CHAPTER - III

REVIEWS RELATING TO STATUTORY CORPORATIONS

3A MAHARASHTRA STATE ELECTRICITY BOARD

3A.1 Incomplete transmission and distribution schemes

Highlights

Ten schemes approved by the Board of Members, between June 1997 and October 1999, were not taken up till March 2001. As a result anticipated benefits of Rs.48.63 crore from three schemes were not achieved.

(Paragraph 3A.1.4.2)

Inspite of sanction of loan of Rs.121 crore by Power Finance Corporation, Board deferred two schemes with anticipated benefit of Rs.50.07 crore per annum.

(Paragraph 3A.1.4.2.1)

Transformation capacity created at a cost of Rs.1.21 crore remained idle for five years for want of related substations.

(Paragraph 3A.1.4.3.5)

Procurement of materials for a scheme without acquiring land led to locking up of Rs.4.60 crore for more than three years.

(Paragraph 3A.1.4.3.6)

Under utilisation of transformation capacity in one substation led to idle investment of Rs.5.08 crore for four years.

(Paragraph 3A.1.4.3.7)

The Board had not taken up 13 district integrated schemes expected to yield saving of Rs.118 crore per annum in line losses.

(Paragraph 3A.1.5.1)

The Board was deprived of anticipated savings of Rs.90.41 crore per annum due to non-completion of three distribution schemes in urban areas.

(Paragraph 3A.1.5.2)

3A.1.1 Introduction

Transmission and distribution (T&D) schemes of Maharashtra State Electricity Board (Board) comprising lines, substations and transformers are an essential part of the T & D network. The expansion of T&D network is necessary to evacuate generated power, to meet the load demand and to strengthen the network in order to reduce T&D losses and to maintain voltage levels.

The actual outlay on T & D schemes (excluding 500 KV high voltage direct current project) during the five years from 1996-97 to 2000-01 was Rs.1534.55 crore for transmission schemes and Rs.743.69 crore for distribution schemes. The capital expenditure on schemes in progress as on 31 March 2001 as per the books of accounts of the Board was Rs.692.27 crore for transmission schemes and Rs.299.61 crore for distribution schemes. However, review of the above capital expenditure revealed that the capital expenditure on transmission schemes in progress as on 31 March 2001 was Rs.225.84 crore only and the balance expenditure of Rs.466.43 crore was on completed transmission schemes, which had not been transferred to fixed assets by the Board.

The critical financial position of the Board and its mounting dues payable were commented upon in the Report of the Comptroller and Auditor General of India (Commercial), Government of Maharashtra for the year ended 31 March 1999. In this context, planning of new schemes, co-ordinating supply of materials and timely completion of schemes to avoid locking up of scarce funds assumes greater importance.

3A.1.2 Organisational set-up

The Chairman was the Chief Executive of the Board. Technical Member headed the transmission and distribution wing of the Board. Technical Director (EHV*) looked after formulation and implementation of transmission schemes while Technical Director (Distribution) looked after the formulation and implementation of distribution schemes. The Technical Director (EHV) was assisted by Transmission Planning Section (TPS) at head office headed by a Chief Engineer and the Technical Director (Distribution) was assisted by a Distribution Wing at head office headed by a Chief Engineer. The Technical Director (Stores) headed the Central Purchase Agency (CPA), which was responsible for procurement of materials.

3A.1.3 Scope of Audit

Transmission and Distribution system of the Board was last reviewed during January 1999 to April 1999 and its findings were included in the Report of the Comptroller and Auditor General of India (Commercial) - Government of Maharashtra for the year ended 31 March 1999. The COPU had not discussed

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* EHV – Extra high voltage.

the Report so far (August 2001). The present review covers the transmission and distribution schemes approved by the Board of Members (BOM) and remaining incomplete as on 31 March 2001. The emphasis of the review is on planning, budgeting, procurement of materials and locking up of scarce funds on schemes that remained incomplete for long periods including schemes abandoned, schemes without requirement and schemes completed but not commissioned.

3A.1.4 Transmission schemes

Transmission schemes include erection of lines, substations and augmentation of transformation capacity for voltage levels from 66 KV to 400 KV. The TPS in consultation with field offices formulates, from time to time, transmission schemes based on the need for evacuating additional generation, reducing line losses by improving the voltage in transmission and ensuring uninterrupted power supply by providing alternate source of transmission. The formulated schemes were submitted to BOM for administrative approval. After accord of administrative approval, the schemes were included in the annual programme approved by the Chairman indicating the budget allocation for each scheme. The schemes to be included in the annual program and allocation of funds were decided based on availability of funds allocated in the capital budget. The implementation of the transmission schemes was monitored through monthly physical progress reports and budgetary and financial control statements (BFC) from field offices.

The expenditure of Rs.225.84 crore (169 incomplete schemes) as on 31 March 2001 comprised Rs.151.70 crore on 81 schemes approved before three years and Rs.74.14 crore on 88 schemes approved during the last three years up to 2000-01.

3A.1.4.1 Transmission schemes taken up without administrative approval of BOM

Budget provision of Rs.6.84 crore on nine schemes remained unutilised

Review of the annual programme and budget allocation for the three years up to 2000-01 indicated that nine transmission schemes included in the annual programme for 2000-01 were not accorded administrative approval by the BOM. Against budget provision of Rs.3.10 crore for six out of nine transmission schemes, no expenditure was incurred till March 2001. The expenditure incurred on remaining three transmission schemes was only Rs.5.67 lakh against budget provision of Rs.3.80 crore. Reasons for not obtaining administrative approval of the BOM for these nine schemes, called for by Audit (May 2001) were awaited (September 2001).

Allocation of funds in annual programme for schemes without administrative approval by the BOM with meagre or no expenditure led to locking up of available budget provisions of Rs.6.84 crore, which could have been gainfully allocated to other needy transmission/distribution schemes.

3A.1.4.2 Transmission schemes approved by the BOM but not taken up for implementation

Ten schemes approved by the BOM between June 1997 and October 1999, were not taken up till March 2001

The BOM while granting administrative approval to the transmission schemes directed that the expenditure should be phased out in three to four years and necessary budget provision should be made on year-to-year basis. However, it was observed in audit that 27 transmission schemes approved by the BOM between May 1985 and October 1999 had not been taken up for execution. Of these 27 schemes, 17 schemes were not taken up as they were immediately not required in view of non-commissioning of generating stations, lack of anticipated load growth, alternate scheme approved *etc.* The remaining ten transmission schemes approved by the BOM between June 1997 and October 1999 had not been taken up so far (March 2001) due to paucity of funds. However, it was observed in audit that huge budget provision was locked up on schemes not administratively approved by the Board and on which only meagre expenditure was incurred as discussed in the preceding paragraph. These schemes were scheduled to be taken up in 2001-02 (7 schemes) and 2002-03 (3 schemes). The annual anticipated benefits in respect of three transmission schemes (132 KV Bawda, 110/33 KV Aravalli and 110 KV Chambukhadi), calculated by the Board, were Rs.48.63 crore comprising savings in line losses (Rs.9.02 crore) and anticipated revenue from additional sales (Rs.39.61 crore). Besides, two substations at Rastapeth and Bhandup approved by the BOM in July 1998 were not taken up as discussed in the ensuing paragraph.

3A.1.4.2.1 Establishment of gas insulated substations at Rastapeth and Bhandup

The Board deferred two schemes having anticipated benefit of Rs.50.07 crore per annum

The BOM approved (July 1998) establishment of gas-insulated substations at Rastapeth in Pune and at Bhandup in Mumbai at an estimated cost of Rs.152.69 crore. The scheme was approved with a view to reduce line losses, meet anticipated additional load growth and to reduce interruptions in power supply. The anticipated benefit from these two schemes was Rs.50.07 crore per annum comprising saving in line losses (Rs.11.02 crore) and anticipated revenue from additional sales (Rs.39.05 crore). The BOM decided (August 1999) to meet the project cost by availing loan of Rs.121 crore from the Power Finance Corporation (PFC) at 15 *per cent* per annum and the balance from its own resources. The memorandum of agreement was signed (March 2000) with PFC after completing formalities of guarantee from State Government *etc.* Of this loan, an amount of Rs.18 crore was received by the Board in March 2000 and drawal of balance Rs.12 crore and Rs.91 crore was scheduled in the years 2000-02 and 2002-04, respectively. The Chairman of the Board deferred (September 2000) the schemes in view of huge investment and no action has been taken for their revival so far (August 2001). The amount of Rs.18 crore received in March 2000 had not been refunded on which the interest liability worked out to Rs.3.60 crore up to July 2001. Despite the anticipated benefits of Rs.50.07 crore per annum and availability of loan, the schemes were deferred by the Board, which also resulted in payment of avoidable interest liability of Rs.3.60 crore.

