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REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED 31 MARCH 2007

COMMERCIAL

GOVERNMENT OF TAMIL NADU

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PREFACE

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

(i) Government companies,

(ii) Statutory corporations, and

(iii) Departmentally managed commercial undertakings.

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

3. Audit of the accounts of Government companies is conducted by Comptroller and Auditor General of India under the provisions of Section 619 of the Companies Act, 1956.

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

5. The cases mentioned in this Report are those, which came to notice in the course of audit during 2006-07 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 subsequent to 2006-07 have also been included, wherever necessary.

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

OVERVIEW

1. Overview of Government companies and Statutory corporations

As on 31 March 2007, the State had 69 Public Sector Undertakings (PSUs) comprising of 67 Government companies (including 14 non-working companies) and two Statutory corporations (both working). In addition, there were three deemed Government companies under Section 619-B of the Companies Act, 1956 as on 31 March 2007.

(Paragraphs 1.1 and 1.29)

The total investment in the working PSUs increased from Rs.14,303.13 crore as on 31 March 2006 to Rs.15,232.06 crore as on 31 March 2007. There was no further investment in the non-working PSUs, which remained at Rs.86.89 crore as on 31 March 2007.

(Paragraphs 1.2 and 1.16)

The budgetary support in the form of equity, loans, grants and subsidies disbursed to the working PSUs increased from Rs.2,971.66 crore in 2005-06 to Rs.4,154.46 crore in 2006-07. The State Government guaranteed loans aggregating Rs.493.95 crore during 2006-07. The total amount of outstanding loans guaranteed by the State Government decreased from Rs.4,505.52 crore as on 31 March 2006 to Rs.3,600.69 crore as on 31 March 2007.

(Paragraph 1.5)

As on 30 September 2007, 38 working Government companies and one Statutory corporation had finalised their accounts for 2006-07. The accounts of 15 working Government companies and one Statutory corporation were in arrears from one to five years as on 30 September 2007. The accounts of 11 non-working companies were in arrears for periods ranging from 1 to 14 years as on 30 September 2007.

(Paragraphs 1.6 and 1.18)

According to the latest finalised accounts, 36 working PSUs (35 Government companies and one Statutory Corporation) earned aggregate profit of Rs.194.01 crore. Out of these, only eight companies and one Statutory corporation declared dividend aggregating to Rs.21.85 crore. Sixteen working Government companies and one Statutory corporation incurred an aggregate loss of Rs.1,681.58 crore. Of the loss incurring working Government companies, 14 companies had accumulated losses aggregating to Rs.3,016.78 crore, which exceeded their aggregate paid-up capital of Rs.1,014.68 crore.

(Paragraphs 1.7, 1.8, 1.9 and 1.10)

Even after completion of 21 to 29 years of their existence, the turnover of four working Government companies had been less than rupees five crore in each of the preceding six years. Two companies had been incurring losses for five consecutive years leading to negative net worth.

(Paragraph 1.27)

2 Performance reviews relating to Government companies

2.1 Operational performance of Tamil Nadu Industrial Explosives Limited

Tamil Nadu Industrial Explosives Limited was formed in 1983 with the main objective of manufacture and supply of explosives, detonators and detonating fuses for both industrial and civil use. Losses incurred by the Company since 2003-04 caused erosion of the entire paid up capital of Rs 26.96 crore. Some of the important points noticed in audit are as under:

- The Company used raw materials like ammonium nitrate in excess of the norms resulting in extra expenditure of Rs.78.81 lakh.
- The Company procured a second cartridging machine for cartridging the small dia emulsion explosives without utilising fully the earlier machine procured for the same purpose resulting in idle investment of Rs.2.13 crore.
- The Company sold its products below the variable cost of production and accepted a fixed sum as freight charges irrespective of the distance covered in transport, which resulted in cash loss of Rs.2.68 crore.

(Paragraph 2.1)

2.2 Operational performance of Hotel and Transport Divisions of Tamil Nadu Tourism Development Corporation Limited

Tamil Nadu Tourism Development Corporation Limited was formed in 1971 with the main objective of promotion of tourism in the State. While the Company wiped of its losses in 2003-04 and turned the corner since then, its hotel and catering activities have been incurring losses. Some of the important points noticed in audit are:

- Despite increase in tourists' inflow in the State, the number of tourists availing the Company's hotel and catering facilities showed only marginal increase from 2.83 lakh in 2002-03 to 3.11 lakh in 2006-07.
- The hotels failed to achieve the break even room occupancy resulting in cash loss of Rs.1.39 crore.
- Stagnant occupancy in hotels, absence of favourable sales mix in food stuff and food and fuel cost in excess of the norms resulted in cash losses amounting to Rs.1.46 crore in 11 to 17 out of 27 to 32 operating catering units.

(Paragraph 2.2)

3 Performance reviews relating to Statutory corporation

3.1 Implementation of the Accelerated Power Development and Reforms Programme by Tamil Nadu Electricity Board

The Accelerated Power Development and Reforms Programme (APDRP) launched by Union Ministry of Power (MOP) in 2002-03 focused on the upgradation of the sub-transmission and distribution systems in densely electrified zones in the urban and industrial areas and on the improvement of commercial viability of the State Electricity Boards. Some of the important points noticed in audit in implementation of the Programme by Tamil Nadu Electricity Board are as under:

- Even though funds were not the constraints, the Board has not been able to complete 23 out of 25 schemes even after a delay of three years.
- The Board reported expenditure of Rs.104.70 crore to MOP in excess of the expenditure actually incurred on the execution of schemes.
- Procurement of costly high quality meters in preference to static meters resulted in extra expenditure of Rs.13.41 crore.
- The Board failed to achieve the main objectives of APDRP *i.e.*, reduction of Aggregate Technical and Commercial losses to the targeted level of 15 *per cent*, reduction of outages and interruptions in supply of power and reduction of revenue deficit of the Board.

(Paragraph 3.1)

3.2 Information Technology audit of computerisation of Low Tension Revenue Billing by Tamil Nadu Electricity Board

One of the major sources of revenue to the Board is supply of electricity to the low tension (LT) consumers. The Board computerised LT revenue billing in the State covering 615 out of 2,420 section offices under Phase-I at a total cost of Rs.52.14 crore and the computerised billing commenced in April 2006 in 615 section offices. Some of the important points noticed in audit are as under:

- The software in hand held device was incomplete and the billing software in the regional server was deficient in various billing components like power factor penalty, Kilo Watt penalty, average billing and billing of door lock cases.

- The deficient software coupled with manual interventions led to scope for errors in assessments of current consumption charges. Discrepancies in the assessments in Chennai (North) region were observed.

(Paragraph 3.2)

4 Transaction Audit Observations

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

- Avoidable/excess payment/extra expenditure of Rs.243.98 crore in 11 cases.

(Paragraphs 4.3, 4.5, 4.7, 4.8, 4.11, 4.13, 4.14, 4.15, 4.18, 4.20 and 4.21)

- Loss of revenue, incentive and interest of Rs.53.46 crore in six cases.

(Paragraphs 4.1, 4.2, 4.6, 4.10, 4.17 and 4.19)

- Non recovery of dues and subsidy of Rs.49.03 crore in two cases.

(Paragraphs 4.9 and 4.16)

- Blocking of funds/infructuous investment of Rs.4.92 crore in two cases.

(Paragraphs 4.4 and 4.12)

Gist of some of the important observations is given below:

Incorrect assessment of cost of land by **State Industries Promotion Corporation of Tamil Nadu Limited** due to ignoring the enhanced compensation awarded by various courts resulted in loss of Rs.19.88 crore in respect of two allottees.

(Paragraph 4.1)

Erroneous inclusion of contribution to gratuity fund in the value of fringe benefits while computing fringe benefit tax by **Tamil Nadu Civil Supplies Corporation Limited** led to extra expenditure of Rs.4.56 crore.

(Paragraph 4.3)

Submission of erroneous claim by **Tamil Nadu Civil Supplies Corporation Limited** for getting reimbursement from the Government of India under the Public Distribution System led to blocking of funds of Rs.3.99 crore.

(Paragraph 4.4)

Failure of **Tamil Nadu Electricity Board** to securitise the entire outstanding dues payable to the Central Public Sector Undertakings resulted in losing an opportunity to liquidate its liability of Rs.129.22 crore.

(Paragraph 4.14)

Failure of **Tamil Nadu Electricity Board** to convince the Government to pay the subsidy towards current consumption charges directly to it instead of routing through the beneficiaries led to non-recovery of Rs.47.28 crore

(Paragraph 4.16)

Failure to comply with the conditions stipulated to make payments of dues by **Tamil Nadu Electricity Board** to Central Public Sector Undertakings led to loss of incentive of Rs.24.63 crore.

(Paragraph 4.17)

Procurement of costlier high quality meter instead of low cost static meters by **Tamil Nadu Electricity Board** despite their suitability resulted in avoidable expenditure of Rs.14.18 crore.

(Paragraph 4.18)

CHAPTER-I

Overview of Government companies and Statutory corporations

Introduction

1.1 As on 31 March 2007, there were 67 Government companies (53 working companies and 14[#] non-working companies) and two Statutory corporations (both working). The same number of companies and Statutory corporations were functioning as on 31 March 2006. The accounts of the Government companies are audited by the Statutory Auditors, who are appointed by the Comptroller and Auditor General of India (CAG) as per provisions of Section 619 (2) of the Companies Act, 1956. These accounts are also subject to supplementary audit by the CAG as per provisions of Section 619 (4) of the Companies Act, 1956. The audit arrangements of Statutory corporations are as shown below:

Name of the corporation	Authority for audit by the CAG	Audit arrangement
Tamil Nadu Electricity Board	Rule 14 of the Electricity Supply (Annual Accounts) Rules, 1985 read with Sections 172 (a) and 185 (2) (d) of the Electricity Act, 2003.	Sole audit by CAG
Tamil Nadu Warehousing Corporation	Section 31 (8) of the State Warehousing Corporations Act, 1962.	Audit by Chartered Accountants and Supplementary audit by CAG

The audit of the Tamil Nadu Electricity Regulatory Commission has been entrusted to the Comptroller and Auditor General of India under Section 104 (2) of the Electricity Act, 2003.

Non-working companies are those which are under the process of liquidation, closure, merger, *etc.*

Working Public Sector Undertakings (PSUs)

Investment in working PSUs

1.2 As on 31 March 2007, the total investment in 55 working PSUs (53 Government companies and two Statutory corporations) was Rs.15,232.06[ɘ] crore (equity: Rs.2,522.90 crore; long-term loans[♣]: Rs.12,709.16 crore) against a total investment of Rs.14,303.13 crore (equity: Rs.2,297.99 crore; long term loans: Rs.12,005.14 crore) in 55 working PSUs (53 Government companies and two Statutory corporations) as on 31 March 2006. The analysis of investment in the working PSUs is given in the following paragraphs.

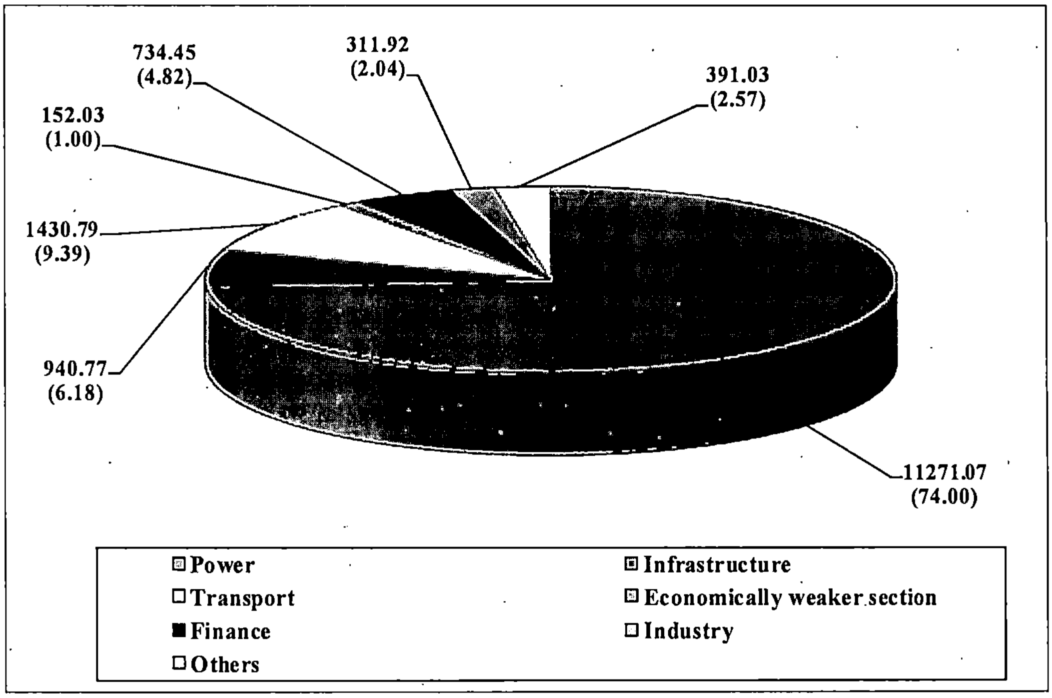
The investment (equity and long-term loans) in various sectors and percentage thereof at the end of 31 March 2007 and 31 March 2006 are indicated in the pie charts.

ɘ State Government's investment in the working PSUs was Rs.2,668.47 crore (others: Rs.12,563.59 crore). Figures as per Finance Accounts 2006-07 are Rs.2,348.49 crore. The difference is under reconciliation.

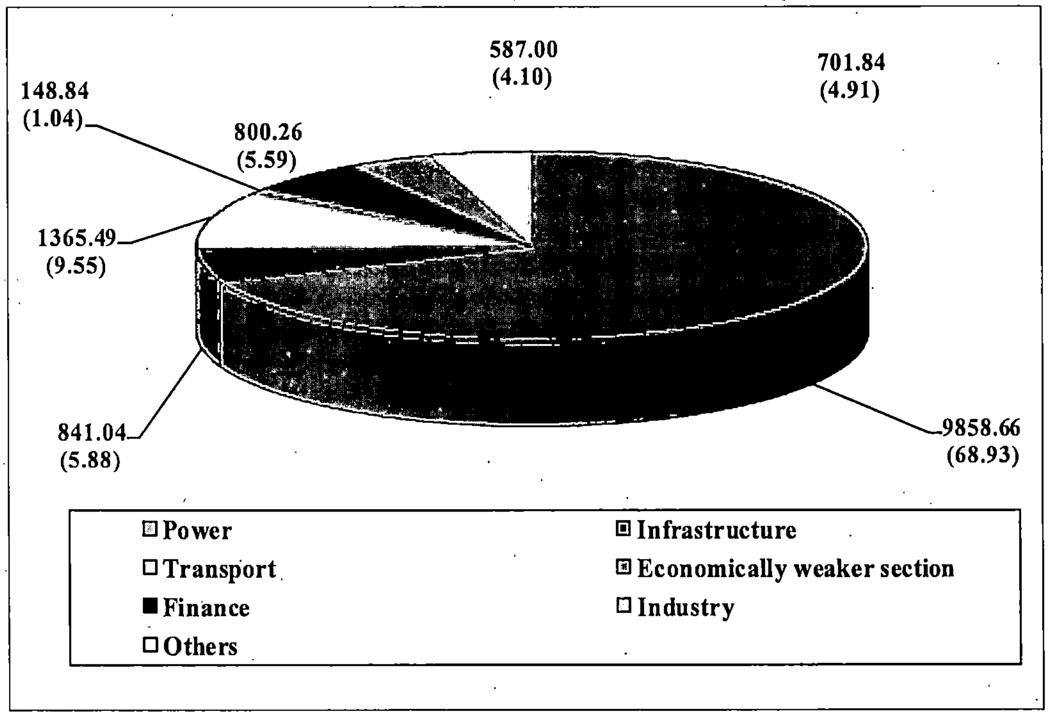
♣ Long term loans mentioned in paragraphs 1.2, 1.3, 1.4 and 1.16 are excluding interest accrued and due on such loans.

SECTOR-WISE INVESTMENT IN WORKING GOVERNMENT COMPANIES AND STATUTORY CORPORATIONS

(Figures in brackets indicate percentage)
As at 31 March 2007
Total investment: Rs.15,232.06 crore



As at 31 March 2006
Total investment: Rs.14,303.13 crore



Working Government companies

1.3 The total investment in the working Government companies at the end of March 2006 and March 2007 was as follows:

(Rupees in crore)

Year	Number of companies	Equity	Loans	Total
2005-06	53	1,755.38	2,681.48	4,436.86
2006-07	53	1,805.29*	2,148.09	3,953.38

As on 31 March 2007, the total investment in the working Government companies comprised of 45.66 *per cent* of equity capital and 54.34 *per cent* of loans as compared to 39.56 and 60.44 *per cent* respectively as on 31 March 2006. The detailed statement of the Government investment in the working Government companies in the form of equity and loans is given in **Annexure-1.**

Working Statutory corporations

1.4 The total investment in the two working Statutory corporations at the end of March 2006 and March 2007 was as follows:

(Rupees in crore)

Name of the Corporation	2005-06		2006-07	
	Capital	Loans	Capital	Loans
Tamil Nadu Electricity Board	535.00	9,323.66	710.00	10,561.07
Tamil Nadu Warehousing Corporation	7.61	---	7.61	---
Total	**542.61**	**9,323.66**	**717.61**	**10,561.07**

The detailed statement of the Government investment in the working Statutory corporations in the form of equity and loans is given in **Annexure-1**.

Budgetary outgo, grants/subsidies, guarantees, waiver of dues and conversion of loans into equity

1.5 The details regarding budgetary outgo, grant/subsidies, guarantees given, waiver of dues and conversion of loans into equity by the State Government in respect of the working Government companies and Statutory corporations are given in **Annexures-1 and 3**.

* Shares of Rs.22.14 crore held by Tamil Nadu Industrial Development Corporation Limited (TIDCO) in Tamil Nadu Industrial Explosives Limited were transferred to the State Government by TIDCO by reducing its paid-up capital.

The budgetary outgo in the form of equity, loans and subsidies from the State Government to the working Government companies and working Statutory corporations for the three years upto March 2007 are given below:

(Amount – Rupees in crore)

	2004-05				2005-06				2006-07			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity outgo from budget	5	71.62	1	85.00	4	10.76	1	25.00	8	156.34	1	175.00
Loans given from budget	5	159.02	---	---	3	305.27	---	---	2	5.25	---	---
Grants	3	85.62	1	0.61	5	100.03	1	5.47	8	281.77	---	---
(i) Subsidy towards projects/ programmes/ schemes	4	1,015.98	1	0.05	7	1,249.85	---	---	4	2,035.90	---	---
(ii) Other subsidy	7	221.95	1	924.50	3	95.79	1	1,179.49	4	170.10	1	1,330.10
(iii) Total subsidy	11	1,237.93	1	924.55	10	1,345.64	1	1,179.49	8	2,206.00	1	1,330.10
Total outgo	**19***	**1,554.19**	**1**	**1,010.16**	**18***	**1,761.70**	**1**	**1,209.96**	**20***	**2,649.36**	**1**	**1,505.10**

Source: Data furnished by the companies.

During 2006-07, the Government had guaranteed loans aggregating to Rs.493.95 crore obtained by four working Government companies and one working Statutory corporation. At the end of the year, guarantees amounting to Rs.3,600.69 crore against 16 working Government companies (Rs.877.69 crore) and one working Statutory corporation (Rs.2,723.00 crore) were outstanding. The guarantee commission paid/payable to the Government by the Government companies and Statutory corporations during 2006-07 was Rs.3.42 crore and Rs.4.12 crore respectively.

Finalisation of accounts by working PSUs

1.6 The accounts of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year under sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956 read with section 19 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. They are also to be laid before the Legislature within nine months from the end of the financial year. Similarly, in the case of Statutory corporations their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective statutes.

It could be seen from **Annexure-2** that out of 53 working Government companies and two Statutory corporations, 38 working companies and one Statutory Corporation had finalised their accounts for 2006-07 within the stipulated period. During the period from October 2006 to September 2007,

* These are actual number of companies/corporation, which have received budgetary support in the form of equity, loan, subsidies and grant from the State Government during the respective years.

13 working Government companies finalised 15 accounts for the previous years. Similarly, during the same period, both Statutory corporations finalised their two accounts for the previous year.

The accounts of 15 working Government companies and one Statutory corporation were in arrears for periods ranging from one to five years as on 30 September 2007 as detailed below:

Serial No.	Number of working companies/corporations		Year for which accounts are in arrears	Number of years for which accounts are in arrears	Reference to Sl.No. of Annexure 2	
	Government companies	Statutory corporations			Government companies	Statutory corporations
1.	1	---	2002-03 to 2006-07	5	A-22	----
2.	2	---	2005-06 and 2006-07	2	A-12 and 40	---
3.	12	1	2006-07	1	A-2, 3, 6, 15, 17, 29, 31, 32, 34, 41, 49 and 51	B-1

The administrative departments have to oversee and ensure that the accounts are finalised and adopted by the PSUs within the prescribed period. Though the concerned administrative departments were informed every quarter by Audit of the arrears in finalisation of accounts, no remedial measures had been taken, as a result of which the net worth of these PSUs could not be assessed in audit.

Financial position and working results of working PSUs

1.7 The financial results of working PSUs (Government companies and Statutory corporations) as per their latest finalised accounts are given in **Annexure-2**. Besides, statements showing the financial position and the working results of the working Statutory corporations for the latest three years for which accounts have been finalised are given in **Annexures-4** and **5**.

According to the latest finalised accounts of 53 working Government companies and two working Statutory corporations, 16 companies and one Statutory corporation had incurred an aggregate loss of Rs.352.59 crore and Rs.1,328.99 crore respectively and 35 companies and one Statutory corporation had earned an aggregate profit of Rs.190.48 crore and Rs.3.53 crore respectively. No profit and loss account was prepared by Nilakkotai Food Park Limited as it had not commenced its commercial activities. In case of Tamil Nadu Civil Supplies Corporation Limited, entire loss is reimbursed by the State Government.

Working Government companies

Profit earning working companies

1.8 Out of 38♣ working Government companies, which finalised their accounts for 2006-07 by 30 September 2007, 25 companies earned an aggregate profit of Rs.176.82 crore and only eight companies∝ declared dividend aggregating Rs.21.47 crore. The dividend as a percentage of share capital in the eight companies worked out to 10.07. The remaining 17 profit making companies did not declare any dividend. The total return in 2006-07 by way of dividend of Rs.21.47 crore worked out to 1.26 *per cent* on the total equity investment of Rs.1,709.14 crore by the State Government in all the Government companies as against 0.95 *per cent* in the previous year. The State Government has not formulated any dividend policy for payment of minimum dividend.

Similarly, out of nine working Government companies, which finalised their accounts for the previous years during October 2006 to September 2007, seven companies earned an aggregate profit of Rs.11 crore. Of these, three companies earned profit for two or more successive years.

Loss incurring working Government companies

1.9 Of the 16 loss incurring working Government companies, 14 companies had accumulated losses aggregating to Rs.3,016.78 crore, which exceeded their aggregate paid-up capital of Rs.1,014.68 crore. Despite poor performance and complete erosion of paid-up capital, the State Government continued to provide financial support to eight out of these 14 companies in the form of equity, loans, grants and subsidy amounting to Rs.312.36 crore during 2006-07.

Working Statutory corporations

Profit earning Statutory corporation

1.10 Tamil Nadu Warehousing Corporation finalised its accounts for 2006-07 and earned a profit of Rs.3.53 crore and declared a dividend of Rs.38.05 lakh. The dividend as percentage of its share capital worked out to five *per cent*. The total return to the Government by way of dividend of Rs.19.03 lakh

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♣ These include four companies, which finalised their previous years' accounts also.

∝ State Industries Promotion Corporation of Tamil Nadu Limited (SIPCOT), Tamil Nadu Salt Corporation Limited, Tamil Nadu Forest Plantation Corporation Limited, Tamil Nadu Minerals Limited, Tamil Nadu Police Housing Corporation Limited, Tamil Nadu Medicinal Plant Farms and Herbal Medicine Corporation Limited, Tamil Nadu Urban Finance and Infrastructure Development Corporation Limited and Tamil Nadu Power Finance and Infrastructure Development Corporation Limited.

worked out to 0.027 *per cent* in 2006-07 on its total equity investment of Rs.713.81 crore in both the Statutory corporations as against 0.027 *per cent* in the previous year.

Loss incurring Statutory corporation

1.11 Tamil Nadu Electricity Board, which finalised its accounts for 2005-06, incurred a loss of Rs.1,328.99 crore during that year. The accumulated losses of the Board as on 31 March 2006 were Rs.4,911.51 crore, which exceeded its paid-up capital of Rs.535 crore as on that date.

Operational performance of working Statutory corporations

1.12 The operational performance of the working Statutory corporations is given in **Annexure-6**. It could be seen from **Annexure-6** that though the power generation in Tamil Nadu Electricity Board increased from 26,915 MU in 2005-06 to 29,481 MU in 2006-07 and the Board was also in receipt of Rs.1,330.10 crore as subsidy (**Annexure-5**) from the State Government in 2006-07, the deficit increased from Rs.1,328.99 crore in 2005-06 to Rs.1,896.49 crore in 2006-07 (Provisional) (**Annexure-5**).

As regards Tamil Nadu Warehousing Corporation, the percentage of capacity utilisation, which was 67 *per cent* in 2005-06 increased to 79 *per cent* in 2006-07.

Return on capital employed

1.13 As per the latest annual accounts of PSUs finalised upto September 2007, the capital employed♦ worked out to Rs.8,410.82 crore in 53 working companies and total return♠ thereon amounted to Rs.435.76 crore, which is 5.18 *per cent* as compared to total return of Rs.240.14 crore (3.47 *per cent*) in the previous year (accounts finalised up to September 2006). Similarly, the capital employed and total return thereon in case of the working Statutory corporations as per the latest annual accounts finalised upto September 2007, worked out to Rs.10,093.55 crore and (-)Rs.479.71 crore respectively as against the capital employed and the total return of Rs.10,802.27 crore and (-)Rs.347.75 crore in 2005-06. The details of capital employed and total return on capital employed in the case of the working Government companies and Statutory corporations are given in **Annexure-2**.

♦ Capital employed represents net fixed assets (including capital works-in-progress) plus working capital except in finance companies and corporations, where it represents a mean of aggregate of opening and closing balances of paid-up capital, free reserves, bonds, deposits and borrowings (including refinance).

♠ For calculating total return on capital employed, interest on borrowed funds is added to net profit/subtracted from the loss as disclosed in the profit and loss account.

Reforms in the power sector

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

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

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

	Commitment as per MOU	**Targeted completion Schedule**	**Status (as on 31 March 2007)**	**Remarks**
1.	Reduction in trans-mission and distribution losses to 15 *per cent*	By December 2003	Transmission and distribution losses - 18 *per cent*	---
2.	100 *per cent* metering of all consumers	December 2003	All services except agriculture and hut services metered	89,038 hut services and 1,65,220 agricultural services were provided with meters. The services provided with meters worked out to 9 *per cent* of the total existing services in each category. The Board had requested TNERC for extension of time up to 31.3.2009 for fixing of meters in the remaining agricultural and hut services.
3.	Current operations in distribution to reach break-even	March 2003	The Board had a deficit of Rs.1,328.99 crore in 2005-06. The deficit got increased to Rs.1,896.48 crore in 2006-07 (as per provi-sional accounts).	---
4.	Energy audit at 11 KV sub-stations level	January 2002	Introduced in January 2002	For want of metering at all levels, energy audit has not progressed.
5.	Computerisation of HT & LT billing	December 2002	HT billing fully computerized	LT billing in 615 Distribution sections computerised under phase I and the computerisation is under progress in the balance 1,805 sections under phase II and is expected to be completed by the year end.

State Electricity Regulatory Commission

1.15 The Government of Tamil Nadu constituted (March 1999) the Tamil Nadu Electricity Regulatory Commission under Section 17(1) of the Electricity Regulatory Commissions Act, 1998♣, which started functioning from 1 September 1999. The Commission has finalised its accounts up to March 2006.

Non-working PSUs

Investment in non-working PSUs

1.16 As on 31 March 2007, the total investment in 14 non-working PSUs (all Government companies) was Rs.86.89 crore+ (equity: Rs.38.53 crore; long-term loans: Rs.48.36 crore) against the same investment in the same number of non-working companies as on 31 March 2006.

The classification of the non-working companies is as under:

(Amount – Rupees in crore)

Sl.No.	Status of non-working companies	Number of companies	Investment	
			Equity	Long-term loans
(i)	Under liquidation*	2[A]	3.95	NIL
(ii)	Under closure	8[B]	27.31	48.36
(iii)	Under merger	2[C]	5.20	NIL
(iv)	Others	2[D]	2.07	NIL
	Total	**14**	**38.53**	**48.36**

♣ Since replaced with Section 82(1) of the Electricity Act, 2003.

\+ State Government's investment in non-working PSUs was Rs.76.89 crore (others: Rs.10 crore). Figures as per Finance Accounts 2006-07 are Rs.24.73 crore. The difference is under reconciliation.

* One company, Tamil Nadu Goods Transport Corporation Limited, which was under liquidation, had been directed by the State Government to be merged with State Express Transport Corporation Limited. Approval of the Company Law Board was awaited.

A Tamil Nadu Magnesium and Marine Chemicals Limited (subsidiary of TIDCO) and Tamil Nadu Goods Transport Corporation Limited.

B Tamil Nadu Agro Industries Development Corporation Limited, Tamil Nadu Poultry Development Corporation Limited, Tamil Nadu Sugarcane Farm Corporation Limited, Tamil Nadu State Farms Corporation Limited, Tamil Nadu State Tubewells Corporation Limited, Tamil Nadu Steels Limited, The Chit Corporation of Tamil Nadu Limited and Tamil Nadu Film Development Corporation Limited.

C Tamil Nadu Graphites Limited and Tamil Nadu Institute of Information Technology.

D Tamil Nadu Dairy Development Corporation Limited and Tamil Nadu State Sports Development Corporation Limited.

Of the 14 non-working PSUs, 10 Government companies with substantial Government investment of Rs.79.62 crore were under liquidation or closure under section 560 of the Companies Act, 1956 for three to 16 years.

Budgetary outgo, grant/subsidy, guarantees, waiver of dues and conversion of loans into equity

1.17 No budgetary support was provided during the year by the State Government to the non-working companies.

Finalisation of accounts by non-working PSUs

1.18 As could be seen from **Annexure-2**, the accounts of 11 non-working companies were in arrears for periods ranging from one to 14 years as on 30 September 2007.

Financial position and working results of non-working PSUs

1.19 The summarised financial results of the non-working Government companies as per their latest finalised accounts are given in **Annexure-2**. The year-wise details of paid-up capital, net worth, cash loss and accumulated loss/profit of 12 non-working PSUs as per their latest finalised accounts are given below:

(Rupees in lakh)

Year of latest finalised accounts	Number of companies	Paid-up capital	Net worth	Cash loss	Accumulated loss (-)/profit
1989-90	1	32.66	N.A	N.A	(-)132.55
1992-93	1	0.002	60.57	54.83	60.57
1993-94	1	207.36	(-)0.12	166.67	(-)207.48
1999-2000	2	754.00	(-)7,928.08	1,308.36	(-)8,682.08
2000-01	1	27.50	9.88	0.16	(-)17.62
2002-03	1	600.98	(-)1,634.57	536.78	(-)4,290.72
2004-05	1	31.50	31.50	2.01	(-)220.44
2005-06	3	287.73	287.73	243.54	(-)3060.60
2006-07	1	10.00	10.00	0.22	(-)7.88

Disinvestment, privatisation and restructuring of Public Sector Undertakings

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

Results of audit of accounts of PSUs by the Comptroller and Auditor General of India

1.21 During the period from October 2006 to September 2007, the accounts of 45 working Government companies and of both the working Statutory corporations were selected for audit. As a result of the audit observations made by the CAG, nine working companies and one Statutory corporation revised their accounts. As a result of revisions, the profit/loss in respect of the following companies was increased or decreased as indicated below:

Decrease in profit

Name of the Company	Year of accounts	Rupees in crore
State Industries Promotion Corporation of Tamil Nadu Limited	2006-07	1.22
Tamil Nadu Adi Dravidar Housing and Development Corporation Limited	2005-06	0.89
Total decrease		**2.11**

Profit turned into loss

Name of the Company	Year of accounts	Rupees in crore
Tamil Nadu State Marketing Corporation Limited	2006-07	1.88

Increase in profit

Name of the Company	Year of accounts	Rupees in crore
Tamil Nadu Magnesites Limited	2006-07	0.84

Increase in loss

Name of the Company	Year of accounts	Rupees in crore
Tamil Nadu Tea Plantation Corporation Limited	2006-07	0.11
Tamil Nadu Civil Supplies Corporation Limited	2005-06	3.29
Tamil Nadu Sugar Corporation Limited	2006-07	0.14
Perambalur Sugar Mills Limited	2006-07	0.01
Total increase		**3.55**

Decrease in loss

Name of the Corporation	Year of accounts	Rupees in crore
Tamil Nadu Electricity Board	2005-06	26.23

Note: The accounts of Tamil Nadu Cements Corporation Limited was revised but there was no financial impact on the profit/loss as disclosed in the accounts.

In addition, the net impact of the audit observations issued as a result of the audit of remaining PSUs was as follows:

Sl.No	Details	Number of accounts			Rupees in crore		
		Government companies		Statutory corporations	Government companies		Statutory corporations
		Working	Non-working		Working	Non-working	
(i)	Decrease in profit	4	---	---	17.97	---	---
(ii)	Increase in profit	1	---	---	37.70	---	---
(iii)	Increase in loss	---	---	1	---	---	227.33

Errors and omissions noticed in case of Government companies

1.22 Some of the major errors/omissions in case of Government companies noticed during audit of the accounts are given below:

Sl. No	Name of the Company	Year of accounts	Errors/omissions	Amount (Rupees in crore)
1.	Tamil Nadu Small Industries Development Corporation Limited	2005-06	Understatement of profit due to non accountal of profit on sale of land and buildings as revenue.	37.70
2.	Tamil Nadu Corporation for Development of Women Limited	2005-06	Overstatement of income due to change in accounting policy in respect of accountal of interest on unspent grant.	1.32
			Overstatement of surplus due to treatment of Head Office operating expenses as scheme expenditure.	3.33
3.	Poompuhar Shipping Corporation limited	2005-06	Overstatement of profit and under-statement of Current Liabilities due to non provision of penalty charges payable to TNEB for under-performance of voyages.	8.58
			Understatement of Current Assets, Loans and Advances as well as Current Liabilities, due to non provision of charter hire charges payable to ship owners in respect of five voyages.	2.41
4.	Tamil Nadu Medical Services Corporation Limited	2006-07	Overstatement of profit and understatement of current liabilities due to incorrect accounting of liquidated damages, transport charges, fines *etc.*, and forfeiture of EMD/SD as Company's income instead of treating them as payable to the Government.	5.69

Errors and omissions noticed in case of Statutory corporations

1.23 Some major errors noticed during audit of accounts for 2005-06 of the Tamil Nadu Electricity Board are given below:

Sl.No.	Errors/omissions	Amount (Rupees in crore)
1.	Overstatement of deficit due to over valuation of coal consumption	34.65
2.	Understatement of deficit due to non-provision of penal interest payable on delayed remittance of electricity tax	64.76
3.	Understatement of deficit due to short provision of depreciation	92.35
4.	Understatement of deficit due to over valuation of coal in transit	41.66
5.	Understatement of deficit due to non-provision of liability for purchase of power	76.00

Audit assessment of the working results of the Tamil Nadu Electricity Board

1.24 Based on the audit assessment of the working results of the Tamil Nadu Electricity Board for the three years up to 2006-07 and taking into consideration the major irregularities and omissions pointed out in the Separate Audit Report on the annual accounts and not taking into account the subsidy/subventions received/receivable from the State Government, the net surplus/deficit, percentage of return on capital employed, capital invested will be as under:

(Rupees in crore)

Sl. No	Particulars	2004-05	2005-06	2006-07 (Provisional)
1.	Net surplus/(-) deficit as per books of accounts	(-)1,176.77	(-)1,328.99	(-)1,896.48
2.	Subsidy from the State Government	924.50	1,179.49	1,330.10
3.	Net surplus/(-) deficit before subsidy from the State Government (1-2)	(-)2,101.27	(-)2,508.48	(-)3,226.58
4.	Net increase/decrease in net surplus/(-) deficit on account of audit comments on the annual accounts	8.66	(-)227.33	N.A
5.	Net surplus/(-) deficit after taking into account the impact of audit comments but before subsidy from the State Government (3-4)	(-)2,092.61	(-)2,735.81	N.A
6.	Total return on capital employed	(-)350.20	(-)483.24	(-)1,010.64

Recoveries at the instance of audit

1.25 Test check of records of the Tamil Nadu Electricity Board conducted during 2006-07 revealed wrong fixation of tariff/non-levy/short-levy of tariff/short realisation of revenue, *etc*., aggregating to Rs.119.78 crore. The Board recovered Rs.8.54 crore during the year at the instance of audit.

Internal audit/internal control

1.26 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report on various aspects including the Internal control/Internal audit systems in the companies audited in accordance with the directions issued by the CAG to them under Section 619 (3) (a) of the Companies Act, 1956 and to identify areas which needed improvement. Directions/sub-directions under the *ibid* Act, were issued to the Statutory Auditors in respect of 46 Government companies involving 51 accounts between October 2006 and September 2007. In pursuance of directions so issued, reports of Statutory Auditors involving 40 accounts of 30 Government companies were received (September 2007).

An illustrative resume of major recommendations/comments made by the Statutory Auditors on possible improvements in respect of State Government companies are indicated in the **Annexure-7.**

Recommendations for closure of PSUs

1.27 Even after completion of 21 to 29 years of their existence, the turnover of four[◊] Government companies has been less than rupees five crore in each of the preceding six years as per their latest finalised accounts. Two[♦] companies had been incurring losses for more than five consecutive years (as per their latest finalised accounts) leading to negative net worth. In view of poor turnover and continuous losses, the Government may either improve the performance of these Government companies or consider their closure.

◊ Tamil Nadu Paints and Allied Products Limited (subsidiary of TANSI), Tamil Nadu Leather Development Corporation Limited, State Engineering and Servicing Company of Tamil Nadu Limited (Subsidiary of TANSI) and Pallavan Transport Consultancy Services Limited.

♦ Tamil Nadu Leather Development Corporation Limited and State Engineering and Servicing Company of Tamil Nadu Limited (Subsidiary of TANSI).

Position of discussion of Audit Reports (Commercial) by the Committee on Public Undertakings (COPU)

1.28 The following table indicates the details regarding number of reviews and paragraphs appearing in various Audit Reports (Commercial) and discussed by COPU by the end of 31 March 2007:

Period of Audit Report	Number of reviews and paragraphs appeared in the Audit Report		Number of reviews/paragraphs discussed	
	Reviews	Paragraphs	Reviews	Paragraphs
1996-97	5	24	4	24
1997-98	5	20	---	06
1998-99	6	23	---	04
1999-2000	4	24	---	03
2000-01	4	21	---	02
2001-02	3	29	---	06
2002-03	2	27	---	---
2003-04	4	20	---	---
2004-05	3	23	---	---
2005-06	2	26	---	---
TOTAL	**38**	**237**	**4**	**45**

619-B companies

1.29 There were three companies coming within the purview of Section 619-B of the Companies Act, 1956. **Annexure-8** indicates the details of paid-up capital, investment by way of equity, loans and grants and summarised working results of these companies based on their latest finalised accounts.

CHAPTER-II

2. PERFORMANCE REVIEWS RELATING TO GOVERNMENT COMPANIES

2.1 OPERATIONAL PERFORMANCE OF TAMIL NADU INDUSTRIAL EXPLOSIVES LIMITED

HIGHLIGHTS

The Company was incorporated in 1983 to manufacture and supply explosives, detonators and detonating fuses for both industrial and civil use. The Company has been incurring losses since 2003-04 and the accumulated loss of Rs.30.43 crore as on 31 March 2006 has eroded its entire paid up capital.

(Paragraphs 2.1.1 and 2.1.6)

Failure to adjust the price proportionate to the quantum of deficiency in purity level and the additional expenditure incurred on removing the impurities resulted in loss of Rs.21.16 lakh to the Company.

(Paragraph 2.1.9)

Consumption of raw materials was far in excess of the norms which resulted in extra expenditure of Rs.78.81 lakh.

(Paragraph 2.1.13)

Procurement of a second cartridging machine without establishing markets for the emulsion explosives and without analysing the scope for the utilisation of the first machine resulted in wasteful expenditure of Rs.2.13 crore on procurement of second machine.

