सत्यमेव जयते

Report of the Comptroller and Auditor General of India on Public Sector Undertakings for the year ended 31 March 2018

लोकहितार्थ सत्यनिष्ठा

Dedicated to Truth in Public Interest

Government of Tamil Nadu

Report No. 2 of 2020

Report of the
Comptroller and Auditor General of India

on

Public Sector Undertakings

for the year ended March 2018

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Preface

This Report deals with the results of audit of Government Companies and Statutory Corporation, referred to in this report as Public Sector Undertakings (PSUs) and has been prepared for submission to the Government of Tamil Nadu under Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Services) Act, 1971, as amended from time to time.

2. Audit of the accounts of Government Companies is conducted by the Comptroller and Auditor General of India under the provisions of Section 139 and 143 of the Companies Act, 2013. According to Section 2 (45) of the Act 2013, a Government Company means any company in which not less than fifty one *per cent* of the paid-up share capital is held by the Central Government or by any State Government or Governments or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary company of such a Government Company. Besides, any other company[1] owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments are referred as Government controlled other Companies. The audit arrangements of Statutory Corporation are prescribed under the respective Acts through which the corporation was established.

3. This Report deals with performance of 75 PSUs (74 Government Companies and one Statutory Corporation) in the State of Tamil Nadu, the audit of which has been entrusted to the Comptroller and Auditor General of India. The report has been divided in two parts: **Part I** deals with the analysis of the performance of the Power Sector Companies. The Government of Tamil Nadu (GoTN) has high financial stakes in the Power sector PSUs as the total investment in these companies stood at ₹1,73,963.13 crore (in five PSUs) as on 31 March 2018. The total investment of GoTN in power sector PSUs represented 92.66 *per cent* of its total investment of ₹1,87,739.90 crore in all the PSUs. The Equity contributed by the State Government in power sector was mainly towards capital investment and for construction of various projects. The Power Sector companies incurred a net loss of ₹12,333.58 crore during 2017-18. Keeping in view the significance of the investment in the sector, we have presented the details of the performance of the Power Sector PSUs and results of our audit of these companies (one Performance Audit and four compliance audit paragraphs) in **Part -I** of the Report.

4. **Part-II** of the Report deals with the details of the performance of the 70 other than power sector PSUs (including one statutory corporation). Total investment of GoTN in these PSUs stood at ₹13,776.77 crore at the end of March 2018. Investment of GoTN in these PSUs represented 7.34 *per cent* of its investment in all the PSUs. These PSUs incurred loss of ₹5,115.60 crore during 2017-18. This Part includes one Performance Audit on SIPCOT and eight compliance audit paragraphs relating to ELCOT, TASMAC, TICEL, TANCEM, TAMIN and TNCSC.

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[1] Ministry of Corporate Affairs- (Removal of Difficulties) Seventh Order 2014 dated 04 September 2014.

5. The audit observations featured in this Report are those which came to notice in the course of audit during the year 2017-18 as well as those which came to notice in earlier years but were not dealt with in the previous Reports. Matters relating to the period after 31 March 2018 have also been included, wherever necessary.

6. The audit has been conducted in accordance with the Auditing Standards issued by the Comptroller and Auditor General of India.

Overview

Functioning of Public Sector Undertakings

Audit of Government Companies is governed by Sections 139 and 143 of the Companies Act, 2013. The financial statements of Government Companies are audited by the Statutory Auditors appointed by the Comptroller and Auditor General of India (CAG). These financial statements are also subject to supplementary audit by the CAG. Audit of Statutory Corporations is governed by their respective legislations.

As on 31 March 2018, Tamil Nadu had 75 State Public Sector Undertakings (PSUs) consisting one Statutory Corporation and 74 Government Companies (including six non-functional Government Companies). These PSUs fall under the audit jurisdiction of CAG. The working PSUs registered a turnover of ₹1,07,081.46 crore during 2017-18 as per their latest finalised accounts. This turnover was equal to 7.50 *per cent* of the Gross State Domestic Product (GSDP) of Tamil Nadu. As on 31 March 2018, the investment (Equity and long term loans) of the State Government in 75 PSUs was ₹1,87,739.90 crore. Out of which, the investment in power sector alone stood at ₹1,73,963.13 crore representing 92.66 *per cent* of total investment of GoTN in all PSUs.

1. Functioning of Power Sector Undertakings

Formation of Power Sector Undertakings

Tamil Nadu Electricity Board (TNEB) was formed on 1 July 1957 under the Electricity Supply Act, 1948 as a successor to the erstwhile Electricity Department of the Government of Madras and was responsible for electricity generation, distribution and transmission, and it regulated the electricity supply in the State. Following the enactment of Electricity Act, 2003 (Act), TNEB was reorganized in terms of the scheme approved (October 2008) by Government of Tamil Nadu (GoTN). Accordingly, a holding company, by the name of TNEB Limited and two subsidiary companies namely, Tamil Nadu Transmission Corporation Limited (TANTRANSCO)[2] and Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO)[3]were formed and the Scheme came into force from 01 November 2010.

Besides these three companies, GoTN had already established (June 1991) Tamil Nadu Power Finance and Infrastructure Development Corporation Limited (TN Powerfin) to mobilise funds from public for financing the developmental works of erstwhile TNEB. In December 2008, GoTN established Udangudi Power Corporation Limited (UPCL)[4] as a joint venture project with equity participation of M/s BHEL Limited, to construct 2x800 MW Super critical thermal power station at Udangudi in Thoothukudi District

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2 Comprising all the assets, liabilities and proceedings belonging to the TNEB concerning the transmission of electricity in the State

3 Comprising all the assets, liabilities and proceedings belonging to the TNEB concerning generation and distribution of electricity in the area of supply to all the Circles of Tamil Nadu.

4 Presently functioning as 100 *per cent* subsidiary of TANGEDCO.

as a subsidiary of erstwhile TNEB. Thus, the State had five Power Sector companies as on 31 March 2018. Audit of these power sector companies is governed by Sections 139 and 143 of the Companies Act, 2013. The financial statements of these companies are audited by the Statutory Auditors appointed by the CAG subject to supplementary audit by the CAG.

The State Government provides financial support in the form of equity, loans and grants/subsidy to these power sector undertakings from time to time. The Ministry of Power (MoP), Government of India (GoI) also launched (20 November 2015) Ujwal DISCOM Assurance Yojana (UDAY Scheme) for operational and financial turnaround of State owned Power Distribution Companies (DISCOMs). GoTN agreed to implement UDAY Scheme and signed tripartite Memorandum of Understanding with GOI and TANGEDCO in January 2017.

The Power Sector Undertakings registered a turnover of ₹48,843.45 crore during 2017-18 as per their latest finalised accounts. This turnover was equal to 3.42 *per cent* of the GSDP of Tamil Nadu indicating an important role played by the Power Sector companies in the economy of the State.

Stake of Government of Tamil Nadu

As on 31 March 2018, the total investment (equity and long term loans) in five power sector undertakings was ₹1,73,963.13 crore. The investment consisted of 28.16 *per cent* towards equity and 71.84 *per cent* in long-term loans. The investment has grown by 81.67 *per cent* from ₹95,758.63 crore in 2013-14 to ₹1,73,963.13 crore in 2017-18. The budgetary assistance received by these PSUs during 2013-18 ranged between ₹7,649.12 crore and ₹37,690.57 crore. The budgetary assistance of ₹14,496.86 crore received during the year 2017-18 included ₹1,971.89 crore, ₹20.00 crore and ₹12,504.97 crore in the form of equity, loan and grants/subsidy respectively. The budgetary support to these power sector PSUs were made primarily to meet the revenue gap on account of subsidised tariff.

Performance of Power Sector Undertakings

The overall loss incurred by the five power sector companies was ₹12,333.58 crore in 2017-18 against the loss of ₹11,569.52 crore incurred in 2013-14. According to latest finalised accounts, only one PSU (TN Powerfin) earned profit of ₹96.68 crore and three companies (TNEB Limited, TANGEDCO and TANTRANSCO) incurred a total loss of ₹12,430.26 crore.

During 2013-14 and 2014-15, the power sector PSUs reported a total loss of ₹11,569.52 crore and ₹12,763.92 crore respectively. During 2015-16 and 2016-17, the position improved significantly and the loss decreased to ₹5,942.06 crore and ₹4,497.29 crore respectively. The decrease in loss was mainly on account of tariff revision. However, during 2017-18, the loss increased to ₹12,333.58 crore due to increase in employee cost on account of revision of salaries and wages (₹1,971.16 crore), increase in the power purchase costs ₹2,941.84 crore and recognition of interest charges for the past years by TANTRANSCO (₹4,174.17 crore).

Return on State Government Funds

The total equity funds infused by the State Government in these five PSUs upto March 2010 stood at ₹60.06crore and a total fund of ₹49,692.17 croreduring 2010-18. During 2010-18, State Government had received a total dividend of ₹162.17 crore and converted the interest free loan of ₹4,563 crore as grant. After deducting these amount, the net investment at the end of March 2018 stood at ₹45,027.06 crore.

The aggregate return on investment of five PSUs were negative in all the five years during 2013-18 and it ranged between 9.44 (2016-17) and 92.16 (2013-14) *per cent.* The negative return on investment for the year 2017-18 was at 27.39 *per cent.* The improvement in the position of return on State Government funds was mainly on account of decrease in losses of power sector due to reduction in purchase of costly power and restructuring of loans under UDAY scheme.

The present value (PV) of funds infused by the State Government was computed by compounding the historical value of investment adding interest calculated with the average rate of interest on Government borrowings which is considered as the minimum cost of funds to the Government for the concerned year. The present value of the historical cost of investment of ₹45,027.06 crore worked out to ₹60,363.16 crore. The aggregate return on investment of five PSUs calculated on PV were also negative in all the five years.

The net worth of the five power sector undertakings in 2013-14 was negative at ₹34,307.43 crore. Though there was a marginal improvement in the year 2016-17, the net worth deteriorated further during 2017-18 and the net worth at the end of March 2018 was negative at ₹26,965.12crore. The negative net worth was mainly on account of losses reported in TANGEDCO. As per the latest audited annual accounts, the overall accumulated losses of the Power Sector Undertakings was ₹73,907.27 crore as against the equity capital of ₹47,009.77 crore. At the end of March 2018, only TN Powerfin had a positive net worth of ₹952.24 crore with a paid up capital of ₹90 crore.

Financial Turnaround of DISCOMs under Ujwal DISCOM Assurance Yojana (UDAY)

GoTN signed a Memorandum of Understanding (MoU) with MoP on 9 January 2017 under UDAY. As per the Scheme, the State Government was required to takeover 75 *per cent*of the debt (₹30,420 crore)of the DISCOM as on 30 September 2015. Accordingly, upon signing the MoU, GoTN released (February-March 2017) a sum of ₹22,815 crore to TANGEDCO. Further, during the year 2017-18, TANGEDCO received a sum of ₹4,563 crore as grant-in-aid from GoTN to extinguish one fifth of the UDAY scheme loan. However, the expected financial turnaround could not be achieved due to non-achievement of operational parameters, lack of upward revision in tariff,etc.

Coverage of this Report

This Report contains one performance audit i.e. on "Performance Audit on Power Purchase Agreements in Tamil Nadu Generation and Distribution Corporation Limited" and four compliance audit paragraphs involving financial effect of₹14,382.62 crore.

2 Performance Audit on Power Purchase Agreements in Tamil Nadu Generation and Distribution Corporation Limited

This Performance Audit covers the power purchase made by TANGEDCO through various power purchase agreements during 2013-14 to 2017-18.

Purchase of power constituted the largest cost element of Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO) ranging from 53.34 per cent in 2014-15 to 60.78 per cent in 2017-18. The Performance Audit was taken up between April and August 2018 and examined power purchase transactions amounting to ₹68,879 crore (60 per cent) of the total power purchase made during 2013-18.

Planning

The cost of power purchase from private parties by TANGEDCO increased from ₹11,873.37 crore (24,164.84 MU) in 2013-14 to ₹13,564.33 crore (29,758.38 MU) in 2017-18 on account of (i) insufficient capacity addition to own generating stations, (ii) sub-optimal performance of the own generating stations and (iii) slippages in completion of projects by the Central Generating Stations (CGS). The delay in completion of projects by CGS led to TANGEDCO bearing cost escalation of ₹2,381.54 crore by way of additional cost in the tariff, besides purchase of shortfall quantity by incurring avoidable expenditure of ₹2,099.48 crore.

TANGEDCO's failure to adopt Merit Order of Despatch (MOD) for purchase of power resulted in the Tamil Nadu Electricity Regulatory Commission (TNERC) disallowing the cost of power purchase amounting to ₹18,843.63 crore for tariff fixation during the years 2013-16.

Execution of Power Purchase Agreements (PPAs)

(i) PPAs with Central Generating Stations (CGS)

Due to not drawing of the entitled share of power from the low cost CGS and drawing the same quantity from the other costlier sources, TANGEDCO incurred avoidable expenditure of ₹349.67 crore.

(ii) PPAs with Independent Power Producers (IPPs)

Due to procurement of power from the plant which was costly and ranked lowest in the MOD and purchase of power from a naphtha based plant, TANGEDCO incurred avoidable expenditure of ₹493.74 crore.

(iii) Long Term PPAs

There were delays in commencement of supplies from the scheduled delivery dates by nine suppliers. But TANGEDCO did not levy liquidated damages of ₹827.64 crore.

Eight long term suppliers did not supply power during the first two years of the agreements. However, TANGEDCO paid enhanced tariff to the suppliers from the third year onwards resulting in avoidable expenditure of ₹712.03 crore for the period upto March 2018.

TANGEDCO admitted tariff charges by computing the quantum of power supplied at the generating stations instead of from the Power Grid

Corporation's pooling stations at which the suppliers were required to inject power. This led to avoidable payment of ₹242.92 crore.

(iv) Medium Term PPAs

TANGEDCO did not claim applicable liquidated damages of ₹24 crore from two suppliers for delay in commencement of supply. Instead, it procured the shortfall quantity at higher rates resulting in avoidable expenditure of ₹116.04 crore.

TANGEDCO became liable to pay fixed capacity charges of ₹122.84 crore due to non-drawal of the committed quantity of power.

Due to delay in renewal of the agreements, TANGEDCO procured the shortfall quantity on day to day basis resulting in avoidable expenditure of ₹39.48 crore.

(v) Short Term PPAs

TANGEDCO incurred extra expenditure of ₹1,055.84 crore due to payment of higher rates for intra-state suppliers in comparison to inter-state suppliers, who supplied power during the same period. Due to curtailment of supply of power below 85 per cent of the contracted quantity, TANGEDCO became liable to pay compensation charges amounting to ₹323.64 crore.

Incorrect calculation of compensation payable by the generators at the Circle level resulted in excess payment/non-recovery of ₹52.74 crore.

vi) Agreements with renewable energy generators

Due to extension of commissioning period by TNERC for solar energy producers, TANGEDCO became liable to pay higher tariff for purchase of solar power, which resulted in excess expenditure of ₹605.48 crore.

Purchase of power from co-generation plants by terminating the existing agreements and purchasing the same power through short term route resulted in avoidable extra expenditure of ₹93.41 crore.

Monitoring and Internal control

Monitoring and Internal control mechanism existing in TANGEDCO for purchase of power was deficient as (i) there was no centralised database on quantum and price paid for power purchase, (ii) there was no coordination between State Load Despatch Centre (SLDC) and TANGEDCO regarding decisions on MOD, (iii) there was no reconciliation of power generation and consumption and (iv) Circles did not generate MIS reports on payments for purchase of power.

Conclusion

The power purchase management in TANGEDCO was lacking in the areas relating to adherence to MOD and the PPAs clauses in full. In view of the short comings, audit is of the opinion that there is an imperative need for TANGEDCO to fix responsibility and enforce accountability to ensure that these lapses do not recur.

Recommendations

This report contains five recommendations by audit. To avoid contracting excess capacity from costlier sources, have better coordination with SLDC to ensure MOD, adherence to the provisions of MoP guidelines, strictly enforcing the provisions of PPAs are some of the recommendations.

3 Compliance Audit Observations relating to Power Sector Undertakings

Compliance Audit observations included in this Report highlight deficiencies in the management of Power Sector Undertakings, which resulted in serious financial implications. The major irregularities pointed out are:

The requirement of producing documentary evidence for claiming amount of Wagon Unloading Charges paid to VDLB/VPT was waived by TNEB (now TANGEDCO) during post-tender negotiations, which enabled undue benefit of ₹807.58 crore to flow to the contractor at the expense of TANGEDCO. Continuation of the contract, which was a source of unreasonable profit to the contractor, on the same terms and conditions for more than 17 years, without considering alternate options was, thus, unjustified.

(Paragraph 3.1)

TANGEDCO incurred an avoidable interest of ₹3,980.94 crore on account of failure of the State Government to take over the agreed quantum of short term liabilities under Financial Restructuring Plan and downsizing the minimum subscription amount to be mobilised at the time of issue of public bonds.

(Paragraphs 3.2 and 3.3)

4 Functioning of Public Sector Undertakings (other than Power Sector)

As on 31 March 2018, Tamil Nadu had 70 State Public Sector Undertakings (other than Power Sector) consisting of 63 working Companies, one working Statutory Corporation and six non-functional PSUs (all Companies). The working PSUs registered a turnover of ₹58,238.01 crore during 2017-18 as per their latest finalised accounts. This turnover was equal to 4.08 *per cent* of the Gross State Domestic Product indicating the role played by these State PSUs in the economy of the State.

Stake of Government of Tamil Nadu

As on 31 March 2018, the total investment (equity and long-term loans) in 70 PSUs was ₹13,776.77 crore. The investment consisted of 56.09 *per cent* towards equity and 43.91 *per cent* in long-term loans. The long term loans from the State Government constituted ₹1,180.06 crore (19.51 *per cent*) and the balance amount of ₹4,869.17 crore (80.49 *per cent*) from Banks and Financial Institutions. The investment has grown by 82.02 *per cent* from ₹7,568.64 crore in 2013-14 to ₹13,776.77 crore in 2017-18. The increase was mainly towards equity infusion in eight State Transport Undertakings.

The budgetary assistance received by these PSUs during the years 2013-18 ranged between ₹6,310.47 crore and ₹11,981.88 crore. The budgetary assistance included the subsidy/grants (₹6,001 crore) given to Tamil Nadu Civil Supplies Corporation Limited to procure food grains for distribution under Public Distribution System and to State Transport Undertakings (STUs) to compensate diesel cost (₹1,172.16 crore) during 2017-18.

Performance of State PSUs (other than Power Sector)

The 64 working PSUs, incurred losses in aggregate in all the five years during 2013-18 and the aggregate losses were in the range of ₹797.91 crore to ₹5,096.79 crore. As per the latest finalised accounts, out of 64 working PSUs, 39 PSUs earned a profit of ₹548.09 crore and 21 PSUs incurred loss of ₹5,644.88 crore. Three PSUs including Tamil Nadu Civil Supplies Corporation Limited to which the entire deficit was compensated by GoTN in the form of subsidy reported neither profit nor loss. One newly formed Company has not finalised its first accounts.

Return on State Government Funds

As on 31 March 2018, the investment of the State Government in these 58 PSUs stood at ₹6,043.20 crore (Equity: ₹5,475.88 crore and Interest Free Loan: ₹567.32 crore). After deducting the dividend of ₹923.30 crore paid by the PSUs, the investment of State Government in these 58 PSUs on the basis of historical cost stood at ₹5,119.90 crore.

During 2013-18, the overall return on investment was negative and the same ranged between 67.02 to 156.73 *per cent* and it was 99.92 *per cent* in 2017-18. The PSUs under Social sector reported positive return, however, the PSUs under Competitive Sector reported negative, making the overall results negative.

The present value of the funds infused in these PSUs at the end of March 2018 worked out to ₹6,676.43 crore and the overall return on investments computed on the present value of investments was also negative.

The overall position of net worth of 70 PSUs was negative in all the years and fluctuated between ₹5,110.07 crore and ₹13,298.72 crore during 2013-18.

The losses were mainly on account of poor performance by the State Transport Undertakings. However, as per the latest finalised accounts, 39 PSUs earned an aggregate profit of ₹548.09 crore. Out of which, 13 PSUs (other than Power Sector) proposed a dividend of ₹111.37 crore. The dividend payout ratio of PSUs which earned profit during 2013-18 ranged between 8.61 to 17.09 *per cent* only against the prescribed quantum of 30 *per cent*.

Arrears in accounts and winding up

24 working PSUs had arrears of 33 accounts as on 30 September 2018. Among non-functional PSUs, one PSU had commenced liquidation process and for one PSU merger orders were issued but its implementation is still pending.

5 Performance Audit on the Functioning of State Industries Promotion Corporation of Tamil Nadu Limited

Since 1971, the State Industries Promotion Corporation of Tamil Nadu Limited (SIPCOT) is engaged in creation/development and maintenance of

Industrial Complexes (ICs) and Special Economic Zones (SEZs) in the State. To assess the performance of SIPCOT in facilitating industrial development in the State, the performance audit was conducted between April and August 2018 covering the activities for the last five years upto 2017-18.

Planning

SIPCOT did not prepare any Long Term, Medium Term or Annual Action Plan stipulating milestones for land acquisition, formation of layout and execution of infrastructure works to operationalise ICs.

Financial Planning

The income from land development activities were in the range of 59.63 to 69.35 per cent and the balance from interest from bank deposits. SIPCOT had spent only 53.25 per cent of its earnings on its core activities.

Development of ICs

The concentration of nine ICs in Kanchipuram and Thiruvallur districts and absence of ICs in 20 other districts indicated uneven growth of industrial development in the State. Allotment of plots by SIPCOT in Thoothukudi IC without getting DTCP approval disabled allottees to commence their business. Eight allottees in Aerospace Park in Vallam Vadagal did not take possession of the land for want of infrastructure facilities in the IC. Truck terminal facilities created in Vallam Vadagal and Irungattukkottai ICs at a cost of ₹10.68 crore and ₹11.79 crore respectively were not put to use in full scale.

Allotment of plots

SIPCOT did not revise the plot cost after December 2014 and was yet to implement the decision of the Board of Directors (December 2016) to increase price after conducting study on the industrial growth, affordability, demand and the extent of land to be allotted.

Monitoring of the Industrial Allottees

SIPCOT did not take repossession of 892.74 acres of unused land representing 6.60 per cent of the total allotted land in 12 ICs, out of which, 499.69 acres (55.97 per cent) were in three ICs in the periphery of Chennai. If these lands were resumed and re-alloted, it would have fetched additional revenue of ₹249.94 crore at current rates.

SIPCOT did not monitor the change in management of the allottee units which resulted in loss of revenue of ₹10.64 crore. In a similar failure to monitor the sub-lease by the allottees, it lost ₹5.36 crore, as the change in management attracts sub leasing charges.

Maintenance of Industrial Area

SIPCOT did not devise any action plan to upgrade or relay the roads to the extent of 118.5 kilometres laid before 2008.

Internal Control

Comprehensive MIS data relating to land acquired and payment of compensation was not maintained at corporate level. Absence of effective monitoring of allottees at field level caused loss of revenue on account of change in management and sub-lease.

Conclusion

SIPCOT did not prepare any Corporate plan to act with the objectives envisaged in Tamil Nadu Industrial Policy 2014 indicating specific timeline. SIPCOT spent ₹1,555.60 crore towards its core activities out of ₹2,921.09 crore earned during 2013-18. It did not revise the plot cost since 2014 and did not monitor effectively to recover differential plot cost and sub-lease charges.

Recommendations

Drawing action plan for land acquisition and execution of infrastructure related works, framing a defined policy for fixation of plot costs, conducting market analysis periodically for fixing the plot cost in a transparent manner, developing MIS at Corporate level to monitor land acquisition process and devising control mechanism to periodically inspect units are some of the recommendations of Audit.

6 Compliance Audit Observations relating to State PSUs (other than Power Sector)

Compliance Audit observations included in this Report highlight deficiencies in the management of Public Sector Undertakings, which resulted in serious financial implications. The irregularities pointed out are broadly of the following nature:

Electronic Corporation of Tamil Nadu Limited (ELCOT) did not draw up advance annual action plan for procurement of laptops for free distribution to students. The procurements were delayed during 2014-15 and 2016-17, consequently 10.50 lakh laptops worth ₹1,397.80 crore were distributed to the students after their academic sessions depriving them of use of laptops during their studies to acquire computer skills.

(Paragraph 6.1)

ELCOT extended undue benefit to one private company by assigning two acres of land worth ₹26.14 crore without collecting the value to satisfy the requirement of Environmental Clearance (EC) norms. Subsequently, ELCOT withdrew such permission in favour of the private company and did not inform the fact to State Level Environment Impact Assessment Authority.

(Paragraph 6.2)

Tamil Nadu State Marketing Corporation Limited caused a loss of₹18.67 crore to the Government on account of non-inclusion of suitable clause for escalation of licence fee in the agreement for running bars by private parties.

(Paragraph 6.3)

Lab facilities created at a cost of ₹17.32 crore were lying idle for more than four years on account of failure of **TICEL Bio Park Limited** to deploy suitable manpower to manage the lab.

(Paragraph 6.4)

Tamil Nadu Civil Supplies Corporation incurred avoidable expenditure of ₹4.11 crore due to failure to invoke the enabling provisions in the agreement for purchase of additional quantity in procurement of Palmolein oil.

(Paragraph 6.8)

INTRODUCTION

Public Sector Undertakings of Government of Tamil Nadu

General

1 State Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations. State PSUs are established to carry out activities of commercial nature keeping in view the welfare of people and occupy an important place in the State economy. As on 31 March 2018, there were 75 PSUs in Tamil Nadu, including 74 Government Companies (including six non-functional government companies[5]) and one[6] Statutory Corporation under the audit jurisdiction of the Comptroller & Auditor General of India. One[7] Government Company was listed in the stock exchange.

2 The financial performance of the PSUs on the basis of latest finalised accounts as on 30 September 2018 is covered in this report. The nature of PSUs and the position of accounts are indicated in the table below:

Table 1: Nature of PSUs covered in the Report

Nature of PSUs	Total Number	Number of PSUs of which accounts received during the reporting period[8]				Number of PSUs of which accounts are in arrear (total accounts in arrear) as on 30 September 2018
		Accounts upto 2017-18	Accounts upto 2016-17	Accounts upto 2015-16	Total	
Working Government Companies[9]	**68**	**44**	**15**	**8**	**67**[10]	24 (34)
Statutory Corporation	1	-	1	-	1	1 (1)
Total working PSUs	**69**	**44**	**16**	**8**	**68**	**25 (35)**
Non-Functional Government Companies	**6**	**1**	**1**	**1**	**3**	5[11] (40)
Total	**75**	**45**	**17**	**9**	**71**	**30 (75)**

The working PSUs registered a turnover of ₹1,07,081.46 crore as per their latest finalised accounts as on 30 September 2018. This turnover was equal to 7.50 *per cent* of Gross State Domestic Product (GSDP) for the year 2017-18 (₹14,27,074 crore). The working PSUs incurred an aggregate loss of ₹17,430.37 crore as per their latest finalised accounts. As on March 2018, the State PSUs had employed 2.79 lakh employees.

There are six non-functional PSUs which were non-functional for 14 to 28 years and having investment of ₹69.61 crore towards capital (₹47.65 crore)

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5 Non-functional PSUs are those which have not been carrying on any business or operation and defined as 'inactive company' under Section 455 of the Companies Act, 2013, termed as "non-functional companies" in this Report.

6 Tamil Nadu Warehousing Corporation.

7 Tamil Nadu Newsprint and Papers Limited.

8 From October 2017 to September 2018

9 Government PSUs include other Companies referred to in Section 139(5) and 139(7) of the Companies Act 2013.

10 Tamil Nadu Police Transport Corporation Limited, incorporated in December 2015 has not finalised its first accounts.

11 Tamil Nadu Goods Transport Corporation Limited is in the process of winding up since 1989-90 and its accounts are not anticipated.

and long term loans (₹21.96 crore). Though these PSUs are non-functional, concerted action needs to be taken to safeguard the assets of these PSUs.

Accountability framework

3 The procedure for audit of Government companies are laid down in Sections 139 and 143 of the Companies Act, 2013 (Act 2013). According to Section 2 (45) of the Act 2013, a Government Company means any company in which not less than fifty one *per cent* of the paid-up share capital is held by the Central Government or by any State Government or Governments or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary company of such a Government Company. Besides, any other company[12] owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments are referred to in this Report as Government Controlled other Companies.

Further, as per sub-Section 7 of Section 143 of the Act 2013, the Comptroller and Auditor General of India (CAG) may, in case of any company covered under sub-Section (5) or sub-Section (7) of Section 139, if considered necessary, by an order, cause test audit to be conducted of the accounts of such Company and the provisions of Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 shall apply to the report of such test Audit. Thus, a Government Company or any other Company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments or partly by Central Government and partly by one or more State Governments is subject to audit by the CAG. An audit of the financial statements of a Company in respect of the financial years that commenced on or before 31 March 2014 shall continue to be governed by the provisions of the Companies Act, 1956.

Statutory audit

4 The financial statements of the Government Companies (as defined in Section 2 (45) of the Act 2013) are audited by Statutory Auditors, who are appointed by the CAG as per the provisions of Section 139(5) or (7) of the Act 2013. The Statutory Auditors submit a copy of the Audit Report to the CAG including, among other things, financial statements of the Company under Section 143(5) of the Act 2013. These financial statements are also subject to supplementary audit by the CAG within sixty days from the date of receipt of the audit report under the provisions of Section 143 (6) of the Act 2013.

Audit of Statutory Corporation is governed by their respective legislations. In respect of the lone Statutory Corporation *viz.,* Tamil Nadu Warehousing Corporation, audit is conducted by Chartered Accountants and supplementary audit is conducted by the CAG, in pursuance of the State Warehousing Corporation Act, 1962.

[12] Ministry of Corporate Affairs- (Removal of Difficulties) Seventh Order 2014 dated 4 September 2014.

Submission of accounts by PSUs

5 *Need for timely finalisation and submission*

According to Section 394 and 395 of the Companies Act 2013, Annual Report on the working and affairs of a Government Company, is to be prepared within three months of its Annual General Meeting (AGM) and as soon as may be after such preparation laid before the State Legislature together with a copy of the Audit Report and any comments upon or supplement to the Audit Report, made by the CAG. Similar provisions exist in the respective Acts regulating statutory corporations. This mechanism provides the necessary legislative control over the utilisation of public funds invested in the companies from the Consolidated Fund of the State.

Section 96 of the Companies Act, 2013 requires every company to hold AGM of the shareholders once in every calendar year. It is also stated that not more than 15 months shall elapse between the date of one AGM and that of the next. Further, Section 129 of the Companies Act, 2013 stipulates that the audited Financial Statement for the financial year has to be placed in the said AGM for their consideration. Section 129 (7) of the Companies Act, 2013 provides for levy of penalty like fine and imprisonment on the persons including directors of the company responsible for non-compliance with the provisions of Section 129 of the Companies Act, 2013.

Role of Government and Legislature

6 The State Government exercises control over the affairs of these PSUs through its administrative departments. The Chief Executive and Directors to the Board are appointed by the State Government.

The State Legislature also monitors the accounting and utilisation of Government investment in the PSUs. For this, the Annual Reports together with the Statutory Auditors' Reports and comments of the CAG, in respect of State Government Companies and Separate Audit Reports in case of Statutory Corporation are to be placed before the State Legislature under Section 394 of the Act 2013 or as stipulated in the respective Acts. The Audit Reports of the CAG are submitted to the Government under Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

Investment by Government of Tamil Nadu in State Public Sector Undertakings (PSUs)

7 The Government of Tamil Nadu (GoTN) has high financial stakes in the PSUs. This is of mainly three types:

- **Share capital and loans** – In addition to the share capital contribution, GoTN also provides financial assistance by way of loans to the PSUs from time to time.
- **Special financial support** – GoTN provides budgetary support by way of grants and subsidies to the PSUs as and when required.
- **Guarantees** – GoTN also guarantees the repayment of loans with interest availed by the PSUs from Financial Institutions.

8 The sector-wise summary of investment in the PSUs as on 31 March 2018 is given below:

Table 2: Sector-wise investment in PSUs

Name of sector	Government Companies		Statutory Corporations		Total	Investment[13] (₹ in crore)		
	Working	Non-functioning	Working	Non-functioning		Equity	Long term loans	Total
Power	5	-	-	-	5	48981.68	124981.45	173963.13
Finance	10	-	--	-	10	628.47	764.33	1392.80
Service	20	1	1	-	22	6029.81	1987.41	8017.22
Infrastructure	15	1	-	-	16	599.89	1073.09	1672.98
Others	18	4	-	-	22	469.37	2224.40	2693.77
Total	**68**	**6**	**1**	**-**	**75**	**56709.22**	**131030.68**	**187739.90**

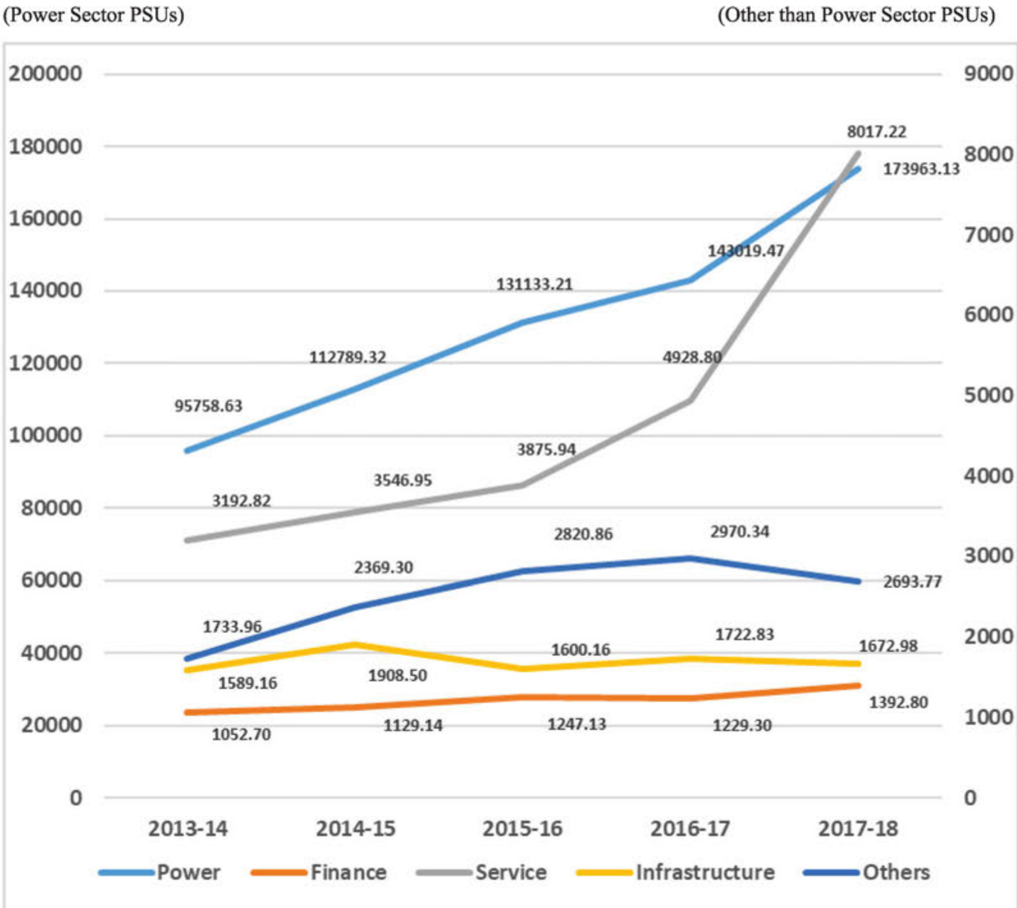
Source: Compiled based on information received from PSUs.

The thrust of PSU investment was mainly on power sector during the last five years. The investment of GoTN in power sector PSUs stood at ₹1,73,963.13 crore (92.66 *per cent*) at the end of March 2018.

9 The investment in various important sectors at the end of 31 March 2014 and 31 March 2018is indicated in the chart below:

Chart 1: Sector-wise investment in PSUs

(Figures in ₹ crore)



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13 Investments include equity and long term loans.

Keeping in view the huge investment in Power Sector, we are presenting the results of audit of five Power Sector PSUs in Part I[14] of this report and of the remaining 70 PSUs (other than power sector) in the Part II[15] of the report.

[14] Part I contains observations relating to Power Sector Companies: Chapter-I - Functioning of Power Sector Undertakings; Chapter-II -Performance Audit observations, and Chapter-III - Compliance Audit Observations.

[15] Part II contains observations relating to PSUs (other than Power Sector): Chapter-IV - Functioning of Public Sector Undertakings (Other than Power Sector), Chapter-V-Performance Audit Observations and Chapter- VI - Compliance Audit Observations.

PART-I

PART-I

Chapter-I

Functioning of Power Sector Undertakings

Introduction

1.1 The power sector companies play an important role in the economy of the State. Apart from providing critical infrastructure required for development of the State's economy, the sector also adds significantly to the Gross State Domestic Product (GSDP). A ratio of Power Sector PSUs' turnover to GSDP shows the extent of activities of PSUs in the State economy. The Compounded Annual Growth Rate (CAGR)[16] is a useful method to measure growth rate over multiple time periods. **Table 1.1** provides the details of turnover of power sector PSUs and GSDP of Tamil Nadu for a period of five years ended March 2018.

Table 1.1: Details of turnover of power sector PSUs vis-a-vis GSDP of Tamil Nadu

(₹In crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Turnover	33,612.98	38,422.49	45,670.27	48,489.71	48,843.45
GSDP of Tamil Nadu	8,54,238	9,76,703	12,12,668	12,98,511	14,27,074
Percentage of Turnover to GSDP of Tamil Nadu	3.93	3.93	3.77	3.73	3.42
Percentage of growth of turnover	32.89	14.31	18.86	6.17	0.73
Percentage of growth of GSDP	14.74	14.34	24.16	7.08	9.90
CAGR of Turnover					7.76
CAGR of GSDP					10.81

Source: Turnover as per the latest accounts finalized by the Power Sectors Undertakings and GSDP figures as per State Finance Audit Report of CAG of India for the year 2017-18 of GoTN.

The turnover of power sector undertakings has recorded continuous increase over previous years. The annual growth rate during 2013-14 was 32.89 *per cent* which decreased gradually (excepting in 2015-16) and stood at 0.73 *per cent* during 2017-18, whereas, the growth rate of GSDP was fluctuating between 7.08 and 24.16 *per cent*. The CAGR of GSDP during five years ended 2017-18 was 10.81 *per cent.* Against this, the turnover of power sector undertakings recorded a lower CAGR of 7.76 *per cent* during the same period indicating the decrease in share of turnover of power sector PSUs over these five years. The share of turnover of these power sector undertakings to the GSDP was 3.93 *per cent* in 2013-14, decreased year after year and stood at 3.42 *per cent* in 2017-18.

Formation of Power Sector Undertakings

1.2 Tamil Nadu Electricity Board (TNEB) was formed on 1 July 1957 under the Electricity Supply Act of 1948 as a successor to the erstwhile Electricity Department of the Government of Madras and was responsible for

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[16] The compounded annual growth rate calculated as per the formula: ((Final Value/Beginning Value)^1/number of years)-1.

electricity generation, distribution and transmission, and it regulated the electricity supply in the State. Government of India (GOI) enacted Electricity Act, 2003 (Act) to consolidate the laws relating to generation, transmission, distribution, trading and use of electricity and promoting competition therein, protecting interest of consumers. Section 131 of the Act envisaged reorganization of the State Electricity Boards (SEBs).

In pursuance of the above, Government of Tamil Nadu (GoTN) accorded approval (October 2008) for reorganization of TNEB by establishing a holding company, by the name of TNEB Limited and two subsidiary companies namely, Tamil Nadu Transmission Corporation Limited (TANTRANSCO)[17] and Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO)[18] with the stipulation that these companies shall be fully owned by GoTN. TANTRANSCO (the transmission utility) was incorporated in June 2009 with an initial capital of ₹five crore; the holding company viz., TNEB Limited and TANGEDCO (Generation and Distribution utility) were incorporated in December 2009 with an initial capital of ₹five crore each. GoTN notified (October 2010) Tamil Nadu Electricity (Reorganization and Reforms) Transfer Scheme, 2010 (Scheme) for the purpose of transfer and vesting of property, interest in property, rights and liabilities of the TNEB in the State Government and re-vesting thereof by the State Government in corporate entities and also for the transfer of personnel of TNEB to corporate entities. As per the Scheme, assets and liabilities of transmission facilities were vested in TANTRANSCO and assets and liabilities of generation and distribution activities were vested in TANGEDCO and the Scheme came into force from 01 November 2010. Equity infusion in TANGEDCO and TANTRANSCO were made through its holding company *viz.,* TNEB Limited and there was no direct infusion of equity by State Government.

Besides these three companies, GoTN had already established (June 1991) Tamil Nadu Power Finance and Infrastructure Development Corporation Limited (TN Powerfin) to mobilise funds from public for financing the developmental works of erstwhile TNEB. In December 2008, GoTN established Udangudi Power Corporation Limited (UPCL)[19] as a joint venture project with equity participation of M/s BHEL Limited, to construct 2x800 MW Super critical thermal power station at Udangudi in Thoothukudi District as a subsidiary of erstwhile TNEB. Thus, the State had five Power Sector undertakings as on 31 March 2018. Audit of these power sector undertakings is governed by Sections 139 and 143 of the Companies Act, 2013. The financial statements of these companies are audited by the Statutory Auditors appointed by the CAG subject to supplementary audit by the CAG.

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17 Comprise of all the Assets, Liabilities and proceedings belonging to the Tamil Nadu State Electricity Board concerning the transmission of electricity in the State

18 Comprise of all the Assets, Liabilities and proceedings belonging to the Tamil Nadu Electricity Board concerning Generation of electricity and distribution of electricity in the area of supply to all the Circles of Tamil Nadu.

19 Presently functioning as 100 *per cent* subsidiary of TANGEDCO.

Disinvestment, restructuring and privatisation of Power Sector Undertakings

1.3 On reorganisation of TNEB, the stake in UPCL was transferred to TANGEDCO. The shares of BHEL was acquired by TANGEDCO in March 2013 and at present UPCL is a fully owned subsidiary of TANGEDCO. UPCL has decided (June 2013) to merge with TANGEDCO. Accordingly, the Amalgamation petition has been filed before the High Court of Madras and orders are awaited. No disinvestment has taken place in power sector undertakings during 2013-18.

Investment in Power Sector Undertakings

1.4 The activity-wise summary of investment in the power sector undertakings as on 31 March 2018 is given in **Table 1.2**.

Table 1.2: Activity-wise investment in power sector undertakings

Activity	Number of undertakings	Investment (₹ in crore)		
		Equity	Long term loans	Total
Generation and Distribution of Power[20]	2	19,732.25	95,719.85	1,15,452.10
Transmission of Power	1	4,741.43	14,425.70	19,167.13
Others[21]	2	24,508.00	14,835.90	39,343.90
Total	**5**	**48,981.68**	**1,24,981.45**	**1,73,963.13**

Source: Compiled based on information received from PSUs.

As on 31 March 2018, the total investment (equity and long term loans) of the State Government in five power sector undertakings was ₹1,73,963.13 crore. The investment consisted of 28.16 *per cent* towards equity and 71.84 *per cent* in long-term loans.

The long term loans advanced by the State Government constituted ₹21,543.16 crore (17.24 *per cent*) and balance ₹1,03,438.29 crore (82.76 *per cent*) were availed from Banks and Financial Institutions. The loan from State Government comprised ₹1,000 crore each during 2014-15 and 2015-16; ₹2,000 crore during 2016-17 under Financial Restructuring Plan of DISCOM, a Scheme introduced in October 2012 by GOI to ensure turnaround of DISCOMs. Further during 2016-17, under Ujwal DISCOM Assurance Yojana (UDAY Scheme), GoTN sanctioned an interest free loan of ₹22,815 crore (75 *per cent* of the outstanding debts of ₹30,420 crore) to TANGEDCO.

Budgetary Support to Power Sector Undertakings

1.5 GoTN provides financial support to power sector undertakings in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans and grants/subsidies during the last three years ended March 2018 to the power sector undertakings are given in **Table 1.3**.

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[20] Includes UPCL which is yet to commence the operation.

[21] Holding company TNEB Limited and TN Powerfin formed exclusively for mobilising funds from public to finance the development works of erstwhile TNEB.

Table 1.3: Details of budgetary support to power sector undertakings

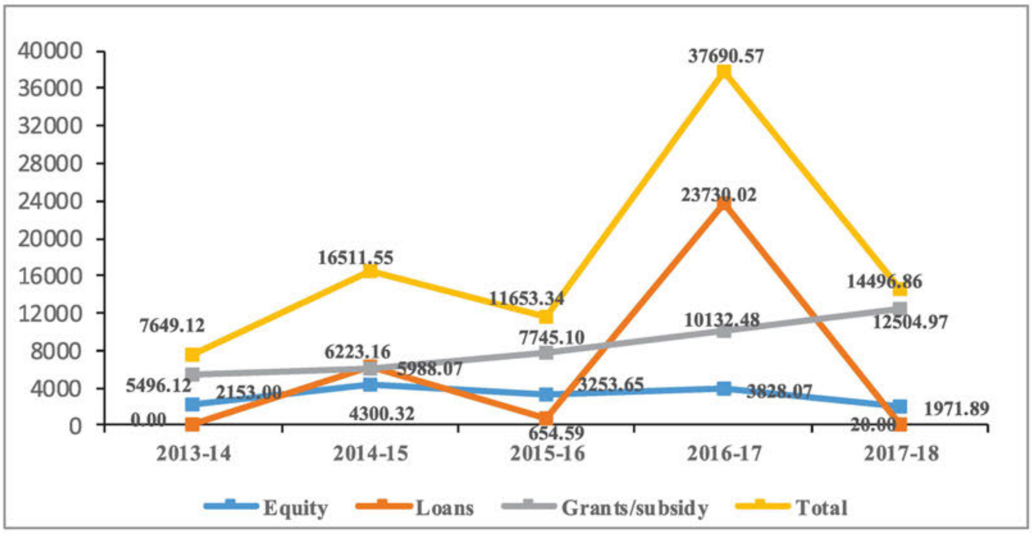
(₹ in crore)

Sl. No.	Particulars[22]	2015-16		2016-17		2017-18	
		Number of PSUs	Amount	Number of PSUs	Amount	Number of PSUs	Amount
1	Equity Capital	1	3,253.65	1	3,828.07	1	1,971.89
2	Loans	1	654.59	2	23,730.02	1	20.00
3	Grants/Subsidy	1	7,745.10	1	10,132.48	1	12,504.97
4	Total budgetary support(1+2+3)	1	11,653.34	2	37,690.57	2	14,496.86
5	Loan repayment/written off	--	--	--	--	--	--
6	Loan converted into equity/grants	--	--	--	--	1	4,563
7	Guarantees issued	2	1,841.40	---	---	1	500.00
8	Guarantee Commitment	2	47,543.25	2	21,703.36	2	27,194.85

Source: Compiled based on information received from PSUs.

The details of budgetary outgo towards equity, loans and grants/ subsidies for the last five years ended March 2018 are given in **Chart 1.1**.

Chart 1.1: Budgetary outgo towards Equity, Loans and Grants/Subsidies



Source: Data received from the Company

The budgetary assistance received by these PSUs during 2013-18 ranged between ₹7,649.12 crore and ₹37,690.57 crore. The budgetary assistance of ₹14,496.86 crore received during the year 2017-18 included ₹1,971.89 crore, ₹20.00 crore and ₹12,504.97 crore in the form of equity, loan and grants/subsidy respectively. The budgetary support to these power sector PSUs were made primarily to meet the revenue gap on account of subsidised tariff. GOI introduced (November 2015) UDAY Scheme with an objective to improve the financial and operational efficiency and financial turnaround of State owned Power Distribution Companies (DISCOMs). GoTN agreed to implement the UDAY Scheme in January 2017. In pursuance of the Scheme, GoTN sanctioned a sum of ₹22,815 crore (75 *per cent* of ₹30,420 crore of outstanding debt as on 30 September 2015) as interest free loan during 2016-17 to TANGEDCO to repay its interest bearing loans. Out of this interest free

22 Amount represents outgo from State Budget only.

loan, a sum of ₹4,563 crore was converted as grant during 2017-18. The details of the physical and financial targets under UDAY Scheme and the status of its implementation are discussed in paragraph 1.21 to 1.25 of this Chapter.

Besides the budgetary support, GoTN also provides guarantee for PSUs to seek financial assistance from Banks and Financial Institutions. PSUs are liable to pay guarantee fee to the State Government upto 0.5 *per cent* of guarantee amount utilized for raising cash credit from banks and loans from other sources including Letters of Credit. The guarantee commitment given by GoTN stood at ₹47,543.25 crore at the end of March 2016 and decreased to ₹27,194.85 crore at the end of March 2018. Two power sector PSUs viz., TANGEDCO and TANTRANSCO, to which the State Government extended guarantee did not pay the guarantee commission since November 2010 to the Government. The guarantee commission payable for the year 2017-18 was ₹152.40 crore and the accumulated guarantee commission payable by these two PSUs stood at ₹1,211.20 crore at the end of March 2018 as per the latest finalized accounts.

Reconciliation with Finance Accounts of GoTN

1.6 The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of GoTN. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of the differences. We noticed differences in three power sector PSUs and the position as on 31 March 2018 is given in **Table 1.4**.

Table 1.4: Equity/Guarantee outstanding as per Finance Accounts vis-à-vis records of power sector undertakings

(₹ in crore)

Name of power sector PSUs	Equity			Outstanding guarantee		Difference
	As per Finance Accounts of GoTN	As per records of power sector PSUs	Difference	As per Finance Accounts	As per records of power sector PSUs	
TNEB Limited	23,227.66	24,418.00	1,190.34	--	--	--
TANTRANSCO	0.00	0.05	0.05	2,024.23	2,024.23	--
TANGEDCO	0.00	0.05	0.05	28,756.84	25,170.62	3,586.22

Source: Compiled based on information received from PSUs and Finance Accounts.

The reconciliation of difference (₹five lakh) under Equity was persisting since June 2009, in respect of TANTRANSCO. The issue of reconciliation of differences was also taken up with the PSUs/Finance Department from time to time. We, therefore, recommend that the State Government and PSUs should reconcile the differences in a time-bound manner.

Submission of accounts by Power Sector Undertakings

1.7 Timeliness in preparation of accounts by Power Sector Undertakings

Out of five power sector undertakings under the audit purview of CAG as on 31 March 2018, accounts for the year 2017-18 were submitted by four PSUs by 30 September 2018 as per statutory requirement. Details of arrears in submission of accounts of power sector undertakings as on 30th September of each financial year for the last five years ended 31 March 2018 are given in **Table 1.5**.

Table 1.5: Position relating to submission of accounts by Power Sector Undertakings

Sl. No.	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
1.	Number of PSUs	5	5	5	5	5
2.	Number of accounts submitted during current year	6	6	5	4	5
3.	Number of PSUs which finalised accounts for the current year	1	2	2	2	4
4.	Number of previous year accounts finalised during current year	5	4	3	2	1
5.	Number of PSUs with arrears in accounts	4	3	3	3	1
6.	Number of accounts in arrears	4	3	3	4	2[23]
7.	Extent of arrears	One year	One year	One year	Two years	Two years

Source: Compiled based on accounts of working PSUs received during the period October 2017 to September 2018.

TNEB Limited had submitted the accounts for the year 2016-17 belatedly in January 2019 and yet to submit its accounts for the year 2017-18 (January 2019).

Comments on Accounts of Power Sector Undertakings

1.8 Five power sector Companies forwarded their five audited accounts to the Accountant General during the period from 1 October 2017 to 30 September 2018. All the five accounts were selected for supplementary audit. The Audit Reports of Statutory Auditors and supplementary audit conducted by the CAG indicated that the quality of accounts needs to be improved substantially. The details of aggregate money value of the comments of Statutory Auditors and the CAG on the accounts of 2015-18 are as given in **Table 1.6**.

[23] TNEB Limited for the years 2016-17 and 2017-18. Subsequently, TNEB Limited submitted its accounts for the year 2016-17 in January 2019 and the figures for the year 2016-17 has been considered in this Report for the purpose of arriving at working results.

Table 1.6: Impact of audit comments on Power Sector Companies

(₹ in crore)

Sl. No.	Particulars	2015-16		2016-17		2017-18	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	1	0.91	--	--	--	--
2.	Increase in profit	--	--	--	--	--	--
3.	Increase in loss	2	1,126.89	2	12,355.38	2	12,668.57
4.	Decrease in loss	2	541.37	1	15.73	--	--
5.	Non-disclosure of material facts	--	--	--	--	--	--
6.	Errors of classification	--	--	1	86.34	--	--

Source: Compiled from comments of the Statutory Auditors/ C&AG in respect of Government Companies.

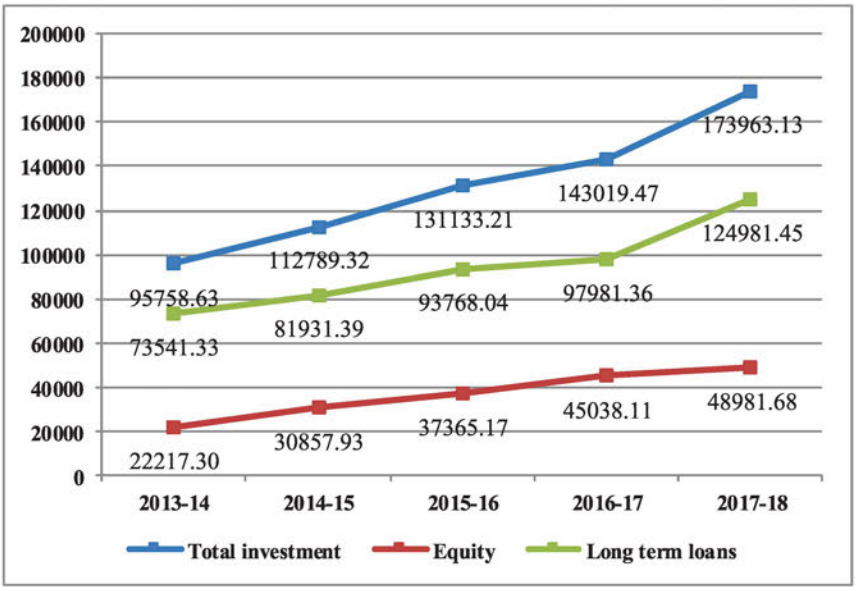
During the year 2017-18, the Statutory Auditors had issued qualified certificates and unqualified certificate on two PSUs each and issued adverse certificate in respect of one PSU *viz.*, TANGEDCO.

Performance of Power Sector Undertakings

1.9 The financial position and working results of power sector Companies are detailed in **Annexure-1** as per their latest finalised accounts as of September 2018. The Public Sector Undertakings are expected to yield reasonable return on investment made by Government in the undertakings. The total investment in power sector PSUs as on 31 March 2018 was ₹1,73,963.13 crore consisting of ₹48,981.68 crore as equity and ₹1,24,981.45 crore as long term loans. The year wise status of total investment, equity and long term loans relating to five years period 2013-18 is shown in **Chart 1.2**.