3A.1.4.3 Transmission schemes remaining incomplete for more than three years

Anticipated revenue of Rs.99.16 crore could not be earned in 26 schemes which were incomplete for more than 3 years

There were 81 transmission schemes (expenditure: Rs.151.70 crore) remaining incomplete as on 31 March 2001 for more than three years from the date of approval by the BOM. The delay in completion of schemes was generally attributable to non-availability of land and right of way problems. The anticipated additional revenue in respect of 26 out of 81 schemes was Rs.99.16 crore.

Delay in completion of transmission schemes has an adverse impact on reducing the line losses and overloading of lines/transformers causing low voltage problems. The line loss in transmission was 12.2 *per cent* as against the maximum permissible limit of 8.5 *per cent* prescribed by the Central Electricity Authority (CEA). It was observed in audit that nearly 30 *per cent* of 220 KV /132 KV lines and power transformers (33 KV and above) were over loaded.

The cases of transmission schemes deferred after incurring expenditure, locking up of funds on partly completed schemes, incomplete schemes no longer required and locking up of funds on schemes without acquiring land are discussed in succeeding paragraphs.

3A.1.4.3.1 Establishment of 220 KV substation at Sawantwadi

The BOM approved (July 1995) a scheme for establishment of 220 KV substation at Sawantwadi with transformation capacity of 100 MVA (220/33 KV) and related lines at an estimated cost of Rs.25.15 crore to be completed by 1999-2000. The scheme was proposed to meet additional load requirement of 105 MW sought by M/s Usha Ispat Private Limited (UIPL) and to improve the power supply in southern part of Sindhudurg district. The TPS, while obtaining administrative approval, apprised the BOM that UIPL was ready to share fifty *per cent* of the cost of the substation. However, neither firm commitment nor advance was obtained from them. UIPL intimated in January 1997 that it would not require additional power from the Board as it was setting up a Naptha based captive power plant at Satara in joint venture with GEC Alsthom. The need for the scheme was not reviewed again by the TPS and submitted to the BOM.

Failure to review the need for a scheme after withdrawal of additional requirement by a consumer and its non-completion led to locking up of Rs.14.31 crore

The land acquisition proceedings were started in 1996 and the same was acquired in March 2000 at a cost of Rs.9 lakh. Civil works for the substation were in progress (March 2001). The line works were started in August 1998 and 122 towers out of 373 towers were erected till March 2001. The total expenditure incurred till March 2001 was Rs.14.31 crore of which Rs.13.58 crore was incurred after March 1997. It was observed in audit that Board had not reviewed the need for this scheme in view of UIPL's withdrawal of its requirement of additional power and consequent non-sharing of 50 *per cent* cost of the scheme. Besides, the intended objective of improving the power supply in Sindhudurg district has also not been achieved so far (September 2001) despite incurring expenditure of Rs.14.31 crore due to delay in completion of the scheme.

3A.1.4.3.2 Establishment of 132 KV substation at Daryapur

The BOM accorded (May 1996) administrative approval for establishment of a 132 KV substation with transformation capacity of 25 MVA and related lines in Daryapur at an estimated cost of Rs.6.39 crore. The scheme was approved for meeting anticipated load growth and to reduce voltage problems. PFC sanctioned a loan of Rs.4.38 crore in December 1996.

The Board failed to intimate PFC of cancellation of a scheme and availed loan of Rs.1.60 crore for materials procured and diverted to other schemes

Land for the substation was acquired in August 1997. The work order for control room was placed in August 1998. In a meeting held (December 1998) by the Technical Director with the field officers, it was decided not to go ahead with the scheme, as the same was not considered feasible. Therefore, before start of work, the work order for control room was cancelled in December 1998. The Board, however, did not intimate PFC of its decision to cancel the scheme. Instead, the original drawal schedule (April 1997) for availing the loan was revised in December 1999. The drawal schedule was further revised in January 2000 and again in February 2001. The Board procured materials worth Rs.1.60 crore for this scheme till March 2001 by utilising Rs.1.60 crore from above loan and diverted the same to other schemes. The Board also paid commitment charges of Rs.7.02 lakh up to March 2001 on the amount of loan scheduled to be drawn but not availed. Non-intimation to PFC about the cancellation of the scheme and drawal and utilisation of the loan on other schemes was irregular.

3A.1.4.3.3 Establishment of 132 KV substation at Puranwadi

The BOM accorded (March 1990) administrative approval for establishment of 132 KV substation with 25 MVA transformation capacity and related lines in Puranwadi at an estimated cost of Rs.4.86 crore. The scheme was meant to cater to the increasing demand in the area and to reduce overloading of transformers in Malinagar, Malshiras and Velapur talukas. The proposed route of the line was surveyed in 1993. The work was started only in March 1998 as adequate budget provision was not made in earlier years and tower materials were not received. The order for stub setting and earthing was placed (April 1998) on M/s B.B.Desai, Sangli at a cost of Rs.19.78 lakh. Though a period of about five years had lapsed from the date of initial survey in 1993, the Board did not carry out a revised survey of the proposed route before awarding the work. Consequently, the work could not be started as housing constructions had come up in the proposed route. The revised survey was conducted in February 2001 and line work was yet to be taken up (March 2001). The actual expenditure incurred on the scheme was Rs.1.22 crore till March 2001 on sub-station civil works and materials for the line.

Continuation of a scheme without assessing immediate requirement led to locking up of funds amounting to Rs.1.22 crore

It was observed in audit that 2 x 50 MVA 220/33 KV transformers were commissioned (March 1997 and March 1998) in Malinagar, which solved the problem of over loading in Malinagar, Malshiras and Velapur talukas. Thus, there was no immediate requirement for the substation at Puranwadi. However, Board had not re-assessed the requirement of the scheme at Puranwadi in view of commissioning of above transformers. Even after commissioning of second transformer at Malinagar in March 1998 of the total expenditure of Rs.1.22 crore incurred in the incomplete scheme, an amount of Rs.67.48 lakh was incurred during the period April 1998 to March 2001, which could have been avoided.

3A.1.4.3.4 Dahanu-Dapchari line

The BOM decided (November 1995) to construct a substation at Dahanu to meet anticipated load growth and construct line from Dahanu to Dapchari. Pursuant to indent placed (July 1996) by TPS, tower materials valued at Rs.58.35 lakh were procured between March and July 1998 for Dahanu-Dapchari line. The TPS again erroneously indented (September 1998) tower materials for this line, which were procured between December 1998 and March 1999 at a cost of Rs.82.87 lakh. Meanwhile, the TPS dropped (January 1999) the Dahanu-Dapchari line, as the load demand in the area was low. The work on Dahanu-Dapchari line had not started till then. The Board stated (August 2001) that the second indent was actually meant for other lines though shown as meant for Dapchari line. The Board's reply is not acceptable as the indent was specifically for this line. It was further stated that the tower materials were proposed to be used for other lines during 2000-01 and 2001-02. It was observed in audit that material worth Rs.76.63 lakh was transferred to other schemes and the balance material valuing Rs.64.59 lakh was lying unutilised till March 2001, which resulted in loss of interest of Rs.15.50 lakh on the locked up funds.

Second indent for tower materials resulted in locking up of Rs.0.65 crore

3A.1.4.3.5 Establishment of 220/132 KV substation at Pusad

The BOM decided (March 1992) to establish 220/132 KV substation at Pusad in Yavatmal district with a capacity of 200 MVA transformers to improve the voltage in the area and to provide power supply to the proposed 132/33 KV substations of 25 MVA each to be set up at Digras, Darwah, Ghatodi and Kinwat. The substation at Pusad was commissioned in March 1996 with capacity of 100 MVA at a cost of Rs.1.61 crore. However, out of four 132/33 KV substations to be commissioned, only one 132/33 KV substation with capacity of 25 MVA was commissioned (December 1999) at Digras at a cost of Rs.66.26 lakh. The work of remaining three substations was not taken up due to constraint of funds and the 100 MVA transformer at Pusad was therefore supplying power to the 25 MVA transformer at Digras only.

