सत्यमेव जयते

Report of the Comptroller and Auditor General of India Compliance Audit for the year ended March 2021

SUPREME AUDIT INSTITUTION OF INDIA

लोकहितार्थ सत्यनिष्ठा

Dedicated to Truth in Public Interest

Government of Tamil Nadu

Report No. 9 of the year 2022

Report of the
Comptroller and Auditor General of India

Compliance Audit

for the year ended March 2021

Government of Tamil Nadu
Report No. 9 of the year 2022

TABLE OF CONTENTS

Particulars	Paragraph	Page
PREFACE		v
OVERVIEW		vii
CHAPTER I – GENERAL		
About this Report	1.1	1
Profile of Audited Entities	1.2	1
Authority for audit	1.3	2
Planning of audit	1.4	2
Draft Paragraphs and Compliance Audit	1.5	3
Follow-up action on Audit Reports	1.6	3
Outstanding replies to Inspection Reports	1.7	3
Part I– Public Sector Undertakings		
CHAPTER II – Public Sector Undertakings		
Introduction	2.1	5
Compliance Audit Observations		
Compliance Audit on Loss incurring Agro based Public Sector Undertakings of Tamil Nadu for the period 2016-21	2.2	9
TAMIL NADU GENERATION AND DISTRIBUTION CORPORATION LIMITED		
Loss of opportunity of earning higher interest	2.3	27
Avoidable payment	2.4	30
Loss of Revenue	2.5	33
Non-levy of liquidated damages	2.6	35
TAMIL NADU ARASU CABLE TV CORPORATION LIMITED		
Irrecoverable dues	2.7	37

Particulars	Paragraph	Page
PART II – Non-tax Receipts		
CHAPTER III		
ENVIRONMENT, CLIMATE CHANGE AND FORESTS DEPARTMENT		
Short levy of lease rent	3.1	41
PART III – Expenditure Audit		
CHAPTER IV		
HIGHWAYS AND MINOR PORTS DEPARTMENT		
Wasteful expenditure	4.1	43
HOME, PROHIBITION AND EXCISE DEPARTMENT		
Unfruitful expenditure	4.2	48

ANNEXURES

Annexure No.	Details	Reference to Paragraph	Page
1	Department-wise details of Inspection Reports and Paragraphs pending as on 30 September 2021	1.7	53
2	List of PSUs and the details of Inspection Reports issued up to 31 March 2021 and outstanding as on 30 September 2021	2.1 and 2.1.7	54
3	Status of COPU Reports and Recommendations of COPU and its latest position	2.2.1	58
4	Operational Performance of TASCO/PSM, TANTEA and ARC	2.2.4.4, 2.2.5.4 and 2.2.6.3	62
5	Loss of revenue due to shortfall in capacity utilisation in TASCO/PSM	2.2.4.4 (a)	63
6	Loss of revenue due to low recovery of sugar in TASCO/PSM	2.2.4.4 (b)	64
7	Loss of revenue due to escapement of sugar in TASCO/PSM	2.2.4.4 (b)	66
8	Huge piling up of inventory and Cash credit availed in TASCO/PSM	2.2.4.5	68
9	Per hectare yield of GTL in TANTEA compared with District average	2.2.5.4 (a)	69
10	Loss of revenue due to Inadequate application of fertilizers in TANTEA	2.2.5.4 (c)	70
11	Loss of revenue due to Tea waste beyond the norm in TANTEA	2.2.5.4 (d)	71
12	Statement showing loss of interest due to the initial deposit made with TNPFC under Regular Interest Payment Scheme (RIPS) instead of Cumulative Interest Payment Scheme (CIPS)	2.3	72
13	Statement showing loss of interest due to renewal of deposits under Regular Interest Payment Scheme (RIPS) instead of Cumulative Interest Payment Scheme (CIPS)	2.3	73
14	Statement showing 1oss of interest due to delay in renewal of fixed deposits	2.3	74
15	Statement showing loss of interest due to reduction of interest rate on account of belated renewal of fixed deposit	2.3	75
16	Non-levy of Cross Subsidy Charges from Captive Generating Plants as per Electricity Rules, 2005	2.5	76
	Glossary of Abbreviations		77

PREFACE

This Report of the Comptroller and Auditor General of India for the year ended March 2021 has been prepared for submission to the Governor of Tamil Nadu under Article 151 (2) of the Constitution of India for being placed in the State Legislature.

Part I of this Report contains significant results of Compliance Audit of Government Companies of the Government of Tamil Nadu under the audit purview of the Principal Accountant General (Audit-II), Tamil Nadu and Puducherry, Chennai.

Part II of this Report contains significant results of the Compliance Audit of Non-tax Receipts of Environment, Climate Change and Forests Department.

Part III of this Report contains significant results of Compliance Audit of the Departments which included the Departments of Highways and Minor Ports; and Home, Prohibition and Excise Department.

The audit was conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

OVERVIEW

OVERVIEW

This Report contains a Compliance Audit on Loss incurring Agro based Public Sector Undertakings of Tamil Nadu and eight Compliance Audit Paragraphs.

Compliance Audit on Loss incurring Agro based Public Sector Undertakings of Tamil Nadu

Compliance Audit on Loss incurring Agro based Public Sector Undertakings of Tamil Nadu revealed that the area registered for growing sugarcane has been declining for both Tamil Nadu Sugar Corporation Limited (TASCO) and Perambalur Sugar Mills (PSM). The capacity utilisation of the sugar mills was in the range of 54 to 75 *per cent* of the maximum crushing capacity during the Audit period. The actual recovery rate of sugar in respect of TASCO and PSM, ranged between 7.8 *per cent* and 8.97 *per cent* as against the budgeted recovery rate of 8.5 *per cent* to 9.5 *per cent*. Sugarcane received by the mills of TASCO and PSM included extraneous material of 11,030 MT and 3,526 MT respectively which was over and above the norm of one *per cent.* It was seen that there was an abnormal delay in establishing ethanol project in TASCO which has resulted in postponement of envisaged benefits. Further, the re-introduction (June 2018) of Sugar Release Mechanism has resulted in piling up of sugar stock at godowns of TASCO and PSM for up to two years which ultimately led to higher carrying cost and interest loss.

In respect of Tamil Nadu Tea Plantation Corporation Limited (TANTEA), delay in completion of modernisation of factories postponed the realisation of envisaged benefits such as increase in sales quantity and reduction in tea waste, fuel consumption and manpower cost. The per hectare yield of Green tea leaves (GTL) of TANTEA was lesser than the district average yield to the extent of 6,846, 12,535 and 18,806 kg per hectare in Nilgiris, Wayanad and Anamalai regions respectively during the five-year period ending 2020-21. Despite complaints from field office, TANTEA procured (2019-22) 44.85 lakh kg of poor quality GTL, amounting to ₹9.61 crore, from a private party. It was seen that as against the company's own norm of application of fertilizer (four times a year), TANTEA applied fertilizer zero to one time in a year, despite availability of sufficient funds. As against the norm of two *per cent*, TANTEA produced tea waste ranging from 7.82 to 14.73 *per cent* during the Audit period mainly due to delay in modernisation of factories. Above all, the non-implementation of committee recommendation regarding reduction of lease rent by Government of Tamil Nadu resulted in additional liability of ₹17.70 crore.

The declining trend in production of rubber, in Arasu Rubber Corporation Limited, from 2018 onwards was due to non-felling of old, sick and cyclone affected trees. Replanting also has not been achieved except for one year (2018-19). Non-compliance of the approved latex harvesting policy which interalia required adoption of intensive tapping, tapping of newly opened coupes only added to its poor performance.

(Paragraph No. 2.2)

Compliance Audit Paragraphs of PSUs

- **Tamil Nadu Generation and Distribution Corporation Limited failed to**:
  - assess the availability of investment at higher rate in Fixed Deposits and inadequate monitoring of Fixed Deposits resulted in loss of opportunity of earning higher interest of ₹58.54 crore.

    (Paragraph No. 2.3)
  - terminate the Power Purchase Agreement which had resulted in avoidable payment to the tune of ₹453.04 crore and an additional liability of ₹360.20 crore.

    (Paragraph No. 2.4)
  - levy cross-subsidy charges on Captive Generating Plants for non-fulfilment of the conditions prescribed under Electricity Rules, 2005 resulted in loss of revenue to TANGEDCO amounting to ₹82.80 crore.

    (Paragraph No. 2.5)
  - levy liquidated damages for delayed commissioning of solar power plant resulted in undue favour to a solar power generator to the extent of ₹68.65 crore.

    (Paragraph No. 2.6)
- Absence of agreement and non-traceable LCOs led to non-realisation of dues of ₹226.28 crore in **Tamil Nadu Arasu Cable TV Corporation Limited.**

  (Paragraph No. 2.7)

Compliance Audit Paragraphs of Environment, Climate Change and Forests Department

- Adoption of lease rent at the rate of one *per cent* applicable for welfare activities instead of the correct rate of 12.5 *per cent* meant for commercial activity in respect of land leased to M/s.Reliance Jio Infocomm Limited for 20 years had resulted in short levy of lease rent of ₹2.67 crore.

  (Paragraph No. 3.1)

Compliance Audit Paragraphs of Highways and Minor ports and Home, Prohibition and Excise Departments

- Wasteful expenditure of ₹15.50 crore due to delay in execution of Road Over Bridge works

  (Paragraph No. 4.1)
- Delay in implementation of projects for modernisation of police force resulted in wasteful expenditure of ₹14.37 crore. Further, funds amounting to ₹74.03 crore received from Government of India was also not utilised.

  (Paragraph No. 4.2)

CHAPTER I

CHAPTER I

1 GENERAL

1.1 About this Report

The Compliance Audit Report of the Comptroller and Auditor General of India (CAG) relates to matters arising from the Audit by Principal Accountant General (Audit-II), Tamil Nadu and Puducherry relating to 15[1] Government Departments including 63[2] Public Sector Undertakings (PSUs) and 35 Autonomous Bodies (ABs) under the control of these Departments. The Compliance Audit covers examination of the transactions relating to expenditure of the audited entities to ascertain whether the provisions of the Constitution of India, applicable laws, rules, regulations and various orders and instructions issued by the competent authorities are being complied with.

1.2 Profile of Audited Entities

The 15 Departments are headed by Additional Chief Secretaries/Principal Secretaries/Secretaries who are assisted by Commissioners/Directors and subordinate officers under them. The details of expenditures incurred by the 14 Departments in the past five years from 2017-21 are detailed below:

Table No.1.1 – Trend of Expenditure

(₹ in crore)

Sl. No.	Name of the Department	2016-17	2017-18	2018-19	2019-20	2020-21
1	Energy	10,834.02	9,224.61	9,077.30	11,159.58	17,432.53
2	Environment, Climate Change and Forests	443.53	539.66	551.96	632.36	591.56
3	Handloom, Handicrafts, Textiles and Khadi	1,257.55	1,223.53	1,345.59	1,327.82	1,548.82
4	Highways and Minor Ports	7,030.85	8,630.59	9,149.28	10,872.06	14,391.01
5	Home (Police, Prison and Administrative Judiciary)	6,998.01	7,596.58	9,015.94	9,862.96	9,602.44
6	Home (Transport)	1,364.85	4,475.21	2,133.49	2,668.85	5,019.55
7	Housing and Urban Development	1,261.45	3,017.94	3,196.08	2,561.77	3,247.61
8	Industries	1,709.50	1,702.56	3,794.33	2,803.06	1,581.93
9	Information Technology	70.22	67.87	123.50	121.27	113.26
10	Law	25.41	30.36	47.22	54.28	58.68
11	Micro, Small and Medium Enterprises	299.78	377.19	632.93	479.60	523.64
12	Municipal Administration and Water Supply	11,115.56	8,950.42	13,021.30	13,139.33	15,998.47
13	Public Works (Buildings)	1,188.71	1,169.89	1,368.39	1,264.46	1,710.74
14	Tourism, Culture and Religious Endowments	206.61	489.03	718.38	440.84	447.24
	Total	**43,806.05**	**47,495.44**	**54,175.69**	**57,388.24**	**72,267.48**

(Source: Appropriation Accounts for the years 2016-17 to 2020-21)

[1] One Department *viz.,* Revenue (Urban Land Tax) is a revenue oriented department and forms part of Revenue Department.

[2] This includes new PSUs *viz.*,Tamil Nadu Internet and Connectivity Services Limited, CBIC Ponneri Industrial Township Limited and Chennai Aerospace Park Limited.

In addition to the above departments, there are 63 PSUs which are established to carry out activities of commercial nature keeping in view the welfare of the people and they occupy an important place in the State economy. The details of investments made in these 63 PSUs, results of their audit during 2020-21 and the related matters are discussed in **Chapter II** of this Report.

1.3 Authority for audit

The authority for audit by the CAG is derived from Articles 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) (DPC) Act, 1971. CAG conducts audit of expenditure of the Departments of Government of Tamil Nadu under Section 13[3] of the CAG's (DPC) Act. CAG is the sole Auditor in respect of Autonomous Bodies which are audited under Sections 19(3)[4] and 20(1)[5] of the CAG's (DPC) Act. In addition, CAG also conducts audit of other Autonomous Bodies, under Section 14[6] of CAG's (DPC) Act, which are substantially funded by the Government.

In respect of PSUs, CAG conducts Audit of the accounts of Government Companies under the provisions of Section 139 and 143 of the Companies Act, 2013. Detailed procedure in respect of audit of PSUs are narrated in **Paragraph Nos. 2.1.3 and 2.1.4 in Chapter II** of this Report.

1.4 Planning of Audit

The primary purpose of this Report is to bring the significant results of audit to the notice of the State Legislature. Auditing Standards require that the materiality level for reporting should be commensurate with the nature, volume and magnitude of transactions. The audit observations are expected to enable the Executive to take corrective action, as also to frame policies and directives that will lead to improved financial management, thus, contributing to better governance.

Audit process starts with the assessment of risks faced by various Departments of Government based on expenditure incurred, criticality/complexity of activities, level of delegated financial powers, assessment of overall internal controls and concerns of stakeholders. Previous audit observations are also considered in this exercise. The frequency and extent of audit are decided based on this risk assessment.

---

3 Audit of (i) all transactions from the Consolidated Fund of the State, (ii) all transactions relating to the Contingency Fund and Public Accounts and (iii) all trading, manufacturing, profit and loss accounts, balance sheets and other subsidiary accounts.

4 Audit of the accounts of Corporations (not being Companies), established by or under law made by the State Legislature, at the request of the Governor.

5 Audit of accounts of any body or authority on the request of the Governor, on such terms and conditions as may be agreed upon between the CAG and the Government.

6 Audit of (i) all receipts and expenditure of a body or authority substantially financed by grants or loans from the Consolidated Fund of the State and (ii) all receipts and expenditure of any body or authority where the grants or loans to such body or authority from the Consolidated Fund of the State in a financial year is not less than ₹one crore.

Inspection Reports (IRs) containing audit observations are issued to the Heads of the Department/field officers after completion of audit. The Departments are requested to furnish replies to the audit observations within one month of receipt of the IRs. Whenever replies are received, audit observations are either settled or further action for compliance is advised. Important audit observations arising out of these IRs are processed for inclusion in the Audit Reports, which are submitted to the Governor of the State under Article 151 of the Constitution of India for laying on the table of the house of the State Legislature.

The total audit universe was 2,418 units of 15 departments and 63 PSUs. Out of which 161 units and 8 PSUs were audited during 2020-21. All the 35 Autonomous Bodies under the control of these departments qualified for conduct of audit under Sections 14, 19 (2), 19 (3) and 20 (1) of the CAG's (DPC) Act, 1971 and these 35 Autonomous bodies were also audited during 2020-21.

1.5 Draft Paragraphs and Compliance Audit

Nine Draft Paragraphs including a Compliance Audit on Loss incurring Agro based PSUs in Tamil Nadu were forwarded to the Principal Secretaries of the Departments concerned between December 2021 and April 2022, with the request to send their responses. Government replies to all nine Draft Paragraphs including a Compliance Audit were received. The replies have been suitably incorporated in the Audit Report.

1.6 Follow-up action on Audit Reports

With a view to ensuring accountability of the Executive in respect of the issues dealt with in the Audit Reports, the Public Accounts Committee (PAC)/ Committee on Public Undertakings (COPU) directed that the Departments concerned should furnish remedial Action Taken Notes (ATNs) on the recommendations of PAC/COPU, relating to the Paragraphs contained in the Audit Reports, within six months. We reviewed the outstanding ATNs on the Paragraphs included in the Reports of the Comptroller and Auditor General of India relating to the Departments under the Audit purview of this office and found that 769 and 421 recommendations pertaining to the Audit Paragraphs discussed by PAC and COPU respectively were pending as on 31 March 2021.

1.7 Outstanding replies to Inspection Reports

On behalf of the CAG, the Principal Accountant General conducts periodical inspections of the Government Departments to test check transactions and verify maintenance of important accounts and other records as prescribed in the rules and procedures. These inspections are followed up with issue of IRs, incorporating irregularities detected during the inspection and not settled on the spot, which are issued to the Heads of the offices inspected with copies to the next higher authorities for taking prompt corrective action. The Heads of the offices/Government are required to promptly comply with the observations contained in the IRs, rectify the defects and omissions and report compliance through replies. Serious financial irregularities are brought to the notice of the Heads of the Departments and the Government.

Inspection Reports issued upto 31 March 2021 were reviewed and found that 13,544 Paragraphs relating to 3,400 IRs remained outstanding at the end of September 2021 **(Annexure-1)**. This includes the pendency position of IR relating to PSUs also.

This large pendency of IRs, due to lack of corrective action or non-receipt of replies, was indicative of the fact that Heads of the offices and Heads of the Departments did not take appropriate action to rectify the defects, omissions and irregularities pointed out in the IRs.

Part I – Public Sector Undertakings

CHAPTER II

2.1 Introduction

State Public Sector Undertakings (PSUs) are established to carry out activities of commercial nature keeping in view the welfare of people and occupy an important place in the State. State PSUs consist of Government Companies and Statutory Corporations. As on 31 March 2021, there were 63 PSUs under the audit jurisdiction of this office[1] as given in **Annexure-2**. These include 55 Government Companies[2] (including four Non-functional companies) and eight Government Controlled Other Companies[3]. The annual accounts of the State PSUs for the three years ending 2020-21 (to the extent received) have been reviewed and the results are included in a separate report titled 'General Purpose Financial Report'.

2.1.1 Investment in PSUs and its performance

A comparative position of Equity, Long term loans, Turnover, Annual growth rate of turnover and Net Profit/Loss for 63 PSUs during the five years ending 2020-21 are given in **Table 2.1**.

Table No. 2.1: Details of Equity, Long term loans, Turnover and Net Profit/Loss of PSUs during 2016-21

(₹ in crore)

Sl. No.	Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
1	Equity	37,765.84	54,435.95	58,892.94	62,921.85	64,112.00
2	Long Term Loans	1,03,512.60	91,356.25	1,35,037.23	1,77,410.29	1,61,700.56
3	Turnover	69,401.99	64,493.54	79,575.71	80,297.49	71,330.64
4	Annual Growth rate of turnover (in percentage)	15.46	(-) 7.07	23.38	0.91	(-)11.17
5	Net Profit/Loss after Tax	-8,378.28	-17,521.50	-17,025.67	-17,243.38	-24,123.53

(Source: Data of Annual Accounts of PSUs)

[1] Office of the Principal Accountant General (Audit-II), Tamil Nadu and Puducherry, Chennai-18.

[2] As per Section 2(45) of the Companies Act, 2013, Government company means any company in which not less than fifty-one *per cent* of the paid-up share capital is held by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary company of a Government company.

[3] As per the Companies (Removal of Difficulties) Seventh Order, 2014 issued by Ministry of Corporate Affairs vide Gazette Notification dated 4 September 2014, any other company, owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments are referred to in this Report as Government controlled other Companies.

At the end of March 2021, the total investment in 63 State PSUs[4] stood at ₹2,25,812.56 crore (Equity: ₹64,112.00 crore and Long term loans: ₹1,61,700.56 crore). The growth rate of the turnover of the State PSUs during these five years was fluctuating in the range of (-) 7.07 to 23.38 *per cent*.

Out of the 63 State PSUs, 29 PSUs earned a profit of ₹1,256.66 crore during 2020-21, two PSUs reported no profit or loss and the remaining 32 PSUs reported a total loss of ₹25,380.19 crore during the same period.

2.1.2 About this part of the Report

This part of Report of the Comptroller and Auditor General of India (CAG) relates to results of Compliance Audit of 63 PSUs under the audit jurisdiction of this office. Compliance Audit covers the examination of the records relating to revenue and expenditure of the audited entities to ascertain whether the transactions of the Company were in compliance with the objectives of the Company and the provisions of applicable laws, rules, regulations and various orders and instructions issued by the competent authorities.

2.1.3 Accountability Framework

The authority for audit by the CAG is derived from Articles 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) (DPC) Act, 1971. The procedure for audit of Government companies are laid down in Sections 139 and 143 of the Companies Act, 2013 (Act 2013).

