"PLACED BEFORE THE STATE LEGISLATURE ON 15 MAY 2013"

Report of the Comptroller and Auditor General of India

ON

Public Sector Undertakings

For the year ended 31 March 2012

Government of Tamil Nadu

Report No. 2 of 2013

TABLE OF CONTENTS

PREFACE

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

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

2. This report deals with the results of audit of Government companies and Statutory corporations and has been prepared for submission to the Government of Tamil Nadu under Section 19-A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, as amended from time to time.

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

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

5. The cases mentioned in this Report are those, which came to notice in the course of audit during 2011-12 as well as those which came to notice in the earlier years but were not dealt with in the previous reports. Matters relating to the period subsequent to 2011-12 have also been included, wherever necessary.

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

OVERVIEW

1 Overview of Government Companies and Statutory Corporations

Audit of Government Companies is governed by Section 619 of the Companies Act, 1956. The accounts of Government Companies are audited by Statutory Auditors appointed by the CAG. These accounts are also subject to supplementary audit conducted by the CAG. Audit of Statutory Corporations is governed by their respective legislations. As on 31 March 2012, the State of Tamil Nadu had 64 working PSUs (63 companies and one Statutory Corporation) and 13 non-working PSUs (all companies), which employed 2.72 lakh employees. The State PSUs registered a turnover of ₹65,805 crore as per their latest finalised accounts. This turnover was equal to 10.30 per cent of State's GDP indicating the important role played by State PSUs in the economy. The PSUs had accumulated loss of ₹59,636.87 crore as per their latest finalised accounts.

Investment in PSUs

As on 31 March 2012, the investment (capital and long term loans) in 77 PSUs was ₹61,438.83 crore. Power sector accounted for 89.28 per cent of total investment and Service sector 4.29 per cent in 2011-12. The Government contributed ₹5,559.96 crore towards equity, loans and grants/subsidies during 2011-12.

Performance of PSUs

As per latest finalised accounts, out of 64 working PSUs, 37 PSUs earned a profit of ₹493.36 crore and 25 PSUs incurred a loss of ₹14,504.02 crore. The major contributors to profit were Tamil Nadu Newsprint and Papers Limited (₹108.94 crore), Tamil Nadu Industrial Investment Corporation Limited (₹48.40 crore), Tamil Nadu Power Finance and Infrastructure Development Corporation Limited (₹53.97 crore) and TIDEL Park Limited, Chennai (₹35.75 crore). In respect of Tamil Nadu Civil Supplies Corporation Limited and Tamil Nadu Transmission Corporation Limited, the loss is compensated by the State Government and Tamil Nadu Generation and Distribution Corporation Limited, respectively. Heavy losses were incurred by Tamil Nadu Electricity Board (₹7,032.79 crore), Tamil Nadu Generation and Distribution Corporation Limited (₹5,633.46 crore) and all the eight State Transport Corporations (₹1,791.64 crore).

Audit noticed various deficiencies in the functioning of PSUs. A review of three years' Audit Reports of the CAG shows that the State PSUs' losses of ₹5,826.49 crore and infructuous investments of ₹635.51 crore were controllable with better management. Thus, there is tremendous need and scope to improve the functioning and thereby enhance profits. The PSUs can discharge their role better if they are financially self-reliant. Greater professionalism and accountability in the functioning of PSUs is also called for.

Arrears in accounts and winding up

21 working PSUs had arrears of 25 accounts as of 30 September 2012, of which 4 accounts pertained to earlier years and the remaining were 2011-12 accounts. There were 13 non-working PSUs including two under liquidation. The Government may consider the feasibility of winding up these companies.

Quality of accounts

The quality of accounts of PSUs needs improvement. During the year, out of 67 (66 accounts of Government companies and one accounts of Statutory Corporation viz., Tamil Nadu Warehousing Corporation) accounts finalised, the Statutory Auditors of Government companies had given unqualified certificates for 35 accounts and qualified certificates for 32 accounts. There were 33 instances of non-compliance with Accounting Standards. Reports of Statutory Auditors on internal control of the companies indicated several weak areas.

2 Performance Audit relating to Government Companies

2.1 Tamil Nadu Industrial Development Corporation Limited

Since 1965, TIDCO is engaged in promotion of large and medium scale industries in the State of Tamil Nadu. To assess the role of TIDCO for industrial development in tune with the recent industrial policies of the Government, we took up a Performance Audit of TIDCO between March and July 2012 covering the period 2007-12.

Financial Performance and Management

TIDCO's reserves and surplus increased by ₹162.73 crore during 2007-12 mainly due to earning of profit from business activities (₹93 crore) and receipt of capital grants (₹69.73 crore). Despite this, TIDCO was dependent on Government loans to the extent of ₹91.13 crore for long term commitments.

Financial Management by TIDCO was deficient as there were instances of unwarranted interest payments of ₹14.50 crore. TIDCO paid interest of ₹1.18 crore under Section 234 B and C of Income Tax Act due to short payment of advance tax in 2008-09 and 2009-10 besides interest loss of ₹4.72 crore due to overpayment of advance tax in 2007-08.

Planning

TIDCO neither prepared a long term Strategic Plan nor Annual Action Plans for its investment and other activities. TIDCO had also ventured into projects which were not aimed at industrial development in the State but had the primary objective of real estate development and non-industrial ventures.

Implementation of Special Economic Zone Projects

During the audit period, TIDCO had participated in 12 SEZ projects but had completed only four projects. Two of the completed projects did not have even the basic infrastructure like power and water.

In respect of the incomplete projects, TIDCO remained a mere spectator and did not enforce implementation of the projects. JV Agreements with private partners were not entered into and resultant inability to enforce any contractual obligations. In one SEZ project viz., Mahindra World City Developers Limited, land asset valuing ₹67.57 crore was transferred by the JV partner to its associate company without the knowledge of TIDCO. Part of the land was irregularly developed as a Real Estate Project and sold in contravention of SEZ Rules. In another SEZ viz., AMRL, Nanguneri, TIDCO extended undue favour of ₹106.61 crore to private partner as it failed to collect the market price of 2008 for the land handed over to the JV company in 2008.

Investments in assisted units

TIDCO did not evolve any benchmarks/parameters for evaluation of the projects proposed to be assisted. Consequently, TIDCO purchased shares of a joint venture company at an extra cost of ₹10 crore. TIDCO also invested ₹11.09 crore in two floriculture projects known to be unviable and in a joint venture company which had already completed the project when TIDCO released its assistance.

Disinvestments

Though in existence since 1965, TIDCO had not evolved a policy for systematic regular and timely disinvestment from the assisted companies. Consequently, TIDCO's investment of ₹175.25 crore (47 per cent) was blocked for more than 10 years.

During the years 2007-08 to 2011-12, TIDCO decided to disinvest its investment of ₹9.75 crore in respect of five joint venture companies but did not implement the same due to its own inaction or want of Government approval. In respect of two joint venture companies, TIDCO extended undue favour of ₹13.38 crore by agreeing to lower rates of escalation for disinvestment than the prevailing rates of escalation.

Internal control and monitoring

Internal control and monitoring of assisted units was weak as evidenced in the non-availability of comprehensive data base of sick units and non-review of performance of the assisted units and ongoing projects by BOD of TIDCO.

Conclusion and Recommendations

TIDCO's performance was deficient in financial management, planning, implementing SEZ projects, investment in joint venture companies and in taking timely action for disinvestment. We recommend that TIDCO formulate a long term Strategic Plan in line with the State Industrial Policy. There needs to be a focus on Joint Venture agreements so as to ensure enforcement of contractual obligations, besides timely disinvestment decisions.

2.2 Power Transmission Activities of Tamil Nadu Transmission Corporation Limited

Government of India enunciated the National Electricity Policy (NEP) in February 2005 which envisaged that the Transmission System required adequate and timely investment besides efficient and coordinated action to develop a robust and integrated power system for the country. Transmission of electricity and grid operations in Tamil Nadu were managed by the Tamil Nadu Electricity Board (Board) until 31 October 2010. As part of power sector reforms, Tamil Nadu Transmission Corporation Limited (Company) and Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO) were formed and started functioning from November and March 2010 respectively. The Company is mandated to provide an efficient, adequate and properly coordinated Grid management and transmission of energy. We took up the Performance Audit on the working of the Company and the erstwhile Board for the years 2007 to 2012 to ascertain whether they were able to adhere to the objectives stated in the NEP.

Transmission network and its growth

The Company planned addition of 249 Sub-stations (SSs), 14,052 MVA of transformer capacity and 10,966 Circuit Kilometre (CKM) of transmission lines during 2007-08 to 2011-12 but achieved addition of 160 SSs, 13,395 MVA of transformer capacity and 4,986 CKM of transmission lines. The shortfall in achievement was mainly due to lack of proper planning, delay in land acquisition, right of way issues and delay in procurement of material.

Mismatch between generation capacity and transmission facilities

As on 31 March 2012, against the installed generation capacity of 6,943 MW of wind energy, the Company had the transmission facility for 4,997 MW only, indicating inadequacy in transmission facility to the extent of 1,946 MW. Consequently, the Company had to back down 559.03 Million Units (MUs) of wind energy power during the period 2007-08 to 2011-12.

Transmission capacity

As against the peak demand of 12,878 MVA as on 31 March 2012, available transformer capacity was 10,455 MVA only leaving a shortfall of 2,423 MVA. The Company failed to comply with the Tamil Nadu Electricity Regulatory Commission (TNERC) norm that the transformers should not be loaded with more than 70 per cent of their capacity.

Transmission losses

Transmission losses of the Company during the five years ended 2011-12 was much higher than the CEA norm of four per cent and ranged between 6.2 and 9.82 per cent. Transmission loss over and above the CEA norm during the period 2007-12 was 13,007 MUs. This loss is 44 per cent of the power shortage of the State during 2007-08 to 2011-12. TNERC observed that the Company had not furnished the accurate figures of T&D losses and was "fudging" the figures to keep the transmission loss constant.

Grid Management

The Company's track record in maintaining grid discipline by frequency management was poor as it resorted to overdrawal at low frequencies during the period 2007-12. This overdrawal led to avoidable extra expenditure of ₹515.49 crore and also put the grid safety at risk.

Financial Management

The erstwhile Board/Company did not file tariff petition and Aggregate Revenue Requirement (ARR) with TNERC for the years 2007-08 to 2009-10 and filed the same belatedly for 2010-11 and 2011-12. Due to this, the Company had to forego ₹815.59 crore towards revised transmission charges during 2010-11 and 2011-12.

Conclusion and recommendations

There were inordinate delays in establishment of sub stations resulting in the Company foregoing the benefit of reduction in line loss. Non-availability of transmission facility for evacuation of wind energy power led to backing down of 559.03 MUs of power during the period 2007-12.

The Company loaded its transformers to the extent of 85 to 90 per cent of their capacity against the TNERC norm that a transformer should not be loaded more than 70 per cent. Transmission losses were much higher than the norm of four per cent fixed by CEA in all the five years ended 31 March 2012. The quantum of transmission losses over and above the CEA norm was 13,007 MUs.

The Company's track record of grid discipline through frequency management was poor. The Company did not file Aggregate Revenue Requirement with TNERC for the three years 2007 -08 to 2009-10 and filed the same belatedly for 2010-11 and 2011-12 leading to revenue loss. We recommend to eliminate delays in commissioning of SS and transmission lines, create transmission facilities commensurate with the generation capacity, restrict transmission losses within CEA norms, maintain grid discipline and file ARR as prescribed by TNERC.

3 Transaction Audit Observations

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

Loss of ₹352.48 crore due to extension of undue benefits to a private handling agent, independent power producer and a power trader.

(Paragraphs 3.1, 3.8 and 3.10)

Loss of ₹27.42 crore due to non compliance with rules, directives, procedures and terms and conditions.

(Paragraphs 3.4, 3.6, 3.7, 3.9, 3.11, 3.12, and 3.13)

Blockage of funds of ₹4.29 crore due to defective planning and laxity in claiming the compensation.

(Paragraphs 3.2, 3.3 and 3.5)

Some of the important Audit observations are given below:

Tamil Nadu Newsprint and Papers Limited extended an undue benefit of ₹6.08 crore to handling agents in the import of coal in the payment of differential railway freight.

(Paragraph 3.1)

Tamil Nadu State Transport Corporations suffered interest loss of ₹2.53 crore on the investment of provident fund contributions in a known loss making company.

(Paragraph 3.2)

Tamil Nadu Minerals Limited, while quoting for supply of raw granite colour cut slabs to a private construction firm, failed to include the cost of raw granite blocks as approved by its Board resulting in revenue loss of ₹1.12 crore.

(Paragraph 3.4)

Tamil Nadu Generation and Distribution Corporation Limited

- Extended undue benefit of ₹331.54 crore to a private Independent Power Producer by making payment for cost of naptha used as a fuel in power generation on derived basis instead of restricting the same to actual consumption as per the Power Purchase Agreement.

(Paragraph 3.8)

- Extended an undue benefit of ₹14.86 crore to a power trader by its injudicious decision to delete retrospectively the compensation clause for failure to supply the contracted quantum of power.

  (Paragraph 3.10)

- Failed to restrict the payment of performance incentive for supply of coal as per the provisions of fuel supply agreement resulting in an excess payment of ₹2.17 crore.

  (Paragraph 3.11)

CHAPTER - I

1 Overview of State Public Sector Undertakings

Introduction

1.1 The State Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations. The State PSUs including two Departmental Undertakings are established to carry out activities of commercial nature while keeping in view the welfare of people. In Tamil Nadu, PSUs occupy an important place in the State economy. The State PSUs registered a turnover of ₹65,804.92 crore[1] for 2011-12 as per the latest finalised accounts (September 2012). This turnover was equal to 10.30 *per cent* of the State Gross Domestic Product (GDP) of ₹6,39,025 crore for 2011-12. Major activities of the State PSUs are concentrated in Power, Transport and Other Service sectors. The working PSUs incurred an aggregate loss of ₹14,010.66 crore as per the latest accounts finalised (September 2012). They had 2.72 lakh[2] employees as of 31 March 2012.

1.2 As on 31 March 2012, there were 77 PSUs (76 companies and one Statutory Corporation) as per the details given below. Of these, two[3] companies were listed on the stock exchange(s).

Type of PSUs	Working PSUs	Non-working PSUs[4]	Total
Government Companies[5]	63[6]	13	76
Statutory Corporation	1	---	1
Total	**64**	**13**	**77**

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

1 19 companies finalised their accounts for the years other than 2011-12.
2 As per the details provided by 64 PSUs.
3 Tamil Nadu Newsprint and Papers Limited and Tamil Nadu Industrial Explosives Limited.
4 Non-working PSUs are those which have ceased to carry on their operations.
5 Includes 619-B companies.
6 It includes two companies *viz.*, TICEL Bio Park Limited and IT Expressway Limited and excludes Tamil Nadu Telecommunications Limited, which had become a Central PSU.

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

1.5 Audit of the Statutory Corporations is governed by its respective legislation. CAG was the sole auditor of the Tamil Nadu Electricity Board (TNEB) till its re-organisation (October 2010) and consequent on restructuring of TNEB, the audit of the trifurcated companies, *viz.*, TNEB Limited, Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO) and Tamil Nadu Transmission Corporation Limited (TANTRANSCO) is conducted by Chartered Accountants and supplementary audit by the CAG under Section 619 of the Companies Act, 1956. In respect of Tamil Nadu Warehousing Corporation also, audit is conducted by Chartered Accountants and supplementary audit by CAG in pursuance of the State Warehousing Corporation Act, 1962.

Investment in State PSUs

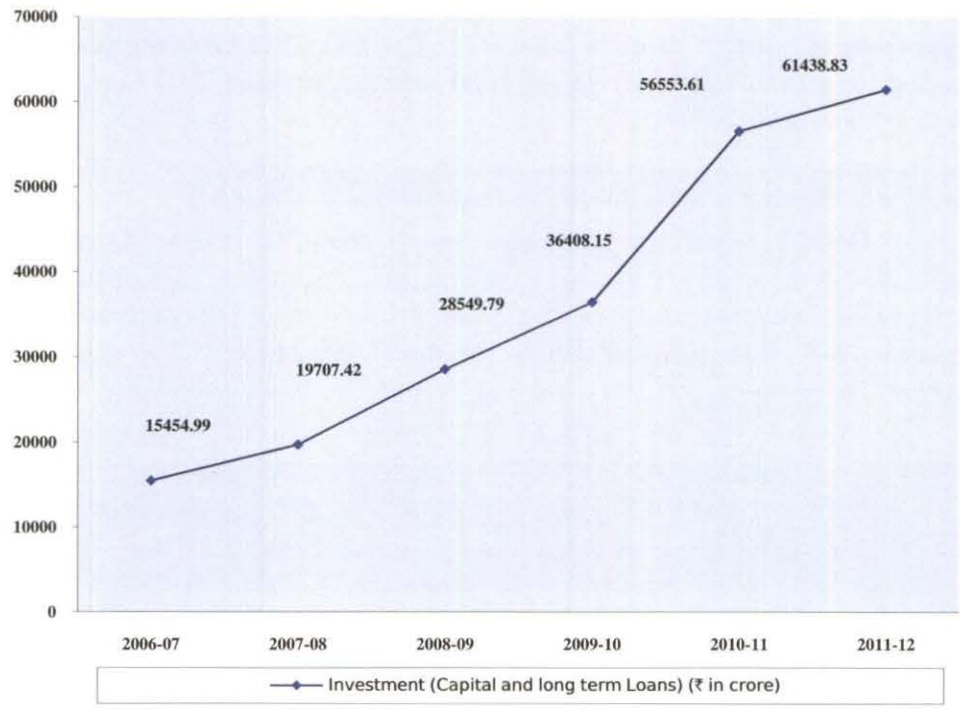
1.6 As on 31 March 2012, investment (capital and long-term loans) in 77 PSUs (including 619-B companies) was ₹61,438.83 crore as per details given below:

(₹in crore)

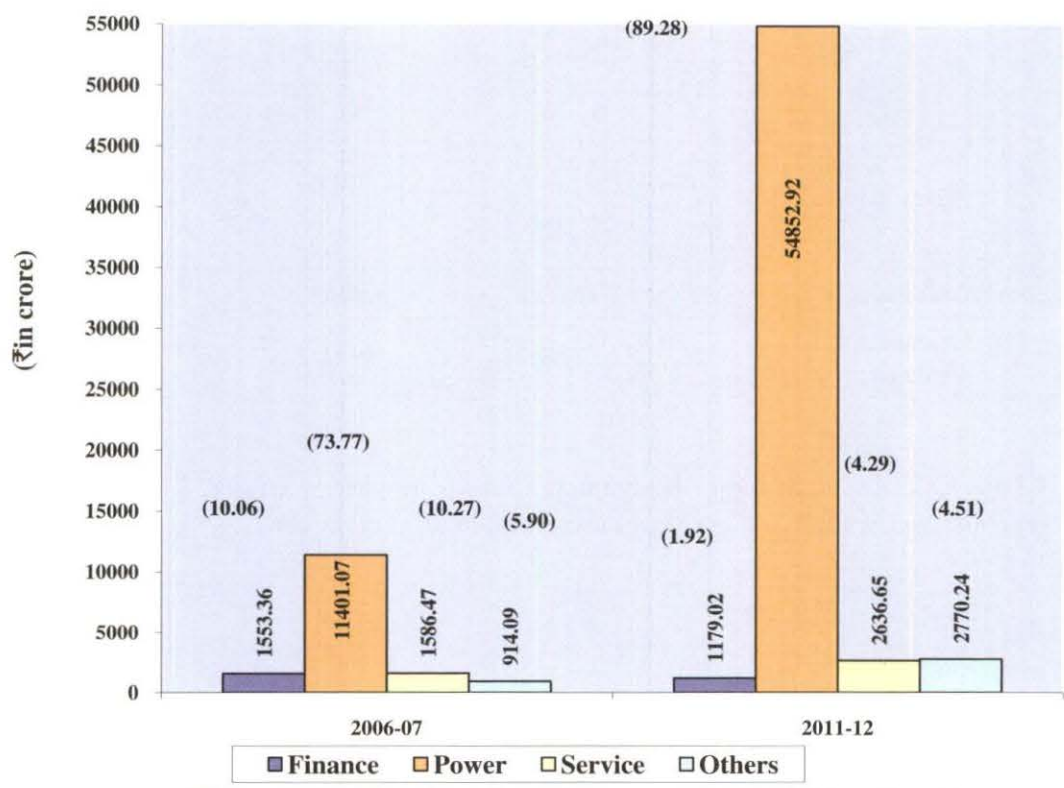
Type of PSUs	Government companies			Statutory Corporations			Grand total
	Capital	Long term loans	Total	Capital	Long term loans	Total	
Working PSUs	18,196.46	43,031.72	61,228.18	7.61	---	7.61	61,235.79
Non-working PSUs	77.08	125.96	203.04	---	---	---	203.04
Total	**18,273.54**	**43,157.68**	**61,431.22**	**7.61**	**---**	**7.61**	**61,438.83**

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

1.7 As on 31 March 2012, of the total investment in the State PSUs, 99.67 *per cent* was in working PSUs and the remaining 0.33 *per cent* was in non-working PSUs. This total investment consisted of 29.76 *per cent* towards capital and 70.24 *per cent* in long-term loans. Investment has grown by 297.53 *per cent* from ₹15,454.99 crore in 2006-07 to ₹61,438.83 crore in 2011-12 due to large loans availed by State Transport Undertakings and Power Companies through other sources as shown in the graph below:



1.8 Investment in various important sectors and percentage thereof at the end of 31 March 2007 and 31 March 2012 are indicated below:



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

Investment in power sector was the highest which had increased by 381.12 *per cent* from ₹11,401.07 crore in 2006-07 to ₹54,852.92 crore in the year 2011-12 taking the percentage share in the total investment from 73.77 in 2006-07 to 89.28 *per cent* in 2011-12.

Budgetary outgo, grants/subsidies, guarantees and loans

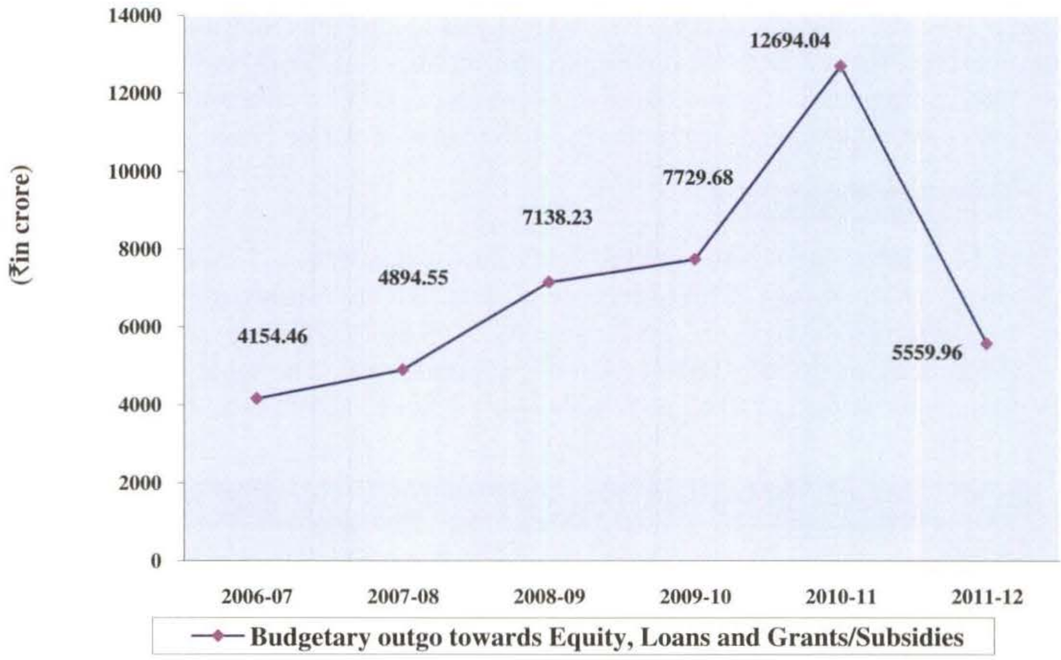
1.9 Details regarding budgetary outgo towards equity, loans, grants/ subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of the State PSUs during the year are given in **Annexure-3**. Summarised details for three years ended 2011-12 are given below:

(₹in crore)

Sl. No.	Particulars	2009-10		2010-11		2011-12	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1	Equity capital outgo from budget	13	737.21	12	5,731.34	12	1,556.98
2	Loans given from budget	6	483.13	5	111.11	7	1,647.41
3	Grants/subsidy received	16	6,509.34	15	6,851.59	18	2,355.57
4	**Total outgo (1+2+3)**	**25[7]**	**7,729.68**	**24[7]**	**12,694.04**	**26[7]**	**5,559.96**
5	Loans converted into equity	1	28.00	1	1,235.13	---	---
6	Loans written off	1	0.19	---	---	---	---
7	Interest/penal interest written off	1	0.63	3	201.63	---	---
8	Total waiver (6+7)	2	0.82	4	201.63	---	---
9	Guarantees issued	5	126.00	4	86.05	3	4,003.69
10	Guarantee commitment	13	5,221.87	12	5,941.77	12	9,721.89

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

[7] These are the actual number of Companies/Corporation, which have received budgetary support in the form of equity, loan, subsidies and grants from the State Government during the respective years.



Budgetary support in respect of equity, loans and grants/subsidies showed an increasing trend from 2006-07 to 2010-11 mainly due to increase in equity and subsidy by the State Government over the years to electricity companies and Tamil Nadu Civil Supplies Corporation Limited. However, during 2011-12, it decreased due to lesser budgetary support extended by the State Government to the PSUs.

1.11 PSUs are liable to pay guarantee commission to the State Government up to 0.5 *per cent* of the amount of guarantee utilised by them on raising cash credit from banks and loans from other sources including operating Letters of Credit. During the year 2011-12, guarantee commission of ₹205.77 crore was payable by 10 PSUs. Out of this amount, ₹204.58 crore remained unpaid which included ₹204.54 crore in respect of TANGEDCO.

Absence of accurate figure for investment in PSUs

1.12 Figures in respect of equity and guarantees outstanding as per records of the State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should reconcile the differences. The position in this regard as at 31 March 2012 is stated below:

(₹in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	10,604.89	10,880.86	275.97
Guarantees	9,511.27	9,721.89	210.62

1.13 We observed that the differences occurred in 10 PSUs and 9 PSUs in respect of equity and guarantees, respectively. Some of the differences were pending reconciliation since April 2004[8]. The Chief Secretary to Government

[8] Tamil Nadu Sugar Corporation Limited.

of Tamil Nadu was addressed (August 2011) and his attention was drawn on the need for reconciliation of figures in Finance Accounts and as furnished by the companies in their respective accounts. The Government and PSUs may take concrete steps to reconcile the differences in a time bound manner.

Performance of PSUs

1.14 Financial results of PSUs, financial position and working results of working Statutory Corporation are detailed in **Annexures 2, 5 and 6** respectively. A ratio of PSUs' turnover to State GDP shows that extent of PSU activities in the State economy is significant. The table below provides details of working PSUs' turnover *vis-a-vis* State GDP for the period 2007-12.

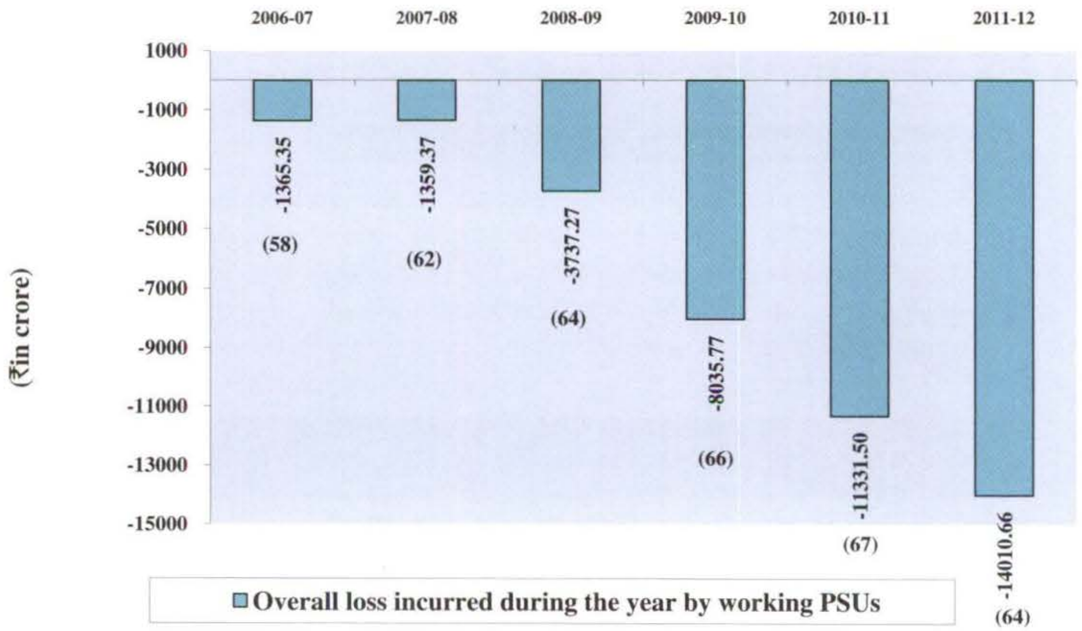
(₹in crore)

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Turnover[9]	26,206.99	38,040.09	42,534.33	47,578.39	55,193.64	65,804.92
State GDP	2,46,266	2,79,287	2,28,479	2,41,122	5,47,267	6,39,025
Percentage of turnover to State GDP	10.64	13.62	18.62	19.73	10.09	10.30

(Figures of State GDP for 2011-12 are advance estimates reset with base year as 2004-05).

Turnover of PSUs has increased continuously from 2006-07 to 2011-12. Turnover increased by 151.10 *per cent* in 2011-12 as compared to 2006-07. Percentage of PSUs' turnover to State GDP increased from 2006-07 to 2009-10 but declined drastically in 2010-11 and 2011-12.

1.15 Losses incurred by the State working PSUs during the period 2007-12 is given below:



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

9 Turnover as per the latest finalised accounts as of 30 September 2012.

The State working PSUs collectively incurred continuous losses from 2006-07 to 2011-12 which increased from ₹1,365.35 crore to ₹14,010.66 crore during the same period.

As per the latest finalised accounts, out of 64 working PSUs, 37 PSUs earned a profit of ₹493.36 crore and 25 PSUs incurred a loss of ₹14,504.02 crore. In respect of Tamil Nadu Civil Supplies Corporation Limited, deficit of income is entirely compensated by the State Government in the form of subsidy. In respect of TANTRANSCO, the entire expenditure will be reimbursed by TANGEDCO on actual basis till further orders of Tamil Nadu Electricity Regulatory Commission on determination of tariff for transmission charges.

The accounts finalised as of 30 September 2012 indicate that major contributors to profit are Tamil Nadu Newsprint and Papers Limited (₹108.94 crore), Tamil Nadu Power Finance and Infrastructure Development Corporation Limited (₹53.97 crore), Tamil Nadu Industrial Investment Corporation Limited (₹48.40 crore)and TIDEL Park Limited, Chennai (₹35.75 crore). Heavy losses were incurred by erstwhile Tamil Nadu Electricity Board (₹7,032.79 crore), Tamil Nadu Generation and Distribution Corporation Limited (₹5,633.46 crore) and all the eight[10] State Transport Corporations (₹1,791.64 crore).

1.16 Losses of working PSUs are mainly attributable to deficiencies in financial management, planning, implementation of project, operations and monitoring. A review of last three years' Audit Reports of the CAG shows that the State PSUs incurred losses to the tune of ₹5,826.49 crore and made infructuous investment of ₹635.51 crore which were controllable with better management. Year-wise details from Audit Reports are stated below:

(₹in crore)

Particulars	2009-10	2010-11	2011-12	Total
Net loss	8,035.77	11,331.50	14,010.66	33,377.93
Controllable losses as per the CAG's Audit Report	3,160.08	1,322.42	1,343.99	5,826.49
Infructuous investment	420.50	38.89	176.12	635.51

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

10 Serial Number 55 to 62 of Annexure-2.

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

(₹in crore)

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Return on capital Employed (*per cent*)	NIL[11]	0.17	NIL	NIL	NIL	NIL
Debt	12,757.52	16,136.56	23,878.24	30,902.55	46,792.10	43,157.68
Turnover	26,206.99	38,040.09	42,534.33	47,578.39	55,193.64	65,804.92
Debt/turnover ratio	0.49:1	0.42:1	0.56:1	0.64:1	0.85:1	0.66:1
Interest payments	1,479.80	1,582.58	2,059.37	3,397.17	4,436.43	5,808.14
Accumulated losses	7,896.15	9,324.65	13,207.60	21,297.39	33,621.12	59,636.87

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

1.19 The State Government has not formulated a dividend policy for payment of minimum dividend. As per the finalised accounts of 30 September 2012, 37 State PSUs earned an aggregate profit of ₹493.36 crore and 9 PSUs declared a total dividend of ₹35.11crore. Of this, the major contributors of the dividend were TIDEL Park Limited, Chennai (₹13.20 crore) and Tamil Nadu Newsprint and Papers Limited (₹12.22 crore) aggregating to ₹25.42 crore, which worked out to 72.40 *per cent* of total dividend paid (₹35.11 crore) during the year 2011-12.

Arrears in finalisation of accounts

1.20 Annual accounts of Companies are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956. Similarly, in case of Statutory Corporations, the accounts are to be finalised, audited and presented to the Legislature as per the provisions of their respective Acts. The table below provides details of progress made by working PSUs in finalisation of accounts by September2012.

SL. No.	Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
1.	Number of working PSUs	62	64	66	67	64
2.	Number of accounts finalised during the year	63	54	61	63	67
3.	Number of accounts in arrears	21	31	35	39	25[12]
4.	Number of working PSUs with arrears in accounts	13	20	19	26	21
5.	Extent of arrears (years)	1 to 6	1 to 7	1 to 8	1 to 9	1 to 3

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

12 This excludes 11 accounts of two PSUs, which were regrouped under non-working PSUs.

1.21 In addition to the above, there were arrears in finalisation of accounts by non-working PSUs. Out of 13 non-working PSUs, two[13] PSUs had gone into liquidation. Tamil Nadu Goods Transport Corporation Limited and Tamil Nadu Institute of Information Technology Limited have submitted winding up proposals and hence their accounts are not considered due. Three[14] Companies have submitted their accounts for the year 2011-12 and six[15] PSUs are in arrears from one to ten years.

1.22 As on September 2012, the State Government has invested ₹11,773.34 crore (Equity:₹8,105.99 crore, Loans:₹1,460.98 crore, Grants:₹6.56 crore and Subsidy: ₹2,199.81 crore) in 11 PSUs (including two non-working PSU) during the years for which accounts have not been finalised (**Annexure-4**). In the absence of accounts and their audit, investments and expenditure incurred cannot be vouchsafed.

1.23 Administrative departments overseeing the activities of these entities have also to ensure that accounts are finalised and adopted by these PSUs within the prescribed period. The Principal Accountant General (PAG) has brought out the position of the arrears of accounts to the notice of the concerned administrative departments every quarter. Arrears in accounts were noticed in 21 working PSUs up to 2011-12. Their net worth could not be assessed in Audit. The matter was also brought to the attention of the Chief Secretary/Finance Secretary, Government of Tamil Nadu in the Apex Committee meeting held in December 2011 by the PAG.

1.24 It is, therefore, recommended that Government should monitor and ensure timely finalisation of accounts with special focus on arrears and comply with the provisions of the Companies Act, 1956.

Winding up of non-working PSUs

1.25 There were 13 non-working PSUs (all Companies) as on 31 March 2012. Liquidation process had commenced in two[16] PSUs. The number of non-working Companies at the end of each year during the past five years is given below:

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
Number of non-working companies	14	11	11	9	13

The Government may consider the feasibility of closure of the non-working PSUs after thorough due diligence.

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

14 Tamil Nadu Graphites Limited, State Engineering and Servicing Company of Tamil Nadu Limited and Tamil Nadu Leather Development Corporation Limited

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

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

1.26 Details of closure stages in respect of 13[17] non-working PSUs is given below:

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

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

Adverse comments on the accounts and Internal Audit of PSUs

1.28 Fifty seven working companies forwarded their 67 accounts to Principal Accountant General during 2011-12. The audit reports of statutory auditors and the sole/supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of Statutory Auditors and the CAG are given below:

(₹in crore)

Sl. No.	Particulars	2009-10		2010-11		2011-12	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	5	6.00	8	134.03	8	27.70
2.	Increase in profit	2	0.54	4	1.78	2	2.90

[17] As of 30 September 2012.

Sl. No.	Particulars	2009-10		2010-11		2011-12	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
3.	Increase in loss	10	124.20	10	89.56	14	8,704.64
4.	Decrease in loss	---	---	3	65.50	2	0.97
5.	Non-disclosure of material facts	8	263.93	2	---	---	---
6.	Errors of classification	4	24.45	1	13.07	2	2.89

1.29 During the year 2011-12, Statutory Auditors had given unqualified certificates for 35 accounts and qualified certificates for 32 accounts. Compliance of companies of the Accounting Standards (AS) remained poor. There were 33 instances of non-compliance with AS in 18 accounts during the year.

1.30 Some of the important comments are stated below:

State Transport Undertakings (2011-12)

- All the eight[18] STUs collectively did not provide for pension to the extent of ₹7,681.84 crore on actuarial basis as mandated in AS-15 resulting in understatement of loss to that extent.

State Express Transport Corporation Limited (2011-12)

- The Company did not provide for penalty of ₹11.13 crore for non-payment of employees contribution (₹98.63 crore) and its contribution (₹41.58 crore) to Provident Fund Trust.

Tamil Nadu Tea Plantation Corporation Limited (2011-12)

- The Company did not provide for the additional contribution for Gratuity Fund based on actuarial valuation as mandated in AS-15 to Life Insurance Corporation of India amounting to ₹21.02 crore resulting in understatement of loss.
- The Company did not capitalise the interest paid for acquisition of fixed assets amounting to ₹0.52 crore resulting in overstatement of loss.

Electronics Corporation of Tamil Nadu Limited (2010-11)

- The sale value (₹226.68 crore) of plots allotted in Special Economic Zones was not treated as income resulting in understatement of profit and understatement of current liabilities and provisions.
- The Company accounted ₹229.50 crore being the cost of 783.71 acres of land as fixed assets. The said lands being saleable in nature should have been accounted as stock in trade. Incorrect classification of land resulted in overstatement of fixed assets and understatement of current assets to the extent of ₹229.50 crore.

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[18] SETC (₹563.84 crore), MTC (₹1307.00 crore), TNSTC, Salem (₹696.00 crore), TNSTC, Coimbatore (₹1,288.00 crore), TNSTC, Tirunelveli (₹714.00 crore), TNSTC, Kumbakonam (₹1,130.00 crore), TNSTC, Villupuram (₹1,081.00 crore) and TNSTC, Madurai (₹902.00 crore).

Tamil Nadu Small Industries Corporation Limited (2010-11)

- The Company valued closing stock of finished goods at a value higher than its cost price resulting in overstatement of profit as well as current assets by ₹0.92 crore.

