Report of the

Comptroller and Auditor General of India

on

Public Sector Undertakings

(Social, General and Economic Sectors)

For the year ended 31 March 2012

Government of Punjab

Report No.__of the year 2012-13

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PREFACE

1. 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:

(a) Government companies,

(b) Statutory corporations, and

(c) 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 Punjab under Section 19A of the Comptroller and Auditor General's (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 presented separately.

3. Audit of the accounts of Government companies is conducted by the CAG under the provisions of Section 619 of the Companies Act, 1956.

4. The cases mentioned in this Report are those, which came to notice in the course of audit during the year 2011-12 as well as those, which came to notice in earlier years, but could not be dealt with in the previous Reports; matters relating to the period subsequent to 2011-12 have also been included, wherever necessary.

5. The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

Chapter-1

Introduction

Executive Summary

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 2012, the State of Punjab had 31 working PSUs (27 companies and 4 Statutory corporations) and 22 non-working PSUs (all companies), which employed 0.65 lakh employees. The working PSUs registered a turnover of ₹ 29,841.98 crore for 2011-12 as per their latest finalised accounts. This turnover was equal to 12.02 per cent of the State GDP indicating an important role played by the State PSUs in the economy. However, the working PSUs incurred overall loss of ₹ 1,510.16 crore in 2011-12 and had accumulated losses of ₹12,180.76 crore.

Investments in PSUs

As on 31 March 2012, the investment (Capital and long term loans) in 53 PSUs was ₹16,073.75 crore. It grew by over 14.74 per cent from ₹14,009.01 crore in 2006-07. The thrust of investment in the State was mainly in power sector. Power Sector accounted for 83.48 per cent of the total investment in 2011-12. The Government contributed ₹3,311.22 crore towards equity and grants/subsidies during 2011-12.

Performance of PSUs

During the year 2011-12, out of 31 working PSUs, 14 PSUs earned profit of ₹ 58.67 crore and 12 PSUs incurred loss of ₹ 1,568.83 crore. Three working PSUs prepared their accounts on 'no profit no loss' basis; two working PSUs have not started commercial activities. The major contributors to profit were Punjab State Container and Warehousing Corporation Limited (₹11.40 crore), Punjab Genco Limited (₹11.15 crore) and Punjab Information and Communication Technology Limited (₹11.06 crore). The heavy losses were incurred by Punjab State Electricity Board (₹ 1,301.52 crore), Punjab State Warehousing Corporation (₹122.28 crore) and Punjab State Grains Procurement Corporation Limited (₹ 85.60 crore).

The losses of working PSUs are mainly attributable to deficiencies in financial management, planning, implementation of project, running their operations and monitoring. A review of three years Audit Reports (2009-10 to 2011-12) of CAG shows that the state PSUs losses of ₹ 4,923.00 crore and infructuous investments of ₹ 14.52 crore were controllable with better management. Thus, there is tremendous scope to improve the functioning and minimise/eliminate losses. 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. Of the 23 accounts of working companies finalised during October 2011 to September 2012, the statutory auditors had given unqualified certificates for 13 accounts, qualified certificates for seven accounts, adverse certificates for two accounts and disclaimer certificate for one account. There were 20 instances of non-compliance with Accounting Standards. All six accounts of Statutory corporations finalised during October 2011 to September 2012 received qualified certificates. The Reports of the Statutory Auditors on internal control of the companies indicated several weak areas.

Arrears in accounts and winding up

Twenty four working PSUs had arrears of 41 accounts as of September 2012. The arrears need to be cleared by setting targets for PSUs and outsourcing the work relating to

preparation of accounts. There were 22 non-working companies. As no purpose may be served by keeping these PSUs in existence, Government needs to expedite closing down of the non working PSUs.

Overview

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 the people. In Punjab, the State PSUs occupy an important place in the State economy. The working PSUs registered a turnover of ₹ 29,841.98 crore in 2011-12 as per their latest finalised accounts as of 30 September 2012. This turnover was equal to 12.02 *per cent* of the State Gross Domestic Product (GDP) of ₹ 2, 48,300.95 crore in 2011-12. Major activities of the Punjab State PSUs are concentrated in power, transport, procurement of foodgrains and finance sectors. The working State PSUs incurred a loss of ₹ 1,510.16 crore in the aggregate in 2011-12. They employed 0.65 lakh employees as on 31 March 2012.

1.2 As on 31 March 2012, there were 53 PSUs as per details given below. Of these, only one Company i.e. Punjab Communications Limited was listed on the stock exchange.

Type of PSUs	Working PSUs	Non-working PSUs[1]	Total
Government companies[2]	27	22	49
Statutory corporations	4	-	4
Total	**31**	**22**	**53**

1.3 During the year 2011-12, no new PSU was established and no PSU was closed down.

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 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 was a Government company (deemed Government company) as per Section 619-B of the Companies Act, 1956.

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

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[1] Non-working PSUs are those which have ceased to carry on their operations.

[2] Includes three 619-B companies (deemed Government companies) namely Punjab Venture Capital Limited, Punjab Venture Investors Trust Limited and Gidderbaha Power Limited.

1.6 Audit of Statutory corporations is governed by their respective legislations. Out of the four Statutory corporations, CAG is the sole auditor for the Punjab Scheduled Castes Land Development and Finance Corporation and PEPSU Road Transport Corporation. In respect of the Punjab State Warehousing Corporation and Punjab Financial Corporation, the audit is conducted by the Chartered Accountants and supplementary audit by CAG.

Investment in the State PSUs

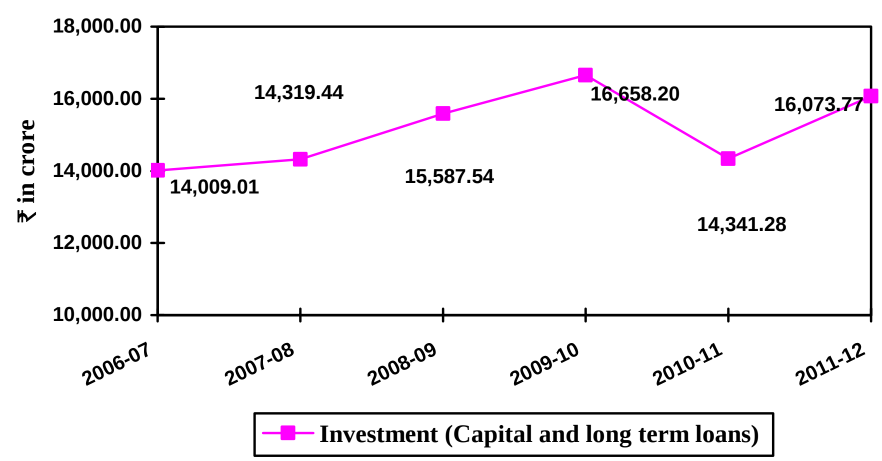
1.7 As on 31 March 2012, the investment (capital and long-term loans) in the 53 PSUs (including 619-B companies) was ₹ 16,073.75 crore as detailed below:

(Amount: ₹ in crore)

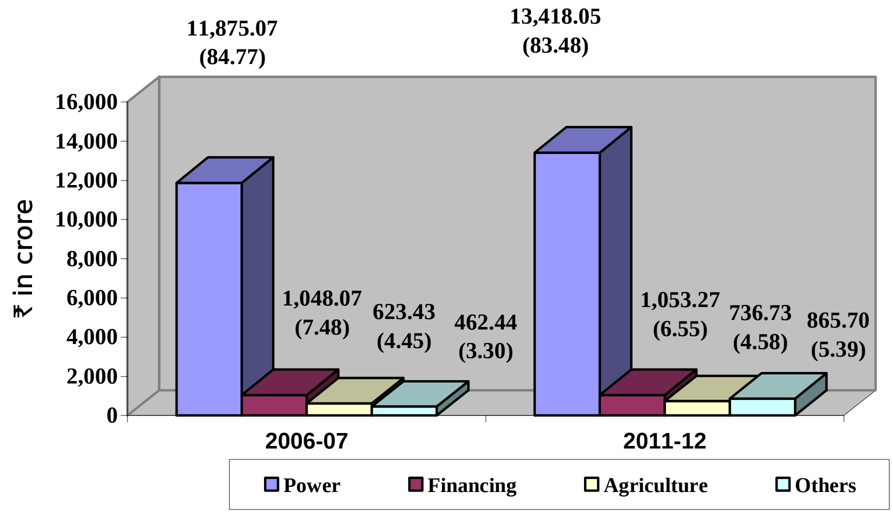
PSUs	Government companies			Statutory corporations			Grand total
	Capital	Long term loans	Total	Capital	Long term loans	Total	
Working PSUs	3,632.81	11,598.49	15,231.30	423.09	359.14	782.23	16,013.53
Non-working PSUs	25.06	35.16	60.22	-	-	-	60.22
Total	**3,657.87**	**11,633.65**	**15,291.52**	**423.09**	**359.14**	**782.23**	**16,073.75**

Details of Government investment in the State PSUs are given in ***Annexure 1.***

1.8 As on 31 March 2012, of the total investment in the State PSUs, 99.63 *per cent* was in working PSUs and the remaining 0.37 *per cent* in non-working PSUs. The investment consisted of 25.39 *per cent* as capital and 74.61 *per cent* as long-term loans. The investment has grown by 14.74 *per cent* from ₹ 14,009.01 crore in 2006-07 to ₹ 16,073.75 crore in 2011-12 as shown in the graph below:



1.9 The investment in important sectors and percentage thereof at the end of 31 March 2007 and 31 March 2012 are indicated below in the bar chart. The thrust of PSU investment in the State was mainly in power sector. However its percentage share in overall investments decreased from 84.77 *per cent* in 2006-07 to 83.48 *per cent* in 2011-12.



(Figures in brackets show the percentage of total investment)

Budgetary outgo, grants/subsidies, guarantees and loans

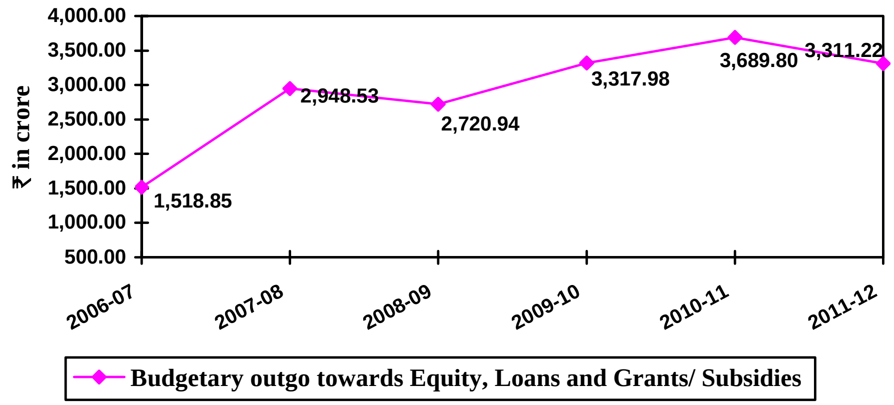
1.10 The details regarding budgetary outgo from the State Government towards equity, loans, grants/ subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of the State PSUs are given in ***Annexure 3***. The summarised position is given below for three years ended 2011-12:

(Amount: ₹ in crore)

Sl. No.	Particulars	2009-10		2010-11		2011-12	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital	2	10.50	2	33.04	1	1.67
2.	Loans given to the PSUs	-	-	-	-	-	-
3.	Grants/Subsidy to the PSUs	3	3,307.48	3	3,656.76	3	3,309.55
4.	Total Outgo (1+2+3)	4[3]	3,317.98	4[3]	3,689.80	4[3]	3,311.22
5.	Guarantees issued	9	25,016.05	7	21,339.58	8	26,123.95
6.	Cumulative Guarantee Commitment	9	25,691.57	9	32,063.11	10	35,565.07

[3] Actual number of PSUs which received budgetary support.

1.11 The details regarding budgetary outgo towards equity, loans and grants/ subsidies for the past six years are given in a graph below:



The budgetary outgo which stood at ₹ 1,518.85 crore in 2006-07 sharply increased to ₹ 2,948.53 crore in 2007-08. It stood at ₹ 3,689.80 crore in 2010-11 and decreased to ₹ 3,311.22 crore in 2011-12. Out of ₹ 3,311.22 crore, 96.64 *percent* was for power sector.

1.12 The amount of guarantee commitment as on 31 March 2010 was ₹ 25,691.57 crore (9 PSUs) which increased to ₹ 32,063.11 crore (9 PSUs) as on 31 March 2011 and to ₹ 35,565.07 crore (10 PSUs) as on 31 March 2012.

The State Government charged guarantee fee at the rate of $^1/_8$ *per cent* in case of PSUs engaged as procuring agencies and 0.5 to 2 *per cent* from the other PSUs. During the year, the PSUs paid guarantee fee of ₹ 28.93 crore (excluding ₹ 13.00 crore pertaining to previous years) out of ₹ 57.78 crore payable, leaving a balance of ₹ 28.85 crore. Besides, ₹ 27.66 crore of guarantee fee pertaining to the period from February 2001 to March 2011 was not paid as on 31 March 2012.

Reconciliation with Finance Accounts

1.13 The figures in respect of equity, loans and guarantees outstanding as per the 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 the differences. The position in this regard as on 31 March 2012 is given below:

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts (Provisional)	Amount as per records of PSUs	Difference
Equity	3,573.35	3,950.12	376.77
Loans	1,686.21	259.14	1,427.07
Guarantees	35,565.07	35,565.07	-

1.14 Some of the differences were pending reconciliation since 1976-77. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

Performance of the PSUs

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

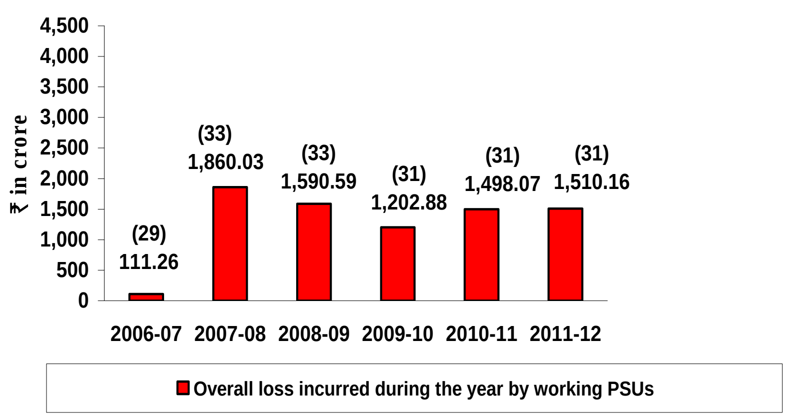
The following table provides the details of working PSUs turnover and the State GDP for the period 2006-07 to 2011-12:

(₹ in crore)

Particulars	**2006-07**	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**
Turnover[4]	17,245.64	17,552.66	19,138.60	22,399.29	24,431.81	29,841.98
State GDP[5]	1,27,122.91	1,52,245.32	1,74,039.13	1,98,392.56	2,24,974.82	2,48,300.95
Percentage of turnover to the State GDP	13.57	11.53	11.00	11.29	10.86	12.02

The turnover of State PSUs to the State GDP in percentage terms declined from 13.57 in 2006-07 to 10.86 in 2010-11 but increased to 12.02 in 2011-12. The turnover of PSUs did not increase in proportion to increase in State GDP.

1.16 Losses incurred by the State working PSUs during 2006-07 to 2011-12 are given below in a bar chart.



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

4 Turnover as per the latest finalised accounts as of 30 September 2012.

5 Figures for 2006-07 to 2008-09 are as per revised estimates, for 2009-10 are as per provisional estimates, for 2010-11 are as per quick estimate and 2011-12 are as per advance estimates.

During 2006-12, the State working PSUs incurred losses every year. The losses increased from ₹ 111.26 crore in 2006-07 to ₹ 1,510.16 crore in 2011-12. During the year 2011-12, out of 31 working PSUs, 14 PSUs earned profit of ₹ 58.67 crore and 12 PSUs incurred loss of ₹ 1,568.83 crore as per their latest finalised accounts. Three[6] working PSUs prepared their accounts on 'no profit no loss' basis; and two[7] working PSUs have not started commercial activities. The major contributors to profit were three PSUs viz. Punjab State Container and Warehousing Corporation Limited (₹ 11.40 crore), Punjab Genco Limited (₹ 11.15 crore) and Punjab Information and Communication Technology Limited (₹ 11.06 crore). The heavy losses were incurred by three PSUs viz. erstwhile Punjab State Electricity Board (₹ 1,301.52 crore), Punjab State Warehousing Corporation (₹ 122.28 crore) and Punjab State Grains Procurement Corporation Limited (₹ 85.60 crore).

1.17 The losses of working PSUs are mainly attributable to deficiencies in financial management, planning, implementation of project, running their operations and monitoring. The latest Audit Reports of CAG contained audit comments on losses to the tune of ₹ 737.93 crore and infructuous investment of ₹ 6.27 crore, which were controllable with better management. The year wise details from the Audit Reports are given below:

(₹ in crore)

Particulars	2009-10	2010-11	2011-12	Total
Net loss	1,202.88	1,498.07	1,510.16	4,211.11
Controllable losses/ avoidable expenditure as per CAG's Audit Report	1,917.47	2,267.60	737.93	4,923.00
Infructuous Investment	1.27	6.98	6.27	14.52

1.18 The above losses pointed out in the 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 minimised. 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 the State PSUs are given below:

6 Punjab Police Hosing Corporation Ltd., Punjab Municipal Infrastructure Development Company and Punjab Police Security Corporation Limited.

7 Punjab Agro Power Corporation Limited and Gidderbaha Power Corporation Limited.

(₹ in crore)

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Return on Capital Employed (in percentage)	8.00	-	0.96	4.62	4.69	5.13
Debt	10,249.92	10,523.48	11,756.98	12,814.83	10,459.81	11,992.79
Turnover[8]	17,245.64	17,552.66	19,138.60	22,399.29	24,431.81	29,841.98
Debt/ Turnover Ratio	0.59:1	0.60:1	0.61:1	0.57:1	0.43:1	0.40:1
Interest Payments	1,390.92	1,457.79	1,805.75	2,479.60	2,925.97	3408.29
Accumulated losses[9]	5,976.19	7,664.13	9,239.41	10,636.06	12,192.08	12,492.46

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

1.20 The percentage of consolidated return on capital employed of all PSUs decreased from 8.00 in 2006-07 to 0.96 in 2008-09. It, however, increased to 4.62 in 2009-10 and further increased to 5.13 in 2011-12. It was negative in the year 2007-08. The accumulated losses increased from ₹ 5,976.19 crore in 2006-07 to ₹ 12,492.46 crore in 2011-12.

The ratio of the debts to the turnover which was 59 *per cent* in 2006-07 increased gradually and reached 61 *per cent* in 2008-09. It showed improvement after 2008-09, when it declined to 57 *per cent* of the turnover in 2009-10, 43 *per cent* in 2010-11 and to 40 *per cent* of the turnover in 2011-12.

1.21 The State Government had formulated (April 1999) a policy under which all PSUs are required to pay a minimum return of four *per cent* on the funds invested by the State Government. As per their latest finalised accounts, 14 PSUs earned an aggregate profit of ₹ 58.67 crore of which four PSUs declared a dividend of ₹ 3.30 crore at the rate ranging from four *per cent* to 50 *per cent*. The remaining 10 PSUs did not declare dividend despite earning profits of ₹ 28.48 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 the case of Statutory Corporations, their accounts are to be 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 the working PSUs in finalisation of accounts by 30 September 2012:

8 Turnover of State PSUs as per the latest finalised accounts as of 30 September 2012.
9 This represents the losses of all the working and non working PSUs.

Sl. No.	Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
1.	Number of Working PSUs	33	33	31	31	31
2.	Number of accounts finalised during the year	25	38	33	28	29[10]
3.	Number of accounts in arrears	62[11]	57	49[12]	39[13]	41
4.	Average arrears per PSU (3/1)	1.88	1.73	1.58	1.26	1.32
5.	Number of Working PSUs with arrears in accounts	29	25	23	24	24
6.	Extent of arrears (years)	1 to 5	1 to 5	1 to 6	1 to 4	1 to 5

1.23 The average number of accounts in arrears *per* working PSU decreased from 1.88 in 2007-08 to 1.32 in 2011-12. The PSUs having arrears of accounts need to take effective measures for early clearance of backlog and make the accounts up-to-date. The PSUs should also ensure that at least one year's accounts are finalised each year so as to restrict further accumulation of arrears.

1.24 In addition to the above, there were also arrears in finalisation of the accounts by the non-working PSUs. Out of 22 non-working PSUs, eight[14] had gone into liquidation process. The remaining 14 non-working PSUs had arrears of accounts ranging from one to 21 years.

1.25 The State Government had invested ₹ 7,010.82 crore (Equity: ₹ 30.76 crore, grants/subsidy: ₹ 6,980.06 crore) in six PSUs during the years for which accounts were not finalised as detailed in ***Annexure 4***. In the absence of finalisation of accounts and their subsequent audit, it can not be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not. Thus, Government's investment in such PSUs remained outside the scrutiny of the State Legislature. Further, delay in finalisation of the accounts may result in 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. Though the concerned administrative departments and officials of the Government were informed

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10 It represents 23 accounts of working companies and six accounts of statutory corporations.
11 Includes one account of a Company which became working from non-working.
12 Excluding six accounts of two companies which became non-working during the year.
13 Excluding 13 accounts of three companies which became non-working during the year.
14 Companies at Sl. No. C-2, 7, 8, 9, 10, 12, 13 and 22 of ***Annexure 2***.

bi-annual by the Audit, of the arrears in finalisation of accounts, no remedial measures were taken. As a result of this the net worth of these PSUs could not be assessed in audit.

1.27 In view of the above mentioned state of arrears, it is recommended that:

- **The Government may set up a cell to oversee the clearance of arrears and set targets for individual companies which would be monitored by the cell.**
- **The Government / PSUs may consider outsourcing the work relating to preparation of accounts wherever the staff is inadequate or lacks expertise.**

Winding up of non-working PSUs

1.28 There were 22 non-working PSUs (all companies) as on 31 March 2012. Of these, eight[15] PSUs were under liquidation/winding up process. The numbers of non-working companies at the end of each year during the past five years are given below.

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
No. of non-working companies	17	17	19	22	22

The non-working PSUs are required to be closed down as their existence is not going to serve any purpose. During 2011-12, 12 non-working PSUs incurred an expenditure of ₹ 0.65 crore towards salary/establishment expenditure etc. This expenditure was financed through other resources viz. borrowings from common pool fund of PSUs under liquidation, interest on investments, etc.

1.29 The stages of closure in respect of the non-working PSUs are as follows:

Sl. No.	Particulars	Number
1.	Total No. of non-working PSUs	22
2.	Of (1) above, the number under	
(a)	Liquidation by Court (liquidator appointed)	3
(b)	Voluntary winding up (liquidator appointed)	5
(c)	Closure, i.e. closing orders/ instructions issued but liquidation process not yet started.	7[15]

1.30 During the year 2011-12, no company was finally wound up. The companies which have taken the route of winding up by Court order are under liquidation for a period ranging from 3 to 29 years. The process of voluntary winding up under the Companies Act is much faster and needs to be adopted/ pursued vigorously.

[15] Companies at Sl. No. C- 1, 4, 11, 14, 15, 16 & 17 of ***Annexure-2***.

The Government may make a decision regarding winding up of the remaining seven non-working PSUs where no decision about their continuation or otherwise has been taken after they became defunct. The Government (Directorate of Disinvestment)[16] may expedite closing down of the non-working companies.

Accounts comments and internal audit

1.31 Twenty working companies forwarded their 23 accounts to Audit during the year 2011-12. Of these, 15 accounts of 14 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 the statutory auditors and CAG are given below:

(Amount: ₹ in crore)

Sl. No.	Particulars	2009-10		2010-11		2011-12	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in Profit	1	227.60	4	11.98	6	682.99
2.	Increase in Loss	3	21.76	5	36.73	2	0.78
3.	Decrease in Loss	3	51.56	1	0.23	1	0.74
4.	Non disclosure of material facts	2	289.96	6	147.94	3	172.73
5.	Errors of classification	1	15.62	1	0.71	2	4.83
	Total		**606.50**		**197.59**		**862.07**

1.32 During the year, the statutory auditors had given unqualified certificates for thirteen accounts, qualified certificates for seven accounts, adverse certificates (which mean that accounts do not reflect a true and fair position) for two accounts and disclaimer certificate (which mean that the auditor is unable to give any opinion about true and fair view) for one account. The compliance of companies with the Accounting Standards remained poor as there were 20 instances where Accounting Standards were not complied with in 8 accounts during the year 2011-12[17].

1.33 Some of the important comments in respect of the accounts of companies finalised during the year 2011-12 are stated below:

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[16] A cell established for disinvestment of State Government equity in State PSUs/ Subsidiaries and for restructuring/privatisation, etc. of these PSUs.

[17] October 2011 to September 2012.

Punjab State Seed Corporation Limited (2008-09)

Non provision of interest of ₹5.29 crore on loan overdue for repayment resulted in overstatement of accumulated profits (including current year's profit by ₹ 1.40 crore) and understatement of unsecured loans to the same extent.

Punjab Agro Foodgrains Corporation Limited (2009-10)

During the year 2004-05, the Corporation held the stock of wheat for average period of about 2.5 months from the date of procurement till 30 June and necessary claims in respect of interest and custody and maintenance charges had been booked whereas the Government of India allowed (August 2011) interest and custody and maintenance charges for 2004-05 for 2.38 months. The overcharging of interest resulted in overstatement of Sundry Debtors and profits by ₹ 1.41 crore.

Punjab State Civil Supplies Corporation Limited (2010-11)

- The closing stock included paddy stock of ₹ 21.34 crore of Kharif Marketing Season (KMS) 2010-11 which was not physically available in the millers' storage premises for which FIR was lodged in August 2011. The company had not made any provision in this regard. This resulted in overstatement of closing stock of Paddy as well as understatement of loss by ₹ 21.34 crore.

- The Company had made (March 2010) the provision of pay arrears of Fifth Pay Commission of ₹17.89 crore for the period from January 2006 to July 2009 on the basis of estimated liability, however, actual liability of pay arrears was ₹ 20.45 crore and the Company paid 40 *per cent* pay arrears of ₹ 8.18 crore during 2011-12 but the company did not make provision of ₹ 2.56 crore (actual payable ₹ 20.45 crore minus already made ₹ 17.89 crore) on the basis of actual liability. This resulted in understatement of Loss for the year by ₹ 2.56 crore and understatement of current liabilities and provisions to the same extent.

Punjab information and Communication Technology Corporation Limited (2010-11)

- The Company had accounted for an amount of ₹ 6.30 crore and ₹ 2.86 crore pertaining to the expenditure on development of plots/sheds and receipt from the sale of plots/sheds respectively, which should have been charged to Profit and Loss Account instead of treating the same as Capital Expenditure and Capital Receipts. This resulted in overstatement of Capital expenditure by ₹ 6.30 crore, Receipt on Capital Account by ₹ 2.86 crore and profit by ₹ 3.44 crore.

- Loan & advances included an amount of ₹ 8.25 crore being expenditure on Global Industrial and Knowledge City, Rajpura Project, which was abandoned and the same should have been charged to the profit and loss account. This resulted in overstatement of Loan & advances and Profit by ₹ 8.25 crore.

Punjab Genco Limited (2010-11)

Sundry debtors includes ₹ 6.81 crore recoverable from erstwhile Punjab State Electricity Board/Punjab State Power Corporation Limited on account of sale of power/energy bills raised (for the period from 2000-01 to 2010-11) in respect of four Mini Hydel Power Plants of Bathinda Branch Canal which had been disputed by them. The Company neither provided for nor disclosed the same in the Accounts resulting in overstatement of Sundry Debtors and Profit for the year by ₹ 6.81 crore.

Punjab State Industrial Development Corporation Limited (2010-11)

- The Company allowed 5 *per cent* rebate of ₹ 0.84 crore on principal amount of loan (₹ 0.53 crore in 2009-10 and ₹ 0.31 crore in 2010-11) in case of One Time Settlement (OTS) policy for loans announced in March 2009 and remained in force up to 16 February 2011 in violation to the RBI guidelines. Less receipt of income of ₹ 0.84 crore (₹ 0.31 crore in 2010-11) resulted in overstatement of loss during the year by ₹ 0.31 crore and accumulated loss by ₹ 0.84 crore.

- The Company incurred bond issue expenses of ₹ 1.87 crore during the year which should have been charged to Profit and Loss Account over a period of ten years according to the principle of matching concept . However, the company charged the entire bond issue expenses to the Profit and Loss Account during the year. This resulted in overstatement of Loss during the year by ₹ 1.68 crores (₹ 1.87 crore - ₹ 0.19 crore) and understatement of bond issue cost (deferred assets) to the same extent.

1.34 Similarly, four working Statutory Corporations forwarded their six accounts to Audit during the year 2011-12[18]. Of these, three accounts of two statutory corporations pertained to sole audit by CAG. The audit reports of statutory auditors and the sole/ supplementary audit of CAG indicate that the quality of maintenance of accounts needs improvement. The details of aggregate money value of comments of statutory auditors and CAG are given in the following table:

[18] October 2011 to September 2012.

(Amount: ₹ in crore)

Sl. No.	Particulars	2009-10		2010-11		2011-12	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Increase in Loss	4	163.71	2	22.06	2	45.79
2.	Decrease in profits	1	0.52	-	-	-	-
3.	Non disclosure of material facts	4	482.48	1	0.66	2	3.20
4.	Errors of classification	-	-	-	-	-	-
	Total		**646.71**		**22.72**		**48.99**

1.35 During the year, all the six accounts received qualified certificates. Some of the important comments in respect of accounts of Statutory Corporations are stated below:

PEPSU Road Transport Corporation (2009-10)

- Non creation of accrual liability of ₹ 44.00 crore pending Board's decision to implement revised pay scales resulted in understatement of current liabilities and loss by ₹ 44.00 crore.

- The Corporation created liability of ₹ 11.20 crore on account of Death cum Retirement Gratuity (DCRG) which remained unpaid for the period ranging from one month to 138 months but interest payable thereon for the delayed period as per the instructions (July 1995) of Punjab Government was not provided in the Accounts. Non-provision of liability of interest payable on the delayed/unpaid DCRG resulted in understatement of liabilities and loss by ₹ 0.84 crore.

PEPSU Road Transport Corporation (2010-11)

- Non provision of difference of House Tax and Fire Cess of bus stand and workshop building at Sangrur for the year 2008-09 to 2010-11 as demanded by Municipal Council, Sangrur resulted in understatement of other liabilities and Loss by ₹ 1.03 crore.

Punjab Scheduled Castes Land Development and Finance Corporation (2009-10)

The Corporation released (up to 1987-1988) seed money of ₹ 0.47 crore to the banks for disbursement to the beneficiaries under seed money scheme, but the Corporation had neither bank wise/beneficiary-wise details of the money released to the banks nor took up the matter with the banks to reconcile its dues. The amount booked as Seed Money recoverable was doubtful of recovery. Non creation of provision for doubtful Loans and Advances resulted in understatement of Loss for the year by ₹ 0.47 crore.

1.36 The statutory auditors (Chartered Accountants) are required to furnish a detailed report on 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 eleven companies[19] for the year 2010-11 and twelve[20] companies for the year 2011-12 are given in the following table.

Sl. No.	Nature of comments made by Statutory Auditors	Number of companies in respect of which recommendations were made	Reference to serial number of the companies as *per Annexure 2*
1.	Non-fixation of minimum/ maximum limits of store and spares.	5	A-7, A-14, A-15, A-17 and A-24
2.	Absence of internal audit system commensurate with the nature and size of business of the company.	5	A-6, A-7, A-14, A-24 and A-27
3.	Non maintenance of proper records showing full particulars including quantitative details, situations, identity number, date of acquisitions, depreciated value of fixed assets and their locations.	5	A-1, A-6, A-7, A-14 and A-17
4.	Non existence of system of proper documentation of software programme / no approved IT plan.	9	A-1, A-5, A-6, A-7, A-9, A-10, A-14, A-17 and A-27
5.	Non computerization of operations	4	A-5, A-6, A-14 and A-24
6.	Non existence of Audit committee.	2	A-6 and A-14
7.	No clear cut credit policy	5	A-2, A-6, A-7, A-14 and A-15

Recoveries at the instance of Audit

1.37 During the course of audit in 2011-12, recoveries of ₹ 18.65 crore were pointed out to the Management of 10 PSUs out of which recoveries of ₹ 18.57 crore were admitted by PSUs. Against this, an amount of ₹ 5.66 crore was recovered during the year 2011-12.

Status of placement of Separate Audit Reports

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

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[19] Companies at Sl. No. A- 1,2,5, 6,8, 10,13, 14,17,22 and 26 in ***Annexure 2***.

[20] Companies at Sl. No. A- 1, 2,5,6,7,9, 10, 14,15, 17, 24 and 27 in ***Annexure 2***.

Sl. No.	Name of Statutory corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in Legislature
1.	Punjab Financial Corporation	2008-09	2009-10	08 August 2011	Administrative department has forwarded the same to Punjab Legislature on 26 September 2011.
			2010-11	22 March 2012	Administrative department has forwarded the same to Punjab Legislature on 27 April 2012.
2.	Punjab Scheduled Castes Land Development & Finance Corporation	2008-09	2009-10	3 February 2012	Accounts under print.
3.	PEPSU Road Transport Corporation	2008-09	2009-10	29 June 2012	-

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

Disinvestment, privatisation and restructuring of PSUs

1.39 The State Government established (July 2002) the Directorate of Disinvestment under the Department of Finance, with the function relating to disinvestment of State Government equity held in Public sector undertakings and their subsidiaries/promoted companies and restructuring/privatisation etc. of the PSUs. However, no Government Company was disinvested/privatised by the Directorate during the year.

Chapter-2

Performance audit of Government Companies

2.1 Working of "Punjab State Transmission Corporation Limited"

Executive Summary

With a view to supply reliable and quality power to all by 2012, the Government of India prepared the National Electricity Policy (NEP) in February 2005 which stated that the Transmission System required adequate and timely investment besides efficient and coordinated action to develop a robust and integrated power system for the country. It also, inter-alia recognised the need for development of National and State Grid with the coordination of Central/ State Transmission Utilities.

Punjab State Electricity Board (Board) was a vertically integrated agency up to 15 April 2010 and was carrying out generation, transmission, Grid operations and distribution of power in the State. As part of the power sector reforms, the Board was unbundled on 16 April 2010 and two Companies, Punjab State Power Corporation Limited and Punjab State Transmission Corporation Limited were incorporated. Now transmission of electricity and Grid operations in the State are managed and controlled by the Punjab State Transmission Corporation Limited (Company). The performance audit was conducted to ascertain whether the guidelines of the National Electricity Policy/ Plan were adhered to and the transmission system was developed and commissioned in an economical, efficient and effective manner. The audit findings are discussed in subsequent paragraphs:

Planning and Development

The Company failed to achieve the planned additions/ augmentations/ upgradations of the transmission system in all the years during review period and the planned works spilled over from one year to another year. The year-wise actual achievement against the planned additions/ augmentations/ upgradations in respect of construction of SSs, transmission capacity and transmission lines during the review period ranged between 8.33 to 58.82 per cent, 15.84 to 79.39 per cent and 0.78 to 35.26 per cent, respectively.

Project management of transmission system

Due to deficiencies in planning and scheduling, the work of construction of substations and transmission lines got delayed. In case of 3 substations and 8 transmission lines, the delay in construction ranged between 34 and 72 months and 15 and 81 months, respectively and there was cost overrun of ₹ 1.73 crore and ₹ 7.34 crore respectively.

Due to non construction of the 220 KV lines in time, the Company could not utilise the available capacity of interconnecting transformers for evacuation of power from 400 KV substation of Power Grid Corporation of India Limited and paid the transmission charges of ₹ 30.64 crore for the unutilised capacity.

Performance of transmission system

The performance of the Company with regard to O&M of the system is discussed in the succeeding paragraphs:

(i) Transmission capacity

The Company failed to add adequate transmission capacity to cater to total connected load in the State. As of 31 March 2012, transmission capacity of the Company was 21,250 MVA against the connected load of 32,470 MVA.

(ii) Inadequate installation of shunt capacitors

As against the required capacity of 4,491 MVAR of shunt capacitors, the Company was able to add only 3,132 MVAR during the review period. Due to inadequate installation of shunt capacitors, the

Company had to pay penalty of reactive energy charges of ₹ 6.09 crore.

(iii) Inadequate capital maintenance of Power Transformers

Against the planned capital maintenance of 124 Power Transformers, the Company carried out the capital maintenance of only 27 Power Transformers.

Grid Management

Grid Management ensures moment-to-moment power balance in the interconnected power system to take care of reliability, security, economy and efficiency of the power system. It is carried out in accordance with the directions given in the Grid code issued by Central Electricity Authority. The Company violated the grid discipline a number of times during the review period, resulting in levying of penalty of ₹ 14 lakh by Central Electricity Regulatory Commission. Besides this, the Company paid ₹ 106.52 crore during 2009-12 on account of additional unscheduled interchange charges due to overdrawl of electricity when the frequency was below 49.2 Hz.

Energy Accounting and Audit

Energy accounting and audit is necessary to assess and reduce the transmission losses. The Company failed to provide Availability Based Tariff type energy meters at all the 621 interface boundary metering points. Besides this, there were 600 meter points where conventional energy meters (CEMs) were required for energy accounting. Against which only 200 CEMs were installed (March 2012).

Financial Position and Working Results

As a part of power sector reforms the erstwhile Board was unbundled on 16 April 2010. However, the financial reconstruction of the erstwhile Board had not been finalised so far (June 2012) and as a result, the Profit and Loss Account and Balance Sheet of the Company had not been prepared for the years 2010-11 and 2011-12.

Conclusion and recommendations

The Company failed to add transmission capacity to cater to the total connected load in the State and also failed to achieve the planned additions/ augmentations/ upgradations of the transmission system. The Company failed to provide for adequate preventive maintenance of the transmission system, capital maintenance of power transformers, accounting and audit of energy and to carry out the grid maintenance in accordance with specified instructions.

We have given six recommendations to improve the performance of the Company. Evolving of effective monitoring system, adding adequate transmission capacity, taking measures for adequate preventive maintenance of the transmission system and to provide adequate meters at the inter-state boundary metering points etc. are some of these recommendations.

Introduction

2.1.1 With a view to supply reliable and quality power to all by 2012, the Government of India (GoI) prepared the National Electricity Policy (NEP) in February 2005 which stated that the Transmission System required adequate and timely investment besides efficient and coordinated action to develop a robust and integrated power system for the country. It also, *inter alia* recognised the need for development of National and State Grid with the coordination of Central/ State Transmission Utilities. In the State of Punjab, the erstwhile Punjab State Electricity Board (Board) was a vertically integrated agency up to 15 April 2010 and was responsible for generation, transmission, Grid operations and distribution of electricity. As part of the power sector reforms, the State Government issued (16 April 2010) notification for unbundling of the Board. As a result, two companies viz. Punjab State Power Corporation Limited and Punjab State Transmission Corporation Limited were incorporated on 16 April 2010 under the Companies Act, 1956. The Punjab State Power Corporation Limited was assigned the activities of generation, purchase and distribution of power in the State and the activity of transmission of electricity and Grid operations are managed and controlled by the Punjab State Transmission Corporation Limited (Company)[1]. The Company is mandated to provide an efficient, adequate and properly coordinated Grid management and transmission of energy. The Company reports to the Department of Power, Government of Punjab.

2.1.2 The Management of the Company is vested with a Board of Directors comprising six members including Chairman cum Managing Director appointed by the State Government. The day-to-day operations are carried out by the Chairman cum Managing Director who is the Chief Executive of the Company with the assistance of five Directors at Head office and Chief Engineers and Superintending Engineers in the field.

During 2007-08, the Company transmitted 40,918 MUs of energy which increased to 44,823 MUs in 2011-12 (increase of 9.54 *per cent*). As on 31 March 2012, the Company had transmission network of 8,411 circuit kilometers (CKMs) and 152 substations (SSs) with installed capacity of 21,250 MVA, capable of annually transmitting 1,63,812[2] MUs at 220 KV and 132 KV network. The turnover of the Company was ₹ 551.99 crore[3] during 2011-12, which was equal to 0.22 *per cent* of State Gross Domestic Product. It employed 3,122 employees as on 31 March 2012.

A Performance Audit on 'Erection, augmentation and maintenance of transmission lines and substations' was included in the Report of the Comptroller and Auditor General of India (Commercial), Government of Punjab for the year ended 31 March 2006. COPU discussed the performance audit report in June 2010 and gave (March 2011) its recommendations in its

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1 The word Company also refers to the erstwhile Board for the period prior to formation of the Company.

2 21,250 MVA x 0.88 x 24 x 365/1000

3 Provisional for the period 2011-12

95th Report. On the audit finding of deposit works being undertaken without approval of the estimates resulting in blockage of funds and loss of interest, the COPU recommended that the responsibility of the officials/officers who executed the deposit works without receiving the requisite deposit be fixed. On the audit finding of weaknesses in the protection systems which caused damages, the COPU recommended that to reduce the damage to the power transformers, a comprehensive preventive protection policy be devised. The Company has not taken any action on the recommendations of the COPU so far (October 2012).