Further, as per sub-Section 7 of Section 143 of the Companies Act 2013, the CAG of India may, in case of any company covered under sub-Section (5) or sub-Section (7) of Section 139 of the Companies Act, 2013, if considered necessary, cause test audit to be conducted of the accounts of such Company and the provisions of Section 19A of the CAG's (DPC) Act, 1971 shall apply to the report of such test Audit. Thus, a Government Company or any other Company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments or partly by Central Government and partly by one or more State Governments is subject to audit by the CAG of India.

2.1.4 Statutory Audit

The financial statements of the Government Companies are audited by Statutory Auditors, who are appointed by the CAG as per the provisions of Section 139 (5) or (7) of the Act 2013. The Statutory Auditors submit a copy of the Audit Report to the CAG of India including, among other things, financial statements of the Company under Section 143 (5) of the Act 2013. These financial statements are also subject to supplementary audit by the CAG within sixty days from the date of receipt of the audit report under the provisions of Section 143 (6) of the Act 2013.

[4] Including four non-functional companies

2.1.5 Role of Government and Legislature

The State Government exercises control over the affairs of these PSUs through its administrative departments. The Chief Executive and Directors to the Board are appointed by the State Government. The State Legislature also monitors the accounting and utilisation of Government investment in the PSUs. For this, the Annual Reports together with the Statutory Auditors' Reports and comments of the CAG of India, in respect of State Government Companies are placed before the State Legislature under Section 395 of the Companies Act, 2013.

2.1.6 Planning and Conduct of Audit

The audit observations are expected to enable the Management of the PSUs to take corrective action, as also to frame policies and directives that will lead to improved financial management, thus, contributing to better governance.

The primary purpose of this Report is to bring significant results of audit, to the notice of the State Legislature. Audit process starts with the assessment of risks faced by various PSUs based on expenditure incurred, criticality/complexity of activities, level of delegated financial powers, assessment of overall internal controls and concerns of stakeholders. Previous audit observations are also considered in this exercise. The frequency and extent of audit are decided based on this risk assessment. Based on such risk assessment, out of the total audit universe of 63 PSUs, 8 PSUs[5] were audited during 2020-21.

Inspection Reports (IRs) containing audit observations are issued to the Chief Executive of the PSUs after completion of audit. The PSUs are requested to furnish replies to the audit observations within one month of receipt of the IRs. Whenever replies are received, audit observations are either settled or further action for compliance is advised. Important audit observations arising out of these IRs are processed for inclusion in the Audit Reports, which are submitted to the Governor of the State under Article 151 of the Constitution of India for laying on the table of the house of the State Legislature.

2.1.7 Response to audit

Draft Paragraphs and Compliance Audit

Six Draft Paragraphs (including a Compliance Audit on Loss incurring Agro based Public Sector Undertakings of Tamil Nadu for the period 2016-21) containing serious financial irregularities were forwarded to the Principal Secretaries of the Departments concerned of the PSUs between December 2021 and March 2022, with the request to send their responses. Government replies to six Draft Paragraphs were received between April 2022 and June 2022 and have been suitably incorporated and included in this Audit Report.

[5] Including 11 units of two PSUs *viz*., TANGEDCO and TANTRANSCO and 17 Departmental Units. Further, due to COVID-19 induced lockdown, audit of four Apex units, 18 Auditable units and 30 implementing units could not be carried out during 2020-21.

Follow-up action on Audit Reports

As per the directions of the Committee on Public Undertakings (COPU), Explanatory Notes (EN) on the important points on the Audit Report should be furnished within a period of two months. Similarly, the Departments concerned should furnish remedial Action Taken Notes (ATNs) on the recommendations of COPU, relating to the Paragraphs contained in the Audit Reports, within six months. However, the outstanding position of ENs and ATNs on the Paragraphs included in the Reports of the CAG of India relating to the PSUs indicated that ENs in respect of 14 audit paragraphs and ATNs for 421 recommendations of COPU were outstanding as on 31 March 2021.

Outstanding replies to Inspection Reports

On behalf of the CAG of India, the Principal Accountant General conducts periodical inspections of the PSUs to test check the transactions and verify maintenance of important accounts and other records as prescribed in the rules and procedures. These inspections are followed up with issue of IRs to the Chief Executive of the respective PSUs for taking prompt corrective action, rectify the defects and omissions pointed out in the IRs and report compliance through replies.

Inspection Reports issued up to 31 March 2021were reviewed and found that 3,074 Paragraphs relating to 699 IRs remained outstanding at the end of September 2021 **(Annexure 2)**. Out of these, 404 IRs containing 1,141 Paragraphs were pending for more than five years and 295 IRs containing 1,933 Paragraphs were pending between one and five years.

This large pendency of IRs, due to lack of corrective action or non-receipt of replies, was indicative of the fact that Chief Executive of the PSUs did not take appropriate action to rectify the defects, omissions and irregularities pointed out in the IRs.

2.1.8 Coverage of this Report

This chapter contains six Compliance Audit paragraphs (including Compliance Audit on Loss incurring Agro Based PSUs in Tamil Nadu) in respect of six PSUs involving a financial effect of ₹2,217.97 crore. These paragraphs highlight the deficiencies in the management of PSUs resulting in serious financial implications as given below:

1. TANGEDCO failed to:
    - assess the availability of investment at higher rate in Fixed Deposits and inadequate marketing of Fixed Deposits resulted in loss of opportunity of earning higher interest of ₹58.54 crore.
    - terminate the Power Purchase Agreement which had resulted in avoidable payment to the tune of ₹453.04 crore and an additional liability of ₹360.20 crore.

- levy cross-subsidy charges on Captive Generating Plants for non-fulfilment of the conditions prescribed under Electricity Rules, 2005 resulted in loss of revenue to TANGEDCO amounting to ₹82.80 crore.
- levy liquidated damages for delayed commissioning of solar power plant resulting in undue favour to a solar power generator to the extent of ₹68.65 crore.

2. Absence of agreement and non-traceable LCOs led to non-realisation of dues of ₹226.28 crore in TACTV.

Compliance Audit observations

2.2 Compliance Audit on Loss incurring Agro based Public Sector Undertakings of Tamil Nadu for the period 2016-21

Overview of Government Companies in Tamil Nadu

As on 31 March 2021, the State of Tamil Nadu had 63[6] Public Sector Undertakings (PSUs). Out of this, four[7] are non-functional and 17 PSUs have accumulated losses of more than ₹50 crore as of March 2021. Out of these 17 PSUs, Audit of three PSUs viz., Tamil Nadu Sugar Corporation Limited (TASCO), Perambalur Sugar Mills Limited (PSM) and Tamil Nadu Tea Plantation Corporation Limited (TANTEA), which are agro based, were taken up in this Audit. In addition, Arasu Rubber Corporation Limited (ARC) was also taken up due to the fact that it is the only remaining agro based PSU even though the accumulated loss was less than ₹50 crore. The total investment in these four PSUs by Government of Tamil Nadu (GoTN) was ₹284.28 crore which was eroded by their accumulated loss of ₹803.24 crore as on 31 March 2021.

2.2.1 Scope of Audit and Methodology

The performance audit/review of TANTEA was last conducted and included in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2004, TASCO for 31 March 2005, TASCO/PSM for 31 March 2015 and ARC for 31 March 1998. The status of the Reports along with the summary of recommendations are given in **Annexure 3**. This Audit conducted between November 2021 and February 2022 on the above four Agro based PSUs and covered the period from 2016-17 to 2020-21. The Audit involved scrutiny of records maintained at the Head Office as well as the field offices (divisions and factories/mills).

The Entry Conference with the Government/PSUs was held on 08 December 2021 explaining the Audit objectives, scope, methodology and focus areas.

[6] These 63 PSUs belong to Office of the PAG (Audit-II), Tamil Nadu and Puducherry, Chennai.

[7] Tamil Nadu State Construction Corporation Limited, Tamil Nadu Goods Transport Corporation Limited, Tamil Nadu Police Transport Corporation Limited and Southern Structural Limited.

The audit findings were reported to the State Government in April 2022 and discussed in the Exit Conference held on 11 May 2022 with the Additional Chief Secretary/Commissioner of Sugar, Additional Chief Secretary, Department of Environment, Climate Change and Forests, Secretary to Department of Agriculture and Heads of the respective Companies. The views expressed in the Exit Conference along with the replies received (May/June 2022) were considered and incorporated, wherever found appropriate, while finalizing the report.

2.2.2 Audit objectives

The objectives of this Compliance Audit were to ascertain whether:

- the planning and control mechanism was effective to achieve the objectives of public sector undertakings;
- the operational management ensures efficient, economical and effective operational performance and utilisation of resources; and
- effective measures were taken to reduce the losses in these PSUs

2.2.3 Audit Criteria

The audit criteria adopted for assessing the achievement of the audit objectives were:

- MoUs, Corporate plan of the PSUs and Detailed Project Report (DPR) of Modernisation of factories;
- Policy decisions of the Government/ PSUs;
- Government Orders/ Notifications/Circulars/Directions;
- Board minutes, agenda notes and annual reports;
- Instructions issued by concerned Departments;
- United Planters Association of South India (UPASI) guidelines;
- Guidelines and recommendations issued by Rubber Board and Rubber Research Institute

Audit Findings

The findings of the Audit are discussed in the succeeding paragraphs.

2.2.4 Tamil Nadu sugar Corporation Limited and Perambalur Sugar Mills Limited

As on 31 March 2021, there were 42 sugar mills in Tamil Nadu and out of these, two were owned by State Public Sector Undertakings (PSUs) *viz.,* TASCO, incorporated in 1974 and its subsidiary PSM, incorporated in 1976. These two sugar mills contributed about four *per cent* of State's sugar production during 2020-21. Both the PSUs procure sugarcane from the sugarcane growers within the allotted areas and produce white sugar and molasses. The entire white sugar manufactured is being sold to Tamil Nadu Civil Supplies Corporation (TNCSC) at the rate fixed by Tamil Nadu Co-operative Sugar Federation Limited. These PSUs pay sugarcane growers

Fair and Remunerative Price (FRP)[8] for sugarcane purchased. Sale of sugar/molasses is controlled by both State Government and Government of India.

2.2.4.1 Organisational structure

The activities relating to both the sugar companies are managed by the Chairman-cum-Managing Director who is assisted by the General Manager. The sugar mills, Arignar Anna Sugar Mills (AASM) and PSM, are managed by the Chief Executive who is assisted by Chief Accounts Officer and Cane Development Officer.

2.2.4.2 Financial Performance

Financial Performance of TASCO and PSM

The financial performance of TASCO and PSM for the last five year period ending 2020-21 are given below in **Table No. 2.2.**

Table No. 2.2 Financial performance of TASCO/PSM

(₹ in crore)

Particulars/ Year	TASCO	PSM	TASCO	PSM	TASCO	PSM	TASCO	PSM	TASCO	PSM
	2016-17		2017-18		2018-19		2019-20		2020-21	
Income[9]	81.56	71.00	88.80	72.27	35.84	47.93	57.65	58.48	72.64	66.98
Expenditure[10]	97.74	93.69	103.64	99.62	46.92	62.95	64.16	69.82	83.89	90.57
Percentage of Income to Expenditure	83.45	75.78	85.68	72.55	76.39	76.14	89.85	83.76	86.59	73.95
Loss	16.18	22.69	14.84	27.35	11.08	15.02	6.51	11.34	11.25	23.59
Depreciation	0.49	0.96	0.48	0.94	0.46	0.97	0.40	1.03	0.32	1.05
Cash loss (Loss – Depreciation)	15.70	21.73	14.36	26.42	10.63	14.05	6.11	10.31	10.93	22.54
Cost of production (In ₹ per quintal)	4,553	4,582	4,225	4,857	4,649	4,768	4,180	3,987	4,054	4,623
Average Price Realised (In ₹ per quintal)	3,579	3,580	3,734	3,143	3,304	3,301	3,400	3,381	3,448	3,449
Accumulated Loss up to the year	175.53	260.24	190.37	287.60	201.45	302.61	207.96	313.95	219.21	337.54

Source: Data furnished by the Company

From the above table, it could be seen that TASCO could earn only 76 to 90 paisa and PSM could earn 73 to 84 paisa of every rupee spent during the period from 2016-17 to 2020-21. The accumulated loss of both the Companies has increased by 25 and 30 *per cent* respectively in the last five years (2016-21) which indicates a continuous deterioration of financial

[8] FRP is the minimum price announced by GoI every year at which sugarcane was to be purchased from sugarcane growers by sugar mills.

[9] Income includes Revenue from operation and other income

[10] Expenditure includes finance, depreciation, administrative expenses etc.

position of these companies and need urgent intervention by the Government to improve their financial and operational performance. In 2018-19, both the income and expenditure were drastically reduced on account of implementation (June 2018) of Sugar Release Mechanism which imposed restriction on monthly sale quantity and consequently led to piling up of stock in godowns. It could be seen from above that cost of production of the mills was always higher than the price realised from sale of sugar due to the fact that fixation of price was done by sugar federation for the Co-operative sugar mills and PSUs as a whole and not considering the cost of production of the individual mills.

The Government replied (May 2022) that the main reason for continuous loss was high cost of production and lesser selling prices. It stated that the Companies were forced to restrict the selling price based on market conditions. The fact, however, remained that the entire sales of these two Companies was only to TNCSC at a price fixed by GoTN which was lower than the prevailing market price resulting in loss to the Companies.

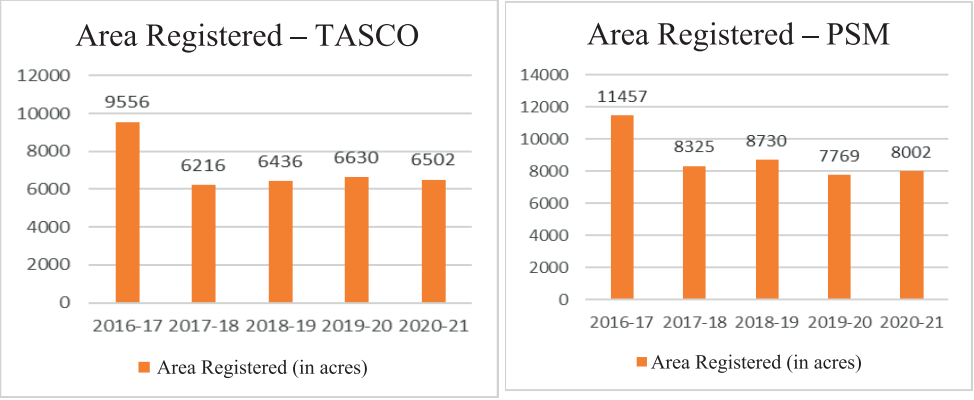
2.2.4.3 Planning and Monitoring

Decline in registration of sugarcane area

The sugar mills enter into agreements with sugarcane growers for sugarcane development within the area allotted by the Director of Sugar (DoS) to ensure that they would get enough sugarcane from the registered areas to utilise their installed capacity in full. In AASM of TASCO, the average required area for growing of sugarcane for meeting the annual requirement of the installed capacity was 12,929 acres whereas the area of registration has declined from 9,556 acres (74 *per* cent) to 6,502 acres (50 *per cent*) during the planting seasons between 2015-16 and 2019-20 as depicted in **Chart-1.**

Similarly, in respect of PSM, against the annual requirement of 19,352 acres, the registered area for growing of sugarcane has declined from 11,457 acres (59 *per cent*) in 2015-16 planting season to 8,002 acres (41 *per cent*) in 2019-20 planting season, as shown in **Chart-1** below:

Chart 1: Details showing the area registered by TASCO and PSM during the five years ending 2020-21



Source: Data received from Companies

Audit noticed that delay in disbursement of Fair Remunerative Price (FRP) and State Advisory Price (SAP)[11] forced farmers towards other crops resulting in reduction of registered sugarcane area. Audit further noticed that out of ₹525.50 crore of FRP and SAP payment made, an amount of ₹496.10 crore was paid beyond the due date of 14 days (on various period) prescribed in the agreement during the Audit period. This delay in payment resulted in reduced availability of sugarcane for crushing.

The Government stated (May 2022) that the lesser rainfall in the command areas was also the key factor contributed for lesser sugarcane area registration. The fact, however, remained that the sugarcane area registration has declined even during the period when, the command area received higher rainfall than normal, indicating PSU's failure to register adequate sugarcane area for optimum production of sugar as the main reason for lesser availability of sugarcane.

2.2.4.4 Operational Management

The operational performance of TASCO and PSM are given in **Annexure 4.** It could be seen that as against the ideal recovery rate of 9.5 *per cent* (considering minimum linked recovery rate for FRP payment to farmers fixed by GoI), the Companies could achieve only 7.80 to 8.97 *per cent*. The low recovery rate for both the sugar companies were due to various factors as discussed in the succeeding paragraphs**.**

(a) Shortfall in capacity utilisation of the mills

The installed capacity of TASCO is 4,30,000 MT (2,500 TCD[12] x 172 days) and PSM is 5,16,000 MT (3,000 TCD x 172 days). Only 42 to 61 *per cent per cent* of the installed capacity was utilised by TASCO and 34 to 40 *per cent* was utilised by PSM. Even by considering the maximum crushing capacity based on actual crushed days, the quantity of actual cane crushed was in the range of 54 to 75 *per cent* and 54 to 58 *per cent* only in respect of TASCO and PSM respectively which resulted in underutilisation of the mills (**Annexure-5).** The main reasons for shortfall in achievement of installed capacity were engineering problems and inadequate receipt of cane. In this connection, the corporate plan of the company permitted a time loss of eight *per cent* of the available production hours. But the stoppage of mill over and above the norm was worked out as 3,273 hours in respect of TASCO and 2,869 hours in respect of PSM.

The Government replied (May 2022) that the shortfall in capacity utilisation during 2016-19 was due to decline in sugarcane registration area over the years consequent to receipt of lesser rainfall, static sugarcane price, better market price for other competitive crops, tight financial position of the sugar mills, etc. It was further stated that steps, *viz*., disbursement of production/special incentives to sugarcane farmers, transport subsidy, etc. were taken to improve the capacity utilisation of sugar mills.

---

[11] SAP is the amount fixed by GoTN which is the amount payable to sugarcane growers over and above the FRP.

[12] Tons crushed per day

The reply regarding shortage of rainfall is not tenable on the ground that even when the rainfall received was higher than the normal, the capacity utilisation of the Companies was low only. The other reasons stated by the Government could have been controlled by efficient planning.

(b) Low recovery of sugar

The actual recovery rate[13] of sugar in respect of TASCO ranged between 7.8 *per cent* and 8.86 *per cent* as against the budgeted recovery rate of 8.51 *per cent* to 9.5 *per cent* during the Audit period. Similarly, the recovery rate achieved by PSM ranged between 8.21 *per cent* and 8.97 *per cent* against the budgeted recovery rate of 8.5 *per cent* to 9.25 *per cent*. This has resulted in loss of revenue to the extent of ₹46.29 crore **(Annexure-6).**

The major factors which affected the recovery of sugar are explained below:

- The right age for sugarcane harvesting prescribed (by DoS from time to time) was 12 months for in-plant and 11 months for Ratoon[14]. In respect of TASCO, 5,67,173 MT of sugarcane (58 *per cent*) and in case of PSM, 6,00,869 MT of sugarcane (64 *per cent*) crushed was over-aged[15] during 2016-21 which affected the sucrose content in sugarcane resulted in low recovery. In this connection, Audit observed that the staggered planting, as proposed (August 2016) by the Companies, which in turn would pave way for crushing of cane at right time, was not followed by the Companies.
- As per the Companies' corporate plan, the norm allowed for escapement of sugar[16] was up to 1.80 *per cent* of the sugarcane crushed. However, the actual escapement of sugar during the Audit period ranged between 1.84 and 2.05 *per cent* (11,249 quintals) and between 1.9 and 2.07 *per cent* (15,277 quintals) of the total sugarcane crushed in respect of TASCO and PSM respectively **(Annexure-7)**.

The Government replied (May 2022) that the low sugar recovery was due to unexpected climatic changes, ageing of machineries, non-availability of sufficient labourers, etc. It was further stated that high recovery yielding varieties were being encouraged besides proper monitoring at field level to ensure high recovery.

The reply of the Government is not acceptable as low sugar recovery[17] was not only attributable to ageing of the machineries, but also due to other controllable factors *viz.*, crushing of over aged sugarcane, non-crushing of sugarcane within the stipulated time, etc. This is evident from the fact that, even after modernisation (2018-19), the Companies could not achieve the norm for recovery.

