

Overview

1. Overview of Government companies and Statutory corporations

As on 31 March 2005, the State had 51 Public Sector Undertakings (PSUs) comprising 46 Government companies and five Statutory corporations as against 50 PSUs comprising 45 Government companies and five Statutory corporations as on 31 March 2004. Out of 46 Government companies, 36 were working and 10 were non-working Government companies. All the five Statutory corporations were working corporations. In addition, there were 13 companies under Section 619-B of the Companies Act, 1956 as on 31 March 2005.

(Paragraphs 1.1 and 1.52)

The total investment in working PSUs increased from Rs.34,550.20 crore as on 31 March 2004 to Rs.37,710.41 crore as on 31 March 2005. The total investment in 10 non-working PSUs as on 31 March 2005 was Rs.805.44 crore as against Rs.805.43 crore as on 31 March 2004 .

(Paragraphs 1.2 and 1.18)

The budgetary support in the form of equity capital, loans and grants/subsidies disbursed to the working PSUs decreased from Rs.5,501.82 crore in 2003-04 to Rs.5,372.04 crore in 2004-05. The State Government also contributed Rs.85 lakh in the form of loan to two non-working companies during 2004-05. The State Government guaranteed loans aggregating Rs.1,355 crore during 2004-05. The total amount of outstanding loans guaranteed by the State Government to all PSUs as on 31 March 2005 was Rs.13,037.68 crore.

(Paragraphs 1.5 and 1.19)

Out of 36 working Government companies and five Statutory corporations, 14 working companies and three Statutory corporations finalised their accounts for the year 2004-05. The accounts of 21 working companies and two working Statutory corporations were in arrears for period ranging from one to seven years as on 30 September 2005. The accounts of one newly incorporated company was not due as on 30 September 2005. One non working Government company finalised its accounts for the year 2004-05 and the accounts of four non-working Government companies were in arrears for periods ranging from one to six years as on 30 September 2005. Remaining five companies were under liquidation.

(Paragraphs 1.6 and 1.21)

According to the latest finalised accounts, 24 working PSUs (22 Government companies and two Statutory corporations) earned aggregate profit of Rs.583.27 crore, out of which only three working Government companies declared dividend of Rs.38.66 crore to the State Government. Against this 11 working PSUs (eight Government companies and three Statutory corporations) incurred aggregate loss of Rs.2,236.65 crore as per their latest

finalised accounts. Of the loss incurring working Government companies, four companies had accumulated losses aggregating Rs.147.70 crore which was more than four times their aggregate paid-up capital of Rs.35.70 crore. Two loss incurring Statutory corporations had accumulated losses aggregating Rs.1,965.93 crore which was more than two times of their aggregate paid-up capital of Rs.697.94 crore.

(Paragraphs 1.7, 1.8, 1.9 and 1.11)

Even after completion of five years of their existence, the individual turnover of five working Government companies and one working Statutory corporation had been less than rupees five crore in each of the preceding five years as per their latest finalised accounts. Further, five Public sector undertakings (one working Statutory corporation and four non-working Government companies) had been incurring losses for five consecutive years as per their latest finalised accounts, leading to negative net worth. As such, the Government may either improve the performance of these 11 PSUs or consider their closure.

(Paragraph 1.51)

2. Reviews relating to Government companies

Reviews relating to Performance of production, sales and nodal agency functions of **Gujarat Agro Industries Corporation Limited** and Production activities and trading performance of **Gujarat State Seeds Corporation Limited** were conducted and some of the main findings are as follows:

Performance of production, sales and nodal agency functions

The Gujarat Agro Industries Corporation Limited failed in its objective of developing of agro industries in the State, mainly due to non-achievement of targets, under utilisation of capacity, concentration mainly on fertilizer trading and higher administrative overheads. The operation of uneconomical units continued and there was delay in disposal of closed units. The Company resorted to charging unauthorised margin on bio-gas programme, tarpaulin and open pipe line schemes.

In the implementation of the bio-gas programme, the Company failed to achieve the norms of covering 15 *per cent* Scheduled Caste beneficiaries. The Company unauthorisedly charged margins of Rs.2.82 crore from the beneficiaries of the bio-gas programme, tarpaulin and open pipe line schemes resulting in the curtailment of subsidy to these beneficiaries and defeating the purpose of the programme.

