Chapter V: Government Commercial and Trading Activities

Overview of Government Companies and Statutory Corporations

5.1 Introduction

As on 31 March 2007, there were ten Government Companies (all working Companies) and two Statutory Corporations as against nine Government Companies (all working Companies) and two Statutory Corporations (all working) as on 31 March 2006 under the control of the Government of NCT of Delhi. One new Company viz. Delhi Integrated Multi-Modal Transit System Limited came under the audit preview of the Comptroller and Auditor General of India (CAG) during 2006-07. The accounts of the Government Companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors who are appointed by the CAG as per the provisions of Section 619 (2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per provisions of Section 619 (4) of the Companies Act, 1956. The audit arrangements of Statutory Corporations are as shown below:

Table 5.1: Audit arrangements for Statutory Corporations

Sl. No	Name of the Corporation	Authority for audit by the CAG	Audit arrangement
1.	**Delhi Transport Corporation (DTC)**	Section 33(2) of the Road Transport Corporations Act, 1950	Sole audit by the CAG
2.	**Delhi Financial Corporation (DFC)**	Section 37(6) of the State Financial Corporations Act, 1951	Audit by Chartered Accountants and supplementary audit by the CAG

The Government of NCT had constituted the Delhi Electricity Regulatory Commission and its audit is entrusted to the CAG under Section 104(2) of the Electricity Act, 2003.

5.2 Working Public Sector Undertakings (PSUs)

5.2.1 Investment in Working PSUs

As on 31 March 2007, the total investment in 12 working PSUs (10 Government Companies and two Statutory Corporations) was Rs. 11,312.87 crore (equity: Rs. 841.48 crore, share application money Rs. 19.00 crore and long term loans[$] Rs.10,452.39 crore) as against a total investment in 11 working PSUs (nine Government Companies and two Statutory corporations) of Rs. 10,491.33 crore (equity: Rs. 839.18 crore, share application money: Rs. 12.94 crore and long term loans Rs. 9,639.21 crore) as on 31 March 2006. The analysis of investment in working PSUs is given in the following paragraphs.

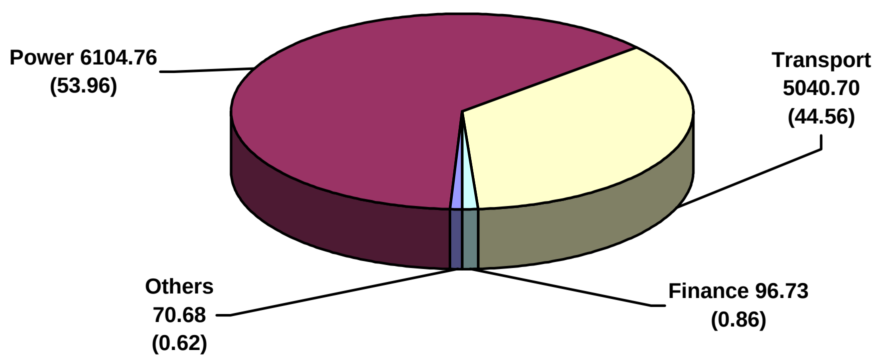
5.2.2 Sector-wise investment in working Government Companies and Statutory Corporations

The investment (equity and long terms loans) in various sectors and percentage thereof at the end of 31 March 2007 and 31 March 2006 are indicated in the pie charts:

[$] *Long terms loans mentioned in para 5.2.1, 5.3 and 5.3.1 are excluding interest accrued and due on such loans.*

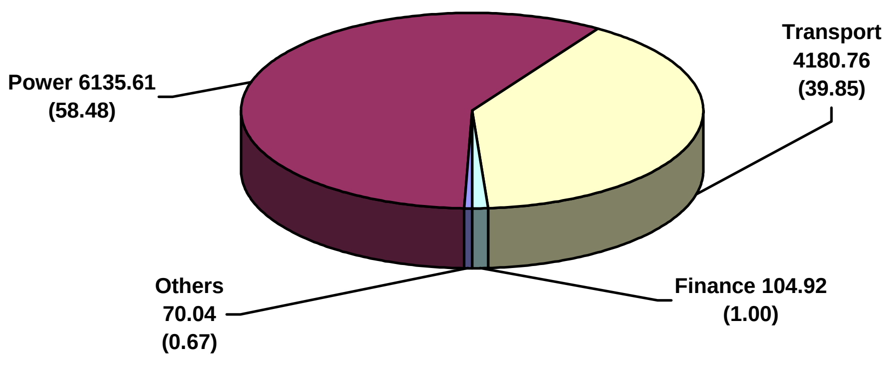
Sector-wise investment in working Government Companies and Statutory Corporations
Amount: Rupees in crore
(Figures in bracket indicate percentage of investment)
As on 31 March 2007

Total Investment Rs.11312.87 crore



As on 31 March 2006

Total Investment Rs.10491.33 crore



Source : Compiled from the information as provided by the PSUs

5.3 Working Government Companies

The investment in working Government Companies at the end of March 2006 and March 2007 was as follows:

Table 5.2: Investment in working Government Companies

(Rupees in crore)

Year	Number of companies	Equity	Share application money	Loan	Total
2005-06	9	709.29	-	5496.36	6205.65
2006-07	10	711.60	6.00	5465.15	6182.75

Source : Compiled from the information as provided by the companies

As on 31 March 2007, the total investment of working Government Companies comprised 11.61 *per cent* of equity capital and 88.39 *per cent* of loans as compared to 11.43 *per cent* and 88.57 *per cent* respectively as on 31 March 2006.

The summarised statement of Government investment in working Government Companies in the form of equity and loans is detailed in Appendix –XIII.

5.3.1 Working Statutory Corporations

The investment in Statutory Corporations at the end of March 2006 and March 2007 was as follows:

Table 5.3: Investment in working Statutory Corporations

(Rupees in crore)

Name of corporation	2005-06		2006-07	
	Capital (including share application money)	Loan	Capital (including share application money)	Loan
Delhi Transport Corporation	117.00	4063.77	117.00	4916.39
Delhi Financial Corporation	25.82	79.09	25.88	70.85
Total	**142.82**	**4142.86**	**142.88**	**4987.24**

Source : Compiled from the information as provided by the Corporations

As on 31 March 2007, the total investment in working Statutory Corporations comprised 2.79 *per cent* of equity capital and 97.21 *per cent* of loans as compared to 3.33 *per cent* and 96.67 *per cent* respectively as on 31 March 2006.

The summarised statement of Government investment in working Statutory Corporations in the form of equity and loans is detailed in Appendix–XIII.

5.3.2 Budgetary outgo, grants/ subsidies, guarantees, waiver of dues and conversion of loans into equity

The details of budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the Government of NCT in respect of the working Government Companies and working Statutory Corporations are given in Appendices XIII and XV**.**

The budgetary outgo in the form of equity capital and loans and grants/subsidies from the Government of NCT to the working Government Companies and working Statutory Corporations for the last three years ending 31 March 2007 are given below:

Table 5.4: Budgetary outgo to Government Companies and Statutory Corporations

(Rupees in crore)

	2004-05				2005-06				2006-07			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity capital outgo from budget	-	-	-	-	1	1.81	-	-	2	8.30	-	-
Loans given from budget	4	889.97	1	606.54	4	416.34	1	981.51	3	93.15	1	883.51
Grant	3	4.17	-	-	-	-	-	-	2	150.71	1	1.11
Subsidy towards Projects/ Programmes/ Schemes	1	0.16	-	-	1	0.66	1	130.67	-	-	1	57.60
Total	**5***	**894.30**	**1***	**606.54**	**4***	**418.81**	**1***	**1112.18**	**6***	**252.16**	**1***	**942.22**

Source : Compiled from the information as provided by the PSUs.

**These are the actual numbers of Companies/Corporations which have received budgetary support in the form of equity, loans, grants and subsidies from the Government of NCT during the respective years.*

During the year 2006-07, the Government of NCT of Delhi had not given guarantees against the loans obtained by any of the Government Companies or Statutory Corporations.

5.3.3 Finalisation of accounts by working PSUs

The accounts of Government Companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956, read with Section 19 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. They are also to be laid before the Legislature within nine months from the end of the financial year. Similarly, in case of Statutory Corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of the respective Acts.

It would be seen from Appendix XIV that six* out of ten working Government Companies and one Statutory Corporation finalised their accounts for the year 2006-07 within the stipulated period. During October 2006 to September 2007, three Government Companies finalised four accounts for previous years. The accounts of four Government Companies and one Statutory Corporation were in arrears for the periods ranging from one to ten years as on 30 September 2007 as detailed below:

Table 5.5: Arrears in accounts

Sl. No.	Number of PSUs		Year from which accounts are in arrears	Number of years for which accounts are in arrears	Reference to serial No. of Appendix-XIV	
	Working companies	Statutory Corporation			Working Companies	Statutory Corporation
1.	1	-	1997-98 to 2006-07	10	3	-
2.	3	1	2006-07	1	1,2 & 6	11

The administrative departments have to monitor and ensure that the accounts are finalised and adopted by the PSUs within the prescribed period. Though the concerned administrative departments were informed every quarter by Audit of the arrears in finalisation of accounts, there was no improvement in the position of arrears of accounts in case of Delhi SC/ST/OBC/Minorities & Handicapped Financial & Development Corporation Limited as a result of which the net worth of this PSU could not be assessed in audit.

* *Delhi State Civil Supplies Corporation Limited, Delhi Tourism and Transportation Development Corporation Limited, Pragati Power Corporation Limited, Delhi Power Company Limited, Indraprastha Power Generation Company Limited and Delhi Transco Limited*

5.4 Financial position and working results of working PSUs

The summarised financial results of working PSUs (Government Companies and Statutory Corporations) as per their latest accounts are given in Appendix-XIV. Besides, statements showing financial position and working results of individual working Statutory Corporations for the latest three years for which accounts have been finalised, are given in Appendices-XVI and XVII respectively.

According to the latest finalised accounts of the ten Government Companies and two Statutory Corporations, two Companies and one Corporation had incurred an aggregate loss of Rs. 753.58 crore and Rs. 879.38 crore respectively while seven companies and one corporation earned an aggregate profit of Rs. 201.37 crore and Rs. 5.40 crore respectively. One company has not finalised its first accounts so far.

