Chapter-3
Audit of Transactions

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

Government companies

Punjab State Power Corporation Limited

3.1 Contracting and supplies of coal from joint venture company – Panem Coal Mines Limited.

Though the tenders invited for selecting JV partner were full of ambiguity, yet PSPCL did not consider the desirability of inviting the bids afresh despite expert opinion. Rates for supply of coal were based on CIL rates instead of being based on production cost plus profit. Non determination of coal price on cost to produce basis resulted in extra payment of ₹ 29.59 crore to PANEM/ EMTA in respect of grade D coal supplied to PSPCL during 2013-14 alone. The structure of share capital was not followed as per agreement. Partnership firm was allowed to convert into a company and PANEM was allowed to book expenditure incurred by EMTA without verification. The mining operations were sub contracted to EMTA. There was delay in commencement of mining activities; washery and railway siding were not installed by JV partner, EMTA. Supply of entire mined coal as per its quality was not assured. PANEM was not impressed upon to discharge liability for mine closure plan.

Introduction

3.1.1. Upon amendment (June 1993) in the Coal Mines (Nationalisation) Act, 1973, power generating companies were allowed to have captive coal mines for their own use. To help identify, develop and operate a captive coal mine, the erstwhile Punjab State Electricity Board (Board),[1] now Punjab State Power Corporation Limited (PSPCL), entered (March 2001) into a joint venture agreement (JVA) with Eastern Minerals and Trading Agency, Kolkata (EMTA) and formed (April 2001) a joint venture company (JVC) called Panem Coal Mines Limited (PANEM). PSPCL was allocated (December 2001) a coal block for mining at Pachwara (Central) Block in district Pakur of Jharkhand by the Ministry of Coal (MOC), Government of India (GoI). A

[1] Punjab State Electricity Board was unbundled on 16 April 2010 and two companies viz. Punjab State Power Corporation Limited (PSPCL) and Punjab State Transmission Corporation Limited were formed. Consequently, business of generation of power was entrusted to PSPCL.

Coal Purchase Agreement (CPA) was entered (August 2006) into between PANEM and PSPCL for a period of 30 years. The entire quantity of coal produced by PANEM from the captive coal mine was to be sold, transported and delivered exclusively to the thermal power stations[2] of PSPCL to meet requirement of 7 million tonne out of annual requirement of 13.6 million tonnes of coal.

3.1.2. The present audit covered the examination of records relating to the formation of JVC (PANEM), implementation of agreements with JV Partner and PANEM, extraction/mining, pricing, supply and quality of coal supplied by PANEM to the power plants of PSPCL. The objectives of audit were to assess whether all the terms and conditions were well defined in the tender document and interests of the PSPCL were safeguarded in the JVA with EMTA; execution of JVA was as per terms of agreement and proper monitoring and control over the activities of JV Company was ensured.

The Audit findings were discussed in a meeting (September 2014) wherein the Principal Secretary (Power), Government of Punjab, Chairman cum Managing Director of PSPCL and Chief Engineer/Fuel, PSPCL were present. The replies /views of the Management have been considered while finalising this paragraph.

Background for captive mining and formation of JV

3.1.3. PSPCL floated (December 1997) a tender enquiry for consultancy services for selection of coal blocks for captive mining towards which nine bids were received and processed (February 1998). Three of the four lowest bidders asked (April 1998) for information/geological data regarding the coal blocks from PSPCL which was not available with it at that time. EMTA, one of the nine bidders, offered to complete the job free of cost provided a JVC was formed by PSPCL with them for captive mining. This offer of EMTA was not considered for evaluation as the JV partner was to be selected through competitive bidding. Subsequently, the Board considering change in coal supply scenario and anticipating that adequate coal cannot be mined economically from the offered blocks, decided (June 1998) not to go for allocation of a captive coal block.

Audit, however, observed that PSPCL was again approached by EMTA in November 1998 with a proposal that a suitable coal block would be identified and got allotted by them on a formal request to MOP/MOC, GOI from Punjab Government and entire expenses would be borne by them in first instance.

Formation of Joint Venture

Tendering process

3.1.4.1 To identify, develop and operate captive coal mines, PSPCL issued (February 1999) tenders for formation of a JVC. In response, three firms viz.

[2] Guru Gobind Singh Super Thermal Plant (1260 MW), Guru Hargobind Thermal Plant (920 MW) and Guru Nanak Dev Thermal Plant (450 MW).

EMTA, Rungta Projects Limited, Ranchi and Guru Mehar Constructions, New Delhi submitted their offers. The Senior Executive Engineer/ Coal Management proposed (April 1999) to call for revised offers on the basis of parameters of coal blocks, formation of JVC and fixation of price. This was after an evaluation that the bids had too many ambiguities & deficiencies to make a fair comparison.

PSPCL, instead of calling revised bids, appointed (July 1999) Central Mine Planning and Design Institute (CMPDI), Ranchi as consultant for evaluation of the three bids, who also pointed out (September 1999) various weaknesses relating to terms and conditions of the bids, regarding captive mining block, equity participation of the partners, ash content of the coal, cost of beneficiation, manpower required, heavy earth moving machinery and other plant and machinery, etc. They stated that these aspects were not spelt out clearly in the bid documents which were amenable to different interpretations and thus, did not allow for objective comparison. CMPDI recommended that the offer of EMTA being close to NIT conditions may be conditionally accepted subject to clarifications. A statement showing clarifications subject to which CMPDI recommended EMTA's bid and status of incorporation of these conditions in the JV agreement and Coal Purchase Agreement is depicted in ***Annexure-8.*** Thus, instead of seeking clarifications and additional details, PSPCL selected (November 1999) EMTA as JV partner and after negotiation on some points, entered (March 2001) into a JVA with EMTA to form a JVC (PANEM) for developing and operating the captive coal mine.

Audit noticed that:

- Although PSPCL was new in the field of coal mining, it did not take services of an expert for drafting the tender document.

- Instead of inviting bids in two parts (technical and financial separately), combined bid (technical as well as financial) was invited; resultantly competitive bids from the technically sound parties could not be ensured.

- Despite adverse remarks of Senior Executive Engineer/ Coal Management and CMPDI about various techno commercial terms, PSPCL did not consider the desirability of inviting the bids afresh.

- PSPCL held two rounds of negotiations (4 December 1999 and 17-18 December 1999) with EMTA, after its selection, in which clauses relating to weighment, quality determination, terms of payments for coal & railway freight etc. were finalised as these were not clearly spelt out in the tender documents. This vitiated the sanctity of entire tendering process.

- At the time of negotiation with EMTA on 17-18 December 1999, PSPCL agreed to sub contract entire mining operations to EMTA and accordingly, Article 5(3) to (8) of JV Agreement provided that EMTA, on behalf of PANEM would *inter alia*, take up mining, raising, stacking, sizing and transportation of coal. Audit observed that the entire mining operations were sub-contracted to EMTA through an agreement (January

2002) between PANEM and EMTA which indicated that PANEM was just a shell company. In the agreement with EMTA, the cost of extraction was not defined. The day-to-day affairs of management of PANEM and EMTA were looked after by the same person who was Managing Director of PANEM as well as Chairman and Managing Director of EMTA. The arrangement helped the JV partner to book mining and operation expenses in PANEM without verification. PSPCL had, thus no knowledge of the mining operations and costs being incurred thereon. Audit observed that by sub-contracting mining operations to EMTA, major deviation has been made to the bid document, thus re-tendering was required. Further, PSPCL did not watch their interest while allowing sub-contracting of the operations to EMTA.

Management stated (September 2014) that JV agreement was entered into after competitive bidding. At the time of tendering, practice of inviting combined bid was prevalent. It was also stated that EMTA was selected as per recommendation of CMPDI and after negotiation various terms were frozen in best interest of the erstwhile PSEB. The reply is not acceptable as the CMPDI had not recommended for acceptance of bid of EMTA and had only stated that their bid was close to NIT and recommended for negotiation on important aspects before acceptance of their bid. PSPCL being new in the field of coal mining did not take services of an expert at the time of preparation of tender document resulting in issuing of a weak bid document and the tenders received also being full of ambiguities and incomparable.

Determination of coal price

3.1.4.2 PSPCL did not have market discovered cost of extraction of coal which was also to form the basis for determination of price to be paid for its extraction of coal. PSPCL agreed to pay its JV partner the sale price charged by Bharat Coking Coalfields Limited (BCCL) (as notified by Coal India Limited (CIL) from time to time) to its customers after allowing percentage discounts (12 to 38 *per cent*) on the basis of grades of coal. Audit noticed that:

- PSPCL did not ask any details of cost of extraction from JV partner (EMTA) and it had no control over the costs claimed by them. As the CPA was for 30 years, the incorrect fixation of price would lead to huge financial burden on PSCPL.
- Since the coal of captive mine was exclusively to be supplied to thermal plants of PSPCL, the charging of price of coal on the basis of Grade/ Useful Heat Value (UHV) or Gross Calorific Value (GCV) of coal instead of on the basis of cost of mining plus incidental charges, statutory levies and a certain profit percentage, lacked justification. Blanket adoption of rates of CIL as the base, had ill effect when rates of coal were changed from UHV to GCV based system of coal pricing by BCCL/CIL from 1 January 2012.
- The tenders for formation of JV were invited (February 1999) much before allotment (December 2001) of coal block to PSPCL. While negotiating

(December 1999) with EMTA, a stripping ratio[3] of four to five was considered though any mine was yet to be allotted. The actual stripping ratio as stated (November 2011) by PANEM in the revised mining plan was 1.53 during 2005-12. The erstwhile Board did not make any enabling provisions in the agreement for reduction of coal rates in the event of reduction in expenditure due to lesser stripping ratio. Audit observed that cost of extraction of D grade coal of Rajmahal Coal mine[4] having stripping ratio of 1.65 (which was higher than stripping ratio of 1.53 of Panem coal mine) was ₹ 758.89 per ton during 2013-14 whereas PSPCL has made payment of D grade[5] coal to PANEM at the rate of ₹ 1,062.50 per tonne (net of discount) during 2013-14. This non determination of coal price on cost to produce basis has resulted in extra payment of ₹ 29.59[6] crore to PANEM/ EMTA in respect of total quantity of 9,74,757.31 tonne of D grade coal supplied to PSPCL during 2013-14 only. During exit conference, Management stated that stripping ratio differs from mine to mine and the age of mine also contributes to the cost of extraction of coal. The fact, however, remains that the Board did not make any enabling provisions in the agreement for reduction of coal extraction cost payable due to reduced stripping ratio.

- The Expert Committee of MOC/GoI on Road Map for Coal Sector Reforms, in its report (December 2005) also recommended that coal requirements of Class 'A' consumers (power utilities and captive power plants) should be supplied at prices determined strictly on a cost to produce basis subject to certain efficiency norms and allowing a rate of return, yet the PSPCL did not take cognizance of these recommendations while entering into CPA in August 2006.
- Though the captive mine was allotted to the Company, yet the Company did not provide checks for exercising control over mining operations and cost to be booked for mining by JV partner.

Management stated (September 2014) that the cost of extraction was not sought from the JV partner as basic objective of the tender was to get uninterrupted supply of good quality coal at lower rates. The reply is not acceptable as the Company did not fix rate of cost of extraction of coal plus incidental and economic return percentage and ended up paying more than the cost incurred.

Financial aspects

Share capital

3.1.5.1 Article 3 (1) of the JVA provided that the authorised and paid up share capital of PANEM was to be ₹ 5 crore. EMTA in their bid offered 26 *per cent* of the equity (without any investment in cash) of the JVC to PSPCL in lieu of

[3] Stripping ratio refers to the ratio of volume of overburden (or waste material) required to be handled in order to extract some volume of ore.

[4] An adjoining mine to the Pachwara (Central) coal block under Eastern Coalfields Limited.

[5] Price of corresponding G-8 band in new GCV regime as applicable from 1-1-2012

[6] 9,74,757.31 tonne x ₹ 303.61 (₹ 1,062.50 – ₹ 758.89)

rights of mining the block. Out of the remaining 74 *per cent*, 51 *per cent* equity was to be brought in by EMTA and balance 23 *per cent* equity was to be offered to mutual funds/ financial institutions/ general public. JV agreement also stipulated that of the 23 *per cent* of the paid up equity capital to be offered to public/financial institutions/ banks/mutual funds, any shortfall in subscription would be subscribed by EMTA (including its partners) and their nominees. PSCPL was allotted (May 2002) shares of ₹ 1.30 crore (26 *per cent*) (13,00,000 shares of ₹ 10 each). Audit observed that:

- The basis of determination of authorised share capital at ₹ 5 crore was not on record of PSPCL.

