# OVERVIEW

## 1 Overview of Government companies and Statutory corporations

As on 31 March 2001, the State had 66 Public Sector Undertakings (PSUs) comprising of 61 Government companies and five Statutory corporations compared to 65 PSUs comprising 60 Government companies and 5 Statutory corporations as on 31 March 2000. Out of 61 Government companies, 43 were working Government companies while 18 were non-working Government companies. All the five Statutory corporations were working corporations. The number of non-working Government companies increased from 17 to 18 during the year. In addition, there were two companies under the purview of 619-B of the Companies Act, 1956, as on 31 March 2001.

The total investment in working PSUs increased from Rs.19139.39 crore as on 31 March 2000 to Rs.19668.80 crore as on 31 March 2001. The total investment in non-working PSUs also increased from Rs.46.96 crore to Rs.130.96 crore during the same period.

The budgetary support in the form of capital, loans and grants disbursed to the working PSUs decreased from Rs.472.14 crore in 1999-2000 to Rs.281.39 crore in 2000-01. The State Government also released loan of Rs.9.65 crore to one non-working company during 2000-01. The State Government guaranteed loans aggregating to Rs.2988.98 crore (Rs.2984.23 crore to working PSUs and Rs.4.75 crore to non-working PSUs) during 2000-01. The total amount of outstanding loans guaranteed by the State Government to all PSUs increased from Rs.7334.51 crore as on 31 March 2000 to Rs.20570.14 crore as on 31 March 2001.

Nine working Government companies and four working Statutory corporations have finalised their accounts for the year 2000-01. The accounts of remaining 34 working Government companies and one working Statutory corporation *i.e.* Maharashtra State Warehousing Corporation were in arrears for periods ranging from one year to 14 years as on 30 September 2001. The accounts of all the 18 non-working Government companies were in arrears for periods ranging from one year to 15 years as on 30 September 2001.

According to latest finalised accounts, 17 working PSUs (15 Government companies and two Statutory corporations) earned aggregate profit of Rs.61.52 crore. Of these two PSUs (one working Government company and one working Statutory corporation) declared dividend during the year. Against this, 28 working PSUs (25 Government companies and three Statutory corporations) incurred aggregate loss of Rs.3037.72 crore as per the latest finalised accounts. Of the loss incurring working Government companies, 13 companies had accumulated losses aggregating Rs.508.08 crore, which exceeded their aggregate paid-up capital of Rs.330.08 crore. Maharashtra State Road Transport Corporation, being a loss incurring Statutory corporation, had accumulated loss of Rs.627.77 crore, which exceeded its paid-up capital of Rs.282.36 crore by more than two times.

In Maharashtra State Electricity Board, the percentage of transmission and distribution loss to total power available for sale had increased from 17.2 *per cent* in 1998-99 to 34.8 *per cent* in 2000-01. In Maharashtra State Financial Corporation, the overdue amount had risen steeply from Rs.435.16 crore in 1997-98 to Rs.739.56 crore in 1999-2000.

Even after completion of five years of their existence, the individual turnover of 15 working and 11 non-working Government companies has been less than Rs.5 crore in each of the preceding five years of latest finalised accounts. Further, four working Government companies, which had turnover of more than Rs.5 crore, have 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 30 Government companies or consider their closure.

*(Paragraphs 1.1, 1.2, 1.3, 1.7 and 1.10)*

# 2 Reviews relating to Government companies

## 2A Maharashtra State Farming Corporation Limited

The Maharashtra State Farming Corporation Limited (Company) was incorporated as a Government Company in March 1963 with the prime object of cultivation of land acquired under the Maharashtra Agricultural Land (Ceiling on Holdings) Act, 1961. As of June 2000, the company had 69889 acres of land in possession of which the cultivable land was 46532 acres. Out of the cultivable land, 3102 acres of land was encroached by *ex*-lessors and others including relatives of political leaders. The poor operational efficiency and increased losses were mainly attributable to low sugarcane production due to insufficient water supply, inadequate fertiliser application, deviations from ideal cropping pattern and non-utilisation of entire cultivable land. Besides, improper planning and irregularities in major schemes such as excavation of wells, drip-irrigation and purchase and hiring of tractors also contributed to losses. The Company extended unintended benefits to outside agencies under Joint cultivation scheme due to deficient contracts and poor supervision. Some of the important points noticed in the review were as under:

The Company incurred loss of Rs.2.68 crore in implementation of the Joint cultivation scheme, due to acceptance of lower rates, non-recovery of legitimate dues, non-recovery of harvesting charges, less recovery of land use value, *etc*.

*(Paragraphs 2A.8.1, 2A.8.2 and 2A.8.3)*

Short supply of water by irrigation department forced the Company to grubb 1419 acres of sugarcane and suffer loss of Rs.2.38 crore.