Working Government Companies

5.4.1 Profit earning working companies and dividend

Out of the six companies, which finalised their accounts for the current year, four companies[1] earned a profit of Rs. 192.60 crore and only three Companies[2] declared a dividend of Rs.22.74 crore. Three Government Companies which finalised their accounts for previous years by 30 September 2007 earned an aggregate profit of Rs. 8.77 crore and did not declare any dividend.

5.4.2 Loss incurring working Government Companies

The two[3] loss incurring working Government Companies had accumulated losses aggregating to Rs. 1237.29 crore and 164.06 crore which exceeded their paid up capital of Rs. 0.05 crore and Rs. 140.00 crore respectively.

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[1] *Delhi State Civil Supplies Corporation Limited, Delhi Tourism and Transportation Development Corporation Limited, Pragati Power Corporation Limited, and Delhi Transco Limited*

[2] *Delhi State Civil Supplies Corporation Limited, Delhi Tourism and Transportation Development Corporation Limited and Pragati Power Corporation Limited,*

[3] *Delhi Power Company Limited and Indraprastha Power Generation Company Limited*

5.5 Working Statutory Corporations

5.5.1 Profit earning Statutory Corporations and dividend

One Statutory Corporation viz. Delhi Financial Corporation had finalised its accounts for the year 2006-07 and earned a profit of Rs. 5.40 crore but did not declare any dividend.

5.5.2 Loss incurring Statutory Corporation

One Statutory Corporation viz. Delhi Transport Corporation which finalised its accounts for the year 2005-06 by 30 September 2007 had accumulated losses aggregating to Rs. 4008.46 crore which exceeded its paid up capital of Rs. 117 crore by more than 33 times.

Despite poor performance and complete erosion of its paid up capital, the Government of NCT continued to provide financial support to the Corporation in the form of further loans and subsidies. The financial support so provided by the Government of NCT by way of loans and subsidies during 2006-07 was Rs.883.51 crore and Rs. 57.60 crore respectively.

5.6 Operational performance of working Statutory Corporations

The operational performance of the working Statutory Corporations is given in Appendix XVIII.

Some of the important observations on the operational performance of the Statutory Corporations are given below:

Delhi Transport Corporation

The average number of vehicles on road increased from 3010 in 2004-05 to 3138 in 2005-06 but decreased to 2814 in 2006-07. The occupancy ratio decreased from 99.38 in 2004-05 to 97.16 in 2005-06 but increased to 99.95 in 2006-07. The average number of breakdowns per lakh km increased from 5.90 in 2004-05 to 6.70 in 2005-06 and 10.11 in 2006.07 and the loss per km increased from Rs. 28.07 per km in 2004-05 to Rs.31.45 per Km in 2005-06 and Rs. 48.03 per Km in 2006-07. Gross Kms operated increased from 26.13 crore Kms in 2004-05 to 26.86 crore Kms in 2005-06 but decreased to 21.37 crore Kms in 2006-07 and the percentage of dead Kms to gross Kms increased from 3.40 *per cent* in 2004-05 to 3.59 *per cent* in 2005-06 and 4.37 *per cent* in 2006-07.

Delhi Financial Corporation

Loans disbursement which was Rs.65.92 crore in 2004-05 came down to Rs. 27.25 crore in 2006-07 and interest income also came down from 21.91 crore in 2004-05 to Rs. 19.80 crore in 2006-07, showing a negative growth in the business of the corporation.

5.6.1 Return on capital employed

As per the latest finalised accounts, the capital employed[4] worked out to Rs. 1293.54 crore in nine companies and the total return[5] thereon amounted to Rs. (-)83.82 crore as compared to total return of Rs. 294.78 crore in the previous year. Similarly, the capital employed and total return thereon in case of working Statutory Corporations as per the latest finalised accounts worked out to Rs. 419.36 crore and Rs. (-) 377.56 crore respectively against the total return of Rs. (-) 374.06 crore in the previous year. The details of capital employed and total return on capital employed in case of working Government Companies and Statutory Corporations are given in Appendix XIV**.**

5.7 Status of placement of Separate Audit Reports of Statutory Corporations in the Legislature

The following table indicates the status of placement of various Separate Audit Reports (SARs) on the accounts of Statutory Corporations issued by the CAG in the Delhi Legislative Assembly by the Government as on 30 September 2007:

Table 5.6: Placement of SARs in the Legislature

Sl. No.	Name of Statutory corporation	Year up to which SARs placed in Legislature	Years for which SARs not placed in Legislature	
			Year of SAR	Date of issue to the Government
1.	Delhi Transport Corporation	2004-05	2005-06	2.3.2007
2.	Delhi Financial Corporation	2004-05 -	2005-06 2006-07	4.10.2006 Under finalisation

[4] *Capital employed represents net fixed assets (including capital works-in-progress) plus working capital except in finance companies and corporations where it represents the mean of aggregate of opening and closing balances of paid-up capital, free reserves, bonds, deposits and borrowings (including refinance).*

[5] *For calculating total return on capital employed, interest on borrowed funds is added to net profit/subtracted from the loss as disclosed in the profit and loss account*

5.8 Results of audit of accounts of PSUs by the Comptroller and Auditor General of India

During the period from October 2006 to September 2007, the accounts of eight Government Companies and two Statutory Corporations were selected for Audit. The net impact of the important audit observations on the working results of these PSUs was as follows:

Table 5.7: Decrease/ increase in profit/loss as a result of audit by the CAG

Details		Working Government companies		Working Statutory corporations	
		No. of accounts	Rupees in lakh	No. of accounts	Rupees in lakh
(i)	Decrease in profit	4	970.22	-	-
(ii)	Increase in loss	-	-	1	1381.45
(iii)	Decrease in loss	-	-	1	3638.00

Some of the major errors and omissions noticed in the course of review of annual accounts of some of the above Government Companies and Statutory Corporations are mentioned below:

5.8.1 Errors and omissions noticed in case of Government Companies

Delhi Tourism and Transportation Development Corporation Limited (2006-07)

- Current liabilities were understated by Rs. 1.14 crore being payable to the Delhi Building and other construction workers welfare Board, Government of NCT of Delhi on account of levy and collection of Cess. This has also resulted in overstatement of profit by Rs.1.14 crore.

Delhi SC/ST/OBC/Minorities & Handicapped Financial & Development Corporation Limited (1995-96)

- Fixed Assets were understated by Rs.1.09 crore in respect of cost of 238 work-sheds wrongly adjusted from the Special Central Assistance fund (SCA funds). This has also resulted in understatement of Reserve and Surplus (Grant-in-Aid) by Rs.1.09 crore.

Delhi SC/ST/OBC/Minorities & Handicapped Financial & Development Corporation Limited (1996-97)

- Other income includes a sum of Rs.1.21 crore on account of interest earned on unspent Grant. As per the conditions of sanction order, the unspent Grant is required to be refunded to Government of NCT of Delhi. The interest earned has been treated as revenue, which has resulted in understatement of Grant and overstatement of profit by Rs.1.21 crore for the year 1996-97. Cumulative impact of the above was understatement of Grant and overstatement of Reserve and surplus by Rs.6.38 crore up to March 1997.

5.8.2 Errors and omissions noticed in case of Statutory Corporations

Delhi Transport Corporation (2005-06)

- Liabilities of Rs. 2.21 crore on account of uniform had wrongly been written back and liabilities of Rs. 1.01 crore for the current year had not been provided for in the accounts. This has resulted in understatement of losses by Rs. 3.22 crore.
- The Corporation paid Rs.13.96 crore on account of delayed payment charges on provident fund dues during the period from 2001-02 to 2005-06 at a rate ranging from 8.5 *per cent* to 9.5 *per cent* as against 12 *per cent* stipulated in Section 7Q of the Employees Provident Fund and Miscellaneous Provisions (EPFMP) Act 1952. The amount short credited into the DTC EPF Trust during the five years ended 31 March 2006 worked out to Rs. 4.92 crore. This has resulted in understatement of Current Liabilities as well as losses by Rs.4.92 crore.
- Land and building was overstated by Rs.2.44 crore due to non amortisation of various lease hold lands held by the Corporation. This has resulted in understatement of depreciation reserve as well as loss by Rs. 2.44 crore.
- Surplus and obsolete items of store valuing Rs.1.28 crore which have realisable value of Rs. 33.50 lakh only. Non-provision for these items has resulted in overstatement of Stores and material and understatement of Loss for the year by Rs. 94.63 lakh.
- Liability of Rs. 2.07 crore towards motor vehicle third party insurance has not been provided for in the accounts. This has resulted in understatement of losses as well as Current liabilities by Rs. 2.07 crore.
- Operating revenue is understated by Rs. 36.38 crore due to non accountal of subsidy on concessional/free passes recoverable from Government of Delhi for the year 2004-05 and 2005-06 as per the decision conveyed by Government of NCT of Delhi. This has resulted into overstatement of losses by Rs. 36.38 crore.

5.9 Internal audit/ internal control

The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including the internal audit/internal control systems in the companies audited by them in accordance with the directions issued by the CAG to them under Section 619(3)(a) of the Companies Act, 1956 and to identify areas which need improvement.

The major recommendations/comments made by the Statutory Auditors on possible improvement in the internal audit/internal control systems in respect of Government Companies are given below:

Name of the company	Recommendations/comments made by the Statutory Auditors
Delhi Transco Limited	Coverage of internal audit scope need further strengthening.
Indraprastha Power Generation Company Limited	The internal audit should be strengthened commensurate with the size and nature of the business.
Delhi Tourism and Transportation Development Corporation	The internal control system needs to be further strengthened with specific reference to maintenance of accounts of few divisions on standard financial software. Strict control to follow standard accounting practices is required in view of technological communication and management advancement.
Pragati Power Corporation Limited	The internal audit system needs to be further strengthened commensurate with the size of the Company and nature of its business.

5.9.1 619-B Companies

There was no company under section 619-B of the Companies Act, 1956.

Performance Audit

Indraprastha Power Generation Company Limited

5.10 Operational performance of Indraprastha Power Station

Highlights

The Indraprastha Power Station was incurring losses continuously and the losses increased from Rs. 5.02 crore in 2002-03 to Rs. 61.51 crore in 2006-07.

