



SUPREME AUDIT INSTITUTION OF INDIA
लोकहितार्थ सत्यनिष्ठा
Dedicated to Truth in Public Interest

**Report of the
Comptroller and Auditor General of India
on
State Public Sector Enterprises
for the period ended 31 March 2023**



**Government of Tamil Nadu
Report No. 5 of 2025
(Compliance Audit – Commercial)**

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P R E F A C E

This Report of the Comptroller and Auditor General of India for the year ended March 2023 has been prepared for submission to the Governor of Tamil Nadu under Article 151 (2) of the Constitution of India and Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, as amended from time to time.

2. This Report contains audit findings pertaining to financial performance parameters and other relevant information on all the State Public Sector Enterprises (SPSEs) of the State of Tamil Nadu viz., Summary of Financial Performance of Tamil Nadu SPSEs, Oversight role of CAG, Corporate Governance, Corporate Social Responsibility, and significant results of the compliance audits of SPSEs of the Government of Tamil Nadu for the year ended 31 March 2023.

3. The accounts of the State PSEs reviewed in this Report cover the accounts for the year 2022-23 (annual accounts to the extent received). In respect of PSEs where the accounts for 2022-23 were not received, the figures from the accounts last audited have been adopted.

4. All references to 'Government Companies/Corporations or SPSEs' in this Report may be construed to refer to 'State Government Companies/Corporations' unless the context suggests otherwise.

5. The instances of compliance audit mentioned in this report are those, which came to notice in the course of test audit during the year 2022-23 as well as those which came to notice in earlier years but could not be reported in the previous Audit Reports. The matters relating to the period subsequent to 2022-23 have also been included, wherever felt necessary.

6. The audit was conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

Overview

OVERVIEW

About this report

This report deals with the results of audit of Government Companies and one Statutory Corporation, referred to in this report as State Public Sector Enterprises (SPSEs). The report presents the financial position and performance of the State PSEs, Oversight role of CAG, Corporate Governance, Corporate Social Responsibility of PSEs in Tamil Nadu and Compliance Audit observations for the period ended 31 March 2023.

Audit Coverage

There were 102 State Public Sector Enterprises under the audit jurisdiction of the Comptroller and Auditor General of India as on 31 March 2023. These included 74 Government companies, 27 Government controlled other companies and one Statutory corporation. This Report deals with the analysis of financial position and performance of 72 working Government companies, 22 working Government controlled other companies and one Statutory corporation. Two SPSEs which were defunct/ non-working/ under liquidation and five Government controlled other companies from whom first accounts have not been received are not covered in this Report.

(Para 1.1.3)

What we have found and what do we recommend?

The report contains five chapters under which particulars of the financial position and operational performance of SPSEs are reviewed and CAG's observations are available thereon. Further, Corporate Governance practices and Corporate Social Responsibility activities of SPSEs are reviewed, and recommendations thereon are provided.

Chapter I Summary of Financial Performance of Tamil Nadu State Public Sector Enterprises

Investment by State Government

As on 31 March 2023, the total investment by Government of Tamil Nadu in 73 SPSEs (including one Statutory corporation) was ₹ 50,131.13 crore comprising equity share capital of ₹40,809.93 and long-term loans of ₹9,321.20 crore. The GoTN infused equity of ₹1,576.93 crore in 10 SPSEs during 2022-23.

(Para 1.2)

Return from Government companies and Corporations

Out of 73 working SPSEs, 37 SPSEs earned a profit of ₹2,060.28 crore during 2022-23 as per their latest finalised accounts while 32 SPSEs incurred losses of ₹16,045.21 crore. Four SPSEs have neither earned profit nor incurred loss.

(Para 1.3.1 and Para 1.3.2)

Net worth/ Accumulated losses

There were 36 working Government Companies with accumulated losses of ₹2,26,523.02 crore as per their latest finalised accounts as on 31 March 2023. Of these, the net worth of 22 SPSEs had been completely eroded by their accumulated losses and was negative. These 22 SPSEs had negative net worth of ₹1,93,132.98 crore against equity investment of ₹33,263.46 crore. As a result, the aggregate net worth of these SPSEs had become negative to the extent of ₹1,51,064.64 crore as on 31 March 2023. Out of the 22 SPSEs whose capital had been eroded, 20 SPSEs had reported loss of ₹16,008.63 crore while two SPSEs reported a profit of ₹25.57 crore as per their latest finalised accounts.

(Para 1.3.3)

15 working SPSEs declared dividend of ₹283.23 crore during the year 2022-23. Out of this, dividend received/receivable by GoTN amounted to ₹273.34 crore which represented 0.67 *per cent* return on the total investment by the GoTN (₹40,809.93 crore) in 73 working SPSEs.

(Para 1.3.4)

16 profit earning SPSEs had not declared dividend or declared dividend lesser than the percentage stipulated by GoTN and there was shortfall of ₹506.54 crore in the payment of dividend to GoTN.

(Para 1.3.4)

Chapter II Oversight role of CAG

Out of 100 working SPSEs, 84 SPSEs submitted their accounts (including one statutory corporation) for the financial year 2022-23 for audit within stipulated period. Seven SPSEs submitted their arrear accounts for audit by CAG.

(Para 2.3.2)

Out of the 84 SPSEs from which financial statements for the year 2022-23 were received, supplementary Audit was undertaken in 59 SPSEs (including one Statutory Corporation). In respect of the financial statements received from the SPSEs, Non-review certificate was issued to 27 SPSEs.

(Para 2.5.1)

During 2022-23 there were no cases of SPSEs amending their Financial Statements before laying the same in the AGM. As a result of supplementary audit of the financial statements conducted by the CAG, seven Government Companies and one Government Controlled Company revised their Statutory auditor's Report.

(Para 2.5.1.1 and Para 2.5.1.2)

Based on the supplementary audit, comments were issued on the financial statements of three SPSEs for the year 2022-23 and the financial impact of significant comments issued on its financial statements on the profitability was ₹413.13 crore.

(Para 2.5.1.3)

Deviations from the provisions of Accounting Standards/Ind AS in preparation of the financial statements were noticed in 13 companies by the statutory auditors.

(Para 2.6)

Chapter III Corporate Governance

Out of 100 working SPSEs, 82 SPSEs (including one statutory corporation) had furnished the details regarding Corporate Governance which were considered for analysis. Out of the 82 SPSEs, 13 SPSEs did not comply with the mandatory requirement of conducting four meetings of the Board of Directors during 2022-23.

(Para 3.1.4 and Para 3.2.1)

In 16 SPSEs the representation of Independent Directors was below the required number in their Board. The stipulation of appointing at least one woman director was not met by three SPSEs.

(Para 3.2.2 and 3.2.3)

In five SPSEs, the Independent Directors did not attend the general meetings of the PSEs.

(Para 3.3.4)

In seven SPSEs, the posts of Key Managerial Personnel were not filled up within the time prescribed.

(Para 3.4.1)

Audit Committee was not constituted in two SPSEs and majority of the members of Audit Committee were not Independent Directors in 14 SPSEs.

(Para 3.5.1)

The role of the Nomination and Remuneration Committee is to determine the framework and policy on the terms of engagement (including remuneration) of the Chairman, Executive Directors, and each member of the Board. It was seen that such committee was not constituted in 24 SPSEs.

(Para 3.6.1)

16 SPSEs did not implement Vigil mechanism though they satisfied the criteria required for the same.

(Para 3.6.2)

Chapter IV Corporate Social Responsibility

Audit reviewed the Corporate Social Responsibility (CSR) activities carried out by 16 SPSEs which reported profit of rupees five crore or more as per their latest annual accounts. Five out of 16 SPSEs had not mentioned the monitoring mechanism in their CSR policy. 12 SPSEs spent the minimum requirement of two *per cent* whereas four SPSEs spent less than two *per cent*.

(Para 4.3, 4.5.4 & 4.5.2.2)

The total spending on CSR activities by 16 SPSEs was ₹24.97 crore. Contributions to State Disaster Management Authority (59.71 *per cent*) and Education (21.03 *per cent*) were the main focus areas and secured maximum funding.

(Para 4.5.3.3)

Chapter V Compliance Audit observations on SPSEs

This Report contains eight Compliance Audit Paragraphs.

Tamil Nadu Generation and Distribution Corporation Limited

- Non-generation of bills based on the meter reading at Substation end in respect of HT Consumers receiving supply through dedicated feeders, resulted in short billing by distribution loss and eventual revenue loss of ₹385.53 crore.

(Para 5.2)

- Non finalization of the tender within the validity resulted in avoidable expenditure of ₹48.94 crore on procurement of conductors.

(Para 5.3)

- Deficiency in taking note of the lower prices paid by its field offices resulted in avoidable extra expenditure of ₹21.49 crore on the procurement of insulators.

(Para 5.4)

Tamil Nadu Civil Supplies Corporation Limited

- Irregular award of transportation contract resulted in loss of ₹2,736.93 crore.

(Para 5.5)

- Deficiency in floating of tender and management of borrowed funds resulted in payment of additional interest of ₹36.30 crore.

(Para 5.6)

Tamil Nadu Salt Corporation Limited

- Procured salt washery without assessing the field requirement and non-conducting cost benefit analysis resulted in unfruitful expenditure of ₹2.99 crore.

(Para 5.7)

Other State Public Sector Enterprises

- Non-availing/irregular operation of auto sweep facility resulted in forgone interest to the extent of ₹45.05 crore.
(Para 5.8)
- Lack of proactive management and inadequate monitoring of term deposits resulted in loss of interest of ₹21.52 crore.
(Para 5.9)

Chapter I

Summary of Financial Performance of Tamil Nadu State Public Sector Enterprises

CHAPTER I

Summary of Financial Performance of Tamil Nadu State Public Sector Enterprises

1.1 Introduction

This Report presents the summary of financial performance of Government Companies, Statutory Corporation and Government controlled other companies. In the Report, the term State Public Sector Enterprises (SPSEs) encompasses those Government companies in which the direct holding of the State Government is 51 *per cent* or more and subsidiaries of such Government companies. The Statutory Corporation set up under Statutes enacted by the legislature and other companies owned or controlled, directly or indirectly by the State Government have also been categorised as SPSEs.

A Government Company is defined under Section 2(45) of the Companies Act, 2013 as a company in which not less than 51 *per cent* of the paid-up share capital is held by Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments and includes a company which is a subsidiary of a Government Company.

Government Company

Any company in which not less than 51 *per cent* of the paid-up share capital is held by Central Government or by one or more State Governments or partly by Central Government and partly by State Government(s) and includes subsidiary of a Government Company.

Besides, any other company¹ owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments are referred to in this Report as Government controlled other Companies.

1.1.1 Mandate

Audit of Government companies and Government controlled other companies is conducted by the CAG under the provisions of Section 143(5) to 143(7) of the Companies Act, 2013 read with Section 19 of the CAG's (Duties, Powers and Conditions of Service) Act, 1971 and the Regulations made thereunder. Under the Companies Act, 2013, the CAG appoints the Chartered Accountants as Statutory Auditors for companies and gives directions on the manner in which the accounts are to be audited. In addition, CAG has the right to conduct a supplementary audit. The statutes governing the Statutory Corporation require that its accounts are to be audited only by the CAG.

¹ Companies (Removal of Difficulties) Seventh Order, 2014 issued by Ministry of Corporate Affairs *vide* Gazette Notification dated 04 September 2014.

1.1.2 What this Report contains

This Report gives an overall picture of the financial performance of the Tamil Nadu Government companies and one Corporation as revealed from their accounts.

Impact on revision of accounts as well as significant comments issued as a result of supplementary audit of the financial statements of the SPSEs conducted by the CAG for the year 2022-23 (or of earlier years which were finalised during the current year) is given in this Report.

This Report also gives an overall picture of the status of the adherence of SPSEs to the guidelines issued by the Securities and Exchange Board of India (SEBI), Bureau of Public Enterprises (BPE), Finance Department, Government of Tamil Nadu and compliance with provisions of Companies Act, 2013 on Corporate Governance and Corporate Social Responsibility.

1.1.3 Number of SPSEs

As on 31 March 2023, there were 102 SPSEs (**Appendix-1**) under the audit jurisdiction of the CAG. Out of the total 102 SPSEs, 100 SPSEs are functional and two are non-functional. These include 74² Government companies (includes five power sector SPSEs), one Statutory Corporation³ and 27 Government controlled other companies. Of these, summary of financial performance of 95 SPSEs (72 Government companies, one Statutory Corporation and 22 Government controlled other companies) is covered in this report excluding two non-functional SPSEs and five SPSEs whose first accounts for the year 2022-23 were due and the nature of these SPSEs is indicated in **Table 1.1**.

Government companies	74
Statutory Corporation	01
Government controlled other companies	27
Total SPSEs	102

² 74 Government companies include 58 standalone/holding Government companies and 16 subsidiaries of holding Government companies.

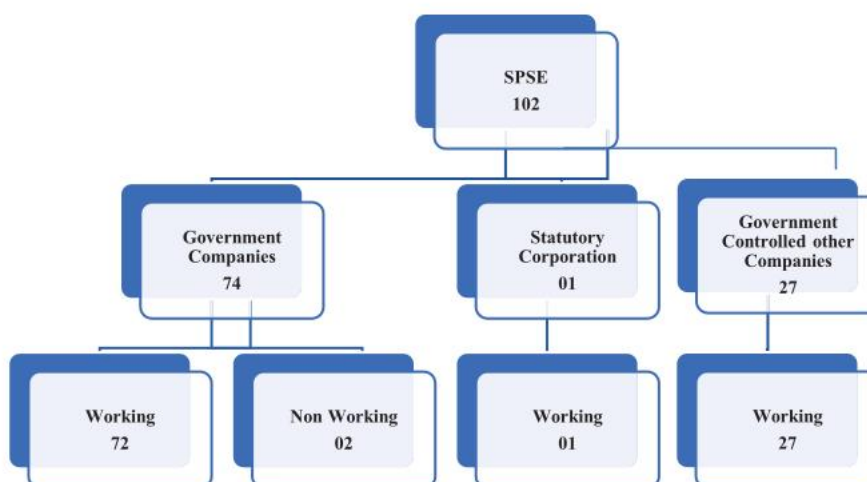
³ Tamil Nadu Warehousing Corporation.

Table 1.1: Coverage and nature of SPSEs covered in this report

Nature of the SPSEs	Total number of SPSEs	Number of SPSEs covered in the Report					Number of SPSEs not covered in the Report
		Accounts up to				Total	
		2022-23	2021-22	2020-21	2019-20		
Government companies	74	64	3	4	1	72	2
Statutory Corporation	1	1	0	0	0	1	0
Total Companies/ Corporation	75	65	3	4	1	73	2
Government controlled other companies	27	19	3	0	0	22	5 ⁴
Total SPSEs	102	84	6	4	1	95	7

Source: Compiled based on accounts received from SPSEs during the respective years.

The nature and number of SPSEs in the State are depicted in **Chart 1.1** below:

Chart 1.1: Number of SPSEs

The details of Government companies/Government controlled other companies which came under the purview of CAG's audit during 2022-23 are given in **Appendix-2**.

This Report does not include two⁵ SPSEs which were defunct/ under liquidation. As on 31 March 2023, out of the above two SPSEs, one SPSE viz., Tamil Nadu Goods Transport Corporation Limited had commenced its liquidation process. The closure order for Tamil Nadu State Construction Corporation Limited was issued by the Government of Tamil Nadu (GoTN) but

⁴ Represents five SPSEs whose first accounts were due but not received and hence not covered in the report.

⁵ Tamil Nadu State Construction Corporation Limited (since 2002) and Tamil Nadu Goods Transport Corporation Limited (since November 2003).

the winding up process had not yet been commenced.

The summary of financial performance of SPSEs covered in this report is indicated in **Table 1.2** below:

Table 1.2: Summary of financial performance of SPSEs covered in this Report

(₹ in crore)		
Particulars	No of SPSEs	Amount
Number of Government companies and Statutory Corporation	75	-
Government Companies and Corporation (SPSEs) selected for this report.	73	-
Paid up capital.	73	67,263.84
Long term loans.	33	1,53,525.45
Market capitalisation (One listed exchange traded Government controlled other company)	01	1,510.52
Net profit.	37	2,060.28
Net loss.	32	16,045.21
Zero profit/loss SPSEs.	04	-
Dividend declared.	15	283.23
Total assets.	73	3,62,368.06
Value of production.	73	1,38,661.98

Source: Latest finalised accounts of SPSEs.

1.1.4 Contribution of the SPSEs to the GSDP of the State

A ratio of turnover of the Government companies and corporation to the Gross State Domestic Product (GSDP) shows the extent of their activities in the State economy. The Compounded Annual Growth Rate⁶ (CAGR) is a useful method to measure growth rate over multiple time periods. The details of turnover and the GSDP for a period of three years ending 31 March 2023 are given in **Table 1.3**.

Table 1.3: Turnover of Government Companies and Corporation vis-a-vis GSDP of Tamil Nadu

(₹ in crore)			
Particulars	2020-21	2021-22	2022-23
Turnover	1,11,294.83	1,23,546.96	1,60,532.60
GSDP of Tamil Nadu	17,88,074	20,71,286	23,64,514
Percentage of Turnover to GSDP of Tamil Nadu	6.22	5.96	6.79
Percentage of growth of turnover	0.31	11.01	29.94
Percentage of growth of GSDP	2.58	15.84	14.16

Source: Turnover reported in the latest finalised accounts of Government companies and Corporation and GSDP figures as per State Finance Audit Report of CAG of India for the year 2022-23 of GoTN.

It may be seen from the table above, that the growth rate of GSDP increased by 15.84 percentage during 2021-22 as compared to 2.58 percentage in 2020-21, but decreased to 14.16 percentage in 2022-23 as compared to 2021-22.

⁶ The compounded annual growth rate calculated as per the formula: $\{(Final\ Value/Beginning\ Value)^{(1/number\ of\ years)}\} - 1$.

However, the aggregate turnover of Government Companies and Corporation increased by 11.01 percentage in 2021-22 as compared to 2020-21 and to 29.94 percentage during 2022-23 as compared to 2021-22. In absolute terms, the turnover increased by ₹36,985.64 crore in 2022-23 as compared to 2021-22. The increase was mainly due to increase in revenue from sale of power by Tamil Nadu Generation and Distribution Company Limited (TANGEDCO) after the implementation of tariff revision from September 2022 onwards. Out of the total increase in turnover of ₹36,985.64 crore in 2022-23, the share of TANGEDCO was ₹22,667.30 crore, accounting for 61.29 *per cent* increase. CAGR of GSDP and turnover recorded growth of 14.99 *per cent* and 20.10 *per cent* respectively during 2020-21 to 2022-23.

The analysis of performance of SPSEs has been segregated into Power Sector and Non-Power Sector which are discussed in **Table 1.4** below:

Table 1.4: Turnover of Power sector/ Non-Power Sector companies and Corporation vis-a-vis GSDP of Tamil Nadu

(₹ in crore)

Particulars	2020-21		2021-22		2022-23	
	Power	Non Power	Power	Non Power	Power	Non Power
Turnover	58,884.27	52,410.56	65,620.22	57,926.74	89,060.19	71,472.41
GSDP of Tamil Nadu	17,88,074		20,71,286		23,64,514	
Percentage of growth of turnover	-6.34	8.99	11.44	10.53	35.72	23.38
Percentage of SPSEs Turnover to GSDP of Tamil Nadu	3.29	2.93	3.17	2.80	3.77	3.02
Percentage of growth of GSDP	2.58		15.84		14.16	

Source: Turnover reported in the latest finalised accounts of Government Companies and Corporation and GSDP figures as per State Finance Audit Report of CAG of India for the year 2022-23 of GoTN

It may be seen from the above **Tables 1.3 and 1.4**, that percentage of growth of turnover of power sector SPSEs and Non-Power sector SPSEs increased by 35.72 and 23.38 *per cent* respectively during 2022-23 and consequently, the overall percentage growth of turnover of all the SPSEs also increased by 29.94 *per cent*. The percentage of turnover of both Power and Non-Power SPSEs to GSDP though showed a decreasing trend during 2021-22, increased during 2022-23 and stood at 3.77 and 3.02 *per cent* respectively.

1.2 Investment in Government Companies and Corporation

The amount of equity and loans in 73 SPSEs (72 Government companies and one Statutory Corporation) as at the end of 31 March 2023 is given in **Table 1.5**.

Table 1.5: Equity and loans in Government Companies and Corporation

(₹ in crore)

Source of investment	As on 31.03.2023			As on 31.03.2022		
	Equity	Long term loans	Total	Equity	Long term loans	Total
1. State Government	40,809.93	9,321.20	50,131.13	39,233.00	9,213.56	48,446.56
2. Central Government	55.86	0.17	56.03	55.86	2.29	58.15
3. State Government Companies/ Corporation	26,262.90	39,317.90	65,580.80	25,740.33	61,316.41	87,056.74
4. Financial Institutions and Others	135.15	1,04,886.18	1,05,021.33	132.65	1,09,303.71	1,09,436.36
Total	67,263.84	1,53,525.45⁷	2,20,789.29	65,161.84	1,79,835.97	2,44,997.81
Percentage of investment of State Government to total investment	60.67	6.07	22.71	60.21	5.12	19.77

Source: Latest finalised accounts of SPSEs and details received from SPSEs.

1.2.1 Equity holding

As on 31 March 2023, the total equity holding at face value in the 73 SPSEs covered in this Report registered a net increase of ₹2,102 crore comprising ₹1,576.93 crore invested by State Government and ₹522.57 crore by State Government companies and ₹2.50 crore by others. The total equity of ₹1,576.93 crore invested by State Government during the year 2022-23, resulted in cash inflow to 10 SPSEs. Review of the new equity holding of ₹1,576.93 crore involving cash flow in SPSEs indicated that infusion of ₹567.25 crore was towards implementation of climate friendly modernisation of bus services in major cities of Tamil Nadu, purchase of chassis and bus full body renovation in seven State Transport Undertakings (STUs), ₹57.99 crore for Dam Rehabilitation and Improvement Project in TNEB Limited and ₹2.50 crore investment in newly formed Tamil Nadu Green Climate Company. Further, the Rights issue of shares of ₹949.19 crore at par by Tamil Nadu Transport Development Finance Corporation Limited was subscribed by Government of Tamil Nadu. No loan amount advanced by the State Government to the SPSEs was converted into equity.

Details of significant holding (more than ₹1,000 crore) of the State Government during 2022-23 in the paid up capital of the SPSEs are given in **Table 1.6.**

⁷ The amount represents the total long term loans outstanding in 33 SPSEs out of 73 SPSEs

Table 1.6: Significant holding of the State Government

		(₹ in crore)
Name of the SPSE	Name of the Department	Amount
Government companies		
TNEB Limited	Energy	25,876.32
Tamil Nadu State Transport Corporation Limited (consisting of eight SPSEs)	Transport	6,870.86
Tamil Nadu Power Finance and Infrastructure Development Corporation Limited	Energy	3,767.00
Tamil Nadu Transport Development Finance Corporation Limited	Transport	2,981.29

Source: Latest finalised accounts of SPSEs and details received from SPSEs.

1.2.1.1 Reconciliation with Finance Accounts of Government of Tamil Nadu

The figures in respect of equity outstanding as per records of SPSEs should agree with that of the figures appearing in the Finance Accounts of the Government of Tamil Nadu (GoTN). In case the figures do not agree, the concerned SPSEs and the Finance Department of GoTN should carry out reconciliation of the differences. Audit observed that as on 31 March 2023, there were differences of ₹135.48 crore in respect of equity outstanding in 25 SPSEs as shown in **Appendix-3**.

1.2.2 Loans given to Government Companies and Corporation

1.2.2.1 Computation of long term loans outstanding as on 31 March 2023

It may be seen from the **Table 1.5**, the total long term loans outstanding in 33 SPSEs out of 73 Government companies and Corporation from all sources was ₹ 1,53,525.45 crore as on 31 March 2023. Out of the total loans of 73 SPSEs⁸ outstanding as on 31 March 2023, loans from State Government were ₹9,321.20 crore which included three SPSEs⁹ which were given fresh loans of ₹153.92 crore during 2022-23. Out of these three SPSEs, two SPSEs were given loans during both the years 2021-22 and 2022-23. Audit noticed that during 2022-23, both the SPSEs did not repay any outstanding principal amount of loan.

It may further be seen from that **Table 1.5**, the total long term loan outstanding as on 31 March 2023 was ₹ 1,53,525.45 crore which included ₹9,321.20 crore payable by SPSEs to State Government, ₹39,317.90 crore to sister State Government companies and ₹1,04,886.18 crore to Banks/Financial institutions etc. Out of the outstanding State Government loans of ₹9,321.20 crore, ₹4,558 crore was due from one Power Sector SPSE viz., Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO). The loans payable by SPSEs to sister State Government companies amounted to ₹39,317.90 crore which included loans payable by TANGEDCO amounting to ₹28,320.15 crore. The

⁸ Out of 73 SPSEs, 40 did not have any long term loan as on 31 March 2023.

⁹ Tamil Nadu State Transport Corporation (Coimbatore) Limited, Tamil Nadu State Transport Corporation (Villupuram) Limited and Tamil Nadu Tea Plantation Corporation Limited.

loans payable by SPSEs to Banks and Financial institutions amounted to ₹1,04,886.18 crore which included loans payable by TANGEDCO amounting to ₹71,287.01 crore. Thus, out of the total long term loan liability of ₹1,53,525.45 crore as on 31 March 2023, TANGEDCO's liability stood at ₹1,04,165.16 crore constituting 67.85 per cent.

1.2.2.2 Adequacy of assets to meet loan liabilities

Ratio of total debt to total assets is one of the methods used to determine whether a company can stay solvent. To be considered solvent, the value of an entity's assets must be greater than the sum of its loans/debts *i.e.*, ideally, the Debt asset ratio should be less than one. The summary of coverage of long term loans by value of total assets in 33 SPSEs which had outstanding loans as on 31 March 2023 is given in **Table 1.7**. However, the coverage of long term loans by value of total assets in 33 SPSEs individually is furnished in **Appendix-4A** and **4B**.

Table 1.7: Coverage of long-term loans with total assets

	No. of SPSEs	SPSEs having Debt Asset Ratio <1			No of SPSEs	SPSEs having Debt Asset Ratio >1		
		Long term loans	Assets	Ratio of debts to assets		Long term loans	Assets	Ratio of debts to assets
		(₹ in crore)				(₹ in crore)		
Statutory Corporation	1	72.27	360.32	0.20:1	--	--	--	--
Unlisted Companies	22	1,37,829.99	2,25,396.32	0.61:1	10	15,540.57	3,781.43	4.11:1
Total	23	1,37,902.26	2,25,756.64		10	15,540.57	3,781.43	

Source: Latest finalised accounts of SPSEs.

It may be seen from the above table that Debt asset ratio in respect of 23 SPSEs (including one Statutory Corporation) was less than one indicating that these SPSEs are solvent (**Appendix 4A**). However, in respect of 10 SPSEs, the Debt asset ratio was more than one which indicated that they are not solvent as the value of total assets of these SPSEs was less than the loans outstanding. The total loans outstanding were more than four times the total value of assets in these 10 SPSEs (**Appendix 4B**).

1.2.2.3 Interest Coverage

Interest coverage ratio (ICR) is used to determine the ability of a company to pay interest on outstanding debt and is calculated by dividing a company's earnings before interest and taxes (EBIT) by interest expenses of the same period. The lower the ratio, the lesser is the ability of the company to pay interest on debt. An ICR below one indicated that the company was not generating sufficient revenues to meet its expenses on interest. The details of positive and negative interest coverage ratio of SPSEs, which had outstanding loans during the period from 2020-21 to 2022-23 are given in **Table 1.8**.

Table 1.8: Interest Coverage Ratio

Year	Interest (₹ in crore)	Earnings before interest and tax (EBIT) (₹ in crore)	No. of SPSEs	No. of SPSEs having ICR≥1	No. of SPSEs having ICR<1
Statutory Corporation					
2020-21	5.31	39.01	1	1	--
2021-22	4.58	33.90	1	1	--
2022-23	4.30	35.24	1	1	--
Unlisted Government Companies					
2020-21	14,912.93	-9,660.21	29	12	17
2021-22	15,639.18	-6,184.49	28	14	14
2022-23	18,267.01	2,993.14	31	15	16

Source: As per the latest finalised accounts of SPSEs.

It was observed that the number of SPSEs with ICR equal to or more than one had increased in case of Government companies during 2022-23, compared to the previous year. Out of the 32 SPSEs having liabilities of loans, 16 SPSEs had ICR lesser than one indicating that these SPSEs could not generate adequate income to pay off their interest liabilities. The remaining 16 SPSEs had ICR equal to or more than one indicating availability of sufficient income to pay off their interest burden.

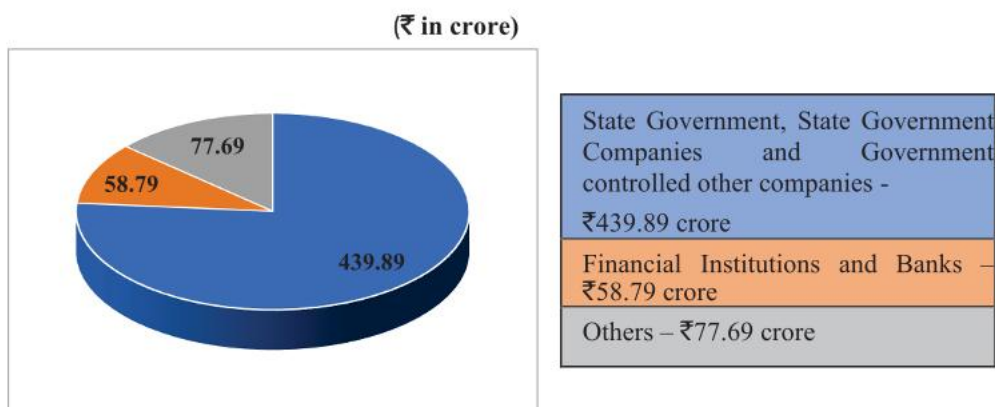
1.2.2.4 Age Wise Analysis of interest outstanding on State Government loans

As on 31 March 2023, interest amounting to ₹6,501.99 crore was outstanding on loans availed by 17 SPSEs from State Government. Out of this, interest amounting to ₹2,778.72 crore was outstanding for more than three years in respect of 14 SPSEs. The age wise analysis of interest outstanding on State Government loans in SPSEs is given in **Appendix- 5**.

1.2.3 Investment in Government controlled other companies

The capital invested by the State Government and by Companies controlled by them in 22 Government controlled other companies during the year 2022-23 is depicted in **Chart 1.2**.

Chart 1.2: Composition of share capital in Government controlled other companies



Source: Latest finalised accounts of SPSEs and details received from SPSEs.

As on 31 March 2023, equity in these Government controlled other companies was ₹576.37 crore as against ₹571.17 crore as on 31 March 2022. Thus, there was a net increase of ₹5.20 crore in 2022-23 in the equity of Government controlled other companies.

1.2.4 Market capitalisation of equity investment in Government controlled other companies.

Market capitalisation represents market value of the shares of companies whose shares are listed. As on 31 March 2023, shares of only one Government controlled other company viz., Tamil Nadu Newsprint and Papers Limited (TNPL) were listed on the various stock exchanges in India.

The total market value of shares of the TNPL stood at ₹1,510.52 crore (BSE) (equity investment being ₹69.21 crore) as on 31 March 2023 as compared to ₹1,163.43 crore as on 31 March 2022. The total market value of shares increased by ₹347.09 crore (29.83 *per cent*) as on 31 March 2023 as compared to 31 March 2022. The market value of shares held by the State Government amounted to ₹533.41 crore.

1.3 Returns from the Government Companies and Corporation

1.3.1 Profit earned by Government companies and Corporation

The number of SPSEs (including one Statutory Corporation) that earned profit was 37 in 2022-23 as compared to 34 in 2021-22. This was due to exclusion of two¹⁰ SPSEs which suffered losses during 2022-23 after earning profit in the previous year, mainly due to increase in expenditure and inclusion of five SPSEs¹¹, which reported current year profit after incurring net loss in the previous year on account of increase in revenue from operations, increase in non-operational income and reduction in operational expenditure.

¹⁰ Poompuhar Shipping Corporation Limited and Tamil Nadu Internet and Connectivity Service Limited.

¹¹ Tamil Nadu Salt Corporation Limited, Perambalur Sugar Mills Limited, Tamil Nadu Tourism Development Corporation Limited, Pallavan Transport Consultancy Services Limited and Chennai Aerospace Park Limited.

The eventual profit earned, increased to ₹2,060.28 crore in 2022-23 from ₹1,648.06 crore in 2021-22. The Return on Equity (ROE) of these 37 SPSEs (including one Statutory Corporation) increased marginally to 12.59 *per cent* in 2022-23 as compared to 12.32 *per cent* in 34 SPSEs in 2021-22.

Overall ROE of total 73 SPSEs *i.e.* including 37 profit making, 32 loss making and four zero profit companies was negative as the overall net income was negative in 2022-23.

The details of top three sectors, which contributed maximum profit during 2022-23 are summarised below in **Table 1.9**:

Table 1.9: Top 3 sectors which contributed maximum profit during the year 2022-23

Sector	Sector wise no. of profit earning SPSEs	Net profit earned (₹ in crore)	Percentage of profit to total SPSE profit
Industries			
A. Unlisted Government Companies	8 ¹²	588.07	28.54
Power			
B. Unlisted Government Companies	1 ¹³	1017.17	49.37
MSME			
C. Unlisted Government Companies	4 ¹⁴	176.16	8.55
Total (A+B+C)	13	1,781.40	86.46

Source: Latest finalized Annual Accounts of SPSEs.

During 2022-23, net profit of ₹1,781.40 crore constituting 86.46 *per cent* of total profit of 37 profit earning Government companies and corporation was contributed by 13 SPSEs, as compared to 89.25 *per cent* contributed by 11 SPSEs during 2021-22 in these three sectors.

The list of Government companies which earned profit of more than ₹100 crore during the year 2022-23 is given in **Table 1.10**.

Table 1.10: SPSEs which earned profit of more than ₹100 crore during 2022-23.

Sl. No.	Name of the SPSE	(₹ in crore) Net Profit
1	Tamil Nadu Power Finance and Infrastructure Development Corporation Limited	1017.17
2	Tamil Nadu Industrial Development Corporation Limited	228.79
3	State Industries Promotion Corporation of Tamil Nadu Limited	203.99
4	Tamil Nadu Industrial Investment Corporation Limited	136.15
5	Tamil Nadu Cements Corporation Limited	133.97
Total		1,720.07

Source: Latest finalised Annual Accounts of SPSEs.

¹² Tamil Nadu Industrial Development Corporation Limited, State Industries Promotion Corporation of Tamil Nadu Limited, Tamil Nadu Polymer Industries Park Limited, Tamil Nadu Cements Corporation Limited, Tamil Nadu Salt Corporation Limited, Tamil Nadu Magnesite Limited, Chennai Aerospace Park Limited and CBIC Ponneri Industrial Township Limited.

¹³ Tamil Nadu Power Finance and Infrastructure Development Corporation Limited.

¹⁴ Tamil Nadu Industrial Investment Corporation Limited, Tamil Nadu Small Industries Development Corporation Limited, Guindy Industrial Estate Infrastructure Upgradation Company and Tamil Nadu Small Industries Corporation Limited.

It may be seen that these five SPSEs contributed 83.49 *per cent* of the total profit earned by 37 profit earning SPSEs during 2022-23.

Of the 19 Government controlled other companies which submitted their accounts for 2022-23 (excluding three Government controlled other companies which submitted their accounts for 2021-22), 17 SPSEs reported profit of ₹500.14 crore and two had zero profit. ROE in these 17 SPSEs was 16.08 *per cent* in 2022-23 as against the ROE of 2.81 *per cent* in nine SPSEs in 2021-22. ROE of all the 22 Government controlled other companies worked out to 15.25 *per cent* in 2022-23.

1.3.2 Loss incurred by Government companies and Corporation

32 out of 73 Government companies and Corporation incurred losses during the year 2022-23 (including four¹⁵ new SPSEs which reported loss in their first year of operation). The losses incurred by these SPSEs decreased to ₹16,045.21 crore in 2022-23 from ₹22,192.94 crore during 2021-22 as given in **Table 1.11**.

Table 1.11: Number of SPSEs that incurred losses during 2022-23

Year	No of SPSEs incurred loss	Net loss for the year (₹ in crore)	Accumulated loss (₹ in crore)	Net worth ¹⁶ (₹ in crore)
Government Companies				
2020-21	32	25,476.43	(-)1,64,886.49	(-)1,07,202.99
2021-22	30	22,192.94	(-)1,83,185.55	(-)1,25,443.13
2022-23	32	16,045.21	(-)2,26,153.84	(-)1,67,570.42

Source: As per finalised Accounts of SPSEs for 2022-23.

Out of total loss of ₹16,045.21 crore incurred by 32 SPSEs, loss of ₹9,848.74 crore was contributed by three SPSEs in Power sector and ₹6,077.86 crore by eight SPSEs in Transport sector. SPSEs listed in **Table 1.12** incurred a loss of more than ₹100 crore during the year 2022-23.

¹⁵ Tamil Nadu Smart and Advanced Manufacturing Centre, Tamil Nadu Advance Manufacturing Centre of Excellence Private Limited, Tamil Nadu Industrial Housing Private Limited and Tamil Nadu Green Climate Company.

¹⁶ Net worth means the sum total of the paid-up share capital and free reserves and surplus less accumulated loss and deferred revenue expenditure. Free reserves mean all reserves created out of profits and share premium account but do not include reserves created out of revaluation of assets and write back of depreciation provision.

Table 1.12: SPSEs that incurred losses of more than ₹100 crore during 2022-23.

