सत्यमेव जयते

Report of the Comptroller and Auditor General of India on Public Sector Undertakings for the year ended March 2013

Government of Tamil Nadu

Report No.1 of 2014

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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 Corporation and
- Departmentally managed commercial undertakings.

2. This Report deals with the results of audit of Government companies and Statutory Corporation 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.

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 Warehousing Corporation, which is a Statutory 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 Report on the annual accounts of Tamil Nadu Electricity Regulatory Commission is 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 2012-13 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 2012-13 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 Corporations

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 the CAG. These accounts are also subject to supplementary audit conducted by the CAG. Audit of Statutory Corporations is governed by their respective legislations. As on 31 March 2013, the State of Tamil Nadu had 64 working PSUs (63 companies and one Statutory Corporation) and 13 non-working PSUs (all companies), which employed 2.80 lakh employees. The State PSUs registered a turnover of ₹ 70,673.64 crore as per their latest finalised accounts. This turnover was equal to 9.49 per cent of State's Gross Domestic Product indicating the important role played by State PSUs in the economy. The PSUs had accumulated losses of ₹ 38,233.61 crore as per their latest finalised accounts.

Investment in PSUs

As on 31 March 2013, the investment (capital and long term loans) in 77 PSUs was ₹ 83,235.55 crore. Power sector accounted for 92.23 per cent of total investment and Service sector 3.20 per cent in 2012-13. The Government contributed ₹ 13,917.89 crore towards equity, loans and grants/subsidies during 2012-13.

Performance of PSUs

As per latest finalised accounts, out of 64 working PSUs, 43 PSUs earned a profit of ₹ 615.29 crore and 19 PSUs incurred a loss of ₹ 14,232.03 crore. The major contributors to profit were State Industries Promotion Corporation of Tamil Nadu Limited (₹ 182.32 crore), Tamil Nadu Power Finance and Infrastructure Development Corporation Limited (₹ 95.72 crore), Tamil Nadu Newsprint and Papers Limited (₹ 91.48 crore), Tamil Nadu Industrial Investment Corporation Limited (₹ 35.04 crore) and TIDEL Park Limited, Chennai (₹ 34.98 crore). In respect of Tamil Nadu Civil Supplies Corporation Limited and Tamil Nadu Transmission Corporation Limited, the loss is compensated by the State Government and Tamil Nadu Generation and Distribution Corporation Limited, respectively. Heavy losses were incurred by Tamil Nadu Generation and Distribution Corporation Limited (₹ 13,321.33 crore) and all the eight State Transport Corporations (₹ 856.52 crore).

Audit noticed various deficiencies in the functioning of PSUs. The Audit Reports of the CAG for the last three years (2010-2013) reflect losses to the extent of ₹ 3,282.85 crore and infructuous investments of ₹ 216.96 crore by State PSUs. This could have been controlled with better management. Thus, there is tremendous need and scope to improve the functioning and enhance profits. The PSUs can discharge their role better, if they are financially self-reliant. Greater professionalism and accountability in the functioning of PSUs is also called for.

Arrears in accounts and winding up

21 working PSUs had arrears of 25 accounts as of 30 September 2013, of which four accounts pertained to earlier years and the remaining were 2012-13 accounts. There were 13 non-working PSUs including two under liquidation. The Government may expedite closing down non-working companies for which closure/liquidation orders were already issued and for balance companies take appropriate action after exercising due diligence.

Quality of accounts

The quality of accounts of PSUs needs improvement. During the year, out of 64 accounts finalised, the Statutory Auditors of Government companies had given unqualified certificates for 34 accounts, qualified certificates for 29 accounts and disclaimer in respect of one account. There were 47 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

Performance Audit on the Augmentation of Thermal Generation Capacity of Tamil Nadu Generation and Distribution Corporation Limited

During XI Five Year Plan (2007-12), the State of Tamil Nadu planned capacity addition of 7,808 MW to meet the deficit of power. This included 3,270 MW of capacity addition by TANGEDCO of which 2,500 MW of power was proposed to be from four thermal projects. While the two thermal projects at North Chennai Thermal Power Station Stage-II (2 X 600 MW) (NCTPP) and Mettur Thermal Power Station Stage-III (1 X 600 MW) (MTPP) have already suffered time overrun of 24 to 31 months, the balance projects were either not taken up or abandoned midway. Consequently, the actual capacity addition of TANGEDCO by the end of March 2012 was only 112 MW which were from hydel and gas based power stations and increased to 712 MW due to completion of MTPP in October 2013. To assess the efficiency and effectiveness of implementation of thermal projects, a Performance Audit was taken up from April to August 2013.

Pre-implementation arrangements, planning and financial tie-ups

- *TANGEDCO did not formulate any pre-order criteria, for implementation of the projects by laying down activity-wise schedules for each pre-order activity and took 28 months for finalising investment approval after getting administrative approval for the projects.*
- *TANGEDCO obtained coal linkage for all the three units when their capacity was fixed as 500 MW each. After enhancement of capacity of the units to 600 MW each, it did not obtain the enhanced coal linkage from Ministry of Coal, Government of India implying that it would have to be dependent on imported coal for additional capacity of 100 MW each for these units.*

Cost estimation and project financing

- *TANGEDCO did not pass on the additional interest burden of ₹ 58.68 crore to BHEL as per the contractual terms.*
- *In respect of MTPP, arrangement of the project finance in two spells instead of in one spell led to avoidable interest burden of ₹33.16 crore.*
- *TANGEDCO could not avail interest rebate of ₹36.14 crore from Power Finance Corporation/Rural Electrification Corporation due to delay in completion of the projects.*

Award of contracts

- *Award of contract for Unit-I of NCTPP to BHEL under Engineering, Procurement, Construction -cum-Finance basis by TANGEDCO deviated from the guidelines of National Electricity Plan (NEP), 2007 which did not allow arrangement of financing packages from the manufacturers/suppliers as it could reduce competition among the bidders.*
- *TANGEDCO could not avail the benefits of Mega Power Projects due to award of NCTPP unit-II on nomination basis instead of under International Competitive Bidding (ICB) route as required.*

Project management

- *There were delays up to 718 days in approving the drawings furnished by the contractor of MTPP and delays of 12 and 22 months in furnishing the Project Authority Certificate and Essentiality Certificate respectively, in respect of NCTPP which was essential for importing the equipment required for the project.*
- *Ambiguity in tender specification regarding Railway siding led to stoppage of work from April 2010 to June 2012 and avoidable cost escalation of ₹3.71 crore.*
- *The guidelines of Ministry of Environment and Forests (MOEF) with regard to zero discharge outside the plant boundary were not adhered to.*
- *Incorrect choice of installation of semi-wet bottom ash handling system instead of dry system would result in loss of revenue of ₹14.15 crore per annum.*
- *Due to non-readiness of the ash handling system, the excessive usage of oil to generate steam led to additional expenditure of ₹63.71 crore.*

Supporting services

- *Construction of the third dedicated coal berth at Ennore Port was delayed and expected to be completed only in 2015-16. The present contingency plan to operate coal berth of a private firm would result in additional expenditure of ₹6.55 crore per annum.*

Non-adherence to pollution control requirement

- *Construction of intake sea water channel for NCTPP was completed without obtaining the required permission from Coastal Regulatory Zone (CRZ)/Pollution Control Authorities.*
- *Installation of Effluent Treatment Plant required for segregation of oil waste was not completed as prescribed by the Tamil Nadu Pollution Control Board (TNPCB).*

Conclusion

- *Delay of more than two years in completion of these projects was due to (i) planning deficiencies such as not firming up the size of the projects and mode of execution, non-synchronisation of water facility, etc., and (ii) delays in implementation on account of delay in approval of drawings, issue of Project Authority Certificate/Essentiality Certificate and stoppage of work for more than two years due to incorrect tender specifications for railway siding etc. Delays in coal handling and ash handling systems were also noticed.*
- *The project monitoring was deficient as dedicated project monitoring team was not constituted as envisaged and the project monitoring information system included in the scope of work of EPC contractors was not implemented till date (December 2013).*
- *Despite delays in project execution, TANGEDCO did not fix the responsibility for the delays either at its end or on the EPC contractors.*
- *Due to delay in completion of thermal projects with a capacity of 1,800 MW, the State was deprived of TANGEDCO's own generation to the extent of 22,557 Million Units. This resulted in purchase of power from other costlier sources.*

Recommendations

TANGEDCO should:

- *have a plan for pre-order activities.*
- *prepare accurate and realistic tender specifications.*
- *comply with environmental norms for disposal of effluents.*
- *expedite implementation of ash handling, coal handling and other supporting facilities for thermal projects and*
- *continuously monitor the progress of projects to ensure timely completion.*

3 Compliance Audit Observations

Audit observations included in the Report highlight deficiencies in the management of Public Sector Undertakings with sizeable financial implications. Irregularities pointed out include the following:

Extension of undue benefit of ₹53.85 crore to three Information Technology (IT) companies, a private firm and contractors.

(Paragraphs 3.2 to 3.5)

Loss of ₹283.84 crore due to purchase of power by TANGEDCO at higher rates in contravention of the Government/Tamil Nadu Electricity Regulatory Commission's directives, incorrect interpretation of statutory provisions for effecting HT power supplies *etc.*

(Paragraphs 3.7 to 3.14)

Three State Transport Undertakings purchased On Board Units for tracking of buses without financial arrangement for their operation resulting in blocking up of investment of ₹1.95 crore.

(Paragraph 3.6)

Some of the important Audit observations are given below:

IT Specific Special Economic Zone ventures taken up by **Electronics Corporation of Tamil Nadu Limited** had deficiencies such as absence of feasibility studies and Detailed Project Reports, establishment of two SEZs in unsuitable location of mining and rocky areas. Further, two SEZs were formed in the same area without ascertaining market potential. Consequently, the Company could market only 37 *per cent* of the developed lands and 13 *per cent* of IT space to allottees after completion of six SEZs between March 2010 and May 2011.

(Paragraph 3.1)

State Industries Promotion Corporation of Tamil Nadu Limited extended unintended benefit of ₹43.27 crore by not adopting current market rates in the allotments made to three IT companies.

(Paragraph 3.2)

TIDEL Park Coimbatore Limited and TICEL Bio-Park Limited paid interest free mobilisation advance of ₹47.13 crore to private contractors in violation of Tamil Nadu Transparency in Tenders Act, 1998 and suffered interest loss of ₹4.35 crore.

(Paragraph 3.3)

Tamil Nadu Generation and Distribution Corporation Limited

Purchased power from a private trader at higher rates in contravention of the directives of the State Government and Tamil Nadu Electricity Regulatory Commission (TNERC) resulting in avoidable extra expenditure of ₹254.05 crore.

(Paragraph 3.7)

Failed to explore the coal mine allotted for two of its upcoming thermal projects resulting in de-allocation of the coal blocks and loss of ₹12.19 crore.

(Paragraph 3.8)

Failed to avail the entitled benefits of Clean Development Mechanism from the private power producers resulting in loss of revenue of ₹11.72 crore.

(Paragraph 3.9)

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, PSUs occupy an important place in the State economy. The State PSUs registered a turnover of ₹70,673.64 crore[1] for 2012-13 as per the latest finalised accounts (September 2013). This turnover was equal to 9.49 *per cent* of the State Gross Domestic Product (GDP) of ₹7,44,474 crore for 2012-13. Major activities of the State PSUs are concentrated in Power, Transport and Other Service sectors. The working PSUs incurred an aggregate loss of ₹13,616.74 crore as per the latest accounts finalised (September 2013). They had 2.80 lakh[2] employees as of 31 March 2013.

1.2 As on 31 March 2013, there were 77 PSUs (76 companies and one Statutory Corporation) as per the details given below. Of these, two[3] companies were listed on the stock exchange(s).

Type of PSUs	Working PSUs	Non-working PSUs[4]	Total
Government Companies[5]	63	13	76
Statutory Corporation	1	---	1
Total	**64**	**13**	**77**

1.3 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 subsidiaries. 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.

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1 14 companies finalised their accounts for the years other than 2012-13.
2 As per the details provided by 64 PSUs.
3 Tamil Nadu Newsprint and Papers Limited and Tamil Nadu Industrial Explosives Limited.
4 Non-working PSUs are those which have ceased to carry on their operations.
5 Includes 619-B companies.

1.4 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 the CAG as per the provisions of Section 619 of the Companies Act, 1956.

1.5 Audit of the Statutory Corporation is governed by its respective legislation. CAG was the sole auditor for Tamil Nadu Electricity Board (TNEB) till its reorganisation (October 2010) and trifurcation of TNEB into three companies *viz.*, TNEB Limited, Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO) and Tamil Nadu Transmission Corporation Limited (TANTRANSCO). At present, in Tamil Nadu, there is only one Statutory Corporation *viz.*, Tamil Nadu Warehousing Corporation. Its Audit is conducted by Chartered Accountants and supplementary audit by the CAG in pursuance of the State Warehousing Corporation Act, 1962.

Investment in State PSUs

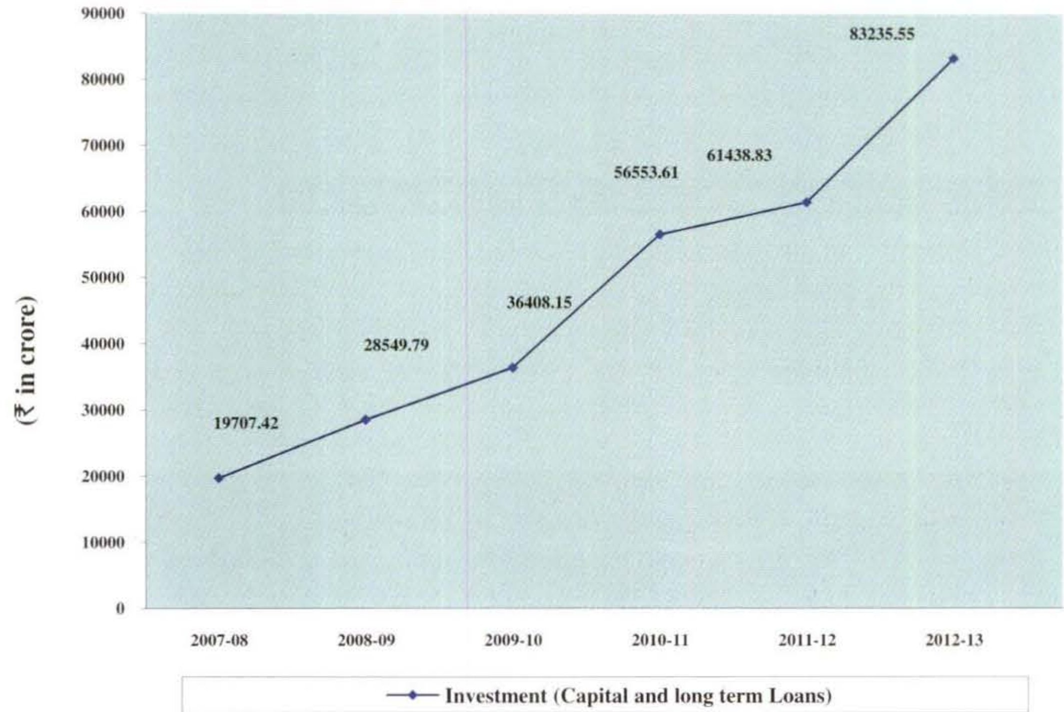
1.6 As on 31 March 2013, investment (capital and long-term loans) in 77 PSUs (including 619-B companies) was ₹83,235.55 crore as per details given below:

(₹ in crore)

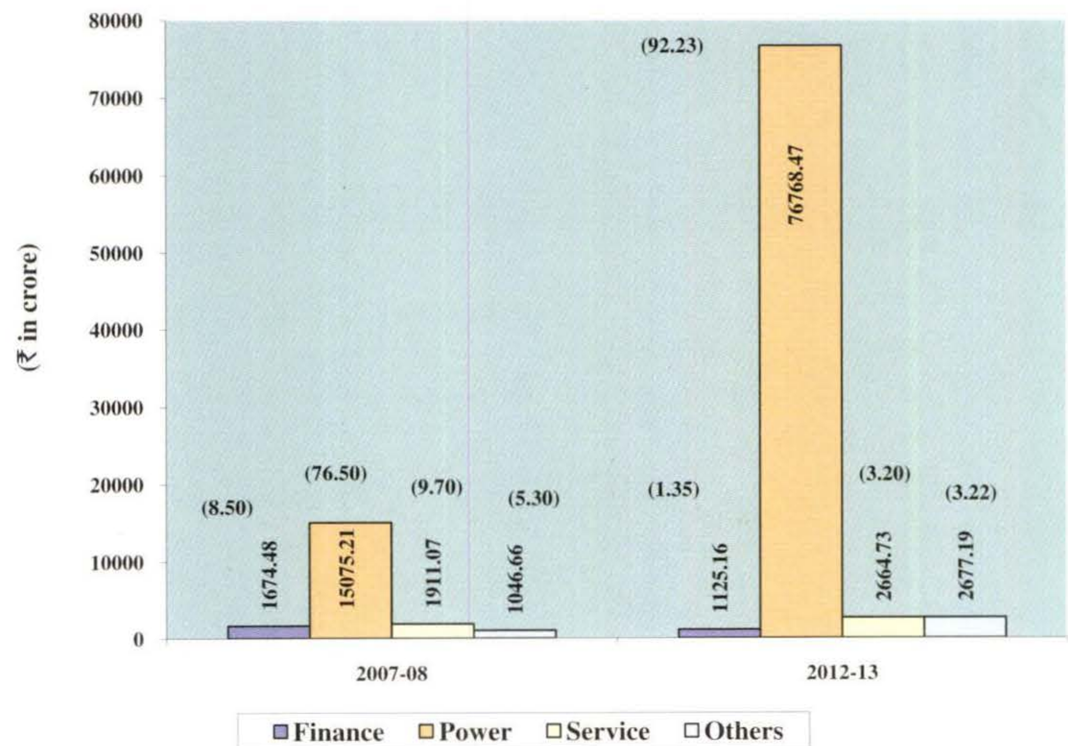
Type of PSUs	Government companies			Statutory Corporation			Grand total
	Capital	Long term loans	Total	Capital	Long term loans	Total	
Working PSUs	21,106.78	61,918.04	83,024.82	7.61	---	7.61	83,032.43
Non-working PSUs	77.08	126.04	203.12	---	---	---	203.12
Total	**21,183.86**	**62,044.08**	**83,227.94**	**7.61**	**---**	**7.61**	**83,235.55**

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

1.7 As on 31 March 2013, 99.76 *per cent* of the total investment in the State PSUs, was in working PSUs and the remaining 0.24 *per cent* was in non-working PSUs. This total investment consisted of 25.46 *per cent* towards capital and 74.54 *per cent* in long-term loans. The investment has grown by 322.36 *per cent* from ₹19,707.42 crore in 2007-08 to ₹83,235.55 crore in 2012-13 due to huge loans availed by State Transport Undertakings and Power Companies from sources like banks and other financial institutions as shown in the graph below:



1.8 Investments in various important sectors and percentage thereof at the end of 31 March 2008 and 31 March 2013 are indicated below:



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

The investment in power sector was the highest which had increased by 409.24 *per cent* from ₹15,075.21 crore in 2007-08 to ₹76,768.47 crore in the year 2012-13 taking the share in the total investment from 76.50 *per cent* in 2007-08 to 92.23 *per cent* in 2012-13.

Budgetary outgo, grants/subsidies, guarantees and loans

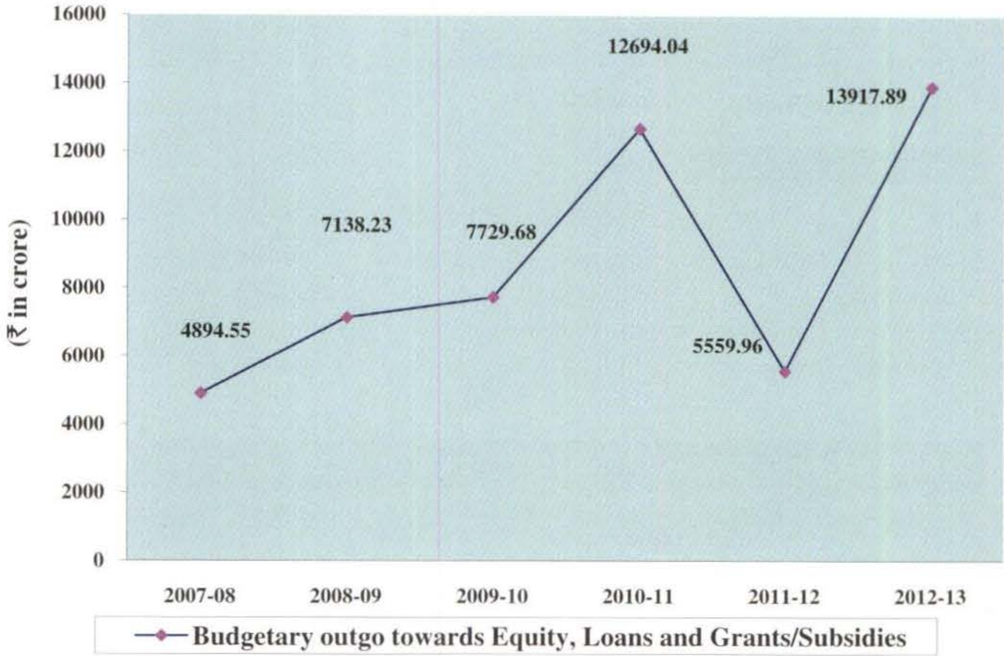
1.9 Details regarding budgetary outgo towards equity, loans, grants/ subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of the State PSUs during the year are given in **Annexure-3**. Summarised details for three years ended 2012-13 are given below:

(₹ in crore)

Sl. No.	Particulars	2010-11		2011-12		2012-13	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1	Equity capital outgo from budget	12	5,731.34	12	1,556.98	13	885.50
2	Loans given from budget	5	111.11	7	1,647.41	1	3,261.00
3	Grants/subsidy received	15	6,851.59	18	2,355.57	19	9,771.39
4	**Total outgo (1+2+3)**	**24**[6]	**12,694.04**	**26**[6]	**5,559.96**	**24**[6]	**13,917.89**
5	Loans converted into equity	1	1,235.13	---	---	---	---
6	Loans written off	---	---	---	---	1	0.98
7	Interest/penal interest written off	3	201.63	---	---	1	0.05
8	Total waiver (6+7)	4	201.63	---	---	1	1.03
9	Guarantees issued	4	86.05	3	4,003.69	6	28,671.09
10	Guarantee commitment	12	5,941.77	12	9,721.89	11	16,951.26

1.10 Details regarding budgetary outgo towards equity, loans and grants/subsidies for past six years are given in a graph below:

6 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.



Budgetary support in respect of equity, loans and grants/subsidies showed an increasing trend from 2007-08 to 2012-13 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.

1.11 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 2012-13, guarantee commission of ₹276.75 crore was payable by 11 PSUs. Out of this amount, ₹276.01 crore remained unpaid which included ₹275.77 crore in respect of TANGEDCO.

Absence of accurate figure for investment in PSUs

1.12 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 2013 is stated below:

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	10,740.40	11,740.07	999.67
Guarantees	23,379.61	16,951.26	6,428.35

1.13 Audit observed that the differences occurred in 11 PSUs and 6 PSUs in respect of equity and guarantees, respectively. Reconciliation of difference was pending since April 2004 in case of one PSU[7]. The Principal Secretary to Government of Tamil Nadu, Finance Department was addressed (August 2013) and his attention was drawn to the need for reconciliation of figures in

[7] Tamil Nadu Sugar Corporation Limited.

Finance Accounts and as furnished by the companies in their respective accounts. The Government and PSUs may take concrete steps to reconcile the differences in a time bound manner.

Performance of PSUs

1.14 Financial results of PSUs, financial position and working results of working Statutory Corporation are detailed in **Annexures 2, 5 and 6** respectively. A ratio of PSUs' turnover to State GDP shows that PSUs' activities in the State economy is significant. The table below provides details of working PSUs' turnover *vis-a-vis* State GDP for the period 2008-13.

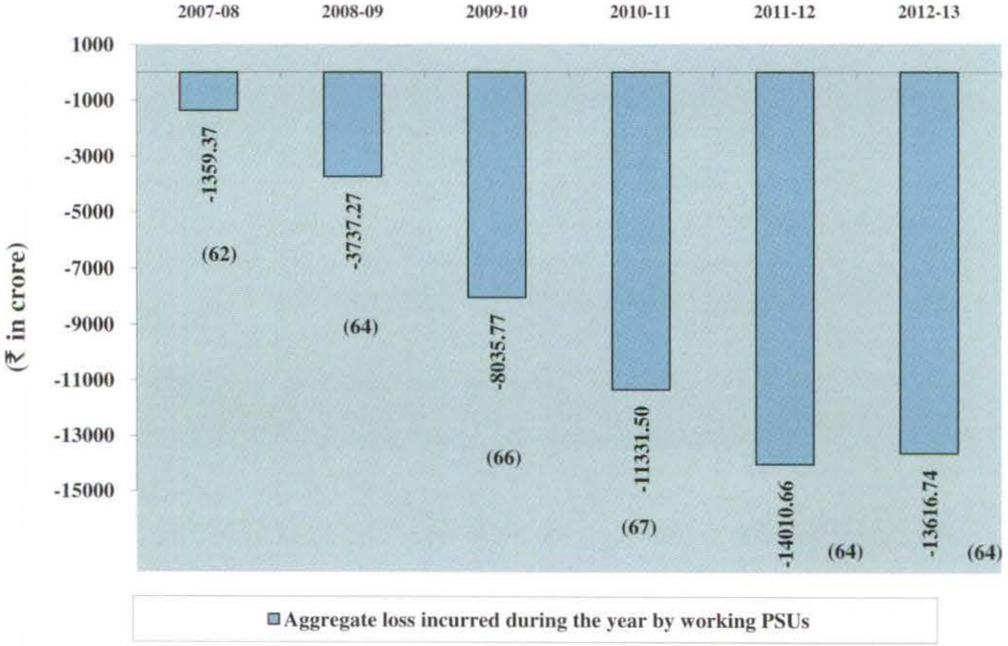
(₹ in crore)

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Turnover[8]	38,040.09	42,534.33	47,578.39	55,193.64	65,804.92	70,673.64
State GDP	2,79,287	2,28,479	2,41,122	5,47,267	6,39,025	7,44,474
Percentage of turnover to State GDP	13.62	18.62	19.73	10.09	10.30	9.49

(Figures of State GDP for 2012-13 are advance estimates reset with base year as 2004-05).

Turnover of PSUs has increased continuously from 2007-08 to 2012-13 and increased by 85.79 *per cent* in 2012-13 as compared to 2007-08. Percentage of PSUs' turnover to State GDP increased from 2007-08 to 2009-10 but declined thereafter upto 2012-13.

1.15 Losses incurred by working PSUs of the State during the period 2008-13 as per their latest finalised accounts is given below:



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

[8] Turnover as per the latest finalised accounts as of 30 September 2013.

Working PSUs of the State collectively incurred continuous losses from 2007-08 to 2012-13 which increased from ₹1,359.37 crore to ₹13,616.74 crore during the same period though there is a marginal decrease in 2012-13 as compared to the previous year 2011-12.

As per the latest finalised accounts, out of 64 working PSUs, 43 PSUs earned a profit of ₹615.29 crore and 19 PSUs incurred a loss of ₹14,232.03 crore. In respect of Tamil Nadu Civil Supplies Corporation Limited, the entire deficit of income is compensated by the State Government in the form of subsidy. In respect of TANTRANSCO, the entire expenditure is reimbursed by TANGEDCO on actual basis till further orders of Tamil Nadu Electricity Regulatory Commission on determination of tariff for transmission charges.