(Paragraph 5.10.1)

The average Plant Load Factor (PLF) of IP Station during 2002-07 was 39.16 *per cent* as against the 76.45 *per cent* and 76.83 *per cent* recorded by PARAS and SARNI power plants which are of the same age and type. Low PLF resulted in lower generation estimated at Rs. 367.68 crore for the period 2002-07.

(Paragraph 5.10.10)

Forced outages were far in excess of the CEA norms. Such outages resulted in non-availability of plant for 17739 hours resulting in generation loss of 1091.67 Million Units valuing Rs. 201.01 crore.

(Paragraph 5.10.11)

Auxiliary consumption increased from 11.95 *per cent* in 2002-03 to 15.51 *per cent* in 2006-07 as against 11.64 *per cent* allowed by Delhi Electricity Regulatory Commission (DERC). This resulted in excess auxiliary consumption of 89.134 MU valuing Rs. 18.05 crore, which could not be dispatched to the grid.

(Paragraph 5.10.12)

Delay in repair of rotor, non-procurement of new rotor and completion of overhauling works due to non availability of spares resulted in loss of 429.986 MU valuing Rs. 86.65 crore.

(Paragraph 5.10.13 & 5.10.14)

Failure to comply with the directives of Central Electricity Authority and deficiencies in operation of ash evacuation system led to collapse of Eletro Static Precipitator hoppers of Unit No 3 resulting in loss of generation of 30.60 MU valuing Rs. 6.24 crore.

(Paragraph 5.10.15)

Heat consumption per unit of electricity generated increased from 3443.36 to 3791 K.cal/ kwh during 2002-03 to 2006-07 as against 3235 K.cal/ kwh allowed by the DERC resulting in excess consumption of coal worth Rs. 89.47 crore and Light Diesel Oil worth Rs. 4.58 crore during the period.

(Paragraph 5.10.19)

Introduction

5.10.1 Indraprastha Power Station (IP Station) was set up during 1963 to 1971 in three phases by the erstwhile Delhi Electric Supply Undertaking (DESU). It comprises five units with originally installed capacity of 284.10 MW which was subsequently reduced to 247.50 MW due to closure (June 1995) of economically unviable Unit No.1. Haryana Vidyut Parsaran Nigam Limited (HVPNL) has one-third share in the units 2, 3 and 4 of IP Station. The management of the IP Station was transferred from DESU to Delhi Vidyut Board (DVB) in February 1997 and on unbundling of DVB; the IP Station was placed (July 2002) under the newly constituted Indraprastha Power Generation Company Limited (IPGCL).

The IP Station has been sustaining losses continuously. The loss per year increased from Rs. 5.02 crore in 2002-03 to Rs. 61.51 crore in 2006-07.

The day-to-day affairs of IP Station are looked after by General Manager (Technical) who is assisted by four Deputy General Managers, Managers and Assistant Managers. The General Manager (Tech) reports to the Director (Tech), IPGCL.

Scope of Audit

5.10.2 The present performance review conducted during March-May 2007 covers the performance of the IP Station during 2002-07. Besides, examining the records maintained at IP Station, records at Stores & Material (S&M) Division, Finance Division, Environment division of IPGCL were also test checked. The performance review also covers follow up action taken by the Management on deficiencies in fuel management of IP Station pointed out in the review on Fuel Management in IPGCL, which was featured in the report of the Comptroller and Auditor General of India-Government of NCT of Delhi for the year ended 31 March 2004.

Audit objectives

5.10.3 The performance appraisal of the IP Station was carried out to assess whether:

- the Operational performance of the IP Station is in consonance with the parameters of efficiency fixed by the Delhi Electricity Regulatory Commission (DERC)/Central Electricity Authority(CEA);
- the plant was maintained in proper running condition;
- pollution level was within the levels prescribed by the Delhi Pollution Control Committee (DPCC);
- Fuel consumption was in line with the thermal power Stations of the similar vintage;
- scientific system of inventory management existed in the IP Station;
- manpower costs were optimum; and
- internal audit and internal control system is commensurate with the size and the activities of the IP Station.

Audit criteria

5.10.4 The audit criteria adopted for assessing the achievement of the audit objectives were:

- designed capacity of the units and operational parameters fixed by the DERC/ CEA and the performance of other comparable power plants viz. PARAS power plant of Maharashtra and SARNI power plant of Madhya Pradesh where generating units of similar age, capacity and type are installed;
- trend of outages in IP Station and other comparable power plants;
- norms/guidelines of the DPCC in respect of environmental pollution;
- norms of fuel consumption fixed by the DERC and the fuel consumption of other comparable powerhouses;
- principles of scientific inventory management;
- norms of manpower fixed by CEA/DERC; and
- quantum and coverage of the internal audit.

Audit methodology

5.10.5 Audit adopted the following methodology:

- review of generation reports, breakdown reports and other reports generated by the IP Station;
- review of agenda and minutes of the meeting of Board of Directors (BOD) of IPGCL;
- analysis of operational performance with reference to the performance of other comparable power plants viz. PARAS and SARNI power plants;
- review of subject files, registers and other records maintained by the various division of the IP Station /IPGCL ; and
- review of reports and orders of CEA/DERC/DPCC.

Audit findings

5.10.6 The audit findings emerging as a result of the performance audit were reported (July 2007) to the State Government/ Management and were also discussed (September 2007) in the meeting of the Audit Review Committee on Public Sector Enterprises (ARCPSE). The Principal Secretary (Power) of Government of NCT of Delhi and the Managing Director of IPGCL attended the meeting. The replies of the Management received (October 2007) and the views expressed by Management/Government in ARCPSE meeting have been taken into consideration while finalising the review. The audit findings are discussed in the succeeding paragraphs.

Operational performance

5.10.7 Generating capacity of IP Station constituted 37.25 *per cent* of the total generating capacity of the IPGCL while its contribution ranged between 22.98 and 31.75 *per cent* of the total generation of the IPGCL during 2002-07. Audit analysis revealed that operation of IP Station was marred with low plant availability, low plant load factor, high auxiliary consumption, non adherence to maintenance schedule and avoidable delays in completion of overhauling works, excessive environmental pollution etc. The operational performance of the IP Station during 2002-07 has been summarised in Annexure-A. Deficiencies noticed in the operational performance of IP Station have been discussed in the succeeding paragraphs:

Availability factor

5.10.8 Availability factor is the ratio between the actual running hours of the plant and the total available hours in the year. The availability factor of IP

Station increased from 44.36 *per cent* in 2002-03 to 74.81 *per cent* in 2006-07. The availability factor of the IP Station was however, far below that of PARAS power plant, SARNI power plant and the national average, which ranged from 72.98 to 98.94 *per cent,* 88.33 to 91.56 *per cent* and 81.78 to 82.93 *per cent* respectively during the same period. Achievement of availability factor equivalent to the similar power plant would have entailed additional generation of 1248.428 MU electricity valuing Rs. 227.67 crore during 2002-07.

Non-achievement of availability factor equivalent to similar power plants entailed loss of Rs. 227.67 crore.

Management stated (October 2007) that low availability in 2002-03 was a result of the DPCC's restriction to operate two units of IP Station during September 2002 to January 2003. It added that the performance of IP station cannot be compared with PARAS and SARNI power plants as only day-to-day maintenance of the units was carried out till the receipt (January 2003) of conditional clearance to operate the Station from DPCC whereas the PARAS and SARNI power plants were carrying out overhauling regularly resulting in better state of health vis-à-vis IP Station. Besides, the generating units were operated at partial load as per the recommendations of the Original Equipment Manufacturer (OEM) due to development of cracks in rotors. It also contented that the variable cost per unit being more than that allowed by DERC, the extra generation would have led to further loss.

The reply is not tenable, as availability factor of IP Station remained far below that of similar other power plants viz. PARAS, SARNI and national level. The Management's contention that IP Station is not comparable with PARAS and SARNI is not convincing as the generating units of these stations are similar in age, capacity and make. The reply regarding suspension of overhauling activities till receipt (January 2003) of environmental clearance from DPCC was not correct as two of the units of the IP Station were under overhauling even during June 2002 to January 2003 indicating that the overhauling activities were not at all suspended. Audit further noticed that the OEM had not recommended for derating the capacity of the units. The Management's contention that increase in generation would increase its losses shows that the management is trying to take undue coverage under the price fixation of DERC, rather than trying to improve its performance.

Generation targets and achievements

5.10.9 The generation target of IP Station was increased from 860 MU in 2002-03 to 950 MU in 2006-07. Although the actual generation increased from 621.259 MU in 2002-03 to 952.308 MU in 2006-07, the IP Station could achieve targets in 2004-05 and 2006-07 only. It could not achieve the generation targets in 2002-03, 2003-04 and 2005-06 booking shortfall of 238.741 MU, 30.872 MU and 15.252 MUs respectively. Audit analysis revealed that during 2002-07, the average generation per generating unit of IP

Station was 212.39 MU as against the 397.39 MU and 420.75 MU in case of PARAS and SARNI power plants respectively during the same period. Evidently, the generation per generating unit of the IP Station was far below that of the PARAS and SARNI power plants indicating scope for further improvement.

The Management stated (October 2007) that there was improvement in the generation during the period and it had achieved the generation targets fixed by the CEA/DERC. Management's contention that it had achieved the generation targets fixed by the CEA/DERC is partially correct as it could achieve the generation targets fixed by CEA in 2004-05 and 2006-07 only during the period of review. Besides, despite improvement, average generation per unit remained far below the similar power plants.

Thus, the generation per generating unit of the IP Station was on lower side comparing similar power plants.

Plant load factor

5.10.10 Plant load factor (PLF) refers to the ratio between the actual generation and the possible generation during certain period. The PLF of IP Station had increased from 28.65 *per cent* in 2002-03 to 45.42 *per cent* in 2005-06 and subsequently decreased to 43.92 *per cent* in 2006-07. The average PLF of IP Station during 2002-07 was 39.16 *per cent* as against the 76.45 *per cent* and 76.83 *per cent* in case of PARAS and SARNI power plants respectively and 73.46 *per cent* at national level. Achieving the PLF attained by PARAS and SARNI power plants would have resulted in generation of additional 1927.921 MU worth Rs. 367.68 crore[6] during 2002-07.

Non-achievement of PLF equivalent to similar power plants entailed loss of Rs. 367.68 crore.

