

OVERVIEW

Overview of Government companies and Statutory corporations

As on 31 March 2002, the State had 52 Public Sector Undertakings (PSUs) comprising of 49 Government companies and three Statutory corporations as against 48 Government companies and equal number of Statutory corporations as on 31 March 2001. Out of 49 Government companies as on 31 March 2002, the number of working Government companies was 31 and non-working companies was 18 as against 33 and 15 respectively as on 31 March 2001. In addition, there were 11 companies under the purview of section 619-B of the Companies Act, 1956 as on 31 March 2002.

The total investment in 34 working Public Sector Undertakings increased from Rs.20343.29 crore as on 31 March 2001 to Rs.23590.33 crore as on 31 March 2002. The total investment in non-working PSUs also increased from Rs.295.00 crore to Rs.641.85 crore during the same period.

The budgetary support in the form of capital, loans, grants and subsidies disbursed to the working PSUs increased from Rs.3860.55 crore in 2000-01 to Rs.4533.00 crore in 2001-02. There was an increase in equity and loan contribution of non-working companies to an extent of Rs.346.85 crore in 2001-02 compared to 2000-01, due to transfer of three working companies to non-working companies. The total amount of outstanding loans guaranteed by the State Government increased from Rs.7126.30 crore as on 31 March 2001 to Rs.9925.02 crore as on 31 March 2002.

Four working Government companies and two Statutory corporations had finalised their accounts for the year 2001-02. The accounts of remaining 27 working Government companies and one Statutory corporation were in arrears for periods ranging from one year to six years. The accounts of all the 18 non-working Government companies were in arrears for periods ranging from one year to 18 years, as on 30 September 2002.

According to latest finalised accounts, 11 working PSUs (nine Government companies and two Statutory corporations) earned an aggregate profit of Rs.349.58 crore, out of which only one company declared dividend of Rs.1.01 crore during the year. Against this, 14 working PSUs (13 working Government companies and one Statutory corporation) suffered an aggregate loss of Rs.487.54 crore. One company which suffered loss of Rs.38.82 crore had exhibited the same as subsidy receivable from State Government. Of the loss incurring working Government companies, four companies had accumulated losses aggregating Rs.259.82 crore which exceeded their aggregate paid-up capital of Rs.58.77 crore. One loss incurring Statutory corporation had accumulated loss of Rs.523.07 crore which had exceeded its paid-up capital of Rs.201.27 crore. Despite their poor performance and

complete erosion of paid-up capital, the State Government continued to provide financial support amounting to Rs.152.37 crore to two of the above-mentioned four companies besides financial support of Rs.178.69 crore extended by Central Government to one of the said two companies.

The State Government formed Electricity Regulatory Commission in March 1999. Based on the Commission's recommendations, the State Government provided subsidy of Rs.1626.25 crore to Transmission Corporation of Andhra Pradesh Limited (2000-01) and Rs.1561.41 crore to four Distribution companies (2001-02) towards compensation for reduction in tariff in respect of specified classes of consumers.

(Paragraphs 1.1,1.2,1.3, 1.10 and 1.11)

2. REVIEWS RELATING TO GOVERNMENT COMPANIES

Aspects relating to activities of The Singareni Collieries Company Limited, Andhra Pradesh State Seeds Development Corporation Limited and Execution of 400 KV Transmission Scheme for evacuation of power from Srisailem Left Bank Hydroelectric Power Station were reviewed in audit and some of the main findings are as follows:

2.A Comprehensive Review on the working of The Singareni Collieries Company Limited

The Singareni Collieries Company Limited was incorporated in December 1920 with the main objective of development of mines for extraction of Coal. The Company is engaged in extraction of coal through underground and opencast mines. The Company became potentially sick due to complete erosion of paid up capital. As a measure of relief, Government of India approved a Financial Restructuring Package waiving interest on interest, penal interest and moratorium on payment of interest and also rescheduled payment of interest. The package also included certain commitment on the part of the Company regarding increasing production, reduction in manpower and improvement in labour productivity. Though the Company earned profits during the period from 1997-98 to 2001-02 and the accumulated losses brought down considerably, the Company was still required to complete the on-going projects, use its plant and machinery effectively, make the mines economically viable and deploy its surplus labour gainfully.

Some of the important observations included in the review are as follows:

Implementation of three projects in violation of Government directive resulted in further investment of Rs.16.68 crore and loss of Rs.23.07 crore on uneconomic mining.

(Paragraphs 2A.7.4.1,2A.7.4.2 and 2A.7.4.3)

Though production targets were substantially achieved, large number of underground mines incurred losses. The targeted and actual production during the five years ended 31 March 2002 in 8/9 areas out of 12 was below break-even production contributing to huge losses.

(Paragraphs 2A.8.2 and 2A.8.3)

Inability to use two longwall units at a time in Padmavathi khani resulted in over absorption of fixed overhead by Rs.62.43 crore during the five years ended 31 March 2002. The additional investment of Rs.17.75 crore made to increase the capacity of shield supports did not yield the anticipated benefit in GDK-9 Vakilpalli block.