The accounts finalised as of 30 September 2013 indicate that major contributors to profit were State Industries Promotion Corporation of Tamil Nadu Limited (₹182.32 crore), Tamil Nadu Power Finance and Infrastructure Development Corporation Limited (₹95.72 crore), Tamil Nadu Newsprint and Papers Limited (₹91.48 crore), Tamil Nadu Industrial Investment Corporation Limited (₹35.04 crore) and TIDEL Park Limited, Chennai (₹34.98 crore). Heavy losses were incurred by Tamil Nadu Generation and Distribution Corporation Limited (₹13,321.33 crore) and all the eight[9] State Transport Corporations (₹856.52 crore).

1.16 Losses of working PSUs are mainly attributable to deficiencies in financial management, planning, implementation of project, operations and monitoring. The Audit Reports of the CAG for the three years ending March 2013 reflect losses to the extent of ₹3,282.85 crore and infructuous investments of ₹216.96 crore by State PSUs. This could have been controlled with better management. Year-wise details from Audit Reports are stated below:

(₹ in crore)

Particulars	2010-11	2011-12	2012-13	Total
Net loss	11,331.50	14,010.66	13,616.74	38,958.90
Controllable losses as per the CAG's Audit Report	1,322.42	1,343.99	616.44	3,282.85
Infructuous investment	38.89	176.12	1.95	216.96

1.17 The above losses pointed out in 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 better if they are financially self-reliant. The above financial situation points towards a need for greater professionalism and accountability in the functioning of PSUs.

[9] Serial Number 55 to 62 of Annexure-2.

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

(₹ in crore)

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Return on capital Employed (*per cent*)	0.17	NIL[10]	NIL	NIL	NIL	NIL
Debt	16,136.56	23,878.24	30,902.55	46,792.10	43,157.68	62,044.08
Turnover	38,040.09	42,534.33	47,578.39	55,193.64	65,804.92	70,673.60
Debt/turnover ratio	0.42:1	0.56:1	0.64:1	0.85:1	0.66:1	0.88:1
Interest payments	1,582.58	2,059.37	3,397.17	4,436.43	5,808.14	6,649.97
Accumulated losses	9,324.65	13,207.60	21,297.39	33,621.12	59,636.87	38,233.61

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

1.19 The State Government has not formulated a dividend policy for payment of minimum dividend. As per the finalised accounts as of 30 September 2013, 43 State PSUs earned an aggregate profit of ₹615.29 crore and 11 PSUs declared a total dividend of ₹74.51crore. Of this, major contributors of the dividend were Tamil Nadu Newsprint and Papers Limited (₹34.61 crore), State Industries Promotion Corporation of Tamil Nadu Limited (₹14.48 crore) and TIDEL Park Limited, Chennai (₹13.20 crore) aggregating to ₹62.29 crore, which worked out to 83.60 *per cent* of total dividend paid (₹74.51 crore) during the year 2012-13.

Arrears in finalisation of accounts

1.20 Annual accounts of Companies 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, the accounts are to be finalised, audited and presented to the Legislature as per the provisions of their respective Acts. The table below provides details of progress made by working PSUs in finalisation of accounts by September 2013.

SL. No.	Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
1.	Number of working PSUs	64	66	67	64	64
2.	Number of accounts finalised during the year	54	61	63	67	64
3.	Number of accounts in arrears	31	35	39	25	25
4.	Number of working PSUs with arrears in accounts	20	19	26	21	21
5.	Extent of arrears (years)	1 to 7	1 to 8	1 to 9	1 to 3	1 to 3

1.21 In addition to the above, there were arrears in finalisation of accounts by non-working PSUs. Out of 13 non-working PSUs, two[11] PSUs had gone

[10] NIL indicates that Return on Capital Employed was negative during those years.

[11] Tamil Nadu Steels Limited and Tamil Nadu Magnesium and Marine Chemicals Limited.

into liquidation. Tamil Nadu Goods Transport Corporation Limited and Tamil Nadu Institute of Information Technology Limited have submitted winding up proposals and hence their accounts are not considered due. Three[12] Companies have submitted their accounts for the year 2012-13 and six[13] PSUs are in arrears from one to eleven years.

1.22 As of September 2013, the State Government has invested ₹17,161.93 crore (Equity:₹4,400.29 crore, Loans:₹3,263.52 crore, Grants:₹137.30 crore and Subsidy: ₹9,360.82 crore) in 11 PSUs (including one non-working PSU) during the years for which accounts have not been finalised (**Annexure-4**). In the absence of accounts and their audit, investments and expenditure incurred cannot be vouchsafed.

1.23 Administrative departments overseeing the activities of these entities have also to ensure that accounts are finalised and adopted by these PSUs within the prescribed period. The Principal Accountant General, Economic & Revenue Sector Audit , Tamil Nadu (PAG) has brought out the position of the arrears of accounts to the notice of the concerned administrative departments every quarter. Arrears in accounts were noticed in 21 working PSUs upto 2012-13. Their net worth could not be assessed in Audit. The matter was also brought to the notice of the Chief Secretary/Finance Secretary, Government of Tamil Nadu in the Apex Committee meeting held in April 2013 by the PAG.

1.24 It is, therefore, recommended that 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

1.25 There were 13 non-working PSUs (all Companies) as on 31 March 2013. Liquidation process had commenced in two[14] PSUs. The number of non-working Companies at the end of each year during the past five years is given below:

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
Number of non-working companies	11	11	9	13	13

12 Tamil Nadu Graphites Limited, State Engineering and Servicing Company of Tamil Nadu Limited and Tamil Nadu Sugarcane Farms Corporation Limited

13 1. Tamil Nadu Agro Industries Development Corporation Limited, 2. Tamil Nadu Poultry Development Corporation Limited, 3. Tamil Nadu Leather Development Corporation Limited, 4. Tamil Nadu Film Development Corporation Limited, 5. Tamil Nadu State Construction Corporation Limited and 6.Southern Structurals Limited.

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

1.26 Details of closure stages in respect of 13[15] non-working PSUs are given below:

Sl. No.	Particulars	Companies
1.	Liquidation by Court (liquidator appointed)	2
2.	Voluntary winding up	4
3.	Closure, *i.e.*, closing orders/instructions issued but liquidation process has not yet started.	3
4.	Merger orders issued and pending implementation	2
5.	Others	2

1.27 The process of voluntary winding up of companies under the Companies Act is much faster and needs to be pursued vigorously. However, there was delay in closure of these companies 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 regarding merger pending with Registrar 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 for which the approval of Company Law Board was awaited. The Government may consider expediting closing down its non-working companies for which closure/liquidation orders have already been issued. As regards the remaining companies, the Government may take appropriate action after exercising due diligence.

Adverse comments on the accounts and Internal Audit of PSUs

1.28 Fifty six working companies forwarded their 63 accounts to PAG during 2012-13. 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	2010-11		2011-12		2012-13	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	8	134.03	8	27.70	9	53.40
2.	Increase in profit	4	1.78	2	2.90	4	286.70

15 As of 30 September 2013.

Sl. No.	Particulars	2010-11		2011-12		2012-13	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
3.	Increase in loss	10	89.56	14	8,704.64	12	9,117.30
4.	Decrease in loss	3	65.50	2	0.97	2	47.86
5.	Non-disclosure of material facts	2	---	---	---	3	69.57
6.	Errors of classification	1	13.07	2	2.89	2	172.90

1.29 During the year 2012-13, Statutory Auditors had given unqualified certificates for 34 accounts and qualified certificates for 29 accounts and disclaimer in respect of one Company. Compliance of the Accounting Standards (AS) by the companies remained poor. There were 47 instances of non-compliance with AS in 19 accounts during the year.

1.30 Some of the important comments are stated below:

State Transport Undertakings (2012-13)

- All the eight[16] STUs collectively did not provide for pension to the extent of ₹8,792.40 crore on actuarial basis as mandated in AS-15.

State Express Transport Corporation Limited (2012-13)

- The Company did not provide for penalty of ₹13.64 crore towards non-payment of employees contribution (₹114.34 crore) and its contribution (₹54.57 crore) to Provident Fund Trust.

Tamil Nadu Tea Plantation Corporation Limited (2012-13)

- The Company did not provide for the additional contribution to the Gratuity Fund based on actuarial valuation as mandated in AS-15 amounting to ₹23.95 crore resulting in understatement of loss.

Electronics Corporation of Tamil Nadu Limited (2012-13)

- The upfront lease rent (₹279.58 crore) received for allotment of plots in Special Economic Zones was not treated as income resulting in understatement of profit and over statement of current liabilities and provisions.
- Incorrect classification of the value of the saleable land as fixed assets instead of as stock-in-trade resulted in overstatement of fixed assets and understatement of current assets by ₹113.24 crore.

Tamil Nadu Generation and Distribution Corporation Limited (2011-12)

- Non-provision of ₹67.79 crore payable to windmill generators towards cost of energy has resulted in understatement of Other Current Liabilities and the revenue deficit by the same amount.

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16 MTC (₹1,512.00 crore), TNSTC, Villupuram (₹1,346.00 crore), TNSTC, Coimbatore (₹1,327.00 crore), TNSTC, Kumbakonam (₹1,280.00 crore), TNSTC, Madurai (₹1,039.00 crore), TNSTC, Tirunelveli (₹830.00 crore), TNSTC, Salem (₹788.00 crore) and SETC (₹670.40 crore).

- Non-provision of refunds for various power evacuation works had resulted in understatement of Other Current Liabilities as well as Net Prior Period Charges by ₹10.68 crore.
- Revenue from sale of power is overstated by ₹8.48 crore due to excess accounting of revenue in Chennai Electricity Distribution Circle (North), which also resulted in overstatement of Receivables by a similar amount.

1.31 The lone Statutory Corporation[17] submitted its accounts for 2011-12 to the PAG during the year 2012-13. Audit Report of Statutory Auditors and sole/supplementary audit of the CAG indicate that the quality of maintenance of accounts needed improvement. Details of aggregate money value of comments of Statutory Auditors and the CAG are given below:

(₹ in crore)

Sl. No.	Particulars	2010-11		2011-12		2012-13	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	1	2.64	---	---	1	3.55
2.	Increase in loss	1	394.86	2	300.87	---	---
3.	Non-disclosure of material facts	---	---	1	12.75	---	---
4.	Errors of classification	1	11.78	1	825.39	---	---
5.	Correctness of balance exhibited in accounts not susceptible of verification	1	20,242.42	1	26,431.93	---	---

1.32 Statutory Auditors (Chartered Accountants) are required to furnish a detailed report on various aspects including internal control/internal audit systems in the companies audited in accordance with the directions issued by the CAG under Section 619 (3) (a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative list of major comments of the Statutory Auditors on possible areas for improvement in the internal audit/internal control system in respect of 37 companies for the year 2011-12 and 45 companies for the year 2012-13 is given below:

Sl. No.	Particulars	Number of companies where recommendations were made		Reference to serial number of the companies as per Annexure-2	
		2011-12	2012-13	2011-12	2012-13
1.	The internal audit system needs to be strengthened to make it commensurate with the size and nature of the business	6	4	10, 11, 18, 38, 50 and 51	6, 11, 15 and 50

17 Tamil Nadu Warehousing Corporation Limited.

Sl. No.	Particulars	Number of companies where recommendations were made		Reference to serial number of the companies as per Annexure-2	
		2011-12	2012-13	2011-12	2012-13
2.	There was no internal audit standards/manual/ guidelines prescribed by the companies for conduct of internal audit	2	2	24 and 38	2 and 39
3.	Proper records showing full particulars including quantitative details and location of fixed assets were not maintained	5	1	11, 18, 34, 50 and 54	34
4.	The existing system of monitoring recovery of dues needs to be strengthened by preparing age-wise analysis of debtors and periodical monitoring	3	8	8, 10 and 60	6, 35, 52, 56, 58, 59, 60 and 62
5.	Companies did not have any defined fraud policy	18	18	5, 8, 10, 11, 14, 23, 24, 26, 31, 34, 36, 38, 40, 41, 51, 53, 54 and 63	2, 5, 10, 11, 15, 22, 24, 25, 26, 30, 32, 34, 36, 39, 40, 41, 59 and 63
6.	Companies have no IT strategy/plan	18	20	3, 4, 6, 10, 11, 14, 28, 31, 32, 34, 38, 51, 54, 57, 58, 60, 61 and 63	3, 4, 6, 11, 17, 22, 25, 28, 30, 32, 34, 35, 55, 56, 57, 59, 60, 61, 62 and 63
7.	Documentation of software programs not available with the companies	---	7	---	6, 12, 22, 34, 56, 60 and 62
8.	Companies have not fixed minimum and maximum limits for maintenance of stores and spares	1	4	3	30, 32, 34 and 39
9.	Companies did not make ABC analysis for effective inventory control.	---	3	---	30, 36 and 39
10.	Companies did not evolve proper security policy for software/hardware	---	8	---	2, 3, 4, 6, 28, 57, 60 and 61
11.	There is no system of making a business plan, short term/long term and review the same *vis-a-vis* actual	3	6	3, 53 and 54	3, 4, 22, 30 53 and 63
12.	Companies did not have Vigilance Department	11	13	8, 14, 26, 31, 32, 34, 38, 41, 51, 52 and 54	1, 11, 12, 22, 30, 32, 34, 36, 39, 41, 52, 53 and 63
13.	There is no Internal Audit System	---	2	---	18 and 25

Recoveries at the instance of audit

1.33 During the course of compliance audit in 2012-13, recoveries of ₹46.94 crore were pointed out to TANGEDCO. Out of this, an amount of ₹19.47 crore (including ₹18.25 crore pertaining to earlier years) was recovered during the year 2012-13.

Disinvestment, Privatisation and Restructuring of PSUs

1.34 There was no disinvestment, privatisation or restructuring of PSUs in the State during the year.

Reforms in Power Sector

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

1.35 The State Government formed Tamil Nadu Electricity Regulatory Commission (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. CAG, who is the Auditor for TNERC has issued Separate Audit Reports (SARs) upto 2012-13. The SARs upto 2011-12 have been placed in the State Legislature. During 2012-13, TNERC issued 16 tariff orders including one on determination of Tariff for Generation and Distribution of TANGEDCO.

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 TANGEDCO:

	Commitment as per MOU	Targeted completion schedule	Status (as on 31 March 2013)
1.	Reduction of Transmission and Distribution losses to 15 *per cent*	December 2003	As per provisional accounts of TANGEDCO for the year 2012-13, Transmission and Distribution losses worked out to 20.95 *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 October 2012. As the time extension granted by TNERC for fixing of meters was expiring on 30 September 2012, a petition was filed by TANGEDCO before TNERC seeking extension of time of 25 months from 1 October 2012. TNERC

	Commitment as per MOU	Targeted completion schedule	Status (as on 31 March 2013)
			vide its interim orders dated 27 February 2013 directed TANGEDCO to furnish Government response to the proposal. Response from the Government to TANGEDCO's proposal is still awaited (December 2013).
3.	Current operations in distribution to reach break-even	March 2003	As per the accounts finalised for 2011-12, TANGEDCO had incurred loss of ₹13,321.33 crore.
4.	Energy audit at 11 KV sub-stations level	January 2002	As on 31 March 2013, in 1,102 feeders (out of 1,587 feeders identified with loss of more than 10 *per cent*), the losses were brought down to below 10 *per cent*. The reduction of losses in the balance 485 feeders involve large capital works such as erection of sub-stations.

CHAPTER - II

Performance Audit on the Augmentation of Thermal Generation Capacity of Tamil Nadu Generation and Distribution Corporation Limited

Executive Summary

During XI Five Year Plan (2007-12), the State of Tamil Nadu planned capacity addition of 7,808 MW to meet the deficit of power. This included 3,270 MW of capacity addition by TANGEDCO of which 2,500 MW of power was proposed to be from four thermal projects. While the two thermal projects at North Chennai Thermal Power Station Stage-II (2 x 600 MW) (NCTPP) and Mettur Thermal Power Station Stage-III (1 X 600 MW) (MTPP) have already suffered time overrun of 24 to 31 months, the balance projects were either not taken up or abandoned midway. Consequently, the actual capacity addition of TANGEDCO by the end of March 2012 was only 112 MW which were from hydel and gas based power stations and increased to 712 MW due to completion of MTPP in October 2013. To assess the efficiency and effectiveness of implementation of thermal projects, a Performance Audit was taken up from April to August 2013.

Pre-implementation arrangements, planning and financial tie-ups

- *TANGEDCO did not formulate any pre-order criteria, for implementation of the projects by laying down activity-wise schedules for each pre-order activity and took 28 months for finalising investment approval after getting administrative approval for the projects.*
- *TANGEDCO obtained coal linkage for all the three units when their capacity was fixed as 500 MW each. After enhancement of capacity of the units to 600 MW each, it did not obtain the enhanced coal linkage from Ministry of Coal, Government of India implying that it would have to be dependent on imported coal for additional capacity of 100 MW each for these units.*

Cost estimation and project financing

- *TANGEDCO did not pass on the additional interest burden of ₹58.68 crore to BHEL as per the contractual terms.*
- *In respect of MTPP, arrangement of the project finance in two spells instead of in one spell led to avoidable interest burden of ₹33.16 crore.*
- *TANGEDCO could not avail interest rebate of ₹ 36.14 crore from Power Finance Corporation/Rural Electrification Corporation due to delay in completion of the projects.*

Award of contracts

- *Award of contract for Unit-I of NCTPP to BHEL under Engineering, Procurement, Construction-cum-Finance basis by TANGEDCO deviated from the guidelines of National Electricity Plan (NEP), 2007 which did not allow arrangement of financing packages from the manufacturers/suppliers as it could reduce competition among the bidders.*
- *TANGEDCO could not avail the benefits of Mega Power Projects due to award of NCTPP Unit-II on nomination basis instead of under International Competitive Bidding (ICB) route as required.*

Project management

- *There were delays up to 718 days in approving the drawings furnished by the contractor of MTPP and delays of 12 and 22 months in furnishing the Project Authority Certificate and Essentiality Certificate respectively, in respect of NCTPP which was essential for importing the equipment required for the project.*
- *Ambiguity in tender specification regarding Railway siding led to stoppage of work from April 2010 to June 2012 and avoidable cost escalation of ₹3.71 crore.*
- *The guidelines of Ministry of Environment and Forests (MOEF) with regard to zero discharge outside the plant boundary were not adhered to.*
- *Incorrect choice of installation of semi-wet bottom ash handling system instead of dry system would result in loss of revenue of ₹14.15 crore per annum.*
- *Due to non-readiness of the ash handling system, the excessive usage of oil to generate steam led to additional expenditure of ₹63.71 crore.*

Supporting services

- *Construction of the third dedicated coal berth at Ennore Port was delayed and expected to be completed only in 2015-16. The present contingency plan to operate coal berth of a private firm would result in additional expenditure of ₹6.55 crore per annum.*

Non-adherence to pollution control requirement

- *Construction of intake sea water channel for NCTPP was completed without obtaining the required permission from Coastal Regulatory Zone (CRZ)/Pollution Control Authorities.*
- *Installation of Effluent Treatment Plant required for segregation of oil waste was not completed as prescribed by the Tamil Nadu Pollution Control Board (TNPCB).*

Conclusion

- *Delay of more than two years in completion of these projects was due to (i) planning deficiencies such as not firming up the size of the projects and mode of execution, non-synchronisation of water facility, etc., and (ii) delays in implementation on account of delay in approval of drawings, issue of Project Authority Certificate/Essentiality Certificate and stoppage of work for more than two years due to incorrect tender specifications for railway siding etc. Delays in coal handling and ash handling systems were also noticed.*
- *The project monitoring was deficient as dedicated project monitoring team was not constituted as envisaged and the project monitoring information system included in the scope of work of EPC contractors was not implemented till date (December 2013).*
- *Despite delays in project execution, TANGEDCO did not fix the responsibility for the delays either at its end or on the EPC contractors.*
- *Due to delay in completion of thermal projects with a capacity of 1,800 MW, the State was deprived of TANGEDCO's own generation to the extent of 22,557 Million Units. This resulted in purchase of power from other costlier sources.*

Recommendations

TANGEDCO should:

- *have a plan for pre-order activities.*
- *prepare accurate and realistic tender specifications.*
- *comply with environmental norms for disposal of effluents.*
- *expedite implementation of ash handling, coal handling and other supporting facilities for thermal projects and*
- *continuously monitor the progress of projects to ensure timely completion.*

Introduction

Company profile

2.1 The Tamil Nadu Electricity Board (TNEB) was formed (1 July 1957) as a Statutory Corporation under the Electricity Supply Act, 1948 for carrying out the functions of Generation, Transmission and Distribution of electricity in the State. With a need to re-organise the State Electricity Boards as per the requirement of the Electricity Act, 2003, TNEB was restructured (June 2009) into three new Companies *viz.*, TNEB Limited, the holding company, its two subsidiaries *viz.*, Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO) and Tamil Nadu Transmission Corporation Limited (TANTRANSCO). While TANGEDCO is involved in generation and distribution of electricity within the State, TANTRANSCO manages and controls the transmission of electricity and grid operations in Tamil Nadu. TANGEDCO, which was incorporated on 1 December 2009, commenced its functions from 16 March 2010.

TANGEDCO is under the administrative control of the Energy Department of the State Government. The management of TANGEDCO is vested in a Board of Directors (BOD) 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).

The financial position and working results of TANGEDCO for the last five years upto 2012-13 are given in **Annexure-7.** Analysis of the financial position and working results (provisional for 2012-13) indicated that:

(i) TANGEDCO[18] suffered huge losses in all the five years upto 2012-13 with accumulated losses increasing from ₹17,413.92 crore in 2008-09 to ₹38,480.48 crore during 2012-13.

(ii) The negative networth also increased from ₹7,623.43 crore in 2008-09 to ₹26,248.17 crore in 2012-13.

(iii) As TANGEDCO was dependent on borrowed funds for meeting the Capital and Revenue expenditure, borrowings increased from ₹21,502.31 crore in 2008-09 to ₹42,207.48 crore in 2012-13.

(iv) The revenue deficit which was at ₹7771.39 crore in 2008-09 increased to ₹13,321.33 crore in 2011-12 but the same decreased and remained at ₹11,679.07 crore at the end of 2012-13.

(v) The revenue deficit was mainly on account of demand for power in the State being met mainly through costlier external sources (ranging from 59 to 68 *per cent* during 2008-13 as detailed in **Annexure-8**) due to inadequacy of TANGEDCO's own generating capacity. Further, there were increases in the cost of all the input components, *viz*., fuel cost, employees cost, interest, finance charges *etc*.

Capacity addition programme of TANGEDCO

2.2 The National Electricity Plan released by the Central Electricity Authority (CEA) in April 2007 aimed to provide access to electricity for all households by 2012. As per the projections made by the CEA in the 17th Electric Power Survey of India (published in March 2007), the estimated peak demand of energy in Tamil Nadu by the end of 2011-12 was 14,224 MW. To meet this peak demand, a total installed capacity of atleast 17,780 MW[19] was required. Against this requirement, the total generating capacity within the State including the sources of central and private generating stations at the beginning of 2007-08 was 10,098 MW. To meet the shortfall in power supply, capacity addition of 7,808 MW was planned in the State's XI Five Year Plan (2007-12). This included capacity addition of 3,270 MW by TANGEDCO of which 2,500 MW capacity was planned through thermal power stations. However, the actual capacity addition by the end of 2011-12 was a meagre 266 MW out of which TANGEDCO's share was only 112 MW which were from hydel and gas based power stations. The capacity addition of TANGEDCO increased to 712 MW after commissioning of 600 MW Mettur Thermal Power Project (MTPP) in October 2013. Thus, the actual capacity addition was far less than the requirement. A table indicating projects identified for capacity addition by TANGEDCO during the XI Plan Period and the actual addition is given in **Annexure-9**. As a consequence, the power deficit which was 1,826 MUs at the close of 2007-08 increased to 16,141 MUs in 2012-13. As estimated by CEA, the deficit would further increase to 26,442

18 The entity is referred to as TNEB upto 31 October 2010 and as TANGEDCO thereafter.

19 At 80 *per cent* Plant Load Factor (PLF) as per Tamil Nadu Electricity Regulatory Commission's (TNERC) norms.

MUs by the end of 2013-14.

Audit Framework

Scope and methodology of Audit

2.3 During the XI Plan period of 2007-12, TANGEDCO planned to take up four thermal projects of 2,500 MW capacity, but actually took up only two thermal projects *viz.*, North Chennai Thermal Power Project Stage-II (2 X 600 MW) (NCTPP) and MTPP Stage-III (600 MW). The contract for Unit-I of NCTPP (600 MW) was awarded (January 2008) to the sole bidder *viz.*, M/s BHEL selected through International Competitive Bidding (ICB) for Engineering, Procurement, Commissioning (EPC)-cum-Finance contract for a price of ₹2,475 crore. Subsequently, TANGEDCO also awarded (June 2008) the contract for Unit-II of NCTPP (600 MW) to BHEL on nomination basis for a price of ₹2,175 crore considering the savings in time in execution of the project and the benefits of common spares for both the projects. The contract for MTPP (600 MW) was awarded (June 2008) to M/s BGR Energy Systems (BGR) selected through the ICB route for EPC contract for a price of ₹3,100.06 crore. All the three contracts had a duration of 39 months. The stages of implementation of the projects are given below:

Activity/Milestone	NCTPP Unit-I	NCTPP Unit-II	MTPP
Date of approval by BOD	December 2005	June 2008	June 2006
Date of award of the contract	January 2008	June 2008	June 2008
Scheduled date of completion	May 2011	November 2011	September 2011
Stages of completion by the end of December 2013	On trial run from July 2013	On trial run from December 2012	Commercial operation achieved in October 2013
Anticipated date of completion	January 2014	January 2014	---
Time overrun with reference to the actual/anticipated date of completion	31 months	25 months	24 months
Approved cost of the project (₹ in crore)	3,095.29	2,718.75	3,550.04

Activity/Milestone	NCTPP Unit-I	NCTPP Unit-II	MTPP
Latest revised cost (₹ in crore)	3,552.38	2,813.58	3,550.04
Increase in cost excluding Interest During Construction (₹ in crore)	457.09	94.83	Nil[20]

From the above table, it could be seen that MTPP achieved the commercial operation in October 2013 and the two units of NCTPP were under trial run from December 2012 (Unit-II) and July 2013 (Unit-I). The projects have already suffered time over run of more than two years and the cost of the project increased by ₹551.92 crore. In addition, the Interest During Construction (IDC) borne by TANGEDCO increased from the estimated level of ₹1,110.22 crore to ₹1,690.81 crore as of March 2013.

Apart from the above, TANGEDCO planned capacity addition of 1,500 MW through two thermal projects at Ennore Thermal Power Station (ETPS) expansion and Tuticorin Thermal Power Station (TTPS) Expansion. TANGEDCO also entered into a Joint-Venture Agreement (JVA) with BHEL and formed (December 2008) a JV company "Udangudi Power Corporation Limited". However, these thermal projects did not materialise and the JVA with BHEL was terminated (March 2013). As the planned increase in own generation of TANGEDCO was mainly from the thermal projects at NCTPP and MTPP, audit took up the Performance Audit of three units of these two thermal power projects from April to August 2013.

The Performance Audit covered the areas of Planning and Financial arrangement, Award of contracts, Project Implementation and Monitoring by TANGEDCO. The audit methodology involved scrutiny of planning files and policy decisions at the Government level and the Headquarters office of TANGEDCO and scrutiny of records at the project offices at NCTPP and MTPP. The audit methodology consisted of explaining the audit objectives, criteria, scope *etc.*, to the Management in an Entry Conference held on 3 April 2013, interaction with the personnel of audited entity and analysis of data with reference to audit criteria and issue of draft Performance Audit report to the Management.