---

13 Quantity of sugar obtained from sugarcane during crushing

14 Sprout from base crop plant

15 Over-aged represents sugarcane harvested after 12 months of in-plant and 11 months of ratoon

16 Loss of sugar during crushing

17 Reported earlier in Audit Reports on Performance Audit on Tamil Nadu Sugar Corporation Limited and Perambalur Sugar Mills Limited (Chapter-II – Performance Audit relating to Government Companies of the Report of the Comptroller and Auditor General of India on Public Sector Undertakings for the year ended March 2015, Government of Tamil Nadu (Report No.4 of 2016))

(c) Procurement of extraneous material more than the norm

As per the Sugarcane Control Order of 1966, sugar companies were allowed to procure one *per cent* on the gross weight of sugarcane as extraneous material (like immature tops, dry trash, soil and sand etc). However, the sugarcane received by the mills of TASCO and PSM included extraneous material of 11,030 MT and 3,526 MT respectively above the norm of one *per cent* due to not imposing effective stringent actions for supply of clean cane which resulted in wasteful expenditure of ₹3.64 crore[18] during the period 2016-21.

The Government replied (May 2022) that considering paucity of harvest labourers, the field staff were not able to meticulously impose conditions on clean cane supply.

(d) Delay in establishment of ethanol project

Ethanol is an organic compound which is produced from sugarcane molasses for blending with gasoline. GoI mandated (January 2003) the use of five *per cent*[19] ethanol blend in gasoline under Ethanol Blended Petrol (EBP) programme.

As a rehabilitation package, GoTN approved (July 2009) Distillery cum Ethanol project (Ethanol Project) at AASM at a cost of ₹45.75 crore which was to be met by Government contribution of ₹8.70 crore, cane growers' contribution of ₹4.58 crore and the remaining ₹32.47 crore through bank loans. GoTN sanctioned and released (December 2010) its share amount.

Though the Government approved the project way back in 2009 and also released equity contribution in 2010 to TASCO, Audit noticed that the DPR for the project was prepared only in 2015, after a lapse of six years. Moreover, major statutory clearances like consent order from Pollution Control Board, license from inspector of factories, factory building plan approval etc., were not obtained till date, and therefore, despite delay of 12 years, the project was yet to take off (March 2022). The envisaged cumulative profit foregone due to non-commissioning of the project was ₹241.02 crore (for 10 years, as per the DPR) in respect of TASCO.

In respect of PSM, GoTN released (March 2011) an amount of ₹8.70 crore and the Company kept the amount as Fixed Deposit and a loan of ₹5.20 crore was also availed against it. Further, PSM was yet to prepare the DPR and hence, despite lapse of more than 10 years, it failed to take the opportunity to get the benefit due to severe delay in commissioning ethanol plant.

The Government replied (May 2022) that the project is viable only with higher capacity utilisation of mills and after improvement in capacity utilisation, the installation of ethanol project would be taken up. The fact, however, remained that the project with definite financial benefits, sanctioned by GoTN did not take off even after a lapse of 13 years.

[18] Expenditure of ₹2.77 crore for TASCO and ₹0.87 crore for PSM

[19] GoI revised the blending target as 10 *per cent* by 2022 and 20 *per cent* by 2030.

2.2.4.5 Impact of Government's policies/decisions on functioning of the Company

The details of the impact of Government's policies/decisions on functioning of the company is discussed in subsequent paragraphs:

Piling up of sugar due to Sugar Release Mechanism

GoI reintroduced (June 2018) Sugar Release Mechanism (SRM) with the objective of helping sugar mills to clear their sugarcane payment dues to farmers. The scheme envisaged certain measures to improve the liquidity of the sugar mills particularly for clearing the FRP dues to farmers. However, Department of Food and Public Distribution has prescribed monthly stock holding limits (later revised as monthly sales quotas) so that sugar available for sale in the domestic market was controlled. This scheme was scrapped earlier (2013) based on the recommendations of the committee headed by Dr. C. Rangarajan since the existing system was not in the interest of the development of sugar industry and stated that the de-regulation of sugar sector would improve the financial health of sugar mills, enhance cash flows, reduce inventory cost and also result in timely payment of cane price to sugarcane farmers.

The scheme barred the sugar mills from selling sugar more than the monthly quota fixed by GoI. In case of sales beyond the quota by sugar manufacturers, they are liable for penal action under Essential Commodities Act 1955. Restriction of sales by GoI in sugar deficit States like Tamil Nadu aggravated the financial crisis of the sugar manufacturers who were already incurring heavy losses and facing financial crunch. Audit noticed that even though the production of sugar by the public sector sugar mills along with Co-operative sugar mills in the State was far below the requirement of Public Distribution System (PDS) and the capacity utilisation was less than 40 *per cent,* they were also covered under the scheme which had fixed a cap on monthly release quantity resulting in piling up of stock. The issue was repeatedly represented by GoTN with GoI but there was no response received from GoI so far.

During Audit, it was found that the State PSUs were forced to hold around two-third of its production at godowns even up to two years due to this restriction which resulted in higher carrying cost and interest loss apart from affecting the quality of sugar stock held in godowns. The inventory position and its value at the end of each year is detailed below:

Table No. 2.3 – Details of inventory position of sugar mills

Sugar Year (October - September)	TASCO				PSM			
	Quantity produced during the year (in Lakh quintal)	Inventory of sugar at the end of the year (in lakh quintal)	Percentage of production to inventory	Value of inventory (₹ in crore)	Quantity produced during the year (in lakh quintal)	Inventory of sugar at the end of the year (In lakh quintal)	Percentage of production to inventory	Value of inventory (₹ in crore)
2016-17	2.05	0.02	1	0.72	1.57	0.01	1	0.36
2017-18	1.45	0.17	12	6.35	1.44	0.15	10	5.61

Sugar Year (October - September)	TASCO				PSM			
	Quantity produced during the year (in Lakh quintal)	Inventory of sugar at the end of the year (in lakh quintal)	Percentage of production to inventory	Value of inventory (₹ in crore)	Quantity produced during the year (in lakh quintal)	Inventory of sugar at the end of the year (In lakh quintal)	Percentage of production to inventory	Value of inventory (₹ in crore)
2018-19	1.57	0.99	63	32.71	1.73	1.02	59	33.67
2019-20	1.74	1.33	76	45.22	1.60	1.25	78	42.25
2020-21	1.58	1.08	68	37.23	1.82	1.17	65	40.35
				122.23				**122.24**

Source: Data furnished by the Companies

Due to heavy inventory of sugar, the mills were forced to avail additional cash credit to cover the avoidable carrying cost of inventory, resulting in payment of interest to the extent of ₹18.07 crore during the period 2018-21 (**Annexure-8).**

During cross verification of sugar purchased by TNCSC for PDS revealed that, the entire sugar produced by the above sugar mills sold to TNCSC was not adequate to meet its requirement and hence, TNCSC had to procure sugar from open market for the remaining quantity at a higher rate. The additional quantity of sugar purchased by TNCSC from open market during the three year period (2018-19 to 2020-21) subsequent to introduction of the scheme was 5,37,500 MT of sugar at an average rate of ₹43,843/MT whereas the average price of sugar purchased from Tamil Nadu Co-operative Sugar Federation for the same period was only ₹35,630 per MT. The additional expenditure incurred by TNCSC during the above period was ₹435.13 crore which led to loss to State exchequer since TNCSC is getting reimbursement as sugar subsidy from GoTN.

The Government replied (May 2022) that representations were made by the State Government to GoI. Subsequently, it also stated that (September 2022) the necessity for increase in sales quota was emphasized to GoI and as a result, the sales quota has been increased gradually. The percentage of stock released has increased from 44.88 *per cent* (2018-19) to 58.36 *per cent* (2021-22) in respect of TASCO mill and from 45.69 *per cent* to 55.07 *per cent* in respect of PSM mill.

Conclusion:

The performance of the Companies suffered mainly due to declining sugarcane area registration resulting in lower capacity utilisation. The cost of production of sugar was higher than the selling price. In addition, there was lower sugar recovery on account of overaged sugarcane, longer waiting time, presence of extraneous material, overaged machinery, etc. Delay in implementation of the ethanol project has resulted in foregoing of envisaged profit for the Companies. Restriction of sale of sugar in open market further added to loss of the Companies besides piling of sugar stock. Thus, the Companies continued to suffer with perennial problems without any remedy in the near future.

2.2.5 Tamil Nadu Tea Plantation Corporation Limited

TANTEA was incorporated in August 1975 and is under the administrative control of Department of Environment, Climate Change and Forests. The tea plantations covered an area of 4,053.75 hectare (ha) as on 31 March 2021. The Company is presently managing eight tea divisions for plucking Green Tea Leaves (GTL) and six tea factories for manufacturing Made Tea[20] with installed capacity of 120 lakh kg per annum.

2.2.5.1 Organisational structure

The management of the Company is vested in the Board of Directors. The Managing Director is the Chief Executive of the Company and is assisted by the General Manager and Divisional Managers, who are heading the tea divisions and tea factories.

2.2.5.2 Financial Performance

The financial performance of TANTEA for the last five year period ending 2020-21 are given below in **Table No. 2.4.**

Table No. 2.4 Financial Performance of TANTEA

(₹ in crore)

Particulars/ Year	2016-17	2017-18	2018-19	2019-20	2020-21
Income[21]	71.81	52.76	58.97	54.74	101.83
Expenditure[22]	80.98	84.22	156.26	85.91	93.83
Percentage of income to expenditure	88.68	62.65	37.74	63.72	109
Profit/(Loss)	(9.17)	(31.46)	(97.29)	(31.17)	8.00
Depreciation	1.51	6.41	1.36	1.40	1.34
Cash loss*	7.66	25.05	95.92	29.78	---
Accumulated Loss up to the year	70.77	102.23	199.52	230.69	222.69

Source: Data furnished by the Company

***Since the Company earned profit during 2020-21, there was no cash loss.**

Expenditure in 2018-19 was high due to payment of terminal benefits. This has impacted and increased (215 *per cent*) accumulated loss to ₹222.69 crore as on 31 March 2021. In 2020-21, the Company made profit due to high demand of made tea coupled with increase in price during Covid -19 pandemic. It may be mentioned that the Company incurred a loss of ₹38.57 crore in 2021-22, which shows that the profit made in the previous was exceptional only.

[20] Processed Green Tea Leaf ready for sale
[21] Income includes Revenue from operation and other income
[22] Expenditure includes finance cost, depreciation, administrative expenses etc.

2.2.5.3 Planning

Delay in modernisation of factories

The Company submitted a DPR (September 2018) for up-gradation/modernisation of all its six factories at a cost of ₹20.05 crore. GoTN sanctioned the proposal and paid (August 2019) a sum of ₹16.72 crore as ways and means advance for carrying the work for four out of six factories[23]. The estimated savings on completion of modernisation on account of increase in sales quantity, reduction in tea waste, fuel consumption and manpower cost due to process automation would have been ₹7.19 crore per annum for the four factories.

Audit noticed that even though the amount was received in August 2019, the tender formalities were completed, and agreement executed for the purchase of machineries only between May and July 2021. Further, out of 42 machineries ordered, only 13 machineries were supplied so far and thus, the proposed modernisation was not completed till date (May 2022).

Government replied (May 2022) that the suppliers were instructed to complete the supply of machineries within prescribed time limit to ensure they are operationalised at the earliest.

The reply is not tenable as against the scheduled date (between July and August 2021) only 13 machineries (31 *per cent*) were supplied so far (May 2022). Non-completion of modernisation in time has postponed the realisation of envisaged benefits.

2.2.5.4 Operational Management

The operational performance of TANTEA is given in **Annexure-4.** The Company could not meet out its targets in respect of GTL yield in four out of five years due to inadequate application of fertilisers and the GTL yield was lowest (during 2018-19) in a decade. The production of made tea ranged between 45 to 64 *per cent* only of installed capacity during the Audit period mainly due to excess generation of tea waste.

The low yield of GTL and production of made tea of TANTEA were due to various factors as discussed in the succeeding paragraphs**.**

(a) Poor yield of GTL compared to District average

The average production of GTL per hectare of Nilgris, Wyanad and Anamalai Regions of the Company were 7,786 kg/ha, 7,501 kg/ha and 5,491 kg/ha against the District average production of 9,155 kg/ha, 10,008 kg/ha and 9,252 kg/ha respectively during the Audit period. The loss of revenue due to poor per hectare yield worked out to ₹99.14 crore **(Annexure-9).**

Government replied (May 2022) that poor per hectare yield of GTL was due to inadequate application of fertiliser and shortage of labour. It was further stated that contract plucking has been arranged to overcome the shortage of labour and the Company has requested the Government for financial

[23] Pandiar, Nelliyalam, Tiger Hill and Quinshola

assistance for procurement of fertilizer. The fact remained that despite the above measures, the yield did not increase which proved that the Company's efforts were inadequate.

(b) Procurement of poor quality GTL from private party

Good quality of orthodox tea requires tea leaf in high grown areas like Ooty region. The company started (November 2019) procuring GTL on a rate contract basis from a private party (Alwin, Ooty Estate) for its two tea factories i.e., Tiger hill and Quinshola to the extent of 44.85 lakh kg up to March 2022.

Even though UPASI[24] recommended a leaf standard norm of 70 *per cent* good leaf and 30 *per cent* coarse leaf, TANTEA adopted a ratio of good leaf and coarse leaf at 65:35, as directed by Tea Board. Moreover, scrutiny of stores registers related to procurement of GTL in Tiger Hill revealed that the leaf standard was below the norm adopted by the Company[25]. Further, the leaf standard was not recorded in most occurrences and kept blank[26]. In respect of Quinshola, the leaf standard was below the norm from November 2019 to January 2022.

In this connection, Audit observed that as against the annual GTL requirement of 60 lakh kg p.a., the divisions processed 77 lakh kg and 61 lakh kg (excluding purchased quantity) during 2019-20 and 2020-21 respectively and hence, there was no requirement to purchase additional quantity from outside. Audit further observed that the quality of tea has not improved even after purchasing GTL from the private party.

Government replied (May 2022) that it had purchased GTL from private party to utilise the entire production capacity and to reduce the production cost.

The reply is not convincing because even without procurement of GTL, production requirement was exceeded. Further, even though the cost of GTL procured from the private party varied between ₹19 and ₹30/kg and average cost of GTL procured from own divisions was around ₹24/kg, factory wise cost of production of made tea in Tigerhill and Quinshola factories had increased after procurement. It is also pertinent to mention that despite complaints from field office about the quality of GTL, the Company continued the procurement till March 2022. Thus, the purchase of poor quality GTL from private party at a cost of ₹9.61 crore was avoidable.

(c) Inadequate Application of fertilizers

As per the guidelines on "Tea culture in South India" issued by UPASI, fertilizer has to be applied generally six times in a year. In the modernisation proposal (September 2018), the company has stated that an increase of 30 *per cent* in the yield of GTL could be expected if fertilizers were applied as per UPASI norms. However, fertilizer was applied zero to one time only as

---

24 United Planters Association of South India, an apex body of Planters of Tea, Coffee, Rubber, Cardamom and Pepper in the Southern States of India

25 On 11th , 14th , 22nd , 23rd , 25th In November 2019, on 9th to 14th in March 2020, etc.

26 As noted in November 2019 – 5th, 8th, 26th to 28th, December 2019 – 4th, 5th, 7th to 9th, etc.

against Company's own guideline of four times in a year. The fund required for application of fertilizers for a year was ₹six crore only whereas, Audit noticed that the actual expenditure incurred was a meagre ₹ 5.25 crore for the entire period of 2016-21.

Audit observed that non-application of fertiliser has impacted the yield of GTL and has reached lowest of the decade in 2018-19 (252.41 lakh kg). It is also pertinent to mention that the auction sales price realised was lower than district average price due to low quality of made tea.

An analysis made by Audit revealed that in two factories (Tiger Hill and Quinshola) 53 to 100 *per cent* of made tea produced by the Company was secondary grade (BOP, FBOP, GBOP, etc)[27]. In a grade wise price comparison, it was revealed that prices fetched by the company's products were always much lesser than nearest private tea estate as detailed in **Table No.2.5** below:

Table No. 2.5 Comparison of made tea price fetched by TANTEA and Private companies in auction

Grade	Month of Auction	Price fetched by TANTEA (₹/kg)	Price fetched by private estate (Kodanad) (₹/kg)	Difference (percentage)
BOP	July 2019	101	111	10
	November 2019	103	180	75
	December 2020	137	175	28
	January 2021	148	190	28
FBOP	August 2019	104	201	93
	October 2019	110	153	39
	December 2019	100	196	96
	March 2021	141	202	43

Source: Data compiled from Company's records

The above table clearly indicates that the difference in price was in the range of 10 to 96 *per cent* in the last two years which was mainly due to poor quality of tea leaves on account of inadequate application of fertilizers, delay in replacement of aged machineries, etc.

Government replied (May 2022) that the Company had requested financial assistance from the Government for procurement of fertilizers. In this connection, Audit noticed that the Company had sufficient balance throughout the Audit period in Current Account and Fixed Deposits (except between October 2017 and September 2018). The closing balance of FD at each year was ₹5.74 crore (2016-17), ₹15 crore (2018-19), ₹16.85 crore (2019-20) and ₹17.55 crore (2020-21) which was sufficient to meet out the expenditure of around ₹1.50 crore per round for application of fertilizer. As the Company did not follow its own guidelines, it lost the opportunity of earning additional revenue of ₹70.87 crore that could have been earned by application of fertilizer **(Annexure-10)**.

[27] BOP – Broken Orange Pekoe, FBOP- Flowery Broken Orange Pekoe and GBOP-Golden Broken Orange Pekoe

(d) Excess production of tea waste

In the process of manufacture of tea, along with different grades of tea products, tea waste[28] is also generated. The norm for tea waste was two *per cent* of made tea produced whereas, it was noticed that percentage of tea waste was ranging from 7.82 to 14.73 *per cent* in all the years. The processing of higher quantity of coarse leaves and other unwanted materials resulted in abnormal production of tea waste and the same could have been minimised by proper screening before weighment. This has resulted in loss of ₹16.59 crore **(Annexure-11)** for the period 2016-21.

Government replied (May 2022) that inadequate application of fertilizers coupled with non-modernisation of machineries and fluctuation in rainfall were the reasons for increase in tea waste. The fact, however, remained that excepting the fluctuations in rainfall, all other factors are controllable which would have reduced the tea waste to a larger extent.

2.2.5.5 Impact of Government's policies/decisions on functioning of the Company

The impact of Government's policies/decisions on functioning of the company is discussed in subsequent paragraphs:

Lease rent payable to GoTN

The lease rent for the Phase I - III[29] tea plantation area was fixed at ₹500/ha per annum from year 1979 to year 1984 which was revised to ₹2,000/ha per annum from 1984-85. Erstwhile Cinchona Department was amalgamated with TANTEA (Phase IV[30]) from April 1990 and the lands were also leased out to the company at ₹12,500 per annum for tea planted area and at ₹100 per annum for unproductive area. Due to severe financial crisis, the company could not fulfil the huge commitment of lease rent and hence, requested the Government (February 2018) for revision of lease rent for all phases. Consequently, Government reduced the lease rent for Phase IV alone from ₹12,500 /ha per annum to ₹2,000/ha per annum with effect from 2003-04. However, TANTEA approached the Government again for the reduction of lease rent from date of amalgamation of erstwhile Chincona Department, i.e., from 1990-91 to 2002-03.

GoTN exclusively constituted a committee which recommended (March 2018) to reduce the lease rent for phase IV area from ₹12,500/ha per annum to ₹2,000/ ha per annum from 1990-91 to 2002-03 and to fix/revise lease rent for unproductive areas of first three phases from ₹2,000/ha per annum to ₹100/ha per annum on par with Phase IV areas. The liability of the company towards rent payable as on 31 March 2021 was ₹43.63 crore and if the recommendations of the committee were implemented, the Company could have reduced the liability by ₹17.70 crore. Even after submission (March

28 Tea waste represents tea sweepings, tea fluff, tea fibre or tea stalks.

29 Phase-I – 1969 to 1979 (Cherambady, Cherangode, Nelliyalam, Coonoor, Kothagiri); Phase-II and III – 1979 to 1984 (Pandiyar);

30 Phase IV- 1990 to 1995 (Lawson and Naduvatam)

2018) of the committee report to Government and continuous requests of the Company, the orders of GoTN are still awaited (May 2022).

It was replied by the Government (May 2022) that the remarks of Principal Chief Conservator of Forests are yet to be received and on receipt of the same, necessary approval would be granted.

Conclusion:
The performance of the Company suffered due to inadequate application of fertilizer and procurement of poor quality GTL. Delay in replacement of old machineries resulted in production of secondary grades of made tea to a large extent with consequent realisation of lower price in auction. Also, the Company did not adhere to the norms of tea waste resulting in loss of revenue.

2.2.6 Arasu Rubber Corporation Limited

Arasu Rubber Corporation Limited (ARC) was incorporated in October 1984 under Department of Environment, Climate Change and Forests. The basic function of ARC is to harvest the natural rubber (latex) and to process it into concentrated rubber latex (Cenex) and rubber sheets of different grades through its factories, apart from maintaining/developing the existing plantations and planting new areas. The Company surrendered 791.206 ha of land unsuitable for plantation to Forest Department. Present plantation area under the control of the Company was 3,994.494 ha (March 2021).

