Overview

Overview of Government companies and Statutory corporations

As on 31 March 2008, the State had 70 Public Sector Undertakings (PSUs) comprising of 68 Government companies and two Statutory corporations. In addition, there were six deemed Government companies under Section 619-B of the Companies Act, 1956 as on 31 March 2008.

(Paragraphs 1.1 and 1.27)

The total investment in the working PSUs increased from Rs. 15,232.06 crore as on 31 March 2007 to Rs. 19,485.27 crore as on 31 March 2008. The investment in the non-working PSUs decreased from Rs. 86.89 crore as on 31 March 2007 to Rs. 85.38 crore as on 31 March 2008.

(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. 4,154.46 crore in 2006-07 to Rs. 4,880.63 crore in 2007-08. The State Government guaranteed loans aggregating to Rs. 599.55 crore during 2007-08. The total amount of outstanding loans guaranteed by the State Government was Rs. 3,500.55 crore as on 31 March 2008.

(Paragraph 1.5)

Forty two working Government companies and one Statutory corporation had finalised their accounts for the year 2007-08. The accounts of 12 working Government companies and one Statutory corporation were in arrears from one to six years as on 30 September 2008. The accounts of 11 non-working companies were in arrears for periods ranging from 1 to 15 years as on 30 September 2008.

(Paragraphs 1.6 and 1.17)

According to the latest finalised accounts, 29 working PSUs (28 Government companies and one Statutory corporation) earned aggregate profit of Rs. 206.32 crore. Out of these, only nine companies and one Statutory corporation declared dividend aggregating to Rs. 21.45 crore. Seventeen working Government companies and one Statutory corporation incurred an aggregate loss of Rs. 1,709.26 crore. Of the loss incurring working Government companies, 14 companies had accumulated losses aggregating to Rs. 3,498.90 crore, which exceeded their aggregate paid-up capital of Rs. 1,116.96 crore.

(Paragraphs 1.7, 1.8, 1.9, 1.10 and 1.11)

2 Performance reviews relating to Government companies

2.1 Operational performance of Tamil Nadu Minerals Limited

Tamil Nadu Minerals Limited was formed in April 1978 with a view to organise exploitation of the mineral resources in the State of Tamil Nadu. The Company's export sales declined drastically from Rs. 21.52 crore in 2002-03 to Rs. 6.72 crore in 2006-07 mainly due to stiff competition from China. The operations of the Company resulted in losses during 2003-04, 2005-06 and 2006-07 and its overall profit during the five years was on account of interest and other income. Some of the important points noticed in audit are as under:

- The Company failed to submit the mining plans for approval of Director of Geology and Mining within the timeframe leading to their rejection and consequent non-removal of the produced granite blocks.

- Failure to impose the terms and conditions of the contract on the contractors led to non-levy of liquidated damages of Rs. 3.36 crore and non-forfeiture of security deposit of Rs. 62.50 lakh during 2002-03 to 2006-07.

- The Company made avoidable payment of dead rent of Rs. 1.44 crore during the period 2002-03 to 2006-07 due to its failure to surrender the non-operated quarries *etc*.

- The Company sold granite blocks below cost of production and suffered a loss of Rs. 10.69 crore both in departmentally operated quarries and quarries operated through Raising and Raising-cum-Sales Agents.

(Paragraph 2.1)

2.2 Performance of the cement plants of Tamil Nadu Cements Corporation Limited

Tamil Nadu Cements Corporation Limited, formed in February 1976, has cement factories at Alangulam and Ariyalur, Asbestos Sheet Unit at Alangulam and Stoneware Pipe Unit at Virudhachalam. The Company had accumulated loss of Rs. 45.86 crore as on March 2008, which had eroded its paid-up capital of Rs. 37.42 crore. The Company incurred losses upto 2005-06 and earned profit from 2006-07 onwards due to revision of the price of cement sold to the Government departments. Some of the important points noticed in audit are detailed below:

- The cost of production of cement in Alangulam plant was higher than that of Ariyalur plant and the difference remained in the range of Rs. 300 to Rs. 969 per MT during 2003-04 to 2007-08. This was mainly due to high cost of mining, adoption of outdated "wet process" and delay in modernisation.

- There was excess consumption of clinkers resulting in avoidable expenditure of Rs. 25.69 crore. Similarly, the consumption of electricity (value: Rs. 13.18 crore) and coal (value: Rs. 19.00 crore) was over and above the norms fixed by the Company during the period of review.

- Incorrect policy of the Company to fix the price of cement for sale in the open market at the rates lower than the market rates led to a loss of Rs. 10.18 crore during 2003-04 to 2006-07.

