REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

REPORT NO. 4

COMMERCIAL

FOR THE YEAR ENDED 31 MARCH 2011

GOVERNMENT OF WEST BENGAL

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Annexure

Preface

Government commercial enterprises, the accounts of which are subject to audit by the Comptroller and Auditor General of India (CAG), fall under the following categories:

(i) Government companies,

(ii) Statutory corporations and

(iii) Departmentally managed commercial undertakings.

2. This Report deals with the results of audit of Government companies and Statutory corporations and has been prepared for submission to the Government of West Bengal under Section 19A of the CAG (Duties, Powers and Conditions of Service) Act, 1971, as amended from time to time. The results of audit relating to departmentally managed commercial undertakings are included in the Report of the Comptroller and Auditor General of India, State Finances – Government of West Bengal.

3. Audit of the accounts of Government companies is conducted by the Comptroller and Auditor General of India under the provisions of Section 619 of the Companies Act, 1956.

4. In respect of West Bengal Industrial Infrastructure Development Corporation, West Bengal Scheduled Castes and Scheduled Tribes Development and Finance Corporation, West Bengal Minorities Development and Finance Corporation, West Bengal Backward Classes Development and Finance Corporation and Calcutta, North and South Bengal State Transport Corporations, which are Statutory corporations, the Comptroller and Auditor General of India is the sole auditor. The CAG also audits the accounts of the West Bengal Electricity Regulatory Commission, as sole auditor. As per the State Financial Corporations (Amendment) Act 2000, CAG has the right to conduct the audit of accounts of West Bengal Financial Corporation in addition to the audit conducted by the Chartered Accountants appointed by the Corporation out of a panel of auditors approved by the Reserve Bank of India. In respect of West Bengal State Warehousing Corporation, he has the right to conduct the audit of their accounts in addition to the audit conducted by the Chartered Accountants appointed by the State Government in consultation with CAG. The Audit Reports on the annual accounts of all these corporations/ Commission are forwarded separately to the State Government.

5. The cases mentioned in this Report are those which came to notice in the course of audit during the year 2010-2011 as well as those which came to notice in earlier years but were not dealt with in the previous Reports. Matters relating to the period subsequent to 2010-2011 have also been included, wherever necessary.

6. The audit has been conducted in accordance with the Auditing Standards prescribed for the Indian Audit and Accounts Department issued by the Comptroller and Auditor General of India.

Overview

1 Overview of State Public Sector Undertakings

Audit of Government companies is governed by Section 619 of the Companies Act, 1956. The accounts of Government companies are audited by Statutory Auditors appointed by CAG. These accounts are also subject to supplementary audit conducted by CAG. Audit of Statutory corporations is governed by their respective legislations. As on 31 March 2011, the State of West Bengal had 72 working PSUs (63 companies and 9 Statutory corporations) and 18 non-working PSUs (17 companies and one corporation), which employed 0.68 lakh employees. The working PSUs registered a turnover of ₹ 23,319.08 crore for 2010-11 as per their latest finalised accounts. This turnover was equal to 5.07 *per cent* of State GDP indicating an important role played by State PSUs in the economy.

Investments in PSUs

As on 31 March 2011, the Investment (Capital and Long Term Loans) in 90 PSUs was ₹ 39,535.91 crore. It grew by over 15.83 *per cent* from ₹ 34,131.73 crore in 2005-06. Power and finance sectors accounted for nearly 80.88 *per cent* of total Investment in 2010-11. The Government contributed ₹ 982.83 crore towards Equity, Loans and Grants/Subsidies during 2010-11.

Performance of PSUs

During the year 2010-11, out of 72 working PSUs, 30 PSUs earned Profit of ₹ 550.58 crore and 40 PSUs incurred Loss of ₹ 812.38 crore while one PSU prepared accounts on 'no Profit no Loss' basis, while one PSU had not finalised their first accounts. The major contributors to profit were West Bengal State Electricity Transmission Company Limited (₹ 174.49 crore), Haldia Petrochemicals Limited (₹ 134.64 crore), West Bengal State Electricity Distribution Company Limited (₹ 95.13 crore) and West Bengal Power Development Corporation Limited (₹ 65.40 crore). Heavy Losses were incurred by The Calcutta Tramways Company (1978) Limited (₹ 208.25 crore), The Durgapur Projects Limited (₹ 183.50 crore), Calcutta State Transport Corporation (₹ 46.98 crore) and West Bengal Surface Transport Corporation Limited (₹ 47.47 crore).

The Losses are attributable to various deficiencies in the functioning of PSUs. A review of three years' Audit Reports of CAG shows that the State PSUs' Losses of ₹ 6072.96 crore were controllable with better management.

Thus, there is tremendous scope to improve the functioning and enhance profits. The PSUs can discharge their role efficiently only if they are financially self-reliant. There is a need for professionalism and accountability in the functioning of PSUs.

Quality of accounts

The quality of accounts of PSUs needs improvement. Out of 69 accounts finalised during October 2010 to September 2011, 51 accounts received qualified certificates. Further, Statutory Auditors and CAG had commented on 42 accounts with total impact of comments of ₹ 437.08 crore on their reported profitability. During the year there were 97 instances of non-compliance with Accounting Standards in 40 accounts. Reports of Statutory Auditors on internal control of the companies indicated several weak areas.

Arrears in accounts and winding up

Out of 72 working PSUs only 31 PSUs had finalised their accounts for 2010-11 upto September 2011. The accounts of remaining 41 PSUs were in arrears for periods ranging from one to seven years. There were 18 non-working PSUs of which one had finalised their accounts for the year 2010-11 while 17 PSUs had arrears of accounts for one to seven years. As no purpose is served by keeping these PSUs in existence, they need to be wound up quickly.

Placement of SARs

There was delay in placement of SARs in State Legislature by seven to 15 months in respect of 10 SARs. The Government should ensure prompt placement of SARs in the Legislature.

(Chapter 1)

2 Performance audit relating to Government Companies

Performance Audit relating to 'Performance of power distribution utility in West Bengal' in respect of West Bengal State Electricity Distribution Company Limited and 'Post restructuring performance and implementation of modernisation scheme' by Durgapur Chemicals Limited were conducted. Executive summary of audit findings of ***'Performance of power distribution utility in West Bengal'*** is given below:

Electricity is an essential requirement for all facets of our life and critical infrastructure for country's socio-economic development. Supply of electricity at reasonable rate to all the sectors is very crucial for sustained economic development. In West Bengal, electricity distribution is undertaken by five agencies i.e. West Bengal State Electricity Distribution Company Limited (Company) and The Durgapur Projects Limited (DPL) in the State sector, Damodar Valley Corporation (DVC) in the concurrent sector and CESC Limited and DPSC Limited in the private sector.

As on 31 March 2011, the State had distribution network of two lakh CKM, 549 sub-stations and 7,600.33 MVA distribution transformers (DTR) of various categories. There were 105.72 lakh consumers as of March 2011. The turnover of the State distribution companies was ₹ 17,084.67 crore in 2010-11, which represents 3.71 *per cent* of State Gross Domestic Product. These companies employed 31,430 employees as on 31 March 2011.

Distribution network planning

The increase in Company's distribution capacity did not match the pace of growth in consumer demand since connected load grew at 48 *per cent* while transformer capacity increased at 27 *per cent* during 2006-11. The gap of transformation capacity to total connected load ranged between 0.63 and 0.82 resulting in frequent tripping and adverse voltage regulation with consequential higher quantum of energy losses.

Implementation of Centrally sponsored schemes

Under RGGVY, 3,665 villages were electrified out of 4,283 villages taken up, while only 12.75 lakh out of 26 lakh BPL households were provided electric connection during 2006-11. The Company incurred extra expenditure of ₹ 102.08 crore in execution of works due to placement of orders at higher rates compared to approved estimate, inclusion of price variation clause instead of fixed cost envisaged in the scheme and double payment on earthing materials. Besides, Company had to forgo administrative charges of ₹ 66.08 crore as estimates exceeded sanction limits.

Implementation of Restructured Accelerated Power Development Reforms Programme (RAPDRP), intended to strengthen Distribution Management System and upgradation of sub-transmission & distribution network, fell short of target and the Company utilised 24 *per cent* of the funds released due to delay in completing loan formalities and slow progress of work.

Operational efficiency

The power purchases from State and Central PSUs were not adequate to fulfill the demand in the State and shortfall was met through purchases from IPPs and other sources at higher rates ranging from ₹ 2.49 per unit to ₹ 4.30 per unit. The energy losses of 3,396 MUs valuing ₹ 1,311.47 crore were in excess of norms approved by WBERC. The main reasons for such losses were inadequate transformation capacity, high interruption, non rationalisation of feeders, low power factor, low feeder availability, theft of electricity, etc. The Company delayed in rationalising feeders that led to non reduction of line loss of 865.24 MUs valued ₹ 269.96 crore. Further, there was significant shortfall in addition of capacitor banks which led to loss of targeted energy saving of 73.60 MUs valued at ₹ 22.96 crore. The percentage of consumers checked was negligible in all the years and the unrealised amounts were on the rise.

Financial management

The Company's Accumulated Losses decreased by 45 *per cent* between 2007-08 to 2010-11 as they had earned profit of ₹ 305.25 crore. In this period, Annual Revenue Requirement petitions were filed on time. However, the percentage of deficit in recovery of fixed cost varied from 8 to 38 *per cent* during 2007-11. Besides, as of March 2011, the Company had retained Regulatory Assets aggregating to ₹ 3,320.05 crore. Agriculture was heavily subsidised with only 31 to 50 *per cent* of cost of supply being recovered. Commercial consumers bore this burden.

Billing efficiency

Energy billed during 2007-11 rose from 73.47 to 79.80 *per cent* of the total energy available for sale. This increase was due to installation of electronic meters which led to accurate billing. Average billing declined from 4.42 *per cent* to 1.13 *per cent* during this period due to decline in consumers with defective meters.

Wrong classification of commercial units as industrial units led to loss of revenue of ₹ 1.20 crore to the Company. In 15 divisions during 2008-09 to 2010-11, 21.63 lakh bills against 5.67 lakh L&MV consumers were short of minimum charges. Besides, average bills for 86,057 consumers with defective meters could not be raised since previous meter readings were not recorded.

Revenue collection efficiency

The outstanding dues from consumers decreased from ₹ 1,234.81 crore in 2006-07 to ₹ 1,047.80 crore in 2010-11. Of the above, dues of ₹ 585.51 crore from 15 divisions indicated that dues outstanding for more than three years amounted to ₹ 136.37 crore (23.29 *per cent*) while an amount of ₹ 85.20 crore (14.55 *per cent*) was due from disconnected consumers. Further, arrears of more than rupees one lakh was due from 3,834 L&MV consumers in 15 divisions and 3,029 HT and EHT consumers of the Company, for three to 318 months but their supply was not disconnected resulting in accumulation of arrears of ₹ 236.13 crore (March 2011).

The Company had temporarily disconnected supply of power to 79 L&MV consumers in 15 divisions and 449 HT and EHT consumers of the Company, having arrear of more than rupees one lakh for four to 189 months but were not permanently disconnected. This resulted in non-realisation of arrears amounting to ₹ 22.05 crore (March 2011). In addition, cheques of ₹ 3.12 crore had not been credited by the concerned banks in six divisions but the Company could not identify the consumers.

Consumer satisfaction

The Company created (January 2009) Customer Relation Management (CRM) Cell to look into the grievances of consumers and their redressal. The Company paid ₹ 3.26 crore as compensation to the consumers for non-compliance of WBERC Regulations.

Energy Conservation

The Company is State Designated Agency (SDA) under the Energy Conservation Act, 2001 (Act). BEE had disbursed (January 2008 to April 2011) ₹ 1.95 crore to the Company for energy conservation. The Act stipulates that the State Government was to constitute Energy Conservation Fund for promotion of efficient use of energy and its conservation. The State Government belatedly (September 2010) notified creation of West Bengal Conservation Fund. They were yet to contribute their share to the fund.

Energy accounting and audit

The Company placed (October 2006/ April 2007) orders on Secure Meters Limited (SML) for erection of 15,230 energy accounting meters at an extra expenditure of ₹ 2.43 crore towards higher erection charges and payment of service tax included in the rates. Further, the Company incurred extra expenditure of ₹ 10.15 crore by allowing maintenance charges on these meters though the purchase orders provided for maintenance of these meters free of cost for five years.

Due to erroneous stock accounting, the Company procured 4.42 lakh meters worth ₹ 40.58 crore in excess of requirement. Besides, we could not vouchsafe existence of 1.40 lakh meters valued ₹ 13.17 crore.

Conclusion and Recommendations

The Company did not prepare target for annual capacity development of sub-stations over the review period. The increase in distribution capacity did not match the pace of growth in consumer demand. They incurred extra expenditure on execution of rural electrification work on placement of orders at higher rates. High energy losses were due to low feeder availability, high interruption, voltage fluctuation, inadequate number of shunt capacitors and low power factor. The Company lost opportunity to earn higher revenue due to incorrect application of tariff, under assessment of revenue and short levy of minimum charges. The review contains six recommendations which include creation of infrastructural facilities keeping in view demand growth, reduction of high energy losses by installing adequate number of shunt capacitors, minimising interruptions and voltage fluctuations. Achieving 100 *per cent* energy billing, applying correct tariffs and levying minimum applicable consumer charges as well as optimising internal resource generation by improving billing and collection efficiency and vigorously pursuing outstanding dues.

(Chapter 2.1)

Executive summary of audit findings of ***'Post restructuring performance and implementation of modernisation scheme'*** by Durgapur Chemicals Limited is given below:

Durgapur Chemicals Limited (Company) was incorporated in July 1963 with the object of manufacturing phenol, phthalic anhydride (both since discontinued), caustic soda, chlorine and hydrogen with mono-chlorobenzene (MCB), mixed dichloro benzene (DCB), sodium penta chlorophenate (SPCP), stable bleaching powder (SBP) and synthetic hydrochloric acid (syn-HCL) as the primary downstream chlorinated products by use of salt, benzene, hydrated lime and phenol as main raw materials. The Company played a marginal role in caustic chlorine industry (seven *per cent* production) of eastern India.

In order to turn around the Company from incurring continuous losses due to obsolete plant and technology, higher cost and increasing dependence on budgetary support to meet operational deficit, the State Government undertook a financial cum operational restructuring and business optimisation during February 2004 to July 2010. The performance audit covered the period from 2006-07 to 2010-11 to assess the post restructuring performance of the Company.

Financial management

As a result of financial restructuring the Paid up Capital reduced from ₹ 406.01 crore to ₹ 57.28 crore as on March 2011. For implementation of modernisation of projects the borrowings of the Company increased from ₹ 6.29 crore to ₹ 62.60 crore during 2006-11 registering a growth of 895 *per cent*. The Company failed to mobilise adequate working capital due to their inability to generate own resources. The Company could not recover their cost of operation as cost growth outstripped the growth of sales realisation during 2007-11. The poor financial health of the Company was attributable to high cost of raw materials, power, utility and lack of flexibility of product mix that could fetch higher margins.

Financial, Administrative and Business restructuring

Under capital restructuring State Government Loan and Interest of ₹ 369.92 crore was first converted into Equity and then Paid up Capital was reduced to ₹ 57.28 crore as of March 2011, by setting off the Accumulated Loss of ₹ 351.93 crore.

Though the Company reduced their manpower by implementing Early Retirement Scheme they failed to restrict their employee cost to industry benchmark due to non implementation of variable pay structure and thereby incurred extra expenditure of ₹ 26.06 crore during 2006-11.

Delay in implementation of modernisation project led to time overrun of 21 months and cost overrun of ₹ 35.77 crore. Deviation from DPR during implementation caused mismatch in capacities of different up and down stream plants and also created shortage of working capital. Lack of proper planning and injudicious decision making with respect to various functional activities of the plants led to reduced production and high costs affecting profitability of the Company.

Production performance

Capacity utilisation of caustic chlorine plant was 71 *per cent* and that of MCB, DCB and SBP plants were 34, 22 and 45 *per cent* during 2006-11. The production loss due to non achievement of targets was 70,044 MT valued at ₹ 160.12 crore with contribution loss of ₹ 20.74 crore. Poor production performance was attributed to delay/ non-completion of plant modernisation, inadequate provision to utilise byproducts, shortage of storage capacity and working capital. The Company did not follow industry norms fixed in DPR for consumption of salt and chemicals resulting in excess consumption of 22,992 MT of salt, benzene, caustic soda and other chemicals over norms and thereby incurred avoidable expenditure of ₹ 14.95 crore during 2006-11.

Procurement of salt

The Company procured primary raw material, (salt) largely from a single vendor during 2006-11 at 16 to 75 *per cent* higher prices than their competitors. Besides, due to poor procurement mechanism, the Company could not ensure capacity utilisation of the plant and ran the risk of zero stock. Purchase through traders instead of direct purchase from manufacturers cost the Company avoidable expenditure of ₹ 5.10 crore during 2006-10.

Energy management

Though DPR recommended for captive power plant for cheap source of power, the Company did not visualise importance of power cost sensitivity to project profitability. Power cost ranged between ₹ 2.90 to ₹ 4.01 per unit during 2008-11 as against the envisaged cost in DPR of ₹ 2.25 to ₹ 3 and competitors' cost at ₹ 2.05 to ₹ 2.20 per unit. Besides, the Company consumed excess energy valued at ₹ 9.69 crore over the norms during 2006-11, affecting their profitability further. They incurred extra expenditure of ₹ 7.48 crore on steam generation due to use of costly furnace oil instead of cheaper coal.

Sales performance

Despite high level of acceptability of the Company's products in the market, sales targets were not met due to inefficiency and bottlenecks in production. Due to faulty agreement with a contractor, forward sale contract with a buyer and lower realisation from sales through agents, the Company incurred loss of revenue of ₹ 4.90 crore. Further, injudicious decision to appoint commissioning agents before commencement of enhanced production resulted in unfruitful expenditure of ₹ 43.23 lakh.

Internal control

Weak internal control and monitoring mechanism resulted in acceptance of substandard quality of salt, lack of preventive maintenance of the plants leading to excess down time and resultant loss of production, lack of vigorous pursuance of debtors resulting in bad debts and salt being issued without recording the quantity of salt. Further, internal audit was not effective because neither the management took corrective actions on shortcomings noticed in internal audit nor did the BoD seek action taken note thereagainst.

Conclusion and Recommendations

Restructuring plans were implemented partially and belatedly, affecting production performance and profitability and thereby frustrating the objectives of revival of the Company and breaking free from dependence on the budgetary support of the State Government. Besides, lack of focused sales, faulty agreements and failure to utilise own marketing setup resulted in lower sales realisation. The Company should explore inexpensive and steady sources of power, rejig their debt structure, adhere to operational norms, procure raw materials directly from source, introduce new value added products, increase sale of downstream products, streamline marketing activities by widening customer base and strengthen control mechanism in all operational areas.

(Chapter 2.2)

3 Transaction audit observations

Transaction audit observations included in this Report highlight deficiencies in the management of PSUs, which resulted in serious financial implications. The irregularities pointed out are broadly of the following nature:

- Loss of ₹ 447.43 crore due to inadequate/deficient monitoring in three cases.

  (*Paragraphs 3.1, 3.4 and 3.13*)

- Non-safeguarding of financial interests of organisation in six cases involving ₹ 24.30 crore.

  (*Paragraphs 3.2, 3.3, 3.6, 3.7, 3.8 and 3.12*)

- Non realisation of objectives in one case involving ₹ 7.33 crore.

  (*Paragraph 3.14*)

- Non-compliance with rules / directives / procedures in two cases involving ₹ 6 crore.

  (*Paragraphs 3.5 and 3.11*)

- Defective/deficient planning in two cases involving ₹ 5.52 crore.

(Paragraphs 3.9 and 3.10)

Gist of some of the important audit observations is given below:

The Durgapur Projects Limited had lost revenue of ₹ 393.77 crore on annual fixed charges and incurred extra expenditure of ₹ 29.61 crore on repair of rotor, procurement of energy meters at higher rate and for not availing discount on oil price.

(Paragraphs 3.1, 3.2 and 3.3)

West Bengal Power Development Corporation Limited incurred avoidable expenditure of ₹ 11.28 crore on excise duty, repair of ESP and interest on advance tax. They also lost revenue of ₹ 30.22 crore due to under recovery of fixed charges.

(Paragraphs 3.4, 3.5 and 3.6)

The Shalimar Works (1980) Limited suffered loss of ₹ 5.17 crore due to defective estimates on construction of fuel barges.

(Paragraph 3.7)

West Bengal Electronics Industry Development Corporation Limited failed to devise a suitable mechanism to control sub-letting of spaces by their lessees and enhance rate of permission fee for sub-letting resulting in loss of additional income of ₹ 3.77 crore.

(Paragraph 3.8)

Chapter I

1 Overview of State Public Sector Undertakings

Introduction

1.1 The State Public Sector Undertakings (PSUs) consist of State Government companies and Statutory corporations. The State PSUs are established to carry out activities of commercial nature while keeping in view the welfare of people. In West Bengal, the State PSUs occupy an important place in the state economy. The State PSUs registered a Turnover of ₹ 23,319.08 crore for 2010-11 as per their latest finalised accounts as of September 2011. This Turnover was equal to 5.07 *per cent* of State Gross Domestic Product (GDP) for 2010-11. Major activities of West Bengal State PSUs are concentrated in power and manufacturing sector. The State PSUs incurred a Loss of ₹ 285.72 crore in the aggregate for 2010-11 as per their latest finalised accounts. They had employed 68,105[♣] employees as of 31 March 2011. The State PSUs do not include eight prominent Departmental Undertakings (DUs), which carry out commercial operations but are a part of Government departments. Audit findings of these DUs are incorporated in the Audit Report (State Finances) No. 1 for the State.

1.2 As on 31 March 2011, there were 90 PSUs as per the details given below. Of these, only one Company[§] was listed on the stock exchange(s).

Type of PSUs	Working PSUs	Non-working PSUs[Ψ]	Total
Government companies[♦]	63	17	80
Statutory corporations	09	01	10
Total	**72**	**18**	**90**

1.3 During the year 2010-11, Mackintosh Burn Limited, a private sector company became Government Company and one newly incorporated Company *viz.* West Bengal Medical Services Corporation Limited came within the audit purview of CAG.

Audit Mandate

1.4 Audit of Government companies is governed by Section 619 of the Companies Act, 1956. According to Section 617, a Government company is one in which not less than 51 *per cent* of the Paid up Capital is held by

[♣] As per the details provided by 74 PSUs. Remaining 16 PSUs did not furnish the details.
[§] WEBFIL Limited
[Ψ] Non-working PSUs are those which have ceased to carry on their operations.
[♦] Includes three 619-B companies.

Government(s). A Government company includes a subsidiary of a Government company. Further, a Company in which 51 *per cent* of the Paid up Capital is held in any combination by Government(s), Government companies and Corporations controlled by Government(s) is treated as if it were a Government company (deemed Government company) as per Section 619-B of the Companies Act.

1.5 The accounts of the State Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors, who are appointed by CAG as per the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subjected to supplementary audit conducted by CAG as per the provisions of Section 619 of the Companies Act, 1956.

1.6 Audit of Statutory corporations is governed by their respective legislations. Out of ten Statutory corporations, CAG is the sole auditor for Calcutta State Transport Corporation, South Bengal State Transport Corporation, North Bengal State Transport Corporation, West Bengal Scheduled Castes and Scheduled Tribes Development and Finance Corporation, West Bengal Minorities Development and Finance Corporation, West Bengal Industrial Infrastructure Development Corporation and West Bengal Backward Classes Development and Finance Corporation. In respect of West Bengal State Warehousing Corporation and West Bengal Financial Corporation the audit is conducted by Chartered Accountants and supplementary audit by CAG, while only transaction audit of Great Eastern Hotel Authority is undertaken by CAG.

Investment in State PSUs

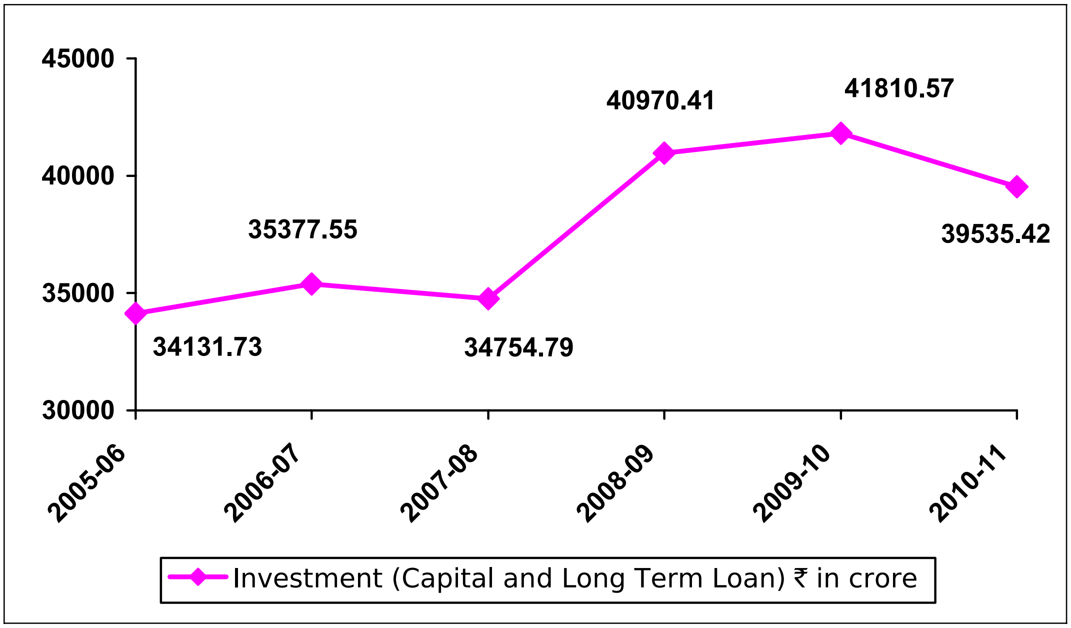
1.7 As on 31 March 2011, the Investment (Capital and Long Term Loans) in 90 PSUs (including 619-B companies) was ₹ 39,535.42 crore as per details given below.

(₹ in crore)

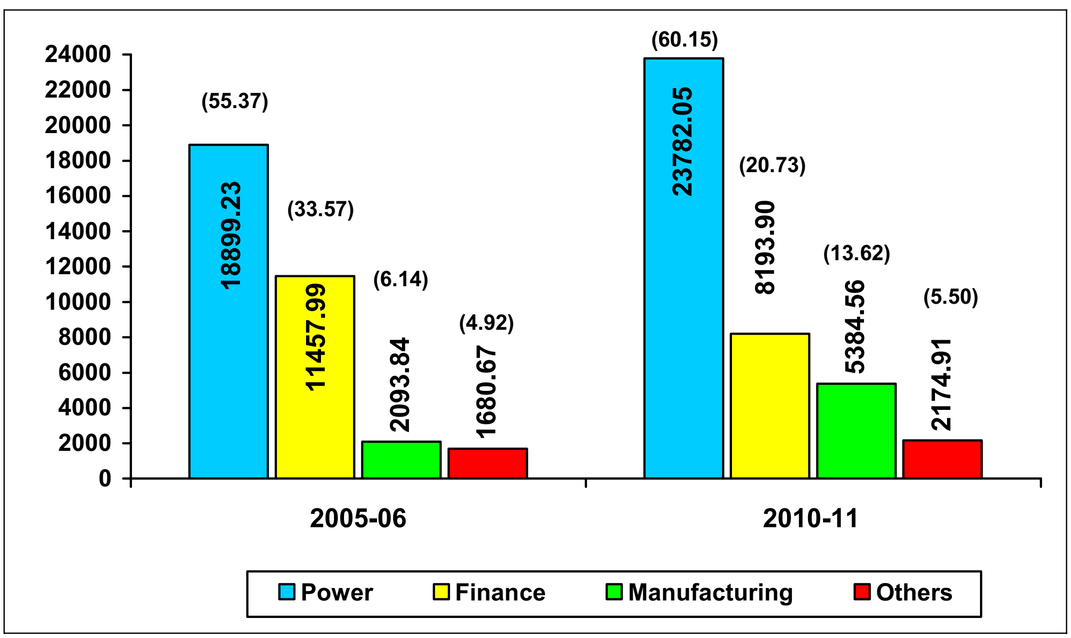
Type of PSUs	Government companies			Statutory corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	11,844.19	25,110.47	36,954.66	466.76	1,726.18	2,192.94	39,147.60
Non-working PSUs	103.29	266.55	369.84	-	17.98	17.98	387.82
Total	**11,947.48**	**25,377.02**	**37,324.50**	**466.76**	**1,744.16**	**2,210.92**	**39,535.42**

A summarised position of Government Investment in State PSUs is detailed in **Annexure 1.**

1.8 As on 31 March 2011, of the total Investment in State PSUs, 99.02 *per cent* was in working PSUs and the remaining 0.98 *per cent* in non-working PSUs. This total Investment consisted of 31.40 *per cent* towards Capital and 68.60 *per cent* in Long Term Loans. The Investment has grown by 15.83 *per cent* from ₹ 34,131.73 crore in 2005-06 to ₹ 39,535.42 crore in 2010-11 as shown in the graph on next page.



1.9 The Investment and percentage of investment out of total investment thereof in various important Sectors at the end of 31 March 2006 and 31 March 2011 are indicated below in the bar chart. The Investment in PSUs was concentrated in power and finance sectors which ranged between 55.37 to 60.15 *per cent* (power) and 33.57 to 20.73 *per cent* (finance) during the six years ending 31 March 2011. In absolute terms Investments rose by ₹ 4,882.82 crore in power sector while it declined by ₹ 3,264.09 crore in finance sector.



(All figures are ₹ in crore except figures in brackets which show the percentage of total Investment)

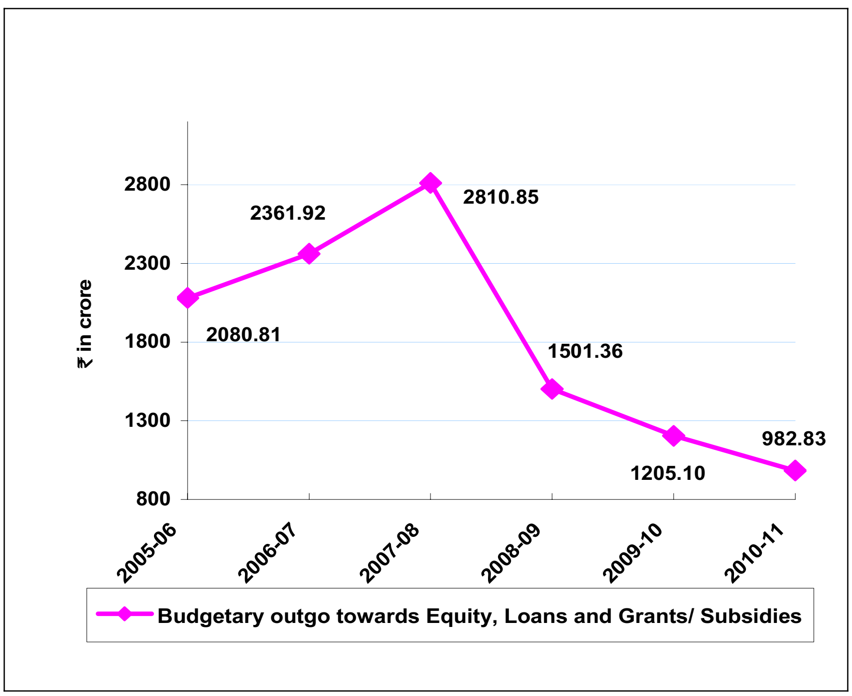
Budgetary outgo, Grants/Subsidies, Guarantees and Loans

1.10 The details regarding budgetary outgo towards Equity, Loans, Grants/ Subsidies, Guarantees issued, Loans written off, Loans converted into Equity and Interest waived in respect of State PSUs are given in **Annexure 3**. The summarised details are given below for three years ended 2010-11.

(Amount ₹ in crore)

Sl. No.	Particulars	2008-09		2009-10		2010-11	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1	Equity Capital outgo from budget	15	593.69	15	520.44	12	66.84
2	Loans outgo from budget	26	500.93	26	222.32	29	286.57
3	Grants/Subsidy outgo⊗	24	406.74	24	462.34	28	629.42
4	Total Outgo (1+2+3)	45#	1,501.36	47#	1,205.10	52#	982.83
5	Loans converted into Equity	2	311.85	1	508.72	-	-
6	Guarantees issued	10	1,670.19	11	3,361.33	7	578.21
7	Guarantee Commitment	24	23,190.09	21	26,327.22	19	24,438.60

1.11 The details regarding budgetary outgo towards Equity, Loans and Grants/ Subsidies for past six years are given in a graph below.



⊗ Amount represents outgo from State Budget only.
The figure represents number of PSUs which have received outgo from budget under one or more heads i.e. Equity, Loans, Grants/Subsidies.

The budgetary outgo towards Equity, Loans and Grants/Subsidies has declined from ₹ 2,080.81 crore in 2005-06 to ₹ 982.83 crore in 2010-11 due to increase in number of non-working companies and restructuring of PSUs.

1.12 The PSUs are liable to pay Guarantee Commission at the rate of one *per cent per annum* to the State Government on the maximum amount of Loan guaranteed irrespective of the amount availed or outstanding as on 1 April of each year till liquidation of Loan. During 2010-11, the State Government had guaranteed Loans aggregating ₹ 578.21 crore to seven PSUs. At the end of 2010-11, Guarantee commitment by the Government was ₹ 24,438.60 crore in respect of 19 PSUs. During the year three PSUs paid Guarantee Commission of ₹ 5.58 crore to the State Government while ₹ 79.39 crore were outstanding from 21 PSUs.

Reconciliation with Finance Accounts

1.13 The figures in respect of Equity, Loans and Guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2011 is stated below: -

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	10,365.34	10,417.29	51.95
Loans	9,200.69	8,633.07	567.62
Guarantees	10,954.28	24,438.60	13,484.32

1.14 We observed that the differences occurred in respect of 52 PSUs and some of the differences were pending reconciliation since many years. The Principal Accountant General (PAG) had addressed the Chief Secretary of Government of West Bengal in February 2011 drawing his attention to the need for reconciliation of figures appearing in Finance Accounts with the figures furnished by the PSUs in their respective accounts. No response was received either from the concerned administrative departments or from the Managements of the concerned PSUs. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

Performance of PSUs

1.15 The financial results of PSUs, financial position and working results of working Statutory corporations are detailed in **Annexure 2, 5** and **6** respectively. A ratio of PSU turnover to State GDP shows the extent of PSU activities in the

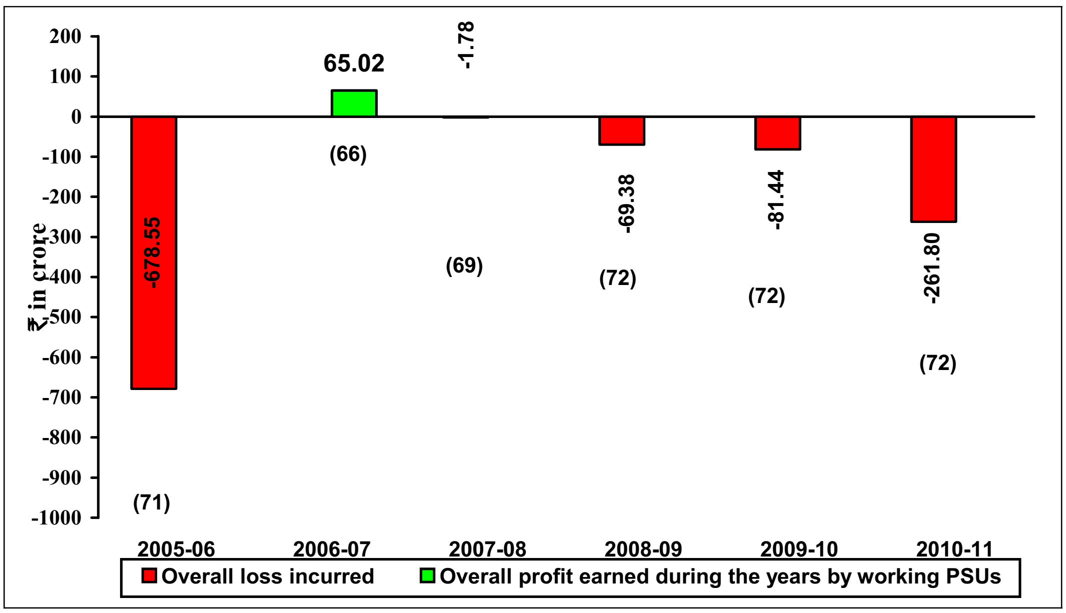
State economy. Table below provides the details of working PSU Turnover and State GDP for the period 2005-06 to 2010-11.

(₹ in crore)

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Turnover[∝]	10,623.04	12,530.81	6,630.89	17,295.92	21,669.75	23,319.08
State GDP	2,07,495	2,62,291	2,98,566	3,40,544	4,00,561	4,60,071
Percentage of Turnover to State GDP	5.12	4.78	2.22	5.08	5.41	5.07

It would be seen from above that in terms of Turnover PSUs had played a significant role in State GDP. The percentage of Turnover to State GDP hovered around five *per cent* during the last six years except in 2007-08. In 2007-08 the turnover shrunk due to delayed finalisation of accounts by two re-structured PSUs in power sector.

1.16 Profit (Loss) earned (incurred) by State working PSUs during 2005-06 to 2010-11 as per their latest finalised accounts are given below in a bar chart.



(Figures in brackets show the number of working PSUs in respective years)

It could be seen from the chart above that overall Loss incurred by the working PSUs had decreased from ₹ 678.55 crore in 2005-06 to ₹ 261.80 crore in 2010-11. According to latest finalised accounts out of 72 working PSUs, 30 PSUs earned Profit of ₹ 550.58 crore and 40 PSUs incurred Loss of ₹ 812.38 crore during 2010-11. One working PSU[♥] prepared their accounts on a 'no Profit no Loss' basis, while another working PSU[♣] has not yet submitted their first accounts. The major contributors to Profit were West Bengal State Electricity Transmission

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[∝] Turnover of working PSUs as per the latest finalised accounts as of 30 September.
[♥] Sr. nos. A-21 of **Annexure 2.**
[♣] Sr. nos. A-59, of **Annexure 2.**

Company Limited (₹ 174.49 crore), Haldia Petrochemicals Limited (₹ 134.64 crore), West Bengal State Electricity Distribution Company Limited (₹ 95.13 crore) and West Bengal Power Development Corporation Limited (₹ 65.40 crore). Heavy Losses were incurred by The Calcutta Tramways Company (1978) Limited (₹ 208.25 crore), The Durgapur Projects Limited (₹ 183.50 crore), Calcutta State Transport Corporation (₹ 46.98 crore) and West Bengal Surface Transport Corporation Limited (₹ 47.47 crore).

1.17 The Losses of PSUs are mainly attributable to deficiencies in Financial Management, Planning, implementation of project, inefficient operation and monitoring. A review of latest Audit Reports of CAG shows that the State PSUs incurred Losses to the tune of ₹ 6,072.96 crore and infructuous Investment of ₹ 268.52 crore which were controllable with better management. Year wise details from Audit Reports are stated below: -

(₹ in crore)

Particulars	2008-09	2009-10	2010-11	Total
Net loss	(69.38)	(81.44)	(261.80)	(412.62)
Controllable losses as per CAG's Audit Report	1,321.35	2,353.98	2,397.63	6,072.96
Infructuous Investment	84.35	127.97	56.20	268.52

1.18 The above Losses pointed out by Audit Reports of CAG are based on test check of records of PSUs. The actual controllable Losses would be much more. The above table shows that with better management, the Losses can be eliminated or the Profits can be enhanced substantially. The PSUs can discharge their role efficiently only if they are financially self-reliant. The above situation points towards a need for professionalism and accountability in the functioning of PSUs.

1.19 Some other key parameters pertaining to State PSUs are given below: -

(₹ in crore)

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Return on Capital Employed (*per cent*)	6.14	7.67	6.93	6.83	6.46	5.97
Debt	28,171.06	28,667.74	25,701.20	29,226.67	29,105.56	27,121.64
Turnover[ϒ]	10,623.04	12,530.81	6,630.89	17,295.92	21,669.75	23,319.08
Debt/ Turnover Ratio	2.65:1	2.29:1	3.87:1	1.69:1	1.34:1	1.16:1
Interest Payments[≠]	1,933.47	1,677.11	2,163.73	2,606.69	2,693.44	2,758.18
Accumulated Losses (-)	(-) 10,671.41	(-)10,232.99	(-)4,617.69	(-)5,248.69	(-)5,019.44	(-)5,047.12

(Above figures pertain to all PSUs except for Turnover which is for working PSUs).

[ϒ] Turnover of working PSUs as per the latest finalised accounts as of 30 September of respective years.
[≠] As per latest finalised accounts as of 30 September of respective years.

1.20 The above parameters indicate no significant improvement in financial position of the PSUs. The Return on Capital Employed actually decreased from 6.14 *per cent* in 2005-06 to 5.97 *per cent* in 2010-11. The Debt Turnover Ratio had improved from 2.65:1 in 2005-06 to 1.16:1 in 2010-11 mainly due to restructuring in power sector companies and inclusion of one major 619-B Company namely Haldia Petrochemicals Limited. Consequently, Accumulated Loss decreased from ₹ 10,671.41 crore in 2005-06 to ₹ 5,047.12 crore in 2010-11.

1.21 The State Government had not formulated any Dividend payment policy for PSUs. Though 30 PSUs earned an aggregate Profit of ₹ 550.58 crore as per their latest finalised accounts only seven PSUs (West Bengal Forest Development Corporation Limited, Saraswaty Press Limited, New Town Electric Supply Company Limited, New Town Telecom Infrastructure Development Company Limited, West Bengal Financial Corporation, Mackintosh Burn Limited and West Bengal State Seed Corporation Limited) declared Dividend of ₹ 7.41 crore.

Arrears in finalisation of accounts

1.22 The accounts of the 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. Similarly, in case of Statutory corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts. The table below provides the details of progress made by working PSUs in finalisation of accounts by September 2011.

Sl. No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
1	Number of Working PSUs	66	69	72	72	72
2	Number of accounts finalised during the year	79	77	67	74	69
3	Number of accounts in arrears	62	53[∝]	67[∝]	62[∝]	59[∝]
4	Average arrears per PSU (3/1)	0.94	0.77	0.93	0.86	0.82
5	Number of Working PSUs with arrears in accounts	36	33	43	41	41
6	Extent of arrears (years)	1 to 6	1 to 4	1 to 5	1 to 6	1 to 7

1.23 It would be evident from the above table that in 2010-11, there was marginal improvement in arrears of accounts over the previous two years. It

[∝] No. of arrear accounts at the end of each year may not tally with previous year due to addition (+) and deletion (-) of working PSUs arising from interchanging of status between working and non-working and new additions during the respective years. The net impact on each year are: 2007-08: No. of PSUs (+) 3, No. of accounts (-) 1; 2008-09: No. of PSUs (+) 3, No. of accounts (+) 9; 2009-10: No. of accounts (-) 3; 2010-11: No. of accounts (-) 6.

would be seen from **Annexure 2** that till September 2011, only 31[ϒ] of 72 working PSUs had finalised their accounts for the year 2010-11**.** As at September 2011, four[ϖ] PSUs had arrears in accounts for three or more years aggregating to 16 arrear accounts. Of these, in the past one year, three[δ] PSUs had not finalised accounts of even a single year. The reasons for arrears as stated by the companies were inadequate/ unskilled manpower, absence of accounting records/ information and legal case regarding status as PSU. The PSUs having arrears of accounts need to take effective measures for early clearance of backlog and ensure that accounts are up to date.

1.24 In addition to above, there was also arrears in finalisation of accounts by non-working PSUs. Out of 18 non-working PSUs, 17 PSUs had arrears of accounts for one to seven years while one PSU had finalised their accounts for the year 2010-11.

1.25 The State Government had invested ₹ 1,097.83 crore (Equity: ₹ 19.06 crore, Loans: ₹ 337.12 crore and Grants/ Subsidy: ₹ 741.65 crore) in 30 PSUs during the years for which accounts have not been finalised as detailed in **Annexure 4**. In the absence of accounts and their subsequent audit, it cannot be ensured whether the Investments made and Expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not and thus Government's Investment in such PSUs remain outside the scrutiny of the State Legislature. Further, delay in finalisation of accounts also bears the risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956.

1.26 The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. The concerned administrative departments and officials of the Government were informed every quarter by the PAG, of the arrears in finalisation of accounts, but no remedial measure was taken. As a result of this the net worth of these PSUs could not be assessed in audit. The matter of arrears in accounts was addressed to (February 2011) the Chief Secretary/ Finance Secretary by the PAG to expedite the clearance of backlog in accounts in a time bound manner.

1.27 In view of above state of arrears, it is recommended that – the Government monitor and ensure timely finalisation of Accounts with special focus on liquidation of arrears and comply with the provisions of the Companies Act, 1956.

[ϒ] Refer Serial Nos. A-2, 3, 7, 10, 12, 20, 22, 24, 25, 26, 27, 28, 29, 37, 39, 41, 42, 43, 44, 45, 46, 47, 48, 52, 53, 55, 56, 57, 62, 63 & B-2 of **Annexure 2.**

[ϖ] Refer Serial Nos. A-6, 40, 54 & 59 of **Annexure 2.**

[δ] Refer Serial Nos. A-40, 54 & 59 of **Annexure 2.**

Winding up of non-working PSUs

1.28 There were 18 non-working PSUs (17 companies and one Statutory corporation) as on 31 March 2011. Of these, three PSUs have commenced voluntary liquidation process. The numbers of non-working companies at the end of each year during past five years are given below.

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
No. of non-working companies	19	20	22	19	17
No. of non-working corporations	1	1	1	1	1
Total	**20**	**21**	**23**	**20**	**18**

The non-working PSUs are required to be closed down as their existence is not serving any purpose. During 2010-11, two non-working PSUs incurred an expenditure of ₹ 46.50 lakh towards salary and establishment expenditure. This was financed by the State Government.

1.29 The stages of closure in respect of non-working PSUs are given below.

Sl. No.	Particulars	Companies	Statutory Corporations	Total
1	Total No. of non-working PSUs	17	1	18
2	Of (1) above, the No. under			
(a)	Liquidation by Court (liquidator appointed)	-	-	-
(b)	Voluntary winding up process completed	1	-	1
(c)	Voluntary winding up process started	3	-	3
(d)	Closure i.e. closing orders/ instructions issued but liquidation process not yet started	7	1	8
(e)	Yet to take any decision for closure	6	-	6

1.30 The process of voluntary winding up under the Companies Act is much faster and needs to be adopted / pursued vigorously. After completion of voluntary winding up process the names of the four[∇] companies were struck off from the Register of companies by Registrar of Companies, Government of India during the year. The Government may take a decision regarding winding up of six non-working PSUs where no decision about their continuation or otherwise has been taken after they became non-working.

[∇] Technology Infrastructure Company Limited, I.P.P. Limited, Sundarban Sugarbeet Processing Company Limited and Lime Light Industries (Private) Limited.

Accounts comments and Internal Audit

1.31 Fifty-three working companies forwarded their 60 audited accounts to PAG during the period from October 2010 to September 2011. Of these, 44 accounts of 38 companies were selected for supplementary audit. The audit reports of Statutory Auditors appointed by CAG and the supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of Statutory Auditors and CAG are given below: -

(Amount ₹ in crore)

Sl. No.	Particulars	2008-09		2009-10		2010-11	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1	Decrease in Profit	12	123.71	8	545.62	11	326.73
2	Increase in Loss	18	100.79	7	114.71	23	85.41
3	Non-disclosure of material facts	9	196.54	7	174.28	13	41.44
4	Errors of classification	6	64.55	16	140.56	14	150.95

Aggregate money value in respect of decrease in Profit and increase in Loss in 2010-11 was mainly due to non compliance of generally accepted accounting policies by three power sector companies *viz*. The Durgapur Projects Limited (₹ 51.03 crore), West Bengal State Electricity Distribution Company Limited (₹ 333 crore) and West Bengal State Electricity Transmission Company Limited (₹ 32.42 crore). Moreover, there was further scope for betterment in the areas of disclosure and errors of classification.

1.32 During the year 2010-11 Statutory Auditors had given unqualified certificates for 16 accounts and qualified certificates for 44 accounts. Further, there was scope for improvement in compliance by companies with the Accounting Standards as there were 88 instances of non-compliance in 35 accounts during the year.

1.33 Some of the important comments in respect of accounts of companies are stated below: -

The Durgapur Projects Limited (2010-11)

- Loss for the year was understated by ₹ 51.03 crore due to short provision for Doubtful Debts.

West Bengal State Electricity Transmission Company Limited (2010-11)

- Profit for the year 2010-11 was overstated by ₹ 32.42 crore due to recognition of revenue of under recovery of transmission charges pending approval by West Bengal Electricity Regulatory Commission (WBERC).

West Bengal State Electricity Distribution Company Limited (2010-11)

- Profit for the year 2010-11 was overstated by ₹ 333 crore due to accounting of revenue realisable (₹ 328.45 crore) for which WBERC had not passed any order and non-accounting of revenue (₹ 4.55 crore) arising from claim settlement with WBREDCL, the subsidiary Company, against supply of materials.

Kalyani Spinning Mills Limited (2009-10)

- Loss for the year was understated by ₹ 9.76 crore due to non provision of Liability for purchase of cotton (₹ 2.58 crore) and arrear salary & wages (₹ 7.18 crore) of the employees of the Company in terms of recommendation of 5th Pay Commission.

West Bengal Mineral Development & Trading Corporation Limited (2008-09)

- Loss for the year was understated by ₹ 5.07 crore due to non provision of Doubtful Debts, for diminution in the value of Investments, Liability acknowledged by the Company towards royalty and cess for the period and against arrear pay and allowances to the employees upto March 2009.

West Bengal Tourism Development Corporation Limited (2009-10)

- Profit for the year was overstated by ₹ 6.64 crore due to inclusion of Interest earned from short term deposit of the unspent fund under Miscellaneous Income instead of adding to the Total Project Fund for utilisation in project purposes.

West Bengal Small Industries Development Corporation Limited (2009-10)

- Profit for the year was overstated by ₹ 2.13 crore due to non provision of arrear pay and allowances and Liability towards claim raised by the Kolkata Port Trust (KPT) in respect of Stock Yard taken on lease from KPT.

West Bengal Housing Infrastructure Development Corporation Limited (2009-10)

- Profit for the year was understated by ₹ 48.10 crore due to over valuation of cost of land, non accounting of sale of land/ flats, additional premium and development cost (₹ 55.73 crore) and understatement of Liability towards compensation for delayed delivery of plots (₹ 7.63 crore).

1.34 Similarly, eight working Statutory corporations forwarded their nine accounts to PAG during the period from October 2010 to September 2011. Of these, seven accounts of six Statutory corporations pertained to sole audit by CAG which was completed. Of the remaining two accounts, both were selected for supplementary audit. The audit reports of Statutory Auditors and the sole/ supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of Statutory Auditors and CAG are given below: -

(Amount ₹ in crore)

Sl. No.	Particulars	2008-09		2009-10		2010-11	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1	Decrease in Profit	4	4.83	3	7.44	4	8.69
2	Increase in Loss	5	33.87	5	13.16	4	16.25
3	Non-disclosure of material facts	4	2.88	2	10.17	7	61.44
4	Errors of classification	6	86.23	7	119.57	8	76.72

Money value of comments having impact on Profit and Loss accounts had increased in 2010-11 compared to previous year due to non compliances with generally accepted accounting policies by the Management. However, there was further scope for betterment in the areas of disclosure and errors of classification.

1.35 During the year, seven accounts received qualified certificates while adverse report was issued to West Bengal Industrial Infrastructure Development Corporation. The compliance of Accounting Standards by the Statutory corporations remained poor as there were nine instances of non-compliance in five accounts during the year.

1.36 Some of the important comments in respect of accounts of Statutory corporations are stated below: -

North Bengal State Transport Corporation (2007-08)

- Loss for the year was understated by ₹ 13.49 crore due to non provision of Liability for Bad and Doubtful Debts, Doubtful Receivables, arrears of salary on account of pay revision, Liability towards PF Commissioner, Claim payable to petitioners in connection with award of Motor Accident Claims Tribunal, Arrear property tax, error in Interest computation, calculation of staff entitlement.

Calcutta State Transport Corporation (2008-09)

- Loss for the year was understated by ₹ 3.66 crore due to non provision of Liability for payment towards Bonus and ex-gratia, penal interest payable to lenders, Audit fees and Subsidy meant for CPF and Death Linked Insurance as well as for non moving stores.

West Bengal Industrial Infrastructure Development Corporation (2008-09)

- Profit for the year was overstated by ₹ 7.94 crore due to non accounting of Loss on sale of land, non provision of Liability for arrear pay and allowances, Statutory dues and Doubtful Debts arising from water, maintenance and service charges due from 24 closed units of industrial estates.

1.37 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control/ internal audit systems in the companies audited 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 needed improvement. An illustrative resume of major comments made by the Statutory Auditors on possible improvement in the internal audit/ internal control system in respect of 18 companies for the year 2009-10 and 21 companies for the year 2010-11 are given below: -

Sl. No	Nature of comments made by Statutory Auditors	Year of Accounts	Number of companies where recommendations were made	Reference to Sl. No. of the companies as per Annexure 2
1	Non-fixation of minimum/ maximum limits of store and spares	2009-10	7	A-26, A-35, A-38, A-50, A-51, A-56 & C-13,
		2010-11	11	A-3, A-10, A-27, A-28, A-29, A-37, A-41, A-43, A-44, A-45, & A-46
2	Absence of internal audit system commensurate with the nature and size of business of the company	2009-10	5	A-5, A-9, A-32,A-35, & C-5
		2010-11	1	A-24
3	Non maintenance of cost record	2009-10	8	A-2, A-5, A-11, A-18 A-22, A-30, A-32 & A-38,
		2010-11	5	A-24, A-29, A-34, A-37, & A-39
4	Non maintenance of proper records showing full particulars including quantitative details, situations, identity number, dates of acquisition, depreciated value of fixed assets and their locations	2009-10	11	A-2, A-5, A-8, A-9, A-22, A-30, A-32, A-35, A-50, A-58, & C-5
		2010-11	12	A-3, A-10, A-24, A-29, A-34, A-37, A-42, A-45, A-52, A-63, C-27 & C-28
5	Absence of clear credit policy and policy for providing doubtful debts/ write off and liquidated damages.	2009-10	5	A-5, A-32, A-35, A-58, & C-13
		2010-11	9	A-3, A-10, A-24, A-28, A-29, A-37, A-41, A-43 & A-62
6	Absence of security policy for software / hardware and backup of past records	2009-10	1	A-58
		2010-11	4	A-12, A-39, A-45 & A 48
7	Absence of effective system of monitoring of advances/ outstanding dues	2009-10	7	A-5, A-9, A-18, A-30, A-32, A-50 & A-53
		2010-11	8	A-3, A-10, A-29, A-37, A-39, A-43, A-44 & A-45
8	Absence of vigilance department or existence/ effectiveness of delineated fraud policy.	2009-10	6	A-2, A-5, A-11 A-32, A-38 & A-56
		2010-11	11	A-3, A-9, A-10, A-24, A-28, A-34, A-37, A-46, A-48, A-52 & A-62

Status of placement of Separate Audit Reports

1.38 The following table shows the status of placement of Separate Audit Reports (SARs) issued by the CAG on the accounts of Statutory corporations in the Legislature by the Government.