Capacity of 75 MVA created at a cost of Rs.1.21 crore remained idle for five years for want of related substations

Thus, capacity of 75 MVA out of 100 MVA at Pusad created at a proportionate cost of Rs.1.21 crore remained idle for five years with consequent loss of interest of Rs.0.73 crore (calculated at the rate of 12 *per cent* per annum) due to non-commissioning of three 132/33 KV substations as planned.

3A.1.4.3.6 Establishment of substation at Nivliphata

The BOM accorded (November 1994) approval for establishment of 220 KV sub-station at Nivliphata with 2 x 50 MVA transformers and related lines at an estimated cost of Rs.19.64 crore. The scheme was meant to provide high quality power supply to the proposed five star industrial area to be set up in Nivliphata by Maharashtra Industrial Development Corporation (MIDC). The land for the substation, identified in September 1996, to be provided by MIDC could not be acquired so far (March 2001). Action to acquire the land directly from the private owners was in progress (March 2001). PFC had sanctioned (November 1995) a loan of Rs.13 crore for the scheme. As per the drawal schedule submitted to PFC in January 1996, the entire loan was to be drawn by 1998-99. The Board availed loan of Rs.1.95 crore in 1995-96 and did not draw any amount during 1996-97 and 1997-98. The Board drew loan of Rs.8.47 crore during 1998-99 to 2000-01. The Board expects to draw balance loan of Rs.2.58 crore during 2001-03. Thus, delays in drawal of loan as per schedule led to payment of commitment charges amounting to Rs.27.31 lakh till March 2001. The loan of Rs.10.42 crore drawn was utilised during 1996-97 to 1999-2000 mainly for procurement of material valued at Rs.10.17 crore but could not be utilised in the absence of land for substation. Out of material valued at Rs.10.17 crore procured for the scheme, material valued at Rs.5.35 crore were diverted to other schemes during the period from January 1997 to August 1998 and material valued at Rs.4.82 crore was lying unutilised (March 2001). Of the unutilised material, material valued at Rs.4.60 crore were lying unutilised for more than three years with consequent loss of interest of Rs.1.66 crore at 12 *per cent* per annum.

Procurement of materials without acquiring land led to locking up of Rs.4.60 crore for more than three years

Thus, procurement of material for a scheme without acquiring land resulted in idle investment of Rs.4.60 crore for more than three years. Moreover, delay in drawal of loan led to payment of commitment charges of Rs.27.31 lakh.

3A.1.4.3.7 Establishment of 100 KV level at Dombivali

The BOM approved (March 1992) a scheme for establishment of 100 KV level at Dombivali (comprising 200 MVA 220/100 KV transformer and related 100 KV lines from Dombivali-I substation to Dombivali-II). The estimated cost of the scheme was Rs.17.21 crore and the expenditure was to be incurred in three years. The transformer (200 MVA) was erected in March 1997 at a cost of Rs.9.23 crore. It was observed in audit that the work of 100 KV line from Dombivali I to Dombivali II was started only in July 1997. Against 1.6 kms of line to be constructed, only 0.6 kms of line was constructed till May 1998 and there was no further progress so far (March 2001). The Board expects to complete the work after 2002 in view of objections from villagers for erection of towers on their land. However, the fact remains that the line work was started only in July 1997 after commissioning of transformer in March 1997, whereas it should have been synchronised with the installation of transformer. The transformer was carrying a load of only 90 MVA in feeding existing lines. Thus, the transformer capacity of 110 MVA out of 200 MVA erected remained

Transformer capacity of 110 MVA out of 200 MVA at a cost of Rs.5.08 crore remained unutilised for four years for want of related lines

unutilised. The proportionate cost of idle capacity worked out to Rs.5.08 crore and consequential loss of interest on the blocked fund was Rs.2.44 crore (calculated at the rate of 12 *per cent* per annum).

3A.1.4.3.8 Establishment of 132 KV substations for Nashik ring main

The BOM decided (August 1990) to establish 132 KV substations at Satpur MIDC area, Mhasrul and Adgaon with associated lines to create a 132 KV ring around Nashik city to have reliable power supply arrangement to the city and to cater to the increasing load demand. Considering the fast expansion of the city and right of way problems, the BOM decided to construct the lines first at an estimated cost of Rs.3.42 crore and take up the work of substations after acquisition of land. The lines were completed in January 1997/February 1998 at a cost of Rs.8.24 crore. The land for the substations at Satpur MIDC area, Adgaon and Mhasrul were acquired in February 1991, December 1995 and November 1998 respectively. As the completion of substation works requires 1 to 2 years, there was need for synchronising the completion of substations at Satpur MIDC area, Mhasrul and Adgaon with completion of related lines. However, even though land for the substation at Satpur MIDC area and Adgaon were acquired in 1991/1995, the TPS obtained approval of the BOM for establishment of substations at these two places and at Mhasrul at an estimated cost of Rs.32.80 crore only in March 1998. The anticipated revenue return from the three substations was Rs.8.24 crore per annum. The work of substations was still in progress (March 2001). The expenditure incurred up to March 2001 was Rs.3.49 crore on civil works and land development. The lines constructed for these substations have been directly connected to provide alternate source of supply to Nashik city and were not otherwise utilised for generating additional revenue. Thus, non-synchronisation of the completion of substations at Satpur MIDC area and Adgaon with completion of related lines deprived the Board of anticipated revenue of Rs.2.45[$] crore per annum.

Non-synchronisation of the completion of two substations with related lines deprived the Board of anticipated revenue of Rs.2.45 crore per annum

3A.1.5 Distribution schemes

The distribution schemes include augmenting and strengthening of 33/22/11 KV network, replacement of lines of high-tension, conversion of overhead lines in to underground system *etc.* These schemes were meant to improve the distribution system, reduce line losses, improve voltage and ensure uninterrupted power supply.

The Distribution Wing (DW) at head office finalises the distribution schemes to be taken up, in consultation with field offices. The schemes were then submitted to the BOM for administrative approval. Based on availability of funds, the schemes to be included in annual programme were decided after considering load growth, system requirement *etc.*

[$] Calculated at 25.28 *per cent* per annum on the estimated cost of Rs.9.72 crore for the substation at Satpur MIDC area and Adgaon.

The DW monitored the progress of implementation of the distribution schemes through monthly progress reports (MPR) from the filed offices. However, it was observed in audit that the MPR indicated only the progress in respect of substations completed, transformation capacity added and line capacity added but did not indicate the progress of each individual scheme approved by the BOM, bottlenecks involved and the expenditure incurred. There was also no system of submitting progress reports to the BOM periodically. Thus, there was no effective monitoring system for distribution schemes and periodical reporting to the BOM of both the physical and financial progress of the schemes.

430 sub-stations including 151 approved by the BOM prior to April 1998 were incomplete

It was observed in audit that 430 sub-stations approved by the BOM including 151 approved prior to April 1998 were yet to be completed (March 2001). The expenditure on incomplete distribution schemes as on 31 March 2001 was Rs.299.61 crore. The scheme-wise expenditure called for from the Board was awaited (September 2001). A review of incomplete distribution schemes indicated that 242 substations under 13 district-integrated schemes had not been taken up for implementation till March 2001 while 12 distribution schemes for improvement of power supply in urban areas were incomplete as discussed in the ensuing paragraphs.

3A.1.5.1 District integrated schemes

The Board had not taken up 13 'District integrated schemes' expected to yield saving of Rs.118 crore per annum in line losses

The BOM approved between April 1999 and May 2000, District integrated schemes for 13 districts comprising 242 substations (33/11 KV) 4407 kms of 33 KV lines, 4533 Kms of 11 KV lines and erection of 5695 distribution transformers. The above works were expected to improve the power supply and also result in reduction of line losses by 4724 lakh units (valued at Rs.118 crore) per annum. However, none of the above schemes were included in Annual Programme and taken up for implementation so far (August 2001) due to funds constraint. The BOM directed (July 2000) to review all the schemes approved by it keeping in view the present requirement. Such review was still in progress (September 2001).