The Management stated (October 2007) that there was an improvement in the PLF of IP Station and attributed the low PLF to operation of machines at lower capacity on the recommendations of the OEM; suspension of the overhauling activities till the receipt of clearance to operate IP Station from DPCC in January 2003. The reply is not tenable as the OEM had not recommended for derating the capacity of the units. Test check in Audit also revealed that the units were operated even beyond the stated derated capacity. This indicates that units could be operated at higher load by proper maintenance. Further the reply that the overhauling activities were suspended till receipt of clearance from DPCC is not correct, as two of the units were overhauled during June 2002 to January 2003.

Thus, the PLF of the IP Station was on lower side comparing similar units indicating scope for further improvement.

[6] Amount calculated on the basis of variable sale price.

Plant Outages

5.10.11 Outages refer to the period for which the plant remained closed for attending planned/ forced maintenance. Audit observed following deficiencies in planned and forced outages:

- The total number of hours lost due to planned outages decreased from the 10,678 hours in 2002-03 to 3,527 hours in 2006-07 i.e. from 30.47 *per cent* to 10.07 *per cent* of the total available hours in the respective years. The decline in the planned outages was due to non-adherence to the maintenance schedules prepared by IP Station itself. Audit observed that against the fourteen scheduled overhaulings of boiler and turbine only eight overhaulings were carried out during 2002-07. Despite this the proportion of the planned outages in IP Station remained more than that of PARAS, SARNI power plants and the national level, which ranged from zero to 20.65 *per cent,* 4.20 to 6.33 *per cent* and 8.23 to 9.48 *per cent* respectively during the same period.

The Management stated (October 2007) that no overhauling was planned for the year 2002-03 and during the period 2003-04 to 2006-07 only eight overhauling were planned and carried out. It however, did not address the audit observation about higher planned outage hours in IP Station than in the similar power plants. As regard Management's contention that instead of fourteen only eight overhauling were planned, it was observed that the same is not correct as the records produced to audit clearly exhibited that fourteen overhauling were planned against which only eight overhauling were carried out.

Forced outages exceeded norms of CEA resulting in generation loss of 1091.67 MUs.

- The forced outages in IP Station also decreased from 8,818 hours in 2002-03 to 5,329 hours in 2006-07 i.e. from 25.17 to 15.21 *per cent* of the total available hours in the respective years. Though there was a downward trend in the forced outages, the same remained more than the norm of 10 *per cent* fixed by CEA for forced outages in all the years. Compliance of the CEA norms would have entailed availability of plant for additional 17,739 operational hours with consequent generation of 1,091.67 MU valuing Rs. 201.01 crore. In case of PARAS and SARNI power plants, the forced outages ranged from 1.06 to 6.37 *per cent* and 4.24 to 5.42 *per cent* respectively. Besides, the forced outages at national level ranged from 8.74 to 9.87 *per cent*. Audit analysis revealed that out of the total 34,410 forced outages hours, 14,404 hours i.e. 41.86 *per cent* resulted due to boiler tube leakages. Scrutiny in audit further revealed that the frequent boiler tube leakages were attributable to the deficient quality of the demineralised water fed into the boilers tubes, which was controllable. Evidently had IP Station adhered to its own preventive maintenance schedules, the forced outages could have been further reduced. Management stated (October 2007) that as the Renovation and Modernisation (R&M) Programme was not undertaken, the forced outages remained more than the CEA norms. The reply is not tenable as in PARAS and SARNI power plants also no R&M programme was undertaken and their forced outages remained well with in the CEA norms.

Thus, forced outages exceeding CEA norms resulted in generation loss of 1091.67 MUs.

Auxiliary consumption of power

Excess auxiliary consumption of 89.134 MU resulted in loss of Rs. 18.05 crore.

5.10.12 Energy consumed by itself for running its equipment and common services is called Auxiliary Consumption. DERC allowed (June 2003) 11.64 *per cent* of the power generated to be used as auxiliary consumption. However, the actual auxiliary consumption of IP Station increased from 11.95 *per cent* in 2002-03 to 15.51 *per cent* in 2006-07 resulting in excess consumption of 89.134 MU valuing Rs. 18.05 crore which could not be dispatched to the grid. Further, the auxiliary consumption of the IP Station was neither favourably comparable with the auxiliary consumption of PARAS and SARNI power plants nor with the national level. The average auxiliary consumption of PARAS, SARNI power plants and national average was 10.12 *per cent,* 8.47 *per cent* and 8.65 *per cent* respectively as against 13.57 *per cent* in case of IP Station during 2002-07.

The Management while accepting increase in auxiliary consumption stated (October 2007) that in pre-IPGCL period proper accounting of auxiliary consumption was not done and in post IPGCL period the exact auxiliary consumption is being computed as a difference between energy generated and energy sent out. It however failed to address as to why the auxiliary consumption increased continuously from 11.95 to 15.51 *per cent* during the period of review, which was exclusively post IPGCL period.

Non-availability of rotor led to loss of power generation:

5.10.13 Inordinate delay in the repair of the standby rotor and non-procurement of new rotor had resulted in loss of Rs. 71.86 crore to the Company as discussed below:

Inordinate delay in repair and non procurement of new rotor resulted in loss of 345.213 MU valuing Rs. 71.86 crore.

- A spare rotor was kept by IP Station to avoid any loss of generation in the event of any problem in the rotor of unit. 2, 3 and 4 being of similar make and capacity. On 20 January 2005, unit 3 was stopped due to crack in its rotor, which was found beyond repair. The spare rotor, which was taken out from the Unit 3 in September 2004, was also not in working condition as no action for its repair was taken by the Management till the unit stopped in January 2005. Order for repair of standby rotor was placed on 11 May 2005 and the same was installed on 7 July 2005. Inaction to keep the standby rotor ready to meet the emergencies had resulted in shutdown of the Unit 3 from 20 January 2005 to 7 July 2005 and consequential loss of generation of 187.293 MU valuing Rs. 38.97 crore.

The Management stated (October 2007) that rotor was not repaired as the procurement of one new rotor was incorporated in R&M proposal sent to the Government. Audit observed that R&M scheme was not approved by the GNCTD as of September 2004. Even after the approval of R&M scheme, average lead time of twelve months is required between placement of order and receipt of new rotor. Thus, the decision of Management not to get the rotor repaired lacked justification as absence of a spare rotor resulted in shutdown of the Unit 3 for six months.

- The repaired rotor was installed with the stipulation that the unit cannot be operated beyond 35 MW against its capacity of 62.5 MW. In the meantime the BOD accorded (June 2005) administrative approval for procurement of one fully bladed and dynamically balanced rotor from GE, USA. It agreed (September 2005) to supply the rotor at a negotiated price of Rs. 9.18 crore. Placement of order was, however, deferred (September 2005) by the BOD for want of environment clearance from Ministry of Environment & Forest (MOEF). It was noticed during audit that considering the power scenario in Delhi, DPCC allowed (January 2003) the continuance of operation of IP Station subject to the initiation of pollution control measures. In compliance of the above orders the Electro Static Precipitators (ESP) were installed (July 2005) in IP Station to bring down the particulate emission level to 50mg/nm3.

  Audit scrutiny, however, revealed that the Board, while deferring the purchase of rotor till the receipt of environmental clearance from MOEF had ignored the permission given by DPCC (January 2003) to operate the IP Station. Besides, BOD decision to defer the procurement was also not based on any cost benefit analysis.

The Management reiterated (October 2007) that the procurement of new rotor was deferred due to non-receipt of the environment clearance from MOEF. The Management's decision to defer the procurement of rotor clearly exhibited the inconsistent decision-making as it had initiated the process of augmentation of ESPs at a cost of Rs. 30.69 crore on the basis of clearance from DPCC whereas it deferred to incur Rs. 9.18 crore on purchase of rotor, which would have optimized the generation from Unit 3.

Thus, consequent upon the non-availability of the new rotor due to deferment of purchase order, the unit 3 operated at the partial load i.e. less than 35 MW against the average load of 46.73 MW in the three months preceding January 2005 when the Unit was operational. This resulted in loss of generation of 157.92 MU valuing Rs. 32.89 crore[7] (September 2005 to March 2007) as against Rs. 9.18 crore being the cost of rotor.

Delay in overhauling of boilers

Delay in completion of overhauling work resulted in loss of 84.773 MU valuing Rs. 14.79 crore.

5.10.14 The Company suffered generation loss of 84.773 MU valuing Rs. 14.79 crore in overhauling of boilers due to avoidable delay in supply of spare parts etc. to the contractors and inspection of boiler as discussed below:

- Based on limited tender enquiry for the capital overhauling work of the Boilers of Units 2 and 3 of IP Station, BHEL was issued a letter of Intent on 25 March 2003 at Rs. 3.02 crore plus taxes with the scheduled completion date of 1 May 2003. The overhauling of Unit 2 and 3 was, however, completed on 30 May 2003 and 9 June 2003 with a delay of 29 days and 39 days respectively due to delay in procurement of spares, which were to be arranged by the IP Station. Audit scrutiny revealed that the purchase order (PO) for procurement of the spares was issued to BHEL on 20 February 2003 with a scheduled delivery period of nine months. Though, the maintenance schedule for the year 2002-03 was prepared in October 2001, the material was indented by the IP Station in January 2003 despite being well aware of the lead-time for supply of spares. The delay in completion of overhauling work could have been avoided by taking timely procurement action. Delay in the completion of overhauling work due to non-availability of the spares resulted in loss of generation of 42.162 MU with consequent revenue loss of Rs. 8.01 crore. Management stated (October 2007) that the overhauling activities were suspended in view of decision (April 2000) of MOEF to close down the IP Station within six months of commissioning (May 2003) of Pragati Power station. However, subsequent to receipt of the clearance from DPCC (January 2003), overhauling work was initiated. The Management contention that the overhauling activities were suspended is not correct as during 2002-03 it had not only carried out annual overhauling of Unit 4 but also the capital overhauling of Unit 5.
- The work of overhauling of boiler of unit 4 was entrusted (October 2001) to Abzan Construction Private Limited for completion in 65 days failing which a penalty of Rs. 10,000 per day or a part thereof was to be levied without any ceiling on the amount of penalty. The work started on 21 June 2002 and was to be completed by 24 August

[7] Computed on the basis of actual hours run.