Tamil Nadu Industrial Development Corporation Limited (2011-12)

- The Company did not provide for diminution in the value of quoted investments amounting to ₹7.87 crore and to that extent the provision of AS-13 has not been complied with.

1.31 Two[19] Statutory Corporations forwarded their accounts for 2010-11 to the PAG during the year 2011-12. Audit Reports of Statutory Auditors and sole/supplementary audit of the CAG indicate that the quality of maintenance of accounts needed improvement. Details of aggregate money value of comments of Statutory Auditors and the CAG are given below:

(₹in crore)

Sl. No.	Particulars	2009-10		2010-11		2011-12	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	---	---	1	2.64	---	---
2.	Increase in loss	1	263.30	1	394.86	2	300.87
3.	Non-disclosure of material facts	1	60.46	---	---	1	12.75
4.	Errors of classification	1	85.25	1	11.78	1	825.39
5.	Correctness of balance exhibited in accounts not susceptible of verification	1	283.55	1	20,242.42	1	26,431.93

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

Tamil Nadu Electricity Board (April 2010 to October 2010)

- Non-capitalisation of completed and commissioned assets in respect of Rajiv Gandhi Grameen Vidyutikaran Yojana scheme in Coimbatore (South) (₹3.38 crore) and Virudhunagar (₹1.01 crore) Electricity Distribution Circles with corresponding overstatement of capital expenditure in progress by ₹4.39 crore.
- Non-accounting of the loan amount (₹787.40 crore) paid by the Rural Electrification Corporation for execution of North Chennai Thermal Power Project (NCTPP) Stage-I and the interest thereon (₹33.60 crore) resulted in understatement of capital liabilities by ₹821 crore as well as

19 Tamil Nadu Warehousing Corporation Limited forwarded its accounts during 2011-12 and erstwhile Tamil Nadu Electricity Board forwarded its last accounts for the period up to October 2010 during 2012-13.

understatement of advance to contractors by ₹787.40 crore and capital work-in-progress by ₹33.60 crore.

1.32 Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control/internal audit systems in the companies audited in accordance with the directions issued by the CAG under Section 619 (3) (a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative list of major comments made by the Statutory Auditors on possible areas for improvement in the internal audit/internal control system in respect of 30 companies for the year 2010-11 and 37companies for the year 2011-12 is given below:

Sl. No.	Particulars	Number of companies where recommendations were made		Reference to serial number of the companies as per Annexure-2	
		2010-11	2011-12	2010-11	2011-12
1.	The internal audit system needs to be strengthened to make it commensurate with the size and nature of the business	3	6	38, 49 and 54	10, 11, 18, 38, 50 and 51
2.	There was no internal audit standards/manual/ guidelines prescribed by the companies for the conduct of internal audit	3	2	2, 9, and 42	24 and 38
3.	Proper records showing full particulars including quantitative details and situation of fixed assets were not maintained	---	5	---	11, 18, 34, 50 and 54
4.	The existing system of monitoring recovery of dues needs to be strengthened by preparing age-wise analysis of debtors and periodical monitoring	---	3	---	8, 10 and 60
5.	Companies did not have any defined fraud policy	19	18	2, 5, 9, 14, 20, 24, 26, 29, 30, 31, 32, 34, 36, 37, 38, 44, 49, 54, and 56	5, 8, 10, 11, 14, 23, 24, 26, 31, 34, 36, 38, 40, 41, 51, 53, 54 and 63
6.	Companies have no IT strategy/plan	21	18	2, 3, 6, 7, 9, 12, 24, 28, 29, 30, 31, 32, 34, 36, 38, 54, 59, 60, 61, 64 and 65	3, 4, 6, 10, 11, 14,28, 31, 32, 34, 38, 51, 54, 57, 58, 60, 61 and 63
7.	Documentation of software programs not available with the companies	1	---	9	---

Sl. No.	Particulars	Number of companies where recommendations were made		Reference to serial number of the companies as per Annexure-2	
		2010-11	2011-12	2010-11	2011-12
8.	Companies have not fixed minimum and maximum limits for maintenance of stores and spares	5	1	3, 30, 32, 42 and 49	3
9.	Companies did not make ABC analysis for effective inventory control.	6	---	2, 28, 30, 37, 42, and 49	---
10.	Companies did not evolve proper security policy for software/hardware	7	---	2, 24, 30, 31, 49, 54 and 65	---
11.	There is no system of making a business plan, short term/long term and review the same *vis-a-vis* actual	---	3	---	3, 53 and 54
12.	Companies did not have Vigilance Department	---	11	---	8, 14, 26, 31, 32, 34, 38, 41, 51, 52 and 54

Recoveries at the instance of audit

1.33 During the course of propriety audit in 2011-12, recoveries of ₹52.76 crore were pointed out to erstwhile Tamil Nadu Electricity Board, an amount of ₹23.59 crore (including ₹22.97 crore pertaining to earlier years) was recovered during the year 2011-12.

Disinvestment, Privatisation and Restructuring of PSUs

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

Reforms in Power Sector

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

1.35 The State Government formed Tamil Nadu Electricity Regulatory Commission (TNERC) in March 1999 under the Electricity Regulatory Commissions Act, 1998, with the objective of rationalisation of electricity tariff, for advising in matters relating to electricity generation, transmission and distribution in the State and issue of licences. CAG, who is the Auditor for TNERC has issued Separate Audit Reports (SAR) up to 2011-12. The SARs up to 2010-11 have been placed in the State Legislature. TNERC issued 11 tariff orders including two on determination of tariff for generation and distribution of TANGEDCO and intra State transmission and other related charges of TANTRANSCO.

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

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

	Commitment as per MOU	Targeted completion schedule	Status (as on 31 March 2012)
1.	Reduction of Transmission and Distribution losses to 15 *per cent*	December 2003	As per provisional accounts of TANGEDCO for the year 2010-11, Transmission and Distribution losses worked out to 21.92 *per cent*.
2.	100 *per cent* metering of all consumers	September 2012	All services except the agricultural and hut services have been metered. The Government requested (September 2009) TNERC for extension of time for three years from 1 October 2009 for installation of meters in the agricultural and hut services. TNERC accepted Government's request and approved for extension of time for three years up to 1 October 2012.
3.	Current operations in distribution to reach break-even	March 2003	As per the accounts finalised for 2010-11, TANGEDCO has accumulated losses amounting to ₹13,480.06 crore and TANTRANSCO has accumulated losses amounting to ₹4,031.85 crore.
4.	Energy audit at 11 KV sub-stations level	January 2002	Energy audit was conducted in all the 11/22 KV feeders. 1,587 feeders were identified to have line losses of more than 10 *per cent*. By carrying out improvement works, the line losses have been brought below 10 *per cent* in 1,091 feeders so far.

CHAPTER - II

2.1 Performance Audit of Tamil Nadu Industrial Development Corporation Limited

Executive Summary

Since 1965, TIDCO is engaged in promotion of large and medium scale industries in the State of Tamil Nadu. To assess the role of TIDCO for industrial development in tune with the recent industrial policies of the Government, we took up a Performance Audit of TIDCO between March and July 2012 covering the period 2007-12.

Financial Performance and Management

TIDCO's reserves and surplus increased by ₹162.73 crore during 2007-12 mainly due to earning of profit from business activities (₹93 crore) and receipt of capital grants (₹69.73 crore). Despite this, TIDCO was dependent on Government loans to the extent of ₹91.13 crore for long term commitments.

Financial Management by TIDCO was deficient as there were instances of unwarranted interest payments of ₹14.50 crore. TIDCO paid interest of ₹1.18 crore under Section 234 B and C of Income Tax Act due to short payment of advance tax in 2008-09 and 2009-10 besides interest loss of ₹4.72 crore due to overpayment of advance tax in 2007-08.

Planning

TIDCO neither prepared a long term Strategic Plan nor Annual Action Plans for its investment and other activities. TIDCO had also ventured into projects which were not aimed at industrial development in the State but had the primary objective of real estate development and non-industrial ventures.

Implementation of Special Economic Zone Projects

During the audit period, TIDCO had participated in 12 SEZ projects but had completed only four projects. Two of the completed projects did not have even the basic infrastructure like power and water.

In respect of the incomplete projects, TIDCO remained a mere spectator and did not enforce implementation of the projects. JV Agreements with private partners were not entered into and resultant inability to enforce any contractual obligations. In one SEZ project viz., Mahindra World City Developers Limited, land asset valuing ₹67.57 crore was transferred by the JV partner to its associate company without the knowledge of TIDCO. Part of the land was irregularly developed as a Real Estate Project and sold in contravention of SEZ Rules. In another SEZ viz., AMRL, Nanguneri, TIDCO extended undue favour of ₹106.61 crore to private partner as it failed to collect the market price of 2008 for the land handed over to the JV company in 2008.

Investments in assisted units

TIDCO did not evolve any benchmarks/parameters for evaluation of the projects proposed to be assisted. Consequently, TIDCO purchased shares of a joint venture company at an extra cost of ₹10 crore. TIDCO also invested ₹11.09 crore in two floriculture projects known to be unviable and in a joint venture company which had already completed the project when TIDCO released its assistance.

Disinvestments

Though in existence since 1965, TIDCO had not evolved a policy for systematic regular and timely disinvestment from the assisted companies. Consequently, TIDCO's investment of ₹175.25 crore (47 per cent) was blocked for more than 10 years.

During the years 2007-08 to 2011-12, TIDCO decided to disinvest its investment of ₹9.75 crore in respect of five joint venture companies but did not implement the same due to its own inaction or want of Government approval. In respect of two joint venture companies, TIDCO extended undue favour of ₹13.38 crore by agreeing to lower rates of escalation for disinvestment than the prevailing rates of escalation.

Internal control and monitoring

Internal control and monitoring of assisted units was weak as evidenced in the non-availability of comprehensive data base of sick units and non-review of performance of the assisted units and ongoing projects by BOD of TIDCO.

Conclusion and Recommendations

TIDCO's performance was deficient in financial management, planning, implementing SEZ projects, investment in joint venture companies and in taking timely action for disinvestment. We recommend that TIDCO formulate a long term Strategic Plan in line with the State Industrial Policy. There needs to be a focus on Joint Venture agreements so as to ensure enforcement of contractual obligations, besides timely disinvestment decisions.

Introduction

2.1.1 Tamil Nadu Industrial Development Corporation Limited (TIDCO) was incorporated in May, 1965 as a wholly owned Government Company to promote large and medium scale industries in the State of Tamil Nadu. As per the Memorandum of Association, TIDCO is mandated to promote, establish and develop industries/schemes for industrial development of the State. To fulfill the objectives, TIDCO promotes industrial projects through Joint Venture (JV) by participating in the equity of JV projects up to 26 *per cent* in Joint Sector and 2 to 11 *per cent* in Associate Sector. TIDCO also provides escort services where the promoters do not want TIDCO's equity participation. As a token of TIDCO's participation, it invests up to one *per cent* of the equity if it is necessary in these Escort Sector Companies.

As of March 2012, TIDCO promoted 56 JV companies of which 24 companies with an investment of ₹179.79 crore were in Joint Sector, 23 companies with an investment of ₹118.55 crore were in Associate Sector and 9 companies with an investment of ₹68.55 crore were in Escort Sector. Above includes five SEZs comprising three in Joint Sector (investment ₹81.02 crore) one each in Associate Sector (investment ₹2.20 crore) and Escort Sector (investment ₹1,100). TIDCO entered into JV agreements for promotion of seven more SEZs and was yet to invest in these projects.

Organisational set up

2.1.2 The management of TIDCO is vested in Board of Directors (BOD) comprising Managing Director (MD) and four directors who are nominated by Government of Tamil Nadu. The MD is the chief executive of TIDCO who is assisted by one senior General Manager and four General Managers.

Scope and Methodology of Audit

2.1.3 Performance Audit of TIDCO for five years up to March 2000 was conducted and included in the Report of the Comptroller and Auditor General of India (Commercial) for the year ending March 2000. It was noted in this audit that TIDCO was playing only a limited role in the Industrial Development of the State. It was, therefore, recommended that there needs to be re-orientation of TIDCO's strategy with special focus on development of infrastructural facilities in tune with the Government policies. It was also recommended that TIDCO should strengthen its financial structure by appropriate disinvestments. The Committee on Public Undertaking (COPU) discussed the report in January 2012. Recommendations of COPU were awaited (September 2012).

To evaluate progress with reference to above including the improvement in the role played by TIDCO for industrial development and its performance with reference to the latest industrial policies of the Government, a follow-up Performance Audit covering the performance of the Company from April 2007 to March 2012 was conducted from March to July 2012. Audit Methodology involved scrutiny of records at Corporate Office and parallel files maintained by the Government (Industries Department), interaction with TIDCO's officials and discussion of audit findings with the Management.

Audit objectives

2.1.4 The objectives of the Performance Audit were to assess whether:

(i) Financial management

- Investments have been planned and borrowings were made judiciously.
- Allotted funds were utilised for the project.
- Management of surplus funds was in the best financial interests of TIDCO.

(ii) Planning for industrial development:

- There were long term plans and annual plans in consonance with Government's policies.
- Feasibility studies were conducted before implementation of JV projects.

(iii) Implementation of SEZ projects and assistance for JV projects

There was a system in place to ensure:

- Transparency and due diligence in selection of JV partners.
- JV partners were fulfilling their obligations.

(iv) Disinvestment

There was:

- A system for timely disinvestment of the JV companies as per the guidelines of State Government.
- A robust system for valuation of shares at the time of disinvestment.

(v) Internal Control and Internal Audit

There was:

- Adequate MIS for effective monitoring of the JV companies.
- Effective internal control mechanism and internal audit in TIDCO.

Audit criteria

2.1.5 Audit criteria in the Performance Audit was adopted from the following sources:

- Industrial Policy, 2003 and 2007 of the State Government.
- Directions and stipulations of State Government/BOD of TIDCO for implementation of projects and assistance to JV companies.
- Provision of SEZ Act in respect of JV projects for SEZ.

- Terms and conditions of JV agreement entered into with JV promoters.
- Government policies on disinvestment.

Audit findings

2.1.6 The Audit scope and objectives were shared with TIDCO and the Government in an entry conference held on 29 February 2012. Findings were reported to TIDCO and the Government in September 2012 and discussed in the exit conference held on 26 September 2012, which was attended by the Principal Secretary to the Government, Industries Department and the MD of TIDCO. The Management/Government's response during the exit conference and their replies received in October/November 2012 to the audit findings were considered while finalising the Performance Audit Report.

Financial position and working results

Financial Position

2.1.7 Financial position as at the close of the year as on 31 March for the last five years up to 2012 is indicated below:

(₹in crore)

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
Liabilities					
Share capital	72.03	72.03	72.03	72.03	72.03
Reserves and surplus	61.68	122.83	157.91	201.98	224.41
Secured loans	81.70	---	---	---	---
Unsecured loans	196.67	283.78	305.20	259.89	62.29
Current liabilities and provisions	109.04	241.11	168.88	181.92	392.74[20]
Total	**521.12**	**719.75**	**704.02**	**715.82**	**751.47**
Assets					
Net fixed assets	0.72	2.28	2.14	2.18	2.16
Investments at cost	289.24	267.67	331.91	331.07	376.06
Current assets	34.15	203.58	151.82	164.14	165.29
Loans and advances	145.86	226.65	198.00	196.88	186.23
Miscellaneous expenditure not written off	51.15	19.57	20.15	21.55	21.73
Total	**521.12**	**719.75**	**704.02**	**715.82**	**751.47**

Analysis of financial position indicated that:

- TIDCO's reserves and surplus increased by ₹162.73 crore during 2007-08 to 2011-12 due to earning of profit from its business activities (₹93 crore) and receipt of capital grant/assistance to the States for Development of Export Infrastructure (ASIDE) grant (₹69.73 crore). However, the entire

[20] This includes Government loan and interest of ₹203.44 crore payable within one year.

surplus was not applied for increasing the business activity *viz.*, investment in the assisted project as was evident from the fact that the net increase in the investments in assisted units during 2007-2012 was ₹86.82 crore (53.35 *per cent*). The balance amount of the surplus was applied for clearance of the earlier loans.

- Despite favorable financial position during 2007-08 to 2011-12, TIDCO continued to be dependent on borrowings from Government for investments in the projects and repayment of earlier loans. Consequently, the borrowings from the Government had increased by ₹91.13 crore during the five years up to March 2012.
- The investments in quoted and unquoted shares of the assisted companies which was at ₹285.53 crore in April 2007 had increased to ₹376.06 crore in March 2012. Even though the investment of ₹175.25 crore in respect of 41 JV companies (47 *per cent*) was blocked for more than ten years, TIDCO did not review the aged investments for possible disinvestment as discussed in detail in Paragraph 2.1.51.

TIDCO diverted ₹22.32 crore of ASIDE funds for investment in the rights issue of Titan Industries Limited.

- Government of India (GOI) launched (March 2002) ASIDE scheme for extending assistance to the state for improving the export infrastructure. TIDCO was appointed as nodal agency for ASIDE scheme. As per the scheme guidelines, ASIDE funds were to be utilised for the development of export infrastructure. As per standing instructions of TIDCO, unspent ASIDE funds received by the beneficiaries were to be returned back to the scheme along with 10 *per cent* interest. TIDCO appropriated (April 2006) ₹22.32 crore of ASIDE grant for investment in the right issue of the shares of Titan Industries Limited. The diverted scheme fund was recouped to ASIDE in March 2007 along with interest of 5.60 p*er cent.* Audit observed that such diversion was *ab initio* irregular considering the scheme guidelines. Moreover, TIDCO remitted the amount with interest of only 5.60 *per cent* against its own instructions for refund of unutilised scheme fund with 10 *per cent* interest. This resulted in short payment of ₹0.84 crore.

The Company replied that it was only temporary utilisation of ASIDE fund and such instances would be avoided in future.

Working results

2.1.8 Working results of TIDCO for five years up to 2011-12 is as given below:

(₹in crore)

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
Income					
Income from Interest	13.62	6.37	16.96	14.44	12.87
Income from dividend	11.07	22.53	40.94	24.83	38.76
Profit on sale of investments	21.10	1.45	0	6.55	0.14
Profit on long term lease of lands	---	207.12	0.79	---	---

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
Other income	8.15	12.78	1.92	25.27	1.99
Total	**53.94**	**250.25**	**60.61**	**71.09**	**53.76**
Expenses					
Operational expenses	25.77	96.16	29.41	30.43	40.33
Unsuccessful project promotional expenses written off	19.19	10.73	0.12	---	---
Bad debt written off	---	22.12	---	---	---
Provision for doubtful assets	7.17	57.70	---	---	---
Provision for tax	0.02	31.54	6.00	6.59	---
Profit carried over to balance sheet	1.79	32.00	25.08	34.07	13.43
Total	**53.94**	**250.25**	**60.61**	**71.09**	**53.76**

An analysis of working results indicated that:

- The dividend received by TIDCO ranged between ₹11.07 crore in 2007-08 and ₹38.76 crore in 2011-12 which worked out to four and 10 *per cent* of the total investment during 2007-12. But this income was contributed by 11 companies having an investment of ₹92.52 crore (March 2008) and nine companies having an investment of ₹133.96 crore (March 2012). This indicated that the balance investment of ₹242.10 crore as on March 2012 was non-remunerative.
- Income under the head "Other income" was mainly contributed by the service charges collected by TIDCO for its services rendered to the JV companies on land acquisition and statutory clearances *etc.* Audit analysis of the service agreements revealed that TIDCO did not devise a policy for fixing standard rates of service charges despite being pointed out by audit during 2006-07. Consequently, in five companies the service charges were levied on lump sum basis (ranging from ₹10 crore to ₹37 crore) and in nine companies the same was fixed as one percentage of project cost and in one company the same was fixed as two *per cent* of the project cost. In the absence of data regarding fixation of service charges, the justification of the same could not be ensured in audit.
- TIDCO had written off promotional expenses amounting to ₹30.04 crore incurred on unsuccessful projects. Further, the promotional expenses incurred on unsuccessful project to be written off as on March 2012 remained at ₹21.73 crore. It had also provided for ₹87 crore towards doubtful investments in sick companies. We analysed the reasons for such huge write off and noticed that the same was due to investments in projects and JV companies known to be unviable as discussed in Paragraphs 2.1.44 to 2.1.50.

Financial management

2.1.9 Financial management involves forecasting the financial requirements, arranging the funds on need basis, making judicious allocations and monitoring the actual expenditure. TIDCO, which is engaged in industrial promotion prepares the capital budget for estimated investments in the JV companies and for the preliminary expenses in ongoing projects for which the JV partners were yet to be identified. An analysis of the system in place for preparation and approval of capital budget revealed the following deficiencies:

Overestimation of capital expenditure

2.1.10 TIDCO prepares the capital budget based on the forecast for investment in the ongoing and new projects indicated by the respective project implementation wings. However, these funds requirements were not compared with the actual expenditure in the previous years to assess the past trend in the expenditure. Moreover, the estimation was not linked to the actual financial commitment of respective financial years. It was also seen that there was no mid-term review of capital budget for re-allocation of funds among the needy projects. In respect of eight projects, against the total budget allocation of ₹21.40 crore made in the last five years up to 2011-12, there was no actual expenditure in any of these years. Consequently, actual capital expenditure ranged from 3.33 to 40 *per cent* of the budget estimates in the last five years up to 2011-12 indicating that capital budgeting was highly overestimated.

Government replied that due to extraneous reasons there was delay in execution of projects resulting in lower outflow compared to budgeted outflows and agreed to consider the audit observations in preparation of future budgets.

2.1.11 Avoidable borrowings

Avoidable borrowings of ₹100 crore from Government led to wasteful interest of ₹13.31 crore.

(i) TIDCO has been meeting its temporary financial problems and liquidity by obtaining short term loans from the Government. In December 2008, TIDCO obtained short term loan of ₹100 crore (carrying interest of 12 *per cent per annum)* from the Government and offered to repay the loan within the financial year from the anticipated receipt of upfront lease rent from L&T Ship Building Limited (L&T). Though TIDCO received (January 2009) anticipated upfront lease rent of ₹244.62 crore, it did not repay the loan as committed but sought (December 2010) Government's permission for conversion of the above advance into capital grant for investment in the equity of ₹50 crore each in TRIL Info Park Limited and DLF Info Park (Chennai) Limited (DLF). In March 2011, Government rejected TIDCO's request in view of its favourable financial position. TIDCO settled (March 2011) a portion of the loan of ₹50 crore with interest of ₹13.41 crore. The balance ₹50 crore along with the accumulated interest of ₹24.36 crore was not settled till date (September 2012). We observed that out of ₹244.62 crore of upfront lease amounts, TIDCO parked ₹127.66 crore in short term deposits which were carrying an interest of five *per cent.* The short term deposits held as on March 2012 amounted to ₹64.76 crore. Instead of parking the upfront lease amount in short term deposits, had TIDCO repaid the short term loans as per its commitment to the Government it could have saved ₹13.31 crore (being the differential interest earned on short term deposits and interest paid on Advance).

The Government replied (November 2012) that delays were common in infrastructure development projects and savings in interest cost could not be a driving factor in TIDCO's operation. The fact, however, remained that funds management was also one of the important functions of industrial development companies and TIDCO can't afford to incur avoidable interest under the name of infrastructure development.

(ii) For implementation of an IT and ITES project at Taramani, Chennai TIDCO handed over 25.27 acres of Government land and received (May 2008) ₹1412.80 crore being the upfront lease rent from TRIL Info Park Limited. Out of this amount, TIDCO remitted (May 2008) ₹1,320.95 crore to Government and retained the balance amount of ₹91.85 crore as its income. TIDCO utilised retained amount for discharging various financial commitments including outstanding interest payable to Government (₹11.34 crore). However, Government permitted (March 2010) TIDCO to retain only ₹5.50 crore and converted the balance amount of ₹86.35 crore as a Government loan carrying 10.50 *per cent* interest. The loan was not repaid by TIDCO till date (September 2012).
Audit observed that TIDCO was well aware (February 2008) that it was eligible for an income of ₹5.50 crore only in the above transaction. But it utilised ₹86.35 crore over and above its entitlement without prior consent of Government. As ₹11.34 crore of interest payable to Government did not carry any further interest or penal interest at that point of time, repayment of this interest to the Government from the amount payable to Government was not judicious. Consequent upon conversion of this interest portion as a fresh loan, company had created additional recurring annual interest burden of ₹1.19 crore.

The Government replied (November 2012) that funds were utilised for discharging its financial liabilities in a prudent manner. The reply is not convincing because the said money did not belong to TIDCO and hence it should have utilised the amount only with the concurrence of the Government.

Deficient planning for payment of advance tax

2.1.12 Section 208 of the Income Tax Act, 1961 (Act) provides for advance payment of tax where tax payable *per annum* by an assessee is ₹5,000 or more. This advance tax calculated in accordance with the Section 209 of the Act is payable in four quarterly installments between June and March of every financial year. In the event of failure to pay 90 *per cent* of the assessed tax before the financial year, the assessee is liable to pay one *per cent* interest for every month of default under section 234 B of the Act. Similar interest for shortfall in the quarterly payment of advance tax is also payable under Section 234 C of the Act.

TIDCO continuously earned profit and paid tax on income from 2008-09 to 2010-11. But, it did not pay the advance tax amount in the respective quarters during 2008-2011 in line with provisions of the Act as detailed in the table below:

(₹ in lakh)

Financial year	Actual tax	Advance tax paid	Date for payment of advance tax	Balance tax	Date of payment
2008-09	6,619.31	9,462.54	14.03.09	NIL	NIL
2009-10	562.48	0.43	15.06.09		
		388.95	15.12.09		
		184.70	15.03.10	NIL	NIL
2010-11	394.71	138.94	15.09.10		
		91.71	15.12.10	164.06	29.07.11

Due to overpayment of advance income tax, TIDCO suffered interest loss of ₹4.72 crore.

(i) It could be seen from the above table that during 2008-09, TIDCO paid advance tax of ₹94.63 crore against the actual tax liability of only ₹66.19 crore. The excess payment of income tax was due to appropriation of ₹86.35 crore upfront lease amount received from TRIL over and above its entitlement (as discussed in Paragraph 2.1.11). While making the refund, the IT Authorities allowed (September 2012) interest of ₹5.12 crore on the excess amount of Advance tax paid. We observed that on account of excess appropriation of income, TIDCO had to suffer an interest loss of ₹4.72 crore (being the difference in interest paid to Government on this loan portion and the amount of interest received from IT Department).

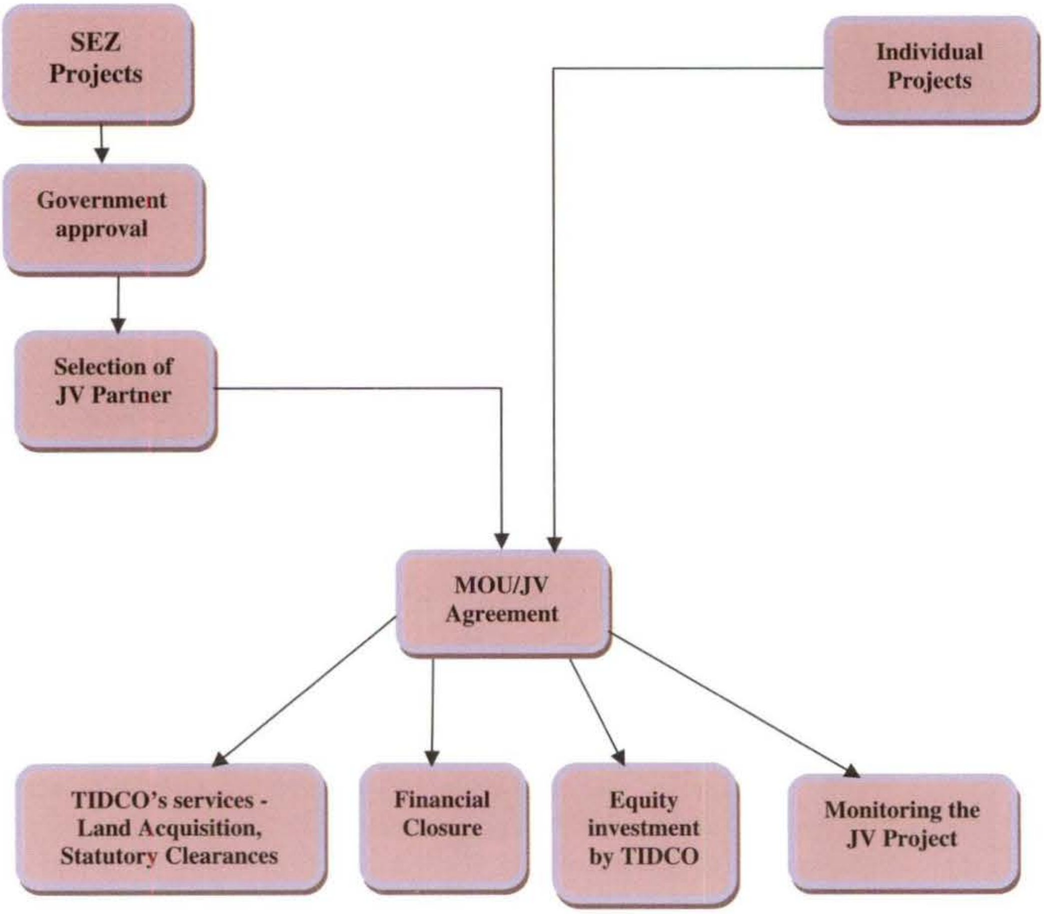
(ii) During the financial year 2009-10 TIDCO failed to remit required quantum of advance taxes in the respective quarters. In 2010-11 TIDCO neither remitted the required quantum of advance tax in the respective quarters nor paid 90 *per cent* of advance tax before 15 March 2011. These failures led to payment of interest of ₹1.18 crore under sections 234 B and 234 C of the Act.

The Government replied (November 2012) that the above interest payments were mainly due to unprecedented inflow of funds which could not be precisely anticipated. Proper tax planning and co-ordination between TIDCO and JV partners/Government could have resolved the above issues and thereby avoided the losses.

Planning

2.1.13 The role of TIDCO lies in identifying prospective investors and extending helping hand in the form of equity investment for new industrial projects. With the evolution of SEZ concept in 2005, TIDCO ventured into the development of SEZ projects identified by the Government/private promoters. The flow chart of activities of TIDCO in their JV projects is given below:

Flow chart of Activities of TIDCO



2.1.14 In any industrial development venture, a comprehensive planning to assess the investment potential in the State so as to attract investments suitable for the various regions of the state is essential. Analysis of the planning strategy of State Government and TIDCO revealed the following lacunae.

Absence of targets at the Government level

2.1.15 Fixing the targets for financial and physical performance of the PSUs by the Government enhances the performance levels of PSUs as the Management/PSUs are made accountable to the Government. However, we found that no targets were laid down in respect of TIDCO by the State Government to ensure accountability and maintaining a standard of performance. It is pertinent to note that the GOI enters into Memoranda of Understanding (MOU) with Central Public Sector Undertakings (PSUs) on an annual basis. Financial targets such as turnover, profit and physical targets consistent with the proposed annual plan of Central PSUs are set out in these MOUs.

Non-preparation of Corporate Plans

2.1.16 To invite project investment throughout the State, TIDCO has to prepare a long term strategic plan stipulating TIDCO's strategy for identification of industrial zones and a plan to attract investors to these zones. It was seen in Audit that TIDCO did not have a Corporate Plan for identification of new projects implementable over a five year period. Consequently, TIDCO could not be proactive in identification of new ventures and took up the ventures only at the instance of Government/private promoters.

Non-preparation of Annual Action Plans

2.1.17 Annual action plan of an industrial development organisation indicates the priorities in their activities based on the commitments towards investments, services in land acquisition, statutory clearances *etc*., for the following year. It was, however, noticed that TIDCO did not have such an annual action plan indicating lack of clarity on the priorities of TIDCO.

The Government replied (November 2012) that the appropriate long term and short term plans would be formulated in future.

Non-fixation of project milestones

2.1.18 To ensure timely completion of the industrial ventures, milestones for commencement of project, achieving financial closure, attracting investments, *etc*., are required to be fixed. It is also imperative that implementing agency ensures the achievement of these milestones by incorporating suitable clauses in the JV agreements. Audit noticed that TIDCO while entering into JV agreements with the promoter companies neither stipulated the time limit for various crucial milestones nor stipulated any deterrent for non-achievement of the important milestones. Consequently, TIDCO lost effective control over project implementation (as discussed under Paragraph 2.1.24 to 2.1.41).

Pursuing the projects not envisaged in the main objectives

Against the primary objective of taking only industrial development projects, TIDCO pursued four real estate and non-industrial projects.

2.1.19 TIDCO, as per its Memorandum of Association, has a primary objective of taking up projects which contribute to the industrial development of the State. We noticed that TIDCO had ventured into real estate and non-industrial projects as discussed below:

- Township Project in 350 acres of land at Sriperumpudur, Chennai for commercial and residential use being developed by ETA Star Tech City Limited.
- Integrated township project in 850 acres comprising commercial and residential complex, a golf course and a SEZ of 25 acres in Coimbatore being developed by Rakindo Developers Private Limited.
- Financial City and Media and Entertainment Park in 187 acres of land in Kancheepuram district for accommodating Commercial Banks, Mutual fund and capital fund companies, insurance companies, electronic media, cinema and related activities.

In respect of Township projects at Sriperumpudur and Coimbatore, TIDCO had entered into (May/June 2007) JV agreements for investing ₹49 lakh each towards equity and a service agreement to provide facilities for getting environmental clearances, lay out approval *etc.* In both the projects the committed investment was yet to be made (September 2012).

In the Financial City and Media and Entertainment Park, TIDCO engaged (June 2010) a consultancy for preparation of Comprehensive Development Plan for the entire area of 187 acres of land and paid ₹45.92 lakh towards consultancy charges. This was against the Government's directive to develop the financial city in a small parcel of 25 acres of land in the first phase. However, the consultant's report was not put to any use till date (September 2012) for want of the Government's approval.

It was observed in audit that TIDCO should not have ventured into these projects as they were not industrial in nature but had the primary objective of real estate development and commercial ventures. In respect of the Financial City, though the consultancy report was obtained by spending ₹46 lakh, the same was not put to any beneficial use till date rendering the expenditure infructuous.

The Government replied (November 2012) that these infrastructure projects would generate investment and employment and hence fit into the mandates of TIDCO. The reply was not convincing because these projects were exclusive real estate and commercial projects and not infrastructure projects for industrial growth and hence TIDCO deviated from its main objective of contributing to industrial development of the State.

Aerospace Park Project

2.1.20 The Government approved (December 2009) setting up of the Aerospace Park in an area of 300 acres in Sriperumpudur by TIDCO through private developers. The consultant engaged (June 2010) by TIDCO for preparation of the techno economic feasibility and marketing assistance study submitted the report in March 2011 and recommended setting up the park at Sriperumpudur due to locational advantage. TIDCO paid ₹40.85 lakh as consultant fee as per the agreement. In March 2012, the BOD reversed its stand and decided that it should not continue to engage itself in such primarily real estate projects but rather focus on bringing in investments in core industrial activities.

Audit observed that in respect of this project, TIDCO had already spent ₹40.85 lakh toward consultancy. With the decision to walk out of the project, the expenditure on consultancy became infructuous.

Government replied (November 2012) that expenditure on feasibility study was part of project development expenditure and hence was not wasteful. The fact, however, remains that in this project the expenditure on consultancy became wasteful only because of TIDCO's changing stances and lack of clarity about its business plans.

Implementation of Special Economic Zone (SEZ) projects

2.1.21 Special Economic Zone is a specifically delineated duty free enclave and is deemed to be a foreign territory for the purpose of trade operations, duties and tariff. SEZ area consists of processing and non-processing Zones. While the processing zones are for the core industrial activity, the non-processing area is for supportive residential, commercial and social infrastructure. Activities and the role of the Developer of SEZ is governed by SEZ Act, 2005 and Rules thereon. In line with the Government policy to encourage SEZs, TIDCO has been promoting twelve multiproduct and product specific SEZs across the State.

During the last five years up to 2011-12, TIDCO had completed four SEZ projects and eight SEZ projects were ongoing. Audit analysis of the system in place for contract management of the SEZ projects revealed the following lacunae:

Selection of JV partners

2.1.22 The Tamil Nadu Transparency in Tenders Act, 1998 emphasises on transparency in public procurement. In respect of four SEZ projects for which the JV partners were selected through tenders, TIDCO adopted parameters *viz.*, net worth, project financing capabilities, previous experience, commitment for bringing investments within SEZ *etc.*, for evaluation of the financial and technical capabilities of the bidders in the tender. But in respect of two projects *viz.*, Mahindra World City Developers Limited and AMRL, Nanguneri, the JV partners were nominated without analysing their capabilities with reference to the above parameters. Thus, the selection of these JV partners in these projects was against the principles of transparency. TIDCO, thereby failed to exercise due diligence in selection of their partner resulting in deficiencies and deviations in project implementation.

Absence of required clauses in the JV Agreement

2.1.23 TIDCO being the extended arm of the Government has to monitor the activities of the private partners of SEZ during project implementation and commercial operations. This requires adequate provisions in the JV agreements specifying TIDCO's rights on access to the records and accounts of the JV company. However, TIDCO failed to include these provisions in the JV agreement and therefore failed to monitor the activities of the SEZ projects as detailed below:

Completed Special Economic Zones

Mahindra World City Project

2.1.24 In the industrial park developed by Mahindra World City Developers Limited (Mahindra), the Government approved (September 2004) setting up of a SEZ in 841 acres. The SEZ became operational in September 2006. Subsequently, the JV Company obtained the permission (February 2007) of the Board of Approval (BOA) of SEZ, GOI, for development of residential infrastructure in non-processing area and the JV Company transferred 242 acres to two co-developers. One of the residential projects developed by the co-developers *viz.*, Mahindra Gesco (GESCO) in 21.5 acres of land was completed in July 2007. As TIDCO being a co-promoter of this project did not have any details regarding this venture pursued by the co-developer, Audit made an attempt to independently verify land deals of the co-developer. Our independent verification of 103 documents relating to land deals of GESCO registered with the Sub-Registrar, Chengalpet revealed the following:

2.1.25 Irregular transfer of land

- As per clause 10 of SEZ Rules 2006, no vacant land shall be leased out to any person except a co-developer approved by the Board. We noticed that, GESCO leased out (2006 to 2008) vacant land to individuals in 103 cases on **'perpetual lease basis'. This tantamounts to permanent transfer of SEZ land to the individuals and was violative of SEZ Rules.**
- In 10 cases of these 103 cases, land with constructed villas and semi-bungalows was leased out (between January 2010 and November 2011) to the individuals on "perpetual lease basis".
- In none of the cases, was there any restriction on further sub-leasing or transfer of lease. All the lease deeds provided for the right to mortgage the leasehold rights.
- In all the lease deeds, the lessees were given succession rights and in 13 of the 103 cases, the lessees subsequently transferred (between 2006 and 2008) the residential units and the land to other individuals with the concurrence of co-developer.

Thus the Co-developer violated the SEZ rules and sold the land in the guise of perpetual lease to individuals. TIDCO failed to prevent this irregularity.

