Report of the
Comptroller and Auditor General of India
on
Commercial

for the year ended March 2011

Government of Tamil Nadu

Report No. 4

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PREFACE

Government commercial concerns, the accounts of which are subject to audit by the Comptroller and Auditor General of India (CAG) fall under the following categories:

- Government companies,
- Statutory corporations and
- Departmentally managed commercial undertakings.

2. This report deals with the results of audit of Government companies and Statutory corporations including Tamil Nadu Electricity Board and has been prepared for submission to the Government of Tamil Nadu under Section 19-A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, as amended from time to time. The results of audit relating to departmentally managed commercial undertakings are included in the Report of the Comptroller and Auditor General of India (Civil) – Government of Tamil Nadu.

3. Audit of the accounts of Government companies is conducted by the CAG under the provisions of Section 619 of the Companies Act, 1956.

4. In respect of Tamil Nadu Electricity Board, which is a Statutory corporation, the CAG is the sole auditor. In respect of Tamil Nadu Warehousing Corporation, CAG has the right to conduct the audit of its accounts in addition to the audit conducted by the Chartered Accountants appointed by the State Government in consultation with the CAG. In respect of Tamil Nadu Electricity Regulatory Commission, the CAG is the sole auditor. The Audit Reports on the annual accounts of these corporations/commission are forwarded separately to the State Government.

5. The cases mentioned in this Report are those, which came to notice in the course of audit during 2010-11 as well as those which came to notice in the earlier years but were not dealt with in the previous reports. Matters relating to the period subsequent to 2010-11 have also been included, wherever necessary.

6. Audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

OVERVIEW

1 Overview of Government companies and Statutory corporation

Audit of Government companies is governed by Section 619 of the Companies Act, 1956. The accounts of Government companies are audited by Statutory Auditors appointed by CAG. These accounts are also subject to supplementary audit conducted by CAG. Audit of Statutory corporations is governed by their respective legislations. As on 31 March 2011, the State of Tamil Nadu had 67 working PSUs (66 companies and one Statutory Corporation) and 9 non-working PSUs (all companies), which employed 2.79 lakh employees. The State PSUs registered a turnover of ₹55,194 crore as per their latest finalised accounts. This turnover was equal to 10.09 per cent of State's GDP indicating the important role played by State PSUs in the economy. The PSUs had Accumulated Loss of ₹33,621.12 crore as per their latest finalised accounts.

Investment in PSUs

As on 31 March 2011, the Investment (Capital and Long Term Loans) in 76 PSUs was ₹56,553.61 crore. Power sector accounted for 89.32 per cent of total investment and Service sector 4.14 per cent in 2010-11. The Government contributed ₹12,694.04 crore towards Equity, Loans and Grants/Subsidies during 2010-11.

Performance of PSUs

As per latest finalised accounts, out of 67 working PSUs, 40 PSUs earned a Profit of ₹592.09 crore and 23 PSUs incurred a Loss of ₹11,923.59 crore. The major contributors to Profit were Tamil Nadu Newsprint and Papers Limited (₹149.00 crore), State Industries Promotion Corporation of Tamil Nadu Limited (₹82.84 crore), Tamil Nadu Industrial Investment Corporation Limited (₹52.82 crore) and Tamil Nadu Power Finance and Infrastructure Development Corporation Limited (₹64.43 crore). Heavy losses were incurred by Tamil Nadu Electricity Board (₹10,294.64 crore) and all the eight State Transport Corporations (₹1,575.26 crore).

Audit noticed various deficiencies in the functioning of PSUs. A review of three years' Audit Reports of CAG shows that the State PSUs' Losses of ₹5128.37 crore and infructuous investments of ₹542.98 crore were controllable with better management. Thus, there is tremendous scope to improve the functioning and enhance profits. The PSUs can discharge their role efficiently only if they are financially self-reliant. There is a need for greater professionalism and accountability in the functioning of PSUs.

Arrears in accounts and winding up

26 working PSUs had arrears of 39 accounts as of 30 September 2011, of which 13 accounts pertained to earlier years and the remaining were 2010-11 accounts. There were 9 non-working PSUs including two under Liquidation. The Government may consider winding up these companies.

Quality of accounts

The quality of accounts of PSUs needs improvement. During the year, out of 63 (61 accounts of Government companies and two accounts of Statutory Corporations viz Tamil Nadu Warehousing Corporation and Tamil Nadu Electricity Board) accounts finalised, the Statutory Auditors of Government companies had given unqualified certificates for 32 accounts and qualified certificates for 29 accounts. There were 22 instances of non-compliance with Accounting Standards. Reports of Statutory Auditors on internal control of the companies indicated several weak areas.

2 Performance audit relating to Government Companies

2.1 State Industries Promotion Corporation of Tamil Nadu Limited

Since 1971, the State Industries Promotion Corporation of Tamil Nadu Limited (Company) is engaged in creation/development and maintenance of Industrial Centres and Special Economic Zones (SEZ) in the State. To assess the role of the Company as a catalyst for the industrial development of the State, we took up a performance audit of the Company between February and August 2011 covering its activities for the last five years up to 2010-11.

Financial performance

The Company continuously earned Profit during the audit period 2006-07 to 2010-11 with a major contribution (33 to 74 per cent) from interest income on Term Deposits. In contrast to this, the share of income from the core activity viz., industrial development, continuously declined from 67 to 24 per cent during 2006-07 to 2010-11. This decline was attributable to the Company's failures in project management, fixation of plot cost, non-adoption of higher plot cost in respect of allotment to commercial users, etc.

Planning

The Company neither prepared long term/strategic plans nor short term plans for development of Industrial Centres. Further, it did not conduct feasibility studies and prepare Detailed Project Reports before embarking upon new Industrial Complexes. Consequently, the Company could market only 0 to 36 per cent of saleable plots in five out of eight SEZs formed during the period from 2006-07 to 2010-11.

Project management

The Company did not maintain an MIS indicating awarded and actual cost, scheduled/actual completion of works and the resultant time and cost overrun, thereby, it failed to have control over the project implementation. There were instances of avoidable/ unproductive expenditure of ₹7.89 crore due to defective planning, lack of coordination with State Highways Department, etc.

Allotment of industrial plot and fixation of cost

The Company did not have robust system of fixing/revising plot cost taking into account enhanced compensation/interest payable to the erstwhile land owners, latest trend in the market rates, extent of saleable area, etc. Further, the Company did not charge commercial rates for allotment to non-industrial entrepreneurs as per its policy. These factors led to loss of revenue of ₹251.76 crore in respect of test checked cases. The Company did not take back 2,124 acres of unutilised land from 195 entrepreneurs, thereby lost potential revenue of ₹421.56 crore even in respect of 65 per cent of 2,124 acres of land for which the data on originally allotted price and the current market price was available.

Change of management and sub-lease

There was no system to monitor change of management and subleasing by the original allottees. Consequently, the Company could not enforce recovery of ₹136.30 crore from seven allottees, who had subsequently handed over the management to the new promoters and sub-leased portion of the leasehold land.

Release of incentives under Structured Package of Assistance (SPA)

The Company acts as a nodal agency of State Government for release of SPA. However, its system to verify the committed investment and generation of employment before release of incentives was ineffective. Besides, there was no limitation of incentives to the investments in the eligible fixed assets qualifying for incentives. This led to release of incentives in excess of the eligibility amounting to ₹297.75 crore in two cases.

Internal control and monitoring

The internal control and monitoring mechanism was weak in the areas of reporting the performance of individual Industrial Centres, comprehensive data on allotment and vacancy of industrial plots, status report on various legal cases, etc.

Conclusion and recommendations

We conclude that the Company's performance was deficient in planning, in having a foolproof system to fix/revise plot cost in enforcing repossession of unutilised land and recovery of differential cost at the time of change of management and sublease. We recommend formulating strategic/long term plans, conducting feasibility studies before setting up new Industrial Centres, installing an effective costing mechanism for plot cost and strengthening internal control system and internal audit procedures.

(Chapter 2.1)

2.2 Power Distribution Activities of Tamil Nadu Generation and Distribution Corporation Limited

National Electricity Policy (NEP) aims to bring out reforms in the Power Distribution sector with focus on system up-gradation, controlling and reduction of T&D losses and power thefts and making the sector commercially viable. It further aimed to bring out conservation strategy to optimise utilisation of electricity with focus on demand and load management. In view of the above, a performance audit on the working of the Tamil Nadu Generation and Distribution Corporation Limited (Company) and the erstwhile Tamil Nadu Electricity Board for the years 2006-11 was taken up to ascertain whether they were able to adhere to the aims and objectives stated in the NEP.

Distribution network planning

The available transformer capacity was only 26,592 MVA against the requirement of 66,450 MVA in March 2011. The Company planned addition of 335 Sub Stations (SS) during 2006-07 to 2010-11 but had actually added 235 SS. The shortfall was attributable to lack of proper planning, co-ordination between the executing agencies within the Company, besides delays in executing the work by its field offices, etc.

Implementation of Centrally Sponsored Schemes

Restructured Accelerated Power Development and Reform Programme had been showing very slow progress due to diversion of Central funds towards working capital and delay in identification of project areas.

Sub-transmission and distribution losses

The failure percentage of distribution transformers was up to 8.23 against the norm of 6 resulting in extra expenditure of ₹38.20 crore for repairs of these transformers. The predominant causes of excess failure were overloading and inadequate maintenance by the Company.

Billing and collection efficiency

There were instances of under assessment of revenue of ₹601.58 crore due to incorrect billing during 2006-07 to 2010-11 of which ₹112.53 crore was collected by the Company.

Subsidy support and cross subsidisation

While the Company was selling nearly 20 per cent of energy free of cost as per the Government's policy, the subsidy realised from the Government for such free supply was only up to 10 per cent. The shortfall of ₹11,020.42 crore was due to claiming subsidy based on the connected load of service connections instead of actual consumption of energy by these consumers. Against the National tariff policy to have the tariff of all categories of consumers within the range of ±20 per cent of average cost of supply by 2010-11, the recovery from agricultural and domestic consumers was low at 4.31 and 40.48 per cent of cost of supply of power.

Consumer satisfaction

The Company's MIS showed that 10.73 lakh complaints received in the selected circles were rectified without back-up records. There were 291 instances of delays in effecting HT services due to avoidable reasons like repeated changes in estimates and delays in preparation of feasibility report, want of line materials, etc.

Conclusion and recommendations

The Company's revenue gap of ₹1,218.94 crore in 2006-07 had increased to ₹12,950.56 crore in 2010-11. This was mainly due to not filing the Annual Aggregate Revenue Requirement from 2002-03 to 2009-10, absence of control over T&D losses, purchase of costlier power predominantly from independent power producers, high debt servicing burden, not claiming accurate subsidy in respect of agricultural service connection, etc. If only Company reduces the T&D losses by improving the transformation capacity, complete the construction of sub-stations within the time schedule, expeditiously implement Centrally sponsored programme, maintain the failure of distribution transformers within the norms and accurately work out the consumption charges to avoid short collections, etc., the revenue gap could be reduced. This report contains six recommendations. Create adequate transformer capacity to avoid overloading of transformers, complete construction of sub-station as per plan to achieve savings in line loss, control the failure of the distribution transformers within the norms, accurately work out the subsidy on agricultural service connection are some of these recommendations.

(Chapter 2.2)

3 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:

Loss of ₹46.46 crore in four cases due to extension of undue benefits.

(Paragraphs 3.1, 3.3, 3.16 and 3.17)

Loss of ₹123.38 crore in ten cases due to non compliance with rules, directives, procedures and terms and conditions.

(Paragraphs 3.6, 3.7, 3.8, 3.9, 3.10, 3.11, 3.12, 3.13, 3.14 and 3.15)

Blockage of funds of ₹53.69 crore in three cases due to defective planning and laxity in claiming the compensation.

(Paragraphs 3.2, 3.4 and 3.5)

Gist of some of the important observations is given below:

Electronics Corporation of Tamil Nadu Limited while allotting the land on lease basis to two IT companies in October 2007 extended undue benefit of ₹37.80 crore by not considering the revised guideline value for August 2007.

(Paragraph 3.1)

Tamil Nadu Industrial Development Corporation Limited extended a loan of ₹45 crore to an ineligible Joint Sector Company and its Special Purpose Vehicle (SPV) Company without ensuring source of repayment. Consequently, the loan and the interest of ₹14.02 crore remained unrecovered for the last two years.

(Paragraph 3.5)

Tamil Nadu Medical Services Corporation Limited suffered loss of ₹1.83 crore due to non-issue of valuable life saving drugs before expiry.

(Paragraph 3.7)

Tamil Nadu Generation and Distribution Corporation Limited allowed reimbursement of Fixed Capacity Charges for power generation plant for a capacity of 347.712 MW but allowed operation of the plant for 330.50 MW, thereby it allowed excess fixed capacity charges of ₹95.99 crore.

(Paragraph 3.11)

Tamil Nadu Transmission Corporation Limited extended undue benefit of ₹7.25 crore to a supplier due to its failure to incorporate clauses to safeguard its financial interest in the placement of orders for imported cables and accessories.

(Paragraph 3.17)

CHAPTER - I

1 Overview of State Public Sector Undertakings

Introduction

1.1 The State Public Sector Undertakings (PSUs) consist of State Government companies and Statutory corporations. The State PSUs are established to carry out activities of commercial nature while keeping in view the welfare of people. In Tamil Nadu, the PSUs occupy an important place in the State economy. The State PSUs registered a Turnover of ₹55,193.64 crore[∝] for 2010-11 as per their latest finalised accounts as of September 2011. This Turnover was equal to 10.09 *per cent* of the State Gross Domestic Product (GDP) of ₹5,47,267 crore for 2010-11. Major activities of the State PSUs are concentrated in power, service and other sectors. The State PSUs incurred an aggregate Loss of ₹11,352.19 crore as per the latest accounts finalised during 2010-11. They had employed 2.79 lakh[♣] employees as of 31 March 2011. The State PSUs do not include two[Ω] Departmental Undertakings (DUs), which carry out commercial operations as they are a part of Government departments. Audit findings of these DUs are incorporated in the Audit Report (Civil) for the State.

1.2 As on 31 March 2011, there were 76 PSUs (75 companies and one Statutory Corporation) as per the details given below. Of these, three[§] companies were listed on the stock exchange(s).

Type of PSUs	Working PSUs	Non-working PSUs[ψ]	Total
Government Companies[♦]	66[϶]	9	75
Statutory Corporation	1	---	1
Total	**67**	**9**	**76**

∝ 19 companies finalised their accounts for the years other than 2010-11.

♣ As per the details provided by 67 PSUs.

Ω The Institute of Veterinary and Preventive Medicine, Ranipet and King Institute, Guindy.

§ Tamil Nadu Newsprint and Papers Limited, Tamil Nadu Telecommunications Limited and Tamil Nadu Industrial Explosives Limited.

ψ Non-working PSUs are those which have ceased to carry on their operations. During 2010-11, two companies *viz.,* Tamil Nadu State Farms Corporation Limited and The Chit Corporation of Tamil Nadu Limited were dissolved by Registrar of companies.

♦ Includes 619-B companies.

϶ It includes three companies *viz.*, Tamil Nadu State Transport Corporation (Tirunelveli) Limited (due to bifurcation of Tamil Nadu State Transport Corporation (Madurai) Limited), TNEB Limited and Tamil Nadu Road Development Company Limited and exclude one Company *viz.*, Chennai Metro Rail Corporation Limited which had become a Central PSU.

1.3 The State Government accorded (October 2008) in-principle approval for unbundling of Tamil Nadu Electricity Board (TNEB) by the establishment of a holding Company, Tamil Nadu Electricity Board Limited (TNEB Limited) and two subsidiary companies *viz.*, Tamil Nadu Transmission Corporation Limited (TANTRANSCO) and Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO). TANTRANSCO was incorporated in June 2009 and TNEB Limited and TANGEDCO were incorporated in December 2009. Based on the orders of Government (October 2010), TNEB ceased functioning with effect from 1 November 2010 and all the activities hitherto carried out by it are now being carried out by the three companies.

Audit mandate

1.4 Audit of Government companies is governed by Section 619 of the Companies Act, 1956. According to Section 617, a Government company is one in which not less than 51 *per cent* of the Paid up Capital is held by Government(s). A Government company includes its subsidiary/(s). Further, a Company in which 51 *per cent* of the Paid up Capital is held in any combination by Government(s), Government companies and Corporations controlled by Government(s) is treated as if it were a Government company (deemed Government company) as per Section 619-B of the Companies Act.

1.5 The accounts of the State Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors, who are appointed by the Comptroller and Auditor General of India (CAG) as per the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by CAG as per the provisions of Section 619 of the Companies Act, 1956.

1.6 Audit of the Statutory corporation is governed by its respective legislation. While CAG was the sole auditor of the TNEB till its re-organisation (October 2010), in respect of Tamil Nadu Warehousing Corporation, the Audit is conducted by Chartered Accountants and supplementary audit by CAG in pursuance of the State Warehousing Corporation Act, 1962.

Investment in State PSUs

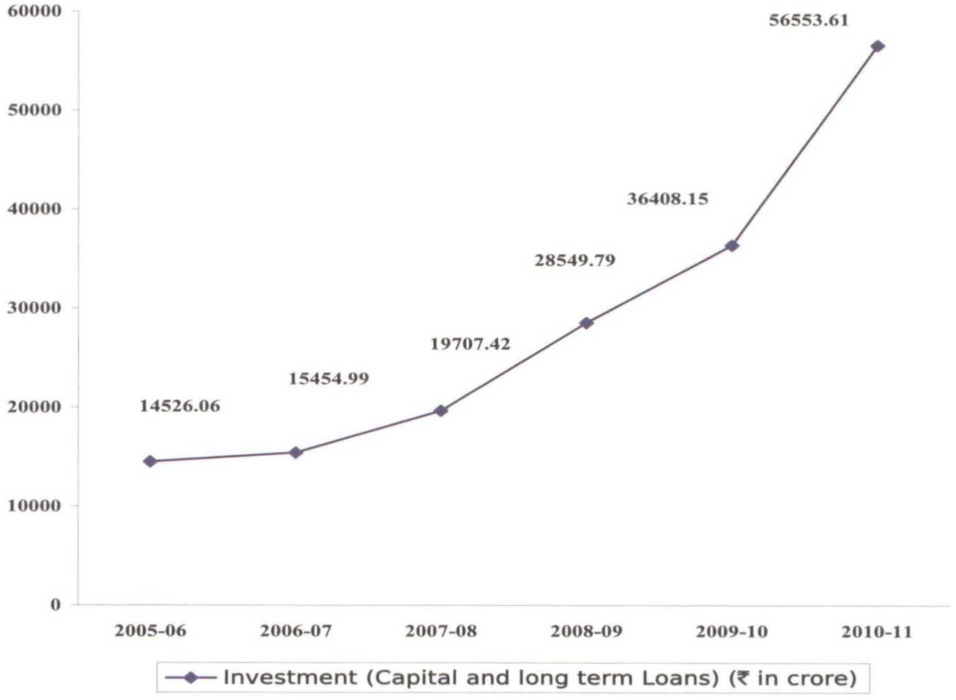
1.7 As on 31 March 2011, the Investment (Capital and long-term Loans) in 76 PSUs (including 619-B companies) was ₹56,553.61 crore as per details given below:

(₹ in crore)

Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	9,719.36	46,741.34	56,460.70	7.61	---	7.61	56,468.31
Non-working PSUs	34.54	50.76	85.30	---	---	---	85.30
Total	**9,753.90**	**46,792.10**	**56,546.00**	**7.61**	**---**	**7.61**	**56,553.61**

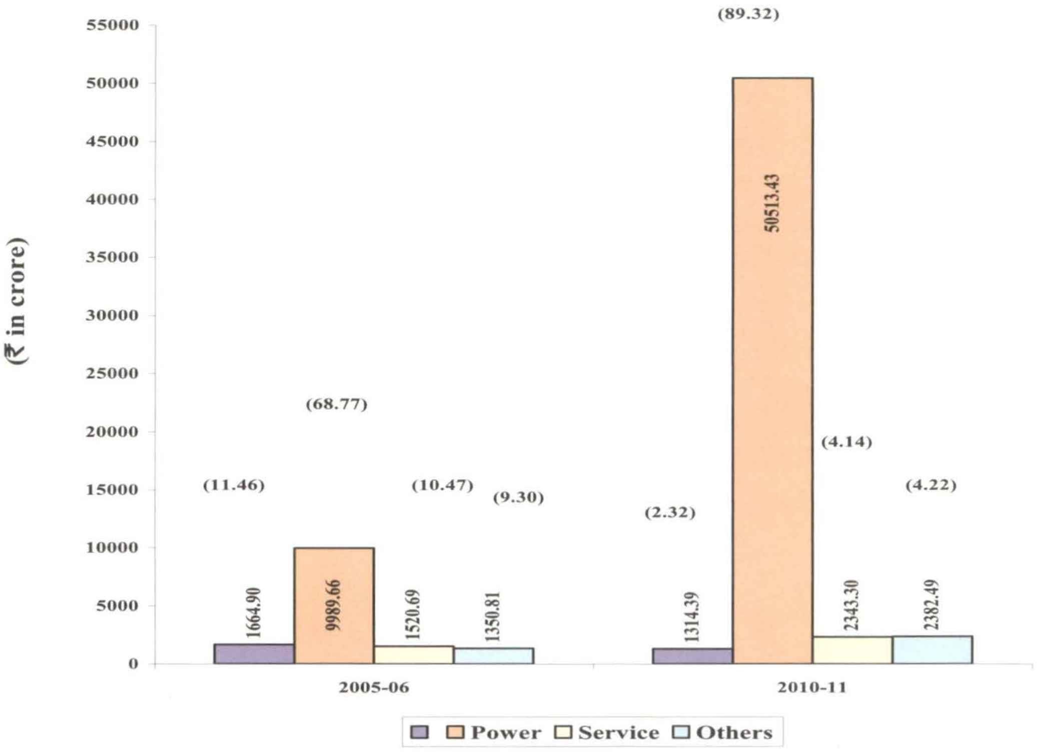
A summarised position of Government Investment in the State PSUs is detailed in **Annexure-1**.

1.8 As on 31 March 2011, of the total Investment in the State PSUs, 99.85 *per cent* was in working PSUs and the remaining 0.15 *per cent* was in non-working PSUs. This total Investment consisted of 17.26 *per cent* towards Capital and 82.74 *per cent* in long-term Loans. The Investment has grown by 289.33 *per cent* from ₹14,526.06 crore in 2005-06 to ₹56,553.61 crore in 2010-11 due to large Loans availed by State Transport Undertakings and electricity companies through other sources as shown in the graph below:



1.9 The Investment in various important sectors and percentage thereof at the end of 31 March 2006 and 31 March 2011 are indicated below in the bar chart.

The Investment in power sector was the highest which had increased by 405.66 *per cent* from ₹9,989.66 crore in 2005-06 to ₹50,513.43 crore in the year 2010-11 taking the percentage share in the total Investment to 89.32 *per cent* in 2010-11.



(Figures in brackets show the sector percentage to total Investment)

Budgetary outgo, Grants / subsidies, Guarantees and loans

1.10 The details regarding budgetary outgo towards Equity, Loans, Grants/ Subsidies, Guarantees issued, Loans written off, Loans converted into Equity and Interest waived in respect of the State PSUs during the year are given in **Annexure-3**. The summarised details are given below for three years ended 2010-11.

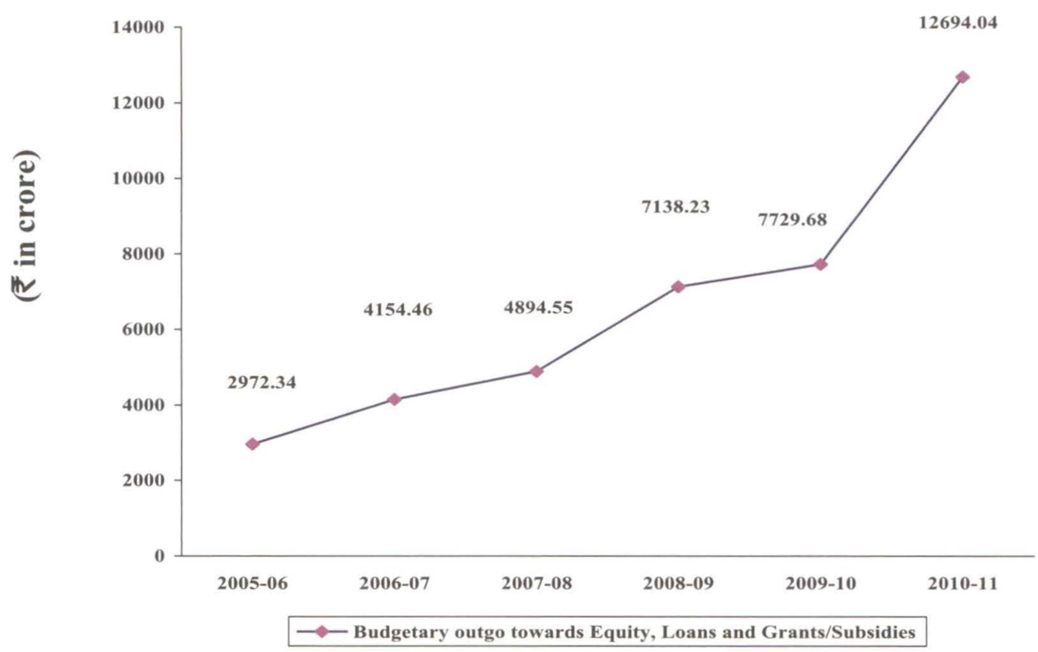
(₹ in crore)

Sl. No.	Particulars	2008-09		2009-10		2010-11	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1	Equity Capital outgo from budget	15	1,051.45	13	737.21	12	5,731.34
2	Loans given from budget	9	775.53	6	483.13	5	111.11
3	Grants/Subsidy received	13	5,311.25	16	6,509.34	15	6,851.59
4	**Total Outgo (1+2+3)**	**26♦**	**7,138.23**	**25♦**	**7,729.68**	**24♦**	**12,694.04**
5	Loans converted into Equity	1	4.95	1	28.00	1	1,235.13

♦ These are the actual number of Companies/Corporation, which have received budgetary support in the form of Equity, Loan, Subsidies and Grants from the State Government during the respective years.

Sl. No.	Particulars	2008-09		2009-10		2010-11	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
6	Loans written off	1	3.47	1	0.19	---	---
7	Interest/Penal interest written off	2	6.13	1	0.63	3	201.63
8	Total Waiver (6+7)	2	9.60	2	0.82	4	201.63
9	Guarantees issued	6	1,322.81	5	126.00	4	86.05
10	Guarantee Commitment	14	4,036.49	13	5,221.87	12	5,941.77

1.11 The details regarding budgetary outgo towards Equity, Loans and Grants/ Subsidies for past six years are given in a graph below.



The budgetary support in respect of Equity, Loans and Grants/ Subsidies showed an increasing trend from 2005-06 to 2010-11 mainly due to increase in Equity and Subsidy by the State Government over the years to electricity companies and Tamil Nadu Civil Supplies Corporation Limited.

1.12 The PSUs are liable to pay Guarantee Commission to the State Government upto 0.5 *per cent* of the amount of Guarantee utilised by them on raising Cash Credit from banks and Loans from other sources including operating Letters of Credit. During the year 2010-11, guarantee commission of ₹167.38 crore was payable by 11 PSUs. Out of this amount, ₹165.91 crore remained unpaid which included ₹165.50 crore in respect of TNEB Limited.

Reconciliation with Finance Accounts

1.13 The figures in respect of Equity and Guarantees outstanding as per records of the State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should reconcile the differences. The position in this regard as at 31 March 2011 is stated below:

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	6,385.79	9,323.88	2,938.09
Guarantees	9,978.58	5,941.77	4,036.81

1.14 We observed that the differences occurred in 11 PSUs and 10 PSUs in respect of Equity and Guarantees, respectively. Some of the differences were pending reconciliation since April 2004[♣]. The Principal Accountant General had addressed the Companies where the difference had occurred in November 2010 to reconcile the position. The Chief Secretary to Government of Tamil Nadu was also addressed (August 2011) and attention drawn to the need for reconciliation of figures as appearing in Finance accounts and the figures furnished by the companies in their respective accounts. The Government and PSUs should take concrete steps to reconcile the differences in a time-bound manner.

Performance of PSUs

1.15 The financial results of PSUs, financial position and working results of working Statutory corporations are detailed in **Annexures 2, 5 and 6** respectively. A ratio of PSUs' Turnover to State GDP shows the significant extent of PSU activities in the State economy. The table below provides the details of working PSUs' Turnover *vis-a-vis* State GDP for the period from 2005-06 to 2010-11.

(₹ in crore)

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Turnover[∝]	25,665.47	26,206.99	38,040.09	42,534.33	47,578.39	55,193.64
State GDP	2,23,528	2,46,266	2,79,287	2,28,479	2,41,122	5,47,267
Percentage of Turnover to State GDP	11.48	10.64	13.62	18.62	19.73	10.09

(Figures of State GDP for 2010-11 are advance estimates reset with base year as 2004-05).

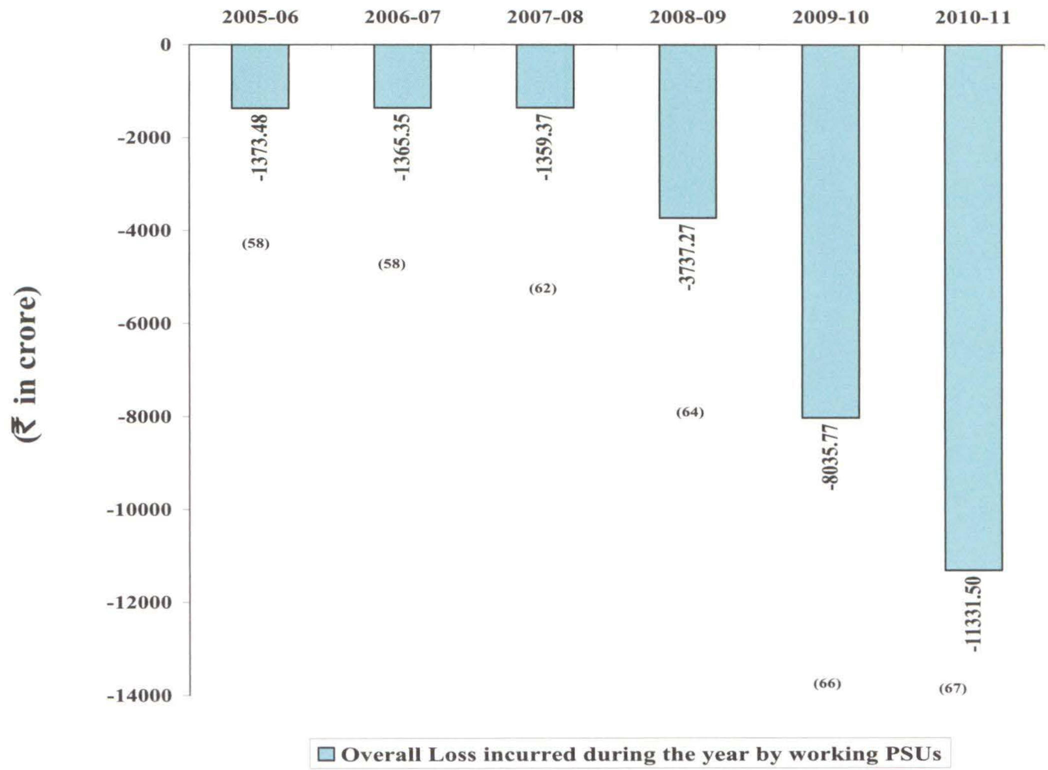
The Turnover of PSUs has increased continuously from 2005-06 to 2010-11. The Turnover had increased by 115.05 *per cent* in 2010-11 as compared to the Turnover in 2005-06. The percentage of PSUs' Turnover to State GDP

♣ Tamil Nadu Adi-dravidar Housing and Development Corporation Limited and Tamil Nadu Sugar Corporation Limited.

∝ Turnover as per the latest finalised accounts as of 30 September.

marginally declined between 2005-06 and 2006-07 and steadily improved from 2007-08 to 2009-10 but declined drastically in 2010-11.

1.16 Losses incurred by the State working PSUs during the period from 2005-06 to 2010-11 are given below in the bar chart.



(Figures in brackets show the number of working PSUs in respective years)

The State working PSUs collectively incurred continuous Losses from 2005-06 to 2010-11 which increased from ₹1,373.48 crore to ₹11,331.50 crore during the same period.

During the year 2010-11, out of 67 working PSUs, 40 PSUs earned a Profit of ₹592.09 crore and 23 PSUs incurred a Loss of ₹11,923.59 crore. While one* PSU incorporated in October 2007 had not submitted even the first set of Accounts till date (October 2011) another Company♣ became Government Company in September 2010 and its Accounts for 2010-11 are yet to be finalised. One€ PSU is in its preliminary stages of commercial operation. In respect of Tamil Nadu Civil Supplies Corporation Limited, the deficit of Income is entirely compensated by the State Government in the form of Subsidy.

As per the accounts finalised as of 30 September 2011, the major contributors to Profit are Tamil Nadu Newsprint and Papers Limited (₹149 crore), State Industries Promotion Corporation of Tamil Nadu Limited (₹82.84 crore),

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* Arasu Cable TV Corporation Limited.

♣ Tamil Nadu Road Development Company Limited.

€ Tidel Park, Coimbatore a 619-B Company, incorporated in June 2007.

Tamil Nadu Industrial Investment Corporation Limited (₹52.82 crore), Tamil Nadu Power Finance and Infrastructure Development Corporation Limited (₹64.43 crore) and Tamil Nadu Industrial Development Corporation Limited (₹34.07 crore). Heavy Losses were incurred by erstwhile Tamil Nadu Electricity Board (₹10,294.64 crore) and all the eight♦ State Transport Corporations (₹1,575.26 crore).

1.17 The Losses of working PSUs are mainly attributable to deficiencies in Financial Management, Planning, implementation of project, running their operations and monitoring. A review of last three years' Audit Reports of CAG shows that the State PSUs incurred Losses to the tune of ₹5,128.37 crore and made infructuous Investment of ₹542.98 crore which were controllable with better management. Year wise details from Audit Reports are stated below:

(₹ in crore)

Particulars	2008-09	2009-10	2010-11	Total
Net Loss	3,737.27	8,035.77	11,331.50	23,104.54
Controllable Losses as per the CAG's Audit Report	634.42	3,160.08	1,322.42	5,128.37
Infructuous Investment	92.00	420.50	38.89	542.98

1.18 The above Losses pointed out by the Audit Reports of the CAG are based on test check of records of PSUs. The actual controllable Losses would be much more. The PSUs can discharge their role efficiently only if they are financially self-reliant. The above situation points towards a need for greater professionalism and accountability in the functioning of PSUs.

1.19 Some other key parameters pertaining to State PSUs are given below:

(₹ in crore)

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Return on Capital Employed (*per cent*)	NIL*	NIL*	0.17	NIL*	NIL*	NIL*
Debt	12,053.49	12,757.52	16,136.56	23,878.24	30,902.55	46,792.10
Turnover	25,665.47	26,206.99	38,040.09	42,534.33	47,578.39	55,193.64
Debt/Turnover ratio	0.47:1	0.49:1	0.42:1	0.56:1	0.64:1	0.85:1
Interest payments	1,424.13	1,479.80	1,582.58	2,059.37	3,397.17	4,436.43
Accumulated Losses	6,420.24	7,896.15	9,324.65	13,207.60	21,297.39	33,621.12

(Above figures pertain to all PSUs except Turnover which is for working PSUs).

1.20 The State Government has not formulated a Dividend Policy for payment of minimum Dividend. As per their latest finalised accounts as of 30 September 2011, 40 State PSUs earned an aggregate profit of ₹592.09 crore and 10 PSUs declared total Dividend of ₹65.80 crore. Of this, the major contributors of the Dividend were Tamil Nadu Newsprint and Papers Limited

♦ Serial Number 58 to 65 of Annexure-2.

* NIL indicates that Return on Capital Employed was negative during those years.

(₹34.61 crore) and State Industries Promotion Corporation of Tamil Nadu Limited (₹14.48 crore) aggregating to ₹49.09 crore, which worked out to 74.60 *per cent* of total Dividend paid (₹65.80 crore) during the year 2010-11.

Arrears in finalisation of Accounts

1.21 The Accounts of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956. Similarly, in case of Statutory corporations, their Accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts. The table below provides the details of progress made by working PSUs in finalisation of accounts by September 2011.

SL. No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
1	Number of Working PSUs	58	62	64	66	67
2	Number of accounts finalised during the year	59	63	54	61	63
3	Number of accounts in arrears	22	21	31	35	39[#]
4	Average arrears per PSU (3/1)	0.38	0.34	0.48	0.51	0.58
5	Number of Working PSUs with arrears in accounts	16	13	20	19	26
6	Extent of arrears (years)	1 to 5	1 to 6	1 to 7	1 to 8	1 to 9

1.22 In addition to above, there were arrears in finalisation of accounts by non-working PSUs. Out of nine non-working PSUs, two[♠] PSUs had gone into liquidation process. Tamil Nadu Goods Transport Corporation Limited and Tamil Nadu Institute of Information Technology Limited have submitted winding up proposals and hence their accounts have not been considered due. One[⊄] Company had submitted its accounts. Four[°] PSUs had arrears of accounts for one to eight years.

