REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED 31 MARCH 2005

COMMERCIAL

GOVERNMENT OF TAMIL NADU

Audit Report (Commercial) – Government of Tamil Nadu – 2004-05

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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 2004-05 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 2004-05 have also been included, wherever necessary.

OVERVIEW

1 Overview of Government companies and Statutory corporations

As on 31 March 2005, the State had 68 Public Sector Undertakings (PSUs) comprising 66 Government companies and two Statutory corporations (both working). The State had the same number of Government companies and Statutory corporations as on 31 March 2004. Of 66 companies, 14 companies were non-working. In addition there were three deemed Government companies under Section 619-B of the Companies Act, 1956 as on 31 March 2005.

(Paragraphs 1.1 and 1.30)

The total investment in working PSUs increased from Rs.13,581.35 crore as on 31 March 2004 to Rs.14,092.07 crore as on 31 March 2005. The total investment in non-working PSUs increased from Rs.84.23 crore to Rs.85.83 crore during the same period.

(Paragraphs 1.2 and 1.15)

The budgetary support in the form of equity, loans, grants and subsidies disbursed to the working PSUs increased from Rs.1,673.24 crore in 2003-04 to Rs.2,564.35 crore in 2004-05. The State Government also granted loan of Rs.4.85 crore to one non-working company during 2004-05. The State Government guaranteed loans aggregating Rs.499.01 crore during 2004-05. The total amount of outstanding loans guaranteed by the State Government decreased from Rs.7,378.89 crore as on 31 March 2004 to Rs.5,892.38 crore as on 31 March 2005.

(Paragraphs 1.5 and 1.16)

Thirty eight working Government companies have finalised their accounts for 2004-05. The accounts of 14 working Government companies and both the Statutory corporations were in arrears from one to three years as on 30 September 2005. The accounts of eight non-working companies were in arrears for periods ranging from one to 13 years as on 30 September 2005.

(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.203.46 crore. Out of 38 working Government companies, which finalised their accounts for 2004-05 by September2005, only six companies declared dividend aggregating to Rs.6.12 crore. Seventeen working Government companies and one Statutory corporation incurred an aggregate loss of Rs.1,212.42 crore as per their latest finalised accounts. Of the loss incurring working Government companies, 13 companies had accumulated losses aggregating to Rs.1,841.78 crore, which exceeded their aggregate paid-up capital of Rs.647.94 crore.

(Paragraphs 1.7, 1.8 and 1.9)

Even after completion of 20 to 28 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 as per their latest finalised accounts. Two companies had been incurring losses for five consecutive years leading to negative net worth. In view of the poor turnover and continuous losses, the Government may either improve the performance of these companies or consider their closure.

(Paragraph 1.28)

2 Review relating to Government companies

Sectoral Review on Operational Performance of Tamil Nadu Sugar Corporation Limited and Perambalur Sugar Mills Limited

Tamil Nadu Sugar Corporation Limited was formed in October 1974 with the main objective of setting up of new sugar mills and expansion of existing sugar mills. Perambalur Sugar Mills Limited was incorporated in July 1976 as a subsidiary of TASCO. The operational performance of the two sugar mills was adversely affected due to:

- shortfall in the procurement of sugarcane, which was attributable to delayed payment of sugarcane procured;
- the Government directive for making payment of the State Advised Price (which was more than the Statutory Minimum Price fixed by the Government of India) and transport subsidy cost which resulted in an additional financial burden of Rs.29.53 crore;
- shortfall in the achievement of budgeted production, low crushing rate and loss of production hours in excess of the norms which resulted in loss of contribution of Rs.16.17 crore.

Consumption of bagasse, steam and power was more than the norms.

The companies were burdened with huge inventory and consequent inventory carrying cost of Rs.10.39 crore per annum due to non-receipt of release orders from the Government of India.

(Paragraph 2)

3 Review relating to Statutory corporation

Sectoral review on Purchase of Wind Energy Power by Tamil Nadu Electricity Board

Tamil Nadu ranks seventh and third in respect of gross and technical potential of power generation from wind energy in the country. The Board failed to carry out balanced development of all the identified potential sites, resulting in imbalance in the generation and evacuation facilities in some areas. The recovery of Infrastructure Development Charges from the private wind energy generators to create/establish/enhance evacuation facilities was not adequate. Some of the important points noticed in audit are given below:

Audit noticed cases of short recovery of Infrastructure Development Charges (Rs.77.56 crore); revenue loss (Rs.204.87 crore) due to non-deduction of transmission and distribution losses; and extra expenditure (Rs.12.96 crore) due to non-recovery of line losses.

Lack of internal control in adjustment of wind energy generation resulted in revenue loss of Rs.8.76 crore.

- (Paragraph 3)

4 Transaction Audit Observations

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

- Unproductive expenditure/extra expenditure/excess payment of Rs.80.95 crore in 11 cases.

(Paragraphs 4.1, 4.3, 4.6, 4.8, 4.10, 4.12, 4.14, 4.15, 4.16, 4.18 and 4.21)

- Instances of loss of revenue (Rs.19.40 crore) in four cases and undue benefit (Rs.9.56 crore) in one case.

(Paragraphs 4.2, 4.9, 4.11, 4.13 and 4.17)

- Idle investment of Rs.2.36 crore in one case.

(Paragraph 4.5)

- Non-recovery of differential land cost (Rs.2.43 crore) in one case and non-recovery of short term loan (Rs.1.84 crore) in one case.

(Paragraphs 4.4 and 4.7)

Gist of some of the important observations is given below:

State Transport Undertakings incurred an extra expenditure of Rs.27.17 crore on Excise Duty and Sales Tax due to failure to negotiate concession with oil companies.

(Paragraph 4.1)

While entering into lease agreement for lease of Government land, **Electronics Corporation of Tamil Nadu Limited** extended undue benefit of Rs.9.56 crore to a joint venture company.

(Paragraph 4.2)

Inordinate delay by **Poompuhar Shipping Corporation Limited** in inviting tenders for dry docking resulted in avoidable extra expenditure of Rs.5.12 crore.

(Paragraph 4.3)

Delay in replacement/non-replacement of reheater coils in Tuticorin Thermal Power Station of **Tamil Nadu Electricity Board** resulted in generation loss of 110.96 million units and consequent contribution loss of Rs.13.72 crore.

(Paragraph 4.11)

Failure of **Tamil Nadu Electricity Board** to invite tenders for issue of bonds resulted in avoidable extra expenditure of Rs.13.15 crore as interest.

(Paragraph 4.12)

Failure of **Tamil Nadu Electricity Board** to undertake periodical desiltation of Pillur Dam resulted in accumulation of silt and consequent generation loss of 28.04 million units and a contribution loss of Rs.5.10 crore.

(Paragraph 4.13)

Failure of **Tamil Nadu Electricity Board** to restrict interest payment to an Independent Power Producer as per the Power Purchase Agreement terms led to excess payment of Rs.4.12 crore.

(Paragraph 4.14)

Incorporation of too many companies with similar objectives resulted in additional administrative cost of Rs.27.93 crore.

(Paragraph 4.21)

CHAPTER-I

Overview of Government companies and Statutory corporations

Introduction

1.1 As on 31 March 2005, there were 66 Government companies (52 working companies and 14[#] non-working companies) and two Statutory corporations (both working). The State had the same number of Government companies and Statutory corporations as on 31 March 2004. The accounts of the Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors, who are appointed by the Comptroller and Auditor General of India (CAG) as per provisions of section 619 (2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per provisions of section 619 of the Companies Act, 1956. The State Government had formed the Tamil Nadu Electricity Regulatory Commission and its audit is entrusted to the Comptroller and Auditor General of India under Section 104 (2)[Δ] of the Electricity Act, 2003. 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	Under Rule 14 of the Electricity (Supply) (Annual Accounts) Rules, 1985 read with Section 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

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

Δ Earlier provision of Section 34 (4) of the Electricity Regulatory Commissions Act, 1998 was repealed by the Electricity Act, 2003.

* The earlier provision of Section 69(2) of the Electricity (Supply) Act, 1948 was repealed by the Electricity Act, 2003.

Working Public Sector Undertakings (PSUs)

Investment in working PSUs

1.2 As on 31 March 2005, the total investment in 54 working PSUs (52 Government companies and two Statutory corporations) was Rs.14,092.07[∋] crore (equity: Rs.2,261.71 crore; long-term loans[♣]: Rs.11,830.36 crore) as against the same number of working PSUs with a total investment of Rs.13,581.35 crore (equity: Rs.2,099.56 crore; long term loans: Rs.11,481.79 crore) as on 31 March 2004. The analysis of investment in working PSUs is given in the following paragraphs.

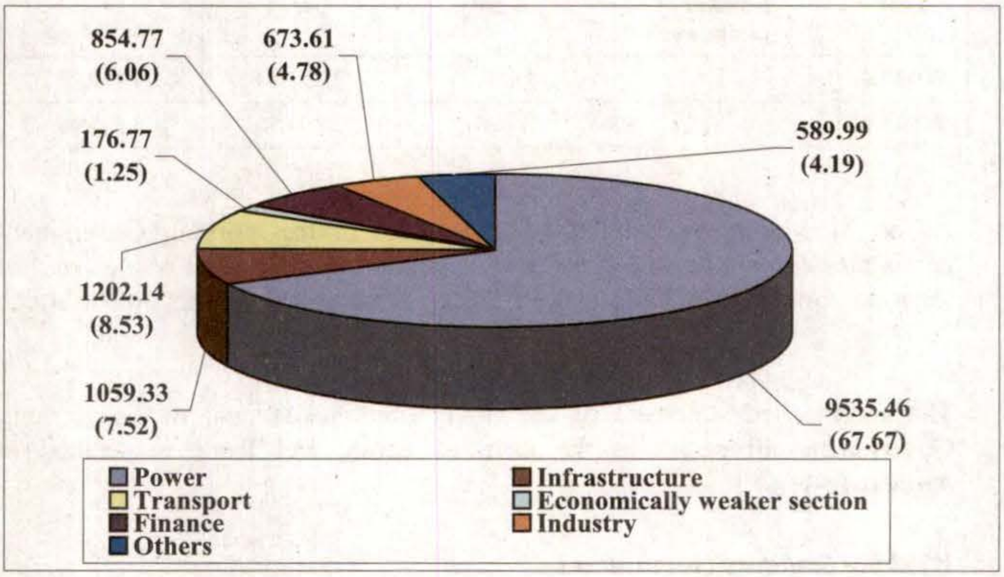
The investment (equity and long-term loans) in various sectors and percentage thereof at the end of 31 March 2005 and 31 March 2004 are indicated in the pie charts.

∋ State Government's investment in the working PSUs was Rs.2,631.41 crore (others: Rs.11,460.66 crore). Figures as per Finance Accounts 2004-05 is Rs.2,161.51 crore. The difference is under reconciliation.

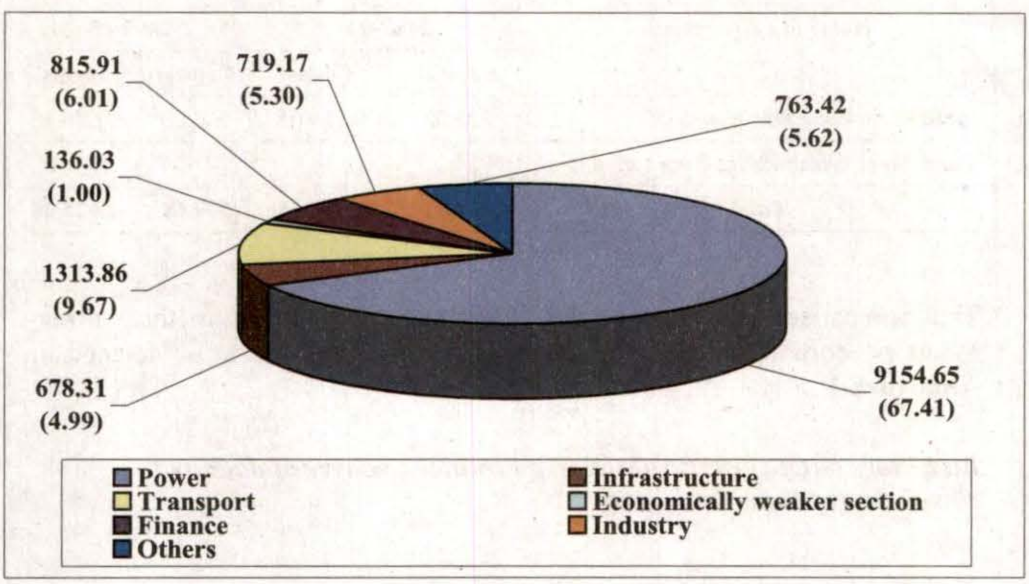
♣ Long term loans mentioned in Paragraphs 1.2, 1.3, 1.4, 1.15 and 1.16 are excluding interest accrued and due on such loans.

SECTOR-WISE INVESTMENT IN WORKING GOVERNMENT COMPANIES AND STATUTORY CORPORATIONS

(Figures in brackets indicate percentage)
As at 31 March 2005
Total investment: Rs.14,092.07 crore



As at 31 March 2004
Total investment: Rs.13,581.35 crore



Working Government companies

1.3 Total investment in working Government companies at the end of March 2004 and March 2005 was as follows:

(Rupees in crore)

Year	Number of companies	Equity	Loans	Total
2003-04	52	1,666.95	2,752.14	4,419.09
2004-05	52	1,744.10	2,804.90	4,549.00

As on 31 March 2005, the total investment in the working Government companies comprised 38.34 *per cent* of equity capital and 61.66 *per cent* of loans as compared to 37.72 and 62.28 *per cent* respectively as on 31 March 2004.

The summarised statement of the Government investment in the working Government companies in the form of equity and loans is detailed in **Annexure-1.**

Working Statutory corporations

1.4 The total investment in the two working Statutory corporations at the end of March 2004 and March 2005 was as follows:

(Rupees in crore)

Name of corporation	2003-04		2004-05	
	Capital	Loans	Capital	Loans
Tamil Nadu Electricity Board	425.00	8,729.65	510.00	9,025.46
Tamil Nadu Warehousing Corporation	7.61	---	7.61	---
Total	432.61	8,729.65	517.61	9,025.46

The summarised statement of the Government investment in the working Statutory corporations in the form of equity and loans is detailed 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 issued, 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**.

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 up to March 2005 are given below:

(Amount – Rupees in crore)

	2002-03				2003-04				2004-05			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity outgo from budget	5	34.35	1	25.00	4	33.46	1	200.00	5	71.62	1	85.00
Loans given from budget	5	19.57	--	--	4	223.51	---	---	5	159.02	---	---
Grants	---	---	1	29.47	---	---	---	---	3	85.62	1	0.61
(i) Subsidy towards projects/ programmes/ schemes	9	1,373.60	---	---	10	894.86	---	---	4	1,015.98	1	0.05
(ii) Other subsidy	5	21.86	1	2,212.14	4	71.41	1	250.00	7	221.95	1	924.50
(iii) Total subsidy	14	1,395.46	1	2,212.14	14	966.27	1	250.00	11	1,237.93	1	924.55
Total outgo	**19***	**1,449.38**	**1**	**2,266.61**	**19***	**1,223.24**	**1**	**450.00**	**19***	**1,554.19**	**1**	**1,010.16**

During 2004-05, the Government had guaranteed loans aggregating to Rs.499.01 crore obtained by 11 working Government companies. At the end of the year, guarantees amounting to Rs.5,892.38 crore against 18 working Government companies (Rs.2,047.42 crore) and one working Statutory corporation (Rs.3,844.96 crore) were outstanding. The guarantee commission paid/payable to Government by Government companies and Statutory corporations during 2004-05 was Rs.3.19 crore and Rs.20.79 crore respectively. During the year, the Government waived interest/penal interest of Rs.97.28 lakh in respect of Tamil Nadu Handicrafts Development Corporation Limited. The Government converted loan of Rs.61 crore of Tamil Nadu Industrial Investment Corporation Limited into equity during 2004-05.

• ***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, Power 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,

* 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.

in the case of Statutory corporations their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

It could be seen from **Annexure-2** that out of 52 working Government companies and two Statutory corporations, only 38 working companies had finalised their accounts for 2004-05 within the stipulated period. During the period from October 2004 to September 2005, 13 working Government companies finalised 14 accounts for the previous years. Similarly, during the same period, one Statutory corporation (Tamil Nadu Electricity Board) finalised its accounts for the previous year.

The accounts of 14 working Government companies and both Statutory corporations were in arrears for the periods ranging from one to three years as on 30 September 2005 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, 2003-04 and 2004-05	3	A-22	----
2.	2	---	2003-04 and 2004-05	2	A-12 and 29	---
3.	11	2	2004-05	1	A-1, 6, 17, 28, 30, 32, 35, 39 and 49 to 51	B-1 and 2

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 summarised 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 individual working Statutory corporations for the latest three years for which accounts have been finalised are given in **Annexures-4** and **5** respectively.

According to the latest finalised accounts of 52 working Government companies and two working Statutory corporations, 17 companies and one Statutory corporation had incurred an aggregate loss of Rs.102.29 crore and Rs.1,110.13 crore and 35 companies and one Statutory corporation had earned an aggregate profit of Rs.202.28 crore and Rs.1.18 crore respectively.

Working Government companies

Profit earning working companies and dividend

1.8 Out of 38[♣] working Government companies, which finalised their accounts for 2004-05 by 30 September 2005, 27 companies earned an aggregate profit of Rs.150.70 crore and only six companies (serial numbers A-8, 13, 21, 23, 24 and 40 of **Annexure-2**) declared dividend aggregating Rs.6.12 crore. The dividend as a percentage of share capital in the above six companies worked out to 10.17. The remaining 21 profit making companies did not declare any dividend. The total return by way of the dividend of Rs.6.12 crore worked out to 0.37 *per cent* in 2004-05 on total equity investment of Rs.1,648.13 crore by the State Government in all the Government companies as against 0.52 *per cent* in the previous year. The State Government has not formulated any dividend policy for payment of minimum dividend.

Similarly, out of eight working Government companies, which finalised their accounts for the previous years during October 2004 to September 2005, five companies earned an aggregate profit of Rs.17.90 crore. Out of these five companies, two companies earned profit for two or more successive years.

Loss incurring working Government companies

1.9 Of the 17 loss incurring working Government companies, 13 companies had accumulated losses aggregating to Rs.1,841.78 crore, which exceeded their aggregate paid-up capital of Rs.647.94 crore.

Despite poor performance and complete erosion of paid-up capital, the State Government continued to provide financial support to four out of these 13 companies in the form of loans and subsidy amounting to Rs.161.26 crore during 2004-05.

Working Statutory corporations

Loss incurring Statutory corporation

1.10 Neither of the two Statutory corporations finalised its accounts for 2004-05. Tamil Nadu Electricity Board, which finalised its accounts for 2003-04, incurred a loss of Rs.1,110.13 crore for that year. The accumulated losses of Tamil Nadu Electricity Board as on 31 March 2004 were Rs.2,405.76 crore, which exceeded the paid-up capital of Rs.425 crore as on that date.

Operational performance of working Statutory corporations

1.11 The operational performance of the working Statutory corporations is given in **Annexure-6**.

♣ These includes five companies, which finalised their previous years' accounts also.

It could be seen from **Annexure-6** that the power generation in Tamil Nadu Electricity Board increased by 9.69 *per cent* during 2004-05.

As regards Tamil Nadu Warehousing Corporation, the percentage of capacity utilisation, which was 73 *per cent* in 2001-02, came down drastically to 55 *per cent* in 2004-05.

Return on capital employed

1.12 As per the latest finalised accounts (up to September 2005), the capital employed[◊] worked out to Rs.6,808.84 crore in 52 working companies and total return[♠] thereon amounted to Rs.671.99 crore, which is 9.87 *per cent* as compared to total return of Rs.723.39 crore (10.26 *per cent*) in the previous year (accounts finalised up to September 2004). Similarly, the capital employed and total return thereon in case of the working Statutory corporations as per the latest finalised accounts (up to September 2005) worked out to Rs.11,246.89 crore and (-)Rs.344.16 crore respectively as against the total return of Rs.791.48 crore in 2003-04. The details of capital employed and total return on capital employed in case of the working Government companies and Statutory corporations are given in **Annexure-2**.

Reforms in the power sector

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

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

◊ 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.

Status of implementation of the reform programme against each commitment made in the MOU is detailed below:

	Commitment as per MOU	Targeted completion Schedule	Status (as on 31 March 2005)	Remarks
	Commitments made by the State Government			
1	Appointment of Chairperson in State Electricity Regulatory Commission (SERC)	January 2002	Appointed and assumed charge in July 2002	---
2	100 *per cent* electrification of all villages and hamlets	By 2007 (64,042 villages and hamlets)	63,938 villages and hamlets have been electrified	The remaining hamlets were electrified by non-conventional energy sources
3.	Reduction in transmission and distribution losses to 15 *per cent*	By December 2003	Transmission and distribution losses - 18 *per cent*	Transmission and distribution losses continue to be at 18 *per cent* in 2004-05 also.
4.	100 *per cent* metering of all distribution feeders	December 2001	Completed	---
5.	100 *per cent* metering of all consumers	December 2003	All services except agriculture and hut services metered	Approval of Tamil Nadu Electricity Regulatory Commission has been sought to defer provision of meters in agricultural and hut services till 30 June 2006 or till State Government gives subsidy to the Board. TNERC's reply is awaited (September 2005).
6.	Current operations in distribution to reach at break-even	March 2003	There was a deficit of Rs.1,105.50 crore as per the preliminary accounts for the year 2004-05	---
7.	Energy audit at 11 KV sub-stations level	January 2002	Introduced in January 2002	---
8.	Computerisation of HT & LT billing	December 2002	HT billing fully computerized	LT billing in 98 sections out of 2,376 sections were computerized

	Commitment as per MOU	Targeted completion Schedule	Status (as on 31 March 2005)	Remarks
9.	Securitised outstanding due of central public sector undertakings	As per scheme approved by Government of India	State Cabinet approved securitisation in April 2002. Government order issued in June 2002.	---
10.	State Electricity Regulatory Commission (SERC)			
	(i) Establishment of TNERC		Established in March 1999	---
	(ii) Implementation of tariff orders issued by TNERC during the year	First Tariff petition to be filed by 30 September 2002	Since filed in September 2002 and first tariff revision effected from March 2003.	---
	General			
11.	Monitoring of MOU	Quarterly	Being monitored on quarterly basis.	---

State Electricity Regulatory Commission

1.14 Government of Tamil Nadu constituted (March 1999) the Tamil Nadu Electricity Regulatory Commission (TNERC), with three members including a Chairman, under Section 17(1) of the Electricity Regulatory Commissions Act, 1998*. The Commission started functioning with effect from 1 September 1999. The Commission issued its first tariff notification in March 2003. Accounts of TNERC have been finalised up to March 2004.

Non-working PSUs

Investment in non-working PSUs

1.15 As on 31 March 2005, the total investment in 14 non-working PSUs (all Government companies) was Rs.85.83 crore+ (equity: Rs.38.53 crore; long-term loans: Rs.47.30 crore) as against the total investment of Rs.84.23 crore (equity: Rs.38.53 crore; long-term loans: Rs.45.70 crore) in 14 non-working companies as on 31 March 2004.

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

+ State Government's investment in non-working PSUs was Rs.75.83 crore (others: Rs.10.00 crore). Figures as per Finance Accounts 2004-05 is Rs.30.57 crore. The difference is under reconciliation.

The classification of the non-working companies was 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	47.30
(iii)	Under merger	2[C]	5.20	NIL
(iv)	Others	2[D]	2.07	NIL
	Total	**14**	**38.53**	**47.30**

Of the above non-working PSUs, 10 Government companies with substantial Government investment of Rs.78.56 crore were under liquidation or closure under section 560 of the Companies Act, 1956 for three to 15 years. Effective steps need to be taken for their expeditious liquidation or revival.

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

1.16 The details regarding budgetary outgo in the form of loan to the non-working Government companies are given in **Annexure-1**. The State Government had given loan of Rs.4.85 crore to one non-working company (C-13 of **Annexure-1**) during 2004-05.

Total establishment expenditure of non-working PSUs

1.17 The year-wise details of total establishment expenditure of non-working PSUs and the sources of financing them during the last three years

* 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 Company Law Board was awaited.

A Serial numbers C-7 and 11 of Annexure-2

B Serial numbers C-1 to 5, 9, 10 and 13 of Annexure-2

C Serial numbers C-8 and 14 of Annexure-2

D Serial numbers C-6 and 12 of Annexure-2 upto 2004-05 are given below:

(Amount – Rupees in crore)

Year	No of PSUs	Total establishment expenditure	Financed by		Others
			Disposal of investment/ assets	Government by way of loans	
2002-03	2*	0.62	0.62	---	---
2003-04	3*	2.16	---	1.68	0.48♣
2004-05	5*	0.69	---	---	0.69

Finalisation of accounts by non-working PSUs

1.18 The accounts of eight non-working companies were in arrears for periods ranging from one to 13 years as on 30 September 2005 as could be noticed from **Annexure-2**.

Financial position and working results of non-working PSUs

1.19 The summarised financial results of 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 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
1991-92	1	0.002	(-)127.86	6.22	127.86
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	2	606.90	(-)1,679.65	537.19	(-)4,341.72
2003-04	1	510.44	---	---	(-)510.44
2004-05	5	1,714.31	(-)2,437.51	---	(-)4,210.95

* Information in respect of other companies were not available.
♣ Interest and miscellaneous income.

Status of placement of Separate Audit Reports of Statutory corporations in Legislature

1.20 Separate Audit Reports of Tamil Nadu Electricity Board (TNEB) up to 2000-01 have been placed in the State Legislature. Separate Audit Reports for subsequent years are not being placed in the State Legislature as the Electricity Act, 2003 has come into effect from 10 June 2003 and it does not contain any provision for placing TNEB's Annual Statement of Accounts in the Legislature.