Chart 1.2: Total investment in power sector undertakings

(₹ in crore)



Source: Data received from the companies during the respective years

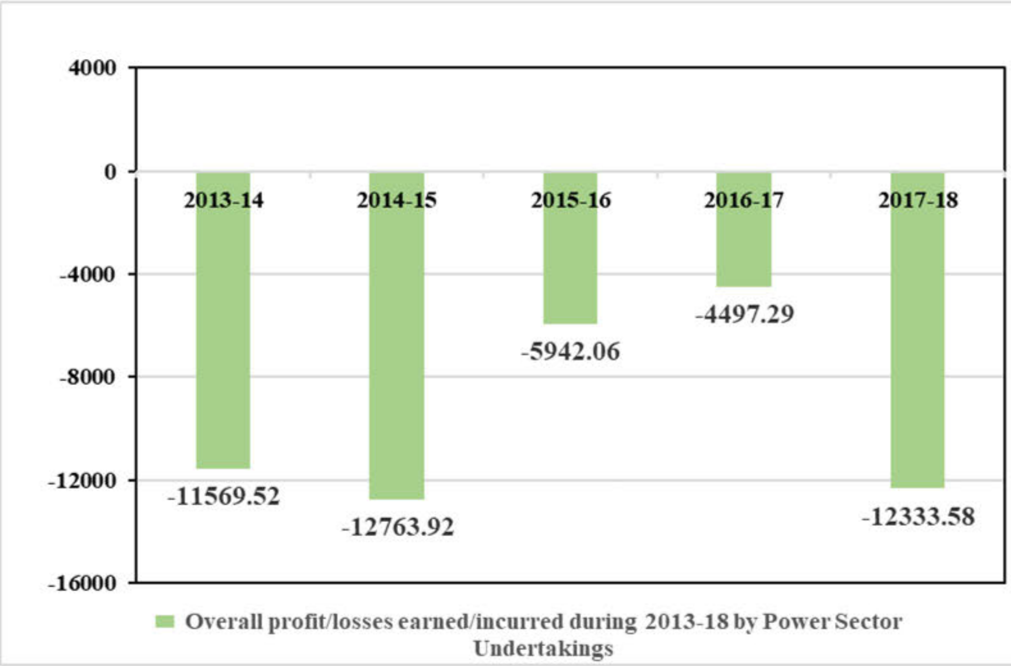
The investment has grown by 81.67 *per cent* from ₹95,758.63 crore in 2013-14 to ₹1,73,963.13 crore in 2017-18. The investment increased due to addition of ₹26,764.38 crore and ₹51,440.12 crore towards equity and long term loans respectively during 2013-18. The profitability of a company is traditionally assessed through return on investment, return on equity and return on capital employed. Return on investment measures the profit or loss made in a fixed year relating to the amount of money invested in the form of equity and long term loans and is expressed as a percentage of profit to the total investment. Return on capital employed is a financial ratio that measures the company's profitability and the efficiency with which its capital is used and is calculated by dividing company's earnings before interest and taxes by capital employed. Return on Equity is a measure of performance calculated by dividing net profit after tax by shareholders' funds.

Return on Investment

1.10 Return on investment (ROI) is the percentage of profit or loss to the total investment. The overall position of profit/losses[24] earned/incurred by these power sector undertakings during 2013-18 is depicted below in **Chart 1.3.**

Chart 1.3: Overall Profit/Losses earned/incurred by Power Sector PSUs

(₹ in crore)



The power sector PSUs incurred aggregate loss in all the five years ended 2017-18. The aggregate loss during 2017-18 stood at ₹12,333.58 crore **(Annexure-1)** against losses of ₹11,569.52 crore incurred in 2013-14. Position of Power Sector Undertakings which earned profit/incurred loss during 2013-14 to 2017-18 is given in **Table 1.7**

[24] Figures are as per the latest finalised accounts during the respective years.

Table 1.7 Power Sector Undertakings which earned /incurred profit/loss

Financial year	Total PSUs[25] in Power sector	Number of PSUs which earned profits during the year	Number of PSUs which incurred loss during the year	Number of PSUs which had marginal profit/loss[26] during the year
2013-14	5	2	1	2
2014-15	5	1	2	2
2015-16	5	1	3	1
2016-17	5	1	3	1
2017-18[27]	5	1	3	1

Source: As per the annual accounts.

As per the latest finalised accounts of these five PSUs, only one PSU (TN Powerfin) earned a profit of ₹96.68 crore, three PSUs incurred loss of ₹12,430.26 crore and one PSU did not commence the operation and entire expenditure incurred was being treated as capital work in progress.

(a) Return on the basis of historical cost of investment

1.11 In three power sector undertakings, the State Government infused funds (including the funds to erstwhile TNEB) in the form of equity, interest free loans and grants/subsidies. In respect of TANTRANSCO and TANGEDCO, the State Government did not infuse equity directly as these two PSUs are 100 *per cent* subsidiaries of TNEB Limited.

The Return on Investment from three PSUs has been calculated on the investment made by the Government in the form of equity and loans. In the case of loans, only the interest free loans are considered as investment since the Government does not receive any interest on such loans and are therefore of the nature of equity investment except to the extent that the loans are liable to be repaid as per terms and conditions of repayment. Further, the funds made available in the forms of grants/subsidy have not been reckoned as investment since they do not qualify to be considered as investments.

The investment of the State Government in these PSUs has been arrived at by considering the equity (initial equity net of accumulated losses upto 2009-10 plus the equity infused during the later years), adding interest free loan. The dividend paid by the PSUs have been deducted from the total investment in the respective years. The total equity funds infused by the State Government in these three PSUs up to March 2010 stood at ₹60.06[28] crore.During 2010-18, GoTN infused a total fund of ₹49,692.17 crore (Equity: ₹22,002.17 crore and Interest free loan: ₹27,690 crore). During, 2010-18, State Government had received a total dividend of ₹162.17 crore and converted the interest free loan

25 Including UPCL which is yet to commence its operations.
26 Profit/loss equal to or less than ₹ 20 lakh.
27 For the year 2017-18, one PSU viz., TNEB Limited has not finalised the accounts.
28 Net of capital invested and accumulated loss of ₹ 27,708.60 crore of erstwhile Tamil Nadu Electricity Board plus equity infused by State Government in UPCL, TN Powerfin and initial equity invested in TANGEDCO and TANTRANSCO.

of ₹4,563 crore as grant. These amount (₹4,725.17 crore) has been deducted from the investment and thus, the net investment at the end of March 2018 stood at ₹45,027.06 crore.

Since the profit earned or losses incurred by the subsidiary companies would have ultimate bearing on the holding company (TNEB Limited), the profit/loss of its subsidiaries viz., TANGEDCO and TANTRANSCO have been added to the net earnings (loss). Accordingly, the total earnings were worked out by summing up the profit/loss of all the five PSUs. The ROI was worked out on investment on historical cost basis on the net earning worked out as above for the years 2013-18 are given in **Table 1.8.**

Table 1.8: Return on State Government investment on historical cost basis

(₹ in crore)

Year	Funds infused by GoTN in the form of equity and interest free loan	Total Earnings Profit/(loss)	Return on Investment (in *per cent)*
(1)	(2)	(3)	(4)=(3/2x100)
2013-14	12,553.63	(-)11,569.52	(-)92.16
2014-15	17,822.23	(-)12,763.92	(-)71.62
2015-16	20,348.21	(-)5,942.06	(-)29.20
2016-17	47,647.39	(-)4,497.29	(-)9.44
2017-18	45,027.06	(-)12,333.58	(-)27.39

Source: Latest finalized accounts in the respective years

The aggregate return on investment of five PSUs were negative in all the five years during 2013-18 and it ranged between 9.44 (2016-17) and 92.16 (2013-14) *per cent* of the investment. During 2013-14 and 2014-15, the power sector PSUs reported a total loss of ₹11,569.52 crore and ₹12, 763.92 crore respectively. During 2015-16 and 2016-17, the position improved significantly and the loss decreased to ₹5,942.06 crore and ₹4,497.29 crore respectively. The decrease in loss was mainly on account of tariff revision implemented with effect from December 2014. However, during 2017-18, the loss increased to ₹12,333.58 crore due to increase in employee cost on account of revision of salaries and wages (₹1,971.16 crore) with effect from October 2017, increase in the power purchase (₹2,941.84 crore) and recognition of interest charges for the past years by TANTRANSCO (₹4,174.17 crore). Audit noticed that inspite of receipt of grant of ₹4,563 crore under UDAY Scheme, power sector PSUs witnessed huge loss during 2017-18.

Return on investment on the basis of historical cost of investment with UDAY Grant

1.11.1 A portion of interest free loan given to power sector PSUs under UDAY Scheme during 2016-17 was converted as grant during 2017-18. Since this interest free loan was given by GoTN to take over the debts of DISCOM due to banks and financial institutions, this amounted to substitution of loan in another form. On account of conversion of interest free loan into grant to the tune of ₹4,563 crore under UDAY Scheme, the total investment worked out to ₹49,590.06 crore at the end of March 2018. After considering this grant as investment, the return on investment during 2017-18 was still negative.

(b) On the basis of present value of the investment

1.12 In view of the significant investment by Government in five Power Sector PSUs, return on such investment is essential from the perspective of the State Government. Traditional calculation of return based only on historical cost of investment may not be a correct indicator of the adequacy of the return on the investment since such calculations ignore the present value of money. The present value of the Government investments has been computed to assess the rate of return on the present value of investments of GoTN in the State PSUs as compared to historical value of investments. In order to bring the historical cost of investments to its present value at the end of each year upto 31 March 2018, the past investments/year-wise funds infused by the GoTN in the State PSUs have been compounded at the year-wise average rate of interest on Government borrowings which is considered as the minimum cost of funds to the Government for the concerned year. Audit noticed that since 2010-11 these PSUs in aggregate did not generate positive return on investments. The quantum of loss and its percentage to its present value has been calculated and depicted as negative figures in **Table 1.9.**

The Present value (PV) of the State Government investment in power sector undertakings was computed on the basis of following assumptions:

- In addition to equity infused, interest free loans have been considered as investment infusion by the State Government as no amount of interest free loans have been repaid by the power sector PSUs. Further, in those cases where interest free loan given to the PSUs were converted into grant have been deducted from the amount of interest free loans and added to the Grants of that year.
- The dividend paid by the PSUs have been deducted from the total investment in the respective years.
- The average rate of interest on government borrowings for the concerned financial year[29] was adopted as compounded rate for arriving at PV since they represent the cost incurred by the Government towards investment of funds for the year and therefore as the minimum expected rate of return on investments made by the Government.

1.13 The consolidated position of the PV of the State Government investment and the total earnings relating to the five[30] power sector undertakings since inception of these companies till 31 March 2018 is indicated in **Table 1.9**.

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[29] The average rate of interest on government borrowings was adopted from the Reports of the C&AG of India on State Finance Audit Report (GoTN) for the concerned year wherein the calculation for the average rate for interest paid = Interest Payment/ [(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/2]*100.

[30] The aggregate of the profit/loss of all the power sector undertakings including the subsidiary companies are considered to assess the overall results on the total funds invested.

Table 1.9: Year wise details of investment by the State Government and PV of Government funds since inception to 2017-18

(₹ in crore)

Financial year	Present value of total investment at the beginning of the year	Equity infused by the State Government during the year	IFL given by the State Government during the year	IFL converted as grant during the year	Dividend paid by the PSUs	Total investment at the end of the year after adjusting dividend	Average rate of interest on government borrowings (in %)	Present value of total investment at the end of the year	Minimum expected return to recover cost of funds for the year	Total Earnings for the year
(1)	(2)	(3)	(4)	(5)	(6)	(7)= (2+3+4-5-6)	(8)	(9)=(7+(7x8/100))	(10)=(7x8/100)	(11)
Upto 2009-10	--	60.06	---	---	5.00	55.06	7.29	59.07	4.01	---
2010-11	59.07	2085.70	---	---	10.00	2134.77	7.53	2295.52	160.75	(-)10230.19
2011-12	2295.52	2409.87	2000.00	---	5.00	6700.39	7.43	7198.23	497.84	(-)12612.18
2012-13	7198.23	2000.00	913.00	---	5.00	10106.23	7.43	10857.12	750.89	(-)13225.57
2013-14	10857.12	2153.00	962.00	---	5.00	13967.12	7.90	15070.53	1103.40	(-)11569.52
2014-15	15070.53	4300.33	1000.00	---	31.73	20339.13	8.12	21990.66	1651.54	(-)12763.92
2015-16	21990.66	2558.50	---	---	32.52	24516.64	8.38	26571.14	2054.49	(-)5942.06
2016-17	26571.14	4523.10	22815.00	---	38.92	53870.32	8.11	58239.20	4368.88	(-)4497.29
2017-18	58239.20	1971.67	---	4563.00	29.00	55618.87	8.53	60363.16	4744.29	(-)12333.58
Total		**22062.23**	**27690.00**	**4563.00**	**162.17**					

Source: Details received from PSUs

As discussed in sub-para (a) above, the total historical cost of funds infused by the State Government in three power sector undertakings stood at ₹45,027.06 crore. The PV of funds infused by the State Government upto 31 March 2018, computed as per the assumptions stated above worked out to ₹60,363.16 crore. As the return on investment worked out on historical cost of investment was negative in all the years under review, the return on investment was not computed on the present value.

Out of the total loss of ₹12,333.58 crore at the end of 2017-18, the loss reported by TANGEDCO alone was ₹7,760.78 crore (62.92 *per cent*). The overall losses and the accumulated losses resulting in erosion of net worth is discussed in paragraph 1.14.

Return on investment on the present value of investment with UDAY Grant

1.13.1 Further, the Government had converted the interest free loan of ₹4,563 crore into grant during 2017-18 to TANGEDCO under UDAY Scheme for taking over of interest bearing debts due to Banks and Financial Institutions. After considering the above grant as investment, the PV at the end of 2017-18 worked out to ₹65,315.39 crore and the return on investment was still in negative.

Erosion of net worth

1.14 Net worth means the sum total of the paid up capital and free reserves and surplus minus accumulated losses and deferred revenue expenditure. Essentially, it is a measure of what an equity is worth to the owners. A negative net worth indicates that the entire investment by the owners has been wiped out by accumulated losses and deferred revenue expenditure. The details of paid up capital, accumulated losses and deferred revenue expenditure and the resultant net worth in five PSUs during 2013-18 are given in **Table 1.10.**

Table 1.10 Details showing the net worth of Power Sector PSUs

(₹ in crore)

Year	Paid up capital at the end of the year	Accumulated Profit(+)/Loss (-) at the end of the year	Deferred revenue expenditure	Net worth
(1)	(2)	(3)	(4)	(5)=(2)-(3+4)
2013-14	20,064.30	(-) 54,369.23	2.50	(-) 34,307.43
2014-15	26,557.62	(-) 67,118.24	27.68	(-) 40,588.30
2015-16	34,283.10	(-) 49,214.73	67.73	(-) 14,999.36
2016-17	40,514.91	(-) 55,374.53	65.24	(-) 14,924.86
2017-18	47,009.77	(-) 73,907.27	67.62	(-) 26,965.12

Source: Annual accounts finalized during the respective years.

The State Government continued to provide financial support to these PSUs by infusing substantial equity during 2013-18. Despite infusion of substantial funds to the tune of ₹44,846.60 crore (Equity: ₹15,506.60 crore; interest free loans: ₹24,777 crore and UDAY grant ₹4,563 crore) during 2013-14 to 2017-18, the aggregate net worth of Power Sector PSUs was negative in all the five years. Though there was a marginal improvement in the year 2016-17, the net worth deteriorated further during 2017-18 and the net worth of all the five PSUs stood at ₹26,965.12 crore at the end of March 2018. At the end of March 2018, erosion of net worth in TANGEDCO was at ₹51,392.26 crore. As per the latest audited annual accounts, the overall accumulated losses of the Power Sector Undertakings was ₹73,907.27 crore as against the equity capital of ₹47,009.77 crore. At the end of March 2018, only TN Powerfin was comfortable with a positive net worth of ₹952.24 crore with a paid up capital of ₹90 crore.

Dividend Payout

1.15 The State Government had formulated (May 2014) a dividend policy, under which all PSUs were required to pay a minimum return of 30 *per cent* of net profit after tax or 30 *per cent* of the paid-up share capital, whichever was higher, subject to availability of disposable profits. Out of the five power sector PSUs, State Government had invested funds directly only in two PSUs (TNEB and TN Powerfin). The details of total equity infused by the Government, equity infused in profits earned PSUs and the dividend paid by the PSUs are given in **Table 1.11.**

Table 1.11 Dividend payout ratio in Power Sector PSUs during 2013-18

(₹ in crore)

Year	Total PSUs where equity infused by GoTN		PSUs which earned profit during the year		PSUs which declared/paid dividend during the year		Dividend payout ratio
	Number of PSUs	Equity infused by GoTN	Number of PSUs	Equity infused by GoTN	Number of PSUs	Dividend declared/ paid by PSUs	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)= 7/5x100
2013-14	2	8,643.57	1	50.00	1	5.00	10.00
2014-15	2	12,943.90	1	90.00	1	31.73	35.26
2015-16	2	15,502.40	1	90.00	1	32.52	36.13
2016-17	2	20,025.50	1	90.00	1	38.92	43.24
2017-18	2	21,997.17	1	90.00	1	29.00	32.22

Source: Latest finalized accounts in the respective years

Out of the five PSUs, only one State Power Sector PSU (TN Powerfin) had been earning profit continuously and declaring dividend every year. The Dividend Payout ratio was in the range of 32.22 to 43.24 *per cent* during 2013-18.

Return on Equity

1.16 Return on Equity (ROE) is a measure of financial performance to assess how effectively management is using company's assets to create profits and is calculated by dividing net income (i.e., net profit after taxes) by shareholders' funds. It is expressed as a percentage and can be calculated for any company if both the net income and shareholders' funds are in positive numbers.

Shareholders' fund of a company is calculated by adding paid up capital and free reserves net of accumulated losses and deferred revenue expenditure. It reveals how much would be left for a company's stakeholders if all assets were sold and all debts paid. A positive shareholders' fund reveals that the company has enough assets to cover its liabilities while negative figures means that liabilities exceed the assets. ROE has been computed in respect of five power sector undertakings (including the two subsidiary companies) where funds have been infused by the State Government. The details of shareholders' funds and ROE relating to five PSUs during 2013-18 are given in **Table 1.12**.

Table 1.12 ROE of five power sector undertakings where funds infused by GoTN

(₹ in crore)

Year	Net income/Total earnings for the year	Shareholders' funds	ROE (in percentage)
2013-14	(-)11,569.52	(-) 34,307.43	--
2014-15	(-)12,763.92	(-) 40,588.30	--
2015-16	(-)5,942.06	(-) 14,999.36	--
2016-17	(-)4,497.29	(-) 14,924.86	--
2017-18	(-)12,333.58	(-) 26,965.12	--

Source: Latest finalized accounts in the respective years

As can be seen from the above table, during the last five years ending 2017-18, the Net Income was negative and thus, the ROE could not be worked out. However, negative shareholders' funds indicate that the liabilities of these PSUs have exceeded the assets and instead of paying returns to the shareholders, the shareholders owe money.

Return on Capital Employed

1.17 Return on Capital Employed (ROCE) is a ratio that measures the company's profitability and efficiency with its capital employed.

ROCE is calculated by dividing a company's earnings before interest and taxes (EBIT) by the capital employed[31]. The details of ROCE of power sector undertakings during the years from 2013-14 to 2017-18 are given in **Table 1.13.**

Table 1.13: Return on Capital Employed

Year	EBIT (₹ in crore)	Capital Employed (₹ in crore)	ROCE (%)
2013-14	(-)3,101.99	47,066.22	(-)6.59
2014-15	(-)2,608.88	52,788.20	(-)4.94
2015-16	5,546.84	89,283.28	6.21
2016-17	6,904.08	96,842.03	7.13
2017-18	(-)1,553.53	98,016.33	(-)1.58

Source: Annual accounts and information received from the PSUs

The capital employed in the power sector increased over the years and stood at ₹98,016.33 crore at the end of March 2018. The increase in the capital employed was mainly on account of long term loans. The ROCE of Power Sector PSUs was negative at 6.59 *per cent* during 2013-14, the position improved in subsequent years and reached positive during 2015-16 and 2016-17 to 6.21 and 7.13 *per cent* respectively. Again, during 2017-18, the ROCE turned negative at 1.58 *per cent* on account of loss in TANGEDCO.

Analysis of Long Term Loans of the Companies

1.18 The analysis of the long term loans of the companies which had leverage during 2013-18 was carried out to assess the ability of the companies to service the debt owed by the companies to Government, banks and other financial institutions. This is assessed through Interest Coverage Ratio and Debt Turnover Ratio.

Interest Coverage Ratio

1.19 Interest coverage ratio (ICR) is used to determine the ability of a company to pay interest on outstanding debt and is calculated by dividing a company's earnings before interest and taxes (EBIT) by interest expenses in the same period. The lower the ratio, the lessor the ability of the company to pay interest on debt. An interest coverage ratio of below one indicates that the company was not generating sufficient revenues to meet its interest expenses. The details of interest coverage ratio in power sector companies which had interest burden during the period from 2013-14 to 2017-18 are given in **Table 1.14.**

31 Capital employed = Shareholders funds (after deducting accumulated losses) plus long term loans.

Table 1.14: Interest coverage ratio

Year	Interest (₹in crore)	EBIT (₹ in crore)	Number of PSUs having liability of loans	Number of PSUs having negative ICR	Number of PSUs having ICR more than zero and upto one	Number of PSUs having ICR more than one
2013-14	8,424.02	(-)3,101.99	3	1	-	2
2014-15	10,112.07	(-)2,608.88	3	1	1	1
2015-16	11,445.59	5,546.84	3	-	2	1
2016-17	11,349.45	6,904.08	3	-	2	1
2017-18	10,740.47	(-)1,553.53	3	2	-	1

Source: Annual accounts and information received from the PSUs

It was observed that during 2013-14 in two power sector companies (TN Powerfin and TANTRANSCO), the ICR was more than one. One PSU viz., TN Powerfin had ICR more than one in all the subsequent years also. During 2015-16 and 2016-17, in none of the PSUs the ICR was negative and in 2017-18 the ICR was negative in TANGEDCO and TANTRANSCO indicating that these two Companies did not generate adequate income to service their interest burden.

Debt-Turnover Ratio

1.20 The details of the total debts and the turnover of the power sector PSUs during 2013-18 are given in **Table 1.15.**

Table 1.15 Details showing the debt-turnover ratios of power sector PSUs

(₹ in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Debt from Government/Banks and FIs.	81,373.65	93,376.50	1,04,282.64	1,11,766.89	1,24,981.45
Turnover	33,612.98	38,422.49	45,670.27	48,489.71	48,843.45
Debt-Turnover Ratio	2.42	2.43	2.28	2.30	2.56

Source: Compiled from the latest finalized accounts.

The turnover of power sector companies stood at ₹33,612.98 crore during 2013-14, increased to ₹48,843.45 crore in 2017-18 representing a compounded growth rate of 7.76 *per cent.* Whereas during the same period, the debt increased from ₹81,373.65 to ₹1,24,981.45 crore representing a compounded growth rate of 8.96 *per cent*. The debt turnover ratio ranged between 2.28 and 2.56 during the above period.

Assistance under Ujwal DISCOM Assurance Yojana (UDAY)

1.21 The Ministry of Power (MoP), Government of India (GoI) launched (20 November 2015) Ujwal DISCOM Assurance Yojana (UDAY Scheme) for operational and financial turnaround of State owned Power Distribution Companies (DISCOM). UDAY Scheme envisaged signing of agreement amongst State Government, DISCOM and GoI stipulating their respective responsibilities for achieving the operational and financial milestones as described below supported by measures such as better domestic coal supply by

GoI, takeover of DISCOM debts by State Government with support from Banks/Financial Institutions, takeover of future losses of DISCOM by State Government, timely tariff revisions.

Scheme for improving operational efficiency

1.22 The Scheme envisaged that the participating States were required to undertake various targeted activities like compulsory feeder and distribution transformer (DT) metering, consumer indexing and Geographic Information System (GIS) mapping of losses, upgrading or changing transformers and meters, smart metering of all consumers consuming above 200 units per month, Demand Side Management (DSM) through energy efficient equipment, quarterly revision of tariff, comprehensive Information, Education and Communication (IEC) campaign to check theft of power, assure increased power supply in areas where the Aggregate Technical & Commercial (AT&C) losses have been reduced for improving the operational efficiencies. The timeline prescribed for these targeted activities were also required to be followed so as to ensure achievement of the targeted benefits viz. ability to track losses at feeder and DT level, identification of loss making areas, reduce technical losses and minimize outages, reduce power theft and enhance public participation for reducing the theft, reduce peak load and energy consumption, *etc*. The outcomes of operational improvements were to be measured through indicators *viz*. reduction of AT&C loss to 15 *per cent* in 2018-19 as per loss reduction trajectory finalised by the MoP and States, reduction in gap between average cost of supply and average revenue realized to zero by 2018-19.

Scheme for financial turnaround

1.23 The participating States were required to take over 75 *per cent* of DISCOMs debt by 30th September 2018 *i.e.* 50 *per cent* in 2015-16 and 25 *per cent* in 2016-17. The scheme for financial turnaround *inter alia* provided that:

- State will issue '*Non Statutory Liquidity Ratio (Non-SLR) Bonds*' and the proceeds realized from issue of such bonds shall be transferred to the DISCOMs which in turn shall discharge the corresponding amount of Banks/FIs debt. The bonds so issued will have a maturity period of 10-15 years with a moratorium on repayment of principal upto 5 years.
- Debt of DISCOM will be taken over in the priority of debt already due, followed by debt with highest cost.
- The transfer to the DISCOM by the State in 2015-16 and 2016-17 will be a grant which can be spread over three years with the remaining transfer through State loan to DISCOM. In exceptional cases, 25 *per cent* of grant can be given as equity.

Achievement of operational performance

1.24 Government of Tamil Nadu after raising reservations about UDAY Scheme, agreed to implement the Scheme only in January 2017. A tripartite Memorandum of Understanding (MoU) was entered amongst GoTN, TANGEDCO and GoI with suitable modifications in the requirements considering operational efficiency already achieved by TANGEDCO, delay in signing of MoU and discussions made based on requests made by GoTN. TANGEDCO is the only DISCOM in Tamil Nadu. Achievements as against the MoU requirements are discussed below:

The status of implementation of the UDAY Scheme is detailed in **Table 1.16.**

Table 1.16: Targets and achievements of parameters under UDAY Scheme upto September 2018

Parameter of UDAY Scheme	Target under UDAY Scheme	Progress under UDAY Scheme	Achievement (in %)
Feeder metering (in Nos.)			
Urban	4,950	4,950	100
Rural	2,558	2,423	95
Metering at Distribution Transformers (in Nos.)			
Urban	66,073	50,200	76
Rural	1,80,748	0	0
Feeder Segregation (in Nos.)	1,920	0	0
Rural Feeder Audit (in Nos.)	2,558	2,344	92
Electricity to unconnected household (in lakh Nos.)	189.93	189.93	100
Smart metering (in Nos.)	1,99,81,956	2,73,016	1.34
Distribution of LED UJALA (in lakh Nos.)	54.2	29.68	55
AT&C Losses (in %)	2016-17: 14.06 2017-18: 13.79 2018-19: 13.50	15.16 --- ---	---
Average Cost of Supply(ACS) minus Average Revenue Realised (ARR) Gap (₹ per unit)	---	0.45	---
Net Income or Profit/Loss including subsidy (₹ in crore)	2017-18	(-) 7,760.78	---

Source: Details furnished by TANGEDCO.

Though there was a significant achievement in fixing meters at feeder points, TANGEDCO's performance in installation of meters at Distribution Transformer points was at 76 *per cent*. Its performance in installing smart meters at consumer's end was very dismal at 1.34 *per cent* only.

Implementation of Financial Turnaround

1.25 As per MoU, GoTN should raise funds by issuing non-SLR bonds in the market or directly to banks/FIs and utilize the funds so raised to grant interest free loan to TANGEDCO by 2016-17 itself to repay the DISCOM's interest bearing debt of ₹22,815 crore (i.e., 75 *per cent* of ₹30,420 crore being a portion of the outstanding debt of TANGEDCO as on 30 September 2015). GoTN should convert the interest free loan into grants of ₹4,563 crore each year over a period of five years commencing from 2016-17. TANGEDCO was required to issue bonds for balance 25 *per cent* of the debt (i.e. ₹7,605 crore) backed by guarantee from GoTN with interest rate not more than Bank Base Rate plus 0.1 *per cent*.

GoTN granted interest free loan of ₹22,815 crore to TANGEDCO in two instalments (February 2017 and March 2017) by raising funds through issue of UDAY Bonds on private placement basis. TANGEDCO immediately utilized the loan to repay its interest bearing loans to the above extent. TANGEDCO is yet to issue bonds for ₹7,605 crore even though GoTN issued guarantee in March 2017 itself. GoTN had converted interest free loan as grants at the rate of ₹4,563 crore each in 2017-18 and 2018-19 totalling ₹9,126 crore even though conversion was to commence from 2016-17 itself. Apart from taking over of loans, GoTN was required to takeover 5 *per cent* of TANGEDCO's loss of 2016-17 in the year 2017-18 and 10 *per cent* of TANGEDCO's loss of 2017-18 in 2018-19 against which it took over (March 2018) ₹217.44 crore being 5 *per cent* of TANGEDCO's loss of 2016-17 and is yet to take over 10 *per cent* loss of 2017-18.

However, the expected financial turnaround could not be achieved due to non-achievement of operational parameters, lack of upward revision in tariff etc. as TANGEDCO incurred loss of ₹6,436.30 crores (provisional) up to the 3rd quarter of 2018-19, as against expected surplus of ₹370.61 crore in 2018-19.

Performance Audit and Compliance Audit Paragraphs

1.26 For Part-I of the Report of the CAG for the year ended 31 March 2018, one performance audit on 'Power Purchase Agreements in TANGEDCO' and four compliance audit paragraphs relating to power sector undertakings were issued to the Principal Secretary, Energy Department, GoTN with request to furnish replies within four weeks. Replies on the performance audit and the compliance audit paragraphs are awaited (January 2019) from GoTN. The total financial impact of the PA and the compliance audit paragraphs is ₹14,382.62 crore.

Follow- up action on Audit Reports

Replies outstanding

1.27 The Report of the CAG represents the culmination of the process of audit scrutiny. It is, therefore, necessary that they elicit appropriate and timely response from the Executive. The GoTN had issued (1997) instructions to all Administrative Departments to submit replies/explanatory notes to paragraphs/reviews included in the Reports of the CAG within a period of two months of their presentation to the Legislature in the prescribed format without waiting for any questionnaire from the Committee on Public Undertakings (COPU). Details of explanatory notes pending from Energy Department on the paras relating to power sector PSUs are given in **Table 1.17.**

Table: 1.17 Explanatory notes not received (as on 31 October 2018)

Year of the Audit Report	Date of placement of Audit Report in the State Legislature	Total Performance Audits (PAs) and Paragraphs in the Audit Report		Number of PAs/Paragraphs for which explanatory notes were not received	
		Performance Audit	Paragraphs	Performance Audit	Paragraphs
2015-16	19.07.2017	--	6	---	6
2016-17	09.07.2018	01	5	01	5
TOTAL		**01**	**11**	**01**	**11**

From the above, it could be seen that explanatory notes to one Performance Audits and 11 paragraphs were pending from Energy Department as of November 2018 relating to Audit Report for the years 2015-16 and 2016-17.

Discussion of Audit Reports by COPU

1.28 The status as on 31 October 2018 of Performance Audits/paragraphs relating to power sector PSUs that appeared in Audit Reports (PSUs) and discussed by COPU is given in **Table 1.18**

Table 1.18 Reviews/Paras appeared in Audit Reports *vis-a-vis* discussed as on 31 October 2018

Period of Audit Report	Number of PAs/paragraphs			
	Appeared in Audit Report		Paragraph Discussed	
	PAs	Paragraphs	PAs	Paragraphs
2003-04	02	10	01	07
2006-07	02	08	01	08
2007-08	02	07	--	07
2008-09	00	07	--	07
2009-10	01	08	--	08
2010-11	01	08	--	--
2011-12	01	06	--	--
2012-13	01	08	--	--
2013-14	--	06	--	--
2014-15	01	03	--	--
2015-16	--	06	--	--
2016-17	01	05	--	--
TOTAL	**12**	**82**	**02**	**37**

Compliance to Reports of COPU

1.29 As per the directions (1997) given by the Government, the Action Taken Notes (ATNs) on the COPU's recommendations were to be forwarded within six months from the date of placement of COPU's recommendations in the State Legislature. It was, however, noticed that ATNs in respect of 66 paragraphs pertaining to six Reports of the COPU presented to the State Legislature between April 2002 and March 2018 had not been received (October 2018) as indicated below:

Table 1.19: Compliance to COPU Reports

Year of the COPU Report	Total number of COPU Reports	Total number of recommendations in COPU Report	Number of recommendations where ATNs not received
2015-16	02	34	34
2016-18	04	32	32
TOTAL	**06**	**66**	**66**

It is recommended that the Government may prescribe a time schedule and resource person in each PSUs to ensure (a) sending replies to the Performance Audit Reports and Paragraphs, Explanatory Notes and ATNs on the recommendations of COPU as per the prescribed time schedule; (b) recovery of loss/outstanding advances/overpayments within the prescribed period; and (c) revamping of the system of responding to audit observations. The Government may establish a system to monitor compliance to above.

CHAPTER-II

2 Performance Audit on Power Purchase Agreements in Tamil Nadu Generation and Distribution Corporation Limited

Executive Summary

Purchase of power constituted the largest cost element of Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO) ranging from 53.34 per cent in 2014-15 to 60.78 per cent in 2017-18. The Performance Audit was taken up between April and August 2018 and examined power purchase transactions amounting to ₹68,879 crore (60 per cent) of the total power purchase made during 2013-18.

Planning

The cost of power purchase from private parties by TANGEDCO increased from ₹11,873.37 crore (24,164.84 MU) in 2013-14 to ₹13,564.33 crore (29,758.38 MU) in 2017-18 on account of (i) insufficient capacity addition to own generating stations, (ii) sub-optimal performance of the own generating stations and (iii) slippages in completion of projects by the Central Generating Stations (CGS). The delay in completion of projects by CGS led to TANGEDCO bearing cost escalation of ₹2,381.54 crore by way of additional cost in the tariff, besides purchasing the shortfall quantity by incurring avoidable expenditure of ₹2,099.48 crore.

TANGEDCO's failure to adopt Merit Order of Despatch (MOD) for purchase of power resulted in the Tamil Nadu Electricity Regulatory Commission (TNERC) disallowing the cost of power purchase amounting to ₹18,843.63 crore for tariff fixation during the years 2013-16.

Execution of Power Purchase Agreements (PPAs)

(i) PPAs with Central Generating Stations (CGS)

Due to not drawing the entitled share of power from the low cost CGS and drawing the same quantity from the other costlier sources, TANGEDCO incurred avoidable expenditure of ₹349.67 crore.

(ii) PPAs with Independent Power Producers (IPPs)

Due to procurement of power from the plant which was costly and ranked lowest in the MOD and also purchase of power from a naphtha based plant, TANGEDCO incurred avoidable expenditure of ₹493.74 crore.

(iii) Long Term PPAs

There were delays in commencement of supplies from the scheduled delivery dates by nine suppliers. But TANGEDCO did not levy liquidated damages of ₹827.64 crore as per the agreements.

Eight long term suppliers did not supply power during the first two years of the agreements. However, TANGEDCO paid enhanced tariff to the suppliers from the third year onwards resulting in avoidable expenditure of ₹712.03 crore for the period upto March 2018.

TANGEDCO admitted tariff charges by computing the quantum of power supplied at the generating stations instead of from the Power Grid Corporation's pooling stations at which the suppliers were required to inject power. This led to avoidable payment of ₹242.92 crore

(iv) Medium Term PPAs

TANGEDCO did not claim applicable liquidated damages of ₹24 crore from two suppliers for delay in commencement of supply. Instead, it procured the shortfall quantity at higher rates resulting in avoidable expenditure of ₹116.04 crore.

TANGEDCO became liable to pay fixed capacity charges of ₹122.84 crore due to non-drawal of the committed quantity of power.

Due to delay in renewal of the agreements, TANGEDCO procured the shortfall quantity on day to day basis resulting in avoidable expenditure of ₹39.48 crore.

(v) Short Term PPAs

TANGEDCO incurred extra expenditure of ₹1,055.84 crore due to payment of higher rates for intra-state suppliers in comparison to inter-state suppliers, who supplied power during the same period. Due to curtailment of supply of power below 85 per cent of the contracted quantity, TANGEDCO became liable to pay compensation charges amounting to ₹323.64 crore.

Incorrect working of compensation payable by the generators at the Circle level resulted in excess payment/non-recovery of ₹52.74 crore.

vi) Agreements with renewable energy generators

Due to extension of commissioning period by TNERC for solar energy producers, TANGEDCO became liable to pay higher tariff for purchase of solar power, which resulted in excess expenditure of ₹605.48 crore.

Purchase of power from co-generation plants by terminating the existing agreements and purchasing the same power through short term route resulted in avoidable extra expenditure of ₹93.41 crore.

Monitoring and Internal control

Monitoring and Internal control mechanism existing in TANGEDCO for purchase of power was deficient as (i) there was no centralised database on quantum and price paid for power purchase, (ii) there was no coordination between State Load Despatch Centre (SLDC) and TANGEDCO regarding decisions on MOD, (iii) there was no reconciliation of power generation and consumption and (iv) Circles did not generate MIS reports on payments for purchase of power.

Conclusion

The power purchase management in TANGEDCO was lacking in the areas relating to adherence to MOD, enforcing the provisions of the Ministry of Power (MoP) guidelines and the clauses of the PPAs in full, inadequate co-ordination with SLDC in scheduling and drawing power etc. In view of the short comings, audit is of the opinion that there is an imperative need for

TANGEDCO to fix responsibility and enforce accountability to ensure that these lapses do not recur.

Recommendations

This report contains five recommendations by audit. Refraining from contracting for excess capacity from costlier sources, coordination with SLDC to ensure MOD, adherence to the guidelines of MoP, strictly enforcing the provisions of PPAs are some of the recommendations.

Introduction

Power scenario in Tamil Nadu

2.1 Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO) had set its goal as the availability of quality and reliable power at reasonable rates to its consumers. The requirement and availability of power in the State during the five years period 2013-18 are given in **Table-2.1.**

Table-2.1 Power requirement and Power availability[32] in the State

(Million Units-(MU))

	2013-14	2014-15	2015-16	2016-17	2017-18
Power requirement (A)	93,508	95,758	97,277	1,04,511	1,06,006
Power availability (B)	87,980	92,750	96,586	1,04,488	1,05,839
Met from committed sources (C)	51,168	59,305	59,231	60,077	56,745
Percentage met from committed sources (C) to (B)	58.16	63.94	61.32	57.50	53.61

(Source: Load, Generation, Balance Reports of the Central Electricity Authority and TANGEDCO)

The requirement, which was 0.93 lakh MU during 2013-14 had increased to 1.06 lakh MU during 2017-18, with more than 50 *per cent* met from committed sources *viz.,* TANGEDCO's own power stations and its share from the Central Generating Stations (CGS)[33]. The balance was met from private sources[34] including open access[35], captive consumption and through imposition of restrictions and control measures (till June 2015).

Audit had earlier examined the system of procurement of power on short term basis and a paragraph on the findings was included in the Report of the Comptroller and Auditor General of India (PSUs) for the year 2013-14. A Performance Audit on Procurement of wind energy by TANGEDCO was conducted and findings included in the Audit Report for the year 2014-15. The present performance audit covered power purchase transactions of TANGEDCO that took place during the five years period 2013-18.

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32 Including power available on open access and through captive consumption.

33 These are power stations operated by Central Public Sector Undertakings like National Thermal Power Corporation Ltd (NTPC), Nuclear Power Corporation of India Ltd (NPCIL) and Neyveli Lignite Corporation Ltd (NLC).

34 Independent Power Producers, long/medium/short term agreements, power exchanges and generators of renewable power like wind and solar.

35 Open access is the provision for use of transmission lines by an authorised customer to supply or receive electricity.

Audit Objectives

2.2 The objectives of the Performance Audit were to ascertain whether:

- the requirement of power was properly assessed and purchase of power planned accordingly;
- the Power Purchase Agreements (PPAs) executed by TANGEDCO were in line with the prescribed guidelines/rules/regulations and complied with the ultimate objective of getting power at the least cost to the consumers;
- the PPAs were in operation as per terms and conditions and payments were made strictly as per the PPAs;
- monitoring and internal control system with reference to procurement of power was adequate.

Scope and Methodology of Audit

2.3 Power purchase (excluding cost on own generation) constituted the largest cost element[36] of TANGEDCO ranging from 53.34 *per cent* in 2014-15 to 60.78 *per cent* in 2017-18.

The Performance Audit taken up between April-August 2018 examined power purchase transactions amounting to ₹68,879 crore (60 *per cent*) out of the total purchase of ₹1,15,336 crore made by TANGEDCO during 2013-14 to 2017-18, selected through stratified sampling. The audit involved scrutiny of eight out of 16 agreements with CGS, four out of seven agreements with IPPs, all the eleven long term and three medium term agreements, 28 out of the 111 short term agreements and 40 out of 156 renewable energy purchase agreements **(Annexure-2)**. The examination was through scrutiny of tender documents, evaluation of offers, execution of PPAs, approvals/orders of Tamil Nadu Electricity Regulatory Commission (TNERC), scheduling of demand and supplies approved by the Southern Regional Load Despatch Centre (SRLDC) and State Load Despatch Centre[37] (SLDC), bills raised by and payments effected to the suppliers *etc*.

The objectives, scope and methodology for the performance audit were explained during an Entry Conference held on 05 April 2018 with the Principal Secretary, Energy Department. The audit findings were reported to the State Government in September 2018 and discussed in the Exit Conference held on 23 October 2018 with the Principal Secretary, Energy Department and Chairman and Managing Director, TANGEDCO. The views expressed in the Exit Conference along with the replies received (October 2018) were considered and incorporated, wherever found appropriate, while finalising the report.

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36 TANGEDCO's Annual Reports for 2013-14 to 2017-18.

37 The Load Despatch Centres are responsible for optimum scheduling and despatch of electricity. After receipt of information from the Regional Load Despatch Centre on the entitlements of the State and after getting generation schedules from intra-state generators, bilateral exchange and other contracted power, the SLDC ensures availability of power for each block of 15 minutes for the day.

Audit acknowledges the co-operation extended by the Energy Department and the management and staff of TANGEDCO in conducting this Performance Audit.

Audit Criteria

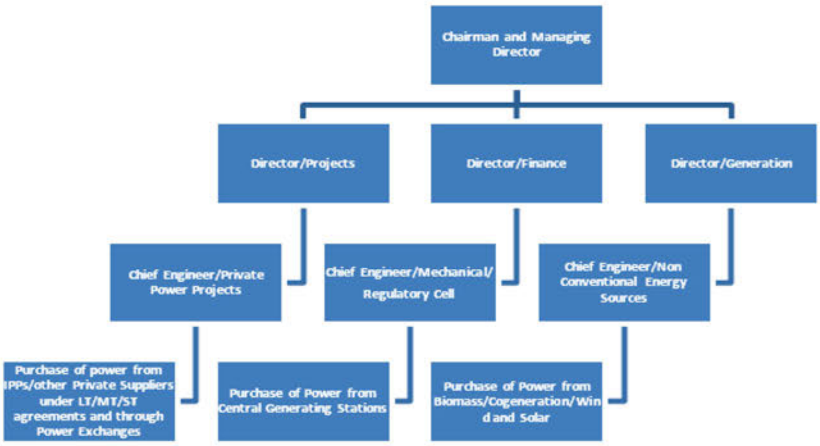
2.4 The following were the sources of audit criteria:

- Electricity Act, 2003, National Electricity Policy 2005;
- Guidelines of Ministry of Power (MoP), Government of India on long, medium and short term power procurement;
- Power Procurement from New and Renewable Energy Sources Regulation, 2008, National Tariff Policy on New and Renewable Energy Sources:
- Regulations/Tariff and other orders of Central Electricity Regulation Commission (CERC), TNERC and Appellate Tribunal for Electricity (APTEL) and Reports of Central Electricity Authority (CEA); and
- Board Minutes, circulars and other instructions issued by TANGEDCO and TANTRANSCO[38].

Power Purchase Management

2.5 Three wings of TANGEDCO oversee the procurement of power from various sources as detailed in the chart below:

Chart-2.1



Planning for Power Purchase

2.6 The procurement of power from various sources starts every year with TANGEDCO preparing budgets and Annual Financial Statements for the period for submission to the Board of Directors (Board) for approval. These statements include, *inter alia,* a quantitative analysis of the energy requirement based on the prevailing demand for power and probable sources for meeting such demand in the next financial year. TANGEDCO also conduct similar

[38] Tamil Nadu Transmission Corporation Limited (TANTRANSCO) is the transmission entity in the State. The State Load Despatch Centre (SLDC) functions under its control.

quantitative analysis while submitting its Aggregate Revenue Requirements (ARR) to the TNERC.

Audit Findings

2.7 The quantum of power purchase approved by TNERC *vis-a-vis* actuals for the period 2013-18 are given in **Annexure-3**. Total power available[39] from various sources including own generation and the cost incurred thereon by TANGEDCO during the five years period ending March 2018 are indicated in **Annexure-4**.

Audit noticed that the total cost of power purchased from private parties (other than own generation and power sourced from CGS) increased from ₹11,873.37 crore in 2013-14 (24,164.84 MU) to ₹13,564.33 crore (29,758.38 MU) in 2017-18. The factors which led to the situation, where TANGEDCO was unable to meet the power requirement of the State without additional purchases from private sources were:

Insufficient capacity of own generating stations to meet demand growth

2.8 The comparative picture of TANGEDCO's own installed capacity, peak demand as estimated[40] by the Central Electricity Authority (CEA) for Tamil Nadu for the period 2013-18 and the peak demand actually catered are shown in **Table-2.2** below:

Table-2.2 Demand catered in the State

(in MW)

	2013-14	2014-15	2015-16	2016-17	2017-18
Estimated Peak Demand (A)	15,352	17,205	19,323	20,816	22,375
Demand catered (B)	12,492	13,498	14,171	14,823	14,975
Own installed capacity (C)	6,860	7,464	7,484	7,144	7,144
Gap in installed capacity in catering demand (C) – (B)	5,632	6,034	6,687	7,679	7,831

(Source: TANGEDCO's Statistics at a Glance and CEA Reports)

Note: 340 MW Ennore Power Station was decommissioned with effect from 31 March 2017

As seen above, the gap in catering to the peak demand increased from 5,632 to 7,831 MW between 2013-18, whereas TANGEDCO's own installed capacity increased only from 6,860 to 7,144 MW. Though TANGEDCO planned for commissioning of five major thermal projects[41] during the period, none of these projects materialised (March 2019). TANGEDCO's failure to achieve the planned capacity addition led to a situation, where the available own generation capacity was not sufficient to meet the increased demand.

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39 Power available for sale including transmission and distribution loss.

40 CEA's 18th Electric Power Survey Report.

41 ETPS expansion – 600 MW, Ennore SEZ – 1,320 MW, North Chennai Stage III – 800 MW, Uppur -1,600 MW, Udangudi Stage-I – 1,320 MW

Sub-optimal performance of TANGEDCO's own power plants

2.9 The generation facilities available at TANGEDCO's command consisted of thermal, hydel and gas based power stations[42]. TNERC had prescribed operational norms for assessing the performance of the power stations. Audit noticed that the actual performance *vis-à-vis* the norms was poor due to reasons like frequent outages in the thermal and gas power stations, inadequate water storage in the hydel stations and instructions from the SLDC curtailing generation due to demand-supply management. The under performance resulted in shortfall in own generation to the extent of 41,076.42 MU during 2013-18 **(Annexure-5)**.

Slippage in execution of projects by Central Generating Stations

2.10 Share of power from CGS to various beneficiary States is allocated by the MoP. PPAs are executed based on the allocation made. The tariff payable for the power drawn from CGS is determined by the CERC through tariff orders issued from time to time. Audit noticed that TANGEDCO was allotted share of power from three new projects *viz.*, NTECL[43], NLC expansion II and NTPL[44]. The commissioning of these projects scheduled between June 2009 and August 2012 was delayed and the stations were actually commissioned between November 2012 and August 2015 with cost escalation of ₹5,377.88 crore approved by CERC (TANGEDCO's share of cost escalation on the basis of allotment of power amounted to ₹2,381.54 crore). This was recoverable from TANGEDCO over the years as a part of fixed cost in the tariff rates. Though the CERC Tariff Regulations had a provision to accommodate increase in project cost and interest during the delayed construction period through inclusion in the tariff, there was no provision in the Regulations to compensate for the loss of energy borne by the beneficiary States (including Tamil Nadu) during the period of delay. As TANGEDCO was forced to rely on intra-state short term power for its requirement during the delayed commissioning period, this resulted in additional expenditure of ₹2,099.48 crore (16,839 MU).

TANGEDCO replied that issue of compensating the beneficiaries in the event of delay in completion of the project had been taken up with the CERC and it would also request the CGS to include the indemnification clause in the PPAs in future.

Non-adherence to TNERC directives leading to disallowance of expenditure

2.11 TNERC in its tariff orders had directed TANGEDCO to strictly follow the principle of Merit Order of Despatch [45] (MOD) in power procurement and also to conduct a scientific study for accurate measurement of Transmission and Distribution (T&D) losses and unmetered consumption. As the MOD prescribed by TNERC was not strictly adhered to and the study report relating

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42 Thermal Power Stations of 4,320 MW. Gas turbine power stations of 516 MW and Hydel power stations of 2,308 MW totaling 7,144 MW.

43 NTPC Tamil Nadu Energy Company Limited.

44 NLC Tamil Nadu Power Limited.

45 Under MOD, energy available from 'must run' plants, *viz.*, nuclear, wind and solar would be scheduled first followed by other plants based on merit order by considering increasing level of variable cost.

to T&D loss was also not submitted in time, excess power purchase to the extent of ₹18,843.63 crore relating to the years 2013-14 to 2015-16[46] was disallowed by TNERC as given in **Table 2.3**

Table-2.3 Excess Power Purchase cost disallowed by TNERC

(₹in crore)

Year	Power Purchase cost as estimated by TNERC[47]	Actual cost incurred by TANGEDCO[48]	Approved cost after true-up[49]	Excess cost disallowed
2013-14	26,842.77	32,716.28	25,351.36	7,364.92
2014-15	29,046.73	38,463.40	30,239.99	8,223.41
2015-16	17,264.00	37,926.42	34,671.12	3,255.30
2016-17	35,120.30	35,164.23	Not yet approved	---
2017-18	37,061.36	35,133.26	Not yet approved	---
			Total	**18,843.63**

(Source: Tariff orders issued by TNERC)

As TNERC finalised the tariff after considering the approved quantum and cost of power purchase, the disallowed amount could not be recovered from consumers and had to be absorbed by TANGEDCO as part of its accumulated loss.

Execution and Operation of Power Purchase Agreements

2.12 For purchase of power, TANGEDCO entered into Power Purchase Agreements (PPAs) with CGS, Independent Power Producers (IPPs) located within the State, inter-state and intra-state generators/traders on long, medium and short term arrangements and also with renewable energy generators like wind, solar and bagasse based co-generation plants. Audit examination of the execution and operation of PPAs executed and operated by TANGEDCO during 2013-18 revealed the following:

PPAs with Central Generating Stations

2.13 Audit examination of the allocation made by MoP to TANGEDCO and receipt of power from the CGS during the period 2013-18 revealed the following:

Non-receipt of allocated power

2.14 The quantum of power supplied by various CGS and the cost per unit are given in **Annexure-6**. As against the normative availability[50] of 1.77 lakh MU for supply from the CGS during the period 2013-18, the actual supply was only 1.45 lakh MU (**Annexure-7**). The shortfall (0.32 lakh MU) was due to non-adherence of scheduled supply by the CGS due to operational constraints

46 For 2016-17 and 2017-18, TNERC is yet to finalise the quantum.

47 TNERC's tariff orders dated June 2013 and December 2014.

48 Including own generation but excluding PGCIL and TANTRANSCO's charges.

49 True-up is the reconciliation of the final amount incurred on various heads with the estimates earlier made.

50 Based on the allocation and considering the operational parameters fixed by CERC.

like outages or due to curtailment of supply by SLDC on account of demand supply management.

The total allocation of power to the State from the CGS, which stood at 3,972 MW during 2013-14 increased to 6,194 MW during 2017-18. The increase in allocation during the five years was mainly due to the addition of share from six[51] newly commissioned projects. During the same time, the share from low cost stations, *viz*., Ramagundam and Talcher totalling 131.88 MW was reduced resulting in avoidable cost to TANGEDCO. Audit worked out that TANGEDCO incurred avoidable cost of ₹544.44 crore (4,121 MU) during 2015-18 due to reduction in the supply of quantum of entitled share from these two stations *vis-a-vis* the addition to the share from the new stations.

Procurement of power from costly source

2.15 As per orders (March 2003) of TNERC, TANGEDCO was required to procure power on least cost basis from any source and strictly follow MOD. Based on demand-supply position, SLDC resorted to backing down[52] surplus power from its entitled share in the CGS. However, it did not follow MOD in deciding on the curtailment. This was proved by the fact that TANGEDCO received the entire allocated share of 475 MW from the high cost NLC-I station during the years 2015-18 (cost ranging from ₹3.45 to ₹5.29 per unit), whereas cheaper power from four[53] other stations (cost ranging from ₹2.11 to ₹5.21 per unit) were backed down by SLDC. By not drawing the entitled share in full from the low cost stations, which was technically possible and drawing the same quantum from the costly source, TANGEDCO was forced to incur avoidable expenditure of ₹349.67 crore[54] (4,688 MU) during the period. Further, due to non-adherence to the schedule for drawal of power from these four stations, TANGEDCO was also imposed[55] compensation charges amounting to ₹355.30 crore for station heat rate and auxiliary energy consumption for low unit loading for the period May 2017 to March 2018.

PPAs with Independent Power Producers

2.16 TANGEDCO's PPAs with seven[56] independent power producers (IPPs) located in the State were for long term ranging from 15 to 30 years. These agreements were entered into between 1996 and 2004. PPAs with three[57] IPPs expired between December 2013 and February 2016 and those with four IPPs were subsisting as of March 2018. The two part tariff payable

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51 NLC Expansion I and II, NTECL, NTPL, Kudankulam and Kudgi projects.

52 Backing down of power supply happens when the supplier is asked by the grid operator to reduce/stop injection of power.

53 Ramagundam, Talcher, NTPL and NTECL

54 2015-16: ₹18.12 crore, 2016-17: ₹133.82 crore, 2017-18: ₹197.73 crore.

55 In accordance with the CERC (Indian Grid Code) Regulations, 2010 (as amended in April 2016) effective from May 2017.

56 Madurai Power Corporation Limited, Aban Power Company Limited, Penna Electricity Limited, ST-CMS Electricity Private Limited, GMR Power Corporation Private Limited, Samalpatti Power Company Private Limited and PPN Power Generating Company Private Limited.

57 Madurai Power Corporation Limited, GMR Power Corporation Private Limited and Samalpatti Power Company Private Limited.

for the purchase from these IPPs, consisting of fixed component (capacity charges) and variable component (energy charges) was determined as per the relevant clauses in the PPAs. Audit examination of power procurement by TANGEDCO from four of the seven IPPs revealed the following.

Additional expenditure on extension of high cost PPA

2.17 The tenure of TANGEDCO's 15 years PPA with GMR Power Corporation Limited (GMR), an LSHS[58] based power plant, was upto February 2014. Power from this plant was costly and ranked the lowest in the MOD.

As the PPA was about to expire, GMR requested (December 2013) TANGEDCO to extend the PPA. The request was considered on the grounds that the power could be used for start-up[59] purposes and as an emergency spinning reserve[60]. The extension of PPA by one year upto 14 February 2015 was approved (January 2014) by TANGEDCO and Power Purchase Approval Petition (PPAP) was filed (12 February 2014) with TNERC.

While disposing the petition, TNERC in its order (13 February 2015) stated that GMR had been kept out of MOD and it would not be prudent to purchase the power from this source to offset the gap in demand and supply. Meanwhile, TANGEDCO had already purchased 737.40 MU (between 15 February 2014 to 14 February 2015) from GMR valued at ₹824.77 crore (at an average cost of ₹12.74 per unit). Audit observed that the excess[61] cost of power purchase from GMR after the date of expiry of PPA was not approved by TNERC and was disallowed.

TANGEDCO replied that the entire power procurement from GMR was necessitated due to increasing demand and based on real time grid conditions. The reply was not acceptable as TANGEDCO was already procuring energy from the power exchanges during the period (at ₹3.39 to ₹5.42 per unit). Had this source been considered instead of the high cost power from GMR at ₹12.74 per unit, TANGEDCO could have saved extra expenditure to the tune of ₹424.43 crore (737.40 MU).