2.2.6.1 Organisational structure

The day-to-day management of the Company is looked after by the Managing Director and the management is supported by Unit Officers in Registered Office. The field and factories are handled by Divisional Managers with required staff.

2.2.6.2 Financial Performance

Financial performance of ARC
The financial performance of ARC for the last five year period ending 2020-21 are given below in **Table No. 2.6.**

Table No. 2.6 Details showing the financial performance for the five year period ending 2020-21.

(₹ in crore)

Particulars/ Year	2016-17	2017-18	2018-19	2019-20	2020-21
Income[31]	24.53	30.90	31.85	31.58	38.07
Expenditure[32]	34.98	30.76	41.02	33.56	35.48
Profit/(Loss)	(10.45)	0.14	(9.17)	(1.98)	2.59
Percentage of income to expenditure	70	100	78	94	107
Depreciation	0.67	0.59	0.53	0.45	0.39
Cash Loss*	9.78	---	8.64	1.53	---
Accumulated Loss up to the year	14.24	14.10	23.24	26.40	23.80

Source: Details extracted from Annual Accounts of ARC
***Since the Company earned profit during 2017-18 and 2020-21, there was no cash loss.**

[31] Income includes Revenue from operation and other income
[32] Expenditure includes tapping expenses and administrative expenses.

It could be seen from the above table that ARC could not generate the required revenue to meet out its expenditure for three years and incurred loss up to 43 *per cent* (2016-17). The percentage of income from sale of senile trees to the total income ranged from 1 to 30 *per cent* during the Audit period and the overall percentage of such income on the total income for the last five years was 20 *per cent*. Even with such supplementary non-operating income, the accumulated loss has increased to ₹ 23.80 crore.

2.2.6.3 Operational Management

The operational performance of the Company is given in **Annexure-4**. It could be seen that the Company has achieved the production targets set by its Board and the targeted latex production during all the years except 2018-19. During 2018-19, the shortfall was only 6 *per cent*, which was not on account of any significant event.

(a) Declining trend in production

The production of rubber which was above 2,000 MT prior to 2010 has been gradually reduced to below 1,500 MT (25 *per cent* reduction) from 2018 onwards. Major factors contributing the declining trend are as follows:

- As per the norms of the Rubber Board, the rubber trees which are 35 years old are to be felled upon maturity and replanting has to be done. However, there were 2,22,462 trees (31 *per cent*) which were more than 40 years, but not felled resulting in low yield in production from 2009-10 onwards. Replanting has not been achieved except for one year (2018-19) as detailed in the following **Table No. 2.7**:

Table No. 2.7: Details showing the felling/replanting schedule for the five year period ending 2020-21.

Year	Details of felling of Old and senile trees as per approved felling schedule			Details of replanting of rubber plantations as per approved replanting schedule		
	Target area (in Ha.)	Actual area felled (in Ha.)	Percentage of achievement	Target area (in Ha.)	Actual replantation (in Ha.)	Percentage of achievement
2016-17	180.20	12.10	6.71	294.90	31.20	10.58
2017-18	183.10	245.773	134.23	180.20	94.27	52.31
2018-19	197.40	280.60	142.15	183.10	206.08	112.55
2019-20	195.60	218.40	111.66	197.40	179.80	91.08
2020-21	402.80	383.40	95.18	193.20	53.00	27.43

Source: Details furnished by ARC

While accepting the audit observation, Government stated (May 2022) that felling of age-old trees was started from 2016 onwards. But it had not attributed any reasons for not felling of trees.

- The number of trees not suitable for tapping, ranged between 52 *per cent* and 63 *per cent* of the total trees during 2016-21 due to being

sick, top broken and aged. Out of 9,042 trees classified as sick[33], 4,651 trees were sick for more than five years which were reported as affected by TPD[34].

- The Company lost around 1.15 lakh trees (13.4 *per cent* of 8,56,550 surviving trees) due to damages caused by the Ockhi cyclone in December 2017. ARC did not replant the trees uprooted by the cyclone as proposed in the DPR submitted (September 2018) to the GoTN. ARC has replanted only 6.2 *per cent* of the area proposed, i.e., 9,124 trees in 18.60 ha as against 1.20 lakh trees in 300 ha till date (March 2022). Non-replanting rubber plants as proposed would result in estimated loss of production to the extent of ₹2.52 crore[35] per annum.

Government replied (May 2022) that gap planting cannot be done due to shade of other matured trees preventing the growth and wherever large gaps identified, gap planting has been completed. The reply is not convincing since ARC prepared the DPR (September 2018) after considering the field conditions prevailed during the year and replanting in 281.4 ha of identified area also could not be done due to delay in arranging necessary financial resources.

(b) Non-compliance with the approved latex harvesting policy

ARC approved (October 2018) latex harvesting policy framed by the committee after considering the comments of the Rubber Research Institute of India, Kottayam. On review of compliance to the policy, the following were observed:

(c) Non-adoption of intensive Tapping

Intensive tapping should be done for two to three years before felling the old trees. Under D2[36] intensive tapping method, two panels will be tapped in each tree by using yield stimulants which would enable collection of maximum amount of latex. ARC is currently carrying out intensive tapping in respect of 34 coupes[37] whereas, Audit found that there were additional 16 coupes with 58,607 tappable trees (September 2021) which are to be felled in the ensuing years (up to 2024-25). But, ARC has not commenced intensive tapping for collection of maximum quantity of latex before felling. Non-commencement of intensive tapping has resulted in annual loss of production of 51,701 kgs valued at ₹ 0.69 crore[38].

Government replied (May 2022) that if the D2 regular tasks are converted as intensive, the same would be left untapped due to shortage of labourers. It was also stated that due diligence was taken about tapping intensity as per availability of workers. However, the fact remains that non commencement of intensive tapping due to non-availability of labour has resulted in loss of yield and non-collection of maximum latex before felling of the trees.

---

33 Sick trees are matured trees which are not suitable for tapping due to ageing and TPD

34 Tapping Panel Dryness (a type of disease affecting rubber trees)

35 1,88,538 kg (281.4 ha*670 kg, being the average yield/ha)*₹133.71 (average rate per kg)

36 Tapping frequency of two days

37 Small area of forest/plantation with group of trees

38 51,701 kg* ₹134 (Average realization for the year 2020-21)

(d) Non tapping of newly opened coupes under D7 frequency

The tapping frequency of D7[39] has to be adopted with proper application of yield stimulant on experimental basis for the coupes newly opened for tapping. However, ARC has not commenced D7 tapping in any of such coupes. The Rubber Research Institute (RRI), Kottayam has stated (May 2018) that the present tapping practice of ARC (D2 and D3 frequencies) was unscientific which would shorten the economic life of trees and involves huge tapping cost which would increase the cost of production.

Government accepted (May 2022) the audit observation and stated that D7 frequency would be taken up gradually.

Conclusion:

The production has gradually reduced due to non-felling of old rubber trees in stipulated time. Presence of sick, top-broken/age old trees and non-replanting of trees uprooted during Ockhi Cyclone led to production loss. The production was also affected due to non-adoption of intensive tapping for the trees to be felled in near future and non-performance of planned tapping tasks.

Recommendations

Government may set up an Expert Committee to identify and fix the operational inefficiencies and prepare a time bound action plan to revive these PSUs and examine the feasibility of shutting them down in case revival is not possible, to prevent accumulation of further losses. When this recommendation was communicated to the Government (23 September 2022), it replied (26 September 2022) that the process of revival of the sugar-based companies and attaining financial stability as already been initiated so that they can become self-sustaining.

Tamil Nadu Generation and Distribution Corporation Limited

2.3 Loss of opportunity of earning higher interest

Failure to assess the availability of investment at higher rate in Fixed Deposits and inadequate monitoring of Fixed Deposits resulted in loss of opportunity of earning higher interest of ₹58.54 crore.

The Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO) decided (December 2016) to create Pension corpus fund for servicing the pension commitment of the Company with an initial contribution of ₹20[40] crore per month. The Chief Financial Controller/General was directed (December 2016) to open a dedicated account and invest the funds in Fixed Deposits (FD), based on the direction of Government of Tamil Nadu, after considering the market condition, rate of interest, nature of risk involved, etc. Up to April 2018, TANGEDCO had deposited a sum of ₹1,430.88 crore towards this corpus fund in 16 instalments. As and when the funds were transferred to the corpus fund, the same were invested in 16 FDs on various dates with the Tamil Nadu Power

[39] Tapping frequency of seven days

[40] Subsequently increased to ₹50 crore (April 2017) and to ₹100 crore per month (November 2017).

Finance and Infrastructure Development Corporation Limited (TNPFC) between January 2017 and April 2018 for a tenure of three years and were renewed for a further tenure of three years. Audit analysed the above investments and management of the FDs and the following was observed:

A. Initial deposits were made at lesser rate of interest

As the funds were earmarked for a specific corpus, i.e. for servicing the pension commitments of the company and were not required in the near future, the initial FDs were made for a tenure of three years with TNPFC. Verification of the FD schemes offered by TNPFC revealed that TNPFC was offering two different FD plans[41], *viz.* Regular Interest Payment Scheme (RIPS) and Cumulative Interest Payment Scheme (CIPS). In RIPS, the effective yield rate was 8.84 *per cent,* whereas in CIPS, the effective yield rate was 9.64 *per cent* for interest payment at the end of 36 months. Though the effective yield under CIPS was higher, TANGEDCO made 16 FDs totalling ₹1,430.88 crore between January 2017 and April 2018 under RIPS carrying lesser rate of interest. Failure to opt for the CIPS resulted in loss of opportunity of earning higher interest (0.80 *per cent*) to the tune of ₹34.34 crore as highlighted in **Table No. 2.8** below (details vide **Annexure-12**). This indicated lack of financial prudence in the investment of corpus fund.

Table No. 2.8 Details showing loss of interest due to the initial deposit made with TNPFC under Regular Interest Payment Scheme (RIPS) instead of Cumulative Interest Payment Scheme (CIPS)

(₹ in crore)

FD Receipts	Amount deposited	Cumulative Interest Payment Scheme		Regular Interest Payment Scheme		Loss of interest (Amount)
		Effective yield rate (*per cent*)	Eligible interest (Amount)	Effective yield rate (*per cent*)	Actual interest earned (Amount)	
Sixteen Numbers	1,430.88	9.64	413.81	8.84	379.47	34.34

B. Renewal of FDs at lesser rate of interest and delay in renewal

i) Out of the 16 FDs, three FDs totalling ₹600 crore were renewed between September 2020 and November 2020 again under RIPS at an interest rate of 8.24 *per cent*, though at that point of time, the prevailing rate of interest under CIPS was 8.94 *per cent*. Failure to renew these three FDs under CIPS had resulted in loss of opportunity of earning higher interest (0.70 *per cent*) to the tune of ₹12.60 crore as shown in **Table No. 2.9** below (details vide **Annexure-13):**

[41] The rate of interest effective from 16 December 2016.

Table No. 2.9 Details showing loss of interest due to renewal of deposits under Regular Interest Payment Scheme (RIPS) instead of Cumulative Interest Payment Scheme (CIPS)

(₹ in crore)

FD Receipts	Amount deposited	Cumulative Interest Payment Scheme		Regular Interest Payment Scheme		Loss of interest (Amount)
		Effective yield rate (*per cent*))	Eligible interest (Amount)	Effective yield rate (*per cent*)	Actual interest earned (Amount)	
Three Numbers	600.00	8.94	160.92	8.24	148.32	12.60

ii) Out of the remaining 13 FDs, eight FDs amounting to ₹330.80 crore which matured between 20 January 2020 and 23 August 2020 were not renewed on their maturity dates. These FDs were all renewed on 19 December 2020 with delays ranging from 118 to 334 days. As FDs were not renewed within the prescribed grace period of three months' time, citing its declared policy for renewal[42], TNPFC paid interest at the rate of 5.25 *per cent*[43] (i.e., the then prevailing interest rate of 7.25 *per cent* minus two *per cent*) for the period from the date of original maturity till 19 December 2020. Audit observed that on the dates of original maturity, the applicable interest under CIPS was 9.32 *per cent* against which TANGEDCO had earned interest at the rate of 5.25 *per cent* only. Failure to renew the FDs under CIPS and delay in renewal within the prescribed time had resulted in loss of interest of ₹7.83 crore as shown in **Table No. 2.10** below (details vide **Annexure-14**):

Table No.2.10 Details showing loss of interest due to delay in renewal of fixed deposits

(₹ in crore)

FD Receipts	Amount deposited	Effective yield rate under cumulative scheme (*per cent*)	Interest to be earned for the delayed period (Amount)	Actual interest received for over due period (@ 5.25 *per cent* (Amount)	Loss of interest for the delayed period (Amount)
Eight Numbers	331	9.32	17.83	10.00	7.83

[42] In the event of renewal of deposit received within three months from date of maturity, the deposit will be renewed from the date of maturity at the interest rate operating at the time of maturity. In case the renewal application is received or request is made after three months from the date of maturity, the same will be treated as a fresh deposit and the interest rate prevailing on the date of receipt of application will be applicable. The rate of interest applicable for the overdue period, i.e. from the date of maturity to the receipt/request of renewal application, on the amount so placed as fresh deposit shall be 2 *per cent* less than the rate of interest applicable for 12 month deposits either at the time of maturity or receipt/request of renewal application, whichever is less.

[43] Difference between 7.25 *per cent* (rate applicable for one year period at the date of actual maturity) and 2 *per cent*, as per the policy of TNPFC.

iii) The effective yield rate under CIPS prevailing at the time of original maturity dates for these eight FDs was 9.32 *per cent*. Against that, these FDs were renewed on 19 December 2020 with effective yield rate of 8.94 *per cent.* The differential interest (0.38 *per cent*) on account of the belated renewal resulted in further loss of interest to the extent of ₹3.77 crore from the date of renewal to its maturity dates as shown in **Table No. 2.11** below (details vide **Annexure-15).**

Table No. 2.11 Details showing loss of interest due to belated renewal of fixed deposit

(₹ in crore)

FD Receipts	Amount deposited	Interest to be earned if the deposits were renewed on the date of maturity		Interest receivable due to delay in renewal of fixed deposits		Loss due to delay in renewal
		Effective yield rate (*per cent*)	Amount	Effective yield rate (*per cent*)	Amount	
Eight Numbers	330.88	9.32	92.51	8.94	88.74	3.77

From the above, it is evident that failure to make proper due diligence at the time of initial deposit and absence of monitoring mechanism for renewal of FDs resulted in loss of interest totaling ₹58.54 crore which is a loss to the Pension corpus fund of TANGEDCO.

The Government replied (May 2022) that the funds received from the investment made were utilized for the revenue expenditure of TANGEDCO and to that extent the higher interest-bearing borrowings were not resorted to. It also added that necessary action would be taken to change the three FDs deposited under RIPS to CIPS at the time of maturity. It was further stated that two FDs matured just prior to Covid-19 period and the remaining FDs matured during the Covid-19 period. Further, TANGEDCO did not receive any communication from TNPFC regarding renewal and hence, there was delay in renewal of FDs.

The reply of the Government is not acceptable on the following grounds:

i) Utilisation of FD interest from Pension corpus fund for revenue expenditure itself is not in order;

ii) The lock-down period was for only a short period during April/May 2020, which was gradually normalized subsequently. Out of eight FDs, two matured before lock-down (January/February 2020); four FDs matured after lock-down period (May to August 2020) only and the remaining two FDs during lock-down (03 April 2020 and 27 April 2020), for which three months renewal time was allowed (up to July 2020) as per the Terms & Conditions of TNPFC;

iii) As per above conditions, deposits could have been renewed from the date of maturity, only if the renewal instructions were received (from TANGEDCO) on or before the date of maturity. Hence, there was no need for any communication from TNPFC regarding renewal dates.

These factors proved that there was a lapse on the part of TANGEDCO in renewing the FDs at appropriate time, which led to loss of opportunity of earning higher interest to the extent of ₹58.54 crore.

Recommendations:

1. It is recommended that suitable supervisory controls and financial prudence may be examined for management of FDs to avoid such losses in future;
2. Responsibility may be fixed for the loss.

2.4 Avoidable payment

Failure to terminate the Power Purchase Agreement had resulted in avoidable payment to the tune of ₹453.04 crore and an additional liability of ₹ 360.20 crore

The Tamil Nadu Electricity Board (TNEB), currently Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO) entered (January 1997) into a Power Purchase Agreement (PPA) with M/s. PPN Power Generating Company Private Limited[44] (PPN) for supply of 330.5 MW power. The PPA was valid for 30 years from the date of Commercial Operation (COD). As per the Techno Economic Clearance (TEC) given by the Central Electricity Authority (CEA) (November 1995), a fuel mix of gas and naphtha in the ratio 70:30 was envisaged for the project. Due to delay in availability of gas, and also based on the statement of PPN that the gas supply would be available from mid 1998, the TNEB gave (November 1996) consent for use of 100 *per cent* naphtha (a higher cost fuel) as an alternative fuel till natural gas was made available. Meanwhile, PPN had entered (December 1995) into a Fuel Supply Agreement (FSA) with M/s. Indian Oil Corporation Limited (IOCL) for supply of naphtha for a period of 20 years, to be used for this project.

The CEA, citing the above consent for use of 100 *per cent* naphtha, apprehended (February/March 1998) that PPN may not put serious efforts for ensuring exploitation of indigenous gas and may continue to use naphtha which would result in higher variable charges to TNEB. Based on the directives of CEA to obtain a commitment from PPN for full use of indigenous gas within a definite timeframe and the consequent request (May 1998) from TNEB, PPN submitted (July 1998) an undertaking to limit the FSA to 15 years. Accordingly, TNEB accorded approval (August 1998) for 15 years. With this approval, PPN executed the project and the plant achieved commercial operation in April 2001. TANGEDCO purchased power from PPN up to June 2016 and made the payments as per the terms provided in the PPA.

Upon the completion of term of the approved FSA, PPN requested (June and August 2016) for further extension of FSA to operate the plant with naphtha for another five years up to 2021, i.e. until the expiry of FSA with IOCL. In response to the above, TANGEDCO replied (January and February 2017) that the permission to use naphtha as alternative fuel was granted as a

[44] Formerly M/s Dyna Makowski Power Company

temporary measure to enable PPN to achieve the financial closure of the project. TANGEDCO further stated that PPN may claim the fixed charges as and when the plant is made available on natural gas and no payment would be made for any invoices for the period after June 2016. The Board of TANGEDCO had also decided (February 2018) not to extend the FSA with naphtha as fuel for further period and resolved to file a petition before Tamil Nadu Electricity Regulatory Commission (TNERC) seeking to direct PPN not to declare availability without a valid FSA. However, PPN continued to submit their invoices for fixed charges beyond June 2016 and its total claim for the period up to April 2021 was ₹813.24 crore. Audit noticed that despite the Board's decision (February 2018) to not extend the FSA, TANGEDCO neither terminated the PPA nor filed any petition before TNERC. However, it paid a sum of ₹453.04 crore to PPN between March 2020 and November 2021 on adhoc basis against the bills raised by PPN for the period from April 2016 to April 2021.

On perusal of PPA and FSA and the subsequent developments, the following observations were made in Audit:

i. PPN, in its undertaking (July 1998), had accepted to limit naphtha FSA for 15 years and TNEB also allowed permission for 15 years. Hence, without the availability of natural gas, PPN could not declare availability of the plant. Accordingly, PPN was not entitled for fixed charges beyond June 2016 and its claim beyond that date is not legally tenable. Though TANGEDCO informed PPN that fixed charges for the period beyond June 2016 will not be paid, it did not follow up this issue appropriately by issuing a suitable legal notice at the initial stage itself. Failure to initiate appropriate legal action resulted in payment of ₹453.04 crore, for fixed charges only, without obtaining a single unit of power from PPN.

ii. As per Article 3.1 (d) of the PPA, availability of fuel to operate the project was the obligation of PPN. Article 5.2 (m) of PPA, stipulated that any breach of a material term of the agreement that is not cured within 180 days after notice to the PPN from TNEB, will amount to "Company Events of Default". Though PPN was in default, i.e. despite a lapse of 15 years from the COD (2001), it defaulted in its commitment to ensure the availability of gas to operate the project, which was originally envisaged in the PPA, TANGEDCO failed to issue notice of default as provided in the PPA.

iii. In view of the higher variable cost, TNERC in its tariff order of December 2014 did not approve any power purchase from PPN. In its subsequent Tariff order of August 2017, TNERC had ranked PPN at 36 or 37 (out of 37 or 38) with higher variable cost of ₹7.47 per unit under Merit Order Despatch (MOD) for the year 2016-17 to 2018-19. The next lowest source had a variable cost of ₹3.85 or 3.90 per unit. In view of the higher variable cost per unit, the failure on the part of TANGEDCO to initiate the process of termination of the PPA lacked justification.

iv. After making initial payment to the tune of ₹233.04 crore, TANGEDCO decided (April 2021) that no further payments should be made till final settlement is reached. Deviating from its own decision, without ensuring any credible action to arrange for operation of the plant with gas as fuel, TANGEDCO further released ₹220 crore (August/November 2021). Failure to obtain a firm commitment to arrange for gas with a definite time-frame as directed by CEA lacked justification.