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	Reasons for delay in placement in Legislature
1	West Bengal State Warehousing Corporation	2007-08	2008-09 2009-10	28.01.2010 11.05.2011	Not furnished by the Government
2	West Bengal Scheduled Castes and Scheduled Tribes Development and Finance Corporation	2006-07	2007-08 2008-09 2009-10	10.01.2011 Audit in progress Audit in progress	Not furnished by the Government
3	West Bengal Backward Classes Development and Finance Corporation	2007-08	2008-09 2009-10	07.05.2010 Audit in progress	Not furnished by the Government
4	South Bengal State Transport Corporation	2008-09	2009-10	Audit in progress	-
5	West Bengal Minorities Development and Finance Corporation	2007-08	2008-09 2009-10	02.11.2010 26.08.2011	Not furnished by the Government
6	Calcutta State Transport Corporation	2007-08	2008-09	18.05.2011	Not furnished by the Government
7	North Bengal State Transport Corporation	2006-07	2007-08 2008-09	18.05.2011 Audit in progress	Not furnished by the Government
8	West Bengal Financial Corporation	2009-10	2010-11	Audit in progress	-
9	West Bengal Industrial Infrastructure Development Corporation	2007-08	2008-09 2009-10	09.11.2010 Audit in progress	Not furnished by the Government
10	West Bengal Electricity Regulatory Commission	2009-10	2010-11	27.10.2011	-

It would be observed from the table that 10 SARs were not placed for periods ranging from one month to 15 months despite the matter were taken up with the Chief Secretary/ Principal Secretary by the PAG in February 2011.

Delay in placement of SARs weakens the legislative control over Statutory corporations and dilutes the latter's financial accountability. The Government should ensure prompt placement of SARs in the Legislature.

Disinvestment, Privatisation and Restructuring of PSUs

1.39 The State Government undertook (August 2007) second phase of Public Sector Restructuring programme with the financial assistance from Department of International Development, Government of United Kingdom. The second phase to be implemented from 2007-08 to 2010-11, will cover PSUs in the transport sector as well as 14 PSUs and three Department Undertakings (DUs) under six Departments which envisaged restructuring and retention of 10[♦] PSUs under Government ownership, conversion of four[f] PSUs into Joint Ventures, closure of one[β] PSU and Corporatisation of one DU and conversion of two DUs into Joint Ventures. Among them the Government had decided to disinvest majority of shares in four PSUs and retained 10 PSUs after restructuring and business optimisation process. Though reform in power sector companies were completed in 2009-10, further developments on reform of transport and other sectors are awaited.

Reforms in Power Sector

1.40 The State has formed West Bengal Electricity Regulatory Commission on 6 January 1999 under the Section 17 of erstwhile Electricity Regulatory Commission Act, 1998[◊] with the objective of rationalisation of electricity tariff, advising in matters relating to electricity generation, transmission and distribution in the State and issue of licences. During 2010-11, WBERC issued 23 orders (ten on annual revenue requirements and 13 on others).

1.41 Memorandum of Understanding (MoU) was signed in March 2001 between the Union Ministry of Power and the State Government as a joint commitment for implementation of reforms programme in power sector with identified milestones. The progress achieved so far in respect of important milestones is stated below.

Sl. No.	Commitment as per MOU	Targeted completion schedule	Status (as on 31 March 2011)
	Commitments made by the State Government		
1	Reduction in transmission and distribution losses	20 *per cent* by 2005	25.24 *per cent*
2	100 *per cent* electrification of all villages	By March 2007	93.28 *per cent*
3	100 *per cent* metering of all consumers	December 2002 (Revised)	99.64 *per cent* achieved.

♦ W.B. Mineral Development & Trading Corporation Ltd., W.B. Pharmaceutical & Phytochemical Development Corporation Ltd., The Infusions (India) Ltd., W.B. Dairy & Poultry Development Corporation Ltd., Electro-Medical & Allied Industries Ltd., W.B. Small Industries Development Corporation Ltd., W.B. Tourism Development Corporation Ltd., W.B. State Minor Irrigation Corporation Ltd., W.B. Agro Industries Corporation Ltd., W.B. State Warehousing Corporation.

f W.B. Film Development Corporation Ltd., Kalyani Spinning Mills Ltd., West Dinajpur Spinning Mills Ltd. and W.B. Handicraft Development Corporation. Ltd.

β West Bengal Projects Limited

◊ Now Section 82(1) of the Electricity Act 2003.

Sl. No.	Commitment as per MOU	Targeted completion schedule	Status (as on 31 March 2011)
4	West Bengal Electricity Regulatory Commission (WBERC)		
	i) Establishment of WBERC	NA	Constituted in January 1999.
	ii) Implementation of tariff orders issued by WBERC during the year		Tariff orders of 2010-11 was implemented.
	Commitments made by the Central Government		
5	Funds under Restructured Accelerated Power Development and Reform Programme (R-APDRP)	NA	₹ 68.50 crore received upto 2010-11.
6	Waiver of late payment surcharge on dues to CPSUs after securitisation	NA	No such case occurred.
7	Payment of reform-based incentives	NA	No payment was received during the year.
	General		
8	Monitoring of MOU		Monthly progress reports were submitted to the State Government by WBSEDCL.

Chapter II

Performance Audit relating to Government Companies

West Bengal State Electricity Distribution Company Limited

2.1 Performance of power distribution utility in West Bengal

Executive Summary

Electricity is an essential requirement for all facets of our life and critical infrastructure for country's socio-economic development. Supply of electricity at reasonable rate to all the sectors is very crucial for sustained economic development. In West Bengal, electricity distribution is undertaken by five agencies i.e. West Bengal State Electricity Distribution Company Limited (Company) and The Durgapur Projects Limited (DPL) in the State sector, Damodar Valley Corporation (DVC)in the concurrent sector and CESC Limited and DPSC Limited in the private sector.

As on 31 March 2011, the State had distribution network of two lakh CKM, 549 sub-stations and 7,600.33 MVA distribution transformers (DTR) of various categories. There were 105.72 lakh consumers as of March 2011. The turnover of the State distribution companies was ₹17,084.67 crore in 2010-11, which represents 3.71 per cent of State Gross Domestic Product. These companies employed 31,430 employees as on 31 March 2011.

Distribution network planning

The increase in Company's distribution capacity did not match the pace of growth in consumer demand since connected load grew at 48 per cent while transformer capacity increased at 27 per cent during 2006-11. The gap of transformation capacity to total connected load ranged between 0.63 and 0.82 resulting in frequent tripping and adverse voltage regulation with consequential higher quantum of energy losses.

Implementation of Centrally sponsored schemes

Under RGGVY, 3,665 villages were electrified out of 4,283 villages taken up, while only 12.75 lakh out of 26 lakh BPL households were provided electric connection during 2006-11. The Company incurred extra expenditure of ₹102.08 crore in execution of works due to placement of orders at higher rates compared to approved estimate, inclusion of price variation clause instead of fixed cost envisaged in the scheme and double payment on earthing materials. Besides, Company had to forego administrative charges of ₹66.08 crore as estimates exceeded sanction limits.

Implementation of Restructured Accelerated Power Development Reforms Programme (RAPDRP), intended to strengthen Distribution Management System and upgradation of sub-transmission & distribution network, fell short of target and the Company utilised 24 per cent of the funds released due to delay in completing loan formalities and slow progress of work.

Operational efficiency

The power purchases from State and Central PSUs were not adequate to fulfill the demand in the State and shortfall was met through purchases from IPPs and other sources at higher rates ranging from ₹2.49 per unit to ₹4.30 per unit. The energy losses of 3,396 MUs valuing ₹1,311.47 crore were in excess of norms approved by WBERC. The main reasons for such losses were inadequate transformation capacity, high interruption, non rationalisation of feeders, low power factor, low feeder availability, theft of electricity, etc. The Company delayed in rationalising feeders that led to non reduction of line loss of 865.24 MUs valued ₹269.96 crore. Further, there was significant shortfall in addition of capacitor banks which led to loss of targeted energy saving of 73.60 MUs valued at ₹22.96 crore. The percentage of consumers checked was negligible in all the years and the unrealised amounts were on the rise.

Financial management

The Company's Accumulated Losses decreased by 45 per cent between 2007-08 to 2010-11 as they had earned profit of ₹305.25 crore. In this period, Annual Revenue Requirement petitions were filed on time. However, the percentage of deficit in recovery of fixed cost varied from 8 to 38 per cent during 2007-11. Besides, as of March 2011 the Company had retained Regulatory Assets aggregating to ₹3,320.05 crore. Agriculture was heavily subsidised with only 31 to 50 per cent of cost of supply being recovered. Commercial consumers bore this burden.

Billing efficiency

Energy billed during 2007-11 rose from 73.47 to 79.80 per cent of the total energy available for sale. This increase was due to installation of electronic meters which led to accurate billing. Average billing declined from 4.42 per cent to 1.13 per cent during this period due to decline in consumers with defective meters.

Wrong classification of commercial units as industrial units led to loss of revenue of ₹1.20 crore to the Company. In 15 divisions during 2008-09 to 2010-11, 21.63 lakh bills against 5.67 lakh L&MV consumers were short of minimum charges. Besides, average bills for 86,057 consumers with defective meters could not be raised since previous meter readings were not recorded.

Revenue collection efficiency

The outstanding dues from consumers decreased from ₹1,234.81 crore in 2006-07 to ₹1,047.80 crore in 2010-11. Of the above, dues of ₹585.51 crore from 15 divisions indicated that dues outstanding for more than three years amounted to ₹136.37 crore (23.29 per cent) while an amount of ₹85.20 crore (14.55 per cent) was due from disconnected consumers. Further, arrears of more than rupees one lakh was due from 3,834 L&MV consumers in 15 divisions and 3,029 HT and EHT consumers of the Company, for three to 318 months but their supply was not disconnected resulting in accumulation of arrears of ₹236.13 crore (March 2011).

The Company had temporarily disconnected supply of power to 79 L&MV consumers in 15 divisions and 449 HT and EHT consumers of the Company, having arrear of more than rupees one lakh for four to 189 months but were not permanently disconnected. This resulted in non-realisation of arrears amounting to ₹22.05 crore (March 2011). In addition, cheques of ₹3.12 crore had not been credited by the concerned banks in six divisions but the Company could not identify the consumers.

Consumer satisfaction

The Company created (January 2009) Customer Relation Management (CRM) Cell to look into the grievances of consumers and their redressal. The Company paid ₹3.26 crore as compensation to the consumers for non-compliance of WBERC Regulations.

Energy Conservation

The Company is State Designated Agency (SDA) under the Energy Conservation Act, 2001 (Act). BEE had disbursed (January 2008 to April 2011) ₹1.95 crore to the Company for energy conservation. The Act stipulates that the State Government was to constitute Energy Conservation Fund for promotion of efficient use of energy and its conservation. The State Government belatedly (September 2010) notified creation of West Bengal Conservation Fund. They are yet to contribute their share to the fund.

Energy accounting and audit

The Company placed (October 2006/ April 2007) orders on Secure Meters Limited (SML) for erection of 15,230 energy accounting meters at an extra expenditure of ₹2.43 crore towards higher erection charges and payment of service tax included in the rates. Further, the Company incurred extra expenditure of ₹10.15 crore by allowing maintenance charges on these meters though the purchase orders provided for maintenance of these meters free of cost for five years.

Due to erroneous stock accounting, the Company procured 4.42 lakh meters worth ₹40.58 crore in excess of requirement. Besides, we could not vouchsafe existence of 1.40 lakh meters valued ₹13.17 crore.

Conclusion and Recommendations

The Company did not prepare target for annual capacity development of sub-stations over the review period. The increase in distribution capacity did not match the pace of growth in consumer demand. They incurred extra expenditure on execution of rural electrification work on placement of orders at higher rates. High energy losses were due to low feeder availability, high interruption, voltage fluctuation, inadequate number of shunt capacitors and low power factor. The Company lost opportunity to earn higher revenue due to incorrect application of tariff, under assessment of revenue and short levy of minimum charges. The review contains six recommendations which include creation of infrastructural facilities keeping in view demand growth, reduction of high energy losses by installing adequate number of shunt capacitors, minimising interruptions and voltage fluctuations. Achieving 100 per cent energy billing, applying correct tariffs and levying minimum applicable consumer charges as well as optimising internal resource generation by improving billing and collection efficiency and vigorously pursuing outstanding dues.

Introduction

2.1.1 Electricity is an essential requirement for all facets of our life. It has been recognized as a basic human need. It is a critical infrastructure on which the socio-economic development of the country depends. Supply of electricity at reasonable rate to rural India is essential for its overall development. Equally important is availability of reliable and quality power at competitive rates to Indian industry to make it globally competitive and to enable it to exploit the tremendous potential of employment generation. Service sector has made significant contribution to the growth of our economy. Availability of quality supply of electricity is very crucial to sustained growth of this segment.

Recognising that electricity is one of the key drivers for rapid economic growth and poverty alleviation, the nation has set itself the target of providing access to all households in next five years.

Major responsibility for achieving the key parameters of the above said importance of electricity devolves on the distribution sector. Distribution sector is very near to people. Distribution Companies (DISCOMs) are first point of contact in the electricity sector for millions of Indians. This is the sector, which provides electricity to the doorstep of every household. It serves various objectives of electricity sector such as access to electricity for all households, supply of reliable and quality power of specified standards in an efficient manner and at reasonable rates and at the same time protects the consumer interest. To achieve the above objectives, DISCOMs need to make a financial turnaround and they should be commercially viable.

In this review, it is proposed to analyse how far the West Bengal State Electricity Distribution Company Limited (Company) planned their operations to achieve above objectives, their financial turnaround and the problems encountered during the five year period from 2006-07 to 2010-11.

Power sector reforms in West Bengal

2.1.2 As part of power sector reforms, the erstwhile West Bengal State Electricity Board (Board) was unbundled and two companies[1] were formed. The distribution of electricity is carried out by West Bengal State Electricity Distribution Company Limited (Company). This Company, incorporated on 16 February 2007 under the Companies Act 1956, is under the administrative control of Power and Non Conventional Energy Sources Department.

Vital parameters of Electricity Supply in West Bengal

2.1.3 In West Bengal, electricity distribution is undertaken by five agencies i.e. West Bengal State Electricity Distribution Company Limited and The Durgapur Projects Limited[2] in the State sector, Damodar Valley Corporation in the concurrent sector and CESC Limited and DPSC Limited in the private

[1] West Bengal State Electricity Transmission Company Limited (WBSETCL) and West Bengal State Electricity Distribution Company Limited (WBSEDCL).
[2] The Durgapur Projects Limited is primarily a power generating utility with consumer base of only 39,668 as of March 2011.

sector. During 2006-07, 28,143.61 MUs of energy was sold by the distribution companies which increased to 39,775.34 MUs in 2010-11, i.e. an increase of 41.33 *per cent* during 2006-11. As on 31 March 2011, the State had distribution network of two lakh CKM, 549 sub-stations and 7,600.33 MVA distribution transformers (DTR) of various categories. The number of consumers was 105.72 lakh. The aggregate turnover of the distribution companies was ₹ 17,084.67 crore in 2010-11 which was 3.71 *per cent* of the State Gross Domestic Product. These companies employed 31,430 employees as on 31 March 2011.

Performance review on power sector

2.1.4 Performance Review on Computerisation of Billing and Collection of Revenue in West Bengal State Electricity Board was included in the Report of the Comptroller and Auditor General of India (Commercial), Government of West Bengal for the year ended 31 March 2007. The review was not discussed by COPU (November 2011).

Scope and Methodology of audit

2.1.5 The present performance audit conducted during February 2011 to May 2011 covers the performance of the Company during the period from 2006-07 to 2010-11. The review mainly deals with Network Planning and execution, implementation of Central Schemes, Operational Efficiency, Billing and Collection efficiency, Financial Management, Consumer Satisfaction, Energy Conservation and Monitoring. The audit examination involved scrutiny of records at the Head Office and five[3] out of 17 Circles.

The Circles were selected on the basis of random samples drawn on the basis of proportionate representation with weightage on Aggregate Technical and Commercial (ATC) losses, Distribution Transformers (DTR) failures and feeder tripping. Sample selection process with weightage on above criteria was suggested (February 2011) by the Management in Entry Conference. The selected sample represented over 25 *per cent* of all categories of consumers spread across rural and urban areas of the State.

The methodology adopted for attaining the audit objectives with reference to audit criteria consisted of explaining audit objectives to top management, scrutiny of records at Head Office and selected units, interaction with the auditee personnel, analysis of data (including audit of databases with IDEA[4]) with reference to audit criteria, raising of audit queries, discussion of audit findings with the Management and issue of draft review to the Management for comments.

[3] Burdwan, Bankura, Midnapore, Raiganj & Murshidabad.
[6] Interactive Data Evaluation and Analysis software.

Audit objectives

2.1.6 The objectives of the performance audit were to assess whether:

- aims and objectives of National Electricity Policy/Plans were adhered to and distribution reforms were implemented;
- network planning and its execution was adequate and effective;
- the central schemes such as, Rajiv Gandhi Grameen Vidyutikaran Yojna (RGGVY) and Restructured Accelerated Power Development & Reforms Programme (RAPDRP) were implemented efficiently and effectively;
- operational Efficiency was achieved in meeting the power demand of the consumers in the State;
- Financial Management was effective and the subsidy due from Union/ State Governments were released in time;
- ARR and tariff revision petition was submitted timely to ensure adequacy of tariff to cover the cost of operations and cross-subsidisation at prescribed level;
- billing and collection of revenue from consumers was efficient;
- effective system was in place to assess consumers' satisfaction and redressal of grievances;
- effective energy conservation measures were undertaken; and
- effective monitoring system was in place and the same was being utilised in review of overall working.

Audit criteria

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

- National Electricity Policy, Plans and norms concerning distribution network of DISCOMs and planning criteria fixed by the West Bengal Electricity Regulatory Commission (WBERC);
- Standard procedures for award of contract with reference to principles of economy, efficiency and effectiveness;
- Norms prescribed by various agencies with regard to operational activities;
- Norms of technical and non-technical losses;

- Guidelines/ instructions/ directions of WBERC;
- terms and conditions contained in the Central Scheme documents;
- comparison with best performers in the regions/ all-India averages; and
- Provisions of Electricity Act 2003.

Audit findings

2.1.8 We explained the audit objectives to the Company during an 'Entry Conference' held on 7 February 2011. Subsequently, audit findings were reported to the Company and the State Government in October 2011. An 'Exit Conference' held on 8 December 2011 which was attended by the Principal Secretary, Department of Power and Non Conventional Energy Sources, Government of West Bengal and Chairman-cum-Managing Director of the Company. The replies given by the Company was duly endorsed by the State Government. The views expressed by them have been considered while finalising this Review. The audit findings are discussed in subsequent paragraphs.

Distribution network planning

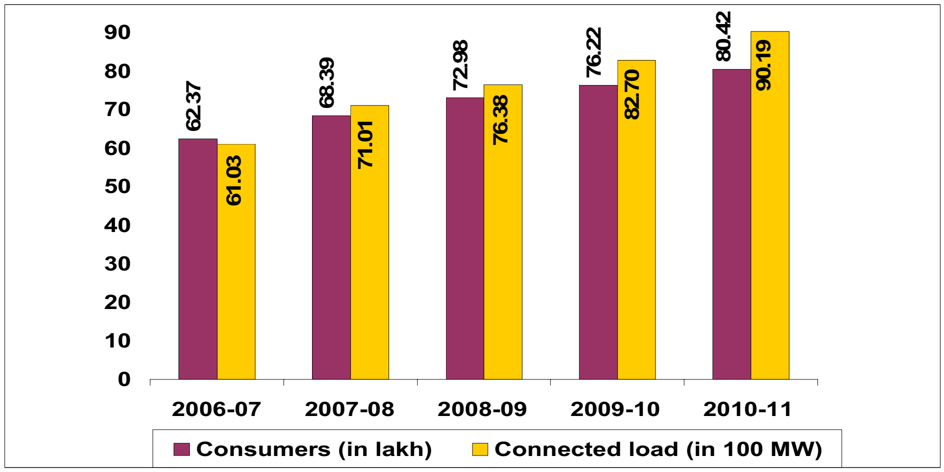
2.1.9 The National Electricity Policy 2005 was evolved with the following aims and objectives to be achieved.

- Access to electricity –Available for all households in next five years from 2005.
- Supply of reliable and quality power of specified standards in an efficient manner and at reasonable rates.

To ensure power to all, the Company is required to prepare long term/ annual plan for creation of infrastructural facilities for efficient distribution of electricity so as to cover maximum population in the State. Besides the upkeep of the existing network, additions in distribution network are planned keeping in view the demand/ connected load, anticipated new connections and growth in demand based on Electric Power Survey (EPS). Considering physical parameters, Capital Investment Plans are submitted to the State Government/ WBERC. The major components of the outlay include normal development and system improvement besides rural electrification and strengthening of IT enabled systems.

The particulars of consumers and their connected load of the Company[5] during review period are given below in bar chart.

[5] Data for West Bengal State Electricity Distribution Company Limited only, as reliable data for Private Sector was not available.



System improvement and rural electrification schemes are discussed in subsequent paragraphs. The particulars of distribution network planned *vis-à-vis* achievement there against by the Company is depicted in **Annexure 7**.

Inadequate distribution network planning

The increase in distribution capacity could not match the pace of growth in consumer demand.

2.1.10 It may be seen from the annexure that despite availability of load forecast as per 17th report of Electrical Power Survey Committee and Perspective plan for the State, the Company did not prepare target of annual capacity build up for sub-stations over the review period. However, during 2006-11, 70 number of 33/11KV sub-stations were actually added. Further, compared to the growth of connected load of 5,364 MW[6] (equivalent to 6,310 MVA) in 2006-07 to 7,939 MW[6] (equivalent to 9,340 MVA) in 2010-11 (48 *per cent*) for consumers connected to 33/11KV sub-stations, the transformer capacity increased from 4,205 MVA to 5,332 MVA (27 *per cent*). Thus, the increase in distribution capacity did not match the pace of growth in consumer demand. Further, taking into account the connected load of 7,939 MW as at the end of March 2011, the required transformers capacity would be 9,340 MVA without considering the requirement of spin reserve. Ideally the Company should estimate a minimum spin reserve of transformation capacity, but there was no such effort. Consequently, the Company operates without spin reserve. Since there was no planned addition of 33/11 KV sub-stations, the Company's 5,332 MVA transformation capacity was not adequate to meet the projected load demand. After giving margin for maximum load (70 *per cent*) at which transformers can function in normal manner, the transformers capacity would work out to 3,732 MVA. This led to overloading of network and consequential rotational cuts in distribution of electricity.

The Management however contended (May 2011) that Capacity planning was more practical based on Maximum Demand. Company's 33/11 KV transformation capacity was 5,332 MVA along with WBSETCL[7]'s capacity of 1,019 MVA. Thus, at Maximum Demand of 3,441 MW (equivalent 4,048 MVA at 0.85 power factor), only 63.7 *per cent* of transformation was

[6] At 0.85 Power Factor
[7] West Bengal State Electricity Transmission Company Ltd. is the Transmission utility for the State.

utilised. The Management however admitted that there was uneven availability of 33/11KV transformation capacity across the State, and this resulted in interruptions particularly in the agricultural season. The Management also submitted (December 2011) that they have started planning for capacity implementation and new sub-stations based on actual growth. They have targeted addition of 660 MVA of transformation capacity to be completed by September 2012.

The Management's approach to capacity planning addressed the *ex post* scenario i.e. after execution, we address the issue *ex ante* i.e. as it should have been at the planning stage.

Instance of irregularities in implementation of developmental work, as analysed by us, are given in the Project and Contract Management highlighting time and cost overruns. This led to avoidable extra expenditure besides postponing the envisaged benefits to the consumers.

Inadequate distribution transformation capacity

2.1.11 Transformer is a static device installed for stepping up or stepping down voltage in transmission and distribution of electricity. The energy received at high voltage (132 KV, 66 KV, 33 KV) from primary sub-stations of the transmission companies is transformed to lower voltage (11 KV) at 33/11 KV sub-stations of the distribution companies. The voltage at 11KV is further transformed to 0.433 KV by distribution transformers (DTR) to make it usable by the consumers[8]. In order to cater to the entire connected load, the transformation capacity should be adequate. The ideal ratio of transformation capacity to connected load is considered as 1:1. The table below indicates the details of DTR capacity and connected load of the consumers in the State during the period from 2006-11.

(In MVA)

Year	DTR Capacity	Connected load to DTRs	Gap in Transformation capacity	Ratio of Transformation capacity to connected load
2006-07	3,973	5,472	1,499	0.73
2007-08	4,142	6,433	2,291	0.64
2008-09	4,372	6,981	2,609	0.63
2009-10	6,144	7,498	1,354	0.82
2010-11	6,227	8,167	1,940	0.76

It can be seen from the table above that the ratio of transformation capacity to total connected load ranged between 0.63 and 0.82. This represented a wide gap of transformation capacity. Such a high gap of transformation capacity led to overloading of the system resulting in frequent tripping and adverse voltage regulation with consequential higher quantum of energy losses.

The Management stated (December 2011) that considering diversity factor[9] 1.80, their transformation capacity was adequate. The reply does not address the real scenario since assumption of diversity inherently assumes that the

[8] Mostly L& MV Consumers.

[9] Diversity factor is the ratio of sum & individual peak loads to peak load of the system.

peak load of parts of the system do not converge. In reality however, peak loads tend to converge in the evening hours adversely affecting the system due to inadequate transformation capacity. Besides, we observed that diversity factor for March 2011 ranged between 1.35 in Baharampur Zone to 1.65 in Burdwan Zone of the Company.

We noticed that the Company did not prepare target of adequate annual capacity build up for sub-stations during 2006-11 resulting in distribution capacity not matching with the pace of growth in consumer demand since connected load grew by 48 *per cent* for consumers connected to 33/11KV sub-stations, while the transformer capacity increased only by 27 *per cent*. The ratio of gap of transformation capacity to total connected load ranged between 0.63 and 0.82 leading to frequent tripping and adverse voltage regulation with consequential higher quantum of energy losses.

Recommendation :-

- *The Company must prepare Long Term/ Annual Plan for creation of infrastructural facilities for efficient distribution of electricity so as to cover maximum population in the State keeping in view the demand/ connected load, anticipated new connections and growth in demand based on Electric Power Survey.*

Implementation of Centrally sponsored schemes

Rural electrification

2.1.12 The National Electricity Policy states that the key objective of development of the power sector is to supply electricity to all areas including rural areas for which the GOI and the State Governments would jointly endeavour to achieve this objective. Accordingly, the Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) was launched in April 2005, which aimed at providing access to electricity for all households in five years for which the Central Government provides 90 *per cent* capital subsidy through Rural Electrification Corporation (REC), the nodal agency for Rural Electrification. The RGGVY works were to be executed by four CPSUs[10] and the Company.

Besides, the GOI notified the Rural Electrification Policy (REP) in August 2006. The REP *inter-alia* aims at providing access to electricity for all households by 2009 and minimum lifeline consumption of one unit per household per day as a merit good by the year 2012. The other RE schemes *viz.* ‘Accelerated Electrification of one lakh villages and one crore households’, ‘Minimum Needs

[10] Power Grid Corporation of India Limited (PGCIL), Damodar Valley Corporation (DVC), NTPC Electric Supply Company Limited (NESCL) and National Hydro Power Corporation Limited (NHPC).

Programme' were merged into RGGVY. The features of the erstwhile 'Kutir Jyoti Programme' were also suitably integrated into this scheme.

As on 1 April 2005, out of 40,794 villages in the State,[11] 34,140 villages were electrified (83.69 *per cent*) with 6,654 villages to be electrified within five years. Of this, 4,283 villages in 13 districts were taken up under RGGVY, with the Company to cover 457[12] villages in nine districts while four[13] CPSUs were entrusted by the State Government/ REC to cover 3,826 villages in four districts. RE works in the remaining 2,371 villages were to be taken up under State Plan.

Against the target of 4,283 villages 3,665 were electrified upto March 2011.

We noticed that 34,389 villages were electrified at the beginning of 2006-07 and 3,665 villages were electrified during the review period out of targeted 4,283 villages. Thus as on 31 March 2011, 38,054 villages were electrified out of total villages of 40,794 (93.28 *per cent*).

In the X[th] Plan, REC sanctioned ₹ 485.12 crore for electrification of 3,944 villages in the State. Between 2005-06 and 2008-09, REC released ₹ 480.30 crore with which 3,914 villages (Company: 455, CPSUs: 3,459) were electrified and 90,853 BPL service connections (Company: 11,360, CPSUs : 79,493) provided. We noticed that -

- The Company had received ₹ 43.20 crore from REC (sanction: ₹ 48.28 crore) but had incurred expenditure of ₹ 55.15 crore. This additional expenditure of ₹ 11.95 crore out of their own funds arose due to placement of work orders at variable rates instead of fixed rates sanctioned by REC.

- Further, the Company released ₹ 7.96 crore to three CPSUs *viz.* NESCL, PGCIL and NHPC beyond ₹ 1,500[14] payable for each service connection including ₹ 200 for spike earthing with galvanised iron wire. The Company stated (June 2011) that this additional amount was on account of individual earthing at each BPL household, in line with the Company's existing practice. The reply belied the fact that cost of earthing was included in the cost.

559 BPL families at 62 villages did not get service connection for want of equipments.

- In Bankura district, PGCIL had completed (August 2006 – August 2007) 8,372 BPL service connections in 368 villages, at an expenditure of ₹ 37.02 crore. While the Company had released 7,813 connections in 306 villages, remaining 559 connections in 62 villages had not been released till March 2011 due to failure to install cradle guard, defective pole alignment, earthing not completed, low-tension cable not fixed, non-installation of distribution

[11] As per 2001 Census.
[12] As per the reply given by the Government in December 2011, two villages were dropped.
[13] NTPC Electric Power Supply Corporation Limited (NESCL), Power Grid Corporation of India Limited (PGCIL), Damodar Valley Corporation (DVC) and National Hydel Power Corporation Limited (NHPC).
[14] PVC cable (30 m): ₹ 540, energy meter: ₹ 240, connector ₹ 120, GI bend pipe etc.: ₹ 400, spike earthing: ₹ 200.

transformer metering etc. Consequently, infrastructure created at a cost of ₹ 1.18 crore remained unutilised.

The Government replied (December 2011) that they did not have information as to stalling of BPL connections for want of materials. The contention is not correct since work completion certificate of PGCIL certified by Bankura RE Circle recorded the non release of connection to 62 villages due to non installation of necessary equipments. This indicated that achievement of objective of RGGVY scheme was not monitored at Headquarters level of the Company.

Similarly, in the XIth Plan, REC sanctioned ₹ 1,956.11 crore for intensification in 25,065 villages with connection for 39.10 lakh rural households (RHHs) including 26 lakh BPL households (Company: 15.39 lakh, CPSUs: 10.61 lakh). Between 2008-09 and 2010-11, REC released ₹ 864.78 crore with which 12.75 lakh BPL service connections (Company: 4.41 lakh, CPSUs: 8.34 lakh) provided till March 2011. We noticed that –

Administrative charges of ₹ 66.08 crore foregone.

- In eight[15] of ten districts, the Company had forgone administrative charges at eight *per cent* (₹ 66.08 crore) with the view to obtaining approval of the Ministry of Power, GOI within the sanctioned limit of ₹ 1,074.92 crore. Yet, against sanctioned cost of ₹ 1,074.92 crore, the Company awarded (January- February 2009) works for intensification in 14,113 villages for service connections to 15.39 lakh BPL RHHs at a cost of ₹ 1,157.09 crore. In the same period, CPSUs had, however, awarded RGGVY works at ₹ 763.53 crore against sanctioned cost of ₹ 881.19 crore. The reasons for additional cost were placement of orders at higher prices as discussed hereafter.

  - The Company had evaluated three packages (Nos. 19, 20 and 21) on 23 September 2008. They engaged (February 2009) A to Z Maintenance & Engineering Services Private Limited (AZ) for two packages (Nos. 19 and 20) in Burdwan at ₹ 51.35 crore and ₹ 61.07 crore respectively. Under package 20, the Company had placed order on AZ at higher rates of two *per cent* to five *per cent* for supply of 152 items in comparison to rates for supply of same materials in package 19. This resulted in extra expenditure of ₹ 1.19 crore.

  - Similarly, in Burdwan, the Company had awarded (January 2009) Supreme & Company Private Limited (SC) supply (package 21) of the same 152 items at a cost of ₹ 83.83 crore. These rates were higher by six *per cent* to 252 *per cent* than those of package 19 resulting in excess expenditure of ₹ 14.12 crore.

  - Again, at Raiganj, the Company engaged (February 2009) Lumino Industries Limited (LIL) for execution of job of two packages (Nos. 5 and 6). The Company had, however, allowed higher rates of around five *per cent* for supply of 176 items in package 6 over

[15] Howrah, Hooghly, 24-Parganas (South), Burdwan , Cooch Behar, Nadia, Malda & Siliguri Mahakuma Parishad of Darjeeling district.

rates paid for the same items under package 5. This resulted in excess expenditure of ₹ 1.61 crore.

The Government stated (December 2011) that the lowest bidder was considered for awarding the works and there was no scope to negotiate these rates in view of the purchase policy. The reply is not acceptable because laid down purchase policy of the Company emphasised that procurement of materials/ award of works should be at competitive rates to secure financial interest of the Company. This policy was overlooked by not ascertaining the reasonability of L1 rates since those were above the estimates and CPSUs had awarded the similar works below the estimated cost.

- The Company awarded works for 4.40 lakh service connections to BPL consumers in Birbhum, Burdwan and Raiganj Circles without inviting quotations. The rates excluding cost of meters varied from ₹ 292.02 to ₹ 1,119 per BPL service connection as detailed below –

Sl. No.	Circle	Package no.	Vendor	No. of BPL service connections	Rate per service connection (₹)	
					Material & erection	Meter cost
1	Birbhum	18	Ramsarup Industries Limited	75,343	292.02	1,492.33
2	Burdwan	21	Supreme & Co. Pvt. Ltd.	96,332	900.00	1,000.00
3	Raiganj	5 & 6	Lumino Industries Ltd.	1,06,569		1,900.00
4	Burdwan	20	A to Z Maintenance & Engg. Services Pvt. Ltd.	81,527	1,098.00	792.00
5	Burdwan	19		79,843	1,119.00	771.00
			Total	**4,39,614**		

REC had prescribed normative cost of ₹ 2,200 per BPL connection. The Company had undertaken the works at cost varying from ₹ 1,784.33 to ₹ 1,900 per BPL connection.

The Government stated (December 2011) that the offer of the turnkey contractors were uniform. The reply was not acceptable because no quotations were invited from the parties in this regard.

- Though the works were scheduled for completion within 18 months with subsequent extension by another six months i.e. March 2011, only 29 *per cent* (4.41 lakh) of BPL connections had been released till March 2011. This slow progress of work was attributable to Company's utilisation of only ₹ 505.73 crore i.e. 58 *per cent* only out of ₹ 864.78 crore received between 2008-09 and 2010-11.

- In Burdwan and Dakshin Dinajpur, out of target of 3.65[16] lakh BPL connections, 1.58[17] lakh were ready whereas only 0.87 lakh had been energised. Thus, in Burdwan only 28 *per cent* of targeted BPL

[16] Burdwan: 2.58 lakh, Dakshin Dinajpur: 1.07 lakh.
[17] Completed- Burdwan: 1.25 lakh, Dakshin Dinajpur: 0.33 lakh; BPL RHHs energised - Burdwan: 0.72 lakh, Dakshin Dinajpur: 0.15 lakh.

household had been energised with another 21 *per cent* awaiting connection, while corresponding figures for Dakshin Dinajpur were 14 *per cent* and 17 *per cent*.

Thus, due to slow implementation of the scheme, the anticipated objectives were not fulfilled.

Restructured Accelerated Power Development Reforms Programme

2.1.13 The Government of India (GOI) approved the Accelerated Power Development Reforms Programme (APDRP) to leverage the reforms in power sector through the State Governments. This scheme was implemented by the power sector companies through the State Government with the objective of upgradation of sub-transmission and distribution system including energy accounting and metering, for which financial support was provided by GOI.

In order to carry on the reforms further, the GOI launched the Restructured APDRP (R-APDRP) in July 2008 as a Central Sector Scheme for XI Plan. The R-APDRP scheme comprises of Part A and B. Part A was dedicated to establishment of IT enabled system for achieving reliable and verifiable baseline data system in all towns besides installation of SCADA[18]/Distribution Management System. For this, 100 *per cent* loan is provided, and was convertible into grant on completion and verification of same by Third Party independent evaluating agencies. The Part B of the scheme deals with strengthening of regular sub-transmission & distribution system and upgradation projects. GOI would route the funds through Power Finance Corporation Limited (PFC).

Financial performance

2.1.14 The details of the funds released, utilisation thereagainst and balances in respect of Company in the State are depicted at next page.

(₹ in crore)

Scheme	Year	Funds released by		Funds available	Funds utilised	Balance	Percentage of balance to funds available
		GOI	Others (PFC)				
APDRP	Upto March 2006[19]	126.42[20]	72.65	199.07	199.07	Nil	NA
	2006-07	Nil	41.31	41.31	41.31	Nil	NA
	2007-08	Nil	Nil	Nil	Nil	Nil	NA
	2008-09	Nil	26.32	26.32	26.32	Nil	NA
RAPDRP	2009-10 (Part-A)	47.99	Nil	47.99	14.26	33.73	70.29
	2010-11 (Part-B)	20.51	61.54	115.78	25.40 (Part A)	90.38	78.06

[18] Supervisory Control And Data Acquisition – It generally refers to computerised industrial control systems that monitor and control industrial, infrastructure or facility-based processes.
[19] A performance audit on 'Implementation of APDRP Scheme' was included in the Audit Report Commercial 2005-06, West Bengal.
[20] Grant of ₹ 89.58 crore and Loan of ₹ 36.84 crore

From the table it would be seen that the Company utilised 24 *per cent* of the funds released in the R-APDRP scheme. Reasons for such low utilisation were slow progress of work, delayed arrangement of materials by the contractor *etc*.

The Company was deprived of Central grant of ₹ 21.36 crore due to non lodging of claim.

As per APDRP scheme the Company was entitled to receive 25 *per cent* of estimated project cost of ₹ 443.79 crore as grant from GOI, for 20 projects sanctioned between August 2002 and April 2005. Against entitlement of ₹ 110.94 crore, they received ₹ 89.58 crore only. Balance grant of ₹ 21.36 crore was not received by the Company due to non-lodging of claim. Further, the Scheme was closed in March 2009 and our analysis revealed that the actual expenditure was ₹ 449.89 crore till February 2009 due to lack of proper survey and wrong estimation. Thus, the Company lost ₹ 1.53 crore as grant from GOI (25 *per cent* of ₹ 6.10 crore) due to excess expenditure of ₹ 6.10 crore.

Though prime objective for drawing low tension aerial bunched (LTAB) cable was reduction of line losses, the Company strung 181.14 Km LTAB Cable in Burdwan town against which 33.60 Km was energised and the balance 147.54 Km was not energised. As a result, the expenditure incurred to the tune of ₹ 1.81 crore remained idle.

The Company accepted/ acquired the excess materials valued ₹ 1.48 crore from the turnkey contractors contrary to the fact that there were no provisions in the contract that excess material procured for the above jobs to be returned by the turnkey contractors.

We observed that the Company failed to implement the APDRP scheme as they could not achieve the desired objectives of reducing aggregate technical & commercial (ATC) Losses, reducing interruption and increasing consumer satisfaction as discussed in paras 2.1.20, 2.1.28 and 2.1.55 although APDRP scheme was closed in March 2009. Further, there was no monitoring of the scheme after 2008-09 to assess the sustainability of improvement.

Establishment of IT enabled system

2.1.15 Part – A of the R-APDRP scheme is dedicated to establishment of IT enabled system and SCADA/ Distribution Management System. GOI sanctioned (June 2009) loan of ₹ 159.98 crore against project cost of ₹ 171.73 crore. The Company engaged (October 2009) Tata Consultancy Services Limited (TCS) at a cost of ₹ 195.36 crore (including Facility Management Services cost of ₹ 54.99 crore for five years) as IT implementing agency and execution of R-APDRP (Part-A) project in 62 towns with data centre at Kolkata and Disaster Recovery Centre at Baharampur. The cost of civil and electrical infrastructure, fire fighting, furniture *etc* of ₹ 11.75 crore was to be spent by the Company from their own sources. The project involved 16 components scheduled to be completed and service rolled out by March 2011. We, however, noticed that the TCS did not achieve the target of service rolling out and the activity wise milestones submitted by the agency revealed that only one out of 16 milestones had been completed so far (September 2011). Our analysis of contracts under R-APDRP revealed the following deficiencies:

Extra expenditure

2.1.16 The system requirement specifications (SRS) provide for two communication networks *viz*. primary network over MPLS-VPN[21] with back up over ISDN[22]. Originally, the contract on TCS included network connectivity to the Company. Since, GoI directives prohibited (October 2009) resale of bandwidth, the Company selected (March 2010) BSNL to provide MPLS-VPN at 517 locations including 254 under R-APDRP for ₹ 17.38 crore. BSNL also provided free ISDN connectivity to the Company. Thus BSNL provided both the primary and a back up network as required under the Scheme. In March 2010, TCS indicated that it would not be in a position to execute the project if TATA Teleservices Limited (TTL) was not considered for providing network services. Consequently the Company had to award (February 2011) another contract for ₹ 17.39 crore to TTL for same services already awarded to BSNL.

The Government replied (December 2011) that there was no provision in the LOA for BSNL to provide ISDN/CDMA connectivity. They further stated that post award delay was attributable to change in the drawings and specifications of the works, delays in handing over site and submission of drawings.

The reply was not acceptable as the LOA included the ISDN/ CDMA connectivity. From the reply it is evident that reasons of delays were controllable. However the reply was silent about the reasons of pre contract award delay which led to acceptance of higher rates.

2.1.17 The Board approved (October 2009) the proposal for procurement of 6,250 number of meters as TCS was not assigned to do this job under metering of un-metered Distribution Transformers (DTR) of the said 62 towns. As per procurement policy, the Company requested (June 2010) other DISCOMs for last procurement price of Tri-vector energy meter. In response, Chhattisgarh State Power Distribution Company Limited (CSPDL) stated that the procurement cost for Tri-vector energy meter was ₹ 3,000 ex-works price. The Company placed (September 2010) purchase order on Secure Meters for procurement of 7,700 meters at ₹ 5,628 per meter ex-works price. The Company neither made any correspondence with CSPDL regarding the source of supply nor went for re-tendering process. Thus, due to non-consideration of the rate submitted by CSPDL, the Company incurred an additional expenditure of ₹ 2.02 crore.

The Government replied (December 2011) that detailed specification was not mentioned (July 2010) by CSPDL. The reply was not acceptable as the description of material in both cases were same. The detailed specification could have been obtained prior to issue of LOA which was however not done.

[21] Multi Protocol Level Switching – Virtual Private Network.
[22] Integrated Services Digital Network.

Awarding of work at higher cost

2.1.18 The Company invited restricted tender and placed (November 2009) LOI for civil works in favour of Manna Engineering Construction Company Limited for construction of Data Centre at Rajarhat at a cost of ₹ 1.21 crore to be completed in February 2010 but the job was completed after delay of seven months (September 2010). Similarly, for the Disaster Recovery Data Centre at Baharampur and construction of road at Rajarhat the work orders were placed (March 2010 and September 2010) on restricted tender (February 2010/ July 2010) in favour of Sony Construction at a cost of ₹ 1.60 crore and ₹ 42.68 lakh with scheduled dates of completion of three months (June 2010) and two months (November 2010) respectively. The Disaster Recovery Data Centre at Baharampur was completed in January 2011 and construction of road at Rajarhat was not completed till March 2011.

Though GoI approved the scheme in September 2008, the Company placed (November 2009- September 2010) work orders on the above three jobs on restricted tender on the ground of urgency after a delay of 14 to 21 months from the date of approval. Hence urgency of work was not justified. The rates offered by the bidders were 19.90 and 21 *per cent* higher than state PWD Schedule of Rates (SOR) resulted in excess expenditure of ₹ 58.29 lakh.

For architectural and interior works of Data Centre (Rajarhat) and Disaster Recovery Centre (Baharampur), the Company invited (March 2010) restricted tenders from three vendors and TCS was lowest bidder for both works. The Company placed LOAs (September 2010) at a cost of ₹ 7.95 crore and ₹ 7.79 crore respectively. In the two LOAs, there was a difference of ₹ 16.73 lakh for supply of various types of furniture.

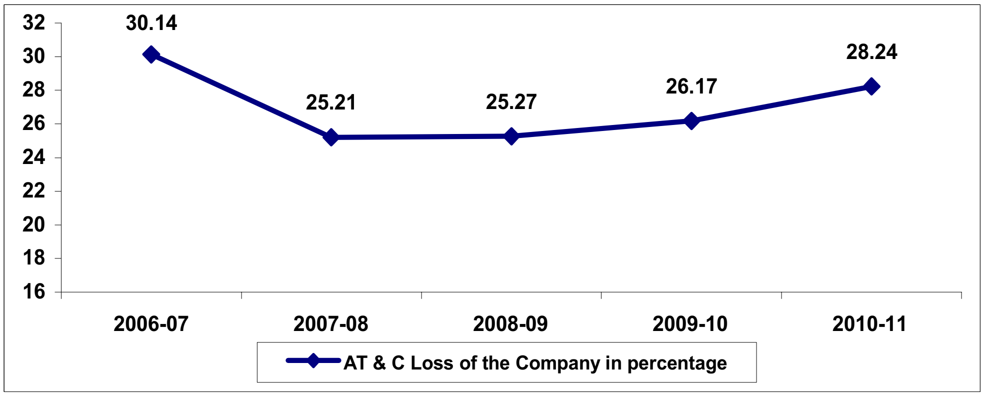
Strengthening of sub-transmission and distribution system

2.1.19 The focus in this part (Part B of R-APDRP) was on reduction of AT&C losses on sustainable basis. According to the scheme 25 *per cent* of loan is to be provided and up to 50 *per cent* of scheme cost is convertible to grant depending on maintaining AT&C loss level at 15 *per cent* for five years. We observed that though PFC sanctioned (August 2010) ₹ 547.02 crore for 45 towns, the Company received ₹ 82.05 crore after a delay of six months (March 2011) due to delayed compliance of the terms and conditions of PFC.

The Government accepted the facts in December 2011.

Aggregate technical & commercial losses

2.1.20 The graph at next page depicts the AT & C losses over the review period for the Company.



It may be seen from the above table that AT& C losses decreased from 30.14 *per cent* (2006-07) to 25.21 *per cent* (2007-08) but steadily increased from 25.27 *per cent* (2008-09), to 26.17 *per cent* (2009-10) and to 28.24 *per cent* (2010-11). The increase in AT&C loss was attributable to billing and collection deficiency discussed in paragraphs 2.1.43 to 2.1.53.

We found that under RGGVY, 3,665 villages were electrified out of 4,283 villages taken up, while only 12.75 lakh out of 26 lakh BPL households were provided electric connection during 2006-11. The Company incurred extra expenditure of ₹ 102.08 crore in execution of works due to placement of orders at higher rates compared to approved estimates, inclusion of price variation clause instead of fixed rates envisaged by REC and double payment on earthing materials. Besides, the Company had to forego administrative charges of ₹ 66.08 crore since the estimates, exceeded sanctions.

Recommendations :-

The Company should

- *accelerate the pace of electrification and intensification as well as provide electric connections to BPL households at the earliest to fulfill the objective of rural electrification. Works should be executed within the specified time and costs.*
- *adhere to payment terms as per the terms of contract and institute an effective mechanism to prevent double payments.*

Operational efficiency

2.1.21 The operational performance of the DISCOM is judged on the basis of availability of adequate power for distribution, adequacy and reliability of distribution network, minimizing line losses, detection of theft of electricity, *etc*. These aspects have been discussed in subsequent paragraphs.

Purchase of power

2.1.22 The demand for energy has been increasing year after year in the State due to economic development. Assessment of future demand and requirement of power is calculated on the basis of past consumption trends, present requirement, load growth trends and T & D losses and its trend. WBERC approves the sources of purchase of power and the purchase cost based on the estimates made in the ARR.

The Company forecast their energy requirement for ensuing years by obtaining trends of sales for past years and drawing projection on that basis. They, however, do not make any reference to either the perspective plan for the State or the EPS report.

Quantification of power purchased

2.1.23 The details of demand of power assessed for the State based on the 17th Electric Power Survey, purchase of power approved by WBERC and actual power purchased (including own generation) during the period 2006-07 to 2010-11 in respect of the State as a whole were as under:

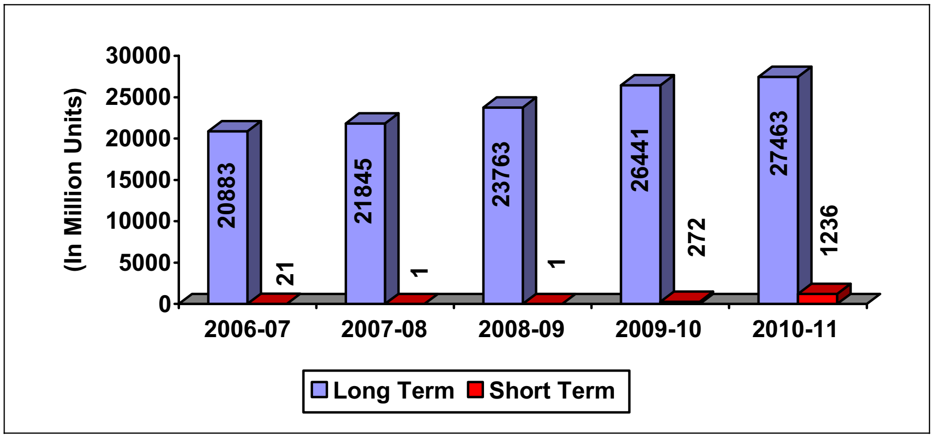
(In million units)

Year	Proportionate Demand assessed in 17th EPS	Purchases approved by *WBERC*	Actual Power purchased[23]	Power Deficit	Excess/ Shortfall in purchase against approved
(1)	**(2)**	**(3)**	**(4)**	**(5) = (2 – 4)**	**(6) = (3 – 4)**
2006-07	17,479	19,340	21,300	NIL	(-) 1,960
2007-08	19,100	23,911	22,617	NIL	1,294
2008-09	20,772	23,733	24,705	NIL	(-) 972
2009-10	22,351	27,867	27,827	NIL	40
2010-11	23,614	31,891	29,914	NIL	1,977

It may be seen from the above table that the Company suffered from shortage of energy in two out of five years. Such shortfall however occurred primarily during normal hours to peak hours of the day and predominantly during summers. This shortage was primarily due to non availability of capacity during corresponding period.

2.1.24 For the above purchases, the Company entered in Long term and Short term power purchase agreements with various agencies *viz*., State Generation Companies, Central PSUs, IPPs, *etc*. The break-up of the total power purchased into these categories was as follows.

[23] Includes own generation 2006-07:396 MU, 2007-08:771 MU, 2008-09:941 MU, 2009-10: 1,114 MU and 2010-11: 1,215 MU.



It may be seen from the above graph that the Company procured power primarily from their long term contractual sources. However, given that these sources despite being most reliable and cheap were not sufficient to meet the total requirement of power. Consequently, short term purchases were negotiated from time to time. The source-wise purchase of power during review period is given in the **Annexure 8**. We observed that-

- Energy purchased from State Generation PSUs was cheapest in all five years.

- There has been an increase in energy requirement from 2006-07 to 2010-11, 70 *per cent* of which was met by the State PSUs. In this period, the purchases from the Central sector remained static. Consequently, the Company's purchases of energy from IPPs and other sources increased from one *per cent* in 2006-07 to six *per cent* in 2010-11. These purchases were at higher rates of ₹ 2.49 per unit to ₹ 4.30 per unit.

Sub-transmission & distribution losses

2.1.25 The distribution system is an important and essential link between the power generation source and the ultimate consumer of electricity. For efficient functioning of the system, it must be ensured that there are minimum losses in sub-transmission and distributing the power. While energy is carried from the generation source to the consumer, some energy is lost in the network. The losses at 33 KV stage are termed as sub-transmission losses while those at 11 KV and below are termed as distribution losses. These are based on the difference between energy received (paid for) by the Distribution Company and energy billed to consumers. The percentage of losses to available power indicates the effectiveness of Distribution system. The losses occur mainly on two counts, *i.e.*, technical and commercial. Technical losses occur due to inherent character of equipment used for transmitting and distributing power and resistance in conductors through which the energy is carried from one place to another. On the other hand, commercial losses occur due to theft of energy, defective meters and drawal of unmetered supply, *etc.*

The table below indicates the energy losses for the power distribution companies in the State as a whole for last five years upto 2010-11.

(In MUs)

Sl. No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
1	Energy purchased	20,904	21,846	23,764	26,713	28,699
2	Own generation	396	771	941	1,114	1,215
3	Net UI, grid loss, transmission losses, consumption for PPSP and power swap out	969	2,434	2,678	3,790	3,460
4	Energy available for sale (1+2-3)	20,331	20,183	22,027	24,037	26,454
5	Energy sold	14,937	15,887	17,577	18,976	20,436
6	Energy losses (4 – 5)	5,394	4,296	4,450	5,061	6,018
7	Percentage of energy losses {6/ 4) x 100}	26.53	21.29	20.20	21.06	22.75
8	Percentage of losses allowed by WBERC	23	19.5	18.75	18.25	17.75
9	Excess losses (in MUs)	718	361	319	675	1,323
10	Average realisation rate per unit (in ₹)	3.19	3.20	3.35	3.49	4.72
11	**Value of excess losses (₹ in crore) (9 x 10)**	**229.04**	**115.52**	**106.87**	**235.58**	**624.46**

Sub-transmission and distribution losses were higher than the norms for entire review period which cost the Company ₹ 1,311.47 crore.

