

## Overview

### 1. Overview of Government companies and Statutory corporations

As on 31 March 2003, the State had 49 public sector undertakings (PSUs) comprising 44 Government companies and five Statutory corporations, as against 50 PSUs comprising 45 Government companies and five Statutory corporations as on 31 March 2002. Out of 44 Government companies, 34 were working Government companies, while 10 were non-working Government companies. All the five Statutory corporations were working corporations.

*(Paragraph 1.1)*

The total investment in working PSUs increased from Rs.25,051.95 crore as on 31 March 2002 to Rs.29,612.85 crore as on 31 March 2003. The total investment in 10 non-working PSUs also increased from Rs.606.19 crore to Rs.619.49 crore during the same period.

*(Paragraphs 1.2 and 1.18)*

The budgetary support in the form of capital, loans and grants/subsidies disbursed to the working PSUs decreased from Rs.6,488.81 crore in 2001-02 to Rs.2,761.04 crore in 2002-03. The State Government also contributed Rs.13.13 crore in the form of loan to one non-working company during 2002-03. The State Government guaranteed loans aggregating Rs.2,347.45 crore during 2002-03. The total amount of outstanding loans guaranteed by the State Government to all PSUs as on 31 March 2003 was Rs.12,843.26 crore.

*(Paragraphs 1.5 and 1.19)*

Twelve working Government companies and two working Statutory corporations finalised their accounts for the year 2002-03. The accounts of remaining 22 working Government companies and three working Statutory corporations were in arrears for periods ranging from one to seven years as on 30 September 2003. Three non-working Government companies finalised their accounts for the year 2002-03. The accounts of remaining seven non-working Government companies were in arrears for periods ranging from one to eight years as on 30 September 2003.

*(Paragraphs 1.6 and 1.21)*

According to the latest finalised accounts, 20 working PSUs (19 Government companies and one Statutory corporation) earned aggregate profit of Rs.352.30 crore, out of which only four working Government companies declared dividend of Rs.25.53 crore to the State Government. Against this, 16 working PSUs (12 Government companies and four Statutory corporations) incurred aggregate loss of Rs.1,179.50 crore as per their latest finalised accounts. Of the loss incurring working Government companies, five companies had accumulated losses aggregating Rs.122.64 crore which

exceeded their aggregate paid-up capital of Rs.39.27 crore by more than three times. One loss incurring Statutory corporation had accumulated loss of Rs.2,160.26 crore, which exceeded its paid-up capital of Rs.570.85 crore by more than three times.

*(Paragraphs 1.7, 1.8, 1.9, 1.10 and 1.11)*

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 rupees five 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.

*(Paragraph 1.46)*

## **2. Reviews relating to Government companies**

### ***2.1 Gujarat State Police Housing Corporation Limited***

Gujarat State Police Housing Corporation Limited was incorporated in November 1988 as a wholly owned State Government company with the main objective of construction of residential and non-residential buildings for police and jail in the State. The Company, despite being in existence for more than a decade, was not able to prepare realistic estimates. Further, there were abnormal delays in completion of works, absence of sound planning, inadequate execution and monitoring system. Some of the important points noticed in the review were as under:

Due to excess drawals from the State Government, the Company could utilise 34.87 to 56.24 *per cent* of the available funds for execution of works during 1998-2003. Besides, the Company could not earn interest of Rs.1.79 crore on unutilised funds as the same was lying in current account.

*(Paragraphs 2.1.7 and 2.1.10)*

The estimates prepared by the Company were unrealistic as there were wide variations between estimated and executed quantities mainly because of carrying out soil bearing test and preparing structural designs in most of the cases after award of the work. There were savings of Rs.7.02 crore against revised estimated cost of Rs.30.77 crore in respect of 29 projects completed.

*(Paragraphs 2.1.14 and 2.1.15)*

Due to collapse of one block of C-4 (12 units) at Mavdi, Rajkot district, the police personnel had not occupied 136 quarters constructed at a cost of Rs.3.76 crore. Consequently, the Government had made avoidable payment of

house rent allowance of Rs.18.69 lakh to police personnel, besides, the purpose of construction of staff quarters could not be achieved.

*(Paragraph 2.1.17)*

The Company's unauthorised decision to increase the carpet area of B, C and D types quarters from the area prescribed by the State Government led to additional financial burden of Rs.4.56 crore on the State exchequer.

*(Paragraph 2.1.19)*

## **2.2 Gujarat State Civil Supplies Corporation Limited**

Gujarat State Civil Supplies Corporation Limited was incorporated in September 1980, as a wholly owned Government company under the Companies Act, 1956 with the main object of procurement of allotted quantities of food grains and edible oils from central agencies, coarse grain from open market and distribution of the same to the fair price shops under public distribution system/targeted public distribution system. The Company carried out Government activities on commission basis at the rates prescribed by the State Government on yearly basis. The Company also undertook limited market activities, which were marred by continuous losses. Some of the important points noticed in the review were as under:

The Company incurred extra expenditure of Rs.65 lakh on purchase of palmolien oil in tin pack instead of bulk quantities .

*(Paragraph 2.2.22)*

Due to delay in receipt of subsidy from the State Government, the Company suffered interest loss of Rs.3.18 crore. Besides, delay by the State Government in revision of central issue price under targeted public distribution system resulted in a loss of Rs.17.06 crore to the State exchequer and of Rs.89.57 lakh to the Company.

