

Overview

1. Overview of Government companies and Statutory corporations

As on 31 March 2004, the State had 38 Public Sector Undertakings (PSUs) comprising 34 Government companies and four Statutory corporations. Out of 34 Government companies, 25 were working companies, while nine were non-working Government companies. All the four Statutory corporations were working corporations. In addition, there was one company under the purview of Section 619-B of the Companies Act, 1956.

(Paragraphs 1.1 and 1.33)

The total investment in working PSUs decreased from Rs.5,378.38 crore as on 31 March 2003 to Rs.4,934.12 crore as on 31 March 2004. The total investment in non-working PSUs decreased from Rs.207.01 crore to Rs.198.99 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 decreased from Rs.910.38 crore in 2002-03 to Rs.56.38 crore in 2003-04. The State Government guaranteed loans aggregating Rs.530.05 crore during 2003-04. The total amount of outstanding loans guaranteed by State Government increased from Rs.3,846.34 crore as on 31 March 2003 to Rs.5,020.14 crore as on 31 March 2004.

(Paragraph 1.5)

Four working Government companies and none of the Statutory corporations, had finalised their accounts for the year 2003-04. The accounts of remaining 21 working Government companies and four Statutory corporations were in arrears for periods ranging from one year to six years as on 30 September 2004. One non-working Government company had finalised its accounts for the year 2003-04 and accounts of remaining eight non-working Government companies were in arrears for periods ranging from one year to 14 years as on 30 September 2004.

(Paragraphs 1.6 and 1.19)

According to their latest finalised accounts, 12 working PSUs (nine Government companies and three Statutory corporations) incurred aggregate loss of Rs.481.54 crore. On the other hand, 12 working PSUs (11 Government companies and one Statutory corporation) earned aggregate profit of Rs.31.21 crore, as per their latest finalised accounts. Three working Government companies declared dividend of Rs.1.14 crore during the year. Of the loss

incurring working Government companies, accumulated losses of three companies aggregated Rs.596.50 crore which exceeded their aggregate paid-up capital of Rs.83.64 crore. Three loss incurring Statutory corporations had accumulated losses of Rs.3146.99 crore, which exceeded their paid-up capital of Rs.399.51 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 has been less than rupees five crores in each of the preceding five years as per their latest finalised accounts. As such, the Government may either improve the performance of these seven Government companies or consider their closure.

(Paragraph 1.31)

2 REVIEW IN RESPECT OF GOVERNMENT COMPANYY

Madhya Pradesh Hastashilp Evam Hathkargha Vikas Nigam Limited

The Madhya Pradesh Hastashilp Vikas Nigam Limited, was incorporated in November 1981 as a subsidiary of Madhya Pradesh Laghu Udyog Nigam Limited and its name was changed (October 1999) as Madhya Pradesh Hastashilp Evam Hathkargha Vikas Nigam Limited.

The Company's accumulated loss of Rs.2.92 crore as at the end of March 2003 had eroded the paid-up capital of Rs.1.26 crore.

(Paragraph 2.5)

The Company did not formulate plans to utilise the grants received for implementation of schemes. Out of grants of Rs.42.97 crore received during 1998-2003, only Rs.30.16 crore was utilised for the envisaged purposes and the remaining Rs.12.81 crore was used to meet its working capital needs.

(Paragraph 2.6)

Operations of emporia during 1998-2003 resulted in a loss of Rs.1.15 crore even after accounting of grants of Rs.4.35 crore as income.

(Paragraph 2.10)

Failure to collect and remit the Sales Tax to Government resulted in avoidable liability of Rs.95.16 lakh.

(Paragraph 2.13.1)

3. REVIEW IN RESPECT OF STATUTORY CORPORATION

Madhya Pradesh State Electricity Board

Madhya Pradesh State Electricity Board has three thermal power stations at Chachai, Sarni and Birsinghpur. The combined installed capacity of these power stations was 2,272.5 mega watt.

During the five years up to 2003-04, the three thermal power stations received 73.30 lakh tonnes of coal less than their requirement which resulted in loss of generation of 570 million units with consequential loss of revenue of Rs.114 crore.