Additional expenditure due to procurement of naphtha based power

2.18 The PPA (03 January 1997) with PPN Power Generating Company (PPN), provided for the use of gas as fuel in the plant. Subsequently, due to non-availability of gas, the use of Naphtha, an alternate but high cost fuel was permitted by CEA/TANGEDCO for a period of 15 years.

The permitted time for use of Naphtha expired on 25 April 2016. PPN's request for extending the period by five years was not accepted, and only two months extension till 24 June 2016 was approved by the TANGEDCO Board. However, this decision of the Board was not communicated to SLDC.

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58 LSHS – Low Sulphur Heavy Stock, an alternate fuel used as a substitute to furnace oil.

59 Start-up power is the power required for running the auxiliary equipment before generation starts in the power station.

60 Spinning reserve is the back-up generation capacity that can be made available to a transmission system with short notice

61 Over and above the cost of realisation of such power.

Even after the expiry of two months, PPN continued to inject power into the grid based on the instructions from SLDC. Thus, 79.65 MU was injected into the grid between 13 July 2016 and 13 December 2016 without authorisation from TANGEDCO. For the power so supplied, PPN claimed charges amounting to ₹130.35 crore.

Audit observed that the matter regarding unauthorised injection was brought to the notice of the Board only thereafter in February 2018 and approval obtained for payment of ₹96.38 crore (variable charge of ₹57.35 crore and fixed charges of ₹39.03 crore).

Thus, TANGEDCO's failure to inform SLDC regarding non-extension of the naphtha based generation beyond 24 June 2016 resulted in SLDC permitting PPN to inject costly power into the grid (at a per unit cost of ₹12.11) for five months leading to the payment of ₹96.38 crore. Audit observed that TANGEDCO was yet to fix accountability and responsibility for the lapse. Audit worked out that an avoidable cost of ₹69.31 crore was incurred by TANGEDCO due to procuring of high cost power from PPN compared to the procurement from power exchanges during the same period (at ₹2.48 to ₹3.91 per unit).

While confirming the fact that based on the declaration of availability by PPN, SLDC had allowed despatch of power, TANGEDCO stated that PPN power was availed as the last resort, when there was no other source in real time operation to maintain grid security. The reply was not tenable as this additional quantum could have been sourced at cheaper rates through power exchanges from where TANGEDCO was already procuring power.

Over payment of gas transmission charges due to non-revision of the PPA

2.19 Two other IPPs, Lanco Tanjore Power Company Ltd (LANCO), erstwhile Aban Power Company Limited and Penna Electricity Limited (PENNA) were gas based generating plants using gas supplied by GAIL. The variable component of the tariff paid to the IPPs included the cost of gas consumed for the quantum of power generated. GAIL claimed gas transmission charges based on the quantum of gas delivered to the two plants as per a daily summary agreed to by both GAIL and the IPPs.

Audit observed that TANGEDCO was admitting fuel cost to LANCO and PENNA based on computed consumption[62] for the net metered energy injected into the grid. However, while reimbursing the gas transmission charges, TANGEDCO did not restrict it to the computed consumption, instead paid the charges claimed by the two IPPs in full. This resulted in excess payment of gas transmission charges to LANCO and PENNA. Audit worked out such excess reimbursement to the two IPPs to ₹3.57 crore during 2014-18.

[62] Computed consumption of gas per unit is calculated based on the average calorific value of gas (*i.e*, the heat in Kilo calories, produced by combustion of gas with air at constant pressure) and the heat energy input required to generate one unit of electrical energy. TNERC had prescribed a normative heat rate of 1,850 Kilo calories per unit of gas and payment of gas consumed is restricted on the basis of the calorific value of gas supplied by GAIL and the heat rate applicable for the station.

TANGEDCO replied that computed consumption was worked out only for gas and there was no provision in the PPA to restrict other variable charges. The reply was not acceptable as the method of claiming transmission charges was revised (July 2014) with retrospective effect from November 2008 by the Petroleum and Natural Gas Regulatory Board[63]. Instead of the fixed amount charged earlier, monthly transmission charges were calculated on the basis of the actual quantum of supply. Since transmission charges were now calculated on the quantum of gas supplied, this should have been taken into consideration while working out the computed consumption of gas by suitably amending the PPA to protect TANGEDCO's interest.

PPAs on Long and Medium Term agreements

2.20 The procurement of power under long and medium term[64] arrangements by TANGEDCO was governed by the guidelines issued in this regard by the MoP in January 2005. TANGEDCO had long term agreements with 11 suppliers and medium term agreements with three suppliers for supply of power during the period 2013-18. Audit examination of the operationalisation of the 11 long term and three medium term agreements revealed the following:

Long Term agreements

Non-levy of Liquidated Damages for delayed supply

2.21 TANGEDCO's PPAs (August 2013-December 2013) with 11 suppliers[65] were for supply of 3,330 MW of power on long term basis for 15 years. Audit observed that there were delays in commencement of supplies from the scheduled delivery dates (SDD) by nine of the 11 suppliers due to non-availability of transmission facilities and delayed declaration of commercial operation of the generating units by the suppliers.

It was noticed that as per the PPA, the supplier should have obtained all necessary permission for Long Term Open Access (LTOA)[66] for transmission of power. The long term seller was also permitted to apply for Medium Term Open Access (MTOA)[67] in case LTOA was granted from a day subsequent to the SDD. It was also provided that if the seller was unable to fulfil any one of the above conditions due to any *Force Majeure* event, the time period for fulfilment of the conditions could be extended for a maximum of 10 months, continuous or non-continuous in aggregate. The bidders were also permitted

63 Petroleum and Natural Gas Regulatory Board is a statutory body mandated to regulate marketing and distribution of petroleum products in the country.

64 Long term – for periods exceeding seven years; medium term - for periods between one to seven years.

65 1) DB Power, 2) Jindal Power, 3) Ind Bharath Energy (Utkal), 4) Bharath Aluminum Company, 5) Dhariwal Infrastructure, 6) KSK Mahanadi Power Company, 7) GMR Energy Trading, 8) IL&FS Tamil Nadu Power Company, 9) OPG Power Generation, 10) PTC India and 11) Coastal Energen Private Limited.

66 LTOA is the right to use the inter-state transmission system for a period exceeding 12 years but not exceeding 25 years.

67 MTOA is the right to use the inter-state transmission system for period equal to or exceeding three months but not exceeding three years. The time limit of three years was extended to five years from February 2017.

to supply power from alternate source for a maximum continuous duration of six months or non-continuous period of 12 months. None of the nine long term suppliers qualified for extending the period of supply as they did not exercise the option to supply power from alternative source, when the SDD was delayed. The continuous non-supply after the eligible extension, warranted levy of liquidated damages (LD) on the defaulting suppliers. TANGEDCO, however, did not claim the applicable LD amount of ₹827.64 crore **(Annexure-8)**. Considering the financial impact of non-supply of contracted quantum of power, it was imperative for Government to fix responsibility for non-levy of LD.

TANGEDCO replied that due to non-availability of both LTOA and MTOA, the sellers were unable to commence supply from the scheduled dates and non-availability of open access corridor is treated as *force majeure* as per the PPA. Audit, however, noted that the clause in the PPA relating to treatment of non-availability of open access as a *force majeure* event was an additional clause included by TANGEDCO, which was not part of the model PPA issued by MoP. This deviation also did not have the specific approval of TNERC. Further, as per PPAs, *force majeure* can be considered for a maximum period of 10 months only. Treating non-availability of open access beyond 10 months as a *force majeure* event was not acceptable and merited imposition of LD especially when TANGEDCO was forced to go in for intra-state short term procurement at a higher rate of ₹5.50 per unit during the period of delay, which resulted in avoidable expenditure of ₹1,687.77 crore[68] to TANGEDCO.

Enhancement of levelised tariff due to delayed commencement of supply

2.22 As per the guidelines of MoP on long term procurement of power, a bidder would quote rates for various components, both escalable and non-escalable, for determination of the levelised tariff[69]. After receipt of bids, TANGEDCO computed levelised tariff for each bidders and on further negotiation, a levelised tariff of ₹4.91 per unit was approved for all the 11 bidders.

Audit noticed that nine of the 11 suppliers commenced power supply belatedly beginning December 2014 onwards. The contract period of 15 years was not extended to cover this delay but kept at the originally ending dates of the respective agreements. While making payments for the supplies, TANGEDCO did not adopt the agreed tariff applicable for the first year, but adopted the tariff applicable for the period from commencement of supply. The PPAs were, therefore, effective only for 13 years. As a result, the approved levelised tariff of ₹4.91 for 15 years got enhanced (₹4.95 to ₹5.23) for the shortened PPA period. As the suppliers quoted lesser rates during the first and second years of the PPA in which there was no supply, payments were made at the applicable higher rates for the period from which supply actually commenced. This resulted in payment of enhanced tariff charges of ₹712.03 crore for the

68 Calculated on the basis of difference between intra State short term purchase rate (₹5.50) and levelised tariff rate (₹4.91) per unit.

69 Levelised tariff refers to the average fixed and variable tariff over the entire term of the PPA discounted to the present value.

period upto March 2018 (**Annexure-9**) in respect of eight suppliers[70] with further additional commitment till expiry of the PPA in 2028.

Incorrect consideration of delivery point

2.23 The bidders for the long term supply were required to quote their tariff for supply at the interconnection point[71]. The tariff included applicable transmission costs and transmission losses from the generation source upto the interconnection point.

Audit observed that six out of 11 long term suppliers quoted PGCIL's pooling stations as their interconnection point and TANGEDCO had been admitting tariff charges for the quantum of energy supplied at the generating stations' bus bar instead of considering PGCIL's pooling station at which these suppliers were injecting power. This led to avoidable payment of capacity, incentive and energy charges for the quantum of transmission loss applicable from the stations ex-bus bar to the PGCIL's inter connection point. The excess payment made towards energy, capacity and other charges by TANGEDCO amounted to ₹242.92 crore (**Annexure-10**) till 2017-18.

TANGEDCO replied that billing is based on the Regional Energy Accounting (REA) done by the Southern Regional Power Committee (SRPC) and it was adopting the figure issued by REA at the interconnection point and not at the ex-bus bar point for payment purpose. The reply was not acceptable as the REA figure issued by SRPC consisted of energy units recorded both at interconnection and at the ex-bus bar points. The units recorded at the interconnection point would be a lesser figure after consideration of transmission loss. TANGEDCO was paying the charges applicable for the injected units at the ex-bus bar point for all the suppliers without considering the difference in declaration of interconnection point.

Reimbursement of excess transmission charges

2.24 For supplying power from the original contracted source, KSK Mahanadi Power Company (KSK) was using PGCIL's transmission facilities. The transmission of power took place in two stages, *i.e.*, from the Chhattisgarh generation plant bus bar to the interconnection point (the point at which power is injected at PGCIL's pooling station) and from the interconnection point to the delivery point. As the transmission charges were loaded in the quoted tariff upto the quantum supplied at the interconnection point, no separate transmission charges were payable to the seller. From interconnection point upto the delivery point, the transmission charges were reimbursable to the seller.

During the period of alternate supply (December 2016- September 2017), KSK supplied 1,008 MW from its own plant and 3,092.70 MW from alternate sources. Transmission charges of ₹83.96 crore for the contracted quantum at 500 MW per month were reimbursed. Audit observed that as per the CERC

[70] Two suppliers, OPG and Jindal commenced supply in time and in respect of Ind-Bharath, notice for termination of PPA was issued by TANGEDCO.

[71] Point where the power from the power station switchyard of the seller is injected into the interstate/ intrastate transmission system (including the dedicated transmission line connecting the power station with the interstate/ intrastate transmission system).

(Open Access in inter-State Transmission) Regulations 2008, transmission charges would be payable by the procurer for the energy approved for transmission at the point of injection. As such, the transmission charges for the approved quantum only were to be reimbursed to KSK. TANGEDCO reimbursed transmission charges for the contracted quantum instead of restricting the same to the injected quantum resulting in avoidable payment of ₹8.11 crore during December 2016 to September 2017.

TANGEDCO replied that since power from alternate source would be under the same tariff and terms and conditions, the power pumped at the regional periphery is to be converted to interconnection point and billing is to be done. Since the corridor was the exclusive right of TANGEDCO, the transmission charges paid by KSK were reimbursed. The reply was not acceptable as it was an undue benefit to the seller, as KSK was paying transmission charge for the injected quantum of 3,092.70 MW only supplied through alternate source, whereas TANGEDCO was reimbursing the transmission charge for the contracted quantum.

Non-restriction of declared availability during force majeure conditions

2.25 In the PPA with KSK for supply of 500 MW of power, for the period between 16 and 30 November 2015, KSK declared[72] the availability of 170.15 MU against which SLDC concurred for a quantum of 135.47 MU backing down the remaining quantum of 34.68 MU. Again in December 2015, SLDC backed down 102.88 MU out of the declared availability of 327.30 MU. It was observed that the backing down was due to floods paralysing the transmission network in Chennai and the neighbouring districts. Likewise, in the PPAs with two other suppliers, OPG Power Generation Private Limited (OPG) (long term) and Jindal (medium term), SLDC instructed the suppliers to reduce generation in view of the prevailing grid conditions caused by the floods. SLDC backed down the entire contracted quantum of OPG till 3 January 2016 and in respect of Jindal, backed down 49.95 MU during November-December 2015.

During the period when Chennai and neighbouring districts were affected by floods, power supply was curtailed in most of the areas and TANGEDCO was not in a position to avail full supply from KSK, OPG and Jindal. This situation was covered under the *Force Majeure* clause of the PPA, where, in case of a natural event affecting the procurer, no tariff would be payable for the duration of such natural event. Further, the PPAs stipulated that the affected party should give notice of such event within one day after reinstatement of communication. Audit noticed that TANGEDCO did not give such notice even after reinstatement of the communication as a result of which it became ineligible to claim relaxation under the *Force Majeure* clause.

Consequent to allowing capacity charges for the entire declared availability instead of restricting the same to the SLDC concurred quantum, during the

[72] The supplier declares the availability of power on day ahead basis and applies to the SLDC for concurrence. Based on the quantum concurred by SLDC, the Southern Regional Load Despatch Centre accords approval for injecting power into the TANGEDCO grid.

Force Majeure period, TANGEDCO incurred avoidable capacity charges of ₹57.86 crore.

TANGEDCO replied that because of the floods, only local distribution network was isolated in the flooded area and there was no grid collapse. Because of distribution network isolation in Chennai area, the demand came down and the back down of power by SLDC on behalf of TANGEDCO was only due to demand supply management and not due to *force majeure*. The reply was not acceptable as during the period, transmission network was badly affected due to floods and TANGEDCO was not in a position to cater to demand even though supply was available. This was a *force majeure* covered by the PPA and the failure of TANGEDCO to claim relief under this clause resulted in payment of avoidable capacity charges.

Medium term agreements

Non-levy of liquidated damages during the delayed delivery period

2.26 TANGEDCO entered into three PPAs for supply of power on medium term basis. The first agreement with National Energy Trading and Services Limited (NETS) for 100 MW with a levelised tariff of ₹4.88 per unit was signed on 19 January 2012 for five years from 01 February 2012 to January 2017. The second and third agreements were signed (29 June 2012) with Jindal Power Limited (Jindal) and Adani Enterprises (Adani) for 200 MW each for the five year period from 1 September 2012 to 31 August 2017 at a levelised tariff of ₹4.92 and ₹4.99 per unit respectively.

As all the three suppliers did not commence supply from the SDD due to non-availability of MTOA, they had the option of supplying power from alternate sources or through STOA[73]. While NETS exercised the option of supplying under STOA, the other two suppliers, Jindal and Adani did not exercise either of these options and supply commenced only from 16 June 2013, when MTOA was available. As per PPA, the SDD could be deferred by a maximum period of only two months to cover any *force majeure* event. Since the supplies were delayed for a period of more than nine months, LD was required to be levied on Jindal and Adani. TANGEDCO, however, did not claim the applicable LD amount of ₹24 crore. Further, during the period of delay in commencement of supply from these two suppliers, TANGEDCO was forced to go in for intra-state short term procurement at a higher rate of ₹5.50 per unit, resulting in avoidable expenditure of ₹116.04 crore. Therefore, Government needs to fix responsibility for non-levy of LD.

Non-supply of contracted power after expiry of initial MTOA

2.27 The MTOA granted by PGCIL to NETS, Jindal and Adani expired on 31 May 2016, 30 November and 31 December 2015 respectively though the PPAs were valid till 31 January 2017 and 31 August 2017. The applications from NETS, Jindal and Adani for extension of the MTOA after the expiry dates were not approved by PGCIL. NETS offer (May 2016) to supply power under STOA was not accepted by TANGEDCO on the grounds that the PPA

[73] Short Term Open Access refers to the right to use inter-state transmission system for a period upto one month at one time.

provided for supply under STOA only at the beginning of the PPA period. No power was supplied by NETS from 01 June 2016 to 31 January 2017. As the entire contracted capacity was at TANGEDCO's disposal and TANGEDCO did not avail this capacity, NETS raised (July 2017) claim of ₹122.84 crore towards capacity charges for the period June 2016 to January 2017. Contingent liability on this claim was still existing (October 2018).

While rejecting the proposal for supplying power by NETS under STOA, TANGEDCO continued to buy power on short term basis. For the period June 2016 to 31 January 2017, the shortfall in supply from NETS equivalent to 588 MU was met through intra-state short term power (at ₹5.05 per unit) resulting in avoidable expenditure of ₹10 crore.

In the PPA with Adani, the offer to supply from alternate source from January 2016 after expiry of the initial MTOA upto December 2015 was approved (January 2016) by TANGEDCO and the supply under alternate sources continued till February 2017. As per PPA, supply from alternate sources could be for a maximum continuous period of six months or a maximum non-continuous period of 12 months. Adani was permitted to supply power through alternate source for a period of eight months from 05 January 2016 to 31 August 2016 except for a one day break given by the SLDC on 01 June 2016, reasons for which were not on record. As capacity charges are paid, when the plant was declared available for supply and Adani was not supplying power from its own source but was supplying from alternate sources, TANGEDCO was not liable to pay capacity charges after six months of continuous alternate supply. The break for one day (on 01 June 2016) granted by SLDC necessitated payment of capacity charges beyond six months treating it as non-continuous supply, resulting in avoidable expenditure of ₹101.31 crore.

In the PPA with Jindal, after expiry of the initial MTOA on 30 November 2015, further approval was given by PGCIL from 01 April 2016 for a reduced quantum of 59.50 MW. Supply of full contracted quantum of 200 MW was permitted only from February 2017. As per the PPA, if the power station's net capacity was reduced, the quoted capacity charge should be paid for such reduced net capacity. Though TANGEDCO had accepted the reduction in the contracted capacity from 200 MW to 59.50 MW, during the period April 2016 to January 2017, it did not reduce the quoted capacity charges proportionately resulting in payment of excess capacity charge of ₹6.54 crore for the period. For the period from 01 December 2015 to 31 January 2017, when there was nil supply/partial supply from Jindal, TANGEDCO was forced to go in for short term power (at ₹5.05 per unit) resulting in avoidable expenditure of ₹17.29 crore[74].

TANGEDCO replied that the reduction in availability was due to reduction of MTOA permission from PGCIL. The reply was not acceptable as Jindal supplied only 59.50 MW for the period from April 2016 to January 2017 instead of the contracted capacity of 200 MW, even though it was having the option to supply power for the remaining quantum from alternate sources. Payment of excess capacity charges was, therefore, avoidable.

74 Calculated on the basis of difference between intra State short term purchase rate (₹5.05) and Jindal's rate (₹4.92) per unit.

Additional expenditure due to delay in renewal of agreements

2.28 As the three medium term PPAs were expiring in January 2017 and August 2017, requests were received from NETS (October 2016), Adani (February 2017) and Jindal (January 2017) for renewal of the agreements at reduced rates for a further period of two years. While the offers from NETS (at ₹3.50 per unit) and Jindal (at ₹3.25 per unit) were accepted (January/March 2017) by the Board, the offer from Adani (at ₹3.50 per unit) was not considered. Mandatory approval from TNERC was received belatedly on 31 July 2017 and the extended PPA with NETS and Jindal were entered into during September 2017.

Due to the delay in extending the PPAs, the available corridor was allotted by PGCIL and MTOA approval could be obtained from 01 April 2018 in respect of NETS and from 01 May 2018 in respect of Jindal. Meanwhile, TANGEDCO purchased power on day-ahead[75] basis from the power exchanges at higher rates ranging from ₹4.02 to ₹4.47 per unit compared to the offered rate of ₹3.50/3.25 from NETS and Jindal. This resulted in avoidable expenditure to the extent of ₹39.48 crore during the extended PPA period i.e., from October 2017 till March 2018[76]

Short Term Agreements

2.29 MoP guidelines on short term procurement of power were issued during May 2012. These guidelines cover power purchases for periods not exceeding one year. Audit examined the performance of TANGEDCO with reference to five short term tenders (**Annexure-11)** finalised during 2013-18 and the operationalisation of the PPAs entered thereon. The results of the examination were as under:

Delays in finalisation of short term tenders

2.30 TANGEDCO was aware of the problems in getting long and medium term inter-state power due to the constraints in getting transmission corridor and the need to book corridors in advance. But it did not finalise and enter into PPAs with the potential short term bidders in time. Though the short term bids were invariably called to meet urgent requirements arising out of non-receipt of the contracted quantity from the long and medium term PPAs, finalisation of the short term bids exceeded the timeline of 10 days[77] as prescribed in the guidelines. The timeline in finalisation of the short term tenders floated during 2013-18 are indicated in **Table-2.4**

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75 Day ahead basis is where the quantum of energy to be sold or bought the next day is contracted one day in advance.

76 Jindal supplied power under STOA for the period from January 2018. Hence, period of non-supply restricted from October 2017 to December 2017.

77 Minimum timeline from floating of tender upto finalisation of PPAs prescribed by MoP in its guidelines on short term procurement of power issued in May 2012.

Table-2.4 Timeline in finalisation of short term tenders

Tender No.	Supply period	Tender floated	Approval of TNERC	LOA issued/PPA entered	Time taken to complete the bid process
5 of 2012	June 2013 to May 2014	November 2012	July 2013	June 2013	7 months
6 of 2014	October 2014 to September 2015	August 2014	January 2016	September 2014	2 months
7 of 2015	October 2015 to May 2016	September 2015	March 2016	October 2015/January 2016	4 months
8 of 2016[78]	February 2017 to May 2017	November 2016	November 2017	December 2016	2 months
9 of 2017	March 2018 to April 2018	November 2017	June 2018	March 2018	4 months

Short supply of inter-state power

2.31 Though TANGEDCO contracted for supply of power on Round the Clock basis, the receipt of power from the inter-state suppliers was in fragments and did not meet the requirement for which the tenders were floated. Audit test checked month-wise quantum of contracted quantity and actual receipt of inter-state short term power during the three year period - April 2014 to March 2017 **(Annexure-12)**. It was noticed that the annual short supply in receipt of inter-state short term power ranged between 99.33 *per cent* (2014-15) to 76.93 *per cent* (2016-17). Audit observed that during the same period (2014-17), short term power received in Andhra Pradesh and Kerala[79] from traders and from power exchanges in day-ahead markets was much more in comparison with Tamil Nadu. Non-availability of transmission corridor was cited as the main reason for the shortfall in supply from inter-state sources. But, TANGEDCO did not analyse the reasons for short supply on case to case basis to work out the LD/compensation as stipulated in the PPAs. Test check of one of the PPAs under short term (Tender No.8), viz., PTC India Limited (PTC) revealed that PTC was to supply 90 MW power for the period between 01 February 2017 and 31 March 2017, sourced from Arkay Energy (Rameswaram), a generator based in Tamil Nadu. It did not supply any power during the entire contract period. As per the terms of the PPA, LD was to be recovered from the supplier for the non-supply and an amount of ₹10.20 crore was arrived at as LD to be recovered. Though an amount of ₹eight crore was recovered from the running account bills of PTC, the balance amount was yet to be recovered (November 2018).

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78 Tender 8 of 2016 and 9 of 2017 were e-tenders as per the revised guidelines for short term procurement of power notified by MoP in March 2016.

79 As per CERC Reports on Short Term Power Markets in India for 2014-15 and 2015-16 Andhra Pradesh procured 8,018.14 MU from power traders during the period. Similarly, for the same period, Kerala procured 1,796.85 MU.

Extra expenditure due to procurement of intra-state power at higher rates

2.32 TANGEDCO invited bids under Tender No. 5, 6 and 7 for short term supply from both the inter-state and intra-state suppliers. While finalising the tenders, TANGEDCO kept the intra-state suppliers as a separate group on the grounds of getting assured supply. In the process, it concluded agreements with the intra-state suppliers at rates higher than the rates finalised with the inter-state suppliers[80]. Keeping the intra-state suppliers as a separate group and fixing a higher ceiling rate for the purchase was not in the best interest of TANGEDCO and its consumers. This is proved by the fact that while finalising rates for Tender No. 8 for the period February 2017 to May 2017 through e-bidding[81], TANGEDCO did not keep the intra-state suppliers separately and was able to get lower rate of ₹3.99 per unit from the same suppliers with whom the rate of ₹5.50/5.05 per unit was finalised earlier. Audit worked out that extra expenditure amounting to ₹1,055.84 crore was incurred by TANGEDCO due to payment of higher rates for the intra-state suppliers in the three tenders No. 5 to 7 during June 2013 to May 2016.

TANGEDCO replied that in the absence of transmission availability from other regions to Southern Region, contracting power from inter-state suppliers would not serve any purpose and the option available to TANGEDCO was to avail power from intra-state source only. While Audit did not question the procurement from intra-state suppliers *per se*, it was of the view that keeping the intra-state suppliers as a separate group was not in the best interests of TANGEDCO. This was proved by the fact that for the subsequent tender, TANGEDCO could get lesser rates from the intra-state suppliers through e-bidding, where there was no separate grouping of the intra-state suppliers.

Extra expenditure due to delay in tender finalisation

2.33 The intra-state supply period under Tender No. 6 was to end in September 2015. However, due to delay in finalising the subsequent tender, the supply period was initially extended upto 14 October 2015 and further to 28 October 2015. In the meantime, bids received in Tender No.7 for the period October 2015 to May 2016 were evaluated and the rate offered by one of the bidders (₹5.05 per unit) was approved (October 2015). The other intra-state bidders were advised that whoever matched the rate of ₹5.05 per unit would be issued Letters of Acceptance (LoAs) prospectively. The intra-state suppliers under Tender No. 6 were also asked to stop injecting power from 29 October 2015. Some of the bidders approached the Court and obtained a stay on the TANGEDCO's instruction but subsequently came forward to match the rate of ₹5.05 per unit relinquishing their rights extended under the Court's orders. LoAs were thereafter issued to 20 intra-state bidders prospectively for supply of 986.5 MW at the rate of ₹5.05 per unit between October 2015 and January 2016.

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80 Maximum inter-state short term rate, ₹4.99 (Tender No.5), ₹4.81 (Tender No.6) and ₹3.89 (Tender No.7) compared to the maximum intra-state rate of ₹5.50 and ₹5.05.

81 e-bidding or reverse auction is where the sellers compete with each other by decreasing their quote starting from the price declared by the procurer on the date of opening of on-line bids.

Test check of records in the 15 Distribution Circles revealed that, due to delay in finalising Tender No.7, payments for the suppliers were made at higher rate at ₹5.50 per unit from October 2015 to January 2016 resulting in avoidable expenditure of ₹15.28 crore i.e., during the extended period, besides payment of compensation to the suppliers for curtailment of supplies.

TANGEDCO replied (October 2018) that immediately after floating of tender, writ petitions were filed by tenderers and based on Court's orders to withhold the tender process, the tender could not be finalised. The reply was not acceptable for the reason that the tender process, which should have started much in advance before the expiry of the previous agreement (September 2015) began only in September 2015 and two extensions of the agreement were also given (till 14 October and 28 October 2015) as the tender could not be finalised by that time. The Court intervention happened on account of the instruction given for stopping the injection from 29 October 2015. The extension of higher rated intra-state short term agreements was solely on account of the delay in finalisation of the subsequent tender, which could have been avoided, had early action been taken to finalise the tender in time.

Curtailment of supply leading to payment of compensation charges

2.34 For Tender No.5, though the tenure of agreement was from June 2013 to May 2014, the period was extended till September 2014. Similarly, for Tender No. 6, the tenure (October 2014 to September 2015) was initially extended till 28 October 2015 but later on allowed to be continued till January 2016. Since wind power is a 'must-run' power with the average cost around ₹3.30 per unit, the periodicity of the agreements under both the short term tenders resulted in the supplies clashing directly with the wind season supply forcing TANGEDCO to cut down the intra-state short term power to accommodate wind energy.

As per the PPA, in case of deviation from either side was more than 15 *per cent* of the contracted quantity, the defaulting party should pay compensation at 20 *per cent* of the tariff per unit for the quantum of shortfall over the permitted deviation. Test check of intra-state purchases in 16 Circles[82] revealed that as per SLDC's scheduling instructions to curtail the supply to accommodate the wind power, the power injection was less than 85 *per cent* during the period June-September 2015 which led to accrual of liability to TANGEDCO to pay compensation amounting to ₹71.38 crore. This was avoidable, had TANGEDCO continued with its regular short term period of October to May and avoided the peak wind season from June-September for making intra-state procurement.

Audit further noticed that compensation liability accrued during other periods also, when the supply was curtailed by the SLDC beyond the required 85 *per cent*. The compensation liability for TANGEDCO during the other periods of Tenders 6, 7 and 8 in the test checked Circles amounted to ₹252.26 crore. This included an amount of ₹33.18 crore paid as compensation (**Table-2.5**), when there was 'Nil/Negligible' supply from the generators. Out of this

[82] Chennai (North), Cuddalore, Dindigul, Erode, Kancheepuram, Karur, Mettur, Nagapattinam, Perambalur, Pudukottai, Ramnad, Sivaganga, Tirunelvei, Trichy (Metro), Tuticorin and Virudhunagar.

amount, ₹22.62 crore related to the extended period November 2015-January 2016 in Tender No.6, which was solely attributable to the delay in finalising Tender No.7.

Table-2.5 Compensation at times of Nil/Negligible supply due to TANGEDCO's deviation

Circle	Supplier	Month	Quantum backed down (MU)	Compensation paid (₹in crore)
Tuticorin	Ind Bharath (Thermal)	December 2015	60.00	6.60
		January 2016	22.98	2.53
		May 2016	104.60	10.56
Mettur	Malco Energy	November 2015	63.59	7.00
		December 2015	54.42	5.99
Erode	Sakthi Sugars	November 2015	2.27	0.25
Nagapattinam	Saheli exports	December 2015	2.27	0.25
Total				**33.18**

(Source: Details furnished by TANGEDCO)

As per the approval given by TNERC for the finalised rates in Tender No.6 (October 2014 to September 2015), the agreed quantum to be supplied by one of the intra-state suppliers, OPG was 95 MW. As TANGEDCO was not in need of the full quantum of the contracted supply, the quantum was already being curtailed from March 2015. Despite this, the contracted capacity was increased for July 2015 (to 213 MW) and August 2015 (to 240 MW) on the supplier's request. Instructions were given by SLDC for backing down 81 *per cent* of the increased contracted capacity in July 2015 and 97 *per cent* of the increased capacity in August 2015. The unwarranted increase in the contracted quantum and subsequent backing down, resulted in additional liability towards compensation charges by ₹13.98 crore.

TANGEDCO replied that in view of transmission constraints, uncertainty of wind power generation and meagre availability in power exchanges on day-ahead basis, the short term contracts for supply had to be extended. The reply was not acceptable as TANGEDCO had justified the need to absorb maximum wind power and informed GoTN that the purchase of power from captive generators under short term power purchase contracts expiring in May 2014 would not be continued. Based on this, GoTN revoked (May 2014) the order issued earlier in February 2009 restricting intra-state generators from selling power outside the State.

Short/non-collection of compensation

2.35 Working instructions were issued (February 2015) by TANGEDCO for calculating the amount of compensation payable/receivable for deviation by TANGEDCO or by the generator. As per the instructions, billing was to be done based on the injection of power in 96 blocks per day of 15 minutes duration. Audit observed that deviations from the working instructions in eight Circles resulted in excess payments/non-recovery amounting to ₹52.74 crore due to incorrect workings either by the generators or TANGEDCO **(Annexure-13).**

Payment for excess energy injected

2.36 As per the provisions of PPA, the intra-state short term generators should scrupulously adhere to the despatch instructions of SLDC and for any unauthorised injection, no payment would be made.

Audit examination of the payment made (2016-17 and 2017-18) to short term suppliers in four Circles[83] revealed payment for excess supplies beyond the instructed quantity resulting in overpayment to the suppliers to the extent of ₹26.12 crore. It was further observed that in Ramnad Circle, payment amounting to ₹43.03 crore was made (October 2014 to January 2016) to the supplier Arkay Energy (Rameswaram) for excess injection. However, the Circle had recovered only ₹1.78 crore and the balance amounting to ₹41.25 crore was pending recovery.

Additional expenditure due to non-adjustment of energy supplied towards low cost power

2.37 TANGEDCO was having an existing short term agreement for the period June 2013 to May 2014 with the intra-state generator OPG for supply of power from OPG's 242 MW power plant. It entered into another PPA (12 December 2013) with OPG on long term basis for supply of 74 MW for 15 years from 01 January 2014. The short term supply from OPG continued in subsequent tenders also till May 2017.

Audit examination of the payments made by TANGEDCO to OPG for the supplies made during July 2015 to November 2015, January 2016 to May 2016 and February 2017 to May 2017 revealed that the SLDC curtailed supply of cheaper long term power and allowed costly short term power. This resulted in procurement of power at higher price. Audit worked out that an amount of ₹15.05 crore was additionally incurred due to curtailing cheaper long term power and availing costly short term power from the same supplier.

Agreements with renewable energy generators

2.38 TANGEDCO had long term energy purchase agreements with the developers of wind, solar, biomass and bagasse based co-generation projects for supply of power, based on preferential tariff rates periodically revised by TNERC. The grid connected capacity of renewable energy in the State as on 31 March 2018 totalled to 11,113 MW[84]. To promote renewable energy, TNERC had also stipulated (29 July 2011) minimum Renewable Purchase Obligation (RPO) including Solar Purchase Obligation (SPO) from the year 2011-12. Quantity of renewable power that TANGEDCO was obligated to purchase *vis-à-vis* actual purchase are given in **Table-2.6**.

83 Mettur, Virudhunagar, Trichy (Metro) and Cuddalore.

84 Consisting of wind -8,152 MW, solar - 2,034 MW, biomass – 238 MW and Bagasse – 689 MW

Table-2.6 Compliance to RPO/SPO by TANGEDCO

Sl. No	Particulars		2013-14	2014-15	2015-16	2016-17	2017-18
1	Total Power sold by TANGEDCO (MU)[85]		60,867	66,625	68,629	68,055	69,214
2	From all renewable sources including solar	RPO prescribed by TNERC(%)	9.00	9.00	9.50	11.50	14.00
3		As per RPO (MU) **(1x2)**	5,478	5,996	6,520	7,826	9,690
4		Actual Purchase from renewable sources (MU)	8,336	8,486	3,496	6,332	5,695
5		Actual Purchase (%) **(4/1)**	13.70	12.74	5.09	9.30	8.23

(Source: TNERC and Annual Reports of TANGEDCO)

As observed from the above, the renewable purchase obligation was not met during the years 2015-16 to 2017-18 mainly due to the shortfall in procurement of wind energy as shown in **Table-2.7**.

Table-2.7 Estimated purchase of Wind energy and actuals

	2013-14	2014-15	2015-16	2016-17	2017-18
Estimated purchase (MU) (**A**)	5,320	5,586	5,866	6,945	6,150
Actual purchase (MU) (**B**)	5,110	3,963	2,873	3,746	3,337
Percentage of achievement (**B**) to (**A**)	96.05	70.94	48.98	53.94	54.26

(Source: Data furnished by TANGEDCO to TNERC)

The major reason for the decline in procurement of wind energy between 2015-16 to 2017-18 was due to the fact that wind energy generators holding about 70 *per cent* of the capacity, had opted for direct sale to consumers through wheeling arrangements and through group captive mechanism.

TANGEDCO replied that based on MNRE[86] guidelines of December 2016, it had started floating tender for procurement of wind power through bidding process and in the first phase had signed PPA for 450 MW of wind power during October 2017 and the projects were under the pipeline.

Procurement of solar energy

Extension of control period and payment of higher tariff charges

2.39 TNERC issued (September 2014), the comprehensive tariff order on solar power, fixing preferential tariff of ₹7.01 per unit without accelerated depreciation[87] (AD) benefits and ₹6.28 per unit with such benefits. These rates were applicable to the solar photovoltaic (PV) plants commissioned before 12 September 2015. TNERC subsequently by its order of April 2015 extended the commissioning period upto 31 March 2016.

85 Power sold includes all sources of energy and after deducting aggregate technical and commercial losses.

86 MNRE – Ministry of New and Renewable Energy, Government of India.

87 Accelerated depreciation is a tax benefit where 80 *per cent* of the project cost would be written off in the first year of operation itself thereby lowering the tax liability.

TANGEDCO entered into long term (25 years) PPAs with 86 solar PV project developers between 18 February 2015 and 04 March 2016 for 1,484 MW. Seven developers commissioned their projects before the originally permitted commissioning date (11 September 2015) and 56 other developers who commissioned their projects during the extended period between 12 September 2015 and 31 March 2016. The 56 developers who commissioned their projects in the extended period were also given the tariff of ₹7.01/ 6.28 per unit.

Audit observed that there was no compelling reasons for TANGEDCO to go through the preferential tariff route to finalise the PPAs for a quantum of 1,484 MW as it could have obtained lower rates through alternate competitive bidding route. This was borne out of the fact that after entering in to the agreements with the solar generators for 1,484 MW at the preferential tariff of ₹7.01 per unit, TANGEDCO went in for e-auction for procurement of solar power (October 2016) and obtained a lower rate of ₹4.50 per unit. For subsequent auctions, it could get still lower rate of ₹3.47 per unit (August 2017). The excess expenditure incurred by TANGEDCO due to the injudicious decision to go for preferential tariff route worked out by Audit amounted to ₹605.48 crore upto March 2018 with further additional commitment for the next 23 years.

TANGEDCO replied that the extension of control period ordered by TNERC was within the parameters considered by TNERC in its previous orders. TANGEDCO did not therefore, feel aggrieved over the extension. Hence, it might not be faulted with the decisions taken at the relevant time taking into account the totality of the circumstances based on the policies and statutory orders issued. It was further stated in the Exit Conference that TANGEDCO had to adhere to the State Solar Policy, 2012 wherein addition of 3,000 MW of solar power capacity in the State was envisaged by the year 2015.

The reply was not justified as TANGEDCO could have met this capacity addition through the cheaper competitive bidding route instead of the costlier preferential tariff route. Finalisation of long term PPAs under preferential tariff route for a capacity of 1,484 MW, when the solar power prices were falling was therefore injudicious and only resulted in undue enrichment of the private generators at the cost of TANGEDCO and in turn its consumers.

Undue benefit to the generator by extending ineligible higher tariff

2.40 As per TNERC order of April 2015, the solar power plants commissioned during the stipulated period *i.e.*, before 31 March 2016 would be eligible for higher tariff of ₹7.01 per unit (without AD). Audit verification of the status of two commissioned projects revealed the following:

(i) The PPA with Shapoorji Pallonji Solar Private Limited was entered into on 19 September 2015. The plant was stated to be commissioned on 26 March 2016 within the control period. Audit noticed that the generator did not complete all works relating to online data connectivity till April 2016. Since the connectivity was completed only after April 2016, the generator should have been classified under tariff at ₹5.10 per unit only. Extension of higher tariff resulted in extra expenditure of ₹20.29 crore till March 2018.

TANGEDCO replied that with the completion of solar panel works, power evacuation line works and sub-station works both at plant end and evacuation end, the solar power plant could be commissioned without completing the online data connectivity. Accordingly, the generator had commissioned the plant on 26 March 2016 and power was evacuated before 31 March 2016. Audit observed that online data connectivity to the load despatch centre was one of the basic criteria specified by TANGEDCO itself for declaring commissioning date. Before availability of such connectivity, declaring the commissioning date overruling its own condition for commissioning was an undue benefit extended to the generator.

(ii) In the PPA with SSNR Power, audit noticed discrepancies in the two reports that were prepared on the quantum of generation. 'Nil' units were recorded in the energy injection certificate whereas 49.68 units (net) were mentioned in the commissioning report. The figure mentioned in the report was adopted for billing. The meter card and reading register maintained in the field offices indicated that generation upto 31 March 2016 was Nil. Even though the plant had no generation during the tariff control period upto 31 March 2016, TANGEDCO paid higher tariff to the generator and the amount paid in excess till March 2018 amounted to ₹3.91 crore.

TANGEDCO replied that though the initial reading taken by the field office recorded Nil generation, a second reading showed net energy generation of 49.68 units, and hence there was energy injection into the grid. The reply was not acceptable as the authentic CMRI[88] data showed Nil generation and hence, the higher tariff paid was an undue benefit extended to the generator.

Incorrect working of generation beyond CUF norm

2.41 TNERC in its solar tariff orders fixed annual capacity utilisation factor[89] (CUF) of 19 *per cent* for solar PV projects. Working instructions were issued (June 2017) by TANGEDCO, wherein it was stated that excess generation in terms of units beyond 19 *per cent* of annual CUF would be deducted and would not be considered for payment. Audit test checked the payments made to solar generators in five Circles[90] and observed omissions in calculating the excess generation beyond the prescribed limits and incorrect calculations resulting in excess payments made to the generators to the extent of ₹6.61 crore during 2015-16 and 2016-17. Further, for the year 2017-18, two Circles[91] were yet to finalise (July 2018) the excess injection beyond the annual CUF.

TANGEDCO replied that an amount of ₹21.92 crore was recovered from the generators, who had exceeded their contracted CUF. But some of the generators had gone to Court and obtained a stay. Pending vacation of the stay, an amount of ₹107 crore remained as excess payment, which is yet to be recovered (October 2018).

88 CMRI – Common Meter Reading Instrument.
89 CUF is the ratio of actual output to the maximum possible output.
90 Virudhunagar, Ramnad, Tuticorin, Trichy (Metro) and Pudukottai.
91 Virudhunagar and Ramnad.

Payment for excess supply beyond installed capacity

2.42 As per instruction issued (June 2017) by TANGEDCO, for calculation of excess generation beyond the actual installed capacity for a billing month, energy units corresponding to the excess MW should be calculated and deducted from the particular monthly bill itself. In the test check conducted by audit in six[92] Circles, it was noticed that an amount of ₹2.82 crore relating to the period April 2016 to March 2018 was not deducted from the bills for injection of power in excess of capacity.

Procurement from co-generation plants

Procurement from bagasse based co-generation and bio mass power generators

2.43 The quantum of power procured from bagasse based co-generation[93] power plants and biomass based power plants for five years upto 2017-18 are given in **Table 2.8**.

Table-2.8 Purchase from Co-generation and biomass power plants

(in MU)

	2013-14	2014-15	2015-16	2016-17	2017-18
Co-generation	803	1,508	509	644	289
Biomass	20	18	21	23	13

(Source: Data provided by TANGEDCO)

Audit observed the following:

Purchase of short term power after termination of existing PPAs

2.44 The co-generation plants in the sugar mills are run using bagasse as fuel with additional facility to run on coal during non-crushing season. TANGEDCO had long term PPAs with the sugar mills for purchase of power during crushing season. To enable purchase of power generated during non-crushing season with coal as fuel, TANGEDCO proposed (October 2008) higher purchase cost of ₹7.50 per unit. The proposal was not approved by TNERC (14 October 2008) on the grounds that the status of an IPP and a co-generation plant cannot co-exist. TNERC advised TANGEDCO that if it intended to purchase power from the co-generation plants other than through the PPAs, the existing PPAs should be terminated and bids should be invited for bagasse based co-generation and coal based co-generation separately.

Audit observed that pursuant to this order, the existing PPAs with some of the co-generation sugar mills were allowed to be terminated by TANGEDCO and the sugar mills were permitted to bid for short term power. However, while the TNERC order *ibid* required, calling of bids for bagasse based and coal based co-generation separately, TANGEDCO did not call for separate tenders, but allowed the sugar mills to quote for the entire duration of the contract both under bagasse based co-generation during crushing season and coal based generation during non-crushing season. Test check of short term purchase

92 Virudhunagar, Ramnad, Tuticorin, Trichy (Metro), Karur and Pudukottai.

93 Co-generation is a process by which two or more form of energy including electricity is produced.

from seven[94] co-generation plants revealed excess expenditure amounting to ₹93.41 crore (October 2014 to May 2016) in purchase of short term power during crushing season, where bagasse was used for generation of power and for which lower rates were payable under the terminated agreements.

Non-observance of tariff rate for crushing and non-crushing season

2.45 As per TNERC's orders, tariff for the power procured from the co-generation plants during non-crushing season would be 90 *per cent* of the tariff for the crushing season.[95] Test check of the payments made to three co-generation plants[96] revealed that the rates applicable for crushing season were applied in the non-crushing season also, resulting in excess payment of ₹4.98 crore to the suppliers during the period 2013-18.

Non-deduction of line loss

2.46 As per the PPAs with the sugar mills, power from the cogenerating plants would be fed into the grid and two *per cent* deduction from the total energy exported would be made towards line loss. In the new PPAs entered into (June - December 2016) with five sugar mills[97], the clause relating to the deduction of line loss was omitted though the conditions regarding connectivity remained unchanged. As a result, TANGEDCO had to bear additional expenditure towards line loss amounting to ₹1.81 crore from the date of new PPAs till March 2018.

Financial Management

2.47 To ensure timely payment of outstanding bills to the suppliers of energy, the PPAs provided for availing of rebate for prompt payment and payment of surcharge for delayed payments. As the payments due to the suppliers were delayed beyond sixty days, these attracted levy of surcharge by the suppliers. As on 31 March 2018, the claims for payment of surcharge received from the suppliers amounted to ₹1,119.85 crore. As TANGEDCO was yet (October 2018) to settle these claims, a contingent liability for the amount existed as on that date.

After giving due allowance for the fund constraints which TANGEDCO faced as well as considering the interest saved[98] on its loan funds due to delayed payments, Audit calculated that in respect of those cases, where payments were delayed by only upto seven days, the rebate foregone by TANGEDCO was ₹3.39 crore higher than the possible interest it could have saved by delaying the payment **(Annexure-14)**. This reflected poor financial management.

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94 Sakthi Sugars- Appakudal, Avalpoondurai and Sivaganga, EID Parry-Karur, Pudukottai and Cuddalore, Dharani Sugars-Kallakurichi.

95 As per the Tamil Nadu Sugar Factories Control Act, 1949, crushing season means the period between 1st November and 30th June.

96 Rajshree Sugars (Cuddalore), Kothari Sugars (Perambalur) and EID Parry (Trichy).

97 Rajshree Sugars, EID Parry, MRK, Ambika and Terra Energy.

98 Calculated at the State Bank lending rate of 14.5 *per cent* during the period.

Monitoring and Internal Control

2.48 Power purchase accounted for major share of TANGEDCO's expenditure. Therefore, to execute the plan for power purchase economically, effectively and efficiently, there should be a well documented management system of operation, service standards and targets. Further, there has to be Management Information System (MIS) to report on targets and norms *vis-a-vis* the actuals to address deficiencies and also to set targets for the next year. In this regard audit examined the monitoring and internal control system prevailing in TANGEDCO with reference to power purchase management. The following were observed:

Inadequate financial and operational information

2.49 No centralised database was maintained regarding the quantum and price paid for the different categories of power purchase. The office of the Chief Engineer, Power Purchase functioning in TANGEDCO Headquarters, which finalised tenders for intra-state purchase, did not have the details regarding quantum of power purchased and payments made to the intra-state suppliers in the Circles. No periodical MIS reports were sent by the concerned Circles. TANGEDCO also did not have generator-wise details of back down instructions from SLDC. The details called for by audit in this connection from SLDC were also not furnished. There was inadequate co-ordination between the power purchase wings of TANGEDCO and SLDC of TANTRANSCO, especially with reference to MOD and curtailment of power, the impact of which was borne by TANGEDCO. No reconciliation between the generation end and wheeling end distribution Circles was conducted to ensure correctness of the payments made to the suppliers. Instances of creation of fake statements falsely certifying injection of power were noticed in one Circle (Tuticorin) by the internal audit wing, whereby excess payment totalling ₹11.93 crore were detected.

TANGEDCO planned (January 2014) to implement the Automatic Meter Reading (AMR) project to enable open access consumers and generators to switch over to remote metering facility to facilitate real time data transfer. The project was still pending (July 2018). Consequently, manual reading was continued.

Non/incorrect compliance to instructions

2.50 With regard to compliance of various instructions by the field Circle offices, audit observed that:

- The working instructions issued to the Circle offices for calculating compensation for deviations in contracted supply were not followed up with verification of the actual payment/receipt and the Circles were found interpreting the instructions differently. While the Tuticorin Circle calculated the compensation payable on monthly basis instead of block-wise, the Trichy and Perambalur Circles paid compensation even in cases, where generation was less than the instructed capacity.
- Under the tariff orders issued by TNERC in September 2014 and June 2016, higher rates of tariff for purchase of solar power would be allowed

only if the generating plants do not avail AD benefits. Audit examination of 20 out of 30 agreements with generators of more than 10 MW capacity indicated that payment approvals were made merely on the certificates that the generators did not avail the benefit. Audit observed that payments to the tune of ₹232.42 crore in 18 out of 20 cases were made without full verification regarding non-claiming of AD benefits.

- Scrutiny of payments to the captive generators revealed that payments were made based on meter card reading without comparing the CMRI data. Examination of the data for two generators (also short term suppliers) revealed differences to the extent of ₹41.32 crore between the meter card readings and the CMRI data. The correctness of the payment made was not ensured.

- The biomass energy generators used biomass and coal for generating power. TNERC ordered restriction of the use of fossil fuels to the extent of 15 *per cent* of the total fuel consumption and hence the usage of biomass and coal should be in the ratio of 85:15. Non-compliance with the condition would result in withdrawal of applicability of tariff for such generators. Test check of bills relating to seven out of 12 such generators for the period 2016-17 and 2017-18 revealed that the Circles did not ensure compliance to this requirement.

- As per TNERC's orders, the solar generators should provide adequate filtering mechanism before connecting the plant to the grid, to limit harmonics[99] within norms. TANGEDCO was responsible for measuring harmonics and issue notices, wherever harmonics was above stipulated limits. Audit verification of the records revealed that no such reports of measuring harmonics in the solar plants were available.

- In respect of wind energy, TANGEDCO was to provide check meters to cross verify readings in the main meters and take action, wherever substantial error was noticed. Audit observed that the existing meters in the wind energy generators were replaced with new meters. Audit reviewed the final reading of 75 out of 4,920 such released meters in Tirunelveli Circle and observed wide variations in the readings of 20 meters. As only the main meter readings were used for payments, the correctness of these payments were not ensured.

Conclusion

During 2013-18, TANGEDCO resorted to private power purchase (24,164.84 MU to 29,758.38 MU) to overcome the deficit (36 to 46 *per cent*) in committed power availability. However, the power purchase arrangements of TANGEDCO suffered due to the following shortcomings:

(i) Non-adherence to MOD

Failure to follow the principles of MOD in power purchase and delay in submission of study report on T&D loss led to disallowance of the cost of purchase amounting to ₹18,843.63 crore for tariff fixation by TNERC. Due to

99 Harmonics are changes in the normal electric current waveform. Maximum total harmonics voltage distortion on power systems is limited to 5 *per cent*.

backing down of cheaper power from the entitled source, TANGEDCO incurred an additional expenditure of ₹349.67 crore. By purchasing costly power from GMR which uses LSHS as fuel, TANGEDCO incurred additional expenditure of ₹424.43 crore.

(ii) Non-adherence to provisions of PPA

While purchasing power through long term route, TANGEDCO incurred extra expenditure of ₹712.03 crore due to reduction of the contract period. TANGEDCO failed to levy applicable liquidated damages amounting to ₹827.64 crore due to delay in commencement of power supply by nine long term suppliers. TANGEDCO made excess payment of ₹242.92 crore due to accounting of power at the generation point of the supplier instead of at the pooling point as stipulated in the agreements.

The above over payments/extra expenditure were mainly on account of failure of internal control mechanism such as absence of reconciliation of power generation/consumption between the generation and wheeling ends, non-generation of MIS reports on payments made by Circle offices for purchase of power as also the absence of co-ordination between TANGEDCO and SLDC (functioning under TANTRANSCO).

Since these lapses had a huge adverse financial impact on TANGEDCO, there is an imperative need for TANGEDCO to fix responsibility and enforce accountability to ensure that these lapses do not recur.

Recommendations

In the light of the above conclusions, TANGEDCO may:

- Avoid contracting excess capacity from costlier sources;
- Take up with appropriate authorities, the issue of shortfall in receipt of allocated power from CGS;
- Put in place better coordination with SLDC to ensure MOD, restrict curtailment and avoid payment of compensation charges;
- Adhere to the provisions of MoP guidelines and PPAs;
- Strengthen its internal control and monitoring mechanism to have better control over power purchase.

CHAPTER-III

Compliance Audit Observations

Important Audit findings, noticed as a result of test check of transactions of the State Government companies (Power Sector PSUs) are included in this Chapter.

Tamil Nadu Generation and Distribution Corporation Limited

3.1 Undue benefit

The requirement of producing documentary evidence for claiming amount of Wagon Unloading Charges paid to VDLB/VPT was waived by TNEB (now TANGEDCO) during post-tender negotiations, which enabled undue benefit of ₹807.58 crore to flow to the contractor at the expense of TANGEDCO. Continuation of the contract, which was a source of unreasonable profit to the contractor, on the same terms and conditions for more than 17 years, without considering alternate options was, thus, unjustified.

TNEB (now TANGEDCO), selected a contractor for transportation of coal from Ib Valley mines in Odisha to Visakhapatnam Port by rail, and loading into ships for further transportation to its thermal power stations through a tender finalised in November 2000. The work order (WO) to the contractor was issued in February 2001 for a period of five months with the option to TNEB to extend by one or two more months.

The work *inter alia* included unloading of coal from railway wagons at Visakhapatnam Port for loading into ships for onward transportation to various power stations of TANGEDCO through sea-rail route. Since the unloading work required labour deployment, the contractor was given the responsibility for arranging necessary labour required for the work, including those from Visakhapatnam Dock Labour Board[100] (VDLB)/Visakhapatnam Port Trust (VPT), if any, at its costs and expenses. The initial Wagon Unloading Charges (WUC) were fixed at ₹131.40[101] per metric tonne (MT) including a levy of 255[102] *per cent* on the wages payable to VDLB/VPT for engaging its labour. The Price Variation formulae was based on the revision in wage rate and port levy to be notified by VDLB/VPT from time to time.

Audit observed the following:

(i) Removal of crucial condition of proof of payment

As per Tender Specification, wages of workers and port levy paid to VDLB/VPT by contractor was to be reimbursed based on documentary

100 Subsequently merged with VPT in September 2008.

101 During 2001 to 2018, this rate was periodically revised based on the daily wage rates fixed by VPT from time to time for Maistries and Mazdoors.

102 Levy at 180 *per* cent on wages plus 75 *per cent* on piece rate wages.

evidence. The requirement of producing documentary evidence for claiming amount of WUC paid to VDLB/VPT was waived by TNEB (now TANGEDCO) during post-tender negotiations on the ground that WUC was non-statutory in nature and hence did not require proof of payment. As a result, the price fixation and variation for payment of labour charges and port levy was based entirely on VDLB rates without any proof of payment despite the fact that the contractor was allowed to engage labour from any source, including that from VDLB. Changing of the payment terms prescribed in Tender Specification through post-tender negotiations was contrary to the interests of equity, fairness and transparency of tender procedures especially when wage rates, including port levy, of labour supplied by VDLB/VPT were higher by as much as seven times compared to wage rate of private labour engaged from outside[103]. This enabled, as brought out in (ii) below, major benefits to flow to the contractor, at the expense of TANGEDCO.

