Chapter II
Public Sector Undertakings

Chapter - II

Public Sector Undertakings

2.1 Functioning of State Public Sector Undertakings

2.1.1 Introduction

State Public Sector Undertakings (PSUs) are established to carry out activities of commercial nature and occupy an important place in the State's economy. As on 31 March 2016, there were 17 PSUs, all working, in NCT of Delhi. Of these, no company was listed on the stock exchange(s). During the year 2015-16, no PSU was incorporated or closed down. The details of the State PSUs in NCT of Delhi as on 31 March 2016 are given in **Table 2.1.1** below:

Table 2.1.1: Total number of PSUs as on 31 March 2016

Type of PSUs	Working PSUs	Total
Government Companies[1]	15	15
Statutory Corporations	2	2
Total	**17**	**17**

The PSUs registered a turnover of ₹ 8,597.77 crore as per their latest finalised accounts as of 30 September 2016 which was equal to 1.54 *per cent* of State's Gross Domestic Product (GDP) for the year. Twelve PSUs earned profit of ₹ 1,177.81 crore and four PSUs incurred loss of ₹ 2,917.77 crore. Thus, the aggregate loss incurred by PSUs was ₹ 1,739.96 crore as per their latest finalised accounts as of 30 September 2016. These PSUs had 0.36 lakh employees as at the end of March 2016.

2.1.2 Accountability framework

Audit of Government Companies is governed by Section 143(6) of the Companies Act, 2013 (Act). According to Section 2(45) of the Act, a Government company is one in which not less than 51 *per cent* of the paid up capital is held by Government(s) and includes a subsidiary company of a Government company. Further, as per Section 143(7) of the Act, in case of any other company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments or partly by Central Government and partly by one or more State Governments, the Comptroller and Auditor General of India (CAG), may, by an order, cause test audit to be conducted of the accounts of such Company and provisions of Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, shall apply to such test audit. Audit of the financial statements in respect of the financial years that commenced earlier than 01 April 2014 shall continue to be governed by the provisions of the Companies Act, 1956.

[1]Non- working PSUs are those which have ceased to carry on their operations.

2.1.3 Statutory Audit

The financial statements of the Government companies (as defined in Section 2(45) of the Companies Act, 2013) are audited by statutory auditors who are appointed by the CAG as per the provisions of Section 139(5) or (7) of the Companies Act, 2013. As per provisions of Section 143(6) of the Act ibid, these financial statements are also subject to supplementary audit to be conducted by CAG within sixty days from the date of receipt of the audit report under Section 143(5). The comments given by the CAG upon, or supplement to, the audit report shall be sent by the company to every person entitled to audited financial statements under sub section (1) of section 136 of the Companies Act and also be placed before the annual general meeting of the company under section 143(6)(b).

Audit of statutory corporations is governed by their respective legislations. CAG is the sole auditor for Delhi Transport Corporation. Audit of Delhi Financial Corporation is conducted by chartered accountants and supplementary audit by CAG.

2.1.4 Role of Government and Legislature

The State Government exercises control over the affairs of these PSUs through its administrative departments. The Chief Executive and Directors to the Board are appointed by the Government.

The State Legislature also monitors the accounting and utilisation of Government investment in the PSUs. For this purpose, the Annual Reports together with the Statutory Auditors' Reports and comments of the CAG in respect of State Government companies and Separate Audit Report in case of statutory corporation are to be placed before the Legislature within three months of their finalisation or as stipulated in the respective Acts. The Audit Reports of CAG are submitted to the Government under Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

2.1.5 Stake of Government of NCT of Delhi

The GNCTD has substantial financial stake in these PSUs. This stake is of mainly three types:

- **Share Capital and Loans**- In addition to the share capital contribution, GNCTD also provides financial assistance by way of loans to the PSUs from time to time.
- **Special Financial Support-** GNCTD provides budgetary support by way of grants and subsidies to the PSUs as and when required.
- **Guarantees-** GNCTD also guarantee the repayment of loans with interest availed by the PSUs from Financial Institutions.

2.1.6 Investment in State PSUs

As on 31 March 2016, the investment (capital and long-term loans) in 17 PSUs was ₹ 27,289.04 crore as given in **Table 2.1.2** below:

Table 2.1.2: Total investment in PSUs

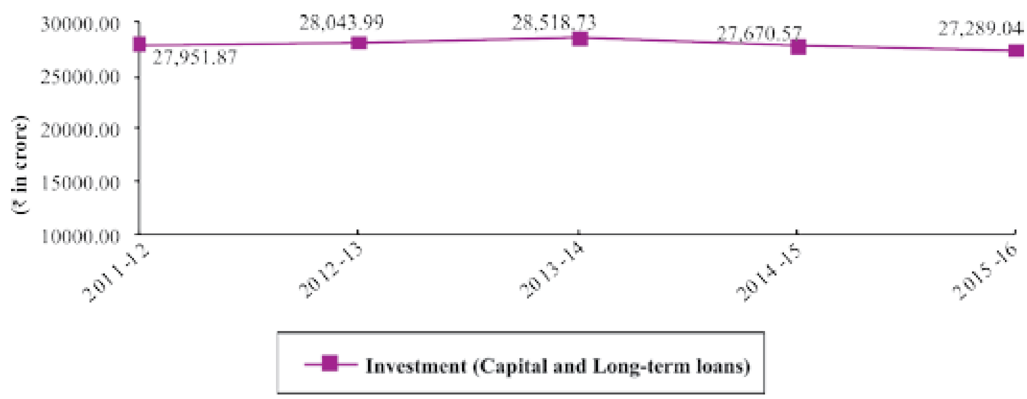
(₹ in crore)

Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
PSUs	7,607.72	5,947.91	13,555.63	2,010.27	11,723.14	13,733.41	27,289.04

Source: Information collected from PSUs

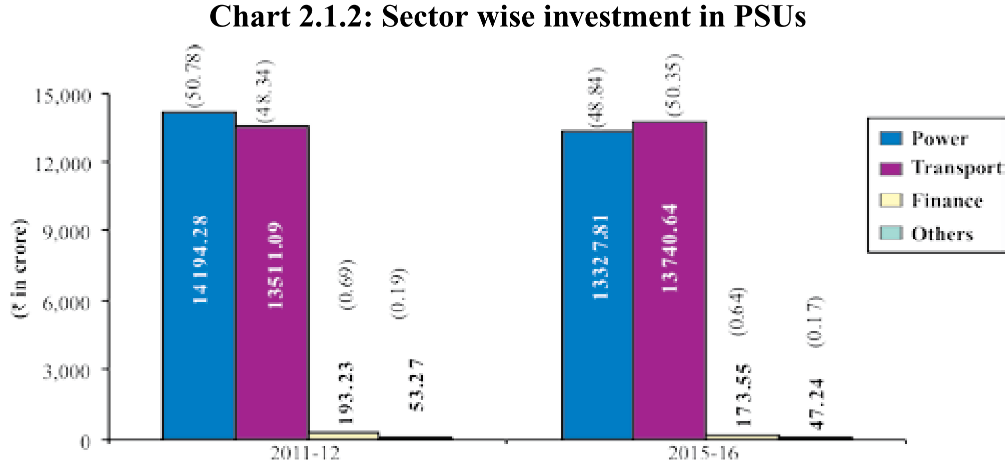
As on 31 March 2016, total investment consisted of 35.24 *per cent* towards capital and 64.76 *per cent* in long-term loans. The investment has decreased by 2.37 *per cent* from ₹ 27,951.87 crore in 2011-12 to ₹ 27,289.04 crore in 2015-16 as shown in **chart 2.1.1** below:

Chart 2.1.1: Total investment in PSUs



The investment in four significant sectors and percentage thereof at the end of 31 March 2012 and 31 March 2016 are indicated in **chart 2.1.2** below.

Chart 2.1.2: Sector wise investment in PSUs



(Figure in brackets show the percentage of sectoral investment to total investment)

The thrust of PSU investment was mainly in the transport and power sectors. The investment in Power sector decreased from 50.78 *per cent* of total investment in 2011-12 to 48.84 *per cent* of total investment in 2015-16. The share of transport sector in total investments increased from 48.34 *per cent* in 2011-12 to 50.35 *per cent* in 2015-16.

2.1.7 Special support and returns during the year

The GNCTD provides financial support to PSUs in various forms through the annual budget. The summarised details of budgetary outgo towards equity, loans and grants/ subsidies in respect of State PSUs are given in **Table 2.1.3** below for three years ended 2015-16:

Table 2.1.3: Details regarding budgetary support to PSUs

(₹ in crore)

Sl. No.	Particulars	2013-14		2014-15		2015-16	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	-	-	-	-	-	-
2.	Loans given from budget	5	3,639.39	2	200.00	3	565.00
3.	Grants/Subsidy from budget	4	1,455.14	6	1,603.35	4	1,339.41
Total Outgo (1+2+3)		**8**	**5,094.53**	**7**	**1,803.35**	**6**	**1,904.41**

Source: Information collected from PSUs

2.1.8 Reconciliation with Finance Accounts

The figures in respect of equity and loans outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2016 is given in **Table 2.1.4** below:

Table 2.1.4: Equity and loans outstanding as per finance accounts vis-à-vis records of PSUs

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs*	Difference
Equity[2]	9,182.58	9,197.70	15.12
Loans[3]	17,559.27	15,453.94	2,105.33

**Source: Information collected from PSUs*

[2]Equity figure consists of the share of GNCTD only.

[3]Figures of Loan were taken from the records of companies and matched with the information sourced from PAOs.

Audit observed that differences occurred in respect of 12 PSUs[4] and some of the differences were pending reconciliation since 2008. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

2.1.9 Arrears in finalisation of accounts

The financial statements of companies for every financial year are required to be finalised within six months from the end of the relevant financial year *i.e.* by September end, in accordance with Section 96(1) read with Section 129(2) of the Companies Act, 2013. Failure to do so may attract penal provisions under Section 99 of the Act ibid. Similarly, in case of statutory corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

Table 2.1.5 below provides the details of progress made by PSUs in finalisation of accounts as of 30 September 2016:

Table 2.1.5: Position relating to finalisation of accounts of PSUs

Sl.No.	Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
1.	Number of PSUs	17	17	17	17	17
2.	Number of accounts finalised during the year	12	21	15	9	12
3.	Number of accounts in arrears	16	12	14	22	27
4.	Number of PSUs with arrears in accounts	8	3	4	11	14
5.	Extent of arrears (numbers in years)	1 to 9	1 to 9	1 to 10	1 to 11	1 to 12

PSUs having arrears of accounts need to take effective measures for early clearance of backlog and to make the accounts up-to-date. Towards this end, the PSUs should ensure that at least one year's accounts are finalised every year so as to restrict further accumulation of arrears.

The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. Though the Finance Department was informed periodically by the Accountant General (Audit), Delhi, of the arrears in finalisation of accounts, adequate remedial measures were not taken. As a result, the net worth of these PSUs could not be assessed in audit. The matter was also taken up with the Chief Secretary, Government of NCT of Delhi in June and November 2016.