1.23 The State Government had invested ₹10,934.34 crore (Equity: ₹6,787.01 crore, Loans: ₹5.42 crore, Grants: ₹26.76 crore and subsidy: ₹4,115.15 crore) in 12 PSUs (including one non-working PSU) during the years for which accounts had not been finalised as on 30 September 2011 as detailed in **Annexure-4**. In the absence of accounts and their subsequent

Arasu Cable TV Corporation Limited incorporated in October 2007 and arrear of three years is considered.

♠ Tamil Nadu Steels Limited and Tamil Nadu Magnesium and Marine Chemicals Limited.

⊄ Tamil Nadu Graphites Limited.

° 1. Tamil Nadu Agro Industries Development Corporation Limited, 2. Tamil Nadu Poultry Development Corporation Limited, 3. Tamil Nadu Sugarcane Farms Corporation Limited and 4. Tamil Nadu Film Development Corporation Limited.

audit, it can not be ensured whether the Investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not and thus Government's Investment in such PSUs remain outside the scrutiny of the State Legislature. Further, delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956.

1.24 The administrative Departments have the responsibility of overseeing the activities of these entities and ensuring that the Accounts are finalised and adopted by these PSUs within the prescribed period. The Principal Accountant General (PAG) brought the position of the arrears of accounts to the notice of the concerned administrative departments and officials of the Government every quarter. We noticed that the number of accounts in arrears of working PSUs increased from 35 in 2009-10 to 39 in 2010-11. As a result of this, the Net Worth of these PSUs could not be assessed in Audit. The PAG also brought the matter to the attention of the Chief Secretary/ Finance Secretary Government of Tamil Nadu in the Apex Committee meeting held in October 2010/ July 2011.

1.25 In view of above state of arrears, it is recommended that the Government should monitor and ensure timely finalisation of Accounts with special focus on arrears and comply with the provisions of the Companies Act, 1956.

Winding up of non-working PSUs

1.26 There were nine non-working PSUs (all Companies) as on 31 March 2011. Liquidation process had commenced in two♥ PSUs. The number of non-working companies at the end of each year during the past five years is given below:

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
Number of non-working companies	14	14	11	11	9

The Government may consider the closure of non-working PSUs.

1.27 The stages of closure in respect of non-working PSUs are given below:

Sl. No.	Particulars	Companies
1	Total number of non-working PSUs∝	9
2	**Of (1) above, the number under**	
(a)	Liquidation by Court (liquidator appointed)	2
(b)	Voluntary winding up	4
(c)	Closure, *i.e.*, closing orders/instructions issued but liquidation process has not yet started.	3

♥ Tamil Nadu Magnesium and Marine Chemicals Limited and Tamil Nadu Steels Limited.

∝ As of 30 September 2011.

1.28 During the year 2010-11, The Chit Corporation of Tamil Nadu Limited and Tamil Nadu State Farms Corporation Limited were struck off from the Register of Companies by Registrar of Companies, Government of India. The process of voluntary winding up of companies under the Companies Act is much faster and needs to be adopted/ pursued vigorously. The closure of these companies was delayed due to (i) non-settlement of disputed claims (Tamil Nadu Magnesium and Marine Chemicals Limited, Tamil Nadu Sugarcane Farms Corporation Limited and Tamil Nadu Steels Limited), (ii) non-closure of Accounts (Tamil Nadu Film Development Corporation Limited and Tamil Nadu Agro Industries Development Corporation Limited), (iii) decision pending from State Government on writing off proposals of the Government dues (Tamil Nadu Poultry Development Corporation Limited) and (iv) decision pending with Registrar of companies on merger of companies (Tamil Nadu Institute of Information Technology - TANITEC), with Ministry of Company Affairs (Tamil Nadu Graphites Limited). Tamil Nadu Goods Transport Corporation Limited which was under liquidation had been directed by the State Government to be merged with State Express Transport Corporation Limited. The approval of Company Law Board is awaited. The Government may consider to expedite closing down its non-working companies.

Accounts Comments and Internal Audit

1.29 Fifty seven working companies forwarded their 61 accounts to Principal Accountant General during 2010-11. Of these, 43 accounts of 41 companies were selected for supplementary audit. The audit reports of statutory auditors and the sole/supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of Statutory Auditors and the CAG are given below:

(₹ in crore)

Sl. No.	Particulars	2008-09		2009-10		2010-11	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1	Decrease in profit	15	241.93	5	6.00	8	134.03
2	Increase in profit	---	---	2	0.54	4	1.78
3	Increase in Loss	12	72.19	10	124.20	10	89.56
4.	Decrease in Loss	---	---	---	---	3	65.50
5	Non-disclosure of material facts	9	99.38	8	263.93	2	---
6	Errors of classification	4	7.80	4	24.45	1	13.07

1.30 During the year 2010-11, the Statutory Auditors had given unqualified certificates for 32 Accounts and qualified certificates for 29 Accounts. The compliance of Companies with the Accounting Standards (AS) remained poor.

There were 22 instances of non-compliance of AS in 12 Accounts during the year.

1.31 Some of the important comments in respect of Accounts of Companies are stated below:

Finance and Infrastructure Development Undertakings (2010-11)

- Three* PSUs did not provide for Deferred Tax Liability on Special Reserves appropriated out of their Profits under Section 36 (i) (viii) of Income Tax Act as required under AS-22 resulting in overstatement of Profit for the current year and General Reserves and understatement of Deferred Tax Liability.

Tamil Nadu Urban Finance and Infrastructure Development Corporation Limited (2010-11)

- The Company did not provide for Income Tax of ₹35.61 crore for the years 1999-2002 resulting in Understatement of Current Liabilities and Overstatement of Accumulated Profit.

Tamil Nadu Minerals Limited (2010-11)

- The Company did not provide for Liability towards Gratuity, Leave Encashment and pay fixation arrears amounting to ₹17.06 crore resulting in Overstatement of Profit and Understatement of Current Liabilities.

State Express Transport Corporation Limited (2010-11)

- The Company did not provide for ₹8.26 crore being the liability towards employees' contribution to Provident Fund Trust resulting in Understatement of Loss and Current Liabilities and Provisions by the same amount.

Tamil Nadu Tea Plantation Corporation Limited (2010-11)

- The Company did not provide for ₹23.79 crore being the additional contribution for gratuity resulting in Understatement of Prior Period Expenditure and Accumulated Loss to that extent.

Tamil Nadu Industrial Development Corporation Limited (2010-11)

- The Company did not provide for diminution in the value of quoted (₹3.11 crore) and unquoted (₹4.94 crore) shares resulting in Overstatement of Profit as well as Investments.
- The Company adjusted Short Term Loans of ₹13.06 crore without approval of Government resulting in Understatement of Assets and Liabilities to same extent.

1.32 Similarly, two♦ Statutory corporations forwarded their Accounts for 2009-10 to the PAG during the year 2010-11. The Audit Reports of Statutory

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* Tamil Nadu Urban Finance and Infrastructure Development Corporation Limited (₹17.80 crore), Tamil Nadu Industrial Development Corporation Limited (₹2.74 crore) and Tamil Nadu Power Finance and Infrastructure Development Corporation Limited (₹43.09 crore).

♦ Tamil Nadu Warehousing Corporation Limited and erstwhile Tamil Nadu Electricity Board.

Auditors and the sole/supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of Statutory Auditors and the CAG are given below:

(₹ in crore)

Sl. No.	Particulars	2008-09		2009-10		2010-11	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Increase in profit	1	0.52	---	---	---	---
2.	Decrease in profit	--	---	---	---	1	2.64
3.	Increase in Loss	1	284.13	1	263.30	1	394.86
4.	Non-disclosure of material facts	1	1,388.79	1	60.46	---	---
5.	Errors of classification	1	140.10	1	85.25	1	11.78
6.	Correctness of balance exhibited in accounts not susceptible of verification	---	---	1	283.55	1	20,242.42

Some of the important comments in respect of accounts of Statutory Corporations are stated below:

Tamil Nadu Electricity Board (2009-10)

- Non-accountal of ₹239.48 crore being charges collectable from windmill generator towards infrastructure development charges resulted in Understatement of Receivable with corresponding Understatement of Contributions, Grants and Subsidy towards cost of Capital Assets.
- Non-adjustment of Tariff Subsidy of ₹8.95 crore relating to 2008-09 for which final charges were issued by Tamil Nadu Electricity Regulatory Commission (TNERC) before finalisation of Accounts resulted in Understatement of Revenue deficit.
- Non-provision of ₹15 crore being demand charges to be refunded to a High Tension consumer as per Court orders resulted in Overstatement of Net Prior Period Credit.
- Non-accounting of advance Subsidy of ₹35.99 crore relating to 2010-11 released by the Government as on 31 March 2010 resulted in understatement of Advance subsidy and Bank balances by like amount.
- Due to incorrect accounting treatment, Miscellaneous Receipts were understated by ₹6.15 crore at General Construction Circle, Madurai and Deposits and Retention amount from the Contractors was overstated.
- Non-provision for legal expenses amounting to ₹3.11 crore approved for payment by the Board resulted in Understatement of Liability for expenses and Overstatement of Other Claims and receivables.

1.33 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control/internal audit systems in the companies audited in accordance with the directions issued by the CAG to them under Section 619(3)(a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative list of major comments made by the Statutory Auditors on possible improvement in the internal audit/internal control system in respect of 28 companies for the year 2009-10 and 30 companies for the year 2010-11 is given below:

Sl. No.	Particulars	Number of companies where recommendations were made		Reference to serial number of the companies as per Annexure-2	
		2009-10	2010-11	2009-10	2010-11
1	The internal audit system needs to be strengthened to make it commensurate with the size and nature of the business	4	3	8, 15, 45 and 50	38, 49 and 54
2	There was no internal audit standards/manual/ guidelines prescribed by the companies for the conduct of internal audit	7	3	2, 9, 13, 26, 41, 50 and 55	2, 9, and 42
3	Proper records showing full particulars including quantitative details and situation of fixed assets were not maintained	1	---	55	---
4	The existing system of monitoring the recovery of dues needs to be strengthened by preparing age-wise analysis of debtors and periodical monitoring	---	---	---	---
5	Internal control system needs to be strengthened	1	---	2	---
6	The Companies did not have any defined fraud policy	16	19	2, 5, 9, 14, 15, 26, 29, 30, 35, 37, 42, 43, 45, 50, 52 and 55	2, 5, 9, 14, 20, 24, 26, 29, 30, 31, 32, 34, 36, 37, 38, 44, 49, 54, and 56
7	Documentation of software programs not available with the companies	1	1	55	9
8	The companies have no IT strategy/plan	17	21	2, 7, 9, 12, 26, 27, 29, 30, 35, 37, 50, 54, 55, 56, 57, 59 and 60	2, 3, 6, 7, 9, 12, 24, 28, 29, 30, 31, 32, 34, 36, 38, 54, 59, 60, 61, 64 and 65

Sl. No.	Particulars	Number of companies where recommendations were made		Reference to serial number of the companies as per Annexure-2	
		2009-10	2010-11	2009-10	2010-11
9	The companies have not fixed minimum and maximum limits for maintenance of stores and spares	3	5	26, 29 and 41	3, 30, 32, 42 and 49
10	The companies did not make ABC analysis for effective inventory control.	4	6	26, 29, 36 and 41	2, 28, 30, 37, 42, and 49
11	The companies did not evolve proper security policy for software/hardware	8	7	2, 26, 29, 30, 37, 45, 55 and 59	2, 24, 30, 31, 49, 54 and 65

Recoveries at the instance of audit

1.34 During the course of propriety audit in 2010-11, recoveries of ₹24.80 crore were pointed out to erstwhile Tamil Nadu Electricity Board. Out of this, ₹16.72 crore (including ₹5.15 crore pertaining to earlier years) was recovered during the year 2010-11.

Status of placement of Separate Audit Reports

1.35 The following table shows the status of placement of Separate Audit Reports (SARs) issued by the CAG on the accounts of Statutory corporations in the Legislature by the Government.

Sl. No	Name of the Statutory Corporation	Year upto which SARs placed in Legislature	Year for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in Legislature
1.	TNERC	2009-10	2010-11	14 September 2011	Yet to be placed in the legislature

Disinvestment, Privatisation and Restructuring of PSUs

1.36 Tamil Nadu Electricity Board had been unbundled into three companies – one holding Company and two subsidiaries (as mentioned in Paragraph 1.3). Further, Government of Tamil Nadu issued (November 2010) orders for amalgamation of State Engineering and Servicing Company of Tamil Nadu Limited (SESCOT) with Tamil Nadu Small Industries Corporation Limited under Section 396 of the Companies Act, 1956.

Reforms in Power Sector

Status of implementation of MOU between the State Government and the Central Government

1.37 The State Government formed TNERC in March 1999 under the Electricity Regulatory Commissions Act, 1998, with the objective of rationalisation of electricity tariff for advising in matters relating to electricity generation, transmission and distribution in the State and issue of licences. During 2010-11, TNERC issued 13 Tariff orders including one on determination of Tariff for Generation, Intra State Transmission and rate.

In pursuance of the decisions taken at the Chief Ministers' conference on Power Sector Reforms held in March 2001, a Memorandum of Understanding (MOU) was signed in January 2002 between the Ministry of Power, Government of India and the Department of Energy, Government of Tamil Nadu as a joint commitment for implementation of the reform programme in the power sector with identified milestones.

Commitments made in the MOU, except the following have been achieved as reported by Tamil Nadu Electricity Board:

	Commitment as per MOU	Targeted completion Schedule	Status (as on 31 March 2011)
1.	Reduction of Transmission and Distribution Losses to 15 *per cent*	December 2003	Transmission and Distribution Losses - 18 *per cent*
2.	100 *per cent* metering of all consumers	September 2012	All services except the agricultural and hut services have been metered. The Government requested (September 2009) TNERC for extension of time for three years from 1 October 2009 for installation of meters in the agricultural and hut services. TNERC accepted Government's request and approved for extension of time for three years upto 1.10.2012.
3.	Current operations in distribution to reach break-even	March 2003	As per the accounts finalised for 2009-10, the Board had a deficit of ₹10,294.64 crore.
4.	Energy audit at 11 KV sub-stations level	January 2002	Energy audit was conducted in all the 11/22 KV feeders. 1,587 feeders were identified to have line Losses of more than 10 *per cent*. By carrying out improvement works the line Losses have been brought below 10 *per cent* in 1,032 feeders so far.

CHAPTER - II

Performance Audit relating to Government Companies

2.1 Performance Audit of State Industries Promotion Corporation of Tamil Nadu Limited

Executive Summary

Since 1971, the State Industries Promotion Corporation of Tamil Nadu Limited (Company) is engaged in creation/development and maintenance of Industrial Centres and Special Economic Zones (SEZ) in the State. To assess the role of the Company as a catalyst for the industrial development of the State, we took up a performance audit of the Company between February and August 2011 covering its activities for the last five years up to 2010-11.

Financial performance

The Company continuously earned Profit during the audit period 2006-07 to 2010-11 with a major contribution (33 to 74 per cent) from interest income on Term Deposits. In contrast to this, the share of income from the core activity viz., industrial development, continuously declined from 67 to 24 per cent during 2006-07 to 2010-11. This decline was attributable to the Company's failures in project management, fixation of plot cost, non-adoption of higher plot cost in respect of allotment to commercial users, etc.

Planning

The Company neither prepared long term/strategic plans nor short term plans for development of Industrial Centres. Further, it did not conduct feasibility studies and prepare Detailed Project Reports before embarking upon new Industrial Complexes. Consequently, the Company could market only 0 to 36 per cent of saleable plots in five out of eight SEZs formed during the period from 2006-07 to 2010-11.

Project management

The Company did not maintain an MIS indicating awarded and actual cost, scheduled/actual completion of works and the resultant time and cost overrun, thereby, it failed to have control over the project implementation. There were instances of avoidable/ unproductive expenditure of ₹7.89 crore due to defective planning, lack of coordination with State Highways Department, etc.

Allotment of industrial plot and fixation of cost

The Company did not have robust system of fixing/revising plot cost taking into account enhanced compensation/interest payable to the erstwhile land owners, latest trend in the market rates, extent of saleable area, etc. Further, the Company did not charge commercial rates for allotment to non-industrial entrepreneurs as per its policy. These factors led to loss of revenue of ₹251.76 crore in respect of test checked cases. The Company did not take back 2,124 acres of unutilised land from 195 entrepreneurs, thereby lost potential revenue of ₹421.56 crore even in respect of 65 per cent of 2,124 acres of land for which the data on originally allotted price and the current market price was available.

Change of management and sub-lease

There was no system to monitor change of management and subleasing by the original allottees. Consequently, the Company could not enforce recovery of ₹136.30 crore from seven allottees, who had subsequently handed over the management to the new promoters and sub-leased portion of the leasehold land.

Release of incentives under Structured Package of Assistance (SPA)

The Company acts as a nodal agency of State Government for release of SPA. However, its system to verify the committed investment and generation of employment before release of incentives was ineffective. Besides, there was no limitation of incentives to the investments in the eligible fixed assets qualifying for incentives. This led to release of incentives in excess of the eligibility amounting to ₹297.75 crore in two cases.

Internal control and monitoring

The internal control and monitoring mechanism was weak in the areas of reporting the performance of individual Industrial Centres, comprehensive data on allotment and vacancy of industrial plots, status report on various legal cases, etc.

Conclusion and recommendations

We conclude that the Company's performance was deficient in planning, in having a foolproof system to fix/revise plot cost, in enforcing repossession of unutilised land and recovery of differential cost at the time of change of management and sublease. We recommend formulating strategic/long term plans, conducting feasibility studies before setting up new Industrial Centres, installing an effective costing mechanism for plot cost and strengthening internal control system and internal audit procedures.

Introduction

2.1.1 The State Industries Promotion Corporation of Tamil Nadu Limited (Company) was established in March 1971 to promote industrial development by providing financial assistance, incentives and other ancillary services to medium scale industries besides developing Industrial Complexes in the State. In May 1999, the Government ordered that the Company concentrate only on creating industrial infrastructure facilities and the term lending activities be transferred to another Government Company *viz*., Tamil Nadu Industrial Investment Corporation Limited (TIIC). Since then, the Company has been concentrating only on development of infrastructure facilities, formed ten[♣] Industrial Complexes, six[♦] Industrial Parks and three[∝] Industrial Growth Centres over an area of 26,926 acres of land throughout the State and had also formed eight Special Economic Zones (SEZs) within these Industrial Parks/Complexes and Growth Centres as of March 2011. The Company was also engaged in maintenance of industrial areas on behalf of allottees. The Company was also an agency for release of incentives sanctioned by the State Government to the industrial units within the State.

The management of the Company is vested with a Board of Directors (BOD) consisting of 10 Directors including the Chairman and Managing Director (CMD). The CMD, the Chief Executive of the Company, is assisted by functional heads for Land acquisition/Administration, Civil Wing, Development Wing, Special Projects, Finance and Legal Wings at Head Office and Project Managers at field level.

Scope and methodology of Audit

2.1.2 The activities of the company for the five years period up to 31 March 2002 were reviewed and included in the Report of the Comptroller and Auditor General of India (Commercial) for the year 2001-02. During the earlier audit, we had concluded that the Company incurred losses mainly because of development of industrial plots without considering the demand potential. A recommendation was made to have a system and policy for selection of proper location for industrial development. The Report is yet to be discussed (November 2011) by the Committee on Public Undertakings (COPU).

To evaluate the improvement in the system for selection and development of industrial plots over the years and performance of the Company as a catalyst for industrial development of the State, we conducted the performance audit

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♣ Ranipet, Hosur, Manamadurai, Pudukottai, Cuddalore, Gummidipoondi, Thoothukudi, Bargur, Nilakottai and Cheyyar,

♦ Gummidipoondi (EPIP), Irungattukottai, Sriperumbudur, Siruseri, Thervoykandigai and Mappedu.

∝ Perundurai, Oragadam and Gangaikondan. The details of the area of land available for sale actual allotment and balance land available in respect of all the industrial centres are detailed in **Annexure-7**.

during February and August 2011 on the activities of the Company for the five years ending March 2011. The present performance audit mainly focused on areas of project formulation, planning for development of new industrial projects, acquisition of Government and private land together with settlement of compensation, infrastructure development, fixation and recovery of plot cost from the allottees, maintenance of Industrial Centres, recovery of maintenance cost, release of incentives to industries on behalf of the State Government, internal control and internal audit.

The audit methodology involved scrutiny of records at Head Office and in eight out of 19 Industrial Centres selected based on their capital expenditure, area of sale and maintenance expenditure incurred, interaction with Company's officials and discussion of audit findings with the Senior Management.

Audit objectives

2.1.3 The objectives of performance audit were to assess whether:

Planning

- the long/short term plans were in place for formulation of schemes and fixation of targets.
- there were detailed surveys/market studies before identification of the schemes/projects.
- the Company had taken adequate/prompt action to acquire/alienate the identified land.

Financial management

- the funds management was in the best financial interests of the Company.

Project management

- the Company executed and managed the infrastructure projects efficiently, economically and effectively.

Allotment of industrial plots to entrepreneurs

- there was transparency in allotment of the developed plots and cost fixed for the plot covered the entire cost of the scheme.
- the Company has a system of ensuring effective utilisation of the plots by the allottees.
- the Company has a system of ensuring its financial interest in case of subleasing/change of management by the original allottees.

Maintenance of Industrial Centres

- the Company has a system of recovering the entire cost of maintenance from the allottees.

Extension of structured package of assistance to Memorandum of Understanding (MOU) cases

- the company has a system of assessing the eligibility criteria for availing the incentives.

Monitoring and evaluation

- there was effective internal control and the internal audit commensurate with size and activities of the Company.

Audit criteria

2.1.4 The following audit criteria were adopted:

- Policy Notes of the State Government regarding scheme formulations.
- Policies of the State Government for acquisition/alienation of lands and for payment of compensation.
- Directives and approvals of the BOD of the Company.
- Terms and conditions of the Memorandum of Undertakings (MOU) entered into with the State Government by major industrial undertakings.
- Terms and conditions of the lease agreement entered into with the allottees.
- Provisions of Land Acquisition Act.
- GOI instructions with regard to Special Economic Zones (SEZs).

Audit findings

2.1.5 We explained the audit objectives and audit criteria of the performance audit to the Company during an Entry Conference (February 2011). Our findings were reported to the Company and the State Government (August 2011). We discussed our findings in an Exit Conference (December 2011) which was attended by the Chairman and Managing Director. The Management's perspective during the Exit Conference has been considered while finalising the performance audit report. The reply of Management and Government to the performance audit report were awaited (November 2011).

Financial position and working results

2.1.6 The financial position and the working results of the Company for the five years up to 2010-11 have been given in **Annexure-8 and 9**.

The Company's Net Profit Before Tax registered a jump from ₹56.74 crore in 2006-07 to ₹123.70 crore in 2010-11. The major portion of the Profit came from interest earned on Term Deposits (₹309.44 crore), the proportion of which ranged from 32.52 *per cent* (2006-07) to a high of 86.07 *per cent* (2009-10) of the Profit Before Tax during the period. However, during the same period, the profit from industrial development activity declined from ₹53.86 crore (67 *per cent* of total Profit) in 2006-07 to ₹28.20 crore (24 *per cent* of total Profit) in 2010-11. We analysed the reasons for decline as (i) incorrect fixation of plot cost at Oragadam Industrial Centre and Irungattukottai Expansion Schemes (ii) non-collection of commercial rates from non-industrial allottees and (iii) non-recovery of differential cost for change of management and sub-leases (as discussed in Paragraphs 2.1.15 to 2.1.18 and 2.1.21).

The other deficiencies which affected the working results of the Company are detailed below:

The Company lost the Tax holiday benefit of ₹7.23 crore in respect of two Industrial Centres due to seeking amendment to the effective date

- The Ministry of Commerce and Industry, Government of India (GOI) had approved (August 2006) the Company's Industrial Centres in Sriperumbudur, Siruseri and Oragadam, under Section 80 IA of Income Tax Act enabling it to avail a Tax holiday for a period of 10 years on the earnings of these Centres with effect from January 1998, January 1999 and August 2006 respectively. The Company, however, sought approval for amendments to effective dates of Tax holiday in respect of Siruseri and Sriperumbudur centres from March 2006 (being the date of Commencement of these Industrial Centres). However, these amendments were not approved by the GOI due to poor follow up of the issue by the Company. The required Gazette Notification to be issued by the Income Tax Authorities for availing the Tax holiday benefit was not obtained till date (November 2011). Thus, the Company lost the Tax holiday benefits of ₹7.23 crore on the earnings of Siruseri Centre up to 2009-10.
- The State Highways Department had taken over (2007-08) 35.61 acres of Company's land at Oragadam and Siruseri Industrial Centres valued at ₹12.39 crore. Considering the fact that the Company had refunded (2008-09) the above cost to the land owners from its own funds, the Company should have initiated immediate action for realisation of the amount from the Land Acquisition Officer (LAO). However, the Company neither ascertained the compensation fixed by the LAO nor demanded the same even after three years of land being taken over with consequent blocking up of funds.
- A scrutiny of Current Account balances held by the Company in five nationalised banks for the period 2006-07 to 2010-11 indicated huge accumulated funds of upto ₹228.95 crore. The Company failed to assess the actual requirement of funds for day-to-day operations so as to keep an optimal balance in the Current Accounts and invest the surplus funds in Term Deposits. Considering the optimal daily requirement of ₹3.50 crore (on the basis of the average outflow of funds from the current account during the years from 2006-07 to 2010-11) in Current Accounts, interest foregone worked out by audit amounted to ₹4.99 crore based on interest rate of eight[♦] *per cent per annum* applicable for flexi deposit schemes of Public Sector Banks..
- During 2007-08, the Company anticipated its Taxable Income as ₹53.74 crore after deducting ₹18.39 crore being the Tax holiday benefits of Oragadam Growth Centre. The Company, accordingly

♦ Being the average rate of interest allowed on flexible fixed deposits during 2006-11.

remitted (June 2007 to March 2008) ₹18.27 crore as Advance Tax. However, there was no Profit in the Oragadam growth centre due to commitments for enhanced compensation to the land owners and hence Taxable Income would be ₹72.13 crore as worked out by Audit. This fact was known to the Company even at the time of short remittance of Advance Tax. Incorrect estimation of Profit resulted in under estimation and short remittance of Advance Tax, which led to avoidable payment of interest (September 2008) amounting to ₹95 lakh under Section 234 (B) and 234(C) of the Income Tax Act.

- The Company, while fixing the price for plots, considers the cost of acquisition of land, the expenditure on creation of infrastructure facilities and the Profit margin of the Company. Due to MOUs entered into by the State Government with seven companies during the years from 2006-07 to 2010-11, the Company had to allot 596.09 acres of land in Sriperumpudur and Oragadam Industrial Centres at concessional prices. When the Company sought (October 2006) reimbursement of differential price (between the normal and concessional plot cost) of ₹56.27 crore in such cases, the Government gave partial reimbursement of ₹23.48 crore only. Consequently, the Company had to forego the differential price of ₹32.79 crore on these allotments.

Planning

Non-preparation of Corporate Plan

The Company neither prepared long term/strategic plan nor annual action plan stipulating priorities of activities to develop and operate Industrial Centres

2.1.7 The Government in the New Industrial Policy 2003 and 2007 of the State aimed to position Tamil Nadu as the most attractive investment destination. To meet that end, efficient and dependable industrial infrastructure in the State was essential. The Company is the State Government Vehicle for creation of industrial infrastructure in the State and has to plan various activities like identifying locations for new Industrial Centres, working out action plans for developing infrastructure thereon and upgrading the existing facilities in conjunction with the State's Industrial Growth Plans and vision of balanced growth of all the regions of the State. For an efficient plan, a comprehensive survey should precede selection of locations to assess the demand potential from the prospective entrepreneurs. Further, the areas selected for Industrial Centres should be free from encumbrances to obviate the possibility of delays in development. We noticed that the Company neither prepared Long Term / Strategic Plans nor Annual Action Plans stipulating priorities of activities to develop and operate Industrial Centres. During the Exit Conference, the Management agreed to formulate the Corporate Plan for their future use.

Imbalance in the growth of Industrial Centres

2.1.8 Against its vision to have at least one Industrial Centre in each district, the Company could establish Industrial Centres only in 13 out of total 32 districts of the State as of November 2011. Further, two♦ out of these 13

♦ Kancheepuram and Thiruvallur districts.

districts which are closer to the State Capital had 42 *per cent* of the total Industrial Centres. Despite the present imbalance, there was no drive from the Government to have wider coverage of Industrial Centres throughout the State. In the absence of an action plan on hand to cover all the districts, the Company's vision was also restricted.

Non-fixation of target for land acquisition

2.1.9 In addition to non-preparation of Strategic/ Corporate plan, the Company did not prepare Annual Plans either which would have set targets of creation of Industrial Centres during that year and fixed milestones for building industrial infrastructure as per the Government's policy. Audit observed that the Company, with an aim to facilitate immediate allotment of developed plots to the entrepreneurs, proposed (2007) creation of Land Bank by acquiring land in various locations. Accordingly, the Company identified 16,399 acres of land in 13 locations in six districts and sought (February 2007 to February 2010) administrative sanction of the State Government, which was awaited (November 2011). The Company should vigorously pursue the issue with Government as a Land Bank for creation of Industrial Infrastructure was also emphasised by the Government in its new Industrial Policy, 2007.

Marketing of industrial plots

2.1.10 During the performance audit period 2006-07 to 2010-11, the Company had developed eight SEZs within the existing Industrial Centres. The details of availability of saleable land and the allotments made at various SEZ as of March 2011 are given in **Annexure-10.**

Five out of seven SEZs suffered due to poor marketability

We observed that out of 1770.23 acres of land developed in seven SEZs (excluding Bargur SEZ established in March 2010) during the period from December 2006 to April 2008, the Company could not market 763.41 acres representing 43 *per cent* of the area developed so far (March 2011). Except two SEZs (Sriperumbudur and Oragadam) which are closer to Chennai, the other SEZs suffered due to poor marketability. In four SEZs, the allotments made were insignificant ranging from nil (Cheyyar SEZ) to 35.59 *per cent* (Perundurai SEZ).

We are of the opinion that poor demand was mainly attributed to incorrect selection of location on account of the Company's failure to conduct detailed feasibility study before establishment of these SEZs to ensure the locational advantages and proximity to input/resources. This is borne out by the fact that the SEZs at Cheyyar, Ranipet, Bargur and Gangaikondan were not proved ideal locations for the respective industries *viz.*, auto ancillary, leather, granite and transport engineering. In the Auto Ancillary SEZ, Cheyyar, due to poor response from the entrepreneurs, the Company abandoned the SEZ. In respect of Ranipet SEZ, the Company changed the product line from leather to engineering. This indicated lack of clarity about the demand potentials before embarking on the SEZs. In SEZ, Gangaikondan, which was formed in May 2008, except an allotment (October 2007) of 115 acres of land to an MOU company (ATC Tires (P) Limited), the balance of 89 acres of land remained vacant till date (November 2011).

Consequently, the infrastructural facilities created at a cost of ₹15.38 crore for these SEZs remained largely unproductive and the objectives of formation of SEZ was not fulfilled. During the Exit Conference, the Management stated that the demand for these SEZs was picking up.

Area development activities

Land acquisition

2.1.11 The Company, which is engaged in development of Industrial Complexes, has been acquiring both Government Poramboke[Δ] land and private land. While the Poramboke land is acquired by getting alienation orders of the State Government, the private land is acquired by invoking general/urgency provisions of Land Acquisition Act through Land Acquisition Officer (LAO) of the State Revenue Department. Out of the total area of 26,926 acres of land acquired and developed by the Company up to March 2011, 3,336 acres of land was acquired during the performance audit period, which included 1,633 acres of private land and 1,703 acres of Government Poramboke land. We noticed the following deficiencies in land acquisition process:

Non-compliance with the High Court orders

The Company is exposed to loss of ₹39.67 crore due to non-identification of alternative land for grazing of cattle as per the orders of Madras High Court

- The Company obtained (November 2008) alienation orders of the State Government for taking over the Government's Meikkal Poramboke[♣] land (1,127 acres) at Thervoykandigai with a condition to identify alternative land of equivalent extent and value (₹6.48 lakh per acre) in the nearby area within three years or else pay 12 *per cent* interest *per annum* for three years along with the land cost. However, the Madras High Court, based on a petition of the local public, ordered (September 2009) the Company to compulsorily ensure provision of alternative land and ruled out the monetary compensation originally ordered by the State Government. In spite of this pre-requisite, the Company went ahead with the allotment of 543.06 acres of land between July and November 2010 without making arrangement for alternative land as per the directives of Madras High Court. The Company was facing the risk of purchasing patta[a] land at higher cost (₹10 lakh per acre[♠]) to comply with the High Court's orders. It is pertinent to mention that this additional cost was not factored into the fixation of the plot cost for the scheme even though all the above allotments were made after the pronouncement of the Judgement. Consequently, the Company is exposed to a loss of ₹39.67 crore in the scheme.

During the Exit Conference, the Management stated that the LAO have identified the alternative land and the District Collector was seeking extension of time for one more year up to November 2012 to comply with the orders of the Madras High Court. Our verification revealed that the identification of

Δ Land used or reserved for public or Government purpose.

♣ Land earmarked for grazing of cattle.

a Land is privately owned and can be sold and purchased freely.

♠ Audit considered the applicable guideline value fixed by the Registration Department for the patta land in the nearby area.

land by the LAO was still at the preliminary stage without any concrete proposal to the Government for getting its Administrative Sanction for alienation of land.

Delay in settlement of compensation for land

- Against the compensation of ₹544.04 crore determined (April 2007 and July 2008) for Oragadam and Irungattukottai Expansion Schemes by the Government, the Company had disbursed ₹331.38 crore up to March 2011. The shortfall in disbursement was attributable to lack of coordination with LAO to have adequate personnel for expeditious settlement of compensation. For the balance compensation of ₹212.66 crore, the Company had become liable to pay interest of ₹59.09 crore up to March 2011 (at the rate of 9 *per cent per annum*). The additional interest burden to be borne by the Company would result in enhancement of the land cost by ₹3.12 lakh and ₹4.27 lakh per acre in respect of Oragadam and Irungattukottai scheme respectively.

- As per the orders of Madras High Court, the awarded amount of compensation should be disbursed within three months from the receipt of Judgement copies. However, the Company had not evolved a proper system to monitor the timely disbursement of compensation. This was evident from the fact that the Company had not settled 1,656 out of 1,791 cases for which Judgement of High Court of Madras were received between January and October 2010 due to non-completion of verification of the quantum of compensation. The delays in 63 out of 135 settled cases (June 2010 to January 2011) ranged from three to eight months. The records produced for one batch of 51 cases of settlement revealed that the Company incurred an avoidable interest burden of ₹5.31 lakh (at the rate of 15 *per cent per annum)* on account of delayed remittance of compensation by the Company. The avoidable interest burden on all 1,656 cases would concomitantly be much larger.

During the Exit Conference, the Management stated that the compensation amount was already deposited with the Court and hence the liability towards interest up to the date of actual payment to the land owners did not arise. The fact remained that the loss of interest pointed out was for the balance amount payable over and above the deposit amount with the Court. Further, the amount of interest commitment mentioned in the para was actually paid by the Company.

Overpayment of compensation

- In the Judgments on Appeals filed by the Company in High Court against enhanced compensation awarded in the lower courts, the High Court allowed interest on market value[♦] of the land. A test check of the working sheets for compensation for Irungattukottai Schemes indicated that interest had been calculated on the land cost[♣] instead of market value which was not in accordance with the orders (December 2009) of the High Court. The erroneous calculation resulted in excess remittance of ₹1.08 crore in respect of 77 Land Acquisition Operative Proceedings cases in three villages.

During the Exit Conference, the Management stated that they had addressed the LAO for refund of excess reimbursement.

Non transfer of title in favour of the Company

- In respect of the land acquired for the establishment of Industrial Complex at Cheyyar, the Company obtained title for only 477.39 acres of land even though it had taken over (1997) 510.97 acres of patta land indicating non-transfer of title in respect of 35.24 acres even after a lapse of more than 14 years.

Project management

Development of Industrial Complex

2.1.12 The Industrial Policy of the State Government emphasised the need for creation of efficient and dependable infrastructure in the Industrial Centres. Before allotting plots of Industrial Centres, the Company was required to provide basic facilities *viz.*, roads, water supply, sewerage and street lighting. We noticed following deficiencies relating to civil works:

- The Company did not maintain an Management Information System (MIS) to indicate the awarded and the actual cost, scheduled and actual date of completion of the works and resultant time and cost over run. This indicated weak financial control over the project implementation by the Management.

Erection of pipeline within the prohibited area of six lane highway road led to infructuous expenditure of ₹4.94 crore

- The State Government ordered (October 2006) widening of the existing two lane road of State Highways to six lanes from Sriperumpudur to Oragadam. As per the existing procedure of the State Highways Department, laying permanent structures within a distance of 75 metres from median of the six lane high way road was not permitted. Even though the Company was aware of the proposed widening of the Highway, it went ahead (March 2007) with laying main pipeline for supply of water from Sriperumpudur to Oragadam for a length of 12 KMs along the existing two lane State Highway and completed the same in August 2008 at a cost of ₹4.94 crore. With the

♦ This is determined based on the latest sale value of land in that area.