(Paragraphs 2A.8.4.1.1 and 2A.8.4.1.2)

Non-revision of prices as per Government of India directives, (after deregulation of prices) resulted in loss of revenue of Rs.46.55 crore up to December 1999.

(Paragraph 2A.12.1)

Non-control of expenditure within the additional price allowed resulted in loss of revenue of Rs.26.70 crore besides making RG OC-II Project continuously unviable.

(Paragraph 2A.12.2)

Supply of the power free of cost/concessional rate beyond the limits specified in National Coal Wage Agreement resulted in additional expenditure of Rs.228.37 crore.

(Paragraph 2A.19.1)

Failure to show consumption of electricity by private parties separately, non-segregation of township consumption and uneconomic utilisation of power resulted in avoidable expenditure of Rs.62.69 crore.

(Paragraphs 2A.21.2.2, 2A.21.2.3 and 2A.21.2.4)

2.B Comprehensive Review on the working of Andhra Pradesh State Seeds Development Corporation Limited

The Company was incorporated in March 1976 under the Companies Act, 1956 with the main objective to provide/procure, process and supply

qualitative/certified seeds of all crops for promoting increased agricultural production. For fixing production targets for paddy and other crop varieties of seeds, the Company did not develop scientific planning. This resulted in fixation of higher targets. During the period from 1997-98 to 2000-01, the profits of the Company decreased from year to year, mainly due to non-achievement of targets, lower sales, huge condemnation of seed and substantial expenditure on inter-unit transportation of seed and payment of commission to dealers at higher rate. The Company failed to motivate farmers to become grower/shareholder and participate in its seed production programme on a large scale, which defeated its main objective.

Some of the important points noticed in the review are as follows:

Huge inter-unit transportation of seed resulted in avoidable transportation cost of Rs.6.16 crore.

(Paragraph 2B.6.1.4)

During the period of five years ended 31 March 2002, the Company processed large quantity of seed through custom processing at a cost of Rs.1.34 crore by keeping own processing facilities idle.

(Paragraph 2B.9.1)

Subsidy to the extent of Rs.6.92 crore under various schemes was not passed on to the intended farmers.

(Paragraph 2B.12)

2.C 400 KV Transmission Scheme for evacuation of Power from Srisailam Left Bank Hydroelectric Power Station relating to Transmission Corporation of Andhra Pradesh Limited.

The erstwhile Andhra Pradesh State Electricity Board (Board) had taken up the execution of 400 KV transmission scheme designed to evacuate power from the proposed Srisailam Left Bank Hydroelectric Power Station to major load centres and to draw surplus thermal power from other thermal stations during night hours. For the purpose of Feasibility Report, the Board proposed only abstract cost estimates for Rs.282.53 crore in 1991. These estimates were revised in 1998 to Rs.465.06 crore for the purpose of drawal of loan from JBIC. Detailed cost estimates were not prepared for the lines and sub stations.

Some of the important observations included in the review are as follows:

Erstwhile APSEB did not prepare detailed cost estimates for the transmission lines and sub-stations of the Scheme. PGCIL who constructed 400 KV transmission lines in the State were also not consulted for technical data and guidance. Consequently, there were huge variations in quantities ranging between 27 and 2119 *per cent*.

(Paragraph 2C.7 and 2C.7.2)

Due to delay in compliance of import formalities, the Company incurred an avoidable expenditure of Rs.5.71 crore on account of increase in customs duty, demurrages, etc.

{ Paragraph 2C.8.1(a) }

Non-adherence of the JBIC guidelines regarding price adjustment resulted in an additional expenditure of Rs.4.60 crore.

{ Paragraph 2C.11(a) (i) }

Non-observance of uniformity in inclusion of suitable term in the agreement for price adjustment payments resulted in avoidable payment of Rs.1.98 crore.

{ Paragraph 2C.11 (a) (ii) and (b) }

3. MISCELLANEOUS TOPICS OF INTEREST

3A. Government companies

The turbo generating Unit 9 commissioned at Kothagudem Thermal Power Station of **Andhra Pradesh Power Generation Corporation Limited** was not offered for first inspection as per maintenance schedule resulting in extensive damage to rotor. The Company incurred an additional expenditure of Rs.1.43 crore on repair which was avoidable.

(Paragraph 3A.5.1)

Andhra Pradesh Power Generation Corporation Limited procured power cable much in excess of requirement. Consequently, power cable valued at Rs.1.21 crore was rendered surplus and lying in store for over six years.

(Paragraph 3A.5.2)

Andhra Pradesh State Trading Corporation Limited released bank guarantee of a sub-contractor before receipt of no claim certificate from their importer and did not raise claim for reimbursement of incidental expenses from three sub-contractors. This resulted in locking up of Rs.1.25 crore.

(Paragraph 3A.7.1)

3B. Statutory corporations

Extension of one-time settlement scheme to a defaulter entrepreneur resulted in loss of Rs.0.96 crore to **Andhra Pradesh State Financial Corporation**.

(Paragraph 3B.1.2)

The Bus Bhavan of **Andhra Pradesh State Road Transport Corporation** which was under construction for the last ten years had not been completed even after incurring an expenditure of Rs.12.15 crore. This defeated the very objective of construction.

(Paragraph 3B.2.2)