

Overview

1. Overview of Government companies and Statutory corporations

As on 31 March 2002, the State had 53 Public Sector Undertakings (PSUs) comprising 48 Government companies and five Statutory corporations as against the same number of PSUs as on 31 March 2001. Out of 48 Government companies, 20 were working Government companies while 28 were non-working Government companies. All the five Statutory corporations were working corporations.

The total investment in working PSUs increased from Rs. 12,948.92 crore as on 31 March 2001 to Rs. 13,341.80 crore as on 31 March 2002. The total investment in 28 non-working PSUs as on 31 March 2002 was Rs. 42.20 crore.

The budgetary support in the form of capital, loans and grants/subsidies disbursed to the working PSUs decreased from Rs. 840.69 crore in 2000-01 to Rs. 69.41 crore in 2001-02. The State Government guaranteed loans aggregating to Rs. 8,036.79 crore in respect of eight 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. 13,242.16 crore.

Five working Government companies and three working Statutory corporations finalised their accounts for the year 2001-02. The accounts of remaining 15 working Government companies and two working Statutory corporations were in arrears for periods ranging from one to eight years as on 30 September 2002. Out of 28 non-working Government companies, the accounts of 27 companies were in arrears for periods ranging from one to 28 years as on 30 September 2002.

According to the latest finalised accounts, 10 working PSUs (eight Government companies and two Statutory corporations) earned aggregate profit of Rs. 22.78 crore. Two working Government companies and one Statutory corporation declared dividend of Rs. 3.21 crore and Rs.0.80 crore respectively. Against this, 11 working PSUs (eight Government companies and three Statutory corporations) incurred an aggregate loss of Rs. 346.45 crore as per the latest finalised accounts. Of the loss incurring Government companies, eight companies had accumulated losses aggregating Rs. 666.29 crore which exceeded their aggregate paid up capital of Rs. 100.73 crore. Similarly, two loss incurring Statutory corporations had accumulated losses aggregating Rs. 586.67 crore, which exceeded their aggregate paid up capital of Rs. 151.57 crore by more than three times.

Even after completion of 23 years of their existence, the individual turnover of four working and one non-working Government companies had been less than Rs.5 crore in each of preceding five years of the latest finalised accounts.

Further, two working Government companies had been incurring losses for consecutive five years, as per their latest finalised accounts, leading to negative net worth. Besides, five companies despite being in existence for more than 10 years could not commence business activities. As such, the Government may either improve the performance of these 12 Government companies or consider their closure.

(Paragraphs 1.1, 1.2, 1.3 and 1.7)

2 Reviews relating to Government companies

2A Punjab Small Industries and Export Corporation Limited

Punjab Small Industries and Export Corporation Limited (Company) was incorporated on 17 March 1962 with the main objective of aiding and protecting the interest of small industries in the State by providing infrastructural, financial, technical, managerial and marketing facilities.

The Company had mainly been assisting the small scale industrial units by providing infrastructural facilities by acquiring land through Collector, Land Acquisition of the State Government and allotting the same, in the shape of plots, to small scale industrial units after development of the Industrial Focal Points on the acquired land. The Company had also been running raw material depots for distribution of raw material to small scale industrial units and emporia for rendering marketing assistance to artisans and craftsmen of the State engaged in manufacture of handicrafts, handlooms and other cottage products. Besides, the Company was also engaged in the promotion of exports from the State. The objective of providing the infrastructural facilities could not be achieved as majority of plots developed by the Company were either lying unsold or vacant/under construction because the Industrial Focal Points were developed at unpopular sites. This resulted in locking up of huge funds. The Company continued to incur heavy expenditure on the maintenance of those Industrial Focal Points, which were to be maintained by the local bodies after five years of their establishment. The Company also failed to provide marketing assistance to the small scale industrial units. Performance of the Company in promotion of exports was also poor. Emporia were running into heavy losses. Some of the important points noticed during review were as under:

Grant of loan to a joint sector company (Punjab Wireless Systems Limited) without obtaining tangible security resulted in non-recovery of Rs. 11.46 crore including interest.

(Paragraph 2A.7.1)

In the absence of any system of reconciliation, huge funds of the Company remained locked up with the Collector, Land Acquisition thereby resulting in loss of interest of Rs. 6.43 crore.

(Paragraphs 2A.8.1.2(i) and 2A.8.1.2(ii))

Release of enhanced land compensation on the basis of calculation made by the land owners without verifying its correctness from Collector, Land Acquisition resulted in excess payment of Rs.1.94 crore.

(Paragraph 2A.8.1.3)

Due to failure of the Company to bind the units to export 33 *per cent* of their production, as envisaged in the scheme, the purpose of setting up of Export Promotion Industrial Park at an expenditure of Rs. 25.76 crore for promotion of export was largely defeated as out of 264 plots allotted, only two units were making export.