Disinvestment, privatisation and restructuring of Public Sector Undertakings

1.21 There was no disinvestment, privatisation or restructuring of PSUs during the year.

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

1.22 During the period from October 2004 to September 2005, the accounts of 43 Government companies (working: 39 and non-working: four) and of one working Statutory corporation were selected for review. As a result of the observations made by the CAG, one working company and one Statutory corporation, listed below, revised their accounts:

Sl. No.	Name of the company	Year of accounts
1.	Tamil Nadu Civil Supplies Corporation Limited	2003-04
2.	Tamil Nadu Electricity Board	2003-04

In addition, the net impact of the important audit observations as a result of the review of the remaining PSUs were as follows:

Sl.No.	Details	Number of accounts			Rupees in lakh		
		Government companies		Statutory corpora-tions	Government companies		Statutory corpora-tions
		Working	Non-working		Working	Non-working	
(i)	Decrease in profit	5	---	---	3,625.00	---	---
(ii)	Decrease in loss	---	---	1	---	---	1,605.00
(iii)	Increase in profit	1	---	---	124.00	---	---
(iv)	Increase in loss	1	---	---	36.00	---	---

Errors and omissions noticed in case of Government companies

1.23 Some major errors/omissions in case of Government companies noticed during review of accounts are given below:

Sl. No	Name of the Company	Year of accounts	Errors/omissions	Amount (Rupees in crore)
1.	Tamil Nadu Magnesite Limited	2004-05	Overstatement of miscellaneous expenditure (to the extent not written off or adjusted) and under statement of cumulative loss	31.86
2.	Tamil Nadu Power Finance and Infrastructure Development Corporation Limited	2004-05	Under statement of current liabilities	2.15
3.	Tamil Nadu Backward Classes Economic Development Corporation Limited	2003-04	Under statement of interest payment	1.17
			Non-provision for service charges	0.13
4.	Tamil Nadu Cements Corporation Limited	2003-04	Non-provision for penal interest	0.36
5.	Arasu Rubber Corporation Limited	2004-05	Overstatement of current liabilities and provisions and under statement of unsecured loans	2.58
6.	Tamil Nadu Transport Development Finance Corporation Limited	2004-05	Under statement of miscellaneous expenditure (to the extent not written-off) and overstatement of current assets, loans and advances	3.89
7.	Tamil Nadu State Transport Corporation (Coimbatore) Limited	2004-05	Overstatement of other liabilities and under statement of profit	1.24
8.	Tamil Nadu State Transport Corporation (Salem) Limited	2004-05	Overstatement of profit for the current year	1.56

Errors and omissions noticed in case of Statutory corporation

1.24 Some major errors noticed during review of accounts for 2003-04 of the Tamil Nadu Electricity Board are given below:

Sl.No.	Errors/omissions	Amount (Rupees in crore)
1.	Overstatement of deficit due to incorrect computation of interest and finance charges capitalized	10.74
2.	Overstatement of deficit due to incorrect accounting of TPA incentive credit and collection charges for Electricity tax	32.09
3.	Understatement of deficit due to non-provision for differential freight	17.17
4.	Non-provision of depreciation on assets already commissioned	4.30
5.	Understatement of deficit due to short provision for insurance and bad and doubtful debts	5.31

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

1.25 Based on the audit assessment of the working results of the Tamil Nadu Electricity Board for the three years up to 2004-05 and taking into consideration the major irregularities and omissions pointed out in the

Separate Audit Reports 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	2002-03	2003-04	2004-05 (Provisional)
1.	Net surplus/(-) deficit as per books of accounts	112.57	(-)1,110.13	(-)1,105.50
2.	Subsidy from the State Government	2,212.14	250.00	924.55
3.	Net surplus/(-) deficit before subsidy from the State Government (1-2)	(-)2,099.57	(-)1,360.13	(-)2,030.05
4.	Net increase/decrease in net surplus/(-) deficit on account of audit comments on the annual accounts	(-)4.24	16.05	N.A.
5.	Net surplus/(-) deficit after taking into account the impact of audit comments but before subsidy from the State Government (3-4)	(-)2,103.81	(-)1,344.08	N.A.
6.	Total return on capital employed	790.30	(-)345.34	(-)253.57
7.	Percentage of total return on capital employed	8.02	---	---

Recoveries at the instance of audit

1.26 Test check of records of the Tamil Nadu Electricity Board conducted during 2004-05 disclosed wrong fixation of tariff/non-levy/short-levy of tariff/short realisation of revenue and other observations aggregating to Rs.97.55 crore in 812 cases. The Board accepted the observations in 743 cases and recovered Rs.8.67 crore at the instance of audit. Besides this, the Tamil Nadu Power Finance Corporation has compensated (March 2005) the loss incurred by the Board on account of payment of excess interest tax of Rs.5.97 crore, which was pointed out by Audit.

Internal audit/internal control

1.27 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon 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 Act, ibid, were issued to the Statutory Auditors in respect of 53 Government companies involving 66 accounts between October 2004 and September 2005. In pursuance of directions so issued, reports of Statutory Auditors involving 35 accounts of 35 Government companies were received (September 2005).

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

1.28 Even after completion of 20 to 28 years of their existence, the turnover of four Government companies (serial numbers A-4, 10, 11, and 52 of **Annexure-2**) has been less than Rupees five crore in each of the preceding six years as per their latest finalised accounts. Two companies (serial number A-10 and 11 of **Annexure-2**) had been incurring losses for five consecutive years (as per 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.

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

1.29 The following table indicates the details regarding number of reviews and paragraphs pending discussion at the end of 31 March 2005:

Period of Audit Report	Number of reviews and paragraphs appeared in the Audit Report		Number of reviews/paragraphs pending for discussion	
	Reviews	Paragraphs	Reviews	Paragraphs
1995-96	4	24	1	---
1996-97	5	24	1	---
1997-98	5	20	5	15
1998-99	6	23	6	19
1999-2000	4	24	4	21
2000-01	4	21	4	19
2001-02	3	29	3	23
2002-03	2	27	2	27
2003-04	4	20	4	20

619-B companies

1.30 There were three companies coming under 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 available accounts.

CHAPTER-II

2 REVIEW RELATING TO GOVERNMENT COMPANIES

OPERATIONAL PERFORMANCE OF TAMIL NADU SUGAR CORPORATION LIMITED AND PERAMBALUR SUGAR MILLS LIMITED

HIGHLIGHTS

The operational performance of the two sugar mills was adversely affected due to:

- **shortfall in the procurement of sugarcane, which was attributable to the inordinate delay in making payment for sugarcane procured;**
- **the State Government's directive for making payment of the State Advised Price and transport subsidy to the sugarcane growers which resulted in additional financial burden of Rs.29.53 crore;**
- **shortfall in the achievement of budgeted production, low crushing rate and loss of production hours in excess of the norms which resulted in loss of contribution of Rs.16.17 crore.**

(Paragraphs 2.7, 2.9.2, 2.9.3, 2.11, 2.12 and 2.13)

Audit also noticed that:

Consumption of bagasse, steam and power was more than the norms.

(Paragraphs 2.16, 2.17 and 2.18)

The companies were burdened with huge inventory and consequent inventory carrying cost of Rs.10.39 crore per annum due to non-receipt of release orders from the Government of India.

(Paragraph 2.20)

Introduction

2.1 Tamil Nadu Sugar Corporation Limited (TASCO) was formed in October 1974 with the main objective of setting up of new sugar mills and expansion of existing sugar mills. Perambalur Sugar Mills Limited (PSM) was incorporated in July 1976 as a subsidiary of TASCO. TASCO set up Arignar Anna Sugar Mills (AASM), which started commercial production in February 1977 with an installed capacity of 1,250 Tonnes Crushed per Day (TCD) and later on expanded to 2,500 TCD in 1989-90. PSM established a sugar mill *viz.*, Jawaharlal Nehru Sugar Mill at Eraiyur, Perambalur District in February 1978 with installed capacity of 1,250 TCD, which was expanded to 3,000 TCD in 1989-90.

The Government of Tamil Nadu (Government) took over (December 1983) Madura Sugar Mills. The assets of Madura Sugar (with an installed capacity of 800 TCD) were vested (December 1983) with TASCO. The installed capacity of the mill was expanded to 1,250 TCD in 1984-85. Due to uneconomic size of operation and high cost of procurement of sugarcane, the mill remains closed since May 2002.

Chief Executive Officer of each mill is in-charge of overall operations of the mill under his control.

TASCO and PSM incurred losses for the five years ended 31 March 2005 and their paid up capital as on that date had been completely eroded by the cumulative losses. TASCO has incurred a loss of Rs.6.04 crore (provisional) in 2004-05, while PSM incurred a loss of Rs.5.80 crore. The main reason for the losses incurred by these two mills was the heavy interest burden on funds borrowed from the Government and other Public Sector Undertakings. Audit noticed that these borrowed funds were utilized as working capital, i.e., to make payment for sugarcane procurement.

The performance of these companies was last reviewed in the Report of the Comptroller and Auditor General of India (Commercial) for the year ended 31 March 1991. The Report was examined by the Committee on Public Undertakings (COPU) in its 168th Report presented to the State Legislature on 30 April 1994. The major recommendation of COPU was to fix norms for permissible loss of sugarcane crushing hours after considering all factors and taking into consideration the situation prevailing in private/co-operative sugar mills.

Scope of audit

2.2 The operational performance of these companies during the five years period ended 31 March 2005 were analysed by checking the records at Head Offices and at both the sugar mills during December 2004 to March 2005. The results of the analysis are given in the succeeding paragraphs.

Audit objectives

2.3 Audit was conducted with a view to ascertain whether:

- procurement of sugarcane was economical;
- production of sugar was economical;
- efficient use of bagasse, molasses, steam and power was ensured;
- recommendations of COPU were complied with.

Audit criteria

2.4 Audit criteria considered for assessing the achievement of audit objectives were to evaluate whether:

- sufficient area of sugarcane was registered with the companies to ensure economical procurement of required quality and quantity of sugarcane;
- there was effective control mechanism in place to ensure economical production of sugar;
- norms were fixed for generation of bagasse and molasses;
- norms were fixed for efficient utilisation of steam generated in the mills.

Audit methodology

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

- Government Orders relating to area allotted, price fixation of sugarcane, sale of molasses, etc;
- Review of Board Notes and Agenda papers;
- Visit to sugar mills;
- Monthly Performance Reports;
- Budgets;
- Cost Audit Reports;
- Stores records;
- Issue of Audit enquiries;
- Interaction with the Management.

Audit findings

Audit findings as a result of test check were reported to the Management/Government in May 2005 and were discussed in the meeting of the Audit Review Committee on Public Sector Enterprises (ARCPSE) held on 3 August 2005. The Secretary, Industries Department, Government of Tamil Nadu and the Managing Director of the companies attended the meeting. The views expressed by the members have been taken into consideration while finalising the review.

Audit findings are discussed in the succeeding paragraphs.

Sugarcane procurement

2.6 The State Government allots areas to each sugar mill for procurement of sugarcane. Sugar mills then have to enter into agreements with the ryots in these areas to ensure that they would get enough sugarcane from the registered areas to utilise their installed capacity in full.

Shortfall in sugarcane procurement

2.7 Based on the capacity of the mills and budgeted production, these mills arrive at the area required to be registered every year. The details of area required to be registered, area actually registered, sugarcane required to be procured and sugarcane procured are given below:

		2000-01	2001-02	2002-03	2003-04	2004-05
TAMIL NADU SUGAR CORPORATION LIMITED (AASM)						
1.	Area required (in acres)	12,500	12,500	12,500	12,500	12,500
2.	Area actually registered (in acres)	12,101	11,970	12,451	10,690	11,327
3.	Shortfall in area registration (in acres)	399	530	49	1,810	1,173
4.	Sugarcane required (MT)	4,30,000	4,30,000	4,30,000	4,30,000	4,30,000
5.	Sugarcane procured (MT)	4,31,305	3,75,964	4,02,016	3,22,118	2,91,319
6.	Shortfall in sugarcane procurement (MT)	---	54,036	27,984	1,07,882	1,38,681
7.	Shortfall in percentage					
	(a) Area	3.19	4.24	0.39	14.48	9.38
	(b) Sugarcane procurement	---	12.57	6.51	25.09	32.25
PERAMBALUR SUGAR MILLS (PSM)						
1.	Area required (in acres)	16,000	16,000	16,000	16,000	16,000
2.	Area actually registered (in acres)	15,277	15,382	15,724	7,715	10,421
3.	Shortfall in area registration (in acres)	723	618	276	8,285	5,579
4.	Sugarcane required (MT)	5,16,000	5,16,000	5,16,000	5,16,000	5,16,000
5.	Sugarcane procured (MT)	4,67,480	4,38,268	3,51,480	1,33,917	2,75,711
6.	Shortfall in sugarcane procurement (MT)	48,520	77,732	1,64,520	3,82,083	2,40,289
7.	Shortfall in percentage					
	(a) Area	4.52	3.86	1.73	51.78	34.87
	(b) Sugarcane procurement	9.40	15.06	31.88	74.05	46.57

It may be seen that the shortfall in sugarcane procurement aggregated to 3.29 lakh MT and 9.13 lakh MT in AASM and PSM respectively during the five years ended 31 March 2005. Audit noticed that shortfall in area registered and sugarcane procured was due to inordinate delays in payment for the sugarcane procured in earlier seasons as discussed in paragraph 2.9 *infra*. Consequently, ryots were reluctant to enter into agreement for sale of sugarcane to these mills.

Despite the shortfall in sugarcane procurement, the mills diverted 50,214 MT of sugarcane received during the fag end of the season to other mills during the five years ended 31 March 2005. This indicates poor planning in sugarcane harvesting and cutting.

The Government stated (August 2005) that the private sugar mills have independent authority and were paying more than the Statutory Minimum Price (SMP) in addition to other incentives. Further, Public Sector sugar mills were not in a position to go beyond Government rules and regulations. The reply is not acceptable in view of the fact that the reluctance of the ryots to sell sugarcane to the mills was due to the inordinate delay in payment for sugarcane purchased, which affected the procurement since the ryots diverted their sugarcane produce to other sugar mills (2002-03 - 47,000 MT, 2003-04 - 56,000 MT).

Procurement of sugarcane beyond 30 kilometres

2.8 The transportation of sugarcane over long distance results in drying up of sugarcane, delayed crushing and reduction in sugar recovery percentage. In view of this, it is imperative for sugar mills to ensure sugarcane availability within a radius of 30 KMs and only under unavoidable circumstances, i.e., where availability could not be ensured, small areas could be registered beyond 30 KMs. Audit noticed that sugarcane procured from distances beyond 30 KMs was always more than 50 *per cent* of cane procured (which ranged from 52.11 to 58.45 *per cent*) during the five years ended 31 March 2005 in PSM. In respect of AASM, procurement of sugarcane from beyond 30 KMs ranged from 29.34 to 39.95 *per cent* of total sugarcane procurement during the same period. This also resulted in additional payment of transport subsidy as discussed in paragraph 2.9.3 *infra*.

Payment for sugarcane

2.9 Government of India (GOI) announces each year, the SMP payable for sugarcane procured. The SMP is computed based on the recovery rate of 8.5 *per cent*. Based on the actual recovery achieved in the peak period of the previous season and other factors like cost of raising, etc., the SMP payable by each mill is fixed. Over and above the SMP, the Government of Tamil Nadu had been announcing the State Advised Price (SAP) till 2000-01. SAP was higher compared to the SMP and was applicable only to the Co-operative and Public Sector sugar mills in the State. The private sugar mills paid only the SMP for the sugarcane procured by them.

In this connection, the following deserve mention:

2.9.1 There was inordinate delay in making payment for sugarcane procured, which ranged from eight to 16 months in AASM and 11 to 15 months in PSM.

Payment of the State Advised Price, which was more than the Statutory Minimum Price for sugarcane resulted in additional expenditure of Rs.16.62 crore.

2.9.2 The difference between the SAP and the SMP was not reimbursed by the State Government. The payment of the SAP cast an additional burden of Rs.12.58 crore on the finances of these sugar mills in 2000-01. Further, in order to pay the difference between the SMP and the SAP, these mills borrowed funds and incurred an expenditure of Rs.4.04 crore towards interest payment. This resulted in additional expenditure of Rs.16.62 crore in 2000-01.

Payment of subsidy for the sugarcane procured from distances beyond 10 KMs cast an additional burden of Rs.12.91 crore.

2.9.3 The Co-operative and Public Sector sugar mills in the State pay transport subsidy for the sugarcane procured from distances beyond 10 KMs in addition to the SMP. Though the SMP fixed by GOI clearly stipulated that the same was payable for the sugarcane received at the factory gate, these mills paid, in addition to the SMP, Rs.12.91 crore as transport subsidy for sugarcane procured from distances beyond 10 KMs. The Government stated (August 2005) that the transport subsidy for sugarcane procured from distances beyond 10 KMs was paid based on a circular issued by the Director of Sugar. The reply is not acceptable since this has put the Public Sector sugar mills at a disadvantage.

Production performance

2.10 Sugar is produced in sugar mills by a process called "Double Sulphitation" method. The sugarcane is crushed into fine fibrous material and juice extracted. Bagasse generated during the crushing process is used as "Boiler Fuel". Sugarcane juice is then heated to 65° to 70° in the boilers and subjected to simultaneous liming and sulphitation. At the end of the process, brilliant juice at the top is concentrated in multiple effect evaporators to make syrup. This is bleached and then boiled. The boiled syrup is cured in the three masecuite system to get sugar. The irregularities noticed in audit are discussed in the succeeding paragraphs.

Budget Vs actual production

2.11 The sugar mills prepare a production budget every year. Budgeted production vis-a-vis actual production for the five years ended 31 March 2005 in the two mills was as follows:

Year	Budgeted sugar production (quintal)	Actual sugar production (quintal)	Shortfall in sugar production (quintal)
TAMIL NADU SUGAR CORPORATION LIMITED (AASM)			
2000-01	3,69,194	3,74,236	---
2001-02	4,47,358	3,38,824	1,08,534
2002-03	4,55,170	4,02,646	52,524
2003-04	4,18,135	3,74,875	43,260
2004-05	3,81,210	3,25,765	55,445

Year	Budgeted sugar production (quintal)	Actual sugar production (quintal)	Shortfall in sugar production (quintal)
PERAMBALUR SUGAR MILLS LIMITED (PSM)			
2000-01	4,36,833	4,25,376	11,457
2001-02	5,42,000	4,32,360	1,09,640
2002-03	5,62,476	4,44,441	1,18,035
2003-04	2,75,757	2,17,896	57,861
2004-05	2,95,000	2,77,128	17,872

Failure to achieve the budgeted production led to a contribution loss of Rs.7.56 crore.

It may be seen that the two mills could not achieve the budgeted production during the last five years (except in 2000-01 by AASM). The budgeted targets were reduced in 2003-04 and 2004-05; even these were also not achieved. This was mainly due to non-procurement of the required quantity of sugarcane as discussed in paragraph 2.7 *supra*. Failure to achieve the budgeted production resulted in contribution* loss of Rs.7.56 crore during the last five years.

The Government stated (August 2005) that the budget was only an estimate for production and that the mills could not achieve the target due to multifarious reasons like delay in sugarcane payment in the previous year, delayed monsoon, outbreak of disease, interference of private sugar mills, etc.

The reply is not acceptable as the main reason for the shortfall in sugarcane procurement was the delayed payment for sugarcane procured during earlier seasons as indicated in paragraph 2.9.1 *supra*.

Sugarcane crushing

2.12 The details of budgeted sugarcane crushing rate and the actual crushing rate achieved during the last five years are given in the following table:

Year	Budgeted crushing rate (TCD)	Actual crushing rate (TCD)	Shortfall in crushing rate (TCD)	Actual crushing days	Loss in sugarcane crushing (MT)	Recovery rate (In per cent)	Loss in sugar production (quintal)
TAMIL NADU SUGAR CORPORATION LIMITED (AASM)							
2000-01	2,341	2,369	---	187	---	---	---
2001-02	2,506	2,340	166	166	27,556	9.0	24,800
2002-03	2,500	2,340	160	163	26,080	9.6	25,037
2003-04	2,505	2,426	79	132	10,428	10.1	10,532
2004-05	2,479	2,397	82	127	10,414	10.32	10,747

* Contribution per quintal is arrived at by deducting variable cost from the sales realisation.

Year	Budgeted crushing rate (TCD)	Actual crushing rate (TCD)	Shortfall in crushing rate (TCD)	Actual crushing days	Loss in sugarcane crushing (MT)	Recovery rate (In per cent)	Loss in sugar production (quintal)
PERAMBALUR SUGAR MILLS LIMITED (PSM)							
2000-01	3,008	2,847	161	174	28,014	9.78	27,398
2001-02	3,001	2,750	251	166	41,666	9.82	40,916
2002-03	3,000	2,716	284	133	37,772	10.24	38,678
2003-04	2,900	2,086	814	72	58,608	10.64	62,359
2004-05	2,750	2,294	456	127	57,912	10.05	58,201

Non-achievement of budgeted sugarcane crushing rate resulted in contribution loss of Rs.5.88 crore.

From the above table, it could be seen that loss in sugarcane crushing due to the shortfall in crushing rate ranged from 10,414 MT to 27,556 MT in AASM and from 28,014 MT to 58,608 MT in PSM during the last five years ended 31 March 2005. This resulted in loss in sugar production ranging from 10,532 quintals to 25,037 quintals in AASM and from 27,398 quintals to 62,359 quintals in PSM; which led to a contribution loss of Rs.5.88 crore in these two mills during the above period.

The Government noted (August 2005) the audit observation for future guidance.

Production hours

2.13 The Committee on Public Undertakings (COPU) in its 168th Report (April 1994) recommended that suitable norms should be fixed for the permissible loss of crushing hours, after a thorough analysis of all aspects and also taking into consideration the situation obtaining in the mills in the private/co-operative sector. The Committee also recommended that all efforts should be made to keep the loss of crushing hours within that norm so as to attain the break even level of production in AASM and PSM.

As a follow-up, the Public Sector sugar mills prescribed eight *per cent* of available hours as permissible time loss. Audit noticed that:

Loss of production hours over norms led to a contribution loss of Rs.2.73 crore.

- the actual loss of production hours for various reasons during the five years ended 31 March 2005 ranged from 8.40 *per cent* to 13.45 *per cent* in AASM and from 11.38 *per cent* to 16.59 *per cent* in PSM as given in the **Annexure-9**.
- due to their failure to keep the production hours lost within the norms, the two mills suffered contribution loss of Rs.2.73 crore.

Further audit analysis revealed the following:

Availability of sugarcane

2.14.1 There should be no loss of production due to non-availability of sugarcane in an ideal situation; norm of two *per cent* was, however, kept for such a situation. Production hours lost due to non-availability of sugarcane were 1.72 to 6.95 *per cent* in AASM and 0.57 to 10.38 *per cent* in PSM.

The loss of hours due to non-availability of sugarcane was in excess of the norms in AASM during all the years except 2002-03; while in PSM it was much in excess of norms during 2003-04 and 2004-05. The loss was mainly due to shortage of sugarcane registered and diversion of sugarcane as already discussed.

- ***Engineering***

2.14.2 Loss of hours due to engineering reasons was higher than the norm in both the mills till 2002-03. PSM had consistently lost production hours due to persistent boiler/turbine troubles during the years 2000-01 to 2002-03. Despite incurring huge expenditure on repairs and maintenance, as discussed in paragraph 2.19 *infra*, the loss of production hours remained high.

The Government stated (August 2005) that the boilers were very old and this was attributed as the reason for loss of production hours.

Utilities

2.15 The major utilities involved in the production of sugar are bagasse (fuel for raising steam), steam (for rotating the turbines to generate power and also for use in the process for producing sugar) and power. Bagasse is obtained as a by-product during the crushing of sugarcane. The sugar mills have five boilers (three in AASM and two in PSM) wherein steam is produced by using bagasse as fuel. Sixty *per cent* of steam produced is used for power production by operation of turbines while balance steam is used in the process.

Consumption of bagasse

2.16 As per sugar industry norms, for production of one MT of steam, quantity of bagasse (fuel) required is 0.5 MT. The details of steam produced, bagasse consumed and excess consumption over norms are given in the following table:

Sl. No.		2000-01	2001-02	2002-03	2003-04	2004-05
TAMIL NADU SUGAR CORPORATION LIMITED (AASM)						
1.	Steam produced (MT)	2,15,446	1,94,618	2,06,956	1,79,978	1,41,708
2.	Bagasse required (MT) (one tonne bagasse = two tonne of steam)	1,07,723	97,309	1,03,478	89,989	70,854
3.	Bagasse used (MT)	1,09,380	99,989	1,01,047	75,149	70,917
4.	Excess bagasse used (MT)	1,657	2,680	NIL	NIL	63
5.	Selling rate of bagasse per tonne (Rupees)	407	512	695	734	750
6.	Revenue loss (Rupees in lakh)	6.74	13.73	---	---	0.47

Sl. No.		2000-01	2001-02	2002-03	2003-04	2004-05
PERAMBALUR SUGAR MILLS (PSM)						
1.	Steam produced (MT)	2,19,674	2,40,805	2,39,745	1,19,354	1,50,076
2.	Bagasse required (MT) (one tonne bagasse = two tonne of steam)	1,09,837	1,20,403	1,19,873	59,677	75,038
3.	Bagasse used (MT)	1,23,045	1,25,904	1,27,417	61,518	76,967
4.	Excess bagasse used (MT)	13,208	5,501	7,544	1,841	1,929
5.	Selling rate of bagasse per tonne (Rupees)	407	421	725	682	1,225
6.	Revenue loss (Rupees in lakh)	53.76	23.16	54.69	12.56	23.63

Excess consumption of bagasse over norms resulted in revenue loss of Rs.1.89 crore.

From the table, it could be seen that the two mills incurred revenue loss of Rs.1.89 crore during the five years ended 31 March 2005 due to excess consumption of bagasse over norms.

The Company stated (May 2005) that excess consumption of bagasse was due to lower rate of crushing to suit the sugarcane arrival, teething problems faced at the time of installation of swing type hammer, fibriser and breakdown and that steps would be taken to minimise bagasse consumption.

Consumption of steam

2.17 As already stated, these mills generate in house power using bagasse as fuel in the boiler. As per norms, for generation of 75 units of power, one tonne of steam is to be utilised. The details of power generated and steam used during the five years ended 31 March 2005 are given in **Annexure-10.**

Consumption of steam in excess of norm resulted in extra expenditure of Rs.2.62 crore.

It could be seen from the **Annexure**, that the consumption of steam has always (except in 2001-02 for TASCO) been more than the norm prescribed. This resulted in extra expenditure of Rs.2.62 crore during the five years ended 31 March 2005.

The Government stated (August 2005) that the steam produced in the boilers was used for generation of power in the turbine and the exhaust steam from the turbine was used for processing of sugar. The Government also stated that the mills had taken steps to install steam inflow meters. The reply is not acceptable, as the excess consumption has been worked out after taking into account the fact that only 60 *per cent* of steam production was utilised for power generation.

Consumption of power

2.18 For the production of sugar, these mills use power generated with bagasse as the fuel and for the balance requirement, power is purchased from Tamil Nadu Electricity Board. The norm for consumption of power in sugar production is 21 units per tonne of sugarcane crushed. The details of actual

Consumption of Power in excess of the norm resulted in extra expenditure of Rs.1.48 crore.

power consumed by these mills during the five years ended 31 March 2005 are given in **Annexure-11**.

The consumption of power in excess of the norm resulted in extra expenditure of Rs.1.48 crore during the five years ended 31 March 2005.

TASCO stated (March 2005) that computed with reference to the norm of 21 units per tonne of sugarcane crushed and after excluding non-factory and non-seasonal consumption, there was no excess consumption of power. The reply is not tenable, as the norm of 21 units had been fixed after taking into account all these factors.

PSM stated (May 2005) that the consumption of power over the norms was due to frequent breakdowns and insufficient sugarcane availability. The reply is not acceptable in view of the fact that both these reasons were avoidable.

Repairs and maintenance expenditure

2.19 As per the industry norms, repairs and maintenance expenditure should be at Rs.30 per MT of sugarcane crushed. The actual expenditure incurred by these mills was always more than the norm as indicated below:

Year	Sugarcane crushed (In MT)		Actual maintenance expenditure per tonne of sugarcane crushed (Rupees per MT)		Excess expenditure over the norm (Rupees per MT)		Extra expenditure on repairs and maintenance over the norm (Rupees)	
	TASCO (AASM)	PSM	TASCO (AASM)	PSM	TASCO (AASM)	PSM	TASCO (AASM)	PSM
2000-01	4,11,133	4,34,774	31.40	38.26	1.40	8.26	5,75,586	35,91,233
2001-02	3,76,230	4,40,060	37.85	37.71	7.85	7.71	29,53,445	33,92,863
2002-03	4,19,479	4,34,038	32.40	42.87	2.40	12.87	10,06,750	55,86,069
2003-04	3,71,063	2,04,788	39.78	37.12	9.78	7.12	36,28,996	14,58,091
2004-05	2,91,319	2,75,711	46.83	21.15	16.83	---	49,02,899	---

This resulted in extra expenditure of Rs.2.71 crore. The main reason for high repairs and maintenance expenditure, as analysed in audit, is overaged machinery, which are long overdue for replacement. The Company accepted (May 2005) the facts.

Other factors

2.20 The other major factors which affected the operational performance of these companies were as follows:

- The average sales realization per quintal of sugar under both levy and free sale sugar quota was always less than the cost of production (except for realization from free sale sugar quota by TASCO in 2004-05).
- The average sales realization per quintal of free sale sugar obtained by both the mills during the five years ended 31 March 2005 was always less than the All India and State realisation.

