

Overview

1. Overview of Government companies and Statutory corporations

As on 31 March 2008, the State had 60 Public Sector Undertakings (PSUs) comprising 56 Government companies and four Statutory corporations as against 57 PSUs comprising 53 Government companies and four Statutory corporations as on 31 March 2007. Out of 56 Government companies, 44 were working and 12 were non-working Government companies. All the four Statutory corporations were working corporations. In addition, there were ten companies within the purview of Section 619-B of the Companies Act, 1956 as on 31 March 2008.

(Paragraphs 1.1 and 1.30)

The total investment in the working PSUs increased from Rs. 46,169.13 crore as on 31 March 2007 to Rs. 47,948.70 crore as on 31 March 2008. The total investment in 12 non-working PSUs as on 31 March 2008 was Rs. 803.05 crore as against Rs. 838.71 crore in 12 non-working PSUs as on 31 March 2007.

(Paragraphs 1.2 and 1.16)

The budgetary support in the form of equity capital, loans and grants/subsidies disbursed to the working PSUs increased from Rs. 5,927.35 crore in 2006-07 to Rs. 7,021.84 crore in 2007-08. The State Government guaranteed loans aggregating Rs. 80.71 crore during 2007-08. The total amount of outstanding loans guaranteed by the State Government in respect of all the PSUs as on 31 March 2008 was Rs. 8,487.96 crore.

(Paragraph 1.5)

Out of 44 working Government companies and four Statutory corporations, only 13 working companies had finalised their accounts for the year 2007-08. The accounts of 31 working companies and four working Statutory corporations were in arrears for periods ranging from one to five years as on 30 September 2008. One non-working Government company finalised its accounts for the year 2007-08 and the accounts of five non-working Government companies were in arrears for periods ranging from one to nine years as on 30 September 2008. The application of one company to the Registrar of companies for striking off its name under Simplified Exit Scheme-2005 was pending. The remaining five companies were under liquidation.

(Paragraphs 1.6 and 1.19)

According to the latest finalised accounts, 33 working PSUs (31 Government companies and two Statutory corporations) earned aggregate profit of

Rs. 1,622.01 crore, out of which only seven working Government companies declared dividend of Rs. 60.36 crore. Against this, eight working PSUs (six Government companies and two Statutory corporations) incurred aggregate loss of Rs. 115.27 crore as per their latest finalised accounts. Of the loss incurring working Government companies, three companies had accumulated losses aggregating Rs. 149.89 crore which was more than seven times their aggregate paid-up capital of Rs. 19.48 crore. The two loss incurring Statutory corporations had accumulated losses aggregating Rs. 2,305.01 crore which was more than three times of their aggregate paid-up capital of Rs. 748.46 crore.

(Paragraphs 1.7, 1.8, 1.9 and 1.11)

2. Performance reviews relating to Government companies

Performance reviews relating to Implementation of Sujalam Sufalam Yojana by **Gujarat Water Resources Development Corporation Limited**, Commissioning of River Bed and Canal Head Power Houses by **Sardar Sarovar Narmada Nigam Limited** and Performance of Dhuvaran oil and gas based thermal power station including commissioning of two new gas based units of the **Gujarat State Electricity Corporation Limited** were conducted. Some of the major findings are as follows:

Implementation of Sujalam Sufalam Yojana

The role of Gujarat Water Resources Development Corporation Limited in implementation of Sujalam Sufalam Yojana (SSY) is not only intermediary but also limited. The Company did not have any comprehensive plan for execution of SSY works indicating various milestones for various activities, such as approval of Draft Tender Papers, invitation of tender, award of work *etc.* Deficiencies mainly in management of contracts *viz.*, delay in award of works, excess payment of price variation charges to the contractors, non/short recovery of liquidated damages from contractors, installation of extra spare pumps, delay in arranging for hydraulic test, under utilisation of pumping stations and pipelines were noticed in audit.

Some of the important points noticed are as under:

Against the estimated cost of Rs. 2,063.96 crore for work assigned by the State Government, the Company executed the works costing Rs. 1,127.64 crore during 2003-08. The Company did not complete the works within the stipulated time due to the delays attributable to contractors and also due its own delay in award of contracts/ approval of designs, *etc.*

Deficient management of contracts resulted in excess payment of Rs. 5.68 crore towards price variation charges to the contractors and non/short recovery of liquidated damages of Rs. 83.23 crore from the contractors.

Installation of two spare pumps instead of one each at four pumping stations resulted in idle investment of Rs. 3.92 crore towards the cost of extra four spare pumps.

Pumping stations and pipelines were used to lift and transmit 153.27 million cubic metre of water against estimated 1,833.39 million cubic metre of water, based on the created capacity of pumping stations and pipelines. The capacity utilisation of both pumping stations and pipelines was only 8.70 per cent.

(Chapter 2.1)

Commissioning of River Bed and Canal Head Power Houses

The Sardar Sarovar Narmada Nigam Limited did not prepare revised detailed project report for implementation of the hydro power project of Sardar Sarovar Project (SSP). The Company implemented the hydro power project with cost and time overrun. It did not conduct the performance tests for both the power houses. The capital and operation & maintenance cost were not recovered fully from participating States. The deficient contract management and weak internal control system of the Company led to excess payment of interest, incorrect revision/fixation of item rates for civil works, payment of price escalation on lump sum item, non availing of excise duty refund, non recovery of liquidated damages, inadequate control over the activities of operation & maintenance operator and delay in issuance of energy bills. Corrective actions were not taken to control excess auxiliary consumption/transformation loss. Adequate seismological monitoring mechanism was not in place and the power houses were not insured against any peril.

