Overview

1. Overview of Government companies and Statutory corporations

As on 31 March 2002, the State had 50 Public Sector Undertakings (PSUs) comprising 45 Government companies and five Statutory corporations, as against the same number of PSUs as on 31 March 2001. Out of 45 Government companies, 35 were working Government companies, while 10 were non-working Government companies. All the five Statutory corporations were working corporations.

The total investment in working PSUs increased from Rs.25,025.26 crore as on 31 March 2001 to Rs.25,051.95 crore as on 31 March 2002. The total investment in 10 non-working PSUs also increased from Rs.546.38 crore to Rs.606.19 crore during the same period.

The budgetary support in the form of capital, loans and grants/subsidies disbursed to the working PSUs increased from Rs.4,005.30 crore in 2000-01 to Rs.6,488.81 crore in 2001-02. The State Government also contributed Rs.10.97 crore in the form of loan to one non-working company during 2001-02. The State Government guaranteed loans aggregating Rs.2,107.17 crore during 2001-02. The total amount of outstanding loans guaranteed by the State Government to all PSUs as on 31 March 2002 was Rs.13,297.65 crore.

Ten working Government companies and two working Statutory corporations finalised their accounts for the year 2001-02. The accounts of remaining 25 working Government companies and three working Statutory corporations were in arrears for periods ranging from one to six years as on 30 September 2002. One non-working Government company finalised its accounts for the year 2001-02. The accounts of remaining nine non-working Government companies were in arrears for periods ranging from one to seven years as on 30 September 2002.

According to the latest finalised accounts, 22 working PSUs (21 Government companies and one Statutory corporation) earned aggregate profit of Rs.415.40 crore, out of which only two working Government companies declared dividend of Rs.12.83 crore to the State Government. Against this, 14 working PSUs (10 Government companies and four Statutory corporations) incurred aggregate loss of Rs.3,117.09 crore as per their latest finalised accounts. Of the loss incurring working Government companies, three companies had accumulated losses aggregating Rs.90.19 crore which exceeded their aggregate paid-up capital of Rs.13.70 crore by more than six times. One loss incurring Statutory corporation had accumulated loss of Rs.1,877.95 crore, which exceeded its paid-up capital of Rs.556.80 crore by more than three times.

Even after completion of five years of their existence, the individual turnover of three working Government companies and one working Statutory corporation had been *less than* Rs.5 crore in each of the preceding five years as per their latest finalised accounts. Further, two Government companies (one working and one non-working) 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 six PSUs or consider their closure.

(Paragraphs 1.2, 1.3, and 1.7)

2. Review relating to Government company

Gujarat Water Resources Development Corporation Limited

The Company was incorporated in May 1971 with the main objective of executing tubewells and lift irrigation schemes, by availing of funds mainly from the State Government and Financial Institutions.

The Company engaged in the activities ancillary to the utilisation of surplus ground water deviated from the district-wise scheduled programme for drilling of tubewells and concentrated on a particular region resulting in overexploitation of ground water in certain areas. The Company had not implemented the recommendations of the Comprehensive Study Committee and the directions of the State Government to curtail the staff strength so as to reduce the establishment expenditure. Some of the important points noticed in review were as under:

Under '500 Tubewells phase-I programme', the Company drilled 65 tubewells in eight districts which were not specified in the programme and 150 tubewells in over exploited zone on recommendations of the then Ministers and Members of Legislative Assembly.

(Paragraph 2.7.1.1)

The Company deviated from the guidelines prescribed by the State Government for implementation of '500 Tubewells phase-II programme'. Against 50 tubewells envisaged in Mehsana district, as many as 332 tubewells including 245 tubewells in overexploited zone were drilled mainly on the recommendations of the then Ministers and Members of Legislative Assembly.

(Paragraph 2.7.1.2)

Of the 170 tubewells drilled under 'Special component programme', which was for the benefit of Scheduled Caste farmers, only 11 tubewells met the criteria of number of beneficiary farmers belonging to Scheduled Caste.

(Paragraph 2.7.1.4)

Fixation of higher rates by the Company for excavation of soil in recharge work contracts resulted in avoidable expenditure of Rs.2.83 crore.

(Paragraph 2.7.3)

The Company had drawn excess subsidy of Rs.61.54 crore from the State Government during 1997-2001 through misstatement of facts.

(Paragraph 2.9.1)

Despite directives of the State Government for easing out surplus employees of the Company, their continuance had resulted in avoidable expenditure of Rs.45.75 crore towards pay and allowances.