- During the three years ended 31 March 2005, the mills could not sell 65,411 quintals of sugar valued at Rs.8.30 crore within the permissible time, resulting in the lapsing of the release order and consequent interest loss of Rs.2.39 crore on the blocked funds.
- The two mills held an average inventory of 5,71,860 quintals of sugar valued at Rs.69.27 crore, representing eight months' sales. Due to non-receipt of release orders from Government of India, the mills incurred an inventory carrying cost of Rs.10.39 crore per annum.
- The companies have not been able to reduce the staff strength. Failures to do so have deprived these companies of annual savings of Rs.1.25 crore.
- These companies have been engaging casual labourers in spite of having excess staff strength and incurred Rs.1.51 crore on this account during the four years ending 31 March 2004.
- The State Government banned (May 2001) export of molasses to other States to ensure availability of sufficient quantity to local Indian Made Foreign Liquor (IMFL) units but suggested a review once the stock position of molasses was comfortable. The companies have not sought review of such ban so far (September 2005) in spite of comfortable molasses stock position prevailing in the State.

Conclusion

The operational performance of the two sugar mills was adversely affected due to shortfall in the procurement of sugarcane, which was attributable to the inordinate delay in making payment for the sugarcane procured; the State Government's directives for the payment of the State Advised Price (which was more than the Statutory Minimum Price fixed by the Government of India) and transport subsidy to the sugarcane growers by the State Public Sector sugar mills cast an additional financial burden on the companies. The companies failed to achieve the budgeted production; low crushing rate and loss of production hours more than the norms resulted in loss of contribution. The consumption of bagasse, steam and power was more than the norms. The companies were burdened with huge inventory and consequent inventory carrying cost due to non-receipt of release orders from the Government of India.

Recommendations

- **The companies need to take effective steps to increase the procurement of sugarcane to ensure that the installed capacity for sugarcane crushing is utilised in full.**
- **The State Government should reimburse the extra financial burden borne by these companies on payment of the State Advised Price and transport subsidy.**
- **The companies need to take steps to strictly adhere to the norms for loss of production hours and consumption of bagasse, steam and power.**

CHAPTER-III

3 REVIEW RELATING TO STATUTORY CORPORATION

TAMIL NADU ELECTRICITY BOARD

PURCHASE OF WIND ENERGY POWER

HIGHLIGHTS

Tamil Nadu ranks seventh in respect of gross potential and third in respect of technical potential as regards generation of power from wind energy in the country. The Board has been able to develop only 20 sites out of 41 sites identified and declared as potential sites. This resulted in imbalance in the generation and evacuation facilities in some areas.

(Paragraph 3.1)

Audit noticed cases of short recovery of Infrastructure Development Charges (Rs.77.56 crore), revenue loss (Rs.204.87 crore) due to non-deduction of transmission and distribution losses, and extra expenditure (Rs.12.96 crore) due to non-recovery of line losses.

(Paragraphs 3.11, 3.17 and 3.15)

Lack of internal control in adjustment of wind energy generation resulted in revenue loss of Rs.8.76 crore.

(Paragraph 3.18)

Introduction

3.1 The wind power programme in India was initiated towards the end of the Sixth Plan in 1983-84. As per the latest estimates, the total wind power potential in the country had been estimated to be 45,195 Mega Watt (MW) and the exploitable potential (technical potential) 14,000 MW; the share of Tamil Nadu is 3,050 MW and 1,880 MW respectively. In respect of gross potential, the State ranks seventh in the country and in technical potential, third.

Government of Tamil Nadu, realising the potential of harnessing wind energy, set up (1986) 67 wind monitoring stations, out of which 41 were identified and declared as potential sites. Only 20 sites have been exploited so far; the remaining 21 are yet to be exploited.

3.2 Tamil Nadu Electricity Board (Board) set up (January 1986) the first demonstration windmill project at Mullakadu near Thoothukudi with 10 Wind Electric Generators (WEGs) and a capacity of 55 Kilo Watt (KW) each for generation of power. As these demonstration windmills proved successful, the Board established 109 more WEGs (between September 1986 and September 1993). The Board did not install any demonstration WEG thereafter. The total capacity of the Board's windmills as on 31 March 2005 was 19.265 MW.

Based on the good performance of these WEGs, a number of private industries situated in Tamil Nadu and other States started installing WEGs in Tamil Nadu from 1990-91. The cumulative capacity addition by private WEG promoters up to March 2005 was 2,020.96 MW, which was 99 *per cent* of the total capacity of 2,040.225 MW.

3.3 The Board extends the following options to a private WEG promoter:

- To sell the entire wind energy power generated by him to the Board.
- To adjust the wind power energy generated with the industrial High Tension service consumption of his own or sister concern situated anywhere in the State after deducting five percent of gross power towards commission (wheeling charges). In case, the consumption in HT service was less than generation, the unadjusted power could be sold to the Board or banked for future adjustments.

3.4 The Board is required to create/establish/enhance the infrastructure facilities (e.g. setting up of sub-stations, enhancement of power transformers, laying/strengthening of transmission lines, etc) to evacuate power generated by WEGs. The Board has been levying Infrastructure Development Charges (IDC) on the basis of the capacity of the WEG to be set up to meet the above expenditure.

Scope of audit

3.5 The Board has been purchasing power generated by the windmills from 1990-91. The purchase of wind energy power from the private WEGs by the Board and the adjustment of the same with the consumption elsewhere during the five years period ended 31 March 2005 were reviewed during December 2004 to March 2005. Audit checked the basic records of all wind farm Sub-Stations (SS) and the Electricity Distribution Circles, in which WEGs were situated.

Audit objectives

3.6 Audit was conducted with a view to ascertaining whether:

- the Board followed the general guidelines of the Central and State Governments in the creation of infrastructure facilities for planned and sustainable growth of wind energy power; and
- the Board had taken into account its financial interest also in purchasing wind energy power.

Audit criteria

3.7 Audit criteria considered for assessing the achievement of audit objectives were to examine:

- Compliance of regulations/guidelines issued by the Central and the State Governments;
- Reasonableness of various charges collected from the private WEG promoters for development of infrastructure facilities;
- Effectiveness of the internal control system for adjustment of wind energy power.

Audit methodology

3.8 The methodology adopted for attaining audit objectives with reference to audit criteria were scrutiny of:

- Guidelines issued by the Ministry of Non-conventional Energy Sources, Government of India (GOI) and Government of Tamil Nadu;
- Power Purchase Agreements (PPA) entered into by the Board with the private WEG promoters;
- Board proceedings;
- Records relating to pre/post commissioning of WEGs;
- Visit to wind farm sub-stations;

- Wind energy power generation statements;
- Purchase/adjustment of wind energy power records;
- Issue of audit enquiries;
- Interactions with the Board.

Audit findings

Audit findings, as a result of test check, were reported to the Board/Government in June 2005 and discussed in the meeting of the Audit Review Committee on Public Sector Enterprises (ARCPSE) held on 8 August 2005. The meeting was attended by the Secretary, Energy Department, Government of Tamil Nadu and the Chairman of the Board. The views expressed by the members have been taken into consideration while finalising the review.

Audit findings are discussed in the succeeding paragraphs.

3.9 The Board enters into separate Power Purchase Agreements (PPA) with each WEG promoter. Some of the common and important provisions contained in the PPA are given below:

- The power generated by the windmill is purchased at the rate of Rs.2.70 per unit on monthly basis.
- If the wind energy promoter wants to adjust the wind power generated with the consumption towards his HT service connection elsewhere in the State, five *per cent* of the gross energy generated by the windmill is deducted towards wheeling charges.
- WEG promoter has always to maintain the power factor above 0.85.
- WEG promoter has to provide two separate meters, one for export of power generated by the windmill to the grid and another for import of power from the grid.

3.10 The details of wind energy power generated, adjusted with the consumption elsewhere in the State and purchased by the Board during the five years ended 31 March 2005 are given below:

Year	Generation	Adjusted	Purchased	Adjusted	Purchased
	(Units in lakh)			(Percentage of generation)	
2000-01	1101.26	756.21	345.05	68.67	31.33
2001-02	1,251.87	871.09	380.78	69.58	30.42
2002-03	1,283.27	878.91	404.36	68.49	31.51
2003-04	1,721.57	1,175.85	545.72	68.30	31.70
2004-05	2,544.80	1,682.65	862.15	66.12	33.88

In this regard, following deserve mention:

Commissioning of Wind Electric Generators

Infrastructure Development Charges

3.11 The Board has been collecting Infrastructure Development Charges (IDC) from private entrepreneurs based on the capacity of WEG to be set up. IDC was revised four times between March 1993 and September 1997, but was not revised thereafter till July 2004. The Board revised the IDC from Rs.15.75 lakh per MW to Rs.25.75 lakh per MW (including Rs.0.75 lakh per MW for capacitor banks) with effect from 21 August 2004 on this being pointed out by Audit (January 2004).

Audit noticed that:

Fixation of lower rate of recovery for Infrastructure Development Charges resulted in short recovery of Rs.58.67 crore.

- due to delay in revising IDC, the Board could not recover Rs.18.89 crore, as computed by the Board;
- the Board fixed the recovery rate of Rs.25 lakh per MW even though it estimated an expenditure of Rs.46.06 lakh per MW. The reasons for fixing lower rate of recovery were not available on record. This resulted in short recovery of Rs.58.67 crore so far (March 2005).

The Government stated (August 2005) that the value of Rs.46.06 lakh per MW was not a realistic figure; the Board had collected Rs.24.41 crore and Rs.230 crore as IDC in 2003-04 and 2004-05 respectively but spent only Rs.9.39 crore and Rs.53 crore during the period. The reply is not acceptable in view of the fact that IDC of Rs.46.06 lakh per MW was computed by the Board as recorded in its proceeding held on 18 August 2004. Further, the expenditure stated to have been incurred did not include expenditure on transmission lines and installation of transformers. The reply is also silent about Transmission and Distribution works, which are in progress. The fact remains that there has been a short recovery of Rs.58.67 crore towards IDC from the private entrepreneurs.

Linking of WEGs to Board's grid

3.12 Power from wind energy is an infirm power *viz.*, its availability is not continuous. The Ministry of Non-Conventional Energy Sources, GOI had issued various instructions/guidelines from time to time (reiterated in the form of Best Practices Guidelines issued in December 2003) to ensure that the capacity growth in wind energy power is monitored, controlled and did not hamper the generation of power from other sources. These guidelines, *inter alia*, stipulated that adequate wind power evacuation facility should be provided by the utilities concerned in identified potential areas in the States and wind energy project should be commissioned only after facilities for rated capacities had been provided and the system was properly connected to the grid.

Audit noticed that:

- against the power evacuation facilities available for 1,286.050 MW in 11 out of the above 20 sites developed so far, the Board permitted commissioning of WEGs with a total capacity of 1,716.160 MW. This resulted in overloading, leading to frequent tripping of transformers and load shedding;
- in order to avoid overloading of the Shenbagaramanpudur (SR Pudur) SS, the Board decided to construct a sub-station at Sankaneri at a cost of Rs.15.07 crore. Even after commissioning (September 2004) of the Sankaneri SS, overloading of the SR Pudur SS did not come down as there was no proper power evacuation facility from the Sankaneri SS to load centres;
- in the unexploited 21 sites, though power evacuation facilities were available for 377 MW, no WEG have been commissioned so far (September 2005).

The Government stated (August 2005) that due to enormous capacity additions, the Board was unable to keep pace and provide immediate power evacuation. The wind energy development was not uniform and predictable; lead time of at least 1 ½ years was essential to develop infrastructure facilities. The Government further stated that the Board did not restrict any developer from choosing a site. This indicates that the Board did not have an appropriate, perspective policy for balanced and sustainable growth of wind energy power.

Purchase of wind energy power

3.13 Based on the suggestions of the Ministry of Non-conventional Energy Sources (MNES), the Board fixed (December 1995) the purchase price of wind energy at Rs.2.25 per unit with effect from 1 December 1995, with a provision for five *per cent* annual increase over the previous year rounded off to the nearest five paise. In 2000, the purchase price had become Rs.2.70 per unit. At this juncture, the Board reviewed the purchase price vis-a-vis the concessions extended to wind energy generators and its own financial position and decided to peg the purchase price at Rs.2.70 per unit for the subsequent five years from July 2001. The next review is due in July 2006.

Audit noticed that while suggesting the base price for wind energy power at Rs.2.25 per unit in 1995, MNES did not take into account the cost of generation, which should normally be reckoned for fixing the purchase price. Even while deciding to peg the purchase price at Rs.2.70 per unit, the Board did not consider this aspect. The financial impact, thereof, could not be ascertained in audit. In this connection, it is pertinent to note that in case of purchase of power from Independent Power Producers (IPPs), the purchase price is fixed based on the cost of generation.

Payment for power generated by WEGs

3.14 While giving No Objection Certificate (NOC)/issuing taken on record letter, it is clearly stated by the Board that the WEG would be connected to the grid only on completion of permanent feeder arrangement or permanent connectivity. In order to enable a WEG promoter to avail of various tax and other benefits, the Board connects the WEG to its grid for starting and commissioning purposes only. After the trial run period, the Board would disconnect the WEG from its grid and reconnect the same to its grid only after permanent connectivity conditions are fulfilled.

The Board paid Rs.3.20 crore for the power purchased from Wind Electric Generators, which did not have permanent connectivity with the Board's grid.

Audit test checked 90 out of 192 and 128 out of 423 WEGs in Udumalpet and Tirunelveli divisions respectively, for which the Board gave connectivity for trial run/commissioning in March 2004 (354 WEGs) and September 2004 (261 WEGs). Audit noticed that the Board had given permanent connectivity to 191 WEGs only till March 2005 and that too, after 51 days to 10 months from the date of commissioning/trial run. For the remaining 27 WEGs, the Board had not given permanent connectivity till March 2005. The Board paid Rs.3.20 crore to the promoters of these 27 WEGs for the power generated by them. It was also noticed that the Board did not maintain proper records to indicate that the power generated by these WEGs was actually received by the Board.

The Government stated (August 2005) that the tie-up approvals were given either as temporary or permanent, depending upon the availability of power evacuation facilities and the possible wind generation. The reply is not acceptable in view of the fact that MNES guidelines clearly stipulate that WEGs should be connected to the grid only after permanent evacuation facilities were made available in accordance with the clause in the PPA.

Non-deduction for line loss

3.15 In respect of those WEG developers, who opt to sell the entire wind power generated by them to the Board, it pays for the power based on the meter readings taken at the WEG end. No deduction towards line loss in the interfacing line is made. Audit analysis of the meter readings taken by the Board at the WEG end and at the SS end (which are connected by 11/22 KV dedicated feeders) during 2000-2005, revealed that the reading at the SS end was always less than the reading at the WEG end. The average difference between these two points was 3.68 *per cent* of the reading at the SS end.

Failure to deduct for line loss on purchase of wind energy power resulted in extra expenditure of Rs.12.96 crore.

Audit noticed that in the case of co-generation power and captive power generation, two *per cent* of the energy sold to the Board is deducted towards line loss. Hence, the Board should have deducted at least two *per cent* of the wind energy power sold to the Board towards line loss as in the case of co-generation and captive power generation plants. Failure to do so resulted in avoidable extra expenditure of Rs.12.96 crore during the five years ended 31 March 2005.

The Government stated (August 2005) that as several windmills were connected to each feeder it was not possible to calculate the individual loss for each windmill. The reply is not acceptable as there is line loss in the interfacing line and two *per cent* is deducted as line loss in respect of power purchased from co-generation and captive power plants.

Absence of provision to disconnect idle WEGs

3.16 Audit scrutiny of WEGs lying idle for more than 12 months as on 31 March 2005 revealed that 141 WEGs with a total capacity of 36.86 MW were not running for periods ranging from 12 to 116 months in Tirunelveli and Udumalpet divisions. Further test check revealed that in Vadakkankulam and Perungudi wind farm sub-stations, 13 WEGs with a capacity of 3.700 MW were not running; while in the same sub-stations applications for commissioning from 18 WEG promoters with a total capacity of 13.850 MW were pending. As there was no clause in the PPA to disconnect WEGs that were remaining idle for long periods, the Board could not effectively utilise the power evacuation facilities available.

The Government agreed (August 2005) that the Board was not empowered to disconnect the services as there was no such provision in the PPA.

Adjustment of wind energy against consumption

Transmission and distribution loss

3.17 The Board in the initial stages considered installation of windmill similar to setting up of captive diesel generating set in a factory premise. The transfer of energy from the windmill to the place, where the developers require power, was considered to be "displacement" and therefore, no reduction towards line losses on transmission was made. After deducting two *per cent* of the energy generated towards commission, the balance energy was made available to WEG developer for adjustment. This commission was increased to five *per cent* with effect from 27 September 2001, after a lapse of 15 years and there had been no further increase till date (September 2005).

Non-deduction for transmission and distribution losses on adjustment of wind energy power led to revenue loss of Rs.204.87 crore.

There has been huge increase both in the installed capacity of private WEGs and power generated by them. By the end of 2004-05, the installed capacity was 2,020.96 MW and wind power generation was 2,544.80 Million Units (MUs). In view of this, the concept of treating transfer of power as "displacement" was no longer relevant. The Board should have considered levying wheeling charges of at least 15 *per cent*, which was being charged in such cases from other sources like co-generation and captive power generation. Failure to do so resulted in revenue loss of Rs.204.87 crore during the five years period ended 31 March 2005.

The Government agreed (August 2005) that the line loss up to 11 KV level might be about 10 *per cent* and further stated that in order to encourage Non-Conventional Energy Sources, wheeling charges were levied at five *per cent* according to the guidelines of MNES. The reply is not acceptable in view of the fact that there are no MNES guidelines in this regard. Further, 15 *per cent* wheeling charges are being levied in respect of purchase of power from other sources.

Internal control system

Absence of effective Internal Control System in adjustment of wind energy power led to revenue loss of Rs.8.76 crore.

3.18 For the adjustment of wind power energy generated by the WEG, meter readings of the power generation are taken by the Assistant Executive Engineer and details are forwarded to the circles, where the adjustment is carried out. Audit noticed that:

- in 22 cases, the adjustment was effected for the WEG power in excess of the quantum of power wheeled by them, resulting in revenue loss of Rs.8.76 crore.
- in three cases, the WEG power valuing Rs.3.54 crore was adjusted against the consumption of three HT services although this wind power was stated to be generated in circles where there were no windmills.

These cases show that there was no effective internal control system to ensure the proper adjustment of power.

While accepting the audit observations, the Government replied (August 2005) that steps were being taken to provide remote meters and send the readings through e-mail and further to computerise the entire wheeling/banking procedure.

Undue benefit to WEGs

3.19 WEGs being inductive in nature, draw reactive power from the grid to which they are connected. When WEGs draw more reactive power, the voltage level of the grid falls to low levels. The drawal of reactive power if not controlled, results not only in poor quality of power supplied (due to grid disturbance) but also endangers the safety of the grid.

In order to partially compensate the Board from the drawal of excessive reactive power by WEGs, compensation charges at the rate of 10 paise per unit of reactive power drawn by WEGs was levied (June 1995). This was enhanced to 30 paise per unit in October 1999 and further enhanced to Rupee one per unit in April 2000. Aggrieved by this enhancement, the WEG promoters filed (November 2000) a writ petition challenging the enhancement in the High Court, Chennai.

The Court, while upholding the enhancement of compensation charges, directed that the enhancement from 30 paise per unit to Rupee one per unit of reactive power drawn by WEGs would be made applicable only to those WEG promoters who did not maintain the Power Factor (PF) of 0.85 to 1.00. The Board, however, did not issue any amendment to this effect.

On the other hand, the Board divided (November 2002) those WEGs, who did not maintain the PF of 0.85 to 1.00, into two categories *viz.*, partially erring

WEGs (who draw reactive power up to 10 *per cent* of power exported) and erring (those who draw reactive power more than 10 *per cent* of power exported). The compensation charges fixed for erring members was Rupee one per unit and for partially erring members, it was 30 paise per unit of reactive power drawn.

The action of dividing the erring WEGs into two categories was neither contemplated by the Board earlier nor warranted by the Court judgement. This resulted in an undue benefit of Rs.10.78 crore to those WEGs, who did not maintain PF of 0.85 to 1.00, but drew reactive power up to 10 *per cent* of power exported, during the four years ended 31 March 2005.

The Government stated (August 2005) that the Board's aim was to curb drawal of reactive power by offering some type of incentive to the WEG promoters, who had reduced reactive power drawal. The reply is not acceptable in view of the fact that the Court's directive to levy/enhance the compensation charges to the WEG promoters who did not maintain the PF of 0.85 to 1.00, was not complied with. The fact remains that not invoking the Court judgement in the proper spirit, has resulted in undue benefit of Rs.10.78 crore to partially erring WEG promoters, as categorised by the Board.

Conclusion

The private wind energy generators accounted for 99 *per cent* of the total installed capacity of wind energy in the State as on 31 March 2005. The Board failed to carry out balanced development of all the identified potential sites, resulting in imbalance in the generation and evacuation facilities in some areas. The recovery of Infrastructure Development Charges from the wind energy generators to create/establish/enhance evacuation facilities was not adequate. The Board failed to recover line loss and distribution loss incurred by it on the evacuation of power from wind energy generators, as was being done in respect of other co-generation, captive power plants and independent power producers. Internal control in respect of adjustment of wind energy generation was found to be deficient.

Recommendations

- **Steps should be taken to develop all the potential sites to correct the imbalance between generation and evacuation facilities.**
- **The Board should ensure that recovery of Infrastructure Development Charges matches the expenditure incurred on this.**
- **Line and distribution loss from the wind energy generators should be recovered as is being done from other power producers.**
- **The Board should strengthen internal control systems in respect of adjustment of wind energy generation.**

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 Transport Undertakings

4.1 Excess payment of Central Excise duty and Sales tax

Failure to negotiate concession with the oil companies resulted in an avoidable excess payment of Rs.27.17 crore towards Central Excise duty and Sales tax on the concession amount.

State Transport Undertakings[◆] (STUs) purchase High Speed Diesel (HSD) oil from Hindustan Petroleum Corporation Limited (HPCL), Indian Oil Corporation Limited (IOC) and Bharat Petroleum Corporation Limited (BPCL), all Central Public Sector Undertakings. All the oil companies extended a concession of Rs.700 per kilo litre from 1 October 2003 (which was increased to Rs.1,250 per kilo litre with effect from 1 April 2005) on the end price i.e., invoice value including the elements of Central Excise Duty and Sales Tax.

Section 4 (a) (i) of the Central Excise Act, 1944 (Act) on valuation of excisable goods for purposes of charging excise duty, however, stipulates that *"where, in accordance with the normal practice of the wholesale trade in such goods, such goods are sold by the assessee at different prices to different classes of buyers, each such price shall be deemed to be the normal price of such goods in relation to each class of buyers"*.

As the oil companies extended the concession in the normal course of whole sale trade, the deemed normal price for charging Central

◆ Metropolitan Transport Corporation Limited, Chennai, State Express Transport Corporation Limited, Chennai, Tamil Nadu State Transport Corporation (Coimbatore) Limited, Tamil Nadu State Transport Corporation (Madurai) Limited, Tamil Nadu State Transport Corporation (Salem) Limited, Tamil Nadu State Transport Corporation (Villupuram) Limited and Tamil Nadu State Transport Corporation (Kumbakonam) Limited.

Excise Duty and Sales Tax on HSD oil purchased by the STUs should have been arrived at after allowing concession in terms of Section 4 (a) (i) of the Act. The STUs, however, failed to negotiate with the oil companies to allow concession on the basic price before charging Central Excise Duty and Sales Tax in terms of the aforesaid provision. This resulted in an avoidable excess payment of Central Excise duty of Rs.9.66 crore on the concession and Sales tax of Rs.17.51 crore on the concession plus Central Excise duty on HSD oil purchased by the seven STUs between October 2003 and June 2005.

The matter was reported to the companies/Government in August 2005; their replies had not been received (September 2005).

Electronics Corporation of Tamil Nadu Limited

4.2 Undue benefit

The Company extended undue benefit of Rs.9.56 crore, while entering into an agreement for the lease of Government land to a joint venture project.

The Government approved (July 1990) establishment of a software centre in joint sector by the Company in association with a private promoter and allotted five acre of land to the Company. The Government permitted (January 1991) the joint venture company *viz.*, Elcot New Era Technologies Limited (ELNET) to enter upon the land pending final orders on sale/lease of the said land. ELNET took possession of the land in February 1991.

ELNET constructed a software park and commenced commercial operation in 1996. After protracted correspondence, the Government alienated (14 January 1999) 3.34 acre of land out of five acre allotted earlier. The Government fixed (April 2000) the land value at Rs.19,60,820 per ground (Rs.3.56 crore per acre) for the land and asked the Company to remit the amount. The extent of land with ELNET was found (June 2004) to be 3.10 acre, as the remaining land was handed over to Chennai Corporation for widening of the road.

As per the terms of alienation order, the land could not be leased out by the Company without the prior approval of the Government. The Company, however, decided (February 2001) to lease out the land to ELNET for 90 years on a one time lease deposit of Rs.14.29 crore. ELNET paid Rs.5.19 crore in instalments (between May 2000 and July 2003) to the Company.

The Company entered (September 2004) into an agreement with ELNET for the lease of 3.10 acre (56.27 grounds) of land for 90 years from 14 January 1999 (the day on which land was alienated to the Company), without getting the approval from the Government. ELNET paid (September 2004) Rs.11.03 crore as one time lease deposit and Rs.35.85 lakh as lease rent (at the rate of seven *per cent*) for the period from 14 February 1991 to 14 January 1999.

Audit analysis revealed that as per the existing provisions, the Company should have collected the following amount from ELNET for leasing of the land:

- Annual lease rent of Rs.2.23 crore on five acre from 14 February 1991 to 14 January 1999 and on 3.34 acre from 15 January 1999 to 25 April 2000 at 14 *per cent* of market value of Rupees two lakh per ground fixed by the Collector, Chennai in June 1991;
- Additional surcharge of Rs.42.66 lakh on the lease rent;
- Interest of Rs.7.26 crore (at 12 *per cent* per annum) on lease rent, additional surcharge and one time lease deposit for the period from April 2000 to September 2004.

Failure of the Company to collect lease rent for the entire land used by ELNET, additional surcharge as cess, interest on belated payment of lease rent/lease deposit as per the existing rules/provisions resulted in undue benefit of Rs.9.56 crore to ELNET.

The Company stated (April 2005) that the State Government had alienated 3.34 acre of land to it and that it would be proper and justifiable that lease rent was collected for the land alienated. The decision to collect lease rent at seven *per cent* of the land value was taken after due deliberation and consideration and the rate was reasonable.

The reply is not acceptable in view of the fact that lease rent for Government land was to be collected at 14 *per cent* of market value of the land, if the same was used for commercial purposes, as per the existing rules. Since ELNET had used the land for commercial purpose, lease rent should have been collected at 14 *per cent* of market value. Further, the Company had assured (January 2004) that the Government could charge lease rent at 14 *per cent* of land value for five acre from 14 February 1991 to 14 January 1999 and for 3.34 acre from 15 January 1999 to 25 March 2000.

The matter was reported to the Government in April 2005; their reply had not been received (September 2005).

Poompuhar Shipping Corporation Limited

4.3 Avoidable extra expenditure

Inordinate delay in inviting tenders for dry-docking repairs and importing spares resulted in avoidable extra expenditure of Rs.5.12 crore.

The Company uses its three ships besides chartering private ships on need basis to transport coal on behalf of Tamil Nadu Electricity Board (TNEB) from the load ports in Eastern India to the discharge ports at Chennai and Tuticorin.

The ship 'Tamil Periyar' was due for dry docking and other major repairs in August 2002. The Company requested (July 2002) the Director General (DG) Shipping, Mumbai for extension of time up to December 2002, for carrying out dry docking repairs, citing the urgent need to supply coal to Tamil Nadu Electricity Board (TNEB) and non-availability of dry docking shipyard. Audit analysis revealed that the Company was aware of the facts that:

- extension of time for dry dock repairs beyond December 2002 would not be granted by DG (Shipping);
- the lead time for finalisation of global tenders for dry docking was two months; and for procurement of spares/paints, it was 45 days.