[4] DSCFDC, DSIIDC, SRC, GDL, DTIDC, DTC for equity figures and DSCFDC, SRC, GDL, DPCL, DTL, IPGCL, PPCL, DSCSC, and DTTDC for loan figures

The GNCTD had invested ₹ 2,072.42 crore in six PSUs {equity: ₹ 19.28 crore (one PSU), loans: ₹ 627.49 crore (four PSUs) and grants/subsidy ₹ 1,425.65 crore (four PSUs)} during the years for which accounts have not been finalised as detailed in **Annexure 2.1(i)**. In the absence of finalisation of accounts and their subsequent audit, it could not be ensured whether the investments and expenditure incurred have been properly accounted for and whether the purpose for which the amount was invested was achieved or not. Thus, Government's investment in such PSUs remained outside the control of State Legislature.

Further, delay in finalisation of accounts may result in risk of fraud and leakage of public money apart from violation of the provisions of the relevant statutes. In view of the above state of arrears of accounts, the actual contribution of PSUs to the State GDP for the year 2015-16 could not be ascertained and their contribution to State exchequer was also not reported to the State Legislature.

2.1.10 Performance of PSUs as per their latest finalised accounts

The financial position and working results of Government Companies and statutory corporations are detailed in **Annexure 2.1(ii)**. A ratio of PSU turnover to State GDP depicts the extent of PSU activities in the State economy. **Table 2.1.6** below provides the details of turnover of PSUs and State GDP for a period of five years ending 2015-16:

Table 2.1.6: Details of PSUs turnover vis-à-vis State GDP

(₹ in crore)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Turnover[5]	7,341.49	8,465.57	8,415.09	8,210.02	8,597.77
State GDP*	3,43,260	3,91,071	4,46,807	4,94,460	5,58,745
Percentage of Turnover to State GDP	2.14	2.16	1.88	1.66	1.54

(Source: Information collected from PSUs and State GDP Data)

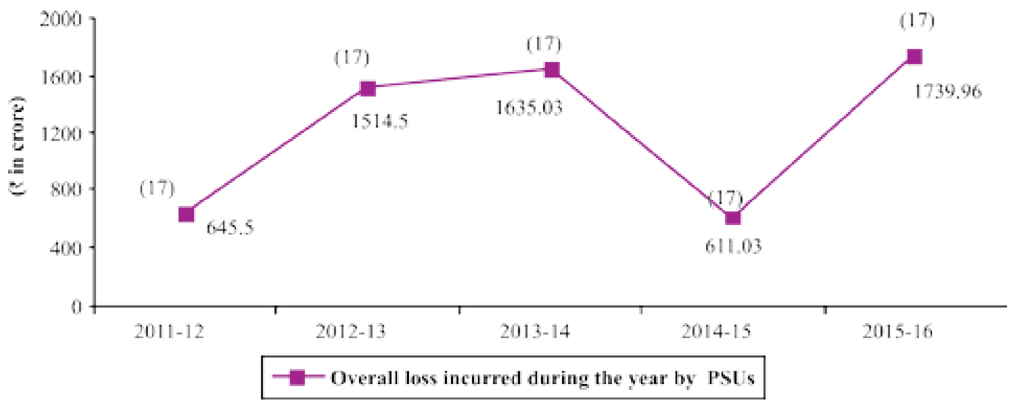
The turnover of State PSUs to the State GDP in percentage terms decreased from 2.14 *per cent* in 2011-12 to 1.54 *per cent* in 2015-16.

[5]Turnover as per the latest finalised accounts as of 30 September .

*State GDP figures are based on current prices of base year 2011-12.

Overall losses incurred by PSUs during 2011-12 to 2015-16 are given in a **chart 2.1.3** below:

Chart 2.1.3: Loss of PSUs



The summarized financial results of Government companies and statutory corporations for the latest year for which accounts were finalized are given in **Annexure 2.1(ii)**. During the period from 01 October 2015 to 30 September 2016, out of 17 PSUs, 12 PSUs earned profit of ₹ 1,177.81 crore and four PSUs incurred loss of ₹ 2,917.77 crore. One PSU prepared its accounts on a 'no profit no loss' basis. The major contributors to profit were Pragati Power Corporation Limited (₹ 595.83 crore), Delhi Transco Limited (₹ 378.31 crore) and Delhi State Industrial and Infrastructure Development Corporation Limited (₹ 112.57 crore). Losses were incurred by Delhi Transport Corporation (₹ 2,917.76 crore).

Some other key parameters of PSUs are given in **Table 2.1.7** below:

Table 2.1.7: Key Parameters of State PSUs

(₹ in crore)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Return on Capital Employed (*Per cent*)	10.45	17.41	5.21	12.90	8.30
Debt	19,071.18	18,426.18	18,900.86	18,052.64	17,976.39
Turnover[6]	7,341.49	8,465.57	8,415.09	8,210.02	8,597.77
Debt/ Turnover Ratio	2.60:1	2.18:1	2.25:1	2.20:1	2.09:1
Interest Payments	2,140.48	2,341.86	2,655.25	3,117.02	3,456.13
Accumulated Profits (losses)	(15,519.42)	(17,299.73)	(19,507.97)	(21,153.51)	(23,255.91)

Source: As per latest finalised Annual Accounts of PSUs

The percentage of Return on Capital Employed showed an increasing trend during 2011-12 and 2012-13. Thereafter, it declined sharply in 2013-14, rose again to 12.90 *per cent* in 2014-15 before declining to 8.30 *per cent* in 2015-16. The ratio of debts to the turnover ratio which was 2.60:1 in 2011-12 decreased to 2.09:1 in 2015-16.

[6]Turnover of working PSUs as per the latest finalised accounts as of 30 September 2016.

As per their latest finalised accounts, 12 PSUs earned an aggregate profit of ₹ 1,177.81 crore but only one PSU, namely Delhi State Civil Supplies Corporation Limited declared a dividend of ₹ 0.50 crore. The remaining 11 PSUs did not declare dividend despite earning profit of ₹ 1,169.25 crore. As of November 2016, the GNCTD had not formulated any policy for payment of minimum return on the paid up capital contributed by it.

2.1.11 Accounts Comments

Ten companies forwarded their 11 audited accounts to AG during the period from October 2015 to September 2016. All of these accounts were selected for supplementary audit. The audit reports of statutory auditors appointed by CAG and the supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of statutory auditors and CAG are given in **Table 2.1.8** below:

Table 2.1.8: Impact of audit comments on Companies

(₹ in crore)

Sl. No.	Particulars	2013-14		2014-15		2015-16	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	3	11.12	-	-	6	359.42
2.	Increase in profit	3	68.29	2	0.25	3	339.47
3.	Decrease in loss	-	-	-	-	-	-
4.	Increase in loss	1	554.82	1	2.59	-	-
5.	Non-disclosure of material facts	-	-	1	3.15	1	57.43
6.	Errors of classification	1	40.17	1	3.54	2	31.36

During the year, the Statutory Auditors had given unqualified certificates for four accounts[7], qualified certificates for six accounts[8] and adverse certificate (i.e., accounts do not reflect a true and fair position) for one account[9]. Qualifications by statutory auditors had the effect of decreasing the reported profit (₹ 45.22 crore) of DPCL by ₹ 316 crore for the year 2014-15. In addition to the above, after taking into consideration the effect of CAG's qualifications on the account of DPCL, the profit for the year 2014-15 would turn to loss of ₹ 276.40 crore. There were two instances of non-compliance with the Accounting Standards in two accounts during the year.

Similarly, two Statutory Corporations forwarded two accounts for audit during the period from October 2015 to September 2016. Of these, one account of Delhi Transport Corporation pertained to sole audit by CAG which was completed and

[7] SRDC, DSCSC, DTTDC (2015-16), GSDL
[8] DPCL, DTL, IPGCL, PPCL, DTTDC (2014-15), DSIIDC
[9] DTIDC

SAR was issued for the year 2014-15. Remaining one account of Delhi Financial Corporation for the year 2015-16 was selected for supplementary audit which was under finalization as on 30 September 2016. The Audit Reports of Statutory Auditors and the sole/ supplementary audit of CAG indicated the need to improve the quality of maintenance of accounts. The details of aggregate money value of comments of statutory auditors and CAG on the accounts audited during the last three years are given in **Table 2.1.9** below:

Table 2.1.9: Impact of audit comments on Statutory Corporations

(₹ in crore)

Sl. No.	Particulars	2013-14		2014-15[10]		2015-16	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	-	-	-	-	1	0.16
2.	Increase in profit	-	-	-	-	-	-
3.	Decrease in loss	1	1,306.17	1	24.56	-	-
4.	Increase in loss	2	2,569.52	1	2,695.74	1	1,978.50
5.	Non-disclosure of material facts	1	1.54	-	-	1	964.04
6.	Errors of classification	1	116.66	-	-	-	-

2.1.12 Placement of Separate Audit Reports

Table 2.1.10 below shows the status of placement of Separate Audit Reports (SARs) issued by the CAG on the accounts of statutory corporations in the Legislature.

Table 2.1.10: Status of placement of SARs in Legislature

Sl. No.	Name of statutory corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature	
			Year of SAR	Date of issue to the Government/Present Status
1.	Delhi Transport Corporation	2014-15	-	-
2.	Delhi Financial Corporation	2013-14	2014-15	16.10.2015

2.1.13 Response of the Government to Audit

For the Report of the CAG for the year ended 31 March 2016, one PA and nine audit paragraphs were issued to the Additional Chief Secretaries/Principal Secretaries of the respective Departments with request to furnish replies within six weeks. However, replies were awaited from the GNCTD (November 2016).

[10]The impact of accounts comments for DTC and DFC is for the year 2014-15.

2.1.14 Follow up action on Audit Reports

The Public Accounts Committee (PAC) stipulates that after presentation of the Report of the CAG of India in the Legislative Assembly, Departments shall initiate action on the audit paragraphs and the Action Taken Notes (ATNs) thereon should be submitted by the Government within four months of tabling the Report, for consideration of the Committee. However, Action Taken Notes were not received in 40 *per cent* of the performance audits and 26 *per cent* of the audit paragraphs as on 30 September 2016 as depicted in **Table 2.1.11** below:

Table 2.1.11: Action Taken Notes not received as on 30 September 2016

Period of Audit Report	Date of placement of Audit Report in the State Legislature	Number of reviews/paragraphs			
		Appeared in Audit Report		Pending ATNs	
		PAs	Paragraphs	PAs	Paragraphs
2010	05.09.2011	1	8	Nil	Nil
2011	06.06.2012	Nil	5	Nil	Nil
2012	02.04.2013	1	3	1	Nil
2013	01.08.2014 (In Parliament)	1	7	Nil	Nil
2014	30.06.2015	1	2	Nil	2
2015	13.06.2016	1	6	1	6
Total		**5**	**31**	**2**	**8**

2.1.15 Discussion of Audit Reports by Committee on Government Undertakings (COGU)

The status as on 30 September 2016 of PAs and paragraphs that appeared in Audit Reports (PSUs) and discussed by COGU was as given in **Table 2.1.12** below:

Table 2.1.12: Reviews/paras appeared in Audit Reports and discussed as on 30 September 2016

Period of Audit Report	Number of reviews/paragraphs			
	Appeared in Audit Report		Paras discussed	
	PAs	Paragraphs	PAs	Paragraphs
2010	1	8	Nil	Nil
2011	Nil	5	Nil	1
2012	1	3	Nil	Nil
2013	1	7	Nil	Nil
2014	1	2	Nil	Nil
2015	1	6	Nil	4
Total	**5**	**31**	**Nil**	**5**

2.1.16 Compliance to Reports of COGU

ATNs to three paragraphs pertaining to one Report of the COGU presented to the State Legislature between March 2009 and March 2015 had not been received (October 2016) as indicated in **Table 2.1.13** below:

Table 2.1.13: Compliance to COGU Reports

Year of the COGU Report	Total number of COGU Reports	Total no. of recommendations in COGU Report	No. of recommendations where ATNs not received
2010	1	11	11

This Report of COGU contained recommendations in respect of paragraphs pertaining to one[11] undertaking, which appeared in the Report of the CAG of India for the year ended March 2005.

