower) and 2 (upper) bearing was utilized during March 2011 and 21 nos remained in stores. (Birsinghpur)
10	Radial Bearing-lower upper	Nil	8 nos	Nil	8 nos	21.47	All these coal mill bearings required by Boiler Maintenance Division remained unutilized from its date of procurement (April, 2010). (Birsinghpur)
11	Tapper Roller Bearing	Nil	4 nos	Nil	4 nos	20.18	
12	Radial Roller Bearing-upper	Nil	4 nos	Nil	4 nos	13.90	
13	Seamless Steel Tube (0042406772802)	1018.73 mtrs	Nil	244.70 mtrs	774.03 mtrs	15.28	There was only 244.70 mtrs of SST consumption. (Chachai)
14	Seamless Steel Tube	111.70 mtrs	499.46 mtrs	Nil	611.16 mtrs	5.60	The management procured (2012-13) additional quantity of 499.46 mtrs.

	(0042404760102)						However, nil quantity was issued so far. (Chachai)
15	Seamless Steel Tube (0322300180902)	462.55 mtrs	Nil	Nil	462.55 mtrs	12.10	Nil consumption during the last three year (2010-13). (Birsinghpur)
16	Seamless Steel Tube (0322300110202)	1464.40 mtrs	Nil	Nil	1464.40 mtrs	12.89	Nil consumption during the last three year (2010-13). (Birsinghpur)
17	Seamless Steel Tube (0322300104902)	111.00 mtrs	1385.98 mtrs	100 mtrs	1396.98 mtrs	10.11	As against consumption of 100 mtrs management procured 1385.98 mtrs of SST. (Birsinghpur)
18	Seamless Steel Tube (0522406766502)	635.00 mtrs	Nil	Nil	635.00 mtrs	12.33	Nil consumption during the last three year (2010-13). (Sarni)
19	Alloy Steel Tube (9160486338402)	925.00 mtrs	Nil	Nil	925.00 mtrs	18.92	Nil consumption during the last three year (2010-13). (Birsinghpur)
20	Alloy Steel Tube (9160486975502)	1089.91 mtrs	403.78 mtrs	50 mtrs	1443.69 mtrs	17.80	As against consumption of 50 mtrs management procured 403.78 mtrs of AST. (Birsinghpur)
21	Alloy Steel Tube (0322300152002)	884.72 mtrs	Nil	Nil	884.72 mtrs	10.77	Nil consumption during the last three year (2010-13). (Birsinghpur)
22	Alloy Steel Tube (9160486228202)	495.65 mtrs	Nil	Nil	495.65 mtrs	6.22	Nil consumption during the last three year (2010-13). (Birsinghpur)
23	Alloy Steel Tube (0322300112602)	1458.50 mtrs	Nil	Nil	1458.50 mtrs	14.76	Nil consumption during the last three year (2010-13). (Birsinghpur)
24	Alloy Steel Tube (9160473380602)	1678.56 mtrs	499.96 mtrs	78.00 mtrs	2100.00 mtrs	20.40	Inspite of having 1678 mtrs of stock. the Company procured 500 mtrs but could only consume 78 mtrs resulting in piling up of 2100 mtrs of AST. (Sarni)
25	Alloy Steel Tube (9160473380702)	875.31 mtrs	1002.62 mtrs	352.31 mtrs	1525.62 mtrs	12.84	Huge procurements without assessing actual consumption resulted in piling up of inventory. (Sarni)
26	Alloy Steel Tube (9160473380402)	5303.25 mtrs	499.73 mtrs	98.00 mtrs	5704.98 mtrs	36.77	As against consumption of 98.00 mtrs management procured 499.73 mtrs of AST. (Sarni)
27	Other Spares	-	-	-		35.58	The following spares procured during 2004-2009 were lying unutilised [major spares like Balancing Piston (₹ 1.50 lakh), Input Pinion (₹ 2.38 lakh), Thrust Bearing Segment (₹ 2.46 lakh), Set of Bearing (₹ 12.23 lakh), Throtile Bush (₹ 1.19 lakh), Rotor Assembly (₹ 15.81 lakh)(Sarni)]
28	Other Spares	-	-	-		67.58	The following spares procured during 1997-2008 were lying unutilised [major spares like R.H.Horizontal (₹ 39.42 lakh), Pilot Valve for dia-80 (₹ 1.35 lakh), Compactor Module AVG-11 (₹ 7.47 lakh), Fusing & Adoption (₹ 1.91 lakh), Power Supply 24, 15&10 (₹ 2.35 lakh), Valve Spindle (₹ 8.00 lakh), Control Coordinator Module FK-11(₹ 7.08 lakh) (Birsinghpur)]

Note: - Non-moving items valued ₹ 3.01 crore are aggregate of S.No. 1,4,5,10,11,12,14,15,16,17,18,19,20,21,22,23,27 & 28

Annexure- 2.3.4
Statement showing excess holding of secondary oil exceeding 60 days
(Referred to paragraph 2.3.8.4)

S. No.	Name of the Stores	2010-11				2011-12				2012-13			
		FO (In KL)	Value (₹ In Crore)	LDO (In KL)	Value (₹ In Crore)	FO (In KL)	Value (₹ In Crore)	LDO (In KL)	Value (₹ In Crore)	FO (In KL)	Value (₹ In Crore)	LDO (In KL)	Value (₹ In Crore)
1	E.E. Store - I, STPS, Sarni	-	-	-	-	-	-	-	-	2351 (47)	10.93	-	-
2	E.E. Store - I, SGTP, Birsinghpur	448 (20)	1.36	653 (48)	2.76	434 (16)	1.86	555 (41)	3.10	597 (27)	2.58	716 (59)	4.35
3	E.E. Store - I, ATPS, Chachai	2445 (240)	7.20	1016 (321)	4.26	2177 (252)	9.62	837 (246)	4.83	1780 (151)	7.89	795 (156)	4.93

Note: i) Figures in brackets are in days and indicate excess stock of secondary oil exceeding 60 days.
ii) The excess inventory held is worked out by taking into account yearly averages of both consumption and closing balances.
iii) Carrying cost @ 9 per cent per annum - ₹ 1.40 Crore (1.36+7.20+2.76+4.26=15.58 cr), ₹ 1.75 Crore (1.86+9.62+3.10+4.83=19.41 cr), ₹ 2.76 Crore (10.93+2.58+7.89+4.35+4.93=30.68 cr) for the year 2010-11, 2011-12 & 2012-13 respectively.