- The Company failed to recover Rs. 21.35 crore from the District Rural Development Agencies due to non-pursuance of its claim for the differential cost of cement supplied.

(Paragraph 2.2)

3 Performance reviews relating to Tamil Nadu Electricity Board

3.1 Implementation of transmission schemes

Tamil Nadu Electricity Board generates power from the hydel and thermal including gas based power plants owned by it. In addition, it purchases power from various sources such as generating stations of Government of India, thermal and wind energy and non-conventional energy produced by the Independent Power Producers. The power generated and purchased is transmitted through the sub-stations and transmission lines to the high and low tension consumers. The Board had invested Rs. 8,055.83 crore on the transmission network as on 31 March 2007. Some of the important points noticed during the performance audit are as under:

- During the Tenth Plan period (2002-03 to 2006-07), the Board did not complete 79 sub-stations (33 *per cent*) and 2,768 circuit kilometers of transmission lines (41 *per cent*) compared to their target.

- The Board did not have time schedule for completion of the transmission schemes and there was no review of progress of the works by the Board. There was no assessment of the actual benefits of the schemes after their completion and the Board did not have information on the final cost of the completed schemes.

- Delays of 7 to 83 months and 11 to 132 months were noticed in completion of sub-stations and line works respectively, when compared with Tamil Nadu Electricity Regulatory Commission’s norms and led to loss of revenue of Rs. 123.97 crore over a period of five years ending March 2008.

- The delay in establishing a sub-station for evacuation of power generated by two captive power producers resulted in loss of Rs. 31.71 crore to the Board during September 2006 to September 2007.

(Paragraph 3.1)

3.2 Operations of Natural Gas Turbine Power Stations

The Board established three gas based power stations at Thirumakottai, Valuthur and Kuttalam between February 2001 and March 2004 with a total installed capacity of 303.88 MW of power at a cost of Rs. 996 crore. Some of the important points noticed in audit on the operational performance of these power stations are given below:

- Failure to undertake maintenance work, as scheduled, resulted in additional expenditure of Rs. 17.49 crore on replacement of critical component of gas turbines and payment of Rs. 7.55 crore to the Gas Authority of India Limited towards unutilised gas besides loss of generation of 154.85 MU during May 2004 to August 2005.

- Gas turbine generator tripped due to improper upkeep of back up resulting in a major breakdown at Kuttalam Gas Turbine Power Station leading to loss of generation of 808.74 MU during December 2006 to February 2008.

- Due to lack of training of the engineers in the operation of gas turbine power stations, Dry Low Nox system could not be preset at Valuthur and Kuttalam Gas Turbine Power Stations which resulted in tripping of generators and consequential loss of generation of 35.60 MU during December 2003 to September 2006.

(Paragraph 3.2)

4 Transaction Audit Observations

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

- Undue favour to the private parties to the extent of Rs. 39.67 crore in three cases.

(Paragraphs 4.13.1, 4.14 and 4.17)

- Avoidable/excess payments of Rs. 6.72 crore in seven cases.

(Paragraphs 4,2, 4.3, 4.4, 4.9, 4.15, 4.16 and 4.18)

- Avoidable loss of Rs. 3.02 crore in four cases.

(Paragraphs 4.1, 4.5, 4.6, and 4.10)

- Blocking of funds of Rs. 1.09 crore in two cases.

(Paragraphs 4.7 and 4.11)

- Overpayment of Rs.20.61 crore in one case.

(Paragraph 4.13.2)

Gist of some of the important observations is given below:

The system of handling of legal cases by the **Tamil Nadu Electricity Board** was deficient as:

- there was no centralised data base of legal cases;
- the Board did not recover the amount even after decisions of the court in its favour;
- the Board failed to get the stay orders vacated even after lapse of one to ten years; and
- the Board failed to collect the copy of the judgements even after one to fifteen years of award of judgements.

(Paragraph 4.12)

Tamil Nadu Electricity Board extended an undue benefit of Rs. 53.18 crore to an Independent Power Producer as it incorrectly regulated payment of fixed capacity charges and return on equity, in violation of Power Purchase Agreement.

(Paragraph 4.13)

Tamil Nadu Electricity Board extended undue favour of Rs. 5.92 crore to the private wind mill developers by recovering development charges at 7.5 *per cent* instead of 15 *per cent.*

(Paragraph 4.14)

Tamil Nadu Electricity Board extended undue benefit of Rs. 2.57 crore by paying avoidable customs duty to a supplier.

(Paragraph 4.15)