♣ The land cost includes basic land cost fixed by LAO, addition at 12 *per cent per annum* for time difference between the date of acquisition and fixation, Solatium at the rate of 30 *per cent*.

widening (2008-09) of the State Highway into the six lane road, the new pipeline was sub-merged within the prohibited area of six lane road rendering the entire expenditure infructuous.

During the Exit Conference, the Management stated that the pipelines were laid for immediate water requirement to the existing allottees and further stated that the State Highways Department had agreed to reimburse 50 *per cent* of the cost of pipelines. The point stays that there was loss due to premature laying of pipelines in the prohibited area of six lane highway road and was avoidable irrespective of it being shared with the Government.

- As per the SEZ Act of 2005 and Rules thereunder, the executing agency should secure the SEZ for electronic hardware items with an eight foot compound wall with barbed wire fencing at the top for two feet. Against this provision, the Company provided only chain link fencing in two♦ SEZs during 2007-08 at a total cost of ₹2.95 crore. It is pertinent to mention that even though the individual contract value of three out of five works was more than ₹1.00 crore, the decision to erect chain link fence was taken without the approval of BOD though required under the Delegation of Financial Powers. In April 2010, the Company decided to construct compound wall with pre-cast concrete slabs and also to replace the chain link fencing of all the SEZs. Thus, the non-compliance with SEZ Rules resulted in unproductive investment of ₹2.95 crore on chain link fencing.

Allotment of industrial plots and fixation of cost

System of allotment of industrial plots

2.1.13 The Company allots developed plots to entrepreneurs on a 99 years lease. Upto the year 2007, the Company followed a system of allotment after evaluation of the applications by an Allottment Committee headed by the CMD. This system was dispensed with and allotments were being made on case by case basis. There was inadequate MIS to indicate comprehensive data on total number of applications received, their disposal and review on the status of the pending applications on regular basis. We recommend a comprehensive data base to increase the transparency of processing applications.

Inconsistencies in the Lease Agreement

2.1.14 As per the terms of Lease Agreement, the plot cost payable by the allottee comprises (i) plot deposit being the cost of land (restricted to 20 *per cent* of the plot cost) which is refundable at the expiry of the period of lease and (ii) development charges for creating infrastructure. The inconsistent policies adopted in treating the plot cost as "refundable" and "non-refundable" are discussed below:

The policy to segregate a portion of plot cost into Refundable Plot Deposit came into effect from 1 April 1997. However, the Company changed the above policy from April 2002 and decided to treat the entire plot cost as its Income and hence the requirement to show the refundable portion in the Lease

♦ Sriperumpudur and Oragadam.

Agreement did not arise since then. The Company decided not to segregate the plot cost into plot deposit and development charges in respect of IT Park, Siruseri. Despite all these developments, the Company did not carry out the required modification in the Lease Agreements but continued to show the Refundable Plot Deposit in respect of all the Lease Agreements. This unwarranted commitment for Refund of Plot Deposit led to a liability of ₹101.65 crore in respect of the Lease Agreements entered into during the years 2006-07 to 2010-11.

Fixation of cost

2.1.15 The cost recoverable from the allottees of industrial plots should include (i) basic cost of acquisition of land, (ii) cost of infrastructure like road, water, sewerage, *etc.*, and (iii) service charges to cover administrative expenses of the Company. Moreover, as per the policy adopted by the Company, the cost of industrial plots should also reflect the market price of land prevailing in that area so as to reap the benefit of appreciation in the land value.

- Contrary to its financial interests, the Company had not reviewed the plot cost annually to ensure that it reflected the market value and the amount of compensation payable based on the latest awards of various courts. During the five years ending 31 March 2011, the Company had reviewed the plot cost only twice in March 2007 and September 2008. Though the market price is one of the main factors for fixation of plot cost, it was observed that the plot cost fixed in September 2008 was in the range of 7 to 50 *per cent* of prevailing market price in respect of seven out of 19 Industrial Centres. Consequently, the Company failed to reap the benefit of increased plot cost in tune with the market conditions.

Instances of fixation of lower plot cost leading to financial loss to the Company are discussed below:

Omission to include enhanced compensation/interest

Non-inclusion of known liability for enhanced compensation in the plot cost led to loss of ₹42.56 crore

- In respect of Oragadam SEZ with the saleable area of 325.68 acres, the plot allotment rate was fixed at ₹32 lakh per acre. However, we observed that the cost of developed plots would work out to ₹54.50 lakh per acre taking into account the enhanced compensation payable, which was known to the Company at the time of fixation of plot cost. The Company in the process suffered a loss of ₹42.56 crore for allotment of 189.17 acre between July 2007 and September 2008.

Incorrect fixation of the cost of patta land led to foregoing revenue of ₹11.35 crore

- The 304 acres of land allotted (December 2005) in Oragadam Growth Centre to NATRIP♣comprised 162.17 acres of patta land and 141.83 acres of Poramboke land. The Company fixed (June 2010) the cost of patta land as ₹34 lakh per acre and collected the same between January

♣ National Automotive Testing and R&D Infrastructure Project, Ministry of Heavy Industries, GOI.

2006 and November 2010. Considering the annual interest of nine[♦] *per cent* for the period from 2007-08 to 2010-11 (up to November 2010), the cost of the patta land should have been fixed at ₹41.00 lakh per acre. This resulted in foregoing of revenue to the extent of ₹11.35 crore.

Unwarranted exclusion of service charges

- The Company had a policy of levying 20 *per cent* of the plot cost as the service charges. While fixing the plot cost at ₹19.50 lakh per acre for allotment (September 2007) of 100 acres of land to an allottee *viz.,* 'Sanmina', the Company did not add any service charges, anticipating receipt of ASIDE[∝] grant of ₹10 crore for the project. The fact was that the ASIDE grant had already been set off against the total plot cost collected from allottees other than Sanmina and hence no balance of grant was available for apportionment against the plot cost in respect of Sanmina. This resulted in passing on of undue benefit of ₹4.62 crore to Sanmina.

Omission to include elements of cost

Non-inclusion of interest liability, cost of open space reservation area and area earmarked for common infrastructure led to under recovery of ₹48.64 crore

- The Company allotted (September 2008) 380 acres of land at Irungattukottai Expansion Scheme to Ashok Leyland and Nissan Consortium at ₹58 lakh per acre based on the land cost at ₹48 lakh per acre. However, we noticed that the above price did not include (i) interest liability at 9 *per cent per annum* under the Land Acquisition Act, (ii) cost of Open Space Reservation area (10 *per cent*) and (iii) another 10 *per cent* area for common infrastructure facilities. Due to these omissions the plot was under priced to the extent of ₹12.80 lakh per acre resulting in under recovery to the extent of ₹48.64 crore for 380 acres.

Incorrect assessment of saleable area

- We worked out the saleable area of Industrial Park at Thervoykandigai as 844 acres against 944 acres worked out by the Company due to reduction of 100 acres earmarked for fodder development as per the directives of the High Court of Madras in September 2009. Consequently, the correct plot cost would work out to ₹30 lakh per acre against ₹27.50 lakh per acre fixed by the Company. The erroneous fixation led to loss of ₹13.58 crore in allotment of 543.06 acres of land during the period from July 2010 to November 2010. The revision (December 2010) of plot cost for the balance portion of the land at ₹38.50 lakh per acre was also erroneous as the saleable area actually available was only 300.97 acres against which the Company reckoned 397.64 acres. This would result in potential loss of ₹9.36 crore.

In addition, there were 14 instances of incorrect fixation of plot cost by the

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♦ Rate of interest payable as per Tamil Nadu Acquisition of Land for Industrial Purposes Act, 1997.

∝ Assistance to States for Development of Export Infrastructure.

Company, which had resulted in foregoing revenue to the extent of ₹15.42 crore as detailed in **Annexure-11 (A) and (B)**.

During the Exit Conference, the Management stated that the unrecovered portion of enhanced compensation would be recovered by way of additional claims from the existing allottees. They further added that the other short recovery mentioned above would also be recovered from the future allottees by re-fixation of the plot cost. The reply is not convincing because the Company had missed the opportunity to recover the appropriate plot cost at the right opportunity, thereby it postponed its revenue realisation. Further, passing on the burden of short recoveries from present allottees to the future allottees is against the principles of equity.

Non-adoption of commercial rate

2.1.16 As per the Company's policy, whenever industrial land is allotted for commercial purpose, 1.5 times the industrial rates was to be applied. However, this policy was not uniformly adopted with respect to all the commercial and trading organisations resulting in undue benefit to the allottees. We noticed that:

Allotment of land to Chennai Port Trust

Failure to adopt commercial rate to a non-industrial allottee led to loss of revenue of ₹85.74 crore

2.1.17 Chennai Port Trust (CPT) was allotted (September 2010) 125 acres of land at Mappedu for setting up an Integrated Dry Port and Multi-Model Logistics Hub at ₹80 lakh per acre. However, the plot cost had actually worked out to ₹99 lakh per acre considering the interest payable for three years up to August 2010. CPT remitted the plot cost (₹100.07 crore) in September 2010.

CPT was charged for the land at industrial rate instead of at commercial rate (1.5 times of the industrial rate). Had the Company charged the commercial rate of ₹148.50 lakh per acre (1.5 times of ₹99 lakh per acre), it could have earned an additional revenue of ₹85.74 crore.

Allotment of land to Container Corporation of India Limited

2.1.18 Container Corporation of India Limited (CONCOR), a Central Public Sector Undertaking, requested (June 2010) allotment of 50 acres of land in Sriperumpudur SEZ for setting up a Logistic Park with rail facility near Singaperumalkoil Railway station. The Company issued (September 2010) an in-principle Allotment Letter at the prevailing rate of ₹60 lakh per acre. After collecting (February 2011) the entire plot cost of ₹30 crore from CONCOR, the land was handed over in March 2011. We observed that services offered by CONCOR were warehousing facilities including providing sophisticated freezers, cooler, non-operational zone for office premises, packing, consolidation, repairs, *etc*. Therefore, the Company should have allotted the plot at commercial rate instead of the industrial rates. Failure to charge the commercial rate had resulted in foregoing revenue of ₹15 crore.

We noticed that in six more allotments, the Company did not charge commercial rates even though the allotments were for commercial purposes. Consequently, the Company deprived itself of the opportunity to earn additional revenue of ₹5.49 crore (*vide* **Annexure-12**), besides loss of revenue due to reduced stamp duty to the State Government which has been worked out by us to the extent of ₹19 lakh.

During the Exit Conference, the Management defended their action stating that the commercial rates were not applied to these allottees as the warehousing and logistics were classified as part of industrial activities in the Industrial Policy, 2007. The fact, however, remained that the said classification was applicable for the limited purpose of granting incentives by the Government and not for adoption by the Company.

Delay in realisation of plot cost

2.1.19 As per the terms of Allotment Orders, the allottees should remit the entire amount of plot cost within 90 days of issue of Allotment Order. Whenever the Company condones the delays beyond 90 days, it has been claiming interest at the rate of 15.5 *per cent per annum* for the belated remittance of plot cost. But this practice was not followed in respect of:

- Tamil Nadu Electricity Board, which delayed remittance of plot cost of ₹13.14 crore (for allotment of 62.19 acres of land) from July 2006 and March 2011.
- A private allottee[э] because of an ambiguous provision in the agreement with regard to reckoning of interest on annual balance of principal payable (₹7.64 crore) instead of on the total outstanding of principal amount (₹22.93 crore).

Consequently, the Company had to suffer loss of interest of ₹4.35 crore in the above cases.

Failure to repossess the unused land

2.1.20 As per the terms of the allotment, the allottee should commence commercial production within 30 months from the date of allotment of land. In respect of allotment based on MOUs of State Government, the commercial production should commence within three to five years. Non-compliance of this provision would result in cancellation of allotment.

2,124 acres of land kept idle by 195 allottees up to 22 years after the gestation period was not repossessed as per the provisions of Lease Agreement

On a review of utilisation of the plots by the allottees, we observed that as much as 195 allottees holding 2,123.67 acres of land, did not use the entire land even after completion of the gestation period of three to five years. The period of non-utilisation of land in respect of these allotments ranged between one to 22 years. However, the Company had not invoked the provisions of the Lease Agreement for repossessing the land not utilised.

The current value of the portion of unutilised land (1,370.62[*] acres) was ₹722.37 crore, against which the Company had realised only ₹300.85 crore at the time of original allotment. If only the Company had reallotted the unutilised land, it would have fetched additional revenue of ₹421.52 crore to the Company and ensured usage of land by the needy entrepreneurs.

э Moser Baer Infrastructure and Developers Limited.

* Out of total area of 2,123.67 acres of land mentioned in the paragraph, Audit could work out both the originally allotted price and the current market price in respect of 1,370.62 acres only.

It is interesting to note that:

- The allotment of 4.90 acres of land (December 2004) at Siruseri IT Park to one such allottee, Tamil Nadu Road Development Company Limited (TNRDC) for a lease amount of ₹1.18 crore was cancelled by the Company in February 2007 due to the non-implementation of Amenity Centre as envisaged in the Lease Agreement. However, the cancellation was revoked (May 2007) based on a fresh promise from TNRDC to implement the project. In September 2007, the Company permitted TNRDC to sub-lease the land for construction of a five star hotel instead of an Amenity Centre. Our independent verification of the records of TNRDC revealed that this permission was to benefit TNRDC by ₹50.27 crore without any benefits accruing to the Company.
- The Company allotted (November 2006) 30 acres of land at SEZ, Sriperumbudur to Samsung India Private Limited (Samsung) at a concessional rate of ₹10.50 lakh per acre (against the prevailing rate of ₹40 lakh per acre) in terms of MOU with the State Government. Even though, the State Government withdrew (February 2011) the benefits offered to SEZ project due to non-implementation of the project within five years, the Company did not demand the differential plot cost of ₹8.85 crore from Samsung.

The above instances illustrated the failure of the Company in taking action against non-performing allottees. During the Exit Conference, the management stated that action was being initiated to repossess the unused land.

Change in management and sub-lease

2.1.21 As per the existing policy, in case of change of management of the allottee company and the sub-leases with the prior approval of the Company, difference between the present and the original plot cost would be recovered. A test check of cases of change of management and sub-lease indicated that the Company had not evolved a system for reporting of all such cases so as to ensure the recovery of differential cost. A few illustrative cases of Company's failure in these cases are given below:

- Xansa India Limited – Change of management and consequent non-recovery of differential plot cost of ₹99.25 crore.
- South India Mills Association – Non-recovery of differential plot cost of ₹14.27 crore for change of management as per the directions (June 2010) of BOD.
- JCBL Limited – Non-recovery of differential plot cost of ₹2.52 crore at the time of sub-lease to second Joint Venture Company.
- Excelcom Technologies Private Limited – Non-recovery of differential plot cost of ₹6 crore during change of management.

Additional cost to be levied for change of management and sub-lease was not levied in respect of seven allottees which led to loss of revenue of ₹135.90 crore

There was no system to verify the sub-leasing of industrial plots by the original allottees. A test check in three cases **(Annexure-13)** indicated that the Company was kept in dark about sub-leasing in respect of Apollo Infrastructure Projects Finance Company Private Limited, while in other two cases the Company permitted sub-leasing without collection of appropriate sub-lease charges, which resulted in loss of revenue of ₹13.86 crore.

During the Exit Conference, the Management stated that they would create the data base of change of management and sub-leasing of allotted lands and the differential cost would be recovered, wherever necessary.

Maintenance of Industrial Centres

2.1.22 The Company undertakes maintenance of the Industrial Centres through the Project Offices. The cost of maintenance is recovered on *pro-rata* basis of area of allotment from the allottees.

Maintenance charges

2.1.23 A review of system of fixation of maintenance charges and its recovery indicated that:

- while the administrative cost at the Project Office (₹5.36 crore in 2009-10) is considered for fixation of maintenance charges, the administrative cost in respect of Corporate Office (₹13.06 crore in 2009-10) is not considered for fixation.
- Though the Company had incurred ₹1.44 crore towards maintenance expenditure during the years 2006-07 to 2010-11 for Bargur, Cheyyar, Gangaikondan and Nillakottai Industrial Centres, the same was not recovered due to insignificant allotment of industrial plots in these centres.
- The Company took up (2007-08) works relating to soil stabilisation, formation of road, retaining wall, *etc*., in IT Park, Siruseri at a total cost of ₹61.19 crore and completed the work in 2010-11. After adjusting ASIDE grant of ₹40 crore and its own contribution of ₹10.82 crore, the Company proposed to recover the balance amount of ₹10.37 crore from the allottees. However, it could recover only ₹5.47 crore due to delay of one-and-half years up to May 2009 in raising claim and subsequent delays in recovering the amount due to ineffective follow-up. Consequently, an amount of ₹4.90 crore remained unrecovered till date (November 2011).

Water charges

2.1.24 The amount spent by the Company on water supply schemes and other revenue expenses like payment to TWAD Board, royalty to PWD, *etc*., are recovered from the allottees by way of water charges. A review of system of recovery of water charges indicated that in the absence of water meter at the Industrial Centres, the Company did not reconcile the quantity of actual water pumped from the main source of water and the quantity received at the Industrial Centre. Against the actual transit loss up to 48 *per cent* in respect of Irungattukottai and Sriperumbudur Industrial Centres, the transit loss theoretically worked out by the Company was up to 23 *per cent* during 2007-08. In respect of Ranipet Industrial Centre, the excess transit loss of water over and above the wastage norm fixed by TWAD Board worked out to ₹76.74 lakh during the performance audit period.

Release of incentive under Structured Package of Assistance

System of release of incentives

2.1.25 The Company is an agency for the release of Investment Promotion Subsidy such as refund of Value Added Tax (VAT)/Central Sales Tax (CST), *etc.*, and soft loans under Structured Package of Assistance (SPA) sanctioned by the State Government to the new industrial units. As per the terms and conditions of SPA, the beneficiary company would get refund of VAT on its products provided it invested the required amount in the Eligible Fixed Assets (EFA) required for manufacture of the products and generate the specified employment opportunities within the specified investment period. A scrutiny of records relating to release of SPA amounting to ₹1,085.34 crore (in 10 cases) during the performance audit period revealed that:

- Generation of specified numbers of direct and indirect employment is one of the pre-requisites for release of SPA as per the MOU. However, Company released SPA without verification of creation of employment opportunities.
- As noted (September 2008) by the Company they did not have verification mechanism for VAT paid by the industrial units on their manufactured products, traded products and capital goods, thereby, the Company could not restrict refund of VAT only on manufactured items.

Incentives on ineligible fixed assets

- As per the guidelines (July 2000) specifying the eligible assets for incentives, the cost of the road was to be excluded. However, in respect of Dell India Limited, the cost of road (₹13.95 crore) was considered by the Company for incentive. Similarly, in case of Dalmia Cements, the Captive Power Plant was excluded from the eligible assets but the cost[♣] of accessories of captive power plant was included in the eligible assets which also should have been excluded.
- The MOU (March 2006) between the Government and Foxconn provided for payment of 30 *per cent* training subsidy (₹74.66 lakh) against Foxconn's commitment to spend ₹2.49 crore for training of 600 persons at China. Even though Foxconn imparted training only for 189 persons, the Company released (October 2009) entire subsidy which resulted in excess release of ₹51.14 lakh.

♣ Value could not be quantified in the absence of details.

Release of incentives exceeding eligible assets

- The SPA envisaged limitation of VAT to the investments in the eligible assets. But the refund of VAT (₹341.17 crore) had actually exceeded the amount of eligible assets (₹120.65 crore) in the case of Dell India Limited.
- The Company found (August 2010) that TVS Motor Company Limited had not fulfilled their investment obligation to the extent of ₹309 crore as the investments (₹100.06 crore) in tools, moulds, jigs and fixtures were not the eligible assets as per the Industrial Policy, 2003. However, based on the directions (February 2011) of the Government, the Company had released incentive of ₹77.23 crore to TVS even when TVS was not eligible for any amount under the scheme.

Internal control and monitoring mechanism

Internal control

2.1.26 The internal control and monitoring mechanism that existed in the Company were inadequate:

- There was no system in place to prepare Industrial Centre-wise profit statements and report the performance of individual Industrial Centres to the top management
- There was no centralised database with regard to allotment of plots, approvals accorded for sub-leasing and change of management in various Industrial Centres. In the absence of such centralised data, the Company could not exercise effective control over unauthorised subleasing, change of management, *etc.*
- As per Bureau of Public Enterprises directives (July 2008), a report on the quarterly performance of the Company should be placed before the BOD for their review and guidance on a regular basis, which was not done so far (November 2011).
- The Company did not maintain an MIS to indicate the awarded and the actual cost, scheduled and actual date of completion of the works and resultant time and cost over run. This indicated total lack of financial control over the project implementation by the Management.
- The status report on various legal cases filed against/by the Company on a quarterly basis along with a brief resume of important cases has not been placed in the Board meetings for information and guidance as directed (July 2008) by BOD.

During the Exit Conference, the Management agreed to strengthen the internal control mechanism.

Internal audit

2.1.27 The internal audit system requires to be strengthened/streamlined considering the fact that the Statutory Auditors, while reporting on the Annual Accounts of the Company for the year 2009-10 had highlighted that internal audit system in operation was not adequate. During the performance audit, we noticed that:

- The internal control system including internal audit has not been subjected to review by the Audit Committee of the Company on a regular basis and there was no reporting of important observations made in the course of conduct of internal audit, to the Audit Committee for their review and further guidance.
- One of the major financial activities *viz.*, release of concessions under SPA amounting to ₹1,085.34 crore during the years from 2006-07 to 2010-11 was not subjected to internal audit.

Acknowledgement

We acknowledge the co-operation and assistance extended by the staff and the management of the Company in conducting this performance audit.

Conclusion

- **The performance of the Company with regard to setting up of Industrial Centres was deficient as it did not evolve a strategic/long term and detailed annual plan in line with the Industrial Policy of the State Government. The creation of Land Bank as envisaged by the State is yet to be implemented by the Company**
- **The Company did not fix any target for acquisition of land and delayed settlement of compensation fixed by the Government and various Courts increased its liability towards additional interest.**
- **The Company did not conduct feasibility study before embarking on process of setting up new SEZs.**
- **The Company did not install proper mechanism to fix/revise plot cost taking into account enhanced compensation/interest, latest trend in the market rates, extent of saleable area, *etc.***
- **The Company did not charge the commercial rates for allotment of land to non-industrial entrepreneurs as per its Policy.**
- **The Company did not take back the land from non-performing entrepreneurs.**
- **The Company did not have database and Management Information System for monitoring the collection of additional revenue that would be due in the event of change of management and sublease made by the original allottee companies.**
- **There was no effective system to verify the committed investment before release of incentives.**
- **Internal control and monitoring system were weak.**

Recommendations

The Company should:

- **Formulate strategic/long term plan and fix time frame for creation of Industrial Centres.**
- **Conduct feasibility studies before setting up new SEZs.**
- **Revise the costing mechanism to include all elements of cost and fix the correct plot cost so as to avoid loss of revenue.**
- **Repossess the land from the non-performing allottees.**
- **Verify change of management and subleasing of land and collect the differential cost.**
- **Improve the internal control system and internal audit procedures for efficient operation of the Company.**

2.2 Performance Audit on Power Distribution Activities of Tamil Nadu Generation and Distribution Corporation Limited

Executive Summary

National Electricity Policy (NEP) aims to bring out reforms in the Power Distribution sector with focus on system up-gradation, controlling and reduction of T&D losses and power thefts and making the sector commercially viable. It further aimed to bring out conservation strategy to optimise utilisation of electricity with focus on demand and load management. In view of the above, a performance audit on the working of the Tamil Nadu Generation and Distribution Corporation Limited (Company) and the erstwhile Tamil Nadu Electricity Board for the years 2006-11 was taken up to ascertain whether they were able to adhere to the aims and objectives stated in the NEP.

Distribution network planning

The available transformer capacity was only 26,592 MVA against the requirement of 66,450 MVA in March 2011. The Company planned addition of 335 Sub Stations (SS) during 2006-07 to 2010-11 but had actually added 235 SS. The shortfall was attributable to lack of proper planning, co-ordination between the executing agencies within the Company, besides delays in executing the work by its field offices, etc.

Implementation of Centrally Sponsored Schemes

Restructured Accelerated Power Development and Reform Programme had been showing very slow progress due to diversion of Central funds towards working capital and delay in identification of project areas.

Sub-transmission and distribution losses

The failure percentage of distribution transformers was up to 8.23 against the norm of 6 resulting in extra expenditure of ₹38.20 crore for repairs of these transformers. The predominant causes of excess failure were overloading and inadequate maintenance by the Company.

Billing and collection efficiency

There were instances of under assessment of revenue of ₹601.58 crore due to incorrect billing during 2006-07 to 2010-11 of which ₹112.53 crore was collected by the Company.

Subsidy support and cross subsidisation

While the Company was selling nearly 20 per cent of energy free of cost as per the Government's policy, the subsidy realised from the Government for such free supply was only up to 10 per cent. The shortfall of ₹11,020.42 crore was due to claiming subsidy based on the connected load of service connections instead of actual consumption of energy by these consumers. Against the National tariff policy to have the tariff of all categories of consumers within the range of ±20 percent of average cost of supply by 2010-11, the recovery from agricultural and domestic consumers was low at 4.31 and 40.48 per cent of cost of supply of power.

Consumer satisfaction

The Company's MIS showed that 10.73 lakh complaints received in the selected circles were rectified without back-up records. There were 291 instances of delays in effecting HT services due to avoidable reasons like repeated changes in estimates and delays in preparation of feasibility report, want of line materials, etc.

Conclusion and recommendations

The Company's revenue gap of ₹1,218.94 crore in 2006-07 had increased to ₹12,950.56 crore in 2010-11. This was mainly due to not filing the Annual Aggregate Revenue Requirement from 2002-03 to 2009-10, absence of control over T&D losses, purchase of costlier power predominantly from independent power producers, high debt servicing burden, not claiming accurate subsidy in respect of agricultural service connection, etc. If only Company reduces the T&D losses by improving the transformation capacity, complete the construction of sub-stations within the time schedule, expeditiously implement Centrally sponsored programme, maintain the failure of distribution transformers within the norms and accurately work out the consumption charges to avoid short collections, etc., the revenue gap could be reduced. This report contains six recommendations. Create adequate transformer capacity to avoid overloading of transformers, complete construction of sub-station as per plan to achieve savings in line loss, control the failure of the distribution transformers within the norms, accurately work out the subsidy on agricultural service connection are some of these recommendations.

Introduction

2.2.1 The distribution system of the power sector constitutes the final link between the power sector and the consumer. The efficiency of the power sector is judged by the consumers on the basis of performance of this segment. As it constitutes the weakest part of the power sector and incurs huge losses, reforms in the power sector should focus more on efficient management of the distribution system. The National Electricity Policy (NEP) emphasises on the adequate transition from financial support to restructuring of distribution utilities, efficiency improvements and recovery of cost of services to make power sector self sustainable.

As part of power sector reforms, the State Government ordered (October 2008) unbundling of Tamil Nadu Electricity Board into a holding Company *viz.*, TNEB Limited. Under the holding Company, there were two subsidiary companies *viz.* Tamil Nadu Transmission Corporation Limited (TANTRANSCO) and Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO). TANTRANSCO was formed in June 2009, TNEB Limited and TANGEDCO were formed in December 2009. The holding company is vested with the assets, interest in property, rights and liabilities of the erstwhile Tamil Nadu Electricity Board. TANGEDCO, which commenced the business operation on 16 March 2010, carries out distribution of power in the State and is under the administrative control of the Energy Department of the State Government. The management of TANGEDCO is vested with a Board of Directors comprising Chairman-cum-Managing Director (CMD), four full time Directors, a part time Director and three ex-officio Directors from the State Government. The day-to-day operations of TANGEDCO are carried out by the CMD with the assistance of Director (Generation), Director (Distribution), Director (Projects) and Director (Finance).

During 2006-07, 50,159 Million Units (MU) of energy were sold by the Company[♦] which increased to 59,658 MU in 2010-11, *i.e.*, an increase of 18.94 *per cent* during 2006-11. As on 31 March 2011, the Company had a distribution network of 7.33 lakh circuit kilometres (CKM) of Extra High Tension (EHT), High Tension (HT) and Low Tension (LT) lines, 1,255 sub-stations (SS) and 2,03,794 transformers of various categories for supply of power to 2.23 crore consumers. The turnover of the Company during 2010-11 was ₹20,929.33 crore (provisional) and was equal to 37.92 *per cent* and 3.82 *per cent* of the turnover of all the PSUs of the State (₹55,193.68 crore) and State Gross Domestic Product (₹5,47,267 crore), respectively. The Company had 81,582 employees as on 31 March 2011.

NEP aims to bring out reforms in the Power Distribution sector with focus on system up-gradation, controlling and reduction of Transmission and Distribution (T&D) losses, power thefts and making the sector commercially

♦ Throughout this Performance audit Report, the term "Company" refers to Tamil Nadu Electricity Board up to 15 March 2010 and TANGEDCO with effect from 16 March 2010.

viable. It further aims to bring out conservation strategy to optimise utilisation of electricity with focus on demand side management and load management. In view of the above, a performance audit on the working of the Company for the period 2006-07 to 2010-11 was taken up to ascertain whether the Company was able to fulfill the aims and objectives of NEP.

We had conducted a performance audit on (i) Implementation of Accelerated Power Development and Reforms Programme (APDRP) and (ii) Information Technology (IT) audit on LT Revenue Billing and included our findings in the Report of the Comptroller and Auditor General of India (CAG) (Commercial) - Government of Tamil Nadu for the year ended 31 March 2007. The performance audit report was discussed by Committee on Public Undertakings (COPU) in April 2010 and its recommendations are awaited (November 2011). The IT audit report on audit of LT Revenue Billing was yet to be discussed by COPU (November 2011).

Scope and methodology of Audit

2.2.2 The present performance audit conducted during February to June 2011 covered the distribution activities of the Company from 2006-07 to 2010-11. It mainly dealt with network planning and execution, implementation of Central schemes, operational efficiency, billing and collection efficiency, financial management, consumer satisfaction and monitoring. The audit examination involved scrutiny of records at the Head Office and at seven[∂] out of 39 distribution circles of the Company. The circles were selected on the basis of their capital expenditure and geographical coverage.

The audit methodology consisted of discussion of audit objectives with the top Management, scrutiny of records at head office and selected units, interaction with the auditees personnel, analysis of data with reference to audit criteria and raising of audit queries, issue of draft performance audit report to the Management for comments and discussions of audit findings with management at the Exit Conference.

Audit objectives

2.2.3 The objectives of the performance audit were to assess:

- whether aims and objectives of NEP/Plans were adhered to and distribution reforms achieved;
- adequacy and effectiveness of network planning and its execution;
- efficiency and effectiveness in implementation of the central schemes *viz.*, Restructured Accelerated Power Development & Reform Programme (R-APDRP) and Rajiv Gandhi Grameen Vidyutikaran Yojna (RGGVY);

∂ Chennai (S), Coimbatore (S), Dharmapuri, Erode, Tirunelveli, Tiruchi and Villupuram.

- operational efficiency in meeting the power demand of the consumers in the state;
- billing and collection efficiency of revenue from consumers;
- whether a system was in place to assess consumer satisfaction and redressal of grievances; and
- whether a monitoring system was in place and the same was utilised in review of overall working of the Company.

Audit criteria

2.2.4 The audit criteria adopted were:

- Provisions of Electricity Act, 2003;
- NEP, plans and norms concerning distribution network of the Company and norms, guidelines/instructions and Planning criteria fixed by the Tamil Nadu Electricity Regulatory Commission (TNERC);
- Terms and Conditions of Central schemes;
- norms prescribed by various agencies with regard to operational activities; and
- norms of technical and non-technical losses.

Financial position and working results

Financial position

2.2.5 The financial position of the Company as on 31 March for the five years ending 2010-11 is given in **Annexure-14**.

It may be seen from the Annexure that:

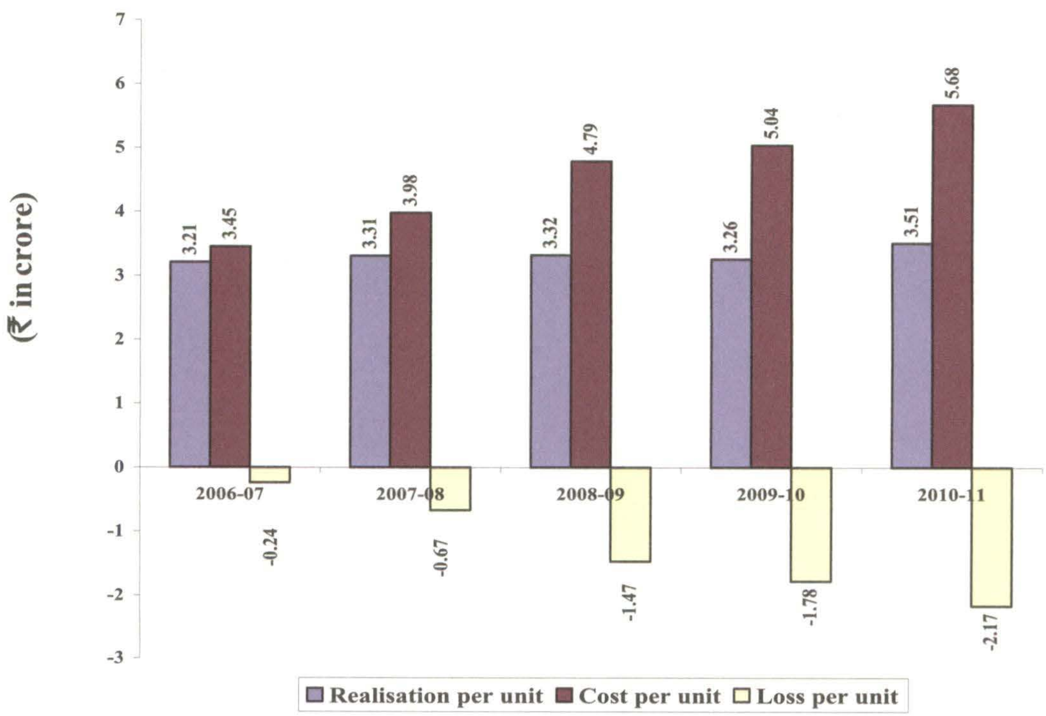
- The Accumulated Losses of the Company increased by 454.31 *per cent* from ₹6,130.45 crore in 2006-07 to ₹33,981.77 crore as on 31 October 2010 (provisional) and completely eroded the Paid up Capital.
- The Working Capital remained negative throughout the audit period from 2006-07 to 2010-11.
- The Debt-Equity ratio marginally decreased from 16.34:1 in 2006-07 to 15.40:1 in 2010-11 due to infusion of additional Equity Capital by the State Government.
- The Company had resorted to huge borrowings to meet the Revenue gap and for repayment of earlier Loans. The Long Term Loans had increased from ₹11,600.29 crore in 2006-07 to ₹39,586.71 crore in 2010-11.
- The Net Worth♣ turned negative from 2007-08 onwards due to increase in Accumulated Losses.

♣ Net worth is equivalent to paid-up capital plus free reserves minus accumulated loss.

Working results

2.2.6 The working results, the overall and per unit Fixed and Variable Cost of generation of electricity, *vis-a-vis* revenue realisation thereon are given in **Annexure-15**. Analysis of working results revealed that:

- The average realisation was always lower than the Cost per unit throughout the period of performance audit due to higher cost of power purchase, high debt servicing burden, steep increase in employees cost, non-revision of tariff by TNERC due to delay by the Company in filing Aggregate Revenue Return (ARR), *etc.*
- Though the Cost per unit of self generation (ranging from ₹1.37 to ₹2.20) was much lower than the cost of power purchased (ranging from ₹3.08 to ₹3.87) from other sources, the Company did not augment its generating capacity. On the other hand, its own generation declined from 3,092 MW to 2,646 MW against the increasing average demand from 6,988 MW to 8,544 MW during the years from 2006-07 to 2010-11. This resulted in the Company being forced to purchase costlier power. The per unit cost of operation increased from ₹3.45 in 2006-07 to ₹5.68 in 2010-11. The Loss per unit incurred increased from ₹0.24 to ₹2.17 per unit in the same period as shown below in the bar chart:



It may be seen from **Annexure-15** that the revenue gap of ₹1,218.94 crore in 2006-07 (after considering Revenue Subsidies and Grants) rose to a whopping ₹12,950.56 crore in 2010-11. Our analysis revealed that the revenue gap was mainly due to:

- progressively increased dependence of upto 68 *per cent* of the total power requirement on costlier power from independent power producers.
- increase in Employees' Cost (from ₹2,160.57 crore in 2006-07 to ₹4,055.76 crore in 2010-11).
- steep increase in Interest and Finance charges (from ₹1,204.23 crore in 2006-07 to ₹5,112.45 crore in 2010-11) as a result of borrowings.

The Company in its reply (November 2011) endorsed our reasoning for increase in revenue gap during 2006-11 and added that the additional borrowings were made in the recent years to have capacity additions, strengthening transmission and distribution lines and substations.