(Paragraph 2.1.15)

Engagement of contract labours despite having surplus manpower resulted in extra expenditure of Rs.2.21 crore.

(Paragraph 2.1.17)

Selling of the products below the variable cost of production and short-recovery of freight charges from the customers resulted in loss of Rs.2.68 crore to the Company during 2002-03 to 2006-07.

(Paragraph 2.1.19)

Introduction

2.1.1 The Tamil Nadu Industrial Explosives Limited (Company), was incorporated (February 1983) with the main objective of manufacturing and supply of industrial and civil explosives and other related accessories such as detonators, fuses *etc.*, required by the coal mines and other industries. The Company initially set up (1986) a plant for manufacturing Nitro Glycerine (NG) explosives. This was followed by setting up of facilities for manufacture of detonators and detonating fuses (DDF) in 1989 and slurry explosives in 1991.

The possession and manufacture of NG explosives was banned (April 2004) by the Government of India (GOI). After this ban, the Company started (April 2004) manufacturing the substitute product 'Telmix' explosives for utilising the facilities hitherto available for the manufacture of NG explosives. Meanwhile, in anticipation of the ban, the Company had also commenced (May 2003) manufacture of 'Emulsion' explosives.

The Management of the Company is vested in a Board of Directors (BOD) headed by the Chairman and Managing Director (CMD). He is assisted by the General Manager (Works) and Joint General Manager (Finance) in the day-to-day affairs of the Company.

The performance of the Company was last reviewed in the Report of the Comptroller and Auditor General of India (Commercial) – Government of Tamil Nadu for the year ended 31 March 1999. The report is yet to be discussed by the Committee on Public Undertakings (September 2007). The issues such as poor capacity utilisation, surplus manpower and consumption of raw materials in excess of the norms, *etc.*, pointed out in the earlier report, continued to exist during the current period of performance audit.

Scope of audit

2.1.2 The performance review covering the operational performance of the Company during 2002-03 to 2006-07 was conducted during October 2006 to March 2007 by reviewing the records maintained in the Registered Office of the Company at Chennai and the factory at Vellore.

Audit objectives

2.1.3 The performance review was conducted with a view to ascertain whether:

- the production capacities created by the Company were utilised economically, efficiently and effectively;
- production of various products was as per the targets fixed;
- the price of products fixed by the Company covered the cost of sales and measures were taken to reduce the cost;

- the available manpower was utilised effectively; and
- the system of Corporate Governance and internal control was adequate and effective.

Audit criteria

2.1.4 The audit criteria adopted for assessing the achievement of audit objectives were:

- Norms laid down by the Company in respect of capacity utilisation, consumption of raw materials, wastages and other utilities *viz.*, power *etc*;
- Policy and terms of agreement governing the purchase of raw materials and sale of products;
- Marketing policy of the Company;
- Pollution norms fixed by the State Pollution Control Board; and
- Industry norms for deployment of manpower for production.

Audit methodology

2.1.5 The methodology adopted for attaining the audit objectives with reference to the audit criteria was examination of:

- budgets, costing and stores records of the Company;
- minutes and agenda notes of the meeting of BOD;
- purchase files and decisions of the competent authority;
- bids submitted for sale of explosives and other sales related records; and
- interaction with the Management and issue of audit enquiries.

Audit findings

Audit findings as a result of performance audit were reported (June 2007) to the Management/Government and discussed (7 August 2007) in the meeting of Audit Review Committee on Public Sector Enterprises. The General Manager and Joint General Manager of the Company attended the meeting. No representative from the State Government participated in the meeting. The views expressed by the Management have been taken into consideration while finalising the performance review. Audit findings are discussed in the succeeding paragraphs.

Financial position and working results

2.1.6 The financial position and working results upto 2005-06[•] are given in **Annexure-9**. It could be seen therefrom that the Company started incurring losses from 2003-04 and the accumulated losses rose from Rs.2.54 crore in 2003-04 to Rs.30.43 crore in 2005-06. The accumulated loss of Rs.30.43 crore as on 31 March 2006 had fully eroded the paid up capital of Rs.26.96 crore as on that date. The main reasons for the losses in these years were ban (April 2004) on the manufacture of NG explosives (sale of which constituted 70 *per cent* of the total sales of the Company), increase in cost of raw material, high expenditure on labour and low returns from the sale of slurry and emulsion explosives. Further analysis of the losses revealed that while realisation from the slurry explosives did not cover even the variable cost, realisations from the emulsion explosive and detonators contributed little to meet the fixed costs. Thus, none of the products manufactured by the Company was sold at profit during the last three years (except the export business and copper delay detonators).

Procurement of raw materials

2.1.7 The Company was procuring raw materials and packing materials by floating annual open tenders. While the Company awarded the contracts for its full requirement on the established sources, it awarded trial orders for nominal (upto 30 *per cent* of the requirement) quantity on the non-established sources only after getting their samples tested (in labs) at least twice. The trial orders were placed with the twin objectives of increasing the sources of supply and getting cost advantage.

Procurement of Ammonium Nitrate

2.1.8 Ammonium Nitrate (AN), which constitutes 70 *per cent* of the inputs in the manufacture of explosives, is the main raw material. This can either be acquired in melt[≠] or powdered form. The powdered form of AN is either coated or uncoated. When AN is procured in melt form, it is converted into powdered form for use in the production of explosives. While coated AN was used in the production of banned NG explosives and Telmix explosives, uncoated AN was used in the production of slurry and emulsion explosives. Audit scrutiny of the cases of procurement of AN revealed the following deficiencies:

Acceptance of defective supplies

2.1.9 The Company invited (August 2005) open tenders for the supply of 4,000 MT of uncoated AN having at least 99 *per cent* purity. Any deviation from this specification attracted rejection of the material or acceptance on adjustment of the price proportionate to the quantum of deficiency in purity.

• Accounts for the year 2006-07 are yet to be prepared by the Company. Even provisional figures were not available.

≠ AN melt is a concentrate form of ammonium nitrate, with concentration ranging between 95 to 99.9 *per cent*.

Orders were placed (September 2005) on two suppliers *viz.*, Special Blast Limited (SBL), Vishakapatnam for 2,500 MT at the landed cost of Rs.11,666 per MT and Deepak Fertilisers Petro Chemicals Limited (DFPC), Pune for 1,500 MT at Rs.11,616 per MT.

Keeping in view its requirement, the Company lifted (between September 2005 and March 2006) only 700 MT and 1,216 MT of uncoated AN from SBL and DFPC respectively against the above orders. The supplies received from them had purity ranging from 94 to 96 *per cent* as against the specified purity of 99 *per cent*. It was observed that the Company did not adjust the price proportionate to the deficiency in purity as per the terms and conditions of the contract. Failure to recover proportionate amount resulted in loss of Rs.9.55 lakh for the supplied quantity.

Failure to adjust the price proportionate to the quantum of deficiencies in purity level and the additional expenditure incurred for removing the impurities resulted in loss of Rs.21.16 lakh in procurement of ammonium nitrate.

Besides, the Company incurred additional cost of Rs.606 per MT towards excess consumption of AN, labour and steam for removal of impurities resulting in indirect loss of Rs.11.61 lakh (1,916 MT X Rs.606). Thus, the Company suffered a total loss of Rs.21.16 lakh in the purchase of 1,916 MT of uncoated AN. Further, the Company did not collect security deposit from the two suppliers in contravention of its normal practice of collecting Rs.25,000 towards security deposit.

The Management stated (August 2007) that since it was at the mercy of the suppliers, it could not invoke penal provisions of the purchase orders. The reply is not tenable as the Company could have recovered proportionate amount as envisaged in the tender conditions from the suppliers.

Non-awarding of full quantity to the lowest tenderer

ilure to award a ntract for a inimum quantity to e lowest firm on al basis resulted in oidable penditure of .4.97 lakh.

2.1.10 In the tender finalised (March 2003) for conversion of AN melt into AN powdered form, Dalmia Chemicals (DC), a new tenderer, quoted the lowest rate of Rs.3,500 per MT as against the negotiated rate of Rs.3,825 per MT quoted by the established supplier (second lowest). The Company however, citing the non-established nature of DC, the lowest firm, placed (April 2003) orders on the second lowest tenderer at the higher rate. The quality of materials supplied by DC was tested as early as in the year 2000 and found to be suitable. Failure to award the contract for at least 30 *per cent* of the requirement on trial basis on the lowest firm resulted in avoidable expenditure of Rs.4.97 lakh.

The Management stated (April 2007) that DC was not selected as they did not furnish bid bond while submitting the tender. The Management further stated (August 2007) that DC had also not submitted bank guarantee. The reply is an after thought since the offer of DC was rejected citing it a non-established supplier and not due to its non-submission of bid bond. Further, the question of bank guarantee arises only after awarding contract and no order was placed on DC during 2003-04. Moreover, DC had requested the Company to use their bid bond submitted against earlier tender in March 2002, which was not returned to DC till the date of opening of tender floated in March 2003.

Production performance

2.1.11 The Company prepared production budget **(Annexure-10)** based on the estimated sales. Annexure-10 shows that the actual production as a percentage of the budgeted production had declined in all divisions in 2005-06 and 2006-07.

Capacity utilisation

2.1.12 The performance of the four divisions (Emulsion, NG/Telmix, Slurry and DDF explosives) in terms of capacity utilisation is given in the following table.

Sl No	Division	Capacity	Capacity utilisation (In *per cent*)				
			2002-03	2003-04	2004-05	2005-06	2006-07
1.	Emulsion♣ (10,500 MT/ 16,500 MT from 2005-06)	Bulk – 1,500 MT	NIL	8	NIL	6	6
		Small dia – 5,000 MT / 10,000 MT from January 2006	NIL	4	57	45	20
		Large dia – 4,000 MT	NIL	3	16	13	32
2.	NG / Telmix	9,000 MT	90	76	11	7	3
3.	Slurry	6,000 MT	58	71	85	67	35
4.	DDF						
(a)	Detonators	450 lakh numbers	72	61	101	90	77
(b)	Detonating fuses	110 lakh meters / 120 lakh meters from 2004-05	98	133	119	115	113

Source: Data furnished by the Company.

It could be seen from the table that:

- Capacity utilisation of Emulsion (Bulk) ranged between 6 to 8 *per cent* during 2003-04 and 2005-07. During 2002-03 and 2004-05 there was no production. Capacity utilisation of small dia ranged between 4 to 57 *per cent* during 2002-07 with no production in 2002-03. Capacity utilisation of large dia ranged between 3 to 32 *per cent* during 2003-07. There was no production in 2002-03.
- Capacity utilisation of NG/Telmix reduced from 90 *per cent* in 2002-03 to 3 *per cent* in 2006-07.

♣ The emulsion division was operationalised in 2003-04.

- Capacity utilisation of slurry ranged between 35 to 85 *per cent* during 2002-07.
- Capacity utilisation of detonators ranged between 61 *per cent* to 101 *per cent* during 2002-07.

Consumption of raw materials

2.1.13 The Company determines the formulations of various explosive products by utilising the services of its Research and Development (R&D) wing/consultants. After conducting lab trials, plant trials and field trials, the formulations are approved by the Chief Controller of Explosives (CCE). The norms for consumption of raw material are fixed as specified in the formulations approved by CCE.

Norms fixed for consumption of Ammonium nitrate and Oronite Lubricant Oil Additives (OLOA) in the production of various explosive products and actual consumption of raw material for the five years ending 2006-07 are given below:

Sl No	Name of the Product	Quantity produced (MT)	Consumption as per norms (in kg per MT)	Actual consumption (in kg per MT)	Excess quantity consumed (in kg per MT)	Percentage of excess over the norms	Value of excess consumption (Rupees in lakh)♣
	Consumption of Ammonium Nitrate						
1	Telgel	3,566	620	655	35	5.65	13.61
2	Telprime	2,922	620	642	22	3.55	6.82
3	Telgel Supreme	9,871	502	527	25	4.98	27.80
4	Telboost	2,554	478	502	24	5.02	7.17
5	SD emulsion (in 2003-04 only)	327	856	1,232	376	43.93	14.52
	Consumption of OLOA						
6	Small dia Emulsion	7,287	9	10.24	1.24	13.78	8.89
TOTAL							**78.81**

Source: Data furnished by the Company.

Consumption of raw material in excess of the norms resulted in avoidable excess expenditure of Rs.78.81 lakh.

It could be seen from the above details that the consumption of raw material was in excess of the norms by 3.55 to 43.93 *per cent* resulting in avoidable excess expenditure of Rs.78.81 lakh.

The Management stated (August 2007) that the abnormal consumption of AN in the manufacture of SD emulsion explosives was due to trial production for introducing the product in the market. It was further stated that the variance analysis of consumption as per norms *vis-a-vis* actual consumption was not

♣ Computed with reference to the rates fixed by the Company every year.

carried out. The reply indicates that the Company did not utilise the norms as a tool to control the variable cost of production.

Utilisation of Machinery

2.1.14 The Company did not maintain any records to indicate the machine-hours available and machine-hours utilised to determine capacity utilisation and to identify reasons for idleness if any, despite being commented in the previous review (*vide* Paragraph 2B.11) of Audit Report (Commercial) – 1998-99 - Government of Tamil Nadu. In the absence of details, the audit was not able to comment on the utilisation of the machinery.

*Cartridging machine**

Procurement of a second cartridging machine without establishing market for the emulsion explosives and without analysing the scope for the utilisation of the first machine resulted in wasteful expenditure of Rs.2.13 crore on procurement of second cartridging machine.

2.1.15 In anticipation of the ban on NG explosives, the Company decided (January 2001) to manufacture three kinds of emulsion explosives *viz.*, small dia, large dia and bulk explosives. The Company prepared (March 2002) a financial appraisal of emulsion project which projected the sales of small dia explosives to increase by 1,000 MT *per annum* from 1,000 MT in the first year upto the fourth year. After the fourth year, the sales were projected to be stagnant at 6,000 MT till the eleventh year. The report further stated that the capacity should be increased after establishing the product in the market.

The Company imported (April 2003) a cartridging machine with a capacity of 5,000 MT *per annum* for packing the small dia explosives and installed it at a total cost of Rs.3.24 crore. The commercial production of emulsion explosives was started in September 2003. The production of the small dia explosives since commissioning of the machine was 213 MT (4.26 *per cent*) in 2003-04 and 2,870 MT (57.4 *per cent*) in 2004-05 as against the installed packing capacity of 5,000 MT *per annum*.

Despite the under utilisation of the cartridging machine, the Company imported (December 2004) one more cartridging machine with a capacity of 5,000 MT *per annum* at a cost of Rs.2.13 crore (Rs.1.15 crore for machinery and Rs.0.98 crore for installation). It was, however, noticed that the actual production was just 2,047 MT (20.47 *per cent*) in 2005-06 and 1,984 MT (19.84 *per cent*) in 2006-07 of the total installed capacity of 10,000 MT *per annum*.

The Management stated (August 2007) that it had gone for purchase of the second cartridging machine to meet the expected demand. It was, however, observed that when the purchase order was placed (August 2004) for procuring the second cartridging machinery, production of small dia explosives and cartridged quantity by the first machine was only 1,333 MT during April to August 2004 against the capacity of 5,000 MT *per annum*.

Thus, the procurement of the second machine without establishing the market for the said product and analysing the scope for the maximum utilisation of the

* It is a packing machine used to pack small dia emulsion explosives.

capacity of the first machine itself resulted in wasteful expenditure of Rs.2.13 crore.

Bulk Emulsion plant and Bulk Delivery System

Failure to obtain firm commitments prior to establishments of facilities at a cost of Rs.0.76 crore for manufacture and delivery of bulk emulsion explosives exclusively to NLC, rendered the facilities infructuous.

2.1.16 The Company established (June 2003) a bulk emulsion plant having a capacity to manufacture 1,500 MT *per annum* at a cost of Rs.44.88 lakh and also acquired (January 2003) a bulk delivery system at a cost of Rs.30.85 lakh to cater to the requirements of Neyveli Lignite Corporation Limited (NLC) – a Central Government Public Sector Undertaking. The Company, however, did not enter into any formal contractual arrangement with NLC for continued procurement of the bulk emulsion explosives. The Company executed only trial orders of 114.13 MT and 81.30 MT of bulk emulsion explosives for NLC in 2003-04 and 2005-06 respectively and the said production facilities remained unutililsed in 2004-05. The Company could obtain regular order for bulk supply of 1,500 MT of the explosives only in 2006-07. The Company, however, supplied only 89 MT during 2006-07 and did not supply the balance quantity as:

- the price accepted did not even cover the variable cost; and
- the claim of the Company for increase in the accepted price based on 39 *per cent* increase in the price of the main raw material *viz.*, Ammonium Nitrate was not acceded to by the NLC.

Thus, failure to obtain firm commitments from NLC prior to establishment of the facilities exclusively for NLC coupled with the Company's inability to reduce variable costs resulted in idling of the bulk emulsion plant and delivery system created at a cost of Rs.75.73 lakh.

Utilisation of manpower

2.1.17 The Company, considering the imminent ban on NG explosives, started redeployment (2003-04) of its employees working in the NG division to other divisions. The Company diverted (2003-04) 47 out of 172 employees employed in the NG division to the newly created Emulsion division. After the ban (April 2004) on NG explosives, the Company retained 65 employees in the NG division for the manufacture of the new product 'Telmix' explosive and transferred the remaining 60 employees to other divisions. Audit, however, noticed that production, which was 45 MT per employee in the NG division earlier, had come down to about 15 MT per employee (during 2004-05 and 2005-06 and to five MT in 2006-07) in manufacturing Telmix, indicating gross underutilisation of the available manpower.

Engagement of contract labours despite having surplus manpower resulted in extra expenditure of Rs.2.21 crore.

Aware of the surplus manpower, the Company decided (July 2002) to implement Voluntary Retirement Scheme (VRS) to reduce the manpower. While noting the status of implementation of VRS, the BOD decided (October 2002) to constitute a committee to identify the surplus manpower. The Committee, has not yet (August 2007) taken up that study. It was noticed that in spite of having surplus manpower, the Company engaged contract labourers for various works incurring expenditure of Rs.2.21 crore on their pay and allowances during the last five years ending 31 March 2007.

The Management stated (April 2007) that though it was aware of the existence of surplus manpower, outsourcing of certain works was resorted to as productivity of its own labour was not as high as that of the contract labour. It further stated (August 2007) that it had appointed Anna Institute of Management Studies for assessing the requirement of manpower and based on their recommendations further steps would be taken. The reply is not tenable as the Company has yet to appoint an agency for assessing the requirement of manpower. The fact, however, remains that by outsourcing the work, on one hand manpower of the Company remained under-utilised and on the other hand it had to pay Rs.2.21 crore to the contract labours. Further, the Company failed to identify the surplus manpower and take necessary steps to overcome it even after five years of its decision to implement VRS.

Sales performance

2.1.18 The Company sells slurry explosives to the organised sector, emulsion and telmix explosives to the trade sector and DDF to both the sectors. Besides, the Company exports explosives and DDF. The Company has, however, not formulated any marketing policy to compete in the market.

The sector-wise sales performance for the last five years ended 31 March 2007 is given below:

(Rupees in crore)

Year	Domestic sales			Export	Total
	Organised	Trade	Total		
2002-03	11.70	31.05	42.75	1.57	44.32
2003-04	12.34	27.78	40.12	2.49	42.61
2004-05	13.86	15.12	28.98	1.07	30.05
2005-06	10.86	14.27	25.13	2.28	27.41
2006-07	6.51	12.83	19.34	3.92	23.26

Source: Data furnished by the Company.

Sale to the organised sector

Selling of products below variable cost led to cash loss of Rs.1.52 crore. Acceptance of fixed freight charges irrespective of the distance resulted in further cash loss of Rs.1.16 crore on transportation of the products sold.

2.1.19 The Company participated in the open tenders floated by companies in the organised sector like Coal India Limited (CIL), Singarani Collieries Limited (SCL), Neyveli Lignite Corporation Limited (NLC), *etc.* The rates quoted by the Company had no reference to its budgeted/production cost and in some cases, the quoted rates were only meeting the variable cost. On many occasions, the rates quoted were even below the variable cost resulting in cash losses amounting to Rs.1.52 crore♦ during the last five years ending March 2007. Out of 14 products which caused the said cash loss, the below

♦ Estimated variable cost is taken for 2006-07.

mentioned three products alone were responsible for cash loss of Rs.1.34 crore.

Sl No	Name of the product	Quantity sold (in MT)	Amount realised	Variable cost excluding labour cost	Labour cost *	Cash loss excluding labour cost
			(Rupees in lakh)			
1	Telgel Supreme	6,133.50	654.12	728.77	90.05	74.65
2	Powertel Blast	2,124.70	302.15	339.46	21.92	37.31
3	Telboost 125mm	1,499.85	209.75	231.98	17.70	22.23
TOTAL					**129.67**	**134.19**

Source: Data furnished by the Company.

Besides, for 'door-delivery' of the products, the PSUs were paying the Company a fixed sum per MT as freight charges irrespective of the distance covered. However, the actual freight charges paid by the Company were more resulting in further cash loss of Rs.1.16 crore during 2002-03 to 2005-06♣ as detailed in the table below.

Sl No	Name of the product	Quantity sold (in MT)	Amount spent on freight (Rupees/MT)	Freight amount recovered (Rupees/MT)	Freight charges borne by the Company (Rupees in lakh)
1	Telgel	2,500.95	2,688 to 3,821	835 to 950	30.08
2	Telprime	733.67	2,688 to 3,821	835 to 950	12.53
3	Telgel supreme	5,598.80	1,547 to 2,191	426 to 800	57.52
4	Telboost	1,404.40	1,547 to 2,191	426 to 800	15.81
TOTAL					**115.94**

Source: Data furnished by the Company.

The Management stated (April 2007) that it was forced to sell below the variable cost due to stiff competition and rising price of raw materials and as the freight element was dictated by the buyer, it had played down the cost of freight while participating in the tenders.

It is pertinent to note that the Audit Committee of the Company was of the view (July 2004) that there was no compulsion to produce and sell products, which yielded negative contribution. The Committee recommended that BOD take up the review of manufacturing and selling of products, which yielded

* Does not include labour cost for 2006-07.

♣ There was no such freight loss during 2006-07 as the Company did not get orders from major customers during that year.

cash losses continuously for the past several years. The Company, however, did not initiate any action to stop producing such products. Thus, production of the products in disregard to their profitability was another reason for its continued losses.

Short supply

Failure to supply the indented quantity despite having adequate production capacity resulted in contribution loss of Rs.1.13 crore.

2.1.20 After the ban of NG explosives, one of the products, which brought sizeable profit to the Company was Copper Delay Detonators (CDD 2.5 metres). This was supplied to the coal mining companies in the organised sector.

Audit scrutiny revealed that the Company received indents from CIL and SCL for supply of 177.53 lakh detonators during 2002-03 to 2005-06 (no orders were received during 2006-07). The Company supplied 158.77 lakh detonators and could not supply the balance quantity of 18.76 lakh detonators despite having adequate production capacity. This resulted in contribution loss (sale price *minus* variable cost) of Rs.1.13 crore during this period.

The Management stated (August 2007) that Form-37, a statutory indenting form to be given by the user of explosives was for the quantity less than the ordered quantity. The reply is not tenable as the Company failed to supply even the indented quantity, as stated above, resulting in loss of contribution.

Export sales

2.1.21 As per export sales performance (**Annexure-11**), the Company's export sales ranged between 2.36 *per cent* to 5.60 *per cent* of the total exports by the industry and ranged between 3.53 *per cent* to 23.51 *per cent* of the total sales of the Company during the period 2002-03 to 2006-07. The Management stated (August 2007) that it had formed (August 2007) joint venture (Maxam Tel Explosives Private Limited) with Maxam India Private Limited (Maxam), a subsidiary of Maxam Australia for marketing its products in India and abroad with the technical know-how provided by Maxam Australia. According to the Company, the joint venture is expected to give fillip to its export business. Further developments are awaited (September 2007).

Research and Development

2.1.22 The objectives of Research and Development (R&D) are to conduct research on developing new indigenous products and improve upon the existing composition of raw materials in various products to reduce the cost of production.

The expenditure of Rs.0.92 crore incurred on Research and Development activities did not serve the intended purpose.

The service rules of the Company provide that a Manager should head the R&D wing. The service rules did not prescribe any qualification for the post. The post of Manager has been lying vacant since April 1994 and at present, the unit is headed by an Assistant Manager with one officer, three assistants and five workmen reporting to him. The Company had incurred Rs.63.72 lakh and Rs.27.82 lakh towards recurring and capital expenditure respectively on R&D activities during the last five years ending March 2007.

It was observed that the R&D unit of the Company had neither developed indigenous product nor improved upon the existing explosives so as to reduce the cost and consequently the cash losses of the Company. Further, the Company developed new products with the assistance of outside research institutes and experts during the last five years by incurring consultancy charges of Rs.43.70 lakh. Thus, the expenditure incurred on R&D activities amounting to Rs.91.54 lakh did not serve the intended purpose.

The Management stated (April 2007) that the Research and Development wing would be reoriented after the establishment of a joint venture with Maxam for a new project.

Corporate Governance

2.1.23 Corporate Governance is the system by which companies are directed and controlled by the Management in the best interest of the shareholders and others ensuring greater transparency and better and timely financial reporting. The BODs are responsible for the governance of their companies.

Meetings of the Board of Directors

2.1.24 The BOD of the Company comprised of eight directors representing the State Government (including one whole time Director - the MD and ex-officio Chairman) and four independent directors as on 31 March 2007.

In the Company, all the Directors of the Board were never present in any of the 22 meetings held during the last five years ended 31 March 2007. Of the two Government nominee Directors, one director did not attend seven and the other director did not attend nine meetings out of 11 and 12 meetings held respectively during 2004-05 to 2006-07. Four independent Directors failed to attend three to six meetings during the same period. One Government nominee Director and one independent Director did not attend any meeting in 2003-04.

Though the Board was aware that the loss being incurred by the Company was due to high raw material and labour costs and selling almost all the products below the cost of production, it exhibited no seriousness in addressing these perennial issues. It appears that poor management was one of the causes of the poor performance of the Company.

Internal Control

2.1.25 In order to achieve its objectives, every organisation requires to have an effective system of internal control to ensure that all the activities of the Company are performed in accordance with the rules, standards, procedures and system for accomplishment of desired goals. The following deficiencies were noticed in the system of internal control followed by the Company.

Costing

2.1.26 The job of the costing department is to correctly allocate the cost of production on various products and communicate the same to the marketing department so as to quote appropriate selling price for the products. Audit scrutiny of costing records revealed that:

- While arriving at the cost of production, the salaries, wages and allowances paid to all the employees including directly engaged in the manufacturing activities have been treated as fixed cost along with other fixed cost elements such as depreciation. The variable cost of the product as established by the Company represented only the cost of direct material, packing material, power and fuel and did not include the direct labour cost.
- The actual cost of its product was more than the budgeted cost and the actual cost of various products ranged from 3.34 *per cent* to 180.59 *per cent* over the budgeted cost in 2004-05 and 2005-06 and no analysis was made by the Company so as to take necessary measures to control the cost. The budget for the year 2006-07 was not submitted to the Board for approval.
- The cost of all the five small dia emulsion explosives was found to be same in every year for all the three years from 2003 to 2006, though requirement of raw material was different for each of the five varieties. This is an example of defective costing adopted by the Company.

Internal Audit

2.1.27 The internal audit department is manned by two exclusive staff under the supervision of one officer. The following deficiencies were noticed in the internal audit system being followed by the Company.

- Though the department had to report directly to the CMD, its findings were always routed through head of accounts department indicating existence of conflict of interests in discharging internal audit functions.
- As many as 39 internal audit observations out of 63 observations issued during 2004-05 to 2006-07 are yet to be replied by the concerned departments indicating that internal audit as a control mechanism is not being utilised effectively by the Company.
- Statutory auditors of the Company have also commented on lack of follow-up by the Company on internal audit suggestions in 2004-05.

Conclusion

The Company failed to economise the procurement of raw material and to achieve the norms fixed for the consumption of the same. The Company failed to assess the actual manpower required leading to under utilisation of the available manpower. The decision to procure second cartridging machine without fully utilising the capacity of the first machine and establish Bulk Emulsion plant and Delivery System without any firm commitment for purchase of the product from NLC resulted in

idling of these machines. The Company failed to realise the cost of production for almost all of its products sold and could not realise even the variable cost excluding the direct labour cost in selling some of the products. The share of the Company in the exports (profit making activity) of explosive was meagre with reference to the total exports by the industry. The poor participation of Directors in the meetings of BOD indicated lack of seriousness to address the problems faced by the Company.

Recommendations

- **The Company should prioritize cost cutting in all its divisions if it has to compete with the private sector in the market.**
- **Strategic planning should be complemented by strategic decision making. The Company should consider discontinuation of production of those products not found economically viable and concentrate on the areas such as exports, where it can earn more profits.**
- **The Company has an enormous unutilised manufacturing capacity, which needs to be properly utilised by aggressive and cost effective marketing.**
- **The BOD and the Government should closely monitor the working of the Company so as to bail it from loss within a time frame.**

The matter was referred to the Government in June 2007; and their reply is awaited (September 2007).

2.2 PERFORMANCE REVIEW OF THE HOTEL AND TRANSPORT DIVISIONS OF TAMIL NADU TOURISM DEVELOPMENT CORPORATION LIMITED

HIGHLIGHTS

The Company set up (June 1971) with the main objective of promotion of tourism in the State could not achieve its objectives as the tourists availing its facilities were negligible.

(Paragraphs 2.2.1 and 2.2.7)

The percentage of capacity utilisation in the hotels with reference to the availability of beds was stagnant during the review period except in 2006-07 when there was marginal increase (5.81 *per cent*) as against an increase of 25.03 *per cent* in the tourist inflow in the State. The Company lost 18.10 lakh tourists to the private sector during 2002-07.

(Paragraph 2.2.7)

Non-achievement of the break even occupancy in hotels resulted in cash loss of Rs.1.39 crore during 2002-2007.

(Paragraph 2.2.10)

Absence of favourable mix in food stuff, increased fixed cost coupled with excess food and fuel costs over norms resulted in cash loss of Rs.1.46 crore in 11 to 17 catering units.

(Paragraph 2.2.13)

The Company's efforts to franchise its uneconomical lodging and catering units were largely unsuccessful.

(Paragraph 2.2.15)

Introduction

2.2.1 Tamil Nadu Tourism Development Corporation Limited (TTDC) was incorporated (June 1971) with the main objective of promotion of tourism in the State by building up of adequate tourism related infrastructural facilities on commercially viable basis.

The Company at present is engaged in the following activities:

- Operating hotel units with lodging, restaurant and bar facilities,
- Conducting package tours,
- Conducting tourist and industrial fair in Chennai for three months from January to March every year,
- Operating 10 boating houses and maintaining Lake Park in Ooty and Thiruvalluvar Statue in Kanyakumari and
- Operating a petrol bunk at Mamallapuram as an agency.

For operational purpose, the Company has four divisions namely (i) Hotel division, which undertakes the activities of lodging, catering, boating and running a petrol bunk, (ii) Transport division, which conducts package tours, (iii) Trade fair division and (iv) Thiruvalluvar statue operation at Kanyakumari.

As on 31 March 2007, the Company had 56 hotels including the drive-in restaurant at Chennai. Out of these, 14 hotels are on franchise, two hotels on long term lease and two hotels in Courtallam merged as one for operational purpose. The Company was operating 26 hotels with lodging, catering and bar facilities and of which the restaurants in four hotels were franchised and restaurants in two hotels were not operated. 12 hotels were not being operated pending finalisation of the franchise. The drive-in restaurant at Chennai earmarked for franchise was under operation of the Company.

The management of the Company is vested with a Board of Directors (BOD) including the Managing Director (MD), who is assisted by the Chief Accounts Manager-cum-Secretary and Assistant Chief Manager (Hotels Division) in the day-to-day management of the Company. During the period 2002-07, eight MDs were appointed and only one MD worked for more than two years.

The performance of the Company was last reviewed in the Report of the Comptroller and Auditor General of India (Commercial) Government of Tamil Nadu, for the year ended 31 March 1998. The review is yet to be discussed by the Committee on Public Undertakings (September 2007). The issues such as poor room occupancy, poor maintenance and services pointed out in the earlier Audit Report continue to exist during the current period of review also.

Scope of audit

2.2.2 A performance review of the operational performance of the Hotel and Transport Divisions of the Company during 2002-03 to 2006-07 was conducted between September 2006 and May 2007. The records maintained at the Registered Office of the Company at Chennai and in 16 out of 26 hotel units and in the Transport Division were test checked.

Audit objectives

2.2.3 The Performance review was conducted with a view to ascertain whether:

- tourism policy of the State Government/Government of India (GOI) have been implemented effectively;
- there was well defined market strategy to tap prospective tourists;
- adequate infrastructural facilities, amenities and manpower was available in the Hotel and Transport divisions;
- the Hotel and Transport divisions were managed economically efficiently and effectively; and
- the franchising of the hotels was done in transparent manner.

Audit criteria

2.2.4 The Audit criteria considered for achieving the audit objectives were:

- Tourism policy of the State Government and the GOI;
- Guidelines prescribed for franchising of the hotel units by the State Government and decisions of the BODs;
- Norms for occupancy of the hotels, food cost, input output ratio for food items and consumption of fuel as fixed by the Company; and
- Revenue and physical targets fixed for the hotel and transport divisions.

Audit methodology

2.2.5 The methodology adopted for attaining the audit objectives with reference to the audit criteria were examination of:

- Tourism policy of the State Government and GOI;
- Minutes and agenda notes of the meetings of BOD, budgets, targets and reports submitted by the units;
- Records maintained in the selected units; and
- Interaction with the Management and issue of audit enquiries.

Audit findings

Audit findings as a result of test check were reported (June 2007) to the Management/Government and were also discussed (August 2007) in the meeting of the Audit Review Committee on Public Sector Enterprises. The Secretary, Tourism and Culture Department and the MD of the Company attended the meeting. The views expressed by the members during the meeting were taken into account while finalising the performance review. Audit findings are discussed below:

Financial performance

2.2.6 The Expert Committee constituted (January 1997) by the State Government for reviewing the performance of Public Sector Undertakings (PSUs) recommended (September 1997) that the running of hotels and or organising tours be left to private entrepreneurs. The BOD while considering the Report of the Committee resolved (November 1997) to economise the expenditure and run the Company profitably. The Company wiped off its accumulated losses in 2003-04 and since then it has been earning profit. The financial performance and working results of the Company for the last five years ending 2006-07 are given in **Annexure-12.**

Growth of tourism

2.2.7 The number of tourists who visited the State *vis-a-vis* those availed lodging facilities in the Company's hotels during 2002-07 is given in the following table.

(In lakh numbers)

Particulars		2002-03	2003-04	2004-05	2005-06	2006-07
1.	Number of tourists* visited Tamil Nadu					
	(a) Domestic	249.43	275.58	301.93	341.40	428.08
	(b) Foreign	8.86	9.42	10.67	12.19	14.03
	TOTAL	**258.29**	**285.00**	**312.60**	**353.59**	**442.11**
2.	Percentage of tourist growth	4.44	10.34	9.68	13.11	25.03
3.	Operated Capacity of the Company's hotels (In lakh beds)	6.49	6.57	6.51	6.45	6.46
4.	Tourists availing accommodation in the Company's hotels					
	(a) Domestic	2.79	2.89	2.73	2.69	3.07

* Source: Reports published by the Commissioner of Tourism, Government of Tamil Nadu.

	Particulars	2002-03	2003-04	2004-05	2005-06	2006-07
	(b) Foreign	0.04	0.05	0.04	0.04	0.04
	TOTAL	**2.83**	**2.94**	**2.77**	**2.73**	**3.11**
5.	Percentage of tourists (both domestic and foreign) availing Company's facilities	1.10	1.03	0.89	0.77	0.70
6.	Percentage of growth of tourists staying in the Company's hotels	(-)3.80	3.89	(-)5.78	(-)1.44	13.92
7.	Percentage of tourists stayed to the operated capacity of the Company's hotels	43.61	44.75	42.55	42.33	48.14
8.	Number of tourists lost to the private sector (3 – 4)	3.66	3.63	3.74	3.72	3.35

The percentage of capacity utilisation in the hotels with reference to the availability of beds was stagnant during the review period except in 2006-07 when there was marginal increase (5.81 *per cent*) as against an increase of 25.03 *per cent* in the tourist inflow in the State. The Company lost 18.10 lakh tourists to the private sector during 2002-07.

It will be seen from the table that as against increase of 71.17 *per cent* during 2002-07 in the tourists' inflow in the State, there was marginal increase of 9.89 *per cent* in the number of tourists availing facilities of the Company. While the percentage of annual growth of tourist inflow in the State increased from 4.44 *per cent* in 2002-03 to 25.03 *per cent* in 2006-07, the percentage of annual growth of tourist who stayed in the Company's hotels was negative during 2002-03, 2004-05 and 2005-06. The percentage of tourists (both domestic and foreign) availing Company's facilities declined from 1.10 *per cent* in 2002-03 to 0.70 *per cent* in 2006-07. The percentage of capacity utilisation in the hotels with reference to the availability of beds was stagnant during the review period except in 2006-07 when there was marginal increase (5.81 *per cent*) as against an increase of 25.03 *per cent* in the tourist inflow in the State. The Company lost 18.10 lakh tourists to the private sector during 2002-07.

The Company did not analyse the reasons for low patronage/share of the tourists for its hotels despite increase in tourists' inflow in the State. Further, the Company did not evolve any long-term Corporate Plan for attracting the tourists to stay in its hotels.

The Management stated (April 2007) that the tsunami in December 2004 and heavy rainfall during November and December 2005, besides lack of up-gradation of facilities, poor standard of customer service due to shortage of manpower and stiff competition from private hotels were the major reasons for the negative growth in tourist stay in its hotels. The reply is not tenable as even in December 2004 and November 2005 and December 2005 there was no drop in the inflow of tourists in the State♦. As regards other constraints, they being controllable, the Company could have overcome these constraints.

♦ Source: Reports published by the Commissioner of Tourism, Government of Tamil Nadu.

Performance of Hotel division

The income from hotel division decreased from 57.76 in 2002-03 to 49.61 *per cent* in 2006-07.

2.2.8 The financial performance of the hotel division (including petrol bunk operation) for the five years ended 31 March 2007 is summarised in the **Annexure–13**. It was noticed that the percentage of income of the hotel division (excluding petrol bunk) to the total income of the Company showed decreasing trend from 57.76 *per cent* in 2002-03 to 49.61 *per cent* in 2006-07. Out of the four sectors of the hotel division *viz.*, lodging, catering, boating and bar; while the boating and bar sectors showed profit, the lodging sector incurred loss in 2005-06 and the catering sector was incurring losses in all the years.

The Management stated (April 2007) that the reduction in income of the hotel division as compared to the total income of the Company was due to franchising of the hotel units and also due to increase in share of other income. The reply is not tenable since the reduction in income of hotel division was also due to stagnant room occupancy in the hotels, unfavourable mix in food stuff, *etc.*, as discussed in subsequent paragraphs.

Performance of the lodging sector

Low budgetary target

2.2.9 The monthly financial performance of each hotel indicating the budgeted income and expenditure and actuals are prepared at the Regional Managers' level and then consolidated and placed before the BOD for appraisal. The details of budgeted and actual income for the operating hotels for the period 2002-07 are given below:

(Rupees in lakh)

Particulars	**2002-03**	**2003-04**	**2004-05**	**2005-06**	**2006-07**
Budgeted income	723	711	709	708	747
Actual Income	621	634	638	650	798
Shortfall in income	102	77	71	58	Nil
Percentage of achievement over budget	85.89	89.17	89.99	91.81	106.82
Percentage of increase/decrease (-) in budgeted income over the previous budget	(-)3.42	(-)1.66	(-)0.28	(-)0.14	5.51
Percentage of increase in budget over the previous year income	15.68	14.49	11.83	10.97	14.92

Source: Data furnished by the Company.

There was shortfall in actual income from lodging sector by Rs.3.08 crore as against the soft target fixed.

It could be seen from the table that even though the budgeted income showed a decreasing trend over the years except in 2006-07, the Company could achieve the budgeted income only in 2006-07. The actual income during 2002-06 showed only marginal increase. There was shortfall in actual income by Rs.3.08 crore as against the soft targets fixed during the period 2002-06.