In view of the above facts, the Company should have taken immediate action to invite and finalise global tenders for dry docking immediately after writing to DG (Shipping) for extension of time. The Company, however, did not do so and invited (29 October 2002) global tenders for dry docking repairs only after receipt (18 October 2002) of extension of time by DG (Shipping).

The Company issued (30 December 2002) a work order on Western India Shipyard Limited, Goa (WISL) for dry docking and major repairs. The work order stipulated a period of 55 days from the date of dry docking (30 December 2002) i.e., up to 23 February 2003 for completion of dry docking.

The Company, thereafter placed orders (7 January 2003) for the import of spares and marine paints through WISL. The spares and paint could be received in the ship yard between 25 February 2003 and 10 May 2003 i.e., only after the scheduled period of completion of dry docking. WISL could not complete the dry-docking in time and the ship could be released on 28 May 2003, i.e., after 148 days of dry-docking as against the stipulated period of 55 days.

During the extended period of 93 days (March 2003 to May 2003), the Company had to charter private ships for transportation of coal, which otherwise would have been transported by this ship. This resulted in avoidable extra expenditure of Rs.5.12 crore being the minimum charter hire charges paid by the Company to the private ships.

The Government stated (July 2005) that the Company started the procurement process after the grant of extension by DG (Shipping) and after finalising the shipyard for dry docking. The ship got delayed due to the very poor infrastructure and non-availability of critical facilities at the yard for early completion of dry dock, delayed transportation of paints from Singapore due to outbreak of SARS and truckers strike from 1 March 2003.

The reply is not acceptable as the Company was aware of the lead time involved in the procurement of spares and paints and as such it should have started the procurement process immediately instead of waiting for the extension. As regards poor infrastructure of dry dock, the reply of the Government is not acceptable as WISL was selected only on the basis of infrastructure facilities available at dry dock.

State Industries Promotion Corporation of Tamil Nadu Limited

4.4 Non-recovery of differential land cost

Failure to take effective steps for the recovery of differential land cost resulted in the blocking of Rs.2.43 crore.

The Company has been allotting land at its various industrial complexes on lease basis. As per the provisions of lease agreement, the lessee had to obtain prior approval from the Company in case of change in management and also to pay differential land cost, *viz.*, the difference between the land cost based on the rate prevailing on the date of change in management and the land cost already paid. The Company would issue a 'No Objection Certificate' (NOC) to the lessee for the change in management, only after the payment of differential land cost.

Square D Biotech Limited (Square D)* took over (November 1994) the management of Ushta-Te-Biotech Limited, an allottee of 40.02 acre of land in an industrial complex, Cuddalore without informing and obtaining a 'NOC' from the Company. The Company came to know this fact only in March 1996, when Square D requested the Company to issue a 'NOC' for obtaining loan. The Company asked (May 1996) Square D to pay the differential land cost of Rs.1.20 crore. The Company, however, issued (September 1997) the 'NOC' without the receipt of differential cost. It was only in April 1998 that Rs.20.01 lakh only towards differential land cost was paid by Square D.

The Company cancelled (December 1999) the allotment due to non-payment of differential land cost and the interest thereon. The allotment was restored (April 2000) after receipt of Rs.47 lakh, with a condition that Square D should remit the balance differential land cost of Rupees one crore together with interest.

Audit noticed that the Company did not take effective steps to recover the amount except writing letters demanding the balance amount and interest and received (January 2004) only Rs.20 lakh. This resulted in non-recovery of Rs.2.43 crore (including interest of Rs.1.43 crore as on 31 January 2005).

The Company stated (July 2005) that the unit was lying closed with gross fixed assets valued at Rs.35.14 crore, besides capital work in progress of Rs.121.80 crore; hence, the balance differential cost could be collected with interest as and when the unit is revived.

* The Company Square D Biotech Limited changed (8 August 1997) its name to DSQ Biotech Limited and again changed (25 September 2001) its name as Origin Agrostar Limited.

The reply is not acceptable as there is no certainty about the revival of the unit. Further, the Company is neither a creditor nor a shareholder in it and as such, it does not have any control on the disposal of its assets.

The matter was reported to the Government in June 2005; their reply had not been received (September 2005).

Tamil Nadu Newsprint and Papers Limited

4.5 Idle investment

Failure to assess the suitability of imported cartoniser resulted in idle investment of Rs.2.36 crore.

The Company imported (May 2000) a sheet cutter and ream wrapping machine of 50 Tonnes Per Day (TPD) capacity along with a cartoniser to meet the growing demand for copier paper. The cartoniser, having packing capacity of 150 TPD, was an optional component but the Company purchased it at Rs.2.36 crore to dispense with manual packing. The cartoniser unit was installed in November 2001.

Audit analysis revealed that the cartoniser unit remained largely under-utilised as:

- in India, universal type packing was more popular than 'Lid and Tray type' packing and this cartoniser could not be used for universal type packing;
- the 'Lid and Tray type' packing was a new concept to the Indian conditions, and blank cartons had to be developed. These newly developed blank cartons were found to be weak and did not withstand the multiple handling of the cartons during transportation, warranting frequent changes in vendors and in the specification of cartons;
- the demand for the cut 'Folio' size paper was in 10 reams/pack but the cartoniser unit was capable of packing the same in 5 reams/pack only.

Due to failure of the cartonising machine, the Company had to resort for manual packing to meet the full requirement and incurred Rs.36.08 lakh during November 2001 to March 2005.

Failure of the Company to analyse suitability of the cartoniser unit prior to its procurement, resulted in under-utilisation of investment of Rs.2.36 crore as well as avoidable expenditure of Rs.36.08 lakh.

The Government stated (July 2005) that the high quality cartons were not readily available and the Company had gradually improved the quality of cartons. The cartoniser with strapping machine for packing five reams in a carton was procured based on the then prevailing market condition; which later on changed to ten reams packing to minimise labour handling expenses.

It was further stated that the Company made use of the cartoniser for packing 2,237 MT, 3,618 MT, 1,550 MT and 1,577 MT of copier paper during the four years ended 31 March 2005.

The reply is not acceptable, as the Company did not analyse the suitability of the unit considering 'Lid and Tray' type packing and the quality of cartons required for this unit. The Company was aware of cutomers' requirement of 10 reams/pack even before placing order for this unit. Further, the quantity packed through cartoniser declined from 20.32 *per cent* of the total quantity of the copier papers packed in 2001-02 to 6.21 *per cent* in 2004-05.

4.6 Avoidable payment of customs duty

Payment of customs duty on free replacement resulted in avoidable extra expenditure of Rs.1.07 crore

The Company entered (February and June 2001) into a contract with Voith Paper GMBH & Company, Germany (Voith) for rebuilding of Paper Machine-1 (PM-1) and speeding up the project of Paper Machine 2 (PM-2) for contract price of Euro 87,00,000 and Euro 61,00,000 respectively. The scope of contract included design, engineering, manufacturing, supply of equipment and spares and technical and supervisory charges for erection and commissioning. Clause 5.01.03 of the contract, *inter alia*, stipulated that Voith shall be entirely responsible for all taxes, stamp duties, licence fees and other such levies imposed outside India. The Warranty Clause (8.02) of the contract stipulated that during the period of warranty, Voith shall, at their own cost and expenses, make good or replace any equipment/part thereof:

- which may not comply with the specifications therefor; or
- which may be of defective or of incorrect design; or
- which under normal and proper use and maintenance proves defective in workmanship or materials.

Voith supplied the equipment and commissioned the speeded up PM 2 on 14 September 2002 and the rebuilt PM 1 on 15 December 2002. For the equipment supplied by Voith, the Company paid the customs duty as per Clause 5.01.03.

Audit noticed that Nipco-P rolls supplied by Voith failed (February and May 2003) in both PM-1 and PM-2, prematurely. Voith replaced (June 2003) the two failed Nipco-P rolls under warranty clause as these premature failures were due to defective design and manufacturing. The Company paid (June 2003) Rs.1.07 crore as customs duty for the free replacement of defective Nipco rolls also on the plea that as per Clause 5.01.03, it had to pay the customs duty.

Audit noticed that the clause relating to payment of duties, *viz.*, 5.01.03 would apply only to the original supplies. As the replacement of rolls was necessitated due to the defective design/manufacture by Voith and which was to be replaced by it at its cost and expense, the Company should have recovered the customs duty paid on free replacements from Voith. Failure to do so resulted in avoidable extra expenditure of Rs.1.07 crore.

The matter was reported to the Company/Government in May 2005; their reply had not been received (September 2005).

Tamil Nadu Industrial Investment Corporation Limited

4.7 Non recovery of short term loan

Disbursement of short term loan without safeguarding its financial interest resulted in non-recovery of Rs.1.84 crore.

Tamil Nadu Telecommunications Limited (TTL), a joint venture of Telecommunications Consultants India Limited and Tamil Nadu Industrial Development Corporation Limited, approached (February 2003) the Company for a short term working capital loan of Rs.10 crore. As per appraisal done by the Company, TTL

- was depending mainly on Bharat Sanchar Nigam Limited for orders, which had not finalised its orders for 2002-03 by that time;
- incurred a cash loss of Rs.12.19 crore and registered a negative growth rate (-)64.95 *per cent* as per the provisional results for the nine months period ended 31 December 2002;
- did not offer any primary/collateral security for the loan and also expressed its inability to furnish a 'No Objection Certificate' from the banks from which it was availing working capital loans/advances. Audit noticed that normally insistence is on collateral security of fixed assets to cover 100 to 150 *per cent* of the loan sanctioned for working capital purposes.

The Company, in spite of the above, sanctioned (April 2003) short-term loan of Rs.10 crore to TTL and the amount was disbursed in May 2003.

As per the terms and conditions of the sanction, the principal amount was to be repaid at the end of 10th month (Rs.3 crore), 11th month (Rs.3 crore) and the 12th month (Rs.4 crore) from date of disbursement. Interest was payable every month at 16 *per cent* per annum from the last day of the month in which loan was disbursed. TTL furnished 13 postdated cheques (PDCs) towards payment of interest and 3 PDCs for repayment of principal.

The interest cheques for the first 10 months up to March 2004, were honoured by the banks. TTL, thereafter requested (April 2004) the Company not to present the five PDCs it had given for repayment of principal (Rs.10 crore) and the interest for 11th and 12th months (Rs.14.64 lakh). The Company agreed and did not present the PDCs till September 2004, when these were dishonoured on presentation.

TTL paid (November 2004 and May 2005) Rs.2.40 crore towards the dishonoured PDCs, after a criminal complaint under Section 138 of the Negotiable Instruments Act was filed (November 2004) in a Chennai Court. The Company adjusted this amount against principal (Rs.58.78 lakh) and overdue interest (Rs.1.81 crore). TTL owed the Company Rs.9.41 crore towards principal and Rs.17.47 lakh towards interest as on May 2005.

TTL paid (24 May 2005) Rs.7.75 crore, being the balance amount due to the Company against the dishonoured PDCs (Rs.10 crore + Rs.14.64 lakh – Rs.2.40 crore), indicating it as full and final settlement of all the overdues. The Company adjusted Rs.7.57 crore against principal and the balance Rs.17.47 lakh against interest, thus, leaving a balance of Rs.1.84 crore against principal, which is still due from TTL.

The chances of recovering of this amount are remote as the Company had not obtained any security for the loan, and TTL had stated that it had settled the amounts due in full.

The Company stated (July 2005) that it sanctioned and paid the short term loan to TTL in April 2003 as the earlier working capital loan of Rs.7.50 crore availed by TTL without collateral security was settled promptly, and postdated cheques were obtained for repayment of both the principal and interest. The Company further stated that it was taking steps to recover the balance amount also.

The reply is not acceptable as at the time of availing earlier short term loan, TTL's financial position was sound and obtaining the postdated cheques was not a substitute for collateral security. Moreover, TTL had already stated that the payment made by it in May 2005 was in full and final settlement of the dues.

The matter was reported to the Government in May 2005; their reply had not been received (September 2005).

Tamil Nadu Civil Supplies Corporation Limited

4.8 Extra expenditure on hulling of paddy

Payment of hulling charges for conversion of paddy procured on behalf of Government of India into rice at rates higher than those fixed resulted in extra expenditure of Rs.82.86 lakh.

The Company (as an agent of the State Government) procures paddy on behalf of Government of India (GOI) under the Decentralised Procurement System (DPS) and converts it into rice for distribution under PDS.

The State Government for this had entered into a Memorandum of Understanding (MOU) with the GOI which, *inter alia*, stipulated that the economic cost of rice {elements like cost of paddy, storage charges, milling charges (hulling charges), etc.,} would be determined by the GOI and paid to the State Government as subsidy for the quantum of paddy procured and converted into rice on its behalf.

For the Kharif Marketing Season (KMS) 2003-04, the GOI fixed (December 2003) the hulling charges at Rs.15 per quintal of paddy equivalent to Rs.22.39 per quintal of raw rice and Rs.22.06 per quintal of parboiled rice. The Company procured 3.09 lakh MT of paddy for KMS 2003-04.

The Company got 1.46 lakh MT of paddy hulled through private hulling agents. Audit scrutiny revealed that the Company paid Rs.29 per quintal for hulling of raw rice and Rs.33.50 per quintal for parboiled rice to the private hulling agents against the rates of Rs.22.39 per quintal for raw rice and Rs.22.06 per quintal for parboiled rice fixed by the GOI. This resulted in extra expenditure of Rs.82.86 lakh[♦].

The Company stated (May 2005) that, in the high level meeting held on 9 March 2004, under the chairmanship of Chief Secretary, it was decided to hull paddy through hulling agents also to build up rice stock. The hulling agents were asked to hull paddy at hulling charges already in force as per the State Government Order dated 19 September 2001.

The reply is not acceptable in view of the fact that the GOI intimated the hulling charges in December 2003 and, therefore, the decision to pay higher hulling charges on the basis of the State Government Order of September 2001 lacked justification. Further, for KMS 2004-05, the hulling charges have been paid at the rates fixed by the GOI.

The matter was reported to the Government in April 2005, their reply had not been received (September 2005).

♦ Rs.82.86 lakh = {620699.38 quintal X (29.00 – 22.39)} + {365690.01 quintal X (33.50 – 22.06)}

Tamil Nadu Minerals Limited

4.9 Revenue loss

The Company suffered a revenue loss of Rs.33.39 lakh due to fixation of the second highest offer as the indicative sales price instead of the highest offer for sale of granite blocks.

The Company invited (June 2002) limited tender enquiry from six foreign and 14 local buyers for the sale of dimensional granite blocks. Against the limited tender enquiry, one foreign and four local buyers quoted. S.V Granites, Chennai quoted the highest rates for five of the six varieties of Yellow Zubrana and all the six varieties of Colombo Zubrana. The offer of Magti Marble Granite Trading, SA, Portugal was the highest only for one variety of Yellow Zubrana.

The Company, while finalising the tender, noted (18 July 2002) that out of the five tenderers, Magti Marble Granite Trading SA, Portugal was the only established foreign buyer having good market presence in the international market for many varieties of granite blocks, whereas the other tenderers were local buyers having very limited area of operation. It was, therefore, decided that the rates offered by the foreign buyer be taken as the rates representing international market rates and other eligible tenderers were asked to match these rates. During October 2002 to March 2004, 5,693.751 cubic meters of granite blocks were sold to the five buyers at the above rates.

The Government stated (August 2005) that the offer of Magti Marble Granite, a direct importer with good standing in Italy and other European countries was considered to be reasonable sales price for export as well as for local sales; hence, this rate was extended to other local buyers also.

The reply is not acceptable in view of the fact that the rates offered by S.V.Granites were also well within the prevailing international market rate for the material. Further, the market share of Magti Marble Granite was poor for this quality of granite, as they lifted only 93 cubic metre against 600 cubic metre committed by them in the tender, while S.V Granite lifted 535 cubic metre against 500 cubic metre committed by them.

The decision to adopt the second highest rate as the international indicative price and asking all the other buyers to match the same was contrary to the principle of accepting the highest rates and asking the other tenderers to match these rates. This resulted in a revenue loss of Rs.33.39 lakh on the sale of granite blocks.

Tamil Nadu Sugar Corporation Limited

4.10 Avoidable extra expenditure

Failure to convert the High Tension power connection to Low Tension connection in a closed unit resulted in avoidable extra expenditure of Rs.10.88 lakh on current consumption and demand charges.

Madura sugar, a unit of the Company was availing High Tension (HT) power from the Tamil Nadu Electricity Board (TNEB) with a contracted demand of 400 Kilo Volt Ampere (KVA).

As this sugar mill faced acute shortage of sugarcane for crushing, the State Government ordered (September 2002) the Company to suspend cane crushing during the season 2002-03, transfer cane areas allotted to the Company to National Co-operative Sugar Mill, and lay-off the employees.

After stoppage of cane crushing activity, the Company applied (November 2002) to the TNEB for reduction of the contracted demand from 400 KVA to 90 KVA. The TNEB, however, informed the Company that the reduction could be effected only after replacing the existing 11 KV metering arrangement by the Low Tension (LT) metering arrangement and this would involve an expenditure of Rs.5.68 lakh. The TNEB further suggested that the existing metering arrangement could continue if the reduction in demand was restricted to 125 KVA. The Company accepted this and the contracted demand was reduced (June 2003) to 125 KVA.

Audit noticed that as per the terms and conditions of electricity supply by the TNEB, if the contracted load is between 66 and 132 KVA, the consumer has the option to avail either LT or HT supply. Had the Company opted for LT supply, it would have been able to save Rs.10.88 lakh (Rs.16.56 lakh – Rs.5.68 lakh) during January 2003 to April 2005 on account of demand charges and higher current consumption charges payable by HT consumers.

The Government stated (August 2005) that in case of conversion to LT, the mill would have to incur a capital expenditure of Rs.6.86 lakh and that there was uncertainty over the continuance or closure of the operation of the mill. The Government also stated that had the mill gone for reduction of demand to 90 KVA, there would have been a saving of Rs.6.96 lakh and not Rs.10.88 lakh.

The reply is not acceptable, in view of the fact that the transfer of cane areas of the Company to another co-operative mill by the Government pointed to the closure of the mill only. While calculating the saving due to conversion to LT, the Government had presumed that demand charges would be payable for LT services also, which was not factually correct.

Statutory corporation

Tamil Nadu Electricity Board

4.11 Contribution loss

Delay in replacement/non-replacement of reheater coils in Tuticorin Thermal Power Station resulted in generation loss of 110.96 million units and consequent contribution loss of Rs.13.72 crore.

The boilers of units 1, 2 and 3 of Tuticorin Thermal Power Station (TTPS) were commissioned between 1979 and 1982. There were frequent failures in the reheater coils (one of the components in the boiler) leading to huge generation loss. After inspecting the boiler of unit 2, on the request of the Board, Bharat Heavy Electrical Limited (BHEL) suggested (December 1999) replacement of reheater rear pendent coil assembly in the boilers of all these three units at the next available opportunity.

Chief Engineer, TTPS suggested (April 2000) that the replacement could be carried out in September 2000, November 2000 and in 2001 in units 2, 3 and 1 respectively during proposed annual overhaul of these units. The administrative approval for replacement of reheater coils in the three units at an approximate cost of Rs.7.38 crore was accorded in December 2000.

After obtaining (March 2001) firm offer from BHEL, Chief Engineer, TTPS sought (July 2001) approval for the replacement of coils at a total cost of Rs.10.53 crore. The administrative approval, however, was given in January 2002 and that too for replacement of reheater coil assembly of unit 1 only at an approximate cost of Rs.3.51 crore. The work/purchase order on BHEL was placed in May/June 2002. The reheater coil assembly was replaced in January 2004, though it was planned in August 2002 during annual overhaul. The reheater coil assemblies in units 2 and 3 are yet to be replaced (March 2005).

Audit scrutiny revealed that these replacements could have been completed by November 2001 in all the three units during their respective annual overhaul periods. Failure to take timely action for replacement of reheater coil assemblies in all the three units, despite BHEL suggesting this as early as in December 1999, resulted in avoidable generation loss of 110.96 MU of power during January 2002 to March 2005 and consequent contribution loss of Rs.13.72 crore.

The matter was reported to the Board/Government in March 2005; their replies had not been received (September 2005).

4.12 Extra expenditure on interest

Failure to invite tenders for issue of bonds resulted in avoidable extra expenditure of Rs.13.15 crore as interest.

The Government permitted (10 June 2002) the Board to raise Rs.500 crore through private placement of bonds and extended its unconditional and irrevocable guarantee for the principal and interest for the bonds to be issued by the Board.

Audit scrutiny revealed that the Board did not invite tenders to raise the bonds and based on a suo motu offer, appointed (13 June 2003) Darashaw and Company to raise Rs.100 crore through private placement of bonds at an interest rate of 8.9 *per cent* per annum. The Board again appointed (July 2003) Darashaw and Company to further raise Rs.110 crore through private placement of bonds on the same terms and conditions as fixed for the earlier issue.

Audit noticed that the Board invited (July 2003) tender for the appointment of arranger for further mobilisation of funds. The Board was able to raise Rs.404.68 crore between 4 August and 4 September 2003 through private placement of bonds at an interest rate of eight *per cent* per annum at the same terms and conditions as were fixed for earlier issues.

Had the Board followed the tendering procedure for appointing arranger for earlier mobilisation also, it could have saved excess payment of interest of Rs.3.23 crore up to March 2005 in addition to excess committed liability of Rs.9.92 crore till the date of maturity of these bonds.

The Board stated (June 2005) that it accepted the offer of Darashaw and Company after studying the then prevailing market rate and its credit rating. All other merchant bankers informally reported that they could mobilise funds at above nine *per cent* and would charge arranger fee. The Board further stated that the coupon rate of 8.9 *per cent* was considered to be the lowest under the prevailing market conditions at that time.

The reply is not acceptable as there are no records to indicate that the Board approached/informed the other merchant bankers about its funds requirements. When the Board eventually invited tenders just after a month in July 2003, it got the lowest rate of eight *per cent*. It is pertinent to mention that, when tenders were invited by the Board in July 2003, Darashaw and Company, which raised Rs.210 crore at 8.9 *per cent* in June and July 2003, offered to raise funds at 8.1 *per cent*. Further, the State Government had mobilised Rs.335 crore in June 2003 and Rs.382.97 crore in July 2003 as loan bearing interest rates of 6.35 and 6.2 *per cent* respectively.

The matter was reported to the Government in May 2005; their reply had not been received (September 2005).

4.13 Loss of generation

Failure to undertake periodical desiltation of reservoir resulted in accumulation of silt and consequent generation loss of 28.04 million units and contribution loss of Rs.5.10 crore.

The Pillur reservoir is at the tail end of Kundah Hydro Electric Project (KHEP) in Nilgiris district. The storage capacity of the reservoir is 1,568 Million Cubic Feet (Mcft). With this storage capacity, the Board operates its KHEP Power House-IV of capacity 2X50 MW so as to run the machines at full load during monsoon inflows and for one hour daily during other periods as a peaking station.

The Full Reservoir Level (FRL) of the reservoir is 1,400 feet with the gross storage capacity of 1,568 Mcft. The Minimum Drawn Down Level (MDDL), (the level below which the hydro machinery cannot be operated for power generation) is 1,300 feet with a dead storage capacity of 335 Mcft; therefore, the net storage capacity of the reservoir is 1,233 Mcft.

Audit scrutiny revealed that a Technical Committee of the Board, formed in 1978 to get rid of the serious problems faced due to siltation, recommended that desiltation of reservoir should be carried out every year. The reservoir was last desilted in 1992. Audit noticed that the MDDL of the reservoir increased to 1,365 feet in March 2003 and then to 1,386 feet in July 2004 due to accumulation of silt. This resulted in reduction of the original gross storage capacity of 1,568 Mcft to 818 Mcft (July 2004). Though the Board formulated several plans on desiltation and obtained the State Government's approval (November 2003) for one of its plans, no desiltation has been carried out so far (September 2005). The Board had to let out surplus water through spillways during heavy rains without utilising it for power generation, as the same could not be stored in the reservoir due to reduction in storage capacity on account of large accumulation of silt.

Audit scrutiny revealed that the Board had to let out 7,289.173 Mcft of water from Pillur reservoir during August 1995 to October 2004 without power generation, which could have been stored and used beneficially, had the desiltation been carried out periodically. This resulted in generation loss of 28.04 million units and contribution loss of Rs.5.10 crore during the same period, of which Rs.2.21 crore was during the last five years.

The matter was reported to the Board/Government in May 2005; their replies had not been received (September 2005).

4.14 Excess payment to an Independent Power Producer

Failure to restrict interest payment as per the provisions of the Power Purchase Agreement resulted in excess payment of Rs.4.12 crore to an Independent Power Producer.

The Board entered (September 1996) into a Power Purchase Agreement (PPA) with GMR Vasavi Corporation Private Limited (GMRV) for purchase of power to be generated in its 196 MW Low Sulphur Heavy Stock based power project. As per the PPA, the tariff payable by the Board for purchase of power included cost of fuel and lubricant, depreciation, return on equity, operation and maintenance expenses, interest on debt and working capital, etc. Working capital included cost of fuel/ lubrication, operation and maintenance expenses, maintenance spares and receivables.

As per the terms of the PPA, working capital should be limited to the lower of the Plant Load Factor (PLF) of 85 *per cent* or average of actual PLF achieved during the preceding three tariff years (excluding Initial tariff year and Stub-tariff* year). It was further provided in the PPA that for the Initial tariff year, Stub-tariff year and succeeding two tariff years, PLF of 85 *per cent* would be applicable.

The commercial generation in the first unit started on 31 December 1998 and in the last unit on 15 February 1999. Initial tariff year and Stub-tariff year, therefore, would have been 1998-99 and the succeeding two tariff years would have been 1999-2000 and 2000-01. The working capital requirement from 2002-03 onwards would have to be computed based on the PLF of 85 *per cent* or average of actual PLF achieved during the three preceding tariff years, whichever was lower (for 2001-02, PLF would be taken as 85 *per cent* because for computing preceding three years' average PLF, third year would not be available).

Audit scrutiny revealed that the Board admitted payments towards interest on working capital based on PLF of 85 *per cent* instead of average PLF of preceding three years for the tariff years 2002-03 and 2003-04. This resulted in excess payment of Rs.4.12 crore to GMRV during these two years.

The matter was reported to the Board/Government in June 2005; their replies had not been received (September 2005).

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* Stub-tariff year: Period from the Commercial Operation Date (COD) of the last Unit to be commissioned to March 31 first occurring after the COD of such unit.

4.15 Extra expenditure on purchase of transformers

The decision to cancel tenders and float fresh enquiries resulted in avoidable expenditure of Rs.96.36 lakh.

For high value purchases, the Board invites open tenders. The offers received are compared with the previous purchase order price of the same item. For this comparison, the previous purchase order price is updated based on the increase in the cost of major raw materials and the increase in cost of living index. The updated price is then compared with the present offer.

The Board invited (June 2003) open tenders for the supply of 2,000 Distribution Transformers (DTs) of 100 KVA/22 KV/433 KV capacity. The offer of Indo Tech Transformers was the lowest at Rs.73,999/- (all inclusive price excluding Sales Tax) out of 17 valid offers, all from Small Scale Industrial (SSI) units. The Board negotiated the price twice (July and August 2003) with the lowest tenderer, who agreed to reduce the rate to Rs.69,030/- (all inclusive price excluding ST) per DT. The Board, however, decided (August 2003) to cancel the tender as the lowest tenderer was not ready to reduce the quoted price closer to the updated price of Rs.59,251.46 (as on 1 April 2003) of the previous purchase order placed in July 2000.

Against the fresh tenders (November 2003) for the supply of 3,000 DTs of the same type and capacity, 15 valid offers, all from local SSI units, were received. The offer of Asian Electrical Equipment, Chennai was the lowest (L_1) at Rs.74,670/- per DT and the offer of IPL Products at Rs.74,770/- per DT was the second lowest (L_2). After negotiation (January 2004) both L_1 and L_2 tenderers reduced their rate to Rs.72,500 per DT. The Board asked (January 2004) all other parties also to reduce their rates to Rs.72,500 per DT, for which they agreed.

