

## OVERVIEW

### **1 OVERVIEW OF GOVERNMENT COMPANIES AND STATUTORY CORPORATIONS**

As on 31 March 2006, the State had 85 Public Sector Undertakings (PSUs) comprising 74 Government companies and 11 Statutory corporations as against 86 PSUs as on 31 March 2005. Out of the 74 Government companies, 60 were working Government companies, while 14 were non-working Government companies. All the 11 Statutory corporations were working corporations. In addition, there was a regulatory authority viz. West Bengal Electricity Regulatory Commission.

*(Paragraphs 1.1 & 1.15)*

The total investment in the working PSUs increased marginally from Rs 33,785.58 crore as on 31 March 2005 to Rs 33,875.80 crore as on 31 March 2006. The total investment in non-working PSUs decreased from Rs 271.97 crore to Rs 255.94 crore during the same period.

*(Paragraphs 1.2 & 1.16)*

The budgetary support in the form of capital, loans and grants/ subsidies disbursed to the working PSUs increased from Rs 1,917.53 crore in 2004-05 to Rs 2,080.81 crore in 2005-06. The State Government also contributed Rs 2.80 crore in the form of loans to one non-working company during 2005-06. The State Government guaranteed loans aggregating Rs 1,615.78 crore during 2005-06. The total amount of outstanding loans against guarantees by the State Government to all the PSUs was Rs 16,053.11 crore as on 31 March 2006.

*(Paragraphs 1.5 & 1.17)*

Twenty eight working Government companies and three working Statutory corporations had finalised their accounts for the year 2005-06 (September 2006). The accounts of the remaining 32 working Government companies and eight working Statutory corporations were in arrears for periods ranging from one to twelve years as on 30 September 2006. The accounts of 13 non-working Government companies were in arrears for periods ranging from one to 22 years as on 30 September 2006.

*(Paragraphs 1.6 & 1.19)*

According to the latest finalised accounts, 23 working PSUs (20 Government companies and three Statutory corporations) earned an aggregate profit of Rs 95.58 crore, of which four companies declared dividend of Rs 2.58 crore. Against this, 46 working PSUs (38 Government companies and eight Statutory corporations) incurred aggregate loss of Rs 774.13 crore as per their latest finalised accounts. Of the loss incurring working Government companies, 34 companies had accumulated losses aggregating Rs 2,305.91 crore, which exceeded their aggregate paid-up

capital of Rs 290.98 crore. Six loss incurring Statutory corporations had an accumulated loss of Rs 6,756.94 crore which exceeded their paid-up capital of Rs 1,466.42 crore.

(Paragraphs 1.7, 1.8, 1.9, 1.10 & 1.11)

Even after completion of more than five years of their existence, the individual turnover of 12 working and one non-working Government companies as well as one working Statutory corporation had been less than rupees five crore in each of the preceding five years as per their latest finalised accounts. Similarly, 19 working Government companies and two Statutory corporation had been incurring losses for five consecutive years as per their latest finalised accounts, leading to negative net worth. As such, the Government may either improve the performance of these 34 PSUs or consider their closure.

(Paragraph 1.29)

## **2 REVIEWS RELATING TO GOVERNMENT COMPANIES**

### **2.1 OPERATIONAL PERFORMANCE OF THE KOLAGHAT THERMAL POWER STATION - WEST BENGAL POWER DEVELOPMENT CORPORATION LIMITED**

The Kolaghat Thermal Power Station (Station) is one of the four thermal power stations of West Bengal Power Development Corporation Limited (Company). It has six coal fired units (210 MW each) with total capacity of 1,260 MW, representing 17 *per cent* of the total installed capacity of West Bengal. These units were commissioned between July 1984 and December 1993 in East Midnapore district at an investment of Rs 1,623 crore. The Station sells the entire power generated to West Bengal State Electricity Board (WBSEB).

Audit findings on the operational performance of the Station are mentioned below :

Between April 2001 and March 2006, the Station generated 34,636.792 MkwH against possible generation of 45,598.063 MkwH. None of the six units achieved the plant availability norm of 80 *per cent* in all the five years.