The Management stated (April 2007) that in the context of non-achievement of even the low level of budget fixed for the lodging sector, higher fixation of target would have been merely an arithmetical exercise. The reply does not reflect the desired Management attitude. Budgeting was resorted to merely for formality than as a tool for control and progress. Even though the target fixed was showing decreasing trend, the actuals were not matching the targets. No variance analysis of the unit-wise performance was made to ascertain the reasons for taking corrective actions. Fact is that during 2002-07 the tourist growth increased from 4.4 *per cent* to 25.03 *per cent* and an aggressive marketing strategy and dedicated implementation would have definitely increased the actual income over budgeted income during 2002-06.

Low occupancy level

2.2.10 The table below indicates the number of hotels, average occupancy, number of hotels achieving the breakeven occupancy level and number of hotels not achieving the breakeven occupancy level and the cash loss due to non-achievement of the breakeven occupancy level.

Sl. No.	Particulars	2002-03	2003-04	2004-05	2005-06	2006-07
1.	Total number of units	25	26	26	26	26
2.	Average occupancy ratio (in *per cent*)	49	49	49	49	54
3.	Number of units above the break even occupancy	11	15	18	14	17
4.	Number of units below the break even occupancy	14	11	8	12	9
5.	Cash loss♣ due to non achievement of the break even occupancy (Rupees in lakh)	28.27	19.14	16.93	42.95	31.58

Non-achievement of break-even occupancy by 14 out of 26 hotels resulted in suffering cash loss of Rs.1.39 crore.

From the above, it could be seen that the average level of room occupancy remained static around 49 *per cent* during 2002-06 and increased to 54 *per cent* only in 2006-07, despite the fact that during 2002-07 the tourist growth increased from 4.4 *per cent* to 25.03 *per cent*. Out of 26 hotels, the number of hotels not achieving the break even occupancy ranged between eight and

♣ Cash loss means loss incurred before charging depreciation.

14 and the non-achievement of the breakeven occupancy deprived the Company from accommodating 1.06 lakh tourists during 2002-07 resulting in cash loss of Rs.1.39 crore. The hotels located at Pitchavaram, Sathur, Salem, Tirunelveli and Ulundurpet were consistently making losses (total loss of Rs.60.52 lakh) during 2002-07. In spite of identifying (October 2000 and June 2002) the hotels at Sathur, Salem and Tirunelveli for franchising due to their unviability, the Company continued with the operations of these hotels instead of franchising or closing them resulting in continued cash losses.

The main reason for low occupancy was poor maintenance, poor room service and ineffective publicity as discussed in succeeding paragraphs.

Further, the policy note on tourism of the State Government for 2003-04 aimed at achieving occupancy of 60 *per cent*. The Company, however, did not fix any annual target, for room occupancy to keep in pace with the tourist growth. Although the Management regularly compares the actual occupancy ratio of individual hotels with the budgeted breakeven occupancy, the absence of target for occupancy as well as long term plan to improve the occupancy indicates the lackadaisical approach of the management in improving the business.

The Management stated (April 2007) that the breakeven occupancy of hotels at Sathur and Pitchavaram exceeded 100 *per cent* due to their uneconomic size, which could not be rectified at this juncture. The reply is admittance of the fact that some of the hotels were set up without ensuring necessity and economic viability. In respect of other hotels, which failed to achieve the desired occupancy level, the Management stated that it had taken up several measures apart from upgradation of the hotels with provision of televisions, generator sets and replacement of worn-out air-conditioners and the occupancy had increased during 2006-07. However, in the context of increase of tourists in the State by 25 *per cent* in 2006-07, the increase in the occupancy from the stagnant level of 49 *per cent* during 2002-06 to 54 *per cent* in 2006-07 is not significant.

Poor maintenance and room services

2.2.11 Reasonably good and economically attractive and efficient tourist friendly services are the basic requirement of hotel industry. Hence, hotels maintain complaints register to ensure prompt addressal of client complaints and improvement in services. The table below indicates the nature of complaints recorded by the tourists in 15 hotels including the restaurant at New Delhi during the period 2002-07.

(In numbers)

Nature of complaint	2002-03	2003-04	2004-05	2005-06	2006-07	Total
Poor maintenance	14	27	23	22	32	118
Poor room service	7	12	8	13	13	53
Poor provision of basic amenities	7	9	8	8	30	62
Poor quality of food	21	24	14	19	2	80

The feed back from the customers on the poor maintenance of hotels and poor room services was on the increase.

It could be seen from the table that the clientele dissatisfaction was due to poor maintenance of rooms, poor service, inadequate provision of basic amenities and poor quality of food, *etc.* The Company, however, did not review such complaints for taking remedial actions. Audit noticed;

- non-replacement of the old air-conditioners in three units (Coimbatore, Kanyakumari and Trichy), non-provision of furniture and interior decoration and non-replacement of the carpets for decades in two units (Ooty and Kodaikanal), and;
- inadequate linen as against the stipulated norm of four set per bed and non-replacement of the old mattress in four units (Kanyakumari, Trichy, Thanjavur and Madurai-II).

It was noticed that the Company required its franchisees to undertake white washing of the buildings once in six months, cement painting once in one-and-half years and enamel paints once in three years. However, no periodical painting/white-washing was undertaken in respect of the hotels operated by the Company for years.

The ratio of total number of personnel employed per room had declined from 0.44 in 2002-03 to 0.39 in 2006-07 against the industry norm of 0.46. Thus, the Company's hotels employed less number of personnel in the lodging sector over the years, which had a direct impact on clientele dissatisfaction.

The Management stated (April 2007) that the customer service would be improved after outsourcing of the "D" category works♣. The replacement of old air-conditioners and up-gradation at a cost of Rs.2.50 crore was carried out in six hotels in 2005-06. Though the Company decided (August 2004) to outsource the housekeeping and catering services, it had not finalised the nature of work and number of employees required for outsourcing so far (September 2007).

Ineffective publicity

2.2.12 The table below exhibits the advertisement expenditure incurred by the hotel division (inclusive of bar, restaurant and boating) *vis-a-vis* the total

♣ Duties carried out by room boy-cum-waiter, kitchen mate, gardener and watchman, *etc.*

advertisement cost during the period 2002-03 to 2006-07.

Year	(Rupees in lakh)			Percentage of	
	Publicity expenditure of hotels	Total publicity expenditure of the Company	Total expenditure of the Company	Total publicity expenditure to the total expenditure (5)=(3)/(4) X100	Publicity expenditure of hotels to the total publicity expenditure (6)=(2)/(3) X100
(1)	(2)	(3)	(4)	(5)	(6)
2002-03	1.15	24.81	3,154.76	0.79	4.64
2003-04	1.35	45.31	3,273.88	1.38	2.98
2004-05	2.79	23.24	3,447.44	0.67	12.01
2005-06	2.52	21.92	3,752.69	0.58	11.50
2006-07	1.84	36.48	4,386.08	0.83	5.04

Source: Annual accounts of the Company.

The expenditure incurred on publicity constituted 0.58 to 1.38 percentage of the total expenditure of the Company.

It could be seen from the table that the expenditure on publicity ranged between 2.98 to 12.01 *per cent*. In fact, the expenditure on publicity of the Company constituted a meagre 0.58 to 1.38 *per cent* of the total expenditure. Lack of visible and aggressive publicity was also one of the reasons for the low level of patronage of general public to the Company's hotels.

The Management stated (April 2007) that in view of huge fixed cost incurred by the Company, the availability of its hotels was also included in the advertisements of the Tourism Department. The reply is not tenable as the advertisement released by the Tourism Department mainly facilitated tourist inflow in the State and did not specifically relate to the Company's hotels.

Performance of catering sector

Absence of favourable mix in food stuff, increased fixed cost coupled with excess food and fuel costs over norms resulted in cash loss of Rs.1.46 crore in 11 to 17 catering units

2.2.13 The details of turnover to cash profit/cash loss in respect of the catering units for the period 2002-07 are given in **Annexure-14**. It could be seen therefrom that 11 to 17 units incurred cash loss of Rs.1.46 crore during 2002-07 despite increase in tourist growth. The cash loss was on the increasing trend from Rs.20.72 lakh in 2003-04 to Rs.31.81 lakh in 2006-07.

The Management stated (April 2007) that the overall loss in catering sector reduced from Rs.1.50 crore *per annum* prevailing prior to 2002-03 to Rs.57.25 lakh *per annum* in 2005-06. The Company attributed the acute shortage of manpower affecting the quality of food as well as customer service as cause for non-achievement of the budgeted income in the catering sector. The Company further stated that with the proposed standardisation of catering service in major hotels and franchising of restaurants, the catering sector could break-even in future. The reply is not acceptable since absence of favourable sales mix in food stuff, increased fixed cost besides excess food and fuel costs over the norms were the few important reasons for losses in the operation of the catering units.

Food and fuel costs

Ineffective control over the expenditure on food and fuel led to loss of Rs.0.10 crore and Rs.0.48 crore respectively over the budgeted norms.

2.2.14 The Company had fixed (1992-93) norms for food cost at 37 *per cent* of the catering income. The budgeted fuel cost which was reckoned at 8 *per cent* of the catering income till 2002-03 was increased to 9 *per cent* from 2003-04 and further to 10 *per cent* in 2006-07. To keep the expenditure within the norms, the managers of the units were instructed (September 2003) to avoid wastage and idle burning of gas, usage of uncleaned burners, *etc.* Audit analysis revealed that 2 to 12 units exceeded the food cost norm of 37 *per cent* by 0.11 to 41.85 *per cent* and 16 to 24 units exceeded the fuel cost norms by 0.14 to 20.33 *per cent* during the period 2002-07. The ineffective control over the expenditure despite instructions resulted in loss of Rs.10.17 lakh and Rs.48.01 lakh respectively on account of excess food cost and fuel cost over the budgeted norms during 2002-07.

The Management stated (April 2007) that high food cost in some of the units were due to purchase of provisions from super-market instead of open market and absence of favourable sales mix of food stuff. In respect of fuel cost, it was stated that the price of commercial gas cylinder had increased sharply in the past five years but the tariff of food stuff was not increased commensurately in view of stiff competition from the private hotels. The reply is not tenable as the Company started purchasing the provisions from the open market as early as September 2003 and the norms for fuel cost was periodically increased from 8 *per cent* to 10 *per cent.* Failure to enforce strict adherence to the norms led to the loss.

Franchising of the hotels and restaurants

2.2.15 The Company decided (March 1991) to lease out/franchise the hotels, which were incurring cash losses as well as newly constructed hotels, which were *per se* commercially unviable. Accordingly, the State Government permitted the Company to franchise 31 hotels and 10 restaurants between June 1998 and July 2004.

The State Government also directed (June 1998) the Company to fix upset price• for franchising these units at 10 *per cent* of the guideline♣ value of the land and book value of the buildings with annual escalation at 10 *per cent* on compounded basis. The period of franchise was fixed at 10 years in respect of the hotels having five rooms and less and 15 years in respect of the hotels having more than five rooms.

• Upset price is the price below which the franchise could not be engaged.

♣ Guideline value – value of land as fixed by the Sub-Registrar.

The table below indicates the status of the franchising of the units as on 31 March 2007.

Position of the units identified for franchising	Number of hotels/restaurants	Reasons for non-franchising
Idle *ab initio*	3 hotels	Unviable economic operation
Kept idle continuously after termination of franchise	10 (9 hotels and 1 restaurant)	Unfavourable location and unviable economic operation
Operated by the Company	10 (5 hotels and 5 restaurants)	Objected by Forest Department (one hotel); Non payment of land cost to land owner till March 2007 (one hotel); Non fixation of upset price (one hotel); Non matching of upset price (two restaurants); No response to tender (one hotel and two restaurants); and Returned by the franchisee (one hotel and one restaurant).
Franchised	18 (10 hotels, 4 restaurants and 4 hotels let out on rental basis)	---

Source: Information furnished by the Company.

The Company attributed the fixation of upset price at 10 *per cent* of guideline value of the land and of the book value of the buildings with 10 *per cent* escalation *per annum* as the main reason for failure in franchising the hotels. The Company appointed (December 2003) Mahindra Acres Consulting Engineers Private Limited for fixation of the upset price, based on the earning capacity of the units. The firm submitted their report in December 2004. The Company, however, did not accept the upset price suggested in the report on the ground that it did not truly reflect the earning potential of the units. The Company, therefore, recommended (September 2006) to the Government to retain the existing method of fixation of the upset price based on the guideline value and to reduce the rate of escalation to 15 *per cent* once in three years in the franchise fee. This proposal was accepted by the Government in February 2007.

Thus, the Company took three years to decide the upset price and to bring an amendment to the escalation clause in the lease agreement and in the meanwhile, the units could not be franchised. It was observed that out of 13 hotels, the Company could franchise seven hotels so far (September 2007). The remaining six hotels have remained idle (September 2007).

Franchising of hotel at Salem

2.2.16 The Company took possession (1990) of a piece of land from Salem Municipal Corporation (SMC) and constructed a hotel there utilising the

GOI's grant of Rs.33 lakh and Rs.15 lakh from its own sources. The Government directed (March 1992) the Company to pay the cost of land as per the guideline value along with 12 *per cent* interest *per annum* from 1990 to SMC. The amount was to be paid in seven annual installments with a moratorium of two years. The Company requested (October 1997) the Government for waiver of the land cost and did not settle the dues of SMC. In the mean time, it commenced (September 1997) commercial operation of the hotel. The Government turned down (July 2000) the request for waiver of the land cost and directed the Company to pay the land cost along with interest in five annual installments immediately.

The Company, however, did not pay the installments as directed (July 2000) by the State Government immediately. It paid (March 2007) the first installment of Rs.18.91 lakh only. In the mean time, its efforts (October 2002) to franchise the unit (which was incurring losses *ab initio*) did not succeed, as SMC objected to the franchise without settling their dues.

Failure to pay the land cost to SMC deprived the Company from earning revenue of Rs.0.77 crore through franchising.

It was noticed that the Company continued to run the hotel and had incurred operating losses (Rs.2.23 lakh) in the last three years except 2006-07, when it earned operative profit of Rs.1.95 lakh. Thus, failure of the Company to pay the dues of SMC in time despite earning profit deprived it of revenue of Rs.76.96 lakh (worked out on the basis of offer received in October 2002) up to March 2007 through franchising.

The Management stated (April 2007) that it had already floated (March 2007) tenders and was hopeful of franchising at a higher rate than the profit earned by the unit. However, there was no response to this tender and the Company had again floated (July 2007) tender for franchising this hotel. The hotel is yet (September 2007) to be franchised.

Transport division

2.2.17 The transport division of the Company provides transportation facilities to the tourists for visiting various tourist places by operating 19 buses, one tempo traveller and one sumo.

The following table indicates the physical performance of the transport division during the period 2002-03 to 2006-07.

Details	2002-03	2003-04	2004-05	2005-06	2006-07
Number of vans/buses/other vehicle used for tour operation	23	19	20	20	21
Available seat capacity (number of seats per year)	2,11,907	1,86,240	1,84,710	1,86,150	1,85,535
Fleet utilisation (in *per cent*)	70	75	70	71	72
Operated seat capacity for the year on utilised fleet strength	1,48,335	1,39,680	1,29,297	1,32,167	1,33,585

Details	2002-03	2003-04	2004-05	2005-06	2006-07
Sale of package tour tickets converted in seat capacity	81,534	89,993	81,096	85,274	90,818
Percentage of sales against operated capacity	54.97	64.43	62.72	64.52	67.99

Source: Data furnished by the Company.

It may be seen from the table that the actual seat capacity utilised for package tour ranged between 54.97 to 67.99 *per cent* during the period 2002-07 despite the increase in tourist growth. The Management stated (August 2007) that the utilisation of capacity was around 83 to 90 *per cent* from 2004-05 to 2006-07. The reply is not tenable as the higher percentage was arrived based on the number of operated buses and average fleet utilisation. The Company had not considered the un-operated trips/buses due to idling of buses and actual tickets sold converted in seat capacity.

2.2.18 The Company operated 37 types of tour packages covering tourist interest places in Tamil Nadu and the Southern States. Audit scrutiny revealed that 90 to 93 *per cent* of total sales under tour packages were contributed by 14 types of tour packages. The main reason for poor response to other 23 types of tour packages was lack of publicity and awareness among the tourists in other States about the tours being operated by the Company. Out of 14 types of tours, the prime tour was one-day package tour to Tirupathi with Cellar Dharshan, which contributed 28 to 31 *per cent* of the income from the tour packages. Revenue earned from this tour also had gone down in 2005-06 and 2006-07 due to:

- withdrawal of India Tourism Development Corporation's share of 20 tickets per day with effect from March 2006;
- the Company's inability to get the allotment of more than 100 tickets per day for darshan from Tirupathi Devasthanam; and
- competition from tours operated by Andhra Pradesh Tourism Development Corporation Limited, which covers Tirupathi from all other places in Tamil Nadu like Chennai, Erode, Coimbatore, *etc.*

The Management stated (April 2007) that the Company was issuing advertisements and publicity in synergy with Commisionarate of Tourism. Special tours for public sector and IT companies undertaken during 2004-06 resulted in increasing the income. The reply is not tenable as it has been dependant upon one tour package to Tirupathi for revenue. The Company needs to make efforts to increase the response to other tour packages.

Corporate Governance

2.2.19 Corporate Governance is the system by which companies are directed and controlled by the Management in the best interest of the shareholders and ensuring greater transparency and better and timely financial reporting. The BODs are responsible for the governance of their companies.

It was observed that:

- The MDs of the Company were frequently changed by the Government and eight MDs were appointed during the period of review. Frequent change of MDs resulted in delay in taking decision on important issues.
- No meeting of the BOD was conducted with full strength during the review period. One meeting (218th meeting held on 31 March 2006) was deferred due to lack of quorum.
- During the above period, eight Audit Committee meetings were held. The committee comprised of three members including the MD and internal auditors. In none of the meetings, the internal auditors attended in full strength.

Internal Audit

2.2.20 The Internal Audit of the Units of the Company is done by the external agencies. The auditors for undertaking internal audit of the units are selected by calling open tender. The Company selects the Internal Auditors based on their past experience in the similar field and also based on competitive fees quoted. The Internal Auditors are appointed for undertaking internal audit in the units for the specific regions *viz.*, Chennai, Northern, Central, South I and South II. The internal auditors are entrusted to conduct (a) proprietary audit, (b) system audit, and (c) management audit. They are directed to give their report on monthly basis to the MD and to Internal Audit Wing of the Company.

Internal Audit reports were submitted by the internal auditors and necessary follow up action were taken by the units and monitored by the internal audit wing of the Company. Further, the internal audit reports were monitored at MD level and discussed at meetings of the Audit Committee periodically. As on 31 March 2007, 868 internal audit objections were pending for compliance. The Board suggested (July 2006) that serious lapses pointed out by the internal auditors should be brought to the notice of the Board in future.

Conclusion

The Company could not achieve its main objective of promoting tourism in the State. The percentage of tourists availing its facilities was negligible. Inadequate infrastructural facilities in the hotels, inadequate manpower, poor room service, poor maintenance, ineffective publicity and poor management were the main reasons for the poor patronage of its hotels by the tourists. In the catering sector, inadequate control over the food and fuel costs resulted in consumption exceeding the norms. The Company failed to fix the realistic upset price for franchising of the hotels in time. This resulted in operation of these unviable hotels by incurring huge cash losses.

Out of 37 package tours operated by the Company, one package tour to

Tirupathi contributed nearly 30 *per cent* of the total revenue from package tours.

Recommendations

The Company should:

- **run its services professionally if it has to get a major share of tourist growth. Its working force has to be given regular orientation training and motivated to perform better. Fact is that most of its properties are in prime locations which are convenient for tourists.**
- **make efforts to increase the occupancy level by improving/upgrading infrastructural facilities and room service of its hotels. If the private sector can do it so can the Company.**
- **make efforts to bring awareness among tourists about its facilities through aggressive publicity.**
- **improve food and room service in the hotels considered economical to be run by the Company.**
- **prepare a time bound frame work to franchise the remaining identified uneconomical units or to close them to prevent further losses from such units.**
- **take steps to increase the response of tourists to all the package tours operated by the Company.**

The matter was referred to the Government in June 2007; and its reply is awaited (September 2007).

CHAPTER-III

REVIEWS RELATING TO STATUTORY CORPORATION

3 TAMIL NADU ELECTRICITY BOARD

3.1 PERFORMANCE AUDIT ON THE IMPLEMENTATION OF ACCELERATED POWER DEVELOPMENT AND REFORMS PROGRAMME

HIGHLIGHTS

The Ministry of Power (MOP) released funds to the State Government on lump sum basis without any reference to specific schemes. The State Government delayed release of funds to the Board resulting in liability of penal interest of Rs.4.39 crore. The Board incurred additional liability of Rs.2.60 crore towards penal interest due to delay in repayment of loan released by MOP.

(Paragraphs 3.1.8, 3.1.9 and 3.1.10)

Adoption of lesser percentage towards cost of overheads while preparing Detailed Project Reports resulted in lower claims of funds of Rs.80.80 crore from the MOP.

(Paragraph 3.1.14)

Even though funds were not the constraints, the Board has not been able to complete 23 out of 25 schemes even after a delay of three years.

(Paragraph 3.1.17)

The Board reported expenditure of Rs.104.70 crore to MOP in excess of the expenditure actually incurred on the execution of schemes.

(Paragraph 3.1.19)

Purchase of high quality meters instead of static electronic meters in contravention of the decision of MOP resulted in excess expenditure of Rs.13.41 crore.

(Paragraph 3.1.27)

The Board has not been able to reduce the gap between Average Revenue Realisation and Average Cost of Supply and Aggregate Transmission and Distribution losses in spite of implementation of APDRP schemes at a cost of Rs.799.86 crore.

(Paragraphs 3.1.34 and 3.1.35)

Introduction

3.1.1 The Union Ministry of Power (MOP) launched (2000-01) the Accelerated Power Development Programme which was later rechristened (2002-03) as the Accelerated Power Development and Reforms Programme (APDRP). It focused on upgradation of the sub-transmission and distribution systems in densely electrified zones in the urban and industrial areas and improvement in commercial viability of the State Electricity Boards (SEBs).

A Memorandum of Understanding (MOU) was signed (January 2002) by the MOP and the State Government to affirm the joint commitment to the power sector reforms in Tamil Nadu.

National Thermal Power Corporation Limited (NTPC) was to act as the lead Advisor-cum-consultant (AcC) and MECON as the sub-consultant to assist the State Government in formulation of the Detailed Project Reports (DPR) and oversee the implementation of the schemes under APDRP.

The Tamil Nadu Electricity Board (Board) had obtained sanction from MOP for 41 schemes (25 schemes in 2002-03 and 16 in April 2005) at an estimated cost of Rs.948.10 crore for implementation under APDRP. Memorandum of Agreements (MOA) have, however, been signed (between July 2002 and March 2003) by the Board and MOP for implementation of only 25 schemes at an estimated cost of Rs.929.21 crore. The schemes were to be implemented within two years from the date of approval (April to November 2002) of the DPRs *i.e.*, by April to November 2004. Out of 25 schemes, only two schemes have been completed after a delay of one to two years from scheduled date of completion and the remaining 23 schemes are yet (September 2007) to be completed and their implementation has been extended upto March 2008.

The Chief Engineer (Planning) is the nodal officer for implementation of the schemes at the Head office assisted by a Superintending Engineer (APDRP) and supporting staff. The Superintending Engineers of various Electricity Distribution Circles are the Chief Executive Officers (CEO) for implementation of the schemes at the Circle level, who are assisted by Executive Engineers designated as Nodal officers and Junior Engineers designated as Feeder Managers.

The main objectives of APDRP are to

- Reduce the Aggregate Technical and Commercial (AT&C) losses to around 15 *per cent*;

- Achieve commercial viability of the SEBs;
- Reduce the outages and interruptions in supply of power; and
- Increase consumer satisfaction.

Scope of Audit

3.1.2 The Performance review was conducted from December 2006 to March 2007 with a view to assess implementation of the programme during 2002-03 to 2006-07 by the Board with reference to the objectives set for and benefits expected from the programme. The records maintained by the Board at its Headquarters, ten Distribution circles and two construction circles relating to seven schemes selected out of 25 schemes were examined. The seven* schemes selected for the performance review estimated to cost Rs.534.09 crore (57.48 *per cent*) of the total estimated cost of Rs.929.21 crore for the 25 schemes.

Audit objectives

3.1.3 The performance review was conducted to ascertain whether:

- the DPRs of the APDRP schemes were prepared realistically to get maximum benefits and achieve the objectives of the programme;
- the required funds for the programme were assessed realistically and the funds were sanctioned, released and utilised efficiently, economically and effectively;
- the schemes were implemented efficiently, economically and effectively as per the guidelines of the programme for achievement of the objectives of the programme; and
- the programme provided for effective monitoring mechanism at all levels and monitoring was done accordingly.

Audit criteria

3.1.4 The audit criteria adopted for assessing the achievement of audit objectives were:

- Targets and benchmarks laid down in the MOUs and the MOAs and the guidelines issued by MOP and the State Government;
- Projections and targets set out in the DPRs;
- Terms and conditions of the loan agreements; and
- Terms and conditions stipulated in the purchase/work orders and contracts *etc.*

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* 1.Chennai Metro consisting of Chennai North, Central, West and South, 2.Coimbatore Metro, 3.Salem Urban, 4.Chengleput, 5.Thiruvallur and Thiruthani, 6.Vridhachalam and 7.Panrutti.

Audit methodology

3.1.5 The methodology adopted for achieving the audit objectives with reference to audit criteria were examination of:

- Benchmark/conditions of the MOUs/MOAs and the guidelines issued by GOI/State Government;
- Policy formulated by the Board for implementation of the programme;
- DPRs, Tender files, Purchase Order files, Land Acquisition files and other records relating to the execution of the programme;
- Monthly progress reports on physical and financial performance;
- System of monitoring, Internal control and MIS reporting; and
- Issue of audit enquires and interaction with the Management.

Audit findings

Audit findings arising from the performance review were reported (June 2007) to the Chairman of the Board and to the State Government and also discussed (27 July 2007) in the meeting of Audit Review Committee for State Public Sector Enterprises (ARCPSE). The meeting was attended by the Secretary to the Government of Tamil Nadu, Energy Department and the Member (Accounts), Member (Distribution) and Chief Engineers of various disciplines of the Board. The views expressed by the representatives of the State Government/Board in the meeting have been taken into consideration while finalising the performance review. Audit findings are discussed in the succeeding paragraphs.

Funding pattern

3.1.6 GOI's funding under APDRP has the following two components:

- Investment component for strengthening and upgradation of the sub-transmission and distribution system with a view to reduce the Transmission and Distribution (T&D) losses; and
- Incentive component to encourage/motivate the SEBs to reduce the cash losses.

Investment component

3.1.7 As per the terms of MOA, 50 *per cent* of the project cost was to be provided by GOI through a combination of grant (25 *per cent*) and loan (25 *per cent*) to the State Government as an additional Central Plan Assistance. The remaining 50 *per cent* of the project cost was required to be arranged through counterpart funding from Rural Electrification Corporation (REC)/Power Finance Corporation (PFC)/other Financial Institutions. GOI withdrew (November 2005) the loan component under the Central assistance for APDRP and since then the Board had to arrange the funds for this component from the market.

Release of funds

3.1.8 The MOP released funds to the State Government on lump sum basis, without any reference to the specific scheme. The details of funds released by the GOI, the State Government and funds mobilised from REC during 2002-03 to 2006-07 and the expenditure reported by the Board to MOP (up to May 2007) are given in **Annexure-15**. It could be seen from Annexure-15 that the State Government had released Rs.4.78 crore over and above the amount released by the GOI. The Board had received Rs.839.37 crore against which expenditure of Rs.799.86 crore was incurred (up to May 2007) leaving a balance of Rs.39.51 crore (4.71 *per cent*) unutilised. The Board stated (July 2007) that some of the works were yet to be executed and the unutilised portion would be utilised on these works in 2007-08.

Delay in release of funds

Delayed release of funds by the State Government has attracted the penal interest of Rs.4.39 crore.

3.1.9 As per MOP guidelines (June 2003), the State Government would release the funds for APDRP to the State Power utility within a week, otherwise it would be treated as diversion of funds, and MOP would adjust 10 *per cent* penal interest from the next instalment of the Central Plan Assistance to be released to the State Government. It would be seen from the **Annexure-16** that there were substantial delays ranging between 22 to 201 days in release of funds by the State Government to the Board.

At the stipulated rate, the liability on account of penal interest for the delay in release of funds by the State Government to the Board worked out to Rs.4.39 crore (August 2007). The Board stated (July 2007) that the delay was necessitated due to procedural requirements for release of funds by the State Government. The reply is very casual as it shows that no action was being taken by the State Government to expedite the release of payment to the Board. Delays in release to the Board had a cascading effect as it delayed work execution in the Board. Further the loan portion attracted interest though the principal amount was not used by the Board.

Avoidable liability towards penal interest

Non-payment of loan dues to the State Government within the stipulated time resulted in additional liability of Rs.2.60 crore towards penal interest.

3.1.10 As per the terms of sanction of loans released by MOP under the programme, the Board had to make periodic repayment of the loan to the State Government as per the repayment schedule, together with interest. The Board, however, was not adhering to the repayment schedule. On account of non-payment of the dues to the State Government within the stipulated time, the Board had to bear additional liability of penal interest of Rs.2.60 crore till 31 March 2007.

The Board stated (July 2007) that the State Government was approached (June 2006) for waiver of the penal interest arising out of the delayed repayment of principal and interest. The State Government is yet (August 2007) to consider the request of the Board.

Non maintenance of separate bank account

The Board did not maintain separate bank accounts for operation of APDRP funds. In the absence of which, the utilisation of funds for APDRP schemes could not be vouchsafed in audit.

3.1.11 Apart from the separate bank account required to be opened at the Headquarters of the Board for operation of the APDRP funds, each Superintending Engineer designated as the CEO for implementation of the schemes had to open a separate bank account within a month of signing the MOUs, for depositing the revenue arising from implementation of the schemes. It was noticed that though the Board had opened (May 2003) an account with the Canara Bank for keeping the funds received for APDRP, it did not operate the same. Cheques received for APDRP schemes were deposited in the Board's regular cash credit account. Besides, no separate bank accounts were opened by the CEOs at the circle level. The Board stated (July 2007) that no such accounts were operated in order to avoid interest loss. The reply is not acceptable since the guidelines issued by MOP provided for opening of separate bank accounts. Further, in the absence of operation of separate bank accounts, appropriate utilisation of funds received for the schemes under APDRP could not be vouchsafed in audit.

Incentive component

3.1.12 In order to motivate the SEBs and to enable them to achieve commercial viability, an incentive component (grant) formed part of the APDRP funding by GOI. Under the scheme, the SEBs would be given cash incentive upto 50 *per cent* of the actual total cash loss reduced by the SEBs. The reduction of cash loss was to be calculated reckoning 2000-01 as the base year. By way of further clarification, MOP intimated (March 2006) that once cash loss reduction had been achieved in any year, that year would automatically be the base year for calculation of cash incentive for the subsequent year. MOP further reiterated that as long as there was no reduction in cash loss, the base year would remain as 2000-01 and would not be changed.

Failure to achieve reduction in cash loss resulted in denial of cash incentive of Rs.485.51 crore to the Board.

The claim of Rs.485.51 crore for the years 2002-03 and 2003-04 (considering 2001-02 and 2002-03 as base year respectively) towards the cash incentive lodged (July 2005 and September 2005) by the Board was rejected (March 2006) by MOP on the ground of non-reduction of cash loss as compared to the base year 2000-01.

The Board stated (September 2006) that on account of huge cost of purchase of power from Independent Power Projects they could not achieve reduction in cash loss and they had requested MOP for a change in the base year from 2000-01 to 2001-02. The reply of MOP is still awaited (August 2007).

Project formulation and planning

3.1.13 The Board submitted (December 2001 to November 2002) 25 DPRs to NTPC, which were approved (April 2002 to November 2002) by the MOP. The MOP revised (September 2002) the original estimates sanctioned for three schemes *viz.*, Coimbatore (South), Pudukottai and Villupuram from Rs.113.57 crore, Rs.81.89 crore and Rs.62.50 crore to Rs.70.26 crore, Rs.64.32 and

Rs.103.08 crore respectively based on the DPRs prepared by MECON. The Board, however, did not agree (December 2002) to the revised DPRs and requested MOP to approve the original DPRs. MOP has not replied so far (September 2007).

Deficiencies in the Detailed Project Reports

Adoption of lesser percentage towards cost of overheads while preparing DPRs in respect of APDRP schemes resulted in lesser claims of Rs.80.80 crore from MOP.

3.1.14 The Board has been adding 25 *per cent* of the value of works as overhead cost on account of establishment cost, interest charges *etc*., for accounting the expenditure in the accounts. However, while preparing the DPRs, the Board adopted only 15 *per cent* for such purpose. The adoption of a lower percentage in the DPRs resulted in under estimation of the expenses and in the process the Board lost an opportunity of claiming Rs.80.80 crore (including Rs.20.20 crore as grant) from GOI. The Board stated (July 2007) that additional charges would be included at the time of preparation of the completion reports. The reply is not tenable as the additional amount would not be allowed by MOP as the same was not included in the DPRs.

3.1.15 The Board, at the time of initial preparation (November 2002) of the DPRs, adopted lump sum value of Rs.42.75 crore for erection of 849 Distribution Transformers (DTs) in the Chennai Metro Circles. However, it was observed that the actual expenditure incurred on erection of these DTs was only Rs.23.81 crore, which indicates that the estimates in the DPRs were made on ad-hoc basis. On account of such ad-hoc preparation of the DPRs, funds to other deserving works could not be allocated. The Board stated (July 2007) that exact location of each DT could not be assessed and hence only tentative estimate was included in the DPRs. The reply is not tenable as inclusion of tentative estimates in the DPRs defeats the very purpose of its preparation.

The Board could not utilise funds of Rs.23.59 crore allocated for establishment of three sub stations due to non-acquisition of lands for the same.

3.1.16 The Board had prepared (November 2002) DPRs for the construction of three[∝] sub stations. In the case of first two[*] sub-stations, it was indicated in the DPRs that land was available and no land cost was included in the estimate. In respect of the third one, the land cost was indicated as Rs.20 lakh in the estimate. It was, however, noticed that for all these three sub stations, the Board has yet to acquire the land (August 2007). This resulted in non utilisation of Rs.23.59 crore sanctioned (November 2002) and received (between March 2003 and July 2004) for construction of these sub-stations.

Project implementation and monitoring

3.1.17 As per MOP guidelines (June 2003), the State Government/State Power utilities were required to submit monthly report on the progress of execution of the schemes, utilisation of funds, *etc*. Implementation of the schemes was to be done as per the DPRs which specified the targets with respect to each item of work and overall objectives to be achieved. Accordingly, the Board had been reporting the physical and financial progress of the schemes under APDRP to MOP on monthly basis. The financial progress of the various

∝ Kilpauk Police Quarters, Lady Wellington and Teacher's Colony.

* Kilpauk Police Quarters and Lady Wellington.

schemes under APDRP as on 31 May 2007 is given in **Annexure-17**. As per Annexure-17, 25 schemes were to be completed by November 2004. The Board, could, however, complete only two schemes after a delay of one to two years. The remaining 23 schemes were yet (September 2007) to be completed even after a delay of three years though funds were not the constraint. These schemes are expected to be completed by March 2008.

3.1.18 Audit scrutiny of the financial and physical progress reports revealed that the data furnished by the Board to MOP differed from the actual figures. The physical progress reported was based on the number of work orders issued and the financial progress was based on the value of the estimates contained in the DPRs and not on the basis of value of work actually executed. A comparison of the physical and financial progress as on May 2007 with the work orders and completion reports for the selected schemes disclosed the following discrepancies:

The Board reported excess expenditure of Rs.88.14 crore, in respect of Chennai Metro scheme to the MOP, as against the expenditure actually incurred.

3.1.19 The Board reported excess expenditure of Rs.88.14 crore in respect of 24 sub stations (SS) constructed in Chennai Metro as detailed below:

Particulars	**Chennai Metro Circles**				
	North	**South**	**West**	**Central**	**Total**
No of SS targeted as per DPR	8	10	4	7	29
No of SS reported to have been completed as per the return sent to MOP (as on May 2007)	7	9	4	4	24
No of SS actually completed (May 2007).	7	9	4	4	24[♦]
Estimated cost as per the DPRs (Rupees in crore)	31.04	79.88	39.02	66.04	215.98
Expenditure reported to MOP (Rupees in crore)	22.55	84.62	32.87	28.60	168.64
Expenditure actually incurred upto May 2007 (Rupees in crore)	10.83	41.35	15.51	12.81	80.50[∝]
Excess expenditure reported to MOP (Rupees in crore)	11.72	43.27	17.36	15.79	88.14

Source: DPRs and Progress Reports.

♦ Padi and Thirumullaivoyal Sub-stations were commissioned with one power transformer against two power transformers contemplated in the DPR.

∝ Value arrived with reference to work order closing.

Similar discrepancies in respect of some other items of work are given in the table below:

The Board reported excess expenditure of Rs.16.56 crore on installation of Distribution Transformers and Distribution Transformer Meters

Sl. No.	Particulars	Chennai Metro Scheme		Vridhachalam Scheme	
		DT♣ Meters	DT♣	Single Phase meters	Three phase meters
1.	Quantity as per the DPR (Numbers)	1,118	849	4,435	1,901
2.	Quantity reported to MOP as completed up to May 2007 (Numbers)	1,118	849	4,435	1,901
3.	Quantity actually completed up to May 2007 (Numbers)	283	849	4,435	1,901
4.	Cost estimate as per the DPRs (Rupees in crore)	2.16	42.75	0.33	0.35
5.	Cost incurred as per the return sent to MOP (Rupees in crore)	2.16	39.12	0.33	0.35
6.	Expenditure actually incurred up to May 2007 (Rupees in crore)	0.91	23.81	*	*
7.	Expenditure reported in excess (Rupees in crore) (5-6)	1.25	15.31	----	---

Source: DPRs and Progress Reports.

It will be seen from the above that:

- as against the reported physical progress of work in installation of DT meters in Chennai Metro, the Board had actually achieved less number resulting in excess claim for 835 meters costing Rs.1.25 crore. Excess reporting of financial progress amounting to Rs.15.31 crore was also noticed in respect of installation of Distribution Transformers.
- the expenditure reported to MOP in the case of single phase and three phase meters in Vridhachalam scheme was exactly tallying with the DPR estimates, whereas the actual expenditure was yet to be finalised (August 2007).

3.1.20 The financial achievement in erection of 36 Power Transformers under the scheme of enhancement of the power transformers (Rs.20.01 crore) and establishment of 24 sub-stations (Rs.165.93 crore) in Chennai Metro was reported to MOP. Audit noticed that an amount of Rs.2.82 crore was stated to have been spent on use of 13 old Power Transformers (three at Rs.0.77 crore in the enhancement work and ten at Rs.2.05 crore in establishment of sub-stations). As there was no cash outgo on erection of the old Power Transformers, there was misreporting to the extent of Rs.2.82 crore.

Thus, there had been discrepancies in the data furnished to MOP and the administrative interventions to ensure correctness and accountability was

♣ Distribution Transformer.

* Not yet finalised.

absent in the Board. It can also not be ruled out that reporting of excess expenditure was resorted to, to prevent reduction in next year's grants and lapse of funds.

The Board while accepting the facts stated (July 2007) that the financial progress was based on the estimated rates contained in the DPRs as was being adopted for the REC and PFC funding schemes and there was no clear cut procedure/guideline for reporting the works under APDRP. The reply of the Board is admittance of the deficiencies in internal control to ensure correct reporting and control on the work.

Monitoring

3.1.21 In order to ensure proper implementation of the project, the Board was required to constitute a Distribution Reforms Committee (DRC) comprising the Secretary, Energy Department of the State Government, Chairman of the Board, a representative from NTPC and a representative from Central Electricity Authority or MOP.

It was noticed that ever since commencement (April 2002) of the scheme, only three DRC meetings were held (January 2003, July 2003 and December 2005), as against the required 30 meetings to be held between April 2002 and May 2007.

This resulted in poor monitoring of the progress of the work and consequently, the completion of schemes got delayed by more than three years. These schemes are now expected to be completed by March 2008.

Execution of work

Construction of sub-stations

3.1.22 The DPRs included construction of 72 sub-stations at a cost of Rs.292.29 crore (between April 2002 and November 2002). Out of these 72 sub stations, 65 sub stations were completed (September 2002 to June 2006) at a cost of Rs.234.88 crore. The work of two≠ sub stations was under progress as on September 2007. Further, construction of three• sub stations in Chennai Metro Circles and two∍ sub stations in Chengalpattu Distribution Circle could not be taken up (September 2007) due to non availability of land. Test check of records of construction of three sub stations in Chennai Metro Circles revealed the following deficiencies:

≠ Cooks Road and Sholinganallur.