Audit findings

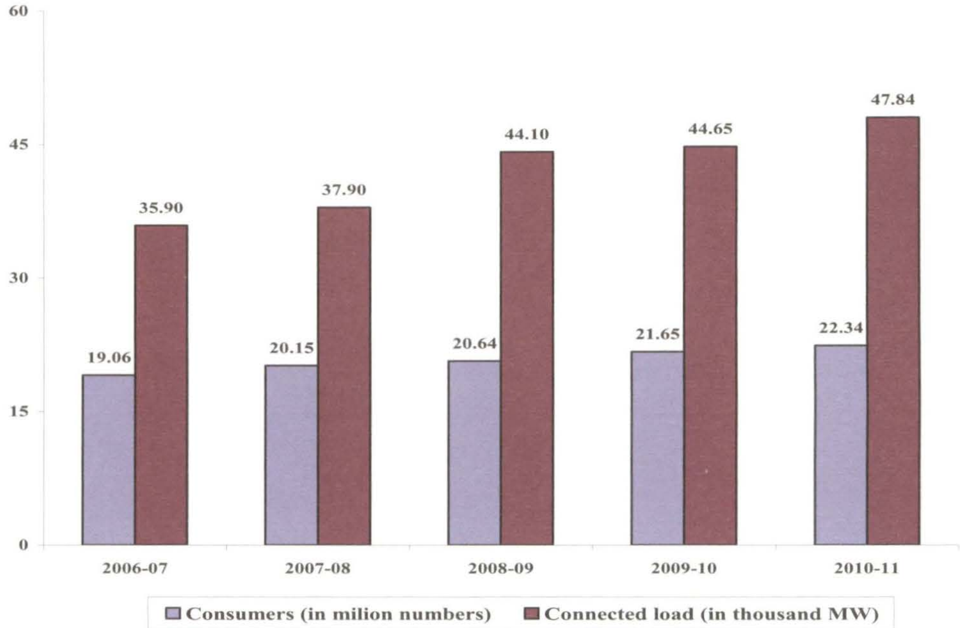
2.2.7 We explained our objectives to the Company during an Entry Conference (February 2011). Subsequently, our findings were reported to the Company and the State Government (August 2011) and discussed in an Exit Conference (October 2011), attended by Managing Director, Director (Distribution), Director (Finance) and Director (Transmission) of the Company. While the Company furnished its reply (November 2011), the Government's reply was awaited (November 2011). The Company's views were considered while finalising this performance audit report. The audit findings are discussed in the subsequent paragraphs.

Distribution network planning

2.2.8 The Company is required to prepare long term/annual plan for creation of infrastructural facilities for efficient distribution of electricity. Besides, the upkeep of the existing network, additions in distribution network are required to be planned considering the demand/connected load, anticipated new connections and growth in demand based on Electric Power Survey. Considering physical parameters, the Company submits annually its Capital Investment Plans to the State Government. The major components of the outlay include normal development and system improvement besides rural electrification.

Load growth

2.2.9 The particulars of consumers and their connected load during the years from 2006-07 to 2010-11 are given in bar chart.



The number of consumers increased from 19.06 million in 2006-07 to 22.34 million in 2010-11 with corresponding increase in connected load from 35,904 MW (39,893 MVA) to 47,844 MW (53,160 MVA). The particulars of distribution network *viz.*, number of Sub Stations (SS), distribution lines and Distribution Transformers (DTs) planned *vis-a-vis* achievement there against in the State as a whole is depicted in **Annexure-16**.

Inadequate transformation capacity

2.2.10 The table below indicates the details of transformation[€] capacity at 110/11 KV, 66/11 KV and 33/11 KV SS and connected load of the consumers in the State during the period from 2006-11.

(In MVA)

Year	Transformation Capacity	Connected load	Gap in Transformation capacity	Ratio of Transformation capacity to connected load
2006-07	24,028	39,893	15,865	0.60:1
2007-08	26,739	42,106	15,367	0.64:1
2008-09	29,623	48,998	19,375	0.60:1
2009-10	31,646	49,606	17,960	0.64:1
2010-11	33,275	53,160	19,885	0.63:1

(Source: Administrative Report 2006-07, Statistics at a glance 2007-09, Accounts Statistics-2009 and the information from the Company).

€ The capacity of the power transformers in the SS which feeds power from SS to the consumers through the feeders and DTs.

Against the ideal ratio of 1:1 between the connected load and transformation capacity, the actual ratio was ranging from 0.60:1 to 0.64:1 during the years from 2006-07 to 2010-11 indicating wide gap in transformation capacity

We are of the opinion that the ratio between the transformation capacity and the connected load could ideally be 1:1 enabling the consumers to draw the energy upto the level of connected load. However, the actual ratio was ranging from 0.60:1 to 0.64:1 indicating wide gap of transformation capacity. This huge gap in transformation capacity led to overloading of the system resulting in frequent tripping and adverse voltage regulation with consequential higher quantum of energy losses.

Transformer capacity

2.2.11 We noticed that as compared to the growth of 11,940 MW (13,267 MVA) in the connected load during 2006-07 to 2010-11, the increase in transformer capacity was only 4,847 MW (equivalent to 5,385 MVA) as depicted in **Annexure-16**. Such a shortfall was mainly due to absence of annual plan for augmentation of DTs. Consequently, the distribution capacity did not match the growth in consumer demand. Further, taking into account the connected load of 47,844 MW at the end of March 2011, the existing transformer capacity should be 66,450 MVA (with the spin reserve of 20 *per cent)*. As such the transformer capacity in all the years was inadequate denying uninterrupted power supply to the consumers. To augment transformer capacity of 39,858 MVA, an estimated addition of 2,73,018 DTs of various capacities[♦] would be required. However, the Company had no plan either in the short term or long term to procure DTs on this large scale to reach the required level of transformation capacity.

The Company in its reply (November 2011) stated that in an electrical network, even though it was theoretically feasible that power could be drawn equivalent to the level of connected load, in practice it rarely occurs.

The Company should have assessed a ratio of connected load and transformer capacity suitable to it and endeavoured to achieve it in a systematic manner. Further, the higher failure rate of DTs due to overloading (Paragraph 2.2.18) is indicative of insufficient transformer capacity existing at present.

Delay in establishment of Sub Stations

The Company planned 335 SS but actually added only 235 SS. The delay ranging from 8 to 53 months in completion of SS was attributed to delay in selection and handing over of land, procurement of power transformers, *etc.*

2.2.12 With a view to meeting the growing demand, to improve voltage regulation at the tail end and to reduce line loss, the Company prepares annual T&D Plan indicating the addition of new SS. Establishment of SS involves acquisition of land, levelling of the site, civil works, procurement and erection of transformers and other materials besides energising the transmission lines. As such, timely commissioning of the SS requires proper planning and synchronisation of all the activities. We noticed, during the period of performance audit, that the Company had planned addition of 335 SS, but had actually added only 235 SS **(Annexure-16)**. An analysis of the reasons for shortfall in additions in respect of seven selected circles is given in **Annexure-17**. There were delays ranging from 8 to 53 months in establishment of SS which led to non achievement of the envisaged savings in line loss of 34.98 MUs valued at ₹12.28 crore **(Annexure-17)**. From the

♦ Estimated by us in the same proportion of the DTs of various capacities existing at present in the Distribution Network.

annexure it could be seen that the delays in establishment of SS were mainly due to:

- delay in procurement /replacement of Power Transformers (two SS).
- selection of inadequate land area (one SS).
- delay in handing over of site to General Construction Circles after acquisition of land (three SS).
- change in route profile and indecision on methodology of execution (three SS).

We noticed instances of avoidable delays in transfer of own land for construction of SS, delay in synchronisation of various activities, *etc.* This indicated that the Company had not streamlined the system for ensuring timely completion of SS.

The Company in its reply (November 2011) while confirming the audit observations stated that the works during the subsequent period were taken up after taking into account the availability of funds and the priority of the scheme.

Implementation of Centrally Sponsored Schemes

Rural electrification

2.2.13 The NEP states that the key objective of development of the power sector is to supply electricity to all areas including rural areas. The Government of India (GOI) and the State Governments were to jointly endeavour to achieve this objective. RGGVY launched in April 2005 aimed at providing access to electricity to all households in five years. Ninety *per cent* of the project cost of RGGVY was to be provided by the GOI as capital subsidy through Rural Electrification Corporation (REC) and 10 *per cent* as loan by REC to the State Government.

Besides, the GOI notified the Rural Electrification Policy (REP) in August 2006. The REP, *inter alia,* aims at providing access to electricity for all households by 2009 and minimum lifeline consumption of one unit per household per day as a merit good by the year 2012. As per REP, the village would be classified as electrified, only if electricity was provided to public places like schools, health centres, *etc.,* and number of households electrified was at least 10 *per cent* of the total number of households in the village.

As on 31 March 2006, out of 16,317 villages in the State (as per 2001 Census), 15,400 villages were meeting the criteria fixed by REP for electrification of the village and the balance 917 villages were uninhabited. Thus, the Company had already completed and met the criteria stipulated in REP 2006.

Implementation of RGGVY

2.2.14 The RGGVY envisaged erection of DTs along with the lines at village/habitations and provide access to electricity to all rural households and providing service connections to Below Poverty Line (BPL) families free of cost. RGGVY scheme was to be executed on turnkey basis through outside agencies and the management of the power distribution in the project areas was to be through franchise arrangement.

For implementation of the RGGVY, a tripartite agreement was executed (October 2005) between REC, State Government and the Company. The Company submitted (January/February 2006) Detailed Project Reports (DPRs) in respect of 29 districts to REC. Ministry of Power (MOP), GOI gave an 'In-Principle' approval (June 2006) to these DPRs. REC sanctioned (March 2008) the project at an estimated cost of ₹447.41 crore in respect of DPRs of 26 districts for providing service connections to 5.46 lakh BPL households.

The Company provided (December 2010), electrification to 2.60 lakh BPL households by utilising ₹319.98 crore as envisaged in the scheme as detailed below:

Sl. No.	Year	Planned for the year includes shortfall of previous year	Actually electrified during the year	Cumulative shortage
1.	2008-09	54,000	27,069	26,931
2.	2009-10	2,95,469	1,90,128	1,05,341
3.	2010-11	1,05,341	42,768	62,573
	TOTAL		**2,59,965**	

We observed that:

Subsidy of ₹133.91 crore was not realised due to delay of two years (upto March 2008) in getting sanction for the scheme which was attributable to Company's repeated correspondence to seek exemption from the agreed conditions

- As against the sanction of 5.46 lakh BPL households, the Company could avail subsidy under RGGVY only for 2.60 lakh BPL households. The shortfall was due to not covering 0.63 lakh BPL households up to March 2011 and extension of service connection to 2.23 lakh BPL households at its own cost (₹148.79 crore) during 2006-08, prior to getting sanction of REC to the scheme. The delay of two years in getting sanction of REC was due to Company's repeated but futile attempts to seek exemption from the conditions of engaging turnkey contractor for implementation and franchise arrangement for project management. Finally, the Company engaged (June 2008) a turnkey contractor for project implementation. It was yet to formalise a franchise arrangement for project management. As a result, the Company had to forego the subsidy of ₹133.91 crore (being 90 *per cent* of above) till date (November 2011).
- Contrary to the guidelines to have franchise arrangement for spot billing, revenue collection, *etc.*, to make the system revenue sustainable, the Company proposed (October 2010) for deployment of its retired staff for revenue collection, which was yet to be approved (November 2011) by REC.
- As envisaged in the RGGVY scheme, energy meters were to be provided at DTs and consumers' end for energy accounting. Accordingly, 10,125 meters at DTs and 2.60 lakh meters at the BPL households were installed. However, readings taken from these DT meters and at the consumers' end were not put to use for energy accounting purpose. Hence, any commercial loss or unauthorised use by the consumers could not be ascertained by the Company. This

resulted in defeating the purpose of energy accounting apart from idle investment of ₹15.62 crore in the cost of meters and their installation.

The Company replied (November 2011) that (i) it did not agree for franchisee arrangement because of its own collection efficiency was more than 98 *per cent* and the BPL household connections are coming under free tariff and (ii) the readings from meters in the DTs and at consumer end are taken and kept at sub-division office. The fact, however, remained that the Company attempted to seek exemption from REC for the conditions already agreed to by it, which delayed execution of the project by two years and resulted in non-realisation of the subsidy of ₹133.91 crore till date for the service connections extended before getting REC's sanction and the said meter readings kept in sub-division office have not been put to any use so far (November 2011).

Restructured Accelerated Power Development Reforms Programme

2.2.15 GOI, in continuation of its earlier Accelerated Power Development Reforms Programme (APDRP) launched during 2001-02 had also launched (July 2008) the Restructured APDRP (R-APDRP), as a Central sector scheme for XI plan. The R-APDRP comprised two parts – Part-A was dedicated to establishment of Information Technology (IT) enabled system for meter reading, billing, collection, energy accounting and auditing, to be completed within three years of sanction of scheme by GOI.

Part-B of the project involved renovation, modernisation and strengthening of 11 KV SS and transformers to be completed in two years after completion of Part-A.

Financial Performance

2.2.16 GOI approved Part-A and B of R-APDRP in February 2009 at a total scheme cost of ₹1,419.08 crore. The details of the funds released by GOI for the scheme, utilisation there against and balances are depicted below:

(₹ in crore)

Year	Parts of Scheme	Funds released by		Funds available	Funds utilised	Balance	Percentage of balance to funds available
		GOI	Others				
2009-10	Part-A	125.10	NIL	125.10	42.71	82.39	65.86
	Part-B	15.59	NIL	15.59	---	15.59	100.00
2010-11	Part-A	54.65	NIL	137.04	---	137.04	100.00
	Part-B	471.58	NIL	487.17	---	487.17	100.00
Balance funds available – Part A and B = ₹624.21 crore							

The Company completed ring fencing in 103 towns out of 110 towns identified and spent only ₹42.71 crore♥ under Part-A of the scheme till date (November 2011).

We observed:

- The poor progress of R-APDRP, despite availability of funds, was attributable to delay in identification (December 2010 to March 2011) of project areas in 110 villages. Further, the Company was yet to arrange for verification of project areas by a third party (Power Finance Corporation Limited) which was mandatory for implementation of the Scheme. In addition, the Company did not arrange for facilities/materials required for the Scheme. Consequently, the Part-A of the Scheme which was to be completed by February 2012 had not even taken off (November 2011).

The Company diverted ₹624.21 crore of the project funds towards its working capital which led to poor progress of R-APDRP

- We had reported in the Report of CAG (Commercial) – Government of Tamil Nadu for the year 2006-07 that the Company had diverted the scheme funds of APDRP towards its working capital needs. The Company continued the diversion of funds (₹624.21 crore) of the present scheme to meet its working capital requirement by delaying implementation of the scheme. Consequently, it could not implement the Scheme as envisaged and gain the benefit of reduced T&D losses.

- As per the terms of R-APDRP, the cost of Part-A initially sanctioned as loan along with interest was convertible into grant provided it was completed within three years of sanction and its success was verified by an independent agency appointed by the Ministry of Power. However, the Company did not complete even the preliminary works (November 2011). With the current slow pace of implementation, there are remote chances of completing Part-A by February 2012. Therefore, the Company may not get any benefits of grant available under the Scheme.

The Company in its reply (November 2011) admitted the delays but stated that both Part-A and B of R-APDRP would be completed by February 2014 being the time limit for overall completion of the project.

Aggregate Technical & Commercial Losses

2.2.17 One of the prime objectives of R-APDRP was to strengthen the distribution system with the focus on reduction of 'Aggregate Technical & Commercial' Losses (AT&C losses) on a sustainable basis. TNERC had fixed a separate target for AT&C losses at 19.7 *per cent* in 2007-08 and progressively reduced it to 18.5 *per cent* in 2010-11. However, the Company had worked out only T&D losses at 18 *per cent* (as explained in Paragraph 2.2.18) and did not fix any target for AT&C losses nor assessed it till date (November 2011). Thus, the Company failed to comply with the directives of TNERC. In the absence of data on AT&C losses, we computed the AT&C

♥ (i) Ring Fencing-₹12.75 crore, (ii) Consultancy Charges-₹0.27 crore, (iii) Establishment of Data Centre-₹.25.72 crore (advance payment) and (iv) cost of feeder meter - ₹3.97 crore.

losses taking into account the actual quantum of energy sent out for consumption, energy billed and agricultural consumption as worked out by the Company and found that the AT&C losses were always more than the norm of TNERC. Such excess percentage was ranging between 1.34 and 2.11 as detailed below:

Year	Energy Sent out (in MU)	Energy Billed (in MU)	AT&C losses Norms as per TNERC (%)	Actual AT&C losses worked out by audit based on 3% sample Agricultural metering (%)	AT&C losses excess over norms	AT&C losses (in MUs)	AT&C losses (₹ in crore)*
(1)	(2)	(3)	(4)	(5)	(6) (5)-(4)	(7)	(8)
2006-07	61,170	50,159	NA	Data not available			
2007-08	64,430	52,833	19.7	21.04	1.34	863.36	285.77
2008-09	64,715	53,065	19.3	20.50	1.20	776.58	257.82
2009-10	70,458	57,776	18.9	21.01	2.11	1,479.62	482.36
2010-11	72,388	59,658	18.5	18.11	NIL	NIL	NIL

The Company failed to comply with directives of TNERC to assess AT&C losses. Our independent estimation of AT&C losses indicated that the same was more than TNERC norm upto 2.11 *per cent* resulting in an estimated loss of ₹1,025.95 crore

From the table, it could be seen that the AT&C losses was more than the norm of TNERC up to 2009-10 resulting in estimated loss of ₹1,025.95 crore.

The Company in its reply (November 2011) stated that the AT &C losses could be arrived at only on completion of 100 *per cent* metering in all DTs and all services for which the R-APDRP was under way. The fact remained that pending completion of 100 *per cent* metering of DTs and service connections, the Company never attempted an alternative method to work out AT&C losses even on sample basis and denied itself an opportunity to control the AT&C losses to the sustainable level.

Sub-transmission and distribution losses

2.2.18 For efficient functioning of the distribution system, there should be minimal losses in sub-transmission and distribution of power. The losses at 33 KV stage are termed as sub-transmission losses while those at 11 KV and below are termed as distribution losses. The losses occur mainly on two counts, *i.e.*, technical and commercial. Technical losses occur due to inherent character of equipment used for distributing power and resistance in conductors whereas commercial losses occur due to theft of energy, defective meters and drawal of unmetered supply, *etc.*

* Based on the average realisation rates prevailed during the respective years.

The table below indicates the energy losses for the Company for the last five years up to 2010-11.

(In Million Units)

Sl. No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
1.	Energy purchased (+) own generation	61,170	64,430	64,715	70,458	72,388
2.	Energy sold	50,159	52,833	53,065	57,776	59,658
3.	Energy losses (1 – 2)	11,011	11,597	11,650	12,682	12,730
4.	Percentage of energy losses (*per cent*) {(3 / 1) X 100}	18.00	18.00	18.00	18.00	17.58
5.	Percentage of losses committed to be reduced as per MOU between MOP and Department of Energy, Government of Tamil Nadu	15	15	15	15	15
6.	Excess losses (in MUs)	1,835.10	1,932.90	1,941.45	2,113.74	1,867.58
7.	Average realisation rate per unit (in ₹)	3.21	3.31	3.32	3.26	3.51
8.	Value of excess losses (₹ in crore) (6X7)	589.07	639.79	644.56	689.08	655.52

TNERC had observed (March 2003 and July 2010) that the Company had not furnished the accurate figures of T&D losses and was "fudging" the figures of T&D losses so as to keep it constant. Therefore, it directed (March 2003/July 2010) the Company to conduct an Independent Energy Audit at HT/LT loads and submit a report. Instead, the Company had neither changed its methodology of working out T&D losses nor conducted any energy audit for accurately reporting the T&D losses as directed by TNERC so far (November 2011). However, the Company had been consistently estimating T&D losses at 18 *per cent* up to 2009-10 and 17.58 *per cent* in 2010-11 without any scientific study. This was also commented in the Audit Reports (Commercial) of CAG for the years 2006-07 and 2009-10 of Government of Tamil Nadu. The importance of reducing losses can be gauged from the fact that every one *per cent* decrease in losses could reduce the deficit to the extent of ₹254.08 crore.

The main reasons for such high energy losses were failure of DTs over and above the norms, inadequacy of capacitor banks leading to low power factor, heavy quantum of unmetered consumers and theft of electricity *etc.*, as discussed in the succeeding paragraphs.

Performance of Distribution Transformer

2.2.19 TNERC had fixed (2003) a norm of six *per cent* for failure of DTs. As against this norm, actual DTs failed and the expenditure incurred on their repairs is depicted in the table below:

Sl. No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
1.	Existing DTs at the close of the year (In numbers)	1,73,053	80,763	1,86,638	1,92,632	2,03,794
2.	DT failures (In numbers)	14,239	13,647	15,069	14,806	16,395
3.	Percentage of failures	8.23	7.55	8.07	7.69	8.04
4.	Norm allowed by SERC (In *per cent*)	6	6	6	6	6
5.	Excess failure percentage over norms	2.23	1.55	2.07	1.69	2.04
6.	Expenditure on repair of failed DTs in excess of norms (₹ in crore)	8.22	5.97	8.23	6.93	8.85

(Source: MIS of Data Cell).

It may be seen from the above table that the percentage of failure of DTs had been in excess over the norms in all the years ranging from 1.55 to 2.23 *per cent* resulting in an extra expenditure of ₹38.20 crore.

Failure of DTs due to controllable causes led to avoidable expenditure of ₹72.49 crore

Analysis of the overall failure of DTs indicated that these failures were predominantly due to (i) overloading of DTs (18.12 to 21.42 *per cent*), (ii) inadequate maintenance (12.04 to 19.69 *per cent*) and (iii) other causes, such as oil leak, low oil level, poor earthing, *etc.*, which were controllable. Thus, the failure of DTs due to these controllable causes which was in the range of 53.54 *per cent* (2007-08) and 69.90 *per cent* (2009-10) led to avoidable expenditure of ₹72.49♠ crore on repairs of these DTs during the period of performance audit.

We observed that despite occurrence of the above loss, the required review by the Management of the Company on failure of DTs for the years 2007-08 and 2008-09 were conducted after delays of 16 and 15 months respectively. Even after belated review, the Company did not obtain any feedback from the field on preventive maintenance of DTs and did not take any follow-up action, indicating deficient monitoring of the failures of DTs.

The Company in its reply (November 2011), while confirming the percentage of failures of DTs stated that action was being taken to conduct periodical maintenance of DTs to contain the DT failure rate within the reasonable limits.

Delay in repair of Distribution Transformers

Repair of transformers within the guarantee period

2.2.20 As per the conditions of purchase of DTs, the suppliers should rectify DTs failing within the guarantee period within two months from the date of intimation. During our test check of seven circles, we noticed that out of the 435 DTs which failed within the guarantee period only 84 DTs (19 *per cent*)

♠ The average repair cost incurred at ₹21,295 per DT for 34,042 DTs failed due to (i) Inadequate maintenance, (ii) Overloading and (iii) other causes for the four years ending 31 March 2010.

were rectified within two months and the balance 351 DTs were rectified with delays up to 906 days as detailed below:

Period of delay in repair of DTs	Number of DTs
1-100 days	137
101-200 days	114
201-300 days	31
Over 300 days	69
Total	**351**

The above delays were complemented by the Company itself as it delayed intimation of the repair in respect of 71 DTs mentioned above upto 246 days. Further, the Company had not taken any penal action against suppliers who had delayed repairs.

Repair of DTs beyond the guarantee period

2.2.21 The Company undertakes repair of DTs failing beyond the guarantee period through outside agencies. As per the terms of the agreement, the agencies should lift the failed transformers within seven days from the date of receipt of intimation and should repair them within 30 days. We observed, from the test check of selected circles, that out of 536 DTs that were sent for repair, only 58 DTs (11 *per cent*) were repaired and received back in time. In respect of balance 478 DTs the delays in repair were as detailed below:

Period of delay in repair of DTs	Number of DTs
1-100 days	290
101-200 days	101
201-300 days	38
Over 300 days	49
Total	**478**

We noticed that the delays were inclusive of the delay on the part of the Company in intimating the contractors about failure in respect of 60 DTs which ranged between 30 and 730 days. Abnormal delay in repair and return of DTs by the suppliers and the contractors is detrimental to the financial interest of the Company as these DTs remained out of use for long periods.

The Company in its reply (November 2011), attributed the delay in repair of transformers to the delay in payment of the bills raised by the contractors. It added that it was initiating action against the firms who have not returned the DTs.

Capacitor banks

2.2.22 Capacitor banks help to improve the power factor by regulating the current flow and voltage, thereby reducing loss of energy. However, we noticed that the Company had not assessed the requirement of capacitor banks upto 2007-08 nor had the details of savings in the line loss due to usage of capacitor banks in the SS for the Company as a whole. We further noticed:

- During 2008-09 to 2010-11, the Company had estimated the requirement of capacitor banks at 175.4 MVAR. However, it did not procure the same till 2010-11 and had issued purchase orders only in July 2011 for procurement of 168 MVAR capacitor banks for a value of ₹18.41 crore.

Under performance of the capacitor banks resulted in line loss of 65 MUs valued at ₹20.76 crore in two out of seven selected circles

- A test check in respect of seven circles in which the capacitor banks were installed in 42 SS out of 77 SS, the capacitor banks were either not functioning at all or were not functioning to the required level.
- The non-functioning/deficient functioning led to lower levels of power factors ranging from 0.40 to 0.85 against the required level of 0.99 lag in 12 SS and also resulted in measurable line loss of 65.080 MU valued at ₹20.76 crore in respect of two♥ out of seven selected circles.

Commercial losses

2.2.23 The majority of commercial losses arise out of defective metering besides pilferage of energy. Our analysis of these commercial losses is given below:

Consumer metering

2.2.24 For accurate energy accounting and audit, 100 *per cent* consumer meter is a pre-requisite under NEP 2005, which had set a target of two years for 100 *per cent* metering by power distribution companies.

The total number of consumers without meters/with defective meters during the last three years up to 2010-11 is as follows:

Sl. No.	Year*	Total number of consumers	Without meters	Defective meters	Total (Col .4+Col.5)	Percentage of Col. 6 to Col.3
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1.	2008-09	2,06,37,641	1,79,102	15,23,979	17,03,081	8.25
2.	2009-10	2,15,57,497	1,76,494	18,71,386	20,47,880	9.55
3.	2010-11	2,23,43,822	2,93,679	22,13,522	25,07,201	11.22

- The percentage of service connections without meters and defective meters with reference to total service connections had increased from 8.25 *per cent* in 2008-09 to 11.22 *per cent* in 2010-11. Thus, there is an increasing risk of pilferage/theft of power in respect of the service connections without meter.
- As per the tariff regulations of TNERC (2003), the Company should have installed 100 *per cent* metering of all consumers by 2003 itself. However, the Company sought periodical extensions of time, the latest up to September 2012. Thus, the directives of both NEP and TNERC are yet to be complied with (November 2011).

♥ 1. Villupuram EDC and 2. Coimbatore (South) EDC.

* Details for 2006-07 and 2007-08 are not available.

The Company in its reply (November 2011), stated that it has been assessing the consumption of services with defective meters and without meters as per the provisions of Supply Code of TNERC and hence their computations were in order.

The fact remained that the Company though complied with the provisions of TNERC's regulations for billing, it did not act on the TNERC's regulations for providing meters to all the consumers as committed by it.

Implementation of LT less system

2.2.25 High Voltage Distribution System is an effective method of reducing technical losses, prevention of theft, improved voltage profile and better consumer service. The GOI had also stressed (February 2001) the need to adopt LT less system of distribution by replacing existing LT lines with HT lines to reduce the distribution losses. TNERC directed (July 2004) the Company to take measures to reduce the length of LT conductors by keeping the HT/LT ratio at 1:1.5. Against this, the average HT-LT ratio during the performance audit period was 1:3.69, which was much above the ideal ratio. This was mainly due to Company's defective planning to lay LT lines at three times of HT lines every year. This indicated the Company's laxity in maintaining the ideal HT-LT ratio as directed by TNERC.

We further observed that:

- the Company, to reduce the line loss and to improve the HT to LT ratio took a policy decision (January 2008) to introduce LT less system with smaller capacity DTs of 16, 25, 40 KVA and use 'Aerial bunched cables' with effect from 1 April 2008. However, the Company did not purchase the smaller capacity DTs and the 'Aerial bunched cables' on large scale till date (November 2011), the reasons for which were not on record.

The Company in its reply (November 2011), stated that to reduce AT&C losses and overloading of DTs, it had proposed to implement High Voltage Distribution System (HVDS) on trial basis in Villupuram Region and extend to all other regions in due course.

We observed that the decision to implement HVDS which was proposed in April 2008 itself had not shown much progress. Further the Annual plan for laying of HT and LT line in the year 2010-11 indicates the HT:LT ratio was 1:3.63. As such the Company continued to be lethargic in implementing the HVDS system, which would reduce the AT&C losses.

Inspection of theft of energy

2.2.26 Substantial commercial losses are caused due to theft of energy by tampering of meters by the consumers and unauthorised tapping/hooking by the non-consumers. As per Section 135 of Electricity Act 2003, theft of energy is an offence punishable under the Act. Section 163 of Electricity Act 2003, empowers the licensee to inspect and test the apparatus of the consumers at their premises for detecting the theft cases and conducting mass raids.

The Company had formed Inspection Teams at the distribution circle level and formed a Vigilance Enforcement Wing consisting of four divisions with 17 squads headed by Executive Engineers located at various places under the direct supervision of Superintending Engineer (Enforcement / Chennai). The targets for number of checking by the Inspection Wing and the Mass Raid Teams, the performance of these teams, assessed amount and amount realised there against are given in **Annexure–18**.

We observed that:

- The targets were not achieved by the inspection wings and raid teams in full in any of the years during the performance audit period. The achievement by the inspection wing was in the range of 60 to 89 *per cent* of targets, whereas the achievement by the raid team was only 12.5 *per cent*.
- The percentage of realisation of penalty imposed by the inspection wing was ranging between 6 and 60. However, the age-wise details of outstanding realisable amount were not available for effective follow-up of recovery. Consequently, the unrealised amount had accumulated to ₹89.50 crore as on March 2011. Similarly, the percentage of realisation of the penalty imposed by the raid teams which went up to 90 in 2008-09 came down to 60 and 70 in 2009-10 and 2010-11 respectively. Consequently, a balance amount of ₹41.42 crore was pending realisation as on March 2011.

The Company in its reply (November 2011), stated that the entire assessment of theft of energy could not be realised as most of the cases involving high value of provisional assessment were pending in the Courts.

Billing and collection efficiency

Billing efficiency

2.2.27 The Company adopted a system of monthly assessment and collection of electricity charges for all HT consumers and LTCT consumers with sanctioned demand up to 112 KW. In respect of other LT consumers, the assessment and collection would be made on bi-monthly basis.

We noticed that the energy billed during performance audit period ranged between 80.54 *per cent* (2010-11) and 77.45 *per cent* (2009-10) of the total energy available for sale and free supply was in the range of 22.55 *per cent* (2009-10) and 19.46 *per cent* (2010-11). The deficiencies noticed in billing procedure and claiming of compensation for free supply of energy to agricultural consumers are detailed below:

Under assessment of revenue

2.2.28 According to the provisions of Electricity Supply Code, the consumer shall be billed for the meter defective period on the basis of average consumption of preceding four months from the date of meter becoming defective, provided the conditions prevailed were same as that of the period in question.

Out of ₹601.58 crore of under assessment of revenue pointed out by us, the Company had so far recovered ₹112.53 crore

During the years from 2006-07 to 2010-11, we pointed out under assessment of revenue to the extent of ₹601.58 crore on account of defective meter services, services without meters, non-levy of power factor penalty and consumption of excess demand over and above the quantum fixed during restriction and control period. Of this, Company effected recovery to the tune of ₹112.53 crore only.

Incorrect computation of agricultural consumption

2.2.29 Energy sold included the computed consumption of energy by agriculture and hut services which were unmetered and sold free of cost. TNERC in its Tariff Regulations (2003) stipulated that the Company should install 100 *per cent* metering of all the agricultural consumers for claiming the correct quantum of subsidy from the State Government[#]. The Company, however, sought periodical extensions, the latest one up to September 2012.

Based on the computed consumption of the agricultural services for the four years ending 31 March 2011 worked out by the Company, we worked out the quantum of free electricity supplied to agricultural services during the said four years as in the table below:

Particulars	2007-08	2008-09	2009-10	2010-11	Total
Connected Load (MW)	7,440.144	7,582.672	8,371.784	8,823.211	
Connected Load (HP)	99,73,383	1,01,64,440	1,12,22,231	1,18,27,362	
Rate per H.P (in ₹)	250	250	250	250	
Computed consumption based on 3 *per cent* sample metering (in MU)	9,150	9,772	10,635	10,885	40,442
Average revenue realisation per unit (in ₹)	2.97	2.91	2.90	3.14	
Subsidy receivable based on computed consumption at average revenue realisation (₹ in crore)	2,717.55	2,843.65	3,084.15	3,417.89	12,063.24
Subsidy received (₹ in crore)	248.34	254.80	263.00	276.68	1,042.82
Difference (₹ in crore)	**2,469.21**	**2,588.85**	**2,821.15**	**3,141.21**	**11,020.42**

Thus, had the Company provided meters to 100 *per cent* of the agricultural services, it could have preferred a claim for the difference in tariff between average cost of realisation and the specified tariff applicable to agricultural consumers, as subsidy by filing Aggregate Revenue Requirement annually.

The Company in its reply (November 2011) stated that it had proposed to segregate agricultural feeders and provide meters on every feeder to compute the agriculture consumption accurately.

Presently, the subsidy given by the State Government for loss on supply to agricultural services was equivalent to ₹250 per horse power.

Collection efficiency

2.2.30 As per the instructions of the Company, Current Consumption (CC) charges could be paid by the consumers by cash/cheque/demand draft including through online facilities. Further, the CC charges were to be paid by HT consumers within seven days and LT consumers within 20 days from the date of billing, failing which the consumers were liable for payment of additional charges at 1.5 *per cent* of the amount of bills.

The table below indicates the opening and closing balance of revenue collection together with revenue assessed and collected during the last five years ending 2010-11.

(₹ in crore)

Sl. No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11 (upto October 2010) (provisional)
1.	Total amount due for realisation including opening balance	17,906.91	19,441.48	19,437.82	20,663.38	16,074.50
2.	Amount realised during the year	14,627.04	15,888.91	16,024.50	16,546.87	11,295.31
3.	Balance outstanding at the end of the year	3,279.87	3,552.57	3,413.32	4,116.51	4,779.19
4.	Percentage of amount realised to total dues (2/1)	81.68	81.73	82.44	80.08	70.27
5.	Arrears in terms of Number of months assessment	2.63	2.64	2.58	2.86	2.80

We observed that:

- the percentage of collection to total dues was ranging between 70.27 to 82.44 during the years 2006-11.
- There were 81 cases pending in various courts and the amount recoverable from these cases was ₹56.10 crore.
- Similarly, ₹795.95 crore pending recovery from Madras Aluminium Company Limited, Mettur (₹400.49 crore) and the Government of Union Territory of Puducherry (₹395.46 crore) were under dispute since May 1996 and December 2001 respectively.
- In Dharmapuri Electricity Distribution Circle (DEDC), a sum of ₹10.94 crore was receivable from Karnataka Power Trading Corporation Limited, Bengaluru from 1998 onwards for which no pursuance was being made either by the circle office or by the Head Office.
- Group-wise analysis of debts outstanding as on 31 October 2010 revealed that an amount of ₹22.99 crore was due from disconnected services.

- The Company neither made any review nor carried out any age-wise analysis of outstanding dues to take effective action for recovery of dues.

The Company in its reply (November 2011), stated that the age-wise analysis for the outstanding dues would be made available through LT billing, collection and accounting software at the earliest.

Failure to disconnect service connections with heavy arrears

2.2.31 As per Tamil Nadu Electricity Supply Code, service connection of any defaulting consumer could be disconnected temporarily. We noticed that Local body authorities and Government Departments were not prompt in paying the monthly dues, which accumulated to ₹201.53 crore in March 2011. We observed that majority of the dues were from Village Panchayat (₹67.63 crore), Municipalities (₹66.19 crore) and Corporations (₹55.10 crore). This included a minimum accumulation of ₹157.15 crore throughout the audit period. However, their supply was not disconnected till date (May 2011) as per the Government's directions.

The Company replied (November 2011) that since these services were essential, the disconnection was not resorted to. The fact stays that the Company was also an essential service, which cannot sustain its operations without collection of the sales revenue.

Subsidy support and cross subsidisation

2.2.32 Power distribution companies are required to ensure recovery of cost of service from consumers to be self sustaining. The State Government provides subsidy to the Company to compensate the loss on account of supply of power to specific categories of consumers at concessional rates of tariff.

Subsidy support

2.2.33 We noticed that the Company was giving more than 20 *per cent* of the saleable energy free of cost to agricultural and hut services as per the State Government's policy, the subsidy for loss of revenue realised from the State Government during the performance audit period ranged from 8.81 *per cent* to 10.25 *per cent* (vide **Annexure- 15**) resulting in a direct loss of around 10 *per cent*. The shortfall of ₹11,020.42 crore was due to claiming subsidy based on the connected load of service connections instead of actual consumption of energy by these consumers (as explained *vide* Paragraph 2.2.29). This is a matter of concern as the Company was making losses continuously from 2006-07 to 2010-11. During this period, the Government had paid the entire subsidy claim of ₹7,943.49 crore except an amount of ₹2.93 crore as at the end of 31 October 2010. The financial position of the Company was grave, despite the subsidy support from the Government.

