OVERVIEW

1. General view of Government companies and Statutory corporations

As on 31 March 2004, the State had 81 Public Sector Undertakings (PSUs) comprising of 76 Government companies and five Statutory corporations, as against 71 PSUs as on 31 March 2003. Out of 76 Government companies, 55 were working Government companies, while 21 were non-working Government companies. All the five Statutory corporations were working corporations.

(Paragraph 1.1)

The total investment in working PSUs was Rs.21,733.38 crore as on 31 March 2004 as against Rs.17,808.73 crore as on 31 March 2003. The total investment in non-working PSUs was Rs.265.29 crore and Rs.213.20 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.1,798.55 crore in 2002-03 to Rs.890.28 crore in 2003-04. The State Government guaranteed loans aggregating Rs.2,223.76 crore to working PSUs during 2003-04. The total amount of outstanding loans guaranteed by the State Government to working PSUs as on 31 March 2004 was Rs.9,412.72 crore.

(Paragraph 1.5)

Nine working Government companies and four working Statutory corporations finalised their accounts for the year 2003-04. The accounts of the remaining 46 working Government companies and one working Statutory corporation were in arrears for periods ranging from one to 14 years as on 30 September 2004. The accounts of 13 non-working Government companies were in arrears for periods ranging from one to 18 years as on 30 September 2004.

(Paragraphs 1.6 and 1.19)

According to the latest finalised accounts, nine Government companies and two Statutory corporations earned aggregate profit of Rs.43.25 crore and Rs.1.61 crore respectively. Against this, 41 working Government companies and three Statutory corporations incurred aggregate loss of Rs.622.81 crore and Rs.525.93 crore respectively as per their latest finalised accounts. Of the loss incurring working Government companies, 12 companies had accumulated losses aggregating Rs.1,473.60 crore, which exceeded their aggregate paid-up capital of Rs.290.87 crore. Of the three loss incurring

Statutory corporations, two Statutory corporations had accumulated losses of Rs.1,525.48 crore, which exceeded their paid-up capital of Rs.720.07 crore.

(Paragraphs 1.7,1.9 and 1.11)

Even after completion of five years of their existence, the individual turnover of 16 working and four non-working Government companies was less than rupees five crore in each of the preceding five years as per their latest finalised accounts. Further, two Government companies (both 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 22 Government companies or consider their closure.

(Paragraph 1.34)

2 Review relating to Government company

2 Maharashtra Agro Industries Development Corporation Limited

Maharashtra Agro Industries Development Corporation Limited was incorporated in December 1965 to assist, promote and develop agro industries and its connected activities in Maharashtra. The Company has been incurring operational losses since 2000-01. The operations relating to animal feed and fruits and vegetables processing factory at Nagpur continue to be a drag on profits of the Company. The idle labour cost in NPK factories has been affecting adversely the profitability of the Company. Some of the important observations made in the review were as under:

Capacity utilisation of fruits and vegetables processing factory at Nagpur was far below the break-even point resulting in loss of Rs.5.09 crore during 1999-2004.

(Paragraph 2.10)

In the entrustment of fruit processing plants at Katol and Morshi valued at Rs.9.75 crore to a private party, the agreement was silent on the action to be taken in the event of default in redemption of preference shares and payment of dividend. The party was allowed to raise loans against the assets without ensuring that the funds were fully invested in the plant and not diverted.

(Paragraph 2.11)

The Company failed to avail of cash rebate of 18 *per cent* fully in purchase of fertilisers despite being attractive. This has resulted in loss of Rs.44 lakh even after allowing interest on cash credit.

(Paragraph 2.14)

Advertising contracts worth Rs.1.81 crore were awarded during 2002-03 to a single firm without calling for tenders, thus, violating the norms of transparency. Expenditure of Rs.41.10 lakh on advertisement proved infructuous besides affecting the Company's image due to non sale of advertised products.

(Paragraph 2.24)

3. Reviews relating to Statutory corporations

Maharashtra State Electricity Board

3.1 Fund Management

The fund inflow of the Board mainly comprises revenue from sale of power, equity contribution and loans from State Government, banks and financial institutions, subsidy/grants from Sate Government. The fund outflow is by way of expenditure on power and fuel, interest payment, establishment, operation and maintenance works, repayment of loans and capital assets. There was deterioration in collection of revenue. The Board was lax in initiating legal action for recovery of arrears. Delayed remittances by banks, unnecessary retention of large balances in collection accounts and delay in realisation of revenue on inter-state sales resulted in loss of interest. Non redemption of costlier loans, payment of commitment charges and penal interest on undrawn loans contributed to higher cost of borrowing. Some of the important observations made in the review were as under:

Due to delayed remittances by banks between headquarters and field offices, the Board suffered interest loss of Rs.1.33 crore.

(Paragraphs 3.1.12 and 3.1.13)

Short recovery of security deposits of Rs.31.66 crore from consumers resulted in interest loss of Rs.3.48 crore per annum.

(Paragraph 3.1.19)

Failure to take full advantage of rebate offered by National Thermal Power Corporation led to loss of Rs.7.34 crore.

(Paragraph 3.1.23)

The Board has not drawn loans as per drawal schedule in 109 out of 138 cases during 1999-2004 which resulted in payment of commitment charges of Rs.8.45 crore to Power Finance Corporation.