Sl. No	Name of the SPSEs	(₹ in crore)
		Net loss
1	Tamil Nadu Generation and Distribution Corporation Limited	9192.25
2	Tamil Nadu Transmission Corporation Limited	655.50
3	Tamil Nadu State Transport Corporation (Kumbakonam) Limited	775.68
4	Tamil Nadu State Transport Corporation (Coimbatore) Limited	964.53
5	Tamil Nadu State Transport Corporation (Villupuram) Limited	906.30
6	Metropolitan Transport Corporation Limited	995.56
7	Tamil Nadu State Transport Corporation (Tirunelveli) Limited	716.84
8	Tamil Nadu State Transport Corporation (Madurai) Limited	704.98
9	Tamil Nadu State Transport Corporation (Salem) Limited	634.21
10	State Express Transport Corporation Limited	379.76

Source: As per latest Financial Statements of respective SPSEs.

Out of 27 Government controlled other companies, 20 submitted their accounts for 2022-23 and two submitted their accounts for 2021-22, while five¹⁷ Government controlled other companies whose first accounts for 2022-23 were due, were not received. Out of the above, three¹⁸ SPSEs incurred losses of ₹2.78 crore while two¹⁹ SPSEs reported no profit/loss during the year 2022-23.

1.3.3 Erosion of capital in Government Companies

As on 31 March 2023, there were 36 Government companies with accumulated losses of ₹2,26,523.02 crore. Of the 36 SPSEs, 29 SPSEs incurred losses in the year 2022-23 amounting to ₹16,015.96 crore and seven SPSEs reported profit of ₹34.40 crore.

Out of the 36 SPSEs, net worth of 22 SPSEs was negative and that of 14 SPSEs was positive. The net worth of these 22 SPSEs had been completely eroded by accumulated loss and was negative at ₹1,93,132.98 crore against equity investment of ₹33,263.46 crore in these SPSEs as on 31 March 2023. Out of the above negative net worth 22 SPSEs, 20 SPSEs had reported loss of ₹16,008.63 crore during 2022-23 (**Appendix-6**) and two SPSEs reported profit of ₹25.57 crore.

Out of these 22 SPSEs and in the last six years, the net worth of 14 SPSEs was negative throughout, two SPSEs²⁰ was negative during last five years, three

¹⁷ Salem Smart City Limited, Thoothukudi Smart City Limited, Thanjavur Smart City Limited Tamil Nadu Unmanned Aerial Vehicle Corporation and Namma School Foundation.

¹⁸ IT Expressway, Tamil Nadu Wilderness Experiences Corporation Private Limited and Tamil Nadu Food processing and Agri Export Promotion Corporation.

¹⁹ Tiruchirapalli Smart City Limited and Tamil Nadu Coir Business Development Corporation.

²⁰ Tamil Nadu Sustainable Industrial Water Corporation Limited and Tamil Nadu Minerals Limited.

SPSEs²¹ was negative during four years, one SPSE²² was negative during the last three years and two SPSEs²³ was negative for one year ending 2022-23.

22 SPSEs whose net worth was eroded included two Power Sector SPSEs and 20 Non-Power Sector SPSEs. The two power sector SPSEs incurred operational expenditure of ₹95,878.96 crore as against operational income of ₹84,290.71 crore, resulting in operating loss of ₹11,588.25 crore. The 20 non-power sector SPSEs incurred operational expenditure of ₹48,247.49 crore as against operational income of ₹39,573.58 crore as per their latest finalised accounts. Thus the 22 SPSEs²⁴ whose net worth was eroded incurred operational expenditure of ₹1,44,126.45 crore as against operational income of ₹1,23,864.29 crore resulting in total operational loss of ₹20,262.16 crore. It is pertinent to mention that the State Government had extended budgetary support in the form of grant/ subsidies amounting to ₹26,472.14 crore to one Power Sector SPSE (Tamil Nadu Generation and Distribution Corporation Limited) and ₹2,945.01 crore to nine Non-power sector SPSEs during 2022-23 of which eight belong to Transport sector.

Out of the above 22 SPSEs, 21 SPSEs finalised their accounts for 2022-23 and the accounts of only one SPSE viz., Tamil Nadu Transmission Corporation Limited was in arrears for one year.

In 13 out of 22 SPSEs whose capital had been eroded, Government loans outstanding as on 31 March 2023 amounted to ₹9,096.88 crore.

Net worth was less than half of their paid up capital in respect of 4 out of 51 SPSEs whose net worth was positive at the end of 31 March 2023, indicating their potential financial sickness.

In the overall, net worth of all the 73 SPSEs was negative at ₹1,51,064.64 crore against their paid up capital of ₹66,759.88 crore.

1.3.4 Dividend payout by SPSEs

The details of profit earned and dividend declared/paid by Government companies and corporation is given in **Table 1.13**:

Table 1.13: Profit earned and dividend declared

Category	No. of SPSEs	Paid up capital	Net profit	(₹ in crore)
				Dividend declared/paid
Statutory Corporation	1	7.61	24.77	7.43
Unlisted Companies	14	3,731.04	733.18	275.80
Total	15	3,738.65	757.95	283.23

Source: As per Financial Statements of SPSEs.

Out of 73 SPSEs (72 Government companies and one Corporation), 15 SPSEs

²¹ Tamil Nadu Sugar Corporation Limited, Tamil Nadu Arasu Cable TV Corporation Limited and Tamil Nadu Transmission Corporation Limited.

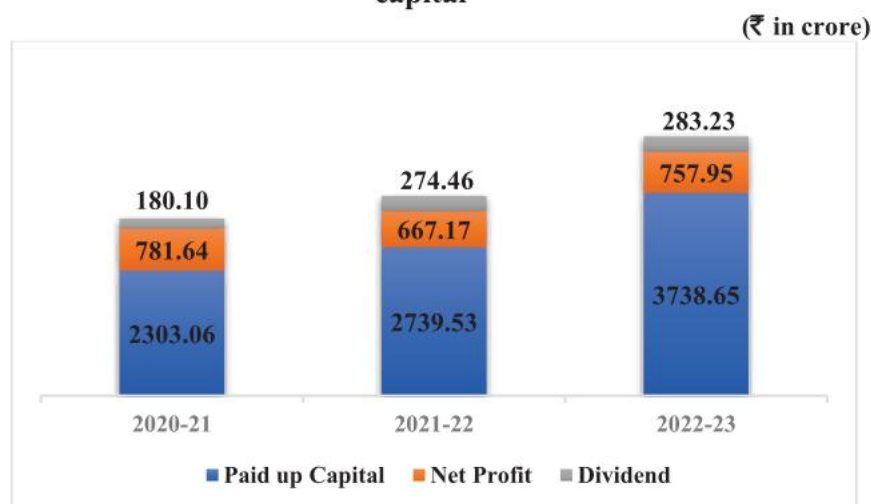
²² Chennai Industrial Water Utility Company Limited.

²³ Tidel Neo Limited and Tamil Nadu Smart and Advanced Manufacturing Centre

²⁴ The liabilities/establishment expenditure of the net worth eroded SPSEs were met from internal generation, working capital arrangement with banks etc.,

declared/paid dividend of ₹283.23 crore in 2022-23 as compared to dividend of ₹274.46 crore declared by 13 SPSEs in 2021-22. The dividend declared as a percentage of net profit amounted to 37.37 *per cent* in 2022-23 as compared to 41.14 *per cent* in 2021-22. In absolute terms, the dividend declared by the SPSEs in 2022-23 increased by ₹8.77 crore compared to previous year. **Chart 1.3** depicts the dividend declared *vis-a-vis* net profit earned and paid-up capital of SPSEs which declared dividend during the last three years.

Chart 1.3: Dividend declared *vis-a-vis* net profit earned and paid up capital



Source: As per latest finalised financial statements of SPSEs.

Out of total dividend of ₹283.23 crore declared by 15 SPSEs for the year 2022-23, the share of dividend received/receivable by State Government was ₹273.34 crore (96.51 *per cent* of total dividend declared) against the equity investment of ₹3,597.67 crore. The return in the form of dividend on aggregate investment of ₹40,809.93 crore made by the State Government in equity capital of 73 SPSEs was 0.67 *per cent* as compared to 0.68 *per cent* during 2021-22. Two SPSEs²⁵ under the Department of Industries, declared dividend amounting to ₹211.20 crore which was 77.27 *per cent* of the share of dividend of ₹273.34 crore declared by 15 SPSEs to State Government in 2022-23.

Additionally, out of 22 Government controlled other companies, State Government received ₹9.78 crore on the paid up capital of ₹24.44 crore contributed by it in one²⁶ listed Government controlled other company and ₹15 lakh from one²⁷ Government controlled other company on the paid up capital of ₹49 lakh contributed by it.

As per the dividend policy formulated (May 2014) by the State Government all SPSEs were required to pay a minimum return of 30 *per cent* of net profit after tax or 30 *per cent* of the paid up share capital, whichever was higher, subject to availability of disposable profit. However, 16 SPSEs had not declared dividend or had declared dividend lesser than the amount prescribed by the Government

²⁵ Tamil Nadu Industrial Development Corporation Limited and State Industries Promotion Corporation of Tamil Nadu Limited.

²⁶ Tamil Nadu Newsprint and Papers Limited.

²⁷ Tamil Nadu Urban Infrastructure Financial Services Limited.

as given in **Appendix-7**. The total shortfall of dividend declared by the SPSEs on this account was ₹506.54 crore in 2022-23, while arising out of this, the proportionate shortfall of dividend to State Government amounted to ₹474.79 crore.

There were 17 profit earning Government controlled other companies which submitted their latest accounts and earned a profit of ₹500.14 crore. Out of these 17, only two declared a dividend of ₹27.98 crore which represented 5.30 per cent of the total paid up capital of ₹528.22 crore. Specific sector wise classification of the two Government controlled other companies which declared dividend during 2022-23 is given in **Table 1.14**.

Table 1.14: Dividend declared by Government controlled other companies
(₹ in crore)

Sector	No. of Companies	Paid up capital	Net profit	Dividend declared
Paper Manufacture	1	69.21	387.87	27.68
Municipal Administration and Water Supply	1	1.00	4.86	0.30
Total	2	70.21	392.73	27.98

Source: As per latest Financial Statements of Government controlled other companies.

1.4 Operating efficiency of Government companies and Corporation

1.4.1 Value of production

The summary²⁸ indicating value of production, total assets and sum of capital employed in respect of Monopoly²⁹ and Non-monopoly SPSEs over a period of three years is given in **Table 1.15**.

Table 1.15: Value of Production, Assets & Capital Employed of Monopoly vs. Non-monopoly SPSEs

Type /Year	Number of SPSEs	Value of Production	Total Assets	Sum of Capital Employed
Monopoly SPSEs				
2020-21	17	28,922.93	73,313.79	21,289.30
2021-22	18	30,323.23	74,913.37	21,899.73
2022-23	19	34,747.05	86,787.68	26,363.69
Non-Monopoly SPSEs				
2020-21	50	65,289.69	2,61,876.29	42,832.25
2021-22	51	76,660.58	2,76,087.66	46,003.59
2022-23	54	1,03,914.93	2,75,580.38	-24,506.14
Total SPSEs				
2020-21	67	94,212.62	3,35,190.08	64,121.55
2021-22	68	1,06,983.81	3,51,001.03	67,903.32
2022-23	73	1,38,661.98	3,62,368.06	1,857.55

Source: As per the latest financial statements of SPSEs and details received from SPSEs.

²⁸ The value of production, total assets and capital employed have been compiled from the latest financial statements of the SPSEs.

²⁹ Monopoly means a market structure characterised by a single seller, selling a unique product in the market. In a monopoly market, the seller faces no competition, as he is the sole seller of goods with no close substitute. A SPSE is classified as monopoly if there is no competition in the geographical area in which it operates.

From the above Table, it may be seen that during the three years ending 2022-23, the value of production and Total Assets showed an increasing trend in all the three years. The capital employed increased to ₹67,903.32 crore in 2021-22 as compared to ₹64,121.55 crore in 2020-21 but decreased to ₹1,857.55 crore in 2022-23. This was mainly due to capital employed of non-monopoly sector SPSEs turning negative during 2022-23. SPSE wise details of value of production, total assets and capital employed is given in **Appendix-8**.

1.4.2 Return on Capital Employed (ROCE)

ROCE is a ratio that measures a company's profitability and the efficiency with which its capital is employed. ROCE is calculated by dividing a company's earnings before interest and taxes (EBIT) by the capital employed³⁰. The SPSE wise details of ROCE are given in **Appendix-9**. The consolidated ROCE of Government companies and corporation during the period from 2020-21 to 2022-23 is given in **Table 1.16(a)**.

Table 1.16(a): Return on Capital Employed

Year	EBIT (₹ in crore)	Capital employed (₹ in crore)	ROCE (in percentage)
2020-21	-4,923.80	64,121.55	-7.68
2021-22	-3,659.14	67,903.32	-5.39
2022-23	5,897.36	1,857.55	317.48

Source: As per the latest finalised accounts of SPSEs for respective years.

It was observed that total EBIT of SPSEs was negative in 2020-21 but registered improvement in 2021-22 (though negative) and hence, ROCE was also negative during both the years. However, during 2022-23 EBIT became positive due to increase in revenue of TANGEDCO after the implementation of tariff revision from September 2022 onwards and consequently, ROCE also became positive.

The break-up of the ROCE for the year 2022-23 is given in **Table 1.16(b)**.

Table 1.16(b): Return on Capital Employed in 2022-23

Type of SPSEs	Number of SPSEs	EBIT (₹ in crore)	Capital employed (in crore)	ROCE (in percentage)
Positive Capital Employed	52	5386.16	71,219.83	7.56
Negative Capital Employed	21	511.30	-69,362.28	-0.74
Total	73	5,897.46	1,857.55	317.48

Source: As per the latest finalised accounts of SPSEs for respective years.

Further, the ROCE in respect of monopoly and non-monopoly SPSEs is given in **Table 1.17(a)**.

³⁰ Capital Employed = Paid up Share capital + Free Reserves and surplus + Long term loans – Accumulated losses – Deferred Revenue Expenditure.

Table 1.17(a): ROCE of Monopoly vs. Non-monopoly SPSEs

Year	Monopoly				Non-monopoly			
	No. of SPSEs	EBIT	Capital employed	ROCE (in %)	No. of SPSEs	EBIT	Capital employed	ROCE (in %)
		(₹ in crore)				(₹ in crore)		
2020-21	17	-1,289.35	21,289.30	-6.06	50	-3,634.45	42,832.25	-8.49
2021-22	18	-1,208.54	21,899.73	-5.52	50	-2,450.60	46,003.59	-5.33
2022-23	19	1,721.08	26,363.69	6.53	54	4,176.28	-24,506.14	-17.04

Source: As per latest finalised accounts of SPSEs for respective years.

From the table above, it is evident that the EBIT of SPSEs under Monopoly Sector and Non-Monopoly sector was negative during both the years 2020-21 and 2021-22 and hence, ROCE was also negative. During 2022-23, EBIT turned positive in both the sectors whereas capital employed of Monopoly sector remained positive and Non-monopoly sector turned negative and consequently, ROCE of monopoly sector became positive in 2022-23 whereas ROCE of non-monopoly sector remained negative during 2022-23 also.

The break-up of the ROCE in respect of Monopoly and Non-monopoly SPSEs, for the year 2022-23 is given in **Table 1.17(b)**.

Table 1.17(b): ROCE of Monopoly vs. Non-monopoly SPSEs for 2022-23

Year	Monopoly				Non-monopoly			
	No. of SPSEs	EBIT	Capital employed	ROCE (in %)	No. of SPSEs	EBIT	Capital employed	ROCE (in %)
		(₹ in crore)				(₹ in crore)		
Positive Capital Employed	18	1,673.63	26,718.11	6.26	34	3,712	44,501.72	8.34
Negative Capital Employed	1	47.45	-354.42	-13.39	20	463.82	-69,007.86	-0.67
Total	19	1,721.08	26,363.69	6.53	54	4,176.28	-24,506.14	-17.04

Source: As per latest finalised accounts of SPSEs for respective years.

1.4.3 Return on Equity (ROE) of SPSEs

ROE³¹ is a measure of financial performance of companies calculated by dividing net income by shareholders' equity. The SPSE wise details of ROE are given in **Appendix-10**. The consolidated ROE of Government companies and corporation during the period from 2020-21 to 2022-23 is given in **Table 1.18**.

Table 1.18: Return on Equity

Year	Net Profit after Tax and Preference Dividend (₹ in crore)	Shareholders' Equity (₹ in crore)	ROE (in percentage)
2020-21	-24,213.26	-96,153.17	--
2021-22	-20,544.88	-1,11,923.89	--
2022-23	-13,984.93	-1,50,442.24	--

Source: As per latest finalised accounts of SPSEs for respective years.

³¹ Return on Equity = (Net Profit after Tax and preference Dividend/Equity)*100 where Equity = Paidup Capital + Free Reserves – Accumulated Loss – Deferred Revenue Expenditure.

It was observed from the table above that during the three years ending 2022-23, both the net profit after tax and the equity of SPSEs were negative and hence, the ROE was not worked out. ROE in respect of monopoly and non-monopoly SPSEs are given in **Table 1.19**

Table 1.19: ROE of Monopoly vs. Non-monopoly SPSEs

Year	Monopoly				Non-monopoly			
	No. of SPSEs	Equity	Net Profit after Tax	ROE (in <i>per cent</i>)	No. of SPSEs	Equity	Net Profit after Tax	ROE (in <i>per cent</i>)
		(₹ in crore)				(₹ in crore)		
2020-21	17	-2,680.84	-3,519.51	--	50	-93,472.33	-20,693.75	--
2021-22	18	-2,676.64	-3,426.60	--	50	-1,09,247.25	-17,118.28	--
2022-23	19	-1,222.29	-609.08	--	54	-1,49,219.95	-13,375.85	--

Source: As per latest finalised accounts of SPSEs for respective years.

-- ROE was not worked out since the net income was negative during all the three years.

It could be seen that in respect of both monopoly and non-monopoly SPSEs, the Equity as well as the net profit after tax was negative in all the three years and thus, the ROE was not worked out.

Sector wise ROE of Government companies and corporation where sector wise total equity of the SPSEs is more than ₹100 crore during the three years ending 2022-23 is depicted in **Table 1.20**.

Table 1.20: ROE of sectors with total equity of ₹100 crore and more
(in percentage)

Sl. No.	Sector	ROE during 2020-21	ROE during 2021-22	ROE during 2022-23
1	Finance	3.94	4.22	4.86
2	Infrastructure	20.69	15.12	12.94
3	Social	3.86	3.56	5.55

Source: As per latest finalised accounts of SPSEs for respective years.

Sector wise analysis indicated that the SPSEs in Finance, Infrastructure and Social sector reported positive ROE in all the three years. In respect of Power, Manufacturing and Transport sectors, the total equity was negative in all the three years and hence, the ROE was also negative in all the three years.

1.4.4 Rate of Real Return on Government Investment (RORR)

RORR measures the profitability and efficiency with which equity and similar non-interest bearing capitals have been employed, after adjusting them for their time value and assumes significance when compared with the conventional Rate of Return (ROR), which is calculated by dividing the Profit After Tax (PAT) by the sum of all such investments counted on historical cost basis.

Out of total 102 SPSEs in the State, the State Government had direct investment in 75³² SPSEs. Audit examined the RORR in respect of these SPSEs.

³² Though TANGEDCO and TANTRANSCO are subsidiaries of TNEB Limited, considering the significant investment by the State Government, these SPSEs are included for calculation of present value of investments of the State Government. Accordingly, the total investments and the aggregate of the profit/loss of all these two power sector undertakings are considered to assess the overall results on the total funds invested.

The RORR of the State Government investment in these SPSEs was computed on the basis of following assumptions:

- In addition to actual infusion by the State Government in the SPSEs in the form of equity, interest free loans given by the State Government to the SPSEs have been considered as investment infusion by the State Government. In cases where interest free loans have been repaid by the SPSEs, the same has been reduced from the value of investments from the relevant years. The funds made available in the form of grants/subsidy have not been reckoned as investment since they do not qualify to be considered as investments.
- The average interest rate on State Government securities for the concerned financial year³³ was adopted as compounded rate for arriving at Present Value (PV) since they represent the cost incurred by the Government towards investment of funds for the year and therefore considered as the minimum expected rate of return on investments made by the Government.
- For the purpose of RORR calculation, the investment of State Government in these SPSEs has been arrived at by considering the equity (initial equity, net of accumulated losses up to 2009-10 plus the equity infused during the subsequent years), adding interest free loan. The dividend paid by the SPSEs has been deducted from the total investment in the respective years.

The year wise details of investment by the State Government and Rate of Real Return of Government funds from 2009-10 to 2022-23 is given in the **Table 1.21** below:

Table 1.21: Year wise details of investment by the State Government and RORR of Government funds from 2009-10 to 2022-23

(₹ in crore)

Financial year	Present value of total investment of State Government at the beginning of the year	Equity infused by the State Government during the year	Net Interest free loan given by the State Government during the year	Interest free loan converted into Equity during the year	Total investment during the year	Dividend paid by SPSEs during the year	Total investment at the end of the year after deducting dividend	Average interest rate of Government borrowings	Interest Value	Present value of total investment at the end of the year	Minimum expected return to recover cost of funds for the year	Total earnings for the year	RORR (in percentage)
1	2	3	4	5	6 = (3) + (4)	7	8 = (2) + (6) - (7)	9	10 = (8) * (9) / 100	11 = (8) + (10)	12 = 11 * 9 / 100	13	14 = (13) / (11) * 100
2009-10	-	832.25	57.87	-	890.12	69.65	820.47	7.29	59.81	880.28	64.17	-	-
2010-11	880.28	2,284.52	61.62	-	2,346.14	65.80	3,160.62	7.53	237.99	3,398.62	255.92	-11,352.19	-334.02
2011-12	3,398.62	2,466.91	2,005.16	-	4,472.07	35.11	7,835.58	7.43	582.18	8,417.76	625.44	-14,049.96	-166.91
2012-13	8,417.76	2,151.59	921.16	-	3,072.75	74.51	11,416.00	7.43	848.21	12,264.21	911.23	-13,657.56	-111.36
2013-14	12,264.21	2,397.71	1,008.69	-	3,406.40	133.81	15,536.80	7.90	1,227.41	16,764.21	1,324.37	-12,410.64	-74.03
2014-15	16,764.21	4,635.82	1,009.24	-	5,645.06	162.02	22,247.25	8.12	1,806.48	24,053.72	1,953.16	-15,066.97	-62.64

³³ The average rate of interest on Government borrowings was adopted from the Reports of CAG of India on State Finance Audit Reports (GOTN) for the concerned years wherein the calculation of the average rate of interest paid = Interest payment / [(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities) / 2] * 100.

Financial year	Present value of total investment of State Government at the beginning of the year	Equity infused by the State Government during the year	Net Interest free loan given by the State Government during the year	Interest free loan converted into Equity during the year	Total investment during the year	Dividend paid by SPSEs during the year	Total investment at the end of the year after deducting dividend	Average interest rate of Government borrowings	Interest Value	Present value of total investment at the end of the year	Minimum expected return to recover cost of funds for the year	Total earnings for the year	RORR (in percentage)
1	2	3	4	5	6 = (3) + (4)	7	8 = (2) + (6) - (7)	9	10 = (8) * (9) / 100	11 = (8) + (10)	12 = 11 * 9 / 100	13	14 = (13) / (11) * 100
2015-16	24,053.72	2,998.10	64.14	-	3,062.24	138.06	26,977.90	8.38	2,260.75	29,238.65	2,450.20	-8,075.36	-27.62
2016-17	29,238.65	4,772.47	22,958.24	-	27,730.71	239.74	56,729.62	8.11	4,600.77	61,330.39	4,973.89	-7,030.59	-11.46
2017-18	61,330.39	4,998.74	171.20	-	5,169.94	166.77	66,333.56	8.53	5,658.25	71,991.82	6,140.90	-17,449.18	-24.24
2018-19	71,991.82	2,907.84	1,578.20	-	4,486.04	167.24	76,310.62	8.27	6,310.89	82,621.50	6,832.80	-16,965.84	-20.53
2019-20	82,621.50	3,069.63	10,456.64	-	13,526.27	140.91	96,006.86	8.07	7,747.75	1,03,754.62	8,373.00	-17,424.27	-16.79
2020-21	1,03,754.62	1,076.18	0.00	-	1,076.18	189.93	1,04,640.87	7.74	8,099.20	1,12,740.07	8,726.08	-24,137.74	-21.41
2021-22	1,12,740.07	1,279.63	0.00	-	1,279.63	275.13	1,13,744.57	7.50	8,530.84	1,22,275.42	9,170.66	-20,511.30	-16.78
2022-23	1,22,275.42	1,577.08	-5.41	-	1571.67	283.26	1,23,563.83	7.37	9,106.65	1,32,670.48	9777.81	-13,487.57	-10.17
Total		37,448.47	40,286.75		77,735.22	2,141.94	7,25,324.55				61,579.63		

Source: As per details received from SPSEs and latest finalised accounts of SPSEs for respective years.

During 2010-11 to 2022-23 the total earnings were negative in all the years and thus, the RORR were also negative. The actual total earnings of all the SPSEs were below the minimum expected return to recover the cost of funds infused in these SPSEs. During 2022-23, the SPSEs reported a total loss of ₹13,487.57 crore against the minimum expected return of ₹9,777.81 crore. Out of the total loss, bulk of the loss has been contributed by TANGEDCO which was ₹9,192.25 crore during 2022-23.

1.4.5 Sales and Marketing

During 2022-23, the total sales of 73 SPSEs increased to ₹1,39,234.96 crore as compared to ₹94,660.89 crore in 68 SPSEs during 2021-22. Out of 73 SPSEs, 22 SPSEs sold goods/rendered services worth ₹6,284.39 crore to Government sector representing 4.51 per cent of total sales during 2022-23.

The details of total sales, sales to Government sector/SPSEs and export sales in respect of monopoly and non-monopoly SPSEs are given in Table 1.22.

Table 1.22: Sales details of Monopoly vs Non-monopoly SPSEs

Table A22. Sales details of monopoly vs Non monopoly SPSEs

(₹ in crore)

Year/Type	Total Sales		Sales to Government/SPSEs			Export Sales
	No. of SPSEs	Sales Value	No. of SPSEs	Sales Value	Percentage of sales to Government /SPSEs	
Monopoly SPSEs						
2020-21	17	28,052.31	5	2,341.94	8.35	0.00
2021-22	18	29,887.44	6	2,357.80	7.89	0.00
2022-23	19	35,420.27	6	2,799.11	7.90	0.00
Non-monopoly SPSEs						
2020-21	50	65,294.98	19	5,400.83	8.27	14.32
2021-22	50	64,773.45	17	7,237.24	11.18	17.07
2022-23	54	1,03,814.69	16	3,485.28	3.36	15.17
Total of monopoly and non-monopoly SPSEs.						

Year/Type	Total Sales		Sales to Government/SPSEs			Export Sales
	No. of SPSEs	Sales Value	No. of SPSEs	Sales Value	Percentage of sales to Government /SPSEs	
2020-21	67	93,347.29	24	7,742.77	8.29	14.32
2021-22	68	94,660.89	23	9,595.04	10.14	17.07
2022-23	73	1,39,234.96	22	6,284.39	4.51	15.17

Source: As per latest finalised accounts of SPSEs and details received from SPSEs.

Against the total sales of ₹1,39,234.96 crore by 73 SPSEs, two SPSEs (Tamil Nadu Handicrafts Development Corporation Limited and Tamil Nadu Minerals Limited) had made export sales of ₹15.17 crore during 2022-23.

1.5 Disinvestment

No disinvestment of SPSEs had taken place during 2022-23.

1.6 Conclusion

This chapter presented the financial performance of State Public Sector Enterprises as regards the amount of investment made by the Government in the form of equity and long-term loans. The financial performance was measured by ratios indicating their operating efficiency and return on investment. Analysis revealed that 36 out of 73 working SPSEs had aggregate accumulated losses of ₹2,26,523.02 crore and of these 73 SPSEs, the net worth of 22 SPSEs had been completely eroded by accumulated loss and their net worth was negative. The net worth of these 22 SPSEs was negative at ₹1,93,132.98 crore against equity investment of ₹33,263.46 crore. Return on Equity in all the 73 SPSEs *i.e.*, including 37 profit earning, 32 loss making and four zero profit/loss companies was negative as the overall net income of these SPSEs was negative during 2022-23. In 25 out of 73 State SPSEs, differences between figures as per Finance accounts and figures as per records of SPSEs were noticed.

1.7 Recommendations

1. *Out of the 102 SPSEs, 100 SPSEs are functional and two are non-functional. These two companies are at various stages of winding up/ liquidation since 2002. It is recommended that the Government may expedite the process of winding up by vigorously pursuing the process of voluntary winding up under the Companies Act to avoid further strain on the Government exchequer.*
2. *The Government should analyse the business models of the loss making SPSEs in order to address the root cause of the losses. If the business model is not sustainable, Government may review and consider shutting down/divesting its stake in such companies, especially in those whose net worth has been completely eroded, as they are a drain on the public exchequer.*
3. *The differences in equity between the PSEs and the Government of Tamil Nadu, which are lying unattended for a long time should be reconciled in a time-bound manner.*

Chapter II

Oversight role of CAG

CHAPTER II

Oversight Role of CAG

2.1 Audit of State Public Sector Enterprises

CAG appoints the statutory auditors of a Government Company and Government Controlled Other Company under Section 139(5) and 139(7) of the Companies Act, 2013. CAG has the right to conduct supplementary audit and issue comments upon or supplement the Audit Report of the statutory auditor. The statutes governing some corporations require that their accounts be audited by the CAG and a report be submitted to the State legislature.

2.2 Appointment of Statutory auditors of State Public Sector Enterprises

Sections 139(5) of the Companies Act, 2013 provides that the statutory auditors in case of a Government Company or Government Controlled Other Company are to be appointed by the CAG within a period of 180 days from the commencement of the financial year.

Statutory auditors of Companies for the year 2022-23 were appointed from September 2022 onwards.

The statutory auditors of such companies for the year 2022-23 were appointed by the CAG from September 2022 onwards.

2.3 Submission of accounts by SPSEs

2.3.1 Need for timely submission

According to Section 394 and 395 of the Companies Act, 2013, Annual Report on the working and affairs of a Government Company is to be prepared within three months of its Annual General Meeting (AGM). As soon as may be after such preparation, the Annual Report must be laid before the State Legislature, together with a copy of the Audit Report and comments of the CAG upon or as supplement to the Audit Report. Almost similar provisions exist in the Act regulating the statutory corporation. This mechanism provides the necessary legislative control over the utilisation of public funds invested in the companies from the Consolidated Fund of the State.

Section 96 of the Companies Act, 2013 requires every company to hold AGM of the shareholders once in every calendar year. It is also stated that not more than 15 months shall elapse between the date of one AGM and that of the next. The Section further provides that in case of the first AGM, it shall be held within a period of nine months from the date of closing of the first financial year of the Company and in any other case, within a period of six months, from the date of closing of the financial year. The Section also stipulates that the Registrar of

Companies may, for any special reason, extend the time within which any AGM, other than the first AGM, shall be held, by a period not exceeding three months.

Further, Section 129 of the Companies Act, 2013 stipulates that the audited Financial Statement for the financial year has to be placed in the said AGM for their consideration. This Section also provides for levy of penalty like fine and imprisonment on the persons including directors of the company responsible for non-compliance with the provisions of Section 129 of the Companies Act, 2013.

2.3.2 Timeliness in preparation of accounts by Government Companies, Government Controlled Other Companies and Statutory Corporation

As of 31 March 2023, there were 74 Government companies, 27 Government controlled other companies and one³⁴ Statutory Corporation under the purview of CAG's audit as compared to 69 Government companies, 16 Government controlled other companies and one Statutory Corporation as on 31 March 2022. A total of 64 Government companies, 19 Government controlled other companies and one Statutory Corporation submitted their accounts for 2022-23 and five³⁵ Government companies and two³⁶ Government controlled other companies submitted their arrear accounts for audit by CAG. Accounts of eight Government companies and eight Government controlled other companies were in arrears for various reasons. Details of arrears in submission of accounts of 08 Government Companies and 08 Government Controlled Other Companies, are given in **Table 2.1** below:

Out of 102 companies, 22 accounts of 16 companies were in arrears

³⁴ Audit of Tamil Nadu Warehousing Corporation is conducted by Chartered Accountants and supplementary audit by the CAG in pursuance of the State Warehousing Corporations Act, 1962

³⁵ Tamil Nadu Adi-Dravidar Housing and Development Corporation Limited (2020-21), Tamil Nadu Rural Housing and Infrastructure Development Corporation Limited (2020-21), Tamil Nadu Minorities Economic Development Corporation Limited (2020-21), Tamil Nadu Civil Supplies Corporation (2021-22) and Tamil Nadu Transmission Corporation Limited (2021-22).

³⁶ Coimbatore Smart City Limited (2021-22) and Erode Smart City Limited (2021-22).

Table: 2.1: Details showing the arrears in submission of accounts

Particulars				Government Companies/Government Controlled Other Companies					
		Government Companies		Government Controlled Other Companies		Statutory Corporation		Total	
Total number of Companies under the purview of CAG's audit as on 31.03.2023		74		27		1		102	
		Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
Listed/Unlisted		0	74	1 ³⁷	26	0	1	1	101
Less: New Companies from which accounts for 2022-23 were not due		0	0	0	0	0	0	0	0
Number of companies from which accounts for 2022-23 were due		0	72	1	26	0	1	1	99 ³⁸
Number of companies which presented the accounts for 2022-23 for CAG's audit		0	64	1	18	0	1	1	83
Number of companies having arrear in accounts		0	8	0	8	0	0	0	16
Break- up of Arrears	(i) Under Liquidation	0	0	0	0	0	0	0	0
	(ii) Defunct ³⁹	0	0	0	0	0	0	0	0
	(iii) Others (Working SPSEs)	0	8	0	8	0	0	0	16
Age-wise analysis of arrears against 'Others' category	One year (2022-23) ⁴⁰	0	3	0	8	0	0	0	11
	Two years (2021-22 and 2022-23) ⁴¹	0	4	0	0	0	0	0	4
	Three years and more ⁴²	0	1	0	0	0	0	0	1

Source: As per latest finalised accounts received from SPSEs.

³⁷ Tamil Nadu Newsprint and Papers Limited.

³⁸ Excludes two inactive companies.

³⁹ Defunct companies are those which have not been carrying on any business or operation and defined as "inactive company" under Section 455 of the Companies Act, 2013.

⁴⁰ Tamil Nadu Civil Supplies Corporation, Tamil Nadu FibreNet Corporation Limited, Vellore Smart City, Erode Smart City, Coimbatore Smart City, Salem Smart City, Thoothukudi Smart City, Thanjavur Smart City, Tamil Nadu Unmanned Aerial Vehicle Corporation, Namma School Foundation and TANTRANSCO

⁴¹ Tamil Nadu Adi-Dravidar Housing and Development Corporation Limited, Tamil Nadu Minorities Economic Development Corporation Limited, Tamil Nadu Rural Housing and Infrastructure Development Corporation Limited and Tamil Nadu Road Infrastructure Development Corporation

⁴² TNEB Limited

2.4 CAG's oversight – Audit of accounts and supplementary audit

2.4.1 Financial reporting framework

Companies are required to prepare the financial statements in the format laid down in Schedule III to the Companies Act, 2013 and in adherence to the mandatory Accounting Standards prescribed by the Central Government, in consultation with National Advisory Committee on Accounting Standards. The statutory corporations are required to prepare their accounts in the format prescribed under the rules, framed in consultation with the CAG and any other specific provision relating to accounts in the Act governing such corporations.

2.4.2 Audit of accounts of Government Companies by Statutory Auditors

The statutory auditors appointed by the CAG under Section 139 of the Companies Act, 2013, conduct audit of accounts of the Government Companies and submit their report thereon in accordance with Section 143 of the Companies Act, 2013.

The CAG plays an oversight role by monitoring the performance of the statutory auditors in audit of State Public Sector Enterprises with the overall objective that the statutory auditors discharge the functions assigned to them properly and effectively. This function is discharged by exercising the power to:

- issue directions to the statutory auditors under Section 143 (5) of the Companies Act, 2013 and
- supplement or comment upon the statutory auditor's report under Section 143 (6) of the Companies Act, 2013.

2.4.3 Supplementary Audit of accounts of Government Companies

The prime responsibility for preparation of financial statements in accordance with the financial reporting framework prescribed under the Companies Act, 2013 or other relevant Act is of the management of an entity.

The statutory auditors appointed by the CAG under section 139 of the Companies Act, 2013 are responsible for expressing an opinion on the financial statements under section 143 of the Companies Act, 2013 based on an independent audit in accordance with the Standard Auditing Practices of Institute of Chartered Accountants of India (ICAI) and directions given by the CAG. The statutory auditors are required to submit the Audit Report to the CAG under Section 143 of the Companies Act, 2013.

The certified accounts of selected⁴³ Government Companies along with the report of the statutory auditors are reviewed by CAG by carrying out a supplementary audit. Based on such review, significant audit observations, if any, are reported under Section 143 (6) of the Companies Act, 2013 to be placed before the AGM.

⁴³ The accounts of the SPSEs were selected for supplementary audit annually, triennially and once in five years based on Paid up capital, Capital employed and Turnover criteria.

2.5 Result of CAG's oversight role

2.5.1 Audit of accounts of Government Companies/Government Controlled Other Companies under Section 143 of the Companies Act, 2013

Financial statements for the year 2022-23 were received from 64 Government companies and 19 Government controlled other companies (including one listed company) and one Statutory Corporation. Further, five Government companies and two Government controlled other companies submitted their arrear accounts for audit by CAG.

CAG reviewed accounts of 58 companies and one statutory corporation for the year 2022-23.

Out of the above, based on selection criteria accounts of 42 Government companies and 16 Government controlled other companies and one Statutory Corporation were selected during 2022-23 for Supplementary Audit by the CAG. Based on the selection, 25 Government companies and two Government controlled other companies were not taken up for supplementary audit during 2022-23.