Undue benefit to co-developers

2.1.26 Authorised operations within the SEZ area (both in processing and non-processing zones) would be eligible for concessions *viz.*, exemption from local tax and duties including stamp duty. These operations would also be exempted from levy of Excise, Customs Duty and Service Tax *etc.* We ascertained from the Registration Department that in respect of 10 instruments of lease alone executed by the co-developers after 2010 in favour of individuals, stamp duty exemptions to the extent of ₹0.96 crore were allowed. The quantum of benefits by way of Excise, Customs Duty, VAT and Service Tax exemptions could not be worked out.

Lack of control by TIDCO on JV project

2.1.27 By transfer of residential lands to the subsidiaries, Mahindra had deprived the financial benefits of these ventures to TIDCO. **Though TIDCO had representation in the management of** Mahindra, **the transfer of valuable land assets and the business opportunity had neither been contested nor brought to the notice of the Government by TIDCO.**

Consequently, land assets valuing ₹67.57 crore together with returns emanating from development of such lands have been irretrievably lost.

The Government replied (November 2012) that monitoring compliance of the provisions of SEZ Act/Rules was the role of Development Commissioner, Ministry of Commerce & Industries, GOI only. **However, during the Exit Conference, the Principal Secretary, Industries Department directed TIDCO to take appropriate action after consulting the Development Commissioner, GOI.**

AMRL, Nanguneri

2.1.28 INFAC Management Corporation, USA (INFAC) approached TIDCO for establishing a Hi-tech Industrial Park in Nanguneri, Tirunelveli district. Accordingly, TIDCO entered (May 1997) into a MOU with INFAC and acquired 2,107 acres of land (1,533 acres of patta land at a cost of ₹2.82 crore and 574 acres of Government land at a cost of ₹0.83 crore) between July to November 1998. TIDCO also entered (February 1998) into a shareholders' agreement with INFAC for promotion of a new JV Company styled ATMAC Limited which was formed in May 2000. The sequence of events in implementation of projects from May 2000 to March 2010 is given below:

Month and year	Chronology of Events
September 2000	GOI declared the project as SEZ.
December 2000	State Government permitted TIDCO to sell the land to ATMAC Limited.
May 2001	TIDCO sold 1,533 acres of patta land acquired in 1998 to ATMAC at the same cost of acquisition (₹2.82 crore) with a right to repossess the land in case of non-commencement of the project before May 2002.
September 2006	INFAC introduced AMR Constructions, a Hyderabad based real estate entrepreneur as the major investor in ATMAC Limited with 68 *per cent* shareholdings.
March 2007	ATMAC Limited was renamed as AMRL International Tech City (AMRL).
July 2008	TIDCO sold to AMRL 574 acres of Government land at a price of ₹0.83 crore (being the cost of acquisition in 1998). TIDCO also sold 409.72 acres of mutt land taken over (July 2007) from HR&CE Department, Government of Tamil Nadu to AMRL.
March 2010	AMRL became operational.

Audit analysis of the project implementation revealed the following:

Undue favour to JV partner

2.1.29 As per the sale agreement with INFAC, the financial closure for the project should be achieved within one year from date of transfer of land (May 2001). Though INFAC failed to achieve the financial closure up to December 2006, TIDCO did not repossess the land as envisaged in the sale agreement. Between May 2002 and December 2006, TIDCO gave periodical extensions to

INFAC. Consequently, the project did not commence even after five years from sale (May 2001) of patta land.

TIDCO transferred the land to the JV partner in 2008 but it collected the price of the land applicable for 1998/2001. Thereby, it allowed an undue benefit of ₹106.61 crore.

INFAC introduced (September 2006) AMR Constructions, Hyderabad (AMR) as a new JV partner and TIDCO allowed retention of land by AMR which was originally allotted to INFAC at the prevailing price of May 2001. In addition, TIDCO transferred 574 acres of Government land to AMRL at price of ₹0.83 crore (which was the same cost of acquisition by TIDCO from Government in 1998). The second transfer of 2,107 acres of land to AMRL should have been considered as fresh transfer at the market price of 2008. Audit made an attempt to verify the appreciation in the value of land transferred to AMRL between 1998/2001 and 2008 and found that the same worked out to ₹106.61 crore[21]. Thus, non-collection of the same had resulted in undue benefit to AMRL.

Non-availability of basic infrastructure in the SEZ

2.1.30 The Ministry of Commerce and Industries, GOI accorded status of developer to AMRL in August 2008. As per the provisions of SEZ Rules, 2006, developer of the SEZ has to arrange for basic amenities in the project area of SEZ. However, audit noticed that the project of AMRL did not have basic infrastructure *i.e.*, water and power. Consequently, AMRL could market only 12 acres out of 2,517 acres of SEZ land to only six units till date (September 2012).

Thus, implementation of the project even without arranging for basic amenities in the SEZ area led to non-fulfillment of the Government objective and passing on of undue benefits to the JV partner compromising the financial interests of TIDCO.

While TIDCO's reply (October 2012) was silent on the undue benefit to AMRL, it stated that besides non-availability of power and water, global recession also contributed towards poor marketability of the plots of this SEZ. However, the fact remains that TIDCO's stated objectives have not been met.

TIDEL Park Coimbatore Limited (TPCL)

2.1.31 TIDCO in joint venture with ELCOT (another state PSU) promoted (June 2007) an IT/ITES SEZ under the name TPCL. The constructed area of the project was 9.47 lakh sq.ft. in 9.5 acres of land. Originally the project was designed as a 14 storey structure with two basements at a project cost of ₹300 crore. Subsequently, the design was changed to five storey structure with three basements and project cost was revised to ₹335 crore. The project was completed in August 2010 and the project cost was enhanced to ₹407.40 crore[22] in March 2011. Following deficiencies were noticed in the implementation of the project:

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21 The difference between ₹5.23 lakh per acre being the value of land in 2008 as per the records of Registration Department and ₹0.17 lakh per acre being the cost of purchase for 2,107 acres of land.

22 Equity investment by TIDCO (₹100.25 crore), ELCOT (₹37.50 crore), bank loan (₹200 crore) and other sources (₹69.65 crore).

Belated Feasibility Study

2.1.32 The project was first of its kind in Coimbatore. Therefore, TIDCO should have conducted feasibility study to assess locational advantages before commencement of the project. Audit noticed that TIDCO had conducted feasibility study only in March 2008, by which time project was already in the midway with issue of Letter of Award to the architect and contract for earth work being issued in October 2007. Thus, the feasibility study was an exercise in futility.

Non-verification of the height restrictions

Non-verification of height restrictions of Airport Authorities within the project area before construction led to avoidable expenditure of ₹35 crore.

2.1.33 The project site was within the Airport Zone, Coimbatore and construction of multi storeyed building above 20.50 metres was prohibited. TIDCO became aware of the height restriction only during construction stage. Consequently, the design of IT Park was modified into five floor structure to accommodate IT space of nine lakh sq. ft. and three basements (approximately eight lakh sq. ft.) for car park and other amenities at an estimated cost of ₹335 crore. If TIDCO had verified the height restrictions in view of the proximity to the Airport before freezing the design, additional cost of ₹35 crore could have been avoided. Failure to take this critical input in a feasibility report or taking action for fixing responsibility for the wrong design was totally lacking.

Non-availability of Water in the project area

2.1.34 State Level Environment clearance stipulates that permanent water arrangements before completion of SEZ project was the responsibility of the project developer. However, there were no permanent water arrangements in the IT Park till date (September 2012) due to non-laying of dedicated pipelines to the project area. Consequently, TIDCO has been managing water supply through lorries as a stop-gap arrangement and was incurring ₹26.17 lakh *per annum* for this arrangement which could have been avoided if TIDCO had arranged for these amenities before completion of the project.

Unrealistic projection of Return on Investments

2.1.35 The feasibility report of the project projected revenue of ₹30 per sq. ft. per month and 80 *per cent* occupancy right from the first year of operation. It also projected an Internal Rate of Return (IRR) of 22 *per cent*. However, these projections did not materialise till date as was evident from the fact that the lease income decreased to ₹25 per sq. ft. based on the market trend and the occupancy level was only four *per cent* as on March 2012. With this levels of income and with a term loan of ₹200 crore (being 49 *per cent* of the total project cost of ₹407.40 crore) obtained for the project to be serviced at 11 *per cent* interest *per annum*, the IRR as worked out by audit is 3.40 *per cent*. This indicated that the project was conceived on unrealistic assumptions.

Special Economic Zone projects under implementation

Tata Realty Infrastructure Limited (TRIL)

2.1.36 TIDCO initiated (November 2007) a tender process for selection of JV partner for establishment of a IT/ITES SEZ in 25.27 acres of Government land in Taramani, Chennai. In response to the above tender, bid was received from only one qualified tenderer *viz.*, TRIL who quoted upfront lease amount of ₹12,050 per sq. ft. After getting the Government approval (April 2007), TIDCO entered into (March 2008) a joint venture agreement with TRIL.

2.1.37 Deviation from the RFP

(i) Request for Proposal (RFP) for this tender defined the scope of work of development of SEZ and stipulated the Minimum Project Specification as:

"SEZ for IT & ITES and commercial activities to the extent of about 2.1 million sq. ft., an Integrated International Convention Centre to seat 1500 delegates along with 100 Serviced Apartments".

TIDCO deviated from the RFP and allowed the JV partner of TRIL to construct five star hotel and residential flats in the project area.

However, in the JV agreement, the Minimum Project Specification was modified to include "an Integrated International Convention Centre to seat 1500 delegates along with a Five Star Hotel with 300 luxury rooms (inclusive of 100 suites as Service Apartments)'. It is pertinent to note that the Government, while issuing orders (April 2007) for implementing this SEZ, had approved the project facilities of 'IT Park, an International Convention Centre with service apartment'. Thus, TIDCO has deviated from the scope of Project Specification stipulated by the Government and the one mentioned in the RFP to the extent of a Five Star Hotel with 300 rooms. Inclusion of businesses not provided in the RFP was against the principles of equity and bidding process was thus vitiated.

(ii) During execution, the JV partner was also allowed to develop Luxury Residential Flats for 330,000 sq. ft. The sale value of the residential facilities as per TRIL's own estimation was ₹323.40 crore. **This business opportunity did not find mention in the RFP.** This indicated the failure of internal control to ensure that RFP and JV agreement conditions matched with each other. By allowing real estate business in the project area, TIDCO gave undue benefit to the JV partner by larger business opportunities than envisaged in the RFP.

The Government replied (November 2012) that the hotel was not a permitted activity for IT SEZ and hence was not included in the RFP. It added that the JV partner was free to include business opportunities within the frame work of SEZ Act. The reply was not convincing because inclusion of a business opportunity not permitted within IT SEZ in the JV agreement was not only irregular but was against the principles of equity and transparency in tender evaluation, which led to extension of undue benefit to the JV partner.

Hosur and Perambalur SEZ Project

2.1.38 Based on Government directions (November 2004) TIDCO decided (September 2005) to set up a multiproduct SEZ in Hosur.

TIDCO also decided (August 2006) to set up a multi-product SEZ in Perambalur district and obtained (January 2007) administrative approval of the Government.

TIDCO simultaneously initiated (Mach 2007) tender process for selection of JV partners of these projects through international bidding and selected (July 2007) GMR Infrastructure Limited, Hyderabad (GMR) as JV partner for Hosur Project and M/s GVK Industries Limited (GVK) as JV partner for Perambalur Project. GMR and GVK had respectively purchased 1043 acres and 2,827 acres of private land during the three years up to April 2011. Their requests (August 2008 and November 2010) for transfer of Government land to the extent of 135 acres for Perambalur Project and 1,319 acres for Hosur Project was yet (September 2012) to be acceded to by TIDCO. Consequently these projects did not commence till date. Audit analysis of the contract management of these projects by TIDCO revealed the following:

Deficiency in RFP

2.1.39 RFP which is the basis for formation of JV agreements should contain stipulations on the time limit for signing the agreement, furnishing the bank guarantee, bringing the committed equity investment, financial closure by the JV partners *etc*. However, these stipulations were not incorporated in RFP. As a result, the project commencement could not be enforced.

Absence of JV agreement

TIDCO allowed two JV partners *viz*., GMR and GVK to pursue the SEZ projects without JV agreements.

2.1.40 Both GMR and GVK entered (August/July 2007) into a MOU and agreed to replace the same by an agreement after one year. However, TIDCO failed to enter into agreements with these partners till date and also failed to renew the MOUs beyond February 2011 and July 2008. In the absence of any valid agreement, TIDCO could not impose any deterrent against these non-performing JV partners. Such an informal handling of projects worth more than ₹500 crore of investment for two projects was not in the interests of industrial development of the State.

Non-furnishing of Bank Guarantee

2.1.41 As per the conditions of RFP, the JV promoters have to submit Performance Bank Guarantee (BG) of one *per cent* of the committed investment[23]. The BGs were to be encashed by TIDCO in case the promoter was not able to fulfill the committed investment of at least ₹500 crore in the project within three years of commercial operation. However, TIDCO did not

[23] The committed investment for Perambalur SEZ was ₹500 crore and the same for Hosur SEZ was ₹ 4,560 crore.

enforce submission of the BG, thereby affecting TIDCO's control over the commencement of the projects.

Thus, attempt made by TIDCO to implement SEZ project without obtaining a definite commitment from its JV partners and the non-commencement of the project had denied envisaged benefits of SEZ in the backward area of the State.

MD of TIDCO in the Exit Conference stated that they would enter into the JV agreement with GVK and GMR at the earliest.

Investment in joint venture units

2.1.42 Mention was made during the earlier Performance Audit that TIDCO did not have a detailed data bank of the projects proposed to be financed and did not evolve any bench mark/parameter for evaluation of the projects proposed to be assisted. During the present Audit, we noticed that TIDCO continued to invest in individual assisted units with similar deficiencies which resulted in undue financial benefits to the private entrepreneurs as detailed below:

Purchase of shares of a JV company at higher valuation

2.1.43 One of the objectives of TIDCO was to develop and maintain toll based roads of the State on long term concession basis. To fulfill this objective, TIDCO, in May 1998, promoted a joint venture company *viz.*, Tamil Nadu Road Development Company Limited (TNRDC) along with M/s. Infrastructure and Leasing Financial Services Limited (ILFS) (private promoters) with an equal share of equity holding of ₹5 crore each in the joint venture.

TNRDC started its business with improvement and maintenance of East Coast Road (ECR) connecting Chennai and Puducherry on a long term concession basis. During July 2008, the BOD of TIDCO noted that ILFS was not extending requisite financial support to TNRDC and had already diverted ₹16 crore of Government grant earmarked for road projects towards redemption of the debentures issued by themselves.

Therefore, to take full control of the project, TIDCO proposed (September 2008) to purchase the shares from ILFS through its subsidiary company *viz.*, TIDEL Park Limited, Chennai. ILFS indicated (December 2008) that against the face value of ₹10 per share, they were willing to accept a price of ₹30 per share including a premium of ₹20 per share. TIDEL Park Limited decided (December 2008) to accept the ILFS offer and the purchase was completed for a consideration of ₹15 crore in November 2009.

In this connection, the following points are observed in audit:

The concluded value *i.e.*, ₹30 per share was worked out by the Auditor of TNRDC in the following manner:

	(₹ in crore)
Equity capital	10.00
ADD: Capital Reserve	21.50
Less: Other items	(-)1.24
Total Net worth	30.26
Total number of shares	1,00,00,000
Net Worth per share	₹30.26

TIDCO allowed undue benefit of ₹10 crore to ILFS by purchasing its shares at higher value.

The capital reserve of ₹21.50 crore represented the funds sanctioned (January 2004) by the State Government for investment in a project for improvement of IT corridor from Madhya Kailash to Siruseri in Chennai at a project cost of ₹84.41 crore. For this purpose, a Special Purpose Vehicle (SPV) in the name of IT Expressway Limited (ITEL) was incorporated (April 2003) as a subsidiary of TNRDC. However, TNRDC diverted these funds mainly to redeem ₹16 crore of debentures of ILFS. Therefore, treatment of the funds received for another project being pursued by a separate SPV company as a free reserve/shareholders money in TNRDC accounts was, *ab initio,* irregular and violated the conditions of utilisation of the State Government fund. The value of share without the capital reserve (which was created out of the Government fund of ₹21.50 crore) would be ₹5 crore only whereas, ILFS was paid ₹15 crore resulting in undue benefit of ₹10 crore.

The Government replied (November 2012) that there was no repayment commitment for the capital grant and hence, the same was treated as part of share holder's fund. The reply is not acceptable because the Government fund received for specific purpose of implementing an altogether different project cannot be part of shareholders' fund.

Investment in Floriculture Projects

TANFLORA

2.1.44 Financial prudency demands that experiences in the past projects should be a driving factor for making further investments in the similar projects. Audit noticed that TIDCO had already invested (between March 2002 and December 2005) ₹2.62 crore in TANFLORA. It also released (between 2002-08) ASIDE fund of ₹5.83 crore as loan. Analysis of the above investments revealed the following:

- TIDCO as per its investment policy should invest only up to 26 *per cent* of the equity capital of any JV company. However, the present equity of ₹2.91 crore represented 50 *per cent* of the total equity and thereby violated its investment policy.

- After the commencement of the commercial operation in 2004, the performance of TANFLORA suffered mainly due to non-availability of share capital assistance (₹5.49 crore from the member growers) and non-availability of adequate ground water in the project area. It is pertinent to mention that TIDCO had already lost ₹1.07 crore of its investment in three such floriculture projects assisted by it mainly due to lack of infrastructure facilities and high cost of operation *etc*. However, TIDCO failed to consider these factors and did not ensure investments from the promoter group before making investments. Consequently, the overdue amount of ₹1.67 crore of ASIDE assistance in the form of loan was not realised till date (September 2012) as TANFLORA had expressed (February 2012) its financial incapability to repay the loan.

Extension of financial assistance to a floriculture project despite knowing the poor track record of similar projects and not ensuring the committed investment by the promoter's led to drain of funds of ₹8.45 crore.

Thus, continuation of financial support to a floriculture project, despite being aware of the poor track record of similar floriculture projects and not ensuring the committed investment by the member growers led to drain of scarce funds of TIDCO and ASIDE to the extent of ₹8.45 crore.

The Government replied (November 2012) that just because some agro based ventures failed, TIDCO would not stop investing in the entire sector. The reply was not convincing because the above project mainly suffered from the known deficiencies of earlier projects, *viz*., lack of basic infrastructure and non-availability of the capital which TIDCO failed to note before making investment.

Nilgiris Flower Company Limited (Nilgiris)

2.1.45 The BOD of TIDCO approved (August 2007) equity investment of ₹49 lakh in Nilgiris with instructions to make the investment after the JV company achieved the financial closure and the co-promoters brought in their entire equity contribution (estimated to be ₹3.98 crore). In October 2007, TIDCO entered into a JV agreement providing for equity investment by it and appropriate clauses for exit option after three years of investment. TIDCO invoked exit option and demanded (September 2010) the realisable value of shares amounting to ₹69.77 lakh and deposited the cheques issued by the promoter as collateral security. As the cheque was dishonoured, TIDCO initiated (December 2010) legal action which was still pending (September 2012). Audit analysis of the investment revealed the following:

Inclusion of inappropriate clauses in JV agreement

2.1.46 As per the direction of BOD, TIDCO's investment was to be released only after the co-promoters had brought in their entire equity contribution and after achieving financial closure. However, in the JV agreement this clause was modified as release of the equity investment immediately after the JV promoter bringing the equity investment **required for the first phase** (estimated to be ₹63.59 lakh). This deviation was not authorised by the BOD and led to premature release of the entire equity of TIDCO.

Excess release of funds

2.1.47 As per the financial delegation of powers to TIDCO, investment over and above ₹50 lakh in JV projects was to be made only with the approval of Government. However, TIDCO released ₹61 lakh of equity on the same day (*i.e.*, 19 October 2007) of entering into the JV agreement over and above ₹49 lakh authorised by BOD. Nilgiris issued share certificate only for ₹49 lakh and the balance of ₹61 lakh was treated as "Money held with promoter for investment". Thus, excess release of equity was beyond the financial powers delegated to TIDCO.

By allowing retention of ₹61 lakh by the JV company without obtaining share certificate, TIDCO lost ₹44.97 lakh[24] of cumulative escalation on this amount which would have become due as per the JV agreement had the same been invested as share capital.

The Government replied (November 2012) that the entire amount of equity of ₹110 lakh was released in one instalment as the JV company was taking steps for simultaneous implementation of Phase-I and Phase-II of the project in August 2007. The reply is not tenable as no such justification was available in TIDCO's record before release of the equity nor was there any justification for release of funds without Government approval.

Release of funds for a completed project

2.1.48 TIDCO approved (November 2007) an investment of ₹30 lakh in the equity of a company to implement a Cold Chain facility at Chennai at a cost of ₹10.49 crore. The promoters incorporated (March 2008) a new Company *i.e.*, Devaraj Agro Industries Private Limited (DAIPL) by converting an existing partnership firm. Based on the approval (May 2008) of the BOD to invest up to 20 *per cent* of the total equity of JV company, TIDCO invested ₹30 lakh in May 2008 and ₹123.77 lakh in August 2008 in the equity of DAIPL. Consequent on the promoters failing (August 2011) to honour the cheque for disinvestment proceeds (₹176.84 lakh) as per the notice (April 2011), TIDCO initiated (October 2011) legal action which was pending till date (September 2012). An analysis of investment decision in DAIPL revealed the following irregularities:

Investment in an already completed project

2.1.49 The Senior General Manager (Finance) of TIDCO before release of funds, pointed out that DAIPL had already commenced commercial operations in August 2007 by infusing ₹12.77 crore in the project and hence the release of equity needed to be reviewed. This observation was borne out by the fact that the total increase in fixed assets from March 2008 to March 2010 subsequent to formation of DAIPL was only ₹26.10 lakh against ₹153.78 lakh contributed by TIDCO for creation of infrastructure. This indicated that TIDCO's assistance was not utilised for creation of new assets and was not deployed for further improvement of the business of the assisted company.

24 The agreed cumulative escalation at 12.5 *per cent* from November 2007 to June 2012 worked out on ₹61 lakh which was held as money held with the promoter.

Non-availability of exit option

2.1.50 DAIPL is a private limited company. Since restriction on transfer of shares is an essential feature of a private limited company, it is not possible for TIDCO to exit by disinvestment. This is in contravention of TIDCO's investment policy. Moreover, TIDCO had not given any financial assistance to a private company till then.

The Government replied (November 2012) that since the JV company was formed by converting the existing partnership firm, the cost of partially completed assets were considered for reimbursement. The reply is not convincing as even as per the admission of Government, TIDCO's assistance was not applied for creation of new assets that would enhance further development of the project.

Disinvestment

Non-compliance with the disinvestment policy of Government

Failure to evolve a systematic approach of disinvestment in line with Government directions led to blocking of ₹175.25 crore of investment (46.60 *per cent*) for more than 10 years.

2.1.51 The State Government had issued instructions to PSUs as early as in April 1990, to review the investments in assisted companies after three years of their investment. Failure to evolve a systematic approach of disinvestment in line with the Government directions was already commented by us in our earlier audit included in the Audit Report for the year 2000. However, TIDCO did not install such a system for review of the non-remunerative investments till date (September 2012). Moreover, the Government did not issue specific directions to TIDCO despite its failure to disinvest as per the Government instructions. As a result, TIDCO's investment of ₹175.25 crore (46.60 *per cent*) in respect of 41 JV companies out of the total investment of ₹376.06 crore (as on March 2012) in 56 companies was blocked for more than 10 years.

During the Exit Conference, MD of TIDCO stated that a new policy for disinvestment was being worked out at the Government level.

Absence of data bank of sick units

2.1.52 During the years from 2007-08 to 2011-12, TIDCO had written off ₹24.75 crore of its investments in 31 companies. Write-off proposals were initiated on account of pro-longed sickness of these companies for more than a decade. To avoid recurrence of the loss, it is imperative for TIDCO to have data bases of sick companies to take timely decision on disinvestments. However, TIDCO had not created a data base of sick companies to safe guard its financial interest.

Non-implementation of the disinvestment decisions

2.1.53 We noticed that the financial performance of five JV companies was poor justifying immediate action plan for disinvestments. Audit further noticed in four out of five instances, TIDCO considered disinvestment but did not implement the decisions. Consequently, TIDCO suffered loss of revenue as discussed below:

Non-filing of Execution Petition

2.1.54 TIDCO obtained (September 2009) arbitration awards against Vishnu Fabric (Private) Limited for recovery of the value (₹66.47 lakh) of disinvestment along with interest at 18 *per cent per annum* from March 2007. However, TIDCO did not file Execution Petition (EP) for realisation of the amount till date (September 2012) resulting in foregoing of an income of ₹1.32 crore (along with interest of 18 *per cent per annum* from March 2007 to September 2012).

The Government replied (November 2012) that details of property owned by the deceased promoter was not available with TIDCO and hence, the EP was not filed. Inordinate delay of five years only for ascertaining property details of the deceased JV promoter indicates the weakness of the internal controls in TIDCO and was against its financial interest.

Failure to obtain Government approval

2.1.55 TIDCO requested (2004) the orders of the Government to disinvest the investment of ₹2.06 crore in Cheslind Textiles Limited (CTL) through stock exchange, as CTL was a listed company and there was no provision in the JV agreement with CTL to compel the co-promoter to purchase TIDCO's shareholdings. However, the above request was not pursued thereafter and the reason for such inaction was not on record. In the meantime, the market value of shares of CTL which was at ₹3.50 crore in March 2006 came down to ₹1.51 crore in March 2012 resulting in a measurable loss of ₹2 crore to TIDCO.

The Government replied (November 2012) that the disinvestment did not take place due to want of Government approval. The fact, however, remained that TIDCO also did not pursue with the Government for obtaining the said approval.

Non-perusal of claim

2.1.56 Financial performance of Navodaya Mass Entertainment Limited (NAME) was not satisfactory since 1995. TIDCO became aware (September 2006) that about 71 out of 120 acres of land owned by NAME was handed over for real estate development and hence it decided (November 2006) to secure eleven *per cent* of land owned by NAME as the compensation for its value of investment (₹1.01 crore). However, TIDCO did not insist on transfer of the land to it as per the decision. Consequently, its investment remained idle till date (September 2012).

The Government replied (November 2012) that NAME had become debt free and was earning profit since 2007-08. As the investment was already 17 years old and JV Company was earning profit, TIDCO should have initiated disinvestment at least after 2007-08. However, this was not done till date (September 2012).

2.1.57 Continuing JV with defaulting promoter

(i) DCM Hyundai Limited (DHL) promoted (February 1995) by TIDCO with equity investment of ₹1.60 crore was incurring losses since July 1995. TIDCO became aware (2007-08) that DHL had relocated its plant to a place near Delhi and had given up its freight container business in Chennai. Hence, TIDCO decided (April 2009) to disinvest its shareholdings in DHL at the enhanced value of ₹9.08 crore. However, the above decision was not implemented till date (September 2012). Thus, not pursuing the proposal though the company had closed its business in Tamil Nadu led to non-realisation of the anticipated yield of ₹9.08 crore.

The Government replied (November 2012) that the response of DHL for disinvestment proposal (September 2008) was still awaited. The reply of the Government reveals the casual approach for the safeguard of TIDCO's investments.

(ii) TIDCO made an investment of ₹4.42 crore in Southern Petrochemicals Industries Limited (SPIC) during 1973 without a formal agreement. SPIC did not declare dividend from 2001-02 onwards on account of huge losses and its net worth continued to be negative from 2007-08 and 2008-09. Even though TIDCO had considered (2008-09) ₹57.70 crore of loan given (1999-2000) to SPIC as doubtful of recovery, it did not initiate any action for disinvestment in the last ten years. In the meantime the market price (₹42.35 in 2007-08) of the share of the SPIC came down to ₹17.50 per share as on date (September 2012). Thereby, TIDCO lost the opportunity of recovering their investments, by not disinvesting at the appropriate time.

The Government replied (November 2012) that so far it had not issued any orders for disinvestment. The fact remained that since TIDCO itself had no disinvestment proposal, obviously there would be no orders from the Government in this regard.

Under realisation in disinvestments

2.1.58 Agreements with JV partners provided for disinvestment by cumulatively escalating the investments at a specified percentage. During the Audit period, TIDCO made disinvestment of shares for a value of ₹4.67 crore in eight JV companies. A check of disinvestments in three companies indicated that there were under realisation of disinvestment value to the extent of ₹4.01 crore which was due to:

- not escalating the value of shares sold (July 2010) in Automotive Coaches and Components Limited to a third party at 12 *per cent per annum* as per the guidelines (April 1990) of the Government (loss of ₹3.33 crore).
- not including a provision in the agreement for escalating the value of shares cumulatively by 13.55 *per cent* (being the prevailing market rate of interest during September 1997) on the existing value of investment. Such a provision was included for applying the above rate only for the future investments in the shares of IWL India Limited (loss of ₹24.42 lakh).
- (i) Cumulatively escalating the value of shares (₹39.61 lakh) of Malladi Drugs and Pharmaceuticals Limited by 10.70 *per cent* against the stipulated minimum escalation of 12 *per cent per annum* and (ii) not

collecting 18 *per cent* interest from the date of claim (April 2007) of disinvestment proceeds (₹1.19 crore) up to the date of settlement (February 2012) as per the provisions of agreement (loss ₹44.15 lakh).

Undue favour to private partners

2.1.59 A review of the clauses for disinvestment in respect of two JV Companies *viz.*, Nagarjuna Oil Corporation Limited (NOCL) and Ascendas revealed that:

TIDCO would be foregoing ₹11.85 crore of escalation at the time of disinvestment of shares of NOCL due to unwarranted change in the formula for escalation.

- ***NOCL:***The promoters' agreement with NOCL, (January 1998) provided for cumulatively escalating the value of shares on disinvestment by 13.55 *per cent*. However, in the modified JV agreements (May 2005 and December 2009) (before release of equity of ₹23.20 crore in May 2005 and ₹4.24 crore in January 2010) the rate of escalation was **reduced to 10 *per cent* without cumulative effect**. It is pertinent to mention that **the BOD was not apprised of the prevailing rate of escalation at 13.55 *per cent* as per the promoter's agreement in January 1998 and the reduction in rate of escalation was without specific approval by the BOD.** Audit observed that when the JV partners had already agreed for a minimum return for TIDCO's investment at 13.55 *per cent* with cumulative effect, subsequent reduction of the same to 10 *per cent* without cumulative effect was not justified in the light of the fact that TIDCO's borrowings (both from the Government and through issue of bonds) carried interest rates ranging from 11.50 *per cent* to 13 *per cent* during the said period. Thus by agreeing for a lower return on investment, TIDCO would be foregoing ₹11.85 crore[25] of escalation up to September 2012.

The Government replied (November 2012) that the rate of escalation adopted in May 2005 was based on the market rates of borrowings. The reply was not convincing because TIDCO itself had borrowings (public bonds) at the rates ranging from 11.5 to 13 *per cent per annum* during the said period and the rate of escalation was not matching the rates of borrowings. Moreover, this action of changing terms without BOD/Government's approval is highly irregular.

- ***ASCENDAS:*** The total investment of TIDCO in Ascendas was made in two tranches of ₹4.79 crore (in April 2004) and ₹6.44 crore in November 2007 As per the Agreement entered in to in July 2003 and September 2007, TIDCO's investment would be cumulatively escalated at 11.5 *per cent per annum* till the date of disinvestment. Audit observed that this rate was lower than the prevailing rate of escalation of 13.25 *per cent* which would result in a loss of revenue of ₹1.53 crore (up to September 2012).

Internal control and Internal Audit

Monitoring of JV companies

2.1.60 TIDCO, by virtue of its JV agreements had the power to appoint its

[25] Being the difference in the interest rates at 11.5 *per cent* with cumulative effect and 10 *per cent* without cumulative effect from May 2005 to September 2012.

nominee Directors in the JV companies to monitor their affairs and to protect the financial interests of TIDCO. TIDCO had its nominee directors in 43 out of 57 JV companies (March 2012). A review of the role of the nominee directors revealed the following:

- BOD decided in June 2006 to review the working of the JV companies on quarterly basis based on the inputs of nominee directors and place reports before the BOD. However, the said review was not carried out.
- TIDCO did not have a comprehensive record of the number of meetings attended by the nominee directors, their recorded interventions and the outcome of the Board Meetings.
- TIDCO did not have a data base on the financial health of the assisted JV companies including the sick companies/companies referred to BIFR.

Internal Control

2.1.61 Internal Control system of TIDCO was deficient in the following areas:

- There was no manual describing job description among the various functional wings of TIDCO. Consequently, the Management could not delegate the work in a systematic manner.
- There were instances of investments made in excess of the BOD's approval (*viz.*, Devraj Agro Industries Private Limited, Nilgiris Flower Company Limited). Further, TIDCO paid (November 1995) ₹24.21 lakh to a consultant engaged by the CMD without any tender process and Competent Authority's approval. When TIDCO sought ratification from the Government, the same was refused (January 2003) on the ground that when the amount was expended without approval there would be no implication even if the Government/Board did not accept regularisation. Consequently, the BOD was forced to write off (May 2008) the unauthorised expenditure. This indicated the lack of internal control over financial transactions.
- TIDCO had no data bank of land assets taken over from the Government/acquired as was evident from the fact that 1,733.23 acres of land leased out/kept with itself were not reflected in the books of accounts.

Internal Audit System

2.1.62 TIDCO had a departmental internal audit mechanism up to 2009-10. For the year 2011-12, the Internal Audit functions were entrusted (August 2011) to an outside agency. The review of internal audit mechanism revealed the following deficiencies.

- Though TIDCO stated that it had an internal audit system up to 2009-10, the outcome of the internal audit was not placed before Audit committee. As a result, the major lapses, if any, were not reported to BOD for corrective action.
- There was no internal audit for 2010-11.

- Internal audit report for the first half of 2011-12 submitted by the internal auditor in July 2012 was also not placed in the Audit committee till date (September 2012).
- Though TIDCO as a nodal agency has been receiving more than ₹50 crore of ASIDE Grant from GOI every year, these financial activities were outside the scope of internal audit.

Acknowledgement

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

Conclusion

The Government's recent industrial policy aimed to position the State as the most attractive investment destination. However, the performance of TIDCO with regard to attracting equity investments in the industrial sector was far below expectations because:

- it did not evolve a strategic long term and detailed annual plans for attracting new investment.
- it participated in projects which primarily aimed at real estate development and projects not related to industrial infrastructure which would promote industrialisation of the State.
- the envisaged advantages of taking up SEZ projects did not accrue to the State as the completed SEZs did not have even the basic infrastructure.
- incomplete SEZs were plagued by non-co-operation from the private JV partners and inability of TIDCO to enforce contractual terms.
- TIDCO did not have clear parameters for evaluation of the projects that required assistance as a system mechanism. It continued to assist individual projects known to be unviable.
- TIDCO did not evolve a policy for systematic, regular and timely disinvestment of the investments. Consequently, more than 50 *per cent* of its investment was non-remunerative and 47 *per cent* of the investments were held for more than ten years.

Recommendations

The Government should

- ❖ fix the targets for financial and physical performance of TIDCO to ensure accountability and maintaining a standard of performance.
- ❖ ensure that TIDCO takes up projects that fall in the ambit of the Industrial Policy of the State.
- ❖ ensure that the private partners do not deviate from the SEZ Acts and Rules. Carrying out real estate business in the guise of SEZ activities is a serious irregularity and should not be allowed.

TIDCO should

- formulate strategic long term plans and fix a timeframe for completion of on-going projects.
- enforce contractual obligations of private partners by formalising the JV agreements.
- ensure investments only for viable projects and as per BOD's/Government directions.
- have a clear policy for disinvestment which is strictly followed.
- improve internal control and monitoring system.

2.2 Performance Audit on Power Transmission Activities of Tamil Nadu Transmission Corporation Limited

Executive Summary

Government of India enunciated the National Electricity Policy (NEP) in February 2005 which envisaged that the Transmission System required adequate and timely investment besides efficient and coordinated action to develop a robust and integrated power system for the country. Transmission of electricity and grid operations in Tamil Nadu were managed by the Tamil Nadu Electricity Board (Board) until 31October 2010. As part of power sector reforms, Tamil Nadu Transmission Corporation Limited (Company) and Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO) were formed and started functioning from November and March 2010 respectively. The Company is mandated to provide an efficient, adequate and properly coordinated Grid management and transmission of energy. We took up the Performance Audit on the working of the Company and the erstwhile Board for the years 2007 to 2012 to ascertain whether they were able to adhere to the objectives stated in the NEP.

Transmission network and its growth

The Company planned addition of 249 Sub-stations (SSs), 14,052 MVA of transformer capacity and 10,966 Circuit Kilometre (CKM) of transmission lines during 2007-08 to 2011-12 but achieved addition of 160 SSs, 13,395 MVA of transformer capacity and 4,986 CKM of transmission lines. The shortfall in achievement was mainly due to lack of proper planning, delay in land acquisition, right of way issues and delay in procurement of material.

Mismatch between generation capacity and transmission facilities

As on 31 March 2012, against the installed generation capacity of 6,943 MW of wind energy, the Company had the transmission facility for 4,997 MW only, indicating inadequacy in transmission facility to the extent of 1,946 MW. Consequently, the Company had to back down 559.03 Million Units (MUs) of wind energy power during the period 2007-08 to 2011-12.

Transmission capacity

As against the peak demand of 12,878 MVA as on 31 March 2012, available transformer capacity was 10,455 MVA only leaving a shortfall of 2,423 MVA. The Company failed to comply with the Tamil Nadu Electricity Regulatory Commission (TNERC) norm that the transformers should not be loaded with more than 70 per cent of their capacity.

Transmission losses

Transmission losses of the Company during the five years ended 2011-12 was much higher than the CEA norm of four per cent and ranged between 6.2 and 9.82 per cent. Transmission loss over and above the CEA norm during the period 2007-12 was 13,007 MUs. This loss is 44 per cent of the power shortage of the State during 2007-08 to 2011-12. TNERC observed that the Company had not furnished the accurate figures of T&D losses and was "fudging" the figures to keep the transmission loss constant.

Grid Management

The Company's track record in maintaining grid discipline by frequency management was poor as it resorted to overdrawal at low frequencies during the period 2007-12. This overdrawal led to avoidable extra expenditure of ₹515.49 crore and also put the grid safety at risk.

Financial Management

The erstwhile Board/Company did not file tariff petition and Aggregate Revenue Requirement (ARR) with TNERC for the years 2007-08 to 2009-10 and filed the same belatedly for 2010-11 and 2011-12. Due to this, the Company had to forego ₹815.59 crore towards revised transmission charges during 2010-11 and 2011-12.

Conclusion and recommendations

There were inordinate delays in establishment of sub stations resulting in the Company foregoing the benefit of reduction in line loss. Non-availability of transmission facility for evacuation of wind energy power led to backing down of 559.03 MUs of power during the period 2007-12.

The Company loaded its transformers to the extent of 85 to 90 per cent of their capacity against the TNERC norm that a transformer should not be loaded more than 70 per cent. Transmission losses were much higher than the norm of four per cent fixed by CEA in all the five years ended 31 March 2012. The quantum of transmission losses over and above the CEA norm was 13,007 MUs.