Consequently, it ended up with a liability of ₹813.24 crore, out of which ₹453.04 crore was paid, and an additional liability of ₹360.20 crore (up to April 2021) might be claimed by PPN. Further, if the PPA is permitted to be in operation, TANGEDCO may also be liable to pay fixed charges for the remaining period of PPA, i.e. up to April 2031.

The Government replied (May 2022) that even though the Board of TANGEDCO had decided (February 2018) to file a petition before TNERC to direct PPN not to declare availability with Naphtha as fuel, the Advocate General (AG) has confirmed the legal liability to honour the PPA to its full tenure of 30 years and hence, no petition was filed before TNERC. The AG has also directed to make amendments to the existing contracts regarding usage of Natural Gas by mutual consent which was agreed (March 2020) by PPN. Hence, TANGEDCO accepted for payment of fixed charges till such time the plant is switched over to Natural Gas as primary fuel and agreed to pay the fixed charges amounting to ₹530 crore, subject to reconciliation, and pursuant to this, payments were made to PPN.

The reply is not tenable in view of the following:

i. PPN had already given an undertaking in 1998 to limit the FSA to 15 years (from COD).

ii. Moreover, Board of Directors (BOD) of TANGEDCO decided (February 2018) not to extend FSA with Naphtha as an alternate fuel. But TANGEDCO neither insisted PPN to honour its undertaking nor complied with the BOD directions to terminate FSA.

Recommendations:

1. TANGEDCO may terminate the agreement without further delay, so as to avoid further additional/ avoidable payments without purchasing any power from PPN;
2. Responsibility needs to be fixed for non-termination of agreement.

2.5 Loss of Revenue

Non-levy of cross-subsidy charges on Captive Generating Plants for non-fulfilment of the conditions prescribed under Electricity Rules, 2005 resulted in loss of revenue to TANGEDCO amounting to ₹82.80 crore

Section 9 (2) of the Electricity Act 2003 (Act) stipulates that every person, who has constructed a captive generating plant (CGP)[45] shall have the right to open access[46] for the purposes of carrying electricity from his CGP to the destination of his use. Section 42 (4) of the Act states that where the State Commission permits a consumer to receive supply of electricity from a person other than the distribution licensee, such consumers shall be liable to pay an additional surcharge to meet the fixed cost of such distribution licensee arising out of his obligation to supply. However, such surcharge shall not be leviable in case the open access was permitted for carrying the electricity to the destination of his own use.

As per Rule 3 (1) of The Electricity Rules, 2005, no power plant shall qualify as a CGP under section 9 of the Act unless (i) not less than twenty six *per cent* of the ownership is held by the captive user(s)[47] and (ii) not less than fifty one *per cent* of the aggregate electricity generated in such plant, determined on an annual basis, is consumed for the captive use. Further, Rule 3 (2) stipulates that in case the minimum percentage of captive use is not complied within any year, the entire electricity generated shall be treated as if it is a supply of electricity by a generating company. Failure to fulfil the above conditions would render the CGP to be treated as an ordinary generating plant and the captive users, who have consumed energy from the plant, shall have to pay the surcharge (commonly known as cross-subsidy charges (CSS)) as stipulated under Section 42(4) of the Act.

Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO) extended HT service connections to various CGPs along with approval for open access for carrying the energy to be consumed by it for his own use in commercial complexes (malls) situated at a different destination. The spaces in these commercial complexes were let out by CGPs by providing various amenities including electricity at an agreed price. It was seen that the power generated by the CGP were adjusted against the consumption at these commercial complexes, i.e. by a person other than the CGPs. As the power was consumed by different entities, this cannot be considered as captive consumption i.e., own use in terms of Rule 3 of The Electricity Rules, 2005. In a related case, the Haryana Electricity Regulatory Commission ruled[48] that the tenants/companies occupying the commercial complexes do not fit into "own use" category and the building owners also do not qualify as captive users in terms of Rule 3 of The Electricity Rules,

[45] Captive Generating Plant means a power plant set up by any person to generate electricity primarily for his own use.

[46] Open Access means the non-discriminatory provision for the use of transmission lines or distribution system by any consumer or a person engaged in generation in accordance with the Regulations.

[47] Captive User means the end user of the electricity generated in a Captive Generating plant.

[48] Case No. HERC/PRO- 8 of 2011 and the same was upheld by the APTEL in Appeal No. 193 of 2011.

2005. Thus, the power consumed by the end-users of the commercial complexes i.e., the tenants/occupiers, having no ownership in the said building cannot be treated as own use by CGP himself. Hence, entire consumption of the HT service connection should be treated as sale of energy to the TANGEDCO as per Rule 3 (2) of The Electricity Rules, 2005 and cross-subsidy charges should be levied for such quantum.

An analysis of HT consumers of commercial complexes revealed that in respect of 18[49] HT consumers, though the end users were tenants, i.e. other than the CGPs having the approval for open access, cross-subsidy charges were not levied. Audit worked out the non-levy of CSS during April 2016[50] to January 2022 to ₹82.80 crore (**Annexure-16**).

The Government replied (June 2022) that while issuing show cause notice (by TANGEDCO) to captive consumers in this regard, one consumer (from Chennai EDC/West) has filed a petition before Honourable High Court of Madras and the Court has kept the proceedings in abeyance until the disposal of a similar case (filed by M/s. DLF, whose request was rejected by Haryana High Court and Appellate Tribunal for Electricity (APTEL)) by the Honourable Supreme Court of India. Hence, TANGEDCO informed the respective officers to issue notice to such captive consumers informing them that TANGEDCO would proceed against them on dismissal of Civil Appeal by Honourable Supreme Court of India.

The reply is not acceptable on the following grounds:

As per Electricity Rules, 2005, TANGEDCO is entitled to claim the cross-subsidy charges from the captive consumers who have not fulfilled the conditions stipulated in the Rules. Moreover, the Court has not stayed TANGEDCO to demand the relevant charges from other CGP consumers who were not involved in any legal dispute and hence, there was no bar on claiming the entitled cross-subsidy charges as per the Electricity Rules, 2005 from the remaining consumers who are liable to pay the cross-subsidy charges.

Thus, failure to ascertain the status of the CGPs on using the power from the captive plant for own use, resulted in non-recovery of cross-subsidy charges, and TANGEDCO failed to demand the entitled cross-subsidy charges till date which resulted in loss to TANGEDCO.

Recommendations:

1. TANGEDCO may raise demand to all the captive consumers who have not satisfied the CGP norms as per the Electricity Rules, 2005 immediately to avoid further revenue loss;
2. Responsibility needs to be fixed for such loss.

---

[49] Out of the list of 29 HT consumers of commercial complexes provided by TANGEDCO.

[50] Though TANGEDCO had lifted the exemption for levy of CSS in June 2015, it provided the data from April 2016 onwards only and hence the non-levy was worked out from April 2016 onwards as per the rates prescribed in TNERC's Tariff orders from time to time.

2.6 Non-levy of liquidated damages

Undue favour to a solar power generator to the extent of ₹ 68.65 crore due to non-levy of liquidated damages for delayed commissioning of solar power plant

The Tamil Nadu State Solar Energy policy 2012, announced by the Government of Tamil Nadu in October 2012, envisaged establishment of Solar Photo Voltic (SPV) plants within the State of Tamil Nadu so as to generate 1,000 MW of solar power every year from the year 2015 onwards. TNERC issued (March 2016) Renewable Energy Purchase Obligation (RPO) wherein it was mentioned that TANGEDCO, being the State utility of electricity should purchase a minimum of five *per cent* of the energy sold to consumers from solar energy producers.

Accordingly, TANGEDCO floated two e-bids[51] for procurement of solar power and entered into Power Purchase Agreement (PPA) with 18 private solar power generators (SPGs) who had agreed to sell their solar power to TANGEDCO. As on March 2021, 16 SPGs have commissioned their solar power plants for selling power to TANGEDCO.

Scrutiny of records for payments made by TANGEDCO for purchase of solar power with reference to the tender conditions and terms of PPA revealed the following:

The tender conditions, inter-alia stipulated that SPGs should commission the power plant up to 50 MW capacity within 12 months of signing the PPA. The solar power plants beyond 50 MW capacity should be commissioned within 24 months of signing the PPA. For delays in commissioning the solar power plant up to five months after the scheduled dates, TANGEDCO would forfeit the Bank Guarantee (BG) furnished by the SPG. For the delay beyond 5 months, and up to 12 months, the Liquidated Damages (LD) of ₹10,000 per MW per day would be levied. For delay beyond 12 Months, the existing PPA would be terminated.

M/s. Solitaire BTN solar power private limited (Solitaire) was one of the SPGs selected through the tender of 2017-18 which was to establish two solar plants for 50 MW each at different locations in Virudhunagar district (which was subsequently changed to Theni district) based on request (October 2017) of Solitaire.

Based on the approval of TANGEDCO (January 2020), Solitaire commissioned the first 50 MW plant on 20 February 2020 with a delay of about five months. Following the outbreak of COVID epidemic in the state, Solitaire commissioned the second plant of 50 MW capacity on 8 February 2021. Thus, both the plants were commissioned beyond the scheduled date of commissioning (i.e) 28 September 2018 but TANGEDCO could not impose LD as per the tender condition since the generator filed a dispute resolution petition before TNERC for extension of time for commissioning

[51] OT No. 1 of 2016-17 and OT No. 1 of 2017-18.

the plant and not to forfeit the BG stating that the delay was on the part of TANGEDCO in completing the pre commissioning works at Batlagundu SS. TNERC in its order (24 November 2020) held that the penalty for delay in respect of first 50 MW capacity plant could be levied as per PPA and for the second plant, the PPA should be terminated. Against this order, the Solitaire filed (26 November 2020) an appeal in Appellate Tribunal for Electricity (APTEL). APTEL directed (26 December 2020) to waive the delays for both the plants as the period of delay synchronized with the Corona Pandemic period which is a force majeure event. It further directed TANGEDCO to pay the tariff of ₹ 3.47 per unit for the second plant. As per the directions of APTEL, TANGEDCO returned the BG to the Solitaire. In this connection the following observations are made:

i. As per the bids submitted by Solitaire, the locations of the power plants were at different villages of the same Taluk as detailed below:

Location	Capacity
Thulukankulam Village, Kariapatti Taluk, Ramanathapuram	50 MW
Melakumilankulam Village, Kariapatti Taluk, Ramanathapuram	50 MW

As per the drawings of the locations of the two solar power plants as approved by the field office, the 2 X 50 MW solar power plants were not in the continuous land parcels. Moreover, the Letter of Indent issued by TANGEDCO to Solitaire also indicated both these plants as two separate units of 50 MW power plant each. Hence, TANGEDCO should have allowed only 12 months' time for commissioning each one of 50 MW solar power plants considering these plants in isolation and separate as per the tender condition. However, TANGEDCO treated them as single unit of 100 MW and allowed 24 months for commissioning of the plant which was erroneous and not justified.

ii. Force Majeure events on account of lock down due to corona Pandemic was the prime consideration for the decision of APTEL. Had TANGEDCO treated both the plants as a separate unit as per the Letter of Indent which had time schedule of 12 months from the date of PPA, these units should have been completed by 27 September 2018, much before the Corona Pandemic. Therefore, the consideration of Force Majeure by APTEL during 2019/2020 would not have arisen at all.

Thus, incorrect allowance of 24 months for commissioning of the plants against 12 months due up to 27 September 2018 as per the tender conditions led to non-levy of LD of ₹ 25.50 crore[52] for the first plant and ₹ 43.15 crore[53] for the second plant which were commissioned on 20 February 2020 and 8 February 2021 respectively. This led to extension of undue favour to Solitaire to that extent of ₹ 68.65 crore.

The Government replied (May 2022) that a single PPA was signed for 100 MW project (50 MW at two different locations and to be considered as a single project). As it was considered as a single project of 100 MW, the eligible period for commissioning was allowed as 24 months.

[52] 510 days (from 28.09.2018 to 20.02.2020) X 10,000 X 50 MW= ₹25.50 crore
[53] 863 days (from 28.09.2018 to 08.02.2021) X 10,000 X 50 MW= ₹43.15 crore

The reply of the Government is not tenable on the following grounds:

In the PPA, it has been mentioned as "whereas the SPG has submitted its bid to sell solar power generated from its solar power plants No.2" as detailed below, having a total capacity of 100 MW:

Thulukkankulam village, Ramnad – 50 MW

Melakumilankulam village, Ramnad – 50 MW

Thus, it is very clearly mentioned in the PPA itself that that the plants were distinct. Hence, execution of a single agreement for two plants, cannot be a valid ground for considering these plants as a single plant.

Hence, incorrect allowance of 24 months for commissioning of the plants instead of 12 months has led to undue favour to the generator and loss to TANGEDCO.

Recommendations:

1. TANGEDCO should ensure that the tender conditions are properly incorporated in the PPA.
2. Responsibility needs to be fixed for fixing incorrect time schedule for commissioning the solar plants in deviation to tender conditions.

Tamil Nadu Arasu Cable TV Corporation Limited

2.7 Irrecoverable dues

Absence of agreement and non-traceable LCOs led to non-realisation of dues of ₹226.28 crore

The Tamil Nadu Arasu Cable TV Corporation Limited (TACTV) is engaged in the business of providing cable connections to the subscribers through registered Local Cable Operators (LCOs) with effect from September 2011. A monthly subscription of ₹70 per month per customer had been fixed and was to be collected by the LCOs. Out of the subscription amount, the LCOs were to retain ₹50 and remit ₹20 to TACTV on monthly basis. A total number of 28,353 LCOs have registered with TACTV for providing cable TV services to the subscribers. Initially (September 2011), the telecast was started under Analogue[54] Cable TV signals with 38.47 lakh subscribers which increased to 62.65 lakh subscribers in March 2017. TACTV raised the monthly demand on LCOs based on the number of subscribers declared by LCOs.

Government of India (GoI) introduced Digital Access System[55] (DAS) replacing Analogue Cable TV signals and granted (April 2017) provisional registration to TACTV as a Multi System Operator (MSO) under DAS. All the subscribers under Analogue system were given three months' time (from April 2017) to switch over to DAS by July 2017. However, provision of signals under Analogue systems was completely stopped only in September 2018. Consequent upon the introduction of DAS, out of the 28,353 LCOs

[54] Analogue modulation refers to the process of transferring an analogue baseband (low frequency) signal, like an audio or TV signal over a higher frequency signal such as a radio frequency band.

[55] Under DAS the signals to the subscribers can be directly controlled by the MSO.

registered under Analogue systems, 16,459 LCOs switched over to DAS and the remaining 11,894 LCOs stopped their business with TACTV. The provision of signals under Analogue systems and collection was reviewed in Audit (2021-22) and it was noticed that a sum of ₹229.51 crore, as of September 2018, was to be recovered from the LCOs. Out of this, an amount of ₹3.23 crore has been collected during the last four-year period and an amount of ₹226.28 crore was still pending to be recovered (June 2022).

In this connection, the following observations are made in Audit:

i. Though the LCOs were not paying the monthly dues regularly, immediate actions were not taken to realize the amount. Consequently, the outstanding amount of ₹27.27 lakh at the end of September 2011 continuously increased every month and rose to ₹229.51 crore at the end of September 2018 and only an amount of ₹3.23 crore was realised between October 2018 and June 2022 (leaving a balance of ₹226.28 crore). This shows inadequate efforts made by the management in recovering the outstanding amount which has been pending for a considerable period of time;

ii. TACTV did not execute any formal agreement with LCOs specifying the rights and obligations to enforce the same. The provisional allotment order contained a clause (3) that 'the LCOs has to pay the monthly subscription fee to TACTV on or before 20th of the succeeding month, failing which TACTV reserves the rights for initiating necessary action against the LCOs as per Cable TV Network Regulation Act 1995 and TRAI Act; for the overdue payments, TACTV will levy penalty at one *per cent* per month for the pending amount'. It was, however, noticed that penalty of only ₹5.80 crore was realised (out of ₹79.17 crore assessed) for the period from January 2014 to August 2018 instead of imposing it from 2011 onwards. Thus, the imposition of penalty by the Company, against the LCOs for realizing the dues, was also inadequate and ineffective;

iii. Out of the total dues of ₹226.28 crore, a sum of ₹122.98 crore was due from 16,459 LCOs (September 2018) who are continuing the cable TV service under DAS. This pendency was due to inadequate efforts to recover the dues against the provisions stipulated in the allotment order;

iv. The remaining amount of ₹103.30 crore was due from 11,894 Analog LCOs who have no contact with TACTV as they were not receiving the signal anymore. TACTV is yet to verify the whereabouts of these LCOs. Considering that the large volume of customers whose whereabouts are now unknown since 2011, the chances of recovery of this amount is very remote.

Thus, failure of TACTV to take timely action (non-recovery of the said amount) and delay in the identification of the LCOs, resulted in accumulation of TACTV's dues to ₹226.28 crore.

The Government replied (March 2022) that the nature of Analogue cable TV system did not allow 100 *per cent* realization of outstanding amount due to the fact that the connection to the individual subscribers was not addressable and hence, it could not disconnect the services selectively. Further, as the

private MSOs were luring the LCOs of TACTV and because of the stiff competition, TACTV had to take a balanced view on collection of outstanding dues. It was also stated that TACTV has taken steps to realise the amount by invoking provisions of Tamil Nadu Revenue Recovery Act.

The reply of the Government is not convincing as TACTV had failed to enter into valid agreement with LCOs and did not invoke the clause (3) contained in the allotment order, in its spirit to recover the dues pending with LCOs.

Recommendations:

1. The Company may invoke the recovery/penalty clause contained in the allotment order effectively to realise the long pending dues without further delay;

2. The Company may cancel the licenses of defaulted LCOs;

3. The Company may speed up the recovery by invoking the provisions of Revenue Recovery Act.

Part II – Non-tax Receipts

CHAPTER III

3 ENVIRONMENT, CLIMATE CHANGE AND FORESTS DEPARTMENT

3.1 Short levy of lease rent

Adoption of lease rent at the rate of one *per cent* applicable for welfare activities instead of the correct rate of 12.5 *per cent* meant for commercial activity in respect of land leased to M/s.Reliance Jio Infocomm Limited for 20 years had resulted in short levy of lease rent of ₹2.67 crore

Government of Tamil Nadu issued orders[1] fixing the lease rent for lease of forest land. The lease rent for the forest land leased out for industrial/commercial purposes was at 12.5 *per cent* and for welfare purpose, the rate was one *per cent* of the market value of the land. Government also stated that the market value of the Forest land will be revised once in three years.

Scrutiny of records in the office of the District Forest Officer (DFO), Kodaikanal revealed that forest land over a length of 36.20 kms with 25 cm width and 60 cm depth below the ground level along the right side of road from Batlagundu to Kodaikanal for a total area of 96,877 square feet (0.90 hectare) was leased out to M/s.Reliance Jio Infocomm Limited (lessee) for a period of 20 years vide order[2] dated 01 November 2016. The land is to be used for laying optical fibre cable. As per the G.O. second cited, the lessee has to deposit Bank Guarantee for one year and Lease rent for 20 years.

Audit noticed (December 2020) that the lease rent was fixed at one *per cent* of the market value applicable to land leased for welfare activities and demand for 20 years amounting to ₹23.25 lakh was raised. As the purpose of lease is for commercial activity, the rate of lease rent at 12.5 *per cent* as per the order first cited should have been levied. The incorrect adoption of rate of lease rent resulted in short levy of lease rent of ₹2.67 crore[3] for 20 years.

After this was pointed out (December 2020), the Department raised a demand (December 2020) for the differential rate of lease rent. Report on recovery is awaited (January 2022).

While accepting the above, Government replied (December 2021) that the work of M/s.Reliance Jio Infocomm Limited was mistaken as a welfare measure and was erroneously calculated at one *per cent* instead of taking it as commercial activity. It added that action was being taken to recover the due balance of 11.5 *per cent*. The final reply is awaited (July 2022).

---

1 G.O.Ms.No.272 dated 15 April 1991 Environment and Forest Department
2 G.O.Ms.No.127 dated 01 November 2016 Environment and Forest Department
3 96,877 sq.ft X rate of ₹120 per sq.ft X 11.5 *per cent* (rate) X 20 years= ₹2.67 crore.

Recommendation

The Government may evolve a suitable mechanism for categorisation of the services provided into welfare and commercial activities and lease rent should be appropriately claimed without causing loss to exchequer.