The results of the review are detailed below:

2.5.1.1 Amendment of Financial Statement

During 2022-23 there were no cases of SPSEs amending their Financial Statements before laying the same in the AGM.

2.5.1.2 Revision of Auditors Report

The statutory auditors' reports on Financial Statements of seven⁴⁴ Government companies and one⁴⁵ Government controlled other company were revised as a result of supplementary audit of the Financial Statements conducted by the CAG.

2.5.1.3 Significant comments of the CAG issued as supplement to the statutory auditors' reports on Government Companies

As a result of supplementary audit of the Financial Statements conducted by the CAG, comments were issued on the financial statements of Tamil Nadu Generation and Distribution Corporation Limited, Tamil Nadu Transmission Corporation Limited and Tamil Nadu Adi-Dravidar Housing and Development Corporation Limited. The financial impact of the comments issued on the financial statements of the above Government companies on the profitability amounted to ₹413.13 crore. Some of the significant comments issued have been furnished in **Appendix -11**.

⁴⁴ Tamil Nadu Forest Plantation Corporation Limited, Tamil Nadu Industrial Development Corporation Limited, Metropolitan Transport Corporation Limited, Tamil Nadu State Transport Corporation (Villupuram) Limited, Tamil Nadu State Transport Corporation (Tirunelveli) Limited, Electronics Corporation of Tamil Nadu Limited, Tamil Nadu Arasu Cable TV Corporation Limited.

⁴⁵ Coimbatore Smart City Limited

2.6 Non-compliance with provisions of Accounting Standards/ Ind AS

In exercise of the powers conferred by Section 469 of the Companies Act, 2013 read with Section 129 (1), Section 132 and Section 133 of the said Act, the Central Government prescribed Accounting Standards (AS) 1 to 5, 7 and 9 to 29. Besides these, the Central Government notified 42 Indian Accounting Standards (Ind AS) through Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) (Amendment) Rules, 2016.

The statutory auditors reported that 12⁴⁶ Government companies and one⁴⁷ Government controlled other company did not comply with mandatory Accounting Standards/Ind AS.

2.7 Management letters

One of the objectives of financial audit is to establish communication on matters arising from the audit of financial statements between the auditor and those charged with the responsibility of governance of the corporate entity.

The material observations on the financial statements of SPSEs were reported as comments by the CAG under Section 143 (5) of the Companies Act, 2013. Besides these comments, irregularities or deficiencies observed by CAG in the Financial Statements or in the reporting process were also communicated to the Management of the SPSEs / Administrative department of the Government through a 'Management Letter' for taking corrective action. During the year, CAG issued 'Management Letters' to 21 SPSEs/ Administrative departments of the SPSEs (**Appendix 12**).

The deficiencies generally related to:

- The failure of the management to take corrective action on the repeated qualifications of statutory auditors,
- non-compliance to Government instructions on accounting of income from investment of unspent Government grants,
- application and interpretation of accounting policies and practices, adjustments arising out of audit that could have a significant effect on the financial statements and
- inadequate or non-disclosure of certain information on which management of the concerned SPSEs gave assurances that corrective action would be taken in the subsequent year.

⁴⁶ Tamil Nadu Handloom Development Corporation Limited, Tamil Nadu Adi-Dravidar Housing and Development Corporation Limited, Tamil Nadu Civil Supplies Corporation, State Industries Promotion Corporation of Tamil Nadu Limited, Tamil Nadu Textiles Corporation Limited, Tamil Nadu Minerals Limited, Poompuhar Shipping Corporation Limited, Metropolitan Transport Corporation Limited, Tamil Nadu State Transport Corporation (Madurai) Limited, Tamil Nadu Generation and Distribution Corporation Limited, Tamil Nadu Transmission Corporation Limited and Tamil Nadu Warehousing Corporation

⁴⁷ TIDEL Park Limited

2.8 Conclusion

This chapter dealt with the oversight role of CAG with respect to preparation and submission of financial statements by State Public Sector Enterprises. Analysis revealed that out of 100 working SPSEs, a total of 16 SPSEs did not submit their 22 annual accounts for audit. The statutory auditors reported that 13 SPSEs did not comply with mandatory Accounting Standards/Ind AS.

2.9 Recommendations

- 1. For delay in submission of accounts, Government must fix responsibility on the concerned CEOs/CMDs/CFOs and timely submission of accounts as a criterion needs to be fixed for further extension of tenure or for fresh appointment of CEOs in other SPSEs.*
- 2. Government may establish a robust monitoring and accountability mechanism to ensure that all PSEs comply with the statutory time limit for finalisation and submission of accounts, thereby promoting transparency and financial discipline within these organizations.*
- 3. The Government may consider the application of section 129 (7) of the Companies Act which requires fines and/or imprisonment for non-preparation of accounts on time.*

Chapter III

Corporate Governance

CHAPTER III

Corporate Governance

3.1 Introduction

3.1.1 Provisions as contained in the Companies Act, 2013

The Companies Act, 2013 was enacted on 29 August 2013 replacing the Companies Act, 1956. In addition, the Ministry of Corporate Affairs had also notified (31 March 2014) Companies Rules, 2014 on Management and Administration, Appointment and Qualification of Directors, Meetings of Board and its powers and Accounts. The Companies Act, 2013 together with the Companies Rules provide a robust framework for corporate governance. The requirements, *inter alia* provide for:

- Qualifications for Independent Directors along with the duties and guidelines for professional conduct (Sections 149 (6) & (8) and Schedule IV read with Rule 5 of the Companies (Appointment and Qualification of Directors), Rules, 2014).
- Mandatory appointment of one woman director on the board of listed companies [Section 149(1)] and such other class of companies as per Rule 3 of the Companies (Appointment and Qualification of Directors) Rules, 2014.
- Mandatory establishment of certain committees like Corporate Social Responsibility Committee⁴⁸ [Section (135)], Audit Committee [Section 177(1)], Nomination and Remuneration Committee [Section 178(1)] and Stakeholders Relationship Committee [Section 178(5)].
- Holding of a minimum of four meetings of Board of Directors every year in such a manner that not more than 120 days shall intervene between two consecutive meetings of the Board [Section 173(1)].

3.1.2 SEBI guidelines on Corporate Governance

Subsequent to the enactment of Companies Act, 2013, Securities and Exchange Board of India (SEBI) amended (April and September 2014) clause 49 of the Listing Agreement to align it with the Corporate Governance provisions specified in the Companies Act, 2013. SEBI notified (2 September 2015) the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, which came into effect from 1 December 2015 repealing the earlier provisions.

⁴⁸ Separately dealt with in Chapter IV of this report.

3.1.3 Bureau of Public Enterprise (BPE) guidelines on Corporate Governance for Tamil Nadu State Public Sector Enterprises

As per section 177 of Companies Act, 2013 all listed companies and such other class or classes of companies, as may be prescribed, shall constitute an Audit Committee with a minimum of three directors as members with Independent Directors forming a majority. Further, Rule 6 of the Companies (Meetings of Board and its powers) Rules, 2014, prescribed that the following class of companies shall also constitute an Audit Committee: (i) Public Companies having paid up share capital of ₹10 crore or more, or (ii) Public Companies having turnover of ₹100 crore or more, or (iii) Public Companies which have, in aggregate, outstanding loans, debentures and deposits, exceeding ₹50 crore.

BPE, Government of Tamil Nadu *vide* its instructions of May 2012 insisted that the SPSEs which do not come under the purview of the threshold limits prescribed under section 177 of Companies Act, 2013 should also constitute Audit Committee.

BPE also issued (August and December 2014) instructions to SPSEs to comply with the provisions relating to appointment of Independent Directors and Women Director.

Compliance to the above provisions of Companies Act, 2013, BPE guidelines, Companies (Appointment and Qualification of Directors), Rules, 2014, Companies (Meetings of Board and its powers) Rules, 2014 by the selected SPSEs was reviewed. In addition to the above, compliance to SEBI guidelines by the lone listed SPSE was also reviewed.

3.1.4 Review of compliance to the Corporate Governance provisions by SPSEs

As on 31 March 2023, there were 100 working SPSEs⁴⁹ (including one listed SPSE⁵⁰ and one Statutory Corporation⁵¹) in Tamil Nadu under the audit jurisdiction of the CAG of India. Out of this, compliance to Corporate Governance provisions by 82 SPSEs⁵² was examined by Audit. In the context of the policy of the Government to grant more autonomy to the SPSEs, corporate governance has assumed importance.

⁴⁹ Excludes two non-working SPSEs *viz.*, Tamil Nadu State Construction Corporation Limited and Tamil Nadu Goods Transport Corporation Limited.

⁵⁰ Tamil Nadu Newsprint and Papers Limited

⁵¹ Tamil Nadu Warehousing Corporation

⁵² Tamil Nadu Medicinal Plant Farms and Herbal Medicine Corporation Limited, Tamil Nadu Linguistic Minorities Social and Economic Development Corporation Limited, Tamil Nadu Industrial Housing Private Limited, Tamil Nadu Food processing and Agri Export Promotion Corporation, Tamil Nadu Coir Business Development Corporation, i Tamil Nadu Technology Foundation, TN Apex Skill Development Centre for Logistics, TN Apex Skill Development Centre for Health Care, Tamil Nadu Urban Infrastructure Trustee Company Limited, Tamil Nadu Working Women's Hostels Corporation Limited, Tamil Nadu Adi-Dravidar Housing and Development Corporation Limited, Tamil Nadu Ex-servicemen's Corporation Limited, Overseas Manpower Corporation Limited, Tamil Nadu Skill Development Corporation Limited, Thoothukudi Smart City, Thanjavur Smart City, Salem Smart City and Namma School Foundation have been excluded.

3.2 Board of Directors – Meetings and its composition

3.2.1 Meetings of Board of Directors

As per Section 173(1), the companies should hold a minimum of four meetings of Board of Directors every year in such a manner that not more than 120 days shall intervene between two consecutive meetings of the Board. Audit observed that 13 SPSEs (**Appendix-13**) did not comply with Section 173(1) of the Companies Act, 2013 with respect to conduct of minimum of four Board meetings during the year 2022-23. It was further observed that in respect of six⁵³ SPSEs there was a gap of more than 120 days between two consecutive meetings of the Board which was also in violation of Section 173(1) of the Companies Act, 2013.

3.2.2 Appointment of Independent Directors

The Board is the most significant instrument of Corporate Governance. The presence of independent representatives on the Board, capable of taking an independent view on the decisions of the management is widely considered as a means of protecting the interests of shareholders and other stakeholders. In terms of section 149 (4) of the Companies Act, 2013, where the Chairman of the Board is a non-executive director, at least one-third of the Board should comprise independent directors and in case he is an executive director, at least half of the Board should comprise independent directors. As per Clause 49 (II) (B) (1) of Listing Agreement ‘independent director’ shall mean a non-executive director, other than a nominee director of the company. Rule 4 of the Companies (Appointment and Qualification of Directors) Rules, 2014, however, stipulated that the following class or classes of companies shall have at least two directors as independent directors:

- (i) The Public Companies having paid up share capital of ₹10 crore or more, or
- (ii) The Public Companies having turnover of ₹100 crore or more, or
- (iii) The Public Companies which have, in aggregate, outstanding loans, debentures and deposits, exceeding ₹50 crore.

The representation of independent directors in the Board of the unlisted SPSEs has been examined with reference to Rule 4 of the Companies (Appointment and Qualification of Directors) Rules, 2014 and BPE guidelines of August/December 2014.

Audit observed that there was not even a single independent director in the Board in respect of fifteen SPSEs, while there was only one independent director against the norm of two in one SPSEs (**Appendix-14**). Thus, non-appointment of Independent Directors is in contravention of the provisions of Section 149 of the Companies Act, 2013 and Companies (Appointment and Qualification of Directors) Rules, 2014.

⁵³ TNEB Limited, Tiruchirappalli Smart City Limited, Vellore Smart City Limited, Tamil Nadu Arasu Cable TV Corporation Limited, Tamil Nadu Zari Limited and Tamil Nadu Warehousing Corporation.

3.2.3 Woman Director in the Board

Section 149 (1) of the Companies Act, 2013, stipulates that the Board of Directors of the company shall have at least one woman Director in its Board. Rule 3 of the Companies (Appointment and Qualification of Directors) Rules, 2014 also stipulated that the following class of companies shall appoint at least one woman director:

- (i) Every listed company
- (ii) Every other public company having
 - a) Paid up share capital of ₹100 crore or more, or
 - b) Turnover of ₹300 crore or more.

Audit observed that three SPSEs viz., Tamil Nadu Arasu Cable TV Corporation Limited, Tamil Nadu Generation and Distribution Corporation Limited and TNEB Limited did not appoint woman director in their Board and consequently, the above provisions of the Companies Act had not been complied with.

3.3 Functioning of Independent Directors

Audit examined SPSEs which are required to comply with the provisions of Companies Act, 2013 with respect to the functioning of Independent Directors and observed as follows:

3.3.1 Declaration of status

Section 149 (7) of the Companies Act, 2013, stipulates that the Independent Director shall make a declaration that he meets the status of Independent Director. However, it was observed that the Independent Directors of two⁵⁴ SPSEs did not declare their independent status as per the requirements of the above section.

3.3.2 Training of Independent Directors

Schedule IV of Companies Act, 2013 - Para (III) (1) – Duties of Independent Directors stipulates that the company shall provide suitable training to independent directors to familiarise them with the company, their roles, rights, responsibilities in the company, nature of the industry in which the company operates, business model of the company, etc. However, it was observed that four⁵⁵ SPSEs did not impart any training to the Independent Directors who were on their Board during the year 2022-23.

3.3.3 Meetings of Board of Directors and Board committees

Schedule IV (III) (3) of the Companies Act, 2013 states that Independent Directors should strive to attend all the meetings of Board of Directors and Board Committees of which he/she was a member. Some of the Independent Directors, however, did not attend the Board meetings. The number of such

⁵⁴ Tamil Nadu Minerals Limited and Tamil Nadu Minorities Economic Development Corporation Limited.

⁵⁵ Tamil Nadu Minerals Limited, Tamil Nadu Infrastructure Fund Management Corporation Limited, Tamil Nadu Minorities Economic Development Corporation Limited and Tamil Nadu Magnesite Limited.

Independent Directors who did not even attend 75 *per cent* of meetings is indicated in **Appendix-15**.

3.3.4 Attending General Meetings of the Company

Schedule IV(III)(5) of the Companies Act, 2013 states that Independent Directors shall strive to attend the General Meetings of the Company. The five SPSEs in which Independent Directors did not attend the general meetings is given in **Appendix -16**.

3.3.5 Meeting of Independent Directors

Schedule IV(VII)(1) of the Companies Act, 2013, Regulation 49 II B (6)(a) of Listing Agreement require that Independent Directors shall meet at least once in a financial year, without the attendance of non-independent Directors and members of management. It was noticed that separate meetings of independent directors were not conducted in respect of 11 SPSEs detailed in **Appendix -17**.

3.4 Filling up the post of Key Managerial Personnel

3.4.1 It was observed that in seven SPSEs *vide* **Appendix-18** vacancies of whole time Key Managerial Personnel⁵⁶ were not filled within the period of six months prescribed in Section 203 (4) of the Companies Act, 2013. It is pertinent to mention that despite the directions of BPE, Finance Department, GoTN to the SPSEs for strict compliance to the provisions of Companies Act, 2013 and Companies Rules, 2014 with respect to appointment of whole time key managerial personnel, these seven SPSEs could not comply with the provisions relating to the filling up of vacancies of key managerial personnel.

3.5 Audit Committee

3.5.1 Composition of Audit Committee

Section 177 (1) and (2) of the Companies Act, 2013, stipulate that there shall be an Audit Committee with a minimum of three directors as members with Independent Directors forming a majority. However, no Audit Committee was constituted in respect of two SPSEs *viz.*, Tamil Nadu Medical Services Corporation Limited and Tamil Nadu Polymer Industries Park Limited. While 16 SPSEs (as detailed in **Appendix -19**) did not come under the threshold limits prescribed under Section 177 of Companies Act, 2013, they were required to constitute Audit Committee in terms of BPE, Government of Tamil Nadu instructions of May 2012. Tamil Nadu Warehousing Corporation though constituted an Audit Committee but did not conduct any meeting of the committee during 2022-23. Further, majority of the Audit Committee members were not Independent Directors as per the requirements of Section 177 of the Companies Act, 2013 in respect of 14 SPSEs detailed in **Appendix -20**.

3.5.2 Evaluation of Internal Control Systems

Section 177 (4) (vii) of Companies Act, 2013 stipulates that the Audit Committee should evaluate internal financial control systems. However, the Audit Committee did not evaluate the internal financial control systems in

⁵⁶ As per Section 2(51) of the Companies Act, 2013, Key Managerial Personnel, in relation to a company, means (i) the Chief Executive Officer or the managing director or the manager; (ii) the company secretary; (iii) the whole-time director; (iv) the Chief Financial Officer; and (v) such other officer as may be prescribed.

respect of ten SPSEs detailed in **Table 3.1** during 2022-23.

Table 3.1: SPSEs in which the Audit Committee did not evaluate the Internal Financial control systems during 2022-23.

Sl. No.	Name of the SPSE	Number of Audit Committee meetings conducted
1	Tamil Nadu Small Industries Corporation Limited	Two
2	Electronics Corporation of Tamil Nadu Limited	Two
3	Tamil Nadu Civil Supplies Corporation	Four
4	Tamil Nadu Industrial Explosives Limited	Four
5	Tamil Nadu Forest Plantation Corporation Limited	Four
6	State Express Transport Corporation Limited	Five
7	Tamil Nadu State Transport Corporation (Kumbakonam) Limited	Five
8	Tamil Nadu Urban Finance and Infrastructure Development Corporation Limited	Four
9	Tamil Nadu Sugar Corporation Limited	Five
10	Perambalur Sugar Mills Limited	Five

Source: Details received from the SPSEs

3.5.3 Monitoring of the Auditor's Performance

Section 177 (4)(ii) of Companies Act, 2013, stipulate that the Audit Committee shall review and monitor the auditor's independence and performance, and effectiveness of audit process. In twelve SPSEs (**Appendix-21**), the auditor's performance was not reviewed by the Audit Committee.

3.5.4 Review of Information/Documents by Audit Committee

3.5.4.1 Review of findings of CAG and other information

All the SPSEs are subject to the audit of CAG of India as per the statutory mandate. Section 143 (6) of the Companies Act, 2013, authorises CAG to carry out supplementary audit of accounts of SPSEs. Further, Section 177 (4) (iii) of the Companies Act, 2013 provides that Audit Committee shall examine the financial statements and Auditors' Report thereon. Thus, in case of SPSEs, it is the responsibility of the Audit Committee to review the findings of CAG including management letters issued by CAG. However, the Audit Committee did not review CAG's findings and management letters of CAG in respect of nine SPSEs viz., Tamil Nadu Minorities Economic Development Corporation Limited, Poompuhar Shipping Corporation Limited, Tamil Nadu Magnesite Limited, Tamil Nadu Sugar Corporation Limited, Tamil Nadu Backward Classes Economic Development Corporation Limited, State Express Transport Corporation Limited, Tamil Nadu Forest Plantation Corporation Limited, Tamil Nadu Salt Corporation Limited and Perambalur Sugar Mills Limited.

Section 177 (4) of Companies Act 2013, stipulate that the Audit Committee shall mandatorily review the information relating to (i) management discussion and analysis of financial condition and results of operations, (ii) statement of related party transactions (as defined by the Audit Committee) submitted by management, (iii) management letters/letters of internal control weaknesses

issued by the statutory auditors and (iv) internal audit reports relating to internal control weaknesses. However, it was observed that Audit Committee did not review the above items in respect of 17 SPSEs indicated in **Appendix-22**. Non review of the Internal Audit processes including management letters/letters of internal control weaknesses issued by the statutory auditors and the internal audit reports by the audit committee might result in situations, where timely action for rectification of the weaknesses known by the management may not be undertaken.

3.5.4.2 Discussion with Statutory Auditors

Section 177 (5) of the Companies Act, 2013 provides that the Audit Committee should hold discussions with the statutory auditors about nature and scope of audit before commencement of audit to ascertain the areas of concern. The Audit committee of 15 SPSEs indicated in **Appendix - 23** did not hold any such discussion.

3.6 Other Committees

3.6.1 Nomination and Remuneration Committee

Section 178 (1) of the Companies Act, 2013 and Rule 6 of the Companies (Meetings of Board and its Powers) Rules, 2014 stipulate that each⁵⁷ SPSE shall constitute a Nomination and Remuneration Committee (NRC) comprising at least three Directors, all of whom should be non-executive Directors and at least half of them shall be Independent Directors. The Chairman of the Committee shall be an Independent Director. The role of the Nomination and Remuneration Committee is to determine the framework and policy on the terms of engagement (including remuneration) of the Chairman, Executive Directors and each member of the Board.

However, 24 SPSEs listed in **Appendix -24** did not constitute NRC as per the requirements of the above Act/Rules.

Two SPSEs though constituted NRC had less than the minimum of three directors required to constitute the NRC viz., Tamil Nadu Arasu Cable TV Corporation Limited (two directors) and Tamil Nadu Urban Finance and Infrastructure Development Corporation Limited (Nil).

Audit observed that nine⁵⁸ SPSEs did not conduct any meeting of the NRC during the year. Six⁵⁹ SPSEs appointed Executive Directors as members of the NRC which was in violation of Section 178 (1) of the Companies Act, 2013.

⁵⁷ Every listed company and unlisted public companies with paid-up capital of ₹10 crore or more, a turnover of ₹100 crore or more, or outstanding loans exceeding ₹50 crore.

⁵⁸ Tamil Nadu Industrial Investment Corporation Limited, Tamil Nadu Water Resources Conservation and Rivers Restoration Corporation Limited, Poompuhar Shipping Corporation Limited, Tamil Nadu Tourism Development Corporation Limited, Tamil Nadu Sugar Corporation Limited, Tamil Nadu Small Industries Development Corporation Limited, State Industries Promotion Corporation of Tamil Nadu Limited, Tamil Nadu Arasu Cable TV Corporation Limited and Tamil Nadu Small Industries Corporation Limited.

⁵⁹ Tamil Nadu Industrial Development Corporation Limited, Tamil Nadu Industrial Investment Corporation Limited, Tamil Nadu Transport Development Finance Corporation Limited, Poompuhar Shipping Corporation Limited, Tamil Nadu Sugar Corporation Limited and Tamil Nadu Magnesite Limited.

The number of Independent Directors was less than half of the total number of Directors in three SPSEs viz., Tamil Nadu Water Resources Conservation and Rivers Restoration Corporation Limited, Tamil Nadu Transport Development Finance Corporation Limited and Tamil Nadu Magnesite Limited.

The Chairman of the NRC was not an Independent Director in 13⁶⁰ SPSEs, this was not as per the requirement of Section 178 (1) of the Companies Act, 2013.

3.6.2 Vigil Mechanism

Section 177 (9) of the Companies Act, 2013 and Rule 7 of the Companies (Meeting of Board and its Powers) Rules, 2014 stipulate that the listed companies and other class of companies⁶¹ shall constitute a vigil mechanism, which shall be reviewed by the Audit Committee. Audit observed that 16 SPSEs (**Appendix-25**), falling under the above criteria, had not established the vigil mechanism.

Non-establishment of Vigil Mechanism in the above 16 SPSEs would deprive directors and employees of these SPSEs to report genuine concerns and grievances about unethical behaviour, suspected fraud or violation of Company's code of conduct or ethics policy. Therefore, it is emphasised that Vigil Mechanism may be established in the above SPSEs for providing adequate safeguards against victimisation of persons who use such mechanism.

3.7 Conclusion

This chapter dealt with the adherence to Corporate Governance guidelines by the SPSEs. Matters related to appointment of independent directors/women directors in the board of directors of the SPSEs, the constitution of audit committee, etc., are highlighted in this chapter. During 2022-23, out of the 82 working SPSEs (including one SPSE listed on the stock exchange) reviewed for compliance to corporate governance provisions, 13 SPSEs did not comply with the mandatory requirement of four meetings of the Board of Directors. The Board of Directors in 16 SPSEs did not comprise the required number of independent directors. In three SPSEs, the provisions of the Companies Act to appoint women Director were not complied with. In five SPSEs, the Independent Directors did not attend the general meetings of the SPSE. No separate meeting of Independent Directors was conducted in respect of 11 SPSEs. The post of Key Managerial Personnel was not filled up within the prescribed time in seven SPSEs.

Two SPSEs did not constitute Audit Committee as per the requirements of Companies Act, 2013. BPE guidelines with regard to formation of Audit Committee were not complied by 16 SPSEs. Further, in respect of 14 SPSEs,

⁶⁰ Tamil Nadu Industrial Development Corporation Limited, Tamil Nadu Industrial Investment Corporation Limited, Tamil Nadu Water Resources Conservation and Rivers Restoration Corporation Limited, Tamil Nadu Tourism Development Corporation Limited, Tamil Nadu Transport Development Finance Corporation Limited, Tamil Nadu Sugar Corporation Limited, Tamil Nadu Cements Corporation Limited, Tamil Nadu Magnesite Limited, Tidel Park Limited, Tamil Nadu Small Industries Development Corporation Limited, State Industries Promotion Corporation of Tamil Nadu Limited, Tamil Nadu Power Finance and Infrastructure Development Corporation Limited and Tamil Nadu Small Industries Corporation Limited.

⁶¹ Companies which receive deposits from public and borrow from Banks and Public Financial Institutions in excess of ₹50 crore.

majority of the members of the Audit Committee were not independent directors. The Audit Committee of ten SPSEs did not evaluate the internal financial control systems. In 12 SPSEs, the Audit Committee did not review and monitor the auditor's performance and effectiveness of audit process. Audit Committee did not review the findings of CAG in respect of nine SPSEs. Audit Committee did not discuss the nature and scope of audit with the statutory auditors before commencement in respect of 15 SPSEs to focus on the areas of concern. Nomination and Remuneration Committee was not constituted by 24 SPSEs.

3.8 Recommendations

- 1. Government should ensure that regular meetings of Board of Directors are held as per the provision of the Companies Act and that Audit Committees review the internal audit processes including the internal audit reports and action taken on them by the companies as per the provisions of the Companies Act, 2013.*
- 2. The Finance Department, in co-ordination with respective administrative ministries/departments, should monitor compliance to applicable provisions, rules and regulations on Corporate Governance by all State Public Sector Enterprises (SPSEs).*
- 3. Government must ensure that to maintain the effectiveness of the audit process, the Audit Committees shall review and monitor the independence and performance of the Statutory Auditors.*

Chapter IV

Corporate Social Responsibility

CHAPTER IV

Corporate Social Responsibility

4.1 Introduction

Corporate Social Responsibility (CSR) is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the local community at large. The primary objective of CSR is to promote responsible and sustainable business philosophy at a broad level and to encourage companies to come up with innovative ideas and robust management systems to address social and environment concerns of the country. Broadly, the CSR mandate is aligned with the national priorities such as public health, education, livelihood, water conservation, natural resource management etc. CSR awareness and CSR consciousness has grown vividly among large and medium sized companies, which now look at CSR to build a strategic fit with the community and environment in which they operate.

Chart: 4.1



Concept of CSR

The concept of CSR provides a robust framework for companies to collaborate in contributing to the country's development challenges through its managerial skills, technology and innovation. **Chart 4.1** depicts the relationship between long-term success of a firm which addresses social, environmental, and economic concerns simultaneously. Besides providing an overall guidance framework for corporates on their CSR initiatives, it also

provides them with ample autonomy and flexibility to design and implement programmes. The monitoring is based on disclosures made by the company in its annual report as per prescribed format.

Legal Framework:

Section 135 of Companies Act, 2013 (hereinafter referred to as the "Act"), deals with the subject of Corporate Social Responsibility and lays down the qualifying criteria based on net worth, turnover and net profit during immediately preceding financial year for companies which are required to undertake CSR activities. This section *inter alia*, specifies the broad modalities of selection, implementation and monitoring of CSR activities by the Board of Directors of the Company. The activities, which may be included by the companies in their CSR policies, are listed in Schedule VII of the Act. The provisions of Section 135 and Schedule VII of the Act are applicable to all companies including state Public Sector Enterprises (SPSEs). The State Government has not brought out any specific guidelines in respect of Corporate Social Responsibility (CSR) but directed the SPSEs to comply with provisions

of the Companies Act on the subject. The above provisions of Companies Act, 2013 and Companies Rules, 2014 though not applicable to the Statutory Corporation, viz., Tamil Nadu warehousing Corporation (TANWARE), it had resolved, *inter alia*, to comply with the provisions of Companies Act, 2013 on CSR in its 266 Board meeting held on 19 October 2019. The Act makes it mandatory for a company to spend, annually at least two *per cent* of average net profit of three immediately preceding financial years towards CSR activities.

The compliance to the provisions of CSR under the Act *i.e.*, constitution of CSR Committee, formulation of CSR Policy and spending of prescribed amount on CSR activities, came into force from April 2014. In February 2014, Ministry of Corporate Affairs (MCA) issued Companies (Corporate Social Responsibility Policy) Rules, 2014. The CSR Rules were made applicable to all companies including State SPSEs *w.e.f.* 01 April 2014.

4.2 Audit Objectives

Audit objectives were to ascertain whether the provisions of the Companies Act, 2013 and Companies (CSR Policy) Rules 2014 were complied with by the SPSEs. In order to assess the efforts of the SPSEs, Audit examined the following issues:

- Whether the provisions relating to Constitution of CSR Committee, formulation and compliance to the policy have been complied with;
- Whether the CSR activities selected for implementation are within the list of activities given under schedule VII of the Companies Act, 2013;
- Whether the provisions relating to prescribed amount to be spent on CSR activities have been complied with;
- Whether the needs of the local people have been taken into consideration while prioritising the selection of the activities/projects under CSR activities; and
- Whether the provisions relating to monitoring, reporting and evaluation have been complied with.

4.3 Audit Scope and coverage

Audit reviewed the CSR activities carried out during the year 2022-23 by 16⁶² out of the 18 SPSEs (including one Statutory Corporation) (**Appendix-26**) which reported profit of ₹five crore or more in 2021-22 as detailed in **Table 4.1**.

⁶² Excludes two SPSEs viz., Arasu Rubber Corporation Limited and Tamil Nadu Magnesite Limited, due to losses within the previous three years.

Table 4.1: Selection of SPSEs for review of CSR activities

Net profit of SPSEs	No. of SPSEs	No. of SPSEs selected	Percentage
Above ₹100 crore	5	5	100.00
₹50 to ₹100 crore	2	2	100.00
₹10 to ₹50 crore	10	8	80.00
₹5 to ₹10 crore	1	1	100.00
Total	18	16	89.00

Source: Annual Accounts of SPSEs for 2021-22

4.4 Audit Criteria

Audit analysis was carried out against the following criteria:

- Provisions contained in Section 135 and Schedule VII of the Companies Act, 2013, as amended from time to time.
- Provisions of Companies (Corporate Social Responsibility Policy) Rules, 2014, as amended till September 2022.

4.5 Audit findings

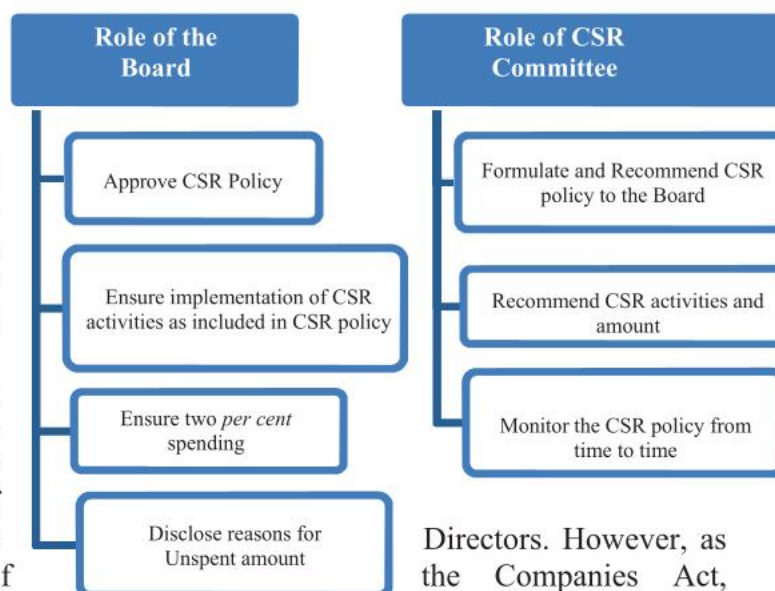
Audit findings on extent of compliance with the provisions of the Act with regard to constitution of CSR Committee, formulation and compliance of policy, planning and execution of CSR activities, and monitoring and reporting thereof by the SPSEs are given in the following paragraphs.

4.5.1 Planning

4.5.1.1 Constitution of CSR Committee

Chart 4.2: Role of the Board and CSR Committee

As per section 135(1) of the Act, every company having a net worth of ₹500 crore or more or turnover of ₹1,000 crore or more or a net profit of ₹5 crore or more during immediately preceding financial year shall constitute a CSR committee of the Board consisting of three or more per section 135(9) of 2013, where the amount



company under sub-section (5) does not exceed ₹50 lakh, the requirement under sub-section (1) for constitution of the Corporate Social Responsibility Committee shall not be applicable and the functions of such Committee shall be discharged by the Board of Directors of such company. Role of the Board and CSR Committee as per section 135(3), (4) & (5) of the Act are depicted in the

Chart 4.2. Audit observed that all 16 SPSEs selected for audit were meeting the above criteria to undertake CSR activities as per the provisions of the Act. All the SPSEs which were required to constitute CSR committee had constituted the same except one SPSE⁶³ and were having minimum of three Directors in the Committee, except three SPSEs⁶⁴, in accordance with section 135(1) of the Act.

4.5.1.2 Independent Directors in CSR Committee

As per section 135(1) of the Act, CSR committee shall have at least one Independent Director. Further, according to Rule 5 (1)(i) of CSR Rules, 2014, a company covered under Section 135(1) is not required to appoint an Independent Director, pursuant to Section 149(4) of the Act and it shall have its CSR Committee without such independent director. Section 149(4) of the Act requires that in respect of a listed Company, at least one-third of the total number of directors should be independent directors.

Under applicability of Section 135(9) of the Act, instead of the CSR Committee, the functions as provided under section 135 of the Act shall be discharged by the Board of Directors of such company.

Audit observed that the only listed SPSE in the State viz., Tamil Nadu Newsprint and Papers Limited had appointed five independent directors in its CSR committee. Further, in respect of remaining 15 unlisted companies, all except one⁶⁵, had formulated CSR Committees. Out of the 14 unlisted SPSEs with CSR Committees, as a good practice, 7 SPSEs had formulated CSR Committees despite the exemption granted under section 135(9) of the Act.

4.5.1.3 Framing of CSR policy

Section 135 (3) of the Act requires that the CSR Committee shall formulate and recommend a CSR Policy for the company to the Board who shall, as per section 135(4) approve the same after taking into account the recommendations of the committee. All the 16 SPSEs had framed the CSR policy and the respective Board had approved the same.

As per CSR Rule No.6, policy should *inter alia*, include that the surplus arising out of the CSR projects or programs or activities shall not form part of the business profit of a company. Audit observed that nine⁶⁶ SPSEs have adopted

⁶³ Tamil Nadu Fisheries Development Corporation Limited.

⁶⁴ Tamil Nadu Urban Finance and Infrastructure Development Corporation Limited, TIDEL Park Limited and Electronics Corporation of Tamil Nadu Limited.

⁶⁵ Tamil Nadu Fisheries Development Corporation Ltd.

⁶⁶ Tamil Nadu Industrial Investment Corporation Limited, Tamil Nadu Small Industries Development Corporation Limited, Tamil Nadu Urban Finance and Infrastructure Development Corporation Limited, Tamil Nadu Industrial Development Corporation Limited, State Industries Promotion Corporation of Tamil Nadu Limited, TIDEL Park Limited, Tamil Nadu Warehousing Corporation, Tamil Nadu Power Finance and Infrastructure Development Corporation Limited and TIDEL Park Coimbatore Limited

this provision in their policy while the remaining seven⁶⁷ SPSEs did not specify this in their policy.

4.5.1.4 Annual CSR Plan and Budget

Role of the CSR Committee is to recommend to the Board the CSR activities and the amount to be spent in the financial year; the Board has to ensure implementation of the CSR activities. This entails planning and approval of CSR activity and budget. Audit observed that eight SPSEs had prepared their annual CSR plan (as mandated under Rule 5.2 of CSR Rules 2014), while eight SPSEs did not have Annual CSR Plan for the year 2022-23. As a best practice, the proposed CSR projects and the budget for the ensuing financial year should be presented to the Board for approval through CSR Committee latest by 31 March of the preceding financial year so that there is no rush to exhaust the funds in the last quarter. Besides, it will also ensure full utilisation of the funds in the financial year. It was observed that only eight SPSEs had got its budget approved. However, as per the data available for six SPSEs, none of the six SPSEs got its budget approved in the preceding financial year and one⁶⁸ SPSE got the budget approved in Quarter (Q) 1, three⁶⁹ SPSEs in Q3 and two⁷⁰ SPSEs in Q4 of 2022-23.

4.5.2 Financial component

4.5.2.1 Allocation of funds

As per Section 135 (5) of the Act, it is mandatory for any company to spend annually at least two *per cent* of average net profit of three immediately preceding financial years in pursuance of its CSR Policy. Accordingly, two *per cent* of average net profit calculated as per Section 198 of the Act for 16 SPSEs was ₹31.04 crore against which these SPSEs had allocated ₹32.78 crore. Audit observed that all the 16 SPSEs had allocated the minimum requirement of two *per cent* of average net profit of three immediately preceding financial years.

4.5.2.2 Utilisation of Funds

Section 135 (5) of the Act states that the Board shall ensure that the company spends at least two *per cent* of average net profit of preceding three financial years.