(Paragraph 2A.8.6.2)

2B Punjab State Industrial Development Corporation Limited

The Company was incorporated on 31 January 1966 with the main objective to promote, aid, assist and finance industries for balanced regional industrial development in the State. For this purpose, the Company had been financing the industrial units. For strengthening its recovery apparatus, the Company obtained (May 1988) powers under Section 29 of the State Financial Corporations Act, 1951 to take over the possession of assets of the defaulting loanee units and realise its dues by sale of the assets pledged, mortgaged or hypothecated to the Company. However, the Company took six years to initiate action under Section, *ibid*. The Company had neither prescribed the periodicity of inspections of loanee units nor defined the scope thereof. The Company had also not evolved any system of regular feedback about financial health of loanee units. In the absence of these, the Company was not in a position to assess correctly as to when the defaulting unit was fit for take over. The Company had not fixed any criterion to decide to take over assets of units in default. Despite alarming increase in default from Rs. 95.42 crore (133 units) in 1996-97 to Rs. 379.89 crore (255 units) in 2000-01, the Company had taken over the assets of only 22 units (amount due: Rs. 52.52 crore); sold assets of 3 units and realised Rs. 1.61 crore against recoverable amount of Rs. 3.24 crore up to March 2001. Some of the important points noticed in the review were as under:

Failure of the Company to keep track of personal properties of promoters/guarantors and inaction to invoke personal guarantees of guarantors resulted in non-recovery of Rs. 10.44 crore.

(Paragraph 2B.5.5)

Against recoverable amount of Rs. 44.64 crore from 14 units as on 31 March 2001, assessed value of assets taken over was Rs. 26.10 crore.

(Paragraph 2B.5.8)

Notices issued to 13 units were not pursued further and the amount in default increased from Rs. 21.08 crore as on the dates of notices to Rs. 35.91 crore as on 31 March 2001.

(Paragraph 2B.5.9)

3 Reviews relating to Statutory corporation

Punjab State Electricity Board

3A Operational performance and maintenance of Guru Gobind Singh Super Thermal Plant, Ropar

Guru Gobind Singh Super Thermal Plant, Ropar has installed capacity of 1260 megawatt (MW) from six generating units (210 MW each). These units were commissioned during September 1984 to March 1993. The Plant had not been given consent by Punjab Pollution Control Board due to inadequate arrangement for disposal of fly ash, complaints regarding air pollution, water logging in the vicinity of ash disposal dykes, etc. Actual generation of power at the Plant was less than the possible generation. Consumption of coal was in excess of standard laid down by the equipment supplier. Some of the important points noticed in the review were as under:

Excess consumption of coal by 40.74 lakh MTs over and above the standards laid down by equipment supplier resulted in loss of Rs. 772.68 crore during 1997-2002.

(Paragraph 3A.5.1)

Payment of Rs. 5.32 crore as commission to a private firm for settlement of claims between the Board and Railways was not justified, as both were Government organisations.

(Paragraph 3A.5.4)

Avoidable payment of Rs. 5.43 crore was made to Punjab Pollution Control Board for operating the Plant without consent and releasing of water into Sirsa river at higher temperature.

(Paragraph 3A.8)

3B Power Sector Reforms-Signing of Memorandum of Understanding and implementation thereof

Pursuant to the decision taken in the Chief Ministers' conference, a Memorandum of Understanding (MOU) was signed between the Government of Punjab and the Government of India in 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 delays in implementation of reform programme by Punjab Government with reference to commitments made in the MOU.

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

Punjab State Industrial Development Corporation Limited

Sanction and disbursement of short term loan as a special case without obtaining any tangible security coupled with inaction to recover the amount resulted in non-recovery of Rs. 31.66 crore.

(Paragraph 4A.1.1)

Punjab State Civil Supplies Corporation Limited and Punjab Agro Industries Corporation Limited

Lack of control over milling operation resulted in misappropriation of 11,648.58 tonnes of rice and non-recovery of Rs. 16.35 crore.

(Paragraph 4A.2.1)

Punjab Agro Industries Corporation Limited and Punjab State Warehousing Corporation

Incorrect calculation of infrastructure development cess resulted in excess payment of Rs. 1.34 crore.

(Paragraphs 4A.4.1 and 4B.2.1)

Punjab State Electricity Board

Ignoring the cables manufactured with SIOPLAS technology resulted in extra expenditure of Rs. 48.91 lakh.

(Paragraph 4B.1.1)

PEPSU Road Transport Corporation

Non-observance of instructions regarding maintenance of cash book resulted in embezzlement of Rs. 20.62 lakh.

(Paragraph 4B.3.1)