

OVERVIEW

1. Overview of Government companies and Statutory corporations

As on 31 March 2004, the State had 51 Public Sector Undertakings (PSUs) comprising 48 Government companies and three Statutory corporations as against 52 PSUs comprising 49 Government Companies and three Statutory corporations as on 31 March 2003. Out of 48 Government companies 31 were working Government companies while 17 were non-working companies. All the three Statutory corporations were working corporations. In addition, there were 11 companies (five working and six non-working) under the purview of section 619-B of the Companies Act, 1956 as on 31 March 2004.

(Paragraphs 1.1 and 1.43)

The total investment in 34 working PSUs increased from Rs.26,538.41 crore as on 31 March 2003 to Rs.30,088.15 crore as on 31 March 2004. The total investment in non-working PSUs also increased from Rs.702.49 crore to Rs.753.84 crore during the same period.

(Paragraphs 1.2 and 1.17)

The budgetary support in the form of capital, loans, grants and subsidies disbursed to the working PSUs increased from Rs.4,625.93 crore in 2002-03 to Rs.5,146.02 crore in 2003-04. The State Government provided budgetary support of Rs.0.25 crore to one non-working PSU during 2003-04. The State Government guaranteed loans aggregating Rs.2,648.49 crore (working PSUs only) during 2003-04. The guarantees of Rs.18,982.38 crore were outstanding against 12 working PSUs as on 31 March 2004.

(Paragraphs 1.6 and 1.19)

Five working Government companies and two Statutory corporations had finalised their accounts for the year 2003-04. The accounts of remaining 26 working Government companies and one Statutory corporation were in arrears for periods ranging from one to seven years. Nine companies out of 17 non-working companies were under liquidation. Accounts of remaining eight defunct companies were in arrears for periods ranging from three to 20 years.

(Paragraphs 1.7 and 1.21)

Five PSUs (four Government companies and one Statutory corporation), out of seven working PSUs (five Government companies and two Statutory corporations) which finalised their accounts for 2003-04, earned an aggregate profit of Rs.515.43 crore and only one PSU (working company) declared a dividend of Rs.86.66 crore during the year. Of the loss incurring working Government companies, five companies had accumulated losses aggregating Rs.602.46 crore which exceeded their aggregate paid-up capital of Rs.65.65 crore. One loss incurring Statutory corporation had accumulated loss of Rs.1,018.83 crore which exceeded its paid-up capital of Rs.201.27 crore.

(Paragraphs 1.9,1.10,1.11 and 1.12)

2. REVIEWS RELATING TO GOVERNMENT COMPANIES

2.1 Review on Fuel (Coal) management in thermal power stations - Andhra Pradesh Power Generation Corporation Limited

Andhra Pradesh Power Generation Corporation Limited owns 5 thermal, 15 hydel and one wind power station with a combined installed capacity of 6,560.90 MW. As on 31 March 2004 the Company was operating 20 thermal plants with an annual installed capacity of 2,972.50 MW. The fuel used in the generation of thermal power were coal, furnace oil and high speed/light diesel oil. During the four years ending 2002-03, the Company incurred Rs.7,862 crore on purchase of coal representing 94.7 per cent of total fuel costs.

(Paragraph 2.1.1)

As per Fuel Supply Agreement with Singareni Collieries Company Limited, grade of coal is determined rake-wise while in respect of coal supplies from Mahanadi Coalfields Limited (MCL) grade is determined with reference to weighted average of useful heat value of actual supplies in a month. The difference in determination of grade resulted in an extra expenditure of Rs.12.37 crore in respect of supplies received from MCL for the period from March 2002 to March 2004.

(Paragraph 2.1.9)

Crushing charges of Rs.21.15 crore were paid to MCL by Vijayawada Thermal Power Station (VTPS) for the period March 2002 to March 2004 for the coal of 100 mm size supplied in crushed condition. This payment could have been avoided if the VTPS procured coal in 200-250 mm size and crushed the same in own crushers.