Audit observed that as per the above section, 16 SPSEs were required to allocate ₹31.04 crore for 2022-23 against which the SPSEs had allocated ₹32.78 crore for CSR expenditure. These 16 SPSEs had spent ₹24.97 crore after adjusting ₹0.13 crore excess spent by three SPSEs during previous year. 12 SPSEs spent the minimum requirement of two *per cent* of the average net profit of three immediately preceding financial years whereas four SPSEs spent less than two

⁶⁷ Tamil Nadu Fisheries Development Corporation Limited, Tamil Nadu Ex-Servicemen Corporation Limited, Tamil Nadu Forest Plantation Corporation Limited, Tamil Nadu Transport Development Finance Corporation Limited, Electronics Corporation of Tamil Nadu Limited, Tamil Nadu Newsprint and Papers Limited and Tamil Nadu Cements Corporation Limited.

⁶⁸ Tamil Nadu Newsprint and Papers Limited

⁶⁹ Tamil Nadu Forest Plantation Corporation Limited, Tamil Nadu Transport Development Finance Corporation Limited and Tamil Nadu Warehousing Corporation

⁷⁰ TIDEL Park Coimbatore Limited and State Industries Promotion Corporation of Tamil Nadu Limited

per cent and the shortfall amounted to ₹7.29 crore (Appendix-27). The shortfall worked out to 75.54 per cent of the CSR funds to be spent by the four SPSEs.

4.5.2.3 Utilisation of carry forward amount

As per MCA clarification (12 January 2016) regarding Rule 7(3), the Board is free to decide whether any unspent amount from the minimum CSR fund is to be carried forward to the next year.

Table 4.2: Utilisation of carry forward

		(₹ in crore)	
SPSEs	Carry forward from previous years	Spent in 2022-23	Unspent amount
Tamil Nadu Forest Plantation Corporation Limited	0.25	0.00	0.25
TIDEL Park Limited	3.80	0.00	3.80

Source: Details received from the SPSEs

The above two SPSEs had carried forward the unspent amount of ₹4.05 crore (from financial year 2021-22 and previous years), which was not utilised during 2022-23 and was again carried forward for the subsequent years.

Audit observed that Tidel park Limited had not utilised the unspent amount of ₹3.80 crore for more than four years. As per the provisions of Section 135 (5) of the Companies Act, 2013, Tidel Park Limited should have transferred the unspent amount of ₹3.80 crore to a Fund specified in schedule VII of Companies Act, 2013. Non transfer of the unspent amount has resulted in non-compliance to the provisions of Companies Act, 2013.

It is pertinent to mention that the total unspent amount (carried forward as well as unspent from current year allocation) was ₹11.34 crore in respect of five SPSEs.

4.5.2.4 Sector wise CSR spend

Audit covered 16 SPSEs across various sectors. Highest expenditure was by Power sector (one SPSE- ₹14.46 crore) followed by Industries sector (six SPSEs- ₹6.02 crore) and other sectors (six SPSEs- ₹2.95 crore).

Table 4.3: Sector wise CSR spend

Sl. No.	Sector	No. of SPSEs	2 per cent (including carry forward amount) (₹ in crore)	Actual spent (including carry forward) (₹ in crore)
1	Industries	6	14.91	6.02
2	Power	1	14.46	14.46
3	Micro, Small and Medium Enterprises	2	1.94	1.54
4	Environment and Forest	1	0.90	0.00
5	Others	6	2.88	2.95

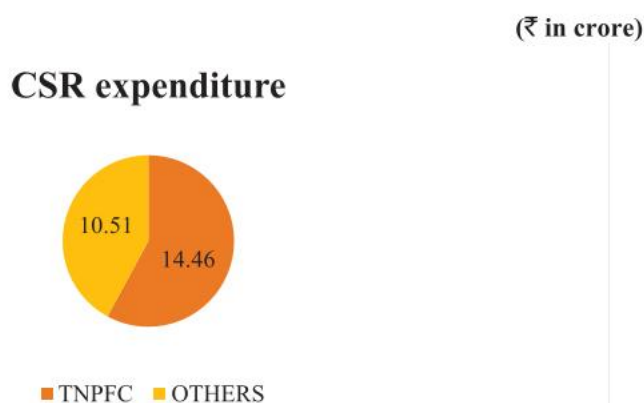
Source: Information received from the SPSEs.

As per the data mentioned in Table 4.3, one sector viz., Environment and Forest sector did not spend entire allocation (₹0.90 crore). There was a shortfall in CSR spend in two sectors, while other sectors had spent the entire allocation. The two sectors where shortfall was noticed were Industries sector (₹8.89 crore) and Micro, Small and Medium Enterprises (₹0.40 crore).

4.5.2.5 SPSEs with highest expenditure

Total spend on CSR activities by 16 SPSEs in 2022-23 was ₹24.97 crore. The top spender was Tamil Nadu Power Finance and Infrastructure Development Corporation Limited (TNPFC) at ₹14.46 crore (57.91 *per cent* of total CSR spent) and the remaining ₹10.51 crore (42.09 *per cent* of total CSR spent) was spent by the other SPSEs.

Chart 4.3: Expenditure on CSR by SPSEs



Source: Details received from SPSEs

4.5.2.6 Range of CSR spend

Out of 13 SPSEs (three SPSEs did not spend CSR allocation during the year) which spent CSR funds during 2022-23, five SPSEs had spent more than ₹ one crore and eight SPSEs spent less than ₹one crore as per details below:

- (a) Five SPSEs which spent more than one crore *viz.*, Tamil Nadu Power Finance and Infrastructure Development Corporation Limited, State Industries Promotion Corporation of Tamil Nadu Limited, Tamil Nadu Newsprint and Papers Limited, Tamil Nadu Industrial Investment Corporation Limited and TIDEL Park Limited.
- (b) The remaining eight SPSEs spent less than one crore (**Appendix -28**).
- (c) Three SPSEs did not spend CSR allocation during the year *viz.*, Tamil Nadu Small Industries Development Corporation Limited, Tamil Nadu Forest Plantation Corporation Limited and Tamil Nadu Cements Corporation Limited.

4.5.2.7 Administrative overheads

As per CSR Rule 4 (6), Administrative overhead expenditure (OH) shall not exceed five *per cent* of overall CSR expenditure for the financial year. The OH expenditure required to be disclosed separately should include baseline studies, capacity building and other overheads. However, none of the SPSEs had incurred any expenditure towards Administrative overheads.

4.5.2.8 Surplus from CSR project

As per CSR Rules 2014, any surplus arising from CSR projects shall not form part of business profit of a company. None of the 16 SPSEs generated surplus from CSR projects.

4.5.2.9 Asset creation from CSR activities

During the year all the 16 SPSEs stated that no assets were created as they had spent the CSR funds through Government departments, NGOs/societies and handed over the funds to the concerned Directorate/ identified agencies for implementation of the CSR activities.

4.5.3 Project Implementation

4.5.3.1 Selection of CSR projects/activities

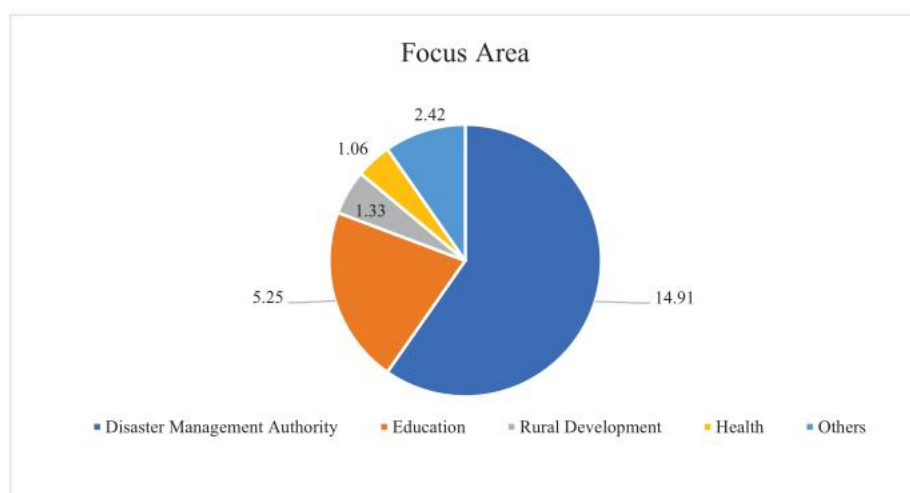
Conduct of baseline survey and assessment: None of the 16 SPSEs had undertaken base line survey for identifying CSR activities.

4.5.3.2 Manner of implementation of CSR activities

Rule 4 of Companies (CSR) Rules, 2014 exclusively deals with the manner in which the CSR activity is to be undertaken under Section 135(1). The Board may decide to undertake its CSR activities as approved by CSR committee through a registered trust/society or a company established by the SPSE or its holding, subsidiary, or associate company under section 8 of the Act or otherwise. As previously stated, SPSEs involved Government departments, NGOs/societies and handed over the funds to concerned Directorate/ identified agencies for spending CSR funds towards implementation of the CSR activities.

4.5.3.3 Focus Areas

Chart 4.4 Focus Areas in CSR expenditure



Source: Information received from the SPSEs

As indicated in the chart, contributions to State Disaster Management Authority received the maximum focus (59.71 *per cent*) for spend of CSR funds. Total expenditure by three SPSEs under this head was ₹14.91 crore. Next highest expenditure (₹5.25 crore by seven SPSEs) was towards education accounting for 21.03 *per cent*. Other major focus areas where contributions were made, were for expenditure incurred for projects on rural development (₹1.33 crore by two SPSEs) and health (₹1.06 crore by five SPSEs). Least focus areas were on environment (contribution of ₹0.44 crore by two SPSEs) and national heritage (contribution of ₹0.33 crore by two SPSEs). One SPSE *viz.*, Tamil Nadu

Newsprint and Papers Limited covered maximum (5 out of 12) Schedule VII activities.

4.5.3.4 Local areas

Section 135(5) of the Act provides that the company shall give preference to the local area and areas around it where it operates for spending the amount earmarked for CSR activities.

- Seven SPSEs defined local area and two SPSEs did not define local area in their CSR policy. Seven SPSEs did not furnish details about defining of local area.
- As per the data available in respect of 16 SPSEs, out of the total CSR spend of ₹24.97 crore, five SPSEs spent ₹1.84 crore in non-operational area *i.e.* 7.37 per cent (**Appendix-29**) and six SPSEs spent ₹4.63 crore in local area *i.e.* 18.54 per cent. Further, seven SPSEs which spent ₹18.50 crore did not specify the areas where they incurred the CSR expenditure which included contributions of ₹14.46 crore to Tamil Nadu State Disaster Management Authority. Three SPSEs did not spend the CSR funds during the year.

4.5.3.5 Notable Projects

Out of 16 SPSEs, 13 SPSEs took up CSR activities in 2022-23 and the two major focus areas were contributions of ₹14.91 crore to State Disaster Management Authority and Education (₹5.25 crore). Few notable projects are listed in **Table 4.4** below:

Table 4.4: Notable Projects

		(₹ in crore)
SPSEs	Notable Project	Amount spent
Health care and sanitation		
Tamil Nadu Power Finance and Infrastructure Development Corporation Limited.	Contributions to State Disaster Management Authority.	14.21
Education		
State Industries Promotion Corporation of Tamil Nadu Limited (SIPCOT).	Supply of furniture to schools adjoining villages of SIPCOT Industrial Parks.	0.98
	Information and Communication technology equipment to Government schools	0.50
Tidel Park Limited	Construction of classrooms for school girls and for hearing impaired school	1.10

Source: Details provided by SPSEs

4.5.4 Monitoring Framework

As per Rule 5(2) of CSR Rules, 2014 the CSR committee shall institute a transparent monitoring mechanism for implementation of CSR projects/programs/activities undertaken by the company. Audit observed that five out of 16 SPSEs had not mentioned the monitoring mechanism in their CSR policy. Nine SPSEs undertook annual monitoring and five SPSEs Quarterly. Two⁷¹ SPSEs did not specify the periodicity of monitoring.

⁷¹ State Industries Promotion Corporation of Tamil Nadu Limited and TIDEL Park Limited.

As per CSR Policy, SPSEs have to hold review meetings based on the periodicity specified in the policy. Out of nine SPSEs which had to hold review meetings annually, four⁷² SPSEs did not conduct the same. Audit noticed shortfall in conduct of Quarterly review meetings in four⁷³ out of five SPSEs.

Evaluation/Impact Assessment: Out of 13 SPSEs which spent CSR funds during the year, only four SPSEs carried out impact assessment on the amount spent on CSR project/activity, out of which three SPSEs carried out the same in-house while one SPSE carried out same through external agency. Nine SPSEs did not carry out impact assessment.

4.5.5 Reporting and Disclosure

As per Section 135 (2) read with Section 134 (3) (O) of the Act, a Company is required to include an annual report on CSR in their Board of Directors' Report and place it on the official website. According to Rule 9 of CSR Rules 2014, the companies have to disclose the following in the prescribed format:

- Contents of CSR policy and its web link, average net profit, composition of CSR committee, administrative overheads, prescribed amount to be spent, unspent amount, reasons for unspent amount.
- Include a responsibility statement signed by the CSR committee that the implementation and monitoring of CSR policy was in compliance with the CSR objective and Policy of the Company.

Audit observations on compliance of the above:

- Three SPSEs did not indicate web link to the CSR Policy in the report.
- One SPSE viz., Tidel Park Limited which had unspent amount carried forward for more than four years did not provide the reasons for the same.
- Eight SPSEs⁷⁴ did not include responsibility statement of the CSR Committee in accordance with Rule 9 of CSR Rules 2014.

4.6 Conclusion

This chapter dealt with the adherence to Corporate Social Responsibility principles by the SPSEs. Issues related to monitoring of Corporate Social Responsibility policy, utilisation of Corporate Social Responsibility funds, compliance to reporting and disclosure requirements, etc. are highlighted in this chapter.

All the 16 SPSEs have complied with the provisions of the Act and CSR Rules with regard to formation of CSR committee and framing of the CSR policy. 12

⁷² Electronics Corporation of Tamil Nadu Limited, Tamil Nadu Urban Finance and Infrastructure Development Corporation Limited, Tamil Nadu Cements Corporation Limited and Tamil Nadu Transport Development Finance Corporation Limited.

⁷³ Tamil Nadu Fisheries Development Corporation Limited, Tamil Nadu Warehousing Corporation, TIDEL Park Coimbatore Limited and Tamil Nadu Newsprint and Papers Limited.

⁷⁴ Tamil Nadu Transport Development Finance Corporation Limited, Tamil Nadu Forest Plantation Corporation Limited, Tamil Nadu Newsprint and Papers Limited, TIDEL Park Coimbatore Limited, Tamil Nadu Warehousing Corporation, TIDEL Park Limited, Tamil Nadu Cements Corporation Limited and Electronics Corporation of Tamil Nadu Limited.

SPSEs spent the minimum requirement of two *per cent* of average net profit of three preceding financial years and four SPSEs spent less than two *per cent* of the allocation made towards CSR activity. Three SPSEs though allocated funds for CSR expenditure did not spend the same during the year. Contribution to State Disaster Management Authority (59.71 *per cent*) and education (21.03 *per cent*) were the main focus areas and secured maximum funding. Three SPSE contributed to State Disaster Management Authority and seven SPSEs contributed CSR funds to education. Monitoring mechanism was in place in respect of 11 SPSEs. Out of 13 SPSEs which spent CSR funds during the year only four SPSEs carried out impact assessment. There was non-compliance to the reporting and disclosure requirements by SPSEs *viz.*, three SPSEs did not indicate web link to the CSR Policy in the report, one SPSE did not provide the reasons for unspent amount and eight SPSEs did not include responsibility statement in their annual report on CSR.

4.7 Recommendations

- 1. Government must ensure that SPSEs frame their CSR policy*
- 2. Government must ensure that the SPSEs carry out impact assessment of their CSR activities.*
- 3. SPSEs must comply with the reporting and disclosure requirements of the CSR policy.*
- 4. The proposed CSR projects and the budget for the forthcoming year should be presented for the Board's approval in a timely manner, before the start of the financial year. This will provide sufficient time and guidance to ensure full utilisation of the funds in the financial year.*

Chapter V

Compliance Audit Observations

CHAPTER V

Compliance Audit observations

5.1 Coverage of this Chapter

This chapter contains eight Compliance Audit paragraphs in respect of fourteen SPSEs involving a financial effect of ₹3,298.75 crore. These paragraphs highlight the deficiencies in the management of PSEs resulting in serious financial implications as given below:

1. Tamil Nadu Generation and Distribution Corporation Limited:

- Non-generation of bills based on the meter reading at Substation end in respect of HT Consumers receiving supply through dedicated feeders, resulted in short billing by distribution loss and eventual revenue loss of ₹385.53 crore.
- did not finalise the tender within the validity period causing an excess expenditure of ₹48.94 crore on procurement of conductors
- did not take note of the lower prices paid by its field offices while placing orders at Headquarters. This resulted in avoidable extra expenditure of ₹21.49 crore on the procurement of insulators

2. Tamil Nadu Civil Supplies Corporation Limited:

- Irregular award of transportation contract resulted in loss of ₹2,736.93 crore.
- Deficiency in floating of tender and management of borrowed funds resulted in payment of additional interest of ₹36.30 crore.

3. Tamil Nadu Salt Corporation Limited

- Procured a 100 TPH salt washery without assessing the field requirement and without undertaking any cost benefit analysis which resulted in unfruitful expenditure of ₹2.99 crore.

4. Other State Public Sector Enterprises

- Non-availing/irregular operation of auto sweep facility resulted in forgone interest to the extent of ₹45.05 crore.
- Lack of proactive management and inadequate monitoring of term deposits resulted in loss of interest of ₹21.52 crore.

Tamil Nadu Generation and Distribution Corporation Limited

5.2 Loss of revenue

Non-generation of bills based on the meter reading at Substation end in respect of HT Consumers receiving supply through dedicated feeders, resulted in short billing by distribution loss and eventual revenue loss of ₹385.53 crore

Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO) supplies power to 11,031 High Tension (HT) Service connection consumers through the feeder lines emanating from its nearby Substations (SS). TANGEDCO has extended service connections to 553 HT consumers (out of 11,031 HT service connections) through 328 dedicated feeders (March 2023) throughout the State. 'Independent/dedicated feeders'⁷⁵ are erected at the cost of the HT consumers (including equipment and bay cost) who opt for the same and the maintenance of the feeder is also borne by the consumers.

For accounting purposes, TANGEDCO installs two energy meters (one main meter and one check meter), one being at the substation end and another one at the consumer end. However, audit noticed that for billing purposes of these dedicated feeder consumers, TANGEDCO adopts the consumption recorded at the meter installed at consumer end only, as it does for its regular HT consumers i.e. with TANGEDCO bearing the distribution loss of the dedicated feeder. As these feeders are owned and maintained by the consumers, the distribution line loss in respect of such dedicated feeders needs to be passed on to the respective consumers.

Central Electricity Regulatory Commission (May 2023) has stated⁷⁶ that the installation of Interface Energy Meters shall be in accordance with the Central Electricity Authority Metering Regulations, 2006, wherein it is mentioned⁷⁷ (March 2006) that the location of meters in respect of consumers directly connected to the transmission system would be 'as decided by the Appropriate Commission'. In this regard, Tamil Nadu Electricity Regulatory Commission (TNERC) had neither prescribed any norm for line losses nor for adoption of meter reading in respect of dedicated feeders. However, Audit noticed that other State Regulatory Commissions viz., Haryana ERC, Odisha ERC, Himachal Pradesh ERC and JERC for Goa and UTs have stipulated that the consumers, who request for supply of electricity through an independent/dedicated feeder should be billed as per the meter placed at the substation from where the independent feeder is emanating, indicating that the distribution losses are to be passed to such HT consumers by the distribution utilities.

Scrutiny of TANGEDCO records related to energy accounting (quantum of

⁷⁵ Independent/dedicated feeder is a feeder emanating from a substation of the licensee through which electricity is supplied to a single consumer, or a group of consumers having similar process on the same or contiguous premises to avail the benefit of uninterrupted supply of electricity. The total demand of such consumers should be at least 50 per cent or more of the capacity of the feeder.

⁷⁶ Clause 12(b) – Energy Metering and Accounting

⁷⁷ Clause 7 (D) of CEA Regulations, 2006

energy sent out from the substation end vs quantum of energy recorded in the meters of the consumers) in respect of the 328 dedicated feeders revealed that the energy consumption recorded by the meters installed at the consumer's premises which were adopted for billing was lesser than the energy recorded by the meters at the feeding substation to the extent of 592.34 MUs. By properly accounting for these, TANGEDCO could have earned additional revenue of at least⁷⁸ ₹385.53 crore (**Appendix-30**) during the period from 2020-21 to 2022-23⁷⁹.

Despite TANGEDCO knowing the fact by way of energy accounting that it is incurring huge revenue loss, it did not take any remedial measure to arrest revenue leakage. Further, no steps have been taken by TANGEDCO either to amend the agreement executed with the HT consumers or request TNERC to frame norms in its Electricity Supply Code regarding installation and billing of meters in respect of consumers effected under dedicated feeder.

The Government replied (March 2024) that installation of meter at substation end is not practically possible for HT consumers connected in one particular feeder since meter reading has to be taken for individual service connections at the consumer end only for billing purposes.

The reply of the Government is not acceptable as (i) the line loss occurred between the SS end and generation end in respect of Wind Electric Generators are being shared among the generators only, (ii) since the dedicated transmission lines up to the SS are being owned and maintained by the HT consumers, the line loss up to the SS should be borne by the HT consumer(s) only and (iii) adoption of meter reading at consumer end when the dedicated feeder emanating from SS to the consumer's premises was owned and maintained by the consumers is not proper.

Thus, due to incorrect method of billing the energy consumption recorded at consumer end instead of at substation end for the HT consumers, who were extended power supply under dedicated feeders, TANGEDCO lost revenue to the extent of ₹385.53 crore for the last three years ended 2022-23.

Recommendations:

TANGEDCO may:

- (i) Consider the practice followed by other power utilities whereby the billing is done at substation end, and***
- (ii) Approach TNERC to bring an amendment in the TNERC Supply Code regarding billing of meters installed at substation end in respect of consumers effected under dedicated feeders early so as to avoid further recurring revenue loss to TANGEDCO.***

⁷⁸ Loss worked out on the basis of HT tariff rate without considering peak hour and night hour rates.

⁷⁹ Computerised data available from April 2020 only.

5.3 Avoidable expenditure

Non finalisation of the tender within the validity period by the tender committee resulted in avoidable expenditure of ₹48.94 crore on procurement of conductors

Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO) floated a tender (January 2021) for procurement of 20,000 kms of 7/3.15 AAA Rabbit conductor to meet out the regular requirements for the year 2020-21. Out of the 34 bidders who participated in the tender, M/s. Rajasthan Cable & Conductors Private Limited was the L1 bidder at ₹35,341 per km. As the L1 bidder quoted only for 600 km, the L2 bidders (21 Nos.) were requested (March 2021) to match L1 price. As the L2 bidders did not agree to match with the negotiated L1 price initially, the L3 bidder and L4 bidder were requested for matching the L1 price which was agreed (April 2021) by them. A negotiation was again conducted (April 2021) with L2 bidders and they accepted the negotiated price of ₹36,013.60 per km.

The proposal was placed (April 2021) before the Board Level Tender Committee (BLTC) of TANGEDCO for placing order for tendered quantity along with 25 *per cent* additional quantity (total 25,000 km) at two different rates of ₹35,341 per km and ₹36,013.60 per km to L1, L2 and L3 bidders. However, BLTC rejected (May 2021) the proposal on the ground that 25 *per cent* additional quantity could not be considered and the order could not be placed on L3 unless L2 was finalized. Hence, negotiation was again conducted (May 2021) with L2 bidders and they agreed to match the L1 price (₹35,341 per km) on the condition that the payment would be made within 45 days.

As the validity of the tender was expiring on 16 May 2021, all the bidders were requested (13 May 2021) to extend the validity up to 30 June 2021 which was agreed by them. However, when the proposal was submitted (18 June 2021) to BLTC for placing the order, it deferred the proposal. No recorded reasons were, however, found for delay. Even though the bidders agreed to extend the validity up to 31 August 2021 based on TANGEDCO's subsequent request, the decision regarding award of contract was not ensured in the BLTC meeting (23 August 2021) also. Moreover, TANGEDCO's further request to extend the validity up to September 2021 was not accepted by the bidders and consequently, the tender was cancelled.

TANGEDCO floated (January 2022) another tender for a quantity of 15,000 kms citing urgency of material requirement which was finalized (March 2022) at an enhanced rate of ₹67,968 as against ₹35,341 per km finalised in the previous tender.

Audit observed that:

- The price of major raw material for AAA conductors (Aluminum ingots) which was ₹1,46,506/MT when the first tender was floated (January 2021) has risen to ₹1,93,087.90/MT when BLTC deferred the proposal in August 2021. TANGEDCO failed to take cognizance of the increasing trend in aluminium ingot prices and risked the event of bidders not extending validity as the price increased by 32 *per cent*. Consequently, the injudicious decision to cancel the tender had led to

finalisation of rates at 92 *per cent* over and above the originally finalised rate resulting in avoidable expenditure of ₹48.94 crore.

- Rule 31(3) of The Tamil Nadu Transparency in Tender Rules 2000 stipulates that in case the bidders other than the lowest evaluated bidder fail to agree to accept the lowest price or the total quantity offered by them at the price quoted by the tenderer with lowest evaluated price is less than the required quantity, the Tender Accepting Authority may place orders for remaining required quantity at different rates with different suppliers in the ascending order of evaluated price until the entire quantity required is covered. However, TANGEDCO failed to invoke this rule at the time of placing the first proposal (May 2021). Failure of BLTC to invoke the provision of TN Transparency Rules resulted in TANGEDCO losing the opportunity to finalise the tender at a lower rate.
- BLTC deferred the proposal submitted in June 2021 for placement of orders for the entire quantity at ₹35,341 per km without assigning any reason. The decision of BLTC was not justified since the rate proposed was the lowest tendered rate and was well within the extended validity period.

The Government replied (March 2024) that the proposal of inclusion of payment clause was deferred (June 2021) by BLTC and while submitted the proposal again, it simply stated as ‘noted’ and the bidders did not accept for extension beyond August 2021. Hence, the tender was lodged. It was also stated that the sudden surge in the cost of raw material led to price escalation.

Reply of the Government is not acceptable since BLTC did not record any reason either for rejecting or accepting the claim of the bidders. Due to procedural lapse and failure to include the mandatory payment clause, the bidders refused to extend the time which led to cancellation of tender. TANGEDCO, by considering the increasing trend of raw material costs, should have included the payment clause and placed the order instead of requesting the bidders again and again to extend the validity for avoiding additional expenditure. Further, TANGEDCO did not invoke the clause 31(3) related to evaluation of tenders also.

Further, TANGEDCO failed to invoke the clause 31(3) of the Tender Rules, which would have enabled it to accept different rates quoted by other than L1 bidder in an ascending order till the tendered quantity is covered, which would have avoided unnecessary retendering. Thus, unjustified abnormal delay attributable to BLTC and consequent failure to finalise the tender when the price of aluminium ingots was on the increasing trend resulted in avoidable additional expenditure of ₹48.94 crore⁸⁰ on procurement of conductors.

Recommendations

TANGEDCO should:

- Record/justify the reasons for any deferment/cancellation of tender in future and***

⁸⁰ 15000 * ₹32,627 (₹67,968 - ₹35,341 per km)

- (ii) *Fix responsibility on the concerned officials who were responsible for the undue delay in finalisation and consequent cancellation of tender which led to additional expenditure.*

5.4 Avoidable extra expenditure

Deficiency in taking note of the lower prices paid by the field offices resulted in avoidable extra expenditure of ₹21.49 crore on the procurement of insulators by TANGEDCO

Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO) procures various line materials for use in their field offices across Tamil Nadu through tendering process at Board/Region/Circle Level depending upon the financial power delegated. Audit reviewed the procurement of line materials during 2022-23 at Board level and observed discrepancies in two tenders floated for the purchase of 11KV and 22 KV Polymer Composite Pin Insulators (PCPI) as detailed below:

1. TANGEDCO floated a tender⁸¹ (October 2021) for procurement of 17,82,610 numbers of 11 KV PCPI under single part open tender system. After negotiation, TANGEDCO finalised (December 2021) the rate with the bidders and placed purchase orders (February 2022) for procurement of 11 KV PCIP on seven firms at a negotiated unit price of ₹256.06.

The approval for placing the orders was obtained by convincing the Board Level Tender Committee (BLTC) of TANGEDCO that the final rate was reasonable as it was only 2.60 *per cent* higher when compared to the rate finalised (July 2021) in the previous PO⁸² placed by the Chennai North EDC for supply of quantity of 1,200 numbers. In this connection, Audit observed that TANGEDCO had omitted to bring to the attention of the Competent Authority, the rates finalised in two other POs⁸³ placed during the same month (July 2021) by two of its Regional Offices (Chennai South and Tirunelveli Regions) at ₹146.14 and ₹147.97 per unit for 35,000 numbers and 89,300 numbers respectively. Consequently, the orders were placed at a unit price of ₹256.06 which was higher by ₹108.09⁸⁴ (73 *per cent*) than the order placed by TANGEDCO's Regional Office (Tirunelveli). This resulted in incurring additional expenditure to the extent of ₹19.27 crore (17,82,610* ₹108.09) to TANGEDCO.

2. Similarly, TANGEDCO floated another tender⁸⁵ (May 2022) for procurement of 3,00,000 numbers of 22 KV PCPI. While finalising the rates, TANGEDCO stated that the negotiated unit price of ₹583.72 was on the higher side when compared to the rate of 22 KV PCPI at India Mart website (₹280 per unit) and the rate of 33 KV PCPI at GEM portal (₹437

⁸¹ Specification No.M-37/21-22

⁸² PO No.34 dated 15.07.2021 placed on M/s Sri Agency at a unit rate of ₹249.57

⁸³ PO No.05/21-22/29.07.2021 for on M/s.Bikaner Porcelain by Chennai South Region (₹146.14) and PO No. 4200001892/13.07.2021 on M/s Garg Cables & Silcones by Tirunelveli Region (₹147.97)

⁸⁴ ₹108.09 = difference of Board level rate of ₹256.06 – Regional office rate of ₹147.97

⁸⁵ Tender No. M 06/2022-23

per unit) and hence, it was decided (November 2022) to rescind the tender. However, TANGEDCO continued to request the bidders to reduce the price further and it was finalised at ₹516.00. Orders were also placed on three suppliers (December 2022) for procurement of total 3,00,000 numbers of insulators at ₹516.00 per unit.

In this connection, Audit observed that even though TANGEDCO decided (November 2022) to lodge the tender, it continued its efforts to finalise the procurement at a higher unit rate of ₹516.00. The approval for placing orders in this regard was also obtained by convincing the BLTC that the final rate was lesser by 0.10 *per cent* than the updated wholesale price index cost of the previous PO rate of ₹516.56 issued by Madurai Region⁸⁶ without revealing the fact that Udumalpet Circle (Coimbatore Region) also procured⁸⁷ the same material during the same month (August 2021) of comparison whose updated wholesale price index cost worked out to ₹442 per unit only (14 *per cent* lower than the finalised rate). Thus, TANGEDCO convinced the BLTC and Board with incomplete details of POs placed at field level which led to placing orders at higher per unit price by ₹74.00 (₹516 - ₹442). Consequently, TANGEDCO incurred additional expenditure of ₹2.22 crore (3,00,000*₹74) on purchase of 22 KV PCPI.

Incidentally, Audit also observed that TANGEDCO had called for information (November 2021) regarding the rates which were recently accepted by the other State Power Utilities to arrive at the reasonableness of the negotiated rate and market trend of the material which was not pursued thereafter. Further, even though it intended to compare the rates of State Power Utilities in addition to India Portal and GEM Portal, it compared the rates (i) ordered for lesser quantity and (ii) which were detrimental to the financial interests of TANGEDCO. Further, TANGEDCO has implemented an ERP system which could have been accessed by the Competent Authority for comparison of rates before finalisation of tender, as the ERP system is updated with the details of POs immediately on placement by all the Regions/Circles of TANGEDCO. Besides TANGEDCO could have obtained still better prices on further negotiations with the bidders by considering the higher quantum of materials to be ordered at Headquarters level.

Thus, while TANGEDCO's own field offices could place the orders at cheaper rates, failure to take note of the same resulted in an avoidable extra expenditure of ₹21.49 crore.

The Government replied (February 2024) that the order for 11 KV insulators placed by Tirunelveli Region was only considered and Chennai South Region was not considered since the former order was placed during the financial year 2021-22 and the tender for latter was floated and opened during 2020-21. Similarly, the rate of order placed by Madurai Region was only considered for 22 KV insulators because of higher rates ordered by other Regions. It was also stated that the tendered material procured by Headquarters was to be delivered to all stores throughout the State whereas in regional orders, the delivery point was at the stores within the Region.

⁸⁶ PO No. PCE00030006/2021-22 dated 11 August 2021 for 9,375 numbers.

⁸⁷ PO No.15/2021-22 dated 03 August 2021 for 2,350 numbers.

The reply of the Government is not tenable as even though the orders pertained to different regions, both the orders were placed during the same month only. Also, the freight charges were exclusive for all the orders and the base price itself was on the higher side. Further, on one hand, the Government has cited higher rates for orders by certain Regions whereas on the other hand, it has failed to acknowledge the orders at lower rates placed by other Regions. In addition, it did not factor in the economies of scale, which should come in to effect as generally the rates quoted for higher quantities at Headquarters, should be less than those of lower quantities ordered at Regional Offices. Thus, TANGEDCO's failure to analyse the market rates accepted by its regional offices and to negotiate accordingly with the bidders resulted in an avoidable extra expenditure.

Recommendations

TANGEDCO may:

- (i) *Install a system for comparison and ensure reasonableness of rates of materials for better negotiation before finalising the tenders and*
- (ii) *Utilise the ERP system effectively so as to get an uniform rate.*

Tamil Nadu Civil Supplies Corporation

5.5 Loss of revenue

Irregular award of transportation contract by TNCSC

Tamil Nadu Civil Supplies Corporation (TNCSC) acts as an agent of Government of Tamil Nadu (GoTN) for procurement of paddy and conversion into Custom Milled Rice (CMR) for distribution to Public Distribution System (PDS) beneficiaries based on the Memorandum of Understanding (MoU) entered with the Government of India (GOI). As per the conditions of the MoU, GOI releases the advance subsidy (at 90 *per cent*) on quarterly basis based on the provisional economic cost of rice (fixed by the GOI) as against the quarterly claim submitted by the GoTN. The advance subsidy released by GOI gets adjusted on submission of Utilization Certificates by TNCSC and the difference will be paid/ recovered appropriately. Thus, the actual cost incurred by TNCSC on the above operations will be reimbursed by the GOI.

GOI mandated (May 2019) all State Governments to constitute a State Level Committee (SLC) for arriving at the Schedule of Rates (SoR) and issued guidelines/instructions for the fixation of transportation charges from Kharif Marketing Season⁸⁸ (KMS) 2019-2020 onwards. The guidelines *inter-alia* included (i) tender should be floated for a maximum of two years, district wise, preferably through e-tendering, (ii) transportation cost should be fixed based on the market study, (iii) adoption of five transportation slabs, (iv) the rates

⁸⁸ Paddy season from October to September

should be finalised by SLC with reference to SoR, etc. Based on the above guidelines, GoTN constituted⁸⁹ (September 2019) the SLC.

In the meantime, TNCSC invited (July 2019) tenders for appointment of district wise transport contractors for KMS 2019-20 and 2020-21 for various slabs of movements. However, due to dis-qualification of various tenderers⁹⁰ and non-participation of the bidders for various transport movements, the Board decided (September 2019) to cancel the tender.

Subsequently, a State level tender, to appoint transport contractor at a single rate for all the movements at each region, was finalised based on the recommendations of the sub-committee of the Board. Among the two bids received, the contract was awarded (January 2020) to M/s. Zinc Food Products Private Limited, Namakkal (L1) for 20 regions and to M/s. Arnica Enterprises Private Limited, Erode (L2) for 13 regions for a period of five years.

Even though the SoR for KMS 2019-20 was fixed in the SLC meeting (January 2020), due to the insistence by the Food Corporation of India (FCI) representative for complying with the GoI guidelines, the same was referred (October 2021) to a sub-committee for recommending new SoR. Due to the difference of opinion between GoTN and FCI representatives, SLC decided (February 2022), not to fix the SoR for the year from 2019-20 to 2021-22.

Based on the decisions taken in the SLC meeting (February 2022), the Board of TNCSC directed (May 2022) to proceed as per the GoI guidelines issued in May 2019 for the already awarded contract. Consequent to this decision of rescinding the five-year contract period, multiple litigations were filed by the contractors/sub-contractors in various courts.

As per the consent between the parties, the Hon'ble High Court appointed (December 2022) an Arbitrator to amicably settle the matter. Arbitration award (16 February 2023⁹¹) stipulated that the transport contract should be foreclosed with effect from 28 February 2023 and TNCSC shall pay 50 *per cent* of the price agreed under the terms of the contract for transport operations carried out during the period from 01 October 2022 to 28 February 2023.

During the tenure of the above contract (January 2020 to February 2023), TNCSC had transported 518.06 lakh MTs for a contract value of ₹6,894.07 crore through transportation contract and handled 110.06 lakh MTs for a contract value of ₹795.36 crore through wagon handling contract. However, based on the above Arbitration award, an amount of ₹1,300 crore (₹650 crore each for both contractors) was withheld⁹² as disputed amount, and the balance amount (₹6,389.43 crore) was settled with the contractors.

In this regard, Audit observed irregularities in award of transportation and wagon handling contract which led to loss to the state exchequer to the extent

⁸⁹ G.O. (Ms) No.110 dated 23rd September 2019. SLC comprises of Principal Secretary to Government (Food and Consumer Protection Department), Executive Director, FCI New Delhi, General Manager, FCI Tamil Nadu, District collector (Thanjavur and Thiruvavur) and Deputy Secretary (Transport Department and Finance Department) to Government.

