Report of the
Comptroller and Auditor General of India
on
Public Sector Undertakings
for the year ended March 2014

Government of Tamil Nadu
Report No. 1 of 2015

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PREFACE

This report deals with the results of audit of Government Companies and Statutory Corporation for the year ended March 2014.

The accounts of Government Companies (including Companies deemed to be Government Companies as per the provisions of the Companies Act) are audited by the Comptroller and Auditor General of India (CAG) under the provisions of Section 619 of the Companies Act, 1956. The accounts certified by the Statutory Auditors (Chartered Accountants) appointed by the CAG under the Companies Act are subject to supplementary audit by officers of the CAG and the CAG gives his comments or supplements the reports of the Statutory Auditors. In addition, these Companies are also subject to test audit by the CAG.

Reports in relation to the accounts of a Government Company or Corporation are submitted to the Government by CAG for laying before State Legislature of Government of Tamil Nadu under the provisions of Section 19-A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

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.

The instances mentioned in this Report are those, which came to notice in the course of test audit for the period 2013-14 as well as those which came to notice in earlier years, but could not be reported in the previous reports; matters relating to the period subsequent to 2013-14 have also been included, wherever necessary.

The 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 2014, the State of Tamil Nadu had 64 working PSUs (63 Companies and one Statutory Corporation) and 13 non-working PSUs (all Companies), which employed 2.86 lakh employees. The State PSUs registered a turnover of ₹ 83,455.28 crore as per their latest finalised accounts. This turnover was equal to 9.77 per cent of State's Gross Domestic Product, indicating the important role played by State PSUs in the economy. The PSUs had accumulated losses of ₹ 50,826.43 crore as per their latest finalised accounts.

Investment in PSUs

As on 31 March 2014, the investment (capital and long term loans) in 77 PSUs was ₹ 1,03,327.27 crore. Power sector accounted for 92.68 per cent of total investment and Service sector 3.21 per cent in 2013-14. The Government contributed ₹ 13,959.59 crore towards equity, loans and grants/subsidies during 2013-14.

Performance of PSUs

As per latest finalised accounts, out of 64 working PSUs, 40 PSUs earned a profit of ₹ 999.38 crore and 20 PSUs incurred a loss of ₹ 13,132.44 crore. The major contributors to profit were Tamil Nadu Transmission Corporation Limited (₹ 236.44 crore), State Industries Promotion Corporation of Tamil Nadu Limited (₹ 196.47 crore), Tamil Nadu Newsprint and Papers Limited (₹ 161.18 crore), Tamil Nadu Power Finance and Infrastructure Development Corporation Limited (₹ 107.64 crore), Tamil Nadu Industrial Development Corporation Limited (₹ 48.69 crore), TIDEL Park Limited, Chennai (₹ 43.43 crore) and Tamil Nadu Industrial Investment Corporation Limited (₹ 31.07 crore).

In respect of Tamil Nadu Civil Supplies Corporation Limited, the loss is compensated by the State Government. Three Companies neither earned profit nor incurred loss. Heavy losses were incurred by Tamil Nadu Generation and Distribution Corporation Limited (₹ 11,679.07 crore) and all the eight State Transport Corporations (₹ 1,265.96 crore).

Audit noticed various deficiencies in the functioning of PSUs. The Audit Reports of the CAG for the last three years (2011-12 to 2013-14) reflect losses to the extent of ₹ 2,504.48 crore and infructuous investments of ₹ 181.92 crore by State PSUs. This could have been controlled with better management. Thus, there is need and scope to improve the functioning and enhance profits. The PSUs can discharge their role better, if they are financially self-reliant. Greater professionalism and accountability in the functioning of PSUs is also called for.

Arrears in accounts and winding up

17 working PSUs had arrears of 21 accounts as of 30 September 2014, of which four accounts pertained to earlier years and the remaining were 2013-14 accounts. There were 13 non-working PSUs including two under liquidation. The Government may expedite closing down of the non-working Companies for which closure/liquidation orders were already issued and for balance Companies take appropriate action after exercising due diligence.

Quality of accounts

The quality of accounts of PSUs needs improvement. During the year, out of 67 accounts finalised, the Statutory Auditors of Government Companies had given unqualified certificates for 32 accounts, qualified certificates for 34 accounts and adverse opinion in respect of one account. There were 43 instances of non-compliance with Accounting Standards. Reports of Statutory Auditors on internal control of the Companies indicated several weak areas.

2 Performance Audit relating to Government Companies

Performance Audit on Tamil Nadu Small Industries Corporation Limited

Tamil Nadu Small Industries Corporation Limited (Company) was formed in April 1965 with an objective to commercially operate the 65 Small Scale Industrial (SSI) units taken over from the Government. As on March 2014, the Company operates 25 SSI units for manufacture of furniture, line materials for supply to Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO), hand pumps, etc. The Company has two subsidiaries, one of which is non-working since 2000. A Performance Audit of the Company covering the period 2009-14 was taken up to examine the Company's efficiency in financial management, planning, procurement of raw materials, production and sales performance and monitoring by top management.

Financial management

During the five years upto March 2014, the Company earned profit of ₹71.92 crore. Majority of this amount (₹ 44.20 crore) was kept in short term deposits, without ploughing it back for business expansion/modernisation. The Company incurred avoidable interest of ₹ 6.71 crore under Section 234 B and C of Income Tax Act due to short remittance of advance tax, incorrect working of long-term capital gain and business income. Due to submission of incomplete proposal to Government of India, the merger of the non-working subsidiary Company was not completed and the Company could not avail the tax benefit of ₹3.92 crore.

Planning

The Company did not prepare long-term corporate plan as per the directions of the Government to achieve its vision of becoming a premier manufacturing organisation in small scale sector with high efficiency and minimum cost. It also did not comply with the Board of Directors (BOD) direction to plan for modernisation of its units, diversification and business expansion and to pursue the two viable proposals for construction of multi-storied office complex in Chennai. Though the Company held idle land worth ₹480 crore pertaining to 23 closed units, it did not initiate plan for commercial usage of these lands. Machinery worth ₹3.85 crore purchased during 2009-11 without indents from the units remained unproductive.

Procurement of raw materials

The Company purchased steel items worth ₹85 crore from Steel Authority of India Limited (SAIL) without tender, which was violative of Tender Act of the Government. Test check revealed that there was an avoidable extra expenditure of ₹1.22 crore due to purchase of steel from SAIL compared to the market rates. The unit offices purchased raw material worth₹ 142.60 crore by splitting the purchase value such that it be within their financial powers. The Company incurred avoidable extra expenditure of ₹3.22 crore due to purchase of teakwood logs from Kerala without requirement and due to not entering into an agreement with supplier of steel material.

Production performance

The Company did not achieve the production targets throughout the Performance Audit period except 2009-10, the shortfall ranging from 3 to 36 per cent. The annual production targets were scaled down in the revised budget to suit the actual production. The Company did not fix the norms for usage of raw materials and incurred extra expenditure of ₹0.95 crore due to absence of norms. The eligible excise duty exemption amounting to ₹1.21 crore was not availed at unit level.

Sales performance

The Company's turnover was confined to sales to Government Agencies/Departments and was dependent on purchase preference extended by the Government. The Company's sale in the open market was insignificant and tender participation was minimal. The Company's quotations were evaluated as the highest in 11 out of 41 tenders and were more than the lowest rate by 28 to 287 per cent. Due to incorrect rejection of TANGEDCO's order, the Company lost a turnover of ₹21.04 crore with consequential contribution loss of ₹6.31 crore.

Monitoring by top management

The Company did not have continuity of leadership for longer periods. The monitoring by the top management was inadequate in the areas of review of investment of surplus fund and examination of

minutes of the tender committee.

Conclusion

During the period of Performance Audit, the profit from the core activity declined from ₹ 19.83 crore to (-)₹ 2.77 crore mainly due to deficient financial management; non-formulation of plans for business expansion/modernisation; not having plan for commercial use of idle land of closed units; not having a robust system for procurement of raw material and consumption, etc. Though these deficiencies persisted throughout the Performance Audit period, the top level management did not address these issues by effective monitoring and through effective internal control.

Recommendations

The Performance Audit contains some recommendations, inter alia, installation of system for proper tax planning; formation of a plan for long-term survival; action plan for commercial usage of the idle land; purchase of raw material only through tender, etc. In the exit conference, the Managing Director of the Company and the Secretary to the Government agreed with the recommendations.

3 Compliance Audit Observations

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

One PSU extended undue benefit of ₹ 283.68 crore due to non-levy of penalty for short supply of power by power traders and due to not restricting the interest on working capital to an IPP as per the contractual terms.

(Paragraphs 3.9.8 and 3.13)

Three PSUs incurred avoidable extra expenditure of ₹ 141.46 crore, due to erroneous tender evaluation, purchase procedures and unwarranted retendering.

(Paragraphs 3.3, 3.7, 3.9.4, 3.9.6, 3.9.7 and 3.14)

Two PSUs suffered loss of revenue of ₹ 45.17 crore due to avoidable delays in rectification of rotor assembly and due to non-collection of the entitled water charges.

(Paragraphs 3.10 and 3.12)

During termination of a Joint Venture (JV), one PSU incurred an avoidable loss of ₹ 21.64 crore.

(Paragraph 3.11)

Two PSUs made overpayment of ₹ 13.05 crore on account of incorrect payment of entry tax and payment of gratuity in violation of the Act.

(Paragraphs 3.2 and 3.6)

Three PSUs incurred wasteful expenditure of ₹ 6.30 crore on hire charges on excavators, stevedoring charges and due to non-collection of service tax.

(Paragraphs 3.4, 3.5 and 3.8)

Some of the important Audit observations are given below:

Test check of the adherence to the pollution control norms by State PSUs revealed that the STUs, cement and mining companies failed to obtain consent/authorisation of Tamil Nadu Pollution Control Board (TNPCB) to operate their units; the emission and gaseous discharges of cement and graphite units of PSUs were in excess of the limits prescribed by

TNPCB; a sugar Company discharged trade effluents in habitant areas; and an industrial development Company failed to prevent polluting industrial units in its industrial estate from discharging hazardous effluent in the neighbouring areas. Though Central Pollution Control Board/TNPCB had issued notices observing the above violations, no remedial measures were taken by these PSUs.

(Paragraph 3.1)

Metropolitan Transport Corporation (Chennai) Limited made overpayment of entry tax of ₹ 11.27 crore due to not being aware of the provisions of the Tamil Nadu Tax on Entry of Motor Vehicles Act, 1990.

(Paragraph 3.2)

Tamil Nadu Civil Supplies Corporation Limited incurred avoidable extra expenditure of ₹ 3.85 crore due to erroneous decisions to purchase pulses at higher rates despite availability of the tender with lower rates.

(Paragraph 3.3)

Tamil Nadu Generation and Distribution Corporation Limited

During 2010-14, TANGEDCO resorted to short term power purchases due to delay in initiating procurement of deficit power under long/medium term arrangements. Deficiencies were noticed in the short term power purchases such as finalisation of multiple tenders for same periods of supply with fluctuating rates and not having robust criteria for evaluation of tenders resulting in unintended benefit of ₹ 109.60 crore to the suppliers. TANGEDCO's failure to open LC, as required, led to purchase of power at an extra cost of ₹ 25.64 crore in the next tender. Even though, the agreements provided for levy of compensation for short supply of power, compensation amounting to ₹ 280.37 crore was not levied resulting in undue benefit to the suppliers to that extent.

(Paragraph 3.9)

TANGEDCO suffered loss of revenue of ₹ 29.79 crore due to avoidable delay in carrying out rectification of rotor assembly in one of its hydel generating stations.

(Paragraph 3.10)

The Company incurred loss of ₹ 21.64 crore by paying compensation not contemplated in the terms of JV agreement to a JV partner.

(Paragraph 3.11)

The Company suffered loss of revenue of ₹ 15.38 crore due to non-claiming of the entitled water charges.

(Paragraph 3.12)

CHAPTER - I

1 Overview of State Public Sector Undertakings

Introduction

1.1 The State Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations. The State PSUs are established to carry out activities of commercial nature while keeping in view the welfare of people. In Tamil Nadu, PSUs occupy an important place in the State economy. The State PSUs registered a turnover of ₹ 83,455.28 crore[1] for 2013-14 as per the latest finalised accounts (September 2014). This turnover was equal to 9.77 *per cent* of the State Gross Domestic Product (GDP) of ₹ 8,54,238 crore for 2013-14. Major activities of the State PSUs are concentrated in Power, Transport and Other Service sectors. The working PSUs incurred an aggregate loss of ₹ 12,133.06 crore as per the latest accounts finalised (September 2014). They had 2.86 lakh[2] employees as of 31 March 2014.

1.2 As on 31 March 2014, 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).

Table:1.1

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

(Source: Details collected from the Government)

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

1 14 companies finalised their accounts for the years other than 2013-14.
2 As per the details provided by 64 PSUs.
3 Tamil Nadu Newsprint and Papers Limited and Tamil Nadu Industrial Explosives Limited.
4 Non-working PSUs are those which have ceased to carry on their operations.
5 Includes 619-B companies.

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

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

Investment in State PSUs

1.6 As on 31 March 2014, investment (capital and long-term loans) in 77 PSUs (including 619-B Companies) was ₹ 1,03,327.27 crore as per details given below:

Table:1.2

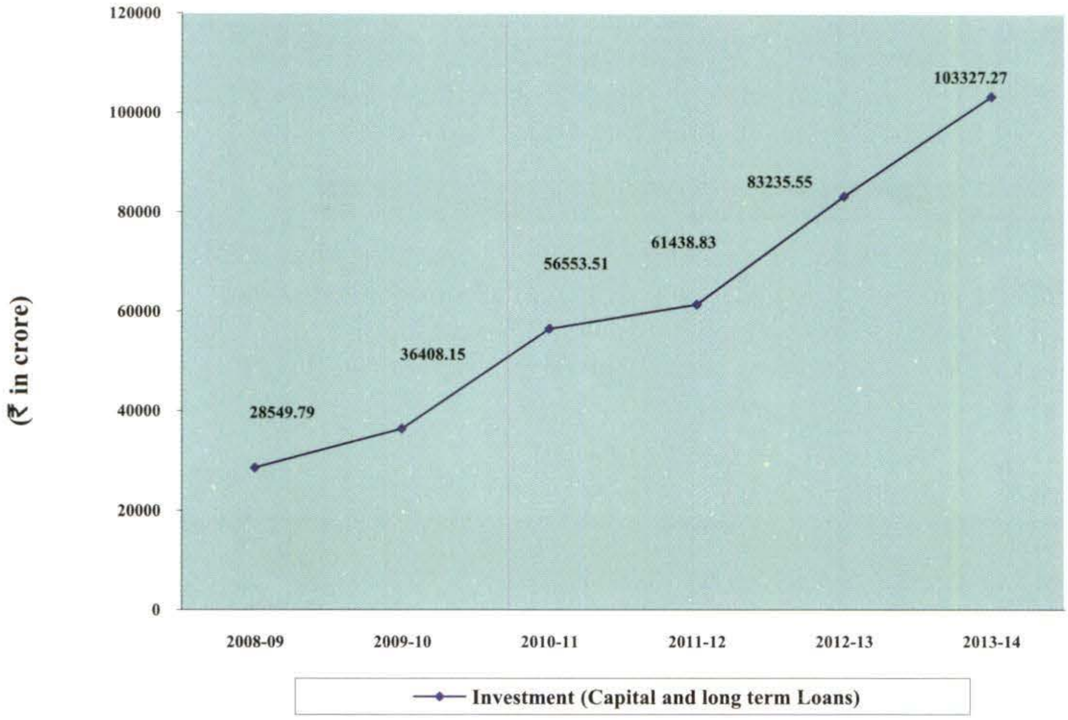
(₹ in crore)

Type of PSUs	Government Companies			Statutory Corporation			Grand total
	Capital	Long term loans	Total	Capital	Long term loans	Total	
Working PSUs	25,957.07	77,159.47	1,03,116.54	7.61	---	7.61	1,03,124.15
Non-working PSUs	77.08	126.04	203.12	---	---	---	203.12
Total	**26,034.15**	**77,285.51**	**1,03,319.66**	**7.61**	**---**	**7.61**	**1,03,327.27**

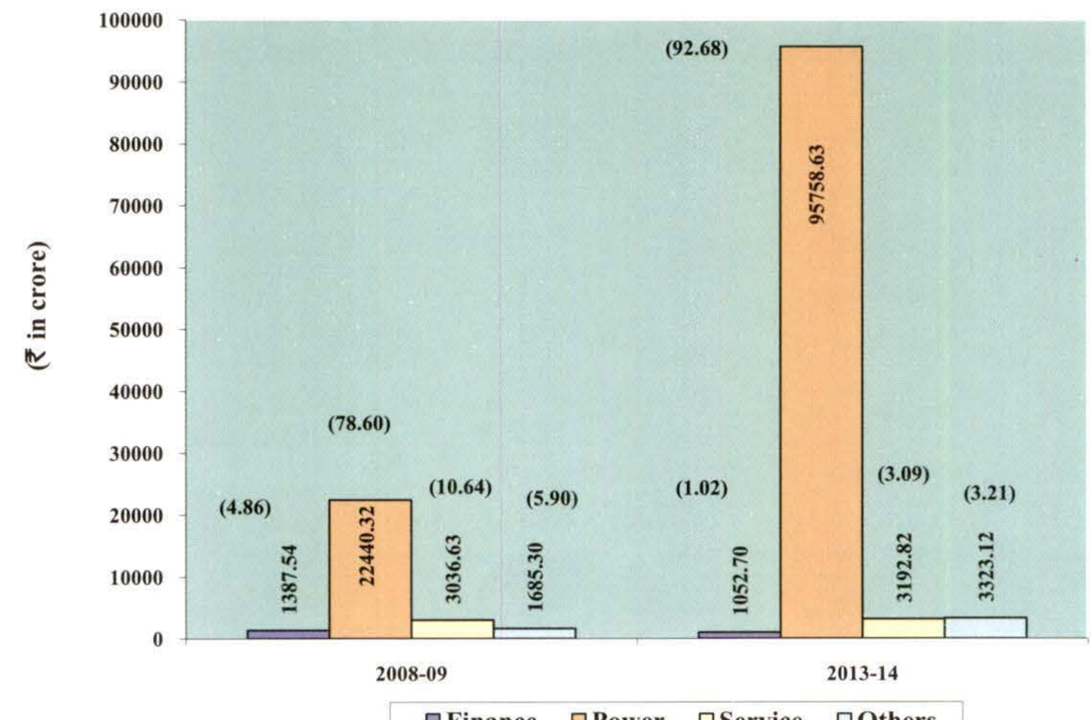
(Source: Details furnished by the companies)

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

1.7 As on 31 March 2014, 99.80 *per cent* of the total investment in the State PSUs was in working PSUs and the remaining 0.20 *per cent* was in non-working PSUs. This total investment consisted of 25.20 *per cent* towards capital and 74.80 *per cent* in long-term loans. The investment has grown by 261.92 *per cent* from ₹ 28,549.79 crore in 2008-09 to ₹ 1,03,327.27 crore in 2013-14 due to huge loans availed by State Transport Undertakings and Power Companies from sources like banks and other financial institutions, as shown in the graph below:



1.8 Investments in various important sectors and percentage thereof at the end of 31 March 2009 and 31 March 2014 are indicated below:



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

The investment in power sector was the highest, which had increased by 326.73 *per cent* from ₹ 22,440.32 crore in 2008-09 to ₹ 95,758.63 crore in the year 2013-14 taking the share in the total investment from 78.60 *per cent* in 2008-09 to 92.68 *per cent* in 2013-14.

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 2013-14 are given below:

Table:1.3

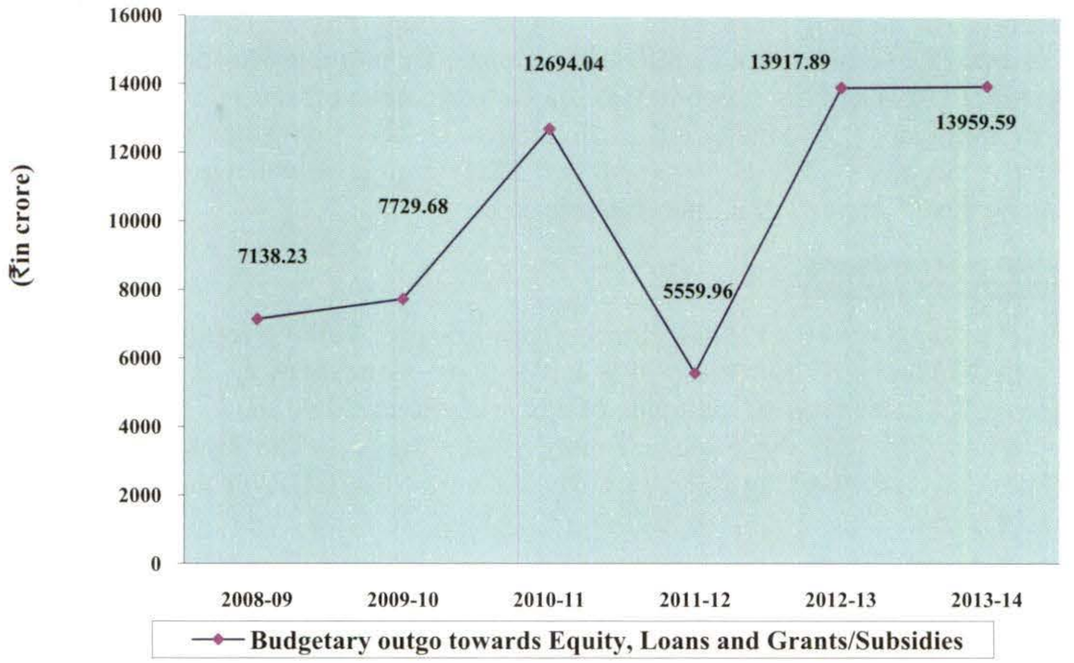
(₹ in crore)

Sl. No.	Particulars	2011-12		2012-13		2013-14	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1	Equity capital outgo from budget	12	1,556.98	13	885.50	14	2,669.93
2	Loans given from budget	7	1,647.41	1	3,261.00	4	44.48
3	Grants/subsidy received	18	2,355.57	19	9,771.39	19	11,245.18
4	**Total outgo (1+2+3)**	**26[6]**	**5,559.96**	**24[6]**	**13,917.89**	**23[6]**	**13,959.59**
5	Loans converted into equity	---	---	---	---	---	---
6	Loans written off	---	---	1	0.98	---	---
7	Interest/penal interest written off	---	---	1	0.05	---	---
8	Total waiver (6+7)	---	---	1	1.03	---	---
9	Guarantees issued	3	4,003.69	6	28,671.09	9	13,160.11
10	Guarantee commitment	12	9,721.89	11	16,951.26	13	39,716.81

(Source: Details furnished by the companies)

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

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



Budgetary support in respect of equity, loans and grants/subsidies showed an increasing trend from 2008-09 to 2013-14 mainly due to increase in equity and subsidy by the State Government over the years to electricity Companies, Tamil Nadu Civil Supplies Corporation Limited and State Transport Corporations.

1.11 PSUs are liable to pay guarantee commission to the State Government upto 0.5 *per cent* of the amount of guarantee utilised by them on raising cash credit from banks and loans from other sources including operating Letters of Credit. During the year 2013-14, guarantee commission of ₹ 189.92 crore was payable by seven PSUs. Out of this amount, ₹ 189.76 crore remained unpaid which included ₹ 189.69 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 2014 is stated below:

Table:1.4

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	14,336.94	14,435.84	98.90
Guarantees	48,894.77	39,716.81	9,177.96

(Source: Finance Accounts for 2013-14 and details furnished by the companies)

1.13 Audit observed that the differences occurred in seven PSUs and nine PSUs, in respect of equity and guarantees, respectively. Reconciliation of difference was pending since April 2004 in case of one PSU[7]. The Principal Secretary to Government of Tamil Nadu, Finance Department was addressed (December 2014) and his attention was drawn to 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 the working Statutory Corporation are detailed in **Annexures-2, 5 and 6** respectively. The ratio of turnover of PSUs to State GDP shows that the activities of PSUs in the State economy is significant. The table below provides details of working PSUs turnover *vis-a-vis* State GDP for the period 2009-14.

Table:1.5

(₹ in crore)

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Turnover[8]	42,534.33	47,578.39	55,193.64	65,804.92	70,673.64	83,455.28
State GDP	2,28,479	2,41,122	5,47,267	6,39,025	7,44,474	8,54,238
Percentage of turnover to State GDP	18.62	19.73	10.09	10.30	9.49	9.77

(Figures of State GDP for 2013-14 are advance estimates reset with base year as 2004-05).

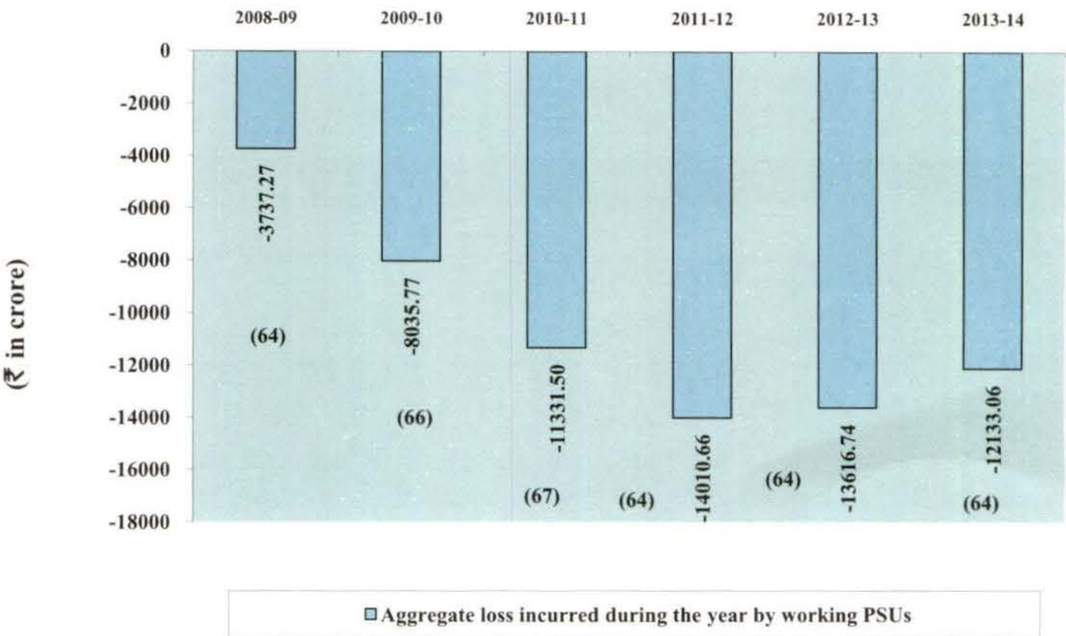
(Source: Details furnished by the companies and the data on GDP furnished by the Government)

Turnover of PSUs has increased continuously from 2008-09 to 2013-14 and increased by 96.21 *per cent* in 2013-14 as compared to 2008-09. Percentage of turnover of PSUs to State GDP increased from 2008-09 to 2009-10 but declined thereafter upto 2013-14.

1.15 Losses incurred by working PSUs of the State during the period 2009-14, as per their latest finalised accounts, are given below:

7 Tamil Nadu Sugar Corporation Limited.

8 Turnover as per the latest finalised accounts as of 30 September 2014.



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

Working PSUs of the State collectively incurred continuous losses from 2008-09 to 2013-14, which increased from ₹ 3,737.27 crore to ₹ 12,133.06 crore during the same period, though there is a marginal decrease in 2013-14 as compared to the previous year 2012-13.

As per the latest finalised accounts, out of 64 working PSUs, 40 PSUs earned a profit of ₹ 999.38 crore and 20 PSUs incurred a loss of ₹ 13,132.44 crore. In respect of Tamil Nadu Civil Supplies Corporation Limited, the entire deficit of income is compensated by the State Government in the form of subsidy. Three[9] Companies neither earned profit nor incurred any loss.

The accounts finalised as of 30 September 2014 indicate that major contributors to profit were Tamil Nadu Transmission Corporation Limited (₹ 236.44 crore), State Industries Promotion Corporation of Tamil Nadu Limited (₹ 196.47 crore), Tamil Nadu Newsprint and Papers Limited (₹ 161.18 crore), Tamil Nadu Power Finance and Infrastructure Development Corporation Limited (₹ 107.64 crore), Tamil Nadu Industrial Development Corporation Limited (₹ 48.69 crore), TIDEL Park Limited, Chennai (₹ 43.43 crore) and Tamil Nadu Industrial Investment Corporation Limited (₹ 31.07 crore). Heavy losses were incurred by Tamil Nadu Generation and Distribution Corporation Limited (₹ 11,679.07 crore) and all the eight[10] State Transport Corporations (₹ 1,265.96 crore).