- Twenty three *per cent* shares (11,38,500 shares) were offered (May 2002) to individuals/ bodies corporate/ financial institutions/ banks through private placement and allotted (May 2002) to 228 shareholders. The individual shareholding was reduced (September 2013) to 88,500 shares (1.77 *per cent*) held by only seven shareholders. 72.23 *per cent* shares of PANEM were held by EMTA & Associates and family members of JV Partner.

- Offering of shares of PANEM through private placement was in contravention of Article 3 (Share Capital) of the JV agreement and the same deprived the general public/ financial institutions/ banks/ mutual funds to participate in the equity of PANEM. It also led to concentration of share capital in the hands of the JV partner, its associates and family members. Further, PSPCL/ PANEM did not assess the value of coal block after its allotment and thus failed to ascertain/ recover share premium on shares allotted through private placement.

Corporatisation of EMTA

3.1.5.2 EMTA intimated (April 2010) that EMTA (a partnership firm) has been converted (March 2010) into EMTA Coal Limited and registered as a company under the Companies Act, 1956. All the assets and liabilities of EMTA became assets and liabilities of the EMTA Coal Limited and PSPCL was requested (April 2010) for replacement of EMTA, a partnership firm to EMTA Coal Limited in the JVA of Panem Coal Mines Limited.

Audit observed that Board of Directors (BoD) of PANEM noted (June 2010) that it would become a subsidiary of EMTA Coal Limited consequent upon transfer of shares by partners of EMTA in favour of EMTA Coal Limited, thereby making the holding of EMTA Coal Limited more than 50 *per cent* of paid up share capital. Despite having knowledge of this fact, PSPCL approved (December 2011) substitution of partnership firm (EMTA and partners) with the company (M/s. EMTA Coal Limited) with retrospective effect (March 2010) without securing its financial interests. EMTA Coal Limited thereafter succeeded in holding 72.23[7] *per cent* shares through backdoor entry by purchasing the shares of allottees, to whom shares were allotted through

[7] EMTA Coal Limited : 50 *per cent,* Partners of EMTA: 9.12 *per cent* and Relative of Partners of EMTA: 13.11. *per cent*

private placement, in the names of its associates and family members with a view to control the working of PANEM. Audit observed that while approving corporatisation of EMTA, PSPCL Board had not secured its financial interest as in case of partnership firm, partners are jointly and severally liable for their obligations whereas in case of limited company, liability of the shareholders is limited to their subscriptions to share capital of the company only.

Creation of assets in the name of PANEM

3.1.5.3 Article 8 of the JV agreement provided EMTA (JV Partner) to arrange for acquisition of private land and allotment of land pertaining to the State Government (Government land, forest land and Rayati land) required for mining operation and PSPCL to render assistance. PSPCL allowed PANEM to acquire these assets (land and railway sidings) in the name of PANEM in which EMTA Coal Limited, J.V. Partner and family members now hold about 72 *per cent* shares.

Audit noticed that:

- PSPCL did not ask EMTA/PANEM to purchase private land and allotment of State Government land in the name of PSPCL in line with the allotment of mine in its name. Instead it allowed PANEM to acquire immovable assets in its (PANEM) name; thereby PSPCL put itself in a disadvantageous position. This would facilitate EMTA Coal Limited to capture this property by holding PANEM as its subsidiary.

- A committee of PSPCL officers after its visit to the mine site on 22 April 2014 reported that some part of the machinery of PANEM was being utilised for the adjoining mine of Bengal EMTA. This indicates that PSPCL did not have any control over the utilisation of the assets of PANEM by EMTA exclusively for PANEM.

Management stated (September 2014) that the assets were created in the name of the JV Company PANEM as per the spirit of GoI gazette notification dated 22 February 2002 which authorised PANEM to supply coal from Pachwara (Central) coal block on exclusive basis to power plants of PSPCL. The reply is not acceptable in view of the fact that no exit route was planned by PSPCL in case of termination of the agreement with JV Partner.

Working results of PANEM

3.1.5.4 Working results of PANEM for the four years up to 2012-13 are given in ***Annexure 9***. From the ***Annexure***, it would be observed that:

- Controls exercised by PSPCL in regard to booking of expenditure by EMTA in PANEM, procedure for reimbursement, internal audit & internal checks exercised to ensure genuineness of expenditure by PANEM were not on records made available to Audit and thus not verifiable.

- PANEM's profit was just one *per cent* of its turnover during the period from 2009-10 to 2012-13. Due to not having control over mining operations and booking of expenditure thereon, EMTA was booking mining operational expenses to contain profit percentage around one *per cent* of the turnover. This showed that about 99 *per cent* revenue was being drained out as payment/disbursement of expenditure on development and mining operations of EMTA.

3.1.5.5 The Annual accounts of the PANEM were not being put up to BoD of PSPCL for their appraisal regularly. The annual accounts of the PANEM for the years 2010-11, 2011-12 and 2012-13 were submitted together for the consideration of BoD of PSPCL belatedly in January 2014 which indicated lack of monitoring over the financial affairs of the PANEM.

3.1.5.6 As per Article 10(4) of the JVA, PSPCL and its nominee Directors on the Board of PANEM were to receive quarterly financial statements relating to the operational and financial activities of PANEM including un-audited balance sheets, profit and loss statements and cash flow statements. They were to review these financial statements before approval of the same in PANEM's Board meetings and to apprise Board of Directors of PSPCL for ensuring/safeguarding their financial interest but this exercise was not done. PSPCL did not furnish a reply on this aspect.

3.1.5.7 The agenda for the meetings of the Board of PANEM were not being received in PSPCL. Thus, Directors of PSPCL could not discuss the issues in their Board meetings. Resultantly, PSPCL did not play an effective role in decisions of PANEM.

Execution of JV Agreement

Creation of Infrastructural facilities

Non-establishment of Railway siding

3.1.6.1 As per JV agreement, EMTA was to arrange, besides other equipment, railway siding without any implication on the charges to be paid by PSPCL. The CPA also provided for payment of surface transportation charges at notified rates as charged by CIL for a maximum distance of 20 Kms. Audit noticed:

- The railway siding was established about 52 Kms away from the mine pit and the coal was transported to the railway sidings by trucks. EMTA was booking extra expenditure incurred, over that being paid by PSPCL, in the books of PANEM. The entire expenditure of ₹ 523.19 crore was booked in the books of PANEM during 2009-13. The freight received through bills raised on PSPCL was credited to the income of PANEM. Since the expenditure incurred on surface transport was more, it had bearing on profit of the PANEM and PSPCL to the extent of its share.

- A Committee of officers of PSPCL after visiting the site on 5 March 2014, reported that about one tonne of coal from each dumper is looted by local

villagers and sold to coal mafia in West Bengal which smuggles it to Bangladesh. The committee concluded that the average daily pilferage of coal was about 500 to 600 MT (three to four *per cent* of coal supplied by PANEM) during road transportation. PSPCL requested (March 2014) PANEM to make all efforts for bringing the railway siding closer to the mine pit to eliminate pilferage and the matter was also taken up (March 2014) with Jharkhand Government through Chief Secretary, GoP. Further, developments were awaited (October 2014).

Management stated (September 2014) that efforts are being made for extending the railway line close to pit head.

Non-installation of washery

3.1.6.2 Guidelines (September 1997) of the Ministry of Environment and Forest (MOEF), GOI make it mandatory for the thermal plants situated at a distance of more than 1,000 kms from supply sources (i.e. Pit Heads) to use coal with ash contents less than *34 per cent*. As per Clause 5.6 of the tender document and Clause 5 (6) of the JVA, EMTA was to install washery as per guidelines *ibid* and provision of JVA.

Audit observed that EMTA had not installed the washery so far (October 2014) though about 86 million tonne of total geological reserves of coal was having ash content of more than 34 *per cent*. Audit observed that the maximum ash content of the coal received from PANEM ranged between 29.54 to 38.59 *per cent* during 2006-07 to 2013-14. PSPCL, however, took up this issue with EMTA in January 2014.

Management stated (September 2014) that the PSPCL did not have a plan to use the washery rejects generated during washing captively. Therefore, it sought (September 2012) approval of the MOC to allow EMTA to utilise washery rejects at the rejects based thermal plant to be set up by EMTA. MOC, however, advised (August 2014) PSPCL to explore the possibility of setting up their own pit head Fluidized Bed Combustion (FBC) based power plant. Further developments were awaited (September 2014).

Underloading/overloading of coal

3.1.6.3 EMTA was to install a weigh bridge at the loading point to eliminate problem of underloading/ overloading. Further, Article 8.8 of CPA provided that penalty on underloading/ overloading of coal was to be borne by the supplier/EMTA and freight was to be paid on the actual quantity of coal received at thermal plants of PSPCL. PANEM also booked ₹ 304.12 crore as railway freight (Net of reimbursement) which had bearing on profit of PANEM and share of profit of PSPCL.

Management stated (September 2014) that in-motion weighbridge had been installed by EMTA and efforts were being made for getting approval of the Railways for its commissioning.

Supply of coal

Delay in commencement of supply of coal

3.1.7.1 EMTA in its bid quoted the least gestation period of 18 months against the gestation period of 24 months and 36 months quoted by the other two bidders. Article 5(4) of the JVA provided that supply of required quantity of coal would commence within a period of 18 months. Though the captive coal mine was allotted to PSPCL in December 2001, EMTA could commence supply of coal in March 2006 (after a delay of 34 months). EMTA attributed (January 2006) delays to finalisation of boundary of the coal block and inordinate time taken by the Government departments in according sanctions/approvals which was beyond their control.

Audit observed that the JV agreement was faulty as no penalty clause was provided in case of default by EMTA in commencing supply of coal within stipulated period though PSPCL had to purchase coal at higher rate during the period of delay.

Delivery of coal

3.1.7.2 As per GoI instructions and Article 8(11) of the JV agreement, EMTA was to ensure that the coal produced from captive coal mine was supplied/ transported and delivered wholly and exclusively to PSPCL. The CPA, however, provided for weighment of the coal at delivery point and PSPCL was to pay for the quantity and quality of coal that actually reached at its power plants. PSPCL did not make any enabling provisions for ensuring the quality and quantity of coal being mined and supplied to it from its captive mine at loading points also. Thus, PSPCL failed to ensure that the entire quantity and quality of coal actually extracted/mined from the captive mine was supplied to its power plants.

Management stated (September 2014) that every month returns are submitted by PANEM to MOC and various State Government authorities indicating production and despatches of coal from Pachwara (Central) coal block and thus production and despatches of coal are regularly monitored by these Government agencies. It was also stated that PSPCL has now appointed Central Institute of Mining & Fuel Research, Jharkhand for periodic reconciliation between quantity of coal extracted and the quantity of coal that reaches power plants of PSPCL.

Quality determination of coal

3.1.7.3 CPA provided that the results of the analysis at the delivery points would be the basis for determining the quality of coal supplied for the purpose of payment of coal. The sample was to be divided into two parts, out of which first part was to be tested and second part was to be kept as referee sample. In case of dispute, the referee sample was to be analysed by an independent agency.

Taking cognizance of newspapers reports (August 2012) of manipulations in coal testings of thermal plants, PSPCL constituted (August and October 2012) two committees to find out reasons for divergence in results of testing/analysis. The report of the committees (August 2012 and October 2012) disclosed that no definite conclusion could be drawn. The findings were put up (November 2013) after a delay of one year, to the Board of Directors of PSPCL which observed (February 2014) that the referee sample results of Guru Gobind Singh Super Thermal Plant (GGSSTP), Roopnagar were not reliable.

Audit observed that due to inadequate monitoring of the activities of sampling of coal, the chances of manipulations in sampling for quality determination since commencement of supply of coal could not be ruled out. Further, the Board of Directors of PSPCL were not apprised of the findings (October 2013) of CE/Thermal Designs for failure on the part of officers and officials of GGSSTP, Roopnagar in sampling, sealing, storage, coding, and non-involvement of senior officer in these activities relating to referee samples. Responsibility of any officers/officials in this regard, has also not been fixed so far (June 2014).

Management stated (September 2014) that common procedure has been started and guidelines have been circulated for strict compliance by all thermal plants of PSPCL. It was further stated that charge sheets have been issued to the concerned officers for lapses on their parts in performing the required checks.

