OVERVIEW

1. General view of Government companies and Statutory corporations

As on 31 March 2003, the State had 71 Public Sector Undertakings (PSUs) comprising 66 Government companies and five Statutory corporations, as against 66 PSUs as on 31 March 2002. Out of 66 Government companies, 48 were working Government companies, while 18 were non-working Government companies. All the five Statutory corporations were working corporations.

(Paragraph 1.1)

The total investment in working PSUs was Rs.17,808.73 crore as on 31 March 2003 as against Rs.20,663.27 crore as on 31 March 2002. However, the total investment in non-working PSUs was Rs.213.20 crore and Rs.191.40 crore during the same period.

(Paragraphs 1.2 and 1.16)

The budgetary support in the form of capital, loans, and grants/subsidies disbursed to the working PSUs decreased from Rs.2,153.36 crore in 2001-02 to Rs.1,798.55 crore in 2002-03. The State Government also contributed Rs.21.48 crore in the form of loan to one non-working company during 2001-02. The State Government guaranteed loans aggregating Rs.2,105.34 crore to working PSUs during 2002-03. The total amount of outstanding loans guaranteed by the State Government to all PSUs as on 31 March 2003 was Rs.12,921.88 crore.

(Paragraph 1.5)

Eight working Government companies and four working Statutory corporations finalised their accounts for the year 2002-03. The accounts of remaining 40 working Government companies (six companies have not submitted their first account) and one working Statutory corporation were in arrears for periods ranging from one to 14 years as on 30 September 2003. The accounts of 16 non-working Government companies were in arrears for periods ranging from one to 17 years as on 30 September 2003.

(Paragraphs 1.6 and 1.19)

According to the latest finalised accounts, 14 working PSUs (12 Government companies and two Statutory corporations) earned aggregate profit of Rs.46.22 crore out of which one Government company and one Statutory corporation declared dividend of Rs.42.90 lakh and Rs.87.11 lakh, respectively during the year. Against this, 31 working PSUs (28 Government companies and three Statutory corporations) incurred aggregate loss of

Rs.973.28 crore as per their latest finalised accounts. Of the loss incurring working Government companies, 15 companies had accumulated losses aggregating Rs.885.37 crore, which exceeded their aggregate paid-up capital of Rs.332.02 crore. Of the three loss incurring Statutory corporations, two Statutory corporations had accumulated losses of Rs.1,232.49 crore, which exceeded their paid-up capital of Rs.598.78 crore.

(Paragraphs 1.7-1.11)

Even after completion of five years of their existence, the individual turnover of 16 working and 16 non-working Government companies was less than rupees five crore in each of the preceding five years as per their latest finalised accounts. Further, three Government companies (two working and one non-working) which had turnover of more than rupees five crore, 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 35 Government companies or consider their closure.

(Paragraph 1.38)

2 Review relating to Government company

2 Maharashtra State Handlooms Corporation Limited

The Maharashtra State Handlooms Corporation Limited (Company) was incorporated in 1971 with the main objective of assisting handloom weavers outside the co-operative fold by providing them with yarn and undertaking the marketing of their products. The Company failed to fulfil its main objective of supplying raw material to weavers as it could meet only 3 to 22 *per cent* of their requirement for yarn during 1998-2003. Despite having a low prime cost, the low volume of production and consequent high unit overheads resulted in uncompetitive prices. The non-recovery of overheads resulted in losses. Poor sales led to a working capital crunch leading to reduction in production and mounting overhead costs per unit of production. Poor internal resource generation necessitated repeated borrowings and interest burden thereon. Some of the important observations made in the review were as under:

Due to injudicious allotment of work to the weavers in cottages, Company's employees could not get adequate work resulting in payment of idle wages of Rs.76 lakh.

(Paragraph 2.13)

Despite protection provided to the Company by reserving its products for purchase by Government departments, the Company appointed private agents for sale to Government departments and paid a commission of Rs.1.09 crore to them during 1998-2003.

(Paragraph 2.17)

Although, the Government policy did not envisage procurement of cloth by Government departments from traders either directly or through the Company yet the Company supplied the finished goods by procuring the same from traders.

(Paragraph 2.18)

The Company irregularly diverted Rs.4.09 crore received for implementing delinking scheme (Rs.77 lakh), workshed cum housing scheme (Rs.85 lakh), project package scheme (Rs.60.88 lakh) and voluntary retirement scheme (Rs.1.86 crore) towards working capital.

(Paragraphs 2.25-2.27 and 2.32)

3. Reviews relating to Statutory corporation

Maharashtra State Electricity Board

3.1 Procurement, repairs and performance of energy meters

Maharashtra State Electricity Board (Board) is required to install and maintain correct energy meter on each point of supply of energy to consumers for measuring the energy sold as per Section 26(2) of the Indian Electricity Act, 1910. Yet at the end of March 2002, the Board had 18.79 lakh unmetered consumers. Installation of meters by Maharashtra State Electricity Board (Board) on feeders, distribution transformers and consumers' premises was the key to achieving reduction of transmission and distribution losses to 18 *per cent*. The Board could not achieve even the liberal target of 26.9 *per cent* set by Maharashtra Electricity Regulatory Commission. Procurement of meters for installation at feeders and distribution transformers without identifying consumers did not yield the desired objective. Some of the important observations made in the review were as under:

The Board incurred extra expenditure of Rs.45.30 crore due to procurement of meters at higher rates despite availability of technically acceptable meters at lower rates.

