

## Overview

### **1. Overview of Government companies and Statutory corporations**

As on 31 March 2006, the State had 56 Public Sector Undertakings (PSUs) comprising 52 Government companies and four Statutory corporations as against 51 PSUs comprising 46 Government companies and five Statutory corporations as on 31 March 2005. Out of 52 Government companies, 39 were working and 13 were non working Government companies. All the four Statutory corporations were working corporations. In addition, there were eight companies under Section 619-B of the Companies Act, 1956 as on 31 March 2006.

*(Paragraphs 1.1 and 1.35)*

The total investment in the working PSUs increased from Rs.37,710.41 crore as on 31 March 2005 to Rs.43,496.88 crore as on 31 March 2006. The total investment in 13 non working PSUs as on 31 March 2006 was Rs.840.61 crore as against Rs.805.44 crore in 10 non working PSUs as on 31 March 2005.

*(Paragraphs 1.2 and 1.17)*

The budgetary support in the form of equity capital, loans and grants/subsidies disbursed to the working PSUs decreased from Rs.5,372.04 crore in 2004-05 to Rs.4,282.12 crore in 2005-06. The State Government had contributed Rs.7.72 crore in the form of loan to two non-working companies during 2005-06. The State Government guaranteed loans aggregating Rs.750 crore during 2005-06. The total amount of outstanding loans guaranteed by the State Government to all the PSUs as on 31 March 2006 was Rs.11,662.45 crore.

*(Paragraphs 1.5 and 1.18)*

Out of 39 working Government companies and four Statutory corporations, nine working companies and three Statutory corporations finalised their accounts for the year 2005-06. The accounts of 30 working companies and one working Statutory corporation were in arrears for periods ranging from one to two years as on 30 September 2006. Two non working Government companies finalised their accounts for the year 2005-06 and the accounts of four non-working Government companies were in arrears for periods ranging from one to seven years as on 30 September 2006. Two companies had applied to the Registrar of Companies for striking off their names under Simplified Exit Scheme-2005. The remaining five companies were under liquidation.

*(Paragraphs 1.6 and 1.20)*

According to the latest finalised accounts, 25 working PSUs (23 Government companies and two Statutory corporations) earned aggregate profit of Rs.683.63 crore, out of which only two working Government companies and one Statutory corporation declared dividend of Rs.8.08 crore to the State Government. Against this nine working PSUs (seven Government companies and two Statutory corporations) incurred aggregate loss of Rs.150.95 crore as per their latest finalised accounts. Of the loss incurring working Government companies, four companies had accumulated losses aggregating Rs.162.54 crore which was more than four times their aggregate paid-up capital of Rs.35.70 crore. The two loss incurring Statutory corporations had accumulated losses aggregating Rs.2,126.63 crore which was more than two times of their aggregate paid-up capital of Rs.715.63 crore.

*(Paragraphs 1.7, 1.8, 1.9 and 1.11)*

Even after completion of five years of their existence, the individual turnover of seven working Government companies had remained less than rupees five crore in each of the preceding five years as per their latest finalised accounts. Further, five Public sector undertakings (three working companies and two working Statutory corporation) had been incurring losses for five consecutive years as per their latest finalised accounts, leading to negative net worth. As such, the Government may either improve the performance of these 12 PSUs or consider their closure.

*(Paragraph 1.34)*

## **2. Reviews relating to Government companies**

Reviews relating to Implementation of Sardar Sarovar Narmada Main Canal based Bulk Water Transmission Project by **Gujarat Water Infrastructure Limited**, Financial management in **Gujarat Urja Vikas Nigam Limited (erstwhile Gujarat Electricity Board)**, Mining Activities of **Gujarat Mineral Development Corporation Limited**, Implementation of welfare schemes for women by **Gujarat Women Economic Development Corporation Limited** and Upliftment of rural artisans by **Gujarat Rural Industries Marketing Corporation Limited** were conducted. Some of the major findings are as follows:

### **Implementation of Sardar Sarovar Narmada Main Canal based Bulk Water Transmission Project**

The performance of Gujarat Water Infrastructure Limited in the implementation of bulk water transmission project was found to be deficient in areas such as project planning, financing, implementation, pricing of water and internal control. The Company deviated from the master plan resulting in diversion of water to be supplied to the projected areas. Delay in arranging funds resulted in time overrun in completion of three sub projects. Instances of deviation from the Detailed Project Report, unfruitful/avoidable expenditure, overpayments and undue benefits being given to contractors were noticed in the implementation of the projects. Besides, the Company failed to evolve an effective pricing policy which had adversely affected the financial viability of the Company.

Laying of pipeline of larger diameter than specified resulted in unfruitful expenditure of Rs.1.64 crore.

Deviation from the tender specification for wire mesh used in gunniting steel pipes resulted in avoidable expenditure of Rs.1.08 crore.

The Company's failure to charge the recommended price for supply of water to industries resulted in loss of potential revenue of Rs.8.10 crore.

The Company made excess payments of Rs.49.17 lakh to the contractors towards construction of pump houses and interest amounting to Rs.51.43 lakh was short recovered on premature payments made to the contractors.

*(Chapter 2.1)*

## **Financial Management**

Financial management by the Gujarat Urja Vikas Nigam Limited (erstwhile Gujarat Electricity Board) was found to be weak as the Board had resorted to borrowing for financing losses. It failed to improve the existing system of recovery of its dues from the consumers in order to minimise the borrowings. Timely deposit of revenue in the Board's account and prompt transfer of funds to its Head Office account were not ensured by the management. The Board failed to adhere to its own norms for recovery of security deposit from consumers. The Board did not pursue with the Government of Gujarat (GOG) for early release of funds under the centrally sponsored schemes and restricting the remittances of Electricity duty/Tax on sale of electricity to GOG to the amount actually recovered from consumers.