Part III – Expenditure Audit

CHAPTER IV

HIGHWAYS AND MINOR PORTS DEPARTMENT

4.1 Wasteful expenditure

Wasteful expenditure of ₹15.50 crore due to delay in execution of Road Over Bridge works

Introduction

Road Over Bridges (ROBs) are constructed at Railway Level Crossings (LC) to reduce the accidents, waiting time at Railway gates and traffic congestion. The construction of ROB includes Bridge proper[1], approaches and approach roads on either side. While the construction of Bridge proper is undertaken by Railways, construction of approaches and approach roads is carried out by the Highways Department (Department). The cost of construction is shared equally between Railways and the Department, after excluding expenditure on Land Acquisition (LA), which is borne by the Department.

Para 176 of Tamil Nadu Highways Manual Volume IV (Manual) stipulates that no work should be commenced on land which has not been handed over to the Highways Department. The Government of Tamil Nadu (GoTN) instructed (September 2007)[2] that Bridge works should be commenced only after completing the Land Acquisition (LA). The Public Accounts Committee (PAC) also recommended[3] (February 2013) to ensure firming up of land for the projects well in advance, in co-ordination with other Departments.

The Government of Tamil Nadu sanctioned construction of 29 ROBs by the Department in co-ordination with Railways in December 2010 and December 2011. Of the sanctioned 29 ROB works, the Department completed 13 works between June 2014 and April 2022 and four ROB works were in progress (45 to 90 *per cent* of works completed as of July 2022). The Department did not commence nine ROB works and foreclosed three ROB works, after partial completion, due to delay in completion of Land Acquisition.

The three foreclosed ROB works *viz*., Construction of ROB in Railway Level Crossing at LC 13[4] for ₹ 28.72 crore, LC 14[5] for ₹ 29.50 crore, and LC 80[6] for ₹ 25.55 crore were selected for detailed analysis to assess whether adequate

---

1 The portion of bridge constructed over the Railway tracks.
2 G.O.Ms. No. 242, Highways Department, dated 25.09.2007.
3 83rd Report of PAC placed in the 14th Legislative Assembly.
4 In lieu of existing LC 13 near Veppampattu between Thirunindravur and Veppampattu Railway Stations for a length of 752 m.
5 In lieu of existing LC 14 near Veppampattu between Thirunindravur and Tiruvallur Railway stations for a length of 1,045 m to reduce inconvenience to farmers transporting agricultural products and school children.
6 In lieu of existing LC 80 at Railway km 195/28-30 in between Vinnamangalam and Vaniyambadi Railway stations in Valayampettai – Vaniyambadi road.

planning for acquisition of land and other pre-construction activities were carried out in accordance with the statutory instructions. The audit observations relating to these three ROBs are discussed in the subsequent paragraphs.

Audit Findings

The Department did not adhere to the Manual provisions and Government instructions regarding commencement of work after completion of LA. This led to cost overrun of ₹ 21.99 crore **(Table 4.1)**, and non-achievement of the envisaged objectives, the details of which are tabulated below:

Table 4.1: Details of increased cost and expenditure incurred

(₹ in crore)

Level Crossing	Original cost	Revised cost	Increase in cost	Expenditure incurred
LC 13	28.72	40.67	11.95	1.95
LC 14	29.50	*Not quantified	*Not quantified	6.90
LC 80	28.10	38.14	10.04	6.65
Total			**21.99**	**15.50**

(Source: Details furnished by the Department) *Not quantified since revised cost was not finalised.

The delay in commencement and completion of LA by the Department is detailed for each ROB as follows:

A. Construction of ROB at LC 13

The Department forwarded (December 2012) Land Plan Schedule (LPS) to the District Revenue Officer, Tiruvallur for acquiring 11,036 sq m of private lands and for alienation of 6,707 sq m of Government lands in three villages[7] one year after the sanction (December 2011). The GoTN issued 15 (2) notification[8] (October 2013) and final notification for acquiring private lands (December 2013, April 2015 and November 2015). An amount of ₹ 12.45 crore[9] was remitted to Revenue Department for making

Partially completed ROB at LC 13 without approaches – 24 January 2022



[7] 87-Veppampattu, 88-Veppampattu and 89-Perumalpattu.

[8] A notice by the Government calling upon the owner or any other person having interest in such land identified for acquisition, to show cause as to why the land should not be acquired within such time as may be specified.

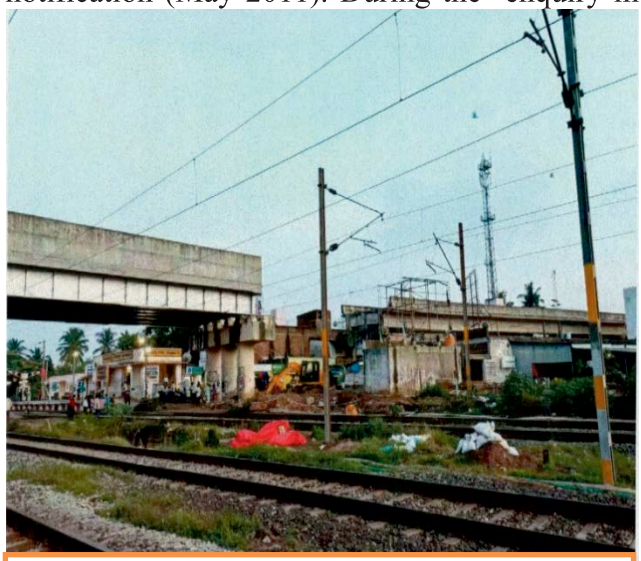
[9] ₹3 crore in August 2016 and ₹ 9.45 crore in October 2017.

payment to the private landowners. 15 landowners of 87-Veppampattu village approached the Hon'ble High Court of Madras (HC) (March 2015) on the plea that the proposed alignment would affect the existing water body. The HC granted stay orders (August 2015). The case was disposed of in favour of the Department (February 2018). Subsequent Review Application and Writ Appeal (March 2019) filed by landowners were also disposed of in favour of the Department (February 2019 and September 2021).

Meanwhile, Department invited tenders (February 2011) and awarded (April 2011) the contract to the contractor who quoted lowest rates (L1) before acquiring the required land. The contractor, after commencing the work, requested the Department repeatedly (between February and June 2019) to hand over land to take up the work. As the land was not handed over, the contractor requested (July 2019 and February 2020) for foreclosure of contract. The Department foreclosed the contract (March 2020) and paid ₹ 83.30 lakh (October 2020). The Department thus incurred total expenditure of ₹ 1.95 crore[10] till January 2022. Audit noted from the proposals of the field officials to CE (August 2021) that the project cost had escalated by ₹ 11.95 crore (42 *per cent* excess over initial sanction).

B. Construction of ROB at LC 14

The Department forwarded (February 2011) LPS for acquiring private land of 8,084 sq m to the District Collector, Tiruvallur. The GoTN issued 15 (2) notification (May 2011). During the enquiry meeting (March 2012), private landowners objected to the approved alignment and the alternative alignment was finalised in June 2012. The Department forwarded (July 2012) the revised LPS for LA of 3,368 sq. m of private land.



Partially completed ROB at LC 14 without approaches – 07 October 2021

Based on the revised LPS, the GoTN issued revised 15 (2) notification (January 2013). However, private landowners filed writ petitions in Hon'ble High Court of Madras challenging the deviation made in the original alignment and obtained (April 2013) stay orders which were vacated in December 2021. The Department initiated the process of alienation[11] of Government lands after four years (July 2016) and the same was pending completion till date (August 2022).

[10] Works expenditure – ₹ 0.83 crore and other expenditure – ₹ 1.12 crore.

[11] Alienation is the process of transfer of State Government lands for public purposes. Revenue Department has been delegated powers for alienation of the Government lands.

In the meantime, Department invited tenders (May 2015) and awarded the contract to the lowest tenderer (September 2015). The contractor, after partially completing the work[12] to an extent of 44 *per cent*[13] of the contract value, requested (March 2014) for foreclosure citing non-completion of LA. The work was foreclosed (March 2014) and expenditure incurred on the partially completed Bridge was ₹ 6.90 crore[14].

C. Construction of ROB at LC 80

The Department initially finalised an alignment (January 2012) for connecting the approach road in Vaniyampadi side with the existing National Highway (NH). Based on a Joint Inspection (October 2012) by the officials of the Department, Railways and National Highways Authority of India (NHAI), the NHAI officials intimated that the alignment of the Bridge should be 30 m away from the existing NH and connecting the approach road with NH was not feasible. The Department, without considering the same, prepared and forwarded (April 2013) LPS to the District Collector, Vellore for acquiring 13,689 sq m of private lands. Subsequently, the alignment was again revised to connect the ROB with the existing Other District Road[15] and revised LPS for acquiring 16,702 sq m was forwarded (July 2014) to the District Collector after a delay of 20 months from the Joint Inspection. Thus, revision of LPS twice contributed to delayed commencement of LA process by the Department.

The Superintending Engineer, (H), Projects, Chennai Circle (SE) informed (March 2015) the Chief Engineer (H), Projects, Chennai (CE) that consent letters had been obtained from the landowners for LA to an extent of 4,451 sq. m out of the required land of 15,268 sq. m[16]. The SE also assured that 70 *per cent* of the work front would be available for execution of work before inviting tender. Based on the assurance of the SE, the CE accorded Technical Sanction (TS) for ₹ 28.10 crore in April 2015.

The GoTN issued 15 (2) notification (September 2015)[17] for the acquisition of land. Aggrieved by the notification, two landowners filed (November 2015)[18] a case with the Hon'ble High Court of Madras (HC) and obtained (December 2015) a stay order. The Department remitted ₹ 4.00 crore to the Revenue Department (March 2016 and January 2017) for payment of compensation to the landowners while the case was pending in the HC, the GoTN issued 15 (1) notification[19] for acquiring the private lands (March 2017)[20]. The case filed in HC during 2015 was settled in favour of the Department only in September 2021.

---

12 Physical progress - completed 88 out of 120 Piles; 21 out of 29 Pile caps; 20 out of 27 Piers; 18 out of 27 Pier cap; one out of two Abutment; 13 out of 29 Deck slap; 400 m out of 900 m service road.

13 ₹ 6.41 crore out of ₹ 14.60 crore of the work completed as on March 2014.

14 Contract payment - ₹ 6.41 crore and expenditure for advertisement, shifting of utilities, etc - ₹ 0.49 crore.

15 Valayampettai – Vaniyambadi Road.

16 The proposed area was reduced after measuring by the Revenue Department.

17 Private lands (15,023 sq m), Government lands (245 sq m).

18 Writ Petition No. 38255 of 2015.

19 Notice published in Tamil Nadu Government Gazette specifying the description of such land and the particular purpose of the land proposed for acquisition.

20 G.O. (D) No. 44, Highways and Minor Ports Department, dated 20.03.2017.

In the meantime, Department invited tenders (June 2018) and awarded (October 2018) the contract to the lowest tenderer before acquiring the required land. The contractor intimated (July, August and November 2016) the SE that substantial portion of work at Vaniyambadi side could not be taken up for want of land. Based on the request of the contractor (February 2017 and March 2018), the contract was foreclosed (April 2018) after the completion of 39 *per cent* of the total work. The Department incurred a total expenditure of ₹ 6.65 crore[21] (August 2021). Audit also noted from the revised estimate prepared (November 2020) by the Divisional Engineer (H), Projects that the project cost had increased by ₹ 10.04 crore (i.e. 36 *per cent*).

Bridge not put to use due to partial completion at LC 80 – 25 August 2021



In this regard, the following observations are made:

- Though the Department was aware that the initial alignment of the ROB at LC 80 was not feasible due to objections from NHAI, the Department went ahead and finalised (April 2013) LPS for acquiring land. After considering the objections of NHAI, the alignment was revised (July 2014) which necessitated in acquisition of additional land for 1,939 sq m.
- Despite the assurance of SE that consent from 70 *per cent* of private landowners would be obtained before invitation of tenders for construction of ROB at LC 80, the Department could execute only 39 *per cent* of work which was foreclosed due to non-availability of land.

[21] Work expenditure: ₹ 6.03 crore, Shifting of utilities and other expenditure: ₹ 0.62 crore.

Thus, non-adherence to the Manual provisions, Government instructions regarding acquisition of land prior to the commencement of works led to wasteful expenditure of ₹15.50 crore[22] on incomplete bridge works which were not put to use. This also resulted in non-fulfillment of the objective of reducing the inconvenience caused to the public. The Joint Inspection (January 2022) revealed that due to closure of LC 14 from December 2009, the vehicles were diverted through LC 13 which was one km away. Moreover, after the closure of the nearby LC 14, the rail users have been crossing railway tracks in an unsafe manner to reach the village. The cost overrun assessed based on the proposals of the Department for the two ROB works (LC 80 and LC 13) worked out to ₹ 21.99 crore.

The Government replied (March 2022 and May 2022) that the litigations in acquisition of land was the reason for stoppage of work after commencement. It was assured that the balance work would be completed after the completion of LA. The reply is not convincing because the Department commenced the work without completing LA in deviation of the Government instructions in all these three works for which LA was required. This led to non-fulfilment of the objective for the last 10 years and the project cost had also escalated upto 38.70 *per cent*.

Recommendations:

1. The instructions of the Government and recommendations of the Public Accounts Committee for commencement of works after firming up of land required for the project may be strictly adhered to so as to provide better public services and to avoid wasteful expenditure and cost overruns.

2. Responsibility may be fixed on the officials for not complying with the extant instructions of the Government.

HOME, PROHIBTION AND EXCISE DEPARTMENT

4.2 Unfruitful expenditure

Delay in implementation of projects for modernisation of police force resulted in wasteful expenditure of ₹ 14.37 crore. Further, funds amounting to ₹ 74.03 crore received from Government of India was also not utilised

Modernisation of Police Force (MPF) is a centrally sponsored scheme (October 2012) with contribution of 60 *per cent* from the Government of India (GOI) and a matching share of 40 *per cent* from the Government of Tamil Nadu (GoTN). Mega City Policing (MCP) is a sub-scheme of MPF for upgradation of basic infrastructure and communication equipments of Police Department (henceforth, the Department) in major cities.

The GOI approved (September 2015) two projects *viz*., (i) Implementation of Association of Public Safety Communication Officials P25 Project (APCO) in

[22] LC 13 - ₹ 1.95 crore; LC 14 - ₹ 6.90 crore and LC 80 - ₹ 6.65 crore.

Chennai City for 2015-16 and (ii) Modernisation of Police Control Rooms and installation of Closed Circuit Television (CCTV) in Chennai for 2016-17. The projects along with their deficiencies are discussed below:

The contract for design, supply, installation, testing and commissioning of APCO network in the cities of Chennai and Tiruchirappalli was awarded to the single bidder[23] (July 2017) at a cost of ₹ 83.46 crore (with scheduled completion within 150 days[24] i.e. February 2018), against the sanctioned amount of ₹ 88.06 crore. The contractor procured (March 2019) the end-user equipment for ₹ 66.12 crore for Chennai and completed the installation (September 2019) with a delay of seven months. They could not complete the field test till July 2021 as the network coverage was not satisfactory. Hence, Department did not release any payment to the contractor (February 2022).

Out of the GOI released amount of ₹ 29.49 crore (October 2015), the expenditure towards spectrum charges for equipment procured for Chennai was ₹ 14.37 crore[25] (January 2021) and the balance amount of ₹ 15.12 crore was not utilised.

After reviewing the project (December 2021), the Department recommended for cancellation of contract on the plea that the project would impact the existing analog VHF network. The work for Tiruchirappalli city was not commenced as the Department decided to procure equipment only after the completion of the scheme in Chennai.

Similarly, based on the approval of the GOI (September 2015), the GoTN sanctioned (June 2017) ₹ 98.18 crore[26] for Modernisation of Police Control Room and Installation of CCTVs in Chennai. The Department invited tenders (May and June 2018) for the project. The tenders were, however cancelled (April 2019) due to changes in the scope of procurement, new technologies and substantial design changes. Subsequently, GoTN requested (December 2021) for reverting back to the original proposal submitted in June 2017 and the approval of GOI was awaited (February 2022). The Utilisation Certificate of ₹ 58.91 crore was however given even without utilising the amount.

In this connection, Audit observed the following:

i. Section 10 of the Tamil Nadu Transparency in Tenders Act, 1998 envisages that the tender rates quoted should be in consonance with the market rates and recommends negotiation with the tenderer to secure the best price for the tender. It was seen that the Department neither compared the quoted price with the prevailing market rate nor negotiated to reduce the quoted rates of M/s. Larsen & Toubro for the APCO network. Hence appropriate price discovery was not made;

ii. Para 1.15 of the Conditions of Contract stipulated that if the contractor failed to complete the project within the agreed period, the contractor shall bear the spectrum charges for the period of delay. However, instead of recovering the same from the contractor, the Department

[23] M/s. Larsen & Toubro Limited.

[24] This followed by 30 days for field tests, optimisation, acceptance test and trial run for another 30 days.

[25] Between November 2017 and January 2021.

[26] GOI share - ₹ 58.91 crore (60 *per cent*) and GoTN share - ₹ 39.27 crore (40 *per cent*).

paid the spectrum charges of ₹ 7.18 crore beyond the revised date of scheduled completion date (April 2019), i.e., from April 2019 to January 2021. This was in violation of the terms of agreement;

iii. The equipment installed/supplied by the contractor for a value of ₹ 66.12 crore (March 2019) was used for testing only and they remained unutilised for three years thereafter, by which time, the warranty of the equipment had expired (March 2022), which exposed the Department to the risk of using defective equipment;

iv. Despite the non-utilisation of the Grant amount received from GOI for the two projects, the GoTN wrongfully furnished (July 2018) the Utilisation Certificate to GOI for ₹ 74.03 crore[27] thus violating cannons of financial propriety;

v. The cancellation of tenders (for the project on Modernisation of Police Control Room and Installation of CCTVs) citing emergence of new technology and subsequently reverting to implement the project with the outdated technology indicated absence of adequate field study about either the requirements of the Department or the technical specifications of the project or both.

Thus, inordinate delay in implementation of projects for modernisation of police force resulted in unfruitful expenditure of ₹14.37 crore towards payment of spectrum charges. This also led to non-achievement of intended objectives of the projects for Chennai and Tiruchirappalli besides non-utilisation of GOI funds of ₹74.03 crore.

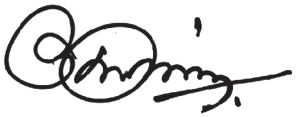
Government accepted (May 2022) that the delay in implementation of the scheme was due to failure of the contractor to resolve the coverage issues. It was assured that applicable penalty, spectrum charges for delayed period and other Liquidated damages pertaining to the project would be recovered from the contractor. It was also stated that show cause notice was issued in April 2022 to the contractor seeking explanation and cancellation of contract would be considered based on reply. However, the fact remains that the objective of improving the existing communication network of Police Department was not achieved for seven years despite incurring spectrum charges of ₹ 14.37 crore and wrongful submission of Utilisation Certificates.

[27] Unutilised GOI grant of ₹ 15.12 crore (APCO) and ₹ 58.91 crore (Project II) – Total ₹ 74.03 crore.

Recommendations

Government may -

1. conduct detailed field trails to determine the effectiveness of the communication network and ensure that the contractor completes the awarded work on time;
2. fix responsibility on officials who issued the Utilisation Certificate before utilisation of the funds.