1.16 Losses of working PSUs are mainly attributable to deficiencies in financial management, planning, implementation of project, operations and monitoring. The Audit Reports of the CAG for the three years ending March 2014 reflect losses to the extent of ₹ 2,504.48 crore and infructuous investments of ₹ 181.92 crore by State PSUs. This could have been controlled

[9] Serial Number 20, 25 and 42 of Annexure-2.

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

with better management. Year-wise details from Audit Reports are given below:

Table:1.6

(₹in crore)

Particulars	2011-12	2012-13	2013-14	Total
Net loss	14,010.66	13,616.74	12,133.06	39,760.46
Controllable losses as per the CAG's Audit Report	1,343.99	616.44	544.05	2,504.48
Infructuous investment	176.12	1.95	3.85	181.92

(Source: Latest finalised accounts of companies and CAG's Audit Report)

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.

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

Table:1.7

(₹in crore)

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Return on capital Employed (*per cent*)	NIL[11]	NIL	NIL	NIL	NIL	NIL
Debt	23,878.24	30,902.55	46,792.10	43,157.68	62,044.08	77,285.51
Turnover	42,534.33	47,578.39	55,193.64	65,804.92	70,673.60	83,455.24
Debt/turnover ratio	0.56:1	0.64:1	0.85:1	0.66:1	0.88:1	0.93:1
Interest payments	2,059.37	3,397.17	4,436.43	5,808.14	6,649.97	7,840.67
Accumulated losses	13,207.60	21,297.39	33,621.12	59,636.87	38,233.61	50,826.43

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

(Source: Details furnished by the companies and latest finalised accounts of companies)

1.19 The State Government has formulated (May 2014) a dividend policy for payment of minimum dividend at the rate of 30 *per cent* of net profit after tax or 30 *per cent* of paid-up capital, whichever is higher, subject to availability of disposable profits. As per the finalised accounts as of 30 September 2014, 40 State PSUs earned an aggregate profit of ₹ 999.38 crore and 19 PSUs declared a total dividend of ₹ 133.81 crore. Of this, major contributors of the dividend were Tamil Nadu Newsprint and Papers Limited (₹ 41.53 crore), Tamil Nadu Industrial Development Corporation Limited (₹ 21.61 crore), State Industries Promotion Corporation of Tamil Nadu Limited (₹ 17.37 crore) and TIDEL Park Limited, Chennai (₹ 13.20 crore) aggregating to ₹ 93.71 crore, which worked out to 70.03 *per cent* of total dividend declared (₹ 133.81 crore) during the year 2013-14.

Audit analysis of payment of dividend by profit making PSUs revealed that though some PSUs, had diposable profits, they did not either declare dividend

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

or declared dividend at rates lower than that stipulated by the State Government as detailed below:

Table:1.8

(₹ in crore)

Sl.No.	Name of the Company	Dividend to be declared as per GO	Dividend actually declared	Reference to Serial Number in Annexure-2
1.	TABCEDCO	0.87	NIL	10
2.	TN Road Development	3.00	NIL	22
3.	TANMAG	5.00	NIL	36
4.	TEXCO	3.92	NIL	54
5.	SIPCOT	58.94	17.37	15
6.	TN POLICE HOUSING	3.28	1.00	16
7.	TN POWERFIN	32.29	5.00	41
8.	TNPL	48.35	41.53	40

(Source: Latest finalised accounts of companies)

Arrears in finalisation of accounts

1.20 Annual accounts of Companies are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956. Similarly, in case of Statutory Corporations, the accounts are to be finalised, audited and presented to the Legislature as per the provisions of their respective Acts. The table below provides details of progress made by working PSUs in finalisation of accounts by September 2014.

Table:1.9

SL. No.	Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
1.	Number of working PSUs	66	67	64	64	64
2.	Number of accounts finalised during the year	61	63	67	64	68
3.	Number of accounts in arrears	35	39	25	25	21
4.	Number of working PSUs with arrears in accounts	19	26	21	21	17
5.	Extent of arrears (years)	1 to 8	1 to 9	1 to 3	1 to 3	1 to 2

(Source: Details compiled by audit based on certified accounts of companies)

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 PSUs[12] 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; Tamil Nadu Leather Development Corporation Limited is in the process of winding up,

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

hence its accounts for 2013-14 is also not considered due, three[13] Companies have submitted their accounts for the year 2013-14 and five[14] PSUs are in arrears from one to twelve years.

1.22 As of September 2014, the State Government has invested ₹ 17,761.06 crore (Equity: ₹ 2,211.01 crore, Loans: ₹ 2.52 crore, Grants: ₹ 829.54 crore and Subsidy: ₹ 14,717.99 crore) in eight PSUs (including one non-working PSU) during the years for which accounts have not been finalised (**Annexure-4**). In the absence of accounts and their audit, investments and expenditure incurred cannot be vouchsafed.

1.23 Administrative departments overseeing the activities of these entities have also to ensure that accounts are finalised and adopted by these PSUs within the prescribed period. The Accountant General (AG), Economic & Revenue Sector Audit , Tamil Nadu 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 17 working PSUs upto 2013-14. Their net worth could not be assessed in Audit. The matter was also brought to the notice of the Chief Secretary/Finance Secretary, Government of Tamil Nadu in the Apex Committee meeting held in April 2013 by the PAG.

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

Winding up of non-working PSUs

1.25 There were 13 non-working PSUs (all Companies) as on 31 March 2014. Liquidation process had commenced in two[15] PSUs. The number of non-working Companies at the end of each year during the past five years is given below:

Table:1.10

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Number of non-working Companies	11	9	13	13	13

(Source: Details collected from the Government)

1.26 Details of closure stages in respect of 13[16] non-working PSUs are given below:

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

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

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

16 As of 30 September 2014.

Table:1.11

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

(Source: Details furnished by the Government)

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

Adverse comments on the accounts and Internal Audit of PSUs

1.28 Sixty working Companies forwarded their 67 accounts to AG during 2013-14. 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:

Table:1.12

(₹ in crore)

Sl. No.	Particulars	2011-12		2012-13		2013-14	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	8	27.70	9	53.40	7	106.59
2.	Increase in profit	2	2.90	4	286.70	4	326.32
3.	Increase in loss	14	8,704.64	12	9,117.30	14	10,674.85

Sl. No.	Particulars	2011-12		2012-13		2013-14	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
4.	Decrease in loss	2	0.97	2	47.86	---	---
5.	Non-disclosure of material facts	---	---	3	69.57	2	2.25
6.	Errors of classification	2	2.89	2	172.90	2	246.03

(Source: Latest finalised annual accounts of companies)

1.29 During the year 2013-14, Statutory Auditors had given unqualified certificates for 32 accounts, qualified certificates for 34 accounts and gave adverse opinion in respect of one Company. Compliance of the Accounting Standards (AS) by the Companies remained poor. There were 43 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 (2013-14)

- All the eight[17] STUs collectively did not provide for pension to the extent of ₹ 11,235.75 crore on actuarial basis as mandated in AS-15.
- Seven[18] STUs recognised the additional HSD oil cost due to price increase amounting to ₹ 300.86 crore, as receivable from the State Government without its specific orders. This resulted in understatement of current year losses and overstatement of trade receivables.

Electronics Corporation of Tamil Nadu Limited (2013-14)

- The upfront lease deposits (₹ 279.46 crore) received for allotment of plots in Special Economic Zones were not treated as income resulting in understatement of profit and overstatement of long term borrowings.
- Incorrect classification of the value of the saleable land as fixed assets instead of as stock-in-trade resulted in overstatement of fixed assets and understatement of current assets by ₹ 158.13 crore.

Tamil Nadu Industrial Development Corporation Limited (2013-14)

- The Company did not provide for diminution in the value of quoted investments amounting to ₹ 13.41 crore as per the requirements of AS-13.

Tamil Nadu Civil Supplies Corporation Limited (2011-12)

- Non-provision of dues, which are doubtful of recovery *viz.*, temporary procurement assistants (₹ 22.94 crore), dues from non-Government parties

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17 MTC (₹ 1,831.34 crore), TNSTC, Coimbatore (₹ 1,753.05 crore), TNSTC, Kumbakonam (₹ 1,658.63 crore), TNSTC, Villupuram (₹ 1,641.84 crore), TNSTC, Madurai (₹ 1,359.00 crore), TNSTC, Tirunelveli (₹ 1,089.13 crore), TNSTC, Salem (₹ 1,027.88 crore) and SETC (₹ 874.88 crore).

18 TNSTC, Villupuram (₹ 62.87 crore), TNSTC, Coimbatore (₹ 52.68 crore), MTC (₹ 49.27 crore), TNSTC, Madurai (₹ 43.38 crore), TNSTC, Salem (₹ 40.27 crore), TNSTC, Tirunelveli (₹ 27.51 crore), and SETC (₹ 24.88 crore).

(₹ 3.42 crore) and advances and deposits (₹ 1.97 crore) resulted in understatement of Subsidy receivable by ₹ 28.33 crore.

Arasu Rubber Corporation Limited (2013-14)

- The Company did not provide for dividend amounting to ₹ 3.04 crore as stipulated in G.O.Ms.No.123 dated 19 May 2014 despite making profit during the year.

Tamil Nadu Generation and Distribution Corporation Limited (2012-13)

- Non-capitalisation of works amounting to ₹ 162.82 crore completed before 31 March 2013 resulted in understatement of fixed assets and overstatement of capital works-in-progress to that extent.
- Incorrect accounting of revenue earned from sale of power generated during trial run at Mettur Thermal Power Project Stage-III amounting to ₹ 195.45 crore as income instead of treating the same as reduction in capital cost resulted in overstatement of revenue from sale of power as well as revenue expenses pending allocation over capital works by similar amount.

Tamil Nadu Transmission Corporation Limited (2012-13)

- Non-accountal of bills amounting to ₹ 167.24 crore in respect of capital works carried out before 31 March 2013 in Trichy Construction Circle resulted in understatement of capital works-in-progress as well as liability for capital supplies/works by same amount.
- Non-accountal of cost of power transformers valuing ₹ 31.29 crore commissioned upto 31 March 2013 in respect of sub-stations relating to Wind Energy, Tirunelveli and Udumalpet resulted in understatement of fixed assets as well as liability for capital works by a similar amount.

1.31 The lone Statutory Corporation[19] submitted its accounts for 2012-13 to the PAG during the year 2013-14. Audit Report of Statutory Auditors and 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:

Table:1.13

(₹in crore)

Sl. No.	Particulars	2011-12		2012-13		2013-14	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	---	---	1	3.55	1	3.81
2.	Increase in loss	2	300.87	---	---	---	---
3.	Non-disclosure of material facts	1	12.75	---	---	---	---
4.	Errors of classification	1	825.39	---	---	---	---

[19] Tamil Nadu Warehousing Corporation Limited.

Sl. No.	Particulars	2011-12		2012-13		2013-14	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
5.	Correctness of balance exhibited in accounts not susceptible of verification	1	26,431.93	---	---	---	---

(Source: Latest finalised annual accounts of Statutory Corporation)

1.32 Statutory Auditors (Chartered Accountants) are required to furnish a detailed report on various aspects including internal control/internal audit systems in the Companies audited in accordance with the directions issued by the CAG under Section 619 (3) (a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative list of major comments of the Statutory Auditors on possible areas for improvement in the internal audit/internal control system in respect of 45 Companies for the years 2012-13 and 2013-14 is given below:

Table:1.14

Sl. No.	Particulars	Number of Companies where recommendations were made		Reference to serial number of the Companies as per Annexure-2	
		2012-13	2013-14	2012-13	2013-14
1.	The internal audit system needs to be strengthened to make it commensurate with the size and nature of the business	4	7	6, 11, 15 and 50	13, 15, 32, 37, 49, 50 and 52
2.	There was no internal audit standards/manual/ guidelines prescribed by the Companies for conduct of internal audit	2	5	2 and 39	2, 10, 13, 31 and 54
3.	Proper records showing full particulars including quantitative details and location of fixed assets were not maintained	1	1	34	34
4.	The existing system of monitoring recovery of dues needs to be strengthened by preparing age-wise analysis of debtors and periodical monitoring	8	2	6, 35, 52, 56, 58, 59, 60 and 62	6 and 59
5.	Companies did not have any defined fraud policy	18	19	2, 5, 10, 11, 15, 22, 24, 25, 26, 30, 32, 34, 36, 39, 40, 41, 59 and 63	2, 5, 10, 13, 14, 22, 23, 26, 29, 31, 34, 35, 37, 38, 41, 49, 54, 59 and 63
6.	Companies have no IT strategy/plan	20	26	3, 4, 6, 11, 17, 22, 25, 28, 30, 32, 34, 35, 55, 56, 57, 59, 60,	2, 3, 4, 6, 10, 14, 15, 17, 21, 28, 29, 32, 34, 35, 37, 38, 46, 54 to 58 and

Sl. No.	Particulars	Number of Companies where recommendations were made		Reference to serial number of the Companies as per Annexure-2	
		2012-13	2013-14	2012-13	2013-14
				61, 62 and 63	60 to 63
7.	Documentation of software programs not available with the Companies	7	2	6, 12, 22, 34, 56, 60 and 62	29 and 54
8.	Companies have not fixed minimum and maximum limits for maintenance of stores and spares	4	3	30, 32, 34 and 39	31, 32 and 34
9.	Companies did not make ABC analysis for effective inventory control.	3	2	30, 36 and 39	28 and 31
10.	Companies did not evolve proper security policy for software/hardware	8	3	2, 3, 4, 6, 28, 57, 60 and 61	10, 29 and 60
11.	There is no system of making a business plan, short term/long term and review the same *vis-a-vis* actual	6	3	3, 4, 22, 30, 53 and 63	53, 54 and 63
12.	Companies did not have Vigilance Department	13	15	1, 11, 12, 22, 30, 32, 34, 36, 39, 41, 52, 53 and 63	1, 15, 22, 23, 26, 29, 31, 32, 34, 35, 46, 49, 53, 54 and 63
13.	There is no Internal Audit System	2	1	18 and 25	18

(Source: Reports furnished by Statutory Auditors under Section 619 (3) (a) of the Companies Act, 1956)

Recoveries at the instance of audit

1.33 During the course of compliance audit in 2013-14, recoveries of ₹ 195.37 crore were pointed out to TANGEDCO. Out of this, an amount of ₹ 14.99 crore (including ₹ 9.05 crore pertaining to earlier years) was recovered during the year 2013-14.

Disinvestment, Privatisation and Restructuring of PSUs

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

Reforms in Power Sector

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

1.35 The State Government formed Tamil Nadu Electricity Regulatory Commission (TNERC) in March 1999 under the Electricity Regulatory Commissions Act, 1998, with the objective of rationalisation of electricity tariff, for advising in matters relating to electricity generation, transmission and distribution in the State and issue of licences. CAG, who is the Auditor for TNERC, has issued Separate Audit Reports (SARs) upto 2013-14. The SARs upto 2012-13 have been placed in the State Legislature. During 2013-14, TNERC issued eight tariff orders including two on determination of Tariff for Generation and Distribution of TANGEDCO and determination of intra-State Transmission Tariff 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 TANGEDCO:

Table:1.15

	Commitment as per MOU	Targeted completion schedule	Status (as on 31 March 2014)
1.	Reduction of Transmission and Distribution losses to 15 *per cent*	December 2003	As per provisional accounts of TANGEDCO for the year 2013-14, Transmission and Distribution losses worked out to 21.52 *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 extension of time for three years upto 1 October 2012. As the time extension granted by TNERC for fixing of meters was expiring on 30 September 2012, a petition was filed by TANGEDCO before TNERC seeking extension of time of 25 months from 1 October 2012. TNERC in its order dated 11 July 2013 extended the time for fixing of individual meters in agricultural and hut services upto 31 March 2014. In the meanwhile, TANGEDCO had approached the Government for issue of policy direction to the Commission. Response from the Government to TANGEDCO's proposal was still awaited (November 2014).
3.	Current operations in distribution to reach break-even	March 2003	As per the provisional accounts for 2013-14, TANGEDCO had incurred loss of ₹ 13,985.03 crore.
4.	Energy audit at 11 KV sub-stations level	January 2002	As on 31 March 2014, in 1,211 feeders (out of 1,603 feeders identified with loss of more than 10 *per cent*), the losses were brought down to below 10 *per cent.* The reduction of losses in the balance 392 feeders involve large capital works such as erection of sub-stations.

(Source: Details furnished by TANGEDCO)

CHAPTER - II

2. Performance Audit on Tamil Nadu Small Industries Corporation Limited

Executive Summary

Tamil Nadu Small Industries Corporation Limited (Company) was formed in April 1965 with an objective to commercially operate the 65 Small Scale Industrial (SSI) units taken over from the Government. As on March 2014, the Company operates 25 SSI units for manufacture of furniture, line materials for supply to Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO), hand pumps, etc. The Company has two subsidiaries, one of which is non-working since 2000. A Performance Audit of the Company covering the period 2009-14 was taken up to examine the Company's efficiency in financial management, planning, procurement of raw materials, production and sales performance and monitoring by top management.

Financial management

During the five years upto March 2014, the Company earned profit of ₹71.92 crore. Majority of this amount (₹44.20 crore) was kept in short term deposits, without ploughing back for business expansion/modernisation. The Company incurred avoidable interest of ₹6.71 crore under Section 234 B and C of Income Tax Act due to short remittance of advance tax, incorrect working of long-term capital gain and business income. Due to submission of incomplete proposal to Government of India, the merger of the non-working subsidiary Company was not completed and the Company could not avail the tax benefit of ₹3.92 crore.

Planning

The Company did not prepare long-term corporate plan as per the directions of the Government to achieve its vision of becoming a premier manufacturing organisation in small scale sector with high efficiency and minimum cost. It also did not comply with the Board of Directors (BOD) direction to plan for modernisation of its units, diversification and business expansion and to pursue the two viable proposals for construction of multi-storied office complex in Chennai. Though the Company held idle land worth ₹480 crore pertaining to 23 closed units, it did not initiate plan for commercial usage of these lands. Machinery worth ₹3.85 crore purchased during 2009-11 without indents from the units remained unproductive.

Procurement of raw materials

The Company purchased steel items worth ₹85 crore from Steel Authority of India Limited (SAIL) without tender, which was violative of Tender Act of the Government. Test check revealed that there was an avoidable extra expenditure of ₹1.22 crore due to purchase of steel from SAIL compared to the market rates. The unit offices purchased raw material worth ₹142.60 crore by splitting the purchase value such that it be within their financial powers. The Company incurred avoidable extra expenditure of ₹3.22 crore due to purchase of teakwood logs from Kerala without requirement and due to not entering into an agreement with supplier of steel material.

Production performance

The Company did not achieve the production targets throughout the Performance Audit period except 2009-10, the shortfall ranging from 3 to 36 per cent. The annual production targets were scaled down in the revised budget to suit the actual production. The Company did not fix the norms for usage of raw materials and incurred extra expenditure of ₹0.95 crore due to absence of norms. The eligible excise duty exemption amounting to ₹1.21 crore was not availed at unit level.

Sales performance

The Company's turnover was confined to sales to Government Agencies/Departments and was dependent on purchase preference extended by the Government. The Company's sale in the open market was insignificant and tender participation was minimal. The Company's quotations were evaluated as the highest in 11 out of 41 tenders and were more than the lowest rate by 28 to 287 per cent. Due to incorrect rejection of TANGEDCO's order, the Company lost a turnover of

₹21.04 crore with consequential contribution loss of ₹6.31 crore.

Monitoring by top management

The Company did not have continuity of leadership for longer periods. The monitoring by the top management was inadequate in the areas of review of investment of surplus fund and examination of minutes of the tender committee.

Conclusion

During the period of Performance Audit, the profit from the core activity declined from ₹19.83 crore to (-)₹2.77 crore mainly due to deficient financial management; non-formulation of plans for business expansion/modernisation; not having plan for commercial use of idle land of closed units; not having a robust system for procurement of raw material and consumption, etc. Though these deficiencies persisted throughout the Performance Audit period, the top level management did not address these issues by effective monitoring and through effective internal control.

Recommendations

The Performance Audit contains some recommendations, inter alia, installation of system for proper tax planning; formation of a plan for long-term survival; action plan for commercial usage of the idle land; purchase of raw material only through tender, etc. In the exit conference, the Managing Director of the Company and the Secretary to the Government agreed with the recommendations.

Introduction

2.1 The Government of Tamil Nadu (Government) formed (April 1965) Tamil Nadu Small Industries Corporation Limited (Company) by taking over 65 departmentally run Small Scale Industrial (SSI) units. The objective of the formation of the Company was to run SSI units on commercial lines. The SSI units managed by the Company were reduced to 36 in April 2009 and to 25 in March 2014 due to closure of unviable units. At present, the Company operates the SSI units for manufacture of wooden and steel furniture, line materials required for Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO), hand pumps, spirit based products, *etc*.

In addition to 25 production units, the Company has two subsidiary companies *viz.,* Tamil Nadu Paints & Allied Products Limited (TAPAP) and State Engineering and Servicing Company of Tamil Nadu Limited (SESCOT). While TAPAP is engaged in the production of paints and allied products, SESCOT is a non-working Company since 2000.

Government's purchase preference

2.2 The Company enjoyed purchase preference for its products other than furniture under Section 16(c) of the Tamil Nadu Transparency in Tenders Act, 1998 (Tender Act), which provided for placement of order on the Company by the Government agencies and Public Sector Undertakings (PSUs) without tender. This provision was amended (December 2012) to restrict purchase upto 40 *per cent* of the tendered quantity of Government Agencies/PSUs, provided the Company matched its rates with the Lowest rate (L-1) obtained in the tender.

For the furniture items, Government directed (August 2007) the State Government agencies to purchase their entire requirement of steel and wooden furniture from the Company without tender as per section 16(f) of the Tender Act.

Organisational set up

2.3 The management of the Company is vested in the Board of Directors (BOD) comprising of eight Directors. The Managing Director (MD) is the Chief Executive of the Company who is assisted by the General Manager, Deputy General Manager (Production and Marketing), Manager (Administration), Manager (General and Legal) and Manager (Finance and Company Secretary). The production units of the Company are managed by the Unit Officers.

Scope and methodology of Audit

2.4 A Review of the performance of the Company for four years upto 1990-91 was included in the Report of the Comptroller and Auditor General of India for the year ended 31 March 1992 (Commercial), Government of Tamil Nadu. Based on the discussion of the review, the Committee on Public Undertakings (COPU) observed (1993-94) that the overall performance of the Company was far from satisfactory and recommended that suitable remedial measures be taken for running its units on profit. The present Performance Audit covering the activities of the Company from April 2009 to March 2014 was taken up to examine whether the Company had plans for optimum utilisation of the resources, was efficient in production and marketing, and followed the competitive pricing policy to keep itself viable in the long run.

During the present audit, the Corporate office, 11 out of 25 production units (selected based on their turnover) and one subsidiary Company, *viz.*, TAPAP were test checked. The scope and objective of the Performance Audit was discussed with the Company during the entry conference held on 10 June 2014. The draft Performance Audit Report was issued to Management in October 2014 and was discussed with the Secretary, Micro, Small and Medium Enterprises Department (Secretary) in the exit conference held on 13 November 2014. The views expressed by the Secretary in the exit conference and the reply received from the Government in December 2014 have been considered and incorporated wherever found necessary.

Audit objectives

2.5 The objective of the Performance Audit was to ascertain whether the Company had a system for:

- application of funds for business expansion, parking of surplus funds and payment of statutory dues;
- preparation of long term and short term plans in line with its envisaged objectives;
- economic procurement of raw material, utilisation of infrastructure and reducing wasteful expenditure in production;
- adoption of fair pricing for products and strategy to compete in open market;
- effective monitoring by the top management and internal control/internal audit.

Audit criteria

2.6 The audit criteria for the Performance Audit were derived from the following sources:

- Policy notes of the Government relating to the Company;
- Provisions of the Tender Act;
- Directives of the BOD;
- Annual financial plans and budgets;
- Internal policies and manuals of the Company.

Acknowledgement

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

Audit Findings

2.7 The Performance Audit of the Company covered the areas of Financial Management, Planning, Procurement of raw material, Production Performance, Sales Performance, Monitoring by top management and Internal audit and internal control. The audit findings are discussed below:

Financial position and Working results

2.8 The financial position and the working results of the Company for the five years upto 2013-14 are given in **Annexures-7 and 8.** An analysis of the financial position of the Company revealed that:

- The reserves and surplus increased from ₹ 248.11 crore in 2009-10 to ₹ 276.29 crore in 2013-14, without significant increase in fixed assets, indicating insufficient capital investment for improving production.
- Fixed assets of ₹ 204.21 crore as of March 2014 included assets of 23 units closed between 1986 and 2014. As there were no separate accounts for the closed units and these assets were merged with the assets of working units, the Company could not take action for their disposal.
- Similarly, the Company did not have system for timely disposal of inventories. To illustrate, the closing stock of zinc and zinc waste of a galvanising unit, which was closed in December 2009 was disposed in May 2012 only, leading to an avoidable loss of ₹ 41.00 lakh due to decline in prices during this period.

The Government replied that it would institute a mechanism in future to monitor the disposal of wasteful inventories without delay.

- The statutory auditors in their reports for the years 2009-10, 2011-12 had stated that they could not form an opinion and in 2012-13, the auditors gave an adverse opinion on the accounts citing the reasons that the Company did not follow the Accounting Standards for valuation of inventories, depreciation accounting, impairment of assets, accounting for taxes on income, non-reconciliation of debtors and creditors balances. This indicated that the Company did not professionally maintain its accounts.

An analysis of the Working results indicated that the Company's 'Profits before tax' ranged between ₹ 29.52 crore in 2009-10 and ₹ 22.33 crore in 2013-14. But, major portion of this profit, ranging from ₹ 6.53 crore to ₹ 10.30 crore (*i.e.*, 20 to 63 *per cent* of the profit before tax), was contributed by the interest on short term deposits. In contrast to the above, return from core activity showed a sharp decline from a profit of ₹ 19.83 crore in 2009-10 to loss of ₹ 2.77 crore in 2012-13 on account of decline in Government orders and increased to ₹ 9.11 crore (provisional) during 2013-14, due to increase in sale to Government. Thus, the Company's profit was dependent on Government's orders for its products.

Financial Management

2.9 The profit earned from the manufacturing activity and deployment of surplus funds together with their utilisation for the five years ending 31 March 2014 are given below:

Table: 2.1

(₹ in crore)

	2009-10	2010-11	2011-12	2012-13	2013-14
Income from operation	276.94	138.77	94.01	71.60	99.11
Interest income	6.53	3.37	4.44	4.01	10.39
Other income	5.38	2.88	3.86	2.04	2.16
Total Income	**288.85**	**145.02**	**102.31**	**77.65**	**111.66**
Total Expenditure	**259.30**	**139.79**	**98.96**	**75.24**	**91.35**
Profit before tax	**29.52**	**5.23**	**7.83**	**7.01**	**22.33**
Tax	9.31	1.10	1.41	3.96	6.89
Profit after tax	**20.21**	**4.13**	**6.42**	**3.05**	**15.44**

(Source: Extracted from Annual Accounts of the Company)

The Company made an aggregate profit of ₹ 71.92 crore in the five years ending 2013-14 and paid income tax of ₹ 22.67 crore on this profit. Audit observed that the Company held the major portion (₹ 44.20 crore) of the funds generated from profit only in short term deposits without any major investment for business expansion/modernisation. Thus, the Company failed to plough back its profit for furtherance of its business in the long run.

As a result of the above, the financial management of the Company centered around tax planning and management of surplus funds. The deficiencies noticed in this regard are discussed below:

2.9.1 Deficiencies in tax planning

2.9.1.1 Avoidable payment of Interest

- As per Section 211 of the Income Tax Act (IT Act), every Company has to make self-assessment of its total income and pay advance tax at 15, 45, 75 and 100 *per cent* of the tax amount by 15^{th} day of June, September, December and March respectively. The Company did not comply with the above statutory requirement and paid advance taxes only in the last quarter, which invited interest under section 234B and 234C of the IT Act[20]. The short remittance of advance tax during the period of audit ranged between ₹ 1.60 crore and ₹ 5.10 crore. Consequently, the Company became liable to pay interest of ₹ 2.09 crore, against which the Company had already paid ₹ 1.01 crore upto 2013-14.

The Government, in its reply stated that it would ensure proper tax planning in future. During the exit conference, the Secretary stated that from the year 2014-15 onwards, the Company had started paying advance tax in time.

- During the year 2007-08, the Company sold industrial land for a value of ₹ 72.57 crore and declared (September 2008) Long Term Capital Gain[21] (LTCG) of ₹ 26.39 crore by adopting cost of acquisition of ₹ 8.29 crore, based on fair market value as on 1 April 1981, without collecting evidence of the same. After demand of the evidence by the Income Tax Authorities, the Company reworked (October 2011) the LTCG as ₹ 63.45 crore by adjusting the cost of acquisition (₹ 1.64 crore) on the basis of nearest sales transaction in 1991, which was accepted by the Income Tax Authorities. Due to non-ascertaining the LTCG at the time of filing the IT return, the Company became liable for interest under section 234B and 234C of the IT Act which worked out to ₹ 4.33 crore.