Audit Objectives

2.4 The objectives of Performance Audit were to assess whether:

- plans for capacity addition were formulated considering demand forecast of power and were in line with National/State Policy;
- contractors for executing the projects were selected as per laid down policies and were awarded at the best competitive rates;
- projects/contracts were managed efficiently and effectively at all stages;

[20] Revised cost does not include the following pending additional claims totalling ₹120.03 crore, *viz.*, site grading – ₹17.46 crore, auxiliary steam works – ₹2.73 crore, Foreign exchange variation – ₹80 crore, additional cost of generation for extended trial run period – ₹5.19 crore and railway siding work – ₹14.65 crore.

- adequate monitoring mechanism and Management Information System existed to monitor activities at all levels.

Audit Criteria

2.5 Audit criteria were sourced from the following:

- National Electricity Policy, National Electricity Plan, CEA guidelines;
- Regulations/Orders of Central Electricity Regulatory Commission (CERC) and Tamil Nadu Electricity Regulatory Commission (TNERC);
- Acts relating to Environmental laws;
- Standard procedure for award of contracts;
- Minutes of Meetings of BOD and committees of TANGEDCO.

Audit Findings

2.6 The audit findings were reported to TANGEDCO and the Government in October 2013 and discussed in the Exit Conference held on 3 December 2013. The Exit Conference was attended by the CMD, Director (Projects) and Director (Finance) of TANGEDCO. The Government replied to the Audit findings on 2 December 2013. The views expressed by TANGEDCO in the Exit Conference and the reply of the Government were considered while finalising the Performance Audit Report. Audit findings are discussed under four headings *viz.*, Planning and financial tie-up, Award of contracts, Project implementation and Project monitoring.

Planning and financial tie-ups

Delay in Pre-order activities

2.7 Timely completion of pre-order activities, *i.e.*, from project conceptualisation upto issue of work orders ensures that the projects are completed as scheduled. Audit noticed that TANGEDCO did not formulate any pre-order criteria, laying down activity wise schedules for each pre-order activity and took 28 months for finalising investment approval after getting administrative approval for the ongoing projects **(Annexure-10).** Audit analysis of the time overrun revealed the following:

Non-adherence of Central Electricity Authority's guidelines

2.8 As per the existing guidelines (March 2005) of the CEA, generating companies may invite bids under International Competitive Bidding (ICB) specifying a range of the unit size such as (500 *plus* 20 *per cent*) MW instead of specifying the unit size as 500 MW to get competitive bids from large number of manufacturers. The CEA's guidelines further stipulated that inputs like coal and water needs to be tied up and environmental clearance obtained for the maximum size of the project specified in the range.

Audit noticed that TANGEDCO was not aware of CEA's guidelines when it approved the proposal (December 2005/June 2006) to execute the 1 X 500 MW NCTPP (Stage-II) and MTPP Stage-III under EPC contract. It became aware of the CEA's guidelines only in February 2007 and adopted the same for enhancement of the plant capacity of both the projects to (500 MW *plus* 20 *per cent)* in February/October 2007. Thereafter, the contracts for 600 MW projects were finalised during January/June 2008. Thus, failure to adhere to CEA's guidelines on size of the thermal projects led to an avoidable delay of more than one year to decide the capacity and mode of execution of the projects. Further, TANGEDCO did not arrange coal linkage and finance for the maximum enhanced capacity of 600 MW initially as per the guidelines of CEA which led to short fall in arrangement of indigenous coal and additional financial commitment for MTPP which are discussed in the subsequent paragraphs.

The Government replied (December 2013) that considering the major issues like environmental clearance, coal linkage, commitment for water supply, *etc.*, time taken for these pre-order activities was found reasonable. The fact, however, remained that after the project was approved by TANGEDCO in December 2005 and June 2006, the size of the project was firmed up only in February/October 2007. The delay was attributable to TANGEDCO's indecision about the size of the project and hence was unreasonable. Moreover, as per the guidelines of CEA, TANGEDCO was required to arrange infrastructure facilities required for the maximum size of the project.

Non-synchronisation of water facility

2.9 TANGEDCO had permission from Public Works Department (PWD) for drawal of 76 cusecs of water from river Cauvery for the existing Mettur Thermal Power Station (MTPS). Out of this permitted quantity, MTPS had been drawing water to the extent of 43 cusecs from September 1981 onwards. Subsequently, the Government accorded permission (November 2006) to TANGEDCO to utilise the balance quantity of 33 cusecs for the proposed MTPP. Even though permission of PWD was to be obtained by TANGEDCO for construction of a leading channel for drawal of water exclusively for MTPP, TANGEDCO included the work of construction of leading channel in the scope of BGR without obtaining the required permission from PWD. As per schedule, the work was to be completed by BGR by January 2010.

In the meantime, TANGEDCO became liable to pay arrears of ₹14.46 crore to PWD from May 1991 to March 2008 due to revision of royalty charges for drawal of water from ₹60 to ₹500 per 1,000 m^3 from May 1991. Non-payment of arrears of royalty charges became a bottleneck as PWD authorities refused (July 2011) permission to BGR to carry out the leading channel work in the PWD's permitted area near river Cauvery. Consequently, the work was stopped between July 2011 and May 2012 by BGR and was resumed thereafter after an amicable settlement for payment of the arrears in instalments was reached (April 2012). Though the commercial operation of MTPP commenced by October 2013, the construction of leading channel work was completed only upto 30 *per cent* by that time which implied that the dedicated water supply for the plant has not been arranged till date (December 2013).

The Government replied (December 2013) that though the site for construction of raw water intake was handed over to BGR in June 2008, the methodology and drawings for water channel was submitted by them only in May 2011, *i.e.*, after a delay of 35 months. During the exit conference, the CMD of TANGEDCO stated that the above work was not a critical activity. These replies were not convincing because the dispute on settlement of water dues with PWD was pending from June 2008 onwards. Without resolving the dispute with PWD independently, TANGEDCO shifted the responsibility of obtaining permission for drawal of water to BGR which led to over all delay of four years.

Detailed Project Report (DPR)

2.10 Preparation of accurate DPR is a critical activity in planning new projects. Audit noticed that TANGEDCO awarded (September 2006) preparation of DPR of both the projects with capacity of 500 MW each. After enhancement of the project size from 500 to 600 MW and after issue of Letter of Acceptance for both the projects between January and June 2008, TANGEDCO prepared the revised DPRs (between March and July 2008) to suit the requirements of 600 MW power projects.

As per the guidelines (April 1992) of Planning Commission, GOI for preparation of feasibility reports for power projects, the DPR was to be prepared before tendering/contracting of projects. However, Audit noticed that in respect of MTPP, the DPR was prepared (May 2008) after receipt of bids (March 2008) and that specifications given in the DPR were matching a bidder's quotation. To illustrate, the technical parameters for the major equipments, mentioned in the revised DPRs, was the same as quoted by a bidder and the make and model of steam generator, steam turbine mentioned by a bidder were also tallying with the make and model mentioned in the DPR. This indicated that the DPR did not assess independently the technical requirements for the project before tendering as envisaged by the Planning Commission.

Due to delay in preparation of revised DPR for the 600 MW MTPP, finance for the project was arranged from Power Finance Corporation (PFC) in two instalments instead of in one instalment as discussed in detail *vide* Paragraph 2.14.

Coal linkage

2.11 Coal requirement for the thermal projects is allotted by the Ministry of Coal (MOC), GOI through the Letter of Assurance (LOA) for coal linkage based on the implementing agency's applications. As per the conditions of LOA, the implementing agency should achieve the critical milestones mentioned in the LOA within 24 months of its issue, failure of which would attract furnishing of additional commitment guarantee. This LOA was to be followed by a Fuel Supply Agreement (FSA) between the implementing agency and MOC after achievement of all the milestones mentioned in the LOA or based on an assurance by the implementing agency to achieve the Commercial Operation Date (COD) within the stipulated time. Failure to achieve COD would attract imposition of penalty by MOC.

Based on the approval of MOC (December 2006) for coal linkage for both the projects from Mahanadi Coalfields Limited (MCL) at the rate of 2.31 million MT *per annum*, MCL issued LOA (October 2010)[21].

[21] MCL issued LOA in March 2007 and modified the same in October 2010 consequent on enhancement of plant capacity to 600 MW for both the projects.

Audit observed that:

(i) As per commitment given in FSA in respect of MTPP, COD should be achieved by the end of December 2012. Similarly in respect of NCTPP Units I & II, COD should be achieved by the end of June 2013 and August 2013 respectively. As COD for MTPP was not achieved till September 2013 and for NCTPP Unit-I & II till December 2013, the liability towards penalty as per the conditions of LOA has already accrued to the tune of ₹2.78 crore[22].

The Government replied (December 2013) that since the COD of MTPP was achieved on 12 October 2013 and was expected for NCTPP in January 2014, the penalty may not be finally levied. The fact was that the accrual of penalty for non-achieving the COD was as per the terms of FSA, whereas the waiver is at the discretion of MOC which is yet to be made (December 2013).

(ii) The FSA between TANGEDCO and MCL was signed in December 2012. As per CEA's guidelines of March 2005, the implementing agency had to arrange the coal linkage required for the maximum plant capacity, even before tender finalisation. However, TANGEDCO had initially obtained (March 2007) coal linkage of 2.31 million MT *per annum* for 500 MW project and sought (July 2008) for additional linkage for 100 MW only in July 2008 consequent on revision of plant size to 600 MW.

Audit observed that the modified LOAs received (July/October 2010) from MCL indicated the revised capacity of the units as 600 MW, but there was no corresponding increase in allotment of coal and the linkage of 2.31 million MT *per annum* given for a 500 MW project remained unchanged. Thus, TANGEDCO failed to initially apply for coal linkage for maximum plant capacity of 600 MW as per the guidelines of CEA, which resulted in linkage of coal obtained from MOC for 500 MW capacity. This implied that TANGEDCO would be dependent on imported coal for additional capacity of 100 MW each for both the projects.

During the exit conference, the CMD of TANGEDCO stated that the additional coal linkage was the prerogative of MOC. The fact, however, remained that TANGEDCO did not obtain coal linkage for the maximum plant capacity at the initial stage itself, which resulted in shortfall in coal linkage mentioned above.

Cost estimation, Investment approval and Project financing

Cost Estimation

2.12 As per the estimate (2009) of CERC, the normative cost of construction of a coal based thermal project was ₹4.39 crore per MW. Compared to this estimate, the approved cost of two thermal projects (excluding IDC) by TANGEDCO ranged between ₹5.33 crore (NCTPP-Unit I)[23] and ₹5.23 crore per MW (MTPP). Thus, the excess cost above the normative cost of CERC worked out to ₹1,068 crore for both the projects (**Annexure-11**).

22 NCTPP Unit-I ₹0.20 crore, NCTPP Unit-II ₹0.51 crore and MTPP – ₹2.07 crore.

23 Unit II of NCTPS not considered as it was taken up on the basis of *suo motu* offer from BHEL.

Financing of the projects

2.13 The guidelines of National Electricity Plan (NEP), 2007 stated that competitive bids for supplies and services may not include financing packages from manufacturers/suppliers as it is likely to reduce competition among the bidders and that financing arrangement for project could be separately done through financial institutions. However, TANGEDCO deviated from the guidelines of NEP and decided (June 2007) to invite global tenders for NCTPP on EPC-cum-Finance basis. In this connection, Audit observed that:

- As per the Memorandum of Understanding (MOU) entered into (April 2007) between Rural Electrification Corporation (REC) and TANGEDCO, REC would extend financial assistance of ₹16,000 crore for investment in various projects. By the end of June 2008, though there was unavailed portion of REC finance to the extent of ₹5,151.97 crore, TANGEDCO instead of availing the above funds, decided to invite global tenders on EPC-cum-finance basis.
- The decision to implement the project under EPC-cum-finance mode through BHEL resulted in TANGEDCO losing competitive bids from other bidders capable of executing the project without financial arrangement by themselves.

Additional interest burden of ₹58.68 crore was not passed on to BHEL as per the contractual terms.

- As per the offer of BHEL (November 2007), the finance for the project was to be arranged by BHEL at an interest rate of 11 *per cent per annum* fixed for the first five years. However, the project finance arranged by BHEL attracted an interest rate ranging from 11.25 to 12.75 *per cent per annum*. Though BHEL later agreed (December 2009) to bear the additional interest over and above 11 *per cent* as per the terms and conditions of Letter of Acceptance, TANGEDCO did not claim the differential interest which worked out to ₹58.68 crore for the period upto September 2013.

The Government replied (December 2013) that the tender under EPC-cum-finance was resorted to in order to obtain long term finance for the project. It also stated that the additional interest would be recovered from BHEL after commissioning of the project. The fact remained that the expectation of TANGEDCO to have international competitive terms was belied as only one domestic bidder *viz.*, BHEL had eventually participated in the tender.

2.14 The DPR for MTPP of 500 MW, prepared (September 2006) indicated the estimated cost as ₹2,777.25 crore (excluding IDC). Though TANGEDCO subsequently enhanced the capacity to 600 MW and floated (November 2007) the tender, in line with the CEA's guidelines of 2005, it applied (February 2008) for finance from PFC, indicating the estimated cost as per DPR for 500 MW. After PFC sanctioned (March 2008) project finance of ₹2,221.80 crore at an interest rate of 11 *per cent per annum*, TANGEDCO once again sought (July 2008) additional finance considering the revised cost of ₹3,719.64 crore for the 600 MW capacity project. PFC sanctioned (December 2008) an additional loan of ₹442.20 crore at an interest rate of 13.5 *per cent per annum*.

Obtaining the project finance in two instalments instead of in one led to increase in interest burden by ₹33.16 crore due to revision of interest rate.

As the enhancement of the plant capacity to 600 MW was known to TANGEDCO in October 2007 itself, it should have arranged for finance considering the maximum plant capacity at the time of first application in February 2008 itself and got the interest firmed up at 11 *per cent per annum*. This failure led to sanction of project finance of ₹442.20 crore at an enhanced interest rate of 13.5 *per cent per annum* with commitment towards avoidable additional interest burden of ₹33.16 crore[24] for the first three years in which the interest rate would remain constant.

During the exit conference, the CMD of TANGEDCO stated that the size of MTPP was not finalised at the time of applying for finance and hence finance was sought for 500 MW project. The reply was not convincing because the size of the project was actually firmed by the Board of TANGEDCO in October 2007 itself. Moreover, CEA guidelines clearly stipulate that all inputs should be tied up for the maximum size of the project and not for the minimum as was done by TANGEDCO.

2.15 As per conditions of sanctions of project finance both by PFC and REC in respect of NCTPP and MTPP, there would be an interest rebate of 0.25 *per cent* for maintaining commissioning schedule of these units. As there was delay in COD of all the three units, interest rebate of 0.25 *per cent* could not be availed to the extent of ₹36.14 crore from the scheduled date of COD (May 2011 for NCTPP Unit-I, November 2011 for NCTPP Unit-II and September 2011 for MTPP) upto December 2013.

Award of contracts

2.16 As stated in Paragraph 2.3, BHEL was selected through ICB route for Unit-I of NCTPP and was given the contract for Unit-II of NCTPP on nomination basis, considering the savings in time in execution of the project and the benefits of common spares for both the projects. The EPC contract for MTPP was awarded (June 2008) to M/s BGR Energy Systems (BGR) selected through ICB route for a price of ₹3,100.06 crore. Analysis of the tender files of these contracts revealed the following:

Award of contract to BHEL

2.17 As early as in November 2005, TANGEDCO was aware that 180 acres of vacant land along with coal handling, raw water, ash disposal systems were already existing in NCTPP complex for development of a plant capacity of 2,150 MW. Moreover, a private promoter had already obtained environmental clearance for setting up of two units of 525 MW capacity each in this complex. The GOI introduced (November 1995) Mega Power Policy for providing impetus to large sized power projects in the country which envisaged various incentives such as exemption from Customs and Excise Duties. These benefits would accrue only if the additional capacity of the power project was more than 1,000 MW. Considering all these aspects and the anticipated deficit of 1,464 MW of power by 2010-11, TANGEDCO could have planned for capacity addition of two units at NCTPP. However, it decided (December 2005) to implement the project as a single unit of 500 MW

[24] Calculated at the differential rate of interest of 2.5 *per cent per annum* on ₹442.20 crore for three years.

capacity. Subsequently, the size of the unit was increased to 500 MW *plus* 20 *per cent* in line with the CEA guidelines of 2005. After finalisation of tender for Unit-I of 600 MW in favour of BHEL in January 2008, TANGEDCO received (March 2008) *suo motu* offer from BHEL for implementation of an additional unit of 600 MW by it. Accordingly, TANGEDCO decided (June 2008) to hand over Unit-II to BHEL on nomination basis.

Audit further observed that:

- In a span of few years, TANGEDCO changed its planning from two units of 525 MW each to one of 600 MW and again to two of 600 MW each indicating indecisiveness of TANGEDCO about the size of the project to be executed.
- Though GOI, Ministry of Power accorded (February 2010) the Mega Power Project status to NCTPP, TANGEDCO could not avail the envisaged benefits of exemption from Customs and Excise Duty as GOI rejected (July 2010) the claim of TANGEDCO for these exemptions citing that the Unit-II of NCTPP was not awarded through ICB route.

Both the CMD of TANGEDCO and the Government in their reply stated (December 2013) that the condition *viz.*, award of contract on ICB route for exemption from Customs and Central Excise Duty was introduced only at a later date after award of contract for this project, which could not be foreseen. These replies were not convincing because the possibility of finalising the tender for both the units through ICB routes was pre existing, considering the common infrastructural facilities and environmental clearances, *etc*. If only, TANGEDCO followed the competitive tender process through ICB route for both the units, it could have reaped the benefits of mega size power project.

Project implementation

Time Overrun

2.18 As per Letter of Acceptance of the contract for both the projects, BHEL and BGR were required to commence the project works in February 2008 (Unit-I of NCTPP), August 2008 (Unit-II of NCTPP) and June 2008 (MTPP) respectively and hand over the thermal plants to TANGEDCO in 39 months. Against this schedule, the projects had already suffered time overrun of more than two years as indicated in the **Annexure-12**. Delay in major activities of the projects were due to:

Delay in approval of Drawings

2.19 As per the tender specifications, TANGEDCO had to offer its remarks on the drawings and design documents furnished by the EPC contractors within two weeks from the date of receipt of the drawings. Out of 3,116 drawings for civil, electrical, mechanical and instrumentations works received in respect of NCTPP, there was delay in approval of 282 drawings by TANGEDCO (which constituted 9.05 *per cent* of the total) ranging from 5 to 718 days. The delays were mainly due to multiplicity of decision making agencies within TANGEDCO and joint decision with the consultant.

Similarly, in respect of MTPP, BGR claimed that the project suffered time over run of 6 to 12 months due to the above delays.

The Government replied (December 2013) that the delays were committed by BGR for submission and resubmission of drawings after attending to queries of TANGEDCO. The fact, however, remained that monitoring by TANGEDCO for demanding submission/resubmission of the drawings by the EPC contractors in a time bound manner was not effective.

Delay in furnishing Project Authority Certificate and Essentiality Certificate

2.20 The Export Import (EXIM) Policy 2007-12 of the GOI envisaged levy of 'NIL'/concessional Customs Duty for imported items used by the EPC contractors in the infrastructure projects after registration of the project with the Customs Authorities based on Project Authority Certificate (PAC)/Essentiality Certificate (EC)[25] issued by the implementing agency. Though the Letter of Acceptance for Units-I & II provided for issue of the PAC and EC by TANGEDCO, it did not specify the time limit for issue of the said certificates. Audit noticed that TANGEDCO delayed furnishing the above certificates by 12 and 22 months respectively from the date of Letter of Acceptance. As a result, BHEL could not register the project with the Customs Authorities for claiming the exemptions in time, which resulted in delayed supply of equipment like boiler, turbine, *etc* and consequent delay in erection of these equipment as stated in **Annexure-12**.

The Government replied (December 2013) that the PAC/EC was furnished by TANGEDCO as and when such request was made by BHEL. The fact, however, remained that TANGEDCO was not pro-active in getting the PAC/EC in time.

Ambiguity in tender specification

2.21 The tender for EPC Contract of MTPP stipulated that the project facilities for coal handling should include "suitable augmentation of the existing railway siding and marshalling yard facilities at Mettur Thermal Power Station". During the pre-bid meeting (January 2008), TANGEDCO clarified that the augmentation of railway siding facilities was required to accommodate 20 coal wagons on the inhaul side[26] of the proposed wagon tipplers[27]. However during July 2009, the Railway authorities advised that both inhaul and outhaul lines of tippler lines should be able to hold 30 box wagons *plus* a diesel loco to ensure guaranteed receipt of raw material and capacity improvement on a long term basis. The Railway authorities further advised TANGEDCO to have discussions with them on this issue before finalisation of the proposals. Despite the above instructions from Railways, TANGEDCO decided (December 2009) on its own that the track's handling capacity would be restricted to accommodate only 20 wagons due to space constraints. Later on, however, based on the insistence of Railway authorities for a handling capacity of 30 wagons, TANGEDCO issued (June 2012)

25 Essentiality Certificate is issued to EPC contractors, who were not selected through ICB routes.

26 The receiving point of the coal wagon.

27 The mechanical device which would unload coal from the coal wagons.

change of scope order to BGR for accommodating 30 wagons at a cost of ₹14.65 crore with time extensions upto September 2012. As of December 2013, the work remained incomplete.

Audit observed that TANGEDCO failed to ascertain the actual requirement of wagons from the Railway authorities before finalisation of the tender specifications. Even after knowing (July 2009) from Railways the actual requirement of facilities for handling 30 wagons, it went ahead with facilities for 20 wagons only resulting in forced stoppage of work from April 2010 to June 2012. In the meantime, the estimated cost of work increased from ₹10.94 crore to ₹14.65 crore, which led to an avoidable cost escalation of ₹3.71 crore.

The Government replied (December 2013) that the change of scope order issued in the interest of TANGEDCO was an unavoidable one. The reply was not convincing because TANGEDCO had direct information about the requirement for 30 wagon capacity in July 2009 from Railways itself, but it ignored the same till June 2012 which resulted in avoidable delay and cost escalation as discussed in the above paragraph. Moreover for a project of this size, co-ordination with all the stake holders is imperative.

Non-adherence to the conditions regarding environmental clearance

2.22 As per the conditions (September 2007) governing environmental clearance for MTPP issued by Ministry of Environment and Forests (MOEF), GOI, there shall be zero discharge outside the plant boundary and the treated effluents shall be re-circulated within the plant boundary. The tender specifications, however, stipulated (November 2007) that waste water from all the sources in the power plant area would be collected and as far as possible used for green belt development within the plant area and the excess water, if any, would be discharged into the nearby stream. The tender also stated that all the MOEF stipulations should be complied with by the contractor. Thus, there were inherent contradictions between the MOEF requirement and the ambiguous tender specification.

The tender specification for effluent treatment deviated from pollution control norms of MOEF.

When BGR demanded (February 2013) extra time of six months and cost (without mentioning the amount) for execution of the Effluent Treatment Plant as stipulated by MOEF, TANGEDCO refused (February 2013) the change of scope and directed BGR to proceed with installation of effluent treatment facilities as per the terms of contract. Audit observed that TANGEDCO failed to incorporate the requirement of MOEF in exact terms in the tender specification. The present decision to proceed with effluent treatment as per the tender specification would imply that TANGEDCO would be deviating from the pollution control norms of MOEF.

The Government replied (December 2013) that the non-compliance with statutory requirements was due to mis-interpretation of the contract clause by BGR, who insisted on change of scope for adhering to the statutory requirements. The fact, however, remained that such mis-interpretation was only due to ambiguity in the tender specification and contract clauses.

Incorrect choice for bottom ash handling system

2.23 Combustion of coal in thermal generation plants generates ash. The finest particle of ash which is known as 'top ash' is in dry form and the ash containing sediments of coal is known as 'bottom ash' which needs further combustion for conversion into dry form. As disposal of ash in dry form is easy and environmentally friendly, the MOEF stipulated (1999) that every coal or lignite based thermal power plant should draw an action plan to phase out dumping and disposal of fly ash on land. In line with this policy, both the DPR and tender specifications for NCTPP Units I & II envisaged establishment of ash handling system for extraction of ash only in dry form. As per notings (June 2010) of TANGEDCO, the extraction of fly ash including bottom ash in dry form not only conforms to the Pollution Control norms but also reduce coal consumption due to heat recovery from the bottom ash, generates additional income by disposal of the dry ash to the cement companies and saves usage of raw water for disposal of ash in semi-wet conditions.

TANGEDCO lost opportunity of earning revenue of ₹14.15 crore *per annum* due to installation of bottom ash handling system in semi wet form instead of in dry form.

Despite the above advantages, the work for bottom ash handling system given (January/June 2008) to BHEL for Units I and II provided for semi-wet system of extraction as proposed by BHEL instead of dry system.

Audit observed that as per TANGEDCO's own estimation, the extraction of bottom fly ash in dry form would fetch additional revenue of ₹14.15 crore *per annum* on account of disposal of fly ash to cement companies, lesser usage of coal *etc*. Due to its acceptance of semi-wet system instead of dry system for bottom ash handling, TANGEDCO lost an opportunity of earning this additional income.

Delay in installation of ash handling system

Due to non-readiness of the ash handling system, the excessive usage of oil to generate steam led to additional expenditure of ₹63.71 crore.

2.24 As per the contract entered into with BHEL, the ash handling system for NCTPP was to be completed by December 2010. However, the completion was delayed due to the delay in award of contract, subsequent delay in submission of drawings and slow progress of works by the sub-contractor, *etc*. Consequently, the work was completed only partially[28] in February 2013. The Unit-II of NCTPP which was synchronised in December 2012 was operated with the partial load of 200 to 400 MW during the summer period to tide over the power deficit. During this period, the unit could not use coal as main fuel due to non-readiness of the ash handling system and had to be dependent on High Speed Diesel (HSD) and Heavy Furnace Oil (HFO) to generate steam. The additional cost of using HSD and HFO during March to May 2013 worked out to ₹63.71 crore.

The Government replied (December 2013) that sustained operation in NCTPP was possible only when heavy oil was used as a support fuel and hence additional expenditure was inevitable. Audit has already considered the usage of heavy oil as support fuel and has commented only on the extra usage of oil which was due to non readiness of the ash handling system.

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[28] Against six silos (temporary storage facility) required for ash collection, only four silos have been completed.

Delay in award of contract for ash disposal

2.25 TANGEDCO called for (August 2012) tenders from cement companies for lifting the dry fly ash of NCTPP Unit-II and finalised the tender in January 2013. However, it actually awarded the work order to two cement companies in April/May 2013. In the meantime, the 26,750 MT of dry fly ash generated during the trial run operation was dumped in an ash dyke located seven KMs away from the main plant and TANGEDCO incurred an expenditure of ₹0.73 crore for such disposal. Audit observed that had TANGEDCO awarded the contract for lifting of fly ash immediately after finalisation of the tender, it could have not only avoided the expenditure of ₹0.73 crore but also earned a possible revenue of ₹1.67 crore by selling the dry ash to cement companies.

The Government replied (December 2013) that the disposal of ash during the pre-commissioning period in the ash dyke was necessary as it would contain traces of unburnt carbon and oil which would not be usable by the cement companies. The reply was not convincing because the unit continued to be under trial run till date (December 2013) whereas the cement companies started lifting the dry fly ash after they received the work order in April/May 2013. Had TANGEDCO issued the work orders for lifting of fly ash immediately after the synchronisation of the unit, it could have avoided the additional expenditure and earned the possible revenue.

Support services

Coal handling arrangements

2.26 Coal requirements for the existing units of North Chennai Thermal Power Station (NCTPS), Ennore Thermal Power Station (ETPS) and MTPS are met through indigenous and imported coal, which are transported from various sources to the Ennore Port. The Ennore Port has two dedicated coal berths for TANGEDCO. The coal discharged from the coal berths is transported to the existing thermal stations of NCTPS, ETPS and MTPS.