The Company's track record of grid discipline through frequency management was poor. The Company did not file Aggregate Revenue Requirement with TNERC for the three years 2007-08 to 2009-10 and filed the same belatedly for 2010-11 and 2011-12 leading to revenue loss. We recommend to eliminate delays in commissioning of SS and transmission lines, create transmission facilities commensurate with the generation capacity, restrict transmission losses within CEA norms, maintain grid discipline and file ARR as prescribed by TNERC.

Introduction

2.2.1 With a view to supply reliable and quality power to all by 2012, the Government of India (GOI) prepared the National Electricity Policy (NEP) in February 2005 which stated that the transmission system required adequate and timely investment besides efficient and coordinated action to develop a robust and integrated power system for the country. It also *inter alia,* recognised the need for development of National and State Grid with the coordination of Central/State Transmission Utilities. Transmission of electricity and grid operations in Tamil Nadu were managed and controlled by the Tamil Nadu Electricity Board (Board) until 31 October 2010. As part of power sector reforms, the State Government ordered (October 2008) unbundling of Tamil Nadu Electricity Board by establishing (December 2009) a holding Company *viz*., TNEB Limited. Apart from this holding Company, two subsidiary companies, *viz*., Tamil Nadu Transmission Corporation Limited (TANTRANSCO) and Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO) were formed in June and December 2009 respectively. TANTRANSCO (Company)[26] was incorporated on 15 June 2009 under the Companies Act, 1956 and started functioning with effect from 1 November 2010. From this date, the Company manages and controls transmission of electricity and grid operations in Tamil Nadu and is also mandated to provide an efficient, adequate and properly coordinated grid management and transmission of energy. The State Government notified vide G.O. No. 100 dated 19 October 2010 that the Tamil Nadu State Load Despatch Centre (TNSLDC) shall be operated by the Company. The TNSLDC is assisted by three Area Load Despatch Centres (ALDCs) (Chennai, Erode, Madurai) for data acquisition and transfer to TNSLDC and supervisory control of equipment above 110 KV. The Company reports to the Energy Department.

2.2.2 The Management of the Company is vested with a Board comprising 10 Directors (five full time Directors, two part time Directors and three Ex-Officio Directors) appointed by the State Government. The day-to-day operations are carried out by the Chairman who is the Chief Executive of the Company with the assistance of Director (Transmission Projects), Director (Operation) and Director (Finance). During 2007-08, 59,801 Million Units (MUs) of energy were transmitted by the Company. This increased to 70,029 MUs in 2011-12, *i.e*., an increase of 17.10 *per cent* during 2007-12. As on 31 March 2012, the Company had transmission network of 24,487 Circuit Kilo Metre (CKM) and 833 sub-stations (SSs) with installed capacity of

[26] Throughout this Performance Audit Report, the term "Company" refers to Tamil Nadu Electricity Board upto 31 October 2010 and TANTRANSCO with effect from 1 November 2010.

42,241MVA, capable of annually transmitting 1,17,755MUs at 230 KV. The turnover of the Company was ₹1,710.29 crore in 2011-12, equal to 0.27 *per cent* of the State Gross Domestic Product. It employed 16,230 personnel as on 31 March 2012.

Performance Audits on implementation of Transmission Scheme by the Company and on Power Distribution Activities of TANGEDCO were included in the Reports of the Comptroller and Auditor General of India (Commercial), Government of Tamil Nadu for the years ended 31 March 2008 and 31 March 2011 respectively. These Reports are yet to be discussed by COPU.

Scope and Methodology of Audit

2.2.3 The present Performance Audit conducted during March to July of 2012 covers performance of the Company during 2007-08 to 2011-12. In order to have a reasonable representation of the entire population of SSs, 66, 25 and 10 *per cent* of 400 KV, 230 KV and 110 KV SSs were selected for detailed audit. The SSs for detailed audit were chosen based on their geographical location. In all, records in 78 SSs were checked in detail. Audit examination involved scrutiny of records of different wings at the Head Office of the Company, State Load Despatch Centre (SLDC), all the five[27] General Construction Circles, two[28] Chennai Development Circles and six[29]out of nine Operation Circles headed by Superintending Engineers.

Between 2007-12, the Company constructed 160 SSs (capacity: 5,446 MVA) and 347 lines (length: 4,986 CKM) as well as augmented the existing transformation capacity by 7,949 MVA. Out of these, 43 SSs (capacity: 2035 MVA), 75 lines (length: 1,266 CKM) and the augmented transformation capacity (670 MVA) were examined.

The methodology adopted for attaining audit objectives with reference to audit criteria consisted of explaining audit objectives to top management, scrutiny of records at Head Office and selected units, interaction with the audited entity personnel, analysis of data with reference to audit criteria, raising of audit queries, discussion of audit findings with the Management and issue of draft Performance Audit report to the Management/Government for comments.

Audit Objectives

2.2.4 The objectives of the Performance Audit were to assess whether:

- Perspective Plan was prepared in accordance with the guidelines of the National Electricity Policy/Plan and State Electricity Regulatory Commission (SERC) and to assess impact of failure to plan, if any;
- The transmission system was developed and commissioned in an economical, efficient and effective manner;
- Operation and maintenance of transmission system was carried out in an economical, efficient and effective manner;
- Disaster Management System was set up to safeguard its operations

[27] 1. Chennai. 2. Trichy. 3. Coimbatore. 4. Salem and 5. Madurai.

[28] 1. Chennai Development Circle I and 2.Chennai Development Cicrle II.

[29] 1. Chennai–I, 2.Chennai-II, 3.Coimbatore, 4.Tirunelveli, 5.Salem and 6.Trichy.

against unforeseen disruptions;

- Effective failure analysis system was set up;
- Effective and efficient Financial Management system with emphasis on timely raising and collection of bills and filing of Aggregate Revenue Requirement (ARR) for tariff revision in time was in place;
- There was an efficient and effective system of procurement of material and inventory control mechanism;
- Efficient and effective energy conservation measures were undertaken in line with the National Electricity Plan (NEP) and a proper Energy Audit System was established; and
- Adequacy of the monitoring system in place to review existing/ongoing projects, corrective measures to overcome deficiencies identified and response to Audit/Internal audit observations.

Audit Criteria

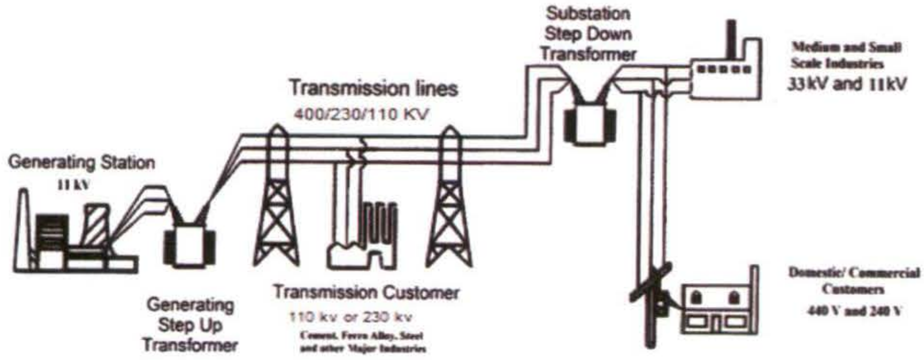
2.2.5 The audit criteria were chosen from the following sources:

- Provisions of National Electricity Policy/Plan and National Tariff Policy;
- Project Reports of the Company;
- Standard procedures for award of contracts;
- ARR filed with TNERC for tariff fixation, Circulars, Manuals and MIS reports;
- Manual of Transmission Planning Criteria (MTPC);
- Code of Technical Interface (CTI)/Grid Code consisting of planning, operation, connection codes;
- Directions from State Government/Ministry of Power (MOP);
- Norms/Guidelines issued by TNERC/Central Electricity Authority (CEA);
- Report of the Committee constituted by the Ministry of Power recommending the "Best Practices in Transmission".
- Report of the Task force constituted by the Ministry of Power to analyse critical elements in transmission project implementation; and
- Reports of Regional Power Committee (RPC)/Regional Load Despatch Centre (RLDC).

Brief description of transmission process

2.2.6 Transmission of electricity is defined as bulk transfer of power over long distances at high voltages, generally at 110 KV and above. Electric power generated at relatively low voltages in power plants is stepped up to high voltage power before it is transmitted to reduce the loss in transmission and to increase efficiency in the grid. SSs are facilities within the high voltage electric system used for stepping-up/stepping down voltages from one level to another, connecting electric systems and switching equipment in and out of the system.

Electrical energy cannot be stored. Therefore, every transmission system requires a system of control called grid management to ensure balancing of power generation closely with demand. A pictorial representation of the transmission process is given below:



Audit Findings

2.2.7 Audit objectives, criteria and methodology were shared with the Company during an Entry Conference held on 16 March 2012. Subsequently, audit findings were reported to the Company and the State Government in October 2012 and discussed in an Exit Conference held on 15 November 2012. The Exit Conference was attended by the Chairman, Managing Director, Director (Operation), Director (Transmission Projects) and Director (Finance) of the Company. The Company replied to audit findings in December 2012. The views expressed by them have been considered while finalising the Performance Audit report. The audit findings are discussed in the subsequent paragraphs.

Planning and Development

National Electricity Policy/Plan

2.2.8 The Central Transmission Utility (CTU) and State Transmission Utilities (STUs) have the key responsibility of network planning and development based on the National Electricity Plan in coordination with all concerned agencies. At the end of X Plan (March 2007), the transmission system in the country at 765/HVDC/400/230/220/KV stood at 1.98 lakh CKM of transmission lines which was planned to be increased to 2.93 lakh CKM by end of XI Plan *i.e.*, March 2012. The NEP assessed the total inter-regional transmission capacity at the end of 2006-07 as 14,100 MW and further planned to add 23,600 MW in XI plan bringing the total inter-regional capacity to 37,700 MW.

The Company's transmission network at the beginning of 2007-08 consisted of 696[30] Extra High Tension (EHT) SSs with a transformation capacity of 28,846 MVA and 19,582 CKM of EHT transmission lines. The transmission network as on 31 March 2012 consisted 833 EHT SSs with a transformation

[30] Includes 400 KV SS of Power Grid Corporation of India Limited.

capacity of 42,241 MVA and 24,487 CKM of EHT transmission lines.

The STU is responsible for planning and development of the intra-state transmission system. Assessment of demand is an important pre-requisite for planning capacity addition. The Tamil Nadu Electricity Regulatory Commission (TNERC) notified (October 2005) in the Tamil Nadu Electricity Grid Code (TNEGC) that State Transmission Utility (STU) would develop a perspective transmission plan for next 10 years for the State Transmission System and update the same every year to take care of the revisions in load projections and generation capacity additions. The perspective plans are to be submitted to TNERC for approval. Audit observed that the Company had not prepared such a plan.

The Company stated (December 2012) that a perspective transmission plan had now been prepared as part of 'Vision 2023' document for the next 10 years. The reply confirms that the Company had not complied with the TNERC's directions on the subject till 2012.

The Company prepared Master Plan which *inter alia*, included the transmission schemes and its execution during the subsequent five years based on the present load of the SSs and future demand for power. The schemes included in the Master Plan were divided into annual Transmission and Distribution (T&D) programmes. The details of SSs programmed to be commissioned as per XI Master Plan and Annual Plans for the five years ended 31 March 2012, are furnished below:

Period	XI Master Plan	As per annual plan
2007-08	166	65
2008-09	78	64
2009-10	44	62
2010-11	43	30
2011-12	18	28
Total	**349**	**249**

(Source: XI Master Plan and Annual Plans of 2007-12 of the Company)

From the table, it could be seen that though the Company planned to establish 349 SSs, as per its XI Master Plan (2007-08 to 2011-12), it reduced the target to 249 SSs in its annual plans and left out 100 SSs. The drastic reduction of number of SSs planned in the first year of Master Plan indicated that the planning process was defective. Audit noticed that SSs were planned without even identifying the necessary land. The Company stated (December 2012) that the schemes were now being approved only after necessary land for SS was acquired.

Transmission network and its growth

2.2.9 Transmission network involves construction of SSs, installation of transformers in the SSs and erection of lines. The details of voltage-wise capacity additions planned, actual additions, shortfall in capacity, *etc.*, during the five years up to 2011-12 are given in the **Annexure–7.**

The transmission capacity of the Company at EHT level during the Performance Audit period is given below:

S.No	Description	2007-08	2008-09	2009-10	2010-11	2011-12	Total
A. Number of SSs							
1.	At the beginning of the year	691	726	761	801	821	---
2.	Additions planned for the year	65	64	62	30	28	**249**
3.	Added during the year	41	42	42	21	14	**160**
4.	Deletion due to upgradation of 66 KV	6	7	2	1	2	**18**
5.	Total SSs at the end of the year (1+3-4)	726	761	801	821	833	---
6.	Shortfall in additions (2-3)	24	22	20	9	14	**89**
B. Transformers capacity (MVA)							
1.	Capacity at the beginning of the year	28,846	32,513	35,402	38,059	40,412	---
2.	Additions/augmentation planned for the year	3,891	3,263	2,887	1,732	2,279	**14,052**
3.	Capacity added during the year	3,667	2,889	2,657	2,353	1,829	**13,395**
4.	Deletion due to upgradation of 66 KV	0	0	0	0	0	**0**
5.	Capacity at the end of the year (1+3-4)	32,513	35,402	38,059	40,412	42,241	---
6.	Shortfall in additions/augmentation	224	374	230	(+)621	450	**657**
C Transmission lines (CKM)							
1.	At the beginning of the year	19,582	20,808	21,971	23,259	24,007	---
2.	Additions planned for the year	1,750	2,160	3,306	1,250	2,500	**10,966**
3.	Energised during the year	1,297	1,163	1,298	748	480	**4,986**
4.	Deletion due to upgradation	71	0	10	0	0	**0**
5.	Total lines at the end of the year (1+3-4)	20,808	21,971	23,259	24,007	24,487	---
6.	Shortfall in additions (2-3)	453	997	2,008	502	2,020	**5,980**

(Source: As furnished by the Company)

Against the target of commissioning 249 SSs and energisation of 10,966 CKM of transmission lines, the Company's achievement was 160 SSs and 4,986 CKM of lines.

Audit observed that out of 160 SSs completed, 79 SSs were spill over SSs which could not be completed in the earlier X Plan and 21 SSs which were not planned for but commissioned on grounds of urgent requirement (urbanisation and industrial development). This in effect meant that out of 249 SSs targeted for execution, the Company constructed only 60 SSs (24.09 *per cent*) as per plan. Thus, there were shortfalls in achievement against even the reduced Annual Plan targets, which indicated that the planning and execution thereof were defective. In respect of transmission lines, it energised 4,986 CKM (45.47 *per cent*) only as against the planned energisation of 10,966 CKM, leaving a huge shortfall of 5,980 CKM during the above five year period.

Audit observed that the shortfall in the construction of SSs also contributed to shortfall (54.53 *per cent*) in energisation of lines. The Company stated (November 2012) that the shortfall in achievement of energisaiton of transmission lines was mainly due to Right of Way (ROW) issues.

In respect of transformer capacity the Company's achievement during the Performance Audit period was 13,395 MVA against the target of 14,052 MVA corresponding to 95.32 *per cent*.

The Company replied (December 2012) that the prime reasons for non completion of SSs and lines were critical financial position of the Company and shortage of skilled man power.

The reply is not tenable as the Company stated (November 2012) that it reduced the target for inclusion in the Annual Plans compared to the Master Plan considering the financial constraints. The Company did not achieve even the reduced target. It is also pertinent to mention that the reasons for failure of the Company to achieve even the reduced targets were delays in obtaining route map approval, obtaining clearance from Railway authorities, procurement of required materials by the turnkey contractors, obtaining revised administrative approval and failure to take timely action on payment of compensation immediately after the route profile approval which were all controllable factors.

Project management of transmission system

2.2.10 A transmission project involves various activities from concept to commissioning. Major activities in a transmission project are (i) Project formulation, appraisal and approval phase and (ii) Project execution phase. For reduction in project implementation period, the Ministry of Power, Government of India constituted a task force on transmission projects (February 2005) with a view to analyse the critical elements in transmission project implementation and suggest a model transmission project schedule of 24 months duration.

The task force suggested and recommended (July 2005) that preparatory activities such as surveys, design and testing, processing for statutory clearances, tendering activities, *etc*., be undertaken in advance/parallel to project appraisal and to go ahead with construction activities once transmission line project sanction/approval is received. It also suggested breaking down the transmission projects into clearly defined components which could be executed with minimal disruptions.

Delay in execution of projects

2.2.11 Audit scrutiny of execution of transmission projects (43 SSs and 75 lines) revealed there were inordinate delays over and above 24 months from the date of handing over of site to General Construction Circle (responsible for executing the projects) as detailed below:

Capacity (in KV)	Total number constructed		No. test checked by Audit		Delay in construction (Numbers)		Time overrun[31] (range in months)
	SSs	Lines	SSs	Lines	SSs	Lines	
400	1	1	1	1	1	1	24-31
230	12	45	9	34	4	18	9-55
110	147	301	33	40	17	31	1-83
Total	**160**	**347**	**43**	**75**	**22**	**50**	

(Source: From Annual Plans and unit records of the Company)

From the above table, it could be observed that the time over-run ranged from one to 83 months. Audit analysis revealed that delays were mainly in identification/acquisition of land, preparation of estimation for line works, getting revised approvals, getting route profile approval, ROW issues, processing/finalisation of tender and slow progress of works. Audit also observed that the Company had not closed the work order registers for arriving at the final cost of the SSs or lines. Hence, cost overrun could not be ascertained.

The Company replied (December 2012) that acquiring of land in the load centres was becoming increasingly difficult due to soaring land prices and that efforts were being taken by the Company to speed up acquisition through negotiation with the land owners.

Delay in commissioning of SSs resulted in foregoing benefits through reduction in line losses valued at ₹72.82crore.

Establishment of SSs minimises voltage fluctuations leading to reduction in line losses. Any delay caused in establishing the SSs would result in foregoing the benefits of reduction in line losses during the delayed period. Audit observed that the Company did not utilise project monitoring tools like preparation of Project Evaluation Review Technique (PERT) chart in the execution of transmission schemes. The details and reasons for the delay in establishment of SSs and Lines and consequent benefits foregone through reduction in line losses aggregating to ₹72.82 crore in respect of 17 SSs (3 numbers-230 KV SS and 14 numbers-110 KV SS) test checked in audit are furnished in the **Annexure-8**.

Further analysis of execution of five SSs and related line works *viz.*, Peralam, Kodikulam, Kandampatti, Ively and Pallakkapalayam revealed that the delays were avoidable like obtaining route map approval, obtaining clearance from Railway authorities, procurement of required materials by the turnkey

[31] Test checked in audit.

contractors, obtaining revised administrative approval and failure to take action on payment of compensation immediately after the route profile approval.

Instances of major delays leading to belated commissioning/non-commissioning of SSs are discussed below:

Ulundurpet 230 KV SS

2.2.12 The Company approved (30 April 2005) the proposal for the establishment of 230/110 KV SS at an estimated cost of ₹40.09 crore at Ulundurpet to reduce the overload on Neyveli - Deviakurichi feeder. The technical sanction was accorded on 4 August 2005. The site was handed over to the Superintending Engineer, General Construction Circle (GCC), Trichy in April 2008. As such the project should have been completed by April 2010. Though the site for construction of SS was handed over in April 2008, the project was included in the T&D Programme for 2009-10 involving a delay of 12 months. There was a further delay of 24 months in award of SS works. As of March 2012, the SS works were completed to the extent of 70 *per cent* only. In the associated five line works, the Company had awarded (February 2012) only one and the remaining four were not awarded (November 2012). Even the awarded line work was completed to the extent of 40 *per cent* only (November 2012).

Audit observed that while the estimates for both SS and line works were submitted by the field office in September 2009, there were inordinate delays in awarding SS and line works. Audit further observed that though the SS works were nearing completion, the same cannot be put to beneficial use as four out of five associated line works were yet to be taken up. The delay in commissioning of this SS had resulted in foregoing the envisaged benefit of reduction in line loss of 78.84 MUs *per annum* and 151.11MUs during the period of delay, *viz.*, 23 months (78.84 X 23/12), valued at ₹50.62 crore (151.11MUs X ₹3.35).

The Company stated (December 2012) that the contractor was being asked to speed up the work.

Marthandam 110/11 KV SS

2.2.13 The Company accorded administrative approval for establishment of this SS in June 1998 at a cost of ₹3.81crore to improve drop in voltage in and around Marthandam area. The Company could not identify the required land even after a lapse of five years and therefore, the Company accorded (June 2003) revised administrative approval for ₹4.11 crore. Suitable land was identified in August 2005. There was a delay in acquisition of identified land and finally the land was handed over to the Superintending Engineer, General Construction Circle (GCC), Madurai in March 2007 and the SS was finally commissioned in October 2009.

Thus, the Company took more than 11 years in commissioning the SS mainly due to delay in identification and acquisition of suitable and required extent of land. Even after identification of land (August 2005) as against the prescribed time limit of 24 months for completion of a SS, the delay in commissioning this SS worked out to 25 months. This resulted in non-achievement of envisaged reduction in line loss (13.95 lakh units) valuing ₹0.97crore[32].

The Company replied (December 2012) that the delay was due to ROW issues which took one and half years to be solved.

The reply is not tenable as the ROW issue itself was the consequence of the Company's failure to take up the payment of compensation with the Revenue authorities immediately after obtaining route profile approval. In fact, within one month of settlement of ROW issue, the line works were completed.

Karambayam SS

2.2.14 The Company accorded (April 2004) administrative approval for establishment of 230 KV SS at Karambayam at an estimated cost of ₹33.96 crore. The project was included in the T&D programme for 2007-08 with the scheduled date of commissioning as 31 October 2010. Against the target of 24 months recommended by the task force, the Company fixed the scheduled period for commissioning as 48 months. It is pertinent to mention that despite fixing a longer schedule for completion and handing over the site in November 2006 itself, the Company could not complete the SS works even after five and half years (April 2012). As regards line works, only three out of five associated line works had so far been completed (December 2012).

Audit observed that the essential materials *viz.*, cables, conductors, potential transformers required for completion of SS and line works were not procured till April 2012, indicating that the Company had not taken effective parallel action to procure them. The delay of 22 months in commissioning the SS led to foregoing of benefit of reduction in line loss of 41.25 MUs valued at ₹13.80 crore.

The Company replied (December 2012) that the SS had been commissioned on 11 August 2012 and that the works on the remaining two lines were in progress. The Company, however, did not provide justification for the inordinate delay in procurement of essential materials.

Mismatch between Generation Capacity and Transmission facilities

2.2.15 National Electricity Policy envisaged augmenting transmission capacity taking into account the planning of new generation capacities, to avoid mismatch between generation capacity and transmission facilities. Failure to provide transmission facilities to match with the generation would ultimately result in mismatch between generation capacities and transmission facilities and consequent evacuation of the power with the existing and already overloaded transmission lines.

The major portion of the power requirement of the State is met from the private wind mill generators with an installed capacity (6,943 MW) which worked out to 40.12 *per cent* of the total installed capacity (17,307 MW) at the command of TANGEDCO. Wind power is available only during four months from June to September every year. The private wind mill generation is concentrated in two areas of the State, *viz.*, Tirunelveli (3,652 MW) and

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32 13.95 lakh units X 25 months/12 X ₹3.35 per unit.

Transmission facility for evacuation of wind energy power was not commensurate with the installed wind mill generation capacity. This led to backing down of 559.03 MUs of wind energy power.

Udumalpet (3,291 MW) under the control of the Superintending Engineers of the respective Wind Energy Development Circles (WEDC). Against this capacity of wind power generation, the Company had the transmission facility for 4,997 MW only (2,179 MW in Tirunelveli and 2,818 MW in Udumalpet), leaving a substantial shortfall of 1,946 MW. Consequently, the Company could not transmit the entire wind energy power generated to its grid. Audit observed that in Tirunelveli (2010-12) and in Udumalpet (2007-12), the Company had to back down 83.90 MUs and 475.13 MUs respectively. This resulted in an avoidable extra expenditure of ₹64.28 crore in the purchase of power from costlier sources.

Audit observed that the reasons for the shortfall in transmission facility was non completion of major works such as, establishment of two numbers 400/230 KV SSs at Kanarpatti and Kayathar and one number 110/11 KV SS at Karungulam. Though these works were sanctioned by the Company between June 2007 and June 2010, they were yet to be completed (March 2012).

The Company replied (December 2012) that the annual capacity addition to wind energy generation plants was very fast and they were concentrated in certain locations based on wind availability. The transmission network took 2 to 3 years to be developed. The Company also stated that a network of 400 KV transmission lines alongwith SSs were proposed to be taken up to ensure evacuation of wind power without bottlenecks.

The reply is not tenable as the Company should have taken adequate steps to increase the transmission capacity commensurate with the increased generation capacity particularly in an energy starved State.

Inordinate delay in repairing the failed transformer

2.2.16 In Sankaneri 230 KV wind power evacuation SS, Protection and Communication wing (P&C) of the Company cautioned (October 2009) that the bushing of one of the three Power Transformers (PT) was faulty. Despite this caution, the SS requested Headquarters to replace the bushing in April 2010 only. This PT failed in May 2010 and the SS sent the PT for repair to Transformer Repair Bay (TRB) after a delay of 75 days (August 2010). Subsequently, the second PT failed (September 2011) and the coil of this PT was used in the PT, which failed in May 2010 and the same was commissioned in January 2012 after an inordinate delay of 19 months. This PT again failed in May 2012 leaving the SS with just one PT (December 2012).

Audit observed that failure on the part of the Superintending Engineer, Non-Conventional Energy Sources, Tirunelveli of the Company to take timely action upon the observations of P&C wing and the inordinate delay in repairing the failed transformer by TRB resulted in backing down of wind energy to the extent of 23.07 MUs resulting in avoidable extra expenditure of ₹2.65 crore.

The Company replied (December 2012) that there was no loss of revenue due to failure of the second PT as the power evacuation was managed with nearby SSs.

The reply is factually incorrect as the Company had specifically recorded that it backed down 23.07 MUs of wind power due to PT failure.

Performance of transmission system

2.2.17 Performance of the Company depends on efficient maintenance of its EHT transmission network for supply of quality power with minimum interruptions. In the course of operation of SSs and lines, the supply-demand profile within the constituent sub-systems is identified and system improvement schemes are undertaken to reduce line losses and ensure reliability of power by improving voltage profile. These schemes are for augmentation of existing transformer capacity, installation of additional transformers, laying of additional lines and installation of capacitor banks. The performance of the Company with regard to Operation and Maintenance of the system is discussed in the succeeding paragraphs.

Transmission capacity

2.2.18 In order to evacuate the power from the generating stations and to meet the load growth in different areas of the State, the Company constructs lines and SSs at different EHT voltages. A transformer converts AC voltage and current to a different voltage and current at a very high efficiency. The voltage levels can be stepped up or down to obtain an increase or decrease of AC voltage with minimum loss in the process. The evacuation is normally done at 230/110 KV SSs.

TNERC had prescribed that a PT should not be loaded to more than 70 *per cent* of its capacity and the available 30 *per cent* surplus capacity could cater to the demands of the transformers in the nearby substations during emergencies/shutdown.

The transmission capacity created *vis-a-vis* the transmitted capacity (peak demand met) at the end of each year by the Company during the five years ending March 2012 was as follows:

Transmission capacity of 230 KV SS (in MVA)					
Year	Installed	After allowing 30 *per cent* as reserve	Peak demand	Shortage (4)-(3)	Load Percentage of Transformer (4/2*100)
(1)	(2)	(3)	(4)	(5)	(6)
2007-08	11,289	7,902	10,134	2,232	89.77
2008-09	12,751	8,926	11,065	2,139	86.78
2009-10	13,771	9,640	11,820	2,180	85.83
2010-11	14,736	10,315	12,663	2,348	85.93
2011-12	14,936	10,455	12,878	2,423	86.22

(Source: Statistics at a Glance and information furnished by the Company)

From the above table it could be observed that though the overall transmission capacity was in excess of the requirement in every year, taking into account the 30 *per cent* reserve capacity to be maintained, there were shortfalls in all the five years ranging from 2,139 MVA to 2,423 MVA.

The short fall indicated that the Company loaded the existing PTs to the extent of 85.83 to 89.77 *per cent* as against the norm of 70 *per cent* fixed by TNERC.

The Company replied (December 2012) that due to financial constraints additional capacity could not be created for meeting failure elsewhere and the same was to be corrected with massive investments on transmission facilities in future. The Company further stated that there was no condition that the transformers should not be loaded above 70 *per cent* of their capacity.

The fact remains that the Company had not complied with TNERC directive to maintain 30 *per cent* reserve capacities in PTs.

Sub-stations

Adequacy of Sub-stations

2.2.19 Manual on Transmission Planning Criteria (MTPC) stipulates the permissible maximum capacity of transformers for different SSs *i.e.*, 330 MVA for 230 KV and 125 MVA[33] for 110 KV SSs. Audit analysis of 77 numbers 230 KV SSs of the Company revealed that Sankaneri SS was having a transformer capacity of 400 MVA as against the permissible maximum of 330 MVA. In respect of the existing 110 KV SSs (720 numbers), in 11 SSs the maximum capacity was in excess by 7 to 39 MVA as against the prescribed limit of 125 MVA. MTPC also stipulated that every SS of capacity 110 KV and above should have at least two transformers so that in the event of outage of a transformer, the remaining transformers could still supply 80 *per cent* of the load. Audit analysis of number of transformers in 230 KV SSs revealed that six[34] out of 77 SSs had only one transformer.

The Company replied (December 2012) that initially SSs were commissioned with one transformer only. The need for the second PT was being evolved based on load growth/evacuation.

The reply is not tenable as the Company had not complied with the MTPC stipulations. Further, in case of an outage there would be no backup.

Voltage management

2.2.20 The licensees using intra-state transmission system should make all possible efforts to ensure that grid voltage always remains within limits so as to supply quality power to the consumers and to reduce the transmission losses. For the State of Tamil Nadu, the State Grid code specified that the grid voltage of 360-420 KV for 400 KV lines, 210-255 KV for 230 KV lines and 100-120 KV for 110 KV lines should always be maintained by the transmission utilities within the State.

The limits fixed by the Tamil Nadu Grid Code, the maximum and minimum reached by the SS during the five years up to 2011-12 are furnished in **Annexure-9.**

It could be seen from the Annexure that the voltage recorded in three 400 KV

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33 132 MVA*132/110

34 1.Tuticorin Auto, 2.Echangadu, 3.Veerapuram, 4.Oragadam, 5.Nokia and 6. SPR-SIPCOT (Mambakkam).

SSs, were from 421 to 440 KV as against the permissible limits of 360-420 KV, in 63 number 230 KV SS were from 103 to 209 KV, as against the permissible limits of 210-255 KV and in 47 numbers 110 KV SS were from 82 KV to 99 KV as against the limits of 100-120 KV. Audit observed that while the excess of voltage on the SS would affect the SS equipment, the lower voltage would result in voltage fluctuations and affect the quality of power supply.

The Company replied (December 2012) that the voltage level at 400 KV system of Chennai network would appreciably improve once the Vallur and North Chennai Thermal Power Station Stage II power projects were commissioned. The reply, however, does not address the issue of voltage fluctuations beyond permissible levels.

Lines

EHT lines

2.2.21 The Thermal Loading Limit (TLL) limits the temperature attained by the energised conductors and restricts sag and loss of tensile strength of the lines. It also limits maximum power flow of the lines. MTPC had prescribed limits for thermal loading of lines, *viz.*, 366 amps and 546 amps at 75° centigrade for 'Panther[35]' and 'Zebra[35]' conductors, respectively.

Audit scrutiny of the line loadings revealed that TLL in respect of 43 out of 61 numbers 230 KV feeders were within the limits prescribed whereas TLL in the remaining 18 feeders was 760 amps as against the limit of 366 amps. The TLL in respect of 79 out of 128 numbers 110 KV feeders were within the limits. In respect of the remaining 49 numbers the maximum TLL was 936 amps as against the limit of 546 amps. This led to voltage fluctuations, higher transmission losses and frequent interruptions/breakdowns.

The Company stated (December 2012) that measures like feasible load transfers and temporary operation of 110 KV feeders radial/tie conditions are being taken to avoid overloading of lines.

The reply confirms that the Company had not taken effective steps to contain the TLL within the prescribed limits.

Bus Bar Protection Panel (BBPP)

2.2.22 Bus bar is used as an application for interconnection of the incoming and outgoing transmission lines and transformers at a SS. The protection panels attached to bus bar limit the impact of the bus bar faults thus preventing unnecessary tripping. They trip only those breakers necessary to clear the bus bar fault. As per grid norms and best practices in Transmission System, BBPP is to be kept in service for all 230 KV SSs to maintain system stability during grid disturbances and to provide faster clearance of faults.

In respect of 59 out of 77 numbers 230 KV SSs for which details were made available, Audit observed that though bus bars were available in all the 59 SSs, seven bus bars were not yet provided with protection panels as required

35 Conductors used for power transmission by the Company.

by grid norms.

The Company replied (December 2012) that steps were being taken to provide BBPP wherever they were not available.

Maintenance

Performance of Current transformers (CT)

2.2.23 Current transformers are one of the most important and cost-intensive components of electrical energy supply networks. Therefore prolonging their life coupled with reducing their maintenance expenditure assume significance.

The outcome of Audit scrutiny of failure and expenditure on maintenance of CTs are tabulated below:

Year	No. of CTs at the beginning of the year	No. of CTs failed	No. of CTs failed within guarantee period	No. of CTs failed within normal working life	Expenditure on repair and maintenance, so far (₹in lakh)	Percentage on total R&M expenditure
2007-08	2,404	22	0	21	21.90	0.06
2008-09	2,476	22	2	15	18.76	0.04
2009-10	2,566	27	7	14	10.25	0.03
2010-11	2,596	29	1	21	35.73	0.21
2011-12	2,640	24	1	18	7.36	1.97

(Source: Details collected from the units records.)

Audit observed that the expenditure on repairs and maintenance of CTs ranged from 0.03 to 1.97 *per cent* of the total expenditure on repairs and maintenance.

Working of hot lines division/sub divisions

2.2.24 Hot Line Technique (HLT) envisages attending to maintenance works like hot spots, tightening of nut and bolts, damages to the conductor, replacement of insulators, *etc.*, of SSs and lines without switching off power supply. This includes thermo scanning of all the lines and SSs as a preventive maintenance technique.

Audit observed that the Company had only five[36] number hot line sub-divisions without any full-fledged wing. Though the Company trained about 120 personnel on HLT during this period, only 30 out of them were posted in HLT sub divisions. Testing and replacement of insulators was a work of HLT sub divisions. Failure of disc insulators led to 34 break downs in Tuticorin Auto 230 KV SS during 2011-12 resulting in energy loss of 19.35 MUs valued at ₹6.48 crore.

The Company replied (December 2012) that Code of Technical Instruction Book was available for SS maintenance. It further stated that in general the break downs in EHT lines were not due to improper maintenance and were mostly due to extreme weather conditions, atmospheric pollutants, dashing of

[36] Operation Circles - 1.Chennai I, 2.Thiruvalam, 3.Trichy, 4.Madurai and 5.Coimbatore.

vehicles, *etc.*

The reply is general in nature and did not address the issue of failure of insulators in Tuticorin Auto 230 SS.

Transmission Losses (TL)

2.2.25 While energy is carried from the generating station to the consumers through the Transmission and Distribution (T&D) Network, some energy is lost which is termed as T&D loss. Transmission loss is the difference between energy received from the generating station/grid and energy delivered to Distribution Companies.

CEA has fixed norm of four *per cent* for TL. Though TNERC had fixed a norm of 18 *per cent* for T&D loss as a whole, it had not fixed any specific norm exclusively for TL. The details of transmission losses from 2007-08 to 2011-12 are given below:

Particulars	Unit	Year					Total
		2007-08	2008-09	2009-10	2010-11	2011-12	
Power received for transmission	MUs	64,430	64,715	70,458	72,574	74,654	3,46,831
Net power transmitted	MUs	59,801	59,064	63,541	67,516	70,029	3,19,951
Actual transmission loss	MUs	4,629	5,651	6,917	5,058	4,625	26,880
	Percen-tage	7.18	8.73	9.82	6.97	6.20	7.75
Transmission loss as computed by the Company	Percen-tage	4.23	4.53	4.49	4.71	4.25	4.44
Target transmission loss as per CEA norms	Percen-tage	4.00	4.00	4.00	4.00	4.00	4.00
Excess of TL over the CEA norms	Percen-tage	3.18	4.73	5.82	2.97	2.20	3.75
	MUs	2,050	3,062	4,099	2,155	1,641	13,007

(Source: Annual accounts and information received from Superintending Engineer, System Studies of the Company.)

The transmission loss suffered by the Company was higher than the CEA norms by 13,007 MUs.

Audit observed that the transmission losses ranged from 4,625 MUs to 6,917 MUs and were in excess of four *per cent* in all the five years. The aggregate transmission loss suffered by the Company in excess of the norm fixed by the CEA for the period 2007-08 to 2011-2012 was 13,007 MUs. Audit further observed that had the Company contained the transmission loss within the CEA norms, the resultant reduction in transmission loss (13,007 MUs) would have taken care of 44 *per cent* of the power shortage of the State (29,808 MUs) during 2007-08 to 2011-12.

TNERC observed (March 2003 and July 2010) that the Company had not furnished the accurate figures of T&D losses and was "fudging" the

figures of T&D losses so as to keep the same constant. Therefore, TNERC directed the Company to conduct independent energy audit at HT and LT levels and submit a report to it.

The Company replied (December 2012) that it calculated transmission loss taking into account the power fed into the State transmission network as per the guidelines of TNERC.

The reply is not tenable as TNERC has categorically rejected the T&D losses worked out by the Company/TANGEDCO for 2010-11 and 2011-12. TNERC in fact had proposed to disallow the extra expenditure suffered by the Company/TANGEDCO in these two years, *viz.*, ₹1,143 crore and ₹1,444 crore respectively being the cost of additional power purchase on account of higher T&D losses compared to the norms prescribed by TNERC. It is also pertinent to mention that the Company was showing the T&D losses at a constant percentage of 18 from the year 2002-03 to 2009-10 and reduced the same to 17.6 and 17.2 *per cent* for 2010-11 and 2011-12 respectively indicating that the T&D losses had not been computed on a scientific basis. In the absence of accurate computation of transmission loss, the Company could not take remedial measures to contain the same within the norms.

Grid Management

Maintenance of grid and performance of TNLDC

2.2.26 Transmission and grid management are essential functions for smooth evacuation of power from generating stations to the Distribution Companies/consumers. Grid management ensures moment-to-moment power balance in the inter-connected power system to ensure reliability, security, economy and efficiency of the power system. Grid management in India is carried out in accordance with the standards/directions given in the Grid Code issued by CEA. National Grid consists of five regions *viz.*, Northern, Eastern, Western, North Eastern and Southern Grids, each of these having a Regional Load Despatch Centre (RLDC), an apex body to ensure integrated operation of the power system in the concerned region. The Tamil Nadu State Load Despatch Centre (TNSLDC), a constituent of Southern Regional Load Despatch Centre (SRLDC), Bangalore, ensures integrated operation of power system in the State. The State Government notified vide G.O. No. 100 dated 19 October 2010 that the TNSLDC shall be operated by the Company. The TNSLDC is assisted by three Area Load Despatch Centres (ALDCs) (Chennai, Erode, Madurai) for data acquisition and transfer to TNSLDC and supervisory control of equipment above 110 KV.