It is recommended that the Government may ensure sending of replies to inspection reports/draft paragraphs/PAs and ATNs on the recommendations of COGU as per the stipulated time schedule[12].

2.1.17 Disinvestment, Restructuring and Privatisation of PSUs

The GNCTD had not undertaken the exercise of disinvestment, privatisation or restructuring of any of the State PSUs during 2015-16.

2.1.18 Coverage of the Chapter

This chapter contains six paragraphs and one performance audit on the 'Working of Power Generation Companies of Delhi' involving financial implications of ₹ 957.35 crore.

[11] Delhi SC/ ST/ OBC/ Minorities & Handicapped Financial and Development Corporation Limited
[12] Inspection Report (four weeks), Draft Paragraphs & Performance Audits (six weeks) and Action Taken Note on COGU recommendations (three months).

Department of Power

2.2 Performance Audit on the 'Working of Power Generation Companies of Delhi'

In terms of the Delhi Electricity Reform (Transfer Scheme) Rules, 2001, the activity of power generation in the State was entrusted to Indraprastha Power Generation Company Limited (IPGCL) and Pragati Power Corporation Limited (PPCL). A performance audit of the working of the two power generation companies covering the period 2011-12 to 2015-16 brought out *inter alia* deficiencies in capacity addition programmes, excess consumption of fuel and non-achievement of generation targets and plant load factor norms due to less scheduling of power, unplanned major shutdowns and delays in repair and maintenance. Some of the significant findings are as under:

Highlights

Outstanding dues of ₹ 4,911.07 crore recoverable from DISCOMs adversely affected the cash flow of IPGCL and PPCL and the companies had to resort to heavy short term borrowings.

(Paragraph 2.2.2 and 2.2.4.1)

Out of planned commissioning of six power plants of 3,340 MW by the end of 12th Five Year Plan, only 1,500 MW PPS-III, Bawana has been commissioned while other projects have been held up due to non-availability of either gas or land. Inability to effectively monitor execution of project of Block-I and Block-II and delayed commissioning of the projects resulted in PPCL not being able to recover ₹ 474.32 crore in tariff and avail of additional return of ₹ 163.32 crore on equity.

(Paragraph 2.2.5 and 2.2.5.1)

Operational performance of the power plants was sub-optimal. Gross Station Heat Rate of the plants was higher than the norms resulting in excess consumption of fuel of ₹ 125.92 crore. Rajghat Power House, Gas Turbine Power Station and PPS-III could not achieve targeted plant availability resulting in under recovery of capacity charges of ₹ 616.87 crore. Further, auxiliary energy consumption of these power plants was higher than the norms leading to excess consumption of 154.75 MUs valued at ₹ 48.04 crore.

(Paragraph 2.2.6.1 (c), 2.2.6.3 (b) and 2.2.6.5)

Undertaking major overhauling of Unit-2 of RPH without incorporating any action plan to comply with norms of Delhi Pollution Control Committee resulted in the plant lying idle and unfruitful expenditure of ₹ 15.09 crore expended on the major overhauling.

(Paragraph 2.2.7.1)

2.2.1 Introduction

The availability of reliable and quality power at competitive rates is crucial to sustain growth of all sectors of the economy. As part of the power sector reforms, the Government of National Capital Territory of Delhi (GNCTD) enacted the Delhi Electricity Reforms Act, 2000 in March 2001. Pursuant to the provisions of this Act, it notified the Delhi Electricity Reform (Transfer Scheme) Rules, 2001 on 20 November 2001. Consequently, the activity of power generation in the State was entrusted to the IPGCL and PPCL under the administrative control of the Power Department. As on 31 March 2016, the cumulative installed capacity of IPGCL and PPCL was 2,106.20 MW with two power stations each of IPGCL {Rajghat Power House (RPH): 135 MW and Gas Turbine Power Station (GTPS): 270 MW} and PPCL {Pragati Power Station (PPS-I): 330 MW and PPS-III, Bawana: 1371.20 MW}.

2.2.1.1 Organisational structure

IPGCL and PPCL are managed by a common Board of Directors (BoD), comprising of a Chairman, a Managing Director, Directors and functional Directors (Director Finance, HR and Technical) appointed by the GNCTD. The BoD is headed by Chairman who is ex-officio Secretary, Department of Power, GNCTD. The Managing Director is the Chief Executive and is assisted in the day to day operations by the functional Directors, Executive Directors and General Managers.

2.2.1.2 Audit objectives

The main audit objectives were to assess whether:

- financial resources were managed efficiently, economically and effectively;
- capacity addition was planned adequately and projects undertaken were executed efficiently, economically and effectively;
- requirement of inputs (fuel, manpower, etc.) was assessed realistically, procured economically and utilised efficiently; and
- companies operated efficiently to maximise the output of its power plants.

2.2.1.3 Scope of audit and methodology

The performance audit on the functioning of IPGCL and PPCL was conducted from April 2016 to August 2016, covering the period of five years from 2011-12 to 2015-16. Audit examined the records at the Head Offices of IPGCL and PPCL and the four power stations of these companies.

An entry conference to discuss audit methodology, scope, objectives and criteria was held with the Management (April 2016). The report was issued to the Government and Management (September 2016) to elicit their views on the audit observations. An exit conference was held (September 2016) with the

Management. The views of the IPGCL/PPCL, expressed in the exit conference have been considered while finalising this performance report.

2.2.1.4 Audit criteria

The audit findings were evaluated against criteria sourced from the following:

- National Electricity Plan, norms and guidelines of Central Electricity Authority (CEA) regarding planning and implementation of the projects;
- Norms fixed by CEA/allowed by Delhi Electricity Regulatory Commission (DERC)/Central Electricity Regulatory Commission (CERC) and Acts relating to environmental issues; and
- Agenda and minutes of the meetings of the BoD and Audit Committee.

2.2.1.5 Previous performance audit

A performance audit (PA) on 'Power Generation Activities in Delhi' was included in the Report of the Comptroller and Auditor General of India (Civil and Commercial), GNCTD for the year ended 31 March 2010. The Report is yet to be discussed (August 2016) by the Committee on Government Undertakings (COGU) of the Legislative Assembly. The Management had not initiated action on the recommendations of previous report which related primarily to strengthening of project monitoring system, improving station heat rate, ensuring adequate availability of gas for the power plants and strengthening repair and maintenance practices and procedures.

Audit findings

2.2.2 Financial Position and Working Results

The financial position and working results of the IPGCL and PPCL for the years 2011-12 to 2015-16 are given in **Annexures 2.2A and 2.2B.**

2.2.2.1 During the period of 2011-16, trade receivables of IPGCL increased from ₹ 810.82 crore to ₹ 1,740.03 crore and in PPCL from ₹ 671.74 crore to ₹ 3,275.63 crore, due to default in payment of power dues by power distribution companies (DISCOMs) of Delhi. This non receipt of power dues adversely affected the financial position of both the companies as they had to resort to short term borrowings to meet their day to day operational expenses. The short term borrowings increased by 195.32 *per cent* from ₹ 222.96 crore in 2011-12 to ₹ 658.44 crore in 2015-16 in IPGCL and by 263.77 *per cent* from ₹ 148.58 crore in 2011-12 to ₹ 540.49 crore in 2015-16 in PPCL.

2.2.2.2 During 2011-12 to 2015-16, the cost of generation per unit at IPGCL increased from ₹ 4.14 per unit to ₹ 10.45 per unit due to increase in variable cost per unit from ₹ 2.97 to ₹ 4.26, while at PPCL, it increased from ₹ 3.05 per unit to ₹ 6.00 per unit, due to increase in variable cost per unit from ₹ 2.37 to ₹ 3.36. Due to this increase in cost of generation per unit, there was less purchase of power by DISCOMs from IPGCL/PPCL. On an average, 32 *per cent* (RPH) to 37 *per cent* (GTPS) generating capacities of IPGCL power plants and 10 *per cent* (PPS-I) to 68 *per cent* (PPS-III) generating capacities of PPCL power plants remained under-utilised each year.

2.2.2.3 The companies also failed to make timely repayment of loans and interest thereon and advance income tax on due dates and paid penal interest of ₹ 132.63 crore (penal interest on loans: ₹ 113.96 crore and penal interest on advance income tax: ₹ 18.67 crore). During 2011-16, interest and finance charges of IPGCL increased from ₹ 41.79 crore to ₹ 134.52 crore and of PPCL from ₹ 37.32 crore to ₹ 331.38 crore. The increased interest and finance charges raised the operating cost of the companies.

2.2.3 Planning

The CEA estimates indicated that electricity demand may reach to around 8700 MW in Delhi by the end of the 12th Five Year Plan (2012-2017). The Power availability scenerio in terms of peak demand vis-à-vis peak demand met, overall power supply in terms of energy and share of IPGCL and PPCL in power supply in Delhi during 2011-12 to 2015-16 is given below.

Table 2.2.1: Peak demand vis-à-vis peak demand met

Year	Peak Demand (MW)	Peak Demand met (MW)	Peak Deficit (MW) (Percentage of Peak Demand)	Sources for meeting Peak Demand		Percentage of IPGCL and PPCL share to the Peak Demand met
				IPGCL and PPCL share (MW)	Import (MW)	
2011-12	5,031	5,028	3 (0.06)	525	4,503	10.44
2012-13	5,727	5,642	85 (1.48)	804	4,838	14.25
2013-14	5,714	5,653	61 (1.07)	655	4,998	11.59
2014-15	6,006	5,925	81 (1.35)	821	5,104	13.86
2015-16	5,846	5,846	0.00	611	5,135	10.45

Source: State Load Despatch Centre Reports

Table 2.2.2: Overall power supply in terms of energy

Year	Requirement (MUs)	Availability (MUs)	Deficit (MUs) (Percentage of requirement)	Energy scheduled by IPGCL and PPCL (MUs)	Percentage of availability
2011-12	26,751	2,6674	77 (0.3)	4,540.00	17.02
2012-13	26,088	2,5950	138 (0.5)	5,781.94	22.28
2013-14	26,867	2,6791	76 (0.3)	4,294.62	16.03
2014-15	29,231	2,9106	125 (0.4)	5,191.08	17.84
2015-16	29,626	2,9583	43 (0.1)	3,788.06	12.80

Source: CEA's Load Generation Balance Reports and data supplied by IPGCL and PPCL

Thus, IPGCL and PPCL were able to meet only 10 to 14 *per cent* of the peak demand. Their share in overall power supply ranged between 13 to 22 *per cent.*

2.2.4 Fund Management

Efficient fund management involves optimum utilisation of available resources and borrowings at favourable terms at appropriate time. The details of cash flow of IPGCL and PPCL for the years 2011-12 to 2015-16 are given in **Annexure 2.3**. There was a net decrease in cash and cash equivalent during 2011-12 to 2013-14 and 2015-16 in IPGCL. In PPCL, decrease in cash and cash equivalent was in the years 2012-13, 2013-14 and 2015-16. The primary reason for cash deficit were default in payments of power bills by the DISCOMs.