Financial favour to PANEM

Releasing of adhoc advances

3.1.8.1 As per Article 8 (4) of JV agreement, EMTA was solely responsible for arranging the finance required for the mining operations including capital investments and losses to PANEM. There was no provision in the CPA for release of any advances. Audit observed that:

- PSPCL released adhoc advances of ₹ 75 crore in September 2009 (₹ 25 crore) and March 2013 (₹ 50 crore), recoverable in 18 and 12 instalments respectively. Audit noticed that PANEM had repaid the entire amount of ₹ 75 crore without interest as no such provision was made while providing these adhoc advances. PSPCL had to bear burden of interest[8] of ₹ 4.68 crore for the money advanced which it borrowed from banks/financial institutions.

- PANEM did not supply the required quantity of coal to PSPCL during April 2013 and asked for further financial assistance. PANEM and EMTA also issued (May 2013) arbitration notice to PSPCL for resolving various issues. PSPCL concerned over the repeated threats and frequent restrictions imposed in supply of coal by PANEM and keeping the paddy sowing season in view, decided (May 2013) to make adhoc advance payment of ₹ 100 per tonne of

[8] Worked out at the rate of 10 *per cent* per annum.

coal received every fortnight till 31 December 2013 and released ₹ 27.71 crore between 5 July 2013 and 31 December 2013 which was to be paid back after resolving the issue by arbitrator or after 31 December 2013 whichever was earlier. Again in November 2013, on the plea of financial constraints, PANEM reduced supply of coal to PSPCL and requested to provide additional working capital. Ignoring the opinion of the Financial Advisor of PSPCL that there was no justification for agreeing to the request of PANEM, PSPCL provided (December 2013) working capital support of railway freight of six rakes (₹six crore daily) for the period of two months from 10 December 2013 to 9 February 2014 which was extended up to 30 September 2014 with interest to be adjusted in fortnightly installments. PSPCL had not recovered ₹ 27.71 crore (paid between 5 July 2013 and 31 December 2013) and interest on the advances so far (August 2014).

Management stated (September 2014) that the advances were released to maintain continuity in the coal supplies from PANEM and power generation. However, the recovery of the interest on these advances would be initiated after 30 September 2014 i.e. end of the paddy season.

Payment of sizing charges of coal

3.1.8.2 PANEM in March 2008 intimated that it has adopted an advanced method of mining with which top size of coal was limited to 100 mm and requested for payment of sizing charges for 100 mm. PSPCL did not agree (June 2008) as it had facility for crushing of coal up to 200 mm. For causing rate applicable for 100 mm size of coal, PANEM did not despatch coal on 13 February 2013 and from 29 April 2013 to 2 May 2013 and reiterated that supply of coal despatches would continue if decision on issues affecting economic viability (including that relating to coal sizing charges) are taken on top priority as an interim measure. In view of the coal stocks at thermal plants, overall coal scenario in the country, coming paddy season and representations of PANEM, PSPCL decided (4 June 2013) to pay charges of coal size of up to 100 mm.

Audit observed that allowing payment of sizing charges with top size limited to 100 mm was not justified since the coal mills of thermal plants of PSPCL were designed to crush coal up to 200 mm size. The injudicious decision of PSPCL resulted in excess payment of ₹ 16.96 crore on account of sizing charges for supply of coal between June 2013 to March 2014. PSPCL would have to bear financial burden at ₹ 18.70[9] per tonne on all future supply of coal also.

Management stated (September 2014) that PSPCL is paying sizing charges of coal to PANEM as per the actual size of coal being received from PANEM as per CPA and regarding cost benefit analysis, the benefits of using 100 mm coal cannot be quantified as there were many technical and financial intangible benefits of the same.

[9] Crushing charges of up to 200 mm size – 100 mm size x 85/100 viz. ₹ 61 – ₹.39 = ₹.22 x 85/100 = ₹.18.70

The reply is not acceptable as against the earlier decision (June 2008) of PSPCL not to allow payment of sizing charges of 100 mm coal to PANEM which continued for five years (i.e. upto June 2013), the subsequent decision for payment of sizing charges of 100 mm coal should have been supported by proper cost economics comparison. Further, this decision was indicative of PSPCL surrendering to PANEM in disregard to its own financial interests.

Non-working out of liquidated damages for short supply of coal

3.1.8.3 As per Article 8 (12) of the JV agreement, EMTA was to ensure uninterrupted supply of the required quantity of specified coal to PSPCL. Article 13 of the CPA provided for recovery of liquidated damages from the supplier in case of non-adherence to the delivery schedule.

Audit observed that against the annual contracted quantity (ACQ) of 7.0 millon tonne, the supply of coal from PANEM was only 5.95 millon tonne during 2013-14. However, no claim was lodged with PANEM in this regard (June 2014).

Management stated (September 2014) that the claim for liquidated damages will be lodged with PANEM after 30 September 2014 i.e. end of the paddy sowing season.

Other related topics

Mining plan

3.1.9.1 As per the earlier mining plan for Pachwara (Central) Block approved (November 2003) by MOC/GOI, the mineable reserves were assessed at 289.13 million tonne coal through open cast mining[10] and the reserves to be mined through underground[11] mining were not included in this plan. As per mining plan, PANEM was to produce 7.0 million metric tonne coal per annum. Table below indicates year-wise coal to be produced as per mining plan and quantity actually produced as intimated by PANEM during 2006-14:

[10] Method of mining used when the coal is buried less than 200 feet underground. In such mining, machines remove the top-soil and layers of rock to expose the beds of coal. Once the mining is finished, the dirt and rock are returned to the pit.

[11] Method of mining used when the coal is buried several hundred feet below the surface. To remove coal in these underground mines, miners ride elevators down the deep mine shafts where they run machines that dig out the coal.

Table 3.1.1

Sl. No.	Year of mining (Financial Year)	Coal to be produced as per approved mining plan (million tonne)	Quantity Produced (million tonne)	Quantity Supplied (million tonne)
1	1st Year (2006-07)	1.00	1.46	1.46
2	2nd Year (2007-08)	2.00	3.85	3.85
3	3rd Year (2008-09)	3.00	6.23	6.23
4	4th Year (2009-10)	5.00	8.37	8.53
5	5th Year (2010-11)	6.00	8.13	8.21
6	6th Year (2011-12)	7.00	8.46	8.46

Above table showed that PSPCL resorted to mining of coal beyond the approved mining plan. MOC observed (July 2010) that production beyond project rated capacity was not desirable and directed PSPCL not to carry out any illegal mining. It can also be seen from the table that the figures of quantity supplied during the year 2009-10 and 2010-11 were more than the quantity produced during these years. The reasons for this mismatch were not available on record, in the absence of which the accuracy of coal extracted/produced could not be ensured.

Management stated (September 2014) that excess mining was resorted to avoid the import of coal by PSPCL. Moreover, no penalty was levied by Ministry of Coal, GoI. The revised mining plan is still under consideration by MoC.

Mine Closure Plan

3.1.9.2 As per guidelines, a Mine Closure Plan duly approved by competent authority and opening of escrow account was essential to be executed before obtaining permission to open the mine. If the mine owners failed to deposit the annual amount required to be deposited, the Government could withdraw the mining permission.

Coal Controller, MOC, GoI intimated (October 2013) PSPCL that Pachwara (Central) coal block was allotted on 28 December 2001 and production of coal started in March 2006. Despite their several communications (27 August 2009, 8 September 2009, 12 January 2012 and 7 January 2013) PSPCL neither submitted its mine closing plan nor opened an escrow account. On a reference made (18 December 2013) by PSPCL to PANEM, it was informed (18 December 2013) that approval of mine closure plan was under consideration of MOC. Audit noticed that as per proposed mine closure plan, PSPCL is liable to deposit ₹ 29.44 crore up to 31 March 2014. PSPCL had not taken up the matter with PANEM for depositing this amount by opening an escrow account so far (June 2014).

Management stated (September 2014) that approval to Mine Closure Plan submitted to MoC is pending, after which the escrow account will be opened.

Cancellation of allotment of coal mine-impact thereof

3.1.9.3 The Supreme Court while deciding on a writ petition[12] held the allotment of coal blocks made by the Screening Committee of MoC, GOI, as also the allotments made through the Government dispensation route as arbitrary and illegal and quashed all these allotments including allotment of Pachwara (Central) block allotted to erstwhile PSEB. PSPCL was requested (October 2014) to convey the implications of he above judgement on the working of PSPCL and other related aspects.

PSPCL intimated that they have deposited (3I December 2014) ₹ 391.46 crore towards additional levy @ 295 per metric tonne with respect to the coal extracted till 24 September 2014 with Central Government as per the Coal mines (Special Provision) Ordinance 2014. The basis of calculation of ₹391.46 crore deposited towards additional levy and other details though asked for (October 2014 and January 2015) were not furnished.

The matter were referred to the Government (July 2014), their reply was awaited (December 2014).

3.2 Installation of meter pillar boxes

Preparation of incorrect DPRs, delay in finalisation of tenders and not initiating timely remedial measures resulted in non achievement of target of zero theft losses. For slow progress PSERC had also imposed one time penalty of ₹ 10 crore.

With a view to reduce Aggregate Technical and Commercial (AT&C) losses, Punjab State Power Corporation Limited (Company) approved (June 2006) a road map which included various mechanisms like shifting of meters outside consumers premises, conversion of consumers from low voltage distribution system (LVDS) to high voltage distribution system (HVDS), installation of capacitors, electronic meters, earthing etc. In order to ensure zero theft losses, the Company undertook the work of shifting of meters outside consumers premises in pillar boxes on poles or outer walls and replacement of LT bare conductor with cable in rural as well as in urban areas. The installation of meter pillar boxes was undertaken by the Company by making financial arrangement with Rural Electrification Corporation (REC) and schemes of urban areas were taken up under Government of India (GOI) Scheme-Restructured Accelerated Power Development and Reforms Programme (R-APDRP).

Audit scrutiny of schemes of installation of meter pillar boxes for the years 2009-10 to 2013-14 disclosed the following.

The Company framed 37 schemes (as tabulated below), under non R-APDRP, during 2009-14 for shifting of 38.10 lakh meters from the premises of consumers to pillar boxes. Irregularities noticed in the framing and

[12] Writ Petition (Crl.) Nos. 120 of 2012 (Man ohar Lal Sharma Vs Principal Secretary and others) judgment dated 25 August 2014 and 24 September 2014.

implementations of 37 schemes undertaken by the Company with the help of REC are discussed in the succeeding paragraphs:

Table 3.1.2

Particulars		Nos. of meters to be shifted into piller boxes (in lakh)	Project cost (₹ in crore)	Month/ Year of work orders issued	Targets for completion of schemes	Meters shifted into pillar boxes Status as on 31 March 2014 (in lakh)	Actual cost (₹ in crore)
Nos. of Schemes (Month/Year of approval)	**Mode of execution**						
19 Schemes (October 2009)	Turnkey basis	20.81	649.83	June/July 2010	**January 2011**	20.52	**492.77**
18 Schemes (February 2013)	Turnkey basis	11.81	1,005.27	October 2013	**December 2014**	0.44	**4.53**
	Departmentally by labour outsourcing	5.48					
Total		**38.10**				**20.96**	**497.30**

3.2.1 Schemes undertaken by the Company with the help of Rural Electrification Corporation

(i) 19 Schemes - For shifting of 31.89 lakh meters outside the premises of the consumers, 19 schemes with an estimated cost of ₹ 697.31 crore, framed in July 2009, were approved (October 2009) with the arrangement of financing of 90 *per cent* loan from REC (at interest rate of 11.5 *per cent* per annum) and balance 10 *per cent* to be arranged by the Company itself. The investment was expected to pay back in two to three years on account of saving in AT&C losses. Work orders of these schemes were issued (June/July 2010) at a cost of ₹ 684.47 crore for shifting of meters of 32.14 lakh consumers within seven months i.e. by February 2011. Of this target, 9.06 lakh meters (28.19 *per cent*) were shifted at a cost of ₹ 83.07 crore up to 31 March 2011. Despite pointing out about of slow pace of progress in the Report of the Comptroller and Auditor General of India No. 4 (Commercial) for the year ended 31 March 2011 – Government of Punjab, the Company took three years and eight months to complete the scheme in March 2014 against the original schedule of seven months.

