

OVERVIEW

1 Overview of Government companies and Statutory corporations

As on 31 March 2002, the State of Tamil Nadu had 80 Public Sector Undertakings (PSUs) comprising of 78 Government companies and two Statutory corporations as against 82 PSUs during last year. The number of non-working Government companies as on 31 March 2002 was 12 against same number of companies during last year. In addition there were three companies under the purview of Section 619-B of the Companies Act, 1956 as on 31 March 2002.

The total investment in working PSUs increased from Rs. Rs.9,694.57 crore as on 31 March 2001 to Rs.10,661.42 crore as on 31 March 2002. The total investment in non-working PSUs also increased from Rs.48.91 crore to Rs.56.51 crore during this period.

The budgetary support in the form of capital, loans, grants and subsidy disbursed to the working PSUs decreased from Rs.2,005.43 crore in 2000-01 to Rs.1,895.39 crore in 2001-02. The Government also extended loan of Rs.11.39 crore to two non-working Government companies during 2001-02. The Government guaranteed loans aggregating to Rs.1,744.33 crore during the year 2001-02. The total amount of outstanding loans guaranteed by the State Government increased from Rs.3,764.59 crore as on 31 March 2001 to Rs.7,088.05 crore as on 31 March 2002.

Out of 66 working Government companies, 50 finalised their accounts for the year 2001-02. The accounts of the remaining companies and both Statutory corporations were in arrears for periods ranging from one to two years as on 31 March 2002. The accounts of nine non-working Government companies were in arrears for periods ranging from one to 12 years as on 31 March 2002.

According to the latest finalised accounts, 36 working PSUs (34 Government companies and two Statutory corporations) earned aggregate profit of Rs.584.52 crore, out of which only four working Government companies and one Statutory Corporation declared dividend of Rs.2.29 crore and Rs.30.44 lakh respectively. In addition, one Company, incurred loss for the year but declared dividend of Rs.35 lakh. Thirty one working PSUs incurred aggregate loss of Rs.244.46 crore as per the latest finalised accounts. Of these loss incurring working Government companies, 20 companies had accumulated losses aggregating Rs.1,974.22 crore, which exceeded their aggregate paid-up capital of Rs.734.49 crore by more than two times.

Even after completion of 17 to 30 years of existence, the turnover as per the latest finalised accounts of four Government companies had been less than Rs.5 crore during the last five years. One Company had been incurring losses

for the five consecutive years as per its latest finalised accounts leading to negative net worth. In view of poor performance and continuous losses, the Government may either improve the performance of these companies or consider their closure.

(Paragraphs 1.1, 1.2, 1.3 and 1.7)

2 *Reviews relating to Government companies*

2A *State Industries Promotion Corporation of Tamil Nadu Limited*

State Industries Promotion Corporation of Tamil Nadu Limited (SIPCOT) was formed in March 1971 to promote industrial development in the State. Subsequently, in March 1992, Government formed Tamil Nadu Corporation for Industrial Infrastructure Development Limited (TACID) for providing infrastructure facilities for development of industrial complexes in the State. After being pointed out by the Comptroller and Auditor General of India, the Government ordered merger of these two companies in May 1999 considering overlapping nature of their activities. Both the companies were earning profit up to 1997-98 but started incurring losses thereafter and accumulated losses as on 31 March 2002 were Rs.63.16 crore and Rs.15.59 crore respectively.

(Paragraphs 2A.1, 2A.7, Annexures 10 and 12)

Out of 14,225 acre of land acquired, only 4,421 acre were developed and 1,637 acre sold resulting in blocking of Rs.72.94 crore in land acquired but not developed.

(Paragraph 2A.8.2)

Infrastructure facilities created by incurring Rs.59.84 crore remained largely under-utilised.

(Paragraph 2A.8.5)

Infrastructure for water supply created at Rs.79.35 crore remained grossly under-utilised.

(Paragraph 2A.8.5.4.1)

Poor recovery performance resulted in increase in outstanding dues from Rs.144.86 crore in March 1998 to Rs.368.63 crore in March 2002. Only 22 out of 275 borrowers are regular in repayment of dues. Non-performing assets increased from Rs.93.03 crore to Rs.161.34 crore during the five years ended 31 March 2002 due to poor follow-up.

(Paragraphs 2A.11.2 (i), (iv) and 2A.11.3)

Disbursement of term loans to a known defaulter and without ensuring clearance by Pollution Control Board and other Statutory Authorities resulted in loss of Rs.4.34 crore.