Scope and Methodology of Audit

2.1.3 The present Performance Audit conducted during November 2011 to April 2012 covers performance of the Company during the period 2007-12. Audit examination involved scrutiny of records of different wings at the Head Office, State Load Despatch Centre (SLDC) – Patiala and 21 out of 60 Divisions. Each Division is headed by an Additional Superintending Engineer/ Executive Engineer, which were supervised by Superintending Engineers/ Deputy Chief Engineers working under Chief Engineers (Transmission System/ Protection & Maintenance/ State Load Dispatch Centre).

The Company constructed 29 SSs (capacity: 2,411 MVA) and 37 lines (length: 1,047 CKMs) as well as augmented existing transformation capacity by 3,901 MVA during 2007-12 which were examined in audit.

We selected for analysis works executed in 21 out of 60 divisions of the Company which were accounting units also. Out of 43 divisions (TLSC[4], Civil Works, CO&C[5] , Grid Construction and P&M[6]), 16 divisions were selected randomly by adopting Probability Proportion to Size without replacement method by taking cumulative total of capacity/expenditure. Out of 17 Protection Divisions, five divisions were selected by Simple Random Sampling without replacement method. They involved 13 SSs (capacity: 1,220 MVA), 13 lines (capacity: 236 CKMs) and augmentation of existing transformation capacity by 1,918 MVA.

The methodology adopted for assessing the achievement of 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 with reference to audit criteria, raising of audit queries, discussion of audit findings with the Management and issue of draft review to the Management/ State Government for comments.

[4] Tower Line, Survey & Construction.
[5] Communication, Operation & Construction.
[6] Protection & Maintenance.

Audit Objectives

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

- the perspective Plan was prepared in accordance with the guidelines of the National Electricity Policy/ Plan and Punjab State Electricity Regulatory Commission (PSERC) and of impact of failure to plan, if any was assessed;
- the transmission system was developed, commissioned, operated and maintained in an economical, efficient and effective manner;
- the disaster Management System was set up to safeguard its operations against unforeseen disruptions;
- effective failure analysis system was set up;
- effective and efficient Financial Management system with emphasis on timely raising and collection of bills and filing of Aggregate Revenue Requirement (ARR) for tariff revision in time;
- efficient and effective system of Procurement of material and inventory control mechanism was in existence;
- efficient and effective energy conservation measures undertaken were in line with the National Electricity Plan (NEP) and Energy Audit System was established; and
- there is a monitoring system in place to - review existing/ ongoing projects, take corrective measures to overcome deficiencies identified, respond promptly and adequately to Audit/ Internal audit observations.

Audit Criteria

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

- Provisions of National Electricity Policy/ Plan and National Tariff Policy;
- Perspective Plan and Project Reports of the Company;
- Standard procedures for award of contracts with reference to principles of economy, efficiency, effectiveness, equity and ethics;
- Circulars, Manuals and MIS reports;
- Manual of Transmission Planning Criteria (MTPC);
- Code of Technical Interface (CTI)/Grid Code consisting of planning, operation, connection codes;

- Directions from State Government/ Ministry of Power (MoP);
- Norms/Guidelines issued by PSERC/Central Electricity Authority (CEA);
- Report of the Committee constituted by the Ministry of Power recommending the "Best Practices in Transmission"
- Report of the Task force constituted by the Ministry of Power to analyse critical elements in transmission project implementation; and
- Reports of Northern Regional Power Committee (NRPC)/ Northern Regional Load Despatch Centre (NRLDC).

Audit Methodology

2.1.6 Audit followed the following mix of methodologies:

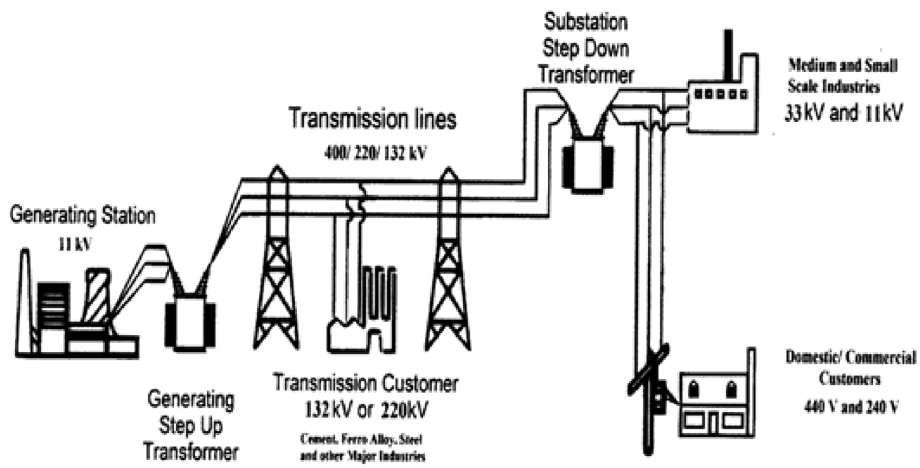
- Review of Agenda notes and minutes of Company/ Board/ NRPC/ NRLDC, annual reports, accounts and regional energy accounts (REA);
- Scrutiny of loan files, physical and financial progress reports;
- Analysis of data from annual budgets and physical as well as financial progress with completion reports;
- Scrutiny of Tariff fixed by Punjab State Electricity Regulatory Commission (PSERC);
- Scrutiny of records relating to project execution, procurement, receipt of funds and expenditure; and
- Interaction with the Management during entry and exit conference.

Brief description of transmission process

2.1.7 Transmission of electricity is defined as bulk transfer of power over long distances at high voltages, generally at 132 KV and above. Electric power generated at relatively low voltages in power plants is stepped up to high voltage power before it is transmitted to reduce the loss in transmission and to increase efficiency in the Grid. Substations (SSs) are facilities within the high voltage electric system used for stepping-up/ stepping down voltages from one level to another, connecting electric systems and switching equipment in and out of the system. The step up transmission SSs at the generating stations use transformers to increase the voltages for transmission over long distances.

Transmission lines carry high voltage electric power. The step down transmission SSs thereafter decreases voltages to sub transmission voltage levels for distribution to consumers. The distribution system includes lines, poles, transformers and other equipment needed to deliver electricity at specific voltages.

Electrical energy cannot be stored; hence generation must be matched to need. Therefore, every transmission system requires a sophisticated system of control called Grid management to ensure balancing of power generation closely with demand. A pictorial representation of the transmission process is given below:



Audit Findings

2.1.8 We explained the audit objectives to the Company during an 'Entry Conference' (January 2012). Subsequently, audit findings were reported to the Company and the State Government (July 2012) and discussed in an 'Exit Conference' held on 18 September 2012. The Exit Conference was attended by the Secretary (Power), Government of Punjab and Chairman-cum-Managing Director, Director (Finance and Commercial), Director (Technical), Chief Engineer (Transmission System), Chief Engineer (Protection & Maintenance), Chief Engineer (SLDC) and Company Secretary from the Company side. The Company replied to audit findings in September 2012. The views expressed by Government/Management have been considered while finalising this Performance Audit Report. The audit findings are discussed in subsequent paragraphs.

Planning and Development

National Electricity Policy/Plan

2.1.9 The Central Transmission Utility (CTU) and State Transmission Utilities (STUs) have the key responsibility of network planning and development based on the National Electricity Plan in coordination with all concerned agencies. At the end of 10th Plan (March 2007), the transmission system in the country at 765/HVDC/400/230/220 KV stood at 1.98 lakh circuit kilometers (CKMs) of transmission lines which was planned to increase to 2.93 lakh CKMs by end of 11th Plan i.e. March 2012. The National Electricity

Plan assessed the total inter-regional transmission capacity at the end of 2006-07 as 14,100 MW and further planned to add 23,600 MW in 11^{th} plan bringing the total inter-regional capacity to 37,700 MW.

Similarly, the Company's transmission network at the beginning of 2007-08 consisted of 123 Extra High Tension[7] (EHT) SSs with a transmission capacity of 14,938 MVA and 7,364 CKMs of EHT transmission lines. The transmission network as on 31 March 2012 consisted of 152 EHT SSs with a transformation capacity of 21,250 MVA and 8,411 CKMs of EHT transmission lines.

The Company is responsible for planning and development of the intra-state transmission system. Assessment of demand is an important pre-requisite for planning capacity addition. The Company had not prepared and submitted the State Electricity Plan to PSERC. It had also not developed a perspective transmission plan for 15 years for the State. However, after unbundling of the erstwhile Board, the Company started submitting (November 2011) annual investment plans having the details of works to be taken up for transmission works on the basis of requirements keeping in view the load positions without giving the details of load forecasting. Audit observed that the investment made was not adequate and timely with reference to the load forecasting and there was inadequate augmentation of capacity. The instances and impact of the above is discussed in detail under 'Project management of Transmission System'.

Transmission network and its growth

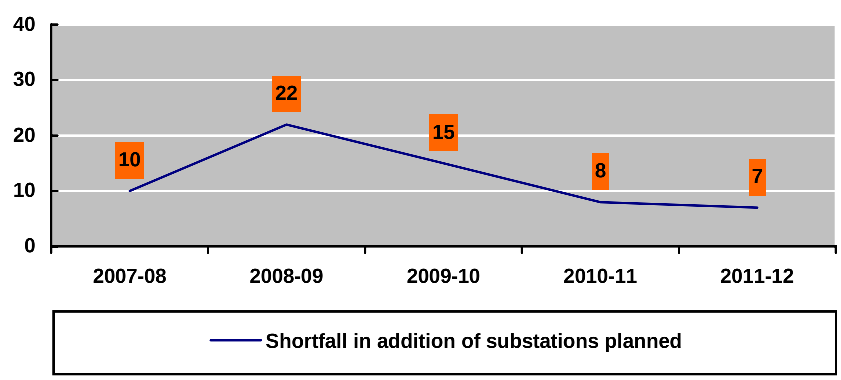
2.1.10 The particulars of voltage-wise capacity additions planned, actual additions, shortfall in capacity, etc., during the review period are given in ***Annexure-7***. The transmission capacity of the Company at EHT level during 2007-08 to 2011-12 is given below:

[7] It consist of 220 KV and 132 KV.

Sl. No	Description	2007-08	2008-09	2009-10	2010-11	2011-12	Total
A. Number of substations (Numbers)							
1	At the beginning of the year	123	124	126	134	142	-
2	Additions planned for the year[8]	11	24	23	16	17	-
3	Added during the year	1	2	8	8	10	29
4	Total substations at the end of the year (1+3)	124	126	134	142	152	-
5	Shortfall in additions (2-3)	10	22	15	8	7	-
6	Achievement in per cent (3/2*100)	9.09	8.33	34.78	50.00	58.82	-
B. Transmission capacity (MVA)							
1	Capacity at the beginning of the year	14,938	15,220	16,100	16,915	19,145	-
2	Additions/ augmentation planned for the year[8]	1,780	2,888	2,343	2,809	2,949	-
3	Capacity added during the year	282	880	815	2,230	2,105	6,312
4	Capacity at the end of the year (1+3)	15,220	16,100	16,915	19,145	21,250	-
5	Shortfall in additions/ augmentation	1498	2008	1528	579	844	-
6	Achievement in *per cent* (3/2*100)	15.84	30.47	34.78	79.39	71.38	-
C. Transmission lines (CKMs)							
1	At the beginning of the year	7,364	7,367	7,524	7,665	8,039	-
2	Additions planned for the year[8]	386	673	524	1,201	1,055	-
3	Added during the year	3	157	141	374	372	1,047
4	Total lines at the end of the year (1+3)	7,367	7,524	7,665	8,039	8,411	-
5	Shortfall in additions (2-3)	383	516	383	827	683	-
6	Achievement in per cent (3/2*100)	0.78	23.33	26.91	31.14	35.26	-

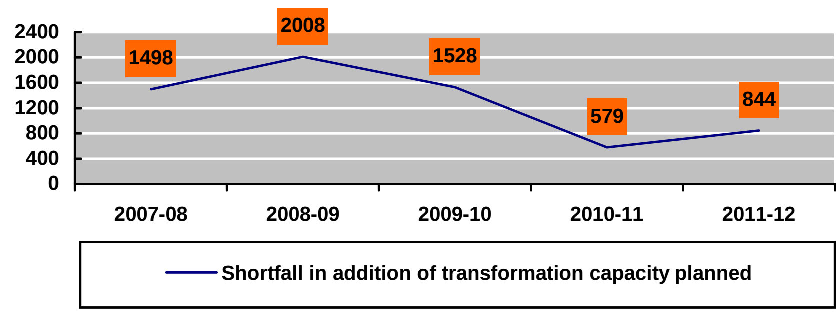
Source: Electricity Statistics of Punjab ending March 2012 and planning lists of erstwhile Board/Punjab State Transmission Corporation Limited.

Line Graph: Trend of year wise shortfall in addition of substations (in numbers)

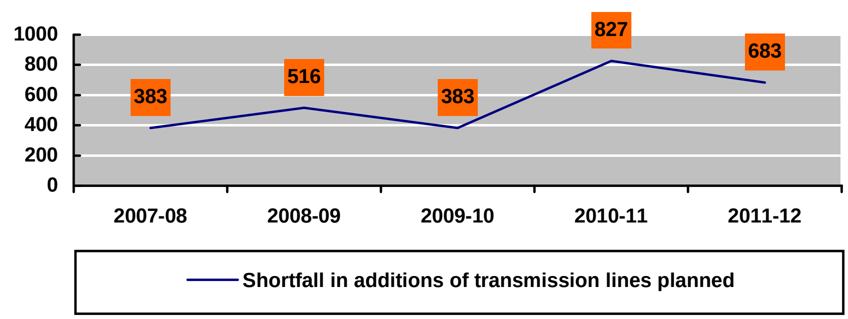


8 Additions planned for the year also include the spill over works of previous years.

Line Graph: Trend of year wise shortfall in addition of transformation capacity at substations (in MVA)



Line Graph: Trend of year wise shortfall in addition of transmission lines (in CKMs)



The above table revealed that year-wise actual achievement against the planned additions/augmentations/upgradations in respect of construction of SSs, transmission capacity and transmission lines during the review period ranged between 8.33 to 58.82 *per cent*, 15.84 to 79.39 *per cent* and 0.78 to 35.26 *per cent* respectively. Thus, the Company failed to achieve the planned additions/ augmentations/ upgradations of the transmission system in all the years and the planned works spilled over from one year to another year.

The actual addition of transformation capacity of 1,162 MVA and transmission lines of 160 CKMs was very poor during 2007-09 and ranged between 15.84 to 30.47 *per cent* and 0.78 to 23.33 *per cent* respectively of the planned additions. Management attributed this shortfall to funds constraints in its submissions to the Board. We observed that the plea of the Company regarding funds constraints was not supported by facts. The Company had actually failed to utilise the funds allocated during 2007-09. The Company could utilise only ₹ 254.91 crore out of ₹ 757.63 crore which represented 33.65 *per cent* of the funds allocated for transmission works during 2007-09. The achievement of planned targets in 2010-12 ranged between 26.91 to 35.26 *per cent.*

Project management of transmission system

2.1.11 A transmission project involves various activities from concept to commissioning. Major activities in a transmission project are (i) Project formulation, appraisal and approval phase and (ii) Project Execution Phase. For reduction in project implementation period, the Ministry of Power, Government of India constituted a Task Force on transmission projects (February 2005) with a view to:

- ❖ analyse the critical elements in transmission project implementation,
- ❖ implementation from the best practices of CTU and STUs, and
- ❖ suggest a model transmission project schedule for 24 months' duration.

The task force suggested and recommended (July 2005) the following remedial actions to accelerate the completion of Transmission systems.

- ❖ Undertake various preparatory activities such as surveys, design & testing, processing for forest & other statutory clearances, tendering activities etc. in advance/parallel to project appraisal and go ahead with construction activities once Transmission Line Project sanction/approval is received;
- ❖ Break-down the transmission projects into clearly defined packages so that the packages can be procured & implemented requiring least coordination & interfacing and at same time it attracts competition facilitating cost effective procurement; and
- ❖ Standardise designs of tower fabrication so that 6-12 months can be saved in project execution.

We observed that in spite of the above recommendations of the Task Force, the Company failed to define the projects into finer details at early stages for planning and scheduling of projects. As a result, the projects got delayed as detailed below:

Capacity in KV	Total No. constructed		No. test checked in Audit		Delay in construction (Numbers)		Time overrun (range in months)		Cost overrun (₹ in crore)	
	SSs	**Lines**	**SSs**	**Lines**	**SSs**	**Lines**	**SSs**	**Lines**	**SSs**	**Lines**
220	23	24	12	8	3	8	34-72	15-81	1.73	7.34
132	6	13	1	5	-	-	-	-	-	-
Total	**29**	**37**	**13**	**13**	**3**	**8**	**34-72**	**15-81**	**1.73**	**7.34**

Particulars of SSs and lines and delays, time overrun and cost overrun thereagainst are given in the ***Annexure-8***.

A few cases of time overrun and cost overrun noticed in audit are discussed in succeeding paragraphs:

Delay in completion of Phaggan Majra – Nabha transmission line

2.1.11.1 For evacuation of power from 400 KV substation of Power Grid Corporation of India Limited (PGCIL) at Phaggan Majra and to reduce the transmission loss, the Company planned (May 2006) erection of 32.604 KMs Single Circuit (SC) 220 KV Transmission Line on Double Circuit (DC) Towers from above substation to 220 KV substation, Focal Point, Nabha. The loan for the same was got sanctioned (October 2006) from Rural Electrification Corporation (REC). To complete this work, two estimates were sanctioned (March/April 2007) amounting to ₹ 7.67 crore. The target for completion of this line was April 2008 but the Company awarded the work for laying of foundations, erection and stringing of this line at a total cost of ₹ 1.32 crore as late as in March 2008 with the condition to complete the work within six months. However, the work of this line was completed in March 2011 at a total cost of ₹ 13.94 crore with the delay of 30 months (October 2008 to March 2011).

Delay in sanctioning of estimate, award and completion of work resulted in time overrun of over three years and cost overrun of ₹ 6.27 crore.

We observed that the Company did not file the case for forest clearance before the start of work. It was filed in June 2009 i.e. after lapse of more than two years since the sanctioning of the estimate of the work. The forest clearance was received in March 2011 and the line was energised in June 2011. Thus, delay in sanctioning of estimate (six months), award of work (six months), completion of work (30 months) resulted in time overrun of over three years and cost overrun of ₹ 6.27 crore.

Delay in upgradation of substation, Pakhowal

2.1.11.2 To keep the voltage regulation within the permissible limits, reduce line losses and to maintain uninterrupted power supply in the area being fed from 220 KV substations at Malerkotla and Lalton Kalan, the Company planned (February 2001) for upgradation of 66 KV substation, Pakhowal to 220 KV.

REC approved (February 2003) the scheme and sanctioned loan of ₹ 8.08 crore. The scheme envisaged saving in energy losses of 2.60 MUs per annum besides additional sale of 25.19 MUs per annum. The works were scheduled to be completed by March 2005 at a total cost of ₹ 7.40 crore (including cost of LILO[9]).

However, audit observed that work of upgradation was carried out at a very slow pace till March 2010. It was being included in the list of planned works from year to year as spillover work of previous year without giving any reasons for non execution of work during the previous year. Finally, the substation including LILO was completed at a cost of ₹ 8.69 crore and put on load in February 2011.

Thus, there was time overrun of 71 months in upgradation and commissioning of 220 KV substation, Pakhowal and cost overrun of ₹ 1.29 crore. Further, the

[9] Loop in loop out.

Delay in upgradation and commissioning of substation resulted in non-realisation of envisaged energy savings of 15.18 MUs valuing ₹ 4.12 crore.

envisaged energy savings of 15.18 MUs units valuing ₹ 4.12 crore for the delayed period could not be realised.

Delay in completion of transmission line

2.1.11.3 The Company planned (May 2006) the work of stringing of 2nd circuit of 220 KV transmission line (28.120 KMs) from 220 KV substation, Mohali-I to 220 KV substation, Dera Bassi and construction of two 220 KV Line Bays at these substations for providing reliability and also accommodating new loads of 220 KV substation, Mohali-II.

REC sanctioned (October 2006) a loan of ₹ 3.29 crore for this work. The estimate of the work was approved in November 2006 and it was to be completed in four months i.e. by March 2007. Major portion of the line was completed by January 2008. However, this line could be energised in May 2009 after the delay of more than two years, though 81 *per cent* of the loan was received by September 2007. We observed delay in filing (July 2008) of application for getting clearance from Railway Authorities which resulted in delay of 20 months from the sanction of the estimate and non completion of bay at Dera Bassi.

Thus, due to delay in completion of work the purpose of accommodating additional load of SS, Mohali-II, could not be achieved for more than two years.

Blockade of funds due to poor planning

2.1.11.4 First circuit of 220 KV Ganguwal – Mohali line was commissioned (1993) on cost sharing basis of 2:1 between Union Territory (UT), Chandigarh and the Company. On the same basis the work of laying of 2nd circuit was planned (2003-04) with an estimate of ₹ 6.44 crore (May 2004). The UT Administration deposited (October/December 2004) ₹ 5.13 crore (₹4.29 crore for 2nd circuit and ₹ 0.84 crore for two bays). The work was allotted (February 2005) to a contractor with stipulation to complete the work within six months (upto August 2005). The major work of laying and stringing of 2nd circuit was completed by June 2006 at a cost of ₹ 5.57 crore when the contractor left the work incomplete due to non supply of armour rod and vibration dampers required for clipping the line.

For synchronisation of the said 2nd circuit with the Ganguwal Grid, the Company after a lapse of more than two years since the sanction of the estimate of the circuit, planned (September 2006) rearrangement of a section of the line (1.6 KMs length) and six Bays at Ganguwal end. The work of rearrangement alongwith left over work by the first contractor was allotted (September 2006) to another contractor who also left the work demanding higher rates due to arduous nature of work. The Company had so far incurred ₹ 6.63 crore on laying of 2nd circuit of 220 KV Ganguwal – Mohali line and other associated works upto December 2011. These works were still incomplete (May 2012) even after lapse of six years.

Non provision of re-arrangement of bays at Ganguwal end at the planning stage resulted in blockade of funds of ₹ 6.63 crore.

Thus, poor planning and non provision of re-arrangement of bays at Ganguwal end at earlier stage, resulted in blockade of funds of ₹ 6.63 crore besides the envisaged benefits from the second circuit of 220 KV Ganguwal – Mohali line could not be achieved.

Deficient Planning

2.1.11.5 Keeping in view the overloading position of 132 KV grid substation, Tarn Taran and non availability of surplus land at that substation, it was decided (2001-02) to construct 220 KV substation in village Rasiana by acquiring new land, for which an offer was received (July 2002) from a land owner.

The erstwhile Board without considering the other alternatives available to it, acquired (September 2007) land measuring 51 Kanal and 12 Marlas in Rasiana village, deposited (October 2007) ₹ 44.31 lakh in the treasury for the same and also took possession of the land.

Instead of constructing 220 KV substation on the land acquired in the Rasiana village, the Company planned (April 2009) to upgrade the existing nearby 66 KV substation at Sheikh Chak on land area of about 6-7 acre. The substation was upgraded and put on load in July 2010.

Audit observed that the Board failed in considering upgradation of the existing 66 KV substation at Sheikh Chak at an earlier stage which was having sufficient land of 6-7 acre and was also very near to Rasiana.

Thus, due to poor planning by not considering upgradation of 66 KV substation at Sheikh Chak having sufficient land, followed by purchase of land at Rasiana village and later on upgradation of the existing 66 KV substation at Sheikh Chak not only resulted in erection/upgradation of 220 KV substation after a delay of six years (from July 2004 to July 2010 by giving a margin of two years for erection/upgradation of the substation) but also resulted in locking up of funds of ₹ 44.31 lakh.

Lack of coordination among the agencies executing work

2.1.11.6 Civil Works divisions, Grid Construction divisions and TLSC divisions of the Company executes functions of civil construction, providing and installing transformers and erecting power lines respectively. For timely completion of work coordination among all these executing agencies is required.

The Company planned (April 2007) upgradation of substation, Doraha from 132 KV to 220 KV and construction of 18 KMs 220 KV single circuit line (from PGCIL 400 KV substation at Ludhiana to 220 KV substation, Doraha) during 2007-08 with the purpose to feed five 66 KV substations and upcoming load. Finance for the work arranged (January 2008) from REC.

The work relating to construction of civil works at 220 KV substation, Doraha was allotted (February 2009) to Mahesh Kohli, Government Contractor for ₹ 51.65 lakh to be completed in six months (upto August 2009).

The contractor carried out 70 *per cent* of the civil works and left (January 2011) the remaining work as 100 MVA transformer was not arranged by the Grid Construction Division within the stipulated period and the balance civil works were to be carried out after the receipt of the transformer. Resultantly, the contract was foreclosed and after inviting (March 2011) fresh tenders, the remaining civil works were allotted (July 2011) to Satyan Kumar Singla for ₹ 59.80 lakh against the actual cost of ₹ 15.35 lakh as per previous work order.

We observed that the Company did not arrange power transformer to match with the civil works. The Power Transformer (PTR) was received as late as in June 2011 which resulted in termination of the contract and also avoidable additional expenditure of ₹ 44.45 lakh due to allotting the balance work at higher cost. Subsequently, the substation was energised in June 2012.

Mismatch between construction of two substations/ related lines

2.1.11.7 The Company awarded (October 2005) supply cum works contract to U.B. Engineering Limited for construction of 66 KV substation Manwal, Pathankot and 66 KV substation, Kacheri Chowk, Amritsar. As per contract, the works were to be completed within 10 months. U.B. Engineering Limited completed these substations during March 2007 (Manwal) and July 2007 (Kacheri Chowk, Amritsar).

However, two lines (T-off of 66 KV from 132 KV Sarna to Bairasul line and 66 KV line from Ranjit Avenue to Kacheri Chowk) concerned with these two substations at Manwal, Pathankot and Kacheri Chowk, Amritsar were completed in June 2007 and March 2009, respectively after a delay of 3 months and 20 months from the date of completion of substations.

Deficient planning resulted in blockade of funds of ₹ 6.10 crore for 14/20 months.

We observed that works of concerned lines were planned during May 2006 after a delay of 15 months from the date of opening of tender (February 2005) for the works of the substations. Audit further observed that though the substation, Manwal and its related Sarna – Bairasul transmission line were completed in March 2007 and June 2007, respectively even then the Company took eleven months to commission it without assigning any reason. Thus, due to deficient planning for execution of works of the related transmission lines, funds amounting to ₹ 6.10 crore remained blocked for 14/20 months causing avoidable expenditure of ₹ 89 lakh on interest during the idle period.

Management stated (September 2012) that 66 KV line from Ranjit Avenue to Kacheri Chowk was delayed due to change in scope by Municipal Corporation, Amritsar. The audit contention stays that the blocking of capital caused avoidable expenditure due to non synchronisation of execution of plans of construction of substations and lines – the substations were constructed earlier and the lines were constructed with delay.

Damage of towers due to weak foundations

2.1.11.8 The Board was following design of under-reamed pile foundations for construction of various types of 220 KV/132KV DC towers since 1986. During 1998-2003, 68 towers of 220 KV transmission lines of under-reamed pile foundations collapsed. In view of this, the design of foundations was got checked from a private consultant who opined (September 2000) that pile foundations were safe and failure thereof was due to shortcomings in construction of pile foundations. Various committees appointed by the Board from time to time also pointed out that the towers had collapsed due to shortcomings in construction and lack of quality control. A few such cases noticed in audit are discussed in the succeeding paragraphs:

(i) In order to avoid collapsing of towers in future, 220 KV Malerkotla-Dhuri line along with other six lines on towers constructed with under-reamed pile foundations were got checked during 2002-04 from the Central Building Research Institute (CBRI), Roorkee. The reports of CBRI showed that 82.70 *per cent* of the pile foundations of the 220 KV Malerkotla-Dhuri line did not meet the design requirements and needed to be strengthened.

Audit noticed that due to poor work of foundations and non strengthening thereof later on, three towers of this line fell down (April 2007) due to storm, which were re-erected at a cost of ₹ 19.41 lakh. Despite this, the other weak pile foundations of the towers of this line were not yet (May 2012) strengthened and the threat of collapse of towers of this line still persists.

The Management accepted (September 2012) the audit observation that the line did not meet the design requirement and stated (September 2012) that the work of strengthening of existing pile foundations was an extensive and sensitive work and would be taken up in a phased manner.

(ii) Similarly, 18 towers of 220 KV Sultanpur - Patti DC line energised during July 1991 and December 1992 and consisting of towers of pile type foundation got damaged / fallen (May 2010) due to heavy wind storm. Prior to this, three towers of this line were also got damaged (during 2006) due to storm. Investigation report regarding quality of work of erection of these towers revealed that proper protection as per standard specification i.e. bulb at the bottom of towers were not provided, which was the main cause of collapse of these towers. The work for reconstruction of fallen towers was completed in April 2011 after incurring expenditure of ₹ 1.01 crore.

Poor quality of construction and not following the requisite specifications caused extra expenditure of ₹ 1.01 crore.

Thus, due to poor quality of construction and not following the requisite specifications, these towers got damaged and caused extra expenditure of ₹ 1.01 crore along with inconvenience to the consumers.

Management replied (September 2012) that pile type foundations had been dispensed with as it was prone to certain defects as no checks were available to ascertain the proper formation of pile and bulb. Reply is not acceptable because foundation got damaged as proper protection of towers was not provided.

Mismatch between Generation Capacity and Transmission facilities

2.1.12 National Electricity Policy envisaged augmenting transmission capacity taking into account the planning of new generation capacities, to avoid mismatch between generation capacity and transmission facilities.

We observed that the Company failed to complete the transmission network to match with the generation plans in the following cases. There were frequent changes in plans.

Sl. No.	Project	Generating company's plan	Company's plan	Target	Actual	Result of mismatch
1.	Stage-II of Guru Hargobind Thermal Plant, Lehra Mohabbat.	Commissioning of Units III and IV by December 2006 and March 2007, which were belatedly commissioned on 16 October 2008 and 25 January 2010.	(1) 220 KV GHTP – Pakhowal DC line.	March 2007	Not constructed due to change (June 2006) in plan due to load flow study conducted afterwards.	₹ 10 lakh was spent on the survey work (upto May 2006) of this line.
			(2) GNDTP, Bathinda – Muktsar SC line.	December 2006	December 2008	The Company was compelled to evacuate the power through the existing 220 KV network which remained overloaded.
			(3) GHTP – Kangar SC line.	March 2007	Abandoned in May 2008.	
			(4) GHTP – Himmatpura SC line.	March 2009	June 2010	

The Board took up the construction of two additional Units viz. Units-III and IV under Stage-II of Guru Hargobind Thermal Plant (GHTP) with installed capacity of 250 MW. Prior to this, it had two Units of 210 MW capacity each at GHTP, Lehra Mohabbat and four Units of 110 MW capacity each at Guru Nanak Dev Thermal Plant (GNDTP), Bathinda whose transmission system was adjoining to each other.

➢ ***220 KV GNDTP, Bathinda – Muktsar SC line***

This line was originally planned for 2001-02 for evacuation of power from GHTP Stage-I (commissioned during 1997/98), keeping in view the inadequacy of power evacuating lines and to avoid tripping of thermal units at GNDTP, Bathinda and GHTP, Lehra Mohabbat. However, the route plan was finalised during March 2005 after a delay of three years without assigning any reasons. It was decided (June 2006) that work on GNDTP – Muktsar SC line be expedited so as to ensure its commissioning matching with the commissioning of GHTP Stage-II Unit-I. The work was completed in December 2008.

- ***220 KV GHTP - Kangar SC line***

  This line alongwith a 220 KV substation at Kangar was planned (May 2006). However, after two years, it was decided (May 2008) to construct the 220 KV GHTP – Himmatpura SC line instead of the above line due to non availability of corridor to the substation and forest problem. 220 KV GHTP – Himmatpura line was commissioned in June 2010.

The Management reply (September 2012) did not shed any light on the observation.

Unfruitful payment of transmission charges

2.1.13 For evacuating interstate power, the Company had to pay transmission charges to Power Grid Corporation of India Limited (PGCIL) for using their transmission lines, transformers, bays etc. PGCIL was to construct 400 KV substations at Lalton Kalan, Ludhiana where three 400/220 KV interconnecting transformers (ICTs) of 315 MVA each were to be commissioned. The Company had to construct the three outgoing transmission lines matching with the commissioning of ICTs of PGCIL for optimum utilisation of power. Planning wing of the Company requested (July 2004) its Transmission wing to plan 220 KV link lines, from 400 KV substation to be set up by PGCIL. The Company planned (May 2006) to construct two DC 220 KV lines from 400 KV PGCIL substation to 220 KV substation, Lalton Kalan to provide reliable power to Ludhiana city. However, the scope of work was changed in April 2007 and three LILO's[10] were planned for existing three 220 KV DC lines viz. Lalton Kalan – Sahnewal, Lalton Kalan – Jagraon and Lalton Kalan – Dhandhari at 400 KV PGCIL substation.

The LILOs were required to match with the commissioning of 400 KV Lalton Kalan, substation of PGCIL which was expected to be commissioned by November 2007 but actually commissioned in June & July 2008 (two ICTs) and third ICT was commissioned in April 2010. The works of construction of LILO lines for Lalton Kalan – Sahnewal and Lalton Kalan – Dhandhari were allotted as late as in September 2010 and November 2010, respectively. However, the work relating to LILO line for Lalton Kalan – Jagraon 220 KV DC line was allotted in January 2008. LILO lines for Lalton Kalan – Jagraon, Lalton Kalan – Dhandhari and Lalton Kalan – Sahnewal were completed in June 2008, July 2011 and August 2011, respectively. Resultantly, the Company was able to utilise only 200 – 250 MVA capacity between June/July 2008 and May 2011 against the available total ICTs capacity of 945 MVA. Audit observed that the delay in construction of LILOs was due to delay in making plan, changing the plan of work and delay in start of the execution of works.

[10] Loop in Loop out

Under utilisation of capacity of substation due to non construction of lines in time resulted in unfruitful payment of transmission charges of ₹ 30.64 crore.

Thus, due to non construction of the 220 KV lines in time, the Company could not utilise the available capacity of ICTs for evacuation of power from PGCIL 400 KV substation and paid the transmission charges of ₹ 30.64 crore for the unutilised capacity i.e. June 2008 to May 2011.

Management stated (September 2012) that lines were delayed solely because of the right of way problem. We find that the major reason for delay was at the stage of planning of lines, changing the plan and start of execution of work.

Performance of transmission system

2.1.14 The performance of the Company mainly depends on efficient maintenance of its Extra High Tension (EHT) transmission network for supply of quality power with minimum interruptions. In the course of operation of substations and lines, the supply-demand profile within the constituent sub systems is identified and system improvement schemes are undertaken to reduce line losses and ensure reliability of power by improving voltage profile. These schemes are for augmentation of existing transformer capacity, installation of additional transformers, laying of additional lines and installation of capacitor banks. The performance of the Company with regard to O&M of the system is discussed in the succeeding paragraphs.

Transmission capacity

2.1.15 The Company in order to evacuate the power from the Generating Stations and to meet the load growth in different areas of the State constructs lines and SSs at different EHT voltages. Through a transformer voltage levels can be stepped up or down to obtain an increase or decrease of Alternating Current (AC) voltage with minimum loss in the process, the evacuation is done at 132 KV and 220 KV SSs. In order to cater to the demand/ connected load, the transmission capacity should be adequate. The ideal ratio of transmission capacity to the connected load is 1:1. The table below indicates the details of transmission capacity at 220 KV and 132 KV substations and the connected load of the consumers in the State during the period from 2007-12:

(in MVA)

Year	Transmission capacity	Connected load	Gap in transmission capacity	Ratio of transmission capacity to connected load
2007-08	15,220	25,464	10,244	0.60:1
2008-09	16,100	26,935	10,835	0.60:1
2009-10	16,915	29,470	12,555	0.57:1
2010-11	19,145	31,119	11,974	0.62:1
2011-12	21,250	32,470	11,220	0.65:1

It can be seen from the above table that the Company failed to add adequate transmission capacity and the ratio of transmission capacity to the total connected load ranged between 0.57:1 and 0.65:1. This represented a wide gap of transmission capacity. Such a high gap of transmission capacity leads to overloading of the system resulting in frequent tripping of power supply and adverse voltage fluctuations coupled with higher quantum of energy losses. The Company needs to take actions for narrowing down the huge gap.

Management replied (September 2012) that load fed at a time was far less due to staggering of Agriculture Pumpsets (AP) load in 3 stages and diversity factor in case of general loads. We still find that ratio of transmission capacity was 0.80:1 even after consideration of staggering of AP load in 3 stages during March 2012 which is far lesser than the ideal situations. We recommended the Company to make efforts to make efforts to bridge the gap.

Substations

Adequacy of substations

2.1.16 Manual on Transmission Planning Criteria (MTPC) stipulates the permissible maximum capacity for different substations (SSs) i.e., 320 MVA for 220 KV and 150 MVA for 132 KV SSs. Scrutiny of the maximum capacity levels of SSs revealed that 13 numbers of 220 KV SSs exceeded the permitted levels, resulting in overloading of the transmission system.

Voltage management

2.1.17 The licensees using intra-state transmission system should make all possible efforts to ensure that grid voltage always remain within limits. As per Indian Electricity Grid code, State Transmission Utilities should maintain voltages ranging between 380-420 KV, 198-245 KV and 119-145 KV in 400 KV, 220 KV and 132 KV line respectively. The performance audit of the 220/132 KV bus voltages in seven selected P&M divisions[11] for the period from April 2007 to March 2012 revealed that in nine SSs of 220 KV, the voltage recorded ranged between 167 and 250 KV on 78 occasions, while in 11 SSs of 132 KV, voltage recorded ranged between 103 and 149 KV on 189 occasions. Thus, to provide quality power and reduce the transmission losses the Company should ensure that the maximum and minimum voltages are maintained as per the norms.

Lines

EHT lines

2.1.18 As per MTPC permissible line loading cannot normally be more than the Thermal Loading Limit (TLL). The TLL limits the temperature attained by the energised conductors and restricts sag and loss of tensile strength of the lines. The TLL limits the maximum power flow of the lines. As per MTPC the TLL of 132 KV line with ACSR[12] Panther 210 sq. mm. conductor and 220 KV line with ACSR Zebra 420 sq mm conductor was 366 amperes and 546 amperes respectively. Scrutiny of the line loadings on the feeders of seven selected P&M divisions for the period 2007-12 revealed that, seven out of 30, 132 KV feeders were found to be loaded above 366 amperes on 78 occasions

[11] Amritsar, Patti, Ferozpur, Jagraon, Lalton Kalan, Mandi Gobindgarh-I and Patran.
[12] Aluminium Conductor Steel Reinforced.

and 10 out of 41, 220 KV feeders were found to be loaded above 546 amperes on 39 occasions. Loading of the lines beyond capacity resulted in voltage fluctuations, higher transmission losses and frequent interruptions/ breakdowns.

Management admitted (September 2012) the facts and stated that heavily loaded 132 KV and 220 KV transmission lines would get relief after completion of ongoing 17 nos. 220 KV lines from 400 KV Transmission System by June 2013.

Bus Bar Protection Panel (BBPP)

2.1.19 Bus bar is used as an application for interconnection of the incoming and outgoing transmission lines and transformers at an electrical substation. BBPP limits the impact of the bus bar faults on the entire power network which prevents unnecessary tripping and selective to trip only those breakers necessary to clear the bus bar fault. As per Grid norms and Best Practices in Transmission System, BBPP was to be kept in service for all 220 KV SSs to maintain system stability during Grid disturbances and to provide faster clearance of faults on 220 KV buses. We observed that out of 62, 220 KV SSs, (37 were single bus SSs and 25 were double bus SSs) where BBPP was required to be installed, Company provided the panel at only five SSs having double bus bar (8.1 *per cent*) and in the remaining 57 SSs the BBPP was not provided (March 2012). It was further observed that out of five SSs where BBPP was available; only two were in service. Thus, actual working BBPPs were available at mere 3.23 *per cent* of total 62 substations. The Company has thus left its system vulnerable.

Inadequate installation of Shunt Capacitors

2.1.19.1 The State consumes 32.49 *per cent* of its energy in the agricultural sector, 34.01 *per cent* in the industrial sector and the balance for other consumers. Both the agricultural and industrial loads are highly reactive due to the use of induction motors. The excessive reactive load causes low voltage and low power factor conditions in the transmission system. The low voltage in turn causes overloading of the transmission lines and transformers and results in system losses. Northern Regional Power Committee (NRPC), in its meetings, issue directives to Power Utilities for installation of shunt capacitors in the transmission system to minimise reactive power flow in the system. Non compliance of these directives by the Power Utilities results in penal payment of reactive energy charges.