Annexure - 2.3.5

Statement showing Materials at Site neither devoluted to stores nor were shown as spares or scrap after replacement

(Referred to paragraph 2.3.9.2)

Sl. No.	Name of the Division	Items Replaced	Period of Replacement	Remarks
1	CHP (M-I), SGTPS, Birsinghpur	Different sizes of bearings (149 No.s)	October 2009 and March 2013	Not devoluted and scrapped
2	CHP (M-I). SGTPS. Birsinghpur	Rollers/idlers 2662 No.s (Impact Roller-69 Nos. Return Roller- 756 Nos. and Carrying Roller- 1837 Nos.)	September 2011 and March 2013	Return Indent of this material was prepared on 27-09-2011
3	CHP (M-I), Electrical, SGTPS, Birsinghpur	4 Nos. of D.C.Drive System for slieve operation (complete assembly)	September 2010 and December 2011	Not devoluted and scrapped
4	BMD (1 X 210 MW), SE/MM/III,ATPS, Chachai.	6 Nos of Grinding Roll & One set of Tapered Roller Bearing (HH 249910)	July 2009 and May 2012,January 2013	Not devoluted and scrapped
5	TMD (1 X 210 MW), SE/MM/III, ATPS, Chachai.	Bearing no.29444 (2 Nos.). Hydrogen Seal Rings (2 Nos.), Over running clutch (1 Nos.), LPBP CV Cone (1 Nos.), HP Bypass valve stem (1 Nos.), NDE Journal Bearing of BFP (1 Nos.), Cooling Tower blades & hub (1 set)	May 2010 and February 2013	Not devoluted and scrapped
6	CHP (M-I), Electrical, SGTPS, Birsinghpur	15 Nos. of various capacities of motors (5.5KW to 450 KW)	June 2004 and July 2011	It is not clear as to how14 Nos. out of 15 Nos. of motors replaced between April 2004 and April 2008 are said to be still in working condition.
7	BMD-III (1 X 500 MW), SE/MM/III. SGTPS, Birsinghpur	Gear Box of RCF complete (01 Nos.), Jr.Shaft Bearing (upper) (07 Nos.), Jr.Shaft Bearing (lower) (06 Nos.), Jr.Shaft Assly. (12 Nos.)	November 2008 and February 2013	Stated to be required for re-use but were not accounted and shown as

				spares.
8	TMD-III (1 X 500 MW), SE/MM/III. SGTPS, Birsinghpur	Piston (DB 213) (01 Nos.), Sleeve DRR-6862 (02 Nos.), Gland Plate (PTN 12) (01 Nos.). Mech. Seal NDE for BFP (01 Nos.), Earth Filter (12 Nos.), CRHV-8 (01 Nos.), Liner (1000/5000) (03 Nos.), Bearing Jr. (DB-313) (01 Nos.)	May 2011 and March 2013	Except for Earth Filter (12 Nos.) which was to be devoluted back to stores, other materials was stated to be required for re-use.
9	BMD-I (2 X 210 MW), SGTPS, Birsinghpur	Relief Gate (19 Nos.), Sph. Roller Bearing 22322 (23 Nos.), Tapper Roller Bearing. 98400 (23 Nos.), Tapper Roller Bearing. 82680 (15 Nos.), Sph. Roller Bearing 23132 (13 Nos.). Tapper Roller Bearing (4 Nos.), Throat Plate Siginent (13 Nos.)	August 2007 and April 2013	These materials were lying un-repaired and after reconditioning shall be re-used.
10	TMD-I (2 X 210 MW), SGTPS, Birsinghpur	Gear Pump Assembly (4 Nos.) Aluminum Electrodes (286 Nos.), Pump Shaft (3 Nos.), CI Gate V/V size 100HB (14 Nos.), Glove valve 1.5" (800 class) (10 Nos.), Glove valve 1" (800 class) (11 Nos.), Carbon Ring (Durg) BIP (6 Nos.), Vinton O ring (PT no. P) (11 Nos.), Sleeves Packing (7 Nos.), Carbon Seal Ring (5 Nos.)	October 2005 and May 2013	kept as spares for future requirement
11	BMD (1 X 210 MW), SE/MM/III, ATPS, Chachai	Grinding Roll-Lock Nut (04 Nos.), Journal Head Assembly (02 Nos.), Labyrinth seal for Bowl Mill (02 set), MPO Multi port outlet (08 Nos.)	December 2009 and July 2012	Lying un-repaired and shall be reconditioned for re-use.
12	TMD (1 X 210 MW), SE/MM/III, ATPS, Chachai	Gear Box of CT(1No) & Bearing No.7 (1 No)	May 2012 and July 2012 (AOH)	kept as spares for future requirement
13	TMD (2 X 120 MW), ATPS, Chachai	Throut Ring Set (03 Nos.). Hy. Pneumatic Landing (36 Nos.), Strup Set (U Bolt) (28 Nos.), Salient Brg. Bush (LUA) (44 Nos.), Spiral Barrel Set 0040303827901 (05 Nos.). Air Heater Tube size 63*2.34 (13317 Nos.)	April 2009 and March 2012	kept as spares for future requirement

Annexure – 2.4.1

Project Highways completed during the period April 2009 to March 2013 under BOT (Toll) and BOT (Toll + Annuity) Models of PPP

(Referred to in Paragraph 2.4.1)

A.) BOT (Toll)

Sl No	Name of the road	Length of road (KMs)	year of completion	Estimated cost (₹ in crore)	Government support or VGF (₹ in crore)	Government support in terms of *Per cent* to estimate cost	Concession period in years
01	Mandsour – Sitamau	44.00	2009-10	42.34	9.90	23.38	25
02	Bhopal – Dewas	140.79	2010-11	640.00	81.00	12.66	25
03	Chandpur – Badwani	99.13	2010-11	144.00	24.11	16.74	25
04	Indore – Ujjain	48.85	2010-11	298.00	-	-	25
05	Bhind – Gopalpur	50.86	2011-12	82.06	31.17	37.98	25
06	Makuli – Chhindwara	112.00	2011-12	213.25	38.70	18.15	25
07	Lebad – Jaora	125.00	2011-12	682.51	-	-	25
08	Bina – Malthon	39.42	2011-12	67.30	26.27	39.03	25
09	Lebad – Manpur	34.30	2011-12	200.10	-	-	25
10	Jaora – Nayagaon	127.81	2011-12	730.00	-	-	25
11	Sagar – Damoh	68.81	2012-13	130.25	44.28	34.00	25
12	Mhow – Ghatabillod	27.00	2012-13	177.27	-	-	23
13	Ujjain – Unhel – Nagda – Ghiloda	95.225	2012-13	189.29	-	-	20
	Total	**1013.195**	**2009-13**	**3596.37**	**255.43**		