2002. The work was, however, completed on 28 December 2002 with a delay of 126 days. Audit scrutiny revealed that out of 126 days, delay of 40 days was attributable to increase in the scope of work and 33 days of delay was attributable to the contractor for which penalty was charged as per the contract. It was further observed that though the work order was issued on 16 October 2001 and the overhauling work commenced on 21 June 2002, IP Station failed to ensure the availability of the gases and economizer bends which were to be supplied by it to the contractor as per the terms of contract. Besides, the fee for boiler inspection test was deposited on 22 October 2002 instead of depositing the same when the request for boiler inspection was sent on 8 October 2002. Thus, the delay of 53 days in providing of industrial gases, economizer bend and deposit of fees for boiler inspection test resulted in loss of generation of 42.611MU with a revenue loss of Rs. 6.78 crore.

The Management stated (October 2007) that the purchase order for supply of the gases was issued in January 2002. However, due to failure of the supplier to supply the gases, a fresh PO was issued in December 2002, which resulted in delay in supply of the gases. The reply was factually incorrect. The POs issued in January 2002 were in respect of the gases procured for regular maintenance activities against which the supplier supplied full quantity. However, the indent for procurement of gases for overhauling work was placed in June 2002 by the IP Station after start of overhauling work indicating Management's failure to ensure the availability of the gases before start of the overhauling entailing delay in completion of work.

Collapse of Electro Static Precipitators

Failure to comply directives of CEA and deficient ash evacuation system led to collapse of ESP hoppers of Unit No 3.

5.10.15 In pursuance of the directions issued (January 2003) by DPCC to bring down the particulate matter (PM) emission level to 50 gm/NM3, the IP Station decided to augment its existing Electro Static Precipitators (ESP) by installation of new ESPs. The main function of the ESPs is to collect ash from particulate laden gases entering into it and emit clean gas into the chimney. The ash is accumulated in the hoppers by the ESPs and thereafter disposed off in the form of slurry through ash evacuation system. Further, CEA had circulated (November 2003) guidelines to avoid occurrence of major accident in thermal power stations. The guidelines provide for appointment of independent quality control and supervision agency to supervise the quality of work; 100 *per cent* testing of critical welded joints; preparation of quality assurance programmes; testing of quality of structural steel and welding electrodes by the independent agencies during the course of erection.

The work of the augmentation of ESPs on turnkey basis was entrusted (July 2003) to BHEL at a basic price of Rs. 30.69 crore plus taxes and duties etc.

The ESPs were commissioned during March 2005 to March 2006. The ESP of the unit 3 which was commissioned on 5 July 2005 partially collapsed on the 24 August 2005, which also slightly damaged the ESP of Unit 4. The Unit 4 was restored on 27 August 2005 and the Unit 3 was restored on 29 September 2005. It was observed that none of the measures prescribed by CEA had been taken by the IP Station during the course of erection of ESPs.

A multi disciplinary committee was constituted (August.2005) by the CEA at the behest of Government of NCT Delhi to identify the causes of collapse of ESP hoppers and also to suggest remedial measures necessary to avoid such incidents. The committee attributed (September 2005) the collapse to failure of welded joints due to poor quality of site welds and accumulation of ash beyond the stipulated levels due to poor functioning of ash evacuation system, which was being managed by the IP Station.

Evidently failure to comply with the directives of CEA during the erection phase of ESPs and deficiencies in operation of ash evacuation system of IP Station led to accumulation of ash in the hoppers which resulted in collapse of ESP with the consequential loss of generation of 30.60 MU valuing Rs. 6.24 crore during 24 August 2005 and 29 September 2005.

The Management stated (October 2007) that collapse was attributable to the BHEL, which is replacing the damaged ESP without any additional cost to IPGCL. The Management however failed to address as to why the safety measures suggested (November 2003) by the CEA were ignored.

Thus failure to comply with directives of CEA and deficient ash evacuation system led to collapse of ESP hopper resulting in generation loss of 30.60 MU.

Excess environmental pollution

5.10.16 As per The Air (Prevention and Control of Pollution) Act, 1981 particulate matter emission from thermal power station should not exceed 150 mg/NM3. DPCC, however, in its meeting held on 30 January 2003 had directed IP Station to bring down the particulate matter emission to 50 mg/NM3. To ensure compliance of the above directions, the IP Station entrusted (July 2003) the work of augmentation of ESPs to BHEL. ESPs were commissioned in Units 2, 3, 4 and 5 (Pass A) during March–July 2005 and Unit 5 (Pass B) in March 2006.

IP Station has been sending a fortnightly report about the particulate matter emission to DPCC. The Audit appraisal of the fortnightly returns sent to the

DPCC revealed the following:

Year	Norms of DPCC for PM emission (mg/nm3)	Number of months PM emission exceeded norms (range)			
		Unit-2	**Unit-3**	**Unit-4**	**Unit-5**
2002-03	150	Nil	Nil	Nil	Nil
2003-04	50	11* (62.9-118.7)	10* (66.2-115.8)	12 (75.7-116.6)	10* (84.4-156.5)
2004-05	50	10* (62.9-121.7)	10* (76.1-120.5)	11* (58.9-116.6)	11* (121.3-143.3)
2005-06	50	11* (61.9-117.7)	7.5* (44.3-112.9)	11* (56.3-123.8)	11* (125.5-145.9)
2006-07	50	10 (28.2-134.9)	11.5 (49.2-135.6)	5* (33.8-106.9)	11 (47.3-142.3)

Source : Information compiled from Management Information system of the Company.
** For the rest of the months the units remained shut down*

Emission level of particulate matter continued to be in excess of prescribed limit.

Thus, the IP Station, even after an investment of Rs. 30.69 crore, failed to achieve and comply with the revised norms (January 2003) of the DPCC regarding emission of Particulate Matter. Even after the commissioning of ESPs it could only achieve the revised norms of 50gm/NM3 in two out of twenty months in case of unit 2; three out of twenty-one months in case of Unit 4 and one out of twelve months in case of Unit 5. One of the reason for the excessive emission was non functioning of ESPs due lack of timely de-ashing of its hoppers, which also resulted in collapse of hopper of Unit 3 as discussed in para 7.8 above.

The Management stated (October 2007) that the norm of 50 Mg/Nm3 was applicable from March 2007 when the consent to operate the IP Station was received from DPCC and the PM emission level remained within the norms. Scrutiny in Audit, however, revealed that DPCC gave clearance (January 2003) to operate the plant subject to bringing down the PM emission level to 50 mg/nm3 which indicate that the norms of 50 mg/NM3 was applicable from January 2003 itself. Thus the Management contention that the norm of 50mg/nm3 was not applicable before March 2007 is not correct.

Delay in disposal of unit 1

5.10.17 Generation from the unit 1 was stopped in 1995 due to uneconomical operations. As per the Residual Life Assessment (RLA) study conducted in 1997-98, a sum of Rs. 90 crore was required to make its operation economical. DVB decided (April 1999) to dispose off the unit. The matter was referred to CEA for retiring the unit in May 1999, which gave its approval in February 2000. The assessment of the value of the unit was made (June 2000) by MSTC (A Government of India Undertaking) at Rs. 3.61 crore on the basis of scrap value. The Company did not agree to the valuation as the unit was stopped in 1995 in running condition and advised MSTC to revalue the unit based on RLA study. Accordingly the valuation was revised (April 2001) to Rs. 9.15 crore plus /minus 20 to 25 *per cent*. Despite independent valuation done by a government agency on suggested methodology of the Management, no firm decision was taken. In October 2003, committee comprising of Managing Director, Director (Technical) and Director (Finance) of IPGCL decided a reserve price of Rs. 17 crore for the unit. Scrutiny in Audit revealed that the reserve price fixed by the committee was not based on any material facts. MSTC invited (March 2004) open tenders and received highest bid of Rs. 8.92 crore which subsequently increased to Rs. 10.35 crore. BOD, however, decided (June 2004) to re-tender due to wide gap between highest bid (Rs. 10.35 crore) and the reserve price (Rs. 17 crore) fixed by the committee without any consideration to valuation (Rs. 9.15 crore) done by MSTC.

The Management instead of re-tendering decided to go for another valuation and appointed (May 2005) Mecon at a cost of Rs. 10 lakh plus taxes. Mecon in its report (October 2005) segregated the unit in two lots i.e. Lot No1- to be sold as scrap and Lot No. 2 - items with serviceable life and valued the unit at Rs. 6.58 crore. MSTC re-invited (February 2006) the tender but the highest offer of Rs. 5.11 crore was not accepted being lower than the earlier offers. It was therefore decided to go in for e-auction by fixing a base price of Rs. 10.35 crore but no bid was received (May 2006). The Company on the advice (September 2006) of MSTC reduced the base price from Rs. 10.35 crore to Rs. 4.21 crore and put the Unit for e-auction (November 2006). It received highest offer of Rs. 5.15 crore, which was lapsed due to the Company's failure to give conditional acceptance by marking offer as accepted "Subject to Approval (STA)". The unit was again e-auctioned in March 2007 and disposed off at Rs. 9.51 crore.

Disposal of the decommissioned Unit 1 is a pointer to the decision making process in IPGCL. The Management was always apprehensive of taking a final call on the reserve price fixed and reasonableness of the bids. In this process it could not accept the best price of Rs. 10.35 crore obtained during March 2004 and had to settle for Rs. 9.51 crore in March 2007.

The Management stated (October 2007) that the highest offer of Rs. 9.51 crore received by it in March 2004 had a flaw. The second highest bidder with an offer of Rs. 8.92 crore subsequently increased it to Rs. 10.35 crore which was a post tender development and not consistent with CVC guidelines. In view of foregoing and the wide gap between the reserve price and the offers received, it was decided to re-tender. The reply is not tenable as the bid of Rs. 9.51 crore having flaw, was not acceptable, thereby the bid of Rs. 8.92 crore became H1, with whom post-tender negotiations are permitted. Besides the bid of Rs. 8.92 was within the ambit of the valuation of the Unit i.e. Rs. 9.15 crore plus /minus 20 to 25 *per cent* done by the government agency. Thus, fixing the reserve price arbitrarily without considering the valuation and consequent rejection of the offer in March 2004 led to loss of Rs. 84 lakh, besides loss of interest of Rs. 3.57 crore on the unrealised sale value for the period from March 2004 to March 2007.

Fuel Management

5.10.18 IP Station has been using coal and Light Diesel Oil (LDO) as primary and secondary fuels respectively for generating electricity. Fuel cost constitutes 83.77 *per cent* of the total revenue of the IP Station. Despite being the major element of cost, lack of concerted efforts to control the increasing fuel costs were noticed as discussed in succeeding paragraphs.