During 2000-05, the Board raised total fund of Rs.12,446 crore from different sources, of which Rs.6,347 crore was utilised for financing its revenue deficit amount.

The Board sustained loss of revenue of Rs.351.15 crore due to non implementation of tariff award in the agriculture sector.

Improper estimation of claim for subsidy resulted in belated receipt of subsidy of Rs.628.67 crore and consequential interest loss of Rs.66.80 crore.

Non/delayed restructuring of loans resulted in avoidable payment of interest amounting to Rs.11.90 crore.

*(Chapter 2.2)*

## **Mining Activities**

The performance of Gujarat Mineral Development Corporation Limited relating to mining activities was deficient due to its failure to complete the required formalities. The Company failed to achieve the targeted production in any of the years. Utilisation of both specialised as well as contractual machinery was sub optimal and consumption of diesel in departmental machinery was high. The Company made avoidable expenditure on dead rent,

contract demand of electricity and dewatering of mine pit. The Company allowed excess discount on sale of lignite due to incorrect working and deviation from normal practice.

Delay in obtaining environmental clearance for Tadkeshwar lignite project and commencement of work before obtaining environmental clearance led to suspension of the work resulting in revenue foregone worth Rs.161.50 crore.

*(Chapter 2.3)*

### **Implementation of welfare schemes for women**

The performance of Gujarat Women Economic Development Corporation Limited with regard to implementation of welfare schemes for women was deficient as the Company's coverage of the beneficiaries during 2001-06 was less than one *per cent*. The Company had violated the scheme guidelines by way of accepting inadmissible income certificates, there were improper disbursements, diversion of funds and cases of imparting training to ineligible persons. Monitoring and follow-up of the schemes was absent as the Company did not maintain any database of the beneficiaries nor did it make any effort to assess the impact and outcome of the scheme implementation. The Company failed to take corrective measures as recommended by the Committee on Public Undertakings.

The Company did not devise any mechanism to monitor timely recommendation of the loan by it, sanction of loan by the bank and disbursement of subsidy. Delay in disbursement of subsidy by 17 to 1,404 days resulted in additional interest burden on the beneficiaries.

Under Swa Shakti project, out of Rs.31.18 crore earmarked for Gujarat (October 1998), the Company spent only Rs.11.32 crore (till closure of the project in June 2005). Further, the Company did not disburse any loan to Self Help Groups from the revolving fund of Rs.70 lakh received (2000-01)

*(Chapter 2.4)*

### **Upliftment of rural artisans**

The performance of Gujarat Rural Industries Marketing Corporation Limited with regard to the economic upliftment of rural artisans was dismal. Even after completion of 27 years of existence, the Company has not developed an adequate and geographically balanced network to provide services to the rural artisans on regular basis. The efficacy of the training programme could not be evaluated by Audit in the absence of adequate documentation. Most of the schemes were not operative, defeating their objectives. The Company retained large sums of money in current accounts resulting in loss of interest and denial of the intended benefits of various schemes to rural artisans of the State.

Utilisation of revolving funds for Kachchh mahila rojgar and earthquake affected area was insignificant resulting in surrender of Rs.28 lakh out of Rs.50 lakh provided for the purpose.

*(Chapter 2.5)*

### 3. Transaction Audit Observations

Audit observations included in this chapter highlight deficiencies in the management of PSUs involving serious financial irregularities. The irregularities pointed out are broadly of the following nature:

- Imprudent investment of funds resulting in loss of interest of Rs.6.49 crore in three cases due to non-obtaining environmental clearance, - non utilisation of assets and delay in construction of civil work.

*(Paragraphs 3.2, 3.12 and 3.17)*

- Avoidable extra expenditure of Rs.33.70 crore in five cases due to delay in pre payment of loans, deficiency in Gas Transmission Arrangement Agreement, re invitation of bids and placement of orders at higher rates.

*(Paragraphs 3.1, 3.3, 3.11, 3.13 and 3.15)*

- Irregular payments of Rs.10.71 crore in two cases due to violation of State Government instructions and terms & conditions of purchase order and extension of undue benefit to a contractor in one case due to short recovery of performance guarantee than stipulated.

*(Paragraphs 3.6, 3.14 and 3.5)*

- Non-recovery of dues of Rs.2.93 crore in three cases due to non-levy of minimum charges, liquidated charges and incorrect fixation of dues under One Time Settlement Scheme.

*(Paragraphs 3.4, 3.7 and 3.18)*

- Loss of potential revenue of Rs.487.19 crore in three cases on account of non-maintenance of spare turbine rotor, and delay in taking up the renovation/ modernisation/ rehabilitation works.

*(Paragraphs 3.8, 3.9 and 3.10)*

Gist of the major audit observations is given below:

**Gujarat State Petroleum Corporation Limited** did not recover minimum charges of Rs.1.80 crore in violation of the agreement.

*(Paragraph 3.4)*

**Sardar Sarovar Narmada Nigam Limited** incurred liability for payment of price escalation of Rs.6.43 crore due to non adherence to the State Government instructions for award of work contracts

*(Paragraph 3.6)*

Deficiency in the Gas Transmission Arrangement Agreement entered with Gujarat Gas Company Limited by **Gujarat State Petronet Limited** led to avoidable payment of Rs.30.12 crore.

*(Paragraph 3.11)*

Violation of the terms and conditions of purchase orders by **Gujarat Urja Vikas Nigam Limited (the erstwhile Gujarat Electricity Board)** resulted in extra expenditure of Rs.4.28 crore in purchase of ready made poles.

*(Paragraph 3.14)*