• Kilpauk Police Quarters, Lady Wellington and Teachers Colony.

∍ Adayalacheri and Alathur.

Delay in handing over of its own site to the contractor led to enhancement in estimated cost on the construction of sub-station by Rs.0.26 crore.

3.1.23 There was delay of one year in handing over of its own site by the Board to the contractor for establishment of the sub station at Cooks Road. This resulted in revision (January 2005) of the estimated cost from Rs.21.94 crore to Rs.22.20 crore. The Board stated (July 2007) that the delay was due to re-locating of the central store existing on that site. The reply is not tenable as the site (Kannadasan Nagar 33/11 KV premises) to which the store was to be re-located also belonged to the Board and hence it could have avoided the delay. Thus delay in handing over the site to the contractor resulted in enhancement of the estimated cost on the construction of the sub-station by Rs.26 lakh.

Delay in acquisition of land for establishment of sub station led to cost overrun by Rs.11.33 crore in the land cost.

3.1.24 The Board estimated (November 2002) a cost of Rs.6.78 crore for establishing a 33/11 KV sub station at Sholinganallur. The land for this sub-station was to be acquired at a cost of Rs.50 lakh. It was noticed that the land was acquired (March 2006) for Rs.11.83 crore. The reasons for delay in acquiring the land are not on record. The work was yet to be completed (September 2007). The Board stated (July 2007) that due to urbanisation and declaration (2004-05) of Old Mahabalipuram Road (where the site is located) as IT Corridor, the cost of land increased manifold. The reply is not tenable as the Board delayed the acquisition of land by more than three years from the date of approval of DPR. Thus, delay in acquisition of land resulted in acquisition of land at an extra cost of Rs.11.33 crore. Further, the Board may not be able to recover the extra expenditure on the acquisition of land since the same was not covered under DPR.

3.1.25 The Board failed (November 2002) to include the following works in the DPR for schemes under APDRP and executed them under its normal capital programme. It, however, included them in the Progress Report of execution of APDRP schemes of May 2007 as sent to MOP.

(Rupees in crore)

Sl. No	Name of the work	Expenditure
(a)	Laying of 33 KV feeder (UG Cable) for back feeding between Sembiam and Paper Mill Road sub-stations	1.55
(b)	Laying of 33 KV feeder (UG Cable) from Chintadaripet to Spencer Plaza sub-station	1.22
(c)	Execution of three 11 KV feeders (Moolakadai, Andal Avenue and Jambuli) in India Piston sub-station	0.60
	TOTAL	**3.37**

Source: Progress Reports.

The Board stated (July 2007) that since mandatory items such as feeder metering, DT metering, ADLS computerised billing *etc.*, had to be included in the APDRP schemes, some of the other items such as erection of new SS, laying of feeders *etc.*, were not included in these DPRs. The reply is not tenable as the newly constructed sub stations required laying of direct feeders for ensuring the reliable supply of power, as such these items ought to have been included in DPRs for APDRP works. Further, the Board may not be able to recover the amount from the MOP since these were not included in the original DPR.

Procurement

3.1.26 The Board procured equipment required for the APDRP schemes under its normal process along with the items required for its other schemes. The Audit scrutiny revealed the following discrepancies in procurement of capital items.

Extra expenditure in procurement of meters

Purchase of high quality meters instead of static electronic meter in contravention of the decision of MOP resulted in extra expenditure of Rs.13.41 crore.

3.1.27 NTPC asked (July 2003) the Board to ensure that only Static/Electronic meters are procured under APDRP as per the decision of MOP. Instead the Board decided (February 2005) to procure 7,50,000 single phase High Quality Meters on the ground of meeting the urgent requirement for APDRP before 31 March 2005. The orders for the supply of the High Quality Meters were placed (February 2005) with 6 firms at an all-inclusive price of Rs.539.70 per meter for a total value of Rs.38.93 crore.

It was observed that the Board had already finalised (September 2004) purchase of 2,50,000 single phase Static Energy Meters to meet the requirement under APDRP for the year 2004-05 at all inclusive price ranging from Rs.343.73 to Rs.360.94 per meter for a total value of Rs.8.87 crore. Thus, the decision of the Board to purchase costly High Quality Meters, against the instructions of MOP was not justified. This resulted in avoidable extra expenditure of Rs.13.41 crore (Rs.539.70 –360.94 X 7,50,000).

The Board stated (July 2007) that revenue loss on purchase of Static Energy Meters would work out to Rs.15 crore at the failure rate of more than 10 *per cent* over a period of five years. The reply is an afterthought as no such reasoning was recorded at the time of procurement. Further, the Board has not furnished details of failure of the Static Energy Meters received from the field and in any case the warranty period for the Static Meters was five years.

Idling of Distribution Transformer meters

Distribution transformer meters valuing Rs.2.82 crore were lying idle for more than a year.

3.1.28 The Board purchased (December 2005) 20,000 Distribution Transformer (DT) meters at a cost of Rs.20.31 crore. On a test check it was observed that at the end of March 2007, 2,773 DT meters valuing Rs.2.82 crore remained idle for over a year in various stores in Chennai Metro Circles mainly due to technical problems and defective specifications. This resulted in blocking of funds of Rs.2.82 crore besides losing at least one year of guarantee period (DT meters are guaranteed for 60 months from the date of receipt of meters in good condition in the store). The Board accepted (April 2007) that difficulties were encountered in connecting the cables to the Current Transformers and alternate methods for installation of the DT meters were under study. The reply is not tenable as idling of the DT meters resulted from defective technical specifications which should have been taken care before procuring the DT meters.

Impact of the programme

Consumer metering

3.1.29 One of the important objectives of the programme was metering of all the electrical systems and service connections so as to ensure accurate billing and accounting of energy supplied in the network.

Audit scrutiny revealed that in respect of consumer metering, though the Board could achieve the target as envisaged in the APDRP, it failed to comply with the conditions of MOU of 100 *per cent* metering of all consumer services by 31 December 2003. Out of 185.82 lakh consumers of all categories, 28.58 lakh agricultural and hut services were yet to be provided meters as on 31 March 2007.

The Board stated (July 2007) that the shortfall in achievement was on account of huge expenditure to be incurred and had sought extension of time from the Tamil Nadu Electricity Regulatory Commission to complete the work by March 2009.

Due to non-achievement of 100 *per cent* metering of the system and service connections, the Board could not

- prepare energy accounts and audit at all levels to identify the system/feeder having huge/abnormal losses/theft of energy, *etc.*,
- achieve accurate billing of energy consumed as the Board continues to bill on ad-hoc basis for the unmetered agricultural and hut services and
- calculate accurately the T&D losses.

Energy accounting and Auditing

The Board did not comply with the conditions of MOA regarding energy accounting and auditing resulting in ineffective control on loss of energy.

3.1.30 Energy accounting and audit (EAA) of energy flowing through each 11KV feeder to the Distribution transformers and ultimately to the consumers end on actual meter reading basis has been made as one of the important parameters of APDRP. As per the commercial clause of Distribution Reforms and Performance conditions stipulated in the MOA and MOUs, the Board had to maintain reports of EAA as under:

- From the point of import up to 11KV outgoing feeder – substation wise accounting of input and output on monthly basis with immediate effect. Where metering of feeders was not completed, this had to be done on a normative basis. However, the meter based accounting had to be put into place within nine months of signing (January 2002) of the MOU.
- Individual feeder wise accounting and audit to cover all consumers on the feeder once in two months commencing within three months of the date of installation of feeder meters.

It was observed that the Board had not complied with the conditions of MOA regarding EAA. The Board while agreeing to the fact stated (July 2007) that installation of DT meters was under progress in Chennai and after the procurement of Automatic Data Loggers by March 2008, energy accounting and auditing upto the DT level for all HT feeders and upto the consumer level in urban feeders would be possible. The fact remains that as a result, the Board had lost an opportunity to focus its attention on effective control of loss of energy.

Reliability and quality of power supply

3.1.31 The performance parameters to ensure quality and reliability of power supply are:

- frequency of feeder tripping and average duration of feeder outages,
- failure rate of the Distribution Transformers,
- average Power Factor, and
- number of complaints from the consumers and disposal time of the same.

In the case of feeder trippings/outages, DT failure rates and consumer complaints, the following deficiencies were noticed:

Feeder trippings and outages

Increase in man hour/duration of tripping in feeder both in Chennai and in Mofussil areas.

3.1.32 Despite huge investment of Rs.799.86 crore, there had been no significant improvement in the reduction of feeder trippings during 2004-07 as compared to feeder trippings during the pre-APDRP level (2001-02) in the seven schemes reviewed in audit as detailed in **Annexure-18.** It may be observed from Annexure that the anticipated reduction in feeder trippings could not be achieved due to:

- non-implementation of Consumer Indexing and installation of Data loggers which could have helped in identification of overloading of equipment, better load management and maintenance of equipment, and
- slow pace of work in commissioning of the system upgradation.

The Board stated (July 2007) that except in 2005-06, when there was unprecedented rain and floods, there was generally a reduction in tripping of the HT feeders. It was, however observed that the number of trippings was still on the increase during 2006-2007 in all the areas.

DT failure rate

3.1.33 DT is a key component of the distribution network and its failure not only results in financial loss to the utility but also adversely affects consumer satisfaction due to interruption in power supply. The high failure rate of DTs is caused by a combination of factors *viz.* overloading of DTs, improper earthing and protection, improper fuses, inadequate preventive maintenance, *etc.* It was noticed that there had been increase in the DT failure rate in 13 out of 25 schemes between 2002-03 and 2006-07 as could be seen from the details given in **Annexure-19**. The failure rate ranged from 0.29 *per cent* to 17.19 *per cent* in 2006-07. In Villupuram, Pudukottai and Kurinjipady Town, it was more than 10 *per cent* in 2006-07. Thus, the consumers had to suffer the erratic power supply.

Gap between the Average Revenue Realisation (ARR) and Average Cost of Supply (ACS)

3.1.34 One of the central objectives of the APDRP was to achieve commercial viability of the SEBs. This could be achieved only by elimination of the gap between the cost of supply and the revenue realised per unit of power. The Board has not been able to determine circle-wise actual ACS as the distribution circles were not operating as real profit centers with adequate delegation of technical, financial and commercial powers. In the absence of circle-wise actual ACS, the revenue gap was worked out by the Board by taking the overall cost of the Board. The details of revenue gap between ARR and ACS for the years 2001-02 to 2006-07 of all the 25 schemes as worked out by the Board are given in **Annexure-20.** It could be seen from the Annexure that:

- The ARR of the circles did not match with the ACS in respect of 18 out of the 25 schemes.
- The revenue deficit showed an increasing trend in 15 schemes and it ranged from 5 paise to 206 paise for every unit of energy supplied.
- In five schemes, the revenue deficit was more than a rupee per unit of energy sold in 2006-07.
- In seven schemes, which had revenue surplus, the revenue surplus was coming down in four schemes.

Audit further observed that on account of increasing revenue gap year after year, the Board could not reduce its annual revenue deficit, which had remained at over Rs.1,000 crore per year since 2000-01. The deficit at the end of 2006-07 was Rs.1,896.48 crore (provisional). Thus, the APDRP scheme did not bring the expected reduction in revenue gap in the State. As such, the Board was not entitled to avail the incentive for reduction in losses as discussed in the paragraph.3.1.12 *ante*.

The Board stated (July 2007) that the uniform cost of Rs.2.40 per unit at grid level supply was adopted for all the 37 circles and other costs involved in the distribution were loaded for arriving at the ACS for each circle based on the assets and other infrastructure in the respective circle. It was, however, noticed that no such exercise was done by the Board and only uniform rate of ACS (Rs.2.40 per unit) was adopted for all the circles. The Board did not furnish reply to the observation about non reduction of the revenue gap.

Reduction in AT&C losses

3.1.35 AT&C losses include the Transmission and Distribution losses and the commercial loss resulting from non-billing of energy consumed and non-realisation of billed amount. In compliance to the benchmark parameters set to be achieved under the programme, the Board had furnished AT&C losses for the 25 schemes, which are given in **Annexure-21**.

On verification of the AT&C losses as reported by the Board, it was noticed that the transmission loss from the generation end to the sub-station end was not included in the computation. The transmission loss worked out to 11.70 *per cent* in 2006-07. If the same is taken into account, the actual AT&C losses in 2006-07 would be far more than the one reported by the Board. The AT&C losses in 2006-07 after inclusion of 11.70 *per cent* of transmission loss were ranging from 17.52 *per cent* to 78.47 *per cent* in the 25 schemes and thus the Board has not achieved the target of 15 *per cent* in any of the scheme.

Thus, the Board had not only failed to achieve the targeted loss but also adopted unrealistic figures in its account besides reporting wrongly to GOI. Notwithstanding the above, the accurate estimation of the losses could not be ensured in audit for the following reasons:

- Non-inclusion of the transmission loss in the computation made by the Board.
- Failure to carry out the energy accounting.
- Shortfall in 100 *per cent* metering at all levels in the system and consumer services, and
- Non completion of computerisation of the LT revenue billing.

Test check of benchmark parameters in respect of Chennai Electricity Distribution Circle (South) revealed that AT&C loss in the circle increased from 5.96 *per cent* (in 2001-02 pre-APDRP level) to 9.89 *per cent* (in 2006-07) in spite of investment of Rs.110.80 crore on implementation of APDRP schemes. This resulted in loss* of 121.77 million units (over the pre-APDRP level of 2001-02) valuing Rs.41.74 crore during 2002-03 to 2006-07.

The Board stated (July 2007) that State level benchmark of 15 *per cent* AT&C losses was targeted with the hope that funds would be available for all the Electricity Distribution Circles, whereas the area covered by APDRP was about 40 *per cent* of the total network. It was also stated that any further reduction of the loss would involve huge financial outlay. The reply is not acceptable as even in the circles where the Board had implemented the APDRP scheme at a cost of Rs.799.86 crore, it could not achieve the reduction in AT&C losses to the targeted 15 *per cent*.

* Worked out at Average Revenue Realisation per unit in the respective years

Prevention of theft

3.1.36 Theft of energy, in the form of unauthorised connections from the electricity supply system, willful tampering of meters, by-passing of meters *etc.*, by the consumers, constitute a substantial part of commercial loss. Hence, vigilance and legal measures to prevent the theft are critical to reduce the non-technical/commercial loss. The "Guidelines for reduction of Transmission and Distribution Losses" issued (February 2001) by the CEA prescribe various measures for reducing the commercial/non-technical losses. One such measure was setting up of vigilance squads/anti power theft squad (APTS) for conducting surprise checks at the consumer premises to detect pilferage of energy and other malpractices.

Audit scrutiny revealed that as against 24 APTS functioning in the pre APDRP year, the Board was operating only 17 APTS since 2004 which had a direct impact on the effective outcome of the vigilance function. The table below indicates the position with regard to the functioning of the enforcement wing of the Board for the six years ending 2006-07:

S.No.	Details	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
1.	Total number of services (in lakh)	153.43	156.52	163.38	170.34	178.03	185.82
2.	Number of services inspected by the squads	98,427	1,03,626	1,11,772	1,16,966	1,16,730	1,19,049
3.	Percentage of services inspected	0.64	0.66	0.68	0.68	0.65	0.64
4.	Number of cases of energy thefts detected	1,841	1,903	2,342	2,589	2,715	2,910
5.	Percentage of detection of theft to that of services inspected	1.87	1.84	2.10	2.21	2.33	2.44
6.	Provisional assessment of theft cases (Rupees in crore)	21.22	9.65	27.05	8.18	7.32	11.87
7.	Collection (Rupees in crore)	7.52	6.11	8.16	7.88	6.39	7.99

Source: Data furnished by the Board.

The percentage of theft detected by the enforcement wing was a meagre two *per cent* of the service connections inspected.

It will be seen from the above that the number of services inspected to the total services during the five years ending 2006-07 was less than one *per cent.* The percentage of theft detection was a meagre two *per cent* of the total number of service connections inspected by the squads.

Conclusion

The Board has not been able to complete 23 out of 25 schemes under APDRP even after a delay of three years even though funds were not the constraint. There was delay in release of funds by the State Government to the Board. The Board reported to MOP expenditure in excess of the expenditure actually incurred. The Board did not comply with the conditions of MOA regarding energy accounting and auditing thereby losing an opportunity to focus attention on effective control of energy loss.

The Board has not been able to reduce the revenue gap between ARR and ACS and AT&C losses in spite of implementing APDRP schemes at a cost of Rs.799.86 crore.

Recommendations

- **The Board must ensure timely completion of schemes under APDRP by proper planning, monitoring and control, if full benefits under APDRP are to be achieved.**
- **The State Government should release all the funds under APDRP without any delay so that works are not delayed in the Board.**
- **The Board should send accurate reports to MOP to avoid misreporting of expenditure incurred under APDRP.**
- **The Board should put in place the effective energy accounting and auditing to avoid loss of energy.**
- **The Board should take concrete steps to reduce revenue gap and AT&C loss so as to ensure its commercial viability.**

The matter was referred to the Government in June 2007; and their reply is awaited (September 2007).

3.2 INFORMATION TECHNOLOGY AUDIT OF COMPUTERISATION OF LOW TENSION REVENUE BILLING

HIGHLIGHTS

The software in Hand Held Device was incomplete and the billing software in the regional server was deficient in various billing components like power factor penalty, Kilo Watt Hour penalty, average billing and billing of door lock cases.

(Paragraphs 3.2.11, 3.2.13 to 3.2.22)

Inaccurate master data relating to critical fields and absence of input controls rendered the assessments vulnerable to errors.

(Paragraphs 3.2.26 and 3.2.27)

The deficient software coupled with manual interventions led to scope for errors in assessments of Current Consumption charges. Audit observed discrepancies in the assessments in Chennai (North) region for the period April to December 2006.

(Paragraphs 3.2.29 and 3.2.30)

Weak password controls rendered the data vulnerable to unauthorised modifications.

(Paragraph 3.2.31)

Introduction

3.2.1 The main functions of the Tamil Nadu Electricity Board are to generate, transmit and distribute electricity in the State of Tamil Nadu. One of the major sources of revenue to the Board is from supply of electricity to the Low Tension (LT) consumers. A consumer who avails supply of electricity at a voltage ranging from 250 to 650 volts with a sanctioned load upto 112 KiloWatts (KW[1]) is called as a LT consumer. The consumers of LT are broadly classified into six categories *viz*, Domestic (Tariff-I); Street light, Public water supply, recognised educational institutions and temples (Tariff-II); Industry (Tariff-III); Agriculture (Tariff-IV); Commercial (Tariff-V) and Temporary supply (Tariff-VI).

3.2.2 The Board proposed (January 2005) to computerise LT revenue billing in the State covering 615 out of 2,420 section offices under phase-I at a cost of Rs.113.55 crore to be completed by March 2006. The project was, however, completed at a total cost of Rs.52.14 crore due to integration of wireless network into wired network and the computerised billing commenced in April 2006 in 615 section offices.

3.2.3 The main objectives of computerisation are to reduce the errors and mistakes in assessment of the LT services, to provide improved services to the consumers by having a real-time system, to improve productivity in the assessment work and to ensure ready availability of management information.

3.2.4 The computerised system consisted of hand held devices (HHD[2]) for calculating the current consumption charges (CC charges) on entering of the meter readings by the assessor[3], local servers at the section offices, a centralised server at the regional level (Chief Engineer's office), and computers for the various users including the Billing Assistants and Assistant Accounts officer in the revenue branch. The section offices, revenue branch and the regional server are linked through network. The processed data in the HHD is uploaded to the regional server through the local servers. Wherever HHD is not used for assessments, the Billing software installed in the regional server performs the assessment of CC charges on entering of the meter readings directly by the Billing Assistants.

3.2.5 The LT billing system was designed as a web-based application under three-tier architecture. The client tier provides user interface in PHP (Hypertext Preprocessor) which makes request to the middle tier *viz.*, web server. The backend-tier containing the information in Oracle Database Management System is functioning on Linux operating system in the regional server.

3.2.6 The LT billing system contains five modules *viz* (i) assessment module (ii) collection module, (iii) application module, (iv) revenue accounting and

1 A measure of power equal to 1,000 Watts.
2 A small pocket sized computing device.
3 An employee in the Section Office responsible for making assessment of CC charges.

(v) management information system. While the HHD was designed to handle the assessment module, the billing software installed in the regional server was designed to handle all the modules, including the assessments that could not be performed by the HHD.

Audit objectives

3.2.7 The audit objectives framed to evaluate computerisation of the LT revenue billing are:

- whether appropriate methodology for system development and implementation was adopted.
- whether the IT controls in place were adequate and effective.
- whether the business rules as stipulated by the Tamil Nadu Electricity Regulatory Commission and all the billing components have been embedded in the software.
- whether the computerised system ensured data integrity and security.
- whether the objectives of computerisation were achieved and
- whether the prescribed purchase procedures were complied with and the IT infrastructure created was reasonably utilised.

Audit scope and methodology

3.2.8 The IT audit conducted during December 2006 to June 2007 covered examination of the procurement contracts and records related to computerisation at the Board's Headquarters office, selected regional Chief Engineer's offices and in the section offices. Audit analysed data relating to three out of nine regions *viz.*, Chennai (North), Chennai (South) and Coimbatore. The data analysis was made using Structured Query Language (SQL)[4] on the database for the period April 2006 to February 2007 provided to Audit. The audit methodology included:

- issue of questionnaire,
- discussions with the executives, and
- visit to the data centre for observing the physical and environmental security practices adopted by the Board.

Audit findings

The significant audit findings are discussed in the succeeding paragraphs.

General controls

Lack of IT policy and documentation

3.2.9 The Board is yet to formulate and document a formal IT policy defining the long term/medium term IT strategy incorporating the time frame,

4 An interactive programming language to create, maintain, and query relational databases.

key performance indicators and cost benefit analysis of the various applications and their integration. There was no comprehensive documentation for testing and acceptance of the software. The Board accepted (July 2007) absence of IT policy and expressed that the administrative approvals given from time to time were to be treated as the Board's policy. The Board's view is not acceptable as administrative approvals were specific to the scheme and its implementation and did not contain short-term and long-term goals and other essential components of computerisation like strategic plan. The Board also stated (July 2007) that documentation for software would be devised appropriately.

Inadequate data back-up procedures

3.2.10 The Board did not have Business Continuity and Disaster Recovery Plan[5] to ensure uninterrupted continuity of business in the event of any temporary or permanent disaster leading to loss of data. Audit observed that a copy of the back-up was not kept off-site to ensure business continuity in case of any catastrophe causing damage to the data. The Board stated (July 2007) that it would provide a backup server to secure data in the regional server.

Deficiencies in the software

3.2.11 The Board placed (January 2006) an order for development of the software for incorporation in the HHD on Signals and Systems (Private) Limited, Chennai at a cost of Rs.1.41 lakh. However, due to failure of the firm to supply the software, the HHD supplier, Analogic Technomatics Private Limited, Hyderabad, who was awarded the contract for supplying 2,600 HHDs at a cost of Rs.1.99 crore, agreed to develop and supply the HHD software also free of cost. Though, the Company supplied (April 2006) the software, it was noticed in audit that it was incomplete as it could not handle the assessments involving door lock cases, meter defective periods, penalty/rebate for power factor, penalty for exceeding the sanctioned load, tariff changes, change of sanctioned load, adjustment of credit/advance CC charges, billing of temporary services and billing based on previous month consumption *etc*.

The above mentioned deficiencies in the HHD software coupled with inadequacy of the billing software housed in the regional server to establish interface with the HHD resulted in poor utilisation of the HHDs for assessments to the extent of only 28.4 *per cent* of the total assessments in Coimbatore region and 20.9 *per cent* in Chennai (North) region during April 2006 to February 2007. Therefore, bulk of the assessments were carried out through the billing software in the regional server leading to scope for errors in data entry. While the software in the HHD was not a complete and error free one, the billing software embedded in the regional server also suffered from a number of deficiencies as discussed in paragraphs 3.2.13 to 3.2.22.

The Board stated (July 2007) that the usage of HHD had improved to 85 *per cent* since March 2007 as most of the deficiencies and defects were rectified and attributed the earlier poor utilisation of HHD to the teething problems

5 The plan of an organisation to continue to function even after a disastrous event.

encountered in the initial stages of the project. Audit, however, ascertained that while the utilisation of the HHD for the last seven months ending September 2007 was at 80 *per cent*, majority of the assessments involving door lock, meter defects, disconnected services *etc*., could not be handled through the device. More importantly, the device was utilised to the extent of 50 *per cent* only for assessing the industrial services as it was not capable of assessing such services which involved a number of billing components.

3.2.12 Audit observed certain program deficiencies including deficiency in mapping of the business rule in the billing software as discussed below:-

Rounding-off errors

3.2.13 Power factor, the ratio of the real power to apparent power has to be calculated to three decimal points and rounded off to two decimals for billing purpose. Incentive is allowed to the consumers, who maintain the power factor in excess of 0.90. Data analysis in Chennai (North) and Chennai (South) regions for the period April 2006 to February 2007 indicated that in 816 assessments and 1,210 assessments, respectively, the power factor in excess of 0.90 was not rounded off to the two decimal places for billing purpose resulting in payment of excess incentive of Rs.0.72 lakh and Rs.0.82 lakh respectively. Similarly, wherever the power factor was below 0.85, it was not rounded off to two decimals resulting in short levy of penalty amounting to Rs.0.60 lakh and Rs.0.24 lakh respectively in respect of 432 assessments and 453 assessments in these two regions.

3.2.14 Audit scrutiny in Chennai (North) region indicated that in respect of 1,70,866 assessments under the non-CT category (services with a sanctioned load upto 75 Horse Power), the last digit of the units consumed was not rounded off to multiple of ten units due to absence of provision in the software.

Incorrect levy of CC charges for the door lock cases

3.2.15 When the meter installed in the consumer's premises was inaccessible for meter reading, it was called a door lock case. Assessment of CC charges for such cases has to be made provisionally based on the consumption during the previous assessment period. An analysis of the door lock assessments (first door lock) in Chennai (North) and Chennai (South) regions indicated that in 1,402 and 2,086 assessments, provisional assessments were made at Rs.23.11 lakh and Rs.17.89 lakh as against the correct assessment of Rs.36.73 lakh and Rs.35.66 lakh respectively indicating short billing of provisional assessments by Rs.31.39 lakh. The program did not compute the assessments with reference to the previous assessments as per the business rule.

Error in computation of the belated payment surcharge

3.2.16 The consumers paying the CC charges within 15 days after the prescribed due date for payment had to pay Belated Payment Surcharge (BPSC) at the rate of 1.5 *per cent* per month for a minimum period of 15 days. Audit noticed that due to incorrect mapping of this business rule, BPSC charges from 5,297 domestic consumers in Chennai (North) region for six months period during 2006-07 were wrongly calculated by charging for the whole month instead of limiting to 15 days resulting in excess levy of Rs.0.34 lakh.

3.2.17 Also, the consumers, who defaulted payment of electricity charges within the due dates, were also liable to pay the reconnection charges along with BPSC. A review of the delayed payments collected in Chennai (North) region and Chennai (South) region indicated that the total amount collected was lower by Rs.0.06 lakh. This indicated that the program did not ensure correctness of the total dues.

Error in billing on 'bi-monthly minimum' basis for industrial services

3.2.18 For industrial services, the CC charges based on the units consumed or bi-monthly minimum charges at Rs.80 per KW of the sanctioned load or part thereof whichever higher has to be levied along with power factor penalty, if any. Data analysis in Chennai (North) region for the period April 2006 to February 2007 indicated that the power factor penalty of Rs.0.26 lakh was not levied in 94 assessments made on bi-monthly minimum basis. While assessing the services on bi-monthly minimum basis, the program computed the power factor incentive payable to the consumers, but it did not recognise the power factor penalty, if any, receivable from the consumers.

Absence of program to calculate Current Consumption Deposit

3.2.19 The consumer availing three phase service connection has to pay Current Consumption Deposit (CCD) at the rate of Rs.600 per KW or part thereof of the sanctioned load. Data analysis of the new services having three phase connections effected during April 2006 to April 2007 in Chennai (North) region indicated that in 15 cases, in the absence of a provision to calculate the CCD in the system, the same was manually computed on the sanctioned load without rounding off the fractions to the next whole number resulting in short collection of Rs.19,580.

Non-levy of penalty for exceeding the sanctioned load (KW penalty)

3.2.20 In the case of service connections of industrial, commercial and street light, public water supply, recognised educational institutions and temples having a sanctioned load exceeding 25 HP, when the recorded demand exceeds the sanctioned load, penalty at the prescribed rates was recoverable for the excess demand. Due to inadequate mapping of the relevant business rules manual intervention was resorted to. A test check in two section offices in Coimbatore region revealed that in five cases, where the actual demand exceeded the sanctioned demand, the penalty amounting to Rs.0.14 lakh was either not levied or incorrectly levied.

Non-closure of consumer ledgers

3.2.21 As the computer system did not provide for automatic closing of the consumer ledgers closing in the system was activated manually. A review of such closing of the ledgers in Chennai (North) region for the period April 2006 to March 2007 revealed that only in 82 out of 22,566 occasions, the ledgers were closed. In the absence of automatic closing of the ledgers by the system and failure to do the activated process regularly, the dues from the consumers could not be determined in time. In addition, there was mismatch between the list of consumers who failed to pay the CC charges in time (*i.e.*, defaulters) and the list of defaulters as per the consumer ledger closing.

Deficiencies in the program in preparation of consumer's balance

3.2.22 Audit observed the following deficiencies in the program in arriving at the consumer balances:-

- The system should match CC charges collected from the consumers to the relevant bi-monthly assessments so that the demands and collections were duly matched. Audit observed that the program did not segregate the arrears billing cycle wise and did not match the collections from defaulters against the appropriate dues in chronological order instead showed the collections against the latest bill. For e.g., in one case, the consumer failed to pay the dues relating to March 2007 (Rs.6,062) and May 2007 (Rs.2,278). When the consumer paid the dues of March 2007 in June 2007, the same was appropriated against the dues of May 2007 (Rs.2,278) and thus the consumer ledger showed a credit balance of Rs.3,784. As a result the unmatched arrears continued to remain as unpaid in the database.
- Audit observed that the program did not consider the credit available against one consumer and instead included him in the defaulter's list for the month of May 2007.

The Board agreed (July 2007) to review the above issues to make necessary changes in the program.

Change management controls

A general review of the change management controls indicated the following:-

3.2.23 Since introduction of the software, for the changes made in the program, a formal procedure for receiving change requests from the users, operational staff, and developers and for approving the changes was not followed. The details of amendments made indicating the reasons for changes, nature of changes, details of testing conducted, and date of approval by the competent authority were not documented and maintained.

3.2.24 Audit observed that the necessary change in the program for free supply of 500 units of power to the power loom service connections with effect from 1 August 2006 was not made and the old business rule to charge at one rupee per unit for 500 units was continued (March 2007). A review of the bi-monthly assessments for the period October 2006 to March 2007 involving consumption of units up to 500 units by the power loom service connections in Chennai (North) region indicated that:

- the program worked out the CC charges at the old rate of rupee one per unit.
- fixed charges at Rs.60 itself was not collected in 24 cases, and
- bi-monthly minimum charges at Rs.120 and fixed charges at Rs.60 were levied and collected in 34 cases instead of billing the fixed charges alone in such cases.

Timely modification of the program could have avoided the above.

Application controls

Input controls

3.2.25 Input controls ensure that the data received for processing is authentic, complete, has not been previously processed, accurate and properly authorised and is entered accurately and without duplication.

3.2.26 The major deficiencies observed by Audit in the maintenance of master data in Chennai (North) region are given below:-

- Wrong entries were observed in critical fields like sanctioned load and names of the consumers. The sanctioned load in KW of 33,279 consumers was wrongly entered without decimal places and the names of 6,520 consumers were entered as '*, =, AAA, aa, XX and other single characters making the electronic record incomplete and illogical.
- The master data in respect of 7,38,442 customers did not have the date of service connection. Similarly, it did not contain the customer number for 16,096 services as on 30 April 2007 who were sanctioned new service connections/additional load.
- In respect of 9,22,368 services, the serial number of meters was indicated as '1' and for the balance 26,842 services, some arbitrary numbers were indicated making the information unusable in case of theft/unauthorised change of meters *etc.*
- A review of the LT database in Chennai (South) region for the period April 2006 to March 2007 revealed that though the tariff category in respect of 11,475 assessments was changed from commercial to domestic tariff as per the consumers' request and the billing was correctly made by manual process with reference to the domestic tariff, the change of tariff was not effected in the master database. It indicated the state of inconsistency between manual and computer data. As the change of tariff from commercial to domestic was not simultaneously updated in the computer system during the year 2006-07, the consumption as per the database was lower by 34.23 lakh units under domestic tariff in Chennai (South) region and 17.07 lakh units in Chennai (North) region. Such non-updation of master data as per periodical change in tariff has the risk of non-claiming of subsidy from the Government in proportion to the actual units consumed.

In the above mentioned instances though the assessments were corrected by manual interventions, the master data was not updated, which would lead to wrong MIS. The Board agreed (July 2007) to take action to correct the wrong values in the master data of the LT billing.

3.2.27 In the following cases Audit observed absence of input controls in the transaction data:-

- The tariff category in 34 and 198 assessments in Chennai (North) region and Chennai (South) region respectively was indicated as 'Null'.
- In Chennai (North) region, a review of meter reading of consumption exceeding 50,000 units in 2007 indicated incorrect consumption ranging from 50,960 to 10,15,100 units in 73 assessments. It indicated the presence of error in data entry/data transmission. Though the assessment of the CC charges was manually corrected based on the correct quantum of consumption, the consumption of units was not corrected in the database to ensure data integrity in the electronic records.
- When the assessments were modified, the original records got removed and stored separately in the database. Audit observed that out of 55,618 assessments which were modified in Chennai (North) region, 5,753 assessments did not have proper remarks and contained single characters, special characters and combination of characters leading to lack of audit trail. In 24,642 cases, the reasons for the modifications were recorded as "wrong entry" without mentioning the nature of wrong entry. Had a systematic supervisory review been in place and conducted, incomplete input could have been avoided.
- In Chennai (North) region, nine applications for single phase connections were wrongly indicated as three phase connections, though the charges/deposits applicable for single phase connections were collected.
- Meaningless values like null, zero, 1, 2, 12, 85, 3200, and 5006 were found against the year in which the receipt for payments was issued by the Inspector of Assessment.

The Board accepted (July 2007) the audit observations and agreed to make necessary corrections in the program to provide validation controls.

Validation controls

3.2.28 Audit observed absence of validation controls in the following cases:

- In respect of 1,232 services of industrial consumers, though the sanctioned load exceeded 4 KW and they were to be treated as three phase connections, the database accepted them as single phase connections indicating poor input validation controls.

- Certain industrial and commercial service connections may require welding set in them. While service connections with welding sets were not required/availed by the consumers of domestic category, in respect of 40 domestic services, the master data indicated that welding sets were installed in them. Though the billing was correctly done by manual interventions, the master data was not corrected.
- The fixed charges as per database in respect of 13 assessments and six assessments in Chennai (North) and Chennai (South) regions respectively contained unreasonable amounts exceeding Rs.1,000 as against the maximum possible fixed charge of Rs.60. The billing software did not validate the entry in this regard.

The Board accepted (July 2007) the audit observations and agreed to make necessary corrections in the program to provide validation controls.

Manual intervention and impact

3.2.29 The deficiencies in the HHD software and inadequacy of the billing software to establish interface with HHD *etc.*, led to large scale manual assessments and entry of the data in the system manually. Even in such cases of entry of manual assessment data in the system, the latter performs assessments of CC charges and thus for each such transaction there are two figures in the database namely the system computed amount and manually assessed amount. To ensure correctness of the assessments, the system provides for reconciliation. However, the discrepancies between the two figures was not systematically analysed by the Sections to identify the deficiencies and to rectify them. On this being pointed out, the Board agreed (July 2007) to take action to reconcile such cases.

3.2.30 Audit analysed the assessments pertaining to the period April to December 2006 in Chennai (North) region with a view to ensure the accuracy of assessments and observed discrepancy between the Board's assessments and the assessments as worked out by Audit. The main reasons for discrepancies were:

- errors in data entry,
- errors and non-updation of the master data like sanctioned load, tariff classification, and
- software deficiencies.

Accordingly, five out of eight revenue branches in Chennai (North) region verified the discrepancies partially with respect to commercial and industrial tariff consumers and accepted a short levy of CC charges amounting to Rs.26.54 lakh. Verification in respect of other cases is awaited.

Inadequacy of the HHD software, and under utilisation of HHD, deficiencies in the billing software, errors in the master data, and existence of large scale un-reconciled discrepancies *etc.*, therefore, do not give assurance that the

Board has achieved the objectives of reducing errors and mistakes in assessments and ensuring reliable MIS.

IT security

3.2.31 Protecting the information assets is a critical factor to ensure continued availability of information, data confidentiality and integrity. Audit observed the following weaknesses in security control:

- Though modifications made in the data relating to customer, services, meters and meter reading were maintained in the database separately, they were not subjected to supervisory review periodically to ensure that the changes were authorised.
- The database provides for capturing Internet Protocol (IP)[6] address of the computers for every assessment to identify the computer from which the data was entered. In Chennai (North) region, during the period April to October 2006, 2,91,894 assessments did not contain IP address of the computers for facilitating audit trails in such cases.
- A review of the database in Chennai (North) region for the period April 2006 to February 2007 indicated that officers who were empowered to add assessment records were also given powers to delete records. Such users deleted 33,190 records during the said period indicating improper and weak authorisation controls.
- The Board had not implemented comprehensive password control measures for periodical change of the passwords. Audit also observed that passwords were not changed periodically. It was noticed that the passwords of the AAO were shared with other users having lower access control privileges. For example, a review of the information in the database pertaining to 1 February 2007 indicated that 26 different users added 1,300 assessment records in one hour using the AAO user ID. It showed that the transaction authorisation on behalf of AAO was carried out by different users making the AAO accountable for the correctness and genuineness of the entries made indicating serious security concern. This also indicated that the software did not have provision to restrict multiple user login simultaneously.

The Board accepted (July 2007) to monitor change of passwords by the users periodically by reviewing the log maintained in the regional server. After the above being pointed out in audit, detailed instructions were issued by the Board to the field officers to ensure password security *etc.*

Other topics of interest

3.2.32 The contract was placed (January 2006) on Gemini Communications Limited, Chennai at a firm price of Rs.49.22 crore for hardware and related

6 The protocol used for routing and carriage of messages across the Internet.

infrastructure including maintenance of leased lines[7]. Audit observed the following points:

- Subsequent to the award of the contract, at the instance of the Board, Bharat Sanchar Nigam Ltd (BSNL) allowed (May 2006) a discount of 20 *per cent* on the two Mega Bytes Per Second (MBPS) leased lines availed for the LT billing project. The Board, however, did not ask the contractor to pass on the benefit of reduction in lease charges. The discount accrued at the current rate of lease charges in respect of five regions (Coimbatore, Trichy, Tirunelveli, Erode and Villupuram) alone worked out to Rs.46.18 lakh for the entire contract period of five years. The Board replied (July 2007) that the intricacies of discount had not been anticipated and stated that the same aspect would be considered in the future purchase orders. The Board's failure to get refund allowed by BSNL specific to the LT billing project resulted in potential loss of Rs.46.18 lakh.

- A comparison of the rates quoted by the said firm for 23 items revealed wide variations for three items *viz.*, Storage Area Network switches, Printer and Ethernet switches between the rates quoted in Chennai (North) and Chennai (South) Regions. Though the contracts were finalised during the same time and the purchase orders were awarded to the single firm, the Board failed to negotiate and fix the rates at the lowest quoted rates, leading to an extra expenditure amounting to Rs.8.55 lakh. The Board stated (July 2007) that the lowest tender was selected based on the total contract value and attributed the differences in the quoted price from region to region to the pattern of expenditure to be incurred by the tenderer. The reply is not tenable as the nature of hardware items was one and same and the Board did not take into account the lowest rate quoted in a region.

Conclusion

The implementation of the project with incomplete software and absence of thorough testing indicated significant departure from the standard system development methodology at each stage of the project. Major deficiencies were observed in entering master data and changes thereto. Change in business rule was also not updated. Wrong data entry coupled with inadequate input controls in the system, inadequacy of the software and error in the software, *etc.*, have led to large-scale manual interventions, disregard to the concept of computerisation. It resulted in differences between the Board's assessments and the assessments made by Audit. Security policies were not clearly defined and strict enforcement of the same were not ensured. Data back-up procedures for the main server as well as local server were not standardised.