(Source: Information/data furnished by the Management)

B.) BOT (Toll +Annuity)

Sl No	Name of the road	Length of road (KMs)	Year of completion	Estimated cost (₹ in crore)	Government support per Annuity (₹ in crore)	Total amount of Government support (₹ in crore)	Concession period in number of years
01	Badwani – Sendhawa	56.887	2012-13	103.99	4.97	129.22	15
02	Sardarpur – Badnawar	43.00	2012-13	84.00	4.71	122.46	15
03	Mandsaur – Pratapgarh	11.53	2012-13	19.45	1.17	30.42	15
	Total	**111.417**	**03**	**207.44**	**10.85**		

(Source: Information/data furnished by the Management)

Annexure – 2.4.2

Project Highways selected out of ongoing projects under BOT (Toll)

(Referred to in Paragraph 2.4.3)

Sl No	Name of the road	Length of road (KMs)	year of completion/ status of work	Estimated cost (₹ in crore)	Government support or VGF (₹ in crore)	Government support in terms of *Per cent* to estimate cost	Concession period in years
01	Satna – Chitrakoot	74.13	Running	121.78	47.43	38.95	25
02	Bina – Kurwai – Sironj	56.10	Running	91.72	-	00.00	25
03	Damoh – Jabalpur	98.90	Running	212.13	82.71	38.99	25
	Total	**229.13**		**425.63**	**130.14**		

(Source: Information/data furnished by the Management)

Annexure – 2.4.3

Organization chart of Madhya Pradesh Road Development Corporation Limited, Bhopal

(Referred to in Paragraph 2.4.2)



Annexure – 2.4.4
Execution of the project highways during the review period
(Referred to in Paragraph 2.4.6)

a. Project highways under BOT (Toll)

Sl. No.	Name of the road	Length of Road (km)	Date of concession Agreement	Scheduled date of financial closure	Actual date of financial closure	Delay in number of days	Schedule Date of achieving COD	Actual date of COD	Delay in number of days
01	Mandsour – Sitamau	44	10.07.2007	06.01.2008	27.11.2007	No delay	26.11.2009	05.02.2009	No delay
02	Bhopal – Dewas	140.79	30.06.2007	27.12.2007	20.03.2008	No delay	19.09.2010	30.04.2010	No delay
03	Chandpur – Badwani	99.13	30.06.2007	26.12.2007	29.03.2008	94	28.09.2009	01.10.2010	369
	Major reasons for delay: Delay in Financial closure (94 days), problems associated with Right of Way (ROW) and disputes with general public of the area								
04	Indore – Ujjain	48.85	17.09.2008	16.03.2009	25.05.2009	70	25.05.2011	19.11.2010	No delay
05	Bhind – Gopalpur	50.86	07.08.2009	03.02.2010	25.05.2010	111	24.05.2012	29.03.2011	No delay
06	Makuli – Chhindwara	112	30.06.2007	26.12.2007	29.03.2008	94	28.03.2009	15.04.2011	564
	Major reasons for delay: Delay in Financial closure (94 days), problems associated with Right of Way (ROW) and disputes with general public of the area								
07	Lebad – Jaora	125	30.08.2007	25.02.2008	19.03.2008	24	15.02.2010	04.06.2011	474
	Delay in Financial closure (24 days), problems associated with Right of Way (ROW)								
08	Bina – Malthon	39.42	07.08.2009	03.02.2010	25.05.2010	111	24.05.2012	21.12.2011	No delay
09	Lebad – Manpur	34.30	04.05.2010	31.10.2010	27.10.2010	No delay	26.10.2012	30.11.2011	No delay
10	Jaora – Nayagaon	127.81	20.08.2007	15.02.2008	20.11.2008	279	20.02.2011	17.02.2012	362
	Major reasons for delay: Delay in Financial closure (279 days), problems associated with Right of Way (ROW)								
11	Sagar – Damoh	68.81	07.08.2009	03.02.2010	25.05.2010	111	24.05.2012	05.12.2011	No delay
12	Mhow – Ghatabillod	27.00	07.09.2011	07.03.2012	02.03.2012	No delay	01.03.2014	30.12.2012	No delay
13	Ujjain–Unhel– Nagda–Ghiloda	95.225	06.05.2010	02.11.2010	13.01.2011	73	11.01.2013	19.03.2013	67
	Major reasons for delay: Delay in Financial closure (73 days), problems associated with Right of Way (ROW) and acquisition of land in Nagda town								

b. Project highways under BOT (Toll+Annuity)

Sl No	Name of the road	Length in KMs	Date of concession Agree	Scheduled date of financial closure	Actual date of financial closure	Delay in number of days	Schedule Date of COD	Actual date of COD	Delay in number of days
01	Badwani – Sendhawa	56.89	13.04.2011	13.10.2011	04.10.2011	No delay	03.10.2013	03.07.2012	No delay
02	Sardarpur-Badnawar	43.00	29.06.2011	29.01.2012	16.12.2011	No delay	15.12.2013	09.06.2012	No delay
03	Mandsour– Pratapgarh	11.53	16.03.2011	16.09.2011	05.09.2011	No delay	04.09.2013	18.06.2012	No delay

(Source: Information/data furnished by the Management)

Annexure – 2.4.5

Computation of unintended benefit passed on to the concessionaire by way of excess toll because of error in fixation of the toll rates

(Referred to in Paragraph 2.4.6.6)

S No.	Name of the Project Highway/ Year	Type of Vehicles	Number of Vehicles passed through in the year 2011				Number of Vehicles passed through in the year 2012								TOTAL	Excess Toll per vehicle (Amount in ₹)[1]	Total extra amount of toll (Amount in ₹)
			Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12			
1	Lebad-Manpur	Bus	0	0					793	414	564	486	472	436	3165	5	15825
		Multi Axle Vehicle	0	0					258190	65346	62138	59012	61455	64923	571064	5	2855320
2	Sagar-Damoh	Multi Axle Vehicle				5502	6728	7367	8025	7679	6990	6178			48469	5	242345
3	Bina-Khimlasa-Malthon	Truck				346	825	762	793	774	868	644	575	388	5975	5	29875
		Multi Axle Vehicle				505	1532	1649	1698	2137	2217	2368	2167	2180	16453	5	82265
4	Bhind-Mihona-Gopalpur	Multi Axle Vehicle	2708	4998	5877	6943	7235	9051	8877	8148	13646	19375	9798	6755	103411	5	517055
			Grand Total														**3742685**