It would be seen from the above table that losses ranged between 26.53 and 20.20 *per cent* during the last five years ending 31 March 2011. These were higher than the WBERC stipulated norms in each of these years. The aggregate of such excess loss was 3,396 MUs valued at ₹ 1,311.47 crore during 2006-11. Reduction in these losses is the most significant step towards making the Company financially self-sustaining. The importance of reducing losses can be gauged from the fact that a one *per cent* decrease in losses could add ₹ 124.87 crore[24] to the profits of the Company annually. Besides, given that there were shortfall of power at peak load, it was imperative that the Company take stronger measures to reduce distribution losses.

Reasons of high energy losses

2.1.26 The main reasons for such high energy losses were insufficient transformation capacity, low feeder availability, high interruption, voltage fluctuation, inadequate working capacity of capacitor banks, low power factor, and theft of electricity etc.

Performance of distribution transformers

2.1.27 WBERC had not fixed norms for failure of Distribution Transformers (DTRs) in their tariff orders for the Company. The details of norms fixed, actual DTRs failed in last five years for the Company is depicted in the table at next page.

[24] Based on figures for 2010-11.

Sl. No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
1	Existing DTRs at the close of the year (in Number)	1,05,065	1,09,138	1,13,926	1,18,343	1,24,666
2	DTR Failures (in Number)	10,417	10,066	8,513	12,225	12,434
3	Percentage of failures	9.91	9.22	7.47	10.34	9.97
4	Norm allowed by WBERC (in *percentage*)	No such norm prescribed				
5	Expenditure on repair of failed DTRs (₹ in crore)	Not Available				

It may be seen from the above table that in absence of any target for improvement over the years, there has been no significant improvement in DTR failure rates. Further, the Company did not maintain or analyse the reasons for failure of DTRs. They also did not maintain any record regarding failure of DTRs within guarantee period, average down time of DTRs and amount spent on repair and maintenance of DTRs. The Company is yet to undertake hundred *per cent* metering of DTRs.

However, in September 2010, the Company has embarked on developing a Transformer Transaction Management System through a web based system developed by PriceWaterhouseCoopers. This system would capture all data relating to DTRs including each and every transaction. Failure of DTRs could be minimised by taking adequate steps for preventive maintenance and avoiding over-loading of the same.

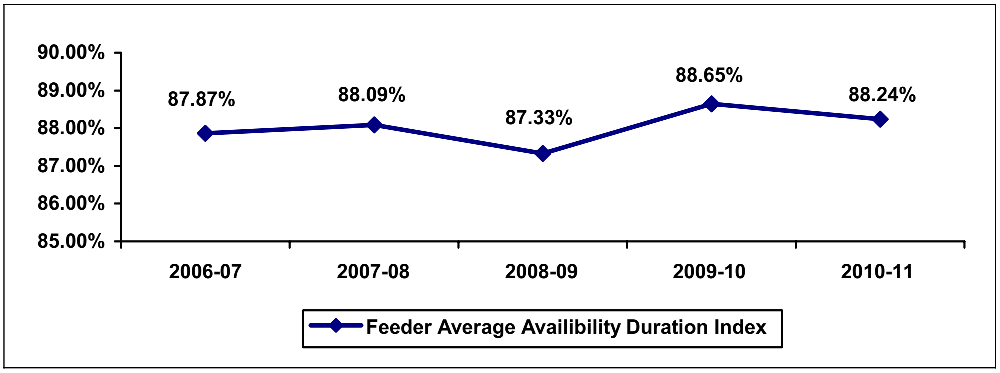
High interruption

2.1.28 The table below indicates interruptions across all divisions of the Company.

Sl No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
	No. of interruptions due to:					
1	Power Failures	1,80,364	1,53,204	1,14,871	1,31,539	90,636
2	Break down, Shut Down etc.	2,96,576	6,18,007	5,79,869	8,54,044	5,05,452
	Total Interruptions	**4,76,940**	**7,71,211**	**6,94,740**	**9,85,583**	**5,96,088**
3	Interruption due to Break down, Shut Down (*per cent)*	62.18	80.13	83.47	86.65	84.79

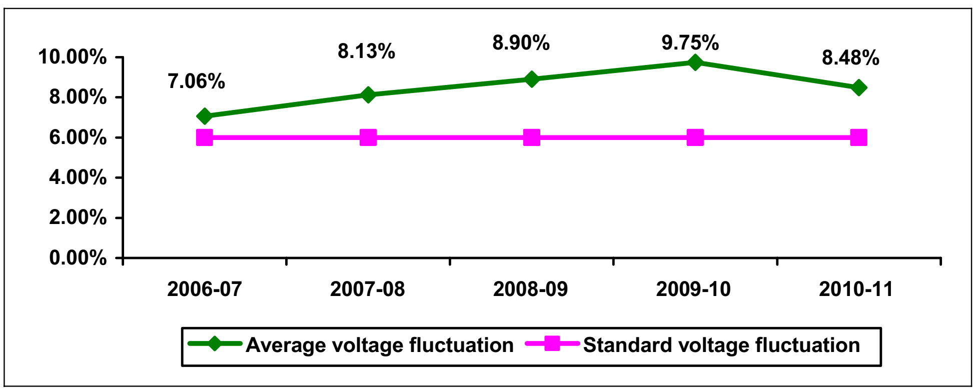
The above table shows that most of the interruptions were due to break down and shut down. This in turn indicates deficiencies in maintenance. We observed that divisions (which are primarily responsible for O&M) did not have any schedule of annual maintenance. Most maintenance operations were on contingent basis. The maintenance work was taken up before the 'Durga puja' to ensure uninterrupted power supply during the festival season. Further, as the Company handled more power and higher demand in progressive years, increasing number of break downs occurred as lack of adequate maintenance decreased reliability of the network. This in turn lowered FAADI[25] as reflected in the following graph.

[25] Feeder Average Availability Duration Index



Voltage fluctuation

2.1.29 One of the principal responsibilities of power distribution company is to ensure quality power. This in turn means that there should be proper voltage regulation. The graph below shows mean voltage fluctuations both above and below the desired voltage level.



The above graph also shows that as the networks handled more energy and higher demand in successive years, wider fluctuations in voltage were noticed across the divisions. Voltage drops were most acute in the North Bengal, especially in the hills.

The Government/ Management replied (December 2011) that they had opened a Condition Monitoring Cell and procured required equipments to address the issue of high interruption as pointed out by us. The Management further submitted that the projects mentioned in subsequent paragraphs (para 2.1.30, 2.1.31 and 2.2.32), would enable better voltage regulation.

Feeder rationalisation

2.1.30 The Company had identified (July 2007) 506 numbers of 11 KV feeders that catered to load of more than one supply station area. This created difficulties in assessing ATC loss of individual supply stations. Moreover, due to overloading and long length of line, voltage regulation could not be maintained within permissible limit. Rationalisation of these feeders would enable delivery of quality power to the customers, reduce line loss and enable energy accounting.

The net annual reduction in distribution loss was assessed at 576.83 MUs valued at ₹ 179.97 crore for each year. The expected completion date was August 2009. However, as of March 2011, 386 (76 *per cent*) feeders have only been rationalised with target date of completion revised to June 2011. The delay led to loss of 865.24 MUs at total cost of ₹ 269.96 crore.

Conversion of LT conductors into Aerial Bunch Cables

2.1.31 Aerial Bunch cables prevent illegal tapping of low voltage distribution lines and help in reducing overloading of DTRs and maintain voltage of the supply. The Company had decided in July 2007 to draw LTAB cables in theft prone urban/semi urban areas. Besides reducing theft it would ensure quality power with limited breakdown and interruption. A pilot project of 220Km of LTAB cables was drawn to be completed by August 2010 which would enable in reduction in ATC losses in these areas by nine *per cent*. However, the project was completed after delay of eight months in April 2011, resulting in loss of energy (13.83 MUs) valued at ₹ 4.31 crore.

Capacitor banks

2.1.32 Capacitor bank improves power factor by regulating the current flow and voltage regulation. In the event of voltage falling below normal, the situation can be set right by providing sufficient capacity of capacitor banks in the system as it improves the voltage profile and reduces dissipation of energy to a great extent thereby saving loss of energy. Our observations on installation of HT capacitor bank at 33/11KV sub-stations have been included in paragraph 3.1 of Audit Report (Commercial) for 2009-10.

73.60 MUs energy valued ₹ 22.96 crore could not be saved due to non installation of capacitor banks.

The Company has also taken up a project of installing LT shunt capacitors at the premises of industrial L&MV consumers. Total of 6,53,405 KVAr[26] was to be added to 65,775 consumers' premises. The project was approved in August 2007. It was assessed that against estimated cost of ₹ 28 crore and project completion time of one year, the Company would earn ₹ 37 crore annually. However, tenders were floated after delay of 28 months in December 2009. The delay in award of tender was attributed to finalisation of technical specification by CPRI[27], Bangalore although we observed that the Management had already finalised technical specifications. Eventually the work was awarded in August 2010 with target completion time of one year. As of January 2011, (42 *per cent* time expired) 7,000 capacitors (*10 per cent*) have been installed. The delay in floating of tenders for the project, led to loss of targeted energy saving of 73.60 MUs valued at ₹ 22.96 crore over two years.

Management attributed the delay to finalisation of specification by CPRI, finalising the contract with the contractor and resistance by a section of consumers. However, the project lacked urgency in finalisation of tenders and subsequent execution which led to the loss.

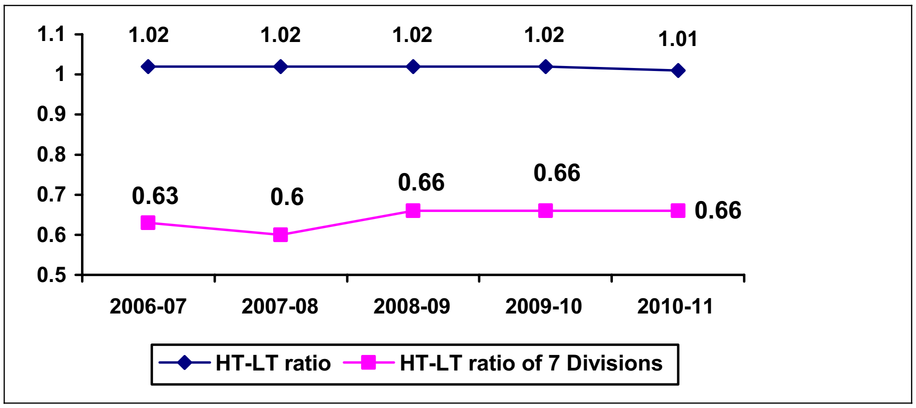
[26] Reactive Kilo volt ampere
[27] Central Power Research Institute.

Commercial losses

2.1.33 The majority of commercial losses relate to consumer metering and billing besides pilferage of energy. While the metering and billing aspects have been covered under energy accounting and audit, the other observations relating to commercial losses are discussed below.

Implementation of LT less system

2.1.34 High voltage distribution system is an effective method of reduction of technical losses, prevention of theft, improved voltage profile and better consumer service. The GOI had also stressed (February 2001) the need to adopt LT less system of distribution through replacement of existing LT lines by HT lines to reduce the distribution losses. The HT-LT ratio over the review period is depicted in the graph below:



It may be seen from the above graph that the Company had maintained a high HT-LT ratio for the Company as a whole. However, test checks of seven divisions[28] revealed that HT-LT ratio in these divisions were much lower at average of 0.64:1.

High incidence of theft

2.1.35 Substantial commercial losses are caused due to theft of energy by tampering of meters by the consumers and unauthorised tapping/ hooking by the non-consumers. As per section 135 of Electricity Act, 2003, theft of energy is an offence punishable under the Act. The targets for number of checking, theft cases and amount realised thereagainst are given below:

Year	No. of checking	Theft cases	Amount Realised (₹ in crore)
2006-07	15,975	3,643	12.84
2007-08	16,193	3,111	24.25
2008-09	14,423	3,881	19.33
2009-10	13,784	2,419	11.42
2010-11	11,822	3,527	12.65

An analysis revealed that there were no targets or plans to conduct raids. Ideally the meter readers are the first to notice instances of meter tampering,

[28] Medinipore, Kharagpur, Ghatal, Baharampur I&II, Uttar and Dakshin Dinajpur.

hooking/ tapping *etc*. However, no system of gathering requisite information for checking of possible offenders was in vogue.

Performance of raid team

2.1.36 In order to minimise the cases of pilferage/ loss of energy and to save the Company from sustaining heavy financial losses on this account, Section 163 of Electricity Act 2003, provides that the licensee may enter the premises of a consumer for inspection and testing the apparatus. Vigilance team of the Company, headed by the Officer of the rank of Inspector General of Police at their headquarters was entrusted with the work of conducting raids of checking the premises of the consumers with the assistance of AE and other departmental officers of the Company. Superintendent Engineers of the concerned circles were supposed to prepare work plan to conduct raids by identifying such consumers/ areas where large scale theft was suspected. Due to lack of coordination between the vigilance wing and the concerned divisions, raids did not yield the desired results. Following is the position of raids conducted during review period.

Year	Total number of consumers as on 31 March	No. of consumers checked	Assessed amount	Realised amount	Unrealised amount	Percentage of checking to total nos. of consumer
			(₹ in crore)			
2006-07	62,37,105	7,909	13.15	8.17	4.98	0.13
2007-08	68,39,074	7,871	13.84	7.47	6.37	0.12
2008-09	72,98,142	7,221	13.14	8.24	4.90	0.10
2009-10	76,22,122	9,034	6.97	4.53	2.44	0.12
2010-11	80,41,678	7,017	11.50	4.63	6.87	0.09

In the absence of any target, percentage of consumers checked for theft of energy has been decreasing. Simultaneously, unrealised claims have also gone up from 37.87 *per cent* in 2006-07 to 59.73 *per cent* in 2010-11. There was need to conduct more raids to drastically reduce theft of energy. At the same time vigorous persuasion of claims should be undertaken.

In conclusion we found that sub-transmission and distribution losses ranged between 26.53 and 20.20 *per cent* during the review period, which was in excess of WBERC norms. The main reasons for such high energy losses were low feeder availability, high interruption, voltage fluctuation, inadequate number of shunt capacitors, low power factor etc.

Recommendation :-

- *The Company should restrict sub transmission and distribution losses within the WBERC norms, install adequate number of shunt capacitors, minimise interruptions and voltage fluctuations.*

Financial management

2.1.37 One of the major objectives of the National Electricity Policy 2005 was ensuring financial turnaround and commercial viability of electricity sector. The financial position of the Company for the four years[29] ending March 2011 is as under.

(₹ in crore)

Particulars	2007-08	2008-09	2009-10	2010-11
A. Liabilities				
Paid up Capital	2,223.00	2,307.72	2,558.40	2,558.40
Reserve & Surplus	235.79	579.28	1,085.77	1,693.68
Borrowings (Loan Funds)				
Secured	225.09	238.50	389.99	1,127.31
Unsecured	4,704.84	4,583.71	4,468.33	4,382.64
Current Liabilities & Provisions	3,479.69	5,460.11	6,617.24	7,412.29
Total	**10,868.41**	**13,169.32**	**15,119.73**	**17,174.32**
B. Assets				
Gross Block	9,122.95	9,825.92	10,577.07	12,044.33
Less: Depreciation	2,629.11	2,887.05	3,196.89	3,728.11
Net Fixed Assets	6,493.84	6,938.87	7,380.17	8,316.22
Capital Works-in-Progress	530.84	566.40	710.70	1,525.77
Investments	11.17	20.95	75.36	96.78
Current Assets, Loans and Advances	3,442.22	5,280.71	6,680.42	7,019.97
Accumulated Losses	390.34	362.39	273.08	215.58
Total	**10,868.41**	**13,169.32**	**15,119.73**	**17,174.32**
Debt Equity ratio	**1.60:1**	**2.03:1**	**1.81:1**	**1.98:1**
Net Worth	**2,068.45**	**2,524.61**	**3,371.09**	**4,036.50**

It may be seen from the above that the Accumulated Losses of the Company decreased by 44.77 *per cent* from ₹ 390.34 crore in 2007-08 to ₹ 215.58 crore in 2010-11. Further, the debt-equity ratio of the Company decreased from 1.60:1 to 1.37:1 during the review period.

Since reorganisation, the Company had steadily earned profits aggregating ₹ 305.25 crore. They however lost opportunities to earn higher margins due to poor project management (para 2.1.10, 2.1.11, 2.1.31 & 2.1.32), low collection efficiency (para 2.1.43, 2.1.44, 2.1.45, 2.1.46, 2.1.47, 2.1.48, 2.1.49, 2.1.50, 2.1.51 2.1.52 & 2.1.53) high ATC losses (para 2.1.20, 2.1.29 & 2.1.30), rudimentary Operation and Maintenance (O&M) practices (para 2.1.27, 2.1.28 & 2.1.35).

The particulars of cost of electricity *vis-à-vis* revenue realisation per unit are indicated at next page:

[29] Data is for four years as the Company had come into existence on unbundling of West Bengal State Electricity Board w.e.f 1 April 2007.

(₹ in crore)

Sl. No.	Description	2007-08	2008-09	2009-10	2010-11
1	**Income**				
(i)	Revenue from Sale of Power	5,426.44	6,609.12	7,526.01	9,395.55
(ii)	Regulatory Assets[30]	0.00	1763.83	1083.46	328.45
(iii)	Other income	639.80	797.76	528.35	537.75
	Total Income	**6,066.24**	**9,170.71**	**9,137.82**	**10,261.75**
2	**Distribution (in MUs)**				
(i)	Total power purchased / generated	22,617	24,705	27,827	29,914
(ii)	Less: Net UI, grid loss, transmission losses, consumption for PPSP and power swap out	2,434	2,678	3,790	3,460
(iii)	Net Power available for Sale	20,183	22,027	24,037	26,454
(iv)	Less: Sub-transmission & distribution losses	4,296	4,450	5,061	6,018
(v)	**Net power sold**	**15,887**	**17,577**	**18,976**	**20,436**
3	**Expenditure on distribution of electricity**				
(a)	**Fixed cost**				
(i)	Employees cost	457.63	2,273.63	901.37	855.45
(ii)	Administrative and General expenses	71.48	70.30	65.99	101.07
(iii)	Depreciation	190.09	258.26	277.26	294.62
(iv)	Interest and finance charges	370.24	466.98	461.29	440.94
(v)	Transmission/ Wheeling Charges[31]	553.89	808.06	820.72	791.80
(vi)	Other Expenses	110.99	269.12	203.61	294.52
	Total fixed cost	**1,754.32**	**4,146.35**	**2,730.24**	**2,778.40**
(b)	**Variable cost**				
(i)	Purchase of Power	4,109.45	4,874.81	6,213.55	7,233.98
(ii)	Repairs & Maintenance	102.21	110.74	122.98	154.24
	Total variable cost	**4,211.66**	**4,985.55**	**6,336.53**	**7,388.22**
(c)	**Total cost 3(a) + (b)**	**5,965.98**	**9,131.90**	**9,066.77**	**10,166.62**
4	**Net Profit {1 – 3 (c)}**	**100.26**	**38.81**	**71.05**	**95.13**
5	Realisation (₹ per unit)	3.82	5.22	4.82	5.02
6	Fixed cost (₹ per unit)	1.10	2.36	1.44	1.36
7	Variable cost (₹ per unit)	2.65	2.84	3.34	3.62
8	Total cost per unit (in ₹) {3(c)/ 2}	3.76	5.20	4.78	4.97
9	Contribution (5-7) (₹ per unit)	1.17	2.38	1.48	1.40
10	**Profit (+)/ Loss (-) per unit (in ₹) (5-8)**	**0.06**	**0.02**	**0.04**	**0.05**

It may be seen from the above that though the realisation per unit increased from ₹ 3.82 to ₹ 5.02 during review period (31 *per cent*), the cost per unit increased from ₹ 3.76 to ₹ 4.97 (32 *per cent*) during the corresponding period. Further, the contribution per unit had decreased by 20 *per cent* during 2007-11.

It was also evident from the above table that cost of power, employees cost and transmission & wheeling charges constituted the major elements of cost in 2010-11 which represented 71.20, 8.42 and 7.79 *per cent* of the total cost in that year. On

[30] Regulatory assets representing cost admissible for recovery through tariff, but yet to be included in tariff.

[31] Transmission charges are payable by the Company irrespective of quantum of energy transmitted by WBSETCL as per tariff orders, hence, it is treated as Fixed Cost.

the other hand, sale of power and other charges constituted the major elements of revenue in 2010-11 which represented 91.61 and 5.18 *per cent* of the total revenue.

2.1.38 The financial viability of the DISCOM is generally influenced by the various factors such as:

- Filing of Aggregate Revenue Requirement (ARR) and revision of tariff;
- Adequacy of tariff to cover the cost of operation;
- Timely release of promised subsidy by the Government;
- Cross subsidisation policy of the Government and its implementation by the DISCOMs;
- The Fund Management of DISCOMs; and
- The Revenue billing and collection efficiency.

Each of these factors is discussed in the following paragraphs.

Filing of ARR

2.1.39 The tariff structure of the DISCOMs are subject to revision by WBERC after the objections, if any, received against Aggregate Revenue Requirement (ARR) petition filed by them within the stipulated date. DISCOMs were required to file the ARR for each year in November of the preceding year for the respective year. In case of Multi Year Tariff (MYT), ARR was to be filed by November of the preceding year of the control period. The WBERC accepts the application filed by the DISCOMs with such modifications/ conditions as may be deemed just and appropriate and after considering all suggestions and objections from public and other stakeholders. The table below shows the due date of filing ARR, actual date of filing and date of approval of ARR.

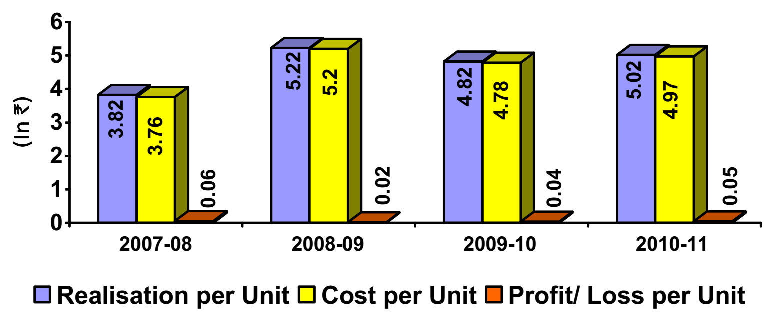
Year	Admissible date of filing[32]	Actual date of filing	Delay in days	Date of approval	Effective date
2006-07	30.11.2005	19.12.2005	19	08.05.2006	April 2006
2007-08	23.04.2007	23.04.2007	-	01.08.2007	April 2007
2008-09	31.05.2008	31.05.2008	-	30.09.2008	April 2008
2009-10	31.05.2008	31.05.2008	-	28.07.2009	April 2009
2010-11	31.05.2008	31.05.2008	-	29.07.2010	April 2010
Filing of APR					
2006-07	31.03.2008	31.03.2008	-	26.09.2008	Determined by WBERC on case to case basis.
2007-08	28.02.2009	02.03.2009	-	28.05.2009	
2008-09	31.12.2009	30.12.2009	-	26.07.2010	
2009-10	30.11.2010	29.11.2010	-	Not yet finalised	
2010-11	30.11.2011	-	-		

[32] As ultimately allowed by WBERC.

From the above it may be seen that although the Company had delayed filing of tariff application, such delays were condoned by WBERC mostly due to reorganization of the erstwhile Board to Company and introduction of Multi Year Tariff fixation mechanism.

Recovery of cost of operations

2.1.40 The Company was able to recover their cost of operations marginally during the last four years ending 2010-11.



The revenue surplus of ₹ 100.26 crore in 2007-08 declined to ₹ 95.13 crore of surplus in 2010-11 despite recognising income from Regulatory Assets during. The cost of sale of energy as compared to revenue from sale of power is attributable to high ATC loss.

Detailed analysis revealed that the extent of tariff was lower than breakeven levels (in percentage terms) of revenue from sale of power at the present level of operations and efficiency for the last five years ending 31 March 2011 as shown in the table below:

(₹ in crore)

Year	Sales	Variable costs	Fixed costs	Contribution	Deficit in recovery of fixed costs	Deficit as percentage of sales
(1)	(2)	(3)	(4)	(5) = (2) – (3)	(6) = (4) – (5)	(7)={(6)/ (2)} X 100
2007-08	5,426.44	4,211.66	1,754.32	1,214.78	539.54	9.94
2008-09	6,609.12	4,985.55	4,146.35	1,623.57	2,522.78	38.17
2009-10	7,526.01	6,336.53	2,730.24	1,189.48	1,540.76	20.47
2010-11	9,395.55	7,388.22	2,778.40	2,007.33	771.07	8.21

It could be seen from above table that increasingly the Company was unable to recover their fixed costs due to lower tariff fixation by WBERC to avoid steep power costs. As already pointed out, WBERC allows certain costs, but exclude them from tariff. The Company retains such unrealised costs as Regulatory Assets. As of March 2011 total Regulatory Assets retained by the Company were ₹ 3,320.05 crore representing 62 *per cent* of unrealised Fixed Costs which was not realised affecting the liquidity position of the Company.

Though it appears that the tariff is on lower side and needs to be revised for recovery of the costs, it may be highlighted here that the same can be brought about by improving operational efficiency, *viz.*, reduction in/ control of AT & C losses, conversion of LT lines to HT lines, replacement of defective meters, improving billing and collection efficiency, *etc.*, which have been discussed separately in the review. Further, reduction of cross subsidisation among various categories of consumers might also help in improving the position.

Subsidy support

2.1.41 The Company does not receive any subsidy from the Government towards cost of operations. However, the Government has subsidised cost of power of the consumers based on volume of consumption each month. In compliance with Section 65 of Electricity Act 2003, the Company estimated consumption for each billing cycle, claimed and received subsidy on behalf of the consumer. In turn, the Company passed on the benefit of consumption to the consumer through their bills. During 2009-10 and 2010-11, the Company had received ₹ 70.77 crore and ₹ 95.13 crore as subsidy on behalf of consumers.

Cross subsidisation

2.1.42 Section 61 of Electricity Act, 2003 stipulates that the tariff should progressively reflect the average cost of supply (ACOS) of electricity and also reduce cross subsidy in a phased manner as specified by the Commission. National Tariff Policy envisaged that the tariff of all categories of consumer should range within plus or minus 20 *per cent* of the ACOS by the year 2010-11. The position as regards cross-subsidies in all sectors is depicted in the table below:

Particulars	**2006-07**		**2007-08**		**2008-09**		**2009-10**		**2010-11**	
Average cost of supply (in paise *per* unit)	319		320		335		349		472	
Average Revenue from	**Paise *per* unit**	**Percen-tage of ACOS**	**Paise *per* unit**	**Percen-tage of ACOS**	**Paise *per* unit**	**Percen-tage of ACOS**	**Paise *per* unit**	**Percen-tage of ACOS**	**Paise *per* unit**	**Percen-tage of ACOS**
Domestic	267	83.70	276	86.25	274	81.79	331	94.84	407	86.23
Commercial	443	138.87	462	144.38	474	141.49	564	161.60	614	130.08
Industrial	394	123.51	413	129.06	417	124.48	457	130.95	553	117.16
Agricultural	146	45.77	121	37.81	169	50.45	141	40.40	146	30.93
Others	313	98.12	385	120.31	478	142.69	431	123.50	395	83.69

It may be seen from the above table that the cross subsidies allowed was not in convergence with the NEP. Agricultural activities were heavily subsidised, while commercial consumers were charged at higher rates. Such rates for commercial consumer also induced reporting of commercial activities as industrial activities (para 2.1.44).

In conclusion we observed that the Company earned Profits in all four years aggregating to ₹ 305.25 crore after accounting for Regulatory Assets of ₹ 3,320.05 crore which was recoverable as at March 2011. In deviation of National Tariff Policy, agricultural consumers were heavily subsidised and average revenue was only 31 to 50 *per cent* of average cost of supply, while commercial consumers were charged at higher rates.

Recommendation :-

- *Adhere to National Tariff Policy and not cross subsidise agriculture consumers beyond the norms.*

Billing Efficiency

2.1.43 As per directives of WBERC, the Company is required to take the reading of energy consumption of each consumer at the end of the notified billing cycle. After obtaining the meter readings, the Company issues bills to the consumers for consumption of energy. Sale of energy to metered categories consists of two parts *viz*., metered and assessed units. The assessed units refer to the units billed to consumers in case meter reading is not available due to meter defects, door locked *etc.* WBERC had not stipulated any ceiling for assessed bills. They had however stipulated timeframe within which defective meters are to be replaced by the licensee.

Billing of all L&MV[33] consumers are being done at division level. Domestic consumers are billed on quarterly basis, while other consumers were being billed on monthly basis. HV[34] consumers with connected load below 500 KVA are metered from Circles and EHV[35] consumers with connected load of 500 KVA are billed from head office of the Company. HV and EHV consumers are billed on monthly basis.

The efficiency in billing of energy lies in distribution/ sale of maximum energy by the Company to their consumers and realising the revenue therefrom in time.

Sl. No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
		(Figures in MUs)				
1	Energy available for sale	20,331	20,183	22,027	24,037	26,454
2	Energy billed	14,937	15,887	17,577	18,976	20,436
3	Percentage of energy billed to energy available	73.47	78.71	79.80	78.94	77.25
4	Assessed / Average sale	660.46	254.04	256.59	291.95	230.63
5	Assessed sales as percentage of energy billed	4.42	1.60	3.67	1.54	1.13

It would be seen from the above that energy billed during review period ranged between 73.47 to 79.80 *per cent* of the total energy available for sale. This was due to increase in use of electronic meters in consumer billing.

[33] Low and Medium Voltage.
[34] High Voltage.
[35] Extra High Voltage.

Further, instances of assessed/ average billing declined from 4.42 *per cent* to 1.13 *per cent* during this period due to decline in consumers with defective meters.

Instances of undue favour to consumers are illustrated below:

Incorrect application of tariff

2.1.44 Tariff rates applicable to commercial consumers, poultry and food processing is higher than that applicable for industrial consumers. Test check of actual tariff applied in five[36] circles and six[37] divisions for the year 2007-08 and 2008-09 showed that the Company had classified motor garage, cinema hall, training institutes, bottling plant, poultries and hatcheries, fisheries and food processing units, which are commercial units, as industrial units. This resulted in loss of revenue of ₹ 1.20 crore to the Company.

Under assessment of revenue

2.1.45 According to clause 3.6 of WBERC (Electricity Supply Code) Regulation, 2007 effective from September 2007 where the meter of a consumer is found defective, the consumer shall be billed for the period on the basis of average consumption of previous three billing cycles prior to the date of meter becoming defective.

We observed (May 2011) that in fifteen Divisions, meters of 2.12 lakh consumers became defective during 2006-11. Of these, previous meter readings of 86,057 consumers were not recorded. Consequently, their subsequent bills could not be drawn as average consumption was not ascertainable.

The Management stated (December 2011) that our observation was not according to Regulations. However, our calculations were based on West Bengal Electricity Regulatory Commission (Electricity Supply Code) Regulations, 2007.

Short levy of minimum charges

2.1.46 WBERC determined (August 2007 and September 2008) the minimum charges applicable for L&MV domestic consumer from 2007-08 would be ₹ 28 and for L&MV commercial consumer from 2008-09 would be ₹ 40 each month. Test check (May 2011) of bills in 15 divisions revealed that during 2008-09 to 2010-11, 21.63 lakh bills against 5.67 lakh consumers were less than minimum charges.

The Management replied (December 2011) that there was no provision for minimum charges in 2007. We observed that WBERC had provided (August 2007) for minimum charges in their tariff orders applicable for 2007-08.

Loss due to inaction against consumers running with low power factor

2.1.47 As per tariff schedule, in case an industrial consumer is billed on KWh basis and its power factor falls below 0.85, the consumer pays for less energy than

[36] Bidhannagar, Birbhum, 24 Parganas South, 24 Parganas North and Howrah.
[37] Arambagh, Basirhat, Contai, Behala, Kalna and Kharagpur.

the energy actually supplied to him. To compensate this loss, the tariff provides for power factor surcharge on energy charge payable by the consumer. However, tariff does not provide for power factor surcharge on non industrial consumers. We observed (May 2011) that against 26,544 bills raised by the Company on non-industrial consumers, they could not collect power factor surcharge from these consumers despite power factor falling below 0.85.

Revenue collection efficiency

2.1.48 As revenue from sale of energy is the main source of income of DISCOM, prompt collection of revenue assumes great significance. The salient features of the collection mechanism being followed by the DISCOM are as follows:

- Consumers may make payments of the bills by cash, cheques or by demand draft.
- Revenue billed in respect of HT services is collected at collection counters located at every circle office. In respect of LT services, electricity bills are generally collected by the group supply offices except in some areas where collection work is entrusted to certain private collection agencies.
- WBERC stipulated (September 2007) that consumers should have a minimum time of seven days between receipt of bill and its due date for payment. Consumers are liable for payment of additional charges of 1.25 paisa per rupee pro-rata on the amount of the bill for the period of the delay, progressively increasing this charge to two paise per rupee for delay beyond six months.

The table below indicates the balance outstanding at the beginning of the year, revenue assessed during the year, revenue collected and the balance outstanding at the end of the year during last five years ending 2010-11.

Sl. No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
		(₹ in crore)				
1	Balance outstanding at the beginning of the year	1,264.81	1,234.81	698.90	839.10	946.97
2	Revenue assessed/Billed during the year	5,593.07	5,426.44	6,609.12	7,526.01	9,395.55
3	Total amount due for realisation (1+2)	6,857.88	6,661.25	7,308.02	8,365.11	10,342.52
4	Amount realised during the year	5,520.70	5,961.72	6,464.69	7,417.51	9,293.94
5	Amount written off during the year	102.37	0.63	4.23	0.63	0.78
6	Balance outstanding at the end of the year	1,234.81	698.90	839.10	946.97	1,047.80
7	Percentage of amount realised to total dues (4/3)	80.50	89.50	88.46	88.67	89.86
8	Arrears in terms of No. of months assessment	2.65	1.55	1.52	1.51	1.34

We observed from the above details that:

The balance dues outstanding at the end of the year decreased from ₹ 1,234.81 crore in 2006-07 to ₹ 1,047.80 crore in 2010-11. This was due to better recovery of dues from customers.

Of the above, dues of ₹ 585.51 crore from 15 divisions indicated that dues outstanding for more than three years amounted to ₹ 136.37 crore (23.29 *per cent*) while an amount of ₹ 85.20 crore (14.55 *per cent*) was due from disconnected consumers**.**

Non-disconnection of supply of consumers with heavy arrears

2.1.49 As per WBERC (Electricity Supply Code) Regulation 2004 and 2007, in case the electricity dues are not deposited by the consumer within due date indicated in the bill, the supply shall be disconnected temporarily. We observed (May 2011) that, of 3,834 L&MV customers in 15 divisions and 3,029 HT and EHT consumers had arrears of more than ₹ 1 lakh each. They had not paid their dues for three to 318 months but their supply was not disconnected as per the above provisions. Non-disconnection of supply of these defaulting consumers, resulted in accumulation of arrears to ₹ 236.13 crore (March 2011).

The Management stated (December 2011) that power supply is liable to be disconnected only after expiry of notice period if payment is not received as per section 56 of Indian Electricity Act 2003. The reply does not justify inaction on the part of Management since the section provides for 15 days clear notice only and thereafter electricity connection in respect of defaulting consumers was liable for disconnection.

Failure to finalise permanent disconnection cases

2.1.50 Seventy nine L&MV consumers in 15 divisions and 449 HT and EHT consumers of the Company had arrear of more than ₹ one lakh and did not deposit their dues for four to 189 months. Supply to these consumers was disconnected temporarily and billing was stopped. The Company neither disconnected supply permanently nor finalised the accounts of these consumers. This resulted in non-realisation of arrears amounting to ₹ 22.05 crore (March 2011).

We conclude that energy billed during review period ranged between 73.47 to 79.80 *per cent* of the total energy available for sale. The Company lost opportunity to earn higher revenue due to incorrect application of tariff, under assessment of revenue and short levy of minimum charges. Further, non disconnection of supply to defaulting consumers resulted in accumulation of arrears of ₹ 236.13 crore as well as non realisation of ₹ 22.05 crore from temporarily disconnected consumers.

Recommendation :-

- *Achieve 100 percent energy billing, apply correct tariffs and levy minimum applicable charges on consumers.*

Un-cashed cheques

2.1.51 In six divisions of the Company cheques worth ₹ 9.45 crore deposited in bank during review period were not credited (February to April 2011) into the accounts of the Company by the concerned banks. The divisions had not noted the details of consumers, their billing months, *etc.* against payment of these cheques. We scrutinised with IDEA[38] the data base table "paymast" and "onlnrcol" which records payments relating to energy bills of consumers and other payments received from the consumers; against the details of cheques deposited in the bank but remaining un-credited.

Scrutiny revealed (May 2011) that cheques valued ₹ 3.12 crore (six[39] divisions) that were received (March 2005 to March 2011) from the consumers could not be identified against any consumer in the database. This casts doubt as to whether these sums were actually received and deposited by the Company. Further, at Ghatal division of the Company, 36 bank drafts (October 2007 to January 2011) remitted by Group supplies valuing ₹ 21.35 lakh remained uncleared (April 2011). These included 16 bank drafts (₹ 5.61 lakh) drawn (October 2007 to December 2007) on State Bank of India Ghatal Branch, where the bank account of Ghatal division was maintained, that remained unrealised for reasons not found on record. At Baharampur II division, cheques of ₹ 5.67 lakh received (July 2009 to December 2010) from post offices against collection from consumers remained unrealised.

Dishonoured cheques

2.1.52 The consumers, whose cheques are dishonoured, should be informed immediately so that the payment may be made by them in cash against such dishonoured cheques. Moreover, the Company should bill such consumers for bank charges so incurred. However, test check of seven divisions of the Company revealed that cheque receipt registers were not maintained at the divisions. Rudimentary records of cheque receipts were maintained in the memorandum cash books, which often did not record the consumer number to identify the consumer whose cheques may be dishonoured.

Misappropriation /embezzlement of revenue

2.1.53 During the period under review, instances of misappropriation/ embezzlement of cash involving a sum of ₹ 36.42 lakh were noticed (April 2011). Although the Company had conducted enquiry to bring out the clear facts of embezzlement and financial mis-appropriation to establish distinct responsibility of the employee, such repeated misappropriation/ embezzlement of cash is an indication of lack of adequate control and supervision over cash.

[38] A data analysis and audit software.

[39] Midnapore, Kharagpur, Ghatal, Baharampur I & II and Uttar Dinajpur

Consumer satisfaction

2.1.54 One of the key elements of the Power Sector Reforms was to protect the interest of the consumers and to ensure better quality of service to them. The consumers often face problems relating to supply of power such as non availability of the distribution system for the release of new connections or extension of connected load, frequent tripping of lines and/ or transformers and improper metering and billing.

The Company was required to introduce consumer friendly actions like introduction of computerised billing, online bill payment, establishment of customer care centre, *etc.* to enhance satisfaction of consumers and reduce the advent of grievances among them. The billing issues have already been discussed in preceding paragraphs. The redressal of grievances is discussed below:

Redressal of grievances

2.1.55 In January 2006 WBERC[40] specified the mode and time frame for redressal of grievance in pursuance of the Electricity Act, 2003. The Standards of Performance (June 2004 and May 2010) prescribe time limit for rendering services to the Consumers and compensation payable for not adhering to the same was laid down. The nature of services contained in the Standards *inter-alia* include time limit for restoring unplanned interruption in power supply due to line breakdown, distribution transformer failures, voltage variations, meter complaints, installation of new meters and new connections, *etc.*

WBSEDCL created (January 2009) Customer Relation Management (CRM) Cell to look into the grievances of consumers and their redressal. To enable the compilation of complaints for assessing the performance on this account, separate registers were maintained by the Company. The overall position as regard receipt of complaints and their clearances is depicted in the table below:

Sl. No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
		(in numbers)				
1	Total complaints received	NA	6,612	16,673	28,698	8,81,979
2	Complaints redressed within time	NA	4,628	12,995	24,184	8,11,387
3	Complaints redressed beyond time	NA	1,521	3,127	2,476	17,415
4	Pending complaints	NA	463	551	238	33,145
5	Percentage of complaints redressed beyond time to total complaints	NA	23	18.75	8.62	1.97
6	Compensation paid, if any, to Consumers (₹ in lakh)	NA	NA	NA	142.90	114.93

The Company paid ₹ 2.58 crore as compensation to the consumers for non-compliance of WBERC Regulations. In addition, Bishnupur Division paid ₹ 68.36 lakh as compensation, the information of such payment was not

[40] West Bengal Electricity Regulatory Commission.

known to the CRM Cell of the Company. Further, similar compensation by other divisions cannot be ruled out.

Bishnupur Division had 550 pending (February 2011) STW/SMP[41] connections which could not be effected due to scarcity of materials. WBERC Regulation states, service connections to be effected within six months from deposit of service connection charges by consumers. As of February 2011, 401 connections were pending beyond six months which resulted in accrued liability of ₹ 2.75 crore.

The Company should charge meter rent on operating meters of their consumers. Records showed the Company was charging meter rent for defective meters also. Meter rents of ₹ 1.18 crore were collected in five[42] divisions on defective meters which was not prudent as it puts unnecessary burden on their consumers.

Energy conservation

2.1.56 Recognising the fact that efficient use of energy and its conservation is the least-cost option to mitigate the gap between demand and supply, the GOI enacted the Energy Conservation Act, 2001 (Act). The conservation of energy being a multi-faceted activity, the Act provides both promotional and regulatory roles on the part of various organisations. The promotional role includes awareness campaigns, education and training, demonstration projects, R & D and feasibility studies. The regulatory role includes framing rules for mandatory audits for large energy consumers, devising norms of energy consumption for various sectors, implementation of standards and provision of fiscal and financial incentives.

The Company is State Designated Agency (SDA) under the Act. For energy conservation measures BEE[43] had disbursed (January 2008 to April 2011) ₹ 1.95 crore to the Company during the period under review for undertaking various measures as tabulated below:

(₹ in lakh)

Year	Amount received	Purpose for which amount disbursed by BEE
2007-08	46.50	For strengthening State Designated Agency (SDA)
2008-09	51.75	For conducting investment grade energy audit in 20 buildings, Essay competition on energy awareness programme and for various other activities of SDA
2009-10	81.10	LED village campaign project, implementation of pilot LED street light project with KMC and for various other activities of SDA
2010-11	15.35	For various other activities of SDA

The investment grade energy audit commenced in February 2011 and their report is awaited. LED village (Dandirhat) campaign project was taken up in

[41] Shallow Tube wells and Submersible Pumps.
[42] Asansol, Kalna, Memari, Bankura and Bishnupur.
[43] Bureau of Energy Efficiency.

February 2011 and LED street light project with KMC[44] started in January 2011 and was scheduled to be completed in March 2011 but same was not completed so far (May 2011).

Energy Conservation Act, 2001 stipulates State Governments to constitute Energy Conservation Fund for promotion of efficient use of energy and its conservation. Government of West Bengal belatedly (September 2010) notified creation of West Bengal Conservation Fund (WBCF).

This fund received (January 2011) ₹ two crore from BEE to undertake the following jobs, all of which are yet to commence.

1. Preparation of Sector Specific Energy Savings Plan of the State.
2. Preparation of the Waste Heat Recovery Policy of the State.
3. Implementation of Projects on Waste Heat Recovery.
4. Revolving Investment Funds for self financing projects.

BEE contribution was 50 *per cent* of the total amount to be disbursed as first instalment. The remaining 50 *per cent* of the fund would be disbursed only after the State Government provided a matching contribution to the amount disbursed for the first instalment. The State Government was yet to contribute their share to the fund.

Energy accounting and audit

2.1.57 A concept of comprehensive energy audit was put in place with the objective to identifying the areas of energy losses and take steps to reduce the same through system improvements besides accurately accounting for the units purchased/ sold and losses at each level. The main objectives of energy audit are as follows:

- better and more accurate monitoring of the consumption of electricity by consumers;
- elimination of wastages;
- reduction of downtime of equipment;
- massive savings in operational costs and increase in revenue, *etc*.

The Company engaged (April 2005) Secure Meters Limited (SML) for conducting energy audit for two years at a fee of ₹ 10.74 crore (inclusive of service tax). Energy audit reports/ returns during the review period showed that the reports submitted by SML did not mention accurate monitoring of the consumption of electricity by the Company; elimination of wastages and reduction of downtime of equipments rather they reported only distribution transformer metering, feeder metering, under/over/unbalanced distribution

[44] Kolkata Municipal Corporation.

transformers and 11 KV feeder line loss. Award of contracts for energy audit revealed following deficiencies.

Undue benefit to contractor

2.1.58 The Company placed (April 2005) an order for 13,502 energy accounting meters to be installed across distribution network, at ₹ 9.89 crore inclusive of service tax[45] on SML. The Company placed further two orders for 11,015 meters (October 2006) for ₹ 9.03 crore and 4,215 meters (April 2007) for ₹ 3.51 crore on SML exclusive of service tax. We observed that the erection charge for 11,015 (October 2006) meters was higher compared to the orders placed in April 2005 and in April 2007. Non inclusion of service tax and higher erection rate, resulted in extra expenditure of ₹ 2.43 crore and undue benefit to SML by way of allowing service tax[46] separately (₹ 1.28 crore) and higher erection charges (₹ 1.15 crore).

Management stated (December 2011) that they had accepted (October 2006) higher price from SML as they believed that re-tender would have resulted in higher rates.

The reply did not address the fact that in subsequent procurement (April 2007), the Company actually enjoyed lower price.

Extra expenditure

2.1.59 The aforesaid purchase orders mentioned that the maintenance of meter would be free of cost for a period of five years from the date of commissioning or five and a half years from the date of dispatch by SML. Again, the orders for data collection, preparation of reports also included similar clause towards service maintenance. Thus Company incurred an extra expenditure of ₹ 10.15 crore due to inclusion of same element in subsequent order.

Consumer metering

2.1.60 Attainment of 100 *per cent* metering was one of the objectives of the R-APDRP scheme. The Company did not take up any separate scheme/ project to attain the above objective but as a normal practice, the work of metering of un-metered consumers and replacement of defective and stopped meters in 52 divisions of the Company was a continuous process. The achievement of metering of all consumers (of various categories) in the State is indicated in the **Annexure 9**. It can be seen from the annexure that though the Company achieved the targets during the review period (except 2008-09) in respect of installation of meters in case of L&MV consumers but actual achievements against the targets in case of decentralized bulk consumers were ranging from 57.94 to 82.33 *per cent*. The detailed analysis of the selected Units/ circles revealed the following:

[45] @ 10.2 *per cent.*
[46] Calculated at 10.2 *per cent.*

- The Company decided (January 2010) to procure 24.06 lakh single phase energy meters from six different firms at landed cost of ₹ 940.50 per meter. Scrutiny showed that actual landed cost of meter varied from ₹ 940 to ₹ 958 due to non inclusion of statutory duties at the time of evaluation of offers and resulted in excess expenditure of ₹ 1.03 crore.

- The Company had procured (May 2011) 40 lakh meters on the basis of submission before their Board that they had stock of only 38,405 meters as of March 2011. However, on the basis of procurement and installation of meters in last five years, we observed (May 2011) that closing stock of meters for the Company as of March 2011 should have been 6.21 lakh. The Management replied (December 2011) that their closing stock was 4.81 lakh meters as of March 2011 while an unidentified number of meters were in transit between various units of the Company.

  We observed that the Company had purchased 4.42 lakh meters in excess of their requirements by understating closing stock of meters before their Board. This resulted in excess expenditure of ₹ 40.58 crore. Moreover, even after lapse of eight months (December 2011), the existence of 1.40[47] lakh meters worth ₹ 13.17 crore is doubtful.

Monitoring by top management

2.1.61 The Power Distribution Company plays an important role in the State economy. For such a giant organisation to succeed in operating economically, efficiently and effectively, there has to be a Management Information System (MIS) for monitoring by top management.

We observed that proper MIS report was not placed before the Board of the Company for better control, monitoring and follow up actions. CMD of the Company once in every month discussed divisions' performances with the divisional managers. For this meeting, the divisions submit Progress Revenue Reports (PRT).

The content of the PRT did not always depict the true picture of the performances of the divisions. Contents of the PRT also changed from year to year. For instance, in 2006-07 the divisions reported the LT-HT ratio which was subsequently left out. Audit scrutiny revealed that ATC loss figure of the Company as mentioned in the PRT varied from the actual.

Besides above, the Company was not monitoring the following aspects;

a. 100 *per cent* billing of the consumers.

[47] Opening balance 84,417 *add* purchases 53,00,500 *less* utilisation 47,64,399 *less* closing stock 4,80,499 = 1,40,019 meters @ ₹ 940.50

b. Uncredited cheques.

c. Balances lying in the collection accounts.

d. Physical disconnection of the defaulting consumers.

e. Utilisation of the materials lying at different Stores.

The Board of Directors had stressed for an integrated MIS report which should highlight details of power purchase, planned and un-planned shutdown load shedding, and consumer status. The reports were never placed before the Board.

The Government replied (December, 2011) that a MIS report placed to the Board meeting / Board committee meeting consisting of ATC/ T&D loss, collection efficiency, replacement of defective meters, physical disconnection, prevention of theft, status of approved projects, cash flow statement *etc*. However, no action has been taken to incorporate consumer grievances, distribution failures, details of power purchases, planned and un-planned shutdown, load shedding and consumer status in the report. The reply was silent about standardisation of report.

We observed that although the Board of Directors had highlighted the need for submission of an integrated MIS report for better control, monitoring and follow up; this was not complied with. The PRT reports did not depict the fair picture of the Divisional performance and the ATC Losses appearing in these reports were at variance with actuals.

Recommendation :-

- *The Company should devise integrated MIS reports reflecting actual performances and follow-up on deviations and shortfall.*

The Management accepted all the recommendations and assured to implement them.

Durgapur Chemicals Limited

2.2 Post restructuring performance and implementation of modernisation scheme

Executive Summary

Durgapur Chemicals Limited (Company) was incorporated in July 1963 with the object of manufacturing phenol, phthalic anhydride (both since discontinued), caustic soda, chlorine and hydrogen with mono-chlorobenzene (MCB), mixed dichloro benzene (DCB), sodium penta chlorophenate (SPCP), stable bleaching powder (SBP) and synthetic hydrochloric acid (syn-HCL) as the primary downstream chlorinated products by use of salt, benzene, hydrated lime and phenol as main raw materials. The Company played a marginal role in caustic chlorine industry (seven per cent production) of eastern India.

In order to turn around the Company from incurring continuous losses due to obsolete plant and technology, higher cost and increasing dependence on budgetary support to meet operational deficit, the State Government undertook financial cum operational restructuring and business optimisation during February 2004 to July 2010. The performance audit covered the period from 2006-07 to 2010-11 to assess the post restructuring performance of the Company.

Financial management

As a result of financial restructuring the Paid up Capital reduced from ₹406.01 crore to ₹57.28 crore as on March 2011. For implementation of modernisation of projects the borrowings of the Company increased from ₹6.29 crore to ₹62.60 crore during 2006-11 registering a growth of 895 per cent. The Company failed to mobilise adequate working capital due to their inability to generate own resources. The Company could not recover their cost of operation as cost growth outstripped the growth of sales realisation during 2007-11. The poor financial health of the Company was attributable to high cost of raw materials, power, utility and lack of flexibility of product mix that could fetch higher margins.

Financial, Administrative and Business restructuring

Under capital restructuring State Government Loan and Interest of ₹369.92 crore was first converted into Equity and then Paid up Capital was reduced to ₹57.28 crore as of March 2011, by setting off the Accumulated Loss of ₹351.93 crore.

Though the Company reduced their manpower by implementing Early Retirement Scheme they failed to restrict their employee cost to industry benchmark due to non implementation of variable pay structure and thereby incurred extra expenditure of ₹26.06 crore during 2006-11.

Delay in implementation of modernisation project led to time overrun of 21 months and cost overrun of ₹35.77 crore. Deviation from DPR during implementation caused mismatch in capacities of different up and down stream plants and also created shortage of working capital. Lack of proper planning and injudicious decision making with respect to various functional activities of the plants led to reduced production and high costs affecting profitability of the Company.

Production performance

Capacity utilisation of caustic chlorine plant was 71 per cent and that of MCB, DCB and SBP plants were 34, 22 and 45 per cent during 2006-11. The production loss due to non achievement of targets was 70,044 MT valued at ₹160.12 crore with contribution loss of ₹20.74 crore. Poor production performance was attributed to delay/ non-completion of plant modernisation, inadequate provision to utilise byproducts, shortage of storage capacity and working capital. The Company did not follow industry norms fixed in DPR for consumption of salt and chemicals resulting in excess consumption of 22,992 MT of salt, benzene, caustic soda and other chemicals over norms and thereby incurred avoidable expenditure of ₹14.95 crore during 2006-11.

Procurement of salt

The Company procured primary raw material, (salt) largely from a single vendor during 2006-11 at 16 to 75 per cent higher prices than their competitors. Besides, due to poor procurement mechanism, the Company could

not ensure capacity utilisation of the plant and ran the risk of zero stock. Purchase through traders instead of direct purchase from manufacturers cost the Company avoidable expenditure of ₹5.10 crore during 2006-10.

Energy management

Though DPR recommended for captive power plant for cheap source of power, the Company did not visualise importance of power cost sensitivity to project profitability. Power cost ranged between ₹2.90 to ₹4.01 per unit during 2008-11 as against the envisaged cost in DPR of ₹2.25 to ₹3 and competitors' cost at ₹2.05 to ₹2.20 per unit. Besides, the Company consumed excess energy valued at ₹9.69 crore over the norms during 2006-11, affecting their profitability further. They incurred extra expenditure of ₹7.48 crore on steam generation due to use of costly furnace oil instead of cheaper coal.

Sales performance

Despite high level of acceptability of the Company's products in the market, sales targets were not met due to inefficiency and bottlenecks in production. Due to faulty agreement with a contractor, forward sale contract with a buyer and lower realisation from sales through agents, the Company incurred loss of revenue of ₹4.90 crore. Further, injudicious decision to appoint commissioning agents before commencement of enhanced production resulted in unfruitful expenditure of ₹43.23 lakh.

Internal control

Weak internal control and monitoring mechanism resulted in acceptance of substandard quality of salt, lack of preventive maintenance of the plants leading to excess down time and resultant loss of production, lack of vigorous pursuance of debtors resulting in bad debts and salt being issued without recording the quantity of salt. Further, internal audit was not effective because neither the management took corrective actions on shortcomings noticed in internal audit nor did the BoD seek action taken note thereagainst.

Conclusion and Recommendations

Restructuring plans were implemented partially and belatedly, affecting production performance and profitability and thereby frustrating the objectives of revival of the Company and breaking free from dependence on the budgetary support of the State Government. Besides, lack of focused sales, faulty agreements and failure to utilise own marketing setup resulted in lower sales realisation. The Company should explore inexpensive and steady sources of power, rejig their debt structure, adhere to operational norms, procure raw materials directly from source, introduce new value added products, increase sale of downstream products, streamline marketing activities by widening customer base and strengthen control mechanism in all operational areas.