2.2.4.1 Outstanding Energy bills

BSES Rajdhani Power Limited (BRPL) and BSES Yamuna Power Limited (BYPL) were defaulters from October 2010 and Tata Power Delhi Distribution Limited (TPDDL) from April 2014 onwards. As on 31 March 2016, an amount of ₹ 4,911.07 crore (IPGCL: ₹ 1,722.54 crore and PPCL: ₹ 3,188.53 crore) was recoverable from them. Audit observed:

- Letters of credit (LCs)[13], required to be maintained as per PPAs were not maintained by BRPL and BYPL since March 2011. LCs established by TPDDL expired on 31 March 2014 and were not maintained after 1 April 2014;
- Default Escrow agreements[14] were not signed; and
- The power purchase agreement between IPGCL/PPCL and DISCOMs provided that in the event of continued default by BRPL, BYPL and TPDDL in making payment of power supply bills, IPGCL and PPCL may initiate action for suspension of power supply and cancellation of the agreements by giving notice of 90 days.

However, IPGCL and PPCL did not initiate any steps to ensure compliance with the terms of the power purchase agreements. The Management stated (September 2016) that action against the DISCOMs for default in payment of power dues was not initiated in the interest of consumers. The point remains that dues of ₹ 4,911.07 crore are pending recovery.

2.2.4.2 Payment of deviation charges

Under the Availability Based Tariff (ABT) system, the Companies are required to pay deviation charges when their power plant generates more/less than the power demand schedule causing disturbance in grid frequency. Audit noted that on a number of occasions, power plants of IPGCL and PPCL deviated from the given power demand schedules which was indicative of inadequate assessments while declaring capacities. The State Load Despatch Centre (SLDC) raised deviation charges of ₹ 26.38 crore during 2011-12 to 2015-16 which had to be paid.

[13] BRPL, BYPL and TPDDL were required to provide IPGCL and PPCL, unconditional, revolving and irrecoverable LCs having term of minimum twelve months and covering 105 *per cent* of one month's average bill amount based on the preceding twelve month's billing.

[14] BRPL, BYPL and TPDDL were required to hypothecate the receivables equivalent to the LCs amount in favour of IPGCL and PPCL.

2.2.4.3 Bonus and incentive under Generation Linked Incentive Scheme

Payment of Bonus Act, 1965 (Act) and the Department of Public Enterprises (DPE) instructions (20 November 1997), forbids Public Sector Enterprises to pay their employees bonus/ex-gratia over and above the entitlement under the provisions of the Act unless the amount was authorised under the duly approved incentive scheme. DPE further clarified (December 2005) that there was no provision for the DPE/administrative ministry to approve the payment of ex-gratia/bonus to the ineligible employees. Audit observed the following:

(a) Upto 2006-07, IPGCL/PPCL paid ex-gratia/bonus to their 'B', 'C' and 'D' category employees as per the entitlements. However, during 2007-08, in deviation of the provisions of the Act and DPE instructions, IPGCL and PPCL approved (28 December 2007) the payment of ex-gratia/bonus to all regular employees @ ₹ 5,100, which was increased every year from ₹ 5,100 in 2007-08 to ₹ 39,000 in 2014-15 against the ceiling limit of ₹ 3,500, without the approval of the Department of Power (DoP), GNCTD.

(b) IPGCL/PPCL Wage Revision Committee while allowing (December 2008) to continue to follow the Act in respect of eligible employees, recommended that in lieu of bonus/ex-gratia, the companies should formulate performance linked incentive scheme for all employees. The BoD of IPGCL/PPCL approved (26 March 2010) 'Generation Linked Incentive Scheme' (GLIS) applicable from 1 April 2010 without discontinuation of ex-gratia in lieu of bonus. GLIS was further extended (11 June 2011) for 2011-12 and approved by the DoP in December 2011. While submitting this proposal to GNCTD, the fact that the companies were paying ex-gratia in lieu of bonus to their employees, was not disclosed. BoD further approved (25 June 2012) extension of existing GLIS beyond 2011-12 till the implementation of revised GLIS scheme.

Thus, IPGCL and PPCL paid ex-gratia in lieu of bonus to ineligible employees and also in excess of the specified limits (₹ 3,500) to eligible employees, resulting in excess payment of ₹ 13.68 crore during 2011-12 to 2014-15. Incentive of ₹ 14.46 crore under GLIS was also paid during 2012-13 to 2015-16 without the approval of the Scheme by GNCTD.

The Management stated in September 2016 that DPE instructions/guidelines are not applicable to IPGCL and PPCL and the BoD of the companies headed by Secretary (Power) GNCTD was empowered to frame policies for their employees including ex-gratia scheme or generation linked incentive scheme. However, the Management could not furnish instructions regarding non-applicability of DPE instructions to the companies. Moreover, these schemes were not approved by the DoP, GNCTD.

2.2.4.4 Expenditure on DLN Burners and Sewage Treatment Plants

PPCL had installed Dry Low Nitrogen Oxide (DLN) Burners at PPS-1 to control the emission level of Nitrogen Oxide. PPCL had taken over Delhi Gate drain and Sen Nursing Home drain sewage water treatment plants (STPs) from Delhi Jal Board for use of treated sewerage water in PPS-I. During MYT control period of FY 2012-13 to 2015-16, DERC allowed ₹ 15 crore every year on account of DLN Burners and ₹ 3.27 crore for 2012-13, ₹ 3.53 crore for 2013-14 and ₹ 3.81 crore for 2014-15 for operation and maintenance of STPs. During 2012-14, PPCL claimed ₹ 13.05 crore on account of DLN Burners and ₹ 8.08 crore on account of O&M STPs. DERC, finding that the expenses claimed were not verifiable against payment vouchers, disallowed (September 2015) expenditure of ₹ 21.13 crore. PPCL had filed an appeal before the APTEL which is pending decision.

2.2.5 Capacity Addition Programmes

For augmenting power generation capacity, GNCTD targeted (2012) commissioning of six[15] power plants of 3,340 MW by the end of the 12th Five Year Plan (2012-17). Out of these, three power plants[16] were put on hold due to non-availability of gas. The power plant planned at the site of the Indraprastha Power Station was abandoned (January 2013) due to non-availability of land and decision of GNCTD in respect of 270 MW GTPS was awaited as of November 2016. Only the 1,500 MW PPS-III Bawana was commissioned in March 2014. Thus, conceptualisation and planning of capacity addition programme was not realistic as they failed to take into account critical factors like availability of gas and of land.

2.2.5.1 Execution of Gas Based Power Project at Bawana

Para 5.2.12 of the Report of CAG of India for the year ended 31 March 2010 (Civil and Commercial) of GNCTD highlighted the delay in execution of Gas Based Power Project PPS-III at Bawana. PPCL awarded (30 April 2008) an Engineering Procurement and Commissioning (EPC) contract to BHEL for ₹ 3,500 crore. As per the contract, Block[17]-I and Block-II were to be commissioned by 31 July 2010 and 30 November 2010 respectively. Subsequently, on the basis of detailed engineering and operating conditions at site, the capacity of the plant was fixed at 1,371.20 MW with estimated cost of ₹ 4,536.20 crore. The Block-I was commissioned on 14 December 2012 and Block-II on 27 March 2014. As on 27 March 2014, PPCL had incurred an expenditure of ₹ 4,355.19 crore on the

[15] 1500 MW at Bawana approved by GNCTD in June 2007, 750 MW at Bamnauli approved by GNCTD in February 2011, remaining four plants namely 350 MW at Kanjhawala, 350 MW at the site of IP Station, 330 MW at the site of RPH and 330 MW as replacement of 270 MW GTPS were approved by IPGC BoD in September 2011.

[16] 750 MW at Bamnauli (August 2011) (Para 2.2.5.2), 350 MW at Kanjhawala (August 2012) and 330 MW at the site of RPH (August 2014)

[17] Each block consisting of two Gas Turbine Generators, associated Waste Heat Recovery Boilers and connected Steam Turbine-Generator

project. Audit noted the following:

(i) There was a delay of 28½ and 40 months in the commissioning of Block-I and Block-II respectively. While PPCL attributed the reasons to delay by BHEL in transportation and commissioning of the project, the Company had also failed to monitor the implementation of the project and to persuade M/s BHEL to adhere to the stipulated time schedule. These factors were controllable with effective monitoring. In accordance with the principle[18] laid down by the Appellate Tribunal for Electricity (APTEL) judgement (27 April 2011 in Appeal No.72/2010 in case of Maharashtra State Power Generation Company Limited Vs Maharashtra Electricity Regulatory Commission & others), PPCL could not recover ₹ 474.32 crore on account of interest during construction (₹ 407.69 crore), foreign exchange rate variation (₹ 11.11 crore) and incidental expenditure during construction (₹ 55.52 crore) in tariff.

(ii) Due to delay in commissioning of the project, PPCL could not avail additional return (at the rate of 0.50 *per cent* per annum) of ₹ 163.32 crore[19] on equity, which was admissible under CERC (Terms and Conditions of Tariff) Regulations, 2009.

(iii) Performance guarantee tests of a completed facility which were to be carried out after the successful completion of initial operation, had not been conducted so far even after a lapse of more than two years since the commissioning of the project.

The Management stated that interest was wrongly disallowed by CERC and an appeal has been filed with APTEL in 2015.

2.2.5.2 750 MW Power Project at Bamnauli

PPCL issued (29 March 2011) a Letter of Intent (LOI) to BHEL for shifting of existing overhead 400 KV transmission lines passing over the site of proposed Bamnauli Power project for ₹ 128.34 crore and for construction of plant at a cost of ₹ 1,064.90 crore. In August 2011, GNCTD advised PPCL not to incur any expenditure on the Project without a firm commitment of allotment of gas from the Central Electricity Authority (CEA)/Government of India (GoI). Without initiating action to get the allocation of gas for the project, PPCL entered (November 2011) into a contract for shifting of transmission lines and incurred an expenditure of ₹ 98.56 crore as of July 2016. No further progress had been observed in the project so far.

[18] In case of delay in execution of a generating project due to factors entirely attributable to the generating company, the entire cost due to time over run has to be borne by the generating company. However, the liquidated damages and insurance proceeds on account of delay, if any, received could be retained by the generating company.

[19] Total cost of ₹ 4,355.19 crore × 30 *per cent* (Cost to be treated as Equity in accordance with CERC Regulations) × 0.50 *per cent* × 25 (Life of the project)

The Management stated (September 2016) that execution of the project was linked with availability of land and the work of shifting of existing transmission lines was undertaken to get available land. The reply is not tenable as the contract for shifting of the overhead lines was entered into without any assurance as to availability of gas for the power plant in contravention of explicit instructions of GNCTD. There was no allotment of gas at the time of entering into contract and continues to be so by November 2016.