Some of the important points noticed are as under:

The estimated cost of construction and commissioning of hydro power houses of SSP increased from Rs. 979.95 crore in 1986-87 to Rs. 3,076.79 crore in 2005-06. Against the scheduled commissioning of the units of River Bed/ Canal Head Power Houses during August 1994 to April 1996, the units were commissioned only during August 2004 to June 2006.

In the management of contracts related to civil and electrical works for the construction/commissioning of power houses, instances of extra expenditure for Rs. 58.70 crore due to incorrect fixation/revision of rates in the contracts were noticed.

In the absence of any clause in the agreement entered with BHEL for procurement of power project equipments, the Company was unable to avail the benefit of refund of terminal excise duty of Rs. 13.62 crore available under Export Import (EXIM) policy 1997-2002.

The auxiliary consumption and transformation loss of the units of both River Bed/Canal Head Power Houses exceeded the norms fixed in this regard by Central Electricity Regulatory Commission. This led to loss of 80.995 MUs of power.

(Chapter 2.2)

Performance of Dhuvaran oil and gas based thermal power station including commissioning of two new gas based Units

The Gujarat State Electricity Corporation Limited commissioned both combined cycle power plant (CCPP) I and II with delay ranging from 191 to

282 and 173 to 643 days in open and combined cycle respectively. Main reasons were improper bid evaluation, delayed supply of gas turbine and delay in placement of orders which resulted in loss of generation. The Company incurred avoidable extra expenditure on account of price escalation and service tax. Non-adherence to the stipulated time limits for periodical maintenance works led to shortfall in projected generation due to excessive outages. Performance of the Company was deficient due to poor maintenance of the Dhuvaran oil and gas based thermal power station (DTPS), non execution of approved renovation and modernisation activities, excess payment on improper water estimation and unscheduled/excess procurement of material. The Company did not utilise the services of the excess manpower productively so as to minimise the employee cost.

Some of the important points noticed are as under:

The Company incurred avoidable extra expenditure of Rs. 10.99 crore on account of price escalation, service tax, belated signing of agreement and incorrect estimation of requirement of water.

There was a shortfall in generation of power in DTPS to the extent of 6,872.694 MUs during 2003-08. The shortfall in generation was due to low plant load factor, backing down of generation, frequent outages, non conducting of residual life assessment studies and non-execution of Renovation and Modernisation works.

The cost of generation increased from Rs. 2.93 per unit in 2003-04 to Rs. 4.85 per unit in 2007-08 for Unit I to VI and Rs. 1.54 per unit in 2005-06 to Rs. 3.46 per unit in 2007-08 for CCPP I due to low capacity utilisation, higher auxiliary consumption and increase in repairs and maintenance cost of Unit.

(Chapter 2.3)

3. Transaction Audit Observations

Audit observations included in this chapter highlight deficiencies in the management of PSUs involving serious financial irregularities. The irregularities pointed out are broadly of the following nature:

- Violation of contractual obligations, undue benefit to contractors/supplier of Rs. 149.29 crore in five cases due to payment to transport contractors outside the agreed terms of contract, short recovery of liquidated damages, improper fixation of wagon quantity in loading supervision contractors, flawed contract documentation and incorrect application of rates on the plots allotted.

(Paragraphs 3.1, 3.3, 3.7, 3.13 and 3.18)

- Avoidable/excess expenditure of Rs. 16.23 crore in five cases due to injudicious decision to repair excavator, deficient technical specifications in hiring rigs, award of contract to the same firm even

after its non-performance in the previous contract and delay in award of contract for propeller engines/ supply of tyres.

(Paragraphs 3.2, 3.4, 3.5, 3.11, and 3.17)

- Wasteful/infructuous expenditure of Rs. 9.92 crore in one case due to the payment of consultancy fee for the project deferred for implementation.

(Paragraph 3.6)

- Irregularity in compliance with the provisions of Buildings and Other Construction Workers' (Regulation of Employment and Conditions of Service) Act, 1996, was noticed in one case due to non-recovery of welfare cess of Rs. 3.45 crore from the contractors for its onward remittance to State Welfare Board.

(Paragraphs 3.12)

- Loss of contribution of Rs. 9.71 crore in three cases due to delay in rectifying problem of clinker formation/failed information technology equipment, failure to ensure the availability of critical component of boiler, loss of interest of Rs. 2.55 crore in two cases due to non recovery of security deposit from consumers and loss of revenue of Rs. 0.92 crore in one case due to non merging of more than one power connection in single premises.

(Paragraphs 3.8, 3.9, 3.10, 3.14, 3.15, and 3.16)

Gist of the major audit observations is given below.

Gujarat State Petroleum Corporation Limited gave irregular benefit to the contractor and suffered loss of Rs. 106.71 crore by short recovering liquidated damages.

(Paragraph 3.3)

The expenditure of Rs. 9.92 crore incurred by **Sardar Sarovar Narmada Nigam Limited** on availing consultancy services remained unfruitful due to deferment in implementation of a project.

(Paragraph 3.6)

Gujarat State Electricity Corporation Limited passed undue benefit of Rs. 37.27 crore to the loading supervision contractors due to improper fixation of monthly average quantity coal per wagon.

(Paragraph 3.7)

