

1. Overview of Government companies and Statutory corporations

As on 31 March 2004, the State had 50 Public Sector Undertakings (PSUs) comprising 45 Government companies and five Statutory corporations as against 49 PSUs comprising 44 Government companies and five Statutory corporations as on 31 March 2003. Out of 45 Government companies, 35 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 2004.

(Paragraphs 1.1 and 1.47)

The total investment in working PSUs increased from Rs.29,612.85 crore as on 31 March 2003 to Rs.34,550.20 crore as on 31 March 2004. The total investment in 10 non-working PSUs also increased from Rs.619.49 crore to Rs.805.43 crore during the same period.

(Paragraphs 1.2 and 1.17)

The budgetary support in the form of capital, loans and grants/subsidies disbursed to the working PSUs increased from Rs.2,761.04 crore in 2002-03 to Rs.5,501.82 crore in 2003-04. The State Government also contributed Rs.2.40 crore in the form of loan to three non-working companies during 2003-04. The State Government guaranteed loans aggregating Rs.2,331 crore during 2003-04. The total amount of outstanding loans guaranteed by the State Government to all PSUs as on 31 March 2004 was Rs.14,360.43 crore.

(Paragraphs 1.5 and 1.18)

Out of 35 working Government companies and five Statutory corporations, 13 working companies and one Statutory corporation finalised their accounts for the year 2003-04. The accounts of 21 working companies and four working Statutory corporations were in arrears for period ranging from one to eight years as on 30 September 2004. The accounts of one newly incorporated company was not due as on 30 September 2004. One non-working Government company finalised the accounts for the year 2003-04 and the accounts of remaining four non-working Government companies were in arrears for periods ranging from one to five years as on 30 September 2004. Five companies were under liquidation.

(Paragraphs 1.6 and 1.20)

According to the latest finalised accounts, 23 working PSUs (22 Government companies and one Statutory corporation) earned aggregate profit of Rs.489.74 crore, out of which only three working Government companies declared dividend of Rs.14.79 crore to the State Government. Against this

13 working PSUs (nine Government companies and four Statutory corporations) incurred aggregate loss of Rs.903.62 crore as per their latest finalised accounts. Of the loss incurring working Government companies, four companies had accumulated losses aggregating Rs.118.27 crore which exceeded their aggregate paid-up capital of Rs.33.89 crore by more than two times. The loss incurring Statutory corporations had accumulated losses aggregating Rs.1,737.25 crore which exceeded their paid-up capital of Rs.659.96 crore.

(Paragraphs 1.7, 1.8, 1.9 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. Review relating to Government company

Gujarat State Land Development Corporation Limited

Gujarat State Land Development Corporation Limited was incorporated in March 1978, with the main objective of executing land reclamation and soil conservation schemes in the State. These schemes aimed at improvement and maintenance of quality of land through land and water management. The Company had deviated from the terms of sanction of the grants received from State Government for different schemes which resulted in curtailment of soil conservation activity. There was no recovery mechanism to watch recovery of loan from beneficiary farmers resulting in accumulation of dues. Some of the important points noticed in the review were as under:

The Company had diverted grants of Rs.33.43 crore (89 *per cent*) from soil conservation schemes towards meeting expenditure on pay and allowances and other administrative expenditure during 1999-2003.

(Paragraph 2.10)

Under village pond scheme the Company, in violation of terms of sanction of grants, exceeded the financial limit of rupees two lakh *per* pond. The actual expenditure *per* pond ranged from Rs.2.02 lakh to Rs.96.38 lakh on 1,047 ponds during 1999-2003, which resulted in irregular expenditure of Rs.14.91 crore.

(Paragraph 2.14)

Bulldozer utilisation charges were fixed at higher rate, which resulted in excess appropriation of grant under village pond scheme by Rs.10.11 crore.

(Paragraph 2.19)

In violation of State Government directives, the Company kept its surplus fund in current accounts instead of placing in liquid deposit schemes of Gujarat State Financial Services Limited. As a result it suffered loss of interest of Rs.88.67 lakh during April 2000 to August 2003.

(Paragraph 2.20)

Despite directives of the State Government (February 1998) for easing out surplus employees, the Company incurred extra expenditure of Rs.3.15 crore on surplus manpower during 1998-2003.

(Paragraph 2.24)

3. Review relating to Statutory corporation

Gujarat Electricity Board

Material Management and Inventory Control in Thermal Power Stations

Gujarat Electricity Board owns and operates six thermal power stations and four hydro power stations including two mini hydro power stations. Power generated from six thermal power stations constituted 97 per cent of the total power generated by the Board during 1999-2004. The Board took excess time in purchase of vital spares and finalisation of the price of fuel, which resulted in avoidable expenditure and generation loss. Some of the important points noticed in review were as under:

Restricted supply of low sulphur heavy stock oil on account of abnormal delay in finalisation of its price with Indian Oil Corporation Limited resulted in generation loss of Rs.102.45 crore.

(Paragraph 3.7)

Non maintenance of spare generator transformer resulted in generation loss of Rs.122.08 crore besides the unit remained idle for 274 days for want of spare generator transformer.

(Paragraph 3.12)

Non maintenance of stock of induced draft fans impellers resulted in generation loss of 43.42 million units valuing Rs.8.48 crore.

(Paragraph 3.13)

4. Transaction Audit Observations

Transaction audit observations included in this Report highlight deficiencies in the management of PSUs, which resulted in serious financial implications. The irregularities pointed out are broadly of the following nature:

- Avoidable payment / extra expenditure amounting to Rs.56.23 crore in six cases.

(Paragraphs 4.2,4.3,4.7,4.9,4.12 and 4.14)

- Undue benefit / favour / payment amounting to Rs.19.05 crore in three cases.

(Paragraphs 4.1,4.4 and 4.8)

- Loss of revenue of Rs.419.27 crore in two cases.

(Paragraphs 4.11 and 4.13)

- Non recovery of dues / claim amounting to Rs.15.50 crore in three cases.

(Paragraphs 4.17, 4.18 and 4.19)

- Loss due to imprudent project implementation amounting to Rs.20.96 crore in one case.

(Paragraph 4.6)

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

Gujarat Mineral Development Corporation Limited

Discount of Rs.62.23 lakh was allowed to a private firm on the purchase of lignite in utter disregard to the terms of Memorandum of Understanding and the agreement.

(Paragraph 4.1)

Gujarat State Petronet Limited

The Company suffered a loss of Rs.20.96 crore due to imprudent implementation of Mora Utran Pipeline Project.

(Paragraph 4.6)

Gujarat Electricity Board

Persistent high distribution losses in power feeders of Porbandar city division resulted in loss of revenue of Rs.39.67 crore to the Board and Rs.5.71 crore to the State exchequer.

(Paragraph 4.13)

Gujarat State Road Transport Corporation

Due to non removal of tyres in time for retreading, the retreadability factor of tyres was very low which resulted in shortfall in performance of nylon tyres by 87,508 lakh km equivalent to cost of Rs.31.09 crore during 1999-2004.

(Paragraph 4.16.8)

Gujarat State Financial Corporation

Disbursement of loans to ineligible firms resulted in non-recovery of dues of Rs.10.47 crore.

(Paragraph 4.18)