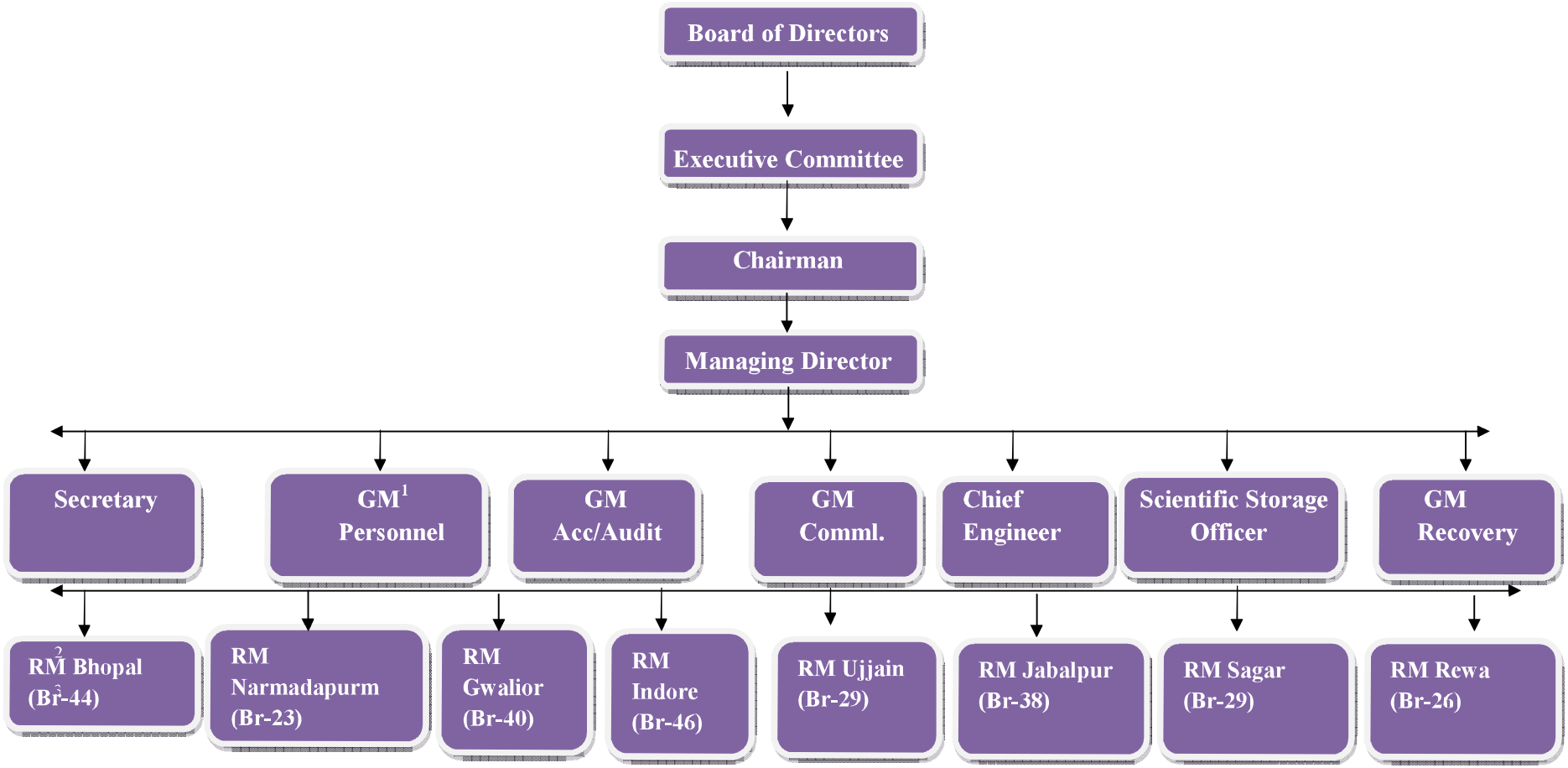
[1]

S No.	Name of the Project Highway	Type of Vehicles	Fixation of toll as per Monthly WIP (roundup with 5)	Fixation of toll as per Yearly WIP (roundup with 5)	Difference
		Bus	80	75	5
1	Lebad-Manpur	Multi Axle Vehicle	190	185	5
2	Sagar-Damoh	Multi Axle Vehicle	105	100	5
		Truck	205	200	5
3	Bina-Khimlasa-Malthon	Multi Axle Vehicle	210	205	5
4	Bhind-Mihona-Gopalpur	Multi Axle Vehicle	280	275	5

Annexure-3.1

Organisational set up of the Corporation

(Referred to paragraph 3.2)



[1] GM= General Manager
[2] RM= Regional Manager
[3] Br= Branch

Annexure-3.2

Statement of loss suffered by the Corporation due to non-completion of Traditional Godowns and Pre-Engineering Godowns

(Referred to in paragraph 3. 12)

Traditional Godown

Sl. No	Location of convertible CAP	Storage Capacity (in MT)	Due Date of Completion	Actual date of Completion convertible cap	Delay in conversion of convertible cap into godown [4] (in months)	Loss in storage @ ₹ 25 per ton per month(₹ 49-₹ 24)	Total loss (storage capacity*delay in months*loss in storage rates) (in ₹)
1	Sehore	20000	22.07.11	15.03.12	16	25	80,00,000
2	Sultanpur, Harda	16000	13.07.10	28.02.11	29	25	1,16,00,000
3	Sultanpur, Harda	34000	04.04.10	31.03.12	16	25	1,36,00,000
4	Sultanpur, Harda	20000	26.07.11	15.04.12	15	25	75,00,000
5	Pawarkheda	10000	17.05.11	30.10.11	21	25	52,50,000
6	Seoni	25000	22.05.12	18.12.12	7	25	43,75,000
7	Pawarkheda B (Itarsi)	20000	15.07.10	15.06.11	25	25	1,25,00,000
	Sub-total						**6,28,25,000**

[4] Up to 31 July 2013 from actual completion date of convertible cap.