*(Paragraph 2A.10.1)*

The Company incurred infructuous/unproductive expenditure of Rs.2.40 crore on digging of wells (Rs.0.35 crore) and procurement and installation of drip irrigation system (Rs.2.05 crore).

*(Paragraphs 2A.10.2 and 2A.10.3)*

## 2B Forest Development Corporation of Maharashtra Limited

The Company was incorporated in February 1974 with the main objective of raisings plantation of economically important species like teak, bamboo *etc.* on Government land. The Company was acting as agent of Government in clear felling of its natural forests up to 1986. Pursuant to directives (September 1986) of the Government of India banning clear felling, the Company switched over its activities to afforestation and raising and maintenance of plantation. The main revenue generating activity of the Company is through teak plantation. These precious plantations suffer from poor survival rate, low mean annual increment, shortage in achievement of thinning targets, low yield and consequentially shortfall in realisation of revenue. This shows poor operational efficiency at all major stages of management of teak plantations. Large area of plantations has been declared as failed on account of human factors, which is indication of poor control over manpower. Also there were wide spread failures in Wasteland Development Programme and other schemes due to wrong selection of species unsuitable to the areas. The Company has been able to sharply increase its revenue by frequent thinning operations in recent years, which had adversely affected the per hectare productivity. The Company should ensure suitability of species, by trials in limited area before undertaking plantations on large scale, to avoid failure of plantation. Some of the important points noticed in the review were as under:

As of March 2001, the Company had 4.07 lakh hectares of forest land taken on lease from the Government of which plantations were raised on 3.83 lakh hectares. Of these, plantation raised on 0.74 lakh hectares was considered as having failed. Failure of plantation on 0.48 lakh hectare was due to human factor while failure on 0.26 lakh hectare was due to habitat factor.

*(Paragraph 2B.7.1)*

There was a shortfall of revenue of Rs.62.32 crore on account of failure of plantation and low yield in ongoing Teak plantation scheme.

*(Paragraph 2B.7.1.1)*

78 *per cent* of plantations under Wasteland Development Programme failed resulting in unproductive expenditure of Rs.42.31 crore and against anticipated revenue of Rs.49.48 crore the amount realised was only Rs.0.09 crore.

*(Paragraph 2B.7.1.2)*

The Company incurred expenditure of Rs.27.51 crore on three plantation schemes, which proved unproductive.

*(Paragraph 2B.7.1.3, 2B.7.1.4 and 2B.7.1.5)*

# 3 Reviews relating to Statutory corporations

## 3A Review on Incomplete transmission and distribution schemes in Maharashtra State Electricity Board (Board)

Transmission schemes include erection of lines, substations and augmentation of transformation capacity for voltage levels from 66 KV to 400 KV. The capital expenditure on schemes in progress as on 31 March 2001 as per the books of accounts of Board was Rs.692.27 crore for transmission schemes and Rs.299.61 crore for distribution schemes. There were 81 transmission schemes (expenditure: Rs.151.70 crore) remaining incomplete as on 31 March 2001 for more than three years from the date of approval by the Board of Members (BOM). In distribution schemes, 430 substations approved by the BOM including 151 approved prior to April 1998 were yet to be completed as of March 2001. As on 31 March 2001, the expenditure on incomplete distribution schemes was Rs.299.61 crore. There were considerable delays in taking up both transmission and distribution schemes for implementation after administrative approval by the BOMs leading to non-achievement of anticipated benefits. There was absence of effective monitoring system for watching progress of implementation of distribution schemes. Deferment of schemes after incurring expenditure and part completion of schemes led to locking up of scarce funds. Some of the important points noticed in the review were as under:

Ten schemes approved by the BOM, between June 1997 and October 1999 were not taken up till March 2001. As a result anticipated benefits of Rs.48.63 crore from three schemes were not achieved.

*(Paragraph 3A.1.4.2)*

Inspite of sanction of loan of Rs.121 crore by Power Finance Corporation, Board deferred two schemes with anticipated benefit of Rs.50.07 crore per annum.

*(Paragraph 3A.1.4.2.1)*

Procurement of materials for a scheme without acquiring land led to locking up of Rs.4.60 crore for more than three years

*(Paragraph 3A.1.4.3.6)*

The Board had not taken up 13 district integrated schemes expected to yield saving of Rs.118 crore per annum in line losses.

*(Paragraph 3A.1.5.1)*

The Board was deprived of anticipated savings of Rs.90.41 crore per annum due to non-completion of three distribution schemes in urban areas.