We observed that the Company did not fix the targets for installation of capacitor bank during 2007-12. However, the additional requirement (in MVAR)[13] for each year was worked out by NRPC. The Company failed to install the required shunt capacitor during 2007-12 (except 2009-10). As against the required capacity of 4,491 MVAR as assessed by NRPC, there was shortfall of 1,359 MVAR (30.26 *per cent*) during 2007-12. Had the requisite shunt capacitors been installed, the transmission losses could have been

[13] Mega volt ampere reactive.

Non installation of requisite shunt capacitors resulted in payment of penalty of reactive energy charges of ₹ 6.09 crore.

reduced to a large extent and penalty of reactive energy charges of ₹ 6.09 crore could have been avoided.

Management assured (September 2012) that additional capacity of capacitor banks would be installed by 2013-14 which would help clear the backlog.

Maintenance

Performance of Current transformers (CTs)

2.1.20 Current transformers are one of the most important and cost-intensive components of electrical energy supply networks, thus it is of special interest to prolong their life duration while reducing their maintenance expenditure. In order to gather detailed information about the operation conditions of CTs, various kinds of oil analysis like the standard oil and Dissolved Gas Analysis (DGA) tests are generally conducted. For CT insulation a combination of an insulating liquid and a solid insulation impregnated therewith are used. For an evaluation of the actual condition of this insulating system usually a DGA is used, as failures inside the CT lead to a degradation of the liquid insulation in such a way that the compound of the gases enables an identification of the failure cause. The table below indicates status of failure of transformers during 2007-12:

Year	No. of transformers at the beginning of the year	No. of transformers failed	No. of transformers failed within guarantee period	No. of transformers failed within normal working life			Expenditure on repair and maintenance (₹ in lakh)
				No. of transformers repaired	No. of transformers identified for survey off	Total	
2007-08	349	9	0	2	7	9	4.10
2008-09	351	8	1	4	3	7	60.10
2009-10	365	8	0	2	6	8	7.61
2010-11	382	6	0	3	3	6	45.58
2011-12	416	8	3	0	5	5	0.00
TOTAL		**39**	**4**	**11**	**24**	**35**	**117.39**

Failure of the Company to invoke purchase order clause resulted in loss of opportunity to earn penalty of ₹ 1.46 crore.

Three[14] PTRs, which damaged within their warranty period, were required to be repaired/replaced by the firms within six months of intimation of their defects to the firms. As per purchase orders, in case of delay in return of PTRs, the firms were liable to pay interest at the rate of 18 per cent per annum on the value of PTR from the date of damage upto the date of their re-commissioning after repair/replacement. Audit observed that these PTRs were returned by the firms after a delay ranging between 88 and 317 days. However, the Company did not invoke the penal interest clause of the purchase order. Consequently, there was a loss of opportunity to charge penalty of ₹ 1.46 crore[15] to its financial detriment.

[14] 100 MVA at GHTP, Lehra Mohabbat; 100 MVA at 220 KV SS, Khassa; & 100 MVA at 220 KV SS, Butari.

[15] Worked out at the rate of 18 per cent per annum after allowing a reasonable period of 15 days for giving intimation of damage of PTR to the firms and requisite period of six months for repair of the damaged PTRs.

An analysis of performance of power transformers revealed the following:

Damage of Power Transformers due to poor maintenance of feeders

Damage of Power transformers due to poor maintenance of feeders resulted in avoidable expenditure of ₹ 3.60 crore.

2.1.20.1 During 2007-12, 39 Power Transformers (PTRs) got damaged. An analysis of investigation reports of 15 damaged transformers revealed that four[16] Power Transformers were damaged due to poor maintenance of feeders attached to the grid and disturbances therein which resulted in frequent trippings at substations and ultimately damage of the PTRs.

Three PTRs declared irreparable were replaced with new ones for ₹ 3.45 crore and one was got repaired at a cost of ₹ 15.12 lakh.

Inadequate capital maintenance of Power Transformers

2.1.20.2 After getting details from Operation and P&M organisations, the Company decides the list of PTRs which need capital maintenance to keep the various parameters/systems within the permissible limits and control.

Audit observed that 124 PTRs were planned for capital maintenance during 2007-12, against only 27 PTRs was carried out. Due to lack of capital maintenance the PTRs are likely to get damaged, causing financial loss to the Company and also inconvenience to the public at large due to failure of supply of electricity.

Non installation of Disturbance Recorders

2.1.20.3 Disturbance Recorders (DRs) are required for complete analysis of any disturbance within the system as it provides the data regarding grid disturbance. Northern Regional Power Committee (NRPC) while monitoring the implementation of Action Plan prepared in view of Grid disturbance (January 2010) also stressed to ensure healthiness of DR's and time synchronisation using GPS.

Audit observed that out of 70 substations of 220 KV (as on 31 March 2012), DRs were installed only in eight substations and out of these, two DRs were lying defective – at 220 KV substation, Moga (since May 2008) and at 220 KV substation, Jamsher (since July 2011).

Management accepted and replied (September 2012) that the cost effective GPS system instead of DRs for time synchronisation was being undertaken for all 220 KV substations. However, target date for the same was not indicated.

Working of Hot Line Divisions

2.1.21 Regular and periodic maintenance of transmission system is of utmost importance for its uninterrupted operation. Apart from scheduled patrolling of lines, the following techniques are prescribed in the Report of the Committee

[16] 16/20 MVA at 220 KV SS, Dhandari Kalan; 16/20 MVA at 132 KV SS, Gidderbaha; 16/20 MVA at 132 KV SS, Phillaur; and 10/12.5 MVA at 132 KV SS, Muktsar.

for updating the Best practices of Transmission in the country for maintenance of lines:

- Hot Line Maintenance
- Hot Line Washing
- Hot line Puncture Detection of Insulators
- Preventive Maintenance by using portable earthing hot line tools
- Vibration Measurement of the line
- Thermo-scanning
- Pollution Measurement of the equipment

The hot line technique (HLT) envisages attending to maintenance works like hot spots, tightening of nut and bolts, damages to the conductor, replacement of insulators etc. of SSs and lines without switching off. This includes thermo scanning of all the lines and SSs towards preventive maintenance. HLT was introduced in India in 1958. As on April 2007, the Company had two Hot Line divisions at Jalandhar and Ludhiana with manpower strength of 20 personnel.

We observed that these divisions have been conducting only hot line maintenance and thermo scanning. Other techniques as mentioned above for updating the Best practices of Transmission are not being carried out by these divisions for want of trained staff. Hotline division, Jalandhar had two Thermo vision cameras which were non functional due to unsuitability/ defects.

Management replied (September 2012) that defective tools & plant (T&P) were being repaired/replaced.

Transmission losses

2.1.22 While energy is carried from the generating station to the consumers through the Transmission & Distribution (T&D) network, some energy is lost which is termed as T&D loss. Transmission loss is the difference between energy received from the generating station/Grid and energy sent to PSPCL.

During 2007-10, the erstwhile Board calculated T&D loss as composite by subtracting the sum total of metered energy, unmetered energy for Agricultural Pumpset (AP) consumption and other commercial losses from net input energy available for sale in the State due to non installation of energy meters on secondary side of 220 KV and 132 KV substations. The Company assured (November 2010) the PSERC that necessary steps would be taken to install the energy meters at various 220 KV and 132 KV substations by 31 December 2011 but the Company failed to do so even by June 2012. It also failed to ascertain the transmission losses separately as discussed in para 1.31 infra.

The details of transmission and distribution losses of the erstwhile Board from 2007-08 to 2009-10 are given below:

Particulars	Unit	Year				
		2007-08	2008-09	2009-10	2010-11	2011-12
Power received for Transmission and Distribution	MUs	39,039	37,226	39,822	39,909	41,530
Net power sold[17]	MUs	30,243	29,810	31,934	32,740	34,295
Actual Transmission and Distribution losses	MUs	8,796	7,416	7,888	7,169	7,235
	percentage	22.53	19.92	19.81	17.96	17.42
Transmission and distribution losses allowed as per PSERC Tariff Orders	percentage	19.50	19.50	22.00[18]	20.00	19.42
Transmission and distribution losses in excess of PSERC norm	MUs	1,183	156	-	-	-
	Rate per unit (in ₹)	3.45	3.65	-	-	-
	₹ in crore	408.14	56.94	-	-	-

T&D losses in excess of norms fixed by PSERC during 2007-09 were 1,339 MU valued at ₹ 465.08 crore.

It could be seen from the above that the transmission and distribution losses suffered by the erstwhile Board in excess of the norm fixed by the PSERC for the period 2007-08 to 2008-09 were 1,339 MU valued at ₹ 465.08 crore.

Grid Management

Maintenance of Grid and performance of SLDC

2.1.23 Transmission and Grid Management are essential functions for smooth evacuation of power from generating stations to the Distribution Companies/consumers. Grid Management ensures moment-to-moment power balance in the interconnected power system to take care of reliability, security, economy and efficiency of the power system. Grid management in India is carried out in accordance with the standards/directions given in the Grid Code issued by Central Electricity Authority (CEA). National Grid consists of five regions viz., Northern, Eastern, Western, North Eastern and Southern Grids, each of these having a Regional Load Despatch Centre (RLDC), an apex body to ensure integrated operation of the power system in the concerned region. The Punjab State Load Despatch Centre (SLDC), a constituent of Northern Regional Load Despatch Centre (NRLDC), New Delhi, ensures integrated operation of power system in the State. The State Government notified 1993/April 2010 that the SLDC shall be operated by the erstwhile Board/Company. The SLDC is assisted by two Area Load Despatch Centres (ALDCs) – one at Lalton Kalan and the other at Jamsher for data acquisition and transfer to SLDC and supervisory control of 220 KV, 132 KV and 33 KV equipments. The SLDC levies and collect such fees and charges from the generating companies and licensees engaged in intra-state transmission of electricity as specified by the PSERC.

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17 This excludes sales outside State (2007-08: 1,879 MUs, 2008-09: 2,817 MUs, 2009-10: 416 MUs, 2010-11: 3,025 MUs and 2011-12: 3,293 MUs).

18 Percentage of T&D losses allowed was increased to 22 *per cent* during 2009-10 on the basis of reassessment of consumption of AP consumers got conducted through an independent agency by the PSERC.

Infrastructure for load monitoring

2.1.24 Remote Terminal Units/Substation Management Systems (RTUs/SMSs) are essential for monitoring the efficiency of the transmission system and the loads during emergency in load despatch centres as per the Grid norms for all SSs. We observed that there were 152 substations (70 of 220 KV and 82 of 132 KV) and 14 generators, out of which 39 substations (25.66 *per cent*) (9 of 132 KV SS and 30 of 220 KV SS) and 10 generators (71.43 *per cent*) were provided with RTUs (installed up to 2005) for recording real time data for efficient Energy Management System. However, no progress was made during five years (2006-11) but during October 2011 a purchase order/work order cum contract agreement for procurement, erection and commissioning of 47 RTUs was placed but supply thereagainst (except one pilot RTU installed at 220 KV Rajla substation) was awaited (September 2012).

Grid discipline by frequency management

2.1.25 As per Grid Code, the transmission utilities are required to maintain Grid discipline for efficient functioning of the Grid. All the constituent members of the Grid were expected to maintain a system frequency between 49 and 50.5 Hertz (Hz) during April 2006 to March 2009, 49.2 and 50.3 Hz during April 2009 to 2 May 2010 and 49.5 and 50.2 Hz with effect from 3 May 2010 onwards. SLDC shall ensure that load shedding is carried out so that there is no overdrawl below frequency limit. However, due to various reasons such as shortages in generating capacities, high demand, Grid indiscipline in maintaining load generation balance, inadequate load monitoring and management, Grid frequency goes below or above the permitted frequency levels.

To enforce the Grid discipline, the Northern Regional Load Dispatch Centre (NRLDC) issues three types of violation messages (A, B, C). Message A is issued when the frequency is less than 49.2 Hz and overdrawl is more than 50 MW or 10 *per cent* of schedule whichever is less. Violation B message is issued when frequency is less than 49.2 Hz and overdrawl is between 50 MWs and 200 MWs for more than ten minutes or 200 MW for more than five minutes. Message C (serious nature) is issued 15 minutes after the issue of message B when frequency continues to be less than 49.2 Hz and overdrawl is more than 100 MW or ten *per cent* of the schedule whichever is less. Details of messages received in the Company from NRLDC during October 2010 to March 2012 were as under:

Type of message	Number of messages	
	October 2010- March 2011	2011-12
A	144	119
B	42	63
C	4	8

The receipt of type B and C category messages were indicative of the non maintenance of Grid discipline and led to levy of penalty by CERC as discussed in the succeeding paragraph. Besides this, the Company paid

₹ 106.52 crore during 2009-12 on account of additional unscheduled interchange charges due to overdrawl of electricity when the frequency was below 49.5 Hz as discussed in Paragraph 1.28 infra.

Management replied (September 2012) that an automated load disconnection system is proposed to be implemented for restricting overdrawls.

Grid discipline

2.1.26 For maintenance of Grid discipline, the CERC takes up *suo motu* petition on overdrawl of power from the Grid at a lower frequency thus putting the Grid to the risk. We noticed instance where the Company violated the Grid discipline for which penalty was levied and paid:

Sl.No.	Month and Year of violation	Number of occasions of violation	Penalty levied (₹ in lakh)
1	October 2008	6	3
2	April 2010	11	11

CERC imposed penalty of ₹ 3 lakh for six violations for overdrawing the power from grid under Unscheduled Interchange (UI) at frequency below 49.0 Hz during October 2008 at the rate of ₹ 50,000 per violation. Similarly, penalty of ₹ 11 lakh was imposed due to non compliance with directions of NRLDC during April 2010, though nine 'B' category messages and two 'C' category messages were issued to the Company.

We also observed that Company had not maintained proper MIS system for apprising the Management periodically the status of Grid Management and receipt of messages from NRLDC.

Loss of generation due to trippings caused by overdrawl of power

2.1.26.1 Overdrawl of Power from the Grid beyond Total Transfer Capacity (TTC) causes tripping of Transmission System and Generating Stations.

Trippings caused by overdrawl of power resulted in Loss of generation of 3.76 MUs depriving the Company of additional contribution of ₹ 67.37 lakh.

During the period 2007-11, there were 43 trippings due to Grid Disturbances in the three Thermal Stations viz GNDTP, Bathinda (2), GGSTP, Ropar (24) and GHTP, Lehra Mohabat (17). On 20 July 2011, overdrawl of power from Grid beyond TTC caused tripping of two interconnected transformers (ICT's) of 315 MVA each at Malerkotla and due to its cascading effect, the running units of GNDTP, Bathinda (Units 1, 2 and 4) and GHTP, Lehra Mohabat (Units 1, 2, 3 and 4) also tripped. The power from ICTs was restored after 9-10 minutes. However, the power from Units of GNDTP and GHTP could be restored after a period ranging between 2.05 Hours and 5.47 Hours, respectively which caused loss of generation of 3.76 MUs (GNDTP: 1.52 MUs & GHTP: 2.24 MUs) with the result the PSPCL could not earn additional contribution of ₹ 67.37 lakh.

The Management analysed (July 2011) that the main reasons for overdrawl of power from the system, was the shortfall in rains during July and increased consumption by domestic consumers. We conclude that trippings reflected the poor management of grid system and non maintenance of the capital equipments.

Non installation of relays

2.1.26.2 As per Grid Code, automatic under frequency and defined frequency at definite time (df/dt) relays would be provided for load shedding in the transmission system to arrest frequency decline and to prevent collapse/disintegration of the grid. SLDC would ensure that these relays always remain functional.

Out of 62 SSs of 220 KV and 80 SSs of 132 KV under frequency and df/dt relays were installed only at 34 SSs of 220 KV (55 *per cen*t) and 32 SSs of 132 KV (40 *per cent*), out of which 7 (four at 220 KV SSs and three at 132 KV SSs) relays were non functional (March 2012). Moreover, NRPC observed (July 2012) that actual relief was 252 MW against target relief of 800 MW from under frequency relay and 68 MW against target relief of 1410 MW from df/dt relays.

Automatic load shedding in transmission system could not be ensured due to non installation of relays.

Thus, due to non installation of relays with regard to target of load relief fixed by NRPC and dysfunctional relays, the Company could not ensure automatic load shedding in its transmission system to arrest frequency decline and prevent collapse of grid and cascading tripping of generating units.

Backing Down Instructions

2.1.27 When the frequency exceeds the ideal limits i.e. situation where generation is more and drawl is less (at a frequency above 50 Hz) SLDC takes action by issuing Backing Down Instructions (BDI) to the Generators to reduce the generation for ensuring the integrated grid operations and for achieving maximum economy and efficiency in the operation of the power system in the State. Failure of the generators to follow the instructions of SLDC would constitute violation of the Grid code and would also entail penalties.

During 2007-12, there was a system in the Company to convey Backing Down Instructions by SLDC to the generators through telephonic messages, whenever the situation arises. It was, however, observed that there was no system to record confirmation of receipt of BDI. In the absence of this, the Company was unable to monitor the compliance of the Backing Down Instructions and audit also could not verify the same.

Planning for power procurement

2.1.28 The Company draws long term supply plan taking into account the contracted generation capacity, allocation from central sector and future committed projects and evolve net additional requirement of power in consultation with the PSPCL. The details of total requirement of the State, total power supplied and shortage of power during 2007-12 are given below:

(Figures in MUs)

Sl. No.	Details	2007-08	2008-09	2009-10	2010-11	2011-12
1	Total power requirement[19]	44,868	48,347	52,096	56,136	60,489
2	Total power supplied[20]	39,039	37,226	39,822	39,909	41,530
3	Power short supplied	5,829	11,121	12,274	16,227	18,959
4	Percentage of shortage	12.99	23.00	23.56	28.91	31.34

***Source: Electricity Statistics of Punjab for the period ending March* 2012.**

It could be seen from the above that the percentage of shortage of power is on the disturbingly increasing trend. The shortage rose from 12.99 *per cent* in 2007-08 to a high of 31.34 *per cent* by 2011-12.

The gap in demand supply position also leads to variation between actual generation or actual drawl and scheduled generation or scheduled drawl which is accounted through Unscheduled Interchange (UI) charges, worked out by SLDC for each 15 minutes time block. UI charges are levied for the supply and consumption of energy in variation from the pre-committed daily schedule. This charge varies inversely with the system frequency prevailing at the time of supply/consumption. Hence it reflects the marginal value of energy at the time of supply. The levying of UI charges acts as a commercial deterrent to curb overdrawls from CGS[21] during low frequency conditions.

A paragraph relating to unplanned purchase of power through short term and panic measures at high cost was included in the Performance Audit on the working of PSPCL (erstwhile Board) as Paragraph 2.2.18 of Comptroller and Auditor General of India’s report, Government of Punjab (Commercial) for the year ended 31 March 2011.

Besides this, as per CERC Regulations, 2009 the overdrawl of electricity should not exceed 12 *per cent* of its scheduled drawl or 150 MW (whichever is lower) when frequency is below 49.5 Hz and 3 *per cen*t on a daily aggregate basis for all the time blocks when the frequency is below 49.5 Hz. Otherwise, an additional UI charges at 40 *per cent* of the UI Rate payable corresponding to frequency below 49.2 Hz, shall be payable for overdrawl for each time-block.

Overdrawl of power resulted in avoidable payment of additional unscheduled interchange charges of ₹ 106.52 crore.

Audit observed that during April 2009 to March 2012, the Company had violated the above Regulations by drawing excess power and paid ₹ 106.52 crore (₹ 21.79 crore for 2009-10, ₹ 62.12 crore for 2010-11 and ₹ 22.61 crore for 2011-12) on account of additional UI charges.

Disaster Management

2.1.29 Disaster Management (DM) aims at mitigating the impact of a major breakdown on the system and restoring it in the shortest possible time. As per the Best Practices, DM should be set up by all power utilities for immediate restoration of transmission system in the event of a major failure. It is carried

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19 As per 17 Electric Power Survey.

20 This includes total power sold and transmission and distribution losses but excludes power sold outside state.

21 Central Generating Stations.

out by deploying Emergency Restoration System, DG sets, vehicles, fire fighting equipments, skilled and specialised manpower.

Disaster Management Centre, National Load Dispatch Centre, New Delhi will act as a Central Control Room in case of disasters for starting up generating stations during black start[22] operations. As per Indian Electricity Grid Code, mock trial runs of the procedures for different sub-systems shall be carried out by the Company at least once every six months under intimation to NRLDC. It was observed that there was no practice of carrying out mock drill for black out operation at generating stations.

Inadequate facilities for DM

2.1.30 The NRLDC had not identified any generating station in the State for black start facilities. This indicates the inadequacy in the preparedness for DM.

Diesel generating (DG) sets and synchroscopes[23] form part of DM facilities at EHT SSs connecting major generating stations. Out of 70 substations of 220 KV, DG sets were available only in 14 substations, while no synchroscope was available. Further, the Company did not identify vulnerable installations for provision of metal detectors and handing over the security of the sites to the equipped personnel to meet crisis arising due to terrorist attacks, sabotage and other man made threats.

Energy Accounting and Audit

2.1.31 Energy accounting and audit is necessary to assess and reduce the transmission losses. The transmission losses are calculated from the Meter Reading Instrument (MRI) readings obtained from Generation to Transmission (GT) and Transmission to Distribution (TD) Boundary metering points. As on 31 March 2012 there were 621 interfaces Boundary metering points in the Company (TD-302 and GT-319). As per stipulation of Punjab State Grid Code these Intra State Boundary interface points need to be covered by installing 0.2s[24] class accuracy ABT[25] Type Energy Meters. We, however, observed that no such meter was installed (March 2012) by the Company. Besides this, there were 600 meter points where conventional energy meters (CEMs) were required for energy accounting. Against which only 200 CEMs were installed (March 2012) which were also required to be integrated with the Centralised Energy Centre planned by the Company.

Further, analysis of data for the period 2011-12 of selected seven P&M divisions with 83 feeders indicated existence of high percentage of losses in

[22] The procedure necessary to recover from partial or a total blackout.
[23] In an AC (alternating current) electrical power system it is a device that indicates the degree to which two systems (generators or power networks) are synchronised with each other.
[24] Technical specification of accuracy class of the metering instrument for the measurement of alternating current in the range of 45 Hz to 55 Hz.
[25] Availability based tariff.

37 feeders ranging between 0.08 to 39 *per cent*, 21 feeders had no meters, meters at 12 feeders were defective and strangely negative losses ranging between (-) 0.09 to (-) 7.43 *per cent* in 13 feeders were noticed. This indicates that the installation of meters was inadequate and energy accounting and transmission losses worked out by the Company were defective.

Non installation of Intra State Boundary Meters

2.1.31.1 PGCIL was engaged (December 2004), at the total cost of ₹ 75 lakh, as a consultant for implementation of ABT based Intra State Boundary metering project in Punjab. PGCIL submitted (December 2005) the draft technical specifications which were found to be based on old technology. As a result, no further progress in this regard was made and ₹ 41.32 lakh paid to PGCIL during March 2005 to March 2006 became infructuous.

To adopt the latest technology, the Board revised (2006) the technical specifications and floated (June 2006) a tender enquiry for boundary metering scheme. The purchase proposal was dropped (February 2007) on the plea that this is a case of single bid and the Board had not yet been unbundled.

We observed that the Company did not provide the boundary meters (June 2012) as required under Grid Code and also failed to implement the Energy Accounting/Audit rather it incurred unfruitful expenditure of ₹ 41.32 lakh.

Financial Management

2.1.32 One of the major objectives of the National Electricity Policy, 2005 was ensuring financial turnaround and commercial viability of Power Sector. The financial position of the erstwhile Board, as a vertically integrated agency up to the financial year 2009-10 had already been commented upon in Paragraph 2.2.5 of Report of the Comptroller and Auditor General of India (Commercial), Government of Punjab for the year ended 31 March 2011. As a part of power sector reforms the erstwhile Board was unbundled on 16 April 2010. However, the financial reconstruction of the erstwhile Board had not been finalised so far (September 2012), in the absence of which Profit and Loss Account and Balance Sheet of the Company had not been prepared for the years 2010-11 and 2011-12.

Though the Board was unbundled on 16 April 2010, the financial reconstruction of the erstwhile Board had not been finalised so far (September 2012)

Management stated (September 2012) that annual accounts would be finalised after notification of opening balance sheet by the State Government. We are unable to comment on the financial position as the Company is yet to finalise its accounts.

A few cases showing the shortcomings in financial management are discussed in the succeeding paragraphs which adversely affected the financials:

Non recovery of cost of deposit work

2.1.32.1 The erstwhile Board decided (February 2007) to create Nabha Power Limited (NPL), a wholly owned subsidiary to act as Special Purpose Vehicle (SPV) for selection of Developer and getting various clearances for installing of a coal based Thermal Power Project at village Nalash, Rajpura on Build, Own and Operate (BOO) basis. After the bidding process, NPL issued (November 2009) a letter of intent (LOI) to L&T Power Development Limited (L&TPDL), Mumbai being lowest bidder. Power purchase agreement was entered into between erstwhile Board and NPL on 18 January 2010 and whole assets and liabilities of NPL were transferred to L&TPDL on the same date.

NPL requested (January 2010) the Board that 220 KV Rajpura – Mohali DC line which was passing through the land acquired by NPL (site of proposed thermal plant) be shifted outside the project area as it was creating hindrance in the development of project. An estimate was sanctioned (April 2010) for ₹ 3.19 crore for shifting of the 220 KV line to be executed as deposit work and NPL was requested (April 2010) to deposit the amount so that the work of shifting of line from the site of proposed Thermal Plant be undertaken.

The Company extended undue favour to Nabha Power Limited by shifting transmission line at its own cost of ₹ 1.82 crore.

However, in the meeting of Project Coordination Committee for 1,320 MW Rajpura Thermal Power Project held on 08 April 2010, it was decided that the cost of shifting would be borne by the erstwhile Board on the plea of NPL that the cost of shifting of line was not indicated in the RFQ/RFP[26] document due to which the same could not be factored in the cost evaluation for tariff calculation by them. Managing Committee[27] decided (May 2010) to shift the line at the cost of the Company. The work of shifting of line was completed by 30 September 2010 by incurring expenditure of ₹ 1.82 crore by the Company. The shifting of line at the cost of the Company is clearly an undue favour to NPL as bidder was required to satisfy itself with regard to conditions, circumstances and factors that might have the effect on the bid.

Management replied (September 2012) that as per RFQ, land was to be made available to the successful bidder free of encumbrances. The reply was inadequate as the cost of shifting of line could not be recovered from NPL because of its failure to include the cost of shifting of line initially in RFQ/RFP documents.

Non recovery of wheeling, operation & maintenance and reactive energy charges

2.1.32.2 Details of outstanding operation and maintenance (O&M) charges, wheeling charges and reactive energy charges are enumerated in the following table:

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[26] Request of Qualification / Request for proposal.

[27] Managing Committee temporarily constituted by State Government for administrating the Board/ two successor Companies formed after unbundling of the Board.

(Amount: ₹ in crore)

Name of the Electricity Board/ Corporation	Particulars	Period	Amount	Remarks
Union Territory, Chandigarh	O&M charges for 220 KV Ganguwal – Mohali line (1st circuit) and 220 KV Substation, Mohali.	2011-12 2012-13	1.07 1.18	Recovery was due in April 2011 and April 2012. The Company did not raise the bills. Besides this, previous outstanding dues (₹ 1.90 crore) pertaining to period upto 2003-04 were also not recovered even after lapse of eight years.
	Wheeling charges for power wheeled through the 66 KV Mohali – Chandigarh line.	July 1988 to December 1991	0.88	Wheeling charges bill of ₹ 1.77 crore was raised in August 2003. Out of which, ₹ 0.89 crore was received (upto July 2005) and the remaining ₹ 0.88 crore was still outstanding.
Erstwhile Haryana State Electricity Board (HSEB)	O&M charges for the 132 KV Bays at Ropar substation.	Upto March 2012	23.25	The erstwhile HSEB was to pay these charges on the basis of a MoU signed on 19 November 1997. However, these charges have not been paid so far.
	Wheeling charges for the 132 KV Kotla – Ropar DC line.	Upto March 2012	5.03	
Jammu & Kashmir	Wheeling charges for drawl of power from Central Sector Stations.	Upto February 2012	19.27	-
	Reactive Energy charges conveyed by Northern Regional Power Committee (NRPC).	Accumulated upto March 2012	1.02	In case of persistent default in payment, the matter was to be reported to NRPC for initiating remedial action. The Company had not taken up the matter with NRPC so far (May 2012).
Himachal Pardesh State Electricity Board	Wheeling charges	Since 1999 to November 2010	1.48	-
Power Grid Corporation of India Limited (PGCIL)	O&M charges of three Bays at two 220 KV substations viz. Dasuya and Sarna.	April 1992 to March 2011	1.18	As per understanding held in April 2010, ₹ 2.61 crore was payable by PGCIL for the period from April 1992 to March 2011. Out of which, ₹ 1.43 crore was received upto September 2011 and remaining ₹ 1.18 crore were still outstanding.

Audit analysis revealed that the Company had failed to recover these outstanding dues by not effectively pursuing with various SEBs/Corporations.

Management replied (September 2012) that steps were being taken to raise bills and recover the arrears from concerned states/power utilities.

Tariff Fixation

2.1.33 As per Regulation 13 of PSERC (Terms and Conditions for Determination of Tariff) Regulations, 2005, the Company files an ARR with PSERC for the revenue required to meet the cost pertaining to the transmission business for each financial year which would be permitted to be recovered through tariffs and charges by the PSERC. Thus, the main source of revenue of the Company is transmission and SLDC charges.

The ARR proposals made by the Company and approved by the PSERC are given below:

Transmission Tariff						
Year	**Proposed by Company**			**Approved by PSERC**		
	Total capacity for transmission (MW)	**Revenue Requirement (₹ in crore)**	**Tariff, ₹/KW/ Month**	**Total capacity for transmission (MW)**	**Revenue Requirement (₹ in crore)**	**Tariff, ₹/KW/ Month**
Transmission business						
2011-12	7,990.18	824.08	85.947	7,990.18	468.10	48.820
SLDC business						
2011-12	7,990.18	26.76	2.791	7,990.18	23.35	2.435

As per the PSERC (Terms and Conditions for Determination of Tariff) Regulations, 2005, the PSERC shall undertake an exercise to finalise actual figures as per the audited accounts called truing up, whenever there is a gain or loss (excess/short) in the controllable items (O&M, Return on capital employed, Depreciation and non tariff income) the Company shall file before the PSERC, which would review the same and make appropriate adjustments wherever required.

Audit observed that the Company had not finalised its profit and loss accounts and balance sheet for the years 2010-11 and 2011-12 as a result the revised status of total costs could not be submitted to PSERC. This resulted in non adjustment of excess or short expenditure incurred.

Management replied (September 2012) that application for truing up would be filed with PSERC after finalisation of Financial Restructuring Plan.

An analysis of expenditure disapproved by PSERC revealed the shortcomings on the part of the Company as detailed below:

Disallowance of employees cost by PSERC

2.1.33.1 The erstwhile Board submitted (February 2008) to the PSERC that to control employees cost it had engaged (August 2007) Price Waterhouse Coopers (PWC) to study its manpower requirement, whose report was scheduled to be submitted within 25 months. However, the report was received (September 2008) after delay of 9 months. After considering the feedback given by the Company and position of unbundling, the final report of the PWC was received in October 2010.

PSERC observed (April 2010) that there was continuous failure of the Board to get its study report finalised for determining manpower norms and take further action on that basis and disallowed ₹ 100 crore (out of which Company's share was ₹ 6.69 crore) from the employee cost allowable for the year 2010-11.

Non determination of manpower norms caused disallowance of employee cost of ₹ 6.69 crore by the PSERC.

We observed that the report was delayed by more than two years mainly on account of delay in submission of report by PWC (9 months) and delay in giving feedback by the Company/unbundling of erstwhile Board (16 months). During May 2011, PSERC directed the Company to submit the implementation Action Plan of the report to it. However, Company had not taken any concrete steps during one year (October 2010 to October 2011) to implement the report except constituting a committee for examining the report and put up its recommendations to the management.

Diversion of loans for revenue purpose

2.1.33.2 The PSERC determined that there was diversion of funds of ₹ 2,458.56 crore during 2010-12 due to inefficiencies in the functioning of the erstwhile Board and disallowed ₹ 200 crore of interest cost for two years. Out of this, ₹ 21.52 crore was to be borne by the Company and ₹ 30.23 crore (2010-11: ₹ 14.47 crore and 2011-12: ₹ 15.76 crore) by the State Government as it had not paid compensation for free electricity to Agricultural Pumpset consumers. This amount was to be recovered from the State Government. But the Company had not initiated any action for recovery of ₹ 30.23 crore.

Management stated (February 2012) that due to non availability of opening balances of assets and liabilities as on the date of incorporation of the Company, the action to recover this amount could not be taken. The reply is not acceptable as the PSERC had already disallowed the interest cost for inefficiency of the erstwhile Board and the Company should have demanded ₹ 30.23 crore from the State Government. To avoid further disallowance of expenditure, the Company needs to avoid diversion of funds.

Material Management

2.1.34 The key functions in material management are laying down inventory control policy, procurement of materials and disposal of obsolete inventory. The Company had laid down (1981) the system, procedures, rules and regulations for purchase of materials in its Purchase Regulations and the Commercial Accounting System. As per the policy, the respective Chief Engineers assess their material requirements keeping in view various capital and revenue works, availability of funds, stock position and expected delivery of material.

Shortcomings noticed during audit of material management are discussed in the succeeding paragraphs:

2.1.35 Scrutiny of the records of the Company revealed the following:

The details of consumption of stock per annum/per month and closing stock in terms of month's consumption for the period 2007-12 is detailed below:

(₹ in crore)

Year	Consumption (per annum)	Consumption (per month)	Net Closing stock	Closing stock in terms of months' consumption
2007-08	302.02	25.17	54.00	2.15
2008-09	354.99	29.58	57.78	1.95
2009-10	348.28	29.02	70.68	2.44
2010-11	553.33	46.11	95.24	2.07
2011-12	615.73	51.31	183.28	3.57

Source: Data supplied by the Company.

We observed that although the closing stock of the Company in terms of months consumption had increased from 2.15 months during 2007-08 to 3.57 months by 2011-12. The Company had neither made any ABC analysis, nor fixed any standard minimum level or reorder level of their material requirement to ensure the optimum level and to reduce the inventory.

Management replied (September 2012) that ABC analysis would be made to ensure optimal level and to reduce inventory.

Avoidable additional expenditure

2.1.35.1 Chief Engineer (Substations) placed (June 2010) a purchase order (PO) on Bharat Heavy Electricals Limited (BHEL), Chandigarh for supply of nine 100 MVA 220/66 KV power transformers (PTRs) at the rate of ₹ 4.72 crore per PTR. Against the scheduled delivery period of February 2011 to complete the supply of nine PTRs, BHEL was able to supply only one PTR upto February 2011. In view of the revised requirement and to meet the exigency during Paddy season, the Company decided (16 February 2011) to procure four 100 MVA 220/66 KV additional PTRs from BHEL at the same rate, terms and conditions and issued (23 February 2011) letter of intent with delivery schedule of two PTRs each in the month of May and June 2011. But BHEL requested (28 February 2011) to reschedule the delivery to two PTRs each in the month of June and July 2011 quoting bottlenecks in arranging Cold Rolled Grain Oriented (CRGO).

In the meantime, the Company floated another tender enquiry with revised technical specifications for procurement of 28 nos. 100 MVA 220/66 KV PTRs. Price bids were opened on 21 March 2011 and L-1 rates of BHEL were ₹ 3.53 crore (less than the above mentioned PO by ₹ 1.19 crore). In view of this, the decision of the Company for procurement of additional four 100 MVA 220/66 KV PTRs was required to be reconsidered due to the following reasons:

(1) The firm had already requested to reschedule the delivery of these PTRs and keeping in view the status of supplies against ongoing PO, there was every likelihood that supplies of additional four PTRs would

be delayed beyond June 2011. So, the very purpose of the repeat order would be got defeated.

(2) The prices against latest tender enquiry were lower by ₹ 1.19 crore per PTR and confirmed purchase order for supply of additional four PTRs was not yet issued.

The Company incurred avoidable expenditure of ₹ 4.76 crore in the purchase of power transformers at higher price.

We observed that the Company instead of reconsidering its decision, placed (18 April 2011) a purchase order on BHEL for supply of four additional PTRs. Audit further observed that BHEL supplied nine PTRs during February 2011 to October 2011 and additional four PTRs during November 2011 to January 2012 i.e. after the paddy season was over. Resultantly, an avoidable extra expenditure of ₹ 4.76 crore was caused to the Company.

Non conducting of physical verification of stocks

2.1.36 There are eight[28] Area Stores under the control of the Company, out of which, two[29] were transferred to the PSPCL in November 2011 under unbundling scheme. We observed that the physical verification (PV) of the stores was not being conducted annually. The PV of only three[30] Area Stores out of eight was done regularly each year and PV of one[31] store was not conducted at all during 2007-12.

The value of non moving, surplus, obsolete, unserviceable and scrap material in the last five years is given below:

(₹ in crore)

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
Surplus/obsolete/ unserviceable/ scrap	1.24	1.49	2.00	2.11	2.29
Non moving	2.53	2.95	3.55	3.76	3.81
Total	**3.77**	**4.44**	**5.55**	**5.87**	**6.10**

The above table reveals that the value of the scrap, obsolete and non moving stock was on increasing trend during 2007-12. The Company had not taken action to conduct survey reports and dispose of the scrap/obsolete material, which could have earned revenue and also resulted in creation of space for stocking other materials.

Management stated (September 2012) that efforts would be made to reduce scrap, surplus and obsolete stores.

Non disposal of damaged power transformers

2.1.36.1 Whenever a power transformer (PTR) is declared irreparable, survey off report is prepared for disposal.

[28] Ablowal, Jamsher, Jalandhar, Moga, Mandi Gobindgarh, Verpal, Sahnewal & Ludhiana.
[29] Mandi Gobindgarh & Verpal.
[30] Verpal, Ludhiana & Jamsher.
[31] Mandi Gobindgarh.

Audit observed that 25 PTRs damaged during July 2004 and July 2011 were still (April 2012) lying pending for disposal. An analysis of which revealed that the Company took no action to dispose of/auction these PTRs and delays worked out were upto 87 months (March 2012). The following table indicates delays at various stages and loss of interest:

Stage at which PTRs were delayed	No. of PTRs	Range of delay (in months)	Approx. disposal value (₹ lakh)	Loss of interest (₹ lakh)
Non preparation of survey off report	9	3 to 50	435.00	36.05
Non approval of survey off report	10	14 to 87	610.41	246.31
Non disposal even after approval of survey off report	4	17 to 67	225.00	101.80
TOTAL	**23**	**3 to 87**	**1270.41**	**384.16**

Non disposal of damaged PTRs resulted in loss of interest of ₹ 3.84 crore.

Thus, non disposal of 23 damaged PTRs (approximate valuing ₹ 12.70 crore) resulted in loss of interest of ₹ 3.84 crore upto March 2012.

Further, two Power Transformers (PTRs) were damaged during October 2005 to September 2007. After inspection, it was decided to repair these PTRs by replacing their damaged parts. The Management observed (May 2011) after a lapse of 44 and 67 months that these PTRs could not be repaired economically and decided to dispose of the damaged PTRs. The details of these PTRs and expected salvage value are as under:

Sr. No.	Particulars of the damaged PTR & Name of the substation, where it damaged	Date of damage	Expected salvage value of the PTR (₹ in lakh)	Period from the date of damage to May 2011
1.	16/20 MVA, 132/11 KV, 132 KV substation, Tangra.	12 October 2005	36.14	67 months
2.	20 MVA, 132/11 KV, 220 KV substation, Civil Lines, Amritsar.	September 2007	53.29	44 months
		TOTAL	**89.43**	

The Management finalised the survey of reports of PTR at Sr. No. 1 in the month of June 2012 and at Sr. No. 2 in the month of August 2011. However, these damaged PTRs have not been disposed of so far (September 2012). Thus, delay in taking decision to declare these PTRs as irreparable coupled with delay in action to dispose of these PTRs resulted in non realisation of expected salvage value of ₹ 89.43 lakh.

Monitoring and Control

2.1.37 The performance of the SSs and lines of 220 KV/132 KV on various parameters like maximum and minimum voltage levels, breakdowns, voltage profiles should be recorded/maintained as per the Grid code standards. We noted that the year-wise cumulative performance of the SSs and lines were neither being maintained nor consolidated for evaluation of annual performance of the SSs and lines. However, the field Divisions of transmission system units compile the monthly MIS reports indicating the performance of the units as well as equipments installed. These reports are forwarded to the Corporate Office. Further, verification of MIS reports of the seven selected P&M divisions revealed that details regarding programmed overhauls of equipments like circuit breakers, due dates of next oil change, OLTC[32] operations, dates of maintenance works, performance of SS batteries, performance of relays, cause-wise analysis of feeder breakdowns were not being furnished to the Corporate Office. The performance of lines and SSs and steps taken for further improvement of the system were not being appraised to the Board of Directors of the Company either annually/quarterly/monthly reflecting that minimal importance was being given to the MIS reports.