(Paragraphs 2A.11.4.1 and 2A.11.4.2)

2B Tamil Nadu Textile Corporation Limited

Tamil Nadu Textile Corporation Limited was incorporated in April 1969 to provide employment to the workers of the closed textile mills in the State.

(Paragraph 2B.1)

Accumulated loss of Rs.3.42 crore as on 31 March 2002 completely eroded the paid-up capital of Rs.1.54 crore as on that date. However, if accumulated loss of Rs.6.52 crore of Somasundaram Super Spinning Mills and the write off of Rs.1.53 crore in respect of Cauvery Spinning and Weaving Mills vested with the Company were excluded, the Company would have earned accumulated profit of Rs.4.63 crore as on 31 March 2002.

(Paragraph 2B.6.1)

Capacity utilisation of available loom hours ranged from 38.11 to 66.14 per cent during the last five years against norm of 90 per cent.

(Paragraph 2B.8.2)

Failure to achieve norm in loom-shed efficiency resulted in production loss of 69.88 lakh metre cloth valued at Rs.20.21 crore.

(Paragraph 2B.8.3)

Retirement of 102 essential direct labourers under Voluntary Retirement Scheme resulted in idle capacity and corresponding production loss of 46.53 lakh metre cloth and contribution loss of Rs.1.96 crore during last three years.

(Paragraph 2B.11.2)

3 Review relating to Statutory Corporation

Review on Sathanur Dam Hydro Electric Project

Sathanur Dam Hydro Electric Project with an installed capacity of one unit of 7.5 MW at an estimated cost of Rs.17.03 crore was finalised in October 1992

and on completion in March 1999 the actual project cost increased to Rs.35.75 crore.

(Paragraph 3.1)

Delay in firming up of capacity of the project deprived the State of potential availability of 105.21 million units of electricity. Delay in implementation of project resulted in potential revenue loss of Rs.13.62 crore.

(Paragraph 3.3)

Non-acceptance of lowest tender for fabrication and erection of steel liners and penstock resulted in extra expenditure of Rs.42.71 lakh.

(Paragraph 3.5.3.1)

Board paid an amount of Rs.35 lakh towards manufacture and testing of prototype model though this was not included in the original bid of the supplier.

(Paragraph 3.5.4.1)

Undue benefit of Rs.0.54 crore was given to a supplier due to extra payment made on account of (i) payment for an item, cost of which was not quoted in original bid (Rs.35 lakh) (ii) non-inclusion of a suitable penal clause (Rs.10.50 lakh) and (iii) payment of price variation on bought out items (Rs.8.93 lakh).

(Paragraphs 3.5.4.1, 3.5.4.2 and 3.5.4.3)

4 *Miscellaneous topics of interest*

Besides the reviews, test check of the records of Government companies and Statutory corporations in general revealed number of irregularities, some of which are given below:

Tamil Nadu Civil Supplies Corporation Limited incurred extra expenditure of Rs.13.89 crore on purchase of Above Poverty Line category rice at the prices higher than market rate in spite of having comfortable stock of rice.

(Paragraph 4A.1.1)

Failure to sell the allotted quantity of free sale sugar by **Tamil Nadu Sugar Corporation Limited and Perambalur Sugar Mills Limited** resulted in avoidable interest loss of Rs.1.98 crore.

(Paragraph 4A.2.1)

Construction of 40 modules in Electronic Complex, Guindy by **Tamil Nadu Small Industries Development Corporation Limited** without demand resulted in idle investment of Rs.2.51 crore.

(Paragraph 4A.4.2)

Post-tender introduction of third quality in sale of granite blocks by **Tamil Nadu Minerals Limited** resulted in undue benefit of Rs.1.48 crore to the buyers.

(Paragraph 4A.6.1)

Delay in closing down non-functioning units by **Tamil Nadu Corporation for Development of Women Limited** resulted in avoidable loss of Rs.1.20 crore.

(Paragraph 4A.7.1)

Failure of **Tamil Nadu Electricity Board** to revise interest rates consequent to reduction in/abolition of interest tax resulted in an excess payment of Rs.7.62 crore to Tamil Nadu Power Finance and Infrastructure Development Corporation Limited.

(Paragraph 4B.1.1)

Tamil Nadu Electricity Board extended an undue benefit of Rs.5.21 crore to an Independent Power Producer by not restricting the element of Sales Tax in the fuel cost for power supplied to the rate actually paid.

(Paragraph 4B.1.2)

Transmission towers purchased by **Tamil Nadu Electricity Board** for General Construction Circle, Chennai at a cost of Rs.3.22 crore were lying idle for more than four years.

(Paragraph 4B.1.3)