(ii) Excess payment of port levy by TANGEDCO

As per the information furnished[104] (September 2018) by VPT, it was seen that during the period 2011-18[105], against the indent for 15.31 lakh labour by the contractor, VPT supplied only 5.46 lakh labour[106] (35.66 *per cent*) for unloading of coal and received a sum of ₹293.54[107] crore as WUC (including levy of ₹231.89 crore) from the contractor. During the same period, *i.e.*, 2011-18, the contractor had billed a sum of ₹1,558.66[108] crore to TANGEDCO as WUC (including a levy portion of ₹1,149.48 crore). Thus, it is evident that differential port levy amounting to ₹917.59[109] crore **(Annexure-15)** was billed in excess by the contractor to TANGEDCO. Out of the above, a sum of ₹807.58 crore pertaining to the period from 01 April 2011 to 16 August 2016 had already been paid by TANGEDCO to the contractor and for the remaining period (17 August 2016 to 31 March 2018), a sum of ₹110.01[110] crore representing excess levy claimed by the contractor had not yet been paid by TANGEDCO. There was, thus, a huge difference between the levy portion paid by TANGEDCO to the contractor and what was actually paid by the contractor to VPT. Since VPT and TANGEDCO did not furnish complete information on the number of casual and private labour deployed by the contractor, Audit could not quantify the over payment of wages by TANGEDCO to the contractor.

[103] Prevailing daily wage rate, on the date of finalization of contract (February 2001), for labour provided by VDLB/VPT was ₹342.50. On this, port levy of 255 *per cent* was charged. As against this, daily wage rate prevailing then for private labour was ₹171.61 and port levy was not payable on this.

[104] VPT's letter dated 28 September 2018 addressed to Audit.

[105] Though audit called for data from 2000-18, VPT furnished data from 2011-18 only.

[106] VPT supplied Maistries, Mazdoors and Casual Labour and charged levy on their wages.

[107] VPT's letter dated 23 December 2016 and further information dated 13 January 2020.

[108] TANGEDCO's letter dated 20 October 2016 and further information dated 07 December 2018.

[109] Though audit called for data from 2000-01 onwards, VPT furnished data from 2011-12 only, hence the excess payment of levy for the period from 2000-01 to 2010-11 could not be worked out in Audit.

[110] The above amount is as per calculation done by the O/o the AG(E&RSA), Tamil Nadu and not as per the actual amount outstanding to the contractor in TANGEDCO's Financial Statement.

Removal of the condition that wages of workers and port levy paid to VDLB/VPT by contractor was to be reimbursed based on documentary evidence, coupled with the fact that TANGEDCO did not exercise due diligence to check the accuracy of the claim resulted in undue payment of ₹807.58 crore to the contractor.

(iii) Stay on the tendering process by the City Civil Court

The contract for movement of coal through Vizag and Haldia Port for a period of five months was finalized in February 2001. Subsequently, fresh tenders were issued in September 2001. One of the sub-contractors of the contractor filed (November 2001) a case in the City Civil Court at Chennai to club all the five tenders floated by TNEB for coal handling from different ports. The City Civil Court granted an injunction on the matter and, after TNEB filed an appeal in the City Civil Court against this order, the appeal was allowed in September 2004. The High Court ordered interim suspension of the order of the City Civil Court after an appeal was filed by the sub-contractor (September 2004). Further, the sub-contractor filed (January 2005) a fresh case in the City Civil Court to restrain TNEB from calling for fresh tenders and an injunction was granted by the Court. The High Court of Madras granted an interim suspension of the Civil Court's order after a review petition against the above injunction was moved by TANGEDCO. Against the above order, the sub-contractor filed an application in the High Court. The High Court of Madras in October 2007 ordered TNEB not to proceed further with the tender advertisement issued by them and dismissed the review petition in December 2009 with a direction to approach the lower court to vacate the order of injunction.

TNEB filed (January 2010) a Special Leave Petition in the Supreme Court for obtaining comprehensive order on all the cases and enabling them to proceed with the tender. The Supreme Court required the lower court to pass an appropriate order within a period of three months after an application is filed.

In this regard, it was observed that:

- Despite the fact that the City Civil Court could not pass an order within a period of three months stipulated by the Supreme Court in April 2010, a writ in the Supreme Court to obtain order from the City Civil Court was not moved by TANGEDCO. Consequently, stay on the tendering continued to be in existence.
- The existing contract was being extended on the ground that there were stays in 2001, 2005 and 2007 on the tender floated. Though the Standing Counsel of TNEB suggested in April 2003 to suspend the operation of coal handling by the contractor and deploy some other Government agencies pending awarding of new contract after processing the tender afresh, this advice was not followed by TNEB.

The existing coal handling contract at Vizag Port was eventually not extended from 01 March 2019 and TANGEDCO from that date was moving coal from Ib Valley of Mahanadi Coalfields Limited by All-Rail route directly to thermal power stations without involving any handling contractor.

Thus, continuation of the contract, which was a source of unreasonable profit to the contractor, on the same terms and conditions for more than 17 years, without considering alternate options was unjustified given the fact that the Standing Counsel had advised for suspending the contract as early as in 2003 and, evidently, the stay by the Lower Civil Court on fresh tendering did not come in way of the option of All-Rail route exercised now (2019) by TANGEDCO, and could therefore have been exercised even earlier.

TANGEDCO in its reply stated (November 2018) that the contract was volume based and not a labour contract. It also stated that the contractor can engage other than VDLB labour. TANGEDCO further stated (April 2019) that the coal handling contract for Visakhapatnam Port and Haldia Port was not extended from 01 March 2019 and it had been trying different alternate options for Visakhapatnam Port, considering its high cost.

The reply is not acceptable, as the WUC on MT basis was arrived at based on the higher wage rates applicable to maistry and mazdoors and levy payable on such higher wages. Further, the decision to remove the condition for production of proof for payment of wages and levy portion through post-tender negotiations was not only in violation of the principles of fairness and equity but also lacked financial prudence and resulted in excess payment of ₹807.58 crore to the contractor. Also, the non-extension of contract for coal handling at Vizag Port beyond February 2019 and going for other alternatives[111] were considered by GoTN/TANGEDCO only after it was pointed out by Audit (January 2019).

Avoidable interest

Failure to take over the agreed quantum of Short term liabilities as per Financial Restructuring Plan by the State Government, TANGEDCO was forced to assume interest liability to the tune of ₹3,909.26 crore.

3.2 Ministry of Power (MoP), Government of India (GoI), to enable turnaround and ensure long term viability of State Distribution Companies (DISCOMS) formulated (October 2012) a Scheme for financial restructuring of DISCOMS. In pursuance of the above, Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO), prepared a Financial Restructuring Plan (FRP) (November 2012) and the same was approved by Government of Tamil Nadu (GoTN) in December 2012.

As per the FRP, 50 *per cent* of Short Term Liabilities (STL)[112] of TANGEDCO as on 31 March 2012 were to be taken over by the GoTN. Initially, TANGEDCO would issue bonds to the participating lenders, subsequently GoTN will take over this liability in a phased manner (two to five years) as per the space available in the State Fiscal Responsibility and Budget Management (FRBM) limits. GoTN will service the interest and the debts till it takeover. The banks and Financial Institutions (FIs) would restructure the balance 50 *per cent* of STL.

111 (i) the usage of All-rail mode, (ii) moving coal through the Paradip Port, (iii) direct contract with VPT without engaging a contractor.

112 Short term loans, working capital loans, payable to power suppliers and other loans excluding loans taken for capital expenditure.

The Consultant[113] appointed for the purpose had worked out the eligible STL as on 31 March 2012 as ₹24,422 crore and expected that 50 *per cent* of the above i.e., ₹12,211 crore should be taken over by GoTN. Accordingly, TANGEDCO submitted (November 2012) the proposal to Energy Department GoTN for its approval. Audit noticed that GoTN in Energy Department, with the concurrence of Finance Department had approved the proposal of TANGEDCO, wherein it was specifically indicated that the eligible amount for takeover was ₹24,422 crore. However, the Energy Department while communicating (December 2012)[114] the approval had mentioned the eligible STL as ₹12,211 crore (instead of ₹24,422 crore) out of which 50 *per cent* would be taken over by GoTN.

In pursuance of the above, TANGEDCO issued bonds to a value of ₹6,353.49 crore to 24 participating lender banks on various dates (April to June 2013) at the then prevailing interest rates. Against the takeover of the above liability, GoTN, citing difficult financial position, took over ₹4,000 crore only by issuing Special Securities, in a phased manner (June 2014, February/August 2016) and directed TANGEDCO to assume the left over commitment of ₹2,353.49 crore by itself. Thus, actual liability taken over by the GoTN represented 33 *per cent* of the initially agreed amount of ₹12,211 crore and the remaining amount of ₹8,211 crore was assumed by TANGEDCO.

Audit observed that GoTN while approving the FRP in December 2012 indicated to takeover ₹12,211 crore mentioned in FRP, TANGEDCO did not seek clarification and proceeded further without analysing the workable situation. It was further observed that in the first year (2014 - 15) of takeover, the outstanding liability of the GoTN in terms of Gross State Domestic Product (GSDP) stood at 19.64 *per cent* as against the total limit of 25.20 *per cent* stipulated in the state FRBM Act i.e., Tamil Nadu Fiscal Responsibility Act. The gap of 5.56 *per cent* gave a space for assuming liability to the tune of ₹54,305 crore on its GSDP (₹9,76,703 crore) against which it took over the liability of TANGEDCO for a meagre amount of ₹1,000 crore. Similarly during 2015-16 also, there was a gap of 6.81 *per cent* representing a sum of ₹82,583 crore, against which the GoTN took over only a sum of ₹1,000 crore

Meanwhile, TANGEDCO assumed all the loans and continued to service the interest and principal forcing it to incur interest liability to the tune of ₹3,909.26 crore (calculated based on the average cost of borrowing 12.42[115] *per cent* on ₹8,211 crore) till the adoption of Ujwal Discom Assurance Yojna (UDAY) in February 2017. The above interest loss represented 10.60 *per cent* of the total loss of ₹36,877.20 crore reported during 2013-17. To conclude, TANGEDCO was not able to get rid of its liabilities and was forced to get into the vicious cycle of debt and repayment of interest till the introduction of UDAY.

TANGEDCO replied (October 2018) that as on 31 March 2012, the eligible STL to be taken over by GoTN stood at ₹24,422 crore, which got reduced to ₹12,765.35 crore as on 31 January 2013, 50 *per cent* of which ₹6,382.68 crore

113 ICRA Management Consulting Services Limited, Chennai.
114 G.O. Ms. No. 142 Energy (D2) Department dated 24 December 2012.
115 Average interest rate of borrowing by TANGEDCO during 2013-14 to 2016-17.

was considered for takeover by GoTN. The reply was factually incorrect for the reason that at the end of March 2013, the total capital liabilities eligible for restructuring at the end of March 2013 stood at ₹40,318 crore against the ₹12,765.35 crore as stated in the reply. Thus, the erroneous consideration of eligible amount was proved and the consequential interest burden on TANGEDCO was avoidable and vitiated the objective of achieving turnaround of TANGEDCO by 2014-15. Whereas, against the projected profit of ₹45 crore in the scheme, it incurred a loss of ₹25,786.82 crore by 2015-16.

The matter was referred to the Government in August 2018; reply has not been received (January 2019).

Instead of mobilising funds by issue of bonds at a lower rate of interest, TANGEDCO borrowed funds from financial institutions carrying higher rates of interest, which resulted in avoidable interest of ₹71.68 crore

3.3 Government of Tamil Nadu (GoTN) extended (November 2011) guarantee for borrowing through issue of bonds to the extent of ₹6,000 crore to Tamil Nadu Power Finance and Infrastructure Development Corporation Limited (TNPFC), for mobilising resources to meet the requirement of financial needs of TANGEDCO, by floating public bonds in different phases. TNPFC, mobilised a sum of ₹1,964.20 crore[116] through issue of public bonds utilising the above Government guarantee in four tranches between August 2012 and May 2013. Subsequently, at the request of TANGEDCO, GoTN transferred (September 2013) the balance guarantee of ₹4,035.80 crore[117] to TANGEDCO to mobilise funds directly by issuing public bonds by it. Based on this guarantee, TANGEDCO mobilised a total amount of ₹3,135.30 crore through issue of public bonds in four tranches between November 2013 and March 2015 leaving a shortfall of ₹864.70 crore as detailed below:

Table 3.1 Details of bonds issued by TANGEDCO

(₹in crore)

Bond series	Month of issue	Value offered	Value obtained	Rate of interest	Financial arrangement executed by the bidders
1/2013-14 (First)	November 2013	1,000.00	633.50	10.50	M/s SPA Capital advisers and M/s Real Growth Securities
1/2014-15 (Second)	April 2014	1,000.00	1,000.00	9.72	Axis Bank and M/s Trust Investment Advisers
2/2014-15 (Third)	October 2014	1,000.00	1,000.00	9.20	Axis Bank, ICICI Bank, M/s Trust Investment Advisers and M/s Darashaw
3/2014-15 (Fourth)	March 2015	1,000.00	501.80	9.0	M/s Real Growth, M/s Tipsons and ICICI Securities
	TOTAL	**4,000.00**	**3,135.30**		
Shortfall		**864.70**			

116 The fund mobilised by TNPFC by issue of public bonds was given as a loan to TANGEDCO.

117 At the time of issue of order in September 2013, the guarantee stood at ₹ 4,737.40 crore which was amended to ₹ 4,035.80 crore in April 2014.

After issue of the first tranche of public bonds, TANGEDCO obtained (December 2013) loan of ₹2,843 crore from Power Finance Corporation Limited, New Delhi (PFC) at an interest rate of 12.25 *per cent* and also obtained (August 2016) loan of ₹700 crore from HDFC bank (HDFC) at an interest rate of 11.90 *per cent* after the closure of fourth tranche. These loans were obtained to off-set the shortfall in raising of funds through public bonds. During the compliance audit of office of the Chief Financial Controller, TANGEDCO, the following were observed (June 2017):

- In the tenders for selection of Arranger,[118] TANGEDCO stipulated that the selected bidder should mobilise/underwrite committed amount of ₹500 crore with an option to retain over subscription of another ₹500 crore, thereby to mobilise a total sum of ₹1,000 crore in each tranche. In all the four tenders, TANGEDCO received more than one bid, undertaking to mobilise the committed sum of ₹500 crore and equal amount of green shoe option[119] by each bidders individually. The shortlisted bidders[120] had agreed to match the L-1 rate and had undertaken to subscribe the committed sum of ₹500 crore each. However, while issuing the Letters of Authority (LOA), TANGEDCO indicated the committed subscription to each Arranger as ₹250 crore in first and second tranches, but indicated ₹125 crore in third tranche and ₹166.70 crore in fourth tranche by splitting the committed amount to be shared amongst the L-1 bidders without assigning any reasons therefor.

  Placement of orders for lesser quantum than the offered quantum was in violation of Rule 31 of the Tamil Nadu Transparency in Tender Rules, 2000, which stipulated that the Tender Accepting Authority may place orders on the lowest evaluated tenderer for the entire quantity offered. Consequently, in the first and fourth tranche, TANGEDCO had mobilised a total amount of ₹633.50 crore and ₹501.80 crore leaving a shortfall of ₹366.50 crore and ₹498.20 crore respectively which was made good by high cost borrowing subsequently.

- Erroneous issue of LOA by TANGEDCO for a lower amount than the offered amount necessitated bridging the shortfall through loans from PFC and HDFC at higher interest rates at 12.25 and 11.90 *per cent* respectively resulting in avoidable interest to the extent of ₹71.68 crore as detailed below:

118 A provider of funds in syndication of a debt who bears the risk of selling the underlying securities.

119 Green shoe option is an over-allotment option to sell more share than originally planned.

120 Two L-1 bidders for tranche-I and II, four L-1 bidders for tranche-III and three L-1 bidders for tranche-IV.

Table 3.2 Details showing avoidable interest

Sl. No.	Particulars	Bond series 1/2013-14 (First tranche)	Bond series 3/2014-15 (Fourth Tranche)
1	Issue period	November 2013	March 2015
2	Issue size (₹ in crore)	1,000.00	1,000.00
3	Amount mobilised (₹ in crore)	633.50	501.80
4	Shortfall (₹in crore)	366.50	498.20
5	Rate of interest of pubic bonds per annum (in *per cent*)	10.5	9.0
6	Rate of interest for additional loan per annum (in *per cent*)	12.25	11.90
7	Differential rate of interest per annum (in *per cent*)	1.75	2.90
8	Differential interest per annum (₹ in crore)	6.4	14.45
9	Differential interest from the month of issue to March 2018[121] (₹ in crore)	28.33	43.35
	TOTAL (8)+(9)		**71.68 crore**

Downsizing of the committed subscription resulted in avoidable interest expenditure and amounted to undue benefit to the Arrangers lacking justification.

TANGEDCO replied (October 2018) that the orders were placed on more than one bidders in terms of Tender Specification in Section 11.0 (b) which enabled the Company to appoint one or more Arrangers if the bidders matched the lowest financial bid. The reply was not tenable in view of the fact that Rule 31 of the Tamil Nadu Transparency in Tender Rules, 2000, clearly stipulated that the Tender Accepting Authority may place orders on lowest evaluated tenderer for the entire quantity offered.

The matter was referred to the Government in June 2018; reply has not been received (January 2019).

3.4 Avoidable expenditure

TANGEDCO did not take cognizance of shipping tolerance clause in the purchase order and procured imported coal through another source resulting in avoidable expenditure of ₹14.44 crore

To cater to its thermal stations, TANGEDCO invited tenders (February 2016) for supply of 39 lakh tonnes of imported steam coal of any origin for the period from May to November 2016. The tender conditions, inter alia,

121 Calculated from the date of PFC loan ₹2843 crore (31 December 2013).

included a clause on shipping tolerance[122] of +5 *per cent* for Tuticorin Port and +3 *per cent* for Ennore/Karaikal Port, the option to be exercised by TANGEDCO only. In the pre-bid meeting (18 February 2016), on clarification to exercise such option by the seller, it was confirmed that the option will be exercised by TANGEDCO only.

After evaluation of tenders, Purchase Orders (POs) were placed (February 2016) on four firms at a negotiated rate of USD 62.50/ USD 61 per MT for delivery at Tuticorin Port and Ennore/Karikal Port respectively for supply of a total quantity of 39 lakh tonnes of coal with the usual terms and conditions. As per the POs, the purchaser can postpone the delivery schedules depending upon its requirement. Accordingly, TANGEDCO extended the delivery schedule upto May 2017. Two firms had supplied (September 2016 - June 2017) their entire ordered quantity of eight lakh tonnes. The other two firms had supplied (May 2016 to June 2017) 30.98 lakh tonnes against the ordered quantity of 31 lakh tonnes, leaving a balance quantity of 2,099 tonnes.

During the scrutiny of records of office of the Chief Engineer (Coal), it was noticed (June 2018) that, the prices of coal in the international market were increasing from USD 51.20 in May 2016 to USD 75.46 per MT in June 2017. As per the PO, the seller should arrange suitable vessel[123] to complete the total guaranteed quantity within the delivery schedule. Audit noticed that the actual loading of coal was lesser than the rated capacity of the designated type of vessel. The total differential quantity worked out to 2.71 lakh tonnes which could have been loaded as per the capacity of the vessels. This was higher than the tolerance quantity of 93,000 MT exercisable as per the conditions of POs. However, TANGEDCO did not take cognizance of this shortfall either at the intermediary shipment stage or at the final shipment stage to exercise the shipping tolerance clause though there was requirement of coal in its power stations. It was further noticed that one of the suppliers *i.e.*, M/s MSTC, at the last shipment, requested (May 2017) to accept an additional quantity of 25,000 tonnes, to suit the loading capacity of the normal vessel indicating the provisions of shipping tolerance clause. However, TANGEDCO rejected (June 2017) the offer and the supplier restricted the supply to the total guaranteed quantity through a smaller vessel.

To meet the urgent demand at power stations, TANGEDCO decided (August 2017) to procure (September 2017) 1.15 lakh tonnes of imported coal[124] from Tamil Nadu News Print and Papers Limited (TNPL) at a basic cost of ₹5,065 per MT (equivalent to USD 78.05 at the rate of ₹64.90 per USD), which was higher than the rate of the four POs referred ibid. Audit observed that, by invoking the shipping tolerance, TANGEDCO could have procured 95,099[125] tonnes of coal at a lower price. The differential cost to source the equal

[122] An option, which can be exercised by TANGEDCO in case of last shipment of ordered quantity, for permitting the supplier to load the ship beyond the ordered quantity in the available space of the ship upto a maximum of +3/+5 *per cent* as the case may be.

[123] Handimax/Supermax type of vessel for Tuticorin Port and Panamax type of vessel for Ennore Port.

[124] 1.15 lakh MT+/- tolerance (70,000 MT +/- 2 *per cent* Ex-Karaikal Port and 45,000 MT +/- 1 *per cent* Ex- Tuticorin Port.

[125] Including the left over quantity of 2,099 tonnes.

quantity through M/s TNPL involved an avoidable expenditure of ₹14.44 crore **(Annexure-16)**. Failure to exercise the shipping tolerance option resulted in avoidable expenditure of ₹14.44 crore which lacked financial prudence.

TANGEDCO replied (October 2018) that shipping tolerance was not invoked for two reasons *viz.,* (i) shipping tolerance was not a way to procure additional coal and even if required, it could be used at the time of last consignment and (ii) GoI advised (October 2016) to stop importing coal and substitute it with indigenous coal. The reply was not tenable for the reasons that the prices of imported coal were in the increasing trend and it had an option to insist for loading additional quantity invoking shipping tolerance right from the initial voyages itself. Also, during the period of ban on import of coal, TANGEDCO continued (upto June 2017) the import of coal and resorted to further procurement of imported coal from M/s TNPL in September 2017. Thus, under the then prevailing situations, failure to invoke the favourable conditions in the tender was not in the financial interest of TANGEDCO.

The matter was referred to the Government in September 2018; reply has not been received (January 2019).

PART-II

Part II

Chapter IV

Functioning of Public Sector Undertakings (other than Power Sector)

Introduction

4.1 There were 70 Public Sector Undertakings (PSUs) as on 31 March 2018 which related to sectors other than Power Sector. These PSUs were incorporated during the period 1948-49 to 2015-16 and comprised 69 Government Companies and one Statutory Corporation *viz.,* Tamil Nadu Warehousing Corporation. The above PSUs included six[126] non-functional companies and Twelve[127]subsidiary companies owned by other Government Companies.

The State Government provides financial support to these PSUs in the form of equity, loans and grants/subsidy from time to time. Of the 70 PSUs (other than Power Sector), the State Government invested funds only in 58 PSUs and not in those Government Companies which were incorporated as joint venture/subsidiary of other Government Companies. Equity of these joint venture/subsidiary companies was contributed by the respective Co-partner/ Holding Companies.

Contribution to the Economy of the State

4.2 A ratio of turnover of the PSUs to the Gross State Domestic Product (GSDP) shows the extent of activities of the PSUs in the State economy. The Compounded Annual Growth Rate (CAGR) is a useful method to measure growth rate over multiple time periods. The **Table 4.1** provides the details of turnover of PSUs (other than Power Sector) and GSDP of Tamil Nadu for a period of five years ended March 2018.

Table 4.1: Turnover of PSUs *vis-a-vis* GSDP of Tamil Nadu

(₹ in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Turnover	48,616.49	53,222.73	54,199.81	57,097.38	58,238.01
GSDP of Tamil Nadu	8,54,238	9,76,703	12,12,668	12,98,511	14,27,074
Percentage of Turnover to GSDP of Tamil Nadu	5.69	5.45	4.47	4.40	4.08
Percentage of growth of turnover	7.13	9.47	1.84	5.35	2.00
Percentage of growth of GSDP	14.74	14.34	24.16	7.08	9.90
CAGR of Turnover					3.68
CAGR of GSDP					10.81

Source: Turnover reported in the latest finalized accounts of working PSUs and GSDP figures as per State Finance Audit Report of CAG of India for the year 2017-18 of GoTN.

The aggregate turnover of these PSUs were in increasing trend year after year

126 Referred at Serial Number 14, 64,65,66,67 and 68 of Annexure- 17

127 Referred at Serial Number 25,26,27,29,30,31,32,33,34,42,47 and 67 of Annexure-17.

during 2013-18 and its percentage of growth rate was fluctuating in the range of 1.84 to 9.47. During the same period, the GSDP also showed an increasing trend with fluctuating growth rate in the range of 7.08 to 24.16 *per cent*. However, GSDP recorded CAGR of 10.81 *per cent* during 2013-18 whereas during the same period, CAGR of the turnover of PSUs (other than power sector) recorded very low at 3.68 *per cent.* This was evident from the decrease in the growth rate of turnover of PSUs as well as decrease in share of turnover of these PSUs to GSDP from 5.69 *per cent* in 2013-14 to 4.08 *per cent* in 2017-18.

Investment in Public Sector Undertakings (other than Power Sector)

4.3 There are some PSUs which are an instrument/nodal agency to the State Government to provide certain services which the private sector may not be willing to extend due to various reasons, PSUs of such nature are classified as "Social Sector PSUs". Besides, the Government has also entered into certain business segments through some PSUs where it faces competition from private players, PSUs of such nature are classified as "Competitive Sector PSUs". In addition, there were two[128] PSUs which were established by GoTN to perform certain activities which cannot be classified under the above two categories, these PSUs has been dealt with in this report as "Others". Details of investment made in 70 PSUs in the form of equity and long term loans upto March 2018 are detailed in **Annexure-17.**

4.4 The sector-wise summary of investment made in 70 PSUs are given in **Table 4.2**.

Table 4.2: Sector-wise investment in PSUs (other than power sector)

Sector	Number of PSUs	Investment (₹ in crore)		
		Equity	Long term loans	Total
Social Sector (SS)	14	245.06	572.55	817.61
Competitive Sector (CS)	54	7,466.48	5,476.68	12,943.16
Others	2	16.00	---	16.00
Total	**70**	**7,727.54**	**6,049.23**	**13,776.77**

Source: Details received from PSUs.

As on 31 March 2018, the total investment (equity and long-term loans) in 70 PSUs was ₹13,776.77 crore. The investment consisted of 56.09 *per cent* towards equity and 43.91 *per cent* in long-term loans. The long term loans advanced by the State Government constituted ₹1,180.06 crore (19.51 *per cent*) and the balance amount of ₹4,869.17 crore (80.49 *per cent*) were obtained by the PSUs from Banks and Financial Institutions.

The investment has grown by 82.02 *per cent* from ₹7,568.64 crore in 2013-14 to ₹13,776.77 crore in 2017-18. The increase was mainly towards equity infusion by GoTN to eight State Transport Undertakings (STUs).

During the year 2017-18, no disinvestment, restructuring or privatization of PSUs of other than power sector was done by GoTN.

128 Tamil Nadu Police Housing Corporation Limited and Tamil Nadu State Marketing Corporation Limited were established by GoTN for constructing of houses for Police Personnel and wholesale and retail sale of Indian Made Foreign Liquor in the State respectively.

Budgetary Support to PSUs (other than Power Sector)

4.5 GoTN provides financial support to PSUs in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans, grants/subsidies and loans converted into equity during the year in respect of PSUs for the last three years ending March 2018 are given in **Table 4.3**.

Table 4.3: Budgetary support to PSUs (other than Power Sector) during 2015-18

(₹in crore)

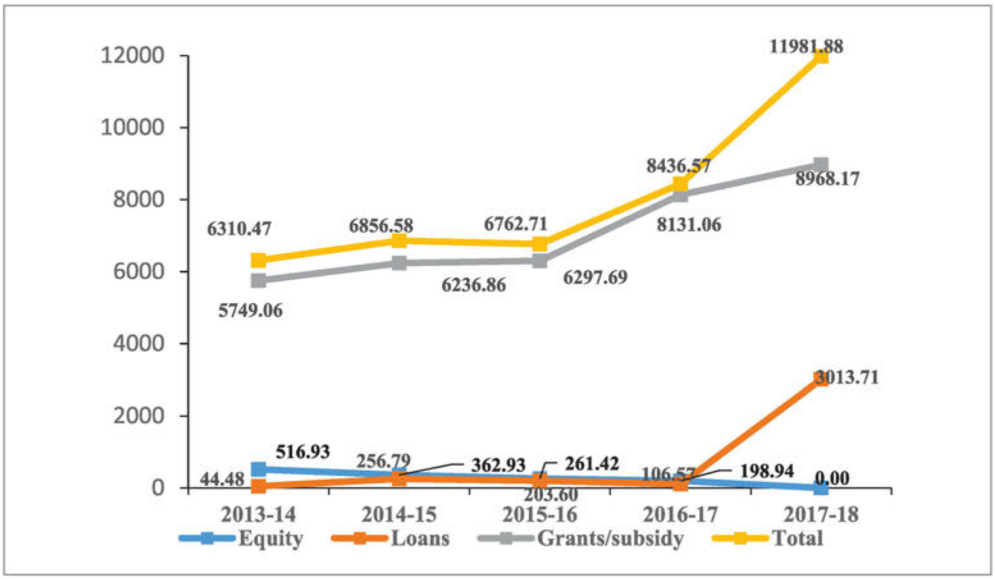
Sl. No.	Particulars[129]	2015-16		2016-17		2017-18	
		Number of PSUs	Amount	Number of PSUs	Amount	Number of PSUs	Amount
1	Equity Capital	11	261.42	11	198.94	--	--
2	Loans	7	203.60	5	106.57	13	3,013.71
3	Grants/Subsidy	17	6,297.69	17	8,131.06	20	8,968.17
4	Total Outgo (1+2+3)	24	6,762.71	18	8,436.57	27	11,981.88
5	Loan repayment/written off	--	--	--	--	--	--
6	Loans converted into equity[130]	--	--	--	--	8	3,021.07
7	Guarantees issued	6	267.19	5	228.30	7	1,548.06
8	Guarantee Commitment	11	1,540.15	9	1,415.08	9	2,653.72

Source: Compiled from the information received from PSUs in respective years.

The details regarding budgetary outgo towards equity, loans and grants/subsidies for the last five years ending March 2018 are given in **Chart 4.1.**

Chart 4.1: Budgetary outgo towards Equity, Loans and Grants/Subsidies

(₹in crore)



Source: Information received from PSUs during respective years

129 Amount represents outgo from State Budget only.

130 In eight State Transport Undertakings including the previous years' loan.

The budgetary assistance received by these PSUs during the years 2013-18 ranged between ₹6,310.47 crore and ₹11,981.88 crore. The budgetary assistance of ₹11,981.88 crore received during the year 2017-18 included ₹3,013.71 crore and ₹8,968.17 crore in the form of loans and grants/subsidy respectively. The State Government did not provide any equity assistance to these PSUs during 2017-18, whereas the existing loans totalling a sum of ₹3,021.07 crore were converted into equity. The subsidy/grants given by the State Government was primarily to procure food grains for distribution under Public Distribution System by Tamil Nadu Civil Supplies Corporation Limited (₹6,001 crore) and to State Transport Undertakings (STUs) to compensate diesel cost (₹1,172.16 crore) during 2017-18.

Besides the budgetary support, GoTN also provides guarantee for PSUs to seek financial assistance from Banks and financial institutions. PSUs are liable to pay guarantee fee to the State Government upto 0.5 *per cent* of guarantee amount utilized on raising cash credit from banks and loans from other sources including Letters of Credit. The guarantee commitment given by GoTN to PSUs stood at ₹1,540.15 crore at the end of March 2016 and increased to ₹2,653.72 crore at the end of March 2018. During the year 2017-18, 10 PSUs had paid a sum of ₹1.34 crore to the Government and at the end of March 2018, the accumulated/outstanding guarantee fee payable by two[131] PSUs was ₹75 lakh.

Reconciliation with Finance Accounts of Government of Tamil Nadu

4.6 The figures in respect of equity, loans and guarantees outstanding as per records of PSUs should agree with that of the figures appearing in the Finance Accounts of the GoTN. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of the differences. The position in this regard in PSUs (other than Power Sector) as on 31 March 2018 is given in **Table 4.4**.

Table 4.4: Equity/guarantees outstanding as per Finance Accounts of GoTN vis-a-vis records of PSUs

(₹ in crore)

Outstanding in respect of	Amount as per records of PSUs	Amount as per Finance Accounts	Number of PSUs involved	Net Difference
Equity	405.41	400.86	6	4.55
Loans	--	--	--	--
Guarantees	661.28	486.73	5	174.55

Source: Information received from PSUs and Finance Accounts.

Audit observed that such differences occurred in ten PSUs as shown in **Annexure-18.** The differences between the figures are persisting since last many years. Major difference in balances (guarantee) was observed in Tamil Nadu Industrial Investment Corporation Limited. The details of differences (PSU wise) were brought to the notice of Additional Chief Secretary, Finance Department from time to time for reconciliation. However, the differences persisted. Therefore, it is recommended that the State Government and the respective PSUs should reconcile the differences in a time-bound manner.

131 TABCEDCO and TASMAC.

Submission of accounts by PSUs (other than Power Sector)

4.7 As of 31 March 2018, there were 70 PSUs (other than Power Sector), *i.e.,* 64 working PSUs (63 Government Companies and one Statutory Corporation) and six non-functional PSUs under the audit purview of CAG. The status of timeline followed by the PSUs in preparation and submission of accounts to CAG are discussed below:

Timeliness in preparation of accounts by working PSUs

4.7.1 PSUs were required to submit their annual accounts every year on or before 30 September after close of the respective financial year. However, out of 64 working Government Companies, 40 Government Companies had forwarded their accounts for the year 2017-18 for audit by CAG on or before 30 September 2018, whereas the accounts of remaining 24 Government Companies were in arrears. In respect of the Statutory Corporation *viz*., Tamil Nadu Warehousing Corporation, the statutory audit was conducted by Chartered Accountants and supplementary audit was conducted by CAG. This Statutory Corporation did not submit their accounts for the year 2017-18 for audit in time.

Details of arrears in submission of accounts by working PSUs (other than Power Sector) as on 30 September of the respective financial years are given in **Table 4.5**.

Table 4.5: Position relating to submission of accounts by the working PSUs (other than Power Sector)

Sl. No.	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
1.	Number of PSUs (other than Power Sector)	59	60	63	63	64
2.	Number of accounts submitted during current year	62	51	59	65	64
3.	Number of working PSUs which finalised accounts for the current year	46	38	36	38	40
4.	Number of previous year accounts finalised during current year	16	13	23	27	24
5.	Number of working PSUs with arrears in accounts	13	22	27	26	24
6.	Number of accounts in arrears	17	26	30	28	33
7.	Extent of arrears	One to two years	One to two years	One to two years	One to two years	One to three years

Source: Compiled based on the receipt of accounts from PSUs during October to September of respective financial years.

Of these 64 working PSUs, 40 PSUs had finalised 64 annual accounts during the period 01 October 2017 to 30 September 2018 which included 40 annual accounts for the year 2017-18 and 24 annual accounts for previous years. Further, 33 annual accounts were in arrears which pertain to 24 PSUs for the years ranging from 2015-16 to 2017-18 as detailed in **Annexure-19.** The Administrative Departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs in Annual General Meeting within the stipulated period. The concerned Departments were informed quarterly regarding arrear in accounts.

In the absence of finalisation of accounts and their subsequent audit in these PSUs, it could not be ensured whether the investments and expenditure incurred had been properly accounted for and the purpose for which the amount was invested was achieved. Investment of GoTN in these PSUs, therefore, remained outside the control of State Legislature.

Timeliness in preparation of accounts by Non-functional PSUs

4.7.2 There were six non-functional PSUs (excepting State Engineering and Servicing Company of Tamil Nadu Limited) as on 31 March 2018, of which the accounts of five PSUs were in arrears and the extent of arrears are given in **Table 4.6.**

Table 4.6: Details of arrears of accounts of non-functional PSUs

S. No.	Name of non-functional companies	Period for which accounts were in arrears
1.	Tamil Nadu Agro Industries Development Corporation Limited (TN Agro)	2013-14 to 2017-18
2.	Tamil Nadu Poultry Development Corporation Limited (TAPCO)	2016-17 and 2017-18
3.	TN State Construction Corporation Limited (TNSCC)	2014-15 to 2017-18
4	Southern Structurals Limited (SSL).	2017-18
5	Tamil Nadu Goods Transport Corporation Limited (TN Goods)	1990-91 to 2017-18

Source: Compiled based on accounts of PSUs received upto September 2018.

Of these, TN Goods had commenced liquidation process and in respect of another PSU[132], merger orders were issued and its implementation was pending. The closure orders for remaining four[133] PSUs were issued but the liquidation process had not yet started.

During 2017-18, one of the non-functional PSU incurred an expenditure of ₹3.58 lakh without any beneficial returns. Since the non-functional PSUs were not contributing to the State economy, the State Government needs to take urgent steps either for revival or final closure to avoid further expenditure in these non-functional PSUs.

The process of voluntary winding up under the Companies Act is much faster and needs to be pursued vigorously. The Government may take a decision regarding winding up of six non-functional PSUs.

Comments on Accounts of PSUs (other than Power Sector)

4.8 Forty working companies forwarded 64 audited accounts to the Accountant General during the period from 1 October 2017 to 30 September 2018. These accounts were subjected to either scrutiny at office level or selected for supplementary audit. The Audit Reports of Statutory Auditors and supplementary audit conducted by the CAG indicated that the quality of accounts needs to be improved substantially. The details of aggregate money value of the comments of Statutory Auditors and the CAG are given **Table 4.7.**

132 State Engineering and Servicing Company of Tamil Nadu Limited.

133 TN Agro, TAPCO, TN State Construction and SSL.

Table 4.7: Impact of audit comments on Working Companies (other than Power Sector)

(₹ in crore)

Sl. No.	Particulars	2015-16		2016-17		2017-18	
		Number of accounts	Amount	Number of accounts	Amount	Number of accounts	Amount
1.	Decrease in profit	13	194.39	10	211.11	4	142.04
2.	Increase in profit	3	1.94	1	0.02	1	16.07
3.	Increase in loss	10	6,417.49	10	18,304.81	11	21,235.10
4.	Decrease in loss	---	---	---	---	2	38.36
5.	Non-disclosure of material facts	---	---	---	---	1	4.49
6.	Errors of classification	3	35.49	3	16.93	1	6.03

Source: Compiled from comments of the Statutory Auditors/ C&AG in respect of Government Companies.

During the year, the Statutory Auditors had given unqualified certificates for 38 accounts and qualified certificates for 26 accounts. The compliance of companies with the Accounting Standards remained poor, as there were 54 instances of non-compliance in 20 accounts from 20 PSUs during the year.

Impact of non-finalisation of accounts of PSUs (other than Power Sector)

4.9 As pointed in paragraph 4.7, the delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the relevant statutes. Out of 24 PSUs which had not finalised their accounts upto 2018, in respect of ten PSUs, GoTN had released a sum of ₹6,844.51 crore in the form of loans (₹365.15 crore) and grants (₹6,479.36 crore) as detailed in **Annexure-20**. In view of the above state of arrears of accounts, the actual contribution of the PSUs to State GSDP for the year 2017-18 could not be ascertained and their contribution to State exchequer was also not reported to the State Legislature.

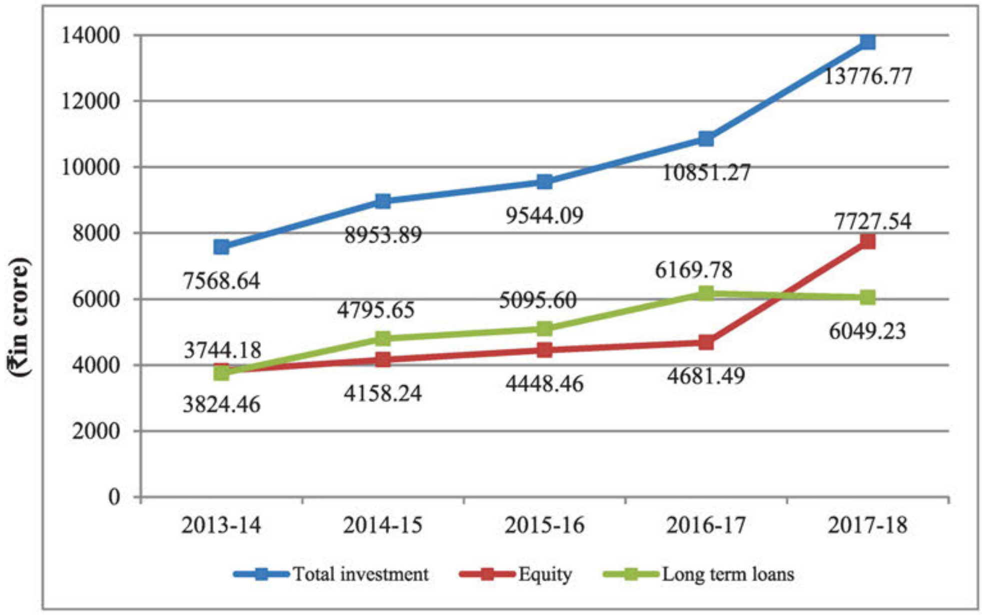
It is, therefore, recommended that the Administrative Department should strictly monitor and issue necessary directions to clear the arrears in finalisation of accounts. The Government may also look into the constraints in preparing the accounts of the PSUs and take necessary steps to clear the arrears in accounts.

Performance of PSUs (other than Power Sector)

4.10 The financial position and working results of the 70 PSUs (working and non-functional) are detailed in **Annexure-21** as per their latest finalised accounts as on 30 September 2018.

The PSUs are expected to yield reasonable return on investment made by Government in the undertakings. The total investment of GoTN in PSUs other than power sector as on 31 March 2018 consisted ₹7,727.54 crore as equity and ₹6,049.23 as long term loans. The year wise status of total investment, equity and long term loans during the five years period 2013-18 is shown in the **Chart 4.2.**

Chart 4.2: Total investment in PSUs (other than Power Sector)



Source: Data received from PSUs in respective years.

The investment has grown by 82.02 *per cent* from ₹7,568.64 crore in 2013-14 to ₹13,776.77 crore in 2017-18. The investment increased due to addition of ₹3,903.08 crore and ₹2,305.05 crore towards equity and long term loans respectively during 2013-18.

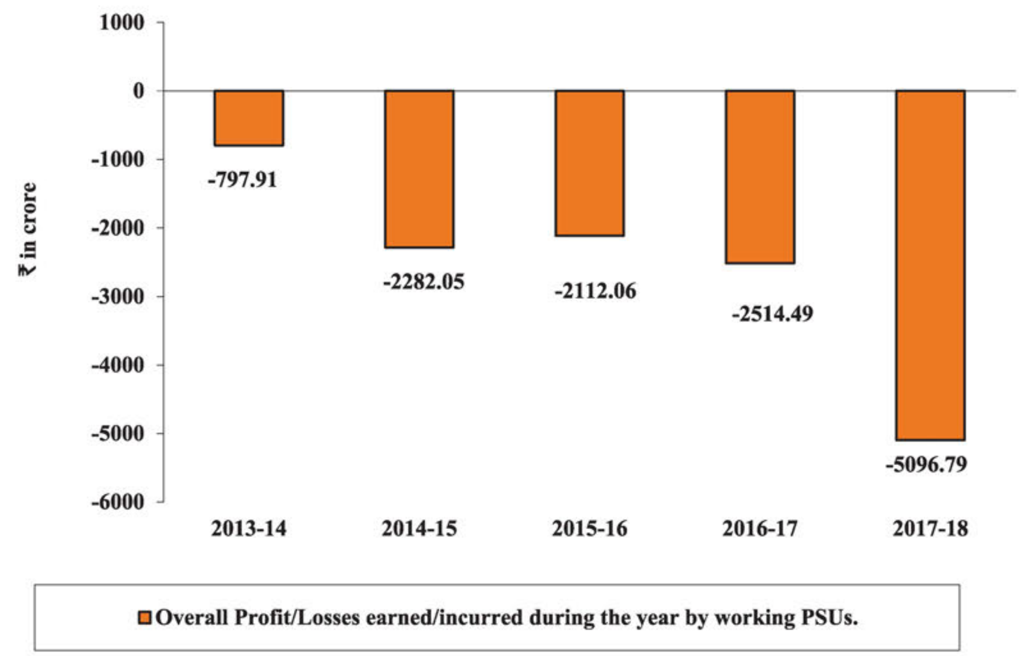
The profitability of a company is traditionally assessed through return on investment, return on equity and return on capital employed. Return on investment measures the profit or loss made in a fixed year relating to the amount of money invested in the form of equity and long term loans and is expressed as a percentage of profit to the total investment. Return on capital employed is a financial ratio that measures the company's profitability and the efficiency with which its capital is used and is calculated by dividing company's earnings before interest and taxes by capital employed. Return of Equity is a measure of performance calculated by dividing net profit after tax by shareholders' funds.

Return on investments

4.11 The Return on investment is the percentage of profit or loss to the total investment. The overall position of Profit/losses[134] earned/incurred by the 64 working PSUs (other than Power Sector) during 2013-14 to 2017-18 is depicted below in a **Chart 4.3**.

[134] Figures are as per the latest finalised accounts during the respective years.

Chart 4.3: Overall Profit (+)/Losses (-) earned/incurred by working PSUs



Source: As per the latest accounts finalized during respective years

The 64 working PSUs, incurred losses in aggregate in all the five years during 2013-18 and the aggregate losses were in the range of ₹797.91 crore to ₹5,096.79 crore. As per the latest finalised accounts, out of 64 working PSUs, 39 PSUs earned a profit of ₹548.09 crore and 21 PSUs incurred a loss of ₹5,644.88 crore. Three[135] companies neither earned profit nor incurred any loss including Tamil Nadu Civil Supplies Corporation Limited to which the entire deficit was compensated by GoTN in the form of subsidy. One[136] newly formed Company has not finalised its first accounts. The details of number of PSUs which earned profit/incurred losses during 2013-18 are given in **Table 4.8.**

Table 4.8 Details showing the number of working PSUs (Other than Power Sector) earned profit/incurred loss during 2013-18

Year	Total number of PSUs in the State	Number of PSUs earned profit during the year	Number of PSUs incurred loss during the year	Number of PSUs which reported no profit/loss	Number of PSUs which had marginal profit or loss[137]
2013-14	59	32	17	3	7
2014-15	60	31	18	3	8
2015-16	63	34	18	3	8
2016-17	63	33	18	3	9
2017-18	63*	33	18	3	9 (Profit -6 & Loss-3)

Source: As per the latest accounts finalized during respective years
* Excluding one Company formed which had not finalised its first Accounts

135 Guindy Industrial Estate, MTICD Limited and TNCSC.
136 TN Police Transport Corporation Limited.
137 Profit/loss equal to or less than ₹20 lakh.

As per the latest finalised accounts upto 30 September 2018, the major contributors to profits were State Industries Promotion Corporation of Tamil Nadu Limited (₹210.70 crore), Arasu Cable TV Corporation Limited (₹34.95 crore), Tamil Nadu Industrial Development Corporation Limited (₹30.97 crore), Tamil Nadu Industrial Investment Corporation Limited (₹25.24 crore), Electronics Corporation of Tamil Nadu Limited (₹24.01 crore) and TIDEL Park Limited (₹22.31 crore). Heavy losses were incurred by eight[138] STUs (₹5,507.68 crore).

(a) Return on Investment on the basis of historical cost of investment

4.12 Out of the 70 PSUs (other than power sector), GoTN infused funds in shape of equity and interest free loans only in 58 PSUs. In the remaining 12 PSUs, the equity infusion was made by the respective holding companies. As on 31 March 2018, the total investment of the Government in 58 companies stood at ₹6,043.20 crore (Equity ₹5,475.88 crore and Interest free loan: ₹567.32 crore).

The Return on Investment from PSUs[139] has been calculated on the investment made by the State Government in the form of equity and loans. In the case of loans, only interest free loans are considered as investment since the Government does not receive any interest on such loans and are therefore of the nature of equity investment except to the extent that the loans are liable to be repaid as per terms and conditions of repayment. The investment of State Government in these 58 PSUs (other than power sector) has been arrived at by considering the equity and the interest free loans as investment by State Government. In cases where interest free loans have been repaid by the PSUs, the same has been reduced from the value of investment in the relevant years. The dividend paid by the PSUs have been deducted from the total investment as the Government had got back returns to that extent. The funds made available in the form of grants/subsidy have not been reckoned as investment since they do not qualify to be considered as investments.

As on 31 March 2018, the investment of the State Government in these 58 PSUs stood at ₹6,043.20 crore (Equity: ₹5,475.88 crore and Interest Free Loan: ₹567.32 crore). Upto the year 2017-18, certain PSUs[140] had paid a total dividend of ₹923.30 crore. Thus, the investment of State Government in these 58 PSUs on the basis of historical cost stood at ₹5,119.90 crore.

Since the profit earned or losses incurred by the subsidiaries would have ultimate bearing on the holding company, the profit/loss of the subsidiaries have been added to the net earnings (loss). Accordingly, the profit/loss of all the 70 PSUs are added up and considered as total earnings for that year.

The sector-wise return on investment on historical cost basis for the years 2013-18 from the PSUs under three different classifications are given in **Table 4.9**

[138] Serial number 53 to 60 (STUs) of Annexure-21.
[139] Including six non-functional PSUs
[140] Including subsidiaries.

Table 4.9: Return on State Government Funds on historical cost basis

(₹ in crore)

Year-wise Sector-wise break-up	Total earnings	Funds invested in the form of equity and interest free loan on historical cost	Return on investment on historical cost basis (in percentage)
(1)	(2)	(3)	(4)= (2/3)
2013-14			
Social Sector	21.86	221.01	9.89
Competitive Sector	(-) 774.56	1021.46	(-) 75.83
Others	(-) 88.42	12.50	(-) 707.36
Total	**(-)841.12**	**1254.97**	**(-) 67.02**
2014-15			
Social Sector	26.23	221.45	11.84
Competitive Sector	(-) 2238.59	1240.34	(-) 180.48
Others	(-) 90.69	7.62	(-) 1190.16
Total	**(-) 2303.05**	**1469.41**	**(-) 156.73**
2015-16			
Social Sector	28.90	237.86	12.15
Competitive Sector	(-) 2046.16	1625.13	(-) 125.91
Others	(-) 116.04	4.62	(-) 2511.69
Total	**(-) 2133.30**	**1867.61**	**(-) 114.23**
2016-17			
Social Sector	33.67	240.36	14.01
Competitive Sector	(-) 2451.84	1814.42	(-) 135.13
Others	(-) 115.13	4.62	(-) 2491.99
Total	**(-) 2533.30**	**2059.40**	**(-) 123.01**
2017-18			
Social Sector	38.44	236.58	16.25
Competitive Sector	(-) 5172.96	4881.85	(-) 105.96
Others	18.92	1.47	1287.07
Total	**(-) 5115.60**	**5119.90**	**(-) 99.92**

Source: As per the latest accounts finalized during respective years

The return on funds invested was worked out by dividing the total earnings[141] by the historical cost of State Government investments. In all the years under review, the overall return on investment was negative and the same ranged between 67.02 to 156.73 *per cent*. At the end of March 2018, the overall return on investment was 99.92 *per cent*. Further analysis revealed that return on investment in the PSUs under Social Sector category was positive in all the years which increased from 9.89 in 2013-14 to 16.25 *per cent* in 2017-18. PSUs under Competitive Sector (CS) category witnessed huge losses and the return on investment in these PSUs was fluctuating and in the range of 75.83 to 180.48 *per cent*. The major reason for negative return from PSUs under CS category was due to huge losses incurred by eight State Transport Undertakings which was in the range of ₹1,265.96 to ₹5,507.68 crore during 2013-18.

In respect of PSUs under Others category, the return on investment was negative during 2013-14 to 2016-17 which was in the range of 7.07 to 25.12 times of the investment and turned positive during 2017-18 with 12.87 times of investment. The huge variation in this category was mainly on account of

141 This includes Net profit (+)/Loss (-) of all the PSUs including subsidiaries.

either huge loss reported by one PSU viz., TASMAC upto 2016-17 and profit of ₹18.20 crore during 2017-18 by the same PSU. Under Others category, one of the PSU viz., TN Police Housing Corporation was paying dividend to GoTN every year and hence the investment showed a decreasing trend and was very meagre at the end of March 2018.

(b) Return on investment on the basis of present value of the investment

4.13 An analysis of the earnings vis-à-vis investments in respect of those 58 PSUs (other than power sector) where funds had been infused by the State Government was carried out to assess the profitability of these PSUs. Traditional calculation of return based only on historical cost of investment may not be a correct indicator of the adequacy of the return on the investment since such calculations ignore the present value of money. The present value of the Government investments has been computed to assess the rate of return on the present value of investments of GoTN in the PSUs as compared to historical cost of investments. In order to bring the historical cost of investments to its present value at the end of each year, the past investments/year-wise funds infused have been compounded at the year-wise average rate of interest. For the purpose of compounding, the average rate of government borrowings, which was the minimum cost of funds to the Government for the concerned year was considered. Accordingly, PV of the State Government investment was computed in respect of those 58 PSUs where funds have been infused by the State Government in the shape of equity and interest free loan since inception of these companies till 31 March 2018.

The PV of the State Government investment in 58 PSUs was computed on the basis of following assumptions:

- Interest Free Loans (IFL) have been considered as fund infusion by the State Government. However, in case of repayment of loans by the PSUs, the PV was calculated on the reduced balances of interest free loans over the period. The funds made available in the form of grant/subsidies have not been reckoned as investment since they do not qualify to be considered as investment as indicated in paragraph 4.12.
- The dividend paid by the PSUs have been deducted from the total investment in the respective years.
- The average rate of interest on government borrowings for the relevant financial year[142] was adopted as compounded rate for arriving at PV since they represent the cost incurred by the Government towards investment of funds for the year and therefore considered as the minimum expected rate of return on investments made by the Government.

4.14 The State Government's investment in these 58 PSUs in the form of equity and interest free loans for the period from 2009-10 to 2017-18 and the

[142] The average rate of interest on government borrowings was adopted from the Reports of the C&AG of India on State Finance Audit Report (GoTN) for the concerned year wherein the calculation for the average rate for interest paid = Interest Payment/ [(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/2]*100.

consolidated position of the PV and the total earnings of PSUs (other than power sector) for the same period indicated in **Table 4.10**.

Table 4.10: Year-wise details of investment by the State Government and PV of Government investment for the period from 2010-11 to 2017-18

(₹ in crore)

Financial year	Present value of total investment at the beginning of the year	Equity infused by the GoTN during the year	IFL given by GoTN during the year	IFL converted into grant/ equity	Dividend paid by the PSUs	Total investment at the end of the year after adjusting dividend	Average rate of interest on government borrowings (in %)	Present value of total investment at the end of the year	Minimum expected return to recover cost of funds for the year	Actual Total earnings for the year
(1)	(2)	(3)	(4)	(5)	(6)	(7)= (2+3+4-5-6)	(8)	(9)= (7+ (7x8/100)	(10)= (9x8/100)	(11)
Upto 2009-10	--	772.19	57.87	---	64.65	765.41	7.29	821.21	59.87	---
2010-11	821.21	198.82	61.62	---	55.80	1025.85	7.53	1103.09	83.06	(-)1122.00
2011-12	1103.09	57.04	5.16	---	30.11	1135.18	7.43	1219.53	90.61	(-)1437.78
2012-13	1219.53	151.59	8.16	---	69.51	1309.77	7.43	1407.08	104.55	(-)431.99
2013-14	1407.08	244.71	46.69	---	128.81	1569.67	7.90	1693.68	133.80	(-)841.12
2014-15	1693.68	335.49	9.24	---	130.29	1908.12	8.12	2063.06	167.52	(-)2303.05
2015-16	2063.06	439.60	64.14	---	105.54	2461.26	8.38	2667.51	223.54	(-)2133.30
2016-17	2667.51	249.37	143.24	---	200.82	2859.30	8.11	3091.19	250.70	(-)2533.30
2017-18	3091.19	3027.07	171.20	---	137.77	6151.69	8.53	6676.43	569.50	(-)5115.60
Total		**5475.88**	**567.32**	**---**	**923.30**					

Source: Details as per annual accounts and as furnished by the PSUs.