The Government replied that an appeal against the assessment of capital gain was pending with IT Authorities. The reply is incorrect because the appeal by the Company was on other matters and not against the revised capital gain worked out by the Company itself.

2.9.2 Incorrect assessment of Income Tax

- For the Assessment year 2010-11, the IT Authorities disallowed (March 2013) expenses related to voluntary retirement (₹ 1.63 crore) and expenses on leave salary (₹ 42.46 lakh), citing that the expenditure on voluntary retirement was to be amortised over a period of five years and the expenditure on leave salary was not paid in the relevant year. In this connection, audit observed that the Company did not work out the taxable income considering the eligibility of the expenditure under the provisions of IT Act, which led to payment (August 2013) of

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20 Calculated at the rate of 12 *per cent per annum*

21 LTCG is the profit earned by the assessee on sale of fixed assets held for more than three years

additional income tax of ₹ 70 lakh and avoidable interest of ₹ 28.70 lakh.

- The Company provided loan to SESCOT (a non-working subsidiary Company) for meeting its day-to-day expenses since 1998. This loan (which accumulated to ₹ 75.36 lakh as on 31 March 2009) carried an interest of 16 *per cent per annum*. The Company accounted the accrued interest of ₹ 1.25 crore as its income upto 2009-10 and paid income tax of ₹ 30.14 lakh on this income. Audit observed that the Company had already sent a proposal in November 2010 for amalgamation of SESCOT with itself. Therefore, treatment of interest income due from a non-working Company on accrual basis was incorrect, which resulted in unwarranted payment of income tax of ₹ 30.14 lakh on this income.

Incomplete proposal for merger of Subsidiary Company

2.9.3 The Government directed (June 2000) the Company to wind up the subsidiary Company, SESCOT in view of its continuous losses of ₹ 13.06 crore upto 1998-99. After being inactive on this issue upto 2006-2007, the Company, decided (June 2007) to amalgamate SESCOT with itself in view of the envisaged benefits under section 72 A of the IT Act for setting off unabsorbed loss of SESCOT against profits of the Company.

The Company obtained (November 2010) the approval of the Government for amalgamation and thereafter, it applied (September 2011)/reapplied (June 2013) to the GOI to approve the amalgamation proposal. The GOI returned both the (September 2011 and October 2013) applications stating that the approval of creditors for amalgamation proposal was not obtained. Consequently, the scheme of amalgamation did not materialise as of September 2014.

Audit observed that due to submission of incomplete proposal, the stated tax benefit of ₹ 3.92 crore on account of amalgamation did not accrue to the Company as of August 2014.

The Government replied that steps would be taken to finalise amalgamation process before the end of current financial year. The Secretary, in the exit conference, also reiterated that the merger would be expedited by complying with the statutory requirements.

Excess payment of Excise Duty

2.9.4 As per the terms of contract with TANGEDCO for supply of line material, the Company was required to pass on the benefits of Central Value Added Tax (CENVAT) credit obtained on the input material by way of adjustment in the bills submitted for payments. Audit noticed that Excise Duty payments were made by working out the Excise Duty on gross amount of the bill *i.e.*, before adjustment of the CENVAT credit instead of calculating the same on the ex-factory price minus the CENVAT credit. Thus, the erroneous calculation of Central Excise Duty resulted in excess payment to the extent of ₹ 74.64 lakh.

The Government in its reply assured that there would not be any lapse in availing duty exemptions and CENVAT credit.

Management of surplus funds

2.9.5 The Government laid down mandatory guidelines[22] for deposit of surplus funds by State PSUs, which, *inter alia*, stipulated that the PSUs should have a rational investment policy for management of their surplus funds, to be determined by the BOD and were required to deposit only in banks in which they normally operated their accounts.

A review of investment of funds indicated that:

- As per the directions of the Government (November 2010), the Company was responsible for repayment of the loan of ₹ 4.87 crore received by its subsidiary Company *viz*., SESCOT along with interest. Though the Company paid interest of ₹ 3.51 crore on this loan (upto March 2013), it did not repay the loan despite having sufficient funds in short term deposits. As the deposits fetched an average return of 9 *per cent,* it would have been prudent for the Company to repay the loan at the earliest which was carrying an interest of 12 *per cent*. Due to non-repayment of Government loan, the Company incurred avoidable interest payment of ₹ 47.50 lakh till March 2014 (after adjusting the interest that could have been earned from bank deposits).

The Government replied that the Government loan was repaid in July 2014.

- The Company held deposits of ₹ 50 lakh and above for periods ranging from 8 to 46 days on 189 occasions. As the Company continuously held an average amount of ₹ 3.00 crore in short term deposits for less than 46 days and did not encash the same for any immediate requirement throughout the review period, the same could have been invested at least for one year. The interest foregone due to not placing these amounts in one year deposits was worked out to ₹ 42.53 lakh (**Annexure-9**).

The Secretary, in the exit conference, stated that Company had been directed to estimate the working capital requirements and place the balance surplus funds in deposits with longer tenure.

Planning

2.10 The Government directed (April 1989) all PSUs to prepare long term corporate plan. However, it was noticed that the Company did not prepare any long term corporate plan during 2009-14, to work out its long term strategies to achieve its vision of becoming a premier manufacturing organisation in small scale sector with high efficiency and minimum cost. Consequently, the Company suffered from inefficiencies and depended only on the Government for its survival as discussed in the succeeding paragraphs.

Deficiency in preparation of annual action plan

2.10.1 Annual action plan of the Company sets out the prioritisation of activities for achieving its commitment towards existing/anticipated supply

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[22] G.O.Ms.No.998, Finance (CFC) Department dated 19 July 1979.

orders within the year. Audit noticed that the Micro, Small and Medium Industries Policy-2008 of the Government envisaged a sustained annual growth rate of 10 *per cent* in small and medium scale industrial sector. However, it was noticed that in none of the years (2009-10 to 2013-14), did the Company fix the targets with 10 *per cent* cumulative increase over the previous year. Moreover, the targets were revised on the lower side while preparing the next year budget to approximate the actual production levels, without any recorded justifications. This practice defeated the objective of fixing the targets and analysing the reasons for shortfall to suggest remedial measures by the management.

Absence of plan for capital investment

2.10.2 The BOD directed (June 2007) the Company to engage consultants to suggest modernisation of units, diversification and business expansion. However, it was noticed that the Company neither engaged any consultant nor had any plan in place for expansion/modernisation. Consequently, the Company did not allocate sufficient funds for business expansion as detailed in **Annexure-10** but parked the surplus funds in bank deposits.

As can be seen from the Annexure, while the Company proposed to spend ₹ 16.20 crore on buildings, plant and machinery during the last five years upto 2013-14, it actually spent only ₹ 7.63 crore that too, on minor construction activities such as temporary sheds, flooring, compound walls *etc.*

Audit noticed that the Company proposed to procure (December 2010/2011) hydraulically operated wood working lathe and to commission powder coating plant for its use at an estimated cost aggregating to ₹ 69 lakh. Similarly, the Company proposed (December 2011) to revive some units for manufacture of automobile components. But, the Company did not make any budget allocations for these proposals, thereby failing to modernise its activities to suit the changed environment.

The Government replied that, the BOD would examine the possibilities of product diversification alongwith modernisation of the units and installation of additional machinery.

Blockage of funds on idle machinery

2.10.3 While the Company did not pursue its proposals for business expansions as mentioned above, it purchased machinery worth ₹ 3.85 crore during 2009-11, usage of which was sub-optimal, as detailed below:

The Company issued (December 2009) Purchase Orders (POs) for 15 Punching and Shearing machines and 16 Power Press machines required for manufacture of line materials at a total cost of ₹ 3.43 crore without obtaining specific approval from BOD and Project Investment Committee of the Government. The ordered machinery was received in the units during May to December 2010.

In this connection, audit observed that:

- The Company received (September 2009) indent only from one production unit for purchase of two Punching and Shearing machines. But, it decided to procure 15 Punching and Shearing Machines and 16

Power Presses for use in 15 units. The excessive procurement of new machines without any demand from the units lacked justification.

- The machines were usable only for the production of line materials required for TANGEDCO and the Company enjoyed monopoly status for supply of these materials upto 2008-09. In the meantime, TANGEDCO started (November 2009) producing line materials through their in-house facility. Without taking this into consideration, the Company went ahead and placed order in December 2009. Consequently, the supply order for these line materials started to decline from ₹ 95.18 crore in 2009-10 to ₹ 10.74 crore in 2013-14. Due to continuous decline in the supply orders of TANGEDCO, the Company closed (between 2011and 2012) seven out of 14 units which were exclusively engaged in production of line materials. This indicated that the procurement of the machinery was made at an inappropriate time and did not contribute to the productivity of the Company.

The Government replied that, it had matched the L-1 rates obtained by TANGEDCO and obtained orders in the financial year 2014-15.

- The Company installed (December 2008) an Air Pollution Control System in its Galvanising unit at Mettur at a cost of ₹ 41.89 lakh. Audit noticed that even prior to the installation of the air pollution system, the galvanisation work in this unit was partially stopped in November 2006 and the unit became totally non-functional in December 2009. Consequently, the pollution control system remained idle for over four years as of September 2014. It is pertinent to mention that the Company's efforts (November 2013) to sell the system back to the contractor did not materialise as the contractor offered only ₹ 2.95 lakh for the equipment.

The Government replied that the matter would be placed before BOD and speedy decision would be taken for disposal.

Absence of plan for use of idle land

2.10.4 The Company owned an aggregate of 131.93 acres of industrial lands throughout the State as on 31 March 2014, which included 60.98 acres of land (value: ₹ 479.98 crore as on May 2014) pertaining to 23 closed units over the years. The age-wise analysis of the idle land of these closed units is given below:

Table- 2.2

	More than 20 years	Between 10 and 20 years	Between 5 and 10 years	Less than 5 years	Total
Number of units	5	5	5	8	23
Area of land (in acres)	15.16	15.38	13.97	16.47	60.98

(Source: Data furnished by the Company)

Audit noticed that the BOD directed (June 2007) the Company to have a thorough study through a consultant for commercial usage of the valuable lands of the closed units to generate regular income. But no action in this regard was visible as of September 2014. It is pertinent to mention that the Company had already incurred ₹ 37.13 lakh towards maintenance of the assets of closed units during 2009-14. Audit further noticed that two proposals initiated, in December 2006/February 2011 for construction of two multistoried office complexes in Chennai, did not materialise as of September 2014 as detailed below:

Table: 2.3

Sl.No	Name of the Proposal	Remarks
1	Construction of a multistoried office complex in the erstwhile corporate office Site	The Board approved (December 2006) this proposal at a cost of ₹ 6.75 crore. The complex was to accommodate the corporate office in the first floor and renting out the remaining area. Even though, the Company obtained (March 2008) the approval of the Project Investment Committee for the proposal, it deferred (August 2009) the proposal without assigning any reason.
2	Construction of a multistoried office complex in the premises of TANSI NABARD Project Unit	The proposal at an estimated cost of ₹ 50 crore with an expected payback period of four years was approved (February 2011) by the BOD and it further directed the MD to send suitable proposal to the Project Investment Committee of the Government. However, the Company did not initiate any further action for implementing the proposal as of September 2014, for reasons not on record.

Thus, the Company failed to explore new avenues for commercial use of the idle land due to lack of initiative for improving the revenue earnings.

In the exit conference, the Secretary stated that the details of idle land would be placed in the knowledge bank of the Government for possible usage by the Government agencies.

Procurement of raw materials

2.11 The Company procures raw materials, mainly comprising of steel and wood items. The Purchase Manual of the Company stipulates that the materials required for normal production should be consolidated based on the annual indent of the unit officers and purchased in a centralised system in corporate office. The materials which were not included in the annual indent and required based on the local needs were to be purchased through the de-centralised system at the unit level after obtaining administrative sanction from the corporate office.

Audit noticed that:

- The Company did not consolidate the annual requirement of major raw materials such as steel and wood to enable floating of centralised tender.
- Both at corporate office and at unit office, the Company did not maintain register of purchases as prescribed in the purchase manual of the Company to monitor the execution of POs and for rate comparison.

- There was no approved list of local suppliers of raw materials. Consequently, the purchases at unit level were finalised by obtaining limited enquiries from the local dealers.
- The Company did not place the Minutes of the Tender Committee before the BOD after June 2009.

Other irregularities noticed in purchase of raw materials are discussed below:

Procurement of material without inviting tender

2.11.1 During the period 2009-2014, the Company procured steel items like CR sheets, MS Angles and MS Channels for a value of ₹ 84.99 crore from SAIL without tender and without approval of the Board, in violation of the provisions of the Tender Act and purchase manual of the Company.

An independent verification by Audit of the rates of similar steel materials procured through tender by the Mettur Workshop of TANGEDCO (a sister PSU) revealed that TANGEDCO obtained these materials with same specifications at lower rates by following the tender system. However, the Company procured the steel items from SAIL at rates which were higher by ₹ 80 to ₹ 8,410 per MT on 220 occasions. Consequently, the Company incurred an avoidable extra expenditure of ₹ 1.22 crore for purchase of 3,364.69 MTs of steel items (Value ₹ 13.77 crore) from SAIL.

Audit further noticed that the rates of MS Angles and MS Channels purchased locally on 21 occasions by two units were also cheaper than the rates of SAIL by ₹ 8.91 lakh. The above factors showed that the Company's failure to float tenders for procurement of major raw materials *viz.*, steel items was against the financial interests of the Company.

The Government replied that the BOD would examine the possibility of fixing rate contract for purchase of steel through open tender in future. Further, in the exit conference, the Secretary agreed to strengthen the tender system.

Splitting up of purchases

2.11.2 As per the provisions of Tender Rules, the procuring agencies were required to float tenders for value above ₹ 10 lakh. Further, as per the delegation of powers of the Company, the unit officers were permitted to procure materials locally for a value upto ₹ 5.00 lakh. During scrutiny of records at the unit level, audit noticed that the units purchased raw materials worth ₹ 142.60 crore by splitting the purchase value to ₹ 5.00 lakh.

- On two occasions (one in 2009-10 and another in 2013-14), the Company finalised tenders for centralised purchase of plywood and laminated sheet. A comparison of the rates of local purchases in two out of ten furniture units close to the centralised purchase period indicated that the local rates were higher than the tender rates of the centralised purchase by ₹ 16.02 lakh in 161 local purchases.
- During 2009-10 to 2013-14, two units procured wooden items for a value of ₹ 4.30 crore required for 21 job orders from 17 local traders

within a span of one to 45 days without tender. The purchase of raw material without following the tender system was against the tender rules and against the principle stipulated in the Tender Act. Consequently, the Company lost the opportunity of obtaining the competitive rates through tender.

The Government replied that for the year 2014-15, the process for fixing rate contract for procurement of wooden items was underway. In the exit conference, the Secretary also assured that the units would purchase the requirements by floating district level tenders.

Irregularities in purchases

2.11.3 Instances of extra expenditure due to unwarranted purchases and improper contract management, noticed in audit are discussed below:

Unwarranted purchase of teakwood logs

2.11.4 The Company procured (April/May 2011) 322.625 cubic metres (11,393 cubic feet) of teakwood logs from the Forest Department of Government of Kerala for a value of ₹ 3.40 crore, on the plea of better quality, for manufacturing 5,000 numbers of 'queen size cot' for sale in the open market. However, instead of manufacturing these as envisaged, the Company utilised (upto August 2014) 10,684 cubic feet of wood for manufacture of only regular furniture required for the Government Departments. The balance quantity of 709 cubic feet of wood was kept in stock as of August 2014. In this connection, audit observed that:

- The Company did not have any share in the open market for sale of the product but purchased in haste high quality teakwood in log form for usage in new line of product without any marketing plan.
- An independent verification by audit revealed that the cost of purchase of teakwood from the Forest Department of the Government of Tamil Nadu was ₹ 58,474 per cubic meter against the Kerala Forest Department rate of ₹ 86,691 per cubic meter. This indicated that the Company incurred an avoidable extra expenditure of ₹ 1.44 crore in purchase of teakwood logs from Kerala.
- Even though, the user departments did not specify usage of high quality teakwood for the manufacture of furniture intended by them, the Company utilised the teakwood in the furniture items and incurred loss of ₹ 52.87 lakh[23].

In the exit conference, the Secretary stated that as the Company was not geared up for private market, it utilised the teakwood for Government orders so as to avoid idle inventory. The fact, however, remains that usage of teakwood logs for the Government orders had actually resulted in loss to the Company.

23 Being the rate difference between ₹ 3,718 per cubic feet of Kerala teakwood and the local rates ranging from ₹ 2,200 to ₹ 3,600 per cubic feet prevailed during the usage of Kerala wood between December 2011 and March 2014.

Loss due to non-execution of agreement

2.11.5 The Company invited (September 2009) open tenders for supply of steel materials and issued (November 2009) POs to a supplier for supply of 7,350 MTs of steel items valuing ₹ 23.68 crore on firm price basis without escalation. As per the PO, the supplier was to remit security deposit of ₹ 1.18 crore (5 *per cent* value of the contract of ₹ 23.68 crore) and execute an agreement within 15 days of issue of the PO. The PO further stated that in case the supplier failed to supply the ordered quantity, the extra cost of subsequent purchase would be recovered from the supplier.

The supplier neither remitted the balance security deposit of ₹ 93.52 lakh (after adjusting Earnest Money Deposit of ₹ 24.88 lakh) nor signed the agreement. After supplying 91.35 MTs of steel valuing ₹ 0.28 crore (upto December 2009), the supplier requested (February 2010) price escalation of ₹ 5,000 per MT to resume further supplies. When the Company issued (April 2010) show cause notice for recovery of the differential cost of purchase from other sources, the supplier replied (May 2010) that in the absence of formal agreement the Company had no right to recover the higher cost. Thereafter, the Company refunded (September 2010) ₹ 18.78 lakh to the supplier after adjusting a partial amount towards the supply made. Audit scrutiny revealed that the additional cost incurred for purchase of the short supplied quantity from the open market worked out to ₹ 1.25 crore[24] which could not be recovered from the supplier due to non-entering into agreement with the supplier and non-collection of security deposit as per terms and conditions of PO.

Non-finalisation of tender within validity period

2.11.6 The Company floated (October 2010) tenders for the purchase of 504 MT of Galvanised Iron (GI) pipes of different sizes for supply of outdoor play items to the Education Department. As per tender specifications, price quoted should be valid for 90 days from the date of opening (30 November 2010) of tender. The Company obtained (January 2011) the L-1 rates of ₹ 47,590 per MT and ₹ 46,802 per MT respectively in respect of 40 mm and 50 mm GI pipes in the tender.

However, the above tender was not finalised within the validity period due to prolonged discussion regarding possibility of further reduction in the tender rates by the Tender Scrutiny Committee and the Top level Management. As the L-1 supplier refused (March 2011) to extend the validity beyond 28 February 2011, the Company decided (May 2011) to go for retender and procured the 40 mm GI pipes at the unit level at an extra cost of ₹ 6,577 per MT and 50 mm pipes at an extra cost of ₹ 7,126 per MT over and above the L-1 rate of cancelled tender. Thus, the Company incurred extra expenditure of ₹ 33.74 lakh due to non-finalisation of tender within the validity period.

The Government, in its reply, assured that such delays would not recur.

[24] Being the difference between the rates offered by the supplier (ranged between ₹30,162 and ₹ 33,466 per MT) and the rate at which materials were purchased in the open market/SAIL (ranged between ₹ 27,900 and ₹ 43,808 per MT)

Production performance

2.12 The targeted and the actual production and the resultant shortfall during the years 2009-14 are given below:

Table - 2.4

(₹ in crore)

Year	Target	Revised target	Actual Production	Shortfall (2) – (4)	Percentage of shortfall
(1)	(2)	(3)	(4)	(5)	(6)
2009-10	108.50$	112.40	128.14	---	---
2010-11	116.00	98.62	98.62	17.38	15.0
2011-12	112.00	100.00	92.80	19.2	17.1
2012-13	110.00	95.00	70.95	39.05	35.5
2013-14	100.00	97.02	96.98	3.02	3.0

(Source: Budget estimates of the Company)

$ Excluding the Target of ₹ 191.50 crore for a special order *viz.*, RGGVY scheme.

It may be seen from the table that the Company did not achieve the targeted production in any of the years except 2009-10 and the shortfall ranged from 3 to 35.5 *per cent*.

The Government directed (May 2008) all State PSUs to review their physical and financial performance at every Board Meeting. However, the shortfall in production was not analysed by the BOD in any of the meetings.

Absence of Production norms

2.12.1 During the earlier review, audit had pointed out the absence of norms for consumption of raw materials. Company had not fixed any norms so far for usage of raw materials in the manufacture of its products.

- In the absence of norms, on a comparison with the average consumption of all the units engaged in production of standard size desk and benches, audit noticed that the Company had consumed excess raw material for production of 1.19 lakh numbers of steel desk and benches resulting in avoidable extra expenditure of ₹ 0.95 crore **(Annexure-11)**.
- During the two years ending 2013-14, the Company supplied 2,207 steel book racks to the Director of Public Libraries. The PO issued therefore stipulated that each rack should have a net weight of 79 Kgs. In nine production units, which executed the above order, the material usage was higher than the norms and ranged between 79.96 Kgs and 93.50 Kgs/rack, resulting in excess usage of 12.358 MT steel valuing ₹ 7.03 lakh.

The Government replied that in future it would ensure proper monitoring mechanism by fixing standard production norms.

Cost of production

2.12.2 The Company has a vision[25] to minimise the cost of production and wastages so as to maximise its earnings. However, audit noticed instances of wasteful expenditure as detailed below:

Additional expenditure due to non-availing of duty exemptions and CENVAT credit

2.12.3 As per the provisions of the Central Excise Notification No.8/2003 (as amended in 2005 and 2007), an industrial unit can avail Excise Duty exemption upto ₹ 1.5 crore of turnover in a financial year provided the unit's excisable turnover in the previous financial year did not exceed ₹ 4 crore.

Audit noticed that four[26] production units, which were eligible for availing excise duty exemptions as per the provisions of the above notification, did not avail the exemptions during the last five years upto 2013-14 resulting in excess payment of Excise Duty amounting to ₹ 1.21 crore. The reasons for not availing Excise Duty exemptions were not on record.

Further, as per the Central Value Added Tax (CENVAT) Rules, the Excise Duty paid on the input materials are entitled for credit in the final products, provided it was supported by the CENVAT gate passes issued by the suppliers. Though the corporate office of the Company stipulated the suppliers to furnish CENVAT gate passes for all the input materials, audit observed that ten production units failed to obtain gate passes for purchase of steel and wooden materials and could not avail input credit to the extent of ₹ 13.68 lakh.

The Government replied that instructions had been issued to all the units to avail duty exemptions as per the Act.

Sales Performance

2.13 The turnover of the Company was confined[27] to sales to State Government agencies/departments and was dependant on purchase preference extended by the Government for its entire products upto December 2012 and continued preference for its furniture items till August 2014. The turnover of the Company during the five years ending 2013-14 is given below:

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25 As per the Vision Statement figured in the Citizens' charter of the Company

26 TAPAP, Tirunelveli, Thanjavur and Guindy.

27 Sales in local market being less than one *per cent* of the total sales.

Table- 2.5

(₹ in crore)

Year	Supply to TANGEDCO		Furniture to Government Departments	Other materials	Total
	Line materials	RGGVY			
2009-10	54.14	147.72	64.89	10.19	276.94
2010-11	38.83	38.43	54.79	6.71	138.76
2011-12	18.65	---	73.10	4.89	96.64
2012-13	12.66	---	56.92	3.64	73.22
2013-14	10.74	---	84.48	3.88	99.10
Total	**135.02**	**186.15**	**334.18**	**29.31**	**684.66**

(Source: Details furnished by the Company)

Analysis of the sales performance of the Company indicated that while the turnover of furniture items remained steady due to continued purchase preference by the Government, there was a sharp decline in the turnover of line materials from ₹ 54 crore in 2009-10 to ₹ 10 crore in 2013-14 due to commencement of own production (from 2009-10) by TANGEDCO, the only customer for line materials and withdrawal of purchase preference by the Government from December 2012.

Failure to penetrate open market

2.13.1 The Company's turnover in the open market through tender participation was negligible during 2009-14 as detailed below:

Table - 2.6

(₹ in crore)

Year	Sales to Government Department	Sales in open market	Total sales
2009-10	162.99 (99.56)	0.71 (0.44)	163.70
2010-11	95.92 (99.95)	0.05 (0.05)	95.97
2011-12	90.91 (99.63)	0.34 (0.37)	91.25
2012-13	70.78 (98.07)	1.39 (1.93)	72.17
2013-14 (Provisional)	98.27 (99.17)	0.82 (0.83)	99.09

(Source: Details furnished by the Company)

(Figures in brackets indicate percentage to total sales)

It is pertinent to mention that BOD noted (February 2010) that the prevailing strategy for penetrating the private market was insufficient and the Company did not carry out aggressive advertising for private sales. Therefore, it directed the Company to make adequate budget provision for advertising to capture the open market. However, the Company did not initiate any action on the above directions, as was evident from the fact that there was no expenditure on advertisement upto 2013-14 except in 2009-10 (₹ 5.33 lakh). Further, the sales to private parties continued to be negligible.

The Government replied that the BOD would examine the possibilities of product diversification and entry into the private market. In the exit conference, the Secretary assured that efforts would be taken to gradually penetrate in the private market.

Failure to compete in open tender

2.13.2 During the earlier review, Audit observed that the prices quoted by the Company in the tender were less competitive on most occasions. During the current Performance Audit, it was noticed that while the Company did not succeed in tender for engineering products, its success rate for furniture items was also very low (ranging from zero to 22 *per cent)* during the period 2011-14. Further, in 11 out of 41 tenders participated by the Company its quotation was evaluated as the highest. The comparative rates quoted by the Company and L-1 in 12 tenders between April 2011 and March 2014 are given in **Annexure -12**.

Based on the analysis of the Annexure, audit observed that the quoted rates of the Company were more than the L-1 rate by 28 to 287 *per cent.*

Two illustrative cases of incorrect estimation of cost of production leading to failure in the tenders are discussed below:

- ***Incorrect rejection of TANGEDCO's offer:*** TANGEDCO floated (October 2013) an open tender for procurement of nine items of line materials at an estimated contract value of ₹ 35.11 crore. As the rates quoted by the Company were found higher by 35 to 71 *per cent* of L-1 rate, TANGEDCO invited (January 2014) the Company to supply 40 *per cent* of the value of the tender (₹ 14.04 crore) by matching with L-1 rate. However, the Company declined (January 2014) the offer stating that the L-1 rates were unworkable.

  Audit's independent working of the estimated cost of production for each item of line materials based on the job cards of earlier years would indicate that if the Company had accepted the L-1 rate for 40 *per cent* of the contract (₹ 9.00 crore) as offered by TANGEDCO, the Company could have recovered its overheads at 25 to 48 *per cent* and used 460 MTs steel materials held in the stock by the Company (value ₹ 1.93 crore), which was usable only for line materials. Audit also noted that had the Company quoted the L-1 rates in respect of six items at the time of tender itself, it would have fetched a contract for a value of ₹ 21.04 crore which would have yielded a contribution of ₹ 6.31 crore to the Company.

The Government replied that it has decided to accept orders henceforth from TANGEDCO by matching the rates with L-1.

- ***Over estimation of raw material cost:*** In a tender for the supply of Steel Cupboard to Tamil Nadu Medical Services Corporation Limited for a value of ₹ 54 lakh, against the L-1 rate of ₹ 5,220 per cupboard, the Company quoted (November 2011) a price of ₹ 6,672 based on the estimation of the cost of raw material as ₹ 56 per kg. Audit, however, noticed that the basic price of raw material during the same period was only ₹ 44 per kg. This showed that the Company prepared the estimates, without considering the market price of the input materials, resulting in loss of order.

The Government replied that it was in the process of streamlining the raw material requirement for standard products.

Human Resource Planning

2.14 Employees' strength of the Company which stood at 4,567 (2,030 staff and 2,537 workers) in 1985-86 declined to 255 (227 staff and 28 workers) as on 01 April 2009 and 129 (118 staff and 11 workers) as on 31 March 2014 due to imposition of ban on recruitment[28] by the Government since 1994, implementation of voluntary retirement scheme, *etc*.

Based on the norms fixed (October 2012) by the Company, the minimum staff strength required in various categories *vis-a-vis* actual strength as on 31 March 2014 is given in **Annexure-13**. From the Annexure, it could be seen that the shortfall in manpower persisted throughout 2009-14. In this connection, audit observed that the BOD directed (June 2007) the Company to approach the Government for lifting the ban on recruitment. The Company approached the Government on several occasions between August 2008 and September 2013 for filling up the vacancies. However, the Government did not relax the ban on recruitment as the Company could not convince its ability to incur increased salary expenditure on account of filling up of the vacancies and remain competitive in an un-protected environment for sale of its products. Consequently, the key posts of the Company remained vacant, both at corporate office and at unit level.