The Board decided (March 2004) to place the orders for 2,665 DTs at this rate of Rs.72,500/- per DT, on the ground that the updated price of Rs.73,135/- (as on 1 December 2003) of the previous purchase order placed in July 2000 after allowing 15 percent price preference for local SSI units, was higher than the negotiated price.

Audit scrutiny revealed that the decision of the Board to cancel the tenders in August 2003 on the ground that updated price was much lower than the negotiated price lacked justification as 15 *per cent* price preference to SSI units was not taken into account while working out the updated price. Had the 15 *per cent* price preference to SSI units been taken into account, the difference between the negotiated price and updated price would have been only Rs.891 per DT, and the Board could have avoided extra expenditure of Rs.96.36 lakh for the purchase of 2,665 DTs.

The matter was reported to the Board/Government in August 2005; their replies had not been received (September 2005).

4.16 Wasteful expenditure

Failure to put a control system to beneficial use rendered an investment of Rs.31.21 lakh wasteful.

Parsons Valley Hydro Electric Project was commissioned in March 2000 with an installed capacity of 30 Mega Watt (MW) to generate 57 Million Units (MUs) of power annually.

The order for supply of generating equipment for the above project included micro processor based control system *viz.*, Supervisory Control and Data Acquisition (SCADA). The entire data relating to the generating equipment could be stored in this system. This system, once installed in the generating equipment, helps in monitoring the generating equipment even from a remote area.

Punjab Power Generation Machines Limited (PPGML), the contractor for the supply of generating equipment supplied this system in April 1998 at a total cost of Rs.32.85 lakh. The Board paid Rs.31.21 lakh to the supplier in April 1998 after deducting five *per cent* of total cost as liquidated damages for the delayed supply.

Audit scrutiny revealed that this system has not been installed in the generating equipment till date (September 2005) and the power house operations were being carried by the conventional method. The failure of the Board to commission this remote control system and put the same to beneficial use had defeated the purpose for which it was purchased and rendered the expenditure of Rs.31.21 lakh wasteful.

The matter was reported to the Board/Government in August 2005; their replies had not been received (September 2005).

4.17 Loss of generation

Failure to procure adequate capacity dewatering pump resulted in generation loss and consequent revenue loss of Rs.24.64 lakh.

Periyar Power House is an irrigation based project and release of water from the Periyar dam for power generation is controlled by the Public Works Department (PWD) of Government of Tamil Nadu. This power house has four units with an installed capacity of 35 MW each.

Additional Chief Engineer (Hydro) of the Board recorded (February 2001) that the existing 22 KW (29.5 horse power) capacity dewatering pump was worn out as it was more than 40 years old and sought replacement for the same. He further recorded that the dewatering pump was a vital part of the power house having four units and had to be kept in good condition to remove leak water in the turbines (which was a regular phenomenon) and to pump out any flood water during emergency situations. The Board accorded administrative approval (March 2001) for the purchase of a new 35 HP dewatering pump at an estimated cost of Rs.2.68 lakh and budget provision was made for this amount in 2000-01. The new dewatering pump has, however, not been procured till date (September 2005).

Audit noticed that unit 4 of the power house was generating (June 2003) power from the 200 cusecs of water being released as per PWD directives; unit 3 was kept as standby and units 1 and 2 were under repair. When the defects in 1 and 2 were rectified (June 2003) and the repaired units were test run (4 June 2003), the water gushed into the rotary valve pit and flooded the turbine floors in all the four units. The dewatering pump in the power house was not sufficient to drain out such a huge quantity of flood water. Consequently, all the units had to be shut down and water was let out without power generation. Two dewatering pumps from Tamil Nadu Water Supply and Drainage (TWAD) Board were arranged and the entire water was pumped out. The pump house was put back into operation on 7 June 2003. Due to flooding of the power house, power generation was suspended for 64 hours and 10 minutes.

Had the Board made available sufficient capacity dewatering pump even after administrative approval and budget provision, loss of generation of 10,26,720 units and consequent revenue loss of Rs.24.64 lakh could have been avoided.

The Board stated (July 2005) that Periyar Power House dewatering system was designed to cater to maximum possible leakage under normal conditions and in the instant case, flooding was caused not by normal leakage but by sudden rupture of end pipes of drains and air valve pipes.

The reply is not acceptable in view of the fact that the existing dewatering pump was very old and required replacement and the Board failed to procure the 35 HP dewatering pump for which administrative approval was accorded in March 2001.

The matter was reported to the Government in May 2005; their reply had not been received (September 2005).

4.18 Excess payment of service tax

Payment of service tax at enhanced rate for the period prior to the effective date resulted in excess payment of Rs.17.88 lakh.

The Board avails hire purchase financial assistance from Tamil Nadu Power Finance and Infrastructure Development Corporation Limited (POWERFIN), a Tamil Nadu Government Undertaking. Principal and interest on these assistances are being repaid in monthly instalments. As per the Finance Act 2001, financial services were brought under the service tax net. The service tax was enhanced from five *per cent* to eight *per cent* by the Finance Act, 2003. The amendment to Service Tax Rules, 1994 to that effect was published in the official gazette on 14 May 2003. As per the gazette notification, these amendments came into effect from the date of publication, i.e., 14 May 2003.

Audit scrutiny revealed that the Board paid service tax on hire purchase assistance at the enhanced rate of eight *per cent* on interest accrued from 1 April 2003 instead of from 14 May 2003, resulting in excess payment of Rs.17.88 lakh.

The matter was reported to the Board/Government in March 2005; their replies had not been received (September 2005).

General

4.19 CORPORATE GOVERNANCE IN STATE GOVERNMENT COMPANIES

Introduction

4.19.1 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 Board of Directors are responsible for the governance of their companies.

The Companies Act, 1956 was amended in December 2000 by providing, *inter alia*, Directors' Responsibility Statement (Section 217) to be attached to the Director's Report to the shareholders. According to Section 217 (2AA) of the Act, the Board of Directors has to report to the shareholders that they have taken proper and sufficient care for maintenance of accounting records, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

Further, according to section 292-A of the Companies Act, 1956, notified in December 2000, every public limited company having paid up capital of not less than rupees five crore shall constitute an Audit Committee, at the Board level. The Act also provides that the Statutory Auditors, Internal Auditors, if any, and the Director in charge of Finance should attend and participate in the meetings of the Audit Committee but without voting rights.

A similar concept has also been introduced through clause 49 of the 'listing agreement' for listed companies issued by the Securities and Exchange Board of India (SEBI), which envisages that the Board of Directors shall have an optimum combination of executive and non-executive Directors with not less than 50 *per cent* of the Board of Directors comprising non-executive Directors. It also provides that listed companies having paid-up capital of rupees three crore and above should have a qualified and independent Director in the Audit Committee.

In respect of Government companies, whose paid-up share capital was less than rupees five crore, the State Government had directed (17 April 2002) the Chief Executive Officers of such Government companies to constitute an Audit Committee with the approval of their Board. The Audit Committee had to take up the inspection work biennially based on the questionnaire attached with the above order. The questionnaire contained basic questions on Assets Management, Material Management, Financial Management, Accounts and Audit, Human Resources Management and Company Law matters. The Inspection Report submitted by the Audit Committee was required to be placed before the Board for necessary follow up action.

The main components of Corporate Governance are:

- matters relating to the Board of Directors;
- Directors' Report; and
- constitution of the Audit Committee.

4.19.2 Out of 55 working Government companies in the State, (three listed and 52 unlisted companies), Audit reviewed 46 companies (three listed and 43 unlisted) as detailed in **Annexure-12**.

Listed companies

Board of Directors

4.19.3 The responsibility for good governance rests on the Corporate Board, which has the primary duty of ensuring that principles of Corporate Governance both as imbibed in law and regulation and those expected by stakeholders are rigorously and voluntarily complied with and the stakeholders' interests are protected. For this purpose, every company should hold the meetings of the Board of Directors at regular intervals. Every Director should attend these Board meetings to share the expertise, knowledge and guide the affairs of the Company.

Attendance of Directors in the Board Meetings

4.19.4 In TEL, full Board of Directors was never present in any of the 18 meetings held during the last four years ended 31 March 2005. Four Government nominee Directors did not attend 25 meetings during 2001-02 and 2004-05. Two independent Directors failed to attend 21 meetings during this period; while two independent Directors attended only one meeting out of four meetings during 2001-02.

4.19.5 In TNPL, only one meeting out of 30 meetings was attended by all the Directors; twenty nine Directors did not attend 13 meetings.

4.19.6 Two Directors in TTL did not attend any Board meeting during 2004-05. Twenty five Directors failed to attend 54 meetings during 2001-02 and 2004-05.

This indicated that the Directors did not actively participate in the management of affairs of the companies and in the decision making process to safeguard the interests of the company.

Vacancy position of Directors

4.19.7 The post of Chairman has been vacant from 29 September 2004 in TTL.

4.19.8 In TNPL, post of one Director was vacant from 5 October 2003 and that of another from 19 June 2004.

Audit Committee

Role and functions

4.19.9 The main functions of the Audit Committee are to assess and review the financial reporting system, to ensure that the financial statements are correct, sufficient and credible. It follows up on all issues and interacts with the Statutory Auditors before finalisation of annual accounts. The Committee also reviews the adequacy of the Internal Control System and holds discussion with Internal Auditors on any significant finding and follow up action thereon. It also reviews financial and risk management and evaluates the findings of internal investigation where there is any suspected fraud or irregularity or failure of the Internal Control System of material nature and reports to the Board.

Meetings

4.19.10 Clause 49 of the 'listing agreement' with SEBI requires that atleast three meetings of the Audit Committee should be held in a year. TTL, however, held only two meetings in 2004-05.

Unlisted companies

Board of Directors

Attendance of Directors in the Board Meetings

4.19.11 The attendance of Directors in the Board Meetings was not regular. All the Directors were not present in all the Board meetings held by18♣ companies during the last four years ended 31 March 2005.

During the period from April 2001 to March 2005, one Director of MTC did not attend any of the 18 meetings held during his tenure. One Director of Tamil Nadu State Transport Corporation (Madurai) Limited also did not attend any meeting held during 2003-04. Nine Directors attended one to four meetings out of 5 to 23 meetings held during their tenure (details in **Annexure-13**).

This indicated that the Directors did not actively participate in the management of affairs of the companies and in the decision making process to safeguard the interest of the Company.

Attendance in Annual General Meeting

4.19.12 The attendance of Directors in the Annual General Meeting of six companies was poor. Sixty four Directors did not attend the Annual General Meeting held during the period from 2001-02 to 2004-05 (details in **Annexure-14**).

Vacancy position of Directors

4.19.13 Vacancy position of Directors in respect of 12 companies as detailed in **Annexure-15** indicates that the vacancies persisted from December 2002 onwards.

Audit Committees

Out of 52 unlisted PSUs, the paid up capital of 30 Government companies was more than rupees five crore and that of 22 Government companies was less than rupees five crore.

4.19.14 A review of the compliance with the provisions of section 292-A of the Companies' Act in respect of 30 Government companies, whose paid-up capital was more than rupees five crore revealed that:

- Audit Committees of 11* Government companies did not hold discussion with the external auditors before commencement of external audit and after completion in all the four years ended 31 March 2005. In three Government companies (Serial Numbers 6, 14 and 30 of **Annexure-12**),

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♣ Serial Numbers 5, 7, 9 to 12, 14, 18, 21, 24, 25, 27, 30, 31, 35, 38, 41 and 45 of Annexure-1

* Serial Numbers 6, 10, 17, 23, 32, 38 to 41, 43 and 44 of Annexure-1.

the Audit Committee did not review the Annual Financial Statements before submission to the Board of Directors.

- in eight[♠] Government companies, the Statutory and Internal Auditors did not attend the Audit Committee Meetings and in one Government company (Serial Number 16 of **Annexure-12**), the Internal Auditors did not attend the Audit Committee Meetings during the four years ended 31 March 2005.
- in three Government companies (Serial Numbers 14, 30 and 40 of **Annexure-12**) the Chairman of the Audit Committee did not attend the Annual General Meeting to answer the shareholders' queries.

Compliance with Government directives

4.19.15 A review of the compliance with Government directives in respect of those companies, where the constitution of Audit Committee was not mandatory as per the provisions of the Companies Act, revealed that:

- seven[#] companies had not constituted Audit Committee till date (March 2005) and hence, did not conduct biennial inspection on such important matters as mentioned in the Government directive;
- though Tamil Nadu Fisheries Development Corporation Limited had formed the Audit Committee, it had not conducted biennial inspection as directed by the State Government.

To sum up

- **Attendance of Directors in the Board meetings as well as Annual General Meetings was not regular in many of the companies.**
- **Audit Committees of 11 unlisted Government companies did not hold discussion with the External Auditors. Statutory and Internal Auditors did not attend the Audit Committee Meetings of eight unlisted Government companies.**
- **Seven unlisted Government companies, where formation of Audit Committee was not mandatory, did not conduct biennial inspection as directed by the State Government.**

The matter was referred to the companies/Government in July 2005; their replies had not been received (September 2005).

♠ Serial Numbers 6, 10, 14, 32, 39 to 41 and 43 of Annexure-1.
Serial Numbers 26 to 28, 31, 33, 36 and 37 of Annexure-1.

4.20 COMPLIANCE WITH ENVIRONMENTAL REGULATIONS BY STATE PUBLIC SECTOR UNDERTAKINGS

4.20.1 The Government of India has enacted various Acts to enforce effective environmental protection and establishment of regulating bodies to monitor and enforce the provisions of the Act and rules, *viz.*,

- The Water (Prevention and Control of Pollution) Act, 1974;
- The Air (Prevention and Control of Pollution) Act, 1981;
- The Environment (Protection) Act, 1986;
- The Hazardous Waste (Management and Handling) Rules, 1989;
- The Noise Pollution (Regulation and Control) Rules, 2000.

Tamil Nadu Pollution Control Board (TNPCB) formed under the provisions of said Act, prescribed norms for control of various kinds of pollution in thermal power stations (TPS) and other industries. The disposal of natural wastes/effluent into the atmosphere/water from the cement plant, sugar industries and TPS is identified as a major source of pollution.

4.20.2 The following units were reviewed for the compliance with the provision of these Acts and Rules by the Public Sector Undertakings (PSUs) in the State of Tamil Nadu;

- Four* units of two State PSUs;
- Two Thermal Power Stations (TPS)◊ out of four TPS of Tamil Nadu Electricity Board (TNEB); and
- Two# State Transport Undertakings (STUs) out of seven STUs were scrutinised.

The Audit findings are discussed in the succeeding paragraphs.

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* Alangulam and Ariyalur cement plants of Tamil Nadu Cements Corporation Limited (TANCEM) and Arignar Anna Sugar Mills (AASM) and Perambalur Sugar Mills Limited (PSM) of Tamil Nadu Sugar Corporation Limited.

◊ Toothukudi Thermal Power Station (TTPS) and Mettur Thermal Power Station (MTPS) of Tamil Nadu Electricity Board.

\# Metropolitan Transport Corporation Limited, Chennai and Tamil Nadu State Transport Corporation (Madurai) Limited.

Air pollution

Air Pollution at stack

Thermal Power stations

4.20.3 Air pollution is caused by emission of gases like Sulphur Dioxide (SO_2) and Nitrogen Oxide (NO_2), and Suspended Particulate Matter (SPM). Audit noticed that the maximum emission of SPM in stack was 455.83 mg/m^3 € to 617 mg/m^3 in TTPS and 347 mg/m^3 to 1,144 mg/m^3 in MTPS during the last five years ended 31 March 2005 as against the prescribed standard of 150 mg/m^3 (maximum). The high emission of SPM was due to usage of coal having high ash content of 46 *per cent*. The Ministry of Environment and Forest (MOEF), GOI prescribed (June 2002) not to use coal containing more than 34 *per cent* ash but the TPS were using coal containing more than the prescribed ash content.

The excess emission levels of pollutants due to usage of high ash content coal in TPS could have been brought down by ensuring that the flue gases pass through the Electro Static Precipitator (ESP)♣ and suitably regulating the strength of current supplied to the ESP. As this was not ensured the pollution levels could not be kept within the norms.

Cement Plants

4.20.4 The normal pollutants in the cement industry are SPM, SO_2, NO_2 and fugitive emission (emission of cement and fly ash particles). The cement plants of TANCEM never recorded emission level though as per the requirement of Environment (Protection) Rules, 1986, emission level was required to be recorded twice a week. Audit analysis of emission levels recorded by TNPCB once a year revealed that the SPM level was mostly higher in ambient air than in the stack.

Audit further noticed that:

- Alangulam plant frequently tripped. As periodical emission levels had not been recorded by TANCEM, the effect of the ESP tripping on pollution could not be assessed.
- TANCEM had not created facilities to contain fugitive emission like provision of stacker cum reclaimer, dust collector and covered storage of coal, limestone and clinker, which was contrary to the stipulations of the Corporate Responsibility for Environmental Protection (CREP), which required the fugitive emission to be brought under control by December 2003.
- Alangulam and Ariyalur plants adopt 'wet' and 'dry' process respectively for cement production. A comparative study of emission levels in these two plants revealed that the same were lower in Ariyalur (which adopts

€ mg/m^3 = milligram per cubic metre

♣ ESP – a pollution control device with optimum velocity and prescribed temperature.

dry process). TANCEM had not switched over to dry process due to financial constraints, though this was proposed in August 1996.

Sugar industries

4.20.5 In case of sugar units, neither the conventional method of taking periodical readings of emission (as specified in the consent order by the TNPCB) was adopted nor online monitoring facilities provided for the purpose. As per the annual stack monitoring report of TNPCB, non-installation of the ESP in Perambalur Sugar Mills Limited (PSM) led to SPM emission level ranging from 248 mg/m^3 to 315 mg/m^3, which was far in excess of the prescribed norm of 150 mg/m^3. Stack emission level readings had not been taken in Arignar Anna Sugar Mills (AASM) during the last five years.

Pollution in ambient air

Thermal Power Stations

4.20.6 Central Pollution Control Board (CPCB) prescribed National Ambient Air Quality (NAAQ) Standards for SO_2, NO_2, SPM, Respirable Particulate Matter (RPM), Lead (Pb), and Carbon Monoxide (CO) to protect public health, vegetation and property.

A comparison of the annual average of ambient air quality in TTPS and MTPS for 2004-05 vis-a-vis standards prescribed by the CPCB revealed that the concentration of SPM ranged from 197 to 492 and from 210 to 232 mg/m^3 respectively against the norm of 150 mg/m^3.

Scrutiny of emission details taken by TTPS and by TNPCB within a gap of two or three days revealed that there were huge variations between these two sets of readings giving room for doubt on reliability of these data.

Cement plants

4.20.7 As per the CREP for cement industries, cement plants located in critically polluted or urban areas should meet 100 mg/m^3 limit of SPM by December 2004 and continue working to reduce the emission further to 50 mg/m^3. Audit, however, noticed that SPM emission in ambient air ranged from 136 mg/m^3 to 184 mg/m^3 for the four years ended 2004-05 in Alangulam and from 172 mg/m^3 to 256 mg/m^3 for the four years ended 2003-04 in Ariyalur, thus, violating the CREP norms/stipulations.

Sugar Industries

4.20.8 In respect of PSM, the maximum SPM level recorded during 2001-02, 2003-04 and 2004-05 were 295 mg/m^3, 268 mg/m^3 and 236 mg/m^3 respectively against the norm of 150 mg/m^3. For 2000-01 and 2002-03, neither PSM nor TNPCB conducted any test to measure the pollution level in ambient air. In AASM, though SPM level came down from 427 mg/m^3in 2000-01 to 191 in 2002-03, it was still high compared to the norm of 150 mg/m^3. After 2002-03, emission level readings had not been taken by AASM.

Transport

4.20.9 Pollution caused by vehicular emission is a serious form of environmental pollution. The Green Bench of The Supreme Court, which monitors the pollution caused by vehicles, observed that the State Transport Undertakings (STU)s were the main offenders on two counts i.e., levels of emission and sound. Audit noticed that:

- Bharat Stage-II (BS-II) norms, comparable to Euro-II, for all vehicles were implemented in a phased manner starting with New Delhi and extended to other cities like Mumbai, Kolkatta and Chennai in 2001. Metropolitan Transport Corporation Limited (MTC), Chennai introduced 411 vehicles up to February 2005, out of which only 246 vehicles conformed to BS-II standards.
- The Ministry of Surface Transport, Government of India requested (December 1998) the Government of Tamil Nadu to replace the existing old vehicles held by the STUs within a period of three years. MTC, Chennai and Tamil Nadu State Transport Corporation (Madurai) Limited (TNSTC), operated 2,773 and 3,617 vehicles respectively as on March 2005; out of which, 1,195 vehicles (43 *per cent*) and 1,243 vehicles (34 *per cent*) were more than eight years old indicating that the State Government did not take effective steps to replace the old vehicles.
- As per the provisions of the Motor Vehicles Act, it is mandatory for the vehicles to get Pollution Under Control (PUC) certificate and to produce the same to the concerned authorities every time vehicles are sent for Fitness Certificate (FC). MTC, Chennai sent 32,074 vehicles during the period from 2000-01 to 2004-05 for FC and out of which, 2,476 vehicles failed due to excess emission of pollutants during the emission checks conducted by the Motor Vehicles Authority. This points to the fact that PUCs were issued without conducting emission test properly.

Water pollution

Thermal power stations

4.20.10 Discharge of inadequately treated industrial effluent into the water bodies causes water pollution. In TTPS, 75 *per cent* of the waste water generated was recycled and utilized in the plant and the balance 25 *per cent* was let out into the sea. In MTPS, 10.8 lakh kilolitre (KL) waste water per month (32 *per cent* of waste water generated) was let out into the river Cauvery. The extent of pollution in the discharged water is measured in terms of Total Suspended Solids (TSS), Bio Chemical Oxygen Demand (BOD) and Chemical Oxygen Demand (COD). Audit noticed that these parameters in the discharged water of TTPS were in the range of 150 to 2,027 mg/litre (TSS) and 164 to 1,010 mg/litre (COD); whereas in MTPS it was 94 to 318 mg/litre (TSS) and 21 and 29 mg/litre (BOD) during the last five years period ended 31 March 2005. In respect of other parameters, TTPS and MTPS did not take any reading during the above period.

Further, there were wide variations between the above readings taken by TPS and TNPCB during the same period.

As per the Water (Prevention and Control of Pollution) Cess Act, 1977, water cess at higher rates than those prescribed is payable to the TNPCB on the basis of water consumed, if the conditions/norms prescribed by TNPCB are not followed.

Audit noticed that TTPS and MTPS paid Rs.16.98 lakh and Rs.57.33 lakh respectively as water cess at higher rates, as they failed to comply with pollution control standards prescribed by TNPCB during the five-year period ended 31 March 2005.

Cement plants

4.20.11 Effluent Treatment Plant (ETP) has not been installed in the Ariyalur cement plant of TANCEM. Pollutants in the discharged water, therefore, exceeded the prescribed norms and the percentage of variation was between 47 and 76.64, in 2002-03 when compared with the norms.

Sugar industries

4.20.12 TSS, BOD and COD in discharged water were in the range of 198 to 418 mg/litre, 328 to 843 mg/litre and 1,120 to 4,065 mg/litre respectively during the five years ended 2004-05, in PSM, which were far in excess of the prescribed norms of less than 100, 30 and 250 mg/litre respectively. This was due to non-installation of the ETP by PSM.

Hazardous waste

4.20.13 A hazardous substance is one that endangers the life of human beings and other living creatures. Under the Hazardous Waste (Management and Handling) Rules, 1989, the person generating hazardous waste shall take all practical steps to ensure that such waste was properly handled and disposed of without any adverse effect. The transportation of hazardous waste should be in accordance with the provisions of the rules framed by the Central Government under the Motor Vehicles Act, 1988 and other guidelines issued from time to time.

Thermal Power Stations

4.20.14 As per the consent order issued by TNPCB under the above rules, a maximum quantity of 25 MT of such waste should alone be generated/handled per annum and a maximum quantity of 10,000 Kgs or a truck load, whichever was less, should alone be stored on site for a maximum period of 90 days. Audit, however, noticed that 2,02,890 Kgs of oil sludge (sediments at the bottom of the furnace oil tank), a hazardous and inflammable substance, was stored by TTPS for more than two years and the same was yet to be disposed off (September 2005). Similarly, 40,000 litres of used oil drained annually by the thermal stations, was stored for longer periods (three to 10 months) than the stipulated 90 days before they were disposed off. Audit also noticed that provisions relating to disposing off of such hazardous waste to the authorised re-processor possessing a valid consent order from TNPCB was not ensured by the TPS.

Sugar Industries

4.20.15 Molasses is a by-product generated during extraction of sugar from sugarcane and the same is mostly sold to distilleries, where it is used in the manufacture of liquor. As per pollution control norms, molasses has to be stored in covered steel tanks. Audit noticed that 8,218.048 MT of molasses remains stored in open pits against pollution control norms by PSM since 1992 causing environmental pollution.

Noise pollution

Thermal Power Stations

4.20.16 GOI notified (February 2000) the Noise Pollution (Regulation and Control) Rules 2000 with a view to maintaining the ambient air quality standards in respect of noise by regulating and controlling noise producing/generating sources, such as generator sets, vehicular movement, etc. A maximum level of 75 decibels has been fixed for industrial areas.

Noise pollution inside the plant area in MTPS and TTPS was beyond the prescribed limits, and ranged from 92 to 117 decibels in 2003-04 and 2004-05 in TTPS whereas in MTPS it ranged from 96 to 99 decibels during the last five years.

Cement plants

4.20.17 Noise pollution inside the plant area in cement plants in Alangulam and Ariyalur was 98 decibels to 99 and 66 decibels to 80 respectively.

Sugar Industries

4.20.18 Noise level inside the plant area in PSM was up to 73 decibels whereas in AASM, it was measured only once in 2000-01 and the same was 87 decibels.

Other deficiencies

Non-monitoring of other pollutants in ambient air

4.20.19 Though the NAAQ monitoring programme required the readings of RPM, lead and carbon monoxide to be taken and such emissions monitored and controlled, the State PSUs and thermal power stations had not taken any action to measure, monitor and control these emissions.

Non-provision of Inter-locking system to control Industrial Pollution

4.20.20 CPCB instructed (November 1995) the State PCBs to ensure that arrangement for interlocking the production system with pollution control devices had been made in the industries which had installed those devices. Such a facility would ensure that during the period pollution control devices did not function, production would be automatically stopped. Absence of such a facility would enable production to continue even if the pollution control devices were not functioning, thus, leading to higher pollution. Audit noticed that the State PSUs had not provided such interlocking facility in their units.

Green Belt for Pollution Control

4.20.21 Plantation is one of the effective means of controlling air pollution. TNPCB stipulated that TTPS and TANCEM should plant 1,00,000 and 3,60,000 plants respectively in and around their plant area so as to minimise the effect of pollution. TNEB and TANCEM, however, planted only 20,644 and 19,000 plants, thus not fully complying with the directions (September 2005).

Environmental Management System

4.20.22 Environmental Management System (EMS) is required to meet the environmental obligations by the industries and reduce the impact of their operations on the environment. Audit noticed that none of the State PSUs have formulated EMS. This deprived them of a valuable tool to improve their environmental performance, increase the use of pollution prevention methods and ensure compliance with statutory requirements.

Environmental Audit Reports

4.20.23 Environmental auditing, now renamed as Environmental Statement, is a tool comprising systematic documentation and periodical evaluation of performance of a unit with reference to waste management and assessment of compliance with other environmental regulatory requirements. Though preparation and submission of EAR was mandatory under Environment Protection Rules 1986, (second amendment) since March 1992, the State PSUs submitted EAR to TNPCB, which were not even scrutinised by an environmental auditor. Instead, they submitted only routine reports, in Form-V, which defeated the objective of Environmental Audit.