Introduction

2.2.1 Durgapur Chemicals Limited (Company) was incorporated in July, 1963 as a wholly owned Government Company to utilise benzene and naphthalene, by-products of the coke oven plants of The Durgapur Projects Limited, another PSU of State Government, to manufacture phenol and phthalic anhydride.

A caustic chlorine plant (CCP) based on mercury cell technology was set up at the Company in April 1968 to provide necessary inputs for manufacturing phenol and phthalic anhydride. However, due to technical hurdles and technological obsolescence, the phenol and phthalic anhydride plants were closed down in 1975 and 1988 respectively.

With their main products being phased out, the Company continued producing caustic soda (CS) lye, chlorine and hydrogen at the CCP with mono-chlorobenzene (MCB), mixed dichloro benzene (DCB), sodium penta chlorophenate (SPCP) and synthetic hydrochloric acid (syn-HCl) as the primary downstream chlorinated products by use of salt, benzene, hydrated lime and phenol as main raw materials.

In an effort to increase revenues, the Company also set up a stable bleaching powder (SBP) plant in 1998. They also started bottling and selling a part of the left over hydrogen (a co-product in the caustic soda manufacturing process) after being used for manufacturing syn-HCL.

Production of caustic chlorine (chlor alkali) constituted 47 *per cent* (35.44 lakh MT) of major inorganic chemicals produced in the country during 2009-10. During this period, the Company played a marginal role as they produced 0.21 lakh Metric Ton (MT) which was seven *per cent* of the eastern region production of 2.92 lakh MT.

2.2.2 The Company was incurring cash losses since 1970-71 due to obsolescence of plant and technology, sub optimal product mix, high fixed and variable costs with consequent higher interest burden on State Government loans drawn to meet operational deficit. In order to turn around the Company in the prevailing competitive scenario, the State Government undertook (February 2004 - July 2010) a restructuring exercise which included both financial-cum-operational restructuring and business optimisation.

2.2.3 The Management of the Company is vested in a Board of Directors consisting of eleven directors including Chairman and Managing Director (MD). Ten directors were appointed by the State Government while the remaining one was nominated by Financial institutions. The MD is the Chief Executive of the Company who is assisted by General Manager (Works), General Manager (Commercial) and Controller of Finance and Accounts (COFA). COFA is officiating as MD since March, 2010.

2.2.4 A performance review of the Company was included in the Report of the C&AG of India for the year ended 31 March 1998 (Commercial), Government of West Bengal. The Committee on Public Undertakings had not selected the review for discussion. The review identified the reasons for the poor performance of the Company and recommended that modernisation of plant and technology, reduction of manpower and effective cost control were essential to improve performance. The present review evaluated the post restructuring performance of the Company, as discussed below.

Scope of audit

2.2.5 This performance audit conducted during the period February to May 2011 covers the activities of the Company for the period 2006–07 to 2010-11. The audit findings were arrived at after test check of records at the Company's registered office and factory at Durgapur and sales office at Kolkata. The sample selected for audit was based on quantum of production of major products *vis-à-vis* corresponding sales figures which represents 65 and 71 *per cent* of total production and turnover respectively during the period from 2006 to 2011, with emphasis on post restructuring period (2008-11).

Audit objectives

2.2.6 This performance audit was undertaken to assess whether:

- an effective long term strategic plan for modernisation and renovation of plants was devised and effectively implemented;
- targets set in the post-restructuring period were achieved, both in operational and resource management fields;
- sales performance indicated improvement commensurate with investment; and
- effective internal control mechanism and internal audit were in operation.

Audit criteria

2.2.7 Audit criteria adopted for assessing the audit objectives were:

- long term strategic plan for modernisation and renovation of plants;
- recommendations of consultant (PriceWaterhouseCoopers) on business plan (May 2003);
- Detailed Project Reports (DPR) of membrane cell plant;
- industry norms for production and consumption of raw materials;
- budgeted/ proposed target for production and sale;
- purchase policy, sales policy, Management information system (MIS); and

- internal audit and cost audit reports.

Audit methodology

2.2.8 Audit adopted a mix of the following methodologies for achieving the audit objectives:

- examination of agenda notes and minutes of meetings of the Board of Directors;
- examination of Critical Path Method (CPM) prepared by consultant, agreement with foreign suppliers of equipment etc. for effective implementation of modernisation scheme;
- examination of reports of monthly production and sales of different products and by-products, capacity utilisation and consumption of raw materials *vis-a-vis* norms; MIS, internal audit report and cost audit reports; and
- interaction with the management.

Audit findings

2.2.9 An Entry Conference was held in 13 May, 2011 with the Principal Secretary, Public Enterprises Department and Managing Director of the Company to discuss the audit criteria, broad objectives and seek the views of Management on critical areas for focus in audit. The audit findings were reported to the Company and the Government in October 2011. An 'Exit Conference' held on 9 December 2011, was attended by the Managing Director of the Company. The views expressed by them have been considered while finalising this Performance Audit.

Restructuring plans for turning around the Company were implemented partially and belatedly, affecting production performance and profitability. Besides, deficiencies in planning, internal control in operational areas and sales led to loss of ₹ 151.21 crore during 2006-11. The audit findings are discussed below.

Financial management

Financial position and working results

2.2.10 The financial position and working results of the Company for the five years ending 2010-11 are given in **Annexures 10 and 11.**

An analysis of the financial position and the working results indicated the following:-

- The Paid up Capital of the Company had increased due to release of fresh Equity of ₹ 31.00 crore by the State Government during 2006-07 to 2009-10.

- As a result of financial restructuring, the Paid up Capital as on 31 March 2011 was reduced to ₹ 57.28 crore from ₹ 406.01 crore by setting off the Accumulated Loss of ₹ 351.93 crore and addition of fresh Equity of ₹ 3.20 crore during 2010-11. This had left the Accumulated Loss at ₹ 56.22 crore as on 31 March 2011.

- The Borrowings of the Company had progressively increased from ₹ 6.29 crore in 2006-07 to ₹ 62.60 crore in 2010-11 by 895 *per cent*.

- The Company's debt to equity ratio increased from 0.02:1 in 2006-07 to 1.09:1 in 2010-11 indicating that the Company had to depend more on external resources.

- The Company's current ratio increased from 1.72:1 in 2006-07 to 1.86:1 in 2007-08, but decreased to 0.48:1 in 2010-11 indicating negative working capital.

- Though the Company had been making positive contribution in all the five years but rate of contribution decreased from 24 *per cent* in 2006-07 to 20 *per cent* in 2010-11.

- The proportion of power and fuel cost in variable cost increased from 39 *per cent* in 2006-07 to 51 *per cent* in 2010-11.

The main reasons for loss as analysed in Performance Audit were:

- faulty planning for modernisation of plants and mismatch in capacities of different linked plants and facilities;

- under utilisation of capacity due to shortage of working capital;

- failure to implement the arrangement for uninterrupted steady power supply;

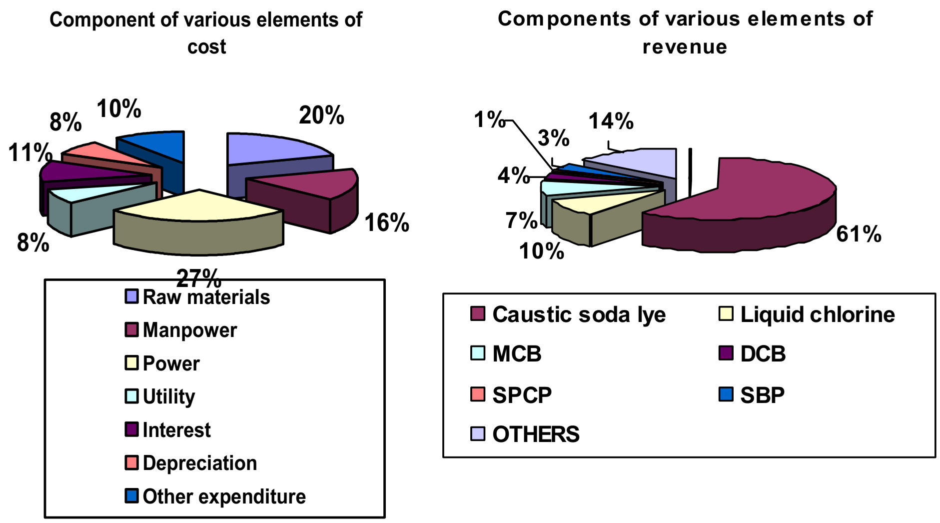
- excess consumption of raw materials and cost of utilities; and

- deficient sales policy and failure to meet the demands of the market.

These issues are discussed in subsequent paragraphs 2.2.20, 2.2.21, 2.2.25, 2.2.28, 2.2.29, 2.2.32, 2.2.36, 2.2.38, 2.2.39, and 2.2.40.

Elements of cost and revenue

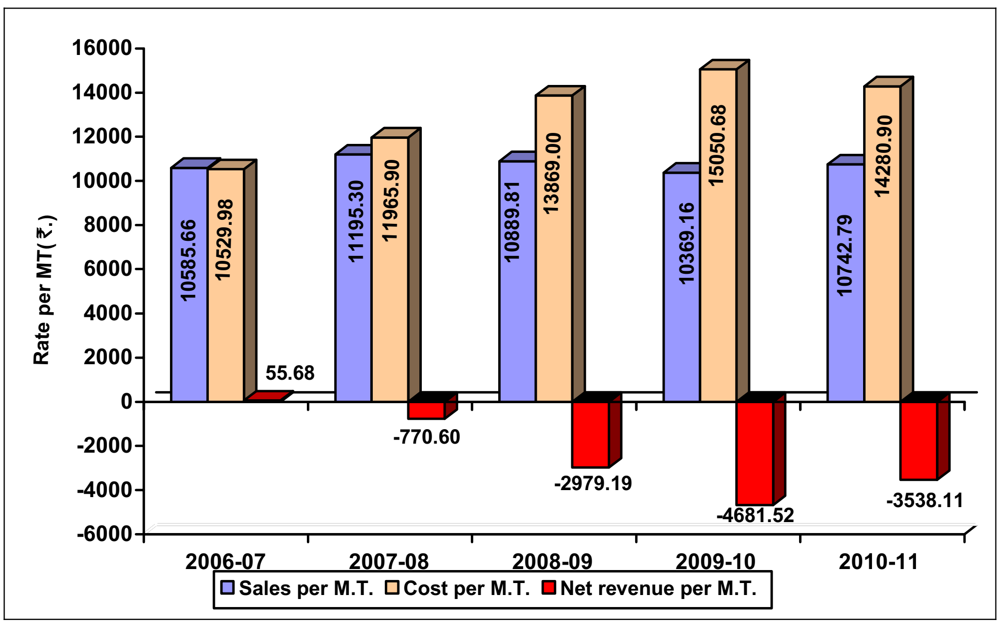
2.2.11 The percentage break-up of costs and revenue for 2010-11 is given below in the following pie charts.



During 2010-11 power, raw material and manpower cost constituted 63 *per cent* of total cost of the Company whereas sale of caustic soda lye, mono-chlorobenzene and liquid chlorine constituted 78 *per cent* of revenue.

Recovery of cost of operations

2.2.12 Sales per MT, cost per MT and net revenue from per MT production of different items during 2006-11 is depicted below.



Analysis of recovery of cost of operations revealed that net revenue of ₹ 55.68 per MT in 2006-07 turned into loss which increased from ₹ 770.60

in 2007-08 to ₹ 3,538.11 per MT in 2010-11 due to cost growth at CAGR[1] 6.25 *per cent* compared to growth of sales realisation at CAGR 0.30 *per cent*. The primary reasons for such poor financial health of the Company were high cost of raw materials, power and utility compared to those of their competitors and lack of flexibility of product mix that could fetch higher margins as discussed in paragraphs 2.2.30, 2.2.32 and 2.2.36.

Failure to avail financial incentive

2.2.13 The Company failed to avail incentive of ₹ 96.94 lakh towards industrial promotion assistance under West Bengal State Support for Industries Scheme, 2008 (Scheme) for expansion/ modernisation of 100 TPD membrane cell plant from 30 TPD mercury cell plant due to non-compliance with modalities specified under the Scheme.

Restructuring exercise

2.2.14 In order to revive the Company, the State Government appointed PriceWaterhouseCoopers (PWC) in December 2002 to suggest modalities of restructuring of the Company. PWC recommended (May 2003) a three pronged strategy of financial, administrative and business restructuring. These included:

Restructuring plans were implemented partially and belatedly, affecting production performance and profitability.

- improvement of capacity utilisation by enhancing operational efficiency,
- improvement of sales of downstream products like MCB, SBP, SPCP by intensive marketing in western parts of the country and exploring export potential,
- reduction of consumption of power by 200 units per MT in next two years in production of caustic soda lye,
- induction of professional management and introduction of variable pay structure with performance based increments,
- reduction of manpower from 798 to 347,
- reduction of State Government loan by converting it to equity and capital reduction with accumulated debit balance in the profit and loss account, and
- fresh investment for modernisation of caustic soda plant by conversion of mercury cell technology to membrane cell technology.

Though the State Government accepted the recommendation, no memorandum of understanding was signed between the Government and the Management for its implementation. The time schedule for implementation of the

[1] Compounded annual growth rate.

restructuring plan **(Annexure 12)** envisaged completion of the process by March 2006. The implementation of the financial, administrative and business restructuring is discussed in the subsequent paragraphs.

Financial restructuring

2.2.15 In order to achieve normative debt equity ratio of 1:1, the Company implemented the Capital restructuring plan formulated by PWC whereby the outstanding Loan and Interest of ₹ 369.92 crore as on 31 March 2007 was converted into Equity with the approval of the State Government in January 2005/ July 2007. With the approval of the Capital reduction scheme by Ministry of Corporate Affairs in June 2010, the Company adjusted the Accumulated Loss of ₹ 351.93 crore against the share capital. With the infusion of further Equity Capital of ₹ 34.20 crore by the State Government, the Share Capital and the Accumulated Loss stood at ₹ 57.28 crore and ₹ 56.22 crore respectively as on 31 March 2011.

With the above financial restructuring coupled with availing of loan (₹ 56.31 crore) from financial institution for execution of modernisation project the debt equity ratio of 0.02:1 in 2006-07 increased to 1.09:1 in 2010-11.

Administrative restructuring

2.2.16 PWC recommended (May 2003) administrative restructuring which included:

- Reducing manpower from existing strength of 798 to 347.
- Introduction of performance management system for measuring performance and adoption of a variable pay structure, linked to individual and Company performance.
- Induction of professional management with compensation package in line with industry standards.
- Development of organisational structure with aggregation of allied functions within a particular department.

The Company implemented (February 2004) early retirement scheme (ERS) for 429 employees with financial assistance (₹ 27.36 crore) from the State Government. Consequently, the Company earned profits in 2004-05 and 2005-06 with Company's employee cost to net sales being 11.05 *per cent* and 10.62 *per cent* respectively. Thereafter, it would be seen from **Annexure 13** that the Company's employee cost to net sales increased from 12 to 21.58 *per cent* during 2006-07 to 2010-11. The Company had not implemented performance linked variable pay structure. Instead, the State Government enhanced (October 2009) the pay structure of the Company's employees across the board at par with that of State Government employees based on Fifth Pay Commission recommendations.

During 2006-2010, the Company's competitors (ABCL and KCIL)[2] employee cost to net sales was ranged between 5.72 and 7.89 *per cent*. Considering the benchmark of seven *per cent*[3], the Company incurred extra expenditure of ₹ 26.06 crore during 2006-11. This led to the diversion of working capital to meet additional liability on employee cost with adverse impact on production. Besides, the Company was dependent (March 2011) on budgetary support of ₹ 13.30 crore to meet their liabilities, defeating the primary objective of restructuring.

2.2.17 Though PWC/ DPR suggested induction of professional management, key managerial posts like General Manager (Works), Chief Mechanical Engineer, Chief Electrical and Instrument Engineer, Manager (Production), Chief Chemist, Chemical Engineer, Manager (Sales & Purchase) and Personnel Manager are lying vacant. The post of Managing Director is being held (March 2010) by the Controller of Finance and Accounts as a Director in Charge leading to possibilities of conflict of interest in independent decision making. Moreover, organisational restructuring for allocation of related activities under particular departments by reducing duties of the MD in routine matters to allow him to concentrate on strategic decision making, was partially implemented.

The Management stated (November 2011) that poor compensation package and short term contract are main deterrent factors in attracting professional management at top and mid levels. The reply indicates that the Company failed to address the challenge by offering variable pay structure at par with the industry.

Business restructuring

2.2.18 The Company had a 30 tonne per day (TPD) caustic chlorine plant (CCP) commissioned in April 1968 based on mercury cell technology. Since this technology was old, power intensive and caused mercury pollution, the Company contemplated (November 1998/ January 2000) a technological upgradation-cum-expansion plan by installing a membrane cell plant in place of mercury cell plant. Further, the Ministry of Environment and Forest (MOEF) recommended (September 2002) phasing out of existing mercury based plants in the country by 2012. PWC also recommended in May 2003 that the Company should switch over to membrane cell technology by March 2006 to improve the financial viability of the Company. The Company therefore decided (May 2005) to replace the existing mercury cell by a 100 TPD membrane cell and entrusted the work of preparation of the DPR at a cost of ₹ 11 lakh to Development Consultants Private Limited (DCPL), which submitted the DPR in November 2005.

Implementation of membrane cell project

Time overrun

2.2.19 As per the DPR, the project was to be implemented at a cost of ₹ 61.56 crore and to be commissioned in May 2007 i.e. within 16 months from the date of financial closure of the project (February 2006). However, as the

[2] Aditya Birla Chemicals Limited (ABCL) and Kanoria Chemicals Industries limited (KCIL).
[3] Chemical industry norms in the country.

Company could mobilise adequate financial resources only by April 2007, they started implementing the project in April 2007, conducted the trial runs in November 2008 and started commercial production on 01 February 2009. The project suffered delay of 21 months in its execution. The time overrun of 21 months was attributable to delay in arrangement of finance (11 months) and handing over the project by the project consultant *viz.* Simon India Limited (10 months).

Despite presence of the project management consultant, activities were not synchronised and coordinated, resulting in civil works being completed in July 2008 and supply of materials in November 2008. Fifty-six suppliers delayed supply from three to 48 weeks beyond scheduled dates, but the Company did not levy liquidated damages of ₹ 2.52[4] crore in contravention of contractual provisions, reasons for which were not found on record.

The plant was commissioned in February 2009 with a delay of 21 months leading to loss of production of 36,337 MT of caustic soda with consequent contribution loss of ₹ 33.06 crore to the Company.

Cost overrun and consequent effects due to deviation from DPR

2.2.20 Details of actual expenditure incurred on project against estimates in DPR and excess expenditure incurred thereagainst are indicated below:-

Sl. No.	Item	Projected cost	Actual expenditure	Excess expenditure	Percentage of increase
		(₹ in crore)			
1	Plant and machinery including miscellaneous fixed assets	49.46	77.48	28.02	57
2	Building & Civil works with site development	3.20	3.77	0.57	18
3	Technical service	1.80	2.07	0.27	15
4	Preoperative expenses, contingency & startup	7.05	13.76	6.71	95
5	Preliminary expenses	0.05	0.25	0.20	412
		61.56	**97.33**	**35.77**	**58**

Delayed implementation of modernisation project led to time overrun of 21 months and extra expenditure of ₹ 35.77 crore.

It may be seen from the above table that actual project cost stood at ₹ 97.33 crore as against the estimated cost of ₹ 61.56 crore leading to excess expenditure of ₹ 35.77 crore mainly due to extra expenditure (₹ 28.02 crore) on procurement of major plant and machinery for 150 TPD membrane cell plant and cost escalation for preoperative expenses (₹ 6.71 crore).

It was also observed that without approval of the Government, the Company went ahead (November 2006) with the procurement of a higher capacity (150 TPD) membrane cell plant (MCP) as against the original plant with 100 TPD capacity, with an electrolyser of lower capacity (100TPD), 135 TPD capacity caustic soda concentration unit (February 2007), 150 TPD capacity rectifier (April 2007) and two dual fired boilers (February 2008) at a cost of

[4] After adjusting recovery of ₹ 17.27 lakh.

₹ 36.49 crore. This increased the cost of procurement of plant & machinery without adding to any further capacity of MCP.

To justify the purchase of 150 TPD plant, the Company got (January 2008) a revised DPR prepared for 150 TPD plant by DCPL at a cost of ₹ 12 lakh for which no approval of Government was taken. The revised cost of the project was estimated at ₹ 115.18 crore.

As against the revised cost of the project, the Company could mobilize only ₹ 95.01 crore and modernisation/ expansion activities of downstream plants could not be undertaken. This adversely affected the overall production capacity. The restructuring remained incomplete and partially effective as discussed in the following paragraphs 2.2.21, 2.2.23 and 2.2.25 to 2.2.28.

Mismatch in capacities projected as required and actually installed

2.2.21 The plant commissioned in November 2008 has the following capacity *vis-à-vis* the capacity as per DPR of November 2005 and revised DPR of January 2008.

Name of the plant/ components/ facilities	Required/ projected capacity as per DPR of November 2005	Required/ projected capacity as per DPR of January 2008	Actual capacity
Electrolysers	100 TPD	150 TPD	100 TPD
Chlorine liquefier	68.60 TPD[5]	116 TPD[6] *(required for 150 TPD CCP)*	55 TPD
Caustic concentration unit	100 TPD	150 TPD	135 TPD
Monochloro benzene plant	9,900 MT (On renovation/ upgradation of derated plant)	9,900 MT (On renovation/ upgradation of derated plant)	4,950 MT (De-rated)
Stable bleaching powder plant	4,950 MT	9,900 MT (With additional one reactor)	4,950 MT
Hydrochloric acid (100 *per cent*) plant	6,600 MT	6,600 MT	14,850 MT
Hydrogen bottling plant	50[7] lakh NM^3	81[8] lakh NM^3	23.76 lakh NM^3
Storage for salt	7,200 MT[9]	10,463 MT[10]	4,000 MT
Conveyer belt and bucket elevator in brine section	Each of 10 THP capacity (As standby for continuous process plant)	Each of 10 THP capacity.	Not installed.

[5] Against 88.60 TPD chlorine to be produced by a 100 TPD plant, 20 TPD would be used in HCl plant. No projection made in DPR for capacity augmentation of liquefier.
[6] Against 136 TPD chlorine that would be generated if a 150 TPD Caustic Chlorine Plant is installed, 20 TPD would be used in gaseous form for downstream products. No projection in DPR for capacity augmentation of liquifer.
[7] Surplus hydrogen for bottling: 50 lakh NM^3 (produced in electrolysis-92.10 lakh NM^3 *less* required in boiler-42.10 lakh NM^3).
[8] Surplus hydrogen for bottling: 81 lakh NM^3 (produced in electrolysis-144.14 lakh NM^3 *less* required in boiler-63.14 lakh NM^3).
[9] 45 days stock required @ 160 MT per day.
[10] 45 days stock required @ 232.50 MT per day.

As may be seen from the above, the Company neither followed the DPR of November 2005 in full nor the DPR of January 2008 in full. Having acquired the membrane cell plant for 150 TPD capacity, they installed electrolysers only for 100 TPD capacity in which case the capacity of Caustic Concentration Unit (CCU) should have been limited to corresponding capacity of 100 TPD whereas they installed the CCU at 135 TPD resulting in 35 TPD being the unused capacity of the plant.

While the DPR envisaged the capacity of 68.60 TPD for chlorine liquefier plant corresponding to the installed capacity of 100 TPD membrane cell plant, they installed chlorine liquefier plant only with the capacity of 55 TPD with which the membrane cell plant can be used only to the extent of 83 *per cent* of installed capacity leaving 17 *per cent* of capacity of membrane cell plant idle.

Further, the capacity of MCB plant was not increased to 9,900 tonnes *per annum* and against the anticipated capacity its capacity derated to 4,950 tonnes *per annum*. The capacity of hydrochloric acid (HCl) plant was increased to 14,850 MT as against the anticipated capacity of 6,600 MT per annum.

Mismatch in projected capacities rendered modernisation works incomplete affecting optimal production.

Consequently, the restructuring and modernisation activities remained incomplete. Further, on account of old and obsolete downstream plants and the capacity of chlorine liquefier not being enhanced, the Company could neither optimally increase production of caustic soda lye, the main product, nor the profitable downstream products like monochlorobenzene (MCB), dichlorobenzene (DCB), stable bleaching powder (SBP) and hydrogen, leading to the entire exercise being only partially effective on production front and non-viable on the financial front, even after substantial financial investment.

State of the art membrane cell plant

Electrolyser cells not installed

The Management stated (November 2011) that non enhancement of chlorine liquefier neither restricted production of CS lye nor MCB, DCB and HCl plants as these plants did not require liquid chlorine. The contention overlooked the fact that against 88.60 TPD chlorine to be produced by a 100 TPD plant, targeted production by existing old MCB, DCB, SPCP plants and installed capacity of HCl plant could consume 25.16[11] TPD gaseous chlorine during 2008-11 leaving 63.44 TPD chlorine to be liquefied. Since the installed capacity of Chlorine liquefier remained at 55 TPD, the optimal production of CS lye had to be restricted in absence of adequate arrangement for liquefaction even if adequate salt and power was available. Creation of unused capacities of 50 TPD in the membrane cell plant and 35 TPD in CCU resulted in additional expenditure of ₹ 28.02 crore for purchase of plant and machinery which eroded the cash balance available with the Company, thereby restricting their liquidity position.

Performance of rectifier

2.2.22 As part of the membrane cell project, the Company procured a rectifier at a cost of ₹ 6.59 crore from JOC International Technical Engineering Company Limited (JOC), China who had guaranteed 99 *per cent* efficiency.

The agreement (April, 2007) with JOC provided for levy of liquidated damages towards non performance of equipment limited to five *per cent* of the total contract value. The efficiency of the new rectifier varied in the range of 70.65 *per cent* to 91.74 *per cent* during the period of its performance (December 2008 to March 2011) as against 99 *per cent* guaranteed and the loss of energy on this account upto March 2011 worked out to 2.27 crore units valued at ₹ 7.90 crore.

Rectifier

This was attributed (November 2011) by the Management to operation of the rectifier at 30 to 50 *per cent* of the rated capacity due to non commissioning of 50 TPD membrane cell.

The reply is not acceptable because **(i)** guaranteed rectifier efficiency implied that rectifier should able to convert 99 *per cent* of AC power into DC power which was never achieved since its commissioning. **(ii)** Rectifier efficiency was not linked to plant capacity or additional load in case of expansion of membrane plant. **(iii)** Moreover when the existing 100 TPD plant operated at 100 per cent capacity for few days (during July & August 2010) the rectifier efficiency was 82 to 88 *per cent*.

Effect of non-installation of additional chlorine liquefier

2.2.23 Chlorine and hydrogen gas are by-products inevitably produced during the production of caustic soda. Caustic soda and chlorine have different end

[11] MCB, DCB, SPCP plants: 5.16TPD and HCl plant: 20 TPD.

uses with differing market dynamics and demand for the two rarely coincides. The Indian chlor-alkali industry is driven by the demand for caustic soda rather than that for chlorine.

Therefore production of caustic soda entirely depends on the utilisation of chlorine produced through electrolysis, which being a hazardous gas cannot be vented out in the atmosphere. In the process adopted by the Company for utilisation of chlorine gas, it was first cooled and compressed for liquefaction and then used in downstream plants including sale of liquid chlorine to other consumers besides use of gaseous chlorine in hydrochloric acid (HCl) plant.

However, in the DPR (November 2005), the enhancement of chlorine liquefier capacity from the current 55 TPD was not envisaged though the production of gaseous chlorine was scheduled to increase from 27 TPD to 88.60 TPD.

Therefore, the Company was compelled to divert excess chlorine to HCl plant for production of the less profitable HCl leading to reduced profitability as discussed in paragraph 2.2.26 and 2.2.28.

We conclude that restructuring plans were implemented partially with substantial delay of 21 months for execution of modernisation project leading to extra expenditure of ₹ 35.77 crore. Deviations from the DPR (100 TPD) during implementation caused mismatch in capacities of the plants. These led to a liquidity crunch and affected profitability of the Company.

Recommendations :-

- *Company may consider implementing the project completely, avoiding mismatch of capacities of the plants, within the anticipated cost and scheduled timeframe.*

Production performance

Production planning

2.2.24 Based on market dynamics, sales targets, production capacity of respective plants and contribution of each product, the Company planned production targets at the beginning of each financial year. The details of year wise target and achievement of production of four major products *viz*. CS Lye, MCB, DCB and SBP during the last five years upto 2010-11 are tabulated as follows:

Sl. No.	Name of the product	2006-07		2007-08		2008-09		2009-10		2010-11	
		Target	Achieve ment	Target	Achieve ment	Target	Achieve ment	Target	Achieve ment	Target	Achieve ment
1	CS Lye	11,075 (110)	11,164 (101)	11,810 (118)	10,746 (91)	24,512 (125)	11,783 (48)	37,951 (115)	20,665 (54)	34,806 (105)	20,873 (60)
2	MCB	2,520 (51)	1,320 (52)	2,500 (51)	2,242 (90)	3,960 (80)	1,740 (44)	6,997 (141)	2,370 (34)	3,600 (73)	778 (22)
3	DCB	800 (32)	571 (71)	900 (36)	413 (46)	1,485 (60)	495 (33)	2,608 (105)	772 (30)	900 (36)	530 (59)
4	SBP	3,600 (73)	2,557 (71)	3,200 (65)	2,327 (73)	5,000 (101)	2,250 (45)	5,600 (113)	2,035 (41)	3,600 (73)	2,079 (58)

Figures in bracket represents the percentage of target to installed capacity and achievement to target.

It would be seen from the above that in case of CS Lye production targets were fixed at 105 to 125 *per cent* of installed capacity while the achievement against target after installation of membrane plant was ranging between 48 and 60 *per cent*. This indicated unrealistic fixation of targets.

In downstream plants (MCB, DCB and SBP), production targets were fixed below the installed capacity except in 2009-10. However, targets were not achieved during 2006-07 to 2010-11 due to under-utilisation of capacity of CCP since direct use of gaseous chlorine from CCP was not provided for, insufficient liquefaction capacity of chlorine was available as well as diversion of chlorine produced to hydrochloric acid plant.

The Management stated (November 2011) that targets were fixed on optimistic assumption of higher capacity utilisation of plants which remained unachieved due to non receipt of required quantum of uninterrupted power after commissioning of membrane cell plant.

The Management's response admits that they could not arrange for uninterrupted power even though the DPR envisaged a captive power plant as part of the modernisation process.

The flowchart of the production processes, as is being used currently, is shown in **Annexure 14**.

Production of Caustic Soda Lye

2.2.25 The main product, CS lye is produced in electrolysers by electrolysis of purified brine[12] prepared with salt and water using electricity. The mercury cell plant with capacity of 10,050 MT *per annum* was replaced in November 2008 by a membrane cell plant with capacity of 33,000 MT *per annum*. The subsequent table indicates the installed capacity, actual production, capacity utilisation, norms fixed by DPR and shortfall in production of caustic soda for the years 2006 – 11:

[12] At 32 *per cent* concentration.

Year	Installed capacity (MT)	Actual production (MT)		Capacity utilisation (Percentage)	Projected production as per DPR	Shortfall in production (MT)	Loss of production (₹ in lakh)	Captive Consumption (MT)	
		Mercury plant	Membrane plant					Mercury Plant	Membrane Plant
1	2	3		4	5	6 (5-3)	7	8	9
2006-07	10,050	11,164	-	111	-	-	-	414 (3.71)	-
2007–08	10,050	10,746	-	107	23,100	12,354	2,681.07	312 (2.90)	-
2008–09	5,862[13] 13,750[14]	4,560	7,223	78 53	29,700	17,917	4,029.35	115 (2.52)	192 (2.66)
2009–10	33,000	-	20,665	63	29,700	9,035	1,982.91	-	496 (2.40)
2010–11	33,000	-	20,873	63	29,700	8,827	1,607.75	-	537 (2.57)
		26,470	**48,761**					**841**	**1,225**
	1,05,712	**75,231**		**71**	**1,12,200**	**48,133**	**10,301.08**	**2,066**	

Figures in bracket indicate percentage of captive consumption.

During 2006–07 and 2007–08, capacity utilisation of mercury cell plant was satisfactory. However, as per DPR, the mercury plant was to be replaced by membrane cell plant (MCP) by March 2007, in which case the achievable production of CS lye should have been 23,100 MT (at 70 *per cent* capacity utilization during the first year of production) against the actual production of 10,746 MT in 2007-08. This led to a potential loss of production of 12,354 MT costing ₹ 26.81 crore. The loss of contribution was ₹ 5.84 [15]crore.

Production loss of 35,779 MT CS lye due to delayed modernisation of CCP with consequential loss of ₹10.45 crore to the Company.

After installation of MCP, the actual capacity utilisation varied between 53 to 63 *per cent* during 2008–09 to 2010–11 which was short by 35,779 MT compared to achievable production as per DPR. The loss of revenue on account of shortfall of production of 35,779 MT CS lye was ₹ 76.20 crore with potential loss of contribution of ₹ 10.45 [16]crore.

While delay in conversion of mercury cell plant to MCP led to loss of potential production, actual loss of revenue, after installation of MCP, was due to inadequate provision to utilise hazardous by-product chlorine in downstream plants either in liquefied or gaseous form and shortage of working capital.

Production of Chlorine

2.2.26 Chlorine and hydrogen are two by-products in the process of manufacture of CS lye. As already mentioned in paragraphs 2.2.21 and 2.2.23, adequate arrangements are required in the downstream plants of chlor-alkali industry for utilisation of chlorine. In production of one MT CS lye in CCP, 0.9 MT chlorine is discharged at anode of electrolyser. CCP of the Company, when operational in full capacity after modernisation, would produce 29,700 MT chlorine annually.

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[13] For mercury plant upto September 2008.
[14] For Membrane Cell plant from November 2008 to March 2009.
[15] Production shortfall- 12,354 MT X ₹ 4,727 being the contribution per MT.
[16] Loss of contribution: 17,917 MT X ₹ 4,098 (2008-09) *plus* 9035 MT X ₹ 2,725 (2009-10) plus 8,827MT X ₹ 733 (2010-11) = ₹ 10.45 crore.

The production of chlorine and its utilisation for the last five years upto 2010-11 are shown in **Annexure 15**.

It would be seen from the Annexure 15 that the utilisation of chlorine in HCl plant during 2006-11 ranged between 21.05 to 35.36 *per cent* of chlorine produced, while in case of MCB/ DCB plant it varied between 5.78 to 19.41 *per cent.* In case of SBP plant, it was 4.58 to 10.64 *per cent*.

However, the sales realisation (₹ 14.71 crore) through HCl could recover value of chlorine consumed (₹ 10.92 crore) but the product could not generate positive contribution in any period under review. Since the Company installed 45 TPD of HCl plant (100 *per cent* concentration) in deviation from DPR which proposed 20 TPD capacity, the Company should endeavor for value addition of HCl by diversifying into production of aluminum chloride.

Faulty planning for chlorine neutralisation led to shortfall in production of value added product.

Further, scrutiny of contribution analysis of MCB/ DCB and SBP plants for the period 2009-11 revealed that the Company earned either positive contribution or better realisation of chlorine consumed in each such product. All those down stream plants could have been run at 90 *per cent* capacity with chlorine produced, if direct sale of liquid chlorine, which had lesser realisation than the products of MCB, DCB and SBP plants, was restricted.

The Management stated (November 2011) that decision to utilise chlorine in downstream plants depended upon market dynamics, logistical advantages and variation in demand.

For prioritising chlorine utilisation in HCl plant in lieu of MCB, DCB and SBP plants, the argument put forth by the Company is factually incorrect as they failed to earn any contribution in HCl during 2006-11 whereas all those three products registered positive contribution [17] throughout the period. Moreover, the fact that the Company could sell all downstream products with sufficient margin indicates that there was no constraint in demand despite being located far from the consumption centres.

Production of Hydrogen

2.2.27 In production of 1 MT CS Lye, 280 normal cubic meter (NM^3) hydrogen is released at the cathode aggregating to 92.40 lakh NM^3 hydrogen annually. Some portion of this hydrogen is used for utilisation of chlorine for manufacturing hydrochloric acid (33 *per cent* concentration), while another portion is compressed in hydrogen bottling plant and sold as end product. Remaining portions of hydrogen are either burnt as fuel in the boiler of caustic concentration unit or simply vented to the atmosphere, in absence of better means of utilisation.

The production of hydrogen and its utilisation for the last five years upto 2010-11 are shown in **Annexure 16**.

[17] Contribution earned in MCB: ₹ 1,805 to ₹ 4,816/ MT; DCB: ₹ 70 to ₹ 4,216/ MT and SBP: ₹ 441 to ₹ 1,146/ MT.

It would be seen from Annexure 16 that the capacity utilisation of hydrogen bottling plant ranged between 18 to 29 *per cent* during 2006-07 to 2010-11 resulting in wasteful venting of 61.24 lakh NM^3 hydrogen in the atmosphere while the demand of hydrogen in the market was gradually increasing and the market price of hydrogen increased from ₹ 14.58 in 2006-07 to ₹ 25.85 in 2010-11 per NM^3.

Faulty planning led to wasteful venting of hydrogen valued at ₹ 10.91 crore.

This resulted in loss of revenue of ₹ 10.91 crore due to non-utilisation of 56.42[18] lakh NM^3 hydrogen produced which was vented to the atmosphere.

The Company could not meet the requirement of 44.55[19] lakh NM^3 hydrogen in the boiler despite availability of 49.24 lakh NM^3 during 2008-09 to 2010-11 due to their failure to maintain required pressure level of hydrogen and chlorine in CCP.

The Management stated (November 2011) that in view of limited market demand they were initially planning to burn surplus hydrogen in dual fired boiler. Since the demand and sales realisation of bottled hydrogen improved subsequently, use of hydrogen as fuel got less priority. Moreover most of the reported wastage of hydrogen and its non-utilisation in boiler were due to low pressure arising from low capacity utilisation of CCP and power restriction.

The reply is not supported by facts since sales of bottled hydrogen fell short of the target[20] by 29 *per cent* during 2007-11. **To prevent wasteful venting of hydrogen and maintain hydrogen pressure in boiler, utilisation should be first for the boiler, then for bottling plant and lastly for HCl plant.** As mentioned in paragraphs 2.2.21, 2.2.23 and 2.2.26, **in absence of adequate capacity of liquefier, chlorine neutralisation got priority and 45 *per cent* of hydrogen was sent to HCl plant whereas bottling plant and boiler received 10 and 12 *per cent* of hydrogen produced respectively during 2008-11 indicating production planning was against the industry practice.**

Production performance in downstream plants

2.2.28 The Company produced mainly three downstream chlorinated products *viz.* monochloro benzene (MCB), dichloro benzene (DCB) and stable bleaching powder (SBP). The installed/ annual capacity, target, actual production and shortfall in production to target in respect of MCB, DCB and SBP plants during 2006-11 is given in **Annexure 17**.

Company suffered contribution loss of ₹ 4.45 crore in MCB, DCB and SBP.

It could be seen from the Annexure 17 that the Company could attain 43 (MCB), 42 (DCB) and 54 (SBP) *per cent* of production targets for the past five years upto 2010-11. This shortfall in production resulted in loss of production of 21,911 MT[21] valuing ₹ 57.11 crore and contribution forgone of ₹ 4.45 crore based on average sale price of the respective years. We analysed the following reasons for the shortfall :-

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[18] Hydrogen vented out during 2006-07 (6.03 lakh NM^3), 2007-08 (5.96 lakh NM^3), 2008-09 (7.56 lakh NM^3), 2009-10 (19.57 lakh NM^3 i.e. Col. 8-col. 5) and 2010-11 (17.30 lakh NM^3 i.e. Col. 8-Col. 5) of Annexure 16.

[19] The difference between hydrogen gas required for boiler (62.20 lakh NM^3) and utilized in boiler (17.65 lakh NM^3).

[20] Sales target were fixed based on market demand.

[21] MCB : 9,080 MT, DCB : 3,779 MT and SBP : 9,052 MT.

- Modernisation/ major renovation of the downstream MCB and DCB plants to enhance chlorine consumption was not undertaken. Consequently, quality and quantity of output could not be maintained due to damaged equipments[22] and lack of preventive maintenance.

- Due to insufficient storage capacity of hydrochloric acid, the MCB/ DCB plants remained idle or were operated intermittently.

- A circuit for separation of DCB from MCB and removing the presence of HCl was not functional.

- During 2006-07 to 2009-10, the Company could not raise production of SBP to its optimum level due to diversion of chlorine to HCl plant and shortage of lime.

The Management stated (November 2011) that there was no further scope for additional production since capacity utilisation of downstream plants in the industry was based on value addition and availability of market. The contention was not correct as the action taken in production planning of down stream products during 2006-11 was against the industry practice of maximising value addition. Moreover, other competitors either increased SBP production or opened new units, indicating adequate demand in the market.

Excess consumption of raw materials, chemicals and caustic soda

2.2.29 The Company consumed raw materials, chemicals and caustic soda in excess of industrial standards valuing ₹ 14.95 crore as detailed below:

(Figures in MT)

Raw materials, chemicals and caustic soda	Industrial standard for item's use (to produce one MT of end product)	DCL's usage (in MT/ percentage)	Excess consumption between 2006-2011	Financial implication (₹ in crore)
Industrial salt	1.55	1.85 – 1.95	15,060.00	4.89
Benzene for MCB	0.693	0.709 to 0.723	332.77	1.37
Benzene for DCB	0.530	0.575 to 0.590		
Hydrochloric acid	0.06	0.064 to 0.162	4,025.23	0.95
Sodium carbonate	0.0035	0.0068 to 0.0085	178.00	0.33
Sodium sulphite	0.0011	0.0018 to 0.0047	109.76	0.38
Caustic soda				
(a) Captive consumption	0.015	0.024 to 0.027	493.57	1.00
(b) Sodium hypochlorite plant (SHC)	Two *per cent* of total chlorine output	4.84 per cent	2,792.98	6.03
Total			**22,992.31**	**14.95**

[22] . Re-boiler, storages, pipe lines, two distillation columns, existing control valves etc.

Avoidable expenditure of ₹ 14.95 crore on excess consumption of salt, chemicals and caustic soda.

The excess consumption was due to (i) frequent tripping of power, (ii) presence of high quantity of impurities and insoluble particles, (iii) brine leakage from the gland of slurry pump, clarified brine pump and return brine pump, (iv) poor quality of salt, (v) draining of vertical saturator, (vi) wastage of salt during handling at improper place outside the godown, (vii) running of plant below 80 *per cent* capacity, (viii) washing out of salt during heavy rain, (ix) low capacity of brine pit, (x) break down of caustic circulation pump, chiller machine/ boiler problem and D.M. water fluctuation, (xi) frequent stoppage and shut down of the plant and (xii) failure to restrict the consumption of caustic soda in brine purification/ effluent treatment and excess chlorine consumption in SHC plant. The Company did not ensure the quality of salt at the time of inspection.

This indicates inadequate internal control on quality check and quantum of usage of raw materials, chemicals and caustic soda in production of caustic soda, MCB, DCB and sodium hypochlorite (SHC).

Admitting the fact of excess consumption the Management stated (November 2011) that the loss worked out in case of SHC did not consider their sales proceeds which was actually a cost towards environment protection. The argument was faulty as the chlorine could have been neutralised and the environment protected as well by utilising the chlorine in production of various other downstream products where returns would have been more. It would also have minimised loss by reducing consumption of CS lye which is a costlier input.

In conclusion we found that capacity utilisation of caustic chlorine plant was 71 *per cent* and that of MCB, DCB and SBP plants were 43, 22 and 54 *per cent* during 2006-11 resulting in production loss of 70,044 MT valued ₹ 160.12 crore with contribution loss of ₹ 20.74 crore suffered by the Company. Poor production performance was attributed to delay/ non completion of plant modernisation, inadequate provision to utilise byproducts, shortage of storage capacity and working capital.

Further, we observed that consumption of 22,992 MT excess salt, benzene, caustic soda and other chemicals over industry norms led to avoidable expenditure of ₹ 14.95 crore during 2006-11.

Recommendations :-

- *The Company may consider optimising the production of chlorine by exploring the possibility of alternative usage and priorities hydrogen utilisation in value added product/ facilities.*
- *Arrest loss of hours due to controllable factors by introducing preventive measures in different plants/ facilities.*

Procurement of salt

Procurement of salt

2.2.30 The Company has an approved purchase policy which stipulates that procurement of raw materials for rupees two lakh and more should be done through press advertisement in at least three leading news papers and subsequent evaluation of bids by tender committee. The Central Vigilance Commission guidelines also provided (January 2002) that purchases on single tender basis required detailed justification in its support. Salt being the primary raw material, constituted 16 to 29 *per cent* of input cost of caustic soda during 2006-2011. The Company's procurement cost of salt was 16 to 75 *per cent* higher than that of their competitors in the region during the same period as shown in the chart below.

(Average Rate: ₹ per MT)

Name of the manufacturers	2006-07	2007-08	2008-09	2009-10	2010-11
ABCL[23]	1,825	1,864	2,269	2,187	2,064
KCIL[24]	1,555	1,728	1,747	2,092	2,097
DCL[25]	2,110	2,361	3,052	3,464	2,779

The Company incurred extra expenditure of ₹ 5.10 crore by purchasing salt largely from a single vendor at 16 to 75 *per cent* higher prices than their competitors.

The Company did not follow the prescribed procedure for procurement of salt and we observed that the Company continued to procure the salt from the single source of supply Ankur Business Private Limited (ABPL) for the last five years. We noticed that average landed price[26] of industrial salt from Gujarat ranged from ₹ 1,989 to ₹ 2,581 per MT during 2006-10 as against the Company's average procurement price of ₹ 2,110 to ₹ 3,464 per MT from traders during this period. Procurement of salt through competitive bidding would have enabled the Company to save ₹ 5.10 crore in procurement of 93,807 MT of salt during the period 2006-07 to 2009-10. Yet, the Company had not prepared detailed justification in support of these purchases at higher prices from a trader.

Moreover, ABPL repeatedly failed to deliver the entire ordered quantity on time. Though 63 *per cent* of the ordered quantity was delivered after scheduled delivery periods, the Company failed to recover ₹ 95.84 lakh from the party due to non-imposition of penalty.

The Management replied (November 2011) that the Company had a strong system of procurement under which a designated committee represented by all concerned departments procured salt and lime with wide circulation of tender notice. Further, comparison of procurement cost with that of ABCL and KCIL was not fair due to difference in distance, high overhead and material handling cost for direct sourcing of salt from Gujarat for a low capacity plant of the Company, flexibility in making purchase decision by the competitors and relaxed norms followed by them to comply with purchase procedures. They further added that cost-benefit analysis of direct procurement of salt from Gujarat indicated expected benefit would be much less than incremental cost.

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[23] Aditya Birla Chemicals Limited
[24] Kanoria Chemicals Industries Limited.
[25] Durgapur Chemicals Limited.
[26] Landed price comprising of base price of salt at Gandhidham, Gujarat, railway freight, material handling cost at both ends and cost of working capital. *(Source: Annual reports of Salt Department, Ministry of Commerce & Industry, Government of India, Railway freight table and actual loading/ unloading cost.)*

The reply was hypothetical because landed price comprising of base price[27] of salt at Gandhidham, Gujarat, railway freight, material handling cost at both ends and cost of working capital was six to 26 *per cent* lower than the procurement cost of the Company.

In 2010-2011, the Company selected other traders for supplying salt and procured 81,000 MT of salt from four salt traders at lower rates (₹ 2,925/ ₹ 2,645/ ₹ 2,600 per MT) than that of ABPL. However, ABPL still supplied 11,109 MT salt at the rate of ₹ 3,100 per MT in 2010-11 against earlier orders.

Thus, the Company had to incur an extra expenditure of ₹ 19.44[28] lakh in procuring 11,109 MT salt from ABPL during 2010-11 due to delay in expansion of vendor base, dependence on a single party and undue favour shown.

Inadequate stock holding

2.2.31 The Company failed to maintain stock of salt required for production level of, at least, 80 per *cent* of installed capacity of CCP, as per standard operation manual of original equipment manufacturer, resulting in risk to the life and compromising efficiency of the new membrane cell plant.

Analysis of monthly consumption of salt revealed that after installation of new plant, closing balance of salt in each month fell short of 45 days requirement (7,200 MT as per DPR), actually ranging from nil stock to 6,835 MT during July 2009 to March 2011 except in November and December 2009.

We observed that the Company relied on a single vendor for procurement of salt during 2006-11 at 16 to 75 per cent higher prices than their competitors. Loss due to purchase from traders instead of direct purchase from manufacturers amounted to ₹ 5.10 crore during 2006-10.

Recommendation :-

Company may consider to:

- *procure salt directly from Gujarat instead of depending on traders;*
- *plan its procurement and production activities simultaneously so that adequate stocks are maintained to ensure continuous flow of production.*

Energy management

Absence of alternative to high cost power

2.2.32 The Company being a power intensive industry had a contract demand of 7,000 KVA from 11 KV line. To meet the demand of expanded

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27 'Annual reports of Salt Department', Ministry of Commerce & Industry, Government of India.

28 11,109 MTX ₹ 175 (being the differential rate of ABPL and highest bidder of the tender).

capacity of membrane cell plant, the contract demand was enhanced (October 2008) to 14,900 KVA from a 33 KV line by surrendering 11 KV line.

Energy cost constituted 39 to 48 *per cent* of total input cost of production during 2006-11. The DPR had recommended that cheap power source, preferably captive power plant, may be ensured. However, the Company relied solely on DPL for additional source of continuous power.

The DPR worked out the profitability of the project envisaging power cost of ₹ 2.25 to ₹ 3 per unit, against which the actual cost per unit ranged between ₹ 2.90 to ₹ 4.01 per unit during November 2008 to March 2011.

Though the other manufacturers of CS lye in the eastern region have their own captive power plant and had managed to restrict their power cost at ₹ 2.05 to ₹ 2.20 per unit, the Company made no effort to combat increased power cost.

The Company's power cost per MT was highest amongst their competitors in the industry resulting in lower margin.

Moreover, power sourced from DPL was erratic and membrane cell plant was shut down for 1,223 hours (25 *per cent* of total hours lost during last five years) for want of power, voltage fluctuation *etc*. during 2006-11.

Resultantly, the Company had highest power cost per MT which ranged between ₹ 9,519 to ₹ 10,997 during 2008-09 to 2010-11 compared to their competitors'[29] cost of ₹ 4,030 to ₹ 5,476 per MT.

Excess consumption of power

2.2.33 Upto September 2008 the Company on an average consumed monthly 37.71 lakh units power and thereafter 50.75 lakh units. Nearly 74 to 87 *per cent* of electrical energy was consumed for electrolysis of brine for caustic soda production and the balance 13 to 26 *per cent* for other auxiliaries like compressors, pumps, boilers, blowers *etc*. For direct heating in CCP and steam generation in boilers, furnace oil was used.

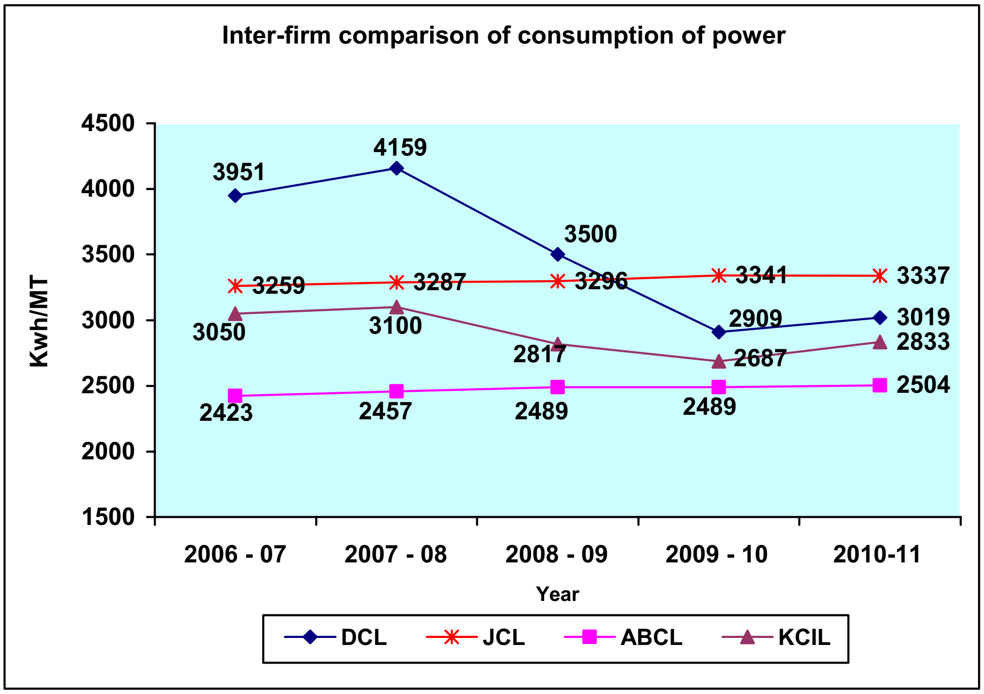
Although it can be reasonably expected that energy intensive industries should make all efforts to minimise energy consumption through constant monitoring of consumption by different sub-sections, the Company did not have separate meters for measurement of consumption by various auxiliary plants. Only the gross consumption and electrolyser consumption was metered and auxiliary consumption was allocated on ad-hoc basis.

The Company consumed energy in excess of the norms valued at ₹ 9.69 crore.

Consumption of power during 2006-07 to 2010-11 revealed that against the designed norm of mercury and membrane plant at 3,400 and 2,500 Kwh/ MT respectively, the actual month wise consumption in mercury plant varied between 3,771 and 4,548 Kwh/MT and in membrane plant between 2,803 and 3,471 Kwh/MT. Compared to norms, the excess consumption of power by the two plants of the Company during the five years upto March 2011 worked out to 29.95 million units valued at ₹ 9.69 crore. In comparison, another caustic

[29] Aditya Birla Chemicals Limited (ABCL) and Kanoria Chemicals Industries Limited (KCIL).

soda manufacturer (Jayshree Chemicals Limited, Orissa - JCL) adopting mercury cell technology consumed 3,259 to 3,341 Kwh/MT power during 2006-07 to 2009-10 and other manufacturers having membrane cell technology consumed 2,489 to 2,504 Kwh/ MT (ABCL) and 2,817 to 2,833 Kwh/ MT (KCIL) power during the period 2008-09 to 2010-11 as shown in chart as follows:-



While percentages of cost of power and fuel to net sales of the competitors ranged from two to eight *per cent* (ABCL) and 15 to 19 *per cent* (KCIL), these varied between 35 and 44 *per cent* in case of the Company resulting in lower margins than the competitors.