The funds infused in these PSUs upto March 2010 was ₹830.06 crore (Equity: ₹772.19 crore and Interest free loan: ₹57.87 crore). During 2010-18, a total fund of ₹5,213.14 crore (Equity: ₹4,703.69 crore and Interest free loan: ₹509.45 crore) was infused in these PSUs. During the same period, these PSUs paid a total dividend of ₹923.30 crore. After deducting the dividend paid, the total investment worked out to ₹5,119.90 crore. The present value of the funds infused in these PSUs at the end of March 2018 worked out to ₹6,676.43 crore. During 2010-11 to 2017-18, the total earnings were negative in all the years and the actual earnings remained below the minimum expected return to recover cost of funds infused in these PSUs. The net aggregate loss was in the range of ₹431.99 crore to ₹5,115.60 crore against the expected profit between ₹59.87 crore to ₹569.50 crore. The losses were mainly from PSUs under Competitive Sector which set off the profit earned by the PSUs under Social Sector.

4.15 Analysis of comparison of return on investments of funds at historical cost with its PV under Sector-wise revealed that PSUs under Social Sector had positive returns and Competitive Sector PSUs had negative returns in all the five years during 2013-14 to 2017-18. PSUs under Others category had negative return during 2013-14 to 2016-17 and had positive return during 2017-18. If the PSUs are earning profit, the rate of return calculated on historical cost would be higher whereas, the same would be less if calculated on the PV of the investments. In case of losses, the rate of return would already be negative and hence, the comparative position was not calculated. The Sector wise comparative position of return on investment on the historical cost and with its present value during five years ended 2017-18 are given in **Table 4.11.**

Table 4.11: Comparative position of return on investment on historical cost basis and PV

(₹ in crore)

Year wise Sector-wise break-up	Total earnings	Historical cost of funds invested in the form of equity and interest free loan	Return on investment on historical cost (in percentage)	Present value of the funds invested in the form of equity and interest free loan	Return on investment on the present value (in percentage)
2013-14					
Social Sector	21.86	221.01	9.89	301.24	7.26
Competitive Sector	(-) 774.56	1021.46	(-) 75.83	1373.66	*
Others	(-) 88.42	12.50	(-) 707.36	18.79	*
Total	**(-)841.12**	**1254.97**	**(-) 67.02**	**1693.69**	*
2014-15					
Social Sector	26.23	221.45	11.84	326.18	8.04
Competitive Sector	(-) 2238.59	1240.34	(-) 180.48	1721.85	*
Others	(-) 90.69	7.62	(-) 1190.16	15.03	*
Total	**(-) 2303.05**	**1469.41**	**(-) 156.73**	**2063.06**	*
2015-16					
Social Sector	28.90	237.86	12.15	371.30	7.78
Competitive Sector	(-) 2046.16	1625.13	(-) 125.91	2283.18	*
Others	(-) 116.04	4.62	(-) 2511.69	13.04	*
Total	**(-) 2133.30**	**1867.61**	**(-) 114.23**	**2667.52**	*
2016-17					
Social Sector	33.67	240.36	14.01	404.11	8.33
Competitive Sector	(-) 2451.84	1814.42	(-) 135.13	2672.98	*
Others	(-) 115.13	4.62	(-) 2491.99	14.10	*
Total	**(-) 2533.30**	**2059.40**	**(-) 123.01**	**3091.20**	*
2017-18					
Social Sector	38.44	236.58	16.25	434.48	8.85
Competitive Sector	(-) 5172.96	4881.85	(-) 105.96	6230.07	*
Others	18.92	1.47	1287.07	11.88	159.20
Total	**(-) 5115.60**	**5119.90**	**(-) 99.92**	**6676.44**	*

Source: As per the latest accounts finalized during respective years

* In view of the loss, rate of return was not calculated on PV of the investment.

From the table above, it is evident that the return on investment under present value method was lesser than the return calculated under historical method. In respect of PSUs under Social Sector, the rate of return calculated on the historical cost of funds infused was in the range of 9.89 to 16.25 *per cent* during the years 2013-14 to 2017-18*,* whereas it reduced to 7.26 to 8.85 *per cent* on its present value during the period. In respect of PSUs under Others category, the rate of return was positive only during 2017-18 and worked out to 1287.07 *per cent* on the historical cost of funds infused, whereas the rate of return on the PV of investment was only 159.20 *per cent*.

PSUs under Competitive Sector (CS) category witnessed huge losses and the return on investment in these PSUs was negative in all the five years. This was in the range of 75.83 to 180.48 *per cent.* The major reason for negative return from PSUs under CS category was huge losses incurred by eight State Transport Undertakings. Continuous loss of these PSUs resulted in increase in accumulated erosion of net worth as discussed in paragraph 4.16.

Erosion of net worth

4.16 Net worth means the sum total of paid capital plus free reserves and surplus minus accumulated losses and deferred revenue expenditure. Essentially it is a measure of what an entity is worth to the owners. A negative net worth indicates that the entire investment by the owners has been wiped out by accumulated losses and deferred revenue expenditure. As per the latest finalised accounts, the paid up capital of 70 PSUs stood at ₹7,725.54 crore and its aggregated accumulated losses (net of free reserves of ₹4,053.50 crore in 36 PSUs) stood at ₹21,024.26 crore leaving a negative net worth of these PSUs at ₹13,298.72 crore.

Table 4.12: Net worth of 70 PSUs (other than Power Sector) during 2013-18

(₹ in crore)

Year wise Sector-wise break-up	Paid up capital	Accumulated profit (+)/ loss(-) at the end of the year	Deferred revenue expenditure	Net worth
2013-14				
Social Sector	197.41	146.94	--	344.35
Competitive Sector	3,567.95	(-) 8,968.27	--	(-) 5,400.32
Others	16.00	(-) 70.10		(-) 54.10
Total	**3,781.36**	**(-) 8,891.43**	**--**	**(-) 5,110.07**
2014-15				
Social Sector	204.66	160.52	--	365.18
Competitive Sector	3,907.81	(-)11,248.30	--	(-)7,340.49
Others	16.00	(-) 67.56	--	(-) 51.56
Total	**4,128.47**	**(-) 11,155.34**	**--**	**(-) 7,026.87**
2015-16				
Social Sector	224.55	190.17	--	414.72
Competitive Sector	4,168.48	(-) 13,579.27	--	(-) 9,410.79

Year wise Sector-wise break-up	Paid up capital	Accumulated profit (+)/ loss(-) at the end of the year	Deferred revenue expenditure	Net worth
Others	16.00	(-) 141.48	--	(-) 125.48
Total	**4,409.03**	**(-) 13,530.58**	**--**	**(-) 9,121.55**
		2016-17		
Social Sector	232.43	225.32	--	457.75
Competitive Sector	4,372.94	(-) 17,435.13	--	(-) 13,062.19
Others	16.00	(-) 130.97	--	(-) 114.97
Total	**4,621.37**	**(-) 17,340.78**	**--**	**(-) 12,719.41**
		2017-18		
Social Sector	243.06	257.30	--	500.36
Competitive Sector	7,466.48	(-) 21,233.87	--	(-) 13,767.39
Others	16.00	(-) 47.69	--	(-) 31.69
Total	**7,725.54**	**(-)21,024.26**	**--**	**(-) 13,298.72**

Source: Audit Reports and latest finalized accounts during respective years

It is evident from the table above, 14 PSUs under Social Sector have been earning profit and had accumulated profit in all the years. Consequently, its net worth was also positive and showed increasing trend from ₹344.35 crore in 2013-14 to ₹500.36 crore in 2017-18.

The 54 PSUs under Competitive Sector were incurring losses in all the years and its accumulated losses increased from ₹8,968.27 crore in 2013-14 to ₹21,233.87 crore in 2017-18. The net worth of these 54 PSUs was negative in all the years. The net worth at the end of 2013-14 was negative at ₹5,110.07 crore. The position further deteriorated in the subsequent years and stood at ₹13,298.72 crore at the end of 2017-18. The negative net worth under this category of PSUs was mainly from eight STUs which reported a net erosion of ₹17,914.40 crore at the end of March 2018. The main reasons for the losses in State Transport Undertakings (STUs) were non-revision of bus fare from time to time in line with the increase in the fuel cost and inefficiencies in fleet management. The Government needs to take appropriate action to make the STUs viable.

The net worth of two PSUs under Others category was negative at ₹54.10 crore (2013-14) and fluctuating in subsequent years and decreased to ₹31.69 crore during 2017-18. The overall position of net worth of 70 PSUs was negative in all the years and fluctuated between ₹5,110.07 crore and ₹13,298.72 crore during 2013-18.

The negative net worth indicate that the liabilities of these PSUs have exceeded the assets and instead of paying returns to the shareholders, the shareholders owe money.

Dividend payout

4.17 The State Government had formulated (May 2014) a dividend policy, under which all PSUs were required to pay a minimum return of 30 *per cent* of net profit after tax or 30 *per cent* of the paid-up share capital, whichever was higher, subject to availability of disposable profits. Out of the 64 working PSUs at the end of March 2018, the State Government's equity infusion was only in 52 PSUs (49 PSUs during 2013-14). Thus, the dividend payout if any, to the State Government would arise from 52 PSUs only. The total equity in these 52 working PSUs at the end of March 2014 was ₹3,388.50 crore, which increased to ₹7,241.90 crore at the end of March 2018. Against this equity, the annual dividend received by the Government was in the range of ₹92.34 crore to ₹187.62 crore. Details of total equity infused in the 52 PSUs, equity infused in profit earning PSUs and the dividend paid to the State Government during 2013-18 are given in **Table 4.13.**

Table: 4.13 Declaration of dividend by PSUs other than power sector during 2013-18

(₹ in crore)

Year	Total number of PSUs		PSUs which earned profit		PSUs which declared dividend		Dividend payout ratio (%)
	Number of PSUs	Equity amount	Number of PSUs	Equity infused	Number of PSUs	Dividend paid	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8=7/5x100)
2013-14	49	3,388.50	32	959.49	18	115.61	12.05
2014-15	50	3,721.66	34	1,012.43	17	130.29	12.87
2015-16	53	3,973.49	34	1,072.31	16	92.34	8.61
2016-17	51	4,160.36	33	1,097.72	19	187.62	17.09
2017-18	52	7,241.90	32	1,072.21	13	111.37	10.39

(Source: Latest finalised accounts of PSUs)

During 2013-18, the number of PSUs which earned profits ranged between 32 and 34 and the number of PSUs declared/paid dividend to GoTN was in the range of 13 to 19. The dividend payout ratio of PSUs which earned profit during 2013-18 ranged between 8.61 to 17.09 *per cent* only against the prescribed limit of 30 *per cent*.

Of the 13 PSUs which declared dividend, one PSU (TN Police Housing) had paid the dividend in excess of the prescribed limit, nine PSUs paid the dividend at the prescribed amount and three paid less than the prescribed limit. The major contributors of the dividend were TIDCO: ₹21.61 crore, TNPL: ₹20.81 crore, TDFC: ₹18.52 crore, TUFIDCO: ₹9.60 crore and ELCOT ₹7.78 crore.

Return on Equity

4.18 Return on Equity (ROE) is a measure of financial performance to assess how effectively management is using shareholders' funds to create profits and is calculated by dividing net income (i.e., net profit after taxes) by shareholders' funds. It is expressed as a percentage and can be calculated for any company if both the net income and shareholders' funds are in positive numbers. Shareholders' fund of a company is calculated by adding paid up capital and free reserves net of accumulated losses and deferred revenue expenditure and reveals how much would be left for a company's stakeholders if all assets were sold and all debts paid. A positive shareholders' fund reveals that the company has enough assets to cover its liabilities while negative figures means that liabilities exceed the assets. ROE has been computed in respect of 70 PSUs (other than power sector) and the details of shareholders' funds and ROE during 2013-18 are given in **Table 4.14**.

Table 4.14 ROE relating to 70 PSUs during 2013-18

(₹ in crore)

Year	Net income	Shareholders' funds	ROE (in %)
2013-14	(-)841.12	(-)5,110.07	---
2014-15	(-)2,303.05	(-)7,026.87	--
2015-16	(-)2,133.30	(-)9,121.55	--
2016-17	(-)2,533.30	(-)12,719.41	--
2017-18	(-)5,115.60	(-)13,298.72	--

(Source: As per the latest finailsed accounts)

As can be seen from the above table, during all the last five years ending 2017-18, the net income was negative and thus, the ROE could not be worked out.

Return on Capital Employed

4.19 Return on Capital Employed (ROCE) is a ratio that measures a company's profitability and the efficiency with its capital employed. ROCE is calculated by dividing a company's earnings before interest and taxes (EBIT) by the capital employed[143]. The details of ROCE of the PSUs (other than Power Sector) during the period from 2013-14 to 2017-18 are given in **Table 4.15.**

Table 4.15: Return on Capital Employed

(₹ in crore)

Year	EBIT	Capital Employed	ROCE(%)
2013-14	931.91	(-)1,365.89	--
2014-15	(-)548.84	(-)2,231.22	--
2015-16	379.84	(-)4,025.95	--
2016-17	393.80	(-)6,549.63	--
2017-18	(-) 2,705.14	(-)2,840.52	--

(Source: As per the latest finailsed accounts)

The ROCE of these PSUs during 2013-18 was in negative, as the capital employed was negative which ranged between ₹1,365.89 crore and ₹6,549.63 crore during 2013-18.

Analysis of the Long Term loans of the PSUs (other than power sector)

4.20 Analysis of the long term loans of the PSUs of other than power sector which had leverage during 2013-18 was carried out to assess the ability of the companies to service the debt owed by the PSUs to Government, Banks and other financial institutions. This was assessed through the interest coverage ratio and debt turnover ratio in the following paragraphs.

Interest Coverage

4.21 Interest Coverage Ratio (ICR) is used to determine the ability of a PSU to pay interest on outstanding debt and is calculated by dividing earnings before interest and taxes (EBIT) of a PSU by interest expenses of the same period. The lower the ratio, the lesser the ability of the PSU to pay interest on

143 Capital employed = Shareholders funds plus long term loans.

debt. An interest coverage ratio below one indicated that the PSU was not generating sufficient revenues to meet its expenses on interest. The details of positive and negative interest coverage ratio during the period from 2013-18 are given in **Table 4.16.**

Table 4.16: Interest coverage ratio of working PSUs (other than Power Sector)

Year	Interest (₹in crore)	EBIT (₹in crore)	Number of PSUs having interest liability	Number of PSUs with negative ICR	Number of PSUs with ICR more than zero and upto one	Number of PSUs having ICR more than one
2013-14	1,155.54	931.91	42	16	2	24
2014-15	1,199.03	(-)548.84	43	15	1	27
2015-16	1,583.14	379.84	43	14	2	27
2016-17	2,068.13	393.80	42	14	2	26
2017-18	2,001.02	(-)2,705.14	42	13	5	24

Source: As per the latest finalised accounts during the respective years

Of the 42 PSUs of other than power sector having liability of loans during 2017-18, 13 PSUs had negative ICR indicating that these PSUs could not generate adequate income to pay off its interest liability. Remaining 29 PSUs could generate income to cover its interest liability out of which in 24 PSUs, the ICR was more than one indicating sufficient income to pay off its interest burden.

Debt Turnover ratio

4.22 The details of the total debts and the turnover of the PSUs (other than Power Sector) are given in **Table 4.17.**

Table 4.17: Key parameters of the PSUs

(₹incrore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Debt	3,744.18	4,795.65	5,095.60	6,169.78	10,458.20
Turnover	48,616.49	53,222.73	54,199.81	57,097.38	58,238.01
Debt-Turnover Ratio	0.08:1	0.09:1	0.09:1	0.11:1	0.18:1

Source: As per the latest finalised accounts

During the last five years, the turnover of these PSUs increased from ₹48,616.49 crore from 2013-14 to ₹58,238.01 crore in 2017-18 representing an overall growth rate of 19.79 *per cent* whereas, the debt increased from ₹3,744.18 crore to ₹10,458.20 crore representing an overall growth of 179.32 *per cent*. The debt-turnover ratio ranged between 0.08 and 0.18 during this period.

Winding up of non-functional PSUs

4.23 Out of the 70 PSUs, six PSUs were non-functional having a total investment of ₹69.61 crore (Equity: ₹47.65 crore and long term loans ₹21.96 crore) at the end of 31 March 2018. The number of non-functional PSUs at the end of each year during the last five years ended 2017-18 are given in **Table 4.18:**

Table 4.18: Non-functional PSUs

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Number of non-functional companies	13	7	6	6	6

Source: Compiled from the information included in the Audit Report (PSU), Government of Tamil Nadu of respective years.

Six PSUs which are non-functional were not carrying out any operations from last 16 to 28 years. Out of the six PSUs, one PSU *viz.*, TN Goods Corporation had started the liquidation process and in respect of other companies, State Government had issued closure orders for which liquidation process is yet to be started.

Performance Audit and Compliance Audit Paragraphs

4.24 For the Report of the Comptroller and Auditor General of India (Public Sector Undertakings) for the year ended 31 March 2018, one Performance Audit on "Functioning of State Industries Promotion Corporation of Tamil Nadu Limited" and eight compliance audit paragraphs related to six PSUs were issued to the Principal Secretaries/Secretaries of the respective Administrative Departments with request to furnish replies within four weeks. Replies to the Performance Audit and six compliance audit paragraphs have been received from the State Government and taken into account while finalising this paragraph. Replies to two audit paragraph relating to two PSUs were not received. The total financial impact of these performance and compliance audit paragraphs is ₹1,852.36 crore.

Follow- up action on Audit Reports

4.25 The Report of the CAG represents the culmination of the process of audit scrutiny. It is, therefore, necessary that they elicit appropriate and timely response from the Executive. The GoTN had issued (1997) instructions to all Administrative Departments to submit replies/explanatory notes to paragraphs/reviews included in the Reports of the CAG within a period of two months of their presentation to the Legislature in the prescribed format without waiting for any questionnaire from the Committee on Public Undertakings (COPU).

Replies outstanding

4.25.1 Table 4.19 gives the status of receipt of explanatory notes in respect of the Audit Reports presented before the State Legislature.

Table: 4.19 Explanatory notes not received (as on 31 October 2018)

Year of the Audit Report	Date of placement of Audit Report in the State Legislature	Total Performance Audits (PAs) and Paragraphs in the Audit Report		Number of PAs/Paragraphs for which explanatory notes were not received	
		Performance Audit	Paragraphs	Performance Audit	Paragraphs
2012-13	12.08.2014	--	06	--	01+01
2013-14	29.09.2015	01	08	01	03
2014-15	02.09.2016	02	08	01	03
2015-16	19.07.2017	02	07	--	02+01
2016-17	09.07.2018	01	09	01	07+02
TOTAL		**06**	**38**	**03**	**20**

From the above, it could be seen that out of six Performance Audits and 38 paragraphs, explanatory notes to three Performance Audits and 20 paragraphs in respect of five Departments, which were commented upon, were not received (November 2018).

Discussion of Audit Reports by COPU

4.25.2 The status as on 31 October 2018 of Performance Audits/paragraphs that appeared in Audit Reports (PSUs) and discussed by COPU was as under:

Table 4.20: Reviews/Paras appeared in Audit Reports *vis-a-vis* discussed as on 31 October 2018

Period of Audit Report	Number of PAs/Paragraphs			
	Appeared in Audit Report		Paragraph Discussed	
	PAs	Paragraphs	PAs	Paragraphs
2003-04	02	08	02	03
2006-07	02	13	02	13
2007-08	02	11	02	11
2008-09	03	12	02+01	12
2009-10	01	08	01	08
2010-11	01	09	--	06+02
2011-12	01	07	01	02
2012-13	--	06	--	--
2013-14	01	08	--	--
2014-15	02	08	--	01
2015-16	02	07	01	--
2016-17	01	09	--	--
TOTAL	**18**	**106**	**12**	**58**

Compliance to Reports of COPU

4.25.3 As per the directions (1997) given by the Government, the Action Taken Notes (ATNs) on the COPU's recommendations were to be forwarded within six months from the date of placement of COPU's recommendations in the State Legislature. It was, however, noticed that ATNs in respect of 53 paragraphs pertaining to 21 Reports of the COPU presented to the State

Legislature between April 2002 and March 2018 had not been received (October 2018) as indicated below:

Table 4.21: Compliance to COPU Reports

Year of the COPU Report	Total number of COPU Reports	Total number of recommendations in COPU Report	Number of recommendations where ATNs not received
2002-03	02	02	02
2009-10	01	04	04
2011-12	02	05	05
2013-14	06	17	17
2014-15	01	02	02
2015-16	01+01	02+08	02+08
2016-18	07	13	13
TOTAL	**21**	**53**	**53**

These Reports of COPU contained recommendations in respect of paragraphs pertaining to 10 Departments, which appeared in the Reports of CAG for the years 1992-93 to 2009-10.

It is recommended that the Government may prescribe a time schedule and resource person in each PSUs to ensure (a) sending replies to the Performance Audit Reports and Paragraphs, Explanatory Notes and ATNs on the recommendations of COPU as per the prescribed time schedule; (b) recovery of loss/outstanding advances/overpayments within the prescribed period; and (c) revamping of the system of responding to audit observations. The Government may establish a system to monitor compliance to above.

CHAPTER-V

5 Performance Audit on the Functioning of State Industries Promotion Corporation of Tamil Nadu Limited

Executive Summary

Since 1971, the State Industries Promotion Corporation of Tamil Nadu Limited (SIPCOT) is engaged in creation/development and maintenance of Industrial Complexes (ICs) and Special Economic Zones (SEZs) in the State. To assess the performance of SIPCOT in facilitating industrial development in the State, the performance audit was conducted between April and August 2018 covering the activities for the last five years upto 2017-18.

Planning

SIPCOT did not prepare any Long Term, Medium Term or Annual Action Plan stipulating milestones for land acquisition, formation of layout and execution of infrastructure works to operationalise ICs.

Financial Planning

The income from land development activities were in the range of 59.63 to 69.35 per cent and the balance from interest from bank deposits. SIPCOT had spent only 53.25 per cent of its earnings on its core activities.

Development of ICs

The concentration of nine ICs in Kanchipuram and Thiruvallur districts and absence of ICs in 20 other districts indicated uneven growth of industrial development in the State. Allotment of plots by SIPCOT in Thoothukudi IC without getting DTCP approval disabled allottees to commence their business. Eight allottees in Aerospace Park in Vallam Vadagal did not take possession of the land for want of infrastructure facilities in the IC. Truck terminal facilities created in Vallam Vadagal and Irungattukkottai ICs at a cost of ₹10.68 crore and ₹11.79 crore respectively were not put to use in full scale.

Allotment of plots

SIPCOT did not revise the plot cost after December 2014 and was yet to implement the decision of the Board of Directors (December 2016) to increase price after studying the industrial growth, affordability, demand and the extent of land to be allotted.

Monitoring of the Industrial Allottees

SIPCOT did not take repossession of 892.74 acres of unused land representing 6.60 per cent of the total allotted land in 12 ICs, out of which, 499.69 acres (55.97 per cent) were in three ICs in the periphery of Chennai.

If these lands were resumed and re-alloted, it would have fetched additional revenue of ₹249.94 crore at current rates.

SIPCOT did not monitor the change in management of the allottee units which resulted in loss of revenue of ₹10.64 crore. In a similar failure to monitor the sub-lease by the allottees, it lost ₹5.36 crore, as the change in management attracts sub leasing charges.

Maintenance of Industrial Area

SIPCOT did not devise any action plan to upgrade or re-lay the roads to the extent of 118.5 kilometres laid before 2008.

Internal Control

Comprehensive MIS data relating to land acquired and payment of compensation was not maintained at corporate level. Absence of effective monitoring of allottees at field level caused loss of revenue on account of change in management and sub-lease.

Conclusion

SIPCOT did not prepare any Corporate plan to act with the objectives envisaged in Tamil Nadu Industrial Policy 2014 indicating specific timeline. SIPCOT spent ₹1,555.60 crore towards its core activities out of ₹2,921.09 crore earned during 2013-18. It did not revise the plot cost since 2014 and did not monitor effectively to recover differential plot cost and sub-lease charges.

Recommendations

Drawing action plan for land acquisition and execution of infrastructure related works, framing a defined policy for fixation of plot costs, conducting market analysis periodically for fixing the plot cost in a transparent manner, developing MIS at Corporate level to monitor land acquisition process and devising control mechanism to periodically inspect units are some of the recommendations of Audit.

Introduction

5.1 State Industries Promotion Corporation of Tamil Nadu Limited (SIPCOT) was incorporated in March 1971 by the Government of Tamil Nadu (GoTN), to promote industrial development by providing financial assistance, incentives and other ancillary services to medium scale industries and developing Industrial Complexes (ICs) in the State. To give thrust to specific area development activities, SIPCOT formed and developed ICs by providing basic and comprehensive infrastructure facilities for industries to set up their units. As on 1 April 2013, SIPCOT had 28,415.84 acres of land, it acquired 6751.26 acres (private land: 6177.67 acres and Government land:573.59 acres) during 2013-18 for development of ICs. Upto March 2018, SIPCOT had developed 21 ICs in 12 districts including seven sector specific Special Economic Zones (SEZs) over an area of 31,778 acres across Tamil Nadu **(Annexure-22)**.

SIPCOT is functioning under the administrative control of Industries Department, GoTN and its management is vested with the Board of Directors (BOD) consisting of Chairman, Managing Director (MD) and nine Directors appointed by the GoTN. The MD, the Chief Executive of SIPCOT, is assisted by functional heads of Land Acquisition, Human Resource/Administration, Legal Wing, Civil Wing, Development Wing, Special Projects, Finance and Internal Audit at Head Office headed by General Managers/Deputy General Manager and Project Officers at IC level.

The performance of SIPCOT for the five years upto 2010-11 was reviewed and the audit findings were included in the Report of the Comptroller and Auditor General of India (Commercial) for the year ended March 2011 - Government of Tamil Nadu. The Report was yet to be discussed (October 2018) by the Committee on Public Undertakings (COPU).

Audit Objectives

5.2 The Performance Audit was conducted to assess the performance of SIPCOT in facilitating industrial development in the State of Tamil Nadu by examining whether:

- An appropriate action plan for development of ICs was drawn up in line with the Industrial Policy of the Government and in compliance to rules relating to land acquisition;
- It had adequate funds and used the same efficiently and effectively to develop ICs;
- It executed infrastructure works in ICs economically, efficiently, effectively and allotted plots transparently;
- The infrastructure facilities at the ICs were maintained properly and the entire cost of maintenance was recovered from allottees; and
- It had adequate internal control and monitoring mechanism commensurate with its size and activities.

Scope of Audit and Methodology

5.3 The Performance Audit covering transactions for the years 2013-14 to 2017-18 was conducted from April to August 2018. The performance audit involved scrutiny of records at Head Office and twelve ICs[144] out of 21 ICs in 12 Districts). Seven ICs were selected on the basis of the existence of SEZs (covering an extent of 14,988.95 acres including 1,869.56 acres of SEZ area spread over seven ICs), three ICs based on the infrastructure works executed (involving an expenditure of ₹301.94 crore in 3,721.18 acres) and two ICs based on the vacant land available for allotment (with an extent of land of 1,849.86 acres (51.47 *per cent*) of 3,594.40 acres of the total land).

144 Bargur, Cheyyar, Gangaikondan, Irungattukottai, Oragadam, Perundurai, Pillaipakkam, Ranipet, Sriperumbudur, Thervoykandigai, Thoothukudi and Vallam Vadagal.

The audit objectives, scope and methodology of the performance audit were explained during Entry Conference held on 05 April 2018 with the Additional Chief Secretary, Industries Department and the MD, SIPCOT. The audit findings were reported to the State Government in September 2018 and discussed in the Exit Conference held on 16 November 2018 with the Additional Chief Secretary, Industries Department and the MD, SIPCOT. The views expressed in the Exit Conference along with the replies received (November 2018) were considered and incorporated, wherever found appropriate, while finalising the report.

Audit acknowledges the co-operation extended by the Industries Department and the Management and staff of SIPCOT in conducting the Performance Audit.

Audit Criteria

5.4 The sources of audit criteria for assessing the achievement of the audit objectives were the following:

- Industrial Policy of the Central/State Government;
- Policy Notes/Government Orders relating to Project formulation and land acquisition/alienation;
- Government of India's (GoI) instructions relating to SEZ;
- Feasibility reports prepared for the new ICs;
- Tamil Nadu Acquisition of Land for Industrial Purposes Act, 1997 and Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013;
- Tamil Nadu Town and Country Planning Act, 1971;
- Tamil Nadu Transparency in Tenders Act, 1998 and the Rules made thereunder;
- Memorandum of Understandings (MOUs) between GoTN and major industrial undertakings; and
- Terms and conditions of the lease agreements entered with the allottees.

Audit Findings

Planning

5.5 Appropriate long term, medium term and annual action plans[145] are essential for achieving a sustained industrial development in line with the Industrial Policy of GoTN. In order to achieve a consistent economic growth, GoTN formulated Tamil Nadu Industrial Policy 2014 (TNIP 2014) and ordered (August 2014) *inter alia* that SIPCOT should (i) establish one or more ICs in

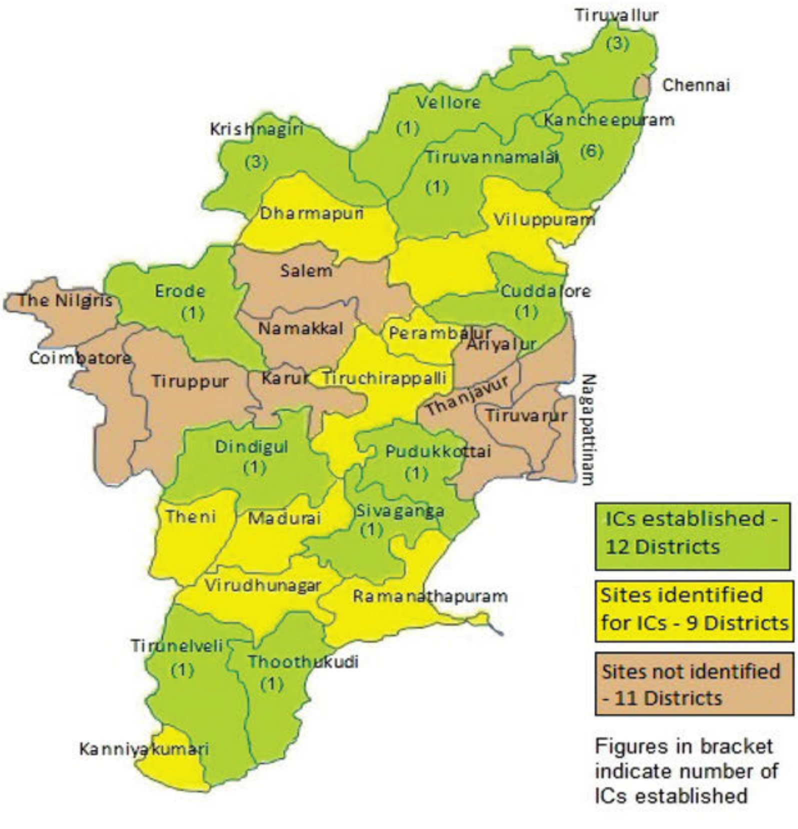
[145] Long-term, Medium-term and Annual plans set target for five years, three years and one year respectively keeping in mind the overall objective of achievement of the goals.

each district, (ii) create a land bank of at least 53,000 acres for promotion of ICs and (iii) promote truck terminals in all major ICs.

Absence of Perspective Plan for Implementation of Industrial Policy

5.6 Audit noticed that SIPCOT did not prepare any Long Term /Annual Action Plan stipulating various milestones indicating the land acquisition, formation of layout and execution of infrastructure works with appropriate time lines/priorities to develop and operationalise the ICs. For balanced regional development and to achieve inclusive and sustainable industrial development in Tamil Nadu, TNIP 2014 envisaged one or more new ICs in all the districts. Against this target, it was found that, out of 32 Districts in the State, 21 ICs were established in 12 Districts and in 20 Districts no ICs were established so far (March 2018). The ICs are concentrated in two Districts as discussed in Paragraph 5.9. The process of identifying sites was in progress in nine districts[146] and no action plan was initiated for establishment of ICs in the remaining 11 districts[147]. The District-wise presence of ICs, site identified and absence of ICs are depicted in the map given below:

Map 1: Details showing the presence of SIPCOT ICs at the end of March 2018



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146 Madurai, Villupuram, Thiruchirapalli, Dharmapuri, Perambalur, Ramanathapuram, Theni, Virudhunagar and Kanyakumari.

147 Ariyalur, Chennai, Coimbatore, Karur, Nagapattinam, Namakkal, Salem, Thanjavur, The Nilgiris, Thiruppur and Thiruvarur.

The Government in its reply stated that SIPCOT was in the process of creating new industrial parks/corridors and did not furnish the details of action plan.

Financial Planning

Financial Position and Working Results

5.7 The financial position and working results of SIPCOT for five years upto 2017-18 is given in **Annexure-23.** The revenue and expenditure details are given in **Table 5.1**:

Table 5.1: Revenue and Expenditure

(₹ in crore)

Nature of income	2013-14	2014-15	2015-16	2016-17	2017-18
Income from area development activities	385.01 (63.85)	477.17 (69.35)	271.54 (59.63)	360.04 (64.01)	406.16 (66.35)
Interest income from bank deposits	206.08 (34.17)	191.01 (27.76)	171.33 (37.62)	171.63 (30.51)	184.36 (30.11)
Other income	11.92 (1.98)	19.90 (2.89)	12.52 (2.75)	30.81 (5.48)	21.61 (3.53)
Total Income	**603.01**	**688.08**	**455.39**	**562.48**	**612.13**
Grand total					**2,921.09**
Nature of Expenditure	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**
Land schemes (acquisition cost)	512.97 (85.07)	253.91 (36.90)	109.50 (24.05)	61.47 (10.93)	241.22 (39.41)
Infrastructure Development	59.75 (9.91)	87.78 (12.76)	191.96 (42.15)	32.51 (5.78)	4.53 (39.41)
Total Expenditure	**572.72** (94.98)	**341.69** (49.66)	**301.46** (66.20)	**93.98** (16.71)	**245.75** (40.15)
Grand total					**1,555.60**

Figures in bracket indicate the percentages of total income
(Source: Annual Reports of SIPCOT)

During 2013-18, SIPCOT generated a total income of ₹2,921.09 crore, of which it had spent ₹1,555.60 crore (53.25 *per cent* of total income) towards land acquisition (₹1,179.07 crore) and infrastructure works (₹376.53 crore) in the ICs. Audit observed that the actual land acquisition cost paid was in the range of ₹61.47 crore (2016-17) to ₹512.97 crore (2013-14).

Tax Planning

5.8 The Delegation of Powers stipulated that General Manager/Deputy General Manager (Finance) was responsible for payment of statutory dues such as Income Tax and Service Tax. Audit observed that lack of proper tax planning resulted in additional payout of taxes and losses as discussed below:

Avoidable payment of Income Tax

5.8.1 As per Section 80AC of the Income Tax Act, 1961, deduction from income under Section 80 IA of the Act shall be allowed only if the return of income is filed on or before the due date. Audit noticed that SIPCOT filed the return of income (RoI) for the Financial Year (FY) 2011-12 on 30 October 2012 as against the due date of 30 September 2012. On account of this delay, the Assessing Officer disallowed (March 2015) the income of ₹35.14 crore eligible for deduction under section 80 IA resulting in a pay out of income tax to the tune of ₹11.40 crore which was avoidable.

The Government replied that the delay in filing the RoI was due to revision of Schedule VI of Companies Act, 1956 for the FY 2011-12. The reply was not acceptable as revision in Schedule VI was notified by GOI in March 2011 itself and hence the delay lacked justification. Accountability for not filing the RoI within the due date had to be fixed.

Loss on account of failure to avail input credit

5.8.2 SIPCOT was registered (February 2009) with the Central Board of Excise and Customs as a service provider and collected service tax from the allottees on maintenance charges and remits to GOI from time to time. As per Rule 3 of Cenvat Credit Rules, 2004, SIPCOT, being a service provider, was entitled to avail input credit of service tax paid on its input services in respect of maintenance work contracts while paying the service tax on output services.

During April 2013 to June 2017, SIPCOT made payment against 18 work orders for executing various works amounting to ₹130.95 crore, which included a service tax element of ₹7.58 crore. During the same period, SIPCOT levied maintenance charges of ₹46.03 crore and collected service tax thereon of ₹6.20 crore from its allottees and remitted the tax to the GOI. Audit observed that SIPCOT failed to deduct the service tax incurred on the input services resulting in loss of ₹6.20 crore which lacked justification and for which accountability had to be fixed.

The Government replied that input credit was not available on the exempted services and hence not claimed. The reply was not tenable, as the input tax paid on the maintenance work order awarded by SIPCOT should have been adjusted while remitting service tax on output maintenance service.

Non-recovery of Service Tax paid under Reverse Charge Mechanism

5.8.3 As per Service Tax Notification No.30/2012 dated 20 June 2012, a body corporate, while receiving a service, was liable to pay 50 *per cent* of service tax on the service portion of works contract executed by an individual or partnership firm. SIPCOT awarded work contracts with services component of ₹45.10 crore in 29 works contracts during the period from April 2014 to June 2017.To discharge the 50 *per cent* service tax liability on the above service component, it remitted service tax of ₹3.11 crore to the GOI (May 2014 to July 2017). Audit observed that while making payment against the work bills, it failed to deduct the service tax of ₹3.11 crore paid on behalf of the Contractors.

The Government replied that the contract price of all the works contracts was inclusive of all the taxes and duties (including service tax) and thus, the total payment was made. The reply was not tenable as the liability of service tax lies on the service provider, and therefore the amount remitted on his behalf should be recovered, and the non-recovery was an undue benefit to the contractor.

contractor. Accountability for not deducting the service tax amount while settling the bills of the contractors needed to be fixed.

Development and Allotment

5.9 Upon acquisition of land, SIPCOT executes various infrastructure works *viz*., providing internal roads, street lights, sewerage lines with due provision for Open Space Reservation (OSR)[148]. SIPCOT allots developed plots to entrepreneurs on 99 years lease. The applications for allotment are evaluated by Allotment Committee headed by the Managing Director.District-wise extent of land available for allotment and actual allotments made during the years 2013-18 are given in **Table 5.2.**

Table-5.2 Details of District-wise availability and allotment of land

(In acres)

Sl. No.	Name of District	Land available as on 01-04-2013	Total addition during 2013-18	Total land available	Total allotment during 2013-18	Land available as on 31-03-2018	Percentage of allotment to land available
1	2	3	4	5=(3+4)	6	7=(5-6)	8=(6/5*100)
	Northern Districts						
1	Vellore (1)	176.00	-5.90	170.10	32.29	137.81	18.98
2	Thiruvallur (3)	269.34	7.37	276.71	90.99	185.71	32.88
3	Kancheepuram (6)	485.08	1300.53	1785.61	519.99	1265.62	29.12
4	Tiruvannamalai (1)	0.00	1383.07	1383.07	463.16	919.91	33.49
5	Krishnagiri (3)	676.78	188.20	864.98	199.03	665.95	23.01
		1607.20	**2873.27**	**4480.47**	**1305.46**	**3175.00**	**29.14**
	Southern Districts						
6	Tirunelveli (1)	628.28	72.65	700.93	46.26	654.67	6.60
7	Thoothukudi (1)	0.00	942.14	942.14	12.20	929.95	1.29
8	Sivagangai (1)	26.15	30.44	56.59	2.22	54.37	3.92
		654.43	**1045.23**	**1699.66**	**60.68**	**1638.99**	**3.57**
	Eastern Districts						
9	Pudukottai (1)	1.98	0.00	1.98	1.98	0.00	100.00
10	Cuddalore (1)	102.23	-27.50	74.73	54.73	20.00	73.24
		104.21	**-27.50**	**76.71**	**56.71**	**20.00**	**73.93**
	Western Districts						
11	Erode (1)	448.52	17.95	466.47	285.48	180.99	61.20
12	Dindigul (1)	210.17	-148.38	61.79	58.25	3.54	94.27
		658.69	**-130.43**	**528.26**	**343.73**	**184.53**	**65.07**
	Grand Total (21)	**3024.53**	**3760.57**	**6785.10**	**1766.58**	**5018.52**	**26.04**

(Source: Annual Reports of SIPCOT)

Note: Figures in brackets indicates number of ICs in each district; minus figures indicate land surrendered and earmarked for OSR.

Out of 21 ICs, nine ICs were situated in two districts viz., Kanchipuram (six ICs) and Thiruvallur (three ICs), which were on the periphery of Chennai and the remaining 12 ICs were spread over in 10 districts. Out of the total 2,500 industries in 21 ICs, 1,158 industries (46.32 *per cent*) were located in these two districts.

Further, of the total land acquisition of 3,760.57 acres during 2013-18, 2,683.60 acres (representing 71.36*per cent*) were acquired in two northern

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[148] Open space reservation of land for community recreational purpose as per Tamil Nadu Town and Country Planning Act, 1971.

Kancheepuram and Tiruvannamalai. However, the allotment was in the range of 29.12 *per cent* to 33.49 *per cent*. In the southern districts of Tirunelveli, Thoothukudi and Sivagangai the allotment of land was minimal (1.29 *per cent* to 6.60 *per cent*).

Audit observed that the acquisition of land was neither based on the stated policy to create ICs in all the districts nor demand based. There is a need to formulate a mechanism for assessment of demand/supply, market condition, surplus/scarcity, etc. before acquiring the land for future years for achieving balanced regional development of industrialisation as envisaged in TNIP.

The Government replied that the possibility of setting up ICs in the remaining districts would be explored in the years to come. However, no specific action plan was spelt out by the Government to date.

Failure to identify land in southern districts

5.10 In order to improve the standard of life of the people in southern districts, GoTN directed (July 2013) SIPCOT to create new ICs in nine districts[149] in a total area of 20,650 acres. SIPCOT, in consultation with District Administration, identified 10,178.31 acres in seven districts and Administrative Sanction(AS) was obtained (between December 1996 and 2015) from Industries Department. Out of which, only 1,466.70 acres (14.41 *per cent*) of land was acquired (between November 2005 and December 2014) in two districts[150]. Audit observed that in Thoothukudi IC, 1,242.05 acres costing ₹55.40 crore under Phase II could not be allotted for want of Environmental Clearance (EC) and in respect of other ICs the works were at very initial stage only (October 2018).

In Sivagangai and Kanyakumari districts, SIPCOT initiated the land acquisition (LA) process (August 2014/February 2016) but in December 2017 these schemes were found not economically viable. Subsequently, these schemes were dropped citing poor road connectivity and lack of water resources. In Theni and Pudukottai districts, the LA process was initiated (December 2015/ February 2016) but it did not acquire any land due to protests from the public and finally it was decided (February 2018/July 2017) to drop these schemes. SIPCOT was yet to identify alternative land in these districts (October 2018). In the process, SIPCOT spent a sum of ₹5.21crore towards establishment cost in these districts, which become infructuous.

Audit observed that SIPCOT had to drop the schemes subsequently as the Techno-Economic Feasibility Study, which was a pre-requisite for LA related works was not conducted. Consequently, the objective of rapid industrialisation in the southern districts as envisaged in TNIP 2014 remained unachieved.

The Government replied that these expenditures are treated as business expenses which shall be set off against profits. The reply was not acceptable. Had the SIPCOT taken up feasibility study, the pre-existing problems could have come to the fore and the infructuous expenditure on the establishment cost could have been avoided.

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149 Sivagangai, Ramanathapuram, Pudukottai, Dindigul, Theni, Virudhunagar, Thoothukudi, Tirunelveli and Kanyakumari.

150 Thoothukudi Phase II and Ramanathapuram.

Slow progress in achieving the target of Land Bank

5.11 Identification and acquisition of land is the essential start up activity for creation of ICs. Against the target of land bank to the extent of 53,000 acres set out in TNIP 2014, till 2017-18, SIPCOT had identified 40,815.33 acres, of which Administrative Sanction (AS) was obtained for 24,284.26 acres. It had acquired/alienated 6,751.26 acres during 2013-18 in nine districts, which represented 12.74 *per cent* of the total target. Further, SIPCOT identified 16,505.41 acres as its upcoming schemes, of which 16,192.54 acres (98.10 *per cent)* were in nine districts in which IC existed and only 312.87 acres were in Ramanathapuram district in which there was no IC.

The Government replied that the delay was due to the new central Act[151],which requires payment of compensation based at market value and also stated that the requirement of land was demand driven and dynamic in nature and SIPCOT was concentrating only where there was demand from the potential investors. While accepting the position taken by the state government, Audit is of the opinion that delay cannot only be apportioned to promulgation of the new Act in 2014, as the Government of Tamil Nadu took four years to notify the multiplying factor on the market value of the land. If the development of the new ICs is demand driven, then the state government needs to relook its policy as under the extant policy, the aim of balanced regional development would be impossible to achieve.

Lack of adequate Land Acquisition Officials

5.12 While according AS for a new IC, GoTN sanctions special LA staff to look after the LA works for a period of one year or till the completion of scheme work, whichever is earlier. The officials for LA units are drawn from Revenue Department and the entire establishment charges towards LA staff are met by SIPCOT. Audit noticed that against the sanctioned strength of 776 officials, 482 posts were vacant (62.11 *per cent*) at the end of March 2018. Besides, SIPCOT was witnessing frequent transfer of the officials in charge of land acquisition. Also, more than 4000 Court cases were pending in connection with the land compensation matters related to different project offices. Audit observed that the officials in the LA unit were inadequate and did not commensurate with the works involved. Consequently, the receipt of working sheets of compensation payable from LA officials was delayed which hampered the land acquisition process leading to delay in payment of compensation to the land losers.

Audit observed that SIPCOT did not pursue with Revenue Department at top level to ensure adequate LA staff and thus, it could not achieve the desired level of land acquisition. Also, SIPCOT did not review its staff strength and assess the shortage of manpower in key areas of operation especially in project offices, where essential activities like LA process, plot development works and monitoring of allottees are carried out.

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[151] The Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013.

Functioning of ICs without layout approval

5.13 As per the provisions of Section 47A of The Tamil Nadu Town and Country Planning Act, 1971, for carrying out developmental activities in any land, approval should be obtained from DTCP by duly submitting the layout of the total area of the land. Audit noticed that in respect of Thoothukudi IC (Phase-I), SIPCOT applied (March 2015) for layout approval to the extent of 298.45 acres, which was returned (September 2015) by the DTCP stating that the said land includes "residential area" of 113.45 acres. SIPCOT did not take up the matter with Revenue Authorities (October 2018) for changing the classification of the land into "industrial area" to obtain the approval of DTCP. Meanwhile, out of the above residential area, SIPCOT had allotted 10.02 acres to six industries between December 2014 and December 2015 by collecting a sum of ₹0.70 crore. The allottee could not start construction for want of necessary building approval, which was an unwanted hardship to the allottees.

The Government replied that the issue was taken up (August 2018) with the Housing and Urban Development Department, GoTN and the approval was awaited (November 2018). The fact remained that SIPCOT did not obtain prior approval of DTCP and the allottees could not commence their activities.

Non-development of Aerospace Park in Vallam Vadagal

5.14 With the objective of attracting new area of investment, the GoTN granted (December 2009) in-principle approval for establishment of an Aerospace Park for manufacturing aircraft components. TIDCO[152] and SIPCOT were directed to take necessary action in this matter in consultation with the GoTN. In pursuance of the above directions, SIPCOT decided (November 2014) to earmark about 244.53 acres for establishment of Aerospace Park in Vallam Vadagal. SIPCOT entered into MOU with TIDCO, for identifying the interested investors.

SIPCOT issued (October 2017) allotment orders to eight prospective investors for an extent of 29.15 acres at a tentative rate of ₹1.41 crore per acre. The scheme cost envisaged an expenditure of ₹64.33 crore towards various infrastructure works viz., roads, sewerage, streetlights and water supply. But SIPCOT did not carry out any of the above works and consequently, these investors did not come forward to take possession of the allotted land. Audit observed that as SIPCOT did not create adequate infrastructure facilities, the allottees did not come forward to take possession of the plot to start industries. Thus, the objective of creation of Aerospace Park to enhance the Tamil Nadu's positon in aerospace industries, as envisaged in TNIP 2014 remained unachieved for more than five years. Consequently, 244.53 acres of land acquired at cost of ₹67.64 crore remained unproductive since April 2013.

The Government replied that work orders were placed in December 2017 with scheduled date of completion by January 2019 and on completion of work SIPCOT was expecting more applications. The reply confirmed the demand from potential investors, who were awaiting the completion of the basic

[152] Tamil Nadu Industrial Development Corporation Limited (TIDCO), a sister PSU engaged in promotion of large and medium industries in association with private sector.

infrastructure facilities and SIPCOT's failure in creating such facilities lacked justification.

Idling of Truck Terminals

5.15 As per clause 5.4.5 of the TNIP 2014, SIPCOT should promote truck terminals[153] in all their major ICs. In compliance to the above, SIPCOT constructed truck terminals in ICs at Vallam Vadagal and Irungattukkottai at a cost of ₹10.68 crore and ₹11.79 crore respectively. Audit observed that though the works were completed in February 2016 and May 2016 respectively, the facilities were not put to use. It was noted that out of 60 months defect liability period, 28 months in respect of Irungattukottai IC and 22 months in respect of Vallam Vadagal IC, had lapsed without using the truck terminals.

Picture-1

Inside view of truck terminal at Vallam Vadagal

Picture-2

Trucks parked alongside the State Highway near Vallam Vadagal IC

The Government replied that the tender conditions for operation and maintenance of the facility were being special in nature, the modalities of operation could not be finalised. The truck terminals started operating departmentally from March and October 2018 respectively. However, the fact remained that SIPCOT had foregone potential revenue by way of user fee for more than two years, besides the unauthorised parking alongside of Highways which indicated poor planning.

Non-conversion of industrial plots in SEZ

5.16 As on 01 April 2013, SIPCOT had a stock of allottable land to the extent of 765.39 acres (41 *per cent*) of the total SEZ land area of 1,866.23 acres. During 2013-18, SIPCOT allotted only 60.24 acres (20 acres in Ranipet and 40.24 acres in Bargur). After adjustment of 73.53 acres for OSR/road area, 631.62 acres was available for allotment as on 31 March 2018, which represented 39.49 *per cent* of the total allottable land of 1,599.49 acres.

Due to introduction of Minimum Alternate Tax and Dividend Distribution Tax, the demand for land at SEZ was reduced. Hence, SIPCOT had vacant SEZ land to the extent of 85.15 *per cent* in Footwear and Leather Products SEZ, Irungattukottai, 77.37 *per cent* in Granite SEZ, Bargur, 67.27 *per cent* in Engineering SEZ Ranipet, 53.15 *per cent* in Transport Engineering SEZ, Gangaikondan and 52.12 *per cent* in Engineering SEZ, Perundurai as on 31

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153 A dedicated parking facility for the trucks used for transportation of cargo from/to ICs.

March 2018. SIPCOT had not taken efforts to de-notify the compact block of land available in these SEZs to bring it under Domestic Tariff Area[154] (DTA) after complying with the minimum land requirement to maintain SEZ status.

The Government replied that the process of de-notification was in progress. However, fact remains that the area stated above in the SEZ are remained unallotted (January 2019).

Non-revision of Plot cost

5.17 The Board of SIPCOT, revised the plot cost in December 2014 and decided to review the plot cost once in two years thereafter. In December 2016, the Board deferred the proposal to revise the plot cost to cover the cost of inflation index at 15 *per cent* with the instruction to consider the proposal for revision based on the industrial growth, affordability, demand and the extent of land to be allotted rather than adopting cost of inflation index. Despite the above directions of the Board, the management did not conduct the necessary study and the plot cost is yet to be revised to date. Audit noticed that during January 2017 to March 2018, SIPCOT allotted 119.22 acres to 42 industries in seven ICs out of the selected 12 ICs.

Government did not furnish any specific response to the observation. SIPCOT may review the pricing policy to make it more transparent and realistic to achieve its objective of increasing the allotment of land with focus on bringing about balanced industrial development.

Adoption of lesser plot cost to the contiguous land

5.18 In May 2012, SIPCOT revised the plot cost for Cheyyar IC Phase I to ₹10 lakh per acre. For the expansion project under Phase II, the initial plot cost of undeveloped land was fixed as ₹26 lakh per acre. While revising the plot cost in December 2014, the rate for Phase I was fixed at ₹12.80 lakh per acre and for Phase II, the rate for undeveloped plot was retained at ₹26 lakh per acre. Audit observed that while revising the plot cost, SIPCOT after factoring the market value, fixes the plot cost for contiguous expansion area in the existing ICs. Whereas, while fixing the plot cost for Phase I and Phase II in Cheyyar IC, it adopted two different rates without justification. Thus, the plot cost of Phase I, which was contiguous to Phase II was lesser by ₹13.20 lakh per acre.

SIPCOT allotted (16 February 2015) 454.38 acres of land in Cheyyar IC Phase I (255 acres) and Phase II (199.38 acres) to M/s. Mahindra & Mahindra Limited at a plot cost of ₹12.80 lakh and ₹26 lakh per acre respectively. Audit observed that due to adoption of two different plot costs in the same IC, it suffered a loss of ₹ 33.66 crore (calculated at the rate of ₹13.20 lakh per acre) on allotment of 255 acres of land at Phase I area, which was an undue benefit to the allottee.

The Government replied that the concept of uniform pricing would be adopted at the time of fixing the plot cost for Phase II and the remaining meagre area in Phase I. The reply was not tenable as in the instant case, after allotting 255 acres of land to M/s. Mahindra & Mahindra Limited, the remaining allottable land in

[154] Domestic Tariff Area means an area where duties and taxes are leviable, whereas in Special Economic Zones, duties and taxes are exempted.

Phase-I was Nil and the failure to adopt uniform price was in violation of its own policy, resulting in undue favour to the allotee.

Delay in claiming differential plot cost

5.19 In Vallam Vadagal IC, SIPCOT allotted 102.52 acres to 25 industries between January to July 2014 and 62.01 acres to seven vendors of M/s India Yamaha Motors Private Limited (Yamaha) between November 2013 to June 2014 at a tentative cost of ₹1.10 crore per acre, pending finalisation of scheme cost. It also allotted (February 2014) 1.47 acres of commercial plot[155] at the rate of ₹1.65 crore per acre. In September 2014, SIPCOT arrived at the final plot cost as ₹1.25 crore per acre and raised the demand for the differential plot cost of ₹25.01 crore[156] from 33 allottees as late as in June 2016. Against the above demand, 11 allottees paid an amount of ₹4.14 crore within the due dates (90 days) and the dues amounting to ₹20.86 crore were not recovered (October 2018). Audit observed that SIPCOT did not raise the demand as and when the plot cost was revised. On account of the delay in raising the demand, it suffered an interest loss of ₹12.93 crore (calculated at the rate of 15.50 *per cent* from November 2014 to October 2018).

The Government replied that the actual plot cost worked out to ₹1.23 crore per acre, which was rounded off as ₹1.25 crore per acre and thus there was no loss. The reply was not acceptable as the rounding off of plot cost was made in all the ICs and failure to raise the demand as and when the cost was revised resulted in interest loss of ₹12.93 crore. Responsibility for such failure needed to be fixed.

Non-recovery of cost for the exclusive use of road

5.20 In granite SEZ of Bargur IC, out of total allottable area of 300 acres, 259.53 acres was vacant as on 31 March 2015 due to which 143.98 acres was de-notified as DTA. SIPCOT allotted (26 November 2015) 146.72 acres of DTA area to M/s. Cheyyar SEZ Developers Private Limited (CSD) at a cost of ₹15.50 lakh per acre for establishment of Footwear SEZ. Audit scrutiny revealed that the land area allotted to CSD was falling on both sides of 30 metre width road for 610 metres length equivalent to 4.52 acres (610 metre x 30 metre) and the same area was fenced enabling exclusive usage by CSD. Though SIPCOT collected the plot cost including the road area of 4.52 acre from CSD, it did not collect the cost of road under the exclusive use of CSD amounting to ₹4.41 crore, which was an undue benefit to the allottee.

The Government reply was not specific about the non-recovery of road cost and non-recovery of cost of road under the exclusive usage of the allottee was an undue benefit.

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155 Plot cost is to be collected at 1.5 times of the plot cost allotted for industrial purpose.

156 Calculated at ₹15 lakh per acre for 164.53 acres (₹24.68 crore) for industrial purposes and ₹22.5 lakh per acre (1.5 times of normal rate) for 1.47 acres (₹0.33 crore) for commercial purposes.