Audit observed that DPR deficiencies were not analysed by the management at the time of taking the approval from BoD in the first place. Due to non-matching of the requirement of material with the provisions made in detailed project reports (DPRs) and work orders and non-provision of critical requirement[13] in the DPRs/work orders. Revised DPRs were prepared and approved in June 2012. This also led to revision of targets of scope of work so as to keep the overall cost within original cost of schemes as sanctioned by the REC, the consumer base was reduced to 20.81 lakh (35.25 *per cent*) at a cost of ₹ 649.83 crore. The Company took three years and eight months to shift 20.52 lakh meters (98.61 *per cent*) of the revised target of 20.81 lakh meters (as on 31 March 2014) against the original schedule of seven months. Further,

[13] No provision was made for replacement of LT bare conductor from inside lanes/streets to prevent illegal hooking for theft of electricity, no provision was made for supply and erection of 3.5x50 mm^2 cables, adequate provision of 20x1 pillar boxes was not made and no provision was made for MS Flat for earthing of pillar boxes.,

the work has not been carried out feeder-wise with proper planning and feeders were not taken in one go resulting in very few feeders where total work had been completed. Though 16 out of 19 schemes have already been completed, yet feeder-wise AT&C losses data to assess the impact of implementation of the schemes was only available for 61 feeders covering 1.46 lakh meters i.e 7.1 *per cent* of the total nos of meters shifted. In the absence of adequate data, benefit of the schemes could not be assessed.

(ii) 18 Schemes- For shifting of 17.29 lakh meters outside the premises of the consumers, 18 schemes with an estimated cost of ₹ 1005.27 crore were approved (February 2013) with the arrangement of financing of 90 *per cent* cost as loan from REC and balance 10 *per cent* were to be arranged by the Company itself. Of these 11.81 lakh meters were to be shifted on turnkey basis and balance 5.48 lakh meters for feeders with high losses were to be shifted departmentally. The target date was 30 November 2014.

Audit observed that up to 31 March 2014, mere 0.44 lakh (2.61 *per cent*) meters were shifted on turnkey as well as labour outsourcing in these 18 schemes. At this slow pace of progress of the work, it is apprehended that the Company would not be able to achieve the desired results of shifting of meters outside the premises of consumers.

PSERC also observed (August 2014) that progress of execution of Non R-APDRP programme was very slow and inordinately delayed. On account of this failure, a one time penalty of ₹ 10 crore was imposed by PSERC.

The matter was referred to the Government (June 2014), their reply was awaited (October 2014).

3.3 Avoidable burden of interest due to delayed payments to Small Scale Industrial Undertakings

Failure of the Company to make timely payments of materials to small scale industrial units resulted in extra burden of interest of ₹ 47.81 Crore.

Punjab State Power Corporation Limited (Company) purchases its various requirements like distribution transformers and conductors from various Small Scale Industrial (SSI) Undertakings. Provisions of "The interest on Delayed Payments to Small Scale and Ancillary Industrial Undertakings Act, 1993" (Act) provided that the purchasers of goods and services from SSI Undertakings were to pay the amount on due date(s) failing which the buyer(s) were liable to pay interest which was 5 *per cent* higher than the highest lending rate or cash credit limit. This Act was replaced by a new Act 'The Micro, Small and Medium Enterprises Development Act, 2006" which raised the penalty to three times of the bank rate.

Audit observed that the Company was making delayed payments (since September 1992 to July 2005) to various suppliers after receipt of the material.

SSI units filed claims with the reference authority set up under the Act which gave its awards for payment of interest either on the amount agreed to by the Company or claimed by the SSI units where the amount of interest was not contested. Between March 2009 and January 2012 in 38 cases, against interest claim of ₹ 49.55 crore, claims for ₹ 47.81 crore were awarded against the Company.

The Company inspite of accepting creditors' claims, challenged all the cases in the District Court Patiala, by depositing ₹ 35.85 crore as 75 *per cent* of the awarded amount going against the advice (February 2011) of its Law officer.

Thus, the Company, despite being aware of the conditions of the Act of penalty for delayed payments to the SSI Undertakings did not make timely payments. It entered into litigation, deposited ₹ 35.85 crore with the Court out of ₹ 47.81 crore and shall incur further additional minimum liability of ₹ 8.72 crore.

While admitting the fact, the Management stated (August 2012 and July 2014) that the payments to suppliers in time would have resulted in delay in payments to other stake-holders such as Power suppliers, Coal companies, Railways, banks and Financial Institutions which could have caused even more serious problems. The reply of the Management is not justifiable because even after meeting all the prioritised liabilities, ample margin existed in the borrowing limit of PSPCL provided by the State Government.

The matter was referred to Government (April 2014), their reply is awaited (October 2014).

3.4 Avoidable payment of octroi

Due to delay of the Company to consider the desirability and take the decision to shift the Central Store to the available alternative site outside the jurisdiction of Cantonment Board, Ferozepur, it had to pay avoidable payment of octroi of ₹ 2.30 crore.

Punjab State Power Corporation Limited (Company) has one of its Central Store along with other offices[14] in the cantonment area of Ferozpur on a land leased from the Cantonment Board, Ferozepur. The material purchased by the Company for use in its field works is received from the suppliers at the Central Stores which make the payment of local taxes (i.e. octroi etc.), if leviable, at the time of receiving material. The State Government has abolished Octroi with effect from 1 September 2006, However, Cantonment Board, Ferozepur

[14] Operation City Division, Operation Circle, Protection and Maintenance Division, Protection Division, Grid Maintenance Division and a Residential Colony.

continued to levy and collect octroi in accordance with its bye-laws framed under the provisions of Section 66(2)[15] of the Cantonments Act, 2006.

Audit observed first in August 2009 that in view of changed circumstances, the Company should have considered the desirability to shift its Central Store outside the jurisdiction of Cantonment Board, Ferozepur to avoid payment of octroi. The Company initiated (September 2013) a proposal to shift this Central Store to other available site (33KV Substation FCI, Ferozepur) outside the jurisdiction of Cantonment Board, Ferozepur to avoid payment of octroi. However, the store is yet to be shifted (October 2014).

Thus, due to the delay in shifting the Central Store to the available alternative site outside the jurisdiction of Cantonment Board, Ferozepur, the Company made avoidable payment of octroi of ₹ 2.30 crore.[16]

The matter was referred to the Company and the Government in January 2014, their replies were awaited (October 2014).

3.5 Delay in initiating action for recovery

Delay in pursuing the case resulted in non-recovery of ₹ 2.20 crore.

Punjab State Power Corporation Limited (Company)) released (1979) a large supply (LS) connection to National Fertilizers Limited, Bathinda (NFL) with Connected Load (CL) and Contract Demand (CD) of 43,962.119 KW and 31,100 KVA respectively at supply voltage of 132 KV. During 1988, NFL installed 2 x 15 MW captive power plant in its premises and got increased the CL from 43,962.119 KW to 61,000 KW and CD from 31,100 KVA to 43,100 KVA. NFL had also installed two power transformers having capacity of 26.5 MVA each in its premises at that time. At the request of NFL, CD was reduced from 43,100 KVA to 33,000 KVA in April 2010

As per Electricity Sales Regulation No. 81.6.3 of the Company, the CD should not be less than the capacity of power transformer installed. Thus, CD of NFL should have been fixed at 53,000KVA (i.e. 26.5 MVA x 2) instead of 43,100 KVA with effect from April 1988. While reducing CD of NFL 43,100 KVA to 33,000 KVA in April 2010, the Company failed to take cognizance of these facts. In August/September 2010, the Chief Engineer (CE), Enforcement, Bathinda reported that the CD of NFL should have been fixed at 53,000 KVA instead of 43,100 KVA from 1988 and sent (September 2010) the case to CE (Commercial), Patiala for deciding the amount to be recovered from NFL. CE (Commercial) took more than two years to decide (October 2012) that

[15] As per section 66(2) of the Cantonments Act 2006, the Cantonment Boards are empowered to impose any tax which under any enactment for the time being in force may be imposed in any municipality in the State in which the Cantonment is situated.

[16] The amount had been worked out from August 2009 (Month of Audit observation) to October 2014.

necessary action in this case was required to be taken by the office of CE (Operation), West Zone, Bathinda, in accordance with standing instructions of the Company in this regard.

Audit observed that since the CD of NFL was less than the capacity of power transformer installed, monthly minimum charges (MMC) were chargeable to NFL. As per the applicable regulations, the MMC were leviable on CL basis (i.e. on KW basis) up to 31 August 2007 but with effect from 1 September 2007, the MMC were leviable on the basis of CD (i.e. KVA basis). Hence no MMC were chargeable up to 31 August 2007 as the CL of NFL was 61,000KW since 1988. But with effect from 1 September 2007, MMC were chargeable on CD basis, so MMC were recoverable from NFL for the period from 1 September 2007 to 31 March 2010. Further, reduction in CD of NFL in April 2010 from 43,100 KVA to 33,000 KVA was in order because such consumers can reduce CD with effect from 1 April 2010 as per the concerned regulations.

Audit further observed that despite instruction of CE (Commercial) and being repeatedly pointed out (May 2012, May 2013 and December 2013) by Audit, CE (Operation), West Zone, Bathinda did not initiate action for recovery of MMC from NFL. Management, intimated (June 2014) that an amount of ₹ 2.20 crore on account of MMC for the period from 1 September 2007 to 31 March 2010 has been charged and a notice has been issued (June 2014) to the consumer. However, NFL refused to pay this amount on the ground that PSPCL has never claimed this amount earlier at any stage (September 2007 to March 2010) and has approached Courts.

Thus, the delay in deciding the case of recovery of ₹ 2.20 crore allowed the consumer time to approach the Court and putting the recovery in doubt.

The matter was referred to the Government (February 2014), their reply was awaited (October 2014).

3.6 Avoidable loss

Failure of the system installed by BHEL, during warranty period and failure of operation staff in handling the situation resulted in avoidable expenditure of ₹ 1.91 crore on repair of the turbine.

The Repair & Maintenance (R&M) works of Unit III at GNDTP, Bathinda were taken up by Bharat Heavy Electricals Limited (BHEL) on 14 January 2010. The unit was commissioned on 7 December 2012. After six months and within the warranty period, the Unit tripped on 13 June 2013. The turbine was damaged due to oil starvation to its bearings. The turbine was got repaired and recommissioned on 5 September 2013 at a cost of ₹ 1.91 crore by the Company at its cost.

A Committee[17] constituted (June 2013) to investigate the cause of tripping and subsequent events that led to oil starving of turbine bearings, held BHEL as well as operation staff responsible for the damage of turbine due to systems and human failures. Disciplinary action for the human failure was initiated (January 2014) but no action has been initiated against BHEL so far (October 2014) for recovery of the repair cost incurred.

Thus, failure of the system installed by BHEL, during warranty period and failure of operation staff in handling the situation resulted in avoidable expenditure of ₹ 1.91 crore on repair of the turbine.

The matter was referred to the Company and the Government (June 2014), their replies were awaited (October 2014).

3.7 Irregular contribution

Contribution of ₹ 25 crore to Punjab State Cancer and Drug Addiction Treatment Infrastructure Fund was against the provisions of Government of Punjab, Department of Health & Family Welfare notification and the provisions of Companies Act, 1956.

Section 293(1)(e) of the Companies Act, 1956 restricts the power of the Board of Directors of a public company to contribute to charitable and other funds not directly relating to the business of the company or the welfare of their employees. The Company may contribute any amount the aggregate of which, within any financial year, does not exceed fifty thousand rupees or five *per cent* of its average profit during the three financial years immediately preceding, whichever was greater. Where the contribution is likely to exceed the aforesaid limit, the same must be done with the prior consent of the Company in a General Meeting.

For supporting the creation of infrastructure for cancer and drug addiction treatment and for the matters connected therewith and incidental thereto, Punjab Government constituted (9 April 2013) a fund through the Punjab State Cancer and Drug Addiction Treatment Infrastructure Fund Act, 2013 (Act). Under the provisions of Section 6 (c) of the Act read with Government of Punjab, Department of Health & Family Welfare notification dated 30 April 2013, the State PSUs/Board/Corporation/Apex Co-operative, Urban Local Bodies, Improvement Trust and Panchayati Raj Institutions could contribute two *per cent* or more of their income to the said fund if they were not running into losses.

Board of Directors (BoDs) of Punjab State Power Corporation Limited (Company) decided (May 2013) to contribute ₹ 25 crore to Punjab State

[17] Comprising of Chief Engineer, Guru Gobind Singh Super Thermal Plant, Ropar , Dy. Chief Engineer, Material Management-II, Guru Gobind Singh Super Thermal Plant, Ropar and Additional Superintending Engineer, Operation, Guru Hargobind Thermal Plant, Lehra Mohabbat,

Cancer and Drug Addiction Treatment Infrastructure Fund. The payment was made on 30 May 2013 to which *post-facto* approval of members of the Company was obtained (July 2013).

Audit observed that the Company had incurred loss of ₹ 1,639.77 crore during 2010-11 and ₹ 537.05 crore during 2011-12 and the annual accounts for the year 2012-13 were not finalised (audited). Being a loss making Company, its decision of contribution of ₹ 25 crore to the above Fund was against the provisions of the Act and not regularisable even through a post facto approval of its members.