Excess heat consumption

Excess heat consumption than DERC norms resulted in excess consumption of coal and LDO worth Rs. 94.05 crore.

5.10.19 Tariff for electricity generated by the IP Station fixed by the DERC from the year 2002-03 is based on heat rate of 3235 K.cal per unit of electricity generated from coal and LDO. Consumption of coal and LDO are thus to be regulated as per the above norms fixed by the DERC. The year wise details of the heat rate achieved by the IP Station during 2002-07 and the consequential excess consumption of coal and LDO are depicted in Annexure-B. A review of the annexure shows that the heat consumption per unit of electricity generated increased from 3443.36 K.cal/ KWH in 2002-03 to 3791 K.cal/ KWH in the year 2006-07 as against the 3235 K.cal/ KWH allowed by the DERC resulting in excess consumption of coal worth Rs. 89.47 crore and LDO worth Rs. 4.58 crore during the period. Audit analysis revealed that the excess consumption of coal was attributable to the excessive unburnt coal ranging from 2.35 to 2.71 *per cent* in the case of fly ash as against the norm of one *per cent* and 10.18 to 18.68 *per cent* in the case of bottom ash as against the standard norm of 3.5 *per cent* during the years 2002-03 to 2006-07. Besides the HP heaters of all the units which heat up the demineralised (DM) water up to certain level before its reuse in the boiler were not functioning during the period 2002-07 and no efforts whatsoever were made by the Management to make them operational.

A comparison of the heat consumption per unit of IP Station with PARAS and SARNI power plants revealed that the per unit heat consumption in IP Station ranged from 3443.36 to 3791.00 K.cal as against 3107 to 3442.53 K.cal in respect of PARAS and 3156 to 3288 K.cal in respect of SARNI during the said period. Besides, the heat rate at national level ranged from 2745 K.cal to 2788 K.cal during the above period. The above indicates adequate scope for reduction in the heat rate in IP Station.

The aspect relating to the excessive fuel consumption was also highlighted in the report of the Comptroller and Auditor General of India- Government of NCT Delhi for the year ending 31 March 2004. The position has however not improved and rather deteriorated. The per unit heat consumption increased from 3484.17 K. cal in the year 2003-04 to 3791 K. cal in the year 2006-07.

The Management stated (October 2007) that increase in heat rate was attributable to aging of machines, non-implementation of R&M scheme, and high moisture content in the washed coal. The reply is not convincing as the PARAS and SARNI power plants have generating units of the similar make, age and capacity and also not implemented any R&M scheme.

Settlement of Missing wagon claims

5.10.20 Coal required for running the plant is brought by the rail wagons from the collieries to IP Station. Wagons originally consigned to the company but diverted subsequently resulting in non-receipt in IPGCL are treated as missing. The position of wagons consigned from the collieries and actually received at the IP Station were periodically reconciled with the railways. As of March 2007, 874 wagons containing 53675.13 MT of coal valuing Rs. 10.16 crore pertaining to the period November 1998 to March 2007 were missing. The claims of the Company for adjustment of aforesaid missing wagons were pending with the railways. Audit scrutiny revealed that out of the above, 820 wagons pertained to the period prior to March 2004. It was pointed out in review on Fuel Management in IPGCL for the period 1998-99 to 2003-04 that 902 wagons were missing in respect of IP Station. Inspite of lapse of three years, the position has not improved. Scrutiny of the efforts made by the IP Station for the settlement of claims in respect of missing wagons revealed that the reconciliation of the wagons is done periodically in routine manner only. No concerted efforts were made to ensure early settlement of claims. The Station has not even approached Railways Claim Tribunal for early settlement of its claims. Consequently, funds to the tune of Rs. 10.16 crore remained blocked.

The Management stated (October 2007) that the settlement is in final stage and necessary directives would be issued soon by the railways to match delivery against these missing wagons.

Payment of overloading charges

5.10.21 The railways have fixed the carrying capacity of its wagons and is charging penal freight if the load exceeds carrying capacity. In this regard a reference is invited to Paragraph 6.10.14 of Report of the Comptroller and Auditor General of India for the year ended 31 March 2004- Government of NCT of Delhi wherein payment of overloading charges of Rs. 1.66 crore by

IPGCL including Rs. 0.81 crore for IP Station for the period 1998-2004 was pointed out. Scrutiny of the freight bills raised by the railways during 2002-07 further revealed that the IP Station had paid Rs. 1.39 crore as overloading charges. Instead of any improvement, the situation has deteriorated and the average overloading charges paid per year during 1998-2004 increased from Rs. 13.50 lakh to Rs. 29.66 lakh per year during 2004-07 indicating lack of effective measures to control such expenses though the Station was running in losses. IP Station has also not finalised the agreement, which it had stated (September 2004) was under consideration to share the overloading charges on 50:50 basis with the coal companies.

The Management stated (October 2007) that the matter has been taken up with the CIL/NCL for sharing the overloading charges and finalisation of the Fuel supply agreement (FSA). Evidently despite lapse of considerable period the Management failed to finalise the FSA to reduce the burden of overloading charges.

Excess consumption of forged steel balls

5.10.22 IP Station is using forged steel balls in its coal mills for the purpose of crushing coal before feeding into boilers. It procured 496 MT forged steel balls valuing Rs. 1.17 crore from R.N. Metals during March 2004 to December 2005. The terms of the purchase orders (PO) provided for pro-rata refund by the supplier in case the wear rate exceeded 600 grams per ton of coal crushed. The supplier was also required to furnish performance bank guarantee amounting to 10 *per cent* of the total order value. Scrutiny in audit revealed that the actual wear ranged from 671.16 to 874 grams per ton. Though the material was consumed during January 2005 to October 2006, the claims for the excess wearing were lodged after delays ranging from two to nine months as detailed below:

Sl. No.	Purchase order No. and date	Consumption period	Wear rate (gms/ton)	Date of lodging claim	Amount claimed
1	No.552 dated 29.03.2004	May 2004-January 2005	816	October 2005	8,23,820
2	No.552A dated 16.11.2004	January-August 2005	874	October 2005	11,25,443
3	Repeat order No.552A dated 16.08.2005	August-October 2005.	671	July 2006	97,465
4	No. 123 dated 16.12.2005	January-October 2006	782	January 2007	4,01,433
Total					24,48,161

Whereas the supplier had given the performance bank guarantees of Rs.11.71 lakh, no action for timely encashment of the bank guarantee to safeguard its interest was taken. The validity of performance bank guarantees of Rs. 7.55 lakh had expired by the time the claims were lodged. Even, the bank guarantee of Rs. 4.16 lakh, which was valid, had also not been encashed. Audit appraisal revealed lack of action to affect pro-rata recovery corroborated by delays in lodging claims; pursuance thereafter, non-initiation of legal action against the supplier and non-encashment of bank guarantees which resulted in non-recovery of Rs. 24.82 lakh.

The Management, on being pointed out by Audit, invoked (September 2007) the bank guarantees of Rs. 4.16 lakh against which a sum of Rs. 3.38 lakh released by the bank stating that the validity of one bank guarantee of Rs. 0.78 lakh had been expired in January 2007. Evidently the lack of concerted efforts resulted in non-realisation of the claims as stipulated in the PO.

Inventory Management

5.10.23 The main objective of inventory management is to maintain stock level at the minimum level consistent with the need to ensure timely availability of necessary spares to ensure that operations of the power plant are not dislocated. Audit scrutiny of inventory management system of IP Station revealed the following:

- Norms for maximum, minimum and re-order levels of inventory were not fixed by the management. The management had neither prescribed its own norms for inventory holding nor had it adopted the industry norms e.g. norm of four months inventory holding fixed by NTPC Limited. The following table indicates the year-wise inventory position and the excess inventory held by IP Station during the years 2002-07:

Particulars	**Years**				
	2002-03[8]	**2003-04**	**2004-05**	**2005-06**	**2006-07**
Consumption (Rs. in lakh)	616.04	1274.47	1146.30	818.43	1368.54
Closing inventory (Rs. in lakh)	953.32	860.51	1116.23	1454.81	1438.14
Inventory holding in the terms of days	424	246	355	649	384
Inventory holding as per norms fixed by NTPC	122	122	122	122	122
Excess inventory holding in the terms of days.	302	124	233	527	262
Excess inventory holding (Rs. in lakh.)	679.02	433.75	732.62	1181.33	982.35

Source: Financial results of the IPGCL

The above table revealed that the inventory holding of IP Station in terms of number of days always remained in excess of the industry norm of 122 days.

[8] Figures for nine months since IPGCL was formed on 1st July 2002.

Inventory holding in term of days ranged from 246 to 649 days against the industry norm of 122 days.

The excess inventory holding ranged from 124 to 527 days during the period of review. The value of excess inventory held by the IP Station also increased from Rs. 6.79 crore to Rs. 9.82 crore indicating poor inventory management and higher carrying charges.

The Management stated (October 2007) that Maintenance Planning Group has been formed to pay special attention for procurement of spares to avoid delays in overhauling works.

- There was no system to periodically identify slow moving, non-moving and obsolete items in stores to ensure their proper utilisation/ prompt disposal. Audit scrutiny revealed that 10,884 non-moving and obsolete items in the IP Station had not moved for more than five years. These items are lying in the stores since as early as 1985. It was observed that 10,297 items had not been moved from the stores after 1997 and were accounted at zero value. The value of rest of the 587 non-moving items worked out to Rs. 2.54 crore.

The Management stated (October 2007) that items of stores are being codified for identification of slow moving and obsolete items and action for their disposal initiated.

- For efficient and economical procurement, IPGCL adopted a Purchase and Contract Management System manual in October 2003. It provides for generation of various MIS reports such as overdue purchase enquiry, overdue indent, overdue purchase order etc to streamline the procurement process and to identify the areas with inordinate delays in procurement. It was, however, observed that no such reports were being generated till March 2007.

On being pointed out by audit, the Management stated (October 2007) that it had stared generating the reports w.e.f April 2007.

- Non-generation of the reports deprived the management of opportunity of taking corrective action so as to expedite the procurement/disposal process. Audit scrutiny revealed that there were delays of up to 22 months in placement of orders for procurement of spares from the dates of indent by the user department.