⁹⁰ Due to non-furnishing the details of 'public carrier' insurance

⁹¹ Separate but identical award (dated 16.02.2023) for respective contractors

⁹² Based on internal audit objections and to be released upon AG audit clearance.

of ₹2,518.54 crore and short receipt of CMR subsidy from GoI to the extent of ₹218.38 crore as detailed below:

1. Irregular award of transportation contract resulted in loss of revenue

Though the Company was aware of the revised GoI guidelines (May 2019) for finalization of transportation contract, yet it went ahead with its own decisions by deviating from the GoI guidelines as detailed below:

- Though e-tenders were to be preferred, normal tenders were floated without reason;
- Contract period was adopted as five years vis-à-vis prescribed two-years;
- Total slab distance considered was 750 Kms (divided in 21 slabs⁹³) as against 80 Kms and more (consisting of only 5 slabs⁹⁴); and
- State-level tender was floated as against prescribed district level tender.

Accordingly, as FCI desired compliance of the GOI Guidelines and in view of the above deviations in the appointment of transportation contracts, the SoRs for KMS 2019-20 to 2021-22 were not approved by the SLC.

In addition to the above, Audit observed the following:

- i. As per the revised pre-qualification criteria of the tender (clause 2) if the partners/directors/constituents of the bidding entity have fulfilled the qualification criteria, the same shall be deemed to be treated as the qualification of the bidding entity. Accordingly, while fulfilling the said pre-qualification conditions relating to turnover, manpower and other criteria⁹⁵, the above two firms were considered as qualified only because one of the directors (having only meagre stake with 0.2 *per cent* of the paid-up capital) in each firm, were only acting as partner/director in the firms to fulfil the abovementioned pre-qualification criteria of the tender document. However, the firms to whom the transportation contract was awarded did not possess the required turn over and manpower criteria.
- ii. While as per the bid, the said directors assured to extend their expertise in execution of the transportation contract during the entire tenure, it was noticed that as per the details available on the Ministry of Corporate Affairs (MCA) website, the directorship of the said directors in both the firms had ceased (December 2019) even before the award of the tender. Thus, the transportation contracts were awarded to ineligible firms who were not technically qualified and were wholesale dealers in various food items as on the date of award of the contract.
- iii. Since separate transportation contracts were awarded in each region of TNCSC, the Board sub-committee should have compared the average

⁹³ 0-5, 06-10, 11-20, 21-40, 41-60, 61-80, 81-100, 101-120, 121-160, 161-200, 201-250, 251-300, 301-350, 351-400, 401-450, 451-500, 501-550, 551-600, 601-650, 651-700; and 701-750 kms

⁹⁴ 0-8, 08-20, 21- 40, 41 – 80 and above 80 Kms.

⁹⁵ Point 2-d (annual turnover of ₹100 crore for the last three financial years 2016-17 to 2018-19), Point 2-c (delivering food items to Government during the year 2016-17 to 2018-19, Point 2-g (ISO-22000 certificate), Point 2-j (ESI/EPF registration in proof of employing at-least 150 employees), Point 2-k (certificate from the government department to ensure proper de-infestation procedures during 2016-17 to 2018-19)

transportation rate of major movements⁹⁶ across all the 33 regions with the present tendered rate. However, the Board sub-committee compared the highest of previous tender's non-FCI transportation rates with the finalised rate of the current tender. Thus, the justification of the Board Sub-Committee (December 2019) on the reasonableness of the rates approved was factually incorrect due to the adoption of inappropriate and erroneous comparison made by the Board. **When the transportation contract was foreclosed (February 2023) in compliance with the Arbitration order, TNCSC started departmental movement of the PDS commodities by engaging the local transport contractors. The average departmental transportation rate (for 0 to 80 KMs) of all regions (March 2023) was ₹417 PMT as against the respective average rate finalized in the tender (January 2020) being ₹1,392.40 PMT (signifying a 233 per cent increase over the departmental rate).**

The audit worked out the annual average rate of PMT by dividing the transportation expenditure by the transported quantity. Thereafter, this annual average PMT rate was compared with the escalated PMT rate derived by escalating the initially paid (averaged from the pre-contract period payments in 2019-20) rate of ₹ 698.40 PMT by the Government approved escalation of 16.10 per cent in transportation rates during 2018-19 to 2022-23⁹⁷. This escalation was included by audit to arrive at the avoidable transportation loss incurred by TNCSC on a conservative basis. This excess rate was then multiplied by the transported quantity to arrive at the avoidable additional expenditure. This showed an avoidable transportation cost of **₹2,015.53 crore** during the period of operation of the contract (**Appendix-31**) leading to undue loss to TNCSC on account of payments of enhanced transportation charges.

The Government replied (March 2024) that in order to improve the existing system of transport operation, the Company had taken an initiative to have holistic transport operations and to appoint transport contractors in a single rate for all the movements by fixing the tender period as five years. Further, it was stated that based on the arbitration award, an amount of ₹1,300 crore (at the rate of ₹650 crore for each contractor) has been withheld and the same will not be released if the audit finds that the said amount does not fall within the terms of the contract price and other terms of the contract for the said period of operation.

Reply of the Government is not tenable since the transportation contracts were awarded to ineligible firms as per the tender criteria and also by deviating GOI guidelines on SLC and SoRs finalisation. Further, the estimated loss worked out by audit was more than the amount withheld by TNCSC.

Thus, the Corporation did not adhere to GOI instructions while awarding the transportation contracts and awarded contracts with phenomenally higher transportation rates to ineligible firms.

⁹⁶ FCI and Non-FCI movements

⁹⁷ Minimum Transportation cost approved by the GOI for the year 2018-19 was ₹ 158.30 PMT and the minimum transportation rate (SoR) approved in the SLC meeting (held on 05 August 2022) for KMS 2022-23 was proposed at ₹ 288 PMT. Increase in rate over five years was ₹ 129.70 MT (₹288-₹158.30) and the resultant year-wise increase from the year 2019-20 was 16.10 per cent per annum.

2. Award of railway wagon handling contract at higher rates

In respect of wagon handling charges, the Board Sub-Committee agreed to the blanket rates of ₹800 PMT, whereas the previous year rates for various regions (2018-19) were in the range of ₹155 to ₹400 PMT. To arrive at a consolidated rate for comparison, the audit used the previous year rates to arrive at an average rate PMT, which worked out to ₹265.63 only. However, the Board Sub-Committee has glossed over these elements and agreed for higher rate without assigning any justification for the steep increase in the rates.

Similarly, audit reviewed the present departmental movement rate⁹⁸ (March 2023) for wagon handling of paddy/rice which ranged between ₹195 PMT and ₹260 PMT for respective regions. Herein, while the average PMT rate worked out to ₹235.42 only, audit used the rate of ₹265.63 PMT to arrive at the avoidable Wagon handling loss incurred by TNCSC on a conservative basis.

The Government replied (March 2024) that because of the subject tender/contract, the corporation was able to double the quantity of commodities transported without there being any significant notable delay affecting procurement/PDS activities etc., during the pandemic lockdown without any interruption.

The reply is not tenable as the pandemic induced lockdown commenced after the award of the contract and at exorbitant rates which is evident from the fact that the departmental rate operated by TNCSC after the suspension of the contract was much lower than rate awarded in the above contract

Thus, the award of wagon handling contract at inflated rate resulted in additional expenditure to the extent of **₹503.02 crore**⁹⁹ (**Appendix-32**).

3. Short reimbursement of transportation cost from GOI due to non-fixation of SoR

Since TNCSC has not followed any of the instructions mandated (May 2019) by the GoI in appointing transportation contractors, SoR for KMS for the period from 2019-20 to 2021-22 could not be finalized in SLC. Further, GOI has stated (November 2021 and March 2022) that due to non-fixation of transportation rates as per above instructions, it would only reimburse the last approved rates allowed in provisional cost sheet of the KMS 2018-19 or the State Government's claim, whichever is lower for the period KMS 2019-20 to KMS 2021-2022. It was also informed that any payment over and above this would be borne by the concerned State Governments.

Hence, as TNCSC was ineligible for the enhanced transportation cost without any indexation, it was allowed rates of provisional cost sheets for KMS 2018-19 (for transportation of paddy at ₹158.30 PMT and rice at ₹32.80 PMT) only. This resulted in a short receipt of subsidy from GOI on TNCSC's current claims to the extent of ₹218.38 crore (**Appendix-33**) which had to be borne by the State Government.

⁹⁸ Fixed by the District Collector based on local conditions.

⁹⁹ Average wagon handling contracted rate PMT for the year 2019-20 (in 30 regions) ₹265.63. Average wagon handling contracted rate PMT for the departmental operation rate March 2023 (in 36 regions) ₹235.42. Hence for calculation of additional expenditure higher of the wagon handling rate considered ₹265.63 MT

The Government replied (March 2024) that based on the actual expenditure incorporated in the audited annual accounts, the Company claimed subsidy for transportation charges and requested GOI to reimburse the subsidy components.

Reply of the Government is not tenable since the transportation contracts were awarded to ineligible firms by deviating GOI guidelines. Further, the GOI categorically (November 2021) denied the request of TNCSC to avail enhanced rates beyond KMS 2018-19 stating that it would reimburse transportation cost as per rates approved in provisional cost sheet of the KMS 2018-19 only, resulting in short receipt of subsidy from GoI.

Thus, finalization of transportation contract by violating the guidelines of the GoI, award of transportation contract to ineligible contractor, non-finalization of SoR, non-considering the prevailing market rates and incorrect comparison of previous tender rates with consequent award of contract at exorbitant rates has resulted in loss to the state exchequer by ₹2,518.55 crore and short receipt of CMR subsidy to the extent of ₹ 218.38 crore from GoI (**total ₹2,736.93 crore**).

Recommendations:

TNCSC should:

- (i) *Award all the tenders duly complying with the instructions of the GoI, in future;*
- (ii) *Conduct detailed market study to analyse the prevailing rates for transportation before finalizing tenders to avoid additional expenditure on transportation cost; and*
- (iii) *Fix responsibility on the officials who have finalised the tender by deviating the GOI guidelines and incorrectly compared the rates impacting heavy loss to the State Exchequer.*

Government may:

- (i) *Ensure compliance with the GOI guidelines for fixing transportation rates with reference to the SoR fixed by the SLC.*

5.6 Additional expenditure

Deficiency in floating of tender and management of borrowed funds resulted in payment of additional interest of ₹ 36.30 crore

TNCSC is involved in Public Distribution System, procuring paddy from farmers under Decentralized Procurement system and many other welfare schemes on behalf of Government of Tamil Nadu and Government of India. The entire expenditure of the Corporation is met out from the food subsidy sanctioned by GoTN, subsidies received from GOI and by availing short term line of credit¹⁰⁰ from Nationalized Banks based on the guarantee obtained from the GoTN. TNCSC calls for quotations from commercial banks for availing short term line of credit (one year) to meet out its working capital requirements and for repaying its earlier availed short-term loans.

¹⁰⁰ It is a credit facility extended by banks which enable a customer to draw funds within the sanctioned limit.

An analysis of cost effectiveness in mobilisation and utilisation of the borrowed funds revealed the following deficiencies:

a) Lack of clarity in the tender condition in availing line of credit

For availing funds at lower cost, TNCSC needs to specify suitable conditions relating to the basis/benchmark for periodic resetting of floating rate of interest and validity of interest offered by the banks in the quotation/tender. However, TNCSC failed to include these conditions and ended up in paying additional interest as explained below:

- i) The quotations were called for by TNCSC for obtaining short term loans specified to quote with fixed and floating rate of interest based on the RBI repo rate/Treasury bill rate (plus spread) with/without Government guarantee. Further, no condition on third party benchmark interest rates¹⁰¹ as applicable for resetting quoted interest rates was mentioned in the tender document.

As per the quotations submitted by the banks, the interest rates (floating) shall reset quarterly/regularly based on the changes in the RBI repo rate/Treasury bill rate. However, due to non-inclusion of suitable conditions in the quotation/tender called for by TNCSC regarding third party benchmark rates based on which the interest to be reset periodically, the commercial banks adopted different base rates and reset the interest quarterly/regularly in a non-transparent manner. Consequently, the company had to pay additional interest to the extent of ₹11.43 crore in seven instances **(Appendix-34)**¹⁰².

TNCSC stated (November 2023) that it would ensure uniformity in quotation offered by the bankers in future. However, the reply is silent about the adoption of third-party benchmark rates for periodical interest reset.

- ii) The terms and conditions of the quotation did not include any condition on validity period of interest. Hence, the banks were revising the interest rates and communicating to the Company only after completing the tender formalities. In absence of specific offer validity, TNCSC had no timeframe to complete its approval process and this resulted in consequent denial of sanction of loan by the bank at the initially quoted rates. Thus, TNCSC had to acquire funds (₹8,000 crore) at higher rate resulting in additional payment of interest of ₹16.56 crore **(Appendix -35)**.

TNCSC while admitting the observation, stated (November 2023) that necessary steps were being taken to avoid increase in the rate of interest till the date of availing first instalment. However, reply is silent about the

¹⁰¹ 91 days/365 days T bill rate as published by FBIL, monthly/quarterly Interest rates (under N1-select economic indicators) published as per RBI bulletin published by RBI in each month (available at RBI website) or any other widely accepted third party benchmark.

¹⁰² In comparison to benchmark of interest based on 91 days Treasury bill published by FBIL (Financial Benchmark India Private Ltd (jointly owned by FIMMDA, FEDAI and IBA) is an independent benchmark administrator for interest rates in India)). Since the interest resets for every three months based on movement in interest rate, additional interest burden on TNCSC calculated only for three months (First quarter).

inclusion of suitable conditions relating to the validity of the interest rate for avoiding possible enhancement of the interest rate at the time of disbursement of loan.

b) Loss of interest due to non-comparison of interest rates of different branches of same bank

Based on the authorisation/guarantee provided by the RBI, TNCSC is operating cash credit facility in two bank accounts with SBI (Meenambakkam branch) and also with SBI (Commercial branch) based on the guarantee obtained from the GoTN.

It was observed that, the interest rate charged by one branch (SBI, Meenambakkam) was more than the interest rate charged by the other (SBI, Commercial branch). As all the above cash credit accounts were operated on similar terms and conditions (government guarantee), charging different interest rates by different branches of same bank for similar facility was not proper. Further, the issue was not taken up with the bank also for suitable rectification. Due to this, the company ended up in payment of additional interest of ₹1.71 crore (**Appendix-36**).

TNCSC accepted (November 2023) that while it did not need to use the cash credit facility in the past one year, based on administrative requirements, it approaches its main bank branch and avails the cash credit facility, which were indeed at different rates of interest. It assured that that future requirements of cash credit facility would be availed in favour of any operational need and without any financial loss.

c) Non synchronisation of repayment of existing loan with availing fresh loan

TNCSC avails short-term loans for settling the existing short-term loans which are nearing for payment. To achieve economy in such operations it is necessary on the part of the Company to plan in such a way that the date of availing new loan should synchronise with the date of repayment of existing loans. In respect of the following cases, the loan availed has not been synchronised with the repayments made against the existing loan of same bank as detailed in **Table 5.1** below:

Table: 5.1: Details showing non synchronisation of availing of loan and repayment

(₹ in crore)

Name of Bank	Details of availing of fresh loan			Details of repayment of earlier loan			Loss of interest (₹ in crore)
	Amount of loan availed (₹ in crore)	Date of availing loan	ROI (per cent)	Amount of loan repaid (₹ in crore)	Repayment date	No of days fund lying idle	
SBI	1,000	07-12-2022	6.88	1,000	12-12-2022	5	0.94
	1,000	19-12-2022	6.88	1,000	22-12-2022	3	0.57
Total							1.51

Source: Details furnished by TNCSC

Inability on the part of the company to plan synchronisation of availing new loan with repayment of existing loan has resulted in payment of un-warranted interest for the idle period to the extent of ₹ 1.51 crore.

TNCSC stated (November 2023) that it was availing short term loans in order to meet out the working capital requirements and therefore, the synchronization of the Bank Accounts was not possible. The reply is not acceptable as following financial prudence, TNCSC should have strived to correlate the dates of availing new loan with the repayment dates of existing loans, to avoid idling of funds resulting in unwarranted payment of interest.

d) Non transferring the credit balance in current account to the other current account with the debit balance

TNCSC is maintaining three current accounts with SBI and avails cash credit facility also. Since interest is charged only for the day closing balance, transferring the excess amount available (positive balance) in one or more current accounts to the other current accounts with negative balance on daily basis would reduce the interest liability. Audit observed that such exercise has not been carried out by TNCSC in 143 instances (days) which resulted in avoidable payment of interest to the extent of ₹1.34 crore¹⁰³.

TNCSC while admitting the observation stated (November 2023) that it would ensure the transferring of excess funds in future in case of availing cash credit facility.

e) Non-availing of loans based on requirement

Since interest has to be paid for the amount of loan drawn, TNCSC used to withdraw the loan amount partially/in tranches (starting from ₹30 crore) from the total loan sanctioned based on the periodical fund requirement, up to 2020-21. Subsequently (2021-22 and 2022-23), the sanctioned loan amount was drawn without considering the actual fund requirement and kept in the current account (non-interest bearing). Hence, the company was bound to pay interest for the total loan amount availed which was actually lying idle in the current account, resulting in avoidable interest payment to the extent of ₹3.75 crore¹⁰⁴ (**Appendix-37**) which lacked financial prudence.

TNCSC while admitting the observation, stated (November 2023) that availing of loan amount in tranches will be ensured from next availing of short-term loan from the bankers.

Government in its reply (April 2024) stated that instructions were issued to the PSEs for complying with Finance (BPE) instructions citing the observations pointed out by audit.

¹⁰³ Loss of interest (@7.5 per cent) worked out on the daily closing negative balances in cash credit account restricted to daily closing positive balances in other account of TNCSC.

¹⁰⁴ Loss of interest worked out for the balance available in the cereal bank account (at the date of availing loan) after allowing margin between ₹50 crore to ₹100 crore.

Recommendations

The TNCSC may:

- *include specific conditions relating to benchmark/base rate of interest for resetting the floating rate of interest and validity of interest rate in future quotations without fail;*
- *formulate internal control to ensure availing of loans in tranches based on requirement and to transfer daily excess fund available in to the debit balances in cash credit account; and*
- *synchronize the date of availing fresh short-term loan with repayment of the existing loan.*

Tamil Nadu Salt Corporation Limited

5.7 Wasteful expenditure

Procurement of salt washery without assessing the field requirement and non-conducting of cost benefit analysis resulted in unfruitful expenditure of ₹2.99 crore

Tamil Nadu Salt Corporation Limited (Company) is engaged in producing various type of salts¹⁰⁵ at Mariyur Valinokkam Salt Complex (MVSC), Ramanathapuram District and for eventual supply to its customers. Apart from its regular production of unwashed salt, the Company started producing (2009) washed salt also by installing a 15 ton per hour (TPH) salt washery at its site.

To increase the quantum of washed salt, the Company installed an additional 100 TPH washery plant in July 2017 at a cost of ₹2.99 crore¹⁰⁶ at MVSC. However, audit noticed that this plant was utilized only for a limited period of two-and-half months between July 2017 and July 2018, during which only quantity of 1,258 MT of salt was washed and sold to customers. As there were no further orders for washed salt from the customers, the washery has not been operated thereafter and was lying idle for more than five years.



Picture showing the installed 100 TPH washery at site

¹⁰⁵ Industrial Grade Salt (IGS), Crystal Iodized Salt (CIS), Refined Free Flow Iodized Salt (RFFIS) and Fortified Edible Salt Products

¹⁰⁶ Amount capitalized by the Company.

Audit noticed from the records that the already installed 15 TPH washery was still in working condition and the output was sufficient to meet the requirements of the customers. There were no recorded correspondences for short supplies of washed salt.

The Company justified (September 2022) its purchase of the 100 TPH washery citing high demand from customers for the washed salt. It further added that as its cost price of washed salt was higher, it was unable to sell it at competitive price and hence, the production of washed salt was stopped thereafter.

However, Audit observed that there were only three customers till 2013-14 which got reduced to two customers (2014-15) and was eventually reduced to a single customer from 2015-16 onwards. Hence, it is evident that the assessment of requirement of washed salt was not done keeping in view the adequate and available 15 TPH washery, as well as the continuing lack of demand. Further, the Company had fixed the norm for loss of salt on washing as 17 *per cent* whereas the actual loss of salt on using the new washery ranged between 47 and 63 *per cent*, leading to higher cost price. The Company also failed to examine the reason for higher percentage of loss and also to take corrective action.

As the 100 TPH machinery remained unutilised, the Company formed a committee¹⁰⁷ (September 2022) to study the market viability, either for running the unit or to dispose the unit. The committee inspected the unit in the same month and observed that all parts of the machinery were rusted and leaving the unit without any mechanical operation would lead to further deterioration. The committee thereafter recommended to dispose of the 100 TPH washery in 'as is where is condition' to the Board and the Company is in the processing of disposing the same through tender (November 2023). Hence, the fact that the decision to dispose of the washery without putting it to beneficial use indicated that the purchase, *ab initio*, was unwarranted and avoidable.



¹⁰⁷ Committee comprising of General Manager (Retd.) & Special Officer, Manager (Admn.) & Company Secretary, and Manager (Mktg.)



Pictures showing the rusted/damaged parts of 100 TPH washery

The expenditure of ₹2.99 crore incurred for purchase of washery and its commissioning, had been rendered unfruitful. Further, the envisaged objective of installation of new washery also remained largely unachieved.

The Government accepted the facts and stated that it has decided to once again explore the possibility of receiving enhanced rates for disposal of the washery. However, the fact remains that the 100 TPH washery, in absence of any feasibility study, bought for ₹2.99 crore remains idle, without achieving the envisaged objective.

Recommendation:

The Company should invariably ensure that a thorough market analysis must be carried out along with a cost benefit analysis before venturing into any new projects in future.

Other State Public Sector Enterprises

5.8 Interest forgone

Non availing and irregular operation of auto sweep facility resulted in forgone interest of ₹ 45.05 crore

The SPSEs have current account with various banks for its day-to-day operations. The GoTN vide their repeated instructions¹⁰⁸ have instructed all SPSEs to take the best advantage of available banking services for maintenance of accounts and for depositing their surplus funds. In this connection, GoTN specifically instructed¹⁰⁹ that the SPSEs need to ensure depositing their surplus funds in FDs/ Sweep Accounts for fetching optimum interest.

¹⁰⁸ Letter no. 59800/Fin(BPE)/2011-1 dated 09.03.2012 and reiterated vide letter no. 23580/Finance(BPE) dated 02.07.2013

¹⁰⁹ Letter No.43851/Finance (BPE)/2022 Dated 22.10.2022

Under auto sweep facility, if there is any amount lying above the decided threshold limit in that current account¹¹⁰, it is converted into Multi Option Deposit Schemes (with auto sweep facility) and it could be liquidated anytime as per the SPSE's requirement with the benefit of earning interest at prevailing rates as applicable to fixed/term deposits. Eventually, when cheques are presented for payment, the shortfall in the current account would automatically be made available by reversal of auto sweep deposits under last in first out (LIFO) to honour the cheques/payments.

In relation to auto sweep accounts, the following observations are made.

a) Failure to avail auto sweep facility

Audit observed that five SPSEs¹¹¹ had current accounts without auto sweep facility despite an average daily float of ₹648.90 crore in their various current accounts, during the period from April 2020 to March 2023. Since these SPSEs did not opt for auto sweep facility in their current accounts, they were deprived of the opportunity to earn interest on the funds parked in current accounts to the extent of ₹40.45 crore (**Appendix-38**)¹¹² taking a threshold amount of ₹5 lakh.

The SPSEs assured (October/November 2023) to take corrective action by opting auto sweep facility.

b) Failure to ensure auto sweeping of excess fund in the savings/current account

On review of operation of bank accounts with auto sweep facility, in respect of the following three SPSEs from April 2020 to March 2023, the audit observations are as under:

- TNCDW and TNMSC have saving/current accounts with auto sweep facilities with an average daily floating balance of ₹54.88 crore and ₹25.78 crore respectively, during April 2020 to March 2023. However, Audit scrutiny revealed that the banks created limited value term deposit of only ₹99.98 lakh for TNCDW and of ₹99.50 lakh for TNMSC on every seventh day of each week by sweeping the aforementioned amount from the savings/current account instead of creating term deposit for total balance amount over and above ₹5 lakh lying in the savings/current account. Thus, both PSEs did not ensure the conversion of sweep deposits as per the conditions of the accounts being operated, which resulted in loss of interest of ₹4.06 crore.

¹¹⁰ Amount lying in the current account will not fetch any interest

¹¹¹ CAPL, SIPCOT, TNCSC, TNWRCRRC and TANFINET

¹¹² Calculated @ 2.9 per cent per annum (being the minimum interest for term deposit of seven days) on the daily fund balance kept in the current accounts over the minimum balance of ₹5 lakh.

- Similarly, SIDCO was operating 46 bank accounts with auto sweep facility. Out of this, in respect of 14 bank accounts (with daily average balance of ₹17.56 crore), the auto sweep facility was not operated properly by the banks and thus, the excess amount was not converted into term deposits regularly, resulting in interest loss of ₹0.54 crore¹¹³.

The above lacuna could have been identified, had there been a proper internal control mechanism existing in these SPSEs to monitor the banking transactions and verify the compliance to the instructions given to the banks. Further, existence of such mechanism could have earned additional interest income to the tune of ₹4.60 crore (**Appendix-39**).

The SPSEs agreed (November 2023) to the observation and assured to take corrective action by taking the issue with the concerned banks. Further, TNCDW initiated (November 2023) claim against the bank for the above loss of interest. However, the reply of TNMSC and SIDCO is silent about the action proposed to be taken for initiating claim against the concerned banks towards loss of interest which occurred on account of their lapses.

The Government in its reply (April 2024) stated that the observations were communicated to the PSEs for compliance and instructions were issued to the SPSEs for complying with Finance (BPE) instructions issued earlier. After being pointed out by Audit, TNCDW received an approval from its bank towards interest of ₹ 44.71 lakh for the period covered under failed auto sweep instructions and is further undertaking efforts for the remaining amount.

¹¹³ Calculated @ 2.9 per cent per annum (being the minimum interest for term deposit of seven days) on the daily fund balance kept in the current accounts over the minimum balance of ₹5 lakh.

Recommendations

The SPSEs may:

- *convert their existing current accounts with auto sweep facility without delay for ensuring interest income on idle funds, and*
- *scrutinize auto sweeping (as sweep deposits) of excess fund in the savings/current bank account periodically so as to avoid loss of interest.*

5.9 Loss of interest

Lack of proactive management of term deposits by SPSEs resulted in loss of interest of ₹ 21.52 crore

The SPSEs are investing their funds in various commercial banks/State Non-Banking Financial Companies (NBFCs) for different tenures considering their inflow and outflow of required funds. On review of investments in term deposits made by following SPSEs, the ensuing audit observations are made.

a) Non-comparing of bank interest rates vis-a-vis non-investment in mandatory State NBFCs

The GoTN directed¹¹⁴ the SPSEs and their Boards to consider investment in State owned NBFCs (TDFC/POWERFIN) on equal priority, apart from retaining deposits in banks. Further, Finance Department/GoTN directed (January 2016) the PSEs to invest at least 60 *per cent* of their surplus funds with TNPFC/TDFC as they are funding for strengthening the infrastructure of the state (electricity/transport sector) which are also backed up with the sovereign guarantee of the State apart from offering more rate of interest than the commercial banks.

However, audit observed that four PSEs¹¹⁵ had made investments in the commercial banks without considering higher interest rate offered by the State NBFCs and without considering the threshold limit of 60 *per cent* (for term deposit invested for a period of one year) which resulted in loss of opportunity to earn additional interest of ₹6.96 crore during the three years period (2020-23) (**Appendix 40**). Consequently, an amount of ₹458.43 crore¹¹⁶ was not available to State NBFCs for financing the transport/power infrastructure facilities of the State.

The PSEs accepted (September/October/November 2023) the audit observation and assured to comply with the BPE instructions in future.

¹¹⁴ G.O.Ms.No.680 Fin (BPE) Department dated 24.09.1993

¹¹⁵ TAFCON, TNMSC, TNCDW and TAHDCO

¹¹⁶ Investment made during the period 2020-2023

b) Non-analysing the alternate opportunities on pre-closure of term deposits

As per the conditions of the term deposit, in case of premature withdrawal, one to three *per cent* on the applicable interest rate on the deposit would be reduced as penalty by NBFCs/commercial banks on the already completed period of deposits. Further, the financial institutions are also sanctioning loan against the term/fixed deposits at two *percent* over and above the interest given for the term deposits.

Scrutiny of records revealed that three PSEs¹¹⁷ had pre-closed term deposits of ₹ 824.85 crore placed on the TNPFC/commercial banks before the maturity period due to requirement of funds. However, during the closure of the deposits, the PSEs did not compare the amount of penal interest to be deducted by the financial institutions due to pre closure of deposits with the estimated interest to be incurred on availing fresh loan against term deposit to arrive at appropriate decision on pre-closure/obtaining loan against deposits (as detailed in **Table 5.2**).

Table 5.2: Details of pre-closed term deposits by the three SPSEs
(₹ in crore)

Company's Name	Total deposits pre-closed (2020-2023)	Pre-closure penalty deducted by the Banks/ NBFCs	Amount of interest to be paid on availing new loan	Loss of interest
Tamil Nadu Small Industries Corporation Ltd	14.00	0.47	0.09	0.38
Tamil Nadu Small Industries Development Corporation Ltd	68.20	2.67	1.13	1.54
State Industries Promotion Corporation of Tamil Nadu	742.65	13.21	3.42	9.79
Total	824.85	16.35	4.64	11.71

This indicated lack of awareness on the part of PSEs due to which they lost the opportunity to earn interest income of ₹11.71 crore. It is also pertinent to note that other State PSEs like TASMAL and ELCOT are regularly obtaining loans against term deposits after comparing the pre-closure penalty involved with the cost of availing loan against deposits.

The PSEs assured (October/November 2023) that suitable cost benefit analysis would be made by comparing pre-closure charges with the cost of loan against deposits during pre-closure of deposits in future.

c) Inadequate monitoring and non-renewal of term deposits on maturity resulted in loss of interest ₹ 2.85 crore

Finance (BPE) Department, GoTN has given instructions (July 2021) to ensure development of appropriate mechanism for renewing the term deposits at appropriate times so as to avoid loss of interest.

¹¹⁷ TANSI, SIDCO, SIPCOT

As per the terms and conditions of TNPFC, the rate of interest applicable for the overdue period (from the date of maturity to the request of renewal of deposit) will be two *per cent* less than the applicable rate of interest in case the renewal application is received, or request is made after three months from the date of maturity. Further, in respect of deposits made in commercial banks, the banks will provide interest applicable for the savings bank account only, if the deposits were not renewed.

Audit observed that TNRIDC and TNCDW did not maintain Fixed Deposit register for effective monitoring of term deposits. Consequently, both the Companies did not renew their term deposits (₹281.62 crore and ₹25.13 crore respectively) within the prescribed grace period and hence, the financial institutions paid lesser interest resulting in loss of interest of ₹2.85 crore as detailed in **Table 5.3** below:

Table 5.3: Loss of interest due to non-renewal of deposits

Name of the PSE	Total value of deposits not closed (₹ in crore)	No of deposits not renewed	Delay in renewal (days)	Loss of interest (₹ in crore)
Tamil Nadu Road Infrastructure Development Corporation Limited	281.62	38	25 to 353	2.60
Tamil Nadu Corporation for Development of Women Limited	20.13	5	199 to 226	0.25
Total				2.85

TNRIDC accepted the audit observation (September 2023) and stated that such instances would be avoided in future by formulating suitable internal control mechanism.

The Government in its reply (April 2024) stated that instructions were issued to the PSEs for complying with BPE instructions citing the observations pointed out by audit.

Recommendations

The PSEs may:

- *ensure compliance with the BPE instructions relating to investment of funds in state NBFCs;*
- *take the decision of pre-closure of term deposits after analysing the available alternate opportunities; and*
- *strengthen their internal control mechanism to ensure timely renewal of term deposits on maturity*

Chennai
The 07 November 2025



(R. THIRUPPATHI VENKATASAMY)
Principal Accountant General (Audit-II)
Tamil Nadu and Puducherry

Countersigned



New Delhi
The 12 November 2025 (K. SANJAY MURTHY)
Comptroller and Auditor General of India

Appendices

Appendix-1
(As referred to in Para No.1.1.3)

List of State Public Sector Enterprises and their Share capital, Turnover and Net profit after Tax under jurisdiction of Audit in Tamil Nadu

Sl. No.	Name of the SPSE	GC/ GCC#	Period of Accounts	(₹ in crore)		
				Share Capital	Turnover	NPAT
	Working SPSEs					
1	Tamil Nadu Handloom Development Corporation Limited	GC	2022-23	4.29	1.24	0.12
2	Tamil Nadu Adi-Dravidar Housing and Development Corporation Limited	GC	2020-21	143.53	15.34	9.12
3	Tamil Nadu Backward Classes Economic Development Corporation Limited	GC	2022-23	12.27	7.41	3.96
4	Tamil Nadu Corporation for Development of Women Limited	GC	2022-23	0.78	1206.04	6.62
5	Tamil Nadu Minorities Economic Development Corporation Limited	GC	2020-21	2.05	18.95	0.40
6	Tamil Nadu Industrial Investment Corporation Limited	GC	2022-23	421.00	267.67	136.15
7	Tamil Nadu Transport Development Finance Corporation Limited	GC	2022-23	3000.00	1173.34	36.23
8	Tamil Nadu Urban Finance and Infrastructure Development Corporation Limited	GC	2022-23	32.00	67.57	30.95
9	Tamil Nadu Linguistic Minorities Social and Economic Development Corporation Limited	GC	2022-23	5.00	0.00	0.08
10	Tamil Nadu Urban Infrastructure Financial Services Limited	GCC	2022-23	1.00	9.95	4.86
11	Tamil Nadu Rural Housing and Infrastructure Development Corporation Limited	GC	2020-21	3.00	38.40	0.53
12	Adyar Poonga	GC	2022-23	0.10	0.00	0.00
13	Tamil Nadu Small Industries Development Corporation Limited	GC	2022-23	25.14	122.98	29.82
14	Tamil Nadu Infrastructure Fund Management Corporation Limited	GCC	2022-23	32.30	13.96	6.25
15	Tamil Nadu Industrial Development Corporation Limited	GC	2022-23	72.03	279.40	228.79
16	State Industries Promotion Corporation of Tamil Nadu Limited	GC	2022-23	114.17	1445.91	203.99
17	TIDEL Park Limited	GCC	2022-23	44.00	90.31	42.16
18	Nilakottai Food Park Limited	GCC	2022-23	0.68	0.00	0.07
19	Guindy Industrial Estate Infrastructure Upgradation Company	GC	2022-23	0.01	0.00	0.01
20	Tamil Nadu Road Infrastructure Development Corporation	GC	2020-21	5.00	4.37	0.29
21	Tamil Nadu Road Development Company Limited	GCC	2022-23	10.00	47.56	21.08
22	IT Expressway Limited	GCC	2022-23	44.05	30.97	-2.65
23	TIDEL Park Coimbatore Limited	GCC	2022-23	227.53	70.80	24.32
24	TICEL Bio Park Limited	GCC	2022-23	139.00	47.79	9.58
25	Tamil Nadu Polymer Industries Park Limited	GC	2022-23	73.37	0.00	0.09
26	Tamil Nadu Sustainable Industrial Water Corporation Limited	GC	2022-23	0.05	0.00	-0.03

Sl. No.	Name of the SPSE	GC/ GCC#	Period of Accounts	Share Capital	Turnover	NPAT
27	Tamil Nadu Police Housing Corporation Limited	GC	2022-23	1.00	40.83	0.33
28	Chennai Smart City Limited	GCC	2022-23	0.10	1.20	0.43
29	Vellore Smart City Limited	GCC	2021-22	0.10	0.00	1.80
30	Tiruchirappalli Smart City Limited	GCC	2022-23	0.10	0.00	0.00
31	Erode Smart City Limited	GCC	2021-22	0.10	0.00	0.00
32	Coimbatore Smart City Limited	GCC	2021-22	0.10	0.00	0.03
33	Chennai Industrial Water Utility Company Limited	GC	2022-23	0.05	0.00	-0.01
34	Tamil Nadu Water Resources Conservation and Rivers Restoration Corporation Limited	GC	2022-23	5.00	0.10	0.00
35	CBIC Ponneri Industrial Township Limited	GC	2022-23	5.00	0.00	0.10
36	Chennai Aerospace Park Limited	GC	2022-23	5.05	0.00	0.01
37	Tidel Neo Limited	GC	2022-23	0.10	0.00	-0.32
38	Tamil Nadu Industrial Housing Private Limited	GC	2022-23	0.40	0.00	-0.06
39	Tamil Nadu Urban Infrastructure Trustee Company Limited	GCC	2022-23	0.10	0.00	0.00
40	Tamil Nadu Civil Supplies Corporation	GC	2021-22	71.74	23783.13	0.00
41	Overseas Manpower Corporation Limited	GC	2022-23	0.15	1.17	-0.31
42	Tamil Nadu Skill Development Corporation Limited	GC	2022-23	0.05	0.00	0.00
43	Tamil Nadu Medical Services Corporation Limited	GC	2022-23	4.04	81.00	0.47
44	Tamil Nadu Ex-servicemen's Corporation Limited	GC	2022-23	0.23	252.02	18.38
45	Tamil Nadu Tourism Development Corporation Limited	GC	2022-23	10.43	117.94	29.99
46	Poompuhar Shipping Corporation Limited	GC	2022-23	20.53	419.53	-28.67
47	Electronics Corporation of Tamil Nadu Limited	GC	2022-23	25.93	53.51	13.25
48	Pallavan Transport Consultancy Services Limited	GC	2022-23	0.10	1.11	0.06
49	Metropolitan Transport Corporation Limited	GC	2022-23	982.59	1802.68	-995.56
50	State Express Transport Corporation Limited	GC	2022-23	704.02	717.16	-379.76
51	Tamil Nadu State Transport Corporation (Coimbatore) Limited	GC	2022-23	993.32	1535.34	-964.53
52	Tamil Nadu State Transport Corporation (Kumbakonam) Limited	GC	2022-23	1007.82	2012.66	-775.68
53	Tamil Nadu State Transport Corporation (Salem) Limited	GC	2022-23	616.59	1213.66	-634.21
54	Tamil Nadu State Transport Corporation (Villupuram) Limited	GC	2022-23	848.54	2026.62	-906.30
55	Tamil Nadu State Transport Corporation (Madurai) Limited	GC	2022-23	814.47	1366.70	-704.98
56	Tamil Nadu State Transport Corporation (Tirunelveli) Limited	GC	2022-23	903.51	974.62	-716.84
57	Tamil Nadu Arasu Cable TV Corporation Limited	GC	2022-23	25.00	388.01	-3.20
58	Tamil Nadu FibreNet Corporation Limited	GC	2021-22	0.50	0.00	-0.09
59	Tamil Nadu Internet and Connectivity Services Limited	GC	2022-23	0.50	0.00	-0.01
60	Tamil Nadu State Marketing Corporation Limited	GC	2022-23	15.00	27123.50	-2.05