(Paragraph 2.10)

3. Reviews relating to Statutory corporations

Gujarat Electricity Board

3A. Material Management and Inventory Control of Transmission and Distribution Materials

The Board has over the years developed purchase policies and procedures for the protection of the interest of the Board. On many occasions, however, purchase policies/procedures were not adhered to and prudent practices were not followed leading to avoidable extra expenditure. Besides, the norms fixed by the Board on stocking were not adhered, leading to avoidable stocking of materials. The existing non moving stocks and scrap stocks were not properly monitored leading to blocking of funds. Some of the important points noticed in review were as under:

As against the internal guidelines for finalisation of a tender within 98 days, the Board delayed finalisation of tenders by 40 to 993 days resulting in avoidable extra expenditure of Rs.4.93 crore.

(Paragraphs 3A.4.2.1.1 and 3A.4.2.1.2)

Though the Board reserved the right to place repeat orders up to 50 *per cent* of the ordered quantity, it incurred avoidable extra expenditure of Rs.1.46 crore due to failure to place repeat orders at lower rates and of Rs.0.53 crore due to placement of repeat orders at higher rate, in spite of an apparent decreasing trend in prices.

(Paragraphs 3A.4.2.2.1 and 3A.4.2.2.2)

The Government of Gujarat directed (December 1998) discontinuance of the practice of unloading Gujarat Sales Tax in the evaluation of tenders. However, the Board continued the practice till December 1999 resulting in avoidable extra expenditure of Rs.1.43 crore.

(Paragraph 3A.4.2.3.1)

Due to incorrect estimation of material requirements or ignoring the past consumption patterns, the Board made excess purchases ranging from 17 to 64 *per cent* of total ordered quantity valuing Rs.4.35 crore.

(Paragraphs 3A.4.2.4.1 to 3A.4.2.4.4)

Gujarat State Financial Corporation

3B. Defaults and Recovery Performance

The Corporation was set up in May 1960 to assist the small and medium industrial units for development of industries in the State. The Corporation's failure to follow the laid down procedure for sanction and disbursement of loans, lack of inspections after disbursement, poor monitoring of the recovery and imprudent settlement of cases under One Time Settlement scheme had resulted in increased borrowings and interest burden. Some of the important points noticed in review were as under:

Due to insufficient recovery, the Corporation depended mainly on refinance from Small Industries Development Bank of India, issue of bonds and loans from banks. This resulted in heavy interest burden of Rs.756.82 crore on the Corporation during 1997-2002.

(Paragraph 3B.5)

The target for recovery of dues was fixed based on the collection of previous years rather than on the basis of amount recoverable. The actual recovery ranged from 17 to 47 *per cent* of amount recoverable during the last five years ended March 2002.

(Paragraph 3B.7.2)

The overdues had increased from Rs.360.91 crore in 1997-98 to Rs.1,071.46 crore in 2001-02 and 89 *per cent* of the total overdues were *more than* two years old.

(Paragraph 3B.7.3)

Due to poor recovery performance, the non performing assets had increased from Rs.271.59 crore (24 *per cent*) in 1997-98 to Rs.690.56 crore (59 *per cent*) in 2001-02.

(Paragraph 3B.7.4)

4. Miscellaneous topics of interest

Gujarat Small Industries Corporation Limited

Due to irregular extension of financial assistance of Rs.0.86 crore to a firm, the Company was unable to recover the principal and also suffered loss of interest of Rs.0.58 crore.

(Paragraph 4.1.1)

Gujarat Mineral Development Corporation Limited

Incorrect estimation of cost of production coupled with deficiency in the agreement made with a firm for sale of calcined bauxite had resulted in loss of Rs.3.52 crore.

(Paragraph 4.2.1)

Sardar Sarovar Narmada Nigam Limited

The Company suffered loss of interest of Rs.4.92 crore due to belated decision to recover the power factor adjustment charges from a contractor.

(Paragraph 4.6.1)

Gujarat Electricity Board

Avoidable delay in replacing the boiler tubes resulted in loss of revenue of Rs.27.29 crore to the Board and Rs.4.45 crore to the State exchequer.

(Paragraph 4.8.1)

Persistence of high transmission and distribution losses in two feeders due to theft had resulted in loss of revenue of Rs.16.65 crore to the Board and Rs.2.76 crore to the State exchequer.

(Paragraph 4.8.2)

Gujarat State Road Transport Corporation

The Corporation incurred an extra cost of Rs.1.83 crore due to use of ready-made upholstered seats instead of fabricated seats.

(Paragraph 4.9.1)

Gujarat State Financial Corporation

An amount of Rs.5.34 crore remained to be recovered due to imprudent financial assistance extended under Hire Purchase Scheme.

(Paragraph 4.10.1)