Delay in completion of required distribution schemes led to high ratio of high tension to low-tension lines and over loading of distribution transformers with consequent non-reduction of line losses, interruptions in power supply, forced shut downs and load shedding. Against the maximum acceptable ratio of 1:1 between the high and low-tension distribution lines, the ratio was 1:2.14. As a result the line loss (technical loss) in distribution was 9 *per cent* as against the maximum permissible limit of 7 *per cent* prescribed by the CEA. Forced outages and load shedding due to inadequate transformation capacity has already been commented in the Report of the Comptroller and Auditor General of India (Commercial) - Government of Maharashtra for the year ended 31 March 2000.

3A.1.5.2 Distribution schemes in urban areas

The distribution schemes for improvement of power supply in urban areas with population of more than 50000 were carried out by the Board with loan assistance from PFC. As on 31 March 2001, twelve such schemes for Ulhasnagar, Dombivali, Kalyan, Nagpur, Bhiwandi, Ahmednagar, Ichalkaranji, Badlapur, Vasai-Virar, Ambernath, Dhule and Sangli were incomplete. The loan for the schemes at Ulhasnagar, Dombivali and Kalyan were sanctioned by PFC during 1993-94 and for the other schemes during 1995-96 to 1997-98.

The Board was deprived of anticipated savings of Rs.90.41 crore per annum due to non-completion of three distribution schemes in urban areas

Against loan of Rs.35.70 crore sanctioned by PFC during 1993-94 for three schemes at Ulhasnagar, Dombivali and Kalyan, the actual loan drawn till March 2001 was Rs.30.24 crore leaving a balance of Rs.5.46 crore. All the three schemes scheduled to be completed by two to three years had not been completed so far (March 2001). Consequently, the Board was deprived of anticipated benefit of Rs.46.05 crore by way of reduction in line losses and Rs.44.36 crore by way of additional sale of energy per annum. The physical progress of work done and expenditure incurred in respect of each scheme were not made available by the Board (September 2001).

Though these three schemes were not completed, the Board requested (January 2001) PFC to short close the loans sanctioned for them with effect from 30 June 1996 for the undrawn amount of Rs.5.46 crore and not to levy commitment charges on this amount thereafter. PFC had not so far (September 2001) given its final decision for short closure, as the physical progress of the schemes called for (January 2001) by it was not furnished by the Board. The Board had paid commitment charges of Rs.66.18 lakh during the period from 1996-97 to 2000-01 on the loan sanctioned for these three schemes.

The Board was deprived of anticipated savings of Rs.8.43 crore due to non-completion of distribution schemes. Besides, commitment charges of Rs.1.87 crore were also paid to PFC

All the other nine distribution schemes financed by PFC during 1995-96 to 1997-98 were also incomplete (March 2001). Against loan of Rs.136.55 crore to be drawn in two years from the date of sanction, the actual loan availed till March 2001 was only Rs.26.72 crore. The details of physical progress of each work and expenditure incurred called for had not been furnished by the Board so far (September 2001). Non-completion of these schemes deprived the Board of anticipated savings to the extent of Rs.8.43 crore per annum from seven schemes by way of reduction in line losses. Besides, the Board had also paid commitment charges of Rs.1.87 crore to PFC till March 2001.

The above matters were reported to the Board and Government in June 2001; their replies had not been received (November 2001).

Conclusion

There was considerable delays in taking up transmission and distribution schemes for implementation after administrative approval by the BOM leading to non-achievement of anticipated benefits. Effective monitoring system for watching progress of implementation of distribution schemes was absent. Deferment of schemes after incurring expenditure and part completion of schemes led to locking up of scarce funds. Drawal schedules for loan from PFC were not given on realistic basis, which resulted in payment of avoidable commitment charges.

The Board needs to take the following remedial measures:

- ☞ **Ensure completion of all transmission and distribution schemes as per their schedule;**
- ☞ **Periodically review physical and financial progress of incomplete schemes and need for further drawal of loans;**
- ☞ **Close all unwanted incomplete schemes thereby releasing the funds earmarked for these schemes to other schemes/purposes; and**
- ☞ **Ensure synchronisation of the line work and construction of substation.**

3B MAHARASHTRA INDUSTRIAL DEVELOPMENT CORPORATION

3B.1 Operational performance of Maharashtra Industrial Development Corporation in Mumbai and Pune Metropolitan Regions and Konkan and Pune Divisions

Highlights

Maharashtra Industrial Development Corporation (Corporation) was set up in 1962 to promote and assist the rapid and orderly establishment, growth and development of industries in the State. As of March 2001, out of 232 industrial areas and growth centres for which land was in possession, 77 industrial areas and growth centres were in Mumbai Metropolitan Region (MMR), Pune Metropolitan Region (PMR), Konkan and Pune Divisions.

(Paragraph 3B.1.1 and 3B.1.5)

Out of 33190 hectares of land proposed for 66 major industrial areas, only 15960 hectares of land (*i.e.* 48.1 *per cent*) was acquired for 48 industrial areas in MMR, PMR, Konkan and Pune Divisions.

(Paragraph 3B.1.5.1.1)

Due to lack of demand, development expenditure of Rs.9.41 crore including land cost remained unproductive at Halkarni and Lonand.

(Paragraph 3B.1.5.1.2(b))

Encroachment of 225705 sq.metres of land in nine industrial areas in MMR and Pune Divisions caused a loss of revenue of Rs.112.24 crore.

(Paragraph 3B.1.5.1.3)

Even after incurring expenditure of Rs.65.02 crore for establishment of Five Star Industrial Areas at four places, no allotment could be made due to lack of demand.

(Paragraph 3B.1.5.4)

Outstanding dues towards supply of water at concessional rates for domestic consumption to Municipal Corporations of Ulhasnagar, Kalyan-Dombivli and Thane, Maharashtra Jeevan Pradhikaran and CIDCO Limited mounted to Rs.210.81 crore as of March 2001.

(Paragraph 3B.1.6.2)

Truck terminals built at a cost of Rs.2.03 crore at 10 industrial areas without carrying out systematic study and assessment of demand had remained idle.

(Paragraph 3B.1.8)

Fire stations constructed at a cost of Rs.4.24 crore at eight industrial areas were lying idle since their construction.

(Paragraph 3B.1.9)

Investment of Rs.79.46 crore in construction of knitwear and leather complex without any firm demand proved to be unproductive.

(Paragraph 3B.1.11)

Failure of the Corporation either to hand over the industrial areas for maintenance to the Associations or enhance the service charges resulted in loss of Rs.18.24 crore.

(Paragraph 3B.1.12)

3B.1.1 Introduction

Maharashtra Industrial Development Corporation (Corporation) was set up in 1962 under the Maharashtra Industrial Development (MID) Act, 1962 for promoting and assisting the rapid and orderly establishment, growth and development of industries in the State and also for achieving balanced development of the entire State. For this purpose, the Corporation acts as an agent of the State Government. The State Government acquires the land, which is kept at the disposal of the Corporation. The Corporation provides entrepreneurs with developed plots and infrastructural facilities such as roads, water supply, drainage, electricity, constructed sheds, flatted factories, common facility centres, housing, post offices, telephone exchanges, banks *etc.*

3B.1.2 Functions

The main functions of the Corporation as envisaged in the MID Act, 1962 are:

(a) to establish and manage industrial areas selected by the State Government and make them available to entrepreneurs and

(b) to undertake the schemes or works either jointly with other corporate bodies or institutions or with Government or local authorities on an agency basis.

The above functions were to be carried out in accordance with the following terms and conditions prescribed by the State Government from time to time:

(a) The Corporation would undertake development of industrial area as an agency function on behalf of the State Government.

(b) The State Government would acquire land at its own cost and place at the disposal of the Corporation. The Corporation after development of infrastructure would allot the land on lease to the allottees.

(c) The Corporation would recoup development cost before remitting the remainder to the State Government.

3B.1.3 Organisational set-up

As on 31 March 2001, there were 13 members on the Board of the Corporation against maximum 15 members prescribed in the Act, *ibid*. The post of Financial Advisor, who is also a member of the Board, was lying vacant since April 1996. The Chief Executive Officer (CEO) appointed by the State Government is the Member Secretary of the Board and also looks after the day-to-day affairs of the Corporation.

The State is divided in two parts *viz.* Developed part and Developing part. Developed part is further divided into Mumbai Metropolitan Region (MMR) and Pune Metropolitan Region (PMR) and Developing part is divided into six Divisions *viz.* Konkan, Pune, Nashik, Aurangabad, Amravati and Nagpur. The work of co-ordination of land acquisition from State Government and allotment of developed plots/sheds in industrial area to entrepreneurs is looked after by the respective Regional Office headed by a Regional Officer, whereas work of development, construction, maintenance and operation of industrial areas, sheds, drainage and water supply schemes is entrusted to the respective Engineering Division headed by Executive Engineer. As on 31 March 2001, the Corporation had 12 Regional Offices and 27 Engineering Divisional Offices in the State.