Infrastructure for load monitoring

2.2.27 Remote Terminal Units (RTUs)/Sub-station Management Systems (SMSs) are essential for monitoring the efficiency of the transmission system and the loads during emergency in Load Despatch Centres as per the grid norms for all SSs. Audit observed that out of 802 SSs (400KV/230KV/110 KV) and 93 generators, only 70 SSs (8.74 *per cent*) and 38 generators (40.86 *per cent*) were provided with RTUs (**Annexure-10**) for recording real time data for efficient energy management system.

Though TNSLDC at Chennai is totally integrated with Southern Regional LD

Centre at Bangalore and the ALDCs at Erode, Madurai and Chennai, Audit observed that there was no storage and back up data in any of the three Sub Load Despatch Centres. Even in TNSLDC, storage and backup data were available for three months only during 2007-08 to 2011-12. Audit also observed that there was no secondary storage/off site back up facility.

The Company replied (December 2012) that RTUs would be provided for the left out 230 KV SSs and generators.

Grid discipline by frequency management

2.2.28 As per Grid Code 5.2 (l), the transmission utilities are required to maintain grid discipline for efficient functioning of the grid. All the constituent members of the grid are expected to maintain a system frequency between 49 and 50.5 Hertz (Hz) (49.2 and 50.3 Hz with effect from 2009 and 49.5 and 50.2 Hz with effect from 2010). However, due to various reasons such as shortages in generating capacities, high demand, non-maintenance of load - generation balance, inadequate load monitoring and management, grid frequency goes below or above the permitted frequency levels. To enforce grid discipline, SRLDC issues three types of violation messages A, B and C to the transmission utilities as detailed below:

Messages	Up to 31 March 2009	From 1 April 2009	From 3 May 2010
A	When frequency is less than 49.2 Hz and overdrawal is more than 50 MW or 10 *per cent* of schedule whichever is less.	When frequency is less than 49.2 Hz and over-drawal is more than 50 MW or 10 *per cent* of schedule, whichever is less.	When frequency is less than 49.70 Hz and overdrawal is more than 150 MW or 12 *per cent* of the schedule, whichever is less.
B	When frequency is less than 49.2 Hz and overdrawal is between 50 MW and 200 MW for more than ten minutes or 200 MW for more than five minutes.	When frequency is less than 49.20 Hz and over-drawal is between 50 MW and 200 MW for more than ten minutes or 200 MW for more than five minutes.	When frequency is less than 49.50 Hz and overdrawal is between 100-200 MW or 10 *per cent* of schedule drawal whichever is less for 10 minutes or 200 MW for more than 5 minutes.
C	Issued 15 minutes after the issue of Message B when frequency continues to be less than 49.2 Hz and over-drawal is more than 100 MW or 10 *per cent* of the schedule whichever is less.	Issued 15 minutes after the issue of Message B, when frequency continues to be less than 49.20 Hz and overdrawal is more than 50 MW or 10 *per cent* of the schedule whichever is less.	Issued 15 minutes after the Message B, when frequency continues 49.50 Hz and overdrawal is more than 100 MW or 10 *per cent* of the schedule, whichever is less.

With effect from 3 May 2010, a fourth type of violation message *viz.*, Message-D was introduced and this message is automatically generated in Supervisory Control and Data Acquisition (SCADA) system when overdrawal is more than 12 *per cent* of scheduled drawal or 150 MW whichever is less in the 15 minutes time block while frequency is below 49.7 Hz.

The year wise details of violation messages received by the TNSLDC were as follows:

Year	Message A	Message B	Message C	12 *per cent* violation (Message D)
2007-08	1,203	283	83	NA[37]
2008-09	2,001	573	208	NA
2009-10	1,799	710	225	NA
2010-11	2,116	993	325	3,960
2011-12	1,410	805	182	6,042

Audit observed that the receipt of violation messages *viz.*, B and C ranged from 283 to 993 and 83 to 325 respectively and the receipt of such violation messages was the highest during the year 2010-11. Further, the 12 *per cent* violation ('D') messages had increased from 3,960 in 2010-11 to 6,042 in 2011-12, an increase of 53 *per cent.*

It is relevant to mention in this connection that despite the assurance/commitment given (August 2010) to CERC by the Chairman of the Company to maintain grid discipline in future, the Company continued to violate grid discipline as was evident from the increase in receipt of D messages in 2011-12. This indicated that there was no proper monitoring system to exercise an effective control over the operation of TNSLDC so as to maintain the grid discipline as per the grid code. Further, overdrawal by the Company at low frequencies would put the grid safety at risk.

The Company replied (December 2012) that there was a huge gap of about 4000 MW between demand and supply of power in the State and in such conditions maintaining grid discipline was an onerous task. The Company further stated that the load shedding in the State was carried out to maintain grid discipline and to restrict overdrawal and that the violation messages had drastically come down in 2012-13.

The reply is not tenable as the Company should have resorted to purchase of power from other sources to meet the demand supply gap, so that overdrawal which would put the grid safety at risk could have been avoided.

Grid discipline

2.2.29 For maintaining grid discipline, CERC takes up *suo motu* cases/SRLDC petitions on overdrawal of power at lower frequency by the transmission utilities. Audit observed that the Company violated the grid discipline resulting in levy of penalty by SRLDC/CERC to the tune of ₹6.13 crore during the Performance Audit period as detailed below:

Sl. No	CERC Petition No.	Month and year of violation	Number of occasions of violation	Penalty levied (₹in lakh)
1	137/2008 dated 18-11-2008	10-10-2008	25	1.00
2	81/2009 dated 13-04-2009	01-04-2009 to 09-04-2009	150	150.00
3	106/2009 dated	10-04-2009 to 09-05-	335	437.00

37 Not applicable.

Sl. No	CERC Petition No.	Month and year of violation	Number of occasions of violation	Penalty levied (₹in lakh)
	12-06-2009 & 21-08-2009	2009		
4	130/2009 dated 07-07-2009 & 21-08-2009	25-05-2009 to 31-05-2009	102	
5	133/2010 dated 24-05-2010	25-03-2010 to 18-04-2010	74	Nil- Adjudication Proceedings dropped based on assurance/commitment of Chairman/TNEB on 10 August 2010
6	89/2008	May-2008 to July-2008		1.00
7	232/2009 and Adjudication case 6/2009	09-10-2009 to 15-10-2009	24	24.00
8	107/2009 and Adjudication case 1/2010	24-02-2010 to 24-03-2010		Nil
			Total	613.00

The Company had filed (2009 and 2010) writ petitions in the Honourable High Court of Madras against the orders of CERC levying penalties for overdrawal from the grid and the final outcome of the writ petitions is awaited (December 2012).

Audit observed that the maintenance of grid discipline by the Company was poor and some illustrative instances are given below:

(i) SRLDC had observed (July 2010) that though TNSLDC was aware of the anticipated overdrawal, it had not taken adequate pro-active action to restrict the same.

(ii) As the Company continued to overdraw at low frequencies, SRLDC resorted to imposition of physical regulatory measures like tripping major interstate transmission lines during the period April to September 2011.

(iii) As per the grid code prescribed by CERC, all SLDCs had to formulate and implement state-of-the-art-demand management scheme for automatic demand management like rotational load shedding, demand response, *etc*., before 01 January 2011 so as to restrict the overdrawal at low frequencies and to avoid fall in grid frequency from the specified levels. The substantial number of C and D messages received by the Company during January 2011 to March 2011 (159 messages) and in 2011-12 (6,224 messages) indicated that the Company had not paid attention to this aspect.

(iv) The installed capacity of private wind generation (6,943 MW) in the State represented 40.12 *per cent* of the total installed capacity (17,307 MW) as on 31 March 2012. The higher proportion of wind energy (which is infirm in nature) was one of the reasons for overdrawal of power by the Company from the grid. To mitigate the problem of overdrawal of power from the grid as a consequence of sudden fall in wind power generation, CERC directed the Company (February 2010) to formulate a special contingency plan on demand side management. The Company had not complied with the directive till April

2012.

The Company replied (December 2012) that it had taken action to establish a wind corridor at 400 KV level to evacuate wind power.

The reply confirms the fact that the Company did not create evacuation facilities commensurate with generation capacity which was one of the reasons for overdrawal of power from the grid by the Company.

Backing Down Instructions (BDI)

2.2.30 When the grid frequency exceeds the ideal limits *i.e.*, situation where generation is more and drawal is less (at a frequency above 50 Hz), SLDC has to take action by issuing Backing Down Instructions (BDI) to the generators to reduce generation for ensuring the integrated grid operations and for achieving maximum economy and efficiency in the operation of the power system in the State. Whenever there is a need to back down power generation, TNSLDC issues BDI on merit order despatch basis, *i.e.*, the power purchased/generated at the highest cost would be backed down first and so on.

Audit observed that the Company failed to issue backing down instructions to an Independent Power Producer (IPP) *i.e.*, G.M.R Power Corporation Private Limited (GMR), whose variable cost of generation was the highest during June and July 2010 and July and August 2011. Though the frequency was comfortable, at more than 49.70 Hz, TNSLDC had not issued backing down instruction to GMR (details in the **Annexure-11**). This was not in the financial interest of TANGEDCO as it led to purchase of power at a higher cost from the IPP instead of availing from the grid at a lower cost. Consequently, the erstwhile Board (now TANGEDCO) had suffered an avoidable extra expenditure of ₹7.45 crore during the four months test checked in audit as detailed in the **Annexure-11**.

The Company stated (December 2012) that generation at GMR could not be regulated according to operating frequency of the grid and was subjected to the loading of the Chennai network for which GMR generation had to be maintained in the absence of sufficient additional feeders for supporting Chennai city load. The Company further stated that once the ongoing works to provide additional sources to Mylapore 230 KV SS, *viz.*, Elephant Gate-Mylapore SS and Mylapore-Tharamani SS, are completed, picking up of GMR power is expected to be minimised.

The fact, however, remains that the failure of the Company to provide sufficient feeders to cater to Chennai city load resulted in the extra expenditure.

Planning for power procurement

2.2.31 The Company draws Master Plans taking into account the contracted generation capacity, allocation from central sector and future committed projects and evolve net additional requirement of power in consultation with the erstwhile Board (now TANGEDCO). It also draws day ahead plan for assessing its day to day power requirement.

The details of total requirement of the State, total power supplied and shortage of power for the five years 2007-08 to 2011-12 are given below:

(Figures in MUs)

Sl. No.	Details	2007-08	2008-09	2009-10	2010-11	2011-12 (Provisional)
1	Total power requirement	65,276	70,208	76,202	79,677	85,462
2	Total power supplied[38]	64,430	64,715	70,458	72,574	74,654
3	Power short supplied [39]	846	5,493	5,744	7,103	10,808
4	Percentage of shortage (3/1*100)	1.30	7.82	7.54	8.91	12.65

It could be seen from the above that the shortage of power was on the increasing trend *i.e.*, from 1.30 *per cent* in 2007-08 to 12.65 *per cent* in 2011-12.

Whenever there is a decrease in the planned generation or increase in the projected demand or both, the gap in supply position is met through overdrawal of power from the grid at low frequencies without resorting to load shedding. Unscheduled Interchange (UI) is the situation where the actual drawal of power from the grid exceeds the total scheduled drawal. For this, SRLDC levies and collects UI charges. The levying of UI charges acts as a commercial deterrent to curb overdrawals from the grid during low frequency conditions.

Audit observed that during the three year period ended 31 March 2012, the Company resorted to overdrawal of energy aggregating to 993.213 MUs at frequencies between 49.5 and 49.2 Hz and below 49.2 Hz as given below:

Year	Over drawal at frequency below 49.2 Hz	Over drawal at frequency between 49.5-49.2 Hz
	(In Million units)	
2009-10	205.621	541.266
2010-11	70.545	114.118
2011-12	3.297	58.366
TOTAL	**279.463**	**713.75**

The Company's overdrawal of power from the grid at low frequencies resulted in an avoidable additional expenditure of ₹515.49crore.

On account of overdrawal from the grid at frequency below 49.5 Hz, the erstwhile Board (now TANGEDCO) incurred an avoidable additional expenditure of ₹515.49 crore (₹213.16 crore on overdrawal of 279.463 MUs and ₹302.33 crore on overdrawal of 713.75 MUs). This amount represents the difference between UI and additional UI charges paid on overdrawal and the revenue realised on sale of such overdrawn power (details in **Annexure-12**).

The Company stated (December 2012) that the reasons for overdrawal were

38 Includes generation, short and long term purchase and drawal from Central Generating Stations.

39 Represents quantum of load shedding and power cut.

maintenance of uninterrupted power supply to State during general elections in May 2011, public examinations for School and College students, infirm nature of wind power, increased trend in demand, *etc*. It further stated that when all the ongoing new projects were commissioned the availability of power would increase and payment of UI charges would be reduced.

The fact, however, remains that the Company had not taken effective steps on the Demand Side Management (DSM). Further, CERC remarked that the Company was using overdrawal as a source of power.

Disaster Management

2.2.32 Disaster Management (DM) aims at mitigating the impact of a major break down on the system and restoring it in the shortest possible time. As per the best practices, DM should be set up by all power utilities for immediate restoration of transmission system in the event of a major failure. It includes emergency restoration system, Diesel Generating (DG) sets, vehicles, fire fighting equipment, skilled and specialised manpower, *etc*.

DM Centre at the National Load Despatch Centre in New Delhi will act as the central control room in case of disasters. As a part of DM programme, mock drill for starting up generating stations during black start[40] operations has to be carried out by the Company once in every six months.

Inadequate facilities for DM

2.2.33 Audit observed that out of 32 major generating stations in the State identified by SLDC for providing facilities for DM like conducting mock drills, such facilities were not made available in 17 generating stations. Out of 15 generating stations where such facilities are available, 12 generating stations conducted 41 mock drills during the years 2009, 2010 and 2011 against the prescribed 72, indicating lack of preparedness on DM.

Audit also observed that out of 59 numbers of 230 KV SSs test checked, DG sets were available only in 55 SSs. Seven of these DG sets were not in working condition. This would result in non availability of alternate source of power during planned and forced outages.

The Company while accepting the shortfall in mock drills stated (December 2012) that due to some constraints in the hydel generating stations, mock drills could be conducted only when water was released for irrigation and that steps had been taken to comply with the requirement. It further stated that it had taken action to provide DG sets to the SSs where they were not available and to keep all the DG sets in working condition.

Energy Accounting and Audit

2.2.34 Energy accounting and audit is necessary to assess and reduce the transmission losses. Transmission losses are calculated from the Meter Reading Instrument (MRI) readings obtained from Generation to Transmission (GT) and Transmission to Distribution (TD) boundary metering points.

In the absence of details of class and type of boundary meters between GT and

[40] The procedure necessary to recover from partial or a total black out.

TD, the Company could not ensure that its energy accounting was accurate.

The Company conducts energy auditing on HT and LT feeders based on TNERC directives. It initially identified 1,587 feeders (2003) having line loss of more than 10 *per cent* and brought the loss percentage to below 10 *per cent* in 1,091 feeders over the period of six years from 2006 onwards.

Audit observed that as regards 4,736 feeders introduced into the system after 2003, such an exercise had not been carried out.

Financial Management

2.2.35 One of the major objectives of the National Electricity Policy 2005 was ensuring financial turn around and commercial viability of Power Sector. As the erstwhile Board was re-organised from 1 November 2010, its financial accounts were prepared up to 31 October 2010. Audit of the accounts of the Company for the first five months ended 31 March 2011 had been completed by the Statutory Auditors. The financial position of the Company for the five years ended 2011-12 is given in **Annexure-13.**

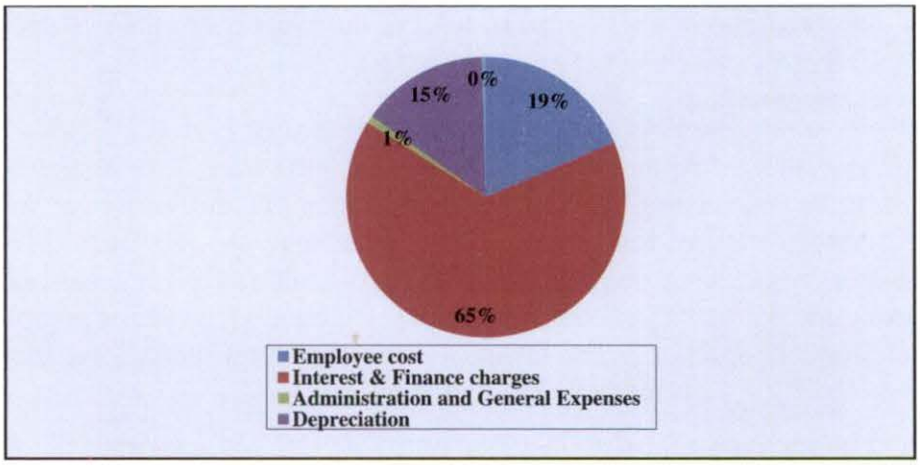
It could be seen from the details in the Annexure that the accumulated loss of ₹4,031.85 crore of the Company remained the same during the 17 months period ended 31 March 2012. Further, the Debt-Equity ratio of the Company decreased from 6.46:1 (1 November 2010 to 31 March 2011) to 4.49:1 (2011-12). This was due to infusion of ₹406.46 crore as equity by the State Government through TNEB Limited and decrease in borrowed funds from ₹12,452.99 crore to ₹10,480.32 crore.

National Electricity Policy states that the State Government would need to restructure the liabilities of the Board to ensure that the successor companies are not burdened with past liabilities. In line with the policy, TNERC also suggested in its Tariff Order No.3 dated 31 July 2010 that the accumulated losses of the erstwhile Board should not be passed on to the successor entities and that they should be allowed to start on a clean slate. Audit observed that the accumulated loss of ₹4031.85 crore of the erstwhile Board was apportioned to the Company against the NEP.

2.2.36 The details of working results like revenue realisation, net surplus/loss and earnings are given in **Annexure-14.**

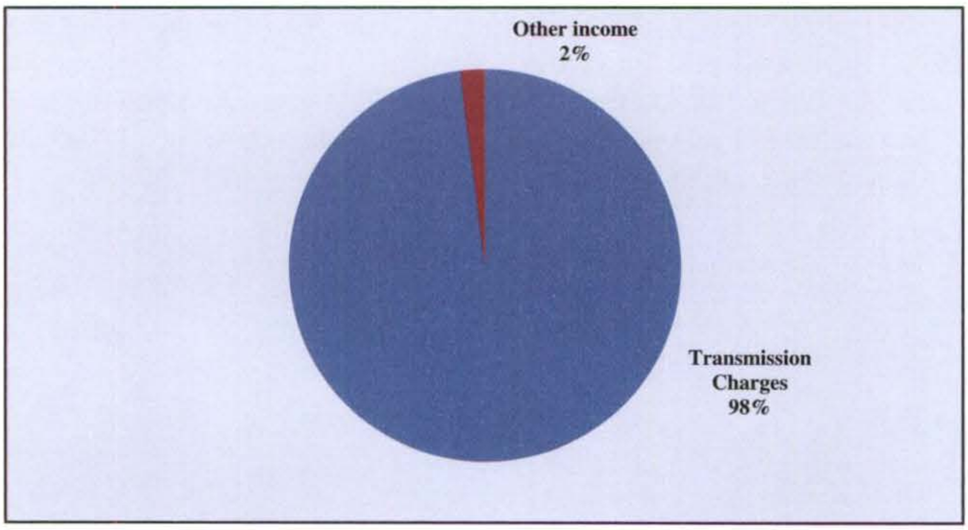
The percentage-wise details of elements of cost and elements of revenue for the year 2011-12 are given below in the form of a Pie-Chart.

Elements of cost



It would be evident from the above chart that interest and finance charges, employees' cost and depreciation constituted the major elements of cost of the Company and represented 65.27, 18.61 and 14.76 *per cent* of the total cost in that year respectively.

Elements of revenue



The above pie chart indicates that wheeling and transmission charges constituted the major element of its revenue and accounted for 98 *per cent* of the total revenue.

Collection of SLDC charges

2.2.37 The Company was formed in November 2010. After the formation of the Company, it levied and collected SLDC charges amounting to ₹15.59 crore for the period November 2010 to March 2011 and ₹44.89 crore for 2011-12 from private generators. In respect of TANGEDCO the amounts due towards SLDC charges were ₹508.73 crore and ₹1,664.61 crore for the above period. As the Company had not entered into an agreement with TANGEDCO for levy and collection of SLDC charges, these amounts could not be collected till date (November 2012). Non-collection of SLDC charges from TANGEDCO aggregating to ₹2,173.34 crore assumes greater significance in view of the fact that the Company is depending on borrowed funds for its working capital requirements. It is pertinent to mention that though the Government issued (October 2010) an order that TANGEDCO would reimburse the expenses of the Company till further order of TNERC on determination of tariff for transmission charges, TANGEDCO had not complied with this Government Order.

Tariff Fixation

2.2.38 Financial viability of the Company depends on generation of surplus (including fair returns) from the operations to finance their operating needs and future capital expansion programmes by adopting prudent financial practices. Revenue collection is the main source of generation of funds for the Company. Issues relating to tariff are discussed here under:

As per TNERC Tariff Regulations 2005, transmission utilities may file a tariff application alongwith Aggregate Revenue Requirement (ARR) with the Commission, before 30th November of every year for determination of tariff applicable for the ensuing year. Tariff structure of the power transmission Company is subject to revision approved by the TNERC after the objections, if any, received against ARR petition filed by the transmission Company within the stipulated date. The Company filed a petition on 26 September 2005. TNERC issued an order on 15 May 2006 directing the Company to maintain separate function wise accounts for transmission system and furnish the revenue requirements accordingly. The Company did not comply with this directive. Details of due date for filing ARR, actual date of filing, number of days delayed, date of approval by TNERC and the effective date of revision are as follows:

Year	Due date of filing	Actual date of filing	Delay in days	Date of approval	Effective date
2007-08	30.11.2006	Not filed			
2008-09	30.11.2007	Not filed			
2009-10	30.11.2008	Not filed			
2010-11	30.11.2009	18.01.2010	48	31.07.2010	01.08.2010
2011-12	30.11.2010	17.11.2011	351	Approval awaited	---

From the above, it could be seen that the Company did not file ARR up to

2009-10 and filed the same belatedly for 2010-11 and 2011-12. Even while filing the ARR for 2010-11 it did not furnish function-wise details as directed by TNERC.

Audit observed that the Company was charging transmission charges at ₹2781 per MW per day for Long Term Open Access and ₹28.96 per Mwh for Short Term Open Access on the basis of TNERC's order dated 15 May 2006. As the Company did not file ARR during the period 2007-08 to 2009-10, it lost the opportunity of revision of charges during this period and the Company had to forgo the benefit of increase in revenue.

The Company had to forego ₹815.59 crore towards revised transmission charges due to delayed filing of tariff petition.

Audit also observed that the Company while filing the Tariff Petition for the year 2012-13 prayed for redetermination of Transmission charges for the year 2010-11 and 2011-12 on retrospective basis. TNERC turned down the above request of the Company but fixed the Tariff for the year 2012-13 after taking into account the revised income and expenditure details furnished by the Company for the years 2010-11 and 2011-12. Due to delayed filing of the tariff petition for the years 2010-11 and 2011-12, it had to forego ₹815.59 crore towards revised transmission charges.

2.2.39 As per the Regulation 6 of Tariff Regulation 2005, terms and conditions for determination of tariff for transmission activity, the Company has to file an ARR with the TNERC for the revenue required to meet the cost pertaining to the transmission business for each financial year which would be permitted to be recovered through tariffs and charges by the Commission. Thus, the main source of revenue of the Company is the transmission and SLDC charges.

The Company stated (December 2012) that on its formation with effect from 1 November 2010, it had complied with the Tariff Regulations of TNERC and had filed the first transmission tariff petition within the stipulated time.

The fact, however, remains that the Company filed ARR for the year 2011-12 on 17 November 2011 and applied for tariff revision with retrospective effect. However, this was yet (September 2012) to be approved by TNERC.

Material Management

2.2.40 The key functions in material management are laying down inventory control policy, procurement of materials and disposal of obsolete inventory, *etc.* For economical procurement and efficient control over inventory, the Company had formulated procurement policy. However, the inventory control mechanism of the Company was deficient as discussed below:

The details of opening stock, purchases, issues and closing stock of inventory for the period from 2007-08 to 2011-12 are:

(₹in crore)

Year	Opening Stock	Purchases	Issues	Closing stock
2007-08	35.26	1,044.16	880.43	198.99
2008-09	198.99	535.64	552.90	181.73
2009-10	181.73	638.52	608.56	211.69

Year	Opening Stock	Purchases	Issues	Closing stock
2010-11	211.69	443.25	446.32	208.62
2011-12	208.62	346.04	374.75	179.91

Audit observed that out of ₹179.91 crore of the closing stock as on 31 March 2012, ₹132.15 crore was in Chennai Development Circle alone. This included stock of cables valued at ₹42.92 crore lying unutilised from April 2010 as the related cable laying works could not be executed for want of road cut permission.

Audit analysis of material consumption for the four years ended 31 March 2012 revealed the following:

(₹in crore)

Year	Consumption *(per annum)*	Consumption (Per month)	Net closing stock (as per balance sheet)	Closing stock in terms of months to consumption
2007-08	NA	NA	198.99	NA
2008-09	552.90	46.08	181.73	3.94
2009-10	608.56	50.71	211.69	4.17
2010-11	446.32	37.19	208.62	5.61
2011-12	374.75	31.23	179.91	5.76

Though the Company had fixed a limit for closing stock of materials as one and half months' consumption for the years 2010-11 and 2011-12, it neither made any ABC analysis, nor fixed any minimum/re-order level for its material requirement resulting in piling of closing stock levels far in excess of the limit fixed.

The Company stated (December 2012) that when schemes were executed by the contractors there might be some delays due to site conditions/litigations/objections by public which led to non utilisation of procured materials.

The reply is not specific to the audit observation.

Physical verification of stocks

2.2.41 There are eight area stores under the control of the Company. Physical verification of the stores was being conducted annually. The value of non-moving, surplus, obsolete, unserviceable and scrap material during the five years ended 31 March 2012 is given below:

(₹incrore)

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
Surplus/obsolete/unserviceable/ scrap	NA	NA	10.39	2.34	2.29
Non-moving	NA	NA	18.26	6.83	10.79
TOTAL	**NA**	**NA**	**28.65**	**9.17**	**13.08**

NA- Not available

From the above, Audit observed that the value of the non-moving stock decreased to ₹6.83 crore in 2010-11 from ₹18.26 crore in 2009-10. It, however, increased to ₹10.79 crore in 2011-12.

Monitoring and Control

2.2.42 Performance of the SSs and lines of 400/230/110 KV on various parameters like maximum and minimum voltage levels, breakdowns, voltage profiles should be recorded /maintained as per the Grid code standards. We noted that year-wise cumulative performance of the SSs and lines were neither maintained nor consolidated for evaluation of annual performance of the SSs and lines. However, the field Divisions of TL&SS units compile monthly MIS reports indicating performance of the units as well as equipments installed. Though, these booklets are forwarded to the Corporate Office, they are not kept month-wise and year-wise for verification. Further, the MIS reports regarding programmed overhauls of equipment like CBs[41], due dates of next oil change, OLTC[42] operations, dates of maintenance works, performance of SS batteries and performance of relays were not generated.

The Company stated (December 2012) that presently monthly/yearly performance of the units as well as the equipments installed in the SS are sent. The reply is not specific to the audit observation.

Review of the achievement of envisaged benefits from T&D schemes

2.2.43 The Company executed and commissioned 160EHT SSs and erected a total length of 4,986 CKM of EHT lines during 2007-08 to 2011-12. While approving the T&D schemes, the Company envisaged benefits in terms of reduction in line losses, improvement in voltage levels and the load growth to be achieved from the execution of these schemes. Audit, however, observed that the Company did not evolve any mechanism/system to assess the benefit actually derived on implementation of the T&D schemes though periodical information on the load recorded on each line/SS is furnished by every SS of the Company to the Head Quarters office.

The Company replied (December 2012) that the benefits like reduction in line loss, improvement in voltage in feeding area and feasibility of transferring of load in case of emergency were envisaged.

The reply is not specific to the audit observation.

Internal Controls and Internal Audit

2.2.44 Internal control is a process designed for providing reasonable assurance for efficiency of operations, reliability of financial reporting and compliance with applicable laws and statutes which is designed to ensure proper functioning as well as effectiveness of the internal control system and detection of errors and frauds. The Company did not exercise any control over assessment and collection of transmission and SLDC charges as would be evident from (i) inordinate delay in receipt of transmissions charges from TANGEDCO, (ii) non/delayed filing of ARR and tariff application and (iii)

41 Circuit Breaker.
42 On Load Tap Changer.

non-compliance with the directives of TNERC.

In their report on the Company's first accounts for the five month period ended 31 March 2011, the Statutory Auditors had indicated that the internal audit was not commensurate with the size and nature of business of the Company.

Audit observed that there was an Internal Audit Wing (IAW) headed by a Chief Internal Audit Officer. This wing conducted audit mainly on the activities of the Company relating to establishment and revenue matters. Other activities of the Company were not subjected to audit by IAW. The Company did not have any Internal Audit Manual.

The Company replied (December 2012) that as the transfer of officers and staff to the Company from the erstwhile Board had not been finalised yet, the Chief Internal Audit Officer of the erstwhile Board is looking after the internal audit of the Company, TANGEDCO and TNEB Limited.

Audit Committee

2.2.45 The Company constituted an Audit Committee (AC) as required under Section 292-A of the Companies Act, 1956 on 24 March 2011 after about 21 months from the date of incorporation (15 June 2009) of the Company. The first meeting was held in July 2012.

The matter was reported to the Government in October 2012; their reply was awaited (December 2012).

Acknowledgement

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

Conclusion

- The Company achieved 95 *per cent* of its target in increasing the transformation capacity during the five years ended 31 March 2012. Its achievement in establishment of SSs and construction of transmission lines were 64 and 45 *per cent* respectively.
- There were inordinate delays in establishment of SSs resulting in the Company foregoing the benefit of reduction in line loss.
- There was huge mismatch between generation capacity and transmission facilities in respect of power from wind energy resulting in backing down of 559.03 MUs of wind energy.
- The Company did not comply with the TNERC norm that a transformer should not be loaded to more than 70 *per cent* of its capacity. Under capacity in transmission network, prevalence of overloads and high voltages reflected unscientific planning in transmission network.
- Transmission losses were much higher than the norm of four *per cent* fixed by CEA in all the five years ended 31 March 2012. The quantum of transmission losses over and above the CEA norm was 13,007 MUs. TNERC observed that the Company had not furnished accurate figures of T&D losses.

- Company's track record of grid discipline by frequency management was poor. Its overdrawal at low frequencies led to an avoidable extra expenditure of ₹515.49.crore and also put the grid safety in jeopardy.
- The Company did not file Aggregate Revenue Requirement return with TNERC for the three years 2007-08 to 2009-10 and filed the same belatedly for 2010-11 and 2011-12 leading to revenue loss and consequent increase in accumulated losses.

Recommendations

The Company

- needs to initiate action to minimise/eliminate delays in commissioning of SSs and construction of transmission lines.
- should create adequate transmission facilities for evacuation of eco-friendly and cheaper wind energy power.
- has to ensure that the transformers are not loaded beyond the TNERC norms.
- needs to take effective steps to contain the transmission losses within the norms so as to reduce the power shortage.
- should maintain strict grid discipline and refrain from overdrawal at low frequencies.
- should file ARR within the stipulated time, so as to avail the benefit of increase in tariff.

CHAPTER - III

Transaction Audit Observations

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

Tamil Nadu Newsprint and Papers Limited

3.1 Undue benefit to a private handling agent

The Company extended an unintended benefit of ₹6.08 crore as differential Railway freight to a private handling agent in contravention of tender/work order conditions.

Tamil Nadu Newsprint and Papers Limited (Company) invited (November 2009) global tenders for the import of coal and the tender documents *inter alia,* stipulated that the contract would be split into two parts *viz.,* Purchase Order (PO) on the overseas principal for coal on Cost & Freight (C&F) Tuticorin basis and a Work Order (WO) on their Indian counterpart for stevedoring, handling and loading operations @ ₹66.41/MT. The tender further stipulated that though it was for C&F Tuticorin basis, the supplier was permitted to perform the shipment through Tuticorin or any other port depending upon his convenience and that in such a case the charges for stevedoring, handling, loading operations would be restricted to ₹66.41/MT and the Railway freight (which was to be borne by the Company as per the tender) would also be restricted to the freight amount applicable (₹333.72/MT) for movement from Tuticorin to Pugalur and the excess freight was to be borne by the supplier. These stipulations were included in the PO issued (December 2009) to the successful tenderer for supply of 2.40 lakh MTs of Indonesian coal @ US$ 68.80/MT (C&F Tuticorin). The WO was issued to their Indian handling agent for handling the coal consignment at Tuticorin port @ ₹66.41/MT. The first shipment against the above PO was effected through Tuticorin port. The Company paid the foreign supplier and their Indian handling agent at the agreed rates and the freight from Tuticorin to Pugalur (319 KMs) @ ₹333.72/MT was also paid by the Company.

From the subsequent shipment onwards, the supplier routed the coal through Karaikal port. After making payments to the foreign supplier and their Indian handling agent at the agreed rates and the Railway freight from Karaikal to Pugalur (229 KMs) @ ₹253.51/MT, Senior Manager (Transport) in a *suo moto* note stated (June to October 2010) that as per the PO clause, the Railway freight had to be considered as ₹333.72/MT even for shipments through Karaikal port and the difference between the freight charges payable for Tuticorin to Pugalur @ ₹333.72/MT (₹4.01 crore) and the freight charges paid by the Company for Karaikal to Pugalur @ ₹253.51/MT (₹3.04 crore) had to be paid to the handling agent as differential Railway freight. The proposal was approved by the General Manager (M&L) and a sum of ₹0.97 crore was paid to the handling agent as differential Railway freight.

The Company issued four more POs (July 2010 to May 2011) for the import of coal. All the shipments against these POs were routed through Karaikal port. Besides making payments to the coal suppliers and their handling agents, the Company paid ₹5.11 crore to the handling agents as the differential Railway freight. Thus, the Company paid ₹6.08 crore as differential Railway freight against these five POs.

As the tenders clearly stipulated that in case of shipment through other than Tuticorin port, the freight charges would be restricted to freight charges applicable from Tuticorin to Pugalur and that the Railway freight would be borne by the Company, the payment of differential Railway freight to the handling agents is irregular and resulted in an unintended benefit of ₹6.08 crore to them.

The Government replied (September 2012) that in all the tenders as well as purchase orders, it was clearly stated that the Railway freight was payable as applicable to Tuticorin port and that when coal supply was on C&F Tuticorin basis and the delivery was to be made by wagons to Pugalur sidings, all expenses like port dues, stevedoring, handling, loading, freight, *etc.*, were to be reckoned for movement from Tuticorin to Pugalur.

The reply is not tenable as the tender stipulated that stevedoring, handling and loading were the responsibilities of the handling agents and expenses for these at Tuticorin or any port were payable at ₹66.41 per MT. The tender also stipulated that Railway freight would be borne by the Company. Therefore, payment of differential Railway freight to the supplier lacked justification and resulted in an undue benefit of ₹6.08 crore.

Tamil Nadu State Transport Corporations

3.2 Loss of interest

Four Tamil Nadu State Transport Corporations (STCs) suffered loss of interest of ₹2.53 crore due to investment of provident fund contributions in a company known to be loss making.

The State Government had formed an exclusive trust for Provident Fund (PF) and gratuity along with formation of respective State Transport Corporations (STCs). As per the rules governing the PF trust, the STCs shall transfer their own contributions and that of their employees on a monthly basis to the fund which shall be invested in banks or in approved Government securities as prescribed by the Government of India from time to time.

As a part of regular investment, the PF trusts of four STCs at Villupuram, Salem, Kumbakonam and Coimbatore had invested (between July 1999 and February 2002) a sum of ₹4.29 crore in redeemable non-cumulative bonds issued by Pradeshiya Industrial Investment Corporation of Uttar Pradesh Limited (PIICUP), Lucknow (guaranteed by the Government of Uttar Pradesh), with an interest rate varying between 13 to 13.75 *per cent per annum*.

In October 2003, PIICUP informed the STCs that it had reduced the interest rate on bonds to 10 *per cent per annum* with effect from 14 August 2003, citing continuous downward trend of interest. PIICUP had paid interest amounting to ₹1.71 crore to the STCs for the period up to November 2003 and stopped payment of interest thereafter. PIICUP expressed (August 2004) to the STCs its inability to service their debts and its willingness to repay the principal amount as a final settlement. The STCs considered various options like filing Writ Petition against PIICUP and invoking the guarantee. In the meanwhile, PIICUP informed (January 2009) the STCs to give concurrence to accept the principal amount only without interest before 31 March 2009 and if they fail to do so, PIICUP would consider offering only 75 *per cent* of the principal amount due to its continuing adverse financial health and severe liquidity crunch. The STCs received back the principal amount from PIICUP between March 2009 and February 2010. No interest was paid on this amount.

We observed that:

- The decision to invest PF funds in the bonds of a loss making Company was *ab initio*, injudicious as PIICUP was incurring losses continuously from 1996-97 and its paid-up capital of ₹110.58 crore was eroded by March 1999 itself.
- Even after knowing the financial sickness of PIICUP from its own letter (August 2004), the STCs never attempted to withdraw their investment till February 2009, despite PIICUP's readiness to liquidate the principal amount.
- Though the repayment of these investments along with interest was guaranteed by the Government of Uttar Pradesh, the STCs did not exercise the option to invoke the same and get back the principal with interest, the reasons for which were not on record.
- As the STCs were responsible for reimbursing the shortfall in the PF trust, the loss of interest suffered by the PF trust would be to the account of STCs.

Thus, injudicious decision to invest the PF trust accumulation in a company known to be making loss with subsequent delays in withdrawing the amount led to avoidable loss of ₹2.53 crore.

The Government while accepting the loss of interest stated (November 2012) that the STCs had taken all efforts to recover the dues of both principal and interest from PIICUP. But due to reasons beyond their control, there was no alternative except to accept the principal only.

The reply is not tenable as the STCs failed to take note of the fact that the financial position of PIICUP was dismal at the time of investment. Even after knowing the financial sickness of PIICUP (August 2004), the STCs inordinately delayed in taking back the principal amount till February 2009. Responsibility needs to be fixed on the officers/trustees who authorised such investment which led to the loss. This case also reflects on the lack of internal controls and vigilance mechanism to check such misdemeanor.

Tamil Nadu State Transport Corporation (Villupuram) Limited

3.3 Loss due to injudicious financial projection

The Company's acceptance to operate Hop-on Hop-off sightseeing services in Chennai city based on injudicious financial projection resulted in a loss of ₹71.17 lakh.