2.2.6 Operational Performance

The operations of power generating companies are dependent on inputs i.e. fuel and manpower. The output is related to plant load factor, plant availability, capacity utilisation, outages and auxiliary consumption. Operational performance of the generating stations of IPGCL and PPCL during 2011-12 to 2015-16 is given in **Annexure 2.5** to **Annexure 2.8** which showed that operational performance was decreasing year by year during the review period. Fuel consumption was higher than the norms. The generating stations were not able to achieve generation targets nor meet the norms for plant load factor, plant availability and capacity utilisation.

2.2.6.1 Input Efficiency

(a) Coal Management

Coal Procurement: IPGCL contracted a Fuel Supply Agreement (FSA) with M/s Northern Coal Fields Limited (NCL) for supply of coal for Rajghat Power House (RPH). Delhi Electricity Regulatory Commission (DERC) had stipulated the average calorific value of coal at 3,601 Kcal for 2011-12 and 3,703 Kcal for 2012-13 to 2015-16. The average calorific value of coal actually received at the station during 2012-13 to 2015-16 ranged from 3,671 Kcal to 3,699 Kcal which was below the norm set by DERC. Low calorific value of coal impacts the consumption of coal and increases costs.

Audit observed that the FSA only specified the size of coal pieces and the maximum ash content but did not indicate any commitment on calorific value of the coal. The Company did not also take up the matter of low calorific value of the coal supplied with the supplier.

The Management admitted (September 2016) that there was no provision in FSA in this regard.

Non-disposal of coal reject: Coal rejected by the coal mills during crushing process is dumped into the designated area. Scrap and Surplus Identification and Disposal Committee (SSIDC) recommended (March 2014) disposal of 32,000 MT lying in RPH as coal reject through e-auction. The Management asked RPH in February 2015 to provide details of coal reject on year to year basis and directed disposal of 32,000 MT of coal reject at a reserve price of ₹ 650 PMT, based on the recommendations of SSIDC. However, the plant authorities could not provide requisite details and the coal reject could not be sold even by November 2016, depriving IPGCL of revenue of ₹ 2.08 crore (calculated @ ₹ 650 per MT for 32,000 MT).

Loss in transit: DERC had fixed a norm of maximum of 0.8 *per cent* for transit loss. Audit noted that transit losses ranged between 0.60 to 4.01 *per cent* as compared to the norms, resulting in loss of 23,169.93 MT of coal valuing ₹ 6.05 crore during the review period.

(b) Tie ups for gas

Agreements for supply of KG Basin gas to PPS-III, Bawana: In June 2012 PPCL entered into three agreements for supply and transportation of gas from the KG basin to PPS-III Bawana viz. (i) agreement with a consortia of three private companies for supply of 0.836 Million Metric Standard Cubic Meter Per Day (MMSCMD) to PPS-III, Bawana, (ii) an agreement with a private company for transportation of this gas from East Coast to West Coast and (iii) agreement with M/s. GAIL (India) Limited for further transportation of this gas from West Coast to Bawana plant. The agreements had clauses of Minimum Guarantee Offtake, Minimum Ship or Pay and daily drawal of gas from the pipelines. Between July 2012 and February 2013, due to decreased scheduling of power, plant authorities failed to utilise the minimum guaranteed gas and consequently had to pay penalty of ₹ 28 crore[20].

Audit further noted that PPCL was informed on 1st March 2013 by the gas supplier that that Government of India had intimated a change of priorities for supply of gas to fertilisers and LPG as compared to power consumers and consequently supply of KG Basin gas to the Bawana Plant would be zero with immediate effect. However, PPCL did not scrap the transportation agreement with GAIL and paid ₹ 29.68 crore on account of minimum transportation charges during 2013-14. The gas supply agreements from KG Basin expired on 31 March 2014.

The Management stated (September 2016) that there was no exit clause in the contract. The reply is not tenable as the transportation contract with M/s GAIL provides that the contract may be terminated if a Party to the agreement is prevented or hindered from performance of his obligations due to a force majeure event. A force majeure event includes acts of Government which affects the ability of the parties to perform its obligations. Hence, the contract could have been terminated by invoking these contractual provisions obviating the need to pay the minimum transportation charges particularly since the contract was in any event expiring on 31st March 2014.

[20] ₹ 0.80 crore to the consortium due to failure of taking 80 *per cent* of monthly minimum quantity in August 2012, ₹ 10.13 crore due to failure of shipment of minimum quantities and ₹ 17.07 crore to GAIL due to maintaining imbalance in the pipe line more than the minimum prescribed percentage.

(c) Consumption of fuel

Consumption of fuel mainly depends upon "Gross Station Heat Rate" (GSHR)[21] of power plants. The DERC and CERC in its Multi Year Tariff (MYT) Regulations fixed the GSHR norms for RPH, GTPS, PPS-I and PPS-III, Bawana. The position of GSHR norms fixed by DERC/CERC vis-à-vis achieved by the four power plants during 2011-12 to 2015-16 is given below:

Table 2.2.3: Fuel consumption norms vis-à-vis actual achievements

Name of the plant	DERC/CERC norms vis-à-vis actual achievement (in Kcal/Kwh)		2011-12	2012-13	2013-14	2014-15	2015-16
RPH	DERC norms		3,200	3,200	3,200	3,200	3,200
	Actual achieved		3,072	3,340	3,375	3,368	3,292
GTPS	DERC norms	OC[22]	3,125	3,125	3,125	3,125	3,125
		CC[23]	2,450	2,450	2,450	2,450	2,400
	Actual achieved	OC	3,391	3,448	3,441	3,473	3,465
		CC	2,489	2,445	2,424	2,503	2,527
PPS I	DERC norms	OC	2,900	2,900	2,900	2,900	2,900
		CC	2,000	2,000	2,000	2,000	2,000
	Actual achieved	OC	3,095	3,121	3,161	3,188	3,197
		CC	1,988	1,989	1,990	1,990	1,997
PPS III	CERC norms	OC	2,756	2,756	2,756	2,756	2,756
		CC	1,845	1,845	1,845	1,845	1,845
	Actual achieved	OC	2,991	3,722	3,031	2,817	2,853
		CC	0*	2,041	1,971	1,867	1,888

Source: Data supplied by IPGCL and PPCL

**Since PPS III was not commissioned fully*

As evident from above, the GSHR of all the four power plants was higher than the norms during the review period. This translated into excess consumption of fuel worth ₹ 125.92 crore **(Annexure 2.4)**.

The Management stated (September 2016) that excess consumption of fuel, was due to frequent starting and stopping of units and running of the plants on partial load due to less scheduling. Audit observed that the plant authorities had not conducted performance guarantee test in the machines during the review period to ascertain the reasons for high station heat rate.

2.2.6.2 Manpower Management

The manpower of IPGCL and PPCL was 1,396 at the beginning of 2011-12 which reduced to 1,189 at the end of 2015-16. However, the manpower still exceeded the CEA norms for thermal power stations as given in **Table 2.2.4**:

[21]Gross Station Heat Rate" (GSHR) means the heat energy input in kCal required to generate one kWh of electrical energy at generator terminals of a thermal generating station.
[22]Open Cycle
[23]Combined Cycle

Table 2.2.4: Manpower at RPH vis-à-vis CEA Norms

Sl.No.	Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
1	Installed capacity of Rajghat Power House (MW)	135	135	135	135	135
2	Nos of employees as per Pay Ledger	417	369	353	345	268
3	Manpower required as per CEA Norms 1.1 persons per MW (Nos)	149	149	149	149	149
4	Excess Deployment (Nos.)	268	220	204	196	119
5	Expenditure on employees remuneration & benefits (₹ in crore) (As per Pay Ledger)	26.39	25.80	25.68	26.64	25.60
6	Extra expenditure with reference to CEA norms (₹ in crore) (5 × 4/2)	16.96	15.38	14.84	15.13	11.37

Source: Data supplied by IPGCL

The excess manpower with reference to the CEA norms resulted in extra expenditure of ₹ 73.68 crore on remuneration and benefits paid to employees.

Management stated (September 2016) that RPH is a small plant and had a number of non-mechanised operations and it cannot be compared with big capacity plants/ new technology based plants.

2.2.6.3 Output Efficiency

The operational performance on various parameters to evaluate the performance of power stations of IPGCL and PPCL in terms of output efficiency is discussed below.

(a) Generation Targets and Plant Load Factor

The targets for generation of power for each year are approved by the CEA. DERC/CERC also fixes targets of generation for power plants. The targets fixed by CEA and DERC/CERC vis-à-vis achievements during 2011-12 to 2015-16 are given in **Annexure 2.5**. The power plants were able to generate only 25,724.233 MUs of power from 2011-12 to 2015-16 against the target of 54,436.810 MUs, leaving a shortfall of 28,712.577 MUs (52.74 *per cent*). The main reason for non-achievement of generation targets was low plant load factor (PLF) of the power plants.

PLF fixed by DERC/CERC vis-à-vis achieved by the power plants during 2011-12 to 2015-16 is given in **Annexure 2.5**. Analysis of PLF showed that none of the power plants except PPS-I in 2011-12 and 2012-13 could achieve PLF as fixed by the DERC/CERC. The low PLF was attributable to low plant availability, decreasing capacity utilisation, less scheduling of power, unplanned major shut downs and delays in repair and maintenance.

(b) Plant Availability

Plant Availability is the average of the daily declared capacities certified by State Load Despatch Centre (SLDC). The position of Normative Annual Plant Availability Factor (NAPAF) fixed by DERC/CERC, vis-à-vis achieved by power plants during 2011-12 to 2015-16 is given in **Annexure 2.6**. During 2011-12 to 2015-16, only PPS-I was able to achieve NAPAF. RPH could not achieve it in any of the years. GTPS was not able to achieve NAPAF in 2014-15 and 2015-16 and PPS-III could not achieve it during 2011-12 and 2015-16. Due to non-achievement of NAPAF, the IPGCL and PPCL could not recover capacity charges of ₹ 616.87 crore from the DISCOMs during 2011-12 to 2015-16. The main reasons for non-achievement of NAPAF by the power plants were increased outages due to non-adherence to periodic maintenance schedules, decreasing capacity utilisation, major shut downs and delays in repair and maintenance.

(c) Capacity Utilisation

Capacity utilisation means the ratio of actual generation to possible generation during actual hours of operation. The capacity utilisation of the IPGCL and PPCL power plants decreased between 2011-12 and 2015-16 **(Annexure 2.5)**. In RPH, it decreased from 86 to 80 *per cent* while in GTPS it decreased from 80 to 72 *per cent*, in PPS-I from 92 to 74 *per cent* and in case of PPS-III, Bawana, it decreased from 72 *per cent* in 2011-12 to 57 *per cent* in 2015-16. The main reasons for decreasing capacity utilisation were old generating units, frequent shut downs due to excessive forced outages, delayed repair and maintenance and running of units with partial load/without load.