The Management stated (October 2007) that to avoid delays in processing of contract/purchase cases, time frame for various activities have been bench marked.

Thus, poor inventory management resulted in blockage of funds. It also resulted in delays in overhauling jobs as commented in Para 5.10.14, which further accentuated the losses being suffered by the Station.

Manpower management

5.10.24 Consequent upon the unbundling of erstwhile Delhi Vidyut Board (DVB) and IPGCL coming into existence (1 July 2002), Delhi Government decided (October 2002) that the staff strength available in the power Stations on the date would be taken as their respective sanctioned strengths. IPGCL requested (May 2004), CEA to assess its Operation and Maintenance (O&M) expenses including employees cost to enable DERC to finalise tariff orders. The CEA in its report (July 2005) in view of the units being very old and small in size, recommended two person per mega watt of the installed capacity. The position of actual manpower, sanctioned strength & manpower as per CEA recommendation is given below:

Sl. No.	**Particulars.**	**2002-03**	**2003-04**	**2004-05**	**2005-06**	**2006-07**
1	Sanctioned strength.	1312	1046	1046	1046	1046
2	Manpower as per the CEA recommendations.	-	-	-	495	495
3	Actual manpower.	1306	1075	1032	966	863
4	Expenditure on salaries (Rs. in lakh).	1543.96	3054.15	2123.74	2065.80	2399.98
5	Extra expenditure with reference to sanctioned strength (Rs. in lakh).	-	**82.39 (29)**	-	-	-
6	Extra expenditure with reference to CEA norms (Rs. in lakh).	-	-	-	**985.85 (461)**	**1023.40 (368)**

Source: Information provided by the Company.

Table above shows that actual manpower was more than the sanctioned strength during 2003-04 and as per the norms of CEA during the years 2005-06 and 2006-07; this resulted in extra expenditure of Rs. 20.92 crore on excess manpower. Despite having excessive manpower, the IP Station was regularly employing temporary/contract staff for regular jobs such as house keeping, cleaning of coal handling plant, cleaning of condenser etc. During 2002-07 IP Station deployed on an average 90 temporary employees for such jobs by incurring an expenditure of Rs. 2.17 crore. Besides, overtime has regularly been paid to the regular staff. Audit analysis revealed that yearly overtime paid ranged from 2,70,451 to 7,98,601 hours equivalent to the duty hours of 108 to 320 employees[9] during 2002-07. The overtime wages paid by IP

[9] Computed on the basis of 48 hours duty per employee in a week.

Station during the period of review works out to Rs. 21.57 crore. It was also observed that overtime was paid to more than 90 *per cent* of the employees without any distinction of being posted on shift or general duty. No action was taken to rationalise its staff strength or explore ways to utilise them optimally. Instead the temporary workforce was engaged for regular works.

The Management stated (October 2007) that the units of IP Station being old, the men-megawatt ratio suggested by the CEA couldn't be applied and serious efforts are being made to control the staff strength as well as the overtime hours. It further stated that the practice of outsourcing of some of the services was in position prior to unbundling of DVB, which is being continued to meet the maintenance requirement of the plant. The reply is not tenable, as the CEA had recommended the men-mega watt ratio after taking into account the small size and old age of the units of IP Station. Besides, continuation of the practice of outsourcing obtained in legacy despite having surplus manpower is not good for deteriorating financial health of the IP Station.

Internal Audit and Internal Controls

Internal Audit

5.10.25 The IPGCL has no Internal Audit Department of its own. It entrusted internal audit work to All India Council of Auditors and Accounts for the year 2002-03 and a firm of Chartered Accountants from the years 2005-06 onwards. It was noticed that no internal audit of IP Station for the years 2003-05 was carried out. Scrutiny of the available internal audit reports however, revealed that these were not focused on core business operations of the IP Station viz. generation of power, operation and maintenance of units etc. No technical person was found associated with the internal audit though the organisation was carrying out highly technical business of power generation.

The Management stated (October 2007) that suggestions of the audit to strengthen the internal audit system are noted for compliance.

Internal Control

5.10.26 Internal controls refer to the procedures and safeguards that are put in place by the management of an organization to ensure economy, efficiency and effectiveness in the operation of an organization and attaining organisational objectives. Audit observed that the IPGCL did not have any manual for Internal Control procedures. Audit noticed lack of internal controls in the following areas, which needs to be strengthened:

- The Company has not entered into any agreement with the coal companies. In the absence of which the Company could not insist on the coal companies to ensure supply of the coal with desired moisture content, permissible size, calorific value, adjustment of overloading charges etc. of the coal being procured. The Management stated (October 2007) that fuel supply agreement is yet to be finalised.
- Fuel cost, though being 81 *per cent* of the total cost of generation has not been closely monitored to ensure that the power generated is commensurate with the quantity of fuel consumed. Even the unit wise actual coal consumption has not been measured to identify the units with excessive coal consumption.
- Non-moving and obsolete items lying in the stores were not identified and periodically disposed off to fetch maximum possible price and avoid blockage of funds. The Management stated (October 2007) that a standing committee has been appointed for identification of such items**.**

Acknowledgment

Audit acknowledges the cooperation and assistance extended by the staff and the Management of the IPGCL at various stages of conducting the performance review.

Conclusion

The losses of IP Station increased from Rs. 5.02 crore in 2002-03 to Rs. 61.51 crore in 2006-07. The operational performance of IP Station was marred with low plant availability and plant load factor, high auxiliary consumption and non-adherence of maintenance schedules. The performance of IP Station was far below the performance of other similar power plants in the country. The IP Station failed to check the excessive emission of particulate matter. It also failed to check the excessive fuel consumption resulting in high cost of generation. Poor inventory management with high percentage of non-moving items coupled with delay in placement of orders for essential spares resulted in blockage of funds and loss of power generation due to delay in completion of overhauling works. Despite having excessive staff, no action was taken to either rationalise or utilise the available manpower optimally to avoid payment of overtime and deployment of temporary/contractual employees. The internal audit\internal control system was inadequate as its coverage was not commensurate with the size and nature of business of the Corporation.

Recommendations

- *The IP Station needs to take steps to improve the plant availability factor, plant load factor to optimise generation and overcome the losses.*
- *The good practices of the other similar plants should be adopted to improve operational performance.*
- *The IP Station should adhere to maintenance schedules and should endeavor at keeping the forced outages within the norms prescribed by the Central Electricity Authority.*
- *Steps should be taken to check environment pollution.*
- *Level of efficiency in coal and Light Diesel Oil should be improved/ensured.*
- *Inventory management need to be strengthened and streamlined to ensure timely availability of spares and avoid blockage of scarce funds.*

Paragraphs

Delhi SC/ST/OBC/Minorities/Handicapped Financial & Development Corporation Limited

5.11 Construction of building without assessing requirement

Construction of a building much in excess of requirement resulted in substantial under-utilisation.

The Company acquired (March 1993) one acre of land at Sector 16, Rohini at a cost of Rs.26.65 lakh for construction of their office building. A seven storied building with covered area of 6260 sq. meters was constructed (May 2000) through the PWD for Rs.5.17 crore. As the Company did not provide detailed requirement of the building space, the PWD prepared plans by utilising maximum Floor Area Ratio and ground coverage as per bye laws of Master Plan 2001[10]. The Company could, however, take possession of the building in January 2001 only as it could not obtain electricity connection in the absence of clearance from Delhi Fire Department as emergency stairs in the building was not included in preconstruction plan of PWD. Thereafter, the building remained unutilised, barring a portion of the 4th floor (793.43 sq. meters) which was rented out (20 October 2001) to Delhi Financial Corporation and two rooms utilised for recovery division. The office of the Company was shifted (May 2004) to this building (first three floors) after a delay (January 2001 to April 2004) of more than three years since possession. No reason were available on records for delay in shifting of the office. The Company advertised (July 2004) for letting out the remaining space which evoked no response. The Company again advertised (August 2005) and received three offers. There was undue delay in taking a decision on the offers as a result as the Company could not frame policy for renting out the building and the surplus space could not be let out.

Thus, due to construction of office building without assessing requirement, the Company blocked rupees two crore on excess construction. It also suffered a revenue loss of Rs.7.96 crore[*] (January 2001 to March 2007) due to not renting the unutilised space.

The Government stated (July 2007) that the Corporation had advertised (17 July 2004) for renting out the vacant space but there was no response. The Corporation advertised again (4 August 2005), but received only three private

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[10] Master Plan 2001 was introduced in 1980.

[*] Calculated at different floor wise rates ranging from Rs.20 to 32 per square feet per month specified by PWD

offers. Delay in renting was attributed to delay in rent fixation by PWD till 2 August 2005 without any reasons. The fact remains that the Company could not utilise the space even after a lapse of more than 6 years and it failed to make any efforts prior to May 2004 to let out/utilise the building. The Company did not have any justification for delay in shifting to the new office building even though DFC (tenant) was working in the building since 2001.

Delhi State Civil Supplies Corporation Limited

5.12 Idle investment

Non-utilisation of newly constructed godowns resulted in idle investment of Rs.3.16 crore

The Company received a grant of Rs.4.35 crore from the Government of NCT of Delhi during 1997 to 2000 for augmenting the storage capacity at Siraspur by adding two godowns of 3,500 MT storage capacity to its existing capacity of 3,500 MT. The Company awarded (October 1998) the work to Delhi State Industrial and Infrastructure Corporation Limited (DSIIDC) as a deposit work at a cost of Rs.4.34 crore. DSCSC paid (September 1998 to May 2002) Rs.3.16 crore to DSIIDC. DSIIDC completed (September 1999) the work and offered the possession of the two godowns in March 2000. The officials of the Company inspected the newly constructed godowns during 1999 and onwards, but defects relating to electrical work in godowns and collapse of a large portion of boundary wall were brought to the notice of DSIIDC only in July 2000. Similarly, leakages found (February 2001) at many places in the roof of the godowns were intimated to DSIIDC only in March 2001. The deficiencies were not rectified by DSIIDC and formal possession of the newly constructed godowns was not taken (July 2007). The Company, without obtaining formal possession stored commodities during December 2000 to March 2001 in a portion of the newly constructed godown, when their old godown was under repair.