To sum up

Environment Management System did not exist in any Public Sector Undertaking (PSU). PSUs failed to comply with many of the statutory provisions on air, water and noise pollution, solid waste management and handling of hazardous waste. Environment Audit Reports were being submitted without any scrutiny by the environmental auditor, thereby defeating the objective of Environment Audit.

The matter was reported to the companies/Board/Government in July 2005; their replies had not been received (September 2005).

4.21 Additional administrative cost

Incorporation of too many companies with similar objectives resulted in additional administrative cost of Rs.27.93 crore.

As on 31 March 2005, the State had 66 Government companies out of which 52 companies were working. An analysis of the objectives and activities of these companies, as laid down in their respective memorandum of associations, revealed that two or more companies were functioning in the same sector with similar objectives. Particulars of 10 such companies functioning in four different sectors are detailed in the **Annexure-16**.

Details in the Annexure revealed the following:

- In the industry sector, three companies were established for promotion and setting up of industries. Though Tamil Nadu Industrial Development Corporation Limited was established in 1965 for the stated purpose, two more companies were established subsequently for similar objectives.
- In the forest sector, Tamil Nadu Forest Plantation Corporation Limited was incorporated for raising plantations for the purpose of development of industries based on their produce. Tamil Nadu Tea Plantation Corporation Limited and Arasu Rubber Corporation Limited were incorporated mainly for raising tea and rubber plantation respectively.
- While Tamil Nadu Construction Corporation Limited existed to take care of the construction activities entrusted to it by the State Government, another company, Tamil Nadu Police Housing Corporation Limited was established in 1981 to undertake construction activities mainly for the Police Department.
- In the Infrastructural Development Sector, while Tamil Nadu Urban Finance and Infrastructure Development Corporation Limited was established in March 1990 for providing financial assistance to the local bodies for development schemes, Tamil Nadu Power Finance and Infrastructure Development Corporation Limited was incorporated in the succeeding year for financing infrastructure development schemes of Tamil Nadu Electricity Board.

Audit noticed that functioning of multiple companies with similar objectives involved substantial administrative expenditure on Directors, Chairman and staff, besides expenditure on infrastructure for separate office buildings, etc. Excluding the administrative expenditure of the major companies in the respective sector (Serial Numbers 1, 4, 7 and 9), functioning of multiple companies with similar objectives resulted in additional administrative cost of Rs.27.93 crore during the latest year for which accounts have been finalised as detailed in the **Annexure-16**.

It is recommended that Government may examine the nature of activities of all the companies with similar objectives and explore the possibility of merging these companies so that administrative expenditure could be reduced and better co-ordination could be ensured in the implementation of various schemes.

The matter was reported to the companies/Government in June 2005; their replies had not been received (September 2005).

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 and Departments of Government. It is, therefore, necessary that they elicit appropriate and timely response from the Executive. Finance Department, Government of Tamil Nadu 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 and 2002-03 were presented to the State Legislature in April 1999, May 2000, September 2001, May 2002, May 2003 and July 2004 respectively. Eight out of 18 Departments, which were commented upon, did not submit explanatory notes on 47, out of 168 paragraphs/reviews as on September 2005, as indicated below:

Year of Audit Report (Commercial)	Total paragraphs/review in 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	13
2002-03	29	9
TOTAL	**168**	**47**

Department-wise analysis is given in **Annexure-17.** The departments largely responsible for non-submission of explanatory notes were Industries and Small Industries.

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

4.22.2 The replies to paragraphs are required to be furnished within six weeks from the date of presentation of the Report by the Committee on Public Undertakings (COPU) to the State Legislature. Replies to 37 paragraphs pertaining to 27 Reports of COPU presented to the State Legislature between

March 2000 and March 2005 had not been received as on September 2005 as indicated below:

Year of COPU Report	Total number of Reports involved	Number of paragraphs, where replies were not received
1999-2000	1	2
2002-03	5	7
2003-04	10	16
2004-05	11	12
TOTAL	27	37

Action taken on persistent irregularities pointed out in Audit Reports

4.22.3 With a view to assist and facilitate discussion of the paras of persistent nature by the State COPU, an exercise was carried out to verify the extent of corrective action taken by the concerned organisation and results thereof are indicated in **Annexures 18 and 19.**

Government companies

Inadequate Internal Control/Internal Audit system noticed in Tamil Nadu Adi Dravidar Housing and Development Corporation Limited, non-recovery/delayed recovery of capital cost from the allottees and idling of investment due to failure to conduct demand survey by Tamil Nadu Small Industries Development Corporation Limited were included in the Audit Reports of the Comptroller and Auditor General of India for the years 1999-2000 to 2002-03, (Commercial) - Government of Tamil Nadu. Audit scrutiny revealed that the irregularities as detailed in **Annexure-18** continued to persist in respect of these companies for more than six years as the action taken by the companies/the Government were inadequate.

Statutory corporations

Extension of undue benefit to Independent Power Producers, extension of undue benefit to consumers and non-implementation of orders of the Board, noticed in Tamil Nadu Electricity Board were included in Audit Reports of the Comptroller and Auditor General of India for the years 2001-02 to 2003-04, (Commercial) - Government of Tamil Nadu. Audit scrutiny revealed that these irregularities as detailed in **Annexure-19** persisted for over a period of five years, as the action taken by the Board/State Government were inadequate.

The matter was referred to the Government in August 2005; their reply had not been received (September 2005).

4.23 Response to inspection reports, draft paragraphs and reviews

4.23.1 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 2005 pertaining to 58 PSUs disclosed that 3,503 paragraphs relating to 787 inspection reports remained outstanding at the end of September 2005; of these, 776 inspection reports containing 3,401 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 2005 is given in **Annexure-20.**

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 19 draft paragraphs forwarded to the various departments during the period from March to August 2005, as detailed in **Annexure-21**, had not been replied to so far (September 2005).

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/ATNs on the recommendations of COPU, as per the prescribed time schedule, (b) action to recover loss/outstanding advances/overpayment is taken within prescribed time and (c) the system of responding to the audit observations is revamped.

The matter was referred to the Government in August 2005; their reply had not been received (September 2005).

Chennai
The 01 FEB 2006

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

Countersigned

New Delhi
The 07 FEB 2006

(VIJAYENDRA N. KAUL)
Comptroller and Auditor General of India

ANNEXURES

2-22—14

ANNEXURE-1

(Referred to in paragraphs 1.3, 1.4, 1.5 and 1.16)

Statement showing particulars of up-to-date paid-up capital, budgetary outgo, loans given out of budget and loans outstanding as on 31 March 2005 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 2004-05*			Debt equity ratio for 2004-05 (previous year) 4(f)/3(e)
		State Govern-ment	Central Govern-ment	Holding com-panies	Others	Total	Equity	Loans		Govern-ment	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)	9,417.31	---	---	---	9,417.31	---	---	1,676.24	---	22,643.81	22,643.81	2.40:1 (3.11:1)
3.	Tamil Nadu Industrial Explosives Limited	2,214.14	---	---	481.54	2,695.68	---	---	655.64	4,562.66	655.64	5,218.30	1.94:1 (1.18:1)
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	---	---	436.59	1,166.74	436.59	1,603.33	1.07:1 (0.78:1)
6.	Tamil Nadu Small Industries Development Corporation Limited (SIDCO)	770.00	---	---	---	770.00	---	---	---	---	---	---	(0.08)

(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)
7.	State Industries Promotion Corporation of Tamil Nadu Limited (SIPCOT)	14,321.25	---	---	---	14,321.25	---	---	---	4,696.17	---	4,696.17	0.33:1 (0.41:1)
8.	Tamil Nadu Salt Corporation Limited	317.01	---	---	---	317.01	---	---	---	---	---	---	---
9.	Tamil Nadu Magnesite Limited	1,665.00	---	---	---	1,665.00	---	---	---	1,937.75	---	1,937.75	1.16:1 (0.26:1)
10.	Tamil Nadu Leather Development Corporation Limited	250.00	---	---	---	250.00	---	---	---	294.33	24.29	318.62	1.27:1 (3.68:1)
	Sector-wise total	**30,459.97**	---	**2.05**	**481.54**	**30,943.56**	---	---	**2,768.47**	**12,657.65**	**23,760.33**	**36,417.98**	**1.18:1 (1.32:1)**
	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	---	---	---	5,798.22	---	5,798.22	1.68:1 (1.68:1)
	Sector-wise total	**3,435.50**	---	**49.71**	**18.80**	**3,504.01**	---	---	---	**6,242.56**	---	**6,242.56**	**1.78:1 (1.78:1)**
	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	---	---	---	225.22	---	225.22	1.46:1 (1.60:1)
15.	Tamil Nadu Zari Limited	34.40	---	---	---	34.40	---	---	---	---	---	---	---
	Sector-wise total	**188.40**	---	---	---	**188.40**	---	---	---	**225.22**	---	**225.22**	**1.20:1 (1.60:1)**

(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	180.26	116.00	---	0.71	296.97	3.57	---	100.00	---	265.87	265.87	0.90:1 (0.26:1)
17.	Tamil Nadu Handloom Development Corporation Limited	267.00	---	---	162.23	429.23	---	---	---	---	---	---	---
	Sector-wise total	**447.26**	**116.00**	---	**162.94**	**726.20**	**3.57**	---	**100.00**	---	**265.87**	**265.87**	**0.37:1 (0.10:1)**
	FOREST												
18	Tamil Nadu Tea Plantation Corporation Limited	596.18	---	---	---	596.18	---	---	---	---	---	---	(0.32:1)
19.	Tamil Nadu Forest Plantation Corporation Limited	376.00	---	---	---	376.00	---	---	---	---	---	---	---
20.	Arasu Rubber Corporation Limited	845.00	---	---	---	845.00	---	---	---	823.15	171.19	994.34	1.18:1 (1.43:1)
	Sector-wise total	**1,817.18**	---	---	---	**1,817.18**	---	---	---	**823.15**	**171.19**	**994.34**	**0.55:1 (0.77:1)**
	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	---	---	867.36	---	10,199.89	10,199.89	20.40:1 (24.58:1)
23.	Tamil Nadu Police Housing Corporation Limited	100.00	---	---	---	100.00	---	---	---	---	---	---	(226.31:1)
	Sector-wise total	**600.00**	---	---	---	**600.00**	---	---	**867.36**	---	**10,199.89**	**10,199.89**	**17.00:1 (58.20:1)**
	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	300.00	---	---	---	300.00	---	---	2,546.48	---	8,138.69	8,138.69	27.13:1 (22.97:1)
	Sector-wise total	**320.75**	---	---	---	**320.75**	---	---	**2,546.48**	---	**8,138.69**	**8,138.69**	**25.37:1 (22.97:1)**
	SUGAR												
26.	Tamil Nadu Sugar Corporation Limited	679.15	---	---	100.00	779.15	---	3,373.00	---	3,059.00	---	3,059.00	3.93:1
27.	Perambalur Sugar Mills Limited (Subsidiary of TASCO)	---	---	226.75	190.60	417.35	---	---	1,465.00	1,192.00	1,465.00	2,657.00	6.37:1
	Sector-wise total	**679.15**	---	**226.75**	**290.60**	**1,196.50**	---	**3,373.00**	**1,465.00**	**4,251.00**	**1,465.00**	**5,716.00**	**4.78:1**
	CEMENT												
28.	Tamil Nadu Cements Corporation Limited	3,741.80	---	---	---	3,741.80	---	---	---	---	---	---	(0.27:1)
	Sector-wise total	**3,741.80**	---	---	---	**3,741.80**	---	---	---	---	---	---	**(0.27:1)**
	AREA DEVELOPMENT												
29.	Dharmapuri District Development Corporation Limited	15.00	---	---	---	15.00	---	---	---	---	---	---	---
	Sector-wise total	**15.00**	---	---	---	**15.00**	---	---	---	---	---	---	---
	ECONOMICALLY WEAKER SECTION												
30.	Tamil Nadu Adi Dravidar Housing and Development Corporation Limited	5,018.50	4,493.91	---	---	9,512.41	663.00	---	400.00	9.19	2,498.35	2,507.54	0.26:1 (0.10:1)
31.	Tamil Nadu Backward Classes Economic Development Corporation Limited	1,157.01	---	---	---	1,157.01	---	---	1,000.00	---	3,869.04	3,869.04	3.34:1 (2.54:1)
32.	Tamil Nadu Minorities Economic Development Corporation Limited	5.01	---	---	---	5.01	5.00	---	250.00	---	430.00	430.00	85.83:1 (0.62:1)
33.	Tamil Nadu Corporation for Development of Women Limited	40.00	38.42	---	---	78.42	---	95.00	---	95.00	---	95.00	1.21:1 (1.21:1)

(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)
34.	Tamil Nadu Ex-servicemen's Corporation Limited	22.91	---	---	---	22.91	---	---	---	---	---	---	---
	Sector-wise total	**6,243.43**	**4,532.33**	---	---	**10,775.76**	**668.00**	**95.00**	**1,650.00**	**104.19**	**6,797.39**	**6,901.58**	**0.64:1 (0.42:1)**
	PUBLIC DISTRIBUTION												
35.	Tamil Nadu Civil Supplies Corporation Limited	3,339.10	---	---	---	3,339.10	---	830.00	---	963.00	---	963.00	0.29:1 (0.28:1)
	Sector-wise total	**3,339.10**	---	---	---	**3,339.10**	---	**830.00**	---	**963.00**	---	**963.00**	**0.29:1 (0.28:1)**
	TOURISM												
36.	Tamil Nadu Tourism Development Corporation Limited	678.63	---	---	---	678.63	---	236.56	200.00	236.56	187.50	424.06	0.62:1 (0.30:1)
	Sector-wise total	**678.63**	---	---	---	**678.63**	---	**236.56**	**200.00**	**236.56**	**187.50**	**424.06**	**0.62:1 (0.30:1)**
	FINANCING												
37.	Tamil Nadu Industrial Investment Corporation Limited (TIIC)	11,602.28	---	---	1,747.28	13,349.56	6,100.00	11,367.00	8,900.00	11,367.00	46,585.90	57,952.90	4.34:1 (8.16:1)
38.	Tamil Nadu Transport Development Finance Corporation Limited	4,303.00	---	---	1,871.18	6,174.18	---	---	---	---	8,000.00	8,000.00	1.30:1 (1.46:1)
	Sector-wise total	**15,905.28**	---	---	**3,618.46**	**19,523.74**	**6,100.00**	**11,367.00**	**8,900.00**	**11,367.00**	**54,585.90**	**65,952.90**	**3.38:1 (5.08:1)**
	INFRASTRUCTURE DEVELOPMENT												
39.	Tamil Nadu Urban Finance and Infrastructure Development Corporation Limited	3,102.00	---	---	98.00	3,200.00	---	---	49,477.59	1,727.35	79,355.51	81,082.86	25.34:1 (12.29:1)
40.	Tamil Nadu Power Finance and Infrastructure Development Corporation Limited	2,200.00	---	---	---	2,200.00	--	---	---	8,350.00	10,800.00	19,150.00	8.70:1 (10.07:1)
41.	Tamil Nadu Rural Housing and Infrastructure Development Corporation Limited	300.01	---	---	---	300.01	---	---	---	---	---	---	---
	Sector-wise total	**5,602.01**	---	---	**98.00**	**5,700.01**	---	---	**49,477.59**	**10,077.35**	**90,155.51**	**1,00,232.86**	**17.58:1 (10.90:1)**

(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)
	TRANSPORT												
42.	Metropolitan Transport Corporation Limited	24,296.81	---	---	---	24,296.81	---	---	888.94	---	2,196.51	2,196.51	0.09:1 (0.07:1)
43.	Tamil Nadu State Transport Corporation (Madurai) Limited	18,695.96	---	---	---	18,695.96	---	---	1,160.96	---	4,784.25	4,784.25	0.26:1 (0.77:1)
44.	Tamil Nadu State Transport Corporation (Coimbatore) Limited	7,739.08	---	---	---	7,739.08	---	---	1,422.11	---	3,061.70	3,061.70	0.40:1 (0.74:1)
45.	Tamil Nadu State Transport Corporation (Kumbakonam) Limited	10,484.04	---	---	---	10,484.04	---	---	1,607.52	---	3,917.23	3,917.23	0.37:1 (0.37:1)
46.	Tamil Nadu State Transport Corporation (Salem) Limited	4,034.74	---	---	---	4,034.74	---	---	1,475.63	---	2,661.07	2,661.07	0.66:1 (0.56:1)
47.	Tamil Nadu State Transport Corporation (Villupuram) Limited	6,610.21	---	---	---	6,610.21	---	---	1,446.50	---	4,104.87	4,104.87	0.62:1 (0.58:1)
48.	State Express Transport Corporation Limited	12,075.37	---	---	---	12,075.37	---	---	---	---	15,552.35	15,552.35	1.29:1 (1.29:1)
	Sector-wise total	**83,936.21**	---	---	---	**83,936.21**	---	---	**8,001.66**	---	**36,277.98**	**36,277.98**	**0.43:1 (0.57:1)**
	MISCELLANEOUS												
49.	Overseas Manpower Corporation Limited	15.00	---	---	---	15.00	---	---	---	---	---	---	---
50.	Tamil Nadu State Marketing Corporation Limited (TASMAC)	1,500.00	---	---	---	1,500.00	390.00	---	---	---	---	--	(0.45:1)
51.	Poompuhar Shipping Corporation Limited	2,053.00	---	---	---	2,053.00	---	---	1,500.00	---	1,500.00	1,500.00	0.73:1 (---)
52.	Pallavan Transport Consultancy Services Limited	10.00	---	---	---	10.00	---	---	---	---	36.39	36.39	3.64:1 (2.90:1)
	Sector-wise total	**3,578.00**	---	---	---	**3,578.00**	**390.00**	---	**1,500.00**	---	**1,536.39**	**1,536.39**	**0.43:1 (0.17:1)**
	TOTAL (A)	1,64,813.14	4,648.33	278.51	4,670.34	1,74,410.32	7,161.57	15,901.56	77,476.56	46,947.68	2,33,541.64	2,80,489.32	1.61:1 (1.65:1)

(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)
B.	WORKING STATUTORY CORPORATIONS												
	POWER												
1.	Tamil Nadu Electricity Board	51,000.00	---	---	---	51,000.00	8,500.00	---	1,99,391.12	---	9,02,546.28	9,02,546.28	17.70:1 (20.54:1)
	Sector-wise total	**51,000.00**	---	---	---	**51,000.00**	**8,500.00**	---	**1,99,391.12**	---	**9,02,546.28**	**9,02,546.28**	**17.70:1 (20.54:1)**
	AGRICULTURE												
2.	Tamil Nadu Warehousing Corporation	380.50	380.50	---	---	761.00	---	---	---	---	---	---	---
	Sector-wise total	**380.50**	**380.50**	---	---	**761.00**	---	---	---	---	---	---	---
	TOTAL (B)	**51,380.50**	**380.50**	---	---	**51,761.00**	**8,500.00**	---	**1,99,391.12**	---	**9,02,546.28**	**9,02,546.28**	**17.44:1 (20.18:1)**
	GRAND TOTAL (A+B)	**2,16,193.64**	**5,028.83**	**278.51**	**4,670.34**	**2,26,171.32**	**15,661.57**	**15,901.56**	**2,76,867.68**	**46,947.68**	**11,36,087.92**	**11,83,035.60**	**5.23:1 (5.47:1)**
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	---	---	---	466.37	---	466.37	3.68:1 (3.68:1)
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**	---	---	---	**2,287.03**	---	**2,287.03**	**1.99:1 (1.99:1)**

(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	---	485.00	---	1,392.49	---	1,392.49	1.00:1 (0.89:1)

(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**	---	**485.00**	---	**1,392.49**	---	**1,392.49**	**0.73:1 (0.65:1)**
	TOTAL (C)	**3,318.822**	**165.00**	**362.00**	**7.35**	**3,853.172**	---	**485.00**	---	**4,263.89**	**465.99**	**4,729.88**	**1.23:1 (1.19:1)**
	GRAND TOTAL (A+B+C)	**2,19,512.462****	**5,193.83**	**640.51**	**4,677.69**	**2,30,024.492**	**15,661.57**	**16,386.56**	**2,76,867.68**	**51,211.57**	**11,36,553.91**	**11,87,765.48**	**5.16:1 (5.39:1)**

Note

1. Except in respect of companies/corporations which finalised their accounts for 2004-05 (Serial numbers A-2 to 4, 5, 7 to 11, 13 to 16, 18 to 21, 23 to 27, 31, 33, 34, 36 to 38, 40 to 48, 52, C-2, 4, 5, 8, 13) the figures are provisional and as given by the companies/corporations.
2. * Loans outstanding at the close of 2004-05 represent long-term loans only.
3. ** State Government's investment in PSUs was Rs.2,707.24 crore (Others – Rs.11,470.66 crore). Figure as per Finance Accounts 2004-05 is Rs.2192.08 crore. The difference is under reconciliation.

ANNEXURE-2

(Referred to in paragraphs 1.6, 1.7, 1.8, 1.12, 1.15, 1.18, 1.19 and 1.28)

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	2003-04	2004-05	(-)14.44	---	445.52	(-)598.50	(-)74.68	(-)14.44	---	1	5,216.72	229
	Sector-wise total					(-)14.44		445.52	(-)598.50	(-)74.68	(-)14.44	---			
	INDUSTRY														
2.	Tamil Nadu Industrial Development Corporation Limited (TIDCO)	Industries	21 May 1965	2004-05	2005-06	21.42	---	9,417.31	2,380.58	1,41,379.89	2,639.10	1.87	---	18,753.47	104
3.	Tamil Nadu Industrial Explosives Limited	Industries	9 February 1983	2004-05	2005-06	(-)1,396.48	---	2,695.68	(-)1,650.44	6,268.82	(-)1,378.32	---	---	3,008.00	854
4.	Tamil Nadu Paints and Allied Products Limited (Subsidiary of TANSI)	Small Industries	18 November 1985	2004-05	2005-06	4.81	---	2.05	10.74	17.35	14.68	84.61	---	169.42	14

(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	2004-05	2005-06	9.74	---	1,505.26	(-)5,964.82	22,774.34	146.49	0.64	---	5,398.00	458
6.	Tamil Nadu Small Industries Development Corporation Limited (SIDCO)	Small Industries	23 March 1970	2003-04	2004-05	17.21	---	770.00	198.88	1,151.30	426.49	37.04	1	4,824.96	497
7.	State Industries Promotion Corporation of Tamil Nadu Limited (SIPCOT)	Industries	25 March 1971	2004-05	2005-06	1,415.67	---	14,321.25	1,833.23	26,136.99	2,413.32	9.23	---	7,046.50	330
8.	Tamil Nadu Salt Corporation Limited	Industries	22 July 1974	2004-05	2005-06	84.51	---	317.01	274.31	617.75	84.51	13.68	---	934.81	73
9.	Tamil Nadu Magnesite Limited	Industries	17 January 1979	2004-05	2005-06	228.11	Under statement of cumulative loss by Rs.31.86 crore	1,665.00	(-)3,634.08	(-)2,267.16	416.35	---	---	3,232.97	605
10.	Tamil Nadu Leather Development Corporation Limited	Small Industries	21 March 1983	2004-05	2005-06	(-)221.65	---	250.00	(-)2,325.44	(-)135.05	(-)87.61	---	---	---	45
	Sector-wise total					**163.34**		**30,943.56**	**(-)8,877.04**	**1,95,944.23**	**4,675.01**	**2.39**			
	ENGINEERING														
11.	State Engineering and Servicing Company of Tamil Nadu Limited (SESCOT) (Subsidiary of TANSI)	Small Industries	25 April 1977	2004-05	2005-06	(-)109.22	---	49.71	(-)1,836.89	(-)13.78	(-)88.59	---	---	---	---
12.	Southern Structurals Limited	Industries	17 October 1956	2002-03	2004-05	(-)1,442.40	---	3,454.30	(-)10,168.25	(-)13,150.36	(-)786.60	---	2	NIL	NIL.
	Sector-wise total					**(-)1,551.62**		**3,504.01**	**(-)12,005.14**	**(-)13,164.14**	**(-)875.19**	**---**			

(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	2004-05	2005-06	232.66	---	2,593.05	252.97	2,190.93	234.53	10.70	---	1,002.72	207
	Sector-wise total					**232.66**		**2,593.05**	**252.97**	**2,190.93**	**234.53**	**10.70**			
	TEXTILES														
14.	Tamil Nadu Textile Corporation Limited	Handloom, Handicraft, Textiles and Khadi	24 April 1969	2004-05	2005-06	52.07	---	154.00	(-)212.84	349.13	81.52	23.35	---	3,328.92	135
15.	Tamil Nadu Zari Limited	Handloom, Handicraft, Textiles and Khadi	6 December 1971	2004-05	2005-06	(-)9.14	---	34.40	281.86	336.89	(-)9.14	---	---	1,924.83	156
	Sector-wise total					**42.93**		**188.40**	**69.02**	**686.02**	**72.38**	**10.55**			
	HANDLOOM AND HANDICRAFTS														
16.	Tamil Nadu Handicrafts Development Corporation Limited	Handloom, Handicraft, Textiles and Khadi	26 July 1973	2004-05	2005-06	41.42	---	296.97	(-)264.25	409.83	79.78	19.47	---	1,443.51	171
17.	Tamil Nadu Handloom Development Corporation Limited	Handloom, Handicraft, Textiles and Khadi	10 September 1964	2003-04	2004-05	(-)14.81	---	429.23	(-)35.05	897.70	41.14	4.58	1	1,000.00	33
	Sector-wise total					**26.61**		**726.20**	**(-)299.30**	**1,307.53**	**120.92**	**9.25**			
	FOREST														
18.	Tamil Nadu Tea Plantation Corporation Limited	Environment and Forest	22 August 1975	2004-05	2005-06	522.97	---	596.18	(-)42.02	907.98	534.53	58.87	---	5,321.05	7,018
19.	Tamil Nadu Forest Plantation Corporation Limited	Environment and Forest	13 June 1974	2004-05	2005-06	683.02	---	376.00	3,466.84	2,836.69	733.02	25.84	---	3,138.18	502

(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	2004-05	2005-06	20.92	---	845.00	(-)2,418.96	(-)622.00	164.65	---	---	1,248.46	208
	Sector-wise total					**1,226.91**		**1,817.18**	**1,005.86**	**3,122.67**	**1,432.20**	**45.86**			
	MINING														
21.	Tamil Nadu Minerals Limited (TAMIN)	Industries	6 April 1977	2004-05	2005-06	33.68	---	786.90	8,723.32	9,128.79	39.03	0.43	---	10,000.00	1,682
	Sector-wise total					**33.68**		**786.90**	**8,723.32**	**9,128.79**	**39.03**	**0.43**			
	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	---	3	65.00	172
23.	Tamil Nadu Police Housing Corporation Limited	Home	30 April 1981	2004-05	2005-06	92.23	---	100.00	521.58	1,319.33	92.23	6.99	---	9,818.00	303
	Sector-wise total					**(-)555.35**		**600.00**	**(-)2,122.28**	**9,333.31**	**(-)464.94**	**---**			
	DRUGS AND CHEMICALS														
24.	Tamil Nadu Medicinal Plant Farms and Herbal Medicine Corporation Limited	Indian Medicine and Homeo-pathy	27 September 1983	2004-05	2005-06	85.01	---	20.75	382.36	439.20	85.02	19.36	---	707.08	115
25.	Tamil Nadu Medical Services Corporation Limited	Health and Family Welfare	1 July 1994	2004-05	2005-06	61.20	---	300.00	194.37	615.41	61.20	9.94	---	1,679.19	317
	Sector-wise total					**146.21**		**320.75**	**576.73**	**1,054.61**	**146.22**	**13.86**			
	SUGAR														
26.	Tamil Nadu Sugar Corporation Limited (TASCO)	Industries	17 October 1974	2004-05	2005-06	(-)209.65	---	779.15	(-)7,014.35	2,447.66	1,004.92	41.06	---	6,358.56	568
27.	Perambalur Sugar Mills Limited (Subsidiary of TASCO)	Industries	24 July 1976	2004-05	2005-06	(-)525.76	---	417.35	(-)6,393.57	2,025.76	432.06	21.33	---	4,275.31	543
	Sector-wise total					**(-)735.41**		**1,196.50**	**(-)13,407.92**	**4,473.42**	**1,436.98**	**32.12**			

