

OVERVIEW

1 General view of Government companies and Statutory corporations

As on 31 March 2002, the State had 66 Public Sector Undertakings (PSUs) comprising 61 Government companies and five Statutory corporations, as against the same number of PSUs as on 31 March 2001. Out of 61 Government companies, 43 were working Government companies, while 18 were non-working Government companies. All the five Statutory corporations were working corporations.

The total investment in working PSUs increased from Rs.19,668.80 crore as on 31 March 2001 to Rs.20,663.27 crore as on 31 March 2002. The total investment in non-working PSUs also increased from Rs.130.96 crore to Rs.191.40 crore during the same period.

The budgetary support in the form of capital, loans, and grants/subsidies disbursed to the working PSUs increased from Rs.281.39 crore in 2000-01 to Rs.2,153.36 crore in 2001-02. The State Government also contributed Rs.10.10 crore in the form of loan to one non-working company during 2001-02. The State Government guaranteed loans aggregating Rs.1,847.55 crore to working PSUs during 2001-02. The total amount of outstanding loans guaranteed by the State Government to all PSUs as on 31 March 2002 was Rs.18,200.24 crore.

Nine working Government companies and four working Statutory corporations finalised their accounts for the year 2001-02. The accounts of remaining 34 working Government companies and one working Statutory corporation were in arrears for periods ranging from one to 14 years as on 30 September 2002. The accounts of all non-working Government companies were in arrears for periods ranging from one to 16 years as on 30 September 2002.

According to the latest finalised accounts, 14 working PSUs (12 Government companies and two Statutory corporations) earned aggregate profit of Rs.50.74 crore, out of which one Government company and one Statutory corporation declared dividend of Rs.39.93 lakh and Rs.1.74 crore respectively during the year. Against this, 29 working PSUs (26 Government companies and 3 Statutory corporations) incurred aggregate loss of Rs.850.62 crore as per their latest finalised accounts. Of the loss incurring working Government companies, 13 companies had accumulated losses aggregating Rs.668.49 crore, which exceeded their aggregate paid-up capital of Rs.329.96 crore. Of the three loss incurring Statutory corporations, two Statutory corporations had accumulated losses of Rs.775.18 crore, which exceeded their paid-up capital of Rs.478.12 crore.

Even after completion of five years of their existence, the individual turnover of 12 working and 16 non-working Government companies had been less than

Rs.5 crore in each of the preceding five years as per their latest finalised accounts. Further, four Government companies (two working and two non-working) which had turnover of more than Rs.5 crore, 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 32 Government companies or consider their closure.

(Paragraphs 1.1, 1.2, 1.3, 1.7 and 1.10)

2 Review relating to Government company

2 Maharashtra Small Scale Industries Development Corporation Limited

The Maharashtra Small Scale Industries Development Corporation Limited (Company) was incorporated in 1962 for rendering assistance to small scale industries (SSI) units. The Company undertook the activities of procurement and distribution of raw materials, assistance in marketing the products, commercial warehousing of raw material and running of emporia. The Company failed to achieve fully its main objective of assisting SSI units, as there was continuous decline in number of SSI units assisted during 1997-2002. The major schemes evolved by the Company were plagued by serious irregularities and wilful negligence on the part of the officials of the Company. Some of the important points noticed in the review were as under:

Under post dated cheque scheme, cases of irregular assistance to a unit under liquidation, improper credit evaluations and unauthorised extension of credit to units were noticed resulting in blocking of funds to the extent of Rs.2.85 crore.

(Paragraph 2.6.4.1)

Under modified warehousing scheme, due to failure of the Company to ensure safety of the material stored in the units' godown, two units removed the material valuing Rs.4.71 crore unauthorisely.

(Paragraph 2.6.5)

Failure of the Company to observe the important conditions in assistance to a unit and issue of no objection certificate to another unit to collect payment directly from consignees resulted in non recovery of Rs.43.30 lakh under pledge of bills scheme.

(Paragraphs 2.6 .6)

Unusual grant of credit to a unit against the mortgage of immovable property (land), which was not covered under any existing raw material assistance schemes, resulted in non recovery of Rs.33.23 lakh.

(Paragraph 2.6.7)

3 Reviews relating to Statutory corporations

3A Maharashtra State Electricity Board

3A.1 High Voltage Direct Current Project of transmission system

In order to evacuate power from Eastern to Western region of Maharashtra, High Voltage Direct Current (HVDC) project of transmission system was planned in 1987. The project planned for completion in 1991-92 was actually taken up in August 1993 and completed in November 1999. Delayed implementation of the project resulted in time overrun of 92 months and cost overrun of Rs.1,683.70 crore. Some of the important points noticed in the review were as under:

Terminals costing Rs 1,342.95 crore remained idle for 12 months due to delay in completion of HVDC line as Board failed to supply the material in time to the line contractors. Thus, anticipated benefit of Rs.59.76 crore envisaged on account of reduction in transmission loss of power could not be availed.

(Paragraph 3A.1.6.1.1)

BHEL offered to pass on to the Board the deemed export benefits of excise duty drawback and duty free imports on HVDC equipments. But unwarranted forego of such benefits while making the agreement led to a loss of Rs.1.73 crore to the Board.