The Management stated (July 2014) that PSPCL's contribution was for the cause of Drug Addiction Treatment and eradication of Cancer, both of which are the main issues of concern for people of the State.

The reply is not acceptable as the contributions were ultravires of the provisions of the Companies Act, 1956. The expenditure was disallowed by the PSERC vide their order dated 22 August 2014 on ARR 2014-15.

The matter was referred to the Government in June 2014, their reply was awaited (October 2014).

Punjab Financial Corporation

3.8 Implementation of One Time Settlement Policies

Extension of OTS Policy without the approval of State Government, less/non charging of interest, non-adherence to OTS Policy, irregular implementation, favour to a loanee unit and unjustified OTS to a defaulter resulted in loss of ₹ 163.47 crore.

Punjab Financial Corporation (Corporation) was set up (February 1953) under the State Financial Corporations (SFCs) Act, 1951 to provide financial assistance in the form of term loan and working capital term loan to Micro, Small and Medium Entrepreneurs in the State. Owing to financial constraints and non-availability of refinance from Small Industries Development Bank of India (SIDBI), the Corporation stopped the disbursement of loans in financial year 2005-06. Now, only recovery process for the outstanding loans is in operation.

As on 31 March 2008, the Corporation had outstanding loans amounting to ₹ 217.84 crore out of which loans worth ₹ 215.67 crore (99 *per cent*) were non performing assets (NPAs)[18]. The Corporation was running in losses since 1989-90 and its accumulated losses as on 31 March 2013 were ₹ 299.49 crore.

[18] NPA is a loan where interest and/or instalment of a principal overdue for a period of more than 90 days.

Audit observed that the Corporation did not evolve any system for obtaining and analysing the annual accounts of its loanee units for regular feedback about their financial health. In the absence of any such system, the Corporation could not take timely action under Section 29 of SFCs Act for taking over the possession of mortgaged assets of the defaulting loanee units. Subsequently some of the units got registered with the Board for Industrial and Financial Reconstruction (BIFR). Once an industrial unit is registered with BIFR, the provisions of the Act prevent the lending institutions/ creditors from taking any action[19] against the units. Consequent upon non evolving of effective monitoring system, the process of recovery of loans was not effective and the Corporation was left with no option but to cover most of the defaulting units under one time settlement (OTS) policies.

The management stated (June 2014) that the financial health of the units was analysed on the basis of balance sheets/ accounts maintained at the time of post sanction inspection of the units. The reply is not tenable as the annual accounts of the units were not received by the Corporation after disbursement of loans, in the absence of which the financial health of the defaulter units could not be analysed.

The State Government as well as the Corporation formulated the following OTS policies for settlement of outstanding NPAs.

3.8.1. OTS Policy 2009

The State Government notified (March 2009) an OTS Policy for settlement of loans categorised as NPAs as on 31 March 2008. The OTS amount was to consist of principal amount outstanding plus interest at concessional rates ranging from 4 to 12 *per cent* per annum from the date of disbursement to cut-off date. During the intervening period between the cut-off date and date of approval of OTS, interest at the rate of 13.20 *per cent* on the OTS amount was to be charged. The Scheme was open for receipt of applications from eligible units up to 30 May 2009 subsequently extended up to 16 February 2011. The Corporation further extended (December 2012) it up to 15 May 2013 without approval of the State Government.

The Corporation settled 467 cases under this policy. It recovered ₹ 91.67 crore (Principal ₹ 49.98 crore and interest ₹ 41.69 crore) against outstanding amount of ₹ 519.67 crore in terms of loan agreements, thereby sacrificing ₹ 428 crore. In the implementation of OTS Policy 2009, Audit noticed following irregularities:

3.8.1.1 Extension of OTS Policy without approval of the State Government

During the unauthorised extension period the Corporation settled outstanding dues of ₹ 171.71 crore of 81 loanee units (loans above ₹ 5 lakh) at ₹ 18.13 crore, foregoing ₹ 153.58 crore.

[19] Acquiring/selling off the assets of the unit, moving to the judiciary for recovery of dues, etc.

The Management stated (June 2014) that the Board of Directors was competent to take all decisions affecting the recovery and conducting the business of the Corporation. The Management reply is not acceptable as OTS policy 2009 was notified by the State Government and extensions to this policy were also approved by the State Government but the extension of December 2012 was done by the Corporation itself without Government orders.

3.8.1.2 Loss due to less charging/ non charging of interest

The OTS amount of the loanee units was calculated by charging interest at the rate of 10 *per cent* and 12 *per cent* per annum during the intervening period between the cut-off date and date of approval of OTS of the loanee units instead of 13.20 *per cent* per annum in accordance with OTS Policy, 2009. Audit noticed under charging of interest of ₹ 15.90 lakh in 82 cases.

Further, where the OTS amount was worked out to less than principal outstanding plus expenses but settled at principal outstanding plus expenses, the Corporation did not charge interest at the rate of 13.20 *per cent* on the OTS amount during the intervening period between the cut-off date and date of approval of OTS in contravention of OTS Policy, 2009. Non charging of interest on OTS amount in such 17 cases resulted in non-recovery of interest of ₹ 20.15 lakh.

The management replied (June 2014) that the rate of interest of 13.20 *per cent* was applicable only for recovery of settled amount and not for calculating the settlement amount which was the prior stage. The reply is not tenable as the concessional interest rate of 12 and 10 *per cent* per annum was to be applied on loan for calculation of OTS amount up to the cut off date i.e. the last due date of the loan account and the Corporation was to charge interest at the rate of 13.20 *per cent* per annum during the intervening period between the cut off date and the date of approval of OTS of the loanee units.

3.8.1.3 Non-adherence to OTS Policy resulting in undue benefit to a loanee unit

The Corporation disbursed (September 1995 to February 1998) a term loan of ₹ 90 lakh to M/s Sukhraj Agro Papers (P) Limited, Sangrur (unit) against land and machinery valuing ₹ 320.88 lakh as prime security and commercial cum residential building of ₹ 25 lakh as collateral security.

This unit defaulted in repayment of loans since inception. Notices u/s 29 of the SFC Act 1951 were issued in September 2006 and August 2007 but no action was initiated for taking over the assets of the unit. The unit was registered (December 2007) with BIFR and all action u/s 29 was thus stayed. Subsequently, the unit requested (12 March 2009) for settlement of the term loan under the OTS Policy 2009 and deposited (April 2009) ₹ 13.50 lakh as 15 *per cent* upfront payment of OTS amount. The OTS case of the unit was approved (8 July 2009) and the unit was directed to pay another 15 *per cent* upfront payment of OTS amount within one month and the balance 70 *per cent* in eight quarterly instalments against which payment of ₹ 13.50 lakh was

deposited by the unit in August 2009. The Unit requested (September 2009) making balance 70 *per cent* OTS amount in three years which was allowed on 29 March 2010. However, due to continuous default of OTS instalments and dishonouring of cheques, the Corporation cancelled (April 2012) OTS of the unit. The unit again requested (April 2013) the Corporation to consider the effective date of settlement as 29 March 2010 instead of 8 July 2009 and deposited (26-28 March 2013) ₹ 51.35 lakh as full and final payment of OTS amount against outstanding dues of ₹ 9.09 crore. The request of the unit was approved (5 April 2013) considering 29 March 2010 as effective date of settlement whereas it was only the date of permitting extension of one year from date of 8 July 2009 and not effective date of settlement of OTS. The Corporation issued (July 2013) 'No dues' certificate to the unit.

Thus, non initiation of timely action for taking over the unit, changing effective date of settlement and subsequent revival of cancelled OTS, despite there being no such provision in the OTS Policy 2009, resulted in extension of undue benefit of OTS to the unit and financial sacrifice of ₹ 8.58 crore by the Corporation.

The management replied (June 2014) that the change of effective date of settlement was within the competence of the settlement committee and within the provisions of the settlement policy. The reply of the management is not acceptable as no such provision for revival of the already cancelled OTS was there in the OTS Policy 2009 notified by the State Government.

3.8.2 OTS policy for units situated at Border District

The Corporation on the request of the Association of units of Border Area approved (December 2012) another OTS Policy for units situated in Border Districts (Amritsar, Gurdaspur, Fazilka, Ferozpur, Pathankot and Tarn Taran) valid up to 15 May 2013 under which the NPAs as on 31 March 2012 were to pay the outstanding principal plus expenses plus 6 *per cent* simple interest. The Corporation settled its outstanding dues of ₹ 118.56 crore of 29 units at ₹ 12.23 crore under this Policy with financial sacrifice of ₹ 106.33 crore.

Implementation of this policy disclosed the following:

3.8.2.1 Unjustified OTS to a defaulter despite FIR pending against the unit

The Corporation disbursed (May 2001) a term loan of ₹ 19.00 lakh to M/s City Agro Fuel Industries, Abohar (Unit) along with soft loan of ₹ 7.30 lakh for setting up a small scale unit against land, building, plant and machinery as prime security and agricultural land[20] as collateral security.

Because of continuous default in repayment of loans, the Corporation took over (August 2006) the assets of the unit along with collateral securities under Section 29 of SFCs Act. On noticing the entire plant and machinery removed,

[20] Measuring 38 kanal 7 marla at village Dodewala in Ferozpur District and 72 kanal 16 marla at village SarwanBodla in Mukatsar District.

the Corporation filed (January 2007) FIR against the promoters of the unit for missing machinery. The prime security (land and building) of the unit was put to auction twice in July and August 2008 for which the highest bid of ₹ 11.25 lakh was rejected and it was decided to readvertise the unit for sale after re verifying its value but no action was initiated. The collateral security was not put to auction at all. When the Unit applied (March 2009) for settlement under OTS Policy 2009, the Corporation declined (March 2009) OTS to the unit on the ground that complaint had been filed against the unit. The High Court of Punjab and Haryana rejected (August 2010) the petition for quashing of FIR on the ground that they had sold the machinery and mortgaged assets with a view to cheat and defraud the Corporation.

Despite the decision of the High Court of Punjab and Haryana and no change in the circumstances since declining of OTS to the unit in March 2009, the Corporation accepted (April 2013) the request of the unit of OTS under the OTS policy for units situated in Border districts and settled (26 April 2013) the outstanding dues of ₹ 1.55 crore of the unit at ₹ 0.44 crore resulting in extension of undue benefit of OTS to the unit amounting to ₹ 1.11 crore.

The management replied (June 2014) that the case was settled as per the eligibility of Border District cases policy and account stands adjusted as per OTS therefore settlement was justified. The reply is not acceptable as the OTS to the unit which had sold the machinery and mortgaged assets with a view to cheat and defraud the Corporation was not justified and in line with the decision of the Punjab & Haryana High Court.

Thus, the extension of OTS Policy without the approval of State Government, less/non charging of interest, non-adherence to OTS Policy, irregular implementation, favour to a loanee unit and unjustified OTS to a defaulter despite pending action against the unit resulted in loss of ₹ 163.47 crore.

The matter was referred to the Government (May 2014), their reply was awaited (October 2014).

Punjab Information and Communication Technology Corporation Limited

3.9 Allotment of Plots

Wrong interpretation of Court order and loss of opportunity to earn additional revenue resulted in financial disadvantage of ₹ 6.81 crore.

Punjab Information and Communication Technology Corporation Limited (Company) was established in March 1976 with the objective to develop and promote electronics and electrical industry. The Company is mainly engaged in allotment and transfer of plots for development of electronics and electrical industry in the State. The issues regarding allotment and transfer of plots have

been reviewed in audit for the years from 2011-12 to 2013-14. Scrutiny of allotment/ transfer cases disclosed the following:

3.9.1 Loss due to incorrect interpretation of Court order

The Company allotted (January 2011) six plots, each measuring 4,300 square yards, to six firms[21] in Sector 67, IT Park, Mohali under 'Off-the-Shelf Scheme' of Land Allotment Policy, 2008. It received ₹ 19.52 crore from allottee firms covering payment of initial amount and allotment money.

While passing an order in a Public Interest Litigation (PIL)[22], Punjab and Haryana High Court (Court) observed (December 2011) that transparent methodology was not developed for inviting applications from all the eligible persons and stayed (December 2011) further allotment of plots in pursuance of the aforesaid policy. In case of already allotted plots, it directed to maintain status quo.