Sl. No.	Name of the SPSE	GC/ GCC#	Period of Accounts	Share Capital	Turnover	NPAT
61	Tamil Nadu Working Women's Hostels Corporation Limited	GC	2022-23	1.00	0.36	-0.26
62	Tamil Nadu Wilderness Experiences Corporation Private Limited	GCC	2022-23	4.00	0.00	-0.12
63	Tamil Nadu Centre of Excellence for Advanced Manufacturing	GC	2022-23	10.00	0.62	-4.24
64	Tamil Nadu Startup and Innovation Mission	GCC	2022-23	0.00	13.61	0.42
65	Tamil Nadu Smart and Advanced Manufacturing Centre	GC	2022-23	0.001	0.85	-2.19
66	Tamil Nadu Advance Manufacturing Centre of Excellence Private Limited	GC	2022-23	10.00	0.00	-1.54
67	Tamil Nadu Food processing and Agri Export Promotion Corporation	GCC	2022-23	0.00	0.00	-0.01
68	Tamil Nadu Coir Business Development Corporation	GCC	2022-23	0.00	0.00	0.00
69	i Tamil Nadu Technology Foundation	GCC	2022-23	0.00	0.00	0.07
70	Tamil Nadu Green Climate Company	GC	2022-23	5.00	0.00	-0.14
71	TN Apex Skill Development Centre for Logistics	GCC	2022-23	2.00	3.16	0.98
72	TN Apex Skill Development Centre for Health Care	GCC	2022-23	2.00	3.16	0.22
73	Tamil Nadu Generation and Distribution Corporation Limited	GC	2022-23	20119.16	80857.77	-9192.25
74	Tamil Nadu Transmission Corporation Limited	GC	2021-22	5748.07	3432.94	-655.50
75	TNEB Limited	GC	2019-20	25375.94	0.00	-0.99
76	Tamil Nadu Power Finance and Infrastructure Development Corporation Limited	GC	2022-23	3767.00	4769.48	1017.17
77	Udangudi Power Corporation Limited	GC	2022-23	65.00	0.00	0.00
78	Tamil Nadu Fisheries Development Corporation Limited	GC	2022-23	4.46	715.84	8.91
79	Tamil Nadu Forest Plantation Corporation Limited	GC	2022-23	5.64	165.40	59.13
80	Tamil Nadu Tea Plantation Corporation Limited	GC	2022-23	14.96	60.36	-37.74
81	Arasu Rubber Corporation Limited	GC	2022-23	13.07	41.74	5.19
82	Tamil Nadu Small Industries Corporation Limited	GC	2022-23	20.00	153.46	10.18
83	Tamil Nadu Textiles Corporation Limited	GC	2022-23	1.54	34.52	0.43
84	Tamil Nadu Zari Limited	GC	2022-23	0.34	47.18	1.64
85	Tamil Nadu Handicrafts Development Corporation Limited	GC	2022-23	3.22	40.57	-0.27
86	Tamil Nadu Salt Corporation Limited	GC	2022-23	11.34	47.18	3.42
87	Tamil Nadu Sugar Corporation Limited	GC	2022-23	218.24	110.21	-20.15
88	Perambalur Sugar Mills Limited	GC	2022-23	209.10	148.09	25.51
89	Tamil Nadu Cements Corporation Limited	GC	2022-23	111.32	1019.32	133.97
90	Tamil Nadu Minerals Limited	GC	2022-23	15.74	91.98	-4.66
91	Tamil Nadu Magnesite Limited	GC	2022-23	16.65	62.08	17.70
92	Tamil Nadu Industrial Explosives Limited	GC	2022-23	27.03	0.00	-12.67
93	Tamil Nadu Newsprint and Papers Limited	GCC	2022-23	69.21	5179.89	387.87
94	Tamil Nadu Medicinal Plant Farms and Herbal Medicine Corporation Limited	GC	2022-23	3.00	72.26	2.52
95	Namma School Foundation		First accounts due			

Sl. No.	Name of the SPSE	GC/ GCC#	Period of Accounts	Share Capital	Turnover	NPAT
96	Tamil Nadu Unmanned Aerial Vehicle Corporation		First accounts due			
97	Salem Smart City Limited		First accounts due			
98	Thoothukudi Smart City Limited		First accounts due			
99	Thanjavur Smart City Limited		First accounts due			
100	Tamil Nadu Warehousing Corporation	SC	2022-23	7.61	100.48	24.77
	Non-Working SPSE					
101	Tamil Nadu State Construction Corporation Limited		Under liquidation			
102	Tamil Nadu Goods Transport Corporation Limited		Under liquidation			

#- Government Company (GC)/Government Controlled other Company (GCC)/Statutory Corporation (SC)

Appendix-2
(As referred to in Para No.1.1.3)
List of Government companies/Government controlled other companies which came
under the purview of CAG Audit during 2022-23

Sl. No.	Name of the SPSE
Government companies came under purview of CAG Audit	
1	Tamil Nadu Smart and Advanced Manufacturing Centre
2	Tamil Nadu Advance Manufacturing Centre of Excellence Private Limited
3	Tamil Nadu Industrial Housing Private Limited
4	Tamil Nadu Green Climate Company
Government controlled Other companies came under purview of CAG Audit	
1	Tamil Nadu Food processing and Agri Export Promotion Corporation
2	Tamil Nadu Coir Business Development Corporation
3	i Tamil Nadu Technology Foundation
4	TN Apex Skill Development Centre for Logistics
5	TN Apex Skill Development Centre for Health Care
6	Tamil Nadu Urban Infrastructure Financial Services Limited
7	Tamil Nadu Urban Infrastructure Trustee Company Limited
8	Salem Smart City Limited
9	Thoothukudi Smart City Limited
10	Thanjavur Smart City Limited
11	Tamil Nadu Unmanned Aerial Vehicle Corporation
12	Namma School Foundation

Appendix-3
(Referred to in paragraph 1.2.1.1)

Summarised statement showing difference between Finance Accounts of Government of Tamil Nadu and Accounts of the State Government Companies and Corporations in respect of balances of equity as on 31 March 2023

(₹ in crore)

Sl. No.	Name of the SPSE	Reconciliation		
		As per SPSE Accounts Paid-up capital	As per Finance Accounts Paid-up capital	Difference
(1)	(2)	(3)	(4)	(5)
1	State Express Transport Corporation Limited	704.02	698.39	5.63
2	Metropolitan Transport Corporation Limited	982.59	892.90	89.69
3	Tamil Nadu State Transport Corporation (Coimbatore) Limited	993.32	984.88	8.44
4	Tamil Nadu State Transport Corporation (Kumbakonam) Limited	1007.82	1007.13	0.69
5	Tamil Nadu State Transport Corporation (Salem) Limited	616.59	615.90	0.69
6	Tamil Nadu State Transport Corporation (Villupuram) Limited	848.54	848.33	0.21
7	Tamil Nadu State Transport Corporation (Madurai) Limited	814.17	806.03	8.44
8	Tamil Nadu State Transport Corporation (Tirunelveli) Limited	903.51	902.82	0.69
9	Pallavan Transport Consultancy Services	0.10	0.60	0.50
10	Tamil Nadu Sugar Corporation Limited	217.24	218.24	1.00
11	Tamil Nadu Water Resources Conservation and River Restoration Corporation Limited	5.00	0.00	5.00
12	Tamil Nadu Working Women's Hostels Corporation Limited	1.00	0.00	1.00
13	Tamil Nadu FibreNet Corporation Limited	0.50	0.00	0.50
14	Tamil Nadu Linguistic Minorities Social and Economic Development Corporation Limited	5.00	0.00	5.00
15	Tamil Nadu Skill Development Corporation Limited	0.05	0.00	0.05
16	Tamil Nadu Salt Corporation Limited	6.34	11.34	5.00
17	Tamil Nadu Green Climate Company	2.50	0.00	2.50

(1)	(2)	(3)	(4)	(5)
18	Tamil Nadu Urban Infrastructure Trustee Company Limited	0.05	0.00	0.05
19	Adyar Poonga	0.10	0.00	0.10
20	Chennai Smart City Limited	0.05	0.00	0.05
21	Vellore Smart City Limited	0.05	0.00	0.05
22	Tiruchirapalli Smart City Limited	0.05	0.00	0.05
23	Erode Smart City Limited	0.05	0.00	0.05
24	Coimbatore Smart City Limited	0.05	0.00	0.05
25	Salem Smart City Limited	0.05	0.00	0.05
	TOTAL			135.48

In respect of three SPSEs (Sl.No.9,10 and 16) the Finance accounts figures are more than SPSE data which are under reconciliation.

Appendix-4A
(Referred to in Paragraph 1.2.2.2)
List of SPSEs Debt Asset Ratio was less than one (total assets were lower than the long term loans outstanding) during 2022-23

Sl. No	Name of the SPSE	Year of Accounts	Long term Loans (₹ in crore)	Total Assets (₹ in crore)	Debt Asset Ratio <1
1	Tamil Nadu Handloom Development Corporation Limited	2022-23	5.04	45.75	0.11
2	Tamil Nadu Adi-Dravidar Housing and Development Corporation Limited	2020-21	9.30	477.59	0.02
3	Tamil Nadu Backward Classes Economic Development Corporation Limited	2022-23	167.84	323.87	0.52
4	Tamil Nadu Minorities Economic Development Corporation Limited	2020-21	91.64	169.37	0.54
5	Tamil Nadu Small Industries Development Corporation Limited	2022-23	112.26	758.44	0.15
6	Tamil Nadu Medical Services Corporation Limited	2022-23	49.07	2480.31	0.02
7	Tamil Nadu Industrial Investment Corporation Limited	2022-23	1395.27	3093.23	0.45
8	Tamil Nadu Urban Finance and Infrastructure Development Corporation Limited	2022-23	379.33	749.80	0.51
9	Tamil Nadu Textiles Corporation Limited	2022-23	5.01	39.58	0.13
10	State Industries Promotion Corporation of Tamil Nadu Limited	2022-23	90.27	9172.59	0.01
11	Tamil Nadu Sugar Corporation Limited	2022-23	0.17	196.99	0.00
12	Tamil Nadu Cements Corporation Limited	2022-23	535.30	1004.61	0.53
13	Perambalur Sugar Mills Limited	2022-23	1.21	158.24	0.01
14	Tamil Nadu Magnesite Limited	2022-23	36.76	143.43	0.26
15	Tamil Nadu Industrial Explosives Limited	2022-23	3.53	13.60	0.26
16	Tamil Nadu Tourism Development Corporation Limited	2022-23	0.81	219.96	0.00
17	Poompuhar Shipping Corporation Limited	2022-23	8.24	161.80	0.05
18	Tamil Nadu Arasu Cable TV Corporation Limited	2022-23	90.25	313.94	0.29
19	Tamil Nadu Water Resources Conservation and Rivers Restoration Corporation Limited	2022-23	1609.69	1617.64	1.00
20	Tamil Nadu Working Women's Hostels Corporation Limited	2022-23	11.36	62.88	0.18
21	Tamil Nadu Warehousing Corporation	2022-23	72.27	360.32	0.20
22	Tamil Nadu Generation and Distribution Corporation Limited	2022-23	106431.20	153396.65	0.69
23	Tamil Nadu Transmission Corporation Limited	2021-22	26796.44	50796.05	0.53
Total			1,37,902.26	2,25,756.64	0.61:1

Appendix-4B
(As referred to in Para No.1.2.2.2)

**List of Government companies where Debt Asset Ratio was greater than one
(total assets were lower than the long term loans outstanding) during 2022-23**

SL No	Name of the SPSE	Year of Accounts	Long term Loans (₹ in crore)	Total Assets (₹ in crore)	Debt Asset Ratio >1
1	Tamil Nadu Minerals Limited	2022-23	126.33	114.77	1.10
2	Tamil Nadu Tea Plantation Corporation Limited	2022-23	210.87	55.67	3.79
3	Metropolitan Transport Corporation Limited	2022-23	2263.83	696.66	3.25
4	State Express Transport Corporation Limited	2022-23	1278.35	148.42	8.61
5	Tamil Nadu State Transport Corporation (Coimbatore) Limited	2022-23	2549.36	371.98	6.85
6	Tamil Nadu State Transport Corporation (Kumbakonam) Limited	2022-23	1451.12	598.55	2.42
7	Tamil Nadu State Transport Corporation (Salem) Limited	2022-23	1454.94	304.93	4.77
8	Tamil Nadu State Transport Corporation (Villupuram) Limited	2022-23	1296.99	600.41	2.16
9	Tamil Nadu State Transport Corporation (Madurai) Limited	2022-23	1950.35	465.05	4.19
10	Tamil Nadu State Transport Corporation (Tirunelveli) Limited	2022-23	2958.43	424.99	6.96
Total			15540.57	3781.43	4.11:1

Appendix-5
(As referred to in Para No.1.2.2.4)
SPSEs in which interest outstanding on State Government Loans

(₹ in crore)

Sl. No.	Name of the SPSE	Outstanding interest on State Government loans	Interest on State Government loans outstanding for less than 1 year	Interest on State Government loans outstanding for 1 - 3 years	Interest on State Government loans outstanding for more than 3 years
1	Tamil Nadu Handloom Development Corporation Limited	1.22	0.00	1.22	0.00
2	Tamil Nadu Tea Plantation Corporation Limited	27.08	9.96	17.12	0.00
3	Tamil Nadu Textiles Corporation Limited	0.95	0.37	0.58	0.00
4	Tamil Nadu Sugar Corporation Limited	35.98	1.70	11.97	22.31
5	Perambalur Sugar Mills Limited	46.71	1.44	7.29	37.98
6	Tamil Nadu Minerals Limited	34.14	8.75	16.89	8.50
7	Tamil Nadu Industrial Explosives Limited	97.60	12.58	25.07	59.95
8	Metropolitan Transport Corporation Limited	610.52	150.70	263.23	196.59
9	State Express Transport Corporation Limited	313.96	76.05	133.17	104.74
10	Tamil Nadu State Transport Corporation (Coimbatore) Limited	654.42	3.90	120.38	530.14
11	Tamil Nadu State Transport Corporation (Kumbakonam) Limited	584.92	149.40	259.74	175.78
12	Tamil Nadu State Transport Corporation (Salem) Limited	460.65	1.32	21.16	438.17
13	Tamil Nadu State Transport Corporation (Villupuram) Limited	505.47	0.93	42.98	461.56
14	Tamil Nadu State Transport Corporation (Madurai) Limited	478.95	120.51	298.82	59.62
15	Tamil Nadu State Transport Corporation (Tirunelveli) Limited	458.47	109.76	198.47	150.24
16	Tamil Nadu Generation and Distribution Corporation Limited	2070.62	549.32	1003.64	517.66
17	Tamil Nadu Transmission Corporation Limited	120.33	37.28	67.57	15.48
	Total	6501.99	1233.97	2489.30	2778.72

Appendix-6
(As referred to in Para No.1.3.3)
List of Government Companies and Corporations having negative
Net Worth as on 31 March 2023

(₹ in crore)

Sl. No	Company	Net Profit/ (-)Loss	Net Worth	Paid up Capital
1	Tamil Nadu Tea Plantation Corporation Limited #	-37.74	-278.36	14.96
2	Tamil Nadu Sustainable Industrial Water Corporation Limited	-0.03	-0.57	0.05
3	Tamil Nadu Sugar Corporation Limited	-20.15	-33.05	218.24
4	Perambalur Sugar Mills Limited #	25.51	-110.51	209.10
5	Tamil Nadu Minerals Limited	-4.66	-155.29	15.74
6	Tamil Nadu Industrial Explosives Limited #	-12.67	-235.33	27.03
7	Pallavan Transport Consultancy Services Limited #	0.06	-1.49	0.10
8	Metropolitan Transport Corporation Limited #	-995.56	-7,422.52	982.59
9	State Express Transport Corporation Limited #	-379.76	-3,431.75	704.02
10	Tamil Nadu State Transport Corporation (Coimbatore) Limited #	-964.53	-7,895.50	993.32
11	Tamil Nadu State Transport Corporation (Kumbakonam) Limited #	-775.68	-6,762.40	1007.82
12	Tamil Nadu State Transport Corporation (Salem) Limited #	-634.21	-4,766.58	616.59
13	Tamil Nadu State Transport Corporation (Villupuram) Limited #	-906.30	-6,206.45	848.54
14	Tamil Nadu State Transport Corporation (Madurai) Limited #	-704.98	-5,393.40	814.47
15	Tamil Nadu State Transport Corporation (Tirunelveli) Limited #	-716.84	-5,807.03	903.51
16	Arasu Cable TV Corporation Limited	-3.20	-183.95	25.00
17	Tamil Nadu State Marketing Corporation Limited #	-2.05	-354.42	15.00
18	Chennai Industrial Water Utility Company Limited	-0.01	-0.15	0.05
19	Tidel Neo Limited	-0.32	-0.39	0.10
20	Tamil Nadu Smart and Advanced Manufacturing Centre	-2.19	-2.19	0.001
21	Tamil Nadu Generation and Distribution Corporation Limited #	-9,192.25	-1,42,387.88	20,119.16
22	Tamil Nadu Transmission Corporation Limited	-655.50	-1,703.77	5,748.07
	Total	-15,983.06*	-193132.98	33,263.46

#- denotes that these SPSEs had negative net worth during all the last six years ending 2022-23

*- includes two SPSEs Sl.No.4 and 7, which earned profit of ₹25.51 and ₹0.06 crore respectively and 20 SPSEs which reported loss of ₹16,008.63 crore

Appendix-7

(As referred to in Para No.1.3.4)

Shortfall in dividend declared by Government companies

Sl. No	Name of the Government Companies	Paid up capital	Profit After Tax	Dividend declared/paid	30 % of Paid up capital	30% Profit after Tax	Minimum Dividend required to be declared	Shortfall
1	Tamil Nadu Adi-dravidar Housing and Development Corporation Limited	143.53	9.12	--	43.06	2.74	2.74	2.74
2	Tamil Nadu Backward Classes Economic Development Corporation Limited	12.27	3.96	--	3.68	1.19	3.68	3.68
3	Tamil Nadu Corporation for Development of Women Limited	0.78	6.62	--	0.23	1.99	1.99	1.99
4	Tamil Nadu Minorities Economic Development Corporation Limited	2.05	0.40	--	0.62	0.12	0.12	0.12
5	Tamil Nadu Rural Housing and Infrastructure Development Corporation Limited	3.00	0.53	--	0.90	0.16	0.16	0.16
6	Tamil Nadu Medical Services Corporation Limited	4.04	0.47	--	1.21	0.14	0.14	0.14
7	Tamil Nadu Ex-servicemen's Corporation Limited	0.23	18.38	--	0.07	5.51	5.51	5.51
8	Tamil Nadu Forest Plantation Corporation Limited	5.64	59.13	--	1.69	17.74	17.74	17.74
9	Arasu Rubber Corporation Limited	13.07	5.19	--	3.92	1.56	3.92	3.92
10	Tamil Nadu Industrial Investment Corporation Limited	421.00	136.15	21.05	126.30	40.85	126.30	105.25
11	Tamil Nadu Transport Development Finance Corporation Limited	3,000	36.23	1.66	900.00	10.87	10.87	9.21
12	Tamil Nadu Small Industries Corporation Limited	20.00	10.18	1.60	6.00	3.05	6.00	4.40
13	Tamil Nadu Salt Corporation Limited	11.34	3.42	--	3.40	1.03	1.03	1.03
14	Tamil Nadu Cements Corporation Limited	111.32	133.97	--	33.40	40.19	40.19	40.19
15	Tamil Nadu Magnesites Limited	16.65	17.70	--	5.00	5.31	5.31	5.31
16	Tamil Nadu Power Finance and Infrastructure Development Corporation Limited	3767.00	1017.17	--	1130.10	305.15	305.15	305.15
	Total							506.54

Appendix-8
(As referred to in Para No.1.4.1)
Value of Production, Total Assets and Capital Employed of SPSEs

Sl No.	Name of the SPSE	2020-21			2021-22			2022-23			(₹ in crore)
		Value of Production	Total Assets	Capital employed	Value of Production	Total Assets	Capital employed	Value of Production	Total Assets	Capital employed	
Monopoly											
1	Tamil Nadu Fisheries Development Corporation Limited	550.07	82.15	52.78	647.64	84.02	58.38	716.74	97.43	64.69	
2	Tamil Nadu Handloom Development Corporation Limited	5.71	60.9	8.59	0.21	64.49	8.60	1.24	45.75	8.72	
3	Tamil Nadu Adi-Dravidar Housing and Development Corporation Limited	12.29	389.53	222.64	12.29	389.53	222.64	15.34	477.59	230.53	
4	Tamil Nadu Backward Classes Economic Development Corporation Limited	8.74	288.41	202.41	7.40	317.04	221.99	7.41	323.87	228.33	
5	Tamil Nadu Corporation for Development of Women Limited	875.82	1073.97	43.79	815.61	1112.79	46.65	1206.04	805.98	53.27	
6	Tamil Nadu Minorities Economic Development Corporation Limited	6.41	169.37	105.56	6.41	169.37	105.56	18.95	169.37	113.81	
7	Tamil Nadu Rural Housing and Infrastructure Development Corporation Limited	0.00	1458.04	417.24	0.00	1458.04	417.24	0.00	1214.43	366.32	
8	Adyar Poonga	0.00	0.19	0.02	0.00	0.16	0.02	0.00	0.16	0.02	
9	Tamil Nadu Civil Supplies Corporation	2618.44	15475.13	72.94	2618.44	15475.13	72.94	1927.97	24289.28	72.94	
10	Overseas Manpower Corporation Limited.	0.59	2.86	0.72	0.59	2.86	0.72	1.17	2.56	0.44	
11	Tamil Nadu Skill Development Corporation Limited	0.00	219.68	0.21	0.00	197.04	0.05	0.00	96.26	0.05	
12	Tamil Nadu Medical Services Corporation Limited	63.64	2293.93	70.48	85.91	3192.56	68.17	81.02	2480.31	58.37	
13	Tamil Nadu Ex-servicemen's Corporation Limited	235.70	250.49	208.58	239.61	268.40	230.73	252.02	294.81	249.11	
14	Tamil Nadu Police Housing Corporation Limited	32.95	730.26	59.46	32.92	517.19	57.15	29.52	459.23	57.18	
15	Tamil Nadu State Marketing Corporation Limited	21389.80	3151.76	-282.63	22733.43	3380.13	-352.46	27056.69	3597.06	-354.42	
16	Tamil Nadu Water Resources Conservation and River Restoration Corporation Limited	0.00	44.2	39.43	0.00	661.70	634.31	0.00	1617.64	1614.69	
17	Tamil Nadu Transmission Corporation Limited	3122.77	47622.92	20067.08	3122.77	47622.92	20067.08	3432.94	50796.05	23588.24	
18	Tamil Nadu Linguistic Minorities Social and Economic Development Corporation Limited	-	-	-	0	16.79	39.96	0.00	17.92	6.54	

Sl No.	Name of the SPSE	2020-21			2021-22			2022-23		
		Value of Production	Total Assets	Capital employed	Value of Production	Total Assets	Capital employed	Value of Production	Total Assets	Capital employed
19	Tamil Nadu Green Climate Company							0.00	4.98	4.86
	Monopoly Total	28922.93	73313.79	21289.30	30323.23	74913.37	21899.73	34747.05	86787.68	26363.69
	Non Monopoly									
1	Tamil Nadu Forest Plantation Corporation Limited	125.13	344.87	258.8	117.94	363.89	281.08	165.21	395.29	334.59
2	Tamil Nadu Tea Plantation Corporation Limited.	108.66	86.39	-53.88	64.08	68.82	-76.05	56.39	55.67	-67.49
3	Arasu Rubber Corporation Limited	38.45	56.47	-10.73	44.36	70.71	-0.04	42.69	81.82	5.15
4	Tamil Nadu Industrial Investment Corporation Limited	144.11	1703.04	984.3	184.24	2585.35	1696.97	303.02	3093.23	2110.41
5	Tamil Nadu Small Industries Development Corporation Limited	62.75	414.47	128.19	94.16	534.06	160.25	120.55	758.44	292.72
6	Tamil Nadu Transport Development Finance Corporation Limited	802.36	14868.52	1744.02	902.54	15002.71	2193.83	1173.34	19106.16	3170.48
7	Tamil Nadu Urban Finance and Infrastructure Development Corporation Limited	39.31	346.03	176.87	43.55	548.46	387.24	67.57	749.80	676.95
8	Tamil Nadu Industrial Development Corporation Limited	157.43	1817.47	606.76	174.57	2576.89	730.57	279.40	2471.36	763.60
9	State Industries Promotion Corporation of Tamil Nadu Limited	1280.82	6916.27	2036.86	988.19	7883.67	2190.22	1445.91	9172.59	2491.77
10	Guindy Industrial Estate Infrastructure Upgradation Company	0.07	0.79	0.01	0.11	0.90	0.03	0.00	0.94	0.02
11	Tamil Nadu Road Infrastructure Development Corporation	4.37	219.23	6.96	4.37	219.23	6.96	4.37	219.23	6.96
12	Tamil Nadu Polymer Industries Park Limited	0.00	61.59	48.96	0.00	99.78	73.22	0.00	96.74	73.30
13	Tamil Nadu Sustainable Industrial Water Corporation Limited.	0.00	0.04	0.03	0.00	0.03	-0.54	0.00	0.03	-0.57
14	Tamil Nadu Small Industries Corporation Limited	32.97	165.33	112.09	32.97	165.33	112.09	150.36	188.11	125.73
15	Tamil Nadu Textiles Corporation Limited	31.37	39.64	9.63	22.44	34.60	9.62	35.10	39.58	9.95
16	Tamil Nadu Zari Limited	34.38	10.2	5.28	36.92	9.39	6.1	48.02	12.51	7.35
17	Tamil Nadu Handicrafts Development Corporation Limited	23.28	63.1	9.39	29.73	59.33	9.34	39.65	62.64	9.07
18	Tamil Nadu Salt Corporation Limited	35.76	24.29	11.06	20.80	22.69	11.96	42.17	24.34	10.52
19	Tamil Nadu Sugar Corporation Limited	72.85	174.24	4.83	811.69	77.40	-9.78	115.23	196.99	-32.88
20	Tamil Nadu Cements Corporation Limited	417.69	955.18	651.42	801.67	942.84	693.16	1019.60	1004.61	751.91
21	Perambalur Sugar Mills Limited	56.52	121.51	-124.95	112.80	147.26	-133.80	140.71	158.24	-109.30

Sl No.	Name of the SPSE	2020-21			2021-22			2022-23		
		Value of Production	Total Assets	Capital employed	Value of Production	Total Assets	Capital employed	Value of Production	Total Assets	Capital employed
22	Tamil Nadu Minerals Limited	35.25	124.72	-15.24	74.70	110.08	-30.29	96.25	114.77	-28.96
23	Tamil Nadu Magnesite Limited	3.65	112.14	52.72	60.46	130.14	67.15	66.61	143.43	83.80
24	Tamil Nadu Industrial Explosives Limited	0.00	14.91	-205.09	0.00	14.72	-218.12	0.00	13.60	-231.80
25	Tamil Nadu Medicinal Plant Farms and Herbal Medicine Corporation Limited	64.36	148.13	40.97	59.19	159.20	41.99	72.26	170.94	43.48
26	Tamil Nadu Paints and Allied Products Limited	3.09	4.58	3.74	-	-	-	-	-	-
27	Tamil Nadu Tourism Development Corporation Limited	43.90	113.39	40.96	78.46	133.03	29.54	177.85	219.96	46.92
28	Poompuhar Shipping Corporation Limited	262.30	234.72	89.45	290.71	236.56	90.13	419.53	161.80	61.46
29	Electronics Corporation of Tamil Nadu Limited	46.18	1587.9	239.09	52.19	1511.00	254.66	53.51	1652.21	259.38
30	Pallavan Transport Consultancy Services Limited	0.07	2.68	-1.37	0.35	2.21	-1.55	1.12	2.67	-1.49
31	Metropolitan Transport Corporation Limited	904.89	673.39	-3903.43	1377.22	440.97	-4587.84	1802.68	696.66	-5158.69
32	State Express Transport Corporation Limited	325.69	251.46	-1430.99	460.52	179.29	-1464.40	717.16	148.42	-2153.40
33	Tamil Nadu State Transport Corporation (Coimbatore) Limited	568.52	400.1	-3993.69	1117.88	338.76	-4708.54	1535.34	371.98	-5346.14
34	Tamil Nadu State Transport Corporation (Kumbakonam) Limited	893.91	586.59	-3444.59	1496.35	401.28	-4688.60	2012.66	598.55	-5311.28
35	Tamil Nadu State Transport Corporation (Salem) Limited	474.75	313.87	-2762.94	835.11	291.01	-3116.12	1213.66	304.93	-3311.64
36	Tamil Nadu State Transport Corporation (Villupuram) Limited	875.20	561.63	-3507.97	1517.40	412.74	-4029.83	2026.62	600.41	-4909.46
37	Tamil Nadu State Transport Corporation (Madurai) Limited	596.34	544.29	-2726.27	1005.16	276.54	-3174.57	1366.70	465.05	-3443.05
38	Tamil Nadu State Transport Corporation (Tirunelveli) Limited	452.13	229.78	-3157.1	701.90	260.67	-1637.28	974.62	424.99	-2848.60
39	Tamil Nadu Arasu Cable TV Corporation Limited	437.33	454.84	-139.41	471.98	445.38	-32.99	388.02	313.94	-93.70
40	Tamil Nadu FibreNet Corporation Limited	0.00	160.78	0.15	0.00	237.94	0.05	0.00	237.94	0.05
41	Chennai Industrial Water Utility Company Limited	0.00	0.03	-0.14	0.00	0.03	-0.14	0.00	0.03	-0.15
42	Tamil Nadu Internet and Connectivity Service Limited	0.00	0.49	0.49	0.00	0.50	0.50	0.00	0.49	0.49
43	CBIC Ponneri Industrial Township Limited	0.00	5.05	4.98	0.00	5.19	5.08	0.00	5.31	5.10
44	Chennai Aerospace Park Limited	0.00	65.91	-0.58	0.00	86.92	-0.65	0.00	22.50	4.35
45	Tamil Nadu Working Women's Hostels Corporation Limited	0.00	0.90	0.89	0.00	10.17	0.49	0.36	62.88	11.59
46	Tamil Nadu Warehousing Corporation	73.89	332.34	260.47	76.42	358.47	270.65	100.77	360.32	282.82
47	Tamil Nadu Generation and Distribution Corporation Limited	51882.95	157244.35	30089.56	58190.47	164257.60	33751.70	80857.77	153396.65	-35956.68
48	TNEB Limited	0.00	25758.73	25367.68	0.00	25758.73	25367.68	0.00	25758.73	25367.68
49	Tamil Nadu Power Finance and Infrastructure Development Corporation Limited	3877.01	43487.87	5258.45	4306.98	48512.57	5396.98	4780.68	51317.24	7414.06

Sl. No.	Name of the SPSE	2020-21			2021-22			2022-23		
		Value of Production	Total Assets	Capital employed	Value of Production	Total Assets	Capital employed	Value of Production	Total Assets	Capital employed
50	Udangudi Power Corporation Limited	0.00	72.05	65.56	0.00	72.05	65.56	0.00	72.06	65.56
51	Tamil Nadu Centre of Excellence for Advanced Manufacturing	-	-	-	0.00	30.57	9.92	0.62	9.84	5.70
52	Tidel Neo	-	-	-	-	-	-	0.00	17.93	-0.39
53	Tamil Nadu Smart and Advanced Manufacturing Centre	-	-	-	-	-	-	.85	11.10	-2.19
54	Tamil Nadu Advance Manufacturing Centre of Excellence Private Limited	-	-	-	-	-	-	0.00	14.19	8.46
55	Tamil Nadu Industrial Housing Private Limited	-	-	-	-	-	-	0.00	0.54	0.34
	Non Monopoly	65289.69	261876.29	42832.25	76660.58	276087.66	46003.59	103914.93	275580.38	-24506.14
	Total (Monopoly + Non-Monopoly)	94,212.62	3,35,190.08	64,121.55	1,06,983.81	3,51,001.03	67,903.32	1,38,661.98	3,62,368.06	1,857.55

Appendix-9
(As referred to in Para No.1.4.2)
Return on Capital Employed of SPSEs

Sl.No.	Name of the SPSE	2020-21				2021-22				2022-23			
		EBIT (₹ in crore)	Capital employed (₹ in crore)	ROCE (in %)	EBIT (₹ in crore)	Capital employed (₹ in crore)	ROCE (in %)	EBIT (₹ in crore)	Capital employed (₹ in crore)	ROCE (in %)	EBIT (₹ in crore)	Capital employed (₹ in crore)	ROCE (in %)
Monopoly													
1	Tamil Nadu Fisheries Development Corporation Limited	13.47	52.78	25.52	12.02	58.38	20.59	11.89	64.69	18.38			
2	Tamil Nadu Handloom Development Corporation Limited	0.18	8.59	2.10	0.16	8.60	1.86	0.17	8.72	1.95			
3	Tamil Nadu Adi-Dravidar Housing and Development Corporation Limited	4.69	222.64	2.11	4.69	222.64	2.11	9.30	230.53	4.03			
4	Tamil Nadu Backward Classes Economic Development Corporation Limited	9.62	202.41	4.75	7.73	221.99	3.48	7.14	228.33	3.13			
5	Tamil Nadu Corporation for Development of Women Limited	1.74	43.79	3.97	2.86	46.65	6.13	6.62	53.27	12.43			
6	Tamil Nadu Minorities Economic Development Corporation Limited	2.28	105.56	2.16	2.28	105.56	2.16	3.05	113.81	2.68			
7	Tamil Nadu Rural Housing and Infrastructure Development Corporation Limited	43.25	417.24	10.37	43.25	417.24	10.37	38.34	366.32	10.47			
8	Adyar Poonga	-	0.02	-	-	0.02	-	0.00	0.02	0.00			
9	Tamil Nadu Civil Supplies Corporation	535	72.94	733.48	535.00	72.94	733.48	744.41	72.94	1020.58			
10	Overseas Manpower Corporation Limited.	-0.27	0.72	-37.50	-0.27	0.72	-37.50	-0.31	0.44	-70.45			
11	Tamil Nadu Skill Development Corporation Limited	0	0.21	0.00	0.00	0.05	0.00	0.00	0.05	0.00			
12	Tamil Nadu Medical Services Corporation Limited	-1.28	70.48	-1.82	0.27	68.17	0.40	0.48	58.37	0.82			
13	Tamil Nadu Ex-servicemen's Corporation Limited	21.85	208.58	10.48	22.15	230.73	9.60	18.38	249.11	7.38			
14	Tamil Nadu Police Housing Corporation Limited	0.59	59.46	0.99	1.00	57.15	1.75	0.47	57.18	0.82			
15	Tamil Nadu State Marketing Corporation Limited	-119.93	-282.63	42.43	-39.99	-352.46	11.35	47.45	-354.42	-13.39			
16	Tamil Nadu Water Resources Conservation and River Restoration Corporation Limited	-0.52	39.43	-1.32	-1.13	634.31	-0.18	70.83	1614.69	4.39			