Admitting the fact that power consumption per MT was marginally higher in 2009-10 than the competitors the Management stated (November 2011) that this was due to frequent power restriction/ tripping, low capacity utilisation of electrolyser and higher auxiliary consumption compared to production. Further, the Management assured to install separate meters for downstream plants.

The reply overlooked the fact that during 2006-11 power restriction was only three *per cent* (1,223 hr.) of total available hours (39,600 hr.) and actual power consumption (2,909 Kwh/ MT) in 2009-10 was 16 *per cent* higher than designed norm (2,500 Kwh/ MT) of membrane cell plant.

Higher cost of steam

2.2.34 The cost of utility comprising of furnace oil, water and coal increased abnormally during December 2008 to March 2011 due to higher consumption of costlier furnace oil in the boiler instead of coal as proposed in the DPR.

The DPR envisaged installation of a new low pressure coal fired boiler to meet additional demand of steam of six to seven tons per hour for concentrating CS lye from 32 to 50 *per cent*. In deviation to this, the Company installed dual fired boiler and used 3,642.98 MT furnace oil (FO) valued ₹ 10 crore to produce 42,027.85 MT steam during this period. For production of similar quantity of steam, it would require 7,617.81 MT of coal valued at ₹ 2.52 crore.

Extra expenditure of ₹ 7.48 crore on steam generation due to use of costly furnace oil instead of cheaper coal.

Thus, the Company incurred extra expenditure of ₹ 7.48 crore to generate equivalent quantity of steam by using furnace oil instead of coal.

Ill planned usage of dual fired boilers

2.2.35 Notwithstanding the suggestion in the DPR regarding boiler, the Company decided that in order to better utilise the hydrogen produced as a by-product, it should be used as a component of the fuel for boilers. Accordingly, two dual fired boilers were installed at a cost of ₹ 3.27 crore. These were to be operated using both furnace oil and hydrogen as feed fuel in the ratio of 30:70.

Since chlorine and hydrogen are produced simultaneously during electrolysis of brine, chlorine being a hazardous gas has to be utilised on priority. In the absence of a well-planned attempt to utilise increased production of chlorine profitably, additional chlorine was sent to HCl plant to react with hydrogen and produce hydrochloric acid.

This reduced the availability of hydrogen for the boiler, which required additional FO, resulting in increase in input cost. The HCl which was produced using the diverted hydrogen was a less profitable product, further reducing profitability.

As a fall out of this deficient planning, out of additional 136.53[30] lakh normal cubic meter (NM^3) of hydrogen generated from CCP during November 2008 to March 2011, only 17.65[31] lakh NM^3 could be utilised in the boilers against the requirement of 62.20 lakh NM^3. The Company incurred additional expenditure of ₹ 3.21 crore on FO (1,175.67 MT) which was utilised to meet the shortage of 44.55 lakh NM^3 of hydrogen.

Thus, due to lacunae in planning while installing dual fired boilers, not only did the Company incur more cost on dual fired boilers as compared to coal fired boiler, but also incurred avoidable expense on FO.

Uneconomic cost of utility

2.2.36 While other manufacturers of caustic soda in the eastern region restricted the cost of utility during 2006-07 to 2010-11 in the range of ₹ 41 to ₹ 118 per MT on production of caustic soda, the Company incurred cost between ₹ 1,092 and ₹ 2,817 per MT as shown in following chart:-

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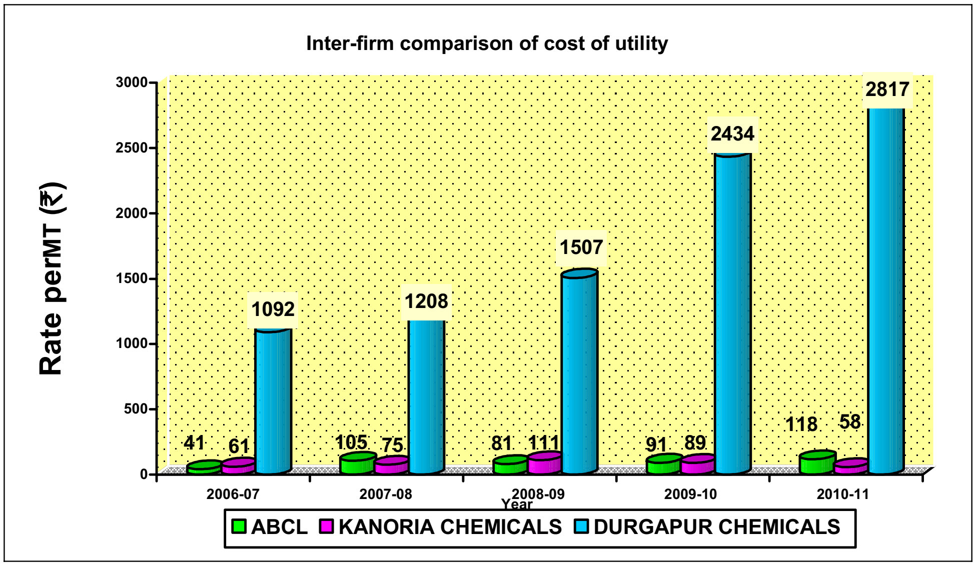
[30] Based on norms of 280 NM^3 hydrogen generated for production of one MT caustic soda, 136.53 lakh NM^3 hydrogen was produced from 48,761 MT caustic soda during 2008-11.
[31] Refer to Annexure 16.



Resultantly the Company incurred 11 to 49 times higher cost than their competitors on the cost of utility due to non-utilisation of hydrogen and excess consumption of FO in the boiler.

Coke oven gas (COG) produced by DPL could have substituted costly FO which was not considered.

The Management stated (November 2011) that due to non availability of required quantum of coal, coal fired boiler was not considered. Moreover, hydrogen was not made available for the boiler due to lower capacity utilisation of CCP, high demand of bottled hydrogen and higher consumption in HCl plant. Further, to reduce the cost of steam the Management was contemplating to bring COG from DPL.

The contention is not acceptable because the Company had not placed a coal fired boiler and instead decided to install dual fired boiler to use hydrogen as main fuel and FO as start up fuel. Non availability of adequate hydrogen was due to (a) non utilisation of 100 TPD CCP and (b) indiscretion in priortising use of hydrogen in HCl plant in lieu of its utilisation in the boiler. This led to higher cost of steam, utility and non utilisation of 44.55 lakh NM^3 available hydrogen.

We noticed that the Company's power cost per MT (39 to 48 *per cent* of total cost of production) was highest amongst their competitors in the industry resulting in lower margin. Besides, the Company consumed energy in excess of the norms valued at ₹ 9.69 crore during 2006-11. Further, they had incurred extra expenditure of ₹ 7.48 crore on steam generation due to use of costly furnace oil instead of cheaper coal.

Recommendation :-

- *Take initiatives for ensuring uninterrupted power supply at cheaper rate in consultation with the State Government or install a captive power plant.*

Sales performance

Sales policy

2.2.37 The Company sells their products through annual contracts and in the open market. For open market sales, they determine monthly product prices after considering their prevailing market prices, demand and contribution from each product through a Pricing Committee (PC) chaired by the Managing Director. In the case of annual contracts, rates are recommended by PC based on monthly price lists and approved by the Company's Board of Directors.

The targeted and actual sales *vis-a-vis* production of five main products during the five years upto 2010-11 are given in **Annexure 18**. It would be seen from the Annexure that under achievement *vis-a-vis* sales targets during the period ranged between 14 and 52 *per cent* in case of CS lye, 16 and 63 *per cent* for liquid chlorine, 25 and 60 *per cent* for SBP, 11 and 76 *per cent* for MCB and 30 and 70 *per cent* for DCB due to under-utilisation of plant capacities.

In this connection the following points were also noticed.

- During 2006-11 actual sales realisation of all the main five products were higher by five to 449 *per cent* than the targeted realisation except for DCB in 2008-09. Besides, the average realisation by the Company was higher by four to 14 *per cent* than their competitors. This indicated high level acceptability of the Company's products in the market which was not met due to inefficiency and bottlenecks in production.

- Since October 2008 the Company discontinued the analysis of the reasons for variances in sales. This created further impediment in correct forecast of sales targets.

Loss due to entering into forward sale contract

2.2.38 Though there was inordinate delay in commissioning of the 100 TPD membrane plant, the Company submitted (March 2008) *suo moto* offer to Hindalco Industries Limited (HIL) for sale of 10,000 MT of CS lye at ₹ 17,600 per MT. The offer was further increased to 12,000 MT at HIL's request. While accepting the offer, HIL reduced the rate and placed purchase order (April 2008) for 12,000 MT at a rate of ₹ 15,350 per MT, to be delivered between April 2008 and March 2009.

The matter was discussed (May 2008) in PC and it was decided (May 2008) to restrict the supply to a maximum of 6,000 MT instead of 12,000 MT. The PC approved the rate of ₹ 15,350 per MT which was below the prevailing market prices (₹ 16,222 to ₹ 17,300 per MT) in eastern region. However, the Company had started the delivery from April 2008, even before the approval of price by PC in May 2008. Moreover, the Company did not abide by the PC's recommendation to restrict sale to 6,000 MT and stayed committed to supplying 12,000 MT.

Till February 2009, they supplied 654.48 MT of CS lye at the ordered rate when the average sale price of DCL during April 2008 to February 2009 was ₹ 17,710 to ₹ 20,327 per MT. Since the total production of CS lye during 2008-09 was only 11,783 MT and price of CS lye was on an upswing, the Company stopped supply from March 2009 and requested (March 2009) HIL to place another purchase order at a basic price of ₹ 23,000 per MT, for parallel supply of 3,000 MT on equal basis with the earlier order. But HIL agreed (March 2009) to purchase only 500 MT of CS lye at ₹ 20,000 per MT on 50:50[32] basis. The Company did not agree and HIL issued (May 2009) legal notice on them for non-supply of ordered quantity.

Due to faulty forward sale contract, the Company suffered loss of ₹ 2.24 crore on sale of caustic soda below the market prices.

After negotiation with HIL, the Company decided (March 2010) to complete the supply of balance quantity of CS lye (11,347 MT) at the ordered rate (₹ 15,350 per MT). During March 2010 to March 2011, the Company despatched 7,786.66 MT when the average basic price of CS lye realised by the Company ranged between ₹ 15,488 and ₹ 19,627 per MT

Thus, sale of CS lye at ₹ 15,350 per MT by the Company below prevailing prices led to loss of revenue of ₹ 2.24 crore on the supply of 8,441.14 MT caustic soda lye during April 2008 to March 2011.

Appointment of commissioning agents

2.2.39 The Managing Director decided (September 2006) to engage external agencies for increasing their sales due to commissioning of 100 TPD membrane plant. Accordingly, three agents[33] were engaged on commission basis based on volume of sales routed through them as early as in May 2006/ January/ October 2008, though commercial production of membrane plant was scheduled to commence from May 2007 but actually started from February 2009.

Since the Company was not in a position to meet the market demand of their existing customers during 2006-07 to 2008-09 and even after expansion of capacity on commissioning of membrane plant their production was still below the regional demand, the appointment of commissioning/ liaison agents lacked justification. Further, the appointed agents failed to spread the market for the Company outside their existing customer base. Nevertheless, the Company paid ₹ 43.23 lakh[34] as agency and liaison commission during 2006-07 to 2009-10. The Company terminated (January/April/May 2010) the contracts with all agents.

Resultantly, the expenditure of ₹ 43.23 lakh became unfruitful due to hasty and improper decision of appointing agents as early as in 2006/ 2008 without assessing the production scenario of new membrane plant.

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[32] Fifty *per cent* supply at the rate of ₹ 15,350 per MT and balance 50 *per cent* at the rate of ₹ 20,000 per MT.

[33] S.S.S. Enterprises, Modern Trading Company and Cetech Corporation.

[34] For sale of hydrochloric acid (17,376.04 MT), stable bleaching powder (1,029.73 MT), CS lye (619.61 MT), sodium hypochlorite (3,907.64 MT) and MCB (677 MT).

During 2006-07 to 2009-10, 16 to 46 *per cent* of total sales of HCl were made through agents. The Company achieved sales realisation of ₹ 1,209 to ₹ 2,408 per MT through sales by agents during that period, while in case of direct sales by their marketing wing, they realised ₹ 1,696 to ₹ 2,855 per MT during that period.

The Company suffered loss of Rs 93.90 lakh on sale of hydrochloric acid at rates below the market price.

Thus, due to delay in taking decision for discontinuing sales through agents, the Company suffered loss of revenue of ₹ 93.90 lakh for sale of 19,569.70 MT HCl during 2006-10.

The Management stated (November 2011) that agents helped the Company to expand customers base for adequate disposal of downstream products. The reply belied the fact that sales through agents fetched lower realisation than their marketing wing.

Undue benefit to a chlorinated paraffin wax (CPW) producer

2.2.40 In order to utilise a part of the increased production of chlorine after commissioning of membrane plant, the Company entered into an agreement (November 2006) with Tara Mercantile Private Limited (TMPL), an ancillary producer of chlorinated paraffin wax (CPW) having requirement of 900 MT chlorine per month in the first phase and anticipated requirement of 1,500 MT chlorine per month in second phase.

Commercial production of CPW plant started from April 2008. As per agreement, the price of chlorine was to be fixed on the formula derived on monthly basis by mutual consent. While fixing the price of chlorine supplied to TMPL, the Company accepted the formula proposed by them at the end of each month which was based on reversed method of deducting the cost of other raw materials, all production, selling and distribution costs and profit element of TMPL from the sale price of CPW to work out the difference, being the cost of chlorine.

Instead of adoption of prevailing market price of chlorine as fixed by Pricing Committee (PC) for other CPW producers, the Company accepted even negative price of chlorine as per formula stipulated by TMPL as discussed below.

The Company's faulty agreement with the contractor resulted in loss of revenue of ₹ 1.72 crore.

The Company raised invoices at the rate of price list. But as per the agreement the formula adopted by TMPL, chlorine value became negative in 12 months and in six months it was at lower than the list price. As a result, the Company had to issue credit notes of ₹ 99.08[35] lakh when the chlorine value became negative and failed to realise ₹ 72.79[36] lakh when chlorine value realized was below the list price.

[35] ₹ 47.97 lakh (2008-09) + ₹ 51.11 lakh (2009-10)
[36] ₹ 48.18 lakh (2008-09) + ₹ 24.61 lakh (2009-10)

Eventually the Company supplied chlorine to TMPL for 12 months free of cost. Since October 2009 the Management began to realise the cost of chlorine as per list price with a discount on account of transportation.

Thus, due to defective agreement leading to acceptance of price to the disadvantage of the Company, they suffered a loss of ₹ 1.72 crore for supply of 5,662.80 MT of chlorine during the period April 2008 to September 2009.

Despite high level of acceptability of the Company's products in the market, sales targets were not met due to inefficiency and bottlenecks in production. Due to faulty agreement with a contractor, forward sale contract with a buyer and lower realisation from sales through agents, the Company incurred loss of revenue of ₹ 4.90 crore. Further, injudicious decision to appoint commissioning agents before commencement of enhanced production resulted in unfruitful expenditure of ₹ 43.23 lakh.

Recommendation :-

- *Explore the possibility of increased sale of downstream products.*

Internal control & monitoring

2.2.41 Presence of and adherence to a strong internal control system minimises risk of errors and irregularities in operational and financial matters and provides assurance in matters relating to accounting, financial reporting and overall efficiency of operations. Review of the Company's operations revealed the following control deficiencies:

Lack of quality control resulted in extra expenditure of ₹ 1.22 crore towards removal of excess impurities in salt.

- To ensure the quality of salt for production of CS lye, quality checks should have been exercised by the Quality Control department of the Company in accordance with standard specifications[37]. But the Company accepted 18,617.49 MT salt supplied by vendors during 2010-11 containing impurities beyond the mandated limits. To remove impurities in salt, they had to incur extra expenditure of ₹ 1.22 crore towards cost of chemicals used in excess of norms[38]. Instead of rejecting the salt to prevent possible adverse effect on the operating efficiency of the sophisticated membrane cell of CC plant, the Company consumed it in their production and deducted only rupees eight lakh from the bills of the vendors.

The Management stated (November 2011) that acceptance of salt was within the specified tolerance limit of each purchase order and there was no adverse effect on membrane cell since brine was purified at several stages before being fed to cell. The reply was factually incorrect because in four consignments

[37] NaCl – 98.50 *per cent*, Ca^{++} - 0.16 *per cent*, Mg^{++} - 0.08 *per cent*, SO_4 – 0.10 *percent*, water insoluble matter – 0.10 *per cent*, Iodine – 15 p.p.m. max., Crystal size – 3 to 6 mm (60 *per cent*), Heavy Metal content - Nil and moisture content – Maximum 4 *per cent.*
[38] Bureau of Indian Standards/ Caustic chlorine industry norms.

from two suppliers; magnesium, sulphate, iodine, water insoluble matter and moisture were above the tolerance limits. Further, as per report (2008) of Indian Salt Manufacturers Association, presence of water insoluble matter and iodine in salt affects the life of membrane and reduces current efficiency of cell since no viable technology for iodine removal is available.

- To achieve optimum capacity utilisation and steady production, the Company should control factors which affect production. Down time analysis from log books and other records maintained in CC and MCB plants showed (**Annexure 19**) that out of total 4,851 and 13,056 hours of shut down during 2006-11 respectively, 3,319 and 10,064 hours were lost in CCP and MCB plants respectively due to controllable factors like mechanical/ electrical breakdown (in CCP), shortage/ poor quality raw materials, process problems, maintenance and others including labour problem etc. These factors could have been avoided by prompt preventive maintenance of plant, timely procurement of good quality raw materials and focused marketing coupled with appropriate administrative measures for compliance with regulatory requirements. These shutdowns had resulted in loss of production of CS lye (11,167 MT), liquid chlorine (10,050 MT), MCB (6,291 MT) and hydrochloric acid (6,291 MT) valued at ₹ 54.49 crore with contribution forgone of ₹ 4.43 crore based on average sales prices of the products and actual cost incurred in respective years.

Controllable shutdowns led to production loss of ₹ 54.49 crore.

- Despite having policy of selling different products either against advance payment or on credit for periods ranging from 10 – 45 days[39], Sundry Debtors represents 3.43 to 4.56 months sales during 2006-07 to 2010-11. This indicated ineffective follow up by the Management for realisation of book debts and slack credit control mechanism. Out of total debts of ₹ 21.49 crore as on 31 March 2011 the Company provided ₹ 2.73 crore as bad debt during last five years in addition to earlier provision of ₹ 1.59 crore. The Company did not maintain age wise position of Sundry Debtors which hampered categorisation of Debtors outstanding for more than six months on the basis of prospect of realisation.

Twenty *per cent* of book debt became bad due to ineffective recovery mechanism.

- The Company issues salt to brine saturator without recording the quantity issued. Thereafter, they annually reconcile the quantities of salt issued/ consumed and in stock. While the reconciliation for 2006-09 showed no variation, in 2009-10, 5,007 MT of salt valuing ₹ 1.68 crore was found short due to difference in closing balance of 2008-09 with opening balance of 2009-10.

Internal audit

2.2.42 The Company did not have an Internal Audit Wing. They had engaged (January 2007) a firm of Chartered Accountants for internal audit of their production performance, input analysis, capacity utilisation, sale of scrap, sales performance, stock of stores, sundry debtors *etc*. at a cost of ₹ 6.05 lakh till January 2011.

[39] Except in seven cases where the credit period was extended upto 67 days.

There was nothing on record to indicate that the Management had initiated corrective action on the quarterly reports submitted by the firm. The BoD and the Audit Committee though reviewed the reports to assess shortcomings noticed in internal audit did not seek action taken notes thereon. Thus, internal audit was not effective as an important control mechanism.

Weak internal control and monitoring mechanism resulted in acceptance of substandard quality of salt, lack of preventive maintenance of the plants led to excess down time and resultant loss of production, lack of vigorous pursuance of debtors resulted in bad debts and salt being issued to the saturator without recording the quantity leading to shortage of physical stock.

Recommendation :-

- *Company may consider developing a stringent control mechanism and following standards for acceptance and consumption of raw materials/ chemicals; institute an effective preventive maintenance mechanism for the plants regularly and fixing maximum period of debtors outstanding; and ensuring the proper record maintenance of the quantity of salt issued.*

The Management accepted all the recommendations and assured to implement them.

The matter was reported to Government (October 2011); their reply was awaited (November 2011).

Chapter III

3 Transaction Audit Observations

Important audit findings arising out of test check of transactions made by the State Government companies/ corporations are included in this chapter.

Government Companies

The Durgapur Projects Limited

3.1 Loss due to preventable breakdown of power plant

The Durgapur Projects Limited incurred expenditure of ₹ 18.23 crore on repair to rotors of Unit 7 power plant damaged due to faulty operation and delayed intervention and had to forgo annual fixed charges of ₹ 393.77 crore.

The Durgapur Projects Limited (Company) put into commercial operation (30 April 2008) Unit-7 power plant (capacity: 300 MW), which was supplied and erected by Dongfang Electric Corporation (DEC), China at a contractual price of US$ 12.47 crore (imported items) and ₹ 240.91 crore (indigenous items). Under the contract, guarantee period was twelve months from the date of commercial operation (COD) and performance guarantee (PG) test[1] of plant was to be conducted within two months from COD. PG test could not be conducted within the specified period. With the view to avoid primary risk of operating the Unit, the Company entrusted its' operation and maintenance to DEC during 2008-09. Subsequent handing over of the Unit by DEC to the Company was not documented.

The Company shut down (June- August 2009) Unit-7 for preparatory and other repair jobs necessary for PG test. But the test could not be undertaken due to the Company's failure to undertake rectification of all listed defects identified by DEC besides certain systems remaining out of service since inception. Ultimately, the Unit was shut down for PG test in first fortnight of May 2010.

On 30 May 2010 while the test of electrostatic precipitator (ESP) was in progress the feed water bypass valve of high pressure heater (HPH) No. 3 was in open condition as the actuator was out of order and the inlet and outlet

[1] Ensure different guaranteed parameters of plant like unit heat rate, auxiliary energy consumption, running of plant above 40 *per cent* load without oil support, achievement of full load, fulfilment of emission norms *etc.*

valves of the HPH were opened manually. Consequently, the entire area was engulfed in steam, which then found its way through the cable room to the uninterrupted power supply (UPS) room. This caused earth fault of both UPS with loss of power to the digital display control panel (DDC) as well as de-energisation of the trip solenoids and tripping of the turbine.

When the turbine is tripped, it is put on turning or barring gear automatically to keep turbine shaft rotating while a fully functional lubricating system reduces friction and keeps the surfaces cool. If it is suddenly halted, the rotors may bend and get distorted. When the turbine tripped, the lubricating oil pumps (LOP) of Unit 7 did not start automatically due to lack of power and as a result, the turbine could not be put on barring gear. Consequently, the rotor and bearings of turbo-generator got damaged.

The Company got the damage assessed (June – September 2010) through DEC, NTPC[2] and BHEL. The Company placed (September 2010) order for repair of rotors in China, supply of spares and dismantling/ re-assembling of turbine/ generator at a cost of ₹ 14.33 crore on DEC, besides incurring marine insurance and freight aggregating to ₹ 3.90 crore. The Company met this expenditure out of bank loan of ₹ 14 crore bearing interest of 10.5 *per cent per annum*, drawn between November 2010 and May 2011, and the balance from own sources. The Unit was commissioned on 29 August 2011. The Company had issued (December 2010/ January 2011) charge sheets against the delinquent officers.

We observed that this damage to rotors was preventable since –

- DEC had called for (28 May 2010) emergency rectifications of the turbo-generator including malfunctioning actuator of HPH No. 3. As the repair had not been taken up, the feed water bypass valve remained in open condition resulting in leakage of steam.

- The leakage from HPH No. 3 continued for three hours till UPS earth fault occurred. Although the root cause for rise in HPH pressure could not be ascertained within reasonable time, the Unit was not tripped.

- When the turbine tripped, no attempt was made to start the jacking oil pump manually, to inject lubricating oil at high pressure at the bottom of the turbo-generator shaft and prevent friction and wear. This led to damage of the turbine bearings and the turbine could not be put on barring gear.

- Few safety features like emergency LOP switch at the back up panel of DDC; cutting off all fuel through FSSS[3] in the event of UPS failure *etc*. had not been commissioned since COD.

- All the delinquent officials against whom charge sheets had been issued were sent for training to China for two weeks to one month.

[2] National Thermal Power Corporation Limited and Bharat Heavy Electricals Limited.
[3] Furnace Safety Supervisory System.

Yet they failed to watch malfunctioning of the unit and were unable to take preventive action.

These factors had led to the Unit being out of operation for 10,929 hours from May 2010 to August 2011 due to rotor damage. The West Bengal Electricity Regulatory Commission (WBERC) had approved (September/ October 2008) annual fixed charges of ₹ 268.28 crore at 85 *per cent* plant availability for the year 2010-11. Consequently, the Company was unable to recover fixed charges aggregating ₹ 393.77 crore during this period. Moreover, the expenditure on repair worked out to ₹ 18.23 crore with interest on loan accruing to ₹ 69.82 lakh till August 2011.

Admitting the facts, the Government stated (August 2011) that failure of DDC resulting in damage of turbine rotor was mainly due to ingress of moist steam in UPS room for a prolonged period. This was an extremely unusual situation and occurred due to inability to identify the root cause for rise in steam pressure. They further added that though disciplinary proceedings had been initiated, damage to turbine rotor due to lubrication failure could not have been totally avoided since cutting of fuel supply automatically in case of UPS failure was not foreseen. The Management stated (August 2011) that a standby manual switch was being installed to cut the fuel supply.

The reply was silent about the lack of preventive maintenance required immediately before PG test, failure to trip the unit when root cause for rise in pressure could not be identified within reasonable time, failure to start oil pumps manually, non-commissioning of some of the safety features and negligence on the part of trained power plant officials. There was no mention of the preparedness of the Company to respond to any similar incident in future.

3.2 Extra expenditure for not availing of discount on oil price

The Company incurred extra expenditure of ₹ 9.17 crore on purchase of fuel oil due to their failure to sign an agreement with the supplier at a discounted price.

The Durgapur Projects Limited (Company) used to purchase oil and lubricants for their power plants from different suppliers, but due to co-ordination problems with more than one supplier, the availability of materials suffered. To avoid the problem, the Company entered (September 2003) into an agreement with Indian Oil Corporation Limited (IOCL) for a period of three years to purchase their entire requirements of fuel oil[4] from IOCL. During the period of the agreement, IOCL would maintain the parking inventory (PI) of 1,500 Kilolitre (Kl) FO on their own account at the storage of the Company. The Company was entitled to seven days credit from the date of invoice and a cash discount of ₹ 200 per Kl for payment made within seven days. Upto

[4]Furnace Oil (FO), Low Viscosity Furnace Oil (LVFO), Light Diesel Oil (LDO), Motor Spirit (MS), High Speed Diesel (HSD), lubricants and greases etc.

August 2006, the Company procured their entire fuel oil requirement from IOCL as per agreement and enjoyed the benefit of discount.

For renewal of the agreement, Management invited (September 2006) fresh offer from the IOCL and BPCL[5] and a price negotiation committee was appointed to evaluate the offers. IOCL offered a flat discount of ₹ 800 per Kl on purchase of any fuel oil, discount upto ₹ 325.54 per Kl on account of temperature variance allowance, ₹ 50 per Kl for prompt payment within 30 days and parking inventory benefit at the rate of ₹ 830 per Kl which was found to be more beneficial compared to BPCL's offer. The Committee recommended (September 2006) the acceptance of the offer. Instead of accepting the offer of IOCL, the Management, taking into account long term financial interest of the Company decided to further analyse the issues concerned. Consequently they decided (September 2006) to invite limited tenders and extension of the existing agreement was sought. IOCL agreed and extended the agreement for three months upto December 2006. However, limited tenders were not invited, reasons for which were not on record.

Meanwhile, Management focussed attention on the rising trend of oil consumption in power plants and concentrated on efforts to bring down consumption before deciding on the supplier. It was decided to resort to piecemeal procurement of oil in order to restrict over procurement and consequent over consumption.

But we observed that the high consumption of oil was basically attributable to operational inefficiencies like frequent tube leakage, non-availability of coal mill, increased use of vintage plants like Unit-I and II requiring oil support, forced outages leading to re-commissioning of different units *etc*. Thus, the decision of the Management to restrict procurement did not have any positive impact on actual consumption of oil as evident from the fact that it was high at 6.45 to 10.12 ml per unit of power generated during 2007-08 to 2009-10 against the norm of 2.85 to 2.45 ml as fixed by WBERC. On the other hand, it was counterproductive since the Company lost precious time in evaluating the offer of IOCL, despite clear indication of rising trend of market price of crude oil.

In the mean time, IOCL insisted (October 2006-February 2007) on maintaining of parking inventory of 1500 Kl which the Company was unwilling to do. After expiry of the earlier agreement in December 2006, the Company did not sign any fresh agreement with IOCL for purchase of their entire oil requirement for three years at a discounted price. From January 2007 to March 2008, IOCL allowed prompt payment discount of ₹ 200 per Kl, which they withdrew from April 2008. We observed that the Management's earlier decision (September 2006) to defer signing the agreement with the expectation of better terms, ultimately, proved to be detrimental to the financial interest of the Company as the later piecemeal procurement of oil was devoid of any benefit on account of discount.

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[5] Bharat Petroleum Corporation Limited.

The Government/ Management stated (August 2011) that availability of sufficient oil in stock usually results in additional oil consumption. Further, while admitting the fact that the benefit of discount could have been availed between January 2007 and March 2008, they argued that it was not possible to save the loss from April 2008 onwards since IOCL withdrew discount and credit facility from April 2008.

The reply overlooked the fact that higher oil consumption was attributable to operational inefficiencies as would be evident from average monthly consumption trend of oil which was 1,042 Kl during September 2003 to December 2006 in comparison to 1,602.98 Kl per month for the period January 2007 to December 2009 when austerity measures were in force.

Though the earlier agreement expired in December 2006, the Company was enjoying discount and credit facility upto March 2008 as a goodwill gesture of IOCL.

Had the Company signed the agreement in January 2007 for a period of three years their financial interest could have been safeguarded.

Thus, by not signing the agreement within December 2006 the Company failed to avail discount of ₹ 9.17 crore[6] on purchase of 56,668 Kl oil during January 2007 to December 2009.

3.3 Extra expenditure on procurement of energy meters

Disregarding tariff requirement and CEA standards, the Company procured energy meters at higher rate leading to extra expenditure of ₹ 1.51 crore.

In August 2006, The Durgapur Projects Limited (Company) decided to procure 34,500 single phase, static, 2-wire whole current energy meters in compliance with directives of WBERC[7] for replacing the electromechanical meters with static meters as per standard[8] notified by Central Electricity Authority (CEA). Since the Company had not purchased energy meters earlier;[9] they consulted WBSEB[10] but drew up their own specifications based on model specifications supplied by the manufacturers.

Notice inviting tender (NIT) was floated in October 2006 without preparing an estimate. Only two bidders participated in the tender. After testing

[6] Flat discount @ of ₹600 (₹800- ₹ 200) per Kl for 17,501 Kl upto March 2008 and @₹ 800 per Kl for 39,167 Kl *plus* prompt discount @ ₹50 per Kl for 56,668 Kl *plus* parking benefit @ ₹ 830 per Kl for 56,668 Kl.
[7] West Bengal Electricity Regulatory Commission.
[8] For low and medium voltage domestic /commercial consumers CEA notified (March 2006) that meters should measure cumulative active energy, time of use of energy and have anti tampering features so that the meters do not become non-functional even if input/ output terminals and neutral are interchanged.
[9] Earlier, energy meters were bought by respective consumers.
[10] West Bengal State Electricity Board predecessor to West Bengal State Electricity Distribution Company Limited (WBSEDCL).

(January 2007) the meters, Secure Meters Limited (SML) was found to be the only technically acceptable bidder who quoted a price of ₹ 1,641 per meter. Due to poor response the Management cancelled (June 2007) the tender and decided to review tender specifications. Based on revised specifications, the Company again floated (July 2007) a fresh NIT without preparing an estimate. Technical bids were opened in September 2007 and the sample meters were tested (December 2007). Again only SML emerged as the technically qualified bidder. The price bid opened in January 2008 revealed that SML quoted price at ₹ 1,287.50 per meter. After negotiation with SML, the Company placed an order (February 2008) for 20,000 meters at ₹ 1,262.50 per unit. In September 2008, the Company, without ascertaining prevailing rate or consulting other distribution licensees, placed a repeat order for 10,000 meters on SML at ₹ 1,250 per unit to meet the remaining requirement for replacement of old existing meters.

We observed that -

- the Management included features in the specifications of meters like load profile recording and supply of one common meter reading instrument (CMRI) for every 2,000 meters free of cost without examining its actual requirement *vis-à-vis* cost;

- the then prevailing rate for supplying this type of standard meter was ₹ 757.71 per meter. WBSEDCL had awarded (July 2008) a contract for purchase of 2.50 lakh meters to Electronics Corporation of India Limited (ECIL) at ₹ 720 per unit. WBSEDCL again procured (September 2008) four lakh meters from ECIL at ₹ 739.71 per unit.

The Government/ Management stated (July 2011) that WBSEB had neither procured nor invited tender for such type of meters. Moreover, they did not concur with the audit observation that meters were purchased at a high rate in comparison with prices of ECIL as they were against a different platform and with different specifications. They further contended that additional features adopted in the specifications were justified and would be beneficial in increasing security money.

The contention overlooked the fact that **(a)** WBSEDCL had been procuring and using this type of meters of standardised specifications since January 2006 without additional features. **(b)** Management framed specifications which included additional features over and above the specifications prescribed by CEA. Moreover, as per WBERC's regulations,[11] the determination of security deposit for each consumer is to be based on three months estimated consumption of electricity for that consumer. Hence, for the purpose of determining security deposit, features like recording load profile were redundant. **(c)** Even conceding the requirement of CMRI, had the Management bought CMRI separately, it would have cost only ₹ 8.65 lakh compared to the total additional cost of ₹ 1.60 crore incurred for 30,000 meters.

[11] Regulation 23 of 18 October 2005.

Thus, the Company incurred extra expenditure of ₹ 1.51 crore[12] compared to cost of WBSEDCL due to procurement of meters having unnecessary specifications at higher rate disregarding the tariff requirement and CEA standard.

West Bengal Power Development Corporation Limited

3.4 Loss due to failure to remove ash from ash handling system

West Bengal Power Development Corporation Limited had not undertaken evacuation of ash leading to collapse of electrostatic precipitator with avoidable expenditure of ₹ 3.48 crore on repair. Besides, the Unit was on total and partial outages leading to under-recovery of fixed charge of ₹ 30.22 crore.

West Bengal Power Development Corporation Limited (Company) commissioned (November 2007) Unit V (capacity: 250 MW) at Santaldih Thermal Power Station (STPS) with commercial operation from 31 March 2009. Bharat Heavy Electricals Limited (BHEL) was the turnkey contractor for the main plant while ash handling plant (AHP) was supplied by United Conveyor Corporation (India) Private Limited (UCC) as sub-vendor and electrostatic precipitator (ESP) by BHEL – Ranipet. Till 14 November 2009, UCC was in charge of the operations and maintenance (O&M) of the AHP when the Company took over. The Unit was under planned outage till 14 December 2009 to address the issue of condenser vacuum problems which resulted in the Unit being operated at partial load of 150 to 160 MW. However, the Unit continued to be operated at partial load of 150 to 160 MW even after the planned outage due to problem of major ash accumulation.

From January 2010, the Company entrusted the work of O&M of ESP, AHP and vacuum pump house (VPH) including removal of fly ash for this Unit to D. C. Industrial Plant Services Private Limited (DCIPSPL). DCIPSPL was the O&M contractor for units-I and II at STPS. However, on 11 January 2010, when DCIPSPL attempted to undertake O&M work at Unit V, their employees 'were severely manhandled and beaten by local hooligans' despite assurance of security by the Company. Consequently, due to accumulation of ash in hoppers, ESP of the Unit collapsed on 25 January 2010 and the Unit had to be shut down.

Two ('A' & 'B') out of four passes of the ESP sustained severe damage while the remaining two ('C' & 'D') were partially damaged. The Company engaged (February 2010) BHEL to revive the partially damaged C & D passes and the Unit was synchronised on 20 February 2010 after total outage of 622 hours. Subsequently, the Unit continued to be operated[13] for 7,008 hours with a restricted load of 150 to 160 MW with only two passes till repair and

[12] (₹ 1262.51- ₹ 720) X 20,000 meters + (₹ 1250- ₹ 739.71) X 10,000 meters = ₹ 1.60 crore *less* ₹ 8.65 lakh being the cost of CMRI not procured by WBSEDCL= ₹ 1.51 crore.
[13] For 292 days from 21 February to 30 October 2010 i.e. 292 days X 24 hours = 7,008 hours.

re-commissioning of the A & B passes on 31 October 2010. During this period, DCIPSPL undertook O&M work. However, the Company incurred (October 2010) expenditure of ₹3.48 crore[14] on restoration of the damaged ESP (both exhausts) through BHEL, due to their lack of foresight to assess on-site situation accurately.

We observed (April 2010) that –

- In November 2009, the Company took over responsibility for O&M of the AHP without making alternate arrangements till January 2010. Moreover, the Company's personnel were not familiar with AHP system. Yet, in December 2009, the Company resumed generation without arranging for ash removal. Consequently, the Unit operated for 42 days[15] at 150 to 160 MW due to major problem of ash accumulation.

- To enable operation of the Unit and prevent tripping, the ESP fields were kept off. This allowed ash to accumulate beyond safety limits. Despite the frequent problem of ash evacuation being on record since December 2009, manual evacuation was not undertaken. This led to excessive ash accumulation beyond the safety limit. Yet, the Company continued to operate the Unit.

- Against target normative annual availability factor of 85 *per cent* for full recovery of annual fixed charge (₹ 107.46 crore), the Unit had achieved only 43.68 and 70.40 *per cent* in 2009-10 and 2010-11.

The Government stated (August 2011) that the DCIPSPL's employees were not well conversant with the systems of the new Unit. Moreover, the ash level indicator was faulty and level of ash accumulation could not be gauged. So rather than negligence by the Company's employees, it was a technical fault that was responsible for the breakdown. The reply was not convincing, as the Company was aware of the problems that led to collapse of the ESP but failed to arrange for timely manual evacuation of accumulated ash.

Thus, the Company's failure to remedy the problem of ash accumulation, arrange for timely manual evacuation and poor maintenance led to collapse of the ESP with avoidable expenditure of ₹ 3.48 crore on repair and the Unit was under total outage for 622 hours and partial outage for 7,008 hours during 2009-10 and 2010-11 resulting in non-realisation of ₹ 30.22 crore towards fixed charges in both these years.

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[14] Material from BHEL-Ranipet at ₹1.30 crore with erection and services by BHEL- Power Sector (Eastern Region) at ₹2.18 crore.
[15] 14 December 2009 to 25 January 2010.

3.5 Avoidable burden on consumers

West Bengal Power Development Corporation Limited had not obtained requisite excise duty exemption on water treatment equipment and thereby paid avoidable excise duty of ₹4.52 crore towards cost of the equipment.

The Government of India exempted (September 2002) from excise duty, all items of machinery and components required for setting up water treatment plants to make the water fit for human or animal consumption as well as pipes needed for delivery of water from its source to the plant and from there to the storage facility. In January 2004, this benefit was also extended to water supply plants intended to make water fit for industrial use. Subsequently, from March 2006, water treatment plants supplying water for industrial use were no longer eligible for excise duty exemption. To avail of this exemption from January 2004 to February 2006, the users of such plant, machinery and components were required to obtain a certificate from the District Magistrate of the district certifying that such goods are cleared for the intended use and produce the certificate to Central Excise authorities.

West Bengal Power Development Corporation Limited (Company) issued (September 2004) letter of award for ₹ 55.81 crore on Subhash Projects & Marketing Limited (SPML) for raw water make-up system from Panchet Dam reservoir to STPS. STPS was located in Purulia district.

It was observed (April 2011) that the Company had not applied to the District Magistrate, Purulia for the requisite exemption certificates. Consequently, they paid (January 2005 – February 2006) excise duty of ₹ 4.52 crore to SPML that was avoidable.

The Government/ Management stated (August 2011) that the Company was not aware of the excise duty exemption and action had been taken to obtain refund of ₹ 4.52 crore paid to SPML between January 2005 and February 2006. Besides, the avoidable excise duty and its consequent effect on tariff of the project were 'very negligible' in comparison to total project cost. The reply was misleading since refund of excise duty cannot be obtained as the requisite certificate had not been obtained from the District Magistrate, Purulia. Moreover, in a commercially-operated generation utility, the Management should have explored all opportunities to minimise project costs, rather than burdening consumers to any extent.

Thus, by not obtaining requisite certificates, the Company had paid avoidable excise duty of ₹ 4.52 crore. This added to project costs which led to consumers being burdened with higher tariff.

3.6 Avoidable interest due to short deposit of advance tax

West Bengal Power Development Corporation Limited paid avoidable interest of ₹ 3.28 crore due to short deposit of final instalment of advance tax and self assessment tax arising from incorrect estimation of taxable income for the years 2006-07 and 2007-08.

According to provisions of section 208 read with section 211 of the Income Tax Act, 1961 (Act), every company is required to pay for each financial year, quarterly instalments of advance tax at prescribed rates[16] within due dates, if the amount of income tax payable during the financial year exceeds ₹ 5,000. If the instalments of advance tax deposited was less than the prescribed percentages, the assessee company was liable to pay interest under the provisions of section 234B[17] and 234C[18] of the Act. This interest was to be calculated and deposited with the balance tax determined on self assessment.

Paragraph 4.8 of C&AG Report (Commercial) 2003-04 had highlighted failure of West Bengal Power Development Corporation Limited (Company) to deposit advance tax which led to payment of avoidable interest. Consequently, Committee on Public Undertakings (COPU) observed (December 2008) in their Report that this showed serious managerial deficiencies and pointed to the need of the Company to improve professional efficiency and financial management. However, deficiency in financial management related to payment of advance tax continued to persist as discussed below.

In 2006-07 and 2007-08, the Company deposited advance tax of ₹ 1.12 crore and ₹ 7.02 crore as against self assessed tax of ₹ 30.55 crore and ₹ 14.63 crore respectively resulting in short deposit of advance tax of ₹ 29.42 crore and ₹ 7.60 crore respectively.

The Company attributed (September 2007/ August 2008) the sharp rise in tax on book profits for years 2006-07 & 2007-08 to accounting for fuel cost adjustment of ₹ 262.36 crore relating to the financial years 2004-05 (₹ 208.37 crore) and 2005-06 (₹ 53.99 crore) in 2006-07 and fuel cost adjustment of ₹ 114.69 crore for 2006-07 in 2007-08, based on orders passed (July 2007/ May 2008) by West Bengal Electricity Regulatory Commission (WBERC). Since, there was no scope to estimate the quantum of fuel cost adjustment granted by WBERC well in advance, applicable advance tax could not be paid in time.

The Company deposited balance tax of ₹ 29.42 crore and ₹ 7.60 crore on 24 September 2007 and 24 August 2008 without interest. They filed returns

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[16] 15 *per cent*, 45 *per cent*, 75 *per cent* and 100 *per cent* of assessed tax by 15 June, 15 September, 15 December and 15 March respectively.

[17] If advance tax paid was less than 90 *per* cent of the assessed tax, interest was payable at the rate of one *per cent* per month or part thereof on the amount by which the advance tax paid falls short of assessed tax.

[18] Interest at the rate of one *per cent* per month or part thereof on the amount short deposited against cumulative instalments of advance tax for the period of three months.

for the financial years 2006-07 and 2007-08 on 29 October 2007 and 19 September 2008 respectively. Subsequently, Income tax authorities raised (November 2009/ March 2011) claims of ₹ 4.44 crore and ₹ 1.33 crore for 2006-07 and 2007-08 respectively towards interest on short deposit of advance and self-assessed tax under Sections 234B and 234C of the Act.

The Company appealed (September 2007) to Income Tax authorities for waiver of interest levied on short deposit of advance tax for the financial year 2006-07. The Chief Commissioner, Income tax (CCIT) waived (March 2011) interest of ₹ 1.53 crore for 2006-07 under Section 234C of the Act but did not waive revised interest of ₹ 2.62 crore assessed (March 2011) under Section 234B. CCIT waived interest under Section 234C since the income was received or accrued after the due date of the payment of the instalments of advance tax. The Company paid (March 2011) ₹ 2.62 crore towards interest under Section 234B for 2006-07. Similarly, the Company appealed (August 2008) for waiver of entire interest for the financial year 2007-08. The Deputy Commissioner, however, rejected (March 2011) the appeal and demanded payment of interest. The Company deposited (March 2011) ₹ 66.56 lakh towards 50 *per cent* of demand and lodged (March 2011) fresh appeal with CCIT for waiver of interest. Further development was awaited (October 2011).

The Government stated (August 2011) that prior to the financial year 2008-09 the Company had not included fuel cost adjustment claims in income estimates for deposit of instalments of advance tax. These claims were not considered since there was no reasonable certainty before the close of each financial year that the income would actually be receivable. In the tariff order for 2008-09, WBERC had for the first time prescribed the formula for fuel cost adjustment.

The reply overlooks the fact that interest was not to be levied only on those instalments of income tax deposited prior to the income being received, accruing, anticipated or contemplated. Since the fuel cost adjustment claims had been lodged on 6 March 2007 and 4 March 2008 i.e. before deposit of last instalment of advance tax on 15 March 2007 and 15 March 2008 respectively, the Company had knowledge of the accruals.

Thus, Company's failure to assess tax on income after considering claims towards fuel cost adjustment has resulted in short deposit of advance tax and self assessed tax leading to payment of avoidable interest of ₹ 3.28[19] crore and a possibility of further liability of ₹ 66.56 lakh.

[19] 2006-07: ₹ 2.62 crore, 2007-08: ₹ 66.56 lakh.

The Shalimar Works (1980) Limited

3.7 Loss due to defective estimates in construction of fuel barges

The Shalimar Works (1980) Limited incurred extra expenditure of ₹ 5.17 crore on construction of two fuel barges for Indian Navy due to under estimation of cost of equipments overlooking terms of request for proposal, non- consideration of equipment/ items of expenditure in the pre-bid estimates and non-inclusion of appropriate excise duty exemption clause in agreement.

The Shalimar Works (1980) Limited (Company) builds and fabricates marine vessels. The Company contracted (September 1998) with Marine Consultants (MC) to prepare documents for submission of bids by the Company, as well as detailed design and drawings. Against request (March 2006) for proposal (RFP) from Indian Navy (Navy) for construction of two 500 ton fuel barges, the Company, with the assistance of MC, quoted (May 2006) a fixed price of ₹ 14.25 crore per barge including all taxes and duties on components/ equipments. Being lowest bidder, the Company obtained the order at a negotiated (March 2007) firm price of ₹ 13.95 crore per barge, to be delivered in February and May 2009 respectively. A contract was inked in November 2007. The Company also retained (November 2007) MC to prepare design, construction drawings, manuals and documents and to obtain test and trial certificates. Meanwhile, with a view to execute the work, the Company entered (August 2006/ January 2008) into agreements with SHM Shipcare (SHMS), a Mumbai based firm to act as technical collaborator cum financier. Subsequently, the Company terminated (February 2009) contract with SHMS. Thereafter, the Company has been executing the project work departmentally.

Till March 2011, the Company could complete only 52 *per cent* and 26 *per cent* of construction work of two barges respectively though the procurement had been completed. They had incurred expenditure of ₹ 17.78 crore in this contract. The Navy agreed to revise the schedule of delivery to June and August 2011 while the Company expected to deliver in November 2011 and January 2012 respectively.

We noticed (October 2009/ May 2011) that –

- The Company was to supply both barges at fixed and firm price within February and May 2009 respectively. To this end, they had engaged SHMS to build the barges, with drawings to be prepared by MC. MC had, however, delayed submission of drawings and consequently, SHMS had terminated the agreement. This delayed commencement of work.

- The RFP provided that the Company had to procure machinery and equipment from Navy nominated vendors. However, in case of constraints, the Company had to seek Navy's approval for alternative vendors. The Company submitted (May 2006) their offer based on cost estimates prepared by MC without ascertaining prices and delivery schedules from Navy nominated vendors. Moreover, even during the ten months from initial quotation in May 2006 to final offer in March 2007, they had not followed up with the nominated vendors. Consequently, they placed purchase orders on Navy nominated vendors for 24 items of main machinery /equipment at prices 10 to 717 *per cent* above estimates. Till May 2011, the Company purchased 35 items of main machinery/ equipment at ₹ 10.78 crore against estimate of ₹ 7.83 crore **(Annexure 20)**. They thereby incurred additional expenditure of ₹ 2.95 crore due to their failure to obtain rates from nominated vendors before preparation of estimates.

- The estimate prepared by MC had not incorporated six[20] items of main equipment required to construct the barges as well as expenditure on bank guarantee commission, inspection charges payable to Indian Registrar of Shipping and consultancy fees to MC. The Company, subsequently, incurred expenditure of ₹ 1.79 crore on these items.

- Under the extant provisions[21], excise duty (ED) on inputs like steel and indigenous machinery/ equipment used in defence production qualify for exemption, provided certificate to that effect from the designated defence authority is submitted to the supplier. But during negotiations with Navy, the Company did not endeavour to incorporate a specific clause for issue of ED exemption certificate. Till May 2011, the Company incurred expenditure of ₹ 1.01[22] crore towards ED on indigenous machinery and steel utilised in construction of these barges. Thus, Company's failure to incorporate appropriate clause in the contract with Navy led to avoidable expenditure of ₹ 1.01 crore.

While accepting the observations, the Government stated (September 2011) that it was for the first time that the Company had taken up ship building works for the Indian Navy and could not foresee the equipment required and its price during cost estimation. They further stated that the extra expenditure of ₹ 5.17 crore[23] might be compensated by way of savings from other items of expenditure at the time of delivery of the 1st vessel on completion (January 2012) of construction.

The contention was not acceptable because **(a)** they had appointed MC, a reputed marine consultant in Eastern India who had past experience of working with the Company. Further, as per RFP the Company was required to procure machineries and equipments from nominated vendors but they could not ascertain vendors' price before preparation of estimate; **(b)** Management's statement regarding cost savings on other heads lack justification since the construction of the barges were yet to be completed and the Company had overshot procurement expenses by ₹ 2.95 crore, labour and overhead expenses

[20] Engine order telegraph, emergency stop panel, tank content gauge, Gemini craft, breathing apparatus and air-conditioning systems.
[21] Vide notification no. 25/2002-CE 11 April 2002.
[22] ED on machineries and equipments: ₹ 58 lakh and steel: ₹ 43 lakh.
[23] ₹ 2.95 crore, ₹ 1.79 crore and ₹ 0.43 crore.

by ₹ 3.14 crore besides liability towards delivery and certification expenses of ₹ 87.64 lakh compared to the estimate.

Thus, due to defective estimate overlooking terms of RFP, non-inclusion of items in the estimate and failure to incorporate suitable clause in the agreement for ED exemption certificate, the Company incurred additional expenditure of ₹ 5.17 crore.

West Bengal Electronics Industry Development Corporation Limited

3.8 Loss of revenue due to non enhancement of permission fee

The Company failed to install an effective mechanism to control sub-letting of built up spaces by their lessees and enhance rate of permission fee for sub-letting resulting in non realisation of additional income of ₹ 3.77 crore.

In order to promote and develop electronics industries, West Bengal Electronics Industry Development Corporation Limited (Company) sub-leases[24] out plots/ building spaces in their electronic complex at Sector V of Salt Lake for a period of 90 years. In terms of the sub-lease deed, the Company introduced (March 1999) a system of grant of permission to their lessees for sub-letting part of the built-up space constructed by the lessee on their leasehold land on payment of a permission fee of ₹ 2 per sqft. per month. The relevant permission letters *inter-alia,* provided that (i) permission would lapse after the expiry of three years of tenancy or earlier if so determined, (ii) the permission fee to be revised from time to time, and (iii) renewal of tenancy was permissible subject to revision of rate. As a commercial entity, it was imperative upon the Company to revise the rate of permission fee keeping parity with the change in the rate of rental of let out portion to increase their income.

We noticed that:-

⇒ The Company did not have an effective control mechanism to maintain details of tenants, the period of their tenancy and increase in rentals from time to time by sub-lessees to facilitate consideration of commensurate upward revision of permission fee from ₹ 2 per sqft. per month, in keeping with increase in market rates at which sub- lessees were collecting rentals.

⇒ While the rate of monthly rentals being collected from tenants increased from ₹ 10 per sqft. per month in June 1999 to ₹ 42 per sqft. in March 2009 (an increase of 320 *per cent*), the Company, contrary to

[24] The land has been taken on lease of 999 years by the Company from the Government of West Bengal.

their policy, did not take any initiative to increase the rate of permission fee.

⇒ The Company formed a realty management cell in April 2009, which recommended increase in the existing monthly permission fee from ₹ 2 per sqft. to ₹ 3 per sqft (an increase by 50 *per cent*). The proposal placed (July 2009) before the Board was deferred on the basis of "difficult market conditions" and rate of permission fee remained the same. The decision of the Board lacked justification since they failed to factor in the increase of rentals by 320 *per cent* over the years. Immediately thereafter, monthly rentals collected by sub-lessees increased sharply from ₹ 43 per sqft (August 2009) to ₹ 63 per sqft. (November 2009).

⇒ The Company lost the opportunity to earn additional revenue of ₹ 3.77 crore during the period from July 2009 to March 2011 due to indefinite deferment by the Board of the proposal to increase monthly permission fee by ₹ 1 per sqft.

The Management stated (August 2011) that decision had not yet been taken on enhancement of permission fees by the Board of Directors and *status quo* would be maintained till Government advice is received.

The reply endorses the audit finding.

Thus, failure of the Management to devise a suitable mechanism to assess market trend and increase unit rate of permission fee at the proposed rate, led to loss of potential income of ₹ 3.77 crore.

The matter was reported to the Government (July 2011), their reply was awaited (October 2011).

Eastern Distilleries and Chemicals Limited

3.9 Avoidable payment of overtime

In 2009, Eastern Distilleries & Chemicals Limited paid avoidable overtime of ₹ 92.43 lakh due to inordinate delay in decision to procure new automatic bottling line. Besides, due to loss of production since January 2010, they had forgone contribution of ₹ 2.61 crore.

Eastern Distilleries & Chemicals Limited (Company) produces and bottles country spirit (CS) in glass bottles[25], with one automatic (capacity : 150 bottles per minute) and two semi-automatic (capacity : 54 bottles per minute each) bottling lines installed more than 13 years and 30 years earlier respectively. Against their declared capacity of

[25] In 300 ml and 600 ml capacities.