3B.1.4 Scope of Audit

The working of the Corporation was last reviewed and included in the Report of the Comptroller and Auditor General of India (Commercial) - Government of Maharashtra - for the year 31 March 1993 on which the Committee on Public Undertakings (COPU) issued (August 1996) its recommendations in its fifth Report (1995-96). Action Taken Report thereon has not been discussed (June 2001).

The present review covers the performance of the Corporation in Mumbai Metropolitan Region, Pune Metropolitan Region and Konkan and Pune Divisions during the last six years up to March 2001. For this purpose, transactions in all Regional Offices (8), and Engineering Divisional Offices (17) in MMR, PMR, Konkan and Pune Divisions were test checked.

3B.1.5 Establishment of industrial areas

The Corporation conducts a survey of the land for deciding its suitability for establishment of industrial area at a particular place after considering the availability of water supply and transport facilities and need for socio-economic development and industrial growth. The financial viability is established on the basis of 'Discounted Cash Flow' analysis, which considers the estimated land cost, development expenditure, creation of infrastructure on 40 *per cent* of the area and projected receipts of lease premium on allotment of the remaining 60 *per cent* of plottable area to the entrepreneurs. The project receipts are estimated without obtaining any firm demand for the plots. Based on survey and estimated viability, the Corporation sends the proposal to the State Government for providing land. Land is required for four categories of Industrial Areas *viz.* Major[@], Mini[$], Growth Centres[#] and Others[*].

The land placed at the disposal of the Corporation by Government is either Government's own land or acquired from private parties by Government. Annexure 19 indicates the land requirement planned by the Corporation, land actually provided by Government and total compensation paid for land acquired by Government from private landowners up to March 1995 and March 2001.

As could be seen from Annexure-19, up to March 2001, the Corporation proposed requirement of 87025 hectares of land for 292 industrial areas (Major: 118, Mini: 99, Others: 5 and Growth Centres: 70) in the whole State and had in possession 51953 hectares of land (59.7 *per cent* of proposed requirement of land) for 232 industrial areas (Major: 89, Mini: 88, Others: 5 and Growth Centres: 50). Up to March 2001, in MMR, PMR, Konkan and Pune Divisions, 44385 hectares of land requirement was proposed for 66 major industrial areas, 17 mini industrial areas and 25 growth centres and 5 other areas. Against this, 23824 hectares was provided by Government for 48 major industrial areas, 11 mini industrial areas, 13 growth centres and 5 other areas.

@ Major industrial area - An industrial area other than 'mini industrial area', 'growth centres' and 'other industrial area'.

$ Mini industrial area - An industrial area where area is restricted to 10 to 15 hectares of land situated at industrially backward place.

Growth Centres - An industrial area where package of incentives declared by the Government to the entrepreneurs for industrial development is available.

* Others - An industrial area for which land acquisition and development was undertaken by the Corporation on behalf of a specific industrial unit.

3B.1.5.1 Major industrial areas

3B.1.5.1.1 Planning and availability of land

As of March 2001, against 33190 hectares of proposed requirement of land for 66 major industrial areas, only 15960 hectares (48.1 *per cent*) of land was provided by Government for 48 major industrial areas in MMR, PMR, Konkan and Pune Divisions. The land requirement could not be met fully. Some of the important reasons for non-availability of land and other interesting cases relating to acquisition of land noticed during test-check in audit are as under:

14393 hectares of land could not be acquired mainly due to non-finalisation of acquisition proceedings and non-revocation of suspension

(a) Government failed to provide land admeasuring 14393 hectares for 14 major industrial areas due to non-revocation of suspension imposed in September 1997 by the Minister of Industries of the State (6499 hectares for Dabhol Phase III and Veldur), landowners' demand for changing the use of land from industrial to agriculture (293 hectares for Bhiwandi) and non-finalisation of acquisition proceedings (7601 hectares for 11 areas).

(b) Due to the Corporation's failure to consider unavailability of water and opposition of landowners before proposing to Government for acquisition, 1779 hectares of land for Kinhavali industrial area could not be acquired resulting in cancellation of the industrial area.

(c) In order to establish coastal aquaculture estates each at Kandalpada and Saphale in Konkan Division, the Corporation entrusted (May 1995) the work of Technology assistance to a firm (Pancham Aquaculture Farms Limited, Mumbai) at a fee of Rs.12.50 lakh for each estate. The fee was payable in three equal instalments. The Corporation paid Rs.16.68 lakh in two equal instalments (Rs.8.34 lakh each) in June 1995 and December 1996 for preparation of the project report. However, the Corporation had still not made any proposal to the Government for acquisition of the required land. Thus, expenditure of Rs.18.32 lakh (including overheads of Rs.1.64 lakh capitalised) on the preparation of the report for the project was rendered infructuous.

3B.1.5.1.2 Utilisation of land and carving of the plots

Up to March 2001, out of 15960 hectares of land (cost: Rs.105.78 crore) in possession for 48 major industrial areas, 8963 hectares was marked for allotment to entrepreneurs for setting up their units. Region-wise details regarding area in possession and area of plots carved out up to 31 March 1995 and 2001 are indicated below:

Region/Division	Land in possession (in hectares)		Area of plots carved out (in hectares)		Overall percentage of area of plots carved out to land in possession	
	Up to March		Up to March		Up to March	
	1995	2001	1995	2001	1995	2001
MMR	4839 (11)	4838 (11)	2702 (10)	3305 (10)	55.8	68.3
PMR	1277 (2)	1613 (5)	774 (2)	880 (3)	60.6	54.6
Total Developed Parts (MMR and PMR)	6116 (13)	6451 (16)	3476 (! 2)	4185 (13)	56.8	64.9
Konkan	4296 (13)	4308 (13)	2350 (12)	2538 (11)	54.4	58.9
Pune	3346 (12)	5201 (19)	1693 (12)	2240 (14)	50.2	43.0
Total of Developing parts of Konkan and Pune Division	7642 (25)	9509 (32)	4043 (24)	4778 (25)	52.6	50.2

(Figures in the bracket denote number of industrial areas involved)

In this context, following points were noticed during audit:

(a) The Government land admeasuring 34 hectares handed over in October 1994 to the Corporation for Additional Kalyan-Bhiwandi area could not be developed (August 2001) as the land handed over was in isolated pieces and surrounded by private land. The private land could not be acquired by Government due to local opposition with a result that the Corporation could not realise revenue of Rs.12.24 crore from the plottable area (20.4 hectares).

(b) At Halkarni in Pune Division, the Corporation had in possession 181.69 hectares of land (cost: Rs.51.31 lakh) since 1995-96. Only 5.32 hectares of area was developed at Rs.7.44 crore (including water supply scheme at Rs.6.03 crore) in 2000-01 and 2.32 hectares out of this developed land was allotted to entrepreneurs at Rs.16.24 lakh up to March 2001.

Development expenditure (including land cost) of Rs.9.41 crore remained unproductive due to non-carving of land in possession

At Lonand in Pune Division, no plots were carved (March 2001), out of 186.80 hectares of land (cost: Rs.1.62 crore including development expenditure) in possession since 1997-98.

Due to lack of demand for the plots in these industrial areas, development expenditure (including land cost) of Rs.9.41 crore remained unproductive.

(c) 72358 sq. meters of plottable land costing Rs.13.53 crore in five industrial areas in MMR and Pune Division was covered under drainage/pipe line/H.T. line, which should have been provided in the 40 *per cent* of total land separately earmarked for these purposes. Thus, improper planning and layout would lead to reduction in plottable area and shortfall in realisation of revenue.

3B.1.5.1.3 Encroachment in industrial areas

Encroachment of 225705 sq.metres of land caused revenue loss of Rs.112.24 crore

During the course of development, the Corporation is supposed to take proper steps to avoid any encroachment on the land in possession. It was observed that in nine industrial areas under MMR and Pune Division, 225705 sq. metres of land was encroached by slum dwellers resulting in probable loss of revenue of Rs.112.24 crore.