Based on the suggestion (November 2006) of the Commissioner of Tourism, Government of Tamil Nadu to consider introduction of Hop-on Hop-off[43] sightseeing tours in Chennai for the benefit of tourists, Government asked Tamil Nadu State Transport Corporation (Villupuram) Limited (Company) to prepare a project proposal for the same. The Company sent a proposal (December 2006) to the Government, which *inter alia*, envisaged that with a 20 seat capacity coach with an occupancy of 60, 80 and 100 *per cent* in the first three years, the project would earn a profit of ₹20 lakh per coach in the fifth year assuming exemption from the payment of road tax. The fare assumed was ₹250 per head.

The Board of Directors of the Company accorded approval (June 2007) for introduction of these services and for the purchase of four 18 seat luxury coaches for this purpose. The Government issued (October 2007) orders for the operation of the above scheme and also exempted the coaches from the payment of road tax for five years from the date of introduction. The Company purchased (January 2009) four 18 seat luxury coaches at a total cost of ₹68.42 lakh and introduced the services from February 2009.

As the Company incurred cash losses (₹22.17 lakh till September 2011) in the operation of the above services mainly due to abnormally low occupancy (24 and 21 *per cent* in the first two years), it discontinued (September 2011) these services with the approval of its Board and transferred (September 2011) the four coaches to Metropolitan Transport Corporation Limited, Chennai (MTC) at their book value. During the operation of these services (February 2009 to September 2011), the Company suffered a total loss of ₹71.17 lakh (cash losses: ₹22.17 lakh and depreciation: ₹49 lakh).

In this connection, we observed as follows:

(i) The Company's core business was to link the various towns/villages in the district of its operation and it did not have any experience in the operation of such services. Hence, *ab initio,* the Company should not have taken up these operations.

(ii) While sending the proposal to Government in December 2006, the Company assumed an occupancy ratio of 100 *per cent* from third year onwards despite the fact that the Company was aware that occupancy ratio of such projects in other cities such as Bangalore was not encouraging.

[43] In the Hop-on Hop-off tour, coaches go on round trips through a fixed route at a regular frequency to enable tourists to get in and get down at any place of tourists interest covered by the service.

(iii) The Company informed (March 2011) the Board that the covered by Hop-on Hop-off sightseeing coaches were in the op jurisdiction of MTC and that a large number of MTC buses were tov tourist places at frequent intervals with cheaper fares and the tourists pre... to avail of these services. This fact was known to the Company even at the time of sending the proposal to the Government in December 2006. The Company, however, ignored this fact and assumed 100 *per cent* occupancy from third year onwards and concluded that the project would earn a profit of ₹20 lakh per coach in the first five years.

Thus, the Company's injudicious projection of viability of the Hop-on Hop-off sightseeing tours and its acceptance to operate the same though it was not in the geographical scope of its activities resulted in avoidable loss of ₹71.17 lakh.

The Government replied (November 2012) that based on the projection made, the sightseeing tour services were operated and after analysis of outcome and cost benefit analysis and other factors, the Company discontinued the operation as it was not found to be profitable. The reply is not tenable as the project was entrusted to the Company based on its projection in December 2006. This was *ab initio,* a flawed projection.

Tamil Nadu Minerals Limited

3.4 Revenue loss

Company suffered a revenue loss of ₹1.12 crore in the supply of color granite cut slabs to a private construction firm.

Tamil Nadu Minerals Limited (Company) is engaged in the commercial exploitation and export of granite and production and sale of other minerals. Based on the offers received against the global tenders, the selling price of raw granite blocks are fixed by a Committee constituted by the Board.

M/s East Coast Constructions & Industries Limited (ECCI), who were the contractors for the construction of new Tamil Nadu Legislative Assembly building in Chennai requested (September 2009) the Company to offer the Company's rates for the supply and laying of approximately 30,000 M^2 Kashmir white/pink granite cut slabs in that building. The Company expressed its inability to undertake laying work and offered (September 2009) to supply the cut color granite slabs @ ₹181/₹182 per square feet (sq.ft.) for Kashmir white/pink slabs. After negotiations, the Company reduced its rates to ₹177/₹178 per sq.ft, which included cost of raw granite blocks, cost of processing them into cut slabs, transportation, loading/unloading and taxes. Accordingly, ECCI placed (September 2009) orders on the Company for supply of 33,700 M^2 of Kashmir pink and 7,300 M^2 of Kashmir white granite slabs of the size 4' X 2' X 25 mm for a value of ₹7.86 crore.

While quoting for the above supply of color granite cut slabs, the Company adopted the cost of raw granite slabs as ₹8,000 per M^3 being the amount payable to the raising agents for production of raw blocks and did not include the cost of raw blocks. Based on the recovery rate adopted by the Company *viz.*, 1 M^3 = 172 sq.ft., the raw material cost included in the end price of ₹177/178 per Sq. ft. worked out to ₹46.50 per Sq.ft.

The Company produced the raw granite blocks through raising agents and outsourced the work of processing the same into cut slabs and supplied 3, 66,528 sq.ft. (34,051.29 M^2) of Kashmir pink granite cut slabs and 1,13,752 sq.ft .of Kashmir white granite cut slabs (10,567.82 M^2) to ECCI during the period November 2009 to September 2010.

In this connection, we observed as follows:

As the Company's selling prices for various sizes and types of raw granite slabs are fixed by its Board, it should have taken the price fixed by the Board as material cost while quoting for the above supply. In September 2009, the minimum selling price for raw white and pink granite blocks as approved by the Board for the size required by ECCI was ₹12,000 per M^3, which worked out to ₹69.75 per sq.ft.. As against this, the Company reckoned the cost of raw granite blocks as ₹46.50 per sq.ft. for both Kashmir pink and Kashmir white raw blocks. This incorrect adoption of material cost while quoting for the supply of granite cut colour slabs had resulted in a minimum revenue loss of ₹1.12 crore to the Company in the supply of Kashmir pink and white cut slabs {3,66,528 + 1,13,752 X (₹69.75 – ₹46.50)}.

The matter was reported to the Company/Government in August 2012; their reply was awaited (December 2012).

TIDEL Park Coimbatore Limited

3.5 Avoidable extra expenditure

Company's failure to obtain competitive rates for its term loan requirement resulted in an avoidable extra expenditure of ₹1.05 crore.

The Board of Directors of TIDEL Park Coimbatore Limited (Company) approved (October 2007) the construction of Information Technology (IT) Park at Coimbatore (project) at an estimated cost of ₹300 crore and authorised the Company to approach State Bank of India (SBI) and Indian Bank for term loans. The Company informed (October 2007) the Board that in response to the sealed quotation procedure seeking term loan of ₹135 crore for the project, two offers were received *viz.*, SBI and Indian Bank @ 10.4 *per cent* and @ 10.5 *per cent* interest rate respectively. After detailed discussion, the Board authorised the Chairman of the Company to approach SBI, Coimbatore and Indian Bank, Chennai for a term loan of ₹100 crore each as they were the shareholders and lenders of TIDEL Park Limited, Chennai.

Based on the request of the Company in March 2008, Indian Bank (June 2008) and SBI (July 2008) sanctioned a term loan of ₹100 crore each at 11 *per cent per annum* and 11.25 *per cent per annum* respectively. They charged one *per cent* and 0.50 *per cent* of the loan amount as processing fee. The Board authorised (August 2008) the Chairman and Managing Director of the Company to negotiate with these banks for adopting a uniform interest rate of 11 *per cent* and processing fee of 0.5 *per cent* as processing fee. The Company signed all the documents and accepted the terms and conditions of lending banks in toto and while sending the acceptance letter, the Company requested (September 2008) Indian Bank to take up with the authorities concerned for charging processing fee at 0.50 *per cent* of the loan amount. SBI and Indian Bank released the first instalment of term loan after deducting the processing fee of ₹50 lakh and ₹ one crore respectively.

Due to an unforeseen delay in the implementation of the project, the Company requested both SBI and Indian Bank for rephasement of the loan by postponing the commencement of repayment by one year and this was agreed to by them. Indian Bank charged ₹55.15 lakh as processing fee for the rephasement of the loan (at 50 *per cent* of the original processing fee plus service tax of ₹5.15 lakh) as against ₹40,000 charged by SBI for the same purpose. Thus, the Company totally paid ₹1.55 crore to Indian Bank towards processing fee and rephasement charges, while it paid only ₹50.40 lakh to SBI for the same purpose.

In this connection, we observed as follows:

(i) Considering the huge quantum of loan involved, the Company should have obtained offers from various banks to get the most competitive rates and other terms and conditions. It is pertinent to mention that in TIDEL Park, Chennai, besides SBI and Indian Bank, three more banks, *viz*., Central Bank of India, Canara Bank and Indian Overseas Bank were also share holders.

(ii) While putting up the subject to the Board, the third offer received (July 2007) from Central Bank of India to lend at 10.5 *per cent* was not informed to the Board.

Thus, failure of the Company to get offers for the term loan from more banks and its failure to take up the issue of higher processing fee effectively with Indian Bank before signing the loan documents resulted in an avoidable extra expenditure of ₹1.05crore (₹1.55 crore – ₹50.40 lakh).

The Company replied (March 2012) that the proposal for reduction of processing fee on par with SBI was under the consideration of Indian Bank. The reply is not tenable in view of the fact that Indian Bank had not even replied to the Company's request till date (September 2012).

The matter was reported to the Government in September 2012; their reply was awaited (December 2012).

Tamil Nadu Police Housing Corporation Limited

3.6 Construction of houses without administrative approval

Construction of flats under 'own your house' scheme for police personnel without the administrative approval of the State Government led to blocking up of ₹90.25 lakh and consequential interest loss of ₹20.45 lakh.

Tamil Nadu Police Housing Corporation Limited (Company) is engaged in construction of houses/flats for allotment to police personnel (a) as quarters and (b) under 'Own Your House Scheme'. Under (b), the Company constructs houses/flats on land provided to it by the State Government and the required funds for construction are also provided by the Government in the form of house building advance of the allottees. The difference between the total cost and the eligible House Building Advance (HBA) is collected as deposit from the allottees.

Based on the Company's request, the State Government permitted (August 2000) the Company to receive land measuring one acre and 17 cents in Tirumullaivoil, a suburb of Chennai, as a gift from a philanthropist for construction of quarters for police personnel. The Board of Directors of the Company accorded (September 2006) financial sanction for ₹102.50 lakh for construction of four high income group and 10 middle income group flats under 'own your house scheme' and for executing the works after getting administrative approval from the State Government.

Accordingly, the Company requested (November 2006) the State Government to accord administrative approval for the above scheme to be implemented by utilising the funds released by the State Government every year under HBA allocation to the police department.

Without following the normal procedure for the construction of houses under 'own your house' scheme like getting the administrative approval from the State Government, selecting the beneficiaries and collecting the deposit, the Company started implementing the above scheme in January 2007 and completed the same in September 2009 at a total cost of ₹90.25 lakh. The flats have not been allotted till date (September 2012) for want of administrative approval from the State Government. The Government directed (June 2011) the Company to fix responsibility for the lapse and to initiate disciplinary proceedings against the officials involved.

In this connection, we observed as follows:

(i) In contravention of the State Government directive to use the gifted land for construction of quarters for police personnel, the Company put up proposal to the Board for construction of flats under 'own your house' scheme.

(ii) Without waiting for the State Government's administrative approval, the Company completed the construction in all respects by September 2009.

Thus, construction of flats under 'own your house' scheme for police personnel in contravention of the State Government directive had resulted in blocking up of ₹90.25 lakh for more than three years and consequential interest loss of ₹20.45 lakh[44], defeating the very purpose for which the land was gifted to the Company *i.e.*, construction of quarters for police personnel.

The Company replied (March 2012) that the construction activities were initiated as a welfare measure with the hope of getting the State Government's approval.

The reply is not tenable as the construction has *ab initio* been undertaken without proper approval and the flats constructed are remaining unallocated leading to blockade of funds to the tune of ₹90.25 lakh.

The matter was reported to the Government in August 2012; their reply was awaited (December 2012).

[44] Calculated at 8 *per cent* on ₹90.25 lakh for 34 months.

3.7 Avoidable payment/liability of interest on Income Tax

Claim of ineligible deduction on profits earned led to short payment of Income tax and resulted in an avoidable payment/liability of interest - ₹66.21 lakh

Tamil Nadu Police Housing Corporation Limited (Company) is engaged in construction of houses/flats for allotment to Police personnel (a) as quarters and (b) under Own Your House Scheme. The Company receives supervision charges for all the above works. In other words, the Company is executing these construction works on behalf of the State Government.

During the three financial years 2007-08 to 2009-10, the Company earned profits and therefore became liable to pay Income Tax under the provisions of Income Tax Act, 1961 (Act).

Section 80 IB (10) of the Act dealing with deductions in respect of profits and gains of the companies engaged in developing and building housing projects stipulates that the amount of deduction in case of such undertakings would be 100 *per cent.* However, under explanation to the above Section it is clearly stated that such deduction shall not be admissible to any undertaking which executes the housing projects as a works contract awarded by any person including State or Central Government.

As per the provisions of Sections 208 and 209 of the Act, failure to pay quarterly advance tax and 90 *per cent* of the assessed tax before the end of the financial year would attract interest payment under Section 234 C and 234 B of the Act, respectively.

While paying the advance tax and the Income Tax for the three financial years from 2007-08 to 2009-10, the Company presumed that it would be eligible for 100 *per cent* deduction of its profits under Section 80 IB (10) of the Act and declared 'Nil' income. Accordingly, the Company paid Minimum Alternate Tax as per the provisions of Section 115 JB of the Act at 15 *per cent* of the book profits, while the normal rate of Income Tax is 30 *per cent* of the taxable income. While filing the Income Tax Returns for these three years, the Company claimed similar deductions.

Income Tax Department (Department), while assessing the returns filed by the Company for the years 2007-08 (December 2010) and 2008-09 (December 2011) disallowed the deductions claimed by the Company under Section 80 IB (10) for these two years on the ground that it was executing the construction projects as works contract for the State Government and was not eligible for the deductions in view of the explanation given under that Section. Accordingly, the Department demanded additional tax of ₹58.42 lakh and ₹ Nil and interest of ₹20.77 lakh and ₹4.43 lakh respectively for these two years.

The Company did not contest this disallowance and paid the tax (₹58.42 lakh) and interest (₹20.77 lakh) in March 2011 and the interest of ₹4.43 lakh was adjusted (December 2011) by the Department against the refund due.

For the financial year 2009-10, the Company is liable to pay ₹2.44 crore as income tax and interest of ₹41.01 lakh (up to June 2012) under Section 234 B and 234 C.

In this connection, we observed that despite the clear cut provision in the Act that the deduction under Section 80 IB (10) is not available to an undertaking which executes housing projects on behalf of Central or State Governments, the Company failed to comply with the provisions of the Act resulting in an avoidable expenditure on interest of ₹66.21 lakh (₹25.20 lakh paid and liability ₹41.01 lakh).

The Company replied (February 2012) that the process of getting expert's opinion regarding the applicability of Section 80 IB is under process. The reply is not acceptable as the Company had neither contested the disallowance under Section 80 IB nor has the tax been paid under protest.

The matter was reported to the Government in June 2012; their reply was awaited (December 2012).

Tamil Nadu Generation and Distribution Corporation Limited

3.8 Undue benefit to a private power producer

Payment of cost of naptha used as a fuel in power generation on derived basis instead of restricting the same to actual consumption as per the Power Purchase Agreement led to an undue benefit of ₹331.54 crore to a private power producer.

Tamil Nadu Generation and Distribution Corporation Limited (Company), formerly known as Tamil Nadu Electricity Board entered (January 1997) into a Power Purchase Agreement (PPA) with PPN Power Generating Company Limited (PPN) to purchase power generated in its power plant to be set up near Nagapattinam. The term of the PPA was 30 years from April 2001. PPN was to use natural gas as fuel and naptha as alternate fuel.

The two part tariff for purchase of electricity from PPN comprised recovery of annual fixed charges (interest, depreciation, taxes, *etc*.,) and variable charges (energy charges covering mainly the fuel cost). The PPA *inter alia*, provided that PPN shall submit monthly invoices for all amounts accrued in the preceding months for the estimated fixed and variable cost and the Company has to settle the same within 30 days. The PPA also provided that after the end of each financial year, PPN shall submit to the Company an annual invoice setting forth all amounts due under the tariff and a reconciliation of the actual amounts receivable from the Company for the previous financial year against the sum of monthly estimated payments made by the Company. If such invoice shows net payment due to PPN by the Company or net payment due to the Company by PPN, such amount shall be paid within 30 days after the invoice is rendered. The time limit for raising disputes over annual invoices shall be one year from the due date for payment of such invoice.

PPN started commercial operation in April 2001. It rendered monthly invoices to the Company, containing charges for fuel consumption based on the actual consumption of natural gas and derived[45] consumption of naptha and the Company paid these amounts as claimed by PPN.

PPN rendered annual invoices for the years 2001-02 to 2009-10 in July 2011 and for 2010-11 in September 2011. No reconciliation of derived quantity of naptha against the actual quantity was carried out and the earlier claim revised.

In this connection, we observed as follows:

(i) The very objective of rendering annual invoice at the end of each year and reconciliation of actual amounts receivable for the power exported is to make necessary adjustments for the amounts claimed on estimated basis against the amounts payable on the basis of actual quantities. The Company did not raise the issue of non-reconciliation of derived naptha consumption against actual consumption in the annual invoices with PPN within one year as prescribed in the PPA for raising disputes.

(ii) The actual consumption of naptha for power generation during the five years from 2006-07 to 2010-11 was 11,20,634 MTs. Against this, the Company had paid for 12,01,569 MTs being the derived consumption of naptha during the same period resulting in excess payment for 80,935 MTs of naptha valued at ₹331.54 crore to PPN.

Thus, the payment for Variable Fuel Cost based on derived consumption of naptha instead of restricting it to actual consumption had resulted in an undue benefit of ₹331.54 crore to PPN.

The Company replied (March 2012) that the prevailing practice in the power sector is that Station Heat Rate is fixed on a normative basis unless agreed to otherwise and the savings between normative and actual are not passed on to the buyer by the generating company.

The reply is not acceptable in view of the fact that in the instant PPA, the very inclusion of clause relating to annual invoices requiring reconciliation of all the payments that were made on estimated basis with the actuals was to adjust the excess/short payments.

The matter was reported to the Government in August 2012; their reply was awaited (December 2012).

3.9 Short realisation of revenue

Assessment of Defence production units under HT Tariff-II A instead of HT Tariff-I A resulted in short realisation of revenue to the extent of ₹21.26 crore.

The four Defence Production Units (Units) in Tamil Nadu, *viz.*, Heavy Vehicles Factory (HVF), Ordnance Factory (OF), Heavy Alloy Penetrator Project (HAPP) and Cordite Factory (CF) avail of High Tension (HT) service connections from Tamil Nadu Generation and Distribution Corporation Limited (Company), formerly Tamil Nadu Electricity Board. These units

[45] Naptha consumption was derived by deducting the heat generated by natural gas (quantity of natural gas consumed multiplied by its calorific value) from the total heat generated (Station Heat Rate multiplied by total power delivered to the Company) and dividing the resultant figure by calorific value of naptha.

avail bulk HT supply at single point and use the same predominantly for industrial purposes and partly for distribution to their residential colonies. Till 16 March 2003, the entire HT consumption (including the residential consumption) was billed under HT Tariff-I A applicable to industrial establishments. These units have separate energy meters for recording the consumption of power by the residential colonies.

Para 7.11 of the Tariff Order issued by Tamil Nadu Electricity Regulatory Commission (TNERC) effective from 16 March 2003, dealt with the problem faced by consumers taking HT bulk supply at single point *viz.*, their residential consumers were paying at HT tariff which was much higher than the domestic tariff. Taking this into consideration, TNERC ordered as follows:

(a) Those consumers who avail HT supply for predominantly domestic loads and supply within their area shall be billed under the existing HT Tariff-II A instead of HT Tariff-III.

(b) In respect of consumers who avail HT supply for industrial purpose and also extend LT supply to their residential areas, the HT supply comes under Tariff-I A. The domestic bulk consumption under such HT categories shall henceforth be charged under the newly introduced LT Tariff-I C.

In view of this provision, the four Defence Production Units in the State, which come under category (b) above, should have been billed under HT Tariff-I A for their industrial power consumption and under LT Tariff-I C for their residential power consumption from 16 March 2003. Instead, the Company billed these units under HT Tariff-II A, applicable to those establishments, which avail HT supply predominantly for domestic load (category (a) above). This has resulted in short realisation of revenue to the extent of ₹21.26 crore for the period 16 March 2003 to April 2012. The short realisation is still continuing (September 2012).

The Government replied (August 2012) that TNERC had classified the Ministry of Defence establishments under HT Tariff-II A in its tariff order of March 2003.

The reply is not acceptable as HT Tariff-II A is meant for those consumers who avail HT supply for predominantly domestic loads. As Defence Production Units draw power mainly for industrial purpose and distribute a part of the same to their residential colonies, their industrial consumption should have been billed under HT Tariff-IA and the residential consumption under LT Tariff-IC.

3.10 Undue benefit to a power trader

Injudicious deletion of compensation clause for failure to supply the contracted quantum of power resulted in extension of undue benefit to the tune of ₹14.86 crore to a power trader.

Tamil Nadu Generation and Distribution Corporation Limited (Company), formerly Tamil Nadu Electricity Board floated (May 2009) a tender to purchase power from approved traders to meet the deficit. Clause-11 of the Annexure to the tender provided for payment of compensation charges for failure to supply 80 *per cent* of the contracted quantum of power in a month.

While responding to the tender, PTC India Limited (PTC) had stated that the compensation clause shall be applicable on 'individual plant basis'.

The Company issued (July 2009) a Letter of Acceptance (LOA) and also signed an agreement (October 2009) for purchase of power during the period July 2009 to May 2010. The compensation clause as furnished by PTC in its offer was enclosed to LOA along with other terms and conditions.

PTC started supplying power to the Company from July 2009. In all the months from July 2009 to February 2010, there was shortfall in power supply with reference to 'individual plant basis'. The total power supplied by PTC, however, was more than 80 *per cent* of the contracted quantum during July, August, October and November 2009 but less than 80 *per cent* in September 2009 and December 2009 to February 2010. PTC, therefore, became liable to pay compensation of ₹31.81 crore to the Company for the period July 2009 to February 2010 ('individual plant basis') and ₹14.86 crore for the months September 2009 and December 2009 to February 2010 (total contracted quantum basis).

In January 2010, PTC requested the Company to delete that portion of the compensation clause on 'individual plant basis' on the plea of operational/technical problems in some of the power plants. Subsequently, PTC changed its stance and requested (February 2010) the Company to amend Clause-11 relating to compensation with prospective effect as the agreement was non-performable. This, in effect, meant that PTC wanted deletion of the entire compensation clause retrospectively.

The Board of Directors of the Company discussed (March 2010) the request of PTC and approved the deletion of compensation clause of the agreement retrospectively, as it could not be implemented and decided to include the same clause with prospective effect from March 2010.

As the compensation clause for failure to supply 80 *per cent* of the total contracted quantum of power in a month was included in the tender itself, the Company's acceptance of PTC's request to delete this Clause retrospectively amounted to post tender modification of the agreement terms and resulted in undue benefit of ₹14.86 crore to PTC being the compensation payable by it to the Company for the months September 2009 and December 2009 to February 2010 (total contracted quantum basis).

The Company replied (April 2012) that any contract to do an act, which after the contract is made becomes impossible by reason of some event which the promisor could not prevent, becomes void and therefore it took the decision to consider the request of PTC to delete the compensation Clause with retrospective effect.

The reply is not tenable as the retrospective deletion amounted to post tender modification. Further, the very same clause with the provision relating to levy of compensation charges on total contracted quantum basis was made applicable for the remaining three months of the contract *viz.*, March to May 2010 and a sum of ₹5.16 crore was recovered (October 2010) from PTC as compensation charges for its failure to supply 80 *per cent* of the total contracted quantum during these months.

The matter was reported to the Government in June 2012; their reply was awaited (December 2012).

3.11 Excess payment of performance incentive

Company's failure to restrict the performance incentive for supply of coal as per the Fuel Supply Agreement led to excess payment of ₹2.17 crore

Tamil Nadu Generation and Distribution Corporation Limited (Company) formerly Tamil Nadu Electricity Board entered (November 2008) into a Fuel Supply Agreement (FSA) with Mahanadi Coal Fields Limited (MCL) for the supply of 110.80 lakh MT of coal *per annum* to the four thermal power stations of the Company at Ennore, North Chennai, Mettur and Tuticorin. The FSA, *inter alia,* contained a clause (3.12.1) for payment of performance incentive (PI) by the buyer to the supplier for supply of coal in excess of 90 *per cent* of annual contracted quantity (ACQ).

The quantum of PI was to be computed by multiplying the quantity eligible for PI by a factor (0.15 for supply between 90 and 95 *per cent* of the contracted quantity and 0.30 for supply more than 95 *per cent* of the contracted quantity) and the simple average of the Base Prices of "E" and "F" Grades of coal. The above FSA was effective for five years from 1 December 2008.

During the period December 2008 to March 2009, MCL supplied 43.66 lakh MT of coal (42.22 lakh MT of 'F' grade coal and 1.44 lakh MT of 'D' grade coal) against the 90 *per cent* of *pro rata* ACQ of 36.23 lakh MT for this period and therefore became eligible for payment of PI as per FSA clause. Though 'D' grade coal was not mentioned in the FSA, TNEB accepted the supply of this costlier coal (₹840 per MT).

MCL raised (August and October 2009) a claim for ₹8.47 crore being the PI payable for 7.43 lakh MT (43.66 – 36.23) of coal supplied over and above 90 *per cent* of ACQ for the period December 2008 to March 2009 and the Company paid the amount in October 2009. In this claim, the simple average base price of 'F' grade coal was adopted (₹440 per MT).

Subsequently, MCL raised (April 2010) an additional claim for ₹3.96 crore stating that the simple average base prices of 'D' and 'F' grades of coal worked out to ₹640 per MT {(₹440 +₹840)/2} against ₹440 per MT adopted earlier.

On receipt of this additional claim, the Company should have pointed out to MCL that as per FSA clause for computing PI, simple average base price of 'E' and 'F' grades of coal only should be considered (₹440 per MT) and that the base price of grade 'D' (₹840 per MT) which was not mentioned in the FSA should not be considered. Instead, it paid (June 2010) the additional amount claimed by MCL under protest. It then requested (June 2010) MCL to consider calculation of PI based on weighted average prices of grades 'F' and 'D'. MCL turned down this request on the ground that the application of weighted average base price for calculation of PI was not envisaged in the instant FSA. The Company totally paid an amount of ₹12.58 crore as PI for the period December 2008 to March 2009. The Company failed to effectively take up with MCL that as the quantity of 'D' grade coal (not envisaged in FSA) supplied was just 3 *per cent* of the total supply, incentive for that quantity alone could be claimed at its base price of ₹840 per MT.

Thus, the Company's failure to restrict the PI for supply of coal as per FSA resulted in an excess payment of ₹2.17 crore to MCL being the difference between the PI paid (₹12.58 crore) and the PI payable as per FSA (₹10.41 crore).

The Company replied (July 2012) that if it had refused to receive 'D' grade coal, MCL might have restricted the supply of 'E'/'F' grade coal also.

The reply is not relevant as the audit observation was not on the acceptance of 'D' grade coal or payment of higher price for the same. The audit observation was that the computation of PI was not in accordance with the provisions of FSA and resulted in excess payment.

The matter was reported to the Government in June 2012; their reply was awaited (December 2012).

3.12 Revenue loss

Failure to collect demand/start up power charges as per the provisions of the Power Purchase Agreement with Bio-Mass based power generator resulted in a revenue loss of ₹1.17 crore.

Tamil Nadu Generation and Distribution Corporation Limited (Company) formerly Tamil Nadu Electricity Board entered (June 2002) into a Power Purchase Agreement (PPA) with Raghurama Renewable Energy Limited (RREL) for the purchase of entire surplus energy generated by them in the 18 MW Bio-Mass based power plant in Ramanathapuram District. Besides prescribing the rate at which the power exported to the Company would be paid, the PPA included clauses prescribing Tariff for power drawn by RREL from the Company's grid for start up operations.

Clause 10 (a) (i) of the PPA stipulated that start-up power drawn by RREL from the Company's grid shall be charged at Company's High Tension Tariff-I rate applicable for industrial consumers and that the maximum demand charges shall be charged based on sanctioned or recorded demand whichever was higher. Clause 13 of PPA provided that the Company shall have the right to vary the tariff and the terms and conditions from time to time.

Tamil Nadu Electricity Regulatory Commission (TNERC) in its Tariff Order effective from 16 March 2003 had fixed Tariff-I for industrial consumers at ₹3.50 per unit as energy charges and ₹300 per KVA as demand charges. RREL requested the Company (February and March 2004) to exempt renewable energy based Independent Power Producers (IPPs) like them from payment of demand charges on startup power as they would be using such power for a very limited duration only. The Company, in turn, requested (August 2004) TNERC to approve a flat rate of ₹4.47 per unit for startup power consumed by generators using Bio-Mass fuels. TNERC did not reply.

The Company extended a service connection to RREL (September 2004) with a contracted demand of 2,000 KVA for startup power in its power generation plant and the plant started generation from October 2004.

The Company decided (November 2004) to collect only energy charges for startup power drawn by RREL. It did not collect any demand charges from RREL for the startup power from November 2004 to April 2006.

TNERC in its subsequent Tariff Order issued in May 2006 stipulated that import power drawn for startup purpose shall be billed at the flat rate of ₹6.2181 per unit. The Company, however, continued to collect from RREL @ ₹3.50 per unit only till RREL relinquished its status as Bio-Mass plant and switched over to coal based generation in March 2009. The Board terminated (March 2009) the PPA entered into with RREL.

Thus, the failure of the Company to collect demand charges from RREL during the period from November 2004 to April 2006 and collection of ₹3.50 per unit as energy charges against the flat rate of ₹6.2181 per unit for start up power during the period from May 2006 to March 2009 has resulted in a revenue loss of ₹1.47 crore. Out of this, a sum of ₹30.14 lakh being the short collection of flat energy charges for the period from December 2007 to March 2009 was recovered from RREL based on an observation of the Internal Audit Wing of the Company. A sum of ₹1.17 crore still remains to be recovered from RREL.

The matter was reported to the Company/Government in August 2012; their reply was awaited (December 2012).

3.13 Excess payment of customs duty

Incorrect computation of assessable value for payment of Customs Duty on imported coal led to excess payment of Customs Duty to the tune of ₹0.84 crore.

The Company imports coal to meet the short fall in supply of indigenous coal through Minerals and Metals Trading Corporation (MMTC), Metal Scrap Trading Corporation (MSTC), Tamil Nadu Newsprint and Papers Limited (TNPL), *etc.*, on High Sea Sales (HSS) basis. In addition to Cost, Insurance and Freight (CIF) price payable to the overseas supplier, HSS commission is payable to the agency through which such imports are channelised.

Till May 2004, the assessable value for Customs Duty for goods imported on HSS basis was computed by adding to the CIF price, HSS commission on notional basis @ two *per cent* of the CIF value or the actual HSS commission paid if more than two *per cent*.

Central Board of Excise and Customs (CBEC) after detailed examination of the issue of inclusion of HSS commission to assess the value for payment of Customs Duty, clarified (May 2004) that the actual HSS contract price paid by the buyer would constitute the transaction value and inclusion of HSS Commission on notional basis may not be appropriate. This meant that instead of adding two *percent* of CIF value as HSS commission to compute the assessable value, the actual HSS commission paid by the buyer was to be added to CIF value.

We observed that for the coal imported by the Company on HSS basis during the period February 2010 to August 2011, through the above agencies, the Company computed the assessable value by adding to the CIF value HSS commission at two *per cent* (about ₹120 per MT) though it paid only ₹33 per MT as HSS commission. This resulted in excess payment of customs duty to the tune of ₹2.68 crore during this period.

On being pointed out by Audit, the Company started (April 2012) paying Customs Duty based on actual HSS commission paid. The Company accepted (May 2012) the excess Customs Duty payment of ₹2.68 crore and stated that out of this, refunds from Customs authorities could not be obtained for ₹0.50 crore as the time limit of one year prescribed for refund claims had elapsed. The Company further stated that it had recovered this amount from the payments due to MMTC, the agency through which coal was imported. The Company further stated (July 2012) that it had preferred refund claims for an amount of ₹1.01 crore and that the refund application for the balance amount of ₹1.17 crore would be filed shortly.

We further observed that as per the purchase order terms, the payment of Customs Duty was the responsibility of the Company and hence the recovery of ₹0.50 crore from the payments due to MMTC was not in line with the purchase order terms. It is pertinent to mention that in another instance of such unilateral recovery made (January 2012) by the Company from the bills of MMTC, it had categorically rejected such unilateral deductions as they were not in line with the purchase order terms. Therefore, the Company is liable to refund this amount to MMTC. In respect of refund claims preferred by the Company for ₹1.01 crore, claims pertaining to ₹0.34 crore had since become time barred as more than one year had lapsed from the date of payment of customs duty.

Thus, the Company's incorrect computation of assessable value for payment of Customs Duty had resulted in excess payment of Customs Duty to the tune of ₹0.84 crore (₹0.50 crore + ₹0.34 crore).

The matter was reported to the Company/Government in September 2012; their reply was awaited (December 2012).

General

3.14 Follow-up action on Audit Reports

Explanatory notes outstanding

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

The Audit Reports for the years 2008-09 and 2009-10 were presented to the State Legislature in May 2010 and September 2011, respectively. Eleven out of 13 Departments, which were commented upon, had not submitted explanatory notes on 35 out of 43 Paragraphs/Performance Audit Reports, as of 31 October 2012, as indicated below:

Year of Audit Report (Commercial)	Total number of Paragraphs/Performance Audit Report in the Audit Report	Number of Paragraphs/Performance Audit Reports for which explanatory notes were not received[46]
2008-09	24	16
2009-10	19	19
TOTAL	**43**	**35**

Department-wise analysis is given in the **Annexure-15**. The Energy Department is responsible for non-submission of large number of explanatory notes.

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

3.14.2 The Action Taken Notes (ATNs) to the paragraphs included in the Report of the COPU are to be furnished by the concerned Departments within six months from the date of presentation of these reports to the State Legislature. Replies to 129 paragraphs pertaining to 25 Reports of COPU presented to the State Legislature between January 2003 and April 2012 had not been received as of 31 October 2012 as indicated below:

Year of COPU Report	Total number of Reports involved	Number of paragraphs in respect of which replies were not received
2002-03	5	5
2003-04	3	5
2004-05	2	3
2006-07	2	5
2009-10	7	47
2010-11	3	40
2011-12	3	24
TOTAL	**25**	**129**

Response to Inspection Reports, Draft Paragraphs and Performance Audit reports

3.14.3 Audit observations noticed during audit and not settled on the spot are communicated to the heads of the Public Sector Undertakings (PSUs) and departments of the State Government through Inspection Reports. The heads of PSUs are required to furnish replies to the Inspection Reports through the respective heads of Departments within a period of six weeks. Inspection Reports issued up to March 2012 pertaining to 66 PSUs disclosed that 3,121 paragraphs relating to 750 Inspection Reports remained outstanding at the end of October 2012; of these, 174 Inspection Reports containing 605 paragraphs had not been replied to for more than two years. Department-wise break-up of

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

Inspection Reports and audit observations outstanding as on 31 October 2012 are given in Annexure-16.

Similarly, Draft Paragraphs and Performance Audit Reports on the working of PSUs are forwarded to the Principal Secretary/Secretary of the Administrative Department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. However, nine Draft Paragraphs and one Performance Audit Report forwarded to the various Departments during the period from June to October 2012, as detailed in Annexure-17, had not been replied so far (December 2012).