The Company without considering the decision of the court cancelled (February/March 2012) the allotment of plots and refunded the amount of ₹ 19.52 crore along with interest of ₹ 2.06 crore. Aggrieved with the decision of the Company, all the six-allottees filed writ petitions in Court against cancellation of their plots. The Court ordered (July 2013) the annulment of cancellation orders in view of its decision dated December 2011. Management stated (March/August 2014) that the Company was issuing restoration letters to the allottees as per order of the Court and that they would recover the amount paid to the allottees along with interest thereon besides interest refunded amounting to ₹ 2.06 crore. However, neither the Company issued restoration letters to the allottees, nor received any money so far (October 2014).

Audit noticed that the decision of the Company to cancel the allotment of plots and refund the money received was not in consonance with the decision of the Court. Consequently the Company suffered a loss of interest of ₹ 5.74 crore[23].

3.9.2 Loss of opportunity to earn additional revenue

The Company allotted a plot on lease to manufacture electronic component. The allottee was not to transfer rights in the plot without prior written permission of the Company and was also required to commence production within 2 years and in case of failure, an extension fee was payable for 3rd and 4th year at five *per cent* and seven and a half *per cent* respectively of the cost of plot. Extension beyond 4 years was not to be granted. On the expiry of fourth year the plot was to be automatically cancelled and resumed by the Company. The transferee failed to submit proof of commencement of

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[21] Netsmartz LLC, Matrix Processing House, Giga Net Technologies Private Limited, Scott EdilInfortech Private Limited, Shalimar Estates Private Limited and Alpha Technologies USA Inc.

[22] CWP No. 23112 0f 2010 and CWP No. 4308 of 2011 titled Manav SamajSewa Swasth Sangthan versus State of Punjab and others.

[23] (₹ 19.52 crore + ₹ 2.06 crore) x 11 *per cent* per annum x 29 Months (March 2012 to July 2014)

production up to the maximum permissible project implementation period i.e November 2007. The Company, however, did not initiate any action to cancel the transfer and resume the plot.

The State Government notified (April 2008) a new Land Allotment Policy which allowed additional time period of one year from the expiry of last permissible/extended time period or five years whichever was later to previous allottees/transferees on the payment of prescribed extension fee. This additional period of one year was subsequently extended (August 2010) by two years.

Meanwhile, the transferee submitted (June 2009) a registration certificate in the name of another firm[24] operating from the plot. After expiry of maximum permissible project implementation period i.e. November 2010, the Company failed to take action for cancellation of transfer and resumption of plot. Instead the Company asked (30 April 2013) the transferee to pay outstanding dues of ₹ 13.69 lakh towards extension fee for the period from 5 August 1999 to 20 November 2003 and 20 November 2005 to 30 November 2012. Instead of depositing the extension fee, the transferee issued (November 2013) a legal notice for cancellation of this demand on the ground that the transferee has already commenced production on the plot. The Company observed (16 December 2013) that this was an attempt to try and take advantage of registration certificate submitted (June 2009) by the transferee as proof of commencement of production. Which could not be accepted because another firm was a separate legal entity independent of the transferee irrespective of her shareholding in the said firm. The firm filed (14 January 2014) claim petition before the Managing Director cum Sole Arbitrator of the Company, which was dismissed (1 April 2014).

Thus, laxity on the part of the Company in resumption of plot after 20 November 2007 for failure of commencement of production and further upon expiry of maximum permissible project implementation period in November 2010, not only resulted in loss of opportunity to earn additional revenue of ₹ 1.07 crore[25] but also in unnecessary litigation

The management stated (August 2014) that the period of commencement of production was extendable up to November 2011 and as such the plot could not be cancelled in 2007. Reply is not justifiable as the period of four years allowed initially expired in November 2007 and the extended period expired in November 2010 but the company did not initiate any action against the allottee/ transferee for resumption of the plot. The fact remained that the Company failed to resume the plot and lost the opportunity to earn additional revenue of ₹ 1.07 crore.

Thus, wrong interpretation of Court order and loss of opportunity to earn additional revenue resulted in financial disadvantage of ₹ 6.81 crore.

[24] G. S. Electronics Private Limited

[25] 1,075 square yards x current reserve price of ₹ 10,000 per square yards

The matter was referred to the Government (June 2014) their reply was awaited (October 2014).

Punjab State Bus Stand Management Company Limited

3.10 Cash management

Non-recovery of amounts on account of free/concessional travel services, delay/non recovery of advances from oil companies, non-compliance of Accounting Rules & Procedures and distinct directives affected cash management decisions to the disadvantage of the Company to the extent of ₹ 5.86 crore.

Punjab State Bus Stand Management Company Limited (Company) was incorporated (March 1995) with the main objective to take bus stands on lease as well as to control, manage and construct modern bus stands in the State of Punjab apart from carrying on business of running and operation of commercial vehicles on the existing and new permits of Punjab Roadways. The Company operated 926, 1,050 and 1,058 buses during 2011-12, 2012-13 and 2013-14 respectively.

Table below summarises the position of revenue receipt, revenue expenditure, bank balances and loans from banks during the years 2010-11 to 2012-13:

(₹ in crore)

	Particulars	2010-11	2011-12 (provisional)	2012-13 (provisional)
A	Revenue from operations	339.42	319.32	401.79
B	Expenditure	334.95	318.59	392.72
C	Profit (+) / Loss (-) before Tax	4.47	0.73	9.07
D	Bank Loans & other loans	49.03	57.68	42.19
E	Cash & Bank Balances	16.75	15.63	24.28
F	Amount recovered/book adjustment on account of free/ concessional transport facilities	28.30	26.03	64.83
G	Debt Equity Ratio	0.87:1	1.03:1	0.75:1

Cash management in the Company has been reviewed in audit for the years 2010-11 to 2013-14 and showed the following:

Free/concessional transport services

3.10.1 As per the standing instructions of the State Government, the Company as well as Punjab Roadways provides free/concessional travelling services to various departments of the State Government, for which the claims for reimbursement are raised with the concerned departments on quarterly basis

including unrecovered amount up to previous quarter. The income from free/concessional transport facility is credited and accounted for on cash basis/book adjustment in the accounts of Punjab Roadways and thereafter it is apportioned on the basis of number of buses operated during the year by the Company and Punjab Roadways.

Audit observed that an amount recoverable from various departments on account of free/ concessional travel services for the period from 2004-05 to 2013-14 has accumulated to ₹ 56.01 crore as the payments were not being received on year to year basis. The Company's share in this worked out to ₹ 51.08 crore[26], non-recovery of which resulted in loss of interest of ₹ 3.99[27] crore. Of these ₹ 56.01 crore, Punjab Roadways received (upto September 2014) ₹ 29.26 crore through book transfers/sanctions, which were, however, yet to be apportioned)**.** The Company/Government should frame a policy for timely payment of compensation for these free/ concessional transportation services to safeguard the financial interest of the Company.

The Management while accepting the audit contention stated (September 2014) that for recovery of pending amount, the matter has been taken up with the concerned departments.

Delayed/non recovery of advances given for purchase of high speed diesel

3.10.2 Government of India decided (January 2013) not to provide subsidy on bulk supply of diesel to bulk purchasers. As such the Company decided (19 January 2013) to discontinue the bulk purchase of HSD from Indian Oil Corporation and Hindustan Petroleum Corporation Limited. The Management decided (March 2013) to get refund of advances given to them.

Audit observed that out of advances of ₹ 2.20 crore(made by 17 depots) to IOC and ₹ 19.62 lakh (by one depot) to HPCL, the Company could recover ₹ 2.14 crore (in respect of 13 depots) from IOC during May 2013 to August 2014 after delays ranging between 55 days to 522[28] days leaving ₹6.06 lakh unrecovered in respect of 6 depots. The Company recovered ₹ 19.62 lakh from HPCL in August 2014. Non recovery of oil advances from oil companies resulted in loss of interest of ₹ 18.88[29] lakh to the Company.

The Management stated (September 2014) that concerned depots have been instructed to recover the loss of interest from the concerned oil companies.

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[26] Calculated on the basis of number of buses of Punjab Roadways and the Company

[27] Calculated at the rate of 10.20 *per cent* per annum (the. minimum rate of interest on purchase of buses)

[28] Calculated from 1.03.2013 (after allowing reasonable period of 41 days from the date of decision for effecting recovery of advances from oil companies) to date of receipt

[29] Calculated at the rate of 10.20 *per cent* (i.e. minimum rate of interest on purchase of buses), from 1.03.2013 to 31.05.2014.

Non-compliance of Accounting Rules & Procedures

Loss of interest due to keeping funds in current account

3.10.3.1 Rule 8.3.4 (ii) of Company's Accounting Rules and Procedure provides for transfer of funds from depot level bank accounts to head office level bank accounts and vice versa through e-banking system for optimal utilisation of funds and placement of surplus funds in term deposit / flexi deposit account. Further, Government of Punjab, Department of Finance instructed (May 2008) all the PSUs not to keep any money in current account, particularly when so many flexi options were available. For loss of interest the Managing Directors of the PSUs were to be held personally liable.

During scrutiny of records of the Head Office and depots of the Company for the years 2010-14, Audit noticed that the district offices were maintaining current accounts with banks for funds transferred from head office for meeting expenses and keeping average daily balances ranging between ₹ 19.70 lakh and ₹ 82.79 lakh during 2010-11, ₹ 15.99 lakh and ₹ 100.64 lakh during 2011-12, ₹ 20.98 lakh and ₹ 152.13 lakh during 2012-13 and ₹ 44.57 lakh and ₹ 168.12 lakh during 2013-14[30] which resulted in loss of interest of ₹ 112.60[31] lakh.

The Management stated (September 2014) that only current account can be opened in the name of the Company and flexi account facility was available with saving bank account and also stated that Head Office transferred funds to depots on fortnightly basis and higher balances shown pertain to those days, which were consumed by the depot within 2-3 days from the date of transfers. The reply is not acceptable as loss of interest has been worked out on the basis of average daily balances of the bank account. The need for having flexi arrangement with the banks had also been regularly pointed out by the internal auditors in their report to the Company. It was also noticed that the Company was already having an flexi/autosweep current account with Oriental Bank of Commerce upto June 2013.

Loss of interest due to delay in depositing cash in bank and retaining of funds by banks at depot level

3.10.3.2 As per Rule 8.1.2, of the Accounting Rules and Procedures, all revenue funds collected at the depot level were to be deposited in the banks which in turn were required to transfer the same in the bank account at Head Office of the Company at Chandigarh.

During scrutiny of records of the Head Office and Depot Offices for the years 2010-14**,** Audit observed that average daily funds ranging between ₹ 4.40 lakh and ₹ 24.67 lakh during 2010-11, ₹ 5.71 lakh and ₹ 33.64 lakh during 2011-12, ₹ 4.30 lakh and ₹ 67.99 lakh during 2012-13 and ₹ 18.42 lakh and ₹ 57.98 lakh

[30] In respect of Chandigarh, Ludhiana, Pathankot, Jalandhar I & II depot offices only

[31] Calculated at the rate of 4 per *cent* per annum applicable to saving bank accounts (2010-11 : ₹ 27.39 lakh, 2011-12 : ₹ 28.59 lakh, 2012-13 : ₹ 39.36 lakh and 2013-14 : ₹ 17.26 lakh).

during 2013-14[32] were kept in depots in violation of the instructions ibid, resulting into loss of interest of ₹ 34.22[33] lakh.

Further, in accordance with decision (May 2006) of the Company, all the funds above ₹ 5,000 were to be transferred from the bank accounts at the depots level to the bank account at the Head Office level on daily basis at par.

Audit, however, observed that funds deposited in bank accounts at depots were not transferred to bank account of Head Office on daily basis. The banks retained average daily balances in collection account ranging between ₹ 5.45 lakh and ₹ 46.96 lakh during 2010-11[34], ₹ 3.06 lakh and ₹ 40.40 lakh during 2011-12 and ₹ 1.49 lakh and ₹ 14.13 lakh during 2012-13, which showed improper financial planning of the Company.

The Management stated (September 2014) that cash book balances pertain to the funds transferred from Head Office to depots for various payments on fortnightly basis and operational receipts were deposited by the depots in bank once in a day. Reply is not acceptable as depots were required to deposit all revenue funds collected at depot level in banks which was not being done and loss of interest has been worked out on the basis of average daily balances of the bank accounts.

Utilisation of revenue receipts for payments of expenditure

3.10.3.3 As per Rule 8.1.3 of the Accounting Rules and Procedures, for day to day expenses, funds were to be provided by the head office to the concerned Depot Manager and Depot Managers were not to utilise the cash from revenue received. All revenue funds collected at the depots level were to be deposited in the banks which in turn were required to transfer the same in the bank account at Head Office of the Company.