Review of the envisaged benefits of T&D schemes

2.1.38 The Company executed and commissioned 29 EHT SSs and erected a total length of 1,047 CKMs of EHT lines during 2007-12. While approving the T&D schemes, the Company envisaged benefits in terms of reduction in line losses, improvement in voltage levels and the load growth to be achieved by the new schemes. It was, however, observed that the Company had not evolved any mechanism/ system to assess the benefits actually derived on implementation of the T&D schemes after commissioning of the new projects as required feedback was not received from the concerned field offices.

Internal Controls and Internal Audit

2.1.39 Internal control is a process designed for providing reasonable assurance for efficiency of operations, reliability of financial reporting and compliance with applicable laws and statutes which is designed to ensure proper functioning as well as effectiveness of the internal control system and detection of errors and frauds.

We observed that internal control system of the Company was deficient particularly in areas of maintenance of records of assets. The Company had not maintained its fixed assets records as required in Companies Auditor Report Order, 2003. Balances of Fixed Asset Register did not tally with balance of Fixed Assets in the Accounts. Stock inventory as per Store record was also not reconciled with the inventory reflecting in the books of Accounts of the Division (March 2012). Coordination between the different related wings during execution of the transmission works was inadequate. Timely submission of material at site (MAS) accounts by the Junior Engineers was not ensured.

Management stated (September 2012) that function of preparation of development of Fixed Assets Register has been outsourced.

Internal Audit

In the erstwhile Board, there was a separate internal audit wing headed by Chief Auditor. However, after unbundling in April 2010 there was no such

[32] On Load Tap Changer

arrangement in the Company. The management therefore decided (June 2011) to outsource the internal audit function. For this purpose, organisation of the Company was divided into four audit units and five firms were appointed as Internal Auditors for the financial years 2010-11 and 2011-12. Audit for 2010-11 had been conducted and for 2011-12 was in progress.

Audit Committee

2.1.40 The Company constituted an Audit Committee as required under Section 292A of the Companies Act, 1956. As per the Terms of Reference of the Audit Committee, it should have met two times in a year but we observed that it met only on one occasion during 2011-12 to review the status of compliance of internal audit observations for the year 2010-11. As per Section 292A (5), the internal auditors should also attend all the meetings, but only one out of five internal auditors attended the meeting.

Conclusion

- **The Company failed to achieve the planned additions/ augmentations/ upgradations of the transmission system during 2007-12. Further, the Company also failed to adhere to the time schedule in the execution of a number of transmission works resulting in cost overrun and time overrun in case of three substations and eight transmission lines.**

- **The Company failed to add adequate transmission capacity to cater to total connected load/ demand in the State.**

- **The Company failed to provide adequate shunt capacitors to avoid the payment of reactive energy charges.**

- **The Company failed to provide adequate differential relays, Bus Bar Protection Panels and Disturbance Recorders for preventive maintenance and also failed to carry out the requisite/ planned capital maintenance of power transformers.**

- **The Company failed to carry out the grid maintenance in accordance with the instructions of Central Electricity Authority as it indulged in overdrawal of power below the prescribed frequency resulting in payment of additional unscheduled interchange charges and causing of tripping of thermal power generating stations.**

- **The Company failed to provide adequate meters at the interstate boundary metering points to ensure proper accounting and audit of energy transmitted.**

Recommendations

The Company needs to:

- **evolve an effective system to monitor the execution of planned additions/ augmentations/ upgradations of the transmission system within the specified time schedule.**

- **add adequate transmission capacity to cater to the total connected load/ demand in the State.**

- **provide adequate shunt capacitors to avoid payment of reactive energy charges.**

- **provide adequate differential relays, Bus Bar Protection Panels and Disturbance Recorders for preventive maintenance and evolve a monitoring system to ensure that all the requisite/ planned capital maintenance of power transformers is carried out within the scheduled period.**

- **carry out the grid maintenance in accordance with the instructions of the Central Electricity Authority to avoid additional payment of unscheduled interchange charges and tripping of power generating units.**

- **provide adequate meters at the inter-state boundary metering points to ensure proper accounting and audit of energy transmitted.**

2.2 Working of "Punjab Small Industries & Export Corporation Limited"

Executive Summary

The Punjab Small Industries and Export Corporation Limited was incorporated with the objective of aiding, promoting and protecting the interests of small scale industries in the State by developing industrial focal points to provide infrastructural facilities and by providing financial, technical, managerial and marketing assistance. The audit findings are summarized below:

Non development of existing Industrial focal points

The Company failed to allot entire plots at its industrial and residential focal points even after lapse of 12 to 15 years since the development of focal points. As of 31 March 2012, out of 15,085 industrial and residential plots, 2,582 plots were lying unallotted. The Company failed to allot even a single plot at Mansa focal point. The Company also failed to evolve an effective policy for floating of advertisements for allotment of plots at periodical intervals.

Irregularities in revision of reserve price

The reserve price of all the focal points was not revised at same time in one go on yearly basis. The reserve price was being revised in an adhoc policy. In respect of eight focal points, revision in reserve price was carried out during July 2011 after a gap of six to seven years. This has resulted in loss of revenue of ₹ 10.92 crore.

Telecommunication Policy

The Company got approved its Telecommunication Policy in January 2005 from the State Government for installation of telecommunication towers at its industrial plots but did not conduct any survey to determine the total number of telecommunication towers actually installed in its focal points. The Company also failed to regularise installation of telecommunication tower at two industrial plots and in another case regularised the installation of tower at a rate lower than the prescribed fee, resulting in favour to allottees and non/ short recovery of ₹3.04 crore along with interest there upon.

Non transfer of maintenance of focal points

In accordance with State Government's decision (September 1999), the Company failed to assess the deficiencies in the infrastructure provided in its focal points. This has resulted in non transfer of maintenance of focal points to Municipal Corporations/ Committees resulting in avoidable expenditure of ₹10.18 crore on repair and maintenance and ₹ 14.67 crore on account of payment of wages to the workcharged employees.

Reconciliation of funds released to Collector Land Acquisition

The Company had not evolved any system for carrying out periodical reconciliation of funds released to Collector Land Acquisition (CLA) to ensure that funds, if any, remaining surplus with CLA on account of non payment of compensation/ excess payment made were refunded to the Company without any loss of time. This resulted in surplus funds of ₹13.26 crore lying with CLA during 2004-10.

Export Promotion – ASIDE Scheme

The Company was made the nodal agency for the implementation of Government of India's scheme 'ASIDE' for extending assistance for developing export infrastructure and allied activities in the State. The Company failed to perform nodal function effectively and released funds of ₹ 8.62 crore to ineligible units. The Company itself utilised ₹ 37 crore received under 'ASIDE' on upgradation works at different industrial focal points which were not directly linked with promotion of exports in violation of scheme's guidelines resulting in diversion of funds.

Internal Audit and Internal Controls

Internal audit and Internal control mechanism of the Company was weak. There was no system of reporting the results of internal audit periodically to the Board of Directors. The Company had not prepared its internal audit manual even after lapse of 50 years since its incorporation.

Conclusion and recommendations

The Company failed to allot all the plots at its industrial and residential focal points even after lapse of more than 15 years from the development of focal points. It failed to transfer the focal points to local bodies even after lapse of gestation period of five years for development and incurred huge expenditure on the maintenance thereof. The system to watch the recovery from the allottees was deficient and prone to delay/ non – recovery of enhanced compensation, interest and other levies as the Company did not maintain allottee wise ledger. All emporia of the Company except one were continuously running in losses and the Company also failed to disburse central funds received under "Assistance to States for Developing Export Infrastructure and Allied Activities" scheme to eligible units.

We have made six recommendations to improve the performance of the Company. Exploration of opportunities to allot all the plots at its industrial and residential focal points, initiation of process of transfer of focal points to Municipal Corporations/ Committees at the earliest to save huge expenditure on maintenance, maintaining allottee-wise ledgers to monitor the recovery from allottees effectively, emphasizing on the need to channelise the central funds towards eligible projects having direct linkage with development and growth of exports, etc. are some of these recommendations.

Introduction

2.2.1 The Punjab Small Industries Corporation Limited was incorporated in March 1962 with the main objective of aiding, promoting and protecting the interests of small scale industries (SSIs) in the State by developing industrial focal points to provide infrastructural facilities and by providing financial, technical, managerial and marketing assistance. The Company was renamed as Punjab Small Industries and Export Corporation Limited (Company) in October 1982 so as to indicate the export promotion activity also. The Company was appointed (March 2002) as the nodal agency for implementation of Government of India's ASIDE[1] scheme for providing assistance to State Government for creating appropriate infrastructure for development and growth of exports. **Major activities of the Company were development and maintenance of industrial focal points.**

The Company has developed 39 industrial focal points in 28 towns and carved out 11,023 industrial plots of which 10,170 plots had been allotted upto March 2012. In 17 residential focal points, 4,062 residential plots were carved out of which 2,368 plots were allotted upto March 2012. The total area coverage of these industrial focal points (including residential area) was 7,262.10 acres.

The Management of the Company is vested in a Board of Directors (BOD). As on 31 March 2012, there were 11 directors appointed by the State Government including a Managing Director and a Chairman. The Managing Director is the Chief Executive of the Company and is assisted by functional heads incharge of various activities viz. Raw material, Emporia, Estate, Export promotion, Personnel and a Superintending Engineer incharge of Engineering Wing.

Scope and Methodology of Audit

2.2.2 The activities of the Company for the period 1996- 2001 were last reviewed and included in the Report of the Comptroller and Auditor General of India (Commercial) for the year ended 31 March 2002 – Government of Punjab. Committee on Public Undertakings (COPU) of State Legislature discussed the performance audit in parts in August and September 2006, October 2010 and September 2012. COPU directed (September 2012) the Company to fix the responsibility of Company officials for non recovery of development charges from industrial units which were in existence at the industrial sites and were not uprooted and to initiate action to recover these charges from the concerned units {Paragraph 2A.8.1.4 (iii)}.

The present performance audit was conducted between December 2011 and June 2012 with a view to evaluate the performance of the Company with regard to the improvement in its activities namely development of focal points for development and promotion of industries through the development of industrial infrastructure namely industrial focal points (IFP); allotment of plots in focal points; running of a chain of emporia under the brand name 'Phulkari'

[1] Assistance to States for Developing Export Infrastructure and Allied Activities.

to promote the interests of small scale units and craftsmen by selling their products through the emporia network; procurement of raw materials from the main producers/ departments and its distribution to SSI units from its network of depots as an assistance to the SSI units; undertaking of deposit works for building projects through its Engineering Wing; promotion of exports as a nodal agency of the State Government and implementation of Central Government scheme namely 'Assistance to State Governments for Development of Export Infrastructure and Allied activities (ASIDE)'.

The methodology adopted for attaining the audit objectives consisted of explaining audit objectives and audit criteria to the top management, scrutiny of records, interaction with the auditee personnel, analysis of data with reference to audit criteria, raising of audit queries, discussion of audit findings with the management and issue of draft performance audit report to the management for comments. During the review period, the Company developed only one focal point at Kapurthala. The performance audit involved the scrutiny of the process of the development of said focal point and allotment of residual industrial/ residential plots in other existing developed focal points. The audit examination involved scrutiny of records at head office, of nine[2] out of 28 industrial focal points (IFPs), five[3] out of 17 residential focal points (RFPs), three[4] out of nine raw material depots and three[5] out of seven emporia selected on the basis of statistical sampling following the Probability Proportional to Size technique.

Audit Objectives

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

Planning

- Sites selected for development of focal points were appropriate;

Project development and Industrial promotion

- Development and maintenance of focal points, carving out of plots and construction thereon were as per the approved programme/ plans,
- The allotment of plots was as per land allotment policy of the State Government and the Company;

Financial management

- Reserve price of land allotment of all the focal points was correctly fixed and recovered by the Company,
- Recoveries from the allottees were as per the terms and conditions of allotment/ policies of the Company;
- Company's decisions were based upon principles of financial propriety.

[2] Pathankot, Nawan Shahar, Ludhiana, Raikot, Amritsar, Muktsar, Patiala, Goindwal and Tanda.
[3] Bathinda, Patiala, Goindwal, Raikot and Mohali.
[4] Kartarpur, Ludhiana and Mandi Gobindgarh.
[5] Chandigarh, New Delhi and Kolkata.

Marketing of produce/ emporia

- The emporia were fulfilling the objectives for which these were established and are working economically and efficiently,
- Raw material depots were catering to the needs of small industrial units of the State,
- The activities of handling agency business were running economically and efficiently;

Export promotion

- Export promotion activities were being carried out efficiently and effectively for achieving desired objectives; and

Evaluation and monitoring

- The internal control mechanism and internal audit system in the Company were adequate and effective.

Audit Criteria

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

- Policy of the State Government for development and maintenance of focal points;
- Policy of the State Government for allotment of plots under different categories;
- Policy for fixation of reserve price for allotment of plots;
- Objectives for opening emporia;
- Objectives and targets fixed for export promotion under ASIDE; and
- Rules and guidelines issued by the State Government relating to the development of focal points.

Audit Findings

2.2.5 We explained the audit objectives and criteria to the Company during an Entry Conference held on 9 January 2012. Subsequently, audit findings were reported to the Company and the Government in September 2012 and discussed in an Exit Conference held on 29 November 2012. The Joint Controller of Finance and Accounts represented the State Government. The Company also earlier replied to audit findings in October/ November 2012. The views expressed by the Management in the exit conference have been considered and suitably incorporated in performance audit report. We acknowledge the cooperation and assistance extended by the Company/ Government in the conduct of the performance audit.

Financial position and working results

2.2.6 The financial position and the working results of the Company for the last five years upto 2011-12 have been given at ***Annexure-9***. The Company had finalised its accounts up to 2009-10 and accounts from 2010-11 and 2011-12 were in arrears.

The details of total income, expenditure and profit for 2007-12 were as under:

(₹ in crore)

Sl No	Particulars	2007-08	2008-09	2009-10	2010-11 (Provisional)	2011-12 (Provisional)
(i)	Sales	165.48	177.16	173.19	198.72	246.82
(ii)	Handling income	4.53	7.01	4.33	4.52	3.79
(iii)	Total operating income	170.01	184.17	177.52	203.24	250.61
(iv)	Total expenses[6]	185.43	196.33	197.32	233.96	288.42
(v)	**Operating Profit/ (Loss)**	**(15.42)**	**(12.16)**	**(19.80)**	**(30.72)**	**(37.81)**
(vi)	Percentage of expenditure to operating income	109.07	106.60	111.15	115.12	115.09
(vii)	Depreciation and financial expenses	2.81	3.98	2.92	2.33	4.14
(viii)	Other Income	31.33	40.57	29.10	38.98	49.20
(ix)	**Profit before tax**	**13.10**	**24.43**	**6.38**	**5.93**	**7.25**

➢ From the above, it would be seen that the Company incurred operating losses during the period 2007-12 which increased by 145 *per cent* during the performance audit period, from ₹ 15.42 crore in 2007-08 to ₹ 37.81 crore in 2011-12. The profit was generated by the Company due to its Other Income. The profit of the Company had decreased from ₹ 24.43 crore in 2008-09 to ₹ 7.25 crore during 2011-12. We observed that this was mainly due to non revision of reserve price or sale price annually of plots, non initiation of effective steps for recovery of maintenance charges, non adjustment of excess amounts deposited with Collector Land Acquisition (CLA) etc. During scrutiny of records we noticed that IFP Phase VIII, Dhandari Kalan, Ludhiana though completed and handed over to the Municipal Corporation, Ludhiana in January 2005 had not been capitalised, which led to non accountal of sale of 732 out of 736 plots and profit of ₹ 11.46 crore accruing thereon in its working results. Leather Complex at Jalandhar, initially developed by Punjab State Leather Development Corporation Limited (PSLDC) was transferred to the Company in October 1992. However, the Company even after lapse of 20 years, had not merged the accounts of Leather Complex, Jalandhar with its

[6] It includes stock adjustments but excludes depreciation and financial expenses.

operations. This resulted in non accountal of accumulated profits of ₹ 12.93 crore upto March 2010 from Leather Complex in its working results.

➢ The Company had authorised capital of ₹ 60 crore divided into 60 lakh equity shares of ₹ 100 each. The paid up capital of the Company as on 31 March 2011 was ₹ 50.01 crore almost wholly subscribed by State Government (₹ 49.86 crore) and Central Government (₹ 0.15 crore). The Company was liable to declare minimum dividend at the rate of four *per cent* which was subsequently revised (July 2011) to five *per cent* on the capital subscribed by the State Government. We however, observed that the Company had not declared any dividend on the equity of the State Government during 2007-10.

Appraisal of activities

Development of Industrial Focal Points

2.2.7 The Company was assigned the work of development of industrial focal points (IFPs) in State since 1972-73. The Company did not have any short term/ long term plan or took up any new project at its own initiative for development of IFPs during the review period except development of Mixed Use Integrated Industrial Park at Kapurthala which was in preliminary stage. It had developed 39[7] IFPs in 28 towns. The status of focal points developed, total plots carved out, plots allotted and plots remained unallotted during 2007-12 is given in ***Annexure-10***. Audit observed that out of 11,023 industrial plots of various sizes in these focal points, 10,170 plots were allotted during 2007-12 and 888 plots were lying unallotted as on 31 March 2012. In this regard, audit observed as under:

Non development of existing Industrial Focal Points

2.2.7.1 While discussing Paragraph 2A.8.1.1 of Report of the Comptroller and Auditor General of India for the year ended 31 March 2002 (Commercial) – Government of Punjab, COPU directed (October 2010) the Industry Department and the Company to make efforts for allotment of unallotted plots. Despite COPU's directive, the Company failed to allot entire industrial plots at five earmarked focal points as of 31 March 2012 as discussed in the succeeding paragraphs:

- The Company acquired 51.98 acres land for ₹ 3.10 crore for setting up IFP, Mansa in April 2000. The BOD considered (April 2003) to make a reference to the State Government for denotifying the land acquired for development of IFP, Mansa as the project was not commercially viable. However, it decided (May 2003) to make a reference to the Director of Industries, Punjab to know whether land was required by any other Public Sector Undertaking/ Government Departments and in case encouraging response was not received, then the Company might explore the possibility to offer this land to the original land owners. The Company after a long period of more than seven years, approved (December 2010) the estimate for

[7] IFP Mansa where land was acquired in April 2000 but it was yet to be developed.

development of Mini Industrial Growth Centre at Mansa at a cost of ₹ 29.18 crore citing huge response had been received by the Company. However, the development work was kept in abeyance on the plea that upgradation of the existing focal points was to be given priority over the development of new industrial focal points as per the decision (July 2011) of Government. Up to March 2012, the Company could not allot even a single plot out of total 185 industrial plots at IFP, Mansa.

The Management stated (November 2012) that advertisements for allotment of plots were issued in the years 2000, 2001 and 2005 but no applications except one for 500 sq. yards plot was received by the Company. The subsequent proposals to transfer land to Home Department, Government of Punjab for setting up of police line and to another industrialist for setting up Agri Mega project also could not fructify. The Management further stated that now the proposal for transfer of land to PUDA for housing purpose was under consideration, which would attract better returns to the Company.

Conceivement of focal point without demand resulted in blockade of ₹ 3.10 crore alongwith loss of interest of ₹ 5.58 crore.

Thus, the decision (April 2000) to develop focal point at Mansa and subsequent lack of response from industrialists is evidence of the fact that the project was not conceived due to demand. This resulted in blockade of funds of ₹ 3.10 crore along with loss of interest of ₹ 5.58 crore[8] up to March 2012.

- For development of IFPs at Abohar, Muktsar and Raikot, the Company acquired land during 1996, 1997 and 2000, respectively. The Company carved out (up to October 2002) 590 plots of various sizes and up to 31 March 2007, the Company was able to allot (March 2007) only 22 plots: 3 out of 237 at Abohar and 19 out of 187 at Raikot. The Company could not allot even a single plot out of total 166 plots at Muktsar. Subsequently, the Company increased/ decreased the number of plots at these focal points without recording any reason and allotted 96 plots in 2011-12. The revised status is given in the following table:

Sl No	Name of Focal Point	Total plots carved (Nos)	Status of Plots as on 31 March 2011		Plots allotted during 2011-12 (Nos)	Plots remained unallotted as on 31 March 2012 (Nos)
			Allotted (Nos)	Unallotted (Nos)		
1	Abohar	79	5	74	21	53
2	Muktsar	215	0	215	60	155
3	Raikot	187	19	168	15	153
	Total	**481**	**24**	**457**	**96**	**361**

Above table shows that even after a lapse of 12 to 15 years, the Company failed to allot 361 out of total 481 industrial plots which indicates that development of focal points at these places was not taken up after a proper demand survey and the Company failed to achieve the objective of development of IFPs.

The Management stated (November 2012) that efforts were being made to motivate the entrepreneurs to seek allotment of residual plots. The reply is not

[8] Calculated at the rate of 15 *per cent* per annum.

convincing as the Company did not initiate any effort during 2007-11 to allot the residual plots as only two plots were allotted during that period.

Further, allotment of plots at Abohar and Muktsar was made at unrevised reserve price of March 2009 in 2011-12, which has been commented in paragraph 8.1infra.

Lackadaisical and non transparent approach in allotment of Industrial Plots

2.2.7.2 The Company had allotted only 375 plots during 2007-11 and 357 plots during 2011-12. As on 31 March 2012, 527 industrial plots developed by the Company, were lying unallotted at the remaining 36 focal points in 25 towns, developed by the Company (as per details given in ***Annexure-10***). Scrutiny of records revealed that the Company had issued advertisements for allotment of industrial plots under General scheme during 2005 and thereafter in July/ September 2011 i.e. after a gap of about six years indicating that the Company had not framed any policy regarding periodicity for floating of advertisements for allotment of plots.

As on 31 March 2011, there were 68 unallotted plots at IFP Mohali. But, the Company advertised (July 2011) for allotment of 83 plots of various sizes ranging between 500 square yards and 5,000 square yards. However, it allotted 101 industrial plots (including 22 plots of 2,500 square yards as against 13 offered through advertisement and 14 plots of 3,500 square yards as against five offered through advertisement) against initial advertisement for 83 plots. The Company did not furnish the circumstances as to how it could allot plots in excess of land bank put up for allotment. Similarly, the Company had made allotment of four plots (500 square yards each) against only two available unallotted plots at IFP Hoshiarpur as on 31 March 2011. While**,** residual six plots of IFP Jalandhar (five) and Nawanshahar (one) were not offered for allotment at all.

Non framing of any policy regarding periodicity for floating of advertisements for allotment of plots, increasing/ decreasing the size/ number of plots and non offering of some plots for allotment indicates lackadaisical and non transparent approach of the Company in allotment of industrial plots resulted in defeating the very purpose of providing infrastructural facilities for promoting the interest of small industries in the State.

The Management stated (November 2012) that the Company issued advertisement for allotment of plots only in September 2011 as the industry had been passing through recession in the past. As regards increase in number of plots actually allotted at Mohali on the basis of advertisement of 2011, the same became available as a result of replanning of some areas. The Management also informed that possibility of making allotment of residual plots to entrepreneurs in focal point, Jalandhar would be explored.

Reply of the Management is not convincing as the Company did not issue any open advertisement during 2006-11 even to explore/ assess the demand for residual plots whereas it allotted 375 plots during 2007-11 on off the shelf basis. Increase in number of plots allotted at Focal point, Mohali, did not match with supporting records of the Company.

Failure to allot plots at Residential Focal Points

2.2.7.3 On the proposal (November 2001) of the Company, the State Government had approved (December 2001) to earmark 20-30 *per cent* area for industrial housing in the existing/ coming-up IFPs and growth centres developed by the Company with the objective of providing integrated industrial and residential facilities to the entrepreneurs. The details of total plots developed, allotted and remained unallotted during the five years ended 31 March 2012 are given in ***Annexure-11***. The scrutiny of the Annexure will reveal that:

- At 17 Residential Focal Points (RFPs), 1,694 plots out of 4,062 plots were still to be allotted as on 31 March 2012. No plot was allotted in any RFP during 2007-12.

- The Company could not allot even a single residential plot at Raikot, Abohar, Malout, Tanda and Mansa focal points since their inception.

We observed that the Company did not float any advertisement for allotment of plots at residential focal points during 2007-12. Lack of clear cut policy relating to allotment of residential plots/ inaction on the part of the Company in making allotment of plots at different RFPs resulted not only in blockade of funds but also in non-achievement of objective of providing integrated facilities to the entrepreneurs/ labourers for speedy growth of industry in the State.

The Management accepted and stated (November 2012) that during last 6-7 years entrepreneurs did not come forward seeking allotment of residential plots in its focal points and as a result the Company did not release advertisement for allotment of residential plots during September 2011. Besides, industrial activity had not picked up at focal points Raikot, Abohar, Malout and Tanda. The Company assured of efforts to invite applications for residential plots at these focal points as and when industrial activity gets stimulus in these areas.

Irregularities in revision of reserve price

2.2.8 The Company allots the industrial plots at its various focal points at reserve price fixed from time to time. In August 1995, a committee constituted for revision of rates of different focal points decided that the Company may fix reserve price in the range of 65 *per cent* to 70 *per cent* of the market price. The committee further desired that there should be a Standing Committee comprising of representatives from the Company and Directorate of Industries, Punjab so that yearly market rates could be ascertained.

Scrutiny of records revealed that reserve price of all the focal points was not revised at the same time in one go on yearly basis. We observed that the reserve price was being revised from time to time in an adhoc policy. In respect of eight focal points, revision in reserve price was carried out during July 2011 after a gap of six to seven years. This had resulted in loss of revenue as discussed in succeeding paragraphs.

Non-revision of reserve price

2.2.8.1 The Company revised reserve price of plots of its focal points in January 2011 and July 2011 by 25 to 114 *per cent* before floating fresh advertisement for allotment of residual industrial plots lying at different focal points. However, reserve price of plots at Muktsar, Abohar and Pathankot focal points was not revised since March/ October 2009.

Non revision of reserve price of focal points at Muktsar, Abohar and Pathankot resulted in loss of revenue of ₹ 2.01 crore.

On the basis of advertisement (September 2011), the Company allotted 107 plots (99,750 square yards) during 2011-12 - Pathankot: 26 plots measuring 25,000 square yards, Muktsar: 60 plots measuring 44,000 square yards and Abohar: 21 plots measuring 30,750 square yards at their respective unrevised reserve prices. Non-revision of reserve price at these focal points resulted in loss of revenue of ₹ 2.01 crore[9].

Deviation from established practice of single reserve price for different sizes of plots

2.2.8.2 The Company was having an established practice of reserve price fixed on the basis of uniform rate of per square yard (psy) irrespective of the size of plots at each focal point in the State. However, for Mohali focal point, the reserve price of plots was not revised uniformly in accordance with practice of the Company.

We observed that the reserve price for plots measuring up to 500 square yards was enhanced (December 2005) to ₹ 6,000 psy. However, the reserve price for plots of more than 500 square yards was kept unchanged at ₹ 2,700 psy. In April 2006, the Company again revised the rates to ₹ 4,500 psy for plots measuring more than 500 square yards to 1,000 square yards but kept the same rate of ₹ 2,700 psy for plots measuring more than 1,000 square yards which was contrary to the established practice of charging uniform rates for all sizes of plots.

Charging of different reserve price for different sizes of plots resulted in extension of undue favour of ₹ 8.91 crore to the allottees.

The Company Off the shelf allotted 13 plots during 2008-09 at IFP, Mohali: 10 plots of more than 1,000 square yards at the rate of ₹ 2,700 psy and three plots of 1,000 square yards at the rate of ₹ 4,500 psy. The charging of different reserve price for different sizes of plots resulted in extension of undue favour of ₹ 8.91 crore to the allottees to the financial detriment of the Company.

Non compliance of terms and conditions of allotment

[9] Worked out by taking minimum increase of 25 *per cent* of their previously fixed reserve price which the Company adopted in the year 2011 in other cases

2.2.9 The terms and conditions of allotment of plots in focal points *inter alia* provided for payment of 40 *per cent* of tentative cost of plot at the time of allotment and remaining 60 *per cent* either in lump sum within 60 days from the date of allotment or in specified number of equated installments along with specified rate of interest. The allottee was required to take possession of the plot within 90 days from the date of issue of allotment letter. Further, the allottee was required to commence production within three years from the date of allotment of the plot which was extendable by another period of two years on payment of extension fee. The allottee was required to produce SSI registration certificate of the unit as a proof of having brought the unit into production. In case of non compliance with any of the above conditions by the allottee, the Company was liable to initiate action for cancellation/ resumption of plots and forfeiture of the money deposited.

2.2.9.1 ***Vacant and under construction plots***

The Company conducted (March 2009) a survey of allotted plots and found that out of 9,402 plots allotted, only 4,880 were under production, 2,619 plots were lying vacant and 1,903 were under construction as per details given in ***Annexure 12***. As the last allotment was made by the Company during the year 2005, so the period for bringing these units into production had already elapsed. Thus, the allotment of 4,522 vacant and under construction plots was liable for cancellation and resumption as per the terms and conditions of allotment letters. Audit, however, observed that:

- The Company did not initiate any action as per the terms and conditions of allotment letters in respect of plots still under construction or lying vacant.
- The Company did not conduct fresh survey to determine the status of industrial plots after 31 March 2009.

The higher percentage (48) of vacant plots/ plots under construction has defeated the very purpose of allotment of these plots which was for industrialisation of the State and creation of employment.

Non cancellation/ resumption of plot due to non taking of possession/ non payment of dues resulted in undue favour and benefit of ₹ 0.89 crore to the allottee.

2.2.9.2 The Company allotted (28 October 1996) plot measuring 5,000 square yards to Sh. Manjinder Singh (allottee) for manufacture of leather footwear in Leather Complex, Jalandhar. The allottee took the possession of the plot after April 2001 and requested (April 2003) for setting up of tanning unit along with leather footwear unit on the above plot. The Company approved (September 2003) the request subject to clearance of outstanding dues of ₹ 7.21 lakh on or before 28 October 2003. The outstanding dues were not deposited except for ₹ two lakh in March 2004. The remaining amount was paid on 17 June 2010 i.e. at the time of seeking transfer of the plot to another person. The transfer was allowed by the Company on 25 June 2010 (within a week).

Failure of the Company to initiate action for cancellation and resumption of the plot due to abnormal delay of about five years in taking possession of the plot and non payment of dues and subsequently allowing the transfer of the plot in June 2010 resulted in undue favour to the allottee and benefit of ₹ 0.89 crore[10] to the transferee.

2.2.9.3 Shalimar Estates Private Limited (allottee) was allotted (December 2005) a Multiplex/ Shopping Mall/ Hotel Site measuring 4,042.22 square yards at Mohali through auction for ₹ 30 crore and handed over the possession on 20 December 2005. The allottee paid ₹ 7.50 crore (25 *per cent* of cost) and remaining 75 *per cent* was payable in five annual installments along with normal interest @ 11 *per cent* per annum. The allottee failed to pay any of the installments and deposited only ₹ 30 lakh upto December 2008. The allottee also failed to commence its operations within a period of three years i.e. by December 2008. The Company issued show cause notices in November 2008, October 2009 and April 2012 for action under Clause 31 of allotment letter in view of violation of schedule of repayments, yet no action was initiated to cancel the allotment, forfeit the money deposited and for resumption of plot so far (November 2012).

2.2.9.4 The Company allotted (December 2005) an industrial site for Multiplex/ Shopping Mall/ Hotel Site measuring 8,787.78 square yards to Parsvnath Developers Limited at Mohali through auction for ₹ 56.31 crore and handed over its possession on 29 December 2005. The allottee deposited ₹ 14.08 crore (25 *per cent* of price) and balance 75 *per cent* was payable in five annual installments together with interest @ 11 *per cent* per annum. The allottee deposited only two installments (due in December 2006 and 2007) and requested (November 2009) for rescheduling of the remaining three installments to December 2010, December 2011 and December 2012 and also for waiver of interest/ penal interest for the entire period of delay. The Company neither rescheduled the remaining three installments nor issued any notice until August 2011. Parsvnath developers also failed to commence its operations within three years i.e. by December 2008. Though, the Company issued show cause notice for cancellation of allotment of plot in September 2011 and April 2012, yet no action was initiated for cancellation of allotment, forfeiture of amount deposited and for resumption of plot so far (November 2012).

2.2.9.5 A plot measuring 123.67 acres allotted (June 1995) to Ranbaxy Laboratories Limited (Ranbaxy) in Phase VIII, Mohali was cancelled (August 1999) owing to non implementation of the unit within the prescribed period. The Empowered Committee (EC) of the State Government approved (April 2003) a special package under Mega Project on the request made by Ranbaxy for restoration of cancelled allotment and payment of dues which included waiver of extension fee of ₹ 1.83 crore already deposited by the Ranbaxy and enhancement of additional period of three years from the date of restoration of the plot without levy of any extension fee for setting up of the project. In the event of failure to adhere to the prescribed time schedule for commencement of project, the package was to be withdrawn and the Company was free to take necessary action in terms of the allotment letter. Area of 80 acres of the plot

[10] Based upon reserve price of ₹ 2,000 psy at the time of transfer.

(after surrender of 43.67 acres by Ranbaxy) was restored (January 2004) to Ranbaxy.

We observed that Ranbaxy did not bring the unit into production at its plot upto July 2011 in violation of spirit of Special Package granted in April 2003. Hence, the benefits of special package allowed in January 2004 at the time of restoration of plot was required to be withdrawn in January 2007 and the waived off extension fee of ₹ 1.83 crore was to be recovered as per terms of special package. Further, the plot was to be resumed as per terms of allotment. Audit, however, observed that the Company did not initiate any action in this regard (November 2012).

The Management stated (November 2012) that since the issues concerning re-allotment made to Ranbaxy were dealt with by the State Government, the audit observations had been forwarded to Director of Industries & Commerce, Punjab, for further action and clarification. Further developments were awaited.

Non enforcement of zoning/ building bye-laws

2.2.10 The allottee of the industrial plot was required to abide by zoning plan/ building bye-laws of the Company. The Company also approved (February 2005) a policy for dealing with the cases of zoning/building bye-laws violations. The policy provided that no compromise was to be done in respect of major violations where demolition was the only solution and prescribed rates for compounding of minor violations.

Audit observed that the Company failed to enforce the policy of charging compounding fee for minor violations as well as initiating punitive action for major violations by the defaulting plot owners.

With a view to facilitate the allottees for obtaining permission to convert leasehold industrial plots into freehold, the Company decided (March 2010) not to obtain the field verification reports regarding zoning and building bye-laws violations and instead opted to obtain an undertaking from the plot holders for abiding the zoning/ building bye-laws. Otherwise he would be liable to act as per policy of the Company in case of violations.

In response to the above decision of the Company, the Department of Disinvestment of State Government directed (April 2010) the Company to obtain the field verification report of zoning & building bye-laws violations and also to remove unauthorized construction/ violation at the cost of plot holders in case they fail to do so on their own. Instead of implementing the State Government's above directives, the Company decided (September 2011) to do away with the system of even obtaining the undertaking as per its earlier decision of March 2010 on the directives of the Government. This decision of the Company resulted in jeopardizing the safety measures and non-enforcement of its own zoning/ building bye-laws.

We observed that the Company had not conducted any survey of its industrial plots having violations of zoning plans/ building bye-laws at its focal points.

Thus, there was complete absence of any internal control mechanism to safeguard the interests of the men and machines lying at concerned industrial units, neighbouring industrial units as well as public at large. A case in point is a building (Shital Fibres Limited) constructed at IFP Jalandhar collapsed on 15 April 2012, whose status regarding submission of building plan and/ or extent of zoning/ building bye-laws violations was not on record (July 2012).

The Management stated (November 2012) that the allottees had been asked through public notice (July 2012) for demolishing the offending portions in violation of zoning plans/ building bye laws which affect the safety of the structures. The Management's contention of having not jeopardized the safety measures does not stand scrutiny as it diluted its decision of March 2010 in its decision of September 2011.

Non implementation of Telecommunication Policy

2.2.11 The Company got approved (January 2005) from the State Government its Telecommunication Policy for installation of telecommunication towers in its focal points which *inter alia* provided for charging of regularisation fee equivalent to 50 *per cent* of amount paid by the Cellular Companies to the allottees or ₹ 2,000 per month for roof towers and ₹ one lakh per month for high rise telecommunication towers, whichever was higher. The Company/ State Government further made (May 2006) provision to charge interest on arrears at the rate of 11 *per cent* per annum plus penal interest at the rate of three *per cent* per annum. The Company received 14 requests from Cellular Companies/ individual allottees for regularisation of already installed telecommunication towers in focal points on which no action was taken as per its Telecommunication Policy. The Company had not conducted any survey to determine the total number of towers actually installed in its different focal points thereby defeating its Telecommunication Policy which was aimed at tapping new sources of revenue generation.

We observed

- The Company issued (September 2004) notice to Kumar Steels and Engineering Works (firm) for installation of high rise telecommunication tower in their plot no. C-50 at focal point, Jalandhar. The firm represented (November 2011) against Company's policy. The Company had not taken any decision in this regard so far (November 2012). This resulted in non recovery of ₹ 0.98 crore (November 2012).

- The Company issued (April 2005) show cause notice to Spice Telecommunications Private Limited (firm) for installation of high rise telecommunication tower in their plot no. C-105 at Phase-VIII, Focal Point, Mohali. The firm's request (November 2008) to reduce the monthly rent has not been decided so far (November 2012). This resulted in non recovery of ₹ 0.92 crore (November 2012).

- The Company regularised (November 2006) the installation of high rise tower installed in April 2003 by Mahindra Industries in their plot

Delay in taking decision as per Telecommunication Policy resulted in

no. K-62 at Phase-VIII, Focal Point, Ludhiana for a period of five years from April 2003 at a monthly fee of ₹ 2,000 instead of ₹ one lakh per month applicable for high rise telecommunication towers. This resulted in short recovery of ₹ 1.14 crore (November 2012).

The Company's delay in taking decision as per Telecommunication Policy resulted in non/ short recovery of ₹ 3.04 crore besides loss of interest which led to extension of favour to these three allottees at the cost and expense of the Company.

Maintenance of Focal Point

Non-transfer of maintenance of focal points

2.2.12 The Company had developed focal points in 27 towns as of 31 March 2012 (excluding focal point Mansa where no progress was achieved). In view of the gestation period of five years for industrial units to come into production, the project cost estimates for development of focal points contained provision for maintenance of essential services for the initial period of five years and thereafter these were to be the transferred to the respective Municipal Committee/ Corporation (MC).

The State Government decided (September 1999) that the Managing Director of the Company and concerned Municipal Commissioners would jointly assess the deficiencies in the infrastructure provided in the focal points and finalise the estimated cost for bringing the services up to the level originally envisaged and the Company was to deposit the amount against such estimates with local bodies at the time of transfer of focal points. The Company would not pay for any strengthening/ upgradation/ widening/ replacement of any additional work. MC would take over the need based maintenance staff from the Company.

We observed that only seven[11] focal points were transferred during 1980 and 2000. Though the joint survey of another six[12] focal points was carried out, but the same were yet to be transferred and for the remaining 14 focal points, even joint survey was not carried out (July 2012).

We further noticed that even though the Company had deposited (March 2006) ₹ 0.22 crore towards estimated cost of development of focal point, Jalandhar with the Municipal Corporation but the transfer was yet to be made (July 2012).

Thus, failure of the Company to transfer the remaining focal points resulted in avoidable expenditure on maintenance beyond the period of five years as discussed in succeeding paragraphs.

The Management stated (October 2012) that a draft Memorandum of Understanding for transfer of focal points, Jalandhar to MC had been sent to

[11] Bathinda (Old and IGC), Mohali (except Phase VIII A & B), Amritsar, Rajpura, Khanna, Dhandari Kalan (Ludhiana) and Patiala.

[12] Jalandhar (Old & Expansion, SSGC, Leather Complex), Derabassi, Hoshiarpur, Naya Nangal, Sangrur, Tarn Taran.

Commissioner for acceptance. The MC assured to take over the focal points, Jalandhar after getting the resolution passed in the House of MC, Jalandhar.

Extra expenditure due to non-recovery of maintenance charges

2.2.12.1 The Company decided (September 2003) to recover ₹ six psy per annum from September 2003 till the maintenance of the focal points was taken over by MCs. It was also decided that focal point wise joint accounts would be opened and the maintenance expenditure would be met out of such receipts**.** We observed that no action for recovery of maintenance charges was taken and rather it incurred an expenditure of ₹ 10.18 crore on repair and maintenance of the focal points during 2007-12 which was an extra burden on the Company (July 2012).

Incurring of expenditure on repair and maintenance and non initiation of action for recovery of the same from the allottees resulted in extra burden of ₹ 10.18 crore.

The Management stated (October 2012) that notices were issued to Industrial Associations for depositing requisite maintenance charges but the Associations did not deposit any amount. The fact remains that non recovery of maintenance charges from allottees resulted in avoidable burden of maintenance expenses on the Company.