The Company in its reply (November 2011), stated that efforts would be taken to get more subsidy for free supply to agriculture and hut services.

Cross subsidisation

2.2.34 Section 61 of Electricity Act 2003 stipulates that the tariff should progressively reflect the average cost of supply (ACOS) of electricity and also reduce cross subsidy in a phased manner as specified by TNERC. National

Tariff Policy envisaged that the tariff of all categories of consumers should range within ±20 *per cent* of the ACOS by the year 2010- 2011. The position as regards cross-subsidies in various major sectors is depicted in the table below:

Particulars	2006-07		2007-08		2008-09		2009-10		2010-11 (Provisional)	
Average cost of supply (ACOS) (Paise/unit)	345		398		479		504		568	
Average Revenue from LT										
	Paise per unit	**Percen-tage of ACOS**	**Paise per unit**	**Percen-tage of ACOS**	**Paise per unit**	**Percen-tage of ACOS**	**Paise per unit**	**Percent-age of ACOS**	**Paise per unit**	**Percen-tage of ACOS**
Domestic	234.60	68.00	242.07	60.82	254.62	53.16	255.18	50.63	229.95	40.48
Commercial	587.02	170.15	590.00	148.24	594.27	124.06	556.00	110.32	616.84	108.60
Industrial	459.16	133.09	459.88	115.55	428.74	89.51	442.28	87.75	441.21	77.68
Agricultural	22.98	6.66	22.36	5.62	22.37	4.67	20.63	4.09	24.48	4.31
Average Revenue from HT										
	Paise per unit	**Percen-tage of ACOS**	**Paise per unit**	**Percen-tageof ACOS**	**Paise per unit**	**Percen-tage of ACOS**	**Paise per unit**	**Percen-tage of ACOS**	**Paise per unit**	**Percen-tage of ACOS**
Commercial	617.44	178.97	648.69	162.99	668.71	139.60	670.53	133.04	700.75	123.37
Industrial	437.57	126.83	442.95	111.29	444.20	92.73	468.41	92.94	489.45	86.17
Agricultural	48.49	14.05	54.47	13.68	50.71	10.58	53.61	10.64	56.42	9.93

- The Company was not able to comply with the requirement of TNERC in respect of all the other category of consumers except commercial and industrial HT consumers. The recovery from LT agricultural consumers at 4.31 *per cent* and domestic consumers at 40.48 *per cent* of ACOS was the lowest during the year 2010-11.
- TNERC had already opined (July 2010) that cross subsidy should not be continued for a long time. Thus, there is an urgent need to remove this imbalance by progressively and gradually reducing the existing cross subsidies levels.

The Company in its reply (November 2011), stated that all efforts would be made to file the tariff petition in such a way that the tariff rates reflects +/- 20 *per cent* of Average Cost of Supply as per tariff policy and to reduce the cross subsidy in a phased manner.

Tariff fixation

2.2.35 The financial viability of the distribution Company depends upon fixation of tariff based on normative cost of operations. As per the TNERC's Regulations, the Company is required to file the application with TNERC for tariff revision 90 days before the commencement of the respective year. However, the Company did not file this application annually but filed the Aggregate Revenue Requirement (ARR)$^{\Sigma}$ along with tariff revision petition

Σ Which will explain the details of operating cost of the Company.

only in February 2010 after a lapse of more than seven years from the date of filing (September 2002) of the previous tariff petition. Based on the application, the TNERC had revised the tariff with effect from 1 August 2010. The delay in filing ARR was already commented in the Reports of the Comptroller and Auditor General of India for the year ended 2005-06 and 2009-10 (Commercial), Government of Tamil Nadu.

Detailed analysis revealed that the extent of tariff was lower than breakeven levels (in percentage terms) of revenue from sale of power at the present level of operations and efficiency for the last four years ending 31 March 2011 as shown in the table below:

(₹ in crore)

Year	Sales (excluding subsidy)	Variable costs	Fixed costs	Contribution (5) = (2) – (3)	Deficit in recovery of fixed costs (6) = (5) – (4)	Deficit as percentage of sales (7)={(6)/ (2)} X 100
(1)	(2)	(3)	(4)	(5)	(6)	(7)
2006-07	14,455.23	14,150.69	3,173.14	304.54	2,868.60	19.84
2007-08	15,672.85	16,491.62	4,528.88	(-)818.77	5,347.65	34.12
2008-09	15,425.60	19,835.55	5,579.69	(-)4,409.95	9,989.64	64.76
2009-10	16,760.87	22,061.18	7,077.50	(-)5,300.31	12,377.81	73.85
2010-11♣	18,761.11	25,226.38	8,653.51	(-)6,465.27	15,118.78	80.59

It could be seen from the above table that the Company could not recover the total cost in all the years and was able to recover the variable cost in 2006-07 only. However, control of AT&C losses, conversion of LT lines to HT lines, metering of un-metered connections/defective meters, improving billing and collection efficiency, *etc.*, which have been discussed in the earlier paragraphs would have helped improve the contribution of the Company.

The Company in its reply (November 2011), stated that all efforts would be made to file Tariff Revision Petition every year to recover the Average Cost of Supply per unit from the consumer.

Consumer satisfaction

2.2.36 The distribution Company was required to introduce consumer friendly actions like computerised billing, online bill payment, establishment of customer care centres, *etc.*, to enhance satisfaction of consumers and reduce the advent of grievances among them. The billing issues have already been discussed in preceding paragraphs. The redressal of grievances is discussed below:

♣ Provisional.

Redressal of grievances

2.2.37 TNERC specified (July 2004) the mode and time frame for redressal of grievance and payment of compensation in the event of delays. The Company has its computer based power failure redressal centres in eight♥ circle offices. In other places complaints were registered at the local section offices.

A review of the monthly compilation of complaints maintained in these circle offices indicated 10.73 lakh complaints received during 2006-2009 were shown as redressed within the prescribed time schedule except those complaints which involved rectification through system improvement works. We analysed and observed that records maintained at section/division office did not indicate the time of receipt of complaint and its disposal leaving no trail to confirm the satisfactory disposal of complaints within the stipulated time.

The Company in its reply (November 2011), stated that the computerised billing, online payment system, computerised call centers for receiving complaints and grievance redressal meetings with voluntary consumer organisation were aimed at improving consumer satisfaction.

In addition to the above, the Company needs to maintain records at field/section offices to ensure satisfactory disposal of the complaints.

Besides the above, delays in effecting HT services and higher incidence of tripping in SS noticed by us are discussed *infra.*

Delays in effecting HT services

2.2.38 TNERC Regulations 2004 had stipulated that the Company should effect new supply within 30 days of application by the consumer and if the service connection for HT/EHT required extension of any distribution lines, commissioning of SS, *etc.,* then the supply should be effected within 60 to 270 days depending on the work involved.

On a test check of selected circles, we noticed that apart from the delays of up to 254 days even in registering 422 applications, there were subsequent delays in effecting 291 out of 409 service connections (71 *per cent*) due to avoidable reasons like repeated changes in the estimates, delays in preparation of feasibility report, want of line materials, *etc*., as detailed below:

Sl. No.	Name of the Electricity Distribution Circle	Number of cases in which delays noticed	Range of delay (in days)
1	Chennai (South)	86	17 to 547
2	Coimbatore (South)	64	15 to 886
3	Dharmapuri	21	29 to 323
4	Tirunelveli	3	140 to 336
5	Villupuram	30	7 to 207
6	Erode	87	5 to 236
	TOTAL	**291**	

- **Trichy (Metro) Electricity Distribution Circle –data not available.**

♥ Chennai, Coimbatore, Madurai, Trichy, Erode, Tirunelveli, Nagercoil, and Salem.

The Company in its reply (November 2011) attributed delays to the consumers who failed to (i) provide metering points, (ii) produce certificate from Pollution Control Board and approved plans for building, (iii) public protest for erection of new feeders, *etc*.

The reply was not convincing because the delays in the above cases were mainly due to reasons mentioned and not due to the reasons stated by the Company.

Poor performance of sub-station – Avoidable tripping of feeders

2.2.39 One of the key elements of the Power Sector Reforms was to protect the interest of the consumers and to ensure better quality of service. The consumers often face problems like power failure due to frequent tripping of lines. The loss of energy due to trippings in a particular SS is measured as a percentage of total energy fed into the feeders. The Company had fixed (December 2007) a limit of one *per cent* in case of SS having a capacity of 110 KV and half *per cent* for 33/11 KV SS.

During the test check in selected circles, the loss of energy due to tripping in six[♣] circles was up to 15.40 *per cent* of the energy fed into the feeders in respect of 72 numbers of 110 KV SS. Similarly, it was upto 0.91 *per cent* in 42 numbers of 33 KV SS as against the norm of one and 0.5 *per cent* respectively. The resultant energy loss due to excess tripping as per SS records was 8,321.561 MW valued at ₹2.76 crore. In Trichy (Metro) circle, the tripping index was found to be within norms.

The Company in its reply (November 2011) stated that during such feeders tripping, back feeding wherever possible would be arranged to reduce the number of faulty tripping of feeders in the SS.

The fact, however, remained that even after the remedial measures, the number of feeders tripping were in excess of prescribed norms adding to the woes of the consumers.

Monitoring by top management

2.2.40 There should be a management information system (MIS) to report on the achievement of targets and norms of distribution activity. The compliance and achievements need to be reviewed to address deficiencies and to fix the revised targets for subsequent years. For this purpose, Data Cell of the Company receives MIS on operation performance of the Company. Based on the review of these MIS, the required further actions are communicated to the functional wings. Apart from the review of MIS, Review Meetings are conducted to deliberate issues relating to distribution activities and for assessing physical and financial progress of circle office of the Company.

♣ The data was furnished for 9 SS of Tirunelveli, 2 SS of Coimbatore (South), 30 SS of Villupuram, 24 SS of Dharmapuri, 15 SS of Erode and 34 SS of Chennai (South).

Our analysis of the existing system of monitoring and reporting mechanism revealed the following deficiencies:

- The reviews submitted by the Data Cell were mere compilation of facts as received from the field and the analysis were statistical without specific suggestions for improvement.
- The Company did not have comprehensive data at corporate level on the actual T&D losses but was adopting 18 *per cent* as uniform rate of T&D losses in the absence of data from the field.
- The Company did not have data on the requirement of capacitor banks at SS and DTs leading to poor voltage regulations and the resultant line losses.
- The Company did not have a data base of capacitors installed by the LT consumers as required under the provisions of TNERC Supply Code. As a result, it could not recover compensation from the specified category of LT consumers, who failed to install capacitors.
- The Company did not have control over delay in extension of HT/LT service connections as it did not consider the date of application of the consumer for reckoning the time taken for effecting supply.
- The Company did not have age-wise analysis of the Debtors.

The Company in its reply (November 2011) stated that a road map for IT implementation in the distribution areas had been drawn out and on completion more accurate and validated information would be available for Management Distribution Support System.

Acknowledgement

We acknowledge the co-operation and assistance extended by the staff and the management of the Company in conducting this Performance Review.

Conclusion

- **The Company's revenue gap of ₹1,218.94 crore in 2006-07 had increased to ₹12,950.56 crore by 2010-11. Absence of control over the T&D losses, purchase of costlier power predominantly from independent power producers, high debt servicing burden and non-revision of tariff by TNERC due to non-filing of ARR during 2002-03 to 2009-10 by the Company, not claiming accurate subsidy in respect of agricultural service connections, *etc.*, contributed to the huge revenue gap.**
- **The requirement for transformation capacity was 66,450 MVA against the existing capacity of 26,592 MVA in March 2011, a standing deficit of 39,858 MVA.**
- **The Company planned addition of 335 SS during 2006-07 to 2010-11 but had actually added 235 SS only. The shortfall was attributable to lack of proper planning, poor co-ordination between the executing agencies within the Company, besides delays in executing the work by its field offices, *etc.***

- **The Centrally Sponsored Scheme *viz.*, R-APDRP had been showing very slow progress due to delay in identification of project areas, not identifying the requirement of facilities/materials for implementation of the scheme. Scheme funds were diverted towards working capital requirements, resulting in the Company not realising the benefits like reduction in T&D losses.**

- **The failure percentage of DTs was up to 8.23 against the norm of six resulting in extra expenditure of ₹38.20 crore during the performance audit period for repairs of these transformers. The predominant causes of excess failure were overloading and inadequate maintenance by the Company.**

- **While the Company was selling nearly 20 *per cent* of energy free of cost, as per the Government's policy, to the agricultural consumers, the subsidy realised from the Government for such free supply based on the connected load instead of actual consumption of energy by these consumers was only up to 10 *per cent.***

- **There were instances of under assessment of revenue of ₹601.58 crore due to incorrect billing during 2006-07 to 2010-11 of which ₹112.53 crore was eventually collected by the Company.**

Recommendations

The Company should:

- **Provide for adequate transformer capacity to avoid overloading of transformers.**

- **Avoid pre-construction and execution delays and complete the construction of SS to achieve the envisaged savings in line loss.**

- **Expeditiously implement Centrally Sponsored Schemes to ensure 100 *per cent* electrification of rural areas and reduce T&D losses.**

- **Contain the failure of DTs to within the norms.**

- **Install adequate number of capacitor banks at SS to regulate voltage and save energy.**

- **Accurately work out subsidy on agricultural service connections by installation of meters as per the directions of TNERC.**

CHAPTER - III

Transaction Audit Observations

Important audit findings noticed as a result of test check of transactions made by the State Government companies are included in this Chapter.

Government companies

Electronics Corporation of Tamil Nadu Limited

3.1 Undue benefit to IT companies

While allotting the land on lease basis to two IT companies in October 2007, the Company did not consider the guideline value of the land revised in August 2007, thereby it extended undue benefit of ₹37.80 crore

The Company, engaged in software development, diversified its activities and took up (1992) setting up of electronic cities for IT companies at the instance of the Government. As a part of this activity, the Government handed over (May 2005) 393 acres♦ of land to the Company for setting up a knowledge industry township at Sholinganallur on the outskirts of Chennai.

For allotment of 80 acres parcel from the above land on a 90 years lease basis, the Company invited (November 2006) open tenders from the IT companies. The tender conditions, *inter alia*, stipulated that the successful IT companies should commence construction of IT Complex in the allotted land within six months of allotment and put the land for the intended use within two years of allotment. Three bidders, *viz.*, Cognizant Technology Services (CTS), Sutherland Global Services Limited (SGS) and Sify Limited (SIFY) responded (November 2006) to the above tender. The highest rate was quoted by SIFY (₹1.50 crore per acre), which was lower than the market price of ₹3.27 crore per acre (worked out by the Company based on the market rate of ₹2.62 crore per acre prevailing in May 2005). The Board of Directors (BOD), therefore, decided (December 2006) to cancel the tender. The Company in contravention of the BOD's decision, held discussions and offered (January 2007) the price of ₹3.27 crore to the above companies. This rate was accepted (February/March 2007) by all the companies. However, when the Company sought (March 2007) Government's approval for the above price, they directed (May 2007) the Company to finalise the lease only through open tender.

♦ Subsequently, declared as IT specific Special Economic Zone by Ministry of Commerce notification dated 11 April 2007.

The Company floated (May 2007) a tender, this time fixing the upset price at ₹5.00 crore, to which the same three companies responded and they uniformly quoted the price of ₹3.27 crore per acre. The BOD noting (July 2007) that the price bid was lower than the upset price fixed, however, recommended (June 2007) to the Government for allotment of land at the revised rate of ₹3.28 crore[♣] which was approved by the Government (September 2007).

Thereafter, the Company entered into formal agreements (October 2007) with CTS for allotment of 20 acres and SGS for allotment of 15 acres of land. These companies paid (December 2007 to February 2008) the lease amount (₹114.80 crore). The allotment made to SIFY was subsequently cancelled (October 2009) based on its request.

We observed (October 2010) that:

- In contravention of the BOD's decision (December 2006) to cancel the first tender, the Company held discussion with bidders and revealed (January 2007) its acceptable price of ₹3.27 crore per acre. Consequently, the same bidders who participated in the first tender, participated in the second tender and uniformly quoted the same price revealed by the Company to them in January 2007. Thus, the objective of calling fresh tender for obtaining competitive price was negated and the disclosure of reserve price of land enabled the bidders to form a cartel.
- The land value at Sholinganallur village appreciated tremendously since 2006. The Government increased the guideline value[϶] of even the residential land abutting the SEZ area from ₹71.44 lakh to ₹4.36 crore per acre with effect from August 2007. Our independent verification from the Registration Department of the market value of land registered by the commercial undertakings around Sholinganallur during the years 2007 and 2008 indicated that the value was ranging between ₹4.95 to ₹8.62 crore per acre. Under these circumstances, the upset price of ₹5.00 crore per acre fixed for the second tender was reasonable and reflecting the appreciated value of land during that period. However, the Company failed to take note of the appreciation in the market/guideline value of the SEZ area but recorded that its upset price was on higher side compared to the current market price. Thus, if the Company had leased its land at least equivalent to the guideline value of abutting residential area, it could have earned an additional revenue of ₹37.80 crore[♦].
- Even though both the companies, *viz.*, CTS and SGS have not fulfilled (November 2011) their obligations regarding construction of IT

♣ ₹2.62 crore fixed by the Revenue Authorities was increased by 25 *per cent* and the rate of ₹3.28 crore was arrived at.

϶ The guideline value represents the market price of land fixed by the Registration Department for registration of sale deeds.

♦ Difference between the guideline value of ₹4.36 crore and the collected lease amount ₹3.28 crore per acre for 35 acres of land

Complex in the allotted land within the stipulated period of two years, the Company allowed such violation without repossession of the land as stipulated in the tender conditions.

Thus, the IT companies were not only allowed undue concession of at least ₹37.80 crore in allotment of land but were also allowed to retain the allotted land without commercial activity, thus defeating the basic objective of allotment of land.

The matter was reported to the Government / Company in May 2011; their replies were awaited (November 2011).

3.2 Unproductive investment

Selection of a mining area for setting up of Information Technology Special Economic Zone resulted in unproductive investment of ₹6.97 crore with consequential loss of interest of ₹0.84 crore

Based on the State Government's decision (August 2006) to establish Information Technology Special Economic Zones (ITSEZ) in Tier-II cities such as Tirunelveli, Madurai, Salem, Trichy, *etc*., the Company identified (August 2006) 164.26 acres of land at Jagirammapalayam, Salem. The entire area of the land (224 acres) covering the identified area was part of a disused quarry with waste material and was uneven with shallow trenches. The Government issued (March 2007) orders for alienation of the said land for which the Company paid (March 2007 and February 2008) ₹4.65 crore being the initial deposit (₹3.44 crore) and ₹0.81 crore being five *per cent* of the total cost (₹16.18 crore).

The Company engaged (July 2007) a consultant at a fee of ₹1.57 crore for formation of the ITSEZ and obtained (July 2007) the approval of GOI for establishment of the SEZ before July 2010. Since the consultant reported (January 2009) that only 40-45 acres of land was fit for formation of SEZ, the Company decided (September 2009) to retain 53.30 acres of land and surrender the balance land to the Government. However, the Government's approval for the Company's proposal was awaited (November 2011).

The Company estimated a cost of ₹10.04 crore for creation of common infrastructure facilities for an area of 65,000 square feet and awarded (November 2009) the work to the lowest bidder for ₹9.44 crore with scheduled completion by July 2010. The Company deferred (November 2010) the construction of common infrastructure facilities citing economic downturn as a reason, but it had released (October 2009 to December 2010) ₹2.32 crore for completion of 8.13 *per cent* of the total work.

We observed (March 2011) that:

- The preparation of Detailed Project Report (DPR) and prior approval of Project Investment Committee (PIC) of Government, a pre-requisite for venturing into any major project was not complied with.

- The Company unilaterally selected a wrong location *viz*., mining area. The consultant in his report (January 2009) had mentioned that the land was unfit for use and earth filling would be required at a cost of ₹5.43 crore which would take a minimum of 3 to 4 years.

- Given the fact that the approval of the GOI for SEZ would be renewable only for two years from July 2010 *i.e.*, up to July 2012 and as the Company had already deferred the civil works of the IT park without any fresh proposal of construction, establishment of SEZ before July 2012 may not be possible. This situation was a direct off-shoot of erroneous choice of location of SEZ.
- The Company noted as far back as in April 2008 that Salem was not an ideal destination for the ITSEZ as it would not be possible to attract any anchor company, it still went ahead with the SEZ. Thus, *ab initio,* selection of Salem for the ITSEZ was a bad choice.

Thus, wrong choice of the area coupled with improper location of the land for SEZ led to idle investment of ₹6.97[♠] crore without possibility of revival in near future.

The matter was reported to the Company / Government in June 2011; their replies were awaited (November 2011).

3.3 Non-recovery of interest on mobilisation advance

The Company, violated the provisions of Tamil Nadu Transparency in Tenders Act, 1998 and paid interest free mobilisation advance of ₹19.07 crore to 13 contractors. Consequently, it had to forego interest of ₹1.00 crore

The Government of Tamil Nadu enacted (December 1998) Tamil Nadu Transparency in Tenders Act, 1998 (Tender Act) and notified (October 2000), Tamil Nadu Transparency in Tender Rules, 2000 (Tender Rules) outlining the procedure to be followed by the Government Departments and State Public Sector Undertakings for finalisation of tenders. As per Clause 4 (b) of Tender Rules, mobilisation advances may be paid by the executing agencies to the contractors up to ten *per cent* of the value of the contract against bank guarantee and shall be recovered in the subsequent bills along with interest.

We noticed (April 2011) that between July 2007 and July 2010, the Company awarded thirteen contracts for construction of civil works and creation of infrastructural facilities at its Information Technology (IT) complexes and buildings for a total value of ₹217.40 crore. These agreements, in contravention of the Tender Rules, did not provide for recovery of interest on such advances. The interest free mobilisation advance paid in deviation of the Tender Rules between February 2008 and November 2010 in respect of the above contracts worked out to ₹19.07 crore.

♠ ₹6.97 crore included the land deposit of ₹4.65 crore and the cost of infrastructure of ₹2.32 crore up to November 2010.

Reckoning the interest at the rate of eight♦ *per cent per annum,* the interest foregone on the mobilisation advances worked out to ₹1.00 crore. This resulted in unintended benefit to the private contractors.

The matter was reported to the Company / Government in May 2011; their replies were awaited (November 2011).

3.4 Loss of interest

The Company's laxity in collecting settled amount of compensation of ₹1.72 crore for the land handed over to the Government in September 2005 led to blocking up of its revenue and consequent loss of interest of ₹0.55 crore

The Company was in possession of 4.779 acres of land at the Electrical and Electronics Industrial Estate, Perungudi, allotted to it by the Government during 1983. The Company paid (July 2004) the cost of the land (₹32.52 lakh) to the Government and got the sale deed registered (February 2007). The Government in order to make a six lane IT corridor expressway at Perungudi acquired (September 2005) 3,853 Sq. mts. of land out of the 4.779 acres of land owned by the Company. The Company handed over (September 2005) the said portion of the land to the Revenue Department and was awarded (February 2006) compensation of ₹1.72 crore. However, the compensation amount has been retained as a Revenue Deposit (not bearing interest) with the Special Tahsildar, Land Acquisition (LAO), due to non-production of the original sale deed by the Company till date (November 2011).

We noticed that the Company never attempted to realise the compensation amount from the LAO after executing the sale deed in February 2007. Even after we pointed out (February 2009) such non-realisation, the Company wrote only by October 2009 to the executing agency of the express way *viz.*, Tamil Nadu Road Development Company Limited (TNRDC) for settlement of the amount. However, TNRDC rightly advised (November 2009) the Company to contact the LAO, Kancheepuram for settlement of compensation to whom the Company wrote a letter only in May 2011 for release of the compensation amount.

Thus, the Company's laxity in realisation of compensation not only led to avoidable delay of more than four years from March 2007 for the compensation realisation procedure to start but also resulted in blocking up of its revenues and consequent loss of interest of ₹0.55 crore*.

The matter was reported to the Company / Government in May 2011; their replies were awaited (November 2011).

♦ Being the average rate of interest prevailing on deposits with scheduled banks.

* ₹1.72 crore X 8 *per cent per annum* for four years.

Tamil Nadu Industrial Development Corporation Limited

3.5 Irregular sanction

The Company extended loans of ₹45 crore to an ineligible Joint Venture Company and its Special Purpose Vehicle (SPV) Company without ensuring source of repayment. Consequently, the loan and the interest of ₹14.02 crore remained unrecovered for the last two years

The Company sanctioned (June 2008) a loan of ₹20 crore to Tamil Nadu Road Development Company (TNRDC), its joint venture company, based on a request (June 2008) to meet urgent financial commitments. A similar request (November 2008) for sanction of loan of ₹20 crore from IT Expressway Limited (ITEL), a Special Purpose Vehicle Company of TNRDC was also acceded to. The Company, released (December 2008 to April 2009) ₹25 crore to ITEL instead of the sought ₹20 crore in three tranches. The above loans carried interest at the rate of 13.5 *per cent per annum*.

These loans were assured to be repaid by both the loanees out of the proceeds of the proposed sub-lease of 4.9 acres of land at Siruseri Information Technology Park taken on lease for 99 years by TNRDC from a State PSU. We observed that the sanction of these loans was not in accordance with the standing rules and orders of the Government but were ratified (July 2008 and February 2009) by Board of Directors (BOD) of the Company. The Company sought (July 2008 and February 2009) ratifications from the Government for these sanctions and was awaited (November 2011).

The Company seeing the poor repayment records of the two loanees rescheduled (April 2009) the loan and interest due from TNRDC / ITEL up to January 2011 / June 2011 respectively and also reduced the interest rate to 12 *per cent per annum* with effect from 21 June 2010.

While TNRDC paid interest of ₹79.89 lakh up to September 2008 and stopped paying interest thereafter, ITEL never paid any interest. Consequently, the unrecovered interest from both the loanees mounted to ₹14.02 crore by March 2011. We also observed (November 2011) that:

- The sanction of the loans to TNRDC and ITEL was *ab initio* irregular since they were not eligible for the financial assistance in view of the existing Government orders (February 1998) which prohibited sanction of inter-corporate loan to any entity which was not dividend paying and did not have the required credit rating.
- The Company had been carrying on its operations through borrowed funds (₹278.37 crore in March 2008 and ₹150.13 crore in March 2011) carrying interest rates varying from 10.5 to 12 *per cent per annum*, the decision to extend financial assistance to ineligible companies without any benefit accruing to itself was not a financially prudent decision. While sanctioning the above loans, the Company did not safeguard its financial interests as it neither entered into a formal loan agreement nor obtained any collateral security except for a "demand promissory note".

We are of the opinion that 100 *per cent* realisation of both the loan amounts from the sub-lease income of both the loanees may not be possible in the immediate future as both assured repayment of the loan from the proceeds of sub-lease amount of the same land at Siruseri. The Company did not make any assessment about the viability of the proposal to repay both the loans from the same source of income before sanctioning the second loan. We noticed that the reserve price of ₹10 crore per acre offered (April 2008) by TNRDC for the said sub-lease for 75 years did not attract investors as 99 years lease amount fixed (September 2007) by SIPCOT (another State PSU) in the same complex was only ₹4.10 crore per acre.

Thus, extension of loans violating the Government's standing orders and without ensuring source of repayment had put the recovery of the loans of ₹45 crore and interest up to March 2011 amounting to ₹14.02 crore in jeopardy.

The Government replied (September 2011) that the Company had initiated action to recover the loan and interest. However, the fact remained that the same had not been recovered till date (November 2011).

TIDEL Park Limited

3.6 Non-recovery of compensation

The Company did not recover compensation of ₹3.75 crore for non-supply of committed power as per the terms of agreement from a defaulting power generating Company

With the objective of reducing its cost of operations, the Company decided (October 2005) to purchase power from alternative sources *viz.,* from Captive Power Plant[♦] (CPP) which was cheaper than the power supplied by TNEB. The Company invested (December 2005) ₹90 lakh in the equity capital as it was a pre-requisite to avail power from CPP *viz.*, Arkay Energy (Rameswaram) Limited (Arkay). Simultaneously, the Company entered into a power purchase agreement (November 2005) to purchase 26 Million Units (MU) of power annually on "firm basis" and an option to purchase 13 MU *per annum* additionally on "infirm basis" for six years with effect from January 2006.

The terms of power supply provided that:

Arkay should supply the contracted power at TNEB's prevailing tariff less 10 *per cent* discount per unit. In case of failure to supply the contracted power, Arkay should pay compensation equivalent to 10 *per cent* discount on the TNEB's tariff rates for the quantity of power not supplied.

The Company started drawing the captive power from April 2006. We noticed during examination (November 2009) that Arkay never supplied the contracted quantum of power to the Company. The shortfall ranged from

♦ The captive power generated by the generating company is supplied to its major equity share holders through the transmission grid of Tamil Nadu Electricity Board (TNEB). The selling price of such power is normally lower than the selling price of power supplied by TNEB from its own sources.

21.60 *per cent* to 54 *per cent* upto March 2008 after which Arkay completely stopped supplying the committed power citing shortage of fuel.

We observed that:

- During the three years upto 2008-09, Arkay had achieved Plant Load Factor (PLF) of 70 to 77 *per cent*[€] of its plant capacity of 65 MW. Instead of supplying the committed power to the Company and other captive users, Arkay sold power to TNEB at ₹6.70 per unit[#] and sought (May 2008) permission of TNEB for inter state sale of 20 MW of power and an additional 20 MW of power from August 2008. While withholding its consent for transfer of power outside Tamil Nadu, TNEB recorded (May 2008) that Arkay was not allotting power to its captive users because of its intention of earning profit by selling of energy to the Board at higher price.
- The agreement further provided that in case Arkay consistently defaulted in supply of committed power for more than three months, the Company had a right to serve notice of default and claim compensation. However, the Company never invoked the provision to claim compensation of ₹3.75 crore[•] but merely kept writing to Arkay to increase the quantity of power to the levels of commitment.
- The Company had invested ₹90 lakh in Arkay only to avail of cheaper power. But such investment did not yield the intended benefit as it did not get the contracted power, thereby defeating the very objective of investment.

The Company informed (May 2010) it was contemplating the exit option of selling back shares held by it to promoters and that it would claim compensation after completion of the disinvestment process. The fact remained that the default by Arkay was deliberate throughout the contract period and the Company had not taken action to recover compensation or to exit the investment so far (November 2011), thereby compromising its financial interests.

The matter was reported to the Government in May 2011; their reply was awaited (November 2011).

€ Source: Generation and Export of power gathered from Ramnad Circle of TNEB.

\# TNEB Meeting Agenda dated 6 July 2010.

• Being 10 *per cent* discount on the value of power short/not supplied amounting to ₹37.50 crore during the period from April 2006 to July 2011.

Tamil Nadu Medical Services Corporation Limited

3.7 Avoidable loss

The Company suffered loss of ₹1.83 crore due to non-issue of valuable life saving drugs before expiry

Tamil Nadu Medical Services Corporation Limited (Company) is the nodal agency for procurement of drugs on behalf of the Government hospitals and medical institutions. The Company procures drugs based on the indents of the respective hospitals and supplies them as per the Budget Allocation of funds to the hospitals by the Government. The budgeted funds of the hospitals are initially transferred to the Company's Personal Deposit (PD) account from where the Company meets the purchase payment by periodically transferring funds from PD account to their own current accounts.

Based on consultations with the specialists of various hospitals and the Director of Medical Services, the Company decided (August 2007) to purchase 230 items of new generation speciality drugs for reduction of child mortality, improvement of maternal health, treatment of major diseases like cancer, *etc.* Between September 2007 and March 2009, the Company procured speciality drugs for a value of ₹14.36 crore out of its own funds as there was no specific Budget Allocation from the Government for this purchase. Out of this, the Company issued drugs worth ₹10.95 crore to various hospitals during October 2007 and August 2009. The balance stock of drugs costing ₹3.41 crore as on March 2010 included time expired drugs costing ₹1.83 crore. The Company wrote off the loss due to time expiry of these drugs during 2009-10 and 2010-11.

Our analysis (June 2010) of the purchase procedure indicated that the speciality drugs were not drawn by the hospitals as they were not allocated separate funds by the Government. Since the Company was required to purchase the drugs only as per Budget Allocation of the respective hospitals, deviation from the established procedure for procurement of drugs without ensuring funds allocation resulted in non-issue of drugs to the hospitals. Life saving drugs worth ₹1.83 crore became time expired while in the stock of the Company before they could be issued for use.

The Company replied (September 2010) that it had taken corrective measures in the subsequent years and started to place orders only on receipt of funds and specific indents for the quantities from the hospitals. The fact, however, remained that though the Company procured speciality drugs out of its own funds for use of the needy patients, ₹1.83 crore worth of drugs could not be issued in time as budget allocation was not available with the hospitals, leading to the time expiry and the loss.

The matter was reported to the Government in June 2011; their replies were awaited (November 2011).

Tamil Nadu Small Industries Corporation Limited

3.8 Avoidable payment of interest on Income Tax

Absence of a system to estimate advance Income Tax payable led to short remittance of Advance Tax, resulting in avoidable payment of interest of ₹1.56 crore

Section 208 of the Income Tax Act, 1961 (Act), provides for advance payment of Tax, where the Tax payable *per annum* by an assessee is ₹5,000 or more. This Advance Tax calculated in accordance with Section 209 of the Act is payable in four quarterly instalments between June and March of every financial year. In the event of failure to pay 90 *per cent* of the Assessed Tax before the end of the financial year, the assessee is liable to pay interest at the rate of one *per cent* for every month or part of the month under Section 234B of the Act. The assessee is liable to pay similar interest for shortfalls in the quarterly payment of Advance Tax under Section 234C of the Act.

The Company had been continuously earning profits during the financial years 2006-07 to 2009-10. The budgeted and the actual profits from 2007-08 to 2009-10 and details of Advance Tax paid during the respective financial years are tabulated below:

(₹ in crore)

Financial year	Budgeted profit	Actual profit	Total Tax due♣	Advance Tax paid	Date of payment	Balance Tax paid	Date of payment
2007-08	2.49	7.25	1.87	NIL	---	1.87	29.09.08
2008-09	11.46	17.37	7.10	2.00	15.03.09	5.10	29.09.09
2009-10	22.86	27.20	7.91	3.40	15.03.10	4.51	05.10.10

We noticed (October 2010) that the Company was not making provision for Advance Tax even for the budgeted quantum of profits.

The non-payment of required quantum of Advance Tax was despite the fact that the Company had periodically reviewed its Performance/Profit and had surplus funds parked in short-term deposits♠. Consequently, the Company paid/became liable to pay penal interest of ₹82.34 lakh under Section 234 B and ₹73.72 lakh under Section 234 C during 2007-10 out of which it had already remitted (September 2008, September 2009 and October 2010) ₹84.27 lakh for the years 2007-08 and 2009-10.

The Government replied (June 2011) that the payment of Advance Tax by the Company was not feasible due to non-preparation of Quarterly Audited Accounts. It added that the Company actually suffered loss of only ₹12.55 lakh being the difference between the interest paid as per IT Act and the interest income earned from deposit of surplus funds. The reply was not relevant as the audit observation was on the failure of the Company to comply with Statutory obligation.

♣ After adjusting Tax Deducted at Source in all the years.

♠ ₹38.91 crore as on March 2008, ₹59.80 crore as on March 2009 and ₹62.48 crore as on March 2010.

Tamil Nadu Adi Dravidar Housing and Development Corporation Limited

3.9 Non-recovery of Fixed Deposit Receipt

Provision of collateral security in the form of Fixed Deposit Receipt (FDR) of ₹1.00 crore to a Cluster Company without ensuring their performance or obtaining approval of Board of Directors and the Government led to non-recovery of FDR

To rehabilitate 43 knitwear and hosiery based industrial units at Mudhalipalayam, Tirupur District, established in 1996-97, a Cluster Company under the name "Tiruppur Apparel Park India (P) Limited" (TAPI) was incorporated in December 2005 under the guidance of Tamil Nadu Adi Dravidar Housing and Development Corporation Limited (Company). The Company requested (March 2006) the Government for sanction of ₹75 lakh as soft loan towards working capital for TAPI. The Government decided (April 2006) to sanction the soft loan only after watching the performance of TAPI for a minimum period of six months. However, pending sanction of the soft loan by the Government, the Managing Director (MD) of the Company provided (July 2007) a collateral security in the form of FDR for ₹1.00 crore to State Bank of Travancore (SBT), Tiruppur for sanction of overdraft facilities to TAPI for ₹60 lakh.

The Cluster Company, TAPI ceased its operations from December 2007, due to non co-operation of members resulting in non-liquidation of the outstanding overdraft, which stood at ₹59.12 lakh in November 2008.

The FDR matured in October 2008 but was not released by SBT stating (November 2008) that it would adjust the FDR against the outstanding overdraft sanctioned to TAPI and interest thereon. The Company disputed the adjustment of the overdraft, which increased to ₹83.21 lakh by December 2010.