(Paragraph 2.1.11)

'F' grade coal was used as against the designed grade of 'D' in Vijayawada Thermal Power Station first stage power plant which resulted in loss of generation of 4428.74 MU for the years 1999-2004 with a consequential net loss of revenue of Rs.426.11 crore. Similarly designed grade of coal was not used in Kothagudem Thermal Power Station for the same period resulting in loss of generation of 4095.97 MU with a net loss of revenue of Rs.153.55 crore.

(Paragraphs 2.1.18 and 2.1.19)

2.2 Funds management in power sector companies

Andhra Pradesh Power Generation Corporation Limited (AP Genco) and Transmission Corporation of Andhra Pradesh Limited (AP Transco) formed on 1 February 1999 deal with generation and transmission of power respectively. Four separate companies formed on 1 April 2000 deal with distribution of power. The funds management of distribution companies till 2001-02 was controlled by AP Transco and thereafter financial autonomy was given to them.

(Paragraph 2.2.1)

Due to delay in realisation of power dues, excess holding of stocks, etc., dependence on borrowing increased. The outstanding loans of six power sector companies increased from Rs.5,870.04 crore in 1999-2000 to Rs.9,971.31 crore as on 31 March 2003.

(Paragraph 2.2.10)

Lack of pursuance, delay in payment of premium, and delayed restructuring of high cost debt resulted in forgoing interest benefit of Rs.23.40 crore by AP Genco and AP Transco.

(Paragraphs 2.2.12 to 2.2.17)

Thermal power stations held spares valued at Rs.111.91 crore in excess of norm prescribed by Central Electricity Regulatory Commission resulting in locking up of funds with a consequential loss of interest of Rs.13.43 crore.

(Paragraph 2.2.30)

Loan funds aggregating Rs.450 crore from nationalised banks were mobilised through a Syndicator instead of approaching the commercial banks direct, which resulted in avoidable payment of arranger fee of Rs.4.50 crore by AP Genco.

(Paragraph 2.2.35)

3. Transaction Audit Observations

Audit observations included in the Report highlight deficiencies in the management of PSUs which had serious financial implications. The irregularities pointed out are broadly of the following nature:

Unproductive expenditure/imprudent investment/locking of funds and loss of interest amounting to Rs.42.71 crore in five cases due to delay in return of funds by State Government, delay in disposal of flats constructed without approval, delay in allotment of houses, and purchase of application software not suitable to actual needs.

(Paragraphs 3.6,3.7,3.9,3.11 and 3.12)

Loss of revenue of Rs.42.96 crore in four cases due to premature sale of bonds, extension of one time settlement scheme to ineligible beneficiaries, sale of land at a rate less than the market rate and idling of stalls/shops.

(Paragraphs 3.1, 3.8, 3.10 and 3.14)

Excess/irregular payment of Rs.3.07 crore in one case made to staff on account of retirement benefits.

(Paragraph 3.17)

Violation of contractual obligations, undue favour to suppliers of power resulting in loss/avoidable purchase of power, etc., by Rs.6.94 crore in one case.

(Paragraph 3.5)

Non-recovery of dues amounting to Rs.2.07 crore in two cases.

(Paragraphs 3.15 and 3.16)

Five other miscellaneous cases amounting to Rs.43.98 crore on account of extra expenditure on purchase of meters, billing and collection deviations/defects, purchase of packing material and unwarranted financial support to State sponsored Games.

(Paragraphs 3.2,3.3,3.4,3.13 and 3.18)

Some of the important points noticed in transaction audit are as under:

The Singareni Collieries Company Limited sold high return yielding bonds to discharge low interest bearing loans which resulted in net loss of interest earnings of Rs.28.48 crore.

(Paragraph 3.1)

Central Power Distribution Company of Andhra Pradesh Limited incurred an avoidable extra expenditure of Rs.9.58 crore on procurement of 2.55 lakh meters on repeat order basis.

(Paragraph 3.2)

Andhra Pradesh State Film, Television and Theatre Development Corporation Limited sold land to an entrepreneur without considering either the market rate or the rate offered to another entrepreneur in the same area resulting in loss of revenue of Rs.7.25 crore.

(Paragraph 3.10)

State Government guidelines were not followed fully by the PSUs while implementing voluntary retirement scheme which resulted in financial loss of Rs.3.07 crore.

(Paragraph 3.17)