(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	2003-04	2004-05	(-)863.79	Under provision of penal interest by Rs.0.36 crore	3,741.80	(-)5,765.69	11,120.40	(-)19.18	---	1	15,739.33	1,906
	Sector-wise total					**(-)863.79**		**3,741.80**	**(-)5,765.69**	**11,120.40**	**(-)19.18**	**---**			
	AREA DEVELOPMENT														
29.	Dharmapuri District Development Corporation Limited	Rural Development and Local Administration	7 November 1975	2002-03	2004-05	20.64	---	15.00	94.94	148.90	21.91	14.71	2	N.A	N.A
	Sector-wise total					**20.64**		**15.00**	**94.94**	**148.90**	**21.91**	**14.71**			
	ECONOMICALLY WEAKER SECTION														
30.	Tamil Nadu Adi Dravidar Housing and Development Corporation Limited	Adi Dravidar and Tribal Welfare	15 February 1974	2003-04	2005-06	530.78	---	7,975.41	837.40	12,173.34	686.02	5.64	1	1,726.00	522
31.	Tamil Nadu Backward Classes Economic Development Corporation Limited	Backward Classes and Most Backward Classes Welfare	16 November 1981	2004-05	2005-06	46.66	Under statement of interest payable by Rs.1.17 crore	1,157.01	215.72	5,240.22	96.92	1.85	---	165.39	14
32.	Tamil Nadu Minorities Economic Development Corporation Limited	Backward Classes and Most Backward Classes Welfare	31 August 1999	2003-04	2004-05	(-)3.46	---	0.01	12.06	535.42	0.80	0.15	1	185.61	10
33.	Tamil Nadu Corporation for Development of Women Limited	Social Welfare and Noon-Meal Programme	9 December 1983	2004-05	2005-06	(-)89.05		78.42	(-)440.11	(-)17.53	(-)78.87	---	---	2,790.52	40
34.	Tamil Nadu Ex-servicemen's Corporation Limited	Public (Ex-service-men)	28 January 1986	2004-05	2005-06	411.41	---	22.91	1,431.96	1,472.39	413.13	28.06	---	4,318.76	50
	Sector-wise total					**896.34**		**9,233.76**	**2,057.03**	**19,403.84**	**1,118.00**	**5.76**			

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	PUBLIC DISTRIBUTION														
35.	Tamil Nadu Civil Supplies Corporation Limited	Food and Consumer protection	21 April 1972	2003-04	2004-05	170.65		3,339.10	(-)8,232.82	19,269.41	1,957.23	10.16	1	2,69,480.35	8,936
	Sector-wise total					**170.65**		**3,339.10**	**(-)8,232.82**	**19,269.41**	**1,957.23**	**10.16**			
	TOURISM														
36.	Tamil Nadu Tourism Development Corporation Limited	Information and Tourism	30 June 1971	2004-05	2005-06	287.92	---	678.63	390.36	2,603.74	312.36	12.00	---	4,056.09	626
Sector-wise total						**287.92**		**678.63**	**390.36**	**2,603.74**	**312.36**	**12.00**			
	FINANCING														
37.	Tamil Nadu Industrial Investment Corporation Limited (TIIC)	Small Industries	26 March 1949	2004-05	2005-06	156.23	---	13,349.56	(-)32,728.86	98,702.45	7,471.88	7.57	---	9,600.00	677
38.	Tamil Nadu Transport Development Finance Corporation Limited	Transport	25 March 1975	2004-05	2005-06	459.83	Under statement of miscellaneous expenditure by Rs.3.89 crore.	6,174.19	5,801.12	95,992.40	8,677.09	9.04	---	9,151.65	42
Sector-wise total						**616.06**		**19,523.75**	**(-)26,927.74**	**1,94,694.85**	**16,148.97**	**8.29**			

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	INFRASTRUCTURE DEVELOPMENT														
39.	Tamil Nadu Urban Finance and Infrastructure Development Corporation Limited	Municipal Admini-stration and Water Supply	21 March 1990	2003-04	2004-05	3,330.65	---	3,200.00	2,454.03	44,785.74	6,725.36	15.02	1	4,494.75	44
40.	Tamil Nadu Power Finance and Infrastructure Development Corporation Limited	Energy	27 June 1991	2004-05	2005-06	2,671.20	---	2,200.00	4,130.59	1,90,803.71	19,798.73	10.38	---	21,625.35	20
41.	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	---	N.A	N.A
	Sector-wise total					**6,009.85**		**5,700.01**	**6,529.86**	**2,53,486.91**	**28,540.81**	**11.26**			
	TRANSPORT														
42.	Metropolitan Transport Corporation Limited	Transport	10 December 1971	2004-05	2005-06	(-)1,263.40	---	24,296.81	(-)41,281.72	(-)6,520.72	(-)315.42	---	---	39,937.24	18,523
43.	Tamil Nadu State Transport Corporation (Madurai) Limited	Transport	10 December 1971	2004-05	2005-06	(-)256.98	---	18,695.96	(-)64,363.82	(-)15,859.37.	2,592.36	---	---	68,132.23	23,815
44.	Tamil Nadu State Transport Corporation (Coimbatore) Limited	Transport	17 February 1972	2004-05	2005-06	1,371.19	Under State-ment of Profit by Rs.1.24 crore	7,739.08	(-)20,148.52	(-)5,594.61	2,236.81	---	---	49,929.70	16,930
45.	Tamil Nadu State Transport Corporation (Kumbakonam) Limited	Transport	17 February 1972	2004-05	2005-06	3,202.11	---	10,484.04	(-)20,260.77	(-)1,074.83	4,273.18	---	---	58,602.22	18,428
46.	Tamil Nadu State Transport Corporation (Salem) Limited	Transport	23 January 1973	2004-05	2005-06	1,352.21	---	4,034.74	(-)7,576.23	463.22	1,754.71	378.81	---	33,595.10	10,686
47.	Tamil Nadu State Transport Corporation (Villupuram) Limited	Transport	9 January 1975	2004-05	2005-06	1,513.05	---	6,610.21	(-)15,524.32	(-)521.72	2,620.02	---	---	61,864.02	17,837

(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	2004-05	2005-06	(-)3,156.12	---	12,075.37	(-)41,270.51	(-)12,744.97	(-)2,380.95	---	---	22,117.80	7,395
	Sector-wise total					**2,762.06**		**83,936.21**	**(-)2,10,425.89**	**(-)41,853.00**	**10,780.71**	**---**			
	MISCELLANEOUS														
49.	Overseas Manpower Corporation Limited	Labour and employment	30 November 1978	2003-04	2004-05	0.67	---	15.00	21.75	37.31	1.48	3.97	1	67.10	20
50.	Tamil Nadu State Marketing Corporation Limited (TASMAC)	Prohibition and Excise	23 May 1983	2003-04	2004-05	230.71	---	1,110.00	252.31	3,328.64	548.02	16.46	1	5,89,000.00	32,488
51.	Poompuhar Shipping Corporation Limited	Highways	11 April 1974	2003-04	2004-05	857.08		2,053.00	(-)964.96	4,670.72	988.63	21.17	1	39,199.36	164
52.	Pallavan Transport Consultancy Services Limited	Transport	20 February 1984	2004-05	2005-06	(-)5.33	---	10.00	(-)75.27	(-)29.95	(-)2.14	---	---	56.56	16
	Sector-wise total					**1,083.13**		**3,188.00**	**(-)766.17**	**8,006.72**	**1,535.99**	**19.18**			
	TOTAL (A)					**9,998.38**		**1,72,478.33**	**(-)2,69,728.40**	**6,80,884.46**	**67,199.50**	**9.87**			
B.	WORKING STATUTORY CORPORATIONS														
	POWER														
1.	Tamil Nadu Electricity Board	Energy	1 July 1957	2003-04	2004-05	(-)1,11,013.00	Net deficit decreased by Rs.16.05 crore	42,500.00	(-)2,40,576.00	11,20,786.00	(-)34,534.00	---	1	9,46,364.00	87,329
	Sector-wise total					**(-)1,11,013.00**		**42,500.00**	**(-)2,40,576.00**	**11,20,786.00**	**(-)34,534.00**	**---**			

(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	2003-04	2004-05	117.85	---	761.00	3,127.63	3,902.80	117.85	3.02	1	1,424.86	559
	Sector-wise total					**117.85**		**761.00**	**3,127.63**	**3,902.80**	**117.85**	**3.02**			
	TOTAL (B)					**(-)1,10,895.15**		**43,261.00**	**(-)2,37,448.37**	**11,24,688.80**	**(-)34,416.15**	**---**			
	GRAND TOTAL (A+B)					**(-)1,00,896.77**		**2,15,739.33**	**(-)5,07,176.77**	**18,05,573.26**	**32,783.35**	**1.82**			
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	---	2	NIL	NIL
2.	Tamil Nadu Poultry Development Corporation Limited	Animal Husbandry and Fisheries	12 July 1973	2004-05	2005-06	(-)54.09	---	126.68	(-)1,023.55	(-)388.06	(-)54.09	---	---	---	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	---	4	---	---
4.	Tamil Nadu State Farms Corporation Limited	Agriculture	8 December 1974	2004-05	2005-06	(-)0.10	---	155.13	(-)1,736.65	0.72	(-)0.10	---	---	---	---
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	---	---	---	---
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	---	11	---	---
	Sector-wise total					**(-)966.75**		**1,149.15**	**(-)7,496.46**	**215.59**	**(-)596.46**	**----**			

(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	---	5	---	---
8.	Tamil Nadu Graphites Limited	Industries	19 March 1997	2004-05	2005-06	(-)0.24	---	10.00	(-)7.36	2.64	(-)0.24	---	---	NIL	NIL
	Sector-wise total					**(-)380.76**		**372.00**	**(-)1,558.17**	**143.02**	**(-)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	---	5	---	---
	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	2002-03	2004-05	(-)3.53	---	5.92	(-)51.00	(-)25.90	(-)3.53	---	2	0.08	2
	Sector-wise total					**(-)3.53**		**5.92**	**(-)51.00**	**(-)25.90**	**(-)3.53**	**---**	**---**		
	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	1991-92	2003-04	(-)9.71	---	0.002	127.86	146.92	(-)9.71	---	13	---	---

(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	2004-05	2005-06	5.39	---	1,391.00	(-)1,222.95	1,565.58	31.01	1.98	---	62.72	4
14.	Tamil Nadu Institute of Information Technology	Higher Education	20 February 1998	2003-04	2004-05	---	---	510.44	(-)510.44	---	---	---	1	NIL	NIL
	Sector-wise total					**(-)4.32**		**1,901.442**	**(-)1,605.53**	**1,712.50**	**21.30**	**1.24**			
	TOTAL (C)					**(-)2,296.34**		**3,853.172**	**(-)17,974.98**	**(-)38.59**	**(-)1,032.85**	**---**			
	GRAND TOTAL (A+B+C)					**(-)1,03,193.11**		**2,19,592.502**	**(-)5,25,151.75**	**18,05,534.67**	**31,750.50**	**1.76**			

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 2005

(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 mora-torium allo-wed	Loans con-verted into equity during the year
		Central Govern-ment	State Govern-ment	Others	Total	Cash credit from banks	Loans from other sources	Letters of credit opened by banks in respect of import	Payment obliga-tion under agree-ment with foreign consul-tants	Total	Loans repay-ment written off	Inter-est waived	Penal inter-est 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	500.00	---	---	500.00	---	(85,709.15)	---	---	(85,709.15)	---	---	---	---	---	---
2.	Tamil Nadu Small Industries Corporation Limited (TANSI)	---	---	---	---	(687.65)	300.00	---	---	300.00 (687.65)	---	---	---	---	---	---
3.	Tamil Nadu Small Industries Development Corporation Limited	65.38 (grants)	303.94	---	303.94 65.38 (grants)	---	---	---	---	---	---	---	---	---	---	---

(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)
	ENGINEERING															
4.	Southern Structurals Limited	---	---	---	---	941.00 (1,065.19)	---	---	---	941.00 (1,065.19)	---	---	---	---	---	---
	ELECTRONICS															
5.	Electronics Corporation of Tamil Nadu Limited	---	117.29 (grants)		117.29 (grants)	---	---	---	---	---	---	---	---	---	---	---
	TEXTILES															
6.	Tamil Nadu Zari Limited	---	---	---	---	---	---	---	112.37 (112.37)	112.37 (112.37)	---	---	---	---	---	---
	HANDLOOM AND HANDICRAFTS															
7.	Tamil Nadu Handicrafts Development Corporation Limited	---	58.80	---	58.80	---	---	---	---	---	---	61.00	36.28	97.28	---	---
8.	Tamil Nadu Handloom Development Corporation Limited	---	---	---	---	550.00 (550.00)	---	---	---	550.00 (550.00)	---	---	---	---	---	---
	CONSTRUCTION															
9.	Tamil Nadu State Construction Corporation Limited	---	---	---	---	(22.74)	1,607.85 (10,199.33)	---	---	1,607.85 (10,222.07)	---	---	---	---	---	---
	DRUGS AND CHEMICALS															
10.	Tamil Nadu Medicinal Plant Farms and Herbal Medicine Corporation Limited	20.00 (grants)	---	---	20.00 (grants)	---	---	---		---	---	---	---	---	---	---
11.	Tamil Nadu Medical Services Corporation Limited	---	---	---	---	---	(8,138.69)	---	---	(8,138.69)	---	---	---	---	---	---
	SUGAR															
12.	Tamil Nadu Sugar Corporation Limited	---	---	---	---	4,100.00 (3,638.92)	1,033.57 (2.47)	---	---	5,133.57 (3,641.39)	---	---	---	---	---	---

(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)
13.	Perambalur Sugar Mills Limited	---	---	---	---	3,650.00 (2,452.96)	858.00 (858.00)	---	---	4,508.00 (3,310.96)	---	---	---	---	---	---
	ECONOMICALLY WEAKER SECTION															
14.	Tamil Nadu Adi Dravidar Housing and Development Corporation Limited	3,995.52	---	---	3,995.52	---	971.36 (3,332.00)	---	---	971.36 (3,332.00)	---	---	---	---	---	---
15.	Tamil Nadu Backward Classes Economic Development Corporation Limited	---	64.61	---	64.61	---	7,027.07 (3,563.45)	---	---	7,027.07 (3,563.45)	---	---	---	---	---	---
16.	Tamil Nadu Minorities Economic Development Corporation Limited	---	---	---	---	---	250.00	---	---	250.00	---	---	---	---	---	---
17.	Tamil Nadu Corporation for Development of Women Limited	197.20 (grants)	2,458.35 (grants)	---	2,655.55 (grants)	---	(32.29)	---	---	(32.29)	---	---	---	---	---	---
	PUBLIC DISTRIBUTION															
18.	Tamil Nadu Civil Supplies Corporation Limited	---	1,00,035.00	---	1,00,035.00	(2,000.00)	---	---	---	(2,000.00)	---	---	---	---	---	---
	TOURISM															
19.	Tamil Nadu Tourism Development Corporation Limited	542.20	---	---	542.20	---	---	---	---	---	---	---	---	---	---	---
	FINANCING															
20.	Tamil Nadu Industrial Investment Corporation Limited	---	1,200.00	---	1,200.00	---	28,500.00 (48,324.00)	---	---	28,500.00 (48,324.00)	---	---	---	---	---	6,100.00
21.	Tamil Nadu Transport Development Finance Corporation Limited	---	---	---	---	---	(8,000.00)	---	---	(8,000.00)	---	---	---	---	---	---

(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)
	INFRASTRUCTURE DEVELOPMENT															
22.	Tamil Nadu Urban Finance and Infrastructure Development Corporation Limited	5,149.92 (grants)	5,986.44 (grants)	---	11,136.36 (grants)	---	---	---	---	---	---	---	---	---	---	---
23.	Tamil Nadu Rural Housing and Infrastructure Development Corporation Limited	---	---	---	---	---	(19,328.11)	---	---	(19,328.11)	---	---	---	---	---	---
	TRANSPORT															
24.	Metropolitan Transport Corporation Limited	---	4,000.00		4,000.00	---	---	---	---	---	---	---	---	---	---	---
25.	Tamil Nadu State Transport Corporation (Madurai) Limited	---	6,200.00	---	6,200.00	(225.00)	---	---	---	(225.00)	---	---	---	---	---	---
26.	Tamil Nadu State Transport Corporation (Coimbatore) Limited	---	2,913.00	---	2,913.00	---	---	---	---	---	---	---	---	---	---	---
27.	Tamil Nadu State Transport Corporation (Kumbakonam) Limited	---	3,900.00	---	3,900.00	---	---	---	---	---	---	---	---	---	---	---
28.	Tamil Nadu State Transport Corporation (Salem) Limited	---	2,000.00	---	2,000.00	---	---	---	---	---	---	---	---	---	---	---
29.	Tamil Nadu State Transport Corporation (Villupuram) Limited	---	3,117.35	---	3,117.35	---	---	---	---	---	---	---	---	---	---	---
	MISCELLANEOUS															
30.	Tamil Nadu State Marketing Corporation Limited	---	---	---	---		(6,500.00)	---	---	(6,500.00)	---	---	---	---	---	---
	TOTAL (A)	5,037.72 5,432.50 (grants)	1,23,792.70 8,562.08 (grants)	---	1,28,830.42 13,994.58 (grants)	9,241.00 (10,642.46)	40,547.85 (1,93,987.49)	---	112.37 (112.37)	49,901.22 (2,04,742.32)	---	61.00	36.28	97.28	---	6,100.00

(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)
(B)	**STATUTORY CORPORATIONS**															
31.	Tamil Nadu Electricity Board	---	92,454.55 61.47 (grants)	143.86 (grants)	92,454.55 205.33 (grants)	---	(3,84,496.00)	---	---	(3,84,496.00)	---	---	---	---	---	---
	TOTAL (B)	---	92,454.55 61.47 (grants)	143.86 (grants)	92,454.55 205.33 (grants)	---	(3,84,496.00)	---	---	(3,84,496.00)	---	---	---	---	---	---
	GRAND TOTAL (A+B)	5,037.72 5,432.50 (grants)	2,16,247.25 8,623.55 (grants)	143.86 (grants)	2,21,284.97 14,199.91 (grants)	9,241.00 (10,642.46)	40,547.85 (5,78,483.49)	---	112.37 (112.37)	49,901.22 (5,89,238.32)	---	61.00	36.28	97.28	---	6,100.00

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 2004-05 (Serial numbers A-1, 2, 5 to 7, 10 to 13, 15, 17, 19 to 21, 23 to 29) 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	2002-03	2003-04	2004-05 (Provisional)
1.TAMIL NADU ELECTRICITY BOARD			
A. LIABILITIES			
Equity capital[♣]	225.00	425.00	510.00
Loans from Government	---	---	---
Other long-term loans (including bonds)	7,281.82	9,104.85	9,280.47
Reserves and surplus	1,314.81	1,347.82	1,375.65
Others (subsidy)	2,346.99	2,755.27	3,145.69
Current liabilities and provisions	6,324.95	5,874.00	7,046.99
TOTAL (A)	**17,493.57**	**19,506.94**	**21,358.80**
B. ASSETS			
Gross fixed assets	14,769.20	16,535.08	17,516.29
LESS: Depreciation	5,329.05	6,291.60	7,363.36
Net fixed assets	9,440.15	10,243.48	10,152.93
Capital works-in-progress	2,910.38	2,702.26	3,179.93
Assets not in use	2.55	0.31	0.28
Deferred cost	4.59	9.81	7.65
Current assets	3,830.98	4,136.12	4,497.51
Investments	9.29	9.20	9.24
Subsidy receivable from the Government	---	----	---
Deficits	1,295.63	2,405.76	3,511.26
TOTAL (B)	**17,493.57**	**19,607.63**	**21,358.80**
C. CAPITAL EMPLOYED[♠]	**9,856.56**	**11,207.86**	**10,783.38**

♣ 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	**2002-03**	**2003-04**	**2004-05 (Provisional)**
A. LIABILITIES			
Paid-up capital	7.61	7.61	7.61
Reserves and surplus	30.40	31.27	33.22
Subsidy	0.19	0.19	0.18
Trade dues and current liabilities (including provision)	7.25	7.43	9.06
TOTAL	**45.45**	**46.50**	**50.07**
B. ASSETS			
Gross block	39.89	40.02	40.33
LESS: Depreciation	10.93	12.01	13.04
Net fixed assets	28.96	28.01	27.29
Capital works-in-progress	0.05	---	---
Current assets, loans and advances	16.44	18.49	22.78
TOTAL	**45.45**	**46.50**	**50.07**
C. CAPITAL EMPLOYED•	**38.20**	**39.07**	**41.01**

• Capital employed represents net fixed assets PLUS working capital

ANNEXURE-5

(Referred to in paragraph 1.7)

Statement showing working results of Statutory corporations

1. TAMIL NADU ELECTRICITY BOARD

(Rupees in crore)

Sl. No	Particulars	2002-03	2003-04	2004-05 (Provisional)
1.	(a) Revenue receipts	9,515.74	11,508.21	11,835.22
	(b) Subsidy/subvention from Government	2,212.14	250.00	924.50
	TOTAL	**11,727.88**	**11,758.21**	**12,759.72**
2.	Revenue expenditure (net of expenses capitalised) including write off of intangible assets but excluding depreciation and interest	10,203.30	11,421.15	11,945.41
3.	Gross surplus (+) / deficit (-) for the year (1-2)	1,524.58	337.06	814.31
4.	Adjustments relating to previous years	82.45	287.57	11.25
5.	Final gross surplus (+) / deficit (-) for the year (3+4)	1,607.03	624.63	825.56
6.	(a) Depreciation (LESS: Capitalised)	816.73	969.97	1,079.13
	(b) Interest on Government loans	---	---	---
	(c) Interest on others, bonds, advance, etc., and finance charges	931.72	981.02	1,084.30
	(d) Total interest on loans and finance charges (b) + (c)	931.72	981.02	1,084.30
	(e) LESS: Interest capitalized	253.99	216.23	232.38
	(f) Net interest charged to revenue (d) – (e)	677.73	764.79	851.92
	(g) Total appropriations (a) + (f)	1,494.46	1,734.76	1,931.05
7.	Surplus (+) / deficit (-) before accounting for subsidy from State Government {(5) – 6 (g) – 1 (b)}	(-)2,099.57	(-)1,360.13	(-)2,029.99
8.	Net surplus (+)/ deficit (-) {(5) – 6(g)}	112.57	(-)1,110.13	(-)1,105.49
9.	**Total return on capital employed°**	**790.30**	**(-)345.34**	**(-)253.57**
10.	**Percentage of return on capital employed**	**8.02**	---	

° 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	2002-03	2003-04	2004-05 (Provisional)
1.	**Income**			
(a)	Warehousing charges	15.76	11.72	11.73
(b)	Other income	1.21	1.37	1.71
	TOTAL	**16.97**	**13.09**	**13.44**
2.	**Expenses**			
(a)	Establishment charges	7.31	7.41	7.17
(b)	Other expenses	6.81	4.40	4.61
	TOTAL	**14.12**	**11.81**	**11.78**
3.	Profit (+) / Loss (-) before tax	2.85	1.28	1.66
4.	Other appropriations/adjustments	0.46	0.10	0.72
5.	Amount available for dividend	3.31	1.18	2.38
6.	Dividend for the year (excluding dividend tax)	0.53	0.31	0.34
7.	**Total return on capital employed**	**2.71**	**1.18**	**2.38**
8.	**Percentage of return on capital employed**	**7.09**	**3.02**	**5.80**

ANNEXURE-6

(Referred to in paragraph 1.11)

Statement showing operational performance of Statutory corporations

1. TAMIL NADU ELECTRICITY BOARD

Sl. No	Particulars	2002-03	2003-04	2004-05 (Provisional)
1.	Installed capacity		(MW)	
(a)	Thermal	2,970	2,970	2,970
(b)	Hydel	1,996	1,996	1,988
(c)	Gas	321	424	424
(d)	Other	19	19	19
	TOTAL	**5,306**	**5,409**	**5,401**
2.	Normal maximum demand	6,957	7,253	7,556
	Percentage increase/decrease (-) over previous year	4.04	4.25	4.18
3.	Power generated		(MKWH)	
(a)	Thermal	21,080	20,431	20,004
(b)	Hydel	2,724	2,067	4,426
(c)	Gas	1,107	1,592	2,003
(d)	Other	18	24	18
	TOTAL	**24,929**	**24,114**	**26,451**
	Percentage increase/decrease (-) over previous year	(-)2.48	(-)3.27	9.69
	LESS: Auxiliary consumption			
(a)	Thermal	1,811	1,736	1,735
	(Percentage)	8.59	8.50	8.67
(b)	Hydel	201	484	251
	(Percentage)	7.38	23.42	5.67
(c)	Gas	51	86	115
	(Percentage)	0	5.40	5.74
	TOTAL	**2,063**	**2,306**	**2,101**
	(Percentage)	8.28	9.56	7.94
5.	Net power generated	22,866	21,808	24,350
6.	Power purchased			
(a)	Within the State			
	(i) Government	---	8,391	8,606
	(ii) Private	4,994	5,997	4,825
(b)	Other States	4,067	---	---

Sl. No	Particulars	2002-03	2003-04	2004-05 (Provisional)
(c)	Central grid	12,399	10,996	12,463
7.	**Total power available for sale**	**44,326**	**47,192**	**50,244**
8.	Power sold			
	(a) Within the State	36,077	38,374	40,848
	(b) Outside the State	270	323	352
9.	Transmission and distribution losses	7,979	8,495	9,044
10.	Load factor (Percentage)			
(a)	Hydel	15.58	11.88	25.00
(b)	Thermal	81.0	78.53	77.00
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)	0.64	0.64	0.64
13.	Number of pump sets/wells energised (in lakh)	16.76	17.03	17.37
14.	Number of sub-stations	984	1,044	1,082
15.	Transmission and Distribution lines (in lakh KMs)			
(a)	High/medium voltage	1.24	1.44	1.46
(b)	Low voltage	4.56	4.68	4.77
16.	Connected load (in MW)	27,538	29,404	31,981
17	Number of consumers (in lakh)	161.44	166.51	171.27
18.	Number of employees (in lakh)	0.87	0.84	0.80
19.	Consumer/employees ratio (No. of consumers per employee)	185.56	198.22	214.09
20.	Total expenditure on staff during the year (Rupees in crore)	1,552.67	1,634.26	1,647.98
21.	Percentage of expenditure on staff to total revenue expenditure	13.18	12.42	11.87
22.	Units sold		(MKWH)	
(a)	Agriculture	9,030	9,588	9,764
	Percentage share to total units sold	24.84	24.78	23.70
(b)	Industrial	12,667	13,497	15,349
	Percentage share to total units sold	34.85	34.88	37.25
(c)	Commercial	3,586	3,498	3,794
	Percentage share to total units sold	9.87	9.04	9.21
(d)	Domestic	9,003	9,894	9,857
	Percentage share to total units sold	24.77	25.57	23.92
(e)	Others	2,061	2,221	2,436
	Percentage share to total units sold	5.67	5.73	5.92
	TOTAL	**36,347**	**38,697**	**41,200**

Sl. No	Particulars	2002-03	2003-04	2004-05 (Provisional)
		(Paise per KWH)		
(a)	Revenue (excluding subsidy from Government)	262	297	287
(b)	Expenditure[*]	296	315	319
(c)	Profit (+) / Loss (-)	(-)34	(-)18	(-)32
(d)	Average subsidy claimed from Government	61	06	22
(e)	Average interest charges	26	29	29