Pre-Engineering Godowns

Sl. No.	Location	Storage Capacity	Due Date of Completion	Actual date of Completion upto 10 feet	Roof not constructed [5] (delay in months)	Loss in storage @ ₹ 25 per ton per month(₹ 49-₹ 24)	Total loss (storage capacity*delay in months*loss in storage rates) (in ₹)
1	Sanawad	3600	18.06.2010	11.09.2010	34	25	30,60,000
2	Sihora road	1800	11.12.2009	21.08.2010	35	25	15,75,000
3	Katni	5400	11.12.2009	12.11.2010	32	25	43,20,000
4	Balaghat	5400	08.01.2010	02.09.2010	35	25	47,25,000
5	Singroli	5400	11.02.2011	30.07.2011	24	25	32,40,000
6	Seoni	5400	09.01.2010	28.02.2011	29	25	39,15,000
7	Bercha	3600	02.10.2010	03.01.2012	19	25	17,10,000
8	Maksi	3600	02.10.2010	03.01.2012	19	25	17,10,000
9	Karond	4000	25.02.2010	April 2012	15	25	15,00,000
	Sub-total						**2,57,55,000**
	Total						**8,85,80,000**

[5] Up to 31 July 2013 as per actual completion of Part-I of Pre engineering godown.

Annexure-3.3
STATEMENT OF SHORT DEDUCTION OF PENALTY
(Referred to in paragraph 3.13)

(Amount in ₹)

Sl. No.	Name of the work	Name of the contractor	Date of issue of work order	Agreement amount	Tentative date of work completion	Time period Alloted	Actual date of work completion	Delay period (in Days)	Penalty deducted	Capacity (in MT)	Penalty actually to be deducted	Short penalty deducted
1	Pre-engeneering godowns at Karond	Santosh soni, Ashoknagar	6420/11.11.2009 (layout date 26.11.09)	62,01,367	25.02.2010	3 months	N				353256.44	191963.44
2	Pre-engeneering godowns at Sanawad	M/s Laxmi const. Company	9502/19.03.2010 (layout date 26.03.10)	1,35,82,175	03.07.2010	3 months	11.09.2010	68	54508	3600	82463.21	27955.21
3	Pre engineering godown at Alot, Bercha, Maksi	Santosh soni, Ashoknagar	1888/dated 18.06.2010 (layout date:-Maksi 15.07.2010, Bercha 16.07.2010)	1,69,32,195	02.10.2010	3 months	03.01.2012	451	145138	Alot - 1800, Bercha - 3600, Maksi - 3600	681823.21	536685.21
4	Construction of convertable	Devendra prasad bohre	147/08.04.2011	2,55,45,000	22.07.2011	3 months	30.08.12	405	0	20000	923725.45	923725.45

	cap at Bamori, Raisen	Jabalpur										
5	Convertable cap at Sehore	S.N.Goyal const.	145/08.04.11	2,91,48,000	22.07.2011	3 month						
		Harda	6193/24.01.2012 (layout date 24.01.2012)	1,97,12,105	08.08.2012	6 months	Not completed extension upto 20.03.2013	195	96240	10000	343201.83	246961.83
7	Construction of convertable cap at Sultanpur, Harda	M/s Amrit lal jain	1098/14.05.10	1,80,49,920	13.07.2010	45 days	28.02.2011	231	167606	16000	372279.60	204673.60
8	Construction of convertable cap at Sultanpur, Harda	M/s Amrit lal jain, Harda	7665/20.12.2010	3,90,59,788	04.04.2011	3 months	31.03.2012	361	457448	34000	1258980.67	801532.67
9	Construction of convertable cap at Sultanpur, Harda	M/s amrit lal jain, Harda	200/11.04.2011	2,97,79,403	26.07.2011	3 months	15.04.2012	263	53178	20000	699284.20	646106.20
10	Convertible cap at	Amrit lal jain	06.12.10	14280400	17.05.11	3 months	30.10.11	182	195240	10000	232056.50	36816.50

	Pawarkheda											
11	Traditional godown at Meghnagar	M/s A.P.Construction Co.	5798/03.01.2012 (layout date 26.11.09)	2,70,18,000	16.09.2012	8 months	Not completed latest extension upto 31.01.2013	139	62458	8000	335312.68	272854.68
12	Construction of traditional godown at Rewa	M/s Singh associates	110/07.04.2010 (layout date 17.04.10)	1,27,00,105	20.12.2010	8 months	Not completed latest extension upto 31.07.2012	588	165802	4500	666755.51	500953.51
13	Construction of traditional godown at Sheopur	M/s Laxmichand & company	2609/5.08.2011 (layout date 30.08.11)	4,14,69,161	17.04.2012	8 months	31.12.2012	259	87534	11900	747925.94	660391.94
14	Construction of Traditional godown at Ashoknagar	M/s Samrat Road Developers	8055/25.02.08	1,28,91,364	08.11.2008	8 months	10.05.2010	550	0	3600	146178.86	146178.86
15	Construction of traditional godown at Dewas	M/s A.P.Const.company, Morena	5217/24.09.09	85,73,620	06.04.2010	6 months	06.05.2010	30	0	3000	442460.03	442460.03

16	Construction of Traditional godown at Seoni	M/s S.N.Goyal contractor	1259/19.04.11	3,34,97,946	04.11.2011	6 months	20.10.12	350	351786	10800	1046810.81	695024.81
17	Construction of traditional godown at shivpuri	M/s A.P.Const.company. morena	1608/16.06.11	1,58,86,082	31.12.11	6 months	20.07.12	202	25000	5000	468072.06	443072.06
18	Construction of traditional godowns at Seoni	Shyam indus power solution pvt. Ltd	4842/18.11.11	1,77,15,148	01.08.2012	8 months	Not completed latest extension upto 04.01.2013	127	137609	4200	529872.73	392263.73
19	Construction of traditional godowns at Morena	M/s Shukla const. Company, Kailaras	6740/19.01.2009	1,19,28,286	30.09.2009	8 months	30.04.2011	578	78812	3600	387669.30	308857.30
20	Construction of godowns at Ashta, Sihore	M/s Dhara singh patel, Ashta	7861/02.03.2009	29,35,157	17.09.09	6 months	12.08.2010	330	30725	1000	86482.30	55757.30
21	Construction of godown & convertable	M/s Shivam Const. Narsingh	6005/21.01.12	5,24,97,061	25.09.2012	8 months	not completed extension upto	335	70310	10000 (godown) & 15000	1570224.59	1499914.59

	cap at Macherkala	pur					30.08.2013			(Convertable cap		
22	Conversion of convertable cap at Bamori, Raisen	Shyam indus power solution pvt. Ltd	4469/08.11.2011 (layout date 17.12.11)	4,10,07,070	02.06.2012	6 months	Not completed latest extension upto 31.05.2013	364	181000	20000	1332729.78	1151729.78
23	Godown at Seoni-10800 MT	Shri S.N.Goyal	20.04.2011	3,34,97,946	04.11.2011	6 months	not completed as on date(upto August 2013)	638	351786	10800 MT	1908186.57	1556400.57
									2976548.00		**15232544.75**	**12255996.75**