We observed that:

- As per the Delegation of Financial Powers, the MD was empowered to provide the collateral security only with the approval of its Board of Directors (BOD). However, the collateral security to TAPI was extended (July 2007) without bringing to the attention of the BOD and its approval. The fact was brought to the notice of BOD in December 2009 only, after lapse was pointed out by Audit in August 2009.
- When the Government had decided to sanction the soft loan only after ensuring the satisfactory performance of the Cluster Company, the hasty provision of collateral security was not prudent.
- The amount of ₹1.00 crore provided as collateral security was diverted out of the funds sanctioned by the Government of India (GOI), relating to a National Scheme for Liberation and Rehabilitation of Scavengers.

This extension of collateral security for provision of Bank Overdraft without the approval of the BOD and the Government proved harmful to the financial interest of the Company.

The Government replied (July 2011) that the Company was addressing SBT for refund of FD with interest as no lien had been marked in the FDR and also stated that no action was considered necessary against the officials responsible since the deposit had not been given as collateral security. The fact remained that the decision to place FD with the bank, to enable TAPI to avail loans, as a collateral security was unwarranted and resulted in non-encashment of the matured FDR till date (November 2011).

TNEB Limited

3.10 Avoidable loss

By not following the uniform trade practice of fixing own periphery as a delivery point for sale of power and by allowing Southern Region periphery as a delivery point, the Company incurred an avoidable loss of ₹8.36 crore

The Company had sold its surplus power to the power traders during October 2005 to September 2008 through power sale agreement (PSA) with traders.

For any power utility organisation like TNEB engaged in the sale of power, the delivery point of power could either be sellers' own periphery within its own transmission system or the intersection between the seller's periphery and the periphery of other region. The quantum of power transmitted by the seller at its own periphery would be reduced during the course of flow towards inter regional periphery due to transmission loss. Revenue could be realised only for the quantity of power placed at a mutually agreed periphery. The differential quantity between TNEB's export point upto the delivery point would be the transmission loss and was to be borne by TNEB.

Our scrutiny revealed that TNEB, as a buyer of power from Kerala Electricity Board (KSEB) had agreed (January 2005) to bear the transmission loss from ex-Kayangulam Transmission stations (seller's periphery) upto it's grid point. However, during the period from October 2005 to March 2006, TNEB had entered into PSAs with PTC India Limited (PTC) and Adani Enterprises Limited (Adani) and had agreed to fix Southern Region periphery as the delivery point. This was despite the fact that its delivery point in respect of all other PSAs entered into upto 2008 was its own periphery.

The sale of power to PTC commenced on 1 October 2005 and continued upto 31 December 2005. During this period, TNEB delivered 370.50 MUs of energy (evening and off peak hour surplus power) at its periphery against which TNEB realised revenue only for 359.63 MUs of power actually transmitted to PTC from the Southern Region periphery. During the similar sale of power to Adani from 9 November 2005 to 31 December 2005, TNEB supplied 95.40 MUs of 'off peak' and 'midnight power', whereas it realised revenue for 91.02 MUs of power as only this quantity was actually delivered to Adani at Southern Region periphery. While entering into fresh PSAs with

Adani and PTC on 31 December 2005 and 26 February 2006 respectively for sale of power from January to March 2006, TNEB once again failed to fix the delivery point as TNEB periphery and continued to fix the same as Southern Region periphery which resulted in an overall transmission loss of 25.38 MUs valued at ₹8.36 crore.

Thus, by not following the uniform trade practice of fixing own periphery as a delivery point for sale of power and allowing Southern Region periphery as a delivery point, TNEB incurred an avoidable loss of ₹8.36 crore.

The Company replied (November 2011) that the line loss upto Southern Region periphery was to be borne by it as per the agreement. The fact, however, remained that the Company had to bear the extra line loss upto Southern Region periphery while selling power due to the defective agreement which was contrary to position adopted while purchasing power from KSEB.

The matter was reported to the Government in June 2011; their reply was awaited (November 2011).

Tamil Nadu Generation and Distribution Corporation Limited

3.11 Excess payment

The Company allowed reimbursement of fixed capacity charges for plant capacity of 347.712 MW but allowed operation of the plant for 330.50 MW thereby allowing excess fixed capacity charges of ₹95.99 crore

The Company entered (January 1997) into a Power Purchase Agreement (PPA) with PPN Power Generating Company (PPN) for purchase of power from its 330.50 MW power plant at Nagapattinam District. The PPA envisaged payment of monthly fixed capacity charges (FCC) which was a percentage of total project cost (₹1,364.40 crore). The FCC was payable after PPN demonstrated the plant's capability to generate contracted capacity (330.50 MW) at the normal operation frequency range of 47.5 to 51 Hertz (Hz). For this purpose, an "Acceptance Test (AT)" of generation of at least 90 *per cent* of the corrected load[•] continuously for 72 hours to be conducted by PPN was the criteria. If the Tested Capacity (TC) was less than the corrected load, the FCC would be reimbursed in the ratio of TC and corrected load.

On synchronising the plant with the grid (April 2001), PPN conducted the test between 23-26 April 2001 and declared the TC as 333.33 MW. But, as per the Independent Engineer's[⊕] certificate accepted by the Company, the TC demonstrated was only 321.45 MW.

Since the PPA provided for conducting the second AT within 24 months of the commercial operation date, PPN conducted the second AT between 18-21 November 2002 and notified (November 2002), the TC as 336.769 MW. PPN

• Corrected load refers to full capacity of 347.712 MW declared by the manufacturer and adjusted to the reference conditions such as ambient temperature, circulating water temperature, barometric pressure, humidity, generator's hydrogen pressure and power factor.

⊕ NTPC Limited is the independent engineer for this project.

repeatedly sought (December 2005/May 2006) revision of FCC claims in the ratio of 321.45 MW/330.50 MW up to 21 November 2002 and full FCC thereafter as the TC achieved in the second test was more than the contracted capacity of 330.50 MW.

To sort the demands, the Company appointed (May 2006) a Committee comprising its own serving and retired engineers. The Committee opined (May 2006) that the plant was capable of delivering 347.712 MW at 50 Hz and 322.711 MW at 47.50 Hz. The Committee recommended 336.29 MW and 343.969 MW as the capacity for pre and post November 2002 period respectively being the average of maximum and minimum capacity recorded during first and second test. The Company accepted (May 2006) this recommendation and regulated the FCC for pre and post November 2002 periods as demanded by PPN which resulted in excess payment of ₹95.99 crore up to March 2011. We observed that the above changes were not justified because:

- The PPA envisaged continuous output for the contracted capacity of 330.50 MW within a frequency range of 47.50 and 50 Hz and the Company has been giving instructions till date for generation only upto this capacity. Therefore, reckoning the plant capacity as 343.969 MW for reimbursement of FCC was incorrect.
- There was no provision in the PPA for appointment of a Committee to sort out capacity related issues. Also the PPA did not provide for correction of determined plant capacity with reference to frequency and this parameter was not part of mandatory test procedures. NTPC, the Independent Engineer of this project also did not allow frequency correction during test citing absence of an enabling clause in the PPA. However, the Company decided to correct the plant capacity based on the opinion of its own Committee of which the independent engineer was not a member.
- The concept of admission of FCC based on the average of the minimum and maximum capacities was an extraneous consideration not provided for in the PPA.

Thus, by pegging the plant capacity only for payment of FCC, PPN has been allowed undue benefit detrimental to the financial interests of the Company which has implication over the period of the PPA.

The Company replied (February 2011) that the plant was capable of generating 347.712 MW, if the grid frequency was maintained at 50 Hz. The reply was not convincing and our contention stays since (i) the PPA did not provide for tested capacity to be corrected for frequency and (ii) the CEA's approved and demanded capacity of the plant was only 330.50 MW. Therefore, allowing FCC for 347.712 MW, when the Company cannot order for more power than 330.50 MW was not justified.

The matter was reported to the Government in June 2011; their reply was awaited (November 2011).

3.12 Avoidable expenditure

Failure of the Company to adhere to the decision to treat the power voluntarily fed into the grid as infirm power resulted in an avoidable expenditure of ₹6.14 crore

Arkay Energy (Rameswaram) Limited (Arkay), committed (February 2006) to supply the entire power generated from its 65 MW captive generating plant to its group captive users (GCUs) using the transmission lines of the Company at a price of ₹3.11 per unit. However, Arkay started (June 2008) selling 20 MW of power to the power traders outside Tamil Nadu at the rate of ₹6.80 (approx.) per unit by not supplying GCUs of their quota of power. When Arkay tried (July 2008) to sell another 20 MW of power outside Tamil Nadu, the Company objected (September 2008) to it and approached (September 2008) the TNERC about such sales citing the critical power shortage situation in the State, TNERC overruled Company's objection (November 2008). The Company then approached (November 2008) the Honourable Madras High Court which directed (January 2009) the Company to draw the entire 40 MW of power from Arkay and to decide the rate of purchase of power. The Honourable Madras High Court allowed the Company time to file a fresh affidavit with reference to finalisation of rates for purchase of power.

In the meantime, Arkay supplied (November 2008 to February 2009) 30.794 MUs of power to the Company. Of this supply, only 13.71 MUs of power were supplied with the prior concurrence of the Company, the balance units were pumped without prior concurrence. The Company, accordingly decided to pay for 13.71 MUs of power at the rate of ₹6.70 per unit (being the purchase rate of power from private sources) and to treat the balance 17.084 MUs of power as 'infirm power'[∂] (as per the policy of TNERC) as the supply was effected by Arkay without its prior concurrence and pay at ₹3.10 per unit. We observed that the Company, before obtaining concurrence of Arkay to these decisions, submitted (March 2009) to the Court that the issue with Arkay was settled and withdrew its appeal whereas the negotiations were held only by May 2009. But Arkay demanded (May 2009) the rate of ₹6.70 per unit for the entire 30.79 MUs of power supplied which was accepted (July 2010) by the Company. The Company released (July 2010 and September 2010) ₹20.83 crore to Arkay for 31.094 MU at ₹6.70 per unit.

The Company's conveyance (February 2009) to the Court that the dispute with Arkay regarding rates was settled was factually incorrect, as it held negotiations with Arkay only in May 2009 and its withdrawal of appeal cost it dear. We are of the opinion that had the Company finalised the rates with the intervention of the Court, it could have obtained the rates as applicable for infirm power for power supplied voluntarily. It is pertinent to note that the power to GCUs which should have been supplied by Arkay at ₹3.10 per unit, was supplied by the Company at ₹3.45 per unit after procuring it at ₹6.70 per unit from the same firm.

∂ Firm power means the power committed and contracted by captive generators of power and infirm power means the energy supplied over and above the firm power and is interruptible at short notice.

This resulted in an avoidable expenditure of ₹6.14 crore {(₹6.70-₹3.105)X17.084 MUs}. The Company, which was only a wheeler of electricity ended up purchasing electricity at high rates and selling at low rates to the same GCUs of Arkay.

The matter was reported to the Company / Government in June 2011; their replies were awaited (November 2011).

3.13 Loss of revenue

Improper planning in sale of midnight surplus power resulted in revenue loss of ₹1.47 crore

The Company had been selling surplus power since October 2005 to other State Electricity Boards/Power Utilities based on availability, through power traders approved by Central Electricity Regulatory Commission.

For March 2008, the Company forecast availability of midnight surplus power (00.00 to 05.00 hours), which it proposed to sell on 'as and when available basis' and invited bids (February 2008). Out of the eight traders who responded, sale order was issued (February 2008) on Adani Enterprises Limited (Adani), who quoted the highest rate (H-1) of ₹7.31 per unit. There was no surplus power available with the Company between 1 March and 15 March 2008, but for the period from 16 March to 31 March 2008, the Company could schedule 3,700 MW of power as available for sale via Adani. Against this, Adani drew only 2,800 MW of power for which the Company earned revenue of ₹10.23 crore.

We observed that as against 3,700 MW of surplus power offered by the Company for sale, Adani drew only 2,800 MW, thereby leaving the balance of 900 MW. The Company could not sell the balance surplus power as there were no standing contracts for selling the surplus power to multiple traders, as was available in the earlier contract in February 2008. The Company's failure to sell available surplus power to other traders, thus resulted in non-realisation of revenue to the extent of ₹1.47 crore (900 MW *i.e.*, 4.5 million units at ₹3.27 per unit[∂]) in respect of the power not drawn by Adani.

The improper planning in the sale of midnight surplus power resulted in reduction of saleable power and consequent loss of revenue of ₹1.47 crore to the Company.

The matter was reported to the Company / Government in May 2011; their replies were awaited (November 2011).

∂ Rate of realisation of ₹7.31 per unit less variable cost of ₹4.04 per unit of generation.

3.14 Short recovery of electricity charges

Absence of an enabling clause in the MOU with the cement companies for recovery of energy charges on the basis of actual consumption of energy for operation of their fly ash collection systems resulted in short recovery of ₹2.15 crore.

The Company has four* thermal generation stations, which generate around 56 lakh MTs of fly ash annually. The Company entered (between February 2002 and December 2004) into Memoranda of Understanding (MOUs) with cement manufacturing companies for collection of fly ash through the Dense Fly Ash Collection System (Pressurised system) installed and maintained by the cement companies within the thermal stations.

Eighty *per cent* of the fly ash collected by the systems was to be removed by the cement companies for their own use and the balance 20 *per cent* fly ash to be retained by the Company for allotment to other small scale industrial units. Correspondingly, as per the MOUs, the cement companies had to pay for 80 *per cent* of the electricity (at Low Tension Industrial Tariff rates) consumed during the operation of the Pressurised systems.

The annual quantum of fly ash generated by the Pressurised system *vis-a-vis* the quantity lifted by the cement/cement products manufacturing companies during the five years ending 2005-11 in two thermal stations at North Chennai (NCTPS) and Tuticorin (TTPS) indicated that the quantity of fly ash lifted by the cement/cement products manufacturing companies was invariably more than the allocation of 80 *per cent* as per MOU. The excess varied between 0.01 to 14.42 *per cent*. In such circumstances, the electricity consumption recorded at the thermal stations for operating the Pressurised systems should have been better apportioned on the basis of ratio of actual quantity lifted by the cement/cement products manufacturing companies and the quantity left over for allocation to other small scale industrial units instead of constant 80 *per cent*.

We are of the opinion that the energy charges corresponding to the excess fly ash lifted by the cement/cement products manufacturing companies was borne by the Company, due to absence of an enabling clause in the MOU for *pro rata* recovery of charges and suggest that the MOU be revisited.

The possible revenue foregone on this account is ₹2.15 crore for 4.58 million units during the period 2005-11.

The matter was reported to the Company / Government (May 2011); their replies were awaited (November 2011).

* North Chennai, Ennore, Tuticorin and Mettur.

3.15 Extra expenditure

Lack of co-ordination between regions resulted in extra expenditure in procurement of grills of ₹90.70 lakh. Besides, non-inclusion/invoking of protective clause also resulted in excess payment of ₹22.50 lakh

To meet the requirement of Ribbed Tor Steel (RTS)/Thermo Mechanically Treated (TMT)[€] grills for casting Reinforced Cement Concrete (RCC) poles for use in Transmission and Distribution lines, the Company procures grills of various sizes, *viz*., 7.5 metres, 8.0 metres, and 9.14 metres through its Regional Chief Engineers (RCEs) under open tender system.

Our review of the purchase orders (POs) placed by the various RCEs during the year 2009-10 revealed:

- Orders were placed for 7.5 metre grills at rates ranging from ₹935 to ₹1,408 and for 9.14 metre grills at rates ranging from ₹2,308 to ₹3,356 indicating wide variations in the rates finalised by various RCEs. This exhibited lack of proper co-ordination between the regions. Consequently, the Company had to incur an avoidable excess expenditure of ₹90.70 lakh in the procurement of grills (computed with reference to the lowest rates of procurement of items amongst the RCEs in the same period).
- We further observed from the receipt details of the grills procured and the payments made that the Company did not restrict the payments where the supplies were made belatedly beyond the delivery period despite the fact that the rates were declining during the intervening period. This was due to either non-inclusion of an enabling clause in the POs (two regions) or due to non-invoking the clause despite inclusion in the POs (four regions). Notwithstanding the levy of liquidated damages as per the terms of POs, the excess payment released amounted to ₹22.50 lakh.

We recommend that the Company implement a pooled requirements purchase procedure in respect of common items of materials required for all the regions to avail competitive rates or a system for comparison of rates should be set in place and also incorporate protective clauses in the POs to safeguard its financial interests.

The matter was reported to the Company/Government (May 2011); their replies were awaited (November 2011).

€ These two types of grills are manually inter changeable in the manufacture of poles.

3.16 Undue favour

The time barred claims of price variation in respect of purchase of distribution transformers were admitted after correction of the dates of claims to indicate that they were within the validity period, resulting in extension of undue favour of ₹41.05 lakh

The Company places periodical Purchase Orders (POs) for procurement of Distribution Transformers (DTs). These POs include price variation clause for compensation towards variation in price of raw materials from the date of placement of POs to the date of delivery of the transformers.

The time limit for entertaining price variation claims, if any, by the suppliers was six months from the date of completion of supplies of that particular quarter. During our test check (April/May 2011) of procurement of DTs along with related payments of price variations for the years 2004-06, we noticed that the supplies in respect of the test checked POs were completed in 2007 itself and the POs were closed by the Company in December 2009. However, the Company dispensed with (December 2009) the procedure for individual approvals for the price variation claims and materials management wing of the Company would give approval for the price variation admissible for each quarter and the suppliers had to submit their price variation claim within six months from the date of approval.

We further noticed that in respect of POs placed (September 2005) on two concerns *viz*., Tamil Nadu Transformers Limited and Suntech Transformers Limited, the dates mentioned in the invoices for price variation claims were altered in such a way as to appear that the claims were made within the time frame of six months prescribed. This is further borne out by the fact that the Taxes were stated to have been paid at much later dates. As the dates of invoices could not precede the actual date of remittances of Duties / Taxes, by reckoning the claims of price variation based on the Tax paid dates, the price variation claims were time barred even with reference to the amended (December 2009) procedure of submission of these claims. However, the Company admitted these claims without taking into cognizance the alteration made by the suppliers in the price variation claims invoices. This resulted in undue payments amounting to ₹41.05 lakh to the suppliers.

The matter was reported to the Company / Government in June 2011; their replies were awaited (November 2011).

Tamil Nadu Transmission Corporation Limited

3.17 Undue benefit

The Company extended undue benefit of ₹7.25 crore to a supplier due to its failure to incorporate clauses to safeguard its financial interest in the placement of orders for imported cables and accessories

Following a Global tender (July 2007), the Company placed (May 2008) orders on Easun Products of India (P) Limited (supplier) for purchase of Aluminium cables (151.05 Kms) and copper XLPE cables (3 Kms) with accessories. The contract was for a value of ₹116.70 crore on 'firm' price basis inclusive of Freight, Insurance, Sales Tax, Excise and Customs Duty for the entire duration of the contract. The price was inclusive of Customs Duty component of 31.011• *per cent* of the Assessable Value (AV) of the imported material. The delivery was to be completed by April 2009. Against this, the supplier commenced supplies from March 2009 and completed the same by October 2009 for a length of 148 Kms with the required accessories.

We noticed (October 2010) that:

- The Purchase Order (PO) was for a firm price of ₹116.70 crore with the Duty component of 31.011 *per cent* of the AV irrespective of variations in the Duty structure. This was in contravention of the tender conditions that statutory variations in Customs Duty and other levies within the delivery schedule would be to the account of the Company against documentary proof. In respect of the materials supplied with delays, the least of actual duties and levies on the date of supply or those applicable for the accepted delivery schedule, was to be paid by the Company. It is relevant to mention here that 16 *per cent* Countervailing Duty (CVD) included in the component of 31.011 *per cent* progressively decreased to 14 *per cent* with effect from 1 March 2008, 10 *per cent* with effect from 7 December 2008 and to 8 *per cent* with effect from 24 February 2009.
- Even after noticing reduction in the CVD from March 2008, the Company failed in securing the benefit of reduction in CVD.
- Consequent on the progressive decrease of CVD rates from 16 *per cent* to 8 *per cent,* the duty element decreased from 31.011 *per cent* to 21.523 *per cent* of the AV. Consequently, due to non-incorporation of the exact tender conditions in the PO, the Company could not avail the benefit of Duty reduction of ₹7.25 crore (as worked out by Audit) resulting in undue benefit being passed to the supplier.

In the Report of the Comptroller and Auditor General of India for the year ended 31 March 2008 (Commercial) – Government of Tamil Nadu, Paragraph 4.15, we mentioned that the same supplier was given undue benefits

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• This comprised Basic Customs duty (at 7.5 *per cent* of AV), CVD (at 16 *per cent* of AV), Education cess (at 2 *per cent* of CVD), higher education cess (at 1 *per cent* of CVD) *etc*.

of ₹2.57 crore due to variations between the tender and purchase order for regulation of Customs Duty with reference to the actuals.

In its reply (July 2011), the Company stated that while the supplier had the option to quote in foreign currency for the imported cables, orders were placed on domestic sale basis, based on their quotation which had benefited the Company to the extent of ₹12.98 crore on exchange rate variation.

The Audit contention is about non-implementation of exact tender conditions for all payments of Statutory levies at prevailing rates on the Company's account in the POs which resulted in passing of undue benefit of ₹7.25 crore to the supplier and not about the presumptive savings to the Company on account of exchange rate variations.

The matter was reported to the Government in May 2011; their reply was awaited (November 2011).

General

3.18 Follow-up action on Audit Reports

Explanatory notes outstanding

3.18.1 The Audit Reports of the CAG represent the culmination of the process of scrutiny starting with initial inspection of Accounts and records maintained in the various Government companies and Statutory corporations. It is, therefore, necessary that they elicit appropriate and timely response from the Executive. Finance Department, Government of Tamil Nadu had issued instructions (January 1991) to all Administrative Departments to submit explanatory notes indicating a corrective/remedial action taken or proposed to be taken on the paragraphs and performance audit reports included in the Audit Reports within two months of their presentation to the Legislature, without waiting for any notice or call from the Committee on Public Undertakings (COPU).

The Audit Reports for the years 2000-01, 2007-08, 2008-09 and 2009-10 were presented to the State Legislature in May 2002, July 2009, May 2010 and September 2011, respectively. Nine out of 21 Departments, which were commented upon, had not submitted explanatory notes on 23 out of 73 paragraphs/performance audit reports, as of 31 October 2011, as indicated below:

Year of Audit Report (Commercial)	Total number of paragraphs/performance audit report in the Audit Report	Number of paragraphs/performance audit reports for which explanatory notes were not received♥
2000-01	25	1
2007-08	24	2
2008-09	24	20
TOTAL	**73**	**23**

♥ Paragraphs/ performance audit reports for which no explanatory notes were received but discussed by COPU are excluded.

Department-wise analysis is given in the **Annexure-19**. The Energy Department is responsible for non-submission of large number of explanatory notes.

Compliance with the Reports of Committee on Public Undertakings (COPU)

3.18.2 The Action Taken Notes (ATNs) to the paragraphs included in the Report of the COPU are to be furnished by the concerned Departments within six months from the date of presentation of these reports to the State Legislature. Replies to 114 paragraphs pertaining to 24 Reports of COPU presented to the State Legislature between January 2003 and February 2011 had not been received as of 31 October 2011 as indicated below:

Year of COPU Report	Total number of Reports involved	Number of paragraphs in respect of which replies were not received
2002-03	5	5
2003-04	3	5
2004-05	2	3
2006-07	2	5
2009-10	7	49
2010-11	5	47
TOTAL	**24**	**114**

Response to inspection reports, draft paragraphs and performance audit reports

3.18.3 Audit observations noticed during audit and not settled on the spot are communicated to the heads of the Public Sector Undertakings (PSUs) and departments of the State Government through inspection reports. The heads of PSUs are required to furnish replies to the inspection reports through the respective heads of Departments within a period of six weeks. Inspection reports issued up to March 2011 pertaining to 52 PSUs disclosed that 2,703 paragraphs relating to 688 inspection reports remained outstanding at the end of October 2011; of these, 190 inspection reports containing 478 paragraphs had not been replied to for more than two years. Department-wise break-up of inspection reports and audit observations outstanding as on 31 October 2011 are given in **Annexure-20.**

Similarly, draft paragraphs and performance audit reports on the working of PSUs are forwarded to the Principal Secretary/Secretary of the Administrative Department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. It was, however, observed that 14 draft paragraphs and two performance audit reports forwarded to the various Departments during the period from May to August 2011, as detailed in **Annexure-21**, had not been replied so far (November 2011).

It is recommended that the Government should ensure that (a) procedure exists for action against the officials who fail to send replies to inspection reports/draft paragraphs/performance audit reports/ATNs on the recommendations of COPU as per the prescribed time schedule, (b) action to recover loss/outstanding advances/overpayments is taken within prescribed time and (c) the system of responding to audit observations is revamped.

Chennai
The

(SUBHASHINI SRINIVASAN)
Principal Accountant General
(Commercial and Receipt Audit),
Tamil Nadu

Countersigned

New Delhi
The

(VINOD RAI)
Comptroller and Auditor General of India

ANNEXURES

ANNEXURE-1

(Referred to in paragraph 1.7)

Statement showing particulars of up-to-date Paid-up Capital, Loans outstanding and manpower as on 31 March 2011 in respect of Government companies and Statutory corporations

(Figures in column 5(a) to 6(d) are ₹ in crore)

Sl. No.	Sector and name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up capital				Loans outstanding at the close of 2010-11				Debt equity ratio 2010-11 (previous year)	Manpower
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
A. Working Government Companies													
	AGRICULTURE & ALLIED												
1.	Tamil Nadu Fisheries Development Corporation Limited (TN Fisheries)	Fisheries	April 1974	4.46	---	---	4.46	0.21	---	---	0.21	0.05:1	172
2.	Tamil Nadu Forest Plantation Corporation Limited (TAFCORN)	Environment and Forest	June 1974	3.76	---	1.88	5.64	---	---	---	---	---	407
3.	Tamil Nadu Tea Plantation Corporation Limited (TANTEA)	Environment and Forest	August 1975	5.96	---	---	5.96	---	---	---	---	---	6,794
4.	Arasu Rubber Corporation Limited (ARC)	Environment and Forest	August 1984	8.45	---	---	8.45	---	---	---	---	---	173
	Sector wise total			**22.63**	**---**	**1.88**	**24.51**	**0.21**	**---**	**---**	**0.21**	**0.01:1**	**7,546**
	FINANCE												
5.	Tamil Nadu Industrial Investment Corporation Limited (TIIC)	Micro, Small and Medium Enterprises	March 1949	266.02	---	17.47	283.49	---	---	335.91	335.91	1.18:1 (0.88:1)	559

Sl. No.	Sector and name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up capital				Loans outstanding at the close of 2010-11				Debt equity ratio 2010-11 (previous year)	Manpower
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
6.	Tamil Nadu Handloom Development Corporation Limited (TN Handloom)	Handloom, Handicrafts, Textiles and Khadi	September 1964	4.29	---	---	4.29	2.17	---	---	2.17	0.51:1	14
7.	Tamil Nadu Small Industries Development Corporation Limited (TNSIDCO)	Micro, Small and Medium Enterprises	March 1970	8.70	---	---	8.70	---	---	---	---	---	430
8.	Tamil Nadu Adi-dravidar Housing and Development Corporation Limited (TAHDCO)	Adi-dravidar and Tribal Welfare	February 1974	50.18	44.94	---	95.12	0.09	---	---	0.09	---	374
9.	Tamil Nadu Transport Development Finance Corporation Limited (TDFC)	Transport	March 1975	43.03	---	18.71	61.74	---	---	20.00	20.00	0.32:1 (0.49:1)	35
10.	Tamil Nadu Backward Classes Economic Development Corporation Limited (TABCEDCO)	Backward Classes and Most backward classes Welfare	November 1981	12.27	---	---	12.27	---	---	---	---	---	18
11.	Tamil Nadu Corporation for Development of Women Limited (TN Women)	Social Welfare and Noon-meal programme	December 1983	0.40	0.38	---	0.78	---	---	---	---	---	625
12.	Tamil Nadu Urban Finance and Infrastructure Development Corporation Limited (TUFIDCO)	Municipal Adminis-tration and Water Supply	March 1990	31.02	---	0.98	32.00	---	---	391.75	391.75	12.24:1 (11.51:1)	35

Sl. No.	Sector and name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up capital				Loans outstanding at the close of 2010-11				Debt equity ratio 2010-11 (previous year)	Manpower
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
13.	Tamil Nadu Minorities Economic Development Corporation Limited (TAMCO)	Backward Classes and Most backward classes Welfare	August 1999	2.05	---	---	2.05	--	---	64.03	64.03	31.23:1	8
	Sector wise total			**417.96**	**45.32**	**37.16**	**500.44**	**2.26**	**---**	**811.69**	**813.95**	**1.63:1**	**2,098**
	INFRASTRUCTURE												
14.	Tamil Nadu Industrial Development Corporation Limited (TIDCO)	Industries	May 1965	72.03	---	---	72.03	---	---	---	---	(2.44:1)	76
15.	State Industries Promotion Corporation of Tamil Nadu Limited (SIPCOT)	Industries	March 1971	123.91	---	---	123.91	---	---	---	---	(0.81:1)	280
16.	Tamil Nadu State Construction Corporation Limited (TN State Construction)	Public works	February 1980	5.00	---	---	5.00	---	---	---	---	(0.20:1)	---
17.	Tamil Nadu Police Housing Corporation Limited (TN Police Housing)	Home	April 1981	1.00	---	---	1.00	---	---	---	----	---	266
18.	Tidel Park Limited (TIDEL, Chennai)	Industries	December 1997	---	---	44.00	44.00	---	---	---	---	---	34
19.	Tamil Nadu Rural Housing and Infrastructure Development Corporation Limited (TN Rural Housing)	Rural Development and Panchayat Raj	January 1999	3.00	---	---	3.00	---	---	---	---	---	

Sl. No.	Sector and name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up capital				Loans outstanding at the close of 2010-11				Debt equity ratio 2010-11 (previous year)	Manpower
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
20.	Nilakottai Food Park Limited (Nilakottai)	Industries	April 2004	---	---	0.68	0.68	---	---	---	---	---	
21.	Guindy Industrial Estate Infrastructure Upgradation Company (Guindy Estate)	Micro, Small and Medium Enterprises	June 2004	---	---	0.01	0.01	---	---	2.00	2.00	200.00:1	2
22	Tamil Nadu Road Infrastructure Development Corporation (TN Road Infrastructure)	Highways	March 2005	5.00	---	---	5.00	---	---	---	---	---	10
23.	Tidel Park Coimbatore Limited (TIDEL,Coimbatore)	Industries	June 2007	---	---	90.00	90.00	---	---	199.97	199.97	2.22:1 (1.25:1)	4
24	Adyar Poonga	Municipal Adminis-tration and Water Supply	October 2008	0.10	---	---	0.10	---	---	---	---	---	10
25	Tamil Nadu Road Development Company Limited (TNRDC)	Highways	September 2010	---	---	10.00	10.00	---	---	---	---	---	
	Sector wise total			**210.04**	**---**	**144.69**	**354.73**	**---**	**---**	**201.97**	**201.97**	**0.57:1**	**682**
	MANUFACTURING												
26.	Southern Structurals Limited (SSL)	Industries	October 1956	34.35	0.04	0.15	34.54	70.73	---	---	70.73	2.05:1 (2.04:1)	
27.	Tamil Nadu Small Industries Corporation Limited (TANSI)	Micro, Small and Medium Enterprises	September 1965	20.00	---	---	20.00	---	---	---	---	(0.86:1)	211

Sl. No.	Sector and name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up capital				Loans outstanding at the close of 2010-11				Debt equity ratio 2010-11 (previous year)	Manpower
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
28.	Tamil Nadu Textiles Corporation Limited (TN Textiles)	Handloom, Handicrafts, Textiles and Khadi	April 1969	1.54	---	---	1.54	1.12	---	---	1.12	0.73:1 (0.73:1)	152
29.	Tamil Nadu Zari Limited (TN Zari)	Handloom, Handicrafts, Textiles and Khadi	December 1971	0.34	---	---	0.34	0.24	---	---	0.24	0.71:1	116
30.	Tamil Nadu Handicrafts Development Corporation Limited (TN Handicrafts)	Handloom, Handicrafts, Textiles and Khadi	July 1973	2.05	1.16	0.01	3.22	---	---	---	---	---	129
31.	Tamil Nadu Salt Corporation Limited (TN Salt)	Industries	July 1974	6.34	---	---	6.34	---	---	---	---	---	67
32.	Tamil Nadu Sugar Corporation Limited (TASCO)	Industries	October 1974	79.21	---	1.00	80.21	79.63	---	22.91	102.54	1.28:1 (7.71:1)	360
33.	Tamil Nadu Cements Corporation Limited (TANCEM)	Industries	February 1976	37.42	---	---	37.42	---	---	---	---	---	1,003
34.	Perambalur Sugar Mills Limited (PSM) (subsidiary of TASCO)	Industries	July 1976	---	---	37.62	37.62	26.14	---	13.77	39.91	1.06:1 (9.53:1)	367
35.	State Engineering and Servicing Company of Tamil Nadu Limited (SESCOT) (subsidiary of TANSI)	Micro, Small and Medium Enterprises	April 1977	---	---	0.50	0.50	---	---	---	---	(4.58:1)	---
36.	Tamil Nadu Minerals Limited (TAMIN)	Industries	April 1978	15.74	---	---	15.74	---	---	---	---	---	1,580

Sl. No.	Sector and name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up capital				Loans outstanding at the close of 2010-11				Debt equity ratio 2010-11 (previous year)	Manpower
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
37.	Tamil Nadu Magnesite Limited (TANMAG)	Industries	January 1979	16.65	---	---	16.65	---	---	---	---	---	452
38.	Tamil Nadu Telecommunication Limited (TTL)	Industries	April 1979	---	---	45.68	45.68	---	---	---	---	(1.15:1)	
39.	Tamil Nadu Industrial Explosives Limited (TIEL)	Industries	February 1983	22.14	---	4.89	27.03	45.63	---	0.07	45.70	1.69:1 (2.47:1)	545
40.	Tamil Nadu Medicinal Plant Farms and Herbal Medicine Corporation Limited (TAMPCOL)	Indian Medicine and Homeopathy	September 1983	1.00	---	---	1.00	---	---	---	---	---	103
41.	Tamil Nadu Leather Development Corporation Limited (TALCO)	Micro, Small and Medium Enterprises	March 1983	2.50	---	---	2.50	20.59	---	1.03	21.62	8.65:1 (9.84:1)	---
42.	Tamil Nadu Paints and Allied Products Limited (TAPAP)	Micro, Small and Medium Enterprises	November 1985	---	---	0.02	0.02	---	---	---	---	---	12
43.	Tamil Nadu Newsprint and Papers Limited (TNPL)	Industries	May 1988	24.45	---	44.93	69.38	---	---	1,073.05	1,073.05	15.47:1 (14.46:1)	1,990
	Sector wise total			**263.73**	**1.20**	**134.80**	**399.73**	**244.08**	**---**	**1,110.83**	**1,354.91**	**3.39:1**	**7,087**
	POWER												
44.	Tamil Nadu Power Finance and Infrastructure Development Corporation Limited (TN Powerfin)	Energy	June 1991	50.00	---	---	50.00	---	---	---	---	---	22

Sl. No.	Sector and name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up capital				Loans outstanding at the close of 2010-11				Debt equity ratio 2010-11 (previous year)	Manpower
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
45.	Udangudi Power Corporation Limited (Udangudi Power)	Energy	December 2008	---	----	65.00	65.00	---	---	---	---	---	
46.	TNEB Limited	Energy	December 2009	3,285.13	---	---	3,285.13	---	---	10,625.71	10,625.71	3.23:1	---
47.	Tamil Nadu Transmission Corporation Limited (TANTRANSCO)	Energy	June 2009	1,146.49	---	---	1,146.49	---	---	---	---	---	---
48.	Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO)	Energy	December 2009	2,246.08	---	---	2,246.08	---	---	33,095.02	33,095.02	14.73:1	81,582
	Sector wise total			**6,727.70**	**0.00**	**65.00**	**6,792.70**	**---**	**---**	**43,720.73**	**43,720.73**	**6.44:1**	**81,604**
	SERVICE												
49.	Tamil Nadu Tourism Development Corporation Limited (TTDC)	Information and Tourism	June 1971	10.43	---	---	10.43	---	---	---	---	---	572
50.	Tamil Nadu Civil Supplies Corporation Limited (TNCSC)	Co-operation, Food and Consumer Protection	April 1972	51.56	---	---	51.56	---	---	---	---	---	16,242
51.	Poompuhar Shipping Corporation Limited (PSC)	Highways & Minor Ports	April 1974	20.53	---	---	20.53	----	---	---	---	---	129
52.	Electronics Corporation of Tamil Nadu Limited (ELCOT)	Information Technology	March 1977	25.93	---	---	25.93	---	---	---	---	---	181
53.	Overseas Manpower Corporation Limited (OMPC)	Labour & Employment	November 1978	0.15	---	---	0.15	---	---	---	---	---	18
54.	Tamil Nadu State Marketing Corporation Limited (TASMAC)	Prohibition & Excise	May 1983	15.00	---	---	15.00	---	---	---	---	---	29,360
55.	Pallavan Transport Consultancy Services Limited (PTCS)	Transport	February 1984	---	---	0.10	0.10	---	---	---	---	---	11