Deficient port infrastructure

2.27 To meet the additional requirement of 8.16 million MT of coal *per annum* for both NCTPP/MTPP, TANGEDCO proposed (March 2007) construction of third dedicated coal berth of nine million MT capacity *per annum* (in addition to the existing two coal berths of 12 million MT capacity *per annum*). The work which was proposed to be taken up during 2013-14 by Ennore Port Limited (EPL) on "Build Own Operate Transfer" basis has not commenced till date (December 2013). In addition, TANGEDCO assigned (September 2010) installation of shore unloaders for the existing two coal berths to one of its joint venture company *viz.*, NTEC Limited and the work is expected to be completed only by 2015-16. Pending installation of the third coal berth and shore unloaders, TANGEDCO entered into (January 2013) an agreement with Chettinad International Coal Terminal Private Limited (Chettinad) for usage of their coal terminal for one year from the COD of NCTPP and MTPP with annual financial commitment of ₹6.55 crore *per annum* as a contingency measure.

Audit observed that the availability of a dedicated third coal berth would have ensured uninterrupted supply of coal to thermal stations besides lesser turnaround time for ships for unloading of coal resulting in considerable savings to TANGEDCO. Though the need for third coal berth along with two shore unloaders was anticipated as early as in March 2007, these works are only in initial stages of implementation till date (December 2013) resulting in the proposed contingency plan with additional commitment of ₹6.55 crore *per annum*. It is pertinent to mention that TANGEDCO had already paid ₹1.05 crore for handling 3.21 lakh MT of coal to Chettinad between September and November 2013.

The Government replied (December 2013) that installation of additional coal berth was delayed due to an interim injunction imposed by the High Court of Madras in July 2010, which was vacated in September 2011. The fact, however, remained that even after the lapse of two years from the vacation of stay, the work was at the initial levels of implementation.

Delay in completion of additional coal conveying arrangement

2.28 TANGEDCO earmarked (June 2008) ₹50 crore for installation of conveying arrangement for an additional quantity of 16 million MT of coal *per annum* for the upcoming NCTPP and MTPP. The arrangement was scheduled to be completed in February 2011 *i.e.*, well before the anticipated completion of these thermal projects. However, the tender for this work was initiated only in September 2010 and contract awarded in February 2011 at a lumpsum price of ₹71.50 crore. Though the work was scheduled to be completed in February 2012, the work remained incomplete till date (December 2013). In the meantime, four extensions of time were given to the contractor, the latest one upto December 2013. Audit observed that:

- Delay of 26 months upto September 2010 for initiating the tender was attributable to the inaction on the part of TANGEDCO as the study on the capacity of the coal conveying arrangement was undertaken by it only in March 2010. In the meantime, there was an avoidable cost escalation of ₹21.50 crore.

- The contractor who was expected to complete the project in February 2012 has been given continuous extensions of time upto December 2013 with probable completion by January 2014. Thus, the coal handling system which was considered as one of the critical milestones of the project remained incomplete till date (December 2013).

The Government replied (December 2013) that TANGEDCO was taking all possible steps to commission the additional coal conveying arrangements before operation of NCTPP at full load.

Non adherence to environmental and pollution control requirements

2.29 As per the consent letter (March 2013) of the Tamil Nadu Pollution Control Board (TNPCB), the NCTPP should utilize only the existing sea water intake and disposal structures already provided for the NCTPS-Stage-I. In case of a need for erection of any new sea water intake or disposal structure, the same shall be established only after getting clearance under the Coastal Regulatory Zone (CRZ) Notification, 2011.

It was, however, seen that

- The work of construction of intake sea water channel for NCTPP was completed (February 2013) without obtaining permission from CRZ/Pollution Control authorities.
- The construction of sea water intake channel was completed in February 2013 with a delay of 25 months from the scheduled date of completion. In the meantime, TANGEDCO allowed six extensions of time to the contractor. Though the contract envisaged levy of LD at the rate of half *per cent* for every week of delay subject to a maximum of 10 *per cent* (₹9.81 crore) of the contract price (₹98.10 crore), the Chief Engineer (Projects) imposed (February 2013) only ₹1.19 crore towards LD and proposed waiver of the balance amount of ₹8.62 crore on the grounds that there was no loss on account of the delay committed by the contractor. Audit observed that the waiver proposal was not approved by the BOD till date (December 2013) as required under the delegation of financial powers.
- TNPCB issued consent order (19 March 2013) with a condition to discharge effluents partly on land and partly into sea through Ennore creek. The condition also required that the effluent discharge should not contain constituents in excess of the tolerance limits of pollution control. Though Unit-II was on trial run in December 2012 and Unit-I in July 2013, the civil works of the effluent treatment plant was completed upto 60 *per cent* only by the end of November 2013, though it was considered essential for segregation of oil waste.
- An Environment Management Cell and Disaster Management Plan which is mandatory as per the conditions of TNPCB has not yet been put in place in NCTPP till date (December 2013).

Project monitoring

2.30 While taking up the two projects for execution, TANGEDCO decided (June 2008) that a dedicated project monitoring team would be formed to avoid delays on its part. The monitoring team would also report the delays on the part of the EPC contractors and disputes for amicable solutions since timely execution of the projects was TANGEDCO's immediate requirement.

Audit noticed that:

- A dedicated Project Monitoring Team was not constituted as envisaged both for MTPP and NCTPP.

- Common problems in execution of the projects like obtaining clearances from various authorities such as environment, PWD, railways *etc*., were not addressed in time leading to avoidable delays.

- Adequate staff to monitor the projects at the Headquarters and site were not deployed at the initial stages of project execution.

- Drawings and specifications returned to the EPC contractors for revisions were not monitored leading to delays in completion of detailed engineering/drawings.

- The Project Monitoring Information System for managerial planning though included in the scope of work of the EPC contractors was not implemented by the contractors till date (December 2013).

- Analysis of six important activities in execution of the main plant of both the projects revealed that the monitoring mechanism did not ensure timely completion of these activities and there were delays ranging from two to five months in commencement of boiler erection, three to nine months for boiler drum lifting, 6 to 30 months for boiler hydraulic test and 10 to 24 months for boiler light up. Similarly, there were delays ranging from 9 to 30 months in turbine bearing gear completion and 9 to 30 months for synchronisation of the units with the grid as detailed in **Annexure-12.**

The Government claimed (December 2013) that the project construction activities were monitored by the respective site Chief Engineers and for speeding up the project implementation, regular review meetings at Government and CMD level were held. The fact, however, remained that despite the above arrangements, the project implementation was delayed due to avoidable reasons as discussed in the earlier paragraphs. A dedicated project monitoring team would have been more effective as envisaged.

Impact analysis

2.31 Analysis in audit to assess the impact of delayed project execution are discussed below:

The delays in completion of the thermal units deprived the State of own generation to the extent of 22,557 MUs.

- As per the projections made in the DPR, these projects would generate 11,731 MU of energy *per annum*. However, the projects were delayed for a period upto 25 months from the scheduled completion due to various reasons as discussed in the previous paragraphs. The delays in completion of these thermal units of a capacity of 1,800 MW had deprived the State of TANGEDCO's own generation to the extent of 22,557 MUs which led to purchase of power from other sources (**Annexure-13**).

TNERC rejected return on investment of ₹74.56 crore due to diversion of capital for revenue expenditure by TANGEDCO.

- As per Regulation 17(5) of the Tariff Regulations 2005, the licencee company has to get the capital investment plan approved by TNERC before filing an application for determination of the tariff. Though TANGEDCO had invested ₹6,365.96 crore on NCTPP Units I & II till date (December 2013), it had not got approval of TNERC for such investments before filing the tariff application nor had apportioned the investments into equity and borrowings. It however, submitted (March 2013) tariff petition to TNERC claiming an amount of ₹1,065.09 crore as equity investment in MTPP and return on equity of ₹74.56 crore during 2012-13. But TNERC observed that there was a mix up between capital and revenue accounts and capital borrowings have been diverted to meet the revenue expenses and disallowed (June 2013) the return on equity. Thus, TANGEDCO had been deprived of the recovery of return on capital employed in respect of MTPP through tariff from the consumers.

The Government replied (December 2013) that TANGEDCO would once again claim return on equity in its revised Tariff Petition for the year 2012-13.

- As per the contractual terms of MTPP, maximum LD of 10 *per cent* of the contract price and penalty at ₹107 crore per month of delay was to be levied. In respect of NCTPP, the penalty was to be at the rate of 0.5 *per cent* for each week of delay from 40^{th} to 43^{rd} month and at 0.75 *per cent* during 44^{th} and 45^{th} month and one *per cent* beyond the 45^{th} month without any ceiling provided these delays were attributable to the EPC Contractors. However, TANGEDCO allowed several Extensions of Time (EOT) for both the projects without fixing responsibility for the delays either on itself or on the EPC contractor and without deciding the impact of such EOTs on time and cost over runs of the project. While BHEL was allowed blanket EOT without any time limit, BGR was given the latest EOT upto December 2013. Though an amount of ₹7,418.07 crore was leviable as LD and penalty as per the contractual provisions till September 2013 in respect of MTPP and upto December 2013 in respect of NCTPP (as indicated in **Annexure-14**), TANGEDCO had already released 82 *per cent* of the total amount due to the contractors and the balance amount retained was only ₹2,188.67 crore (September 2013). Under the circumstances, recovery of the LD/penalty as per the contractual terms as and when decided is uncertain.

The Government replied (December 2013) that the extensions of time were given without prejudice to the levy of penalty. The fact, however, remained that TANGEDCO was yet (December 2013) to initiate action for levy of LD even after noticing delay of more than two years in respect of NCTPP project and after commissioning of MTPP in October 2013.

Acknowledgement

Audit acknowledges the co-operation and assistance extended by the staff and the management of the Company in conducting this Performance Audit.

Conclusion

- **TANGEDCO, with the main aim of overcoming the critical power deficit situation in the State, planned addition of 3,270 MW of power by 2012. Accordingly, it took up two thermal projects with a capacity of 1,800 MW at NCTPP Units I and II and MTPP. Though these projects were slated for completion before the end of 2011, only MTPP has been completed by October 2013 and the other two units of NCTPP in which TANGEDCO had already invested more than ₹6,300 crore are under trial run till date (December 2013).**

- **Delay of more than two years in completion of these projects was due to (i) planning deficiencies such as not firming up the size of the projects and mode of execution, non-synchronisation of water facility, *etc*., and (ii) delays in implementation of projects on account of delay in approval of drawings, issue of Project Authority Certificate/Essentiality Certificate and stoppage of work for more than two years due to incorrect tender specifications for railway siding. Delays in coal handling and ash handling systems were also noticed.**

- **The project monitoring was deficient as dedicated project monitoring team was not constituted as envisaged for both the projects and the project monitoring information system for managerial planning included in the scope of work of EPC contractors was not implemented till date.**

- **Despite delays in project execution, TANGEDCO did not fix the responsibility for the delays either at its end or on the EPC contractors and allowed periodical extensions to the contractors.**

- **The delays in completion of the thermal units of 1,800 MW capacity deprived the State of TANGEDCO's own generation to the extent of 22,557 MUs which led to purchase of power from other costlier sources.**

Thus, TANGEDCO's efforts to augment its own generation even during power critical situation was inadequate.

Recommendations

TANGEDCO should:

- **Have a plan for pre-order activities to avoid delays in project implementation.**
- **Ensure that the tender specifications are accurate and realistic to avoid post-tender modifications.**
- **Avoid delays in approval of drawings and designs to expedite project implementation.**
- **Comply with the environmental norms in disposal of the effluents discharge from the thermal units.**
- **Expedite implementation of supporting facilities such as coal handling, port infrastructure, water arrangement, *etc.*, to attain the maximum generation of power from thermal plants.**
- **Regularly monitor the progress of the project to ensure implementation as per schedule.**
- **Analyse the reasons for the delays to fix responsibility.**

CHAPTER - III

Compliance Audit Observations

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

Electronics Corporation of Tamil Nadu Limited

3.1 Establishment of Information Technology specific Special Economic Zone

Introduction

3.1.1 The Special Economic Zone (SEZ) scheme was introduced (April 2000) by the Government of India (GOI) with the objectives of providing Internationally Competitive Environment for earning foreign exchange, attracting Foreign Direct Investment and generating direct and indirect employment. With the growing importance of SEZs throughout the Country, the State Government accorded (August 2006) permission to Electronics Corporation of Tamil Nadu Limited (Company) to establish Information Technology (IT) specific SEZs in Chennai and Tier-II[29] cities. Accordingly, the Company took up establishment of eight[30] SEZs and so far (March 2013) incurred ₹399.27 crore on these SEZ projects. The investment included ₹65.03 crore of GOI's Assistance to States for Development of Export Infrastructure and Allied Activities (ASIDE)[31].

Scope of audit

3.1.2 The status of completion of SEZs and allotments made to the IT entrepreneurs from the SEZ as on March 2013 is given in **Annexure-15**.

From the Annexure, it could be seen that SEZs established in eight locations with an investment of ₹399.27 crore largely remained idle defeating the objective of formation of SEZs in these areas as was evident from the fact that the percentage of allotment ranged from 6 to 42 (except in Sholinganallur). To assess the efficiency of the Company in forming the SEZs and to analyse the reasons for low occupancy, Audit conducted a study of seven out of eight SEZs (except the SEZ at Hosur) during May to July 2013. Audit findings are discussed below:

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[29] These include Madurai, Trichy, Coimbatore, Tirunelveli and Salem.

[30] Chennai (Sholinganallur), Tirunelveli, Madurai (two), Coimbatore, Trichy, Salem and Hosur.

[31] ASIDE grant is sanctioned by GOI through State nodal agency for export oriented infrastructure projects.

Audit Findings

Planning

3.1.3 Planning of SEZ is a vital pre-operative role which facilitates arranging activities in a phased manner by the developers of the SEZ. However, the Company's planning in formulation of SEZs was deficient as detailed below:

Selection of correct location of SEZ

3.1.4 As per the consultant, the IT companies prefer SEZs which are well connected with Highways and have the feasibility of providing basic infrastructure such as water, power, *etc*. This could be ensured by conducting feasibility studies before commencement of projects. However, Audit noticed that:

- Out of seven SEZ projects test checked, the Company did not prepare feasibility studies for SEZs in Madurai, Salem and Tirunelveli.
- The unproductive investments in SEZs at Tirunelveli and Salem, which were located in rocky and mining areas had already been commented in the earlier Reports of the Comptroller and Auditor General of India for the year ended 31 March 2010 and 2011 (Commercial) – Government of Tamil Nadu, respectively. In respect of the SEZ at Madurai – Vadapalanji, the land was divided into two parts without any connectivity due to existence of railway line between the land which became a bottleneck for marketing of plots in these SEZs (discussed *vide* Paragraph 3.1.11).
- Though the feasibility study for the SEZ at Trichy indicated that it was predominantly a residential city and not an ideal second generation IT destination, the Company went ahead with the construction of an IT park without the strategy for marketing of the plots. This deficiency had affected the marketability of the SEZ in that the occupancy was only 18 *per cent* of the available space (61,126 sq.ft.) even after two years of completion of the IT park building in this SEZ in February 2011.

Absence of Detailed Project Reports

3.1.5 As per the guidelines of ASIDE, the Company should prepare DPR before implementation of SEZ. Audit noticed that:

- In respect of six out of seven SEZ projects (excepting Trichy) test checked, the Company first issued (July 2007 to August 2009) tender notices and awarded contracts for execution of common infrastructure and IT buildings without any DPR. Later, it issued (April to October 2009) work orders for preparation of DPR which violated the guidelines of ASIDE.
- As per the State Government's instructions (December 1996 and May 1997) for any investment above ₹two crore, clearance by the Project Investment Committee (PIC) of Government of Tamil Nadu is mandatory. Even though the Company addressed (August 2008) the Government for clearance of project investments in respect of all the seven projects test checked, no clearance was issued by the Government till date (December

2013). Consequently, these seven projects which involved an investment of ₹390.34 crore were implemented by the Company without PIC's approval.

Land Alienation/Acquisition

3.1.6 During implementation of SEZ projects, the Company acquired 1,588.13 acres of land through Government alienation/allotment at a cost of ₹226.76 crore. Scrutiny of the land acquisition files of seven SEZs test checked indicated that:

- Though the Company had surplus funds ranging from ₹159 crore to ₹221.51 crore during 2007-09, it delayed payment of land cost of ₹23 crore to State Industries Promotion Corporation of Tamil Nadu Limited (SIPCOT) (being the seller of the land) up to 272 days (from 16 October 2007 to 13 July 2008) resulting in payment of avoidable interest of ₹0.54 crore[32] for lands acquired in Tirunelveli.
- The conditions for payment of cost (₹37.93 crore) of 26.77 acres of land taken over (during 2006-07) from the Government for formation of SEZ, Coimbatore provided for payment of interest at 12 *per cent per annum* from the date of takeover up to the date of payment of the land cost. However, the Company did not pay both the land cost and interest till date (December 2013) but sought (2006-07) for waiver of interest from the Government. As the waiver proposal was not accepted by the Government till date (December 2013), the Company is facing a liability towards 12 *per cent* interest amounting to ₹27.31 crore.
- In respect of the SEZ Trichy, the Company paid ₹24.03 crore for alienation (January/March 2007) of 147.61 acres of Government land. But, the actual measurement of the land during re-survey (October 2008) was only 141.78 acres resulting in overpayment of ₹93.98 lakh for 5.83 acres of land, which matter was yet (December 2013) to be resolved by the Company.
- In respect of SEZ, Illandhaikulam (Madurai), the Company was yet (December 2013) to pay the agreed (November 2006) amount of ₹1.01 crore to Hindu Religious & Charitable Endowment (HR&CE) Department for 7.14 acres of temple land acquired by it. Further delay in making payment would result in avoidable payment of interest and non-transfer of title deeds in favour of the Company.

Execution of SEZ projects

3.1.7 In seven SEZ projects test checked, the Company created common infrastructure facilities such as roads, water, sewerage, *etc.*, at a cost of ₹122.03 crore and constructed IT Park buildings in three SEZs at a cost of ₹43.29 crore through private contractors. The project facilities were completed in six out of seven projects and the remaining project at Salem was under progress till date (December 2013). These projects have already suffered time overrun of 5 to 42 months (up to December 2013). The status of

[32] Worked out at five *per cent per annum* being the difference between the interest of 15.5 *per cent* paid and the average interest of 10.5 *per cent per annum* earned on fixed deposit.

the projects executed is furnished in **Annexure-16**. Audit analysis of the contract management of seven SEZ projects test checked indicated the following:

Creation of Common Infrastructure facilities

3.1.8 In respect of Sholinganallur and Coimbatore projects, the estimated cost prepared (July/August 2007) by the consultant was ₹26.44 crore and ₹11.90 crore respectively. Against these estimates, the awarded cost to the lowest bidders was ₹34.62 crore and ₹19.05 crore, which was in excess of the estimated cost by 31 and 60 *per cent* respectively. Subsequently, the estimates were revised (December 2007) based on schedule of rates of 2007-08 and the tender excesses were scaled down to 13.15 *per cent* (Sholinganallur) and 11.14 *per cent* (Coimbatore) by the consultant. The BOD, while reviewing (January 2008) these awards directed formation of sub-committees to ensure the correctness of the offered rates of lowest bidders. However, the sub-committees were neither formed nor the reasons for such non-formation of the sub-committee recorded. Audit observed that the estimates were prepared by the consultant in July/August 2007 and the quotations received from the bidders were evaluated and contracts were awarded in November 2007. Therefore, recasting of estimates in December 2007 after award of contract was not in order.

3.1.9 In respect of SEZ Tirunelveli, the land cost of ₹23 crore for take over of 500 acres of land from SIPCOT included development charges amounting to ₹22.25 crore. As per the terms of allotment, SIPCOT had to develop the land allotted to the Company in a phased manner for which the above development charges was paid. However, the Company, after taking over (April and July 2007) the barren land from SIPCOT, incurred capital expenditure of ₹13.75 crore for development of the land from its own sources, which was unwarranted. The Company is yet (December 2013) to make any claim on SIPCOT for reimbursement of the development charges incurred by it.

3.1.10 Audit further noticed that the Company obtained (July 2007) the approval of GOI for establishment of SEZ in Tirunelveli in an area of only 100 acres. But it awarded (July 2009) the contract for common infrastructure facilities in an area of 380 acres at the cost of ₹32.90 crore. As GOI approved creation of SEZ only in 100 acres of land, the Company subsequently restricted (December 2010) creation of infrastructure in 100 acres of land and the revised work orders were issued for a value of ₹12.76 crore and the work was finally completed in March 2011 for ₹13.75 crore. Audit observed that as per Clause 12(2) of the Tamil Nadu Transparency in Tenders Act, 1998, the authority may cancel the tenders in case of large changes in the scope of work. As the work was scaled down from 380 acres to 100 acres, the Company should have cancelled the tender and resorted to fresh tender. Instead, it accepted the rate of ₹12.76 crore offered by the same contractor which was 35 *per cent* over and above the estimated cost of ₹9.42 crore without ascertaining the reasonableness of the reduced scope of work and was against financial propriety.

3.1.11 In Vadapalanji project, out of 245.17 acres of land acquired (January/February 2007) by the Company for SEZ, only 12 acres of land had direct access to the National Highways and balance portion was located beyond Madurai – Bodinayakanur railway line, which cuts across the SEZ land. The Company itself noted that the construction of Rail Over Bridge (ROB) was an essential pre-requisite to connect the SEZ land with National Highways to facilitate smooth flow of traffic. Therefore, it proposed (October 2007) to construct ROB at a cost of ₹12 crore for inter connecting the SEZ land and also obtained sanction for 100 *per cent* finance from ASIDE grant. However, the Company did not take up the construction of ROB till date (December 2013). The reason for such deferment was also not on record. Though the Company did not take up the work of ROB, it created (January 2011) other infrastructure facilities for a value of ₹15.47 crore. This deficiency affected the marketability of IT plots as discussed *vide* Paragraph 3.1.13

Construction of IT park buildings

SEZ Tirunelveli, Illandhaikulam and Trichy

3.1.12 In addition to creation of infrastructure facilities, the Company took up construction of IT park in three SEZs at Trichy, Tirunelveli and Madurai (Illandhaikulam) at a value of ₹43.29 crore. Examination of files relating to civil works revealed the following:

- As per Rule 14(9) of Tamil Nadu Transparency in Tender Rules, 2000 (Tender Rules) the finally executed quantity of items shall not vary more or less than 25 *per cent* of the requirement mentioned in the tender documents. It was, however, noticed that in all the three SEZs the finally executed items of major works *viz.*, civil works, electrical and other items varied from 38 to 473 *per cent* as detailed in **Annexure-17**. Moreover, in all the three SEZs, the Company executed additional works not contemplated in the original agreement such as high voltage air-conditioner system, improvement to road works, installation of fire fighting equipments, miscellaneous electrical items, *etc.*, to the extent of ₹5.30 crore without inviting tenders. Had the Company prepared a proper DPR and correlated the estimates with DPR, large scale variations between the awarded works and the executed works could have been avoided. As these items were executed without calling for fresh tenders or ascertaining the reasonableness of the rates, the execution of the same violated the Tender Rules.

Allotment of SEZ land/space

3.1.13 The Company allots SEZ land to the entrepreneurs on 99 year lease basis by collecting upfront lease charges. The lease charges are fixed based on the market value obtained from the Revenue Authorities of the State Government and after obtaining the approval for fixation of lease charges from the Government. The details of SEZ wise availability and allotment of plots are indicated in **Annexure-15**. Out of the total allotable area of 1,114.71 acres in seven SEZs test checked, the Company so far (December 2013) allotted 416.81 acres of land (37 *per cent*) which included direct allotment of

180 acres of land by the Government in SEZ, Sholinganallur. Similarly, against 1.79 lakh sq.ft. of IT park building completed (February/August 2011) in three SEZs at Tirunelveli, Ilandhaikulam and Trichy, the Company so far (December 2013) allotted 23,055 sq.ft. (13 *per cent*). The balance portion of IT park (1.56 lakh sq.ft.) remained vacant for more than two-and-half years.

Audit observed that:

- The Government while directing the Company to take up SEZ projects specifically instructed (August 2006) adoption of the Public Private Partnership (PPP) mode of execution of SEZ projects to minimise its investment as was being followed by Tamil Nadu Industrial Development Corporation Limited, which also implements SEZ projects. The Government further directed the Company to engage a consultant to identify the suitable PPP partner for successful implementation of the projects. However, the Company neither engaged the consultant nor adopted PPP model for execution of SEZ projects.
- The Company took up concurrently the SEZ projects in all the Tier-II cities without having on hand the feasibility report or DPR to analyse the cost-benefit of the investments.
- The Company erred in selecting mining and rocky areas for SEZs at Salem and Tirunelveli and did not construct the ROB in SEZ Vadapalanji, which was considered essential to operationalise the SEZ. These factors affected the marketability of the plots in these SEZs.
- The Company also took up two SEZs at Vadapalanji and Illandhaikulam in Madurai simultaneously without assessing the market demands. Allotment of 135 acres to three allottees made (September 2007) in SEZ Vadapalanji was subsequently cancelled (November 2009 to January 2010), based on the request of the allottees, indicating the absence of demand in the area.
- In respect of three SEZs at Trichy, Tirunelveli and Illandhaikulam, the occupancy till December 2013 was 13 *per cent* of the total space available. During operation of SEZs, the Company would recover maintenance expenditure incurred by it from the allottees on monthly basis. In respect of three SEZs mentioned above, the unrecovered portion of maintenance expenditure in the last two years up to March 2013 due to poor occupancy amounted to ₹0.91 crore.

Above factors led to poor marketability of five[33] SEZs test checked resulting in project facilities created at the total cost of ₹184.57crore largely remaining unproductive.

Audit further observed that:

- During 2005, the Government allotted 180 acres of land owned by the Company to three[34] IT companies in Sholinganallur at a much lower price of ₹48 lakh per acre against the then prevailing market rate of ₹2.62 crore per acre. Even though the Company suffered a loss of revenue of ₹385.20 crore on these allotments (₹2.62 crore – ₹0.48 crore per acre X 180 acres),

[33] Coimbatore, Ilandaikulam, Vadapalanji, Trichy and Tirunelveli.

[34] 80 acres to one IT company and 50 acres each to two IT companies.

it did not claim compensation from the Government till date (December 2013) for the loss incurred.

- During the period from September 2007 to October 2009, the Company allotted 112.5 acres of land in Illandhaikulam, Vadapalanji, Trichy and Tirunelveli SEZs to 12 entrepreneurs. Though the conditions of allotment stipulated that the entrepreneurs should commence their business activities within two years of allotment, none of the allottees paid the balance lease amount of ₹19.03 crore nor commenced their commercial operation till date (December 2013). Thus, the allotments made in these SEZs did not fulfil the basic objective of increasing foreign exchange earnings and employment generation. However, the Company did not take any deterrent action for these lapses till date (December 2013).
- Though the policy of the Government for the year 2011-12 highlighted the need for aggressive marketing for sale of IT plots, the Company did not have any business plan to market the remaining 697.88 acres out of 1,114.71 acres of saleable land in seven SEZs test checked. In September 2011, the Company sought financial assistance of ₹4.86 crore for road shows and exhibitions for improving the marketability of its land. But, the Government has not responded to the proposal so far (December 2013). As the Company did not have any alternate business plan on hand for marketing of plots, the balance land continued to remain idle for more than two years.

The matter was reported to the Government/Company in October 2013; their reply was awaited (December 2013).