(Paragraphs 2.1.8 & 2.1.9)

The plant load factor (PLF) was below the national average by 11 to 17 *per cent*, due to excess time taken on annual overhaul, planned and forced outages, operation at partial load and backing down of generation.

(Paragraph 2.1.10)

The Station sustained generation loss of 25,984.980 MkwH valuing Rs 1,039.57 crore due to excess outages over norm, delay in overhauling, poor maintenance, lack of co-ordination and planning, lax monitoring over repair/ replacement work as well as inadequate oversight during overhauling.

*(Paragraphs 2.1.14 to 2.1.24)*

During 2001-06, the Station backed down generation by 3,551.925 MkwH due to the State Government's decision to canalise export of surplus power only through West Bengal State Electricity Board, leading to loss of potential revenue of Rs 127.30 crore.

*(Paragraph 2.1.11)*

Against the guaranteed thermal efficiency of 35.96 *per cent*, the thermal efficiency during 2001-06 ranged from 29.24 to 30.43 *per cent*, leading to excess consumption of fuel equivalent to 15.72 lakh tonnes of coal valuing Rs 176.41 crore. The Management did not attempt to reduce the excess consumption by 1.57 lakh tonnes through the use of fuel additive.

*(Paragraphs 2.1.30 to 2.1.32)*

Inept implementation of renovation and modernisation plans led to delays in completion and cost escalation leading to loss of generation of 273.84 MkwH valued at Rs 11 crore as well as additional expenditure of Rs 10 crore. Besides, although Unit – 3 had completed 1.51 lakh operational hours, no residual life assessment studies had been undertaken.

*(Paragraphs 2.1.25 to 2.1.29)*

## **2.2 PRODUCTION AND MARKETING PERFORMANCE - WEST BENGAL DAIRY AND POULTRY DEVELOPMENT CORPORATION LIMITED**

West Bengal Dairy and Poultry Development Corporation Limited (Company) was incorporated in February 1969 as a wholly owned Government company to develop the dairy and poultry industry in West Bengal by establishing dairy and poultry farms and by producing balanced cattle, poultry, fish and other animal feed for increasing production of milk, meat, eggs and fish through the use of quality feed as well as ensuring better health and rapid breeding of animals and birds.

The activities of the Company are at present restricted to production and sale of different types of animal feed under the brand name 'EPIC'. Between 1973-74 and 1994-95, the Company established five feed milling plants (FMPs) with aggregate installed capacity of 312 tonnes per day in three shifts. The share of production of cattle feed, poultry feed and other feed to the Company's total production was 67, 26 and 7 *per cent* respectively.

The major Audit findings are given below :

Though the consumption of ingredients for production of animal feed was in excess/ short of the prescribed feed formulation by 10 to 50 *per cent*, the Company did not monitor their consumption to assess their impact on the quality of feed produced.

(Paragraph 2.2.17)

None of the FMPs could achieve the desired level of Digestible Crude Protein (DCP) and Total Digestible Nutrient (TDN) in the balanced concentrated cattle feed produced. The Company had not devised any mechanism to test the quality of finished feed though directed by the Board of Directors (March 1998).

(Paragraph 2.2.18)

The Company's performance with regard to production and marketing was sub-optimal due to low level of production at feed milling plants (FMPs), inept implementation of modernisation programme, lack of marketing efforts, absence of quality control etc.

(Paragraphs 2.2.11, 2.2.12, 2.2.13, 2.2.15, 2.2.16, 2.2.18 & 2.2.21)

During 2001-06, the capacity utilisation of four of five FMPs was poor ranging between 14 and 49 *per cent* due to the Company's failure to make the farmers aware of the benefits of balanced nutritional diet for better animal health, combat competition from the co-operatives and locational disadvantage of the FMPs.

(Paragraphs 2.2.10, 2.2.11, 2.2.12, 2.2.13 & Annexure-21)

Delay in liquidating suppliers' dues resulted in excess expenditure of Rs 1.78 crore towards procurement of raw ingredients during 2001-05.

(Paragraph 2.2.19)

Due to absence of an effective marketing strategy and lack of dealers' network the Company's share in the market was less than one *per cent*. Further, faulty pricing policy resulted in over-recovery of Rs 7.68 crore from the farmers, besides the product becoming more and more uneconomic and non-competitive.