7 A telephone line rented for exclusive use by an organisation.

Recommendations

- **The Board should rectify the deficiencies in the software of the hand held device as well as billing software so that the computerisation under Phase-II does not suffer from the software related problems.**
- **The deficiencies in the master data should be set right so that the developed software would generate the desired results as per the business rule.**
- **In the light of deficiencies observed in the software and implementation and un-reconciled discrepancies in assessments pointed in audit, the Board may consider reviewing the assessments already made in all the regions.**
- **The documentation relating to program, amendments to the program and modification of assessments *etc.*, should be systematically maintained and reviewed.**
- **The IT policy including IT Security should be clearly laid down and strictly enforced.**

The matter was referred to the Government in August 2007; and their reply is awaited (September 2007).

CHAPTER-IV

4 TRANSACTION AUDIT OBSERVATIONS RELATING TO GOVERNMENT COMPANIES AND STATUTORY CORPORATIONS

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

Government companies

State Industries Promotion Corporation of Tamil Nadu Limited

4.1 Loss on allotment of land to private entrepreneurs

Incorrect assessment of the cost of land resulted in a loss of Rs.19.88 crore to the Company.

In order to facilitate industrial growth in the State, the Company acquires, develops and allots land to the entrepreneurs. The Company allotted (July 2005 and February 2006) 210.87 acres and 250 acres of undeveloped land to Nokia India Private Limited (Nokia) and Flextronics Technologies India Private Limited (Flextronics) respectively in the industrial park at Sriperumbudur, Chennai. A review of records relating to the allotment of land to these parties revealed the following:

4.1.1 The State Government and Nokia signed (April 2005) a Memorandum of Understanding (MOU) for establishing an electronic hardware manufacturing facility by Nokia at Chennai. As per the MOU, the Company was to provide 200 acres of industrial land at Sriperumbudur to Nokia at lease charge of Rupees eight lakh per acre with no annual or monthly rent payable. Subsequently, as Nokia expressed (April 2005) its preference to acquire undeveloped land, the Company indicated (April 2005) the cost of undeveloped land at Rs.4.50 lakh per acre to the State Government. Accordingly, the State Government issued (July 2005) an amendment to the MOU for allotment of 200 acres of undeveloped land. The Company allotted (July 2005) 210.87 acres of land to Nokia at Rs.4.50 lakh per acre, and received (July 2005) Rs.9.49 crore.

It was observed that after acquisition (1996) of land, the land owners filed (December 1996) suits in various courts for award of higher compensation. The courts awarded higher compensation ranging from Rs.4.20 lakh to Rs.14 lakh per acre *plus* other statutory benefits (like solatium at 30 *per cent* of compensation amount and interest on the compensation amount from the date of acquisition of land till the date of payment). While indicating (April 2005) the land cost of Rs.4.50 lakh per acre to Nokia, the Company, however, did not take into account the above compensation paid to the land owners. It was noticed that even the Land Acquisition Department of the Company had indicated (February 2005) the acquisition cost of land at Rupees eight lakh per acre. Thus, the allotment of land at less than the acquisition cost resulted in loss of Rs.7.38 crore (with reference to Rupees eight lakh per acre) to the Company.

4.1.2 Similarly, the State Government signed (October 2005) a MOU with Flextronics to establish a hardware manufacturing facility for electronic products. As per the MOU, 250 acres of industrial land at a lease charge of Rs.4.50 lakh per acre with no annual or monthly rent payable was to be made available by the Company. It was noticed that the Company had revised (November 2005) the land acquisition cost in Sriperumbudur to Rs.9.50 lakh per acre based on the actual expenditure incurred till then. The Company, however, did not bring this fact of increase in acquisition cost to the notice of the Government and Flextronics. The Company allotted (January 2006) 250 acres of undeveloped land at Rs.4.50 lakh per acre and received (February 2006) Rs.11.25 crore. Thus, the allotment of land at less than the acquisition cost resulted in loss of Rs.12.50 crore.

It was noticed that the Company had requested (October 2006) the Government to compensate for the losses sustained by it in the allotment of land to Nokia and Flextronics. No decision has been taken by the Government on this matter so far (September 2007).

The matter was reported (May 2007) to the Management/Government; their replies are awaited (September 2007).

4.2 Loss due to incorrect adoption of cost of land

Erroneous computation of land cost by the Company resulted in short recovery of Rs.2.33 crore from the allottees of land

The Company is engaged in acquisition and development of land and other infrastructural facilities to promote industrial development in the State. The Company allotted (November 2005) 235.56 acres of undeveloped land to South India Mills Association (SIMA) in Phase-III of Cuddalore Industrial Park at Rs.3.50 lakh per acre.

It was observed that the Company while seeking (March 2005) approval of its BODs for allotment of land to SIMA indicated the enhanced compensation of Rs.11.91 crore for the entire land of Phase-III. The Company, however, did not include the amount of enhanced compensation while arriving at the total acquisition cost and accordingly worked out the total acquisition cost as Rs.29.04 crore instead of Rs.40.95 crore. Thus, the acquisition cost was taken as Rs.2.43 lakh per acre instead of Rs.3.42 lakh per acre while fixing the price of land as Rs.3.50 per acre and allotment of the land to SIMA.

Thus, omission to include the amount of enhanced compensation of Rs.11.91 crore in the computation of the cost of land resulted in short recovery of Rs.2.33 crore♠ towards the cost of land.

The matter was reported (May 2007) to the Management/Government; their replies are awaited (September 2007).

Tamil Nadu Civil Supplies Corporation Limited

4.3 Extra expenditure

Erroneous inclusion of contribution to the gratuity fund in the value of fringe benefits while computing the Fringe Benefit Tax resulted in extra expenditure of Rs.4.56 crore.

GOI introduced the 'Fringe Benefit Tax' (FBT)• in the Income Tax Act, 1961 by the Finance Act, 2005. As per Section 115 WB of the Act, fringe benefits *inter alia* means any privilege, service, facility or amenity, directly or indirectly provided by an employer, whether by way of reimbursement or

♠ Loss has been worked out by taking into account the margin of Rs.1.07 lakh (Rs.3.50 lakh – Rs.2.43 lakh) taken by the Company on wrongly calculated cost and deducting Rs.0.08 lakh (Rs.3.50 lakh – Rs.3.42 lakh) margin taken on increased amount. The loss is (1.07-0.08) lakh X 235.56 acres = Rs.233.20 lakh.

• FBT was introduced by inserting a new Chapter XII-H containing Section 115 to 115 WL in the Income Tax Act, 1961.

otherwise to his employees as consideration for their employment. It includes payments for entertainment, hospitality, conference, employees' welfare *etc.* FBT is chargeable for every assessment year commencing on or after 1 April 2006 in addition to the income tax, under Section 115 WA of the *ibid* Act.

It was noticed that Section 115 WB read with Section 115 WC of the *ibid* Act, did not specifically contain any provision for considering the contribution of the employers to approved gratuity fund as fringe benefits. This fact was further clarified (August 2005) by the Central Board of Direct Taxes that the employers contribution to approved gratuity fund is not to be considered as fringe benefits.

The Company, however, while computing (November 2006) the FBT payable for the assessment year 2006-07 erroneously included the employers' contribution of Rs.12.55 crore made towards the employees' gratuity trust fund as fringe benefits. The Company paid (2005-06) FBT of Rs.4.22 crore and interest of Rs.33.80 lakh (for short payment of quarterly installment of FBT) on this amount.

Failure of the Company to exclude the employers' contributions to the gratuity fund from the value of fringe benefits resulted in excess payment of income tax of Rs.4.56 crore (including penal interest of Rs.33.80 lakh).

It was noticed that the Company had filed (7 October 2007) revised return claiming refund of Rs.4.56 crore from the Income Tax Authorities after being pointed out (May 2007) by audit.

The matter was reported (May 2007) to the Government; their reply is awaited (September 2007).

4.4 Loss of interest

Submission of an erroneous claim for reimbursement under the Public Distribution System of rice resulted in blocking of funds of Rs.3.99 crore and consequent loss of interest of Rs.58.52 lakh.

The Company procures paddy on behalf of the GOI and converts it into rice for distribution under the Targeted Public Distribution System (TPDS).

The State Government had entered (2002) into a Memorandum of Understanding (MOU) with GOI for distribution of custom milled rice (CMR) to the Below Poverty Line (BPL)/Above Poverty Line (APL) families in the State under TPDS at the prices notified by GOI. GOI reimburses the difference between the economic cost of rice and prices fixed under TPDS by GOI as subsidy.

During 2004-05, the Company distributed 2,29,986 MTs of CMR under TPDS to the BPL and APL families. The Company submitted (November 2005) a claim for Rs.19.73 crore to GOI for 95 *per cent* of the subsidy receivable from GOI after adjusting Rs.27.21 crore of advance subsidy already received for 2004-05.

It was observed that while submitting the subsidy claim for 2004-05, the Company erroneously adjusted subsidy of Rs.3.99 crore relating to previous year 2003-04 as advance subsidy for 2004-05. After being pointed out (January 2007), the Company submitted (February 2007) a claim to GOI seeking reimbursement of the short-claimed amount of Rs.3.99 crore for the year 2004-05.

The Management stated (September 2007) that GOI had sanctioned (August 2007) a sum of Rs.2.96 crore through Electronic Clearing Service against the claim of Rs.3.99 crore for the financial year 2004-05 and the balance amount would be reimbursed while getting the payment of balance 5 *per cent* claim. The fact remains that by erroneously reducing the advance subsidy received for the earlier year, the Company short claimed the subsidy resulting in interest loss.

Thus, submission of erroneous bill for claim of subsidy resulted in blockage of funds of Rs.3.99 crore resulting in loss of interest of Rs.58.52 lakh (at eight *per cent per annum*) for the period from November 2005 to August 2007.

The matter was reported (June 2007) to the Government; their reply is awaited (September 2007).

4.5 Avoidable expenditure

Failure to place purchase order for the full tendered quantity of Green gram resulted in extra expenditure of Rs.29.04 lakh.

Tamil Nadu Civil Supplies Corporation Limited was entrusted (October 1999) with the purchase and supply of Green gram to Puratchi Thalaivar MGR Nutritious Meal Programme Centres (NMP). The estimated monthly requirement of Green gram (whole) for this purpose was 363 Metric Tonnes (MTs).

In order to ensure uninterrupted supply to the NMP centres, the Company invited (January 2005) tenders for supply of 1,000 MTs. As the lowest offer of Rs.20,740 per MT was considered to be higher than the prevailing market price, the Company cancelled the tender and called (March 2005) for a short tender. After negotiations, the offer of State Trading Corporation, Bangalore, (STC) was found lowest at Rs.20,362 per MT plus taxes.

The Tender Committee of the BODs recommended (March 2005) to restrict the purchase to 375 MTs against the tendered quantity of 1,000 MTs on the ground of anticipated fall in prices of gram after the harvest season (March and April). Accordingly, a letter of intent was placed (March 2005) on STC for purchase of 375 MTs of Green gram, which was subsequently confirmed (April 2005) by placing the formal purchase order. Against this purchase order, STC supplied (May and June 2005) 359.160 MTs.

The Company again invited (April 2005) tender for 1,500 MTs of Green gram and the negotiated offer of STC was the lowest at Rs.24,830 per MT plus tax.

The Company placed order (June 2005) on STC for the entire quantity of 1,500 MTs at that rate.

It was observed that the Company was aware (March 2005) of the rise in prices of Green gram due to heavy damage to crops caused by heavy rains and its consequent shortage in the market. This fact was also confirmed by a letter addressed (April 2005) by the Company to the State Government for substituting supply of Bengal gram/Peas in place of Green gram to the NMPs due to the rising prices. Further, National Co-operative Consumer's Federation, on whom an extension order for 200 MTs of Green gram at Rs.19,020 per MT was placed (March 2005), also refused (April 2005) to supply due to rising prices resulting from damages to crops by heavy rains. Thus, the Company had sufficient time and reasons to increase the quantity of Green gram to 1,000 MTs in place of 375 MTs, when the formal purchase order was placed (April 2005) on STC.

Failure to place order (April 2005) for the entire tendered quantity of 1,000 MTs on STC resulted in extra expenditure of Rs.29.04 lakh {(Rs.24,830 - Rs.20,362) X 625 MTs + 4 *per cent* sales tax} on subsequent purchase of the Green grams at higher prices.

The Government stated (July 2007) that by cancelling the tender (February 2005) due to high rate and purchasing one month requirement of Green gram at lesser rate in the subsequent tender (March 2005), the Company saved Rs.1.35 lakh. The decision to restrict the purchase of Green gram was taken on bonafide faith that the tender rate would come down in subsequent months. But the unprecedented heavy rains in delta area affected the standing crop resulting in reduced supply and consequent increase in price.

The reply is not tenable as the Company while placing (April 2005) orders for the restricted quantity of 375 MTs was very well aware of the crop failure due to heavy rains and lack of import. Further, the Company expected the rate per MT of Green gram to be more than Rs.22,000 per MT as could be seen from its letter (April 2005) seeking Government order for supply of Bengal gram. Thus, the Company could have avoided the extra expenditure on subsequent purchase of green gram.

Tamil Nadu Forest Plantation Corporation Limited

4.6 Loss due to inappropriate revision of price

The Company suffered loss of Rs.3.31 crore due to inappropriate revision of the price of pulp wood.

The Company is engaged in the raising of eucalyptus plantations and supplying pulp wood to the industries like Tamil Nadu Newsprint and Papers Limited (TNPL), Seshasayee Paper Boards (SPB) and others. It supplies pulpwood at the price fixed by the Government (Environment and Forest Department) every year based on the proposal of the Company.

As a consequence of a meeting (August 2004), the Company signed (November 2004) a long term agreement with TNPL for a period of 15 years, wherein Company agreed to supply 70 *per cent* of the production or approximately 52,500 MTs of eucalyptus pulp wood *per annum* to TNPL in 2005-06, 1.57 lakh MTs *per annum* from 2006-07 till 2008-09, 1.40 lakh MTs in 2009-10 and 1.75 lakh MTs *per annum* from 2010-11 onwards, whichever was higher. TNPL agreed to pay at the price of Rs.1,300 per MT pending final price to be fixed by the Government for the year 2004-05 *plus* 5 *per cent* administrative charges and applicable taxes. As per the agreement, the price for the subsequent years was to be fixed by the State Government for every block of two financial years based on the cost, market price, *etc.*

The Finance sub-committee of the Company in the meeting examined (September 2005) the pricing of pulpwood for the year 2005-06 and worked out the price at Rs.1,786 per MT, after taking into account the input cost, overheads, profit and lease rent. The Company requested (September 2005) the State Government to fix the price of pulpwood at Rs.1,800 per MT. Accordingly, the Government fixed (February 2006) the price of pulpwood at Rs.1,800 per MT for the year 2005-06.

TNPL, however, did not agree (March 2006) to this price and sought clarification from the State Government. The State Government pending further clarification, asked (April 2006) the Company to adopt the rate of Rs.1,300 per MT instead of Rs.1,800 per MT for supplies made to TNPL. Meanwhile, the Company supplied (2005-06) pulpwood at this rate (Rs.1,800 per MT) to SPB.

The Company took up the matter with the State Government several times explaining the basis for its request to fix the price of the pulpwood at Rs.1,800 per MT for the year 2005-06. The Government again considered the request of the Company and ultimately fixed (April 2007) the rate at Rs.1800 per MT for the block of two financial years of 2006-07 and 2007-08. No clarification for the rates to be adopted for 2005-06 was given.

Thus, the failure of the Company to convince the State Government and inappropriate decision of the State Government to revise the price to Rs.1,800 per MT from 2006-07 only resulted in a loss of Rs.3.31 crore on the sale of 66,258 MT at Rs.500 per MT of pulpwood to TNPL during 2005-06.

The matter was reported (August 2007) to the Management/Government; their replies are awaited (September 2007).

State Transport Undertakings

4.7 Avoidable expenditure

Failure to reject the offer of a tenderer that was not conforming to the tender conditions resulted in avoidable expenditure of Rs.1.95 crore

The State Government had designated (April 2000) the Institute of Road Transport (IRT) as a nodal agency to finalise the tenders for procurement of selected items like bus chassis, tyres, re-treading materials, lubricants, paints and tickets, *etc.*, required by all the seven State Transport Undertakings (STUs).

The IRT floated (February 2006) tender enquiry for purchase of 37,958 9.00X20-14 PR Rib tyres (subsequently, the requirement was reduced to 33,528 tyres). As per the tender conditions, the prices offered by the tenderers should be firm during the period of contract. Four parties responded. Offer of three tenderers were firm and prices ranged from Rs.5,545 to Rs.5,909 per tyre, whereas the offer of fourth tenderer, MRF Limited (MRF) was for variable price at Rs.5,674 per tyre. As per the offer of MRF, any revision in the price on account of any increase in input cost would be communicated and the revised rates would be applicable. After negotiations, all the tenderers other than MRF agreed to supply at the lowest price of Rs.5,545 per tyre.

After evaluating the performance of tyres of all the four tenderers, IRT decided (May 2006) to award the rate contract to MRF for the supply of 24,000 tyres at Rs.5,674 per tyre with variable price (as their tyre was ranked first in performance) and to the other three tenderers at Rs.5,545 per tyre on firm price basis for the balance quantity of 9,528 tyres. The decision to award contract to MRF, when the tender terms provided for firm prices was not justified. Further, it was noticed that even after accepting variable price, no base price of raw material was specified in the contract to work out the variable sale price.

MRF, without effecting any supply even after a lapse of 40 days from the date of award of the contract, demanded (June 2006) increased price of Rs.6,639 per tyre on the ground of 45 *per cent* increase in the cost of natural rubber.

After protracted correspondence, MRF agreed (July 2006) to supply 4,000 tyres as a special case, at the originally contracted price of Rs.5,674 per tyre with no further obligations to either of the party. IRT decided (July 2006) not to consider the price rise sought by MRF and short closed the order. IRT further decided to invite fresh tender for purchase of 42,386 tyres, including the short closed quantity of 20,000 tyres by advancing the next tender which was due in October 2006. Against the fresh tender, IRT recommended (August 2006) to place orders at the rate of Rs.6,650 per tyre on firm price basis, without considering the offer of MRF, who had again quoted variable price.

Thus, acceptance of price with price variation clause, which was not in line with the tender led to short closure of the purchase order. This resulted in avoidable expenditure of Rs.1.95 crore (Rs.6,650 – Rs.5,674) X 20,000) on purchase of the short closed quantity of 20,000 tyres in the subsequent orders.

The matter was reported (August 2007) to the IRT/Government; their replies are awaited (September 2007).

Tamil Nadu State Transport Corporation (Madurai) Limited

4.8 Avoidable expenditure

Delayed shifting of a surplus electric retreading chamber resulted in avoidable expenditure of Rs.37.72 lakh on use of costlier fuel for retreading of tyres.

Retreading of tyres increases the life of a tyre till it is finally condemned and its cost is less than that of a new tyre. The retreading processes could be steam boiler process (coal), thermos boiler process (diesel) and electric chamber process (electricity). While the raw materials cost and the labour cost are the same for all the three processes, the fuel cost is the cheapest in electric chamber process (Rs.42 per tyre), costlier in steam boiler (Rs.99.35 per tyre) and the costliest in thermos boiler process (Rs.224.37 per tyre).

Madurai region of the Company was utilising the steam boiler for retreading and had one thermos boiler as a standby. About 2,400 tyres were required to be retreaded in this region every month. Tirunelveli region of the Company had two electric chambers with a retreading capacity of 1,600 tyres per month per chamber as against requirement of retreading of only 1,360 tyres per month. As the requirement of Tirunelveli region could be taken care of by one electric chamber, the second electric chamber was surplus.

The Company proposed (February 2006) to shift the surplus electric chamber from Tirunelveli region to Madurai region but did not take any action to shift the same until pointed out (December 2006) by audit. The Company shifted (February 2007) the surplus electric chamber from Tirunelveli to Madurai region, which was put into use in April 2007.

Thus, delay in shifting the electric chamber resulted in avoidable expenditure of Rs.37.72 lakh* on costlier fuel (coal) used in retreading of tyres through steam boiler process in Madurai region during April 2004 to March 2007.

The matter was reported (March 2007) to the Management/Government; their replies are awaited (September 2007).

* Calculated with reference to the year-wise difference between the cost of fuel (coal and electricity) and number of tyres which could have been retreaded with surplus electric chamber.

Tamil Nadu Industrial Investment Corporation Limited

4.9 Loss due to defective appraisal of loan application

Defective appraisal of a proposed dyeing unit by the Company led to non recovery of dues of Rs.1.75 crore from the unit.

Vanavil Dyeings, Tirupur, a Small Scale Industrial Unit, (VDT) in the business of dyeing of cotton hosiery cloth, submitted (January 2000) a proposal to the Company for providing financial assistance for setting up a second unit to undertake job work and own dyeing of yarn and fabrics with installed capacity of 300 and 150 tonnes *per annum* respectively. As the dyeing activity is water intensive, the unit proposed to purchase water from private sources to meet its requirement. VDT also proposed to implement the project in a period of eight months and commence commercial production by September 2000. In support of the business prospects for the new unit, VDT submitted enquiry letters for a value of Rs.27.02 lakh from only four of its regular customers for fabrics and yarn dyeing.

After examining the proposal, the Company sanctioned (January 2000) term loan of Rs.90 lakh under the Refinance Scheme for Textile Industry under Technology Upgradation Fund (RTUF) and Rs.20 lakh under the general scheme to VDT for procurement of machinery. The entire loan amount was repayable in 24 quarterly instalments after a moratorium period of one year from the date of first disbursement of the loan. As per one of the additional conditions, the unit should obtain clearance from the Tamil Nadu Pollution Control Board (TNPCB).

The Company, however, relaxed (November 2000) the condition relating to clearance from TNPCB and decided (November 2000) to release 75 *per cent* of the sanctioned loan to VDT. Accordingly, the Company disbursed (during July 2001 to January 2004) the loan amount of Rs.108.78 lakh (Rs.89.23 lakh under RTUF and Rs.19.55 lakh under the general scheme). The project, however, was completed in February 2003 with a delay of 30 months.

VDT defaulted in payment of interest since August 2003. No repayment of principal was made from the beginning despite rescheduling (August 2002) of the loan due to poor capacity utilisation of the yarn dyeing machinery for want of orders. On many occasions (August 2003 to May 2005), the cheques issued by VDT towards the dues to the Company were dishonoured. As a result, the Company foreclosed (July 2004) the account and tried to sell (October 2004) the machinery of the unit without success. The unit finally became (May 2005) defunct.

It was noticed that the following adverse financial position of VDT should have been considered while appraising the loan application.

- The capital base of VDT was as low as Rs.14 lakh.
- Unsecured loan of VDT had increased from Rs.11.57 lakh in 1996-97 to Rs.28.03 lakh in 1998-99.
- Sundry creditors balance as on 31 March 1999 was Rs.22.41 lakh.
- Turnover of the unit has declined from Rs.68.02 lakh in 1996-97 to Rs.59.58 lakh in 1998-99.
- Net profit of the unit also declined from Rs.3.21 lakh to Rs.2.93 lakh during the same period.

Thus, disbursement of loan of Rs.108.78 lakh without considering the adverse financial position of the unit as stated above resulted in mounting of outstanding dues to Rs.1.75 crore (principal: Rs.1.08 crore; interest:Rs.0.67 crore) up to July 2006. The chances of recovery of dues are bleak since the unit has been defunct since May 2005.

The matter was reported (May 2007) to the Management/Government; their replies are awaited (September 2007).

Tamil Nadu Industrial Development Corporation Limited

4.10 Avoidable recurring loss

Failure to disinvest its shareholding in an associate sector unit resulted in recurring loss of Rs.1.08 crore *per annum* to the Company.

A reference is invited to paragraph 2A.11.3 (a) (i) of the Report of the Comptroller and Auditor General of India (Commercial) for the year ended 31 March 2000 wherein the Company's diminishing scope of recovery of the investment of Rs.7.48 crore made in the equity share capital of SPIC Organics Limited (SOL) was commented upon. The Company then stated (May 2000) that disinvestment in SOL would be made at the appropriate time.

SOL was subsequently merged (April 2000) with Manali Petrochemicals Limited (MPL), a group company of Southern Petrochemical Industries Corporation Limited (SPIC). Consequently, SPIC, being parent company, executed (November 2000) an Associate Sector Agreement with the Company. The agreement *inter alia* provided that the Company would have the right to disinvest its entire shareholdings in MPL in the open market at any point of time by inviting open bids.

As MPL's accumulated losses mounted to Rs.35.33 crore as on 31 March 2005, MPL proposed (May 2005) a capital restructuring plan to reduce its share capital of Rs.114.70 crore by 25 *per cent* (Rs.28.67 crore). The Company agreed (July 2005) to the proposal for reduction of the paid up share capital of MPL subject to the condition that SPIC execute an undertaking to buy the shares held by the Company in MPL at the highest price of the three prices to be worked out as per the formula mentioned in the Associate Sector Agreement. SPIC, however, did not agree (8 August 2005) to this condition. The Capital restructuring plan of MPL was approved (October 2005) in an Extraordinary General Meeting of its shareholders, though the Company voted against the same. Consequently, the value of the Company's investment in MPL decreased from Rs.7.48 crore to Rs.5.61 crore.

It was observed that since SPIC did not agree to the proposal of the Company to buy its share in MPL at the highest of the three prices mentioned in the agreement, the Company should have disinvested (August 2005) its shareholding itself as shares of MPL were being quoted in the share market between Rs.19.45 and Rs.28.85 in that month. This would have enabled the Company to realise an income of Rs.20.44 crore (computed with reference to the closing price of Rs.27.35 per share of MPL in August 2005) and by investing this amount, the Company could have earned an annual return of Rs.1.64 crore (at the overall borrowing rate of eight *per cent per annum*). As against this, the Company earned only Rs.1.12 crore during 2005-06 and 2006-07 as dividend. Thus, failure to disinvest its share in MPL resulted in a recurring annual loss of Rs.1.08 crore (expected interest earning of Rs.1.64 crore minus dividend Rs.0.56 crore).

The Management stated (February 2007) that the reduction in share capital enabled MPL to wipe off its accumulated losses and restore payment of dividend to the shareholders. It further stated that it would be worthwhile to hold on the shares of MPL as the intrinsic value of the shares was likely to be far in excess of the quoted price with an assured dividend of 10 to 20 *per cent*.

The reply is not tenable as the investment of Rs.7.48 crore made by the Company in 1995 did not yield any return till 2004-05. Further, the consultant appointed by MPL projected (November 2004) maximum dividend of 10 *per cent* upto 2008-09. Thus, the possibility of declaring dividend by MPL in excess of 10 *per cent* is remote. Further, the shares of MPL were quoted at Rs.9.11 per share as on 10 August 2007. It is pertinent to mention here that Unit Trust of India and General Insurance Corporation had sold their shareholdings in MPL to the general public, when MPL proposed reduction of its share capital in May 2005.

The matter was reported (March 2007) to the Government; their reply is awaited (September 2007).

Tamil Nadu Cements Corporation Limited

4.11 Extra expenditure on electricity charges

The Company incurred extra expenditure of Rs.67.74 lakh due to non-availing of appropriate tariff for supply of power to the residential quarters in the cement unit at Alangulam.

Tamil Nadu Electricity Board (Board) introduced (March 2003), a new LT tariff IC. According to the new tariff, LT bulk supply to residential quarters within the premises of the consumers availing power at HT tariff IA, IIA and III was to be metered separately by the consumer and billed under the LT tariff IC. The consumption of energy was to be charged at the rate of Rs.3.50 per unit under this tariff and no fixed charge was payable.

Alangulam unit of the Company has residential colony consisting of 400 residential quarters and 20 commercial establishments for its employees, near its plant. The unit is availing power supply from HT Industrial connection and also supplying power from this connection to the residential colony through LT feeder having separate metering arrangement. As the commercial establishments are located in between the quarters, the Board had been levying LT commercial tariff at Rs.5.80 per unit for the entire consumption recorded in the meter connected to the LT feeder, though majority of the power consumption relates to 400 residential quarters.

The Company did not take effective steps so far (September 2007) for getting the consumption of energy by residential quarters billed under tariff LT-IC in spite of being pointed out (September 2006) by audit. The consumption of power by the residential colony was being billed by the Board at higher rates under LT commercial tariff. It is pertinent to mention here that Ariyalur unit of the Company was being billed under tariff LT-IC since introduction of this new tariff in March 2003.

Thus, failure of the Company to effectively pursue the matter for availing the LT tariff IC for the electricity consumption in the residential quarters in the Alangulam unit resulted in avoidable extra expenditure of Rs.67.74 lakh between April 2003 and September 2007. This would also result in recurring extra expenditure of Rs.95,168 per month till the change of tariff is made by the Board.

The matter was reported (April 2007) to the Management/Government; their replies are awaited (September 2007).

Tamil Nadu Adi Dravidar Housing and Development Corporation Limited

4.12 Improper implementation of a welfare scheme

Unfruitful investment of Rs.42.65 lakh in providing Garbage tipper autos to the beneficiaries without ensuring the potential employment and non-recovery of balance advance payment of Rs.49.77 lakh from tipper auto supplier.

The Company has been implementing various schemes for the economic upliftment of weaker sections of the society. The Company formulated (February 2000) one such scheme of providing loans to the dependents of sanitary workers of Tirunelveli Municipal Corporation (TMC) for purchase of garbage tipper autos, by obtaining funds from National Safai Karmacharis Finance Development Corporation (NSKFDC). Using the tipper autos, the dependents of sanitary workers were proposed to be engaged in clearing of the garbage in the TMC area so as to earn their livelihood.

As per the scheme, TMC was to deduct the instalments of loan from the charges payable to the beneficiaries on entrusting the job of garbage clearance and remit the amount so deducted to the Company.

The Company released (February 2000) a sum of Rs.1.18 crore to TMC, for the purchase of 55 numbers of tipper autos on behalf of the beneficiaries. TMC placed (March 2000) orders on Royal Auto Agency, Tirunelveli (RAA) for the supply of 55 tipper autos at a cost of Rs.1.75 lakh per tipper auto. RAA supplied (July 2000) 24 out of 55 tipper autos ordered against an advance payment of Rs.56.79 lakh.

TMC informed (July 2000) RAA not to supply the balance 31 tipper autos as TMC could not engage the beneficiaries to whom 24 tipper autos had already been provided on the job of garbage clearance. TMC refunded (July 2000) the balance amount of Rs.60.59 lakh (Rs.118.01 lakh - Rs.57.42 lakh) to the Company. With the result, the remaining beneficiaries requested the Company to buy auto rickshaws instead of garbage tipper autos. The Company approached the supplier (RAA) for supplying 9 auto rickshaws for the balance amount (Rs.14.77 lakh) of advance payment, for which the supplier did not respond.

Subsequently, the Company on its own made (September 2000) an advance payment of Rs.35 lakh for getting the balance 31 numbers of tipper autos from the RAA. RAA after receiving the payment, demanded (April 2001) further money and refused to supply the balance number of tipper autos. The beneficiaries were also not willing to receive these tipper autos, in the absence of employment expected to be provided by TMC to them. Consequently, the Company dropped the scheme and lodged a criminal complaint (December 2005) against the supplier for recovery of the balance amount of

Rs.49.77 lakh. The supplier, however, filed (August 2006) a civil suit against the Company for not taking delivery of the tipper autos available with them.

In this connection, it was observed that:

- the scheme was a non-starter from the beginning as there was no firm commitment from TMC for employing the tipper autos for clearance of garbage.
- there was no justification for the Company to pay further advance of Rs.35 lakh to RAA for supply of tipper autos as the beneficiaries were not interested in tipper autos.
- the Company did not take action to recover Rs.49.77 lakh or seize 31 tipper autos or file civil suit against RAA between September 2000 and December 2005.
- no action has been taken by the police to investigate the criminal case lodged by the Company so far (September 2007).

While accepting the facts, the Company stated (March 2007) that a criminal complaint had been lodged against RAA with the Police for recovery of the amount and in order to evade the criminal prosecution, the supplier had filed a civil suit against the Company. The fact, however, remains that the action of the Company was unjustified as there was no guarantee of employment by the TMC. Further, the decision to pay further advance of Rs.35 lakh for purchase of tipper autos was not justified as the Company was aware that the beneficiaries were not interested in tipper autos. Besides, the Company failed to ensure gainful employment to even those beneficiaries to whom the tipper autos were provided. This reduced the chances of recovering Rs.49.77 lakh from RAA and investment of Rs.42.65 lakh on purchase of tipper autos for beneficiaries remained unfruitful as the objective of providing employment to weaker section could not be achieved.

The matter was reported (May 2007) to the Government; their reply is awaited (September 2007).

Tamil Nadu Ex-servicemen's Corporation Limited

4.13 Avoidable payment of income tax

Failure to collect certificate of income tax deducted at source from the user departments resulted in avoidable payment of income tax of Rs.25.26 lakh.

The Company has been providing services of ex-servicemen in the areas of security, clerical work, accounting work, *etc.*, on contract basis to the State/Central Government departments and Public Sector Undertakings (PSUs). For this purpose, the Company had entered into contracts with the user departments/PSUs and raised claims for payments against the services rendered.

As per the provision of Section 194 (c) of the Income Tax Act, 1961 (Act), any person responsible for paying any sum to any contractor for the work carried out has to deduct an amount equal to the amount specified in the Income Tax Rules at the time of payment and remit the same to the Income Tax Authority. The person making such deductions has to furnish a certificate of Tax Deducted at Source (TDS) to the effect that the tax has been deducted, specifying the amount so deducted, *etc.*, (Section 203 of the Act). The person, from whose payments tax has been deducted has to produce the TDS certificate to the Income Tax Authority at the time of income tax assessment to get credit for the tax so deducted (Section 199 of the Act).

It was observed that there was no proper system of monitoring the timely collection of TDS certificates. As a result, the Company failed to collect TDS certificates for Rs.25.26 lakh from the user departments for the assessment years 1999-2000 to 2003-04 (financial years 1998-99 to 2002-03). The Company has obtained exemption from deduction of tax at source from assessment year 2004-05 onwards.

Non-collection of TDS certificates from the concerned user departments/PSUs and their submission to the Income Tax authorities resulted in avoidable payment of income tax of Rs.25.26 lakh. Further, the Company has not taken any action against the officials who failed to collect TDS certificates.

The matter was reported (March 2007) to the Management/Government; their replies are awaited (September 2007).

Statutory Corporation

Tamil Nadu Electricity Board

4.14 Failure to avail full benefit of securitisation of the dues

Failure to securitise the entire outstanding dues payable to the Central Public Sector Undertakings resulted in the Board losing an opportunity to liquidate its liability of Rs.129.22 crore.

The GOI, as a measure of power sector reform and improving the financial position of the SEBs, introduced (May 2001) a scheme of one time settlement of the outstanding dues of SEBs payable to the Central Public Sector Undertakings (CPSUs) for supply and transmission of power and supply of fuels to the SEBs.

The scheme originally contemplated securitisation of the outstanding dues of the SEBs payable to the CPSUs as on 28 February 2001 by issue of tax free bonds (at interest rate of 8.5 *per cent per annum*) to the CPSUs by the respective State Governments. The bonds were to be redeemed within a period of 15 years including a moratorium period of 5 years.

The Board submitted (September 2001) a proposal to the State Government for securitising an amount of Rs.1,524.46 crore stated to be the outstanding dues payable to the CPSUs as on 28 February 2001. Subsequently, the Board submitted (November 2001) a proposal revising the amount to be securitised as Rs.1,962.14 crore by increasing the dues payable to Coal India Limited (CIL) from Rs.45.20 crore to Rs.397.96 crore. Accordingly, the State Government decided (June 2002) to issue tax free bonds for Rs.1,962.14 crore to the CPSUs as one time securitisation of the outstanding dues of the Board payable to the CPSUs.

Meanwhile, the GOI extended (April 2002) the cut-off date for reckoning the dues to the CPSUs from 28 February 2001 to 30 September 2001 and thereby made the scheme effective from 1 October 2001. During this extended period (March 2001 to September 2001), the Board further accumulated dues of Rs.289.57 crore payable to the CPSUs against purchase of power. The Board requested (June 2002) the State Government that this additional accumulated dues may also be accommodated within the original amount of Rs.1,962.14 crore proposed for securitisation by restricting the dues payable to CIL to the undisputed amount of Rs.155.20 crore as against total dues of Rs.193.30 crore. The Board further reduced (March 2003) the dues payable to CIL to Rs.117.30 crore. It was noticed that the dues payable to CIL were not the actual dues but a derived balancing figure so as to retain the overall securitisation amount at

Rs.1,962.14 crore. The dues (including disputed amount) payable to CIL was Rs.397.96 crore as on March 2003.

The State Government notified (August 2003) the issue of bonds for Rs.1,962.14 crore to the CPSUs treating the amount as grants-in-aid to the Board. Thus, despite the dues to CIL being Rs.397.96 crore, the Board intimated the State Government an arbitrary balancing figure of Rs.117.30 crore.

Thus, by arbitrarily restricting the dues of CIL to Rs.117.30 crore with the sole purpose of limiting the securitisation to the initially approved amount of Rs.1,962.14 crore, the Board had lost an opportunity to convert its dues to CIL amounting to Rs.129.22 crore (being the payments of Rs.86.92 crore made to CIL after 30 September 2001 and the amount of Rs.42.30 crore remaining unsettled) as grants-in-aid from the State Government.

The matter was reported (June 2007) to the Board/Government; their replies are awaited (September 2007).

4.15 Avoidable liability towards penal interest

Delayed remittance of the Electricity Tax by the Board into the Government account led to liability of penal interest of Rs.89.84 crore.

As per provisions of the Tamil Nadu Electricity (Taxation on Consumption) Act, 1962 and Rules made there under, every licensee (including the Board) had to collect the electricity tax from the consumers of electricity and pay the same to the State Government within a period of 60 days from the last day of the month for which tax was levied. For the belated payments, interest at the rate not exceeding 12 *per cent per annum* for the period of delay had to be collected by the State Government. Tamil Nadu Tax on Consumption or Sale of Electricity Act, 2003 which came into effect from 16 June 2003 also provides for levy of penal interest on such belated payments.

The Board collected the electricity tax from the consumers regularly but did not remit the same to the State Government by the due dates since October 1999 to December 2005 on the ground of its poor ways and means position. The same was either adjusted by the State Government against release of subsidy/equity share capital to the Board or at times paid by the Board in cash. As there was always delay in adjustment of subsidy/equity or payment of cash against electricity tax dues, the Board was liable to pay penal interest of Rs.89.84 crore for the period from October 1999 to December 2005, which has not been paid so far (August 2007) by the Board.

The Board though requested (between July 2003 and December 2005) the State Government to waive the penal interest, the Government did not agree (December 2005) as there was no provision in the relevant Act for waiver of the penal interest.

The Board stated (July 2007) that it has requested (December 2005) the State Government to re-examine the issue regarding waiver of penal interest of Rs.89.84 crore as per Section 16[∝] of the Tamil Nadu Tax on Consumption or Sale of Electricity Act, 2003. The Government had not responded so far (September 2007).

The matter was reported (June 2007) to the Government; their reply is awaited (September 2007).

4.16 Non-recovery of Current Consumption charges

The Board failed to recover the subsidy of Rs.47.28 crore towards Current Consumption charges of beneficiaries directly from the Government.

Tamil Nadu Electricity Regulatory Commission (TNERC) *inter alia* fixed (March 2003) the tariff for supply of electricity to agriculture at Rs.250 per horse power *per annum* for unmetered consumer. As small and marginal farmers were getting free supply prior to this Tariff Order, the State Government decided (June 2003) to give cash subsidy to them to enable them to pay the Current Consumption charges (CC charges) to the Board. For this purpose, the State Government announced (June 2003) a scheme called 'cash support scheme', which provided for disbursement of cash subsidy to the farmers, twice a year at the rate of Rs.500 or Rs.625 per half year depending upon the horse power of the motor used for pumping water by the farmers. The amount was to be sent to the beneficiary farmers through money orders (MOs) based on the address and data of electricity dues furnished by the Board. The farmers in turn were to pay the CC charges to the Board by due dates. This scheme was discontinued (March 2004), as TNERC had subsequently agreed to the proposal of the State Government to make the entire supply of electricity to the agriculture and hut services free of cost and directed the State Government to provide the subsidy directly to the Board to compensate the shortfall in revenue collections.

Audit scrutiny of the cash support scheme revealed the followings:

- The Board collected Rs.87.72 crore for the first half year ending 15 September 2003 as against the demand of Rs.93.90 crore leaving a balance of Rs.6.18 crore uncollected.
- For the second half of the year ending 15 March 2004, the Board collected only Rs.52.14 crore against the demand of Rs.93.24 crore and Rs.41.10 crore remained uncollected.