Payment of idle wages

2.2.12.2 The Disinvestment Commission constituted by the State Government reviewed the activities undertaken by various State Public Sector Undertakings (PSUs) vis-à-vis their staff strength and in respect of the Company, it recommended for reduction of manpower from 1,444 (including daily wagers and work charged employees) to 500 within one year with 25 *per cent* reduction in each quarter. Moreover, in view of change (March 2003) in Industrial Policy, the Company was not to develop any more IFP on its own and Public-Private partnership for development of infrastructure was to be followed. Resultantly, the entire workforce of daily wagers and work charged establishment was rendered surplus.

In view of the above, the Company requested (September 2005) the State Government for granting permission to retrench daily wage and work charged employees. The State Government directed (December 2005) the Company to approach Labour Commissioner, Punjab as per section 25N of the Industrial Disputes Act, 1947 at its own level in this regard.

Non taking up of action to retrench daily wagers and work charged employees resulted in payment of idle wages of ₹ 14.67 crore during 2007-12.

We noticed (July 2012) that the Company neither took up the matter with the Labour Commissioner, Punjab nor took any decision to retrench the daily wagers and work charged employees though seven years had already elapsed. Thus, continuation of services of 384 daily wagers and 74 work charged employees in contravention of the recommendations of the State Disinvestment Commission resulted in payment of idle wages of ₹ 14.67 crore during 2007-12.

The Management stated (November 2012) that the case for regularization of daily wage and work charged employees fulfilling the required criteria as per State Government policy guidelines issued in November 2012 was forwarded through its Administrative Department to the State Government. The

Management further stated that work force was fully utilised as a lot of construction/ developmental works were undertaken during 2007-11. However, the Company did not take up any new development of focal point except the one at Kapurthala where development works were not executed by the Company through its own work force but were awarded to outside contractors.

Avoidable expenditure on upgradation of IFPs

2.2.12.3 The Company took up upgradation works of nine focal points (five[13] developed by Industries Department and four[14] developed by the Company) aggregating to ₹ 67.32 crore out of its own funds as per the decision taken by Principal Secretary, Industries and Commerce, Punjab in a meeting held on 30 August 2011.

Avoidable expenditure of ₹ 10.10 crore on upgradation works of focal points already transferred to MCs.

We observed that these IFPs were already transferred during 1980-2000 to respective Municipal Corporations/ Committees (MCs) for which responsibility for maintenance was of the respective MCs and the decision taken was in contravention of the already approved policy of the Company.

Thus, Company incurred an avoidable expenditure of ₹ 10.10 crore (expenditure up to December 2011) on upgradation works of focal points already transferred to MCs.

Reconciliation of funds released to Collector Land Acquisition

2.2.13 The Company had been releasing funds to Collector Land Acquisition (CLA) for making payment of land compensation to land owners by that office. We observed that the Company had not evolved any system for carrying out periodical reconciliation to ensure that funds, if any, remaining surplus with CLA on account of non payment of compensation/ excess payment made were refunded to the Company without any loss of time. The Company had not maintained proper records of payments made to CLA and adjustments made thereagainst. There were huge differences between the payments made by the Company and acknowledged by CLA as per details given in ***Annexure-13***. This resulted in non adjustment of excess amounts which remained outstanding with CLA.

₹ 13.26 crore were lying unutilised with CLA.

- The Company's funds to the tune of ₹ 13.26 crore (as per details given in ***Annexure-13***) were lying unutilised with CLA upto 31 March 2010.

Belated implementation of Supreme Court's decision resulted in excess payment of interest on solatium of ₹ 14.31 crore.

- Supreme Court ordered (September 2001) interest on solatium[15] can be allowed by Execution Court in pending execution petitions for the period from 19 September 2001 onwards and not for any prior period even in those cases where the interest on solatium has not been specifically allowed but the claim for interest on solatium has not been

[13] Phagwara (Kapurthala), Hoshiarpur, Ferozepur, Batala (Gurdaspur) and Malerkotla.
[14] Bathinda (Old/ IGC), Khanna (Ludhiana), Ludhiana and Mohali.
[15] A form of compensation for emotional rather than physical or financial harm.

expressly or impliedly rejected by reference Court or the Appellate Court. Thus, interest on solatium should not be paid for any period prior to 19 September 2001. However, CLA implemented the decision belatedly from 5 September 2008 i.e. after a gap of seven years resulting in excess payment of interest on solatium amounting to ₹ 14.31 crore.

The Management stated (October 2012) that interest on solatium would be taken into consideration while finalization cost sheet for recovery of enhanced land compensation from allottees. Further developments were awaited.

- The Consultant engaged for reconciliation work had also pointed out (October 2004) excess payment of ₹ 0.92 crore made by the CLA to land owners of focal points Bathinda (₹ 0.31 crore), Ludhiana (₹ 0.51 crore), Mandi Gobindgarh (₹ 0.02 crore) and Mohali (₹ 0.08 crore). The amounts were yet to be recovered despite lapse of about eight years.

- The Company's funds of ₹ 0.51 crore were utilised (June 2005) by CLA for other parties i.e. Punjab National Fertilizers Corporation Limited, Ropar (₹ 0.37 crore), Cement Corporation of India, Bathinda (₹ 0.09 crore) and Vardhman Polytex, Bathinda (₹ 0.05 crore). The amounts were yet to be refunded/ adjusted by the CLA (July 2012).

Recovery from allottees

Non recovery of enhanced compensation

2.2.14.1 Enhancement of compensation of land awarded by the Courts or otherwise was payable within 30 days from the date of demand raised by the Company. The amount of compensation paid by the Company was debited to allottees account and notices were issued in respect of plots already allotted. The details of actual payments on account of enhanced compensation vis-à-vis demand raised by the Company i.e. amount booked towards enhancement cost are given below:

(₹ in crore)

Year	Amount of enhanced compensation paid by the Company	Amount of enhancement booked in allottees' accounts	Amount of enhancement not booked in allottees' accounts
(1)	**(2)**	**(3)**	**(4) = (3) – (2)**
2004-05	20.55	14.98	5.57
2005-06	61.22	20.30	40.92
2006-07	44.19	41.01	3.18
2007-08	5.01	-	5.01
2008-09	7.70	7.68	0.02
2009-10	15.81	15.81	-
2010-11	12.73	11.89	0.84
Total	**167.21**	**111.67**	**55.54**

The system to watch the recovery was prone to delay/ non recovery from the allottees as the Company had

Thus**,** the Company had not booked ₹ 55.54 crore in allottees account during the period 2004-11, for which no reasons were on record.

We also noticed that the accuracy of the amount recoverable from allottees could not be confirmed as the Company had not maintained allottee-wise ledgers and recovery position was watched through allottees' files only, in the absence of which, age wise analysis/ recovery from allottees and instances of perpetual defaulters were not determinable. The system was, thus, prone to delay/non-recovery of enhanced compensation, interest and other levies.

Non-recovery of water and sewerage charges

2.2.14.2 The Company approved (January 2004) the water and sewerage charges as notified by the Government of Punjab. During the special survey conducted by the Company it was noticed that these charges were not being paid by all the entrepreneurs. In order to ensure foolproof recovery of these charges, the Company fixed (September 2009) water charges for construction of plots, disconnection charges, reconnection charges and rates for running own tube wells by the entrepreneurs and sewerage charges to be levied after one year from the release of water connection for construction or on installation of water meter, whichever was earlier.

Water and sewerage charges were being collected by two divisions' viz. Division 1, Chandigarh and Division 4, Jalandhar from the allottees of different focal points under their respective jurisdiction.
We noticed Division 1 did not prepare any MIS report and produced records relating to billing and collection of water and sewerage charges and were unauditable.

At Division 4, Jalandhar outstanding amount of ₹ 4.59 crore comprised of ₹ 2.74 crore due to court cases and the remaining ₹ 1.85 crore in arrears as on November 2011.

Thus, it shows that the Company had not evolved any internal control mechanism for regular recovery of water and sewerage charges from the allottees.

Working of emporia

2.2.15 With the object of rendering marketing assistance to the artisans and craftsmen engaged in the manufacture of handicrafts, handloom and other cottage cum small scale industries, seven emporia were being run by the Company under the brand name 'Phulkari'.

The Company's sales at its emporia consisted of direct sales, consignment sales and contract sales. The following table indicates the actual sales, cost of goods sold, percentage of cost of goods sold to sales and percentage of other costs to sales during the last four years ending March 2011. The accounts for 2011-12 were yet to be prepared by the Company (July 2012).

(₹ in crore)

Particulars	**2007-08**	**2008-09**	**2009-10**	**2010-11 (Provisional)**	**2011-12 (Provisional)**
Sales	11.47	6.32	5.95	7.68	10.08
Other income	0.10	0.05	0.02	0.07	0.03
Total income	**11.57**	**6.37**	**5.97**	**7.75**	**10.11**
Cost of goods sold[16]	9.62	4.89	4.59	6.23	8.99
Other cost[17]	1.72	2.06	1.64	1.85	1.27
Total cost	**11.34**	**6.95**	**6.23**	**8.08**	**10.26**
Profit (+) / Loss (-)	**0.23**	**(-)0.58**	**(-)0.26**	**(-)0.33**	**(-)0.15**
Percentage of cost of goods sold to sales	83.87	77.37	77.14	81.11	89.19
Percentage of other cost to sales	15.00	32.59	27.56	24.09	12.60

From the above, it would be seen that the Company is incurring losses since 2008-09. Emporia-wise results are given in ***Annexure-14***. Six emporia (Amritsar, Jalandhar, Kolkata, Ludhiana, New Delhi and Patiala) suffered losses of ₹ 2.01 crore during the five years ending 31.03.2012. Only one emporium at Chandigarh earned profits of ₹ two crore during 2007-12. The profit of Chandigarh emporia which was ₹ 0.58 crore during 2007-08 also decreased to ₹ 0.21 crore during 2011-12. The overall loss of emporia division of the Company was ₹ 0.01 crore during 2007-12. However, after apportionment of Head Office expenses of ₹ 1.08 crore it suffered a net loss of ₹ 1.09 crore.

The Company failed to initiate steps to turnaround the working of its six persistently loss making emporia. We observed that the continued losses were due to higher percentage of the cost of goods sold to sales which ranged between 77.14 *per cent* and 89.19 *per cent* of sales. Other costs were also increasing and ranged between 15.00 *per cent* and 32.59 *per cent* of sales which resulted in lesser profit margin.

The Management stated (August 2012) that major reason for increase in other cost is the revision of pay scale of staff. Besides, recessionary conditions prevailing worldwide have affected the sales/ profit. We noticed the Company did not initiate action on the recommendations of Disinvestment Commission which required the activities of emporia to be run on commercial lines in joint

[16] Cost of goods sold includes opening stock + purchases – closing stock.
[17] Other cost includes expenditure on salaries, administration expenses, financial expenses, selling & distribution expenses and depreciation.

collaboration with private parties through MOU with a provision that they ultimately will buy these emporia.

Procurement and distribution of raw material

2.2.16 With a view to assist small scale industrial (SSI) units, the Company procures iron and steel and coal from the manufacturers/ Coal India Limited and distributes it to SSI units at the rates fixed by the manufacturers from time to time by having a margin for the Company to meet its handling and overhead expenses. The table below gives details of quantities of iron and steel and coal allocated and lifted during the five years up to 2011-12.

(Quantity in MTs)

Particular	**Year**				
	2007-08	**2008-09**	**2009-10**	**2010-11**	**2011-12**
(A) Iron and Steel					
Quantity allocated	68,777	89,839	89,838	89,838	89,838
Quantity lifted	38,391	25,443	36,264	35,523	30,897
Percentage of quantity lifted to allocated	**56**	**28**	**40**	**40**	**34**
(B) Coal					
Quantity allocated	15,000	2,18,000	2,18,000	2,18,000	2,18,000
Quantity lifted	12,270	14,433	29,774	99,295	77,411
Percentage of quantity lifted to allocated	**82**	**7**	**14**	**46**	**36**

The table shows that the Company had not been able to lift the allocated quantity of material during all the five years up to 2011-12 because of no demand due to freedom to purchase from producers/ other suppliers.

The Management stated (August 2012) that private sector is directly buying raw material from the main producers after decontrol of iron and steel and there was no binding on the SSIs to buy these materials from it.

Export Promotion – ASIDE SCHEME

2.2.17 The Government of India introduced (March 2002) a scheme for extending Assistance to States for Developing Export Infrastructure and Allied Activities (ASIDE). The objective of the scheme was to provide assistance to the State Governments for creating appropriate infrastructure for the development and growth of exports. The outlay under the scheme consisted of two components i.e. State component (80 *per cent*) and for Central component (20 *per cent*).

The Company was made nodal agency for the implementation of the scheme in the State. During 2007-12, the Company received ₹ 61.68 crore under State component and ₹ 8.40 crore (June 2005/ August 2009) under Central component under this scheme. The following irregularities were noticed by audit in implementation of this scheme:

Execution of Common Effluent Treatment Plant

2.2.17.1 The GOI approved (May 2005) setting up of second module of Common Effluent Treatment Plant at Leather Complex, Jalandhar under Central Component of the scheme and released ₹ four crore in June 2005. The GOI while approving (August 2009) release of second installment of ₹ 4.40 crore stipulated out of project cost of ₹ 16.80 crore, ₹ 8.40 crore would be utilised from GOI funds and ₹ 8.40 crore would be borne by Punjab Infrastructure Development Board (PIDB), escalation to be borne by the Company.

In terms of directions of Punjab & Haryana High Court, a Special Purpose Vehicle (SPV) namely Punjab Effluent Treatment Society for Tanneries (PETS), Jalandhar was created and registered (November 2006) for implementation of the project. PETS awarded (February 2009) the work for ₹ 18 crore. We observed:

The Company submitted Utilisation Certificates for ₹ 8.40 crore without obtaining detailed statement of accounts.

- The Company had submitted utilisation certificates for ₹ 8.40 crore (June 2009/ May 2011) to the GOI without obtaining detailed statement of accounts and proof relating to proper utilisation of funds released under the scheme.

- The original project cost of ₹ 18 crore was revised to ₹ 18.80 crore by PETS, against which ₹ 8.40 crore was provided by GOI and equal amount of ₹ 8.40 crore was to be contributed by PIDB. The remaining amount of ₹ 2 crore was to be borne by the Company. However, the Company had not released any amount from its own source for this purpose.

Resultantly, the execution/ completion of the project as envisaged could not be ensured in audit.

Release of funds to ineligible projects

2.2.17.2 As per ASIDE scheme, the State Level Export Promotion Committee (SLEPC) was to scrutinise and approve the projects. The proposed project should not be funded from annual plan of the Central Government/ State Government and should also not duplicate the efforts of any existing organisation in the same field.

(a) The SLEPC approved (September 2005) a project to set up multipurpose fruit and vegetable processing facilities at Hoshiarpur. The Company released (September 2006) ₹ 4.62 crore to Punjab Agro Juices Ltd. (PAJL) for this project.

Scrutiny of records revealed that PAJL was already disbursed (February 2006) ₹ 3.55 crore under 'Additional Central Assistance (ACA)' and ₹ two crore under 'National Horticulture Mission (NHM)' of GOI for the same project.

Release of ₹ 4.62 crore to an ineligible project of Punjab Agro Juices Limited resulted in violation of scheme guidelines.

We observed that the Company released (September 2006) ₹ 4.62 crore to an ineligible project, as the same was already financed under other schemes in violation of the scheme guidelines which prohibits for financing of the same project under two different schemes of GOI.

The Management stated (October 2012) that the grant of ₹ 4.62 crore under ASIDE was utilised for the purpose for which it was granted. The reply is not acceptable as the scheme guidelines prohibits funding of the same project under different schemes of Central/ State Government.

(b) SLEPC approved (January 2011) the project for upgradation of Punjab Bio-Technology Incubator's (PBTI) - Agri cum Food Testing Facilities at Mohali for ₹ 6.89 crore with contribution of ₹ 5.55 crore under the Scheme and rest of ₹ 1.34 crore was to be contributed from PBTI's own sources. The Company released ₹ four crore to PBTI between July 2011 and February 2012.

Release of ₹ 4 crore to an ineligible project of Punjab Bio-Technology Incubator resulted in violation of scheme guidelines.

We observed that setting up of PBTI was approved (March 2005) by Ministry of Science and Technology, GOI with ₹ seven crore as contribution of Department of Bio Technology (DBT) – GOI and State Government's share was ₹ 3.52 crore. PBTI received ₹ 6.22 crore as grant-in-aid from DBT and ₹ 4.40 crore from Punjab Government under Plan schemes during the period from 2005-11. Thus, ₹ four crore was released to an ineligible project as the same was already financed/ funded under other schemes of GOI and the State Government in violation of guidelines of the scheme.

The Management stated (October 2012) that GOI had not funded for the purchase of equipments for which ASIDE grant was released. Our contention stays that the project financed under the scheme was for upgradation of existing testing facilities, which was already financed under Central Government/ State Government schemes.

Non-Execution of works

2.2.17.3 SLEPC approved (March 2004) development of roads and other export infrastructure near Dry Port, Ludhiana with a cost of ₹ 15 crore consisting of ₹ three crore under the scheme and balance ₹ 12 crore from sources of Municipal Corporation (MC), Ludhiana. The Company released (March 2004) first installment of ₹ two crore. SLEPC decided (September 2005) that spot verification be done by the Managing Director of the Company before releasing remaining ₹ one crore and in case the funds provided under the scheme have been diverted to other projects, the State Government would ensure reimbursement of the funds already released. There was nothing on record which shows that the spot verification was done by the Managing Director in regard to utilisation of ASIDE funds. The MC, Ludhiana informed (June 2008) that the works for ₹ 9.46 crore were allotted as the scope of work was reduced in view of continuous problem of overflowing of sewer and only ₹ 4.35 crore had been incurred.

The Company released ₹ two crore for unidentified works for which no works could be identified

The results of joint inspection of roads for determining the details of roads constructed and/ or diversion of funds were not verifiable from records of the Company. Thus, ₹ two crore released for unidentified works for which no works could be identified, refund be sought.

Diversion of funds

2.2.17.4 The scheme guidelines provided that activities aimed at development of infrastructure for exports could be funded provided such activities had overwhelming export content and their linkage with exports was fully established. The scheme also envisaged creation of assets of capital nature only.

Releasing of ₹ 37 crore for upgradation of infrastructure/ roads which were neither of capital nature nor having direct linkage with exports resulted in violation of scheme

SLEPC approved (March 2004 – January 2011) ten projects amounting to ₹ 37 crore for upgradation of infrastructure, roads at existing focal points, SAIL stockyard and emporia of the Company. These projects were financed in violation of scheme guidelines which were neither of capital nature nor having direct linkage with exports and as such were ineligible for funding under the scheme.

Audit observed that SLEPC committed irregularity by approving ineligible works of the Company in violation of the scheme guidelines which resulted in diversion of funds of ₹ 28.56 crore incurred on these works up to December 2011.

The Management stated (October 2012) that projects funded under the scheme were scrutinized and approved by SLEPC headed by Chief Secretary, Punjab. It also stated that there was no mention in the scheme guidelines requiring creation of assets of capital nature and the projects having direct or indirect linkage to exports. The reply is not supported by terms of the scheme as projects having direct linkage with exports only were eligible for funding under the scheme and the scheme also envisaged creation of assets of capital nature only.

Execution of Deposit works

2.2.18 The Company also carried out the deposit works of various institutions/ societies. Scrutiny of record of the execution of deposit works revealed as under:

Irregular waive-off of supervision charges

Waival of supervision charges resulted in non recovery of ₹ 0.98 crore from NIIFT.

- The construction of Northern India Institute of Fashion and Technology (NIIFT) campus, Mohali, was entrusted (November 2010) to the Company as a deposit work for which it was to be paid supervision charges @ 7.50 *per cent* of the actual construction cost. The deposit work was completed in December 2011 at a cost of ₹ 16.74 crore on which supervision charges of ₹ 1.26 crore were recoverable. The NIIFT paid only ₹ 0.28 crore as supervision charges. On NIIFT's request, the Company waived off (April 2012) the balance supervision charges of ₹ 0.98 crore. The Company should not have waived off the supervision charges recoverable as per agreement with NIIFT, a registered society under the Societies Registration Act, 1960.

Thus, irregular decision of the Company resulted in loss of revenue of ₹ 0.98 crore.

- Similarly, the Company got executed the construction work of NIIFT centre, Jalandhar on which an expenditure of ₹ 5.34 crore was incurred up to (February 2012). The work stood abandoned for want of funds. The supervision charges of ₹ 0.40 crore had not been recovered so far (November 2012).

Internal audit and internal controls

2.2.19 Mention was made in paragraph 2A.9 and 2A.10 of the Reports of the Comptroller and Auditor General of India for the years ended 31 March 1993 and 31 March 2002 (Commercial) – Government of Punjab, respectively regarding non-preparation of any Internal Audit Manual for laying down functions, scope and periodicity of audit. There was no system of reporting the results of internal audit periodically to the Board of Directors (BOD) of the Company. Audit observed that:

- The Company had not prepared any internal audit manual inspite of its multifarious activities even after lapse of more than 50 years since its incorporation.

- Results of internal audit were not submitted for the information of the BOD.

- The Company had not constituted 'Audit Committee' as required under section 292-A of The Companies Act, 1956 since December 2000 for which no reasons were apprised to Audit.

Thus, there is weak internal control and lack of internal audit mechanism in the Company.

The Management stated (November 2012) that internal audit manual had already been prepared and the concerned wing brought the serious irregularities to the notice of the BOD. However, we neither observed any audit manual nor noticed instances of serious irregularities brought up before its BOD during the period 2007-12.

Conclusion

The performance of Punjab Small Industries & Export Corporation Limited with regard to aiding and protecting the interest of small scale industries in the State by providing infrastructure facilities, arranging raw material and assisting in marketing their products was sub-optimal due to the following:

- **The Company failed to allot all the plots at its industrial and residential focal points even after lapse of more than 15 years from the development of focal points.**

- **The Company failed to initiate action for cancellation/ resumption of plots in cases of non-compliance of the terms and conditions of allotment of plots.**

- **The Company continued to incur heavy expenditure on the maintenance of 20 industrial focal points which were to be maintained by the local bodies after five years of their establishment.**

- **The system to watch the recovery from the allottees was deficient and prone to delay/ non – recovery of enhanced compensation, interest and other levies as the Company did not maintain allottee wise ledgers.**

- **All emporia except one were continuously running in losses and the Company failed to turnaround their operations.**

- **The Company as nodal agency for implementation of Government of India's scheme for extending "Assistance to States for Developing Export Infrastructure and Allied Activities (ASIDE)" in the State failed to achieve the desired objectives as funds were released to ineligible projects.**

Recommendations

We recommend that:

- **The Company should explore the opportunities to allot residual plots at its industrial and residential focal points so as to accelerate the pace of development of small scale industries in the State.**

- **The Company should initiate timely action for cancellation/ resumption of plots in case of non-compliance of terms and conditions of the allotment of plots to discourage inactive entrepreneurs.**

- **The Company should initiate the process of transfer of IFPs to Municipal Corporations/ Committees at the earliest so as to save its resources which are being utilised towards their maintenance.**

- **The Company should maintain allottee-wise ledgers to monitor the recovery from allottees effectively.**

- **The Company should endeavour to turnaround the working of its raw material depots and loss making emporia or consider their closure.**

- **The funds received under ASIDE scheme needs to be channelised towards eligible projects having direct linkage with development and growth of exports.**

We referred the matter to the State Government in September 2012; their replies are awaited (December 2012).

Chapter-3

Thematic Audit

Punjab State Power Corporation Limited

3.1 Loss due to non- installation of lightning arrestors

Failure of the Company to review its injudicious decision of discarding the installation of lightning arrestors on distribution transformers resulted in loss of ₹ 4.20 crore on account of damage of 722 distribution transformers due to lightning during 2009-12.

The distribution of power in the State is carried out by the Punjab State Power Corporation Limited (Company). Rule 92 of Indian Electricity Rules, 1956 *inter alia* provided that the owner of every overhead line which was so exposed as to be liable to injury from lightning should adopt efficient means for diverting to earth any electrical surges due to lightning. Further, Clause 14.1 of Rural Electrification Corporation's specifications of Construction Standards also provided that a set of lightning arrestors should be mounted on the transformers, clamping it securely to the tank. The Chief Electrical Inspector, Punjab had also insisted on provision of lightning arrestors on individual pole mounted distribution transformer, when the same was put for inspection to him before energisation. In view of these mandatory provisions, it is essential to safeguard the distribution network for providing uninterrupted power supply to the consumers by installing adequate safety equipments on the distribution network. Since the State of Punjab is a lightning prone area so lightning arrestors[1] were required to be provided to protect the 11 KV lines and the equipment (i.e. distribution transformers) from lightning.

The Company had been providing lightning arrestors on the distribution transformers prior to December 1999. However, on the plea that there was no damage to distribution transformers on account of lightning, the erstwhile Punjab State Electricity Board decided (December 1999) to discard the installation of lightning arrestors on new pole-mounted distribution transformers for a period of two years on experimental basis. Thereafter, the decision was to be reviewed depending upon the rate of damage to distribution transformers due to lightning. In order to review the position as per decision, the Company sought (January 2002) information on damaged transformers from the concerned Chief Engineers from time to time. However, it did not gather the requisite information from its field offices in ten years and the issue of providing/non-providing lightning arrestors could not be decided (March 2012).

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[1] A lightning arrestor is a device used on electrical power systems to protect the insulation and conductors of the system from the damaging effect of lightning.

During the test check of records for the period of April 2009 to March 2012 of eleven[2] operation divisions out of 103 operation divisions of the Company, it was noticed that lightning arrestors to protect the distribution network from lightning were not installed on the 11 KV lines and distribution transformers. Consequently, 722 distribution transformers of various capacities (as detailed in ***Annexure 15***) valuing ₹ 4.20 crore were damaged due to lightning during 2009-12. The loss calculated is in respect of eleven divisions only and it could be immense in respect of the Company as a whole.

We observed that the decision of the Company to discard the installation of lightning arrestors in a lightning prone area like Punjab did not prove to be judicious and its non-review proved to be costly. Failure of the Company to collect the requisite information, regarding damage of distribution transformers due to lightning, even in ten years to review its decision indicated poor monitoring on the part of the Company. The loss on account of damage of distribution transformers could have been avoided had the Company reviewed its decision and lightning arrestors installed on the distribution transformers.

The matter was reported to the Government and the Company (January 2012); their replies were awaited (December 2012).

Punjab State Grains Procurement Corporation Limited, Punjab State Civil Supplies Corporation Limited

3.2 Loss due to non compliance of instructions of Food Corporation of India

Failure of the Companies to comply with the instructions of FCI regarding direct delivery of wheat from mandis to its godowns resulted in loss of ₹ 90.93 lakh.

Punjab State Grains Procurement Corporation Limited (PUNGRAIN) and Punjab State Civil Supplies Corporation Limited (PUNSUP) procure wheat for the central pool on behalf of Food Corporation of India (FCI). The wheat stocks are moved either directly from mandis to FCI godowns/ railheads for further transportation or to the Company's godowns and the same are taken over by FCI from time to time. FCI reimburses the procurement price of wheat i.e. the minimum support price (MSP) and incidental charges[3] to the procuring agencies for the services rendered at the rates fixed by the Government of

[2] Anandpur Sahib, Kharar, Samrala, Khanna, Doraha, Mandi Gobindgarh, Sangrur, Dirba, Rajpura, Sub-Urban Division, Patiala and West Division, Patiala.

[3] Statutory Charges (Market Fee, Rural Development Cess, Infrastructure Development Cess, Purchas Tax/ Value Added Tax), Dami, Mandi Labour Charges, Transportation and Handling Charges, Custody and Maintenance Charges for 15 days, Interest Charges for 15 days (on the sum of MSP, Statutory Charges, Mandi Labour Charges and Transportation Charges) and Cost of gunny bags.

India for the wheat delivered upto 30 June of the Rabi Marketing Season (RMS) and carry over charges[4] are also paid by FCI on the wheat stocks delivered thereafter. Further, as per instructions of Government of India (GOI), no carry over charges (COC) were to be paid by the FCI when delivery of wheat was to be made directly from the mandis of the procuring agencies to FCI.

During RMS 2010-11, Area Manager FCI at Faridkot informed (April 2010) District Managers, Mukatsar of PUNGRAIN and PUNSUP that purchase centre Malout has been withdrawn from FCI and instructed to deliver 10,000 MT and 15,000 MT of wheat respectively directly from mandis in FCI godowns from this centre, failing which the carry over charges would not be paid as per GOI's instructions.

The district offices, Mukatsar of PUNGRAIN and PUNSUP delivered only 4,292 MT and 4732 MT of wheat stock directly from the mandis in FCI godowns from Malout centre. We observed that the District Offices Mukatsar of the PUNGRAIN and PUNSUP without assigning any reason on record, did not deliver 5,708 MT and 10,268 MT of wheat stock directly from mandis in FCI godowns upto 30 June 2010. This was despite the fact that PUNGRAIN and PUNSUP were holding 46,275 MT and 56,125 MT of wheat purchased for FCI in their godowns. Resultantly, FCI deducted carry over charges of ₹ 90.93 lakh (₹ 39.49 lakh[5] + ₹ 51.44 lakh[6]) from the subsequent delivery of 5,229 MT and 5,213 MT of wheat stocks of PUNGRAIN and PUNSUP respectively from their Malout centre (PUNGRAIN: 2,602 MT in December 2010 and 2,627 MT in February 2011 and PUNSUP: 2,353 MT in January and 2,860 MT in February 2011).

Thus, failure of PUNGRAIN and PUNSUP to comply with the instructions of FCI regarding direct delivery of wheat from mandis to its godowns resulted in loss of ₹ 90.93 lakh.

The matter was referred to the Government and the Companies (May and June 2012), their replies were awaited (December 2012).

[4] Carry over charges includes inventory carrying cost and storage charges for wheat.

[5] Bill No. 81 dated 13 January 2011: ₹ 6.83 lakh, Bill No. 81A dated 13 January 2011: ₹ 5.51 lakh and Bill No. 83 dated 28 February 2011: ₹ 27.15 lakh (in respect of PUNGRAIN).

[6] Bill No. 141 dated 7 February 2011 for ₹ 21.36 Lakh and Bill No. 151 dated 9 March 2011 for ₹ 39.08 Lakh. (in respect of PUNSUP)

Chapter-4

Audit of Transactions

Important audit findings emerging from test check of transactions made by the State Government companies and Statutory corporations have been included in this chapter.

Government companies

Punjab State Power Corporation Limited

4.1 Avoidable loss

Failure of the Company to carry out proper inspections during the installation of the plant to ensure that the equipments have been erected in accordance with prescribed specifications of the Contract/ Bill of Materials, resulted in avoidable loss of ₹ 64.92 crore.

Punjab State Power Corporation Limited[1] (Company) awarded (April 2004) a contract for design, erection, testing & commissioning of 2x250MW Guru Hargobind Thermal Plant (GHTP) Stage-II (Unit-III and IV), Lehra Mohabbat on turn-key basis to Bharat Heavy Electricals Limited (BHEL). The terms and conditions of the contract *inter alia* provided that the Engineer/ Inspector appointed by the Company shall have at all reasonable time access to the contractor's premises or work and shall have the power at all reasonable times to inspect drawings or any portion of the equipment or examine the materials and workmanship of the equipment being manufactured to ensure that the materials and equipments have been erected in accordance with prescribed specifications of the Contract/ Bill of Materials. The warranty period was for a period of 12 months for respective units, commencing immediately from the date of commissioning of the equipment or 15 months from the date the unit was ready for commissioning, whichever was earlier. The contractor was also liable to repair or replace any defective workmanship that may develop in the plant of his own manufacture or those of his Sub-Contractor's under conditions provided by the Contract and under proper use and arising solely from faulty design, materials or workmanship, provided that notice of any such defects or failure to confirm to the specifications and satisfactory proof thereof was promptly given by the purchaser to the contractor.

Unit-IV of the plant was commissioned on 25 January 2010. Within three months from its commissioning, the Unit tripped on 20 April 2010 due to

[1] The erstwhile Punjab State Electricity Board was unbundled on 16 April 2010 and two companies viz. Punjab State Power Corporation Limited and Punjab State Transmission Corporation Limited were formed. The word Company also refers to the Board for the period prior to formation of the Company.

bursting of a pipe[2] of HP Turbine. BHEL itself accepted (21 April 2010) that failure of the pipe was due to erection of carbon steel grade pipes in place of alloy steel pipes. Instead of initiating action under the warranty clause, the Company got repaired the damaged piping from BHEL at a cost of ₹ 2.90 crore and the Unit was resynchronised on 9 June 2010 (i.e. after a period of 50 days).

We observed that the Company did not carry out proper inspections during the installation of the plant. Consequently, it did not detect that piping of HP Turbine had been erected with carbon steel grade pipes in place of alloy steel pipes, which caused sudden bursting of these pipes and tripping of the Unit. The Unit remained shut down for 50 days (20 April 2010 to 9 June 2010) resulting in financial loss of ₹ 64.92 crore[3] on account of loss of generation of 300.58 MUs. It was also observed that the Company in the first instance did not initiate any action against BHEL, under warranty clause for bursting of HP Turbine piping due to utilisation of material not in accordance with the prescribed specifications of the contract/Bill of material. It was only after being pointed out (August 2010) in Audit that the Company adjusted (August 2011) ₹ 2.90 crore, the cost of repair, from BHEL. In the absence of enabling clause in the contract, the Company, however, could not initiate any action for the recovery of financial loss of ₹ 64.92 crore on account of loss of generation. Further, the Company had not fixed responsibility for the negligence of its officers/officials responsible for inspections during the installation of the plant.

Thus, had the Engineers/ Inspectors deployed by the Company carried out all the requisite inspections during the installation of the plant, the use of material in contravention of the specifications of the Contract/ Bill of Materials could have been noticed and the subsequent generation loss of 300.58 MUs avoided.

We recommend the Company to streamline its inspection processes and consider introduction of suitable clauses in its contracts to protect its financial interests.

The matter was reported to the Government and the Company in December 2011; their replies were awaited (December 2012).

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2 balancing leak off line to Cold Reheat

3 Realisation cost per unit - variable cost per unit * Loss of Generation
₹ 3.77 - ₹ 1.61 *300.58 MUs = ₹ 64.92 crore

4.2 Non-recovery of concessions granted to an ineligible firm

The lackadaisical approach of the Company in effecting the recovery of concessions granted to an ineligible firm resulted in non recovery of ₹ 98.67 lakh and consequential loss of interest of ₹ 47.48 lakh.

Electricity Supply Regulations (ESRs) of the Punjab State Power Corporation Limited (Company) *inter alia* provided that Captive Power Plant (CPP) owners, who were the consumers of the Company and also wanted to have interfacing with the Company's system shall be eligible for utilizing power for their self use and shall have option to run their plant in synchronization with Company's system. Further, such CPP owners were required to pay one time permission fee at ₹ 50 per KVA and provide transmission network (transmission lines, bay etc.) for interfacing/ injecting of power with Company's Grid at their own cost.

Government of Punjab formulated (November 2006) a "New and Renewable Sources of Energy (NRSE) Policy-2006" which provided a number of financial and fiscal incentives to develop and promote new and renewable sources of energy. Punjab Energy Development Agency (PEDA) was the nominated nodal agency for the implementation of the NRSE Policy-2006. The firms desirous of obtaining any benefit under the NRSE Policy were required to sign the implementation agreement with PEDA within one month from the approval of Project. For giving effect to this policy, necessary amendments in various enactments, where necessary, were to be made by the concerned departments. The Company also considered the issue of giving incentives to the projects covered under NRSE Policy-2006 and decided (July 2007) to waive off one time permission fee and install the bay and allied equipments in its Grid sub-station to evacuate power from NRSE projects at its cost.

Lakshmi Energy and Foods Limited (the firm) applied (May 2006) for setting up of a 30 MW (2 x 15 MW) Bio-mass Co-generation Plant at Khamano and deposited ₹ 67.47 lakh (December 2006 to August 2007) towards cost of 66 KV transmission lines from its premises to 66 KV sub-station at Khamano. Sub-station at Khamano being the radial sub-station, two bays were required to be constructed for evacuation of power generated by the firm. On the representation (April 2007) of the firm that the Company should not levy any charges on the ground that the project was being set up as per the State Government policy under which incentives were to be provided to encourage the public to generate power from bio-mass as non-conventional energy and it would also favour the Company by supplying the power to them to ease out the power crisis in the State, the Company waived off (April 2007) one time permission fee and cost of one bay. Permission for installation of 2x15 MW TG set was accorded by Chief Engineer (Commercial) of the Company in June 2007. Subsequently, the Company also waived of (March 2008) the cost of the second bay under NRSE Policy-2006.

The power plant of the firm was commissioned in July 2008. As per NRSE Policy 2006, the firm was required to sign the implementation agreement with the nodal agency, PEDA, within one month from the approval of the project. But the firm failed to do so. Consequently, PEDA decided (September 2008) that the project of the firm was not covered under NRSE Policy 2006 and thus was not entitled to any benefits under NRSE Policy. Chief Engineer, System Operations and Control of the Company also intimated (November 2008) that the firm has been allowed for sale of power under open access.

In view of clarifications given (September 2008) by the PEDA and the fact that the firm was selling its power under open access, the cost of concessions granted to the firm such as waival of one time permission fee and cost of two bays constructed at Khamano sub-station needed to be recovered from the firm. Accordingly, the Company decided (November 2009) that the concessions granted be recovered from the firm.

We observed that the Company took more than one year in deciding the recovery of concessions after the withdrawal by PEDA. Further, no serious efforts were made by the Company for the recovery of concessions granted to the firm to which it became ineligible in view of the orders passed by PEDA. The recovery has not been effected so far (December 2012).

We conclude that the lackadaisical approach of the Company resulted in non recovery of concessions granted to an ineligible firm of ₹ 98.67 lakh (₹ 16.67 lakh[4] on account of one time permission fee and ₹ 82.00 lakh on account of cost of construction of two bays) and consequential loss of interest of ₹ 47.48 lakh[5].

We recommend the Company to initiate urgent steps to recover its dues from the firm and protect its financial interests.

The matter was referred to the Government and the Company (December 2011); their replies were awaited (December 2012).

4.3 Non recovery of arrears of dry fly ash

Failure of the Company to enter into agreements/taking legal assurance from the concerned firms to give pragmatic effect to its Board's decision for retrospective recovery of the arrears coupled with abnormal delay in finalisation of rates of dry fly ash resulted in non recovery of ₹ 10.61 crore.

Ministry of Environment & Forests (MOE&F), Government of India (GOI) issued (14 September 1999) a notification regarding utilisation of dry fly ash (DFA) which *inter alia* provided that ash from every coal or lignite based thermal power plant shall be made available free of cost upto 13 September

4 Calculated at the rate of ₹ 50.00 per KVA (30 MW x 1,000 ÷ 0.90 x ₹50).

5 Calculated at CC limit interest rates varying from 12.25 *per cent* to 13.25 *per cent* payable on CC limit.

2009 except handling charges for the purpose of manufacturing ash based products. Punjab State Power Corporation Limited (Company) entered into long term agreements at various intervals with a number of firms for lifting of DFA. Accordingly, all the three[6] thermal power stations of the Company were providing DFA to the firms free of cost and were collecting only normal handling charges at the rates prescribed by the Company. The firms were also lifting DFA in excess of the quantities allocated as per respective long term agreements from time to time. The Company before the expiry of the validity period of the ibid notification constituted (August 2009) a committee for fixation of rates of DFA with effect from 14 September 2009.

The Committee submitted its report on 17 September 2009 and recommended that excess quantity over and above the quantity covered in long term agreements be disposed off by calling tenders for sale. The MOE&F, GOI also allowed (November 2009) all the coal and lignite based thermal power stations to sell DFA to the user agencies.

While considering the Committee's recommendation, the Board of Directors of the Company fixed (January 2010) the provisional rates for sale of excess quantity of DFA beyond the long term allocations @ ₹ 125/- per MT for the large scale manufacturers and ₹ 50/- per MT for small scale manufacturers with effect from 14 September 2009. These rates were subject to the condition that in case the tendered rate was more than these rates then the same rate shall be charged retrospectively along with arrears and if the tender rate was less than the present rate being offered then the same shall continue to be paid by the parties to the Company. But to give pragmatic effect to its Board's decision neither any agreement was entered into with the concerned firms nor any legal assurance was taken in the form of bank guarantee/ security/undertaking from the firms in this regard.

The Company after ascertaining (31 March 2010) the quantities of DFA for the GGSSTP Ropar and GHTP Lehra Mohabbat[7] to be sold through open tenders, directed the Chief Engineer (CE) (Thermal Design) to float tenders immediately. Tenders were invited and opened in May 2010. The tender process could not mature because of discrepancies[8] in the formula for calculation of the rates based on the Cement Price Index. The tenders were re-invited and opened on 26 November 2010 i.e after a period of more than six months which brought out quoted rates of ₹ 558/- per MT and ₹ 315/- per MT for GGSSTP Ropar and GHTP Lehra Mohabbat respectively.

In the meantime ACC, a firm already getting DFA from GGSSTP Ropar, filed (December 2010) a civil suit and obtained status quo restraining the Company

[6] Guru Gobind Singh Super Thermal Plant (GGSSTP) Ropar, Guru Hargobind Thermal Plant (GHTP) Lehra Mohabbat and Guru Nanak Dev Thermal Plant (GNDTP) Bathinda

[7] In case of GNDTP Bathinda, no excess quantity of DFA beyond long term allocation was available because of shut down of one unit for renovation and modernisation.