Sl. No.	Sector and name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up capital				Loans outstanding at the close of 2010-11				Debt equity ratio 2010-11 (previous year)	Manpower
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
56.	Tamil Nadu Medical Services Corporation Limited (TN Medical)	Health & Family Welfare	July 1994	4.04	--	---	4.04	---	---	---	---	---	407
57.	Tamil Nadu Ex-servicemen's Corporation Limited (TEXCO)	Public (Ex-servicemen)	January 1986	0.23	---	---	0.23	---	---	---	---	---	74
58.	Metropolitan Transport Corporation Limited (MTC)	Transport	October 2001	429.78	---	---	429.78	---	---	92.39	92.39	0.21:1 (0.22:1)	23,540
59.	State Express Transport Corporation Limited (SETC)	Transport	January 2002	202.00	---	---	202.00	60.41	---	---	60.41	0.30:1 (1.33:1)	6,867
60.	Tamil Nadu State Transport Corporation (Coimbatore) Limited (TNSTC, Coimbatore)	Transport	December 2003	154.85	---	---	154.85	104.84	---	60.57	165.41	1.07:1 (0.58:1)	18,466
61.	Tamil Nadu State Transport Corporation (Kumbakonam) Limited (TNSTC, Kumbakonam)	Transport	December 2003	146.59	---	---	146.59	---	---	72.34	72.34	0.49:1 (0.81:1)	22,845
62.	Tamil Nadu State Transport Corporation (Salem) Limited (TNSTC, Salem)	Transport	December 2003	54.60	---	---	54.60	---	---	---	---	---	12,750
63.	Tamil Nadu State Transport Corporation (Villupuram) Limited (TNSTC, Villupuram)	Transport	December 2003	86.75	---	---	86.75	---	---	100.96	100.96	1.16:1 (1.30:1)	21,546
64.	Tamil Nadu State Transport Corporation (Madurai) Limited (TNSTC, Madurai)	Transport	January 2004	388.53	---	---	388.53	---	---	92.40	92.40	0.24:1 (0.25:1)	14,812

Sl. No.	Sector and name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up capital				Loans outstanding at the close of 2010-11				Debt equity ratio 2010-11 (previous year)	Manpower
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
65	Tamil Nadu State Transport Corporation (Tirunelveli) Limited (TNSTC, Tirunelveli)	Transport	November 2010	31.18	---	---	31.18	---	---	46.81	46.81	1.50:1	11,353
66.	Arasu Cable TV Corporation Limited (Arasu Cable TV)	Information Technology	October 2007	25.00	---	---	25.00	18.85	---	---	18.85	0.75:1 (0.83:1)	19
	Sector wise total			**1,647.15**	**---**	**0.10**	**1,647.25**	**184.10**	**---**	**465.47**	**649.57**	**0.39:1**	**1,79,192**
	Total A (All sector wise working Government companies)			**9,289.21**	**46.52**	**383.63**	**9,719.36**	**430.65**	**---**	**46,310.69**	**46,741.34**	**4.81:1**	**2,78,209**
B.	**Working Statutory Corporations**												
	SERVICE												
1.	Tamil Nadu Warehousing Corporation (TANWARE)	Co-operation, Food and Consumer Protection	May 1958	3.81	3.80	---	7.61	---	----	---	---	---	432
	Sector wise total			**3.81**	**3.80**	**---**	**7.61**	**---**	**----**	**---**	**---**	**---**	**432**
	Total B (All sector wise working Statutory Corporations)			**3.81**	**3.80**	**---**	**7.61**	**---**	**---**	**---**	**---**	**---**	**432**
	Grand total (A+B)			**9,293.02**	**50.32**	**383.63**	**9,726.97**	**430.65**	**---**	**46,310.69**	**46,741.34**	**4.81:1**	**2,78,641**

Sl. No.	Sector and name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up capital				Loans outstanding at the close of 2010-11				Debt equity ratio 2010-11 (previous year)	Manpower
				State Govern-ment	Central Govern-ment	Others	Total	State Gover n-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
C.	**Non-working Government companies**												
	AGRICULTURE & ALLIED												
1.	Tamil Nadu Agro Industries Development Corporation Limited (TN AGRO)	Agriculture	July 1966	6.01 (1.03)	---	---	6.01 (1.03)	20.73	---	---	20.73	3.45:1 (3.45:1)	---
2.	Tamil Nadu Poultry Development Corporation Limited (TAPCO)	Animal Husbandry & Fisheries	July 1973	1.27	--	---	1.27	---	---	---	---	---	---
3.	Tamil Nadu Sugarcane Farms Corporation Limited (TN Sugarcane)	Agriculture	February 1975	0.28	---	---	0.28	---	---	---	---	---	---
	Sector wise total			**7.56 (1.03)**	**---**	**---**	**7.56 (1.03)**	**20.73**	**---**	**---**	**20.73**	**2.74:1**	**---**
	INFRASTRUCTURE												
4.	Tamil Nadu Magnesium and Marine Chemicals Limited (TMML)	Industries	March 1997	---	---	3.62	3.62	---	---	---	---	---	---
	Sector wise total			**---**	**---**	**3.62**	**3.62**	**---**	**---**	**---**	**---**	**---**	

Sl. No.	Sector and name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up capital				Loans outstanding at the close of 2010-11				Debt equity ratio 2010-11 (previous year)	Manpower
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
	MANUFACTURING												
5.	Tamil Nadu Steels Limited (TN Steels)	Industries	September 1981	3.92	---	---	3.92	5.84	---	4.66	10.50	2.68:1 (2.68:1)	----
6.	Tamil Nadu Graphites Limited (TN Graphites)	Industries	March 1997	0.10	---	---	0.10	---	---	---	---	---	---
	Sector wise total			**4.02**	**---**	**---**	**4.02**	**5.84**	**---**	**4.66**	**10.50**	**2.61:1**	
	SERVICE												
7.	Tamil Nadu Film Development Corporation Limited (TN Film)	Information & Tourism	April 1972	13.91	---	---	13.91	19.53	---	---	19.53	1.40:1 (1.40:1)	---
8.	Tamil Nadu Goods Transport Corporation Limited (TN Goods)	Transport	March 1975	0.27	---	0.06	0.33	---	---	---	---	---	---
9.	Tamil Nadu Institute of Information Technology (TANITEC)	Higher Education	February 1988	5.10	---	---	5.10	---	---	---	---	---	---
	Sector wise total			**19.28**	**---**	**0.06**	**19.34**	**19.53**	**---**	**---**	**19.53**	**1.01:1**	**---**
Total C (All sector wise Non-working Government companies)				**30.86**	**---**	**3.68**	**34.54**	**46.10**	**---**	**4.66**	**50.76**	**1.47:1**	**---**
	Grand total (A+B+C)			**9,323.88**	**50.32**	**387.31**	**9,761.51**	**476.75**	**---**	**46,315.35**	**46,792.10**	**4.79:1**	**2,78,641**

Note

Above includes Section 619-B Companies at Sl.No.18, 20, 21, 23, 25, 38 and 43.

Paid-up Capital includes Share Application Money.

Loans outstanding at the close of 2010-11 represent long-term Loans only.

ANNEXURE-2

(Referred to in paragraph 1.15)

Summarised financial results of Government companies and Statutory corporations for the latest year for which Accounts were finalised

(Figures in columns 5(a) to 11 are ₹ in crore)

Sl. No.	Sector and Name of the Company	Period of Accounts	Year in which finalised	Net Profit(+)/Loss(-)				Turnover	Impact of Account comments	Paid-up capital	Accumulated profit(+)/ Loss (-)	Capital Employed#	Return on Capital Employed$	Percentage Return on Capital Employed
				Net Profit/Loss before Interest and Depreciation	Interest	Depreciation	Net Profit/Loss							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
A	**Working Government companies**													
	AGRICULTURE & ALLIED													
1.	TN Fisheries	2010-11	2011-12	1.41	---	0.44	0.97	305.22		4.46	(-)0.79	9.21	0.97	10.53
2.	TAFCORN	2010-11	2011-12	22.66	2.50	0.47	19.69	59.40		5.64	84.32	96.44	22.19	23.01
3.	TANTEA	2010-11	2011-12	(-)14.15	0.21	2.47	(-)16.83	64.98		5.96	(-)17.15	(-)4.05	(-)16.62	---
4.	ARC	2010-11	2011-12	16.64	---	0.46	16.18	38.52		8.45	3.77	28.72	16.18	56.34
	Sector wise total			**26.56**	**2.71**	**3.84**	**20.01**	**468.12**		**24.51**	**70.15**	**130.32**	**22.72**	**17.43**
	FINANCE													
5.	TIIC	2010-11	2011-12	141.34	87.65	0.87	52.82	222.20		283.49	(-)148.33	1,276.78	140.47	11.00
6.	TN Handloom	2009-10	2011-12	0.38	0.38	---	---	0.89		4.29	(-)2.16	11.37	0.38	3.34
7.	TNSIDCO	2010-11	2011-12	13.19	---	0.35	12.84	82.18		8.70	70.72	73.51	12.84	17.47
8.	TAHDCO	2009-10	2010-11	(-)0.11	0.70	0.29	(-)1.10	22.36		95.12	13.70	135.49	(-)0.40	---
9.	TDFC	2010-11	2011-12	117.30	113.17	0.05	4.08	122.28		61.74	76.52	1,213.27	117.25	9.66
10.	TABCEDCO	2010-11	2011-12	2.77	1.47	0.02	1.28	5.97		12.27	7.94	105.24	2.75	2.61
11	TN Women	2009-10	2010-11	2.60	---	0.91	1.69	107.52		0.78	5.83	5.77	1.69	29.29

Sl. No.	Sector and Name of the Company	Period of accounts	Year in which finalised	Net Profit(+)/Loss(-)				Turnover	Impact of Account comments	Paid-up capital	Accumulated profit(+)/ Loss (-)	Capital employed#	Return on capital employed$	Percentage return on capital employed
				Net profit/loss before interest and depre-ciation	Interest	Depreciation	Net profit/loss							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
12.	TUFIDCO	2010-11	2011-12	51.75	40.99	0.20	10.56	53.60		32.00	54.59	620.03	51.55	8.31
13.	TAMCO	2009-10	2010-11	1.02	0.42	0.05	0.55	1.88		2.05	1.65	44.17	0.97	2.20
	Sector wise total			**330.24**	**244.78**	**2.74**	**82.72**	**618.88**		**500.44**	**80.46**	**3,485.63**	**327.50**	**9.40**
	INFRASTRUCTURE													
14.	TIDCO	2010-11	2011-12	58.92	24.71	0.14	34.07	71.10		72.03	122.15	202..84	58.78	28.98
15.	SIPCOT	2010-11	2011-12	88.46	0.57	5.05	82.84	822.27		123.91	278.56	457.05	83.41	18.25
16.	TN State Construction	2001-02	2004-05	(-)5.32	0.96	0.20	(-)6.48	---		5.00	(-)26.44	80.14	(-)5.52	---
17.	TN Police Housing	2010-11	2011-12	0.96	0.39	0.34	0.23	13.42		1.00	13.81	24.81	0.62	2.50
18.	TIDEL, Chennai	2009-10	2010-11	47.09	---	9.04	38.05	72.68		44.00	181.52	205.35	38.05	18.53
19.	TN Rural Housing	2007-08	2011-12	0.12	---	---	0.12	---		3.00	(-)0.14	129.22	0.12	0.09
20.	Nilakottai	2009-10	2010-11	0.10	---	---	0.10	---		0.68	0.18	0.83	0.10	12.05
21.	Guindy Estate	2010-11	2011-12	(-)1.06	---	---	(-)1.06	1.14		0.01	---	2.01	(-)1.06	---
22.	TN Road Infrastructure	2009-10	2010-11	0.51	---	0.05	0.46	1.74		5.00	1.06	6.05	0.46	7.60
23.	TIDEL, Coimbatore	2009-10	2010-11	---	---	---	---	---		90.00	---	200.33	---	---
24.	Adyar Poonga	2010-11	2011-12	0.62	---	---	0.62	---		0.10	0.60	0.71	0.62	87.32
25.	TNRDC			**First Accounts not finalised**										
	Sector wise total			**190.40**	**26.63**	**14.82**	**148.95**	**982.35**		**344.73**	**571.30**	**1,309.34**	**175.58**	**13.41**
	MANUFACTURING													
26..	SSL	2008-09	2011-12	(-)0.36	10.54	0.10	(-)11.00	---		34.54	(-)178.87	(-)0.96	(-)0.46	---
27.	TANSI	2009-10	2010-11	22.00	1.45	0.35	20.20	276.94		20.00	50.86	284.09	21.65	7.62
28.	TN Textiles	2010-11	2011-12	(-)0.88	---	0.03	(-)0.91	19.25		1.54	(-)2.02	0.47	(-)0.91	---
29.	TN Zari	2010-11	2011-12	(-)0.32	0.03	0.10	(-)0.45	29.82		0.34	2.07	2.68	(-)0.42	---

Sl. No.	Sector and Name of the Company	Period of accounts	Year in which finalised	Net Profit(+)/Loss(-)				Turnover	Impact of Account comments	Paid-up capital	Accumulated profit(+)/ Loss (-)	Capital employed#	Return on capital employed$	Percentage return on capital employed
				Net profit/loss before interest and depre-ciation	Interest	Depreciation	Net profit/loss							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
30.	TN Handicrafts	2010-11	2011-12	0.64	---	0.27	0.37	25.63		3.22	1.88	5.57	0.37	6.64
31.	TN Salt	2010-11	2011-12	2.70	---	0.41	2.29	21.72		6.34	5.31	12.16	2.29	18.83
32.	TASCO	2010-11	2011-12	22.73	4.90	0.56	17.27	80.71		80.21	(-)76.59	95.29	22.17	23.27
33.	TANCEM	2009-10	2010-11	30.73	0.60	2.35	27.78	249.23		37.42	(-)15.50	80.40	28.38	35.30
34.	PSM	2010-11	2011-12	7.59	5.88	0.58	1.13	46.64		37.62	(-)128.89	55.01	7.01	12.74
35.	SESCOT	2010-11	2011-12	0.48	---	---	0.48	---		0.50	(-)19.61	(-)0.09	0.48	---
36.	TAMIN	2010-11	2011-12	2.88	0.55	1.95	0.38	102.22		15.74	82.15	93.29	0.93	1.00
37.	TANMAG	2010-11	2011-12	12.74	7.17	0.99	4.58	64.21		16.65	(-)10.66	16.45	11.75	71.43
38.	TTL	2010-11	2011-12	(-)3.06	1.03	2.39	(-)6.48	13.64		45.68	(-)53.26	14.86	(-)5.45	---
39.	TIEL	2009-10	2010-11	(-)1.23	2.10	1.31	(-)4.64	39.76		27.03	(-)76.73	22.62	(-)2.54	---
40.	TAMPCOL	2009-10	2010-11	3.00	---	0.43	2.57	18.56		1.00	9.83	12.59	2.57	20.41
41.	TALCO	2010-11	2011-12	0.01	1.53	---	(-)1.52	0.01		2.50	(-)31.70	(-)1.55	0.01	---
42.	TAPAP	2010-11	2011-12	0.26	0.10	0.01	0.15	3.52		0.02	0.80	0.86	0.25	29.07
43.	TNPL	2010-11	2011-12	316.61	44.24	123.37	149.00	1,184.45		69.38	644.14	2,652.36	193.24	7.29
	Sector wise total			**416.52**	**80.12**	**135.20**	**201.20**	**2,176.31**		**399.73**	**203.21**	**3,346.10**	**281.32**	**8.41**
	POWER													
44	TN Powerfin	2010-11	2011-12	573.73	504.91	4.39	64.43	592.36		50.00	168.02	5,128.17	569.34	11.10
45.	Udangudi Power	2010-11	2011-12	0.14	---	---	0.14	0.22		65.00	0.46	65.46	0.14	0.21
46.	TNEB Limited	2009-10	2011-12	(-)0.04	---	---	(-)0.04	---		0.05	(-)0.04	0.01	(-)0.04	---
47.	TANTRANSCO	2009-10	2011-12	(-)0.04	---	---	(-)0.04	---		0.05	(-)0.04	0.01	(-)0.04	---
48.	TANGEDCO	2009-10	2011-12	(-)0.04	---	---	(-)0.04	---		0.05	(-)0.04	0.01	(-)0.04	---
	Sector wise total			**573.75**	**504.91**	**4.39**	**64.45**	**592.58**		**115.15**	**168.36**	**5,193.66**	**569.36**	**10.96**

Sl. No.	Sector and Name of the Company	Period of accounts	Year in which finalised	Net Profit(+)/Loss(-)				Turnover	Impact of Account comments	Paid-up capital	Accumu-lated profit(+)/ Loss (-)	Capital employed[#]	Return on capital employed[$]	Percentage return on capital employed
				Net profit/loss before interest and depre-ciation	Interest	Depreciation	Net profit/loss							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	SERVICE													
49.	TTDC	2010-11	2011-12	5.92	0.19	3.69	2.04	89.58		10.43	14.78	33.50	2.23	6.66
50.	TNCSC	2009-10	2010-11	100.45	95.20	5.25	---	9,407.28		43.75	---	2,295.01	95.20	4.15
51.	PSC	2009-10	2010-11	5.01	0.96	0.46	3.59	460.36		20.53	(-)6.51	29.04	4.55	15.67
52.	ELCOT	2009-10	2010-11	16.23	8.17	2.76	5.30	21.64		25.93	25.77	371.03	13.47	3.63
53.	OMPC	2009-10	2010-11	(-)0.32	0.01	0.14	(-)0.47	1.53		0.15	(-)0.01	0.08	(-)0.46	---
54.	TASMAC	2010-11	2011-12	29.09	29.87	1.85	(-)2.63	17,827.09		15.00	(-)0.09	77.73	27.24	35.05
55.	PTCS	2010-11	2011-12	0.26	---	0.02	0.24	0.95		0.10	(-)0.50	(-)0.26	0.24	---
56.	TN Medical	2010-11	2011-12	5.23	---	4.14	1.09	28.43		4.04	12.25	538.16	1.09	0.20
57.	TEXCO	2009-10	2010-11	5.53	---	0.09	5.44	71.28		0.23	39.76	40.00	5.44	13.60
58.	MTC	2010-11	2011-12	(-)18.63	55.25	157.52	(-)231.40	870.39		429.78	(-)1,091.42	26.00	(-)176.15	---
59.	SETC	2010-11	2011-12	(-)96.41	29.75	24.20	(-)150.36	341.29		202.00	(-)845.30	(-)206.55	(-)120.61	---
60.	TNSTC, Coimbatore	2010-11	2011-12	(-)174.93	32.93	53.95	(-)261.81	779.02		154.85	(-)920.93	(-)296.35	(-)228.88	---
61.	TNSTC, Kumbakonam	2010-11	2011-12	(-)145.44	31.11	47.02	(-)223.57	969.92		146.59	(-)729.47	(-)181.52	(-)192.46	---
62.	TNSTC, Salem	2010-11	2011-12	(-)100.89	20.45	27.03	(-)148.37	563.72		54.60	(-)474.17	(-)178.26	(-)127.92	---
63.	TNSTC, Villupuram	2010-11	2011-12	(-)118.88	20.36	49.37	(-)188.61	984.54		86.75	(-)499.81	(-)126.93	(-)168.25	---
64.	TNSTC, Madurai	2010-11	2011-12	(-)158.88	36.05	71.83	(-)266.76	949.50		388.53	(-)1,485.72	(-)829.13	(-)230.71	---
65.	TNSTC, Tirunelveli	2010-11	2011-12	(-)75.91	19.00	9.47	(-)104.38	198.05		31.18	(-)930.80	(-)313.61	(-)85.38	---
66.	Arasu Cable TV	---	---	First Account not finalised						---	---	---	---	---
	Sector wise total			**(-)722.57**	**379.30**	**458.79**	**(-)1,560.66**	**33,564.57**		**1,614.44**	**(-)6,892.17**	**1,277.94**	**(-)1,181.36**	**---**
	Total A (all sector wise working Government companies)			**814.90**	**1,238.45**	**619.78**	**(-)1,043.33**	**38,402.81**		**2,999.00**	**(-)5,798.69**	**14,742.99**	**195.12**	**1.32**

Sl. No.	Sector and Name of the Company	Period of accounts	Year in which finalised	Net Profit(+)/Loss(-)				Turnover	Impact of Account comments	Paid-up capital	Accumulated profit(+)/ Loss (-)	Capital employed#	Return on capital employed$	Percentage return on capital employed
				Net profit/loss before interest and depre-ciation	Interest	Depre-ciation	Net profit/loss							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
B	**Working Statutory corporations**													
	POWER													
1.	TNEB	2009-10	2011-12	(-)6,263.36	3,185.60	845.68	(-)10,294.64	16,760.87		2,470.50	(-)27,708.56	14,618.36	(-)7,109.04	---
	Sector wise total			**(-)6,263.36**	**3,185.60**	**845.68**	**(-)10,294.64**	**16,760.87**		**2,470.50**	**(-)27,708.56**	**14,618.36**	**(-)7,109.04**	**---**
	SERVICE													
2.	TANWARE	2009-10	2010-11	7.54	---	1.07	6.47	29.96		7.61	49.62	59.74	6.47	10.83
	Sector wise total			**7.54**	**---**	**1.07**	**6.47**	**29.96**		**7.61**	**49.62**	**59.74**	**6.47**	**10.83**
	Total B (all sector wise working Statutory corporations)			**(-)6,255.82**	**3,185.60**	**846.75**	**(-)10,288.17**	**16,790.83**		**2,478.11**	**(-)27,658.94**	**14,678.10**	**(-)7,102.57**	**---**
	Total (A+B)			**(-)5,440.92**	**4,424.05**	**1,466.53**	**(-)11,331.50**	**55,193.64**		**5,477.11**	**(-)33,457.63**	**29,421.09**	**(-)6,907.45**	**---**
C.	**Non-working Government companies**													
	AGRICULTURE & ALLIED													
1.	TN Agro	2002-03	2003-04	(-)3.74	3.70	---	(-)7.44	---		6.01	(-)42.91	5.32	(-)3.74	---
2.	TAPCO	2009-10	2010-11	(-)0.01	---	---	(-)0.01	---		1.27	(-)10.37	(-)0.63	(-)0.01	---
3.	TN Sugarcane	2005-06	2010-11	---	---	---	---	---		0.28	(-)0.18	0.09	---	---
	Sector wise total			**(-)3.75**	**3.70**	**---**	**(-)7.45**	**---**		**7.56**	**(-)53.46**	**4.78**	**(-)3.75**	**---**

Sl. No.	Sector and Name of the Company	Period of accounts	Year in which finalised	Net Profit(+)/Loss(-)				Turnover	Impact of Account comments	Paid-up capital	Accumulated profit(+)/ Loss (-)	Capital employed#	Return on capital employed$	Percentage return on capital employed
				Net profit/loss before interest and depre-ciation	Interest	Depre-ciation	Net profit/loss							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	INFRASTRUCTURE													
4.	TMML	1999-00	2000-01	(-)3.81	---	---	(-)3.81	---		3.62	(-)15.51	1.40	(-)3.81	---
	Sector wise total			**(-)3.81**	**---**	**---**	**(-)3.81**	**---**		**3.62**	**(-)15.51**	**1.40**	**(-)3.81**	**---**
	MANUFACTURING													
5.	TN Steels	1999-00	2000-01	(-)0.80	8.61	---	(-)9.41	---		3.92	(-)71.31	(-)20.54	(-)0.80	---
6.	TN Graphites	2010-11	2011-12	---	---	---	---	---		0.10	(-)0.09	0.01	---	---
	Sector wise total			**(-)0.80**	**8.61**		**(-)9.41**	**---**		**4.02**	**(-)71.40**	**(-)20.53**	**(-)0.80**	**---**
	SERVICE													
7.	TN Film	2009-10	2010-11	(-)0.05	---	---	(-)0.05	---		13.91	(-)16.69	16.81	(-)0.05	---
8.	TN Goods	1989-90		0.07	0.07	---	---	---		0.33	(-)1.33	(-)0.30	0.07	---
9.	TANITEC	2003-04	2004-05	0.03	---	---	0.03	0.04		5.10	(-)5.10	---	0.03	---
	Sector wise total			**0.05**	**0.07**	**---**	**(-)0.02**	**0.04**		**19.34**	**(-)23.12**	**16.51**	**0.05**	**0.30**
	Total C (all sector wise Non working Government companies)			**(-)8.31**	**12.38**	**---**	**(-)20.69**	**0.04**		**34.54**	**(-)163.49**	**2.16**	**(-)8.31**	**---**
	Total (A+B+C)			**(-)5,449.23**	**4,436.43**	**1,466.53**	**(-)11,352.19**	**55,193.68**		**5,511.65**	**(-)33,621.12**	**29,423.25**	**(-)6,915.76**	**---**

NOTE:

\# Capital Employed represents Net Fixed Assets (including Capital Work-in-progress) PLUS Working Capital except in case of Finance Companies/Corporations, where the Capital Employed is worked out as a mean of aggregate of the opening and closing balances of paid-up capital, free reserves, bonds, deposits and borrowings (including refinances).

$ Return on Capital Employed has been worked out by adding Profit and Interest charged to Profit and Loss Account.

ANNEXURE-3

(Referred to in paragraph 1.10)

Statement showing Equity / Loans received out of Budget, Grants and Subsidy received/receivable, Guarantees received, Waiver of dues, Loans Written Off and Loans converted into Equity during the year and Guarantee Commitment at the end of March 2011

(Figures in columns 3(a) to 6(d) are ₹ in crore)

Sl. No.	Sector and Name of the Company	Equity/Loans received out of Budget during the year		Grants and Subsidy received during the year				Guarantees received during the year and commitment at the end of the year		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment Written Off	Loan converted into Equity	Interest/penal interest waived	Total
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
	Working Government companies												
	AGRICULTURE AND ALLIED												
1.	TN Fisheries	---	---	---	---	0.91 (G)	0.91 (G)	---	---	---	---	---	---
2.	TAFCORN	---	---	1.77 (G)	---	---	1.77 (G)	---	---	---	---	---	---
3.	TANTEA	---	---	0.18 (S)	0.09 (S)	---	0.27 (S)	---	---	---	---	---	---
	Sector wise total	**---**	**---**	**1.77 (G) 0.18 (S)**	**0.09 (S)**	**0.91 (G)**	**2.68 (G) 0.27 (S)**	**---**	**---**	**---**	**---**	**---**	**---**
	FINANCE												
4.	TIIC	---	---	---	5.00 (S)	---	5.00 (S)	---	277.06	---	---	---	---
5.	TN Handloom	---	2.17	---	---	---	---	3.30	3.30	---	---	---	---
6.	TNSIDCO	---	---	3.37 (S)	2.60 (S)	--	5.97 (S)	---	---	---	---	---	---
7.	TAHDCO	---	---	30.70 (G) 30.70 (S)	25.00 (G) 25.00 (S)	---	55.70 (G) 55.70 (S)	---	25.52	---	---	---	---

Sl. No.	Sector and Name of the Company	Equity/loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loan converted into equity	Interest/penal interest waived	Total
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
8.	TDFC	---	---	---	---	---	---	---	20.00	---	---	---	---
9.	TABCEDCO	---	---	---	---	---	---	35.00	84.08	---	---	---	---
10.	TUFIDCO	---	---	60.80 (G)	13.20 (G)	---	74.00 (G)	---	---	---	----	---	---
11.	TAMCO	---	---	---	---	---	---	34.00	59.20	---	---	---	---
	Sector wise total	**---**	**2.17**	**91.50 (G) 34.07 (S)**	**38.20 (G) 32.60 (S)**	**---**	**129.70 (G) 66.67 (S)**	**72.30**	**469.16**	**---**	**---**	**---**	**---**
	INFRASTRUCTURE												
12.	TIDCO	---	---	49.10 (G)	---	---	49.10 (G)	---	3.94	---	---	---	---
13.	SIPCOT	---	---	---	872.05 (S)	---	872.05 (S)	---	---	---	---	---	---
14.	Guindy Estate	---	---	2.50 (G)	---	---	2.50 (G)	---	---	---	---	---	---
15.	TN Rural Housing	---	---	4.70 (G)	0.02 (G)	---	4.72 (G)	---	---	---	---	---	---
16.	Adyar Poonga	---	---	---	1.00 (G)	---	1.00 (G)	---	---	---	---	---	---
	Sector wise total	**---**	**---**	**56.30 (G)**	**1.02 (G) 872.05 (S)**	**---**	**57.32 (G) 872.05 (S)**	**---**	**3.94**	**---**	**---**	**---**	**---**
	MANUFACTURING												
17.	SSL	---	0.30	---	---	---	---	---	---	---	---	---	---
18.	TANCEM	---	---	---	---	---	---	---	---	---	---	173.78	173.78
19.	TN Salt	3.17	---	---	---	---	---	---	---	---	---	---	---
20.	TASCO	72.42	13.59	---	---	---	---	---	4.38	---	---	17.56	17.56
21.	PSM	---	17.17	---	---	---	---	13.75	15.89	---	---	10.29	10.29
	Sector wise total	**75.59**	**31.06**	**---**	**---**	**---**	**---**	**13.75**	**20.27**	**---**	**---**	**201.63**	**201.63**

Sl. No.	Sector and Name of the Company	Equity/loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loan converted into equity	Interest/penal interest waived	Total
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
	POWER												
22.	TNEB Limited	2,050.00	---	---	---	---	---	----	---	---	1,235.13	---	1,235.13
23.	TANTRANSCO	1,146.44	---	---	---	---	---	---	---	---	---	---	---
24.	TANGEDCO	2,246.03	--	---	0.15 (S)	---	0.15 (S)	---	5,403.40	---	---	---	---
	Sector wise total	**5,442.47**	**---**	**---**	**0.15 (S)**	**---**	**0.15 (S)**	**---**	**5,403.40**	**---**	**1,235.13**	**---**	**1,235.13**
	SERVICE												
25.	TTDC	---	---	---	---	0.63 (G)	0.63 (G)	---	---	---	---	---	---
26.	TNCSC	7.81	---	0.01 (G) 1,466.18 (S)	4,090.00 (S)	---	0.01 (G) 5,556.18 (S)	---	20.00	---	---	---	---
27.	PSC	---	---	0.16 (G)	---	---	0.16 (G)	---	---	---	---	---	---
28.	ELCOT	---	---	---	1.74 (G)	---	1.74 (G)	---	---	---	---	---	---
29.	TASMAC	---	---	---	---	---	---	---	25.00	---	---	---	---
30.	MTC	---	---	13.09 (G)	---	---	13.09 (G)	---	---	---	---	---	---
31.	TNSTC, Coimbatore	12.02	77.88	---	36.44 (S)	---	36.44 (S)	---	---	---	---	---	---
32.	TNSTC, Kumbakonam	24.00	---	---	56.93 (S)	---	56.93 (S)	---	---	---	---	---	---
33.	TNSTC, Madurai	29.12	---	---	73.82 (S)	---	73.82 (S)	---	---	---	---	---	---
34.	TNSTC, Villupuram	9.15	---	---	---	---	---	---	---	---	---	---	---
35.	TNSTC, Tirunelveli	31.18	---	---	---	---	---	---	---	---	---	---	---
	Sector wise total	**113.28**	**77.88**	**13.26 (G) 1,466.18 (S)**	**1.74 (G) 4,257.19 (S)**	**0.63 (G)**	**15.63 (G) 5,723.37 (S)**	**---**	**45.00**	**---**	**---**	**---**	**---**
	Grand Total (A)	**5,631.34**	**111.11**	**162.83 (G) 1,500.43 (S)**	**40.96 (G) 5,162.08 (S)**	**1.54 (G)**	**205.33 (G) 6,662.51 (S)**	**86.05**	**5,941.77**	**---**	**1,235.13**	**201.63**	**1,436.76**

Sl. No.	Sector and Name of the Company	Equity/loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loan converted into equity	Interest/penal interest waived	Total
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
	STATUTORY CORPORATION												
	POWER												
1.	TNEB	100.00	---	---	1,648.55 (S)	---	1,648.55 (S)	---	---	---	---	---	---
	Sector wise total	**100.00**	**---**	**---**	**1,648.55 (S)**	**---**	**1,648.55 (S)**	**---**	**---**	**---**	**---**	**---**	**---**
	Grand Total (A+B)	**5,731.34**	**111.11**	**162.83 (G) 1,500.43 (S)**	**40.96 (G) 6,810.63 (S)**	**1.54 (G)**	**205.33 (G) 8,311.06 (S)**	**86.05**	**5,941.77**	**---**	**1,235.13**	**201.63**	**1,436.76**

A Subsidy includes Subsidy receivable at the end of year.
'G' indicates Grants and 'S' indicates Subsidy.
Except in respect of companies which finalised their Accounts for 2010-11 (Serial numbers 1, 2, 3, 4, 6, 8, 9, 10, 12, 13, 14, 16, 19 to 21, 25, 29 to 35) the figures are provisional and as given by the companies/corporations.

ANNEXURE - 4

(Referred to in paragraph 1.23)

Statement showing Investment made by the State Government in PSUs whose Accounts were in arrears

(₹ in crore)

Sl.No.	Name of the Company	Year up to which Accounts finalised	Paid-up Capital as per latest finalised Accounts	Investment made by the State Government during the years for which Accounts were in arrears				
				Year	Equity	Loan	Grant	Subsidy
	WORKING PSUs							
1.	TN Handloom	2009-10	4.29	2010-11	---	2.17	---	---
2.	TAHDCO	2009-10	95.12	2010-11	---	---	25.00	25.00
3.	TN Rural Housing	2007-08	3.00	2010-11	---	---	0.02	---
4.	SSL	2008-09	34.54	2009-10 and 2010-11	---	0.73	---	---
5.	TNCSC	2009-10	43.75	2010-11	7.81	---	---	4,090.00
6.	ELCOT	2009-10	25.93	2010-11	---	---	1.74	---
7.	TNEB Limited	2009-10	0.05	2010-11	3,285.08	---	---	---
8.	TANTRANSCO	2009-10	0.05	2010-11	1,146.44	---	---	---
9.	TANGEDCO	2009-10	0.05	2010-11	2,246.03	---	---	0.15
10.	TNEB	2009-10	2,470.50	2010-11	100.00	---	---	---
11.	Arasu Cable TV	---	25.00♣	2007-08	---	---	---	---
	NON-WORKING PSUs				---			
12.	TN Agro	2002-03	6.01	2003-04 to 2009-10	1.65	2.52	---	---
	TOTAL		**2,708.29**		**6,787.01**	**5.42**	**26.76**	**4,115.15**

♣ The Paid-up Capital as furnished by the Management.