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

Chennai
The 25 Feb 2013

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

Countersigned

New Delhi
The 26 Feb 2013

(VINOD RAI)
Comptroller and Auditor General of India

ANNEXURES

ANNEXURE-1

(Referred to in paragraph 1.6)

Statement showing particulars of up-to-date paid-up capital, loans outstanding and manpower as on 31 March 2012 in respect of Government companies and Statutory Corporation

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

Sl. No.	Sector and name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up capital				Loans outstanding at the close of 2011-12				Debt equity ratio 2011-12 (previous year)	Manpower
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
A. Working Government Companies													
	AGRICULTURE & ALLIED												
1.	Tamil Nadu Fisheries Development Corporation Limited (TN Fisheries)	Fisheries	April 1974	4.46	---	---	4.46	0.21	---	---	0.21	0.05:1 (0.05:1)	160
2.	Tamil Nadu Forest Plantation Corporation Limited (TAFCORN)	Environment and Forest	June 1974	3.76	---	1.88	5.64	---	---	---	---	---	404
3.	Tamil Nadu Tea Plantation Corporation Limited (TANTEA)	Environment and Forest	August 1975	5.96	---	---	5.96	---	---	---	---	---	6,326
4.	Arasu Rubber Corporation Limited (ARC)	Environment and Forest	August 1984	8.45	---	---	8.45	0.80	---	---	0.80	0.09:1	173
	Sector wise total			**22.63**	**---**	**1.88**	**24.51**	**1.01**	**---**	**---**	**1.01**	**0.04:1 (0.01:1)**	**7,063**
	FINANCE												
5.	Tamil Nadu Industrial Investment Corporation Limited (TIIC)	Micro, Small and Medium Enterprises	March 1949	266.02	---	17.47	283.49	---	---	308.48	308.48	1.09:1 (1.18:1)	544

Sl. No.	Sector and name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up capital				Loans outstanding at the close of 2011-12				Debt equity ratio 2011-12 (previous year)	Manpower
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
6.	Tamil Nadu Handloom Development Corporation Limited (TN Handloom)	Handloom, Handicrafts, Textiles and Khadi	September 1964	4.29	---	---	4.29	---	---	---	---	--- (0.51:1)	14
7.	Tamil Nadu Small Industries Development Corporation Limited (TNSIDCO)	Micro, Small and Medium Enterprises	March 1970	8.70	---	---	8.70	---	---	---	---	---	389
8.	Tamil Nadu Adi-dravidar Housing and Development Corporation Limited (TAHDCO)	Adi-dravidar and Tribal Welfare	February 1974	50.18	44.94	---	95.12	0.09	---	---	0.09	---	351
9.	Tamil Nadu Transport Development Finance Corporation Limited (TDFC)	Transport	March 1975	43.03	---	18.71	61.74	---	---	10.00	10.00	0.16:1 (0.32:1)	34
10.	Tamil Nadu Backward Classes Economic Development Corporation Limited (TABCEDCO)	Backward Classes and Most backward classes Welfare	November 1981	12.27	---	---	12.27	---	---	---	---	---	18
11.	Tamil Nadu Corporation for Development of Women Limited (TN Women)	Social Welfare and Noon-meal programme	December 1983	0.40	0.38	---	0.78	---	---	---	---	---	625
12.	Tamil Nadu Urban Finance and Infrastructure Development Corporation Limited (TUFIDCO)	Municipal Adminis-tration and Water Supply	March 1990	31.02	---	0.98	32.00	---	---	308.09	308.09	9.63:1 (12.24:1)	35

Sl. No.	Sector and name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up capital				Loans outstanding at the close of 2011-12				Debt equity ratio 2011-12 (previous year)	Manpower
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
13.	Tamil Nadu Minorities Economic Development Corporation Limited (TAMCO)	Backward Classes and Most backward classes Welfare	August 1999	2.05	---	---	2.05	--	---	51.92	51.92	25.33:1 (31.23:1)	8
	Sector wise total			**417.96**	**45.32**	**37.16**	**500.44**	**0.09**	**---**	**678.49**	**678.58**	**1.36:1 (1.63:1)**	**2,018**
	INFRASTRUCTURE												
14.	Tamil Nadu Industrial Development Corporation Limited (TIDCO)	Industries	May 1965	72.03	---	---	72.03	224.87	---	---	224.87	3.12:1	78
15.	State Industries Promotion Corporation of Tamil Nadu Limited (SIPCOT)	Industries	March 1971	126.00	---	---	126.00	---	---	---	---	---	263
16.	Tamil Nadu Police Housing Corporation Limited (TN Police Housing)	Home	April 1981	1.00	---	---	1.00	---	---	---	----	---	212
17.	Tidel Park Limited (TIDEL, Chennai)	Industries	December 1997	---	---	44.00	44.00	---	---	---	---	---	32
18.	Tamil Nadu Rural Housing and Infrastructure Development Corporation Limited (TN Rural Housing)	Rural Development and Panchayat Raj	January 1999	3.00	---	---	3.00	---	---	---	---	---	

Sl. No.	Sector and name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up capital				Loans outstanding at the close of 2011-12				Debt equity ratio 2011-12 (previous year)	Manpower
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
19.	Nilakottai Food Park Limited (Nilakottai)	Industries	April 2004	---	---	0.68	0.68	---	---	---	---	---	
20.	Guindy Industrial Estate Infrastructure Upgradation Company (Guindy Estate)	Micro, Small and Medium Enterprises	June 2004	---	---	0.01	0.01	---	---	2.00	2.00	200.00:1 (200.00:1)	1
21	Tamil Nadu Road Infrastructure Development Corporation (TN Road Infrastructure)	Highways	March 2005	5.00	---	---	5.00	---	---	---	---	---	10
22	Tamil Nadu Road Development Company Limited (TNRDC)	Highways	September 2010	---	---	10.00	10.00	---	---	15.03	15.03	1.50:1	96
23.	IT Expressway	Highways				44.05	44.05			142.04	142.04	3.22:1	27
24.	Tidel Park Coimbatore Limited (TIDEL,Coimbatore)	Industries	June 2007	---	---	124.99	124.99	35.00	---	---	35.00	0.28:1 (2.22:1)	9
25.	AdyarPoonga	Municipal Adminis-tration and Water Supply	October 2008	0.10	---	---	0.10	---	---	---	---	---	10
26.	TICEL Bio Park Limited (TICEL Bio Park)	Industries	November 2004	22.58	16.13	27.94	66.65	---	---	---	---	---	13
	Sector wise total			**229.71**	**16.13**	**251.67**	**497.51**	**259.87**	**---**	**159.07**	**418.94**	**0.84:1**	**751**
	MANUFACTURING												
27.	Tamil Nadu Small Industries Corporation Limited (TANSI)	Micro, Small and Medium Enterprises	September 1965	20.00	---	---	20.00	---	---	---	---	---	166

Sl. No.	Sector and name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up capital				Loans outstanding at the close of 2011-12				Debt equity ratio 2011-12 (previous year)	Manpower
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
28.	Tamil Nadu Textiles Corporation Limited (TN Textiles)	Handloom, Handicrafts, Textiles and Khadi	April 1969	1.54	---	---	1.54	---	---	---	---	--- (0.73:1)	168
29.	Tamil Nadu Zari Limited (TN Zari)	Handloom, Handicrafts, Textiles and Khadi	December 1971	0.34	---	---	0.34	0.24	---	---	0.24	0.71:1 (0.71:1)	113
30.	Tamil Nadu Handicrafts Development Corporation Limited (TN Handicrafts)	Handloom, Handicrafts, Textiles and Khadi	July 1973	2.05	1.16	0.01	3.22	---	---	---	---	---	135
31.	Tamil Nadu Salt Corporation Limited (TN Salt)	Industries	July 1974	6.34	---	---	6.34	---	---	---	---	---	62
32.	Tamil Nadu Sugar Corporation Limited (TASCO)	Industries	October 1974	79.59	---	1.00	80.59	82.37	---	19.43	101.80	1.26:1 (1.28:1)	346
33.	Tamil Nadu Cements Corporation Limited (TANCEM)	Industries	February 1976	37.42	---	---	37.42	---	---	---	---	---	917
34.	Perambalur Sugar Mills Limited (PSM) (subsidiary of TASCO)	Industries	July 1976	---	---	37.62	37.62	25.97	---	23.12	49.09	1.30:1 (1.06:1)	325
35.	Tamil Nadu Minerals Limited (TAMIN)	Industries	April 1978	15.74	---	---	15.74	---	---	---	---	---	1,532

Sl. No.	Sector and name of the Company	Name of the Department	Month and year of incorporation	Paid-up capital				Loans outstanding at the close of 2011-12				Debt equity ratio 2011-12 (previous year)	Manpower
				State Government	Central Government	Others	Total	State Government	Central Government	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
36.	Tamil Nadu Magnesite Limited (TANMAG)	Industries	January 1979	16.65	---	---	16.65	---	---	---	---	---	413
37.	Tamil Nadu Industrial Explosives Limited (TIEL)	Industries	February 1983	22.14	---	4.89	27.03	45.63	---	0.07	45.70	1.69:1 (1.69:1)	537
38.	Tamil Nadu Medicinal Plant Farms and Herbal Medicine Corporation Limited (TAMPCOL)	Indian Medicine and Homeopathy	September 1983	1.00	---	---	1.00	---	---	---	---	---	103
39.	Tamil Nadu Paints and Allied Products Limited (TAPAP)	Micro, Small and Medium Enterprises	November 1985	---	---	0.02	0.02	---	---	---	---	---	12
40.	Tamil Nadu Newsprint and Papers Limited (TNPL)	Industries	May 1988	24.45	---	44.93	69.38	---	---	1,150.38	1,150.38	16.58:1 (15.47:1)	1,895
	Sector wise total			**227.26**	**1.16**	**88.47**	**316.89**	**154.21**	**---**	**1,193.00**	**1,347.21**	**4.25:1**	**6,724**
	POWER												
41.	Tamil Nadu Power Finance and Infrastructure Development Corporation Limited (TN Powerfin)	Energy	June 1991	50.00	---	---	50.00	---	---	---	---	---	22

Sl. No.	Sector and name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up capital				Loans outstanding at the close of 2011-12				Debt equity ratio 2011-12 (previous year)	Manpower
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
42.	Udangudi Power Corporation Limited (Udangudi Power)	Energy	December 2008	---	----	65.00	65.00	---	---	---	---	---	
43.	TNEB Limited	Energy	December 2009	8,101.20	---	---	8,101.20	---	---	---	---	--- (3.23:1)	---
44.	Tamil Nadu Transmission Corporation Limited (TANTRANSCO)	Energy	June 2009	---	---	2,334.01	2,334.01	---	---	10,417.33	10,417.33	4.46:1	---
45.	Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO)	Energy	December 2009	---	---	4,551.22	4,551.22	1,455.16	---	27,879.00	29,334.16	6.45:1 (14.73:1)	82,011
	Sector wise total			**8,151.20**	**0.00**	**6,950.23**	**15,101.43**	**1,455.16**	**---**	**38,296.33**	**39,751.49**	**2.63:1**	**82,033**
	SERVICE												
46.	Tamil Nadu Tourism Development Corporation Limited (TTDC)	Information and Tourism	June 1971	10.43	---	---	10.43	0.80	---	---	0.80	0.08:1	504
47.	Tamil Nadu Civil Supplies Corporation Limited (TNCSC)	Co-operation, Food and Consumer Protection	April 1972	52.66	---	---	52.66	---	---	---	---	---	14,156
48.	Poompuhar Shipping Corporation Limited (PSC)	Highways& Minor Ports	April 1974	20.53	---	---	20.53	----	---	---	---	---	131
49.	Electronics Corporation of Tamil Nadu Limited (ELCOT)	Information Technology	March 1977	25.93	---	---	25.93	---	---	---	---	---	167
50.	Overseas Manpower Corporation Limited (OMPC)	Labour& Employment	November 1978	0.15	---	---	0.15	---	---	---	---	---	17
51.	Tamil Nadu State Marketing Corporation Limited (TASMAC)	Prohibition & Excise	May 1983	15.00	---	---	15.00	---	---	---	---	---	29,835
52.	Pallavan Transport Consultancy Services Limited (PTCS)	Transport	February 1984	---	---	0.10	0.10	---	---	---	---	---	12

Sl. No.	Sector and name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up capital				Loans outstanding at the close of 2011-12				Debt equity ratio 2011-12 (previous year)	Manpower
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
53.	Tamil Nadu Medical Services Corporation Limited (TN Medical)	Health & Family Welfare	July 1994	4.04	--	---	4.04	---	---	---	---	---	407
54.	Tamil Nadu Ex-servicemen's Corporation Limited (TEXCO)	Public (Ex-servicemen)	January 1986	0.23	---	---	0.23	---	---	---	---	---	78
55.	Metropolitan Transport Corporation Limited (MTC)	Transport	October 2001	429.78	---	---	429.78	---	---	91.42	91.42	0.21:1 (0.21:1)	22,146
56.	State Express Transport Corporation Limited (SETC)	Transport	January 2002	222.36	---	---	222.36	121.34	---	76.48	197.82	0.89:1 (0.30:1)	6,415
57.	Tamil Nadu State Transport Corporation (Coimbatore) Limited (TNSTC, Coimbatore)	Transport	December 2003	185.20	---	---	185.20	147.25	---	49.16	196.41	1.06:1 (1.07:1)	18,214
58.	Tamil Nadu State Transport Corporation (Kumbakonam) Limited (TNSTC, Kumbakonam)	Transport	December 2003	159.93	---	---	159.93	---	---	71.69	71.69	0.45:1 (0.49:1)	22,314
59.	Tamil Nadu State Transport Corporation (Salem) Limited (TNSTC, Salem)	Transport	December 2003	64.91	---	---	64.91	15.04	---	101.88	116.92	1.80:1	12,232
60.	Tamil Nadu State Transport Corporation (Villupuram) Limited (TNSTC, Villupuram)	Transport	December 2003	102.02	---	---	102.02	---	---	72.54	72.54	0.71:1 (1.16:1)	21,226
61.	Tamil Nadu State Transport Corporation (Madurai) Limited (TNSTC, Madurai)	Transport	January 2004	395.74	---	---	395.74	---	---	41.02	41.02	0.10:1 (0.24:1)	14,473

Sl. No.	Sector and name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up capital				Loans outstanding at the close of 2011-12				Debt equity ratio 2011-12 (previous year)	Manpower
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
62.	Tamil Nadu State Transport Corporation (Tirunelveli) Limited (TNSTC, Tirunelveli)	Transport	November 2010	41.67	---	---	41.67	---	---	42.87	42.87	1.03:1 (1.50:1)	10,958
63.	Arasu Cable TV Corporation Limited (Arasu Cable TV)	Information Technology	October 2007	25.00	---	---	25.00	3.00	---	---	3.00	0.12:1 (0.75:1)	45
	Sector wise total			1,755.58	---	0.10	1,755.68	287.43	---	547.06	834.49	0.48:1	1,73,330
	Total A (All sector wise working Government companies)			10,804.34	62.61	7,329.51	18,196.46	2,157.77	---	40,873.95	43,031.72	2.36:1	2,71,919
B.	**Working Statutory Corporations**												
	SERVICE												
1.	Tamil Nadu Warehousing Corporation (TANWARE)	Co-operation, Food and Consumer Protection	May 1958	3.81	3.80	---	7.61	---	----	---	---	---	399
	Sector wise total			3.81	3.80	---	7.61	---	----	---	---	---	399
	Total B (All sector wise working Statutory Corporations)			3.81	3.80	---	7.61	---	---	---	---	---	399
	Grand total (A+B)			10,808.15	66.41	7,329.51	18,204.07	2,157.77	---	40,873.95	43,031.72	2.36:1	2,72,318

Sl. No.	Sector and name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up capital				Loans outstanding at the close of 2011-12				Debt equity ratio 2011-12 (previous year)	Manpower
				State Govern-ment	Central Govern-ment	Others	Total	State Gover n-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
C.	**Non-working Government companies**												
	AGRICULTURE & ALLIED												
1.	Tamil Nadu Agro Industries Development Corporation Limited (TN AGRO)	Agriculture	July 1966	6.01	---	---	6.01	20.73	---	---	20.73	3.45:1 (3.45:1)	---
2.	Tamil Nadu Poultry Development Corporation Limited (TAPCO)	Animal Husbandry & Fisheries	July 1973	1.27	--	---	1.27	---	---	---	---	---	---
3.	Tamil Nadu Sugarcane Farms Corporation Limited (TN Sugarcane)	Agriculture	February 1975	0.28	---	---	0.28	---	---	---	---	---	---
	Sector wise total			**7.56**	**---**	**---**	**7.56**	**20.73**	**---**	**---**	**20.73**	**2.74:1**	**---**
	INFRASTRUCTURE												
4.	Tamil Nadu State Construction Corporation Limited (TN State Construction)	Public works	February 1980	5.00	---	---	5.00	1.00	---	---	1.00	0.20:1 (0.20:1)	---
5.	Tamil Nadu Magnesium and Marine Chemicals Limited (TMML)	Industries	March 1997	---	---	3.62	3.62	---	---	---	---	---	---
	Sector wise total			**5.00**	**---**	**3.62**	**8.62**	**1.00**	**---**	**---**	**1.00**	**0.12:1**	
	MANUFACTURING												
6.	Tamil Nadu Steels Limited (TN Steels)	Industries	September 1981	3.92	---	---	3.92	5.84	---	4.66	10.50	2.68:1 (2.68:1)	----
7.	Tamil Nadu Graphites Limited (TN Graphites)	Industries	March 1997	0.10	---	---	0.10	---	---	---	---	---	---

Sl. No.	Sector and name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up capital				Loans outstanding at the close of 2011-12				Debt equity ratio 2011-12 (previous year)	Manpower
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
8.	Southern Structurals Limited (SSL)	Industries	October 1956	34.35	0.04	0.15	34.54	70.85	---	---	70.85	2.05:1 (2.05:1)	
9.	State Engineering and Servicing Company of Tamil Nadu Limited (SESCOT) (subsidiary of TANSI)	Micro, Small and Medium Enterprises	April 1977	---	---	0.50	0.50	---	---	3.35	3.35	6.70:1	---
10.	Tamil Nadu Leather Development Corporation Limited (TALCO)	Micro, Small and Medium Enterprises	March 1983	2.50	---	---	2.50	---	---	---	---	--- (8.65:1)	---
	Sector wise total			**40.87**	**0.04**	**0.65**	**41.56**	**76.69**	**---**	**8.01**	**84.70**	**2.04:1**	
	SERVICE												
11.	Tamil Nadu Film Development Corporation Limited (TN Film)	Information & Tourism	April 1972	13.91	---	---	13.91	19.53	---	---	19.53	1.40:1 (1.40:1)	---
12.	Tamil Nadu Goods Transport Corporation Limited (TN Goods)	Transport	March 1975	0.27	---	0.06	0.33	---	---	---	---	---	---
13.	Tamil Nadu Institute of Information Technology (TANITEC)	Higher Education	February 1988	5.10	---	---	5.10	---	---	---	---	---	---
	Sector wise total			**19.28**	**---**	**0.06**	**19.34**	**19.53**	**---**	**---**	**19.53**	**1.01:1**	**---**
Total C (All sector wise Non-working Government companies)				**72.71**	**0.04**	**4.33**	**77.08**	**117.95**	**---**	**8.01**	**125.96**	**1.63:1**	**---**
	Grand total (A+B+C)			**10,880.86**	**66.45**	**7,333.84**	**18,281.15**	**2,275.72**	**---**	**40,881.96**	**43,157.68**	**2.36:1**	**2,72,318**

Note

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

Paid-up Capital includes Share Application Money.

Loans outstanding at the close of 2011-12 represent long-term Loans only.

ANNEXURE-2

(Referred to in paragraph 1.14)

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

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

Sl. No.	Sector and Name of the Company	Period of Accounts	Year in which finalised	Net Profit(+)/Loss(-)				Turnover	Impact of Account comments	Paid-up capital	Accumulated profit(+)/ Loss (-)	Capital Employed[#]	Return on Capital Employed[$]	Percentage Return on Capital Employed
				Net Profit/Loss before Interest and Depreciation	Interest	Depreciation	Net Profit/Loss							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
A	Working Government companies													
	AGRICULTURE & ALLIED													
1.	TN Fisheries	2011-12	2012-13	4.58	---	0.47	4.11	367.80		4.46	3.32	18.37	4.11	22.37
2.	TAFCORN	2011-12	2012-13	25.04	1.97	0.35	22.72	63.62		5.64	105.87	117.41	24.69	21.03
3.	TANTEA	2011-12	2012-13	(-)5.19	0.79	2.80	(-)8.78	59.95		5.96	(-)25.94	23.16	(-)7.99	---
4.	ARC	2011-12	2012-13	14.70	---	0.55	14.15	46.37		8.45	17.92	55.16	14.15	25.65
	Sector wise total			39.13	2.76	4.17	32.20	537.74		24.51	101.17	214.10	34.96	16.33
	FINANCE													
5.	TIIC	2011-12	2012-13	148.23	98.93	0.90	48.40	173.65		283.49	(-)99.94	1,386.68	147.33	10.62
6.	TN Handloom	2011-12	2012-13	0.70	0.57	---	0.13	7.07		4.29	(-)2.00	9.50	0.70	7.37
7.	TNSIDCO	2010-11	2011-12	13.19	---	0.35	12.84	82.18		8.70	70.72	73.51	12.84	17.47
8.	TAHDCO	2010-11	2011-12	20.77	0.75	0.26	19.76	26.10		95.12	33.46	142.48	20.51	14.40
9.	TDFC	2011-12	2012-13	125.85	121.04	0.10	4.71	130.89		61.74	80.30	1,305.92	125.75	9.63
10.	TABCEDCO	2011-12	2012-13	4.36	1.43	0.03	2.90	4.65		12.27	10.84	110.76	4.33	3.91
11	TN Women	2010-11	2012-13	3.56	---	0.96	2.60	143.21		0.78	8.44	7.92	2.60	32.83

Sl. No.	Sector and Name of the Company	Period of accounts	Year in which finalised	Net Profit(+)/Loss(-)				Turnover	Impact of Account comments	Paid-up capital	Accumulated profit(+)/ Loss (-)	Capital employed[#]	Return on capital employed[$]	Percentage return on capital employed
				Net profit/loss before interest and depreciation	Interest	Depreciation	Net profit/loss							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
12.	TUFIDCO	2011-12	2012-13	47.43	38.20	0.23	9.00	54.13		32.00	59.02	554.82	47.20	8.51
13.	TAMCO	2011-12	2012-13	3.86	1.07	0.06	2.73	5.05		2.05	5.31	72.77	3.80	5.22
	Sector wise total			**367.95**	**261.99**	**2.89**	**103.07**	**626.93**		**500.44**	**166.15**	**3,664.36**	**365.06**	**9.96**
	INFRASTRUCTURE													
14.	TIDCO	2011-12	2012-13	39.75	26.13	0.19	13.43	53.77		72.03	135.58	(-)55.38	39.56	---
15.	SIPCOT	2010-11	2011-12	88.46	0.57	5.05	82.84	822.27		123.91	278.56	457.05	83.41	18.25
16.	TN Police Housing	2011-12	2012-13	4.15	0.16	0.29	3.70	14.28		1.00	16.34	26.85	3.86	14.38
17.	TIDEL, Chennai	2011-12	2012-13	42.61	---	6.86	35.75	55.27		44.00	215.40	177.11	35.75	20.19
18.	TN Rural Housing	2008-09	2012-13	0.17	---	---	0.17	---		3.00	0.02	107.16	0.17	0.16
19.	Nilakottai	2010-11	2011-12	0.09	---	---	0.09	---		0.68	0.27	0.92	0.09	9.78
20.	Guindy Estate	2011-12	2012-13	(-)0.94	---	---	(-)0.94	0.23		0.01	---	1.91	(-)0.94	---
21.	TN Road Infrastructure	2010-11	2011-12	(-)1.00	---	0.04	(-)1.04	1.60		5.00	0.01	5.01	(-)1.04	---
22.	TN Road Development	2011-12	2012-13	9.13	3.42	2.05	3.66	17.69		10.00	2.64	32.75	7.08	21.62
23.	IT Express Way	2011-12	2012-13	28.66	19.69	9.77	(-)0.80	37.94		44.05	(-)7.00	236.41	18.89	7.99
24.	TIDEL, Coimbatore	2011-12	2012-13	(-)0.14	0.80	0.01	(-)0.95	0.91		124.99	(-)0.95	378.31	(-)0.15	---
25.	AdyarPoonga	2011-12	2012-13	(-)0.35	---	---	(-)0.35	0.01		0.10	0.26	0.36	(-)0.35	---
26.	TICEL Bio Park	2011-12	2012-13	4.72	0.41	1.76	2.55	9.60		66.65	5.06	110.09	2.96	2.69
	Sector wise total			**215.31**	**51.18**	**26.02**	**138.11**	**1,013.57**		**495.42**	**646.19**	**1,478.55**	**189.29**	**12.80**
	MANUFACTURING													
27.	TANSI	2010-11	2011-12	5.97	1.32	0.51	4.14	138.77		20.00	55.01	286.92	5.46	1.90
28.	TN Textiles	2011-12	2012-13	0.19	---	0.03	0.16	34.12		1.54	(-)1.86	(-)8.10	0.16	---
29.	TN Zari	2010-11	2011-12	(-)0.32	0.03	0.10	(-)0.45	29.82		0.34	2.07	2.68	(-)0.42	---
30.	TN Handicrafts	2011-12	2012-13	1.07	---	0.57	0.50	27.46		3.22	2.37	7.07	0.50	7.07

Sl. No.	Sector and Name of the Company	Period of accounts	Year in which finalised	Net Profit(+)/Loss(-)				Turnover	Impact of Account comments	Paid-up capital	Accumulated profit(+)/ Loss (-)	Capital employed[#]	Return on capital employed[$]	Percentage return on capital employed
				Net profit/loss before interest and depre-ciation	Interest	Depreciation	Net profit/loss							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
31.	TN Salt	2011-12	2012-13	3.97	0.19	0.93	2.85	20.55		6.34	7.86	15.04	3.04	20.21
32.	TASCO	2011-12	2012-13	2.47	5.03	0.48	(-)3.04	95.17		80.59	(-)79.63	37.88	1.99	5.25
33.	TANCEM	2011-12	2012-13	(-)1.55	0.89	2.32	(-)4.76	189.00		37.42	(-)12.05	72.07	(-)3.87	---
34.	PSM	2011-12	2012-13	0.26	7.02	0.60	(-)7.36	82.69		37.62	(-)136.25	20.65	(-)0.34	---
35.	TAMIN	2010-11	2011-12	2.88	0.55	1.95	0.38	102.22		15.74	82.15	93.29	0.93	1.00
36.	TANMAG	2011-12	2012-13	12.84	5.13	0.97	6.74	88.98		16.65	(-)3.92	(-)13.83	11.87	---
37.	TIEL	2010-11	2011-12	(-)6.15	2.34	1.08	(-)9.57	34.68		27.03	(-)86.31	16.83	(-)7.23	---
38.	TAMPCOL	2011-12	2012-13	0.67	0.05	0.47	0.15	17.53		1.00	10.28	7.67	0.20	2.61
39.	TAPAP	2011-12	2012-13	0.32	0.10	0.01	0.21	3.27		0.02	1.04	1.07	0.31	28.97
40.	TNPL	2011-12	2012-13	419.26	141.27	169.05	108.94	1,522.92		69.38	707.16	2,036.38	250.21	12.29
	Sector wise total			**441.88**	**163.92**	**179.07**	**98.89**	**2,387.18**		**316.89**	**547.92**	**2,575.62**	**262.81**	**10.20**
	POWER													
41	TN Powerfin	2011-12	2012-13	662.56	604.79	3.80	53.97	707.94		50.00	198.64	6,254.32	658.76	10.53
42.	Udangudi Power	2010-11	2011-12	0.14	---	---	0.14	0.22		65.00	0.46	65.46	0.14	0.21
43.	TNEB Limited	2009-10	2011-12	(-)0.04	---	---	(-)0.04	---		0.05	(-)0.04	0.01	(-)0.04	---
44.	TANTRANSCO	2010-11	2012-13	413.83	292.60	121.23	---	534.38		1,927.55	(-)4,031.85	10,591.34	292.60	2.76
45.	TANGEDCO	2010-11	2012-13	(-)4,012.72	1,374.02	246.72	(-)5,633.46	9,160.68		2,547.81	(-)13,480.06	8,952.00	(-)4,259.44	---
	Sector wise total			**(-)2,936.23**	**2,271.41**	**371.75**	**(-)5,579.39**	**10,403.22**		**4,590.41**	**(-)17,312.85**	**25,863.13**	**(-)3,307.98**	**---**

Sl. No.	Sector and Name of the Company	Period of accounts	Year in which finalised	Net Profit(+)/Loss(-)				Turnover	Impact of Account comments	Paid-up capital	Accumulated profit(+)/ Loss (-)	Capital employed[#]	Return on capital employed[$]	Percentage return on capital employed
				Net profit/loss before interest and depreciation	Interest	Depreciation	Net profit/loss							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	SERVICE													
46.	TTDC	2011-12	2012-13	11.70	0.13	3.35	8.22	98.70		10.43	23.00	44.31	8.35	18.84
47.	TNCSC	2010-11	2011-12	68.68	62.87	5.81	---	10,292.55		51.56	---	2,510.40	62.87	2.50
48.	PSC	2010-11	2011-12	2.09	0.73	0.41	0.95	516.16		20.53	(-)5.56	24.87	1.68	6.76
49.	ELCOT	2010-11	2011-12	12.97	7.89	2.85	2.23	25.91		25.93	28.00	370.20	10.12	2.73
50.	OMPC	2010-11	2011-12	0.05	---	0.05	---	1.47		0.15	(-)0.01	0.09	---	---
51.	TASMAC	2011-12	2012-13	32.69	32.44	1.72	(-)1.47	21,514.62		15.00	(-)1.56	19.74	30.97	156.89
52.	PTCS	2011-12	2012-13	0.44	0.43	0.02	(-)0.01	0.32		0.10	(-)0.51	0.20	0.42	210.00
53.	TN Medical	2011-12	2012-13	5.60	---	4.93	0.67	29.91		4.04	12.92	57.17	0.67	1.17
54.	TEXCO	2011-12	2012-13	7.54	---	0.05	7.49	91.43		0.23	54.35	53.12	7.49	14.10
55.	MTC	2011-12	2012-13	(-)75.22	69.26	105.26	(-)249.74	1,016.28		429.78	(-)1,341.16	(-)559.95	(-)180.48	---
56.	SETC	2011-12	2012-13	(-)97.58	50.09	18.36	(-)166.03	357.03		222.36	(-)1,011.06	(-)425.39	(-)115.94	---
57.	TNSTC, Coimbatore	2011-12	2012-13	(-)187.42	57.95	55.71	(-)301.08	904.04		185.20	(-)1,222.01	(-)830.72	(-)243.13	---
58.	TNSTC, Kumbakonam	2011-12	2012-13	(-)144.08	59.15	59.42	(-)262.65	1,141.08		159.93	(-)992.13	(-)548.84	(-)203.50	---
59.	TNSTC, Salem	2011-12	2012-13	(-)137.66	33.57	19.79	(-)191.02	641.46		64.91	(-)665.20	(-)541.71	(-)157.45	---
60.	TNSTC, Villupuram	2011-12	2012-13	(-)141.35	39.34	48.08	(-)228.77	1,142.10		102.02	(-)728.58	(-)511.59	(-)189.43	---
61.	TNSTC, Madurai	2011-12	2012-13	(-)85.57	29.77	58.43	(-)173.77	786.08		395.74	(-)1,659.49	(-)1,135.56	(-)144.00	---
62.	TNSTC, Tirunelveli	2011-12	2012-13	(-)121.42	62.60	34.56	(-)218.58	568.53		41.67	(-)1,149.38	(-)945.30	(-)155.98	---
63.	Arasu Cable TV	2009-10	2012-13	(-)1.66	3.42	1.49	(-)6.57	0.56		25.00	(-)11.48	34.19	(-)3.15	---
	Sector wise total			**(-)850.20**	**509.64**	**420.29**	**(-)1,780.13**	**39,128.23**		**1,754.58**	**(-)8,669.86**	**(-)2,384.77**	**(-)1,270.49**	**---**
	Total A (all sector wise working Government companies)			**(-)2,722.16**	**3,260.90**	**1004.19**	**(-)6,987.25**	**54,096.87**		**7,682.25**	**(-)24,521.28**	**31,410.99**	**(-)3,726.35**	**---**

Sl. No.	Sector and Name of the Company	Period of accounts	Year in which finalised	Net Profit(+)/Loss(-)				Turnover	Impact of Account comments	Paid-up capital	Accumulated profit(+)/ Loss (-)	Capital employed#	Return on capital employed$	Percentage return on capital employed
				Net profit/loss before interest and depre-ciation	Interest	Depre-ciation	Net profit/loss							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
B	**Working Statutory corporations**													
	POWER													
1.	TNEB	2010-11 (till October 2010)	2012-13	(-)3,971.42	2,521.94	539.43	(-)7,032.79	11,674.83		3,805.63	(-)34,741.35	17,017.06	(-)4,510.85	---
	Sector wise total			**(-)3,971.42**	**2,521.94**	**539.43**	**(-)7,032.79**	**11,674.83**		**3,805.63**	**(-)34,741.35**	**17,017.06**	**(-)4,510.85**	**---**
	SERVICE													
2.	TANWARE	2010-11	2011-12	10.47	---	1.09	9.38	33.22		7.61	58.06	70.45	9.38	13.31
	Sector wise total			**10.47**	**---**	**1.09**	**9.38**	**33.22**		**7.61**	**58.06**	**70.45**	**9.38**	**13.31**
	Total B (all sector wise working Statutory corporations)			**(-)3,960.95**	**2,521.94**	**540.52**	**(-)7,023.41**	**11,708.05**		**3,813.24**	**(-)34,683.29**	**17,087.51**	**(-)4,501.47**	**---**
	Total (A+B)			**(-)6,683.11**	**5,782.84**	**1,544.71**	**(-)14,010.66**	**65,804.92**		**11,495.49**	**(-)59,204.57**	**48,498.50**	**(-)8,227.82**	**---**
C.	**Non-working Government companies**													
	AGRICULTURE & ALLIED													
1.	TN Agro	2002-03	2003-04	(-)3.74	3.70	---	(-)7.44	---		6.01	(-)42.91	5.32	(-)3.74	---
2.	TAPCO	2010-11	2011-12	---	---	---	---	---		1.27	(-)10.37	(-)0.73	---	---
3.	TN Sugarcane	2005-06	2010-11	---	---	---	---	---		0.28	(-)0.18	0.09	---	---
	Sector wise total			**(-)3.74**	**3.70**	**---**	**(-)7.44**	**---**		**7.56**	**(-)53.46**	**4.68**	**(-)3.74**	**---**

Sl. No.	Sector and Name of the Company	Period of accounts	Year in which finalised	Net Profit(+)/Loss(-)				Turnover	Impact of Account comments	Paid-up capital	Accumulated profit(+)/ Loss (-)	Capital employed#	Return on capital employed$	Percentage return on capital employed
				Net profit/loss before interest and depre-ciation	Interest	Depre-ciation	Net profit/loss							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	INFRASTRUCTURE													
4.	TN State Construction	2001-02	2004-05	(-)5.32	0.96	0.20	(-)6.48	---		5.00	(-)26.44	80.14	(-)5.52	---
5.	TMML	1999-00	2000-01	(-)3.81	---	---	(-)3.81	---		3.62	(-)15.51	1.40	(-)3.81	---
	Sector wise total			**(-)9.13**	**0.96**	**0.20**	**(-)10.29**	**---**		**8.62**	**(-)41.95**	**81.54**	**(-)9.33**	**---**
	MANUFACTURING													
6.	TN Steels	1999-00	2000-01	(-)0.80	8.61	---	(-)9.41	---		3.92	(-)71.31	(-)20.54	(-)0.80	---
7.	TN Graphites	2011-12	2012-13	---	---	---	---	---		0.10	(-)0.09	0.01	---	---
8.	SSL	2009-10	2011-12	(-)0.20	10.39	0.09	(-)10.68	---		34.54	(-)189.55	(-)1.01	(-)0.29	---
9.	SESCOT	2011-12	2012-13	---	---	0.01	(-)0.01	---		0.50	(-)19.62	(-)0.05	(-)0.01	---
10.	TALCO	2011-12	2012-13	---	1.57	---	(-)1.57	---		2.50	(-)33.27	(-)1.70	---	---
	Sector wise total			**(-)1.00**	**20.57**	**0.10**	**(-)21.67**	**---**		**41.56**	**(-)313.84**	**(-)23.29**	**(-)1.10**	**---**
	SERVICE													
11.	TN Film	2010-11	2011-12	0.07	---	---	0.07	---		13.91	(-)16.62	16.81	0.07	---
12.	TN Goods	1989-90		0.07	0.07	---	---	---		0.33	(-)1.33	(-)0.30	0.07	---
13.	TANITEC	2003-04	2004-05	0.03	---	---	0.03	0.04		5.10	(-)5.10	---	0.03	---
	Sector wise total			**0.17**	**0.07**	**---**	**0.10**	**0.04**		**19.34**	**(-)23.05**	**16.51**	**0.17**	**1.03**
	Total C (all sector wise Non working Government companies)			**(-)13.70**	**25.30**	**0.30**	**(-)39.30**	**0.04**		**77.08**	**(-)432.30**	**79.44**	**(-)14.00**	**---**
	Total (A+B+C)			**(-)6,696.81**	**5,808.14**	**1,545.01**	**(-)14,049.96**	**65,804.96**		**11,572.57**	**(-)59,636.87**	**48,577.94**	**(-)8,241.82**	**---**

NOTE:

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

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

ANNEXURE-3

(Referred to in paragraph 1.9)

Statement showing equity/loans received out of budget, grants and subsidy received/receivable, guarantees received, waiver of dues, loans written off and loans converted into equity during the year and guarantee commitment at the end of March 2012

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

Sl. No.	Sector and Name of the Company	Equity/Loans received out of Budget during the year		Grants and Subsidy received during the year				Guarantees received during the year and commitment at the end of the year		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment Written Off	Loan converted into Equity	Interest/penal interest waived	Total
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
	Working Government companies												
	AGRICULTURE AND ALLIED												
1.	TN Fisheries	---	---	1.64 (G)	---		1.64 (G)	---	---	---	---	---	---
2.	TAFCORN	---	---	---	---	0.86 (S)	0.86 (S)	---	---	---	---	---	---
3.	TANTEA	---	---	0.35 (S)	0.25 (G)		0.25 (G) 0.35 (S)	---	---	---	---	---	---
	Sector wise total	---	---	**1.64 (G) 0.35 (S)**	**0.25 (G)**	**0.86 (S)**	**1.89 (G) 1.21 (S)**	---	---	---	---	---	---
	FINANCE												
4.	TIIC	---	---	---	5.96 (S)	---	5.96 (S)	---	539.69	---	---	---	---
5.	TN Handloom	---	---	---	---	---	---	3.30	3.30	---	---	---	---
6.	TNSIDCO	---	---	5.65 (G)	4.84 (G)	--	10.49 (G)	---	---	---	---	---	---
7.	TAHDCO	---	---	72.84 (S)	25.00 (S)	---	97.84 (S)	---	23.58	---	---	---	---

Sl. No.	Sector and Name of the Company	Equity/loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loan converted into equity	Interest/penal interest waived	Total
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
8.	TDFC	---	---	---	---	---	---	---	10.00	---	---	---	---
9.	TABCEDCO	---	---	---	---	---	---	40.00	81.24	---	---	---	---
10.	TAMCO	---	---	0.15 (G)	0.02 (G) 1.05 (S)	---	0.17 (G) 1.05 (S)	---	---	---	----	---	---
	Sector wise total	---	---	5.80 (G) 72.84 (S)	4.86 (G) 32.01 (S)	---	10.66 (G) 104.85 (S)	43.30	657.81	---	---	---	---
	INFRASTRUCTURE												
11.	TIDCO	---	---	10.59 (G)	---	---	10.59 (G)	---	6.67	---	---	---	---
12.	SIPCOT	2.09	---	18.66 (G)	---	---	18.66 (G)	---	---	---	---	---	---
13.	Guindy Estate	---	---	14.12 (G)	2.00 (G)	1.20 (G)	17.32 (G)	---	---	---	---	---	---
14.	TN Rural Housing	---	---	1.60 (G)	0.02 (G)	---	1.62 (G)	---	---	---	---	---	---
15.	IT Express Way			6.21 (S)			6.21 (S)						
16.	AdyarPoonga	---	---	---	1.00 (G)	---	1.00 (G)	---	---	---	---	---	---
17.	TICEL Bio Park	22.58	---	---	---	---	---	---	---	---	---	---	---
	Sector wise total	24.67	---	44.97 (G) 6.21 (S)	3.02 (G)	1.20 (G)	49.19 (G) 6.21 (S)	---	6.67	---	---	---	---
	MANUFACTURING												
18	TASCO	0.38		---	0.07 (S)		0.07 (S)		0.90	---	---	---	---
19.	PSM	---	---	---	0.10 (S)	---	0.10 (S)	---	3.77	---	---	---	---
	Sector wise total	0.38	---	---	0.17 (S)	---	0.17 (S)	---	4.67	---	---	---	---

Sl. No.	Sector and Name of the Company	Equity/loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loan converted into equity	Interest/penal interest waived	Total
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
	POWER												
20.	TNEB Limited	1,423.50	---	---	---	---	---	----	---	---	---	---	---
21.	TANTRANSCO	---	---	---	---	---	---	---	1,825.27	---	---	---	---
22.	TANGEDCO	---	1,455.16	---	2,174.81 (S)	---	2,174.81 (S)	3,960.39	7,198.97	---	---	---	---
	Sector wise total	**1,423.50**	**1,455.16**	**---**	**2,174.81 (S)**	**---**	**2,174.81 (S)**	**3,960.39**	**9,024.24**	**---**	**---**	**---**	**---**
	SERVICE												
23.	TTDC	---	---	0.10 (G)	4.05 (G)	---	4.15 (G)	---	---	---	---	---	---
24.	TNCSC	1.10	---	1.30 (G)	1.10 (G)	---	2.40 (G)	---	---	---	---	---	---
25.	PSC	---	---	0.16 (G)	---	---	0.16 (G)	---	---	---	---	---	---
26.	ELCOT	---	---	---	0.58 (G)	---	0.58 (G)	---	---	---	---	---	---
27.	TASMAC	---	---	---	---	---	---	---	25.00	---	---	---	---
28.	MTC	---	---	13.08 (G)	3.25 (G)	---	16.33 (G)	---	---	---	---	---	---
29.	SETC	20.36	60.77	---	---	---	---	---	3.50	---	---	---	---
30.	TNSTC, Coimbatore	30.35	47.62	---	38.01 (S)	---	38.01 (S)	---	---	---	---	---	---
31.	TNSTC, Kumbakonam	13.34	---	---	50.49 (S)	---	50.49 (S)	---	---	---	---	---	---
32.	TNSTC, Madurai	7.21	37.17	---	42.97 (S)	---	42.97 (S)	---	---	---	---	---	---
33.	TNSTC, Villupuram	15.27	---	---	---	---	---	---	---	---	---	---	---
34.	TNSTC, Tirunelveli	10.49	34.65	---	---	---	---	---	---	---	---	---	---

Sl. No.	Sector and Name of the Company	Equity/loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loan converted into equity	Interest/penal interest waived	Total
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
35.	TNSTC, Salem	10.31	9.04	31.41(S)	---	---	31.41(S)	---	---	---	---	---	---
36.	Arasu Cable	---	3.00	---	---	---	---	---	---	---	---	---	---
	Sector wise total	**108.43**	**192.25**	**14.64 (G) 31.41 (S)**	**8.98 (G) 131.47 (S)**	**---**	**23.62 (G) 162.88 (S)**	**---**	**28.50**	**---**	**---**	**---**	**---**
	Grand Total (A)	**1,556.98**	**1,647.41**	**67.05 (G) 110.81 (S)**	**17.11 (G) 2,338.46 (S)**	**1.20 (G) 0.86 (S)**	**85.36 (G) 2,450.13 (S)**	**4,003.69**	**9,721.89**	**---**	**---**	**---**	**---**

A Subsidy includes Subsidy receivable at the end of year.
'G' indicates Grants and 'S' indicates Subsidy.
Except in respect of companies which finalised their accounts for 2011-12 (Serial numbers 1 to 5, 8 to 11, 13, 15 to 19, 23, 27 to 35) the figures are provisional and as given by the companies/corporations.