(Paragraphs 3.1.7-3.1.11)

Average utilisation of capacity of single phase and three phase meter testing benches in 95 out of 121 divisions worked out to 67 and 41 *per cent,* respectively. Non testing/recalibration of meters which slowed down with the passage of time resulted in underbilling of energy consumption to the extent of 118.61 million unit (MU) valuing at Rs.37.36 crore during first one year. Unrecorded consumption will further increase year after year till recalibration is done.

(Paragraphs 3.1.15-3.1.16)

As per commitments for power sector reforms the Board installed meters on 6,098 distribution feeders and 14,134 distribution transformers at a cost of Rs.22.26 crore but energy accounting could not be done due to non identification of consumers feeder-wise/transformer-wise. This resulted in unproductive expenditure.

(Paragraphs 3.1.17-3.1.22)

Due to non procurement of meters in a staggered manner, 2.10 lakh three phase meters valuing Rs.41.08 crore procured for agricultural consumers remained idle (March 2003).

(Paragraph 3.1.23)

3.2 Performance of Khaperkheda thermal power station including construction of unit 3 and 4.

Construction of unit 3 and 4 of Khaperkheda thermal power station (KTPS) was approved by the Planning Commission in June 1988, taken up for implementation in 1997-98 and commissioned in August 2000 and March 2001, respectively. Due to improper preparation of estimates, consumption of oversized steel, defective drawings, incorrect application of price variation clause, the Board incurred extra expenditure. Some of the important observations made in the review were as under:

In the execution of electrical and mechanical works, excess payment of Rs.31.66 crore was made to Bharat Heavy Electricals Limited due to incorrect computation of price variation.

(Paragraph 3.2.14)

Due to defective performance of ash handling plant supplied and commissioned by Mahindra Ash Tech Limited, the Board incurred extra expenditure of Rs.1.11 crore and also suffered power generation loss of Rs.71.08 crore. Irregular payment of Rs.60 lakh was made to the contractor towards reimbursement of excise duty. Penalty of Rs.18 lakh leviable as per terms of contract was also not levied.

(Paragraphs 3.2.16-3.2.20)

Excess consumption of coal by 17.43 lakh metric tonne over and above the standard laid down by the equipment supplier resulted in loss of Rs.165.70 crore during 1998-2003.

(Paragraph 3.2.27)

Extra expenditure of Rs.13.60 crore was incurred on transportation of coal from distant mines.

(Paragraph 3.2.30)

3.3 Implementation of information technology in the high tension billing system of Maharashtra State Electricity Board

The computerised high tension (HT) billing system of Maharashtra State Electricity Board (Board) was initially implemented in 1981 and re-engineered during 1997-2000. Considering that about 58 *per cent* of the total revenue is generated from HT consumers, the system handling HT billing and revenue realisation is 'mission critical' in nature. The billing system has poor general information technology controls especially regarding the security features such as access controls, passwords, login attempts and security breach reports. The system was vulnerable to unauthorized access and data manipulation. Some of the important observations made in the review were as under:

In the absence of a formal information technology (IT) policy and long term strategy, the IT center sites prepared during April 1999 to August 2002 at a cost of Rs.1.40 crore were not made operational due to delay in procurement of hardware. The Board incurred expenditure of Rs.1.54 crore on outsourcing of billing due to delayed commissioning of IT centre at Bhandup.

(Paragraph 3.3.5)

There was waiver of minimum charges of Rs.7.13 crore and non levy of charges of Rs.1.54 crore in violation of rules.

(Paragraph 3.3.22)

Excess bulk discount of Rs.3.19 crore was granted to ineligible HT consumers and incorrect calculation of power factor incentive resulted in excess rebate of Rs.5.58 crore.

(Paragraphs 3.3.23-3.3.25)

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

City and Industrial Development Corporation of Maharashtra Limited

By charging lease premium less than prescribed rates, undue benefits of Rs.32.02 crore were passed on to educational institutions, newspapers groups and others.

(Paragraph 4.1)

Maharashtra Film, Stage and Cultural Development Corporation Limited

The Company extended undue benefit to a private party by under valuation of land by Rs.28.20 crore.

(Paragraph 4.2)

Maharashtra State Electricity Board

Implementation of information technology in stores management did not yield the desired results as the systems developed by the Board were deficient.

(Paragraph 4.5)

The Board irregularly waived the interest of Rs.12.23 crore on liquidated letter of credit loan.

(Paragraph 4.11)

Maharashtra State Road Transport Corporation

Full payment to supplier despite short receipt of material resulted in overpayment of Rs.73 lakh to the supplier.

(Paragraph 4.13)

The decision of the Corporation to purchase fully fabricated 200 mini buses instead of purchasing the chassis and getting the body building done at its central workshops resulted in extra expenditure of Rs.1.94 crore.

(Paragraph 4.15)

Maharashtra State Financial Corporation

Sanction of loan without adequate security and delayed action for recovery resulted in non recovery of dues of Rs.16.59 crore.

(Paragraph 4.17)

Maharashtra Industrial Development Corporation

The construction of galas in millennium business park despite decline in demand resulted in idle outlay of Rs.163.32 crore on unsold galas.

(Paragraph 4.21)

Due to inclusion of a clause in the agreement in violation of rules, undue benefit of interest of Rs.11 crore was extended to a private commercial firm.

(Paragraph 4.24)