Overview

1. Overview of Government companies and Statutory corporations

As on 31 March 2005, the State had 57 Public Sector Undertakings (PSUs) comprising 52 Government companies and five Statutory corporations as against 64 PSUs as on 31 March 2004. Out of 52 Government companies, 24 were working and 28 were non-working Government companies. All the five Statutory corporations were working corporations. In addition, there were two companies under Section 619-B of the Companies Act, 1956 as on 31 March 2005.

(Paragraphs 1.1 and 1.35)

The total investment in working PSUs increased from Rs.13,783.11 crore as on 31 March 2004 to Rs.13,983.88 crore as on 31 March 2005. The total investment in 28 non-working PSUs decreased marginally from Rs. 41.43 crore to Rs. 39.60 crore during the same period.

(Paragraphs 1.2 and 1.17)

The budgetary support in the form of capital, loans and grants/subsidies disbursed to the working PSUs increased from Rs. 1,744.78 crore in 2003-04 to Rs. 2,327.12 crore in 2004-05. The State Government guaranteed loans aggregating Rs. 8,781.06 crore in respect of eight working PSUs during 2004-05. The total amount of outstanding loans guaranteed by the State Government to working PSUs as on 31 March 2005 was Rs. 5,991.49 crore.

(Paragraph 1.5)

Six working Government companies and none of the Statutory corporations finalised their accounts for the year 2004-05. The accounts of remaining 18 working Government companies and five working Statutory corporations were in arrears for periods ranging from one to five years as on 30 September 2005. Out of 28 non-working Government companies, two companies finalised their accounts for the year 2004-05. Six companies were under liquidation. The accounts of remaining 20 companies were in arrears for periods ranging from one to 31 years as on 30 September 2005.

(Paragraphs 1.6 and 1.20)

According to the latest finalised accounts, eleven working PSUs (nine Government companies and two Statutory corporations) earned an aggregate profit of Rs. 249.23 crore. Two working Government companies and one Statutory corporation declared dividend of Rs. 1.52 crore and Rs. 80 lakh, respectively. Against this, 11 working PSUs (eight Government companies and three Statutory corporations) incurred an aggregate loss of Rs. 173.97 crore as per their latest finalised accounts. Of the loss incurring working Government companies, five companies had accumulated losses aggregating Rs. 457.80 crore which exceeded their aggregate paid-up capital of Rs. 89.58 crore. Two loss incurring Statutory corporations had accumulated losses aggregating Rs. 533.02 crore, which exceeded their paid-up capital of Rs. 151.57 crore by more than three times.

(Paragraphs 1.7, 1.8, 1.9, 1.10 and 1.11)

Even after completion of more than 26 years of their existence, the individual turnover of five Government companies (three working and two non-working) had been less than rupees five crore in each of the preceding five years as per their latest finalised accounts. Further, three working Government companies had been incurring losses for consecutive five years as per their latest finalised accounts leading to negative net worth. Besides, two companies despite being in existence for more than 13 years could not commence business activities. The Government may either improve their performance or consider their closure.

(Paragraph 1.33)

2. Reviews relating to Statutory Corporations

Punjab Financial Corporation

2.1 Delay in taking over defaulting units

The performance of Punjab Financial Corporation (Corporation) with regard to taking over of defaulting units and recovery of outstanding dues was deficient as it failed in timely take over and disposal of such units. The Corporation did not devise any robust system to oversee the functioning of the units assisted in order to safeguard its financial stakes.

Some of the important points noticed during review are as under :

The Corporation did not fix criteria to decide the take over of the defaulting units. There was no system for periodical submission of financial results/annual accounts of the loanee units to keep a watch on the financial health of the units. The Corporation did not maintain any consolidated record indicating insurance of assets mortgaged/ hypothecated to it and notices issued under Section 29 of the State Financial Corporations (SFCs) Act.

(Paragraph 2.1.8)

Out of 327 defaulting units taken over, 230 units with a recoverable amount of Rs.174.49 crore were taken over with a delay of over one year. The Corporation did not take over 161 units with a recoverable amount of Rs.85.40

crore defaulting for more than one year.

(Paragraphs 2.1.11 and 2.1.9)

The Corporation did not sell assets of 187 units (recoverable amount: Rs. 165.59 crore) for periods up to over five years from their take over. The assessed value of the machinery in respect of 92 taken over units decreased from Rs.14.72 crore at the time of their take over to Rs.10.46 crore when reassessed, due to wear and tear resulting in loss of Rs.4.26 crore.

(Paragraph 2.1.14)

Assessed value in respect of assets of 131 unsold units was Rs. 34.36 crore against the recoverable amount of Rs.134.44 crore. Insufficient security was due to overvaluation of assets at the time of disbursement of loan and delay in acquisition and disposal of the primary and collateral securities.