Conclusion

The Government directed the Company to establish IT specific SEZs in Tier-II cities considering the benefits of increased foreign investment and creation of massive employment opportunities within the State. However, the IT SEZs taken up by the Company in cities other than Chennai did not fulfil these objectives as:

- **SEZs were established without conducting feasibility studies and without preparation of DPR.**
- **The land acquired was unsuitable for SEZs (Tirunelveli and Salem).**
- **In Madurai, the Company took up two SEZs (Vadapalanji and Illandhaikulam) without ascertaining the market potential. Moreover, the land selected for Vadapalanji was not contiguous.**
- **The Company could market only 37 *per cent* of the land and 13 *per cent* of the IT space to the IT companies. This was an off-shoot of taking up the ventures concurrently in all the Tier-II cities without ascertaining the marketability of these facilities in these areas.**

State Industries Promotion Corporation of Tamil Nadu Limited

3.2 Unintended benefit

Unintended benefit of ₹43.27 crore was extended to three firms due to not fixing upfront lease charges for land allotment based on current market rates.

State Industries Promotion Corporation of Tamil Nadu Limited (SIPCOT) engaged in industrial development of the State, leases out developed industrial plots to entrepreneurs and collects upfront lease charges for 99 years from the allottees.

While fixing the upfront lease charges for plots, SIPCOT considers the cost of acquisition of land, expenditure incurred on creation of infrastructure facilities and its profit margin. However, in respect of Siruseri Information Technology Park (SITP), where the market price of land was appreciating rapidly, SIPCOT decided (June 2006) to fix upfront lease charges by floating tender. Accordingly, it allotted (December 2007) 0.43 acres of land to M/s DSM Soft Private Limited at ₹4.10 crore per acre based on the highest offer received in December 2007. However, SIPCOT did not continue the tender system for the subsequent allotments in SITP as detailed below:

(i) M/s Cognizant Technology Solutions (CTS), an existing allottee of 35.8 acres of land at SITP was allotted (October 2011) 14 acres of land at ₹4.10 crore per acre adopting the rates of the tender in December 2007. After obtaining the BOD's approval (September 2011) for this allotment, SIPCOT collected the lease charges of ₹57.40 crore in October 2011.

(ii) Similarly, SIPCOT allotted (June 2012) 18 acres of land to M/s Infotel Broadband Services Limited (Infotel) and one acre of land to M/s Vodafone South Limited (Vodafone) (January 2012) on 99 years lease at ₹4.10 crore per acre and the payments were received in June/September 2012.

In this connection, Audit observed that:

- SIPCOT's decision in June 2006 to adopt tender system for land allotment at SITP was based on the fact that the price of land in Siruseri in the vicinity of SITP was appreciating rapidly indicating the need for adopting its lease charges based on market price. However, the allotments were made in 2011 and 2012 based on the rates fixed in 2007 implying that SIPCOT had lost the benefit of appreciation in the land value between 2007 and 2011/2012.
- In the absence of any attempt by SIPCOT to ascertain the market value for SITP land, Audit worked out the value of the land during 2011-12 and 2012-13 as ₹5.06 crore and ₹5.67 crore respectively by indexation method prescribed by the Government (at 12 *per cent per annum*) on the market value of ₹3.21 crore per acre (for 2007-08) intimated by the District Collector, Kancheepuram for SITP. An independent verification by Audit of the records of Sub-Registrar, Thiruporur indicated that sale consideration of ₹5.45 crore to ₹15.71 crore per acre of land was adopted

for sale of land in and around the SITP project area during 2008-11. These factors indicate that the rate of ₹4.10 crore per acre fixed for the above three allotments by SIPCOT was low and did not reflect the current market price during 2011-12. Thus, by not adopting the latest market rates for fixing the lease charges or at the very minimum, by not indexing at 12 *per cent per annum*, the market rates intimated by the revenue authorities, SIPCOT lost the opportunity of earning additional revenue of ₹43.27 crore, which resulted in an unintended benefit to the three private firms.

SIPCOT replied (December 2012) that it was allotting land on 99 years lease basis at the rates fixed on cost plus service charges and it did not adopt the market rates in respect of any of its industrial complexes. The reply was not tenable because the Company considers the market value of the area as one of the parameters for revising the plot cost periodically. Moreover, in respect of SITP the directions of BOD for fixation of upfront lease charges based on tender was not complied with.

The matter was reported to the Government in June 2013; their reply was awaited (October 2013).

TIDEL Park Coimbatore Limited and TICEL Bio-Park Limited

3.3 Unintended benefit to private contractors

The two companies violated the provisions of Tamil Nadu Transparency in Tenders Act, 1998 and paid interest free mobilisation advance of ₹47.13 crore to 26 contractors. Consequently, these companies had to forego interest of ₹4.35 crore.

The State Government enacted (December 1998) Tamil Nadu Transparency in Tenders Act, 1998 (Tender Act) and notified (October 2000), the rules thereon (Tender Rules) stipulating the procedures to be followed by the Government Departments and State Public Sector Undertakings for finalisation of tenders. As per Clause 14 (4) (b) of Tender Rules, mobilisation advances may be paid 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.

Audit noticed (January and February 2013) that between August 2008 and September 2012, both the companies issued 26 work orders for a total value of ₹484.58 crore[35] for various civil works and released interest free mobilisation advance of ₹47.13 crore.

Audit observed that:

- TICEL Bio Park availed loan from banks carrying an interest of 12.25 *per cent per annum* and the outstanding loan as on March 2011 and 2012 was ₹14.60 crore and ₹12.44 crore respectively. Similarly, Tidel Park Coimbatore Limited executed the civil works only through borrowed funds of ₹200 crore carrying an interest of 11/11.25 *per cent per annum.* If these companies had levied interest on mobilisation advance as per the Tender

[35] Tidel Park Coimbatore Limited (16 work orders for a value of ₹327.09 crore) and Ticel Bio Park Limited (10 work orders for ₹157.49 crore).

Rules, they could have saved payment of interest to the extent of ₹4.35 crore[36] (Tidel Park Coimbatore Limited: ₹3.28 crore and TICEL Bio Park: ₹1.07 crore).

- The scheduled completion of the contracts mentioned above was between May 2009 and December 2012. However, it was noticed that 17 out of 26 contracts were delayed beyond the due dates with time overrun of 1 to 34 months (calculated up to January 2013 upto which the information was made available). This indicated that the basic objective of release of mobilisation advance, *viz.*, timely completion of the project was not achieved in these contracts.
- The agreements provided for recovery of mobilisation advance within the scheduled date of completion. But the overdue amount of mobilisation advance of the 17 works mentioned above was ₹26 crore (Tidel Park Coimbatore Limited: ₹24.53 crore and TICEL Bio Park Limited: ₹1.47 crore), which led to blocking up of funds of companies with the contractors.

Thus, by extending interest free mobilisation advance in contravention of the Tender Rules, these companies had foregone interest of ₹4.35 crore, which resulted in extension of unintended benefit to private contractors to the same extent.

TICEL Bio-Park Limited replied (November 2013) that it need not follow the Tender Rules as the payment of interest free mobilisation advance was made with the approval of its BOD. The reply was untenable because the Tender Act and Rules are to be followed by all the Government Departments and State PSUs.

The matter was reported to the Government in September 2013; its reply was awaited (October 2013).

State Express Transport Corporation of Tamil Nadu Limited

3.4 Unintended benefit to a private firm

Failure to include a clause for levy of Liquidated damages and Payment of enhanced Excise Duty on chassis supplied beyond the delivery schedule resulted in an unintended benefit of ₹4.05 crore to a private firm.

State Express Transport Corporation of Tamil Nadu Limited (SETC) purchases more than 80 *per cent* of its chassis requirement from M/s Ashok Leyland Limited (AL) at the rates finalised by the Institute of Road Transport (IRT)[37] through tender. A review of supply of chassis by AL to SETC indicated that:

- AL did not adhere to the supply schedule during 2009-10 and 2010-11. During 2009-10, AL supplied only 30 out of 100 chassis ordered within the scheduled delivery period of October 2009 and in

[36] Worked out at the rate of 12.25 *per cent per annum* for Ticel Bio Park and 11 *per cent per annum* for Tidel Park Coimbatore Limited.

[37] Society formed by the Government for common procurement of chassis, tyres, tubes, spares, *etc.*, for all the State Transport Undertakings.

2010-11, it did not supply any of the ordered quantity of 100 chassis within the scheduled delivery period of December 2010. The balance quantities were received in both years from February to April 2011 and 2012 respectively.

- During the two years ending 2011-12, the purchase orders for supply of 100 and 473 chassis by AL were issued in October 2010 and November 2011 respectively. However, SETC entered into agreements with AL in May 2011 and April 2012 respectively after receipt of 65 out of 100 and 121 out of 473 chassis ordered during the above period.
- While IRT had issued a common format of agreement incorporating the penal clauses for delays in supply to all State Transport Undertakings, SETC did not adhere to this format during 2011-12 and did not incorporate the clause on Liquidated Damages (LD) in the agreement.

The financial implications of these deficiencies are discussed below:

(i) As per the supply schedule of 2011-12, AL was to commence supply by December 2011 and complete 90 *per cent* of the ordered quantity of 473 chassis by February 2012. AL, however, delivered only 62 chassis (13 *per cent* of the ordered quantity) in February 2012. The balance quantity was supplied[38] between March and November 2012. SETC proposed (April 2013) levy of LD of ₹2.89 crore for the delays in supplying the chassis ranging from 4 to 36 weeks upto November 2012, but could not enforce the same for want of LD clause in the agreement.

(ii) The terms of PO provided for payment of Excise Duty at 10 *per cent*. However, SETC entered into an agreement with AL on 12 April 2012 and agreed to pay applicable Excise Duty and Cess at the time of supply. In the meantime, GOI increased the basic Excise Duty on chassis from 10 *per cent* to 12 *per cent* (17 March 2012) and decreased to 11 *per cent* (12 May 2012). As SETC made payments for Excise Duty on the date of supply as per the terms of agreement, payment of increased Excise Duty for the delayed supply of 371 chassis from 17 March 2012 to November 2012 resulted in an avoidable extra expenditure of ₹1.16 crore to SETC.

The Government replied (August 2013) that it directed SETC to recover ₹4.05 crore being the LD and excess amount of Excise Duty paid to AL.

TIDEL Park Coimbatore Limited

3.5 Undue benefit to a private contractor

TPCL extended undue benefit of ₹2.18 crore to the civil contractor by exceeding the provisions of the agreement.

Government of Tamil Nadu ordered (February 2007) establishment of a new Joint Venture (JV) company *viz.*, Tidel Park Coimbatore Limited (TPCL) jointly by Electronics Corporation of Tamil Nadu Limited (ELCOT) and Tamil Nadu Industrial Development Corporation Limited (TIDCO) to

[38] March 2012 – 60 chassis, April 2012 – 70 chassis, May 2012 – 122 chassis, June 2012 – 48 chassis, July 2012 – 63 chassis and August to November 2012 – 48 chassis.

implement the IT Special Economic Zone (SEZ) in Villankurichi in Coimbatore district. The GOI certified (May 2008) that TPCL would be the co-developer of the SEZ project and ordered (June 2008) exemption from levy of duties and taxes including Value Added Tax (VAT) on materials used for development of SEZ. Similar notification was issued (March 2011) by the Government of Tamil Nadu with retrospective effect from May 2008.

TPCL awarded (September 2008) contract for civil works for a firm price of ₹206.89 crore (excluding VAT) to M/s B.E. Billimoria & Company (Billimoria). As per tender conditions and provisions of the agreement between TPCL and Billimoria, the payment for civil works was to be made excluding VAT. When the project was in progress and the State Government's notification on VAT exemption was awaited, TPCL made an unsolicited offer (April 2009) to Billimoria to reimburse VAT paid on the material procured for civil works and accordingly reimbursed (March 2009 and April 2010) VAT amounting to ₹2.98 crore in two instalments.

After receipt of VAT exemption notification (March 2011) from the State Government, TPCL recovered (April 2011) the reimbursements made during March 2009/April 2010. However, Billimoria claimed (May 2012) that VAT was charged by numerous traders/vendors before receipt of the State Government notification and it was not practicable to claim refund of VAT from these traders as per the notification. Therefore, TPCL once again refunded (October 2012) ₹2.18 crore of VAT.

Audit observed that:

- By virtue of the exemption notification issued by GOI in July 2008 and as per the conditions of tender/agreement, Billimoria was not entitled for reimbursement of VAT on the materials used for SEZ project. As such, TPCL's *suo motu* offer in April 2009 to refund VAT was not warranted even at the first instance and was an undue favour to Billimoria in excess of the agreed payments.
- As per Government notification dated March 2011, it was the responsibility of the traders/vendors supplying material for SEZ projects to get refund of VAT from the Commercial Tax Department by submitting a declaration issued by the contractors of SEZ projects and countersigned by the co-developers of SEZ *i.e.*, TPCL. However, TPCL refunded VAT at the second instance from its borrowed funds which not only violated the Government notification but also resulted in undue benefit to Billimoria to the extent of ₹2.18 crore and avoidable loss to itself to the extent of ₹2.95 crore (including loss of interest of ₹0.77 crore[39]).

TPCL replied (September 2013) that it reimbursed VAT as per tender conditions and in the absence of Government Order for VAT exemption. The reply is not tenable as the tender conditions stipulated that TPCL would not reimburse in any case the taxes paid by the contractor irrespective of the same being included in the quoted rates or not. Belated receipt of Government

[39] Calculated at the interest on borrowings at the rate of 11 *per cent per annum* for the refund of ₹2.18 crore from March 2009/April 2010 up to August 2011 for the first refund and from October 2012 to July 2013 for second refund.

Orders for VAT exemption could not explain reimbursement of VAT by TPCL which was not provided for in the tender conditions stated above.

The matter was reported to the Government in July 2013; their reply was awaited (October 2013).

State Transport Undertakings

3.6 Idling of equipment

Purchase of On Board Units by three State Transport Undertakings without having financial arrangements for their operations led to equipment worth ₹1.95 crore lying idle for more than three years.

The Vehicle Tracking and Control System (VTCS)[40] creates two way communication between On Board Units (OBUs) fitted into buses and a centralised server which uses the global positioning and geographic information systems to locate the movement of buses. VTCS was initiated (2003) as a Centrally sponsored scheme and was implemented (2006) as a pilot project in Metropolitan Transport Corporation Limited (MTC) and State Express Transport Corporation Limited (SETC) up to September 2008. Subsequently, MTC purchased (December 2008) 495 OBUs at a cost of ₹83.60 lakh and connected the same with the central data centre installed during the pilot project. Between January 2009 and September 2012, MTC incurred ₹2.87 crore[41] for operation of the 495 OBUs.

During finalisation of rate contract for purchase of chassis for 2009-10, the nodal agency of STUs *viz.*, The Institute of Road Transport (IRT) finalised the rate contract for purchase of OBUs at the rate of ₹13,000 per unit. Accordingly, three STUs, *viz.*, MTC, Tamil Nadu State Transport Corporation (Madurai) Limited and Tamil Nadu State Transport Corporation (Coimbatore) Limited purchased (July 2009 and March 2010) 1,500 OBUs costing ₹1.95 crore.

Audit further noticed that the above STUs were already incurring operational losses in their activities and MTC was incurring around ₹10 lakh per month for operation of the OBUs already installed. Given this background, none of the STUs, which purchased OBUs during 2009-10, analysed the financial feasibility of operation of OBUs before purchasing them in large scale. Consequently, since the OBUs were received (August 2009 and March 2010), they were kept idle till date (December 2013) as MTC did not connect them with the centralised server available with it and the other two STUs did not purchase the requisite software nor did they establish the data centre necessary to put into use these OBUs.

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40 The advantage of the system includes (i) tracking and tracing the buses to know its position and route history, (ii) intimating the passengers about the expected arrival time of buses at the selected bus stops and (iii) inter voice active response system with the crew of buses during break downs.

41 The operational expenditure includes annual maintenance charges/service charges paid to Ashok Leyland for maintenance of the centralised server positioned in their premises (₹69.20 lakh), charges for project management to Siemens Limited (₹85.14 lakh), annual maintenance for data centre and LED display (₹55.01 lakh) and leased line charges and sim charges to Bharat Sanchar Nigam Limited (₹77.35 lakh).

Thus, by purchasing OBUs without having financial arrangement for their operation, three STUs kept the equipments worth ₹1.95 crore idle for more than three years without any beneficial use.

Two of the STUs, *viz.*, MTC and TNSTC (Coimbatore) Limited admitted (July 2013) that the OBUs purchased were not operated till date due to their financial crunch but added that efforts were being made to install the OBUs in the buses in future.

The matter was reported to the Government in September 2013; their reply was awaited (December 2013).

Tamil Nadu Generation and Distribution Corporation Limited

3.7 Avoidable extra expenditure

TANGEDCO incurred avoidable extra expenditure of ₹254.05 crore due to purchase of power at much higher rates in contravention of the directives of the Government of Tamil Nadu and Tamil Nadu Electricity Regulatory Commission.

Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO), purchases power from Co-generation power plants[42] and bio-mass power producers on the basis of long term Power Purchase Agreements (PPAs) and from power traders through tenders. TANGEDCO noted (October 2008) that co-generation/bio-mass power plants contemplated rescinding the existing PPAs with it and tried to sell power at higher rates to the traders. TANGEDCO further noted that such a move would result in recycling of power at a higher cost to it by the traders and therefore, approached (October 2008) the Government to issue orders restraining these generators from selling power to any organisation other than TANGEDCO by invoking special provisions of Section 11 (i) of the Electricity Act, 2003. Based on the above proposal, the Government issued the orders on 27 February 2009.

Meanwhile, Tamil Nadu Electricity Regulatory Commission (TNERC) directed (14 October 2008) TANGEDCO to terminate the existing PPAs of co-generation and bio-mass power producers and issue a separate tender for purchase of power from these sources to enable it to revise the price of power supplied by these sources based on market rates. Contrary to the above directions, the Board of TANGEDCO decided (November 2008) to keep the PPAs in abeyance and permit them to sell power generated by use of coal during the crushing and non-crushing season to third parties under short term intra-State open access system. While taking the above decision, the Board was not apprised about the earlier submission made to the Government in October 2008, restraining the power producers from selling power to the traders.

Subsequently, TANGEDCO invited bids on two occasions (May 2009/May 2010) from power traders for supply of 500 MW power and issued (July 2009/August 2010) purchase order to Reliance Energy Trading Limited, PTC

[42] As per TNERC's tariff orders, co-generation means a process by which two or more form of energy including electricity, is produced.

India Limited and Tata Power Trading Company Limited[43]. The purchase of power from PTC and Tata Power Trading Company to the extent of 1,587 Million Units (MUs) (out of the total purchase of 1,894 MUs), at the rates ranging from ₹4.74 to ₹6.75 per unit was actually sourced from the co-generation plants and bio-mass based power producers within the State.

Audit analysis of these purchases indicated that:

- The Government Order of February 2009 directing all power generators in Tamil Nadu to supply all electricity generated either to TANGEDCO or to any other HT consumer within the State was actually at the behest of TANGEDCO. However, TANGEDCO's subsequent decision to allow the power producers to sell the power to the traders contradicted its earlier stand and the Government order of February 2009. As TANGEDCO also failed to initiate the tender process for purchase of power produced by co-generation units/bio mass generation plants within the State as per the directives of TNERC, it was forced to purchase the same power from the traders at higher rates.
- When the tender for purchase of power from traders was under finalisation, TNERC revised the tariff for purchase of power from co-generation (April 2009) and bio-mass (May 2009) power producers which ranged from ₹3.801 to ₹3.836 per unit. Under these circumstances, purchase of power generated by 23 such co-generation/bio-mass units within the State through traders at rates ranging from ₹4.74 to ₹6.75 per unit was in excess of the fair price fixed by TNERC and resulted in additional extra expenditure to TANGEDCO to the extent of ₹254.05 crore.

The Government admitted (November 2013) that the power offered by PTC included the power generated by some co-generation units within the State and further stated that in as much as the PPAs with these co-generation units were kept in abeyance, acceptance of these sources of power was in order. The reply is not tenable as the PPAs with the co-generation units have been kept in abeyance and the same power was purchased through power traders at much higher rates. This constituted extra expenditure to the tune of ₹254.05 crore by TANGEDCO.

3.8 Infructuous expenditure

Inadequate follow-up by TANGEDCO in exploring the coal mine identified as source of fuel for two of its upcoming thermal projects led to not only losing the source of fuel but also resulted in financial loss of ₹12.19 crore.

Ministry of Coal (MOC) allotted (July 2007) the Mandakini B coal block in Odisha, with estimated coal reserves of 1,200 million MTs to TANGEDCO and three[44] Public Sector Undertakings (PSUs) of other States. The allotment with equal share to each of the PSUs required that the allottees should jointly or through a separate company formed for this purpose, apply for Prospecting

43 The trader was issued letter of acceptance only in August 2010.

44 Odisha Mining Corporation Limited, Assam Mineral Development Corporation Limited and Meghalaya Mineral Development Corporation Limited.

Licence (PL) and also jointly furnish Bank Guarantee (BG) equivalent to ₹97.50 crore within three months of allotment. Milestones[45] for development of the block were also prescribed with a condition that in case of slippage in adherence to the milestones, the allotment would be cancelled and 50 *per cent* of the BG invoked.

A review in audit of the progress achieved in exploration of the coal block revealed that from the date of allotment, the joint efforts taken by the PSUs were insufficient and the project became a non-starter as none of the critical milestones was adhered to. Even though formation of a separate company jointly by all the four allottees was the first step for applying for PL, it was formed only in February 2009 *i.e.*, after a delay of more than 15 months. Further slippages in achieving other milestones like purchase of geological report, filing application for mining, submission of mining plan, request for forest clearance, land acquisition *etc.*, with delays ranging from two to 2 1/2 years resulted in MOC issuing three show cause notices (October 2009, October 2010 and May 2012) and finally cancelling the allotment itself in December 2012. Fifty *per cent* of the BG equivalent to ₹48.75 crore was duly invoked as per the conditions of allotment. As there was no possibility of taking up the project further, TANGEDCO decided (April 2013) to exit from the joint venture.

Audit observed that while approving the investment proposal on this captive mining project, the Board of TANGEDCO directed (October 2007) that any investment/BG was to be released only after formation of a separate company and after exercising due diligence as to the capabilities of that company to successfully undertake mining exploration. However, TANGEDCO released (April-October 2008) its share of equity (₹ two crore) and BG (₹24.38 crore) even before formation of the separate company. Had TANGEDCO exercised due diligence and invested its share in the project as directed by the Board and closely monitored implementation of project, it would not have suffered loss of ₹12.19 crore (being TANGEDCO's share in ₹48.75 crore of BG invoked by MOC) as a result of de-allocation.

Thus, inadequate follow-up by the allottee PSUs including TANGEDCO in developing and exploring the coal mine which was identified as a source of fuel for two upcoming thermal projects not only resulted in losing the source of fuel but also in financial loss of ₹12.19 crore to TANGEDCO.

While concurring with the facts, the Government replied (November 2013) that the concept of joint allocation of one coal block to many PSUs of different State was unworkable. It added that though it incurred capital expenditure considering the long term benefits of the coal mine, the project failed only due to non issue of PL by the Odisha Government.

The fact, however, remained that MOC resorted to de-allocation not only because of slippage in obtaining PL, but also due to non achievement of other milestones and unsatisfactory progress in development of the coal mine and end-use plants by the allottee PSUs. The fact also remained that TANGEDCO

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[45] Milestones, *inter alia,* included (i) purchase of Geological report by October 2009, (ii) obtaining approval for mining plan by June 2010, (iii) obtaining forest clearance by April 2011 and (iv) obtaining Mining Lease by October 2011.

prematurely released its share of BG and equity even before formation of the separate company resulting in the stated loss.

3.9 Loss of revenue

TANGEDCO failed to comply with Tamil Nadu Electricity Regulatory Commission's orders regarding sharing of Clean Development Mechanism benefits resulting in loss of revenue of ₹11.72 crore.

As per the Clean Development Mechanism (CDM) adopted by United Nations Framework Convention on Climatic Change (UNFCCC)[46] and ratified (August 2002) by the GOI, all projects leading to real, measurable and long term mitigation of green house gases in the country are entitled to CDM benefits. The CDM would be in the form of Certified Emission Reduction (CER) credits issued to eligible entities of the country which have been registered with UNFCCC which could be sold to other organisations throughout the world. TNERC, in its comprehensive Tariff Orders issued between March and May 2009, stipulated that CDM benefits should be shared on gross basis starting from 100 *per cent* to the developers in the first year and thereafter reducing by 10 *per cent* every year till the sharing becomes equal at 50:50 between the developer and the distribution licensee (TANGEDCO). The above decision was reiterated by TNERC in its revised tariff order issued in July 2012.

Audit conducted a test check to verify the extent of compliance of the stipulation of TNERC by TANGEDCO and observed the following:

- TANGEDCO had so far entered into agreements with 35 power projects. As per UNFCCC registry, all these projects had obtained CDM Registration. However, in none of these projects had TANGEDCO initiated the modifications in the clauses of the agreement for sharing of CDM benefits in line with the tariff orders of TNERC till date (December 2013).
- As per UNFCCC's monitoring reports,[47] 19 out of 35 projects which obtained CDM certification had actually earned CDM benefits for the monitoring period from January 2003 upto August 2012 equivalent to 66,34,770 credits. As TANGEDCO had not incorporated the required clause in the agreement for sharing of carbon credits as stipulated by TNERC, it lost its entitlement for a share of 3,90,628 credits. The value of these credits amounted to ₹11.72 crore[48] (at the exchange rate of US $ 6[49] for each credit and ₹50 per US $). Audit ascertained (June 2013) from another State PSU *viz.*, Tamil Nadu Newsprint and Papers Limited that it

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[46] This is an environment treaty with the goal of preventing human interference on the climatic system.

[47] Monitoring of carbon emissions is carried out on a monthly basis with the data required for calculation, transmitted to an accredited agency who prepares monthly CER reports. These monthly reports form the basis for the monitoring reports.

[48] TANGEDCO's share worked out for the periods after issue of TNERC's tariff orders from March 2009 for wind, bio-mass and co-generation.

[49] Minimum of the average price of CER during the period December 2008 to December 2011 as per the World Bank Report on State and Trends of the Carbon market 2012.

traded carbon credits at the rate of Euro 1.52 to Euro 13.13 per credit during 2009-10 to 2012-13.

The Government replied (November 2013) that based on Audit Observations, TANGEDCO had taken initiative to collect the share of CDM benefits and once its collections are made, the same would be passed on to the consumers.

3.10 Delay in filing appeal

TANGEDCO failed to appeal in time before Tamil Nadu Electricity Regulatory Commission (TNERC)/Appellate Tribunal for Electricity (APTEL) which led to loss of opportunity of recovering additional cost of ₹1.90 crore.

Ind Bharat Powergencom Limited (IBPL), a coal based thermal power generating company at Tuticorin requested (17 September 2009) TANGEDCO to accept the power generated during the trial run of its first unit of 3 X 63 MW plant. TANGEDCO agreed to purchase power from IBPL and pay for the energy pumped into grid at 90 *per cent* of the purchase rate of firm power[50] as approved by TNERC. Between 17 September and 31 December 2009, IBPL supplied 33.29 Million Units (MUs) of power to TANGEDCO.

Later on, TANGEDCO directed (March 2010) IBPL to approach TNERC for fixing the rate for the power supplied by it. Based on a petition filed (August 2010) by IBPL for fixation of the rate and settlement of its dues, TNERC held (19 October 2010) that:

- The payment for entire supply of 33.29 MUs of power be made at the lowest fuel cost of a similar type of coal based thermal station.
- Ennore Thermal Power Station (ETPS) was a comparable station and its variable cost during October to December 2009 at ₹1.94 per unit (as indicated by TANGEDCO) be paid to IBPL.
- An appeal, if any, was to be filed against this order with APTEL within 45 days from the date of its order.