Chennai
The 26 December 2022

(K.P. ANAND)
Principal Accountant General (Audit-II)
Tamil Nadu and Puducherry

Countersigned



New Delhi
The 3 January 2023

(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

ANNEXURES

Annexure 1

(Referred to in Paragraph 1.7)

Department-wise details of Inspection Reports and Paragraphs pending as on 30 September 2021

Sl. No.	Name of the Department	Number of Outstanding	
		Inspection Reports	Audit Observations
1	Highways and Minor Ports	208	705
2	Home (Police, Prison and Administrative Judiciary	361	1,535
3	Public Works (Buildings)	150	489
4	Tourism, Culture and Religious Endowments	82	428
5	Law	14	109
6	Municipal Administration and Water Supply	1,071	5,026
7	Housing and Urban Development		
8	Environment, Climate change and Forests	166	691
9	Energy	576	2,561
10	Handloom, Handicrafts, Textiles and Khadi	6	17
11	Industries	229	585
12	Information Technology	11	48
13	Micro, Small and Medium Enterprises	7	17
14	Home (Transport)	399	1,093
15	Revenue (Urban Land Tax)	114	224
16	Autonomous bodies	6	16
Total		**3,400**	**13,544**

Annexure 2
(Referred to in Paragraph 2.1 and 2.1.7)
List of PSUs and the details of Inspection Reports issued up to 31 March 2021 and outstanding as on 30 September 2021

Sl. No.	Name of the PSUs	Number of outstanding		Number of outstanding (more than 5 years)	
		Inspection Reports	Audit Paragraphs	Inspection Reports	Audit Paragraphs
1. Energy Department					
1	Tamil Nadu Electricity Board Limited (TNEB)				
2	Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO)				
3	Tamil Nadu Transmission Corporation Limited (TANTRANSCO)	570	2,542	373	1,058
4	Udangudi Power Corporation Limited (Udangudi Power)	0	0	0	0
5	Tamil Nadu Power Finance and Infrastructure Development Corporation Limited (TN Powerfin)	1	2	0	0
	Sub-total (1)	**571**	**2544**	**373**	**1,058**
2. Handlooms, Handicrafts and Textiles Department					
6	Tamil Nadu Handloom Development Corporation Limited (TN Handloom)	2	5	0	0
7	Tamil Nadu Textiles Corporation Limited (TN Textiles)	1	4	0	0
8	Tamil Nadu Handicrafts Development Corporation Limited (TN Handicrafts)	2	7	0	0
9	Tamil Nadu Zari Limited (TN Zari)	1	1	0	0
	Sub-total (2)	**6**	**17**	**0**	**0**
3. Industries Department					
10	Tamil Nadu Minerals Limited (TAMIN)	4	21	0	0
11	Tamil Nadu Magnesite Limited (TANMAG)	2	3	0	0
12	Tamil Nadu Industrial Investment Corporation Limited (TIIC)	3	22	0	0
13	Tamil Nadu Industrial Development Corporation Limited (TIDCO)	3	6	0	0
14	State Industries Promotion Corporation of Tamil Nadu Limited (SIPCOT)	9	26	4	4
15	TIDEL Park Limited (TIDEL, Chennai)	0	0	0	0
16	Nilakottai Food Park Limited (Nilakottai)	0	0	0	0
17	Guindy Industrial Estate Infrastructure Upgradation Company (Guindy Industrial Estate)	0	0	0	0
18	TIDEL Park Coimbatore Limited (TIDEL,Coimbatore)	1	2	0	0
19	TICEL Bio Park Limited (TICEL Bio Park)	2	10	0	0

Sl. No.	Name of the PSUs	Number of outstanding		Number of outstanding (more than 5 years)	
		Inspection Reports	Audit Paragraphs	Inspection Reports	Audit Paragraphs
20	Tamil Nadu Polymer Industries Park Limited (TNPIP LIMITED)	0	0	0	0
21	Madurai Thoothukudi Industrial Corridor Development Corporation Limited (MTICD Limited)/ Tamil Nadu Sustainable Industrial Water Corporation Limited (TANSIWCO)	0	0	0	0
22	Tamil Nadu Salt Corporation Limited (TN Salt)	1	5	0	0
23	Tamil Nadu Sugar Corporation Limited (TASCO)	2	6	0	0
24	Tamil Nadu Cements Corporation Limited (TANCEM)	5	33	0	0
25	Perambalur Sugar Mills Limited (PSM) (subsidiary of TASCO)	1	5	0	0
26	Tamil Nadu Industrial Explosives Limited (TIEL)	2	5	1	1
27	Tamil Nadu Newsprint and Papers Limited (TNPL)	2	20	0	0
28	Southern Structurals Limited (SSL)	0	0	0	0
29	Chennai Aerospace Park Limited	0	0	0	0
30	CBIC Ponneri Industrial Township Limited	0	0	0	0
31	Chennai Industrial Water Utility Company Limited	0	0	0	0
	Sub-total (3)	**37**	**164**	**5**	**5**
4. Micro, Small and Medium Enterprises Department					
32	Tamil Nadu Small Industries Development Corporation Limited (TNSIDCO)	5	14	0	0
33	Tamil Nadu Small Industries Corporation Limited (TANSI)	2	3	0	0
34	Tamil Nadu Paints and Allied Products Limited (TAPAP)	0	0	0	0
	Sub-total (4)	**7**	**17**	**0**	**0**
5. Information Technology Department					
35	Electronics Corporation of Tamil Nadu Limited (ELCOT)	7	31	3	6
36	Tamil Nadu Arasu Cable TV Corporation Limited (Arasu Cable TV)	4	17	0	0
37	Tamil Nadu Fibrenet Corporation Limited (TANFINET)	0	0	0	0
38	Tamil Nadu Internet and Connectivity Services Limited	0	0	0	0
	Sub-total (5)	**11**	**48**	**3**	**6**

Sl. No.	Name of the PSUs	Number of outstanding		Number of outstanding (more than 5 years)	
		Inspection Reports	Audit Paragraphs	Inspection Reports	Audit Paragraphs
6. Environment, Climate Change and Forests Department					
39	Tamil Nadu Forest Plantation Corporation Limited (TAFCORN)	5	11	1	1
40	Tamil Nadu Tea Plantation Corporation Limited (TANTEA)	2	4	0	0
41	Arasu Rubber Corporation Limited (ARC)	1	9	0	0
	Sub-total (6)	**8**	**24**	**1**	**1**
7. Transport Department					
42	Tamil Nadu Transport Development Finance Corporation Limited (TDFC)	1	3	0	0
43	Pallavan Transport Consultancy Services Limited (PTCS)	1	6	0	0
44	Metropolitan Transport Corporation Limited (MTC)	1	6	0	0
45	State Express Transport Corporation Limited (SETC)	3	6	1	2
46	Tamil Nadu State Transport Corporation (Coimbatore) Limited (TNSTC, Coimbatore)	1	9	0	0
47	Tamil Nadu State Transport Corporation (Kumbakonam) Limited (TNSTC, Kumbakonam)	1	11	0	0
48	Tamil Nadu State Transport Corporation (Salem) Limited (TNSTC, Salem)	2	12	0	0
49	Tamil Nadu State Transport Corporation (Villupuram) Limited (TNSTC, Villupuram)	1	1	0	0
50	Tamil Nadu State Transport Corporation (Madurai) Limited (TNSTC, Madurai)	2	3	0	0
51	Tamil Nadu State Transport Corporation (Tirunelveli) Limited (TNSTC, Tirunelveli)	0	0	0	0
52	Tamil Nadu Goods Transport Corporation Limited (TN Goods)	0	0	0	0
	Sub-total (7)	**13**	**57**	**1**	**2**
8. Urban Development, Municipal Administration and Water Supply Department					
53	Adyar Poonga	0	0	0	0
54	Chennai Smart City Limited	0	0	0	0
55	Tamil Nadu Urban Finance and Infrastructure Development Corporation Limited (TUFIDCO)	3	10	0	0
	Sub-total (8)	**3**	**10**	**0**	**0**

Sl. No.	Name of the PSUs	Number of outstanding		Number of outstanding (more than 5 years)	
		Inspection Reports	Audit Paragraphs	Inspection Reports	Audit Paragraphs
9. Culture and Tourism Department					
56	Tamil Nadu Tourism Development Corporation Limited (TTDC)	2	3	0	0
	Sub-total (9)	**2**	**3**	**0**	**0**
10. Highways and Minor Ports Department					
57	Tamil Nadu State Construction Corporation Limited (TN State Construction)	2	9	2	9
58	Tamil Nadu Road Infrastructure Development Corporation (TN Road Infrastructure)	19	74	10	34
59	Tamil Nadu Road Development Company Limited (TNRDC)	5	18	2	3
60	IT Expressway Limited (ITEL)	4	17	2	3
61	Poompuhar Shipping Corporation Limited (PSC)	8	57	4	19
	Sub-total (10)	**38**	**175**	**20**	**68**
11. Law and Order Department					
62	Tamil Nadu Police Housing Corporation Limited (TN Police Housing)	3	15	1	1
63	Tamil Nadu Police Transport Corporation Limited (TN Police Transport)	0	0	0	0
	Sub-total (11)	**3**	**15**	**1**	**1**
	Grand Total	**699**	**3,074**	**404**	**1,141**

Annexure -3

(Referred to in paragraph 2.2.1)

Status of COPU Reports

Sl. No.	Name of the PSU	Year of Report	Date of discussion in COPU	Status of ATN
1	TANTEA	2003-04	20.01.2012	Totally 10 recommendations. ATN awaited for all the recommendations from Department.
2	TASCO	2004-05	22.12.2009	Totally seven recommendations. Out of this, five recommendations were settled, and two recommendations are being pursued by COPU.
3	TASCO/PSM	2014-15	12.07.2022	
4	ARC	1997-98	01.10.2009	Totally six recommendations. Out of this, four recommendations were settled and two are being pursued by COPU.

Recommendations of COPU and its latest position

Sl. No	Recommendations of COPU	Latest position
1	**TANTEA Review 2003-04** The Committee recommends to handover the unutilized land to Forests Department at the earliest and also requests to give a detailed up-to-date report in this regard to the committee. (Para No. 3.7 of the COPU Report)	The Action Taken Notes from the Department is awaited.
2	The committee desires to have a detailed report on the production of tea for the past five years including norms fixed for yield per hectare and actual achievements and recommends taking necessary steps to run the TANTEA to achieve profit like private companies. (Para No. 4.5.7 of the COPU Report)	
3	The Committee recommends taking all possible efforts to keep up good production and maximum capacity utilization. The committee also desires to have a detailed report on this issue within six months on receipt of this report. (Para No. 5.5 of the COPU Report)	

Sl. No	Recommendations of COPU	Latest position
4	The Committee desired to have detailed report on the transfer of machineries to the other Tea factories and their utilization in respective factories. (Para No. 6.7 of the COPU Report)	
5	The Committee desires to have detailed up-to-date report about the projects implemented and progress achieved in increasing the production. (Para No. 7.4 of the COPU Report)	
6	The Committee recommends that considering the huge financial benefit in open market sale, necessary steps may be taken to devise a marketing strategy to improve direct sales. (Para No. 8 (b) 2 of the COPU Report)	
7	The Committee recommends that the company may try to create required marketing network to improve direct sales. (Para No. 9.3 of the COPU Report)	
8	The Committee desires to have a detailed up-to-date report on this issue. . (Para No. 10.4 of the COPU Report)	
9	The Committee desires to have a report on the present position on the areas covered by the Internal Audit and pending paragraphs of Internal Audit Report. (Para No. 11.2 of the COPU Report)	
10	General The Committee desires expeditious action should be taken by the Government on the observations in this report. The final report of the action taken should be sent within six months from the date of presentation of this Report. (Para No. 12.1 of the COPU Report)	
1	**TASCO Review 2004-05** The Committee recommends the Company to avoid diversion of sugarcane in future and a detailed report about the action taken against those who were responsible for diversion of sugarcane to other mills (Para 2.6 and 2.7 of Audit Report)	During 2002-03 season, a major turbine breakdown occurred on 22.05.2003, servicing of which took much longer time. In order to safeguard the welfare interest of the cane growers, the balance available cane was diverted to other mills. The breakdown was unanticipated. Hence, the Department replied that none of the Officers/Technical staff can be held responsible for the breakdown. However, the Department has ensured that the breakdowns are kept at minimum and the Mill operations are maintained at the budgetary level.

Sl. No	Recommendations of COPU	Latest position
2	The committee had directed the company to furnish data on shortfall in budgeted production and to state the reasons for such shortfall. Budget vs Actual production (Para 2.11 of Audit Report)	The Department replied that the company had not furnished the particulars called for but had given only the report on action initiated to achieve higher sugar production. Moreover, Department has stated the following reasons for shortfall in production of sugar: 1. Sugarcane production depends upon the rainfall during growth stage (during 6 to 8 months from the date of planting) but budgets are prepared in January and February, expecting good monsoon. 2. Similarly, recovery also depends on the prevailing climate at the time of crushing, which is very high. 3. Presence of over aged Machineries and recurrence of repairs and maintenance, entailed frequent occurrence of breakdown led to discontinued crushing season. 4. Due to poor receipt of rainfall during monsoon season, depletion of ground water table resulted in perishment of registered cane, poor tillering, stunted growth and poor yield.
3	The proposed modernization was scheduled to be completed in September 2011. But the same was still under progress as of October 2015. Hence, the committee calls for details of actual or expected date of completion and the improvement to the operational effectiveness of mills after such modernization. Production hours (Para No. 2.13 of Audit Report)	In Arignar Anna Sugar Mills (15 MW) cogeneration power plant with Mill Modernisation has been fully completed and became operational from 2018-19 season onwards. In Perambalur Sugar Mills (18 MW) co-generation plant with Mill Modernisation work commenced on 02.03.2019. The improvement to the operational efficiency of mills after carrying out Modernisation are as follows: 1. As the two major units of sugar mills *viz.,*Boiler and Turbine are new, the breakdown on the engineering head is within the norms of 2.5 *per cent.* 2. By minimizing the down time, the sugar mill productivity increases, as it is a continuous process industry. 3. The extraction depends upon the performance of the Mills. The New Milling tandem juice extraction is ensured on a higher level, thereby increasing the sugar production.
4	The Committee calls for the status of the cogeneration and modernization benefits, the company to submit a report on the consumption of bagasse and state whether it is within the norms prescribed. The consumption details for period 2015-16 to 2019-20 may be submitted to the committee. Consumption of Bagasse (Para No. 2.16 of Audit Report)	The details regarding consumption of bagasse for the period 2015-16 to 2019-20 was submitted to the committee. The Department stated that cogeneration plant along with Mill modernization was started on 02.03.2019 during crushing season 2019-20. Further, it was stated that, the saved bagasse during the two seasons were utilized for electricity generation and exported to TANGEDCO grid.

Sl. No	Recommendations of COPU	Latest position
5	In view of the fact that cogeneration and modernization programme are not completed, the committee desires to have a latest report on actual repair and maintenance cost vis-a-vis norms from the year 2015-16 to 2019-20. Repairs and maintenance (Para on 2.19 of Audit Report)	The details regarding Actual repairs and maintenance cost incurred from 2015-16 to 2019-20 was submitted to the committee.
6	The committee calls for budgeted and actual cost of production for the years from 2015-16 to 2019-20 to take a final decision in this regard. Other factors (Para No. 2.20 of Audit Report)	The details regarding budgeted and actual cost of production for the years from 2015-16 to 2019-20 was submitted to the committee.
	TASCO/PSM Review 2014-15	Discussed on 12.07.2022
1	**ARC Review 1997-98** The Committee would like to know whether the company has prepared Corporate Plan after 1997-1998.	The Department has submitted the Latex Harvesting policy and the Annual Operations as management plan. Further, it has submitted the Board approved strategic plan for 5/8 years containing the revised schedule up to 2024-25 and replanting schedule of senile rubber trees up to 2027-28, tapping frequency, staff strength and re-structuring plan to the committee.
2	The Committee recommends that details about total number of trees available as per norms and the stands achieved per hectare be furnished within three months of receipt of this report.	The Department have submitted the details about number of saplings planted per hectare and expected survival.

Source: Data extracted from COPU Reports

Annexure – 4

(Referred to in paragraph 2.2.4.4, 2.2.5.4 and 2.2.6.3)

a) Operational Performance of TASCO/PSM

Particulars/ Year	TASCO	PSM	TASCO	PSM	TASCO	PSM	TASCO	PSM	TASCO	PSM
	2016-17		2017-18		2018-19		2019-20		2020-21	
Installed capacity (Lakh MT)	4.3	5.16	4.3	5.16	4.3	5.16	4.3	5.16	4.3	5.16
Cane crushed (Lakh MT)	2.62	1.91	1.85	1.76	1.97	2.07	2.04	1.78	1.79	2.02
Utilized capacity (percentage)	60.93	37.02	43.02	34.11	45.81	40.12	47.44	34.50	41.63	39.15
Sugar produced (Lakh Quintal)	2.05	1.57	1.45	1.44	1.57	1.73	1.74	1.60	1.58	1.82
Budgeted recovery[1] (percentage)	8.51	9.00	8.61	9.00	9.50	9.25	9.50	8.50	9.00	9.10
Actual Recovery (percentage)	7.87	8.25	7.80	8.21	8.00	8.36	8.53	8.97	8.86	8.97

Source: Data furnished by TASCO and PSM

b) Operational Performance of TANTEA

(lakh /kg)

Year	GTL yield – Target	GTL yield - Actual	Percentage of GTL yield	Annual installed capacity of made tea	Production of made tea excluding tea waste	Percentage of made tea production
(1)	(2)	(3)	(4)	(5)	(6)	(7) [(6)*100/(5)]
2016-17	300	276.88	92.30	120	65.88	54.90
2017-18	297	283.18	95.35	120	64.95	54.12
2018-19	270	252.41	93.48	120	54.47	45.39
2019-20	292	298.58	102.25	120	67.93	56.61
2020-21	368	319.29	86.76	120	77	64.17

Source: Data furnished by TANTEA

c) Operational performance of ARC

Sl. No	Year	Latex Production (in MT)	
		Target	Achievement
1	2016-17	1840	1885
2	2017-18	1565	1573
3	2018-19	1450	1369
4	2019-20	1300	1326
5	2020-21	1389	1479

Source: Details furnished by ARC

Note: ARC processes the actual latex produced during the year in the factory.

[1] Budgeted recovery rate is a norm for recovery of sugarcane fixed by the Company.

Annexure - 5

(Referred to in paragraph **2.2.4.4 (a)***)*

A. Loss of revenue due to Shortfall in capacity utilisation in TASCO

Sl. No	Crushing season	Date of commencement of crushing	Date of closure of crushing	Installed capacity(in lakh MT)	Actual cane crushed (in lakh MT)	Capacity utilisation considering 172 days (in *per cent*)	Actual days cane crushed during the season	Maximum crushing capacity for actual days (in lakh MT)	Capacity utilisation considering actual crushing days (in *per cent*)
1	2016-17	16.12.2016	03.05.2017	4.3	2.62	61	139	3.48	75
2	2017-18	24.11.2017	23.03.2018	4.3	1.85	43	120	3.00	62
3	2018-19	29.12.2018	23.05.2019	4.3	1.97	46	146	3.65	54
4	2019-20	10.12.2019	25.04.2020	4.3	2.04	47	138	3.45	59
5	2020-21	26.12.2020	01.05.2021	4.3	1.79	42	127	3.18	56

B. Loss of revenue due to shortfall in capacity utilization in PSM

Sl. No	Crushing season	Date of commencement of crushing	Date of closure of crushing	Installed capacity (in lakh MT)	Actual cane crushed (in lakh MT)	Capacity utilisation considering 172 days (in Percentage)	Actual days cane crushed during the season	Maximum crushing capacity for actual days (in lakh MT)	Capacity utilisation considering actual crushing days (in percentage)
1	2016-17	21.12.2016	13.04.2017	5.16	1.91	37	113	3.39	56
2	2017-18	14.12.2017	28.03.2018	5.16	1.76	34	105	3.15	56
3	2018-19	22.12.2018	28.04.2019	5.16	2.07	40	128	3.84	54
4	2019-20	16.12.2019	27.03.2020	5.16	1.78	34	103	3.09	58
5	2020-21	28.12.2020	29.04.2021	5.16	2.02	39	123	3.69	55

Source: Data furnished by TASCO and PSM

Annexure - 6

(Referred to in paragraph **2.2.4.4 (b))**

A. Loss of revenue due to low recovery of sugar in TASCO

Particulars	2016-17		2017-18		2018-19		2019-20		2020-21		Total
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	
Installed capacity(in lakh MT/annum)		4.30		4.30		4.30		4.30		4.30	
Cane crushed (In lakh MT)	3.00	2.62	2.00	1.85	2.62	1.97	2.40	2.04	1.75	1.79	
Recovery(in percentage)	8.51	7.87	8.61	7.80	9.50	8.00	9.50	8.53	9.00	8.86	
Variation (in percentage)		92.48		90.59		84.21		89.79		98.44	
Shortfall in recovery(in percentage)		0.64		0.81		1.50		0.97		0.14	
Shortfall in quantity due to low recovery (in quintal)		16,764.22		15,015.10		29,506.10		19,834.70		2,502.88	83,622.86
Average realisation of sugar (in ₹/quintal)	2,798	3,579	3,579	3,734	2,964	3,304	3,100	3,400	3,300	3,448	
Loss of revenue due to low recovery (₹ in crore) (Total A)		**6.00**		**5.61**		**9.75**		**6.74**		**0.86**	**28.96**

Source: Data furnished by TASCO

B. Loss of revenue due to low recovery of sugar in PSM

Particulars	2016-17		2017-18		2018-19		2019-20		2020-21		Total
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	
Installed capacity(inlakh MT /annum)	5.16	5.16	5.16	5.16	5.16	5.16	5.16	5.16	5.16	5.16	
Cane crushed(in lakh MT)	4.00	1.91	2.25	1.76	3.40	2.07	1.40	1.78	1.90	2.02	
Recovery (in percentage)	9.00	8.25	9.00	8.21	9.25	8.36	8.50	8.97	9.10	8.97	
Shortfall in recovery (in percentage)		0.75		0.79		0.89		0		0.13	
Shortfall in quantity due to low recovery (in quintal)		14,342.10		13,881.49		18,466.70				2,629.61	
Average realisation of sugar (in ₹/quintal)	2,777.90	3,580.04	3,599.93	3,743.14	3,065.86	3,300.53	3,100.00	3,380.50	3,300.00	3,449.07	**33,296.97**
Loss of revenue due to low recovery (₹ in crore) (Total B)		**5.13**		**5.20**		**6.09**				**0.91**	**17.33**
										Grand Total (A+B)	**46.29**