The Company had 32 labourers on roll during 2009-10 which decreased to 14 in 2013-14 in eight units. As the Company outsourced the entire production activity at unit level, these workers were not engaged in any of the production activity. Thus, the wages paid to these workers amounting to ₹ 0.91 crore during 2009-14 were unproductive.

In the exit conference, the Secretary stated that after submission of the future plans to Government by the Company, there would be sanction for new recruitments.

Monitoring by the top Management

2.15 The functioning of the organisation needs to be constantly reviewed by the top management to address the deficiencies and to provide guidance for further improvements. Audit noticed that review of performance by the top management was inadequate as detailed below:

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[28] The ban on recruitment was imposed by the Government as a measure of reduction of surplus staff that prevailed in 1994.

- There were 11 MDs (including three MDs with additional charge) during the years 2009-10 to 2013-14. The average tenure of MD during this period was less than six months. Consequently, the Company did not have the continuity of leadership for a longer period.
- During the last five years upto 2013-14, the BOD did not review the investment of surplus funds on quarterly basis as required in the Government guidelines.
- Though the BOD had given approvals for commercial exploitation of land in respect of two cases, implementation of their direction were not ensured as reported in Paragraph 2.10.4.
- The Company did not place the Minutes of the Tender Committee before the BOD for their approval as pointed out *vide* Paragraph 2.11.
- A total of 22 meetings of the BOD were held during the period of Performance Audit. In 13 meetings, the BOD merely noted the performance of the Company or requested the MD to improve the performance without any suggestion for future improvement.
- In four meetings, the BOD directed the Company to improve the customer base beyond the State Government Departments. However, BOD did not insist on action taken note on this direction in the subsequent meetings.

Internal Control and Internal Audit

Internal Control

2.16 Effective internal control provides reasonable assurance to the organisation that the resources of the organisation are put to optimum utilisation with the minimum risk of errors and irregularities. During the audit, following deficiencies in the internal control were noticed:

- The Company did not have an updated manual prescribing the purchase policy, financial delegation of powers, *etc*. The internal manual prepared in 1990 was not updated during the last 24 years.
- The Company did not prepare physical verification reports of fixed assets and inventories. Consequently, it could not identify the assets impaired from the closed units and dispose them in a time-bound manner as reported *vide* Paragraph 2.8.
- The Company did not maintain record of fixed deposits showing the comprehensive data on dates of maturity, rates of interest and dates for payment of interest which prevented close monitoring.

The Government assured that appropriate actions would be taken based on the above audit observations.

Internal Audit

2.16.1 During the period 2009-14, the internal audit activity was outsourced to Chartered Accountants who reported to MD. However, the scope of internal audit did not cover the areas of checking costing records, comparison of norms with actual production, physical verification of fixed assets and inventories and confirmation of balances of debtors and creditors. The statutory auditors also noted (2012-13) that the scope of internal audit needs to be enlarged. In view of the above deficiencies, the functioning of internal audit could be strengthened to cover the gaps pointed out by the statutory auditors.

The Government replied that the audit observations on deficiencies of internal audit were noted for corrective action.

Conclusion

The Company earned profits during the period of Performance Audit, which were mainly out of the investment of surplus funds. On the other hand, the operating profit from the core activity declined from ₹ 19.83 crore to a loss of ₹ 2.77 crore.

The decline in the performance of the Company was mainly due to deficient financial management and imprudent tax planning; non-formulation of plans for business expansion/ modernisation despite having surplus funds and not having annual targets to suit the production capacity; not having plan for commercial utilisation of the land assets of the closed units which remained un-remunerative for a period ranging from one to 29 years; avoidable extra expenditure due to not following the tender system for procurement of raw materials; not setting the norms for consumption of raw material and key managerial posts being vacant.

The Company enjoyed the Government's preference for its products, but had negligible private sales and unsuccessful participation in tenders. Though these weaknesses persisted throughout the audit period, the top level management did not address these issues through effective monitoring and internal control.

Recommendations

The Company may consider the following:

- Institute a proper system of tax planning to avoid penal interest.
- Enunciate a policy for investment of surplus funds.
- Formulate a long term plan to work out long term strategies.
- Have an action plan for commercial use of land assets of closed units.
- Avoid split purchases and purchase on nomination basis.
- Fix norms for consumption of raw materials.
- Work out a strategy to enter into open market.
- Strengthen the internal control and internal audit.

During the exit conference, both the MD and the Secretary agreed with the above recommendations.

CHAPTER - III

Compliance Audit Observations

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

3.1 Adherence to the pollution control norms by State PSUs

Introduction

3.1.1 Pollution in all forms *viz.*, air, water and sound cause extensive damage to the environment and adversely affects ecological balance, which results in unquantifiable loss to the nature. The Government of India (GOI), with an aim to enforce environmental protection had enacted various Acts/Rules such as:

- The Water (Prevention and Control of Pollution) Act, 1974 (Water Pollution Act).
- The Air (Prevention and Control of Pollution) Act, 1981 (Air Pollution Act).
- The Environment (Protection) Act, 1986.
- Hazardous Waste (Management, Handling and Trans-boundary Movement) Rules, 2008.

The State Pollution Control Boards enforce the provisions of the pollution related Acts/Rules of the GOI and monitor the pollution levels in the State.

Tamil Nadu Pollution Control Board

3.1.2 The Tamil Nadu Pollution Control Board (TNPCB) was constituted by the Government of Tamil Nadu in February 1982. The main functions of TNPCB are to:

- Plan and advise the State Government for prevention and control of air and water pollution.
- Lay down effluent and pollution standards to the specific industries.
- Inspect sewage and trade effluent plants, industrial plants or manufacturing process *etc.*, for giving directions for prevention/control of Air and Water pollution by industries.

In pursuance of the above functions, TNPCB gives consent to the industries under Water (Pollution) Act for discharge of sewage and trade effluent into any stream or into sewer and to operate the plants in air pollution control areas under Air Pollution Act. The consent is issued in two stages, (i) "consent to establish" and (ii) "consent to operate".

Scope of Audit

3.1.3 In Tamil Nadu, there are 17 State owned PSUs which are engaged in manufacture of cement, sugar, mining activities, industrial infrastructure development and in public transport services, which are pollution prone industries. To ascertain the extent of compliance to the pollution norms by the above PSUs, Audit test checked (between April and July 2014) the records of a cement Company (TANCEM)[29], two sugar companies (TASCO and PSM)[30], two mining companies (TAMIN and TANMAG)[31], one industrial development company (SIPCOT)[32] and all the eight State Transport Undertakings (STUs) covering the pollution control measures taken by these PSUs during the period from April 2009 to March 2014. The Audit findings are discussed below:

Audit Findings

Operation of units of PSUs without consent and renewal from TNPCB

3.1.4 TNPCB has classified the industries into three categories *viz.*, Red[33] (highly polluting), which have to get the consent renewed annually; Orange[34] (medium polluting), which have to obtain the consent renewed annually till the effluent treatment plants and air pollution control measures are operated to the satisfaction of TNPCB and thereafter once in two years; and Green[35] (less polluting), which have to get the consent renewed once in two years. By virtue of the above provisions, the PSUs engaged in transport services, mining and cement manufacturing are required to obtain consent to operate from TNPCB for their units[36], under Air Pollution and Water Pollution Acts. They also have to obtain authorisation from TNPCB for handling hazardous wastes under Hazardous Waste (Management, Handling and Trans-boundary Movement) Rules, 2008.

Audit noticed that:

- Out of total of 291 units of STUs, 161 units (55 *per cent*) were being operated without TNPCB's consent and 196 units (67 *per cent*) were handling hazardous waste such as used oil, oil soaked cotton used for cleaning engines, acid residues, sludge from treatment of waste water arising out of cleaning of buses without any authorisation from TNPCB as of July 2014, as detailed below:

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29 Tamil Nadu Cements Corporation Limited.

30 Tamil Nadu Sugar Corporation Limited and Perambalur Sugar Mills Limited.

31 Tamil Nadu Minerals Limited and Tamil Nadu Magnesite Limited.

32 State Industries Promotion Corporation of Tamil Nadu Limited.

33 Industries like cement, industrial estates, sugar *etc.*

34 Industries like automobile servicing, repairing and painting industries, stone and granite polishing units *etc.*

35 Industries like power looms, printing press *etc.*

36 Units denote branches of STUs including recondition units, body building units, tyre plants, *etc.* and the manufacturing units of TAMIN and TANCEM.

Table: 3.1

Sl. No.	Name of the STU	Number of units	Consent to operate under Air and Water Pollution Act			Authorisation for handling Hazardous waste		
			No. of units not obtained	No. of units not renewed	Total	No. of units not obtained	No. of units not renewed	Total
1.	MTC	28	11	11	22	17	8	25
2.	SETC	19	4	5	9	19	---	19
3.	Tirunelveli	28	3	22	25	4	20	24
4.	Madurai	39	3	---	3	1	15	16
5.	Coimbatore	48	10	34	44	16	20	36
6.	Villupuram	46	26	15	41	39	7	46
7.	Kumbakonam	50	7	---	7	8	---	8
8.	Salem	33	2	8	10	2	20	22
	TOTAL	**291**	**66**	**95**	**161**	**106**	**90**	**196**

- Further, the Vermiculite plant of TAMIN did not apply for consent to operate the unit from TNPCB during the entire audit period of 2009- 2014.
- The consent of TNPCB to operate cement units of TANCEM at Ariyalur and Alangulam had expired on 31 March 2008 and 31 December 2012, respectively, which was not renewed thereafter. It was also observed that authorisation to handle hazardous wastes in respect of the above units of TANCEM, which expired on 01 July 2011 and 19 April 2006 respectively, was not renewed thereafter.

Audit observed that continued operation of large number of units of these PSUs without consent to operate was due to their not having unit-wise data on the validity of the consent orders of TNPCB and a system for renewal of the consent orders immediately on their expiry. It was further noticed that TNPCB allowed the PSUs to continue operation of the units without complying with the above statutory requirements. Consequently, the PSUs failed to comply with the statutory provisions for operation of their units.

After this was pointed out, 86 units of STUs had obtained TNPCB's consent to operate their units and also obtained authorisation to handle hazardous waste for 32 units as of November 2014.

Air pollution by PSUs

Installation of air quality monitoring system

3.1.5 TANCEM, which has two cement plants at Ariyalur and Alangulam, has been classified as a Red category industry by TNPCB in view of the high levels of air pollution.

It was noticed that TNPCB instructed (August 2004) TANCEM to install ambient air quality monitoring system around the factory at Ariyalur to observe the impact of air pollution in the surrounding areas. Audit further observed that TNPCB refused to renew the consent to operate Ariyalur unit from 2008 till date (August 2014) because the Company did not install the above monitoring system. Despite the refusal by TNPCB, the Company continued to operate the unit without installation of the monitoring system.

The Company informed (September 2014) TNPCB that it would complete installation of ambient air quality system by March 2015 as the State Government had sanctioned ₹ one crore for the purpose. However, the air monitoring system, which is considered essential for monitoring the air pollution, was not installed in the last 10 years.

Audit further noticed that as per the report (March 2014) of TNPCB, there were dust emissions at all material transfer points due to damage of bag filter. In view of this, TNPCB advised the Company to install adequate sprinkler arrangement on permanent basis to control the dust emissions. However, there was nothing on record to indicate that the directions of TNPCB on pollution controls were complied with.

Further, it was noticed that the gaseous discharges as per the survey report (September 2013) of TNPCB were in excess of the stack norms prescribed in the consent order at Ariyalur as detailed below:

Table: 3.2

	Stack-I	Stack-II	Stack-III	Stack-IV
Ariyalur	**Gaseous discharge (Nm^3 per hour)**			
As per consent order	1,56,000	1,56,000	1,93,800	1,93,800
As per report dated 30 September 2013	2,77,989	2,69,895	2,52,214	2,51,196

Non-adherence to TNPCB norms needs to be reviewed by the Company.

In Alangulam cement plant, the Electro Static Precipitator (ESP) installed was more than 30 years old which resulted in frequent failures. For continuous monitoring of its pollution levels, TNPCB directed the unit to install an Online Stack monitoring system. However, due to non-installation of the same, TNPCB had not been able to continuously monitor the pollution levels. As the continuous emission level by the cement plant had not been recorded during the entire audit period of 2009-2014, the impact of tripping of ESP was not assessed by the Company for over five years.

The Company replied (October 2014) that the deficiencies in pollution control in Alangulam unit pointed out by Audit would be rectified during modernisation of the plant. However, Audit observed that the said modernisation, which was proposed as early as in 2008 at an estimated capital investment of ₹ 195 crore, did not take place as of August 2014. Therefore, linking of the pollution control measures with the modernisation without any concrete action plan for modernisation would only result in persistence of the high levels of pollution in that area.

Adherence to emission norms

3.1.6 As per the norms of TNPCB, the permitted levels of air pollution in respect of the Particulate Matter (PM) was 100 mg/M^3 and Suspended Particulate Matter (SPM) was 500 mg/M^3.

- However, test check of records of Graphite beneficiation plant of TAMIN at Sivaganga, revealed that TNPCB had observed (March 2014) that discharge of PM being 268 mg/NM^3 was due to low efficiency of the existing bag filters. The Company replied (August 2014) that action would be initiated to provide additional air flowing system to increase the performance of the bag filters.
- Similarly, in respect of the kiln division of TANMAG, the SPM in the air was 695 mg/M^3 and 965 mg/M^3 at two different sample points. Though, TANMAG assured (September 2012) TNPCB to take corrective dust suppression measures to bring the SPM and PM within the permissible levels, it did not take adequate corrective action till the end of 2013. This was evident from the fact that the PM level at a sample point in rotary kiln divisions was 254 mg/M^3 (January 2014). Thus, TANMAG allowed the emission levels to exceed the norms without any corrective action in the last two years.
- TAMIN had to maintain Green Belt in and around the plant areas with 10,000 trees as per TNPCB norms. However, the Company was maintaining 400 (April 2014) trees within the premises, indicating inadequacy of maintenance of the green belt area.

Provision of covered storage

3.1.7 Audit observed that TASCO had no covered storage for ash collected from the boiler leading to heavy dust in the surrounding areas. Further, bagasse stored in open yard generated heavy fugitive[37] emissions as pith from the bagasse flies in the air due to blowing of wind. The Company replied (October 2014) that after construction of the bagasse yard in the project site with covered roofing, the fugitive emissions would be arrested.

Testing of emission levels of buses

3.1.8 The main cause of pollution of air by STUs is smoke emission from the engines of buses. To check the emission levels of the buses, the authorised emission testing centre of the transport authorities would issue Emission Under Control Certificate (EUCC) once in six months. During audit, it was noticed that out of eight STUs, Metropolitan Transport Corporation Limited (MTC) had obtained EUCC during the period from January 2010 to March 2014 for 6,090 vehicles from its own testing centre, without authorisations by the road transport authorities. In the absence of authorisation of the testing centres of MTC by the road transport authorities, audit could not ensure the veracity of the EUCC of MTC.

Water pollution by PSUs

3.1.9 Discharge of untreated industrial effluents into water bodies causes water pollution. The water pollution caused by the test checked PSUs is discussed below:

[37] Fugitive emissions means Pollutants released into air from leaks in equipment, pipe lines, seals, valves, *etc.*

Pollution by sugar companies

3.1.10 The pollution caused by the sugar companies are indicated by Chemical Oxygen Demand (COD), Bio-chemical Oxygen Demand (Bio-COD), and Total Suspended Solid (TSS). The actual levels of Bio-COD, COD and TSS reported by TNPCB in respect of the two sugar companies *viz.,* TASCO and PSM, during its inspection in March 2014 are indicated below:

Table: 3.3

(mg per litre)

Sl.No.	Parameter for effluents	Norm	Actual	
			TASCO	PSM
1.	Bio COD	30	84	465
2.	COD	250	1,080	2,560
3.	TSS	100	112	340

The sample test conducted by TNPCB in these sugar mills indicated that the pollution level was in excess of the norms, implying that the pollution control measures taken by the sugar mills were inadequate. Audit further noticed that:

- In respect of PSM, there were complaints from the public in December 2010 about the effluent stagnation in agricultural lands causing health ill effects. The Central Pollution Control Board (CPCB) and TNPCB also observed (August 2013 and September 2014) that the maintenance of effluent treatment plant (ETP) by the Company was poor. This indicated that the Company did not carry out sufficient corrective measures in the last four years upto 2014 to maintain the ETP to avoid letting out of effluents outside the factory premises.
- As noted (September 2008) by PSM, 8,218 MTs of molasses stored in open pit for more than 18 years became solid and unfit for consumption. Though, the Central Excise Department had permitted their destruction the Company had not done so as of August 2014. The reason for non-disposal was not available on record.

Pollution in industrial estates

3.1.11 The industrial development company *viz.,* SIPCOT allots industrial plots to the entrepreneurs in the various industrial estates across the State. The terms and conditions of allotment, *inter alia*, stipulate that the allottee units shall not dump debris, harmful wastes within the premises and shall make arrangement to treat the effluents as per the standards of TNPCB. Audit noticed that:

- The SIPCOT's Industrial estate at Ranipet in Vellore District was declared (December 2009) as a critically polluted area and ranked eighth highest in the comprehensive environmental pollution index of the Country. Though, there were two Common Effluent Treatment Plants (CETPs) installed in this Industrial Estate, TNPCB observed (January 2014) that the trade effluents discharged into the Palar river had Total Dissolved Solids (TDS) ranging from 8,300 to 8,400 mg per litre against the norm of 2,100 mg per litre. As TNPCB already noticed (August 2013) that the effluent with

TDS of 9,564 mg per litre was overflowing from the pumping station into a nearby lake, it directed (January 2014) SIPCOT to implement zero liquid discharge system in this estate. However, the same was not complied with either by the industrial units or insisted by SIPCOT as of August 2014.

- In Ranipet Industrial Estate, 103 out of 150 tanneries were using CETPs installed in the estate. TNPCB had observed (April 2011) that CETPs had not operated the treatment plants efficiently to bring the quality of treated effluents within the limit prescribed and there were complaints that land and ground water were polluted due to discharge of waste water from CETP. TNPCB again observed (January 2014) that CETP was discharging treated trade effluents through storm water channel which had reached the river Palar. However, SIPCOT, which is responsible for maintenance of the industrial estate had not ensured corrective measures to comply with the directions of TNPCB.
- As noted by SIPCOT (January/February2012), the industrial units in Hosur Industrial Complex were dumping their granite slurry/waste inside the SIPCOT premises and discharging effluent water mixed with oil content into the storm water drain. Though the Company directed (April 2014) all allottees to install Sewage Treatment Plants (STP) in their premises and treat the effluent as per PCB norms, it did not follow up its instructions for installation of STPs by the allottees.

Pollution by mining companies

3.1.12 To convert granite blocks into finished products, TAMIN has a Tiles plant at Madhepalli in Krishnagiri district. The waste water from plant is prone to create water pollution due to mixing up of cutting waste and slurry waste in the water. Audit noticed that the TNPCB had observed in August 2011 that the tiles plant was disposing the polishing waste by dumping it in useful land without any impervious layer leading to pollution in soil and water bodies of the adjoining areas, which was violative of the conditions[38] imposed (September 2013) in the consent order issued by it.

Hazardous Wastes

3.1.13 A hazardous substance is one that endangers the life of human beings and other living creatures. As per Hazardous Waste (Management, Handling and Transboundary Movement) Rules, 2008, the person generating hazardous waste shall take all steps to ensure such waste was properly handled and disposed off without any adverse effect. Audit noticed that:

- In Industrial Growth Centre, at Perundurai owned by SIPCOT, TNPCB observed (January 2014) that the Perundurai Common Effluent Treatment Plant (PCETP) had accumulated more than 10,000 MTs hazardous sludge, and 6,000 MTs of industrial salts without any disposal. After being

[38] (a) The unit shall completely recycle the trade effluent back into process after treatment in Effluent Treatment Plant.
(b) The unit shall treat and dispose the sewage through septic tank arrangement only.
(c) The unit shall not let out any effluent outside the premises.
(d) The unit shall dispose the solid wastes like cutting waste and slurry waste for beneficial uses and shall not dispose outside the premises/roadside/private land *etc.*, which invites public complaints.

pointed out by Audit, the PCETP had dispatched (July 2014) 500 tons of solid waste to a cement factory for their re-use and also sent samples to research institutions for examining the possibility of usage in the stored salts.

- TNPCB had also observed that 160 MTs of solid chemical sludge and 170 MTs of recovered salts accumulations at Perundurai Leather Industries Eco- Security Private Limited were causing unhygienic odour and severe air pollution in the surrounding area (April 2014).
- In Ranipet Industrial Complex, Tamil Nadu Chromites and Chemicals Limited had accumulated and dumped about 2.27 lakh MT of chromium bearing solid waste at the backyard of the unit which was not in operation since 1995. Consequently, the soil and the ground water had been contaminated and spread to a distance of 2.5 KMs.

Audit observed that though the conditions of allotment of plots to industries stipulated that the allottee should not dump harmful waste materials within SIPCOT premises, there was huge accumulation of hazardous wastes indicating that SIPCOT failed to prevent the CETPs from storing the hazardous wastes within its premises.

- The Chrompet Depot of MTC had authorisation from TNPCB to handle only 5,760 litres of hazardous waste per year for five years upto February 2013. During audit, it was noticed that the authorisation which had expired in February 2013 was not renewed thereafter. Moreover, the unit was handling more than one lakh litres *per annum* during all the five years period ending February 2014. Thus, the Company failed to comply with the pollution control requirements both for operating the unit as well as handling of hazardous wastes.

Submission of environmental statement

3.1.14 Rule 14 of the Environment (Protection) Rules, 1986, stipulated submission of environmental statement by every industry covered under the provisions of the Environmental Laws ending 31 March every year in the prescribed form before the expiry of the 30 September of that year. However, the said statement for the previous years were not submitted by all the eight STUs during the period from 2009-10 to 2013-14.

The matter was reported to the Government/Company in September 2014; their reply was awaited (November 2014).

Conclusion

During test check, Audit noticed that the State PSUs were not compliant with the pollution control norms as was evident from the fact that (i) the STUs, cement and mining companies did not have consent/authorisation of TNPCB to operate their units; (ii) the emission and gaseous discharges of cement and graphite units of PSUs were in excess of the limits prescribed by TNPCB; (iii) a sugar Company discharged trade effluents in habitant areas; and (iv) the industrial development Company failed to prevent the polluting industrial units in its industrial estate from discharging hazardous effluent in the neighbouring areas. Though, CPCB/TNPCB had issued notices observing the above violations, no remedial measures were taken by these PSUs.

Metropolitan Transport Corporation (Chennai) Limited

3.2 Avoidable payment of entry tax

Though the Tamil Nadu Tax on Entry of Motor Vehicles Act, 1990 (Act) provided for getting drawback/set-off of entry tax paid, the Company was neither aware of the set-off nor sought refund from the tax authorities resulting in overpayment of ₹ 11.27 crore with interest loss of ₹ 4.73 crore

As per Section 3 of the Act, on entry of any vehicle into Tamil Nadu from other States, entry tax at the prescribed rate has to be paid by the importer of the vehicles. As per Section 4 of the Act, if the importer purchased the vehicle for his own use, the liability towards entry tax would be limited to only the difference between the rate of entry tax payable and the tax paid under General Sales Tax in force in the State of purchase of motor vehicle. Rule 8 of Tamil Nadu Tax on Entry of Motor Vehicles Rules, 1990 formed under the above Act, stipulates that the importer not being a dealer was entitled to get drawback/set-off of the entry tax paid by submitting proof of General Sales Tax paid in the State of purchase.

Metropolitan Transport Corporation (Chennai) Limited (Company) purchased 130 air-conditioned (AC) buses during 2007-08, 2008-09 and 2009-10 from M/s Volvo Buses India Limited, Bangalore for its own use at a cost of ₹ 93.78 crore which included Value Added Tax (VAT) of ₹ 11.27 crore paid to the Government of Karnataka. The Company also paid ₹ 12.77 crore of entry tax for these purchases to the Government of Tamil Nadu. However, the entry tax paid was not set off against VAT paid in Karnataka as of July 2014.

In this connection, Audit observed that:

- As per the provisions of the Act, the Company's liability towards entry tax was to be restricted to ₹ 1.50 crore, *i.e.*, ₹ 12.77 crore of entry tax payable to Government of Tamil Nadu less VAT of ₹ 11.27 crore paid to Government of Karnataka. However, it neither restricted its payment of entry tax to ₹ 1.50 crore nor claimed refund of entry tax amounting to ₹ 11.27 crore by submitting proof of payment of VAT in Karnataka as per the provisions of the Act by filing a separate return to the Sales Tax Authorities.

- The Company is dependent on borrowings, carrying an interest ranging from 10.5 to 12.2 *per cent per annum* from the financial institutions and the commercial banks, for its working capital needs. The avoidable payment of entry tax of ₹ 11.27 crore out of borrowed funds also led to minimum loss of interest of ₹ 4.73 crore[39] in the last four years from 2010-11 to 2013-14.

Thus, the Company paid avoidable entry tax amounting to ₹ 11.27 crore in

39 Worked out at the minimum cash credit interest rate of 10.5 *per cent per annum* for ₹ 11.27 crore for four years from 2010-11 to 2013-14.

excess of the actual requirement of the Act and also suffered loss of interest of ₹ 4.73 crore for such payment.

On being pointed out (February 2013) by Audit, the Company replied (July 2014) that it had taken up the matter with the Commercial Tax Officer, Government of Tamil Nadu for refund of the entry tax.

The matter was reported to the Government in July 2014; their reply was awaited (November 2014).

Tamil Nadu Civil Supplies Corporation Limited

3.3 Avoidable extra expenditure

In three instances, the Company incurred avoidable extra expenditure of ₹ 3.85 crore due to its erroneous decisions to purchase dhalls at higher rates despite availability at lower rates in the previous or subsequent valid tenders

Tamil Nadu Civil Supplies Corporation Limited (Company) procures rice, wheat, sugar, dhall, *etc.*, for supply to Public Distribution System and other welfare schemes of the State Government. As a part of the procurement activity, the Company purchases pulses in the open market through open tenders. The details of purchase of pulses through open tender in 2012-13 test checked by Audit are given in **Annexure-14**.

Audit analysis of these tenders indicated the following irregularities:

Purchase of Urid dhall

3.3.1 In the tender (27 June 2012) for purchase of Urid dhall, the Company obtained the lowest rate of ₹ 46,570 per MT for supply of 9,000 MT by six tenderers. But, the Company placed orders (6 July 2012) for supply of 7,500 MT on these six tenderers at the lowest rate of ₹ 46,570 per MT. The reduction by the Company was due to restricting the quantity of supply to 1,250 MT of two tenderers instead of their offered quantity of 2,000 MT during negotiation. In this connection, Audit observed that the rate obtained for purchase of Urid dhall in the next tender of 16 July 2012 was ₹ 51,125 per MT (for a quantity of 7,150 MT). Had the Company placed orders for the entire offered quantity of 9,000 MT instead of restricting the same for 7,500 MT, it could have avoided an additional expenditure of ₹ 68.33 lakh.

Purchase of Toor dhall

3.3.2 As per the provisions of Tamil Nadu Transparency in Tender Rules, 2000 (Tender Rules), the procuring agencies have power to increase/decrease the tendered quantity upto 25 *per cent* at its discretion. Further, the agreements finalised by the Company for purchase of dhall also provided for decrease/increase of the ordered quantity upto 25 *per cent*.

Based on the first tender opened on 30 August 2012, the Company placed (12 September 2012) Purchase Order (PO) on eight suppliers for 18,750 MTs of Toor dhall at a price of ₹ 67,201 per MT against the tendered quantity of 15,000 MTs. The increase in the ordered quantity was made by invoking the provisions of Tender Rules. Audit observed that when the Company invited the next tender on 28 September 2012, it obtained the reduced rate of ₹ 60,950 per MT of Toor dhall and there was a left over quantity of 2,987 MTs in the previous PO of 12 September 2012. Had the Company cancelled this balance quantity and placed orders at the reduced rate of ₹ 60,950 per MT, as per the enabling provision in the agreement, it could have avoided an extra expenditure of ₹ 1.87 crore. It is pertinent to mention that four suppliers who had participated in the tenders of both 30 August and 28 September 2012 supplied 1,891 MT of Toor Dhall at the higher rate of ₹ 67,201 per MT in October 2012 instead of at the rate of ₹ 60,950 per MT. Consequently, the Company extended undue benefit to these suppliers to an extent of ₹ 1.18 crore {1,891 MT X ₹ 6,251 (₹ 67,201 – ₹ 60,950)}.