∝ Section 16 provides that if any difficulty arises giving effect to the provisions of this Act, the Government may by an order published in the Tamil Nadu Government Gazette make such provisions not inconsistent with the provisions of this Act, as appears to them necessary or expedient for removing the difficulty.

- MOs of Rs.23.16 crore relating to the second half year of 2003-04 were returned undelivered and the amount was remitted back to the State Government due to the failure of the Board to furnish correct addresses of the beneficiary farmers. Against this, the Board could subsequently, furnish correct addresses for Rs.7.92 crore for which sanction of the subsidy sought by the Board is pending with the State Government (September 2007).
- The Board also claimed (November 2005) special subsidy of Rs.33.18 crore towards the balance uncollected amount pertaining to the second half year of 2003-04. The Board, however, did not claim any subsidy for the uncollected amount of Rs.6.18 crore pertaining to the first half year of 2003-04. Moreover, the Board did not follow up with the State Government for payment of the balance amount of subsidy after November 2006.

It was noticed that at the time of discussing the modalities for the payment of cash subsidy to the small and marginal farmers with the State Government to enable them to pay CC charges as per the tariff fixed by the TNERC, representatives of the Board were also present. At that time, the Board could have very well requested the State Government to pay the subsidy directly to the Board instead of routing through the beneficiaries. This would also have helped the State Government to save MO commission of Rs.3.18 crore, besides recovery of full dues by the Board.

Thus, failure of the Board to give correct address of the beneficiaries and to pursue with the State Government for directly reimbursing the CC charges by way of subsidy instead of routing through the consumers had resulted in non recovery of the CC charges of Rs. 47.28 crore (Rs.6.18 crore plus Rs.41.10 crore).

The matter was reported (May 2007) to the Board/Government; their replies are awaited (September 2007).

4.17 Loss of incentive

Failure to comply with the conditions regarding prompt payment of dues to the Central Public Sector Undertakings led to loss of incentive of Rs.24.63 crore.

In order to restore the financial viability of the SEBs and to enable them to undertake reforms, the GOI announced (April 2002) a scheme called "Securitisation of outstanding dues of SEBs to the Central Public Sector Undertakings" (CPSUs). As per this scheme, all dues of the SEBs payable to the CPSUs outstanding as on 30 September 2001 were to be converted into long term loans by issue of tax free bonds by the respective State Governments which were to be repaid in 20 equal six monthly instalments from 1 October 2006.

The scheme further provided that after the securitisation of the past dues as above, for payment of dues for the period after 30 September 2001, the SEBs should:

- make payment against the bills of CPSUs within 60 days from the date of billing or within 45 days of receipt of bills, whichever was later;
- open on or before 30 June 2002 an irrevocable letter of credit (LC) equal to 105 *per cent* of the average monthly bills of CPSUs for supply of coal/power, *etc*;
- establish any other mutually acceptable security mechanism for timely payment of current dues.

The scheme further provided that the SEBs, which complied with the security mechanism and made prompt payment of dues without committing any default during a block of six months in the years 2002-03 to 2005-06 shall be eligible for financial incentive. The bi-annual incentive was two *per cent* of nominal value of bonds for the period upto 31 December 2002 and three *per cent* in 2002-03, two and half *percent* in 2003-04 and two *per cent* in 2004-05 and 2005-06.

The State Government issued (August 2003) bonds of Rs.117.30 crore in favour of Mahanadhi Coal Fields Limited (MCL) in pursuance of this scheme. The Board, in respect of dues for the period subsequent to 30 September 2001 neither opened LCs nor established any other mutually acceptable security mechanism for payments of dues to MCL towards supply of coal. It settled most of the bills of MCL for the actual quantity of coal lifted belatedly *i.e.,* after 60 days from the date of billing or 45 days of the receipt of the bills.

Failure of the Board to comply with the conditions relating to prompt payment of dues led to loss of incentive of Rs.24.63 crore.

The Government stated (July 2007) that the coal companies raised their bills on day-to-day basis and the Board settled these bills on monthly basis after receipt of test results from the referee regarding the grade of coal. It was further stated that opening of letter of credit was not advantageous to the Board in view of exposure limit with banks. The Board was making only advance payment to MCL equal to 95 *per cent* of coal value and 100 *per cent* of statutory levies. MCL was not considering this form of advance payment as mutually agreed one. In the above circumstances, the Board could not adhere to the stipulated conditions of tripartite agreement on payment terms and mutually acceptable security mechanism.

The reply is not tenable in view of the fact that as per securitisation scheme, payment of bills had to be made not later than 60 days from the date of billing or within 45 days of their receipt whichever was later. The Board need not have waited for the test results on grade slippages, *etc.* as the recovery on account of this was lesser compared to the incentive that the Board would have received for prompt payment. By paying the balance five *per cent* amount of the bills (as the Board was making 95 *per cent* advance payment), the amount of incentive earned by the Board would have been more than the cost of borrowing.

4.18 Avoidable expenditure

Procurement of costlier high quality meters instead of low cost static meters resulted in avoidable expenditure of Rs.14.18 crore.

The Board approved (May 2005) the procurement of five lakh single phase static meters initially against the proposal to procure 10 lakh meters. It was decided to procure the balance quantity of five lakh meters only after ascertaining the performance for one year of the similar meters procured during October 2004 to January 2005. Accordingly, purchase orders were placed (May 2005) on five firms for supply of five lakh single phase static meters at rates of Rs.277.19 to Rs.279.21 per meter (all inclusive) as approved by the Director General of Supplies and Disposal.

A three member committee formed (July 2005) to assess the performance of high quality meters *vis-a-vis* static meters visited (August 2005) the power utilities in Karnataka and Gujarat. The Committee recommended (September 2005) procurement of high quality meters instead of the static meters on the ground that warranty period for high quality meters was 10 years compared to five years for static meters and generally the performance of high quality meters was better than that of static meters.

After inviting tenders (December 2005), the Board placed orders (April 2006) on 12 suppliers for procurement of five lakh high quality single phase meters at an all inclusive price of Rs.574.91 to Rs.576.19 per meter. Against which 4,79,621 of high quality meters were received during June to November 2006.

The decision of the Board to procure five lakh high quality meters in preference to the static meters lacked justification as:

- The cost of the static meters was very less compared to the high quality meters. The three member committee did not point out any inferior or poor performance of the static meters. There was no complaint about performance of single phase static meters already installed.
- Further, no efforts were made to assess the performance of single phase static meters purchased during October 2004 to January 2005 as directed (May 2005) by the Board, although these meters had completed one year by the time orders for high quality meters were finalised (April 2006).
- The Board had placed (February 2006) orders for procurement of three lakh single phase static meters indicating that the performance of these meters was satisfactory.

Thus, the decision (April 2006) to procure five lakh costlier high quality meters lacked justification resulting in avoidable expenditure of Rs.14.18 crore° on procurement of 4,79,621 high quality meters.

The matter was reported (March 2007) to the Board/Government; their replies are awaited (September 2007).

4.19 Loss of revenue

Non-extension of additional load to an extra high tension consumer due to failure of the Board to replace a failed transformer led to revenue loss of Rs.2.23 crore.

As per Section 43(1) of the Electricity Act, 2003 read with Regulation 4 of the "Tamil Nadu Electricity Regulatory Commission – Tamil Nadu Electricity Distribution Standards of Performance Regulations 2004", the Board should provide the additional load within a period of 90 days from the date of registration of the application, where extension and improvement of transformers is involved. It further provides that if the Board fails to supply the electricity within the specified period, it shall be liable to pay the consumer a penalty, which may extend up to Rs.1,000 for each day of delay in extending the supply beyond the stipulated time schedule.

Chemplast Sanmar Limited (CSL), an extra high tension consumer under Mettur Electricity Distribution Circle having a sanctioned load of 9,500 KVA applied (July 2006) for an additional load of 16,500 KVA and deposited earnest money of Rs.1.32 crore. His application was registered (18 July 2006) with the Board for sanction of additional load.

The Board sanctioned (October 2006) the additional load of 16,500 KVA to CSL with a condition that the supply would be effected after erection and commissioning of a 50 MVA auto transformer at Mettur sub-station (SS) in place of the old one, which had failed. As the planned erection and commissioning of auto transformer at Mettur sub-station could not materialise, the additional load requested by CLS could not be effected so far (August 2007).

Non extension of the additional load resulted in loss of revenue of Rs.2.23 crore on account of demand charges♣ besides having a liability to pay penalty to the consumer. In addition, the Board would continue to suffer a recurring loss of Rs.44.85 lakh per month on account of demand charges till the additional load was provided.

° Calculated by taking the difference between the lowest price (Rs.574.91) of high quality meter and highest price (Rs.279.21) of single phase static meters.

♣ Being the minimum charges receivable even if there is no consumption.

The Government stated (August 2007) that an interim demand of 4,000 KVA to CSL was effected (9 April 2007) and after commissioning of 100 MVA auto transformer at Mettur SS, the balance demand of 12, 500 KVA would be effected at the earliest. The fact, however, remains that even after a lapse of 15 months from the date of application by the consumer, the Board is yet to effect the full demand of 16,500 KVA as demanded by the CSL. As such, the Board would continue to suffer a recurring revenue loss of Rs.33.75 lakh per month till the full demand of CSL is met.

4.20 Avoidable expenditure

Payment of Rs.2.10 crore as income tax on the incentive paid to the employees by the Board on behalf of its employees resulted in avoidable expenditure.

The Board introduced (April 1983) a scheme for payment of Monthly Thermal Incentive Allowance (Allowance) and Annual Thermal Incentive Bonus (Bonus) linked to the generation of power achieved by Tuticorin Thermal Power Station (TTPS).

Section 192(1) of the Income Tax Act, 1961 requires that any person responsible for paying any income chargeable under the head "Salaries", shall at the time of payment, deduct income tax on such amount. Since the allowance and bonus were akin to profit in lieu of salary, income tax was to be deducted by the Board on the amount of allowance/bonus at source (TDS) and deposited with the Income Tax authorities.

The Board, however, did not deduct the income tax at source from the payments of allowance and bonus made to its employees of TTPS and remit it to the Income Tax Department (Department), since introduction of the incentive schemes.

The Department raised (December 2004) a demand of Rs.1.25 crore towards income tax and interest for non-deduction of TDS on the allowance and bonus paid to the employees of TTPS for the financial years 2000-01 to 2003-04. The amount was subsequently collected (August 2005) by the Department by freezing the bank account of the Board.

It was observed that even after this, the Board did not start deducting TDS from the amount of allowance and bonus paid to the employees. The Board, instead, decided (April 2006) to bear the burden of income tax on the amount of allowance and bonus paid to the employees. Accordingly, the Board paid income tax amounting to Rs.23.63 lakh on the payments of allowance and bonus for the years 2004-05 and 2005-06.

It was observed that the Board introduced (April 2003) similar incentive scheme in North Chennai Thermal Power Station (NCTPS). The Board has neither deducted the tax of Rs.60.59 lakh at source on these payments nor remitted the same to the Department up to March 2006.

The Board stated (March 2007) that the Chief Minister of the State had announced (December 2004) that the tax on the thermal allowance and annual thermal incentive bonus paid to the officers and staff of TTPS would be borne by the Board. The reply is contradictory to the facts recorded in the note submitted (24 April 2006) to the Board that the Chief Minister had announced (December 2004) that the Government of Tamil Nadu was taking up the matter of getting exemption from assessment of tax on the said allowances and in the event of non-exemption, the Government of Tamil Nadu would reimburse the tax. While complying with the public announcement of the Chief Minister, the Board did not try to obtain the formal approval of the State Government.

Thus, payment of income tax on behalf of the employees resulted in unwarranted liability of Rs.2.10 crore in respect of TTPS employees. In respect of NCTPS, no TDS has been deducted and deposited with the authorities for which the Board may be liable to pay income tax along with interest and penalty.

The Government stated (July 2007) that the Board had not paid any amount so far towards income tax from its funds on behalf of the employees of North Chennai Thermal Power Station. The payments of allowance and bonus were being made to motivate the employees of thermal power stations in order to maintain the availability of quality and reliable power in the State. Considering the earnest efforts being put forth by these employees round the clock in difficult environmental conditions, it was felt that deduction of income tax on this meagre benefit would dissuade them in bringing out their best achievements. The reply is not tenable as the payments made by the Board were on the basis of the assurance given by the State Government to reimburse the same. Further, as per Income Tax Act[•], any amount paid by the employer on behalf of employees needs to be added to the income of the employees for payment of income tax.

4.21 Extra expenditure on sales tax

Failure to include the appropriate rate of sale tax in the purchase orders for the procurement of transformers resulted in extra expenditure of Rs.53.28 lakh on sales tax.

Section 3(5) of the Tamil Nadu General Sales Tax Act (Act), introduced with effect from 17 July 1996 stipulates that the tax payable by a dealer in respect of sale of any of the goods mentioned in the Eighth Schedule of the Act to any

• Section 17(2)(iv) states that any sum paid by the employer in respect of any obligation which, but for such payment, would have been payable by the assessee would be included in the salary as 'Perquisite'.

other dealer for installation of and use in his factory site situated within the State for the manufacture of any goods shall be at three *per cent* on the turnover relating to such sale.

The Board is a registered dealer engaged in the business of generation, transmission and sale of electric energy. Transmission power transformers and distribution transformers have been included in the Eighth Schedule of the said Act. As such, the Board was entitled to procure the transformers by paying sales tax at three *per cent* after furnishing the Form-XVII to the suppliers.

As there was some confusion over the applicability of concessional sales tax (three *percent*) to the Board, the Board took up (February 2004) the matter with the Commissioner of Commercial Taxes about the applicability of sales tax rate on the procurement of transformers by the Board. The Commissioner of Commercial Taxes clarified (March 2004) and issued instructions (October 2005) to all the Deputy Commissioners, Commercial Taxes that the Board was eligible to procure transformers by paying sales tax at three *per cent* on production of the Form-XVII.

It was observed that even after having received the above clarification and order from the Commercial Taxes Department, the Board failed to include the appropriate rate of sales tax in the purchase orders placed during November 2005 to July 2006 leading to payment of sales tax at four *per cent* instead of three *per cent*. This resulted in incurring of extra payment of sales tax of Rs.53.28 lakh.

The matter was reported (March 2007) to the Board/Government; their replies are awaited (September 2007).

GENERAL

4.22 Follow-up action on Audit Reports

Explanatory notes outstanding

4.22.1 The Comptroller and Auditor General of India's Audit Reports represent the culmination of the process of scrutiny starting with initial inspection of accounts and records maintained in the various offices of Public Sector Undertakings and Departments of Government. It is, therefore, necessary that they elicit appropriate and timely response from the Executive. Finance Department, Government of Tamil Nadu had issued instructions (January 1991) to all Administrative Departments to submit explanatory notes indicating corrective/remedial action taken or proposed to be taken on the paragraphs and reviews included in the Audit Reports within six weeks of their presentation to the Legislature, without waiting for any notice or call from the Committee on Public Undertakings (COPU).

The Audit Reports for the years 1997-98, 1998-99, 1999-2000, 2000-01, 2001-02, 2002-03, 2003-04, 2004-05 and 2005-06 were presented to the State Legislature in April 1999, May 2000, September 2001, May 2002, May 2003, July 2004, September 2005, August 2006 and May 2007 respectively. Eleven out of 18 departments, which were commented upon, had not submitted explanatory notes on 98, out of 247 paragraphs/reviews, as on September 2007, as indicated below:

Year of Audit Report (Commercial)	Total number of paragraphs/reviews in the Audit Report	Number of paragraphs/reviews for which explanatory notes were not received
1997-98	25	1
1998-99	29	1
1999-2000	28	13
2000-01	25	10
2001-02	32	12
2002-03	29	8
2003-04	24	7
2004-05	25	16
2005-06	30	30
TOTAL	**247**	**98**

Department-wise analysis is given in the **Annexure-22.** The departments largely responsible for non submission of explanatory notes were Industries and Small Industries.

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

4.22.2 The replies to recommendations of the Committee on Public Undertakings (COPU) as contained in its Reports are required to be furnished within six weeks from the date of presentation of the Report by the COPU to the State Legislature. Replies to recommendations pertaining to 19 paragraphs included in 15 Reports of COPU presented to the State Legislature between March 2000 and March 2007 had not been furnished by the concerned departments of the State Government as on September 2007 as indicated below:

Year of COPU Report	Total number of Reports involved	Number of paragraphs in respect of which replies were not received
2002-03	2	2
2003-04	8	11
2004-05	5	6
TOTAL	**15**	**19**

Action taken on persistent irregularities pointed out in the Audit Reports

4.22.3 Government companies

Sanction of loans in violation of guidelines by Tamil Nadu Industrial Investment Corporation Limited was included in the Reports of the Comptroller and Auditor General of India for the years 1997-98, 1999-2000 and 2004-05 (Commercial) – Government of Tamil Nadu (as detailed in **Annexure-23**). Audit scrutiny revealed that the irregularities continued to persist for more than seven years as the action taken by the Company/the Government was inadequate.

Statutory corporations

Extension of undue benefit to Independent Power Producers, noticed in Tamil Nadu Electricity Board was included in Audit Reports of the Comptroller and Auditor General of India for the years 2001-02, 2003-04, 2004-05 and 2005-06 (Commercial) - Government of Tamil Nadu (as detailed in **Annexure-24**). Audit scrutiny revealed that these irregularities continued to persist as the action taken by the Board/State Government was inadequate.

4.23 Response to inspection reports, draft paragraphs and reviews

Audit observations noticed during audit and not settled on the spot are communicated to the heads of the Public Sector Undertakings (PSUs) and departments of the State Government through inspection reports. The heads of PSUs are required to furnish replies to the inspection reports through the respective heads of departments within a period of six weeks. Inspection reports issued up to March 2007 pertaining to 58 PSUs disclosed that 3,191 paragraphs relating to 777 inspection reports remained outstanding at the end of September 2007; of these, 356 inspection reports containing 1,047 paragraphs had not been replied to for more than two years. Department-wise break-up of inspection reports and audit observations outstanding as on 30 September 2007 is given in **Annexure-25.**

Similarly, draft paragraphs and reviews on the working of PSUs are forwarded to the Principal Secretary/Secretary of the administrative department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. It was, however, observed that 21 draft paragraphs and four reviews forwarded to the various departments during the period from March to August 2007, as detailed in **Annexure-26**, had not been replied so far (September 2007).

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

The matter was referred (September 2007) to the Government; their reply is awaited (September 2007).

Chennai
The 18 MAR 2008

(S.MURUGIAH)
Accountant General
(Commercial and Receipt Audit),
Tamil Nadu

Countersigned

New Delhi
The 25 MAR 2008

(VINOD RAI)
Comptroller and Auditor General of India

ANNEXURES

ANNEXURE-1

(Referred to in paragraphs 1.3, 1.4 and 1.5)

Statement showing particulars of up-to-date paid-up capital, budgetary outgo, loans given out of budget and loans outstanding as on 31 March 2007 in respect of Government companies and Statutory corporations

(Figures in column 3(a) to 4(f) are Rupees in lakh)

Sl. No.	Sector and name of the company/Statutory corporation	Paid-up capital at the end of the current year					Equity/loans received out of budget during the year		Other loans received during the year	Loans outstanding at the close of 2006-07*			Debt equity ratio for 2006-07 (previous year) 4(f)/3(e)
		State Government	Central Government	Holding companies	Others	Total	Equity	Loans		Government	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
A.	**WORKING COMPANIES**												
	AGRICULTURE												
1.	Tamil Nadu Fisheries Development Corporation Limited	445.52	---	---	---	445.52	---	---	---	---	---	---	---
	Sector-wise total	**445.52**	---	---	---	**445.52**	---	---	---	---	---	---	---
	INDUSTRY												
2.	Tamil Nadu Industrial Development Corporation Limited (TIDCO)	7,203.17	---	---	---	7,203.17∝	---	---	---	---	---	---	(1.99:1)
3.	Tamil Nadu Industrial Explosives Limited	2,214.14	---	---	481.54	2,695.68	---	---	---	4,642.85	---	4,642.85	1.72:1 (1.97:1)
4.	Tamil Nadu Paints and Allied Products Limited (Subsidiary of TANSI)	---	---	2.05	---	2.05	---	---	---	---	---	---	---
5.	Tamil Nadu Small Industries Corporation Limited (TANSI)	1,505.26	---	---	---	1,505.26	---	---	---	4,945.76	---	4,945.76	3.29:1 (0.99:1)

∝ Shares of Rs.22.14 crore held by Tamil Nadu Industrial Development Corporation Limited (TIDCO) in Tamil Nadu Industrial Explosives Limited were transferred to the State Government by TIDCO by reducing its paid-up capital.

(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
6.	Tamil Nadu Small Industries Development Corporation Limited (SIDCO)	870.00	---	---	---	870.00	---	---	---	---	---	---	---
7.	State Industries Promotion Corporation of Tamil Nadu Limited (SIPCOT)	5,791.25	---	---	---	5,791.25	---	---	---	---	---	---	---
8.	Tamil Nadu Salt Corporation Limited	317.01	---	---	---	317.01	---	---	---	---	---	---	---
9.	Tamil Nadu Magnesite Limited	1,665.00	---	---	---	1,665.00	---	---	---	982.95	13.50	996.45	0.60:1 (1.16:1)
10.	Tamil Nadu Leather Development Corporation Limited	250.00	---	---	---	250.00	---	---	---	294.33	13.50	307.83	0.81:1 (1.23:1)
	Sector-wise total	**19,815.83**	---	**2.05**	**481.54**	**20,299.42**	---	---	---	**10,865.89**	**27.00**	**10,892.89**	**0.54:1 (0.90:1)**
	ENGINEERING												
11.	State Engineering and Servicing Company of Tamil Nadu Limited (SESCOT) (Subsidiary of TANSI)	49.71	---	---	---	49.71	---	---	---	444.34	---	444.34	8.94:1 (8.94:1)
12.	Southern Structurals Limited	3,435.50	---	---	18.80	3,454.30	---	---	---	5,739.45	---	5,739.45	1.66:1 (1.66:1)
	Sector-wise total	**3,485.21**	---	---	**18.80**	**3,504.01**	---	---	---	**6,183.79**	---	**6,183.79**	**1.76:1 (1.76:1)**
	ELECTRONICS												
13.	Electronics Corporation of Tamil Nadu Limited (ELCOT)	2,593.05	---	---	---	2,593.05	---	---	---	---	---	---	---
	Sector-wise total	**2,593.05**	---	---	---	**2,593.05**	---	---	---	---	---	---	---
	TEXTILES												
14.	Tamil Nadu Textile Corporation Limited	154.00	---	---	---	154.00	---	---	---	162.37	---	162.37	1.05:1 (1.57:1)
15.	Tamil Nadu Zari Limited	34.40	---	---	---	34.40	---	---	---	---	---	---	---- (1.16:1)
	Sector-wise total	**188.40**	---	---	---	**188.40**	---	---	---	**162.37**	---	**162.37**	**0.86:1 (1.50:1)**

(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
	HANDLOOM AND HANDICRAFTS												
16.	Tamil Nadu Handicrafts Development Corporation Limited	180.27	116.00	---	0.70	296.97	---	---	---	---	168.08	168.08	0.57:1 (0.74:1)
17.	Tamil Nadu Handloom Development Corporation Limited	267.00	---	---	162.23	429.23	---	---	---	---	---	---	---
	Sector-wise total	**447.27**	**116.00**	---	**162.93**	**726.20**	---	---	---	---	**168.08**	**168.08**	**0.23:1 (0.30:1)**
	FOREST												
18	Tamil Nadu Tea Plantation Corporation Limited	596.18	---	---	---	596.18	---	---	---	---	---	---	---
19.	Tamil Nadu Forest Plantation Corporation Limited	376.00	---	---	---	376.00	---	---	---	---	---	---	---
20.	Arasu Rubber Corporation Limited	845.00	---	---	---	845.00	---	---	---	387.00	---	387.00	0.46:1 (0.77:1)
	Sector-wise total	**1,817.18**	---	---	---	**1,817.18**	---	---	---	**387.00**	---	**387.00**	**0.21:1 (0.36:1)**
	MINING												
21.	Tamil Nadu Minerals Limited (TAMIN)	786.90	---	---	---	786.90	---	---	---	---	---	---	---
	Sector-wise total	**786.90**	---	---	---	**786.90**	---	---	---	---	---	---	---
	CONSTRUCTION												
22.	Tamil Nadu State Construction Corporation Limited	500.00	---	---	---	500.00	---	---	---	---	640.19	640.19	1.28:1 (1.28:1)
23.	Tamil Nadu Police Housing Corporation Limited	100.00	---	---	---	100.00	---	---	---	---	---	---	---
	Sector-wise total	**600.00**	---	---	---	**600.00**	---	---	---	---	**640.19**	**640.19**	**1.07:1 (1.07:1)**
	DRUGS AND CHEMICALS												
24.	Tamil Nadu Medicinal Plant Farms and Herbal Medicine Corporation Limited	20.75	---	---	---	20.75	---	---	---	---	---	---	---

(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
25.	Tamil Nadu Medical Services Corporation Limited	404.00	---	---	---	404.00	---	---	---	---	---	---	---
	Sector-wise total	**424.75**	---	---	---	**424.75**	---	---	---	---	---	---	---
	SUGAR												
26.	Tamil Nadu Sugar Corporation Limited	679.15	---	---	100.00	779.15	---	325.00	---	3,450.20	---	3,450.20	4.43:1 (4.43:1)
27.	Perambalur Sugar Mills Limited (Subsidiary of TASCO)	---	---	226.75	190.60	417.35	---	---	---	2,597.40	---	2,597.40	6.22:1 (6.22:1)
	Sector-wise total	**679.15**	---	**226.75**	**290.60**	**1,196.50**	---	**325.00**	---	**6,047.60**	---	**6,047.60**	**5.05:1 (5.05:1)**
	CEMENT												
28.	Tamil Nadu Cements Corporation Limited	3,741.80	---	---	---	3,741.80	---	200.00	---	200.00	---	200.00	0.05:1 (0.13:1)
	Sector-wise total	**3,741.80**	---	---	---	**3,741.80**	---	**200.00**	---	**200.00**	---	**200.00**	**0.05:1 (0.13:1)**
	ECONOMICALLY WEAKER SECTION												
29.	Tamil Nadu Adi Dravidar Housing and Development Corporation Limited	5,018.50	4,493.91	---	---	9,512.41	---	---	---	9.19	---	9.19	---
30.	Tamil Nadu Backward Classes Economic Development Corporation Limited	1,227.01	---	---	---	1,227.01	---	---	1,350.00	---	3,532.58	3,532.58	2.88:1 (2.46:1)
31.	Tamil Nadu Minorities Economic Development Corporation Limited	5.01	---	---	---	5.01	---	---	400.00	---	720.00	720.00	143.71:1 (182.14:1)
32.	Tamil Nadu Corporation for Development of Women Limited	40.00	38.42	---	---	78.42	---	---	---	95.00	---	95.00	1.21:1 (1.21:1)
33.	Tamil Nadu Ex-servicemen's Corporation Limited	22.91	---	---	---	22.91	---	---	---	---	---	---	---
	Sector-wise total	**6,313.43**	**4,532.33**	---	---	**10,845.76**	---	---	**1,750.00**	**104.19**	**4,252.58**	**4,356.77**	**0.40:1 (0.37:1)**

(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
	PUBLIC DISTRIBUTION												
34.	Tamil Nadu Civil Supplies Corporation Limited	3,375.10	---	---	---	3,375.10	36.00	---	---	---	---	---	**(8.98:1)**
	Sector-wise total	**3,375.10**	---	---	---	**3,375.10**	**36.00**	---	---	---	---	---	**(8.98:1)**
	TOURISM												
35.	Tamil Nadu Tourism Development Corporation Limited	678.63	---	---	---	678.63	---	---	---	141.94	87.50	229.44	0.34:1 (0.48:1)
	Sector-wise total	**678.63**	---	---	---	**678.63**	---	---	---	**141.94**	**87.50**	**229.44**	**0.34:1 (0.48:1)**
	FINANCING												
36.	Tamil Nadu Industrial Investment Corporation Limited (TIIC)	11,602.28	---	---	1,747.28	13,349.56	---	---	---	---	47,921.00	47,921.00	3.59:1 (4.01:1)
37.	Tamil Nadu Transport Development Finance Corporation Limited	4,303.00	---	---	1,871.19	6,174.19	---	---	---	---	6,000.00	6,000.00	0.97:1 (1.13:1)
	Sector-wise total	**15,905.28**	---	---	**3,618.47**	**19,523.75**	---	---	---	---	**53,921.00**	**53,921.00**	**2.76:1 (3.10:1)**
	INFRASTRUCTURE DEVELOPMENT												
38.	Tamil Nadu Urban Finance and Infrastructure Development Corporation Limited	3,102.00	---	---	98.00	3,200.00	---	---	---	460.16	61,751.92	62,212.08	19.44:1 (20.97:1)
39.	Tamil Nadu Power Finance and Infrastructure Development Corporation Limited	2,200.00	---	---	----	2,200.00	--	---	---	---	10,800.00	10,800.00	4.91:1 (4.91:1)
40.	Tamil Nadu Rural Housing and Infrastructure Development Corporation Limited	300.01	---	---	---	300.01	---	---	---	---	14,865.02	14,865.02	49.55:1
41.	Tamil Nadu Road Infrastructure Development Corporation Limited	500.00	---	---	---	500.00	---	---	---	---	---	---	---
	Sector-wise total	**6,102.01**	---	---	**98.00**	**6,200.01**	---	---	---	**460.16**	**87,416.94**	**87,877.10**	**14.17:1 (12.57:1)**
	TRANSPORT												
42.	Metropolitan Transport Corporation Limited	31,796.81	---	---	---	31,796.81	7,500.00	---	2,389.35	---	3,708.97	3,708.97	0.12:1 (0.11:1)

(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
43.	Tamil Nadu State Transport Corporation (Madurai) Limited	21,695.96	---	---	---	21,695.96	3,000.00	---	142.75	---	7,279.59	7,279.59	0.34:1 (0.39:1)
44.	Tamil Nadu State Transport Corporation (Coimbatore) Limited	8,489.08	---	---	---	8,489.08	750.00	---	1,687.93	---	6,365.32	6,365.32	0.75:1 (0.89:1)
45.	Tamil Nadu State Transport Corporation (Kumbakonam) Limited	10,984.04	---	---	---	10,984.04	500.00	---	4,545.93	---	9,559.48	9,559.48	0.87:1 (0.72:1)
46.	Tamil Nadu State Transport Corporation (Salem) Limited	4,434.74	---	---	---	4,434.74	400.00	---	2,829.00	---	5,708.98	5,708.98	1.29:1 (1.19:1)
47.	Tamil Nadu State Transport Corporation (Villupuram) Limited	7,210.21	---	---	---	7,210.21	600.00	---	3,649.73	---	8,288.53	8,288.53	1.15:1 (1.03:1)
48.	State Express Transport Corporation Limited	15,325.37	---	---	---	15,325.37	2,848.48*	---	676.52	---	2,232.11	2,232.11	0.15:1 (1.31:1)
	Sector-wise total	**99,936.21**	---	---	---	**99,936.21**	**15,598.48**	---	**15,921.21**	---	**43,142.98**	**43,142.98**	**0.43:1 (0.62:1)**
	MISCELLANEOUS												
49.	Overseas Manpower Corporation Limited	15.00	---	---	---	15.00	---	---	---	---	---	---	---
50.	Tamil Nadu State Marketing Corporation Limited (TASMAC)	1,500.00	---	---	---	1,500.00	---	---	---	---	---	--	
51.	Poompuhar Shipping Corporation Limited	2,053.00	---	---	---	2,053.00	---	---	---	---	600.00	600.00	0.29:1 (0.44:1)
52.	Pallavan Transport Consultancy Services Limited	10.00	---	---	---	10.00	---	---	---	---	---	---	---
53.	Nilakottai Food Park Limited	---	---	67.54	---	67.54	---	---	---	---	---	---	---
	Sector-wise total	**3,578.00**	---	**67.54**	---	**3,645.54**	---	---	---	---	**600.00**	**600.00**	**0.16:1 (0.25:1)**
	TOTAL (A)	**1,70,913.72**	**4,648.33**	**296.34**	**4,670.34**	**1,80,528.73**	**15,634.48**	**525.00**	**17,671.21**	**24,552.94**	**1,90,256.27**	**2,14,809.21**	**1.19:1 (1.53:1)**

* Includes share advance amount of Rs.2,250 lakh.

(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
B.	**WORKING STATUTORY CORPORATIONS**												
	POWER												
1.	Tamil Nadu Electricity Board	71,000.00	---	---	---	71,000.00	17,500.00	---	3,07,537.70	---	10,56,107.13	10,56,107.13	14.87:1 (17.43:1)
	Sector-wise total	**71,000.00**	---	---	---	**71,000.00**	**17,500.00**	---	**3,07,537.70**	---	**10,56,107.13**	**10,56,107.13**	**14.87:1 (17.43:1)**
	AGRICULTURE												
2.	Tamil Nadu Warehousing Corporation	380.50	380.50	---	---	761.00	---	---	---	---	---	---	---
	Sector-wise total	**380.50**	**380.50**	---	---	**761.00**	---	---	---	---	---	---	---
	TOTAL (B)	**71,380.50**	**380.50**	---	---	**71,761.00**	**17,500.00**	---	**3,07,537.70**	---	**10,56,107.13**	**10,56,107.13**	**14.72:1 (17.43:1)**
	GRAND TOTAL (A+B)	**2,42,294.22**	**5,028.83**	**296.34**	**4,670.34**	**2,52,289.73**	**33,134.48**	**525.00**	**3,25,208.91**	**24,552.94**	**12,46,363.40**	**12,70,916.34**	**5.04:1 (5.22:1)**
C.	**NON-WORKING COMPANIES**												
	AGRICULTURE												
1.	Tamil Nadu Agro Industries Corporation Limited	435.98	165.00	---	---	600.98	---	---	---	1,820.66	---	1,820.66	3.03:1 (3.03:1)
2.	Tamil Nadu Poultry Development Corporation Limited	125.43	---	---	1.25	126.68	---	---	---	572.14	---	572.14	4.52:1 (4.52:1)
3.	Tamil Nadu Sugarcane Farm Corporation Limited	27.50	---	---	---	27.50	---	---	---	---	---	---	---
4.	Tamil Nadu State Farms Corporation Limited	155.13	---	---	---	155.13	---	---	---	---	---	---	---
5.	Tamil Nadu State Tube wells Corporation Limited	31.50	---	---	---	31.50	---	---	---	---	---	---	---
6.	Tamil Nadu Dairy Development Corporation Limited	207.36	---	---	---	207.36	---	---	---	---	---	---	---
	Sector-wise total	**982.90**	**165.00**	---	**1.25**	**1,149.15**	---	---	---	**2,392.80**	---	**2,392.80**	**2.08:1 (2.08:1)**

(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
	INDUSTRY												
7.	Tamil Nadu Magnesium and Marine Chemicals Limited (Subsidiary of TIDCO)	---	---	362.00	---	362.00	---	---	---	---	---	---	---
8.	Tamil Nadu Graphites Limited	10.00	---	---	---	10.00	---	---	---	---	---	---	---
	Sector-wise total	**10.00**	---	**362.00**	---	**372.00**	---	---	---	---	---	---	---
	ENGINEERING												
9.	Tamil Nadu Steels Limited	392.00	---	---	---	392.00	---	---	---	584.37	465.99	1,050.36	2.68:1 (2.68:1)
	Sector-wise total	**392.00**	---	---	---	**392.00**	---	---	---	**584.37**	**465.99**	**1,050.36**	**2.68:1 (2.68:1)**
	FINANCING												
10.	The Chit Corporation of Tamil Nadu Limited	5.92	---	---	---	5.92	---	---	---	---	---	---	---
	Sector-wise total	**5.92**	---	---	---	**5.92**	---	---	---	---	---	---	---
	TRANSPORT												
11.	Tamil Nadu Goods Transport Corporation Limited	26.56	---	---	6.10	32.66	---	---	---	---	---	---	---
	Sector-wise total	**26.56**	---	---	**6.10**	**32.66**	---	---	---	---	---	---	---
	MISCELLANEOUS												
12.	Tamil Nadu State Sports Development Corporation Limited	0.002	---	---	---	0.002	---	---	---	---	---	---	---
13.	Tamil Nadu Film Development Corporation Limited	1,391.00	---	---	---	1,391.00	---	---	---	1,392.49	---	1,392.49	1.00:1 (1.00:1)

(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
14.	Tamil Nadu Institute of Information Technology	510.44	---	---	---	510.44	---	---	---	---	---	---	---
	Sector-wise total	**1,901.442**	---	---	---	**1,901.442**	---	---	---	**1,392.49**	---	**1,392.49**	**0.73:1 (0.73:1)**
	TOTAL (C)	**3,318.822**	**165.00**	**362.00**	**7.35**	**3,853.172**	---	---	---	**4,369.66**	**465.99**	**4,835.65**	**1.25:1 (1.25:1)**
	GRAND TOTAL (A+B+C)	**2,45,613.042****	**5,193.83**	**658.34**	**4,677.69**	**2,56,142.902**	**33,134.48**	**525.00**	**3,25,208.91**	**28,922.60**	**12,46,829.39**	**12,75,751.99**	**4.98:1 (5.16:1)**

Note

1. Except in respect of companies/corporations which finalised their accounts for 2006-07 (Serial numbers A-1, 4, 5, 7 to 11, 13, 14, 16, 18 to 21, 23 to 28, 30, 33, 35 to 39, 42 to 48, 50, 52, 53, B-2, C-8 and 13) the figures are provisional and as given by the companies/corporations.
2. *Loans outstanding at the close of 2006-07 represent long-term loans only.
3. ** State Government's investment in PSUs was Rs.2,745.35 crore (Others – Rs.12,573.60 crore). Figure as per Finance Accounts 2006-07 is Rs.2,373.22 crore. The difference is under reconciliation.