[8] As per stipulation, the offered rates were to be increased every financial year with wholesale cement price index for the month of March of every financial year whereas it was mentioned in the numerator of the formula that the wholesale price index of one month prior to the month of next year of allotment was to be taken which was contradictory in itself.

from disrupting in any manner the smooth supply of DFA as per terms & conditions of the long term agreement. Since the quantity available for allocation of DFA through open tender process at GGSSTP Ropar depended on the order of the Court, the Company decided not to finalise the rates for GGSSTP Ropar and approved the rates for GHTP Lehra Mohabbat (March 2011).

In compliance to the Company's decision (January 2010) to charge the newly approved rates with effect from 14 September 2009, the GHTP Lehra Mohabbat authorities raised (May 2011) arrear bills on four firms amounting to ₹ 9.88 crore (Jay Pee Cement: ₹ 2.43 crore, Ambuja Cement: ₹ 2.40 crore, Binani Cement: ₹ 1.92 crore and ACC: ₹ 3.13 crore) for the period from 14 September 2009 to February 2011. However, the firms refused (May/June 2011) to pay the arrear bills as there was neither any MOU nor an agreement with them in this regard. In addition to this, ACC has not paid the bills amounting to ₹ 72.89 lakh for March and April 2011.

We observed (July 2011) that in spite of the decision to charge a different rate from user firms and conveying the same, the Company could not initiate legal action against them to effect the recovery of arrears of DFA cost of ₹ 10.61 crore in the absence of any agreement/legal assurance.

We suggest the Company to take steps to enforce its dues and to initiate remedial steps in drawing its agreements so as to safeguard its financial interests.

The matter was reported to the Government and the Company (March 2012); their replies were awaited (December 2012).

4.4 Unfruitful expenditure

Awarding of consultancy work without concrete planning and subsequent foreclosure of the same resulted in unfruitful expenditure ₹ 6.27 crore coupled with non-achievement of envisaged target of meeting shortage of power in the State.

Ministry of Power (MOP), Government of India (GOI) issued (January 2005) guidelines under Section 63 of the Electricity Act, 2003 for determination of tariff by bidding process for procurement of power by distribution licensees through the following mechanisms:

(i) Where the location, technology or fuel is not specified by procurer (Case 1) and

(ii) Location specific projects with specific fuel allocation such as captive mines available which the procurer intends to set up under tariff based bidding process (Case 2).

Initially MOP notified standard bidding documents (SBD) under Case 2 only, SBD under Case I were notified in April 2009.

To fulfill the deficit in the planned capacity addition programme, the Punjab State Power Corporation Limited (Company) decided (October 2007) to procure 2,000 MW power from an independent power producer selected through competitive tariff based bidding as per the guidelines of MOP. The Company, without following the due procedure of competitive bidding, appointed (November 2007) REC Power Distribution Company Limited as a consultant for selection of developer through international competitive bidding process for supply of 2,000 MW on tariff based bidding under Case 1 of MOP guidelines at a cost of ₹ 12.5 crore (plus service tax and education cess). The scope of work included assistance in filing petition for taking approval of Punjab State Electricity Regulatory Commission (PSERC) for procurement of power as per the guidelines of MOP and the National Tariff Policy, petition/review petitions for approval of bidding documents, evaluation and finalisation of the bids and signing of power purchase agreement etc.

As per terms of contract, the Company made (December 2007) payment of ₹ 3.51 crore, as first installment of the consultancy fee on issue of letter of award of contract. The work was scheduled to be completed in 12 months (i.e. upto November 2008) from the date of issue of work order which was subsequently extended upto 13 October 2010.

The consultant filed the petitions from time to time (December 2007 to December 2008) for taking approval of the PSERC for procurement of power and petitions/review petitions for approval of documents to be issued to the bidders. PSERC granted (September 2008) approval for procurement of power to the extent of 1,800 ± 10 *per cent* MW power under Case 1 through competitive bidding but the bid documents for the tender enquiry were not approved. PSERC directed (December 2008) the Company to await the finalisation of SBD by MOP under Case 1 before proceeding further. Finally, the consultant prepared (July 2009) the bidding documents along with notice inviting tenders on the basis of SBD issued by MOP in April 2009. Global tender enquiry for procurement of 2,000 MW of power was issued in July 2009. Second installment of ₹ 2.76 crore (i.e. 20 *per cent*) of the consultancy fee was paid (October 2009) to the consultant on issue of tender enquiry.

In response to the tender enquiry, seven bids with quoted power of 2300 MW were received and their non-financial bids were opened on 9 October 2009. The tender enquiry was dropped because of the failure of the bidders in either of the key evaluation parameters such as availability of fuel, land, water and environmental clearances and non-responsiveness/non-compliance of the bidders thereto. In view of this, the consultant offered (5 February 2010) to provide services for fresh tender enquiry under the present consultancy contract which was valid upto 13 October 2010 without any additional financial liability. However, the Board decided (9 February 2010) to drop the tender enquiry of July 2009 as non financial bids of all the bidders were non-responsive as per the requirement of bidding documents and to foreclose the existing consultancy agreement with the consultant.

We observed that the Company in rejecting the bids also rejected the offer of the Consultant to give services without any financial liability. The Company had placed the work order in haste without following the due procedure of competitive bidding, thus depriving the Company of the benefit of market derived rates. Despite being aware of the fact that MOP had not notified the SBD for procurement of power under Case 1, the placement of the work order on consultant and making payments with a stipulation to complete the work in 12 months indicates unrealistic and deficient planning on the part of the Company. Ineffectiveness of one of the tender enquiry when the consultant had offered to provide services for fresh tender enquiry without any additional financial implications did not warrant to keep the whole project in abeyance after spending a lot of time and money.

Thus, award of the consultancy work in haste without undergoing any concrete planning and subsequent foreclosure of the same resulted in unfruitful expenditure ₹ 6.27 crore coupled with non-achievement of envisaged target of meeting shortage of power in the State when the power deficit in the State had since been increased from 8,304 MUs in 2008-09 to 15,518 MUs in 2010-11.

The matter was reported to the Government and the Company (January 2012); their replies were awaited. (December 2012).

4.5 Avoidable damage of two power transformers

Failure of CMC Operation Division, Ludhiana to take remedial measures to make the 11 KV lines of outgoing feeders as trouble free up to two Km from the sub station, despite specific instructions in this regard, caused damage of two power transformers resulting in avoidable expenditure of ₹ 2.87 crore.

The Indian Electricity Rules, 1956, *inter-alia*, makes provisions for the testing, operation and maintenance of Electric Supply lines, system and apparatus for High & Extra-High voltages (HV[9] & EHV[10]). It *inter alia* provided that it shall be the responsibility of the owner of all HV and EHV installations to maintain and operate the installations in a condition free from danger.

Two power transformers i.e. T-1 of 16/20 MVA capacity and T-2 of 20 MVA capacity and their allied equipments which were installed in June 1998 and October 1999, respectively at 66 KV sub-station at Transport Nagar under Grid Maintenance City Division, Ludhiana got damaged on 11 September 2010 due to fire. These power transformers were replaced at a cost of ₹ 2.87 crore. A Committee consisting of three Deputy Chief Engineers[11]constituted (24 September 2010) to investigate the cause of damage of the power transformers observed that prior to its damage the T-2 power transformer tripped on HSU indications 38 times during last one year i.e. from October

[9] Where the voltage does not exceed 33,000 volts.

[10] Where the voltage exceeds 33,000 volts.

[11] Protection and Maintenance Circle, Ludhiana, Grid Construction Circle, Ludhiana and Operation City East Circle, Ludhiana.

2009 to September 2010. Out of these trippings it tripped 32 times during May 2010 to September 2010 which was quite high. Six 11 KV outgoing breakers of the said power transformer tripped for 501 times during last one year, which was also very high. The Committee also observed that protection system of this transformer had operated correctly and efficiently and concluded that severe faults in 11KV outgoing feeder caused fire to T-2 power transformer and subsequently caused fire to T-1 power transformer due to its close proximity with it.

We observed that Senior Executive Engineer, CMC Operation Division, Ludhiana was advised time and again (May 2010 to August 2010) by Senior Executive Engineer, Grid Maintenance City Division, Ludhiana to make the 11 KV lines of the outgoing feeder upto two kms from the sub-station as trouble free so that faults in the zone be avoided for safety of the Grid equipments. Superintending Engineer, East Operation Circle, Ludhiana also directed (June 2010) the Senior Executive Engineer, CMC Operation Division, Ludhiana to constitute the special maintenance teams in a planned way to ensure the completion of distinctive patrolling of all the 11 KV lines of outgoing feeders within one month to make these lines as trouble free up to two KM from the sub-station. But CMC Operation Division authorities did not pay heed to the advice of Senior Executive Engineer, Grid Maintenance City Division, Ludhiana and directions of the Superintending Engineer, East Operation Circle, Ludhiana and also failed to take remedial measures to make the 11 KV lines of outgoing feeder as trouble free up to two kms from the sub station which ultimately caused damage to two power transformers.

Thus, violation of the concerned directions/regulations and advice of Protection staff by Operations staff and improper maintenance of 11 KV lines resulted in damage of two costly power transformers and avoidable expenditure of ₹ 2.87 crore.

We recommend the company to strengthen its internal control mechanism to ensure compliance of provisions for the testing, operation and maintenance of Electric Supply lines, system and apparatus to maintain and operate the installations in a condition free from danger.

The matter was referred to the Government and the Company (April 2012); their replies were awaited (December 2012).

4.6 Excess payment of price variation charges

Company's failure to keep track of the latest developments/IEEMA's decision regarding replacement of wholesale price index (WPI) of 'Iron & Steel' with new WPI of 'Ferrous Metals' resulted in excess payment of price variation charges of ₹ 1.92 crore in purchase of metal meter boxes.

The manual on 'Policies and procedures for purchase of goods' issued (August 2006) by Ministry of Finance (Government of India), *inter alia* provided that where it was decided to conclude the contract with variable price, an appropriate clause incorporating suitable price variation formula should be provided in the tender enquiry documents. Further, the variations were to be calculated by using indices published by Ministry of Commerce and Industry (Government of India)/Chambers of Commerce periodically. Indian Electrical and Electronics Manufacturers' Association (IEEMA), being a national representative organisation of manufacturers of electrical, industrial electronics and allied equipments in India, evolved price variation clauses covering a wide range of products and also circulated price indices for the same from time to time.

Chief Engineer (Metering), Punjab State Power Corporation Limited (Company) placed (March and August 2010) three purchase orders (POs) [12]on two firms[13] for 7.61 lakh metal meter boxes of various sizes[14] for single and three phase energy meters at a total cost of ₹ 95.37 crore. As per 'Prices' clause of the purchase orders, the rates of metal meter boxes were variable and based on Wholesale Price Index (WPI) of iron and steel, copper wire and EC grade Aluminum as published by Ministry of Commerce and Industry (Government of India)/IEEMA.

Ministry of Commerce and Industry (Government of India) revised (September 2010) the base of WPI numbers from 1993-94 to 2004-05. Previously, IEEMA was using WPI for Iron and Steel by taking base year 1993-94 as 100 in price variation (PV) circulars. As the commodity of iron and steel which was present in old base WPI series no longer existed in the new WPI base series, IEEMA replaced (October 2010) WPI of 'Iron and Steel' with the new WPI of 'Ferrous Metals' for the purpose of payment of PV charges from June 2010.

Audit, however, observed that the Director (Distribution) of the Company without taking cognizance of the change of base metal from 'Iron & Steel' to 'Ferrous Metal', replaced (November 2010) the word 'Iron and Steel' with 'Billets' for the purpose of price variation formula and the prices clause of the above three purchase orders were amended (December 2010) accordingly. The Company continued making payments (January 2011 to January 2012) of PV charges for 'Iron and Steel' on the basis of WPI of 'Billets' in respect of the above mentioned three purchase orders for metal meter boxes. Audit further observed that the base rates of 'Billets' was higher than that of 'Ferrous Metals' which resulted in excess payment of ₹ 1.92 crore, as detailed in ***Annexure-16***, on account of PV charges.

After pointing out in audit, the Committee of Whole Time Directors decided (July 2012) to amend the indices from 'Iron and steel' to 'Ferrous Metals' with retrospective effect i.e. the date from which indices of 'Iron and steel'

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[12] PO No. MH-196/ MQ-110 dated 31 March 2010 for 5,46,000 boxes, which was subsequently increased (November 2011) to 6,80,000 boxes, PO No. 6039/MQ-114 dated 26 August 2010 for 70, 000 boxes and PO No 6156/MQ-114 dated 30 August 2010 for 10,800 boxes.

[13] Arun Enterprises, Sahibabad and Pyramid Electronics, Manpura.

[14] One meter in one box, four meters in one box and 20 meters in one box.

was replaced with indices of ‘Billets’ and to adjust/recover the difference in price variation already paid. The Committee of Whole Time Directors also directed to initiate action against the delinquent officers/officials who failed to exercise due diligence by not referring to IEEMA notifications. However, necessary recovery has not been effected so far.

Thus, failure of the Company to keep track of the latest developments/IEEMA’s decision regarding replacement of WPI of ‘Iron & Steel’ with the new WPI of ‘Ferrous Metals’ resulted in excess payment of price variation charges of ₹ 1.92 crore in the purchase of metal meter boxes.

The Management while admitting the facts stated (November 2012) that recovery has been effected and disciplinary action has been initiated against the delinquent officers/officials. The contention of the Management, however, was not corroborated from the records produced to Audit.

The matter was referred to the Government (February 2012), their reply was awaited (December 2012).

4.7 Failure to enforce the warranty clause

Decision of the Company to operate the machine on contract basis for five years instead of ascertaining the reasons for premature damage of runners and failure to enforce the warranty clause of the purchase order cum contract agreement for replacement/repair of the damaged runners not only resulted in financial loss of ₹ 6.50 crore but also caused generation loss worth ₹ 25.09 crore.

Punjab State Power Corporation Limited (Company) purchased (April 2006) two Pelton Turbine spare runners of 50MW machine for its Shanan Power House at Joginder Nagar from Ganz Energetic Limited, Budapest, Hungary (supplier) through its Indian agent Technip Ganz Machinery Private Limited, New Delhi at a total cost of ₹ 6.50 crore. The firm supplied the runners in April 2007. As per the warranty clause of the purchase order, the firm was responsible to replace the whole or any part of the equipment free of cost which under normal and proper use and maintenance, proved defective in design/engineering materials or workmanship within 12 months from the date of commissioning or 5,000 working hours whichever is earlier.

One spare runner put in operation (March 2008) got damaged in October 2008 after running for 4,335 hours. As the runner was damaged within the warranty period, the matter for replacement or repair was taken up with the supplier who stated (January 2009) that without knowing the exact cause of breaking of the runner it could not provide a new runner free of cost. Consequently, the Company agreed (August 2009) for investigating the cause of damage to the runner at the negotiated price of € 54,000. The second runner installed (May 2009) also got damaged (October 2009) within the warranty period after running for 3,435 hours only. The supplier again advanced the same reasons for non replacement of this runner. Subsequently, the supplier came up

(January 2010) with a new proposal for running of 50 MW machine on contract basis and a contract agreement was signed (January 2010) with Ganz Energetics India Private Limited, agent firm, for running of machine for five years at a negotiated rate of ₹ 2,337 per running hour subject to minimum of 3,000 working hours per year. The scope of the work also included:

- examination and repair of all five[15] damaged runners with the Company and the first runner to be repaired and supplied within 60 days from the effective date of agreement (22 January 2010) and the subsequent runners to be supplied after repair in succession after 60 days from the supply of the previous one,
- two new runners were to be provided within 18 months from the effective date of agreement,
- maintenance and repair of the runners supplied and repaired by the agent firm and
- deputing the technical expert for finding out the cause of frequent damage of runners.

The agent firm authorised (January 2010) DSL Power Private Limited, Ludhiana (executing firm) to repair the damaged runners who lifted (January-March 2010) all the five damaged runners for repairs. The executing firm supplied these runners after repairs, however, four runners with delays of 9 to 240 days. All the five repaired runners could run only for 4,634 hours, 612 hours, 948 hours, 1,538 hours and one hour respectively indicating the poor quality of repair and handling of the runners by the executing firm. Frequent damage of runners and replacement thereof/non availability of repaired runners caused loss of generation of 65.35 MUs worth ₹ 25.09 crore in addition to the recurring expenditure on their replacement. The agent firm did not supply the new runners at site and also did not find out the cause of frequent damage of runners. The Company requested (March/April 2011) the agent and executing firms to supply two new runners and also to ensure availability of one healthy runner at site for use as and when required but no response was received. The Company terminated (September 2011) the contract and blacklisted the agent and executing firms for non-performance.

We observed that the Company erred by not investigating the reasons for premature damage of the runners and by not insisting upon the firm to replace the runners as per the warranty clause of the purchase order cum agreement and the firm was given the contract for running of machine for five years. The contract agreement was also deficient as there was no provision with regard to performance guarantee, inspection of the repaired runners and penalty for delayed delivery and non availability of the repaired runners to protect its financial interests. As a result, the Company could not initiate action against the agent/executing firm for poor workmanship, delay in delivery of the repaired runners and consequential loss of generation.

[15] Two runners supplied with the machine in March 1982, one procured in March 1999 and two procured in April 2006.

Thus, the decision of the Company to give the running of the machine on contract basis for five years instead of ascertaining the reasons for premature damage of runners and enforcing the warranty clause of the purchase order cum contract agreement for replacement /repair of the runners damaged within the warranty period not only resulted in financial loss of ₹ 6.50 crore but also caused generation loss of 65.35 MUs worth ₹ 25.09 crore.

The matter was referred to the Government and the Company (May 2012); their replies were awaited (December 2012).

Punjab State Grains Procurement Corporation Limited

4.8 Embezzlement of paddy

Entering of an agreement with unallotted miller and storage of paddy at his premises even in excess of the milling capacity of the mill in violation of the terms of CMP coupled with failure of the Company for conducting physical verifications of paddy stocks on fortnightly basis had facilitated the miller to embezzle the paddy worth ₹ 8.53 crore.

The Punjab State Grains Procurement Corporation Limited (Company) is one of the State procuring agencies to procure foodgrains on behalf of the Government of India. The Company procures paddy from mandis and gets it milled from the millers for delivery of rice to FCI in the central pool. The Custom Milling Policy for kharif marketing season 2009-10 *inter alia* provided that:

- District Level Committee, comprising district heads of all the procuring agencies headed by the Deputy Director (Field) of the division concerned, was to make the allotment of paddy to rice millers;
- After allotment of the miller to the procuring agency, the rice miller was to enter into an agreement with the concerned procuring agency failing which the allotment was liable to be cancelled. Paddy was to be allotted as per the milling capacity of the mill and
- Paddy procured by agency was to be stored in the premises of the allotted rice mills and would remain in the joint custody of the miller and procuring agency. The agency staff was required to conduct physical verifications of the paddy stock on fortnightly basis and had to submit the copies of the physical verification reports containing the quantity and quality of stocks regularly to the district offices.

During the kharif marketing season 2009-10, Noor Rice Mills, Kassu Begu, Ferozepur Cantt (miller) was allotted to another procuring agency i.e. Punjab Agro Foodgrains Corporation Limited (PAFCL), Ferozepur. The District Manager of PAFCL requested (October 2009) the District Controller, Foods Civil Supplies and Consumer Affairs Department (F&SD), Ferozepur to reallot this miller to any other procuring agency due to non-availability of paddy with it.

We observed that District Manager, Ferozpur of the Company entered (30 October 2009) into an agreement for milling of paddy with Noor Rice Mills, Kassu Begu, though the said miller was not allotted by the F&SD to the Company. The District Office, Ferozepur of the Company stored 2,05,558 bags containing 71,945.30 quintals of paddy in the premises of the miller at Kassu Begu during October/November 2009 against 25,000 quintal of paddy as per its milling capacity. Further, the staff of the Company did not conduct physical verifications of the paddy stock on fortnightly basis and District Office authorities of the Company failed to monitor and ensure the submission thereof at regular intervals. At the time of sole physical verification conducted (December 2009) by the District Manager, Ferozepur of the Company, it was found that out of 2,05,558 bags of paddy only 12,193 bags containing 4,213.06 quintals were available at the miller's premises and 1,93,365 bags having 67,732.24 quintals of paddy were misappropriated by the miller. The Company filed an FIR (December 2009) against the miller. Even after passage of more than two years of filing of FIR no tangible results have taken place.

Thus, entering an agreement with unallotted miller and storage of paddy at his premises even in excess of the milling capacity of the mill in violation of the terms of CMP coupled with failure of the Company for conducting physical verifications of paddy stocks on fortnightly basis had facilitated the miller to embezzle the paddy worth ₹ 8.53 crore.

The management stated (April 2012) that the delinquent officials have been charge sheeted for major punishment besides recovery of loss and the case was under investigation with crime branch of police, Bathinda. Further developments were awaited (December 2012).

The matter was reported to the Government in April 2012; their reply was awaited (December 2012).

4.9 Non-recovery/loss of interest due to delay in claiming of incidentals

Failure of the district office Nawansahar of PUNGRAIN to claim the reimbursement of full cost i.e. MSP, bonus and incidental charges at the first instance in the sale bills lodged with FCI after delivery of wheat to them resulted in non recovery of incidental charges of ₹ 2.29 crore for the crop year 2010-11 and delay in recovery of incidental charges of ₹ 5.99 crore for the crop year 2011-12 and consequential loss of interest of ₹ 63.88 lakh.

Punjab State Grains Procurement Corporation Limited (PUNGRAIN) is one of the State procuring agencies entrusted with procurement of foodgrains in the State for the central pool on behalf of the Government of India (GOI). PUNGRAIN procures wheat from *mandis,* stores in its godowns and subsequently delivers to the Food Corporation of India (FCI) as per their movement plan. FCI reimburses to the PUNGRAIN the cost of wheat i.e minimum support price (MSP), bonus and other incidental charges[16] as determined by GOI for each crop year. PUNGRAIN avails cash credit limit from banks to arrange funds for its procurement activities.

The district offices of the PUNGRAIN were required to raise the sale bills and claim the reimbursement of full cost of wheat i.e. MSP, bonus and incidental charges from the FCI immediately after delivery of wheat to them. Non claiming/abnormal delay in claiming the reimbursement of full cost of the wheat delivered to FCI results in loss of interest as payment against cash credit is made only after the reimbursement is received from the FCI.

We observed (May 2012) that the district office Nawanshahar had not ensured timely claiming of the full amount of MSP, bonus and incidental charges in the sale bills lodged with FCI for getting the reimbursement of the cost of wheat delivered to them. In respect of the crop year 2010-11 the district office failed to claim incidental charges of wheat in the sale bills lodged with FCI for 22,686.86 MT of wheat delivered during May 2010 to February 2011 without recording any reasons. District Office raised the supplementary claims of ₹ 2.29 crore for the same in March 2012 after a delay ranging from 458 to 731 days[17] and payment thereagainst was received in August 2012. Similarly, for the crop year 2011-12, the district office failed to claim the incidental charges in the sale bills lodged with FCI for 19,951.27 MT of wheat delivered during May 2011 to October 2011 however, it raised (December 2011) the supplementary claims of ₹ 5.99 crore for incidental charges after a delay of 71 to 208 days. The payment thereagainst was received in December 2011.

Thus, failure of the district office Nawansahar of PUNGRAIN to claim the full reimbursement of cost of wheat i.e. MSP, bonus and incidental charges of wheat at the first instance in the sale bills lodged with FCI after delivery of wheat resulted in non recovery of incidental charges of ₹ 2.29 crore for 2010-11 and delay in recovery of ₹ 5.99 crore for 2011-12 and consequential loss of interest of ₹ 63.88 lakh[18] (₹ 41.25 lakh for 2010-11 up to September 2012 and ₹ 22.63 lakh for 2011-12).

The matter was referred to the Government and the Company (June 2012); their replies were awaited (December 2012).

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[16] Statutory charges (Market fee, Rural Development Cess, Infrastructure Development Cess, Value Added Tax), Dami/Arhatia Commission, Mandi Labour Charges, Transportation and handling charges, Custody and Maintenance charges, Interest charges, Cost of gunny bags, etc.

[17] Calculated from the 16th of the month in respect of sale bills lodged during 1st to 15th of the month and from the 1st of the succeeding month in respect of sale bills lodged during 16th to the last day of the month.

[18] Interest calculated for crop year 2011-12 at the cash credit rate of 11.60 *per cent* and for crop year 2010-11at the rate of 11.25 *per cent*.

Punjab Agro Foodgrains Corporation Limited

4.10 Non recovery

Failure to carry out fortnightly physical verifications regularly and non initiation of timely action to shift the unmilled paddy to other millers at the risk and cost of the defaulting miller facilitated the miller of misappropriation of paddy and consequent non recovery of ₹ 2.06 crore.

Punjab Agro Foodgrains Corporation Limited (Company) procures paddy and delivers rice to Food Corporation of India (FCI) after getting the paddy milled. The Custom Milling Policy (CMP) for the Kharif Marketing Season 2008-09 issued by the State Government (September 2008) *inter alia* provided:

- Paddy procured by the Company was to be stored in the premises of the allotted rice mills and to be kept in the joint custody of the allotted millers and the Company;
- The Company's staff was required to conduct physical verifications on a fortnightly basis to ensure the quantity and quality of paddy stocks stored with the millers;
- The entire paddy allotted to the miller was to be milled as per the prescribed monthly milling schedule and the out-turn ratio of rice to paddy was fixed as 67 per cent. The quantity of the paddy not milled by the miller within the stipulated period was to be shifted to the other millers at the risk and cost of the defaulting miller after due notice in this regard;
- In case of any loss to the stored paddy stocks due to misappropriation/ theft etc., the miller was to make good the entire loss at the value of intended custom milled rice and interest at the rate of 12 per cent from the schedule date of delivery to the FCI till its actual realisation and
- Any dispute regarding milling was to be resolved through arbitration by an arbitrator to be appointed by the Managing Director of the Company.

The Company entered into (August 2008) an agreement with Thind Agro Foods Private Limited, Ferozepur (miller) and allotted 4,811 MT of paddy for milling equivalent to 3,223 MT[19] of rice. As per terms and conditions of the agreement the entire paddy was to be milled up to 31 March 2009 and rice delivered to the FCI, subsequently extended by the Government of India from time to time and finally up to 31 July 2010. Up to June 2009, the miller delivered only 1,801 MT of rice to FCI against 3,223 MT of rice actually due. Despite repeated reminders the miller neither delivered the remaining 1,422 MT rice nor deposited the recoverable amount of ₹ 2.50 crore to the Company up to the extended delivery schedule and deposited (July 2010) only ₹ 1.01 crore against the total cost of the remaining unprocessed paddy of ₹ 2.50 crore.

[19] Taking into account out-turn ratio of 67 *percent* of rice to paddy.

We observed that district office authorities of the Company did not carry out required fortnightly physical verification at regular intervals and also did not initiate action even by August 2009 for shifting of the unmilled paddy at the risk and cost of the defaulting miller to other millers (nine millers) who had exhausted milling 100 per cent of their allotted paddy by August 2009. The physical verification of paddy/rice remaining with the miller conducted (March 2011) by the district office i.e more than seven months from the expiry of extended milling period revealed, shortage of 343.49 MT of paddy and unauthorised milling of 825.69 MT of paddy. The Company lodged (May 2011) an FIR against the miller and sought arbitration claim of ₹ 2.00 crore (July 2011). Due to non appearance of any representative of the miller, the arbitrator awarded (November 2011) the ex-parte award in favour of the Company for ₹ 2.00 crore along with interest at the rate of 12 per cent from the date of claim petition (21 September 2011) till the date of realisation. However, no amount was realised on this account (November 2012).

Thus, failure of the Company to carry out required physical verification regularly and non initiation of timely action in accordance with the provisions of CMP for shifting of unmilled paddy to other millers at the risk and cost of the defaulting miller resulted in misappropriation of paddy and non delivery of 1,422 MT of milled rice by the miller and consequential loss of ₹ 2.06 crore.

The Management accepted the facts and stated (September 2011 and July 2012) that the unmilled paddy lying with the miller was not shifted by the district office as no miller agreed to shift the paddy from the defaulting miller because it was of poor quality. The reply was not verifiable in equal terms with facts on records. The Management further stated (July 2012) that case has been filed in District Court for execution of Arbitration award which is awaiting finality.

The matter was referred to the Government (May 2012); their reply was awaited (December 2012).

4.11 Avoidable extra expenditure

Failure of the Company to utilise once used gunny bags as per instructions of Government of India/ Food Corporation of India resulted in avoidable extra expenditure of ₹ 1.68 crore.

The Company procures paddy from *mandis* in gunny bags on behalf of Food Corporation of India (FCI) for the central pool and after getting it milled from the allotted rice millers delivers the resultant rice to FCI. Since paddy is being lighter in weight than rice, only 35 Kg paddy can be filled in a gunny bag as against 50 Kg of rice. Resultantly, only 46.9 *per cent* gunny bags in case of raw rice[20] and 47.6 *per cent* gunny bags in case of parboiled rice are delivered to FCI at the time of delivery of rice and the remaining 53.1 and 52.4 *per cent* gunny bags, respectively remain with the millers for which 60 *per cent* cost (in

[20] Outturn ratio of paddy into raw rice and parboiled rice is 67 and 68 *per cent* respectively.

the form of depreciation) is recovered from the millers and 40 *per cent* cost is recovered from FCI.

The Government of India (GOI) allowed (February 2006) the procurement of paddy in once used gunny bags in Kharif Marketing Season (KMS) 2005-06 wherein it was stated that the procurement of paddy may be made in new and once used gunny bags in 50:50 ratio but custom milled rice will be delivered to FCI only in new gunny bags. The Director Food, Civil Supplies and Consumer Affairs, Government of Punjab also issued (August 2006) a policy to utilise the surplus gunny bags left with the millers after the custom milling of KMS 2005-06 for purchase of paddy in the KMS 2006-07 which *inter alia* provided that physical verifications of the once used gunny bags will be conducted by the respective agencies through their Inspectors/Assistant Food and Supply Officers to ascertain the actual availability of surplus once used gunny bags conforming to the specifications laid down by the Government. These ibid instructions were reiterated (September 2008) by the GOI.

Audit scrutiny (December 2011) of the records of the district office, Ferozepur for the crop year 2009-10 revealed that the district office procured the entire 6,86,925 quintals of paddy in 19,62,642 new gunny bags and did not utilise 9,81,321 once used gunny bags (pertaining to the crop year 2008-09) in contravention of the instructions of GOI/State Government. The depreciated value of once used gunny bags was ₹14.70[21] per bag whereas the Company used new bags valuing ₹ 31.77 per bag and thus incurred extra expenditure of ₹ 167.51 lakh[22]. FCI had also deducted ₹ 112.98 lakh (₹ 50.16 lakh for 2008-09 and ₹ 62.82 lakh for 2009-10) from the sale bills of District Manager Ferozepur of the Company due to non utilisation of once used gunny bags. We further observed that two other district offices of the Company (Sangrur and Hoshiarpur) had utilised the once used gunny bags for the crop year 2009-10.
Thus, failure of the Company to utilise once used gunny bags as per instructions of GOI/State Government at Ferozepur district office during the crop year 2009-10 for procurement of paddy resulted in avoidable extra expenditure of ₹ 1.68 crore.

The matter was referred to the Government and the Company in January 2012; their replies were awaited (December 2012).

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[21] 60 *per cent* of ₹24.50 i.e. the cost of per gunny bag procured for the crop year 2008-09.

[22] Extra expenditure per bag in 2009-10 was ₹ 17.07 (₹ 31.77- ₹ 14.70) and total extra expenditure on 9,81,321 once used gunny bags that could have been used was ₹ 167.51 lakh

4.12 Loss due to non recovery of interest/waiver of interest clause

Failure of the Company to take up the matter with the State Government for making a provision of compensation in lieu of waiver of interest clause for Kharif Marketing Seasons (KMSs) 2008-09 and 2010-11 and to recover the penal interest from the millers for delayed milling/delivery of rice for KMS 2009-10 resulted in financial loss of ₹ 192.26 crore.

Punjab Agro Foodgrains Corporation Limited (Company) procures paddy for the central pool on behalf of Government of India (GOI). After getting the paddy milled from the rice millers in the State, the Company delivers the rice to the Food Corporation of India (FCI). The Company avails cash credit from the bank to manage procurement, storage and delivery of foodgrains, till its reimbursement from FCI.

The Custom Milling Policies (CMPs) and Draft Agreements with the millers for the Kharif Marketing Seasons (KMSs) 2008-09, 2009-10 and 2010-11 issued in September 2008, September 2009 and September 2010, respectively by the State Government required the millers to deliver the rice as per the following schedule:

Month	2008-09	2009-10	2010-11
October	10 *per cent*	10 *per cent*	5 *per cent*
November to February	20 *per cent* each month		
March	10 *per cent*	10 *per cent*	15 *per cent*

In case of failure to adhere to the above mentioned schedule, interest at the rate of 12 *per cent* of the cost of short delivery of rice was to be charged by the Company from the millers for the period of delay. In the provisional rates for the custom milled rice, GOI allowed interest for two months only on the amount invested by the Company for the procurement and milling of paddy. On the requests of the State Government, GOI extended the delivery period of rice from time to time up to 31 July 2010, 15 July 2011 and 30 November 2011 for the crop years 2008-09, 2009-10 and 2010-11, respectively. Subsequently, in June 2009 and October 2010, the State Government dispensed with the penal interest payable by the millers for the delay in milling for KMSs 2008-09 and 2010-11, without compensating the procuring agencies for their increased liability of interest on cash credit during the extended delayed period of milling of paddy and delivery of rice.

We observed (September 2011) that due to extension in delivery schedule, the milling operations for the KMSs 2008-09, 2009-10 and 2010-11 continued up to July 2010, July 2011 and November 2011. To safeguard its financial interest, the Company should have taken up the matter with the State Government for making a provision of compensation in lieu of waiver of interest for the extended/delayed period of milling of paddy and delivery of rice due to Government directions. However, the Corporation did not initiate any action in this regard. Further, the Company also did not initiate any action to recover the penal interest from the millers for delayed milling of paddy/delivery of rice for KMSs 2009-10 in spite of a provision of penal interest in this regard in the custom milling policy of that year. Failure of the Company to take up the matter with the State Government for making a provision of compensation in lieu of waiver of interest clause for KMSs 2008-09 and 2010-11 and to recover the penal interest from the millers for delayed milling/delivery of rice for KMSs 2009-10 resulted in financial loss of ₹ 192.26 crore (2008-09: ₹ 49.64 crore, 2009-10: ₹ 83.41 crore and 2010-11: ₹ 59.21 crore).

The matter was referred to the Government and the Company (May 2012); their replies were awaited (December 2012).

Punjab State Bus Stand Management Company Limited

4.13 Favour to a contractor

Failure of the Company to levy penalty in accordance with terms and conditions of the agreements for kilometers missed due to the absence of drivers and conductors led to favour to the contractor and consequential loss of ₹ 63.99 lakh.

To meet requirement of staff and to ensure smooth operation of its buses Punjab State Bus Stand Management Company Limited (Company) has been arranging drivers and conductors through outsourcing since December 2006. The Company entered (December 2009 and April 2010) into agreements with 'The Providers Management Informatics Private Limited", Chandigarh (contractor) for providing drivers and conductors for three years at the rates of ₹ 1.02 per kilometer and ₹ 0.90 per kilometer respectively. The terms and conditions of agreements *inter alia* provided that the contractor should always keep adequate reserve manpower with them to meet any exigency so that operational work of the Company would not suffer. Further, in case the mileage missed due to absence of drivers and conductors or breakdown due to their fault, then penalty at the rate of ₹ 1.50 per Km for mileage missed was recoverable from the contractor.

During test check of the records (April - November 2012) of all the depots of the Company, it was noticed that the contractor failed to provide staff during the period from 16 January 2012 to 28 January 2012 in terms of the contract. Consequently, the operation of buses of the Company was interrupted and 21.13 lakh kms and 21.53 lakh kms were missed due to the absence of the drivers and conductors respectively. As per terms and conditions of the agreement, the contractor was liable to pay penalty of ₹ 63.99 lakh[23], on account of kilometers missed due to non providing of operational staff.

We noticed that the Company, without assigning any reasons, decided (February 2012) in the meeting of Commercial Officers not to levy any

[23] 42.66 lakh (21.13 lakh + 21.53 lakh) missed KMs x ₹ 1.50 per KM

penalty for kilometers missed during the period of strike of drivers/conductors. Thus, the failure of the Company to levy penalty as per terms and conditions of the agreements for kilometers missed due to non providing of operational staff led to extending undue favour to the contractor of ₹ 63.99 lakh to the financial detriment of the Company. Besides, it also could not fulfill its social obligation of providing uninterrupted bus service to the commuters in the State.

The Management stated (September 2012) that the strike occurred during 16 January 2012 to 28 January 2012 was by the regular operational staff (drivers/ conductors) of the Company for their demands and they forced for non leaving of buses from the bus stand during that period. The drivers and conductors supplied by the contractor were present during the said period of strike and were willing to perform their duties, but regular operational staff of the Company forced them not to perform their duties. Resultantly, to maintain law and order buses were not operated.

The reply is not acceptable as during audit, the facts that the regular operational staff were on strike was not found correct. Further, while deciding about not to levy any penalty for missed KMs for strike period in the meeting of Commercial Officers held on 13 February 2012 no such reasons for non operation of buses were explained and such decision was beyond the competency of commercial officers.

The matter was referred to the Government in (June 2012); their reply was awaited (December 2012).

Statutory corporations

Punjab Financial Corporation

4.14 Short recovery of one time settlement amount

Adjustment of interest, already recovered from the loanee unit, against the principal in contravention of the One Time Settlement (OTS) policy resulted in short recovery of OTS amount to the extent of ₹ 28.40 lakh.

The Government of Punjab formulated (March 2009) One Time Settlement (OTS) policy 2009, for the loanee units of Punjab Financial Corporation (Corporation). The OTS policy *inter-alia* provided that:

- The OTS amount was to be outstanding principal, expenses plus interest[24] or principal plus expenses plus documented rate of interest from the date

[24] Ranging between 4 *per cent* to 12 *per cent* based on the category under which the loanee unit falls.

of disbursement till the cut off date less interest paid on reducing balance basis without adjustment against principal outstanding whichever is lower.

- In case of loanee units under Appellate Authority for Industrial and Financial Reconstruction/Board for Industrial and Financial Reconstruction, the interest at the rate of 10 *per cent* was to be charged since beginning on half yearly compounded basis.
- In no case, the OTS amount was to be less than outstanding principal plus expenses.

Initially, the policy was valid for 90 days from the date of 2 March 2009 and subsequently it was extended up to 16 February 2011. Before implementation of the OTS policy, the Corporation issued (March 2009) guidelines for calculating OTS amount wherein it was specified that if the payment made by the borrower exceeded the liability of expenses and interest at any point of time, the benefit of excess amount was to be given towards principal for calculating further interest in all the categories of the loanees. Audit observed that these guidelines were against the spirit and terms of the OTS policy 2009 of the State Government which clearly stipulated that while calculating the OTS amount, already paid interest was to be accounted for on reducing balance basis without adjustment against principal outstanding. Issuance of guidelines in contravention of OTS policy, 2009 resulted in short recovery of OTS amount from a loanee unit.

S N Paper Mills Private limited Ludhiana (unit) which was registered with the Board for Industrial and Financial Reconstruction (BIFR) opted (March 2009) for OTS for the settlement of the loan amount of ₹ 5.05 crore (principal ₹ 0.90 crore and interest ₹ 4.15 crore) as of 1 March 2009. The Corporation accepted (July 2009) the request of the unit and settled the loan amount at ₹ 90.08 lakh after adjusting the interest already paid on reducing balance basis and adjusting the excess than due, if any, arising out of calculation of interest at concessional rate, against the principal amount. The unit paid the full amount of ₹ 90.08 lakh from May 2009 to July 2009. The Corporation issued (October 2009) 'No Due Certificate' to the unit and also released its security documents.

We observed (April 2011) that the Corporation, while accounting the already recovered interest of ₹ 80.56 lakh for computing the OTS amount adjusted the excess amount, which arose due to calculation of interest at concessional rate of 10 *per cent* since start of the loan, against the principal amount. Adjustment of interest already recovered from the loanee unit against the principal in contravention of the OTS policy resulted in short recovery of OTS amount of ₹ 28.40 lakh (₹ 118.48 lakh[25] worked out by us less amount of ₹ 90.08 lakh calculated and recovered by the Corporation).