Purchase of Canadian Yellow Lentil dhall (Yellow dhall)

3.3.3 As per the provisions of the Tender Rules, the tender accepting authority have powers to place orders at different rates with different suppliers in the ascending order when the total offered quantity of the L-1 was less than the required quantity. The Company, through tender, obtained (5 November 2012) the rate of ₹ 36,950 per MT from L-1 for supply of 1,000 MT of Yellow dhall. During negotiations (5 November 2012), L-2 and L-3 tenderers agreed to supply 1,000 MT each at the rate of ₹ 37,444 per MT and ₹ 37,786 per MT respectively. Two more tenderers agreed to supply 1,000 MT and 500 MT respectively at the uniform rate of ₹ 37,800 per MT. Though the tender committee resolved (5 November 2012) to purchase 4,500 MT from the above five tenderers (including L-1) at their offered rates, the Company finally entered (21 November 2012) into agreement only with L-1 tenderer for purchase of 1,000 MT of yellow Dhall. In the next tender that was opened on 20 November 2012, the L-1 and nine other tenderers agreed to supply 14,375 MT at the negotiated rate of ₹ 41,400 per MT. Audit observed that since the Company was aware of hike in prices of the next tender (20 November 2012) before issue of PO for the previous tender (21 November 2012), it could have placed orders on L-2 to L-5[40] of the first tender for a quantity of 4,500 MT as per the provisions of the Tender Rules mentioned above instead of purchasing this quantity in the next tender at the higher rate of ₹ 41,400 per MT and avoided the additional expenditure of ₹ 1.30 crore.

Thus, the Company incurred avoidable extra expenditure of ₹ 3.85 crore due to its erroneous decisions to purchase dhalls at higher rates despite availability of lower rates either in the previous or subsequent valid tenders.

The matter was reported to the Government/Company in August 2014; their reply was awaited (November 2014).

[40] L-2 rate: ₹ 37,444 for 1,000 MT; L-3 rate: ₹ 37,786 for 1,000 MT; L-4 and L-5 rate: ₹ 37,800 for 1,000 MT and 500 MT respectively.

Tamil Nadu Minerals Limited

3.4 Wasteful expenditure

Delay in purchase of own excavators despite availability of funds and continuous hiring of excavators led to wasteful hire charges to the extent of ₹ 2.59 crore

Tamil Nadu Minerals Limited (Company) uses both owned and hired hydraulic excavators of different capacities for separation of granite blocks from the mother bed in the quarries. As early as in 2002, the Company was aware that use of own excavators is cheaper[41] than the hired ones.

Between 2002 and 2004, the Company acquired 11 excavators. Due to efflux of time, five of these excavators were condemned during 2008 to 2010. For replacement and for augmenting own excavators, the Company continuously made budget provisions in the five years ending 2013-14, as detailed below:

Table: 3.4

Year	Number of excavators proposed to be purchased in the budget	Budgetary sanction (₹ in crore)	Actual procurement	Hire charges (₹ in crore)
2009-10	3	1.65	NIL	3.56
2010-11	3	2.60	NIL	3.86
2011-12	9	7.25	NIL	5.06
2012-13	13	11.40	NIL	8.97
2013-14	9	8.20	2	13.48

(Source:Annual capital expenditure budgets and Annual Accounts)

From the above, it could be seen that the Company did not procure even a single excavator as per budget allocations upto 2012-13, but incurred expenditure towards hiring of excavators, which increased from ₹ 3.56 crore in 2009-10 to ₹ 13.48 crore in 2013-14. This was despite the fact that the Company had surplus funds ranging from ₹ 30.00 to ₹ 64.00 crore parked in fixed deposits and in savings accounts during the years from 2009-10 to 2013-14. Audit analysis of the procurement of own excavators revealed as under:

- The Company at the time of seeking approval for their budget from the Board of Directors (BOD), did not justify lapsing of the previous year's budgetary provision for purchase of excavators. The BOD also gave blanket approvals in subsequent year budget allocations for procurement of excavators without obtaining any explanation for lapsing of the previous

[41] Estimated annual savings by the Company in 2002 was ₹ 7.00 lakh per excavator. In 2013-14, the savings was estimated at ₹ 28.80 lakh per excavator.

year budget allocation.

- In February 2011, the Company placed a PO for procurement of one excavator at a value of ₹ 73.50 lakh with the concessional customs duty of 3.09 *per cent*[42] subject to production of license under Export Promotional Capital Goods (EPCG) scheme within the delivery schedule of four weeks. However, the Company was not aware that the validity of the EPCG license held by it had already lapsed due to "NIL" export. Thus, commitment made to produce license under EPCG scheme without knowing its validity led to cancellation of PO.
- The Company floated a tender in April 2013 and issued (June/July 2013) POs for two excavators at a total landed cost of ₹ 1.76 crore. These excavators were received and commissioned during September/December 2013. Though, the requirement for own excavator increased from three in 2009-10 to 13 in 2012-13, the Company delayed purchase of these excavators for four years upto 2013-14 and finally procured only two excavators during 2013-14 due to indecision about buying excavator which led to continued incurring of hire charges during the periods of delay. Had the Company purchased at least three excavators as per the budget allocation in the year 2009-10 itself, it could have saved hire charges of ₹ 2.59 crore (at the rate of ₹ 28.80 lakh of savings per excavator estimated by the Company for three years upto 2012-13).

The Government replied (August 2014) that during 2009-10, it was decided to set up Granite Cutting and Polishing Unit at Melur at a capital cost of ₹ 34.25 crore. As this project needed investment of more than ₹ 30 crore, further investment in purchase of excavators was not considered. But budget provision for purchase of excavators was exclusive of the budget provision for establishment of the polishing unit at Melur.

Poompuhar Shipping Corporation Limited

3.5 Wasteful expenditure

Failure to include a clause in the agreement with the vessel owner for recovering the stevedoring charges paid to the independent contractor resulted in wasteful expenditure of ₹ 2.44 crore

The Company organises ocean movement[43] of coal required by the thermal power stations of Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO) to the discharge ports at Ennore and Tuticorin by operating its three own vessels and by engaging private vessels on charter hire basis.

The Company hired (February 2002) a vessel[44] for 10 years of operation (upto February 2012) between Paradip and Ennore/Tuticorin ports. The charter hire

42 Against the normal customs duty of 24.13 *per cent*.
43 Movement of coal through sea.
44 M.V.Gem of Ennore.

charges payable for this vessel ranged between ₹ 7.87 lakh and ₹ 14.49 lakh per day during the first (2002-03) to 10th (2012-13) year of operation. As this vessel was fitted with craned hopper self unloader[45], the hire charges payable were inclusive of stevedoring charges[46]. However, unloading of coal by the craned self unloader of the vessel was possible only in Ennore and not in Tuticorin port as there was no mechanical supporting facility for subsequent movement of unloaded coal from the vessel's hopper to coal jetty. Therefore, in Tuticorin port, TANGEDCO engaged private contractor for handling of coal discharged by the vessels with or without craned self unloaded facility and paid separate stevedoring charges on tonnage basis (at ₹ 22.69 per MT in all the three years upto 2012-13).

In view of the requirement to pay separate stevedoring charges to the coal handling contractor in Tuticorin port, irrespective of similar payment to the vessel owners, it was imperative for the Company to make suitable provision in the agreement for deducting stevedoring charges from the hire charges payable to the vessels which did not provide any unloading service in Tuticorin Port. However, Audit noticed (May 2014) that the Company did not make such provision for deduction of stevedoring charges either in the 10 year agreement valid upto February 2012 or in the one renewed thereafter for next three years and nine months (with effect from October 2012[47]). During the three years of its operation (starting from August 2010 to December 2012), the vessel made 21 voyages from Paradip to Tuticorin and unloaded 10.75 lakh MT of coal. The Company paid the agreed charter hire charges (which was inclusive of stevedoring charges) to the vessel during these voyages. In addition, TANGEDCO paid separate stevedoring charges of ₹ 2.44 crore to the coal handling contractor for unloading of the above quantity of coal.

As the vessel owners do not perform any unloading services in Tuticorin, the Company should have included a clause in the agreement for recovering the stevedoring charges which was separately paid to the independent contractor. The failure to include such a clause resulted in wasteful expenditure of ₹ 2.44 crore. As the present agreement for the vessel would continue upto July 2016, the wasteful stevedoring charges would continue to be paid whenever this vessel is operated to Tuticorin port.

The Government replied (September 2014) that the decision for diversion of vessel to Tuticorin port was taken based on the requirement of TANGEDCO and not on the request of the owner of the vessel. Hence, the stevedoring charges of ₹ 2.44 crore could not be recovered from the owners. The reply is not convincing because the contract provides for voyage of the vessel both to Ennore and Tuticorin and the same was not a diversion. The wasteful expenditure incurred could have been avoided, had the Company included an enabling provision in the agreement for excluding stevedoring charges whenever the vessel sailed to Tuticorin.

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45 A mechanical device fitted into the vessel for unloading of coal without any manual interruption upto the coal jetty (a temporary storage point for coal).

46 Charges payable for unloading of coal through hopper at the discharging ports.

47 During the intervening period from February 2012 to October 2012, the Company gave temporary extensions to the existing contractor at the hire charges applicable for the 10th year of operation.

Tamil Nadu Cements Corporation Limited

3.6 Overpayment of gratuity

The Company paid ₹ 1.78 crore of gratuity in excess of the ceiling fixed by the Payment of Gratuity Act, 1972

Tamil Nadu Cements Corporation Limited (Company)'s service rules provide for regulating payment of gratuity to its retiring employees as per the provisions of the Payment of Gratuity Act, 1972 (Act), enacted by the Government of India (GOI) and the amendments issued by GOI to the Act from time to time. Based on GOI's amendments issued (July 1998) to the Act raising the ceiling of gratuity to ₹ 3.50 lakh with effect from 24 September 1997, the Company also enhanced (November 1998) the gratuity ceiling retrospectively from the effective date of GOI's amendment order.

GOI once again enhanced (24 May 2010) the gratuity limit from ₹ 3.50 lakh to ₹ 10.00 lakh. The State Government endorsed the GOI's Gazette notification enhancing the ceiling of gratuity amount to ₹ 10 lakh, only in June 2010 for compliance by the State PSUs/Boards. In the meantime, the Board of Directors (BOD) adopted (October 2009) the State Government's order dated 1 June 2009 increasing the maximum limit of gratuity to ₹ 10.00 lakh, with retrospective effect from January 2007, which was applicable to Government pensioners only and not to employees of State PSUs. However, the Company paid gratuity at the enhanced limit of ₹ 10.00 lakh to 91 management category employees who retired between January 2007 and April 2010. The amount of gratuity paid to these employees in excess of the earlier ceiling of ₹ 3.50 lakh fixed by the Act of GOI worked out to ₹ 1.78 crore.

In this connection, Audit observed that:

- The Company's decision to increase the ceiling of gratuity to ₹ 10.00 lakh with effect from January 2007 was against the provisions of the Act as the increase was given effect to by GOI only in May 2010. Therefore, the payment of gratuity considering the enhanced ceiling of ₹ 10.00 lakh with effect from January 2007 based on the order applicable only to State Government pensioners was not only unwarranted but also resulted in avoidable overpayment of ₹ 1.78 crore to the retired employees.
- Audit observed that the other sister PSUs[48] had enhanced the gratuity ceiling at ₹ 10.00 lakh only effective from October 2010 based on the GOI's amendments, indicating that the enhancement of the gratuity ceiling by this Company was premature.

The Company replied (June 2014) that it was an established procedure to adopt the State Government's order as and when it was issued. The reply was untenable because the payment of gratuity to the employees of the Company

[48] Tamil Nadu Industrial Development Corporation Limited, Tamil Nadu Small Industries Corporation Limited, Tamil Nadu Minerals Limited and all the eight State Transport Corporations.

was to be regulated based on the Act of GOI after direction by the State Government for its compliance by the State PSUs.

The matter was reported to the Government in June 2014; their reply was awaited (November 2014).

IT Expressway Limited

3.7 Avoidable expenditure

Award of work without arranging for encumbrance free site led to cancellation of the contract and subsequent award of the balance work to another contractor resulting in avoidable expenditure of ₹ 1.62 crore

IT Expressway Limited[49] (Company) awarded (February 2011) through call of tenders (December 2010) the work of formation of service road and foot path for a length of 17 KMs to a contractor[50] for a firm price of ₹ 44.50 crore for completion by December 2011. As per the agreement, the entire stretch was to be handed over to the contractor within 90 days from the date of signing of agreement, *i.e.*, by May 2011. However, the Company handed over only 12.20 KMs stretch by September 2011. Due to delay in handing over the site, the Company agreed (May 2012) to the request of the contractor for extension of time (EOT) upto September 2012 for completion of 12.20 KMs stretch. In respect of balance four KMs stretch, which was not yet handed over, the contractor demanded (August 2012) revision of Bill of Quantity (BOQ) rates based on the current market rates. The Company worked out (September 2012) the allowable contract price as ₹ 7.68 crore for the balance four KMs. As the contractor was not willing to execute the work at this price, the Board of Directors (BOD) of the Company decided (December 2012) to delete the portion of the work from the scope of the existing contractor and retendered (September 2013) the work in four KMs stretch at a revised estimated value of ₹ 8.95 crore[51]. The contract was awarded (February 2014) to another contractor for a value of ₹ 9.83 crore for completion within four months. The work was under progress as of August 2014. Audit observed that:

- The work relating to four KMs was not handed over to the contractor till June 2012 because the Company did not hand over the encumbrance free site for carrying out the work. As the value of the balance work as per the schedule of rates of 2012-13 was ₹ 8.21 crore, the Company should have offered the contract value at ₹ 8.21 crore to the contractor instead of ₹ 7.68 crore. Further, after deciding to retender in December 2012, there was delay upto September 2013 in retendering the work and finally the Company retendered (February 2014) the work at a contract price of ₹ 9.83 crore. Consequently, the Company incurred an avoidable extra expenditure of ₹ 1.62 crore (₹ 9.83 crore – ₹ 8.21 crore) due to its failure to

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49 A subsidiary Company of a State PSU created (April 2003) as a Special Purpose Vehicle Company for formation and maintenance of six lane IT Corridor between Madhya Kailash and Siruseri.

50 SPL Infrastructure Private Limited, Chennai.

51 The revised estimate was prepared based on the schedule of rates of 2013-14.

offer the prevailing market price of ₹ 8.21 crore to the existing contractor and subsequent delay of 14 months in awarding the contract to a new contractor.

The Government replied (December 2014) that the decision to finalise a separate tender for four KMs was taken by BOD in its meeting held on December 2012 considering the slow progress of work by the contractor. The reply is not convincing because there was delay on the part of the Company in handing over the encumbrance free site to the contractor upto June 2012 and subsequent delay in finalisation of the second contract, which led to incurring of avoidable extra expenditure of ₹ 1.62 crore.

Tamil Nadu Small Industries Development Corporation Limited

3.8 Wasteful expenditure

The Company which became liable to pay service tax for services from July 2003, did not collect service tax from its clients but paid ₹ 1.27 crore of service tax including interest from its own sources

Tamil Nadu Small Industries Development Corporation Limited (Company) formed (March 1970) with the objective of promoting small and medium enterprises in the State has so far established (March 2014) 94 industrial estates throughout the State. These industrial estates are managed and maintained by 21 branches of the Company, which collect maintenance charges and rent from the allottees through standard agreements with them.

Consequent upon the amendment to the Finance Act, 1994 (Act), the services being provided by the Company *viz.*, Business Auxiliary Services[52], Management and Maintenance or Repair Services[52] and Renting of Immovable Property[52] attracted service tax. The Act further provided for registration of the service provider with Central Excise Department (Department) for remittance of service tax on receipt of the consideration towards the taxable service.

Audit noticed that though the Company became the service provider by virtue of the provisions of the Act, it did not register all its branches as service providers with the department from the applicable dates. The entire services of all the branches were registered with the Department only in June/September 2011. In the meantime, the demand for payment of service tax was received by the registered branches from January 2009 onwards. Instead of collecting the service tax from the clients based on the demand notices, the Company directed (February 2010) the branches to remit the service tax to the Department by treating it as its own expenditure without collecting the same from the clients during the unregistered period. The Department issued (April 2011) show-cause notice demanding service tax from 2005-06 to 2009-10 and also issued order (March 2013) confirming the demand towards service tax. Based on the above, the payments of ₹ 1.40

[52] With effect from 1 July 2003, 16 June 2005 and 1 June 2007, respectively.

crore made by the branches during 2011-12 and 2012-13 were treated as Company's own expenditure during the above financial years. Audit observed that:

- The service tax is an item of expenditure which should be recovered from the clients through their monthly bills of rent and other maintenance charges and paid to the Department. However, in the instant case, the Company did not make any attempt to recover the service tax from the clients even after receipt of demand notices from the Department.
- As per Section 75 of the Act, the service provider who fails to credit tax to the Department was liable to pay interest[53]. During the period from June 2005 to March 2011, the Company's failure to pay service tax within the due dates also attracted interest which worked out to ₹ 28.17 lakh. The instance of payment of interest indicate absence of system within the Company to comply with statutory provisions at branch level and lack of co-ordination at Head Office to ensure that branches pay statutory levies on the respective due dates.

Thus, absence of system to ensure compliance with statutory provisions for collection and payment of service tax within the due dates led to wasteful expenditure of ₹ 1.27 crore.

The Government replied (October 2014) that it had now evolved a system to demand the service tax from the clients and remit the same to the service tax Department.

Tamil Nadu Generation and Distribution Corporation Limited

3.9 Purchase of power through short term tenders

Introduction

3.9.1 TANGEDCO is engaged in generation and distribution of power in the State. It meets the demand for power from its own generating stations and from Central Generating Stations (CGS)[54]. It also purchases power from private power producers through long/medium term agreements and from the traders through short term tenders. The details of power augmented from various sources during the last four years upto 2013-14 is given below:

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[53] The minimum and maximum rate of interest shall be 10 *per cent* and 36 *per cent per annum*.

[54] These include National Thermal Power Corporation, Neyveli Lignite Corporation's Stations I and II and Expansions I and II, Madras Atomic Power Station, Kaiga Atomic Power Station, Talchar Station II and Vallur Gas Plant.

Table: 3.5

Year	Total Consum -ption (In MU)	Own Generation		Power Purchase		Details of Purchase					
						Long/Medium term purchase				Short Term Purchase	
						Central Generating Stations		Private Generators			
		In MU	%	In MU	%	In MU	%	In MU	%	In MU	%
2010-11	76,071	25,639	34	50,432	66	21,634	28	17,219	23	11,579	15
2011-12	76,535	27,942	37	48,592	63	21,347	28	17,407	22	9,838	13
2012-13	74,872	25,301	34	49,571	66	21,677	29	20,959	28	6,935	9
2013-14 (Provisional)	85,830	31,276	36	54,554	64	24,137	28	17,951	21	12,466	15

It could be seen from the above table that the demand for power upto 65 *per cent* was met from own sources of TANGEDCO and the entitled share of power from CGS. For balance quantum of power, TANGEDCO was dependent on private sources through long-term/short-term agreements. The heavy dependence on private sources was attributable to low capacity addition of own generation due to delayed completion of projects taken up for execution and not taking up implementation of identified projects, as reported in Chapter-III of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2010 (Commercial).

The Ministry of Power, Government of India issued (January 2005) policy guidelines for procurement of power on long term (more than seven years) and medium term (one to seven years) basis to ensure certainty in arrangement for deficit power. But, TANGEDCO did not initiate long/medium term arrangements for purchase of power upto June 2011. It resorted to only short term arrangement (less than or equal to one year period) for purchase of power from the traders and purchased 9 to 15 *per cent* of requirement from the power traders on short term tender. To assess the efficiency of system for short-term purchase of power from traders, audit test checked (March to July 2014) 15 out of 18 tenders floated during 2010-14. The audit findings are discussed below:

Procurement planning

3.9.2 As per Board note of TANGEDCO, it anticipated (June 2010) continuous deficit in supply of power in the eight years upto 2016-17 ranging from 1,193 MW (2016-17) to 3,860 MW (2009-10). But, it initiated medium term arrangement for purchase of power only in June 2011 and finalised an agreement for purchase of 100 MW power in January 2012. The drawal of power under this agreement commenced only from June 2013 due to delay in arrangement of corridor for import of power from other States. Likewise, TANGEDCO invited tenders for purchase of power on long-term basis only in December 2012 and finalised (between August and December 2013) 11 power purchase agreements for purchase of 3,330 MW of power over a period of 15 years. Two out of 11 suppliers commenced their supply in January and May 2014. Thus, delay in initiating procurement of deficit power under long/medium term arrangement, without any recorded reasons, led to finalisation of 18 tenders on short term basis in quick succession between May 2010 and December 2012 as detailed in **Annexure–15.**

Short-term procurement of power

3.9.3 The short term procurement of power by TANGEDCO is governed by the Tamil Nadu Transparency in Tender Act. The quantum of power to be purchased is determined based on the proposal from Load Despatch Centre at the Company's Headquarters, which forecasts the deficit in supply of power on monthly basis. Tenders are invited from CERC approved traders/utilities. The bids received are evaluated by comparing the base rate duly loaded with the Short Term Open Access charges and transmission loss upto the Tamil Nadu periphery. Bidders other than the lowest bidder, are offered to match the lowest rate where more than the quantum offered by the lowest tenderer is required. Audit analysis of the operation of the multiple tenders for procurement of power for the same period revealed the following:

Extra expenditure due to procurement of power at higher rates

3.9.4 TANGEDCO did not consolidate the quantity of power to be procured for shorter periods either on quarterly or on half yearly basis to ensure committed supply with firm price over a period of time as a good practice. Instead, TANGEDCO finalised multiple tenders for the same supply period/month. Moreover, the rates obtained in these tenders also fluctuated heavily within short durations ranging between ₹ 3.30 to ₹ 6.95 per unit as detailed in **Annexure-15**. Due to operation of many tenders with the same supply period, the suppliers took advantage of the higher rates and supplied maximum quantity of the tender with higher rates without fulfilling their supply obligation for tenders with lower rates. Two illustrative cases of this *lacuna* are discussed below:

- TANGEDCO floated (December 2010) a tender for purchase of 1,000 MW power for the months of February to May 2011. TANGEDCO again floated (February 2011) another tender for purchase of further quantity of 700 MW for the months of March and April 2011. One[55] who participated in both the tenders quoted two different rates for supply in the months of March and April 2011 as detailed below:

Table: 3.6

Month of supply	Tender Number	Agreed Quantity (in MUs)	Supplied Quantity (in MUs)	Quantum of short supply (In MUs)	Rate per unit (in ₹)	Tender Number	Rate per unit (in ₹)	Agreed Quantity (in MUs)	Supplied Quantity (in MUs)	Quantum of short supply (In MUs)
March 2011	7 of 2010	32.066	20.177	11.889	4.76	5 of 2011	6.75	13.764	20.807	(-)7.043
April 2011	7 of 2010	64.343	29.092	35.251	5.17	5 of 2011	6.75	18.720	35.251	(-)16.531
TOTAL		**96.409**	**49.269**	**47.14**				**32.484**	**56.051**	

From the above table it could be seen that there was short fall in supply (47.140 MUs) against the agreed quantum of 96.409 MUs of power for the months of March and April 2011 against Tender No.7 of 2010, where the rate

[55] M/s Power Trading Corporation Ltd (PTC).

quoted was lower. But, TANGEDCO allowed PTC to supply 33 MUs of power as per Tender No.5 of 2011, which was also simultaneously in operation at higher rate, resulting in excess payment of ₹ 7.94 crore (₹ 1.99 X 11.889 MUs = ₹ 236.59 lakh + ₹ 1.58 X 35.251MUs = ₹ 556.97 lakh).

3.9.5 Similarly, another supplier[56] agreed to supply power at ₹ 5.32 per unit in Tender No.4 and ₹ 5.50/ ₹ 5.65 per unit in Tender No 5 for the months of March and April 2011 respectively as detailed below:

Table: 3.7

Month of supply	Tender Number	Agreed Quantity (in MUs)	Supplied Quantity (in MUs)	Quantum of short supply (In MUs)	Rate per unit (in ₹)	Tender Number	Rate per unit (in ₹)	Agreed Quantity (in MUs)	Supplied Quantity (in MUs)	Quantum of short supply (In MUs)
March 2011	4 of 2011	5.952	5.208	0.744	5.32	5 of 2011	5.50	16.320	8.493	7.827
April 2011	4 of 2011	11.023	4.853	6.17	5.32	5 of 2011	5.50	6.480	6.174	0.306
April 2011	4 of 2011	3.43	Nil	3.43	5.32	5 of 2011	5.65	7.200	3.430	3.77
		20.405	**10.061**	**10.344**				**30.000**	**18.097**	**11.903**

There was a shortfall of 10.344 MUs against the agreed quantity of 20.405 MUs in Tender No.4 of 2011, wherein the lower rate was quoted. But, TANGEDCO allowed the supplier to supply 18.097 MUs of power based on Tender No.5 of 2011, which was at higher rate. Consequently, TANGEDCO incurred extra expenditure of ₹ 23.77 lakh due to acceptance of power at higher rates of the subsequent tender instead of paying for the same at lower rates of the previous tender.

The Government in its reply (December 2014), stated that power market trend will vary dynamically and it will not be logical to compare a price prevailing at a particular point of time for particular quantum to some other price at some other time for some other quantum. The reply is not tenable, as audit observation is on not availing the full quantum of power contracted at lower price for a particular period, but procuring at a higher price during the same period.

Unintended benefit to intra-state suppliers

3.9.6 TANGEDCO, while inviting tender for purchase of power from the traders, allowed them to source the supply both from inter-State suppliers[57] and intra-State suppliers[58]. The evaluated price payable for power sourced from inter-State suppliers would include (i) Base rate of energy (ii) Short-Term Open Access (STOA) charges[59] and (iii) cost of transmission loss from the source of generator outside the State upto Tamil Nadu periphery. In

56 M/S Global.

57 Inter-state suppliers generate power outside Tamil Nadu and supply power to TANGEDCO.

58 Intra-state suppliers generate power within Tamil Nadu and supply power to TANGEDCO.

59 Charges payable to Power Grid Corporation for corridor arrangement of wheeling of power from source outside the State upto Tamil Nadu periphery.

respect of supply source within Tamil Nadu, only base rate of energy was payable and STOA charges and cost of Transmission loss upto Tamil Nadu periphery was not payable as these costs were not incurred by the suppliers within the State.

Audit observed that

- In respect of four tenders[60], where the source of supply was within Tamil Nadu, TANGEDCO allowed cost of transmission loss upto Tamil Nadu periphery in line with rates paid to inter-State suppliers. The cost of transmission loss allowed ranged between ₹ 0.18 to ₹ 0.55 per unit in respect of these tenders. Consequently, for purchase of 1,158 MUs from these sources, TANGEDCO incurred an avoidable expenditure of ₹ 58.59 crore (being the cost of transmission loss ranging between ₹ 0.18 to ₹ 0.55 per unit for purchase of 1,158 MUs), which also resulted in unintended benefit to the suppliers to that extent.
- In another case, one supplier was supplying power to TANGEDCO from the sources within Tamil Nadu for the period upto May 2011. As the supply period expired in May 2011, TANGEDCO floated a fresh tender for supply of 500 MW Round the Clock (RTC) power for the months from June 2011 to May 2012. As the rate of ₹ 4.99 per unit quoted by PTC in this tender was higher than the L-1 rate of ₹ 3.33 per unit, TANGEDCO directed (May 2011) the supplier not to supply any power from the sources within Tamil Nadu from June 2011 onwards and entered (July 2011) into an agreement only with L-1. However, the generators within Tamil Nadu who had supplied power through the supplier upto May 2011, continued to inject power into the grid of TANGEDCO from June 2011 to September 2011.

TANGEDCO applied (July 2011) to Tamil Nadu Electricity Regulatory Commission (TNERC) for fixing the tariff for the power obtained from the generators within Tamil Nadu during the period from June 2011 to May 2012. TNERC approved the ceiling rate of ₹ 3.79 per unit for the month of June 2011 and ₹ 3.81 per unit for the months of July, August and September 2011. TANGEDCO paid above rates to the power generators within Tamil Nadu who supplied 791.49 MUs of power during June to September 2011.

The above rates of ₹ 3.79 and ₹ 3.81 approved by TNERC was based on the lowest rate obtained in the previous tender (June 2011), which was sourced from an inter-State generator. However, TANGEDCO failed to apprise TNERC that the approved rate included trader margin of ₹ 0.07 and STOA charges, transmission losses upto Tamil Nadu periphery amounting to ₹ 0.45 per unit for the month of June 2011 and ₹ 0.48 per unit for the months of July to September 2011, which were not payable to the intra-state power generators. This omission resulted in additional expenditure and unintended benefit to the generators to the extent of ₹ 42.83 crore.

Extra expenditure due to non-fulfillment of obligations by TANGEDCO

3.9.7 TANGEDCO invited (June 2011) tender (Tender No.11 of 2011) for procurement of 500 MW RTC power for the month of October 2011 and

[60] Tender Nos. 2, 4 and 7 of 2010 and Tender No. 8 of 2011.