The power stations were thus running at an efficiency level of 47 *per cent*. Due to non-achievement of the normative PLF, on an average 10 to 68 *per cent* capacity of the power plants remained under-utilised and IPGCL and PPCL could not recover capacity charges of ₹ 616.87 crore from DISCOMs.

2.2.6.4 Outages

Outages refer to the period for which the plant remained closed for attending to planned/forced maintenance. The details of the total hours available, hours operated, planned and forced outages in respect of RPH, GTPS, PPS-I and PPS-III are given in the **Annexure 2.7**. The observations in this regard are summarised in **Table 2.2.5**.

Table 2.2.5: Outages

Name of Plant	Actual running hours	Forced outages[24]	Backing down hours[25]
RPH	Decreased from 80.44 *per cent* in 2011-12 to 4.91 *per cent* in 2015-16.	Ranged between 8.63 *per cent* (2014-15) and 95.00 *per cent* (2015-16). These were in excess of CEA's maximum limit of 10 *per cent* of the available hours in all the years except 2014-15, due to tube leakages, shortage of coal, high furnace pressure, flame failure, turbine problems.	Increased from 0.38 to 43.76 *per cent* during 2011-14, which decreased to 31.38 *per cent* in 2014-15.
GTPS	Increased from 64.95 to 65.86 *per cent* during 2011-13 but decreased to 27.20 *per cent* during 2013-16.	Ranged between 1.45 *per cent* (2012-13) and 13.29 *per cent* (2014-15). These were in excess of CEA's maximum limit during 2014-16, mainly due to diesel engine problems, high vibrations, problem in gas/ control valve, various leakages, fire in cables, failure of auxiliary power supply and jerks in the system	Increased from 27.57 to 61.17 *per cent* during 2011-16.
PPS-I	Decreased from 96.18 to 70.80 *per cent* during 2011-16.	These were within the norms.	Increased from 1.48 to 21.74 *per cent* during 2011-16.
PPS-III	Ranged between 17.94 *per cent* (2013-14) to 57.54 *per cent* (2012-13).	Increased from 1.94 *per cent* (2013-14) to 20.80 *per cent* (2015-16). These were in excess of CEA's maximum limit during 2015-16, mainly due to damage of rotor of GTU1 and fire in generator transformer of GTU3.	Increased from 38.97 *per cent* (2012-13) to 77.09 per *cent* (2013-14).

Source: Data supplied by IPGCL and PPCL

Audit observed that plant authorities did not adhere to periodic maintenance schedules which may have mitigated outages but deterioration in station heat rate with consequential excess consumption of inputs, decreasing capacity utilisation of plants and less scheduling of power.

2.2.6.5 Auxiliary Energy Consumption

Auxiliary Energy Consumption (AEC) means the quantum of energy consumed by auxiliary equipment of the generating station. The position of AEC norms fixed by DERC/CERC vis-à-vis that achieved by power plants during the period of 2011-12 to 2015-16 is given in **Annexure 2.8**. AEC was higher in all the power plants except PPS-I, resulting in excess consumption of 154.75 MUs, valuing ₹ 48.04 crore. CEA (Installation and Operation of Meters) Amendment Regulations, 2010 made it mandatory for the power stations to install energy accounting and audit meters. However, these were not installed at required points. The plant authorities argued in tariff petitions that AEC was higher due to frequent/ prolonged backing downs of the plants due to less system demand. IPGCL and PPCL, however, failed to provide DERC any study/details for assessing the impact of backing downs on AEC and hence it could not be considered by DERC while fixing tariff.

The Management stated (September 2016) that it is incorrect to say that IPGCL and PPCL have violated CEA norms because the companies have installed sufficient meters. The reply is not correct as audit verification revealed that meters have not been installed at all required points.

[24]Forced outages are outages which are not pre-planned (sudden break down in the machinery).
[25]Backing down hours are hours lost due to non-scheduling of power from SLDC and DISCOMs.

2.2.7 Repairs and Maintenance

The efficiency and availability of the equipment is dependent on adherence to annual maintenance and overhauling schedules. The significant observations noticed in this regard are discussed in succeeding paragraphs.

2.2.7.1 Major overhauling of Rajghat Power House

The GNCTD decided to close the RPH by 31 March 2011 which was postponed to 31 March 2013. However, the BoD of IPGCL, accorded (March 2013) in-principle approval for its continued operation beyond March 2013 for a period of five years subject to the approval of GNCTD on the grounds that RPH was catering to the needs of walled city and it needed to continue till alternative arrangement could be made. The BoD also approved Major Overhauling (MO) of both the units of RPH for ₹ 22.92 crore. Department of Power, GNCTD approved (November 2014) the decision of BoD, and MO of Unit-2 was taken from 30 December 2014 and completed on 1 April 2015 by incurring expenditure of ₹ 15.09 crore. Audit observed the following:

(i) MO was taken up after a lapse of more than one year of the proposed schedule. Further, it was to be completed within 60 days but it took 92 days.

(ii) The MO was to achieve the norms of suspended particulate matter (SPM) of the Delhi Pollution Control Committee (DPCC). But no provision was made for upgradation of Electronic Static Precipitators (ESPs) or retrofitting additional ESPs to comply with DPCC particulate matter emission norms of 50 mg/Nm^3. Consequently, DPCC directed (March 2016) not to operate the RPH. The RPH plant was lying in idle condition since May 2015, resulting in unfruitful expenditure of ₹ 15.09 crore.

The Management stated (September 2016) that delay in completion of overhauling was due to unexpected additional damages found after opening of generator, turbine and boiler. New/additional ESPs were not retrofitted due to space constraints and high cost involved. The reply is not tenable as retrofitting ESPs was essential to achieve the SPM norms enabling their operation. Failure to do so resulted in RPH lying idle since May 2015 despite expenditure of ₹ 15.09 crore.

2.2.7.2 Revival of Gas Turbine Unit 2 (GTU) of GTPS

During Hot Gas Path Inspection of GTU2 of Gas Turbine Power Station (GTPS) in February 2014, it was found that Compressor Discharge Casing and Turbine casing of machine had got deformed and was beyond repair. After the approval of Managing Director (October 2014), purchase orders (POs) for material, spares and service was placed in March 2015. The machine was repaired for ₹ 13.29 crore and re-commissioned on 25 October 2015. Audit observed that the Management took more than seven months to decide to procure a new gas turbine (GT) and a further four months thereafter to place the POs.

The revival of GTU-2 was further delayed as the Exhaust plenum and Diffuser ordered for GTU2 was commissioned in GTU4 in June 2014. Instead of placing the PO of this equipment for GTU2 in June 2014, it was placed in March 2015. Though the machine after repair was received on 14 July 2015 its re-commissioning was delayed for another three months due to receipt of parts by September 2015.

Thus, delayed decision of the management coupled with delay in placement of POs for the requisite equipment resulted in loss of ₹ 26.45 crore on account of non-recovery of capacity charges for a period of eight months[26].

The Management stated (September 2016) that revival of GT was delayed due to funds problem. However, there was no evidence that funds were a constraint.

2.2.8 Conclusion

Thus, the deficiencies in the functioning of the power generation companies that had been brought out in the previous Audit Report continued to persist. The financial position of the companies were adversely impacted by continued increase in receivables mainly from the DISCOMs as well as payment of penal interest of ₹ 132.63 crore due to failure to make timely re-payment of loans and interest thereon. Due to outstandings of ₹ 4,911.07 crore from DISCOMs against energy bills, IPGCL and PPCL have become dependent on borrowings and drifting towards liquidity crunch. Low operational efficiency translated into high unit cost of power which led to low purchase of power by DISCOMs from these Companies. Resultantly, about 10 *per cent* to 68 *per cent* generating capacities of the power plants of IPGCL and PPCL remained under-utilised each year. The companies could not fully implement its planned capacity addition programmes. Delayed commissioning of PPS-III, Bawana resulted in under recovery of capital cost in tariff. The deteriorating station heat rates of the plants were causing excess consumption of fuel. The power plants also failed to achieve targeted plant availability resulting in under recovery of capacity charges while Auxiliary Energy consumption of RPH, GTPS and PPS-III was higher than the norms.

2.2.9 Recommendations

Based on the audit findings, it is recommended that the Companies may:

- Take steps to improve financial management to ensure that payment of penalties are minimized and to recover outstanding dues from power distribution companies as per the power purchase agreements;
- Conduct periodic performance tests to help improve operational parameters; and
- Adhere to the periodical maintenance schedules, strengthen repair and maintenance practices to control costs.

The matter was referred to the Government in October 2016; their reply was awaited (November 2016).

[26] Calculated after allowing period of four months for decision and placement of purchase/work orders

Department of Finance

2.3 Working of Delhi Financial Corporation

The Corporation not only failed to fulfil the objectives of promotion and development of small scale industries, but it also could not take timely decision to diversify its activities to overcome the shrinking business. The business of the Corporation declined due to its inability to secure potential business of ₹ 14.69 crore. The Corporation could not rent out its excess space at the Corporate Office to earn additional revenue of ₹ 0.81 crore.

2.3.1 Introduction

The Delhi Financial Corporation (Corporation) was set up in 1967 under the State Financial Corporation (SFC) Act 1951, to promote, develop and finance industries and service sector enterprises in the medium, small and micro sectors in the National Capital Territory of Delhi (GNCTD) and Union Territory of Chandigarh. The Corporation financed cost of plots/shops allotted by Government agencies, business loans and commercial transport in GNCTD and Chandigarh. The Corporation has one branch at Chandigarh.

The Corporation has finalized its accounts upto the year 2015-16. The financial position of the Corporation between 2013-14 and 2015-16 is given in **Annexure 2.9**. The loan portfolio of the Corporation decreased from ₹ 134.82 crore to ₹ 119.55 crore between 2013-14 and 2015-16 due to less disbursal of loans and higher repayments. However, during the same period income from operations has increased from ₹ 16.99 crore to ₹ 17.52 crore due to recovery of claims on assets hitherto classified as non-performing assets (NPA). The NPA of the Corporation stood at ₹ 9.57 crore which is 8.01 *per cent* of the total outstanding loan as on 31 March 2016.

An audit covering the period 2013-14 to 2015-16, was conducted from May 2016 to June 2016 to assess the working of the Corporation.

Audit Findings

2.3.2 Targets of sanction and disbursement of sanction loan

The Corporation fixed its targets of disbursement and recovery of loans annually. The details of achievements against targets fixed by the Corporation for the last three years are given in **Table 2.3.1**.

Table 2.3.1: Targets vs. Achievements of Sanctions, Disbursements and Recovery

(₹ in crore)

Year	Sanction			Disbursement			Recovery		
	Target	Achieve-ment	% of target achieved	Target	Achieve-ment	% of target achieved	Target	Achieve-ment	% of target achieved
2013-14	25.00	7.20	28.80	20.00	6.65	33.25	45.00	50.79	112.87
2014-15	45.00	60.72	134.93	40.00	9.14	22.85	35.00	43.70	124.86
2015-16	20.00	23.19	115.95	40.00	49.37	123.43	35.00	52.40	149.71

The Corporation raised its target of sanction of loans from ₹ 25 crore in 2013-14 to ₹ 45 crore in 2014-15. Against this sanction target, the Corporation achieved a higher target of ₹ 60.72 crore and a majority of the loan sanctioned in the scheme was disbursed in the year 2015-16. The loan disbursement improved in the audit period due to Corporation getting government sponsored business of financing shops at Gazipur allotted by Delhi Agriculture Marketing Board (DAMB). A loan of ₹ 53.18 crore was sanctioned for the shops. The Corporation however failed to achieve the targets of disbursement of loans in 2013-14 and 2014-15. The deficit stood at 67 *per cent* and 77 *per cent* respectively.