Audit noticed that though the time limit for filing appeal with APTEL against this order lapsed on 3 December 2010, TANGEDCO did not file any appeal within the due date. However, the Board of Directors of TANGEDCO decided (May 2011) that ETPS was a 40 year old thermal station and hence, its normative variable cost was not comparable with the power station of IBPL. Therefore, TANGEDCO worked out the normative variable cost of a new 63 MW plant similar to that of IBPL at ₹1.37 per unit and filed (June 2011) a review petition before TNERC and also sought condonation for the delay of 231 days in filing the review petition.

As TNERC declined to condone the delay and dismissed (June 2011) the review petition, TANGEDCO filed (December 2011) an appeal before APTEL for condonation of delay. APTEL also dismissed (May 2012) the petition of TANGEDCO on the ground that the delay in filing review petition with

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

TNERC was not properly explained. Consequently, TANGEDCO paid (November 2012) ₹6.46 crore to IBPL for 33.29 MUs of power supplied by it at the rate of ₹1.94 per unit.

Thus, TANGEDCO lost an opportunity of representing its case before TNERC and APTEL for recovery of additional cost of ₹1.90 crore[51] paid to IBPL.

The Government replied (October 2013) that TANGEDCO filed the review petition not with the intention of fighting the tariff awarded by TNERC, but to establish the principle that the tariff for 'infirm power' should not be made taking into account the variable cost of old plant. The fact, however, remained that there were delays in filing the review petitions both before TNERC and APTEL.

3.11 Loss of revenue

There was revenue loss of ₹1.49 crore due to incorrect interpretation of the statutory provisions for effecting High Tension service connection.

As per the provisions of 29 (12) (ii) of the Supply Code issued by TNERC in July 2004, for any group housing/commercial complex having a total demand exceeding 5,000 KVA and requiring LT service connection, the consumer shall provide a space for establishment of a Sub-station (SS)/Switching Station. However, there is no such provision in respect of HT and EHT service connection requiring more than 5,000 KVA. Further, as per the regulation of the Tamil Nadu Distribution Standards of Performance, 2004 (Standards of Performance), a new HT service connection has to be extended to the consumers within one month from the date of receipt of application in this regard.

ECCI Info Park Limited (ECCI), Sholinganallur applied (13 June 2007) for an HT service connection for a maximum demand of 6,500 KVA. As per the demand (15 June 2007) of TANGEDCO, ECCI also submitted (October 2007) an undertaking to compensate TANGEDCO at double the market value of the land not provided by it for establishing a 33/11 KV SS within their premises. Based on this undertaking, TANGEDCO registered ECCI's application for supply of HT service connection in January 2008 and accorded (May 2008) administrative approval for the service connection. However, the demand for compensation for land was withdrawn (August 2008) by TANGEDCO as ECCI requested (June 2008) to reduce load requirement from 6,500 KVA to 5,000 KVA. After collection (December 2008) of service connection and other charges amounting to ₹21.62 lakh applicable for 5,000 KVA service connection, the supply availability notice[52] was issued by TANGEDCO on 9 February 2009.

From the above, it could be noticed that TANGEDCO took 20 months for effecting service connection to ECCI from the date of receipt of application *i.e.*, on 13 June 2007 to date of effecting service connection *i.e.*, on 9 February 2009. This was in excess of one month time prescribed in the Standards of Performance of TNERC. Audit analysis of the delay indicated that:

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51 ₹1.94 – ₹1.37 = ₹0.57 per unit X 33.29 MUs.

52 TANGEDCO will levy demand charges from the date of issue of supply availability notice.

- ECCI requested for supply of service connection for their IT industry which is classifiable as HT service connection and not the places of group housing/commercial complex. Therefore, the direction by TANGEDCO to ECCI to provide for the land for their SS within the premises and subsequent directions to give an undertaking to pay double the market value of the land was unwarranted. TANGEDCO decided in July 2007 to provide service connection to ECCI from its own upcoming SS at Shollinganallur (which was actually commissioned in February 2008). Even after this decision, there was subsequent delay of seven months in registering (January 2008) the application received in July 2007 and further delay of 12 months from the date of commissioning (February 2008) of their new SS to date of effecting the service connection (February 2009). These avoidable delays caused a revenue loss of ₹1.49 crore.[53]

The Government in its reply (November 2013) attributed the delay of seven months up to January 2008 to the incomplete application submitted by the applicant and not providing space for SS. It added that further delay of six months from June to December 2008 was on account of time required for taking some policy decisions by TANGEDCO. It also stated that every effort would be taken to reduce such delays in future. The fact, however, remained that apart from the delays committed by applicant, the delay of 12 months on the part of TANGEDCO in effecting the service connection after commissioning of the new SS in February 2008 had caused the above mentioned revenue loss.

3.12 Overpayment of Customs Duty

Failure to obtain updated information on concessional duty before embarking on the imports coupled with non obtaining the certificate of origin in the prescribed format from the channelising agencies led to overpayment of Customs Duty amounting to ₹0.93 crore.

To meet partial requirement of coal for its thermal stations, TANGEDCO imports coal through channelising agencies. TANGEDCO makes payment to the channelising agencies for the imported coal at an all inclusive High Sea Sales[54] Contract rate excluding Customs Duty. The Customs Duty would be paid directly by TANGEDCO to Customs Authorities.

Consequent to the Preferential Trade Agreement entered into (August-October 2009) by the GOI with the Association of South East Asian Nations (ASEAN), coal imports from Indonesia (which is part of the ASEAN) were extended a concessional customs duty of four *per cent* with effect from 1 October 2010 and three *per cent* from 1 January 2011 (against the normative rate of Customs Duty at five *per cent*). To avail the concessional duty, the importer has to make a claim furnishing details of import along with a

[53] Being the maximum demand charges foregone for 11 months from March 2008 to February 2009 in respect of 90 *per cent* of 5,000 KVA actually sanctioned at ₹300 per KVA after allowing one month time for effecting the service connection as per the Standards of Regulations.

[54] High Sea Sales (HSS) with reference to Section 5 (2) of the Central Sales Tax Act refers to a sale that takes place in the course of import of goods into the territory of India and is effected by a transfer of documents of title to the goods before the goods have crossed the customs frontiers of India.

'Certificate of Origin' in the prescribed format signed by authorised signatories.

Audit noticed that TANGEDCO issued (August 2010) a Purchase Order (PO) for import of three lakh MTs of coal from Indonesia through Tamil Nadu Newsprint and Papers Limited (TNPL). As discharge of coal against the PO was made after 1 October 2010, the import was eligible for the concessional customs duty. But, TANGEDCO did not avail the concession as the condition regarding 'Certificate of Origin' was not fulfilled in the import, which was due to not obtaining the certificate in the prescribed format from the authorised signatories of Indonesia by TNPL.

It was further noticed that TANGEDCO was not aware of the availability of the concession till September 2011 as it was the Clearing and Forwarding agents of TANGEDCO, M/s SICAL Logistics limited who informed about the availability of the concession by which time, most of the consignments had already been discharged.

As Customs Duty was paid at the normal rate of five *per cent* instead of at the concessional rate, TANGEDCO paid excess Customs Duty amounting to ₹0.93 crore. TANGEDCO made an attempt to recover the amount from TNPL after being pointed out (March 2012) by Audit but the attempt was not successful as TNPL rejected the claim stating that the assessment and payment of customs duty was made by TANGEDCO on its own without consulting it.

Thus, TANGEDCO's failure to obtain updated information on the concessions available and their requirements resulted in non availing of concessional duty amounting to ₹0.93 crore.

The Government replied (November 2013) that since the notification for concessional Customs Duty became effective from 1 October 2010, the same could not be anticipated by TANGEDCO when it issued PO to TNPL in August 2010. The reply was not convincing because as per the conditions of PO, the payment of Customs Duty was to be made by TANGEDCO directly to Customs Authorities based on the 'Certificate of Origin' to be provided by TNPL. However, TANGEDCO failed to avail concessional duty as it was not aware of the updated concessions available and thus was not able to obtain the certificate in the prescribed format from TNPL.

3.13 Loss of interest

Inordinate delay in closure of work order of a deposit contribution work resulted in belated recovery of the cost which resulted in loss of interest of ₹0.85 crore.

TANGEDCO while sanctioning (February 2005) a new Extra High Tension service connection for supply of 5,000 KVA to M/s New Zirconium Oxide Sponge Project (NZOSP) in Tuticorin District also decided to erect two dedicated feeders from the 230 KV Auto Sub-station (SS) at Tuticorin up to the premises of NZOSP at the cost of consumer.

The estimated cost of two dedicated feeders chargeable to NZOSP at ₹4.87 crore was remitted by NZOSP in March 2005 and the feeders were energised in September 2007. However, TANGEDCO finalised the cost of erection of feeders only in January 2012 after a delay of more than four years at ₹6.62

crore and requested (June 2012) NZOSP to remit the balance amount of ₹1.75 crore. The amount was remitted by NZOSP on 29 June 2012.

Audit observed that:

- Though the work of energisation of the dedicated feeders was completed as early as in September 2007, TANGEDCO finalised the completion report and worked out the actual expenditure only in January 2012 after a delay of four years and four months. This has resulted in belated cost recovery by TANGEDCO. This was in contravention of the stipulation of the Regulation 45(1) of the Distribution Code of TNERC, which provided for collection of the cost of improvement works from the consumers immediately on completion of the works.
- As TANGEDCO is mainly relying on borrowed funds for its working capital requirements, the delay of 54 months (January 2008 to June 2012) for recovering the cost of ₹1.75 crore (after giving due allowance of a reasonable period of three months for closure of work orders) implied that TANGEDCO suffered interest loss of ₹85.44 lakh[55] during that period which was avoidable.

The matter was reported to the Company/Government in July 2013; their reply was awaited (October 2013).

3.14 Loss of revenue

TANGEDCO violated the provisions of Tamil Nadu Electricity Distribution Code in respect of multiple service connections under Low Tension supply which resulted in loss of revenue of ₹0.71 crore.

The Tamil Nadu Electricity Supply Code (Supply Code) and Tamil Nadu Distribution Code (Distribution Code) regulate the supply and distribution of electricity in the State. As per Regulation 27 (13 and 14) of the Distribution Code, an establishment or a person will not be given more than one service connection within the same door number or sub door number unless there is a permanent physical segregation of the areas for different service connections. Further, as per Regulation 5 of the Supply Code, when the recorded demand of the single Low Tension (LT) service connection exceeded 112 KW, the consumer has the option of converting the LT service connection to High Tension (HT) service connection or pay excess demand charges for the additional load over and above the sanctioned demand.

Test check (April 2012 to February 2013) in Audit of five revenue billing units of TANGEDCO revealed that there were 14 multiple LT service connections having combined sanctioned demand of more than 112 KW in the same premises not having permanent physical segregation. Even though excess demand charges for the sanctioned demand exceeding 112 KW were required to be collected as per Regulation 5 of the Supply Code, TANGEDCO did not levy them from the consumers till date (December 2013). Consequently, TANGEDCO suffered a revenue loss of ₹0.71 crore for the period from April 2012 to September 2013 (the period up to which the latest

55 Rate of interest adopted is 10.85 *per cent*, which is the average rate of interest at which TANGEDCO availed Cash Credit from 18 banks from 2008 to 2011.

billing particulars were available). It is pertinent to mention that to ensure compliance to the above provisions of the Codes, instructions were issued (October 2012) by TANGEDCO Headquarters to all the Regional Chief Engineers to conduct inspection of premises. But the above instructions were not complied with so far (December 2013).

TANGEDCO replied (July 2013) that the field officers of TANGEDCO had been instructed to issue three months notice to all premises having more than one LT service connection for conversion to HT connection and that the effecting of multiple LT services had been strictly controlled. The fact, however, remained that pending conversion of multiple LT service connections into a single LT HT connection, loss of revenue pointed out by Audit would continue.

The matter was reported to the Government in July 2013; their reply was awaited (December 2013).

General

3.15 Follow-up action on Audit Reports

Explanatory notes outstanding

3.15.1 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 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 2008-09, 2009-10, 2010-11 and 2011-12 were presented to the State Legislature in May 2010, September 2011, May 2012 and May 2013, respectively. Eleven out of 14 Departments, which were commented upon, had not submitted explanatory notes on 52 out of 79 Paragraphs/Performance Audit Reports, as of 31 October 2013, as indicated below:

Year of Audit Report (Commercial)	Total number of Paragraphs/Performance Audit in the Audit Report	Number of Paragraphs/Performance Audit Reports for which explanatory notes were not received[56]
2008-09	24	6
2009-10	19	14
2010-11	20	18
2011-12	16	14
TOTAL	**79**	**52**

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

Department-wise analysis of the pendency is given in **Annexure-18**. The Energy Department is responsible for non-submission of large number of explanatory notes.

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

3.15.2 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 146 paragraphs pertaining to 27 Reports of COPU presented to the State Legislature between January 2003 and May 2013 had not been received as of 31 October 2013 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	2	5
2004-05	1	3
2006-07	1	5
2009-10	7	47
2010-11	3	40
2011-12	3	24
2012-13	5	17
TOTAL	**27**	**146**

Response to Inspection Reports, Draft Paragraphs and Performance Audit reports

3.15.3 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 four weeks. Inspection Reports issued up to March 2013 pertaining to 70 auditee units disclosed that 3,384 paragraphs relating to 800 Inspection Reports remained outstanding at the end of October 2013; of these, 200 Inspection Reports containing 613 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 2013 are given in **Annexure-19.**

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. However, seven Draft Paragraphs forwarded to various Departments during the period from June to October 2013, as detailed in **Annexure-20**, had not been replied so far (December 2013).

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 1 April 2014

(SUBHASHINI SRINIVASAN)
Principal Accountant General
(Economic and Revenue Sector Audit),
Tamil Nadu

Countersigned

New Delhi
The 3 April 2014

(SHASHI KANT SHARMA)
Comptroller and Auditor General of India

ANNEXURES

ANNEXURE-1

(Referred to in paragraph 1.6)

Statement showing particulars of up-to-date paid-up capital, loans outstanding and manpower as on 31 March 2013 in respect of Government companies and Statutory Corporation

(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 incorporation	Paid-up capital				Loans outstanding at the close of 2012-13				Debt equity ratio 2012-13 (previous year)	Manpower
				State Government	Central Government	Others	Total	State Government	Central Government	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	3.47	---	---	3.47	0.78:1 (0.05:1)	152
2.	Tamil Nadu Forest Plantation Corporation Limited (TAFCORN)	Environment and Forest	June 1974	3.76	---	1.88	5.64	---	---	---	---	---	369
3.	Tamil Nadu Tea Plantation Corporation Limited (TANTEA)	Environment and Forest	August 1975	5.96	---	---	5.96	---	---	9.02	9.02	1.51:1	6,375
4.	Arasu Rubber Corporation Limited (ARC)	Environment and Forest	August 1984	8.45	---	---	8.45	---	---	---	---	(0.09:1)	153
	Sector wise total			**22.63**	**---**	**1.88**	**24.51**	**3.47**	**---**	**9.02**	**12.49**	**0.51:1**	**7,049**
	FINANCE												
5.	Tamil Nadu Industrial Investment Corporation Limited (TIIC)	Micro, Small and Medium Enterprises	March 1949	266.02	---	17.47	283.49	---	---	281.02	281.02	0.99:1 (1.09:1)	516

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 2012-13				Debt equity ratio 2012-13 (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	2.67	---	1.62	4.29	---	---	---	---	---	14
7.	Tamil Nadu Small Industries Development Corporation Limited (TN SIDCO)	Micro, Small and Medium Enterprises	March 1970	8.70	---	---	8.70	---	---	---	---	---	407
8.	Tamil Nadu Adi-dravidar Housing and Development Corporation Limited (TAHDCO)	Adi-dravidar and Tribal Welfare	February 1974	63.44	44.94	---	108.38	0.09	---	---	0.09	---	305
9.	Tamil Nadu Transport Development Finance Corporation Limited (TDFC)	Transport	March 1975	43.03	---	18.71	61.74	---	---	---	---	--- (0.16:1)	29
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	---	---	---	---	---	606
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	---	---	259.09	259.09	8.10:1 (9.63:1)	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 2012-13				Debt equity ratio 2012-13 (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	--	---	71.26	71.26	34.76:1 (25.33:1)	6
	Sector wise total			**429.60**	**45.32**	**38.78**	**513.70**	**0.09**	**---**	**611.37**	**611.46**	**1.19:1**	**1,936**
	INFRASTRUCTURE												
14.	Tamil Nadu Industrial Development Corporation Limited (TIDCO)	Industries	May 1965	72.03	---	---	72.03	175.13	---	---	175.13	2.43:1 (3.12:1)	62
15.	State Industries Promotion Corporation of Tamil Nadu Limited (SIPCOT)	Industries	March 1971	123.91	---	---	123.91	---	---	---	---	---	260
16.	Tamil Nadu Police Housing Corporation Limited (TN Police Housing)	Home	April 1981	1.00	---	---	1.00	---	---	---	----	---	212
17.	TIDEL Park Limited (TIDEL, Chennai)	Industries	December 1997	---	---	44.00	44.00	---	---	---	---	---	39
18.	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 2012-13				Debt equity ratio 2012-13 (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)
19.	Nilakottai Food Park Limited (Nilakottai)	Industries	April 2004	---	---	0.68	0.68	---	---	---	---	---	
20.	Guindy Industrial Estate Infrastructure Upgradation Company (Guindy Estate)	Micro, Small and Medium Enterprises	June 2004	---	---	0.01	0.01	---	---	---	---	--- (200.00:1)	1
21	Tamil Nadu Road Infrastructure Development Corporation (TN Road Infrastructure)	Highways	March 2005	5.00	---	---	5.00	---	---	---	---	---	10
22	Tamil Nadu Road Development Company Limited (TNRDC)	Highways	September 2010	---	---	10.00	10.00	---	---	27.10	27.10	2.71:1 (1.50:1)	94
23.	IT Expressway	Highways		---	---	44.05	44.05	---	---	182.42	182.42	4.14:1 (3.22:1)	29
24.	TIDEL Park Coimbatore Limited (TIDEL,Coimbatore)	Industries	June 2007	---	---	133.00	133.00	35.00	---	---	35.00	0.26:1 (0.28:1)	13
25.	AdyarPoonga	Municipal Adminis-tration and Water Supply	October 2008	0.10	---	---	0.10	---	---	---	---	---	10
26.	TICEL Bio Park Limited (TICEL Bio Park)	Industries	November 2004	---	---	85.65	85.65	---	---	7.20	7.20	0.08:1	13
	Sector wise total			**205.04**	**---**	**317.39**	**522.43**	**210.13**	**---**	**216.72**	**426.85**	**0.82:1**	**743**
	MANUFACTURING												
27.	Tamil Nadu Small Industries Corporation Limited (TANSI)	Micro, Small and Medium Enterprises	September 1965	20.00	---	---	20.00	10.66	---	---	10.66	0.53:1	141

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 2012-13				Debt equity ratio 2012-13 (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	168
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 (0.71:1)	113
30.	Tamil Nadu Handicrafts Development Corporation Limited (TN Handicrafts)	Handloom, Handicrafts, Textiles and Khadi	July 1973	2.05	1.16	0.01	3.22	---	---	---	---	---	145
31.	Tamil Nadu Salt Corporation Limited (TN Salt)	Industries	July 1974	6.34	---	---	6.34	---	---	---	---	---	62
32.	Tamil Nadu Sugar Corporation Limited (TASCO)	Industries	October 1974	79.59	---	1.00	80.59	80.87	---	18.53	99.40	1.23:1 (1.26:1)	326
33.	Tamil Nadu Cements Corporation Limited (TANCEM)	Industries	February 1976	37.42	---	---	37.42	---	---	---	---	---	827
34.	Perambalur Sugar Mills Limited (PSM) (subsidiary of TASCO)	Industries	July 1976	---	---	37.62	37.62	25.97	---	22.35	48.32	1.28:1 (1.30:1)	266
35.	Tamil Nadu Minerals Limited (TAMIN)	Industries	April 1978	15.74	---	---	15.74	---	---	---	---	---	1,468

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 2012-13				Debt equity ratio 2012-13 (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)
36.	Tamil Nadu Magnesite Limited (TANMAG)	Industries	January 1979	16.65	---	---	16.65	---	---	---	---	---	397
37.	Tamil Nadu Industrial Explosives Limited (TIEL)	Industries	February 1983	22.14	---	4.89	27.03	45.62	---	0.07	45.69	1.69:1 (1.69:1)	404
38.	Tamil Nadu Medicinal Plant Farms and Herbal Medicine Corporation Limited (TAMPCOL)	Indian Medicine and Homeopathy	September 1983	1.00	---	---	1.00	---	---	---	---	---	106
39.	Tamil Nadu Paints and Allied Products Limited (TAPAP)	Micro, Small and Medium Enterprises	November 1985	---	---	0.02	0.02	---	---	---	---	---	---
40.	Tamil Nadu Newsprint and Papers Limited (TNPL)	Industries	May 1988	24.45	---	44.93	69.38	---	---	1,004.34	1,004.34	14.48:1 (16.58:1)	1,924
	Sector wise total			**227.26**	**1.16**	**88.47**	**316.89**	**164.48**	**---**	**1,045.29**	**1,209.77**	**3.82:1**	**6,347**
	POWER												
41.	Tamil Nadu Power Finance and Infrastructure Development Corporation Limited (TN Powerfin)	Energy	June 1991	50.00	---	---	50.00	---	---	---	---	---	26
42.	Udangudi Power Corporation Limited (Udangudi Power)	Energy	December 2008	---	----	65.00	65.00	---	---	---	---	---	
43.	TNEB Limited	Energy	December 2009	8,885.18	---	---	8,885.18	---	---	---	---	---	---

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 2012-13				Debt equity ratio 2012-13 (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)
44.	Tamil Nadu Transmission Corporation Limited (TANTRANSCO)	Energy	June 2009	0.05	---	2,840.87	2,840.92	---	---	10,158.77	10,158.77	3.58:1 (4.46:1)	---
45.	Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO)	Energy	December 2009	0.05	---	6,044.26	6,044.31	4,261.16	---	44,463.13	48,724.29	8.06:1 (6.45:1)	83,999
	Sector wise total			**8,935.28**	**---**	**8,950.13**	**17,885.41**	**4,261.16**	**---**	**54,621.90**	**58,883.06**	**3.29:1**	**84,025**
	SERVICE												
46.	Tamil Nadu Tourism Development Corporation Limited (TTDC)	Information and Tourism	June 1971	10.43	---	---	10.43	---	---	---	---	(0.08:1)	478
47.	Tamil Nadu Civil Supplies Corporation Limited (TNCSC)	Co-operation, Food and Consumer Protection	April 1972	52.86	---	---	52.86	---	---	---	---	---	13,758
48.	Poompuhar Shipping Corporation Limited (PSC)	Highways& Minor Ports	April 1974	20.53	---	---	20.53	----	---	---	---	---	130
49.	Electronics Corporation of Tamil Nadu Limited (ELCOT)	Information Technology	March 1977	25.93	---	---	25.93	---	---	---	---	---	168
50.	Overseas Manpower Corporation Limited (OMPC)	Labour& Employment	November 1978	0.15	---	---	0.15	---	---	---	---	---	12
51.	Tamil Nadu State Marketing Corporation Limited (TASMAC)	Prohibition & Excise	May 1983	15.00	---	---	15.00	---	---	---	---	---	27,218
52.	Pallavan Transport Consultancy Services Limited (PTCS)	Transport	February 1984	---	---	0.10	0.10	---	---	---	---	---	9

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 2012-13				Debt equity ratio 2012-13 (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)
53.	Tamil Nadu Medical Services Corporation Limited (TN Medical)	Health & Family Welfare	July 1994	4.04	--	---	4.04	---	---	---	---	---	414
54.	Tamil Nadu Ex-servicemen's Corporation Limited (TEXCO)	Public (Ex-servicemen)	January 1986	0.23	---	---	0.23	---	---	---	---	---	91
55.	Metropolitan Transport Corporation Limited (MTC)	Transport	October 2001	432.42	---	---	432.42	---	---	78.72	78.72	0.18:1 (0.21:1)	23,519
56.	State Express Transport Corporation Limited (SETC)	Transport	January 2002	260.30	---	---	260.30	121.34	---	143.13	264.47	1.02:1 (0.89:1)	7,231
57.	Tamil Nadu State Transport Corporation (Coimbatore) Limited (TNSTC, Coimbatore)	Transport	December 2003	219.12	---	---	219.12	152.34	---	41.81	194.15	0.89:1 (1.06:1)	17,555
58.	Tamil Nadu State Transport Corporation (Kumbakonam) Limited (TNSTC, Kumbakonam)	Transport	December 2003	163.22	---	---	163.22	---	---	68.24	68.24	0.42:1 (0.45:1)	24,908
59.	Tamil Nadu State Transport Corporation (Salem) Limited (TNSTC, Salem)	Transport	December 2003	66.89	---	---	66.89	18.26	---	47.67	65.93	0.99:1 (1.80:1)	13,075
60.	Tamil Nadu State Transport Corporation (Villupuram) Limited (TNSTC, Villupuram)	Transport	December 2003	105.38	---	---	105.38	---	---	---	---	(0.71:1)	24,440
61.	Tamil Nadu State Transport Corporation (Madurai) Limited (TNSTC, Madurai)	Transport	January 2004	398.09	---	---	398.09	---	---	41.08	41.08	0.10:1 (0.10:1)	15,021

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 2012-13				Debt equity ratio 2012-13 (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)
62.	Tamil Nadu State Transport Corporation (Tirunelveli) Limited (TNSTC, Tirunelveli)	Transport	November 2010	44.15	---	---	44.15	---	---	61.82	61.82	1.40:1 (1.03:1)	11,790
63.	Arasu Cable TV Corporation Limited (Arasu Cable TV)	Information Technology	October 2007	25.00	---	---	25.00	---	---	---	---	(0.12:1)	88
	Sector wise total			**1,843.74**	**---**	**0.10**	**1,843.84**	**291.94**	**---**	**482.47**	**774.41**	**0.42:1**	**1,79,905**
	Total A (All sector wise working Government companies)			**11,663.55**	**46.48**	**9,396.75**	**21,106.78**	**4,931.27**	**---**	**56,986.77**	**61,918.04**	**2.93:1**	**2,80,005**
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	---	----	---	---	---	376
	Sector wise total			**3.81**	**3.80**	**---**	**7.61**	**---**	**----**	**---**	**---**	**---**	**376**
	Total B (All sector wise working Statutory Corporations)			**3.81**	**3.80**	**---**	**7.61**	**---**	**---**	**---**	**---**	**---**	**376**
	Grand total (A+B)			**11,667.36**	**50.28**	**9,396.75**	**21,114.39**	**4,931.27**	**---**	**56,986.77**	**61,918.04**	**2.93:1**	**2,80,381**

Sl. No.	Sector and name of the Company	Name of the Department	Month and year of incorporation	Paid-up capital				Loans outstanding at the close of 2012-13				Debt equity ratio 2012-13 (previous year)	Manpower
				State Government	Central Government	Others	Total	State Government	Central Government	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	---	---	6.01	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**	**---**	**---**	**7.56**	**20.73**	**---**	**---**	**20.73**	**2.74:1**	**---**
	INFRASTRUCTURE												
4.	Tamil Nadu State Construction Corporation Limited (TN State Construction)	Highways	February 1980	5.00	---	---	5.00	1.00	---	---	1.00	0.20:1 (0.20:1)	---
5.	Tamil Nadu Magnesium and Marine Chemicals Limited (TMML)	Industries	March 1997	---	---	3.62	3.62	---	---	---	---	---	---
	Sector wise total			**5.00**	**---**	**3.62**	**8.62**	**1.00**	**---**	**---**	**1.00**	**0.12:1**	
	MANUFACTURING												
6.	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)	----
7.	Tamil Nadu Graphites Limited (TN Graphites)	Industries	March 1997	0.10	---	---	0.10	---	---	---	---	---	---

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 2012-13				Debt equity ratio 2012-13 (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)
8.	Southern Structurals Limited (SSL)	Industries	October 1956	34.35	0.04	0.15	34.54	70.85	---	---	70.85	2.05:1 (2.05:1)	
9.	State Engineering and Servicing Company of Tamil Nadu Limited (SESCOT) (subsidiary of TANSI)	Micro, Small and Medium Enterprises	April 1977	---	---	0.50	0.50	---	---	3.43	3.43	6.86:1 (6.70:1)	---
10.	Tamil Nadu Leather Development Corporation Limited (TALCO)	Micro, Small and Medium Enterprises	March 1983	2.50	---	---	2.50	---	---	---	---	---	---
	Sector wise total			**40.87**	**0.04**	**0.65**	**41.56**	**76.69**	**---**	**8.09**	**84.78**	**2.04:1**	
	SERVICE												
11.	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)	---
12.	Tamil Nadu Goods Transport Corporation Limited (TN Goods)	Transport	March 1975	0.27	---	0.06	0.33	---	---	---	---	---	---
13.	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)				**72.71**	**0.04**	**4.33**	**77.08**	**117.95**	**---**	**8.09**	**126.04**	**1.64:1**	**---**
	Grand total (A+B+C)			**11,740.07**	**50.32**	**9,401.08**	**21,191.47**	**5,049.22**	**---**	**56,994.86**	**62,044.08**	**2.93:1**	**2,80,381**

Note

Above includes Section 619-B Companies at Sl.No.17, 19, 20, 22, 24 and 40.