Source: Data furnished by PSM

Annexure - 7

(Referred to in paragraph 2.2.4.4 (b))

A. Loss of revenue due to escapement of sugar in TASCO

	2016-17		2017-18		2018-19		2019-20		2020-21		
Particular	**Budgeted**	**Actual**	**Budgeted**	**Actual**	**Budgeted**	**Actual**	**Budgeted**	**Actual**	**Budgeted**	**Actual**	**Total**
Installed capacity (in lakh MT/Annum)		4.30		4.30		4.30		4.30		4.30	
Cane crushed (in lakh MT)	3.00	2.62	2.00	1.85	2.62	1.97	2.40	2.04	1.75	1.79	
Average realization of sugar (in ₹/quintal)	2,798	3,579	3,579	3,734	2,964	3,304	3,100	3,400	3,300	3,448	
Total loss (in percentage)	1.80	1.91	1.80	1.84	1.80	2.05	1.80	1.88	1.80	1.86	
Escapement more than the norm(in percentage)		0.11		0.04		0.25		0.08		0.06	
Sugar lost due to escapement (in quintal)		2,881.35		741.48		4,917.67		1,635.84		1,072.66	**11,249.02**
Loss of revenue due to escapement (₹ in crore) (Total A)		**1.03**		**0.28**		**1.62**		**0.56**		**0.37**	**3.86**

B. Loss of Revenue due to escapement of sugar in PSM

	2016-17		2017-18		2018-19		2019-20		2020-21		
Particulars	**Budget**	**Actual**	**Budget**	**Actual**	**Budget**	**Actual**	**Budget**	**Actual**	**Budget**	**Actual**	**Total**
Installed capacity (in lakh MT/annum)	5.16	5.16	5.16	5.16	5.16	5.16	5.16	5.16	5.16	5.16	
Cane crushed (in lakh MT)	4.00	1.92	2.25	1.76	3.40	2.07	1.40	1.78	1,.90	2.02	
Average realisation of sugar (in ₹/ quintal)	2,777.90	3,580.04	3,599.93	3,743.14	3,065.86	3,300.53	3,100	3,380.50	3,300	3,449.07	
Total Loss (in percentage)	1.80	2.07	1.80	1.97	1.80	1.96	1.80	1.90	1.80	1.90	
Escapement more than the norm (in percentage)		0.27		0.17		0.16		0.10		0.10	
Sugar lost due to escapement (in quintal)		5,163.16		2,987.16		3,319.86		1,784.43		2,022.78	**15,277.38**
Loss of revenue due to escapement (₹ in crore) (Total B)		**1.85**		**1.12**		**1.10**		**0.60**		**0.70**	**5.36**
										Grand Total (A+B)	**9.22**

Annexure - 8

(Referred to in paragraph 2.2.4.5)

A. Huge piling up of inventory and Cash credit availed in TASCO

Sl. No	Season	Opening Stock of sugar (In lakh quintal)	Quantity produced (in lakh quintal)	Quantity released (in lakh quintal)	Closing stock of sugar (In lakh quintal)	Average Realisation price (in ₹ per quintal)	Value of closing stock (₹ in crore)	Name of the bank	Cash credit availed (₹ in crore)	Total interest on cash credit paid to the bank on during the year (₹in crore)	Percentage of production to inventory
1	2016-17	0.02	2.05	2.05	0.02	3,578.87	0.72		0.00	0.00	1
2	2017-18	0.02	1.45	1.30	0.17	3,734.04	6.35	IOB	14.84	0.75	12
3	2018-19	0.17	1.57	0.75	0.99	3,303.85	32.71	TCCB	12.64	0.25	63
4	2019-20	0.99	1.74	1.40	1.33	3,399.74	45.22	TCCB	45.96	2.60	76
5	2020-21	1.33	1.58	1.83	1.08	3,447.59	37.23	TCCB	30.03	4.32	68
	Total A						**122.23**		**88.64**	**7.17**	

Source: Data furnished by TASCO

B. Huge piling of inventory and cash credit availed in PSM

Sl. No	Season (Oct-Sep)	Opening stock of sugar (in lakh quintal)	Quantity produced (in lakh quintal)	Quantity released (in lakh quintal)	Closing stock of sugar (in lakh quintal)	Average Realisation price (in ₹ per quintal)	Value of closing stock (₹ in crore)	Name of the bank	Cash credit availed (₹ in crore)	Total interest paid to the bank during the year (₹ in crore)	Percentage of production to inventory
1	2016-17	0.15	1.57	1.71	0.01	3,580.04	0.36	SBI	30.00	1.61	1
2	2017-18	0.01	1.44	1.30	0.15	3,743.14	5.61	SBI	30.00	2.33	10
3	2018-19	0.15	1.73	0.86	1.02	3,300.53	33.67	SBI	46.59	1.08	59
4	2019-20	1.02	1.60	1.37	1.25	3,380.05	42.25	TDCC Bank	46.59	4.02	78
5	2020-21	1.25	1.81	1.89	1.17	3,449.07	40.35	TDCC bank	65.35	5.80	65
	Total B						**122.24**		**218.53**	**10.90**	
								Grand Total (A+B)		**18.07***	

Source: Data furnished by PSM

*** Note: Total pertains to the period 2018-21.**

Annexure - 9

(Referred to in paragraph 2.2.5.4 (a))

Per hectare yield of GTL in TANTEA compared with District average

(In kg/Hectare)

Year	Nilgiris region			Waynad region			Anamalai Region		
	TANTEA	District average	Shortfall	TANTEA	District average	Shortfall	TANTEA	District average	Shortfall
2016-17	6,810	7,951	1,141	7,167	10,598	3,431	5,898	9,772	3,874
2017-18	8,138	9,816	1,678	7,297	9,885	2,588	5,603	9,494	3,891
2018-19	7,561	10,511	2,950	6,448	9,168	2,720	5,016	9,150	4,134
2019-20	7,973	8,924	951	8,052	9,737	1,685	5,176	8,720	3,544
2020-21	8,446	8,572	126	8,543	10,654	2,111	5,761	9,124	3,363
Total shortfall of GTL (kg/hectare)	38,928	45,774	6,846	37,507	50,042	12,535	27,454	46,260	18,806
Total area (in Hectare)			424.18			2,673.22			956.36
Total shortfall of GTL (in lakh kg)			29.04			335.09			179.85
Shortfall in made tea production (in lakh Kg)			5.81			83.77			44.96
Total shortfall in production of made tea (in lakh kg)									134.54
Lowest average price realised(in ₹/kg)									73.69
Revenue foregone(₹ in crore)									**99.14**

Source: Data furnished by TANTEA

Annexure - 10

(Referred to in paragraph 2.2.5.4 (c))

Loss of revenue due to Inadequate application of fertilizers in TANTEA

			2016-17		2017-18		2018-19		2019-20		2020-21		2016-21	
Sl. No	**Factory**	**Annual installed capacity (in lakh kg)**	**GTL processed (in lakh kg)**	**Made tea produced (Including tea waste) (in lakh kg)**	**GTL processed (in lakh kg)**	**Made tea produced (including tea waste) (in lakh kg)**	**GTL processed (in lakh kg)**	**Made tea produced (including tea waste) (in lakh kg)**	**GTL processed (in lakh kg)**	**Made tea produced (including tea waste) (in lakh kg)**	**GTL processed (in kg)**	**Made tea produced (including tea waste) (in lakh kg)**	**GTL processed (in lakh kg)**	**Made tea produced (including tea waste) (in lakh kg)**
1	Cherambady	22.50	3.86	1.09	4.86	1.12	0	0	0	0	0	0	8.72	2.21
2	Cherangode	22.50	35.30	9.18	50.48	12.73	37.02	9.26	47.62	11.89	62.38	16.37	232.79	59.43
3	Nelliyalam	15.00	53.66	15.04	51.34	14.39	41.87	10.90	62.09	15.06	68.61	17.12	277.57	72.51
4	Tigerhill	7.50	34.44	10.42	31.69	8.67	29.31	7.75	41.38	11.10	43.33	10.64	180.16	48.58
5	Quinshola	7.50	32.60	10.23	31.33	8.03	26.36	7.56	42.43	11.44	40.19	11.14	172.90	48.40
6	Pandiar	15.00	60.62	15.55	58.59	12.25	51.30	13.06	54.70	13.80	62.99	15.24	288.20	69.91
7	Ryan	15.00	55.08	13.73	53.78	13.44	46.38	11.49	48.11	11.88	48.52	12.51	251.89	63.05
8	Lawson	15.00	1.32	0.32	0	0	0	0	0	0	0	0	1.32	0.32
	Total	120.00	276.87	75.58	282.07	70.62	232.25	60.02	296.33	75.16	326.03	83.03	1413.55	364.40
	If 20% increase (in Kg)		55.38	13.84	56.41	14.10	46.45	11.61	59.27	14.82	65.21	20.76		
	Average realisation price(in ₹ /kg)			95.11		74.43		89.02		83.59		117.93		
	Additional revenue forgone (₹ in crore)			**13.17**		**10.50**		**10.34**		**12.39**		**24.48**		**70.87**

Source: Data furnished by TANTEA

Annexure - 11
(*Referred to in paragraph* 2.2.5.4 (d))

Loss of revenue due to Tea waste beyond the norm in TANTEA

Sl.No	Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
1	Made Tea Produced excluding Tea waste (in lakh kg)	65.88	64.95	54.47	67.93	77.01
2	Tea waste norm (2 *per cent*) quantity (in lakh kg)	1.32	1.30	1.09	1.36	1.54
3	Actual tea waste quantity (in lakh kg)	9.70	5.73	5.54	7.22	6.02
4	Excess Tea waste quantity (in lakh kg)	8.38	4.43	4.45	5.86	4.48
5	Actual tea waste (in percentage)	14.73	8.82	10.17	10.63	7.82
6	Overall Average Price realisation (in ₹/kg)	97.83	73.69	90.12	85.11	118.10
7	Tea waste realisation (in ₹ /kg)	33.02	30.31	24.24	38.28	38.69
8	Difference (in ₹ /kg)	64.81	43.38	65.88	46.83	79.41
9	**Loss (₹ in crore)**	**5.43**	**1.92**	**2.93**	**2.75**	**3.56**
10	**Total loss (₹ in crore)**					**16.59**

Source: Data furnished by TANTEA

Annexure - 12

(Referred to in paragraph 2.3)

Statement showing Loss of interest due to the initial deposit made with TNPFC under Regular Interest Payment Scheme (RIPS) instead of Cumulative Interest Payment Scheme (CIPS)

(₹ in crore)

Sl. No	Fixed Deposit Number	Date of Deposit	Date of maturity	Amount deposited	Cumulative Interest Payment Scheme		Regular Interest Payment Scheme		Loss of interest (Amount)
					Effective yield rate (Percentage)	Eligible interest (Amount)	Effective yield rate (Percentage)	Actual interest earned (Amount)	
1	2	3	4	5	6	7 = (5) * (6) * 3 Years	8	9 = (5) * (8) * 3 Years	10 = (7) - (9)
1	RAA320547	20-01-2017	20-01-2020	40.00	9.64	11.57	8.84	10.61	0.96
2	RAA322915	24-02-2017	24-02-2020	20.00	9.64	5.78	8.84	5.30	0.48
3	RAA325001	03-04-2017	03-04-2020	20.00	9.64	5.78	8.84	5.30	0.48
4	RAA326741	27-04-2017	27-04-2020	50.88	9.64	14.71	8.84	13.49	1.22
5	RAA328179	18-05-2017	18-05-2020	50.00	9.64	14.46	8.84	13.26	1.20
6	RAA330424	21-06-2017	21-06-2020	50.00	9.64	14.46	8.84	13.26	1.20
7	RAA345120	21-07-2017	21-07-2020	50.00	9.64	14.46	8.84	13.26	1.20
8	RAA347410	23-08-2017	23-08-2020	50.00	9.64	14.46	8.84	13.26	1.20
9	RAA349459	25-09-2017	25-09-2020	50.00	9.64	14.46	8.84	13.26	1.20
10	RAA351695	26-10-2017	26-10-2020	50.00	9.64	14.46	8.84	13.26	1.20
11	RAA352763	09-11-2017	09-11-2020	500.00	9.64	144.60	8.84	132.60	12.00
12	RAA353808	23-11-2017	23-11-2020	100.00	9.64	28.92	8.84	26.52	2.40
13	RAA355917	27-12-2017	27-12-2020	100.00	9.64	28.92	8.84	26.52	2.40
14	RAA357775	29-01-2018	29-01-2021	100.00	9.64	28.92	8.84	26.52	2.40
15	RAA359798	21-02-2018	21-02-2021	100.00	9.64	28.92	8.84	26.52	2.40
16	RAA362793	11-04-2018	11-04-2021	100.00	9.64	28.92	8.84	26.52	2.40
				1430.88		**413.81**		**379.47**	**34.34**

Annexure - 13
(*Referred to in paragraph 2.3*)

Statement showing Loss of interest due to renewal of deposits under Regular Interest Payment Scheme (RIPS) instead of Cumulative Interest Payment Scheme (CIPS)

(₹ in crore)

Sl. No	FD Receipt No.	Date of Deposit	Date of maturity	Amount deposited	Cumulative Interest Payment Scheme		Regular Interest Payment Scheme		Loss of interest (Amount)
					Effective yield rate (Percentage)	Eligible interest (Amount)	Effective yield rate (Percentage)	Actual interest earned (Amount)	
1	2	3	4	5	6	7= (5) x (6) x3 Years	8	9= (5) x (8) x 3 years	10=(7)-(9)
1	RAA349459	25-09-2020	25-09-2023	50.00	8.94	13.41	8.24	12.36	1.05
2	RAA351695	26-10-2020	26-10-2023	50.00	8.94	13.41	8.24	12.36	1.05
3	RAA352763	09-11-2020	09-11-2023	500.00	8.94	134.10	8.24	123.6	10.50
				600.00		**160.92**		**148.32**	**12.60**

Annexure - 14

(Referred to in paragraph 2.3)

Statement showing Loss of interest due to delay in renewal of fixed deposits

(₹ in crore)

Sl. No	FD Receipt No.	Date of maturity	Date of actual renewal	No. of days delayed in renewal	Amount deposited	Effective yield rate under cumulative scheme (Percentage)	Interest to be earned for the delayed period (Amount)	Actual interest received for over due period (@ 5.25 *per cent*) (Amount)	Loss of interest for the delayed period (Amount)
1	2	3	4	5=(4)-(3)	6	7	8=(5/365)x(6)x(7)	9	10=(8)-(9)
1	RAA320547	20-01-2020	19-12-2020	334	40	9.32	3.41	1.92	1.49
2	RAA322915	24-02-2020	19-12-2020	299	20	9.32	1.53	0.86	0.67
3	RAA325001	03-04-2020	19-12-2020	260	20	9.32	1.33	0.74	0.58
4	RAA326741	27-04-2020	19-12-2020	236	51	9.32	3.07	1.72	1.35
5	RAA328179	18-05-2020	19-12-2020	215	50	9.32	2.74	1.54	1.21
6	RAA330424	21-06-2020	19-12-2020	181	50	9.32	2.31	1.29	1.02
7	RAA345120	21-07-2020	19-12-2020	151	50	9.32	1.93	1.08	0.85
8	RAA347410	23-08-2020	19-12-2020	118	50	9.32	1.51	0.85	0.66
	Total				**331**		**17.83**	**10.00**	**7.83**

Annexure - 15

(Referred to in paragraph 2.3)

Statement showing loss of interest due to reduction of interest rate on account of belated renewal of fixed deposit

(₹ in crore)

Sl. No	FD Receipt No.	Date of maturity	Date of actual renewal	Amount deposited	Interest to be earned if the deposits were renewed on the date of maturity		Interest receivable due to delay in renewal of fixed deposits		Loss due to delay in renewal (Amount)
					Effective yield rate (Percentage)	Amount	Effective yield rate (Percentage)	Amount	
1	2	3	4	5	6	7 = (5) * (6) * 3 Years	8	9 = (5) * (8) *3 Years	10 = (7) - (9)
1	RAA320547	20-01-2020	19-12-2020	40.00	9.32	11.18	8.94	10.73	0.46
2	RAA322915	24-02-2020	19-12-2020	20.00	9.32	5.59	8.94	5.36	0.23
3	RAA325001	03-04-2020	19-12-2020	20.00	9.32	5.59	8.94	5.36	0.23
4	RAA326741	27-04-2020	19-12-2020	50.88	9.32	14.23	8.94	13.65	0.58
5	RAA328179	18-05-2020	19-12-2020	50.00	9.32	13.98	8.94	13.41	0.57
6	RAA330424	21-06-2020	19-12-2020	50.00	9.32	13.98	8.94	13.41	0.57
7	RAA345120	21-07-2020	19-12-2020	50.00	9.32	13.98	8.94	13.41	0.57
8	RAA347410	23-08-2020	19-12-2020	50.00	9.32	13.98	8.94	13.41	0.57
	Total			**330.88**		**92.51**		**88.74**	**3.77**

Annexure - 16

(Referred to in paragraph 2.5)

Non-levy of Cross Subsidy Charges from Captive Generating Plants as per Electricity Rules, 2005

Sl. No	HT SC No.	Name of the Consumer	Name of EDC	Drawal Voltage	Period		Million Units (MUs)	CSS to be levied (₹ in crore)
					From	To		
1	039094350360	Brookefields Estates P Ltd	Coimbatore/Metro	11 KV	04/2016	01/2022	40.78	6.68
2	039094350384	E-City Real Estates P Ltd	Coimbatore/Metro	11 KV	04/2016	01/2022	23.86	3.63
3	039094300628	Alliance Mall Developers	Coimbatore/North	11 KV	04/2016	01/2022	18.35	2.23
4	059094630105	Vishal De Mall	Madurai/Metro	11 KV	09/2016	01/2022	12.94	1.91
5	049094260419	Erode Textile Mall Ltd	Erode	22 KV	06/2017	01/2022	5.45	0.67
6	079094700249	DSF Grand Plazas	Tuticorin	22 KV	08/2016	01/2022	5.45	0.55
7	079094700297	T. Ananth	Tuticorin	22 KV	06/2016	01/2022	9.06	1.32
8	079094740078	Raja Mall	Kanyakumari	11 KV	12/2018	01/2022	0.68	0.08
9	019094022245	Spencer Plaza	Chennai Central	11 KV	04/2016	01/2022	21.65	3.69
10	019094022418	Spencer Plaza	Chennai Central	11 KV	04/2016	01/2022	25.26	4.24
11	019094022427	Chennai City Center	Chennai Central	11 KV	04/2016	01/2022	26.56	4.05
12	019094041943	Ganga Foundations	Chennai North	11 KV	04/2016	01/2022	3.74	0.62
13	019094061791	Ampa Housing Development	Chennai West	11 KV	07/2017	02/2019	7.56	0.85
14	099094010893	Classic Mall Development Co.	Chennai South-II	33 KV	07/2016	01/2022	117.59	17.19
15	099094010904	PS Precious Hana Grand Mall LLP	Chennai South-II	11 KV	04/2016	01/2022	16.13	2.43
16	099094000919	Vijaya Productions Pvt. Ltd	Chennai South-I	33 KV	04/2016	01/2022	93.02	13.89
17	029094160101	Maghalakshmi Plaazaa	Villupuram	22 KV	06/2018	01/2022	7.13	0.85
18	99094010459	Tidel Park	Chennai South-II	33 KV	01/2019	01/2022	39.13	5.29
							474.35 MUs	**70.17**
						GST 18 *per cent*		12.63
`						**Total under recovery**		**82.80**

Note: The CSS rate was based on the injection and drawal voltage level up to 10.08.2017. From 11.08.2017, it was fixed tariff wise. Since adjustments of many generators at different injection level will be adjusted against HT consumption, the least rate fixed for injection voltage has been adopted (drawal voltage is fixed).

Glossary of abbreviations	
Abbreviation	**Full form**
APCO	Association of Public Safety Communication Officials P25 Project
CCTV	Closed Circuit Television
CE	Chief Engineer
DE	Divisional Engineer
DFO	District Forest Officer
GOI	Government of India
GoTN	Government of Tamil Nadu
HC	High Court of Madras
HD	Highways Department
LA	Land Acquisition
LC	Level Crossing
LPS	Land Plan Schedule
MCP	Mega City Policing
MPF	Modernisation of Police Force
NH	National Highways
NHAI	National Highways Authority of India
PAC	Public Accounts Committee
ROB	Road Over Bridge
SE	Superintending Engineer
TANGEDCO	Tamil Nadu Generation and Distribution Corporation Limited
TANTRANSCO	Tamil Nadu Transmission Corporation Limited
TNERC	Tamil Nadu Electricity Regulatory Commission
TNPCB	Tamil Nadu Pollution Control Board
TNPWD	Tamil Nadu Public Works Department
TO	Tariff Order
TP	Town Panchayat
TS	Technical Sanction

© COMPTROLLER AND
AUDITOR GENERAL OF INDIA
www.cag.gov.in