In test check of cash books of five selected depots[35] of the Company, Audit observed that in Ludhiana depot funds ranging between ₹ 14.31 lakh and ₹ 78.47 lakh were utilised from the revenue receipt during September 2013 to March 2014 for making payment of taxes, repair, diesel, petrol and temporary advances to employees. Further, revenue receipts of ₹ 1.19 crore by Jalandhar I depot and ₹ 2.38 crore by Pathankot depot were utilised for purchase of diesel for buses of Punjab Roadways during 2013-14 which was adjusted after passing and payment of bill.

The Management while admitting the facts stated (September 2014) that Head Office had issued strict instructions to all the General Managers/Depot Managers not to spend even a penny out of receipt.

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[32] In respect of Chandigarh, Ludhiana and Jalandhar I depot offices only

[33] Calculated at the rate of 4 *per cent* per annum applicable to saving bank accounts (2010-11: ₹ 7.57 lakh, 2011-12: ₹ 9.53 lakh, 2012-13: ₹ 12.75 lakh and 2013-14: ₹ 4.37 lakh).

[34] Excluding Amritsar I & II depot for the year 2010-11

[35] Chandigarh, Ludhiana, Jalandhar I & II and Pathankot depot

Avoidable payment of bank charges

3.10.4 In accordance with decision (May 2006) of the Company, at par facility for transfer of funds from the field offices to Head Office and vice versa, the issuance of pay orders and drafts, was to be taken from the banks. However, from the scrutiny of records it was noticed that the matter was not taken up with the banks at the depot level to have this facility. Consequently, the banks charged ₹ 21.07 lakh during 2010-11 to 2012-13 on transfer of funds from field offices to bank account at head office, resulting in loss to that extent to the Company.

The Management while admitting the facts stated (September 2014) that the matter was taken up with the banks and remittance charges are being reversed.

Thus, non-recovery of amounts on account of free/concessional travel services, delay/non recovery of advances from oil companies, non-compliance of Accounting Rules & Procedures and distinct directives affected cash management decisions to the disadvantage of the Company to the extent of ₹ 5.86[36] crore.

The matter was referred to the Government (June 2014), their reply was awaited (October 2014).

3.11 Loss of opportunity to earn revenue

Despite an enabling clause in the agreement, failure of the Company to offer their subsequently purchased new buses to the contractor for displaying advertisement resulted in loss of opportunity to earn revenue of ₹ 67.36 lakh.

Punjab State Bus Stand Management Company Limited (Company), on the basis of competitive bidding, entered (April 2011) into an agreement for sale of rights to display advertisements on its fleet of buses for a period of three years commencing from 25 April 2011 at the following rates:

Table 3.1.3

Sl. No.	Type of buses	Rate per bus per quarter (₹)
1	A Type	2,000
2	B type, HVAC, Integral Coach AC buses (LEXIA) and Super Integral Coach AC buses	3,600

Clauses 12 and 17 of the agreement provided that in case there was any increase over and above the contracted fleet strength and the same was offered

[36] ₹ 3.99 (3.10.1) + ₹ 0.19 (3.10.2) + ₹ 1.13 (3.10.3.1) + ₹ 0.34 (3.10.3.2) + ₹ 0.21 (3.10.4)

by the Company to the contractor for use for advertisement, whether utilised or not, the contractor was liable to pay additional charges per bus in addition to the contracted fleet strength.

Audit observed (January 2014) that the Company purchased and put in operation 243 new buses (B type: 210, HVAC: 25 and Super Integral Coach: Eight) during December 2011 to May 2012 but did not offer (till 31 March 2014) these buses to the contractor for displaying of advertisement which resulted into foregoing of opportunity to earn additional revenue of ₹ 67.36 lakh.

Management, while accepting Audit contention, stated (May 2014) that on the recommendations of the departmental committee, the Company has decided (February 2014) to display advertisements on the new buses purchased during December 2011 to May 2012.

The matter was referred to the Government (February 2014), their replies was awaited (October 2014).

Punjab Agro Foodgrains Corporation Limited

3.12 Excess Payment

Excess payments to three artiahs by manipulating accounting books resulted into financial loss of ₹ 3.83 crore.

Punjab Agro Foodgrains Corporation Limited (Company) procures wheat/paddy from farmers in the State for the central pool on behalf of the Government of India from mandis through Artiahs[37]. Payment to farmers is being made through Artiahs. Reconciliation of purchases with reference to payments made there against is carried out at the end of each procurement season.

Scrutiny of records of the Company showed that during 2008-12, the district office Tarn Taran had misappropriated ₹ 4.39 crore (2008-09: ₹ 0.32 crore, 2009-10: ₹ 1.09 crore, 2010-11: ₹ 1.39 crore and 2011-12: ₹ 1.59 crore) by making excess payments to three[38]artiahs on account of cost of grains, bonus and artiah commission by manipulating accounting books. It was noticed that purchase, sale and bank accounts were reconciled by booking these payments into other accounts without supporting documents. Artiahs accounts were, however, not maintained.

Excess payment of ₹ 1.59 crore made during 2011-12 had been recovered in July 2013 and ₹ 0.50 crore in April 2014 from excess payment made during

[37] Artiah – A middleman in the grain market between farmer/seller and purchaser\procurement agency.

[38] M/s Hans Raj KharetiLal, Patti; M/s Kisan Trading Company, Patti and M/s Kisan Trading Company, Khemkaran

2008-11. However, action to recover balance excess payment of ₹ 2.30 crore with interest on excess payment was not initiated. This has resulted in financial loss of ₹ 3.83 crore (₹ 2.30 crore excess payments made and Loss of interest of ₹ 1.11 crore thereon plus interest of ₹ 0.42 crore[39] on ₹ 1.59 crore recovered in July 2013 and ₹ 0.50 crore recovered in April 2014).

The Company had charge sheeted (September and October 2013) its officials responsible for the excess payments made fraudulently during 2011-12. Action for recovering excess payments of ₹ 2.30 crore (out of ₹ 2.80 crore) made during 2008-11 had neither been initiated nor any company official have been held responsible. Further, no action has, been initiated against the artiahs so far (May 2014) for which reasons were not found on record produced to Audit.

Management while admitting Audit contention stated (May 2014) that ₹ 0.50 crore has been recovered from the artihas during April 2014. The facts, however, remain that an amount of ₹ 3.83 crore (including interest of ₹ 1.53 crore) was still to be recovered.

The matter was referred to the Government (January 2014), their reply was awaited (October 2014).

Punjab State Grains Procurement Corporation Limited

3.13 Loss due to waiver/non incorporation of penal interest clause

Failure of the Company to take up the matter with the State Government for making a provision of compensation in lieu of waiver/non incorporation of penal interest clause for extended/delayed period of milling of paddy and delivery of rice for KMS 2010-11 and 2011-12 resulted in financial loss of ₹ 415.50 crore.

Punjab State Grains Procurement Corporation Limited (Company) procures paddy for the central pool on behalf of Government of India (GOI). After getting the paddy milled from the rice millers in the State, the Company delivers the rice to the Food Corporation of India (FCI). The Company avails of cash credit from the bank to manage procurement, storage and delivery of foodgrains, till it gets its reimbursement from FCI.

The Custom Milling Policies (CMP) and Draft Agreements with the millers for the Kharif Marketing Season (KMS) 2010-11 and 2011-12 issued in September 2010 and September 2011 respectively by the State Government required the millers to deliver the rice as per the following schedule:

[39] It has been upto August 2013 and calculated by the Company itself. It includes ₹0.50 crore received during April 2014.

Table 3.1.4

Month	Percentage of delivery	
	2010-11	2011-12
October	5 *per cent*	5 *per cent*
November to February	20 *per cent* each month	15 *per cent* each month
March	15 *per cent*	15 *per cent*
April & May	-	5 *per cent* each month
June	-	10 *per cent*

On the requests of the State Government, GOI extended the delivery period of rice from time to time up to 30 June 2012 and 31 December 2012 for the KMS 2010-11 and 2011-12 respectively. As a result the milling operations for KMS 2010-11 and 2011-12 continued up to June 2012 and December 2012.

CMP for KMS 2010-11 provided that in case of failure to adhere to the above mentioned schedule, interest at the rate of 12 per cent of the cost of rice less delivered was to be charged by the Company from the millers for the period of delay. The State Government dispensed with (October 2010) this penal interest clause, however, without making any provision for compensating the procuring agencies for their liability of interest on cash credit during the delayed/extended period of milling of paddy and delivery of rice. Further, in CMP for 2011-12 approved (September 2011) by the State Government, the penal interest clause was not incorporated.

Audit observed (January 2013) that in order to safeguard its financial interest, the Company should have taken up the matter with the State Government for making a provision of compensation in lieu of waiver/non incorporation of penal interest clause for the delayed/extended period of milling of paddy and delivery of rice due to Government directions in CMP for KMS 2010-11 and 2011-12. However, the Company did not initiate any action in this regard. Consequently, the Company had to bear additional burden of interest of ₹ 415.50 crore for the delayed/ extended period of milling of paddy and delivery of rice, resulting in financial loss to that extent.

The matter was referred to the Company and the Government (February 2014), their replies were awaited (October 2014).

3.14 Loss due to non-recovery of transportation charges

Failure of the Company to recover cost element of transportation of paddy up to 8 Kms included in milling charges from the millers resulted in financial loss of ₹ 103.01 crore to the Company.

Punjab State Grains Procurement Corporation Limited (Company) is one of the five State procuring agencies. The Company procures paddy from mandis on behalf of Government of India (GoI) for central pool and gets the paddy

milled as per the Custom Milling Policy (CMP) of the State Government for onward delivery of rice to Food Corporation of India (FCI). FCI reimburses all the elements of cost of rice to the Company at the rates fixed by GoI. As per CMP of each crop year, paddy procured is stored in the premises of the allotted rice mills and remain in joint custody of the Company and the rice millers till its conversion into rice.

Non-recovery of transportation charges from millers by the Company for the years 2003-06, in respect of seven selected districts was reported vide Para 2.9 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2008-Government of Punjab. The Committee on Public Undertakings (COPU) in its meeting held on 13 October 2009 while discussing Para 4.2 of Audit Report 2006-07, relating to the issue, in respect of Punjab State Civil Supplies Corporation, desired that the transportation charges be recovered from the millers and intimated to the Committee. Further, on receiving a number of references in regard to transportation charges included in milling charges, Ministry of Food, Consumer Affairs and Public Distribution, GOI clarified (June 2006) that milling charges of ₹ 15/- per quintal for raw rice and ₹ 25/- per quintal for parboiled rice were inclusive of transportation charges of ₹ 5/- for transportation of paddy as well as rice up to 8 kms from the mills. It was also clarified (June 2007) that if paddy was directly delivered from mandi/purchase centres to mills, reference point for taking into account of 8 kms for transportation of paddy would be taken as mandi/ purchase centre. FCI reiterated (July 2013) that expenditure for transportation of paddy from purchase centres/ mandis to mills up to 8 Kms had to be borne by the millers as this was inbuilt in the milling rates itself.

Scrutiny of records disclosed that during the years 2006-13, the Company incurred an expenditure of ₹ 103.01 crore on transportation of paddy within 8 kms from mandis/ purchase centres to millers' premises. The Company, however, did not recover the transportation charges from the millers despite clarification given by Government of India and recommendation made on a similar case by COPU.

Thus, non-recovery of transportation charges from millers, resulted in loss of ₹ 103.01 crore to the Company.

In its reply, Management stated (July 2014) that it was not possible for them to recover the amount already paid to the millers. Reply is not justifiable as payments to millers were made by ignoring the orders of GoI/FCI and recommendation of COPU in this regard.

The matter was referred to the Government in March 2014, their replies was awaited (October 2014).

Punjab Small Industries & Export Corporation Limited

3.15 Short Recovery of enhanced land compensation

Incorrect calculation of enhanced land compensation has resulted in loss of ₹ 87.64 lakh.

Punjab Small Industries & Export Corporation Limited (Company) allots plots at its industrial focal points (IFPs) at the prevailing reserve price. If subsequently any enhancement is paid by the Company for land acquisition, it is recovered from the allottees of the plots as per the terms of the allotment along with interest at the rate of 15 *per cent* per annum.

During 1992-93, the Company acquired land at the rate of ₹ 2 lakh per acre and ₹ 1.75 lakh per acre for setting up IFP, Amritsar (Expansion). It allotted industrial plots @ ₹ 94 per square yard (PSY). The land owners being not satisfied with the award approached Courts and were awarded (September 2004 to October 2005) enhanced land compensation from ₹ 1.75/ 2.00 lakh per acre to ₹ 4.84 lakh per acre. The Company translated the award into new land cost @ ₹ 294 PSY as on October 2007. but the demand was calculated by December 2011 and demand letters issued (February 2012) for payment of ₹ 355 PSY which included the enhanced cost payable and component of interest at the rate of 15 *per cent* per annum from October 2007 onwards on the original cost of allotment of ₹ 94 PSY instead of the now arrived cost of ₹ 294 PSY.