700 MW for the months from February to May 2012. After tender evaluation and negotiation with the tenderers, the L-1 rate of ₹ 4.04 per unit was fixed for the month of October 2011 and ₹ 4.20 per unit for the months of February to May 2012. TANGEDCO issued (August 2011) Letter of Acceptance to six suppliers who had agreed for the L-1 rates and also opened (October/November 2011) Letter of Credit (LC) in their favour as demanded by the traders during negotiations. Audit noticed that third tenderer, who had offered power at the rate of ₹ 4.04 per unit for inter-State source (350 MW) for the month of October 2011 and ₹ 3.97 per unit for intra-State source (36 MW) for the months of February 2012 to May 2012, insisted that TANGEDCO provide LC before commencing supply of power. Though TANGEDCO opened (October and November 2011) LC for two other suppliers based on their request, it failed to open LC in favour of the third tenderer, which resulted in non-supply of power. Subsequently, to meet the short fall of this quantity, TANGEDCO placed (November 2011) orders for purchase of 248.17 MUs of power from generators within Tamil Nadu at a higher price of ₹ 5.05 per unit, which led to incurring of extra expenditure of ₹ 25.64 crore[61].

The Government replied (December 2014) that the financial health of TANGEDCO was not robust to open LC as instrument of payment security and therefore it had to do business with generators who did not insist on payment security mechanism of LC. The reply is not tenable as the Company opened LC in favour of two other suppliers in the same tender.

Non-levy of compensation for short supply of power

3.9.8 As per tender conditions of the short term power purchase, if the suppliers failed to supply 80 *per cent* of the monthly contracted quantity, they were liable to pay compensation at ₹ one per unit for quantum of short supply of power.

Audit noticed that there was a short supply of 2,649 MUs in seven tenders[62], for which compensation of ₹ 280.37 crore was leviable. However, TANGEDCO neither recovered the compensation as per the agreement till date (August 2014) nor recorded any justification for such non-recovery, which resulted in extension of undue benefit to the supplier to that extent.

Audit further noticed that TANGEDCO deducted (between November 2011 and June 2012) ₹ 36 crore towards compensation for short supply of contracted quantity (Tender No.8 of 2011 and 10 of 2011). However, the compensation was refunded (July 2012) based on the assurance (June 2012) from the supplier to reconcile the month-wise short supply in quantity for which the compensation was claimed. The said reconciliation, had however, not taken place (as of September 2014) even after lapse of two years.

The Government in its reply (December 2014), stated that compensation liability had to be worked out taking into consideration the *force majeure* event of non availability of transmission corridor. Accordingly, it was stated that compensation liability did not arise. The reply is not specific and not

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[61] This is the difference between rate of ₹ 5.05 per unit as per PO of November 2011 and ₹ 3.97/₹ 4.04 per unit offered by PTC for 248.17 MUs.

[62] Tender No 7 of 2010, 4 of 2011, 5 of 2011, 8 of 2011, 10,11 of 2011 and 13 of 2011.

tenable, as, in respect of Tender 4/11 and 5/11 the source is only within southern region where no corridor constraint is involved; in respect of Tender 8/11 and 10/11 the Company itself had deducted the compensation. In respect of other tenders also, none of the suppliers had invoked *force majeure* clause or complained about corridor non- availability.

Conclusion

During 2010-14, TANGEDCO resorted to short term power purchases to overcome the deficit in power availability, as there was delay in finalisation of long/medium term power purchase agreements. But the system for short term power purchase suffered from the deficiencies such as not firming up the quantity requirements for the shorter period resulting in finalisation of multiple tenders for same periods of supply with fluctuating rates and not having robust criteria for evaluation of tenders from inter-State and intra-State suppliers, leading to avoidable extra expenditure of ₹ 109.60 crore, besides extending unintended benefit to the suppliers to the same extent.

TANGEDCO's failure to open LC, as required, led to non-supply of power by the supplier and purchase of the same power in the next tender at an extra cost of ₹ 25.64 crore.

Though, the agreements provided for levy of compensation for short supply of power, compensation amounting to ₹ 280.37 crore was not levied resulting in undue benefit to the suppliers.

There is, thus an urgent need to have a long term perspective in planning procurement of deficit power by TANGEDCO.

The Government in its reply, stated (December 2014) that the views of audit are noted for future guidance.

3.10 Loss of revenue

TANGEDCO suffered potential generation loss of 73.20 Million Units of hydel energy valued at ₹ 29.79 crore due to avoidable delay of seven months in rectification of rotor assembly of a hydel generation station

The Kadamparai Pumped Storage Hydel Power House (KPH) of TANGEDCO has four hydel units with generation capacity of 100 MW each. On 19 November 2011, the officials of Kadamparai Generation Circle noticed that the rotor assembly of Unit-I came to a complete halt due to dislocation and cracking of the runner in the assembly. On 22 November 2011, the Unit-I was isolated from the rest of the units.

The technical committee, which inspected the Unit-I opined (29 November 2011) that the complete rectification of rotor problem of the unit would require forced shut down of the Unit-I for four months. In addition, the rectification would also involve a Total Shut Down (TSD) of all the four units of the power house for atleast 10 days, to ensure safety from flooding of power house during execution of rectification work in Unit-I. Accordingly, KPH sought (December 2011) the approval of the Headquarters of TANGEDCO to avail TSD during February/March 2012 and to carry out the rectification work thereafter. The work was to be completed within 150 days from the date of handing over of the unit to the contractor.

The Headquarters of TANGEDCO, however, decided (June 2012) to postpone TSD to December 2012/January 2013 till commissioning of the upcoming power projects at Kudangulam, North Chennai and Mettur. Based on this decision, the TSD of KPH which commenced on 17 January 2013 was extended upto 19 February 2013. Thereafter, it was completed in July 2013 and the Unit-I of KPH was synchronised with grid on 29 July 2013. Thus, TANGEDCO took 20 months (December 2011 to July 2013) for rectification of the rotor problem, which was in excess of the estimated (November 2011) completion period of 150 days. Audit analysis of the delay in rectification work revealed the following:

- In KPH, the water conducting system is common for operating turbine generators of all the four units simultaneously. Therefore, the loss of generation due to break down of any one of the four units would be a permanent loss of generation without compensation or supplement by the rest of the units. Kadamparai unit proposed (November 2011) to avail TSD during February/March 2012, which was considered ideal (considering the month-wise storage level in the last five years upto 2011-12). However, the Headquarters of TANGEDCO discussed the issue only in June 2012, *i.e.*, after expiry of the ideal period for TSD in February/March 2012 as proposed by the unit and postponed the TSD to January 2013 anticipating the completion of the ongoing thermal projects. As these thermal projects were already lagging behind the schedule of completion (May to November 2011), without possibility of their commercial operation by December 2012/January 2013[63], the postponement of the rectification work of KPH Unit-I till completion of the already delayed thermal stations was not judicious.

- Had TANGEDCO carried out TSD in February/March 2012, the unit could have been put into operation latest by December 2012[64] itself. Though TANGEDCO would have suffered loss of generation of 20.68 MUs during February and March 2012 (worked out by Audit based on the average generation during the above months in the previous year) due to total shut down of KPH, the loss would have been lesser than the potential loss of generation of 93.88 MUs suffered due to non-availability of Unit-I for seven months from January to July 2013.

Thus, due to avoidable delay in taking up the rectification work, TANGEDCO suffered potential loss of generation of 73.20 MUs (93.88 MUs – 20.68 MUs) valued at ₹ 29.79 crore.

The Government replied (November 2014) that it decided to postpone the TSD after the anticipated commissioning of the ongoing thermal stations between June and October 2012 to stabilise the overall grid condition. The reply is not convincing because the delays in ongoing thermal projects were

63 The commercial operation of Mettur Thermal Project and North Chennai Project was actually achieved only in October 2013 and January 2014, respectively.

64 After allowing two months fixed by TANGEDCO for finalisation of tender and five months for carrying out the rectification work by the contractor.

well known to TANGEDCO even during postponement of the TSD of KPH. Moreover, these projects continued to be under implementation when TANGEDCO actually availed TSD in January/February 2013. Therefore, postponement of TSD by one year was not in the interest of TANGEDCO, which led to avoidable loss of generation.

3.11 Avoidable loss

Entering into Joint Venture (JV) without environment clearance and coal linkage and subsequent withdrawal from the JV led to loss of ₹ 21.64 crore

TANGEDCO proposed (May 2007) to establish 2 X 800 MW thermal power stations at Udangudi in Tuticorin District as a State sector project and complete the same during the initial years of 12th plan period (2012-17). When the project was awaiting Government clearance, Bharat Heavy Electricals Limited (BHEL) offered (June 2007) to work as a Joint Venture (JV) partner for this project with full responsibility on itself for Engineering, Procurement and Construction (EPC) of the plant. TANGEDCO considered (June 2007) the offer of BHEL and noted that BHEL was fully equipped with the necessary technology tie-ups for handling thermal projects of 800 MW capacity and more. Therefore, it entered (November 2008) into a JV agreement with BHEL. The new JV Company *viz.*, "Udangudi Power Corporation Limited" was formed in December 2008 with shareholding of 26 *per cent* each for TANGEDCO and BHEL and the balance 48 *per cent* for the financial institutions to be identified at later stage.

The equity investment of ₹ 65 crore equally contributed (between November 2007 and June 2011) by the JV partners was largely utilised for purchase of land (₹ 28.81 crore) and its development (₹ 33.18 crore). However, the project did not progress further as long term coal linkage for this project could not be obtained by TANGEDCO either from the Ministry of Coal (MOC), Government of India (GOI) or from the captive mine of TANGEDCO at Odisha due to non-exploration and subsequent de-allocation (December 2012) of the captive mine by the MOC. Due to non-availability of long term coal linkage, the Ministry of Environment and Forests (MOEF), GOI kept in abeyance (May 2010) the issue of environmental clearance for the project. In September 2011, TANGEDCO considered the 'Nil' progress in execution of the project through JV arrangement and decided to exit the JV. The reasons attributed by TANGEDCO were (i) non-availability of coal linkage, (ii) the only interest BHEL had in this project was to get contracts for main plant on nomination basis, but had inordinately delayed even appointing the project consultant and (iii) two more JV projects, which were being executed were also delayed due to delay in supply of plant and machinery by BHEL. Therefore, TANGEDCO proposed (September 2011) to terminate the JV agreement and take up execution of the project as a pure State sector project. The Government accepted the proposal in February 2012.

When TANGEDCO approached (June 2012) BHEL for termination of the JV agreement, BHEL demanded (October 2012) ₹ 64 crore as a final settlement comprising of ₹ 32.50 crore of equity, ₹ 16.15 crore of cumulative return on equity (at 16 *per cent per annum)*, other expenses of ₹ 13.12 crore incurred by BHEL for the project and a cumulative return of ₹ 2.88 crore on the expenses (at 12 *per cent per annum*). Though the legal opinion sought for by TANGEDCO stated (August 2011) that the JV agreement was unenforceable and invalid, as its enforceability was contingent on getting GOI's clearance for the project, TANGEDCO settled the claim of BHEL in March 2013.

Audit observed that:

- Obtaining the long term coal linkage and the environmental clearance should have been foremost pre-order activity of project implementation. However TANGEDCO entered into a JV agreement with BHEL at their instance and handed over the EPC responsibility on nomination basis even before arranging the coal linkage which resulted in JV becoming unworkable. Entry into JV arrangement in haste and subsequent exit caused delay of seven years even in the commencement of the project.
- The JV agreement did not provide for any exit clause before commencement of commercial operation and payment of return on equity. On termination of the JV, however, TANGEDCO paid ₹ 16.15 crore as return on equity which resulted in undue benefit to BHEL. Even considering the interest of 11 *per cent* charged for the cash credit availed by TANGEDCO, the excess return on equity allowed worked out to ₹ 5.64 crore, which resulted in avoidable loss to TANGEDCO.
- Though JV agreement neither provided for reimbursement of expenditure incurred by BHEL nor payment of any return on that expenditure, TANGEDCO accepted the claim amounting to ₹ 13.12 crore even without obtaining details and proof of such expenditure and also paid ₹ 2.88 crore as return on expenditure. Consequently, TANGEDCO incurred avoidable loss of ₹ 16.00 crore on this account.

Thus, injudicious decision to enter into a JV agreement for project implementation and subsequent withdrawal led not only to avoidable delay of seven years but also loss of ₹ 21.64 crore.

The Government replied (July 2014) that denial of coal linkage, environmental clearance by MOEF, GOI for the project were the main reasons for the non-commencement of the project and hence, it was decided to execute the project as a State sector project by delinking it from BHEL. It added that the value of the assets including the land asset was multifold when compared to the compensation paid to BHEL. The fact, however, remains that entering into JV even without coal linkage and environmental clearance was the main reason for the subsequent withdrawal, which resulted in avoidable loss of ₹ 21.64 crore.

3.12 Loss of revenue

Submission of proposal on incorrect grounds seeking compensation for power loss on supply of water for domestic consumption and consequent rejection by the Government led to loss of revenue of ₹ 15.38 crore

The Public Works Department (PWD) of Government of Tamil Nadu evolved (November 1986) a policy for utilisation of water from reservoirs belonging to TANGEDCO which were earmarked for hydro power projects at Pykara, Moyar and Kundah in Nilgiris district. The policy stipulated that in case of diversion of water from these reservoirs for domestic consumption, the utilising agencies have to pay TANGEDCO at the rate of 75 paise per 1,000 gallons of water. The above rate was subject to revision once in three years after November 1989.

TANGEDCO permitted (March 1989) Tamil Nadu Water Supply and Drainage (TWAD) Board to draw 2 million cubic feet (Cft.) of water from Pillur dam of Kundah power project for domestic consumption in the areas belonging to Coimbatore Corporation. The water supply to Coimbatore Corporation, which commenced in August 1995 after completion of the work of construction of a wall inside the reservoir for drawal of water continued till date (September 2014). During the period from August 1995 to September 2014, the Coimbatore Corporation had drawn 27,407 million Cft. of water from TANGEDCO. But, TANGEDCO had not collected any charges for supply of water to Coimbatore Corporation as per the policy mentioned above. Audit analysis in this regard revealed as under:

- TANGEDCO made a proposal (May 1989) to the Government seeking compensation towards power loss on account of the water supply to the Coimbatore Corporation, though it was entitled only for levy of water charges at 75 paise per 1,000 gallons. Consequently, its proposal was rejected (August 1989) by the Government. After rejection of its first proposal, TANGEDCO did not pursue to revise the claim in tune with the Government's policy. Consequently, it could not realise its entitled claim of ₹ 15.38 crore[65] for supply of 27,407 million Cft. of water from 1995 to September 2014.

Audit further observed that TANGEDCO had been collecting water charges at the rate of 75 paise per 1,000 gallons for supply of 2.12 million litres of water per day from its Pykara dam to Kodanadu and other Panchayats in Nilgiris district. This indicated that TANGEDCO was entitled for water charges at the rate of 75 paise per 1,000 gallons for the supplies to Panchayats and Corporations and not the compensation for power loss as claimed by it.

The Government endorsed (August 2014) the reply of TANGEDCO, that claiming water charges from TWAD, as pointed out by Audit, was overruling the directions of the Government (August 1989). The reply is not correct as

[65] Worked out for 27,407 million Cft., which is equivalent to 2,050.20 lakh gallons of water at 75 paise per 1,000 gallons, *i.e.*, the rate prescribed in the Government Order of November 1986.

the orders of the Government in August 1989 rejected TANGEDCO's proposal to claim compensation for power loss. The rates prescribed by Government in 1986 for supply of water for domestic consumption continued to be in force, as was evident from the fact that TANGEDCO was recovering the same in respect of supply from Pykara dam.

Thus, TANGEDCO's proposal seeking compensation for power loss against its entitlement for levy of charges for supply of water for domestic consumption led to its rejection and consequent loss of revenue of ₹ 15.38 crore.

3.13 Overpayment of interest on working capital

Payment of interest on working capital over and above the eligible normative plant load factor resulted in undue benefit to an Independent Power Producer to the extent of ₹ 3.31 crore

TANGEDCO entered (November 1996) into a Power Purchase Agreement (PPA) with an Independent Power Producer (IPP)[66] for purchase of power from its 250 MW power plant at Neyveli. As per the terms of PPA, TANGEDCO was required to pay Fixed Capacity Charges (FCC) and energy charges on monthly basis. The monthly payments of FCC were to be based on:

- Estimation of the amount of FCC by the IPP for the next one year which is payable on *pro rata* basis every month by TANGEDCO.
- The estimated FCC being the sum of interest on borrowings, interest on working capital, insurance, taxes, *etc.*, which would be restricted to the normative Plant Load Factor (PLF) of 68.49 *per cent.*
- The working capital shall, *inter alia,* include fuel stock, stock of secondary fuel and bills receivables.
- In addition, the IPP would be entitled for performance incentive for generation over and above the normative PLF of 68.49 *per cent.*

During the scrutiny of tariff payments of FCC to the IPP for the years from 2010-11 to 2012-13[67], Audit noticed that the actual PLF for this plant during three years ending 2012-13 was more than the normative PLF. But TANGEDCO did not restrict the bills receivable to the level of normative PLF as detailed in the following table:

66 ST-CMS Electric Company.

67 As the monthly payments from 2013-14 was made by TANGEDCO on provisional basis, these payments were not taken up for test check by Audit.

Table: 3.8

(₹ in lakh)

Year	Actual PLF	Bills receivable admitted	Bills receivable to be admitted at PLF of 68.49%	Excess	Percentage of interest allowed on bills receivable	Excess interest
2010-11	79.28	8,068.65	7,392.43	676.22	11.75	79.46
2011-12	83.00	9,430.94	8,428.32	1,002.62	13.00	130.34
2012-13	83.95	9,992.22	9,173.25	818.97	14.75	120.80
TOTAL						**330.60**

The excess interest on working capital allowed due to over estimation of monthly tariff payments during the three years ending 2012-13 worked out to ₹ 3.31 crore, which resulted in undue benefit to the IPP to that extent. It is pertinent to mention that in respect of payment of interest on working capital to another IPP[68] (both the agreements contained similar provisions for payment of the FCC), the claims for the year 2012-13 were paid excluding the incentive paid for PLF over and above the normative PLF.

The Government replied (December 2014) that the IPP has been addressed to exclude incentive as part of receivables in line with the provisions under working capital definition of the PPA. It further stated that as soon as the issue is resolved, the outcome would be intimated to audit.

3.14 Avoidable extra expenditure

Failure to stipulate unambiguous terms and conditions of a tender led to cancellation of the first tender and subsequent placement of work order at an escalated cost resulted in avoidable extra expenditure of ₹ 75.00 lakh

TANGEDCO invited (October 2009) tenders for execution of civil works relating to Periyar – Vaigai Small Hydro Electric Project. The bid qualification requirements (BQR) laid down in the specification, *inter alia*, required the tenderer to have successfully completed hydro power house related civil works for a value of not less than ₹ 1.50 crore in a single contract as a principal contractor in the last three years. However, BQR did not define the term "years" to be either a calendar year or financial year or to be reckoned from the date of opening of the tender.

In response to the above tender, four bidders submitted their offers. The tender was evaluated with reference to the financial years. Accordingly, the tender committee approved (January 2010) opening of price bids of all the bidders. The price bids were opened in January 2010 in which the price of ₹ 7.08 crore quoted was the lowest. However, the Chairman and Managing Director of TANGEDCO directed (January 2010) that legal advice be obtained

[68] PPN Power Generating Company.

with reference to the years of work experience before finalisation of tender.

The Legal Cell of TANGEDCO opined (February 2010) that in the absence of clarity about the expression in the "last three years" mentioned in the work experience criteria of BQR, the experience was to be reckoned from 2006 to 2008 excluding 2009 as the relevant current year. However, the tender committee in its meeting held in March 2010 gave directions to go in for retender without recording any reasons for cancellation of the current tender. In the retender, the BQR clause with reference to the work experience was revised (March 2010) requiring the tenderer to have successfully completed power house related civil works in the last three years as on the date of tender opening. The bids of the tender received were evaluated (April 2010) in which L-1 of the first tender emerged again as the lowest and was awarded the contract at a negotiated L-1 price of ₹ 7.83 crore. The work was completed in March 2013.

Based on the tender evaluation, Audit observed that:

- TANGEDCO had been finalising number of tenders for carrying out different works including civil works based on the previous experience of the tenderer. In these tenders, the term "year" has been defined as financial year. However, TANGEDCO failed to define the term "year" in this tender, which resulted in ambiguity with reference to the year of experience and subsequent cancellation of the first tender.
- Though the Legal Cell of TANGEDCO opined adopting of the calendar year for considering the work experience, their advice was neither accepted nor rejected but the first tender was cancelled without recording any reasons.
- Considering the fact that the same firm, being L-1 of both first and second tenders, had quoted a price of ₹ 7.08 crore and ₹ 7.83 crore in the two successive tenders, if TANGEDCO had not issued unambiguous tender specifications, it could have finalised the first tender itself and saved an avoidable cost escalation of ₹ 0.75 crore, which was approximately equivalent to 10 *per cent* of the finalised rates of the second tender.

Thus, failure of TANGEDCO to stipulate unambiguous terms and conditions of tender resulted in avoidable cost escalation of ₹ 0.75 crore.

The Government replied (September 2014) that TANGEDCO resorted to retendering to have a clear idea on work experience and avoid any litigation or favour in the first tender process. However, fact remains that ambiguity in terms and conditions of a tender resulted in need for a second tender at escalated cost.

General

3.15 Follow-up action on Audit Reports

Explanatory notes outstanding

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

The Audit Reports for the years 2008-09, 2009-10, 2010-11, 2011-12 and 2012-13 were presented to the State Legislature in May 2010, September 2011, May 2012, May 2013 and August 2014, respectively. Nine out of 14 Departments, which were commented upon, had not submitted explanatory notes on 34 out of 79 Paragraphs/Performance Audit Reports, as of 31 October 2014, as indicated below:

Table: 3.9

Year of Audit Report (Commercial)	Total number of Paragraphs/Performance Audit in the Audit Report	Number of Paragraphs/Performance Audit Reports for which explanatory notes were not received[69]
2008-09	24	4
2009-10	19	5
2010-11	20	13
2011-12	16	12
TOTAL	**79**	**34**

Department-wise analysis of the pendency is given in **Annexure-16**. The Energy Department is responsible for non-submission of large number of explanatory notes.

69 Paragraphs/Performance Audit Reports for which no explanatory notes were received but discussed by COPU are excluded.

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

3.15.2 The Action Taken Notes (ATNs) to the paragraphs included in the Report of the COPU are to be furnished by the concerned Departments within six months from the date of presentation of these reports to the State Legislature. Replies to 195 paragraphs pertaining to 37 Reports of COPU presented to the State Legislature between January 2003 and May 2014 had not been received as of 31 October 2014 as indicated below:

Table: 3.10

Year of COPU Report	Total number of Reports involved	Number of paragraphs in respect of which replies were not received
2002-03	5	5
2003-04	2	5
2006-07	1	5
2009-10	4	41
2010-11	3	40
2011-12	1	3
2012-13	1	6
2013-14	20	90
TOTAL	**37**	**195**

Response to Inspection Reports, Draft Paragraphs and Performance Audit Reports

3.15.3 Audit observations noticed during audit and not settled on the spot are communicated to the heads of the PSUs and departments of the State Government through Inspection Reports. The heads of PSUs are required to furnish replies to the Inspection Reports through the respective heads of Departments within a period of four weeks. Inspection Reports issued up to March 2014 pertaining to 74 auditee units disclosed that 3,660 paragraphs relating to 852 Inspection Reports remained outstanding at the end of October 2014; of these, 228 Inspection Reports containing 784 paragraphs had not been replied to for more than two years. Department-wise break-up of Inspection Reports and audit observations outstanding as on 31 October 2014 are given in **Annexure-17.**

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, five Draft Paragraphs forwarded to various Departments during the period from June to September 2014, as detailed in **Annexure-18**, had not been replied as of November 2014.

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 16 March 2015

(ALKA REHANI BHARDWAJ)
Accountant General
(Economic and Revenue Sector Audit),
Tamil Nadu

Countersigned

New Delhi
The 18 March 2015

(SHASHI KANT SHARMA)
Comptroller and Auditor General of India

ANNEXURES

ANNEXURE-1

(Referred to in paragraph 1.6)

Statement showing particulars of up-to-date paid-up capital, loans outstanding and manpower as on 31 March 2014 in respect of Government Companies and Statutory Corporation

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

Sl. No.	Sector and name of the Company	Name of the Department	Month and year of incorporation	Paid-up capital				Loans outstanding at the close of 2013-14				Debt equity ratio 2013-14 (previous year)	Manpower
				State Government	Central Government	Others	Total	State Government	Central Government	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
A. Working Government Companies													
	AGRICULTURE & ALLIED												
1.	Tamil Nadu Fisheries Development Corporation Limited (TN Fisheries)	Fisheries	April 1974	4.46	---	---	4.46	0.03	---	---	0.03	0.01:1 (0.78:1)	152
2.	Tamil Nadu Forest Plantation Corporation Limited (TAFCORN)	Environment and Forest	June 1974	5.64	---	---	5.64	---	---	---	---	---	354
3.	Tamil Nadu Tea Plantation Corporation Limited (TANTEA)	Environment and Forest	August 1975	9.96	---	---	9.96	---	---	8.18	8.18	0.82:1 (1.51:1)	5,950
4.	Arasu Rubber Corporation Limited (ARC)	Environment and Forest	August 1984	8.45	---	---	8.45	---	---	---	---	---	1,494
	Sector-wise total			**28.51**	**---**	**---**	**28.51**	**0.03**	**---**	**8.18**	**8.21**	**0.29:1**	**7,950**
	FINANCE												
5.	Tamil Nadu Industrial Investment Corporation Limited (TIIC)	Micro, Small and Medium Enterprises	March 1949	266.02	---	17.47	283.49	---	---	387.08	387.08	1.37:1 (0.99:1)	502

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 2013-14				Debt equity ratio 2013-14 (previous year)	Manpower
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
6.	Tamil Nadu Handloom Development Corporation Limited (TN Handloom)	Handloom, Handicrafts, Textiles and Khadi	September 1964	2.67	---	1.62	4.29	---	---	---	---	---	9
7.	Tamil Nadu Small Industries Development Corporation Limited (TN SIDCO)	Micro, Small and Medium Enterprises	March 1970	24.70	---	---	24.70	---	---	---	---	---	361
8.	Tamil Nadu Adi-dravidar Housing and Development Corporation Limited (TAHDCO)	Adi-dravidar and Tribal Welfare	February 1974	83.34	44.94	---	128.28	0.09	---	---	0.09	---	264
9.	Tamil Nadu Transport Development Finance Corporation Limited (TDFC)	Transport	March 1975	43.03	---	18.71	61.74	---	---	---	---	---	29
10.	Tamil Nadu Backward Classes Economic Development Corporation Limited (TABCEDCO)	Backward Classes and Most backward classes Welfare	November 1981	12.27	---	---	12.27	---	---	---	---	---	18
11.	Tamil Nadu Corporation for Development of Women Limited (TN Women)	Social Welfare and Noon-meal programme	December 1983	0.40	0.38	---	0.78	---	---	---	---	---	606
12.	Tamil Nadu Urban Finance and Infrastructure Development Corporation Limited (TUFIDCO)	Municipal Adminis-tration and Water Supply	March 1990	31.02	---	0.98	32.00	---	---	115.93	115.93	3.62:1 (8.10:1)	33

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 2013-14				Debt equity ratio 2013-14 (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	--	---	---	---	--- (34.76:1)	6
	Sector-wise total			**465.50**	**45.32**	**38.78**	**549.60**	**0.09**	**---**	**503.01**	**503.10**	**0.92:1**	**1,828**
	INFRASTRUCTURE												
14.	Tamil Nadu Industrial Development Corporation Limited (TIDCO)	Industries	May 1965	72.03	---	---	72.03	175.13	---	---	175.13	2.43:1 (2.43:1)	62
15.	State Industries Promotion Corporation of Tamil Nadu Limited (SIPCOT)	Industries	March 1971	123.91	---	---	123.91	---	---	---	---	---	238
16.	Tamil Nadu Police Housing Corporation Limited (TN Police Housing)	Home	April 1981	1.00	---	---	1.00	---	---	---	----	---	373
17.	TIDEL Park Limited (TIDEL, Chennai)	Industries	December 1997	---	---	44.00	44.00	---	---	---	---	---	36
18.	Tamil Nadu Rural Housing and Infrastructure Development Corporation Limited (TN Rural Housing)	Rural Development and Panchayat Raj	January 1999	3.00	---	---	3.00	---	---	373.17	373.17	124.39:1	---