(Paragraph 3A.1.6.1.2)

The Board took more than five months out of six months validity period for finalisation of tenders to purchase conductor and allowed less than a month for clearance by Central Electricity Authority (CEA) and World Bank (WB). The delayed receipt of approval from CEA/WB after the validity period led to procurement of conductor through another tender at an extra cost of Rs.27.31 crore.

(Paragraph 3A.1.6.2.1.1)

Failure of quality testing system to reject the defective dampers during inspection resulted in avoidable expenditure of Rs.0.50 crore on refitting of all the dampers.

(Paragraph 3A.1.6.2.1.2)

The HVDC system with bipolar mode constructed at a cost of Rs.2,258.82 crore has not been operated at its full capacity after commissioning thereof. Most of the available time, it was operated on monopolar mode. The system was utilised only 37 per cent considering 60 per cent load factor.

(Paragraph 3A.1.7.1)

3A.2 Power Sector Reforms—Signing of Memorandum of Understanding and implementation thereof

Pursuant to the consensus reached in the conference of the Chief Ministers/Power Ministers held in March 2001, a Memorandum of Understanding (MOU) was signed between Ministry of Power, Government of India (GOI) and Government of Maharashtra (GOM) on 16 March 2001 to bring power sector reforms in the State. The process of speeding up the reforms could not achieve required momentum as there had been delay in implementation of reform programme by Government of Maharashtra with reference to the commitments made in MOU.

3B Maharashtra State Road Transport Corporation

Purchase and Performance of Tyres, Tubes, Flaps including Tyre Retreading Plants

The Mechanical Engineering (ME) and Stores and Purchase (S&P) Department had a vital role in the finalisation of contracts for procurement of materials of the Corporation. However, Tender and Stores Committee, which was the apex body, allocated the business by neglecting the advice, of ME and S&P department, without recording any reasons. The quality control system of the Corporation was also not effective and as a result thereof, substandard material was utilised in tyre retreading. The Corporation had not fixed any norms for material usage, process loss, energy, fuel consumption *etc.* for tyre retreading plants. Some of the important points noticed in the review were as under:

Though tubes were available separately at lower rates the Corporation purchased tubes with tyres at higher rates from tyre manufacturers, resulting in extra expenditure of Rs.1.20 crore.

(Paragraph 3B.5.3)

The Corporation used inferior quality tyre retreading materials valuing Rs.47.57 crore during 1998-2001 due to abnormal time taken (28 to 363 days) in testing of samples.

(Paragraph 3B.7.1)

Due to shortfall in performance of new/retreaded tyres, there was shortfall of 55,572 lakh revenue kilometers valued at Rs.22.30 crore during 1997-2001.

(Paragraph 3B.10.2)

The Corporation had not fixed any norms for consumption of tyre retreading material. However, as compared to norms of Association of State Road Transport Undertakings for tread rubber and precured treated rubber, the

Corporation incurred extra expenditure of Rs.5.45 crore due to excess consumption of tread rubber/precured treated rubber during 1997-2002.

(Paragraph 3B.11.4)

Non-replacement of uneconomical moulds used in hot process involving capital cost of Rs.39.10 lakh resulted in avoidable loss of Rs.40.53 crore due to shortfall in kilometers during 1997-2002.

(Paragraph 3B.11.8)

Due to fixing of standard manhours required for retreading tyres on the higher side, the Corporation incurred expenditure of Rs.4.26 crore on payment of inadmissible incentives to staff/workers of tyre retreading plants.

(Paragraph 3B.11.9)

4 Miscellaneous topics of interest relating to Government companies and Statutory corporations

Maharashtra State Road Development Corporation Limited

The Company awarded contract for construction of bridge without acquiring the required land which led to infructuous expenditure of Rs.43.35 lakh on the project which was abandoned subsequently.

(Paragraph 4A.2.1)

Maharashtra State Handlooms Corporation Limited

The Company continued production of Janata Cloth even after closure of the scheme by Government of India resulting in a loss of subsidy of Rs.22.43 lakh.

(Paragraph 4A.3.1)

Maharashtra State Electricity Board

Injudicious introduction of tender condition regarding matching the rates of past suppliers with the lowest acceptable rates of past suppliers only instead of matching the rates with the lowest acceptable tender rates resulted in avoidable extra expenditure of Rs.3.84 crore in 14 tenders.

(Paragraph 4B.1.1)

The Board did not make any efforts to redeem the loan taken from a co-operative bank at higher rate of interest when interest rate were falling in the market resulting in an avoidable expenditure of interest of Rs.3.71 crore.

(Paragraph 4B.1.2)

Maharashtra State Road Transport Corporation

The Corporation by ignoring financial viability constructed five depots at a cost of Rs.4.11 crore which remained idle.

(Paragraph 4B.2.3)

Maharashtra State Financial Corporation

Release of loan to a non banking finance company without security and failure to incorporate provision in agreement for remedies in case of default resulted in non recovery of dues of Rs.7.79 crore.

(Paragraph 4B.3.2)

Maharashtra Industrial Development Corporation

Non incorporation of validation checks and improper coding in water billing system resulted in loss of revenue of Rs.2.04 crore.

(Paragraph 4B.4.1)