(Paragraph 3.4.1)

The Board incurred an extra expenditure of Rs.24.04 crore on procurement of coal due to payment at higher rates than that notified by the Government of India.

(Paragraph 3.4.4)

Due to low thermal efficiency, there was an excess consumption of heat aggregating 2.74 million kilo calories resulting in excess consumption of coal valued at Rs.491.54 crore.

(Paragraph 3.5)

The Board did not pursue cases of missing/diverted wagons of coal valued at Rs.50.46 crore with Railways.

(Paragraph 3.7.3)

During 1999-2004, ATPS and STPS consumed 39,740.66 kilolitres of oil in excess of prescribed norms resulting in extra expenditure of Rs.59.62 crore.

(Paragraph 3.8.1)

4. Transaction Audit observations

Transaction audit observations included in the report highlight deficiencies in the management of PSUs, which resulted in serious financial implications. The irregularities pointed out are broadly of the following nature:

- Unproductive expenditure/imprudent investment/blocking of funds and loss of interest amounting to Rs.32.14 crore in two cases due to injudicious placement of inter corporate loans and non-repayment of high-cost loans.

(Paragraphs 4.2. and 4.5.3)

- Extra/avoidable expenses amounting to Rs.33.80 crore in eight cases.

(Paragraphs 4.1, 4.4, 4.5.1, 4.5.2, 4.12, 4.13.5, 4.13.6 and 4.13.10)

- Loss of revenue of Rs.7.41 crore in five cases due to non-compliance with Government orders, ignoring the market value of asset, delay in disconnecting the power supply, failure to get the defective transformers repaired, non-availing of cash discount and issue of free passes without approval.

(Paragraphs 4.3, 4.7, 4.9, 4.11 and 4.13.2)

- Undue favour to borrower resulting in loss of interest of Rs.14.54 crore in one case.

(Paragraph 4.5.4)

- Non-commissioning of equipments valuing Rs.36.11 lakh in one case.

(Paragraph 4.8)

- Miscellaneous one case amounting to Rs.64.80 lakh on account of irregular issue of bonds.

(Paragraphs 4.5.1)

Gist of some of the important paragraphs is given below:

- Non-repayment of dues by **Madhya Pradesh Police Housing Corporation Limited**, despite availability of funds, led to avoidable interest liability of Rs.1.50 crore.

(Paragraph 4.1)

- Issue of bonds by **Madhya Pradesh State Industrial Development Corporation Limited** at higher rate of interest, without approval of the Board/State Government, its non-compliance with terms and conditions, coupled with its failure to monitor funds after disbursement, resulted in default in payment of interest of Rs.27.12 crore and consequent loss of interest of Rs.8.32 crore.

(Paragraph 4.5.1)

- Inaction for recovery of corporate loans by **Madhya Pradesh State Industrial Development Corporation Limited** from the borrower, despite his cheques having been dishonoured, resulted in locking up of Rs.25.78 crore and loss of interest of Rs.32 crore.

(Paragraph 4.5.3)

- Undue favour was extended by **Madhya Pradesh State Industrial Development Corporation Limited** to a firm by placement of inter corporate loans repeatedly, despite the firm being a known defaulter and failure to recover the same, resulted in locking up of Rs.14.40 crore and loss of interest of Rs.14.54 crore.

(Paragraph 4.5.4)

- Failure of the **Madhya Pradesh State Electricity Board** to monitor the repair and return of the defective transformers resulted in loss of Rs.1.49 crore.

(Paragraph 4.9)

- Issue of free passes by **Madhya Pradesh Road Transport Corporation** without approval of Government, resulted in loss of Rs.3.05 crore.

(Paragraph 4.11)

- Usage of excess tyres by **Madhya Pradesh Road Transport Corporation** against its norms resulted in extra expenditure of Rs.1.21 crore.

(Paragraph 4.13.5)

- Premature scrapping of new and retreaded tyres by **Madhya Pradesh Road Transport Corporation** led to extra expenditure of Rs.7.16 crore.

(Paragraph 4.13.6)