Audit observed that out of total disbursement of ₹ 65.16 crore during the period 2013-14 to 2015-16, the Corporation disbursed loans of only ₹ 1.45 crore to Micro, Small and Medium Enterprises (MSME) sector, although the main objective of the Corporation was to promote, finance and develop MSME sector.

The Management stated in August 2016 that it is not getting business from MSME Sector and overall business is shrinking due to non-availability of soft loan or equity infusion by the Government and refinance from SIDBI at concessional rates.

2.3.3 Business planning

The business of the Corporation has been minimal during the three years excluding onetime business of financing shops allotted by DAMB. The Corporation did not tap the potential business as discussed below:

2.3.3.1 Financing of E-rickshaws

The BoD decided in March 2015 to provide financial assistance for purchase of E-rickshaws. It expected to finance 2,000 numbers of E-rickshaws by providing upto 80 *per cent* of the cost of new E-rickshaw at rate of interest of 13 *per cent* per annum.

The Corporation received 550 applications up to September 2015 of which 304 applications were sanctioned. It disbursed ₹ 1.87 crore till 31 March 2016 in 226 cases. The Corporation stopped disbursing further loan noting default in 58 cases in September 2015 in repayment of first installment.

Records of the Corporation, however, revealed that due to sudden upsurge in loan applications under E-rickshaws Scheme, it could not scrutinize the documents in a timely manner and it closed the scheme in September 2015. Thus, the Corporation did business of only ₹ 1.87 crore immediately after opening and failed to avail of opportunity of confirmed business of ₹ 2.69 crore[27] in 78 cases in which loan was sanctioned but not disbursed. The Corporation also lost business of financing remaining 1,450 E-rickshaws of nearly ₹ 12 crore due to weak marketing and poor handling of the Scheme.

The Management stated in August 2016 that Corporation restricted financial assistance to E-rickshaws as doubts were raised on recovery, due to low residual value of E-rickshaws and difficulties in tracing the owners. It also stated that GNCTD did not provide any assistance (soft loan) for the scheme. The reply is not acceptable as the Corporation was to extend loan to the registered E-rickshaw owners against security of the vehicle and collateral security of guarantors. Moreover, Audit found only six cases of default in repayment by 31 March 2016.

2.3.3.2 Venture into diversified areas

The Corporation constituted various Committees between 2008-09 and 2014-15 which recommended undertaking non-financial activities to generate additional revenue viz. transaction advisory services for projects, training and consultancy, insurance business of assets financed. They also recommended to diversify into financing infrastructure activities of nursing home/diagnostic centre, commercial shops, hotels/restaurants, information technology sector and setting up of Non-Banking Financing Company (NBFC). However, the Corporation failed to implement any of these suggestions.

2.3.4 Recovery Performance

The classification of Corporation's loan assets as standard, sub standard, doubtful and loss assets during the period 2013-14 to 2015-16 is summarized in **Table 2.3.2**.

[27] 324 cases (550-226 cases) calculated on the basis of average rate of actual disbursement per E-rickshaw i.e. ₹ 0.83 lakh (₹ 1.87 crore/226 cases)

Table 2.3.2: Classification of Loan Assests

(₹ in crore)

Particulars	2013-14	2014-15	2015-16
Standard assets	116.87	94.95	109.98
Sub-Standard assets (default overdue for 3 months but not exceeding 2 years)	9.38	4.39	2.62
Doubtful assets (default overdue beyond 2 years)	3.51	6.07	1.67
Loss assets (cases identified as loss but not written off)	5.07	5.10	5.28
Total Non Performing Assets (NPA)	17.96	15.56	9.57
Total outstanding loan	134.83	110.51	119.55
Percentage of NPA to total Loans	13.31%	14.08%	8.01%

The Corporation signed a Tripartite MoU with SIDBI and GNCTD in July 2011 valid for five years. The Corporation agreed to bring down the level of NPA to 10 *per cent* of total outstanding loan during the MoU period. The Corporation was able to achieve the target by the end of MoU period 2015-16.

2.3.5 Issues impacting financial position

2.3.5.1 Non availing of opportunity to reduce cost of borrowing

DSIIDC agreed to advance a term loan of ₹ 30 crore @ 9.25 *per cent* per annum in December 2014 to help it finance business arising out of allotment of shops by DAMB. The Corporation did not, however, avail the said loan and financed the business out of internal accruals. This was despite the Corporation carrying a loan of ₹ 33 crore from the GNCTD (balance out of total of ₹ 40 crore availed in September 2011) at a higher rate of interest of 10 *per cent* per annum. Thus, by not availing the loan of ₹ 30 crore from DSIIDC available at a lower rate of interest of 9.25 *per cent* per annum, the Corporation lost the opportunity to save interest expenditure of ₹ 28.13 lakh upto March 2016.

The Management stated (August 2016) that the Corporation did not avail the loan as it utilized its internal accruals for financing. The reply is not tenable as it would have been prudent to avail of the funds from DSIIDC at lower rates of interest and refund the outstanding higher rates loans of GNCTD.

2.3.5.2 Non-recovery of amount on claims lodged as well as liability payable to Credit Guarantee Fund Trust for Micro and Small Enterprises (Trust)

Ministry of MSME, GoI and SIDBI set up a Credit Guarantee Fund Trust for Micro and Small Enterprises (Trust) in August 2000 which reassures the lender up to 85 *per cent* of the credit facility. The guarantee cover is available, under the scheme, for micro enterprises for credit up to ₹ 5 lakh. Audit noted that the Corporation lodged claims for 202 cases between February 2013 and

November 2014 with the Trust, out of which claims in respect of 72 cases, amounting to ₹ 53.53 lakh was pending for recovery as on 31 March 2016. In the remaining 130 cases, where first instalment of 75 *per cent* was received, recovery of ₹ 25.91 lakh was pending for balance. Audit observed that the Corporation did not follow up the pending cases with the Trust. The Corporation was yet to recover the claim of ₹ 79.44 lakh as on September 2016.

As per the terms and conditions of the Scheme, the Corporation was to refund the amount, if any, subsequently recovered from the defaulting parties to the Trust. Audit observed that though the Corporation recovered ₹ 56.78 lakh from the defaulters between February 2013 and March 2016, it refunded only ₹ 5.78 lakh to the Trust and retained balance amount of ₹ 51 lakh payable to the Trust.

The Management stated (August 2016) that the matter will be taken up with the Trust to allow the Corporation to adjust the liability with the claims lodged and pending with the Trust.

2.3.6 Other findings

2.3.6.1 Non-renting of available excess office space

The Corporation's corporate office has total floor area of approx. 12,520 sqft. The Corporation was occupying 8,180 sqft. and had leased out 4,340 sqft. area[28] of its building to different tenants between November 2006 and October 2015. Audit observed that with every subsequent vacation of space by respective tenants, the Corporation did not take any steps to rent out the excess space to earn additional revenue. The failure to let out the excess available space by the Corporation between March 2011 and March 2016 resulted in non-availing of opportunity to earn ₹ 80.61 lakh (calculated at lowest rent out rate of ₹ 68 per sqft. earned by the Corporation from the tenant in the year 2009 for an area of 4,340 sqft.).

The Corporation stated in August 2016 that efforts were made to let out the excess space but it did not receive response and now it has uploaded the advertisement on its website. However, no records were produced to audit to establish the efforts stated to have been made.

2.3.6.2 Non-recovery of service tax from tenants

The Corporation had entered into rent agreement with different parties between November 2006 and December 2009. Renting of immovable property was made taxable w.e.f June 01, 2007. However, the Corporation did not take note of the change in the tax structure to either amend existing agreements or to ensure that agreements entered into after that date had provision for inclusion of service tax to

[28] The Corporation rented out 4340 sqft. area in different portion of its building viz. 1210 sqft. at first floor from December 2008 to November 2010, 1480 sqft. at ground floor from December 2009 to August 2013 and 1650 sqft. at ground floor from November 2006 to October 2015.

be paid by the tenants. The Corporation noted the liability of service tax belatedly in June 2012 and deposited ₹ 21.35 lakh during 2012-13 from its own funds. It raised demand in September 2012 on the ex-tenants for payment who refused to make any payment towards service tax. Thus, failure of the Corporation to take timely note of the statutory liability of service tax resulted in non-recovery of ₹ 21.35 lakh which is a loss to the Corporation.

The Management stated (August 2016) that the Corporation is pursuing the matter with the ex-tenants.

2.3.7 Conclusion

Thus, the Corporation failed to avail of business opportunities as well as implement recommendations of various committees constituted by BoD to diversify its existing business in the field of consultancy, insurance and financing infrastructure activities. Lack of prudent decision making resulted in avoidable expenditure of ₹ 28.13 lakh on interest and loss of possible rental income of ₹ 80.61 lakh from surplus office space.

The matter was referred to the Government in August 2016; their reply was awaited as on November 2016.

Department of Power

Delhi Transco Limited

2.4 Delay in disposal

Delay in disposal of scrap resulted in blocking of ₹ 5.45 crore and loss of interest of ₹ 1.71 crore.

Paragraph no. 7.11.2.2 featured in Report No. 1 of the CAG for the year ended March 2012 of Govt. of NCT of Delhi highlighted loss of ₹ 2.54 crore due to delay in disposal of damaged transformer by Delhi Transco Limited (DTL). The Management in December 2012 had stated that to eliminate procedural delays, a scrap disposal policy was under consideration. Audit noted (January 2016) that DTL failed to finalise the policy even after a lapse of almost four years.

DTL had four transformers not in use which were disposed off during the year 2014 and 2015 with delays ranging from 13 months to 66 months[29] after allowing a reasonable period of six months to allow the Company to complete the pre auction process and fix reserve price. The delay in decision making for disposal of damaged transformers, resulted in blocking of funds of ₹ 5.45 crore

[29] In absence of any time frame, the audit has taken a reasonable period of six months for processing the case of treating transformer as scrap, fixing its reserve price and its disposal.

and consequent loss of interest of ₹ 1.71[30] crore on the disposal price of four transformers.

DTL stated (August 2016) that it has been following Quality System Procedures for disposal management and the disposal of transformers was made after the approval of the competent authority. They added that the decision to scrap the transformer depends on the report of CEA, declaring it as a scrap, fixation of reserve price by Store Disposal Committee (SDC) and its E-auctioning through MSTC. The reply is not tenable as there was delay at every stage of the process including fixation of reserve price by SDC even after getting approvals from CEA.

The matter was referred to Government in June 2016, their reply was awaited (November 2016).

2.5 Lack of coordination in procurement

Non-synchronization of activities of purchase of transformers and commissioning of associated bays resulted in blocking of funds of ₹ 13.15 crore and associated loss of interest of ₹ 4.55 crore.