Paid-up Capital includes Share Application Money.

Loans outstanding at the close of 2012-13 represent long-term loans only.

ANNEXURE-2

(Referred to in paragraph 1.14)

Summarised financial results of Government companies and Statutory Corporation 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 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)
A	**Working Government companies**													
	AGRICULTURE & ALLIED													
1.	TN Fisheries	2012-13	2013-14	4.84	---	0.51	4.33	400.08		4.46	7.65	29.03	4.33	14.92
2.	TAFCORN	2012-13	2013-14	33.26	0.10	0.35	32.81	76.50		5.64	137.50	153.77	32.91	21.40
3.	TANTEA	2012-13	2013-14	7.35	0.93	2.39	4.03	72.04		5.96	(-)21.91	32.63	4.96	15.20
4.	ARC	2012-13	2013-14	(-)2.56	---	0.57	(-)3.13	22.67		8.45	13.62	49.18	(-)3.13	---
	Sector wise total			**42.89**	**1.03**	**3.82**	**38.04**	**571.29**		**24.51**	**136.86**	**264.61**	**39.07**	**14.77**
	FINANCE													
5.	TIIC	2012-13	2013-14	142.42	106.60	0.78	35.04	192.95		283.49	(-)64.90	1,435.95	141.64	9.86
6.	TN Handloom	2012-13	2013-14	0.66	0.55	---	0.11	3.10		4.29	(-)1.90	9.16	0.66	7.21
7.	TN SIDCO	2011-12	2012-13	6.77	---	0.35	6.42	81.11		8.70	76.13	82.13	6.42	7.82
8.	TAHDCO	2011-12	2012-13	1.76	0.75	0.25	0.76	16.56		108.38	34.22	160.58	1.51	0.94
9.	TDFC	2012-13	2013-14	140.22	135.32	0.10	4.80	146.51		61.74	84.14	1,437.26	140.12	9.75
10.	TABCEDCO	2012-13	2013-14	5.16	2.07	0.04	3.05	4.79		12.27	13.89	126.46	5.12	4.05
11	TN Women	2011-12	2012-13	3.34	---	1.02	2.32	110.63		0.78	10.76	10.38	2.32	22.35

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	2012-13	2013-14	42.27	29.17	0.21	12.89	50.75		32.00	67.00	631.42	42.06	6.66
13.	TAMCO	2011-12	2012-13	3.86	1.07	0.06	2.73	5.05		2.05	5.31	72.77	3.80	5.22
	Sector wise total			**346.46**	**275.53**	**2.81**	**68.12**	**611.45**		**513.70**	**224.65**	**3,966.11**	**343.65**	**8.66**
	INFRASTRUCTURE													
14.	TIDCO	2011-12	2012-13	39.75	26.13	0.19	13.43	53.77		72.03	135.58	(-)55.38	39.56	---
15.	SIPCOT	2012-13	2013-14	186.14	---	3.82	182.32	503.97		123.91	570.23	2,341.88	182.32	7.79
16.	TN Police Housing	2012-13	2013-14	6.41	0.13	0.41	5.87	18.46		1.00	21.05	34.44	6.00	17.42
17.	TIDEL Park, Chennai	2012-13	2013-14	41.20	---	6.22	34.98	59.41		44.00	234.70	155.25	34.98	22.53
18.	TN Rural Housing	2009-10	2012-13	0.20	---	---	0.20	---		3.00	0.22	85.15	0.20	0.23
19.	Nilakottai	2012-13	2013-14	0.06	0.05	---	0.01	---		0.68	(-)0.14	1.21	0.06	4.96
20.	Guindy Estate	2011-12	2012-13	(-)0.94	---	---	(-)0.94	0.23		0.01	---	1.91	(-)0.94	---
21.	TN Road Infrastructure	2011-12	2012-13	0.41	---	0.03	0.38	1.15		5.00	0.40	12.77	0.38	2.98
22.	TN Road Development	2012-13	2013-14	13.88	2.70	2.28	8.90	23.04		10.00	12.24	34.87	11.60	33.27
23.	IT Express Way	2012-13	2013-14	28.68	19.58	6.50	2.60	42.73		44.05	(-)4.40	245.64	22.18	9.03
24.	TIDEL, Coimbatore	2012-13	2013-14	(-)2.69	13.55	4.34	(-)20.58	8.46		133.00	(-)21.53	400.38	(-)7.03	---
25.	Adyar Poonga	2012-13	2013-14	0.66	---	---	0.66	1.00		0.10	0.93	1.03	0.66	64.08
26.	TICEL Bio Park	2012-13	2013-14	3.43	0.20	1.57	1.66	8.52		85.65	6.72	139.73	1.86	1.33
	Sector wise total			**317.19**	**62.34**	**25.36**	**229.49**	**720.74**		**522.43**	**956.00**	**3,398.88**	**291.83**	**8.59**
	MANUFACTURING													
27.	TANSI	2011-12	2012-13	11.10	4.04	0.64	6.42	97.75		20.00	61.43	288.65	10.46	3.62
28.	TN Textiles	2012-13	2013-14	0.28	---	0.04	0.24	31.55		1.54	(-)1.61	(-)2.78	0.24	---
29.	TN Zari	2011-12	2012-13	0.05	0.03	0.10	(-)0.08	34.25		0.34	1.99	2.11	(-)0.05	---
30.	TN Handicrafts	2012-13	2013-14	1.13	---	0.30	0.83	30.64		3.22	3.20	8.10	0.83	10.25

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)
31.	TN Salt	2011-12	2012-13	3.97	0.19	0.93	2.85	20.55		6.34	7.86	15.04	3.04	20.21
32.	TASCO	2012-13	2013-14	10.74	5.01	0.47	5.26	104.65		80.59	(-)74.38	26.99	10.27	38.05
33.	TANCEM	2012-13	2013-14	(-)2.31	2.10	2.56	(-)6.97	209.87		37.42	(-)19.02	53.18	(-)4.87	---
34.	PSM	2012-13	2013-14	(-)0.14	8.11	0.60	(-)8.85	85.49		37.62	145.10	(-)27.25	(-)0.74	---
35.	TAMIN	2012-13	2013-14	2.81	0.04	1.66	1.11	122.23		15.74	82.17	60.96	1.15	1.89
36.	TANMAG	2012-13	2013-14	14.36	5.13	1.15	8.08	83.95		16.65	4.16	(-)5.06	13.21	---
37.	TIEL	2011-12	2012-13	(-)8.30	2.62	1.08	(-)12.00	37.55		27.03	(-)98.31	(-)48.80	(-)9.38	---
38.	TAMPCOL	2012-13	2013-14	1.14	0.03	0.53	0.58	18.06		1.00	10.71	6.46	0.61	9.44
39.	TAPAP	2012-13	2013-14	0.29	0.08	0.01	0.20	2.31		0.02	1.25	1.28	0.28	21.88
40.	TNPL	2012-13	2013-14	387.44	120.97	174.99	91.48	1,861.26		69.38	752.46	1,954.59	212.45	10.87
	Sector wise total			**422.56**	**148.35**	**185.06**	**89.15**	**2,740.11**		**316.89**	**877.01**	**2,333.47**	**237.50**	**10.18**
	POWER													
41.	TN Powerfin	2012-13	2013-14	930.37	831.37	3.28	95.72	959.02		50.00	263.83	8,344.12	927.09	11.11
42.	Udangudi Power	2011-12	2012-13	0.10	---	---	0.10	---		65.00	0.56	65.57	0.10	0.15
43.	TNEB Limited	2010-11	2012-13	---	---	0.06	(-)0.06	---		4,501.20	(-)0.10	25.84	(-)0.06	---
44.	TANTRANSCO	2011-12	2012-13	1,441.96	1,151.05	290.91	---	1,707.06		2,334.01	(-)4,031.85	8,838.76	1,151.05	13.02
45.	TANGEDCO	2011-12	2012-13	(-)9,113.21	3,588.06	620.06	(-)13,321.33	22,627.00		4,551.22	(-)26,801.41	13,189.03	(-)9,733.27	---
	Sector wise total			**(-)6,740.78**	**5,570.48**	**914.31**	**(-)13,225.57**	**25,293.08**		**11,501.43**	**(-)30,568.97**	**30,463.32**	**(-)7,655.09**	**---**

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)
	SERVICE													
46.	TTDC	2012-13	2013-14	15.55	0.07	3.32	12.16	99.95		10.43	35.15	67.34	12.23	18.16
47.	TNCSC	2010-11	2011-12	68.68	62.87	5.81	---	10,292.55		51.56	---	2,510.40	62.87	2.50
48.	PSC	2011-12	2012-13	1.50	0.69	0.30	0.51	492.05		20.53	5.06	7.49	1.20	16.02
49.	ELCOT	2012-13	2013-14	18.16	8.09	2.42	7.65	14.59		25.93	39.24	382.37	15.74	4.12
50.	OMPC	2012-13	2013-14	0.26	---	0.03	0.23	1.44		0.15	0.16	0.01	0.23	2,300.00
51.	TASMAC	2011-12	2012-13	32.69	32.44	1.72	(-)1.47	21,514.62		15.00	(-)1.56	19.74	30.97	156.89
52.	PTCS	2012-13	2013-14	0.41	0.49	0.02	(-)0.10	0.63		0.10	(-)0.61	0.19	0.39	205.26
53.	TN Medical	2012-13	2013-14	6.63	---	4.86	1.77	41.27		4.04	14.69	45.99	1.77	3.85
54.	TEXCO	2011-12	2012-13	7.54	---	0.05	7.49	91.43		0.23	54.35	53.12	7.49	14.10
55.	MTC	2012-13	2013-14	55.67	77.40	76.41	(-)98.14	1,235.72		432.42	(-)1,439.30	(-)675.60	(-)20.74	---
56.	SETC	2012-13	2013-14	(-)17.93	60.02	45.79	(-)123.74	469.20		260.30	(-)1,134.80	(-)646.55	(-)63.72	---
57.	TNSTC, Coimbatore	2012-13	2013-14	(-)47.43	66.15	54.43	(-)168.01	1,092.62		219.12	(-)1,390.02	(-)943.42	(-)101.86	---
58.	TNSTC, Kumbakonam	2012-13	2013-14	39.60	67.44	60.27	(-)88.11	1,403.97		163.22	(-)1,080.23	(-)635.21	(-)20.67	---
59.	TNSTC, Salem	2012-13	2013-14	(-)35.17	39.81	25.91	(-)100.89	789.34		66.89	(-)766.09	(-)582.77	(-)61.08	---
60.	TNSTC, Villupuram	2012-13	2013-14	52.43	43.28	55.78	(-)46.63	1,389.77		105.38	(-)775.22	(-)473.30	(-)3.35	---
61.	TNSTC, Madurai	2012-13	2013-14	(-)1.32	36.39	47.47	(-)85.18	948.40		398.09	(-)1,744.67	(-)1,184.12	(-)48.79	---
62.	TNSTC, Tirunelveli	2012-13	2013-14	(-)42.74	68.83	34.25	(-)145.82	671.59		44.15	(-)1,295.21	(-)1,029.15	(-)76.99	---
63.	Arasu Cable TV	2012-13	2013-14	9.88	2.84	1.84	5.20	151.66		25.00	(-)9.84	44.49	8.04	18.07
	Sector wise total			**164.41**	**566.81**	**420.68**	**(-)823.08**	**40,700.80**		**1,842.54**	**(-)9,488.90**	**(-)3,038.98**	**(-)256.27**	**---**
	Total A (all sector wise working Government companies)			**(-)5,447.27**	**6,624.54**	**1,552.04**	**(-)13,623.85**	**70,637.47**		**14,721.50**	**(-)37,863.35**	**37,387.41**	**(-)6,999.31**	**---**

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**													
	SERVICE													
1.	TANWARE	2011-12	2012-13	8.24	---	1.13	7.11	36.13		7.61	63.41	79.97	7.11	8.89
	Sector wise total			**8.24**	**---**	**1.13**	**7.11**	**36.13**		**7.61**	**63.41**	**79.97**	**7.11**	**8.89**
	Total B (Sector wise working Statutory corporations)			**8.24**	**---**	**1.13**	**7.11**	**36.13**		**7.61**	**63.41**	**79.97**	**7.11**	**8.89**
	Total (A+B)			**(-)5,439.03**	**6,624.54**	**1,553.17**	**(-)13,616.74**	**70,673.60**		**14,729.11**	**(-)37,799.94**	**37,467.38**	**(-)6,992.20**	**---**
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	2010-11	2011-12	---	---	---	---	---		1.27	(-)10.37	(-)0.73	---	---
3.	TN Sugarcane	2012-13	2013-14	---	---	---	---	---		0.28	(-)0.18	0.10	---	---
	Sector wise total			**(-)3.74**	**3.70**	**---**	**(-)7.44**	**---**		**7.56**	**(-)53.46**	**4.69**	**(-)3.74**	**---**
	INFRASTRUCTURE													
4.	TN State Construction	2001-02	2004-05	(-)5.32	0.96	0.20	(-)6.48	---		5.00	(-)26.44	80.14	(-)5.52	---
5.	TMML	1999-00	2000-01	(-)3.81	---	---	(-)3.81	---		3.62	(-)15.51	1.40	(-)3.81	---
	Sector wise total			**(-)9.13**	**0.96**	**0.20**	**(-)10.29**	**---**		**8.62**	**(-)41.95**	**81.54**	**(-)9.33**	**---**

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)
	MANUFACTURING													
6.	TN Steels	1999-00	2000-01	(-)0.80	8.61	---	(-)9.41	---		3.92	(-)71.31	(-)20.54	(-)0.80	---
7.	TN Graphites	2012-13	2013-14	---	---	---	---	---		0.10	(-)0.10	0.01	---	---
8.	SSL	2010-11	2012-13	(-)1.59	10.52	0.08	(-)12.19	---		34.54	(-)201.74	(-)2.54	(-)1.67	---
9.	SESCOT	2012-13	2013-14	(-)0.02	---	---	(-)0.02	---		0.50	(-)8.79	0.01	(-)0.02	---
10.	TALCO	2011-12	2012-13	---	1.57	---	(-)1.57	---		2.50	(-)33.27	(-)1.70	---	---
	Sector wise total			**(-)2.41**	**20.70**	**0.08**	**(-)23.19**	**---**		**41.56**	**(-)315.21**	**(-)24.76**	**(-)2.49**	**---**
	SERVICE													
11.	TN Film	2010-11	2011-12	0.07	---	---	0.07	---		13.91	(-)16.62	16.81	0.07	0.42
12.	TN Goods	1989-90		0.07	0.07	---	---	---		0.33	(-)1.33	(-)0.30	0.07	---
13.	TANITEC	2003-04	2004-05	0.03	---	---	0.03	0.04		5.10	(-)5.10	---	0.03	---
	Sector wise total			**0.17**	**0.07**	**---**	**0.10**	**0.04**		**19.34**	**(-)23.05**	**16.51**	**0.17**	**1.03**
	Total C (all sector wise Non working Government companies)			**(-)15.11**	**25.43**	**0.28**	**(-)40.82**	**0.04**		**77.08**	**(-)433.67**	**77.98**	**(-)15.39**	**---**
	Total (A+B+C)			**(-)5,454.14**	**6,649.97**	**1,553.45**	**(-)13,657.56**	**70,673.64**		**14,806.19**	**(-)38,233.61@**	**37,545.36**	**(-)7,007.59**	**---**

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.

@ This does not include accumulated loss of ₹34,741.35 crore relating to erstwhile Tamil Nadu Electricity Board upto October 2010 as the restructuring process and transfer of the balances to TANGEDCO and TANTRANSCO is pending till date (December 2013).

ANNEXURE-3

(Referred to in paragraph 1.9)

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 2013

(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	---	---	---	---	2.78 (G)	2.78 (G)	---	---	---	---	---	---
2.	TAFCORN	---	---	1.46 (G)	---	---	1.46 (G)	---	---	---	---	---	---
3.	TANTEA	---	---	1.06 (S)	0.25 (G)	---	0.25 (G) 1.06 (S)	---	---	---	---	---	---
	Sector wise total	**---**	**---**	**1.46 (G) 1.06 (S)**	**0.25 (G)**	**2.78 (G)**	**4.49 (G) 1.06 (S)**	**---**	**---**	**---**	**---**	**---**	**---**
	FINANCE												
4.	TIIC	---	---	3.96(S)	11.29 (S)	---	15.25 (S)	---	271.75	---	---	---	---
5.	TN Handloom	---	---	---	---	---	---	3.30	3.30	---	---	---	---
6.	TN SIDCO	---	---	7.65 (S)	3.58 (S)	--	11.23 (S)	---	---	---	---	---	---
7.	TAHDCO	13.26	---	103.18 (S)	---	---	103.18 (S)	---	21.82	---	---	---	---

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.	TABCEDCO	---	---	---	0.79 (G)	---	0.79 (G)	50.00	109.52	0.98	---	0.05	1.03
9.	TAMCO	---	---	---	0.01 (S)	---	0.01 (S)	29.13	62.48	---	----	---	---
10.	TN Women	---	---	135.56 (G)	119.19 (G)	---	254.75 (G)	---	---	---	---	---	---
	Sector wise total	**13.26**	**---**	**135.56 (G) 114.79 (S)**	**119.98 (G) 14.88 (S)**	**---**	**255.54 (G) 129.67 (S)**	**82.43**	**468.87**	**0.98**	**---**	**0.05**	**1.03**
	INFRASTRUCTURE												
11.	TIDCO	---	---	0.65 (G)	---	---	0.65 (G)	---	---	---	---	---	---
12.	SIPCOT	---	---	10.37 (G)	---	---	10.37 (G)	---	---	---	---	---	---
13.	Guindy Estate	---	---	2.00 (G)	18.05 (G)	1.20 (G)	21.25 (G)	---	---	---	---	---	---
14.	TN Rural Housing	---	---	73.60 (G)	0.02 (G)	---	73.62 (G)	---	---	---	---	---	---
15.	IT Express Way	---	---	13.79 (G)	---	---	13.79 (G)	---	---	---	---	---	---
	Sector wise total	**---**	**---**	**100.41 (G)**	**18.07 (G)**	**1.20 (G)**	**119.68 (G)**	**---**	**---**	**---**	**---**	**---**	**---**
	MANUFACTURING												
16.	PSM	---	---	---	0.55 (G)	---	0.55 (G)	25.21	21.07	---	---	---	---
17.	TN Handicrafts	---	---	---	0.20 (G)	---	0.20 (G)	---	---	---	---	---	---
	Sector wise total	**---**	**---**	**---**	**0.75 (G)**	**---**	**0.75 (G)**	**25.21**	**21.07**	**---**	**---**	**---**	**---**

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												
18.	TNEB Limited	783.98	---	---	---	---	---	----	---	---	---	---	---
19.	TANTRANSCO	0.05	---	---	---	---	---	---	---	---	---	---	---
20.	TANGEDCO	0.05	3,261.00	4.48 (G)	4,457.23 (S)	---	4.48 (G) 4,457.23 (S)	28,493.45	16,367.07	---	---	---	---
	Sector wise total	**784.08**	**3,261.00**	**4.48(G)**	**4,457.23 (S)**	**---**	**4.48 (G) 4,457.23 (S)**	**28,493.45**	**16,367.07**	**---**	**---**	**---**	**---**
	SERVICE												
21.	TTDC	---	---	0.55 (G)	---	---	0.55 (G)	---	---	---	---	---	---
22.	TNCSC	0.20	---	1,274.45 (S)	4,900.00 (S)	---	6,174.45 (S)	---	20.00	---	---	---	---
23.	ELCOT	---	---	3.82 (G)	0.46 (G)	---	4.28 (G)	---	---	---	---	---	---
24.	TASMAC	---	---	---	---	---	---	70.00	70.00	---	---	---	---
25.	MTC	2.64	---	---	28.51 (G)	---	28.51 (G)	---	---	---	---	---	---
26.	SETC	37.94	---	---	---	---	---	---	3.50	---	---	---	---
27.	TNSTC, Coimbatore	33.92	---	4.18 (S)	77.15 (S)	---	81.33 (S)	---	---	---	---	---	---
28.	TNSTC, Kumbakonam	3.29	---	---	55.66 (S)	---	55.66 (S)	---	---	---	---	---	---
29.	TNSTC, Madurai	2.35	---	0.69 (G)	50.36 (S)	---	0.69 (G) 50.36 (S)	---	---	---	---	---	---
30.	TNSTC, Villupuram	3.36	---	---	3.06 (S)	---	3.06 (S)	---	---	---	---	---	---
31.	TNSTC, Tirunelveli	2.48	---	---	17.75 (G) 27.28 (S)	---	17.75 (G) 27.28 (S)	---	---	---	---	---	---

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)
32.	TNSTC, Salem	1.98	---	---	---	---	---	---	0.75	---	---	---	---
	Sector wise total	**88.16**	**---**	**5.06 (G) 1,278.63 (S)**	**46.72 (G) 5,113.51 (S)**	**---**	**51.78 (G) 6,392.14 (S)**	**70.00**	**94.25**	**---**	**---**	**---**	**---**
	Grand Total (A)	**885.50**	**3,261.00**	**246.97 (G) 1,394.48 (S)**	**185.77 (G) 9,585.62 (S)**	**3.98 (G)**	**436.72 (G) 10,980.10 (S)**	**28,671.09**	**16,951.26**	**0.98**	**---**	**0.05**	**1.03**

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 2012-13 (Serial numbers 1 to 5, 8, 12, 15 to 17, 21, 23, 25 to 32) the figures are provisional and as given by the companies/corporations.

ANNEXURE - 4

(Referred to in paragraph 1.22)

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 SIDCO	2011-12	8.70	2012.13	---	---	---	3.58
2.	TAHDCO	2011-12	108.38	2012-13	13.26	---	---	---
3.	TN Women	2011-12	0.78	2012-13	---	---	119.19	---
4.	TAMCO	2011-12	2.05	2012-13	---	---	---	0.01
5.	TN Rural Housing	2009-10	3.00	2010-11 2011-12 2012-13	---	---	0.02 0.02 0.02	---
6.	Guindy Estate	2011-12	0.01	2012-13	---	---	18.05	---
7.	TNEB Limited	2010-11	4,501.20	2011-12 & 2012-13	3,600.00 783.98	---	---	---
8.	TANTRANSCO	2011-12	2334.01	2012-13	0.05	---	---	---
9.	TANGEDCO	2011-12	4,551.22	2012-13	0.05	3,261.00	---	4,457.23
10.	TNCSC	2010-11	51.56	2011-12 2012-13	1.10 0.20	---	---	4,900.00
	NON-WORKING PSUs							
11.	TN Agro	2002-03	6.01	2003-04 to 2009-10	1.65	2.52	---	---
	TOTAL		**11,566.92**		**4,400.29**	**3,263.52**	**137.30**	**9,360.82**

ANNEXURE-5

(Referred to in paragraph 1.14)

Statement showing financial position of Tamil Nadu Warehousing Corporation

(₹ in crore)

Particulars	2010-11	2011-12	2012-13 (Provisional)
A. LIABILITIES			
Paid-up Capital	7.61	7.61	7.61
Reserves and Surplus	58.06	63.41	67.82
Subsidy	0.16	0.15	0.14
Trade Dues and Current Liabilities (including provision)	35.06	36.76	42.15
Deferred Tax Liabilities	0.21	3.99	3.86
Insurance fund	4.41	4.81	6.11
TOTAL	**105.51**	**116.73**	**127.69**
B. ASSETS			
Gross Block	52.83	54.34	54.91
LESS: Depreciation	18.74	19.88	20.90
Net Fixed Assets	34.09	34.46	34.01
Capital works-in-progress	1.11	---	14.51
Investments	---	---	---
Current Assets, Loans and Advances	70.31	82.27	79.17
TOTAL	**105.51**	**116.73**	**127.69**
C. CAPITAL EMPLOYED[57]	**70.45**	**79.97**	**85.54**

[57] Capital Employed represents Net Fixed Assets PLUS Working Capital.

ANNEXURE-6

(Referred to in paragraph 1.14)

Statement showing working results of Tamil Nadu Warehousing Corporation

(₹ in crore)

	Particulars	2010-11	2011-12	2012-13 (Provisional)
1.	**Income**			
(a)	Warehousing charges	31.99	34.65	34.49
(b)	Other income	4.16	5.97	6.01
	TOTAL	**36.15**	**40.62**	**40.50**
2.	**Expenses**			
(a)	Establishment charges	16.78	17.58	16.32
(b)	Other expenses	6.17	7.93	15.10
	TOTAL	**22.95**	**25.51**	**31.42**
3.	Profit (+) / Loss (-) before tax	13.20	15.11	9.08
4.	Other appropriations/adjustments	3.82	8.00	2.78
5.	Amount available for dividend	9.38	7.11	6.30
6.	Dividend for the year (excluding dividend tax)	0.80	1.52	1.52
7.	**Total return on Capital Employed**	**9.38**	**7.11**	**6.30**
8.	**Percentage of Return on Capital Employed**	**13.31**	**8.89**	**7.36**

ANNEXURE – 7

(Referred to in paragraph 2.1)

Statement showing financial position and working results of TNEB/TANGEDCO for the five years ended 31 March 2013.

