

OVERVIEW

1 Overview of Government companies and Statutory corporations

As on 31 March 2005, the State had 68 Public Sector Undertakings (PSUs) comprising 66 Government companies and two Statutory corporations (both working). The State had the same number of Government companies and Statutory corporations as on 31 March 2004. Of 66 companies, 14 companies were non-working. In addition there were three deemed Government companies under Section 619-B of the Companies Act, 1956 as on 31 March 2005.

(Paragraphs 1.1 and 1.30)

The total investment in working PSUs increased from Rs.13,581.35 crore as on 31 March 2004 to Rs.14,092.07 crore as on 31 March 2005. The total investment in non-working PSUs increased from Rs.84.23 crore to Rs.85.83 crore during the same period.

(Paragraphs 1.2 and 1.15)

The budgetary support in the form of equity, loans, grants and subsidies disbursed to the working PSUs increased from Rs.1,673.24 crore in 2003-04 to Rs.2,564.35 crore in 2004-05. The State Government also granted loan of Rs.4.85 crore to one non-working company during 2004-05. The State Government guaranteed loans aggregating Rs.499.01 crore during 2004-05. The total amount of outstanding loans guaranteed by the State Government decreased from Rs.7,378.89 crore as on 31 March 2004 to Rs.5,892.38 crore as on 31 March 2005.

(Paragraphs 1.5 and 1.16)

Thirty eight working Government companies have finalised their accounts for 2004-05. The accounts of 14 working Government companies and both the Statutory corporations were in arrears from one to three years as on 30 September 2005. The accounts of eight non-working companies were in arrears for periods ranging from one to 13 years as on 30 September 2005.

(Paragraphs 1.6 and 1.18)

According to the latest finalised accounts, 36 working PSUs (35 Government companies and one Statutory corporation) earned aggregate profit of Rs.203.46 crore. Out of 38 working Government companies, which finalised their accounts for 2004-05 by September 2005, only six companies declared

dividend aggregating to Rs.6.12 crore. Seventeen working Government companies and one Statutory corporation incurred an aggregate loss of Rs.1,212.42 crore as per their latest finalised accounts. Of the loss incurring working Government companies, 13 companies had accumulated losses aggregating to Rs.1,841.78 crore, which exceeded their aggregate paid-up capital of Rs.647.94 crore.

(Paragraphs 1.7, 1.8 and 1.9)

Even after completion of 20 to 28 years of their existence, the turnover of four working Government companies had been less than rupees five crore in each of the preceding six years as per their latest finalised accounts. Two companies had been incurring losses for five consecutive years leading to negative net worth. In view of the poor turnover and continuous losses, the Government may either improve the performance of these companies or consider their closure.

(Paragraph 1.28)

2 Review relating to Government companies

Sectoral Review on Operational Performance of Tamil Nadu Sugar Corporation Limited and Perambalur Sugar Mills Limited

Tamil Nadu Sugar Corporation Limited was formed in October 1974 with the main objective of setting up of new sugar mills and expansion of existing sugar mills. Perambalur Sugar Mills Limited was incorporated in July 1976 as a subsidiary of TASCO. The operational performance of the two sugar mills was adversely affected due to:

- shortfall in the procurement of sugarcane, which was attributable to delayed payment of sugarcane procured;
- the Government directive for making payment of the State Advised Price (which was more than the Statutory Minimum Price fixed by the Government of India) and transport subsidy cost which resulted in an additional financial burden of Rs.29.53 crore;
- shortfall in the achievement of budgeted production, low crushing rate and loss of production hours in excess of the norms which resulted in loss of contribution of Rs.16.17 crore.

Consumption of bagasse, steam and power was more than the norms.

The companies were burdened with huge inventory and consequent inventory carrying cost of Rs.10.39 crore per annum due to non-receipt of release orders from the Government of India.

(Paragraph 2)

3 Review relating to Statutory corporation

Sectoral review on Purchase of Wind Energy Power by Tamil Nadu Electricity Board

Tamil Nadu ranks seventh and third in respect of gross and technical potential of power generation from wind energy in the country. The Board failed to carry out balanced development of all the identified potential sites, resulting in imbalance in the generation and evacuation facilities in some areas. The recovery of Infrastructure Development Charges from the private wind energy generators to create/establish/enhance evacuation facilities was not adequate. Some of the important points noticed in audit are given below:

Audit noticed cases of short recovery of Infrastructure Development Charges (Rs.77.56 crore); revenue loss (Rs.204.87 crore) due to non-deduction of transmission and distribution losses; and extra expenditure (Rs.12.96 crore) due to non-recovery of line losses.

Lack of internal control in adjustment of wind energy generation resulted in revenue loss of Rs.8.76 crore.

(Paragraph 3)

4 Transaction Audit Observations

Audit observations included in this Report highlight deficiencies in the management of Public Sector Undertakings which resulted in serious financial implications. The irregularities pointed out are broadly of the following nature:

- Unproductive expenditure/extra expenditure/excess payment of Rs.80.95 crore in 11 cases.

(Paragraphs 4.1, 4.3, 4.6, 4.8, 4.10, 4.12, 4.14, 4.15, 4.16, 4.18 and 4.21)

- Instances of loss of revenue (Rs.19.40 crore) in four cases and undue benefit (Rs.9.56 crore) in one case.

(Paragraphs 4.2, 4.9, 4.11, 4.13 and 4.17)

- Idle investment of Rs.2.36 crore in one case.

(Paragraph 4.5)

- Non-recovery of differential land cost (Rs.2.43 crore) in one case and non-recovery of short term loan (Rs.1.84 crore) in one case.

(Paragraphs 4.4 and 4.7)

Gist of some of the important observations is given below:

State Transport Undertakings incurred an extra expenditure of Rs.27.17 crore on Excise Duty and Sales Tax due to failure to negotiate concession with oil companies.

(Paragraph 4.1)

While entering into lease agreement for lease of Government land, **Electronics Corporation of Tamil Nadu Limited** extended undue benefit of Rs.9.56 crore to a joint venture company.

(Paragraph 4.2)

Inordinate delay by **Poompuhar Shipping Corporation Limited** in inviting tenders for dry docking resulted in avoidable extra expenditure of Rs.5.12 crore.

(Paragraph 4.3)

Delay in replacement/non-replacement of reheater coils in Tuticorin Thermal Power Station of **Tamil Nadu Electricity Board** resulted in generation loss of 110.96 million units and consequent contribution loss of Rs.13.72 crore.

(Paragraph 4.11)

Failure of **Tamil Nadu Electricity Board** to invite tenders for issue of bonds resulted in avoidable extra expenditure of Rs.13.15 crore as interest.

(Paragraph 4.12)

Failure of **Tamil Nadu Electricity Board** to undertake periodical desiltation of Pillur Dam resulted in accumulation of silt and consequent generation loss of 28.04 million units and a contribution loss of Rs.5.10 crore.

(Paragraph 4.13)

Failure of **Tamil Nadu Electricity Board** to restrict interest payment to an Independent Power Producer as per the Power Purchase Agreement terms led to excess payment of Rs.4.12 crore.

(Paragraph 4.14)

Incorporation of too many companies with similar objectives resulted in additional administrative cost of Rs.27.93 crore.

(Paragraph 4.21)