Annexure-3.4

Statement of various irregularities noticed in construcion of CAPs during 2008-09 to 2012-13

(Referred to in paragraph 3.14 and 3.22)

(₹ in lakh)

Sr. No.	Location	Capacity (in MT) and Type of CAP constructed	Probable Amount of Contract	Rate of tender finalisation in respect of SOR, (In Percentage)	Date of issuance of work order	Scheduled time limit	Actual Date of completion	Unauthorised payment in respect of additional work done	Excess quantity consumed more than 10% of the estimated value	Non-obtaining Satisfactory Quality Report	Avoidable extra cost due to using costly items in foundation filling	Whether Approved Drawing & Design and Estimates were available
1	Sultanpur	34000	455.00	-14.14	29.01.2011	3 months	31.03.2012	52.41	68.29	NA	0.00	No
	Harda											
		convertible										
2	Sultanpur	20000	300.00	5.45	7.4.2011	3 months	15.04.2012	34.50	86.22	Lab not available	0.00	No
	Harda											
		convertible										
3	Mugaliakot	64800	108.00	NA	05.05.2012	1 month	03.06.2012	0.00	0.00	Lab not available	0.00	No
	Bhopal											
		Temporary										
4	Pawarkheda	20000	319.00	-1.82	14.05.2010	45 days	31.03.2011	0.00	52.61	Lab not available	0.00	No

	Itarsi											
		convertible										
5	Sehore	20000	300.00	-2.84	08.04.2011	3 months	15.03.2012	59.67	52.77	Lab not available	0.00	No
		convertible										
6	Pawarkheda	20000	319.00	-3.99	15.06.2010	45 days	15.06.2011	N.A.	49.51		52.18	Yes
	Itarsi											
		convertible										
7	Bamhori	20000	300.00	-14.00	08.04.2011	3 month	30.8.2012	N.A.	31.92	Lab not available	0.00	Yes
	Raisen											
		convertible										
8	Pawarkhed	10000	160.00	-11.11	02.02.2011	3 months	30.10.2011	N.A.	37.10	Lab not available	19.02	Yes
	Itarsi											
		Convertible										
9	Umardha	20000	160.00	5.98	05.05.2011	1 month	05.12.12 (extension)	35.06	N.A.	Lab not available	11.10	Yes
	Bankhedi											
		Temporary										
10	Macherakala	25000	200.00	4.50	20.04.2011	2 month	15.10.2011	34.18	0.00	lab not available	8.75	yes
		Temporary										

11	Kusmania	27000	138.34	-3.00	14.04.2012	45 days	30.08.2012	0.00	0.00		0.00	Yes
	Dewas											
		Temporary										
12	Kesla, Itarsi	10000	83.68	4.60	12.05.2011		30.11.2011	31.71	31.01		0.00	
		Pucca CAP										
13	Kheda, Harda	20000	150.47	2.99	23.02.2012		25.10.2012	N.A.	N.A.		0.00	
14	Icchawar	10000	80.39	8.10	11.01.2012		25.07.2012	21.31	N.A.		0.00	
15	Kesla, Itarsi	10000	133.00	5.00	22.02.20		15.07.2013 (extension)	N.A.	N.A.		13.17	
16	Icchawar	10000	82.40	3.10	18.05.2011		30.11.2011	0.00	15.07		0.00	
17	Rehti	5000	39.45	-6.10	23.12.2011			6.42	N.A.		0.00	
18	Kheda, Harda	20000	133.45	-6.09	15.11.11			64.56	19.78		0.00	
19	Dindori	10000	84.57	-0.70	19.11.12		02.01.2013	39.33	13.39		0.00	
								379.15	**457.67**		**0.00**	

Annexure 3.5

Calculation of 1% desired storage gain not achieved by Regional Offices during 2008-09 to 2012-13

(Referred to in paragraph 3.18)

(₹ in lakh)

Sl.No.	Regional Office	Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
1	Rewa	Amount of 1% gain which was not achieved	5.24	27.19	5.75	10.16	N.A.
		Amount deducted by MPSCSC	2.03	15.39	12.83	6.47	N.A.
2	Narmadapuram	Amount of 1% gain which was not achieved	9.69	39.88	2906.87 (2777.64)	351.48	1620.79 (89.86)
		Amount deducted by MPSCSC	-	-	2.25	-	129.85
3	Bhopal	Amount of 1% gain which was not achieved	15.69	28.7	165.49 (9.36)	504.21 (380.37)	1281.28 (123.94)
		Amount deducted by MPSCSC	9.98	3.65	20.78	4.43	38.67
4	Gwalior	Amount of 1% gain which was not achieved	21.43	46.51	12.75	53.62	814.49 (10.50)
		Amount deducted by MPSCSC	47.74	14.58	6.8	34.26	90.25
5	Sagar	Amount of 1% gain which was not achieved	14.19	30.84	4.23	62.13	278.98
		Amount deducted by MPSCSC	10.53	-	-	11.67	-

6	Ujjain	Amount of 1% gain which was not achieved	10.51	19.6	59.52	106.84	159.79
		Amount deducted by MPSCSC	3.29	10.05	56.98	209.91	141.08
7	Jabalpur	Amount of 1% gain which was not achieved	17.92	36.17	85.04	115.72	182.21
		Amount deducted by MPSCSC	6.08	17.8	6.55	42.4	0
8	Indore	Amount of 1% gain which was not achieved	9.24	1.84	20.7	5.56	20.43
		Amount deducted by MPSCSC	8.38	1.78	21.05	35.89	68.21
	Total	**Amount of 1% gain which was not achieved**	**100.91**	**230.73**	**3260.35**	**1209.72**	**4347.97**
		Amount deducted by MPSCSC	**88.03**	**63.25**	**127.24**	**345.03**	**468.06**

Annexure-3.6

Financial position, working results and operational performance of the Corporation for the period from 2008-09 to 2012-13

(Referred to in paragraph 3.22)