(Paragraphs 2.2.21 & 2.2.22)

### **3 REVIEWS RELATING TO STATUTORY CORPORATIONS**

#### **3.1 IMPLEMENTATION OF THE ACCELERATED POWER DEVELOPMENT AND REFORMS PROGRAMME (APDRP) - WEST BENGAL STATE ELECTRICITY BOARD**

Distribution reform is the key to bring about efficiency and improve the financial health of the power sector. To achieve these Government of India (GOI) drew up a scheme called Accelerated Power Development Programme (APDP). The main objectives of APDP were to reduce aggregate technical & commercial (ATC) losses, bring about commercial viability in the power sector, reduce outages and interruptions as well as increase customer satisfaction. The scheme was re-christened as Accelerated Power Development and Reform Programme (APDRP) during 2002-03.

The scheme envisaged access to funds on the basis of agreed reform programmes, aimed at narrowing down and ultimate elimination of the gap between unit cost of supply and revenue realisation within a specified time frame. To achieve these goals, GOI would provide additional Central assistance for strengthening and upgradation of sub-transmission networks as well as grant an incentive equal to the actual reduction in cash losses. GOI entered (July 2002) into a Memorandum of Agreement (MOA) with the West Bengal State Electricity Board (Board) for implementation of projects under APDRP.

The manor audit finding that emerged from a review of the performance under APDRP are mentioned below:

In Bidhannagar and Howrah Circles, against the target of revenue increase of 30 *per cent* and reduction of 50 *per cent* of AT&C loss over the base year 2002-03, none of the circles had achieved the targets and as a result suffered loss of revenue of Rs 254.12 crore.

*(Paragraph 3.1.36)*

While the Board utilised funds aggregating Rs 133 crore to pay interest on GOWB loans, GOWB delayed release of Rs 502.18 crore to the Board by four to 119 weeks.

*(Paragraphs 3.1.14 & 3.1.15)*

Defective terms of the contract led to release of extra funds of Rs 7.11 crore without speeding up progress of the work. Further, defective evaluation of bids led to undue benefit of Rs 3.98 crore to the contractors.

*(Paragraphs 3.1.18 & 3.1.19)*

The Board sustained loss of potential revenue of Rs 44.86 crore for 130.55 Mkw due to non-completion of six projects arising from delays in acquisition and handing over of land, failure to monitor implementation, etc.

(Paragraphs 3.1.24, 3.1.34 & 3.1.35)

### **3.2 MANAGEMENT OF ASSISTANCE EXTENDED TO OTHER BACKWARD CLASSES – WEST BENGAL BACKWARD CLASSES DEVELOPMENT AND FINANCE CORPORATION**

West Bengal Backward Classes Development and Finance Corporation (Corporation) was set up (October 1995) to promote schemes for the economic benefit and development of the Other Backward Classes (OBC) communities by providing financial assistance for income generating activities, training programmes to promote entrepreneurship for self employment, marketing assistance to beneficiaries as well as pursuit of professional/ technical education.

The Corporation functions as a State Channelising Agency (SCA) of the National Backward Classes Finance and Development Corporation (NBCFDC) and since 1999, it has been providing financial assistance to OBC beneficiaries under various self-employment schemes. Some significant findings are mentioned below :

Even after a decade's operation, the Corporation was yet to build up a data base of the eligible beneficiaries in the State to ensure coverage of all in a phased manner.

(Paragraphs 3.2.7)

As against 180 days specified by National Backward Classes Finance and Development Corporation (NBCDFC) for utilisation of funds, the Corporation took 180 to 500 days to select the beneficiaries resulting in denial of timely benefit of self-employment to beneficiaries.

(Paragraph 3.2.16)

The Corporation did not maintain any database of the eligible beneficiaries or SHGs under the micro financing scheme. Against the physical target of 4,650 beneficiaries and financial target of Rs 6.03 crore during 2001-06, the Corporation disbursed only Rs 1.63 crore (40 *per cent*) out of the available funds of Rs 4.06 crore to 2,757 (59 *per cent*) beneficiaries due to failure of the Corporation to launch effective awareness programmes.