ANNEXURE-2

(Referred to in paragraphs 1.6, 1.7, 1.13, 1.18 and 1.19)

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

(Figures in columns 7 to 12 and 15 are Rupees in lakh)

Sl. No.	Sector and name of the company/ corporation	Name of department	Date of incorporation	Period of accounts	Year in which accounts finalised	Net profit/ loss (-)	Net impact of audit comments	Paid-up capital	Accumulated profit/ loss (-)	Capital employed (A)	Total return on capital employed	Percentage of total return on capital employed	Arrears of accounts in terms of years	Turn over	Man power
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
A.	WORKING COMPANIES														
	AGRICULTURE														
1.	Tamil Nadu Fisheries Development Corporation Limited	Fisheries	11 April 1974	2006-07	2007-08	97.24	---	445.52	(-)408.45	106.02	97.24	91.72	---	20,636.99	211
	Sector-wise total					**97.24**		**445.52**	**(-)408.45**	**106.02**	**97.24**	**91.72**			
	INDUSTRY														
2.	Tamil Nadu Industrial Development Corporation Limited (TIDCO)	Industries	21 May 1965	2005-06	2006-07	233.56		9417.31	2614.14	90086.78	2519.34	2.80	1	7,952.02	90
3.	Tamil Nadu Industrial Explosives Limited	Industries	9 February 1983	2005-06	2006-07	(-)1,392.99		2,695.68	(-)3043.43	4964.58	(-)1,317.27		1	2,325.00	803
4.	Tamil Nadu Paints and Allied Products Limited (Subsidiary of TANSI)	Small Industries	18 November 1985	2006-07	2007-08	2.53	---	2.05	17.77	33.69	7.96	23.63	---	---	12

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
5.	Tamil Nadu Small Industries Corporation Limited (TANSI)	Small Industries	10 September 1965	2006-07	2007-08	95.94	---	1,505.26	(-)5,781.23	22,289.71	364.66	1.64	---	7,541.86	350
6.	Tamil Nadu Small Industries Development Corporation Limited (SIDCO)	Small Industries	23 March 1970	2005-06	2007-08	180.25		870.00	397.70	4885.90	275.17	5.63	1	6,012.26	433
7.	State Industries Promotion Corporation of Tamil Nadu Limited (SIPCOT)	Industries	25 March 1971	2006-07	2007-08	5,597.24	---	14,321.25	6,894.85	21,305.79	5,762.10	27.04	---	32,876.10	319
8.	Tamil Nadu Salt Corporation Limited	Industries	22 July 1974	2006-07	2007-08	82.89	---	317.01	442.00	776.20	82.89	10.68	---	1,746.92	69
9.	Tamil Nadu Magnesite Limited	Industries	17 January 1979	2006-07	2007-08	622.97	---	1,665.00	(-)3,003.03	(-)2,013.36	697.53	---	---	4,280.34	582
10.	Tamil Nadu Leather Development Corporation Limited	Small Industries	21 March 1983	2006-07	2007-08	(-)144.84	---	250.00	(-)2,598.22	(-)1,351.77	(-)0.60	---	---	0.92	---
	Sector-wise total					**5,277.55**		**3,1043.56**	**(-)4,059.45**	**1,40,977.52**	**8,391.78**	**5.95**			
	ENGINEERING														
11.	State Engineering and Servicing Company of Tamil Nadu Limited (SESCOT) (Subsidiary of TANSI)	Small Industries	25 April 1977	2006-07	2007-08	(-)26.91	---	49.71	(-)1,889.32	(-)134.12	(-)0.48	---	---	---	---
12.	Southern Structurals Limited	Industries	17 October 1956	2004-05	2005-06	(-)1,277.17		3,454.30	(-)13,723.02	(-)942.01	(-)248.31	---	2	---	---
	Sector-wise total					**(-)1,304.08**		**3,504.01**	**(-)15,612.34**	**(-)1,076.13**	**(-)248.79**	**---**			

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	ELECTRONICS														
13.	Electronics Corporation of Tamil Nadu Limited (ELCOT)	Information and Technology	21 March 1977	2006-07	2007-08	83.54		2,593.05	687.59	20,529.25	644.09	3.14	---	2,931.32	192
	Sector-wise total					**83.54**		**2,593.05**	**687.59**	**20,529.25**	**644.09**	**3.14**			
	TEXTILES														
14.	Tamil Nadu Textile Corporation Limited	Handloom, Handicraft, Textiles and Khadi	24 April 1969	2006-07	2007-08	50.33	---	154.00	(-)111.25	181.63	64.42	35.47	---	1,888.52	132
15.	Tamil Nadu Zari Limited	Handloom, Handicraft, Textiles and Khadi	6 December 1971	2005-06	2006-07	24.41	---	34.40	299.19	378.02	27.25	7.21	1	2,498.11	134
	Sector-wise total					**74.74**		**188.40**	**187.94**	**559.65**	**91.67**	**16.38**			
	HANDLOOM AND HANDICRAFTS														
16.	Tamil Nadu Handicrafts Development Corporation Limited	Handloom, Handicraft, Textiles and Khadi	26 July 1973	2006-07	2007-08	46.92	---	296.98	(-)207.75	318.87	62.63	19.64	---	1,858.00	157
17.	Tamil Nadu Handloom Development Corporation Limited	Handloom, Handicraft, Textiles and Khadi	10 September 1964	2005-06	2007-08	(-)27.90	---	429.24	(-)102.27	867.85	21.23	2.45	1	93.79	28
	Sector-wise total					**19.02**		**726.22**	**(-)310.02**	**1,186.72**	**83.86**	**7.07**			
	FOREST														
18.	Tamil Nadu Tea Plantation Corporation Limited	Environ-ment and Forest	22 August 1975	2006-07	2007-08	(-)110.55	---	596.18	(-)999.57	78.55	(-)96.67	---	---	5,085.69	6,725
19.	Tamil Nadu Forest Plantation Corporation Limited	Environ-ment and Forest	13 June 1974	2006-07	2007-08	771.01	---	376.00	4,704.11	4,364.81	771.01	17.66	---	4,028.69	477

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
20.	Arasu Rubber Corporation Limited	Environ-ment and Forest	10 August 1984	2006-07	2007-08	543.15	---	845.00	(-)1,806.40	(-)138.34	629.00	---	---	1,937.84	182
	Sector-wise total					**1,203.61**		**1,817.18**	**1,898.14**	**4,305.02**	**1,303.34**	**30.27**			
	MINING														
21.	Tamil Nadu Minerals Limited (TAMIN)	Industries	6 April 1978	2006-07	2007-08	370.33	---	786.90	9,159.77	9,446.12	370.33	3.92	---	10,146.58	1,637
	Sector-wise total					**370.33**		**786.90**	**9,159.77**	**9,446.12**	**370.33**	**3.92**			
	CONSTRUCTION														
22.	Tamil Nadu State Construction Corporation Limited	Public Works	8 February 1980	2001-02	2004-05	(-)647.58	---	500.00	(-)2,643.86	8,013.98	(-)557.17	---	5	---	---
23.	Tamil Nadu Police Housing Corporation Limited	Home	30 April 1981	2006-07	2007-08	125.46	---	100.00	634.96	1,110.86	169.63	15.27	---	1,008.46	270
	Sector-wise total					**(-)522.12**		**600.00**	**(-)2,008.90**	**9,124.84**	**(-)387.54**	**---**			
	DRUGS AND CHEMICALS														
24.	Tamil Nadu Medicinal Plant Farms and Herbal Medicine Corporation Limited	Indian Medicine and Homeo-pathy	27 September 1983	2006-07	2007-08	177.81	---	20.75	707.85	1,001.45	179.95	17.97	---	1,256.89	192
25.	Tamil Nadu Medical Services Corporation Limited	Health and Family Welfare	1 July 1994	2006-07	2007-08	350.01		404.00	691.67	1,246.86	350.01	28.07	---	2,297.61	189
	Sector-wise total					**527.82**		**424.75**	**1,399.52**	**2,248.31**	**529.96**	**23.57**			
	SUGAR														
26.	Tamil Nadu Sugar Corporation Limited (TASCO)	Industries	17 October 1974	2006-07	2007-08	(-)1,281.38	---	779.15	(-)8,610.50	(-)604.34	(-)488.11	---	---	8,048.25	481
27.	Perambalur Sugar Mills Limited (Subsidiary of TASCO)	Industries	24 July 1976	2006-07	2007-08	(-)1,713.85	---	417.35	(-)8,661.64	(-)864.78	(-)781.66	---	---		491
	Sector-wise total					**(-)2,995.23**		**1,196.50**	**(-)17,272.14**	**(-)1,469.12**	**(-)1,269.77**	**---**			

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	CEMENT														
28.	Tamil Nadu Cements Corporation Limited	Industries	11 February 1976	2006-07	2007-08	633.07	---	3,741.80	(-)6,124.95	9,352.46	991.05	10.60	---	18,725.91	1,545
	Sector-wise total					**633.07**		**3,741.80**	**(-)6,124.95**	**9,352.46**	**991.05**	**10.60**	---		
	ECONOMICALLY WEAKER SECTION														
29.	Tamil Nadu Adi Dravidar Housing and Development Corporation Limited	Adi Dravidar and Tribal Welfare	15 February 1974	2005-06	2007-08	430.33		9,512.41	1,839.48	14,450.33	586.45	4.06	1	2,025.72	468
30.	Tamil Nadu Backward Classes Economic Development Corporation Limited	Backward Classes and Most Backward Classes Welfare	16 November 1981	2006-07	2007-08	60.92		1,227.01	319.31	5,080.96	128.24	2.52	---	237.90	14
31.	Tamil Nadu Minorities Economic Development Corporation Limited	Backward Classes and Most Backward Classes Welfare	31 August 1999	2005-06	2007-08	1.49		5.01	11.16	1,247.49	12.66	1.01	1	56.32	10
32.	Tamil Nadu Corporation for Development of Women Limited	Social Welfare and Noon-Meal Programme	9 December 1983	2005-06	2007-08	459.47		78.42	61.29	471.40	469.60	98.99	1	4,626.16	39
33.	Tamil Nadu Ex-servicemen's Corporation Limited	Public (Ex-service-men)	28 January 1986	2006-07	2007-08	478.41	---	22.91	2,314.19	2,337.10	478.41	20.47	---	5,388.48	13
	Sector-wise total					**1,430.62**		**10,845.76**	**4,545.43**	**23,587.28**	**1,675.36**	**7.10**			

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	PUBLIC DISTRIBUTION														
34.	Tamil Nadu Civil Supplies Corporation Limited	Food and Consumer protection	21 April 1972	2005-06	2007-08	---		3,339.10	---	70,806.83	3,138.80	4.43	1	4,04,157.28	16,435
	Sector-wise total					**---**		**3,339.10**	**---**	**70,806.83**	**3,138.80**	**4.43**			
	TOURISM														
35.	Tamil Nadu Tourism Development Corporation Limited	Informa-tion and Tourism	30 June 1971	2006-07	2007-08	418.21	---	678.63	1,018.30	3.680.39	487.67	13.25	---	5,169.96	589
	Sector-wise total					**418.21**		**678.63**	**1,018.30**	**3.680.39**	**487.67**	**13.25**			
	FINANCING														
36.	Tamil Nadu Industrial Investment Corporation Limited (TIIC)	Small Industries	26 March 1949	2006-07	2007-08	758.75	---	13,349.56	(-)29,481.93	92,451.07	6,661.26	7.21	---	9,967.95	637
37.	Tamil Nadu Transport Development Finance Corporation Limited	Transport	25 March 1975	2006-07	2007-08	378.38	---	6,174.19	6,390.03	88,454.10	6,556.66	7.41	---	7,107.89	40
	Sector-wise total					**1,137.13**		**19,523.75**	**(-)23,091.90**	**1,80,905.17**	**13,217.92**	**7.31**			

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	INFRASTRUCTURE DEVELOPMENT														
38.	Tamil Nadu Urban Finance and Infrastructure Development Corporation Limited	Municipal Admini-stration and Water Supply	21 March 1990	2006-07	2007-08	1,227.30	---	3,200.00	3,430.28	1,57,828.53	8,678.44	5.50	---	9,184.96	37
39.	Tamil Nadu Power Finance and Infrastructure Development Corporation Limited	Energy	27 June 1991	2006-07	2007-08	4,365.04		2,200.00	6,574.74	2,39,048.56	22,179.36	9.28	---	24,380.20	20
40.	Tamil Nadu Rural Housing and Infrastructure Develop-ment Corporation Limited	Rural Develop-ment	20 January 1999	2004-05	2005-06	8.00	---	300.01	(-)54.76	17,897.46	2,016.72	11.27	2		
41.	Tamil Nadu Road Infrastructure Development Corporation	Highways	4 March 2005	2005-06	2007-08	9.08	---	500.00	9.08	508.52	9.08	1.79	1	13.51	9
	Sector-wise total					**5,609.42**		**6,200.01**	**9,959.34**	**4,15,283.07**	**32,883.60**	**7.92**			
	TRANSPORT														
42.	Metropolitan Transport Corporation Limited	Transport	10 December 1971	2006-07	2007-08	(-)6,332.42	---	31,796.81	(-)58,952.67	(-)7,784.96	(-)5,075.39	---	---	49,701.34	17,522
43.	Tamil Nadu State Transport Corporation (Madurai) Limited	Transport	10 December 1971	2006-07	2007-08	(-)8,197.62	---	21,695.96	(-)81,154.99	(-)23,968.79	(-)6,011.56	---	---	82,834.14	22,386
44.	Tamil Nadu State Transport Corporation (Coimbatore) Limited	Transport	17 February 1972	2006-07	2007-08	(-)5,794.74	---	8,489.08	(-)31,761.51	(-)10,788.75	(-)4,577.34	---	---	62,105.83	16,299
45.	Tamil Nadu State Transport Corporation (Kumbakonam) Limited	Transport	17 February 1972	2006-07	2007-08	(-)3,574.97	---	10,984.04	(-)28,192.12	(-)3,884.33	(-)2,267.86	---	---	73,607.65	18,156
46.	Tamil Nadu State Transport Corporation (Salem) Limited	Transport	23 January 1973	2006-07	2007-08	(-)3,136.14	---	4,434.74	(-)13,995.94	(-)2,484.56	(-)2,370.85	---	---	43,053.06	10,412
47.	Tamil Nadu State Transport Corporation (Villupuram) Limited	Transport	9 January 1975	2006-07	2007-08	338.30	---	7,210.21	(-)18,317.01	165.08	1,413.56	856.29	---	73,912.37	17,861

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
48.	State Express Transport Corporation Limited	Transport	14 January 1980	2006-07	2007-08	(-)1,483.67	---	15,325.37	(-)45,451.19	(-)10,012.77	(-)597.22	---	---	29,623.55	6,968
	Sector-wise total					**(-)28,181.26**		**99,936.21**	**(-)2,77,825.43**	**(-)58,759.08**	**(-)19,486.66**	---			
	MISCELLANEOUS														
49.	Overseas Manpower Corporation Limited	Labour and employment	30 November 1978	2005-06	2007-08	5.69	---	15.00	25.86	42.10	5.69	13.52	1	188.80	20
50.	Tamil Nadu State Marketing Corporation Limited (TASMAC)	Prohibition and Excise	23 May 1983	2006-07	2007-08	(-)116.11	---	1,500.00	(-)379.75	5,896.78	808.79	13.72	---		31,464
51.	Poompuhar Shipping Corporation Limited	Highways	11 April 1974	2005-06	2007-08	13.59		2,053.00	(-)1,079.34	4,345.50	241.28	5.55	1	47,079.15	151
52.	Pallavan Transport Consultancy Services Limited	Transport	20 February 1984	2006-07	2007-08	6.72	---	10.00	(-)94.09	(-)50.97	6.72	---	---	46.88	
53.	Nilakottai Food Park Limited	Industries	1 April 2004	2006-07	2007-08	---	---	67.54	---	54.63	---	---	---		
	Sector-wise total					**(-)90.11**		**3,645.54**	**(-)1,527.32**	**10,288.04**	**1,062.48**	**10.33**			
	TOTAL (A)					**(-)16,210.50**		**1,91,236.89**	**(-)3,19,384.87**	**8,41,082.36**	**43,576.39**	**5.18**			
B.	**WORKING STATUTORY CORPORATIONS**														
	POWER														
1.	Tamil Nadu Electricity Board	Energy	1 July 1957	2005-06	2007-08	(-)1,32,899.00	Net deficit decreased by Rs.227.33 crore	53,500.00	(-)4,91,151.00	10,04,547.00	(-)48,324.00	---	1	14,45,731.00	77,647
	Sector-wise total					**(-)1,32,899.00**		**53,500**	**(-)4,91,151.00**	**10,04,547.00**	**(-)48,324.00**				

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	AGRICULTURE														
2.	Tamil Nadu Warehousing Corporation	Food and Consumer Protection	2 May 1958	2006-07	2007-08	352.54		761.00	203.72	4,807.70	352.54	7.33	--	2,029.03	539
	Sector-wise total					**352.54**		**761.00**	**203.72**	**4,807.70**	**352.54**				
	TOTAL (B)					**(-)1,32,546.46**		**54,261.00**	**(-)4,90,947.28**	**10,09,354.70**	**(-)47,971.46**	---			
	GRAND TOTAL (A+B)					**(-)1,48,756.96**		**2,45,497.89**	**(-)8,10,332.15**	**18,50,437.06**	**(-)4,395.07**	---			
C.	**NON-WORKING COMPAIES**														
	AGRICULTURE														
1.	Tamil Nadu Agro Industries Development Corporation Limited	Agriculture	15 July 1966	2002-03	2003-04	(-)743.72	---	600.98	(-)4,290.72	532.46	(-)373.43	---	4		
2.	Tamil Nadu Poultry Development Corporation Limited	Animal Husbandry and Fisheries	12 July 1973	2005-06	2007-08	(-)6.10	---	126.68	(-)1,029.65	(-)323.27	(-)6.10	--	1		
3.	Tamil Nadu Sugarcane Farm Corporation Limited	Agriculture	22 February 1975	2000-01	2001-02	(-)0.16	---	27.50	(-)17.62	9.87	(-)0.16	---	6		
4.	Tamil Nadu State Farms Corporation Limited	Agriculture	8 December 1974	2005-06	2006-07	(-)209.40	---	155.13	(-)1,946.04	(-)475.85	(-)209.40	---	1		
5.	Tamil Nadu State Tube wells Corporation Limited	Public Works	19 March 1982	2004-05	2005-06	(-)2.01	---	31.50	(-)220.44	60.72	(-)2.01	---	2		
6.	Tamil Nadu Dairy Development Corporation Limited	Agriculture	4 May 1972	1993-94	2001-02	(-)166.67	---	207.36	(-)207.48	(-)0.12	(-)166.67	---	13		
	Sector-wise total					**(-)1,128.06**		**1,149.15**	**(-)7,711.95**	**(-)196.19**	**(-)757.77**	----			

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	INDUSTRY														
7.	Tamil Nadu Magnesium and Marine Chemicals Limited (Subsidiary of TIDCO)	Industries	10 February 1987	1999-2000	2000-01	(-)380.52	---	362.00	(-)1,550.81	140.38	(-)380.52	---	7		
8.	Tamil Nadu Graphites Limited	Industries	19 March 1997	2006-07	2007-08	(-)0.24	---	10.00	(-)7.88	2.12	(-)0.24	---	---		
	Sector-wise total					**(-)380.76**		**372.00**	**(-)1,558.69**	**142.50**	**(-)380.76**	---			
	ENGINEERING														
9.	Tamil Nadu Steels Limited	Industries	17 September 1981	1999-2000	2000-01	(-)941.19	---	392.00	(-)7,131.27	(-)2,053.95	(-)79.97	---	7		
	Sector-wise total					**(-)941.19**	---	**392.00**	**(-)7,131.27**	**(-)2,053.95**	**(-)79.97**	---			
	FINANCING														
10.	The Chit Corporation of Tamil Nadu Limited	Commercial Taxes	11 January 1984	2005-06	2007-08	(-)28.05	---	5.92	(-)84.91	(-)59.91	(-)24.42	---	1		
	Sector-wise total					**(-)28.05**		**5.92**	**(-)84.91**	**(-)59.91**	**(-)24.42**	---	---		
	TRANSPORT														
11.	Tamil Nadu Goods Transport Corporation Limited	Transport	26 March 1975	1989-90		0.21	---	32.66	(-)132.55	(-)29.85	6.57	Under liquidation since March 1990			
	Sector-wise total					**0.21**		**32.66**	**(-)132.55**	**(-)29.85**	**6.57**	---		---	
	MISCELLANEOUS														
12.	Tamil Nadu State Sports Development Corporation Limited	Education	15 November 1984	1992-93	2007-08	(-)67.29	---	0.002	60.57	79.52	(-)67.29	---	14	---	---

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
13.	Tamil Nadu Film Development Corporation Limited	Information and Tourism	12 April 1972	2006-07	2007-08	58.34		1,391.00	(-)1,147.15	1,636.34	83.96	5.13	---	6,301.00	
14.	Tamil Nadu Institute of Information Technology	Higher Education	20 February 1998	2003-04	2004-05	---	---	510.44	(-)510.44	---	---	---	3		
	Sector-wise total					**(-)8.95**		**1,901.442**	**(-)1,597.02**	**1,715.86**	**16.67**	**0.97**			
	TOTAL (C)					**(-)2,486.80**		**3,853.172**	**(-)18,216.39**	**(-)481.54**	**(-)1,219.68**				
	GRAND TOTAL (A+B+C)					**(-)1,51,243.76**		**2,49,351.062**	**(-)8,28,548.54**	**18,49,955.52**	**(-)5,614.75**				

NOTE:

A: Capital employed represents net fixed assets (including capital work-in-progress) PLUS working capital except in case of finance companies/corporations, where the capital employed is worked out as a mean of aggregate of the opening and closing balances of paid-up capital, free reserves, bonds, deposits and borrowings (including refinances).

ANNEXURE-3

(Referred to in paragraph 1.5)

Statement showing subsidy/grants received, guarantees received, waiver of dues, loans on which moratorium allowed and loans converted into equity during the year and subsidy receivable and guarantees outstanding at the end of March 2007

(Figures in columns 3(a) to 7 are Rupees in lakh)

Sl. No.	Name of the company/ Statutory corporation	^Subsidy received during the year				*Guarantees received during the year and outstanding at the end of the year					Waiver of dues during the year				Loans on which moratorium allowed	Loans converted into equity during the year
		Central Government	State Government	Others	Total	Cash credit from banks	Loans from other sources	Letters of credit opened by banks in respect of import	Payment obligation under agreement with foreign consultants	Total	Loans repayment written off	Interest waived	Penal interest waived	Total		
(1)	(2)	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	(6)	(7)
(A)	**WORKING COMPANIES**															
	INDUSTRY															
1.	Tamil Nadu Industrial Development Corporation Limited	953.00 (grants)	---	---	953.00 (grants)	---	(2,035.87)	---	---	(2,035.87)	---	---	---	---	---	---
2.	Tamil Nadu Small Industries Corporation Limited (TANSI)	---	---	---	---	(572.18)	---	---	---	(572.18)	---	---	---	---	---	---
3.	Tamil Nadu Small Industries Development Corporation Limited	40.80 (grants)	249.83 (grants)		290.63 (grants)	---	---	---	---	---	---	---	---	---	---	---
4.	State Industries Promotion Corporation of Tamil Nadu Limited	2,034.00 (grants)	---	---	2,034.00 (grants)	---	---	(1,352.00)	---	(1,352.00)	---	---	---	---	---	---
	ENGINEERING															
5.	Southern Structurals Limited	---	---	---	---	(1,425.19)	---	---	---	(1,425.19)	---	---	---	---	---	---

(1)	(2)	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	(6)	(7)
	ELECTRONICS															
6.	Electronics Corporation of Tamil Nadu Limited	1,900.00 (grants)	147.42 (grants)	---	2,047.42 (grants)	---	---	---	---	---	---	---	---	---	---	---
	HANDLOOM AND HANDICRAFTS															
7.	Tamil Nadu Handicrafts Development Corporation Limited	194.09	58.45	---	252.54	---	---	---	---	---	---	----	----	----	---	---
8.	Tamil Nadu Handloom Development Corporation Limited	---	---	---	---	550.00 (550.00)	---	---	---	550.00 (550.00)	---	---	---	---	---	---
	FOREST															
9.	Tamil Nadu Tea Plantation Corporation Limited	39.09	33.73 (grants)	---	39.09 33.73 (grants)	---	---	---	---	---	---	---	---	---	---	---
10.	Tamil Nadu Forest Plantation Corporation Limited	123.80 (grants)			123.80 (grants)											
	SUGAR															
11.	Tamil Nadu Sugar Corporation Limited	138.93	0.50 (grants)	---	138.93 0.50 (grants)	3,600.00 (36.00)	---	---	---	3,600.00 (36.00)	---	---	---	---	---	---
12.	Perambalur Sugar Mills Limited	103.62	---	---	103.62	3,745.00 (1,984.84)	(858.00)	---	---	3,745.00 (2,842.84)	---	---	---	---	---	---
	ECONOMICALLY WEAKER SECTION															
13.	Tamil Nadu Adi Dravidar Housing and Development Corporation Limited	4,656.00	2,500.00	---	7,156.00	---	(2,015.46)			(2,015.46)	---	---	---	---	---	---
14.	Tamil Nadu Backward Classes Economic Development Corporation Limited	---	18.46	---	18.46	---	(3,646.52)	---	---	(3,646.52)	---	---	---	---	---	---

(1)	(2)	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	(6)	(7)
15.	Tamil Nadu Minorities Economic Development Corporation Limited	---	31.16	---	31.16	---	1,500.00 (1,500.00)	---	---	1,500.00 (1,500.00)	---	---	---	---	---	---
16.	Tamil Nadu Corporation for Development of Women Limited	150.01 (grants)	5,428.42 (grants)	---	5,578.43 (grants)	---	---	---	---	---	---	---	---	---	---	---
	PUBLIC DISTRIBUTION															
17.	Tamil Nadu Civil Supplies Corporation Limited	18,800.00	2,01,000.00	---	2,19,800.00	(2,000.00)	---	---	---	(2,000.00)	---	---	---	---	---	---
	TOURISM															
18.	Tamil Nadu Tourism Development Corporation Limited	133.53 (grants)	---	---	133.53 (grants)	---	---	---	---	---	---	---	---	---	---	---
	FINANCING															
19.	Tamil Nadu Industrial Investment Corporation Limited	---	25.00 (grants)	---	(25.00) (grants)	---	(48,503.00)	---	---	(48,503.00)	---	---	---	---	---	---
20..	Tamil Nadu Transport Development Finance Corporation Limited	---	---	---	---	---	(6,000.00)	---	---	(6,000.00)	---	---	---	---	---	---
	INFRASTRUCTURE DEVELOPMENT															
21.	Tamil Nadu Urban Finance and Infrastructure Development Corporation Limited	8,872.87 (grants)	18,574.20 (grants)	---	27,447.07 (grants)	---	---	---	---	---	---	---	---	---	---	---
22.	Tamil Nadu Rural Housing and Infrastructure Development Corporation Limited	2,000.00 (grants)	---	---	2,000.00 (grants)	---	(14,865.02)	---	---	(14,865.02)	---	---	---	---	---	---

(1)	(2)	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	(6)	(7)
	TRANSPORT															
23.	Tamil Nadu State Transport Corporation (Madurai) Limited	---	6,974.00	---	6,974.00	(75.00)	---	---	---	(75.00)	---	---	---	---	---	---
24.	Tamil Nadu State Transport Corporation (Coimbatore) Limited	---	3,718.02 (grants)	---	3,718.02 (grants)	---	---	---	---	---	---	---	---	---	---	---
25.	Tamil Nadu State Transport Corporation (Kumbakonam) Limited	---	5,186.22	---	5,186.22	---	---	---	---	---	---	---	---	---	---	---
26.	Tamil Nadu State Transport Corporation (Villupuram) Limited	---	4,830.90	---	4,830.90	---	---	---	---	---	---	---	---	---	---	---
26.	State Express Transport Corporation Limited	---	----	---	----	(350.00)	---	---	---	(350.00)	---	---	---	---	---	---
	TOTAL (A)	**23,931.73 16,208.01 (grants)**	**2,20,599.19 28,177.12 (grants)**	---	**2,44,530.92 44,385.13 (grants)**	**7,895.00 (6,993.21)**	**1,500.00 (79,423.87)**	**(1,352.00)**	----	**9,395.00 (87,769.08)**	---	----	---	----	---	----
(B)	**STATUTORY CORPORATIONS**															
27.	Tamil Nadu Electricity Board	---	1,33,010.00	---	1,33,010.00	---	40,000.00 (2,72,300.00)	---	---	40,000.00 (2,72,300.00)	---	---	---	---	---	10,000.00
	TOTAL (B)	---	1,33,010.00	---	1,33,010.00	---	40,000.00 (2,72,300.00)	---	---	40,000.00 (2,72,300.00)	---	---	---	---	---	10,000.00
	GRAND TOTAL (A+B)	**23,931.73 16,208.01 (grants)**	**3,53,609.19 28,177.12 (grants)**	---	**3,77,540.92 44,385.13 (grants)**	**7,895.00 (6,993.21)**	**41,500.00 (3,51,723.87)**	**(1,352.00)**	---	**49,395.00 (3,60,069.08)**	---	---	---	---	---	**10,000.00**

A Subsidy includes subsidy receivable at the end of year, which is also shown in brackets.

* Figures in bracket indicate guarantees outstanding at the end of the year.

Except in respect of companies which finalised their accounts for 2006-07 (Serial numbers A-2, 4, 6, 7, 9 to 12, 14, 18 to 21, 22 to 26) the figures are provisional and as given by the companies/corporations.

ANNEXURE-4

(Referred to in paragraph 1.7)

Statement showing financial position of Statutory corporations

(Rupees in crore)

Particulars	2004-05	2005-06	2006-07 (Provisional)
1.TAMIL NADU ELECTRICITY BOARD			
A. LIABILITIES			
Equity capital♣	510.00	535.00	710.00
Loans from Government	---	---	---
Other long-term loans (including bonds)	9,330.92	9,583.68	11,600.33
Reserves and surplus	1,370.48	1,370.64	1,414.24
Others (subsidy)	3,146.19	3,574.04	3,891.80
Current liabilities and provisions	7,206.83	8,720.04	9,878.85
TOTAL (A)	**21,564.42**	**23,783.40**	**27,495.22**
B. ASSETS			
Gross fixed assets	17,746.27	19,907.01	21,292.50
LESS: Depreciation	7,371.44	8,557.70	9,819.76
Net fixed assets	10,374.83	11,349.31	11,472.74
Capital works-in-progress	2,768.52	2,177.35	2,756.95
Assets not in use	1.89	3.98	4.08
Deferred cost	3.24	1.18	1.33
Current assets	4,824.19	5,238.85	6,372.52
Investments	9.22	82.88	77.81
Subsidy receivable from the Government	---	18.34	1.80
Deficits	3,582.53	4,911.51	6,807.99
TOTAL (B)	**21,564.42**	**23,783.40**	**27,495.22**
C. CAPITAL EMPLOYED♠	**10,760.71**	**10,045.47**	**10,723.36**

♣ It represents loan converted into equity capital and are subject to adjustment against subsidy receivable from Government.

♠ Capital employed represents net fixed assets (including works-in-progress) PLUS working capital. While working out working capital, the element of deferred cost and investments are excluded from current assets.

(Rupees in crore)

2.TAMIL NADU WAREHOUSING CORPORATION			
Particulars	**2004-05**	**2005-06**	**2006-07**
A. LIABILITIES			
Paid-up capital	7.61	7.61	7.61
Reserves and surplus	32.72	35.45	39.24
Subsidy	0.18	0.18	0.17
Trade dues and current liabilities (including provision)	7.81	9.09	12.88
Deferred tax liabilities	0.54	0.92	---
Insurance fund	0.50	0.53	1.60
TOTAL	**49.36**	**53.78**	**61.50**
B. ASSETS			
Gross block	40.41	41.09	41.22
LESS: Depreciation	13.04	14.09	15.04
Net fixed assets	27.37	27.00	26.18
Capital works-in-progress	---	---	0.25
Deferred tax asset	---	---	0.55
Current assets, loans and advances	21.99	26.78	34.52
TOTAL	**49.36**	**53.78**	**61.50**
C. CAPITAL EMPLOYED*	**41.55**	**44.69**	**48.07**

* Capital employed represents net fixed assets PLUS working capital

ANNEXURE-5

(Referred to in paragraph 1.7 and 1.12)

Statement showing working results of Statutory corporations

1. TAMIL NADU ELECTRICITY BOARD

(Rupees in crore)

Sl. No	Particulars	2004-05	2005-06	2006-07 (Provisional)
1.	(a) Revenue receipts	11,779.15	13,169.64	14,778.78
	(b) Subsidy/subvention from Government	924.50	1,179.49	1,330.10
	TOTAL	**12,703.65**	**14,349.13**	**16,108.88**
2.	Revenue expenditure (net of expenses capitalised) including write off of intangible assets but excluding depreciation and interest	11,983.16	13,288.97	15,775.11
3.	Gross surplus (+) / deficit (-) for the year (1-2)	720.49	1,060.16	333.77
4.	Adjustments relating to previous years	14.56	(-)361.22	(-)54.40
5.	Final gross surplus (+) / deficit (-) for the year (3+4)	735.05	698.94	279.37
6.	(a) Depreciation (LESS: Capitalised)	1,085.25	1,182.18	1,290.02
	(b) Interest on Government loans	---	---	---
	(c) Interest on others, bonds, advance, etc., and finance charges	1,057.29	1,026.51	1,045.40
	(d) Total interest on loans and finance charges (b) + (c)	1,057.29	1,026.51	1,045.40
	(e) LESS: Interest capitalised	230.72	180.76	159.56
	(f) Net interest charged to revenue (d) – (e)	826.57	845.75	885.84
	(g) Total appropriations (a) + (f)	1,911.82	2,027.93	2,175.86
7.	Surplus (+) / deficit (-) before accounting for subsidy from State Government {(5) – 6 (g) – 1 (b)}	(-)2,101.27	(-)2508.48	(-)3,226.59
8.	Net surplus (+)/ deficit (-) {(5) – 6(g)}	(-)1,176.77	(-)1,328.99	(-)1,896.49
9.	**Total return on capital employed•**	**(-)350.20**	**(-)483.24**	**(-)1,010.65**
10.	**Percentage of return on capital employed**	---	---	

• Total return on capital employed represents net surplus/deficit PLUS total interest charged to Profit and Loss account (LESS interest capitalised).

(Rupees in crore)

2.TAMIL NADU WAREHOUSING CORPORATION

	Particulars	2004-05	2005-06	2006-07
1.	**Income**			
(a)	Warehousing charges	11.73	14.89	17.38
(b)	Other income	1.71	1.73	3.03
	TOTAL	**13.44**	**16.62**	**20.41**
2.	**Expenses**			
(a)	Establishment charges	7.17	8.08	8.77
(b)	Other expenses	4.52	5.07	5.28
	TOTAL	**11.69**	**13.15**	**14.05**
3.	Profit (+) / Loss (-) before tax	1.75	3.47	6.36
4.	Other appropriations/adjustments	(+)0.71	(+)0.06	(-)2.83
5.	Amount available for dividend	2.46	3.53	3.53
6.	Dividend for the year (excluding dividend tax)	0.34	0.38	0.38
7.	**Total return on capital employed**	**2.46**	**3.53**	**3.53**
8.	**Percentage of return on capital employed**	**5.92**	**7.90**	**7.34**

ANNEXURE-6

(Referred to in paragraph 1.12)

Statement showing operational performance of Statutory corporations

1. TAMIL NADU ELECTRICITY BOARD

Sl. No	Particulars	2004-05	2005-06	2006-07 (Provisional)
1.	Installed capacity		(MW)	
(a)	Thermal	2,970	2,970	2,970
(b)	Hydel	1,988	2,137	2,184
(c)	Gas	424	424	424
(d)	Other	19	19	19
	TOTAL	**5,401**	**5,550**	**5,597**
2.	Normal maximum demand	7,473	8,209	8,803
	Percentage increase/decrease (-) over previous year	3.03	9.85	7.24
3.	Power generated		(MKWH)	
(a)	Thermal	20,004	18,795	21,228
(b)	Hydel	4,426	6,141	6,292
(c)	Gas	2,003	1,964	1,944
(d)	Other	18	15	17
	TOTAL	**26,451**	**26,915**	**29,481**
	Percentage increase/decrease (-) over previous year	9.69	1.75	9.53
	LESS: Auxiliary consumption			
(a)	Thermal	1,735	1,640	1,832
	(Percentage)	8.67	8.72	8.63
(b)	Hydel	251	583	439
	(Percentage)	5.67	9.49	6.98
(c)	Gas	115	123	122
	(Percentage)	5.74	6.26	6.28
	TOTAL	**2,101**	**2,346**	**2,393**
	(Percentage)	7.94	8.72	8.12
5.	Net power generated	24,350	24,569	27,088
6.	**Power purchased**			
(a)	Within the State			
	(i) Government	8,606	8,492	8,878
	(ii) Private	4,825	9,130	12,722
(b)	Other States	---	1,303	1,598

Sl. No	Particulars	2004-05	2005-06	2006-07 (Provisional)
(c)	Central grid	12,463	10,886	10,884
7.	**Total power available for sale**	**50,244**	**54,380**	**61,170**
8.	**Power sold**			
	(a) Within the State	40,848	43,582	48,889
	(b) Outside the State	352	1,010	1,270
9.	Transmission and distribution losses	9,044	9,788	11,011
10.	Load factor (Percentage)			
(a)	Hydel	25.00	34.39	32.89
(b)	Thermal	77.00	72.24	81.59
11.	Percentage of transmission and distribution losses to total power available for sale	18.0	18.0	18.0
12	Number of villages/towns electrified (in lakh)	0.91	0.91	0.91
13.	Number of pump sets/wells energised (in lakh)	17.37	17.68	18.02
14.	Number of sub-stations	1,082	1,110	1,148
15.	Transmission and Distribution lines (in lakh KMs)			
(a)	High/medium voltage	1.29	1.48	1.54
(b)	Low voltage	4.77	4.87	5.02
16.	Connected load (in MW)	31,981	33,701	35,904
17	Number of consumers (in lakh)	171.30	178.03	185.82
18.	Number of employees (in lakh)	0.80	0.78	0.73
19.	Consumer/employees ratio (No. of consumers per employee)	214.13	228.24	254.55
20.	Total expenditure on staff during the year (Rupees in crore)	1,668.82	1,900.09	2,143.67
21.	Percentage of expenditure on staff to total revenue expenditure	12.02	12.41	11.94
22.	Units sold		**(MKWH)**	
(a)	Agriculture	9,764	9,804	10,423
	Percentage share to total units sold	23.70	21.99	20.78
(b)	Industrial	15,349	16,312	19,354
	Percentage share to total units sold	37.25	36.58	38.58
(c)	Commercial	3,794	3,967	4,498
	Percentage share to total units sold	9.21	8.89	8.97
(d)	Domestic	9,857	11,236	12,494
	Percentage share to total units sold	23.92	25.20	24.91
(e)	Others	2,436	3,273	3,390
	Percentage share to total units sold	5.92	7.34	6.76
	TOTAL	**41,200**	**44,592**	**50,159**

Sl. No	Particulars	2003-04	2004-05	2005-06 (Provisional)
		(Paise per KWH)		
(a)	Revenue (excluding subsidy from Government)	286	295	295
(b)	Expenditure*	337	343	357
(c)	Profit (+) / Loss (-)	(-)51	(-)48	(-)62
(d)	Average subsidy claimed from Government	22	26	27
(e)	Average interest charges	29	25	24

2. TAMIL NADU WARE HOUSING CORPORATION

	Particulars	2004-05	2005-06	2006-07
	Number of stations covered	65	63	61
	Storage capacity created up to the end of the year (tonne in lakh)			
(a)	Owned	6.00	6.00	6.00
(b)	Hired	0.36	0.36	0.36
	TOTAL	**6.36**	**6.36**	**6.36**
	Average capacity utilized during the year (lakh metric tonnes)	3.52	4.27	5.02
	Percentage of utilisation	55	67	79
	Average revenue per metric tonne per year (Rupees)	381.88	389.22	406.57
	Average expenses per metric tonne per year (Rupees)	334.68	307.96	279.88

* Revenue expenditure includes depreciation but excludes interest on long-term loans.