(₹ in crore)

Sl. No.	Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
A.	**Liabilities**					
	Paid-up capital	1.50	1.50	1.50	1.50	8.06
	Share Application Money	6.56	6.56	6.56	6.56	---
	Reserves and surplus	97.66	102.47	117.13	143.67	202.03
	Borrowings (Government)					
	(Others)	3.31	4.75	5.05	1.78	85.27
	Trade dues and current liabilities (including provisions)	41.64	69.39	97.27	242.30	271.87
	Total	**150.67**	**184.67**	**227.52**	**395.81**	**567.23**
B.	**Assets**					
	Gross block	139.68	142.17	150.93	164.41	191.31
	Less: Depreciation	46.52	50.81	55.31	60.03	65.76
	Net fixed assets	93.16	91.36	95.62	104.38	125.55
	Capital work-in-progress	5.45	8.79	17.02	32.56	50.88
	Gross Dead Stock	8.26	9.22	12.48	18.87	22.70
	Less: Depreciation	6.45	7.19	8.67	13.28	16.05
	Net Dead Stock	1.81	2.03	3.81	5.60	6.65
	Current assets, loans and advances	50.25	82.48	111.06	253.27	384.16
	Total	**150.67**	**184.67**	**227.52**	**395.81**	**567.23**
C.	**Capital employed**	**109.03**	**115.28**	**130.24**	**153.51**	**295.37**

Source: Annual Report/Accounts of the Corporation for respective years

Annexure-3.7

Working results of the Corporation for the last five years upto 2012-13

(Referred to in paragraph: 3.22)

(₹ in crore)

Sl.no	Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
	Income					
1	a) Warehousing charges	46.34	61.63	89.65	107.37	157.64
	b) Other income	2.63	4.90	10.31	29.28	63.18
	Total	**48.97**	**66.53**	**99.96**	**136.65**	**220.82**
	Expenses					
2	a) Establishment charges	24.50	33.01	37.29	44.99	57.05
	b) Other expenses	**11.25**	10.37	16.30	43.05	82.91
	Total	**35.75**	**43.38**	**53.59**	**88.04**	**139.96**
3	Profit before tax, Depreciation & Land Premium	13.21	2.31	46.36	48.61	80.86
	Depreciation & Land Premium	4.84	5.03	6.10	9.43	8.47
	Profit Before Tax	8.37	18.11	40.26	39.18	72.39
4	Provision for tax	3.39	6.62	13.30	9.88	19.28
5	Amount available for dividend	4.99	11.49	26.96	29.30	53.11

***Source**: Annual Reports of the Corporation for respective years*

Annexure-4.1

Status of Coal Block Allocated To Madhya Pradesh State Mining Corporation Limited, Bhopal Date:-16-07-2013

(Referred to in paragraph 4.11.1)

Sl.No.	Coal block Particulars	Amelia	Amelia North	Dongri Tal-II	Mandla South	Semariya/ Pipariya	Marki Barka	Bicharpur	Morga-IV	Morga-III	Morga-I
1	Date of allotment	12-01.2006	12-01.2006	02-08-.2006	25-07-2007	25-07-2007	25-07-2007	25-07-2007	25-07-2007	25-07-2007	02.08.2006
2	Types of mine	OC/UG	OC/UG	OC	UG	UG	UG	UG	UG	UG	OC/UG
3	End use	Power Project	Power Project	Power Project	Commercial	Commercial	Commercial	Commercial	Commercial	Commercial	Power Project
4	Name of the JV partner	Sainik Mining	JP Associates	JP Associates	JP Associates	ACC Limited	ACC Limited	ACC Limited	ACC Limited	Monnet Ispat	Nil
5	Basis of tender/Date	EOI 01-09-2003	NIT 29.08.05	EOI 20.12.06	EOI 13.08.08	EOI 13.08.08	EOI 13.08.08	EOI 13.08.08	EOI 13.08.08	EOI 13.08.08	-
6	Name of the Joint venture Company	MP Sainik Coal Mining Pvt. Limited	MP Jaypee Minerals Ltd.	MP Jaypee Coal Ltd.	MP Jaypee Coal Fields Ltd.	MP AMRL (Semariya) Coal Co. Ltd.	MP AMRL (Marki Barka) Coal Co. Ltd.	MP AMRL (Bicharpur) Coal Co. Ltd.	MP AMRL (Morga-IV) Coal Co. Ltd.	MP Monnet Mining (Morga-III) Company Limited	-
7	Date of JV agreement	22-06-2005 19.04.2011 (revised)	27-01-2006	24-12-2008	20-06-2009	20-06-2009	20-06-2009	20-06-2009	20-06-2009	20-06-2009	-

Sl.No.	Coal block Particulars	Amelia	Amelia North	Dongri Tal-II	Mandla South	Semariya/ Pipariya	Marki Barka	Bicharpur	Morga-IV	Morga-III	Morga-I
8	Facilitation fees	A to F-10% to 0.5% (grade wise coal) at the rate of sales price of coal	A,B,C garde-35% D and E grades 25% F and G grade-20%. At the rate of sales price of coal.	A,B,C garde-35% D and E grades-25% F and G grade-20%. At the rate of sales price of coal.	1400% On the rate of coal's royalty.	2205% On the rate of coal's royalty.	2255% On the rate of coal's royalty.	1355% On the rate of coal's royalty.	1655% On the rate of coal's royalty.	860% On the rate of coal's royalty.	-
9	Area of coal blocks (hec.)	1619	728.75	3009	658.88	500	700	500	600	600	1500
10	Geological reserves (MT)	393.60	123.54	43.27 Phase-I	72.00	38.62	80.00	36.00	35.00	35.00	250
11	Mineable reserves (MT)	287.96	83.94	37.98 Phase-I	13.35	17.97	30.79	29.12	GR is not final	GR is not final	GR is not final
12	Admin approval for creation of JV/ Policy	GoMP, MRD Dt. 30-09-2003	GoMP, MRD Dt. 11-05-2005	GoMP, MRD Dt. 11-05-2007	**Cabinet Approval**						Pending before GoMP
13	Environmental clearance	27-03-2008	25-07-2007	22-02-2012	02-01-2013	Rejected	PH-Jan 13	06-11-2012	Applied Drilling	Applied Drilling	Applied Drilling
14	F.C. stage-I/ stage II	Pending-MoEF	Feb 09/Nov12	N.R. in Phase I	Stage-I-Jan-12	Stage-I-June 12	Pending MoEF	Approved	Pending MoEF	Pending MoEF	Pending MoEF
15	Mining lease sanction	Pending-MOC	04-02-2013	17-05-2013	-	-	-	May-13	-	-	-
16	Production start date	-	Dec. 2013	April 14	Dec-13	Dec-13	Feb-16	Feb-16	-	-	-