(Paragraph 2.1.18)

2.2 Performance of workshops in Punjab State Electricity Board

All the workshops run by the Board had underperformed in terms of production of poles, repair and preventive maintenance of transformers. The Board did not review and analyse the reasons for the deficient performance of its workshops.

Some of the important points noticed during review are as under:

The labour cost per transformer in Board's workshops as compared to private firms was higher by 58.5 to 225.59 *per cent* during 2001-05. This resulted in extra expenditure of Rs. 15.12 crore in the repair of 39,427 transformers. The cost of production of PCC poles manufactured in the workshops was higher as compared to market price. This resulted in extra expenditure of Rs. 31.24 lakh during 2001-04.

(Paragraphs 2.2.8 and 2.2.16)

The targets fixed by Chief Engineer (Workshops) for repair of failed distribution transformers were always less than the norm prescribed by the Board. The shortfall in achieving the norm ranged between 15.63 and 43.76 *per cent* during 2000-05. Even the modest targets fixed by the Chief Engineer (Workshops) were not achieved and the shortfall ranged between 8.23 and 18.69 *per cent* during 2000-03.

(Paragraph 2.2.12)

During 2000-05, the installed capacity of Mohali and Muktsar workshops was under utilised by 25.33 to 96.49 *per cent* and 1.87 to 42.03 *per cent*, respectively. Shortfall in production as compared to installed capacity resulted in idle establishment cost of Rs. 82.81 lakh (Mohali: Rs. 45.85 lakh, Muktsar: Rs. 36.96 lakh) and contributed towards higher cost of production.

(Paragraph 2.2.7)

Belated implementation (August 2000) of the decision (November 1998) of Whole Time Members of the Board for running the Mohali workshop on contract basis resulted in avoidable loss of Rs. 1.17 crore (high cost of production: Rs. 81.31 lakh; idle wages: Rs. 35.70 lakh).

(Paragraph 2.2.9)

3. Transaction audit observations

Transaction audit observations included in the Report highlight deficiencies in the management of PSUs, which resulted in serious financial implications, as categorised below:

- There were instances of loss amounting to Rs. 55.76 crore due to:
  - Non clubbing of connections and delayed action;
  - undue favour to loanees;
  - defective agreements; and
  - loss of interest.

(Paragraphs 3.1,3.6, 3.9,3.10,3.11,3.12, 3.15,3.17, 3.18.5, 3.18.6, 3.18.7,3.18.8, 3.18.14 and 3.18.15)

- Lack of control over milling operations and non adherence to the policy resulted in misappropriation of Rs. 23.84 crore.

(Paragraph 3.3)

- Cases of avoidable payment/extra expenditure were noticed amounting to Rs. 8.40 crore due to:
  - non claiming of sales tax;
  - buy back of shares at higher than market rate; and
  - non detection of cause of damage to transformer.

(Paragraphs 3.5,3.7,3.8,3.16 and 3.18.11)

- Five cases of non recovery of Rs. 11.88 crore was also seen by audit.

(Paragraphs 3.2,3.4,3.14,3.18.4 and 3.18.10)

Gist of some of the important audit observations is given below:

Punjab State Industrial Development Corporation Limited

Faulty Policy allowing one time settlement to profit making units resulted in a loss of Rs.26.58 crore.

(Paragraph 3.1)

Equity contribution by the Company in a unit by relaxing the terms of agreement resulted in non recovery of Rs. 2.28 crore alongwith interest thereon.

(Paragraph 3.2)

Punjab Agro Foodgrains Corporation Limited

Lack of control over milling operations and non adherence to milling policy by the Company resulted in misappropriation of 17,553.89 tonne of rice and non recovery of Rs. 23.84 crore.

(Paragraph 3.3)

The Company instead of seeking clarification about cut off date for obtaining reduced outturn ratio obtained rice from the millers at lower outturn ratio for the entire crop of 2000-01, which resulted in non recovery of Rs. 2.15 crore.

(Paragraph 3.4)

Punjab Communications Limited

Buy back of shares at 58.31 *per cent* higher than the average market price resulted in avoidable over payment of Rs.5.77 crore and also adversely affected the profitability of the Company.

(Paragraph 3.7)

Punjab State Electricity Board

Non-clubbing of connections running in the same premises coupled with delayed action resulted in revenue loss of Rs. 5.19 crore.

(Paragraph 3.12)

Punjab State Warehousing Corporation

The Corporation suffered interest loss of Rs. 3.85 crore on the unlifted quantity of rice.

(Paragraph 3.18.14)

Delay in obtaining reimbursement of freight charges resulted in loss of Rs. 1.08 crore.

(Paragraph 3.18.5)