ANNEXURE-5

(Referred to in paragraph 1.15)

Statement showing Financial Position of Tamil Nadu Warehousing Corporation

(₹ in crore)

Particulars	2008-09	2009-10	2010-11 (Provisional)
A. LIABILITIES			
Paid-up Capital	7.61	7.61	7.61
Reserves and Surplus	44.08	49.62	57.53
Subsidy	0.17	0.16	0.16
Trade Dues and Current Liabilities (including provision)	21.98	29.14	35.97
Deferred Tax Liabilities	0.18	---	---
Insurance fund	2.92	3.18	4.41
TOTAL	**76.94**	**89.71**	**105.68**
B. ASSETS			
Gross Block	44.87	49.70	53.63
LESS: Depreciation	16.86	17.64	18.75
Net Fixed Assets	28.01	32.06	34.88
Capital works-in-progress	1.11	0.11	---
Investments	---	0.83	0.83
Current Assets, Loans and Advances	47.82	56.71	69.97
TOTAL	**76.94**	**89.71**	**105.68**
C. CAPITAL EMPLOYED*	**54.96**	**59.74**	**68.88**

* Capital Employed represents Net Fixed Assets PLUS Working Capital

ANNEXURE-6

(Referred to in paragraph 1.15)

Statement showing Working Results of Tamil Nadu Warehousing Corporation

(₹ in crore)

	Particulars	2008-09	2009-10	2010-11 (Provisional)
1.	**Income**			
(a)	Warehousing charges	19.69	28.69	32.12
(b)	Other income	3.94	4.00	4.09
	TOTAL	**23.63**	**32.69**	**36.21**
2.	**Expenses**			
(a)	Establishment charges	16.78	16.21	16.01
(b)	Other expenses	5.52	6.80	6.94
	TOTAL	**22.30**	**23.01**	**22.95**
3.	Profit (+) / Loss (-) before tax	1.33	9.68	13.26
4.	Other appropriations/adjustments	(-)1.63	3.21	4.43
5.	Amount available for dividend	2.96	6.47	8.83
6.	Dividend for the year (excluding dividend tax)	0.46	0.79	0.79
7.	**Total return on Capital Employed**	**2.96**	**6.47**	**8.83**
8.	**Percentage of Return on Capital Employed**	**5.30**	**10.83**	**12.82**

ANNEXURE-7

(Referred to in Paragraph 2.1.1)

Statement showing the area of land available for sale, actual allotment, of the industrial centres of State Industries Promotion Corporation of Tamil Nadu Limited

Sl.No.	Name of the Industrial Centre	Total area available for sale (acres)	Area allotted up to 31.3.2006		Allotment made during 1.4.2006 to 31.3.2011		Balance available for sale as on 31 March 2011	
			Units	Acres	Units	Acres	Area (in acres)	Percentage to total area
1.	Sriperumbudur	1,831.70	49	939.11	75	850.39	42.20	2.30
2.	Irungattukottai	2,194.42	177	1,260.75	56	583.89	349.78	15.94
3.	Oragadam	2,765.95	11	354.19	118	2,368.74	43.02	1.56
4.	Siruseri	577.87	71	494.45	5	5.93	77.49	13.41
5.	Thoothukudi	1,340.47	89	839.33	-2	104.65	396.49	29.58
6.	Cheyyar	568.35	---	---	10	364.35	204.00	35.89
7.	Hosur	1,678.76	287	1,517.03	11	160.01	1.72	0.10
8.	Ranipet	1,089.32	149	689.84	39	161.17	238.31	21.88
9.	Manamadurai	382.20	45	180.76	16	170.05	31.39	8.21
10.	Pudukottai	311.72	73	250.05	23	61.14	0.53	0.17
11.	Cuddalore	2,504.95	63	803.22	7	1,637.83	63.90	2.55
12.	Gummidipoondi	1,024.78	242	961.61	28	57.18	5.99	
13.	Gummidipoondi(EPIP)	149.17	10	83.74	21	33.50	31.93	
14.	Thervoykandigai	800.00	---	---	6	528.07	271.93	33.99
15.	Mappedu	123.08	---	---	1	123.08	---	---
16.	Perundurai	1,767.36	132	1,111.86	57	330.10	325.40	18.41
17.	Gangaikondan	1,506.61	10	53.84	18	751.37	701.40	46.55

Sl.No.	Name of the Industrial Centre	Total area available for sale (acres)	Area allotted up to 31.3.2006		Allotment made during 1.4.2006 to 31.3.2011		Balance available for sale as on 31 March 2011	
			Units	Acres	Units	Acres	Area (in acres)	Percentage to total area
18.	Bargur	905.22	1	30.33	19	82.74	792.15	87.51
19.	Nilakottai	285.98	3	24.21	18	98.84	162.93	56.97
	TOTAL	**21,807.91**	**1,412**	**9,594.32**	**526**	**8,473.03**	**3,740.56**	**17.15**

Note: 1. Selected units are shown under Serial Nos.1 to 8

2. Information relating to area available for sale and allotment are compiled from Director's Report.

ANNEXURE-8

(Referred to in Paragraph 2.1.6)

Statement showing Financial Position of the State Industries Promotion Corporation of Tamil Nadu Limited as on 31 March 2011 for the five years 2006-07 to 2010-11

(₹ in crore)

	2006-07	2007-08	2008-09	2009-10	2010-11
LIABILITIES					
Paid up capital (including advances for shares)	143.21	123.91	123.91	123.91	123.91
Reserves and surplus	74.61	143.86	191.46	236.90	300.73
Deferred GOI grants	-	45.80	44.78	44.79	36.71
Borrowings (short and long term loans)	13.52	9.95	8.50	5.50	3.15
Trade dues and other liabilities	518.10	721.72	1061.15	1240.52	2,197.73
Total Liabilities	**749.44**	**1,045.24**	**1,429.80**	**1,651.62**	**2,662.23**
ASSETS					
Gross Block	95.87	96.09	96.11	107.16	116.41
Depreciation	64.66	68.59	71.99	74.86	79.93
Net Block	31.21	27.50	24.12	32.30	36.48
Capital work-in-progress	11.95	25.82	57.81	78.05	142.49
Other assets/investments	13.10	13.60	12.26	2.52	4.13
Current assets	611.35	777.94	995.03	1,060.46	2,150.13
Loans and advances	78.26	197.00	337.34	475.27	325.68
Deferred tax assets	3.57	3.38	3.24	3.02	3.32
Total assets	**749.44**	**1,045.24**	**1,429.80**	**1,651.62**	**2,662.23**

ANNEXURE-9

(Referred to in Paragraph 2.1.6)

Statement showing Working Results of the State Industries Promotion Corporation of Tamil Nadu Limited for the five years ending 31 March 2011

(₹ in crore)

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
Total income	329.90	364.93	351.86	302.09	908.73
Total expenditure	266.56	263.05	256.90	203.85	781.20
Profit before depreciation & interest	63.34	101.88	94.96	98.24	127.53
Less: Depreciation	5.00	3.92	3.47	4.65	5.02
Interest	1.65	1.41	1.11	0.90	0.56
Net profit for the year	56.69	96.55	90.38	92.69	121.95
Add: Extraordinary items	0.05	5.22	4.13	1.55	1.75
Net profit before tax	56.74	101.77	94.51	94.24	123.70
Less: Provision for tax					
Current tax	(-)10.05	(-)34.37	(-)29.83	(-)31.70	(-)41.15
Tax of earlier years	(+) 1.07				
Deferred tax	(+) 8.21	(-)0.19	(-)0.14	(-)0.22	(+)0.29
Net profit after tax	55.97	67.21	64.54	62.32	82.84
Segment-wise profitability					
Area development	53.86	44.70	11.97	9.10	28.20
Finance activity (residual operation)	(-)23.78	3.55	0.82	11.01	7.30
Income from term deposits	26.19	47.68	78.37	71.64	85.56
Percentage of profit from interest income to total profit before tax♣	32.52	48.54	83.65	86.07	73.51
Percentage of profit from area development activity to total profit before tax♣	66.89	45.51	11.35	10.93	24.23

♣ The total Profit Before Tax excludes those relating to residual operations of lending activities stopped from 2001-02.

ANNEXURE-10

(Referred to in Paragraph 2.1.10)

Statement showing the details of saleable land and allotment made as on 31 March 2011

Sl.No.	Name of SEZ	Date of approval	Saleable area		Allotment made		Balance available for allotment		Percentage of allotment to saleable area
			Number of units	In acres	Number of units	In acres	Number of units	In acres	
1.	Electronic/Telecom Hardware/Hi-Tech, Sriperumbudur	December 2006	33	519.07	26	476.87	7	42.20	91.87
2.	Electronic HI-Tech, Oragadam	October 2007	18	323.61	15	310.02	3	13.59	95.80
3.	Footwear & Leather Products, Irungattukottai	February 2008	57	101.00	1	15.00	56	86.00	14.85
4.	Engineering, Perundurai	April 2008	42	210.55	6	74.93	36	135.62	35.59
5.	Engineering, Ranipet	November 2007	31	208.00	1	15.00	30	193.00	7.21
6.	Transport Engineering Goods, Gangaikondan	May 2008	6	204.00	1	115.00	5	89.00	56.37
7.	Auto Ancillary, Cheyyar	April 2008	---	204.00	---	NIL	---	204.00	0
8.	Granite, Bargur	March 2010	53	300.00	0	NIL	53	300.00	0
	TOTAL			**2,070.23**		**1,006.82**		**1,063.41**	

ANNEXURE-11 (A)
(Referred to in Paragraph 2.1.15)
Statement showing incorrect fixation of plot cost

(Amount - ₹ in lakh)

Sl.No.	Name of the allottee	Area sold (in acres)	Plot cost (per acre)	Plot cost to be fixed (per acre)	Differential cost (per acre)	Total differential cost	Audit observation
1.	Apollo Infrastructure Projects Finance Private Limited (Sriperumpudur SEZ)	5.01	40.00	60.00	20.00	100.20	The Company initiated revision of plot cost in all industrial complexes during September 2008. However, it did not initiate simultaneous revision of plot cost for SEZs and the revision took place only in June 2009. This failure resulted in loss of revenue
2.	Inland Techno Park Private Limited (Sriperumpudur SEZ)	2.04	40.00	60.00	20.00	40.80	
3.	Six♣ allottees (Perundurai SEZ)	74.93	20.00	25.04	5.04	378.00	Fixation of plot costs for this SEZ was based on the actual cost of acquisition including development expenditure incurred on Perundurai Industrial Estate from which the land for this SEZ was earmarked. Against the actual cost of land and infrastructure incurred up to December 2006, which worked out to ₹8.99 lakh per acre, the Company has taken into account only ₹6.00 lakh per acre. Therefore, the plot cost should be fixed at ₹25.04 lakh against which ₹20 lakh per acre was fixed.

♣ Eureka Electrodes and Wires Private Limited (2 acres), Indo Shell Mould Limited (20 acres), Wipro Infrastructure Engineering Limited (21.51 acres), Hare Structures (India) Private Limited (21.42 acres), Vinayaka Electro Alloys (India) Private Limited (5 acres) and Paranthaman Exporters (5 acres).

Sl.No.	Name of the allottee	Area sold (in acres)	Plot cost (per acre)	Plot cost to be fixed (per acre)	Differential cost (per acre)	Total differential cost	Audit observation
4.	Cheyyar SEZ Developers Private Limited (Cheyyar Industrial Complex)	275.00	0.90	2.22	1.32	363.00	The Company had incorrectly worked out the cost of undeveloped land at ₹0.90 lakh against ₹1.11 lakh per acre. The erroneous fixation was due to omission to include cost (₹1.33 crore) of 120.15 acres of Government poromboke land. Further, in respect of the remaining 510 acres of patta land, the Company considered enhanced compensation at three times of rate fixed by LAO instead of 10 times of LAO's rate as per the normal practice resulting in fixation of lesser plot cost by ₹1.11 lakh per acre. Thus, there was total under fixation of plot cost by ₹1.32 lakh per acre.
						882.00	

ANNEXURE-11(B)

(Referred to in Paragraph 2.1.15)

Statement showing incorrect adoption of plot cost

(₹in lakh)

Sl. No.	Name of the Industrial complex	Name of the allottee	Extent (in acres)	Rate per acre	Total Plot cost collected	Rate per acre to be adopted	Total Plot cost to be collected	Difference/ Loss of revenue	Remarks
1.	Siruseri	CTS	7	327.00	2289.00	367.00	2569.00	280.00	While arriving at the District Collector's recommended price for fixing the plot cost, applicable interest for the period from the date of registration of land in the nearby survey no. as communicated by the District Collector (21/04/2006) to the date of actual allotment (July 2007) was not considered as directed by BOD.
2.	Irungattukottai	David Leather	1	20.00	20.00	60.00	60.00	40.00	Non adoption of revised plot cost effective from 25 September 2008 for allotment made in November 2008.
3.	Gangaikondan	ELCOT	100	3.00	300.00	5.00	500.00	200.00	Non adoption of revised plot cost effective from 29 March 2007 for allotment made in April 2007
4.	Irungattukottai	TGI packaging	1	30.00	30.00	60.00	60.00	30.00	Non adoption of revised plot cost effective from 25 September 2008 for a defaulting allottee who was issued revised allotment order on 11 November 2008.
5.	Siruseri	DLF Hilton	0.44	1400.00	616.00	1650.00	726.00	110.00	The Company allotted the land to DLF Hilton for providing approach road for their proposed five star hotel, which would be located outside the industrial complex. However, a lower rate was arrived at based on a rate obtained for sub–lease of land. instead of working out the rate based on the prevailing market price.
	TOTAL				**3,255**		**3,915**	**660.00**	

ANNEXURE-12

(Referred to in Paragraph 2.1.18)

Statement showing loss of revenue due to non-adoption commercial rate

Sl. No.	Name of the industrial complex	Name of the allottee	Extent (in acres)	Rate per acre (₹ in lakh)	Total plot cost (₹ in lakh)	Rate per acre to be adopted (₹ in lakh)	Total plot cost to be collected (₹ in lakh)	Difference/ Loss of revenue (₹ in lakh)	Remarks
1.	Sriperumbudur	YCH Logistics	12	40.00	480.00	60.00	720.00	240.00	The allottee is a logistic company, providing global end to end supply chain solution and there was no manufacturing process or activity involved.
2.	Oragadam	Gimini Impex	1.00 0.23	30.00 60.00	43.80	90.00	110.70	66.90	The first allotment made in September 2008 was not cancelled despite non-remittance of the plot cost. Since the plot cost was revised to ₹ 60 lakh per acre effective from 25 September 2008 ,the allotment should have been made only at the revised rate with enhancement to 1.5 times (being the commercial rate) as the allottee was a logistic company.
3.	Oragadam	Deco De Trend	5.27	30.00	158.10	45.00	237.15	79.05	The allottee proposed to set up a Handicraft unit for products made of dried flowers and other botanical spices, decorative stones, polished sea shells. Further the proposed utilisation of land, *inter alia*, included setting up of warehousing, product show room *etc*, and no manufacturing process or activity is involved. Therefore, only the

Sl. No.	Name of the industrial complex	Name of the allottee	Extent (in acres)	Rate per acre (₹ in lakh)	Total plot cost (₹ in lakh)	Rate per acre to be adopted (₹ in lakh)	Total plot cost to be collected (₹ in lakh)	Difference/ Loss of revenue (₹ in lakh)	Remarks
									commercial rate should have been applied.
4.	Oragadam	Apollo Infrastructure Projects Finance Company Limited	2.48 0.08	30.00 60.00	74.40 4.80	45.00 90.00	111.60 7.20	37.20 2.40	The allottee proposed to utilise the land for ware housing and logistic facilities. Therefore, only the commercial rate should have been applied.
5.	Gummidipoondi	The Spice Board	2.00	20.00	40.00	30.00	60.00	20.00	The Company did not apply the commercial rate to the allottee, who proposed to utilise the land for export of spices, granting of certificates, export promotion studies and research for improvement, stabilisation of prices, warehousing facilities *etc.*
6.	Irungattukottai	Ind Dev Logistics	9.53 1.97 8.03	4.00* 4.00* 20.00	38.12 7.88 160.60	6.00 6.00 30.00	57.18 11.82 240.90	19.06 3.94 80.30	The allottee was providing ware housing and logistic facilities in raw material selection, accepting their cargo in foreign countries and arranging customs clearance *etc.*, under one roof. As these services are of commercial nature, the plot cost should be at a commercial rate.
	TOTAL		**42.65**		**1,009.50**		**1,559.25**	**548.85**	

* 50 *per cent* of the differential plot cost ₹8 lakh.

ANNEXURE-13

(Referred to in Paragraph 2.1.21)

Statement showing sub-leasing of land and building

Sl. No.	Industrial complex	Name of the original allottee	Area for which change is applicable (In acres)	Original plot cost (₹in lakh)	Plot cost on the date of sub-lease (₹in lakh)	Differential plot cost per acre (₹in lakh)	Effective date of sub-lease	Differential plot cost (₹in lakh)	Remarks
1.	**Land:** Oragadam Expansion Scheme	Daimler Hero Commercial Vehicles Limited	20.00	36.00	60.00	24.00	March 2009 & September 2010	480.00	While MOU forbids sub-lease of land, the same was made at concessional rate.
2.	**Buildings:** Oragadam	Ind Dev Logistics Private Limited the (for built up area only)	4,28,800 Sq.ft.	N.A	N.A	₹5 per Sq.ft. per month plus 5 per cent annual increase		749.80	While the Company approved sub-lease to Lenox by the allottee, the other sub-leases were allowed without payment of sublease charges..
3.	**Buildings:** Oragadam	Apollo Infrastructure Projects Finance Company Private Limited	82,822.09 Sq.ft.			₹5 per Sq.ft. per month plus 5 *per cent* annual increase		156.63	Entire area has been subleased by the allottee to C-KAM Steel Wire Solutions Private Limited without the knowledge of the Company and no sublease charges have been collected so far.
	TOTAL							**1,386.43**	

ANNEXURE-14

(Referred to in Paragraph 2.2.5)

Statement showing Financial Position of Tamil Nadu Generation and Distribution Corporation Limited for the five years ending 31 October 2010

(₹ in crore)

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11 (upto 31 Oct 2010)- (Provisional)
Paid up Capital	710.00	1,200.00	2,370.50	2,470.50	2,570.50
Reserves and reserve funds	5,752.82	6,681.62	7,419.99	8444.42	9,129.42
Secured (LT)	11,600.29	14,611.10	21,502.31	32,019.17	39,586.71
(a) Unsecured	NIL	NIL	NIL	NIL	NIL
(b) Current Liabilities & Provisions	9,554.59	10,661.01	12,045.78	15,162.33	16,564.41
TOTAL	**27,617.70**	**33,153.73**	**43,338.58**	**58,096.42**	**67,851.04**
Gross Block	21,565.91	23,503.56	25,247.27	27,689.28	29,107.91
Less: Depreciation	8,733.94	9,400.34	10,155.74	10,969.80	11,490.84
Net Fixed Assets	12,831.97	14,103.22	15,091.53	16,719.48	17,617.07
Capital works-in-progress	2,612.11	3,008.37	3,970.65	5,708.50	7,170.32
Investments & other assets	83.24	270.67	303.63	590.69	692.04
Current Assets, Loans and Advances	5,951.87	6,097.02	6,529.89	7,352.71	8,386.91
Accumulated losses	6,130.45	9,642.53	17,413.92	27,708.56	33,981.77
Subsidy receivable	8.06	31.92	28.96	16.48	2.93
TOTAL	**27,617.70**	**33,153.73**	**43,338.58**	**58,096.42**	**67,851.04**
Debt:Equity	**16.34:1**	**12.18:1**	**9.07:1**	**12.96:1**	**15.40:1**
Net worth	**332.37**	**(-)1,760.91**	**(-)7,623.43**	**(-)16,793.64**	**(-) 22,281.85**
Working capital	**(-)3,602.72**	**(-)4,563.99**	**(-)5,515.89**	**(-)7,809.62**	**(-) 8,177.50**

ANNEXURE-15

(Referred to in Paragraph 2.2.6)

Statement showing Working Results of Tamil Nadu Generation and Distribution Corporation Limited for the five years ending 31 March 2011

(₹ in crore)

Sl. No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11 (Prov.)
1.	**Income**					
(i)	Revenue from sale of power	14,455.23	15,672.85	15,425.60	16,760.87	18,761.11
(ii)	Revenue from subsidy & grants	1,330.10	1,457.02	1,831.61♦	1,672.17	1,652.59
(iii)	Other Income	319.56	378.56	386.64	410.96	515.63
	Total income	**16,104.89**	**17,508.43**	**17,643.85**	**18,844.00**	**20,929.33**
2.	**Distribution (In MUs)**					
(i)	Total power purchased	34,082	37,574	37,984	45,027	49,207
(ii)	Own generation	27,088	26,856	26,731	25431	23,181
	Net power available for sale	**61,170**	**64,430**	**64,715**	**70458**	**72,388**
	Less: Transmission and distribution losses.	**11,011**	**11,597**	**11,650**	**12682**	**12,730**
	Net power sold	**50,159**	**52,833**	**53,065**	**57776**	**59,658**
3.	**Expenditure on distribution of electricity**					
(a)	**Fixed cost**					
(i)	Employees cost	2,160.57	2,370.17	2,909.16	3,392.92	4,055.76
(ii)	Administrative and General expenses	205.91	242.33	224.80	243.24	228.67
(iii)	Depreciation	632.31	681.80	775.48	845.68	907.07
(iv)	Interest and finance charges.	1,204.23	1,586.96	2,276.24	3,185.60	5,112.45
	TOTAL A	**4,203.02**	**4,881.26**	**6,185.68**	**7,667.44**	**10,303.95**
(v)	Other debit, prior period expenditure and extraordinary items	(617.87)	99.25	(16.04)	193.07	(236.31)
	TOTAL B	**3,585.15**	**4,980.51**	**6,169.64**	**7,860.51**	**10,067.64**
(vi)	LESS: Interest and expenses capitalized	412.01	451.63	589.95	783.01	1,414.13
	Total fixed cost	**3,173.14**	**4,528.88**	**5,579.69**	**7,077.50**	**8,653.51**
(b)	**Variable cost**					
(i)	Purchase of power	10,511.71	12,446.47	14,695.62	17,384.61	20,305.15
(ii)	Generation of power	3,396.95	3,678.01	4,703.23	4,328.60	4,643.40

♦ It includes ₹250 crore received during the year towards Hydel Swing Subsidy.

Sl. No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11 (Prov.)
(iii)	Electricity Duty♣	---	---	---	---	---
(iv)	Transmission and wheeling charges€	---	---	---	---	---
(v)	Repairs and maintenance	242.03	367.14	436.70	347.94	277.83
	Total variable cost	**14150.69**	**16491.62**	**19835.55**	**22061.15**	**25,226.38**
(c)	**Total cost 3(a) + (b)**	**17323.83**	**21020.50**	**25415.24**	**29138.65**	**33,879.89**
4	Revenue Gap {Difference of **(1)** and **3(c)**}	1,218.94	3,512.07	7,771.39	10,294.65	12,950.56
5	Realisation (₹per unit) (including revenue subsidy)	3.21	3.31	3.32	3.26	3.51
6	Fixed cost (₹ per unit)	0.63	0.86	1.05	1.22	1.45
7	Variable cost (₹ per unit)	2.82	3.12	3.74	3.82	4.23
8	**Total cost per unit (6+7) (in ₹)**	**3.45**	**3.98**	**4.79**	**5.04**	**5.68**
9	**Contribution (5-7) (₹ per unit)**	**0.39**	**0.19**	**(0.42)**	**(0.56)**	**(0.72)**
10.	**Profit (+)/Loss(-) (5-8)**	**(0.24)**	**(0.67)**	**(1.47)**	**(1.78)**	**(2.17)**

♣ It is neither an income nor an expenditure to the Company as Electricity Duty collected by the Company is required to be remitted to the GoTN.

€ Included in the cost of power purchase.

ANNEXURE-16

(Referred to in Paragraphs 2.2.9, 2.2.11 and 2.2.12)

Statement showing particulars of Distribution network planned vis-a-vis achievement there against in the State as a whole during 2006-07 to 2010-11

	Description	2006-07			2007-08			2008-09			2009-10			2010-11		
(A)	**Number of Sub-stations/voltage ratings**	110 KV	66 KV	33 KV	110 KV	66 KV	33 KV	110 KV	66 KV	33 KV	110 KV	66 KV	33 KV	110 KV	66 KV	33 KV
(i)	At the beginning of the year	549	54	438	575	49	452	613	43	472	649	36	491	689	34	502
(ii)	Additions planned for the year	29	NIL	21	54	NIL	25	57	NIL	26	58	NIL	28	27	NIL	10
(iii)	Additions made during the year	26	(-)5	14	38	(-)6	20	36	(-)7	19	40	(-)2	11	20	(-)1	11
(iv)	At the end of the year	575	49	452	613	43	472	649	36	491	689	34	502	709	33	513
(v)	Shortage in addition (ii) – (iii)	3	NIL	7	16	NIL	5	21	NIL	7	18	NIL	17	7	NIL	---
(B)	**HT lines (in CKM)**															
(i)	At the beginning of the year	1,35,942			1,37,167			1,40,416			1,43,249			1,46,058		
(ii)	Additions planned for the year	3,000			3,000			3,000			3,000			3,000		
(iii)	Additions made during the year	1,225			3,249			2,833			2,809			6,564		
(iv)	At the end of the year	1,37,167			1,40,416			1,43,249			1,46,058			1,52,622		
(v)	Shortage in addition (ii) – (iii)	1,775			NIL			167			191			NIL		

	Description	2006-07	2007-08	2008-09	2009-10	2010-11
(C)	**LT Lines (in CKM)**					
(i)	At the beginning of the year	4,99,078	5,08,239	5,18,721	5,29,424	5,38,665
(ii)	Additions planned for the year	10,000	10,000	10,000	10,000	10,000
(iii)	Additions made during the year	9,161	10,482	10,703	9,241	17,495
(iv)	At the end of the year	5,08,239	5,18,721	5,29,424	5,38,665	5,56,160
(v)	Shortage in addition (ii) – (iii)	839	NIL	NIL	759	NIL
(D)	**Transformers capacity (MVA)**					
(i)	At the beginning of the year	21,207	22,188	23,657	24,637	25,534
(ii)	Additions planned for the year	N.A♣	N.A	N.A	N.A	N.A
(iii)	Additions made during the year	981	1,469	980	897	1,058
(iv)	At the end of the year	22,188	23,657	24,637	25,534	26,592
(v)	Shortage in addition (ii) – (iii)	---	---	---	---	---

♣ Not Available.

ANNEXURE-17
(Referred to in Paragraph 2.2.12)
Statement showing delay in establishment of sub-stations

Sl. No.	Name of the substation	Name of the circle	Ratio	Power transformer capacity in MVA	Original proposal (month)	Proposal	Adminis-trative approval	Estimated Cost(₹ in crore)	Revised estimate	Envisaged line loss(in MUs/per annum)	Date of Commissioning	Audit observation	Delay in months	Savings forgone line loss (in MUs)	Value (at the rate of ` 3.51 per unit)
1	Puduthangal	Chennai (South)	110/33-11	2*16	Apr-07	To establish new SS transferring the load from 33 KV Perungalathur and IAF SS an to accommodate future load	Apr-08	15.91	29.45	3.5	19.1.2010	There was a delay in seeking clarification on the proposal and placement of orders for power transformers. Link line to relieve the load from Perungalathur SS is yet to be taken up(June 2011)	23	6.71	2.36
2	Navaladi	Tirunelveli	110/11	1*10	2006-07	To improve the voltage regulation (from 19.43 *per cent*) of Karikovil of Kottaikarungulam SS and Industrial feeder of Thissayanvilai SS	Oct-09	7.94	4.86	0.847	Work is in progress (June 2011)	Due to change in the route, the estimates were to be revised causing delay	8	0.56	0.20
3	Seethaparpanallur	Tirunelveli	110/11	1*10	2006-07	To transfer the load from KV Chemical feeder of Melakallur SS and Sivalrkulam feeder of Alangulam SS as the tail end voltage regulation in	Oct-06	3.49	NA	0.467	Work is in progress	Selection of inadequate area of land(November/December 2007) followed by delay in acquitition (June 2009) of additional land and further delay of 16 months in awarding the work to the contractor	30	1.17	0.41

Sl. No.	Name of the substation	Name of the circle	Ratio	Power transformer capacity in MVA	Original proposal (month)	Proposal	Administrative approval	Estimated Cost(₹ in crore)	Revised estimate	Envisaged line loss(in MUs/per annum)	Date of Commissioning	Audit observation	Delay in months	Savings forgone line loss (in MUs)	Value (at the rate of ` 3.51 per unit)
						these feeders were very high at 15.36 *per cent* and 16.53 *per cent* respectively						by General Construction Circle, Madurai			
4	Sellappam palayam	Coimbatore (South)	110/11	2*10	Jul-06	To improve voltage regulation and to reduce line loss as well as to cater the demand of HT applicants	NA	4.97	NA	1.331	27.3.2010	Though the land was identified in January 2006 and enter upon permission obtained in February 2007, the land was handed over to General Construction Circle as late as in May 2009 for starting the construction work	28	3.11	1.09
5	Itchipatty	Coimbatore (South)	110/11	2*10	Feb-06	To improve voltage regulation and to reduce line loss as well as to cater the demand of HT applicants	Aug-07	6.04	NA	1.054	17.8.2009	Though the land was identified and enter upon permission obtained from land owner on 18.01.2007, the administrative approval for the SS was obtained only in August 2007. Therafter though informed (September 2007) to take up the construction work of the substation. SE, GCC had taken over the land in as late as in July 2008, ie. after a delay of 10 months and the started construction .	21	1.84	0.65

Sl. No.	Name of the substation	Name of the circle	Ratio	Power transformer capacity in MVA	Original proposal (month)	Proposal	Adminis-trative approval	Estimated Cost(₹ in crore)	Revised estimate	Envisaged line loss(in MUs/per annum)	Date of Commissioning	Audit observation	Delay in months	Savings forgone line loss (in MUs)	Value (at the rate of ` 3.51 per unit)
6	Udanapally	Dharmapuri	110/33-11	1*10 and 1*16	Apr-05	In order to provide alternative source to the above substations as well as to improve voltage regulation, to reduce the line loss	Aug-08	8.43	3.38	2.822	14.7.2010	Though SE/GCC, Salem had suggested (07.10.05) for utilization of the free arm available in Mettur-Hosur 230 KV DC line due to way leave problem from Hosur 230 KV SS(source station), no serious thoughts were given to this proposal and other unviable proposals Viz., 110 KV SC line form Vellichandai for a distance of 46 Kms and 110 KV SC from Kempatty for distance of 35 KMs were discussed and remained inconclusive. Finally, as late as in August 2008, ie after a delay of 34 months from the date of suggestion of SE/GCC in October 2005, it was decided (August 2008) to use the free arm of the existing 230 KV DC Mettur-Hosur line from Loc.1 to 100 and to erect 110 KV SC line to the proposed Uddanapally SS which was completed at ₹3.85 crore against the original estimate of ₹8.43 crore. This indicated lack of proper planning, coordination	53	12.46	4.37

Sl. No.	Name of the substation	Name of the circle	Ratio	Power transformer capacity in MVA	Original proposal (month)	Proposal	Adminis-trative approval	Estimated Cost(₹ in crore)	Revised estimate	Envisaged line loss(in MUs/per annum)	Date of Commissioning	Audit observation	Delay in months	Savings forgone line loss (in MUs)	Value (at the rate of ` 3.51 per unit)
												among the various authorities involved and absence of thorough scrutiny on the technicalities causing indecisiveness causing delay in implementing projects.			
7	Pappireddypatty	Dharmapuri	110/33-11	1*10 and 2*16	Jul-07	In order to eliminate low voltage problems and to provide alternative feeding for the nearby substations viz Kalipettai 33/11 KV UMSS and Pudupatty 33/11 KV UMSS the existing 33/11 KV SS was proposed to be upgraded to 110/33-11 KV SS	May-08	13.68	9.84	1.036	Work yet to be started	Though GCC was informed as early as in August 2008, the work is yet to be started. The reasons for delay are not on record. Due to this delay the existing power transformers are over loaded and the tripping index was very high in the range of 0.67 and 0.85 against the norm of 0.5 fixed by TNERC and the voltage at tail end in the exisiting feeders are very high at ranging between 35.81 *per cent* and 37.08 *per cent* against the norm of 8 *per cent.*	25	2.16	0.76

Sl. No.	Name of the substation	Name of the circle	Ratio	Power transformer capacity in MVA	Original proposal (month)	Proposal	Adminis-trative approval	Esti-mated Cost (₹ in crore)	Revi-sed esti-mate	Envisa-ged line loss(in MUs/per annum)	Date of Commissioning	Audit observation	Delay in months	Savings forgone line loss (in MUs)	Value (at the rate of ` 3.51 per unit)
8	Pudupattu	Villupuram	110/22	1*16	Dec-05	To reduce the existing loads in Sankarapuram and Ariyalur Sub-Station and also to redress the low voltage problem in the Serapattu area in Kalvaroyan Hills.The supply to the above SS was proposed to be fed by LILO off Kallakurichi – Sankarapuram 110 KV line at Solampatti village.	Feb-08	8.04	19.35	0.51	11.12.2009	The land was handed over to GCC in December 2006. As the proposed source line requied lengethening of the feeder abour 44 KMs, and alternative source from Thrivannamalai SS via Thndrampatty 110 KV SS with a shorter route length was indentified and revised sanction was accorded in February 2008. Further, there was a delay in awarding the contract due to change in the methodology of execution i.e, either to go for trun key basis or to execute departmentally(K2 agreement). This indicated laxity in preparing feasibilty report and lack of planning.	26	1.11	0.39

Sl. No.	Name of the substation	Name of the circle	Ratio	Power transformer capacity in MVA	Original proposal (month)	Proposal	Adminis-trative approval	Esti-mated Cost (₹ in crore)	Revi-sed esti-mate	Envisa-ged line loss(in MUs/per annum)	Date of Commissioning	Audit observation	Delay in months	Savings forgone line loss (in MUs)	Value (at the rate of ` 3.51 per unit)
9	Nagalur	Villupuram	110/22	1*16	Aug-05	To improve the tail end voltage regulation of Nagalur feeder and to release load from Thiagadurugam and Chinnasalem Sub-Station	NA	4.53	NA	3.35	23.2.2009	Though the technical sanction was accorded in September 2005 itself, the land was handed over to GCC, Salem only in July 2006. Further, GCC had taken a nearly 26 months for construction; after completion of work in September 2008, the power transformer found to be defective and the same was repaired and put back to service on 23.2.2009 causing a overall time for commissioing. This indicated delay in execution and lack of effective testing of power transformer before issuing qality approval to the supplier.	21	5.86	2.05
	TOTAL													**34.98**	**12.29**

ANNEXURE-18

(Referred to in Paragraph 2.2.26)

Statement showing targets and actual performance of Inspection team of Circle Office and the Enforcement Wing for the five years ending 31 March 2011

Performance of the Inspection Wing of the Circle Office

Year	Number of checking (in lakh)		Percentage of actuals to targets	Assessed amount (₹ in lakh)		Amount realised (₹ in lakh)	Pending realisation (₹ in lakh)	Percentage of realisation to the outstanding amount
	Targets	Actual		Opening balance	Current year assessment			
2006-07	42.15	25.18	60	5,653.81	295.19	373.89	5,575.11	6.28
2007-08	48.67	32.05	66	5,575.11	2,044.67	513.83	7,105.95	6.74
2008-09	50.02	30.93	62	7,105.95	726.90	613.64	7,219.21	7.83
2009-10	42.49	37.64	89	7,219.21	3,027.96	1,277.21	8,969.96	12.46
2010-11	48.97	37.70	77	8,969.96	1,679.30	1,699.02	8,950.24	15.95

Performance of the raid teams

(₹ in crore)

Sl. No.	Year	Target at 5 *per cent* of number of consumers (in lakh)	Number of consumers actually checked (in lakh)	Percentage of checking to with reference to target	Assessed amount	Realised amount	Unrealised amount	Percentage of realisation to the assessed amount
1	2006-07	9.53	1.19	12.49	14.13	10.24	3.89	72
2	2007-08	10.08	1.23	12.20	14.01	12.25	1.76	87
3	2008-09	10.32	1.28	12.40	17.50	15.68	1.82	90
4	2009-10	N.A♣	N.A	N.A	48.12	29.11	19.01	60
5	2010-11	N.A♣	N.A	N.A	50.71	35.77	14.94	70
	TOTAL				**144.47**	**103.05**	**41.42**	

♣ For the year 2009-10 and 2010-11, instead of the physical target financial target of ₹35 crore and ₹150 crore respectively was fixed.

ANNEXURE-19

(Referred to in paragraph 3.18.1)

Statement showing paragraphs / performance audit reports for which explanatory notes were not received

Sl. No.	Name of the Department	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	Total
1.	Energy	---	---	---	---	---	---	---	--	7	**7**
2.	Co-operation, Food and Consumer Protection	---	---	---	---	---	---	---	---	2	**2**
3.	Highways and Minor ports	---	---	---	---	---	---	----	---	1	**1**
4.	Industries	1	---	---	---	---	---	---	2	3	**6**
5.	Micro, Small and Medium Enterprises	---	---	---	---	---	---	---	---	2	**2**
6.	Transport	---	---	---	---	---	---	---	---	1	**1**
7.	Prohibition and Excise	---	---	---	---	---	---	---	---	1	**1**
8.	Information Technology	---	---	---	---	---	---	---	---	2	**2**
9.	Agriculture	---	---	---	---	---	---	---	---	1	**1**
	TOTAL	**1**	**---**	**---**	**---**	**---**	**---**	**---**	**2**	**20**	**23**

ANNEXURE-20

(Referred to in paragraph 3.18.3)

Statement showing the Department-wise outstanding inspection reports

Sl. No	Name of Department	Number of PSUs	Number of outstanding IRs	Number of outstanding paragraphs	Years from which paragraphs outstanding
1.	Industries	10	24	62	2005-06
2.	Micro, Small and Medium Enterprises	4	8	22	2005-06
3.	Information Technology	4	9	47	2005-06
4.	Information and Tourism	2	2	2	2009-10
5.	Agriculture	1	1	3	2007-08
6.	Prohibition and Excise	1	4	13	2007-08
7.	Rural Development and Panchayatraj	2	5	12	2006-07
8.	Energy	4	591	2,395	2004-05
9.	Transport	5	6	23	2007-08
10.	Animal Husbandry	1	2	2	2007-08
11.	Health and Family Welfare	3	7	15	2005-06
12.	Adi Dravidar and Tribal Welfare	1	3	15	2006-07
13.	Backward Classes, Most Backward Classes and Minority Welfare	2	3	5	2007-08
14.	Public (Ex-servicemen)	1	3	3	2007-08
15.	Home	1	1	1	2009-10
16.	Public Works	1	1	10	2007-08
17.	Highways and Minor Ports	2	7	53	2006-07
18.	Handloom, Handicrafts, Textiles and Khadi	3	5	12	2007-08
19.	Environment and Forests	2	3	5	2006-07
20.	Co-operation, Food and Consumer Protection	2	3	3	2010-11
	Grand Total	**52**	**688**	**2,703**	

ANNEXURE-21

(Referred to in paragraph 3.18.3)

Statement showing the Department-wise draft paragraphs / performance audit reports, reply to which were awaited

Sl. No	Name of Department	Number of draft paragraphs	Number of reviews	Period of issue
1.	Industries		1	August 2011
2.	Energy	8	1	May, June and August 2011
3.	Information Technology	5	---	May and June 2011
4.	Health and Family Welfare	1	---	June 2011
	TOTAL	**14**	**2**	