Sl.No.	Name of the SPSE	2020-21				2021-22				2022-23			
		EBIT (₹ in crore)	Capital employed (₹ in crore)	ROCE (in %)	EBIT (₹ in crore)	Capital employed (₹ in crore)	ROCE (in %)	EBIT (₹ in crore)	Capital employed (₹ in crore)	ROCE (in %)	EBIT (₹ in crore)	Capital employed (₹ in crore)	ROCE (in %)
17	Tamil Nadu Transmission Corporation Limited	-1800.02	20067.08	-8.97	-1800.02	20067.08	-8.97	762.92	23588.24	3.23			
18	Tamil Nadu Linguistic Minorities Social and Economic Development Corporation Limited	-	-	-	1.46	39.96	3.65	0.08	6.54	1.22			
19	Tamil Nadu Green Climate Company	--	--	--	--	--	--	-0.14	4.86	-2.88			
	Monopoly Total	-1289.35	21289.30	-6.06	-1208.54	21899.73	-5.52	1721.08	26363.69	6.53			
Non-Monopoly													
1	Tamil Nadu Forest Plantation Corporation Limited	36.82	258.8	14.23	30.51	281.08	10.85	60.99	334.59	18.23			
2	Tamil Nadu Tea Plantation Corporation Limited.	20.29	-53.88	-37.66	-25.76	-76.05	33.87	-24.38	-67.49	36.12			
3	Arasu Rubber Corporation Limited	2.70	-10.73	-25.16	10.69	-0.04	-26725.00	5.21	5.15	101.17			
4	Tamil Nadu Industrial Investment Corporation Limited	117.24	984.3	11.91	171.02	1696.97	10.08	262.36	2110.41	12.43			
5	Tamil Nadu Small Industries Development Corporation Limited	13.02	128.19	10.16	44.86	160.25	27.99	45.71	292.72	15.62			
6	Tamil Nadu Transport Development Finance Corporation Limited	782.74	1744.02	44.88	873.25	2193.83	39.80	1137.36	3170.48	35.87			
7	Tamil Nadu Urban Finance and Infrastructure Development Corporation Limited	34.52	176.87	19.52	25.26	387.24	6.52	60.37	676.95	8.92			
8	Tamil Nadu Industrial Development Corporation Limited	139.34	606.76	22.96	274.08	730.57	37.52	197.66	763.60	139.99			
9	State Industries Promotion Corporation of Tamil Nadu Limited	636.83	2036.86	31.27	302.31	2190.22	13.80	305.52	2491.77	12.26			
10	Guindy Industrial Estate Infrastructure Upgradation Company	0	0.01	0.00	0.02	0.03	66.67	0.01	0.02	50.00			
11	Tamil Nadu Road Infrastructure Development Corporation	0.29	6.96	4.17	0.29	6.96	4.17	0.29	6.96	4.17			
12	Tamil Nadu Polymer Industries Park Limited	0.27	48.96	0.55	0.39	73.22	0.53	0.12	73.30	0.16			
13	Tamil Nadu Sustainable Industrial Water Corporation Limited.	-0.05	0.03	-166.67	-0.03	-0.54	5.56	-0.03	-0.57	5.26			
14	Tamil Nadu Small Industries Corporation Limited	7.52	112.09	6.71	7.52	112.09	6.71	17.40	125.73	13.84			
15	Tamil Nadu Textiles Corporation Limited	0.97	9.63	10.07	1.00	9.62	10.40	0.95	9.95	9.55			
16	Tamil Nadu Zari Limited	1	5.28	18.94	1.77	6.10	29.02	2.30	7.35	31.29			
17	Tamil Nadu Handicrafts Development Corporation Limited	0.11	9.39	1.17	-0.98	9.34	-10.49	1.24	9.07	13.67			

Sl.No.	Name of the SPSE	2020-21				2021-22				2022-23			
		EBIT (₹ in crore)	Capital employed (₹ in crore)	ROCE (in %)	EBIT (₹ in crore)	Capital employed (₹ in crore)	ROCE (in %)	EBIT (₹ in crore)	Capital employed (₹ in crore)	ROCE (in %)	EBIT (₹ in crore)	Capital employed (₹ in crore)	ROCE (in %)
18	Tamil Nadu Salt Corporation Limited	1.48	11.06	13.38	-3.38	11.96	-28.26	4.93	10.52	46.86			
19	Tamil Nadu Sugar Corporation Limited	-0.59	4.83	-12.22	1.62	-9.78	-16.56	-2.23	-32.88	6.78			
20	Tamil Nadu Cements Corporation Limited	3.56	651.42	0.55	164.90	693.16	23.79	194.60	751.91	25.88			
21	Perambalur Sugar Mills Limited	-6.94	-124.95	5.55	11.35	-133.80	-8.48	46.97	-109.30	-42.97			
22	Tamil Nadu Minerals Limited	-31.94	-15.24	209.58	-7.73	-30.29	25.52	4.02	-28.96	-13.88			
23	Tamil Nadu Magnesite Limited	-18.34	52.72	-34.79	16.63	67.15	24.77	21.00	83.80	25.06			
24	Tamil Nadu Industrial Explosives Limited	16.8	-205.09	-8.19	1.93	-218.12	-0.88	-0.09	-231.80	0.04			
25	Tamil Nadu Medicinal Plant Farms and Herbal Medicine Corporation Limited	15.64	40.97	38.17	3.07	41.99	7.31	3.42	43.48	7.87			
26	Tamil Nadu Paints and Allied Products Limited	0.85	3.74	22.73	-	-	-	--	--	--			
27	Tamil Nadu Tourism Development Corporation Limited	-24.89	40.96	-60.77	-11.13	29.54	-37.68	29.84	46.92	63.60			
28	Poompuhar Shipping Corporation Limited	-2.33	89.45	-2.60	1.18	90.13	1.31	-28.92	61.46	-47.05			
29	Electronics Corporation of Tamil Nadu Limited	56.09	239.09	23.46	54.60	254.66	21.44	57.82	259.38	22.29			
30	Pallavan Transport Consultancy Services Limited	-0.48	-1.37	35.04	-0.18	-1.55	11.61	0.06	-1.49	-4.03			
31	Metropolitan Transport Corporation Limited	-1004.07	-3903.43	25.72	-658.81	-4587.84	14.36	-690.73	-5158.69	13.39			
32	State Express Transport Corporation Limited	-418.58	-1430.99	29.25	-328.38	-1464.40	22.42	-196.31	-2153.40	9.12			
33	Tamil Nadu State Transport Corporation (Coimbatore) Limited	-1118.66	-3993.69	28.01	-697.76	-4708.54	14.82	-540.37	-5346.14	10.11			
34	Tamil Nadu State Transport Corporation (Kumbakonam) Limited	-1120.09	-3444.59	32.52	-781.97	-4688.60	16.68	-486.63	-5311.28	9.16			
35	Tamil Nadu State Transport Corporation (Salem) Limited	-525.23	-2762.94	19.01	-426.58	-3116.12	13.69	-364.66	-3311.64	11.01			
36	Tamil Nadu State Transport Corporation (Villupuram) Limited	-1085.29	-3507.97	30.94	-757.65	-4029.83	18.80	-656.07	-4909.46	13.36			
37	Tamil Nadu State Transport Corporation (Madurai) Limited	-848.79	-2726.27	31.13	-540.47	-3174.57	17.02	-452.24	-3443.05	13.13			
38	Tamil Nadu State Transport Corporation (Tirunelveli) Limited	-627.84	-3157.1	19.89	-612.42	-1637.28	37.40	-435.36	-2848.60	15.28			
39	Tamil Nadu Arasu Cable TV Corporation Limited	2.32	-139.41	-1.66	-40.87	-32.99	123.89	5.96	-93.70	-6.36			
40	Tamil Nadu FibreNet Corporation Limited	2.81	0.15	1873.33	0.04	0.05	80.00	0.04	0.05	80.00			

Sl.No.	Name of the SPSE	2020-21				2021-22				2022-23			
		EBIT (₹ in crore)	Capital employed (₹ in crore)	ROCE (in %)	EBIT (₹ in crore)	Capital employed (₹ in crore)	ROCE (in %)	EBIT (₹ in crore)	Capital employed (₹ in crore)	ROCE (in %)	EBIT (₹ in crore)	Capital employed (₹ in crore)	ROCE (in %)
41	Chennai Industrial Water Utility Company Limited	-0.13	-0.14	92.86	-0.01	-0.14	7.14	-0.01	-0.15	6.67	-0.01	-0.15	6.67
42	Tamil Nadu Internet and Connectivity Service Limited	-0.01	0.49	-2.04	0.01	0.50	2.00	-0.01	0.49	-2.04	-0.01	0.49	-2.04
43	CBIC Ponneri Industrial Township Limited	-0.01	4.98	-0.20	0.13	5.08	2.56	0.14	5.10	2.75	0.14	5.10	2.75
44	Chennai Aerospace Park Limited	-0.63	-0.58	108.62	-0.07	-0.65	10.77	0.01	4.35	0.23	0.01	4.35	0.23
45	Tamil Nadu Working Women's Hostels Corporation Limited	-0.11	0.89	-12.36	-0.40	0.49	-81.63	-0.07	11.59	-0.60	-0.07	11.59	-0.60
46	Tamil Nadu Warehousing Corporation	39.01	260.47	14.98	33.90	270.65	12.53	35.24	282.82	12.46	35.24	282.82	12.46
47	Tamil Nadu Generation and Distribution Corporation Limited	-2569.44	30089.56	-8.54	-481.87	33751.70	-1.43	4258.35	-35956.68	-11.84	4258.35	-35956.68	-11.84
48	TNEB Limited	-0.99	25367.68	0.00	-0.99	25367.68	0.00	-0.99	25367.68	0.00	-0.99	25367.68	0.00
49	Tamil Nadu Power Finance and Infrastructure Development Corporation Limited	3838.76	5258.45	73.00	894.60	5396.98	16.58	1303.73	7414.06	17.58	1303.73	7414.06	17.58
50	Udangudi Power Corporation Limited	0.00	65.56	0.00	0.00	65.56	0.00	0.00	65.56	0.00	0.00	65.56	0.00
51	Tamil Nadu Centre of Excellence for Advanced Manufacturing	-	-	-	-0.09	9.92	-0.91	-4.24	5.70	-74.39	-4.24	5.70	-74.39
52	Tidel Neo	-	-	-	-	-	-	-0.32	-0.39	82.05	-0.32	-0.39	82.05
53	Tamil Nadu Smart and Advanced Manufacturing Centre	-	-	-	-	-	-	-2.08	-2.19	95.02	-2.08	-2.19	95.02
54	Tamil Nadu Advance Manufacturing Centre of Excellence Private Limited	-	-	-	-	-	-	-1.54	8.46	-18.20	-1.54	8.46	-18.20
55	Tamil Nadu Industrial Housing Private Limited	-	-	-	-	-	-	-0.06	0.34	-17.65	-0.06	0.34	-17.65
	Non Monopoly Total	-3634.45	42832.25	-8.49	-2450.60	46003.59	-5.33	4176.28	-24506.14	-17.04	4176.28	-24506.14	-17.04
	Total (Monopoly + Non-Monopoly)	-4923.8	64121.55	-7.68	-3659.14	67903.32	-5.39	5897.36	1857.55	317.48	5897.36	1857.55	317.48

Appendix-10
(As referred to in Para No.1.4.3)
Return on Equity of SPSEs

Sl.No.	Name of the SPSE	2020-21			2021-22			2022-23		
		Shareholder's Equity (₹ in crore)	Net Profit after tax and preference dividend (in %)	ROE (in %)	Shareholder's Equity (₹ in crore)	Net Profit after tax and preference dividend (in %)	ROE (in %)	Shareholder's Equity (₹ in crore)	Net Profit after tax and preference dividend (₹ in crore)	ROE (in %)
Monopoly										
1	Tamil Nadu Fisheries Development Corporation Limited	52.78	10.18	19.29	58.38	8.64	14.80	64.69	8.91	13.77
2	Tamil Nadu Handloom Development Corporation Limited	3.46	0.13	3.76	3.56	0.11	3.09	3.98	0.12	3.26
3	Tamil Nadu Adi-Dravidar Housing and Development Corporation Limited	212.12	4.55	2.15	212.12	4.55	2.15	221.23	9.12	4.12
4	Tamil Nadu Backward Classes Economic Development Corporation Limited	48.51	6.00	12.37	52.62	4.11	7.81	60.49	3.96	6.55
5	Tamil Nadu Corporation for Development of Women Limited	43.79	1.74	3.97	46.65	2.86	6.13	53.27	6.62	12.43
6	Tamil Nadu Minorities Economic Development Corporation Limited	21.77	0.29	1.33	21.77	0.29	1.33	22.17	0.40	1.80
7	Tamil Nadu Rural Housing and Infrastructure Development Corporation Limited	5.60	0.33	5.89	5.60	0.33	5.89	6.13	0.53	8.65
8	Adyar Poonga	0.02	-	-	0.02	-	-	0.02	0.00	0.00
9	Tamil Nadu Civil Supplies Corporation	71.74	-	-	71.74	-	-	71.74	0.00	0.00
10	Overseas Manpower Corporation Limited.	0.72	-0.20	-27.78	0.72	-0.20	-27.78	0.44	-0.31	-70.45
11	Tamil Nadu Skill Development Corporation Limited	0.21	-	-	0.05	-	-	0.05	0.00	0.00
12	Tamil Nadu Medical Services Corporation Limited	7.10	-0.50	-7.04	8.82	1.73	19.61	9.30	0.47	5.05
13	Tamil Nadu Ex-servicemen's Corporation Limited	208.58	21.85	10.48	230.73	22.15	9.60	249.11	18.38	7.38
14	Tamil Nadu Police Housing Corporation Limited	59.46	0.39	0.66	57.15	0.69	1.21	57.18	0.33	0.58
15	Tamil Nadu State Marketing Corporation Limited	-282.63	-161.46	57.13	-352.46	-69.92	19.84	-354.42	-2.05	0.58
16	Tamil Nadu Water Resources Conservation and River Restoration Corporation Limited	5.00	-0.54	-10.80	5.00	-1.13	-22.60	5.00	0.00	0.00

Sl.No.	Name of the SPSE	2020-21			2021-22			2022-23		
		Shareholder's Equity (₹ in crore)	Net Profit after tax and preference dividend (in %)	Shareholder's Equity (₹ in crore)	Net Profit after tax and preference dividend (in %)	Shareholder's Equity (₹ in crore)	Net Profit after tax and preference dividend (in %)	Shareholder's Equity (₹ in crore)	Net Profit after tax and preference dividend (in %)	ROE (in %)
17	Tamil Nadu Transmission Corporation Limited	-3139.07	-3402.27	108.38	-3139.07	-3402.27	108.38	-1703.77	-655.50	38.47
18	Tamil Nadu Linguistic Minorities Social and Economic Development Corporation Limited	-	-	-	39.96	1.46	3.65	6.54	0.08	1.22
19	Tamil Nadu Green Climate Company							4.86	-0.14	-2.88
	Monopoly Total	-2680.84	-3519.51	-	-2676.64	-3426.60	-	-1222.29	-609.08	-
Non Monopoly										
19	Tamil Nadu Forest Plantation Corporation Limited	258.80	34.62	13.38	281.08	28.78	10.24	334.59	59.13	17.67
20	Tamil Nadu Tea Plantation Corporation Limited.	-202.05	8.00	-3.96	-240.62	-38.57	16.03	-278.36	-37.74	13.56
21	Arasu Rubber Corporation Limited	-10.73	2.60	-24.23	-0.04	10.69	-26725.00	5.15	5.19	100.78
22	Tamil Nadu Industrial Investment Corporation Limited	581.30	50.44	8.68	627.92	82.94	13.21	715.14	136.15	19.04
23	Tamil Nadu Small Industries Development Corporation Limited	128.19	9.93	7.75	160.25	32.07	20.01	180.46	29.82	16.52
24	Tamil Nadu Transport Development Finance Corporation Limited	1744.02	24.07	1.38	2193.83	33.18	1.51	3170.48	36.23	1.14
25	Tamil Nadu Urban Finance and Infrastructure Development Corporation Limited	166.43	23.78	14.29	171.38	10.16	5.93	297.62	30.95	10.40
26	Tamil Nadu Industrial Development Corporation Limited	606.76	118.35	19.51	730.57	252.17	34.52	763.60	228.79	162.03
27	State Industries Promotion Corporation of Tamil Nadu Limited	2036.86	472.16	23.18	2190.22	204.08	9.32	2401.50	203.99	8.49
28	Guindy Industrial Estate Infrastructure Upgradation Company	0.01	-	-	0.03	0.02	66.67	0.02	0.01	50.00
29	Tamil Nadu Road Infrastructure Development Corporation	6.96	0.29	4.17	6.96	0.29	4.17	6.96	0.29	4.17
30	Tamil Nadu Polymer Industries Park Limited	48.96	0.27	0.55	73.22	0.26	0.36	73.30	0.09	0.12
31	Tamil Nadu Sustainable Industrial Water Corporation Limited.	-0.51	-0.05	9.80	-0.54	-0.03	5.56	-0.57	-0.03	5.26
32	Tamil Nadu Small Industries Corporation Limited	112.09	4.71	4.20	112.09	4.71	4.20	125.73	10.18	8.10

Sl.No.	Name of the SPSE	2020-21			2021-22			2022-23		
		Shareholder's Equity (₹ in crore)	Net Profit after tax and preference dividend (in %)	ROE (in %)	Shareholder's Equity (₹ in crore)	Net Profit after tax and preference dividend (in %)	ROE (in %)	Shareholder's Equity (₹ in crore)	Net Profit after tax and preference dividend (in %)	ROE (in %)
33	Tamil Nadu Textiles Corporation Limited	4.52	1.96	43.36	4.61	0.38	8.24	4.94	0.43	8.70
34	Tamil Nadu Zari Limited	5.28	0.61	11.55	6.10	1.29	21.15	7.35	1.64	22.31
35	Tamil Nadu Handicrafts Development Corporation Limited	9.39	-0.04	-0.43	9.34	-0.05	-0.54	9.07	-0.27	-2.98
36	Tamil Nadu Salt Corporation Limited	11.06	1.02	9.22	11.96	-3.40	-28.43	10.52	3.42	32.51
37	Tamil Nadu Sugar Corporation Limited	-0.97	-11.25	1159.79	-12.89	-11.92	92.47	-33.05	-20.15	60.97
38	Tamil Nadu Cements Corporation Limited	-35.06	-53.05	151.31	82.64	117.69	142.41	216.61	133.97	61.85
39	Perambalur Sugar Mills Limited	-128.44	-23.59	18.37	-136.02	-7.58	5.57	-110.51	25.51	-23.08
40	Tamil Nadu Minerals Limited	-135.57	-40.55	29.91	-150.62	-16.00	10.62	-155.29	-4.66	3.00
41	Tamil Nadu Magnesite Limited	14.91	-18.64	-125.02	29.34	14.43	49.18	47.04	17.70	37.63
42	Tamil Nadu Industrial Explosives Limited	-212.00	4.21	-1.99	-222.65	-10.65	4.78	-235.33	-12.67	5.38
43	Tamil Nadu Medicinal Plant Farms and Herbal Medicine Corporation Limited	40.97	11.43	27.90	41.99	2.02	4.81	43.48	2.52	5.80
44	Tamil Nadu Paints and Allied Products Limited	3.74	0.63	16.84	-	-	-	-	-	-
45	Tamil Nadu Tourism Development Corporation Limited	36.49	-23.25	-63.72	25.07	-11.39	-45.43	46.11	29.99	65.04
46	Poompuhar Shipping Corporation Limited	81.21	-1.79	-2.20	81.89	0.68	0.83	53.22	-28.67	-53.87
47	Electronics Corporation of Tamil Nadu Limited	238.97	28.36	11.87	254.66	20.60	8.09	259.38	13.25	5.11
48	Pallavan Transport Consultancy Services Limited	-1.37	-0.48	35.04	-1.55	-0.18	11.61	-1.49	0.06	-4.03
49	Metropolitan Transport Corporation Limited	-5588.32	-1250.66	22.38	-6516.65	-928.33	14.25	-7422.52	-995.56	13.41
50	State Express Transport Corporation Limited	-2562.96	-551.36	21.51	-3052.00	-489.04	16.02	-3431.75	-379.76	11.07
51	Tamil Nadu State Transport Corporation (Coimbatore) Limited	-5912.29	-1367.24	23.13	-6939.39	-997.23	14.37	-7895.50	-964.53	12.22
52	Tamil Nadu State Transport Corporation (Kumbakonam) Limited	-5088.72	-1334.58	26.23	-6114.65	-1026.75	16.79	-6762.40	-775.68	11.47
53	Tamil Nadu State Transport Corporation (Salem) Limited	-3609.66	-696.15	19.29	-4181.67	-589.29	14.09	-4766.58	-638.21	13.31

Sl.No.	Name of the SPSE	2020-21			2021-22			2022-23		
		Shareholder's Equity (₹ in crore)	Net Profit after tax and preference dividend	ROE (in %)	Shareholder's Equity (₹ in crore)	Net Profit after tax and preference dividend	ROE (in %)	Shareholder's Equity (₹ in crore)	Net Profit after tax and preference dividend	ROE (in %)
54	Tamil Nadu State Transport Corporation (Villupuram) Limited	-4438.70	-1261.65	28.42	-5398.14	-960.26	17.79	-6206.45	906.30	14.60
55	Tamil Nadu State Transport Corporation (Madurai) Limited	-3975.34	-1028.32	25.87	-4752.35	-777.82	16.37	-5393.40	-704.98	13.07
56	Tamil Nadu State Transport Corporation (Tirunelveli) Limited	-4483.86	-838.57	18.70	-4316.16	-853.47	19.77	-5807.03	-716.84	12.34
57	Tamil Nadu Arasu Cable TV Corporation Limited	-139.41	-1.17	0.84	-180.73	-41.17	22.78	-183.95	-3.20	1.74
58	Tamil Nadu FibreNet Corporation Limited	0.15	-0.35	-233.33	0.05	-0.09	-180.00	0.05	-0.09	-180.00
59	Chennai Industrial Water Utility Company Limited	-0.14	-0.13	92.86	-0.14	-0.01	7.14	-0.15	-0.01	6.67
60	Tamil Nadu Internet and Connectivity Service Limited	0.49	-0.01	-2.04	0.50	0.01	2.00	0.49	-0.01	-2.04
61	CBIC Ponneri Industrial Township Limited	4.98	-0.02	-0.40	5.08	0.10	1.97	5.10	0.10	1.96
62	Chennai Aerospace Park Limited	-0.58	-0.63	108.62	-0.65	-0.07	10.77	4.35	0.01	0.23
63	Tamil Nadu Working Women's Hostels Corporation Limited	0.89	-0.11	-12.36	0.49	-0.40	-81.63	0.23	-0.26	-113.04
64	Tamil Nadu Warehousing Corporation	177.87	24.36	13.70	193.21	22.24	11.51	210.55	24.77	11.76
65	Tamil Nadu Generation and Distribution Corporation Limited	-93209.77	-13407.31	14.38	-105164.41	-11954.64	11.37	-142387.88	-9192.25	6.46
66	TNEB Limited	25367.68	-0.99	0.00	25367.68	-0.99	0.00	25367.68	-0.99	0.00
67	Tamil Nadu Power Finance Corporation Limited	4509.58	396.39	8.79	5396.98	762.35	14.13	7414.06	1017.17	13.72
68	Udangudi Power Corporation Limited	65.56	0.00	0.00	65.56	0.00	0.00	65.56	0.00	0.00
69	Tamil Nadu Centre of Excellence for Advanced Manufacturing	-	-	-	9.92	-0.09	-0.91	5.70	-4.24	-74.39
70	Tidel Neo	-	-	-	-	-	-	-0.39	-0.32	82.05
71	Tamil Nadu Smart and Advanced Manufacturing Centre	-	-	-	-	-	-	-2.19	-2.19	100.05
72	Tamil Nadu Advance Manufacturing Centre of Excellence Private Limited	-	-	-	-	-	-	8.46	-1.54	-18.20

Sl.No.	Name of the SPSE	2020-21			2021-22			2022-23		
		Shareholder's Equity (₹ in crore)	Net Profit after tax and preference dividend	ROE (in %)	Shareholder's Equity (₹ in crore)	Net Profit after tax and preference dividend	ROE (in %)	Shareholder's Equity (₹ in crore)	Net Profit after tax and preference dividend	ROE (in %)
73	Tamil Nadu Industrial Housing Private Limited	-	-	-	-	-	-	0.34	-0.06	-17.65
	Non Monopoly Total	-93472.33	-20693.75	-	-109247.25	-17118.28	-	-149219.95	-13375.85	-
	Total (Monopoly + Non-Monopoly)	-96153.17	-24213.26	-	-111923.89	-20544.88	-	-150442.24	-13984.93	-

Appendix-11
(As referred to in Para No.2.5.1.3)
Significant comments of the CAG issued as supplement to
the statutory auditors' reports on Government Companies

Comments on Financial Position.

Sl. No.	Name of the Company	Comment
1.	TANGEDCO (FS for the year 2022-23)	Capital Work in Progress - Note 4 (a) - ₹ 53,763.27 crore a) This includes a sum of ₹ 1,304.84 crore being the value of works completed between December 2017 to March 2021 in respect of various schemes, omitted to be capitalized. Even after completion of the schemes, the value works were continued to be shown under capital works in progress, resulting in overstatement of capital work in progress and understatement of Property, Plant and Equipment by ₹1,304.84 crore. The depreciation impact could not be worked out for want of details of item-wise assets under CWIP. b) The Company, incurred ₹2,689.30 crore for establishment of twelve cogeneration plants till 31 March 2023. Out of which, six cogeneration plants were already capitalised at a cost of ₹1,279.92 Crore between February 2016 and November 2021. Accordingly, in respect of balance six cogeneration plants yet to be commissioned, the Company should have shown a balance of ₹1,409.38 crore as capital work in progress, whereas it has only ₹1,272.35 crore in SAP (GL 1020201- Hqrs-2101), resulting in understatement of capital work in progress and liabilities by ₹ 137.03 crore.
2	TANGEDCO (FS for the year 2022-23)	Inventories-Note – 8 - ₹2,749.94 crore According to Ind AS 16, Property, plant and equipment are tangible items that: (a) are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and (b) are expected to be used during more than one period. Further, Para 8 of the standard states that 'items such as spare parts, stand-by equipment and servicing equipment are recognised in accordance with this Ind AS when they meet the definition of property, plant and equipment.' The above head includes a sum of ₹22.04 crore, being the value of complete set of 600 MW generator exciter assembly, kept as stand-by equipment. This has resulted in overstatement of Inventories and understatement of Property, Plant and Equipment by ₹22.04 crore. This has also resulted in understatement of depreciation and loss by ₹6.61 crore.
3	TANGEDCO (FS for the year 2022-23)	Borrowings - ₹1,06,431.20 crore – Redeemable Non-Convertible Bonds - ₹2,266.04 crore According to Para 69 (c) of Ind AS 1 - Presentation of Financial Statements, An entity shall classify an liability as current when the liability is due to be settled within twelve months after the reporting period. However, a sum of ₹708.33 crore, being the amount of non-convertible bonds redeemable during the year 2023-24 was wrongly classified under the above head, resulting in non-compliance to the Ind AS 1.
4	TANGEDCO (FS for the year 2022-23)	Borrowings -Note 20 -₹58,130.78 crore -Cash Credit from Banks: ₹5,860.82 crore. The Company has 39 Cash Credit Accounts amounting to ₹ 5,860.82 crore. This head contains cash credit and working capital loan accounts operated in Head Quarters Funds Wing wherein both collections as well as payments including interbank account transfers are shown. The same balance was reflected from the FY 2020-21 (as per the revised FS of 2021-22). This

		account requires reconciliation to show the exact balance of cash credit.
5	TANTRANSCO (FS for the year 2021-22)	Property Plant and Equipment (Note No.4(a)): ₹32,361.74 crore According to Indian Accounting Standard (Ind AS) 16 Property, Plant and Equipment, Clause 7 - The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if (a) it is probable that future economic benefits associated with the item will flow to the entity; and (b) the cost of the item can be measured reliably. The above amount is understated by ₹202.19 crore due to non-capitalisation of various category of assets which fulfil the above recognition criteria in General Construction Circle, Madurai (₹145.80 crore) , General Construction Circle, Coimbatore (₹16.79 crore) and General Construction Circle, Trichy (₹39.60 crore), the works relating to which were completed in the year 2021-22 resulting in violation of the provisions of Ind AS 16 thereby leading to understatement of above head and overstatement of Capital work in Progress by ₹202.19 crore. In the absence of details pertaining to useful lives of above assets, the quantum of depreciation could not be worked out.
6	TAHDCO (FS for the year 2020-21)	Current liabilities- Trade Payables (Note 7) - ₹19,414 lakh. This does not include ₹1,722.58 lakh (₹1,114 lakh for the year 2020-21 and (₹608.58 lakh for the period 2017-18 to 2019-20) being the interest on Fixed Deposits on the schemes viz., Skill Development training, Special State Assistance, Special Central Assistance (SCA fund) and fund received on account of Construction (Works) by the Company. Since the company has treated the interest on fixed deposit as their own income, not shown as liability, it has resulted in overstatement of income for the current year 2020-21 for ₹1,114 lakh and subsequently the interest earned ₹608.58 lakh (prior period 2017-18 to 2019-20) should be accounted to prior period and corresponding understatement of current liability – other liabilities (Note no.08) for ₹1,722.58 lakh.

Comments on Profitability.

Sl. No.	Name of the Company	Comment
1.	TANGEDCO (FS for the year 2022-23)	Note-27 – ₹ 50,990.78crore Co-Gen Power Purchase- ₹ 264.68 crore This does not include cost of power purchase from 6 sugar mills with which the Company has entered into agreement for Co-generation of power amounting to ₹30.23 crore for the period December 2022 to March 2023, subsequently accounted during 2023-24. This has resulted in understatement of Cost of power and Current liabilities by ₹30.23 crore with consequent understatement of loss to that extent
2	TANGEDCO (FS for the year 2022-23)	Cost of Power Generation – Note 28 - ₹10,622.18crore a). This does not include a sum of ₹284.73 crore, being the cost of coal handling payable to the contractors, omitted to be accounted as liability resulting in understatement of current liabilities by ₹284.73 crore and consequential understatement of cost of power generation and loss for the year by ₹284.73 crore. b) As per the Fuel Supply Agreements with the coal companies, TANGEDCO is obligated to compensate/recover the charges payable/recoverable based on CSIR CIMFR reports for grade slippage (upward/downward). Though M/s. MCL raised debit notes for the grade slippages for ₹10.35 crore, TANGEDCO has omitted to provide liability towards the compensation payable to the coal companies resulting in understatement of cost of power generation and loss for the year by ₹10.35 crore.

3	TANGEDCO (FS for the year 2022-23)	Other Expenses - Note 32 - ₹1,842.92 crore This does not include a sum of ₹10.90 crore, being the Annual Technical Support Services fee payable to M/s.SAP Technologies and Implementation Agency – M/s.Yash Technologies for the period from January 2022 to March 2023, omitted to be reckoned in accounts as expenditure, resulting in understatement of Other Expenses and loss for the year by ₹10.90 crore. This has also resulted in understatement of current liabilities by ₹10.90 crore.
4	TANTRANSCO (FS for the year 2021-22)	Revenue from Operations (Note 24)-Transmission Charges - ₹3225.85 Crore a).Honourable High Court of Madras vide Orders dated 21.12.2021 and 01.02.2022 ordered for refund of Transmission Charges collected from Open Access Consumers for the charges collected during the Covid lockdown period of 24 March 2020 to 08 May 2020.As TANTRANSCO has not made provision for the amount payable to the consumers (amount paid during 2022-23), the above head is overstated and Other Financial Liabilities is understated by ₹4.91 crore. b). TANGEDCO had permanently shutdown and decommissioned their Ennore Thermal Power Station (ETPS) from 31st March 2017. However, TANTRANSCO continued to raise demand for transmission charges for the allotted capacity of 269 MW from April 2017. Accounting of transmission charges for the decommissioned plant has resulted in overstatement of transmission charges and understatement of loss for the year by ₹29.82 crore. As TANTRANSCO is accounting revenue since April 1, 2017, i.e after decommissioning of the plant, the accumulated loss as on 31 March 2022 is also understated by ₹149.18 crore (₹29.82 crore * 5 years).
5	TANTRANSCO (FS for the year 2021-22)	Other expenses (Note 29): ₹79.31 crore This includes ₹3.64 crore being the net of Prior Period Expenses of ₹10.37 crore and Prior Period Incomes of ₹6.71 crore. As per Ind AS 8, an entity shall correct material prior period errors retrospectively in the first set of financial statements approved for issue after their discovery by: (a) restating the comparative amounts for the prior period(s) presented in which the error occurred; or (b) if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented. Non-Compliance to the above Ind AS has resulted in overstatement of Other Expenses and Loss for the year by ₹3.64 crore.

Appendix -12
(As referred to in Para No. 2.7)
List of SPSEs where Management Letters were issued by CAG

Sl. No.	Name of the SPSEs
1.	Tamil Nadu Polymer Industries park Limited
2.	Tamil Nadu Road Development Company Limited
3.	Tamil Nadu Warehousing Corporation
4.	Tamil Nadu Industrial Investment Corporation Limited
5.	Tamil Nadu Civil Supplies Corporation
6.	Tamil Nadu Minerals Limited
7.	Tamil Nadu State Transport Corporation (Tirunelveli) Limited
8.	Tamil Nadu State Transport Corporation (Madurai) Limited
9.	Tamil Nadu State Transport Corporation (Salem) Limited
10.	Tamil Nadu State Transport Corporation (Coimbatore) Limited
11.	Tamil Nadu State Transport Corporation (Kumbakonam) Limited
12.	Tamil Nadu Generation and Distribution Corporation Limited
13.	TIDEL Park Coimbatore Limited
14.	Tamil Nadu Water Resources Conservation and Rivers Restoration Corporation Limited
15.	Tamil Nadu Arasu Cable TV Corporation Limited
16.	Tamil Nadu Sugar Corporation Limited
17.	Perambalur Sugar Mills Limited
18.	Tamil Nadu Minorities Economic Development Corporation Limited
19.	Coimbatore Smart City Limited
20.	Tamil Nadu Ex-servicemen's Corporation Limited
21.	Tamil Nadu Infrastructure Fund Management Corporation Limited

Appendix -13
(Referred to in Para No.3.2.1)
SPSEs which did not comply with section 173 (1) of the Companies Act, 2013 with
respect to conduct of Board meetings during 2022-23

Sl. No.	Name of the SPSE
1	TIDEL Park Limited
2	Guindy Industrial Estate Infrastructure Upgradation Company
3	CBIC Ponneri Industrial Township Limited
4	Tamil Nadu Warehousing Corporation
5	Chennai Aerospace Park Limited
6	Tamil Nadu Transport Development Finance Corporation Limited
7	Tamil Nadu Road Development Company Limited
8	IT Expressway
9	Tamil Nadu Rural Housing and Infrastructure Development Corporation Limited
10	Coimbatore Smart City Limited
11	Tiruchirappalli Smart City Limited
12	Erode Smart City Limited
13	TNEB Limited

Appendix -14
(Referred to in para 3.2.2)
SPSEs which did not have prescribed number of Independent Directors

Sl. No.	Name of the SPSE	Total No. of Directors	Required No. of Independent Directors	Actual No. of Independent Directors	Shortfall in No. of Independent directors
1	Tamil Nadu Generation and Distribution Corporation Limited	9	2	--	2
2	Tamil Nadu Transmission Corporation Limited	9	2	--	2
3	TNEB Limited	7	2	--	2
4	Tamil Nadu Civil Supplies Corporation	12	2	--	2
5	Tamil Nadu Fisheries Development Corporation Limited	8	2	--	2
6	Tamil Nadu Tea Plantation Corporation Limited	7	2	--	2
7	Arasu Rubber Corporation Limited	10	2	--	2
8	Tamil Nadu Arasu Cable TV Corporation Limited	8	2	--	2
9	Electronics Corporation of Tamil Nadu Limited	8	2	--	2
10	Tamil Nadu Urban Finance and Infrastructure Development Corporation Limited	10	2	--	2
11	Tamil Nadu Warehousing Corporation	11	2	--	2
12	Poompuhar Shipping Corporation Limited	9	2	1	1
13	Tamil Nadu Small Industries Corporation Limited	2	2	--	2
14	Tamil Nadu Salt Corporation Limited	7	2	--	2
15	Tamil Nadu Forest Plantation Corporation Limited	7	2	--	2
16	Tamil Nadu Rural Housing and Infrastructure Development Corporation Limited	4	2	--	2

Appendix -15
(Referred to in para 3.3.3)
SPSEs in which Independent Directors did not attend 75 per cent of the
Board/Committee meetings

Sl. No.	Name of the SPSE	No. of independent directors who did not attend Board meetings	No. of independent directors who did not attend Board committee meetings
1	Tamil Nadu Minorities Economic Development Corporation Limited	2	--
2	State Industries Promotion Corporation of Tamil Nadu Limited	1	1
3	TIDEL Park Limited	--	1
4	TIDEL Park Coimbatore Limited	--	1
5	Poompuhar Shipping Corporation Limited	--	1
6	Metropolitan Transport Corporation Limited	--	1
7	Tamil Nadu State Transport Corporation (Kumbakonam) Limited	1	--

Appendix -16
(Referred to in para 3.3.4)
SPSEs in which Independent Directors did not attend General meetings

Sl. No.	Name of the SPSE	No. of independent directors who did not attend General meetings
1	Tamil Nadu Transport Development Finance Corporation Limited	2
2	Tamil Nadu Industrial Development Corporation Limited	2
3	State Industries Promotion Corporation of Tamil Nadu Limited	2
4	TICEL Bio Park Limited	1
5	Tamil Nadu Minerals Limited	1

Appendix-17
(Referred to in Para 3.3.5)

SPSEs where separate meetings of Independent Directors were not conducted

Sl. No.	Name of the SPSE
1	Tamil Nadu Minorities Economic Development Corporation Limited
2	Tamil Nadu Transport Development Finance Corporation Limited
3	TIDEL Park Limited
4	Tamil Nadu Magnesite Limited
5	Tamil Nadu Industrial Explosives Limited
6	Poompuhar Shipping Corporation Limited
7	Metropolitan Transport Corporation Limited
8	Tamil Nadu State Transport Corporation (Madurai) Limited
9	Tamil Nadu State Transport Corporation (Coimbatore) Limited
10	Tamil Nadu State Transport Corporation (Villupuram) Limited
11	Tamil Nadu State Transport Corporation (Kumbakonam) Limited

Appendix -18
(Referred to in Para 3.4.1)

SPSEs in which vacancies of whole time Key Managerial Personnel were not filled within the period of six months

Sl. No.	Name of the SPSE
1	Tamil Nadu Small Industries Development Corporation Limited
2	Poompuhar Shipping Corporation Limited
3	Tamil Nadu State Transport Corporation (Coimbatore) Limited
4	Tamil Nadu State Transport Corporation (Madurai) Limited
5	State Express Transport Corporation Limited
6	Tamil Nadu State Transport Corporation (Salem) Limited
7	Tamil Nadu State Transport Corporation (Villupuram) Limited