90,000 bottles per shift, effective capacity was 82,000[26] bottles per shift. Till December 2007, the Company catered to an estimated CS demand of 80,000 bottles per day for 94 shops in North and South Kolkata, South 24-Parganas and Howrah districts. From January 2008, the demand to be met increased to 1.12 lakh bottles per day following approval from the State Excise department for additional business in Kolaghat, East Midnapore district. The Company, however, did not explore the possibility of augmenting installed capacity. Instead, the Company resorted to payment of overtime (OT) to meet the additional requirement. Besides, the Company continued to pay incentives for daily production under scheme approved in September 2002. Between April 2007 and March 2010, the Company paid OT and incentive of ₹ 3.67 crore for 9.49 crore bottles of CS.

The Company's Board of Directors (Board) decided (July 2008) to install new, modern machines and directed the preparation of an evaluation report. The report recommended (December 2008) the need for enhancement of production capacity by replacing two old semi-automatic lines by a new fully automatic line with capacity of 1.06 lakh bottles per shift. Accordingly, the Board directed (December 2008) preparation of draft tender notice for their approval. Subsequently, the Board constituted (January 2009) a committee for preparation of technical and commercial bids as well as project report for approval by the Government of West Bengal.

In June 2009, the Committee expressed to the Board the difficulties in preparation of the project report due to non-availability of requisite technical and other parameters. Consequently, the Board decided to appoint a consultant for preparation of project report for installation of fully automatic CS bottling line. The Company appointed (December 2009) Indian Institute of Packaging (IIP) as consultant at a fee of rupees three lakh for preparation of report in 10 weeks' time. Despite receiving the entire fee in December 2009, IIP has not yet submitted the report (June 2011).

Thereafter, in January 2010, the Company decided to stop OT as a cost cutting measure, resulting in drastic dip in production leading to non-fulfilment of demand. When apprised, the Board directed (May 2010) immediate purchase of an automatic bottling line and placed (July 2010/ December 2010) orders on Jagat Industries, New Delhi for supply of fully automatic bottling line with 150 bottles per minute at a cost of ₹ 78.68 lakh. The machine was commissioned in April 2011.

We noticed (April 2011) that -

- The sale price of CS and each element of cost were determined by the State Excise Authority. The Company was entitled to bottling charges of ₹ 2.95 per bottle/ ₹ 3.05 (January 2009) per bottle, for recovery of their cost of operation and overhead charges. Yet, the Company had not undertaken a cost-benefit analysis for operation of semi-automatic *vis-à-vis* automatic bottling lines.

[26] Capacity of each semi automatic machine: 16,000 bottles per shift and automatic machine: 50,000 bottles per shift.

- Based on actual deployment of manpower on each bottling line and apportioning electricity charges on the basis of effective capacity, the bottling cost for automatic and two semi-automatic lines in 2009-10 worked out to ₹ 0.67 and ₹ 1.30/ ₹ 1.26 per bottle during normal working hours and ₹ 0.95 and ₹ 1.93/ ₹ 1.92 per bottle during OT hours respectively. This indicates that bottling cost of semi-automatic lines were higher by 91 (normal hours) to 103 *per cent* (OT hours) compared to automatic line and therefore, decision to continue bottling with semi-automatic lines lacked justification.

- The correlation between monthly bottling achieved *vis-à-vis* corresponding incentive and OT paid declined over the three years up to 2009-10. Further, between January 2008 and December 2009, when production was enhanced from around 94,158 bottles per day to 1.18 lakh, the correlation between production on one hand and incentive, as well as OT on the other, was not significant. This showed that additional OT was not justified.

- Although the Board had decided to install a new automatic bottling line in July 2008, the decision matured in May 2010 after a delay of 22 months, resulting in payment of avoidable overtime of ₹ 92.43 lakh[27] from January[28] to December 2009.

- Against demand of 1.12 lakh bottles daily, the Company produced average of 69,647 bottles daily since January 2010. The new line ordered in July 2010/ December 2010 was supplied between December 2010 and March 2011 and commissioned in April 2011. If decision to purchase the new line had been taken on time and it had been commissioned by December 2009, the Company could have bottled, at least, one lakh[29] bottles daily from January 2010 onwards. After deducting variable cost per bottle of ₹ 0.67 and rebate of ₹ 0.05 for packaging from bottling charge of ₹ 3.05, the Company would have earned additional contribution of ₹ 2.31 per bottle aggregating to ₹ 2.61 crore from January 2010 to March 2011.

The Management stated (September 2011) that the report of IIP was still awaited, despite reminders. Moreover, the Company took the decision to purchase an automatic bottling line with roll-on pilfer-proof (ROPP) cap sealing facility to comply with Government's order to fill country spirit only in bottles with ROPP caps.

The reply, however, overlooks the fact that ultimately, the new line was installed without receipt of IIP's report. Further, decision to install a new automatic bottling line was taken in July 2008 and reiterated in December 2008 and January 2009. Besides, from December 2008, the

[27] Difference between actual OT of ₹ 121.96 lakh paid and OT of ₹ 29.53 lakh which would have payable even if new line was installed to achieve production of 1.06 lakh bottles per day.
[28] Excluding a lead time of six months between ordering and installation of machine.
[29] Existing capacity of automatic bottling line – 50,000 bottles per day (@ 150 bottles per minute) with similar capacity of new line.

Government had allowed country spirit manufactured in bottles with ROPP caps a refund of ₹ 0.20 per bottle on privilege fee which would have helped to improve on the contribution. Thus, due to inordinate delay in taking decision to purchase a new machine the Company paid avoidable overtime of ₹ 92.43 lakh. Moreover, the delayed decision had also led to loss of contribution of ₹ 2.61 crore.

The matter was reported to the Government (July 2011), their reply was awaited (November 2011).

West Bengal State Electricity Distribution Company Limited

3.10 Loss due to delay in repair of a hydel unit

Inordinate delay by the Company in taking a decision to repair the hydel alternator of Unit -I at Mungpoo Kali Khola hydel power station led to loss of generation of six million units of power valued at ₹ 1.99 crore.

Apart from the business of distribution of power, West Bengal State Electricity Distribution Company Limited (Company) also operates hydro generation plants at Darjeeling and Purulia districts. Unit I of Mungpoo Kali Khola hydel power station (MKHPS- 3X1 MW), managed by the Company, suddenly tripped while in operation on 11 November 2006 due to failure of its alternator (Generator). Siliguri Testing Circle (STC) of the Company after inspection (February 2007) suggested that help be sought from Jyoti Limited (JL), the original equipment manufacturer which advised (March 2007) the Company to send the alternator to their workshop at Baroda to identify exact causes of the failure. The Director (Generation) and the Chairman cum Managing Director (CMD) approved the proposal in February and May 2007 respectively. The Company placed the work order on Jyoti Limited for repairing the alternator at a cost of ₹ 35 lakh in August 2009, after a delay of 27 months. Finally, the equipment was repaired and Unit-I was re-commissioned in June 2010.

We observed that:-

- Necessary design parameters required for repair of the alternator were proprietary items of Jyoti Limited. As such, it was desirable to send the alternator to them for repair at the earliest. Yet, the management took six months to get the approval of CMD to send the damaged equipment to the works of JL.

- Thereafter, setting aside the direction of CMD, the plant authority decided (June 2007) to explore the possibility of repairing the damaged equipments at the site of MKHPS by three agencies to avoid sending the equipments to the works of Jyoti Limited at Baroda. However, the belated initiative of getting the equipment repaired on site did not yield any result due to lack of positive response and perceived inability on the part of the agencies approached by the Company.

Thus, failure of the Management to get the proprietary equipment repaired by the Jyoti Limited immediately after the approval of CMD led to avoidable delay of 27 months [30] which resulted in loss of generation of six million units of energy valued at ₹ 1.99[31] crore.

The Government/ Management stated (June 2011) that the plant authorities took the opportunity of getting the machine repaired on the spot to avoid trouble of sending the equipment to Baroda. They further attributed the delay in repairing the equipment to difficulty in finalising the transportation contract and the time taken for dismantling, testing and finalisation of rates by Jyoti Limited. They also stated that loss of generation was not techno-mechanically justified due to non availability of water to run all the three units simultaneously, since, availability of water was the prime governing factor for generation and not the availability of units.

The reply of the Government was not acceptable since **(i)** it was well known that repair involved proprietary items of JL, which rendered other alternatives unviable. **(ii)** Delay of 27 months in awarding work order was attributed to exploring the possibility of repairing the equipment at site (11 months), finalisation of transport contract to despatch the equipment to Baroda (seven months) and evaluation of repair estimate and price negotiation with Jyoti Limited (nine months) by the Company which were clearly controllable. **(iii)** The computation of generation loss is techno-mechanically justified since the DPR of MKHPS envisaged running of three units at full capacity during monsoon months from July to October based on daily discharge for 90 *per cent* dependable year. Moreover, generation loss was computed on actual average monthly generation of Unit-I during pre and post failure period which averaged out seasonal fluctuations in generation during lean and peak period.

West Bengal Surface Transport Corporation Limited, Westinghouse Saxby Farmer Limited, West Dinajpur Spinning Mills Limited, Gluconate Health Limited and Greater Calcutta Gas Supply Corporation Limited

3.11 Excess contribution to Provident Fund

Four sick industrial companies, continued to contribute at 12 *per cent* towards employer's share instead of 10 *per cent* permissible under the Employees' Provident Fund and Miscellaneous Provisions Act 1952, leading to excess contribution of ₹ 1.48 crore.

The Employees' Provident Fund and Miscellaneous Provisions Act 1952 (Act) enhanced the employer's contribution to Provident Fund from 10 to 12 *per cent* of

[30] Excluding time taken by JL (10 months) for repairing and re-commissioning.
[31] At selling price of ₹ 3.21 to ₹ 3.49 per unit of the Company in absence of separate price of generation determined either by WBERC or the Company.

each employee's basic wages, dearness allowance including cash value of any food concession allowed and retaining allowance for certain establishments or class of establishments with effect from 22 September 1997. However, industrial companies[32] which had Accumulated Losses in any financial year equal to or exceeding 50 *per cent* of their average Net Worth[33] in the four years immediately preceding such financial year, as well as establishments which had at the end of any financial year Accumulated Losses equal to or exceeding their entire Net Worth, were permitted to contribute at 10 *per cent.*

Five companies adopted their accounts for 2004-05 from September 2005 to June 2006 which reflected that the Accumulated Loss of these companies had exceeded 100 *per cent* of their average Net Worth in 2001-05 as detailed below.

(Amount : ₹ in crore)

Name of the Company	Date of adoption of accounts for 2004-05	Accumulated Loss as on 31 March 2005	Average net worth in 2001-05	Percentage of Accumulated Loss to average net worth
West Bengal Surface Transport Corporation Limited (**WBSTCL**)	28 November 2005	62.59	33.97	184.25
Westinghouse Saxby Farmer Limited (**WHSFL**)	15 September 2005	368.47	97.50	377.92
West Dinajpur Spinning Mills Limited (**WDSML**)	28 September 2005	69.35	8.77	790.76
Gluconate Health Limited (**GHL**)	29 September 2006	87.67	23.52	372.75
Greater Calcutta Gas Supply Corporation Limited (**GCGSCL**)	30 September 2005	136.43	30.14	452.65

Therefore WBSTCL, WHSFL, WDSML, GHL and GCGSCL were permitted to contribute at 10 *per cent* to the provident fund of their employees. However, except WDSML, the other four companies continued to contribute their share to Provident Fund at the higher rate of 12 *per cent.* In case of WDSML the Management contributed at 10 *per cent* up to December 2007 but *suo-moto* enhanced the contribution to 12 *per cent* from January 2008 for reasons not on record. WDSML, however, continued to suffer losses throughout this period. Under a Capital re-structuring scheme, in 2008-09, WHSFL set-off their Accumulated Loss with Paid-up Capital and was required to contribute at 12 *per cent*. This led to excess contribution of ₹ 1.48[34] crore during 2006-10.

The Government/ **WDSML** stated (August/ July 2011) that based on the proceedings, RPFO[35] passed order (March 2011) to contribute at the rate of

[32] Such companies are sick industrial companies within the meaning of Sec 46AA of the Companies Act 1956.
[33] Aggregate of Paid up Capital and Free Reserves after deducting the prescribed provisions or expenses.
[34] WBSTCL : ₹ 69.11 lakh, WHSFL : ₹ 24.14 lakh (2006-08), WDSML : ₹ 21.66 lakh, GHL : ₹ 13.67 lakh and GCGSCL : ₹ 19.70 lakh.
[35] Regional Provident Fund Officer.

10 *per cent* and accordingly WDSML was contributing at 10 *per cent* since March 2011. However, the reply was silent about the excess contribution till February 2011.

While admitting their mistake the Government/ **GCGSCL** stated (October 2011) that they would take appropriate care in the future. Moreover, GCGSCL was not eligible to contribute at 10 *per cent* since they had not incurred cash losses during 2006-10. However, reduction in the rate of contribution is yet to be effected. Further, the argument was not valid as the eligibility parameters for contributing at lower rate had been amended under Companies Act, 1956 which repealed the requirement of cash loss criterion.

Similarly, the Government/ **WBSTCL** while admitting the facts assured (May 2011) that the contribution would be made as per reduced rates.

GHL stated (August 2011) that they could not take any *suo-moto* action without prior approval of the appropriate authority considering ramifications of industrial relations and socio-economic measures. The Management should take appropriate measures to improve financial performance or consider all options to pare costs including reducing contribution to provident funds.

The Government/ **WHSFL** stated (September/ August 2011) that the Accumulated Losses were less than Net-Worth since 2004-05. The calculation of Net-Worth was not, however, according to the applicable provisions. Only from 2008-09, when the Accumulated Loss was written off from the Paid up Capital **WHSFL** was liable to contribute at 12 *per cent*.

Thus, these companies' failure to obtain relief under the Act *ibid* resulted in excess contribution of ₹ 1.48 crore towards employer's contribution to provident fund at the higher rate of 12 *per cent* instead of 10 *per cent* from 2005-06 to 2009-10. The higher rate of contribution continued in 2010-11.

The matter regarding GHL was reported to the Government (July 2011), their reply was awaited.

West Bengal Housing Infrastructure Development Corporation Limited

3.12 Opportunity to earn interest not availed

West Bengal Housing Infrastructure Development Corporation Limited kept funds in non-interest bearing current accounts and failed to avail opportunity to earn interest by gainfully deploying funds leading to loss of ₹ 1.40 crore.

Efficient cash management envisages drawing up of cash budgets, preparation of periodic cash flow statements, assessment of surplus funds, and judicious evaluation of investment options to allow for prudent investments decisions that led to maximum returns through optimal deployment of funds and ensures growth of a business entity. Absence of periodic cash flow analysis results in retention of idle cash balances in banks. Flexi-deposit schemes provided by banks allow customers access to liquidity as and when required, while maximising interest income. Under such schemes surplus funds in current accounts are automatically invested which can be encashed as and when funds are required to meet an impending expenditure.

Activities of West Bengal Housing Infrastructure Development Corporation Limited (Company) include land acquisition, infrastructure development and sale of land at New Town, Kolkata. The Company did not prepare periodic cash budgets to forecast cash requirement and identify idle funds for gainful deployment. During the period April 2007 to March 2010, the Company maintained 38[36] current accounts. Twenty of these accounts had been opened with approval of the Board of Directors of the Company mainly to ensure smooth operation of business, while minutes of Board meetings during the period did not indicate approval for opening of the remaining 18 current accounts. Consequent upon an audit query having been raised, the Management stated (July 2011) that these accounts were opened at the instances of banks as sub-accounts to the main accounts for convenience of collection and segregating application money received from different categories of applicants during allotment of plots. However, the management was silent regarding Board approval not being on record. Out of 38 accounts, two accounts had no balance and in remaining 36 current accounts, aggregate minimum monthly balances ranged from ₹ 1.86 crore to ₹ 23.68 crore during the same period without earning any interest. The Company lost the opportunity to earn interest of ₹ 1.40 crore[37] on these balances due to non operation of flexi deposit schemes with banks, with tenure of at least one month.

In addition, out of the 36 accounts, 10 had either no transaction or rare transactions since 2001-02 to 2009-10. Consequent upon audit observation (July 2011), the Management initiated an exercise to identify accounts which could be closed.

While accepting the need to minimise the number of current accounts to a need based minimum, the Management stated (September 2011) that there were a few constraints in opening flexi deposit accounts since all banks did not offer such schemes with current accounts, whereas some demanded higher minimum balance and minimum locking period for such fund was seven to 15 days. However, they assured to explore the possibility of earning interest by converting their existing current accounts to flexi deposit accounts with auto sweep facility.

[36] Indian Bank (2), United Bank of India (2), State Bank of India (4), Oriental Bank of Commerce (1), Punjab National Bank (9), Andhra Bank (4), Allahabad Bank (8), Bank of India (3), Bank of Maharashtra (1), Syndicate Bank (4) all located within Kolkata.

[37] Computed at lowest rates prevailing between 2.50 *per cent* to 4.75 *per cent* on 30 days deposit.

The contention that all banks do not offer such schemes with current accounts was not correct and the constraints faced with isolated banks were not adequate or plausible reason not to opt for the flexi deposit schemes where they were available.

Thus due to inefficient cash management, the Company could not evaluate investment option judiciously and kept funds in non-interest bearing current accounts which led to loss of opportunity to earn interest of ₹ 1.40 crore through gainful deployment of funds.

The matter was reported to the Government (July 2011), their reply was awaited (November 2011).

Webel Mediatronics Limited

3.13 Loss due to failure to execute a contract

The Company failed to execute a contract for supply, installation and commissioning of FM transmitter at All India Radio, Kohima due to selection of an incapable contractor, deficient contract management and poor monitoring and control over the work leading to loss of ₹ 1.03 crore.

Webel Mediatronics Limited (Company) received (March 2004) an order from Director General, All India Radio (DG, AIR) for supply, installation, testing and commissioning of 10 KW very high frequency (VHF) FM transmitter set up along with construction of 100 metre high steel tower and transmitter control room at AIR, Kohima. The firm price purchase order of ₹ 2.01 crore was to be completed by January 2005.

On earlier occasions, the Company had executed this sort of work order through engagement of various experienced agencies qualified in different fields. As a departure from this arrangement, the Company decided (May 2004) to sub-contract the job of design, drawing, construction and fabrication of tower, installation and commissioning of transmitter on turnkey basis. The Company selected Raycon India (Raycon) for the job without inviting tender. There was no evidence to suggest that financial strength of Raycon had been duly assessed. The Company placed (May 2004) a work order on Raycon at a negotiated price of ₹ 56 lakh with the stipulation to complete the job by December 2004.

From the very beginning, Raycon failed to adhere to the time schedule and got their design/ drawings approved by the designated authority only in August 2004/ July 2005. Thereafter, they carried out foundation work of tower and supplied some tower materials. The Company paid (June 2004 – March 2006) ₹ 49.12 lakh to Raycon against admissible payment of ₹ 21.74 lakh in terms of payment clause. Raycon left the site in January 2006 with balance work incomplete. A money suit filed (August 2006) against Raycon remained unsettled.

The Company entrusted (February/ March 2006) the balance work valued at ₹ 15.06 lakh to Handy Tools (Engineers) Private Limited (HTEPL). The tower was erected upto a height of 57 metres but it was found to be deformed and twisted due to faulty construction of foundation. The Company engaged (September 2007) experts of IIT, Khargapur to investigate the foundation problem and suggest rectification measures at a fee of ₹ 4.08 lakh. Experts observed (January 2008) that there was discrepancy in layout of tower foundation which magnified at upper levels and quality of concrete used was poor. They suggested rectification of layout and strengthening the foundation by reconstruction and extra reinforcement for jacketing. The Company engaged (January 2008) United India (UI) for dismantling of tower and reconstruction of foundation. The work was completed in March 2008 at a cost of ₹ 10.10 lakh.

Meanwhile, between July 2004 to March 2007, the Company supplied FM transmitter antenna, cables, audio equipments and other materials worth ₹ 1.22 crore to AIR, Kohima. Further, the Company incurred (April-July 2006) ₹ 11.86 lakh on procurement and transportation of tower materials after Raycon left the job.

In the meantime DG, AIR had extended the delivery period thrice upto March 2009 at the Company's request. But the Company did not take up the balance work of installation of transmitter on the ground of non-receipt of payment. Ultimately, DG, AIR cancelled (July 2010) the purchase order and forfeited the performance bank guarantee of ₹ 10.04 lakh submitted by the Company. Against the total expenditure incurred of ₹ 2.13 crore[38] the Company received (November 2006- March 2007) ₹ 1.10 crore from DG, AIR.

The Management stated (June 2011) that the payment was released to Raycon to meet contractual obligation based on certification by AIR of the extent of execution of the contract job at different stages of work. They attributed the twisting and deformation of the tower mainly to the soil condition, inaccessibility of the region, and absence of suitable experienced officials to monitor the work. The rectification work was carried out to salvage their reputation since AIR jobs were a major portion of their revenue stream.

The contention of the Management was not acceptable as **(a)** the payment was made to Raycon beyond the stipulations of the contract. **(b)** The deformation of the tower was due to discrepancy in the layout of the foundation and poor quality of concrete as observed by IIT Kharagpur. Moreover, before commencement of the work, experts of IIT had advised modifications of design of tower foundation and its execution in view of the soil conditions, which was ignored by Raycon and overlooked by the Company as well. **(c)** Further the Company's reputation was not saved since they failed to complete the work and AIR forfeited their performance guarantee of ₹ 10.04

[38] Supply of equipment to DG,AIR: ₹1.22 crore, payment to Raycon:₹ 49.12 lakh, erection cost to HTEPL: ₹ 3.90 lakh, IIT fees: ₹ 4.08 lakh, dismantling & rectification work by UI:₹ 10.10 lakh, cost of purchase & transportation of tower materials:₹ 11.86 lakh, legal expenses:₹ 2.02 lakh and forfeited bank guarantee :₹ 10.04 lakh.

lakh. However, the Management was silent regarding assessment of financial capability of Raycon which led to the failure in execution.

Thus, selection of financially incapable contractor, deficient contract management and poor monitoring and control over the execution work led to loss of ₹ 1.03 crore.[39]

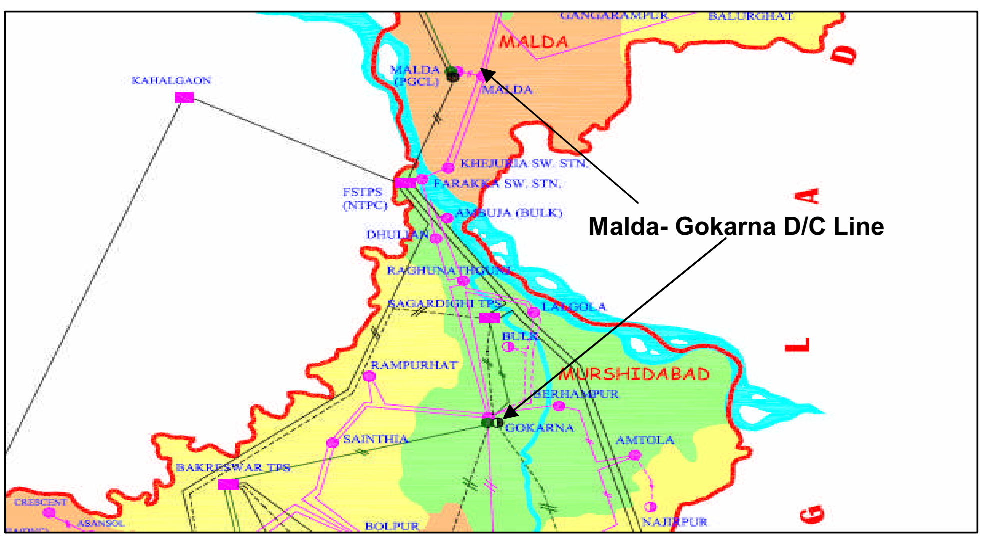
The matter was reported to the Government (May 2011), their reply was awaited (November 2011).

West Bengal State Electricity Transmission Company Limited

3.14 *Excess transmission loss due to non replacement of conductor*

West Bengal State Electricity Transmission Company Limited decided not to replace conductor along the entire length of Malda – Gokarna line leading to idle inventory of ₹ 12.93 crore for five years, payment of avoidable interest of ₹ 5.82 crore to REC and continuing energy losses of ₹ 1.51 crore.

As part of a scheme for renovation and modernisation of some existing sub-stations and lines installed long back, the erstwhile West Bengal State Electricity Board[40] (WBSEB) had prepared (June 2003) a Detailed Project Report (DPR) for replacing worn-out ACSR[41] Panther conductors with AAAC[42] Panther conductors on 150 km Malda-Gokarna 132 KV double Circuit (DC) line at an estimated cost of ₹16.28 crore. Since the existing conductor had outlived its' economic life of 35 years, the objective of replacement was to reduce transmission loss, improve system reliability and to cater additional load. Besides, it is mandatory to replace conductors after 35 years of their use. The map below indicates alignment of the line.



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[39]Total expenditure: ₹ 2.13 crore – ₹ 1.10 crore (receipt from DG, AIR.).
[40]West Bengal State Electricity Transmission Company Limited (Company) is a successor entity of WBSEB.
[41] Aluminium Core Steel Reinforced.
[42] All Aluminium Alloy Conductors.

The Board procured (January to December 2005) material worth ₹ 21.46 crore and kept at three Transmission (O&M) sub-divisional stores at Malda, Gokarna and Raghunathgunj. The purchases were financed by loan from Rural Electrification Corporation Limited (REC) carrying interest at rates ranging from nine to 14 *per cent*.

Three work orders were issued (November 2005 - March 2007) for replacement of existing conductors between Gokarna and Moregram – 36 Kms (₹ 31.87 lakh), Moregram and Dhulian -37 Kms (₹ 36.65 lakh) and Dhulian and Farakka -22 Kms (₹ 17.85 lakh) sections, to be completed within five months from the award of works. While the first order was partially executed (November 2006) to the tune of ₹ 27.06 lakh, the third order was cancelled (June 2009) for failure to commence work. The second order was completed in July 2010. Conductors on an aggregate over 74.32 Kms were replaced.

Work order was, however, not issued for change of conductors along the section from Farakka to Malda and the local management stated that it had not observed any defect of the conductors during line patrolling. This in turn was attributed (August 2009) by local management to partial loading of line for a long time compared to the capacity of existing ACSR Panther conductors. However, before deciding on non replacement of conductors, Residual Life Assessment test of the conductors across the section was not carried out.

We noticed (September 2010) that –

- AAAC Panther conductors (638.31 km), 120 Kilo Newton Disc Insulators (8,218 nos) and 70 Kilo Newton Disc Insulators (16,266 nos) valued at ₹ 12.93 crore remained unutilised at Malda, Gokarna and Raghunathgunj transmission (O&M) sub-divisional stores.

- The Malda-Gokarna 132 KV ACSR Panther conductors suffered from higher line loss. The average line loss at 132 KV line with AAAC Panther conductors during 2007-10 was 0.87 *per cent* elsewhere in the State, while the average loss across Malda-Gokarna circuit during the same period was 1.28 *per cent*. Consequently, Malda-Gokarna circuit suffered excess line loss of 4.33 MU of power during 2007-10 valued at ₹ 1.51 crore[43].

The Government/ Management had accepted (July 2011) the loss due to holding of idle inventory. The Government/ Management emphasised (August/ September 2011) that replacement of conductor was not to reduce transmission loss but to improve system reliability and attain additional transfer capacity. Further, they contested comparison of 0.87 *per cent* loss for AAAC Panther Conductor in the State with 1.28 *per cent* across Malda-

[43] At the rate of 349.48 paise per KWH

Gokarna circuit since system loss was mainly a network criterion, dependent on loading of particular section of transmission line.

The contention was not correct because **(a)** Along with system reliability and additional transfer capacity, DPR envisaged line loss reduction after replacement of conductors, **(b)** Line loss has been calculated and not loss of the entire transmission system, based on data provided by the Management[44] and **(c)** Two years after the decision of local management not to replace the conductors, the Company did finally place (July 2011) an order on National Test House for Residual Life Assessment of the conductors across the section where replacement had not been made earlier. The report, due within 28 days, was not available till November 2011.

Thus, decision of the Company not to undertake re-conductoring along the entire line length led to idle inventory of ₹ 12.93 crore for five years, payment of avoidable interest of ₹ 5.82 crore[45] to REC and continuing energy losses of ₹ 1.51 crore the Company failed to improve system reliability and enhance transfer capacity as envisaged.

3.15 Follow-up action on Audit Reports

Outstanding departmental replies on paragraphs appeared in the Audit Reports

3.15.1 Reports of the Comptroller and Auditor General of India contain observations arising out of scrutiny of accounts and transactions of various Government companies and Statutory corporations. Therefore, it is necessary that the executives give appropriate and timely response to them. Finance Department, Government of West Bengal instructed (October 2009) all the administrative departments to submit explanatory notes to the West Bengal Legislative Assembly with corrective/ remedial action taken or proposed to be taken on the observations included in the Audit Reports within two months from the date of presentation of the Audit Reports in the State Legislature.

Though the Audit Reports for the years 2002-03, 2003-04, 2004-05, 2005-06, 2006-07, 2007-08, 2008-09 and 2009-10 were presented to the State Legislature in August 2004, August 2005, July 2006, March 2007, March 2008, July 2009, July 2010 and September 2011 respectively, 17 departments, whose activities were commented upon did not submit their explanatory notes on 50 out of 206 paragraphs/ reviews as of September 2011, as indicated in **Annexure 21**. It would be seen from the annexure that the departments largely responsible for non-submission of explanatory notes were Power and Non Conventional Energy Sources, Commerce and Industries, Public Enterprises, Transport and Finance. Government did not respond to even paragraphs/ reviews highlighting

[44] Metering data collected and computed by Secure Meters Ltd on behalf of the Company.
[45] At nine *per cent per annum* for five years.

important issues like misappropriation, fraud, system failure, mismanagement, non-adherence to extant provisions, *etc.*

Outstanding action taken notes on the Reports of the Committee on Public Undertakings (COPU)

3.15.2 Reports of the COPU presented to the Legislature contain recommendations and observations on which administrative departments are required to submit their Action Taken Notes (ATNs) within six weeks from the date of receipt of COPU recommendations. Even after the lapse of six to 37 months, six departments did not furnish the ATNs on 23 recommendations relating to 11 COPU Reports presented (July 2008 - March 2011) to the State Legislature (**Annexure 22)**.

Response to the Inspection reports, draft paragraphs and reviews

3.15.3 Irregularities/ shortcomings noticed during the periodical inspections of Government companies/ corporations and not settled on the spot are communicated through the Inspection Reports (IRs) to the respective heads of PSUs and the concerned departments of the State Government. The heads of PSUs are required to furnish their replies to the IRs through the respective heads of the departments within a period of six weeks. A half yearly report is being sent to the Principal Secretary/ Secretary of the departments in respect of pending IRs to facilitate monitoring of the audit observations in those IRs.

The Inspection Reports issued up to March 2011 pertaining to 36 PSUs disclosed that 99 paragraphs relating to 47 IRs remained outstanding at the end of September 2011. The department-wise break up of IRs and audit observations as of September 2011 is given in **Annexure 23.** In order to expedite settlement of the outstanding paragraphs, Audit Committees were constituted in 16 out of 23 departments. These Committees were to meet, at least, once every month. During October 2010 to September 2011, two such committees settled eight paragraphs, in three meetings, while another two committees had met twice but not settled any paragraphs.

Similarly, the draft paragraphs and performance reviews on the working of PSUs are forwarded to the Principal Secretary/ Secretary of the administrative department concerned demi-officially seeking confirmation of the facts and figures and their comments thereon within a period of six weeks. We, however, noticed that the five draft paragraphs and one draft performance audit review forwarded to various departments during May to October 2011, as detailed in **Annexure 24** had not been replied so far (November 2011).

It is recommended that the Government should ensure that **(a)** procedure exists for action against the officials who failed to send replies to inspection reports/ draft paragraphs/ reviews and ATNs on recommendations of COPU, as per the prescribed time schedule; **(b)** action to recover loss/ outstanding advances/ overpayment is taken within the prescribed period and **(c)** system of responding to audit observations is revamped.

(SUDARSHANA TALAPATRA)

KOLKATA **Principal Accountant General (Audit)**

The **West Bengal**

Countersigned

NEW DELHI **(VINOD RAI)**

The **Comptroller and Auditor General of India**

Annexure 1

(Referred to in paragraphs 1.7)

Statement showing particulars of up to date paid up capital, loans outstanding and Manpower as on 31 March 2011 in respect of Government companies and statutory corporations

(Figures in column 5(a) to 6(c) are ₹ in Crore)

Sl. No	Sector & Name of the Company	Name of the Department	Month & year of Incorporation	Paid Up Capital$				Loans** outstanding as at the close of 2010-11				Debt equity ratio for 2010-11 (Previous year)	Manpower (No. of employees as on 31.03.2011)
				State Government	Central Government	Others	Total	State Government	Central Government	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6(c)	6(d)	7	8
A.	**Working Government companies**												
	AGRICULTURE AND ALLIED												
1	West Bengal State Seed Corporation Limited	Agriculture	November 1980	2.50	-	-	2.50	24.00	-	-	24.00	9.60:1 (9.60:1)	207
2	West Bengal Tea Development Corporation Limited	Commerce & Industry	August 1976	37.98	-	-	37.98	93.83	0.20	-	94.03	2.48:1 (2.44:1)	3,074
3	West Bengal Agro Industries Corporation Limited	Water Resources Investigation & Development	August 1968	5.72	2.69	-	8.41	15.23	-	-	15.23	1.81:1 (1.81:1)	220
4	West Bengal State Minor Irrigation Corporation Limited	Water Investigation & Development	January 1974	11.65	-	-	11.65	-	-	-	-	- (0.01:1)	1,002
5	West Bengal State Food Processing and Horticulture Development Corporation Limited	Food Processing Industries & Horticulture	April 1986	0.97	-	-	0.97	2.21	-	-	2.21	2.28:1 (2.28:1)	28
6	West Bengal Dairy and Poultry Development Corporation Limited	Animal Resources Development	February 1969	7.10	-	-	7.10	0.57	-	-	0.57	0.08:1 (0.08:1)	147

Sl. No	Sector & Name of the Company	Name of the Department	Month & year of Incorpor-ation	Paid Up Capital$				Loans** outstanding as at the close of 2010-11				Debt equity ratio for 2010-11 (Previous year)	Manpower (No. of employees as on 31.03.2011)
				State Government	Central Government	Others	Total	State Govern-ment	Central Government	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6(c)	6(d)	7	8
7	The State Fisheries Development Corporation Limited	Fisheries, Aqua-culture, Aquatic Resources & Fishing Harbours	March 1966	2.70	-	-	2.70	1.73	-	-	1.73	0.64:1 (0.64:1)	723
8	West Bengal Fisheries Corporation Limited	Fisheries, Aqua-culture, Aquatic Resources & Fishing Harbours	March 1980	1.85	-	0.15	2.00	0.30	-	-	0.30	0.15:1 (0.15:1)	106
9	The West Bengal Livestock Processing Development Corporation Limited	Animal Resources Development	April 1974	2.10	0.25	-	2.35	-	-	-	-	-	14
10	West Bengal Forest Development Corporation Limited	Forest	November 1974	5.53	0.70	-	6.23	-	-	-	-	-	965
	Sector wise total			**78.10**	**3.64**	**0.15**	**81.89**	**137.87**	**0.20**	**-**	**138.07**	**1.69:1 (0.01:1)**	**6,486**
	FINANCING												
11	West Bengal Industrial Development Corporation Limited (WBIDC Limited)	Commerce & Industries	January 1967	435.93	-	-	435.93	29.44	-	379.44	408.88	0.94:1 (0.79:1)	135
12	West Bengal Infrastructure Development Finance Corporation Limited	Finance	May 1997	145.30	-	-	145.30	-	-	5,826.09	5,826.09	40.10:1 (58.03:1)	30
13	Webel Venture Capital Limited (subsidiary of WBEIDC Limited)	Information Technology	February 2007	-	-	0.05	0.05	-	-	-	-	-	2

Sl. No	Sector & Name of the Company	Name of the Department	Month & year of Incorpor-ation	Paid Up Capital$				Loans** outstanding as at the close of 2010-11				Debt equity ratio for 2010-11 (Previous year)	Manpower (No. of employees as on 31.03.2011)
				State Government	Central Government	Others	Total	State Govern-ment	Central Government	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6(c)	6(d)	7	8
14	West Bengal Handicrafts Development Corporation Limited	Micro & Small Scale Enterprises and Textiles	June 1976	18.02	0.78	-	18.80	1.30	-	-	1.30	0.07:1 (0.08:1)	132
15	West Bengal Women Development Undertaking	Women & Child Development and Social welfare	August 1993	0.10	-	-	0.10	-	-	-	-	-	15
16	West Bengal Film Development Corporation Limited	Information & Cultural Affairs	July 1980	5.20	-	-	5.20	21.08	-	-	21.08	4.05:1 (3.64:1)	59
	Sector wise total			**604.55**	**0.78**	**0.05**	**605.38**	**51.82**	**-**	**6,205.53**	**6,257.35**	**10.34:1 (14.58:1)**	**373**
	INFRASTRUCTURE												
17	The West Bengal Small Industries Development Corporation Limited (WBSIDC Limited)	Micro & Small Scale Enterprises and Textiles	March 1961	26.73	-	-	26.73	12.79	-	-	12.79	0.48:1 (0.52:1)	180
18	West Bengal Electronics Industry Development Corporation Limited (WBEIDC Limited)	Information Technology	February 1974	195.71	-	1.71	197.42	13.89	-	-	13.89	0.07:1 (0.06:1)	126
19	West Bengal Housing Infrastructure Development Corporation Limited (WBHIDCO Ltd)	Urban Development and Town Planning	April 1999	14.75	-	1.65	16.40	-	-	-	-	-	120
20	West Bengal State Police Housing Corporation Limited	Home	March 1993	0.12	-	-	0.12	-	-	-	-	-	-

Sl. No	Sector & Name of the Company	Name of the Department	Month & year of Incorpor-ation	Paid Up Capital$				Loans** outstanding as at the close of 2010-11				Debt equity ratio for 2010-11 (Previous year)	Manpower (No. of employees as on 31.03.2011)
				State Government	Central Government	Others	Total	State Govern-ment	Central Government	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6(c)	6(d)	7	8
21	West Bengal Industrial Land Holdings Private Limited (subsidiary of WBIDC Limited)	Commerce & Industries	October 2006	-	-	0.01	0.01	-	-	-	-	-	-
22	New Town Telecom Infrastructure Development Corporation Limited (subsidiary of WBHIDCO Limited)	Information Technology	May 2006	-	-	1.05	1.05	-	-	2.50	2.50	2.38:1 (3.33:1)	5
23	Sundarban Infrastructure Development Corporation Limited	Sundarban Affairs	May 2007	1.00	-	-	1.00	-	-	-	-	-	31
24	West Bengal Transport Infrastructure Development Corporation Limited	Transport	September 1996	0.05	-	-	0.05	-	-	41.52	41.52	830.40:1 (14.50:1)	25
25	Mackintosh Burn Limited	Public Enterprises	April 1913	0.16	-	0.15	0.31	1.57	-	7.18	8.75	28.23:1 (33.90:1)	322
	Sector wise total			**238.52**	**-**	**4.57**	**243.09**	**28.25**	**-**	**51.20**	**79.45**	**0.33:1 (0.30:1)**	**809**
	MANUFACTURING												
26	Greater Calcutta Gas Supply Corporation Limited	Commerce & Industry	December 1987	41.15	-	-	41.15	146.49	-	-	146.49	3.56:1 (3.47:1)	385
27	Neo Pipes and Tubes Company Limited	Public Enterprises	January 1983	2.20	-	-	2.20	30.95	-	-	30.95	14.07:1 (13.35:1)	76
28	Britannia Engineering Limited	Public Enterprises	April 1986	136.80	-	-	136.80	5.11	-	-	5.11	0.04:1 (0.02 : 1)	409
29	The Shalimar Works (1980) Limited	Public Enterprises	January 1981	1.25	-	-	1.25	92.25	-	0.03	92.28	73.82:1 (69.49:1)	133

Sl. No	Sector & Name of the Company	Name of the Department	Month & year of Incorpor-ation	Paid Up Capital$				Loans** outstanding as at the close of 2010-11				Debt equity ratio for 2010-11 (Previous year)	Manpower (No. of employees as on 31.03.2011)
				State Government	Central Government	Others	Total	State Govern-ment	Central Government	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6(c)	6(d)	7	8
30	The Electro Medical and Allied Industries Limited	Public Enterprises	June 1961	16.40	-	-	16.40	24.69	-	-	24.69	1.51:1 (1.47:1)	110
31	Westinghouse Saxby Farmer Limited	Public Enterprises	July 1969	7.74	-	-	7.74	19.65	-	-	19.65	2.54:1 (2.22:1)	445
32	The Kalyani Spinning Mills Limited	Micro & Small Scale Enterprises and Textiles	January 1960	14.63	-	-	14.63	248.05	-	-	248.05	16.95:1 (18.41:1)	1165
33	Mayurakshi Cotton Mills (1990) Limited	Micro & Small Scale Enterprises and Textiles	February 1990	6.76	-	-	6.76	14.42	-	-	14.42	2.13:1 (2.07:1)	240
34	The West Dinajpur Spinning Mills Limited	Micro & Small Scale Enterprises and Textiles	August 1975	11.34	-	-	11.34	60.52	-	-	60.52	5.34:1 (4.57:1)	726
35	West Bengal Mineral Development and Trading Corporation Limited	Commerce & Industries	February 1973	4.43	-	-	4.43	62.35	-	-	62.35	14.07:1 (12.12:1)	456
36	Durgapur Chemicals Limited	Public Enterprises	July 1963	57.28	-	-	57.28	-	-	62.60	62.60	1.09:1 (0.16:1)	291
37	West Bengal Pharmaceutical and Phytochemical Development Corporation Limited	Commerce & Industries	March 1974	18.50	-	-	18.50	2.51	-	-	2.51	0.14:1 (0.13:1)	95
38	Eastern Distilleries and Chemicals Limited	Public Enterprises	April 1986	0.20	-	-	0.20	6.61	-	-	6.61	33.05:1 (33.05:1)	170
39	Gluconate Health Limited	Public Enterprises	July 1990	3.01	-	-	3.01	8.12	-	-	8.12	2.70:1 (2.60:1)	289
40	Haldia Petrochemicals Limited	Commerce & Industries	September 1985	-	-	1,831.00	1,831.00	-	-	2,000.11	2,000.11	1.09:1 (1.29:1)	1,022

Sl. No	Sector & Name of the Company	Name of the Department	Month & year of Incorpor-ation	Paid Up Capital[$]				Loans** outstanding as at the close of 2010-11				Debt equity ratio for 2010-11 (Previous year)	Manpower (No. of employees as on 31.03.2011)
				State Government	Central Government	Others	Total	State Govern-ment	Central Government	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6(c)	6(d)	7	8
41	WEBFIL Limited	Commerce & Industries	May 1979	-	-	10.58	10.58	7.58	-	7.46	15.04	1.42:1 (1.31:1)	220
42	National Iron and Steel Company (1984) Limited	Public Enterprises	July 1980	12.00	-	-	12.00	87.24	-	0.96	88.20	7.35:1 (7.11:1)	160
	Sector wise total			**333.69**	**-**	**1,841.58**	**2,175.27**	**816.54**	**-**	**2,071.16**	**2,887.70**	**1.33:1 (0.16:1)**	**6,377**
	POWER												
43	West Bengal State Electricity Distribution Company Limited	Power & Non-conventional Energy Sources	February 2007	2,558.40	-	-	2,558.40	2,141.35	-	2,926.59	5,067.94	1.98:1 (1.81:1)	18,851
44	West Bengal State Electricity Transmission Company Limited	Power & Non-conventional Energy Sources	February 2007	1,105.52	-	-	1,105.52	1,033.93	-	1,166.24	2,200.17	1.99:1 (2.04:1)	2,897
45	The Durgapur Projects Limited	Power & Non-conventional Energy Sources	September 1961	1,046.00	-	-	1,046.00	171.07	-	985.62	1,156.69	1.10:1 (1.08:1)	4,007
46	The West Bengal Power Development Corporation Limited	Power & Non-conventional Energy Sources	July 1985	3,961.33	-	-	3,961.33	2,828.05	-	3,706.55	6,534.60	1.65:1 (1.58:1)	5,019
47	West Bengal Rural Energy Development Corporation Limited	Power & Non-conventional Energy Sources	August 1998	-	-	10.16	10.16	20.32	-	103.23	123.55	12.16:1 (12.16:1)	160
48	New Town Electric Supply Company Limited (subsidiary of WBHIDCO Limited)	Power & Non-conventional Energy Sources	September 2003	-	-	6.63	6.63	-	-	-	-	-	68

Sl. No	Sector & Name of the Company	Name of the Department	Month & year of Incorpor-ation	Paid Up Capital$				Loans** outstanding as at the close of 2010-11				Debt equity ratio for 2010-11 (Previous year)	Manpower (No. of employees as on 31.03.2011)
				State Government	Central Government	Others	Total	State Govern-ment	Central Government	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6(c)	6(d)	7	8
49	West Bengal Green Energy Development Corporation Limited	Power & Non-conventional Energy Sources	December 2007	-	-	4.50	4.50	-	-	6.56	6.56	1.45:1 (1.56:1)	13
	Sector wise total			**8,671.25**	**-**	**21.29**	**8,692.54**	**6,194.72**	**-**	**8,894.79**	**15,089.51**	**1.74**:1 **(1.66:1)**	**31,015**
	SERVICE												
50	Webel Electronic Communication Systems Limited (subsidiary of WBEIDC Limited)	Information Technology	September 1981	-	-	0.84	0.84	-	-	4.14	4.14	4.93:1 (3.24:1)	52
51	Webel Mediatronics Limited (subsidiary of WBEIDC Limited)	Information Technology	January 1981	-	-	4.04	4.04	-	-	1.35	1.35	0.33:1 (0.07:1)	65
52	Webel Informatics Limited (subsidiary of WBEIDC Limited)	Information Technology	November 1981	-	-	0.40	0.40	-	-	4.20	4.20	10.50:1 (10.50:1)	37
53	Webel Technology Limited (subsidiary of WBEIDC Limited)	Information Technology	February 2001	-	-	1.00	1.00	-	-	0.65	0.65	0.65:1 (0.65:1)	72
54	West Bengal Essential Commodities Supply Corporation Limited	Food & Supplies	March 1974	1.08	-	-	1.08	41.00	-	156.90	197.90	183.24:1 (-)	501
55	West Bengal Tourism Development Corporation Limited	Tourism	April 1974	10.00	-	-	10.00	0.53	-	0.55	1.08	0.11:1 (0.11:1)	444
56	The Calcutta Tramways Company (1978) Limited	Transport	October 1982	20.40	-	-	20.40	235.87	-	23.26	259.13	12.70:1 (11.44:1)	6,643

Sl. No	Sector & Name of the Company	Name of the Department	Month & year of Incorpor-ation	Paid Up Capital$				Loans** outstanding as at the close of 2010-11				Debt equity ratio for 2010-11 (Previous year)	Manpower (No. of employees as on 31.03.2011)
				State Government	Central Government	Others	Total	State Govern-ment	Central Government	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6(c)	6(d)	7	8
57	West Bengal Surface Transport Corporation Limited	Transport	February 1989	1.01	-	-	1.01	94.81	-	50.78	145.59	144.15:1 (62.84:1)	642
58	West Bengal Trade Promotion Organisation (Subsidiary of WBIDC Limited)	Commerce and Industries	November 2003	-	-	0.60	0.60	-	-	-	-	-	9
59	West Bengal Medical Services Corporation Limited	Health & Family Welfare	June 2008	0.06	-	-	0.06	-	-	-	-	-	-
	Sector wise total			**32.55**	**-**	**6.88**	**39.43**	**372.21**	**-**	**241.83**	**614.04**	**15.57:1 (12.80:1)**	**8,465**
	MISCELLANEOUS												
60	Silpabarta Printing Press Limited (subsidiary of WBSIC Limited)	Micro & Small Scale Enterprises and Textiles	September 1982	0.18	-	0.71	0.89	0.08	-	0.13	0.21	0.24:1 (0.15:1)	59
61	Basumati Corporation Limited	Information & Cultural Affairs	February 1975	0.10	-	-	0.10	44.14	-	-	44.14	441.40:1 (418.00:1)	175
62	Saraswaty Press Limited	Public Enterprises	January 1987	5.50	-	-	5.50	-	-	-	-	-	322
63	West Bengal Text Book Corporation (P) Limited (subsidiary of Saraswaty Press Limited)	Public Enterprises	December 2006	-	-	0.10	0.10	-	-	-	-	-	-
	Sector wise total			**5.78**	**-**	**0.81**	**6.59**	**44.22**	**-**	**0.13**	**44.35**	**6.73:1 (6.36:1)**	**556**

Sl. No	Sector & Name of the Company	Name of the Department	Month & year of Incorpor-ation	Paid Up Capital$				Loans** outstanding as at the close of 2010-11				Debt equity ratio for 2010-11 (Previous year)	Manpower (No. of employees as on 31.03.2011)
				State Government	Central Government	Others	Total	State Govern-ment	Central Government	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6(c)	6(d)	7	8
	Total- A (All sector wise Government companies)			**9,964.44**	**4.42**	**1,875.33**	**11,844.19**	**7,645.63**	**0.20**	**17,464.64**	**25,110.47**	**2.12:1 (2.24:1)**	**54,081**
B.	**Working Statutory corporations**												
	AGRICULTURE AND ALLIED												
1	West Bengal State Warehousing Corporation	Public Enterprises	March 1958	3.81	3.81	-	7.62	-	-	-	-	-	100
	Sector wise total			**3.81**	**3.81**	**-**	**7.62**	**-**	**-**	**-**	**-**	-	**100**
	FINANCING												
2	West Bengal Financial Corporation	Finance	March 1954	135.42	-	11.93	147.35	0.91	-	532.22	533.13	3.62:1 (3.62:1)	210
3	West Bengal Scheduled Castes & Scheduled Tribes Development & Finance Corporation	Backward Classes Welfare	July 1976	102.60	66.95	-	169.55	-	-	51.27	51.27	0.30:1 (0.26:1)	281
4	West Bengal Minorities Development & Finance Corporation	Minorities Development & Welfare	January 1996	96.86	-	-	96.86	-	-	251.87	251.87	2.60:1 (1.95:1)	36
5	West Bengal Backward Classes Development & Finance Corporation	Backward Classes Welfare	October 1995	14.05	-	-	14.05	-	-	19.21	19.21	1.37:1 (1.37:1)	6
	Sector wise total			**348.93**	**66.95**	**11.93**	**427.81**	**0.91**	**-**	**854.57**	**855.48**	**2.00:1 (1.86:1)**	**533**

Sl. No	Sector & Name of the Company	Name of the Department	Month & year of Incorpor-ation	Paid Up Capital[$]				Loans** outstanding as at the close of 2010-11				Debt equity ratio for 2010-11 (Previous year)	Manpower (No. of employees as on 31.03.2011)
				State Government	Central Government	Others	Total	State Govern-ment	Central Government	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6(c)	6(d)	7	8
	INFRASTRUCTURE												
6	West Bengal Industrial Infrastructure Development Corporation	Commerce and Industries	November 1973	-	-	-	-	96.34	-	-	96.34	-	198
	Sector wise total			**-**	**-**	**-**	**-**	**96.34**	**-**	**-**	**96.34**	-	**198**
	SERVICE												
7	Calcutta State Transport Corporation	Transport	June 1960	8.62	1.00	-	9.62	289.16	5.33	37.43	331.92	34.50:1 (33.91:1)	6,487
8	North Bengal State Transport Corporation	Transport	April 1960	5.87	4.83	-	10.70	219.56	-	48.37	267.93	25.04:1 (23.51:1)	3,853
9	South Bengal State Transport Corporation	Transport	December 1973	11.01	-	-	11.01	140.96	-	33.55	174.51	15.85:1 (14.67:1)	2,608
	Sector wise total			**25.50**	**5.83**	**-**	**31.33**	**649.68**	**5.33**	**119.35**	**774.36**	**24.72:1 (23.60:1)**	**12,948**
	Total - B (All sector-wise Statutory corporations)			**378.24**	**72.78**	**15.74**	**466.76**	**746.93**	**5.33**	**973.92**	**1,726.18**	**3.70:1 (3.53:1)**	**13,779**
	Grand Total (A+B)			**10,342.68**	**77.20**	**1,891.07**	**12,310.95**	**8,392.56**	**5.53**	**18,438.56**	**26,836.65**	**2.18:1 (2.28:1)**	**67,860**
	Non-working Government companies												
C.	**AGRICULTURE AND ALLIED**												
1	West Bengal Wasteland Development Corporation Limited	Forest	July 1989	0.24	-	0.10	0.34	-	-	-	-	-	4
	Sector wise total			**0.24**	**-**	**0.10**	**0.34**	**-**	**-**	**-**	**-**	-	**4**

Sl. No	Sector & Name of the Company	Name of the Department	Month & year of Incorpor-ation	Paid Up Capital$				Loans** outstanding as at the close of 2010-11				Debt equity ratio for 2010-11 (Previous year)	Manpower (No. of employees as on 31.03.2011)
				State Government	Central Government	Others	Total	State Govern-ment	Central Government	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6(c)	6(d)	7	8
	FINANCING												
2	West Bengal Handloom and Power loom Development Corporation Limited	Micro & Small Scale Enterprises and Textiles	September 1973	43.01	3.73	0.02	46.76	1.12	-	-	1.12	0.02:1 (0.02:1)	-
	Sector wise total			**43.01**	**3.73**	**0.02**	**46.76**	**1.12**	**-**	**-**	**1.12**	**0.02:1 (0.02:1)**	**-**
	MANUFACTURING												
3	West Bengal Plywood and Allied Products Limited	Public Enterprises	October 1989	0.09	-	-	0.09	26.78	-	-	26.78	297.56:1 (297.56:1)	-
4	Krishna Silicate & Glass (1987) Limited	Public Enterprises	October 1998	-	-	-	-	52.92	-	-	52.92	-	-
5	Pulver Ash Projects Limited (Subsidiary of WBSIC Limited)	Micro & Small Scale Enterprises and Textiles	September 1989	-	-	3.31	3.31	-	-	13.00	13.00	3.93:1 (3.93:1)	-
6	West Bengal Ceramic Development Corporation Limited	Micro & Small Scale Enterprises and Textiles	March 1976	2.93	-	-	2.93	26.00	-	-	26.00	8.87:1 (8.87:1)	2
7	The West Bengal State Leather Industries Development Corporation Limited	Micro & Small Scale Enterprises and Textiles	March 1976	3.95	-	-	3.95	2.34	-	-	2.34	0.59:1 (0.59:1)	-
8	The Carter Pooler Engineering Company Limited	Public Enterprises	June 1987	0.95	-	-	0.95	20.69	-	-	20.69	21.78:1 (21.78:1)	-

Sl. No	Sector & Name of the Company	Name of the Department	Month & year of Incorpor-ation	Paid Up Capital$				Loans** outstanding as at the close of 2010-11				Debt equity ratio for 2010-11 (Previous year)	Manpower (No. of employees as on 31.03.2011)
				State Government	Central Government	Others	Total	State Govern-ment	Central Government	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6(c)	6(d)	7	8
9	Webel Capacitors Limited (subsidiary of WBEIDC Limited)	Information Technology	May 1981	-	-	7.25	7.25	-	-	-	-	-	-
10	Webel Power Electronics Limited (subsidiary of WBEIDC Limited)	Information Technology	May 1977	-	-	0.69	0.69	-	-	-	-	-	-
11	Webel Toolsind Limited (subsidiary of WBEIDC Limited)	Information Technology	February 1977	-	-	0.34	0.34	-	-	-	-	-	-
12	Webel Electro-Optics Limited (subsidiary of WBEIDC Limited)	Information Technology	April 1990	-	-	3.37	3.37	-	-	-	-	-	-
13	Webel Consumer Electronics Limited (subsidiary of WBEIDC Limited)	Information Technology	June 1981	-	-	8.02	8.02	-	-	31.39	31.39	3.91:1 (-)	100
14	West Bengal Sugar Industries Development Corporation Limited	Commerce and Industries	May 1973	15.17	-	0.07	15.24	46.65	-	-	46.65	3.06:1 (3.05:1)	6
15	The West Bengal Projects Limited (subsidiary of WBSIDC Limited)	Micro & Small Scale Enterprises and Textiles	February 1984	0.77	-	1.12	1.89	0.10	-	0.15	0.25	0.13:1 (0.13:1)	-
16	The Infusions (India) Limited	Commerce & Industries	December 1976	7.49	-	0.24	7.73	3.29	-	0.03	3.32	0.43:1 (0.32:1)	52
17	Lily Products Limited	Public Enterprises	April 2004	0.43	-	-	0.43	42.09	-	-	42.09	97.88:1 (97.88:1)	81

Sl. No	Sector & Name of the Company	Name of the Department	Month & year of Incorpor-ation	Paid Up Capital$				Loans** outstanding as at the close of 2010-11				Debt equity ratio for 2010-11 (Previous year)	Manpower (No. of employees as on 31.03.2011)
				State Government	Central Government	Others	Total	State Govern-ment	Central Government	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6(c)	6(d)	7	8
	Sector wise total			**31.78**	**-**	**24.41**	**56.19**	**220.86**	**-**	**44.57**	**265.43**	**4.72:1 (4.16:1)**	**241**
	Total C (All sector wise non working Government companies)			**75.03**	**3.73**	**24.53**	**103.29**	**221.98**	**-**	**44.57**	**266.55**	**2.58:1 (2.23:1)**	**245**
D.	**Non-working Statutory corporations**												
	SERVICE												
1	Great Eastern Hotel Authority	Tourism	1980	-	-	-	-	17.98	-	-	17.98	-	-
	Sector wise total			**-**	**-**	**-**	**-**	**17.98**	**-**	**-**	**17.98**	-	**-**
	Total D (All sector wise non working Statutory Corporations)			**-**	**-**	**-**	**-**	**17.98**	**-**	**-**	**17.98**	-	**_**
	Grand total(C+D)			**75.03**	**3.73**	**24.53**	**103.29**	**239.96**	**-**	**44.57**	**284.53**	**2.75:1 (0.02:1)**	**245**
	Grand total (A+B+C+D)			**10,417.71**	**80.93**	**1,915.60**	**12,414.24**	**8,632.52**	**5.53**	**18,483.13**	**27,121.18**	**2.18:1 (2.28:1)**	**68,105**

Above includes Section 619-B companies at Sr. No. A - 40, 41 and 49.