Service charges of Rs.1.25 crore received for implementation of State sponsored schemes including disbursement of subsidies were inadequate to meet even administrative expenditure amounting to Rs.4.05 crore during 2000-04.

(Chapter 2.1)

Production activities and trading performance

Gujarat State Seeds Corporation Limited was formed to develop seed production activities and to ensure that the quality seed were made available to the farmers at reasonable rates. The performance of the Company in achieving this objective was deficient as the production and trading activities had been static as compared to the increase of production and sale of seed in the State resulting in decrease in its share of sale in the State. Inability to achieve higher production also led to under utilisation of the seed processing plants. The selling price of the seeds fixed by the Company was higher which led to higher cost to be borne by the farmers defeating the prime objective of the Company.

The Company failed to achieve its target of production of certified seed as there was shortfall of 35 *per cent*. Against the target of production of certified seeds of 5.42 lakh quintal, the actual production was 3.53 lakh quintal, which resulted in shortfall of 1.89 lakh quintal certified seeds valued at Rs.37.91 crore.

Non achievement of seed multiplication ratio in respect of breeder and foundation seed resulted in yield shortfall of 2.32 lakh quintals valued at Rs.65.33 crore during 2000-05.

(Chapter 2.2)

3. Review relating to Statutory corporation

Review relating to Construction of power transmission lines and associated sub-stations by **Gujarat Electricity Board** was conducted and some of the main findings are as under:

In its endeavour to keep pace with the increase in the generation capacity, both immediate as well as anticipated, the efforts put in by the Board for matching increase in the transmission network fell short of projections for want of adequate monetary support from the State Government and the Board's failure to raise funds from other sources. The Board failed to adhere to implementation plans for synchronous construction of sub-stations and their respective associated transmission lines, which resulted in idle investments of the Board's scarce resources.

Delayed/ non-completion of three transmission schemes resulted in its forgoing economic benefit of Rs.626.20 crore by way of conversion of transmission and distribution losses into potential revenue.

The Board was unable to check transmission losses in excess of norms and entailed potential revenue loss of Rs.169.66 crore.

There were instances of idle investment of Rs.177 crore resulting in loss of interest of Rs.25.62 crore due to mismatch of completion schedules and infructuous expenditure of Rs.18.23 lakh on operation and maintenance charges.

(Chapter 3)

4. Transaction Audit Observations

Transaction Audit observations included in the Report highlight deficiencies in the management of PSUs, which involved serious financial irregularities. The deficiencies noticed were broadly of the following nature:

- Loss of Rs.15.34 crore in two cases due to abnormal shortage of bauxite ore and belated exploration of alternative washeries for placement of orders.

(Paragraphs 4.1 and 4.10)

- Extra/ infructuous expenditure amounting to Rs.204.40 crore in 11 cases due to delay in placement of order, imprudent deferment of construction work, payment of idle charges, unwarranted revision of rates and payment of penal interest, etc.

(Paragraphs 4.4-4.9, 4.11-4.13, 4.15 and 4.16)

- Non recovery of dues of Rs.14.60 crore in four cases due to violation of norms in Sanction and disbursement of loans.

(Paragraphs 4.2,4.3, 4.17 and 4.18)

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

Relaxation of norm by **Gujarat Industrial Investment Corporation Limited** fixed for “Loan Against Securitisation of Assets Scheme” while extending loan to a unit resulted in non recovery of Rs.6.52 crore.

(Paragraph 4.2)

Sardar Sarovar Narmada Nigam Limited over paid idle charges of Rs.10.68 crore to a contractor for machinery and manpower utilised on another work.

(Paragraph 4.6)

Gujarat Electricity Board did not insert put/ call option clause in the bonds issued. This will result in avoidable loss of Rs.105.84 crore by way of excess payment of interest on redemption of the bonds on their maturity.

(Paragraph 4.9)

An excess contribution of Rs.51.35 crore was made by **Gujarat State Road Transport Corporation** into Employees’ Provident Fund due to incorrect implementation of Government notification.

(Paragraph 4.15)