

OVERVIEW

1 Overview of Government companies and Statutory corporations

As on 31 March 2006, the State had 69 Public Sector Undertakings (PSUs) comprising 67 Government companies (including 14 non-working companies) and two Statutory corporations (both working), as against 66 Government companies (including 14 non-working companies) and two Statutory corporations as on 31 March 2005. In addition there were three deemed Government companies under Section 619-B of the Companies Act, 1956 as on 31 March 2006.

(Paragraphs 1.1 and 1.31)

The total investment in working PSUs increased from Rs.14,092.07 crore as on 31 March 2005 to Rs.14,303.13 crore as on 31 March 2006. The total investment in non-working PSUs increased from Rs.85.83 crore to Rs.86.89 crore during the same period.

(Paragraphs 1.2 and 1.16)

The budgetary support in the form of equity, loans, grants and subsidies disbursed to the working PSUs increased from Rs.2,564.35 crore in 2004-05 to Rs.2,971.66 crore in 2005-06. The State Government also provided Rs.68.30 lakh to one non-working company in the form of loan. The State Government guaranteed loans aggregating Rs.397.23 crore during 2005-06. The total amount of outstanding loans guaranteed by the State Government decreased from Rs.5,892.38 crore as on 31 March 2005 to Rs.4,505.52 crore as on 31 March 2006.

(Paragraphs 1.5 and 1.17)

Thirty seven working Government companies have finalised their accounts for 2005-06. The accounts of 16 working Government companies and both the Statutory corporations were in arrears from one to four years as on 30 September 2006. The accounts of 12 non-working companies were in arrears for periods ranging from 1 to 14 years as on 30 September 2006.

(Paragraphs 1.6 and 1.19)

According to the latest finalised accounts, 29 working PSUs (28 Government companies and one Statutory corporation) earned aggregate profit of Rs.139.91 crore. Out of 37 working Government companies, which finalised their accounts for 2005-06 by September 2006, only eight companies declared dividend aggregating to Rs.15.72 crore. Twenty two working Government companies and one Statutory corporation incurred an aggregate loss of Rs.1,627.58 crore as per their latest finalised accounts. Of the loss incurring working Government companies, 19 companies had accumulated losses aggregating to Rs.2,958.35 crore, which exceeded their aggregate paid-up capital of Rs.969.14 crore.

(Paragraphs 1.7, 1.8 and 1.9)

Even after completion of 21 to 29 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 1.29)

2 Performance review relating to Government company

Production and Sale of paper by Tamil Nadu Newsprint and Papers Limited

Tamil Nadu Newsprint and Papers Limited was formed in 1985 with the main objective of manufacture of newsprint and printing and writing paper using sugarcane bagasse as the raw material. Some of the important points noticed in audit are as under:

- The Company had tie-up arrangements with nine sugar mills in the State for procurement of bagasse on fuel exchange basis. Though the Company fulfilled all its contractual obligations, the sugar mills did not supply the entire quantities of bagasse generated. This resulted in usage of costlier imported pulp at an extra expenditure of Rs.57 crore.
- Failure to adhere to the budgeted norms of pulp consumption resulted in extra expenditure of Rs.60.20 crore.
- Excess finishing loss in paper production compared to the norm resulted in extra expenditure of Rs.33.67 crore.
- Modernisation of paper machines at a total cost of Rs.105.76 crore did not yield the desired results.

(Paragraph 2)

3 Performance review relating to Statutory corporation

Execution of Bhavani Kattalai Barrage-I Hydro Electric Project by Tamil Nadu Electricity Board

Bhavani Kattalai Barrage-I Hydro Electric Project was originally conceived in 1984 at an estimated cost of Rs.78.67 crore with an installed capacity of 90 mega watt (MW). In 1994, the project was split into three individual ones of 30 MW each and Bhavani Kattalai Barrage-I Hydro Electric Project was estimated to cost Rs.90.62 crore at 1995-96 price level. The project commenced in July 1997 with a scheduled completion time of 36 months. While one unit of the project was completed in August 2006 the second unit is yet to be commissioned even after six years. Some of the important points noticed in audit are as under:

- Delay in commissioning of the project led to potential generation loss of 394.91 million units of power and extra expenditure of Rs.8.91 crore on exchange rate variation.
- The project has already suffered a cost overrun of Rs.125.63 crore. Consequently, the cost of power generation has increased from the envisaged 203 to 439 paise per unit and the per MW cost increased from Rs.3.02 crore in 1995-96 to Rs.7.21 crore in 2005-06.

(Paragraph 3)

4 Transaction Audit Observations

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

- Unproductive/extra expenditure/excess payment of Rs.49.43 crore in 13 cases.

(Paragraphs 4.3, 4.5, 4.6, 4.7, 4.11, 4.15, 4.16, 4.18, 4.20, 4.21, 4.23, 4.24 and 4.25)

- Loss of revenue of Rs.1,183.89 crore in six cases.

(Paragraphs 4.2, 4.4, 4.8, 4.9, 4.13 and 4.19)

- Cases of undue benefit given to contractors (Rs.7.18 crore), non-recovery of call deposit (Rs.57.70 crore) and special guarantee (Rs.1.30 crore) and other financial irregularities (Rs.24.97 crore) in six cases.

(Paragraphs 4.1, 4.10, 4.12, 4.14, 4.17 and 4.22)

Gist of some of the important observations is given below:

Failure to take effective action by **Tamil Nadu Industrial Development Corporation Limited** has put the recovery of Rs.57.70 crore of deposits with a joint venture in jeopardy.

(Paragraph 4.1)

Adoption of free on board prices instead of cost and freight price by **Tamil Nadu Newsprint and Papers Limited** for pro rata adjustment for lower calorific value of imported coal resulted in short recovery of Rs.3.24 crore.

(Paragraph 4.3)

Delay in finalisation of the tenders by the **State Transport Undertakings** for procurement of lubricants and erroneous computation of paper cost while evaluating the tenders for printing of tickets resulted in avoidable extra expenditure of Rs.1.07 crore.

(Paragraph 4.5)

Failure to file tariff petition by **Tamil Nadu Electricity Board** denied the Board an opportunity to reduce its deficit.

(Paragraph 4.13)

Tamil Nadu Electricity Board suffered interest loss of Rs.23.27 crore on account of excess payment of interest on debt, depreciation and insurance charges due to adoption of higher capital cost while making payment for power purchased from an independent power producer.

(Paragraph 4.14)

Failure of the **Tamil Nadu Electricity Board** to place purchase order within the validity period resulted in extra expenditure of Rs.18.79 crore on import of coal.

(Paragraph 4.15)

Tamil Nadu Electricity Board extended undue benefit of Rs.7.18 crore to an Independent Power Producer by paying fixed charges in contravention of the agreement.

(Paragraph 4.17)