$ Paid up Capital includes Share Application Money.

** Loans outstanding at the close of 2010-11 represent long-term Loans only.

Except in respect of Companies/ Corporations which finalised their accounts for 2010-11 (Serial Nos. A-2, 3, 7, 10, 12, 20, 22, 24, 25, 26, 27, 28, 29, 37, 39, 41, 42, 43, 44, 45, 46, 47, 48, 52, 53, 55, 56, 57, 62, 63, B-2 and C-16) figures are provisional and as given by the companies / corporation.

Annexure 2

(Referred to in paragraphs 1.15 & 1.24)

Summarised financial results of Government companies and statutory corporations for the latest year for which accounts were finalised

(Figures in column 5(a) to 6 and (8) to (10) are ₹ in crore)

Sl. No	Sector & name of the Company	Period of accounts	Year in which finalised	Net profit(+)/Loss(-)				Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit (+)/ Loss(-)	Capital employed@	Return on capital employed$	Percentage of return on capital employed
				Net profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss&							
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6	7	8	9	10	11	12
A.	**Working Government companies**													
	AGRICULTURE AND ALLIED													
1	West Bengal State Seed Corporation Limited	2008-09	2011-12	7.34	1.81	0.20	5.33	114.19	-	2.50	27.86	87.59	7.14	8.15
2	West Bengal Tea Development Corporation Limited	2010-11	2011-12	(-) 7.76	14.20	0.28	(-) 22.24	8.26	-	37.98	(-) 175.02	(-) 43.35	(-) 8.04	-
3	West Bengal Agro Industries Corporation Limited	2010-11	2011-12	6.77	11.57	0.04	(-) 4.84	86.42	-	8.41	(-) 74.70	(-) 51.07	6.73	-
4	West Bengal State Minor Irrigation Corporation Limited	2008-09	2009-10	(-) 3.15	-	0.53	(-) 3.68	3.05	-	11.65	(-) 43.86	(-) 14.82	(-) 3.68	-
5	West Bengal State Food Processing and Horticulture Development Corporation Limited	2009-10	2011-12	0.77	0.30	0.02	0.45	1.30	-	0.97	0.98	9.04	0.75	8.30
6	West Bengal Dairy and Poultry Development Corporation Limited	2007-08	2011-12	0.37	0.13	0.27	(-) 0.03	36.47	(-) 0.10	7.10	(-) 4.28	4.80	0.10	2.08

Sl. No	Sector & name of the Company	Period of accounts	Year in which finalised	Net profit(+)/Loss(-)				Turnover	Impact of Accounts Comments[#]	Paid up Capital	Accumulated Profit (+)/ Loss(-)	Capital employed[@]	Return on capital employed[$]	Percentage of return on capital employed
				Net profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss[&]							
1	**2**	**3**	**4**	**5 (a)**	**5 (b)**	**5 (c)**	**5 (d)**	**6**	**7**	**8**	**9**	**10**	**11**	**12**
7	The State Fisheries Development Corporation Limited	2010-11	2011-12	(-) 0.92	0.09	0.39	(-) 1.40	9.03	-	2.70	(-) 3.33	(-) 6.45	(-) 1.31	-
8	West Bengal Fisheries Corporation Limited	2009-10	2010-11	(-) 2.53	-	0.24	(-) 2.77	1.38	(-) 0.40	2.00	(-) 6.32	(-) 4.33	(-) 2.77	-
9	The West Bengal Livestock Development Corporation Limited	2009-10	2011-12	(-) 0.24	-	0.02	(-) 0.26	0.27	0.00	2.35	(-) 0.32	2.05	(-) 0.26	-
10	West Bengal Forest Development Corporation Limited	2010-11	2011-12	3.45	-	0.70	2.75	58.46	(-) 1.44	6.23	43.12	30.19	2.75	9.11
	Sector wise total			**4.10**	**28.10**	**2.69**	**(-) 26.69**	**318.83**	**--**	**81.89**	**(-) 245.87**	**13.65**	**1.41**	**10.33**
	FINANCING													
11	West Bengal Industrial Development Corporation Limited (WBIDC Limited)	2009-10	2010-11	13.32	12.49	0.62	0.21	40.64	-	435.93	31.20	1,332.98	12.70	0.95
12	West Bengal Infrastructure Development Finance Corporation Limited	2010-11	2011-12	806.97	784.46	1.20	21.31	812.99	-	145.30	585.78	8,999.14	805.77	8.95
13	Webel Venture Capital Limited (subsidiary of WBEIDC Limited)	2009-10	2010-11	0.23	-	-	0.23	0.41	-	0.05	0.42	5.27	0.23	4.37

Sl. No	Sector & name of the Company	Period of accounts	Year in which finalised	Net profit(+)/Loss(-)				Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit (+)/ Loss(-)	Capital employed @	Return on capital employed$	Percentage of return on capital employed
				Net profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss&							
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6	7	8	9	10	11	12
14	West Bengal Handicrafts Development Corporation Limited	2008-09	2011-12	(-) 1.11	0.20	0.05	(-) 1.36	12.06	(-)1.43	15.30	(-) 20.43	(-) 2.86	(-) 1.16	-
15	West Bengal Women Development Undertaking	2009-10	2011-12	0.10	-	-	0.10	0.04	-	0.10	0.50	2.57	0.10	3.89
16	West Bengal Film Development Corporation Limited	2009-10	2011-12	(-) 2.04	2.38	0.11	(-) 4.53	0.17	(-) 0.69	5.20	(-) 55.73	-	(-) 2.15	-
	Sector wise total			**817.47**	**799.53**	**1.98**	**15.96**	**866.31**	**-**	**601.88**	**541.74**	**10,337.10**	**815.49**	**7.89**
	INFRASTRUCTURE													
17	The West Bengal Small Industries Development Corporation Limited (WBSIDC Limited)	2009-10	2010-11	4.47	1.22	0.71	2.54	23.42	(-)1.21	26.73	(-) 30.84	29.03	3.76	12.95
18	West Bengal Electronics Industry Development Corporation Limited (WBEIDC Limited)	2009-10	2010-11	0.24	1.31	1.50	(-) 2.57	7.02	0.90	197.42	(-) 122.88	64.61	(-) 1.26	-
19	West Bengal Housing Infrastructure Development Corporation Limited (WBHIDCO Limited)	2009-10	2010-11	0.77	0.09	0.63	0.05	119.50	48.10	16.40	10.85	22.75	0.14	0.62

Sl. No	Sector & name of the Company	Period of accounts	Year in which finalised	Net profit(+)/Loss(-)				Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit (+)/ Loss(-)	Capital employed @	Return on capital employed$	Percentage of return on capital employed
				Net profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss&							
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6	7	8	9	10	11	12
20	West Bengal State Police Housing Corporation Limited	2010-11	2011-12	0.92	0.83	0.00	0.09	4.65	-	0.12	0.06	0.12	0.92	766.67
21	West Bengal Industrial Land Holdings Private Limited (subsidiary of WBIDC Limited)	2008-09	2010-11	-	-	-	-	-	-	0.01	-	0.01	-	-
22	New Town Telecom Infrastructure Development Corporation Limited (subsidiary of WBHIDCO Limited)	2010-11	2011-12	1.41	0.23	0.12	1.06	1.99	-	1.05	2.33	5.92	1.29	21.79
23	Sundarban Infrastructure Development Corporation Limited	2009-10	2010-11	0.67	-	-	0.67	0.52	-	1.00	0.87	1.83	0.67	36.61
24	West Bengal Transport Infrastructure Development Corporation Limited	2010-11	2011-12	8.03	4.29	13.47	(-) 9.73	14.68	-	0.05	(-) 9.26	68.33	(-) 5.44	-
25	Mackintosh Burn Limited	2010-11	2011-12	21.48	3.28	3.40	14.80	600.61	-	0.31	96.91	132.81	18.08	13.61
	Sector wise total			**37.99**	**11.25**	**19.83**	**6.91**	**772.39**	-	**243.09**	**(-) 51.96**	**325.41**	**18.16**	**5.59**

Sl. No	Sector & name of the Company	Period of accounts	Year in which finalised	Net profit(+)/Loss(-)				Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit (+)/ Loss(-)	Capital employed @	Return on capital employed$	Percentage of return on capital employed
				Net profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss&							
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6	7	8	9	10	11	12
	MANUFACTURING													
26	Greater Calcutta Gas Supply Corporation Limited	2010-11	2011-12	3.66	18.92	4.26	(-)19.52	45.34	(-) 0.59	41.15	(-) 274.77	(-) 113.97	(-) 0.60	-
27	Neo Pipes and Tubes Company Limited	2010-11	2011-12	(-) 1.41	4.23	0.01	(-) 5.65	0.26	(-) 0.44	2.20	(-) 89.51	(-) 56.37	(-) 1.42	-
28	Britannia Engineering Limited	2010-11	2011-12	(-) 0.01	0.85	0.59	(-) 1.45	15.19	(-) 0.11	136.80	(-) 123.45	19.17	(-) 0.61	-
29	The Shalimar Works (1980) Limited	2010-11	2011-12	3.04	12.40	0.39	(-) 9.75	6.30	-	1.25	(-) 163.88	(-) 66.96	2.65	-
30	The Electro Medical and Allied Industries Limited	2009-10	2010-11	(-) 2.88	3.38	0.92	(-) 7.18	7.95	-	16.40	(-) 43.23	(-) 2.66	(-) 3.80	-
31	Westinghouse Saxby Farmer Limited	2009-10	2010-11	(-) 15.23	2.32	0.22	(-) 17.77	88.99	(-) 0.37	7.74	(-) 21.39	62.04	(-) 15.45	-
32	The Kalyani Spinning Mills Limited	2009-10	2011-12	(-) 15.06	31.95	0.40	(-) 47.41	30.55	(-) 9.76	12.63	(-) 443.38	(-) 198.84	(-) 15.46	-
33	Mayurakshi Cotton Mills (1990) Limited	2009-10	2010-11	(-) 0.30	2.61	0.24	(-) 3.15	4.59	-	6.38	(-) 30.88	0.12	(-) 0.54	-
34	The West Dinajpur Spinning Mills Limited	2009-10	2010-11	(-) 14.64	7.03	0.26	(-) 21.93	13.16	-	10.59	(-) 131.32	(-) 68.51	(-) 14.90	-

Sl. No	Sector & name of the Company	Period of accounts	Year in which finalised	Net profit(+)/Loss(-)				Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit (+)/ Loss(-)	Capital employed @	Return on capital employed$	Percentage of return on capital employed
				Net profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss&							
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6	7	8	9	10	11	12
35	West Bengal Mineral Development and Trading Corporation Limited	2009-10	2011-12	(-) 1.53	7.26	0.04	(-) 8.83	11.29	(-) 8.50	4.43	(-) 116.81	(-) 63.56	(-) 1.69	-
36	Durgapur Chemicals Limited	2009-10	2010-11	(-) 13.35	7.75	5.67	(-) 26.77	63.20	(-) 0.30	406.01	389.99	91.46	(-) 19.02	-
37	West Bengal Pharmaceutical and Phytochemical Development Corporation Limited	2010-11	2011-12	(-) 1.07	0.41	0.10	(-) 1.58	6.75	-	18.50	(-) 13.99	6.94	(-) 1.17	-
38	Eastern Distilleries and Chemicals Limited	2009-10	2011-12	0.03	0.89	0.30	(-) 1.16	35.43	(-) 0.95	0.20	(-) 4.19	3.97	(-) 0.27	-
39	Gluconate Health Limited	2010-11	2011-12	(-) 0.76	1.38	0.55	(-) 2.69	20.97	-	3.01	(-) 12.31	2.00	(-) 1.31	-
40	Haldia Petrochemicals Limited	2003-04	2004-05	837.13	395.37	307.12	134.64	4,193.39	-	1,531.08	(-) 599.56	4,568.05	530.01	11.61
41	WEBFIL Limited	2010-11	2011-12	0.10	1.52	0.20	(-) 1.62	16.33	-	10.58	(-) 10.37	8.67	(-) 0.10	-
42	National Iron and Steel Company (1984) Limited	2010-11	2011-12	(-) 3.78	12.73	0.34	(-) 16.85	6.76	-	12.00	(-) 237.72	(-) 74.05	(-) 4.12	-
	Sector wise total			**773.94**	**511.00**	**321.61**	**(-) 58.67**	**4,566.45**	**-**	**2,220.95**	**(-) 1,926.77**	**4,117.50**	**452.20**	**10.99**

Sl. No	Sector & name of the Company	Period of accounts	Year in which finalised	Net profit(+)/Loss(-)				Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit (+)/ Loss(-)	Capital employed @	Return on capital employed$	Percentage of return on capital employed
				Net profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss&							
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6	7	8	9	10	11	12
	POWER													
43	West Bengal State Electricty Distribution Company Limited	2010-11	2011-12	824.99	435.24	294.62	95.13	9,395.55	(-) 333.00	2,558.40	(-) 215.93	9,440.74	530.37	5.62
44	West Bengal State Eletricity Transmission Company Limited	2010-11	2011-12	476.52	182.02	120.01	174.49	748.53	(-) 32.42	1,105.52	404.42	3,631.00	356.51	9.82
45	The Durgapur Projects Limited	2010-11	2011-12	(-) 2.32	105.91	75.27	(-) 183.50	746.71	(-) 51.03	1,046.00	(-) 773.43	1,439.27	(-) 98.47	-
46	The West Bengal Power Development Corporation Limited	2010-11	2011-12	917.74	471.19	381.15	65.40	4,567.10	-	3,961.33	653.83	11,515.42	536.59	4.66
47	West Bengal Rural Energy Development Corporation Limited	2010-11	2011-12	6.79	-	0.03	6.76	-	-	10.16	131.17	204.85	6.76	3.30
48	New Town Electric Supply Company Limited (subsidiary of WBHIDCO Limited)	2010-11	2011-12	2.02	-	0.02	2.00	3.40	-	6.63	4.96	11.58	2.00	17.27
49	West Bengal Green Energy Development Corporation Limited	2009-10	2010-11	1.42	0.34	1.51	(-) 0.43	2.08	-	4.50	(-) 0.58	11.93	(-) 0.09	-
	Sector wise total			**2,227.16**	1,194.70	**872.61**	**159.85**	**15,463.37**	**-**	8,692.54	**204.44**	**26,255.29**	1,333.67	**5.08**

Sl. No	Sector & name of the Company	Period of accounts	Year in which finalised	Net profit(+)/Loss(-)				Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit (+)/ Loss(-)	Capital employed@	Return on capital employed$	Percentage of return on capital employed
				Net profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss&							
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6	7	8	9	10	11	12
	SERVICE													
50	Webel Electronic Communication Systems Limited (subsidiary of WBEIDC Limited)	2009-10	2010-11	0.10	0.08	0.04	(-) 0.02	2.64	(-) 0.22	0.84	(-) 3.72	2.55	0.06	2.35
51	Webel Mediatronics Limited (subsidiary of WBEIDC Limited)	2009-10	2010-11	(-) 0.98	-	0.06	(-) 1.04	4.81	(-) 0.62	4.04	2.28	13.58	(-) 1.05	-
52	Webel Informatics Limited (subsidiary of WBEIDC Limited)	2010-11	2011-12	(-) 0.15	-	0.05	(-) 0.20	1.93	(-)0.19	0.40	(-) 5.88	(-) 1.28	(-) 0.20	-
53	Webel Technology Limited (subsidiary of WBEIDC Limited)	2010-11	2011-12	0.71	0.09	0.35	0.27	29.54	-	1.00	6.01	19.24	0.36	1.87
54	West Bengal Essential Commodities Supply Corporation Limited	2007-08	2010-11	9.41	9.96	0.07	(-) 0.62	599.52	-	1.08	2.76	285.74	9.34	3.27
55	West Bengal Tourism Development Corporation Limited	2010-11	2011-12	1.04	0.03	0.74	0.27	23.46	-	10.00	(-) 4.23	4.36	0.30	6.88
56	The Calcutta Tramways Company (1978) Limited	2010-11	2011-12	(-) 161.50	33.77	12.98	(-) 208.25	43.62	(-) 1.08	20.40	1,113.58	(-) 799.94	(-) 174.48	-

Sl. No	Sector & name of the Company	Period of accounts	Year in which finalised	Net profit(+)/Loss(-)				Turnover	Impact of Accounts Comments[#]	Paid up Capital	Accumulated Profit (+)/ Loss(-)	Capital employed[@]	Return on capital employed[$]	Percentage of return on capital employed
				Net profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss[&]							
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6	7	8	9	10	11	12
57	West Bengal Surface Transport Corporation Limited	2010-11	2011-12	(-) 4.53	15.91	27.03	(-) 47.47	14.22	(-) 0.05	1.01	(-) 170.18	47.99	(-) 31.56	-
58	West Bengal Trade Promotion Organisation	2009-10	2011-12	1.25	-	0.62	0.63	2.23	-	0.60	0.69	12.23	0.63	5.15
59	West Bengal Medical Services Corporation Limited	First Account for 2008-09 not yet submitted	-	-	-	-	-	-	-	-	-	-	-	-
	Sector wise total			**(-) 154.65**	**59.84**	**41.94**	**(-) 256.43**	**721.97**	-	**39.37**	**(-) 1,285.85**	**(-) 415.53**	**(-) 196.60**	**-**
	MISCELLANEOUS													
60	Silpabarta Printing Press Limited (subsidiary of WBSIC Limited)	2009-10	2010-11	0.24	0.06	0.05	0.13	14.92	(-) 0.13	0.89	1.00	2.41	0.19	7.88
61	Basumati Corporation Limited	2009-10	2010-11	(-) 2.50	5.94	0.02	(-) 8.46	0.34	-	0.10	(-) 95.64	(-) 117.58	(-) 2.52	-
62	Saraswaty Press Limited	2010-11	2011-12	4.18	0.03	1.44	2.71	56.32	-	5.50	9.32	22.69	2.74	12.08
63	West Bengal Text Book Corporation (P) Limited (subsidiary of Saraswaty Press Limited)	2010-11	2011-12	Nominal profit	-	-	Nominal profit	-	-	0.10	(-) 0.01	0.06	-	-
	Sector wise total			**1.92**	**6.03**	**1.51**	**(-) 5.62**	**71.58**	**-**	**6.59**	**(-) 85.33**	**(-) 92.42**	**0.41**	**-**

Sl. No	Sector & name of the Company	Period of accounts	Year in which finalised	Net profit(+)/Loss(-)				Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit (+)/ Loss(-)	Capital employed @	Return on capital employed$	Percentage of return on capital employed
				Net profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss&							
1	**2**	**3**	**4**	**5 (a)**	**5 (b)**	**5 (c)**	**5 (d)**	**6**	**7**	**8**	**9**	**10**	**11**	**12**
	Total- A (All sector wise Government companies)			**3,707.93**	**2,610.45**	**1,262.17**	**(-) 164.69**	**22,780.90**	**-**	**11,886.31**	**(-) 2,849.60**	**40,541.00**	**2,424.74**	**5.99**
B.	**Working Statutory corporations**													
	AGRICULTURE AND ALLIED													
1	West Bengal State Warehousing Corporation	2009-10	2010-11	1.29	-	0.22	1.07	7.60	(-) 0.61	7.62	1.11	8.52	1.07	12.56
	Sector wise total			**1.29**	**-**	**0.22**	**1.07**	**7.60**	**-**	**7.62**	**1.11**	**8.52**	**1.07**	**12.56**
	FINANCING													
2	West Bengal Financial Corporation	2010-11	2011-12	50.54	42.36	0.08	8.10	66.98	-	147.35	(-) 113.72	709.20	50.46	7.12
3	West Bengal Scheduled Castes & Scheduled Tribes Development & Finance Corporation	2009-10	2011-12	4.22	0.64	0.05	3.53	21.31	-	161.64	14.28	217.06	4.17	1.92
4	West Bengal Minorities Development & Finance Corporation	2009-10	2011-12	7.00	6.39	0.14	0.47	9.33	(-) 0.05	96.86	(-) 4.22	264.60	6.84	2.59
5	West Bengal Backward Classes Development & Finance Corporation	2009-10	2011-12	0.72	0.84	-	(-) 0.12	0.83	(-) 0.28	12.98	(-) 0.68	34.17	0.72	2.11
	Sector wise total			**62.48**	**50.23**	**0.27**	**11.98**	**98.45**	-	**418.83**	**(-) 104.34**	**1225.03**	**62.19**	**5.08**

Sl. No	Sector & name of the Company	Period of accounts	Year in which finalised	Net profit(+)/Loss(-)				Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit (+)/ Loss(-)	Capital employed @	Return on capital employed$	Percentage of return on capital employed
				Net profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss&							
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6	7	8	9	10	11	12
	INFRASTRUCTURE													
6	West Bengal Industrial Infrastructure Development Corporation	2009-10	2011-12	8.38	2.86	0.13	5.39	20.10	-	-	26.54	68.44	8.25	12.06
	Sector wise total			**8.38**	**2.86**	**0.13**	**5.39**	**20.10**	**-**	**-**	**26.54**	**68.44**	**8.25**	**12.06**
	SERVICE													
7	Calcutta State Transport Corporation	2008-09	2009-10	(-) 11.79	26.91	8.28	(-) 46.98	161.13	(-)3.66	9.62	(-) 688.62	(-) 356.64	(-) 20.07	-
8	North Bengal State Transport Corporaton	2008-09	2011-12	(-) 5.33	27.51	7.66	(-) 40.50	142.07	-	10.70	(-) 480.39	(-) 229.11	(-) 12.99	-
9	South Bengal State Transport Corporaton	2009-10	2011-12	(-) 2.23	19.33	6.51	(-) 28.07	108.83	1.18	11.01	(-) 352.90	(-) 167.01	(-) 8.74	-
	Sector wise total			**(-) 19.35**	**73.75**	**22.45**	**(-) 115.55**	**412.03**	-	**31.33**	**(-) 1,521.91**	**(-) 752.76**	**(-) 41.80**	**-**
	Total - B (All sector-wise Statutory corporations)			**52.80**	**126.84**	**23.07**	**(-) 97.11**	**538.18**	-	**457.78**	**(-) 1,598.60**	**549.23**	**29.71**	**5.41**
	Grand Total (A+B)			**3,760.73**	**2,737.29**	**1,285.24**	**(-) 261.80**	**23,319.08**	**-**	**12,344.09**	**(-) 4,448.20**	**41,090.23**	**2,454.45**	**5.98**

Sl. No	Sector & name of the Company	Period of accounts	Year in which finalised	Net profit(+)/Loss(-)				Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit (+)/ Loss(-)	Capital employed @	Return on capital employed$	Percentage of return on capital employed
				Net profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss&							
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6	7	8	9	10	11	12
C.	**Non-working Government companies**													
	AGRICULTURE AND ALLIED													
1	West Bengal Wasteland Development Corporation Limited	2007-08	2010-11	-	-	-	-	0.03	-	0.34	0.13	0.04	-	-
	Sector wise total			**-**	**-**	**-**	**-**	**0.03**	**-**	**0.34**	**0.13**	**0.04**	-	-
	FINANCING													
2	West Bengal Handloom and Powerloom Development Corporation Limited	2008-09	2010-11	0.10	0.09	-	0.01	0.27	(-) 1.05	46.76	(-) 54.65	(-) 16.44	0.10	-
	Sector wise total			**0.10**	**0.09**	**-**	**0.01**	**0.27**	**-**	**46.76**	**(-) 54.65**	**(-) 16.44**	**0.10**	**-**
	MANUFACTURING													
3	West Bengal Plywood and Allied Products Limited	2009-10	2010-11	11.83	-	-	11.83	-	-	0.09	(-) 53.28	-	-	-
4	Krishna Silicate & Glass (1987) Limited	2005-06	2008-09	(-) 0.61	6.63	0.04	(-) 7.28	-	-	-	(-) 91.19	(-) 46.30	(-) 0.65	-
5	Pulver Ash Projects Limited (Subsidiary of WBSIC Limited)	2009-10	2011-12	-	-	0.64	(-) 0.64	-	-	3.31	(-) 12.55	3.76	(-) 0.64	-

Sl. No	Sector & name of the Company	Period of accounts	Year in which finalised	Net profit(+)/Loss(-)				Turnover	Impact of Accounts Comments[#]	Paid up Capital	Accumulated Profit (+)/ Loss(-)	Capital employed[@]	Return on capital employed[$]	Percentage of return on capital employed
				Net profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss[&]							
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6	7	8	9	10	11	12
6	West Bengal Ceramic Development Corporation Limited	2006-07	2008-09	(-) 0.27	3.98	0.12	(-) 4.37	-	-	2.93	(-) 64.31	(-) 36.59	(-) 0.39	-
7	The West Bengal State Leather Industries Development Corporation Limited	2006-07	2010-11	0.48	0.28	0.01	0.19	-	-	3.95	(-) 20.51	(-) 1.57	0.47	-
8	The Carter Pooler Engineering Company Limited	2007-08	2008-09	(-) 0.08	3.00	-	(-) 3.08	-	-	0.95	(-) 49.76	(-) 26.45	(-) 0.08	-
9	Webel Capacitors Limited (subsidiary of WBEIDC Limited)	2005-06	2006-07	-	-	-	-	-	-	7.25	(-) 7.25	-	-	-
10	Webel Power Electronics Limited (subsidiary of WBEIDC Limited)	2008-09	2010-11	-	-	-	-	-	-	0.69	(-) 0.69	-	-	-
11	Webel Toolsind Limited (subsidiary of WBEIDC Limited)	2008-09	2010-11	-	-	-	-	-	-	0.34	(-) 0.34	-	-	-
12	Webel Electro-Optics Limited (subsidiary of WBEIDC Limited)	2009-10	2010-11	0.20	-	0.08	0.12	-	-	3.37	(-) 3.53	3.31	0.12	3.63

Sl. No	Sector & name of the Company	Period of accounts	Year in which finalised	Net profit(+)/Loss(-)				Turnover	Impact of Accounts Comments[#]	Paid up Capital	Accumulated Profit (+)/ Loss(-)	Capital employed[@]	Return on capital employed[$]	Percentage of return on capital employed
				Net profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss[&]							
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6	7	8	9	10	11	12
13	Webel Consumer Electronics Limited (subsidiary of WBEIDC Limited)	2009-10	2010-11	(-) 5.15	0.19	0.03	(-) 5.37	-	-	8.02	(-) 50.08	(-) 3.93	(-) 5.18	-
14	West Bengal Sugar Industries Development Corporation Limited	2009-10	2010-11	(-) 0.14	6.20	0.03	(-) 6.37	0.01	-	15.24	(-) 143.75	(-) 80.71	(-) 0.17	-
15	The West Bengal Projects Limited (subsidiary of WBSIC Limited)	2009-10	2011-12	(-) 0.09	0.01	0.03	(-) 0.13	-	-	1.89	(-) 2.86	(-) 0.11	(-) 0.12	-
16	The Infusions (India) Limited	2010-11	2011-12	(-) 1.16	0.36	0.07	(-) 1.59	-	(-) 0.14	7.73	(-) 12.53	0.55	(-) 1.23	-
17	Lily Products Limited	First Accounts for 2004-05 not yet submitted	-	-	-	-	-	-	-	-	-	-	-	-
	Sector wise total			**5.01**	**20.65**	**1.05**	**(-) 16.69**	**0.01**	-	**55.76**	**(-) 512.63**	**(-) 188.04**	**(-) 7.87**	**-**

Sl. No	Sector & name of the Company	Period of accounts	Year in which finalised	Net profit(+)/Loss(-)				Turnover	Impact of Accounts Comments[#]	Paid up Capital	Accumulated Profit (+)/ Loss(-)	Capital employed[@]	Return on capital employed[$]	Percentage of return on capital employed
				Net profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss[&]							
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6	7	8	9	10	11	12
D.	**Non-working Statutory corporations**													
	SERVICE													
1	Great Eastern Hotel Authority	2005-06	2011-12	(-) 7.07	0.15	0.02	(-) 7.24	1.51	-	-	(-) 31.77	(-) 12.03	(-) 7.09	-
	Total -D (All sector wise non working Statutory Corporations)			**(-) 7.07**	**0.15**	**0.02**	**(-) 7.24**	**1.51**	-	-	**(-) 31.77**	**(-) 12.03**	**(-) 7.09**	-
	Grand total (C+D)			**(-) 1.96**	**20.89**	**1.07**	**(-) 23.92**	**1.82**	-	**102.86**	**(-) 598.92**	**(-) 216.47**	**(-) 14.86**	-
	Grand total (A+B+C+D)			**3,758.77**	**2,758.18**	**1,286.31**	**(-) 285.72**	**23,320.90**	-	**12,446.95**	**(-) 5,047.12**	**40,873.76**	**2,439.59**	**5.97**

[#] Impact of accounts include the net impact of comments of Statutory Auditors and CAG and is denoted by (+) increase in profit /decrease in losses (-) decrease in profit /increase in losses.

[@] Capital employed represents net fixed assets (including capital works-in-progress) plus working capital except in case of finance companies /corporations where the capital employed is worked out as a mean of aggregate of the opening and closing balances of paid up capital, free reserves, bonds, deposits and borrowings (including refinance).

[$] Return on capital employed has been worked out by adding net profit and interest charged to profit and loss account.

[&] Net Profit / Loss after tax include adjustment for prior period income/ expenses.

Annexure-3

(Referred to in paragraphs 1.10)

Statement showing equity/ loans received out of budget, grants and subsidy received/receivable, guarantees received, waiver of dues, loans written off and loans converted into equity during the year and guarantee commitment at the end of March 2011

(Figures in column 3(a) to 6(d) are ₹ in crore)

Sl. No.	Sector & Name of the Company	Equity/loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year@		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
1	2	3(a)	3(b)	4(a)	4(b)	4(c)	4(d)	5(a)	5(b)	6(a)	6(b)	6 (c)	6(d)
A.	**Working Government companies**												
	AGRICULTURE AND ALLIED												
1	West Bengal Tea Development Corporation Limited	1.64	5.20	0.01	-	-	0.01	-	-	-	-	-	-
2	West Bengal State Minor Irrigation Corporation Limited	-	-	-	31.85	-	31.85	-	0.34	-	-	-	-
3	West Bengal Dairy & Poultry Development Corporation Limited	-	-	-	2.69	-	2.69	-	-	-	-	-	-
4	The State Fisheries Development Corporation Limited	-	-	-	14.88	-	14.88	-	-	-	-	-	-
5	West Bengal Fisheries Corporation Limited	-	-	-	6.28	-	6.28	-	-	-	-	-	-
6	West Bengal Livestock Development Corporation Limited	-	-	-	0.20	-	0.20	-	-	-	-	-	-

Sl. No.	Sector & Name of the Company	Equity/loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year@		Waiver of dues during the year			
		Equity	Loans	Central Govern ment	State Govern ment	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
1	**2**	**3(a)**	**3(b)**	**4(a)**	**4(b)**	**4(c)**	**4(d)**	**5(a)**	**5(b)**	**6(a)**	**6(b)**	**6 (c)**	**6(d)**
	Sector wise total	**1.64**	**5.20**	**0.01**	**55.90**	**-**	**55.91**	**-**	**0.34**	**-**	**-**	**-**	**-**
	FINANCE												
7	West Bengal Industrial Development Corporation Limited	-	17.18	-	-	-	-	68.60	314.06	-	-	-	-
8	West Bengal Infrastructure Development Finance Corporation Limited	-	-	-	-	-	-	300.00	22,329.00	-	-	-	-
9	West Bengal Handicrafts Development Corporation Limited	2.00	-	-	0.61	-	0.61	-	-	-	-	-	-
10	West Bengal Women Development Undertaking	-	-	-	1.32	0.50	1.82	-	-	-	-	-	-
11	West Bengal Film Development Corporation Limited	-	2.15	-	-	-	-	-	-	-	-	-	-
	Sector wise total	**2.00**	**19.33**	**-**	**1.93**	**0.50**	**2.43**	**368.60**	**22,643.06**	**-**	**-**	**-**	**-**
	INFRASTRUCTURE												
12	West Bengal Small Industries Development Corporation Limited	2.25	-	-	9.33	-	9.33	-	-	-	-	-	-
13	West Bengal Electronics Industry Development Corporation Limited (WBEIDC Limited)	-	1.50	-	-	-	-	-	-	-	-	-	-

Sl. No.	Sector & Name of the Company	Equity/loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year@		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
1	2	3(a)	3(b)	4(a)	4(b)	4(c)	4(d)	5(a)	5(b)	6(a)	6(b)	6 (c)	6(d)
14	West Bengal Housing Infrastructure Development Corporation Limited (WBHIDCO Limited)	-	-	0.97	1.00	-	1.97	-	-	-	-	-	-
15	West Bengal State Police Housing Corporation Limited	-	-	4.67	6.78	-	11.45	-	-	-	-	-	-
16	West Bengal Transport Infrastructure Development Corporation Limited	-	-	31.60	13.54	-	45.14	-	0.85	-	-	-	-
	Sector wise total	**2.25**	**1.50**	**37.24**	**30.65**	**-**	**67.89**	**-**	**0.85**	**-**	**-**	**-**	**-**
	MANUFACTURING												
17	Greater Calcutta Gas Supply Corporation Limited	-	3.75	-	-	-	-	-	-	-	-	-	-
18	Neo Pipes & Tubes Company Limited	-	1.59	-	-	-	-	-	2.50	-	-	-	-
19	Britannia Engineering Limited	-	2.67	-	-	-	-	-	-	-	-	-	-
20	The Shalimar Works (1980) Limited	-	4.94	-	-	-	-	0.75	0.34	-	-	-	-
21	Westinghouse Saxby Farmer Limited	-	2.50	-	-	-	-	-	-	-	-	-	-
22	The Electro Medical and Allied Industries Limited	-	0.63	-	-	-	-	-	-	-	-	-	-

Sl. No.	Sector & Name of the Company	Equity/loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year@		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
1	**2**	**3(a)**	**3(b)**	**4(a)**	**4(b)**	**4(c)**	**4(d)**	**5(a)**	**5(b)**	**6(a)**	**6(b)**	**6 (c)**	**6(d)**
23	The Kalyani Spinning Mills Limited	2.00	15.53	-	-	-	-	-	2.35	-	-	-	-
24	Mayurakshi Cotton Mills Limited	0.38	1.20	-	-	-	-	-	-	-	-	-	-
25	Durgapur Chemicals Limited	3.20	-	-	-	-	-	-	-	-	-	-	-
26	West Bengal Pharmaceutical and Phytochemical Development Corporation Limited	0.60	0.18	-	0.27	-	-	-	-	-	-	-	-
27	Gluconate Health Limited	-	0.30	-	-	-	-	-	-	-	-	-	-
28	National Iron & Steel Company (1984) Limited	-	2.85	-	-	-	-	-	7.24	-	-	-	-
29	The West Dinajpur Spinning Mills Limited	0.75	9.03	-	-	-	-	-	-	-	-	-	-
30	West Bengal Mineral Development and Trading Corporation Limited	-	5.00	-	5.00	-	5.00	-	-	-	-	-	-
	Sector wise total	**6.93**	**50.17**	-	**5.27**	-	**5.27**	**0.75**	**12.43**	-	-	-	-
	POWER												
31	West Bengal State Electricity Distribution Company Limited	-	38.82	-	-	-	-	-	-	-	-	-	-

Sl. No.	Sector & Name of the Company	Equity/loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year@		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
1	**2**	**3(a)**	**3(b)**	**4(a)**	**4(b)**	**4(c)**	**4(d)**	**5(a)**	**5(b)**	**6(a)**	**6(b)**	**6 (c)**	**6(d)**
32	West Bengal State Electricity Transmission Company Limited	-	-	-	5.14	-	5.14	-	345.17	-	-	-	-
33	The Durgapur Projects Limited	45.00	4.00	-	-	-	-	169.62	972.52	-	-	-	-
34	West Bengal Power Development Corporation Limited	-	88.97	-	-	-	-	-	-	-	-	-	-
	Sector wise total	**45.00**	**131.79**	**-**	**5.14**	**-**	**5.14**	**169.62**	**1,317.69**	**-**	**-**	**-**	**-**
	SERVICE												
35	Webel Mediatronics Limited (subsidiary of WBEIDC Limited)	-	-	0.99	0.25	-	1.24	-	8.00	-	-	-	-
36	West Bengal Tourism Development Corporation Limited	-	-	-	0.18	-	0.18	-	-	-	-	-	-
37	The Calcutta Tramways Company (1978) Limited	-	12.81	-	164.94	-	164.94	-	12.73	-	-	-	-
38	West Bengal Surface Transport Corporation Limited	-	12.77	-	2.00	-	2.00	-	0.02	-	-	-	-
39	West Bengal Trade Promotion Organisation	-	-	-	5.00	-	5.00	-	-	-	-	-	-

Sl. No.	Sector & Name of the Company	Equity/loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year@		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
1	**2**	**3(a)**	**3(b)**	**4(a)**	**4(b)**	**4(c)**	**4(d)**	**5(a)**	**5(b)**	**6(a)**	**6(b)**	**6 (c)**	**6(d)**
40	West Bengal Medical Services Corporation Limited	-	-	-	35.79	-	35.79	-	-	-	-	-	-
	Sector wise total	**-**	**25.58**	**0.99**	**208.16**	**-**	**209.15**	**-**	**20.75**	**-**	**-**	**-**	**-**
	MISCELLANEOUS												
41	Basumati Corporation Limited	-	2.34	-	-	-	-	-	-	-	-	-	-
42	Silpabarta Printing Press Limited	-	0.08	-	-	-	-	-	-	-	-	-	-
43	Saraswaty Press Limited	-	-	-	-	-	-	-	4.75	-	-	-	-
	Sector wise total	**-**	**2.42**	**-**	**-**	**-**	**-**	**-**	**4.75**	**-**	**-**	**-**	**-**
	Total - A	**57.82**	**235.99**	**38.24**	**307.05**	**0.50**	**345.79**	**538.97**	**23,999.87**	**-**	**-**	**-**	**-**
B.	**Working Statutory corporations**												
	FINANCING												
1	West Bengal Financial Corporation	0.04	-	4.57	1.91	-	6.48	-	345.51	-	-	-	-
2	West Bengal Scheduled Castes & Scheduled Tribes Development & Finance Corporation	7.91	-	74.13	-	-	74.13	-	-	-	-	-	-
3	West Bengal Minorities Development and Finance Corporation	-	-	-	1.10	-	1.10	-	-	-	-	-	-

Sl. No.	Sector & Name of the Company	Equity/loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year@		Waiver of dues during the year			
		Equity	Loans	Central Govern ment	State Govern ment	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
1	2	3(a)	3(b)	4(a)	4(b)	4(c)	4(d)	5(a)	5(b)	6(a)	6(b)	6 (c)	6(d)
4	West Bengal Backward Classes Development & Finance Corporation	1.07	-	0.00	0.21	-	0.21	36.71	17.50	-	-	-	-
	Sector wise total	**9.02**	-	**78.70**	**3.22**	-	**81.92**	**36.71**	**363.01**	-	-	-	-
	INFRASTRUCTURE												
5	West Bengal Industrial Infrastructure Development Corporation	-	-	-	1.00	-	1.00	-	-	-	-	-	-
	Sector wise total	-	-	-	**1.00**	-	**1.00**	-	-	-	-	-	-
	SERVICE												
6	Calcutta State Transport Corporation	-	18.84	-	149.51	-	149.51	-	50.64	-	-	-	-
7	North Bengal State Transport Corporation	-	16.37	-	100.06	-	100.06	-	0.30	-	-	-	-
8	South Bengal State Transport Corporation	-	14.45	-	68.42	-	68.42	2.53	24.78	-	-	-	-
	Sector wise total	-	**49.66**	-	**317.99**	-	**317.99**	**2.53**	**75.72**	-	-	-	-
	Total – B	**9.02**	**49.66**	**78.70**	**322.21**	**-**	**400.91**	**39.24**	**438.73**	-	-	-	-
	Grand Total (A+B)	**66.84**	**285.65**	**116.94**	**629.26**	**0.50**	**746.70**	**578.21**	**24,438.60**	-	-	-	-

Sl. No.	Sector & Name of the Company	Equity/loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year[@]		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
1	2	3(a)	3(b)	4(a)	4(b)	4(c)	4(d)	5(a)	5(b)	6(a)	6(b)	6 (c)	6(d)
C.	**Non working Government companies**												
	MANUFACTURING												
1	The Infusions (India) Limited	-	0.82	-	-	-	-	-	-	-	-	-	-
2	West Bengal Sugar Industries Development Corporation Limited	-	0.10	-	-	-	-	-	-	-	-	-	-
3	West Bengal Handloom & Powerloom Development Corporation Limited	-	-	-	0.16	-	-	-	-	-	-	-	-
	Total –C	**-**	**0.92**	**-**	**0.16**	**-**	**0.16**	**-**	**-**	**-**	**-**	**-**	**-**
	Grand Total (A+B+C)	**66.84**	**286.57**	**116.94**	**629.42**	**0.50**	**746.86**	**578.21**	**24,438.60**	**-**	**-**	**-**	**-**

Note: Except in Companies/ Corporations which furnished their accounts for 2010-11, figures are provisional and as given by the Companies/ Corporations.

[@] Figures indicate total guarantees outstanding at the end of the year.

Annexure 4

(Referred to in paragraph 1.26)

Statement showing Investments made by State Government in PSUs whose accounts are in arrears

(₹ in crore)

Sl. No.	Name of PSU	Year upto which Accounts finalised	Paid up Capital as per latest finalised accounts	Investment made by Government during the years for which accounts are in arrears (Year wise break up may be given separately)				
				Year	Equity	Loans	Grants & Subsidy	Total
A.	**Working Government Companies**							
1	West Bengal State Minor Irrigation Corporation Limited	2008-09	11.65	2009-10	-	-	30.30	30.30
				2010-11	-	-	31.85	31.85
2	West Bengal Fisheries Corporation Limited	2009-10	2.00	2010-11	-	-	6.28	6.28
3	West Bengal Dairy and Poultry Development Corporation Limited	2007-08	7.10	2008-09	0.95	-	2.00	2.95
				2009-10	-	-	2.00	2.00
				2010-11	-	-	2.69	2.69
4	West Bengal Livestock Development Corporation Limited	2009-10	2.35	2010-11	-	-	0.20	0.20
5	West Bengal Industrial Development Corporation Limited	2009-10	435.93	2010-11	-	17.18	-	17.18
6	West Bengal Handicrafts Development Corporation Limited	2008-09	15.30	2009-10	1.50	-	-	1.50
				2010-11	2.00	-	0.61	2.61
7	West Bengal Women Development Undertaking	2009-10	0.10	2010-11	-	-	1.32	1.32
8	West Bengal Film Development Corporation Limited	2009-10	5.20	2010-11	-	2.15	-	2.15
9	West Bengal Small Industry Development Corporation Limited	2009-10	26.73	2010-11	-	-	9.33	9.33
10	West Bengal Electronics Industry Development Corporation Limited	2009-10	197.42	2010-11	-	1.50	-	1.50
11	West Bengal Housing Infrastructure Development Corporation Limited	2009-10	16.40	2010-11	-	-	1.00	1.00

Sl. No.	Name of PSU	Year upto which Accounts finalised	Paid up Capital as per latest finalised accounts	Investment made by Government during the years for which accounts are in arrears (Year wise break up may be given separately)				
				Year	Equity	Loans	Grants & Subsidy	Total
12	The Electro Medical and Allied Industries Limited	2009-10	16.40	2010-11	-	0.63	-	0.63
13	Westinghouse Saxby Farmer Limited	2009-10	7.74	2010-11	-	2.50	-	2.50
14	Webel Mediatronics Limited	2009-10	4.04	2010-11	-	-	0.25	0.25
15	The Kalyani Spinning Mills Limited	2009-10	12.63	2010-11	2.00	15.53	-	17.53
16	Mayurakshi Cotton Mills (1990) Limited	2009-10	6.38	2010-11	0.38	1.20	-	1.58
17	Durgapur Chemicals Limited	2009-10	406.01	2010-11	3.20	-	-	3.20
18	The West Dinajpur Spinning Mills Limited	2009-10	10.59	2010-11	0.75	9.03	-	9.78
19	West Bengal Mineral Development and Trading Corporation Limited	2009-10	4.43	2010-11	-	5.00	5.00	10.00
20	West Bengal Trade Promotion Organisation	2009-10	0.60	2010-11	-	-	5.00	5.00
21	West Bengal Medical Services Corporation Limited	First Account for 2008-09 not yet submitted	0.06	2008-09	0.06	0.00	-	0.06
				2010-11	-	-	35.79	35.79
22	Basumati Corporation Limited	2009-10	0.10	2010-11	-	2.34	-	2.34
23	Silpabarta Printing Press Limited	2009-10	0.89	2010-11	-	0.08	-	0.08
Total-A (Working Companies)			**1,184.52**		**10.08**	**133.03**	**136.07**	**279.18**
B.	**Working Statutory Corporations**							
24	West Bengal Scheduled Castes & Scheduled Tribes Development Finance Corporation	2009-10	161.64	2010-11	7.91	-	-	7.91
25	West Bengal Minorities Development & Finance Corporation	2009-10	96.86	2010-11	-	-	1.10	1.10

Sl. No.	Name of PSU	Year upto which Accounts finalised	Paid up Capital as per latest finalised accounts	Investment made by Government during the years for which accounts are in arrears (Year wise break up may be given separately)				
				Year	Equity	Loans	Grants & Subsidy	Total
26	West Bengal Backward Classes Development & Finance Corporation	2009-10	12.98	2010-11	1.07	-	0.21	1.28
27	West Bengal Industrial Infrastructure Development Corporation	2009-10	0.00	2010-11	-	-	1.00	1.00
28	Calcutta State Transport Corporation	2008-09	9.62	2009-10	-	18.03	116.60	134.63
				2010-11	-	18.84	149.51	168.35
29	North Bengal State Transport Corporation	2008-09	10.70	2009-10	-	13.70	92.55	106.25
				2010-11	-	16.37	100.06	116.43
30	South Bengal State Transport Corporation	2009-10	11.01	2010-11	-	14.45	68.42	82.87
	Total-B		**302.81**		**8.98**	**204.09**	**605.58**	**818.65**
	Grant Total (A + B)		**1,487.33**		**19.06**	**337.12**	**741.65**	**1,097.83**

Annexure 5

(Referred to in paragraphs No. 1.15)

Statement showing financial position of Statutory corporations

(Amount : ₹ in crore)

1	Calcutta State Transport Corporation			
	Particulars	**2006-07**	**2007-08**	**2008-09**
A.	**Liabilities**			
(i)	Capital (Including capital loan & equity capital)	9.62	9.62	9.62
(ii)	Borrowings (Government)	229.40	191.62	203.66
(iii)	Others)	36.85	78.71	92.57
(iv)	Funds*	32.88	39.21	40.42
(v)	Trade dues and other current liabilities (including provisions)	423.13	452.64	483.78
	Total-A	**731.88**	**771.80**	**830.05**
B.	**Assets**			
(i)	Gross Block	158.45	160.52	159.36
(ii)	Less : Depreciation	107.56	111.94	96.03
(iii)	Net fixed assets	50.89	48.58	63.33
(iv)	Capital work-in-progress (including cost of chassis)	-	-	-
(v)	Investments	13.67	12.71	14.29
(vi)	Current assets, loans and advances	65.47	61.66	63.81
(vii)	Accumulated losses	601.85	648.85	688.62
	Total-B	**731.88**	**771.80**	**830.05**
C.	**Capital employed****	**(-) 306.77**	**(-) 342.40**	**(-) 356.64**

(Amount : ₹ in crore)

2	North Bengal State Transport Corporation			
	Particulars	**2006-07**	**2007-08**	**2008-09**
A.	**Liabilities**			
(i)	Capital (Including capital loan & equity capital)	10.70	10.70	10.70
(ii)	Reserve	-	12.14	12.12
(iii)	Borrowings (Government)	181.68	194.46	207.70
(iv)	(Others)	18.04	13.22	20.35
(v)	Funds*	0.48	0.50	0.52
(vi)	Trade dues and other current liabilities (including provisions)	275.38	310.56	347.50
	Total-A	**486.28**	**541.58**	**598.89**
B.	**Assets**			
(i)	Gross Block	47.66	68.28	68.19
(ii)	Less : Depreciation	5.31	7.69	7.66
(iii)	Net fixed assets	42 .35	60.59	60.53
(iv)	Capital work-in-progress (including cost of chassis)	8 .11	3.12	3.12
(v)	Investments	0.11	0.11	0.11
(vi)	Current assets, loans and advances	28.40	37.51	54.39
(vii)	Other Assets	0.34	0.35	0.35
(viii)	Accumulated losses	406.97	439.90	480.39
	Total-B	**486.28**	**541.58**	**598.89**
C.	**Capital employed****	**(-) 196.52**	**(-) 209.35**	**(-) 229.11**

* Excluding depreciation funds.

** Capital employed represents net fixed assets (including work-in-progress) plus working capital

(Amount : ₹ in crore)

3	**South Bengal State Transport Corporation**			
	Particulars	**2007-08**	**2008-09**	**2009-10**
A.	**Liabilities**			
(i)	Capital (Including capital loan & equity capital)	11.01	11.01	11.01
(ii)	Reserve	-	-	11.22
(iii)	Borrowings (Government)	100.90	112.21	126.51
(iv)	(Others)	22.68	28.09	34.50
(v)	Funds**	1.30	2.63	2.30
(vi)	Trade dues and other current liabilities (including provisions)	201.30	223.61	258.21
	Total-A	**337.19**	**337.55**	**443.75**
B.	**Assets**			
(i)	Gross Block	61.55	76.32	92.47
(ii)	Less : Depreciation	38.58	43.32	38.38
(iii)	Net fixed assets	22.97	33.00	54.09
(iv)	Capital work-in-progress (including cost of chassis)	0.40	0.40	0.80
(v)	Investments	0.38	0.38	0.38
(vi)	Current assets, loans and advances	15.62	18.94	35.58
(vii)	Accumulated losses	297.82	324.83	352.90
	Total-B	**337.19**	**377.55**	**443.75**
C.	**Capital employed#**	**(-) 162.19**	**(-) 171.17**	**(-) 167.01**

** Excluding depreciation funds.

\# Capital employed represents net fixed assets (including work-in-progress) plus working capital.

(Amount : ₹ in crore)

4	**West Bengal Financial Corporation**			
	Particulars	**2008-09**	**2009-10**	**2010-11**
A.	**Liabilities**			
(i)	Paid-up capital	121.54	127.31	147.35
(ii)	Share application money	-	20.00	-
(iii)	Reserve fund and other reserves and surplus	21.37	21.37	24.14
(iv)	Borrowings:	-	-	-
(a)	Bonds and debentures	343.12	380.60	345.51
(b)	Industrial Development Bank of India & Small Industries Development Bank of India	135.12	151.95	186.71
(c)	Others (including State Government)	0.74	0.91	12.55
(d)	Short Term loan	-	-	11.64
(v)	Other liabilities and provisions	162.92	170.22	170.15
	Total-A	**784.81**	**872.36**	**886.41**
B.	**Assets**			
(i)	Cash and Bank balances	50.10	75.82	44.01
(ii)	Investments	0.21	0.21	0.17
(iii)	Loans and Advances	587.81	646.90	701.77
(iv)	Net fixed assets	0.32	0.29	0.32
(v)	Other assets	24.44	25.40	26.42
(vi)	Miscellaneous expenditure	121.93	123.74	113.72
	Total-B	**784.81**	**872.36**	**886.41**
C.	**Capital employed***	**(+) 586.25**	**(+) 692.02**	**(+)709.20**

* Capital employed represents the mean of the aggregate of opening and closing balances of paid-up capital, loans in lieu of capital, seed money, debentures, reserves (other than those which have been funded specifically and backed by investments outside), bonds, deposits and borrowings (including refinance).