2. TAMIL NADU WARE HOUSING CORPORATION

	Particulars	2002-03	2003-04	2004-05
	Number of stations covered	66	65	65
	Storage capacity created up to the end of the year (tonne in lakh)			
(a)	Owned	6.00	6.00	6.00
(b)	Hired	0.37	0.36	0.36
	TOTAL	**6.37**	**6.36**	**6.36**
	Average capacity utilised during the year (lakh metric tonnes)	5.34	3.69	3.52
	Percentage of utilization	73	58	55
	Average revenue per metric tonne per year (Rupees)	317.79	354.72	381.88
	Average expenses per metric tonne per year (Rupees)	264.42	320.28	334.68

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

ANNEXURE-7

(Referred to in paragraph 1.27)

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	4	A-1, 15, 17 and 27
2.	Lack of details on fixed assets	4	A-5, 16, 17 and 37
3.	Absence of system to monitor timely recovery of dues and non-obtaining of confirmation of balances	3	A-5, 17 and 21
4.	Absence of system to identify obsolete stores	2	A-5 and 16
5.	Lack of internal control system	1	A-37
6.	Non-inclusion of specific areas of attention in Internal Audit Reports	3	A-5, 8 and 28
7.	Lack of follow-up on internal audit suggestions	2	A-3 and 16
8.	Lack of norms for rejections in production	1	A-5
9.	Need to improve utilisation of computers	2	A-21 and 28

ANNEXURE-8

(Referred to in paragraph 1.30)

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	2004-05	2,266.01	---	668.40 (29.5%)	695.10 (30.7%)	902.51 (39.8%)	---	---	---	---	668.40	695.10	(-)559.72	(-)3,722.12
2.	Tidel Park Limited	Working	2004-05	4,400.00	---	1,275.00 (29%)	---	3,125.00 (71%)	---	---	---	---	1,275.00	---	2,588.91	5,144.13
3.	Tamil Nadu Newsprints and Papers Limited	Working	2004-05	6,935.99	2,444.49 (35.2%)	236.02 (3.4%)	---	4,255.48 (61.4%)	---	---	---	2,444.49	236.02	---	3,794.60	21,531.48

ANNEXURE-9

(Referred to in paragraph 2.13)

Statement showing production hours lost due to various reasons in Tamil Nadu Sugar Corporation Limited and Perambalur Sugar Mills Limited

(Figures in percentage)

Sl. No.	Reasons	Norm	TASCO (AASM)					PSM				
			2000-01	2001-02	2002-03	2003-04	2004-05	2000-01	2001-02	2002-03	2003-04	2004-05
1.	Non-availability of sugarcane	2	3.91	3.54	1.72	2.10	6.95	0.98	0.57	0.90	8.02	10.38
2.	Engineering	2.5	3.95	5.18	2.51	2.12	0.56	8.70	8.74	8.55	2.03	2.50
3.	General cleaning	3	3.58	4.51	4.10	2.51	3.98	4.19	6.20	4.77	---	3.17
4.	Others	0.5	1.01	0.22	0.76	1.67	----	0.22	1.08	0.92	1.33	0.35
5.	Total	8	12.45	13.45	9.09	8.40	11.49	14.09	16.59	15.14	11.38	16.40

ANNEXURE-10

(Referred to in paragraph 2.17)

Statement showing extra expenditure due to excess consumption of steam over the norm in Tamil Nadu Sugar Corporation Limited and Perambalur Sugar Mills Limited

Sl. No.		2000-01	2001-02	2002-03	2003-04	2004-05
TAMIL NADU SUGAR CORPORATION LIMITED (AASM)						
1.	Power generation (Kwh)	92,55,152	88,35,834	85,66,306	74,21,410	56,61,540
2.	Steam required as per norm of 75 Kwh per tonne of steam (MT)	1,23,402	1,17,811	1,14,217	98,952	75,487
3.	Steam actually consumed (MT)	1,29,268	1,16,771	1,24,174	1,07,987	85,025
4.	Excess consumption of steam (MT)	5,865	---	9,957	9,035	9,538
5.	Generation cost of steam (Rupees per MT)	162.23	293.87	377.09	382.37	382.37
6.	Extra expenditure incurred (Rupees in lakh)	9.51	---	37.55	34.55	36.47
PERAMBALUR SUGAR MILLS						
1.	Power generation (Kwh)	89,30,476	97,55,562	97,26,733	49,40,067	61,85,760
2.	Steam required as per norm of 75 Kwh per tonne of steam (MT)	1,19,073	1,30,074	1,29,690	65,868	82,477
3.	Steam actually consumed (MT)	1,31,804	1,44,483	1,43,847	71,612	90,045
4.	Excess consumption of steam (MT)	12,731	14,409	14,157	5,754	7,568
5.	Generation cost of steam (Rupees per MT)	245.23	245.06	257.54	310.74	310.74
6.	Extra expenditure incurred (Rupees in lakh)	31.22	35.31	36.46	17.85	23.52

ANNEXURE-11

(Referred to in paragraph 2.18)

Statement showing cost of excess power consumed in Tamil Nadu Sugar Corporation Limited and Perambalur Sugar Mills Limited

Sl. No.		TASCO (AASM)					PSM				
		2000-01	2001-02	2002-03	2003-04	2004-05	2000-01	2001-02	2002-03	2003-04	2004-05
1.	Power consumed KWH	1,03,93,160	1,02,91,733	95,36,135	81,43,882	65,07,101	97,51,945	1,04,82,562	1,06,70,061	55,85,823	62,90,002
2.	Sugarcane crushed MT	4,11,132	3,76,235	4,19,479	3,71,063	2,91,319	4,34,774	4,40,060	4,34,038	2,04,788	2,75,711
3.	Power consumption per MT of sugarcane crushed (KWH)	25.28	27.35	22.73	21.95	22.33	22.43	23.82	24.58	27.28	22.81
4.	Excess power consumed Vs norm of 21 KWH	4.28	6.35	1.73	0.95	1.33	1.43	2.82	3.58	6.28	1.81
5.	Excess power consumed (in lakh KWH) (2) X (4)	17.60	23.89	7.26	3.53	3.88	6.22	12.41	15.54	12.86	4.99
6.	Average rate of power (as per cost audit report) (Rupees per KWH)	1.05	1.37	1.54	1.77	1.77	1.21	1.13	1.34	1.69	1.69
7.	Cost of excess power consumed (Rupees in lakh) (5) X (6)	18.48	32.73	11.18	6.24	6.86	7.53	14.02	20.82	21.73	8.43

ANNEXURE-12

List of Government companies reviewed for Corporate Governance

(Referred to in paragraphs 4.19.2 and 4.19.14)

Sl.No.	Name of the Company	Paid-up capital as on 31 March 2004 (Rupees in lakh)
	Listed companies	
1.	Tamil Nadu Telecommunications Limited (TTL)	2,266.01
2.	Tamil Nadu Newsprints and Papers Limited (TNPL)	6,935.86
3.	Tamil Nadu Industrial Explosives Limited (TEL)	2,695.68
	Unlisted companies	
4.	Tamil Nadu Industrial Development Corporation Limited (TIDCO)	9,417.31
5.	Tamil Nadu Small Industries Development Corporation Limited (SIDCO)	770.00
6.	Tamil Nadu Magnesite Limited (TANMAG)	1,665.00
7.	Electronics Corporation of Tamil Nadu Limited (ELCOT)	2,593.05
8.	Tamil Nadu Minerals Limited (TAMIN)	786.90
9.	Tamil Nadu Sugar Corporation Limited (TASCO)	779.15
10.	Tamil Nadu Cements Corporation Limited (TANCEM)	3,741.80
11.	Tamil Nadu Adir Dravidar Housing and Development Corporation Limited (TAHDCO)	7,575.41
12.	Tamil Nadu Backward Classes Economic Development Corporation Limited (TABEDCO)	1,157.01
13.	Tamil Nadu Civil Supplies Corporation Limited (TNCSC)	3,319.10
14.	Tamil Nadu Tourism Development Corporation Limited (TTDC)	678.63
15.	Tamil Nadu Urban Finance and Infrastructure Development Corporation Limited (TUFIDCO)	3,200.00
16.	Overseas Manpower Corporation Limited (OMPC)	15.00
17.	Poompuhar Shipping Corporation Limited (PSC)	2,053.00
18.	TIDEL Park Limited	4,400.00
19.	Tamil Nadu State Marketing Corporation Limited (TASMAC)	860.00
20.	Tamil Nadu Fisheries Development Corporation Limited (TDFC)	445.52
21.	State Industries Promotion Corporation of Tamil Nadu Limited (SIPCOT)	14,321.25
22.	Tamil Nadu Salt Corporation Limited (SALT)	317.01
23.	Tamil Nadu Small Industries Corporation Limited (TANSI)	1,505.26
24.	Arasu Rubber Corporation Limited (ARC)	845.00
25.	Tamil Nadu Textiles Corporation Limited	154.00
26.	Tamil Nadu Zari Limited (Zari)	34.40
27.	Tamil Nadu Handicrafts Development Corporation Limited	293.40

Sl.No.	Name of the Company	Paid-up capital as on 31 March 2004 (Rupees in lakh)
28.	Tamil Nadu Handloom Development Corporation Limited	429.24
29.	Tamil Nadu Forest Plantation Corporation Limited (TAFCORN)	376.00
30.	Perambalur Sugar Mill Limited (PSM)	417.35
31.	Tamil Nadu Ex-servicemen's Corporation Limited	22.91
32.	Tamil Nadu Power Finance and Infrastructure Development Corporation Limited	2,200.00
33.	Tamil Nadu Corporation for Development of Women Limited	78.42
34.	Tamil Nadu Police Housing Corporation Limited	100.00
35.	Tamil Nadu Medicinal Plant Farms and Herbal Medicines Corporation Limited	20.75
36.	Tamil Nadu Medical Services Corporation Limited	300.00
37.	Pallavan Transport Consultancy Services Limited (PTCS)	10.00
38.	Metropolitan Transport Corporation Limited (MTC)	24,296.81
39.	Tamil Nadu State Transport Corporation (Madurai) Limited	18,695.96
40.	Tamil Nadu State Transport Corporation (Coimbatore) Limited	7,739.08
41.	Tamil Nadu State Transport Corporation (Kumbakonam) Limited	10,484.04
42.	Tamil Nadu Industrial Investment Corporation Limited (TIIC)	7,249.56
43.	Tamil Nadu Transport Development Finance Corporation Limited (TDFC)	6,174.18
44.	State Express Transport Corporation Limited (SETC)	12,075.37
45.	Tamil Nadu State Transport Corporation (Salem) Limited	4,034.74
46.	Tamil Nadu State Transport Corporation (Villupuram) Limited	6,610.21

ANNEXURE-13

(Referred to in paragraph 4.19.11)

Attendance of Directors in the Board Meetings of Government companies

Sl. No	Name of the Company	Period	Number of meetings held	Number of Directors	Number of meetings attended
1.	Tamil Nadu Corporation for Development of Women Limited	2001-02 to 2004-05	13	1	2
2.	Metropolitan Transport Corporation Limited	2001-02 to 2004-05	18	1	NIL
3.	Tamil Nadu State Transport Corporation (Madurai) Limited	2002-04	8	1	1
		2003-04	4	1	NIL
4.	Tamil Nadu State Transport Corporation (Coimbatore) Limited	2001-02 to 2002-03	9	1	3
		2001-02	5	1	2
		2003-04	5	1	1
		2002-03 to 2003-04	9	1	1
5.	Tidel Park Limited	2001-02 to 2004-05	14	1	1
6.	Tamil Nadu Forest Plantation Corporation Limited	2001-02 to 2004-05	18	1	3
7.	Electronics Corporation of Tamil Nadu Limited	2001-02 to 2004-05	23	1	4

ANNEXURE-14

(Referred to in paragraph 4.19.12)

Attendance in Annual General Meetings of Government companies

Sl.No.	Name of the Company	Year of Annual General Meeting	Total number of directors	Number of directors not attended the meeting
1.	Arasu Rubber Corporation Limited	2002-03 to 2004-05	10	1
2.	Tamil Nadu Minerals Limited	2002-03 and 2004-05	7	3
3.	Tamil Nadu Civil Supplies Corporation Limited	2001-02 to 2004-05	10	8
4.	Tamil Nadu Urban Finance and Infrastructure Development Corporation Limited	2001-02	11	6
		2002-03	11	8
		2003-04	8	5
5.	Tamil Nadu State Transport Corporation (Madurai) Limited	2001-02	8	1
		2002-04	7	
		2004-05	10	
6.	Tidel Park Limited	2001-02	11	8
		2002-03	11	10
		2003-04	11	7
		2004-05	11	7

ANNEXURE-15

(Referred to in paragraph 4.19.13)

Vacancy position of Directors in Government companies

Sl.No.	Name of the Company	Total number of directors	Vacancy position of Directors	Vacant from
1.	Tamil Nadu Fisheries Development Corporation Limited	9	2	15.07.2004
2.	Tamil Nadu Industrial Development Corporation Limited	5	1	14.07.2004
3.	Tamil Nadu Textile Corporation Limited	7	3	December 2002
4.	Tamil Nadu Handloom Development Corporation Limited	12	3	29.12.2004
5.	Arasu Rubber Corporation Limited	10	1	June 2002 to December 2004
			1	December 2004
6.	Tamil Nadu Sugar Corporation Limited	9	2	15.06.2004
7.	Perambalur Sugar Mills Limited	6	1	01.08.2004
8.	Tamil Nadu Urban Finance and Infrastructure Development Corporation Limited	11	3	30.06.2003
9.	Tamil Nadu Power Finance and Infrastructure Development Corporation Limited	7	1	22.02.2004
10.	Tamil Nadu State Transport Corporation (Villupuram) Limited	11	1	June 2004
11.	Poompuhar Shipping Corporation Limited	7	1	10.12.2004
12.	Tidel Park Limited	11	1	29.09.2004

ANNEXURE-16

(Referred to in paragraph 4.21)

Statement showing details of companies having similar objectives

Sl. No	Name of the company	Date of incorporation	Objectives	Period of accounts	Administration expenses (Rupees in lakh)	Status as per latest available accounts profit (+)/ loss (-)	Accumulated loss
Industry							
1.	Tamil Nadu Industrial Development Corporation Limited	25 May 1965	Promoting, improving, establishing and developing industries in the State. Promoting and operating for the dispersal of industries in a manner conducive to the balance regional development of the various parts of the State.	2003-04	313.39	40.34	---
2.	Tamil Nadu Small Industries Development Corporation Limited	23 March 1970	Promoting the interest of small or any other industries in the State and providing them with assistance of all kinds. Promoting and operating schemes for the development of industries in the State.	2003-04	1,171.37	17.21	---
3.	State Industries Promotion Corporation of Tamil Nadu Limited	25 March 1971	Carrying on the business of an investment company for providing industrial finance to industrial enterprises in the State for starting, running, expanding, modernizing or otherwise. The main objective did not provide for area development activities however, based on the Government order the company is engaged in acquisition and development of land with infrastructure facilities to promote industrial development.	2003-04	600.10	8575.08	----

Sl. No	Name of the company	Date of incorpo-ration	Objectives	Period of accounts	Administration expenses (Rupees in lakh)	Status as per latest available accounts profit (+)/ loss (-)	Accumulated loss
Forest							
4.	Tamil Nadu Forest Plantation Corporation Limited	13 June 1974	Acquiring on lease Government forest lands for raising forest plantations in particular of eucalyptus, cashew, casuarina or other suitable species for the purpose of development of industries based on their produce. Carrying on the business of planters, cultivators, sellers and dealers in timber, plywood, pulpwood, matchwood, etc.	2003-04	706.64	342.79	---
5.	Tamil Nadu Tea Plantation Corporation Limited	22 August 1975	Promoting, purchasing, leasing or developing tea and coffee estates in the State. Carrying on the business of planters, cultivators, sellers and dealers in tea and coffee and other commercial crops.	2003-04	79.32	(-)379.66	564.98
6.	Arasu Rubber Corporation	10 August 1984	Acquiring on lease from the State Government the rubber plantations in Kanyakumari District and other suitable areas in the State by purchase or lease for raising rubber and other plantations. Carrying on the business of planters, cultivators, sellers and dealers in tea, coffee, cocoa and other agricultural crops.	2003-04	33.53	117.44	2439.88
Construction							
7.	Tamil Nadu State Construction Corporation Limited	8 February 1980	Investigating, designing and constructing all kinds of work in the State or outside the State for private or public.	2001-02	237.10	(-)647.58	2643.85
8.	Tamil Nadu Police Housing Corporation Limited	30 April 1981	Investigating, designing, executing and constructing of all kinds of works and conveniences in the State or elsewhere. Formulating and executing various schemes for serving and retired Government servants in the Police Department.	2003-04	744.62	86.66	---

Sl. No	Name of the company	Date of incorpo-ration	Objectives	Period of accounts	Administration expenses (Rupees in lakh)	Status as per latest available accounts profit (+)/ loss (-)	Accumulated loss
Infrastructure Development							
9.	Tamil Nadu Urban Finance and Infrastructure Development Corporation Limited	21 March 1990	Providing financial assistance by way of loans and advances to local bodies for development schemes, carrying on the business of leasing, hire purchase, bills discounting, securitization of all kinds.	2003-04	122.33	3330.65	-----
10.	Tamil Nadu Power Finance and Infrastructure Development Corporation Limited	27 June 1991	Financing or providing funds required for the acquisition, construction operation and maintenance of projects and schemes for the infrastructure development. Financing hire purchase requirement of cables, transformers etc. of Tamil Nadu Electricity Board.	2003-04	164.23	487.20	----
	Total (except Sl.Nos.1, 4, 7 and 9)				2,793.17		

ANNEXURE-17

(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	Total
1.	Adi Dravidar and Tribal Welfare	---	---	---	---	1	1	2
2.	Energy	---	---	---	1	---	---	1
3.	Handloom, Handicraft, Textiles and Khadi	---	---	---	---	1	---	1
4.	Highways	---	1	---	---	1	---	2
5.	Industries	---	---	7	5	5	4	21
6.	Rural Development and Local Administration	1	---	---	---	---	---	1
7.	Small Industries	---	---	6	4	4	4	18
8.	Transport	---	---	---	---	1	---	1
	TOTAL	**1**	**1**	**13**	**10**	**13**	**9**	**47**

ANNEXURE-18

(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 Adi Dravidar Housing and Development Corporation Limited						
1.	Inadequate internal control / Internal Audit system	2000-01/ 4A.9.1	Rs.0.17 crore	Failure to evolve effective internal control systems, despite repeatedly being pointed out by the Statutory Auditors, resulted in misappropriation of Rs.20.56 lakh during the years 1998-99 and 1999-2000. Out of this amount, a sum of Rs.3.40 lakh was recovered. The Company had placed the delinquent officials under suspension and also lodged criminal complaints. The outcome of the investigation was awaited.	A test check in audit revealed the following system deficiencies which facilitated the misappropriation: (a) Maintenance of control records for collection and remittance by the same person (b) Issue of receipts by cashier without counter signature by the competent authority (c) Inordinate delay in preparation of Bank Reconciliation statement and (4) No check regarding collection of margin money, subsidy etc., and similarly payments to the beneficiaries by the branches.	The Company, while accepting the loss, stated (June 2001) that action has been taken to improve the existing system with respect to collections, issue of cash receipts, etc. The matter was reported to the Government in June 2001; their reply had not been received (September 2001). Further developments and outcome of the investigation are awaited (June 2005).

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
		2002-03/ 2.13	Not quantified	The Company did not have any effective internal audit system. The Statutory auditors had been repeatedly mentioning in their reports since 1988-89 that the Company did not have any formal internal audit system commensurate with the size and nature of business. Statutory auditors had further stated that the existing internal checking system needed to be strengthened. Though the Company has nominated an officer as Internal Audit Officer, he is not being assigned exclusive internal audit work.	As the Company has 29 district offices, there is an urgent need for a full-fledged and independent internal audit wing for the Company.	Further developments are awaited (June 2005).

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
2. Tamil Nadu Small Industries Development Corporation Limited						
1.	Non-recovery/delayed recovery of capital cost from the allottees	2000-01/ 4A.5.1	Rs.1.25 crore	Failure of the Company to draft the provisional allotment order properly and inordinate delay in working out and intimating the final cost of construction resulted in non-recovery of Rs.1.25 crore for more than five years.	The Company should have drafted the provisional allotment order properly and should have avoided the delay in working out the final cost of construction.	The matter was reported to the Company and the Government in July 2001; their replies had not been received. Further developments are awaited (June 2005).
		2002-03/ 4.12	Rs.1.14 crore + Rs.75.05 lakh	Failure to recover expenditure on special maintenance as per the Memorandum of Understanding (MOU) resulted in blocking of Rs.1.14 crore besides interest loss of Rs.75.05 lakh.	Audit observed that as per the terms of MOU, the Company could have recovered the amount by the end of 1999-2000. However, the Company could collect only Rs.2.34 crore during the years 1998-99 to 2002-03.	The Company stated (March 2003) that earnest efforts were being made to recover the amount at the earliest. But the fact remained that even after four years, the amount was not fully collected despite the fact that adequate provisions existed in the MOU to safeguard the financial interests of the Company. The matter was reported to Government in April 2003. Their reply had not been received. Further developments are awaited (June 2005).
2.	Failure to conduct demand survey resulted in idle/unfruitful investment	2001-02/ 4A.4.1	Rs.4.16 crore + Rs.1.46 crore	The Company without conducting proper demand survey, purchased land for development of industrial plots.	Before purchase of land for development of industrial plots, the Company should have conducted proper demand survey and cost benefit analysis.	The Government in its reply (August 2002) inter alia, stated the agreement had been entered with SIPCOT to sell these plots through them at their selling price.

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
				This has resulted in blocking up of Rs.4.16 crore and consequent interest loss of Rs.1.46 crore.		Further developments are awaited (June 2005).
		2002-03/ 4.11	Rs.1.36 crore	Failure of the Company to assess the demand before developing an industrial estate resulted in blocking up of funds Rs.1.36 crore for more than six years.	Before developing an industrial estate the Company should have assessed demand potential.	The Company in its reply (December 2002) stated that as a Government undertaking, it had the responsibility for the formation of industrial estate in backward and rural areas, where there was reasonable demand. However, Audit observed that there was no demand at all in this case and the Company was able to allot only two sheds till September 2003. Thus, the industrial estate was developed without any demand survey before hand. Further developments are awaited (June 2005).

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ANNEXURE-19

(Referred to in paragraph 4.22.3)

Statement showing persistent irregularities pertaining to Statutory corporations 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 crore	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 crore	The Board made payments totalling 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 crore	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
2.	Extension of undue benefit to consumers	2001-02/ 4B.1.10	Rs.15.49 lakh	Incorrect application of tariff resulted in undue benefit of Rs.15.49 lakh to two consumers viz., M/s.Pentafour Software Exports Limited and M/s.Computer Graphics Limited	To avoid revenue loss, the Board should ensure that the tariff notified is applied correctly while billing	The Department in its reply stated (March 2004) that based on the Audit observation, the short levy of Rs.2,89,050 in respect of M/s.Computer Graphics Limited was recovered. As regards the short levy of Rs.12,85,571 in respect of M/s.Pentafour Software Exports Limited, the consumer had gone to court and obtained interim injunction and action was being taken by the Board to vacate the interim injunction. Further developments are awaited (June 2005).
		2002-03/4.26	Rs.18.97 lakh	The Board extended five separate service connections to the same establishment which resulted in extension of undue benefit of Rs.18.97 lakh to the consumer viz., Hotel Selvis.	Before sanctioning additional service connections, the Board should ensure that the standard terms and conditions for supply of electricity are scrupulously adhered to by the officials of the Board.	On being pointed out by audit, the Board in its reply (September 2003) stated that the Chief Engineer was instructed to convert the LT services into one HT service. The Department in its reply (February 2005) confirmed that all the five numbers of LT services were merged into one HT service. However, the reply is silent as to the loss suffered by the Board.

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/ 4.16	Rs.93.06 lakh	In September 1998, the Board issued an order stipulating that whenever the maximum recorded demand by the consumer exceeded the maximum sanctioned demand for LTCT services of 112 Kilowatt (KW), penalty should be levied. The said order further stipulated that implementation of this order would be after fixing of electronic meters in the respective LTCT services. Audit observed that these orders were not implemented in respect of the following two consumers (i) Music Academy, Chennai and (ii) Narada Gana Sabha, Chennai.	The Board should ensure that all the orders issued by it are implemented by the officials, strictly	The matter was reported to the Board/Government in April 2004. The reply is however, awaited.

ANNEXURE-20

(Referred to in paragraph 4.23.1)

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	41	244	1998-99
2.	Small Industry	5	13	79	1998-99
3.	Information Technology	1	4	12	1999-2000
4.	Commercial Taxes	1	1	4	2001-02
5.	Information and Tourism	2	5	33	1994-95
6.	Agriculture	3	5	12	2001-02
7.	Prohibition and Excise	1	4	32	2000-01
8.	Social Welfare and Noon-Meal Programme	1	5	16	2000-01
9.	Energy	1	2	4	2003-04
10.	Municipal Administration and Water Supply	1	2	11	2003-04
11.	Transport	9	33	125	2000-01
12.	Fisheries	1	1	6	2004-05
13.	Labour and Employment	2	5	13	1996-97
14.	Health and Family Welfare	2	5	21	2000-01
15.	Adi Dravidar and Tribal Welfare, Backward Classes, Most Backward Classes and Minority Welfare	3	10	41	1997-98
16.	Rural Development and Local Administration	1	1	2	2004-05
17.	Home	1	2	3	2002-03
18.	Public Works	1	9	37	1995-96
19.	Highways	1	6	38	1995-96
20.	Handloom, Handicrafts, Khadi and Textiles	4	11	28	2002-03
21.	Environment and Forest	3	6	18	2000-01
22.	Food and Consumer Protection	2	5	29	2003-04
23.	Tamil Nadu Electricity Board	1	611	2,695	1997-98
	Grand Total	**58**	**787**	**3,503**	

ANNEXURE-21

(Referred to in paragraph 4.23.1)

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

Sl. No	Name of Department	Number of draft paragraphs	Period of issue
1.	Industry	2	March and August 2005
2.	Energy	8	March to August 2005
3.	Co-operation, Food and Consumer Protection	1	April 2005
4.	Transport	1	August 2005
5.	Information Technology	1	April 2005
6.	Small Industries	1	May 2005
7.	Finance	5	July 2005
	TOTAL	19	

GLOSSARY

Glossary of technical terms used in the Review on Purchase of Wind Energy Power by Tamil Nadu Electricity Board

Sl.No.	Terms	Para reference	Meaning
1.	Potential sites	3.1	Sites declared by Ministry of Non-conventional Energy Sources, Government of India in which wind can be harnessed for electric power.
2.	Wheeling charges	3.3	Board's commission towards usage of its infrastructure facilities for transmission of power from the point of generation to the point of usage.
3.	Infrastructure Development charges	3.4	Charges collected from WEG developers to create/enhance/establish transmission network.
4.	Power Factor	3.9	An index prescribed for efficient supply of power. Any variation from this affects quality of power.
5.	Infirm power	3.12	Seasonal power which is not available continuously.
6.	Load shedding	3.12	Temporary curtailment of power supply to a specific area.
7.	Load centre	3.12	Place at which power is consumed.
8.	Grid	3.14	Network of electrical lines.
9.	Feeder	3.14	Main line carrying electricity to the distribution point.
10.	Connectivity	3.14	Linking of wind electric generators to the Board's grid.
11.	Line loss	3.15	Loss incurred in transmitting power from the point of generation to the sub station.
12.	Interfacing lines	3.15	Transmission lines between point of generation and sub station.
13.	Displacement	3.17	Consumption of electrical energy at a place other than the point of generation without involving transmission.
14.	Reactive power	3.19	The power drawn by WEGs from the Board's grid while generating wind energy power.

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