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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 2013-14				Debt equity ratio 2013-14 (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	---	---	---	---	---	1
21	Tamil Nadu Road Infrastructure Development Corporation (TN Road Infrastructure)	Highways	March 2005	5.00	---	---	5.00	---	---	---	---	---	11
22	Tamil Nadu Road Development Company Limited (TNRDC)	Highways	September 2010	---	---	10.00	10.00	---	---	23.88	23.88	2.39:1 (2.71:1)	83
23.	IT Expressway	Highways		---	---	44.05	44.05	---	---	170.84	170.84	3.88:1 (4.14:1)	29
24.	TIDEL Park Coimbatore Limited (TIDEL,Coimbatore)	Industries	June 2007	---	---	133.00	133.00	35.00	---	241.59	276.59	2.08:1 (0.26:1)	14
25.	Adyar Poonga	Municipal Adminis-tration and Water Supply	October 2008	0.10	---	---	0.10	---	---	---	---	---	10
26.	TICEL Bio Park Limited (TICEL Bio Park)	Industries	November 2004	---	---	89.00	89.00	---	---	34.15	34.15	0.38:1 (0.08:1)	14
	Sector-wise total			**205.04**	**---**	**320.74**	**525.78**	**210.13**	**---**	**843.63**	**1,053.76**	**2.00:1**	**871**
	MANUFACTURING												
27.	Tamil Nadu Small Industries Corporation Limited (TANSI)	Micro, Small and Medium Enterprises	September 1965	20.00	---	---	20.00	---	---	---	---	--- (0.53:1)	120

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 2013-14				Debt equity ratio 2013-14 (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)
28.	Tamil Nadu Textiles Corporation Limited (TN Textiles)	Handloom, Handicrafts, Textiles and Khadi	April 1969	1.54	---	---	1.54	1.10	---	---	1.10	0.71:1 (0.73:1)	119
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)	108
30.	Tamil Nadu Handicrafts Development Corporation Limited (TN Handicrafts)	Handloom, Handicrafts, Textiles and Khadi	July 1973	2.05	1.16	0.01	3.22	---	---	---	---	---	143
31.	Tamil Nadu Salt Corporation Limited (TN Salt)	Industries	July 1974	6.34	---	---	6.34	---	---	---	---	---	56
32.	Tamil Nadu Sugar Corporation Limited (TASCO)	Industries	October 1974	79.59	---	1.00	80.59	78.88	---	26.78	105.66	1.31:1 (1.23:1)	279
33.	Tamil Nadu Cements Corporation Limited (TANCEM)	Industries	February 1976	37.42	---	---	37.42	---	---	---	---	---	711
34.	Perambalur Sugar Mills Limited (PSM) (subsidiary of TASCO)	Industries	July 1976	---	---	37.62	37.62	25.97	---	22.35	48.32	1.28:1 (1.28:1)	239
35.	Tamil Nadu Minerals Limited (TAMIN)	Industries	April 1978	15.74	---	---	15.74	---	---	---	---	---	1,360
36.	Tamil Nadu Magnesite Limited (TANMAG)	Industries	January 1979	16.65	---	---	16.65	---	---	---	---	---	388
37.	Tamil Nadu Industrial Explosives Limited (TIEL)	Industries	February 1983	22.14	---	4.89	27.03	45.62	---	0.07	45.69	1.69:1 (1.69:1)	404

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 2013-14				Debt equity ratio 2013-14 (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)
38.	Tamil Nadu Medicinal Plant Farms and Herbal Medicine Corporation Limited (TAMPCOL)	Indian Medicine and Homeopathy	September 1983	1.00	---	---	1.00	---	---	---	---	---	108
39.	Tamil Nadu Paints and Allied Products Limited (TAPAP)	Micro, Small and Medium Enterprises	November 1985	---	---	0.02	0.02	---	---	---	---	---	---
40.	Tamil Nadu Newsprint and Papers Limited (TNPL)	Industries	May 1988	24.45	---	44.93	69.38	---	---	1,024.71	1,024.71	14.77:1 (14.48:1)	2,098
	Sector-wise total			**227.26**	**1.16**	**88.47**	**316.89**	**151.81**	**---**	**1,073.91**	**1,225.72**	**3.87:1**	**6,133**
	POWER												
41.	Tamil Nadu Power Finance and Infrastructure Development Corporation Limited (TN Powerfin)	Energy	June 1991	50.00	---	---	50.00	---	---	---	---	---	24
42.	Udangudi Power Corporation Limited (Udangudi Power)	Energy	December 2008	---	----	65.00	65.00	---	---	---	---	---	
43.	TNEB Limited	Energy	December 2009	11,064.07	---	---	11,064.07	---	---	---	---	---	---
44.	Tamil Nadu Transmission Corporation Limited (TANTRANSCO)	Energy	June 2009	0.05	---	3,009.84	3,009.89	---	---	10,459.67	10,459.67	3.48:1 (3.58:1)	---
45.	Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO)	Energy	December 2009	0.05	---	8,028.29	8,028.34	---	---	63,081.66	63,081.66	7.86:1 (8.06:1)	90,579
	Sector-wise total			**11,114.17**	**---**	**11,103.13**	**22,217.30**	**---**	**---**	**73,541.33**	**73,541.33**	**3.31:1**	**90,603**

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 2013-14				Debt equity ratio 2013-14 (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)
	SERVICE												
46.	Tamil Nadu Tourism Development Corporation Limited (TTDC)	Information and Tourism	June 1971	10.43	---	---	10.43	---	---	---	---	---	460
47.	Tamil Nadu Civil Supplies Corporation Limited (TNCSC)	Co-operation, Food and Consumer Protection	April 1972	59.86	---	---	59.86	---	---	---	---	---	15,350
48.	Poompuhar Shipping Corporation Limited (PSC)	Highways& Minor Ports	April 1974	20.53	---	---	20.53	----	---	---	---	---	120
49.	Electronics Corporation of Tamil Nadu Limited (ELCOT)	Information Technology	March 1977	25.93	---	---	25.93	---	---	---	---	---	161
50.	Overseas Manpower Corporation Limited (OMPC)	Labour& Employment	November 1978	0.15	---	---	0.15	---	---	---	---	---	11
51.	Tamil Nadu State Marketing Corporation Limited (TASMAC)	Prohibition & Excise	May 1983	15.00	---	---	15.00	---	---	---	---	---	26,926
52.	Pallavan Transport Consultancy Services Limited (PTCS)	Transport	February 1984	---	---	0.10	0.10	---	---	---	---	---	9
53.	Tamil Nadu Medical Services Corporation Limited (TN Medical)	Health & Family Welfare	July 1994	4.04	--	---	4.04	---	---	---	---	---	434
54.	Tamil Nadu Ex-servicemen's Corporation Limited (TEXCO)	Public (Ex-servicemen)	January 1986	0.18	---	0.05	0.23	---	---	---	---	---	93
55.	Metropolitan Transport Corporation Limited (MTC)	Transport	October 2001	477.96	---	---	477.96	---	---	79.47	79.47	0.18:1 (0.17:1)	21,725
56.	State Express Transport Corporation Limited (SETC)	Transport	January 2002	288.18	---	---	288.18	121.34	---	62.06	183.40	0.64:1 (1.02:1)	5,665

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 2013-14				Debt equity ratio 2013-14 (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)
57.	Tamil Nadu State Transport Corporation (Coimbatore) Limited (TNSTC, Coimbatore)	Transport	December 2003	293.14	---	---	293.14	156.05	---	32.73	188.78	0.64:1 (0.89:1)	16,697
58.	Tamil Nadu State Transport Corporation (Kumbakonam) Limited (TNSTC, Kumbakonam)	Transport	December 2003	248.83	---	---	248.83	---	---	75.36	75.36	0.30:1 (0.42:1)	25,182
59.	Tamil Nadu State Transport Corporation (Salem) Limited (TNSTC, Salem)	Transport	December 2003	118.38	---	---	118.38	15.04	---	36.08	51.12	0.43:1 (0.99:1)	13,427
60.	Tamil Nadu State Transport Corporation (Villupuram) Limited (TNSTC, Villupuram)	Transport	December 2003	189.08	---	---	189.08	19.78	---	101.65	121.43	0.64:1	24,144
61.	Tamil Nadu State Transport Corporation (Madurai) Limited (TNSTC, Madurai)	Transport	January 2004	454.20	---	---	454.20	---	---	47.13	47.13	0.10:1 (0.10:1)	15,088
62.	Tamil Nadu State Transport Corporation (Tirunelveli) Limited (TNSTC, Tirunelveli)	Transport	November 2010	87.95	---	---	87.95	---	---	59.70	59.70	0.68:1 (1.40:1)	12,525
63.	Arasu Cable TV Corporation Limited (Arasu Cable TV)	Information Technology	October 2007	25.00	---	---	25.00	20.96	---	---	20.96	0.84:1	380
	Sector-wise total			**2,318.84**	**---**	**0.15**	**2,318.99**	**333.17**	**---**	**494.18**	**827.35**	**0.36:1**	**1,78,397**
	Total A (All sector-wise working Government Companies)			**14,359.32**	**46.48**	**11,551.27**	**25,957.07**	**695.23**	**---**	**76,464.24**	**77,159.47**	**2.97:1**	**2,85,782**

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 2013-14				Debt equity ratio 2013-14 (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)
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	---	----	---	---	---	308
	Sector-wise total			**3.81**	**3.80**	**---**	**7.61**	**---**	**----**	**---**	**---**	**---**	**308**
	Total B (All sector-wise working Statutory Corporations)			**3.81**	**3.80**	**---**	**7.61**	**---**	**---**	**---**	**---**	**---**	**308**
	Grand total (A+B)			**14,363.13**	**50.28**	**11,551.27**	**25,964.68**	**695.23**	**---**	**76,464.24**	**77,159.47**	**2.97:1**	**2,86,090**
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**	**---**

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 2013-14				Debt equity ratio 2013-14 (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)
	INFRASTRUCTURE												
4.	Tamil Nadu State Construction Corporation Limited (TN State Construction)	Highways	February 1980	5.00	---	---	5.00	1.00	---	---	1.00	0.20:1 (0.20:1)	---
5.	Tamil Nadu Magnesium and Marine Chemicals Limited (TMML)	Industries	March 1997	---	---	3.62	3.62	---	---	---	---	---	---
	Sector-wise total			**5.00**	**---**	**3.62**	**8.62**	**1.00**	**---**	**---**	**1.00**	**0.12:1**	
	MANUFACTURING												
6.	Tamil Nadu Steels Limited (TN Steels)	Industries	September 1981	3.92	---	---	3.92	5.84	---	4.66	10.50	2.68:1 (2.68:1)	----
7.	Tamil Nadu Graphites Limited (TN Graphites)	Industries	March 1997	0.10	---	---	0.10	---	---	---	---	---	---
8.	Southern Structurals Limited (SSL)	Industries	October 1956	34.35	0.04	0.15	34.54	70.85	---	---	70.85	2.05:1 (2.05:1)	
9.	State Engineering and Servicing Company of Tamil Nadu Limited (SESCOT) (subsidiary of TANSI)	Micro, Small and Medium Enterprises	April 1977	---	---	0.50	0.50	---	---	3.43	3.43	6.86:1 (6.86:1)	---
10.	Tamil Nadu Leather Development Corporation Limited (TALCO)	Micro, Small and Medium Enterprises	March 1983	2.50	---	---	2.50	---	---	---	---	---	---
	Sector-wise total			**40.87**	**0.04**	**0.65**	**41.56**	**76.69**	**---**	**8.09**	**84.78**	**2.04:1**	

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 2013-14				Debt equity ratio 2013-14 (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)
	SERVICE												
11.	Tamil Nadu Film Development Corporation Limited (TN Film)	Information & Tourism	April 1972	13.91	---	---	13.91	19.53	---	---	19.53	1.40:1 (1.40:1)	---
12.	Tamil Nadu Goods Transport Corporation Limited (TN Goods)	Transport	March 1975	0.27	---	0.06	0.33	---	---	---	---	---	---
13.	Tamil Nadu Institute of Information Technology (TANITEC)	Higher Education	February 1988	5.10	---	---	5.10	---	---	---	---	---	---
	Sector-wise total			**19.28**	**---**	**0.06**	**19.34**	**19.53**	**---**	**---**	**19.53**	**1.01:1**	**---**
Total C (All sector-wise Non-working Government Companies)				**72.71**	**0.04**	**4.33**	**77.08**	**117.95**	**---**	**8.09**	**126.04**	**1.64:1**	**---**
	Grand total (A+B+C)			**14,435.84**	**50.32**	**11,555.60**	**26,041.76**	**813.18**	**---**	**76,472.33**	**77,285.51**	**2.97:1**	**2,86,090**

Note

Above includes Section 619-B Companies at Sl.No.17, 19, 20, 22, 23, 24 and 40.
Paid-up Capital includes Share Application Money.
Loans outstanding at the close of 2013-14 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	2013-14	2014-15	5.78	---	0.96	4.82	472.82		4.46	10.26	24.18	4.82	19.93
2.	TAFCORN	2013-14	2014-15	23.57	---	0.36	23.21	80.21		5.64	152.62	171.46	23.21	13.54
3.	TANTEA	2013-14	2014-15	1.18	1.16	2.33	(-)2.31	76.97		9.96	(-)24.22	(-)1.04	(-)1.15	---
4.	ARC	2013-14	2014-15	4.81	---	0.60	4.21	36.38		8.45	14.79	38.37	4.21	10.97
	Sector-wise total			**35.34**	**1.16**	**4.25**	**29.93**	**666.38**		**28.51**	**153.45**	**232.97**	**31.09**	**13.35**
	FINANCE													
5.	TIIC	2013-14	2014-15	146.54	114.66	0.81	31.07	194.05		283.49	(-)33.83	793.92	145.73	18.36
6.	TN Handloom	2013-14	2014-15	0.39	0.53	---	(-)0.14	0.56		4.29	(-)2.04	2.25	0.39	17.33
7.	TN SIDCO	2012-13	2013-14	3.79	0.03	0.29	3.47	65.47		8.70	78.58	102.28	3.50	3.42
8.	TAHDCO	2011-12	2012-13	1.76	0.75	0.25	0.76	16.56		108.38	34.22	160.58	1.51	0.94
9.	TDFC	2013-14	2014-15	154.69	149.60	0.08	5.01	159.95		61.74	86.38	1,144.39	154.61	13.51
10.	TABCEDCO	2013-14	2014-15	5.48	2.55	0.03	2.90	4.81		12.27	16.79	120.77	5.45	4.51
11	TN Women	2011-12	2012-13	3.34	---	1.02	2.32	110.63		0.78	10.76	10.38	2.32	22.35

Sl. No.	Sector and Name of the Company	Period of accounts	Year in which finalised	Net Profit(+)/Loss(-)				Turnover	Impact of Account comments	Paid-up capital	Accumulated profit(+)/ Loss (-)	Capital employed[#]	Return on capital employed[$]	Percentage return on capital employed
				Net profit/loss before interest and 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	2012-13	2013-14	42.27	29.17	0.21	12.89	50.75		32.00	67.00	631.42	42.06	6.66
13.	TAMCO	2012-13	2014-15	5.13	1.04	0.06	4.03	6.18		2.05	9.21	81.82	5.07	6.20
	Sector-wise total			**363.39**	**298.33**	**2.75**	**62.31**	**608.96**		**513.70**	**267.07**	**3,047.81**	**360.64**	**11.84**
	INFRASTRUCTURE													
14.	TIDCO	2013-14	2014-15	73.11	24.28	0.14	48.69	75.82		72.03	234.88	463.91	72.97	16.70
15.	SIPCOT	2013-14	2014-15	200.47	---	4.00	196.47	385.01		123.91	746.38	889.65	196.47	22.08
16.	TN Police Housing	2013-14	2014-15	11.51	0.01	0.56	10.94	29.39		1.00	30.82	31.82	10.95	34.41
17.	TIDEL Park, Chennai	2013-14	2014-15	49.57	---	6.14	43.43	60.49		44.00	262.46	310.16	43.43	14.00
18.	TN Rural Housing	2011-12	2014-15	0.32	---	---	0.32	---		3.00	0.77	36.54	0.32	0.88
19.	Nilakottai	2013-14	2014-15	0.04	---	---	0.04	---		0.68	(-)0.10	0.58	0.04	6.90
20.	Guindy Estate	2012-13	2013-14	---	---	---	---	0.25		0.01	---	0.01	---	---
21.	TN Road Infrastructure	2012-13	2014-15	0.43	---	0.03	0.40	1.19		5.00	0.80	5.80	0.40	6.90
22.	TN Road Development	2013-14	2014-15	9.63	2.01	1.97	5.65	21.47		10.00	18.58	80.16	7.66	9.56
23.	IT Express Way	2013-14	2014-15	28.84	17.81	6.81	4.22	47.10		44.05	(-)0.18	207.73	22.03	10.61
24.	TIDEL, Coimbatore	2013-14	2014-15	18.06	16.26	17.90	(-)16.10	18.26		133.00	(-)37.63	464.30	0.16	0.03
25.	Adyar Poonga	2013-14	2014-15	---	---	---	---	---		0.10	---	0.10	---	---
26.	TICEL Bio Park	2013-14	2014-15	2.80	0.17	1.40	1.23	8.66		89.00	7.95	155.32	1.40	0.90
	Sector-wise total			**394.78**	**60.54**	**38.95**	**295.29**	**647.64**		**525.78**	**1,264.73**	**2,619.08**	**355.83**	**13.59**
	MANUFACTURING													
27.	TANSI	2012-13	2013-14	4.61	1.00	0.56	3.05	73.22		20.00	64.48	289.39	4.05	1.40
28.	TN Textiles	2013-14	2014-15	(-)0.39	0.16	0.06	(-)0.61	128.44		1.54	(-)2.22	0.53	(-)0.45	---
29.	TN Zari	2012-13	2013-14	0.29	0.03	0.12	0.14	38.38		0.34	2.13	2.47	0.17	6.88
30.	TN Handicrafts	2013-14	2014-15	1.15	---	0.28	0.87	31.08		3.22	4.07	8.48	0.87	10.26

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	2013-14	2014-15	1.20	---	0.49	0.71	32.97		6.34	1.19	15.48	0.71	4.59
32.	TASCO	2013-14	2014-15	(-)19.94	4.90	0.48	(-)25.32	113.93		80.59	(-)99.70	35.04	(-)20.42	---
33.	TANCEM	2013-14	2014-15	(-)4.50	2.52	2.64	(-)9.66	207.75		37.42	(-)28.67	8.75	(-)7.14	---
34.	PSM	2013-14	2014-15	(-)13.28	9.75	0.56	(-)23.59	92.45		37.62	(-)168.69	(-)60.22	(-)13.84	---
35.	TAMIN	2013-14	2014-15	25.12	1.16	8.15	15.81	188.87		15.74	92.43	119.18	16.97	14.24
36.	TANMAG	2013-14	2014-15	15.66	5.13	1.08	9.45	91.02		16.65	13.60	30.25	14.58	48.20
37.	TIEL	2013-14	2014-15	(-)4.84	3.84	1.06	(-)9.74	41.65		27.03	(-)126.82	(-)81.04	(-)5.90	---
38.	TAMPCOL	2013-14	2014-15	1.27	0.03	0.68	0.56	21.78		1.00	11.12	13.42	0.59	4.40
39.	TAPAP	2013-14	2014-15	0.48	0.07	0.01	0.40	3.10		0.02	1.65	1.67	0.47	28.14
40.	TNPL	2013-14	2014-15	481.71	128.21	192.32	161.18	2,285.22		69.38	859.35	1,782.96	289.39	16.23
	Sector-wise total			**488.54**	**156.80**	**208.49**	**123.25**	**3,349.86**		**316.89**	**623.92**	**2,166.36**	**280.05**	**12.93**
	POWER													
41.	TN Powerfin	2013-14	2014-15	1,245.74	1,135.25	2.85	107.64	1,311.64		50.00	340.75	7,675.35	1,242.89	16.19
42.	Udangudi Power	2012-13	2013-14	---	---	---	---	---		65.00	0.56	65.56	---	---
43.	TNEB Limited	2012-13	2014-15	---	---	0.16	(-)0.16	---		8,911.07	(-)0.41	8,910.66	(-)0.16	---
44.	TANTRANSCO	2012-13	2013-14	1,594.11	1,058.16	299.51	236.44	2,381.10		2,840.92	(-)3,795.42	7,655.82	1,294.60	16.91
45.	TANGEDCO	2012-13	2013-14	(-)6,563.96	4,462.41	652.70	(-)11,679.07	31,146.05		6,044.31	(-)38,480.48	9,429.64	(-)7,216.66	---
	Sector-wise total			**(-)3,724.11**	**6,655.82**	**955.22**	**(-)11,335.15**	**34,838.79**		**17,911.30**	**(-)41,935.00**	**33,737.03**	**(-)4,679.33**	**---**

Sl. No.	Sector and Name of the Company	Period of accounts	Year in which finalised	Net Profit(+)/Loss(-)				Turnover	Impact of Account comments	Paid-up capital	Accumulated profit(+)/ Loss (-)	Capital employed[#]	Return on capital employed[$]	Percentage return on capital employed
				Net profit/loss before interest and 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	2013-14	2014-15	12.74	0.01	3.62	9.11	100.23		10.43	40.61	73.86	9.12	12.35
47.	TNCSC	2011-12	2013-14	136.90	124.12	12.78	---	9,216.95		52.66	---	81.20	124.12	152.86
48.	PSC	2013-14	2014-15	5.13	0.43	0.36	4.34	665.80		20.53	9.32	29.85	4.77	15.98
49.	ELCOT	2013-14	2014-15	26.33	11.11	3.27	11.95	17.60		25.93	42.09	431.44	23.06	5.34
50.	OMPC	2013-14	2014-15	0.08	---	0.02	0.06	1.02		0.15	0.22	0.37	0.06	16.22
51.	TASMAC	2012-13	2013-14	(-)69.91	26.98	2.47	(-)99.36	24,818.57		15.00	(-)100.92	(-)70.19	(-)72.38	---
52.	PTCS	2013-14	2014-15	(-)0.32	0.08	0.02	(-)0.42	0.27		0.10	(-)1.03	(-)0.93	(-)0.34	---
53.	TN Medical	2013-14	2014-15	5.80	---	5.60	0.20	30.24		4.04	14.89	29.16	0.20	0.69
54.	TEXCO	2013-14	2014-15	13.11	---	0.04	13.07	125.29		0.23	78.30	78.53	13.07	16.64
55.	MTC	2013-14	2014-15	(-)40.42	77.09	53.39	(-)170.90	1,335.24		477.96	(-)1,610.20	(-)1,064.33	(-)93.81	---
56.	SETC	2013-14	2014-15	(-)20.52	61.41	46.83	(-)128.76	529.08		288.18	(-)1,263.56	(-)793.72	(-)67.35	---
57.	TNSTC, Coimbatore	2013-14	2014-15	(-)89.30	70.19	54.50	(-)213.99	1,105.24		293.14	(-)1,604.01	(-)1,169.81	(-)143.80	---
58.	TNSTC, Kumbakonam	2013-14	2014-15	(-)26.78	66.32	56.81	(-)149.91	1,431.18		248.83	(-)1,230.15	(-)862.51	(-)83.59	---
59.	TNSTC, Salem	2013-14	2014-15	(-)87.52	42.68	30.37	(-)160.57	772.66		118.38	(-)926.66	(-)732.11	(-)117.89	---
60.	TNSTC, Villupuram	2013-14	2014-15	(-)28.27	44.94	60.97	(-)134.18	1,386.72		189.08	(-)909.40	(-)605.99	(-)89.24	---
61.	TNSTC, Madurai	2013-14	2014-15	(-)34.03	36.03	37.82	(-)107.88	948.65		454.20	(-)1,852.55	(-)1,305.62	(-)71.85	---
62.	TNSTC, Tirunelveli	2013-14	2014-15	(-)94.13	74.62	31.02	(-)199.77	662.38		87.95	(-)1,494.98	(-)1,148.31	(-)125.15	---
63.	Arasu Cable TV	2013-14	2014-15	16.92	2.70	2.20	12.02	160.45		25.00	0.43	46.58	14.72	31.60
	Sector-wise total			**(-)274.19**	**638.71**	**402.09**	**(-)1,314.99**	**43,307.57**		**2,311.79**	**(-)10,807.60**	**(-)6,982.53**	**(-)676.28**	**---**
	Total A (all sector-wise working Government Companies)			**(-)2,716.25**	**7,811.36**	**1,611.75**	**(-)12,139.36**	**83,419.20**		**21,607.97**	**(-)50,433.43**	**34,820.72**	**(-)4,328.00**	**---**

Sl. No.	Sector and Name of the Company	Period of accounts	Year in which finalised	Net Profit(+)/Loss(-)				Turnover	Impact of Account comments	Paid-up capital	Accumulated profit(+)/ Loss (-)	Capital employed#	Return on capital employed$	Percentage return on capital employed
				Net profit/loss before interest and depre-ciation	Interest	Depre-ciation	Net profit/loss							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
B	**Working Statutory corporations**													
	SERVICE													
1.	TANWARE	2012-13	2013-14	7.42	---	1.12	6.30	36.04		7.61	67.82	75.43	6.30	8.35
	Sector-wise total			**7.42**	**---**	**1.12**	**6.30**	**36.04**		**7.61**	**67.82**	**75.43**	**6.30**	**8.35**
	Total B (Sector-wise working Statutory corporation)			**7.42**	**---**	**1.12**	**6.30**	**36.04**		**7.61**	**67.82**	**75.43**	**6.30**	**8.35**
	Total (A+B)			**(-)2,708.83**	**7,811.36**	**1,612.87**	**(-)12,133.06**	**83,455.24**		**21,615.58**	**(-)50,365.61**	**34,896.15**	**(-)4,321.70**	**---**
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	2011-12	2013-14	0.02	---	---	0.02	---		1.27	(-)10.35	(-)0.71	0.02	---
3.	TN Sugarcane	2013-14	2014-15	---	---	---	---	---		0.28	(-)0.28	---	---	---
	Sector-wise total			**(-)3.72**	**3.70**	**---**	**(-)7.42**	**---**		**7.56**	**(-)53.54**	**4.61**	**(-)3.72**	**---**
	INFRASTRUCTURE													
4.	TN State Construction	2001-02	2004-05	(-)5.32	0.96	0.20	(-)6.48	---		5.00	(-)26.44	80.14	(-)5.52	---
5.	TMML	1999-00	2000-01	(-)3.81	---	---	(-)3.81	---		3.62	(-)15.51	1.40	(-)3.81	---
	Sector-wise total			**(-)9.13**	**0.96**	**0.20**	**(-)10.29**	**---**		**8.62**	**(-)41.95**	**81.54**	**(-)9.33**	**---**

Sl. No.	Sector and Name of the Company	Period of accounts	Year in which finalised	Net Profit(+)/Loss(-)				Turnover	Impact of Account comments	Paid-up capital	Accumulated profit(+)/ Loss (-)	Capital employed#	Return on capital employed$	Percentage return on capital employed
				Net profit/loss before interest and depre-ciation	Interest	Depre-ciation	Net profit/loss							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	MANUFACTURING													
6.	TN Steels	1999-00	2000-01	(-)0.80	8.61	---	(-)9.41	---		3.92	(-)71.31	(-)20.54	(-)0.80	---
7.	TN Graphites	2013-14	2014-15	---	---	---	---	---		0.10	(-)0.10	---	---	---
8.	SSL	2012-13	2014-15	(-)0.10	10.80	0.06	(-)10.96	---		34.54	(-)223.58	(-)185.02	(-)0.16	---
9.	SESCOT	2013-14	2014-15	(-)0.01	3.51	---	(-)3.52	---		0.50	(-)12.31	0.01	(-)0.01	---
10.	TALCO	2012-13	2013-14	(-)0.05	1.66	---	(-)1.71	---		2.50	(-)34.98	(-)1.60	(-)0.05	---
	Sector-wise total			**(-)0.96**	**24.58**	**0.06**	**(-)25.60**	**---**		**41.56**	**(-)342.28**	**(-)207.15**	**(-)1.02**	**---**
	SERVICE													
11.	TN Film	2010-11	2011-12	0.07	---	---	0.07	---		13.91	(-)16.62	16.81	0.07	0.42
12.	TN Goods	1989-90		0.07	0.07	---	---	---		0.33	(-)1.33	(-)0.30	0.07	---
13.	TANITEC	2003-04	2004-05	0.03	---	---	0.03	0.04		5.10	(-)5.10	---	0.03	---
	Sector-wise total			**0.17**	**0.07**	**---**	**0.10**	**0.04**		**19.34**	**(-)23.05**	**16.51**	**0.17**	**1.03**
	Total C (all sector-wise Non working Government Companies)			**(-)13.64**	**29.31**	**0.26**	**(-)43.21**	**0.04**		**77.08**	**(-)460.82**	**(-)104.49**	**(-)13.90**	**---**
	Total (A+B+C)			**(-)2,722.47**	**7,840.67**	**1,613.13**	**(-)12,176.27**	**83,455.28**		**21,692.66**	**(-)50,826.43@**	**34,791.66**	**(-)4,335.60**	**---**

NOTE:

\# Capital Employed represents Share Holders Funds PLUS Long Term Borrowings. In respect of Companies which did not submit any accounts during the year *viz.*, Non-working Companies Serial No.1, 4, 5, 6, 11, 12 and 13 Capital Employed represents Net Fixed Assets (including Capital Work-in-progress) PLUS Working Capital. In respect of Working Companies Serial No.8, 11 and 12, Capital Employed is worked out as a mean of aggregate of the opening and closing balances of paid-up capital, free reserves, bonds, deposits and borrowings (including refinances).

