

## Overview

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

- As on 31 March 2005, the State had 42 Public Sector Undertakings (PSUs) comprising 38 Government companies and four Statutory corporations. Out of 38 Government companies, 29 were working companies, while nine were non-working Government companies. All the four Statutory corporations were working corporations. In addition, there was one company under the purview of Section 619-B of the Companies Act, 1956.

*(Paragraphs 1.1 and 1.33)*

- The total investment in working PSUs increased from Rs.4934.12 crore as on 31 March 2004 to Rs.5637.59 crore as on 31 March 2005. The total investment in non-working PSUs increased from Rs.198.99 crore to Rs.224.36 crore during the same period.

*(Paragraphs 1.2 and 1.16)*

- The budgetary support in the form of capital, loans and grants /subsidy disbursed to the working PSUs increased from Rs.56.38 crore in 2003-04 to Rs.1449.99 crore in 2004-05. The State Government guaranteed loans aggregating Rs.63.92 crore during 2004-05. The total amount of outstanding loans guaranteed by the State Government decreased from Rs.5020.14 crore as on 31 March 2004 to Rs.646.35 crore as on 31 March 2005.

*(Paragraph 1.5)*

- Four working Government companies and two Statutory corporations, had finalised their accounts for the year 2004-05. The accounts of 22 working Government companies and two Statutory corporations were in arrears for periods ranging from one year to six years as on 30 September 2005. Madhya Pradesh Electricity Regulatory Commission and one new Company have not finalised their accounts since inception and accounts of three new Companies have not yet become due. None of the non-working Government companies had finalised its accounts for the year 2004-05 and were in arrears for periods ranging from one year to 15 years as on 30 September 2005.

*(Paragraphs 1.6 and 1.19)*

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- According to their latest finalised accounts, nine working PSUs (seven Government companies and two Statutory corporations) incurred aggregate loss of Rs.118.30 crore. On the other hand, 15 working PSUs (13 Government companies and two Statutory corporations) earned aggregate profit of Rs.192.78 crore, as per their latest finalised accounts. Three working Government companies declared dividend of Rs.72 lakh during the year. Of the loss incurring working Government companies, accumulated losses of two companies aggregated Rs.650.77 crore which exceeded their aggregate paid-up capital of Rs.82.15 crore. Two loss incurring Statutory corporations had accumulated losses of Rs.957.83 crore, which exceeded their paid-up capital of Rs.219.95 crore.

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

- Even after completion of five or more years of their existence, the individual turnover of eight working Government companies has been less than rupees five crore in each of the preceding five years as per their latest finalised accounts. Further, one Government Company had been incurring losses for five consecutive year's leading to negative net worth. As such, the Government may either improve the performance of these nine Government companies or consider their closure.

*(Paragraph 1.31)*

## **2 Reviews in respect of Government Companies**

### **2.1 *Development and Financial assistance by Madhya Pradesh Adivasi Vitta Evam Vikas Nigam***

- Performance of the Company with regard to its stated objectives was abysmally low. It failed to lift even a single Adivasi family above the poverty line. Both physical as well as financial achievements suffered and substantially declined during 2000-05 under all the schemes operated by the Company.

*(Paragraphs 2.1.9 and 2.1.7)*

- The performance of the Company with regard to the benefits accrued was deficient in comparison to the amount spent. The Company incurred Rs.5.61 crore towards establishment expenditure to extend financial assistance of Rs.2.34 crore during 2000-05. Though the Company was aware that the failure of schemes was due to irresponsibility and rampant corruption on the part of staff, it failed to take any remedial measure to set right the deficiencies.

*(Paragraphs 2.1.7 and 2.1.9)*

- The Company could draw only Rs.7.45 crore (22 per cent) and disbursed only Rs.2.07 crore (6 per cent) to beneficiaries out of Rs.33.89 crore sanctioned by National Scheduled Tribes Finance and Development Corporation (NSTFDC) during 2000-05. It had to refund Rs.5.38 crore in respect of 18 schemes due to its failure to identify the beneficiaries after drawal of loans. Loan assistance of Rs.12.01 crore was cancelled by the NSTFDC due to the Company's failure to furnish list of beneficiaries.

*(Paragraph 2.1.7)*

- The Company provided financial assistance to only 2520 beneficiaries of the tribal population of 51.29 lakh (age group 20-59) since its inception, depicting dismal coverage of 0.05 per cent.

*(Paragraph 2.1.18)*

## **2.2 Creation and Development of infrastructure facilities by Madhya Pradesh Audyogik Kendra Vikas Nigams**

- AKVNs neither evolved any long term plan or strategy for acquisition of land nor fixed any annual targets in this regard. Against 23 growth centres to be developed by 1994, AKVNs developed only 14 growth centres during the last five years ended 31 March 2005. Expenditure on acquisition of land (Rs.6.63 crore) and development of plots (Rs.68.94 crore) remained unfruitful due to non completion of development of land and non-allotment of plots.

*(Paragraphs 2.2.6 and 2.2.7)*

- Irregular change in foundation design resulted in extra expenditure of Rs.87.56 lakh. Failure to levy penalty for delay in completion of infrastructure facilities resulted in loss of revenue of Rs.1.06 crore. Continuance of unviable water supply scheme resulted in a loss of Rs.1.45 crore.