Belated realisation of plot cost

5.21 In pursuance of the MOU entered (February 2008) between the GoTN and M/s. Renault and Nissan (R&N), for implementation of integrated Automobile Project, SIPCOT allotted (24 October 2011) 610 acres to R&N in Oragadam IC at a plot cost of ₹35 lakh per acre. As per clause 2 of lease deed and clause 3 (i) of allotment order, the plot cost was to be paid in four annual instalments failing which interest at the rate of 15.5 *per cent* was payable for belated payment. Audit noticed (June 2018) that the first two instalments[157]of ₹18.30 crore each were paid after a delay of 217 days and 180 days respectively, but SIPCOT did not claim interest of ₹3.08 crore.

The Government replied that SIPCOT had raised (August 2018) the demand of ₹3.08 crore towards interest for belated payment of instalments and the amount was yet to be realised (October 2018). The fact remained that the demand was raised at the instance of Audit.

Collection of full plot cost instead of subsidised rate

5.22 The GoTN announced (October 2013) special incentives to the prospective industries to set up new industries in nine southern districts[158]and directed SIPCOT to allot plots at 50 *per cent* subsidised rate in the ICs to be established in these districts. The differential plot cost would be directly remitted by GoTN to SIPCOT. In pursuance of the above order, SIPCOT had allotted 118.50 acres to 42 industries in Gangaikondan, Manamadurai, Nilakottai and Thoothukudi ICs at a total plot cost of ₹ 9.32 crore and collected the full plot cost from these industries during January 2016 to March 2018. This was in violation of the incentives prescribed in TNIP 2014 and had resulted in excess collection of ₹4.66 crore from these 42 industries.

In the Exit Conference, Government stated that the differential amount would be paid back to the allottees by SIPCOT on receipt of funds from the Government.

Monitoring of the Industrial Allottees

Non-resumption of land

5.23 As per the standard terms and conditions of the allotment order read with Clause no. 17 of the lease deed, the allottee should commence commercial production within 30 months from the date of allotment of land. Non-compliance of the stipulated time schedule would result in cancellation of allotment and SIPCOT can take repossession of the land under Tamil Nadu Public Premises (Eviction of Unauthorised Occupants) Act, 1971. The powers of revocation of allotment and to proceed under the Act to resume the land were vested with the MD of SIPCOT.

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157 First, second and third installments of ₹18.30 crore each were due on January 2010, 2011 and 2012 respectively and fourth instalment of ₹21.03 crore was due in January 2013.

158 Pudukkottai, Theni, Dindigul, Sivagangai, Ramanathapuram, Virudhunagar, Tirunelveli, Thoothukudi and Kanyakumari.

Scrutiny in 12 ICs revealed that 177 allottees, who were allotted a total area of 892.74 acres, did not commence production within the stipulated time limit. Audit noticed delays in the range of 1 to 318 months in these 12 ICs and the details are given in the **Annexure-24.**

Audit observed that SIPCOT did not invoke the above condition of allotment and failed to take repossession of 892.74 acres of land. The unused land represented 6.60 *per cent* of the total land allotted (13,518.31 acres) in 12 ICs upto March 2018. A detailed analysis indicated that out of the above 892.74 acres, 499.69 acres (55.97 *per cent*) were in three ICs (Pillaipakkam 280.95 acres – 33 Units, Oragadam 143.15 acres – 13 Units and Irungattukottai 75.59 acres – 26 Units) in the periphery of Chennai, where the demand for land was high. This indicated inadequate monitoring of post allotment utilisation.

The Government replied that accelerated industrial development is the objective of SIPCOT. Considering the difficulties encountered by the allottees in establishing the industries, it did not take stringent action. The reply was not acceptable for the reason that non-commencement of industrial activities by the allottees defeated the envisaged infusion of investment and generation of employment. Further, this was in contravention of Clause no.17 of Lease Deed, which stipulated cancellation of the allotment and forfeiture of total amount paid. It was noted that if the unused land was resumed and re-allotted it would fetch additional revenue of ₹249.94 crore at prevailing rates of December 2014. The non-resumption of idle land lacked justification.

Change in management and Sub-leasing of plots

5.24 As per condition no. 8 of the allotment order, without implementing the project, the allottee should not assign or sublet, transfer or part with their interest in the allotted plot either whole or in part to any other person without the prior approval of SIPCOT. For change in the constitution, management or control, the allottee should pay the plot cost determined by SIPCOT. SIPCOT formulated (December 1994) the 'Policy on change in management on allotment of plots in the ICs' and decided to recover the differential plot cost under different categories. The powers to approve the change in management or ownership of the allottee and sub-lease by the allottee were vested with the MD. Instances of failure to monitor the change in management of the allottee and non-recovery/under recovery of differential plot cost as noticed during the audit are discussed below:

Failure to monitor the change in management/sub-leasing

5.24.1 In order to prevent the violations of terms and conditions of allotment, all the project offices were instructed (March 1993) to take up the field inspection on a round-the-year basis so that every plot allotted is inspected atleast once a year and report the same to Head Office for corrective action. Audit noticed that the project offices were not following these instructions. Consequently, the change in management of the allottees was not monitored. SIPCOT had been collecting the differential plot cost only when the allottees approach for "No Objection Certificate" to comply with any other legal requirements. In the absence of such report, Audit compiled the list of allottees and corroborated with the records of Goods and Services Tax Network and the data downloaded from the website[159] of Ministry of Corporate Affairs to ascertain the unreported change in Management/subleases cases.

Audit scrutiny revealed that companies other than the allottees were operating in 31 plots with a total extent of 607.30 acres in five ICs **(Annexure-25)**. Unauthorised use of 607.30 acres accounted for 8.87 *per cent* of the total area of 6,842.37 acres allotted in these five ICs and SIPCOT did not monitor these changes in actual users of allotted plots by duly collecting the differential plot cost. The loss on this account was not worked out by Audit for want of data on change in the management/area of user to fix the applicable plot cost. This failure indicated lack of appropriate internal controls to eliminate loss of revenue/misuse of land. Illustrative instances of reported subletting and non/under-recovery of sub-lease charges noticed in audit are given in **Table 5.3**.

Table-5.3 Details of sublet by the allottees

Sl. No.	Name of the Allottee and IC	Month of Allotment	Extent sublet (in square feet)	Name of Company functioning in the premises sub-let	Sublet period	Sublease charges recoverable (₹ in crore)	Interest @ 15.5 *per cent* from August 2012 (₹ in crore)
1	New Direction Industries and Logistics Co., Sriperumbudur	March 2008	62,170	Ludowici Mining Process India Private Limited	July 2010 to January 2017	2.81	2.08
2	RKHM & Co., Sriperumbudur	March 2008	57,703	Vantech Logistics Private Limited	November 2010 to November 2013	1.09	1.11
3	Devi Auto Components, Oragadam	May 2010	37,593	ITW India Limited	Aug 2012 to March 2018	1.46	0.85
	Total		**1,57,466**			**5.36**	**4.04**

(Source: Details collected from ICs)

Though the lease deed stipulated to collect the cost determined by SIPCOT for sublease, it did not determine the sublease charges recoverable. In August 2012, SIPCOT determined the sublease charges collectable for different categories. However, it did not notify the sublease charges to all the allottees concerned and recovered the sublease charges for the sublet area. Audit calculated the sub-lease charges recoverable in these cases to ₹5.36 crore, which was yet to be realised (October 2018). Due to this, besides the non-recovery of sublease charges, SIPCOT suffered a loss of interest of ₹4.04 crore. Further, it did not initiate any penal action for non-payment of sublease charges.

The Government replied that SIPCOT raised the demand for recovery of sublease charges. The demand was raised at the instance of audit and the amount was yet to be realized (November 2018).

5.24.2 The GoTN entered (7 June 2006) into MOU with M/s Motorola Inc., USA (Holding Company) through its 100 *per cent* subsidiary M/s Motorola India Private Limited (MIPL) (allottee) for setting up of a unit in Hi-Tech SEZ, Sriperumbudur for manufacture of Electronics and Telecom Hardware. In pursuance of the MOU, SIPCOT allotted (September - October 2006) 70 acres

[159] (http://www.mca.gov.in/MinistryV2/master+details.html).

of land to MIPL. Subsequently, due to distribution of shares of the holding company (Motorola Inc. USA), two new independent companies *viz.* (i) M/s. Motorola Solutions Inc and (ii) Motorola Mobility Inc were formed (January 2011). On account of this change in the shareholding pattern, MIPL became the subsidiary of Motorola Mobility Inc and MIPL's name was changed (September 2011) into Motorola Mobility Chennai Private Limited (MMCPL). In May 2012, Motorola Mobility Inc (Holding company of MMCPL) was acquired by M/s Google, which in turn sold (October 2014) the shares of Motorola Mobility Inc to M/s Lenovo.

On account of the above changes in ownership, SIPCOT was required to recover 50 *per cent* of the differential land cost being the difference between current land cost and the cost remitted by the original allottee. Audit noticed that the plot cost collected from the original allottee was ₹20 lakh per acre in 2011, whereas the applicable plot cost at the time of change in the management (October 2014) was ₹80 lakh per acre. However, SIPCOT did not collect the differential plot cost amounting to ₹21 crore, which was an undue benefit to the allottee.

The Government replied that SIPCOT was contemplating to seek clarification from Advocate General in this regard. The reply was not acceptable for the reason that the change in shareholding pattern was established and further delay in recovery would result in undue favour to the allottee.

Transfer of lease hold rights to third parties

5.24.3 As per the policy of December 1994, in case of total change in the ownership by way of transfer of shares to new persons, the new incumbent should pay 100 *per cent* differential cost between the current land cost and the amount paid by the original allottee. Audit observed that in five ICs[160],16 allotments involving 72.70 acres of land, the allottees had transferred the entire shares to a new person for which 100 *per cent* differential plot cost should be collected. However, it collected the differential cost at different rates *i.e.,* 10/50/60 *per cent,* which were applicable for change in management. Audit worked out the differential plot cost of ₹23.11 crore recoverable in these cases. Against which SIPCOT had collected only ₹12.47 crore and approved the change in management during 2013-18, resulting in under recovery of ₹10.64 crore. The erroneous interpretation of the total transfer of shares to third parties as changes in management resulted in loss to SIPCOT and was an undue benefit to new allottees.

Non-execution of Lease Deed

5.25 As per condition no.3(iii) of allotment order, the allottee has to execute/register the lease deed within 30 days from the date of payment of plot cost. Audit noticed that 23 allottees had belatedly signed the agreement by taking 126 days to 1,350 days. However, it was noticed that six allottees, who were allotted plots totaling 688.64 acres between August 2010 and February 2015 did not execute the lease deeds (October 2018). Audit observed that due

[160] Ranipet (1), Oragadam (8), Irungattukottai (3), Sriperumbudur (3) and Thoothukudi (1).

to non-registration of documents, SIPCOT might not be in a position to defend in case of legal dispute. These plots were allotted at the total cost of ₹2.07 crore and yet to be registered though its current price was worked out to ₹90.29 crore (November 2018).

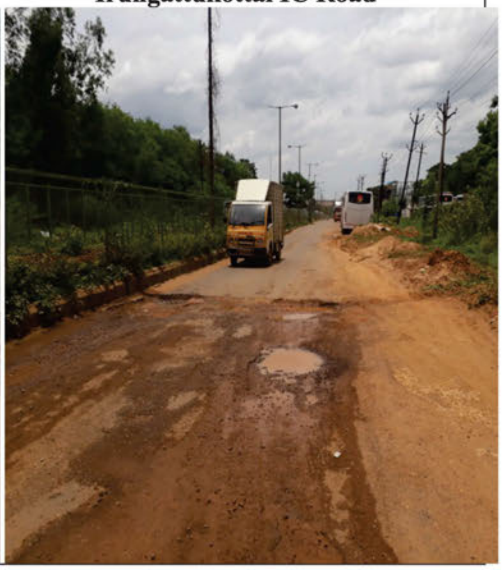
The Government replied that these lease deeds were not registered for want of clarification on the extent of land allotted and on settlement of issues, lease deed would be executed. The reply was not acceptable as the inordinate delay in registration deprived the revenue to GoTN by way of stamp duty to the tune of ₹5.95 crore **(Annexure-26)** besides legal safeguard.

Maintenance of Industrial Area

5.26 Maintenance of ICs with major infrastructure facilities like roads, electricity, water supply and storm water drainage system is one of the main functions of SIPCOT. The actual maintenance expenses incurred for the IC is recovered from the allottees of the respective IC in the subsequent year on pro-rata basis on the area allotted. SIPCOT laid roads in all the ICs to the extent of 306.34 kilometres between 1975 and 2018. During 2015-18, SIPCOT upgraded the roads to the extent of 90.54 kilometres at a cost of ₹60.28 crore. However, SIPCOT did not devise any action plan to upgrade or relay of roads to the extent of 118.5 kilometres (56.74 *per cent*) of 209.04 kilometres laid before 2008.

Picture 3: Irungattukottai IC Road

Picture 4: Irungattukottai IC Road



Internal Control

5.27 Internal control is a mechanism to provide reasonable assurance to the Management and the Board by controlling the risks that can be caused by employees. It is a process of assuring the operational effectiveness and efficiency, reliable financial reporting and compliance with laws, regulations and policies of the organization. Audit noticed that the internal control system put in place were inadequate in the following areas:

- Comprehensive data relating to land acquired, payment of initial/enhanced compensation and the status of pendency of cases and further compensation payable were not maintained at Corporate level and the same was being maintained at field in piecemeal only indicating lack of control at Corporate level on LA process.
- Non-maintenance of data on the service tax paid on input services resulted in non-availing of input credit, which was done at Corporate level.
- Absence of periodical field inspection by the project officers and monitoring by top Management caused loss of revenue *viz.,* collection of differential plot cost due to revision of scheme cost, change in the management and subleasing.

Conclusion

SIPCOT did not prepare any Long Term/Annual Action Plan stipulating various milestones with appropriate time line/priorities to develop and operationalise the ICs. Consequently, at the end of March 2018, out of the 32 districts in the State, there were no ICs in 20 districts. Out of the income of ₹ 2,921.09 crore generated during 2013-18, SIPCOT had spent only ₹1,555.60 crore representing 53.25 *per cent* on its core activities. The acquisition of land was neither based on the policy to create ICs in all the districts nor based on demand. SIPCOT had not revised the plot cost since December 2014 and did not monitor the allottees to ascertain the change in management of the allottee enabling the recovery of differential plot cost.

Recommendations

- SIPCOT may prepare a definite action plan indicating milestones for land acquisition and execution of infrastructure related works to achieve the target of one or more ICs in all the districts.
- SIPCOT may study the reasons for low offtake of land in southern/eastern regions and explore the potential for attracting industrial enterprises in those regions.
- SIPCOT may conduct the market analysis periodically for fixing the plot cost in a transparent manner.
- SIPCOT may devise a control mechanism for periodical inspection of the allottees including surprise checking to identify subletting, if any.
- SIPCOT may develop MIS at Corporate level to monitor the LA process, allotment, commencement of commercial operation by the allottees to ensure sustainable industrialisation and employment generation.

CHAPTER-VI

Compliance Audit Observations relating to State Public Sector Undertakings (other than Power Sector)

Important Audit findings, noticed as a result of test check of transactions of the State Government companies (other than Power Sector) are included in this Chapter.

Electronics Corporation of Tamil Nadu Limited

6.1 Procurement of Resources by Electronics Corporation of Tamil Nadu Limited

Introduction

6.1.1 Electronics Corporation of Tamil Nadu Limited (ELCOT) was established (March 1977) by Government of Tamil Nadu (GoTN) to undertake (i) production of electronic items, (ii) promote joint sector projects of electronics goods and (iii) provide requisite infrastructure facilities for development of electronic industry in the State. In February 1999, GoTN made ELCOT as procurement agency for procuring IT Hardware and Software products for Government Departments/State Public Sector Undertakings and Autonomous Bodies. Further, in June 2011, GoTN entrusted the task of procurement of laptop for free distribution to students of Government and Government aided School/Colleges.

Procurement activities

6.1.2 The procurement activities in ELCOT are managed under three different Divisions viz., (i) Procurement of laptops for free distribution to students, (ii) Procurement of other IT resources and (iii) Finance, each headed by separate General Managers. During 2015-18, ELCOT procured IT resources valuing ₹2,488.17 crore under the following two categories:

Table 6.1: Details of procurement during 2015-18

Sl. No.	Name of items	Amount (₹ in crore)
1.	Laptops for free distribution to students.	2,223.14
2.	IT resources (desktop, servers, local area network, *etc.*,) on behalf of the Government Departments/PSUs.	265.03
	TOTAL	**2,488.17**

Procurement of laptops are initiated by ELCOT based on the indent received from the Education Department. Project Division of ELCOT initiates the tender process after obtaining the approval for specifications from the Technical Committee appointed by GoTN.

Scope of Audit and Methodology

6.1.3 The present audit was taken up to examine whether the procurements during 2015-18 were made economically, efficiently and effectively by duly following the provisions of Tamil Nadu Transparency in Tenders Act, 1998 and the Rules made thereunder. The audit started with an Entry Conference with the Management on 2 May 2018 explaining the audit objectives. Audit covered all the procurements of laptops for free distribution to students made through two tenders (Phase IV, V and Phase VI).[161] For assessing the efficiency and effectiveness of laptops procured for free distribution, feedback were invited from 6088 students (out of 12,176 students selected on random sampling) of 31 schools and one Polytechnic out of 3,556 schools and 83 Polytechnics situated in 10 districts.[162] In respect of procurement of IT resources on behalf of various Departments, out of 10,547 Purchase Orders (POs) worth ₹262.24 crore (after excluding the POs worth less than ₹10,000), 158 POs worth ₹66.74 crore were selected for detailed examination using stratified random sampling.

The audit observations were reported to the Government in August 2018 and discussed in the Exit conference held on 14 November 2018 with Secretary, Information Technology Department and Managing Director, ELCOT. The views expressed in the Exit Conference and the replies received from ELCOT/Government (November 2018/January 2019) were incorporated, wherever found appropriate in the report.

Audit findings

Procurement of laptops for free distribution to students

6.1.4 GoTN, in Special Programme Implementation Department (SPID)[163] decided (June 2011) to implement the scheme of free distribution of laptops to all the students of 12th standard in Government and Government Aided Schools and Polytechnic Colleges in the State to facilitate them in acquiring better computer skills. The Scheme envisaged, *inter alia,* that ELCOT will finalise the specifications of laptops and float tenders for procurement. The Directorates[164] of Education Department was required to prepare the details of schools with number of students after ensuring that discontinued/dropped students were not included in the list and submit the same to ELCOT. Respective Directorates were responsible for distribution of laptops. ELCOT was also required to issue detailed guidelines covering technical specification including the warranty details to the heads of the institutions for verification while accepting the supply.

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161 Phase IV, V and VI meant for distribution to the eligible students studying in the years 2014-15, 2015-16 and 2016-17 respectively.

162 Chennai, Kanchipuram, Villupuram, Thiruvannamalai, Salem, Vellore, Madurai, Tirunelveli, Virudhunagar and Trichy.

163 Special Programme Implementation Department created exclusively for monitoring and coordinating the flagship programme and Schemes of the GoTN.

164 Director of Technical Education, Director of School Education and Director of Collegiate Education.

Delay in procurement rendered distribution after the academic sessions

6.1.5 Every year, ELCOT submitted proposal to SPID, indicating the quantity to be procured seeking administrative sanction. Details of proposals, date of approval and procurements for the three academic years ending 2016-17 (Phase IV, V and VI respectively) are given in **Table-6.2**.

Table 6.2: Details showing the procurement stages in Phase IV to VI

Academic year / Phase	Date of proposal of ELCOT	Date of approval by SPID	Quantity (in lakh)	Date of NIT	Date of issue of LOA	Date of Issue of PO	Quantity (in lakh)	Period of supply
2014-15 Phase IV	29.04.14	12.09.14	11.00$	01.11.14	17.06.15	16.07.15	10.50	July 2015 to December 2015
2016-17 Phase VI	13.06.16	02.09.16	5.35	01.11.16	02.05.17	22.08.17	5.00	September 2017 to November 2017

$ - Including the quantity for the year 2015-16 (Phase V)

NIT – Notice Inviting Tender **LoA – Letter of Acceptance**

For the academic year 2014-15, ELCOT submitted a proposal to SPID in April 2014 seeking administrative sanction. Five months later, anticipating a further delay in the procurement in bulk, SPID decided (September 2014) to club the requirement for the year 2015-16 and issued administrative sanction for procurement of 11 lakh laptops (Phase-IV and V) at an estimated cost of ₹1,980 crore. ELCOT invited (November 2014) International Competitive Bids for supply and commissioning of laptops. The finalisation of tender was delayed upto June 2015 for want of clarity in the technical qualification of the bidders. After evaluation of the tenders, orders were placed (July 2015) for supply of 10.50 lakh laptops on three firms[165] at a negotiated price of ₹14,169[166] per laptop.

Similarly, for procurement under Phase VI, for the academic year 2016-17, ELCOT submitted the proposal to SPID in June 2016 for which administrative sanction was given in September 2016 for procurement of five lakh[167] laptops. ELCOT invited tenders in November 2016, but due to delay in selection of the processor, the Letters of Acceptance (LOA) were issued in May 2017 to two firms[168] at a negotiated price of ₹12,400 per laptop.

Audit observed that ELCOT did not draw up a suitable action plan in advance to schedule the procurement and distribution of laptop at the beginning of the academic year. In Phase IV, SPID delayed the administrative sanction for nearly five months upto September 2014. The tender process was further delayed at ELCOT level in phase IV and VI. The laptops meant for the students of the academic year 2015-16 were distributed during the academic

[165] M/s Lenovo (India) Private Limited, Bangalore (6.60 lakh laptops), M/s Acer India (Private) Limited, Bangalore (2.30 lakh laptops) and M/s HP India Sales Private Limited, Chennai (1.60 lakh laptops).

[166] Original quoted price ₹14,216.

[167] After considering a stock of 33,972 laptops purchased under Phase V.

[168] M/s Lenovo (India) Private Limited, Bangalore (three lakh laptops) and M/s HP India Sales Private Limited, Chennai (two lakh laptops).

session (July 2015) itself, whereas 5.50 lakh laptops worth ₹779.30 crore under Phase IV and five lakh laptops worth ₹618.50 crore under Phase VI were distributed from July 2015 to September 2015 and from September 2017 to November 2017 after the academic session i.e., 2014-15 and 2016-17 respectively. The belated distribution of laptops deprived the envisaged benefits of using the laptops during their studies by students of academic year 2014-15 and 2016-17. The laptops supplied with preloaded text books could not be used by the students beneficially during their academic sessions. While distributing the laptops, after the close of the years, no control mechanism was put in place to ensure that the laptops are distributed to the students continuing their further studies. Besides, the above, distribution of laptops to the students, who discontinued their studies after academic year 2014-15 and 2016-17 are also not ruled out.

Government in its reply stated that utmost care would be taken to avoid delay from the academic year 2019-20 onwards. However, the fact remained that the students of the academic years 2014-15 and 2016-17 were deprived of acquiring the computer skills during their 12th Standard.

Failure to invite separate price bids for different processors

6.1.6 Computer processor is the major component in the computer system, where all the computing process is performed. Intel and AMD are the two major brands of computer processors[169] available in the market. Under Phase-IV and V, ELCOT invited single price bid (November 2014) for supply of 11 lakh laptops with Intel Pentium Dual Core or equivalent AMD processor with 2 GHz or higher speed.

AMD processors are cost effective and its prices were lesser than the prices of equivalent processor of Intel brand. Recognising this price difference, for finalising the rate contract for procurement of desktops for Government Departments, ELCOT had been inviting tenders with separate price bids for Intel and AMD processors. ELCOT finalised (February 2014) rate contracts (RC) for supply of desktops with Intel and AMD processors at a price of ₹32,200 and ₹31,700 respectively. Thus, ELCOT was aware of a price advantage of ₹500 for AMD processor than Intel processor. However, it did not adopt the similar procedure of inviting separate price bids for Intel and AMD processors, while procuring laptops for students. Consequently, it was deprived of getting the price advantage of AMD processor and the POs were placed (July 2015) on three firms with the option to supply the laptops of Intel or equivalent AMD processors. In view of the open option, the contractors supplied 5.84 lakh laptops representing 56.20 *per cent* with Intel processors and the balance quantity of 4.55 lakh laptops with AMD processors.

Audit observed that, despite of knowing the price advantage for AMD processor, ELCOT did not invite separate price bids of Intel and AMD processor, which would have entitled a price advantage of minimum ₹500 per laptop as available in desktops. Failure to invite separate price bids for Intel

[169] Owned by M/s Intel Corporation, USA and M/s Advanced Micro Devices Inc, USA, respectively.

and AMD processors in procurement of laptops involved avoidable expenditure[170].

Government in its reply stated that separate price bids cannot be invited for different processors. The reply is not acceptable as ELCOT did not adopt its own practice followed in procurement of desktops, despite the knowledge of price advantage for AMD processors.

Procurement of Laptops with lower specification at higher cost

6.1.7 Tenders for procurement of laptops under Phase VI (2016-17) were invited in November 2016 with a higher memory capacity of 4GB as compared to 2 GB memory procured under Phase-IV and V. The technical evaluation of the bids was completed on 28 February 2017 and the opening of price bid was scheduled on 22 March 2017. Meanwhile, ELCOT received an indent (08 February 2017) from Director of Employment & Training (DoET) for supply of 12,576 laptops for free distribution to the students of 2016-17 studying in 102 Industrial Training Institutes (ITI). ELCOT placed indent (16 March 2017) on M/s. Lenovo for supply of 9,549 laptops out of the laptops manufactured for supply under Phase-IV and V at the applicable rate of ₹14,169 per laptop. Subsequently, the price bids of Phase-VI were opened on 22 March 2017 in which M/s Lenovo quoted a price of ₹12,464 per laptop. After negotiation, the rate for Phase VI was approved by the Board on 24 April 2017 at ₹12,400 per laptop with higher specification (4GB RAM/500GB HDD) with M/s Lenovo being L-1 bidder for which LOA was issued on 2 May 2017.

Audit observed that though ELCOT was aware of the fact of falling price of the laptops in the market and the tender for procurement of laptop with higher configuration of 4GB memory was in advance stage, it placed orders at a higher rate by ₹1,769 per laptop. This has resulted in an avoidable expenditure of ₹1.69 crore to DoET on procurement of 9,549 laptops. Audit observed that the laptops were supplied from 17 March 2017 to 13 April 2017 and distribution to the students was made only after the close of the academic session.

Government in its reply stated that the suppliers were having laptops in stock, which were already tested by third party testing agency and available in their warehouses and hence the suppliers were instructed to supply. The reply is not acceptable for the reason that due to the hurried instructions, the supplier could sell their products at a higher price. Thus, procurement deprived the ITI students of the benefit of higher configuration laptops, which lacks justification and for which responsibility needs to be fixed.

Acceptance of lower memory laptops in Phase VI

6.1.8 Tender specification under Phase-VI (Clause 4.1.1) stipulated a qualifying bench mark "Bapco Sysmark 2007[171] overall score of minimum

[170] Considering a price difference of ₹500 per laptop as in the case of desktop, the avoidable expenditure would be ₹22.75 crore.

[171] Business Applications Performance Corporation is non profit consortium with a charter to develop and distribute a set of objective performance bench marks for personnel computers based on computer applications and industry standard operating systems. An application based benchmark that reflects usage pattern of business users in the areas of e-learning, video creations, office productivity and 3D modelling.

120 or higher with Windows 7 Professional and 4GB memory" for which the bidder had to submit a test report from the specified Testing Agencies of GoI/GoTN duly submitting a sample laptop.

Audit noticed that the test reports of Electronics Test and Development Centre (ETDC)[172] submitted (December 2016) by two bidders[173] in respect of Intel processors satisfied the requirement of 4GB memory, whereas in respect of AMD processor category, the test reports submitted (December 2016) by all the six bidders[174] showed a memory of 2 GB (2047 MB) only. However, the Tender Scrutiny Committee ignored the lesser memory under AMD processors category and all the bidders were treated (March 2017) as technically qualified. The LOA was issued to M/s Lenovo (three lakh laptops) and M/s HP (two lakh laptops) in May 2017 and the detailed POs were issued in August 2017. The suppliers had delivered 5,94,473[175] laptops at the destinations between September 2017 and August 2018.

Audit observed the following:

(1) The Tender Accepting Authority *i.e.*, Board did not take cognizance of the discrepancy in the memory (2 GB as against 4 GB) before taking final decision (April 2017) on the tender as required under Rule 30 of the Tamil Nadu Transparency in Tenders Rule, 2000. Consequently, 5,94,473 laptops with 2 GB memory against the intended 4GB were procured, which was in violation of the tender specifications. As the reduction in the memory capacity involved a price difference, acceptance of lesser memory laptops lacked justification for which responsibility needs to be fixed.

(2) The LOA issued to M/s. Lenovo and M/s. HP stipulated that the supply of laptops should be in line with the samples *i.e.*, should have a bench mark score of 125 and 126 respectively under AMD processor category. Further, as per Clause No.4.6.1 of the tender specification, a pre-despatch inspection should be carried out by third party agency and the laptops should give the same performance or better results than indicated in the benchmark test report submitted during tender evaluation. In case the samples tested do not qualify, the entire lot would be rejected. However, the pre-despatch Third party Test Reports relating to M/s. Lenovo, in respect of their supply in 53 batches (out of 120 batches of 2500 laptops each), the Bapco Sysmark score was in the range of 121 to 124 as against the stipulated score of 125. Similarly, the pre-despatch Third party Test Reports relating to M/s. HP India Limited in respect of their supplies in 77 batches (out of 80 batches), the Bapco Sysmark score was in the range of 117 to 125 against the stipulated score of 126. However, instead of rejecting the said lots, the officials engaged in the field tests had

172 One of the approved testing agency functioning under Standardisation Testing and Quality Certification Directorate/Ministry of Electronics and Information Technology, GoI.

173 M/s Mantra Industries Limited, Mumbai and M/s Balaji Machine Works Private Limited, Mumbai who had quoted for Intel and AMD processors.

174 M/s Acer India Private Limited, Chennai, M/s Arunachala Intex Private Limited, Chennai, M/s Balaji Machine Works Private Limited, Mumbai, M/s HP India Sales Private Limited, Chennai, M/s Lenovo India Private Limited, Bangalore, and M/s Mantra Industries Limited, Mumbai.

175 Including additional quantity of 94,473 laptops ordered during January – April 2018 for distribution to students appearing in competitive examinations.

cleared these laptops for despatch to the destinations. It neither analysed the specific impact and functions for lesser score nor imposed any penalty there for. The violation of the tender conditions amounted to undue concession extended to the suppliers during post tender.

No mechanism was put in place at Head Office to review the acceptance levels of test reports and despatch instructions either at Procurement Division or Finance Division.

Government in its reply stated that "the Bapco Sysmark 2007 Benchmark tool can detect only 2GB in respect of AMD processor and the testing agencies reported that all six bidders had submitted sample laptops with 4 GB memory and are physically available". The reply is factually incorrect as, in the Third Party Test Report submitted at the time of despatch, a memory of 2GB (2047 bytes) only was reported and there were no evidence on record to show 4GB memory in the laptops. ELCOT did not clarify the reported discrepancy in the memory and accepted the laptops for payment purpose. Thus, the acceptance of laptops with lesser memory as well as lower score lacked justification for which responsibility needs to be fixed.

Response of the beneficiary students

6.1.9 Out of 6088 students to whom the returnable questionnaire were mailed, 512 students (8.41 *per cent*) submitted their feedback. Their responses in form of percentage were tabulated below:

Table 6.3: Details of the response from students

Sl. No.	Nature of response	Percentage
1	Laptops received after completion of schools	48.63
2	Laptops not used for teaching the subjects	43.75
3	Materials provided in the laptops were useful	82.62
4	Encountered with some problems within one year	32.81
5	No Service Centers nearby to their schools	43.55
6	Using the laptops for higher studies	85.55
7	Using the laptops for business/other purposes/unusable condition	26.76

Thus, more than 40 *per cent* students indicated that the laptops were not available for use during their academic session, which was the main objective of the scheme. The full response of the 512 students are given in **Annexure-27.**

Out of 31 schools and one polytechnic, 37.5 *per cent* of the head of the institutions confirmed the distribution of laptops to the students after they left the schools.

Procurement of IT resources for Government Departments/PSUs

6.1.10 ELCOT procures IT related resources on behalf of various Government Departments/Agencies/PSUs through annual rate contracts (RC). The supplies are planned based on the indents along with advance payment from the respective user departments. During 2015-18, ELCOT had finalised 60 RC covering various products.[176] As per the practice in vogue, ELCOT issues notice inviting tenders (NIT) for procurement of different categories of IT hardware and software items for finalising the RCs, based on which the POs would be issued to the suppliers as and when the indents are received from the user departments. Audit noticed that there were no systematic calendar for release of NIT in the order of due dates and NITs were issued after the expiry of earlier RC period. Instances of delayed initiation of action for renewal of RCs and consequent avoidable cost of ₹0.94 crore as noticed during audit are given in **Annexure-28.**

Delay in finalisation of RC resulted in avoidable cost

6.1.11 The RC for different variant (i3 and i5 model) laptops expired in October 2013, whereas the NIT for next RC was released only after delay of 11 months in September 2014 and the new RC was finalised after further delay of one year in September 2015. Similarly, for renewal of another RC (i3, i5 and i7U) which expired in September 2016, NIT was released in June 2017 with due date for opening the bid on 27 July 2017. However, the bid opening was delayed upto 15 September 2017 and the RC was finalised in December 2017.

6.1.12 For procurement of IP camera and its accessories one RC expired in March 2015. For its renewal, NIT was released in October 2015 and new RC was finalised after a delay of 14 months i.e., in December 2016 at lesser prices. On account of this delay, six Departments were made to procure IP cameras and related accessories at a higher rate based on the previous tender involving avoidable cost of ₹0.16 crore during February to December 2016. Further, it was also observed that though the RC was finalised in December 2016, for the requirement of Treasuries Department and Commercial Tax Department, two purchase orders were released in June 2017 and March 2018 respectively at the rates applicable to the expired RC at higher rates, which resulted in avoidable cost of ₹0.27 crore to the user departments.

ELCOT replied that the procurement process was being standardised and the same would be rolled out shortly.

Receipt and utilisation of Fund

6.1.13 The user departments submit the indent to ELCOT along with advance payment based on the proforma invoice issued by ELCOT. The details of advances received and the purchases made by ELCOT are given in **Table 6.4**.

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[176] Desktops, laptops, servers, Microsoft products, UPS, anti virus, IP camera, IT consumables, printers, bio-metric devices, LAN components, copiers, fax machine, Linux software, computer furniture, *etc*.

Table 6.4: Details showing the advances received and the purchases

(₹in crore)

Particulars	2015-16	2016-17	2017-18
Opening balance	190.49	177.97	173.19
Advances received	173.34	167.91	250.09
Purchases	185.87	172.69	147.95
Closing balance	177.97	173.19	275.33

Scrutiny of the receipt of funds and the procurement made, the following observations were made:

(i) Out of 158 POs reviewed, Audit noticed a delay of 35 days to 618 days from the date of receipt of indent/advance payment in 38 cases[177] involving purchase value of ₹21 crore. A detailed analysis revealed that the delays were mainly on account of lack of co-ordination with the user department/suppliers and ELCOT did not take up concerted effort to avoid the delay. Consequently, the indented products were arranged to be supplied to the user departments belatedly and till such time the funds were retained by ELCOT in banks. This indicated lack of efficiency and effectiveness in procurement activities.

(ii) The funds released by the user departments were parked in banks, which amounted to indirect diversion of funds to banks for a temporary period. During 2015-18, out of the advances received from various departments, ELCOT earned interest through bank deposits at an average rate of 7.5, 7.25 and 6 *per cent* respectively against the average rate of borrowing by Government of 8.38 and 8.11 *per cent* during the year 2015-16 to 2017-18.[178] Though ELCOT has been paying the interest earned as stated above to the administrative department (Information Technology), the differential amount of the interest earned by it and the borrowing cost of the Government amounting to ₹4.99 crore was an indirect loss to the exchequer during 2015-18.

(iii) On receipt of advance payments, Accounts Division advises the Procurement Division for initiating the placement of POs on the suppliers. After completion of the supplies, copies of the delivery challan duly verified by the Procurement Division are sent to the Accounts Division for payment and reconciliation with user departments. Audit noticed that reconciliation of the advance received from user department and payment made to the suppliers are pending for several years. Out of the supplies to 16 Departments, a test check in four Departments revealed that an amount of ₹12.05 crore relating to the years 2005/2010, as detailed in **Table 6.5** were pending without any transaction during 2015-18, reasons for which were not on record:

177 20 cases – 1 to 3 months delay, one case – 6 months, 12 cases - 6 to 12 months delay and five cases – more than one year delay.

178 Pending finalisation of average borrowing rates for the year 2017-18, the previous year rate of interest was taken for calculation for the year 2017-18.

Table 6.5: Details showing the outstanding amount

Name of the Department	Date from which pending	Amount (₹in crore)
Survey and Settlement Department	06.09.2005	7.11
Revenue Department	31.03.2010	2.58
Director of Collegiate Education	31.03.2010	1.06
Co-operative Bank, Trichy	12.05.2010	1.30
TOTAL		**12.05**

Audit observed that Management did not take adequate initiative to reconcile the outstanding amount.

Government in its reply stated that ELCOT is preparing manual for the tender process with timelines to minimize the delay and also in the process of developing a new Enterprise Resource Planning in such a way that all the shortcomings in the current system are addressed.

Internal control

6.1.14 Internal control ensures that management has accurate, timely and complete information including accounting records in order to plan, monitor and report business operations. Audit noticed that ELCOT did not have any calendar of procurement specifying the timeline of activity depending upon the items to be procured. Further, it did not have any manual prescribing guidelines defining the role of Procurement Division and Accounts Division, which was evident from the fact that a huge sum of un-reconciled amount are outstanding under advance from user departments. The internal audit function was entrusted to a firm of Chartered Accountants, who submitted half yearly reports to the Management. The scope of internal audit were not clearly defined, in particular to the advances received from the user departments and the adjustment of such advances against the supplies and the management had not taken any concerted action to reconcile the outstanding amount.

Conclusion

ELCOT did not draw up an advance action plan for procurement of laptops to match the academic sessions. It also did not assess the market on the availability of laptops with different processors/memory capacity available and to call for price bids accordingly to procure at economical price. Also, ELCOT did not put in a mechanism to watch the compliance of tender specifications during the supply and payment thereon. GoTN and ELCOT did not draw a suitable timeline (for procurement and distribution), consequently the laptops were distributed to the students of 2014-15 and 2016-17 after the close of the academic years depriving those students of the benefits of acquiring the computer skills while studying their 12th Standard.

6.2 Undue favour

Permission to use two acres of land to obtain the Environmental Clearance (EC) and subsequent withdrawal of such permission to flout the rules of the EC amounted to extension of undue favour.

Electronics Corporation of Tamil Nadu Limited (ELCOT) had established IT/ITES Special Economic Zones (SEZ) in different parts of the State. As a part of this initiative, ELCOT established (May 2005) Knowledge Industry Township (SEZ) in a total area of 377.08 acres[179] (Survey no. 602/3) at Sholinganallur in Kancheepuram District. The site layout plan duly earmarking the saleable plots of different sizes (19 plots), green space (parks/OSR),[180] road and other utilities were approved by the CMDA[181] in the year 2008. Subsequently, ELCOT revised the layout by changing[182] size of the plots and park area to suit the requirement of the intended customers and approval of CMDA was obtained on two occasions in July 2010 and January 2013. Out of 377.08 acres, ELCOT had allotted 215 acres of land to five companies between August 2005 and September 2010. After earmarking 35.77 acres for internal roads and 35.52 acres for park area, 90.79 acres were available of allotment.

GoTN sanctioned (September 2015) Structured Package Assistance to M/s Ford India Private Limited (M/s Ford) for establishment of Global Technology and Business Centre at Sholinganallur ELCOT IT SEZ and directed ELCOT to allot 28 acres of land to M/s Ford in the above SEZ at the land cost to be decided by the Board of ELCOT. In pursuance to this direction, ELCOT made some modifications in the approved layout by changing the size of certain plots and park areas[183] and allotted (February 2016) 28 acres to M/s Ford at the rate of ₹13.07 crore per acre. M/s Ford paid the entire amount of ₹365.96 crore and the lease deed was executed in February 2016. Subsequently, ELCOT submitted (July 2016) the revised layout incorporating the changes[184] necessitated for the above allotment to CMDA for approval. The formal approval of CMDA was awaited (June 2018).

During scrutiny of records of ELCOT (2015-16) in March 2017 and in July 2018, it was noticed that, M/s Ford after formalising the allotment of land, approached (May 2016), State Level Environment Impact Assessment Authority (SEIAA) for Environmental Clearance (EC) by submitting its building plan. On perusal of the building plan spread over 28 acres of land, SEIAA insisted (01 September 2016) that M/s Ford should maintain 33 *per*

179 Against the 393 acres of land mentioned in the G.O, only 377.08 acres of land was handed over by the Revenue Department.

180 Open Space Reservation.

181 Chennai Metropolitan Development Authority (CMDA) is the statutory Authority established under Tamil Nadu Town and Country Planning Act 1971 responsible for approving the new town development plan.

182 Shifting the plot number/park area (OSR) from one place to another place and modifying its size.

183 The existing Park IV has been reduced from 43,093 square metre. (10.65 acres) to 11,436.40 square metre. (2.82 acres).

184 In the size of Plot No. 13, 15 and 16 totaling 25.2 acre (101980.8 square metre.) and the park area of 2.8 acre (11,331.2 square metre).

cent green area as against the proposed area of 27 *per cent* in its building plan. To fulfill the above gap of green area, as set out by SEIAA, M/s Ford requested (1 September 2016) ELCOT to designate for them about two acres of land additionally from its park area. Against this request of M/s. Ford, the Manager (SEZ), ELCOT made available (same day) two acres of its adjacent park area (carving out from the proposed Park VII comprising 4.7 acres) additionally for the purpose of green area requirement of Ford, without following the due process[185] of allotment of land. In the process, the park area approved by CMDA for ELCOT became short by two acres (5.83 *per cent*). By considering the additional two acres of land made available by ELCOT, SEIAA issued (07 September 2016) the EC with a specific mention that M/s Ford should maintain a green belt of 30,603 square meters (equivalent to 7.56 acres) plus two acres out of 4.7 acres of OSR land in ELCOT SEZ. Subsequently, Manager (SEZ), ELCOT vide his letter dated 7 April 2017 withdrew the permission to use the two acres of land made available for the purpose of green area requirement of M/s Ford, without assigning any reasons for such withdrawal.

Meanwhile, CMDA while granting (February 2017) Planning Permission to M/s Ford for construction of building in the said land, levied a penalty of ₹0.85 crore as regularisation charges payable by ELCOT, treating the allotment of 28 acres to M/s Ford as unauthorized [186] deviations. ELCOT did not pay the regularisation charges (June 2018).

Audit observed that ELCOT deviated from the procedure for land allotment. A permission letter was issued to use the two acres of land for obtaining EC and subsequently the permission was withdrawn without assigning any reason and these developments were not brought to the notice of the Board of Directors, which was the Competent Authority for any allotment of land. This was evident from the fact that the total plot cost of ₹26.14 crore (at the rate of ₹13.07 crore per acre) was not collected from M/s Ford. The permission issued by Manager (SEZ), ELCOT to use the two acres of land, which was withdrawn within six months of issue of EC to the project was an undue favour to M/s Ford. ELCOT did not inform the SEIAA about the withdrawal of two acres of land. Since the EC was issued to M/s Ford considering the above two acres, the validity of the EC is in question now. Responsibility needs to be fixed for the undue favour extended to M/s Ford.

Besides the above, the allotment of land to M/s Ford without prior approval of CMDA for changes in the layout created avoidable liability on ELCOT in the form of penalty of ₹0.85 crore for regularisation. The sequence of action taken by ELCOT indicated that it had been disregarding the prescribed Rules for EC and Town and Country Planning Act.

Government in its reply (January 2019) stated that ELCOT had decided (August 2018) to allot an alternate land of two acres, out of the adjacent land allotted to M/s Satyam Computer Services Limited (M/s Satyam) for creation of green belt by M/s Ford. The reply was not tenable as the decision to allot

[185] Application in the prescribed form by Ford followed by formal allotment by the Board of ELCOT at the prevailing plot cost and execution of lease deed to that effect.

[186] For deviation in the layout without prior planning permission under Town and Country Planning Act (T&CP Act).

the land which belonged to M/s Satyam for which ELCOT had already received a payment of ₹1.01 crore in September 2005, is unjust and irregular. Thus, the intention of undue favour to M/s Ford was evident. Further, ELCOT must satisfy itself that EIA clearance exists for M/s Ford and also bring the matter to the notice of SEIAA.

Tamil Nadu State Marketing Corporation Limited

6.3 Loss of revenue

Absence of suitable clause on escalation in the agreement resulted in loss of ₹18.67 crore to the Government exchequer.

Tamil Nadu State Marketing Corporation Limited (TASMAC) was vested (November 2003) with the exclusive privilege[187] of retail vending of Indian Made Foreign Liquor (IMFL) and Beer in Tamil Nadu. In April 2015, TASMAC had 6,809 Retail Vending shops (RVS) and 3,862 Bars attached with RVS and were under the administrative control of 38 District Offices. As per Section 9A of Tamil Nadu Liquor Retail Vending (in Shops and Bars) Rules, 2003, the privilege of running bars was granted to private parties. TASMAC was required to decide the upset price[188] and other terms and conditions of tenders with prior approval of the Commissioner of Prohibition and Excise (CPE) and the amount collected from the tenderer should be remitted[189] to the Government after retaining one *per cent* of the amount collected as its agency commission.

TASMAC requested (May 2013) CPE to approve the formula to fix the upset price at 2.5 *per cent* of the average monthly sales[190] amount of the immediately preceding year plus the amount arrived at by applying the shop growth rate on the average monthly sale amount of the preceding year or the average monthly demand amount of the last successful tenderer in respect of the shops whichever was higher. The proposal of TASMAC was approved by the CPE in July 2013. Based on the above approval, Board directed District Managers to float the tenders and award the contracts for running the bars. Accordingly, tenders are floated at district level by duly fixing the upset price every year and finalised at District Manager level through competitive bidding process.

During the compliance audit covering transactions of the year 2016-17, out of 3,205 bars of TASMAC in nine Districts[191], Audit test checked 326 bars (10.17 *per cent)*, District Offices (out of 38 District Offices) and noticed that annual license periods of bars had expired between July 2016 and February 2017. TASMAC had extended the license periods from time to time upto December 2017, at the existing rates without obtaining competitive rates through tender process stating non-receipt of bids/inadequate number of bids against the tenders called for.

[187] As per Section 17(C) (1-B) of the Tamil Nadu Prohibition Act, 1937.
[188] A minimum revenue to be collected from the contractor.
[189] Hitherto the entire license fees collected were retained by the Company.
[190] Sale of IMFL and Beer at the RVS attached to the particular bar.
[191] Coimbatore (South), Chennai (North), Chennai (South), Chennai (Central), Kancheepuram (North), Kancheepuram (South), Tiruvallur (East), Tiruvallur (West) and Arakkonam.

Audit observed that extension of contract period at the existing rates lacked justification on account of the following:

- The sale of IMFL increased from ₹24,818 crore in 2012-13 to ₹31,247 crore in 2016-17 representing 26 *per cent* increase during four years, which, necessarily, will have an impact of increase in the sale of eatables as well as empty bottles in the bars. Thus, extension without factoring the growth rate for appropriate increase in the license fee was injudicious.
- TASMAC did not put in place a system of registering potential contractors, whereby it could have sent the notice inviting tenders directly to encourage competition as stipulated *vide* Rule 12 of Tamil Nadu Transparency in Tender Rules, 2000. In the absence of such system, formation of cartel amongst the tenderers could not be ruled out.
- The existing agreement did not provide for any saving clause to collect the license fee at enhanced rate in case of extension of contract beyond the specified period on account of any reasons. Non-inclusion of such clause indicated lack of commercial prudence.

Thus, it is clear that absence of suitable clause in the agreement for an escalation of license fee in case of extension of license period beyond the agreement period resulted in loss of ₹18.67 crore to the Government exchequer and ₹19 lakh as agency commission to TASMAC during the extended period of license (July 2016 to November 2017) in bars attached to 326 RVS in nine Districts as given in **Annexure-29.**

The Government replied (October 2018) that the bar licensees filed cases in different Courts and obtained interim orders to continue the existing rates. For want of final orders, there was no scope for tendering of bars and the extension was forced to be given to same contractors. The reply was not tenable as the existing conditions of the contract did not have a saving clause for corresponding increase in license fees of bar beyond 12 months by factoring the increase in the sales of IMFL. The flawed conditions of license resulted in loss for which corrective action was necessitated.

TICEL Bio Park Limited

6.4 Wasteful expenditure

Procurement of lab equipments without deploying the required manpower to handle the equipments resulted in idling of lab facilities worth ₹17.32 crore for more than four years and consequently the objectives of Department of Biotechnology remained unachieved.

TICEL BIO PARK Limited (TICEL) was engaged in establishment, development and maintenance of Bio-tech parks across the State with a view to promote research and development initiatives in various segments of life sciences.[192] TICEL established (November 2004) a Bio-park in Chennai and leased out the space to Bio tech companies for carrying out Research and

192 Skin Biology, Tissue Engineering, Pharmaceuticals & life Sciences, Enzymes development and Microbial Biotechnology.

Development activities in the life sciences involving enzymes and pharmaceuticals. Government of Tamil Nadu (GoTN) approved (December 2006) the proposal of TICEL for establishment of a Bio Resource Centre (BRC) with common equipment facility for providing technical support to the clients/bio-tech industries at a total cost of ₹19.87 crore by utilising the existing lab infrastructure facilities at TICEL Bio-park created at a cost of ₹7.37 crore. For the balance fund of ₹12.50 crore, it was decided to approach Government of India (GOI) and GoTN. Accordingly, TICEL submitted a proposal (October 2007) to Department of Biotechnology (DBT), GOI for financial support. DBT, while considering the proposal suggested (November 2007) that TICEL should explore arrangements to have a technology partner to manage BRC.

TICEL submitted (August 2008) a proposal to DBT for sanction of ₹14.20 crore stating that necessary arrangements had been made with four universities[193] for technical expertise and managing the BRC. A revised estimate was submitted (January 2010) to DBT with a total project cost of ₹22.57 crore[194]. Meanwhile, DBT sanctioned (March 2009) a sum of ₹10.93 crore for establishment of BRC and released a sum of ₹8.64 crore in three installments between March 2009 and November 2010.

Audit observed that TICEL purchased (November 2012 to December 2013) equipments worth ₹9.95 crore and were awaiting grant of ₹2.30 crore for procurement of additional equipments to make the lab fully operational. However, BRC was put to operation only in November 2014. The available equipments were to be utilised by clients and Biotech Industries on payment of user fee. TICEL earned a meagre amount of ₹1.29 lakh during the period from November 2014 to March 2018 against an estimated revenue of ₹3.78 crore *per annum*.

Audit analysis revealed that TICEL had not deployed qualified manpower for providing support to clients and to handle the equipments and had not initiated the process of recruiting the required manpower as late as in November 2018. Consequently, the equipments purchased at a cost of ₹9.95 crore remained grossly unutilised. Audit observed that, though the GoI had clearly indicated in November 2007 that it was the obligation of TICEL to fund the manpower requirement and restricted the sanction of funds (₹10.93 crore) towards cost of equipments only, TICEL failed in its obligation to deploy experts to manage the lab facilities. Instead, TICEL continued to pursue DBT for balance funding without exploring alternate resources to make the BRC viable. Thus, it was clear that the facilities created at a total cost of ₹17.32 crore[195] remained idle and the envisaged objective of development of Bio Technology in the State remained largely unachieved.

TICEL in its reply (October 2018) attributed its inability to incur expenditure towards maintenance of equipments and establishment activities to severe

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193 Tamil Nadu Agricultural University, Coimbatore, Anna University, Tamil Nadu Veterinary and Animal Sciences University and University of Madras, Chennai.

194 Contribution of TICEL in the form of lab space and internal utilities: ₹7.37 crore, Equipments: ₹10.93 crore and Establishment expenditure for initial two years: ₹4.27 crore.

195 Including the existing facility created at a cost of ₹7.37 crore.

financial crisis and added that it could not pump in funds for the above expenses towards its operational sustenance. However, it did not spell out any plan to source the required funds to make the lab facility fully operational. Thus, the expenditure incurred till then did not yield desired benefits (November 2018).

The matter was referred to the Government in July 2018; reply has not been received (January 2019).

Tamil Nadu Cements Corporation Limited

6.5 Undue favour

Appointment of an ineligible agency as a consignment agent and extension of credit facility without any security led to non-recovery of dues of ₹4.49 crore

Tamil Nadu Cements Corporation Limited (TANCEM) was engaged in manufacturing and marketing of cement. For sale of cement in the State of Kerala, the TANCEM had stockists arrangement. During the compliance audit of TANCEM for the year 2016-17, it was noticed (March 2018) that TANCEM switched over (March 2016) to consignment sale[196] on trial basis for better price administration, realisation of dues and to avoid competition among the stockists.[197] Accordingly, TANCEM appointed (March 2016) through tender, three[198] consignment agents for a period of one year from 03 March 2016. Out of the three Agents, M/s Vithayathil Cement had defaulted in remittance of sale proceeds and this had resulted in non-recovery of ₹4.49 crore as discussed below:

As per Clause 31 of the Agreement, M/s Vithayathil Cement (Agent) should sell the cement on cash and remit the proceeds immediately. Clause 36 and 37 of the agreement stipulated that Agent should submit Bank Guarantee (BG) for a value of ₹1.50 crore or equivalent amount of cash deposit and the supply of cement to the Agent should not exceed the value of BG at any point of time. At the request of the Agent, the agency period was subsequently extended (March 2017) for two years upto March 2019.

During the agency period, the Agent failed to remit the sale value to TANCEM and had accumulated dues amounting to ₹5.99 crore (as on April 2017). Citing the huge accumulation of dues, TANCEM terminated the Consignment Agreement in April 2017. Thereafter, to recover the dues, TANCEM invoked (May 2017) the BG of ₹1.50 crore and also deposited 15 cheques received from the Agent for realisation of the balance amount of ₹4.49 crore. As all the cheques were dishonored, TANCEM initiated (August

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196 This refers to sale by the consignment agent on behalf of the principal at the price decided by the principal.

197 This refers to sale of goods to the stockists at the price decided by the first seller or manufacturer. The price for subsequent sales will be decided by the stockists themselves.

198 M/s Vithayathil Cement, Kochi, M/s Best Trading Company, Thrissur and M/s Malabar Cement Traders, Calicut.

2017) recovery actions under Negotiable Instruments Act, 1881, but the recovery was awaited (November 2018).

The failures of TANCEM, which led to non-recovery of dues from the Agent are discussed below:

- The tender conditions for appointment of consignment agent stipulated that the tenderer should not have defaulted payment to TANCEM. In violation of this condition, the Agent who had defaulted as a stockist of TANCEM with an overdue amount of ₹1.86 crore (at the time of award of contract in March 2016), was selected. Selection of a known defaulter, in violation of the tender conditions was, *abinitio* irregular and lacked financial prudence.
- At the time of appointment of the Agent in March 2016, TANCEM decided to collect outstanding dues of ₹1.86 crore within a period of one month. The Agent did not pay the old arrears and defaulted in remittance of current dues from the beginning itself and the monthly shortfall was in the range of 6.39 to 61.67 *per cent*. During the first year of the agency, TANCEM dispatched cement worth ₹26.37 crore against which the Agent remitted ₹20.33 crore leaving a balance of ₹6.04 crore at the end of February 2017. In spite of the stipulation that the despatch of cement should not exceed the amount of BG worth ₹1.50 crore, the despatch of cement continued over and above the prescribed limit, consequently the overdue was accumulated. However, without taking cognizance of the overdue, the Managing Director extended the agency for another period of two years.