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

@ This does not include accumulated loss of ₹34,741.35 crore relating to erstwhile Tamil Nadu Electricity Board upto October 2010 as the restructuring process and transfer of the balances to TANGEDCO and TANTRANSCO is pending till date (November 2014).

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 2014

(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	---	0.03	---	0.08 (G)	1.67 (G)	1.75 (G)	---	---	---	---	---	---
2.	TAFCORN	1.88	---	1.72 (G)	---	---	1.72 (G)	---	---	---	---	---	---
3.	TANTEA	4.00	---	0.44 (S)	0.05 (G)	---	0.05 (G) 0.44 (S)	---	---	---	---	---	---
	Sector-wise total	**5.88**	**0.03**	**1.72 (G) 0.44 (S)**	**0.13 (G)**	**1.67 (G)**	**3.52 (G) 0.44 (S)**	**---**	**---**	**---**	**---**	**---**	**---**
	FINANCE												
4.	TIIC	---	---	14.41 (S)	21.05 (S)	---	35.46 (S)	---	473.67	---	---	---	---
5.	TN Handloom	---	---	---	---	---	---	3.30	3.30	---	---	---	---
6.	TN SIDCO	16.00	---	15.92 (G)	6.34 (G)	---	22.26 (G)	---	---	---	---	---	---
7.	TAHDCO	19.90	---	82.04 (S)	---	---	82.04 (S)	---	10.40	---	---	---	---

Sl. No.	Sector and Name of the Company	Equity/loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loan converted into equity	Interest/penal interest waived	Total
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
8.	TABCEDCO	---	---	---	---	---	---	55.00	---	---	---	---	---
9.	TAMCO	---	---	---	---	---	---	60.00	0.10	---	----	---	---
10.	TN Women	---	---	84.83 (G)	125.86 (G)	---	210.69 (G)	---	---	---	---	---	---
	Sector-wise total	**35.90**	**---**	**100.75 (G) 96.45 (S)**	**132.20 (G) 21.05 (S)**	**---**	**232.95 (G) 117.50 (S)**	**118.30**	**487.47**	**---**	**---**	**---**	**---**
	INFRASTRUCTURE												
11.	SIPCOT	---	---	3.15 (G)	---	---	3.15 (G)	---	---	---	---	---	---
12.	TN Rural Housing	---	---	343.48 (G)	---	---	343.48 (G)	746.10	373.17	---	---	---	---
	Sector-wise total	**---**	**---**	**346.63 (G)**	**---**	**---**	**346.63 (G)**	**746.10**	**373.17**	**---**	**---**	**---**	**---**
	MANUFACTURING												
13.	TASCO	---	---	---	0.05 (S)	---	0.05 (S)	8.25	8.25	---	---	---	---
14.	PSM	---	---	---	---	---	---	25.21	25.21	---	---	---	---
15.	TANSI	---	---	---	---	---	---	7.25	7.25	---	---	---	---
16.	TN Handicrafts	---	---	0.35 (G)	1.28 (G)	---	1.63 (G)	---	---	---	---	---	---
17.	TAMPCOL	---	---	---	2.00 (G)	---	2.00 (G)	---	---	---	---	---	---
	Sector-wise total	**---**	**---**	**0.35 (G)**	**3.28 (G) 0.05 (S)**	**---**	**3.63 (G) 0.05 (S)**	**40.71**	**40.71**	**---**	**---**	**---**	**---**

Sl. No.	Sector and Name of the Company	Equity/loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loan converted into equity	Interest/penal interest waived	Total
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
	POWER												
18.	TNEB Limited	2,153.00	---	---	---	---	---	----	---	---	---	---	---
19.	TANGEDCO	---	---	---	578.13 (G) 4,917.99 (S)	---	578.13 (G) 4,917.99 (S)	12,185.00	38,721.21	---	---	---	---
	Sector-wise total	**2,153.00**	**---**	**---**	**578.13 (G) 4,917.99 (S)**	**---**	**578.13 (G) 4,917.99 (S)**	**12,185.00**	**38,721.21**	**---**	**---**	**---**	**---**
	SERVICE												
20.	TTDC	---	---	---	1.56 (G)	---	1.56 (G)	---	---	---	---	---	---
21.	TNCSC	7.00	---	816.74 (S)	4,900.00 (S)	---	5,716.74 (S)	---	20.00	---	---	---	---
22.	ELCOT	---	---	---	1.56 (G)	---	1.56 (G)	---	---	---	---	---	---
23.	TASMAC	---	---	---	---	---	---	70.00	70.00	---	---	---	---
24.	MTC	45.54	---	---	68.60 (G)	---	68.60 (G)	---	---	---	---	---	---
25.	SETC	27.88	---	---	0.29 (G) 34.73 (S)	---	0.29 (G) 34.73(S)	---	3.50	---	---	---	---
26.	TNSTC, Coimbatore	74.02	3.71	---	172.40 (S)	---	172.40 (S)	---	---	---	---	---	---
27.	TNSTC, Kumbakonam	85.61	---	---	80.73 (S)	---	80.73 (S)	---	---	---	---	---	---
28.	TNSTC, Madurai	56.11	---	0.36 (G)	131.41 (S)	---	0.36 (G) 131.41 (S)	---	---	---	---	---	---
29.	TNSTC, Villupuram	83.70	19.78	---	121.68 (S)	---	121.68 (S)	---	---	---	---	---	---
30.	TNSTC, Tirunelveli	43.80	---	---	44.13 (G) 35.26 (S)	---	44.13 (G) 35.26 (S)	---	0.75	---	---	---	---

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)
31.	TNSTC, Salem	51.49	---	---	---	---	---	---	---	---	---	---	---
32.	ARASU CABLE	---	20.96	---	---	---	---	---	---	---	---	---	---
	Sector-wise total	**475.15**	**44.45**	**0.36 (G) 816.74 (S)**	**116.14 (G) 5,476.21 (S)**	**---**	**116.50 (G) 6,292.95 (S)**	**70.00**	**94.25**	**---**	**---**	**---**	**---**
	Grand Total (A)	**2,669.93**	**44.48**	**449.81 (G) 913.63 (S)**	**829.88 (G) 10,415.30 (S)**	**1.67 (G)**	**1,281.36 (G) 11,328.93 (S)**	**13,160.11**	**39,716.81**	**---**	**---**	**---**	**---**

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 2013-14 (Serial numbers 1 to 5, 8, 11, 13, 14, 16, 17, 20, 22, 24-32) the figures are provisional and as given by the Companies/Corporation.

ANNEXURE - 4

(Referred to in paragraph 1.22)

Statement showing investment made by the State Government in PSUs whose accounts were in arrears

(₹ in crore)

Sl.No.	Name of the Company	Year up to which Accounts finalised	Paid-up Capital as per latest finalised Accounts	Investment made by the State Government during the years for which Accounts were in arrears				
				Year	Equity	Loan	Grant	Subsidy
	WORKING PSUs							
1.	TN SIDCO	2012-13	8.70	2013-14	16.00	---	6.34	---
2.	TAHDCO	2011-12	108.38	2012-13 2013-14	13.26 19.90	--- ---	---	---
3.	TN Women	2011-12	0.78	2012-13 2013-14	--- ---	--- ---	119.19 125.86	--- ---
4.	TN Rural Housing	2011-12	3.00	2012-13	---	---	0.02	---
5.	TNEB Limited	2012-13	8,911.07	2013-14	2,153.00	---	---	---
6.	TANGEDCO	2012-13	6,044.31	2012-13	---	---	578.13	4,917.99
7.	TNCSC	2011-12	52.66	2012-13 2013-14	0.20 7.00	---	---	4,900.00 4,900.00
	NON-WORKING PSUs							
8.	TN Agro	2002-03	6.01	2003-04 to 2009-10	1.65	2.52	---	---
	TOTAL				**2,211.01**	**2.52**	**829.54**	**14,717.99**

ANNEXURE-5

(Referred to in paragraph 1.14)

Statement showing financial position of Tamil Nadu Warehousing Corporation

(₹ in crore)

Particulars	2011-12	2012-13	2013-14 (Provisional)
A. LIABILITIES			
Paid-up Capital	7.61	7.61	7.61
Reserves and Surplus	63.41	67.82	79.86
Subsidy	0.15	0.15	0.15
Trade Dues and Current Liabilities (including provision)	36.76	42.15	57.03
Deferred Tax Liabilities	3.99	3.87	4.82
Insurance fund	4.81	6.11	6.77
TOTAL	**116.73**	**127.71**	**156.24**
B. ASSETS			
Gross Block	54.34	54.91	82.82
LESS: Depreciation	19.88	20.91	22.27
Net Fixed Assets	34.46	34.00	60.55
Capital works-in-progress	---	14.51	1.14
Investments	---	---	---
Current Assets, Loans and Advances	82.27	79.20	94.55
TOTAL	**116.73**	**127.71**	**156.24**
C. CAPITAL EMPLOYED[70]	**71.02**	**75.43**	**87.47**

[70] Capital Employed represents Share holders funds PLUS Long term borrowings.

ANNEXURE-6

(Referred to in paragraph 1.14)

Statement showing working results of Tamil Nadu Warehousing Corporation

(₹ in crore)

	Particulars	2011-12	2012-13	2013-14 (Provisional)
1.	**Income**			
(a)	Warehousing charges	34.65	34.50	41.69
(b)	Other income	5.97	6.00	7.66
	TOTAL	**40.62**	**40.50**	**49.35**
2.	**Expenses**			
(a)	Establishment charges	17.58	16.32	16.43
(b)	Other expenses	7.93	15.12	9.70
	TOTAL	**25.51**	**31.44**	**26.13**
3.	Profit (+) / Loss (-) before tax	15.11	9.06	23.22
4.	Other appropriations/adjustments	8.00	2.76	8.19
5.	Amount available for dividend	7.11	6.30	15.03
6.	Dividend for the year (excluding dividend tax)	1.52	1.52	2.29
7.	**Total return on Capital Employed**	**7.11**	**6.30**	**15.03**
8.	**Percentage of Return on Capital Employed**	**10.01**	**8.35**	**17.18**

ANNEXURE-7

(Referred to in Paragraph 2.8)

Statement showing the Financial position of Tamil Nadu Small Industries Corporation Limited for the five years upto 2013-14

(₹ in crore)

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14 (Provisional)
Liabilities					
Share Capital	20.00	20.00	20.00	20.00	20.00
Reserves and Surplus	248.11	251.95	258.12	260.86	276.29
Borrowings	17.26	15.12	12.84	10.66	---
TOTAL	**285.37**	**287.07**	**290.96**	**291.52**	**296.29**
Assets					
Gross Block	224.75	229.78	230.68	231.54	233.14
Depreciation	23.97	24.77	25.68	26.54	28.93
Net Block	**200.78**	**205.01**	**205.00**	**205.00**	**204.21**
Capital Work-in-progress	0.46	---	0.49	0.52	0.52
Investment in subsidiaries	0.02	0.02	0.02	0.02	0.02
Investment – others	1.00	---	---	---	---
Working Capital	82.85	81.91	85.40	85.76	90.78
Deferred Tax Assets	0.26	0.13	0.05	0.22	0.76
TOTAL	**285.37**	**287.07**	**290.96**	**291.52**	**296.29**

ANNEXURE-8

(Referred to in Paragraph 2.8)

Statement showing the Working results of Tamil Nadu Small Industries Corporation Limited for the five years upto 2013-14

(₹ in crore)

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14 (Provisional)
Sales	163.70	95.96	90.84	71.53	99.11
Total Direct cost	102.38	65.10	70.05	51.26	67.95
Contribution	**61.32**	**30.86**	**20.79**	**20.28**	**31.16**
Total indirect cost	16.74	16.70	14.65	14.39	15.01
Operating Profit	**44.58**	**14.16**	**6.14**	**5.89**	**16.15**
Total other Income	125.15	49.06	10.36	6.12	12.55
Total Income	169.73	63.21	16.50	12.01	28.70
Total other expenses	140.20	57.97	13.15	9.60	8.40
Profit Before Exceptional item	29.52	5.23	3.35	2.42	20.31
Exceptional items	---	---	4.48	4.59	2.02
Profit Before Tax	29.52	5.23	7.83	7.01	22.33
Tax	9.31	1.10	1.41	3.96	6.89
Profit After Tax	**20.21**	**4.13**	**6.42**	**3.05**	**15.44**
Nomination Charges/discount	24.75	14.39	9.13	8.66	7.04
Operating profit after Nomination Charges	**19.83**	**-0.24**	**-2.99**	**-2.77**	**9.11**
Interest income	5.96	3.27	4.31	3.88	10.30
Share of contribution of interest income to total income (in *per cent*)	**20.16**	**62.56**	**54.97**	**55.41**	**46.12**

ANNEXURE-9

(Referred to in Paragraph 2.9.5)

Statement showing the differential interest in short term deposits

(₹ in lakh)

Year	Average Deposit	No. of occurrence	Average Interest Earned	Bank rate for one year	Differential interest
2009-10	362.43	34	3.87%	6.50%	9.53
2010-11	294.89	52	3.59%	8.65%	14.93
2011-12	383.66	38	7.78%	9.25%	5.64
2012-13	141.02	40	4.55%	8.75%	5.92
2013-14	276.22	25	6.64%	9%	6.51
	Total	**189**			**42.53**

ANNEXURE-10

(Referred to in Paragraph 2.10.2)

Statement showing the budgeted and actual expenditure on capital items

(₹ in lakh)

Particulars	2009-10		2010-11		2011-12		2012-13		2013-14	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Building	150	2.92	100	117.51	100	14.24	450	79.82	55	129.32
Plant and Machinery	50	27.45	220	348.55	220	35.43	250	1.42	25	6.71
Electrical installation	5	9.47	30	13.3	30	10.75	50	0	10	0.82
Furniture and Fittings	10	6.23	20	15.92	20	8.68	5	2.14	75	16.70
Others	20	9.19	20	7.93	20	19.96	1.5	2.73	1.02	2.15
Total	**235**	**55.26**	**390**	**503.21**	**390**	**89.06**	**756.5**	**86.11**	**166.02**	**155.70**

ANNEXURE-11

(Referred to in Paragraph 2.12.1)

Statement showing excess consumption of raw material

(₹ in lakh)

Year	Number of desk benches where excess material used	Excess CR Sheet (MT)	Value	Excess ERW pipes (MT)	Value	Total value
2009-10	41,212	30.925	12.58	32.540	16.88	29.46
2010-11	50,184	43.018	19.55	14.564	7.55	27.10
2011-12	21,360	32.953	16.99	21.934	12.21	29.20
2013-14	6,281	18.894	9.49	---	---	9.49
Total	**1,19,037**	**125.790**	**58.61**	**69.038**	**36.64**	**95.25**

Total excess consumption = (125.790+69.038) = 194.828 MT

ANNEXURE-12

(Referred to in Paragraph 2.13.2)

Statement showing the difference between TANSI's rate and L-1 Rate

Sl.No	Description of Material	Value of the Tender (₹ in lakh)	TANSI's Quoted Rate (in ₹)	L-1 Rate (in ₹)	Difference between Quoted and L-1 Rate (in ₹)	Difference in percentage
1	Steel Table	93.62	6,654	5,175	1,479	28.58
2	Steel Chair	24.42	1,738	1,350	388	28.74
3	Steel Cupboard	54.45	6,672	5,220	1,452	27.82
4	Pre-school Kits	2,199	7,630	4,036	3,594	89.05
5	Steel Doors & Windows	367	83,539	42,779	40,760	95.28
6	Steel Desk	40	9,090	2,349	6,741	286.97
	Steel Bench		5,990	1,629	4,361	267.71
7	Line material	13.23	66,160	31,373	34,787	110.88
8	Line material	13.08	48,260	27,209	21,051	77.37
9	Line material	16.38	655	295	360	122.03
10	Name Boards	1,032.17	91,770	43,727	48,043	109.87
11	Line material	23.41	1,460	905	555	61.33
12	Furniture	41.54	8,195	2,699	5,496	203.63
		33.86	5,446	2,200	3,246	147.55
	Total	**3,952.16**				

ANNEXURE-13

(Referred to in Paragraph 2.14)

Statement showing shortage of manpower

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Number of units	41	40	35	29	25
Category - Officers					
Minimum strength required	52	51	46	40	36
Actual strength	13	12	19	16	11
Shortfall	39	39	27	24	25
Category - Technical staff					
Minimum strength required	69	68	63	57	53
Actual strength	49	61	48	42	37
Shortfall	20	7	15	15	16
Category - Ministerial staff					
Minimum strength required	184	181	166	148	136
Actual strength	80	81	60	62	54
Shortfall	104	100	106	86	82
Total shortfall	**163**	**146**	**148**	**125**	**123**

(Source: Data furnished by the Company)

Annexure-14

(Referred to in Paragraph 3.3)

Statement showing purchase of pulses by Tamil Nadu Civil Supplies Corporation Limited through open tender in 2012-13

Sl. No.	Name of the commodity	Tendered quantity (in MTs)	Date of		L-1 Rate (in ₹)	Number of suppliers on whom PO was issued	Quantity (in MTs)	
			Opening of tender	Issue of PO			Ordered	Supplied
1.	Urid dhall	9,000	27 June 2012	6 July 2012	46,570	6	7,500	7,500
2.	Urid dhall	10,000	16 July 2012	27 July 2012	51,125	4	7,150	7,150
3.	Toor dhall	15,000	30 August 2012	12 September 2012	67,201	8	18,750	18,750
4.	Toor dhall	12,500	28 September 2012	16 October 2012	60,950	1	5,000	5,000
5.	Canadian Yellow Lentil dhall	5,000	5 November 2012	21 November 2012	36,950	1	1,000	1,000
6.	Canadian Yellow Lentil dhall	14,375	20 November 2012	24 November 2012	41,400	10	14,375	14,375

ANNEXURE-15

(Referred to in Paragraphs 3.9.2 and 3.9.4)

Statement showing operation of short term power purchase agreements during the period from June 2010 to March 2014

Quarterly Periods	Number of Short term tenders	Rate per unit (in ₹)		Tender Number	Name of the Traders of the Tender
		Inter State	Intra State		
June 2010 to September 2010	One	---	4.74	2 of 2010	RETL, PTC, and TATA .
October 2010 to December 2010	Three	4.30 – 4.34	4.89	2 of 2010	RETL, PTC, and TATA.
		3.83	4.34	4 of 2010	RETL, PTC, LANCO, and TATA.
		3.60	---	6 of 2010	LANCO.
January 2011 to March 2011	Six	4.30 – 5.46	4.89 – 6.13	2 of 2010	RETL, PTC, and TATA.
		3.42 – 3.66	---	8 of 2010	JSW, RETL, NVVN, and PTC.
		3.16 – 3.89	3.73 – 4.76	7 of 2010	TATA, NETS, NVVN, and PTC.
		4.58	---	1 of 2011	PTC
		5.32 – 6.18	---	4 of 2011	TATA, RETL, GMRETL, JSW and Global.
		5.50 – 7.42	6.75 – 6.95	5 of 2011	GMR, PTC and Global
April 2011 to June 2011	Seven	5.43	6.14	2 of 2010	RETL, PTC, and TATA
		4.40 – 4.96	5.17	7 of 2010	TATA, NETS, NVVN, and PTC.
		4.54	---	2 of 2011	PTC
		4.35	---	1 of 2011	KISPL
		5.32 – 6.18	5.25	4 of 2011	TATA, RETL, GMRETL, JSW and Global.
		5.50 – 6.00	6.75	5 of 2011	GMR, PTC and Global.
		3.41 – 3.58	3.41	8 of 2011	NETS, NVVN and PTC.
July 2011 to September 2011	Two	3.30 – 3.58	3.76	8 of 2011	NETS, NVVN, GMRETL and PTC.
		3.36	---	10 of 2011	NVVN

Quarterly Periods	Number of Short term tenders	Rate per unit (in ₹)		Tender Number	Name of the Traders of the Tender
		Inter State	Intra State		
October 2011 to December 2011	Four	3.39 – 3.60	---	10 of 2011	NVVN
		3.19 – 4.04	---	11 of 2011	NETS, GMRETL and Global.
		4.23	---	13 of 2011	NETS, JPL and SCL.
		---	5.05	14 of 2011	Direct purchase within Tamil Nadu from Power Generators.
January 2012 to March 2012	Four	3.63 – 3.765	---	10 of 2011	NVVN
		3.80	---	11 of 2011	NETS, GMRETL and Global.
		4.50 – 4.80	---	13 of 2011	NETS, JPL and SCL.
		---	5.05	14 of 2011	Direct purchase within Tamil Nadu from Generators.
April 2012 to June 2012	Three	3.80	---	11 of 2011	NETS, GMRETL and Global.
		4.40 – 4.80	---	13 of 2011	NETS, JPL and SCL.
		4.01 – 4.26	---	1 of 2012	NVVN, PTC and SCL.
July 2012 to May 2013	three	3.89 – 5.00	---	1 of 2012	NVVN, PTC and SCL.
		---	5.50	3 of 2012	Direct purchase within Tamil Nadu from Generators.
		---	5.50	4 of 2012	Direct purchase within Tamil Nadu from Generators.
June 2013 to July 2014	One	4.09 – 4.99	5.50	5 of 2012	NVVN, SCL, JPL SEL, PTC and INSTINCT.

ANNEXURE-16

(Referred to in paragraph 3.15.1)

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

Sl. No.	Name of the Department	2008-09	2009-10	2010-11	2011-12	Total
1.	Energy	---	---	9	7	16
2.	Transport	1	---	---	2	3
3.	Prohibition and Excise	1	---	---	---	1
4.	Industries	1	3	2	1	7
5.	Agriculture	1	---	---	---	1
6.	Information Technology	---	2	---	---	2
7.	Micro, Small and Medium Enterprises	---	---	1	---	1
8.	Health and Family Welfare	---	---	1	---	1
9.	Home	---	---	---	2	2
	TOTAL	**4**	**5**	**13**	**12**	**34**

ANNEXURE-17

(Referred to in paragraph 3.15.3)

Statement showing Department-wise outstanding Inspection Reports

Sl. No	Name of the Department	Number of units	Number of outstanding IRs	Number of outstanding paragraphs	Years from which paragraphs outstanding
1.	Industries	16	42	156	2007-08
2.	Micro, Small and Medium Enterprises	6	12	34	2007-08
3.	Information Technology	2	10	37	2005-06
4.	Information and Tourism	2	3	5	2009-10
5.	Agriculture	1	1	3	2007-08
6.	Prohibition and Excise	1	6	17	2009-10
7.	Rural Development and Panchayatraj	1	2	6	2011-12
8.	Energy	8	699	3,139	2004-05
9.	Transport	10	13	69	2012-13
10.	Animal Husbandry	2	2	4	2012-13
11.	Health and Family Welfare	1	3	4	2010-11
12.	Adi Dravidar and Tribal Welfare	1	3	7	2006-07
13.	Backward Classes, Most Backward Classes and Minority Welfare	2	6	14	2009-10
14.	Public (Ex-servicemen)	1	6	19	2007-08
15.	Home	1	4	13	2011-12
16.	Public Works	1	2	11	2007-08
17.	Highways and Minor Ports	4	13	49	2006-07
18.	Handloom, Handicrafts, Textiles and Khadi	4	7	14	2011-12
19.	Environment and Forests	3	3	10	2012-13
20.	Co-operation, Food and Consumer Protection	2	3	11	2011-12
21.	Labour and Employment	1	1	1	2011-12
22.	Municipal Administration & Water Supply	2	2	9	2013-14
23.	Indian Medicine & Homeopathy	1	3	9	2010-11
24.	Social Welfare & Noon Meal Programme	1	6	19	2006-07
	Grand Total	**74**	**852**	**3,660**	

ANNEXURE-18

(Referred to in paragraph 3.15.3)

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

Sl. No	Name of the Department	Number of draft paragraphs	Period of issue
1.	Industries	2	June and September 2014
2.	Transport	1	July 2014
3.	Co-operation, Food and Consumer Protection	1	August 2014
4.	Highways and Minor Ports	1	August 2014
	TOTAL	**5**	

Glossary of Abbreviations

Abbreviation	Description
AC	Air Conditioned
AG	Accountant General
AS	Accounting Standards
ATNs	Action Taken Notes
BHEL	Bharat Heavy Electricals Limited
Bio-COD	Bio-Chemical Oxygen Demand
BOD	Board of Directors
BOQ	Bill of Quantity
BQR	Bid Qualification Requirement
CAG	Comptroller and Auditor General of India
CENVAT	Central Value Added Tax
CERC	Central Electricity Regulatory Commission
CETP	Common Effluent Treatment Plant
Cft	Cubic feet
CGS	Central Generating Stations
CMD	Chairman and Managing Director
COD	Chemical Oxygen Demand
COPU	Committee on Public Undertakings
CPCB	Central Pollution Control Board
CR Sheets	Cold Rolled Sheet
ELCOT	Electronics Corporation of Tamil Nadu Limited
EMD	Earnest Money Deposit
EOT	Extension of Time
EPC	Engineering, Procurement and Construction
EPCG	Export Promotion Capital Goods
ERW	Electric Resisted Welded
ESP	Electro Static Precipitator
ETP	Effluent Treatment Plant
EUCC	Emission Under Control Certificate
FCC	Fixed Capacity Charges
GDP	Gross Domestic Product
GI Pipes	Galvanised Iron Pipes
Global	Global Energy Limited
GMRETL	GMR Energy Trading Limited
GOI	Government of India
GOTN	Government of Tamil Nadu

Abbreviation	Description
IPP	Independent Power Producer
IT Act	Income Tax Act
JSW	JSW Power Trading Company Limited
JV	Joint Venture
KM	Kilo Metre
KPH	Kadamparai Pumped Storage Hydel Power House
L-1	Lowest rate
Lanco	Lanco Power Trading Limited
LC	Letter of Credit
LTCG	Long Term Capital Gain
MD	Managing Director
Mg	milligram
MOC	Ministry of Coal
MOEF	Ministry of Environment and Forests
MOP	Ministry of Power
MOU	Memorandum of Understanding
MSME	Micro, Small and Medium Enterprises
MT	Metric Tonne
MTC	Metropolitan Transport Corporation Limited
MUs	Million Units
MW	Mega Watt
NETS	National Energy Trading and Services Limited
NVVN	NTPC Vidyuth Vyapar Nigam Limited
PCETP	Perundurai Common Effluent Treatment Plant
PFC	Power Finance Corporation Limited
PIC	Project Investment Committee
PLF	Plant Load Factor
PM	Particulate Matter
PO	Purchase Order
PPA	Power Purchase Agreement
PSM	Perambalur Sugar Mills Limited
PSUs	Public Sector Undertakings
PTC	Power Trading Corporation India Limited
PWD	Public Works Department
RETL	Reliance Energy Trading Limited
RGGVY	Rajiv Gandhi Gramin Vidyuth Yojana
SAIL	Steel Authority of India Limited

Abbreviation	Description
SARs	Separate Audit Reports
SESCOT	State Engineering and Servicing Company of Tamil Nadu Limited
SETC	State Express Transport Corporation of Tamil Nadu Limited
SIPCOT	State Industries Promotion Corporation of Tamil Nadu Limited
SPM	Suspended Particulate Matter
sq.ft.	square feet
SSI	Small Scale Industrial Units
STOA	Short Term Open Access
STP	Sewerage Treatment Plant
STUs	State Transport Undertakings
TAMIN	Tamil Nadu Minerals Limited
TANCEM	Tamil Nadu Cements Corporation Limited
TANGEDCO	Tamil Nadu Generation and Distribution Corporation Limited
TANMAG	Tamil Nadu Magnesite Limited
TANSI	Tamil Nadu Small Industries Corporation Limited
TANTRANSCO	Tamil Nadu Transmission Corporation Limited
TAPAP	Tamil Nadu Paints and Allied Products Limited
TASCO	Tamil Nadu Sugar Corporation Limited
TATA	Tata Power Trading Company Limited
TDS	Total Dissolved Solids
TIDCO	Tamil Nadu Industrial Development Corporation Limited
TNEB	Tamil Nadu Electricity Board
TNERC	Tamil Nadu Electricity Regulatory Commission
TNPCB	Tamil Nadu Pollution Control Board
TNPL	Tamil Nadu Newsprint and Papers Limited
TNRDC	Tamil Nadu Road Development Company Limited
TNSTC	Tamil Nadu State Transport Corporation
TPCL	Tidel Park Coimbatore Limited
TSD	Total Shut Down
TTPS	Tuticorin Thermal Power Station
VAT	Value Added Tax