During test check of case files of 39 allottees, Audit observed (December 2013) that the calculation of interest claimed was not correct. It undercharged demand by ₹ 130 (₹ 191[40] - ₹ 61[41]) PSY on enhanced land compensation from these allottees of total area of 67,418 square yards**.** There was thus under claiming of ₹ 87.64 lakh[42] from the allottees.

The Company stated (June 2014) that simple interest is charged while preparing cost sheet for recovery of cost of plots in various focal points. Hence interest has been charged on ₹ 94 PSY and the amount of ₹ 294 PSY has emerged after adding simple interest for the period from March 1993 to October 2007.

The reply of the Company is not justifiable as after the Company calculated the demand of ₹ 294 PSY from allottees as on 31 October 2007, the interest for period beyond 31 October was to be charged on that amount i.e ₹ 294 PSY only.

The matter was referred to the Government (March 2014), their reply was awaited (October 2014).

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[40] ₹ 294 PSY *15% * 1582/365
[41] ₹ 94 PSY *15% * 1582/365
[42] 67,418 square yards x ₹ 130

Punjab State Civil Supplies Corporation Limited, Punjab Agro Foodgrains Corporation Limited and Punjab State Warehousing Corporation

3.16 Implementation of the Atta Dal Scheme in the State

Wheat of centrally sponsored schemes diverted towards the Atta Dal scheme and non-release of the subsidy claims of the State procuring agencies, led to diversion of funds from cash credit limits availed for procurement of foodgrains for central pool.

To provide food to poor families of the state whose annual income was less than ₹ 30,000/-, the Government of Punjab introduced (March 2007) a scheme named the Atta Dal Scheme (ADS). The scheme provided 35 kg wheat and 4 kg dal (pulses), subsequently reduced (2009) to 25 kg wheat and 2.5 kg dal, per family per month at the subsidised rate of ₹ 4 per kg of wheat and ₹ 20 per kg of dal. The Director, Food and Civil Supplies & Consumer Affairs (DFSC), Government of Punjab identified 13.58 lakh targeted families on the basis of survey conducted (March/May 2007), out of which 4.68 lakh families were already covered under the Antyodaya Anna Yojna (AAY) and Below Poverty Line (BPL) schemes of the GOI. The Government of Punjab again identified and increased (2009 and 2011) the beneficiaries to 15.41 lakh families (including 1.19 lakh BPL families and 0.59 lakh AAY families also covered under Targeted Public Distribution System) for ADS.

The deficiencies in the implementation of Atta Dal Scheme were discussed in the Report of the Comptroller & Auditor General of India (No. 4) (Commercial) – Government of Punjab for the year ended 31 March 2011[43] wherein major issues i.e. deterioration of wheat stock, diversion of wheat allocated for centrally sponsored scheme and inadequate state budgetary support were pointed out. Implementation of the Atta Dal Scheme has now been reviewed for the years 2010-11 to 2013-14. Scrutiny of records disclosed the following.

3.16.1 Diversion of wheat allotted for the centrally sponsored schemes and deterioration/non-distribution of wheat

For the implementation of the ADS, the procuring agencies[44] procure wheat from the mandis under the ADS as State pool wheat. Director, Food and Civil Supplies & Consumer Affairs (DFSC), Government of Punjab allocates wheat and dals to the ration depot holders for distribution to the identified beneficiaries. PUNSUP was designated as nodal agency by the State Government for ADS as well as for the centrally sponsored schemes i.e. Antyodaya Anna Yojna (AAY), Below Poverty Line (BPL) and Above Poverty Line (APL) under the TPDS.

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[43] Paragraph no. 3.10

[44] Punjab State Civil Supplies Corporation Limited (PUNSUP), Punjab State Warehousing Corporation (PSWC), Punjab Agro Foodgrains Corporation Limited (PAFCL), and Punjab State Co-operative supply and Marketing Federation Limited (Markfed). However, Markfed is not under the Audit jurisdiction.

Public Distribution System (Control) Order 2001 issued by the Government of India (GOI) in August 2001 specifically mentioned that the State Government should not divert the allocations made by the Centre Government for distribution under the TPDS. Further, it was instructed by Food Corporation of India that allocated quantity of foodgrains from the central pool meant for a particular scheme may not be diverted to any other scheme.

Audit observed that PUNSUP continued to divert APL and BPL wheat of the TPDS towards ADS and diverted 6.36[45] lakh MT wheat valuing ₹ 613.54 crore[46]. This had resulted in violation of the standing instructions of the GOI. The Committee on Public Undertaking (COPU) in its meeting held on 4 July 2014 noted that diversion of wheat of TPDS towards ADS violated the instructions of GOI and directed that such diversion should be made only after prior approval of GOI and that too only in emergent cases. Audit also observed that wheat stock of 8,314 MT valuing ₹ 20.37 crore of crop year 2008-09 and 2009-10 of PAFCL procured under ADS was not distributed and was lying in damaged condition. Further, 17,813 MT wheat valuing ₹ 30.29 crore of crop year 2013-14 of PUNSUP was also not distributed which remained blocked since the last 12 months which could have been distributed under ADS. PAFCL stated (July 2014) that wheat stock got damaged as these were not moved out and there was no fault on the part of PAFCL. Further, damaged wheat is being categorised and would be disposed off by committee constituted by DFSC, Punjab. The fact remains that wheat stock valuing ₹20.37 crore was not distributed for long and was ultimately damaged.

PUNSUP while admitting the facts stated (September 2014) that there was no diversion of wheat at the level of PUNSUP. Distribution was made as per allocation of DFSC, Punjab and PUNSUP was bound to follow the instructions/directions of its administrative department.

3.16.2 Procurement and distribution of dal

No policy was framed by DFSC, Punjab/PUNSUP regarding adjustment of deficient distribution of monthly allocation of dal to beneficiaries in the succeeding months. During 2011-12 to 2013-14 (upto September 2013) dal were not procured and distributed during 13[47] months out of 30 months due to non release of funds to PUNSUP by the State Government. Thus, PUNSUP could distribute only 42,827 MT dal against the allocated quantity of 92,849 MT dal under ADS defeating the basic purpose of the ADS formulated for poor families. However, wheat was distributed on monthly basis during the said period.

It was also noticed that in 15 districts**,** 2,965 MT dal were distributed against allocated quantity of 2,239 MT dal in the month of September 2011. Thus, 731 MT of dal valuing ₹ 1.45[48] crore was shown as distributed in excess of the

[45] 0.67 lakh MT in 2010-11, 2.13 lakh MT in 2011-12, 2.03 lakh MT in 2012-13 and 1.53 lakh MT in 2013-14{upto November 2013} from 2010-11 to November 2013

[46] Differential cost of wheat diverted after adjusting the price of APL and BPL wheat paid to FCI.

[47] May 2011 (1), April 2012 to September 2012 (6) and January 2013 to June 2013 (6)

[48] 731 MT * ₹ 19840 per MT

monthly allocation in respect of these districts, without any reasons on records.

PUNSUP stated (September 2014) that policy/ guidelines for ADS are being framed at the level of DFSC, Punjab and also stated that sale of pulses exceeded because the date of distribution of August 2011 quota was extended upto 15th September 2011 by DFSC, Punjab. Reply is not acceptable as extension was given without any policy framed by DFSC, Punjab in August 2011. The reply is also to be viewed in the light of the fact that during the period April 2011 to September 2013, the actual distribution of dal was less than monthly allocation, except during the month of September 2011.

3.16.3 Non release of differential cost of the Atta Dal Scheme by the State Government

As on 31 March 2011 ₹ 1,127.37 crore (₹ 208.06 crore pertained to Markfed) were recoverable from the Government of Punjab on account of differential cost of ADS. Government ordered (April 2012) to release ₹ 50.00 crore per month from June 2012 onwards on account of outstanding amount of subsidy under the ADS but eventually no amount was released by the State Government. Finance Department, Government of Punjab, expressed (February 2013 and December 2013) its inability to release subsidy under the ADS. The claim of subsidy had mounted to ₹ 1,814.62[49] crore as on 31 March 2014.

Audit observed that PUNSUP, PAFCL and PSWC arranged cash credit limit from the banks for financing ADS and as on 31 March 2014, ₹ 455.56[50] crore were outstanding. Due to non-release of claim of subsidy of ₹ 1,518.83 crore (excluding that of Markfed) by the State Government, the banks did not come forward to finance the scheme further. The extant Reserve Bank of India guidelines did not permit financing of budgetary supported schemes. To meet the shortfall of finances from the State, the procuring agencies diverted ₹ 1,063.27[51] crore (subsidy outstanding: ₹ 1,518.83 crore less loans outstanding to banks: ₹ 455.56 crore) from the cash credit limit for purchase of foodgrains for central pool. Thus, due to non-release of the differential cost by the State, the procuring agencies became defaulters of the banks.

PAFCL, PSWC and PUNSUP stated (July, August and September 2014) that matter for release of outstanding amount of subsidy under ADS has been taken up with the State Government and subsidy claims on month to month basis were being lodged. The fact remains that the State Government has not released the amount of ₹ 204.68 crore, ₹ 203.86 crore and ₹ 1,110.29 crore payable to PAFCL, PSWC and PUNSUP respectively.

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[49] PUNSUP ₹ 1,110.29 crore, PAFCL ₹204.68 crore, PSWC ₹ 203.86 crore and Markfed ₹ 295.79 crore after adjusting ₹ 147.20 crore received during 2011-12 and ₹ 220.00 crore during 2012-13 for procurement of wheat and pulses, ₹ 180 crore for procurement of pulses and ₹ 150 crore for procurement of State Pool Wheat for 2013-14.

[50] PUNSUP ₹ 272.95 crore, PAFCL ₹110.98 crore and PSWC ₹ 10.69 crore and ₹60.94 crore

[51] PUNSUP ₹ 837.34 crore, PAFCL ₹ 93.70 crore and PSWC ₹ 132.23 crore

Thus, wheat of centrally sponsored schemes was diverted towards the Atta Dal Scheme and non-release of subsidy claims of the State procuring agencies led to diversion of funds from cash credit limits for procurement of foodgrains for central pool.

The matter was referred to the Government (July 2014), their reply was awaited (October 2014).

Punjab State Forest Development Corporation Limited

3.17 Avoidable Expenditure

Non repatriation of the surplus deputationist staff to their parent department resulted in avoidable expenditure of ₹ 1.59 crore.

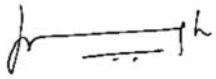
Punjab State Forest Development Corporation Limited (Company) is engaged in business of buying and selling of trees, converting and selling timber logs, development of forestry and raising plantations for industrial use.

The Company changed (July 2009) its policy of sale of trees and started selling standing trees through tender and auction instead of sale of timber after cutting of trees. The change in policy resulted in 13 deputationists being rendered surplus. Board of Directors of the Company noted this in 108th Board meeting (June 2010). The Company was required to repatriate these deputationists to their parent department but instead of repatriating the surplus deputationists to their parent department the Company took six more persons on deputation. This resulted in extra burden of ₹ 49.01 lakh from August 2009 to June 2010. Board of Directors of the Company also observed (June 2010) that these 19 surplus deputationists were putting extra expenditure of ₹ 4.46 lakh per month on the Company. Out of these 19 officials, 15 officials had gradually been repatriated to their parent departments up to October 2011 and four officials were still on deputation with the Company (March 2014). Gradual/non-repatriation of the surplus deputationists resulted in avoidable expenditure of ₹ 88.72 lakh from July 2010 to March 2014. Further, without recording any reasons and despite the Board highlighting (June 2010) extra burden on Company due to retention of these deputationists, the Company hired two more officials of the Forest Department (December 2011 and May 2012), of which one was repatriated on 7 March 2014 and other still on deputation with the Company (31 March 2014). Hiring of these two officials without any justification resulted in extra expenditure of ₹ 20.90 lakh.

Audit observed that non repatriation of the surplus staff to their parent department after change in policy of sale of standing trees resulted in avoidable expenditure of ₹ 1.59 crore.

The management/Government stated (June 2014) that the services of some of the employees had to be retained on account of their experience in the working

of the Company as under the New State Policy, the Company is also engaged in other Commercial activities etc. for which services of some of the staff was required to carry out these activities. The reply is not acceptable as the Company itself declared the field staff on deputation as surplus stating that these were not required for the working of the Company and were putting extra expenditure on the Company.



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