(a) Financial Position

(₹ in crore)

Particulars	2008-09	2009-10	2010-11[58]		2011-12	2012-13 (Provi-sional)
			1.4.10 to 31.10.10	1.11.10 to 31.03.11		
Paid up Capital	2,370.50	2,470.50	3,805.63	2,547.80	6,006.38	9,453.47
Reserves and reserve funds	7,419.99	8,444.42	9,143.99	1,182.91	2,160.69	2,778.84
Secured (LT)	21,502.31	32,019.17	39,586.72	19,412.14	32,935.19	42,207.48
(a) Unsecured	NIL	NIL	NIL	NIL	NIL	NIL
(b) Current Liabilities & Provisions	12,045.78	15,162.33	15,871.53	20,741.09	27,180.09	33,080.34
TOTAL	**43,338.58**	**58,096.42**	**68,407.87**	**43,883.94**	**68,282.35**	**87,520.13**
Gross Block	25,247.27	27,689.28	29,198.35	24,167.16	25,083.38	27,529.21
Less: Depreciation	10,155.74	10,969.80	11,504.69	7,822.02	8,434.51	9,056.13
Net Fixed Assets	15,091.53	16,719.48	17,693.66	16,345.14	16,648.87	18,473.08
Capital works-in-progress	3,970.65	5,708.50	7,144.65	5,885.62	10,227.92	11,771.42
Investments & other assets	303.63	590.69	690.97	711.14	979.31	1,333.47
Current Assets, Loans and Advances	6,529.89	7,352.71	8,050.28	7,447.44	13,442.33	17,485.60
Accumulated losses	17,413.92	27,708.56	34,741.35	13,480.06	26,801.41	38,480.48
Subsidy receivable	28.96	16.48	86.96	14.54	132.51	(-)23.92
TOTAL	**43,338.58**	**58,096.42**	**68,407.87**	**43,883.94**	**68,282.35**	**87,520.13**
Debt:Equity	**9.07:1**	**12.96:1**	**10.40:1**	**7.62:1**	**5.48:1**	**4.46:1**
Net worth[59]	**(-)7,623.43**	**(-)16,793.64**	**(-)21,791.73**	**(-)9,749.35**	**(-)18,634.34**	**(-)26,248.17**
Working capital[60]	**(-)5,515.89**	**(-)7,809.62**	**(-)7,821.25**	**(-)8,240.03**	**(-)13,737.76**	**(-)15,594.74**

58 Figures are in respect of TNEB till 31 October 2010 and TANGEDCO thereafter.

59 Net worth represents paid-up capital *plus* reserves and reserve funds *less* accumulated losses.

60 Working capital represents current assets *less* current liabilities.

(b) Working Results

(₹ in crore)

Sl. No.	Particulars	2008-09	2009-10	2010-11[61] 1.4.10 to 31.10.10	2010-11[61] 1.11.10 to 31.03.11	2011-12	2012-13 (Provisional)
1.	**Income**						
(i)	Revenue from sale of power	15,425.60	16,760.87	11,674.83	8,321.33	20,555.59	26,688.82
(ii)	Revenue from subsidy & grants	1,831.61	1,672.17	964.01	688.57	2,071.41	4,457.23
(iii)	Other Income	386.64	410.96	301.56	150.77	271.38	321.54
	Total income	**17,643.85**	**18,844.00**	**12,940.40**	**9,160.67**	**22,898.38**	**31,467.59**
2.	**Expenditure**						
(i)	Purchase of power	14,482.42	17,052.71	11,257.96	9,169.06	21,034.51	25,740.83
(ii)	Generation of power	4,703.23	4,328.60	2,583.83	2,344.48	6,110.07	6,614.61
(iii)	Employees cost	2,909.16	3,392.92	2,445.06	1,541.07	3,980.02	3,903.51
(iv)	Administrative and General expenses	224.80	243.24	135.19	88.70	211.43	237.42
(v)	Depreciation	775.48	845.68	539.43	246.71	620.06	652.70
(vi)	Interest and finance charges.	2,276.24	3,185.60	2,521.94	1,656.46	4,252.27	5,500.39
(vii)	Repairs and Maintenancae	436.70	347.94	165.55	120.32	310.33	379.66
	TOTAL A	**26,021.23**	**29,396.69**	**19,648.96**	**15,166.80**	**36,518.69**	**43,029.12**
(viii)	Other debit, prior period expenditure and extraordinary items	(197.16)	524.96	888.59	1.45	616.55	1,713.75
	TOTAL B (A+viii)	**26,005.19**	**29,921.65**	**20,537.55**	**15,168.25**	**37,135.24**	**44,742.87**
(ix)	**LESS**: Interest and expenses capitalised	589.95	783.01	564.36	374.06	915.53	1,596.21
	Total cost (B-ix)	**25,415.24**	**29,138.64**	**19,973.19**	**14,794.19**	**36,219.71**	**43,146.66**
3	**Revenue deficit (1-2)**	**7,771.39**	**10,294.64**	**7,032.79**	**5,633.52**	**13,321.33**	**11,679.07**

61 Figures are in respect of TNEB till 31 October 2010 and TANGEDCO thereafter.

ANNEXURE – 8
(Referred to in paragraph 2.1)

Statement showing percentage of power purchase out of power available for sale

(in Million Units)

	2008-09	2009-10	2010-11		2011-12	2012-13 (Provisional)
			Up to October 2010	November 2010 to March 2011		
Net Power Generation	26,731	25,430	13,300	9,880	25,494	23,099
Power purchased	37,983	45,027	28,345	17,592	43,578	44,109
Total power available for sale	64,714	70,457	41,645	27,472	69,072	67,208
Percentage of power purchased to total power available for sale	58.69	63.91	68.06	64.03	63.09	65.63

ANNEXURE – 9

(Referred to in paragraph 2.2)

Statement showing list of projects identified for capacity addition by TANGEDCO during the XI Plan Period 2007-2012 and the actual addition

Planned		Actual Addition	
1.Thermal Projects		**1.Thermal Projects**	
	In MW		**In MW**
NCTPP	500	NCTPP	1200[62]
MTPP	500	MTPP	600[62]
ETPS expansion	500	ETPS expansion	0
TTPS expansion	1000	TTPS expansion	0
Total	**2500**	**Total**	**0**
2.Gas Project		**2.Gas Project**	
	In MW		**In MW**
Valuthur Additional	95	Valuthur Additional	92
Total	**95**	**Total**	**92**
3.Hydel Projects		**3.Hydel Projects**	
	In MW		**In MW**
Bhavani Kattalai Barrage-II & III	60	Bhavani Kattalai Barrage-II	30
		Periyar Vaigai Micro I &II	6.5
Bhavani Barrage- I & II	20	Other Mini Hydel	2.6
Kollimalai	20	**Total**	**39.1**
Kundah Pumped Storage	500		
Moyar Ultimate Stage	25		
Projects upstream river Vaigai	50		
Total	**675**		
		4. Wind	
		Less: Deletion of life completed demonstration wind farms	**(-) 19.35**
Total Planned Addition	**3,270**	**Total Actual addition (net)**	**111.75**

62 Both the units of NCTPP were under trial run till date (December 2013) and commercial operation of MTTP was achieved in October 2013.

ANNEXURE – 10

(Referred to in paragraph 2.7)

Statement showing time taken at various stages from approval of projects by TANGEDCO to COD

Sl. No.	Project	Date of Board approval for taking up the project	Date of environment clearance by MOEF	Date of investment approval	Actual/ Anticipated Date of Commercial Operation (COD) of project	Time taken from project approval to investment approval	Time taken from investment approval to actual/anticipated COD	Total time taken from project approval to actual/ anticipated COD
1.	**North Chennai Thermal Power Project**						**(In months)**	
	Unit-I (1 X 600)	12.12.2005	09.10.2006 (Original for 2X525 MW) 27.11.2012 (Revised for 600 MW)	24.04.2008	January 2014	28	68 (till December 2013)	96 (till December 2013)
	Unit-II (1 X 600)	22.06.2008		13.10.2008	January 2014	3	62 (till December 2013)	66 (till December 2013)
2.	**Mettur Thermal Power Project**							
	Unit (1 X 600)	14.06.2006	18.09.2007 (original for 500 MW) 01.08.2011 (revised for 600 MW)	22.10.2008	October 2013	28	59 (till September 2013)	87 (till September 2013)

ANNEXURE – 11

(Referred to in paragraph 2.12)

Statement showing comparison between the approved cost of projects and normative cost as fixed by CERC

(₹ in crore)

Project	Total capacity (in MW)	Approved cost including IDC	Per MW cost including IDC	Approved cost excluding IDC	Per MW cost excluding IDC	Per MW cost as fixed (2009) by CERC excluding IDC	Difference between per MW approved cost without IDC (Revised) and as per CERC	Total excess expenditure of the project	
								Original	Revised
MTPP	600	3,550.04	5.92	3,136.63	5.23	4.39	0.84	504	504
NCTPP-1	600	3,095.28 (Original) 3,552.38 (Revised)	5.66 (Original) 5.92 (Revised)	2,750.24 (Original) 3,195.93 (Revised)	4.58 (Original) 5.33 (Revised)	4.39	0.19 (Original) 0.94 (Revised)	114	564
NCTPP-II	600	2,718.75 (Original) 2,813.58 (Revised)	4.53 (Original) 4.69 (Revised)	2,399.79 (Original) 2,473.21 (Revised)	4.00 (Original) 4.12 (Revised)	4.39	---	---	---
					Total			**618**	**1,068**

ANNEXURE – 12
(Referred to in paragraph 2.18, 2.20 and 2.30)

Statement showing delays in achievement of major project milestones

Milestone	NCTPP-Unit I Zero date – 18.02.08			NCTPP-Unit II Zero date – 16.08.08			MTPP Zero date – 25.06.08		
	Scheduled date	Actual/ anticipated date	Delay in completion (Months) and reasons therefor	Scheduled date	Actual/ anticipated date	Delay in completion (Months) and reasons therefor	Scheduled date	Actual/ anticipated date	Delay in completion (Months) and reasons therefor
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Main Plant									
Boiler erection commencement	18.01.09	01.06.09	5 months – Due to commitment of BHEL and sub-vendors for other projects resulting in delayed delivery of supply and non-availability of skilled labour.	17.07.09	31.07.09	---	27.07.09	29.09.09	2 months - Inadequate labour force and non-sequential supply by the contractor.
Boiler drum lifting	20.06.09	12.04.10	9 months. As above.	17.12.09	25.03.10	3 months. Delay in issue of EC for availing concessional customs/excise duty	11.02.10	25.02.10	---
Boiler hydraulic test	22.05.10	16.11.12	30 months - Delay in issue of PAC for availing concessional customs/excise duty.	19.05.11	16.03.12	10 months - As above.	28.09.10	18.03.11	6 months – Inadequate labour force and non-sequential supply by the contractor.
Generator Stator	07.09.10	12.02.13	32 months - Due to commitment of BHEL for other projects, manufacturing process for equipment was delayed.	06.03.11	29.05.12	14 months - Delay in manufacture, despatch and erection of Generator Stator.	16.06.11	20.01.12	7 months. Delay in supply, erection by the contractor due to inadequate men and machineries.
Turbine Bearing Gear	20.11.10	06.06.13	30 months - As above.	19.06.11	13.10.12	16 months - As above.	30.03.11	20.01.12	9 months - Delay by the contractor due to inadequate men and machineries.

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Boiler light up	30.11.10	28.11.12	24 months – As above	29.05.11	11.04.12	11 months – As above	24.03.11	30.01.12	10 months. As above
Cooling Water Pump House	30.01.11	28.02.13	23 months - Delay due to realignment of channel in Ennore Port area.	17.03.11	February 2013	23 months - Delay due to realignment of channel in Ennore Port area.	23.03.11	19.03.12	12 months - Delay in getting approval from PWD and slow progress of work by the contractor.
Coal Handling Plant	28.11.11	Still pending	Delay in execution of this work by the sub-contractors of BHEL	27.07.11	Still pending	Inordinate delay in execution of this work by the sub-contractors of BHEL	21.04.11	Still pending	Non-deployment of sufficient workforce, materials and machineries.
Additional Coal Handling plant	February 2012	Still pending	Delay in finalisation of tender and delay in approval of drawings (Tecpro).	February 2012	Still pending	Delay in finalisation of tender and delay in approval of drawings (Tecpro).	NA	NA	NA
Ash Handling Plant	02.02.11	Still pending	Delay in finalisation of type (dry/semi-wet) of ash and also delay in submission and approval of drawings.	01.08.11	Still pending	Delay in finalisation of type (dry/semi-wet) of ash and also delay in submission and approval of drawings.	14.04.11	Nearing comple-tion	Insufficient manpower engaged by the contractor.
Fire Protection System	17.03.11	Still pending	Delay due to inadequate manpower.	15.09.11	Still pending	Delay due to inadequate manpower.	24.03.11	Nearing comple-tion	Non-deployment of sufficient workforce, materials and machineries.
Railway Siding	NA[63]	NA	NA	NA	NA	NA	12.01.11	Still pending	Delay in finalisation of scope of work by TANGEDCO

63 NA – Not in the EPC scope.

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Effluent Treatment Plant (Zero Discharge)	NA	NA	NA	NA	NA	NA	04.08.10	Still pending	Ambiguity in specification regarding discharge of treated effluent. Also work was delayed by the contractor.
Synchronisation	05.02.11	July 2013	30 months. Due to delays as stated above.	03.08.11	17.12.12	16 months. Due to delays as stated above.	13.06.11	04.05.12	**9 months. Due to delay in completion of the Main Plant.**
COD (Sustained Generation of 600 MW)	23.05.11	Anticipated in January 2014	31 months. Due to delays as stated above.	15.11.11	Anticipated in January 2014	25 months due to delays as stated above	21.09.11	12.10.13	24 months. Due to delay in completion of balance of plants.

ANNEXURE – 13

(Referred to in paragraph 2.31)

Statement showing loss of generation due to non-commissioning of thermal projects within scheduled time

Sl. No.	Name of the Project	Scheduled date of commissioning as per contract	Anticipated/actual COD	No. of months delays in COD (upto September 2013)	Annual energy generation after auxiliary consumption as per DPR (MUs)	Possible Generation during the delayed period (MUs)	Actual generation during the delayed period (MUs)	Generation Loss (MUs)
1	**NCTPP-Unit I**	18.05.11	January 2014	29	3,910.46	9,450.28	2.61	9,447.67
2	**NCTPP-Unit II**	15.11.11	January 2014	22	3,910.46	7,169.18	535.97	6,633.21
3	**MTPP**	24.09.11	October 2013	24	3,910.46	7,820.92	1,344.61	6,476.31
	Total				**11,731.38**	**24,440.38**	**1,883.19**	**22,557.19**

ANNEXURE – 14

(Referred to in paragraph 2.31)

Statement showing amount released to the contractors, balance available and LD/penalty leviable for delays

(₹ in crore)

Sl.No.	Description	NCTPP Unit-I (Upto December 2013)	NCTPP Unit-II (Upto December 2013)	MTPP (Upto September 2013)	Total
1	100 % Value of the Contract -Gross	2,475.00	2,175.00	3,114.71[64]	**7,764.71**
2	100 % Work Done Portion	2,211.15	2,081.90	2,796.49	**7,089.54**
3	10 % Retention Recovery	221.11	208.20	279.65	**708.96**
4	90 % Value of the Contract Paid	1,990.04	1,873.70	2,516.84	**6,380.58**
5	Balance Payable	263.85	93.10	318.22	**675.17**
6	Security Deposit (BG)	247.50	217.50	310.60	**775.60**
7	With held Amount Additional 10%	Nil	28.94	Nil	**28.94**
8	**Balance Amount Available with Board**				
i)	Retention amount	221.11	208.20	279.65	**708.96**
ii)	With held Amount Additional 10%	Nil	28.94	Nil	**28.94**
iii)	Balance Payable	263.85	93.10	318.22	**675.17**
iv)	Bank Guarantee	247.50	217.50	310.60	**775.60**
	Total of 8 (i) to (iv)	732.46	547.74	908.47	**2,188.67**
9	Liquidated damages/Penalty leviable	2,650.00	1,890.07	2,878.00	**7,418.07**
10	**Uncovered amount**	**1,917.54**	**1,342.33**	**1,969.53**	**5,229.40**

64 Including ₹14.65 crore towards additional cost for railway siding works.

ANNEXURE-15

(Referred to in paragraph 3.1.2 and 3.1.13)

Statement showing status of completion of SEZ and allotments made to the IT entrepreneurs as on March 2013

Sl. No.	Name of the SEZ	Extent of area (In acres)	Land cost (₹ in crore)	Cost incurred towards (₹ in crore)			Grand Total (₹ in crore) (4) + (7)	Net allotable area	Area allotted	Balance area	Percentage of balance land
				Common infra-structure	IT Park	Total		(In acres)			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1.	Sholinganallur, Chennai	377.08	152.09	43.52	---	43.52	195.61	307.36	215	92.36	30
2.	Coimbatore	61.59	7.98	20.72	---	20.72	28.70	45.19	19	26.19	58
3.	Vadapalanji (Madurai)	245.17	9.35	15.47	---	15.47	24.82	188.15	12	176.15	94
4.	Illandhaikulam (Madurai)	28.91	3.92	8.78	15.65	24.43	28.35	20.75	7.33	13.42	65
5.	Trichy	147.61	24.03	14.28	14.25	28.53	52.56	106.73	27.00	79.73	75
6.	Tirunelveli	500.00	23.00	13.75	13.39	27.14	50.14	409.62	125.00	284.62	69
7.	Salem	53.30	4.65	5.51	---	5.51	10.16	36.91	11.50	25.41	69
8.	Hosur[65]	174.47	1.74	5.00	2.19	7.19	8.93	108.25	20	88.25	82
	TOTAL	**1,588.13**	**226.76**	**127.03**	**45.48**	**172.51**	**399.27**	**1,222.96**	**436.83**	**786.13**	**64**

65 Hosur project was not included in the scope of Audit.

ANNEXURE-16

(Referred to in paragraph 3.1.7)

Statement showing the status of the SEZ projects executed

Name of the SEZ	Name of the contractor	Original Contract value	Actual Expen-diture	Date of Tender	Date of Agreement	Date of Commence-ment	Due Date of completion	Actual Date of completion	Time overrun[66] (In months)
Common Infrastructure		(₹ in crore)							
Sholinganallur, Chennai	P&C Constructions Private Limited (P&C)	34.62	43.52	26-07-2007	22-11-2007	14-11-2007	19-11-2008	13-05-2010	18
Ilandhaikulam, Madurai	P&C	7.44	8.78	28-10-2008	20-01-2009	20-01-2009	20-07-2009	31-03-2010	9
Vadapalanji, Madurai	P&C	14.99	15.47	28-10-2008	20-01-2009	20-01-2009	20-09-2009	27-01-2011	16
Tirunelveli	RPP Constructions Private Limited (RPP)	32.90	13.75	22-03-2009	27-07-2009	30-09-2009	27-10-2010	31-03-2011	5
Trichy	RPP	14.22	14.28	22-08-2009	09-07-2009	22-09-2009	9-03-2010	23-03-2011	13
Coimbatore	RPP	19.05	20.72	03-08-2007	10-12-2007	01-02-2008	31-07-2008	09.05.2011	34
Salem	Thiruchitram-balam Associates	9.44	5.51	22-08-2009	16-11-2009	16-11-2009	16-07-2010	In progress	42
Total		132.66	122.03						
IT Park Building									
Tirunelveli	NAPC Limited	13.92	13.39	00-02-2009	00-09-2009	30-09-2009	23-07-2010	25-03-2011	8
Ilandhaikulam, Madurai	URC Construction Private Limited	15.99	15.65	00-02-2009	05-10-2009	14-09-2009-	5-08-2010	14-02-2011	6
Trichy	Marg Limited	14.27	14.25		03-09-2009	28-10-2009	20-08-2010	28-02-2011	6
Total		44.18	43.29						

[66] Time overrun in respect of works under progress was reckoned upto December 2013.

ANNEXURE-17

(Referred to in paragraph 3.1.12)

Statement showing details of works executed in excess of the agreed quantity

(₹ in crore)

Sl.No.	Name of the sub-work	Value as per agreement	Value as per execution (including new work)	Percentage of variation
	SEZ, Tirunelveli			
1.	Office building	5.05	6.96	38
2.	Electrical sub-station work	0.11	0.29	164
3.	Approach road	0.37	1.11	200
4.	Pump room	0.17	0.62	265
5.	Electrical works	0.16	0.72	350
6.	HVAC works	0.21	0.69	229
	SEZ, Trichy			
1.	Office building	3.81	6.83	79
2.	Road work	0.08	0.36	350
3.	HVAC works	0.19	0.79	316
4.	Electrical works	0.15	0.86	473
	SEZ, Ilandhaikulam, Madurai			
1.	Office building	4.32	6.80	57
2.	Electrical works	5.39	10.00	86

ANNEXURE-18

(Referred to in paragraph 3.15.1)

Statement showing Paragraphs/Performance Audit Reports for which explanatory notes were not received

Sl. No.	Name of the Department	2008-09	2009-10	2010-11	2011-12	Total
1.	Energy	---	9	9	7	25
2.	Transport	1	---	---	2	3
3.	Co-operation, Food and Consumer Protection	2	---	---	---	2
4.	Prohibition and Excise	1	---	---	---	1
5.	Industries	1	3	2	3	9
6.	Agriculture	1	---	---	---	1
7.	Information Technology	---	2	4	---	6
8.	Micro, Small and Medium Enterprises	---	---	1	---	1
9.	Adi Dravidar and Tribal Welfare	---	---	1	---	1
10.	Health and Family Welfare	---	---	1	---	1
11.	Home	---	---	---	2	2
	TOTAL	**6**	**14**	**18**	**14**	**52**

ANNEXURE-19

(Referred to in paragraph 3.15.3)

Statement showing Department-wise outstanding Inspection Reports

Sl. No	Name of Department	Number of units	Number of outstanding IRs	Number of outstanding paragraphs	Years from which paragraphs outstanding
1.	Industries	16	33	100	2007-08
2.	Micro, Small and Medium Enterprises	3	11	42	2007-08
3.	Information Technology	2	7	29	2005-06
4.	Information and Tourism	2	4	8	2009-10
5.	Agriculture	1	1	3	2007-08
6.	Prohibition and Excise	1	4	10	2009-10
7.	Rural Development and Panchayatraj	2	6	21	2006-07
8.	Energy	8	667	2,934	2004-05
9.	Transport	10	10	42	2012-13
10.	Animal Husbandry	2	3	6	2007-08
11.	Health and Family Welfare	2	6	15	2009-10
12.	Adi Dravidar and Tribal Welfare	1	3	8	2006-07
13.	Backward Classes, Most Backward Classes and Minority Welfare	2	4	7	2009-10
14.	Public (Ex-servicemen)	1	5	16	2007-08
15.	Home	1	3	13	2009-10
16.	Public Works	1	2	12	2007-08
17.	Highways and Minor Ports	4	11	52	2006-07
18.	Handloom, Handicrafts, Textiles and Khadi	4	9	32	2010-11
19.	Environment and Forests	3	5	18	2010-11
20.	Co-operation, Food and Consumer Protection	2	4	11	2010-11
21.	Labour and Employment	1	1	3	2011-12
22.	Municipal Administration & Water Supply	1	1	2	2011-12
	Grand Total	**70**	**800**	**3,384**	

ANNEXURE-20

(Referred to in paragraph 3.15.3)

Statement showing 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.	Information Technology	1	---	October 2013
2.	Industries	3	---	June, July and September 2013
3.	Transport	1	---	September 2013
4.	Energy	2	---	July 2013
	TOTAL	**7**	**---**	

Glossary of Abbreviations

Sl. No.	Abbreviation	Description
1.	AL	Ashok Leyland
2.	APTEL	Appellate Tribunal for Electricity
3.	AS	Accounting Standards
4.	ASEAN	Association of South East Asian Nations
5.	ASIDE	Assistance to the States for Development of Export Infrastructure
6.	ATNs	Action Taken Notes
7.	BG	Bank Guarantee
8.	BGR	BGR Energy Systems Limited
9.	BHEL	Bharat Heavy Electricals Limited
10.	BOD	Board of Directors
11.	BQR	Bid Qualification Requirement
12.	CAG	Comptroller and Auditor General of India
13.	CDM	Clean Development Mechanism
14.	CEA	Central Electricity Authority
15.	CER	Certified Emission Reduction
16.	CERC	Central Electricity Regulatory Commission
17.	CMD	Chairman and Managing Director
18.	COD	Commercial Operation Date
19.	COPU	Committee on Public Undertakings
20.	CRZ	Coastal Regulation Zone
21.	DPR	Detailed Project Report
22.	EC	Essentiality Certificate
23.	ECCI	ECCI Info Park Limited
24.	EHT	Extra High Tension
25.	ELCOT	Electronics Corporation of Tamil Nadu Limited
26.	EOT	Extension of Time
27.	EPC	Engineering, Procurement and Construction
28.	EPL	Ennore Port Limited
29.	ETPS	Ennore Thermal Power Station
30.	EXIM	Export Import
31.	FSA	Fuel Supply Agreement
32.	GDP	Gross Domestic Product
33.	GOI	Government of India
34.	HFO	Heavy Furnace Oil
35.	HR&CE	Hindu Religious and Charitable Endowment
36.	HSD	High Speed Diesel

Sl. No.	Abbreviation	Description
37.	HT	High Tension
38.	IBPL	Ind Bharat Power Gen Com Limited
39.	ICB	International Competitive Bidding
40.	IDC	Interest During Construction
41.	IRT	Institute of Road Transport
42.	IT	Information Technology
43.	JVA	Joint Venture Agreement
44.	KVA	Kilo Volt Ampere
45.	KW	Kilo Watt
46.	LD	Liquidated Damages
47.	LED	Light Emitting Diode
48.	LOA	Letter of Assurance
49.	LT	Low Tension
50.	MCL	Mahanadi Coal Fields Limited
51.	MGQ	Minimum Guaranteed Quantity
52.	MOC	Ministry of Coal
53.	MOEF	Ministry of Environment and Forest
54.	MOP	Ministry of Power
55.	MOU	Memorandum of Understanding
56.	MT	Metric Tonne
57.	MTC	Metropolitan Transport Corporation Limited
58.	MTPP	Mettur Thermal Power Project
59.	MTPS	Mettur Thermal Power Station
60.	MUs	Million Units
61.	MW	Mega Watt
62.	NCTPP	North Chennai Thermal Power Project
63.	NCTPS	North Chennai Thermal Power Station
64.	NEP	National Electricity Plan/Policy
65.	NZOSP	New Zirconium Oxide Sponge Project
66.	OBUs	On Board Units
67.	PAC	Project Authority Certificate
68.	PAG	Principal Accountant General
69.	PFC	Power Finance Corporation Limited
70.	PIC	Project Investment Committee
71.	PL	Prospecting Licence
72.	PLF	Plant Load Factor
73.	PO	Purchase Order

Sl. No.	Abbreviation	Description
74.	PPA	Power Purchase Agreement
75.	PPP	Public Private Partnership
76.	PSUs	Public Sector Undertakings
77.	PWD	Public Works Department
78.	REC	Rural Electrification Corporation
79.	ROB	Rail Over Bridge
80.	SARs	Separate Audit Reports
81.	SETC	State Express Transport Corporation of Tamil Nadu Limited
82.	SEZ	Special Economic Zone
83.	SIPCOT	State Industries Promotion Corporation of Tamil Nadu Limited
84.	SITP	Siruseri Information Technology Park
85.	sq.ft.	square feet
86.	SS	Sub-Station
87.	STUs	State Transport Undertakings
88.	TANGEDCO	Tamil Nadu Generation and Distribution Corporation Limited
89.	TANTRANSCO	Tamil Nadu Transmission Corporation Limited
90.	TIDCO	Tamil Nadu Industrial Development Corporation Limited
91.	TNEB	Tamil Nadu Electricity Board
92.	TNERC	Tamil Nadu Electricity Regulatory Commission
93.	TNPCB	Tamil Nadu Pollution Control Board
94.	TNPL	Tamil Nadu Newsprint and Papers Limited
95.	TNRDC	Tamil Nadu Road Development Company Limited
96.	TNSTC	Tamil Nadu State Transport Corporation
97.	TPCL	Tidel Park Coimbatore Limited
98.	TTPS	Tuticorin Thermal Power Station
99.	UNFCCC	United Nations Framework Convention on Climate Change
100.	VAT	Value Added Tax
101.	VTCS	Vehicle Tracking and Control System