Appendix -19
(Referred to in Para 3.5.1)
SPSEs which did not comply with BPE guidelines regarding formation of Audit Committee

Sl. No.	Name of the SPSE
1	Tamil Nadu Handicrafts Development Corporation Limited
2	Tamil Nadu Road Infrastructure Development Corporation
3	Pallavan Transport Consultancy Services Limited
4	Tamil Nadu Sustainable Industrial Water Corporation Limited
5	Chennai Industrial Water Utility Company Limited
6	Tamil Nadu Internet and Connectivity Service Limited
7	Nilakkottai Food Park Limited
8	Chennai Smart City Limited
9	Coimbatore Smart City Limited
10	Tiruchirappalli Smart City Limited
11	Salem Smart City Limited
12	Vellore Smart City Limited
13	Tamil Nadu Urban Infrastructure Financial Services Limited
14	CBIC Ponneri Industrial Township Limited
15	Tidel Neo Limited
16	Tamil Nadu Wilderness Experiences Corporation Private Limited

Appendix-20
(Referred to in Para 3.5.1)

SPSEs where majority of Audit Committee members were not independent directors

Sl. No.	Name of the SPSE	Total number of directors in the Audit Committee	Number of independent directors in the Audit Committee
1	Tamil Nadu Generation and Distribution Corporation Limited	4	0
2	Tamil Nadu Transmission Corporation Limited	3	0
3	TNEB Limited	3	0
4	Tamil Nadu Civil Supplies Corporation	3	0
5	Tamil Nadu Tea Plantation Corporation Limited	3	0
6	Tamil Nadu Fisheries Development Corporation Limited	2	0
7	Tamil Nadu Water Resources Conservation and Rivers Restoration Corporation Limited	3	1
8	Tamil Nadu Arasu Cable TV Corporation Limited	3	0
9	Tamil Nadu Forest Plantation Corporation Limited	2	0
10	Metropolitan Transport Corporation Limited	5	2
11	Tamil Nadu State Transport Corporation (Madurai) Limited	5	2
12	Tamil Nadu Salt Corporation Limited	3	0
13	Arasu Rubber Corporation Limited	4	0
14	Electronics Corporation of Tamil Nadu Limited	4	0

Appendix-21
(Referred to in Para 3.5.3)

SPSEs where Auditors performance was not monitored by the Audit Committee

Sl. No.	Name of the SPSE
1	Tamil Nadu Power Finance and Infrastructure Development Corporation Limited
2	Tamil Nadu Minorities Economic Development Corporation Limited
3	State Express Transport Corporation Limited
4	Tamil Nadu Sugar Corporation Limited
5	Tamil Nadu Forest Plantation Corporation Limited
6	Tamil Nadu Salt Corporation Limited
7	Electronics Corporation of Tamil Nadu Limited
8	Tamil Nadu Industrial Explosives Limited
9	Tamil Nadu Transport Development Finance Corporation Limited
10	Tamil Nadu Industrial Development Corporation Limited
11	Tamil Nadu Small Industries Corporation Limited
12	Perambalur Sugar Mills Limited

Appendix-22
(Referred to in Para 3.5.4.1)
Review of Information/Documents by Audit Committee

Sl. No.	Name of the SPSE	Whether review of management discussion and analysis of financial and operation results done by Audit committee	Whether review of statement of related party transactions submitted by management done by Audit Committee	Whether review of management letters / letters of internal financial control weaknesses by statutory auditors done by Audit Committee	Whether review of internal Audit reports done by Audit committee
1	Tamil Nadu Minorities Economic Development Corporation Limited	Yes	No	No	Yes
2	Tamil Nadu Cements Corporation Limited	No	No	No	Yes
3	Tamil Nadu State Transport Corporation (Kumbakonam) Limited	No	No	No	No
4	Tamil Nadu Forest Plantation Corporation Limited	No	No	No	No
5	Tamil Nadu Tea Plantation Corporation Limited	No	No	No	Yes
6	Tamil Nadu Transport Development Finance Corporation Limited	No	No	No	Yes
7	Tamil Nadu Backward Classes Economic Development Corporation Limited	No	No	No	Yes
8	Tamil Nadu Civil Supplies Corporation	Yes	No	Yes	Yes
9	Tamil Nadu Small Industries Corporation Limited	Yes	No	No	Yes
10	Tamil Nadu State Transport Corporation (Tirunelveli) Limited	Yes	No	Yes	Yes
11	Tamil Nadu Urban Finance and Infrastructure Development Corporation Limited	Yes	No	Yes	Yes
12	Tamil Nadu Sugar Corporation Limited	No	No	No	Yes
13	Perambalur Sugar Mills Limited	No	No	No	Yes
14	Tamil Nadu Industrial Explosives Limited	Yes	Yes	No	Yes
15	Electronics Corporation of Tamil Nadu Limited	Yes	Yes	No	Yes

Sl. No.	Name of the SPSE	Whether review of management discussion and analysis of financial and operation results done by Audit committee	Whether review of statement of related party transactions submitted by management done by Audit Committee	Whether review of management letters / letters of internal financial control weaknesses by statutory auditors done by Audit Committee	Whether review of internal Audit reports done by Audit committee
16	Poompuhar Shipping Corporation Limited	Yes	Yes	No	Yes
17	Tamil Nadu Fisheries Development Corporation Limited	No	No	No	Yes

Appendix-23
(Referred to in Para 3.5.4.2)
SPSEs where Audit Committee did not hold discussions with statutory auditors
before commencement of audit

Sl. No.	Name of the SPSE
1	Tamil Nadu Generation and Distribution Corporation Limited
2	TNEB Limited
3	Tamil Nadu Industrial Explosives Limited
4	Tamil Nadu Forest Plantation Corporation Limited
5	Tamil Nadu Transport Development Finance Corporation Limited
6	Tamil Nadu Fisheries Development Corporation Limited
7	Tamil Nadu Small Industries Corporation Limited
8	Tamil Nadu Small Industries Development Corporation Limited
9	Tamil Nadu Minorities Economic Development Corporation Limited
10	Tamil Nadu Sugar Corporation Limited
11	Perambalur Sugar Mills Limited
12	Tamil Nadu Backward Classes Economic Development Corporation Limited
13	Tamil Nadu Industrial Development Corporation Limited
14	Tamil Nadu State Marketing Corporation Limited
15	Electronics Corporation of Tamil Nadu Limited

Appendix-24
(Referred to in Para 3.6.1)
SPSEs which did not constitute Nomination and Remuneration Committee

Sl.No.	Name of the SPSE
1	Tamil Nadu Generation and Distribution Corporation Limited
2	Tamil Nadu Transmission Corporation Limited
3	TNEB Limited
4	Tamil Nadu Forest Plantation Corporation Limited
5	Tamil Nadu Backward Classes Economic Development Corporation Limited
6	Tamil Nadu Industrial Explosives Limited
7	Electronics Corporation of Tamil Nadu Limited
8	Tamil Nadu Minerals Limited
9	Tamil Nadu Corporation for Development of Women Limited
10	Tamil Nadu Fisheries Development Corporation Limited
11	Tamil Nadu Tea Plantation Corporation Limited
12	Erode Smart City Limited
13	Tamil Nadu State Transport Corporation (Coimbatore) Limited
14	Tamil Nadu State Transport Corporation (Kumbakonam) Limited
15	Tamil Nadu State Transport Corporation (Salem) Limited
16	Tamil Nadu State Transport Corporation (Villupuram) Limited
17	Tamil Nadu State Transport Corporation (Madurai) Limited
18	Tamil Nadu State Transport Corporation (Tirunelveli) Limited
19	Tamil Nadu Warehousing Corporation
20	Metropolitan Transport Corporation Limited
21	State Express Transport Corporation Limited
22	Tamil Nadu Minorities Economic Development Corporation Limited
23	Arasu Rubber Corporation Limited
24	Tamil Nadu Salt Corporation Limited

Appendix -25
(Referred to in Para 3.6.2)
SPSEs which did not have Vigil mechanism

Sl. No.	Name of the SPSE	Whistle Blower mechanism
1	Tamil Nadu Backward Classes Economic Development Corporation Limited	No
2	Tamil Nadu Medical Services Corporation Limited	No
3	Tamil Nadu Transport Development Finance Corporation Limited	No
4	Tamil Nadu Minorities Economic Development Corporation Limited	No
5	Tamil Nadu Arasu Cable TV Corporation Limited	No
6	Tamil Nadu Tea Plantation Corporation Limited	No
7	Tamil Nadu Transmission Corporation Limited	No
8	Tamil Nadu Generation and Distribution Corporation Limited	No
9	Tamil Nadu Road Development Company Limited	No
10	Metropolitan Transport Corporation Limited	No
11	State Express Transport Corporation Limited	No
12	Tamil Nadu State Transport Corporation (Coimbatore) Limited	No
13	Tamil Nadu State Transport Corporation (Kumbakonam) Limited	No
14	Tamil Nadu State Transport Corporation (Villupuram) Limited	No
15	Tamil Nadu State Transport Corporation (Salem) Limited	No
16	Tamil Nadu State Transport Corporation (Madurai) Limited	No

Appendix-26
(As referred to in Para No.4.3)
List of SPSEs reviewed for CSR activities

Sl. No.	Name of the SPSE
1	Tamil Nadu Fisheries Development Corporation Limited
2	Tamil Nadu Ex-Servicemen Corporation Limited
3	Tamil Nadu Forest Plantation Corporation Limited
4	Tamil Nadu Industrial Investment Corporation Limited
5	Tamil Nadu Small Industries Development Corporation Limited
6	Tamil Nadu Transport Development Finance Corporation Limited
7	Tamil Nadu Urban Finance and Infrastructure Development Corporation Limited
8	Tamil Nadu Industrial Development Corporation Limited
9	State Industries Promotion Corporation of Tamil Nadu Limited
10	TIDEL Park Limited
11	Tamil Nadu Newsprint and Papers Limited
12	Electronics Corporation of Tamil Nadu Limited
13	Tamil Nadu Cements Corporation Limited
14	Tamil Nadu Power Finance and Infrastructure Development Corporation Limited
15	Tamil Nadu Warehousing Corporation
16	TIDEL Park Coimbatore Limited

Appendix-27
(As referred to in Para No. 4.5.2.2)
List of SPSEs which had shortfall in CSR expenditure

(₹ in crore)

Sl. No	Name of the SPSE	2 per cent to be spent	Actual spent from current year budget	Short fall in Amount	Short fall in Percentage
1	Tamil Nadu Forest Plantation Corporation Limited	0.65	0.00	0.65	100.00
2	Tamil Nadu Small Industries Development Corporation Limited	0.36@	0.00	0.36	100.00
3	State Industries Promotion Corporation of Tamil Nadu Limited	8.31#	2.25	6.06	72.31
4	Tamil Nadu Cements Corporation Limited	0.22	0.00	0.22	100.00
	Total	9.54	2.25	7.29	

@ after adjusting 0.04 crore excess spent in previous year.

after adjusting 0.07 crore excess spent in previous year.

Appendix-28
(As referred to in Para No. 4.5.2.6)
List of SPSEs which spent CSR less than ₹one crore

Sl. No.	Name of the SPSE
1	Tamil Nadu Transport Development Finance Corporation Limited
2	Electronics Corporation of Tamil Nadu Limited
3	Tamil Nadu Urban Finance and Infrastructure Development Corporation Limited
4	Tamil Nadu Ex-Servicemen Corporation Limited
5	Tami Nadu Warehousing Corporation
6	Tamil Nadu Fisheries Development Corporation Limited
7	Tamil Nadu Industrial Development Corporation Limited
8	TIDEL Park Coimbatore Limited

Appendix-29
(As referred to in Para No. 4.5.3.4)
List of SPSEs which had CSR spent in Local Areas

(₹ in crore)

Sl. No	Name of the SPSE	Actual CSR Spent	Spent for		
			Local Area	Non Local Area	Others
1	Tamil Nadu Fisheries Development Corporation Limited	0.24	0.00	0.24	0.00
2	Tamil Nadu Ex-Servicemen Corporation Limited	0.43	0.00	0.00	0.43
3	Tamil Nadu Forest Plantation Corporation Limited	0.00	0.00	0.00	0.00
4	Tamil Nadu Industrial Investment Corporation Limited	1.54	0.00	0.00	1.54
5	Tamil Nadu Small Industries Development Corporation Limited	0.00	0.00	0.00	0.00
6	Tamil Nadu Transport Development Finance Corporation Limited	0.81	0.25	0.00	0.56
7	Tamil Nadu Urban Finance and Infrastructure Development Corporation Limited	0.56	0.00	0.00	0.56
8	Tamil Nadu Industrial Development Corporation Limited	0.18	0.18	0.00	0.00
9	State Industries Promotion Corporation of Tamil Nadu Limited	2.25	1.61	0.64	0.00
10	TIDEL Park Limited	1.39	0.50	0.60	0.29
11	TIDEL Park Coimbatore Limited	0.16	0.00	0.16	0.00
12	Tamil Nadu Newsprint and Papers Limited	2.04	2.04	0.00	0.00
13	Electronics Corporation of Tamil Nadu Limited	0.66	0.00	0.00	0.66
14	Tamil Nadu Warehousing Corporation	0.25	0.05	0.20	0.00
15	Tamil Nadu Power Finance and Infrastructure Development Corporation Limited	14.46	0.00	0.00	14.46
16	Tamil Nadu Cements Corporation Limited	0.00	0.00	0.00	0.00
	Total	24.97	4.63	1.84	18.50

Appendix- 30
(Referred in Para No.5.2)
Loss of revenue due to billing of energy at consumer end in respect of dedicated feeders

2020-21

Sl. No.	Name of Region	No. of dedicated feeders	Energy sent out from SS end (units)	No. of HT SCs	Energy recorded at consumer end (units)	Line Loss units	Revenue loss @ minimum tariff (at ₹6.35 per unit)
1	Coimbatore	41	61,09,96,273	67	60,02,23,331	1,07,72,942	6,84,08,180
2	Chennai (N& S)	65	55,68,04,091	106	52,72,16,295	2,95,87,796	18,78,82,506
3	Trichy	53	61,22,44,718	97	58,47,39,996	2,75,04,722	17,46,54,982
4	Madurai	22	24,69,74,293	36	24,13,40,503	56,33,790	3,57,74,571
5	Erode	53	88,33,19,945	115	83,95,25,143	4,37,94,802	27,80,96,995
6	Vellore	16	8,05,09,383	29	7,73,25,505	31,83,878	2,02,17,625
7	Villupuram	15	9,98,15,679	18	8,83,97,847	1,14,17,832	7,25,03,233
8	Tirunelveli	48	66,50,23,584	73	65,13,76,792	1,36,46,792	8,66,57,130
Total		313	3,75,56,87,966	541	3,61,01,45,412	14,55,42,554	92,41,95,222

2021-22

Sl. No.	Name of Region	No. of dedicated feeders	Energy sent out from SS end (units)	No. of HT SCs	Energy recorded at consumer end (units)	Line Loss units	Revenue loss @ minimum tariff (at ₹6.35 per unit)
1	Coimbatore	40	72,95,22,101	66	71,72,22,750	1,22,99,351	7,81,00,879
2	Chennai (N& S)	70	64,66,76,409	110	59,45,31,779	5,21,44,630	33,11,18,401
3	Trichy	59	1,00,05,99,613	100	97,62,75,899	2,43,23,714	15,44,55,581
4	Madurai	22	30,61,42,871	38	30,05,22,330	56,20,541	3,56,90,433
5	Erode	57	1,13,75,72,858	116	1,09,93,02,767	3,82,70,091	24,30,15,078
6	Vellore	16	14,32,71,400	29	13,56,16,626	76,54,774	4,86,07,815
7	Villupuram	15	12,41,21,575	17	11,35,16,502	1,06,05,073	6,73,42,214
8	Tirunelveli	49	88,28,89,277	77	82,18,95,240	6,09,94,037	38,73,12,134
Total		328	4,97,07,96,104	553	4,75,88,83,893	21,19,12,211	1,34,56,42,535

2022-23

Sl. No.	Name of Region	No. of dedicated feeders	Energy sent out from SS end (units)	No. of HT SCs	Energy recorded at consumer end (units)	Line Loss units	Revenue loss @ minimum tariff (at ₹6.35 per unit)
1	Coimbatore	40	63,95,03,556	66	59,59,46,257	4,35,57,299	29,40,11,768
2	Chennai (N& S)	70	51,14,89,079	110	44,02,51,022	7,12,38,057	48,08,56,886
3	Trichy	59	84,20,59,416	100	81,00,89,873	3,19,69,543	21,57,94,418
4	Madurai	22	22,80,44,346	38	22,36,56,759	43,87,587	2,96,16,215
5	Erode	57	1,11,23,63,572	116	1,07,88,33,461	3,35,30,111	22,63,28,249
6	Vellore	16	9,17,20,934	29	8,07,78,149	1,09,42,785	7,38,63,799
7	Villupuram	15	14,74,89,963	17	12,55,64,492	2,19,25,470	14,79,96,928
8	Tirunelveli	49	68,91,30,906	77	67,17,98,909	1,73,31,998	11,69,90,979
Total		328	4,26,18,01,772	553	4,02,69,18,922	23,48,82,850	1,58,54,59,242

ABSTRACT

Year	Loss units	Revenue Loss (₹)
2020-21	14,55,42,554	92,41,95,222
2021-22	21,19,12,211	1,34,56,42,535
2022-23	23,48,82,850	1,58,54,59,242
Total	59,23,37,615	3,85,52,96,999
R/off	592.34 MU/s	385.53 crore

Appendix– 31
(Referred in Para No.5.5 (1))

**Statement showing the additional transportation expenditure incurred by the TNCSC
due to irregular award of transportation contract**

Details	Transportation contract in 2019-2020 (up to the date of award)	Contract Period 2019-20 to 2022-23				
		January 2020 to March 2020	2020-21	2021-22	2022-23 (up to September 2022)	2022-23 (October 2022 to February 2023)
Transportation Expenditure (₹ in lakh) (1)	28411.99	37630.8	202292.71	249756	142864.21	56864.1
Quantity (in LMT) (2)	40.68	29.22	127.70	203.26	85.96	71.92
Average Rate (₹) (PMT) (3) = (1)/(2)	698.40	1287.84	1584.12	1228.75	1661.98	790.66
Escalated Rate (₹)(PMT) (4) (taking ₹ 698.40 as base rate with 16.10 per cent escalation from 2020-21) ¹¹⁸	-	698.40	810.84	941.39	1092.95	1092.95
Excess Rate (₹ per MT) (5) = (3) – (4)	-	589.44	773.28	287.36	569.03	-302.30
Avoidable additional Expenditure (₹ in lakh) (6) = (2) * (5)		17223.50	98747.85	58408.50	48913.84	-21741.19
Total avoidable additional Expenditure for the year (₹ in lakh)						201552.51

(i.e. ₹2015.53 crore)

¹¹⁸ Minimum Transportation cost approved by the GOI for the year 2018-19 was ₹ 158.30 PMT and the minimum transportation rate (SoR) approved in the (SLC meeting held on 05 August 2022) for KMS 2022-23 was proposed at ₹ 288 PMT. Increase in rate over five years was ₹ 129.70 MT (₹288-₹158.30), which translates to an year-on-year increase from the year 2019-20 as 16.10 per cent per annum.

Appendix– 32
(Referred in Para No.5.5 (2))

Statement showing the additional railway wagon handling expenditure incurred by TNCSC

Description	Paddy		Rice	
	From February 2020 to September 2022	From October 2022 to February 2023	From February 2020 to September 2022	From October 2022 to February 2023
Total Quantity handled (in MT) (A)	3116760	911617	1322443	151957
Contracted Rate PMT (₹)-(B)	800	400	800	400
Average Rate PMT during the period (₹) ¹¹⁹ (C)	265.63	265.63	265.63	265.63
Difference PMT (D)=B-C	534.37	134.37	534.37	134.37
Additional Expenditure incurred for loading at one end (₹) (E) =A*D	1665503041	122493976	706673866	20418462
Additional Expenditure incurred over and above the FCI rate for loading and unloading at two ends (₹) (E*2)	3331006082	244987953	1413347732	40836924
Additional Expenditure incurred over and above the FCI rate (₹)	357,59,94,035		145,41,84,656	
Total additional expenditure	₹503,01,78,691 (₹ 503.02 crore)			

¹¹⁹ Average wagon handling contracted rate PMT for the year 2019-20 (in 30 regions) was ₹ 265.63. Average wagon handling contracted rate PMT for the departmental operation rate for March 2023 (in 36 regions) was ₹ 235.42. Hence, for calculation of additional expenditure, higher of the wagon handling rate was considered being ₹ 265.63 PMT.

Appendix– 33
(Referred in Para No.5.5 (3))

Non-fixation of Schedule of Rates for transportation of paddy and Custom Milled Rice (CMR) for KMS 2019-20, 2020-21 and 2021-22 resulted in loss of subsidy.

(₹ in crore)						
Year	Name of commodity	Qty procured (MT) (A)	SoR for the year (₹) (B) ¹²⁰	GoI approved PMT for KMS 2018-19 (C)	Loss of subsidy PMT (E=C-B)	Loss of subsidy claim from GoI (A*E)
2019-20	Paddy	3241147	189.89	158.30	25.49	8.26
	Rice	2154117	189.89	32.80	150.99	32.52
2020-21	Paddy	4494612	228.22	158.30	55.08	24.75
	Rice	2968698	228.22	32.80	180.58	53.61
2021-22	Paddy	4327616	274.29	158.30	89.43	38.70
	Rice	2816617	274.29	32.80	214.93	60.54
Total						218.38

¹²⁰

Minimum Transportation cost approved by the GOI for the year 2018-19 was ₹ 158.30 PMT and the minimum transportation rate (SoR) approved in the (SLC meeting held on 05 August 2022) for KMS 2022-23 was proposed at ₹ 288 PMT. Increase in rate over five years was ₹ 129.70 MT (₹288-₹158.30), which translates to an year-on-year increase from the year 2019-20 as 16.10 per cent per annum.

Appendix- 34
(Referred in Para No 5.6 (a)(i))
Non stipulating benchmark/base rate of interest for resetting the floating interest rate

a) Interest reset based on T Bill

Name of the Bank	Loan obtained (₹ in crore) (a)	Date of disbursement of loan/date of reset of interest by the banks	Basis for charging interest by the bank	Details of interest reset	ROI charged by the Bank (b)	Change in interest rate compared with previous quarter (c)	3 Month T bill benchmark lending rate (d)	Change in Benchmark rate compared to previous quarter (e)	Excess charge over benchmark rate f=(c-e)	Loss of interest (f %* 3months*a) (₹ in crore)
State Bank of India 1	3000	20-07-2022	T Bill date with monthly rests and quarter resets	Interest on the date of disbursement	5.34		5.15			
		18-10-2022		1st quarterly reset of interest	6.61	1.27	6.3	1.15	0.12	0.90
		13-01-2023		2nd quarterly reset of interest	6.89	1.55	6.38	1.23	0.32	2.40
		13-04-2023		3rd quarterly reset of interest	7.33	1.99	6.71	1.56	0.43	3.23
Union Bank of India	1000	06-09-2022	T Bill rate 91 days quarter reset	Interest on the date of disbursement	6.40		5.65			
		06-12-2022		1st quarterly reset of interest	7.15	0.75	6.35	0.7	0.05	0.13
		07-03-2023		2nd quarterly reset of interest	7.79	1.39	6.89	1.24	0.15	0.38

Name of the Bank	Loan obtained (₹ in crore) (a)	Date of disbursement of loan/date of reset of interest by the banks	Basis for charging interest by the bank	Details of interest reset	ROI charged by the Bank (b)	Change in interest rate compared with previous quarter (c)	3 Month T bill benchmark lending rate (d)	Change in Benchmark rate compared to previous quarter (e)	Excess charge over bench mark rate f=(c-e)	Loss of interest (f %* 3months*a) (₹ in crore)
		07-06-2023		3rd quarterly reset of interest	7.56	1.16	6.83	1.18	-0.02	-0.05
Total										
										6.99

b) Interest reset based on T Bill with spread

b) Interest reset based on T Bill with spread (₹ in crore)										
Name of Bank	Loan obtained (₹ in crore) (a)	Date of disbursement / Interest change date	Basis of rate of interest charged by the bank	Details of interest reset	ROI charged by the Bank with applicable spread	3 Month T bill benchmark lending rate (b)	Spread (c)	Applicable rate of interest d=(b+c)	Bank Charged higher than benchmark increased e=(b-d)	Loss of interest (e %* 3months*a)
State Bank of India 2	2000	16-11-2022	T Bill rate 91 days 40 bps spread	Interest on the date of disbursement	6.88	6.52	0.4	6.92	-0.04	-0.20
		14-02-2023		1st quarterly reset	7.17	6.71	0.4	7.11	0.06	0.30
		15-05-2023		2nd quarterly reset	7.55	6.91	0.4	7.31	0.24	1.20
State Bank of India 2a	1000	17-11-2022	T Bill rate 91 days 40 bps spread	Interest on the date of disbursement	6.88	6.52	0.4	6.92	-0.04	-0.10
		15-02-2023		1st quarterly reset	7.17	6.71	0.4	7.11	0.06	0.15
		16-05-2023		2nd quarterly reset	7.55	6.91	0.4	7.31	0.24	0.60
State Bank of India 2b	1000	07-12-2022	T Bill rate 91 days 40 bps spread	Interest on the date of disbursement	6.88	6.35	0.4	6.75	0.13	0.33
		06-03-2023		1st quarterly reset	7.44	6.89	0.4	7.29	0.15	0.37
		03-06-2023		2nd quarterly reset	7.38	6.83	0.4	7.23	0.15	0.38

Name of Bank	Loan obtained (₹ in crore) (a)	Date of disbursement / Interest change date	Basis of rate of interest charged by the bank	Details of interest reset	ROI charged by the Bank with applicable spread	3 Month T bill benchmark lending rate (b)	Spread (c)	Applicable rate of interest d=(b+c)	Bank Charged higher than benchmark increased e=(b-d)	Loss of interest (e %* 3months*a)
State Bank of India 2c	1000	19-12-2022	T Bill rate 91 days 40 bps spread	Interest on the date of disbursement	6.88	6.35	0.4	6.75	0.13	0.33
		18-03-2023		1st quarterly reset	7.41	6.89	0.4	7.29	0.12	0.30
		16-06-2023		2nd quarterly reset	7.34	6.83	0.4	7.23	0.11	0.28
State Bank of India 3	2000	13-03-2023	T Bill rate 91 days 50 bps spread	Interest on the date of disbursement	7.47	6.89	0.5	7.39	0.08	0.40
		09-06-2023		1st quarterly reset	7.35	6.83	0.5	7.33	0.02	0.10
Total										4.44

Appendix- 35
(Referred in Para No 5.6(a)(ii))

Additional expenditure incurred due to variation in interest

Date of floating of tender	Name of lender/ amount of loan	Rate of interest initially offered (percentage)	Rate of interest on availing loan (percentage)	Additional interest expenditure (₹ crore) ¹²¹	Remarks
November 2021	Bank of Baroda ₹3,000 crore	4.36	4.53	1.28	The bank enhanced the rate citing the increase in 12-month T bill rate.
April 2022	SBI ₹3,000 crore	4.36	5.34	7.35	GoTN issued letter of comfort belatedly and the bank enhanced the rate.
June 2022	TNSC (₹500 Crore)	5.19	6.9	2.14	Letter of comfort was issued by the GoTN belatedly and SBI (L1) delayed the loan. Due to urgent need, TNCSC availed alternative loan at higher cost of interest.
	TNSC (₹ 500 crore)	5.19	7.4	2.76	
	UBI (₹ 1000 crore)	5.19	6.4	3.03	
Total				16.56	

¹²¹ Since the interest resets for every three months based on movement in interest rate, additional interest burden on TNCSC calculated only for three months (First quarter) of availing of loan.

Appendix- 36
(Referred in Para No 5.6 (b))

Non-comparing interest rate from different branches of same bank

Account details	Month	SBI, Menambakkam Branch		SBI, Commercial Branch		Additional Interest charged (b-d)
		Rate of interest (a)	Interest charged by the Bank (b)	Rate of interest (c)	Interest based on Non-cereal account (d=b/a*c)	
Mono (Cereal II) Account	31-07-2021	8.74%	367905	6.95%	292556	75349
	31-08-2021	8.74%	7417656	6.95%	5898479	1519177
	30-09-2021	8.73%	6047645	6.95%	4814563	1233082
	31-10-2021	8.70%	11243474	6.95%	8981856	2261618
	30-11-2021	8.73%	9658823	6.95%	7689441	1969382
	31-12-2021	8.71%	3238157	6.95%	2583834	654323
	31-01-2022	8.71%	20584005	6.95%	16424665	4159340
	28-02-2022	8.71%	12154159	6.95%	9698210	2455949
	31-03-2022	7.28%	4584107	6.95%	4376311	207796
	30-04-2022	7.31%	1739203	6.95%	1653551	85652
	31-05-2022	7.31%	7341795	6.95%	6980229	361566
	30-06-2022	7.51%	7666322	6.95%	7094665	571657
	31-07-2022	7.60%	4096298	7.35%	3961551	134747
	31-08-2022	7.60%	13295079	7.35%	12857741	437338
	30-09-2022	7.80%	8298043	7.35%	7819310	478733
	31-10-2022	8.05%	1270999	7.35%	1160477	110522
	31-01-2023	8.47%	143164	8.05%	136065	7099
Cereal I Account	31-07-2021	8.74%	198169	6.95%	157583	40586
	31-08-2021	8.74%	313658	6.95%	249419	64239
	30-09-2021	8.73%	172741	6.95%	137520	35221
	31-10-2021	8.50%	266546	6.95%	217941	48605
	31-12-2021	8.71%	117151	6.95%	93479	23672
	31-01-2022	8.71%	343420	6.95%	274026	69394
	28-02-2022	8.50%	130011	6.95%	106303	23708
	02-03-2022	7.28%	54751	6.95%	52269	2482
	31-03-2022	7.28%	7931	6.95%	7571	360
	30-04-2022	7.31%	27979	6.95%	26601	1378
	31-05-2022	7.31%	159532	6.95%	151675	7857
	30-06-2022	7.51%	19443	6.95%	17993	1450
	31-07-2022	7.60%	402958	7.35%	389703	13255
	31-08-2022	7.60%	516268	7.35%	499286	16983
	30-09-2022	7.80%	333501	7.35%	314261	19240
	31-10-2022	8.05%	25007	7.35%	22832	2175
	30-11-2022	8.15%	18956	7.35%	17095	1861
	1,70,95,794 Say ₹ 1.71 crore					

Appendix- 37
(Referred in Para No 5.6 (e))

Non-availing of loans based on requirement

(₹ in crore)

Details of loan availed	Period on which the loan was not availed based on requirement	Minimum and Maximum balance available in the bank account	Minimum/ Maximum loan that could have been availed	Loss of interest due to non-availing of loan based on requirement
Loan Availed from Bank of India (₹1000 Crore) & State Bank of India (₹ 2000 Crore) on 18-11-2021 at 4.40%	18/11/2021 to 5/12/2021	₹101.85 to ₹1702.68	₹50 to ₹1650	1.53
Loan Availed from State Bank of India (₹1500 Crore) on 24-02-2022 at 4.36%	24/2/2022 to 28/2/2024	₹127.27 to ₹873.67	₹50 to ₹800	0.30
Loan Availed from Union Bank of India (₹1000 Crore) on 28-09-2022 at 6.00%	28/9/2022 to 5/10/2022	₹631.49 to ₹675.04	₹550 to ₹600	0.76
Loan Availed from PNB (₹500 Crore) on 15-10-2022 at 6.00%	15/10/2022 to 17/10/2022	₹213.09 to ₹279.66	₹50 to ₹600	0.09
Loan Availed from PNB (₹500 Crore) on 18-10-2022 at 6.00%	18/10/2022 to 25/10/2022	₹171.95 to ₹663	₹100 to ₹600	0.28
Loan Availed from PNB (₹300 Crore) on 26-10-2022 at 6.00%	26/10/2022 to 13/11/2022	₹120.48 to ₹578.71	₹50 to ₹500	0.70
Loan Availed from PNB (₹200 Crore) on 18-11-2022 at 6.00%	18/11/2022 to 24/11/2022	₹108.52 to ₹191.14	₹50 to ₹100	0.09
				3.75

Appendix– 38
(Referred in Para No 5.8 (a))
Non availing of auto sweep facility

(₹ in crore)

Name of the SPSEs	Daily average balance lying in current account	Loss of interest due to non-conversion of current account with auto sweep ¹²² facility.
Chennai Aerospace Corporation Limited	52.40	1.01
State Industries Promotion Corporation of Tamil Nadu	120.85	8.07
Tamil Nadu Civil Supplies Corporation Limited	345.60	29.98
Tamil Nadu Water Resources Conversation and River Restoration Corporation Limited	103.94	0.59
Tamil Nadu Fiber Net Corporation Limited	26.11	0.80
Total	648.9	40.45

¹²² Calculated @ 2.9 per cent per annum (term deposit interest for seven days) on the daily fund balance kept in the current accounts over the minimum balance of ₹5 lakh.

Appendix– 39
(Referred in Para No 5.8 (b))
Irregular operation of auto sweep facility

a) Tamil Nadu Medical Services Corporation Limited (current account)

(₹ in crore)

Year	Daily average closing balance	Loss of interest due to incorrect operation of auto sweep ¹²³
2020-21	48.62	1.41
2021-22	22.98	0.66
2022-23	5.73	0.16
Average daily balance during the year 2020-21 to 2022-23	25.78	2.23

b) Tamil Nadu Corporation for Development of Women Limited (savings account)

(₹ in crore)

Year	Daily average closing balance lying in the savings account	Interest earned on savings bank account @ 2.9 % (a)	Interest that would have earned on auto sweep deposits @ 3.9 % (b) ¹²⁴	Loss of interest due to incorrect operation of auto sweep (b-a)
2020-21	23.06	0.58	0.90	0.32
2021-22	63.38	1.74	2.47	0.73
2022-23	78.21	2.27	3.05	0.78
Total	54.88	4.59	6.42	1.83

c) Tamil Nadu Small Industries Development Corporation Limited

(₹ in crore)

Category	No of bank accounts	Average balance during the period of non-operation of the Sweep	Loss of interest ¹²⁵
Auto sweep facility not operated by the Bank	4	1.55	0.08
Sweep inoperative before May/June 2022	4	1.92	0.17
Improper auto sweep facility	6	14.09	0.29
Total	14	17.56	0.54

Total loss of interest: ₹4.60 crore

¹²³ Calculated @ 2.9 per cent per annum (term deposit interest for seven days) on the daily fund balance kept in the current accounts over the minimum balance of ₹.5 lakh

¹²⁴ Calculated @ 3.9 per cent (being lowest interest rate earned for 91 days) notionally on the daily closing balance over and above ₹ 5 lakh

¹²⁵ Calculated @ 2.9 per cent per annum (term deposit interest for seven days) on the daily fund balance kept in the current accounts (sweep) over the minimum balance of ₹.5 lakh

Appendix-40
(Referred in Para No 5.9 (a))
Non-investment in State NBFCs as directed by BPE

Name of the SPSEs	Total deposits by the SPSEs (2020-2023)	Amount deposited without considering threshold limit	Rate of interests (%) offered by banks (Min/ Max)	Rate offered (%) by State NBFCs (Min/ Max)	Loss of interest (₹ in crore)
Tamil Nadu Forest Plantation Corporation Limited ¹²⁶	483.46	236.59	5.1 to 6.5	6.75 to 7.5	3.81
Tamil Nadu Medical Services Corporation Limited	150.52	90.31	4.9 to 6.75	6.75 to 7.5	1.15
Tamil Nadu Corporation for Development of Women Limited	186.39	48.41	3.25 to 5.6	7 to 7.5	1.52
Tamil Nadu Adi Dravider Housing and Development Corporation Limited	436.46	83.12	4.95 to 6.85	7	0.48
Total	1256.83	458.43	3.25 to 6.85	6.75 to 7.5	6.96

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Loss of interest calculated on term deposits made for the tenure of one year

Glossary of abbreviations	
Abbreviation	Full form
ACS	Additional Chief Secretary
CAPL	Chennai Aerospace Corporation Limited
CSR	Corporate Social Responsibility
GOI	Government of India
GoTN	Government of Tamil Nadu
PD	Personal Deposit
PSEs	Public Sector Enterprises
RBI	Reserve Bank of India
ROCE	Return on Capital Employed
ROE	Return on Equity
SIDCO	Tamil Nadu Small Industries Development Corporation Limited
SIPCOT	State Industries Promotion Corporation of Tamil Nadu
SPSEs	State Public Sector Enterprises
TANGEDCO	Tamil Nadu Generation and Distribution Corporation Limited
TANTRANSCO	Tamil Nadu Transmission Corporation Limited
TANSI	Tamil Nadu Small Industries Corporation Limited
TAFCORN	Tamil Nadu Forest Planation Corporation Limited
TTDC	Tamil Nadu Tourist Development Corporation Limited
TNWC	Tamil Nadu Warehousing Corporation Limited
TNFDC	Tamil Nadu Fisheries Development Corporation Limited
TNRIDC	Tamil Nadu Road Infrastructure Development Corporation Limited
TNCSC	Tamil Nadu Civil Supplies Corporation Limited
TAMPCOL	Tamil Nadu Medical Plant Farms and Herbal medicine Corporation Limited
TNWCRR	Tamil Nadu Water Resources Conversation and River Restoration Corporation Limited
TNMSC	Tamil Nadu Medical Services Corporation Limited
TNCDW	Tamil Nadu Corporation for Development of Women Limited
TANFINET	Tamil Nadu Fiber Net Corporation Limited
TNRDC	Tamil Nadu Road Development Company Limited
TASMAC	Tamil Nadu State Marketing Corporation Limited
TAHDCO	Tamil Nadu Adi Dravidar Housing and Development Corporation

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