The Management stated (August 2012) that the OTS amount was worked out as per the notification of the Government of Punjab and guidelines issued by the Corporation from time to time and there was no case of adjustment of interest received against the principal as the calculations were done only on reducing

[25] Audit has worked out the OTS amount of ₹ 118.48 lakh on the basis of the crieteria adopted for calculation of the OTS amount of ₹ 90.08 lakh by the Corporation itself except adjustment of excess amount of interest recovered against the principal amount outstanding.

balance basis in terms of approved OTS Policy, 2009. The contention of the Company does not stand scrutiny as the guidelines issued by the Corporation and adjustment of interest already recovered from the loanee unit against the principal was in contravention of the OTS policy, 2009. Moreover, we observed that Punjab State Industrial Development Corporation Limited (PSIDC) another State PSU had settled the loan amount of the same loanee unit under similar OTS policy[26] without adjustment of excess amounts of already recovered interest from the loanee unit against principal and the loanee unit had also accepted the same. Thus, the incorrectly calculated concession and adjustment of interest already recovered from the loanee unit against the principal overlooking its financial interests resulted in loss of ₹ 28.40 lakh.

The matter was referred to the Government (January 2012); their reply was awaited (December 2012).

General

4.15 Follow-up Action on Audit Reports

Explanatory Notes Outstanding

4.15.1 The Audit Reports of the Comptroller and Auditor General of India represent the culmination of the process of scrutiny, starting with initial inspection of accounts and records maintained in various offices and departments of the Government. It is, therefore, necessary that they elicit appropriate and timely response from the executive. The State Finance Department issued instructions (August 1992) to all the administrative departments to submit detailed notes, duly vetted by Audit indicating the corrective/remedial action taken or proposed to be taken on paragraphs and reviews included in the Audit Reports, within three months of their presentation to the Legislature, without waiting for any notice or call from the Committee on Public Undertakings (COPU).

The Audit Reports for the years 2002-03 to 2010-11 featuring 200 paragraphs/reviews relating to PSUs under the administrative control of 11 departments were placed in the State Legislature on the dates indicated in the following table. Replies in respect of 56 paras/reviews were awaited from six departments of the State Government by 30 September 2012.

[26] S N Paper Mills Private limited Ludhiana had taken loan of ₹ 0.90 crore from PFC and ₹ 0.60 crore from PSIDC. Both the loans were settled under similar OTS Policies at the same time. PSIDC settled the loan amount for ₹ 1.04 crore which was worked out without adjustment of excess amount of interest recovered from the loanee unit against principal outstanding. If it worked out according to PFC, the OTS amount would be ₹ 0.79 crore.

Year of the Audit Report (Commercial)	Date of Presentation	Total no. of paragraphs/ reviews in the Audit Report	Number of paragraphs/ reviews for which detailed notes were not received.
2002-03	June 2004	23	1
2003-04	March 2005	22	3
2004-05	March 2006	23	3
2005-06	March 2007	28	2
2006-07	March 2008	25	5
2007-08	March 2009	24	9
2008-09	March 2010	22	8
2009-10	March 2011	18	10
2010-11	March 2012	15	15
Total		**200**	**56**

The department-wise analysis is given in ***Annexure-17***. The departments largely responsible for non-submission of detailed notes were Agriculture, Power, Finance, Food and Supplies and Industries. The Government did not respond to important reviews that highlighted delay in taking action against defaulting millers for failure to get the paddy milled within the stipulated period, avoidable payment of transportation charges and failure to take up the matter regarding reimbursement of interest and custody and maintenance charges with State Government/ FCI and deficiencies in planning, construction and commissioning of projects and purchase of power.

Action Taken Notes on Reports of Committee on Public Undertaking (COPU)

4.15.2 As per Rule 25 of the Internal Working Rules of COPU, Punjab Legislative Assembly, replies to the recommendations in the form of Action Taken Notes (ATNs) are to be submitted by the administrative department of the PSU within six months from the date of placement of Report of COPU in the State Legislature. Replies to two paragraphs pertaining to one Report of COPU (84^{th}) presented to State Legislature on 24^{th} March 2008, four paragraphs pertaining to one Report of COPU (89^{th}) presented to State Legislature on 6^{th} March 2009 and 11 paragraph pertaining to two Reports of COPU (95^{th} and 96^{th}) presented to State Legislature on 18^{th} March 2011 and three paragraphs pertaining to one report of COPU (98^{th}) presented to State Legislature on 25^{th} March 2011 had not been received as on 30 September 2012.

Response to Inspection Reports, Draft Paras and Reviews

4.15.3 Audit observations noticed during audit and not settled on the spot are communicated to the heads of PSUs and concerned departments of the State Government through Inspection Reports. The heads of PSUs are required to furnish replies to the Inspection Reports through respective heads of departments within a period of four weeks. Inspection Reports issued up to March 2012 revealed that 2,722 paragraphs relating to 954 Inspection Reports pertaining to 44 PSUs were outstanding at the end of 30 June 2012. The department-wise break up of Inspection Reports and audit observations outstanding as on 30 June 2012 is given in ***Annexure-18***.

Similarly, draft paragraphs and reviews on the working of PSUs are forwarded to the Principal Secretary/Secretary of the administrative department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. However, 17 draft paragraphs and two draft performance audit reports forwarded to the various departments during April 2012 to September 2012 as detailed in ***Annexure-19*** had not been replied so far (December 2012).

It is recommended that the Government should ensure that: (a) procedure exists for action against the officials who fail to send replies to inspection reports/draft paragraphs/performance audit reports as per the prescribed time schedule; (b) action to recover loss/outstanding advances/overpayment is taken within prescribed period and (c) the system of responding to audit observations is revamped.

(Amandeep Chatha)
Accountant General (Audit), Punjab

CHANDIGARH
The

Countersigned

(Vinod Rai)
Comptroller and Auditor General of India

NEW DELHI
The

Annexure - 1
(Referred to in paragraph 1.7)

Statement showing particulars of up to date paid-up capital, loans outstanding and manpower as on 31 March 2012 in respect of Government companies and Statutory corporations

(Figures in column 5 (a) to 6(d) are ₹ in crore)

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorporation	Paid-up Capital[1]				Loans[2] outstanding at the close of 2011-12				Debt equity ratio for 2011-12 (Previous year)	Man power (No .of employees as on 31.3.2012)
				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 & Allied													
1.	Punjab Agro Foodgrains Corporation Limited	Agriculture	8 July 2002	-	-	5.00	5.00	-	-	-	-	-	- (all employees are on deputation)
2.	Punjab Agro Industries Corporation Limited	-do-	11 February 1966	45.46	1.25	2.50	49.21	5.50	-	-	5.50	0.11:1 (0.11:1)	516
3.	Punjab Agro Juices Limited	-do-	1 February 2006	50.00	-	-	50.00	-	-	27.84	27.84	0.56:1 (0.52:1)	75
4.	Punjab Agro Power Corporation Limited	-do-	8 July 2005	-	-	0.05	0.05	-	-	-	-	-	-
5.	Punjab State Forest Development Corporation Limited	Forest	23 May 1983	0.25	-	-	0.25	-	-	17.50	17.50	70:1 (55.72:1)	254
6.	Punjab State Grains Procurement Corporation Limited	Food and Supplies	10 March 2003	1.05	-	-	1.05	-	-	-	-	-	- (all employees are on deputation/ contract)
7.	Punjab State Seeds Corporation Limited	Agriculture	27 March 1976	4.51	-	1.11	5.62	-	-	5.00	5.00	0.89:1 (0.89:1)	77
8.	Punjab Water Resource Management & Development Corporation Limited	Irrigation	26 December 1970	296.16	-	-	296.16	222.26	-	-	222.26	0.75:1 (0.75:1)	2,050
9.	Punjab Agri Export Corporation Limited	Agriculture	17 January 1997	-	-	5.00	5.00	-	-	-	-	-	10
Sector wise Total				**397.43**	**1.25**	**13.66**	**412.34**	**227.76**	**-**	**50.34**	**278.10**	**0.67:1 (0.66:1)**	**2,982**

Sl. No.	Sector & Name of the Company	Name of the Depart ment	Month and year of incorpor ation	Paid-up Capital[1]				Loans[2] outstanding at the close of 2011-12				Debt equity ratio for 2011-12 (Previous year)	Man power (No .of employees as on 31.3.2012)
				State Govern Ment	Central Govern ment	Others	Total	State Govern ment	Central Govern Ment	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													
10.	Punjab State Industrial Development Corporation Limited	Industries	31 January 1966	78.21	-	-	78.21	-	-	581.83	581.83	7.44:1 (7.45:1)	90
11.	Punjab Venture Capital Limited	-do-	4 December 1998	-	-	0.05	0.05	-	-	-	-	-	4
12.	Punjab Venture Investors Trust Limited	-do-	4 December 1998	-	-	0.05	0.05	-	-	-	-	-	-
Sector wise Total				**78.21**	**-**	**0.10**	**78.31**	**-**	**-**	**581.83**	**581.83**	**7.43:1 (7.44:1)**	**94**
Infrastructure													
13.	Punjab Police Housing Corporation Limited	Home	30 March 1989	0.05	-	-	0.05	-	-	-	-	-	159
14.	Punjab Small Industries and Export Corporation Limited	Industries	17 March 1962	49.86	0.15	-	50.01	-	-	-	-	-	455
Sector wise Total				**49.91**	**0.15**	**-**	**50.06**	**-**	**-**	**-**	**-**	**-**	**614**
Manufacture													
15.	Punjab Communications Limited	-do-	21 July 1981	-	-	12.05	12.05	-	-	-	-	-	277
Sector wise Total				**-**	**-**	**12.05**	**12.05**	**-**	**-**	**-**	**-**	**-**	**277**
Power													
16.	Gidderbaha Power Limited	Power	14 August 2008	-	-	0.05	0.05	-	-	10.13	10.13	202.60:1 (194.60:1)	Staff is on deputation from PSPCL
17.	Punjab Genco Limited	Industries	5 March 1998	-	-	22.90	22.90	-	-	-	-	-	1(others are on contract)
18.	Punjab State Power Corporation Limited	Power	16 April 2010	2,946.16⊕	-	-	2,946.16	-	427.95	8,277.91	8,705.86	2.95:1 (2.68:1)	52,142
19.	Punjab State Transmission Corporation Limited	Power	16 April 2010	0.05	-	-	0.05	-	-	1,732.90	1,732.90	34,658.0:1 (-)	3,122
Sector wise Total				**2,946.21**	**-**	**22.95**	**2,969.16**	**-**	**427.95**	**10,020.94**	**10,448.89**	**3.52:1 (3.02:1)**	**55,264**

Sl. No.	Sector & Name of the Company	Name of the Depart ment	Month and year of incorpor ation	Paid-up Capital[1]				Loans[2] outstanding at the close of 2011-12				Debt equity ratio for 2011-12 (Previous year)	Man power (No .of employees as on 31.3.2012)
				State Govern ment	Central Govern ment	Others	Total	State Govern ment	Central Govern ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6(d)	(7)	(8)
Service													
20.	Gulmohar Tourist Complex (Holiday Home) Limited	Tourism	9 July 2003	0.02	-	-	0.02	-	-	-	-	-	-
21.	Punjab Information & Communication Technology Corporation Limited	Industries	27 March 1976	19.23	-	-	19.23	-	-	-	-	- (6.24:1)	36
22.	Punjab Police Security Corporation Limited	Home	18 January 2008	-	-	0.05	0.05	-	-	-	-	-	-
23.	Punjab State Bus Stand Management Company Limited	Transport	7 March 1995	56.15	-	-	56.15	-	-	57.71	57.71	1.03:1 (0.87:1)	-
24.	Punjab State Civil Supplies Corporation Limited	Food and Supplies	14 February 1974	3.73	-	-	3.73	-	-	-	-	-	1,574
25.	Punjab State Container and Warehousing Corporation Limited	Agriculture	26 April 1995	25.00	-	-	25.00	-	-	-	-	-	(on contract basis)
26.	Punjab Tourism Development Corporation Limited	Tourism	26 March 1979	6.66	-	-	6.66	-	-	-	-	-	-
27.	Punjab Municipal Infrastructure Development Company	Department of local Government	16 March 2009	0.05	-	-	0.05	-	-	231.96	231.96	4,639.20:1 (294.20:1)	-(employees are outsourced)
Sector wise Total				**110.84**	**-**	**0.05**	**110.89**	**-**	**-**	**289.67**	**289.67**	**2.61:1 (1.66:1)**	**1,610**
Total A (All sector wise working Government Companies)				**3,582.60**	**1.40**	**48.81**	**3,632.81**	**227.76**	**427.95**	**10,942.78**	**11,598.49**	**3.19:1 (2.75:1)**	**60,841**

Sl. No	Sector & Name of the Company	Name of the Depart ment	Month and year of incorpor ation	Paid-up Capital[1]				Loans[2] outstanding at the close of 2011-12				Debt equity ratio for 2011-12 (Previous year)	Man power (No .of employees as on 31.3.2012)
				State Govern ment	Central Govern ment	Others	Total	State Govern ment	Central Govern ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6(d)	(7)	(8)
B. Working Statutory Corporations													
Agriculture & Allied													
1.	Punjab State Warehousing Corporation	Agriculture	1 November 1967	4.00	4.00	-	8.00	-	-	29.41	29.41	3.68:1 (3.30:1)	1,523
Sector wise Total				**4.00**	**4.00**	**-**	**8.00**	**-**	**-**	**29.41**	**29.41**	**3.68:1 (3.30:1)**	**1,523**
Financing													
2.	Punjab Financial Corporation	Industries	1 February 1953	29.31	-	11.08	40.39	16.54	-	247.78	264.32	6.54:1 (6.75:1)	209
3.	Punjab Scheduled Castes Land Development and Finance Corporation	Social Welfare	18 January 1971	34.99	33.27	-	68.26	-	-	18.51	18.51	0.27:1 (0.22:1)	208
Sector wise Total				**64.30**	**33.27**	**11.08**	**108.65**	**16.54**	**-**	**266.29**	**282.83**	**2.60:1 (2.80:1)**	**417**
Service													
4.	PEPSU Road Transport Corporation	Transport	7 January 1956	282.08	24.36	-	306.44	-	-	46.90	46.90	0.15:1 (0.93:1)	2,275
Sector wise Total				**282.08**	**24.36**	**-**	**306.44**	**-**	**-**	**46.90**	**46.90**	**0.15:1 (0.93:1)**	**2,275**
Total B (All sector wise working Statutory Corporations)				**350.38**	**61.63**	**11.08**	**423.09**	**16.54**	**-**	**342.60**	**359.14**	**0.85:1 (1.88:1)**	**4,215**
Grand Total (A+B)				**3,932.98**	**63.03**	**59.89**	**4,055.90**	**244.30**	**427.95**	**11,285.38**	**11,957.63**	**2.95:1 (2.70:1)**	**65,056**

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorporation	Paid-up Capital[1]				Loans[2] outstanding at the close of 2011-12				Debt equity ratio for 2011-12 (Previous year)	Man power (No .of employees as on 31.3.2012)
				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)
C. Non working Government companies													
Agriculture & Allied													
1.	Punjab Land Development and Reclamation Corporation Limited	Agriculture	22 March 1965	1.45	-	-	1.45	3.53	-	0.20	3.73	2.57:1 (2.78:1)	-
2.	Punjab Micro Nutrients Limited	-do-	1 February 1983	-	-	0.25	0.25	0.36	-	-	0.36	1.44:1 (1.44:1)	-
3.	Punjab Poultry Development Corporation Limited	Animal Husbandry	15 September 1964	3.09	-	-	3.09	-	-	-	-	-	-
Sector wise Total				**4.54**	**-**	**0.25**	**4.79**	**3.89**	**-**	**0.20**	**4.09**	**0.85:1 (0.92:1)**	**-**
Financing													
4.	Punjab Film and News Corporation Limited	Cultural Affairs	26 June 1973	1.51	-	-	1.51	0.14	-	-	0.14	0.09:1 (0.09:1)	(On contract basis)
Sector wise Total				**1.51**	**-**	**-**	**1.51**	**0.14**	**-**	**-**	**0.14**	**0.09:1 (0.09:1)**	**(On contract basis)**
Manufacturing													
5.	Electronic Systems Punjab Limited	Industries	22 September 1980	-	-	3.00	3.00	-	-	6.09	6.09	2.03:1 (2.03:1)	-
6.	Intermagnetic India Limited	-do-	6 June 1991	-	-	0.21	0.21	-	-	-	-	-	-
7.	Punjab Bio-Medical Equipments Limited	-do-	4 January 1977	-	-	0.43	0.43	-	-	0.41	0.41	0.95:1 (0.95:1)	-
8.	PCL Telecom Limited	-do-	6 April 1993	-	-	0.20	0.20	-	-	-	-	-	-
9.	Punjab Digital Industrial Systems Limited	-do-	4 January 1977	-	-	0.25	0.25	-	-	0.26	0.26	1.04:1 (1.04:1)	-
10.	Punjab Electro Optics Systems Limited	Industries	12 January 1978	-	-	0.12	0.12	-	-	0.87	0.87	7.25:1 (7.25:1)	-

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorporation	Paid-up Capital[1]				Loans[2] outstanding at the close of 2011-12				Debt equity ratio for 2011-12 (Previous year)	Man power (No .of employees as on 31.3.2012)
				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)
11.	Punjab Footwears Limited	Industries	15 July 1969	-	-	0.15	0.15	-	-	0.04	0.04	0.27:1 (0.27:1)	-
12.	Punjab Power Packs Limited	-do-	28 September 1981	-	-	1.55	1.55	0.65	-	7.39	8.04	5.19:1 (5.19:1)	-
13.	Punjab Power Products Limited	-do-	13 March 1979	-	-	0.31	0.31	-	-	0.66	0.66	2.13:1 (2.13:1)	-
14.	Punjab State Handloom and Textile Development Corporation Limited	-do-	27 March 1976	3.63	-	-	3.63	-	1.71	-	1.71	0.47:1 (0.77:1)	2
15.	Punjab State Hosiery and Knitwear Development Corporation Limited	-do-	21 February 1977	3.91	-	-	3.91	9.64	-	0.49	10.13	2.59:1 (2.59:1)	-
16.	Punjab State Leather Development Corporation Limited	-do-	23 February 1981	3.42	-	-	3.42	-	-	-	-	-	1
17.	Punjab Tanneries Limited	-do-	29 October 1969	-	-	0.52	0.52	-	-	1.41	1.41	2.71:1 (2.71:1)	-
18.	Consumer Electronics (Punjab) Limited	-do-	12 January 1978	-	-	0.21	0.21	-	-	-	-	-	5
19.	Punjab Recorders Limited	-do-	4 January 1977	-	-	0.71	0.71	-	-	0.79	0.79	1.11:1 (1.11:1)	15
Sector wise Total				**10.96**	**-**	**7.66**	**18.62**	**10.29**	**1.71**	**18.41**	**30.41**	**1.63:1 (1.69:1)**	**23**

Sl. No.	Sector & Name of the Company	Name of the Depart ment	Month and year of incorpor ation	Paid-up Capital[1]				Loans[2] outstanding at the close of 2011-12				Debt equity ratio for 2011-12 (Previous year)	Man power (No. of employees as on 31.3.2012)
				State Govern ment	Central Govern Ment	Others	Total	State Govern ment	Central Govern ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6(d)	(7)	(8)
Service													
20.	Amritsar Hotel Limited	Tourism	9 July 2003	0.02	-	-	0.02	-	-	-	-	-	-
21.	Neem Chameli Tourist Complex Limited	-do-	9 July 2003	0.02	-	-	0.02	-	-	-	-	-	-
22.	Punjab Export Corporation Limited	Industries	17 June 1963	0.09	-	0.01	0.10	0.52	-	-	0.52	5.20:1 (5.20:1)	-
Sector wise Total				**0.13**	**-**	**0.01**	**0.14**	**0.52**	**-**	**-**	**0.52**	**3.71:1 (3.71:1)**	**-**
Total C (all sector wise non working Government companies)				**17.14**	**-**	**7.92**	**25.06**	**14.84**	**1.71**	**18.61**	**35.16**	**1.40:1 (1.46:1)**	**23**
Grand (A+B+C)				**3,950.12**	**63.03**	**67.81**	**4,080.96**	**259.14**	**429.66**	**11,303.99**	**11,992.79**	**2.94:1 (2.69:1)**	**65,079**

Note1: ***Though the Punjab State Electricity Board has been unbundled and two new companies viz. Punjab State Power Corporation Limited at Sr. No A-18 and Punjab State Transmission Corporation Limited at Sr. No.A-19 have been formed, however, the financial reconstruction of the erstwhile Punjab State Electricity Board has not been finalised so far (September 2012).***

Note 2: ***Above includes three Section 619B companies at Sr. No. A- 11, 12 and 16.***

Note 3: ***Punjab Agri Export Corporation Limited at Sl No. A-9 was established on 17 January 1997 and it became a Government Company in 2010-11 with the increase in shareholding of the Holding Company more than 50 per cent.***

Note 4: ***Companies at Sr. No .A- 1, 4 and 9 are subsidiaries of Punjab Agro Industries Corporation Limited (Sr. No. 2)***

[1] Paid-up capital includes share application money.

[2] Loans outstanding at the close of 2011-12 represent long-term loans only and do not include interest accrued and due.

Annexure – 2

(Referred to in paragraphs 1.15, 1.24, 1.29 and 1.36)

Summarised financial results of Government companies and Statutory corporations for the latest year for which accounts were finalised

(Figures in column 5(a) to (11) 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 [3]	Paid up Capital	Accumulated Profit (+)/Loss(-)	Capital employed [4]	Return on capital employed[5]	Percentage 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 & Allied														
1.	Punjab Agro Foodgrains Corporation Limited	2009-10	2011-12	3.09	2.59	0.24	0.26	2,829.37	(-) 240.61	5.00	5.07	4,136.67	2.85	0.07
2.	Punjab Agro Industries Corporation Limited	2011-12	2012-13	1.40	1.04	0.13	0.23	-	Under Audit	49.21	1.14	113.68	1.27	1.12
3.	Punjab Agro Juices Limited	2010-11	2011-12	1.25	3.12	7.75	(-) 9.62	0.07	-	50.00	(-) 38.01	46.41	(-) 6.50	-
4.	Punjab Agro Power Corporation Limited	2011-12	2012-13	D	D	D	D	D	-	0.05	D	-	D	-
5.	Punjab State Forest Development Corporation Limited	2011-12	2012-13	4.05	-	0.24	3.81	25.78	-	0.25	25.57	48.01	3.81	7.94
6.	Punjab State Grains Procurement Corporation Limited	2009-10	2012-13	489.46	574.83	0.23	(-) 85.60	6,418.84	-	1.05	(-) 606.55	4,579.59	489.23	10.68
7.	Punjab State Seeds Corporation Limited	2008-09	2011-12	4.08	0.11	0.14	3.83	62.31	(-) 1.40	5.62	4.72	19.95	3.94	19.75
8.	Punjab Water Resource Management & Development Corporation Limited	2009-10	2011-12	2.85	-	6.33	(-) 3.48	6.75	(-) 0.14	269.57	(-) 79.59	412.25	(-) 3.48	-
9.	Punjab Agri Export Corporation Limited	2010-11	2011-12	(-) 0.41	-	0.01	(-) 0.42	0.38	(-) 0.64	5.00	(-) 1.03	3.96	(-) 0.42	-
Sector wise Total				**505.77**	**581.69**	**15.07**	**(-) 90.99**	**9,343.50**	**(-) 242.79**	**385.75**	**(-) 688.68**	**9,360.52**	**490.70**	**5.24**

Sl. No	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/Loss(-)				Turnover	Impact of Accounts Comments [3]	Paid up Capital	Accumulated Profit (+)/Loss(-)	Capital employed [4]	Return on capital employed[5]	Percentage 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)
Financing														
10.	Punjab State Industrial Development Corporation Limited	2010-11	2011-12	18.46	46.80	0.19	(-) 28.53	13.93	(+) 0.74	78.21	(-) 550.54	106.04	18.27	17.23
11.	Punjab Venture Capital Limited	2010-11	2011-12	(-) 0.08	-	-	(-) 0.08	0.40	-	0.05	0.44	0.53	(-) 0.08	-
12.	Punjab Venture Investors Trust Limited	2010-11	2011-12	-	-	-	-	0.01	-	0.05	0.03	0.08	-	-
Sector wise Total				**18.38**	**46.80**	**0.19**	**(-) 28.61**	**14.34**	**(+) 0.74**	**78.31**	**(-) 550.07**	**106.65**	**18.19**	**17.06**
Infrastructure														
13.	Punjab Police Housing Corporation Limited	2011-12	2012-13	B	B	B	B	B	-	0.05	B	0.09	B	-
14.	Punjab Small Industries and Export Corporation Limited	2009-10	2011-12	6.74	2.50	0.39	3.85	177.52	-	50.01	83.22	145.15	6.35	4.37
Sector wise Total				**6.74**	**2.50**	**0.39**	**3.85**	**177.52**	**-**	**50.06**	**83.22**	**145.24**	**6.35**	**4.37**
Manufacturing														
15.	Punjab Communications Limited	2011-12	2012-13	1.62	0.18	0.70	0.74	23.13	-	12.05	24.13	109.30	0.92	0.84
Sector wise Total				**1.62**	**0.18**	**0.70**	**0.74**	**23.13**	**-**	**12.05**	**24.13**	**109.30**	**0.92**	**0.84**
Power														
16.	Gidderbaha Power Limited	2011-12	2012-13	D	D	D	D	D	-	0.05	D	10.17	D	-
17.	Punjab Genco Limited	2010-11	2011-12	14.13	-	2.98	11.15	19.59	(-) 6.81	22.90	70.21	93.09	11.15	11.98
18.	Punjab State Power Corporation Limited[7]	2009-10	2010-11	826.96	1,329.61	798.87	(-) 1,301.52	8,694.72	-	2,946.11	(-) 9,712.75	14,399.03	28.09	0.20
19.	Punjab State Transmission Corporation Limited[7]													
Sector wise Total				**841.09**	**1,329.61**	**801.85**	**(-) 1,290.37**	**8,714.31**	**(-) 6.81**	**2,969.06**	**(-) 9,642.54**	**14,502.29**	**39.24**	**0.27**

Sl. No	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/Loss(-)				Turnover	Impact of Accounts Comments [3]	Paid up Capital	Accumulated Profit (+)/Loss(-)	Capital employed [4]	Return on capital employed[5]	Percentage 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														
20.	Gulmohar Tourist Complex (Holiday Home) Limited	2006-07	2011-12	(-) 1.04	-	0.05	(-) 1.09	-	-	0.02	(-) 1.92	1.03	(-) 1.09	-
21.	Punjab Information & Communication Technology Corporation Limited	2010-11	2011-12	11.28	-	0.22	11.06	24.68	(-) 13.49	19.23	36.52	178.67	11.06	6.19
22.	Punjab Police Security Corporation Limited	2010-11	2011-12	B	B	B	B	B	-	0.05	-	1.02	-	-
23.	Punjab State Bus Stand Management Company Limited	2009-10	2011-12	29.40	4.24	22.81	2.35	268.67	(-) 0.09	56.15	1.69	589.58	6.59	1.12
24.	Punjab State Civil Supplies Corporation Limited	2010-11	2011-12	966.41	964.98	0.93	0.50	7,059.21	(-) 420.59	3.73	(-) 449.38	8,746.22	965.48	11.04
25.	Punjab State Container and Warehousing Corporation Limited	2010-11	2011-12	14.38	-	2.98	11.40	17.95	-	25.00	45.03	75.46	11.40	15.11
26.	Punjab Tourism Development Corporation Limited	2007-08	2010-11	2.23	-	0.07	2.16	17.02	-	6.66	12.08	14.05	2.16	15.37
27.	Punjab Municipal Infrastructure Development Company	2010-11	2011-12	B	B	B	B	B	-	0.04	-	12.38	-	-
Sector wise Total				**1,022.66**	**969.22**	**27.06**	**26.38**	**7,387.53**	**(-) 434.17**	**110.88**	**(-) 355.98**	**9,618.41**	**995.60**	**10.35**
Total A (All sector wise working Government companies)				**2,396.26**	**2,930.00**	**845.26**	**(-) 1,379.00**	**25,660.33**	**(-) 683.03**	**3,606.11**	**(-) 11,129.92**	**33,842.41**	**1,551.00**	**4.58**

Sl. No	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/Loss(-)				Turnover	Impact of Accounts Comments [3]	Paid up Capital	Accumulated Profit (+)/Loss(-)	Capital employed [4]	Return on capital employed[5]	Percentage 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)
B. Working Statutory corporations														
Agriculture & Allied														
1.	Punjab State Warehousing Corporation	2009-10	2011-12	289.53	408.34	3.47	(-) 122.28	3,867.98	Under Audit	8.00	(-) 404.17	2,778.64	286.06	10.29
Sector wise Total				**289.53**	**408.34**	**3.47**	**(-) 122.28**	**3,867.98**		**8.00**	**(-) 404.17**	**2,778.64**	**286.06**	**10.29**
Financing														
2.	Punjab Financial Corporation	2011-12	2012-13	23.86	16.47	0.06	7.33	18.68	Under Audit	40.39	(-) 316.18	346.35	23.80	6.87
3.	Punjab Scheduled Castes Land Development and Finance Corporation	2009-10	2011-12	(-) 2.32	0.39	0.04	(-) 2.75	5.59	(-) 0.52	57.68	21.34	94.03	(-) 2.36	-
Sector wise total				**21.54**	**16.86**	**0.10**	**4.58**	**24.27**	**(-) 0.52**	**98.07**	**(-) 294.84**	**440.38**	**21.44**	**4.87**
Service														
4.	PEPSU Road Transport Corporation	2010-11	2012-13	5.75	11.15	8.06	(-) 13.46	289.40	(-) 45.27	111.18	(-) 351.83	(-) 122.94	(-) 2.31	-
Sector wise Total				**5.75**	**11.15**	**8.06**	**(-) 13.46**	**289.40**	**(-) 45.27**	**111.18**	**(-) 351.83**	**(-) 122.94**	**(-) 2.31**	-
Total B (All sector wise working Statutory corporations)				**316.82**	**436.35**	**11.63**	**(-) 131.16**	**4,181.65**	**(-) 45.79**	**217.25**	**(-) 1,050.84**	**3,096.08**	**305.19**	**9.86**
Grand Total (A+B)				**2,713.08**	**3,366.35**	**856.89**	**(-) 1,510.16**	**29,841.98**	**(-) 728.82**	**3,823.36**	**(-) 12,180.76**	**36,938.49**	**1,856.19**	**5.03**
C. Non working Government companies														
Agriculture & Allied														
1.	Punjab Land Development and Reclamation Corporation Limited	1994-95	2000-01	1.60	0.40	0.13	1.07	9.85	-	1.45	0.65	5.56	1.47	26.44
2.	Punjab Micro Nutrients Limited[6]	1991-92	1994-95	(-) 0.07	0.05	-	(-) 0.12	0.05	-	0.25	(-) 0.61	0.13	(-) 0.07	-
3.	Punjab Poultry Development Corporation Limited	2004-05	2007-08	(-) 1.71	-	-	(-) 1.71	-	-	3.09	(-) 8.03	4.14	(-) 1.71	-
Sector wise Total				**(-) 0.18**	**0.45**	**0.13**	**(-) 0.76**	**9.90**	-	**4.79**	**(-) 7.99**	**9.83**	**(-) 0.31**	-

Sl. No	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/Loss(-)				Turnover	Impact of Accounts Comments [3]	Paid up Capital	Accumulated Profit (+)/Loss(-)	Capital employed [4]	Return on capital employed[5]	Percentage 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)
Financing														
4.	Punjab Film and News Corporation Limited	1999-2000	2010-11	(-) 0.01	-	-	(-) 0.01	-	-	1.51	(-) 2.02	(-) 0.27	(-) 0.01	-
Sector wise Total				**(-) 0.01**	**-**	**-**	**(-) 0.01**	**-**	**-**	**1.51**	**(-) 2.02**	**(-) 0.27**	**(-) 0.01**	-
Manufacturing														
5.	Electronic Systems Punjab Limited	2010-11	2011-12	(-) 0.03	40.42	0.04	(-) 40.49	-	(-) 3.09	3.00	(-) 288.98	(-) 3.86	(-) 0.07	-
6.	Intermagnetic India Limited	2001-02	2009-10	E	E	E	E	E	-	0.21	E	0.19	E	-
7.	Punjab Bio-Medical Equipments Limited[6]	1996-97	2001-02	(-) 0.03	-	-	(-) 0.03	-	-	0.43	(-) 1.12	0.19	(-) 0.03	-
8.	PCL Telecom Limited[6]	2004-05	2005-06	-	-	-	-	-	-	0.20	(-) 0.59	(-) 0.39	-	-
9.	Punjab Digital Industrial Systems Limited[6]	2006-07	2007-08	(-) 0.71	-	-	(-) 0.71	-	-	0.25	(-) 0.78	(-) 1.12	(-) 0.71	-
10.	Punjab Electro Optics Systems Limited[6]	1996-97	1997-98	(-) 0.01	-	-	(-) 0.01	-	-	0.12	(-) 1.28	(-) 0.70	(-) 0.01	-
11.	Punjab Footwears Limited	1990-91	1995-96	(-) 0.05	0.05	-	(-) 0.10	0.18	-	0.15	(-) 0.83	(-) 0.39	(-) 0.05	-
12.	Punjab Power Packs Limited[6]	1997-98	1999-00	(-) 1.03	0.09	-	(-) 1.12	1.97	-	1.55	(-) 5.53	3.63	(-) 1.03	-
13.	Punjab Power Products Limited[6]	1982-83	1983-84	(-) 0.06	0.06	-	(-) 0.12	Not Available	-	0.26	(-) 0.27	1.05	(-) 0.06	-
14.	Punjab State Handloom and Textile Development Corporation Limited	2010-11	2011-12	(-) 0.29	-	-	(-) 0.29	-	(-) 1.21	3.63	(-) 8.81	(-) 1.25	(-) 0.29	-

Sl. No	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/Loss(-)				Turnover	Impact of Accounts Comments[3]	Paid up Capital	Accumulated Profit (+)/Loss(-)	Capital employed [4]	Return on capital employed[5]	Percentage 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)
15.	Punjab State Hosiery and Knitwear Development Corporation Limited	2005-06	2006-07	(-) 0.02	-	0.04	(-) 0.06	-	-	3.91	(-) 16.84	0.88	(-) 0.06	
16.	Punjab State Leather Development Corporation Limited	2001-02	2009-10	(-) 0.05	-	-	(-) 0.05	-	-	3.42	(-) 7.61	0.22	(-) 0.05	
17.	Punjab Tanneries Limited	1991-92	1993-94	(-) 0.06	0.84	0.03	(-) 0.93	0.08	-	0.52	(-) 4.98	0.33	(-) 0.09	
18.	Consumer Electronics (Punjab) Limited	2006-07	2010-11	B	B	B	B	B	-	0.21	B	0.64	B	
19.	Punjab Recorders Limited	2004-05	2011-12	(-) 0.21	-	0.07	(-) 0.28	0.14	-	0.71	(-) 6.09	(-) 0.34	(-) 0.28	
Sector wise Total				**(-) 2.55**	**41.46**	**0.18**	**(-) 44.19**	**2.37**	**(-) 4.30**	**18.57**	**(-) 343.71**	**(-) 0.92**	**(-) 2.73**	
Service														
20.	Amritsar Hotel Limited	2006-07	2010-11	44.01	-	-	44.01	0.22	-	0.02	42.36	41.71	44.01	105.51
21.	Neem Chameli Tourist Complex Limited	2007-08	2011-12	(-) 0.01	-	-	(-) 0.01	-	-	0.02	(-) 0.07	0.04	(-) 0.01	-
22.	Punjab Export Corporation Limited[6]	1977-78	1979-80	(-) 0.06	0.03	-	(-) 0.09	-	-	0.10	(-) 0.27	0.07	(-) 0.06	-
Sector wise Total				**43.94**	**0.03**	**-**	**43.91**	**0.22**	**-**	**0.14**	**42.02**	**41.82**	**43.94**	**105.07**
Total C (all sector wise non working Government companies)				**41.20**	**41.94**	**0.31**	**(-) 1.05**	**12.49**	**(-) 4.30**	**25.01**	**(-) 311.70**	**50.46**	**40.89**	**81.03**
Grand (A+B+C)				**2,754.28**	**3,408.29**	**857.20**	**(-) 1,511.21**	**29,854.47**	**(-) 733.12**	**3,848.37**	**(-) 12,492.46**	**36,988.95**	**1,897.08**	**5.13**

3 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.
4 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).
5 Return on capital employed has been worked out by adding interest to net profit.
B Four companies (Sl. Nos. A-13, A-22, A-27 and C-18) functioning on 'no profit no loss' basis.
D Two Companies (Sl. No. A-4 and A-16) are under construction.
E One Company (Sl. No. C-6) has not started commercial activity.
6 Eight non-working companies (Serial No.C-2, 7, 8, 9, 10,12,13 & 22) are under liquidation.
7 Though Punjab State Electricity Board (PSEB) was unbundled into two companies w.e.f. 16 April 2010, however financial reconstruction has not yet been finalised. The PSEB has also prepared itts Annual Accounts from 1st April 2010 to 16 April 2010 (16 Days) for which financial results were not taken for this short period in the Chapter-1 as the Chapter includes financial results of the PSUs for a period of 12 months. So, financial results for the year 2009-10 has been taken in Chapter-1.

Annexure - 3

(Referred to in paragraph 1.10)

Statement showing 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 2012

(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[8]		Waiver of dues during the year			
		Equity	Loans	Central Government	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)
A. Working Government Companies													
Agriculture & Allied													
1.	Punjab Agro Foodgrains Corporation Limited	-	-	-	-	-	-	3,268.48	3,797.74	-	-	-	-
2.	Punjab Agri Export Corporation Limited	-	-	1.87	1.00	-	2.87	-	-	-	-	-	-
3.	Punjab State Forest Development Corporation Limited	-	-	-	-	-	-	-	20.00	-	-	-	-
4.	Punjab State Grains Procurement Corporation Limited	-	-	-	-	-	-	7,250.11	7,046.01	-	-	-	-
5.	Punjab Water Resource Management & Development Corporation Limited	-	-	-	108.48	-	108.48	-	-	-	-	-	-
Sector wise Total		-	-	**1.87**	**109.48**	-	**111.35**	**10,518.59**	**10,863.75**	-	-	-	-
Financing													
6.	Punjab State Industrial Development Corporation Limited	-	-	-	-	-	-	-	581.83	-	-	-	-
Sector wise Total		-	-	-	-	-	-	-	**581.83**	-	-	-	-

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[8]		Waiver of dues during the year			
		Equity	Loans	Central Government	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)
Service													
7.	Punjab State Civil Supplies Corporation Limited	-	-	-	-	-	-	7,820.03	8,071.17	-	-	-	-
Sector wise Total		**-**	**-**	**-**	**-**	**-**	**-**	**7,820.03**	**8,071.17**	**-**	**-**	**-**	**-**
Power													
8.	Punjab State Power Corporation Limited	-	-	-	3,200.07	-	3,200.07	4,010.00	8,585.97	-	-	-	-
9.	Punjab State Transmission Corporation Limited		-	-	-	-	-	150.00	150.00				
Sector wise Total		**-**	**-**	**-**	**3,200.07**	**-**	**3,200.07**	**4,160.00**	**8,735.97**	**-**	**-**	**-**	**-**
Total A (All sector wise working Government companies)		**-**	**-**	**1.87**	**3,309.55**	**-**	**3,311.42**	**22,498.62**	**28,252.72**	**-**	**-**	**-**	**-**
B. Working Statutory corporations													
Agriculture & Allied													
1.	Punjab State Warehousing Corporation	-	-	-	-	-	-	3,603.84	7,112.76	-	-	-	-
Sector wise Total		**-**	**-**	**-**	**-**	**-**	**-**	**3,603.84**	**7,112.76**	**-**	**-**	**-**	**-**
Financing													
2.	Punajab Financial Corporation	-	-	-	-	-	-	15.00	181.08	-	-	-	-
3.	Punjab Scheduled Castes Land Development and Finance Corporation	1.67	-	-	-	-	-	6.49	18.51	-	-	-	-
Sector wise Total		**1.67**	**-**	**-**	**-**	**-**	**-**	**21.49**	**199.59**	**-**	**-**	**-**	**-**
Total B (All sector wise working Statutory corporations)		**1.67**	**-**	**-**	**-**	**-**	**-**	**3,625.33**	**7,312.35**	**-**	**-**	**-**	**-**
Grand Total (A+B)		**1.67**	**-**	**1.87**	**3,309.55**	**-**	**3,311.42**	**26,123.95**	**35,565.07**	**-**	**-**	**-**	**-**

[8] Figures indicate total guarantees outstanding at the end of the year.