The Central Warehousing Corporation (CWC) proposed (August 2000) to take over the new godowns on rent at the rate of Rs.49 per sq. mtr per month on long term basis with an increase of 10 *per cent* after every third year. The godowns were not fit for storage purposes at that time due to leakage in roof which could have rectified by the Company to make them available for rent The Company neither took action to rectify the leakage nor made any communication with CWC after January 2001 which shows the lack of its commitment to renting its godowns and earning revenue.

There was no assessment of requirement of storage capacity. Without any assessment, the DSCSC went ahead with the construction which resulted in the godown remaining idle. It was observed that the work was deficient which resulted in defects getting unnoticed and inability to take a quick decision to rent out the godowns when CWC had offered to take them on rent. Such deficiencies resulted in creation of an asset at an investment of Rs.3.16 crore which remained unutilised since 2000-01. On account of failure to take a quick decision on the offer of CWC the DSCSC also was deprived from earning rental income (Rs.1.56 crore) for the period 2001-07. The first advertisement for hiring out the godowns was given in May 2006 only and the Company is yet to rent out the godowns. (March 2007)

It was further observed that the company retained Rs.1.14 crore till 24 December 2004 and Rs.64 lakh of the grant since June 2002 instead of refunding the amount to the Government of NCT of Delhi.

The Government, while confirming the facts stated (August 2007) that the Corporation made efforts at the highest level and requested DSIIDC to complete the work, but due to various reasons like non-removal of defects relating to installation of excess lighting in godowns, collapse of large portion of boundary wall, leakages at several places in the roof of the godown, the same has not been taken over. As there were no immediate plans for undertaking new activities, the Corporation considered the possibility of renting out the idle storage capacity as a temporary measure. However, later a Cabinet decision was taken that DSCSC will procure and distribute pulses (Dal Channa and Dal Arhar) at subsidized rates to the BPL/JRC/AAY card holders in Delhi. Keeping in view the quantity of pulses to be stored at Gazipur Godown it was felt that no surplus space is available and therefore, it was decided not to rent out the Gazipur Godown. Similarly, in case of Siraspur Godown it was considered that (a) more space will be for its future requirement of space considering the various decisions of the Government of India and (b) there were offers from private parties which were not considered as in case of requirement of additional space, it will be very difficult to get the same vacated and may also lead to prolonged litigation Therefore, it was decided that the Corporation should not rent out even the Siraspur Godown.

The reply is not acceptable as both the companies, DSIIDC and DSCSC are state PSUs of GNCTD and the dispute/matter could have been resolved mutually and the godown rectified immediately.

Further, the decision of the Cabinet for procurement and distribution of pulses came only in February 2007 i.e. after a lapse of seven years of construction of godowns and the Company commenced the business of pulses only in June 2007. It has been verified that the Management has stored 1100 MTs of pulses against the capacity of 14000 MTs and moreover no assessment for actual requirement of storage capacity for pulses was made. Keeping idle the whole storage capacity for a small business is not a commercially prudent decision.

The Management could have hired out the surplus storage space after proper requirement assessment from time to time to earn additional revenue on the investments. By not renting out the godowns in 2000-01, the Company was deprived of rental income of Rs.1.56 crore as also turned the godowns into an idle asset. No steps have been taken to rectify the new godowns as well as utilise the same.

Indraprastha Power Generation Company Limited

5.13 Avoidable payment of Sale tax

Due to delay in filing of application for registration under the Sale Tax Act, the Company had failed to avail the benefit of payment of sale tax at concessional rates on its interstate purchases resulting in avoidable expenditure of Rs. 1.04 crore on account of payment of additional sales tax.

Consequent upon the unbundling of the erstwhile Delhi Vidyut Board (DVB), Indraprastha Power Generation Company Limited (IPGCL) was formed as a separate entity w.e.f. 1 July 2002. Being a separate entity, the IPGCL had to register under the Central Sales Tax Act for availing benefit of concessional rates of Sale Tax by issuing C-forms on its interstate purchases. Scrutiny of the records revealed that the IPGCL had applied for the registration under the Central Sales Tax Act on 24 September 2002 i.e. after two months and twenty four days from its coming into existence. Accordingly, the registration was granted to the IPGCL with effect from the same date. On this, IPGCL made an appeal (March 2004) with the Sale Tax Department to extend the time of filing of registration application and amend validity of registration w.e.f 1 July 2002. The request of the IPGCL was partially acceded to by the Sales Tax Department (August 2004) by allowing registration w.e.f 26 August 2002. Subsequently, IPGCL requested the commissioner of Sales Tax for extending the period of filing of registration application on the plea that payment of sale tax at higher rate on its interstate purchases would entail huge financial loss to the Company. Moreover, such sales tax would also not come to the exchequer of Government of NCT Delhi. The request of IPGCL was rejected (September 2006) by the Sales Tax Department. Consequently, the IPGCL remained unregistered under the Central Sales Tax Act for the period from 1 July 2002 to 25 August 2002. Being an unregistered firm, IPGCL could not avail concessional rates of sales tax on its interstate purchases by issuing C-Forms and had to pay additional sales tax amounting Rs. 1.04 crore. Evidently, delay in filing application for registration under the Central Sales Tax Act resulted in avoidable expenditure of Rs. 1.04 crore on account of payment of additional sale tax.

Management while accepting the Audit observation stated (October 2007) that the payment of sale tax was a statutory obligation and it had managed to get the registration pre-poned from 24 September 2002 to 26 August 2002. The fact however remained that delay in filing application for registration under the Central Sales Tax Act resulted in avoidable payment of additional sale tax of Rs.1.04 crore.

The matter was reported to the Government in July 2007; the reply is awaited (October 2007).

Annexure-A

Operational performance of IP Station during 2002-07
(Referred to in Paragraph- 5.10.7)

Sl No.	Particulars	Units	2002-03	2003-04	2004-05	2005-06	2006-07
1	Installed Capacity	MW	247.50	247.50	247.50	247.50	247.50
2	Generating Capacity	MU	2168.10	2174.04	2168.10	2168.10	2168.10
3	Total hours available	Hrs	35040	35136	35040	35040	35040
4	Actual running hrs	Hrs	15544	21827	23956	26871	26185
5	Availability factor	%	44.36	62.15	68.28	76.69	74.81
6	Generation Target	MU	860	800	800	1000	950
7	Actual Generation	MU	621.259	769.128	920.293	984.748	952.308
8	Shortfall w.r.t Target	MU	238.741	30.872	-	15.252	-
9	Percentage of actual generation to Target	%	72.24	96.14	115.03	98.47	100.25
10	Plant Load factor	%	28.65	35.38	42.45	45.42	43.92
11	Planned outages	Hrs	10678	3559	5581	3158	3527
12	Forced outages	Hrs	8818	9750	5502	5011	5329
13	Total Outages	Hrs	19496	13309	11083	8169	8856
14	Total Outages	%	55.64	37.88	31.63	23.31	25.27
15	Auxiliary consumption allowed by DERC	%	11.64	11.64	11.64	11.64	11.64
16	Actual Auxiliary consumption	%	11.95	13.04	12.42	14.93	15.51
17	Actual Auxiliary consumption	MU	74.241	100.323	114.270	147.017	147.719
18	Auxiliary consumption allowed by DERC	MU	72.315	89.526	107.122	114.624	110.849
19	Excess Auxiliary Consumption	MU	1.926	10.797	7.148	32.393	36.87
20	Rate per unit	Rs.	1.59	1.90	1.82	2.04	2.11
21	Total value.	Rs. in crore	0.31	2.05	1.30	6.61	7.78

(Source: Annual Generation sheets of the IP Station)

Annexure-B

Year wise excess consumption of Coal and LDO of IP Station
(Referred to in Paragraph- 5.10.19)

Sl. No.	Particulars	Year					
		2002-03	**2003-04**	**2004-05**	**2005-06**	**2006-07**	**Total**
1	Gross generation (MU)	621.259	769.128	920.293	984.748	952.308	**4247.736**
2	Heat consumption allowed by DERC (K.cal/KWh)	3235.000	3235.000	3235.000	3235.000	3235.000	**3235**
	Actual heat consumption (K.cal/KWh)	3443.36	3484.17	3644.23	3884	3791	**3649.352**
3	Coal consumption (MT)	497007.000	647190.000	832865.000	974901.000	925643.000	**3877606.000**
4	Average calorific value of coal (Kcal/Kg)	4173.000	4017.000	3921.000	3816.000	3804.000	**19731.000**
5	LDO consumed (KL)	6408.950	7775.070	8553.020	10152.688	9407.668	**42297.396**
6	Average calorific value of LDO (Kcal/Kg)	10599.000	10720.000	10720.000	10683.000	10680.000	**53402.000**
7	LDO consumption fixed by DERC (Ml/Kwh)	10.000	10.000	9.290	9.290	9.290	**9.574**
8	Heat gen. from LDO as per DERC (Kcal)	105.990	107.200	99.589	99.245	99.217	**102.248**
9	Heat required from coal (kcal/kwh) {2-8}	3129.010	3127.800	3135.411	3135.755	3135.783	**3132.752**
10	Heat required from coal for generation (lakh K.cal)	19439256.236	24056785.584	28854969.795	30879283.958	29862310.467	**133092606.040**
11	Coal required for gross generation (MT)	465834.082	598874.423	735908.436	809205.554	785023.934	**3394846.430**
12	Excess consumption of coal (MT) {11-3}	31172.918	48315.577	96956.564	165695.446	140619.066	**482759.570**
13	Rate of coal per MT (Rs. in crore)	1679.98	1827.75	1822.39	1878.28	1892.23	**1820.13**
14	Value of excess coal consumed (Rs. in crore)	**5.24**	**8.83**	**17.67**	**31.12**	**26.61**	**89.47**
15	LDO required for gross generation (KL)	6212.590	7691.280	8549.522	9148.309	8846.941	**40448.642**
16	Excess consumption of LDO (KL) {5-15}	196.360	83.790	3.498	1004.379	560.727	**1848.754**
17	Rate of LDO per KL (Rs.)	14636.72	16145.00	19235.50	25064.00	29135.00	**104216.22**
18	Value of excess LDO consumed (Rs. in crore)	**0.28**	**0.14**	**0.01**	**2.52**	**1.63**	**4.58**
19	Total Value of excess fuel consumption (Rs. in crore)	**5.52**	**8.97**	**17.68**	**33.64**	**28.24**	**94.05**

(Source: Annual Generation sheets of the IP Station)