(Paragraph 3.2.23)

Only 344 women (8.79 *per cent*) out of 3,913 beneficiaries were given financial assistance under term loan scheme. Similarly, under *Mahila*

*Samridhi Yojana*, the Corporation disbursed only Rs 69 lakh to 1,106 women beneficiaries in two districts against the target of Rs 1.90 crore to 1,500 beneficiaries, thereby frustrating the objective of empowering the OBC women.

(Paragraphs 3.2.12, 3.2.19 & 3.2.23)

In violation of the guidelines, term loans of Rs 7.12 crore were disbursed to 890 beneficiaries without following the pre-sanction appraisal and pre-disbursement formalities. Another Rs 13.21 lakh were released to 18 ineligible beneficiaries in Malda district against forged OBC certificates.

(Paragraphs 3.2.20 & 3.2.21)

The percentage of recovery of dues substantially declined from 46 in 2001-02 to 31 in 2004-05 and thereby the outstanding dues increased by 19 times from Rs 0.35 crore in 2001-02 to Rs 6.49 crore in 2004-05, due to lax monitoring and absence of effective recovery efforts.

(Paragraph 3.2.27)

Against the physical target of 260 beneficiaries and the financial target of Rs 1.13 crore under the education loan schemes during 2001-06, the Corporation actually disbursed Rs 16.95 lakh (15 *per cent*) to only 13 (five *per cent*) beneficiaries due to lack of awareness among the aspiring students.

(Paragraph 3.2.24)

#### **4 TRANSACTION AUDIT OBSERVATIONS**

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

- ▲ Frauds amounting to Rs 206.01 crore in five instances. (Paragraph Nos. 4.1, 4.3, 4.4, 4.5 and 4.6)
- ▲ Violation of contractual obligations/ undue favour to contractors, suppliers, etc. causing loss of Rs 37.90 crore in six cases. (Paragraph Nos. 4.2, 4.7, 4.12, 4.16, 4.17 and 4.21)
- ▲ Loss of revenue amounting to Rs 13.46 crore in five cases. (Paragraph Nos. 4.8, 4.14, 4.22, 4.23 and 4.24)
- ▲ Extra avoidable expenses aggregating to Rs 10.14 crore in four cases. (Paragraph Nos. 4.9, 4.10, 4.13 and 4.15)
- ▲ Non-recovery of dues of Rs 1.38 crore in one case. (Paragraph No. 4.11)

Some important findings are as follows.

### **GOVERNMENT COMPANIES**

West Bengal Essential Commodities Supply Corporation Limited (Company) incurred losses of Rs 204.75 crore on export of iron ore fines (IOF) to China, rice to Bangladesh, import of zinc and copper for high sea sales as well as vessel charter finance through a shipping agent, due to lack of control and monitoring and flouting of basic principles of financial propriety, to benefit the Associates, shipping agents and foreign/ local buyers at the cost of the Company's financial health.

The Company suffered further loss of Rs 7.10 crore towards milling charges at higher rates, lower conversion ratio of paddy to parboiled rice as compared to norms and sale of cotton to another Government company without obtaining security from Maa Sarada Export, a business associate.

*(Paragraphs 4.1, 4.2, 4.3, 4.4, 4.5 & 4.6)*

The Durgapur Projects Limited sustained loss of Rs 27.46 crore on excess consumption of coal at its power station arising from non-functional HP heaters of three Units due to absence of a compensation clause in the renovation, upgradation and modernisation contracts, inadmissible concession allowed to an existing consumer with high tension connection and payment of avoidable interest.

*(Paragraphs 4.7, 4.8 & 4.9)*

West Bengal Forest Development Corporation Limited injudiciously drew loan of Rs 27 crore for implementing a Joint Forest Management project without assessing the fund flow position and as a result paid avoidable interest of Rs 5.51 crore.

*(Paragraph 4.10)*

### **STATUTORY CORPORATION**

West Bengal State Electricity Board suffered loss of Rs 12.52 crore towards payment of additional interest due to non-recovery of excess payment of Rs 41.77 crore to the contractor.

*(Paragraph 4.21)*

West Bengal Financial Corporation sustained loss of Rs 3.23 crore due to non/ under-recovery of prepayment charge and interest from seven borrowers at the time of prepayment of outstanding principal by them.

*(Paragraph 4.22)*