OVERVIEW

1 Overview of Government companies and Statutory corporations

As on 31 March 2004, the State had 68 Public Sector Undertakings (PSUs) comprising 66 Government companies and two Statutory corporations (both working) as against 78 Public Sector Undertakings comprising 76 Government companies and two Statutory corporations as on 31 March 2003. 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 2004.

(Paragraphs 1.1 and 1.30)

The total investment in working PSUs increased from Rs.11,496.85 crore as on 31 March 2003 to Rs.13,581.35 crore as on 31 March 2004. The total investment in non-working PSUs decreased from Rs.88.12 crore to Rs.84.23 crore during the same period.

(Paragraphs 1.2 and 1.15)

The budgetary support in the form of capital, loans, grants and subsidies disbursed to the working PSUs decreased from Rs.3,715.99 crore in 2002-03 to Rs.1,673.24 crore in 2003-04. The State Government also contributed loan of Rs.3.51 crore to one non-working company during 2003-04. The State Government guaranteed loans aggregating Rs.1,138.45 crore during 2003-04. The total amount of outstanding loans guaranteed by the State Government increased from Rs.7,116.02 crore as on 31 March 2003 to Rs.7,378.89 crore as on 31 March 2004.

(Paragraphs 1.5 and 1.16)

Thirty seven working Government companies and one Statutory corporation have finalised their accounts for 2003-04. The accounts of 15 working Government companies and one Statutory corporation were in arrears up to three years as on 30 September 2004. The accounts of nine non-working companies were in arrears for periods ranging from one to 12 years as on 30 September 2004.

(Paragraphs 1.6 and 1.18)

According to the latest finalised accounts, 31 working PSUs (29 Government companies and two Statutory corporations) earned aggregate profit of Rs.298.40 crore. Out of 37 working Government companies, which finalised their accounts for 2003-04 by September 2004, only six companies declared dividend aggregating Rs.8.14 crore. Twenty three working Government companies incurred aggregate loss of Rs.178.96 crore as per their latest finalised accounts. Of the loss incurring working Government companies, 16 companies had accumulated losses aggregating Rs.1,955.29 crore, which exceeded their aggregate paid-up capital of Rs.715.67 crore.

(Paragraphs 1.7, 1.8 and 1.9)

Even after completion of 19 to 27 years of their existence, the turnover of three working Government companies had been less than rupees five crore in each of the preceding six years as per their latest finalised accounts. Of these three, one company had been incurring losses for four consecutive years leading to negative net worth. In view of the poor turnover and continuous losses, the Government may either improve performance of these companies or consider their closure.

(Paragraph 1.28)

2 Reviews relating to Government companies

2.1 Tamil Nadu Tea Plantation Corporation Limited

Tamil Nadu Tea Plantation Corporation Limited was incorporated in August 1975 to rehabilitate repatriate families from Sri Lanka. The Company commenced its operation from 1 April 1976 and had absorbed 2,445 Sri Lankan repatriate families so far as against the target of 2,825 families. The Company developed tea plantations covering 4,431.92 hectare in four phases up to 1995. The key problem area of the Company is its inability to get good price for tea. Some of the important points noticed in Audit are given below:

Shortfall in Green Tea Leave yield compared to budgeted yield resulted in loss of contribution of Rs.15.98 crore during the five years ended 31 March 2004.

(Paragraph 2.1.8)

Green Tea Leaves yield in the Company was lower than that in private tea estates resulting in loss of contribution of Rs.17.97 crore during 1999-2004.

(Paragraph 2.1.11)

Non-achievement of district average price in the auction sale by the Company resulted in revenue loss of Rs.12 crore during the five years ended 31 March 2004.

(Paragraph 2.1.19)

2.2 Tamil Nadu Industrial Investment Corporation Limited

Tamil Nadu Industrial Investment Corporation Limited was incorporated in March 1949 with a view to aid/provide financial assistance to medium, small scale and tiny industries and also to extend financial assistance by way of direct participation in the equity of the assisted units. The steady increase in percentage of non-performing assets to total outstanding amount indicates that the recovery mechanism of the Company was ineffective. Some of the important points noticed in Audit are given below:

Accumulated losses of Rs.328.85 crore as on 31 March 2004 had completely eroded the paid-up capital.