*(Paragraph 3A.1.5.2)*

## 3B Review on operational performance of Maharashtra Industrial Development Corporation in Mumbai and Pune Metropolitan Regions and Konkan and Pune Divisions

Maharashtra Industrial Development Corporation (Corporation) was set up in 1962 to promote and assist the rapid and orderly establishment, growth and development of industries in the State, as an agent of the Government. For this purpose, the Government acquires the land, identified by the Corporation, at its own cost and places the land at the disposal of the Corporation. The Corporation allots the land on lease after developing necessary infrastructure. The Corporation recoups the development cost from the lease proceeds before remitting the balance to Government. Up to March 2001, in Mumbai Metropolitan Region (MMR), Pune Metropolitan Region (PMR), Konkan and Pune Divisions, 44385 hectares of land requirement was proposed for 66 major industrial areas, 17 mini industrial areas and 25 growth centres and 5 other areas. Against this, Government provided 23824 hectares of land for 48 major industrial areas, 11 mini industrial areas, 13 growth centres and 5 other areas. The Corporation's failure to assess the availability of water and unwillingness of the land owners to sell their land led to cancellation of projects and time lag in development of industrial areas. There is absence of realistic assessment of demands and economic viability of project before undertaking development of industrial areas and infrastructural facilities. This has resulted in many schemes such as five star industrial areas, truck terminals, fire stations, Suvarna Laghu Udyog Yojana, knitwear and leather complex *etc*., either not being developed or proving unviable with consequent huge financial losses. Corporation has also failed to prevent encroachment on its areas as a result of which substantial loss of revenue has taken place. The service charges collected by the Corporation were much less than the maintenance expenses incurred. Some of the important points noticed in the review were as under:

Due to lack of demand, development expenditure of Rs.9.41 crore including land cost remained unproductive at Halkarni and Lonand.

*(Paragraph 3B.1.5.1.2(b))*

Even after incurring expenditure of Rs.65.02 crore for establishment of Five Star Industrial Areas at four places, no allotment could be made due to lack of demand.

*(Paragraph 3B.1.5.4)*

Outstanding dues towards supply of water at concessional rates for domestic consumption to municipal corporations of Ulhasnagar, Kalyan-Dombivli and Thane, Maharashtra Jeevan Pradhikaran and CIDCO Limited mounted to Rs.210.81 crore as of March 2001.

*(Paragraph 3B.1.6.2)*

Truck terminals built at a cost of Rs.2.13 crore at 10 industrial areas without carrying out systematic study and assessment of demand had remained idle.

*(Paragraph 3B.1.8)*

Fire stations constructed at a cost of Rs.4.24 crore at eight industrial areas were lying idle since their construction.

*(Paragraph 3B.1.9)*

Investment of Rs.79.46 crore in construction of knitwear and leather complex without any firm demand proved to be unproductive.

*(Paragraph 3B.1.11)*

Failure of the Corporation either to hand over the industrial areas for maintenance to the Associations or enhance the service charges resulted in loss of Rs.18.24 crore.

*(Paragraph 3B.1.12)*

## 4 Miscellaneous topics of interest relating to Government companies and Statutory corporations

***Maharashtra State Road Development Corporation Limited***

Reimbursement of Works Contract Tax to the contractors in violation of contractual terms resulted in avoidable expenditure of Rs.3.07 crore.

*(Paragraph 4A.2.1)*

Non-recovery of full rebate from the contractors for items substituted/ replaced resulted in extra expenditure of Rs.0.62 crore.

*(Paragraph 4A.2.2)*

***City and Industrial Development Corporation of Maharashtra Limited***

Injudicious decision to construct a second banking complex without firm commitment from banks resulted in idle investment of Rs.17.49 crore for four years with consequential loss of interest of Rs.12.37 crore till August 2001.

*(Paragraph 4A.3.1)*

In the absence of specific clause in MOU to enforce claim for reimbursement, the Company could not claim an amount of Rs.5.54 crore.

*(Paragraph 4A.3.2)*

Delay in removing encroachment even after intimation by the allottee resulted in loss of Rs.3.69 crore

*(Paragraph 4A.3.3)*

***Haffkine Bio-Pharmaceuticals Corporation Limited***

Lacunae in terms of contract regarding purchase of additional quantity of doses of oral polio myelitis vaccine resulted in avoidable expenditure of Rs.1.68 crore.

*(Paragraph 4A.4.1)*

***Maharashtra State Electricity Board***

Investment in equity of Dabhol Power Company (DPC) in contravention of the recommendations of Negotiating Group resulted in payment of premium of Rs.257.65 crore.

*(Paragraph 4B.1.1)*

Board incurred extra expenditure of Rs.0.51 crore due to adoption of higher rate of interest than that prescribed in Power Purchase Agreement.

*(Paragraph 4B.1.2)*

Failure to insist on prompt payment of rebate resulted in loss of interest of Rs.0.45 crore.

*(Paragraph 4B.1.5)*

***Maharashtra State Road Transport Corporation***

Decision to construct bus station at a far away location despite permission received for constructing bus station within city itself and public opposition for shifting bus station resulted in idle investment of Rs.1.25 crore.

*(Paragraph 4B.2.1)*