3B.1.5.2 Mini industrial areas

With a view to disperse industries from developed parts of Mumbai-Thane-Pune belt (Mumbai and Pune Metropolitan Regions) to the under-developed and 'no industry' talukas, the State Government decided in June and December 1988 to establish mini industrial area at 145 places in industrially backward areas through the Corporation. As the establishment of mini industrial areas was not remunerative, the loss was to be recouped by the surplus generated on sale of plots in developed parts.

Out of proposed 42 mini industrial areas, only 11 areas were established

Out of 145 proposed mini industrial areas for the entire State, 39 industrial areas were to be set up in Konkan (15) and Pune (24) Divisions. The mini industrial areas were to be established by March 1995. However, till March 1995, only three mini industrial areas at Koregaon, Jat and Palus (Tasgaon) were established with an expenditure of Rs.50.37 lakh. Due to addition of three locations for mini industrial areas during 1999-2000, 42 mini industrial areas were proposed for establishment up to March 2001, out of which the Corporation had land in possession for 11 mini industrial areas (including three areas already established) in the regions/divisions covered under the Review. The Corporation could not acquire the land for three mini industrial areas due to non-finalisation of acquisition proceedings and 28 mini industrial areas were cancelled during July 1989 to June 2001 due to following reasons:

(i) Co-operative societies had already established the industrial areas (8 places);

(ii) Major industrial areas were proposed by the Corporation (5 places);

(iii) Other major industrial units were proposed to be established (4 places); and

(iv) Unsuitable land and water problems (11 places).

Audit has following comments to make in this regard:

(a) In view of consideration of establishment of major industrial area at Atpadi, the proposal for mini industrial area was cancelled in January 1999. However, no such major industrial area was proposed by the Corporation so far (March 2001).

(b) Without considering the suitability of land, it being in pieces, the Corporation proposed to take possession of land from Development

Corporation of Konkan Limited and paid Rs.5.36 lakh for establishment of mini industrial area at Malwan. The proposal for establishment of mini industrial area was cancelled in September 1998 due to unsuitability of land. As a result the Corporation could not recover (June 2001) Rs.5.36 lakh and suffered loss to that extent.

Acquisition of unsuitable land resulted in loss of Rs.0.36 crore

(c) Superintending Engineer, Pune requested (November 1992) that feasibility should be rechecked before development of the area, as only three hectares of land was suitable for carving into plots due to undulating nature, out of 17.87 hectares of land acquired at Rs.8.92 lakh at Patan. No action was taken and 1.42 hectares were developed at a cost of Rs.29.47 lakh in 1996-97. Up to March 2001, 1.37 hectares of plotted area was allotted at Rs.1.90 lakh. Considering that the remaining plotted area of 0.05 hectare would fetch only Rs.0.08 lakh at the latest allotment rate of Rs.15 per sq. metre, establishment of area on unsuitable land resulted in loss of Rs.36.41 lakh.

(d) At Kurduwadi, out of 25.97 hectares of land costing Rs.6.49 lakh in possession since March 1995, 16.85 hectares of land was carved into 43 plots in 2000-01 at a total expenditure of Rs.26.44 lakh without assessing firm demand. No plots were sold, as there was no demand and the entire amount of Rs.32.93 lakh remained blocked.

3B.1.5.3 Establishment of growth centres

3B.1.5.3.1 The State Government in November 1988 decided to set up through the Corporation, 65 growth centres in the State for accelerating the dispersal of industries. Out of these 65 centres, 24 centres were to be set up in Konkan (8) and Pune (16) Division. All the centres were to be established by March 1995. However, only four centres at Lote Parshuram, Baramati, Karad and Shirur-Ranjangaon were established before that day. Up to March 2001, five more centres were added and four centres were cancelled, thereby increasing the number of centres to be established to 25 (Konkan - 8 and Pune - 17).

Up to March 2001, the Corporation could take possession of 5621 hectares of land at Rs.40.51 crore for only 13 centres (including centres already established). The land (2912 hectares) for 12 centres could not be obtained due to slow progress of land acquisition, which was hampered by public resentment. Thus, the goal of dispersal of industries could not be achieved fully.

3B.1.5.3.2 Utilisation of land and carving of the plots

Division-wise details regarding area in possession, plots carved out and development expenditure incurred up to March 1995 and March 2001 are given below:

Particulars	Konkan Division		Pune Division		Total	
	As on March		As on March		As on March	
	1995	2001	1995	2001	1995	2001
Land in possession (in hectares)	1153 (2)	1916 (3)	1834 (3)	3705 (10)	2987 (5)	5621 (13)
Area of plots carved out (in hectares)	280 (1)	306 (2)	457 (3)	1374 (6)	737 (4)	1680 (8)
Overall percentage of area of plots carved to land in possession	24.3	16.0	25.0	37.1	24.7	29.9
Development expenditure (Rupees in crore)	5.56 (2)	14.75 (8)	13.30 (9)	163.70 (12)	18.86 (11)	178.45 (20)
Cost of land acquired (Rupees in crore)	---	14.58 (3)	---	25.93 (10)	---	40.51 (13)

(Figures in the bracket denote number of growth centres involved)

In this context, audit observed as follows:

(a) Due to lack of demand no plots were carved out at Additional Lote Parshuram and 632.64 hectares of land costing Rs.9.54 crore was lying unused since 1996-97.

(b) At Mangaon-Bhagad and Tembhurni, out of 1086 hectares of land costing Rs.4.70 crore taken in possession in 1993-94, only 39 hectares of plottable area was carved at total development expenditure of Rs.9.77 crore incurred during 1993-94 to 2000-01 without assessing the demand. Up to March 2001 only 9.63 hectares of plots were sold at Rs.34.25 lakh resulting in blockage of funds worth Rs.14.13 crore.

(c) Up to March 2001, the Corporation carved plottable area of 426 hectares at Rs.144.64 crore (including land cost of Rs.4.01 crore) from 700 hectares of land available for setting up industrial zone in growth centre at Shirur-Rajangaon. Up to March 2001, plots of 343 hectares were allotted at Rs.81.49 crore. As the realisable value of unallotted plots is Rs.53.95 crore at the existing rate of Rs.650 per sq. metre, the loss on entire allotment of plottable area in growth centre at Shirur-Ranjangaon worked out to Rs.9.20 crore due to incurring of expenditure more than realisable value.

3B.1.5.4 Five Star Industrial Areas

In order to attract foreign entrepreneurs and Non Resident Indians (NRIs), State Government formulated (1995) a New Industry Trade and Commerce policy for the development of excellent infrastructure in the industrial areas to be set up by the Corporation. Initially, it was decided to establish Five Star Industrial Areas at Indapur (Pune), Hatkanangale (Kolhapur) in Pune Division, Additional Mahad (Raigad) in Konkan Division and also at Nivliphata

(Ratnagiri) in Konkan Division sponsored by the Central Government. Each such area was to be established on 2000 to 7000 hectares of land in the form of Industrial Township with airstrips, hotels, higher educational facilities and modern telecommunications.

Initially, Government directed (January 1996) the Corporation to develop only 100 hectares of land in each area comprising upgraded industrial area and roads under Phase I to attract foreign and NRI entrepreneurs. The Phase I at Mahad, Hatkanangale, Nivliphata and Indapur was to be completed between December 1998 and March 2000.

Accordingly, 3005.78 hectares of land was proposed during 1995 to 1999 for acquisition by Government at Indapur (412.48 hectares), Hatkanangale (1093.14 hectares), Mahad (852.98 hectares) and Nivliphata (647.18 hectares). Up to March 2001, Government could acquire and hand over to the Corporation 412.48 hectares at Indapur and 1057.07 hectares at Hatkanangale at total land compensation of Rs.17.46 crore. Land at Mahad and Nivliphata could not be acquired due to objections of landowners. As a result, Five Star Industrial Area at Mahad was decided to be established on 100 hectares of land, already available with the Corporation at Mahad under Major industrial area category.

Though the Court rejected (January 1999) all the objections of landowners, no action was initiated by the Government to take the possession of the land at Nivliphata. The Corporation, however, incurred expenditure of Rs.4.87 crore on jackwell on riverbed for water supply to this area mainly out of the Central capital contribution of Rs.4.40 crore received during March 1996 to April 1999 for this Project. Thus, due to non-availability of land, expenditure incurred on water supply work had proved to be unproductive so far (March 2001).