Thus, appointment of ineligible firm as a consignment agent and injudicious extension of agency period led to non-recovery of dues of ₹4.49 crore, which calls for fixing of responsibility of officials at fault and the firm needed to be blacklisted.

The Government replied (September 2018) that Consignment Agent was appointed with a view to sell more quantity of cement and the legal action against the dishonor of cheque had been initiated. The reply was not tenable as the appointment of a known defaulter and supply of cement over and above the BG resulted in non-recovery of dues of ₹4.49 crore.

6.6 Undue benefit

Revision of unloading charges with retrospective effect for two years ending 2014-15 on unjustified grounds led to undue benefit of ₹75 lakh to the forwarding agents

Tamil Nadu Cements Corporation Limited (TANCEM) had its cement plants at Alangulam and Ariyalur. The cement manufactured at Ariyalur plant are mainly sold to District Rural Development Agency (DRDA) at the price fixed by the Government annually. The price of the cement included basic price of cement, transport, loading and unloading charges. The quantity of cement indented by DRDA at the block level of each district was transported through Forwarding Agents (FA), who were appointed through tender. As per Clause 16.3 of the tender conditions, the successful tenderer should carry out unloading at the godowns of DRDA and unloading charges will be reimbursed at flat rates, computed on the basis of prevailing market rate[199] or based on PWD Schedule of rates, whichever was less.

Audit noticed that TANCEM transported 3.14 lakh and 2.91 lakh MT of cement during 2013-14 and 2014-15 respectively from its Ariyalur plant to DRDA for which it paid unloading charges at the approved rate of ₹38 per MT. The FAs requested (June 2014) TANCEM for revision of rates of unloading charges citing increase in actual payments made to the load men over a period of time. TANCEM revised (March 2015) the rates of unloading charges retrospectively at ₹48 and ₹53 per MT for the years 2013-14 and 2014-15 and paid differential unloading charges for the cement transported from Ariyalur plant amounting to ₹75 lakh[200] to the FAs. In this connection, Audit observed that:

- The price of the cement, which included costs on transport, loading and unloading charges was being revised by the Government only on prospective basis. Therefore, retrospective revision of unloading charges, which was a component of the price, without corresponding revision in the end price resulted in loss to TANCEM to the extent of ₹75 lakh.
- The handling charges were fixed by TANCEM based on the prevailing market rates. The, Board of Directors (BoD) of TANCEM had authorised the Managing Director (MD) to fix unloading charges based on the ground reality. In the absence of a clear cut direction by the BoD for retrospective revision of unloading charges, the revision for reimbursement of unloading charges retrospectively by the MD was irregular.
- The unloading charges were being settled by the FAs at the unloading points to the load men on the spot. Therefore, revision for reimbursement of unloading charges with retrospective effect without obtaining the proof that the benefits had been passed on to the load men had only resulted in extension of undue benefit to the FAs to the extent of ₹75 lakh.

The Government replied (September 2018) that the unloading charges were revised after studying the field conditions to keep the transport operations smooth to ensure supply to Government projects and at the same time to address genuine grievance of transporters. The reply was not tenable as retrospective upward revision of reimbursement of unloading charges was non-contractual and the payment of differential amount without proof to the load men lacked justification and was an undue benefit to the transporters.

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199 Determined through enquiry and the representations from Forwarding Agents.
200 ₹31.30 lakh for the year 2013-14 and ₹43.64 lakh for the year 2014-15.

Tamil Nadu Minerals Limited

6.7 Infructuous expenditure

Operation of mine despite knowing the poor quality of the granite resulted in infructuous expenditure of ₹71 lakh.

Tamil Nadu Minerals Limited (TAMIN) was engaged in production and marketing of black and multi-colour granite blocks. For extraction of granite from the mines, TAMIN obtains license by submitting the mining plan to the Commissioner of Geology and Mining. At the end of March 2018, TAMIN had 33 licences for colour granite mines, of which 25 was non-operative. In a test check of the non-operative mines, it was noticed that TAMIN ventured in to excavation in Sankanthiradu quarry in Tirunelveli district without analyzing the marketability and ended up with infructuous expenditure as discussed below:

TAMIN obtained (November 2011) 30 years lease for operation of multi-coloured granite mine (for an area of 4.815 hectares) located in Sankanthiradu quarry. The quality assessment of the granite in the said quarry carried out by TAMIN twice (December 2011 and January 2013) revealed that the deposits in the quarry had poor quality *viz*., veins with rusted formation, the type of the granite deposits and their colour were not popular in the market and the quality was not found attractive. Under the circumstances, in the tenders (October 2015) for sale of granite from various quarries, TAMIN received (November 2015) offer from a solitary bidder, who did not fulfill the eligibility criteria[201] of the tender. However, TAMIN decided to accept the offer and issued sale order to this tenderer.

TAMIN commenced (August 2016) mining operation departmentally through labour contract and produced 214.171 CBM of granite during September - October 2016 valued at ₹75 lakh. No production was carried out thereafter. However, the selected buyer, citing no demand for the particular granite, did not lift[202] the granite extracted from the quarry. Subsequently, TAMIN sold 18.87 CBM (November 2016) of granite valued at ₹4.49 lakh to other buyers, but could not sell the balance stock due to poor quality in the granite produced.

Audit observed that despite knowing about the poor quality of granite in the years 2011 and 2013 itself and followed by poor response from buyers in the tender of October 2015, TAMIN proceeded to operate the mine, which resulted in accumulation of non-saleable stock valued at ₹71 lakh (October 2018). Further, TAMIN did not take any steps, thereafter, to dispose the stock thereby rendering infructuous expenditure to that extent.

TAMIN replied (August 2018) that the initial expenditure incurred was an investment and the quarry can be made profitable when the market improves.

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201 As per the tender, the tenderer should have the turnover of ₹one crore per year during the three preceding years prior to 2015-16, but the tenderer entered into granite business in September 2014 and had a turnover of only ₹0.88 crore upto October 2015.

202 The Earnest Money Deposit of ₹one lakh was forfeited.

The reply was not tenable for the reason that TAMIN could not find any buyer so far (November 2018) to substantiate the improvement for marketability and operation of mine despite the knowledge of poor quality of granite lacked financial prudence.

The matter was referred to the Government in July 2018; reply has not been received (January 2019).

Tamil Nadu Civil Supplies Corporation

6.8 Avoidable expenditure

Failure to invoke enabling agreement conditions for procuring additional quantities of Palmolein oil resulted in avoidable expenditure of ₹4.11 crore

Tamil Nadu Civil Supplies Corporation (TNCSC) procured essential commodities such as rice, sugar, dhall, palmolein oil, *etc*., for supply to the ration cardholders through Public Distribution System (PDS). As a part of the procurement activity, TNCSC purchased items such as dhall, palmolein oil through tender from the open market. Accordingly, TNCSC invited a total of 12 numbers of tenders during 2015-16 and procured a total quantity of 18.12 crore numbers of pouches[203] of palmolein at a total cost of ₹914.83 crore. Audit examination of the tenders floated for purchase of palmolein oil, revealed the following:

In all the tenders invited and agreements entered into with the suppliers, it was mentioned that TNCSC reserved the right to vary the quantity finally ordered to be purchased to the extent of ±25 *per cent* of the requirement as indicated in the tender. By virtue of this provision, it would have been a prudent financial decision to increase the quantity ordered to a maximum of 25 *per cent,* whenever the prices obtained in the next tender was more than the procurement rates of the existing tender.

However, audit noticed that TNCSC did not invoke the above condition on six occasions during 2015-16 (as detailed in **Annexure-30**) despite receipt of higher quotations in the subsequent tender even though the validity of the existing tenders were still continued on the dates of opening the new tenders.

In this connection, Audit observed that TNCSC incurred avoidable expenditure of ₹4.11 crore due to its failure to invoke the enabling provisions of the existing agreements in its best financial interest. It is pertinent to note that audit had on earlier occasion (Para 3.3 of Report of the CAG of India for the year 2013-14 (PSUs) – Government of Tamil Nadu) pointed out the similar failures of TNCSC and consequent avoidable expenditure on procurement of dhall due to not invoking the enabling clause of the purchase order. Inspite of earlier observations in Audit Report, the failure to invoke the enabling provisions in the purchase order persisted and the repeated failure

203 Each pouch contains one Kg. of palmolein oil.

indicated that TNCSC had not streamlined the system to avoid extra expenditure.

The Government replied (September 2018) that though there was a provision in the agreement to procure additional quantity, if it was invoked, it would result in break of supply chain of PDS due to non-supply by the suppliers, who were available in limited numbers in the market. The reply was not tenable as invoking the provisions of the agreement was a legally valid action and breach of provisions of the agreement would attract levy of penalty on the suppliers.

Chennai	**(VISHWANATH SINGH JADON)**
Dated 27 May 2020	**Accountant General**
	(Economic and Revenue Sector Audit)
	Tamil Nadu

Countersigned

New Delhi	**(RAJIV MEHRISHI)**
Dated 28 May 2020	**Comptroller and Auditor General of India**

ANNEXURES

ANNEXURE-1

(Referred to in paragraphs 1.9 and 1.10)

Summarised financial position and working results of Power Sector Government companies as per their latest finalised financial statements/accounts

(Figures in Column (5) to (11) are ₹ in crore)

Sl. No.	Sector/Name of the Company	Period of accounts	Year in which accounts finalised	Net profit/loss before interest & tax	Net profit/loss after interest & tax	Turn over	Paid-up capital	Capital employed	Net worth	Accumulated profit/loss
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	POWER									
	Generation & Distribution									
1.	Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO)	2017-18	2018-19	(-)496.94	(-)7,760.78	43,686.77	19,667.25	44,327.59	(-)51,392.26	(-)70,991.89
2.	Udangudi Power Corporation Limited (Udangudi Power)	2017-18	2018-19	---	---	---	65.00	65.56	65.56	0.56
	TOTAL (A)			**(-)496.94**	**(-)7,760.78**	**43,686.77**	**19,732.25**	**44,393.15**	**(-)51,326.70**	**(-)70,991.33**
	Transmission									
3.	Tamil Nadu Transmission Corporation Limited (TANTRANSCO)	2017-18	2018-19	(-)3,449.03	(-)4,666.14	2,539.61	4,741.43	15,394.16	968.46	(-)3,772.97
	TOTAL (B)			**(-)3,449.03**	**(-)4,666.14**	**2,539.61**	**4,741.43**	**15,394.16**	**968.46**	**(-)3,772.97**
	Others									
4.	Tamil Nadu Power Finance and Infrastructure Development Corporation Limited (TN Powerfin)	2017-18	2018-19	2,395.78	96.68	2,617.07	90.00	15,788.14	952.24	862.24
5.	TNEB Limited	2016-17	2017-18	(-)3.34	(-)3.34	---	22,446.09	22,440.88	22,440.88	(-)5.21
	TOTAL (C)			**2,392.44**	**93.34**	**2,617.07**	**22,536.09**	**38,229.02**	**23,393.12**	**857.03**
	GRAND TOTAL (A+B+C)			**(-)1,553.53**	**(-)12,333.58**	**48,843.45**	**47,009.77**	**98,016.33**	**(-)26,965.12**	**(-)73,907.27**

NOTE:

1. Loans outstanding at the close of 2017-18 represent long-term loans only.
2. Capital Employed represents Share Holders Funds PLUS Long Term Borrowings.

ANNEXURE-2

(*Referred to in Paragraph* 2.3)

Statement showing sample selected for detailed examination

Sl. No.	Source	Total No. of agreements	Total quantum of purchase by TANGEDCO during 2013-18 (₹ in crore)	Number of Agreements selected for detailed examination	Agreement with	Contracted Capacity (in MW)	Total quantum of purchase subjected to detailed examination (₹ in crore)	Sample size in terms of agreements (in percentage)	Sample size in terms of value (in percentage)
1	Central Generating Stations	16	50,232.81	8	1. NLC -I 2. NLC-Expansion-II 3. NTPL 4. NTECL 5. NTPC – Ramagundam-I and II 6. NTPC – Talcher-I 7. NTPC – Talcher-II 8. NPCIL - Kudankulam	475 230 387 1,040 588 541 270 925	23,378.00	50.00	46.54
2.	Independent Power Producers	7	12,515.08	4	1. GMR Power Corporation Limited 2. PPN Power Generating Company 3. Lanco Tanjore Power Company Limited 4. Penna Electricity Limited	196 330 113 53	7,356.00	57.00	58.78
3	Long Term Agreements	11	40,977.78	11	1. D.B. Power Limited 2. Jindal Power Limited 3. Ind-Bharath Energy (Utkal) Limited 4. Bharath Aluminium Company Limited 5. Dhariwal Infrastructure Limited 6. PTC India Limited 7. KSK Mahanadi Power Company Limited 8. GMR Energy Trading Limited 9. IL&FS Tamil Nadu Power Company Limited 10. Coastal Energen Private Limited 11. OPG Power Generation Private Limited	208 400 500 208 100 100 500 150 540 558 74	35,458.00	100.00	86.53
4	Medium Term Agreements	3		3	1. National Energy Trading and Services Limited 2. Jindal Power Limited 3. Adani Enterprises Limited	100 200 200		100.00	

Sl. No.	Source	Total No. of agreements	Total quantum of purchase by TANGEDCO during 2013-18 (₹ in crore)	Number of Agreements selected for detailed examination	Agreement with	Contracted Capacity (in MW)	Total quantum of purchase subjected to detailed examination (₹ in crore)	Sample size in terms of agreements (in percentage)	Sample size in terms of value (in percentage)
5	Short term agreements	111		28	**Tender No. 5 of 2012**			25.00	
					1. Sterlite Industries	90			
					2. Ind Bharath Powergen	130			
					3. Ind Bharath Thermal Power	180			
					4. Arkay Energy (Rameswaram)	120			
					5. OPG Power Generation Private Limited	214			
					6. NVVN	500			
					7. Jindal Power	400			
					8. MALCO	100			
					9. Madras Cements	10			
					Tender No. 6 of 2014				
					10. Sakthi Sugars	28			
					11. Saheli Exports	5			
					12. OPG Power Generation	255			
					13. Ind Bharath Powergen	135			
					14. MALCO	116			
					15. Sesa Sterlite	105			
					16. Ind Bharath Thermal	215			
					17. Arkay Energy (Rameswaram)	140			
					Tender No. 7 of 2015				
					18. Vedanta	105			
					19. Arkay Energy (Rameswaram)	140			
					20. MALCO	116			
					21. SKI Carbon Black	19			
					22. EID Parry	15			
					23. Dharani Sugars	16			
					Tender No. 8 of 2016				
					24. SKI Carbon Black	14			
					25. Arkay Energy (Rameswaram) (PTC)	90			
					26. GMR Kamalanga Energy Limited	100			
					27. NVVN (Vedanta)	100			
					Tender No. 9 of 2017				
					28.Sembi Corp Gayathri Power Limited	300			
6	Renewable Energy sources	156	11,610.76	40	**Solar**		2,687.00	26.00	23.14
					Preferential Tariff				
					1. Giriraj Enterprises	40			

Sl. No.	Source	Total No. of agreements	Total quantum of purchase by TANGEDCO during 2013-18 (₹ in crore)	Number of Agreements selected for detailed examination	Agreement with	Contracted Capacity (in MW)	Total quantum of purchase subjected to detailed examination (₹ in crore)	Sample size in terms of agreements (in percentage)	Sample size in terms of value (in percentage)
					2. Apex Clothing Company India Limited.	10			
					3. Welspun Solar Tech (P) Limited	50			
					4. Sei Adithyasakthi (P) Limited	10			
					5. Universal Mine Developers and Service Providers Private Limited.	12			
					6. Welspun Renewables Energy Limited	50			
					7. Crescent Power Limited	15			
					8. Sei Phoebus Private Limited	50			
					9. Viking Textiles Private Limited	1			
					10.Welspun Renewables Energy Limited	50			
					11. Adani Green Energy	216			
					12. Shapoorji Pallonji Solar PV Private Limited	30			
					13. RT Renewable Energy India Private Limited	15			
					14. Edison Energy India Private Limited	15			
					15. Kamuthi Solar Power Limited	216			
					16. Ramnad Renewable Energy Limited	72			
					17. BTC Energy Venture Private Limited	34			
					18. Vaibhav Jyothi Power Utility Services (P) Ltd.	15			
					19. SEI Kathiravan Power Private Limited	25			
					20. Kamuthi Renewable Energy Limited	72			
					REC Scheme				
					21. JVS Export	5			
					22. Sri Vinayaga Green Power Generation (P) Ltd	5			
					23. Apex Clothing Company India Limited	15			
					Central Government Schemes				
					24. CCCL Infrastructure	5			
					25. Swelect Energy	10			
					Bagasse based cogeneration plants				
					26. EID Parry India	24.5			
					27. SV Sugar Mills	45			
					28. Rajshree Sugars and Chemicals	23.5			
					29. Madras Sugars and Chemicals	25			
					30. Dharani Sugars and Chemicals Limited	15			
					31. Terra Energy	19			
					Biomass and Biogas				

Sl. No.	Source	Total No. of agreements	Total quantum of purchase by TANGEDCO during 2013-18 (₹ in crore)	Number of Agreements selected for detailed examination	Agreement with	Contracted Capacity (in MW)	Total quantum of purchase subjected to detailed examination (₹ in crore)	Sample size in terms of agreements (in percentage)	Sample size in terms of value (in percentage)
					32. Nandha Energy Limited	18			
					33. Chennai Metropolitan Development Authority	0.25			
					34. Prathyusha Power Generation Private Limited	10			
					35. ETA Power Generation Private Limited	10			
					36. Global Power Tech Equipments Private Limited	7.5			
					37. Saastha Energy Private Limited	2			
					38. Auromira Bio Power India Private Limited	15			
					39. Seshasayee Paper & Boards Limited	16			
					40. Pioneer Jellice India Limited.	1.7			
	Total		**1,15,336.43**				**68,879.00**		**59.72**

ANNEXURE-3
(*Referred to in Paragraph* 2.7)

Approved quantum vs Actual purchase

	2013-14		2014-15		2015-16		2016-17		2017-18	
	MU	₹ in crore	MU	₹ in crore	MU	₹in crore	MU	₹in crore	MU	₹in crore
Approved										
Own generation	27,876	9,921	32,671	12,299	26,631	9,931	19,591	9,085	30,133	11088
CGS	24,524	7,677	33,212	11,097	37,947	11,293	33,941	11,682	31,619	10,928
IPP	2,781	1,578	2,799	1,529	2,801	1,655	825	564	825	564
Renewable	6,373	1,946	6,148	2,131	9,405	3,064	8,136	3,204	9,636	4,108
Short Term	563	309	0	0	0	0	0	0	0	0
Medium Term	1,025	432	3,810	1,975	2,049	1,236	2,508	878	2,371	830
Long Term, Exchange, UI and others	8,772	4,980	35	16	35	16	23,848	9,708	23,319	9,543
Total	**71,914**	**26,843**	**78,675**	**29,047**	**78,868**	**27,195**	**88,849**	**35,121**	**97,903**	**37,061**
Actual										
Own generation	26,608	12,770	32,093	16,232	29,553	16,310	27,083	9,645	25,750	9,109
CGS	24,560	8,073	27,212	8,370	29,678	9,438	32,994	11,891	30,994	12,460
IPP	5,659	5,123	4,802	4,084	2,419	1,458	2,029	1,084	1,767	765
Renewable	8,336	1,772	8,486	3,533	3,496	1,176	6,332	2,691	5,704	2,439
Short Term	3,526	1,713	6,790	2,118	4,542	2,292	689	266	891	347
Medium Term	3,465	1,728	6,233	3,931	-	-	1,420	814	1,216	614
Long Term, Exchange, UI and others	3,179	1,537	-142	195	13,953	7,250	18,373	8,773	20,180	10,361
Total	**75,333**	**32,716**	**85,474**	**38,463**	**83,641**	**37,924**	**88,920**	**35,164**	**86,502**	**36,095**

ANNEXURE-4
(*Referred to in Paragraph* 2.7)

Statement showing power available from various sources and cost incurred thereon

Sl. No.	particulars	2013-14	2014-15	2015-16	2016-17	2017-18 (Provisional)
A	Available from own sources (MU)	26,607.96	32,092.81	29,552.79	27,082.57	25,750.33
	Cost incurred- ₹ in crore	12,769.97	16,231.52	16,310.09	9,644.77	9,108.95
	Cost per unit -₹	4.80	5.06	5.52	3.56	3.54
B	Available from Central Generating Stations including Joint Venture Companies (MU)	24,560.40	27,212.00	29,678.09	32,994.28	30,994.29
	Cost incurred- ₹ in crore	8,072.94	8,370.48	9,438.23	11,891.18	12,459.98
	Cost per unit - ₹	3.29	3.08	3.18	3.60	4.02
C	Total committed power (A+B) (MU)	51,168.36	59,304.81	59,230.88	60,076.85	56,744.62
	Cost incurred- ₹ in crore	20,842.91	24,602.00	25,748.32	21,535.95	21,568.93
	Cost per unit - ₹	4.07	4.15	4.35	3.74	3.80
D	Available from other sources					
1	IPPs (MU)	5,658.84	4,802.00	2,418.76	2,028.54	1,766.57
	Cost incurred- ₹ in crore	5,123.37	4,084.40	1,458.24	1,084.29	764.78
	Cost per unit - ₹	9.05	8.51	6.03	5.35	4.33
2	Renewable sources (MU)	8,336.00	8,486.00	3,495.62	6,332.08	5,704.01
	Cost incurred- ₹ in crore	1,772.00	3,533.00	1,176.00	2,691.19	2,438.57
	Cost per unit - ₹	2.13	4.16	3.36	4.25	4.30
3	Trading -Bilateral and Exchange including, LT,MT,ST, Swap and UI (MU)	10,170.00	12,881.00	18,495.30	20,482.27	22,287.80
	Cost incurred- ₹ in crore	4,978.00	6,244.00	9,542.00	9,852.80	10,360.98
	Cost per unit - ₹	4.89	4.85	5.16	4.81	4.65
	Total power available from other sources (1 to 3) (MU)	24,164.84	26,169.00	24,409.68	28,842.89	29,758.38
	Total cost incurred (1 to 3) – ₹ in crore	11,873.37	13,861.40	12,176.24	13,628.28	13,564.33
	Cost per unit - ₹	4.92	5.30	4.99	4.73	4.56

ANNEXURE-5

***(Referred to in Paragraph* 2.9)**

Statement indicating shortfall in achieving normative generation[204] from TANGEDCO's own stations

(in MU)

Sl. No	Station	2013-14			2014-15			2015-16			2016-17			2017-18 (Provisional)		
		Normative	Actual	Shortfall	Normative	Actual	Shortfall	Normative	Actual	Shortfall	Normative	Actual	Shortfall	Normative	Actual	Shortfall
1	Ennore	652.00	1,011.31	(359.31)[205]	652.00	485.00	167.00	652.00	392.00	260.00	652.00	144.16	507.84	Nil[206]	Nil	Nil
2	Tuticorin	7,154.00	7,252.62	(98.62)	7,154.00	7,043.00	111.00	7,173.00	6,501.00	672.00	6,732.94	5089.67[207]	1,643.28	6,732.94	4,812.82	1,920.12
3	Mettur-I	5,992.00	5,928.10	63.90	5,992.00	5,697.00	295.00	6,009.00	5,406.00	603.00	5,386.35	5,239.71	146.64	5,386.35	4,666.67	719.68
4	Mettur - II	2,878.00	1,840.00	1,038.00	4,088.00	2,802.00	1,286.00	4,099.00	2,664.00	1,435.00	3,847.39	3,212.70	634.69	3,847.39	2,273.09	1,574.30
5	North Chennai	4,494.00	3,720.06	773.94	4,494.00	3,865.00	629.00	4,507.00	4,071.00	436.00	4,039.76	3,365.75	674.01	4,039.76	3,824.14	215.62
6	North Chennai-II	5,429.00	Nil	5,429.00	8,176.00	5,187.00	2,989.00	8,198.00	4,468.00	3,730.00	7,694.78	5,912.39	1,782.39	7,694.78	5,447.47	2,247.31
	Thermal - Total	**26,599.00**	**19,752.09**	**6,846.91**	**30,556.00**	**25,079.00**	**5,477.00**	**30,638.00**	**23,502.00**	**7,136.00**	**28,353.22**	**22,964.37**	**5,388.85**	**27,701.22**	**21,024.19**	**6,607.03**
1	Thirumakottai	711.00	456.00	255.00	711.00	382.00	329.00	713.00	363.00	350.00	710.66	305.37	405.29	710.66	265.99	444.67
2	Kuttalam	665.00	594.00	71.00	665.00	459.00	206.00	667.00	552.00	115.00	665.34	325.94	339.40	665.34	309.50	355.84
3	Valuthur-I	1,232.00	1,180.78	51.22	1,232.00	996.00	236.00	1,235.00	680.00	555.00	1,231.87	902.63	329.24	1,231.87	1,103.93	127.94
4	Valuthur – II															
5	Basin Bridge	59.00	Nil	59.00	59.00	3.00	56.00	59.00	11.00	48.00	6.24	4.33	1.91	6.24	5.87	0.37
	Gas - Total	**2,667.00**	**2,230.78**	**436.22**	**2,667.00**	**1,840.00**	**827.00**	**2,674.00**	**1,606.00**	**1,068.00**	**2,614.11**	**1,538.27**	**1,075.84**	**2,614.11**	**1,685.29**	**928.82**
1	**Hydel - Total**	**4,844.00**	**4,612.52**	**231.48**	**4,844.00**	**5,166.00**	**(322.00)**	**4,844.00**	**4,438.00**	**406.00**	**4,438.26**	**2,579.94**	**1,858.32**	**6,118.97**	**3,040.85**	**3,078.12**
1	**Windmill[208] Total**	**12.00**	**12.58**	**(0.58)**	**12.00**	**7.81**	**4.19**	**12.00**	**6.79**	**5.21**	**12.00**	**Nil**	**12.00**	**12.00**	**Nil**	**12.00**
	Grand Total	**34,122.00**	**26,607.96**	**7,514.04**	**38,079.00**	**32,092.81**	**5,986.19**	**38,168.00**	**29,552.79**	**8,615.21**	**35,417.59**	**27,082.58**	**8,335.01**	**36,446.30**	**25,750.33**	**10,625.97**
																41,076.42

Total shortfall in achieving normative generation in the five year period 2013-2018: 41,076.42 MU

204 As approved by TNERC in its tariff orders.
205 Figures in brackets represent excess generation above normative.
206 Ennore Power Station had been decommissioned permanently with effect from 31 March 2017.
207 Including 1,703 MU during 2016-17 when SLDC instructed TTPS to curtail generation.
208 Demonstration wind mills erected in 1980s and these had already outlived their useful lives.

ANNEXURE-6

***(Referred to in Paragraph* 2.14)**

Energy available from Central Generating Stations including Joint Ventures of TANGEDCO

Central Generating Station	Power available														
	2013-14			2014-15			2015-16			2016-17			2017-18		
	Quantum (MU)	Total cost (₹ in crore)	Cost per unit- (₹)	Quantum (MU)	Total cost (₹ in crore)	Cost per unit- (₹)	Quantum (MU)	Total cost (₹ in crore)	Cost per unit (₹)	Quantum (MU)	Total cost (₹ in crore)	Cost per unit (₹)	Quantum (MU)	Total cost (₹ in crore)	Cost per unit (₹)
NTPC Ramagundam	5,059	1,475.00	2.91	4,825	1,510.90	3.13	5,088	1,497.56	2.94	4,379	1,285.46	2.94	4,033	1267.99	3.14
NLC TS-I	3,271	1,127.00	3.45	2,851	1,005.66	3.53	2,487	933.54	3.75	2,996	1,342.93	4.48	2,710	1,434.85	5.29
NLC TS-II	3,399	933.00	2.74	3,276	931.77	2.84	3,157	949.07	3.01	2,656	905.91	3.41	2,162	836.98	3.87
NLC TS exp-I	1,584	541.00	3.42	1,672	573.62	3.43	1,629	582.60	3.58	1,311	511.59	3.90	1,111	452.49	4.07
NLC TS exp-II	0	0	0	0	0	0	307	138.61	4.52	608	284.87	4.69	854	476.33	5.58
NTPL (JV)	0	0	0	0	0	0	1,299	515.03	3.96	2,265	997.26	4.40	2,038	1,061.16	5.21
NTPC Talcher	3,475	814.00	2.34	3,760	843.02	2.24	3,713	782.99	2.11	3,357	840.41	2.50	3,371	777.13	2.31
NTPC Simhadri	1,572	643.34	4.09	1,428	625.70	4.38	1,544	621.68	4.03	1,212	548.92	4.53	1,142	549.58	4.81
MAPS	1,332	326.00	2.45	1,672	344.50	2.06	2,091	435.39	2.08	2,059	437.84	2.13	1,871	409.85	2.19
Kaiga	1,581	475.00	3.00	1,568	474.86	3.03	1,869	569.33	3.05	1,540	482.29	3.13	1,725	549.31	3.18
NTPC ER	267	95.00	3.56	239	79.02	3.31	285	89.05	3.13	380	123.56	3.25	311	99.33	3.20
Vallur (JV)	2,558	1,168.60	4.57	3,850	1,440.00	3.74	5,162	1910.52	3.70	6,031	2,667.17	4.42	4,673	2,404.02	5.14
Kudankulam	462	475.00	10.28	2,071	541.43	2.61	1,047	412.86	3.94	4,200	1,462.97	3.48	4,557	1,865.20	4.09
NTPC-Kudgi	0	0	-	0	0	-	0	0	-	0	0	-	436	275.74	6.33
Total	**24,560**	**8,072.94**	**3.29**	**27,212**	**8,370.48**	**3.08**	**29,678**	**9,438.23**	**3.18**	**32,994**	**11,891.18**	**3.60**	**30,994**	**12,459.98**	**4.02**

ANNEXURE-7
(Referred to in Paragraph 2.14)

Shortfall in energy received from Central Generating Stations including Joint Ventures of TANGEDCO

(in MU)

	2013-14			2014-15			2015-16			2016-17			2017-18		
	Normative availability [209]	Actually available	shortfall	Normative availability	Actually available	shortfall	Normative availability	Actually available	shortfall	Normative availability	Actually available	shortfall	Normative availability	Actually available	shortfall
NTPC Ramagundam	5,606	5,059	547	5,613	4,825	788	5,432	5,088	344	5,393	4,379	1,014	4,809	4,033	779
NLC TS-I	3,121	3,271	(150)[210]	3,121	2851	270	3,121	2487	634	3,121	2,996	125	3,121	2,710	411
NLC TS-II	3,529	3,399	130	3,574	3276	298	3,529	3157	372	3,507	2,656	851	3,455	2,162	1,293
NLC TS Expansion-I	1,623	1,584	39	1,623	1672	-49	1,638	1629	9	1,631	1,311	320	1,638	1,111	527
NLC TS Expansion-II	0	0	0	0	0	0	1,947	307	1,640	1,947	608	1,339	1,947	854	1,093
NTPL	0	0	0	0	0	0	3,090	1299	1,791	3,075	2,265	810	3,031	2,038	993
NTPC Talcher	3,745	3,475	270	3,708	3760	(52)	3,649	3713	(64)	3,641	3,357	284	3,582	3,371	211
NTPC Simhadri-II	1,474	1,572	(98)	1,474	1428	46	1,473	1544	(71)	1,474	1,212	262	1,474	1,142	332
MAPS	1,740	1,332	408	1,745	1672	73	1,740	2091	(351)	1,740	2,059	(319)	1,734	1,871	(137)
Kaiga	1,293	1,581	(288)	1,332	1568	(236)	1,298	1869	(571)	1,287	1,540	(253)	1,241	1,725	(484)
NTPC ER	372	267	105	372	239	133	261	285	(24)	261	380	(119)	261	311	(50)
NTECL	2,792	2,558	234	5,324	3850	1,474	7,945	5162	2,783	7,930	6,031	1,899	7,893	4,673	3,220
Kudankulam	0	462	(162)	2,954	2071	883	2,959	1047	1,912	5,960	4,200	1,760	6,060	4,557	1,503
NTPC-Kudgi	0	0	0	0	0	0	0	0	0	0	0	0	1,549	436	1,113
Total	**25,295**	**24,560**	**735**	**30,840**	**27,212**	**3,628**	**38,082**	**29,678**	**8,404**	**40,967**	**32,994**	**7,973**	**41,795**	**30,994**	**10,801**

Total normative availability – 1,76,979 MU, Actually available-1,45,438 MU, Shortfall – 31,541 MU

209 Normative availability worked out on the basis of the allocated share at the year end at the normative PLF for the respective station approved by CERC.
210 Figures in brackets represent excess over normative availability.

ANNEXURE-8

(*Referred to in Paragraph* 2.21*)*

Liquidated Damages/penalty leviable for delayed supply/non supply

Sl. No.	Name of the bidder	Date of PPA	Capacity agreed (MW)	Scheduled Delivery Date	Actual date of commissioning of the generating station	Actual date of commencement of supply	No. of days delay	Reasons for delay	LD/Penalty leviable- ₹ in crore
Long Term									
1	D.B. Power Limited	19.08.13	208	01.02.14	19.06.14	01.08.15	546	PGCIL granted (10 July 2013) MTOA for 123 MW from 1 June 2014 to 31 October 2016 based on the available transmission capacity. DBPL, however, failed to commence supply despite availability of both the generation plant and the MTOA.	49.92
2	Ind Bharath Energy (Utkal) Limited	08.08.13	500	01.02.14	31.08.16	01.09.16	943	PGCIL granted LTOA from 16 December 2015. The supplier did not supply even six months after the grant of LTOA. To the notice issued (July 2016) by TANGEDCO, Ind Bharath cited the failure of TANGEDCO in getting the Tariff adoption order from TNERC as required under Article 3.2.1.c of the PPA. The Tariff was adopted by TNERC only in August 2016 and Ind Bharath commenced supplies from an alternate source from September 2016 and the supply continued upto January 2017. There was no supply thereafter from February 2017.	307.20
3	Bharath Aluminium Company Limited	23.08.13 10.12.13	100 100	01.02.14 01.06.14	11.07.15 28.11.15	56 MW/ 03.09.15 100 MW/ 15.10.15 19.12.15	579 566	For the first phase of 100 MW, PGCIL granted LTOA for 56 MW from August 2015 and 100 MW from October 2015. For the second phase of 100 MW, PGCIL granted access from December 2015	48.00
4	Dhariwal Infrastructure Limited	27.11.13	100	01.06.14	02.08.14	16.12.15	562	PGCIL granted LTOA from 15 December 2015.	24.00
5	PTC India Limited – Trader – Supply sourced from Adhunik Power	18.12.13	100	01.06.14	May 2013	01.01.16	579	PGCIL granted LTOA from 01 January 2016	24.00
6	KSK Mahanadhi Power Company Limited	27.11.13	500	01.06.14	22.08.14	281 MW/02.08.15 219 MW/05.10.15	427	PGCIL granted LTOA for 179 MW from 1 October 2014 as an interim arrangement. But KSK despite having declared COD, did not utilise the interim arrangement. PGCIL granted (28 July 2015) operational LTOA for 281 MW with effect from 1 August 2015. KSK commenced (2 August 2015)	75.00

Sl. No.	Name of the bidder	Date of PPA	Capacity agreed (MW)	Scheduled Delivery Date	Actual date of commissioning of the generating station	Actual date of commencement of supply	No. of days delay	Reasons for delay	LD/Penalty leviable- ₹ in crore
								supply availing the LTOA for 281 MW. On obtaining (1 October 2015) LTOA for the balance quantum of 219 MW KSK commenced (5 October 2015) supply for the entire contracted capacity of 500 MW. KSK restricted supply from original source and started supplying the balance quantity from alternate source from 16 December 2016.	
7	GMR Energy Trading Limited – Trader- Supply sourced from Emco Energy	27.11.13	150	01.06.14		56 MW/22.10.15 121 MW/30.11.15 150 MW/16.12.15	569	PGCIL granted (22 July 2015) MTOA to Emco for 150 MW notionally[211] for the period from 1 August 2014 to 31 May 2017 and permitted operationalisation of MTOA in three parts, *viz.*, 56 MW on 19 October 2015, 121 MW on 30 November 2015 and 150 MW on 16 December 2015.	36.00
8	IL&FS Tamil Nadu Power Company Limited	12.12.13	540	01.06.14	29.09.15	29.09.15	486	Though PGCIL completed the first circuit of LILO of the 400 KV Neyveli-Trichy line at the Nagapattinam Pooling Station, it notified (3 May 2014) that the trial operation of the line could not be achieved due to non-readiness of the dedicated 400 KV line from IL&FS switchyard to the Nagapattinam Pooling Station to be executed by IL&FS. The works were completed only in September 2015 and supply to TANGEDCO commenced from 29 September 2015.	129.60
9	Coastal Energen Private Limited	19.12.13	558	01.06.14	23.12.14	24.12.14	206	COASTAL was not able to complete the construction of dedicated line from ex-bus to Tuticorin Pooling Station, as insisted by PGCIL. Therefore it utilized the existing LILO arrangement for evacuating power under STOA upto 30 June 2015 and under MTOA from 1 July 2015 onwards. On completion (27/29 October 2016) of construction of the dedicated feeder to Tuticorin Pooling Station, it started supplying power to TANGEDCO through this dedicated feeder under MTOA.	133.92
								Total	**827.64**

[211] PGCIL issues LTA notionally, thereby the capacity for which LTA applied for would not be available immediately and would be made operational as and when there is availability of Transfer capacity

ANNEXURE-9
(Referred to in Paragraph 2.22)

Statement Showing excess payment made to suppliers due to enhancement of Levelised Tariff

Sl. No	Name of Supplier	Quantum of Energy Supplied (in MU)	Approved Levelised Tariff (₹/unit)	Actual Levelised Tariff (₹/unit)	Difference between Levelised Tariff Adopted and Actual Levelised Tariff (₹/unit)	Excess Payment due to enhancement of Levelised Tariff (₹ in crore)
1	Coastal	8,902.06	4.91	5.20	0.29	255.49
2	DB Power	4,134.82	4.91	5.03	0.12	47.55
3	Dhariwal	1,806.41	4.91	5.00	0.09	16.08
4	GMR	2,492.81	4.91	4.95	0.04	9.97
5	ILFS	7,388.91	4.91	5.23	0.32	239.40
6	KSK Mahanadi	7,727.66	4.91	4.97	0.06	44.05
7	PTC	1,589.37	4.91	4.99	0.08	12.71
8	BALCO	3055.75	4.91	5.19	0.28	86.78
	TOTAL					**712.03**

ANNEXURE-10

***(Referred to in Paragraph* 2.23)**

Payment of capacity and energy charges due to incorrect consideration of delivery point

Sl. No	Name of Seller	Power sourced from	Quantum contracted (in MW)	Name of Interconnection Point Declared by Seller	Excess Payment made by considering Ex-bus of the generating station as Interconnection point (₹ in crore)
Long Term Power Purchase (15 years)					
1	Coastal Energen Private Limited	Coastal Energen's power plant at Tuticorin, Tamil Nadu	558	PGCIL Tuticorin substation	77.53
2	Jindal Power Limited	Jindal's power plant at Raigarh, Chhattisgarh	400	PGCIL Raigarh substation	52.45
3	DB Power Limited	DB's power plant in Champa district, Chhattisgarh	208	PGCIL's Raigarh substation	20.32
4	KSK Mahanadi Co Private Limited	KSK's power plant in Champa district, Chhattisgarh	500	PGCIL Champa substation	68.22
5	GMR Energy Trading Limited	EMCO's power plant in Chandrapur, Maharashtra	150	PGCIL's Bhadrawati substation	17.85
6	PTC India Limited	Adhunik's power plant in Seraikela-Kharsawan, Jharkhand	100	Ramchandrapur substation, Jharkhand	6.55
Total					**242.92**

ANNEXURE-11

(*Referred to in Paragraph* 2.29)

Statement showing tenders finalised and PPAs operated during the period from April 2013 to March 2018

Tender No.	Bid Quantity (in MW)	Supply for the Period	Quantum for which bids were received	Quantum ordered				Remarks
				On Inter-State suppliers (in MW)	Landed cost at TN periphery (in ₹ per unit)	On Intra-State suppliers (in MW)	Rate per unit (in ₹)	
5 of 2012	1,000-RTC	June 2013 to May 2014	Inter state -upto 2,735 MW Intra-state –upto 750 MW	32 MW to 500 MW on 13 suppliers	4.32 to 4.99	2 MW to 214 MW on 24 suppliers	5.50	Intra-unit supplies extended upto 30 September 2014 at the same rates.
6 of 2014	3,000-RTC	October 2014 to September 2015	Inter state – upto 1,346 MW Intra-state – 1upto 1,277 MW	100 MW to 300 MW on 4 suppliers	4.39 to 4.81	5 MW to 255 MW on 29 suppliers	5.50	Intra-unit supplies extended upto 28 October 2015 at the same rates.
7 of 2015	1,200-RTC	October 2015 to May 2016	Inter state – upto 1,470 MW Intra-state – upto 1,277 MW	80 MW to 500 MW on 4 suppliers	3.89	3 MW to 220 MW on 20 suppliers	5.05	-
8 of 2016[212]	350-RTC 500-Peak	February 2017 to May 2017	From Southern region – upto 672 MW	11 MW to 350 MW on 14 suppliers	2.91 to 4.00	10 MW to 350 MW on 5 suppliers	3.95 to 4.00	The suppliers included two traders PTC and NVVN-
9 of 2017	550 - RTC	March 2018 to April 2018	Inter-state – upto 550 MW	50 MW to 300 MW on 3 suppliers	4.20	Nil	Nil	-

212 Tenders 8 of 2016 and 9 of 2017 through E Tender as per the revised guidelines for short term procurement of power notified by MoP in March 2016.

ANNEXURE-12
(*Referred to in Paragraph* 2.31)
Short Term Inter-State power purchase

Month	Contracted quantity (MW)	Contracted quantity (MU)	Approved quantum for transmission (MU)	Energy supplied (MU)	Shortfall in supply (MU)	Percentage of short supply
April 2014	1,177	847.44	0	0	847.44	100.00
May 2014	1,177	875.69	9.49	7.27	868.42	99.17
June 2014	0	0	0	0	-	-
July 2014	0	0	0	0	-	-
Aug 2014	0	0	0	0	-	-
Sep 2014	0	0	0	0	-	-
Oct 2014	773	575.11	6.62	4.21	570.90	99.27
Nov 2014	773	556.56	0	0	556.56	100.00
Dec 2014	773	575.11	0	0	575.11	100.00
Jan 2015	773	575.11	27.03	21.78	553.33	96.21
Feb 2015	773	519.46	0.87	0.85	518.61	99.84
Mar 2015	773	575.11	0	0	575.11	100.00
2014-15	**---**	**5,099.59**	**44.01**	**34.11**	**5,065.48**	**99.33**
April 2015	773	556.56	0	0	556.56	100.00
May 2015	773	575.11	0	0	575.11	100.00
June 2015	773	556.56	0	0	556.56	100.00
July 2015	773	575.11	3.92	2.63	572.48	99.54
Aug 2015	773	575.11	92.40	87.02	488.09	84.87
Sep 2015	773	563.76	87.71	71.83	491.93	87.26
Oct 2015	1,030	766.32	0	0	766.63	100.00
Nov 2015	1,030	741.60	8.07	6.70	734.90	99.10
Dec 2015	1,030	766.32	3.10	2.88	763.44	99.62
Jan 2016	1,030	766.32	3.87	2.68	763.64	99.65
Feb 2016	1,030	716.88	12.27	10.39	706.49	98.55
Mar 2016	1,030	766.32	3.81	3.40	762.92	99.56
2015-16	**---**	**7,925.97**	**215.15**	**187.53**	**7,738.44**	**97.63**
April 2016	1,030	741.60	6.33	5.84	735.76	99.21
May 2016	1,030	766.32	3.90	3.87	762.45	99.50
June 2016	0	0	0	0	-	-
July 2016	0	0	0	0	-	-
Aug 2016	0	0	0	0	-	-
Sep 2016	0	0	0	0	-	-
Oct 2016	0	0	0	0	-	-
Nov 2016	0	0	0	0	-	-
Dec 2016	0	0	0	0	-	-
Jan 2017	0	0	0	0	-	-
Feb 2017	800	537.60	346.65	244.69	292.91	54.48
Mar 2017	800	595.20	362.43	354.94	240.26	40.37
2016-17	**---**	**2,640.72**	**719.31**	**609.34**	**2,031.38**	**76.93**

ANNEXURE-13

(*Referred to in Paragraph* 2.35)

Short/incorrect working of compensation

Circle	Audit observation	Amount of short/incorrect payment noticed (₹in crore)
Virudhunagar	The circle compared the monthly CMRI[213] downloaded data with the power supplied for each month (instead of comparing block-wise) and compensation of ₹ 0.90 crore was demanded from the supplier. Since block-wise CMRI data was not available, audit could not ensure correctness of the payment.	--
Ramnad	The circle paid compensation amounting to ₹ 12.73 crore to two suppliers (Coromandel and Arkay Energy) for the period May 2015 to May 2016. In the absence of detailed workings, correctness of the amount paid could not be ensured.	--
Tuticorin	The circle worked out the compensation with reference to 15 *per cent* of the contracted capacity instead of with the instructed capacity. Audit worked out that excess payment to the tune of ₹ 15.01 crore was made to two suppliers, Ind-bharath Thermal Power and Sterlite Industries.	15.01
Karur	The generator's bills were initially rendered without working out the deviation. Subsequently, the earlier bills were revised (May/ June 2016) and an amount of ₹ 2.63 crore and ₹ 2.65 crore were claimed from EID Parry and TNPL respectively. Based on these workings and the CMRI data produced, Audit reworked the calculations and observed that there still was an excess payment of ₹ 2.14 crore	2.14
Nagapattinam	The short term supplier, MMS Steel and Power had been short supplying continuously ranging from 56.28 *per cent* to 98.61 *per cent* during the entire contract period. Though TANGEDCO initially deducted the compensation due for the shortfall in supply from the payments made to the supplier for the period October 2014 to December 2015, no compensation was levied for the subsequent periods from January 2015. Audit worked out that compensation amounting to ₹ 7.47 crore was not levied.	7.47
Trichy (Metro)	Detailed working for TANGEDCO/Generator deviations based on the CMRI data were made available only for nine months and scrutiny of the workings revealed excess payment to the generator amounting to ₹ 15 lakh.	0.15
Tirunelveli	The short term supplier for Tender No.6, Empee Sugars and Chemicals did not supply power from November 2014. The circle claimed ₹ 11.30 crore towards compensation up to March 2015 but the claim was stayed by the court. Since the contract period was up to September 2015, further compensation of ₹ 14.37 crore for the subsequent period was also due. In respect of tender No.5 for the same supplier, ₹ 1.26 crore was omitted to be claimed initially but subsequent claim was stayed by the court. For another supplier, Servalakshmi Papers, compensation amounting to ₹ 33.66 lakh was not collected for the non-supplied energy in September 2015.	27.27
Pudukottai	When the supplier could not even meet the instructed capacity, the circle calculated ₹ 70.49 lakh as TANGEDCO deviation which was against the instructions of February 2015.	0.70
	Total	**52.74**

213 CMRI – Common Meter Reading Instrument.

ANNEXURE-14

(*Referred to in Paragraph* 2.47)

Non-availing of rebate for timely payment

Supplier	Month	Bill amount paid-₹[214]	Due date for availing rebate	Actual date of payment	No. of days delay	Rebate foregone at 1.07% ₹	Possible interests saved[215]-₹	Difference ₹
Adani (MT)	September 2015	65,40,50,176	31.10.15	02.11.15	2	69,98,337	5,19,656	64,78,681
	October 2015	20,00,00,000	04.12.15	07.12.15	3	21,40,000	2,38,356	19,01,644
NETS (MT)	October 2015	10,00,00,000	31.10.15	03.12.15	3	10,70,000	1,19,178	9,50,822
		23,19,48,142		07.12.15	7	24,81,845	6,45,006	18,36,839
IL&FS (LT)	October 2015	60,00,00,000	03.12.15	05.12.15	2	64,20,000	4,76,712	59,43,288
		40,00,00,000		07.12.15	4	42,80,000	6,35,616	36,44,384
Balco	October 2015	6,00,00,000	03.12.15	05.12.15	2	6,42,000	47,671	5,94,329
		6,65,57,733		07.12.15	4	7,12,168	1,05,763	6,06,405
DB Power	October 2015	20,00,00,000	04.12.15	07.12.15	3	21,40,000	2,38,356	19,01,644
KSK Mahanadi	October 2015	40,00,00,000	01.12.15	05.12.15	4	42,80,000	6,35,616	68,54,384
		30,00,00,000		07.12.15	6	32,10,000		
Jindal	October 2015	35,00,00,000	03.12.15	07.12.15	4	37,45,000	5,56,164	31,88,836
		63,53,18,487		05.02.16				
							Total	**3,39,01,256 Rounded off to ₹3.39 crore**

214 Wherever part payments are made, the payment amount is considered.

215 Calculated at 14.5 *per cent* per annum.

ANNEXURE-15

(Referred to in Paragraph 3.1)

Statement showing calculation of excess payment of levy

(Amount ₹ in crore)

Year	Amount billed by the contractor to TANGEDCO	Amount paid by the contractor to VPT	Excess billed by contractor	Excess amount paid to contractor
(1)	(2)	(3)	(4)=(2)-(3)	(5)
2011-12 to 2015-16	984.69	199.56	785.13	785.13
2016-17 (Till 16.08.2016)	31.83	9.38	22.45	22.45
2016-17 (from 17.08.2016 to 31.03.2017)	52.46	8.26	44.20	---
2017-18	80.50	14.69	65.81	---
Total	**1149.48**	**231.89**	**917.59**	**807.58**

ANNEXURE-16

(Referred to in Paragraph 3.4)

Statement showing avoidable expenditure due to failure to exercise shipping tolerance in import of coal by TANGEDCO

Sl. No	Purchase order No./ Date	Name of the firm	Name of the Discharge port	C&F Rate (in USD/ MT)	Total Guaranteed Quantity (In MT)	Supplied Quantity (In MT)	Supply period	Shortfall Quantity (In MT)	Shipping Tolerance [216] (In MT)	Total Shortfall quantity (In MT)	Differential Rates to TNPL USD/MT USD 78.05-(5)	Avoidable expenditure considering exchange rate of ₹ 64.44/USD (₹ in crore)
1	2	3	4	5	6	7		8	9	(8)+(9)=10	11	12
1.	105 / 29.02.16	M/s. Chettinad Logistics Private Limited., Chennai	VOC port/ Tuticorin	62.50	3,20,000	3,20,000	September 2016 to June 2017	-	16,000	16,000	15.55	1.60
2.	106 / 29.02.16	M/s. Knowledge International Strategy Systems pte. Ltd., Singapore.	VOC port/ Tuticorin	62.50	4,80,000	4,80,000	August 2016 to May 2017	-	24,000	24,000	15.55	2.40
		Sub-total A			**8,00,000**	**8,00,000**						
3.	107 / 29.02.16	M/s. Adani Global pte Ltd., Singapore.	Ennore/ Karaikal	61.00	18,60,000	18,58,339	May 2016 to June 2017	1,661	55,800	57,461	17.05	6.31
4.	108 / 29.02.16	M/s. MSTC Limited, Kolkatta	Ennore/ Karrikal	61.00	12,40,000	12,39,562	May 2016 to June 2017	438	37,200	37,638	17.05	4.13
		Sub-total B			**31,00,000**	**30,97,901**			**9300**			**10.44**
		TOTAL (A) + (B)			**39,00,000**	**38,97,901**		**2,099**	**93,000**	**95,099**		**14.44**

216 +5 *per cent* for Tuticorin Port and +3 *per cent* for Ennore/Karikal Port.