Delhi Transco Limited (DTL) in its Business Plan for the Control Period 2007-11 and 2012-15, proposed (December 2007 and June 2010) augmentation of transformer capacity of 220 KV South of Wazirabad (SOW) and Gazipur substations. This augmentation work was to be completed by 2008-09 and 2013-14 for SOW and Gazipur substations respectively alongwith installation of association bays which was a pre-requisite for such energisation of transformers.

The Board of Directors of DTL approved the procurement, erection, testing and commissioning of 160 MVA transformer along with associated items for SOW in September 2008 and the purchase order was placed to a firm 'A' in November 2008 and supplied in September 2009. A payment of ₹ 7.30 crore was made between June and December 2009.

Similarly, to augment the capacity of 220 KV Gazipur substation from 200 MVA to 360 MVA, DTL decided in October 2012 to install a new 160 MVA transformer. The purchase order was placed on firm 'B' in December 2012 and supply received in April 2013. A payment of ₹ 5.85 crore was released in June and July 2013.

Both the transformers could not be commissioned in time due to non-installation of associated bays of transformers at the sites. Though the transformers were supplied in September 2009 and April 2013, the tenders for supply, erection and commissioning of associated bays at SOW and Gazipur were called for only in February and April 2013, which could not be finalised as the rates were higher against the estimated cost. The contract was ultimately finalised for ₹ 5.24 crore

[30] calculated @10 *per cent* per annum, the minimum borrowing rate.

in June 2014. Finally, the bays along with transformers of SOW and Gazipur substations were energized in January 2015 and March 2015 respectively.

Audit observed that the DTL did not initiate the tender enquiry for associated bays concurrently with the purchase of transformers for SOW and Gazipur substations. This lack of synchronization of activities of purchase of transformers and commissioning of associated bays resulted in blocking of funds of ₹ 13.15 crore and associated loss of interest of ₹ 4.55 crore. It also delayed energisation of transformers and deprived the consumers of reliable power.

DTL stated in August 2016 that as per the prevailing practice, procurement of 66 KV and 220 KV bay equipment, erection, testing and commissioning of the bay equipment and civil foundation and yard development works were through separate orders but due to delay in finalisation of the orders for these activities, it was decided in October 2012 that the work should be executed through turnkey tender basis. It added that delay had occurred in tendering process due to prevalent store procedures and DTL has now adopted the policy of tendering on turnkey basis which would minimise such delays.

The matter was referred to Government in July 2016; their reply was awaited (November 2016).

2.6 Avoidable payment to Pension Trust

Avoidable payment to Pension Trust on account of TDS instead of claiming it from DISCOMs resulted in blocking of funds of ₹ 29.97 crore and consequent interest loss of ₹ 2.52 crore.

In terms of Delhi Electricity Reforms Act, 2000 and the Delhi Electricity Reforms Rules, 2001, (Transfer Scheme) the erstwhile Delhi Vidyut Board (DVB) was unbundled w.e.f. 1 July 2002 into successor utilities of generation, transmission and distribution with distribution of electricity being handled by three private companies. For the purpose of payment of retirement benefits to the pensioners, Employees Terminal Benefits Fund-2002, known as Pension Trust (Trust) was created. Since the DISCOMs were defaulting in their contributions to the Trust from time to time, Delhi Electricity Regulatory Commission (DERC), ordered in August 2012 for an interim arrangement for collection and transfer of fund to Trust by Delhi Transco Limited (DTL) on behalf of all the power utilities. The funds were accordingly provided in Aggregate Revenue Requirement of DTL. It also ordered that no rebate/TDS should be deducted on the apportioned amount by the power utilities.

Audit observed (December 2015) that two DISCOMs, BSES Rajdhani Power Ltd. (BRPL) and BSES Yamuna Power Ltd. (BYPL) while remitting ₹ 299.74 crore to DTL as their contribution to the Trust, deducted TDS of ₹ 29.97 crore. However, DTL, while transferring the contribution to the Trust, added TDS amount of

₹ 29.97 crore deducted by BRPL/BYPL (between July 2014 and August 2015) from its own funds. Further, the Company claimed the refund of TDS in its Income Tax Return for the Assessment Year 2015-16 while it never raised the issue of deduction of TDS with the DISCOMs.

Audit observed that DTL was taking interest bearing loans from State Bank of India during 2014-15 to meet its working capital requirement. The blocking of ₹ 29.97 crore led to DTL suffering a loss of interest of ₹ 2.52[31] crore till 30 November 2016.

DTL replied in August 2016 that BRPL and BYPL had wrongly deducted TDS of ₹ 29.97 crore on their contribution to Pension Trust for the year 2014-15. Also, there was shortage of funds with Pension Trust and in anticipation of refund of the same from the Income Tax Department, the payment was released and DISCOMs had been requested to reimburse ₹ 1.90 crore.

The matter was referred to the Government in June 2016, their reply was awaited (November 2016).

Department of Tourism

Delhi Tourism and Transport Development Corporation Ltd.

2.7 Non-recovery of parking charges from private operator

The Corporation did not enforce terms of agreement relating to payment of parking charges of ₹ 1.93 crore by private operator though it granted concession of extension of moratorium for payment of revenue share foregoing income of ₹ 1.20 crore.

Delhi Tourism and Transportation Development Corporation (DTTDC) entered into an agreement on 10 July 2010 with an Operator to start “HOP ON HOP OFF” (HoHo) tourist bus service. The contract was effective for 10 years with effect from 15 September 2010. The bus service was to cover important tourist destinations in NCT of Delhi.

The agreement stipulated that in consideration of the right to procure, operate and maintain the HoHo bus service, the operator shall share 12 *per cent* of the gross revenue net of applicable taxes with DTTDC after 24 months from Commercial Operations Date (COD). The operator requested DTTDC (July 2012) for extension of moratorium period for further two years till September 2014 citing continuous losses. At the instance of GNCTD, DTTDC agreed to extend the moratorium

[31] The loss of interest is calculated @10.1 *per cent* p.a. upto 31 March 2015 and @ 4.1 *per cent* p.a w.e.f April 2015, after giving benefit of 6 *per cent* interest available on refund of excess TDS under section 244A of Income Tax Act, 1961.

period further for two years (January 2013) thereby foregoing revenue share of ₹ 1.20 crore. The service continues to operate at a loss (November 2016).

The agreement also provided that the operator shall manage facilities for parking and maintenance of the buses with such facilities being provided by DTTDC in association with Delhi Transport Corporation (DTC) and other land owning agencies. In August 2010, DTC agreed to provide space for parking the HoHo buses at its Indraprastha Depot on cost basis and subsequently raised (September 2012) a demand for ₹ 62.07 lakh for period from October 2010 to September 2012. This was communicated by DTTDC to the operator in October 2012 but the operator refused to pay the charges towards parking on the ground that it was not provided for in the agreement. Subsequently in February 2013, DTC sent another communication for release of outstanding payment of ₹ 75.17 lakh for period from October 2010 to February 2013. Thereafter, DTTDC issued a Show Cause Notice to the operator in February 2013 for payment of the charges. The show cause notice stated that non-payment of the charges would constitute a violation of the terms of the agreement rendering it liable for cancellation and recovery of outstanding amount from the operator. The liability on account of the parking charges had accumulated to ₹ 1.93 crore as of January 2016. In March 2016, the Senior Standing Counsel, GNCTD, on a reference made by DTTDC, opined that the operator was liable to bear the parking charges under the terms of the agreement.

Audit observed that no further action had been taken by DTTDC to enforce the terms of the agreement though it had already granted a concession to the operator by extending the moratorium period for revenue sharing by two years foregoing income of ₹ 1.20 crore.

Management stated (May 2016) that HoHo bus service was started in a time bound manner on behalf of Delhi Government without any financial interest to promote the cause of tourism without any profit motive. It added that neither the Request for Quotation (RFQ) document nor agreement had any provision for payment of parking rental for land owning agency like DTC. The reply is not tenable as it contradicts its own position taken in issue of the show cause notice and the legal opinion of the Government Counsel.

The matter was referred to the Government in June 2016; their reply was awaited (November 2016).

Department of Transport

Delhi Transport Infrastructure Development Corporation Limited

2.8 Short recovery of Concession Fee

Delhi Transport Infrastructure Development Corporation Limited (DTIDCL) failed to recover Concession Fee as per an agreement resulting in short recovery of ₹ 1.49 crore. It also failed to charge interest of ₹ 1.49 crore on delayed payment of Concession Fee.

The Department of Transport (DoT) and Delhi Integrated Multi-Modal Transit System Limited (DIMTS- referred to as 'Concessionaire') signed an agreement for construction, operation and maintenance of 250 Bus Queue Shelters (BQSs) in April 2010 with private sector participation for 20 years. GNCTD ordered (August 2012) the construction and maintenance of all the BQSs in NCT of Delhi (including the said 250 BQSs) transferred to the Delhi Transport Infrastructure Development Corporation Limited (DTIDCL) w.e.f 16 August 2012. The DTIDCL was to sign a supplementary concession agreement with DIMTS for execution of obligations of DoT and realization of monthly payment in respect of concession agreement signed by the DoT for marketing, operation and maintenance of 250 BQSs. DTIDCL is yet to (November 2016) sign a supplementary concession agreement with the DIMTS.

As per article 11.1(i) of the existing agreement, DIMTS was to pay concession fee of 16 *per cent* of net revenue earned by it on sale/renting of advertising and other space on the BQSs subject to a minimum concession fee of ₹ 23.15 lakh per calendar month for 250 BQSs for the first year after commercial operation date (COD) irrespective of the revenue earned by the Concessionaire. For the subsequent years, the concession fee was to be increased by 5 *per cent* per year over and above the concession fee for the previous year. Article 11.1 (iii) stipulated that the minimum concession fee due would be paid not later than the 15th day of the first month of the quarter for which it is due. Additional concession fee over the minimum concession fee, calculated at 16 *per cent* of the revenue, was to be paid within 30 days of the end of each quarter along with audited quarterly reports. Failure to pay the concession fee in time was to attract an interest of 10 *per cent* per annum on the entire amount of unpaid concession fee payable during the quarter.

Audit noticed that the COD of the project was 1 November 2010 and the concessionaire did not remit the concession fee as per terms of agreement. The concessionaire paid only ₹ 15.33 crore instead of ₹ 16.82 crore for the period from

November 2010 to March 2016, resulting in short recovery of ₹ 1.49 crore. The concessionaire also did not pay the concession fee quarterly as per the prescribed schedule. However, DTIDCL did not charge interest of ₹ 1.49 crore[32] on delayed payment of concession fee for the period from November 2010 to March 2016.

Thus, the DTIDCL failed to recover full concession fee of ₹ 1.49 crore from DIMTS and also did not charge interest of ₹ 1.49 crore on delayed payment as per agreement.

The matter was referred to the Government/ Management in July 2016, their reply was awaited (November 2016).

New Delhi **(SUSHIL KUMAR JAISWAL)**
Dated: 06 February 2017 **Accountant General (Audit), Delhi**

Countersigned

New Delhi **(SHASHI KANT SHARMA)**
Dated: 08 February 2017 **Comptroller and Auditor General of India**

[32] calculated at a rate of 10 *per cent* per annum