The Deputy Chief Executive Officer of the Corporation suggested (May 1999) for reconsideration of the establishment of Five Star Industrial Area at Indapur, in view of the fact that 253 plots admeasuring 109 hectares in nearby three industrial areas were already lying vacant. But, the Corporation went ahead with the work and incurred development expenditure of Rs.9.12 crore (including land cost); no plots at Indapur were carved (August 2001) due to lack of demand and the expenditure of Rs.9.12 crore remained unproductive.

Even after incurring expenditure of Rs.65.02 crore for four Five Star Industrial Areas, none was established (May 2001)

Till April 2001, Rs.65.02 crore were incurred on development (including land cost of Hatkanagale, Indapur and Mahad) of Five Star Industrial Areas at Mahad (Rs.16.63 crore), Hatkanangale (Rs.34.40 crore), Indapur (Rs.9.12 crore) and Nivliphata (Rs.4.87 crore). Up to March 2001, only 226 plots were carved out at Hatkanangale. However, no plot had been allotted (May 2001) due to lack of demand.

Thus, the Corporation is burdened with incomplete Five Star Industrial Areas at a total investment of Rs.65.02 crore up to March 2001 as it failed to ascertain firm demand prior to developing these areas. Rather than setting up industrial township as envisaged in the industrial policy, the Corporation has created few industrial areas with improved road and drainage systems only and failed to attract any industry to these Five Star Industrial Areas.

3B.1.6 Water supply schemes

3B.1.6.1 Centralised Water Supply Scheme (CWSS) provides water supply to more than one industrial area. As of March 2000, the Corporation invested Rs.224.59 crore on construction of three CWSSs in MMR/PMR.

Although, water supply schemes are primarily constructed for industrial consumers/plot holders, as a basic infrastructure, the Corporation also provides water to *enroute* domestic consumers of villages, gram panchayats and municipal corporations *viz.* Ulhasnagar Municipal Corporation (UMC), Kalyan Dombivali Municipal Corporation (KDMC), Thane Municipal Corporation (TMC), Navi Mumbai Municipal Corporation (NMMC), Maharashtra Jeevan Pradhikaran (MJP) and City and Industrial Development Corporation of Maharashtra Limited (CIDCO) *etc*.

3B.1.6.2 Arrears of water charges

As on March 2000, the dues towards water charges with delayed payment charges recoverable from domestic and industrial consumers in MMR, PMR, Konkan and Pune Divisions was Rs.227.77 crore, of which Rs.209.72 crore was recoverable from domestic consumers. Dues from domestic consumers included Rs.189.80 crore recoverable from UMC (Rs.73.30 crore), KDMC (Rs.25.90 crore), TMC (Rs.34.36 crore), MJP (Rs.52.39 crore) and CIDCO (Rs.3.85 crore). These Municipal Corporations have defaulted in making payments inspite of the fact that they are being extended subsidy by the Corporation in the form of lower water charges.

Arrears of water charges recoverable from municipal corporations and other bodies mounted to Rs.210.81 crore as on March 2001

Though, it was decided in June 1999 to curtail/disconnect water supply of defaulting domestic consumers mainly Municipal Corporations, no action was taken. The aggregate arrears as on March 2001 increased to Rs.210.81 crore from UMC (Rs.79.58 crore), KDMC (Rs.27.40 crore), TMC (Rs.43.25 crore), MJP (Rs.56.14 crore) and CIDCO (Rs.4.44 crore).

3B.1.6.3 Hetawane Dam

For meeting the water requirement of Additional Patalganga industrial area, the Corporation paid Rs.4.50 crore (January 1996) as capital contribution to Irrigation Department for reservation of water (50 Million litres per day) from Hetawane dam and Rs.4.24 crore (December 1995) towards capital contribution to the City and Industrial Development Corporation of Maharashtra Limited (CIDCO) for laying pipeline for evacuating the water to Additional Patalganga industrial area. However, potential of its own schemes was not assessed.

CIDCO/Irrigation Department could not complete the dam in scheduled time. Meanwhile, the Corporation fulfilled the water requirement of Additional Patalganga industrial area from its own water supply scheme obviating the need for water from Hetawane dam. Accordingly, the Corporation claimed (September 1999) Rs.4.50 crore and Rs.4.24 crore from Irrigation Department and CIDCO respectively. However, no amount was refunded (August 2001).

Avoidable capital contribution of Rs.8.74 crore made for construction of dam resulted in loss of interest of Rs.5.99 crore

Thus, the Corporation made an avoidable payment of capital contribution of Rs.8.74 crore and suffered an interest loss of Rs.5.99 crore (up to August 2001), as it did not assess availability of water from its own schemes.

3B.1.7 Effluent disposal and collection system

3B.1.7.1 Non-recovery of capital cost and loss of potential earnings

The Corporation had provided common effluent collection system in Trans-Thane-Creek (TTC) Industrial Area at a total cost of Rs.18.24 crore. The effluent generated by the industries was collected and disposed off in Thane creek. In pursuance of Government of India's Environment Scheme 1991, the Thane Belapur Industries Association (TBIA) formed the Common Effluent Treatment Plant (Thane-Belapur) Association (CETP-TBIA) for construction of Common Effluent Treatment Plant (CETP) and it was constructed. As per agreement dated January 1995, the common effluent collection system in C and D Blocks costing Rs.11.85 crore was taken over by CETP-TBIA for operation and maintenance with effect from January 1998. Up to December 1997, the Corporation collected the drainage cess of Rs.7.23 crore in all blocks of TTC industrial area. After handing over the common effluent collection system to CETP-TBIA, the Corporation stopped charging drainage cess in TTC industrial area from January 1998 and effluent treatment charges recovered from these units through water bills were reimbursed to CETP-TBIA after deducting one *per cent* towards collection charges.

Stoppage of recovery of drainage cess without approval of the Board resulted in non-recovery of Rs.4.62 crore

It was noticed in audit that at Taloja industrial area where common effluent collection system (cost: Rs.13.75 crore) was handed over to the CETP-Taloja Industries Association since March 2000, the Corporation recovered the effluent collection charges through water bills and 99 *per cent* of the charges collected were refunded to the association and in addition collected drainage cess from the units. Thus, the decision to stop collection of drainage cess at TBIA resulted in non-recovery of Rs.4.62 crore towards capital cost.

3B.1.7.2 Non-recovery of compensation paid to Farmers

The Corporation had laid (December 1964) Effluent Disposal System through which drainage discharged by the industrial units is carried into the creek of Kundalika River. However, due to contamination of land in village Aare-Khurd, Farmers demanded (August 1998) compensation on the ground that they were not able to grow any crop during the last twenty years. On the recommendation of the Collector of Raigad District, the Corporation paid

(February 2000) compensation of Rs.34.19 lakh to 84 Farmers. The Chief Executive Officer directed (December 1999) recovery of this amount in 10 equal installments from 54 industrial units in Roha industrial area as an additional drainage cess. The Corporation was able to recover Rs.4.78 lakh from 29 units out of which 14 units paid full amount of Rs.1.63 lakh. The Corporation had not taken (September 2001) any action to cut/curtail the water supply of the 15 units who did not pay the remaining installments aggregating Rs.2.18 lakh and the 25 units who did not pay even a single installment of the amount aggregating Rs27.23 lakh.

3B.1.8 Truck terminals

Truck terminals (cost: Rs.2.03 crore) at 10 industrial areas remained idle

In order to provide parking space and other maintenance facility to the transporters, on purely commercial basis after assessing the feasibility, the Corporation set up during February 1994 to August 1995 eight truck terminals at a total cost of Rs.1.26 crore in Mumbai Metropolitan Region (1) and Pune Division (7). Chief Engineer (Head Quarters) of the Corporation proposed in May 1994 to auction the right of collection of parking charges and overall management to interested agencies for smooth functioning of truck terminal. The truck terminals remained idle except for two terminals at Kurkumbh and Tarapur, which fetched revenue of Rs.0.42 lakh only in 1998-99. At the request of the Industries Association, the Corporation constructed (January 1996) a truck terminal at Patalganga at a cost of Rs.2.74 crore, which earned revenue of Rs.10.19 lakh during 1996-97 to 2000-01. The Corporation also constructed truck terminals at a total cost of Rs.77.24 lakh at TTC (Rs.44.48 lakh) and Mahad (Rs.32.76 lakh) in May and August 1999 respectively despite lack of specific demand from the industrial association and non-utilisation of eight truck terminals constructed earlier. These two truck terminals at TTC and Mahad along with other eight at MMR and Pune Division remained idle as the Corporation failed to carry out systematic study and obtain firm demand from industries associations resulting in the expenditure of Rs.2.03 crore becoming unproductive.