(Paragraph 3.1.27)

3.2 Implementation of information technology in the Integrated Bus Reservation System in Maharashtra State Road Transport Corporation

The Maharashtra State Road Transport Corporation has an online passenger reservation system known as Integrated Bus Reservation System (IBRS). The IBRS, an online wide area networking system, had poor networking, operating, application and database security features and was hence vulnerable to unauthorised access and data/source code modification. These deficiencies had security implications in the absence of audit trails, system logs. Unauthorised business rule having bearing on the revenues of the Corporation was incorporated in the software. The database was not designed to capture critical data for grant of various concessions and validation checks were inadequate. Some of the important observations made in the review were as under:

The Corporation did not invite open tenders for procurement of hardware.

(Paragraph 3.2.5)

There was under realisation of revenue of Rs.16.50 crore due to incorporation of unauthorised computation rules.

(Paragraph 3.2.6)

Assignment of common identity for all users instead of having a unique identity for each user rendered the system vulnerable to misuse.

(Paragraph 3.2.14)

Maharashtra State Financial Corporation

3.3 Defaults and recovery performance

Maharashtra State Financial Corporation was established in August 1962 with main objective to accelerate industrial growth by providing financial assistance to small and medium scale industries. The Corporation incurred losses continuously during 1999-2004 mainly due to slackness in recovery of its dues. Net worth of the Corporation was negative since 2000-01. Due to slackness in recovery of its dues, the Corporation's ability to finance units was seriously impaired and disbursement of loans declined from Rs.46.66 crore in 1999-2000 to Rs.1.57 crore in 2003-04.

Loans were sanctioned to unviable projects. Disbursements were made without ensuring compliance with vital conditions necessary to safeguard the Corporation's interests. Effective post disbursement inspection and monitoring to identify units that were likely to turn unviable was not done. The Corporation did not safeguard its interests by invoking Section 29 of SFC Act and personal guarantees of promoters/directors. Some of the important observations made in the review were as under:

Due to slackness in recovery of its dues, the Corporation's ability to finance units was seriously impaired and disbursement of loans declined from Rs.46.66 crore in 1999-2000 to Rs.1.57 crore in 2003-04.

(Paragraph 3.3.6)

There was frequent dishonour of cheques in 412 live loan accounts. But, cases under Section 138 of Negotiable Instruments Act were not filed in 356 accounts with overdues of Rs.283.17 crore.

(Paragraph 3.3.19)

There were 1,066 cases under the category of non-performing assets for more than two years. But, the Corporation did not invoke Section 29 of State Financial Corporations Act to take over possession of assets of the defaulters. The outstanding dues in these cases were Rs.365.76 crore. In 119 out of 210 cases involving dues of Rs.78.74 crore, the Corporation did not invoke personal guarantees obtained from promoters/directors.

(Paragraph 3.3.20)

4 Transaction audit observations

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

- Imprudent investment/blocking of fund amounting to Rs.23.60 crore in four cases due to imprudent investment decisions.

(Paragraphs 4.16, 4.22, 4.24 and 4.25)

- Excessive, irregular and extra avoidable expenditure amounting to Rs.13.32 crore in five cases.

(Paragraphs 4.2,4.3,4.4,4.5 and 4.23)

- Loss of revenue of Rs.86.90 crore in three cases due to irregularities in allotment of plots of land and bulk discount to industrial electrical consumers.

(Paragraphs 4.1, 4.12 and 4.13)

- Excess/irregular payment of Rs.4.78 crore in one case made to staff on account of implementation of voluntary retirement scheme.

(Paragraph 4.10)

- Violation of contractual obligations and undue favours to contractors resulting in loss of Rs.13.81 crore in eight cases.

(Paragraphs 4.6,4.7,4.8,4.9,4.14,4.15,4.19 and 4.20)

- Non recovery of dues amounting to Rs.9.64 crore in two cases.

(Paragraphs 4.17 and 4.21)

- Interest payment of Rs.5.08 crore on account of delayed payment of accident compensation claims.

(Paragraph 4.18)

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

City and Industrial Development Corporation of Maharashtra Limited

By charging lease premium less than market rates, under recovery of service charges and allowing excess discount, the Company passed on undue benefits of Rs.32.60 crore to a private builder, co-operative housing societies, school trust and others.

(Paragraph 4.1)

Maharashtra Film, Stage and Cultural Development Corporation Limited

The Company extended irregular financial assistance of Rs.8.03 crore to a private firm in contravention of the agreement. The Company is also stuck with a liability of Rs.4.50 crore due to drawal of money by the proprietor of the private firm from joint bank account.

(Paragraphs 4.3 and 4.4)

Maharashtra State Road Development Corporation Limited

The Company incurred infructuous expenditure of Rs.7.97 crore due to non finalisation of basic design relating to type of link.

(Paragraph 4.6)

Maharashtra State Textile Corporation Limited

The Company incurred extra expenditure of Rs.4.78 crore in implementation of voluntary retirement scheme.

(Paragraph 4.10)

Maharashtra State Electricity Board

Due to improper formulation of bulk discount scheme, the Board suffered loss of revenue of Rs.53 crore during 2000-03.

(Paragraph 4.12)

Maharashtra State Road Transport Corporation

The Corporation is liable to bear losses due to injudicious investment of Rs.16.04 crore made by its contributory provident fund and gratuity fund trust.

(Paragraph 4.16)

The Corporation failed to discharge its statutory obligation to make timely payment to accident compensation claimants.

(Paragraph 4.18)

Maharashtra Industrial Development Corporation

Non collection of premium in terms of Memorandum of Understanding from a firm resulted in outstanding dues of Rs.9.37 crore.

(Paragraphs 4.21)