*(Paragraphs 2.2.25 and 2.2.27)*

Due to non receipt of Rs.33.28 crore from mid-day meal commissionerate, the Company suffered an interest loss of Rs.3.59 crore.

*(Paragraph 2.2.28)*

Failure to ease out the surplus employees of the Company resulted in avoidable expenditure of Rs.5.08 crore towards pay and allowances.

*(Paragraph 2.2.39)*

### **3. Reviews relating to Statutory corporation**

#### ***Gujarat Electricity Board***

##### ***3.1 Power sector reforms-signing of Memorandum of Understanding and implementation thereof***

The State Government/Board initiated the process of power sector reforms with the formation of Gujarat State Electricity Corporation Limited (August 1993) and Gujarat Energy Transmission Corporation Limited (May 1999). A Memorandum of Understanding was signed in January 2001 between Government of India and Government of Gujarat as a measure of joint commitment to undertake time bound power reforms in the State. The State Government and the Board had not taken adequate steps to expedite the power reforms and implementation of measures, as envisaged in Memorandum of Understanding. No progress has been made to make Gujarat Energy Transmission Corporation Limited functional. The financial assistance availed from Power Finance Corporation Limited and Government of India for renovation and modernisation of the existing thermal power stations and also system improvement did not yield the desired results due to delay/non-implementation of programmes. Some of the important points noticed in the review were as under:

The Board suffered a revenue loss of Rs.19.92 crore due to excessive transmission and distribution losses of energy during 2002-03 despite the expenditure of Rs.40.75 crore incurred under accelerated power development programme for system improvement.

*(Paragraph 3.1.9)*

The Board could not avail benefits of Rs.4.43 crore per annum due to indecision in the implementation of the wide area network project. Besides, it incurred infructuous expenditure of Rs.40.70 lakh on consultancy charges (Rs.22.35 lakh) and commitment charges (Rs.18.35 lakh) on the project.

*(Paragraph 3.1.11)*

Failure to submit the proposal for adopting new fuel cost adjustment formula as per Gujarat Electricity Regulatory Commission's directives resulted in loss of Rs.762.94 crore during 2001-03.

*(Paragraph 3.1.14)*

##### ***3.2 Procurement and performance of energy meters in Gujarat Electricity Board***

As per section 26(1) of the Indian Electricity Act, 1910, the Board is required to install and maintain correct energy meters on each point of supply of energy

to consumers for measuring the energy actually sold. There were delays in installation of meters in agricultural premises and replacement of defective meters. System of procurement of meters was marred by delay in finalisation of tenders, non comparison of rates with previous tender and inter state rates, non placement of orders at the lowest rates and non placement of repeat orders. Some of the important points noticed in the review were as under:

Non metering of 4.88 lakh agricultural consumers as on 31 March 2003 led to non realisation of anticipated revenue of Rs. 173.19 crore.

*(Paragraph 3.2.5)*

The Board incurred avoidable expenditure of Rs.2.35 crore due to non placement of orders at the lowest rate, non placement of repeat orders and non comparison of rates of previous tender and inter state rates.

*(Paragraphs 3.2.12 to 3.2.18)*

The Board incurred extra expenditure of Rs.2.02 crore due to bulk purchase rates being higher than local purchase rates.

*(Paragraph 3.2.19)*

Due to inadequate monitoring in 17 out of 67 high tension express feeders test checked in eight operation and maintenance divisions, the Board suffered revenue loss of Rs.1.52 crore on account of transmission and distribution losses in excess of the norms.

*(Paragraph 3.2.24)*

#### **4. Miscellaneous topics of interest**

##### ***Gujarat Mineral Development Corporation Limited***

Lack of the Company's involvement and control in execution of integrated software development work resulted in fruitless expenditure of Rs.58.40 lakh.

*(Paragraph 4.1)*

##### ***Gujarat Industrial Investment Corporation Limited***

Funds of Rs.7.60 crore remained locked up due to imprudent investment made in the fully convertible debentures. Consequently, the Company was exposed to interest burden of rupees three crore.

*(Paragraph 4.4)*

***Sardar Sarovar Narmada Nigam Limited***

Improper soil investigations carried out before award of earth works resulted in an avoidable expenditure of Rs.1.39 crore.

*(Paragraph 4.8)*

***Gujarat Power Corporation Limited***

Delay in complying with the terms of share acquisition agreement resulted in interest loss of Rs.8.03 crore.

*(Paragraph 4.12)*

***Gujarat Electricity Board***

Belated actions in commissioning new bore wells led to energy generation loss of 3.08 crore units and consequently revenue loss of Rs.6.81 crore.

*(Paragraph 4.14)*

***Gujarat State Financial Corporation***

Non adherence to the laid down procedure in respect of sanction and disbursement and inadequate follow-up of recoverable dues resulted in non recovery of Rs.3.24 crore.

*(Paragraph 4.19)*

***Gujarat Industrial Development Corporation***

In violation of the Corporation's policy, interest on capital cost was not considered for fixing water charges which resulted in short recovery of Rs.3.35 crore from industrial units.

*(Paragraph 4.22)*