ANNEXURE-7

(Referred to in paragraph 1.26)

Major recommendations/comments made by the Statutory Auditors on possible improvements in internal audit/internal control systems of Government companies

Sl. No	Nature of recommendations/comments	Number of companies where recommendations/ comments	Reference to Serial Number in Annexure-2
1.	Internal audit system to be improved	3	A-7, 19 and 28
2.	Lack of details of fixed assets	4	A-7, 29, 50 and 53
3.	Absence of system to monitor timely recovery of dues and non-obtaining of confirmation of balances	4	A-4, 28, 42 and 47,
4.	Lack of follow-up on internal audit observations	1	A-29
5.	Need to improve utilisation of computers	6	A-14, 19, 20, 28, 42 and 49
6.	Absence of Audit Committee	1	A-4
7.	Absence of internal audit system	1	A-53
8.	Absence of internal audit manual	4	A-4, 8, 19 and 28
9.	Absence of energy audit	1	A-28
10.	Non-evolvement of proper security, policy for software and hardware	7	A-8, 14, 19, 20, 21, 39 and 47

ANNEXURE-8

(Referred to in paragraph 1.29)

Statement showing paid-up capital, investment and summarised working results of 619-B companies as per their latest finalised accounts

(Figures in columns 5 to 17 are Rupees in lakh)

Sl. No.	Name of company	Status	Year of account	Paid-up capital	Equity by				Loans/grants by			Total investment by way of equity, loans and grants			Profit (+)/ Loss (-)	Accumulated Profit (+)/ Loss (-)
					State Govt.	State Govt. companies	Central Govt. and its companies	Others	State Govt.	State Govt. companies	Central Govt.	State Govt.	State Govt. companies	Central Govt.		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
1.	Tamil Nadu Telecommunications Limited	Working	2006-07	2,266.02	---	668.40 (29.5%)	695.10 (30.7%)	902.52 (39.8%)	---	---	---	---	668.40	695.10	160.25	(-)3,315.02
2.	Tidel Park Limited	Working	2006-07	4,400.00	---	1,275.00 (29%)	---	3,125.00 (71%)	---	---	---	---	1,275.00	---	3,455.51	9,612.32
3.	Tamil Nadu Newsprint and Papers Limited	Working	2006-07	6,937.78	2,444.49 (35.2%)	236.02 (3.4%)	---	4,257.27 (61.4%)	---	---	---	2,444.49	236.02	---	8,606.38	32,614.16

ANNEXURE-9

(Referred to in Paragraph 2.1.6)

Financial position and working results of Tamil Nadu Industrial Explosives Limited for the last four years ending 31 March 2006

(A) Financial position

(Rupees in lakh)

Sl No	Particulars	2002-03	2003-04	2004-05	2005-06
	LIABILITIES				
1	Paid-up Share Capital (including advances for shares)	2,695.68	2,695.68	2,695.68	2,695.68
2	Reserves and Surplus	202.25	202.25	7.92	7.92
3	Borrowings:				
	(i) Short term and long term loans	4,615.51	4,591.52	5,247.16	5,332.41
	(ii) Cash credit	---	---	---	---
4	Trade Dues and Other Liabilities (including Provisions)	1,112.18	1,093.63	1,422.24	1,576.90
	TOTAL	**8,625.62**	**8,583.08**	**9,373.00**	**9,612.91**
	ASSETS				
5	Gross Block	8,564.66	8,623.99	8,626.05	8,857.07
6	Less : Depreciation	7,083.16	6,762.87	6,857.58	6,968.81
7	Net Fixed Assets	1,481.50	1,861.12	1,768.47	1,888.26
8	Capital Work-in-progress	118.28	19.67	122.48	8.14
9	Other Assets / Investments	---	---	---	---
10	Current Assets and Loans and Advances	6,780.42	6,202.91	5,800.11	4,645.08
11	Deferred Tax Assets	245.42	245.42	---	---
12	Intangible Assets				
13	Miscellaneous Expenditure	---	---	31.50	28.00
14	Accumulated Losses	---	253.96	1,650.44	3,043.43
	TOTAL	**8,625.62**	**8,583.08**	**9,373.00**	**9,612.91**
	Capital Employed (7+8+10-4)	7,268.02	6,990.97	6,268.82	4,964.58
	Net worth {(1+2) – (13+14)}	2,897.93	2,643.97	1,021.66	(-)367.83

(B) Working results

(Rupees in lakh)

Particulars	2002-03	2003-04	2004-05	2005-06
INCOME				
Sales	4,444.26	4,287.07	3,023.11	2,755.97
Miscellaneous Income	162.84	63.34	39.40	36.24
Increase(+)/Decrease(-) in the value of Finished goods & Process stock	8.34	(-)85.57	2.79	34.98
Total Income	**4,615.44**	**4,264.84**	**3,065.30**	**2,827.19**
EXPENDITURE				
Consumption – Raw materials	1,958.80	2,097.90	2,040.26	1,853.26
Packing Materials	131.75	141.76	132.73	108.11
Stores and Spares	22.31	21.79	17.27	28.44
Power and Fuel	257.53	288.16	262.84	255.30
Salaries, Wages and Welfare Exp.	1,372.15	1,356.49	1,530.68	1,436.35
Repairs and Maintenance	153.01	191.36	122.12	102.06
Administrative, Selling and Works Expenses	413.19	500.07	330.99	394.85
Interest & Finance charges	89.75	15.71	27.78	81.61
Depreciation	120.21	128.84	112.73	111.23
Total Expenditure	**4,518.70**	**4,742.08**	**4,577.40**	**4,371.21**
Operating profit / (loss) for year	96.74	(-)477.24	(-)1,512.10	(-)1,544.02
Other Income	531.34	218.66	166.71	162.72
Prior period (Expenses) / Income	(-)10.75	4.82	0.00	0.00
Profit Before Tax	617.33	(-)253.96	(-)1,345.39	(-)1,381.30
Deferred Tax Assets (Net) written off	0.00	0.00	51.09	0.00
Taxes and FBT	0.00	0.00	0.00	11.69
Provision for Taxation				
Current Tax	37.68	0.00	0.00	0.00
Deferred Tax	28.87	0.00	0.00	0.00
Profit or (Loss) carried to Balance Sheet	**550.78**	**(-)253.96**	**(-)1,396.48**	**(-)1,392.99**

ANNEXURE – 10

(Referred to in Paragraph 2.1.11)

Statement showing comparison of budgeted production with actual production of Tamil Nadu Industrial Explosives Limited during the last five years ended 31 March 2007

Sl No	Division	Capacity	2002-03			2003-04			2004-05			2005-06			2006-07		
			B	A	A to B	B	A	A to B	B	A	A to B	B	A	A to B	B	A	A to B
1	NG/Telmix Explosives*	9,000 MT	9,000	8,073	90	7,671	6,837	89	890	954	107	1,176	609	52	1,200	237	20
2	Emulsion**	15,500 MT	---	---	---	805	447	56	7,010	3,526	50	6,086	2,871	47	7,500	3,353	45
3	Slurry	6,000 MT	6,200	3,478	56	4,066	4,261	105	4,670	5,073	109	4,901	4,016	82	6,000	2,089	35
4	DDF Division Detonators	450 lakh numbers	570	323	57	313	275	88	405	454	112	465	403	87	456	348	76
5	Detonating fuses***	120 lakh meters	150	108	72	141	146	104	148	143	97	150	138	92	160	135	84

* From 2004-05 onwards figures are for production of Telmix explosives.

** 10,500 MT up to 2005-06.

*** 110 lakh meters up to 2004-05.

B : Budget

A : Actuals

A to B : Actuals to Budget (in *per cent*)

ANNEXURE-11

(Referred to in Paragraph 2.1.21)

Details of export sales made by Tamil Nadu Industrial Explosives Limited

(Rupees in crore)

Sl. No.	Year	Total exports by the Industry	Exports by the Company	Percentage of Company's exports to industry exports (4)/(3)%	Total sales of the Company	Percentage of export sales to total sales (4)/(6)%
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1.	2002-03	43.26	1.57	3.63	44.44	3.53
2.	2003-04	44.49	2.49	5.60	42.87	5.81
3.	2004-05	45.25	1.07	2.36	30.23	3.54
4.	2005-06	76.35	2.28	2.99	27.56	8.27
5.	2006-07	N.A	5.47	N.A	23.26	23.51

ANNEXURE-12

(Referred to in Paragraph 2.2.6)

A. Statement showing financial position of Tamil Nadu Tourism Development Corporation Limited for the five years ended 31 March 2007

(Rupees in lakh)

Sl.No.	Details	2002-03	2003-04	2004-05	2005-06	2006-07
I.	**Liabilities**					
(a)	(a) Paid up capital (including advances for share)	678.63	678.63	678.63	678.63	678.63
(b)	(b) Reserves and surplus	781.85	954.28	1,771.19	2,179.01	2,798.28
(c)	(c) Short term and cash credit	205.32	205.32	424.06	326.75	224.44
(d)	(d) Deferred tax liabilities	---	---	59.70	82.83	82.83
(e)	(e) Trade dues and liabilities (including provisions)	1,403.64	1,597.47	1,403.73	1,596.17	1,820.46
	TOTAL	3,069.44	3,435.70	4,337.31	4,863.39	5,609.64
II.	**Assets**					
(a)	Gross block	3,214.91	3,353.82	3,443.60	3,741.92	4,073.03
	Less: Depreciation	1,632.09	1,766.82	1,845.43	1,957.50	2,120.86
(b)	Net fixed assets	1,582.82	1,587.00	1,598.17	1,784.42	1,952.17
(c)	Capital work in progress	14.14	0.85	7.02	6.31	8.14
(d)	Other assets/investments	---	---	---	---	---
(e)	Current assets, loans and advances	973.59	1,410.72	2,402.29	2,845.21	3,540.54
	Intangible assets					
(f)	Miscellaneous expenditure	364.43	437.13	329.83	227.45	108.79
(g)	Accumulated loss	134.46	---	---	---	---
(h)	TOTAL	3,069.44	3,435.70	4,337.31	4,863.39	5,609.64
	Capital employed	1,166.91	1,401.10	2,603.75	3,039.77	3,680.39
	Net worth	961.59	1,195.78	2,119.99	2,630.19	3,368.11

B. Statement showing working results of Tamil Nadu Tourism Development Corporation Limited for the five years ended 31 March 2007

(Rupees in lakh)

Sl. No.	Details	2002-03	2003-04	2004-05	2005-06	2006-07
1.	**Income from core trading activities**					
	(a) Hotel	2,037.60	1,978.02	1,995.22	2,086.46	2,564.78
	(b) Petrol bunk	592.57	775.69	890.77	959.62	1,078.83

Sl. No.	Details	2002-03	2003-04	2004-05	2005-06	2006-07
	(c) Transport	549.66	662.88	575.24	635.50	725.45
	(d) Trade fair	206.04	235.13	237.88	267.17	280.41
	TOTAL (A)	3,385.87	3,651.72	3,699.11	3,948.76	4,649.47
2.	**Income from non-core trading activities**					
	(a) Thiruvalluvar Statue	62.73	72.35	54.95	49.58	71.57
	(b) Interest of fixed deposit	13.63	31.93	82.77	117.11	186.21
	(c) Time share	0.11	0.11	0.11	0.11	0.11
	(d) Franchise	35.81	149.62	169.61	172.97	197.95
	(e) Rent for Tourism complex	10.53	16.35	25.43	25.85	25.60
	TOTAL (B)	**122.81**	**270.36**	**332.87**	**365.63**	**481.44**
3.	**Income from non-trading activities**					
	(a) Profit on sale of asset	5.54	10.64	6.09	10.77	1.46
	(b) Withdrawal of depreciation on grants related assets	4.25	6.12	6.22	5.70	13.45
	(c) Miscellaneous income	9.19	7.94	11.79	11.53	24.14
	TOTAL (C)	18.98	24.70	24.10	28.00	39.05
	TOTAL (A+B+C)	**3,527.66**	**3,946.78**	**4,056.08**	**4,342.39**	**5,169.96**
4.	**Expenditure**					
	(a) Operating expenditure	3,154.76	3.273.88	3,447.44	3,752.69	4,386.08
	(b) Profit before interest and depreciation	372.90	672.90	608.64	589.70	783.88
	(c) Interest charges	28.25	26.72	24.45	18.12	69.46
	(d) Depreciation	154.67	149.69	141.18	162.30	193.97
	(e) Profit after depreciation and interest	189.98	496.49	443.01	409.28	520.45
	(f) Excess provision written back	22.03	(-) 35.00	(-) 5.00)	---	---
	Payment/provision of gratuity/leave salary/ex-gratia	161.28	168.28	118.12	126.55	118.66
	Provision for income tax	5.80	25.18	27.25	60.00	---
	Provision for deferred tax	---	3.58	5.37	23.13	---
	Provision for fringe benefit tax	---	---	---	7.00	6.80
	Prior period income	13.73	23.19	0.65	17.13	23.23
	Net profit/loss	58.66	287.64	287.92	209.73	418.21

ANNEXURE-13

(Referred to in Paragraph 2.2.8)

Financial performance of the Hotel Division of Tamil Nadu Tourism Development Corporation Limited

(Rupees in lakh)

Year	Details	Lodging	Catering	Boating	Bar	Miscellaneous	Total (Hotel)	Petrol Bunk	Gross Total	Total Income
2002-03	Income	670.80	538.85	521.82	293.88	12.25	2,037.60	592.57	2,630.17	3,527.66
	Expenditure	624.96	612.68	175.50	228.83	8.05	1,650.02	579.11	2,229.13	
	Profit(+)/Loss(-)	45.84	(-)73.83	346.32	65.05	4.20	387.58	13.46	401.04	
2003-04	Income	664.54	500.96	513.74	284.29	14.49	1,978.02	775.69	2,753.71	3,946.78
	Expenditure	593.68	536.42	125.90	226.59	5.13	1,487.72	762.43	2,250.15	
	Profit (+)/Loss (-)	70.86	(-)35.46	387.84	57.70	9.36	490.30	13.26	503.56	
2004-05	Income	679.22	509.59	448.11	347.39	10.91	1,995.22	890.77	2,885.99	4,056.08
	Expenditure	630.81	560.25	114.46	261.60	6.62	1,573.74	875.08	2,448.82	
	Profit (+)/Loss (-)	48.41	(-)50.66	333.65	85.79	4.29	421.48	15.69	437.17	
2005-06	Income	664.50	528.83	520.12	359.16	13.85	2,086.46	959.62	3,046.08	4,342.39
	Expenditure	694.14	586.08	149.56	277.49	8.26	1,715.53	944.37	2,659.90	
	Profit (+)/Loss (-)	(-)29.64	(-)57.25	370.56	81.67	5.59	370.93	15.25	386.18	
2006-07	Income	806.36	655.35	624.16	459.40	19.51	2,564.78	1,078.83	3,643.61	5,169.96
	Expenditure	793.09	708.12	195.03	343.49	9.12	2,048.85	1,065.15	3,114.00	
	Profit (+)/Loss (-)	13.27	(-)52.77	429.13	115.91	10.39	515.93	13.68	529.61	

ANNEXURE – 14

(Referred to in Paragraph 2.2.13)

Details of profit/loss to turn over in respect of operating catering units of Tamil Nadu Tourism Development Corporation Limited

Year	Profit earning hotel			Percentage of profit to turn over	Loss incurring hotels			Percentage of cash loss to turn over
	Number of hotels	Turnover (Rupees in lakh)	Cash Profit (Rupees in lakh)		Number of hotels	Turnover (Rupees in lakh)	Cash Loss (Rupees in lakh)	
2002-03	16	357.94	38.78	10.83	16	196.52	41.10	20.91
2003-04	15	275.59	43.97	15.95	17	205.44	20.72	10.09
2004-05	17	387.44	43.75	11.29	12	103.56	22.82	22.04
2005-06	14	331.27	42.34	12.78	15	173.94	29.70	17.07
2006-07	16	468.81	57.28	12.22	11	175.37	31.81	18.14

ANNEXURE-15

(Referred to in Paragraph 3.1.8)

Details of expenditure vis-a-vis funds released by GOI and REC under APDRP

(Rupees in crore)

Year	Funds released by GOI to the State Government			Funds released by the State Government to the Board			Loan availed from REC*	Total amount received (year wise) (7+8)	Year-wise expenditure	Cumulative expenditure	Percentage of expenditure to the project cost (Rs.929.21 crore)
	Loan	Grant	Total	Loan	Grant	Total					
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
2002-03	55.79	55.78	111.57	38.29	38.28	76.57	121.03	197.60	113.28	113.28	12.19
2003-04	116.29	116.30	232.59	112.41	187.40	299.81	125.30	425.11	242.69	355.97	38.31
2004-05	48.83	48.83	97.66	70.22	---	70.22	142.20	212.42	371.03	727.00	78.24
2005-06	---	---	---	---	---	---	4.24	4.24	50.12	777.12	83.63
2006-07	---	---	---	---	---	---	---	---	21.35	798.47	85.93
2007-08 (May 2007)	---	---	---	---	---	----		---	1.39	799.86	86.08
TOTAL	**220.91**	**220.91**	**441.82**	**220.92**	**225.68**	**446.60**	**392.77**	**839.37**	**799.86**		

* REC released funds only at the end of each year.

ANNEXURE – 16
(Referred to in Paragraph 3.1.9)
Statement showing delay in release of funds under APDRP

S.No.	Date of sanction by Ministry of Finance, GOI	Amount sanctioned by GOI (Rupees in crore)	Date of receipt of funds by GOTN	Date of release of funds by GOTN to TNEB	Amount released to TNEB (Rupees in crore)	Delay in days	Delay in days after excluding seven days	Penal interest at 10 *per cent per* annum (Rupees in lakh)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1.	4 April 2002	32.12	4 April 2002	21 June 2002	16.00	78	71	31.12
				13 September 2002	0.06	162	155	0.25
				7 October 2002	4.06	186	179	19.91
				29 October 2002	12.00	208	201	66.08
2.	28 January 2003	44.45	28 January 2003	19 March 2003	39.45	50	43	46.48
				26 March 2003	5.00	57	50	6.85
3.	31 March 2003	35.00	31 March 2003	7 May 2003	35.00	37	30	28.77
4.	23 October 2003	9.45	24 October 2003	11 March 2004	9.45	139	132	34.18
5.	17 February 2004	223.14	19 February 2004	19 March 2004	180.36	29	22	108.71
				30 March 2004	21.39	40	33	19.61
				6 July 2004	21.39	138	131	76.77
	TOTAL							**438.73**

ANNEXURE – 17

(Referred to in Paragraph 3.1.17)

Statement showing financial progress of schemes under APDRP as on 31 May 2007

(Figures – Rupees in crore)

Sl.No	Name of schemes	Sanction Number	Original sanctioned cost	DPR/Scheme cost (Revised)	Scheduled date of completion	Actual/expected date of completion	Expenditure upto May 2007	Percentage of expenditure to scheme cost (Col.8/Col.5)X100
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1.	Coimbatore (South) EDC	Sanction No.MOP/GOI/ D.No.12/4/2002 APDRP dated 10 April 2002. Revised sanction No.F.No.16/23/2002 APDRP dated 12 September 2002 based on field AcC DPR.	113.58	70.26	12.04.04	31.03.08	94.47	134.45
2.	Pudukottai		62.50	64.32	12.04.04	31.03.08	62.14	96.61
3.	Villupuram EDC		81.90	103.08	12.04.04	31.03.08	78.45	76.11
4.	Coimbatore (Metro) EDC	Sanction No.MOP/GOI/ F.No.7/292002-APDRP dated 4 October 2002	22.95	22.95	04.10.04	31.03.08	18.52	80.68
5.	Tirunelveli (Urban)		12.11	12.11	04.10.04	31.03.08	11.51	95.08
6.	Salem (Urban)		31.07	31.07	04.10.04	31.03.08	23.67	76.18
7.	Madurai (Metro)		17.21	17.21	04.10.04	31.03.08	15.31	88.93
8.	Chenglepet EDC		52.26	52.26	04.10.04	31.03.08	40.37	77.25
9.	Erode (Urban)	Sanction No.MOP/GOI/ F.No.7/292002-APDRP dated 27 November 2002	13.83	13.83	04.10.04	31.03.08	9.75	70.53
10.	Chennai Metro		440.97	419.97	27.11.04	31.03.08	355.21	84.58
11.	Trichy (Urban)		19.17	18.25	27.11.04	31.03.08	17.77	97.34
12.	Kancheepuram Town		8.55	8.14	27.11.04	31.03.08	7.62	93.64
13.	Tiruvallur and Tirutani Town		3.26	3.10	27.11.04	31.03.08	2.51	80.96

Sl.No	Name of schemes	Sanction Number	Original sanctioned cost	DPR/Scheme cost (Revised)	Scheduled date of completion	Actual/expected date of completion	Expenditure upto May 2007	Percentage of expenditure to scheme cost (Col.8/Col.5)X100
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
14.	Namakkal Town		2.81	2.68	27.11.04	31.03.08	2.53	94.41
15.	Sankari Industrial Town		9.82	9.35	27.11.04	31.03.08	7.22	77.26
16.	Thiruchengode Town		2.70	2.57	27.11.04	31.03.08	1.66	64.49
17.	Edapady Town		0.76	0.72	27.11.04	31.03.08	0.57	79.46
18.	Kumarapalayam Town		1.46	1.39	27.11.04	31.03.08	0.78	55.94
19.	Cuddalore Town		2.82	2.69	27.11.04	31.03.08	2.39	88.86
20.	Chidamabaram Town		1.53	1.46	27.11.04	31.03.08	1.36	92.81
21.	Vridhachalam		3.24	3.09	27.11.04	31.03.08	2.64	85.30
22.	Panruti Town		1.73	1.65	27.11.04	31.03.08	1.54	93.34
23.	Nellikuppam		0.80	0.76	27.11.04	October 2005	0.76	99.66
24.	Kurinjipady Town		1.37	1.30	27.11.04	July 2006	1.30	100.00
25.	Udumalpet EDC		68.25	65.00	27.11.04	31.03.08	39.83	61.27
	TOTAL		**976.65**	**929.21**			**799.86**	**86.08**

ANNEXURE-18
(Referred to in Paragraph 3.1.32)
Feeder trippings and duration under APDRP

	Feeder trippings and duration							
	2001-02		2004-05		2005-06		2006-07	
	Number of Trippings	Tripping Duration (Minutes)	Number of Trippings	Tripping Duration (Minutes)	Number of Trippings	Tripping Duration (Minutes)	Number of Trippings	Tripping Duration (Minutes)
Chennai Metro								
North	926	12,388	932	12,315	1,542	22,606	1,696	17,656
Central	2,450	9,400	2,236	6,940	2,527	8,954	4,825	12,935
West	105	525	147	735	1,871	24,667	955	12,869
South	1,426	15,863	1,025	15,758	2,150	26,481	2,325	20,771
Total for Chennai Metro	**4,907**	**38,176**	**4,340**	**35,748**	**8,090**	**82,708**	**9,801**	**64,231**
Average duration		7.78		8.24		10.22		6.55
CBE Metro	1,319	14,965	1,218	12,237	1,898	23,954	2,220	26,724
Salem Urban	3,244	74,612	2,477	64,895	2,955	74,210	2,682	24,302
Chengalpattu	2,950	41,750	2,350	39,400	3,825	36,160	4,734	45,435
Panruti	15	150	7	90	114	344	377	1,157
Vridhachalam	71	1,405	48	1,328	71	3,221	35	1,030
Tiruvallur and Tiruttani	165	1,320	98	601	160	989	118	889
Total for Other than Chennai	**7,764**	**1,34,202**	**6,198**	**1,18,551**	**9,023**	**1,38,878**	**10,166**	**99,537**
Average duration		17.29		19.13		15.39		9.79

ANNEXURE – 19
(Referred to in Paragraph 3.1.33)
Details of DT failure rates for 25 schemes under APDRP

(Figures in percentage)

Sl.No.	Name of the scheme	2002-03	2003-04	2004-05	2005-06	2006-07
1.	**Chennai Metro**					
	(a) Chennai North	3.99	2.59	2.50	6.19	9.27
	(b) Chennai Central	3.47	2.14	1.18	2.81	2.37
	(c) Chennai West	2.04	3.91	1.23	2.48	2.09
	(d) Chennai South	3.99	1:96	2.17	3.08	4.69
2.	Coimbatore (Metro)	2.29	1.03	0.20	0.37	2.58
3.	Salem (Urban)	3.40	3.00	2.00	2.47	1.80
4.	Chengalpattu	1.50	2.80	3.90	3.59	3.92
5.	Virudhachalam	2.54	2.25	2.12	0.99	0.99
6.	Panruti	2.85	2.35	2.10	---	1.05
7.	Thiruvallur and Tiruttani	3.53	2.35	1.00	1.14	1.69
8.	Coimbatore South	6.50	5.70	4.45	5.40	5.81
9.	Udumalpet	6.63	5.36	4.58	5.90	6.33
10.	Madurai Metro	1.62	2.89	1.60	1.85	---
11.	Erode (Urban)	4.00	3.00	4.00	5.02	0.29
12.	Tirunelveli	2.90	2.15	0.68	1.75	1.98
13.	Pudukottai	4.96	7.87	11.67	15.53	14.86
14.	Trichy Metro	1.78	1.08	1.76	2.30	2.35
15.	Kancheepuram Town	1.10	0.50	0.93	1.02	---
16.	Villupuram	13.15	13.87	14.27	15.33	17.19
17.	Namakkal Town	1.00	---	---	---	1.90
18.	Sankari Industrial Town	4.11	4.30	5.11	5.19	5.16
19.	Trichengode Town	1.30	1.80	2.58	2.59	3.43
20.	Edapady Town	---	3.50	5.26	6.03	---
21.	Kumarapalayam Town	11.40	---	0.80	3.41	0.82
22.	Cuddalore Town	5.08	3.25	3.25	---	2.03
23.	Chidambaram Town	4.02	3.25	3.25	1.08	1.06
24.	Nellikuppam Town	---	---	---	---	---
25.	Kurinjipady Town	3.65	1.95	1.50	6.52	13.04

ANNEXURE – 20
(Referred to in Paragraph 3.1.34)
Statement showing Revenue surplus/Gap for 25 schemes under APDRP

(Rupees per unit)

Sl.No.	Name of the scheme	Revenue surplus/gap(-)					
		2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
1.	**Chennai Metro**						
	(a) Chennai North	2.86	2.21	1.34	0.90	0.49	0.53
	(b) Chennai Central	0.38	1.07	1.68	1.41	1.46	1.42
	(c) Chennai West	0.34	0.53	0.43	0.45	(-)0.44	0.37
	(d) Chennai South	0.40	0.57	0.89	0.67	0.61	0.42
2.	Coimbatore (Metro)	2.01	0.77	0.98	0.85	0.89	0.40
3.	Salem (Urban)	0.44	0.39	0.31	0.31	0.18	0.33
4.	Chengalpattu	1.16	1.53	1.43	0.58	0.39	0.48
5.	Virudhachalam	(-)0.36	(-)0.38	(-)0.48	(-)0.60	(-)0.70	(-)0.73
6.	Panruti	(-)0.48	(-)0.50	(-)0.48	(-)0.46	(-)0.60	(-)0.65
7.	Thiruvallur and Tiruttani	(-)0.88	(-)0.93	(-)1.01	(-)1.02	(-)1.15	(-)1.24
8.	Coimbatore South	(-)0.19	(-)0.94	(-)0.93	0.10	(-)0.21	(-)0.35
9.	Pudukottai	(-)1.68	(-)1.65	(-)1.46	(-)1.47	(-)1.44	(-)1.46
10.	Villupuram	(-)1.71	(-)1.79	(-)1.50	(-)1.63	(-)1.88	(-)2.06
11.	Erode	(-)0.02	(-)0.06	0.98	1.15	1.05	0.90
12.	Tirunelveli	(-)0.13	(-)0.16	(-)0.30	(-)0.45	(-)0.48	(-)0.58
13.	Madurai Metro	(-)0.28	0.57	0.57	0.34	0.03	0.07
14.	Trichy Metro	0.08	0.08	0.27	0.33	0.20	0.12
15.	Kancheepuram Town	(-)0.16	(-)0.21	(-)0.05	(-)0.10	(-)0.22	(-)0.25
16.	Namakkal Town	1.37	0.38	0.54	0.56	(-)0.21	(-)0.43
17.	Sankari Industrial Town	0.53	0.58	0.56	0.51	(-)0.30	(-)0.36
18.	Trichengode Town	0.20	0.14	0.06	0.16	(-)0.78	(-)0.58
19.	Edapady Town	(-)0.90	(-)0.99	(-)1.12	(-)1.06	(-)1.31	(-)1.30
20.	Kumarapalayam Town	(-)0.35	(-)0.36	(-)0.46	(-)0.39	(-)1.03	(-)0.59
21.	Cuddalore Town	(-)0.35	(-)0.32	(-)0.42	(-)0.42	(-)0.54	(-)0.58
22.	Chidambaram Town	(-)0.76	(-)0.77	(-)0.85	(-)0.84	(-)0.95	(-)0.70
23.	Nellikuppam Town	(-)0.77	(-)0.70	(-)0.73	(-)0.38	(-)0.57	(-)0.60
24.	Kurinjipady Town	(-)0.57	(-)0.62	(-)0.72	(-)0.74	(-)0.82	(-)0.93
25.	Udumalpet	(-)1.04	(-)1.09	(-)1.11	(-)1.08	(-)1.12	(-)1.15

(-) indicates deficit

ARR: Average Revenue Realisation

ACS: Average Cost of Supply.

Sl.No.1 to 7: Selected schemes.

ANNEXURE-21

(Referred to in Paragraph 3.1.35)

Aggregate Technical and Commercial losses for 25 schemes under APDRP

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	AT&C losses in 2006-07 after adjusting transmission loss of 11.70%
For selected seven schemes	(In *per cent*)						
Chennai North	13.29	12.36	10.92	16.61	8.29	12.99	24.69
Chennai Central	7.01	7.45	7.21	7.12	7.12	7.59	19.29
Chennai West	22.29	13.27	11.69	9.28	9.24	9.32	21.02
Chennai South	5.96	6.10	6.17	5.32	9.13	9.89	21.59
Virudhachalam	9.94	9.69	9.90	9.03	8.36	6.20	17.90
Panruti	11.13	21.33	15.62	13.09	7.77	6.12	17.82
Coimbatore (Metro)	10.97	12.67	11.15	10.44	9.98	9.53	21.23
Salem (Urban)	10.26	9.92	8.43	7.93	12.82	9.69	21.39
Chengalpattu	14.57	5.77	13.79	12.29	13.26	15.03	26.73
Tiruvallur and Tiruttani	23.82	20.99	21.57	20.77	9.29	9.44	21.14
Others							
Coimbatore (South)	31.31	25.59	24.69	25.35	25.82	23.81	35.51
Udumalpet	52.96	53.00	52.46	44.49	41.68	40.23	51.93
Madurai (Metro)	12.13	9.13	9.49	10.94	10.77	9.85	21.55
Erode (Urban)	17.94	13.02	9.95	9.47	8.64	9.02	20.72
Tirunelveli	11.83	10.55	9.69	9.56	7.94	8.54	20.24
Pudukottai	56.50	55.65	56.14	55.70	58.10	58.37	70.07
Trichy (Metro)	16.54	15.41	12.98	12.42	11.88	12.12	23.82
Kancheepuram	16.94	16.94	16.45	16.34	14.71	9.25	20.95
Villupuram	59.34	61.69	61.56	60.39	65.40	66.77	78.47
Namakkal (Town)	17.00	9.48	3.94	2.62	13.19	12.60	24.30
Sankari Industrial Town	19.20	15.48	12.37	19.56	38.13	26.88	38.58
Tiruchengode (Town)	8.92	8.86	7.79	7.79	13.74	12.13	23.83
Edappady (Town)	14.10	11.25	8.53	7.70	10.77	10.57	22.27
Kumarapalayam	16.61	14.51	12.81	11.99	13.17	11.69	23.39
Cuddalore (Town)	11.37	11.33	10.02	10.45	8.63	6.90	18.60
Chidambaram (Town)	12.97	12.80	13.30	10.68	9.80	7.91	19.61
Nellikuppam (Town)	17.50	10.80	9.95	9.17	7.33	5.82	17.52
Kurinjipadi (Town)	6.50	6.64	6.68	6.66	6.54	6.56	18.26

ANNEXURE-22

(Referred to in paragraph 4.22.1)

Statement showing paragraphs/reviews for which explanatory notes were not received

Sl. No.	Name of the Department	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	Total
1.	Animal Husbandry and Fisheries	--	---	---	---	---	---	---	---	1	1
2.	Energy	---	---	---	1	---	---	---	---	14	15
3.	Co-operation, Food and Consumer Protection	---	---	---	---	---	---	---	1		1
4.	Handloom, Handicraft, Textiles and Khadi	---	---	---	---	1	---	---	---	1	2
5.	Highways	---	1	---	---	1	---	1	1	---	4
6.	Industries	---	---	7	5	5	4	2	6	4	33
7.	Information Technology	---	---	---	---	---	---	---	1	1	2
8.	Prohibition and Excise	---	---	---	---	---	---	---	---	2	2
9.	Rural Development and Local Administration	1	---	---	---	---	---	---	---	---	1
10.	Small Industries	---	---	6	4	4	4	1	1	2	22
11.	Transport	---	---	---	---	1	---	1	1	2	5
12.	General	---	---	---	---	---	---	2	5	3	10
	TOTAL	**1**	**1**	**13**	**10**	**12**	**8**	**7**	**16**	**30**	**98**

ANNEXURE-23

(Referred to in Paragraph 4.22.3)

Statement showing persistent irregularities pertaining to Government companies appeared in the Reports of CAG of India (Commercial) – Government of Tamil Nadu

Sl. No.	Gist of Persistent irregularities	Year of Audit Report/ Para No.	Money Value (Rupees in crore)	Gist of Audit observations	Actionable points/Action to be taken	Details of actions taken
1. Tamil Nadu Industrial Investment Corporation Limited						
(i)	Violation of guidelines governing sanction of loan	1997-98/4A.4	8.84	Violation of guidelines while sanctioning leasing and hire purchase loans to 16 industrial units.	Responsibility is required to be fixed on the officials for extension of leasing and hire purchase loans in violation of Guidelines.	The Company accepted the facts and stated that appropriate action was being initiated against the officials responsible for such lapses. No further compliance received.
		1999-2000/4A.8	0.85	Sanction of loan ignoring the appraisal report, release of loan disregarding the guidelines prescribed by the Board of Directors of the company.	Responsibility is required to be fixed on the officials for release of loan disregarding the guidelines.	Action was intimated for invoking the collateral security (May 2000). No further compliance received
		2004-05/4.7	1.84	Sanction of loan ignoring the appraisal report and the guidelines prescribed by the Board of Directors of the company.	Responsibility is required to be fixed on the officials for release of loan disregarding the guidelines.	The company stated (July 2005) that it was taking steps to recover the balance amount of Rs.1.84 crore. No further compliance is received.

ANNEXURE-24

(Referred to in Paragraph 4.22.3)

Statement showing persistent irregularities pertaining to Statutory corporation appeared in the Reports of CAG of India (Commercial) – Government of Tamil Nadu

Sl.No.	Gist of Persistent Irregularities	Year of Audit Report/Para No.	Money value (Rupees in crore)	Gist of Audit observations	Actionable points/Action to be taken	Details of actions taken
1. Tamil Nadu Electricity Board						
1.	Extension of undue benefit to Independent Power Producer (IPP)	2001-02/ 4B.1.2	Rs.5.21	The Board extended undue benefit of Rs.5.21 crore to an Independent Power Producer viz., GMR Vasavi Power Corporation, by not restricting the element of Sales Tax in the fuel cost for power supplied to the rate actually paid during April 1999 to July 2003.	Before admitting the claims of the Independent Power Producers, the Board should ensure that the claims preferred by the IPP's are strictly in conformity with the provisions of Power Purchase Agreement.	On being pointed out by audit, the Board recovered a sum of Rs.8.62 crore (Rs.6.89 crore towards excess paid Sales Tax and Rs.1.73 crore towards interest thereon) in March 2002. As a result of this Audit observation, there would be future saving of Rs.22.84 crore to the Board during the remaining period of PPA viz., ten years and four months.

Sl.No.	Gist of Persistent Irregularities	Year of Audit Report/Para No.	Money value (Rupees in crore)	Gist of Audit observations	Actionable points/Action to be taken	Details of actions taken
		2003-04/ 4.9	Rs.40.19	The Board made payments totaling to Rs.40.19 crore against the monthly claims for Income Tax by M/s.ST-CMS Electric Company Private Limited (Generating Company) during January 2003 to March 2004. These payments were made by the Board ignoring the facts that the generating company did not provide for the liability for Income Tax in its accounts for 2002-03 due to losses and the company was availing Tax Holiday for 10 years commencing from April 2003.	Before admitting the claims of the IPP, the Board should ensure that the claims preferred by them are strictly in conformity with the provisions of Power Purchase Agreement.	The matter was reported to the Board/Government in June 2004. The reply is, however, awaited (June 2005).
		2003-04/ 4.12	Rs.5.59	The Board extended an undue benefit of Rs.5.59 crore to Balaji Power Corporation Private Limited (Generating Company) towards interest on working capital (Rs.4.70 crore) and Return on Equity (Rs.88.90 lakh) even though Generating Company would not incur any expenditure towards interest on working capital as per Generating Company's agreement with fuel supplier and exchange rate protection on Return on Equity on the increased foreign equity contribution of 5.03 million US dollars.	Before admitting the claims of the IPP, the Board should ensure that the claims preferred by them are strictly as per the provisions of Power Purchase Agreement.	The matter was reported to the Board/Government in June 2004. The reply is, however, awaited.

Sl.No.	Gist of Persistent Irregularities	Year of Audit Report/Para No.	Money value (Rupees in crore)	Gist of Audit observations	Actionable points/Action to be taken	Details of actions taken
		2004-05/ 4.14	Rs.4.12	As per the terms of Power Purchase Agreement with GMRV Vasavi (IPP), the tariff payable by the Board inter alia included interest on working capital. The working capital requirement from 2002-03 onwards had to be computed based on the Plant Load Factor (PLF) of 85 per cent or average of actual PLF whichever was lower. The Board made excess payment of Rs.4.12 crore for the tariff years 2002-03 and 2003-04 to the IPP by admitting interest on working capital computed based on PLF of 85 per cent instead of average of actual PLF of preceding three years which were lower.	Before admitting the claims of the IPP, the Board should ensure that the claims preferred by them are strictly as per the provisions of Power Purchase Agreement.	The mater was reported to the Board/Government in June 2005; The reply is however awaited.
		2005-06/ 4.17	Rs.7.18	As per the terms of Power Purchase Agreement (PPA) with ABAN Power Company, the Board shall purchase and pay only variable charges for all infirm power produced by ABAN and delivered to the Board prior to the date of commercial operation. However, the Board paid Rs.7.18 crore as fixed charges in contravention of the PPA, which resulted in undue benefit to the IPPs.	Before admitting the claims of the IPP, the Board should ensure that the claims preferred by them are strictly as per the provisions of Power Purchase Agreement.	The mater was reported to the Board/Government in May 2006. The reply is however awaited.

ANNEXURE-25

(Referred to in paragraph 4.23)

Statement showing the department-wise outstanding inspection reports

Sl. No	Name of Department	Number of PSUs	Number of outstanding IRs	Number of outstanding paragraphs	Years from which paragraphs outstanding
1.	Industry	11	43	278	2000-01
2.	Small Industry	5	11	69	2002-03
3.	Information Technology	1	5	21	2002-03
4.	Information and Tourism	2	4	21	2002-03
5.	Agriculture	4	5	11	2001-02
6.	Prohibition and Excise	1	4	31	2001-02
7.	Social Welfare and Noon-Meal Programme	1	4	13	2003-04
8.	Energy	1	1	1	2006-07
9.	Municipal Administration and Water Supply	1	4	18	2003-04
10.	Transport	9	36	168	2003-04
11.	Fisheries	1	4	13	2004-05
12.	Labour and Employment	2	5	23	2004-05
13.	Health and Family Welfare	2	8	37	2003-04
14.	Adi Dravidar and Tribal Welfare, Backward Classes, Most Backward Classes and Minority Welfare	3	12	67	2000-01
15.	Rural Development and Local Administration	1	1	2	2005-06
16.	Home	1	3	8	2002-03
17.	Public Works	1	5	29	2000-01
18.	Highways	1	7	53	2000-01
19.	Handloom, Handicrafts, Khadi and Textiles	4	10	36	2003-04
20.	Environment and Forest	3	8	60	2000-01
21.	Food and Consumer Protection	2	5	24	2004-05
22.	Tamil Nadu Electricity Board	1	592	2,208	1997-98
	Grand Total	**58**	**777**	**3,191**	

ANNEXURE-26

(Referred to in paragraph 4.23)

Statement showing the department-wise draft paragraphs/reviews, reply to which are awaited

Sl. No	Name of Department	Number of draft paragraphs	Number of reviews	Period of issue
1.	Industry	4	1	March to June 2007
2.	Energy	6	2	April to August 2007
3.	Small Industries	1		May 2007
4.	Food and Consumer Protection	2		May to June 2007
5.	Adi Dravidar and Tribal Welfare	1		May 2007
6.	Transport	2		April to August 2007
7.	Environment and Forest	1		August 2007
8.	Public (Ex-servicemen)	1		April 2007
9.	Finance	3		October 2007
10.	Tourism and Culture	---	1	June 2007
	TOTAL	**21**	**4**	

Glossary

Sl.No.	Terminology used in the Report	Meaning / Explanation
1	NG Explosives	Nitroglycerine explosives are dry explosives with longer shelf life. Main raw materials: Nitric Acid, Glycerine, Glycol, Nitro cellulose and Ammonium Nitrate (coated).
2	Telmix	Telmix explosives are paper cartridged explosives with longer shelf life catering to the requirements of trade sector. Main raw materials: Ammonium Nitrate (coated), Aluminium Powder with Mono Ethylene Glycol
3	Emulsion explosives: (i) Small dia emulsion explosives	It is oil-based explosives packed in poly film with diameter of 25 mm and 32 mm mainly sold to trade sector. Major raw materials: Ammonium nitrate (uncoated), OLOA and Sodium nitrite.
	(ii) Large Dia Emulsion explosives	It is oil based explosives packed in lay flat. Diameter of 83 mm and 125 mm, being sold to organized sector customers.
	(iii) Bulk Emulsion Explosives	It is oil based unpacked explosives, directly used for coal-blasting at the site of customer.
4	Slurry Explosives	These are water-based explosives. Manufactured in large dia of 83mm and 125 mm. Main raw materials: Ammonium Nitrate (Uncoated), Sodium nitrite, sulphur and sugar.
5	Detonator	A 40 mm shell compressed with Penta Erythritol Tetra Nitrate and Lead Azide and Lead Styphnate, connected to safety wire. It is initiator for exploding any explosive. Variety of detonators: Reinforced Ordinary detonators which is either sold as it is or further subjected to processes to manufacture electric detonators (EDA and EDC), delay detonators (HSD, MSD and CDD and non-electric detonators (Teldet).
6	Detonating fuse.	A wire packed with different grammage of PETN and covered by cotton yarn, PVC material *etc.* It comes with 6gm, 10 gm and 12 gm varieties.
7	PETN	Penta Erythritol Tetra Nitrate – An explosive solution manufactured by the Company for being filled and packed in detonators and detonating fuses.
8	OLOA	Oronite Lubricating Oil Additive – To maintain viscosity in emulsion explosives.

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