ANNEXURE - 4
(Referred to in paragraph 1.22)
Statement showing investment made by the State Government in PSUs whose accounts were in arrears

(₹ in crore)

Sl.No.	Name of the Company	Year up to which Accounts finalised	Paid-up Capital as per latest finalised Accounts	Investment made by the State Government during the years for which Accounts were in arrears				
				Year	Equity	Loan	Grant	Subsidy
	WORKING PSUs							
1.	SIDCO	2010-11	8.70	2011-12	---	---	4.84	---
2.	TAHDCO	2010-11	95.12	2011-12	---	---	---	25.00
3.	SIPCOT	2010-11	123.91	2011-12	2.09	---	---	---
4.	TN Rural Housing	2008-09	3.00	2010-11 2011-12	---	---	0.02 0.02	---
5.	TNEB Limited	2009-10	0.05	2010-11 & 2011-12	6,677.65 1,423.50	---	---	---
6.	TANGEDCO	2010-11	2,547.81	2011-12	---	1,455.16	---	2,174.81
7.	TNCSC	2010-11	51.56	2011-12	1.10	---	1.10	---
8.	ELCOT	2010-11	25.93	2011-12	---	---	0.58	---
9.	Arasu Cable TV	2009-10	25.00	2011-12	---	3.00	---	---
	NON-WORKING PSUs				---			
10.	TN Agro	2002-03	6.01	2003-04 to 2009-10	1.65	2.52	---	---
11.	SSL	2009-10	34.54	2010-11	---	0.30	---	---
	TOTAL		**2,921.63**		**8,105.99**	**1,460.98**	**6.56**	**2,199.81**

ANNEXURE-5
(Referred to in paragraph 1.14)
Statement showing financial position of Tamil Nadu Warehousing Corporation

(₹ in crore)

Particulars	2009-10	2010-11	2011-12 (Provisional)
A. LIABILITIES			
Paid-up Capital	7.61	7.61	7.61
Reserves and Surplus	49.62	58.06	63.41
Subsidy	0.16	0.16	0.16
Trade Dues and Current Liabilities (including provision)	29.14	35.06	36.75
Deferred Tax Liabilities	---	0.21	3.99
Insurance fund	3.18	4.41	4.81
TOTAL	**89.71**	**105.51**	**116.73**
B. ASSETS			
Gross Block	49.70	52.83	54.33
LESS: Depreciation	17.64	18.74	19.87
Net Fixed Assets	32.06	34.09	34.46
Capital works-in-progress	0.11	1.11	---
Investments	0.83	---	---
Current Assets, Loans and Advances	56.71	70.31	82.27
TOTAL	**89.71**	**105.51**	**116.73**
C. CAPITAL EMPLOYED[47]	**59.74**	**70.45**	**79.98**

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

ANNEXURE-6

(Referred to in paragraph 1.14)

Statement showing working results of Tamil Nadu Warehousing Corporation

(₹ in crore)

	Particulars	2009-10	2010-11	2011-12 (Provisional)
1.	**Income**			
(a)	Warehousing charges	28.69	31.99	34.64
(b)	Other income	4.00	4.16	5.98
	TOTAL	**32.69**	**36.15**	**40.62**
2.	**Expenses**			
(a)	Establishment charges	16.21	16.78	17.58
(b)	Other expenses	6.80	6.17	8.13
	TOTAL	**23.01**	**22.95**	**25.71**
3.	Profit (+) / Loss (-) before tax	9.68	13.20	14.91
4.	Other appropriations/adjustments	3.21	3.82	7.80
5.	Amount available for dividend	6.47	9.38	7.11
6.	Dividend for the year (excluding dividend tax)	0.79	0.80	1.52
7.	**Total return on Capital Employed**	**6.47**	**9.38**	**7.11**
8.	**Percentage of Return on Capital Employed**	**10.83**	**13.31**	**8.89**

ANNEXURE-7

Statement showing voltage-wise capacity additions planned, actual additions and shortfall in Tamil Nadu Transmission Corporation Limited during the five years up to 2011-12.

(Referred to in Paragraph 2.2.9)

Sl. No.	Description	2007-08	2008-09	2009-10	2010-11	2011-12
(1)	(2)	(3)	(4)	(5)	(6)	(7)
	400 KV SSs (in numbers)					
1.	At the beginning of the year	5[48]+3	3	3	3	3
2.	Additions/ augmentation planned for the year	0	0	1	1	1
3.	Actual additions during the year	0	0	0	0	1
4.	Capacity at the end of the year (1+3)	3	3	3	3	4
5.	Shortfall in additions/augmentation (2-3)	0	0	1	1	0
	400 KV Transformers Capacity (MVA)					
1	At the beginning of the year	3,090	3,090	3,090	3,090	3,090
2	Additions/augmentation planned for the year	0	0	630	630	630
3	Actual additions during the year	0	0	0	0	630
4	Capacity at the end of the year (1+3)	3,090	3,090	3,090	3,090	3,720
5	Shortfall in additions/augmentation (2-3)	0	0	630	630	0
	400 KV Lines (CKM)					
1	At the beginning of the year	0	0	0	0	0
2	Additions planned for the year	0	60	650	150	250
3	Actual additions during the year	0	0	0	0	16.28
4	At the end of the year (1+3)	0	0	0	0	16.28
5	Shortfall in additions (2-3)	0	60	650	150	233.72
	230 KV SSs (in numbers)					
1	At the beginning of the year	65	68	74	76	77
2	Additions planned for the year	11	7	3	2	6
3	Actual additions during the year	3	6	2	1	0
4	At the end of the year (1+3)	68	74	76	77	77
5	Shortfall in additions (2-3)	8	1	1	1	6
	230 KV Transformers Capacity (MVA)					
1	At the beginning of the year	9,739	11,289	12,751	13,771	14,736
2	Additions/augmentation planned for the year	2,570	1,852	700	470	1,153

[48] Owned by PGCIL. We have taken the SS owned by the Board only.

(1)	(2)	(3)	(4)	(5)	(6)	(7)
3	Actual additions during the year	1,550	1,462	1,020	965	200
4	Capacity at the end of the year (1+3)	11,289	12,751	13,771	14,736	14,936
5	Shortfall in additions/augmentation (2-3)	1,020	390	(+)320	(+)495	953
	230 KV lines (CKM)					
1.	At the beginning of the year	6,380	6,857	7,303	7,803	8,067
2	Additions planned for the year	800	600	864.357	253	400
3	Actual additions during the year	477	446	500	264	183
4	At the end of the year (1+3)	6,857	7,303	7,803	8,067	8,250
5	Shortfall in additions (2-3)	323	154	364.357	(+)11	217
	110 KV SSs (in numbers)					
1	At the beginning of the year	574	612	648	688	708
2	Additions planned for the year	54	57	58	27	21
3	Actual additions during the year	38	36	40	20	13
4	At the end of the year (1+3)	612	648	688	708	721
5	Shortfall in additions (2-3)	16	21	18	7	8
	110 KV Transformers Capacity (MVA)					
1	At the beginning of the year	15,777	17,889	19,316	20,953	22,339
2	Additions/augmentation planned for the year	1,321	1,411	1,557	632	496
3	Actual additions during the year	2,112	1,427	1,637	1,386	999
4	Capacity at the end of the year (1+3)	17,889	19,316	20,953	22,339	23,338
5	Shortfall in additions/augmentation (2-3)	(+)791	(+)16	(+)80	(+)754	(+)503
	110 KV Lines (CKM)					
1	At the beginning of the year	11,945	12,765	13,482	14,280	14,764
2	Additions planned for the year	950	1,500	1791.79	847	1,850
3	Actual additions during the year	820	717	798	484	281
4	At the end of the year (1+3)	12,765	13,482	14,280	14,764	15,045
5	Shortfall in additions (2-3)	130	783	993.79	363	1,569
	66 KV SSs (in numbers)					
1	At the beginning of the year	49	43	36	34	33
2	Additions planned for the year	---	---	---	---	---
3	Actual additions during the year	(-)6	(-)7	(-)2	(-)1	(-)2
4	At the end of the year (1+3)	43	36	34	33	31
5	Shortfall in additions (2-3)	---	---	---	---	---
	66 KV Transformers Capacity (MVA)					
1	At the beginning of the year	240	245	245	245	247
2	Additions/augmentation planned for the year	NIL	NIL	NIL	NIL	NIL

(1)	(2)	(3)	(4)	(5)	(6)	(7)
3	Actual additions during the year	5	0	0	2	0
4	Capacity at the end of the year (1+3)	245	245	245	247	247
5	Shortfall in additions/augmentation (2-3)	NA	NA	NA	NA	NA
	66 KV Lines (CKM)					
1	At the beginning of the year	1,257	1,186	1,186	1,176	1,176
2	Additions planned for the year	---	---	---	---	---
3.	Actual additions during the year	(-)71	---	(-)10	---	---
4	At the end of the year (1+3)	1,186	1,186	1,176	1,176	1,176
5	Shortfall in Additions (2-3)	---	---	---	---	---

Note:

(i) For additional/Enhancement of auto/PTvoltage-wise target is not fixed and only total target is fixed.

(ii) There were no 400 KV EHT transmission lines till 31 March 2011.

ANNEXURE - 8

Statement showing delay in construction of sub-stations in Tamil Nadu Transmission Corporation Limited

(Referred to in Paragraph 2.2.11)

Sl. No	Name of the Sub-station	Voltage Ratio	Month of approval	Date of identification of land	Date of acquisition of land	Month of handing over GCC	Month completion/ commissioning of SS	Time taken for completion (In months)	Avoidable delay in execution (after allowing scheduled period of completion)	Reasons for delay[49]	Envisaged benefit forgone		
											Line loss *per annum*	Total lost (MUs)	Amount (crore)
1	Peralam	110/33	May 2005	NA	NA	October 2008	Not yet commissioned	Not yet commissioned	17	1, 3 & 4	4.43	6.28	2.10
2	Marthandam	110/11	June 1998	August 2005		March 2007	October 2009	49	25	1	1.39	2.90	0.97
3	Amabasamudrum	110/11	June 1998	December 2007		March 2011	September 2011	44	20	1&2	1.12	1.87	0.63
4	Ulundurpet	230/110	April 2005	NA	NA	April 2008	Not yet commissioned	Not yet commissioned	23	4&5	78.84	151.11	50.62
5	KuppeyaPalayam	110/33-22	April 2007	NA	NA	May 2007	October 2009	29	5	1&5	1.93	0.81	0.27
6	Elayamuthur	110/22	October 2006	NA	NA	April 2007	Not yet commissioned		35	5	1.33	3.89	1.30
7	Periyar Nagar	110/11	June 2008		June 2008	July 2009	Not yet commissioned		8	4 & 5	1.26	0.84	0.28

49 1. Delay in identification/acquisition of land, 2. Delay in preparation of estimation for line works, delay in getting revised approvals and delay in getting route profile approval, 3. Right of Way Issues, 4. Delay in processing/finalisation of tender and 5.Slow progress of works.

Sl. No	Name of the Sub-station	Voltage Ratio	Month of approval	Date of identification of land	Date of acquisition of land	Month of handing over GCC	Month completion/ commissioning of SS	Time taken for completion (In months)	Avoidable delay in execution (after allowing scheduled period of completion)	Reasons for delay[49]	Envisaged benefit forgone		
											Line loss *per annum*	Total lost (MUs)	Amount (crore)
8	Aliyar	230/110	August 2009		February 2008	June 2009	Not yet commissioned		9	4&5	12.88	9.66	3.24
9	PallakaPalayam	230/110	June 2008		February 2008	October 2008	Not yet commissioned	50	26	2&5	7.27	15.75	5.28
10	Veppadai	110	April 2007	Before April 2007		September 2007	October 2009	30	6	4&5	0.65	0.33	0.11
11	Thirukanurpatti	110/11	September 2007	NA	NA	July 2009	December 2011	29	5	5	3.83	1.60	0.53
12	Kodikulam	110/33-11	February 2007	NA	NA	Existing site	Not yet commissioned	Not yet commissioned	36	1,4&5	2.29	6.87	2.30
13	Tholudur	110/11	August 2005	NA	NA	October 2007	March 2011	41	18	1,4&5	1.44	2.16	0.72
14	Kandampatti	110/11	September 2005			November 2000	August 2008	92	83	4&5	1.12	7.75	2.60
15	Thorapadi	110/11	June 2010	November 2009		August 2010	February 2012	26	2	5	1.42	0.24	0.08
16	Ively	110/22	August 2005		April 2008	July 2010	Not yet commissioned	48	24	5	2.09	4.18	1.40
17	Villipalayam	110/22	December 2009		July 2008	February 2010	Not yet commissioned	45	21	4	0.67	1.18	0.39
													72.82

ANNEXURE - 9

Statement showing maximum and minimum voltages to be maintained as per the Tamil Nadu Electricity Grid Code and actually recorded in Tamil Nadu Transmission Corporation Limited during the five years up to 2011-12.

(Referred to in Paragraph 2.2.20)

Voltage Ratio	Fixed by TNGC (KV)		Year	Number of SS not maintained voltage within the range	Range of months not within the limits	Actually recorded range	
	Min	Max				Min	Max
400 KV	360	420	2008-09	2	2 to 10	Within the limits	421 to 431
			2009-10	3	6 to 10	Within the limits	421 to 429
			2010-11	3	4 to 5	Within the limits	422 to 440
			2011-12	3	1 to 3	Within the limits	421 to 436
230 KV	210	255	2008-09	36	1 to 6	209 to 119	Within the limits
			2009-10	43	1 to 6	209 to 118	Within the limits
			2010-11	43	1 to 11	209 to 106	Within the limits
			2011-12	63	1 to 9	209 to 103	Within the limits
110 KV	100	120	2008-09	22	1 to 6	99 to 89	Within the limits
			2009-10	27	1to 7	99 to 90	Within the limits
			2010-11	36	1 to 11	99 to 89	Within the limits
			2011-12	47	1 to 9	99 to 82	Within the limits

ANNEXURE - 10

Statement showing Details of Remote Terminal Units in Sub-stations/Generators of Tamil Nadu Transmission Corporation Limited

(Referred to in Paragraph 2.2.27)

Sl. No.	Particulars	Total No. of Stations	Status of availability of RTUs (No. of SS)	Percentage of availability to total Stations
Sub-substations:				
1	400 KV SS	4	4	100
2	230 KV SS	77	63	82
3	110 KV SS	721	3	0.42
	Total	**802**	**70**	**8.74**
Generating Stations:				
1	Hydro	40	15	37.5
2	Thermal	4	4	100
3	Gas	5	5	100
4	IPP	7	7	100
5	CPP	37	7	18.91
	Total	**93**	**38**	**40.86**

ANNEXURE - 11

Details showing comfortable frequency when GMR power was not backed down by Tamil Nadu Transmission Corporation Limited

(Referred to in Paragraph 2.2.30)

Date	Picked up to				Total Generation	Frequency curve		UI drawal OD(+)/UD(-)		As per technical minimum generation per day (24X 48/1000)	Excess generation due to non backing down	Variation cost per unit	Avg UI per unit	Extra cost per unit	Total extra cost
	MW	From	To	Duration	MU	Min	Max	Morning Peak	Lighting Peak	MU	MU	₹	₹	₹	₹
										1.152					
06-10-2010	80.00	18.45	19.35	0.50	1.408	49.66	50.44	-10	-150						
15-06-2010	80.00	8.40	9.30	0.50											
15-06-2010	130.00	9.30	10.10	0.40											
15-06-2010	145.50	10.10	12.02	1.51	2.127	49.59/49.70	50.4	410	208						
17-06-2010	120.00	6.55	9.50	2.55	1.849	49.58	50.26	270	-105						
24-06-2010	80.00	10.15	24.00	13.45	1.617	49.58/49.77	50.52	13	-20						
				Total	7.001					4.608	2.393	6.64	5.26	1.38	3302340
29-07-2010	80.00	7.05	9.00	1.55											
29-07-2010	160.00	9.00	9.35	0.35											
29-07-2010	187.00	9.35	11.30	1.55											
29-07-2010	96.00	13.40	16.00	2.20	1.976	49.62/49.74	50.33	56	-28						
30-07-2010	80.00	11.00	11.30	0.30											
30-07-2010	120.00	11.30	18.15	6.45	1.783	49.63	50.27	60	-50						
				Total	3.759					2.304	1.455	6.597	2.78	3.817	5553735

Date	Picked up to				Total Generation	Frequency curve		UI drawal OD(+)/UD(-)		As per technical minimum generation per day (24X 48/1000)	Excess generation due to non backing down	Variation cost per unit	Avg UI per unit	Extra cost per unit	Total extra cost
	MW	From	To	Duration	MU	Min	Max	Morning Peak	Lighting Peak	MU	MU	₹	₹	₹	₹
18-07-2011	120.00	0.00	0.05	0.05											
18-07-2011	80.00	9.25	10.40	1.15											
18-07-2011	120.00	10.40	12.45	2.05											
18-07-2011	144.00	12.45	13.25	0.40											
18-07-2011	144.00	16.25	20.30	4.05	2.278	49.71	50.26	35	-197						
23-07-2011	80.00	3.45	7.05	3.20											
23-07-2011	120.00	7.05	9.30	2.25											
23-07-2011	160.00	9.30	11.30	2.00											
23-07-2011	120.00	18.45	23.20	4.35	2.517	49.72	50.38	-40	-225						
25-07-2011	75.00	9.51	10.05	0.14											
25-07-2011	80.00	13.40	14.35	0.55											
25-07-2011	96.00	14.35	15.05	0.30											
25-07-2011	80.00	16.25	21.35	5.10											
25-07-2011	96.00	21.35	23.25	1.50	1.298	49.68	50.22	0	-265						
28-07-2011	80.00	10.50	16.25	5.35											
28-07-2011	97.00	16.25	18.35	2.10											
28-07-2011	120.00	18.35	20.45	2.10	1.759	49.75	50.16	53	-260						
30-07-2011	80.00	0.00	0.15	0.15											
30-07-2011	80.00	18.20	24.00	5.40	1.35	49.75	50.24	-95	-189						
				Total	9.202					5.76	3.442	8.639	2.16	6.479	22300718

Date	Picked up to				Total Generation	Frequency curve		UI drawal OD(+)/UD(-)		As per technical minimum generation per day (24X 48/1000)	Excess generation due to non backing down	Variation cost per unit	Avg UI per unit	Extra cost per unit	Total extra cost
	MW	From	To	Duration	MU	Min	Max	Morning Peak	Lighting Peak	MU	MU	₹	₹	₹	₹
08-01-2011	96.00	9.15	10.00	0.45											
08-01-2011	120.00	10.00	10.30	0.30											
08-01-2011	144.00	10.30	15.05	4.35											
08-01-2011	160.00	15.05	17.45	2.40											
08-01-2011	160.00	18.20	20.35	2.15	2.544	49.46/49.71	50.14	-200	-150						
08-05-2011	80.00	18.15	23.35	5.20	1.342	49.79	50.27	48	-315						
08-08-2011	80.00	18.00	23.55	5.55	1.348	49.66/49.74	50.22	-155	-25						
08/09/2011	96.00	18.20	20.45	2.25											
08-09-2011	120.00	20.45	24.00	3.15	1.525	49.7	50.11	-140	-125						
08-10-2011	120.00	16.40	17.50	1.10											
08-10-2011	146.00	17.50	23.05	5.15	1.86	49.46	50.1	25	-105						
08-12-2011	80.00	0.00	0.20	0.20											
08-12-2011	80.00	13.05	18.55	5.50											
08-12-2011	96.00	18.55	21.00	2.05											
08-12-2011	120.00	21.00	22.10	1.10											
08-12-2011	144.00	22.10	23.30	1.20	1.716	49.55	50.08	-160	-120						
19-08-2011	120.00	0.00	0.25	0.25											
19-08-2011	120.00	10.55	11.30	0.35											
19-08-2011	144.00	11.30	18.05	6.35	2.542	49.81/49.85	50.32	-135	30						
22-08-2011	80.00	18.55	24.00	5.05	1.32	49.84	50.28	155	-115						

Date	Picked up to				Total Generation	Frequency curve		UI drawal OD(+)/UD(-)		As per technical minimum generation per day (24X 48/1000)	Excess generation due to non backing down	Variation cost per unit	Avg UI per unit	Extra cost per unit	Total extra cost
	MW	From	To	Duration	MU	Min	Max	Morning Peak	Lighting Peak	MU	MU	₹	₹	₹	₹
25-08-2011	96.00	18.15	20.45	2.30	1.367	49.80/49.88	50.12	45	-85						
26-08-2011	120.00	18.20	20.00	1.40	1.371	49.53/49.63	50.23	110	-130						
28-08-2011	80.00	7.35	23.50	16.15	1.681	49.88	50.57	-470	125						
29-08-2011	80.00	10.25	11.15	0.50											
29-08-2011	120.00	11.15	15.45	4.30											
29-08-2011	88.00	23.00	24.00	1.00	1.858	49.76	50.44	-330	-95						
				Total	20.474					13.824	6.65	8.83	2.31	6.52	43358000
								-455	-2391	Grand Total					74514793

ANNEXURE - 12

Statement of avoidable additional expenditure on overdrawal at a frequency below 49.5 Hz. by Tamil Nadu Transmission Corporation Limited

(Referred to in Paragraph 2.2.31)

Particulars	2009-10	2010-11		2011-12	Total
		April	May to March		
(A) Overdrawal at frequency below 49.2 Hz (in MUs)	**205.621**	**47.977**	**22.568**	**3.297**	
UI Rate per unit (In ₹)	7.35	7.35	8.73	8.73	
Additional UI Rate per unit (In ₹)	2.94	2.94	8.73	8.73	
Overdrawal cost per unit (In ₹)	**10.29**	**10.29**	**17.46**	**17.46**	
Average realisation per unit (In ₹)	3.26	3.51	3.51	3.51	
Additional cost per unit (In ₹)	7.03	6.78	13.95	13.95	
Total additional cost (₹ in crore)	**144.55**	**32.53**	**31.48**	**4.60**	**213.16**
(B) Overdrawal at frequency between 49.5 to 49.2 (In MUs)	**541.266**		**114.118**	**58.366**	
Average cost of UI power per unit (In ₹)	6.07		12.22	12.22	
Average realisation per unit (In ₹)	3.26		3.51	3.51	
Additional cost per unit (In ₹)	2.81		8.71	8.71	
Total additional cost (₹ in crore)	**152. 09**		**99.40**	**50.84**	**302.33**
					515.49

ANNEXURE - 13

Statement of financial position of Tamil Nadu Transmission Corporation Limited for the five years ended 31 March 2012

(Referred to in Paragraph 2.2.35)

(₹ in crore)

Particulars	2007-08	2008-09	2009-10	2010-11[50]		2011-12 (Provisional)
				(1 April 2010 to 31 October 2010)	(1 November 2010 to 31 March 2011)	
A. Liabilities						
Paid up Capital	1,200.00	2,370.50	2,470.50	3,805.63	1,927.55	2,334.01
Reserves and Surplus (including Capital Grants)	6,681.62	7,419.99	8,444.42	9,143.99	242.65	319.71
Borrowings (Loan Funds)	14,611.10	21,502.31	32,019.17	39,586.71	12,452.99	10,480.32
Current Liabilities and Provisions (CL)	10,661.01	12,045.78	15,162.33	15,871.53	2,329.30	7,634.33
Total	**33,153.73**	**43,338.58**	**58,096.42**	**68,407.86**	**16,952.49**	**20,768.37**
B. Assets						
Gross Block	23,503.56	25,247.27	27,689.28	29,198.35	12,291.53	12,379.51
Less: Depreciation	9,400.34	10,155.74	10,969.80	11,504.69	3,513.99	3,805.92
Net Fixed Assets	14,103.22	15,091.53	16,719.48	17,693.66	8,777.54	8,573.59
Capital Works-in-Progress (CWIP)	3,008.37	3,970.65	5,708.50	7,144.65	1,948.54	2,814.09
Investments and other assets	267.57	300.83	585.82	686.41	NIL	NIL
Current Assets, Loans and Advances (CA)	6,097.02	6,529.89	7,352.71	8,050.28	2,194.56	5,348.84
Assets not in use	3.10	2.80	4.87	4.55	Nil	Nil
Accumulated losses	9,642.53	17,413.92	27,708.56	34,741.35	4,031.85	4,031.85
Subsidy receivable	**31.92**	**28.96**	**16.48**	**86.96**	Nil	Nil
Total	**33,153.73**	**43,338.58**	**58,096.42**	**68,407.86**	**16,952.49**	**20,768.37**

50 Financial position for the years 2007-08 to 2010-11 (upto 31/10/2010) represents the erstwhile Board. Financial position for the period from 1/11/2010 to 31/03/2012 represents TANTRANSCO.

Particulars	2007-08	2008-09	2009-10	2010-11		2011-12 (Provisional)
				(1 April 2010 to 31 October 2010)	(1 November 2010 to 31 March 2011)	
Debt equity ratio	12.18 : 1	9.07 : 1	12.96 : 1	10.40 : 1	6.46:1	4.49:1
Interest (net of IDC[51] capitalised)	1,121.71	1,658.76	2,220.31	1,581.90	286.55	1,116.32
Total return	(-)2,390.37	(-)6,112.63	(-)8,074.33	(-)5,450.89	286.55	1,116.32
Capital Employed	12,547.60	13,546.29	14,618.36	17,017.06	10,591.34	9,102.19
Percentage of Return on Capital Employed	NIL	NIL	NIL	NIL	2.71	12.26

51 Interest during construction.

ANNEXURE – 14

Statement showing working results of Tamil Nadu Transmission Corporation Limited for the five year ended 31 March 2012

(Referred to in Paragraph 2.2.36)

(₹ in crore)

Sl. No.	Particulars	2007-08	2008-09	2009-10	2010-11[52]		2011-12
					(Upto 31 October 2010)	(1 November 2010 to 31 March 2011)	(Provisional)
1	**Income**						
	Revenue	15,672.85	15,425.60	16,760.87	11,674.83	524.32	1,710.29
	Other income including interest/subsidy	1,835.58	2,218.25	2,083.13	1,265.57	10.06	35.16
	Total Income	17,508.43	17,643.85	18,844.00	12,940.40	534.38	1,745.45
2	**Transmission**						
(a)	Installed capacity (MVA)	32,513	35,402	38,059	40,412		42,241
(b)	Power received from generation units (MUs)[53]	26,856	26,731	25,431	23,181		25,494
(c)	Power purchased (MUs)	37,574	37,984	45,027	49,393		49,160
	Total	**64,430**	**64,715**	**70,458**	**72,574**		**74,654**
(d)	Loss in transmission (MUs)	4,629	5,651	6,917	5,058		4,625
	Net power transmitted (b)+(c)-(d) in MUs	**59,801**	**59,064**	**63,541**	**67,516**		**70,029**
3	**Expenditure**						
(a)	**Fixed cost**						
(i)	Employees cost	2,370.17	2,909.16	3,392.92	2,445.06	147.91	369.00
(ii)	Administrative and General Expenses	242.33	224.80	243.24	135.19	8.01	17.40
(iii)	Depreciation	681.80	775.48	845.68	539.43	121.23	292.65
(iv)	Interest and Finance charges (net after capitalisation)	1,135.33	1,686.29	2,402.59	1,957.58	253.23	1,294.41

52 Working results for the years 2007-08 to 2010-11 (upto 31/10/2010) represents the erstwhile Board. Working results for the period from 1/11/2010 to 31/03/2012 represents TANTRANSCO.

53 Including private generation.

Sl. No.	Particulars	2007-08	2008-09	2009-10	2010-11		2011-12
					(Upto 31 October 2010)	(1 November 2010 to 31 March 2011)	(Provisional)
(v)	Other Debits, Prior period expenses & Extraordinary claims	99.25	(-)16.04	193.07	(-)92.62	0.36	1.61
	Total (a)	4,528.88	5,579.69	7,077.50	4,984.64	530.74	1,975.07
(b)	**Variable cost**						
(i)	Purchase of power	12,446.47	14,695.62	17,384.61	12,239.17	---	---
(ii)	Generation of power	3,678.01	4,703.23	4,328.60	2,583.83	---	---
(iii)	Repairs and maintenance	367.14	436.70	347.94	165.55	3.64	8.05
	Total variable cost	**16,491.62**	**19,835.55**	**22,061.15**	**14,988.55**	**3.64**	**8.05**
	Total cost 3(a) + (b)	**21,020.50**	**25,415.24**	**29,138.65**	**19,973.19**	**534.38**	**1,983.12**

ANNEXURE-15

(Referred to in Paragraph 3.14.1)

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

Sl. No.	Name of the Department	2008-09	2009-10	Total
1.	Energy	7	9	**16**
2.	Co-operation, Food and Consumer Protection	2	---	**2**
3.	Highways and Minor ports	1	2	**3**
4.	Industries	3	3	**6**
5.	Transport	1	---	**1**
6.	Prohibition and Excise	1	---	**1**
7.	Information Technology	---	2	**2**
8.	Agriculture	1	---	**1**
9.	Adi Dravidar and Tribal Welfare	---	1	**1**
10.	Public Works	---	1	**1**
11.	General	---	1	**1**
	TOTAL	**16**	**19**	**35**

ANNEXURE-16

(Referred to in paragraph 3.14.3)

Statement showing the Department-wise outstanding Inspection Reports

Sl. No	Name of Department	Number of PSUs	Number of outstanding IRs	Number of outstanding paragraphs	Years from which paragraphs outstanding
1.	Industries	15	36	119	2005-06
2.	Micro, Small and Medium Enterprises	6	14	53	2005-06
3.	Information Technology	2	6	40	2005-06
4.	Information and Tourism	2	3	9	2009-10
5.	Agriculture	1	1	3	2007-08
6.	Prohibition and Excise	1	4	10	2007-08
7.	Rural Development and Panchayatraj	2	6	23	2006-07
8.	Energy	5	615	2,654	2004-05
9.	Transport	5	7	13	2007-08
10.	Animal Husbandry	2	4	10	2007-08
11.	Health and Family Welfare	3	10	22	2005-06
12.	Adi Dravidar and Tribal Welfare	1	3	8	2006-07
13.	Backward Classes, Most Backward Classes and Minority Welfare	2	4	7	2008-09
14.	Public (Ex-servicemen)	1	4	9	2007-08
15.	Home	2	4	14	2009-10
16.	Public Works	1	2	12	2007-08
17.	Highways and Minor Ports	3	10	65	2006-07
18.	Handloom, Handicrafts, Textiles and Khadi	4	7	22	2008-09
19.	Environment and Forests	3	4	8	2009-10
20.	Co-operation, Food and Consumer Protection	2	4	13	2010-11
21.	Labour and Employment	1	1	4	2011-12
22.	Municipal Administration & Water Supply	2	1	3	2011-12
	Grand Total	**66**	**750**	**3,121**	

ANNEXURE-17

(Referred to in paragraph 3.14.3)

Statement showing the Department-wise Draft Paragraphs/Performance Audit Reports, reply to which were awaited

Sl. No	Name of Department	Number of draft paragraphs	Number of reviews	Period of issue
1.	Industries	2	---	August and September 2012
2.	Energy	5	1	June, August and September 2012
3.	Home	2	---	June and August 2012
	TOTAL	9	1	

Glossary of Abbreviations

Sl. No.	Abbreviation	Description
1.	AC	Audit Committee
2.	ALDC	Area Load Despatch Centre
3.	AMR	AMR Constructions, Hyderabad
4.	AMRL	AMRL International Tech City
5.	ARR	Aggregate Revenue Requirement
6.	AS	Accounting Standards
7.	ASIDE	Assistance to the States for Development of Export Infrastructure
8.	ATNs	Action Taken Notes
9.	BBPP	Bus Bar Protection Panel
10.	BDI	Backing Down Instruction
11.	BG	Bank Guarantee
12.	BHEL	Bharat Heavy Electricals Limited
13.	BOA	Board of Approval
14.	BOD	Board of Directors
15.	C&F	Cost and Freight
16.	CAG	Comptroller and Auditor General of India
17.	CB	Circuit Breaker
18.	CBEC	Central Board of Excise and Customs
19.	CEA	Central Electricity Authority
20.	CERC	Central Electricity Regulatory Commission
21.	CF	Cordite Factory
22.	CGS	Central Generating Stations
23.	CIF	Cost, Insurance and Freight
24.	CKM	Circuit Kilometre
25.	COPU	Committee on Public Undertakings
26.	CTI	Code of Technical Interface
27.	CTL	Cheslind Textiles Limited
28.	CTs	Current Transformers
29.	CTU	Central Transmission Utility
30.	DAIPL	Devaraj Agro Industries Private Limited
31.	DG sets	Diesel Generating Sets
32.	DHL	DCM Hyundai Limited
33.	DLF	DLF Info Park (Chennai) Limited
34.	DM	Disaster Management
35.	DSM	Demand Side Management
36.	DUs	Departmental Undertakings

Sl. No.	Abbreviation	Description
37.	EHT	Extra High Tension
38.	EP	Execution Petition
39.	FSA	Fuel Supply Agreement
40.	GCC	General Construction Circle
41.	GDP	Gross Domestic Product
42.	GESCO	Mahindra Gesco
43.	GOI	Government of India
44.	HAPP	Heavy Alloy Penetrator Project
45.	HBA	House Building Advance
46.	HT	High Tension
47.	HLT	Hot Line Technique
48.	HSS	High Sea Sales
49	HVF	Heavy Vehicles Factory
50.	Hz	Hertz
51.	IDC	Interest During Construction
52.	ILFS	Infrastructure and Leasing Financial Services
53.	INFAC	TANFAC Management Corporation, USA
54.	IPP	Independent Power Producer
55.	IRR	Internal Rate of Return
56.	IT	Information Technology
57.	IT	Information Technology
58.	ITEL	IT Expressway Limited
59.	ITES	Information Technology Enabled Services
60.	JV	Joint Venture
61.	KV	Kilo Volt
62.	L&T	L&T Shipbuilding Limited
63.	LT	Low Tension
64.	MCL	Mahanadi Coal Fields Limited
65.	M&L	Materials and Logistics
66.	M^2	Square Metre
67.	M^3	Cubic Metre
68.	Mahindra	Mahindra World City Developers Limited
69.	MD	Managing Director
70.	MWh	Mega Watt hour
71.	MIS	Management Information System
72.	MMTC	Minerals and Metal Trading Corporation
73.	MOP	Ministry of Power

Sl. No.	Abbreviation	Description
74.	MOU	Memorandum of Understanding
75.	MRI	Meter Reading Instrument
76.	MSTC	Metal Scrap Trading Corporation
77.	MT	Metric Tonne
78.	MTC	Metropolitan Transport Corporation Limited
79.	MTPC	Manual of Transmission Planning Criteria
80.	MU	Million Unit
81.	MVA	Mega Volt Ampere
82.	MW	Mega Watt
83.	NAME	Navodaya Mass Entertainment Limited
84.	NCTPP	North Chennai Thermal Power Project
85.	NEP	National Electricity Policy
86.	NOCL	Nagarjuna Oil Corporation Limited
87.	O&M	Operation and Maintenance
88.	OF	Ordnance Factory
89.	OLTC	On Load Tap Changer
90	PPN	PPN Power Generating Company Limited
91.	P&C	Protection and Communication
92.	PA	Performance Audit
93.	PAG	Principal Accountant General
94.	PF	Provident Fund
95.	PGCIL	Power Grid Corporation of India Limited
96.	PIICUP	Pradeshiya Industrial Investment Corporation of Uttar Pradesh Limited
97.	PO	Purchase Order
98.	PPA	Power Purchase Agreement
99.	PSUs	Public Sector Undertakings
100.	PT	Power Transformers
101.	REC	Rural Electrification Corporation
102.	RFP	Request For Proposal
103.	RLDC	Regional Load Despatch Centre
104.	ROW	Right of Way
105.	RPC	Regional Power Committee
106.	RTU	Remote Terminal Units
107.	SARs	Separate Audit Reports
108.	SCADA	Supervisory Control and Data Acquisition
109.	SERC	State Electricity Regulatory Commission
110.	SEZ	Special Economic Zone

Sl. No.	Abbreviation	Description
111.	SLDC	State Load Despatch Centre
112.	SPIC	Southern Petrochemicals Limited
113.	SPV	Special Purpose Vehicle
114.	Sq.ft.	Square feet
115.	SS	Sub-Stations
116.	STC	State Transport Corporation
117.	STU	State Transmission Utility
118.	T&D	Transmission and Distribution
119.	TANGEDCO	Tamil Nadu Generation and Distribution Corporation Limited
120.	TANTRANSCO	Tamil Nadu Transmission Corporation Limited
121.	TIDCO	Tamil Nadu Industrial Development Corporation Limited
122.	TNEB	Tamil Nadu Electricity Board
123.	TNEGC	Tamil Nadu Electricity Grid Code
124.	TNERC	Tamil Nadu Electricity Regulatory Commission
125.	TNPL	Tamil Nadu Newsprint and Papers Limited
126.	TNRDC	Tamil Nadu Road Development Company Limited
127.	TPCL	TIDEL Park, Coimbatore Limited
128.	TRB	Transformer Repair Bay
129.	TRIL	Tata Realty Infrastructure Limited
130.	UI	Unscheduled Interchange
131.	WEDC	Wind Energy Development Circle
132.	WO	Work Order