Annexure-4.2

Potential loss due to not following the procedure for re-tendering and selection of unqualified JV partner in advance in respect of Amelia Coal Block

(Referred to in paragraph 4.11.2)

Geological Reserve in Million Tonnes			Net extractable reserve in Million Tonnes			Total extractable reserve in tonnes	Grade of Coal	Price as on 27 May 2013 of coal per	Offered by SMASL			Tender of Amelia North and DongriTal-II		
									F.F as %of basic price	Facilitation fees Rs. Per tonnes	Total Facilitation fees (Rs. In crore) (7*11)	F.F as %of basic price	Rs. Per tonee (99*13) /100	Total facilitation fees (Rs. In crore)(7*14)
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Open cast	Under ground	Total	Open cast	Under ground	Total	In tonnes								
0	0.17	0.17	0	0.0918	0.0918	91800	A	4380	10	438	4.02084	35	1533	14.07294
0	13.67	13.67	0	7.3818	7.3818	7381800	B	3145	6	188.7	139.294566	35	1101	812.551635
0	86.44	86.44	0	46.6776	46.6776	46677600	C	1500	4	60	280.0656	35	525	2450.574
28.82	65.47	94.29	25.3616	35.3538	60.715	60715400	D	1110	3	33.3	202.182282	25	277.5	1684.85235
154.72	10.53	165.25	136.1536	5.6862	141.84	141839800	E	780	1	7.8	110.635044	25	195	2765.8761
19.77	2.86	22.63	17.3976	1.5444	18.942	18942000	F	635	0.5	3.175	6.014085	20	127	240.5634
11.14	0	11.14	9.8032	0	9.8032	9803200	G	530	0.25	1.325	1.298924	20	106	103.91392
214.45	**179.14**	**393.59**	**188.716**	**96.7356**	**285.45**	**285451600**				**Total**	**743.511341**			**8072.404345**
										Total Loss	**7328.893**			

Note-1. Facilitation fees to be payable to MPSMCL would be on the basis of NCL prices or projected cost of JV company, whichever is higher

2. The audit adopted the prices of NCL which was published by CIL vide notification pricing 235 dated 27.05.2013. The prices of different coal grades are taken by averaging the prices of same grade available in different calorific value.

3. The total extractable reserves are 88% and 54 % of total geological reserve for opencast and underground mine respectively.

Annexure-4.3

Details of delays in commencement of production as against the normative date of production

(Referred to in paragraph 4.11.3)

Name of the block	Date of allotment	Date of JV Agreement	JV Partner	Time allotted for development (Months) from the date of allotment by MOC	Normative date of production	Actual date of production	Delay in months
Amelia(E)	12.01.2006	22.06.2005	Sainik Mining	42	12.07.2009	…….	48
Amelia North (E)	12.01.2006	27.01.2006	Jaypee Associates	42	12.07.2009	……	48
Dongri Tal-II,RE	02.08.2006	24.12.2008	Jaypee Associates	63	02.11.2012	….	8
South Mandla,(E)	25.07.2007	20.06.2009	Jaypee Associates	54	25.01.2012	BG encased	16
Pipariya/Simariya,(E)	25.07.2007	20.06.2009	ACC Ltd.	54	25.01.2012	De-allocated	17
MarkiBarka RE	25.07.2007	20.06.2009	ACC Ltd.	81	25.04.2014	Show cause notice issued	
Bicharpur RE	25.07.2007	20.06.2009	ACC Ltd.	81 months	25.04.014		
Morga-IV RE	25.07.2007	20.06.2009	ACC Ltd.	81 months	25.04.2014		
Morga-III/ RE	25.07.2007	20.06.2009	ACC Ltd.	81 months	25.04.2014		

Annexure-4.4

Details of Liquidated damages for delay in commencement of production

(Referred to in paragraph 4.11.4)

Name of coal block	Date of first J.V. Agreement	Name of the J.V. Company	Type of coal blocks	Normative date of production	Delay in months	Project cost (₹ in crore)	Liquidated damages (₹ in crore)
Amelia (North)	1/27/2006	MP Jaypee Minerals Limited	OC and UG both	1/27/2010	41	675	55.35
Amelia	6/22/2005 (12-01-2006 Date of allotment)	MP Sainik Coal Mining Pvt. Ltd.	OC and UG both	1/12/2010	42	1166	97.94
Total							**153.29**

Note: For calculating LD, the time allotted for starting production is reckoned from the date of First JV agreement not from date of allotment. The normative date of production mentioned in Annexure-4.12.3 may differ from this annexure.

Annexure-4.5

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

(Referred to in Paragraph 4.12.1)

Sl. No.	Name of Department	2010-11
1.	Commerce and Industry	01
2.	Urban Development	01
3.	Transport	01
	Total	**03**

Annexure-4.6

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

(Referred to in Paragraphs 4.12.3)

Sl. No.	Name of the Department	Number of PSUs	Number of Outstanding IRs	Number of Outstanding Paragraphs	Earliest Year from which paragraphs outstanding
1	Energy	11	465	1176	2004-05
2	Commerce and Industry	13	18	81	2010-11
3	Mining Resources	5	6	14	2010-11
4	Tribal Welfare	1	3	15	2008-09
5	Tourism	1	1	8	2010-11
6	Home (Police)	1	4	17	2009-10
7	Rural industries	1	2	10	2010-11
8	Agriculture	1	2	12	2008-09
9	Minorities Welfare	1	3	8	2010-11
10	Forest	1	1	2	2010-11
11	Food, Civil supplies & Consumer protection	2	3	20	2008-09
12	PWD	1	1	1	2010-11
13	Urban Development	5	15	43	2006-07
14	Transport	1	35	76	2004-05
15	Finance	1	5	31	2007-08
	Total	**46**	**564**	**1514**	

Annexure-4.7

Reviews and Draft Paragraphs (DPs) to which the replies are awaited

(Referred to in Paragraph 4.12.3)

S. No.	Name of Department	No. of Reviews	No. of DPs	Period of Issue
1.	Commerce and Industry	--	05	May 2013 to August 2013
2.	Mineral Resource	--	03	June 2013
	TOTAL	--	**08**	