3B.1.9 Fire stations

The Corporation resolved (July 1992) that the fire station buildings and equipment should be provided by the Corporation only in those areas where the respective associations of the industries or local municipal body were ready to operate the fire station. However, without ascertaining the readiness of the association or local municipal body, the Corporation constructed, *inter alia*, during July 1993 to May 2000 fire stations at eight places *viz.* Additional Ambernath, Taloja (MMR), Lote Parshuram, Patalganga, Kudal and Kherdi-Chiplun (Konkan Division) and Ranjangaon and Kurkumbh (Pune Division) at a total cost of Rs.4.24 crore. It procured during March 1996 to October 2000, fire station equipments and machinery (fire and water tenders) at a cost of Rs.90.18 lakh for five fire stations at Taloja, Patalganga, Lote Parshuram, Kherdi-Chiplun and Kudal. No equipment was purchased for fire station constructed at Rs.2.64 crore at Additional Ambernath, Ranjangaon and Kurkumbh.

Fire stations costing Rs.4.24 crore at eight places lying idle since their construction

None of the fire stations were handed over to the associations or local municipal bodies due to their unwillingness to accept management of these fire stations. Machinery and equipment (cost: Rs.90.18 lakh) procured during March 1996 to October 2000 for fire stations at Taloja and Patalganga was transferred to Chikalthana (Aurangabad Division) and Butibori (Nagpur Division) respectively. Similarly, materials procured for fire stations at Lote Parshuram, Kherdi-Chiplun and Kudal was transferred to Tarapur and Roha fire stations. As a result, fire stations constructed at a cost of Rs.4.24 crore at above eight industrial areas were lying unutilised since their construction (1991-1996) and the entire expenditure has become unproductive.

3B.1.10 Suvarna Laghu Udyog Yojana

Out of 96 sheds (cost: Rs.2.89 crore) constructed under Suvarna Laghu Udyog Yojana, only one shed was sold

With a view to provide built up sheds at prime locations to first generation small scale entrepreneurs who otherwise find it difficult to acquire sheds at these locations, the Corporation decided (December 1997) to construct 120 sheds at Mahad, Ratnagiri, Additional Satara and Kolhapur under a scheme entitled Suvarna Laghu Udyog Yojana. Accordingly, 96 sheds were constructed (November 1999) at a cost of Rs.2.89 crore at Mahad, Ratnagiri and Additional Satara. Construction of sheds at Kolhapur was not taken up for want of suitable plot. No firm demand was assessed before constructing the sheds and as of March 2001, the Corporation could sell only one shed at Rs.3.30 lakh at Additional Satara and the remaining 95 sheds costing Rs.2.86 crore remained unallotted (May 2001). Failure to anticipate demand correctly resulted in locking up of funds of Rs.2.86 crore and loss of annual interest (at the rate of 12 *per cent* per annum) of Rs.34.32 lakh thereon.

3B.1.11 Knitwear and leather complex

Investment of Rs.79.46 crore in construction of knitwear and leather complex without any firm demand proved to be unproductive

The Corporation decided (July 1993) to set up a leather complex and a knitwear complex each on 80 hectares of land and with supporting separate institutional zone on 40 hectares of land at Additional Ambernath industrial area in MMR. However, without any firm demand, the Corporation incurred an expenditure of Rs.79.46 crore during 1995-96 to 2000-01 on construction of leather and knitwear complex and institutional zone. The Corporation received grant of Rs.10 crore under Export Promotion Industrial Park (EPIP) Scheme from the Central Government during 1995-96 to 1997-98 for earmarking 80 hectares for export promotion units, out of total area of 200 hectares. No complex/plot had been allotted to any entrepreneurs (August 2001) due to lack of demand with the result that not only expenditure of Rs.79.46 crore proved to be unproductive but also the payment of grant of Rs.10 crore extended by the Central Government did not yield any export revenue from the establishment of EPIP at Additional Ambernath.

3B.1.12 Service charges

The Corporation levies service charges on the entrepreneurs for its services (maintenance and repairs) rendered in the industrial areas. Although the service charges were revised from 25 paise in 1976 to 50 paise per sq. metre per annum in 1990, the cost of services rendered by the Corporation was more than the revenue realised. Consequently, the Corporation employed a Consultant, who suggested (January 1993) either to entrust maintenance and repairs to the local industries association or to revise service charges annually to cover all costs.

However, the Corporation did not accept the suggestion of the consultants. In a note prepared (June 1994) by the Chief Executive Officer and the Financial Advisor of the Corporation on the recommendations of the Consultants, it was stated that the Corporation would levy development charges at the time of granting building permission and the amount so collected would be spent on creation as well as maintenance of infrastructural amenities in the area for minimising the deficit. It was observed that the development charges so collected in MMR, PMR, Konkan and Pune Division during last five years up to March 2000 was Rs.6.60 crore. The development charges collected was much less than the difference between the service charges collected and maintenance expenses incurred in MMR, PMR, Konkan and Pune Divisions during the last five years up to March 2000.

Non-handing over the industrial estate to the association or non-enhancing service charges resulted in loss of Rs.18.24 crore on maintenance of industrial areas

Thus, failure to hand over industrial estates to the associations or enhance service charges to cover the expenditure on maintenance and operation resulted in loss of Rs.18.24 crore during 1995-96 to 1999-2000, after taking into account development charges of Rs.6.60 crore collected. This resulted in extension of an indirect subsidy to users of the industrial areas.

3B.1.13 Feasibility study for setting up of ports

(a) Government of Maharashtra asked (November 1995) SICOM Limited (an erstwhile Government Company disinvested in 1996-97) and the Corporation to conduct techno-economic feasibility study for six ports to be set up in the private sector. Cost of the feasibility study was to be recovered from the successful bidders for the ports. Cost of feasibility study for four ports was to be borne by SICOM and for two ports by the Corporation. However, the Corporation and SICOM agreed (February 1997) on the preparation of feasibility study for all six ports by a private consultant at a total fee of Rs.43.88 lakh, of which Rs.29.25 lakh for four ports was to be borne by the SICOM. However SICOM remitted (February 1997) Rs.10.97 lakh only and advised the Corporation (December 2000) to approach the State Government for reimbursement of balance of Rs.18.28 lakh. Thus, inability of the Corporation to enforce reimbursement of the amount in terms of the agreement with SICOM resulted in locking up of Rs.18.28 lakh since February 1997. Besides, the Corporation had not taken any action to set up the ports as planned (August 2001).

(b) With a view to provide water transport facility for Tarapur industrial area, the Corporation decided (August 1995) to set up all weather Port at Alewadi near Tarapur. An expenditure of Rs.65.75 lakh was incurred during 1996-97 to 1998-99 on various studies conducted by Central Water and Power Research Station, Consulting Engineering Services Private Limited and Government Hydrographer. The expenditure so incurred by the Corporation was to be recovered from the successful bidders. However, the Corporation has not finalised any plan for construction of ports. Thus, expenditure of Rs.65.75 lakh had remained unproductive so far (August 2001).

The above matters were reported to the Government/Management in July 2001; their replies had not been received (November 2001).

Conclusion

The Corporation's failure to assess the availability of water and unwillingness of the land owners to sell their land led to cancellation of projects and time lag in development of industrial areas. There is absence of realistic assessment of demands and economic viability of project before undertaking development of industrial areas and infrastructural facilities. This has resulted in many schemes such as five star industrial areas, truck terminals, fire stations, Suvarna Laghu Udyog Yojana, knitwear and leather complex *etc*., either not being developed or proving unviable with consequent huge financial losses. Corporation has also failed to prevent encroachment on its areas as a result of which substantial loss of revenue has taken place. Inspite of supplying water to domestic consumers of municipalities and other organisations at concessional rates, the recovery of water charges from these organisations was very poor. The service charges collected by the Corporation were much less than the maintenance expenses incurred.

The Corporation needs to take following remedial measures:

- **Closely interact with State Government to speed up the process of acquisition of land.**

- **Critically review the existing system of project formulation for establishment of industrial estates and other infrastructural facilities.**

- **Take immediate steps to recover the outstanding dues towards water charges.**