(Amount : ₹ in crore)

5	West Bengal Industrial Infrastructure Development Corporation			
	Particulars	**2007-08**	**2008-09**	**2009-10**
A.	**Liabilities**			
(i)(a)	Loan from Government	96.34	96.34	96.34
(b)	Grant from Government	39.50	42.50	43.50
(ii)	Net balance of deposit for deposit work	13.17	38.86	40.74
(iii)	Receipt against allotment of land	75.92	80.66	83.13
(iv)	Trade dues and current liabilities	35.59	40.05	44.29
(v)	Surplus	15.39	21.15	26.54
	Total	**275.91**	**319.56**	**334.54**
B.	**Assets**			
(i)	Gross block	27.43	30.45	28.21
(ii)	Less Depreciation	0.08	0.08	0.13
(iii)	Net fixed assets	27.35	30.37	28.08
(iv)	Capital work-in-progress	61.24	63.58	65.21
(v)	Investment	173.63	213.20	221.67
(vi)	Current Assets, Loans and Advances	13.69	12.41	19.58
	Total	**275.91**	**319.56**	**334.54**
C.	**Capital employed****	**66.69**	**66.31**	**68.44**

** Capital employed represents net fixed assets (including work-in-progress) plus working capital.

(Amount : ₹ in crore)

6	West Bengal Scheduled Castes and Scheduled Tribes Development and Finance Corporation			
	Particulars	**2007-08**	**2008-09**	**2009-10**
A.	**Liabilities**			
(i)	Paid-up capital	148.14	154.51	161.64
(ii)	Reserves and surplus	7.85	10.75	14.28
(iii)	Borrowings:	-	-	-
(a)	NSFDC	23.72	23.66	25.54
(b)	NSKDC	0.14	0.43	4.95
(c)	Others	27.13	21.00	17.34
(iv)	Current liabilities and provisions	-	-	-
(a)	Deposit	58.46	105.26	175.43
(b)	Other liabilities and provisions	185.57	266.13	298.34
	Total A	**451.01**	**581.74**	**697.52**
B.	**Assets**			
(i)	Cash and Bank Balances	58.78	66.66	96.22
(ii)	Investments	196.00	311.44	389.26
(iii)	Loans and Advances	195.47	203.04	211.46
(iv)	Net fixed assets	0.40	0.37	0.35
(v)	Other Assets	0.36	0.23	0.23
	Total B	**451.01**	**581.74**	**697.52**
C.	**Capital employed#**	**(+) 201.73**	**(+) 208.36**	**(+) 217.06**

Capital employed represents average of opening and closing liabilities excluding current liabilities and provision.

(Amount: ₹ in crore)

7	West Bengal Minorities Development and Finance Corporation			
	Particulars	**2007-08**	**2008-09**	**2009-10**
A.	**Liabilities**			
(i)	Paid-up capital	60.13	89.53	96.86
(ii)	Reserves and surplus	0.05	0.05	0.07
(iii)	Borrowings from NMDC	134.42	150.02	192.67
(iv)	Liabilities and provisions	36.67	30.52	82.89
	Total A	**231.27**	**270.12**	**372.49**
B.	**Assets**			
(i)	Current Assets	164.19	145.33	209.30
(ii)	Investment	63.15	119.89	158.64
(iii)	Net fixed assets	0.32	0.24	0.33
(iv)	Accumulated loss	3.61	4.66	4.22
	Total B	**231.27**	**270.12**	**372.49**
	Capital employed$^{\infty}$	**(+) 177.63**	**(+) 217.10**	**(+) 264.60**

∞ Capital employed represents average of opening and closing liabilities excluding current liabilities and provision.

(Amount: ₹ in crore)

8	West Bengal Backward Classes Development & Finance Corporation			
	Particulars	**2007-08**	**2008-09**	**2009-10**
A.	**Liabilities**			
(i)	Paid-up capital	8.69	11.11	12.98
(ii)	Reserves and surplus	-		-
(iii)	Borrowings	23.30	22.86	21.39
(iv)	Liabilities and provisions	3.26	3.54	4.31
	Total A	**35.25**	**37.51**	**38.68**
B.	**Assets**			
(i)	Cash and Bank balance	4.17	5.24	5.23
(ii)	Loans and Advances	28.05	28.80	29.46
(iii)	Net fixed assets	0.02	0.02	0.03
(iv)	Accumulated Loss	0.40	0.55	0.68
(v)	Other Assets	2.61	2.90	3.28
	Total B	**35.25**	**37.51**	**38.68**
	Capital employed$^{\infty}$	**32.00**	**32.98**	**34.17**

∞ Capital employed represents average of opening and closing liabilities excluding current liabilities and provision.

(Amount: ₹ in crore)

9	West Bengal State Warehousing Corporation			
	Particulars	**2007-08**	**2008-09**	**2009-10**
A.	**Liabilities**			
(i)	Paid up capital	7.61	7.61	7.61
(ii)	Reserve and Surplus	2.46	2.60	3.66
(iii)	Trade dues and current liabilities (including provisions)	6.65	8.01	8.22
	Total	**16.72**	**18.22**	**19.49**
B.	**Assets**			
(i)	Gross block	11.61	11.61	11.63
(ii)	Less Depreciation	7.91	8.14	8.36
(iii)	Net fixed assets	3.70	3.47	3.27
(iv)	Investment	9.83	10.65	2.56
(v)	Current Assets, Loans and Advances	3.19	4.10	13.66
	Total	**16.72**	**18.22**	**19.49**
C.	**Capital employed**	**(+) 0.24**	**(-) 0.44**	**(+) 8.52**

Note: Capital employed represents net fixed assets plus working capital.

(Amount : ₹ in crore)

10	**Great Eastern Hotel Authority**			
	Particulars	**2003-04**	**2004-05**	**2005-06**
A.	**Liabilities**			
(i)	Grants in aid received from Government of West Bengal	10.05	10.05	16.43
(ii)	Loans from Government	1.43	1.43	1.43
(iii)	Other long-term loans from banks	2.09	1.76	2.21
(iv)	Reserves & Surplus	0.09	0.09	0.09
(v)	Current liabilities & provisions	18.61	18.58	16.59
	Total A	**32.27**	**31.91**	**36.75**
B.	**Assets**			
(i)	Gross Block	2.59	2.64	2.61
(ii)	Less : Depreciation	1.99	2.05	2.04
(iii)	Less : Transferred to State Government	-	-	0.57
(iv)	Net Fixed Assets	0.60	0.59	-
(v)	Current Assets, Loans & Advances	6.57	6.79	4.98
(vi)	Accumulated loss	25.10	24.53	31.77
	Total B	**32.27**	**31.91**	**36.75**
C.	**Capital employed**	**(-) 11.14**	**(-) 12.35**	**(-) 12.03**

Note: Capital employed represents net fixed assets (including work-in-progress) plus working capital.

Annexure 6

(Referred to in paragraph No.1.15)

Statement showing working results of Statutory corporations

(Amount : ₹ in crore)

1	Calcutta State Transport Corporation			
	Particulars	**2006-07**	**2007-08**	**2008-09**
	Operating			
(a)	Revenue	74.09	161.92	161.13
(b)	Expenditure	190.81	188.51	185.94
(c)	Surplus(+)/ Deficit(-)	(-) 116.72	(-) 26.59	(-) 24.81
	Non-operating			
(a)	Revenue	1.98	1.84	8.86
(b)	Expenditure	24.96	24.98	27.42
(c)	Surplus(+)/ Deficit(-)	(-) 22.99	(-) 23.14	(-) 18.56
	Total			
(a)	Revenue	76.07	163.76	169.99
(b)	Expenditure	215.77	213.49	213.36
(c)	Net Profit(+)/ Loss(-)	(-) 139.70	(-) 49.73	(-) 46.98
	Interest on capital and loans	24.73	24.63	26.91
	Total return on Capital employed	(-) 114.81	(-) 22.37	(-) 20.07

(Amount : ₹ in crore)

2	North Bengal State Transport Corporation			
	Particulars	**2006-07**	**2007-08**	**2008-09**
	Operating			
(a)	Revenue	46.56	60.29	66.48
(b)	Expenditure	137.08	146.75	155.05
(c)	Surplus(+)/ Deficit(-)	(-) 91.52	(-) 86.46	(-) 88.57
	Non-operating			
(a)	Revenue	79.28	78.91	75.59
(b)	Expenditure	20.44	25.38	27.52
(c)	Surplus(+)/ Deficit(-)	(+) 58.84	(+) 53.53	(+) 48.07
	Total			
(a)	Revenue	124.84	139.20	142.07
(b)	Expenditure	157.52	172.13	182.57
(c)	Net Profit(+)/ Loss(-)	(-) 32.68	(-) 32.93	(-) 40.50
	Interest on capital and loans	20.43	25.36	27.51
	Total return on Capital employed	(-) 12.25	(-) 7.57	(-) 12.99

Note: Total return on capital employed represents net surplus/ deficit plus total interest charged to profit and loss account (less interest capitalised).

(Amount : ₹ in crore)

3	South Bengal State Transport Corporation			
	Particulars	**2007-08**	**2008-09**	**2009-10**
	Operating			
(a)	Revenue	43.37	51.72	57.58
(b)	Expenditure	86.57	95.43	110.94
(c)	Surplus(+)/ Deficit(-)	(-) 43.20	(-) 43.71	(-) 53.36
	Non-operating			
(a)	Revenue	38.40	40.74	51.25
(b)	Expenditure	18.13	24.04	25.96
(c)	Surplus(+)/ Deficit(-)	(+) 20.27	(+) 16.70	(+) 25.29
	Total			
(a)	Revenue	81.77	92.46	108.83
(b)	Expenditure	104.70	119.47	136.90
(c)	Net Profit(+)/ Loss(-)	(-) 22.93	(-) 27.01	(-) 28.07
	Interest on capital and loans	14.82	17.41	19.33
	Total return on Capital employed	(-) 08.11	(-) 9.60	(-) 8.74

(Amount : ₹ in crore)

4	West Bengal Financial Corporation			
	Particulars	**2008-09**	**2009-10**	**2010-11**
1	Income			
(a)	Interest on loans	51.66	59.60	66.98
(b)	Other income	2.64	3.18	6.12
	Total-1	**54.30**	**62.78**	**73.10**
2	Expenses			
(a)	Interest on long-term and short-term loans	39.06	40.83	42.36
(b)	Other expenses	13.47	15.92	18.63
	Total-2	**52.53**	**56.75**	**60.99**
3	Profit before tax (1-2)	(+) 1.77	(+) 6.03	(+) 12.11
4	Prior period adjustments	0.03	0.29	0.02
5	Provision for tax	0.53	0.72	3.99
6	Profit(+)/ Loss(-) after tax	(+) 1.21	(+) 5.02	(+) 8.10
7	Provision for non-performing assets	7.52	6.83	(+) 4.85
8	Other appropriations	0.29	-	2.77
9	Amount available for dividend#	-	-	10.18
10	Dividend paid/ payable	-	-	0.14
11	Total return on Capital employed	32.46	39.02	50.46
12	Percentage of return on Capital employed	5.53	5.63	7.11

Note: Total return on capital employed represents net surplus/ deficit plus total interest charged to profit and loss account (less interest capitalised).

\# Represents profit of the current year available for dividend after considering the specific reserves and provision for taxation.

(Amount : ₹ in crore)

5	West Bengal Industrial Infrastructure Development Corporation			
	Particulars	**2007-08**	**2008-09**	**2009-10**
1	**Income**			
(a)	Annual rent of land & building	0.31	0.31	0.34
(b)	Recoveries of overheads on development work	4.01	0.73	2.07
(c)	Interest from Bank	7.85	9.24	11.33
(d)	Interest from HPL	-	-	-
(e)	Interest from entrepreneurs	-	-	-
(f)	Water supply and Electricity Supply charges	2.04	2.51	2.01
(g)	Miscellaneous income	3.23	4.01	4.35
	Total-1	**17.44**	**16.80**	**20.10**
2	**Expenses**			
(a)	Administrative expenses	6.79	7.39	9.93
(b)	Interest on loans	2.86	2.86	2.86
(c)	Depreciation & other expenses	1.56	0.79	0.82
	Total-2	**11.21**	**11.04**	**13.61**
3	Profit (+)/ Loss (-) before tax	(+) 6.23	(+) 5.76	(+) 6.49
4	Provision for tax	**-**	**-**	**1.10**
5	Profit (+)/ Loss (-) after tax	(+) 6.23	(+) 5.76	(+) 5.39
6	Total return on capital employed	9.09	8.62	8.25
7	Percentage of total return on capital employed	13.63	12.99	12.05

(Amount : ₹ in crore)

6	West Bengal Scheduled Castes and Scheduled Tribes Development and Finance Corporation			
	Particulars	**2007-08**	**2008-09**	**2009-10**
1	**Income**			
(a)	Interest on loan	0.69	0.65	0.46
(b)	Interest on fixed deposit	13.48	17.28	20.85
(c)	Other income	4.04	4.56	5.08
	Total-1	**18.21**	**22.49**	**26.39**
2	**Expenses**			
(a)	(a) Interest	0.83	0.72	0.64
(b)	(b) Provision for other non performing assets	9.08	10.95	12.04
(c)	(c) Other expenses	7.19	7.82	10.18
	Total-2	**17.10**	**19.49**	**22.86**
3	Profit (+)/ Loss (-) before tax	(+) 1.11	(+) 3.00	(+) 3.53
4	Provision for tax	**-**	**-**	**-**
5	Prior period adjustment	(-)0.48	(-)0.10	**-**
6	Other appropriations	-	-	**-**
7	Amount available for dividend	-	-	**-**
8	Dividend for the year	-	-	**-**
9	Total return on capital employed	(+) 1.46	(+) 3.62	(+) 4.17
10	Percentage of total return on capital employed	0.72	1.74	1.92

(Amount : ₹ in crore)

7	West Bengal Minorities Development and Finance Corporation			
	Particulars	**2007-08**	**2008-09**	**2009-10**
1	Income			
(a)	Interest on loan	5.98	6.48	9.33
(b)	Other income	4.14	4.04	5.79
	Total-1	**10.12**	**10.52**	**15.12**
2	Expenses			
(a)	Interest on loans	3.35	4.49	6.39
(b)	Other expenses	6.09	6.94	8.26
	Total-2	**9.44**	**11.43**	**14.65**
3	Surplus (+)/Deficit (-)	(+) 0.68	(-) 0.91	(+) 0.47
4	Prior period adjustment	0.20	(-) 0.13	(-) 0.02
5	Total return on Capital employed	(+) 3.83	(+) 3.45	(+) 6.84
6	Percentage of return on capital employed	2.16	1.59	2.58

Note: Total return on capital employed represents net surplus/ deficit plus total interest charged to profit and loss account (less interest capitalised).

(Amount : ₹ in crore

8	West Bengal Backward Classes Development & Finance Corporation			
	Particulars	**2007-08**	**2008-09**	**2009-10**
1	Income			
(a)	Interest on loan	0.89	0.83	0.83
(b)	Other income	0.52	0.45	0.67
	Total-1	**1.41**	**1.28**	**1.50**
2	Expenses			
(a)	Interest on loans	0.78	0.80	0.83
(b)	Other expenses	0.72	0.63	0.79
	Total-2	**1.50**	**1.43**	**1.62**
3	Surplus (+)/Deficit (-)	(-) 0.09	(-) 0.15	(-) 0.12
4	Total return on Capital employed	(+) 0.68	(+) 0.65	(+) 0.72
5	Percentage of return on capital employed	2.13	1.97	2.10

(Amount : ₹ in crore)

9	West Bengal State Warehousing Corporation			
	Particulars	**2007-08**	**2008-09**	**2009-10**
1	**Income**			
(a)	Warehousing charges	5.72	6.06	7.60
(b)	Other income	0.84	0.83	1.25
	Total	**6.56**	**6.89**	**8.85**
2	**Expenses**			
(a)	Establishment charges	3.77	3.81	4.57
(b)	Other expenses	2.89	2.95	3.21
	Total	**6.66**	**6.76**	**7.78**
3	Profit (+)/ Loss (-)before tax	(-) 0.10	(+) 0.13	(-) 1.07
4	Provision for tax	0.01	0.02	-
5	Prior period adjustment	(-) 0.04	(+) 0.02	(-) 0.02
6	Other appropriations	0.12	0.24	0.31
7	Amount available for dividend	-	-	-
8	Dividend for the year	-	-	-
9	Total return on capital employed	(-) 6.64	(+) 0.13	(-) 1.07
10	Percentage of total return on capital employed	-	-	12.55

(Amount : ₹ in crore)

10	Great Eastern Hotel Authority			
	Particulars	**2003-04**	**2004-05**	**2005-06**
1	**Income**			
(a)	Guest accommodation, Restaurants, Bar etc.	4.20	4.35	1.51
(b)	Other income	0.54	4.43	0.26
	Total 1	**4.74**	**8.78**	**1.77**
2	**Expenses**			
(a)	Consumption of raw materials, provisions, stores, wines etc.	1.02	0.97	0.52
(b)	Employees' remuneration & welfare expenses	5.12	4.63	7.30
(c)	Interest	1.71	0.12	0.15
(d)	Depreciation	0.06	0.05	0.02
(e)	Other expenses	2.04	2.44	1.02
	Total-2	**9.95**	**8.21**	**9.01**
3	Profit (+)/ Loss (-) before prior period adjustments	(-) 5.21	(+) 0.57	(-) 7.24
4	Prior period adjustment	(+) 0.11	-	-
5	Net Profit (+)/Net Loss (-)	(-) 5.10	(+) 0.57	(-) 7.24
6	Total return on Capital employed	(-) 3.40	(+) 0.69	(-) 7.09

Note: Total return on capital employed represents net surplus/ deficit plus total interest charged to profit and loss account (less interest capitalised).

Annexure 7

(Referred to in paragraph no. 2.1.9)

Statement showing particulars of distribution network planned *vis-à-vis* achievement there against by the Company during 2006-07 to 2010-11

Sl. No.	Description	2006-07	2007-08	2008-09	2009-10	2010-11
(A)	**No. of Substations (of various categories)**					
i	At the beginning of the year	370	384	397	414	431
ii	Additions planned for the year	No such plans				
iii	Additions made during the year	14	13	17	17	9
iv	At the end of the year	384	397	414	431	440
v	Shortage in addition (ii - iii)	-				
(B)	**HT Lines (in CKM)**					
i	At the beginning of the year	84,687	86,103	88,212	89,349	91,286
ii	Additions planned for the year	1,285	1,310	1,330	1,350	1,370
iii	Additions made during the year	1,416	2,109	1,137	1,937	353
iv	At the end of the year	86,103	88,212	89,349	91,286	91,639
v	Shortage in addition (ii - iii)	-	-	193	-	1,017
(C)	**LT Lines (in CKM)**					
i	At the beginning of the year	83,315	84,820	86,615	87,692	89,458
ii	Additions planned for the year	425	430	440	450	460
iii	Additions made during the year	1,505	1,795	1,077	1,766	1,110
iv	At the end of the year	84,820	86,615	87,692	89,458	90,568
v	Shortage in addition (ii - iii)	-	-	-	-	-
(D)	**Sub-Station Transformers Capacity (in MVA)**					
i	At the beginning of the year	3,898	4,206	4,561	4,817	5,091
ii	Additions planned for the year	No Such Plans				
iii	Additions made during the year	308	355	256	274	241
iv	At the end of the year	4,206	4,561	4,817	5,091	5,332
v	Shortage in addition (ii - iii)	-				
(E)	**No. of Distribution Transformers (of various categories)**					
i	At the beginning of the year	1,02,533	1,05,065	1,09,138	1,13,926	1,18,343
ii	Additions planned for the year	1,200	1,260	1,380	1,500	1,620
iii	Additions made during the year	2,532	4,073	4,788	4,417	6,323
iv	At the end of the year	1,05,065	1,09,138	1,13,926	1,18,343	1,24,666
v	Shortage in addition (ii - iii)	-				
(F)	**Distribution Transformers Capacity (in MVA)**					
i	At the beginning of the year	3,834	3,973	4,142	4,372	6,144
ii	Additions planned for the year	100	185	205	225	245
iii	Additions made during the year	139	169	230	1772	83
iv	At the end of the year	3,973	4,142	4,372	6,144	6,227
v	Shortage in addition (ii - iii)	-	16	-	-	162

Annexure 8

(Referred to in paragraph no. 2.1.24)

Statement showing source-wise purchase of power during 2006-11

(In million units/paise per unit)

Year	State Generation PSUs	Central Sector	IPPs	Others	Total
2006-07	14,006.03	6,626.59	50.29	221.17	20,904.08
	(178.95)	(190.45)	(266.85)	(353.57)	(184.65)
2007-08	15,254.04	6,221.75	92.30	277.40	21,845.49
	(184.55)	(186.41)	(254.06)	(331.25)	(187.23)
2008-09	16,820.93	6,409.63	272.98	260.72	23,764.26
	(183.57)	(215.73)	(249.41)	(376.23)	(195.00)
2009-10	19,098.41	6,575.18	346.88	692.86	26,713.33
	(200.14)	(255.16)	(319.94)	(429.88)	(221.20)
2010-11	20,123.29	6,734.82	362.79	1,477.92	28,698.82
	(235.33)	(267.71)	(261.93)	(321.07)	(247.68)
Total	**85,302.70**	**32,567.97**	**1,125.24**	**2,930.07**	**1,21,925.98**

(Figures in bracket indicate average cost in paise per Unit.)

Annexure 9

(Referred to in paragraph no. 2.1.60)

Statement showing progress of installation of meters

A. L&MV consumers

(In lakh number)

Year	Meters installed at the opening of the year	Targeted for metering during the year	Actual meters installed during the year	Meters installed at the close of the year	Percentage of achievement against the target
2006-07	49.91	5.00	5.97	55.88	119.40
2007-08	55.88	5.60	6.26	62.14	111.79
2008-09	62.14	5.75	3.46	65.60	60.17
2009-10	65.60	5.90	6.49	72.09	110.00
2010-11	72.09	6.05	8.68	80.77	143.47

B. Decentralised Bulk consumers

(In number)

Year	Meters installed at the opening of the year	Targeted for metering during the year	Actual meters installed during the year	Meters installed at the close of the year	Percentage of achievement against the target
2006-07	2,809	300	247	3,056	82.33
2007-08	3,056	350	263	3,319	75.14
2008-09	3,319	400	298	3,617	74.50
2009-10	3,617	395	298	3,915	75.44
2010-11	3,915	535	310	4,225	57.94

C. Centralised bulk consumers

(In number)

Year	Meters installed at the opening of the year	Targeted for metering during the year	Actual meters installed during the year	Meters installed at the close of the year	Percentage of achievement against the target
2006-07	424	NA	36	460	NA
2007-08	460	NA	42	502	NA
2008-09	502	NA	49	552	NA
2009-10	551	NA	57	608	NA
2010-11	608	60	65	673	108.33

Annexure-10

(Referred to in paragraph no. 2.2.10)

Statement showing financial position of Durgapur Chemicals Limited for the period from 2006-07 to 2010-11

Particulars		2006-07	2007-08	2008-09	2009-10	2010-11
		(₹ in crore)				
A.	**Liabilities**					
(i)	Paid up capital	385.01	390.01	402.01	406.01	57.29
(ii)	Reserve & Surplus	14.84	14.26	13.71	12.38	11.89
(iii)	Borrowings					
(a)	Long Term	6.29	47.80	63.95	63.06	62.60
(b)	Short Term	-	1.85	2.34	-	3.01
(iv)	Current liabilities	19.19	24.77	36.01	48.90	55.60
	Total :	**425.33**	**478.70**	**518.02**	**530.35**	**190.38**
B.	**Assets**					
(v)	Gross Block	57.00	55.96	145.90	133.36	139.63
(vi)	Less: Depreciation	26.26	27.23	29.51	26.14	32.99
(vii)	Net Fixed Assets	30.74	28.73	116.39	107.22	106.64
(viii)	Capital work-in-progress	8.42	48.57	-	3.18	0.69
(ix)	Current Assets	33.08	46.00	38.05	29.95	26.83
(x)	Deferred Revenue Expenditure	1.09	0.72	0.36	-	-
(xi)	Accumulated loss	352.00	354.68	363.22	390.00	56.22
	Total :	**425.33**	**478.70**	**518.02**	**530.35**	**190.38**
(xii)	**Capital employed**	**53.05**	**98.53**	**118.43**	**91.45**	**78.56**
(xiii)	**Return on capital employed**	**1.20**	**(-) 2.64**	**(-) 7.18**	**(-) 19.02**	**(-) 9.75**
(xiv)	**Net worth**	**47.85**	**49.59**	**52.50**	**28.39**	**12.96**
(xv)	**Working capital employed**	**13.89**	**21.23**	**2.04**	**(-) 18.95**	**(-) 28.77**
(xvi)	**Debt equity ratio**	**0.02:1**	**0.12:1**	**0.16:1**	**0.16:1**	**1.09:1**
(xvii)	**Current ratio**	**1.72:1**	**1.86:1**	**1.06:1**	**0.61:1**	**0.48:1**

Note: Capital employed represents net Fixed Assets *plus* working capital and capital working in progress.
Return on capital employed represents net surplus/ deficit *plus* total Interest charged to Profit and Loss account.
Net worth represents Paid up Capital *plus* free Reserves *less* Intangible Assets.
Debt Equity ratio considered Long Term Borrowings only
Current ratio represents ratio between Current Assets and Current Liabilities

Annexure-11

(Referred to in paragraph no. 2.2.10.)

Statement showing working results of Durgapur Chemicals Limited for the period from 2006-07 to 2010-11

	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
		(₹ in crore)				
A.	**Income**					
(i)	Sales (Gross)	40.32	42.95	42.46	63.20	66.57
(ii)	Increase(+)/decrease (-) in stock	(+) 0.56	(+) 0.79	(-) 0.70	(-) 0.36	(-) 0.28
	Total :	**40.88**	**43.74**	**41.76**	**62.84**	**66.29**
B.	**Variable cost**					
(i)	Raw materials	10.38	13.07	12.38	23.87	15.64
(ii)	Power & fuel	12.15	12.58	14.01	24.60	27.07
(iii)	Other manufacturing expenses including excise duty & sales tax	8.34	8.48	7.52	8.85	10.14
	Total variable cost :	**30.87**	**34.13**	**33.91**	**57.32**	**52.85**
C.	**Contribution**[1]	10.01	9.61	7.85	5.52	13.44
D.	**Fixed Cost**					
(i)	Employee's cost	3.95	7.69	6.16	11.06	12.63
(ii)	Other expenses	4.63	4.99	7.68	6.56	5.72
	Total fixed cost:	**8.58**	**12.68**	**13.84**	**17.62**	18.35
E.	Add: Other Income	0.88	1.83	0.88	2.68	1.13
	Cash profit (+)/ loss (-)	(+) 2.31	(-) 1.24	(-) 5.11	(-) 9.42	(-) 3.78
	Interest on loan	0.87	0.03	1.36	7.75	8.40
	Depreciation	1.27	1.18	1.73	5.67	5.96
	Prior period adjustment: Income (+)/ expenses (-)	(+) 0.16	(-) 0.22	(-) 0.34	(-) 3.93	(-) 0.01
	Net profit/ loss(-)	**0.33**	**(-) 2.67**	**(-) 8.54**	**(-) 26.77**	**(-) 18.15**

[1] Sales including stock adjustment less variable cost.

Annexure-12

(Referred to in paragraph no. 2.2.14)

Statement showing time schedule for implementation of the restructuring plan

Turnaround measures	Scheduled period of implementation	Actual period of implementation
1) (a) Improvement capacity utilisation of caustic soda plant, (b) higher chlorine liquefaction efficiency. 2) Focused marketing of downstream products. 3) Reduction of unit power consumption by 100 units. 4) Reduction of manpower through Early Retirement Scheme. 5) Reduction of Government loan by conversion to equity.	By March 2004	1) (a) 97 *per cent* capacity utilisation achieved in 2003-04. 2) Not achieved. 3) Not achieved before implementation of modernization of plant in 2008-09 4) Against targeted reduction of 451, the actual achievement was 429 in February 2004. 5) Loan converted to equity in March 2005.
6) Reduction of unit power consumption by another 100 unit. 7) Achievement of breakeven at EBIDTA level. 8) Initiate discussion with banks/ financial institution (FIs) for funding of membrane cell conversion project 9) Finalisation of project report for 30 TPD membrane cell project.	By March 2005	6) Not achieved before implementation of modernisation of plant in 2008-09 7) Achieved in 2004-05. 8) Initiated discussion with banks/ FIs in May 2006, could arrange fund December 2006/ January 2007. 9) Not adhered to. (DPR for 100 TPD membrane cell project prepared in November 2005.)
10) Implementation of scheme for capital reduction. 11) Obtain approval for funding from banks/ FIs. 12) Commence expansion upto 60 TPD membrane cell project.	By March 2006	10) Capital reduction scheme implemented in June/ July 2010. 11) Obtained sanction from banks/ FIs in December 2006/ January 2007. 12) Instead of 60 TPD the Company commissioned 100 TPD membrane cell project in November 2008, commenced commercial production from February 2009.

Annexure-13

(Referred to in paragraph no. 2.2.16)

Statement showing excess manpower cost of Durgapur Chemicals Limited for the period from 2006-07 to 2010-11

Sl. No.	Particular	2006-07	2007-08	2008-09	2009-10	2010-11
1	Number of employees	292	286	320	312	320
2	Net sales (₹ in lakh)	3,294.40	3,553.97	3,685.92	5,652.10	5,852.84
3	Employee cost (₹ in lakh)	395.22	768.85	616.31	1,105.76	1,262.96
4	Percentage of employee cost to net sales	12.00	21.63	16.72	19.56	21.58
5	Percentage of employee cost to net sales by competitors	6.60 to 7.22	5.95 to 7.32	6.20 to 6.43	5.72 to 7.89	5.60 to 7.74
6	Employees' cost @ seven *per cent* of net sales of the Company (₹ in lakh)	230.61	248.78	258.01	395.65	409.70
7	Extra expenditure on employee cost with reference to industry norms (₹ in lakh)	164.61	520.07	358.30	710.11	853.26

Annexure -- 14

(Referred to in paragraph no. 2.2.24)

Process flowchart in Durgapur Chemicals Limited

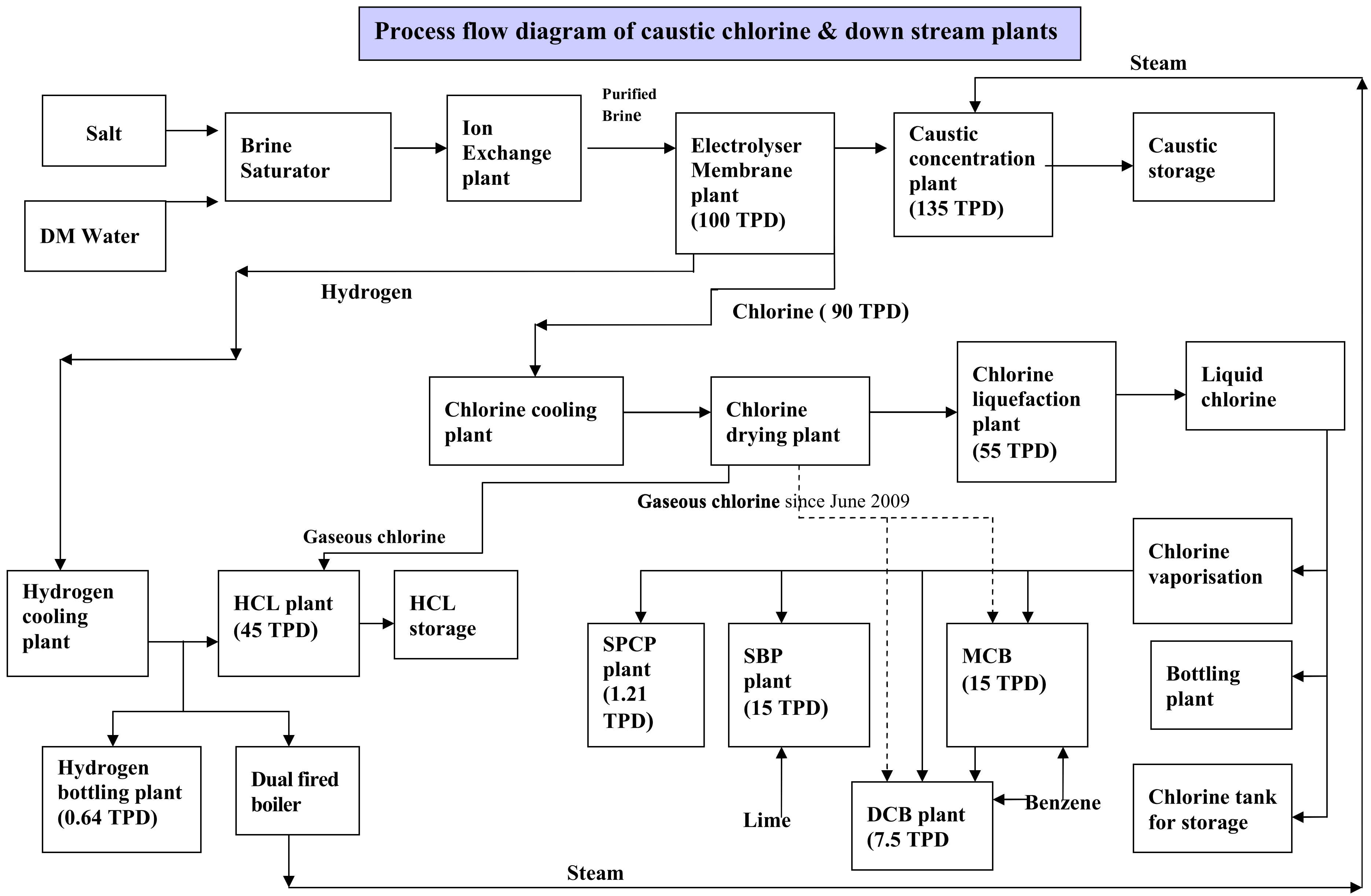
The main product, caustic soda (CS) lye is produced in electrolysers by electrolysis of purified brine (32 *per cent* concentration) prepared with salt and water using electricity. Chlorine and hydrogen are two by-products in the process of manufacture of CS lye. While some portion of chlorine is cooled, dried, compressed, liquefied and stored in chlorine storage tanks, the remaining portion is burnt in graphite ovens with another by product hydrogen to produce hydrochloric acid. The acid with 33 *per cent* concentration is taken for storage.

The liquid chlorine is sold as a product and also used in the production of monochloro benzene (MCB) and mixed dichloro benzene (DCB) using other raw materials like benzene and steam. However, gaseous chlorine is being used in MCB and DCB plant since June 2009.

The Company produced stable bleaching powder (SBP) using hydrated lime and chlorine in SBP plant. The chlorine is also used in small quantity for production of sodium penta chlorophenate with the help of caustic soda lye and phenol.

A portion of produced hydrogen is compressed and stored in storage tank of hydrogen bottling plant and some portion is also used in dual fired boiler for generation of steam required for concentrating CS lye marketable. The process flow chart for production of caustic soda, chlorine and hydrogen in the CC plant and utilisation of chlorine and hydrogen in the down stream plant is depicted in the next page.

Annexure – 14 (Continued)



Annexure 15

(Referred to in paragraph no. 2.2.26)

Statement showing production and utilisation of chlorine in different plants

(In MT)

Year	Actual production of chlorine	Liquid Chlorine produced	Utilisation of liquid chlorine				Utilisation of gaseous chlorine	
			Liquid chlorine sold	MCB & DCB plant	SBP plant	SPCP plant	HCl (Synthetic)	SHC plant
2006-07	10,048	5,918 (58.9)	3,238 (32.23)	1,384 (13.77)	1069 (10.64)	227 (2.26)	3,505 (34.88)	625 (6.22)
2007-08	9,671	5,412 (55.96)	2,419 (25.01)	1,877 (19.41)	980 (10.13)	136 (1.41)	3,420 (35.36)	839 (8.68)
2008-09	10,605	6,927 (64.52)	4,416 (41.64)	1,466 (13.82)	946 (8.92)	99 (0.94)	3,190 (30.88)	488 (4.6)
2009-10	18,599	14,268 (76.71)	11,018 (59.23)	2,283 (12.28)	851 (4.58)	116 (0.62)	3,915 (21.05)	416 (2.24)
2010-11	18,786	12,820 (68.24)	10,810 (57.54)	1,085 (5.78)	868 (4.62)	57 (0.30)	5,686 (30.27)	280 (1.49)
Total	**67,709**	**45,345 (66.98)**	**31,901 (47.12)**	**8,095 (11.96)**	**4,714 (6.96)**	**635 (0.94)**	**19,716 (29.11)**	**2,648 (3.91)**

(Figures in bracket indicate percentages)

Annexure 16

(Referred to in paragraph no. 2.2.27)

Statement showing production and utilisation of hydrogen in different plants

Year	Production of caustic soda lye (MT)	Hydrogen produced as per norm (NM^3)	Hydrogen utilisation (NM^3)			Hydrogen gas required for boiler (NM^3)	Installed capacity of hydrogen bottling plant (NM^3)	Wasteful venting of hydrogen (NM^3)
			HCl plant	Bottling plant	Boiler			
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9 {3-(4+5+6)}**
2006-07	11,164	31,25,920	18,40,104	6,82,741 (29)	-	-	23,76,000	6,03,075
2007-08	10,746	30,08,880	17,95,248	6,17,360 (26)	-	-	23,76,000	5,96,272
2008-09	11,783*	32,99,240	16,74,960	4,59,780 (19)	4,08,509	9,21,438	23,76,000	7,55,991
2009-10	20,665	57,86,200	20,55,312	4,18,487 (18)	13,31,389	26,36,234	23,76,000	19,81,012
2010-11	20,873	58,44,440	29,85,192	6,45,970 (27)	25,581	26,62,769	23,76,000	21,87,697
Total	**75,231**	**2,10,64,680**	**1,03,50,816**	**28,24,338 (24)**	**17,65,479**	**62,20,441**	**1,18,80,000**	**61,24,047**

**Including 7,223 MT production in membrane cell plant.*
Figures in bracket indicate percentage of capacity utilisation of hydrogen bottling plant.

Annexure 17

(Referred to in paragraph no. 2.2.28)

Statement showing installed/ annual capacity, target, actual production and shortfall in production to target in downstream plants

Table – A Monochloro benzene plant (MCB)

(Quantity in MT)

Year	Annual capacity (Derated)	Budgeted Target	Actual production	Capacity utilisation (in percentage)		Average sale price /MT (₹ in lakh)	Short fall in production to target	Loss of potential revenue (₹ in lakh)
				Against installed capacity	Against target			
1	2	3	4	5	6	7	8 (3-4)	9(8 X 7)
2006-07	4,950	2,520	1,320	27	52	0.43	1,200	516.00
2007-08	4,950	2,500	2,242	45	90	0.48	258	123.84
2008-09	4,950	3,960	1,740	35	44	0.44	2,220	976.80
2009-10	4,950	6,997$^{\Phi}$	2,370	48	34	0.36	2,580	928.80
2010-11	4,950	3,600	778	16	22	0.36	2,822	1,015.92
Total	**24,750**	**19,577**	**8,450**	**34**	**43**		**9,080**	**3,561.36**

$^{\Phi}$*Target was fixed considering install capacity of CCP at 150 TPD instead of 100 TPD.*
Note: In 2009-10 shortfall was with reference to installed capacity.

Table – B Dichloro benzene plant (DCB)

(Quantity in MT)

Year	Installed capacity	Target	Actual production	Capacity utilisation (in percentage)		Average sale price / MT (₹ In lakh)	Short fall in production to target	Loss of production (₹ In lakh)
				Against installed capacity	Against target			
1	2	3	4	5	6	7	8 (3-4)	9(8 X 7)
2006-07	2,475	800	571	23	71	0.37	229	84.73
2007-08	2,475	900	413	17	46	0.40	487	194.80
2008-09	2,475	1,485	495	20	33	0.29	990	287.10
2009-10	2,475	2,608	772	31	30	0.31	1,703	527.93
2010-11	2,475	900	530	21	59	0.31	370	114.70
Total	**12,375**	**6,693**	**2,781**	**22**	**42**		**3,779**	**1,209.26**

Table – C Stable bleaching powder plant (SBP)

(Quantity in MT)

Year	Annual capacity	Target	Actual production	Capacity utilisation (*Percentage*)		Shortfall in production to target
				Against installed capacity	Against target	
1	2	3	4	5	6	7 (3-4)
2006-07	4,950	3,600	2,557	52	71	1,043
2007-08	4,950	3,200	2,327	47	73	873
2008-09	4,950	5,000^	2,250	45	45	2,700
2009-10	4,950	5,600^	2,035	41	41	2,915
2010-11	4,950	3,600	2,079	42	58	1,521
Total	**24,750**	**21,000**	**11,248**	**45**	**54**	**9,052**

^Target was fixed considering installed capacity of CCP at 150 TPD instead of actual capacity of 100 TPD.

Annexure - 18

(Referred to in paragraph no. 2.2.37)

Statement showing target, actual sales, realisation per unit *via-a-vis* production of main products of Durgapur Chemicals Limited during 2006-11

Product/Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
Caustic soda lye					
Sales target (MT)	10,618	11,115	23,542	36,762	33,414
Average target realisation (₹/MT)	16,650	18,053	15,273	20,997	17,988
Actual sales (MT)	10,579	9,607	11,264	19,102	19,480
Shortfall (MT)	39	1,508 (14)	12,278 (52)	17,660 (48)	13,934 (42)
Actual realisation (₹/MT)	20,788	21,702	22,489	21,947	20,734
Shortfall (-)/Excess (+) in realisation (₹/MT)	(+) 4,138 (25)	(+) 3,649 (20)	(+) 7,216 (47)	(+) 950 (5)	(+) 2,746 (15)
Actual production (MT)	11,164	10,746	11,783	20,665	20,873
Liquid chlorine					
Sales target (MT)	2,817	2,920	11,633	18,589	15,918
Average target realisation (₹/MT)	7,000	5,305	4,500	2,012	947
Actual sales (MT)	3,222	2,467	4,315	11,150	10,743
Shortfall (MT)	-	453 (16)	7,318 (63)	7,439 (40)	5,175 (33)
Actual realisation (₹/MT)	7,705	7,678	4,706	2,900	5,957
Shortfall (-)/Excess (+) in realisation (₹/MT)	(+) 705 (10)	(+) 2,373 (45)	(+) 391 (9)	(+) 888 (44)	(+) 5,010 (529)
Actual production (MT)	5,918	5,412	6,927	14,268	12,820
Stable bleaching powder					
Sales target (MT)	3,600	3,200	5,000	5,600	3,600
Average target realisation (₹/MT)	9,700	9,400	8,800	8,057	8,210
Actual sales (MT)	2,453	2,388	2,125	2,225	1,982
Shortfall (MT)	1,147 (32)	812 (25)	2,875 (58)	3,375 (60)	1,618 (45)
Actual realisation (₹/MT)	11,745	10,941	10,254	9,271	11,158
Shortfall (-)/Excess (+) in realisation (₹/MT)	(+) 2,045 (21)	(+) 1,541 (16)	(+) 1,454 (17)	(+) 1,214 (15)	(+) 2,948 (36)
Actual production (MT)	2,557	2,327	2,250	2,035	2,079

Statement showing target, actual sales, realisation per unit *via-a-vis* production of main products of Durgapur Chemicals Limited during 2006-11 (Continued)

Product/Particulars	2006 – 07	2007 – 08	2008 – 09	2009 – 10	2010 – 11
Monochloro benzene					
Sales target (MT)	2,520	2,500	3,960	6,997	3,600
Average target realisation (₹/MT)	29,850	38,000	36,500	24,642	34,000
Actual sales (MT)	1,415	2,233	1,640	2,514	802
Shortfall (MT)	1,105 (44)	267 (11)	2,320 (59)	4,483 (64)	2,798 (78)
Actual realisation (₹/MT)	43,205	48,334	44,177	36,247	61,454
Shortfall (-) /Excess (+) in realisation	(+)13,355 (45)	(+)10,334 (27)	(+) 7,677 (21)	(+) 11,605 (47)	(+) 27,454 (81)
Actual production (MT)	1,320	2,242	1,740	2,370	778
Dichloro benzene					
Sales target (MT)	800	900	1,485	2,608	900
Average target realisation (₹/MT)	28,600	30,600	31,201	21,948	27,500
Actual sales (MT)	564	459	460	790	563
Shortfall (MT)	236 (30)	441 (49)	1,025 (69)	1,818 (70)	337 (37)
Actual realisation (₹/MT)	37,413	40,065	29,987	31,301	41,556
Shortfall (-) / Excess (+) in realisation	(+) 8,813 (31)	(+) 9,465 (31)	(-)1,214	(+) 9,353 (43)	(+)14,056 (51)
Actual production (MT)	571	413	495	772	530

(Figure in bracket indicates percentage of shortfall in actual sales to target and excess actual realisation per MT to target.)

Annexure - 19

(Referred to in paragraph no. 2.2.41)

Statement showing factor responsible for shut down total shut down hours in caustic chlorine and monochloro benzene plants of Durgapur Chemicals Limited during 2006-11

	Factors responsible for shut down							
	Mechanical/ Electrical Breakdown	**Marketing Constraints**	**Power restriction by DPL**	**Shortage/ quality of raw material**	**Process problem**	**Maintenance**	**Others including labour, pollution etc.**	**Total**	**Hours lost due to controllable factors**
Caustic chlorine plant									
Hours lost (shut down)	1,074	854	1,223	217	32	309	1,143	**4,851**	**3,319**
Percentage of shut down to total hours during five years	22	18	25	04	01	06	24	100	68
Loss of production in CCP (MT)									
C.S. Lye	3,528	3,544	3,892	903	133	574	3,062	15,636	11,167
Chlorine	3,175	3,190	3,503	813	120	517	2,756	14,074	10,050
MCB Plant									
Hours lost due to shut down	2,677	1,937	315	4,875	3,028		224	**13,056**	**10,064**
Percentage	21	15	02	37	23		02		77
Loss of production in MCB (MT)									
MCB	1,673	1,211	197	3,047	1,893		140	8,161	6,291
HCL (BP)	1,673	1,211	177	3,047	1,893		140	8,161	6,291

Annexure 20

(Referred to in paragraph no. 3.7)

Statement showing difference between estimated cost and actual cost incurred in construction of fuel barges

Sl. No.	Machinery/equipment/ material	Estimated cost (₹)	Cost as per purchase order (₹)	Actual cost (₹)	Difference (5-3) (₹)	Difference in percentage
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Main Engine, Gear Box, Propulsion Control System	4,21,84,000	4,31,55,733	4,62,23,817	40,39,817	*9.58*
2	Stern gear system	68,00,000	93,20,373	96,70,402	28,70,402	42.21
3	Steering gear system with rudder & rudder stock	50,00,000	66,00,000	74,02,894	24,02,894	48.06
4	140 KVA DG Set	50,00,000	75,96,000	83,39,160	33,39,160	66.78
5	Fresh water pump, GS pump, bilge pump, water pump	10,80,000	19,31,456	25,13,546	14,33,546	132.74
6	LSHSD pump	11,00,000	13,02,777	13,27,571	2,27,571	20.69
7	Avcat pump	3,50,000	5,70,000	6,45,272	2,95,272	84.36
8	Air compressor	10,00,000	9,71,783	9,73,388	(-) 26,612	-2.66
9	Fuel oil centrifuge	1,50,000	11,10,000	12,25,493	10,75,493	*717.00*
10	Air receiver	3,00,000	5,84,602	6,57,712	3,57,712	119.24
11	Oily Bilge water separator	10,00,000	13,42,527	14,23,483	4,23,483	42.35
12	Emergency 6.5 KVA DG set	7,00,000	5,80,000	6,52,534	(-) 47,466	-6.78
13	FO/LO/Dirty oil stripping pumps	2,20,000	12,74,516	12,74,916	10,54,916	479.51
14	Anchor	2,28,000	3,82,500	4,74,636	2,46,636	108.17
15	Anchor chain	13,58,500	20,18,000	24,57,320	10,98,820	80.88
16	Anchor wind lass	13,80,000	21,77,700	22,50,120	8,70,120	63.05
17	Sewage treatment plant	16,80,000	33,19,357	33,19,357	16,39,357	97.58
18	Windows & scuttles	6,76,000	13,88,054	13,03,794	6,27,794	92.87
19	Sacrificial anode	60,000	98,686	1,11,028	51,028	85.05
20	Echo-sounder	10,00,000	8,43,087	8,43,087	(-) 1,56,913	-15.69
21	Sound powered telephone	4,00,000	10,10,674	10,10,674	6,10,674	152.67
22	Main switch board	15,00,000	21,18,800	22,12,623	7,12,623	47.51
23	Transformer & battery charger	3,00,000	4,92,768	5,53,454	2,53,454	84.48
24	Navigational light panel shore connection box & distribution box	6,00,000	4,12,478	3,86,537	(-) 2,13,463	-35.58
25	Navigational light	1,60,000	1,44,000	1,44,000	(-) 16,000	-10.00
26	Cables	18,00,000	16,34,771	17,92,214	(-) 7,786	-0.43
27	Window wipers	3,00,000	2,71,943	2,71,943	(-) 28,057	-9.35
28	Pre-launch & Post Launch valve	20,00,000	83,17,944	83,17,944	63,17,944	315.90
	Total	**7,83,26,500**	**10,09,70,529**	**10,77,78,919**	**2,94,52,419**	**37.60**

(Note: Purchase orders were exclusive of excise duty insurances, transportation etc. whereas actual costs shown in annexure were inclusive E.D. & transportation etc.)

Annexure 21

(Referred to in paragraph No. 3.15.1)

Statement showing paragraphs/ reviews for which explanatory notes were not received

Particulars/ Name of the department who did not submit explanatory notes	Years of Audit Report (Commercial)								Total number of paras/ reviews in Audit Reports of 2002-2010	Total number of paras/ reviews for which explanatory notes not received
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10		
Total number of paras/ reviews in Audit Report	27	30	25	30	25	23	23	23	206	50♦
Power & Non-Conventional Energy Sources	-	-	-	-	-	1		9	-	10
Commerce and Industries	-	-	-	2	3	-	2	2	-	9
Public Enterprises	1	2	-	1	1	1	1	1	-	8
Transport	-	-	1	-	-	3	1	1	-	6
Finance	-	-	-	-	-	1	1	3	-	5
Information Technology	-	-	2	-	-	-	1	1	-	4
Water Investigation & Development	-	-	1	1	-	-	1	-	-	3
Agriculture	-	1	1	-	-	-	-		-	2
Forest	-	-	-	-	-	-	1	1	-	2
Sundarban Affairs	-	-	-	-	-	-	-	2	-	2
Food and Supplies	-	-	-	-	-	-	-	1	-	1
Home	-	-	-	-	-	-	-	1	-	1
Tourism	-	-	-	1	-	-	-	-	-	1
Minorities Affairs & Madrasa Education	-	-	1	-	-	-	-	-	-	1
Urban Development	-	-	-	-	-	-	1	-	-	1
Information & Cultural Affairs	-	-	-	-	-	-	1	-	-	1
Micro & Small Scale Enterprises and Textile	-	-	-	-	-	-	-	1	-	1

♦Three paragraphs involving more than one department have been treated as one paragraph in aggregate.

Annexure 22

(Referred to in paragraph No. 3.15.2)

Statement showing the position of COPU reports where Action Taken Notes are yet to be received

Name of the Department / Corporation / Company / Board	Year of Audit Report (Commercial)	Para No.	No. of COPU Report	No. of recommendation	Date of presentation of report to the Legislative Assembly
(1)	(2)	(3)	(4)	(5)	(6)
Urban Development & Town Planning					
West Bengal Housing Infrastructure Development Corporation Limited	2002-2003	4.1	92nd	2	17 July 2008
	2004-2005	4.1 to 4.1.5	102nd	1	26 March 2009
Tourism					
West Bengal Tourism Development Corporation Limited	2003-2004	4.13	97th	2	2 December 2008
	2005-2006	4.17	93rd	3	17 July 2008
Food and Supplies					
West Bengal Essential Commodities Supply Corporation Limited	2005-2006	4.2	109th	4	15 December 2009
	2005-2006	4.3	110th	4	15 March 2010
	2005-2006	4.4	111th	3	26 March 2010
	2005-2006	4.5	112th	1	26 March 2010
Information Technology					
West Bengal Electronics Industry Development Corporation Limited	2005-06	4.11	116th	1	22 July 2010
Transport					
West Bengal Surface Transport Corporation Limited	2006-07	4.18	117th	1	22 July 2010
Sundarban Affairs					
Sundarban Infrastructure Development Corporation Limited	2008-2009	4.18	124th	1	24 March 2011
Total			**11**	**23**	

Annexure 23

(Referred to in paragraph No. 3.15.3)

Statement showing department-wise outstanding Inspection Reports (IRs)

Sl. No.	Name of department	No. of PSU	No. of outstanding IRs	No. of outstanding Paragraphs	Year from which paragraphs outstanding
1	Power	5	16	31	2008-09
2	Commerce and Industries	5	5	11	2009-10
3	Public Enterprises	7	7	15	2008-09
4	Transport	5	5	12	2007-08
5	Finance	2	2	6	2010-11
6	Micro & Small Scale Enterprise & Textile	1	1	2	2010-11
7	Agriculture	1	1	5	2010-11
8	Information Technology	2	2	4	2010-11
9	Urban Development & Town Planning	1	1	4	2011-12
10	Food & Supplies	1	1	2	2010-11
11	Fisheries, Aqua-culture, Aquatic Resources & Fishing Harbours	2	2	3	2010-11
12	Water Investigation and Development	1	1	1	2010-11
13	Sundarban Affairs	1	1	1	2010-11
14	Animal Resources Development	1	1	1	2011-12
15	Tourism	1	1	1	2010-11
		36	**47**	**99**	

Annexure 24

(Referred to in paragraph No. 3.15.3)

Statement showing department-wise draft paragraphs/ reviews reply to which are awaited

Sl. No.	Name of the Department	No. of draft paragraphs	No. of performance Audit Reports	Period of issue
1	Information Technology	2	-	May 2011
2	Public Enterprises	2	1	July –October 2011
3	Urban Development & Town Planning	1	-	August 2011
	Total	**5**	**1**	