*(Paragraphs 2.2.8, 2.2.9 and 2.2.13)*

- Delay in acquiring/developing land and allotting plots in SEZ resulted in the expenditure of Rs.27.45 crore remaining unfruitful. Injudicious decision to reduce the premium of land in respect of industrial units of Special Economic Zone (SEZ) resulted in loss of revenue of Rs.22.58 crore.

*(Paragraphs 2.2.18 and 2.2.19)*

- Deficient planning and inefficient operation of Food Processing Industrial Parks resulted in unfruitful expenditure of Rs.31.26 crore.

(Paragraphs 2.2.22 to 2.2.30)

- Setting up of Integrated Infrastructure Development Centres without field study/survey, common facilities and assessment of demand rendered the expenditure of Rs.8.79 crore unfruitful.

(Paragraphs 2.2.31 to 2.2.39)

### **3. Review in respect of Statutory Corporation**

#### ***Procurement, performance and maintenance of transformers in Madhya Pradesh State Electricity Board***

- Madhya Pradesh State Electricity Board failed to maintain a balance between the growth of sub-transmission & distribution transmission capacity in relation to the connected load. The Distribution transformation capacity was 155 to 230 per cent higher than the connected load upto the year ended 31 March 2004. The mismatch resulted in overloading with consequential failure of transformers and transmission and distribution (T&D) losses of over 250 per cent of the accepted level of such losses fixed by the Central Electricity Authority.

(Paragraphs 3.6.1 and 3.6.2)

- The Board lost Rs.10619.31 crore of potential revenue due to these excessive T&D losses. The Board failed to achieve even the modest target of reduction of T&D losses progressively to 28 percent by 2004-05 as prescribed by the Regulatory Commission.

(Paragraph 3.6.2)

- Deficient planning and bid evaluation coupled with delays in bid evaluation, commissioning of transformers, construction of sub-stations, resulted in avoidable excess expenditure of Rs.70.40 crore on the procurement of transformers. Besides, the delays in completion of various schemes resulted in un-quantifiable losses in revenue.

(Paragraphs 3.6.4, 3.6.5, 3.6.7, 3.6.8 and 3.6.9)

- The Board did not take action for the repair of high cost EHV transformers as also repair and conversion of other transformer for up to four years. Timely action for repair of nine 40 MVA and 15 transformers up to 20 MVA could have saved the Board financial outgo of Rs.10.62 crore and Rs.12.00 crore respectively. Ineffective contract management by the Board with regard to repair of transformers including non-availing of guarantee

cover, non-invocation of risk and cost clause etc. cost the Board Rs.6.82 crore in addition to non-maintenance of quality supply to consumers.

*(Paragraphs 3.6.6, 3.6.15, 3.6.21 and 3.6.23)*

#### **4. Transaction Audit observations**

- Execution of up-gradation/improvement work resulted in irregular expenditure of Rs.1.84 crore.

*(Paragraph 4.4)*

- Extension of undue benefit to a consumer, non-availing of pre-remittance facility and payment of over-run charges and imprudent cash management by the Board resulted in extra expenditure of Rs.96.13 lakh and loss of revenue of Rs.50.97 lakh.

*(Paragraphs 4.13, 4.14 and 4.15)*

- Execution of financially unviable projects, failure to implement decision regarding insuring stock, failure to regulate contract demand and maintain power factor resulted in extra expenditure of Rs.1.60 crore.

*(Paragraphs 4.18, 4.19 and 4.21)*

- Failure to honour payment obligations resulted in loss of net potential revenue of Rs.1.46 crore.

*(Paragraph 4.20)*

- **Madhya Pradesh State Civil Supplies Corporation Limited's** payment for element of work not done by transport contractors resulted in extra expenditure of Rs.7.49 crore.

*(Paragraph 4.1)*

- Procurement of non-fair average quality wheat by **Madhya Pradesh State Civil Supplies Corporation Limited**, resulted in a loss of Rs.1.37 crore.

*(Paragraph 4.2)*

- Placement of inter corporate loans by **Madhya Pradesh State Industrial Development Corporation Limited** without obtaining approval from Government, security from the borrower and verifying financial position coupled with it's failure to take action for recovery, resulted in loss of

Rs.187.44 crore besides locking up of Rs.93.13 crore with consequential interest of Rs.46.16 crore.

*(Paragraphs 4.5.1-4.5.9)*

- **Madhya Pradesh State Electricity Board's** insistence on negotiating the rate ignoring the reasonability of the offers and the market trend resulted in avoidable expenditure of Rs.4.34 crore.

*(Paragraph 4.8)*

- **Madhya Pradesh State Electricity Board's** provision of mere four *per cent* compensation for line loss in wheeling of power generated by private wind energy generators resulted in loss of Rs.2.47 crore.

*(Paragraph 4.9)*

- Payment to the contractors by **Madhya Pradesh State Electricity Board** due to irregular revision of rates resulted in avoidable extra expenditure of Rs.1.66 crore.

*(Paragraph 4.10)*