
Overview

This Report contains four Chapters, as detailed below:

Chapter 1: Functioning of State Public Sector Undertakings (PSUs)

This Chapter contains sector-wise investment in the State PSUs and status of submission of accounts.

As on 31 March 2019, all 71 PSUs in Madhya Pradesh (including 68 Government Companies and three Statutory Corporations) were under the audit jurisdiction of the CAG. Of the 71 PSUs, 11 PSUs relate to Power Sector and 60 PSUs relate to Non-Power Sector. Out of the 71 PSUs, 55 PSUs (two Statutory Corporations and 53 Government Companies) had submitted latest accounts by 31 December 2019.

As per their latest finalised Accounts, the State PSUs registered an annual turnover of ₹ 92,696.40 crore, which was equal to 11.45 *per cent* of the Gross State Domestic Product (GSDP) of Madhya Pradesh during 2018-19. As on 31 March 2019, the investment of the Central and State Governments and Others in the equity and long term loans in these 71 PSUs was ₹ 85,687.61 crore. Out of the State Government's total investment (equity, loans and subsidy/ grant) of ₹ 5176.66 crore in the PSUs during the period from 2016-17 to 2018-19, the Power Sector PSUs received an investment of ₹ 3219.33 crore (62.19 *per cent*).

Chapter 2: Functioning of Power Sector PSUs

This Chapter contains the financial position and an analysis of the financial performance of the Power Sector PSUs.

During 2018-19, the aggregate turnover of the Power Sector PSUs was ₹ 77,617.28 crore, which constituted 9.59 *per cent* of the GSDP of Madhya Pradesh. The present value of total investment at the end of the year in these PSUs was ₹ 87,154.15 crore. The total loss incurred by these PSUs was ₹ 6,944.74 crore during 2018-19 as against the total loss of ₹ 1405.93 crore incurred during 2016-17. During 2018-19, out of these 11 PSUs, three PSUs (Madhya Pradesh Power Generating Company Limited, Madhya Pradesh Power Transmission Company Limited & Bansagar Thermal Power Company Limited) earned a profit of ₹ 216.80 crore and three PSUs (Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited, Madhya Pradesh Poorva Kshetra Vidyut Vitaran Company Limited & Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited) incurred a loss of ₹ 7,158.48 crore. One PSU (Dada Dhuni Wale Khandwa Power Limited) incurred a marginal loss of ₹ 3.06 crore while four PSUs (MP Urja Vikas Nigam, MP Power Management Company Limited, Shahpura Thermal Power Company Limited & Shri Singaji Power Project Limited) reported neither profit nor loss. During the years 2016-19, the rate of Return on Capital employed in Power Sector PSUs ranged between 8.06 *per cent* and 25.51 *per cent*. Huge losses of the DISCOMs during the three-year period 2016-19 had contributed to the overall losses of the Power Sector PSUs.

As against the paid-up capital of ₹ 43,893.88 crore, the accumulated losses reported by these PSUs were ₹ 54,289.56 crore, resulting in a negative net worth of ₹ 26,824.25 crore.

Chapter 3: Functioning of PSUs (Non-Power Sector)

This Chapter contains financial position and an analysis of the financial performance of the 60 PSUs (Non-Power Sector).

As on 31 March 2019, 60 PSUs, (including 16 inactive PSUs) pertained to Non-Power Sector. The 44 working PSUs included 42 Government Companies and two Statutory Corporations. During 2018-19, the aggregate turnover of the 31 working PSUs covered in

this Report was ₹ 15,079.12 crore and total investment in these PSUs was ₹ 6,085.48 crore. The 31 PSUs covered in this Report earned an aggregate profit of ₹ 327.70 crore during 2018-19. Fifteen PSUs earned profits, nine PSUs incurred losses and seven PSUs had neither profit nor loss. During the years 2016-19, the rate of Return on capital employed in 31 PSUs covered in this Report ranged between 8.82 *per cent* and 19.45 *per cent*. Major profit-making PSUs during the year 2018-19 were MP Warehousing and Logistics Corporation (₹ 156.52 crore), MP State Mining Corporation Limited (₹ 107.47 crore) and MP Rajya Van Vikas Nigam Limited (₹ 88.65 crore).

As against the paid-up capital of ₹ 1,958.03 crore, the accumulated profit reported by the 31 PSUs covered in this Report was ₹ 1,540.78 crore, resulting in a net worth of ₹ 6,436.59 crore.

Chapter 4: Compliance Audit Observations

Compliance Audit is an independent assessment of whether a given subject matter (an activity, financial or non-financial transaction, information in respect of an entity or a group of entities) complies in all material aspects with applicable laws, rules, regulations established codes etc. and the general principles governing sound public financial management and the conduct of public officials.

Compliance Audit of State PSUs brought out instances of non-compliance with applicable rules, codes and manuals, lapses in management of public resources and failure to adhere to norms of propriety. Significant issues in this regard are discussed in the succeeding paragraphs:

4.1 Allotment/ transfer of land in Industrial Areas

Madhya Pradesh Industrial Development Corporation Limited (Company) is designated as the nodal agency to work as the single window secretariat for investment facilitation and promotion in the State. The Company is entrusted with promoting, encouraging and developing industries and industrialization by developing Industrial Areas. The Company adopted the Land Allotment Rules issued by GoMP for the allotment/ transfer of land to industrial units.

