

Overview

1. Overview of Government companies and Statutory corporations

As on 31 March 2008, the State had 44 Public Sector Undertakings (PSUs) comprising 40 Government companies and four Statutory corporations. Out of 40 Government companies, 31 were working and nine were non-working. All the four Statutory corporations were working. In addition, there were four deemed Government companies under Section 619-B of the Companies Act, 1956. Of these, three were working companies and one was non-working.

(Paragraphs 1.1 and 1.30)

The total investment in working PSUs decreased from Rs. 20,308.37 crore as on 31 March 2007 to Rs. 16,236.19 crore as on 31 March 2008. The total investment in non-working PSUs increased from Rs. 228.98 crore to Rs. 236.47 crore during the same period.

(Paragraphs 1.2 and 1.16)

The budgetary support in the form of capital, loans and grants /subsidy disbursed to the working PSUs increased from Rs. 1,474.20 crore in 2006-07 to Rs. 3,644.58 crore in 2007-08. The State Government guaranteed loans aggregating Rs. 153.43 crore during 2007-08. The total amount of outstanding loans guaranteed by the State Government decreased from Rs. 3,044.29 crore as on 31 March 2007 to Rs. 618.04 crore as on 31 March 2008.

(Paragraph 1.5)

Seven working Government companies and three Statutory corporations had finalised their accounts for the year 2007-08. The accounts of 24 working Government companies and one Statutory corporation were in arrears for periods ranging from one to seven years as on 30 September 2008. Five, out of nine, non-working Government companies were under liquidation and remaining four were defunct. One defunct company had finalised its accounts for the year 2007-08. Accounts of three defunct companies were in arrears for periods ranging from two to 13 years as on 30 September 2008.

(Paragraphs 1.6 and 1.19)

According to the latest finalised accounts, 13 working PSUs (12 Government companies and one Statutory corporation) incurred aggregate loss of Rs. 1,865.67 crore. 20 working PSUs (17 Government companies and three Statutory corporations) earned aggregate profit of Rs. 197.02 crore as per their latest finalised accounts. Five loss incurring working Government companies had accumulated losses of Rs. 4,179.93 crore, which exceeded their paid-up capital of Rs. 1,930.68 crore. Similarly one Statutory corporation had accumulated loss of Rs. 1,024.52 crore which was more than their paid up capital of Rs. 141.81 crore.

Review relating to a Government Company

Madhya Pradesh Laghu Udyog Nigam Limited

2. Operational Performance

The Company was incorporated in December 1961 for promotion and protection of small scale industries (SSIs) by providing marketing, financial, technical and managerial assistance. Presently, activities of the Company include supply of articles to Government, arranging procurement of raw material required by the SSIs, selling handloom and handicraft items, construction of buildings of Government Organizations etc. Despite 46 years of existence the company could not render assistance even to one percent of SSIs of the State. Some of the important audit findings are given below:

- Due to lack of appropriate analysis of the cost of drug kits by the Company, the State Government Department had to incur extra expenditure of Rs. 2.85 crore.
- Failure of the Company to ensure the payment of statutory dues by the contractors resulted in liability of Rs. 1.53 crore towards EPF dues.
- The State Industrial Policy 2004 envisaged providing linkage between the SSIs and industrial units in the Industrial Growth Centers and creation of Research and Development facilities. However, the Company had not initiated any action so far in this regard.
- Despite COPU's recommendation to transfer the staff and work of the estate and construction division to other agencies, the Company continued to retain the division.

(Chapter 2)

Review relating to Statutory Corporation

3. Implementation of Restructuring of Power Sector in the State

Alarmed by the fast deteriorating financial position of the Madhya Pradesh Electricity Board (Board), the State Government initiated (May 2000) the process of implementing the restructuring of the power sector in the State for restoration of financial viability of the Board. Accordingly, the Board was restructured and unbundled into five companies in accordance with Madhya Pradesh Vidyut Sudhar Adhiniyam 2000 (Reform Act, 2000). For bulk power trading function of the

Board, M P Power Trading Company was constituted in June 2006. Despite restructuring power sector in the State, the Board continued incurring losses since 2001-02, due to supply of power to agricultural consumers at subsidised rates, unremunerative tariff and excessive transmission and distribution (T&D) losses etc. Accordingly, functioning of the Board and its six companies was reviewed to assess the impact of restructuring of the power sector in the State for the period 2003-04 to 2007-08. Some of the important audit findings are given below:

- The financial restructuring plan (FRP) aimed at gradual transformation of M P Power sector submitted initially in December 2003 and revised from time to time, had not been approved so far by the State Government.
- The Board had not done valuation of assets and liabilities amounting to Rs. 13,124.48 crore before transferring them to the successor entities. The item-wise details of the fixed assets transferred were not provided to the successor entities.
- The stated objectives of restructuring the power sector in the State could not be achieved due to high incidence of Transmission and Distribution losses, slow meterisation of consumers and cross subsidisation. Restructuring did not have perceptible improvement on these aspects.
- The staff related liabilities amounting to Rs. 4,494 crore and leave encashment liability amounting to Rs. 263 crore remained unfunded.

(Chapter 3)

4. Transaction Audit Observations

Transaction audit observations included in this Report highlight deficiencies in the management of PSUs, which had adverse financial implications. The irregularities pointed out are broadly of the following nature:

- Infertuous, avoidable and extra expenditure of Rs. 2.40 crore was incurred in two cases.

(Paragraphs 4.2 and 4.4)

- Revenue forgone in six cases was Rs. 27.98 crore.

(Paragraphs 4.1, 4.3, 4.5, 4.6, 4.7 and 4.8)

Gist of some important observations is given below:

Incorrect estimation of Income Tax by **Madhya Pradesh State Civil Supplies Corporation Limited** resulted in avoidable payment of interest of Rs. 2.18 crore during 2001-02 to 2005-06.

(Paragraph 4.2)

Madhya Pradesh Audyogik Kendra Vikas Nigam (Bhopal, Indore) Limited & Industrial Infrastructure Development Corporation Limited, Gwalior did not charge transfer fee in accordance with the Government directives and the State Government suffered loss of Rs. 24.64 crore during May 2000 to January 2008.

(Paragraph 4.3)

Madhya Pradesh Paschim Kshetra Vidyut Vitran Company Limited delayed raising of bills and did not collect revenue in time resulting in blockage of funds of Rs. 3.53 crore and loss of surcharge of Rs. 62 lakh on delayed payments during November 2006 to November 2007.

(Paragraph 4.5)

Madhya Pradesh Madhya Kshetra Vidyut Vitran Company Limited did not enforce Madhya Pradesh Electricity Regulatory Commission's orders which resulted in loss of revenue of Rs. 1.15 crore during 2002-03 to 2006-07.

(Paragraph 4.6)