(Paragraph 2.2.6)

Deficiencies in the appraisal of projects resulted in non-recovery of Rs.67.42 crore from 18 units as on 31 March 2004.

(Paragraph 2.2.11)

Faulty implementation and poor follow-up not only resulted in non-recovery of Rs.62.20 crore but also did not serve the intended purpose of Mudalipalayam scheme.

(Paragraph 2.2.12)

Deficiencies in follow-up of overdues resulted in non-recovery of Rs.34.21 crore from six units.

(Paragraph 2.2.15)

3 Reviews relating to Statutory corporation

Tamil Nadu Electricity Board

3.1 Sectoral review on Fuel Management

Tamil Nadu Electricity Board has 160 power generation stations comprising four thermal, three gas based, one naptha based, 32 hydel and 120 windmill stations. The installed capacity as on 31 March 2004 was 5,401.035 Mega

Watt (MW). Some of the important points noticed in Audit are given below:

The Board had incurred Rs.68.35 crore on account of stones and mill rejects contained in coal.

(Paragraph 3.1.8)

There was excess consumption of naptha valuing Rs.34.96 crore in Basin Bridge Gas Turbine Power Station due to excessive heat consumption.

(Paragraph 3.1.11)

3.2 Information Technology review on Software for High Tension revenue billing

The software for High Tension billing in all the 37 Electricity Distribution Circles of Tamil Nadu Electricity Board was introduced in July 2001. The software did not cover all the essential items of revenue to be assessed.

(Paragraphs 3.2.1 and 3.2.4)

The program did not levy maximum demand charges based on recorded maximum demand resulting in short levy of Rs.28.21 lakh.

(Paragraph 3.2.9)

The program did not ensure compliance to energy audit regulations resulting in non-recovery of penal charges of Rs.33.29 lakh.

(Paragraph 3.2.25)

4 Transaction Audit Observations

Audit observations included in this Report highlights 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/imprudent investment/blocking up of funds and loss of interest amounting to Rs.12.12 crore in four cases.

(Paragraphs 4.1, 4.14, 4.15 and 4.18)

- Avoidable extra expenditure amounting to Rs.6.35 crore in six cases.

(Paragraphs 4.2, 4.3, 4.5, 4.6, 4.7 and 4.11)

- Loss of revenue of Rs.31.76 crore in two cases.

(Paragraphs 4.10 and 4.13)

- Excess payments of Rs.45.78 crore in two cases.

(Paragraphs 4.9 and 4.12)

- Undue favours to allottees of land and consumers resulting in loss of Rs.7.99 crore in three cases.

(Paragraphs 4.4, 4.16 and 4.17)

Gist of some of the important observations is given below:

Tamil Nadu Civil Supplies Corporation Limited purchased gunnies in excess of requirement resulting in blocking up of Rs.6.11 crore and consequent interest loss of Rs.91.65 lakh.

(Paragraph 4.1)

State Industries Promotion Corporation of Tamil Nadu Limited revised its policy to accommodate two private parties resulting in an undue benefit of Rs.6.65 crore.

(Paragraph 4.4)

Tamil Nadu Electricity Board paid Rs.40.19 crore as income tax to an independent power producer against the terms of the agreement.

(Paragraph 4.9)

Inordinate delay by **Tamil Nadu Electricity Board** in placing order for rotor in Ennore Thermal Power Station resulted in generation loss of 378 million units of power and loss of contribution of Rs.28.56 crore.

(Paragraph 4.10)

Tamil Nadu Electricity Board incurred avoidable extra expenditure of Rs.4.25 crore due to its failure to accept reduction in interest rates.

(Paragraph 4.11)

Tamil Nadu Electricity Board extended undue benefit of Rs.5.59 crore to an independent power producer towards interest on working capital and return on equity.

(Paragraph 4.12)