Annexure – 4

(Referred to in paragraph 1.25)

Statement showing investment made by State Government in PSUs, whose accounts are in arrears

(₹ in crore)

Sl. No.	Sector & Name of the PSU	Year upto which accounts finalised	Paid up capital as per latest finalised accounts	Arrear years in which investment received	Investment made by the State Government during the year in which accounts are in arrear		
					Equity	Loan	Grants/Subsidy
A. Working PSUs							
Agriculture & Allied							
1	Punjab Agro Foodgrains Corporation Limited	2009-10	5.00	-	-	-	-
2	Punjab Agro Juices Limited	2010-11	50.00	-	-	-	-
3	Punjab State Grains Procurement Corporation Limited	2009-10	1.05	-	-	-	-
4	Punjab State Seeds Corporation Limited	2008-09	5.62	-	-	-	-
5	Punjab Water Resource Management and Development Corporation Limited	2009-10	269.57	2010-11	26.59	-	279.21
				2011-12	-	-	108.48
6	Punjab Agri Export Corporation Limited	2010-11	5.00	2011-12	-	-	1.00
Sector wise Total			**336.24**		**26.59**	**-**	**388.69**
Financing							
7	Punjab State Industrial Development Corporation Limited	2010-11	78.21	-	-	-	-
8	Punjab Venture Capital Limited	2010-11	0.05	-	-	-	-
9	Punjab Venture Investors Trust Limited	2010-11	0.05	-	-	-	-
Sector wise Total			**78.31**	**-**	**-**	**-**	**-**
Infrastructure							
10	Punjab Small Industries and Export Corporation Limited	2009-10	50.01	-	-	-	-
Sector wise Total			**50.01**	**-**	**-**	**-**	**-**

Sl. No.	Sector & Name of the PSU	Year upto which accounts finalised	Paid up capital as per latest finalised accounts	Arrear years in which investment received	Investment made by the State Government during the year in which accounts are in arrear		
					Equity	**Loan**	**Grants/Subsidy**
Power							
11	Punjab Genco Limited	2010-11	22.90	-	-	-	-
12	Punjab State Power Corporation Limited	First accounts not received	2,946.11[9]	2010-11	-	-	3,375.55
13	Punjab State Transmission Corporation Limited			2011-12	-	-	3200.07
Sector wise Total			**2969.01**				**6575.62**
Service							
14	Gulmohar Tourist Complex (Holiday Home) Limited	2006-07	0.02	-	-	-	-
15	Punjab Information & Communication Technology Corporation Limited	2010-11	19.23	-	-	-	-
16	Punjab Police Security Corporation Limited	2010-11	0.05	-	-	-	-
17	Punjab State Bus Stand Management Company Limited	2009-10	56.15	-	-	-	-
18	Punjab State Civil Supplies Corporation Limited	2010-11	3.73	-	-	-	-
19	Punjab State Container and Warehousing Corporation Limited	2010-11	25.00	-	-	-	-
20	Punjab Tourism Development Corporation Limited	2007-08	6.66	-	-	-	-
21	Punjab Municipal Infrastructure Development Company	2010-11	0.04	-	-	-	-
Sector wise Total			**110.88**	**-**	**-**	**-**	**-**
Total A (All sector wise working PSUs)			**3544.45**		**26.59**	**-**	**6964.31**

[9] Figure is provisional and is as per accounts of composite PSEB as on 31 March 2010. PSEB was unbundled into two companies ie. Punjab State Power Corporation Limited and Punjab State Transmission Corporation Limited, however, financial reconstruction of the erstwhile PSEB has not yet been finalised (July 2012).

Sl. No.	Sector & Name of the PSU	Year upto which accounts finalised	Paid up capital as per latest finalised accounts	Arrear years in which investment received	Investment made by the State Government during the year in which accounts are in arrear		
					Equity	**Loan**	**Grants/Subsidy**
B. Working Statutory corporations							
Agriculture & Allied							
1	Punjab State Warehousing Corporation	2009-10	8.00	-	-	-	-
Sector wise Total			**8.00**	**-**	**-**	**-**	**-**
Financing							
2	Punjab Scheduled Castes Land Development and Finance Corporation	2009-10	57.68	2010-11	2.50		-
				2011-12	1.67	-	-
Sector wise Total			**57.68**		**4.17**	**-**	**-**
Service							
3	PEPSU Road Transport Corporation	2010-11	111.18	-	-	-	-
Sector wise Total			**111.18**	**-**	**-**	**-**	**-**
Total B (All sector wise working Statutory corporations)							
Grand Total (A+B)			**3,721.31**		**30.76**	**-**	**6,964.31**
C. Non Working PSU							
Agriculture & Allied							
1	Punjab Land Development and Reclamation Corporation Limited	1994-95	1.45	1995-96	-	-	4.98
				1996-97	-	-	-
				1997-98	-	-	-
				1998-99	-	-	2.50
				1999-00	-	-	1.12
				2000-01	-	-	-
				2001-02	-	-	1.30
				2002-03	-	-	5.85
	Total C		**1.45**		**-**	**-**	**15.75**
	Total A + B+C		**3,722.76**		**30.76**	**-**	**6,980.06**

Annexure – 5

(Referred to in paragraph 1.15)

Statement showing financial position of Statutory Corporations

1. PEPSU Road Transport Corporation

(₹ in crore)

	Particulars	2009-10	2010-11	2011-12
A	**Liabilities**			
	Capital (including capital loan and equity capital)	111.18	111.18	NA
	Borrowings:			
	Government	46.29	66.29	NA
	Others	37.23	37.53	NA
	Funds[10]	0.03	0.03	NA
	Trade dues and other current liabilities (including provisions)	243.31	274.10	NA
	Grant in aid	13.37	13.86	NA
	Total	**451.41**	**502.99**	**NA**
B	**Assets**			
	Gross Block	110.66	109.43	NA
	Less: Depreciation	59.07	61.92	NA
	Net fixed assets	51.59	47.51	NA
	Capital works-in-progress (including cost of chassis)	3.35	3.70	NA
	Investments	0.03	0.03	NA
	Current assets, loans and advances	58.07	99.92	NA
	Accumulated losses	338.37	351.83	NA
	Total	**451.41**	**502.99**	**NA**
C	**Capital employed[11]**	**(-)130.30**	**(-) 122.94**	NA

[10] Excluding Depreciation funds.

[11] Capital employed represents net fixed assets including capital work-in- progress plus working capital.

2. Punjab Scheduled Castes Land Development and Finance Corporation

(₹ in crore)

	Particulars	2009-10	2010-11 (Provisional)	2011-12 (Provisional)
A	**Liabilities**			
	Paid-up capital	57.68	62.15	68.26
	Reserves and surplus	23.17	18.97	14.47
	Borrowings:			
	(a) Government	-		
	(b) Others	13.57	13.89	18.51
	Trade dues and current liabilities (including provisions)	17.21	22.09	14.65
	Total A	**111.63**	**117.10**	**115.89**
B	**Assets**			
	Gross Block	1.02	1.19	1.31
	Less: Depreciation	0.72	0.76	0.82
	Net Fixed Assets	0.30	0.43	0.49
	Capital works-in-progress	-		
	Investments	0.05	0.05	0.05
	Current assets, loans and advances	111.28	116.62	115.35
	Total B	**111.63**	**117.10**	**115.89**
C	**Capital employed**[12]	**94.03**	**94.71**	**98.12**

[12] Capital employed represents mean of aggregate of opening and closing balances of paid-up capital, borrowings and reserves and surplus.

3. Punjab Financial Corporation

(₹ in crore)

	Particulars	2009-10	2010-11	2011-12
A	**Liabilities**			
	Paid-up capital	40.39	40.39	40.39
	Share application money	-	-	-
	Reserve fund and other reserves and surplus	10.71	10.71	10.71
	Borrowings			
1	Bonds and Debentures	196.91	189.50	181.07
2	Fixed Deposits	-	-	-
3	Industrial Development Bank of India and Small Industries Development Bank of India	67.71	66.71[13]	66.71[13]
4	Reserve Bank of India	-	-	-
5	Loan in lieu of share capital	-	-	-
(a)	State Government	-	-	-
(b)	Industrial Development Bank of India	-	-	-
6	Others (including State Government)	16.54	16.54	16.54
	Other liabilities and provisions	17.89	26.02	31.18
	Total A	**350.15**	**349.87**	**346.60**
B	**Assets**		-	
	Cash and bank balances	18.08	15.45	15.29
	Investments	0.72	0.73	0.73
	Loans and advances	6.15	4.74	9.15
	Net fixed assets	0.68	0.60	0.54
	Other assets	5.33	4.84	4.70
	Accumulated loss (including miscellaneous expenditure)	319.19	323.51	316.19
	Total B	**350.15**	**349.87**	**346.60**
C	**Capital employed[14]**	**324.01**	**323.68**	**346.35**

[13] It includes ₹ 4.38 crore on account of soft seed capital under SIDBI scheme which is unsecured and the same has been excluded while calculating capital employed.

[14] Capital employed represents the mean of aggregate of opening and closing balances of paid up capital, loan in lieu of capital, debentures, reserves (other than those which have been funded specifically and backed by investments outside), bonds, deposits and borrowings (including refinance).

4. Punjab State Warehousing Corporation

(₹ in crore)

	Particulars	2009-10	2010-11 Provisional	2011-12
A	**Liabilities**			
	Paid-up capital	8.00	8.00	NA
	Reserves and surplus	26.48	26.47	NA
	Borrowings	-		
	(a) Government:	-	-	
	(b) Others:	3148.33	4641.50	NA
	Trade dues and current liabilities (including provisions)	459.69		
	Total A	**3642.50**	**4675.97**	NA
B	**Assets**			
	Gross Block	275.85	298.66	NA
	Less: Depreciation	102.46	104.66	NA
	Net fixed assets	173.39	194.00	NA
	Capital works-in-progress	-	1950.40	NA
	Investments	-		
	Current assets, loans and advances	3064.94	1920.15	NA
	Accumulated losses	404.17	611.42	NA
	Miscellaneous Expenditure	-		
	Total B	**3642.50**	4675.97	NA
C	**Capital employed**[15]	**2778.64**	4064.55	NA

[15] Capital employed represents net fixed assets including capital work-in-progress plus working capital.

Annexure – 6

(Referred to in paragraph 1.15)

Statement showing working results of Statutory corporations

1 PEPSU Road Transport Corporation

(₹ in crore)

Sl. No.	Particulars	2009-10	2010-11	2011-12
	Operating			
(a)	Revenue	234.37	277.45	N.A.
(b)	Expenditure	238.95	291.71	N.A.
(c)	Surplus (+)/Deficit(-)	(-) 4.58	(-) 14.26	N.A.
	Non operating			
(a)	Revenue	10.98	11.95	N.A.
(b)	Expenditure	9.87	11.15	N.A.
(c)	Surplus(+)/Deficit(-)	1.11	0.80	N.A.
	Total			
(a)	Revenue	245.35	289.40	N.A.
(b)	Expenditure	248.82	302.86	N.A.
(c)	Profit(+)/Loss (-)	(-) 3.47	(-) 13.46	N.A.
(d)	Prior period adjustment	-	-	
(e)	Net profit (+)/loss(-)	(-) 3.47	(-) 13.46	N.A.
	Interest on capital and loans	9.87	11.15	N.A.
	Total return on capital employed[16]	6.40	(-) 2.31	N.A.

[16] Total return on Capital employed represents net surplus/ deficit plus total interest charged to profit and loss account (less interest capitalised).

2. Punjab Scheduled Castes Land Development and Finance Corporation

(₹ in crore)

Sl. No.	Particulars	2009-10	2010-11 Provisional	2011-12 Provisional
1	Income	7.33	7.42	7.23
	Total-1	**7.33**	**7.42**	**7.23**
2	Expenses		-	
(a)	Establishment charges	7.41	8.93	10.75
(b)	Other expenses	2.67	1.21	0.98
	Total-2	**10.08**	**10.14**	**11.73**
3	Profit(+)/Loss(-) (1-2)	(-)2.75	(-) 2.72	(-) 4.50
4	Other appropriations	-	-	-
5	Amount available for dividend	-	-	-
6	Dividend for the year	-	-	-
7	Total capital employed	94.03	94.71	98.12
8	Return on capital employed [17]	-	-	-
9	Percentage of return on capital employed	-	-	-

[17] Total return on capital employed represents net surplus/deficit plus total interest charged to profit and loss account (less interest capitalised).

3 Punjab Financial Corporation

(₹ in crore)

Sl. No.	Particulars	2009-10	2010-11	2011-12
1	**Income**			
(a)	Interest on loans	11.88	15.21	18.68
(b)	Other income	2.04	1.32	2.15
	Total-1	**13.92**	**16.53**	**20.83**
2	**Expenses**		-	
(a)	Interest on long-term loans and short-term loans	16.65	17.00	16.47
(b)	Provision for non-performing assets	-	(-) 12.03	-
(c)	Other expenses	11.71	15.55	18.76
	Total-2	**28.36**	**20.52**	**35.23**
3	Profit(+)/Loss(-) before tax (1-2)	(-)14.44	(-) 3.99	(-) 14.40
4	Prior period adjustments	10.83	0.33	-
5	Provision for tax	-	-	-
6	Profit(+)/Loss(-) after tax	(-)3.61	(-) 4.32	(-) 14.40
7	Other appropriations		-	-
	(i) Reserve for bad and doubtful debts	-	-	-
	(ii)Transfer to statutory reserve	-	-	-
8	Amount available for dividend	-	-	-
9	Dividend paid/payable	-	-	-
10	Total return on capital employed[18]	13.04	12.68	23.80
11	Percentage of return on capital employed	4.02	3.92	6.87

[18] Total return on capital employed represents net surplus/deficit plus total interest charged to profit and loss account (less interest capitalised).

4 Punjab State Warehousing Corporation

(₹ in crore)

Sl. No.	Particulars	2009-10	2010-11 Provisional	2011-12
1	**Income**			
(a)	Warehousing charges	244.72	236.43	NA
(b)	Other income	1.39	2.26	NA
	Total-1	**246.11**	**238.69**	NA
2	Expenses			
(a)	Establishment charges	58.73	70.56	NA
(b)	Other expenses	313.52	323.35	NA
	Total-2	**372.25**	**393.81**	NA
3	Profit(+)/Loss(-) before tax	(-) 126.14	(-) 155.12	NA
4	Provision for tax	-	-	
5	Prior period adjustments	5.91	(-) 0.09	NA
6	Other appropriations	(-) 2.05	(-) 1.44	
7	Profit(+)/Loss(-) after tax	(-) 122.28	(-) 156.65	NA
8	Amount available for dividend	-	-	
9	Dividend for the year	-	-	
10	Total return on capital employed[19]	-	-	
11	Percentage of return on capital employed	-	-	

19 Total return on capital employed represents profit before tax plus interest charged in P&L Account.

Annexure - 7

(*Referred to in paragraph 2.1.10*)

Statement showing voltage-wise capacity additions planned, actual additions and shortfall during five years up to 2011-12

Sl. No.	Description	2007-08	2008-09	2009-10	2010-11	2011-12
(1)	(2)	(3)	(4)	(5)	(6)	(7)
220 KV Substations (Numbers)						
1	At the beginning of the year	47	47	48	53	62
2	Additions Planned for the year	8	20	20	15	16
3	Actual Additions during the year	0	1	5	9	8
4	At the end of the year (1+3)	47	48	53	62	70
5	Shortfall in Additions (2-3)	8	19	15	6	8
220 KV Transformers Capacity (MVA)						
1	At the beginning of the year	10,070	10,220	11,041	11,441	13,646
2	Additions/ augmentation Planned for the year	1,500	2,600	2,100	2,600	2,700
3	Actual Additions during the year	150	821	400	2,205	1,901
4	Capacity at the end of the year (1+3)	10,220	11,041	11,441	13,646	15,547
5	Shortfall in Additions/ Augmentation (2-3)	1,350	1,779	1,700	395	799
220 KV Lines (CKMs)						
1	At the beginning of the year	4,311	4,311	4,463	4,591	4,934
2	Additions Planned for the year	378	594	449	1138	1002
3	Actual Additions during the year	0	152	128	343	345
4	At the end of the year (1+3)	4,311	4,463	4,591	4,934	5,279
5	Shortfall in Additions (2-3)	378	442	321	795	657
132 KV Substations (Numbers)						
1	At the beginning of the year	76	77	78	81	80
2	Additions Planned for the year	3	4	3	1	1
3	Actual Additions during the year	1	1	3	(1)	2
4	At the end of the year (1+3)	77	78	81	80	82
5	Shortfall in Additions (2-3)	2	3	0	2	(1)
132 KV Transformers Capacity (MVA)						
1	At the beginning of the year	4,868	5,000	5,059	5,474	5,499
2	Additions/ augmentation Planned for the year	280	288	243	209	249
3	Actual Additions during the year	132	59	415	25	204
4	Capacity at the end of the year (1+3)	5,000	5,059	5,474	5,499	5,703
5	Shortfall in Additions/ Augmentation (2-3)	148	229	(172)	184	45
132 KV Lines (CKMs)						
1	At the beginning of the year	3,053	3,056	3,061	3,074	3,105
2	Additions Planned for the year	8	79	75	63	53
3	Actual Additions during the year	3	5	13	31	27
4	At the end of the year (1+3)	3,056	3,061	3,074	3,105	3,132
5	Shortfall in Additions (2-3)	5	74	62	32	26

Source: Electricity Statistics of Punjab prepared by the Chief Engineer/Planning.

Annexure - 8

Statement showing time overrun and cost overrun in respect of transmission lines and substations

(Referred to in paragraph 2.1.11)

Sl. No.	Paragraph in which referred to	Particulars of the transmission line/substation	Scheduled/ Target month of completion	Actual month of completion	Time overrun (in months)	Estimated cost (₹ in crore)	Actual cost (₹ in crore)	Cost overrun (₹ in crore)
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9 = 8 - 5**
Transmission Lines								
1.	1.12.1	220 KV SC line from 400 KV substation, PGCIL, Phaggan Majra to Nabha	October 2008	March 2011	29	7.67	13.94	6.27
2.	1.12.2	LILO of 220 KV Malerkotla to Lalton Kalan line	March 2005	October 2010	67	0.40	0.64	0.24
3.	1.12.3	2nd circuit of 220 KV line from Mohali-I to Dera Bassi	March 2007	May 2009	26	2.21	2.85	0.64
4.	1.12.4	2nd circuit of 220 KV Ganguwal to Mohali line	August 2005	Still Incomplete (May 2012)	81	6.44	6.63	0.19
5.	1.13.2	220 KV GNDTP, Bathinda to Muktsar SC line	2001-02	December 2008	35			
6.	1.13.3	220 KV GHTP to Himmatpura SC line	2008-09	June 2010	15			
7.	1.14.1	LILO of 220 KV Lalton Kalan to Sahnewal line at 400 KV substation, PGCIL, Ludhiana	November 2007	August 2011	45			
8.	1.14.1	LILO of 220 KV Lalton Kalan to Dhandhari line at 400 KV substation, PGCIL, Ludhiana	November 2007	July 2011	44			
		TOTAL:			**15 to 81**			**7.34**
Substations								
1.	1.12.2	Upgradation of 66 KV substation, Pakhowal to 220 KV	March 2005	February 2011	71	7.40	8.69	1.29
2.	1.12.5	220 KV substation, Rasiana	July 2004	July 2010	72			
3.	1.12.6	Upgradation of 132 KV substation, Doraha to 220 KV	August 2009	June 2012	34	0.52	0.96	0.44
		TOTAL:			**34 to 72**			**1.73**

Annexure - 9

(Referred to in paragraph no.2.2.6)

Financial Position and Working Results

I. Financial Position

(₹ in crore)

Liabilities	**2007-08**	**2008-09**	**2009-10**	**2010-11 (Provisional)**	**2011-12 (Provisional)**
Paid up capital (including share application money)	50.01	50.01	50.01	50.01	50.01
General Reserve	63.42	79.37	83.21	86.77	91.32
Other Reserves	7.79	7.79	7.79	7.79	7.79
Total Reserves & Surplus	71.21	87.16	91.00	94.56	99.11
Borrowings	2.56	2.56	2.56	2.56	2.56
Interest accrued & due	1.57	1.57	1.57	1.57	1.57
Trade dues & other current liabilities	355.09	384.91	354.07	382.40	553.86
Deferred Tax Liability	0.50	0.48	0.46	0.44	0.41
Total	**480.94**	**526.69**	**499.67**	**531.54**	**707.52**
Assets					
Gross Block	11.40	11.62	11.89	12.17	12.39
Less: depreciation	7.93	8.18	8.46	8.78	9.15
Net fixed assets	3.47	3.44	3.43	3.39	3.24
Capital work-in-progress	0.00	0.00	0.00	0.00	0.00
Investment	0.02	0.02	0.02	0.02	0.02
Current assets, loans and advances	477.45	523.23	496.22	528.13	704.26
Total	**480.94**	**526.69**	**499.67**	**531.54**	**707.52**
Capital employed[1]	125.83	141.76	145.58	149.12	153.64
Net worth [2]	121.22	137.17	141.01	144.57	149.12

[1] Capital employed represents net fixed assets plus capital work in progress plus working capital.
[2] Net worth represents paid-up capital plus reserves and surplus less intangible assets.

II. Working Results

(₹ in crore)

Income	2007-08	2008-09	2009-10	2010-11 (Provisional)	2011-12 (Provisional)
i) Sales	165.48	177.16	173.19	198.72	246.82
ii)Handling agency commission	4.53	7.01	4.33	4.52	3.79
iii) Other Income	31.33	40.57	29.05	38.96	49.20
iv) Profit on sale of fixed assets	0.00	0.00	0.05	0.02	0.00
v) Increase (+) / decrease (-) in stock	(-) 0.44	(-) 3.34	9.28	(-) 2.17	(-) 8.78
Total	**200.90**	**221.40**	**215.90**	**240.05**	**291.03**
Expenses					
vi) Purchases	160.28	159.27	173.46	180.65	177.28
vii) Handling Charges	2.00	2.40	1.58	1.56	1.33
viii) Salary & other benefits	18.82	25.52	26.76	43.43	34.08
ix) Admn. & other charges	3.73	5.51	4.43	5.82	66.46
x) Selling & distribution expenses	0.16	0.28	0.37	0.33	0.49
xi) Financial expenses	2.47	3.65	2.53	1.96	3.77
xii) Depreciation	0.34	0.33	0.39	0.37	0.37
xiii) Loss on sale of assets	0.00	0.01	0.00	0.00	0.00
Profit before tax	13.10	24.43	6.38	5.93	7.25
Provision for tax	4.46	8.33	2.20	2.03	2.50
Provision for FBT/ Wealth Tax	0.07	0.17	0.36	0.35	0.24
Less/Add Prov for Deffered tax	0.02	0.01	0.03	0.01	0.03
Profit after tax	8.59	15.94	3.85	3.56	4.54
Total	**200.90**	**221.40**	**215.90**	**240.05**	**291.03**

Annexure - 10

(Referred to in paragraph no. 2.2.7 and 2.2.7.2)

Statement showing number of Industrial Plots allotted/ remained unallotted during 2007-08 to 2011-12 and allotments made during 2011-12

Sl No.	Name of Industrial Focal Point	2007-08			2010-11			Position as on 31 March 2012	
		Plots carved	Plots allotted	Plots unallotted	Plots carved	Plots allotted	Plots unallotted	Plots allotted during 2011-12	Plots remained unallotted
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1(a)	Amritsar	879	831	48	879	837	42	36	6
1(b)	Amritsar (New)								
2	Batala	136	136	0	136	136	0	-	0
3(a)	Bathinda (Old)	560	371	189	560	390	170	121	49
3(b)	Bathinda (New)								
3(c)	Bathinda Growth Centre								
4	Chanalon	331	329	2	335	333	2	1	1
5	Dera Bassi	201	197	4	201	197	4	4	0
6	Goindwal	446	365	81	446	366	80	-	80
7	Hoshiarpur	120	118	2	120	118	2	4	(-) 2
8(a)	Jalandhar	1,163	1,158	5	1,163	1,158	5	-	5
8(b)	Jalandhar (SSGC)								
8(c)	Jalandhar (Leathera)								
9	Khanna	133	133	0	130	130	0	-	0
10	Kotkapura	114	114	0	113	113	0	-	0

Sl No.	Name of Industrial Focal Point	2007-08			2010-11			Position as on 31 March 2012	
		Plots carved	Plots allotted	Plots unallotted	Plots carved	Plots allotted	Plots unallotted	Plots allotted during 2011-12	Plots remained unallotted
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
11(a)	Ludhiana IV	1,996	1,989	7	1,996	1,990	6	3	3
11(b)	Ludhiana V								
11(c)	Ludhiana VI								
11(d)	Ludhiana VII								
11(e)	Ludhiana VIII								
12(a)	Mohali VII	1,593	1,443	150	1,523	1,455	68	101	(-) 33
12(b)	Mohali VIII (A & B)								
12(c)	Mohali IX								
13	Moga	209	209	0	209	209	0	-	0
14	Mandi Gobindgarh	389	350	39	389	359	30	26	4
15	Malout	296	109	187	441	441	0	-	0
16	Nangal	53	51	2	53	51	2	-	2
17	Nabha	104	104	0	104	104	0	-	0
18	Nawan Shaher	110	109	1	110	109	1	-	1
19	Patiala	664	663	1	663	663	0	-	0
20	Pathankot	368	193	175	368	184	184	26	158
21	Rajpura	25	25	0	25	25	0	-	0
22	Sangrur	129	125	4	129	125	4	3	1
23	Tarn Taran	116	113	3	116	114	2	1	1
24	Tanda	147	83	64	148	86	62	31	31
25	Mansa[1]	185	0	185	185	0	185	-	185
	Sub Total	**10,467**	**9,318**	**1,149**	**10,542**	**9,693**	**849**	**357**	**527**

[1] Focal point, Mansa is yet to be developed.

Sl No.	Name of Industrial Focal Point	2007-08			2010-11			Position as on 31 March 2012	
		Plots carved	Plots allotted	Plots unallotted	Plots carved	Plots allotted	Plots unallotted	Plots allotted during 2011-12	Plots remained unallotted
		(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**	**(8)**
26	Abohar	237	3	234	79	5	74	21	53
27	Mukatsar	166	0	166	215	0	215	60	155
28	Raikot	187	19	168	187	19	168	15	153
	Sub Total	**590**	**22**	**568**	**481**	**24**	**457**	**96**	**361**
	TOTAL	**11,057**	**9,340**	**1,717**	**11,023**	**9,717**	**1,306**	**453**	**888**[2]

[2] The total excludes the minus figures.

Annexure - 11

(Referred to in paragraph no. 2.2.7.3)

Statement of unallotted Residential Plots during 2007-08 and 2011-12

Sl No.	Name of Residential Focal point (RFP)	Total plots carved out	2007-08		2011-12	
			Plots allotted	Plots unalloted	Plots allotted	Plots unallotted
1	Amritsar (Old/ New)[1]	570	418	152	418	152
2	Bathinda (GC)	219	100	119	84	135
3	Chanalon	53	11	42	11	42
4	Goindwal	1,101	1,064	37	1,064	37
5	Jalandhar	69	68	1	68	1
6	Ludhiana (V / VIII)[4]	151	134	17	133	18
7	Naya Nangal	170	139	31	139	31
8	Patiala	75	29	46	28	47
9	Pathankot	337	285	52	285	52
10	Raikot	256	-	256	-	256
11	Abohar	301	-	301	-	301
12	Malout	263	-	263	-	263
13	Tanda	166	-	166	-	166
14	Mansa	193	-	193	-	193
15	Mohali VIII B	138	138	-	138	-
	TOTAL	**4,062**	**2,386**	**1,676**	**2,368**	**1,694**

[1] In respect of Amritsar and Ludhiana RFPs, two phases have been clubbed together.

Annexure – 12

(Referred to in paragraph no. 2.2.9.1)

Statement showing status of plots allotted by the Company as on 31 March 2009

Sl No.	Name of IFP	Status of plots allotted by the Company as on 31 March 2009[1]			
		Total plots allotted	Plots vacant	Plots under construction	Plots under production
1(a)	Amritsar	834	426	96	312
1(b)	Amritsar (New)				
2	Batala	136	31	39	66
3(a)	Bathinda (Old)	371	174	43	154
3(b)	Bathinda (New)				
3(c)	Bathinda Growth Centre				
4	Chanalon	333	207	57	69
5	Dera Bassi	197	15	109	73
6	Goindwal	366	162	121	83
7	Hoshiarpur	118	37	19	62
8(a)	Jalandhar	1,164	154	279	731
8(b)	Jalandhar (SSGC)				
8(c)	Jalandhar (Leathera)				
9	Khanna	130	1	2	127
10	Kotkapura	113	9	13	91
11(a)	Ludhiana IV	1,991	175	312	1,504
11(b)	Ludhiana V				
11(c)	Ludhiana VI				
11(d)	Ludhiana VII				
11(e)	Ludhiana VIII				
12(a)	Mohali VII	1,510	381	447	682
12(b)	Mohali VIII (A & B)				
12(c)	Mohali IX				
13	Moga	209	6	29	174
14	Mandi Gobindgarh	350	246	67	37
15	Malout	109	109	0	0
16	Nangal	51	29	12	10
17	Nabha	104	21	20	63
18	Nawan Shaher	109	16	60	33
19	Patiala	661	140	128	393
20	Pathankot	184	167	10	7
21	Rajpura	25	2	9	14

[1] Status of plots was not updated by the Company thereafter.

Sl No.	Name of IFP	Status of plots allotted by the Company as on 31 March 2009[2]			
		Total plots allotted	Plots vacant	Plots under construction	Plots under production
22	Sangrur	125	7	19	99
23	Tarn Taran	103	8	2	93
24	Tanda	85	72	10	3
25	Mansa[3]	0	0	0	0
	Sub - Total	**9,378**	**2,595**	**1,903**	**4,880**
26	Abohar	5	5	0	0
27	Mukatsar	0	0	0	0
28	Raikot	19	19	0	0
	Sub – Total	**24**	**24**	**0**	**0**
	TOTAL	**9,402**	**2,619**	**1,903**	**4,880**

[2] Status of plots was not updated by the Company thereafter.
[3] Focal point, Mansa is yet to be developed.

Annexure 13

(Referred to in paragraph no. 2.2.13)

Statement showing surplus funds lying with Collector Land Acquisition (CLA)

(₹ in crore)

Year	**Payments made by the Company**	**Funds acknowledged/ received by the CLA**	**Payments by CLA**	**(+) Surplus/ (-) Deficit funds at the disposal of CLA**
(1)	**(2)**	**(3)**	**(4)**	**(5) = (2) – (4)**
2004-05	20.55	8.98	15.74	**(+)** 4.81
2005-06	61.22	60.00	53.09	**(+)** 8.13
2006-07	44.19	44.19	44.09	**(+)**0.10
2007-08	5.01	5.01	3.87	**(+)** 1.14
2008-09	7.70	7.68	6.67	**(+)** 1.03
2009-10	15.81	15.81	17.76	**(-)** 1.95
TOTAL	**154.48**	**141.67**	**141.22**	**13.26**

Annexure 14

(Referred to in paragraph no. 2.2.15)

Statement showing emporia wise Profit/ Loss during 2007-08 to 2011-12

(₹ in crore)

Emporia at / Year	Amritsar	Chandigarh	Jalandhar	Kolkata	Ludhiana	New Delhi	Patiala	Total Profit (+) / Loss (-)	Head Office Expenses	Total Profit (+) / Loss (-)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10) = (8) - (9)
2007-08	(-) 0.06	0.58	(-) 0.01	0.00	(-) 0.03	0.05	(-) 0.03	0.50	0.27	0.23
2008-09	(-) 0.10	0.43	(-) 0.12	(-) 0.06	(-) 0.12	(-) 0.23	(-) 0.10	(-) 0.30	0.28	(-) 0.58
2009-10	(-) 0.05	0.39	(-) 0.02	(-) 0.01	(-) 0.10	(-) 0.16	(-) 0.05	0.00	0.26	(-) 0.26
2010-11	(-) 0.08	0.39	(-) 0.05	0.02	(-) 0.16	(-) 0.12	(-) 0.06	(-) 0.06	0.27	(-) 0.33
2011-12	(-) 0.06	0.21	(-) 0.02	0.02	(-) 0.09	(-) 0.20	(-) 0.01	(-) 0.15	-	(-) 0.15
Total Profit (+) / Loss (-)	(-) 0.35	2.00	(-) 0.22	(-) 0.03	(-) 0.50	(-) 0.66	(-) 0.25	(-) 0.01	1.08	**(-) 1.09**

Annexure-15

(Referred to in paragraph 3.1)

Statement showing loss due to damage of distribution transformers due to lightning during 2009-10, 2010-11 and 2011-12

(Damaged distribution transformers in numbers)

2009-10	**Capacity of damaged distribution transformers**								
Name of Operation Division	**500 KVA**	**200 KVA**	**100 KVA**	**63 KVA**	**25 KVA**	**16 KVA**	**10 KVA**	**6.3 KVA**	**Total**
Khanna		-	1	2	-	-	-	-	3
Doraha		-	1	-	-	-	-	-	1
Mandi Gobindgarh		-	5	4	1	-	-	-	10
Rajpura		-	3	7	3	-	-	-	13
Total		**-**	**10**	**13**	**4**	**-**	**-**	**-**	**27**
Rate of one transformer (in ₹)		-	88,714	66,365	33,392	-	-	-	
Total value of damaged transformers (in ₹)		**-**	**8,87,140**	**8,62,745**	**1,33,568**	**-**	**-**	**-**	**18,83,453**

2010-11									
Anandpur Sahib	-	1	13	13	19	-	1	4	51
Kharar	-	1	59	58	64	7	14	22	225
Samrala	-	-	30	54	29	-	3	6	122
Khanna	-	-	9	5	2	-	-	-	16
Doraha	-	-	5	4	2	-	-	1	12
Mandi Gobindgarh	-	4	11	2	1	-	-	-	18
Sangrur	-	-	8	15	8	2	2	-	35
Dirba	-	-	25	23	26	4	3	-	81
Rajpura	1	-	4	6	1	-	-	-	12
Sub-Urban Division, Patiala	-	-	4	-	1	-	-	1	6
West Division, Patiala	-	-	1	-	-	-	-	-	1
Total	**1**	**6**	**169**	**180**	**153**	**13**	**23**	**34**	**579**
Rate of one transformer (in ₹)	5,51,010	1,94,220	89,610	56,500	34,780	43,000	25,980	25,813	
Total value of damaged transformers (in ₹)	**5,51,010**	**11,65,320**	**1,51,44,090**	**1,01,70,000**	**53,21,340**	**5,59,000**	**5,97,540**	**8,77,642**	**3,43,85,942**

(Damaged distribution transformers in numbers)

2011-12	**Capacity of damaged distribution transformers**								
Name of Operation Division	**500 KVA**	**200 KVA**	**100 KVA**	**63 KVA**	**25 KVA**	**16 KVA**	**10 KVA**	**6.3 KVA**	**Total**
Khanna		1	1	2	-	-	-	-	4
Dirba		-	18	32	39	6	8	-	103
Rajpura		-	5	4	-	-	-	-	9
Total		**1**	**24**	**38**	**39**	**6**	**8**	**-**	**116**
Rate of one transformer (in ₹)		1,38,645	71,110	55,471	32,711	42,345	30,779	-	
Total value of damaged transformers (in ₹)		**1,38,645**	**17,06,640**	**21,07,898**	**12,75,729**	**2,54,070**	**2,46,232**	**-**	**57,29,214**

Total loss regarding damage of distribution transformers due to lightning during 2009-12

Year	**Damaged distribution transformers (Numbers)**	**Loss (₹)**
2009-10	27	18,83,453
2010-11	579	3,43,85,942
2011-12	116	57,29,214
Total	**722**	**4,19,98,609**
		Or say ₹ 4.20 crore

Annexure -16

(Referred to in paragraph 4.6)

Statement showing excess payment of price variation charges in purchase of metal meter boxes

Sl. No.	Invoice/Bill No.	Price variation per metal meter box paid in excess due to incorrect categorisation	Metal Meter boxes (No.)	Amount (₹)
I. PO No. MH-196/MQ-110 dated 31.03.2010 placed on Arun Enterprises, Sahibabad District Ghaziabad (UP)				
1.	1927 dated 22.01.2011	23.33	7,775	1,81,391
2.	1928 dated 22.01.2011	26.33	12,055	3,17,288
3.	1929 dated 22.01.2011	26.33	170	4,474
		29.66	11,855	3,51,501
4.	1930 dated 22.01.2011	29.66	1,865	55,297
5.	1931 dated 22.01.2011	29.66	10,190	3,02,134
6.	2137 dated 15.02.2011	75.37	9,716	7,31,518
7.	1924 dated 22.01.2011	18.56	37,334	6,92,919
8.	1925 dated 22.01.2011	18.56	6,666	1,23,721
		20.92	32,223	6,74,105
9.	1926 dated 20.01.2011	20.92	38,889	8,13,558
10.	1932 dated 22.01.2011	57.58	4,615	2,65,732
11.	1933 dated 22.01.2011	64.99	9,388	6,10,126
		57.58	335	19,289
12.	1934 dated 22.01.2011	73.18	9,723	7,11,529
13.	1935 dated 22.01.2011	73.18	9,723	7,11,529
14.	2106 dated. 08.02.2011	30.53	12,055	3,68,160
15.	2107 dated 08.02.2011	23.00	38,888	8,94,424
	Total (A)		**253,465**	**78,28,695**
II. PO No. M-04/MQ-114 dated 26.08.2010 placed on Arun Enterprises, Sahibabad District Ghaziabad (UP)				
16.	637 dated. 11.07.2011	362.52	1,133	4,10,735
17.	638 dated 11.07.2011	362.52	9,683	35,10,281
18.	639 dated. 11.07.2011	362.52	851	3,08,505
19.	640 dated 11.07.2011	418.19	5,722	23,92,883
20.	654 dated. 16.08.2011	430.95	5,787	24,88,468
21.	655 dated. 16.08.2011	401.17	156	62,583
	Total (B)		**23,332**	**91,73,455**

III. PO No. M-05/MQ-114 dated 30.08.2010 placed on Pyramid Electronics, Saned, Post Office Manpura, District Solan (HP)				
22.	67 dated. 18.05.2011	219.94	100	21,993
23.	68 dated 18.05.2011	219.94	500	1,09,965
24.	70 dated. 19.05.2011	219.94	500	1,09,965
25.	71 dated 19.05.2011	219.94	700	1,53,951
		281.26	300	84,378
26.	73 dated 19.05.2011	281.26	1,175	3,30,481
27.	81 dated. 19.08.2011	281.26	325	91,410
		261.21	1,275	3,33,043
		261.21	1,450	3,78,755
28.	95 dated 13.10.2011	270.88	875	2,37,020
		362.69	210	76,165
29.	101 dated. 06.01.2012	368.54	247	91,029
		362.52	445	1,61,321
	Total (C)		**8,102**	**21,79,476**
	Total (A+B+C)		**2,84,899**	**1,91,81,626**

Or say ₹ 1.92 crore

Annexure-17

(Referred to in paragraph 4.15.1)

Statement showing paragraphs/ reviews for which explanatory notes were not received as on 30 June, 2012

Sl. No	Name of the Department	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	Total
1	Agriculture	-		-	1	4	3	3	1	5	17
2	Food and Supplies	-	-	-	-	-	1	1	1	1	4
3	Industries	-	-	-	-	-	2	1	-	-	3
4	Power	-	-	-	-	-	2[1]	-	7	7	16
5	Finance	1	2	3	1	1	1	3	1	2	15
6	Animal Husbandry	-	1	-	-	-	-	-	-		1
Total		1	3	3	2	5	9	8	10	15	56

[1] Two paras of power sector added as a result of reconciliation with COPU

Annexure-18

(Referred to in paragraph 4.15.3)

Statement showing department wise break up of Inspection reports/Paras outstanding as on 30 June 2012.

Sl. No.	Department	No. of PSUs	No. of IRs outstanding	No. of Paras outstanding	Years for which observations outstanding
A	**Working PSUs**				
1.	Agriculture	7	70	311	1995-96 to 2010-11
2.	Food and Supplies	2	137	600	1992-93 to 2010-11
3.	Irrigation	1	6	18	2004-05 to 2010-11
4.	Industries	8	45	126	1991-92 to 2010-11
5.	Forest	1	5	15	2006-07 to 2010-11
6.	Tourism	2	7	15	2005-06 to 2010-11
7.	Home	2	5	11	2008-09 to 2010-11
8.	Transport	2	58	187	1995-96 to 2010-11
9.	Social Welfare	1	2	3	2005-06 to 2008-09
10.	Power	4	595	1,386	1999-00 to 2010-11
	Total A	**30**	**930**	**2,672**	
B	**Non Working PSUs**				
1	Agriculture	1	4	10	1997-98 to 2009-10
2	Industries	10	14	33	1999-00 to 2010-11
3	Animal Husbandry	1	2	2	2001-02 to 2009-10
4	Tourism	2	4	5	2006-07 to 2009-10
	Total B	**14**	**24**	**50**	
	Grand Total (A+B)	**44**	**954**	**2,722**	

Annexure-19

(Referred to in paragraph 4.15.3)

Statement showing the department wise draft paragraphs/performance audit reports replies to which are awaited.

Sl. No.	Name of the department	No. of Draft paragraphs	No. of Performance audit reports	Period/month of issue
1.	Power	8	1	April 2012 to August 2012
2	Food and Supplies	4	-	April 2012 to July 2012
3.	Agriculture	3	-	May 2012 to June 2012
4.	Transport	1	-	June 2012
5	Industries	1	1	June 2012 to September 2012
	Total	**17**	**2**	