The Company did not comply with various provisions of Land Allotment Rules, 2015 relating to timely commencement of business. Monitoring system was inadequate and there were cases of excess allotment of land, continuance of restricted activity by allottees and deficiencies in land transfer cases in violation of the Rules. The Company also did not comply with the Rules/ GoMP orders while finalizing the land rates and Annual Maintenance Charges, and recovery of dues.

4.2 Implementation of Phase-IX of commercial plantation

Madhya Pradesh Rajya Van Vikas Nigam Limited, Bhopal (Company) was incorporated with the objective of accelerating and increasing forestry production by plantation of species which are of higher economic value, fast growing and capable of diversified use for industrial and commercial purposes. It implemented Phase-IX (2015-16 to 2019-20) of commercial plantation in accordance with Project Report approved in December 2014 and norms and guidelines issued by Company for plantation.

Four Divisions out of eight Divisions sampled for audit could not achieve the teak plantation growth norms. Four Divisions did not prepare proposals for lantana eradication with maps containing GPS coordinates. Besides, there was delay in approval of Working Plans by Company for five Divisions.

4.3 Implementation of Swadesh Darshan Scheme of Government of India

The Union Ministry of Tourism (MoT), launched the Swadesh Darshan Scheme (Scheme) in 2014-15 for integrated development of theme-based tourist circuits. Madhya Pradesh State Tourism Development Corporation Limited (Company) and Madhya Pradesh Tourism Board (Board) were entrusted with the development of four Circuits (Wildlife, Buddhist, Heritage and Eco Circuits) of which two circuits viz., Wildlife and Heritage were examined in audit.

The Company submitted the Detailed Project Report (DPR) to MoT indicating availability of land/ permission/ clearances without ensuring actual availability of permissions/ clearances, which resulted in components/ works being either dropped or executed with delays. Fourteen work orders, out of 32 sampled, were completed with delays and one work order remained incomplete as of March 2020. There were avoidable delays in tendering and award of works.

The Company deviated from the Scheme Guidelines/ DPR and executed nine works at its own commercial units, even though these were not included in the DPRs. Except in the cases of leasing out of Way-Side Amenities, the Company was yet to execute agreement with other Departments for the Operation and Maintenance of the facilities, which were handed over to them.

4.4 Procurement, Repairs and Maintenance of Transformers

Madhya Pradesh Power Transmission Company Limited (Company) procured/ repaired the transformers of various capacities for development and maintenance of an efficient intra-state transmission system.

The Company awarded 19 contracts for procurement of 155 transformers for own use (for the construction of sub-stations departmentally) at a total cost of ₹ 452.32 crore. The Company could not ensure economical procurements, as same capacity transformers were purchased at higher price when compared to previous purchases. The Company also failed to restrict the rate of procurements made from L-2 bidder up to that of L-1 and failed to incorporate the Price Fall Back clause and 50 *per cent* quantity reduction clause in the agreement. In 12 turnkey contracts out of 18 turnkey contracts, the Company awarded the contract including the procurement/ supply of transformers by ignoring the recommendation of Best Practices In Transmission System (BPITS), which led to payment of higher price of ₹ 58.15 crore when compared to the cost of the transformers of the same capacity purchased directly by the Company for departmental construction during the same period.

The Company could not manage the funds efficiently as it suffered losses on account of avoidable payment of interest to Financial Institutions. Besides, blocking of funds occurred in cases where the commissioning was delayed, as the supply of transformers was received without ensuring readiness of the site for erection. It also suffered loss on account of release of interest-free Mobilization Advance to the supplier firms out of its interest-bearing funds.

4.5 Revenue Billing and Collection Efficiency in DISCOMs

Three Power Distribution Companies (DISCOMs) viz., Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited (MPMKVVCL), Madhya Pradesh Poorva Kshetra VidyutVitaran Company Limited (MPPoKVVCL) and Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited (MPPaKVVCL) are entrusted with reliable and quality power distribution in the State for agriculture, households and industries at competitive rates. The billing of energy consumption is required to be done as per provisions of Supply Code and Tariff orders issued by MPERC.

All three DISCOMs failed to reduce the distribution losses up to the target level of 15 *per cent* to 19 *per cent* as fixed by MPERC during 2016-17 to 2018-19. The higher

distribution losses adversely affected the billing efficiency of the DISCOM, due to which, the billing efficiency of the DISCOMs ranged between 62.77 *per cent* to 83.83 *per cent* during 2016-2019. DISCOMs, in violation of the provisions of the Supply Code, resorted to unwarranted provisional billing. The high incidence of provisional billing against metered consumers also increased significantly during 2018-19 compared to the 2016-17. 37.52 *per cent* of total metered consumers (40,85,361 no.) were billed provisionally during 2018-19 in comparison to 15.66 *per cent* of total metered consumers (35,92,736 no.) billed provisionally during 2016-17 in respect of 15 field units sampled for audit.

Further, 51 HT consumers were short billed by ₹ 26.70 crore due to not adhering to the relevant provisions of the Supply Code and Tariff orders.

Collection efficiency improved only in MPMKVVCL from 86.25 to 87.43 *per cent*, whereas it declined by 8.52 *per cent* and 5.57 *per cent* in MPPaKVVCL and MPPoKVVCL respectively during 2016-17 to 2018-19. This was mainly due to non-disconnection of defaulting consumers, failure in persuasion with Government Departments, delays in realisation of dues from permanently disconnected consumers and temporary connections. As a result, arrears of ₹ 2,619.96 crore remained unrecovered (November 2019) in 15 sampled field units.