ANNEXURE-17

(Referred to in paragraph 4.3)

Summarised statement showing position of equity and outstanding loans relating to State PSUs (other than Power Sector) as on 31 March 2018

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

Sl. No.	Sector/Name of the Company	Name of the Department	Month & year of incorporation	Equity at the close of the year 2017-18				Long-term loans outstanding at the end of the year 2017-18			
				GoTN	GoI	Others	Total	GoTN	GoI	Others	Total
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6(a)	6(b)	6(c)	6(d)
	SOCIAL SECTOR										
1.	Tamil Nadu Fisheries Development Corporation Limited (TN Fisheries)	Fisheries	April 1974	4.46	---	---	4.46	---	---	---	---
2.	Tamil Nadu Handloom Development Corporation Limited (TN Handloom)	Handloom, Handicrafts, Textiles and Khadi	September 1964	2.67	1.62	---	4.29	5.47	---	---	5.47
3.	Tamil Nadu Adi-dravidar Housing and Development Corporation Limited (TAHDCO)	Adi-dravidar and Tribal Welfare	February 1974	89.96	46.94	---	136.90	0.09	---	---	0.09
4.	Tamil Nadu Backward Classes Economic Development Corporation Limited (TABCEDCO)	Backward Classes and Most backward classes Welfare	November 1981	12.27	---	---	12.27	---	---	---	---
5.	Tamil Nadu Corporation for Development of Women Limited (TN Women)	Social Welfare and Noon-meal programme	December 1983	0.40	---	0.38	0.78	---	---	---	---
6.	Tamil Nadu Minorities Economic Development Corporation Limited (TAMCO)	Backward Classes and Most backward classes Welfare	August 1999	2.05	---	---	2.05	---	---	---	---
7.	Tamil Nadu Rural Housing and Infrastructure Development Corporation Limited (TN Rural Housing)	Rural Development and Panchayat Raj	January 1999	3.00	---	---	3.00	---	---	565.99	565.99
8.	Adyar Poonga	Municipal Administration	October 2008	0.10	---	---	0.10	---	---	---	---

Sl. No.	Sector/Name of the Company	Name of the Department	Month & year of incorporation	Equity at the close of the year 2017-18				Long-term loans outstanding at the end of the year 2017-18			
				GoTN	GoI	Others	Total	GoTN	GoI	Others	Total
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6(a)	6(b)	6(c)	6(d)
		and Water Supply									
9.	Tamil Nadu Civil Supplies Corporation (TNCSC)	Co-operation, Food and Consumer Protection	April 1972	71.74	---	---	71.74	---	---	---	---
10.	Overseas Manpower Corporation Limited (OMPC)	Labour & Employment	November 1978	0.15	---	---	0.15	---	---	---	---
11.	Tamil Nadu Skill Development Corporation Limited (TNSDC)	Labour & Employment	July 2013	0.05	---	---	0.05	---	---	---	---
12.	Tamil Nadu Medical Services Corporation Limited (TN Medical)	Health & Family Welfare	July 1994	4.04	---	---	4.04	---	---	---	---
13.	Tamil Nadu Ex-servicemen's Corporation Limited (TEXCO)	Public (Ex-servicemen)	January 1986	0.23	---	---	0.23	---	---	---	---
	Sector-wise total			**191.12**	**48.56**	**0.38**	**240.06**	**5.56**	**---**	**565.99**	**571.55**
	NON-FUNCTIONAL										
14.	Tamil Nadu State Construction Corporation Limited (TN State Construction)	Public Works	February 1980	5.00	---	---	5.00	1.00	---	---	1.00
	Sector-wise total			**5.00**	**---**	**---**	**5.00**	**1.00**			**1.00**
	SS TOTAL			**196.12**	**48.56**	**0.38**	**245.06**	**6.56**	**---**	**565.99**	**572.55**
	COMPETITIVE SECTOR										
15.	Tamil Nadu Forest Plantation Corporation Limited (TAFCORN)	Environment and Forest	June 1974	5.64	---	---	5.64	---	---	---	---
16.	Tamil Nadu Tea Plantation Corporation Limited (TANTEA)	Environment and Forest	August 1975	14.96	---	---	14.96	---	---	25.96	25.96
17.	Arasu Rubber Corporation Limited (ARC)	Environment and Forest	August 1984	8.45	---	---	8.45	---	---	---	---
18.	Tamil Nadu Industrial Investment Corporation Limited (TIIC)	Micro, Small and Medium Enterprises	March 1949	303.50	---	17.50	321.00	---	---	462.97	462.97

Sl. No.	Sector/Name of the Company	Name of the Department	Month & year of incorporation	Equity at the close of the year 2017-18				Long-term loans outstanding at the end of the year 2017-18			
				GoTN	GoI	Others	Total	GoTN	GoI	Others	Total
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6(a)	6(b)	6(c)	6(d)
19.	Tamil Nadu Small Industries Development Corporation Limited (TNSIDCO)	Micro, Small and Medium Enterprises	March 1970	25.14	---	---	25.14	---	---	---	---
20.	Tamil Nadu Transport Development Finance Corporation Limited (TDFC)	Transport	March 1975	43.03	---	18.71	61.74	---	---	---	---
21.	Tamil Nadu Urban Finance and Infrastructure Development Corporation Limited (TUFIDCO)	Municipal Administration and Water Supply	March 1990	31.02	---	0.98	32.00	---	---	295.80	295.80
22.	Tamil Nadu Infrastructure Fund Management Corporation Limited (TN Infra Management)	Social Welfare	July 2015	---	---	32.30	32.30	---	---	---	---
23.	Tamil Nadu Industrial Development Corporation Limited (TIDCO)	Industries	May 1965	72.03	---	---	72.03	---	---	---	---
24.	State Industries Promotion Corporation of Tamil Nadu Limited (SIPCOT)	Industries	March 1971	123.91	---	---	123.91	---	---	---	---
25.	TIDEL Park Limited (TIDEL, Chennai)	Industries	December 1997	44.00	---	---	44.00	---	---	---	---
26.	Nilakottai Food Park Limited (Nilakottai)	Industries	April 2004	---	---	0.68	0.68	---	---	---	---
27.	Guindy Industrial Estate Infrastructure Upgradation Company (Guindy Industrial Estate)	Micro, Small and Medium Enterprises	June 2004	---	---	0.01	0.01	---	---	---	---
28	Tamil Nadu Road Infrastructure Development Corporation (TN Road Infrastructure)	Highways & Minor Ports	March 2005	5.00	---	---	5.00	---	---	---	---
29	Tamil Nadu Road Development Company Limited (TNRDC)	Highways & Minor Ports	September 2010	---	---	10.00	10.00	11.90	---	192.97	204.87
30.	IT Expressway	Highways & Minor Ports	2004	---	---	44.05	44.05	112.00	---	10.30	122.30
31.	TIDEL Park Coimbatore Limited (TIDEL,Coimbatore)	Industries	June 2007	---	---	177.11	177.11	35.00	142.96	---	177.96
32.	TICEL Bio Park Limited (TICEL Bio Park)	Industries	November 2004	---	---	108.58	108.58	---	---	0.61	0.61

Sl. No.	Sector/Name of the Company	Name of the Department	Month & year of incorporation	Equity at the close of the year 2017-18				Long-term loans outstanding at the end of the year 2017-18			
				GoTN	GoI	Others	Total	GoTN	GoI	Others	Total
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6(a)	6(b)	6(c)	6(d)
33.	Tamil Nadu Polymer Industries Park Limited (TNPIP LIMITED)	Industries	April 2015	5.37	---	---	5.37	---	---	---	---
34.	Madurai Thoothukudi Industrial Corridor Development Corporation Limited (MTICD Limited)	Industries	April 2015	0.05	---	---	0.05	---	---	0.36	0.36
35.	Tamil Nadu Small Industries Corporation Limited (TANSI)	Micro, Small and Medium Enterprises	September 1965	20.00	---	---	20.00	---	---	---	---
36.	Tamil Nadu Textiles Corporation Limited (TN Textiles)	Handloom, Handicrafts, Textiles and Khadi	April 1969	1.54	---	---	1.54	5.41	---	0.18	5.59
37.	Tamil Nadu Zari Limited (TN Zari)	Handloom, Handicrafts, Textiles and Khadi	December 1971	0.34	---	---	0.34	---	---	---	---
38.	Tamil Nadu Handicrafts Development Corporation Limited (TN Handicrafts)	Handloom, Handicrafts, Textiles and Khadi	July 1973	2.05	1.17	---	3.22	---	---	---	---
39.	Tamil Nadu Salt Corporation Limited (TN Salt)	Industries	July 1974	6.34	---	---	6.34	---	---	---	---
40.	Tamil Nadu Sugar Corporation Limited (TASCO)	Industries	October 1974	79.97	---	1.00	80.97	49.37	---	---	49.37
41.	Tamil Nadu Cements Corporation Limited (TANCEM)	Industries	February 1976	111.31	---	---	111.31	73.90	---	---	73.90
42.	Perambalur Sugar Mills Limited (PSM) (subsidiary of TASCO)	Industries	July 1976	38.00	---	---	38.00	---	---	29.00	29.00
43.	Tamil Nadu Minerals Limited (TAMIN)	Industries	April 1978	15.74	---	---	15.74	---	---	---	---
44.	Tamil Nadu Magnesite Limited (TANMAG)	Industries	January 1979	16.65	---	---	16.65	31.96	---	---	31.96
45.	Tamil Nadu Industrial Explosives Limited (TIEL)	Industries	February 1983	22.14	---	4.89	27.03	70.64	---	---	70.64

Sl. No.	Sector/Name of the Company	Name of the Department	Month & year of incorporation	Equity at the close of the year 2017-18				Long-term loans outstanding at the end of the year 2017-18			
				GoTN	GoI	Others	Total	GoTN	GoI	Others	Total
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6(a)	6(b)	6(c)	6(d)
46.	Tamil Nadu Medicinal Plant Farms and Herbal Medicine Corporation Limited (TAMPCOL)	Indian Medicine and Homeopathy	September 1983	3.00	---	---	3.00	---	---	---	---
47.	Tamil Nadu Paints and Allied Products Limited (TAPAP)	Micro, Small and Medium Enterprises	November 1985	0.02	---	---	0.02	---	---	---	---
48.	Tamil Nadu Newsprint and Papers Limited (TNPL)	Industries	May 1988	24.44	---	44.94	69.38	---	---	1,917.02	1,917.02
49.	Tamil Nadu Tourism Development Corporation Limited (TTDC)	Tourism	June 1971	10.43	---	---	10.43	---	---	---	---
50.	Poompuhar Shipping Corporation Limited (PSC)	Highways& Minor Ports	April 1974	20.53	---	---	20.53	---	---	---	---
51.	Electronics Corporation of Tamil Nadu Limited (ELCOT)	Information Technology	March 1977	25.93	---	---	25.93	---	---	---	---
52.	Pallavan Transport Consultancy Services Limited (PTCS)	Transport	February 1984	0.10	---	---	0.10	---	---	---	---
53.	Metropolitan Transport Corporation Limited (MTC)	Transport	October 2001	822.03	---	---	822.03	---	---	503.93	503.93
54.	State Express Transport Corporation Limited (SETC)	Transport	January 2002	638.82	---	---	638.82	92.70	---	421.39	514.09
55.	Tamil Nadu State Transport Corporation (Coimbatore) Limited (TNSTC, Coimbatore)	Transport	December 2003	892.60	---	---	892.60	252.25	---	37.20	289.45
56.	Tamil Nadu State Transport Corporation (Kumbakonam) Limited (TNSTC, Kumbakonam)	Transport	December 2003	819.24	---	---	819.24	---	---	---	---
57.	Tamil Nadu State Transport Corporation (Salem) Limited (TNSTC, Salem)	Transport	December 2003	522.15	---	---	522.15	102.64	---	32.41	135.05
58.	Tamil Nadu State Transport Corporation (Villupuram) Limited (TNSTC, Villupuram)	Transport	December 2003	698.83	---	---	698.83	65.96	---	130.95	196.91
59.	Tamil Nadu State Transport Corporation (Madurai) Limited (TNSTC, Madurai)	Transport	January 2004	843.15	---	---	843.15	---	---	23.68	23.68

Sl. No.	Sector/Name of the Company	Name of the Department	Month & year of incorporation	Equity at the close of the year 2017-18				Long-term loans outstanding at the end of the year 2017-18			
				GoTN	GoI	Others	Total	GoTN	GoI	Others	Total
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6(a)	6(b)	6(c)	6(d)
60.	Tamil Nadu State Transport Corporation (Tirunelveli) Limited (TNSTC, Tirunelveli)	Transport	November 2010	611.85	---	---	611.85	140.46	---	25.49	165.95
61.	Arasu Cable TV Corporation Limited (Arasu Cable TV)	Information Technology	October 2007	25.00	---	---	25.00	9.35	---	50.00	59.35
62.	Tamil Nadu Police Transport Corporation Limited (TN Police Transport)	Home	December 2015	---	---	---	---	---	---	---	---
63.	Tamil Nadu Warehousing Corporation (TANWARE)	Co-operation, Food and Consumer Protection	May 1958	3.81	3.80	---	7.61	99.00	---	---	99.00
	Sector-wise total			**6,958.11**	**4.97**	**460.75**	**7,423.83**	**1,152.54**	**142.96**	**4,160.22**	**5,455.72**
	NON-FUNCTIONAL										
64.	Tamil Nadu Agro Industries Development Corporation Limited (TN AGRO)	Agriculture	July 1966	6.01	---	---	6.01	20.96	---	---	20.96
65.	Tamil Nadu Poultry Development Corporation Limited (TAPCO)	Animal Husbandry & Fisheries	July 1973	1.27	---	---	1.27	---	---	---	---
66.	Southern Structurals Limited (SSL)	Industries	October 1956	34.54	---	---	34.54	---	---	---	---
67.	State Engineering and Servicing Company of Tamil Nadu Limited (SESCOT) (subsidiary of TANSI)	Micro, Small and Medium Enterprises	April 1977	0.50	---	---	0.50	---	---	---	---
68.	Tamil Nadu Goods Transport Corporation Limited (TN Goods)	Transport	March 1975	0.33	---	---	0.33	---	---	---	---
	NON-FUNCTIONAL SECTOR TOTAL			**42.65**	**---**	**---**	**42.65**	**20.96**	**---**	**---**	**20.96**
	CS TOTAL			**7,000.76**	**4.97**	**460.75**	**7,466.48**	**1,173.50**	**142.96**	**4,160.22**	**5,476.68**
	OTHER SECTOR										
69.	Tamil Nadu Police Housing Corporation Limited (TN Police Housing)	Home	April 1981	1.00	---	---	1.00	---	---	---	---

Sl. No.	Sector/Name of the Company	Name of the Department	Month & year of incorporation	Equity at the close of the year 2017-18				Long-term loans outstanding at the end of the year 2017-18			
				GoTN	GoI	Others	Total	GoTN	GoI	Others	Total
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6(a)	6(b)	6(c)	6(d)
70.	Tamil Nadu State Marketing Corporation Limited (TASMAC)	Prohibition & Excise	May 1983	15.00	---	---	15.00	---	---	---	---
	Sector-wise total			**16.00**	**---**	**---**	**16.00**	**---**	**---**	**---**	**---**
	All Sector total			**7,212.88**	**53.53**	**461.13**	**7,727.54**	**1,180.06**	**142.96**	**4,726.21**	**6,049.23**

ANNEXURE-18

(Referred to in paragraph 4.6)

Summarised statement showing difference between Finance Accounts of Government of Tamil Nadu and Accounts of the State PSUs (Other than Power Sector) in respect of balances of equity and guarantees as on 31 March 2018

(₹ in crore)

Sl.No.	Name of PSU	As per records of State PSUs		As per Finance Accounts of Government of Tamil Nadu		Difference	
		Paid-up capital	Guarantee Committed	Paid-up capital	Guarantee Committed	Paid-up capital	Guarantee Committed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1.	Tamil Nadu Backward Classes Economic Development Corporation Limited (TABCEDCO)	12.27	0.00	12.27	234.31	0.00	(-)234.31
2.	Tamil Nadu Minorities Economic Development Corporation Limited (TAMCO)	2.05	0.00	5.00	75.98	(-)2.95	(-)75.98
3.	Tamil Nadu Skill Development Corporation Limited (TNSDC)	0.05	0.00	0.00	0.00	0.05	0.00
4.	Tamil Nadu Industrial Investment Corporation Limited (TIIC)	303.52	608.69	303.52	150.00	0.00	458.69
5.	Tamil Nadu Sugar Corporation Limited (TASCO)	79.97	16.53	79.97	26.44	0.00	(-)9.91
6.	Perambalur Sugar Mills Limited (PSM) (subsidiary of TASCO)	0.00	36.06	0.00	0.00	0.00	36.06
7.	Pallavan Transport Consultancy Services Limited (PTCS)	0.00	0.00	0.10	0.00	(-)0.10	0.00
8.	Tamil Nadu Agro Industries Development Corporation Limited (TN AGRO)	6.01	0.00	0.00	0.00	6.01	0.00
9.	Tamil Nadu Poultry Development Corporation Limited (TAPCO)	1.27	0.00	0.00	0.00	1.27	0.00
10.	Tamil Nadu Goods Transport Corporation Limited (TN Goods)	0.27	0.00	0.00	0.00	0.27	0.00
	TOTAL	**405.41**	**661.28**	**400.86**	**486.73**	**4.55**	**174.55**

ANNEXURE-19

(Referred to in Paragraph 4.7.1)

Details of Arrears in accounts in respect of PSUs (Other than Power Sector)

Sl. No.	Name of the Company	Year completed	Arrears	Number of accounts in arrears
	SOCIAL SECTOR			
1	Tamil Nadu Adi-dravidar Housing and Development Corporation Limited (TAHDCO)	2015-16	2016-17 & 2017-18	2
2	Tamil Nadu Backward Classes Economic Development Corporation Limited (TABCEDCO)	2015-16	2016-17 & 2017-18	2
3	Tamil Nadu Corporation for Development of Women Limited (TN Women)	2016-17	2017-18	1
4	Tamil Nadu Minorities Economic Development Corporation Limited (TAMCO)	2016-17	2017-18	1
5	Tamil Nadu Rural Housing and Infrastructure Development Corporation Limited (TN Rural Housing)	2016-17	2017-18	1
6	Tamil Nadu Civil Supplies Corporation (TNCSC)	2016-17	2017-18	1
7	Overseas Manpower Corporation Limited (OMPC)	2016-17	2017-18	1
8	Tamil Nadu Skill Development Corporation Limited (TNSDC)	2016-17	2017-18	1
	COMPETITIVE SECTOR			
9	Tamil Nadu Tea Plantation Corporation Limited (TANTEA)	2016-17	2017-18	1
10	Tamil Nadu Industrial Development Corporation Limited (TIDCO)	2016-17	2017-18	1
11	State Industries Promotion Corporation of Tamil Nadu Limited (SIPCOT)	2016-17	2017-18	1
12	Nilakottai Food Park Limited	2015-16	2016-17 & 2017-18	2
13	Madurai Thoothukudi Industrial Corridor Development Corporation Limited (MTICD Limited)	2015-16	2016-17 & 2017-18	2
14	Tamil Nadu Cements Corporation Limited (TANCEM)	2016-17	2017-18	1
15	Perambalur Sugar Mills Limited (PSM) (subsidiary of TASCO)	2016-17	2017-18	1
16	Tamil Nadu Minerals Limited (TAMIN)	2016-17	2017-18	1

Sl. No.	Name of the Company	Year completed	Arrears	Number of accounts in arrears
17	Tamil Nadu Magnesite Limited (TANMAG)	2016-17	2017-18	1
18	Tamil Nadu Industrial Explosives Limited (TIEL)	2016-17	2017-18	1
19	Tamil Nadu Tourism Development Corporation Limited (TTDC)	2015-16	2016-17 & 2017-18	2
20	Poompuhar Shipping Corporation Limited (PSC)	2015-16	2016-17 & 2017-18	2
21	Pallavan Transport Consultancy Services Limited (PTCS)	2016-17	2017-18	1
22	Arasu Cable TV Corporation Limited (Arasu Cable TV)	2015-16	2016-17 & 2017-18	2
23	Tamil Nadu Police Transport Corporation Limited (Police Transport)	---	2015-16 to 2017-18	3
24	Tamil Nadu Warehousing Corporation (TANWARE)	2016-17	2017-18	1

ANNEXURE-20

(Referred to in paragraph 4.9)

Statement showing position of State Government investment in working State PSUs (other than Power Sector), accounts of which are in arrears during the period of arrears

(Figures in columns (4)&(6) to (8) are ₹ in crore)

Sl. No.	Name of the Public Sector Undertaking	Year upto which accounts finalised	Paid-up capital	Period of accounts pending finalisation	Investment made by State Government during 2017-18 in PSUs, whose accounts are in arrears		
					Equity	Loans	Grants
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Working Government companies						
1.	Tamil Nadu Corporation of Development of Women Limited (TN Women)	2016-17	0.78	2017-18	---	---	94.20
2.	Tamil Nadu Rural Housing and Infrastructure Development Corporation Limited (TN Rural Housing)	2016-17	3.00	2017-18	---	---	204.41
3.	Tamil Nadu Industrial Explosives Limited (TIEL)	2016-17	27.03	2017-18	---	47.15	---
4.	Tamil Nadu Cements Corporation Limited (TANCEM)	2016-17	111.31	2017-18	---	300.00	---
5.	Tamil Nadu Civil Supplies Corporation (TNCSC)	2016-17	71.74	2017-18	---	---	6,001.00
6.	Tamil Nadu Skill Development Corporation Limited (TNSDC)	2016-17	0.05	2017-18	---	---	150.00
7.	Arasu Cable TV Corporation Limited (Arasu Cable TV)	2015-16	25.00	2016-17	---	---	---
				2017-18	---	---	9.74
8.	Tamil Nadu Warehousing Corporation	2016-17	7.61	2017-18	---	18.00	---
9.	Tamil Nadu Adi-dravidar Housing and Development Corporation Limited (TAHDCO)	2015-16	134.90	2016-17	---	---	---
				2017-18	---	---	17.38
10.	Tamil Nadu Backward Classes Economic Development Corporation Limited (TABCEDCO)	2015-16	12.27	2016-17	---	---	---
				2017-18	---	---	2.63
	TOTAL				**---**	**365.15**	**6,479.36**

ANNEXURE-21

(Referred to in paragraph 4.10)

Summarised statement of financial results of State PSUs (Other than Power Sector) for the latest year for which accounts were finalised

(Figures in Column (5) to (11) are ₹ in crore)

Sl. No.	Sector/Name of the Company	Period of accounts	Year in which accounts finalised	Net profit/loss before interest & tax	Net profit/loss after interest & tax	Turn over	Paid-up capital	Capital employed	Net worth	Accumulated profit/loss
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
A	**SOCIAL SECTOR**									
1.	**Working Government Companies**									
1.	Tamil Nadu Fisheries Development Corporation Limited (TN Fisheries)	2017-18	2018-19	11.00	7.04	441.57	4.46	31.71	27.88	23.42
2.	Tamil Nadu Handloom Development Corporation Limited (TN Handloom)	2017-18	2018-19	0.68	0.18	16.87	4.29	8.24	2.77	-1.52
3.	Tamil Nadu Adi-dravidar Housing and Development Corporation Limited (TAHDCO)	2015-16	2017-18	0.85	0.77	16.00	134.90	178.64	178.47	43.57
4.	Tamil Nadu Backward Classes Economic Development Corporation Limited (TABCEDCO)	2015-16	2017-18	4.80	2.44	6.41	12.27	160.99	31.66	19.39
5.	Tamil Nadu Corporation for Development of Women Limited (TN Women)	2016-17	2018-19	5.28	5.28	166.45	0.78	34.45	34.45	33.67
6.	Tamil Nadu Minorities Economic Development Corporation Limited (TAMCO)	2016-17	2017-18	3.37	1.61	5.72	2.05	78.73	22.94	20.89
7.	Tamil Nadu Rural Housing and Infrastructure Development Corporation Limited (TN Rural Housing)	2016-17	2017-18	57.52	0.57	---	3.00	570.59	4.58	1.58
8.	Adyar Poonga	2017-18	2018-19	(-)0.08	(-)0.08	---	0.10	0.22	0.02	(-)0.08
9.	Tamil Nadu Civil Supplies Corporation (TNCSC)	2016-17	2017-18	197.97	---	9,740.00	71.74	73.77	71.74	---
10.	Overseas Manpower Corporation Limited (OMPC)	2016-17	2017-18	0.47	0.21	1.20	0.15	0.77	0.77	0.62
11.	Tamil Nadu Skill Development Corporation Limited (TNSDC)	2016-17	2017-18	(-)0.06	(-)0.06	55.28	0.05	0.21	0.21	0.16

Sl. No.	Sector/Name of the Company	Period of accounts	Year in which accounts finalised	Net profit/loss before interest & tax	Net profit/loss after interest & tax	Turn over	Paid-up capital	Capital employed	Net worth	Accumulated profit/loss
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
12.	Tamil Nadu Medical Services Corporation Limited (TN Medical)	2017-18	2018-19	0.80	0.30	50.11	4.04	19.21	19.21	15.17
13.	Tamil Nadu Ex-servicemen's Corporation Limited (TEXCO)	2017-18	2018-19	24.83	24.82	251.19	0.23	146.36	146.36	146.13
	TOTAL A-I			**307.43**	**43.08**	**10,750.80**	**238.06**	**1,303.69**	**541.06**	**303.00**
	II. Non-functional Government Companies									
14.	Tamil Nadu State Construction Corporation Limited (TN State Construction)	2010-11 to 2014-15	2017-18	---	(-)4.64	---	5.00	(-)39.70	(-)40.70	(-)45.70
	TOTAL A-II			**---**	**(-)4.64**	**---**	**5.00**	**(-)39.70**	**(-)40.70**	**(-)45.70**
	TOTAL A (I+II)			**307.43**	**38.44**	**10,750.80**	**243.06**	**1,263.99**	**500.36**	**257.30**
B	**COMPETITIVE SECTOR**									
	I. Working Government Companies									
15.	Tamil Nadu Forest Plantation Corporation Limited (TAFCORN)	2017-18	2018-19	13.43	11.24	76.36	5.64	200.64	200.64	195.00
16.	Tamil Nadu Tea Plantation Corporation Limited (TANTEA)	2016-17	2017-18	(-)6.35	(-)9.17	71.31	14.96	-4.62	(-)55.80	(-)70.76
17.	Arasu Rubber Corporation Limited (ARC)	2017-18	2018-19	0.14	0.14	29.38	8.45	-4.84	(-) 5.64	(-)14.09
18.	Tamil Nadu Industrial Investment Corporation Limited (TIIC)	2017-18	2018-19	26.31	25.24	207.89	321.00	850.45	387.43	66.43
19.	Tamil Nadu Small Industries Development Corporation Limited (TNSIDCO)	2017-18	2018-19	3.73	6.91	41.39	25.14	110.35	110.35	85.21
20.	Tamil Nadu Transport Development Finance Corporation Limited (TDFC)	2017-18	2018-19	731.06	6.75	383.91	61.74	2,807.13	188.04	126.30
21.	Tamil Nadu Urban Finance and Infrastructure Development Corporation Limited (TUFIDCO)	2017-18	2018-19	50.25	20.90	53.56	32.00	331.09	36.30	4.30
22.	Tamil Nadu Infrastructure Fund Management Corporation Limited (TN Infra Management)	2017-18	2018-19	(-)9.48	(-)9.59	1.50	32.30	23.04	23.04	(-)9.26

Sl. No.	Sector/Name of the Company	Period of accounts	Year in which accounts finalised	Net profit/loss before interest & tax	Net profit/loss after interest & tax	Turn over	Paid-up capital	Capital employed	Net worth	Accumulated profit/loss
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
23.	Tamil Nadu Industrial Development Corporation Limited (TIDCO)	2016-17	2017-18	47.92	30.97	53.98	72.03	743.45	735.13	663.10
24.	State Industries Promotion Corporation of Tamil Nadu Limited (SIPCOT)	2016-17	2017-18	262.78	210.70	358.02	123.91	1174.63	1,174.63	1,050.72
25.	TIDEL Park Limited (TIDEL, Chennai)	2017-18	2018-19	2.16	22.31	72.67	44.00	418.52	377.90	333.90
26.	Nilakottai Food Park Limited (Nilakottai)	2015-16	2017-18	0.14	0.11	---	0.68	0.74	0.74	0.06
27.	Guindy Industrial Estate Infrastructure Upgradation Company (Guindy Industrial Estate)	2017-18	2018-19	---	---	---	0.01	(-)0.02	(-)0.02	(-)0.03
28	Tamil Nadu Road Infrastructure Development Corporation (TN Road Infrastructure)	2017-18	2018-19	15.12	0.02	3.24	5.00	7.21	7.21	2.21
29	Tamil Nadu Road Development Company Limited (TNRDC)	2017-18	2018-19	25.03	8.04	30.47	10.00	255.14	45.67	35.67
30.	IT Expressway	2017-18	2018-19	25.19	21.66	64.64	44.05	217.52	111.22	67.17
31.	TIDEL Park Coimbatore Limited (TIDEL,Coimbatore)	2017-18	2018-19	22.03	2.90	42.72	177.11	324.98	147.02	(-)30.09
32.	TICEL Bio Park Limited (TICEL Bio Park)	2017-18	2018-19	4.50	(-)3.19	27.83	108.58	139.39	83.54	(-)25.04
33.	Tamil Nadu Polymer Industries Park Limited (TNPIP LIMITED)	2017-18	2018-19	0.37	0.29	---	5.37	5.30	5.30	(-)0.07
34.	Madurai Thoothukudi Industrial Corridor Development Corporation Limited (MTICD Limited)	2015-16	2016-17	---	---	---	0.05	0.05	0.05	---
35.	Tamil Nadu Small Industries Corporation Limited (TANSI)	2017-18	2018-19	1.64	0.95	22.37	20.00	112.72	112.72	92.72
36.	Tamil Nadu Textiles Corporation Limited (TN Textiles)	2017-18	2018-19	0.34	0.29	16.83	1.54	6.63	1.23	(-)0.31
37.	Tamil Nadu Zari Limited (TN Zari)	2017-18	2018-19	0.81	0.17	31.40	0.34	2.82	2.60	2.26
38.	Tamil Nadu Handicrafts Development Corporation Limited (TN Handicrafts)	2017-18	2018-19	5.99	5.79	35.19	3.22	12.78	9.62	6.40

Sl. No.	Sector/Name of the Company	Period of accounts	Year in which accounts finalised	Net profit/loss before interest & tax	Net profit/loss after interest & tax	Turn over	Paid-up capital	Capital employed	Net worth	Accumulated profit/loss
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
39.	Tamil Nadu Salt Corporation Limited (TN Salt)	2017-18	2018-19	(-)1.77	(-)2.03	29.31	6.34	5.75	5.75	(-)0.59
40.	Tamil Nadu Sugar Corporation Limited (TASCO)	2017-18	2018-19	(-)7.12	(-)14.83	86.91	80.97	(-)107.68	(-)109.40	(-)190.37
41.	Tamil Nadu Cements Corporation Limited (TANCEM)	2016-17	2017-18	7.47	2.05	639.97	111.31	171.73	97.83	(-)13.48
42.	Perambalur Sugar Mills Limited (PSM) (subsidiary of TASCO)	2016-17	2017-18	(-)8.49	(-)22.69	68.70	38.00	(-)106.33	(-)222.24	(-)260.24
43.	Tamil Nadu Minerals Limited (TAMIN)	2016-17	2017-18	(-)9.03	(-)5.03	112.36	15.74	120.95	120.95	105.21
44.	Tamil Nadu Magnesite Limited (TANMAG)	2016-17	2017-18	0.40	21.74	95.02	16.65	112.53	80.57	63.92
45.	Tamil Nadu Industrial Explosives Limited (TIEL)	2016-17	2017-18	(-)21.94	(-)28.14	5.21	27.03	(-)141.57	(-)155.89	(-)182.92
46.	Tamil Nadu Medicinal Plant Farms and Herbal Medicine Corporation Limited (TAMPCOL)	2017-18	2018-19	5.57	3.79	33.56	3.00	20.56	20.56	17.56
47.	Tamil Nadu Paints and Allied Products Limited (TAPAP)	2017-18	2018-19	0.19	0.14	1.29	0.02	0.16	0.16	0.14
48.	Tamil Nadu Newsprint and Papers Limited (TNPL)	2017-18	2018-19	216.64	(-)42.15	3,125.10	69.38	1,989.11	538.79	469.41
49.	Tamil Nadu Tourism Development Corporation Limited (TTDC)	2015-16	2016-17	1.39	(-)0.21	93.76	10.43	55.86	47.86	37.43
50.	Poompuhar Shipping Corporation Limited (PSC)	2015-16	2016-17	8.22	4.20	554.38	20.53	34.89	34.89	14.36
51.	Electronics Corporation of Tamil Nadu Limited (ELCOT)	2017-18	2018-19	42.40	24.01	30.14	25.93	138.30	138.18	112.25
52.	Pallavan Transport Consultancy Services Limited (PTCS)	2016-17	2017-18	(-)0.03	(-)0.03	1.00	0.10	(-) 3.02	(-) 3.02	(-)3.12
53.	Metropolitan Transport Corporation Limited (MTC)	2017-18	2018-19	(-)580.09	(-)730.46	1,366.46	822.03	(-)2,546.36	(-)2,930.46	(-)3,752.49
54.	State Express Transport Corporation Limited (SETC)	2017-18	2018-19	(-)157.06	(-)255.08	581.29	638.82	(-)1,033.81	(-)1.409.82	(-)2,048.64
55.	Tamil Nadu State Transport Corporation (Coimbatore) Limited (TNSTC, Coimbatore)	2017-18	2018-19	(-)907.63	(-)1,003.86	1,165.52	892.60	(-)1,689.49	(-)2,089.58	(-)2,982.18
56.	Tamil Nadu State Transport Corporation (Kumbakonam) Limited (TNSTC, Kumbakonam)	2017-18	2018-19	(-)548.17	(-)704.52	1,570.99	819.24	(-)1,773.52	(-)2,372.22	(-)3,191.46

Sl. No.	Sector/Name of the Company	Period of accounts	Year in which accounts finalised	Net profit/loss before interest & tax	Net profit/loss after interest & tax	Turn over	Paid-up capital	Capital employed	Net worth	Accumulated profit/loss
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
57.	Tamil Nadu State Transport Corporation (Salem) Limited (TNSTC, Salem)	2017-18	2018-19	(-)639.04	(-)732.66	880.15	522.15	(-)1,643.33	(-)1,947.74	(-)2,469.89
58.	Tamil Nadu State Transport Corporation (Villupuram) Limited (TNSTC, Villupuram)	2017-18	2018-19	(-)961.31	(-)1,057.54	1,599.40	698.83	(-)1,883.26	(-)2,283.35	(-)2,982.18
59.	Tamil Nadu State Transport Corporation (Madurai) Limited (TNSTC, Madurai)	2017-18	2018-19	(-)389.09	(-)489.01	1,015.31	843.15	(-)1,902.90	(-)2,414.63	(-)3,257.78
60.	Tamil Nadu State Transport Corporation (Tirunelveli) Limited (TNSTC, Tirunelveli)	2017-18	2018-19	(-)385.99	(-)534.55	714.33	611.85	(-)1,593.24	(-)2,466.60	(-)3,078.45
61.	Arasu Cable TV Corporation Limited (Arasu Cable TV)	2015-16	2016-17	26.46	34.95	218.03	25.00	71.18	59.49	34.49
62.	Tamil Nadu Police Transport Corporation Limited (TN Police Transport)	---	---	---	---	---	---	---	---	---
63.	Tamil Nadu Warehousing Corporation (TANWARE)	2016-17	2017-18	33.25	19.69	59.83	7.61	204.52	123.52	115.91
	TOTAL B-I			**(-)3051.66**	**(-)5,158.79**	**15,762.68**	**7,423.83**	**(-)3,763.87**	**(-)13,437.48**	**(-)20,861.31**
	II. Non-functional Government companies									
64.	Tamil Nadu Agro Industries Development Corporation Limited (TN AGRO)	2012-13	2015-16	0.91	(-)2.73	---	6.01	(-)52.65	(-)73.61	(-)79.62
65.	Tamil Nadu Poultry Development Corporation Limited (TAPCO)	2015-16	2017-18	---	---	---	1.27	(-)9.10	(-)9.10	(-)10.37
66.	Southern Structurals Limited (SSL)	2016-17	2017-18	(-)0.18	(-)11.41	---	34.54	(-)233.94	(-)233.94	(-)268.48
67.	State Engineering and Servicing Company of Tamil Nadu Limited (SESCOT) (subsidiary of TANSI)	2017-18	2018-19	(-)0.03	(-)0.03	---	0.50	(-)12.26	(-)12.26	(-)12.76
68.	Tamil Nadu Goods Transport Corporation Limited (TN Goods)	1989-90		0.07	---	---	0.33	(-)1.00	(-)1.00	(-)1.33
	TOTAL B-II			**0.77**	**(-)14.17**	**---**	**42.65**	**(-)308.95**	**(-)329.91**	**(-)372.56**
	TOTAL B-I+II			**(-)3050.89**	**(-)5,172.96**	**15,672.68**	**7,466.48**	**(-)4,072.82**	**(-)13,767.39**	**(-)21,233.87**

Sl. No.	Sector/Name of the Company	Period of accounts	Year in which accounts finalised	Net profit/loss before interest & tax	Net profit/loss after interest & tax	Turn over	Paid-up capital	Capital employed	Net worth	Accumulated profit/loss
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
C.	**OTHER SECTOR**									
69.	Tamil Nadu Police Housing Corporation Limited (TN Police Housing)	2017-18	2018-19	6.50	0.72	55.43	1.00	47.77	47.77	46.77
70.	Tamil Nadu State Marketing Corporation Limited (TASMAC)	2017-18	2018-19	31.82	18.20	31,759.10	15.00	(-)79.46	(-)79.46	(-)94.46
	TOTAL C			**38.32**	**18.92**	**31,814.53**	**16.00**	**(-)31.69**	**(-)31.69**	**(-)47.69**
	GRAND TOTAL-A+B+C			**(-)2705.14**	**(-)5,115.60**	**58,238.01**	**7,725.54**	**(-)2,840.52**	**(-)13,298.72**	**(-)21,024.26**
	Working Government Companies			**(-)2705.91**	**(-)5,096.79**	**58,238.01**	**7,677.89**	**(-)2,491.87**	**(-)12,928.11**	**(-)20,606.00**
	Non-functional Government companies			**0.77**	**(-)18.81**	**---**	**47.65**	**(-)-348.65**	**(-)370.61**	**(-)418.26**

NOTE:

1. Loans outstanding at the close of 2017-18 represent long-term loans only.
2. Capital Employed represents Share Holders Funds PLUS Long Term Borrowings.

ANNEXURE–22

(Referred to in Paragraph 5.1)

Statement showing the SIPCOT Industrial Complexes as on 31 March 2018

Sl. No.	District	Sl. No.	Name of the Complex/ Park/ Growth Center	Area in Acres	
				SEZ	DTA
1	Cuddalore	1	Cuddalore	--	2,607.92
2	Dindigul	2	Nilakottai	--	386.21
3	Erode	3	Perundurai	260.45	2,445.99
4	Kanchipuram	4	Sriperumbudur	483.03	1,713.08
		5	Irungattukottai	153.68	1,690.01
		6	Pillaipakkam	--	847.34
		7	Sriuseri	--	847.63
		8	Orgadam	347.66	3,099.74
		9	VallamVadgal	--	1,746.84
5	Krishnagiri	10	Hosur	--	2,092.51
		11	Bargur	235.98	1,144.04
		12	Kurubarapalli	--	100.22
6	Pudukottai	13	Pudukottai	--	421.10
7	Sivagangai	14	Manamadurai	--	590.78
8	Thiruvallur	15	Gummidipoondi	--	1,478.35
		16	Thervoykandigai	--	1,127.00
		17	Mappedu	--	121.74
9	Tirunelveli	18	Gangaikondan	255	1,739.58
10	Tiruvannamalai	19	Cheyyar	--	2,164.47
11	Thoothukudi	20	Thoothukudi	--	2,257.12
12	Vellore	21	Ranipet	133.76	1,286.95
	Total			**1,869.56**	**29,908.62**
	Grand Total			**31,778.18**	

Source: Annual Reports

ANNEXURE-23

(Referred to in Paragraph 5.7)

Statement showing financial position and working results of State Industries Promotion Corporation of Tamil Nadu Limited

(a) Financial position for the years from 2013-14 to 2017-18

(₹ in crore)

	2013-14	2014-15	2015-16	2016-17	2017-18 (Provisional)
Liabilities					
Paid up capital	123.91	123.91	123.91	123.91	123.91
Reserves and surplus	765.74	821.09	1,023.12	1,192.00	1,237.68
Deferred GoI Grants	34.33	47.62	45.71	50.43	42.54
Trade dues and other liabilities	2,792.34	2,504.95	2,538.8	3,142.23	3,535.54
Total Liabilities	**3,716.32**	**3,497.57**	**3,731.54**	**4,508.57**	**4,939.67**
Assets					
Gross Block	133.17	148.85	228.96	258.94	296.38
Depreciation	92.15	100.27	134.50	150.70	166.79
Net Block	**41.02**	**48.58**	**94.46**	**108.24**	**129.59**
Capital Work-in-progress	105.76	14.90	57.08	14.88	0.73
Investments	175.29	175.29	248.80	353.42	298.72
Current Assets	2,631.38	2,677.33	2,584.04	3,498.26	3,803.74
Loans and Advances	530.83	324.44	182.78	11.94	8.69
Other Non-Current Assets	227.39	251.3	557.02	516.69	693.06
Deferred Tax Assets	4.65	5.72	7.36	5.14	5.14
Total Assets	**3,716.32**	**3,497.56**	**3,731.54**	**4,508.57**	**4,939.67**

(b)Working results for the years from 2013-14 to 2017-18

(₹in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18 (Provisional)
Total Income	603.01	688.08	455.39	562.48	612.13
Total Expenditure	280.13	497.68	304.24	398.66	375.59
Profit for the year	**322.88**	**190.4**	**151.15**	**163.82**	**236.54**
Less Extraordinary items	77.35	80.00	-	-	3.52
Net Profit before tax	**245.53**	**110.40**	**151.15**	**163.82**	**240.06**
Less Provision for Tax					
Current Tax	53.00	24.00	31.08	52.80	79.00
Prior Period Items	(3.32)	(9.76)	-	-	-
Deferred Tax	(0.62)	(0.81)	(5.82)	2.22	-
Net Profit after Tax	**196.47**	**87.21**	**125.88**	**108.81**	**161.06**

Source: Annual Reports

ANNEXURE-24

(Referred to in Paragraph 5.23)

Statement showing delay in commencement of production by allottees

Sl. No.	Industrial Complex	No of Units	Extent (in Acres)	Plot Cost received	Present Value	Difference	Delayupto August 2018 (in months)		Analysis of Delay of months				
				(₹ in lakh)			Min	Max	Less than 5 years	5 to 10 years	10 to 15 years	15 to 20 years	20 years and above
1	Bargur	17	72.18	979.49	1,118.79	139.31	18	96	12	5	0	0	0
2	Oragadam	13	143.15	5,835.42	12,883.50	7,048.08	33	98	7	6	0	0	0
3	Ranipet	9	17.64	372.80	476.28	103.48	25	97	3	6	0	0	0
4	Sriperumbudur	14	57.87	1,499.80	5,208.30	3,708.50	56	110	1	13	0	0	0
5	Pillaipakkam	33	280.95	17,868.60	25,285.50	7,416.90	14	69	21	12	0	0	0
6	Gangaikondan	17	69.98	742.70	1,119.68	376.98	17	110	13	4	0	0	0
7	Thoothukudi	12	32.03	122.03	448.42	326.39	3	318	6	0	1	2	3
8	Cheyyar	1	14.15	141.50	181.12	39.62	81	81	0	1	0	0	0
9	Perundurai	18	57.18	1,042.02	1,572.37	530.35	5	147	7	3	8	0	0
10	Irungattukottai	34	75.59	2,488.56	6,803.10	4,314.54	1	186	3	14	16	1	0
11	Vallamvadagal	8	12.00	1,500.00	1,500.00	0.00	9	25	8	0	0	0	0
12	Thervoykandigai	1	60.02	2,310.77	3,301.10	990.33	40	40	1	0	0	0	0
	Total	**177**	**892.74**	**34,903.68**	**59,898.16**	**24,994.47**	-	-	**82**	**64**	**25**	**3**	**3**
						₹ 249.94 crore							

ANNEXURE-25

(Referred to in Paragraph 5.24.1)

Statement showing the Name of allottees and the Companies functioning as per the records of Ministry of Corporate Affairs and the Goods and Services Tax Network

Sl. No.	Name of the Allottee as per SIPCOT records	Extent (in acres)	Company functioning as per MCA Master data	Company functioning as per GSTN data
	Oragadam Industrial Growth Centre			
1	A.S. Cargo Movers (P) Ltd.	5.00	Not available	Goldseal Avon Polymers Private Ltd.
2	Acument Fastening Systems Pvt Ltd.	2.00	Infastech Fastening Technologies Indiaprivate Ltd.	Stanley Engineered Fastening India Private Ltd.
3	Chemtall - Rai India Ltd.	2.50	Not available	Chemetall India Private Ltd.
4	Hanil automotive (P) Ltd.	33.45	Seoyon E-Hwa Automotive Chennai PrivateLtd.	Not available
5	I-Del Reecambio (P) Ltd.	10.00	Sonata Engineers Private Ltd.	Not available
6	Rieter Automotive (India) AG	11.00	Autoneum Nittoku Sound Proof Products India Private Ltd.	Not available
7	SDP Telecom (India) Pvt.Ltd.	4.06	Coaction Communication Private Ltd.	Not available
8	Seyang Automotive (P) Ltd.	6.61	CNF Automotive India Private Ltd.	Not available
	Ranipet Industrial Complex			
9	Anjum Leathers	2.50	Fine Leather Chem Private Ltd.	Fine Leather Chem Private Ltd.
10	BBK Shoes	2.82	Royale Leather Exports Private Ltd.	Not available
11	Bhansali Chemicals	1.00	Bhansali Boron Derivatives Ltd.	Bhansali Boron Derivatives Ltd.
12	Gnutti India Powertrain and Castings (P) Ltd.	15.00	Gnutti Carlo India Private Ltd.	Not available
13	Ilak Leathers Products	0.40	Not available	SAH Leathers

Sl. No.	Name of the Allottee as per SIPCOT records	Extent (in acres)	Company functioning as per MCA Master data	Company functioning as per GSTN data
14	JKP Leathers	0.50	Not available	K.A.K. Leathers
15	Liberty Leathers	0.50	Not available	T.S.A.Exports
16	Pallava Chemicals	2.96	Not available	Selvamani Traders
17	Potissimus Arrow	2.03	Not available	Arrow Brogues Private Ltd.
18	Raj Engg & Construction	0.70	Not available	Amigos Industry
19	RAN Leathers	0.60	Not available	E.K.R. Leathers
20	Saroj Leather India Pvt ltd	0.58	Not available	Dynamic Marketing
21	Shiva Oil & Fats	2.96	Not available	Wasif Leathers And Tanners, Shree Pavi Leather Exim
22	Swedha Leathers	1.27	Not available	M/S.AKS Plastics
	Sriperumbudur Industrial Park			
23	Galaxy Glass Products Pvt.Ltd.	3.00	Not available	Avlight Automotives Private Ltd.
24	Jay Ushin Ltd.	6.35	Not available	Jay Fe Cylinders Ltd.
25	M/s Yushiro Buhmwoo (India) Company Pvt.Ltd.	5.17	Not available	Kukdong Coolant India Private Ltd.
26	M/s. Makwuds Packagings Pvt.Ltd,	1.50	Makwuds India Private Ltd.	Not available
27	M/s.Nippon Paint India Pvt. Ltd.	11.37	Nippon Paint & Surface Chemicals Private Ltd.	Not available
28	M/s.Rupa Colour Inks,	1.00	Rupa Inks And Coatings Private Ltd.	Not available
	Tuticorin Industrial Complex			
29	St.John Freight System [P] Ltd.	3.02	St. John Marine Lines Private Ltd., St.John Stevedoring & Yard Management Private Ltd., St.John Transport & Heavy Equipments Private Ltd., St.John CFS Park Private Ltd., Smart World City Infrastructure Private Ltd., St. John Pest Solutions Private Ltd., St.John MarketersPrivate Ltd.,St.John	Not available

Sl. No.	Name of the Allottee as per SIPCOT records	Extent (in acres)	Company functioning as per MCA Master data	Company functioning as per GSTN data
			Maritime agencies Private Ltd., Navigator Builders Private Ltd., Deepsea Developers Private Ltd., Shaft Developers Private Ltd., Shaft Promoters Private Ltd., Navigator Developers Private Ltd., Atrium Builders Private Ltd., Meridien Promoters Private Ltd., Dublin Realtors Private Ltd., Dublin Promoters Private Ltd., Pristine Promoters Private Ltd., St.John Warehousing Systems Private Ltd., St. John Logistics India Ltd..	
30	Sterlite Industries [I] Ltd,	462.42	Vizag General Cargo Berth Private Ltd., Paradip Multi Cargo Berth Private Ltd., Sterlite Ports Ltd., Maritime VenturesPrivate Ltd., Sterlite InfraventuresLtd. and Goa Sea Ports Private Ltd.	Not available
	Pillaipakkam Industrial Park			
31	Minda Industries Ltd	5.00	Not available	Minda Kyoraku Ltd.
	Total	**607.30**		

ANNEXURE-26

(Referred to in Paragraph 5.25)

Statement showing non-execution of Lease Deed by the allottees

Name of Unit	Date of Allotment	IC	Extent (acres)	Rate per acre (₹ in lakh)	Plot cost collected (₹ in crore)	Present rate (₹ in crore)*	Stamp duty@ (₹ in crore)
M/s. Kodai Cars (Private) Limited	10-09-2012	Gangaikondan	2.00	22.50	0.45	0.48	0.01
M/s. Kodai Automobiles Limited	10-09-2012	Gangaikondan	2.24	22.50	0.50	0.54	0.01
M/s. Philips Carbon Black Limited	19-11-2012	Thervoykandigai	60.02	38.50	23.11	33.01	0.66
M/s. Mahindra & Mahindra Limited	16-02-2015	Cheyyar - I	255.00	12.80	32.64	32.64	0.65
M/s. Mahindra & Mahindra Limited	16-02-2015	Cheyyar –II	199.38	26.00	51.84	77.76	1.56
M/s Ashok Leyland- Ashok Leyland Nisan JV	19-08-2010 (380 acres)	Pillaipakkam	170.00	58.00	98.60	153.00	3.06
		TOTAL	**688.64**		**207.14**	**297.43**	**5.95**

* **November 2018**

@ **Calculated as per the rates applicable (November 2018) in Tamil Nadu under The Stamp Act, 1899.**

ANNEXURE-27

(Referred to in Paragraph 6.1.9)

Details of response received to the feedback form sent to students on free distribution of laptops

Sl No	Feed back on laptop	Yes	No	No remarks	Other remarks	Total
	A. Feed back on usage of laptop for the studies					
1.	The laptop was given before leaving the school/ Polytechnic	255	249	8	---	512
2.	The school/ Polytechnic had trained teachers to guide the usage of laptops	358	59	95	---	512
3.	Regular computer classes were in the time table	429	55	28	---	512
4.	Subjects were taught using laptop	281	224	7	---	512
5.	Other subjects/Topics were also taught by using laptops /software installed in it	241	248	23	---	512
6.	Soft copies of subjects were given by the teachers	266	154	92	---	512
7.	Materials provided in the laptop were useful for the course	423	80	9	---	512
8.	Confident of using the laptops without assistance from others	491	19	2	---	512
9.	School/ Polytechnic has an Internet facility	325	172	15	---	512
10.	School/ Polytechnic has a separate website	250	236	26	---	512
11.	Are you aware that the laptop has one year warranty	374	63	75	---	512
12.	Is there any service centre of the supplier near to your School/ Polytechnic	263	223	26	2	512
13.	Any problem occurred for your laptop within the one year warranty period	168	334	10	---	512
14.	Whether the laptop was repaired by someone other than the authorised service agent of the supplier	84	236	192	---	512
15.	Any problem occurred for your laptop after the one year warranty period	109	359	44	---	512
16.	Are you sending feed backs on the usage of laptop	144	339	29	---	512
17.	Are you having any other laptop purchased from Market at your house	27	476	9	---	512
18.	Whether the performance of laptop received under the Scheme is the same as the performance of the laptop purchased outside	243	235	34	---	512

Sl No	Feed back on laptop	Yes	No	No remarks	Other remarks	Total
19.	In what way the laptop purchased from the Market is superior	115	226	167	4	512
	B. Present usage of the laptop					
20.	Using for higher studies	438	59	15	---	512
21.	Using for Business	90	370	52	---	512
22.	Given to some one	9	445	58	---	512
23.	Unusable condition	38	413	61	---	512

ANNEXURE-28

(Referred to in Paragraph 6.1.10)

Statement showing the additional cost on account of delay in finalisation of new rate contracts

Sl. No.		Old RC				New RC						Difference ₹	Quantity procured	Differential cost ₹
	Item	RC number	Model	Rate per item ₹	Month of expiry of RC	RC number	Date of NIT	Delay in issue of NIT (in months)	Month of finali-sation of new RC	Number of months taken to finalise the new RC	Rate per item ₹			
1.	Laptop	32388	i3	49,392	October 2013	32732	September 2014	11	September 2015	12	42,735	6,675	10	66,570
			i5	54,432							50,663	3,769	842	31,73,498
2.	Laptop	32732	i3	31,589	September 2016	33001	June 2017	9	December 2017	6	26,500	5,089	43	2,18,827
			i5	39,152							32,000	7,152	172	12,30,144
			i7	48,887							42,600	6,287	76	4,77,812
3.	IP camera	32412	Various items	3,750 – 32,00,000	March 2015	32858	October 2015	7	December 2016	14	1 - 49,695	452 - 3,19,999		42,34,132
						TOTAL								94,00,983

NIT: Notice Inviting Tender **RC: Rate Contract**

ANNEXURE-29

(Referred to in Paragraph 6.3)

Statement showing revenue loss

Sl.No.	District	Number of bars having growth in 2015-16	Revenue loss (₹ in lakh)
1.	Coimbatore South	49	220.89
2.	Chennai North	23	45.39
3.	Chennai South	28	87.14
4.	Chennai Central	87	930.52
5.	Kanchipuram South	6	39.58
6.	Kanchipuram North	45	153.98
7.	Tiruvallur East	73	350.33
8.	Tiruvallur West	12	35.43
9.	Arakkonam	3	4.30
	TOTAL	**326**	**1867.56** **₹ 18.67 crore**

ANNEXURE-30

(Referred to in Paragraph 6.8)

Statement showing purchase of palmolein oil by TNCSC through open tender

Sl No.	Tender Reference (BS-3)	Date of Notification published	Date of opening tender	Date of issue of purchase order	Validity period	No. of suppliers	Ordered quantity (pouches in lakh)	Price (₹ per pouche)	Subsequent Tender Ref	Date of opening of price bid	Ordered quantity (pouches in lakh)	L-1finalised rate ₹ Per pouch)	Increase in tender rate (₹ per pouch)	25%additional qty. in first tender (pouch in lakh)	Extra expenditure (₹ n lakh)
1	2	3	4	5	6	7	8	9	10	11	12	13	14 (13-9)	15	16 (14 x 15)
1	18067-2015	22 April 2015	30 April 2015	30 April 2015	28 July 2015	6	220	52.48	22269/15 19.05.15	4 June 2015	142	54	1.52	55.5	84.36
2	35749 - 2015	25 July 2015	12 Aug 2015	13 Aug 2015	11 Nov 2015	5	80	44.81	40594/15 20.08.15	16 Sep 2015	154	49	4.19	20	83.80
3	*In this tender 153 lakh pouches were purchased at two rates (80 + 73)						73	46.48	40594/15 20.08.15	16 Sep 2015	154	49	2.52	18.25	45.99
4	40594/15	20 Aug 2015	16 Sep 2015	18 Sep 2015	15 Dec 2015	7	154	49.00	44848/15 12.09.15	9 Oct 2015	152	51.6	2.6	38.50	100.10
5	48954/15	28 October 2015	18 Nov 2015	23 Nov 2015	27 January 2015	7	153	46.52	60574/15 05.12.15	22 Dec 2015	65	48.09	1.57	38.25	60.05
6	60574/15	27 Nov 2015	22 Dec 2015	24 Dec 2015	20 March 2016	2	65	48.09	60574/15 05.12.15	6 Jan 2016	85	50.35	2.26	16.25	36.73
														186.75	**411.03**
	Total														**4.11 crore**

Glossary of Abbreviations

Abbreviation	Description
AMD	Advanced Micro Devices Inc, USA
APTEL	Appellate Tribunal for Electricity
ARR	Annual Revenue Requirement
AS	Administrative Sanction
ATN	Action Taken Notes
BG	Bank Guarantee
BOD	Board of Directors
BRC	Bio Resource Centre
CAG	Comptroller and Auditor General of India
CBM	Cubic metre
CEA	Central Electricity Authority
CERC	Central Electricity Regulatory Commission
CGS	Central Generating Stations
CMDA	Chennai Metropolitan Development Authority
COPU	Committee on Public Undertakings
CPE	Commissioner of Prohibition and Excise
CUF	Capacity Utilisation Factor
DBT	Department of Biotechnology
DISCOMS	State Distribution Companies
DOTE	Director of Technical Education
DTA	Domestic Tariff Area
DTCP	Directorate of Town and Country Planning
EC	Environmental Clearance
ELCOT	Electronics Corporation of Tamil Nadu Limited
ETDC	Electronic Test and Development Centre
ETPS	Ennore Thermal Power Station
FA	Forwarding Agent
FI	Financial Institution
FRBM	State Fiscal Responsibility and Budget Management
FRP	Financial Restructuring Plan
FY	Financial Year
GB	Gega Byte
GDP	Gross Domestic Product

Abbreviation	Description
GOI	Government of India
GoTN	Government of Tamil Nadu
IC	Industrial Complex
IMFL	Indian Made Foreign Liquor
Intel	Intel Corporation, USA
IPP	Independent Power Producer
IT	Information Technology
ITI	Industrial Training Institute
LA	Land Acquisition
LD	Liquidated Damages
LOA/LoA	Letter of Acceptance
LTOA	Long Term Open Access
MAT	Minimum Alternate Tax
MD	Managing Director
MIS	Management Information System
MNRE	Ministry of New and Renewable Energy
MOD	Merit Order Despatch
MoP	Ministry of Power
MOU	Memorandum of Understanding
MTOA	Medium Term Open Access
MU	Million Units
MW	Mega Watt
NETS	National Energy Trading and Services Limited
NIT	Notice Inviting Tender
NTECL	NTPC Tamil Nadu Energy Company Limited
NTPL	NLC Tamil Nadu Power Limited
OSR	Open Space Reservation
PA	Performance Audit
PGCIL	Power Grid Corporation of India Limited
PO	Purchase order
PPA	Power Purchase Agreement
PSU	Public Sector Undertakings owned or controlled by GoTN.
PTC	PTC India Limited
RC	Rate Contract
REA	Regional Energy Accounting

Abbreviation	Description
RPO	Renewable Purchase Obligation
RVS	Retail Vending Shop
SAR	Separate Audit Reports
SDD	Scheduled Delivery Date
SEIAA	State Level Environment Impact Assessment Authority
SEZ	Special Economic Zone
SIPCOT	State Industries Promotion Corporation of Tamil Nadu Limited
SLDC	State Load Despatch Centre
SPID	Special Programme Implementation Department
SPO	Solar Power Obligation
SRPC	Southern Regional Power Committee
STL	Short Term Liabilities
STOA	Short Term Open Access
TAMIN	Tamil Nadu Minerals Limited
TANCEM	Tamil Nadu Cements Corporation Limited
TANGEDCO	Tamil Nadu Generation and Distribution Corporation Limited
TANTRANSCO	Tamil Nadu Transmission Corporation Limited
TASMAC	Tamil Nadu State Marketing Corporation Limited
TICEL	TICEL Bio Park Limited
TIDCO	Tamil Nadu Industrial Development Corporation Limited
TNCSC	Tamil Nadu Civil Supplies Corporation Limited
TNERC	Tamil Nadu Electricity Regulatory Commission
TNPFC	Tamil Nadu Power Finance and Infrastructure Development Corporation Limited
TWAD	Tamil Nadu Water and Drainage Board
UDAY	Ujwal Discom Assurance Yojna
USD	United States Dollar